

Paid or Unpaid Social Housing? Rethinking South Africa's Social Housing Dilemma

Samson Olaoluwa Faboye, Innocent Musonda

(Dr. Samson Olaoluwa Faboye, Centre for Applied Research and Innovation in the Built Environment (CARINBE), Department of Construction Management and Quantity Surveying, University of Johannesburg, 40, Hampton Avenue, Rossmore, Johannesburg 2092, South Africa, sfaboye@gmail.com)

(Prof. Innocent Musonda, Centre for Applied Research and Innovation in the Built Environment (CARINBE), Department of Construction Management and Quantity Surveying, University of Johannesburg, 40, Hampton Avenue, Rossmore, Johannesburg 2092, South Africa, imusonda@uj.ac.za)

DOI: 10.48494/REALCORP2026.2049

1 ABSTRACT

Social housing in South Africa is intended to promote affordability and post-apartheid spatial reconfiguration; however, its implementation is hindered by an ongoing policy dilemma: should it be entirely paid for, nearly free, or cross-subsidised? This paper analyses the conundrum as an issue of governance and spatial fairness rather than merely a pricing discussion. This analysis utilises policy evaluation and qualitative insights from municipal and sector experts in Johannesburg to assess three funding frameworks: rent-based cost-recovery social housing, near-free public rental and subsidy-based provision, and hybrid cross-subsidy models, including inclusionary housing. The paper examines the distribution of financial, operational, and spatial risk among the State, providers, and low-income households for each model. The results indicate that the distinction between "paid and unpaid" obscures the more critical issue of cost incidence over time: who bears the burden of land, infrastructure, maintenance, and affordability, and what are the implications for long-term urban inclusion? Although the near-free social housing model offers increased accessibility, it often externalises costs through peripheralisation and service difficulties. Cost-recovery approaches provide institutional rigour but are increasingly challenged by escalating land and construction expenses. Hybrid models offer the most robust locational potential, contingent upon enough governance capacity to manage land, infrastructure, and compliance. The study asserts that the viability of social housing is best understood as a nexus of land, money, and governance, advocating policies that emphasise strategically positioned land, infrastructure coherence, and enforceable affordability, rather than the dichotomy of free versus paid housing.

Keywords: Social housing, Spatial justice, South Africa, Affordable housing, Subsidised housing

2 INTRODUCTION

Post-apartheid South Africa has utilised housing policy as a primary mechanism for social restitution, supported by the constitutional right to appropriate housing (RSA, 1996). The nation's initial housing initiative prioritised the swift provision of subsidised ownership housing, most notably through the Reconstruction and Development Plan (RDP) and Breaking New Ground (BNG) programmes, resulting in the construction of millions of units since 1994 (Africa Check, 2023). The expansion of mass distribution improved access to formal shelters but resulted in notable spatial trade-offs; to minimise unit costs, numerous projects were established on less expensive peripheral land, frequently distant from economic hubs and service centres (DoH, 2004; Beier, 2023). This peripheralisation might replicate the spatial mismatch of the apartheid era by converting free housing into liabilities of commute expenses, time scarcity, and limited access to metropolitan possibilities (Soja, 2010; Beier, 2023).

The State enhanced its policy toolset to incorporate social rental housing and institutional models to foster medium-density growth in strategically situated restructuring regions (DoH, 2003; RSA, 2008). Social housing, in this context, aims to be both geographically transformational and financially sustainable, underpinned by a capital subsidy and administered by recognised social housing institutions (SHRA, 2017; Scheba et al., 2021). Nonetheless, execution has been hindered by rising building expenses, limited site availability in urban areas, and inconsistent intergovernmental collaboration on land and essential services (Scheba et al., 2021; Steyn and Hirsch, 2025).

