

**INCREASING PROPERTY VALUES
IN TOWNSHIPS**

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INCREASING PROPERTY VALUES IN TOWNSHIPS

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Declaration by student

I, the undersigned, hereby confirm that the attached treatise is my own work and that any sources are adequately acknowledged in the text and listed in the bibliography.

A handwritten signature in cursive script, appearing to read "J. Mustafa", is written over a horizontal line. Below the line, there are several small, evenly spaced tick marks.

Signature of acceptance and confirmation by student

Abstract

Title of treatise : Increasing property values in townships

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Parties interested in entering the property market for investment purposes - with particular interest in township properties - will find this study informative and effective in determining whether to make that investment decision or not. The thesis also looks into assessing the possibility of township properties, in the long run, yielding a better return on investment as compared to investing in property in suburbs.

The objective of this treatise is to question the possibility of increased property values in townships for investment purposes and the extent to which this could be done, in order to study whether a better return could be anticipated for investors in future. However, the study goes on further to assess whether it is in fact viable to increase property values in townships.

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CHAPTER 1

INCREASING PROPERTY VALUES IN TOWNSHIPS

1.1 INTRODUCTION

Property ownership is an investment. What draws appeal for most people when it come to investing in property is that while paying to own such an investment, the property can still be used to either live in or rent out to generate income. Property can also be used as surety or guarantee when taking out loans. Therefore, owning a property is a decision most would find favorable.

Prior to South Africa being a democratic country where everyone is currently equal and free, black people in South Africa barely had the comfort of owning their own property especially for investment purposes. Post democracy has changed this and allows any South African citizen to own property in any area they can afford to.

Those who cannot afford to own property go the route of renting one. This does not yield any future investments on the property for the party who is renting. More of the black middle class are choosing this option due to the highly priced houses in secure, suburban areas. Most of our black middle class come from townships and when starting to earn a substantial income, prefer to move out of the township into the city or suburbs.

With the current economic situation, many middle income earners and newly employed graduates feel forced to either rent or stay at home. However, for the black middle class there is the alternative route - buying

property in the townships. The idea seems sensible due to the lower prices of the houses and new developments taking place, which means one can get a brand new house which can be styled whichever way suites the client. The main downturn, other than crime, is that there isn't as much value in a house in the townships similar to that in the suburbs. Many factors, especially location, do not allow the same investment opportunity as one would get in places like Lyndhurst, Moreleta or Centurion for example within the Pretoria area.

1.2 MAIN PROBLEM

Can property values in the townships increase in value - to appeal to the black middle class for investment purposes - and will the increase be viable?

1.3 SUB-PROBLEMS

- 1.3.1 Can the value of properties in a certain area change over time?
- 1.3.2 Do professionals (developers, real estate agents, evaluators, and banks) influence the markets and thus play a role in the property value going up or down?
- 1.3.3 Does the economic condition of South Africa play a significant role in the lower property values in townships?
- 1.3.4 Does the current physical township structure appeal or attract the target market its intended for?

1.4 HYPOTHESIS

- 1.4.1 If a collective group of people's perception on value changes, then property values can change.
- 1.4.2 The property market is influenced and controlled by people at large.
- 1.4.3 The economic condition of South Africa plays a significant role in the lower property values in townships.
- 1.4.4 The current physical township structure does not appeal or attract the target market its intended for.

1.5 DELIMITATIONS

This study will use the Mamelodi Township in Pretoria as its research area and will make reference to other surrounding townships in the Gauteng area to get the overall effect on property values in townships.

Value will be the main focus of the study and thus such issues which may arise from surveys which are not related to value will be stated but not researched further.

The main subjects in this study will be the black middle class and surveys will mainly be for them. The other race groups will be referred to where comparisons are done between races and where their perceptions and ideologies on townships are necessary to be studied to enhance the research.

Residential properties will be the main property type researched and analyzed. Other property types may be mentioned in the physical township structure when discussing town planning schemes.

Only residential properties which are owned, sold or bought will be regarded in this study. Rentals will not be part of the research. The study will focus on property values from a few years before 1994 until 2009.

The residential properties studied will be those in township areas. Those in suburban areas will be looked into to make comparisons in price, structure, value and design.

1.6 DEFINITION OF TERMS

Target market – The black middle class

Property – Residential property

Township – Gauteng Townships particularly Mamelodi in some instances

Professionals – Those directly or indirectly involved in the housing and construction sector

Residential property – House, flat, cluster, cottage

Middle Class – Those in an income bracket of around R72 000 – R168 000 per annum

House – A residential property with a yard, where you own the building and the land

Sectional Title Deed - A legal documents used to indicate a party's ownership to a part of a property and not the land, e.g. flat.

Bond – Mortgage bond on property

Property ownership – Possessing a title deed to the owned property

Blacks – Refers to the black race

Developers – Those who invest monies in property in order to sell them at a profit

Designers – Architects

1.7 ASSUMPTIONS

In this study, it is assumed that those most likely to buy property in townships would be the black race. Hence they will be used as the main subject matter when studying the market.

It is assumed that it is safer for one to live in suburban areas than in the township due to higher levels of crime in township areas. The current perception that people have on townships is due to influences outside and thus can be changed by the same influences.

1.8 IMPORTANCE OF THE STUDY

Seeing how quickly South Africa is developing, it is important for those living in the country to own a part of it, especially those who feel that in the past they have been deprived of such ownership.

Increasing value in township areas will boost the property market and thus boost our economy. Improving on the current state of our townships will enhance the life of those living there creating a better life.

Looking at countries like China and Japan who take pride in their culture and allow minimal western influence automatically makes them distinct from other countries and thus value is added to such outlooks. The same could be done in South Africa where we start valuing our own heritage and way of life so as to appeal to the outside world and adding value to our lives.

Being proudly South African also implies being proud of where you come from and where you stay. If the current conditions of living and our properties in certain areas are tarnished, and have lost value in our eyes, then we lose the pride and value in ourselves.

This study, if successful, can address underlying issues not exposed in the open of our value systems and how construction and the property sector can play their role in changing negative perceptions and reinforcing a sense of value in our property markets and ourselves as a nation.

1.9 RESEARCH METHODOLOGY

1.9.1 Internet

The internet will be used to get updated, current or recent information on developments in townships.

1.9.2 Books

Books will be used to get a historic back round on past trends in terms of property valuations, the influence of location on value and factors which cause property values to increase or decrease.

1.9.3 Surveys

Surveys will be done targeting the black middle income earners irrespective of their residential dwelling in order to understand their perceptions, especially that of the black middle class.

CHAPTER 2

CAN THE VALUE OF PROPERTIES IN A CERTAIN AREA CHANGE OVER TIME?

2.1 INTRODUCTION

Should one want to invest in property, the most obvious factor would be its value. Is it worth paying the price stated? Will it yield good returns in future? Should you buy in a certain area, will that have an effect on your resale value?

The township area is known for its low property value; however, does this mean that the property values in townships will always remain lower than suburban areas? If so, to understanding the reasons why that is.

2.2 WHAT IS VALUE

In order to understand why the value of township houses is lower than that in suburbs, one needs to understand firstly what value is. What it means to different people and why it exists.

2.2.1 Philosophical Approach

Philosophy looks at value in a more complex approach. Some philosophers define value in terms of interest. "*A thing has value, or is valuable, in the original and generic sense when it is the object of an interest –any interest*" (Perry 1926: 3)

Therefore, a person's interest in a product determines how they value that product. Basically, what people's perception is of the value a product yields from their interest in that product.

According to (Jordan 1937: 15), when the desired object is difficult to attain, more value is added to it. Thus, the bigger the house, the more expensive it will be to build and thus seen as more valuable.

2.2.2 Dictionary meaning

Value is a difficult term to define. To simplify the matter, the dictionary meaning will be referred to. According to the dictionary (*Oxford 2002: 678*)

***Value [1]** the amount of money that something is worth; the importance or usefulness of something*

2.3 WHO DETERMINES VALUE

2.3.1 People

A famous quote which states "beauty is in the eye of the beholder" makes one question whether it is fair for a single person to determine the value of a thing without your judgment of worth of such a thing. Finsen (*Finsen 1991: 5*) however states, "*A display of goods in a shop window, with prices attached, does not constitute an offer that may be accepted by a party who tenders the purchase price. It is an invitation to the prospective purchaser*

to make an offer of purchase, which the shopkeeper will then be free to accept or reject, as he will. The attaching of a price to the goods has been held to be no more than an indication of the sort of offer that the shopkeeper would find acceptable.”

Therefore, somehow, the seller has the right to use his own view as to how much they believe their product is worth. The consumer retains the right to decide whether the price is worth it or not and this will constitute a sale or no sale.

“...Our attitude, as human beings, is not one of peaceful attainment, but rather one of effort and strife...constantly being reminded that one thing is better than the other, and that is often necessary to put forth a strenuous endeavour to secure the better and avoid the worse. “ (Jordan 1937: 99)

At the end of the day, people are the market. Their views or perceptions on things/products play a role in understanding what they find valuable or not.

2.3.2 Marketers

Marketers study how people perceive, why they perceive and what they perceive as being valuable. After extensive research, they market that product to suite the persons to which they target to have an interest in that product. This illustrates that people’s perceptions are volatile and can easily be influenced or manipulated to change. Marketers of a product are there to obviously add value to the product being sold. Marketers of a

product may create illusions of a fantastic product or bring out exclusivity in that product, in order to cause people's perceptions of that product to change obviously to a more positive and valuable perception.

Robin Morris (1992: 80), a marketing writer indicates how extensive their research of the people they target is. He states that, *"we need to analyze what makes them move, think, tick; their lifestyles, attitudes, perceptions, values, habits; what they eat and drink; the clothes they wear and their social lifestyles; their incomes and they do for entertainment."*

2.3.3 Government

In terms of property value, some government policies which are created may not be favourable to certain persons. Historically in South Africa, black people lived in houses separate from the white community. The white community obviously lived in more comfortable surroundings which were priced at higher prices than those that the black community could afford. Value was placed by the government policies to be favorable to certain persons and not the others.

2.3.4 Investors

The investors are those who invest in a product with the hope that the product will return profits to them. Investors will inject their monies into a particular product and rely mostly on marketers to

market the product in a manner which would yield them favorable returns.

“Spinoza, as we have already noted, generalized his attitude by saying that we do not desire things because they are good, but rather we consider things to be good because we desire them.”
(Jordan 1937: 101)

An investor looks at what products people are most likely to want, and whether they will be willing to pay a particular price for them. But at the end of the day, the decision lies with them as to how much they are willing to sell or rent their product.

2.4 CRITERIA USED TO DETERMINE VALUE

2.4.1 Location

The location where one finds a particular product may determine the value of that product. For example, say you buy ice-cream. You will find that the same type of ice-cream will cost different amounts should you buy it in say Pretoria city centre than in Sandton or Rosebank.

The same concept applies to buildings and houses. In terms of buildings used for retail purposes, you may find that they pay more for rent at particular locations. The reason for this is that they buy accessibility of their customers or target market.

In terms of residential property, the biggest reason found in South Africa to be the main cause of people's preference to live in the city is the high crime rate in the townships. However, one might argue that the crime rate in rural areas is low; however, people still choose to move to the city or suburbs. Other factors contribute to the location one would find desirable to live in. Such factors include jobs, money, transport, etc. Please refer to table below.

