

# MITIGATION OF DISPLACEMENT THROUGH RENT CONTROL POLICY

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## **DEDICATION**

This dissertation is dedicated to the loving memory of my late grandfather, father and my mother Pumla, my brother Mmeli “MB” and my grandmother Tozama Gladys whose encouragement, support and guidance have enabled me to fulfill my potential.

- Leonard Dastile Tyekela 1924-2014
- Sisa Tyekela 1957-2003

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

|                 |   |
|-----------------|---|
| <b>BBP:</b>     | Better Buildings Programme                  |
| <b>BIDs:</b>    | Business Improvement Districts              |
| <b>CBD:</b>     | Central Business District                   |
| <b>CID:</b>     | City Improvement Districts                  |
| <b>CoJ:</b>     | City of Johannesburg                        |
| <b>ICPS:</b>    | Inner City Property Scheme                  |
| <b>JDA:</b>     | Johannesburg Development Agency             |
| <b>UDZ:</b>     | Urban Development Zone Tax Incentive        |
| <b>HOPE VI:</b> | Housing Opportunities for People Everywhere |
| <b>TIF:</b>     | Tax Incremental Financing                   |
| <b>LHA:</b>     | Local Housing Allowance                     |

## ABSTRACT

The focus of the study was to explore the use of rent control to mitigate displacement in the Johannesburg inner city which forms part of Region 8 and consists of the Central Business District, commonly called Johannesburg CBD. Johannesburg's Central Business District (CBD) was in a state of decay and in an attempt to rehabilitate it the City of Joburg implemented urban regeneration. The efforts have however, have resulted in the displacement of low income residents. The rejuvenation of the residential buildings attracted the middle and upper income population into the inner city and landlords responded to their influx by increasing their rents. The low income residents who have been residing in the inner city are as such no longer able to afford the rent and thus forcing them to find accommodation elsewhere.

The research asked the following question: Can rent control be used as a method to reduce the displacement of low income residents in the Johannesburg CBD? Establishing whether rent control can be used as a means to mitigate displacement in the inner city is imperative and the research sought to uncover factors that would encourage property investors and developers in the Johannesburg CBD to adopt rent control. Understanding how rent control could be used to mitigate the challenges of displacement caused by urban regeneration in the Johannesburg inner city becomes fundamental. This helps to assist in finding a balance in the dynamic nature of gentrification and displacement in the City of Joburg and the enforcement of rent control to protect the low income residents.

This research was conducted using the quantitative approach to explore rent control as one of the methods used to minimize displacement and the marginalization of residents as a result of gentrification and rehabilitation of the inner city from data gathered. The sample groups were 60 property investors and developers from the Johannesburg CBD. Data was collected through the use of closed-ended questions with multiple choice answer options and these were explored using quantitative methods.

The results indicate that the monitoring and lowering of expenses associated with rates and taxes could influence the adoption of rent control. The data further revealed that the relaxation of tax could be another motivating factor for the adoption of the implementation of rent control. Investors

and policy makers should therefore strive for development that is affordable and equitable and for all parties. The data further revealed the potential of rent control as a means of mitigating displacement in the Johannesburg CBD. It is the researcher's hope that recommendations made by this study, if implemented will improve the dynamic nature of gentrification and displacement.

**Key words: Johannesburg inner city, Rent control, Urban regeneration, Gentrification, Displacement.**

## DECLARATION

I, Yelanda Nontyatyambo Tyekela, student number 313939 hereby declare that this research report is my own unaided work. It has been submitted for the Degree of Masters in Building (Property Development & Management) at the University of the Witwatersrand, Johannesburg. It has never been previously submitted by me at another faculty nor any other university.

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Signature of Candidate

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Date

## **CHAPTER ONE:**

### **INTRODUCTION**

#### **1.1 Background to the study**

In the 1990s, the Johannesburg's Central Business District (CBD) fell into decay (Bethlehem, 2013). As a result Amos Masondo, the Mayor of Johannesburg in his state of the Nation Address in 2000 announced the redevelopment of the Johannesburg inner city. Negative perceptions concerning the area include high rates of crime and lack of adequate municipal services (Gregory, 2015). Despite its decrepit state, majority of residents in the Johannesburg's CBD are low income residents who deemed this location convenient to reside in. This was due to the fact that rental properties in the Johannesburg's CBD were at close proximity to their places of work and rental rate were commensurate to their incomes (Bethlehem, 2013). Hence, Winkler (2009) states that the Johannesburg's CBD was identified as the area in which urban regeneration was to be implemented. Also, The Johannesburg City Council in its "Joburg 2030 Vision" planned to decrease its city problems, including degeneration, and strive to attract private investment by improving property values, economic growth, spatial improvement and social cohesion (Winkler, 2009). The intended purpose aimed at rejuvenation as a crucial part of growing the City of Johannesburg's economy.

In its regeneration strategy, the City of Johannesburg (CoJ) has made use of private-public partnerships to achieve regeneration goals by providing incentives to investors to participate in the regeneration developments. One such incentive is the introduction of the Urban Development Zone tax (UDZ) incentive. This incentive provides a tax rebate for developers to refurbish existing dilapidated buildings in the CBD, as well as tax rebates to investors of property located in the inner city. This method has proven to be successful in its contributions towards the regeneration goals of the CoJ (Winkler, 2009; Murray, 2008). Another urban regeneration programme that CoJ implemented is the Better Buildings Programme (BBP). First, derelict and abandoned buildings in the CBD were identified. The Local Government Authority the dispossess owners of such buildings and sell them to the developers and investors who emerge the redevelopment and management (Winkler, 2009; Mkunqwana, 2013). Another initiative is the Trust for Urban

Housing Finance (TUHF). TUHF was established in order to provide funding for entrepreneurs who wish to invest in property in the inner city. The Johannesburg Development Agency is a development agency that develops property in areas identified for regeneration using funds provided by the government. Funding is prioritized for entrepreneurs who intend to develop affordable and respectable residential units in degenerated inner city areas (TUHF, 2016; Mkunqwana, 2013). The incentives announced as far back as 2003 are still viewed by the City of Johannesburg as appropriate when convincing and enticing potential investors.

The interest in the research topic emanated from the researcher's observation that the good intention of the city's urban regeneration efforts impacted negatively on the low-income residents of the Johannesburg's inner city. They are continuously being displaced as they get evicted from the buildings they had informally rented. According to Atkinson (2004) displacement takes place when a household is forced to move from its residence by conditions which affect the dwelling or its immediate surroundings and which are beyond the household's reasonable ability to control or prevent. He adds that this occurs despite the household's having met all previously imposed conditions of occupancy (p. 112). The researcher observed that rentals aggressively increase and the low-income population could not afford to retain their residences in the inner city. Mbembe and Nuttal (2009) observe that many of them have to move away from the Johannesburg's CBD and find affordable accommodation elsewhere (Mbembe and Nuttal, 2009). The urban regeneration process was intended to benefit low income residents by improving their living spaces and to create social cohesion. However, with the current state of gentrification, this has not been the case. Instead, the poor are being displaced and are disadvantaged (Bates, 2013; Walsh, 2013). Kalali (2014, p. 238) defines gentrification as a process which consists of improving the physical and social qualities of low quality inner-city neighborhoods, changing the essential character of deprived neighborhoods, converting derelict housing areas into middle-class neighborhoods and displacement of neighborhood's original low income, working-class and unskilled residents with higher income and highly skilled households. According to Tallon (2013), urban regeneration is the process whereby government improves an area in order to encourage economic growth and investment into a neighbourhood. Squires & Moate (2012) add that urban regeneration increases wealth in the neighbourhood and improves living conditions of the residents.

Sampson & Hwanga (2014) describe gentrification as a process of urban regeneration, revitalization, or renewal of dilapidated buildings. The author further observe that it attracts middle and upper dwellers and improves the economic activity in the neighbourhood. Conversely, Unsal (2015) states that gentrification is not matched by increase in employment and incomes. Instead, gentrification negatively affects the housing situation and put the existing dwellers at disadvantage. Understanding urban regeneration and gentrification and their characteristics is crucial as it often results in displacement of the low income dwellers. According to Rousseau (2009) the redevelopment of the Johannesburg's inner city properties has attracted the middle- and upper-income population. Hence, the landlords have responded to the influx of this class group by raising the rental fees. This is an indication that though urban policies seek to advance and economically improve cities like Johannesburg, trends indicate that these policies might enhance spatial, social and income disparities (Winkler, 2009). This resulted in the unintended consequences gentrification as a means of investment.