This study examines how several funding models – paid, near-free, and hybrid cross-subsidy – allocate financial risk, governance accountability, and geographic results among the State, providers, and people. The paper reframes the discussion from a binary perspective of free versus paid housing to one of cost incidence, temporal burden, and institutional capacity, viewed through the lens of spatial justice. Johannesburg presents

a compelling example due to its integration of urban social housing, municipal rental properties, intentional densification policies, and a developing inclusionary housing framework. The primary concern in this context is not merely whether low-income individuals can make payments, but rather if the broader land, infrastructure, and governance framework can maintain affordability in strategically situated metropolitan areas over time.

3 LITERATURE REVIEW AND POLICY CONTEXT

3.1 Spatial Equity and Housing Placement

Spatial justice links distributive justice to the geography of accessibility: who resides where, and under what circumstances? And with what nearness to employment, transportation and services (Soja, 2010). In South Africa, spatial justice is intrinsically linked to the urban structure established by apartheid, which entrenched marginalised black townships and restricted access to economic and civic resources (DoH, 2004). Housing delivery that perpetuates distance to opportunity may result in units being delivered, yet it can exacerbate inequality by imposing spatial burdens on impoverished households (Soja, 2010; Beier, 2023). This renders location a fundamental aspect of affordability rather than a secondary planning factor. Affordable housing should not be evaluated solely on the financial cost of units or rentals; rather, it must also be considered in terms of its impact on the wider social and spatial costs borne by low-income households. From this viewpoint, the task extends beyond conventional housing provision to encompass the creation of affordable housing that is also conducive to urban development.

3.2 From mass freehold subsidy to diversified affordable housing instruments

The State's first subsidy strategy emphasised the transfer of ownership to low-income households, achieving extensive implementation across succeeding administrations (Africa Check, 2023). Policy evaluations and academic studies have identified dangers of marginalisation, inconsistent construction quality, and subsequent municipal service challenges when impoverished households are unable to afford continuous services (DoH, 2004; GroundUp, 2018; Somdyala, 2018). The Breaking New Ground policy shift was expressly aimed at enhancing settlement integration and establishing sustainable human settlements rather than merely providing housing units (DoH, 2004).

3.3 Social housing: viability, subsidies and delivery drift

Social housing in South Africa was formalised through enabling policy and subsequent legislation(s), highlighting the focus of social housing on zoning restructuring and institutional delivery (DoH, 2003; RSA, 2008). It depends on capital grants and controlled rental affordability to serve low to middle-income populations (SHRA, 2017). Empirical research indicates a shift in delivery – when land markets and subsidy limits render central sites unviable, projects relocate to more affordable peripheral areas, undermining the desired spatial transformation (Scheba et al., 2021). Sector criticism emphasises the affordability limitations of subsidy-only models and the increasing interest in alternate mechanisms, particularly public land release and cross-subsidy strategies (Steyn and Hirsch, 2025). Recent comparative studies further emphasise the importance of land access and governance in influencing delivery success. Makalima and Sokhetye (2025) analyse the contexts of Johannesburg, Cape Town, and Durban, revealing that speculative landholding, arduous rezoning procedures, inadequate intergovernmental coordination, and prolonged approval processes compromise the viability of social housing. They assert that the sustainability of social housing relies not solely on the sufficiency of subsidies but also on the institutional capacity to acquire and manage urban land.

3.4 Hybridisation: Inclusionary housing and public land enabled affordability

Hybrid instruments integrate public land, regulatory frameworks, and private capital to generate mixed-income results. Inclusionary housing is a significant strategy in which private development is contingent upon the provision of affordable housing or similar (CoJ, 2019). Public land has facilitated mixed developments, in which land value is utilised to cross-subsidise affordable components, gaining significance in South African metropolitan areas as fiscal constraints escalate (Somdyala, 2018; Steyn and Hirsch, 2025). These models can enhance location outcomes but also create complexities in governance and delivery, necessitating robust regulatory design, contracting, and oversight (Steyn and Hirsch, 2025). In global comparisons, Arbab and Shabani (2023) demonstrate, through a case study of urban regeneration in Isfahan,

Iran, that affordable housing should not be regarded just as a technological outcome of redevelopment. Long-term affordability relies on trust-building, involvement, land redistribution, clarity in registration, and the ability to prevent the displacement of current residents post-implementation. This substantiates the assertion that hybrid and regeneration-focused affordability methods require enforceable procedures to sustain affordability beyond initial project completion.

