

ERSA-SARB CONFERENCE

Finding a Path to Growth and Employment in South Africa

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SESSION REPORT

Session 2: A Vision for Affordable Urban Housing

Anchor Presentation: Ivan Turok (UFS) and Justin Visagie (SCIS)

Panellists: Paul Court (City of Cape Town), Ann Bernstein (CDE), Geci Sebina (Wits University)

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Note: This report synthesises the key arguments, ideas, and exchanges from the session. It reflects the substance of what was presented and discussed, not necessarily the settled views of all participants. Panellists participated in their personal capacity. Time constraints meant that not all points could be fully debated or responded to. By convention, individuals are identified only on the title page; arguments and ideas in the body of the report are not attributed to named speakers. Video recordings of the session are available on YouTube, where viewers may find nuance in the views expressed that a written synthesis cannot fully capture

Key Takeaways

- South Africa's affordable housing crisis is worsening on both the supply and demand sides. Formal residential completions have fallen by more than 50% over the past 20 years, RDP delivery has collapsed from its 1990s peak, and between 1.8 and 3.8 million households need adequate housing - a backlog growing by nearly 200,000 a year.
- Housing must be reframed as an economic issue, not only a social one. Well-located, affordable housing drives productivity through shorter commutes and better labour market matching, generates direct and indirect employment through construction and supply chains, builds household assets, strengthens the municipal tax base, and can trigger a virtuous cycle of urban investment.
- Small-scale rental housing - backyard units and township-built blocks - is the fastest-growing form of housing in South Africa, driven entirely by bottom-up enterprise. It is delivering at a scale that neither government nor the formal private sector can match, yet it operates in a policy vacuum with almost no regulatory framework, infrastructure support, or official recognition.
- The session called for a decisive shift from a national, programme-driven, ownership-focused housing model to a city-level strategy that empowers metros to oversee a diverse housing system - combining social housing, private multifamily rental, inclusionary housing, and enabled small-scale rental - with devolved budgets and regulatory authority.
- There is a deep institutional blindness in South Africa to how the majority of citizens actually house themselves. Informal and semi-formal housing represents innovation under constraint, and policy needs to catch up with what is already happening on the ground rather than continuing to ignore or criminalise it.

The Anchor Presentation: Housing as an Economic Driver

The anchor presentation opened with a deliberate provocation: housing in South Africa is treated as a social issue, categorised in the budget under community development and social wage, and this framing demotes its significance. The argument was that reframing housing as an economic issue - central to urban productivity, labour market functioning, and economic growth - would generate greater interest and investment from researchers, financial institutions, and government.

The scale of the crisis was set out starkly. Between 1.8 and 3.8 million households need adequate housing, depending on the data source and definition used - itself a telling commentary on the state of housing data. The national housing needs register stands at approximately 2.4 million households and is growing by nearly 200,000 a year. Formal residential completions have fallen by more than 50% over two decades. The delivery of RDP/BNG houses has collapsed from its late-1990s peak. Bank lending for home purchases has declined. In Cape Town alone, the estimated shortfall is 600,000 units; at the current delivery rate of 15,000 completions per year, clearing the backlog would take 45–50 years - and the backlog is growing faster than delivery. The affordability gap is severe: only 6.5% of Cape Town households earn enough to secure a bond of R1.5 million, yet the average one-bedroom listing price is R2.2 million.

The economic case for housing was made across multiple dimensions: construction and supply chain jobs; multiplier effects from consumer durables and home improvements; housing as a store of household wealth that can serve as collateral for business loans; a vehicle for small-scale enterprise through building contractors, property developers, and home-based businesses; better health and education outcomes for those in decent housing; enhanced workforce productivity through denser, well-located housing that reduces transport costs and integrates labour markets; and a broader municipal tax base that can fund infrastructure investment. The argument was for a virtuous cycle: well-located housing investment generating jobs and incomes, building assets, creating enterprises, strengthening municipal revenues, and driving up urban productivity and inclusion. The emphasis also needs to shift from home ownership to rental housing because of its greater flexibility and affordability, and the benefits for household mobility and urban density.