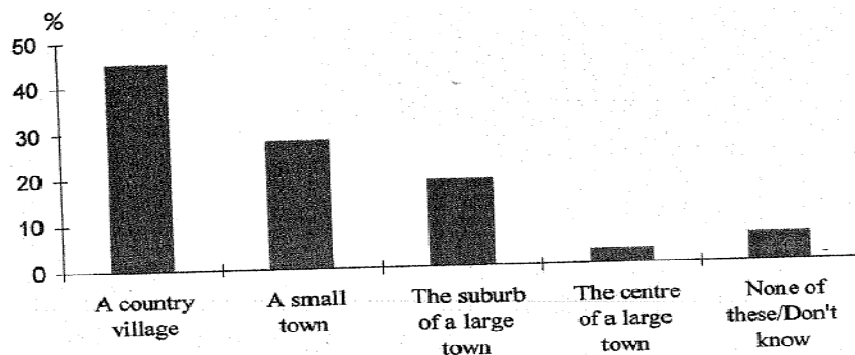


Figure 1. Source: The Henley Center (Schiller; 141)

Where people choose to live: 'if money, jobs and housing were not a problem which of these would you prefer to live in?'

"A number of studies have shown that house prices commonly rise rather than fall with distance from the city centre." (Schiller 2001: 144)

This is because people tend to associate the city with factories, dirt, noise, congestions, poverty, crime, etc. Any other places which are associated with some or all of these negative attributes will also automatically go down in value, e.g. townships.

2.4.2 Aesthetics

'...Beauty is always identifiable with some state of mind or some process of mind' (Jordan 1937: 14)

Perception is subjective. People view things differently and think of different things as aesthetic. If an object is viewed to be aesthetically pleasing, it draws interest. The more interest it draws, the more valuable it will be perceived to be. The whole point of obtaining such an item would be due to its attractiveness.

2.4.3 Function

A product which carries out a necessary function could generally be seen as valuable. For example, a house provides for numerous functions such as accommodation, security, shelter, etc. The bigger the need for such a function adds value to the product.

2.5 CAUSES OF CHANGE IN VALUE

Value can be altered by a significant life change or life experiences from an individual person to the whole nations. Values may change to lifestyle changes; however this would have influence on what was previously seen as valuable.

2.5.1 Individual change

Perceptions are individual. Even when a collective may agree that a BMW car is more valuable than an Uno, one person can decide

that is not so, and he will not be wrong to think so. Hence we have the power to choose whether we want to purchase an item or not and whether we are willing to purchase it at the price it is being offered at.

“The study of social perception has important implications for understanding and predicting our own and other’s social behavior, people’s emotional states and the environmental circumstances to which they are responding.” (Zebrowitz 1990: 3)

An individual may change his/her perception of something due to influence from others and the environment they are in. In actual fact, perceptions are not only changed by the environment but are formed due to the environment which one finds them in. With a change in the environment, one might find that their perceptions change.

When asking a number of black middle class youngsters what they perceived to be a better life, most admit that they thought living in the suburbs would be more fun and entertaining, however, most prefer going back to the townships for entertainment as they find it is where their cultural lifestyles is and understanding of such is still maintained.

Townships are perceived to be poor, dirty, noisy, and full of crime. However, these perceptions could be different for those living in the townships than to those not living in the townships. The question is, whether those negative perceptions can be changed?

2.5.2 Collective change

“In like manner, we may say that we are entitled to regard anything as truly good or really valuable when we not merely desire it for ourselves but approve of its being desired, under similar conditions, by everyone else.” (Jordan 1937: 1020)

This statement by Jordan indicates how value is a collective of perceptions rather than the perception of one or few individuals. Based on how well a thing is presented to people or where one can appeal to people’s minds and influence their perception of a things, that thing might collectively be viewed as valuable or not.

A country like America is perceived by many outside of America to possess a valuable disposition. It may be so or it may be that it is just marketed as such to the rest of the world. This valuable character it holds might be due to the largeness and economic power the country possesses. However, when you look at countries that allow a minimal influence from other countries where their own cultures and values are retained, they tend to build a sense of value, thus strengthening their economy and thus be more valuable as a country. China for example has a way of life different from the rest of the world and the Americans. Religion plays a huge role and their lifestyle is controlled under certain restrictions placed by their governing. Their education system is extremely good, their health is promoted, their religion is also a huge part of their lives, therefore what a typical Chinese would find valuable would be different from what a typical American would find valuable.

2.5.3 Economic change

The economy plays an important role in determining the value of a product. Economics uses the concept of demand and supply. The higher the demand is for a product, the higher the price will be and thus increasing its value and vice versa.

When the economy goes into a recession, it means people are not spending as much as they used to. Money is tight, and therefore only the necessities are looked into when purchasing goods.

Therefore all those selling or renting products which are seen as a luxury or are too expensive will suffer due to the recession and as a result the price will fall to meet the requirements of the people.

“Valuers work in terms of rents and yields, and the property market measures itself in terms of them...People complain that valuation is subjective and that valuers often disagree.” (Schiller 2001: 33)

2.5.4 Political reasons

Property values can be changed by government policies. Currently RDP houses supplied to the citizens of South Africa are of a low value and some argue that they are of no value at all. Some of those who were owners or residents of RDP houses sold them for much less than what they cost to build. A base price on the value which an RDP house is believed to have should be stated by the government.

Historical prejudice governing also played a role in changing property values. One of the tools used then was segregation. Black communities lived separate from more valuable properties of the white. Within those Black communities, there was segregation of different tribes amongst the blacks thus causing some tribes to believe they are more valuable than the next. As a result, change in value occurred.

“An extreme shortage of black residential accommodation, as well as the relatively high price charged for township services, have made housing an issue around which anti-apartheid forces have mobilised. Because most township residents live in houses rented from the authorities,” (Hendler 1988: 2)

Most of the black people did not own the houses they were living in but rather renting them from authorities. The houses thus had little or no value to them because they were not their own, hence the low upkeep of the townships areas. Now, due to laws and policies put in place, most people own the township houses they reside in. This also has changed the value of the properties.

2.6 CONCLUSION

After understanding what value is and how it is determined by whom, it is clear why some things are seen to be less valuable than others. Townships are not seen as a valuable place to invest in property, due to people’s perception of it being dirty, noisy and for the poor with a high crime rate. If these features are addressed, perceptions of townships might just change.

2.7 SUMMARY

Value is subjective to an individual but is easily influenced by one's environment. The market conditions, the economy, the government policies all affect the value of a product. The people who surround you, their lifestyle and preferences and one's exposure to other lifestyles and perceptions also contribute to one's opinion of a valuable product.

2.8 TESTING OF HYPOTHESIS

Can the value of property in certain areas change over time?

2.8.1 Hypothesis

If a collective group of people's perception on value changes, then property values can change.

2.8.2 Testing

The hypothesis is true.

CHAPTER 3

DO PROFESSIONALS (DEVELOPERS, REAL ESTATE AGENTS, EVALUATORS AND BANKS) INFLUENCE THE MARKETS AND THUS PLAY A ROLE IN THE PROPERTY VALUE GOING UP OR DOWN?

3.1 INTRODUCTION

People's preferences and tastes partly form the rationale of how people play a role in affecting real estate or property values. However, professionals such as banks, evaluators and estate agents know more about property investment and value than most. Therefore, it is important to understand their roles in the property market and whether that role influences the value of a property.

3.2 PROPERTY DEVELOPERS

Prinsloo (2004:45) defines supply as "*The total quantity that sellers are willing to sell at a given time at a certain price*". This definition indicates the power that suppliers have over the product they put on the market. The sellers have the right to quantify the products they are willing to put up for sale.

Therefore, property developers who have a high capital resource can develop properties and choose to sell a small portion of those properties or none at all and rather opt to rent such properties to get a long-term sustainable return on their investment.

This method was used by the South African government pre-1980 on the subject of township properties. Township properties were developed to house the black communities however; most were not entitled to own such properties. Properties belonged to the state and thus yielded a continuous income for the government and increased their investment portfolio as the properties formed part of the government's assets. In some instances, the black community could not afford to purchase the houses the government had built. *"While the government has lifted restrictions on African home ownership, it does not propose to build houses itself as it did in the 1950s and 1960s. But few residents can afford the monthly instalments on private homeownership schemes."* (Hendler 1988: 3)

3.3 REAL ESTATE PROFESSIONALS

The real estate professional comes into existence due to the imperfect nature of the property market. In any market, buyers and sellers are assumed to be knowledgeable and understand the markets. However, that is not always the case when it comes to property. Therefore, the estate agent is there to increase the buyer's and seller's knowledge and to make sure more people are interested in the property market by enticing people to sell or to buy thus stabilizing and keeping the market continuous.

"Real estate professionals can provide the following services. Increase the number of market participants by persuading owners to offer their property for sale and enticing them to acquire real estate. These efforts can increase the number of buyers and sellers and help to reduce one of the major problems in the real market – too few participants." (Prinsloo 2004: 52)

Up to a certain extent, real estate agents have a certain amount of persuasion and intellectual power to convince the market.

If there are more real estate agents targeting only particularly located properties, certain other areas may as a result be neglected or be less likely to be as participating in the market as others due to the lack of influential force which real estate agents might yield to the townships. Just as if more people get interested in buying and selling will increase the property values, where this buying and selling takes place will influence the increase in property values in that particular area.

“Real estate professionals can provide the following services: providing current market information regarding prices and rents, advising clients on investment opportunities, providing information on alternative methods of financing and helping to close the transaction” (Prinsloo 2004: 52)

However, the services that real estate agent's commission is included in the price of the house to be sold, thus raising the price which might cause its buyers to choose alternatives or estate agents requesting a buyer to lower the amount anticipated to be received from selling in order to meet the price of the consumer. However, currently the percentage which they are to charge for commission, by law, has been reduced. This will cut the price of houses making them more affordable to the consumer.

“Increasing completion has squeezed estate agents' commissions down to about 5% from as high as 7%.” (Financial mail 2006:1)

In township areas, most people are enticed to sell and move to better areas in the suburbs. The majority of people who move from the townships either move to the city, suburbs or RDP houses.

“The percentage of those occupying houses as tenants is up from 64% to 68% - an extra 2 million people.” (Financial mail 2006:1)

Due to the low value of the houses sold in townships as compared to the amount one would pay for a similar size house the suburbs, most people are reluctant to sell and thus choose to remain in their houses for longer periods and choose not to sell at all. Those that are willing to sell may find it difficult to locate estate agents to sell their property.

According to FNB research *“Estate agents are generally restricted by stock shortages in townships and have to revert to alternative methods of securing stock. Unlike their white counterparts in the traditional white suburbs where the client usually contacts the estate agent to assist him in selling his property, township estate agents have to “find” their clients.”* (Fnb 2008:1)

Estate agents struggle also to get buyers for properties in townships. Therefore, reducing the participants in the market around the township area and thus reducing demand in the townships and as a result causing the prices or values of the property to drop.

3.4 EVALUATORS

Evaluators are there to determine the value of your building. Based on their evaluations, your property price is determined. Property evaluators follow a

certain criteria to assess the worth of your property. Some of these include the area/size of the building, type of construction of the house, quality and condition of the house, number of bedrooms, type of view, if there is a garage and its location.

Kgaogelo Mamabolo (Aug, 2005), a property economist interviewed of Viruly Consultants states that not many valuers are working in South African townships. She also states that townships do not have an adequate market in terms of investing in the townships markets and that valuers will need to become involved to resolve this.

3.5 BANKS/FINACIERS

Banks provide financing for property investing to individuals, institutions and property developers. For individuals, the amounts are not high and the process could be much quicker. However, for developers, because of the high amounts usually requested, and the risk involved, the process takes much longer and is more stringent.