3.5 Conceptual framework: Social housing viability as a land-finance-governance nexus

This study conceptualises the viability of social housing as the result of a three-way interplay of land regime, funding logic, and governance capability. The land regime pertains to the ownership, control, or release of urban land, including the conditions and duration associated with these actions. This includes public land release, private acquisition, leasing agreements, affordability covenants, and the sustainability of land control beyond the initial project execution. The financial rationale pertains to the allocation of capital and operational expenses among the State, social housing institutions, private entities, and tenants. This study presents that rationale through three models: (i) rent-based cost recovery, (ii) near-free/publicly subsidised provision, and (iii) hybrid cross-subsidy. Third, governance capacity denotes the institutional capability to orchestrate land assembly, approvals, subsidies, infrastructure, contracting, monitoring, and long-term asset management.

Collectively, these three dimensions influence the distribution of risk across agents and thus generate varied spatial outcomes. When land is inadequately situated, distributed tardily, or conveyed without enduring affordability regulations, even extensively subsidised housing can perpetuate peripheralisation. When revenue models are inconsistent with maintenance responsibilities, even strategically positioned projects may become financially vulnerable. In contexts of weak governance, hybrid approaches may offer inclusion yet ultimately compromise long-term affordability. The approach thus redirects the research from the limited dichotomy of “paid” versus “unpaid” housing to a more profound inquiry: how do land control, cost incidence, and institutional coordination influence long-term affordability, spatial justice, and asset sustainability?

In this context, long-term land ownership is not a peripheral legal matter but a fundamental determinant. It assesses whether land value is appropriated for public advantage or surrendered to speculative forces; whether affordability can be maintained through long-term leaseholds, covenants, or public ownership; and whether housing retains its social utility after the initial subsidy phases. Comparing the three models is particularly crucial: cost-recovery systems rely on consistent access to strategically located land at non-speculative prices; near-free systems frequently externalise costs when inexpensive peripheral land replaces well-located land; and hybrid systems are most efficient when public land or enforceable land-use obligations ensure long-term affordability in development.

4 METHODOLOGY

The study employs a qualitative case-study methodology focused on the Johannesburg Metropolitan Municipality, South Africa’s most populous urban area, as a critical site for examining social housing delivery under conditions of land scarcity, institutional fragmentation and growing housing affordability pressures. It integrates policy and documentary analysis of national housing instruments and municipal frameworks, as well as semi-structured interviews with municipal housing officials, Social Housing Initiatives executives, and practitioners engaged in rental and mixed-income delivery. Policy documents encompassed instruments for the social housing programme and restructuring objectives (DoH, 2003; RSA, 2008), municipal rental stock instruments (DHS, 2009), and Johannesburg’s inclusionary policy (CoJ, 2019). Twelve interviewees were selected through purposive criterion sampling, supplemented, where necessary, by snowball sampling to ensure the inclusion of respondents with first-hand institutional knowledge of the three funding logics examined in the paper. Interviews were conducted between June and July 2025 upon the receipt of ethical approval from the Ethics and Plagiarism Committee (FEPC) of the Faculty of Engineering and the Built Environment at the University of Johannesburg. The selection of research respondents was guided by role relevance rather than statistical representativeness to secure analytically rich perspectives on land access, funding arrangements, operational viability, and locational outcomes. Analytical coding focused on three themes: financial sustainability, risk allocation, and geographical consequences (Soja, 2010; Scheba

et al., 2021). The aim was not statistical but analytic generalisation – extracting applicable lessons regarding governance and financial processes within an urban South African context.

