Affordable Rental Housing

in Cape Town Townships

Facebook Report

January - April 2022

DAG

Development Action Group

CONTENTS

BACKYARD MATTERS
ENABLING PEOPLE, PLACE & POLICY

Backyard Matters is a partnership initiative between Development Action Group (DAG) and Isandla Institute. The project is aimed at strengthening the backyard rental market and contributing towards well-managed, quality rental stock that provides affordable, dignified, and safe housing solutions. Backyard Matters is funded by Comic Relief.

Backyard Rental Housing

Rental housing that is located on another property, usually a government-subsidised house or council housing, and typically lower-quality, semi-permanent dwellings made of timber and iron/zinc sheets.

Hoki

Synonym to a shack, a dwelling unit made of timber and iron/zinc sheets, typically with an open plan.

Separate Entrance

An entrance to a dwelling unit located on the same property as the main house (i.e own front door).

Landlord

A property owner offereing rental accommodation,or tenant subletting a property. Property managers and agents act on behalf of landlords.

Tenant

A person seeking rental accommodation in various locations.

Homeowner

A homeowner who builds addtional units in their backyard (typically 3-6 units, depending on space) to secure additional income.

Micro Developer

An entrepreneurial developer that builds multiple rental units comprising of 6 units and above, often on properties bought specifically for this purpose where the previous structures are demolished.

DAG is a registered non-profit organisation with the South African Government's Department of Social Development (Registration no: 0069-194 NPO). DAG is an association not for gain incorporated under Section 21 of the South African Companies Act (Registration no: 1993/006859/08). DAG is a public benefit organisation with South African tax exemption (Registration no: 930016961).

FIGURES

ABOUT THE BACKYARD MATTERS PROJECT

The Backyard Matters project aims to contribute towards an **improved understanding of the backyard and affordable rental housing sector**, and the **identification of interventions that could enhance and foster** this under-estimated and neglected avenue of housing delivery.

Backyard Matters is a 42-month project funded by Comic Relief, which brings together the Development Action Group [DAG] and the Isandla Institute. **The main objectives of the project are improving access to affordable rental housing stock in Cape Town, South Africa, improving the quality of rental stock provided through technical support, and developing new forms of collective bargaining around the needs of the backyard and affordable housing sector.**

The absence of market data pertaining to the affordable rental market has meant that the sector is not fairly understood. Fundamentally, this report is aimed at providing micro-developers and homeowners with a better understanding of the backyard and affordable rental market in various township areas for investment. The report gives a market overview of the supply and demand of this type of rental accommodation in Cape Town's township areas. Furthermore, it looks at various variables such as location, rental prices, and amenities offered.

In this edition, findings are categorised into three parts:

01
Tenants seeking

02
Landlords offering

03
Market performance

Age distribution of tenants and landlords

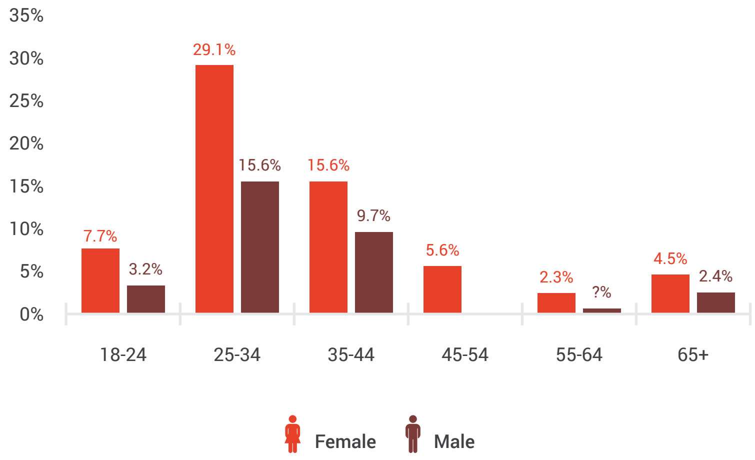

Figure 1: The age distribution of participants.

The graph above provides an overview of the age of those seeking and offering affordable rental units in Cape Town townships. As shown, most of the women and men are generally in the age group of 25 to 44 years of age. This suggests that the rental accommodation market is **dominated by young people**, who play either the role of a landlord or tenant.

01 Tenants seeking

Micro-developers investing in this sector may want to consider the market demand for their development. For example, understanding the demographic profile of tenants that are seeking rental accommodation could assist them in understanding the specific needs of potential tenants.