“It should be borne in mind that financial institutions carefully consider the ability of the borrower to repay a loan before it is granted”. (Cloete 2005: 10)

There is an element of risk that occurs when one wants to purchase a property. The risk out of all the parties involved in the transaction of purchasing a property is usually carried by the investor. None of the other professionals carry any risk in the financing of the property. Financial institutions which provide the financing provide it with the security of knowing that the property could be resold to cover any amounts not paid to

them. The heavy risk that lies on the investors, be it property developers or individual house buyers, is one of the reasons people feel discouraged to invest in property. Hence people alternatively choosing to rent.

“A creditor, such as a financial institution, can order the sale of the assets to repay the payments outstanding and any other charges that may have been incurred”. (Cloete 2005: 71)

It is important for the banks to make sure that what they lent a home-buyer will be returned and a profit will be made. However, not all will qualify to buy a house. Low income earners and a percentage of middle income earners also deserve to be able to own a house and the banks might not necessarily be catering for all those people. Banks perceive low income earners and some middle income earners to be high risk and bring in low returns. Some middle income earners are unable to purchase property due to the banks regulations when looking into the income and expenditure of the client.

“Most banks consider it prudent to ensure that a borrower’s expenditure on housing does not exceed 25-30% of gross house hold income, and peg the amount that can be borrowed accordingly.” (Fnb 2008: 1)

Previously before democracy came into being, banks were reluctant to offer bonds to citizens who wanted to purchase property in the townships. It was during the time that a lot of strikes took place. Due to the long periods with which the money is loaned to people Banks grew distrustful on whether their loans or mortgages would be paid back over time or whether people would simply refuse to repay the loans or demand lower interest

rates or disappear. Therefore, financing houses in townships was non-existent.

“A history of non-payment and inability to repossess during the struggle against apartheid (notably the so-called bond boycotts during the 1980s) resulting in commercial banks being saddled with a non performing book of around R.....in the traditional African townships, and introducing the so-called red-lining concept (no credit to people living in red-lined areas regardless of their individual personal circumstances and risk profiles).”
(Cloete 2005: 119)

3.6 GOVERNMENT/POLITICS

There are a number of factors which may cause the Government to have either a negative or positive impact on the property market, especially in township areas. Their legislation and laws may either increase or decrease the participation in the market of those interested in buying and selling.

In 2006, Trevor Manuel, the finance Minister, raised transfer duties threshold. This coupled together with the rising price of property reduces the demand in property causing an imbalance in the market.

“The imbalance has an upside. It offers opportunities for investors with an appetite for risk to buy low-cost properties at high yields in the inner cities and former townships. Homes can still be bought for less than R100 000, giving a last chance for double-digit initial yields, strong rental demand and enormous capital growth once markets normalise.” (Financial mail 2006: 1)

There are extra costs which are included in the purchase price of a house, and these causes the price of the house to increase. For the potential buyer, it might end up being too expensive and thus resulting in the buyer opting not to buy. These costs are not directly associated with the actual price of the house, meaning that they do not directly influence the profit that the seller is planning to get from the sale; however, these costs are enforced by the laws as given by the government.

“There are a range of taxes that is associated with property, such as income tax, capital gains tax, secondary tax on companies, donations tax, estate duty, transfer duty tax, stamp duties, and municipal rates”.

“A lot of factors, including among others, the introduction of the National Credit Act (NCA) in 2007, primarily regulating responsible lending by financial institutions, recent interest rate hikes by the Reserve Bank, has led to what some regard as migration of consumers from suburbs to townships, where one could still access houses below R300 000.”

(Mahlakoleng 2008: 1)

Government is also responsible for supplying the community regardless of its location with adequate services such as water, electricity, roads, recreational infrastructure, sewer and storm water drainage, etc. Due to our past Government, most townships lack some of these basic services or the ones provided are not adequate, for example, township have gravel roads which are not level or adequate for use and the streets that have been constructed are full of potholes and are not well maintained.

Recreational facilities are too few or non-existent. This plays a role in the youngsters having no extra mural activities after school and thus finds

alternative ways of entertainment and leisure which they can afford with the resources they possess, and the alternatives are not usually favourable to the community, causing house prices to go down.

Unemployment, caused by lack of resources and skills, but also by Government policies, plays a role in the increase in crime. The larger population of South Africa comprises of the black community and they are the most unskilled and unemployed in the country. The majority of these black citizens live either in townships or rural areas. Therefore, these unemployed citizens tend to turn to crime for income. Due to the area they come from, townships are thus seen to be unsafe due to the amount of criminals that reside in those areas. This also plays a role in property prices going down. However, crime is not the main reason people move from townships to suburbs. *“Property Strategist says crime’s only a small reason people sell their properties. The FNB Residential Property Barometer Q1 2009 said that 10% of total sellers of residential property are moving for safety and security reasons”*. ([real estateweb](#) 2009: 196)

Some developers might see an opportunity for development in or near township areas; however, the Government might cause delay or no development due to the re-zoning processes that might need to take place.

“Government zoning controls may prevent investors from developing a property optimally”. (Cloete 2005: 11)

Government provides subsidies for South African citizens who would most likely not be able to afford a house. According to Cloete (2005: 108) if the household income is less R3500, that person will qualify for a subsidy

subject to other criteria that has to be met. There are various types of subsidies which apply to different scenarios and persons.

The government has also lowered the levies charged in township areas to make them more affordable to the people living in townships. However, these could be slightly increased by a certain percentage in order to assist the funding to better the township infrastructure.

3.7 CONCLUSION

Location is a key element in determining the price or value of a house. Having looked at what influence professionals have over property values, they have little influence on the value based on location of the property.

In reference to townships though, a lot of negative perception results from poor living conditions and infrastructure which were caused by the non-democratic government. These conditions are slowly attempted to being rectified, although 15 years of democracy hasn't brought much change in improving the living conditions.

However, "*urban migration is pushing the prices of township and inner-city properties into rises of over 20%.*" ([financial mail](#) 2006: 1), therefore, there is slight improvement in the value of township properties going up.

3.8 SUMMARY

Primarily, people's perceptions and lifestyle determine the value of properties in the area they live in. However, those perceptions are influenced by something or someone. The majority of the time it's those

who understand the property market that influence such perceptions. Professionals who are informed about property investing, ownership, financing, valuing, etc. have an upper hand when it comes to being knowledgeable about properties.

3.9 TESTING OF HYPOTHESIS

Do professionals (developers, real estate agents, evaluators, and banks) influence the markets and thus play a role in the property value going up or down?

3.9.1 Hypothesis

The property market is influenced and controlled by people at large.

3.9.2 Testing

The hypothesis is partially true.

CHAPTER 4

DOES THE ECONOMIC CONDITION OF SOUTH AFRICA PLAY A SIGNIFICANT ROLE IN THE LOWER PROPERTY VALUES IN TOWNSHIPS?

4.1 INTRODUCTION

As previously discussed in other chapters, there are a number of reasons why property values in township areas are relatively lower than those in urban areas. This chapter will look at the economic conditions experienced in South Africa to understand its impact on property values, particularly those in township areas.

“Property Economics is a study that uses economic principles to analyse the impact that national, regional, community and neighbourhood trends have on real estate values.” (Prinsloo 2004:45)

According to Hines (1982: 51), value is determined by demand and supply conditions. If this is indeed the case, then looking at the supply and demand of property values in townships might help in understanding their value in relation to property in urban areas. However, Cloete (1994:108) states that there are a number of factors determining the price of property which cannot be controlled by the buyer or the seller. These so-called external factors are related to the national economy.

4.2 EXTERNAL FACTORS INFLUENCING PROPERTY VALUE

Property ownership is important to most due to the long-term investment one acquires and the ability to exercise their rights of ownership. Based on the affordability one has, most would gravitate towards owning a property which has value and will yield a higher return than the purchase price in the future. Therefore, property value and its expected future value are crucial when purchasing such property.

Property value is determined by its demand, utility, and scarcity. These will be looked into in more detail later on in the chapter.

4.2.1 Location of property

4.2.1.1 National

Location of a property plays a significant role in its value. The national property value looks at the overall collective property value in certain areas/provinces in the country. This allows the Government to measure the growth of property values in the entire country as well as measuring price increase/decrease due to inflation. Table 1 below indicates the national as well as provincial price inflation percentage from 2000 to 2007 in March.

PROVINCE	2000	2001	2002	2003	2004	2005	2006	07- Jan	07- Feb	07- Mar
Eastern Cape	8.6	9.8	11	23.5	48.5	39.5	26.7	20.9	20.2	19.7
Free State	6.5	9	11.4	16.5	31	33.1	27.1	26.9	27.3	27.7
Gauteng	15.5	14.5	18.2	20.5	27.9	28.5	22.9	19.1	18.3	17.4
KZN	10.8	9.3	12.3	21.3	38.7	36.2	25.2	18.8	17.6	16.4
Limpopo	9.5	10.8	15.2	14.5	28.8	36.3	37.9	34.2	33.5	32.7
Mpumalanga	9.3	9.5	13.2	16.8	31.7	49.8	34.3	21.2	19	16.7
Northern Cape	8.2	11.5	15.3	17.6	24	36.6	42.8	32.3	28.8	25.2
North West	12.3	16.2	16.5	18.5	27.2	31.2	28.2	24.2	23.4	22.7
Western Cape	9.3	9.6	14.2	21.4	36.3	34.2	19.1	13.9	12.4	10.7
NATIONAL	11.2	11.6	15.2	20.1	32.5	32.4	23.5	19.6	19.2	18.8

Table 1, Lightstone risk management, National property index for Residential properties, March 2008

At national level, we can see significant increase in house prices from the year 2000 till 2005 which is its peak and then a subsequent decrease till 2007. With the country in recession during the 1st quarter of 2009 at 6.4% drop in inflation, the houses prices are expected to drop even further. A real estate web reporter (2009:1) states that *Absa's House Price Index, released on Monday, showed South Africa's house prices continuing to shed value. However, the bank's analysts expect the residential market to improve in early 2010.* Gauteng has continuously had the highest price inflation than all the provinces from 2000 to 2003 and been lower than most from 2004 till 2007.

4.2.1.2 Regional

At regional level, the economic basis of a city will determine the type of properties in that area and thus the value of those properties. For example, you find certain cities known for mining/industrial activity while some are near the sea and others have high commercial activity. These activities influence the growth possibilities and climatic conditions of the city and thus end up influencing the value of properties.

Pretoria is considered to have evolved and still continuing to evolve into a metropolitan area. It has an airport, municipal bus services, hospitals and clinics, malls, shopping centres and currently the Gautrain being built. These factors influence the house prices of the area as a whole.

4.2.1.3 Local

Local level looks into the character of a specific location, e.g. Mamelodi Township. Characteristics such as lifestyle, status, age-groups, etc define the type of town and thus the type and value of property in the area.

The character of a town can change from being a predominantly residential area to a commercial area. The introduction of malls and shopping centres in towns can influence the character of the town and increase the value of those properties.

The Mamelodi Township is located further away from Pretoria CBD however, there's still a significant amount of people from the township area commuting to the CBD on a daily basis either for work, transportation to other destinations or to utilise the shops in town.

“There is a diverse set of living standards in Mamelodi, ranging from well built brick houses to small informal dwellings made out of sheet metal known as shacks. On the whole the areas in the west mostly consist of brick houses and low cost RDP (Reconstruction and Development) houses made out of large cement bricks. There are an increasing number of informal shack dwellings in the east of Mamelodi.” (Wireless Africa 2008: 1)

4.2.2 Value of a stand

Even though the value of the regional or local area has been determined, at the end of the day, the value of a particular property will be assessed individually. The actual location of the house in the particular town will be looked into, as well as the size, type of design, building material use, services provided etc.