Contrary to the upscale developments that seek to rejuvenate the degenerated areas, the urban regeneration process has however been negatively affected by gentrification. Consequently, the likely benefits of urban regeneration has been outpaced by downsides of gentrification and the resulting effect has been displacement of low-income residents. (Wei & Knox, 2014). These contradicting views on the outcomes of gentrification and the impacts that it bears on low-income residents require further exploration in order to devise methods for mitigating the negative effects. A number of methods that can be used to reduce the negative effects of gentrification and increase affordable housing include housing trust funds, tax incentives, inclusionary zoning, rent control and zoning flexibility. These methods have been adopted in local municipalities in some countries such as Germany to minimize unfavorable outcomes of gentrification which results in displacement. Zoning flexibility is a relaxation granted by the local government to developers on zoning regulations. The local government provides relaxation on certain zoning restrictions for developers who are developing affordable housing (Miller R. , 2010). Inclusionary zoning is a tool where a percentage of a market-rate residential development makes provision for a certain percentage of the building towards affordable housing for low-income residents. The government compensates the developer or investor based on the percentage of floor area that they reserve for low-income residents (Alpopi & Manole, 2013). The strategies are intended to mitigate the



negative socio-economic implications that impacts severely on the low income residents being displaced

Housing Trust Fund which originated in the United States in the 1970s was created by the government to raise funding for the development of affordable housing. The funds are raised from the Country's property revenue stream such as property taxes and it is the State along with the Local Housing Authorities who determine which developers are eligible for funding (Collins & Shester, 2013). Tax incentives is another tool that government utilizes as a means to encourage property investors and developers to develop affordable housing. Incentives may include tax relaxations or exemptions as a reward for developing or investing in inner city property (McGreal, Berry, Lloyd, & McCarthy, 2002). Based on experiences of other countries around the world that have made use of these tools rent control has proved to be the most effective and as such the research shall place focus on it. Rent control, which is the maximum amount that the landlord is permitted to charge the tenant, has been found to be the most common method utilized in areas which have previously been affected by displacement (Haffner, Hoekstra & Elsinger, 2008). In areas where there is rent control areas the government or municipality sets a maximum rent that landlords can charge on certain buildings. Elorza (2008) as well as Brown & Klingenberg (2008) state that the fundamental aim of rent control is to protect low income residents from eviction due to the inability to afford the increased rents resulting from gentrification.

## **1.2 Problem Statement**

The study focuses on the possibility of mitigating displacement in Johannesburg CBD and explores the possibility of doing so with the use of rent control. The CoJ implemented various urban regeneration strategies to improve the lives of the low-income population and to attract investment in creating "A world class African city". This however has been met with gentrification which has resulted in the displacement of low-income dwellers in the Johannesburg's CBD.

While research has been conducted on the subject of urban regeneration and its relation to gentrification as well as the resulting displacement of low income residents in South Africa, there is very limited research on the mitigation of displacement by means of rent control in South

African. Rent control has been used in various parts of the world to mitigate displacement, however, the possibility of its implementation has not been explored sufficiently in South Africa even though displacement is a growing issue in the Johannesburg CBD.

### **1.3 Purpose of the research**

The purpose of the research is to ascertain if the implementation of the rent control policy could be instrumental in ameliorating the displacement of low income dwellers in the Johannesburg CBD. For the purposes of the research the meaning of low income population will be guided by the Investment SA's Macro Economic Outlook 2013 – 2017 which states that it is the population that earns less than R 50 000 per annum (Bishop, 2012). The rejuvenation and upgrading of the city intended to uplift this bracket of the population.

The research focuses on establishing the possibility of the use of rent control as a means of ameliorating displacement in the CBD. Thus, understanding whether rent control can mitigate against displacement without negatively affecting the urban regeneration process which is a positive change. Hence, the study is proposing a re-look at strategies that encourage affordable housing through the implementation of the rent control policy. It is believed that exploring further strategies for regenerating areas can keep accommodation the inner city affordable.

### **1.4 Significance of the study**

- First, it is important to be exposed to different urban regeneration policies, both internationally and locally in order to gain insight on motives and the importance of the regeneration processes. It is also worth identifying strengths and weaknesses of regeneration processes. By identifying and understanding the strength and weaknesses of regeneration processes, this research provides an understanding of the relationships between urban regeneration and the displacement of low-income dwellers.

- Second, this research is significant as it filled a literature gap on the use of rent control to mitigate the displacement of low-income citizens in the Johannesburg's CBD. This study is important as it has been identified in different literature as a means of ameliorating displacement in inner cities in various parts of the world.
- Further significance of the research is that it has potential to solve practical problems as well as academic ones. The research assists the CoJ in moving closer toward its goal of creating social cohesion through urban regeneration. This was achieved by reviewing the analysis from the research; conducting further in-depth research and amending existing regeneration strategies that result in reduced displacement of low income dwellers in the Johannesburg's CBD.
- In addition, it has the potential to foster better relationships between public and private sectors. The high-ranking interests of the investors and developers were identified in the findings which were found valuable to the relationship. In so doing the CoJ can collaborate more effectively with them for future projects.
- It also has the potential to address the cycle of displacement. When displacement takes place in a newly developed neighbourhood the low income residents move to other areas where rent is affordable. When further regeneration takes place, the targeted areas for development are areas in which the low income residents had relocated and so they become displaced once again. The low income population end up being transferred from one place to another.

## 1.5 Aim and Objectives

The aim of the research is to explore the use of rent control as a means of mitigating displacement of low-income residents which has resulted from urban regeneration in the Johannesburg CBD.

The main objective is to investigate incentives which could encourage property investors and developers to adopt rent control. This is in order to determine whether it is possibility for rent control to be employed as a means of ameliorating displacement. Hence the objectives pursued include:

- i. to define the concepts of rent control, urban regeneration, gentrification and displacement
- ii. to examine different rent control policies in various countries in different continents
- iii. to determine property investors' and developers' stance on rent control
- iv. to explore various incentives that could persuade property investors and developers to adopt rent control

By realizing the objectives of this research the researcher hopes to bring possible methods and strategies that shall include among others social equity and cohesion to minimize displacement in the Johannesburg inner city. Rent control as used in this research enables the researcher to determine a suitable method in addressing the challenge of displacement. Investigating and analyzing local perceptions regarding the implementation of rent control will guide the possibility of it being adopted.

## **1.6 Research Questions**

A research question according to Mouton (2001) focuses on the question by the researcher problem to obtain answers. The problem being the efforts of the City of Johannesburg in rejuvenating the inner city which resulted in gentrification thus causing the displacement of low income residents. This unfavourable outcome has also been experienced by other countries. In terms of addressing the problem, the following research question was posted;

1. Can rent control be used as a method to reduce the displacement of low income residents in the Johannesburg CBD?

Sub questions developed therefrom are as follows:

- i. What is rent control, urban regeneration, gentrification and displacement?
- ii. Do property investors and developers and investors believe in the use of rent control?
- iii. What incentives are required in order to persuade property investors and developers to adopt rent control?
- iv. what methods can be employed to ameliorate displacement in the Johannesburg CBD

- v. Which rent control methods have been employed in other parts of the world that have been successful?

## **1.7 Assumptions**

- i. Rent control will mitigate displacement.
- ii. Urban regeneration will be understood to mean the regeneration of residential property.
- iii. Financials of tenants are examined to ascertain those who are eligible to benefit from rent control.

## **1.8 Scope of Study**

- The research will place focus only on residential property located in the Johannesburg CBD.
- The research will cover displacement and evictions of low income dwellers in the Johannesburg CBD that took place following its regeneration.
- Respondents will only include investors and developers of property located in the Johannesburg CBD.
- The research was conducted from April 2016 and completed by October 2017 as there was a time constraint put forth by the University of the Witwatersrand for submission of a complete research document.