Four emerging approaches were presented as offering promise. Social housing, the oldest model, was designed for spatial transformation through well-located, well-managed rental units. But implementation failed - two-thirds of the 30,000 units built were in financial distress within a decade - and the subsequent regulatory overreaction through the Social Housing Regulatory Authority has created bottlenecks and misdirected resources away from metros. Private multifamily rental is attracting institutional investment through the refurbishment of old buildings, particularly in the Johannesburg and Pretoria CBDs, driven by a new wave of creative developers. The PIC has recently backed one such developer with a substantial investment. Inclusionary housing, where cities negotiate affordable units in return for development incentives such as cheap land, relaxed parking requirements, and faster approvals, is being pioneered in Johannesburg and Stellenbosch. And small-scale rental housing - the fastest-growing form of housing in the country - is being driven entirely from the bottom up by homeowners and micro-developers building backyard units and small apartment blocks in townships, meeting massive latent demand using existing land and infrastructure.

The presentation concluded with a call for a fundamental shift: from national programmes to city-level strategies, with metros empowered as custodians of the urban housing system. Their core responsibilities should include housing market intelligence, land banking and release, land use regulation, infrastructure provision, rates collection, and management of public spaces. Budgets, including for informal settlement upgrading, should be devolved to the metros. The alternative - a national demand-side subsidy proposed under Operation Vulindlela - was questioned as a technical tweak that fails to address the more fundamental systemic problems.

Panel Discussion

The Historical Amnesia

The panel noted that many of the ideas presented are not new - housing as an economic strategy, the Chilean model, bottom-up approaches, and the rental versus ownership debate were all discussed in South Africa in the 1980s and 1990s and then largely dropped from policy discourse. The presentation was welcomed as reviving critical arguments, but the point was made that the country has been through cycles of recognising these issues and then failing to act on them. The old policy models - the RDP/BNG subsidy house, the social housing programme - are largely exhausted, and the governance framework needs to catch up with the innovation that is already happening on the ground.

A related point was made about the breadth of the knowledge base in housing. A significant body of research and practical experience has been developed by think tanks, NGOs, and private sector bodies working on housing over many years. This work represents a valuable resource that should be drawn on more systematically in future research and in the design of housing policy.

Institutional Blindness and Bottom-Up Innovation

A powerful theme in the panel was what was called institutional blindness - the failure of government to see, understand, or engage with how the majority of South Africans actually house themselves. Backyard structures were until recently referred to as illegal shacks and criminalised. Informal traders are treated as nuisances. The panel argued that this reflects a broader pattern across multiple sectors: a deep institutional reluctance to recognise forms of economic activity and social organisation that do not conform to formal systems. The irony is that these informal systems are often more responsive to demand, more sensitive to affordability, and more deeply embedded in community networks than anything government has been able to design from above.

The argument was made that if innovation is to be taken seriously as a policy objective, it must include distributed, bottom-up innovation - not just top-down technology transfer. People have been innovating in housing for years; policy is late to recognise it. Devolution to local government offers a better chance of engaging with these realities, but even at the local level, institutional agility is constrained by compliance frameworks, risk aversion, and regulatory rigidity.

Cape Town: A City Grappling with the Challenge

The City of Cape Town's approach was presented as a practical illustration of the multi-pronged strategy the anchor presentation advocated. The city has just passed the 5 million population mark, with population projections suggesting 2.4 million additional people by 2050. Property prices have risen sharply - an outlier among South African metros - while incomes have stayed relatively flat, creating a severe affordability squeeze across the entire housing spectrum. The construction sector, while showing a recent upturn, is not keeping pace with demand.

The city's response includes land release for affordable housing development, red tape reduction, proactive zoning for residential use alongside economic activity, subsidised

housing, and an inclusionary housing policy in development. On small-scale rental units specifically, the city has embarked on an enablement programme that estimates SSRU growth and provides the infrastructure - additional waste facilities, piping, water and sanitation capacity - needed to support densification without creating the externalities of unplanned growth. The city has also deployed 40 staff as local planning support officers to work directly with micro-developers, introduced simplified prototype building plans, and is grappling with the challenge of retrospective approval for structures already built. A Township Developers Forum has been established by developers themselves as a mutual support and advocacy organisation, though the city's engagement with it was described as insufficient.