The data on the right provides an overview of tenants who are looking for affordable accommodation through the '*Affordable Places to Rent in Cape Town Townships*' Facebook group this quarter. Across the township neighborhoods, a significant proportion of the tenants (67%) are women. In this reporting period, 33% of those looking for affordable rental units were men.

Tenants

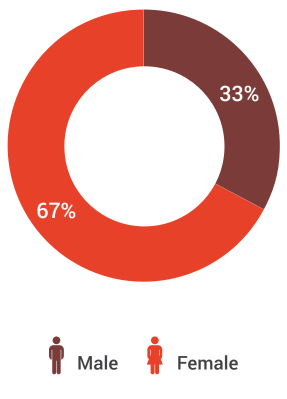

Figure 2: Demographic profile of tenants seeking rental accommodation.

Tenants' **location**

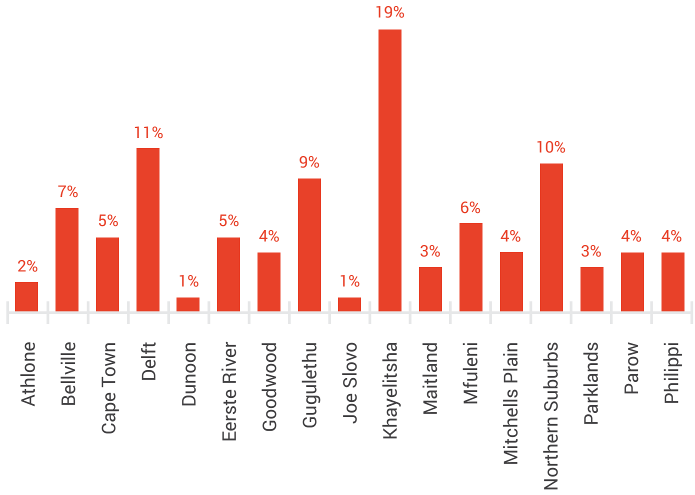

Figure 3: The location of tenants from the group.

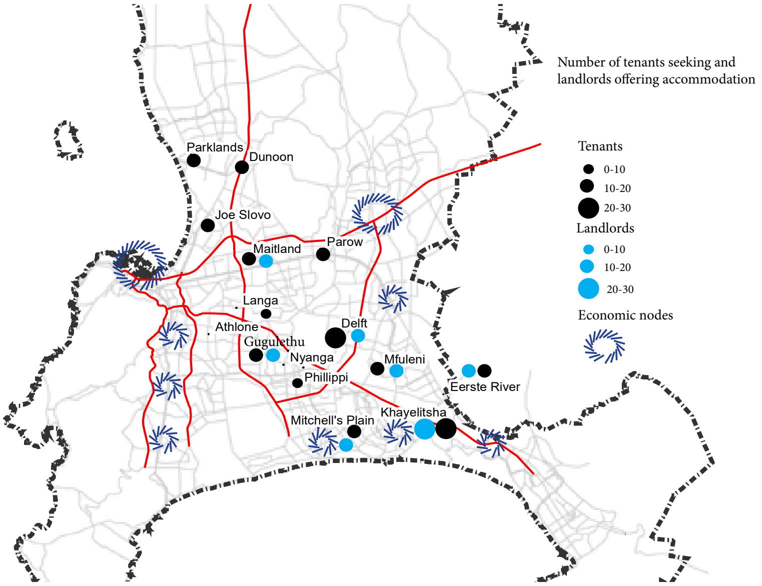

Figure 4: Number of tenants seeking and landlords offering affordable rental units at a given location.

The map (*figure 4*) indicates the number of tenants seeking and landlords offering affordable rental units at a given location, while the graph above it (*figure 3*) shows where prospective tenants are looking for acccommodation. The data from this quarter showed Khayelitsha and Delft as the two locations that were most attractive to tenants looking for accommodation, while fewer tenants were looking for units in areas such as Dunoon and Joe Slovo.

Amenities tenants seek

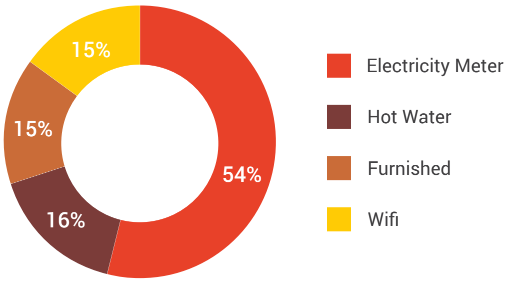

Figure 5: Important amenities tenants look for.