Some factors can be modified by an individual or owner of a property to increase its value while others already exist and can only be modified by the community/municipal/developers, e.g. shopping malls, condition of the streets and the property's proximity to schools, clinics, the sea, railway lines, types of commercial properties (bottle stores) and even a scenic view can increase or decrease its value.

4.3 PROPERTY DEMAND

Economic principles state that markets are driven by demand and supply curves. Demand refers to the needs and wants of the people and communities at large “*coupled with the ability and the willingness to spend*” (Prinsloo 2004:45)

The law of demand states that the higher the price, the less the people would buy. The lower the demand and the lower the price, the more people buy and the demand increases.

Certain circumstances may change demand. Below we look into these circumstances and what their role is with regard to property values in townships particularly Mamelodi.

4.3.1 Demographics

“The population of an area can have a huge effect on property values according to De Roos, who suggests looking at Japan where the population is decreasing and the property values are decreasing. “The faster the population growth the faster the property price growth. It’s all about supply and demand.” (Van Eyk 2006: 1))

If there is a high population number in townships, the property values should go up. When the population increases, the demand increases. Judging by statistics, there is higher population of people living in townships than in suburbs. “*The unofficial*

population of Mamelodi is currently close to one million.” (SA Web 2008: 1). There is a continuous increase of the population in townships due to its affordable housing as compared to urban houses.

“Many property buyers previously living in the suburbs are back in the townships. As home affordability hits hard on property owners, some are selling their properties in the suburbs and going back to the townships where the property market is still.” (Mhlanga 2009: 1)

4.3.2 Increase/decrease in per capita income

Most people that reside in townships are blacks who mostly fall in the middle income and low income groups. Their income determines how much they are willing to spend and on what they spend their money. Purchasing a house is a huge expense that requires a much higher income. Therefore, buying a house in the suburbs for the middle and low income earners is most likely less attainable. This may be due to high interest rates, or the financial institutions might feel that the income earned is not sufficient to finance the mortgage.

“South African financial institutions usually insist that a buyer spends no more than 30 % of his total income on housing.” (Cloete 1996: 93)

Thus most would probably rent properties either in the township, city or suburb or alternatively buy a property which they can afford,

which would most likely be in township areas due to their low property values.

It seems due to people's taste and preferences, as soon as most township dwellers earn a higher income, most who can afford to move to suburbs would rather own property in suburbs than in townships.

4.3.3 Change in consumer taste and substitute products (preferences)

People's preferences and tastes partly form the rationale of how people play a role in affecting real estate or property values.

Townships provide a certain lifestyle, just as suburbs do. If people's preference for a certain lifestyle changes, then they will move to an area that allows them to live a certain lifestyle. The types of lifestyles may be family-orientated, consumerist, cosmopolitan, etc. All the different types will influence the type of house/dwelling the people would want to occupy.

It seems to be a growing trend for young people to move to suburban areas from townships due to the lifestyle it offers. Less crime, quiet environment, bigger yards, etc. which the townships fail to supply.

4.3.4 The amount of credit available (national credit act)

This is where banks come into the picture. Most people apply for a bond with the bank to finance their houses. If the economy is in

recession, the banks are more stringent with their money and thus making it more difficult for consumers to loan money from them. Therefore, decreasing the demand people might have to purchase property.

“The availability of loans and the interest rates charged play a decisive part. High interest rates make it very expensive to obtain a house, and serve to decrease the number of potential buyers. During periods when low interest rates are charged, more people can afford the instalments, and there is a greater demand for houses” (Cloete 1994:108)

Interest rates influence the rate at which income is spent. Looking at middle income earners who could afford a house in an urban area, the rise in the interest rate will mean that after paying his/her mortgage, there will be less money left in their pockets for everything else. Therefore, those who would have purchased property in urban areas might resort to buying property in townships due to their lower prices. Even at high interest, the lower prices of township houses are more affordable. With the increasing number of people moving from urban areas to townships the demand for township properties is rising.

“On average, 91% of the mortgage loans were granted to individuals with a gross monthly income in excess of R15, 000 while only 2.89% of the mortgage credit went to individuals earning less than R10, 000 per month.” (Devpruth 2008: 6)

The above quote from the senior supervisor at the National Credit Regulator indicates that those with a higher income are more likely to receiving mortgage loans than those in the lower income bracket.

The introduction of the Credit Act in mid-2007 has also influenced the property market greatly. The banks are expected to check all debt of the potential client who's applying for any credit including mortgage loans. The potential property buyer will have to have their credit history scrutinized to see whether they qualify for further credit. Banks can not grant credit to someone whose credit record is not up to the standard that the Credit Act expects.

"People are starting to feel the pressure of the credit act. According to recent news and report by the Sunday Times the number of houses that have been sequestrated and put up for auction has quadrupled over the last year." (wizardmidrand 2006: 1)

4.3.5 The effect of advertising (marketing)

"Real estate buyers and sellers are usually uninformed about real estate values and trends in the market place. (Prinsloo 2004:49)

Advertisers play a huge role in people's perception of a certain product. The houses in townships areas are already associated with negative characteristics and the positive features are hardly ever exposed.

4.4 PROPERTY SUPPLY

The supply refers to those that supply the products to the people. The supply in the property sector refers directly to property developers and indirectly to banks, evaluators, and real estate agents.

“Producers will offer more products for sale as prices increase and less as prices decrease. Higher prices may mean higher profits, so business increase output. As prices decline, profits may decline, and businesses cut back on output.” (Prinsloo 2004:47)

Certain factors cause a change in supply. Such factors are:

4.4.1 Changes in the cost of the factors of production

When property prices increase, the demand for houses decreases, thus causing an oversupply of property.

With consumable goods, when there is an oversupply, businesses cut back on production to match the demand for that particular good/product. However, with property it is difficult to cut back on what already exists. When there is an oversupply of property, potential buyers are at the advantage of negotiating lower prices for their property. This is indicated in the figure below.

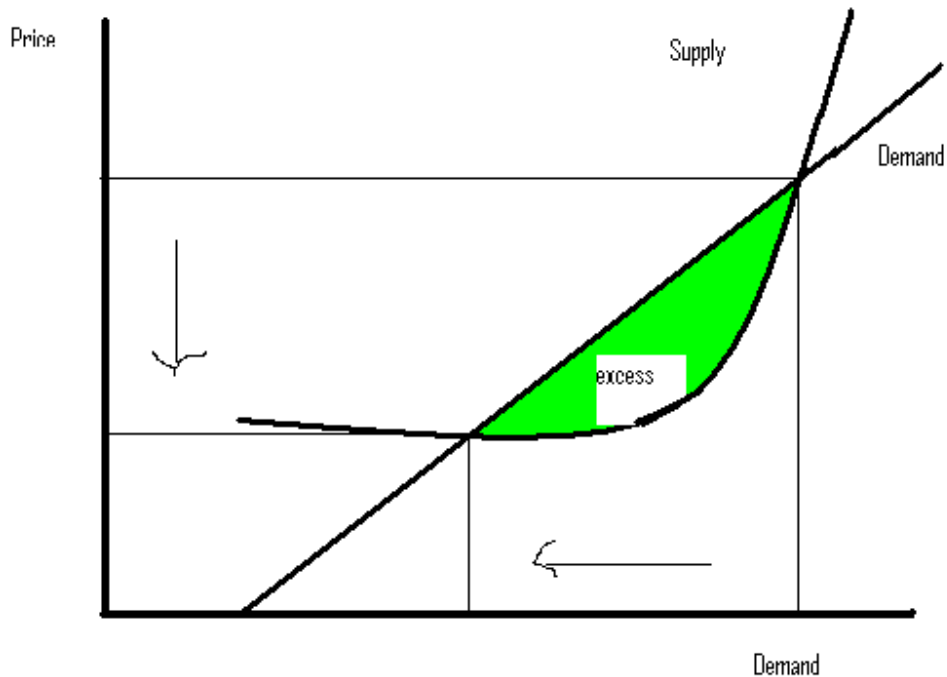


Figure 2, Author's own. A representation of the supply and demand curve

When interest rates rise, the demand for property goes down. When demand decreases, the shaded area indicates the oversupply of property which is not being bought. Therefore, the market will have to force the houses prices to go down in order to increase the demand again to reach a new equilibrium.

4.4.2 A change in the demand for one product can cause a change in supply of another product

This is evident in township properties today. Prior to the recession, a lot of middle income earners residing in townships used to move from the townships into suburban or metropolitan areas. However, due to the high house prices in those areas, coupled with the high

interest rates in the past four to five years, a large percentage of those people are moving back to the townships where the affordability is better.

Therefore, there has been a shift in the product being sold, where urban properties were sought after previously, this has changed to property in townships being in demand.

- 4.4.3 Business anticipation of future prices and profits can change the amount of goods supplied.

“Urban migration is pushing the prices of township and inner-city properties into rises of over 20%. This is the main area of opportunity of investors over the next few years.” (financial mail 2006: 1)

With the increased demand in township properties, developers are moving fast in developing the areas and building new houses to satisfy the demand. From observation, a lot of new types of Tuscan styled houses are being built in and near townships at affordable prices ranging from R300 000 to R750 000. The houses are slightly larger than urban townhouses and have more rooms and a bigger yard. Developers have seen that the black middle income groups are attracted to the new style of housing and their advantage over the urban townhouses, and are moving fast to develop these types of houses to get returns in the long run.

Due to middle income earners gravitating towards the townships and new developments, developers have started building malls

and shopping centres are being built in those areas to reduce their proximity to amenities and shops. For example, Maponya mall has been built in Soweto, Wonderpark was built for the new developments in the Pretoria North area, etc.

4.5 SUMMARY

The property market economy is driven by the supply and demand of property in the country. There are a number of factors which contribute to the shifting of the demand and supply curve. Some of these factors can be changed by individuals and others are not. In most cases, money places a major role in the decision to buy property as it determines the type, location, amount that one is willing to spend on a particular property. Townships properties are currently in demand due to the recession and as a result property prices are steadily rising in townships.

4.6 CONCLUSION

The economic growth of a country determines whether investors will invest in the country or not. The more investors we have the more the economy will grow. When the economy grows, the country is able to use those investments to better the lives of those in the country. Seeing as to how our government has strong policies to provide housing for all, one of the areas which improve with economic growth is the provision of housing and the ability of the residents of the country to afford better housing.

However, looking particularly at townships, economic growth is inversely proportional to property values in townships. When the economic growth is negative, township properties demand increases and therefore property

prices increase. Therefore the economy does contribute to the change in property values in townships. However, should it be assumed that the opposite would happen to township property values - if should the economic growth be positive - then property values will decrease thus proving the hypothesis correct?

4.7 TESTING OF HYPOTHESIS

Does the economic condition of South Africa play a significant role in the lower property values in townships?

4.7.1 Hypothesis

The economic condition of South Africa plays a significant role in the property values in townships.

4.7.2 Testing

The above is true.

CHAPTER 5

DOES THE CURRENT PHYSICAL TOWNSHIP STRUCTURE APPEAL OR ATTRACT THE TARGET MARKET ITS INTENDED FOR?

5.1 INTRODUCTION

In order not to lose direction as to the reason behind the study or research for this thesis, it is important to draw attention to the manner in which property value is understood and addressing the one of the more crucial aspect of property value determination – which is location.

