

What can municipalities do?



Evidence-based, responsive municipal planning

It is important for municipalities to determine the scale of small-scale affordable rental housing and its potential growth in municipal communities. Data from StatsSA, such as the General Household Survey, and municipal-level, community-based data should all be used to attain an accurate depiction of need to ensure responsive and context-appropriate planning and programming as well as identify opportunities for growth.



Adequate access to services and bulk infrastructure

Based on accurate data, municipalities must determine how to extend bulk and link infrastructure to make basic services, including free basic services, available to tenants in small-scale affordable rental accommodation. Communal amenities on the erf may be appropriate in certain contexts, where separate metering to measure tenant household water and electricity consumption would not only provide improved access for tenants and revenue streams for the municipality, but would also reduce the potential for conflict between tenants and landlords relating to liability for shared services. Similarly, adequate provision needs to be made for refuse removal, based on actual need.



Access to public amenities and infrastructure

Using community-level data, small-scale affordable rental housing residents must be included in the assessment of need for public amenities and community level servicing (e.g. primary health care, policing, early childhood and youth facilities, public transport, etc.).



Progressive land use management

Municipalities can adopt land use management policies and by-laws that enable the development of multiple structures to be erected on a residential property as of right. This helps to avoid the extra costs and processes associated with special applications to enable the erection of small-scale affordable rental accommodation.



Tenure security

It is important for backlogs in title deeds to be mitigated and to ensure that title deeds are timeously issued to allow homeowners and developers to leverage and develop the asset of their property (including by applying for municipal service extensions). Encouraging the use of written lease agreements promotes increased tenure security for tenants and an understanding of rights and obligations of both landlords and tenants.



Prototypical plans and technical advice

Municipalities can provide support and assistance to facilitate self-build construction, including providing prototypical plans and technical advice. This can include information and referrals related to the potential use of sustainable building materials and technologies.



Consumer education

Providing support/advice as part of the functioning of municipal rental advice desks, including referrals to provincial Rental Housing Tribunals, encourages conflict resolution and mitigates the impacts of tenure security regression. Education around utilities, service applications and fault-reporting are other crucial aspects of consumer education that municipalities can implement.

A coordinated approach, municipalities in the lead

Municipalities have a primary role to play in enabling and supporting the small-scale affordable rental housing sector in all its variety. For subsistence homeowners and incremental homeowners, this may take the form of offering housing support services that prioritise consumer education, the roll-out of basic services (including expansion of indigent registers), fast-tracking township establishment processes (where necessary) and basic technical support. For (prospective) debt-finance homeowner developers, a more advanced technical support package may be appropriate, including the provision of prototypical plans and simplification of key regulatory processes and requirements, whereas for micro developers an economic support strategy may be needed, focused on reducing costs, enabling compliance with planning requirements and facilitating land access.

Support for the small-scale affordable housing sector results in more and improved housing options, economic empowerment (particularly for homeowners deriving income from rental properties) and local economic development within the construction and home improvement sectors. Ignoring this sector does not only mean these opportunities are missed; it also adds to the municipal burden of having to deal with the downstream effects of inadequate service provision and tenant eviction, such as ill health, land occupation and homelessness.

Through policy guidance, programme development, financial instruments and support interventions, national and provincial government can play their part in strengthening the small-scale affordable rental housing sector. The proposals for supporting small-scale affordable rental housing in the 2024 White Paper for Human Settlements are a step in the right direction. The diverse perspectives and contributions of homeowners and tenants, financiers, building material suppliers, contractors and civil society organisations also need to be harnessed.

Backyard Matters Project

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



Policy reference points

The Consolidated Norms and Standards for Rental Housing (2022) argues for an enabling, incremental approach, that includes adopting more flexible building standards, especially for the conventional backyard housing sector. Municipalities are encouraged to designate certain areas to support small scale affordable rental housing (using overlay zones).