5 FINDINGS: COMPARATIVE ANALYSIS OF THREE FUNDING MODELS

5.1 Model 1: Rent-based cost-recovery social housing (the paid model)

The cost-recovery model is the most systematically organised of the three identified models, as it integrates capital subsidies, institutional financing, and rental income to facilitate operations, maintenance, and debt servicing. It fundamentally embodies the stated rationale of South African social housing: regulated rentals in strategically situated restructuring zones. In practice, its feasibility is progressively limited by escalating land values, construction inflation, utility costs, and maintenance demands. Providers must maintain affordability while managing substantial operational risks, including arrears, lifecycle maintenance, and cash-flow pressures associated with delayed subsidy processes. The current evidence indicates that, under land-use restrictions and subsidy constraints, the model tends to expand outward or exert upward pressure on rental rates, thereby undermining its restructuring objectives.

Expert views from private developers interviewed substantiate this trend by demonstrating that project execution is significantly reliant on the timing of grant assistance and the institutional capacity of social housing organisations to oversee both development and long-term asset management. This indicates that the approach is not merely "compensated" due to renters' rental contributions. It is, instead, a delicate equilibrium in which suppliers assume a significant share of financial and management risk to ensure affordability remains stable.

5.2 Model 2: Near-free public rental stock and freehold subsidy (the 'unpaid/near free')

The near-free model, encompassing heavily subsidised public rental and entirely subsidised ownership, is crucial because it serves those unable to afford regulated rentals or traditional financing. Consequently, its redistributive value is considerable. However, the findings indicate that this methodology frequently reallocates rather than eliminates costs. The State and municipalities incur capital, service, and maintenance costs, while households often bear hidden spatial costs through extended commutes, transportation expenses, and limited access to opportunities. Your table demonstrates that "free" offering can externalise costs via distance and municipal service obligations.

Interview findings indicate that even heavily subsidised delivery relies on prepared infrastructure and municipal investment goals. Practitioners observed that social housing and associated affordable provisions can only advance if the city can sustain water and other municipal services, and that the current focus on the inner city is closely linked to restructuring and building repurposing methods. In essence, near-free housing is never devoid of operational costs; it relies on significant upstream public funding and ongoing managerial capabilities.

5.3 Model 3: Hybrid cross-subsidy (mixed-income, inclusionary and public-land enabled approaches)

The hybrid model integrates public regulation, public land, and private finance to produce affordable housing units via cross-subsidy. In Johannesburg, this encompasses inclusionary housing and other mixed-income strategies facilitated by public land. Its primary advantage is geography, as it increases the likelihood of affordability in high-opportunity areas where subsidy-only models frequently falter. Interview findings robustly corroborate this interpretation. A council official elucidates that Johannesburg's inclusionary housing strategy was designed as a planning tool and a land-value-capture mechanism, rather than a traditional municipal housing initiative. When the City allocates supplementary development rights, a portion of the resulting land-value increase is dedicated to affordable housing through on-site delivery requirements (Respondent X1, 2025).

In another vein, Respondent X3 indicates that the City is diligently overseeing approved inclusionary units; yet it also reveals that official approvals far exceed the number of units actually constructed. This signifies a continual disparity between regulatory commitment and actual implementation.

The identical evidence further underscores the model's vulnerability. Bulk contributions and infrastructure-related fees were recognised as significant impediments, despite developers obtaining additional units via the

scheme. Hybrid models possess the greatest locational potential; yet they require extensive governance, including legal clarity, infrastructure capability, monitoring, and persistent political commitment.

6 DISCUSSION

A significant inference arising from the study is that land ownership and the duration of land management are critical across all three scenarios. The feasibility of social housing is influenced not only by the financing of units but also by the retention of well-located property in public control, its transfer with enforceable affordability stipulations, or its integration into speculative land markets. When the State relinquishes strategic control of prime land, affordability costs escalate significantly, shifting the burden to tenants (through higher rents), municipalities (through financial liabilities), or families (due to peripheral locations and transportation costs). Conversely, when land is publicly aggregated, banked, leased, or governed by long-term affordability clauses, even hybrid models exhibit greater capacity to sustain affordability. This renders land governance a longitudinal concern: the inquiry extends beyond the current location of housing to whether land arrangements maintain societal value throughout the asset's lifespan.