In previous chapters, the core research was based on property value in the general context. The study of such has been around for years and standards and principles have been ascertained for the current and future analysis of property values. However, looking into these value principles and techniques employed to measure such value, particularly looking into residential properties, most of them have been established looking at historical urban property and the values associated with the people residing in those properties. This indicates that the previous principles and standards of measuring property values may not entirely address the same values as those in the townships. This may cause property values determined for urban areas to be at an unfair advantage as compared to those in townships.

It is necessary to understand property and its value looking at value in a township context and to carry out development in such a manner that the

focus is on what appeals to the markets in order to suit their desires and lifestyles. This will in turn increase the value of owning property in townships. With value being a subjective matter, the determination of property value in townships should ultimately meet the values of the people targeted for ownership of properties in townships. This will help alleviate the misconception of what is valuable and what is not and allowing the development and structuring of townships to take into consideration the positive lifestyles, culture and value systems of the people.

To test the hypothesis of this problem, the following research moved from acquiring information outside of the township or from those assessing townships from afar without truly understanding the culture, structure and mindset of the people in townships. Therefore, most of the information acquired is based on a questionnaire conducted to address certain aspects of property and value and to understand the people's requirements for the area. All the subjects interviewed are Black and either currently resides in the townships or if not, may have resided in a township previously and an understanding of the area.

The questionnaire was conducted over a period of two months. Random people who have stayed in a township or are still residing in a township were randomly selected to fill out the questionnaire. The questionnaire was also conducted in such a way to allow discussions to take place around the questions presented in order to get in-depth understanding of where the answers are coming from. In order to simplify the results of this research, each question which is relevant to the topic at hand will be listed and some of the answers received for each will be illustrated and discussed below.

5.2 CURRENT TOWNSHIP STRUCTURE

Karuri-Sebin (2009:3) outlines the following historical planning of townships:

- Colonial planning
- Deliberate spatial segregation of three classes of people
- Enforced racial separation through Group Areas Act of 1950
- Most large townships built after 1950 by the apartheid government

Prior to 1994, South Africa was governed by a government who insisted on separating different types of people according to their race and allocating them to reside and use certain areas and restricting the use of other areas. Due to the lengthy period of this arrangement, the mental effect of this strategy is apparent 15 years after democracy. Our current government is trying to come up with new policies, strategies and developments to address this issue and create a country where integration of different races, genders, religions, etc. is promoted.

Karubi-Sebin goes on to state some of the common features in townships which are:

- peripheral location
- single access points
- buffer zones
- residential dormitories for workers
- lack of connection to urban expansion and new economic nodes

One of the main disadvantages of townships is that they are located far from the CBD area. Previously, the CBD area is where most amenities and jobs were located and currently still operating. Therefore, those residing in townships have to travel longer distances than those in urban areas to reach their place of employment or to utilize the amenities provided for the area.

The residential dormitories for workers, usually referred to as hostels, in most townships, are currently not maintained with poor living conditions.

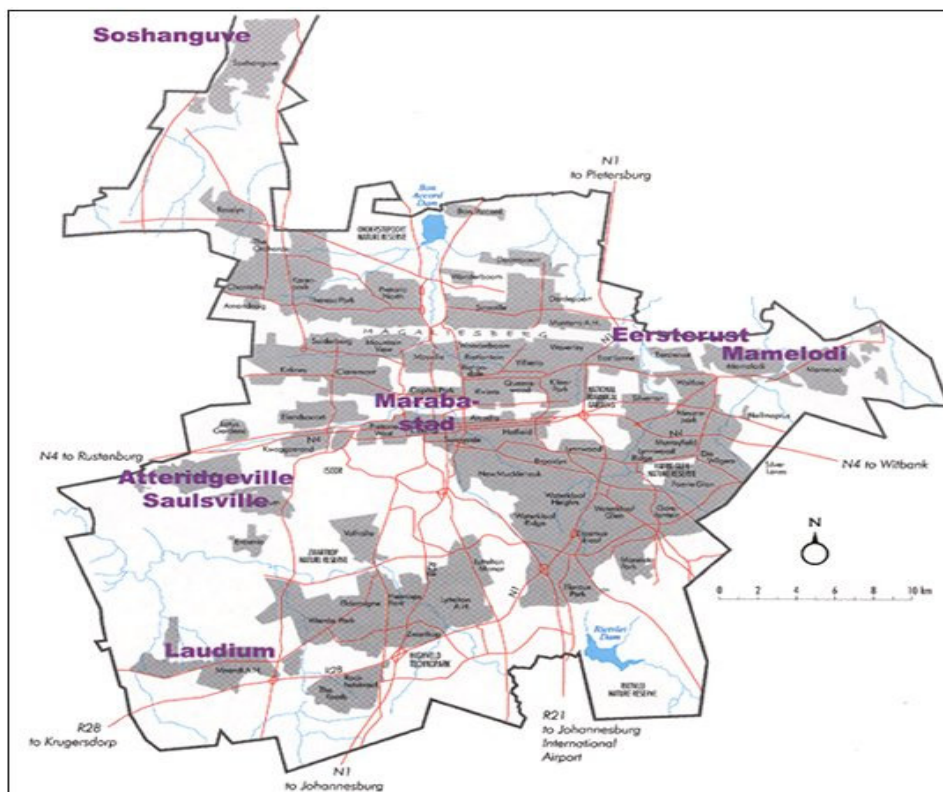


Figure 3, SA Web, Tshwane Map, indicates where the townships in Tshwane are located.

The visible names are townships around Pretoria. The peripheral location is visible in the above figure where the CBD is located in the center close to Marabastad. The single access points are also visible.

5.2.1 Mamelodi structure

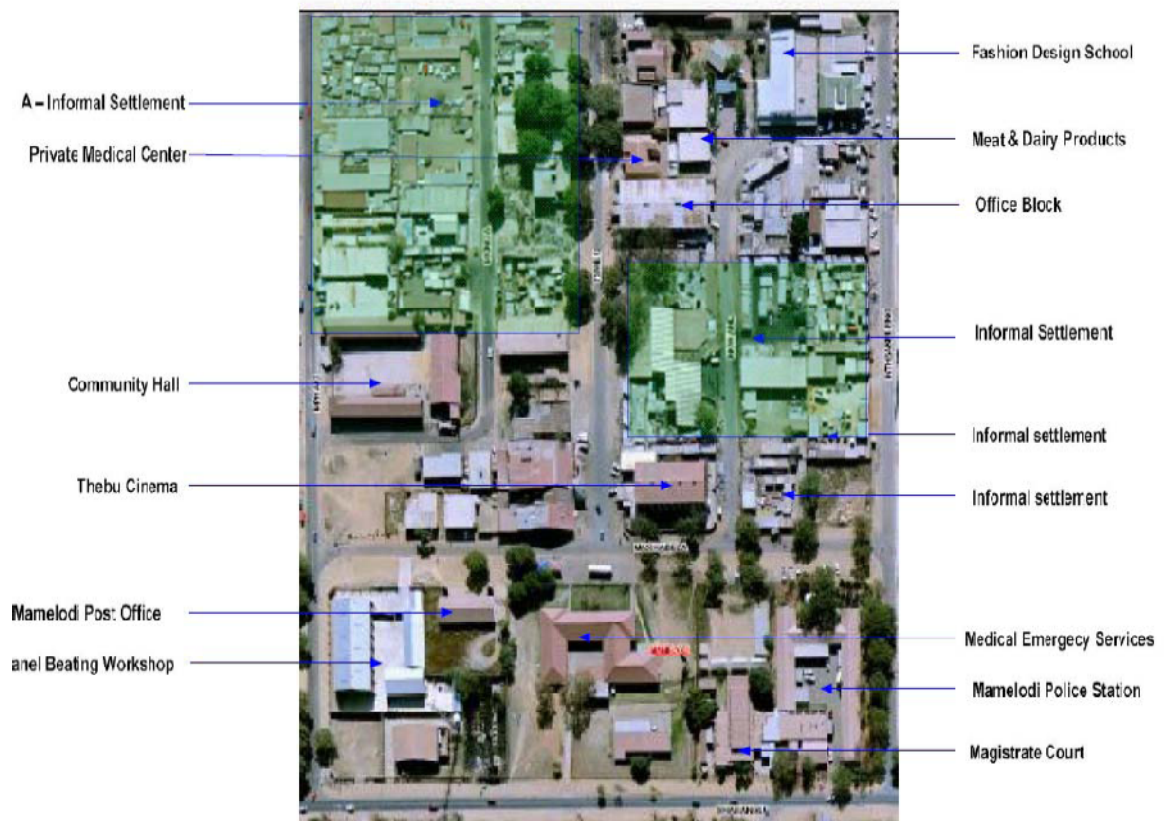


Figure 4, Taryn Eliot, Training for Township Initiative, 2007, illustrates the structure of Mamelodi West

“The current population of Mamelodi is estimated between 350 000 and 400 000 people” (Safland 2008: 1)

Mamelodi is a township found on the eastern side of Pretoria. It is predominantly populated by black people.

“Established in 1953, Mamelodi is situated about 20 km East of the City of Tshwane (Pretoria). This township started with a mere 16 houses built for Black people which were removed from other areas according to the Group Areas Act.” (SA Web 2009: 1)

“The total area is approximately 25 square kilometres.” (Wireless africa 2008: 1)

Mamelodi is divided into two sections namely Mamelodi West and Mamelodi East. Mamelodi East has in recent years increased in size extending more to the East of Pretoria forming new areas such as Mahube valley, Mandela Village, Extention 5 & 6 and Ikageng. The area has mixed type housing, from RDP houses, informal settlements, old styled four roomed houses and new developed houses. Some houses are in a good state. Some people maintain their houses and / or extend their homes to suit their needs.



Figure 5, Cape Splendour, Township images, 2008, an illustration of typical structure of an informal settlement

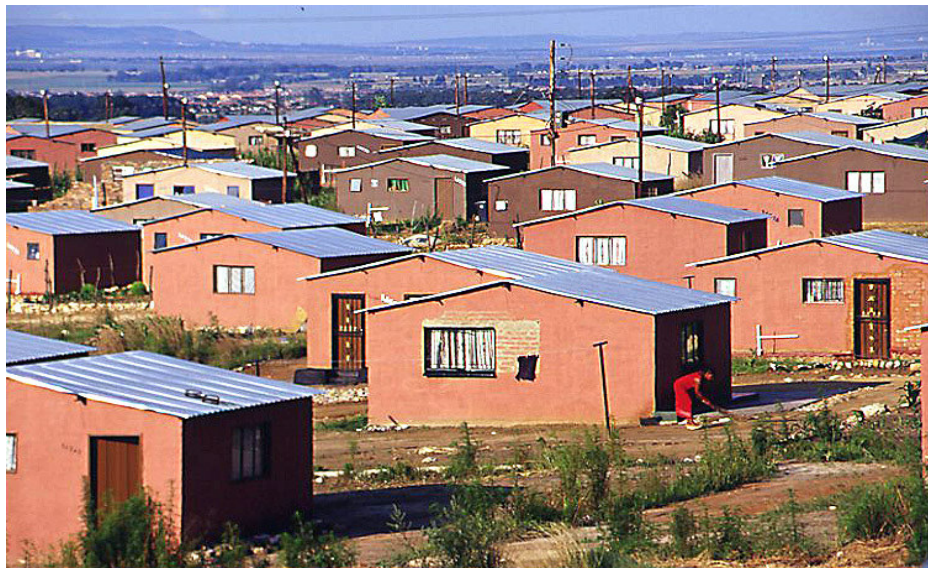


Figure 6, Stats online, 2009, illustration of type and structure of typical RDP houses



Figure 7, SA Web, Township images, illustrates typical historic four roomed houses erected by pre-democratic government



Figure 8, Wireless Africa, 2006, illustrates some improved houses in Mamelodi



Figure 9, Taryn Eliot, Training for Township Initiative, 2007, illustrates the view of Magaliesburg mountain running on the northern side of both the west and east area of Mamelodi

5.3 TYPES OF DEVELOPMENTS IN TOWNSHIPS AND ANALYSIS OF THEIR CONTRIBUTION TO PROPERTY VALUES

5.3.1 Upgrading of hostels



Figure 10, Department of Local Government and Housing, 2009, illustrates the new developments transforming old hostels into family and rental units

“Since 2004, the Department has embarked on a process of transforming hostels into family and other rental units accommodating a variety of beneficiaries. The aim of the programme is to ensure a successful integration of the old hostel precincts into communities.” (Dos Santos 2009:1)

The upgrading of the hostels will most probably increase the property values around the area. The hostels in their current condition are believed to be housing criminals and where a lot of

drug trafficking is taking place. Therefore, the termination of old hostels is believed will terminate the problems that come with it. The hostels will no longer be built for low-income male earners but to be viewed as family units.