The White Paper for Human Settlements of 2024 commits to developing support and incentives, including access to loan finance, for the small-scale affordable rental housing sector. This includes a proposed informal rental housing programme focused on affordable and safe housing with basic services access (incl. through the provision of a serviced slab). It further commits to developing a National Property Transactional Support Framework, including the establishment of Local Housing/Transactional Support Centres to support and enable self-build initiatives, consumer education and property transactions support.



Sustainable building materials and technologies

Current methods of housing construction are unsustainable, as the manufacturing of conventional building materials uses a disproportionate amount of natural resources (water, energy) and produces very high levels of carbon emissions. Alternate building materials and technologies (ABTs) are an essential component of achieving safe, climate-resilient housing. ABTs also have the potential to contribute to new economic value-chains around construction materials production and construction processes with direct local economic development benefits. Other benefits of using ABTs include cost and time efficiency. With the right support and targeted incentives, the small-scale rental housing sector can become a key driver of change in the construction sector, addressing critical housing needs whilst contributing towards climate resilience and a reduced carbon footprint.

Small-scale affordable rental housing

Appreciating its diversity for targeted support

Small-scale affordable rental housing is increasingly recognised as both an important housing option and a significant contributor to township economic development.

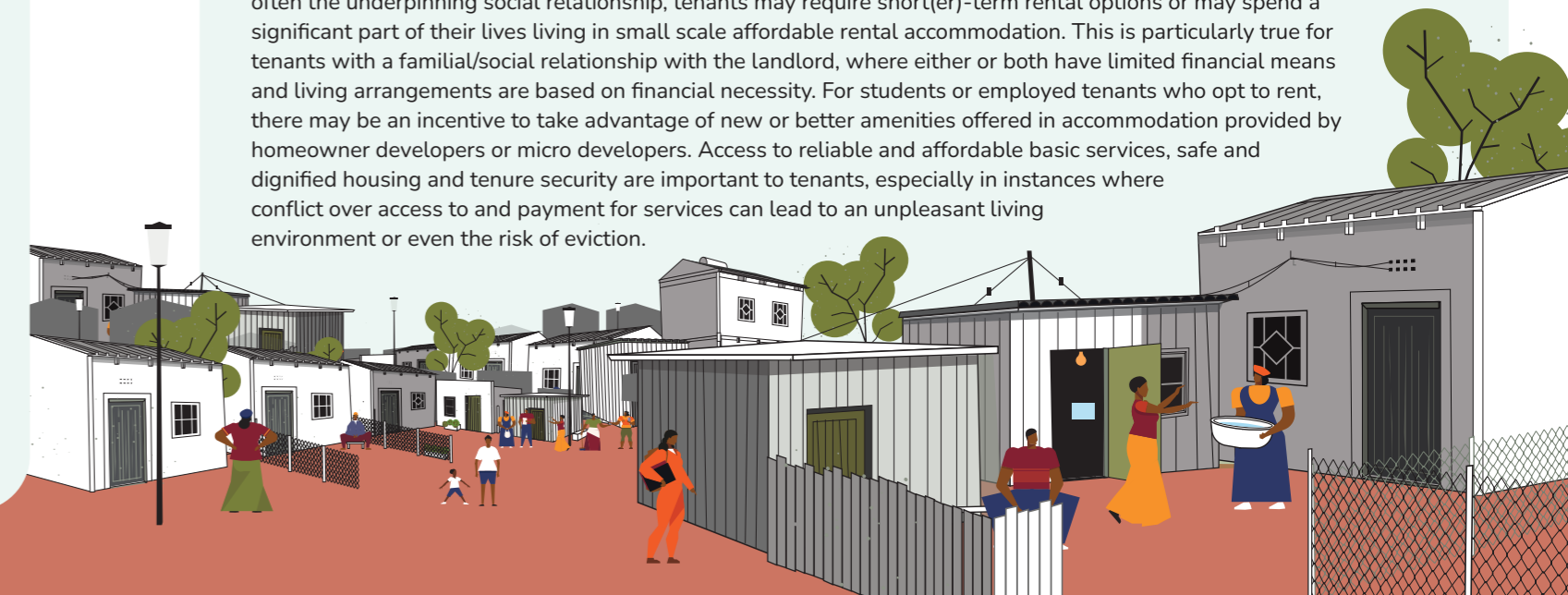
As one of the fastest growing housing sectors in South Africa (even outpacing growth in informal settlements in certain contexts), its shape and form has changed over time: from more conventional backyard housing – often sub-standard structures physically located at the back of the erf – to the newer phenomena of 'homeowner developers', who access capital to build additional rental units on their property, to micro developments, consisting of newly constructed multiple rental units (apartments/flats) by small-scale developers in townships. As a result, the small-scale affordable rental housing sector is highly diverse, incorporating a variety of landlord, tenant and housing typologies, with varying degrees of compliance to norms, standards and regulations. The extent to which homeowners have registered title deeds – a prerequisite for accessing additional municipal services and finance for housing construction and home improvements – also varies significantly, contributing to the nuance and complexity of the sector.