## **1.9 Limitations**

- i. The location of the research will be limited to the Johannesburg's CBD. The researcher has limited funding dedicated to the study and extending the location will prove costly. To address this limitation trends and observations by the researcher will be made alongside existing studies in South Africa and other countries.
- ii. While the research will discuss the City of Johannesburg's urban regeneration policies it will not be looking at the extent of the effectiveness of existing policies. The research

will discuss existing methods in place which encourage affordable housing and that intend to reduce the housing shortage in the Johannesburg CBD.

- iii. The findings of the research will be limited to those of property investors and property developers of property in the Johannesburg CBD.
- iv. Time will serve as constraint as a deadline has been placed on the completion of the research. Though additional time may put respondents under pressure to respond and possibly deter them from participating, the research the survey has been designed such that it is reasonably short while addressing the research questions effectively. The survey will also be tested for validity and reliability.

### **1.10 Organization of the dissertation**

This dissertation is organized as follows. Chapter One provides background on the concepts of urban regeneration, gentrification and how it results in the displacement of low-income residents. It provides a history of the City of Johannesburg and the resultant displacement that has taken place in Johannesburg's CBD. The Chapter also details research questions and highlights assumptions and limitations of the research.

Chapter Two offers a literature review on detailed discussions and insights on the themes of the research. First, the Chapter provides definitions and dynamics of the main themes, that is, urban regeneration, gentrification, and rent control. In reviewing urban regeneration, the chapter elaborates on the different types that exist and the benefits associated with it. The Chapter then provides a discussion of existing urban regeneration policies, the state of regeneration in the Johannesburg's CBD as well as a review of regeneration in other parts of the world. The chapter reveals the challenges associated with urban regeneration.

Second, the Chapter move to review gentrification. It introduces the concept of gentrification and its relationship with urban regeneration. It discusses its benefits and disadvantages and how it results in displacement of low-income dwellers.

Third, the Chapter introduces the final main theme which is rent control and informs about the two types that exist, namely first generational and second generational rent control. It discusses rent

control in the South African context and goes on to discuss the manner which other countries have used of rent control.

Chapter Three focuses on research methodology adopted in the research. It states the research philosophies adopted and outlines data collection processes and explains the instruments utilized and procedures undertaken. It goes on to discuss the sampling frame as well as the sampling methods used. It reports on methods that were employed to ensure validity and reliability of the research. Ethical considerations adhered to in the research are also highlighted in Chapter Three.

Chapter Four is devoted to data analysis and interpretation of results. It provides descriptive statistics, presents various hypothesis which have been tested using correlation analysis, discusses responses provided in the open-ended section of the survey, and finally, it provides a conclusion of the results.

Chapter Five revisits the purpose of the study; the research problem; approaches towards addressing the problem and the results from data analysis. It concludes by stating the findings of the research and their implications for the research.



## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **Introduction**

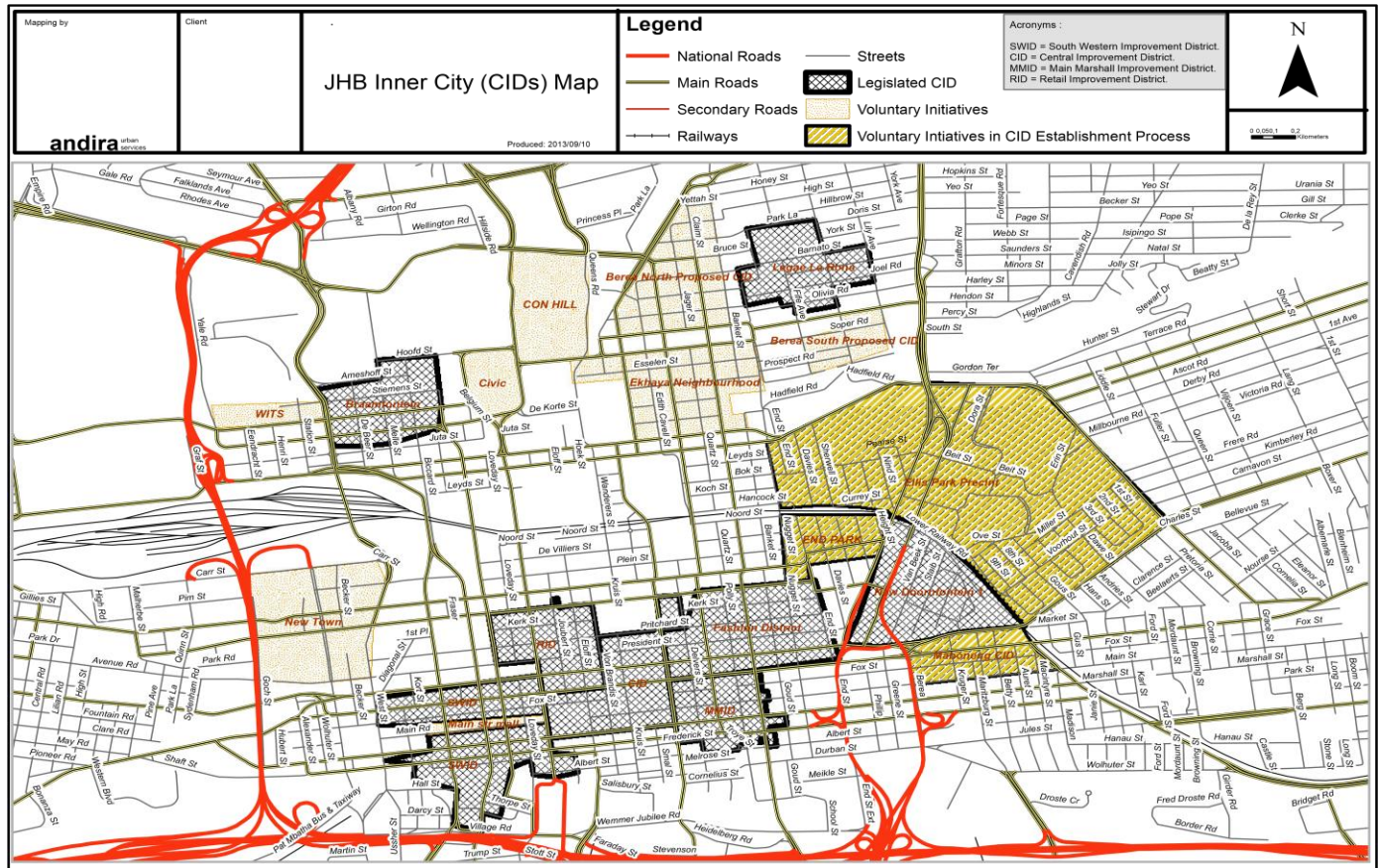
This Chapter explores the concepts of urban development, the various types and benefits, urban regeneration in various countries, displacement and gentrification, rent control policy, rent control in South Africa; rent control in other countries and finally benefits and limitations of rent control. The Chapter provides a background to the research by providing an in-depth exploration of the various themes of the research. It discusses concepts and experiences of urban regeneration, gentrification, displacement and rent control, both internationally as well as in South Africa.

The development of the City of Johannesburg's existing urban regeneration policies has taken much influence from European policies and the most successful uses of rent control policies have been in Europe. As such, much of the literature is mainly be informed by existing European literature.

#### **2.1 Background to the study**

The Johannesburg Development Agency: Inner City Transformation & Investment Trends (2009-2014) delineates the significant demographic shifts in the city. It shows the growth in population and households, declining unemployment and an overwhelming rental housing market.

Figure 2.1: Map of the Johannesburg inner city



(Source: [cidforum.co.za](http://cidforum.co.za))

In recent years low-income residents in the Johannesburg inner city have experienced displacement. Residents have been dispossessed of their homes and struggle to find accommodation in other neighbourhoods as they can no longer afford inner city rental rates (Sihlongonyane, 2016; Marx, 2015). Prior to the displacement of the lower-income population the Johannesburg inner city was classified as a degenerated neighbourhood which consisted of dilapidated buildings. Despite its unattractiveness and lack of adequate municipal services the inner city was able to serve the purpose of the working population of low-income dwellers in the inner city (Bethlehem, 2013; Mbembe & Nuttal, 2009). The low-income residents choose to reside in the inner city, at times under extremely adverse conditions in order to be in close proximity to

their work places (Walsh, 2013). Hence, regeneration is not only about revitalizing the building but also about the socio-economic factors affecting the inhabitants.