“Mamelodi hostel dwellers and residents in the surrounding areas will soon vacate their dilapidated rooms for safer, cleaner and healthier flats built by the Tshwane Metro Council. Executive mayor Dr Gwen Ramokgopa accepted the keys to the first 98 two- and three-bedroom family units at two sites east of the city.” (iol 2008: 1)

5.3.2 Mahube Maxi City

A new shopping complex is being built on the Eastern side of Mamelodi. This is due to the residential developments that are booming in that area. The shopping centre might increase property values around the new developments as it introduces a new lifestyle to the area.

5.3.3 Upgrading the HM Pitje stadium



Figure 11, Taryn Eliot, Training for Township Initiative, 2007, illustrates the stadium upgrades to the HM Pitje Stadium in Mamelodi West

Mlangeni (2007:1) quotes the Sport, Art, Culture and Recreation MEC stating that *"The Province has completed the first phase of the upgrading of HM Pitje, Sinaba and George Thabe Stadia - all of which have the potential to be used by countries participating in the 2010 competition as training venues and the projects are expected to create 1816 jobs,"*

5.3.4 Mamelodi Crossing Shopping Center



Figure 12, Safland, 2008. A bird's eye view of Mamelodi Crossing Shopping Centre

“SAFARI Developments developed a 10 000m² Shopping Centre in 2003. The Centre was extended twice due to popular demand. Mamelodi Crossing is a very successful centre, at the entrance to the Mamelodi Township area. 700 000 people visit this Centre monthly. 60 000 cars drive by the Crossing daily. Mamelodi Crossing evolved into a Mamelodi CBD and is no longer referred to as a Shopping Centre.” (Safland 2008: 1)

“The Extension would include tenants like Edgars, Foschini, Fashion Express, Exact, Total Sports, Legit, Spur, Liquor City...to name a few” (Safland 2008: 1)

5.3.5 Upgrading project to Denneboom station

Denneboom station is a large transport interchange in Mamelodi. It is a railway station, taxi rank and bus station all in one. There are also a number of formal and informal shops and it is quite congested. Its upgrade might have improved traffic flow of buses, taxis and pedestrians, but it is still a very busy area.

5.3.6 Mamelodi East police station



Figure 13, Community Policing. Opening of Mamelodi-East police station

A small team of professionals of the SAPS acted as the project management team and local community members were the

artisans and labourers who built the 3785 m² Mamelodi-East Police Station in a time-frame of 27 months

“Better service delivery and smarter policing got a huge push in the right direction with the official opening of the Mamelodi-East police station in Pretoria. The Minister for Safety and Security, Mr. Charles Nqakula, officially opened the station on Friday, 11 May 2007.” (Holtzhausen 2007: 42)

5.4 UNDERSTANDING THE TARGET MARKET

5.4.1 Who is the target market?

First, the main market the township was intended for historically was for the indigenous black people of South Africa. Black middle income group

Quoting Karubi-Sebin (2009:9) *“Townships are likely to be home to the highest concentrations of poverty.”*

Some people are staying in townships around Pretoria including Mamelodi. Others stay in the CBD renting while the rest stay in suburbs with parents or renting. A smaller percentage owns property in suburbs as compared to those residing in townships who own their own property.

5.4.2 What should the target market know?

In some instances, the problem with not understanding value especially that of property in townships may not necessarily completely lie in the location of such property as it is widely known. In some cases, a contributing factor to property values going down might be a result of the target market's inability to understand the concept of value and what it pertains. In other words, understanding what to look for when purchasing a certain property and what they believe the value of that property is worth.

"To understand property values is the first step to a profitable real estate investment." (Petty 2009: 1)

Petty as quoted above, makes it clear that knowledge is essential when purchasing property especially for investment purposes. Petty goes on to explain the concept of "comp" which is jargon for comparing property prices for properties sold in the same area, with somewhat similar appearances within six months. He advises one to look at the comp prices and compare that with the price of the property one is interested in purchasing. However, if one is not knowledgeable about what goes into determining the price or value of a property, one might miss to look into certain features which contribute to certain properties being higher than others. In some instances, one property might have a bigger lawn or an extra room or a pool.

5.5 PEOPLE'S VIEWS ON TOWNSHIPS AND THEIR PROPERTIES

The understanding of the structure of the township has been addressed. Research has been conducted to understand what the people who know of and understand townships think of the township and its properties.

The findings will be presented in a tabular format to easily analyse the findings. Certain abbreviations have been used and a list of the abbreviations has been attached at the end of the chapter.

5.5.1 What do people like about townships? (Refer to annexure 1)

The majority of people, ranging from 18 (eighteen) to 60 (sixty) years of age, enjoy townships because of the lifestyle, freedom and Ubuntu culture experience it presents. To elaborate on what each of these each mean:

5.5.1.1 Affordable Lifestyle

Township businesses are there to cater for the low and middle income groups. Therefore, a lot of necessities are provided for them at lower costs as compared to those in urban areas. The type of entertainment provided for townships is also comparatively cheaper than in the CBD or urban areas.

The properties are cheaper in order to make it easier for property ownership in townships. Analysis of the above data indicates that a higher percentage of the people residing in townships actually own their homes as compared to those residing in suburbs. The rates

and taxes are also extremely cheaper in townships than in urban areas.

5.5.1.2 Freedom

The township environment is believed to be free as compared to suburbs. In townships, people are free to carry out cultural activities which are normally not acceptable in residential urban areas. For example, for most events like weddings, funerals, etc. the majority of black cultures believe in slaughtering an animal either for ritual purposes or basically to serve the community.

The younger generation feels free to organise events without having too many restrictions as to how many people are allowed, or how long the event should take place, etc. which is common in urban areas.

Entrepreneurs feel there is not much lot of red tape when starting a business. Some people start businesses within their homes without having to comply with strict regulations like rezoning your property for commercial reasons as in urban areas. Street vendors can set up their business almost anywhere without consulting with any authority bodies regulating the area.

5.5.1.3 Ubuntu

Ubuntu is a way of life. In most black communities, people know, visit and interact with each other. They are part of each other's lives where children are believed to be raised by a community.

People are free to ask for help from neighbours when in times of need. This kind of mindset is believed to reduce crime as people know each other and each other's lifestyles. Even with events taking place, majority of the time, the neighbors and family members are the ones organising and help with the preparatory work.

“Another crash course on Ubuntu is given by our beloved Archbishop Desmond Tutu, who says: “Africans have a thing called Ubuntu; it is about the essence of being human, it is part of the gift that Africa is going to give to the world. It embraces hospitality, caring about others, being willing to go that extra mile for the sake of another. We believe that a person is a person through other persons; that my humanity is caught up and bound up in yours. When I dehumanize you, I inexorably dehumanize myself. The solitary human being is a contradiction in terms, and therefore you seek to work for the common good because your humanity comes into its own in community, in belonging.” (Magadla 2008:1)

5.5.1.4 Public transport

Other advantages of living in township are the convenience of public transport system easily accessible and affordable. The public transport in townships comprises of taxis which are available even in the evenings and travel main routes to places of work for most of the people living in townships and in and around the township itself. There are trains and train stations which is the cheapest available transport system mostly used by the lower income group. There are also buses which are usually favoured to

travel long distances for those travelling to rural areas or faraway places of work. Therefore, the majority of people unable to buy cars for transportation see this as a huge advantage.

5.5.1.5 Entertainment and vibe

The youth in the area usually entertain themselves with parties, clubs, music, interactions, shisa nyama (braais) and music festivals which are believed to provide a township experience for them. Some middle and high income earners that reside in urban areas usually go to townships over weekends in order to interact and experience the feel and vibe of the township. Vibe according to the thesaurus explains a certain air or atmosphere about a certain area.

Another definition is *“a distinctive but intangible quality surrounding a person or thing”* (online dictionary). The wording “intangible quality” brings to the surface what may be overlooked when valuing townships and their properties. In some instances quality is intangible just as value is. This brings forth one of the most essential and relevant characteristic of a township, its vibe or air or atmosphere; which is what may be lacking when valuing the properties in the area.

5.5.1.6 Nostalgia

Some people expressed their nostalgic attitudes about townships. It is believed that it is a lifestyle that a lot of black people have grown accustomed to and no matter where they live, the familiarity

of the area and memories of the environment brings back a yearning of the lifestyle one is accustomed to.

5.5.2 What do people dislikes about townships (Refer to annexure 2)

5.5.2.1 Crime

62% of the people questioned felt that crime is one of the reasons townships are undervalued. However the rest of the people had one of the two views regarding crime.

Crime is everywhere and thus cannot be used to measure value
Crime is worse in suburbs than it is in townships

5.5.2.2 Noise

Noise contributes to influencing people on whether to live in an area or not. However, the noise levels in townships to some are unbearable and unacceptable while to others, it is seen as part of the factor contributing to the vibe discussed in 5.1.5. Therefore, it is poorly a subjective issue when looking at value.

5.5.2.3 Poor maintenance of services

The poor maintenance of services is apparent in the pictures below. What came across a number of times in the questionnaire is the poor state of the roads, some of which are still not tarred. Others include the poor sanitation and storm water drainage

systems, non-existent refuse disposal in certain areas and lack of electricity in informal settlements to date.



Figure 14, Taryn Eliot, Training for Township Initiative, 2007, illustrates the poor condition of some of the roads



Figure 15, Taryn Eliot, Training for Township Initiative, 2007, Mamelodi West illustrates the poor storm water drainage facilities



Figure 16, Taryn Eliot, Training for Township Initiative, Mamelodi West 2007, illustrates the lacking of refuse disposal system in some areas

5.5.2.4 Drug and alcohol abuse

A lot of people are aware of the drug and alcohol abuse in the townships. Most believe it is the main catalyst to criminal activity. However, it seems there are certain identified areas in the Mamelodi where people are aware of where most of the criminals and criminal activities occur, for example the hostels. The community in most cases knows who commits crime but has lost faith in the justice system and thus opts to not do anything about it when it comes to reporting and following the right channels to deal with it.

5.5.2.6 Lack of privacy

The houses in townships are closely spaced together; more so in informal settlements where the only separation between two properties is a gap of less than a meter and a corrugated iron sheet. Most houses do not have big enough yards to accommodate any extensions to property but the people who wish to extend their homes do it under such restrictions and at times feel the need to ignore those restrictions in order to maximise the use of space. This ends up causing a congested feel around an area and thus people feel too close to each other and it results in building up discomfort.