The 'paid vs unpaid' framing is analytically deficient across the three models. From the perspectives of spatial justice and governance, the critical factors are the temporal cost incidence and the congruence of incentives with locational results (Soja, 2010; Scheba et al., 2021). The near-free model facilitates inclusion for the impoverished but often perpetuates spatial disadvantage in peripheral areas, thereby shifting costs from housing budgets to transportation and municipal services (DoH, 2004; Beier, 2023). In contrast, cost-recovery models incorporate a sustainability framework. Still, they may falter under inflation and land scarcity, leading to either a decline in affordability (via rent increases) or a weakening of restructuring (through peripheral drift) (SHRA, 2017; Scheba et al., 2021). Hybrids can enhance spatial outcomes but necessitate advanced governance capabilities to oversee contracting, monitoring, and the preservation of affordability throughout time (CoJ, 2019; Steyn and Hirsch, 2025).

A persistent governance issue is the brevity of political time horizons, which may favour immediate unit delivery narratives, especially 'free housing' pledges, over long-term asset management and mixed-income viability (Somdyala, 2018; Steyn and Hirsch, 2025). Additionally, there is disjointed intergovernmental cooperation regarding land release, infrastructure financing, and the implementation of restricted zones (DoH, 2003; Scheba et al., 2021). From a spatial justice standpoint, changes must see location as an essential performance requirement rather than a discretionary goal dependent on remaining finances (Soja, 2010; DoH, 2004).

This typology, while rooted in South Africa, holds broader significance for cities outside the Global South, including those in the Global North facing land inflation, displacement due to regeneration, and a renewed focus on inclusionary housing. The fundamental issue across these contexts remains consistent: the interplay of land control, subsidy design, and governance capacity in maintaining long-term affordability. Table 1 summarises Johannesburg's key social housing policies, supporting legislation, and delivery systems, all applicable across South Africa.

| Model | Core funding logic | Primary risk bearer(s) | Typical spatial tendency | Spatial justice implications |
|--|---|---|---|---|
| Cost recovery social housing | Capital grants + debts + rents | Social Housing Institutions (cashflow/maintenance); tenants (affordability) | Mixed; drift outward under land/subsidy constraints | Justice depends on securing well-located sites (Scheba et al., 2021) |
| Near-free subsidy (Reconstruction Development Programme/Community Residential Units) | State funds capital; low/no payments | State/municipalities (fiscal + services); households (location) | Often peripheral (Reconstruction Development Programme); variable for Community Residential Units | 'Free' can externalise costs via distance and municipal (Beier, 2023) |
| Hybrid cross-subsidy | Public land/incentives + market surplus | Shared (state land value; private market; manager operations) | Better chance of central/well-located delivery | High potential if governance and enforcement are strong (Styn and Hirsch, 2025) |

Table 1: Key social housing policies, legislation, institutions, and delivery systems in South Africa. Source: Authors, 2025.

7 CONCLUSION

This study contends that South Africa's social housing issue is not most effectively analysed through a dichotomy of paid vs unpaid supply. In the context of policy and execution in Johannesburg, it demonstrates that rent-based cost recovery, nearly free public provision, and hybrid cross-subsidy each redistribute costs

differentially among the State, providers, and people. The crucial contrast is not in whether housing is ostensibly free or compensated, but in identifying who ultimately bears the financial, managerial, and spatial responsibilities, and the implications for long-term affordability and urban inclusivity.

The results demonstrate that cost-recovery social housing provides enhanced institutional discipline; however, it is progressively burdened by escalating land, infrastructure, and maintenance expenses. The near-free distribution is essential for the most impoverished households; yet, it often obscures budgetary and spatial challenges, particularly when delivery relies on remote land or inadequate maintenance systems. Hybrid solutions, particularly inclusionary and public-land-enabled strategies, offer the most promising potential for improved locational outcomes, contingent upon sufficient governance capacity to manage land release, prepared infrastructure, compliance, and long-term costs.