The graph on the left indicates the important amenities that tenants look for in rental accommodation. The most important amenity, which 54% of the tenants consider crucial, is having their own electricity meter box. Following this, 16% of tenants identified the need to have hot water inside the property. 15% of tenants were looking for properties that have BIC (built-in cupboards and stove) as part of a furnished room or property. Wi-Fi is also a feature that is considered by tenants when looking for accommodation.

Property size preference

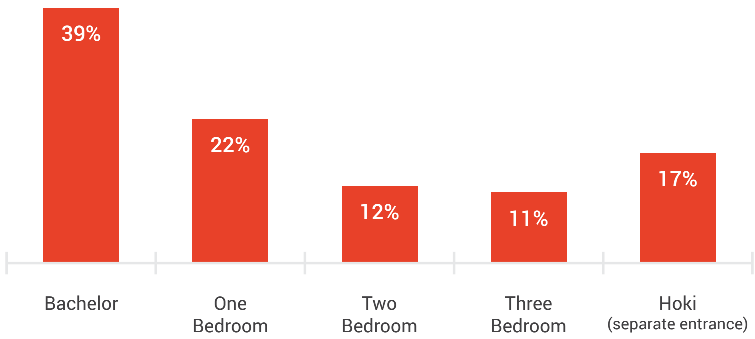

Figure 6: Property size preferences of tenants.

***Figure 6* provides an overview of the size of properties that tenants look for when looking for accommodation.** Property size here is defined as the number of units of the flat or house. This excluded the common areas such as the kitchen or bathroom. Unfortunately, the size of the units in square metres is not specified when landlords post their listings. In this quarter, tenants looking for units in Mitchells Plain preferred to rent out three-bedroom houses, while in Khayelitsha, Delft and Mfuleni tenants were looking for one-bedroom and bachelor flats. Those looking to rent hoki's (a structure built entirely from wood) emphasised the need for a separate entrance.

02 Landlords offering

This section of the report focuses on the supply side of the affordable rental housing sector in Cape Town townships. This will include the characteristics of locations, access to amenities, as well as the rental prices offered in the various developments advertised on the '*Affordable Places to Rent in Cape Town Townships*' Facebook group in this quarter. This section aims to help determine which locations one can develop or identify as a location that has reached saturation level in the market.

The data reveals that women are very active in this rental market. In this quarter, 82% of those offering affordable accommodation on the Facebook page were women. This figure includes female landlords, property managers, and real estate agents.

***Figure 8* provides an overview of the amenities that were offered by landlords in this quarter.** The majority (52%) of the properties advertised had parking for tenants. 27% of the properties were close to public transport. This includes properties near a bus terminal, main road, or taxi rank. Interestingly, 3% of the landlords incentivise their tenants by offering Wi-Fi included in the rental amount. Having access to Wi-Fi, their own meter box and furnished accommodation were priorities identified by tenants, as discussed above.

***Figure 9* shows the location of the landlords who used the Facebook group in this quarter, while the map below shows the location of rental units being advertised by landlords on the group.**

Comparing these to the tenant location graph and the map showing spatialised demand for rental units discussed earlier shows that there is demand in areas where there is little to no supply, which provides an opportunity for micro developers. For example, the map below shows that Delft currently experiences a low supply of affordable rental units, when it is the second highest in demand for tenants.

Landlord **Gender**

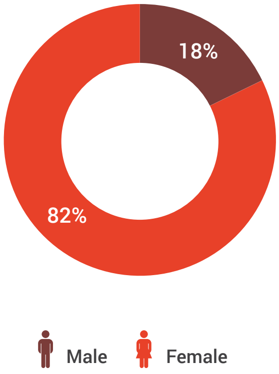

Figure 7: Demographic profile of landlords offering rental accommodation.

Amenities offered by rental accommodation

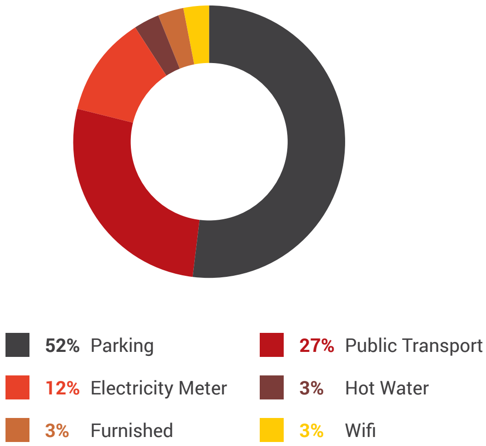

Figure 8: Overview of amenities offered by landlords.