- 5.5.3 Should disposable income increase, would the target market be interested in owning property in townships or suburbs? (Refer to annexure 3)

5.5.3.1 Townships

The study shows that 48% of the people would prefer staying and owning property in the townships. Reasons contributing to this would be the properties affordability, freedom experienced in the townships, public transport and just the atmosphere of the townships.

The percentage for those preferring to own property in a township for investment or business purposes but not reside in the property increase the percentage from 48% to 67%.

The majority of those who want to reside in townships are mostly older people from ages 35 (thirty-five) to 60 (sixty) years of age. The younger generations prefer staying in suburbs or owning property in townships for investment purposes.

5.5.3.2 Suburbs

A percentage of 58% indicates that more people prefer moving out of the township as soon as they financially afford to own a property anywhere in the country. The reasons for this being; suburbs are quiet, orderly, clean, close to amenities, work and shopping malls and yield a higher investment return. Most find what appeals to them is the controlled environment of urban areas and its believed that properties in those areas are built with good quality building materials according to standards and the services are well maintained.

5.5.4 What is the target markets opinion or view as to why suburban properties are higher in value than that of townships? (Refer to annexure 4)

This section of the questionnaire was conducted to examine whether people understand property values and what causes value to appreciate or depreciate.

The study reveals that the majority understand that proximity to amenities and malls, well maintained services and sizes of stands contribute to the value of a property.

There is however a smaller percentage that does not understand why that is or have not given this thought before. Others feel that due to the pre-democracy discriminatory government, higher values were predetermined by the government and years after, those policies still remain the same.

5.6 POSSIBLE FUTURE DEVELOPMENTS THAT MAY HAVE A POSITIVE EFFECT ON TOWNSHIP PROPERTY VALUES

“Gerhard van Zyl, CEO of listed property fund Vukile, says there's no doubt that townships have become a profitable place for both property owners and retailers to be. He believes there's still plenty of potential for future township developments because most national retailers are now keen to tap into SA's burgeoning black spending power.” (Property 24 2006: 1)

5.6.1 Segregation of low-cost housing and housing targeted for the middle income group

Studies reveal that those that afford suitable housing in townships and afford to renovate and improve their housing feel the need of exclusivity of a certain area within the township in order to increase their property values. Where even though in a township, there are certain areas which accommodate a certain lifestyle and standards and thus have higher property values.

5.6.2 Estates in townships

This is similar to the above suggestion; however the questionnaire revealed mixed reactions were reached regarding the following.

58 % were uninterested, reasons being; that the feel of the township changes, and rules and restrictions will start being placed on their lifestyle which is something they are not used to.

Most feel that estate places difficult restriction on the owners, such as getting permission to renovate ones property and regulating security to a point of deciding the maximum number of people allowed in an area, etc.

42 % were interested in owning property in real estate's within townships with the believe that it will be more secure, well maintained , clean and orderly structure which they feel is what they prefer and the township is unable to provide.

5.6.3 Improvement of municipal services

Such improvements include leaking water pipes, improper / unsuitable sewage systems.

5.6.4 Types of houses to consider

Tuscan styled houses seem to be attracting the younger generation. They are neat and designs are pre-selected. Trees and proper roads will have to constructed

5.6.5 Change lifestyle

The majority of people interviewed agreed that the slow development of townships is due to the mindset of the people residing in townships. Education is believed to be lacking and needs to be improved to enable and empower the people in townships to think differently.

5.6.6 Renovations of old buildings

This is currently taking place with the hostel renovations taking place and upgrading of stations, stadiums and hospitals at various townships.

5.6.7 Regulating hawkers around the township especially shopping centres

Township dwellers believe that hawkers make shopping centre areas dirty, unruly, disorganised and overcrowded and thus resulting in unpleasant shopping experiences. The disorganisation of malls also makes it easier for criminals to continue with their criminal activities. It is also unappealing to young middle income earners who are accustomed to a certain lifestyle to want to use shopping centres in townships due to the system and look of the shops and the hawkers.

5.7 SUMMARY

In understanding the township market and finding ways of improving it, looking at certain aspects of the make of a township will help the analysis and study of property value. The general structure of township structure will help understand how townships are set out. Certain developments can help increase property values while others might not be viable for townships. Understanding the target market, their mindset and what they value helps create a product that is of value to them.

5.8 CONCLUSION

The main question in all this should be, that is it fair, for the mere fact that a property is located in a township that the price should automatically be adjusted to a lower percentage value as that of a similar property in a suburb?

The majority of people interviewed did not bring up the view of value or ownership of property for investment purposes. Most people looked at properties as a means of accommodation, a home and/or a place to raise a family. People wanted to live in a property which is good for their well being, security, ability to live a comfortable, and a well maintained place which is crime free and pleasant to live in. It seems most are not too concerned as to how much their property value will cost, that is, until they are ready to sell and purchase another.

Those that have made the move from townships to suburbs are the ones who are aware and begin to have a concern to the value of their current property and what the next property value will be. Hence the move by

people from townships to suburbs where they do not only move to improve on living standards, but to secure an investment for their families in future.

5.9 TESTING OF HYPOTHESIS

Does the current physical township structure appeal or attract the target market its intended for?

5.9.1 Hypothesis

The current physical township structure does not appeal or attract the target market its intended for

5.9.2 Testing

True

CHAPTER 6

CAN PROPERTY VALUES IN THE TOWNSHIPS INCREASE IN VALUE - TO APPEAL TO THE BLACK MIDDLE CLASS FOR INVESTMENT PURPOSES - AND WILL THE INCREASE BE VIABLE?

6.1 INTRODUCTION

The initial draft of this thesis was based on investigating whether it is possible to increase property values in townships for those interested in investing in township properties. As the study progressed, it indicated that the possibility of increasing property values in townships is there and is in effect currently taking place. Then another question arose; can the rate at which the values are increasing be increased to reach a point where townships properties are the same as or even exceed those located in suburban areas? The study showed that with careful planning and development, over time, this too could be possible. However, it became questionable whether this would be viable to do for the economy and the people at large?

To indicate how each sub-problem was used to help solve the main problem, the sub-problems are stated below and discussed briefly. The first three sub-problems address the possible means of increasing property values in townships as this was the initial study, however, the fourth sub-problem, is posed in such a way as to allow the analysis of the viability of the increase of township property values, to be possible.

6.2 CAN THE VALUE OF PROPERTIES IN A CERTAIN AREA CHANGE OVER TIME?

The purpose of exploring this sub-problem is to determine whether drastic changes in property values could take place in an area historically predicted to have a certain value, and should this be possible, how could this be done? Township properties have, since their establishment, been lower in value as compared to those in suburbs.

The change in value is quite complex as value is difficult to measure and its determination can be biased and subjective. Value is determined by a number of things, for example, the product availability, the quality of the product, the worth of the product as compared to another. But the most important determinant is what people's perception of the product is. If it is not liked by the people, its demand decreases and therefore value is lost. Therefore, people play a vital role in determining property values in whichever area. However, a number of factors play a role in determining ones perception and certain changes may need to take place in order for people to view a certain product differently.

The hypothesis for the sub-problem states that if a collective group of people's perception on value changes, then property values can change. The hypothesis is true. If people perceive property to be better in suburbs, then the value will remain high and unless people's perceptions of townships are changed from what they are now, the property values in townships will remain the same.

6.3 DO PROFESSIONALS INFLUENCE THE MARKETS AND THUS PLAY A ROLE IN THE PROPERTY VALUE GOING UP OR DOWN?

Professionals in the property sector have more knowledge and understanding in calculating property values. Their knowledge might allow them to influence people's perceptions on value which might not necessarily be the true value of certain properties in certain areas. However, in as much as they may have certain perception yielding power on certain properties, the study reveals that they do not possess as much power in such a way as to be able to change the value of properties in an entire township location.

6.4 DOES THE ECONOMIC CONDITION OF SOUTH AFRICA PLAY A SIGNIFICANT ROLE IN THE PROPERTY VALUES IN TOWNSHIPS?

The above hypothesis is true, the economic condition of the country does play a role in property values increasing or decreasing whether in townships, the CBD or suburbs. In most instances, if the inflation drops, the interest rates consequently follow in order to entice people to buy property. If a country goes into recession, as South Africa is currently experiencing, then property values are dropped in order to attract buyers and increase demand with the lower value. Therefore, when the economy is doing badly, property values drop and when the economy is doing well, property prices rise.

However, an interesting fact was found while conducting this study. While the above statement might be true for most properties, the opposite result transpires for township property values. Due to the high prices of property in suburbs, during the recession, people's preferences change, and thus a

preference for township houses increases due to their low prices causing a demand for those properties and thus causing properties values in townships to increase.

6.5 DOES THE CURRENT PHYSICAL TOWNSHIP STRUCTURE APPEAL OR ATTRACT THE TARGET MARKET ITS INTENDED FOR?

The target market for townships ranges from low to middle income groups. Most high income earners prefer living in the suburbs. Although townships cater better for the low income earners, middle income earners seem to prefer moving away from the townships to rent in metropolitan and CBD areas.

In order to understand why these middle income earners migrate to other areas, a questionnaire was conducted. The questionnaire indicated that most were unhappy with the physical structure of the townships, the lack of good quality amenities, shopping malls, jobs, poor maintenance of services in general and crime. A large percentage of the people expressed that they would buy properties in townships. In that percentage, the older generation felt it important and necessary to own property in a township in order to have a home or a place to dwell in while the younger generation preferred to own property in townships to rent it out and not necessarily stay there. Only a small percentage indicated that their reason for not wanting to own property in townships would be due to the poor investment return and most of those expressing this view currently live in suburbs.

Therefore, it seems that the target market is reached as most express that they would buy property in townships. Although most of these home

owners are not as concerned about the value as much as they are concerned about having a home.

The low income earners also reside in townships and usually live in informal settlements, RDP houses or previous government four-roomed houses. These types of housing structures cause a decrease in surrounding properties which could have had a higher value. This raises the fact that even though property values are raised in townships, there needs to be housing which caters to the low income earners. Affordability becomes an issue when raising values and thus requires careful planning and consideration.

6.6 CONCLUSION

The townships have a mixed use of different income earners. Therefore, it becomes difficult to raise property values in such an area to cater for a certain percentage of people that can afford such, leaving those that cannot, despondent. The advantage of raising property values has an advantage for those looking to invest in township properties. Raising value also boosts the economy and may in turn produce more investment opportunities for townships and even provide jobs.

“Some experts in the residential property market feel that township property is currently a viable investment option for consumers, as township houses are still affordable to middle and lower income groups.”

(Mahlakoleng 2008: 1)

However, the lower property value in townships caters to an existing market. It creates a location where those who may not be able to afford a

property in suburbs to have the ability to afford ownership of property in townships. The informal settlements in the area also cater for the low income market. There is also, still a large percentage of citizens without housing and such housing is built in and around townships.

6.7 TESTING OF HYPOTHESIS

Can property values in the townships increase in value - to appeal to the black middle class for investment purposes - and will the increase be viable?

6.7.1 Hypothesis

It is viable to increase property values in townships for investment purposes.

6.7.2 Testing

The hypothesis is partially true.