The displacement arose as a result of gentrification which commenced in the Johannesburg inner city in the early 2000s and the process has since gradually gained momentum. Upon being elected, Mayor Amos Masondo implemented the gentrification process to encourage regeneration and reinvestment into the inner city (Bethlehem, 2013; Winkler, 2009). The mayor initiated the process to make Johannesburg “A World Class Africa city” and set a long-term goal of economic prosperity for the City of Johannesburg tagged “Joburg 2030 Vision”. Part of the strategy is the revitalization of the inner city. This was aimed at restoring its former glory of attractive residential and business district (Winkler, 2009; Sihlongonyane, 2016). As is always the case, each project has its negative and positive impacts on society and as this has been true for this research where the merits and disadvantages of implementing rent control to mitigate displacement of low income residents will be investigated.

Over time, the Johannesburg inner city has experienced rejuvenation witnessed in desirable blocks such as the Maboneng precinct consisting of approximately six blocks (Nevin, 2014). This rejuvenation has drawn different people from different racial groups and social classes back into the inner city. The increase in the demand for the real estate in the inner city has resulted in increase in property values thus increase in rent. Such an example was the escalation of property values such as in Maboneng precinct that saw property values rising by 50% between 1998 and 2012. This is what has led to the gentrification in the Johannesburg CBD (Walsh, 2013; Gregory, 2015). The rejuvenation project facilitated a shift in terms of demand for properties and that adversely impacted on the residents as rent increased.

The reality is that gentrification is understood to be connected with the displacement of low-income dwellers and while the city stands to benefit the basic interests and needs of low-income population are to be considered (Kalali, 2014). The consideration for low-income dwellers is of importance as the Johannesburg City Council in its “Joburg 2030 Vision” includes social equity as part of its objectives (Nevin, 2014; Bremner, et al., 2003). The disastrous effects of gentrification need to low-income residents needs to be managed to eliminate social exclusion.

Displacement caused by gentrification is not peculiar to South Africa. Other countries have made efforts to mitigate displacements caused by gentrification. The most popular means utilized being the implementation of rent control by government (Glaesar, 2002; Minton, 1997; Shaw & Hagemans, 2015). Such countries include Switzerland, Germany and Spain (Werczberger, 1997; (Haffner, et al., 2008; Deschermeier, et al., 2016). Can South Africa apply rent control policy to mitigate displacement as other countries have done?

Research has been conducted on gentrification studies as well as rent control studies, however, there is not sufficient literature which explores the mitigation of displacement through rent control, particularly in the South African context. The importance of the research is to seek methods that secure the welfare of the low-income population by considering the possibility of rent control as a means of ameliorating displacement. Currently no formal regulations exist in South Africa in this regard.

## **2.1 Urban Regeneration**

Couch (1990, p. 2) states that “the process of urban regeneration is one in which the State or Local Community seeks to bring back investment, employment and consumption and enhance the quality of life within an urban area”. Adair, Berry, McGreal, Deddis & Hirst (2000, p. 374) define urban regeneration as “the process of reversing economic, social and physical decay in towns and cities where it has reached that stage when market forces alone will not suffice”. Urban regeneration in all attempt seek to improve the former status quo of the city as has been experienced in the Johannesburg CBD.

There are different types of regeneration. These include economic regeneration; social regeneration; cultural regeneration and physical regeneration.

### **2.2.1 Types of Urban Regeneration**

Urban regeneration is a multifaceted process that can be broken down into different forms. These include economic, social, cultural and physical regeneration (Tallon, 2013). These forms create a considerable transformation and a new era of evolution.

### **2.2.1.1 Economic regeneration**

Economic regeneration is carried out to stimulate economic activities in an identified area. One of the most popular efforts made towards economic regeneration is through partnerships between local municipality and the private sector. Economic regeneration helps to achieve growth of operational businesses in the area and encourage additional businesses. Economic regeneration is of considerable importance as increase in business result in more employment opportunities, and increase of average wealth in the area (Alpopi & Manole, 2013; Tallon, 2013). Hence, regeneration initiatives should aim to benefit the socially excluded.

### **2.2.1.2 Social regeneration**

Social regeneration is often a priority in urban regeneration as the community plays significant role in the growth of an area. Local government makes efforts to open up opportunities for acquisition and development of skills, encourage self-sufficiency and eradication of poverty. In addition, social regeneration includes development of recreational spaces as well as educational facilities. This is with the aim of improving literacy levels and the promotion of active lifestyles (Chaskin & Joseph, 2013). In instances where addition funds allow, budgets are allocated towards improvements or subsidies in health and other such social services. In other regions as a part of its social regeneration agenda provision is made for the placement and relocation of immigrants. All these aforementioned efforts are implemented with the aim of improving the social status of the community that is in the process of regeneration (Home, 2013; Mega, 2013). Social regeneration has been ignored and as such a linkage between economic regeneration and social regeneration becomes imperative.

### **2.2.1.3 Cultural regeneration**

Cultural regeneration, sometimes referred to as culture-led regeneration involves redevelopment that incorporates cultural influences in its revitalization. This may be attributed to government

considering in its implementation of the process the sentimental attachment of the local community to the city or a strategy to retaining the city's heritage by regenerating its traditional aesthetic (Alpopi & Manole, 2013). Sepe (2013) makes use of Hafen City, Hamburg, to illustrate cultural regeneration by discussing the success of the redevelopment of their harbour. The city capitalized on the culture and history by infusing its characteristics in the design of the refurbishments. This strategy drew significant economic activity as Hafen City achieved and enhanced place identity which significantly improved its tourism (Sepe, 2013). It denotes the opportunities for the transformation and regeneration of places through cultural and art activities.

#### **2.2.1.4 Physical regeneration**

Physical regeneration is concerned with physical structures and the urban environment. The motivation for physical regeneration is to refurbish obsolete buildings in derelict neighbourhoods so as to transform them into attractive areas. In certain instances this includes improvement of public services. Physical regeneration allows identified areas the ability to contribute towards improving living spaces and as such increases in property values (Dí'az Orueta, 2007, Norris & Gkartzios, 2011). While there are various ways in which urban regeneration takes place, the research will place focus solely on physical regeneration.

#### **2.2.2 Benefits of Urban Regeneration**

The urban regeneration process mostly takes place by means of joint efforts between private property developers, private property investors and the public sector (Lawless, 2010; Türkün, 2011). The most effective incentive for developers to participate in the process to date includes the provision of start-up funds for the development of affordable housing as well as subsidies on operating expenses that assist developers to achieve reasonable returns on their investment (Adair, Berry, McGreal, Deddis, & Hirst, 2000). The most common incentive for private property investors is in the form of a rebate; in most cases tax benefits (McGreal, et al., 2002; Squires & Moate, 2012). Governments in different countries have employed various urban regeneration policies and strategies to uplift cities (Winston, 2010). The research will discuss examples of

various strategies that have been implemented internationally as well as current regeneration strategies of the City of Johannesburg in South Africa.

### **2.2.3 Challenges Of Urban Regeneration**

The process of urban regeneration is not a simple one and it carries challenges. Ye (2011) purports that one of the challenges faced in the implementation of urban renewal is the arrangement of the policies, whereby parties which stand to benefit from the process are not at a full advantage. Degen & García (2012) elaborate by mentioning that one of the objectives of the regeneration process is to rejuvenate and foster social equity and cohesion in the inner city. However, when the regeneration policy is flawed the cultural shift that follows the process results in a lack of social equity and cohesion (Degen & García, 2012). This challenge is most critical as it is the alteration in the fundamental economic conditions that disempowers the residents.