Landlords' **location**

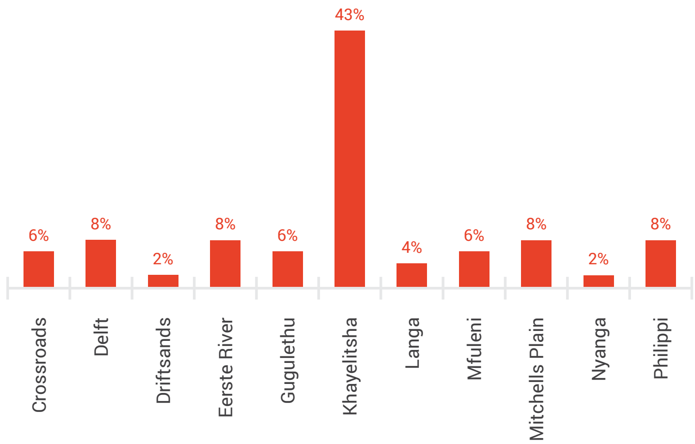

Figure 9: The location of landlords from the group.

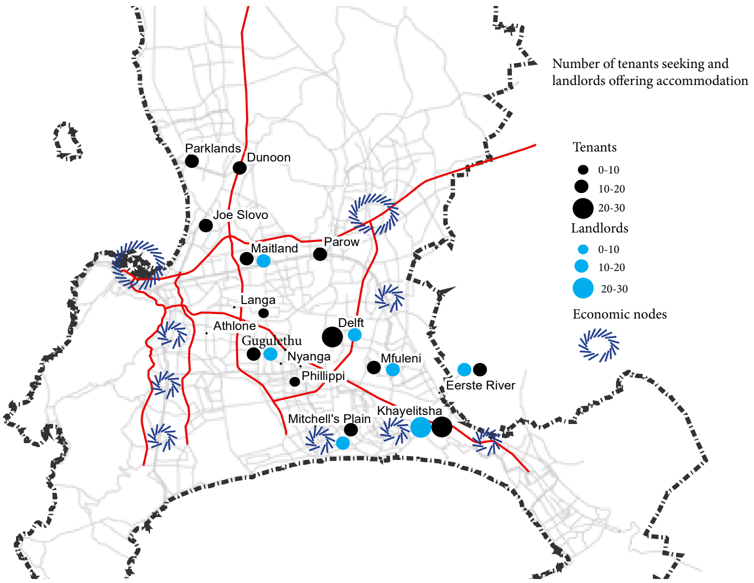

Figure 10: Number of tenants seeking and landlords offering affordable rental units at a given location.

As explained previously, the map above depicts areas where supply and demand for rental accommodation occurred in this reporting period. **Khayelitsha presents itself as the dominating location supplying rental accommodation in response to the demand.** The data above confirms that many tenants are still looking for rental accommodation in Khayelitsha.

Average **rent**

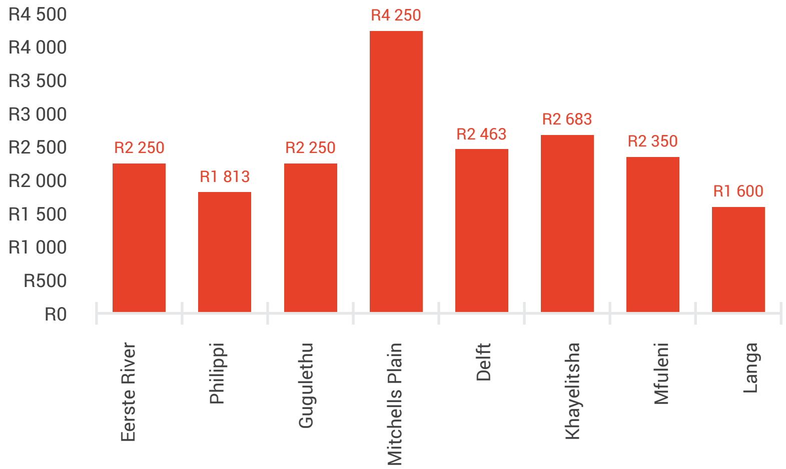

Figure 11:
Average rental spend per area.