It is viable to increase property values in townships but the increase can only go up to a certain extent. If it were to be at such an extent as to match that of suburban properties, then it might not be as viable unless if the concept of segregation is introduced. This will look at locating informal settlement and RDP houses in certain location where they will not necessarily affect the value of properties in other areas. Certain areas can introduce boom gates and estates can also be introduced in townships to boost value for some properties.

6.8 RECOMMENDATION

The segregation of middle and income earners in townships could be investigated to see whether certain areas in townships can be used for investment purposes while others are for housing provision.

Another aspect to look into is that of estates in townships, whether there is a market for them and what value they will possess in township locations.

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ANNEXURE A
WHAT PEOPLE LIKE ABOUT TOWNSHIPS

WHAT PEOPLE LIKE ABOUT TOWNSHIPS					
INCOME	STATUS	AGE	LOCATION	OWNERSHIP	RESPONSE
M	single	35	S	rent	Culture diversity, interaction of different cultures, freedom
M	married	50	T	own	Public transport
M	married	49	T	rent	Available and affordable means of entertainment, charity centres
M	married	49	T	own	Public transport
M	married	55	T	own	Inexpensive, public transport, affordable lifestyle, family in area
L	married	36	T	own	Affordable houses
M	single	25	T	rent	Its busy, ubuntu, safe
L	other	35	T	with parents	Life experience, freedom
L	single	24	T	with parents	Lifestyle (music, vibe), ubuntu
M	married	24	T	rent	Nothing
M	single	32	S	with parents	Nightlife, ubuntu
M	single	26	S	rent	Nothing
M	single	24	S	with parents	Entertainment, ubuntu
L	single	24	S	rent	The people and their culture
M	single	24	S	rent	The vibe, ubuntu, affordable
M	single	24	S	rent	The vibe, culture, ubuntu
M	single	24	T	with parents	Safe
M	single	23	T	with parents	Affordable lifestyle, affordable housing
N	single	24	S	with parents	Energetic atmosphere, ubuntu, childhood memories, people know each other

M	single	32	T	own	Freedom, ubuntu, vibe and cultural environment
M	single	24	T	with parents	Ubuntu, vibe, freedom
M	single	24	S	rent	Affordable lifestyle, ubuntu, interactive activities and events, church being an integral part of life, older people respected and wisdom acknowledged
M	single	28	S	own	Entertainment
L	single	18	T	with parents	Ubuntu
L	single	18	S	with parents	Vibe and ubuntu
M	married	55	T	own	Ubuntu
M	married	50	T	own	Close to family, ubuntu and culture
M	single	21	T	with parents	Affordability
L	other	24	S	rent	Culture
M	married	54	T	own	Lifestyle, ubuntu
M	married	30	T	own	Big yards
M	married	47	T	own	Lifestyle
M	married	30	T	own	Ubuntu
M	married	30	T	own	Ubuntu
L	married	35	T	rent	Lifestyle, ubuntu
L	single	56	T	with parents	Lifestyle, vibe
M	single	30	S	with parents	Lifestyle, vibe

L	married	60	S	own	Ubuntu, cultural interaction
L	single	46	T	with parents	Lifestyle
M	married	32	T	rent	Freedom
M	married	52	S	own	Lifestyle
M	married	60	T	own	Ubuntu

Table 2: Author's own, questionnaire, 2009

ANNEXURE B
WHAT PEOPLE DISLIKE ABOUT TOWNSHIPS

WHAT PEOPLE DISLIKE ABOUT TOWNSHIPS					
INCOME	STATUS	AGE	LOCATION	OWNERSHIP	RESPONSE
M	single	35	S	rent	Noise, Litter, Lack of security/police
M	married	50	T	own	Drug and alcohol abuse, litter, poor roads, old abandoned hostels, crime
M	married	49	T	rent	Violence, crime
M	married	49	T	own	Poor roads
M	married	55	T	own	Noise, crime, lack of safety
L	married	36	T	own	Crime, bad services
M	single	25	T	rent	Drug and alcohol abuse, crime
L	other	35	T	with parents	Crime
L	single	24	T	with parents	Public transport in bad state
M	married	24	T	rent	Not quiet (loud music, partying), crime
M	single	32	S	with parents	Crime, mindset (jealousy, entitlement, laziness)
M	single	26	S	rent	Lack of privacy
M	single	24	S	with parents	Crime
L	single	24	S	rent	Too far from town, bad services, crime, drug abuse,

M	single	24	S traffic	rent	Not quiet, crime
M	single	24	S	rent	Crime, lack of privacy, bad roads, under development, little youth motivation, mindset (lack of dreams)
M	single	24	T	with parents	Nothing
M	single	23	T	with parents	Crime, drug abuse
N	single	24	S	with parents	Outdated, low infrastructure, crime, mindset (low morale & bleak outlook), difficult to access facilities and thus not convenient
M	single	32	T	own	Noisy
M	single	24	T	with parents	Bad environment for kids to grow in, bad air pollution, too congested
M	single	24	S	rent	Crime, mindset of youth (no vision about their lives)
M	single	28	S	buy	Nothing
M	single	18	T	with parents	Crime
L	single	18	S	with parents	Crime
M	married	55	T	own	Noisy
M	married	50	T	own	Crime
M	single	21	T	with parents	Crime, lack of privacy, underdeveloped, congested

L	other	24	S	rent	Alcohol abuse, partying
M	married	54	T	buy	Alcohol abuse
M	married	30	T	own	Noisy
M	married	47	T	own	Alcohol abuse, crime
M	married	30	T	own	Noisy, too much freedom
M	married	30	T	own	Noisy
L	married	35	T	rent	Crime
L	single	56	T	with parents	Too congested
M	single	30	S	with parents	Crime
L	married	60	S	own	Bad services, not enough developers investing in townships, certain races not feeling comfortable to own property in townships
L	single	46	T	with parents	Crime
M	married	32	T	rent	Nothing
M	married	52	S	own	Nothing
M	married	60	T	own	Unemployment, crime

Table 3: Author's own, questionnaire, 2009

ANNEXURE C
CHOICE BETWEEN SUBURB/TOWNSHIP

CHOICE BETWEEN SUBURB/TOWNSHIP					
INCOME	STATUS	AGE	LOCATION	OWNERSHIP	RESPONSE
M	single	35	S	rent	S - investment, privacy, amenities, quality of life, T no value
M	married	50	T	own	None
M	married	49	T	rent	T - Entertainment, charity centres, S expensive
M	married	49	T	own	T - Less crime as compared to suburbs, family is in township, S expensive
M	married	55	T	own	T - Affordable, S expensive
L	married	36	T	own	T - Affordable, easy to rent out, public transport, S no ubuntu, expensive
M	single	25	T	rent	T - Freedom, affordable houses
L	other	35	T	with parents	T - Affordable housing, S expensive
L	single	24	T	with parents	S - Close to work & amenities, urban lifestyle, T too far from work
M	married	24	T	rent	S - Secure, good roads, privacy, T too loud, taxi drivers, no value, no privacy, bad services
M	single	32	S	with parents	S - It indicates progress in ones life
M	single	26	S	rent	S - Investment, safety
M	single	24	S	with parents	S - A good place to raise children, T to rent out
L	single	24	S	rent	T - Live in familiar surroundings, help develop it

M	single	24	S	rent	S- Property has value, looks better and bigger, safe, recreational facilities
M	single	24	S	rent	S- Close to work, safer, privacy, quiet, T to rent out
M	single	24	T	with parents	T - Close to family
M	single	23	T	with parents	S - Lifestyle, T to rent out
N	single	24	S	with parents	S - Investment purposes, quiet, convenience, good infrastructure, T to rent out
M	single	32	T	own	T - Affordable houses, certain areas are clean and safe
M	single	24	T	with parents	T - Cultured, affordable, sense of belonging
M	single	24	S	rent	S - safer, quiet, cleaner, close to work and malls, opportunities available, T - to rent out
M	single	28	S	buy	S - Lifestyle, T no value
M	single	18	T	with parents	S - Safer, T to rent out
L	single	18	S	with parents	T - Familiar environment
M	married	55	T	own	S - Quiet, T too noisy
M	married	50	T	own	S - Quiet
M	single	21	T	with parents	S - Better services, secure
L	other	24	S	rent	T - For investment, S to restricting
M	married	54	T	buy	T - Familiar environment, lifestyle, S too restricted
M	married	30	T	own	T - Familiar environment

M	married	47	T	own	S - Orderly and well maintained, T too unclean
M	married	30	T	own	S - Peaceful and privacy, T to rent out
M	married	30	T	own	S - Peaceful
L	married	35	T	rent	T - Affordable, S expensive
L	single	56	T	with parents	T - For investment
M	single	30	S	with parents	S - Secure, quiet
L	married	60	S	own	S - For investment
L	single	46	T	with parents	T - Familiar environment
M	married	32	T	rent	T - Nice houses in certain areas and affordable
M	married	52	S	own	T - For investment
M	married	60	T	own	S - Security

Table 4: Author's own, questionnaire, 2009

ANNEXURE D

WHY IS PROPERTY HIGHER IN VALUE IN SUBURBS?

WHY IS PROPERTY VALUE HIGHER IN SUBURBS?					
INCOME	STATUS	AGE	LOCATION	OWNERSHIP	RESPONSE
M	single	35	S	rent	Not sure
M	married	50	T	own	Have private security and well maintained
M	married	49	T	rent	Stats reflect such
M	married	49	T	own	Well maintained, near malls and other amenities, business surrounding
M	married	55	T	own	High levies
L	married	36	T	own	Properties in good condition with proper materials, clean, secure
M	single	25	T	rent	Bigger stands
L	other	35	T	with parents	Bigger stands
L	single	24	T	with parents	Because of its location
M	married	24	T	rent	Better services (roads, sanitation), close to amenities (malls)
M	single	32	S	with parents	Maintenance cost, security cost and close to amenities
M	single	26	S	rent	Better developed. Higher rates for maintenance
M	single	24	S	with parents	Bigger stands, well located
L	single	24	S	rent	Well maintained, good services

M	single	24	S	rent	Township perceived to have high crime rate, townships too far from malls and amenities, suburbs perceived to have better quality of life and higher standards	
M	single	24	S	rent		
M	single	24	T	with parents		Well established and modern
M	single	23	T	with parents		People who are well off financially live in suburbs, therefore the values are higher
N	single	24	S	with parents		Perceived to be safer, good infrastructure, close to amenities, better services, clean
M	single	32	T	own	High security, close to shops	
M	single	24	T	with parents	Well maintained, presents dignity, close to amenities, convenience, certain proportion of races live there whom are considered important	
M	single	24	S	rent	Close to malls and amenities, well maintained, less hobos, each house has unique architecture	
M	single	28	S	buy	Close to malls and amenities, security	
M	single	18	T	with parents	Don't know	
L	single	18	S	with parents	Close to malls	
M	married	55	T	own	The values are the same	
M	married	50	T	own	Due to discriminatory government	

M	single	21	T	with parents	Close to malls, amenities, security
L	other	24	S	rent	Don't know
M	married	54	T	buy	Well maintained
M	married	30	T	own	Well maintained
M	married	47	T	own	High rates and taxes
M	married	30	T	own	Close to malls and amenities
M	married	30	T	own	Close to malls and amenities, security
L	married	35	T	rent	Designed for people who are well off financially
L	single	56	T	with parents	Because of its location
M	single	30	S	with parents	Bigger stand and houses, security
L	married	60	S	own	Due to discriminatory government
L	single	46	T	with parents	Well maintained
M	married	32	T	rent	Close to malls
M	married	52	S	own	Well maintained
M	married	60	T	own	Secure

Table 5: Author's own, questionnaire, 2009