Awareness of crucial differences in small-scale affordable rental housing typologies is important for understanding the varied ways in which they operate as well as their future growth potential and capacity to formalise. Appreciating this diversity is key to developing appropriate responses and support interventions that adequately respond to the needs and opportunities inherent to specific sub-sectors of this housing market. While there may be common issues (e.g. the importance of adequate access to basic services), there is no 'one-size-fits-all' approach that municipalities can adopt to address key challenges present in the sector and to capitalise on the opportunities it presents.

Ultimately, safe and dignified small-scale affordable rental accommodation not only provides housing opportunities and potential revenue streams through basic services, but also contributes to economic empowerment and local economic value chains. These outcomes, however, can only be achieved if strategic steps are taken to recognise and respond to the diversity of the small-scale affordable rental housing sector, in a manner that is flexible, supportive and contextually appropriate. Critical in this regard is to ensure that key characteristics of the small-scale affordable rental market – affordability and flexibility – are retained as these are also vital to its success and continued development.

What about tenants?

Small-scale affordable rental housing caters to households with different needs, ranging from low-income households often dependent on social assistance, to those working in the informal economy with inconsistent forms of income, to tertiary education students or professionals who don't qualify for public housing, can't afford rentals in the private market or prefer to remain in their communities. According to need, financial means and often the underpinning social relationship, tenants may require short(er)-term rental options or may spend a significant part of their lives living in small scale affordable rental accommodation. This is particularly true for tenants with a familial/social relationship with the landlord, where either or both have limited financial means and living arrangements are based on financial necessity. For students or employed tenants who opt to rent, there may be an incentive to take advantage of new or better amenities offered in accommodation provided by homeowner developers or micro developers. Access to reliable and affordable basic services, safe and dignified housing and tenure security are important to tenants, especially in instances where conflict over access to and payment for services can lead to an unpleasant living environment or even the risk of eviction.



Mapping the small-scale affordable rental housing sector in South Africa

Identifying support needs for targeted interventions

Subsistence homeowners

Tenure status and owner presence

- With or without formal title deeds
- Present or resides on the property
- May live in the main house or backyard

Financial / employment profile of landlords

- Unemployed or low income earners, possibly dependent on social assistance
- May be dependent on piece-meal jobs or inconsistent income from the informal economy

Rationale for housing provision & market logic

- Out of necessity – need to accommodate family members or social contacts
- Potential for added household income for basic needs and amenities
- Underpinned by familial / social connection, more likely regulated by informal agreement

Housing typology

- One or multiple rental structures on private or public land
- Informal / makeshift structures, made of timber and iron / zinc sheets

Financial means

- Homeowners and tenants largely indigent
- Limited funding sourced from personal savings and networks

Construction process and compliance

- Development is often incremental, intuitive, with no/low level of compliance with municipal norms and standards
- Structures may be considered to fall short of safety / habitable norms

Primary objective of government support and intervention

- Tenure security / title deeds for homeowners
- Improved access to basic services to a level of dignity often through communal / shared services on the erf
- Improved quality and safety of structures

Key interventions to achieve objectives

- Unlock title deeds and address township establishment and informal deeds transfer / inheritance issues
- Extension of basic services to backyard residents
- Support basic structural adaptations (e.g. spacing, floor slab / elevation), fire retardant paint