As earlier mentioned, the urban regeneration process in many instances includes the participation of government as well as private entities. Challenges in the private-public partnership have been identified as a potential hindrance to successful regeneration process. Ye (2011) asserts that failure of government to provide adequate provisions to attract maximum participation of private sector process discourage developers to engage in the regeneration processes. Winston (2010) shares similar views that certain local governments encounter challenges in the public-private partnerships due to weak incentives. As such, they fail to encourage private entities to participate in proposed regeneration programmes or comply with existing regeneration policies.

Urban regeneration is often associated with gentrification. Existing literature shows instances where conflicts in the understanding of the two concepts exist. According to Braconi & Freeman (2004) the gentrification process transforms the inner city into an attractive area. The authors further cover that gentrification attract investment and improve amenities such as transport services, shops and schools in the inner city. On the other hand, gentrification processes affect the intended outcomes of urban regeneration as it causes over commercialization of property (Granger 2010). Granger (2010) further states that regenerated area raise rental rates such that the lower class cannot afford accommodation, thus, causing displacement.



According to Sampson & Hwanga (2014) gentrification can be understood as the process in which an inner city becomes rehabilitated with the aid of government intervention. In the process the low-income residents become displaced by the middle and upper-income population and the inner city experiences re-investment. Conversely, Unsal (2015, p. 1313) argues that “as this [gentrification] is not matched by improvements in employment opportunities, transport costs, incomes and so on, it will inevitably work against the housing and employment interests of the existing, relatively disadvantaged, populations in the affected areas obscured by the rhetoric of gentrification”.

## **2.3 Urban Regeneration in Selected Developed Nations**

This section discusses regeneration strategies that have been implemented internationally. The discussion covers China; the United Kingdom and the United States of America. Located in three different continents, the discussion will show how they have applied varying methodologies.

### **2.3.1 Urban Regeneration in China**

According to Ye (2011) the local government in Guangdong Province in China applies a regeneration strategy that is highly inclusive of the local community. The author states that prior to the redevelopment of a degenerated area, Local government follows a two-step process which requires the participation of the community, duly improved by majority of the existing community. The first step is the distribution of a survey to the exiting residents to establish whether they are satisfied with the notion of their neighbourhood undergoing regeneration. If a strong majority (a minimum of 90%) of the residents agree, a technical development plan is compiled. This technical development plan document details all alterations for the regeneration of the neighbourhood as well as policies that will govern the process (Ye, Urban regeneration in China: Policy, development and issues, 2011). The second step is to achieve final approval of the proposed regeneration process (a minimum of 67%) from the residents based on their analysis of the technical development plan. It is only then that the local government will implement the urban regeneration programme (Ye, 2011; Ye & Wu, 2014). The country’s urban regeneration policies



are prominent as they seek to examine how residents and communities are affected and how their economic and social rights are protected, and how it intends to engage the government, developers, and communities.

### **2.3.2 Urban Regeneration in the United Kingdom**

The United Kingdom (UK) government first employed urban renewal after the Second World War starting in the 1950s. Once ramifications of the war improved further urban regeneration policies were developed to perpetuate growth in cities. In the 1980s, priority was placed on fostering public-private relations in order to drive urban regeneration rather than placing reliance on State funds (Couch, Sykes, & Borstin, *Thirty years of urban regeneration in Britain, Germany and France: The importance of context and path dependency*, 2011). Public-private partnerships were established by means of Challenge funds, whereby municipalities would have to bid to receive funds for regeneration schemes. The most utilized Challenge fund was the Single Regeneration Budget (SRB) which was established in 1994. The Fund was, however, discontinued in 2001 (Lawrence, 2002; Savini, 2011). Regeneration programmes in the UK rely, for most part, on the participation of the private sector. Because of this, regeneration policies which government implements include strong incentives for private entities. One of the incentives that the UK applies is the Tax Incremental Financing (TIF). Tax Incremental Financing is defined as “a programme that allocates future increases in property taxes from a designated area to pay for improvements within that location” (Adair 2003, p. 373).

Unlike the UDZ tax incentive the fund does not provide tax rebates at the expense of the government funds. It provides funds from anticipated future increase in property tax. The disadvantage of this method is that should the development project of a TIF recipient fail or fail to produce sufficient revenues, the anticipated property tax revenue is lost. While the default falls on the bond holder the municipality may struggle to recuperate the funds. Such may occur in an instance where the bond holder struggles with repayment and/or if the low-income population are not able to afford the future tax increases. This, however, is a rare occurrence (Stephenson and Kirakosyan, 2015). According to Adair (2003) the TIF attracts smaller developers and investors since more reputable companies do not find value in the high risk attached to investing in inner

city properties (Bolognani, 2012; Adair, 2003). Understanding these methods becomes imperative for the purpose the research.

More local municipalities in the UK are implementing regeneration projects which involve the community in the process. The rationale is to achieve economic growth and social cohesion by empowering the community and to better assess the strength of the policies put in place (Bailey, 2010; Savini, 2011). Thus, encouraging community participation in renewal projects in a collaborative manner.

### **2.2.3 Urban Regeneration in United States of America**

Urban regeneration in the United States of America (USA) was first applied after the Second World War. The war resulted in a significant decline in the state of buildings and neighbourhoods in many cities (Collins & Shester, 2013). Provisions for finance were made under The Housing Act of 1949 to regenerate run-down areas. The process was, however, unsuccessful due to poor participation of private property investors; developers and the government. (Martinez, 2000). Significant urban regeneration occurred from 1992 to 2007 following the execution of the Housing Opportunities for People Everywhere (HOPE VI). Initiated in 1992, The HOPE IV is a plan facilitated by the United States Department of Housing and Urban Development which provides funds towards the regeneration of run-down neighbourhoods. The intended objectives of the plan are to create attractive living spaces, to reduce crime and foster social cohesion. HOPE IV has been applied nationally and has provided funding of over a billion United States dollars towards the facilitation and encouragement of urban regeneration (Jones & Paulsen, 2011; Adair, 2003; Hyra, 2012). HOPE IV is criticized for lacking defined objectives and accurate data in order to evaluate its progress. This lack of information has also allowed certain local governments to rebuild residential apartments for the benefit of middle- and upper-class citizens resulting in the displacement of the lower-class citizens (Jones & Paulsen, 2011). The strategy needs to address how low income residents may benefit from living in a mixed income setting without the impacts of perceived alterations of class.

## **2.4 Urban Regeneration in The City of Johannesburg**

The foremost goal of urban regeneration in the Johannesburg's CBD is to achieve economic growth (Pillay, Tomlinson, & du Toit, 2006). The main strategy employed is to ensure the improvement of dilapidated buildings, improvement of municipal services and management of the lifestyle, thereby attracting investment into the Johannesburg inner city (Parnell & Robinson, 2006). The earliest use of urban regeneration arose following the decline of the Johannesburg's CBD in the 1990s. The stakeholders comprising mainly property investors in the CBD and the local municipality then formulated the City Improvement District (CID) and the Business Improvement District (BID) programmes. The objective was to reverse the degeneration (Mkunqwana, 2013; Winkler, 2009; Mosselson, 2016). Currently there are no formally established regeneration policies that apply nationally most are applied at a provincial level. One single initiative, however, that has been adopted in other parts of the country and has received the best response is the Urban Development Zone (UDZ) tax incentive. It is currently utilized by municipalities in other cities, namely Cape Town, Mafikeng and Tshwane (Mkunqwana, 2013). Other regeneration policies that have been applied at provincial level include The Better Build Programme and the Johannesburg Development Agency.

### **2.4.1 Urban Development Zone (UDZ) tax incentive**

The Urban Development Zone (UDZ) tax incentive was first implemented in 2005. It is intended to encourage the development and the improvement of properties specifically located in the area identified as the Urban Development Zone (City of Johannesburg, 2004). According to the City Guide to Johannesburg Inner City Urban Development Zone (2004), the conditions for tax allowances are as follows:

“In the case of the refurbishment of an existing building within the UDZ, an accelerated straight-line depreciation allowance of 20% per year of the cost of improvements, over 5 years is permitted. The refurbishment must preserve a substantial part of the structure or exterior framework and any extensions or additions must be of incidental nature to

improvement”. In the case of a new building, a write-off period over 17 years is permitted with an initial 20%”

(City of Johannesburg 2004, p. 2)

This strategy strives to maintain existing infrastructure and facilitate investment for property developers and investors while addressing the issue of urban decay within the Johannesburg inner city by providing an accelerated depreciation allowance on the costs of buildings erected, added to, extended or improved and which are within the urban development zones (UDZ).