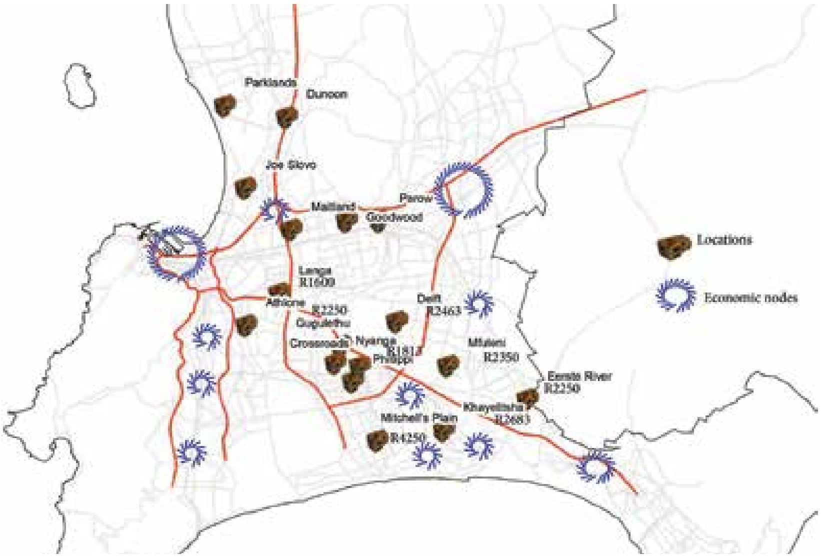

Figure 12:
Number of tenants seeking and landlords offering affordable rental units at a given location.

The data reveals that the price of rentals ranges from R1 500 to R4 200, with the highest average rent being paid in Mitchells Plain. This is because in areas such as Mitchells Plain, landlords tend to offer two-to-three-bedroom houses to rent. In this reporting period, landlords in Langa and Philippi charged cheaper average rentals of less than R2 000. However, location is not the only absolute factor for rental prices in this sector. There are other factors that influence rental prices, such as the types of properties advertised and the demand for these types of rental accommodations in areas where people are looking for a place to stay. As a result, the high demand shown in Khayelitsha influence the rental price, resulting in average rent of R2 683.

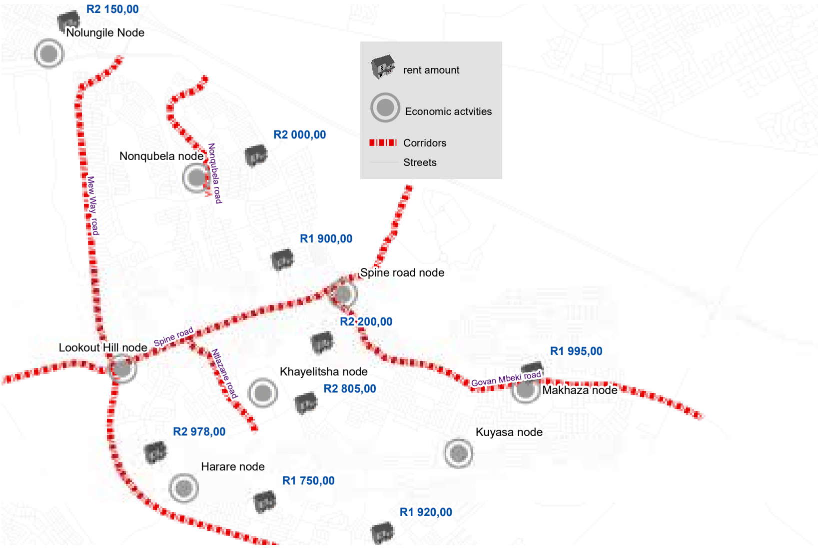

Figure 13: Average rental prices in the suburbs of Khayelitsha.

For this analysis, it's useful to have a closer look at the average rental prices in the suburbs of Khayelitsha and find out where there may be the greatest demand. This is because Khayelitsha is the township with the highest supply recorded in this reporting period. People choose Khayelitsha because it is surrounded by areas of micro-economic activities, social networks, and access to transport corridors. In general, the analysis shows that rental prices were highest in Litha Park, with a high average rental price of R2 978.

Landlord's **property types**

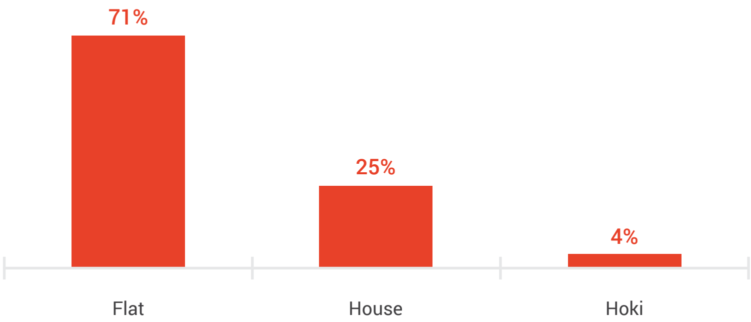

Figure 14: Property types in demand.