Incremental homeowner developers

- With or without formal title deeds
- Present or resides on the property
- May live in the main house, backyard or be 'absent'

- Working class professionals, e.g. nurses, teachers, those working in retail or self-employed
- Cannot access debt-finance

- Need to supplement household income (for amenities or for a specific financial object, e.g. school fees)
- May be underpinned by familial / social connections
- Informal agreement or written lease agreement

- One or multiple rental structures built on private or public land
- Improved informal or formal structures

- Generally have limited resources
- Use a mix of informal and formal financing, none of which is formally tied to the property

- Construction takes place incrementally, when funds become available, and is guided by informal institutions, norms and standards
- Local unregistered builders design and construct dwellings, with mixed quality and reliability
- Generally, face challenges in obtaining information and training, and consider benefits of regulatory compliance less attractive than costs involved
- Typically have little or no experience of municipal planning and building regulation procedures

- Tenure security / title deeds for homeowners
- Extension of infrastructure to allow for separate consumption of basic services, e.g. water and electricity meters
- Improved quality and safety of structures
- Encourage progressive compliance with norms and standards

- Unlock title deeds and address township establishment and informal deeds transfer / inheritance issues
- Infrastructure extensions and bulk infrastructure upgrades
- Support and monitor the incremental improvement and development of rental structures

Entrepreneurial/ debt-finance homeowner developers

- With formal title deeds
- Present or resides on the property
- Likely to live in the main house

- Working class professionals, e.g. nurses, teachers, those working in retail or self-employed
- Can access debt-finance

- Need to supplement household income (for amenities or for a specific financial object, e.g. school fees)
- A consistent source of income to offset debt finance is a priority

- Multiple rental units built on private land
- Formal brick & mortar structures

- Limited resources, but may obtain formal funding from a bank or micro-finance institution (MFI) tied to property asset (primary or additional)

- Micro-finance institutions (MFI) is often actively involved in planning, construction and management of rental units
- Interaction between developers and MFIs improves access to information, technical resources and regulatory compliance
- MFI funding requires at least partial compliance, e.g. title deed, NHBRC accredited builders and/or approved building plan
- MFI affords access to their network of professional builders, architects and conveyancers
- MFI typically leads planning, construction and quality control of rental units, while homeowner trained to manage property and deal fairly with tenants

- Enabling greater provision of affordable, safe rental housing options with individual service connections
- Support economic activity in the self-build, small-scale construction sector

- Infrastructure extensions and bulk infrastructure upgrades
- Simplify / improve regulatory processes and procedures
- Provision of technical assistance, including prototypical plans for rental structures
- Support in property management and tenant relations

Micro developers

- Often do not live in the properties being developed

- Part-time (or full-time) professional property developers
- Steady income / profit
- Access to different sources of capital funding
- With formal title deeds

- Objective to earn a regular source of rental income for profit and wealth creation
- A consistent source of income to offset debt finance and generate a return on investment is crucial

- Multiple rental units in the form of medium-density apartment blocks, built on private land

- Able to access different sources (and larger amounts) of capital funding, often to build a property development portfolio

- Frequently have professional education and find it easier to access external resources, knowledge and expertise
- Investment decisions are more calculated and strategic, taking into account financing, location, density and design considerations
- Some have more experience than others in construction management, and therefore more knowledge of regulatory requirements and procedures
- As they are bigger investors and face larger potential fines and penalties, their incentives to comply tend to be greater

- Densify communities and increase the stock of safe and affordable housing
- Support small-scale economic actors in the township economy

- Extend bulk and link infrastructure to enable the delivery of basic services
- Facilitate land access and simplify / improve regulatory processes and procedures
- Provision of technical assistance, including prototypical plans for rental structures

This sector map draws on the body of work undertaken under the auspices of the Backyard Matters Project between 2019 and 2025 as well as Scheba A, Turok, I & du Trevoit C. 2022. Small-scale rental housing: Moving from the low to the high road. Published by the Development Action Group.

DIGNITY