#### **2.4.2 The Better Buildings Programme (BBP)**

The Better Buildings Programme (BBP), now known as the Inner City Property Scheme (ICPS) was formed in 1999. It is overseen by the Johannesburg Property Company (JPC) which is responsible for municipal properties. The BBP aims to reduce the number of abandoned buildings in the inner city (Mkunqwana, 2013). These abandoned buildings by right belong to absentee landlords, however, they are now mostly occupied or managed by building hijackers. They have been poorly maintained for prolonged periods and as a result have become dilapidated. They are over-crowded with tenants living in appalling conditions, causing further deterioration (Mkunqwana, 2013; City of Johannesburg, 2006; Peyroux, 2006).

These derelict buildings carry high outstanding municipal bills as the absentee landlords have abandoned them for lengthy periods and in certain instances arrears are in excess of the value of the building (Mkunqwana, 2013; Parnell & Robinson, 2006). The function of the BBP is for municipality to seize the buildings and sell it to an investor that is interested in purchasing it. The buildings are sold free of outstanding municipal bills. This programme has resulted in rehabilitated buildings that are managed by the investor therefore, they have reduced unfavourable living conditions of inner city buildings. (City of Johannesburg, 2006; Mkunqwana, 2013). While the BBP has reduced the number of dilapidated buildings in the Johannesburg CBD the programme is flawed in that investors and developers often wish to rid the building of what they consider to be bad tenants once it has been acquired. Upon completion of the redevelopment, the investors make efforts to attract the “right kind” of tenant in order to develop good perceptions of the building.

This results in the displacement of previous tenants (Winkler, 2009). The initiative to rejuvenate the buildings and have a developmental lease with an option to buy might marginalize the low income residents.

### **2.4.3 Johannesburg Development Agency (JDA)**

The Johannesburg Development Agency was established in 2001 and its function is to assist the CoJ by offering its property development services. It receives much of its funding from CoJ as they develop a considerable amount projects for the CoJ (Peyroux, 2006). To date the JDA has successfully completed numerous projects in Johannesburg and contribute towards the city's vision for redevelopment. The JDA has taken on a more active role in the regeneration process by way of assisting the CoJ to identify potential investments that would be beneficial towards the success of the CoJ. The JDA has been identified as one of the big influencers for growing development in the Johannesburg's CBD (Anheier & Isar, 2012; Johannesburg Development Agency, n.d.). The Agency seeks to stimulate and support area-based economic development initiatives like the regeneration of the Johannesburg inner city.

While affordable housing has been a prioritized method of achieving successful regeneration some of the proposed programmes fail. One such example was the plan of the Inner-City Charter in 2007 to increase the delivery of affordable housing. The aim was to provide 50 000 affordable houses by 2015, however, the policy was never officially implemented (Mkunqwana, 2013). Though affordable housing schemes exist, of which form a part of the urban regeneration strategy, the Johannesburg CBD still experiences displacement of the low-income residents.

## **2.5 Displacement and Gentrification**

Gentrification as explained by Kalali (2014) involves the revitalization of a neighborhood which is followed by the entry of the upper and middle class. The author further state that this shift in income class results in a rise in rent and the displacement of low-income groups (Kalali, 2014). In

the urban regeneration process old dilapidated buildings are redeveloped and neighbourhoods become transformed. The improved neighbourhood attracts middle and upper class citizens and landlords respond to this increase in demand by raising rents of residential units. The increased rents however become unaffordable to low-income dwellers and they are forced to seek accommodation in other areas (Shaw & Hagemans, 2015; Sampson & Hwang, 2014). It is in this process where the challenge of displacement arises. Displacement is a phenomenon that is caused by gentrification (Arnott, 1997). The concerns about displacement and strategies of redevelopment of the Johannesburg inner city shall be the focus of the research.

When the inner-city experiences gentrification the low-class population can either become spatially or socially displaced. Low income residents are displaced spatially when they are unable to afford their rent payment and are forced to move out of their homes (Chaskin & Joseph, 2013; Gintautas & Skak, 2013). Low-income residents who manage to remain in the inner city experience social displacement when restaurants, shops and places of entertainment etc. become upgraded. Their “improved” living space becomes foreign to them and are unable to afford these upgraded services (Vigdor, 2010; Cervelló-Royo, et al., 2012). These are some of the unintended consequences of gentrification when there are no rent control mandates.

In certain neighbourhoods, (i.e., Latin American communities), culture is embedded in the spatial design and use by the dwellers. Previous dwellers in those communities experience social displacement when changes made to accommodate the middle- and upper class residents erode or diminish the ex result in the culture of their neighbourhood dissolving (Uitermark & Loopmans, 2013; Wyly & Newman, 2006). The reality is that displacement is a by-product of gentrification. This despite the fact that the process of gentrification basically involves the redevelopment of a dilapidated city, it still brings negative implications of displacement.

Gentrification acts as a challenge as it counters some of the urban regeneration goals of government (Unsal, 2015; Doucet, 2014). However, gentrification is said to be the solution for urban decay as it brings an influx of the upper and middle class population which increase the average wealth in regenerated area. Investment into the city is essential for its growth and it is evident that there will be losers in the process (Bernt, 2011; Doucet, 2014). The drawback lies in that the opportunity cost is the displacement of the low-income residents. Given this predicament, is it possible for rent control to be used as a means of controlling the displacement of the low

income residents? (Minton, 1997; Chaskin & Joseph, 2013). Hence, the aim of the research is to investigate the incentives which could encourage property investors and developers to adopt rent control.

## **2.6 Rent Control**

Rent control was first introduced in Europe following adversities resulting from World War I. The government imposed a cap on all rents in order to alleviate the financial burden that was a consequence of the war. Europe applied rent control regulations once again during the Second World War for the same reasons. However, government modified the policy to adjust the market and so the regulations evolved. In the USA rent control was introduced during the Second World War as well (Jenkins, 2009; Early, 2000). The government had observed that landlords were standing to profit from the unfavourable financial climate resulting from the war and sought to take advantage of the tenants' plight (Jenkins, 2009; Miller, 2010; Glaesar, 2002). Rent control is a means of rent regulation used by government to relieve the living expenses of the poor and the elderly in order to protect them from homelessness. Rent control prohibits the landlord from charging the tenant rent that is above a prescribed level. This regulation is intended to benefit the tenant (Jenkins, 2009; Deschermeier, et al., 2016). Hence, rent control seek to provide substantive tenure protection for low-income residents.

There are two types of rent control namely; first generation and the second generation rent control. First generation rent control is a set nominal rent control imposed by a board or committee. Second generation rent control is where the maximum rent permissible is linked to the rate of inflation or in some instances the consumer price index (CPI) (Haffner, et al., 2008; Miller, 2010). According to Arnott (1997) second generation rent control is more efficient than first generation rent control as the former is more flexible and tends to follow the economic climate (Arnott, 1997).

While rent control is promoted by governments it is highly criticized by economists as it is said to create inefficiencies. Economists make use of the supply and demand curves to examine the effects of rent control on the housing market (Jenkins, 2009). Rent control in economics is expressed as a price ceiling, thus, it places rents below market level and distorts equilibrium (Jenkins, 2009). On the supply and demand graph when the price of a good decreases this results in the shift of the

supply curve that causes a decrease in quantity supplied. When the long-run and short-run equilibrium are examined it can be noted that the effects of rent control produce a similar outcome on housing supply (Bourne, 2014; Malpezzi, et al., 1990).

### **2.6.1 Rent Control in Selected European Countries**

Various countries are currently making use of rent control regulations to ensure the affordability of rent for the poor. Though rent control has been repealed in South Africa, models of successful policies could be considered and applied to the Johannesburg inner city. The examples to be discussed could be considered as a guide towards effective rent control regulations used to ameliorate the displacement of low-income residents in the Johannesburg's CBD.