The article contends that the feasibility of social housing should be regarded as a land-finance-governance issue. In Johannesburg and comparable South African cities, the primary focus should not be on the rhetorical debate between free and paid housing, but rather on acquiring strategically located land, synchronising housing provision with infrastructure development, enhancing the responsiveness of subsidy mechanisms, and reinforcing the transition from approvals to completed and managed housing units. The discourse on paid versus unpaid is less significant than the institutional framework governing cost allocation across time.

8 REFERENCES

- AFRICA CHECK. How many houses have been built in South Africa since 1994? (InfoFinder). Web reference: <https://africacheck.org/infofinder/explore-facts/how-many-houses-did-south-african-government-provide-last-complete-five> (Site accessed 14 January 2026). Africa Check, 14 August. 2023.
- ARBAB, P. AND SHABANI, Z. Exploring affordable housing in urban regeneration plans (case study: Hemmatabad neighborhood of Isfahan City). *Urban Economics and Planning*, 4(2), pp. 176-191. <https://doi.org/10.22034/UEP.2023.397976.1382>. 2023
- BEIER, R. 'Why low-income people leave state housing in South Africa: progress, failure or temporary setback?', *Environment and Urbanization*, 35(1), pp. 111–130. <https://doi.org/10.1177/09562478221146395>. 2023
- CITY OF JOHANNESBURG (CoJ). Inclusionary Housing Policy. Johannesburg: City of Johannesburg Metropolitan Municipality. 2019.
- DEPARTMENT OF HOUSING (DoH). A Social Housing Policy for South Africa: Towards an Enabling Environment for Social Housing Development (Revised draft). Pretoria: Department of Housing. 2003.
- DEPARTMENT OF HOUSING (DoH). Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements. Pretoria: Department of Housing. 2004.
- DEPARTMENT OF HUMAN SETTLEMENTS (DHS). National Housing Code: Social and Rental Interventions – Community Residential Units (CRU) Programme. Pretoria: Department of Human Settlements. 2009.
- GROUNDUP. 'Chaos in Uitenhage as angry residents demand housing repairs'. Web reference: <https://groundup.org.za/article/chaos-erupts-angry-residents-demand-housing-repairs/> (Site accessed 14 January 2026). 21 June. 2018.
- MAKALIMA, M. AND SOKHETYE, A.M. Social Housing in South Africa's Urban Landscape: Addressing Land Access and Sustainability Challenges in Johannesburg, Cape Town, and Durban. *Regional Science and Environmental Economics*, 2(2), 11. <https://doi.org/10.3390/rsee2020011>. 2025.
- REPUBLIC OF SOUTH AFRICA (RSA). The Constitution of the Republic of South Africa, 1996. Pretoria: Government Printer. 1996.
- REPUBLIC OF SOUTH AFRICA (RSA). Social Housing Act 16 of 2008. Pretoria: Government Printer. 2008.
- SCHEBA, A., TUROK, I. AND VISAGIE, J. The role of social housing in reducing inequality in South African cities (AFD Research Paper No. 202). Paris: Agence française de développement. 2021.
- SOCIAL HOUSING REGULATORY AUTHORITY (SHRA). Annual Report 2016/17. Johannesburg: SHRA. 2017.
- SOJA, E.W. Seeking Spatial Justice. Minneapolis: University of Minnesota Press. 2010.
- SOMDYALA, K. 'Trust in SA government dips' (News report). News24. Web reference: <https://www.news24.com/trust-in-sa-government-dips-businesses-most-trusted-survey-20180619> (Site accessed 14 January 2026). 2018.
- STEYN, D. AND HIRSCH, M. 'Affordable housing without state subsidies – City of Cape Town says it will work', GroundUp. Web reference: <https://groundup.org.za/article/affordable-housing-without-state-subsidies-city-of-cape-town-says-it-will-work/> (Site accessed 14 January 2026). 9 July. 2025.