Jobs, Housing, and the Sequencing Question

A debate emerged on the relationship between jobs and housing. One view was that jobs must come first — that without incomes, even modest housing is unaffordable, and housing strategies built without reference to employment realities will fail. This was supported by the experience of one of Johannesburg's largest low-income housing developers, who reported being unable to continue because potential residents could not afford the units. The counter-argument was that housing and jobs are not sequential but simultaneous: housing construction itself generates employment, micro-developers create enterprises, and well-located dense housing drives urban productivity by reducing commute times and improving labour market matching. The resolution was that neither perspective is wrong, but they cannot be separated - housing policy must be designed with employment outcomes in mind, and economic policy must recognise housing as a productive investment, not merely a social cost.

Audience Discussion

The audience raised several issues of immediate practical relevance. The rent-to-own model, successfully used in other countries and briefly experimented with in South Africa in the 1990s through the institutional subsidy scheme, was proposed as a mechanism for expanding access. The earlier experiment failed in part because the expectation of free housing, set by the RDP programme, undermined willingness to pay. Whether conditions have changed enough to make this viable was left as an open question.

Contract enforcement and landlord rights at the bottom of the market were raised as an underexplored institutional constraint. The small-scale rental market depends on landlords' ability to collect rent and manage tenancies, yet enforcement mechanisms are weak. The student accommodation sector was offered as a contrast: it has attracted significant private investment precisely because the payment mechanism is clear, with NSFAS funding providing a reliable income stream. The question was whether similar institutional arrangements could be designed for the broader low-income rental market.

Construction sector extortion was identified as a growing threat to housing delivery. Criminal syndicates demanding rents from contractors have increased costs, forced security spending, and deterred investment. The problem was linked in part to the failure of the construction industry to maintain the informal practice of providing local employment benefits on construction sites - a practice that atrophied as budgets tightened, creating the space for

extortion to fill. The response requires both constructive engagement with communities and a policing dimension, but neither is being pursued at adequate scale.

The question of state-owned land and buildings was pressed as an area of enormous untapped potential. The state - across national departments, defence, public works, and municipalities - holds well-located land and buildings that are unused or underused, maintained at public expense. A comprehensive audit of state-owned property in even one metro, with a strategy for release for affordable housing, was identified as one of the most immediately actionable opportunities available.

Implications for Growth and Employment

This session made a compelling case that housing is not a consequence of economic growth but a driver of it - and that the failure to treat it as such has been one of the most significant missed opportunities in South Africa's post-apartheid economic policy. The housing crisis is simultaneously a labour market crisis: spatial mismatch between where people live and where jobs are located raises commuting costs, limits labour mobility, reduces the effective labour supply available to firms, and constrains the productivity gains that should come from urbanisation. These dynamics connect directly to the micro-level evidence on labour mobility presented elsewhere at the conference, which showed that workers in South Africa's manufacturing sector experience churn rather than progression, compounded by spatial barriers and search frictions that prevent them from accessing better jobs.

The most dynamic response to the housing crisis is coming not from government or the formal private sector but from ordinary people - homeowners building backyard units, micro-developers constructing small apartment blocks in townships, and a growing ecosystem of informal rental housing that operates almost entirely outside the policy framework. This bottom-up innovation is delivering at a scale that no government programme can match, and it is generating employment, enterprise, and rental income in communities that formal policy has largely failed. The policy challenge is not to replace this with a centrally designed alternative but to enable it: providing infrastructure, offering light-touch regulatory frameworks, and connecting it to the formal economy without crushing the dynamism that makes it work.

For the growth and employment agenda, the most immediately actionable ideas to emerge included: reframing housing as an economic and productivity issue in budgetary and policy terms; devolving housing budgets and regulatory authority to metros, which have the local knowledge and built-environment powers to oversee a diverse housing system; investing in infrastructure to support small-scale rental housing as the fastest route to scale; auditing and releasing state-owned land and buildings for affordable housing development; reforming land use regulation and building standards to reduce approval timelines and enable densification; supporting the emerging private multifamily rental sector and inclusionary housing policies; addressing construction sector extortion as a direct threat to housing delivery and employment; and designing housing interventions with explicit attention to their effects on labour market access, commuting costs, and urban productivity.