Developers operating in this rental market need to have a thorough understanding of what kind of property types are in demand. The graph above (*figure 14*) provides an overview of the property types that the landlord offered in this quarter.

Most landlords opted to rent out flats. This strong preference for these development properties is set to continue. **An example of a flat advertised in this quarter is shown below:**

Size:	One bedroom 35m^2
Rental Price:	R3 500
Location:	Delft
Tenants Occupying:	• Mostly nurses • Income brackets: between R15 000 - R25 000 • Tenant age: between 25 and elders 42 years old (majority in the early 30s)

Pictured above and opposite: The third property of a seasoned micro-developer situated in Delft. The property is comprised of 6 rental units.

03 Market performance

a. Vacancy rate

The vacancy rate in this report refers to rental units that are not occupied for a period of a month or more. Delft and Philippi in this quarter recorded higher vacancies, where units were vacant for two months and more. This high vacancy rate may suggest that few tenants are responding to the landlords' property adverts, and, in some instances, properties had a high rental amount or are not a preferred location by prospective tenants. Meanwhile, areas such as Khayelitsha show low or no vacancies for this reporting period. This suggests that the area is popular and performing well.

Units are vacant for 3 months:	3 properties
Building type:	RDP house, single room, house to share
Units are vacant for 2 months:	10 properties
Locations for these vacancies:	Delft, Philippi

b. Price performance

Difference in **asking rental price** by location

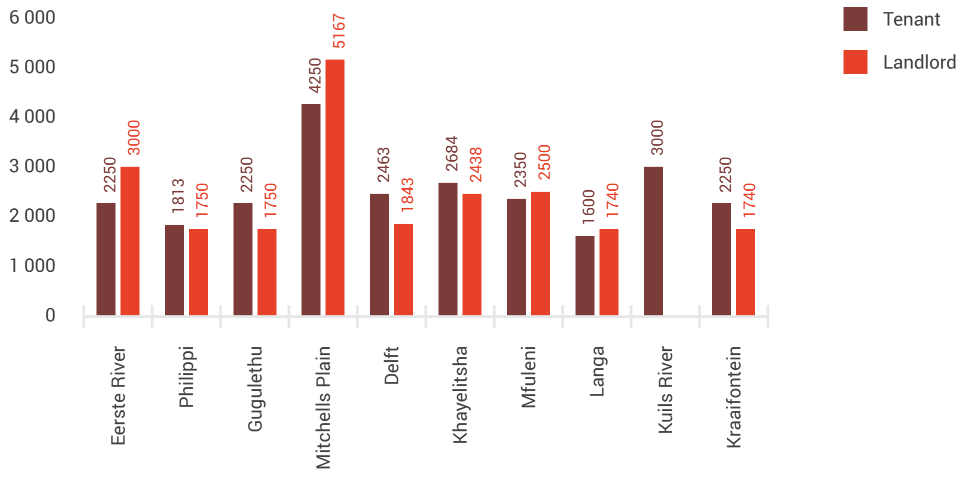

Figure 15: Rental prices by location.

The data (*figure 15*) shows the difference between the rentals asked by landlords and the average amounts budgeted by tenants in each location.

TAKEAWAY POINTS FROM THIS QUARTER

The affordable housing market shows great variation in terms of the types of rental accommodation offered by landlords or sought by tenants.

In this reporting period, the most preferred amenity that tenants look for in rental accommodation is a property that has its own electricity meter box. While landlord's mostly offer parking spaces. The above information shared insight of the quarterly rental market offered in Cape Town.

Tenants were on average asking R560 less for units than what landlords were offering.

Interestingly, in areas like **Philippi, Gugulethu, Delft and Khayelitsha**, the **average amount tenants are willing to pay, exceeds the average rental amounts landlords are offering.**

Factors that may influence the landlords' rental prices: Wifi, security, increased property rates, age of the property and location.

Data collected from reporting period.

Disclaimer:
This report acknowledges the sample size may limit the extent to which the data findings can be generalised. However, the data does provide some critical insights and trends into the affordable rental accommodation in Cape Town townships.

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