#### **2.6.1.1 Rent Control in Switzerland**

In 2002 Switzerland held negotiations between municipal housing companies; landlords and tenants to review rent control policies. The final decision sought to align the rent cap with prevailing economic forces so as to protect not only the tenant, but the interests of the landlords as well. Switzerland makes use of second generation rent control that also allows provision for maintenance of residential units. This intervention assisted in spreading the benefits of rent control more evenly (Werczberger, 1997; Hegedus, et al., 2013).

#### **2.6.1.2 Rent Control in England**

In England the use of rent control on new housing contracts was terminated after the late 1980s. This motive was to re-instill equal benefits between landlords and tenants in the rental market, as well as to eradicate the shortage of residential units that rent control was producing. Though it has been abolished, a form of rent control in the private market still exists in some parts of the private rental market. In England low-income residents receive a Local Housing Allowance (LHA) to assist them in their rent requirements. Though rent is uncontrolled, landlords in certain areas will



negotiate lease terms with tenants stipulating that rent will be maintained at an amount that is aligned with the movement of the Land Housing Allowance (Haffner, et al., 2008; Whitehead & Christine, 2014). This negotiation can be likened to second generation rent control.

#### **2.6.1.3 Rent Control in Netherlands**

The rent control imposed in the Netherlands sets a limit on the rent that the landlord may charge the tenant as well as on annual increases on rent. The cap on the rent is based on a “quality point” system which is calculated by a rental committee. Points are based on attributes of the residential units and its surroundings. Examples of attributes considered include the condition of the unit, the floor area of the unit and the surrounding amenities. The regulations of annual increases in rent is decided by government, however, it is primarily based on the rate of inflation (Kesteloot & Cassiers, 2011; Haffner, et al., 2008). This strategy portrays interdependence of economic conditions and the aspects of regulating rent. Also, the annual escalations may lead to involuntary departure of low income families.

#### **2.6.1.4 Rent Control in Spain**

Subsequent downfall of the rental market in Spain resulting from strict rent control policies led to the revision of regulations in order to achieve relaxation on the restrictions that still manage to protect tenants. In 1994 The Urban Tenancy Act was implemented and it has successfully served as a more effective policy. The Urban Tenancy Act states that the landlord is able to negotiate the starting rent amount with the tenant, however, the annual rent may not increase above the consumer price index (CPI) within the first five years of the lease. It also states that should the landlord and tenant enter into a lease agreement longer than five years they have the option to negotiate the annual rent increase after the fifth year of the lease (Haffner, et al., 2008). Thus, opening up a window of negotiation between the landlord and tenant.

### **2.6.1.5 Rent Control in Germany**

Germany is well renowned for its use of rent control policy. In 2015 the German government proposed that rent is to be maintained at a level not exceeding 10% of the local reference rent (Deschermeier, et al., 2016). Germany has also imposed a rent control policy that is tailored for residential property in the inner city known as the “Qualifizierter Berliner Mietspiegel” which aims to encourage development and an improved lifestyle in the inner city. The policy is revised every two years by a panel of real estate experts employed by the government. The experts derive the maximum rent by analyzing the real estate market and economic factors as well as applying scientific criteria in their decision making. Both the landlord and tenant’s benefits are considered in this process (Franz, 2015; Deschermeier, et al., 2016).

### **2.6.2 Rent Control**

South Africa previously first introduced the Rent Control Act [20 1976] in the era of apartheid to protect white tenants from homelessness as residential units were in short supply. The terms of the rent control stated that landlords were prohibited from increasing rent beyond an amount greater than 10 % per annum for a lease period of three years (Maas, 2012). Amendments to the Act were made over time, the last of which was the Rent Control Act [50 of 1999]. The rationale for the decision to abolish rent control was based on the government’s realization that the benefits of rent control need to be distributed equally between landlord and tenant. They concluded that the Rent Control [50 of 1999] did not provide such a balance (Maas, 2012; Rental Housing Act, 1999; Man & Chau, 2016).

Though rent control was previously utilized in the country, the current situation in the Johannesburg’s CBD is unique. If it were to be reinstated, rent control would be strategically applied to combat the displacement caused by gentrification in a particular location, in this case, the Johannesburg’s CBD. South Africa could explore the use of rent control in other countries to examine various policy structures and methods applied in the effort to spread benefits between

landlords and tenants as equally as possible. The selected method could then be adopted and modified such that it addresses the specific situation in the Johannesburg's CBD.

### **2.6.3 Benefits of Rent Control**

The benefit of rent control for the tenant is paying rent that it is lower than the market price which improves the affordability of rental housing. The benefit to the landlord is low vacancies as rent control results in increased demand for residential stock. This ensures consistent returns for the landlord. The net benefit, however, is said to fall on the tenant (Brown & Klingenberg , 2008; Malpezzi, et al., 1990).

## **2.7 Limitations Of Rent Control**

Though rent control is intended to protect the poor and elderly from homelessness it presents two main limitations:

- i) it reduces the supply of housing in the rental market and
- ii) it negatively affects the maintenance of the residential units. We shall discuss these adverse effects in detail.

### **2.7.1 Reduction in Housing Supply**

According to economic theory forceful reduction of the price of a good reduces the quantity supplied of that good and increases the demand for it. This theory also applies when applied to rent control as a reduced rent results in a decrease in the quantity of residential stock available in the rental market (Jenkins, 2009; Bourne, 2014). The cause of the shortage in housing stock is that with rent control the maximum rent permissible is not at market level and returns that landlords stand to make are reduced. This discourages landlords from letting out their housing units. In some instances, landlords will use methods of intimidation to drive out tenants in order to sell their units

or to retain vacancy. Such actions of resistance towards controlled rent result in the shortage of residential property (Early, 2000; Arnott, 1997).

Prospective developers are also affected by rent control regulations. In some instances, government subsidies are put in place to encourage development where developers are provided with capital allowances and special zoning permits for the construction of low-income housing. The intended outcome is to increase housing stock. However, where such allowances do not exist prospective developers are disheartened by the inability to achieve maximum rent, particularly where town planning regulations prohibit the conversion of property into condominiums and other uses (Sims, 2007; Miller, 2010).

With time, tenants that have already secured residence in the neighbourhood become conscious of the limited residential stock in the market. This causes them to hold on to their units by renewing their leases for longer period in order to continue enjoying the benefits of the low rents (Miller, 2010; Sims, 2007). The resulting scarcity and high demand of rent controlled apartments pose challenge for tenants planning to move into the neighbourhood as higher costs are dedicated to search and moving costs (Early, 2000; Gintautas & Skak , 2013). In addition, shortage of residential units might compel a family to take accommodation that is not befitting, commensurate or comfortable for the family in terms of quality, income and size. For instance a large family may have little to no choice, but to occupy a small unit due to lack of alternative affordable options (Lyytikäinen, 2008; Gintautas & Skak , 2013).

In the case of South Africa, a tax incentive has been established for developers in order to encourage development in South Africa. The incentive provides a tax relief for any owner; user; and lessor of a building within the area identified as the Urban Development Zone (UDZ). It has been implemented in various cities around the country including Durban and Cape Town and has experienced notable reception in the Johannesburg inner city . In the case of Johannesburg it provides an incentive for property held for investment purposes in areas that form part of the UDZ which include Braamfontein; Jeppestown; and Marshalltown (City of Johannesburg, 2016; Mkunqwana, 2013).

### 2.7.2 Inadequate Maintenance

Another limitation of rent control is that it leads to lack of maintenance in rental units. This is due to a lack of incentive for landlords to maintain the unit at a high level when the rent received is below market levels. With reduced rent income that rent control brings the property achieves low profits. This is unfavourable for the landlord and they are compelled to seek ways to maintain their profits. This is what leads landlords to reduce expenditures on plumbing, painting and electric fixtures in an attempt to optimize the rent receivable, hence the reduction on the maintenance (Early, 2000; Lind, 2015; Kutty, 1996). Poor economic standing of tenants affects issues of beautification of the building. The stringent rent controls also reduces the ability of the landlord to repair and maintain the building. Therefore, one of the research sub-questions seek to answer which incentives are required in order to persuade property investors and developers to adopt rent control.

Where maintenance of the residential unit is left to deteriorate it may become ruined. Lack of maintenance affects the quality of the housing units. In many instances, low-income tenants in the inner city will prioritize lower rents over adequate maintenance. Tenants tend to endure the sub-standard living conditions of the unit for the convenience of being located in close proximity to their work place (Haffner, et al., 2008; Brown & Klingenberg , 2008; Mbembe & Nuttal, 2009). It is however stated in various literature that the state of maintenance of rent controlled residential units may depend on the term of the tenant's lease. If it is a long-term tenant and the tenants can afford to provide adequate maintenance, they may do so regardless of landlord's reluctance (Kutty, 1996; Brown & Klingenberg , 2008; Lind, 2015).

Furthermore, the type of policy plays a role on the impact that rent control has on the maintenance of residential units. Where a minimum maintenance requirement is not imposed in the rent control policy it is likely to make the unit undesirable. Consistent neglect of maintenance may eventually frustrate the tenant to the point of vacating the apartment. It is understandable that poor dwellers cannot expect to be provided with A-grade services. Notwithstanding, basic maintenance services would be beneficial in order to avoid the decay of rent controlled apartments (Bourne, 2014; Kutty, 1996; Lind, 2015). Hence, the research aims to seek solutions that can encourage developers and investors to adopt rent control as a mitigation to displacement of low income dwellers

## 2.8 Gap in Literature

Currently low income residents in the Johannesburg CBD are experiencing displacement resulting from urban regeneration. Many studies have explored concepts of urban regeneration, gentrification, displacement and rent control. However, previous research has not addressed possible methods of ameliorating displacement in the Johannesburg CBD through rent control.

## 2.9 Conclusion

During his term as Mayor of Johannesburg Amos Masondo implemented the vision of making the City of Johannesburg “A world class Africa city”. The Mayor mobilized the “2030 Vision” which sought to achieve economic prosperity for the city. Part of the strategy was rejuvenation of the Johannesburg’s CBD to make it as prosperous as it was prior to its demise (Sihlongonyane, 2016; Winkler, 2009). Previously the Johannesburg’s CBD was an unattractive area with dilapidated and abandoned buildings which resulted in disinvestment in the area. The Johannesburg’s CBD has since experienced regeneration which has seen it transform into an attractive neighbourhood and has drawn in the middle and upper class population and subsequently an increase in demand for accommodation. This increased demand for residential units in the Johannesburg’s CBD has resulted in increase of rent and has led to the displacement of low income residents (Bethlehem, 2013; Walsh, 2013).

The displacement of low income residents has been due to gentrification, a negative consequence of urban regeneration. Gentrification is the process in which the inner-city experiences redevelopment followed by a replacement of low income residents with a middle and upper class population. Gentrification increases average wealth in the area at the same time causes social inequality (Sampson & Hwang, 2014, Doucet, 2014). The displacement caused by gentrification has been mitigated in other countries around the world. The most common method utilized is rent control. Rent control has been applied as far back as World War I to relieve the poor from high cost of living. This allowed the poor to afford accommodation and protection from eviction (Bates, 2013). There are two types of rent control; first generation rent control and second generation rent

control. First generation rent control is a set nominal rent that is below market and second-generation rent is a rental rate that is guided by the rate of inflation (Jenkins, 2009).

The use of rent control is discouraged by economists as they consider it damaging to the market and inefficient. As economic theory suggests, rent control decreases the price of accommodation which decreases the quantity of housing stock available and increases the demand for housing stock. This creates a shortage of residential stock in the market (Jenkins, 2009).

In this chapter, we have established that there is the dilemma of displacement in the Johannesburg's CBD that the low-income residents are experiencing. Gentrification is to blame. We have further reviewed and weighed positive effects of urban regeneration against the negative effects on low-income residents. In this chapter, we have also observed the advantages and disadvantages of rent control and how it has been used in other countries to ameliorate displacement. We concluded that rent control as a means of mitigation against rent control is worth exploring.

## **CHAPTER THREE:**

### **RESEARCH METHODOLOGY**

#### **Introduction**

Chapter Three encompasses research methodological framework and explains the tools to be used to carry out the quantitative research. Due to the nature of the study it is essential that a detailed and comprehensive methodology be adopted in order to best analyze and explore the possible the use of rent control to mitigate displacement, hence a quantitative research methodology was implemented. This chapter presents research methodology and design and discusses data collection instrument and process; the research techniques and method of analysis. It also highlights ethical considerations as well as justification for the methods selected.

#### **3.1 Research Methodology and Design**

“A methodology refers to a model to conduct a research within the context of a particular paradigm. It comprises the underlying sets of beliefs that guide a researcher to choose one set of research methods over another”, (Wahyuni 2012, p. 72). Hence, the research made use of literature which consisted of academic journals, books as well as reliable websites which provided information related to the research topic. The source of the literature was not restricted to South African sources only as urban regeneration; gentrification; displacement and rent control are phenomena that have taken place internationally. The use of existing literature from other countries’ previous experiences was used in order to provide in-depth understanding on the themes of the research.

The research design according to Miller & Brewer (2003, p. 262), is “the model used by the researcher to discharge ‘the burden of proof’- the logical organization that allows him or her to feel that whatever they have done in their research allows them to reach valid conclusions”. There are three main research methods, these are exploratory research; constructive research and empirical research. Exploratory research allows for the improvement of existing knowledge and



for exploring untapped research topics. Constructive research entails the solving of technical research problems. Constructive research was suitable for research in professional technical fields. Empirical research informed the research of patterns from observations and experience. From empirical research experimentations were conducted, then presented and conclusions were drawn (Creswell, 2014). Hence this research was exploratory as it aimed to explore the possibility of the use of rent control in the Johannesburg CBD. Surveys were used for exploratory research and they provided primary data that allowed for a generalized analysis. (Fry, et al., 1981; Delamont, 2012). These methods were more suitable in understanding and analyzing the perceptions of respondents to address the issue of displacement in the Johannesburg CBD.

### **3.1.1 Quantitative and qualitative research design**

There are two types of research design namely; qualitative research design and quantitative research design. With qualitative research design the results are often expressed in words and images, whereas, quantitative data is expressed in numerical values and is statistical in nature (Yilmaz, 2013). Qualitative research is subjective in that the data collected takes into consideration opinions and experiences of respondents. Quantitative research is objective as it is statistical and responses are free of partiality. Qualitative research tends to make use of research instruments such as interviews, open-ended questionnaires and focus group and quantitative research makes use of surveys. In quantitative research, the variables are chosen by the researcher. However, in qualitative research it is possible that other variables may appear (Creswell, 2014). Based on the comparisons between the two research design methods, quantitative methods were befitting for this research. The reason the quantitative research design was selected is that the research does not seek to understand the experiences nor the opinions of respondents, hence it will not make use of interviews as they are characteristics of a qualitative research design. Further, previous researchers in this field made use of the quantitative research design. In order to satisfy the research questions, aims and objectives, the research gathered statistical data by making use of a standardized instrument with controllable variables hence the data instrument utilized was a structured survey. (Castellan, 2010). The researcher however used of an open ended question in the survey for reinforcement and validation of the findings hence the researcher was able to analyze the statistical

data and was able to measure perceptions and attitudes of respondents. After being analyzed the data was organized, interpreted in tables and charts and findings were presented.

### **3.2 Research Philosophy**

Research philosophy can be understood to mean “...the development of knowledge and the nature of that knowledge” (Saunders, Lewis, & Thornhill 2012 p. 107). There are four main research philosophies: Positivism, interpretivism, realism and pragmatism.

Positivist subscribes to the idea that the truth is explained by scientific fact that is acquired through observation. It relies on information that is collected from data and interpreted in an objective manner. It relies on logic and believes in measurable concepts. Positivism does not deal with human perspectives, but quantifiable information (Punch & Oancea, 2014; Wahyuni, 2012). Hence, positivist work seeks to identify data with propositions that can then be tested, measured or identified in other cases independent of the researcher and his or her instruments.

Interpretivism opposes positivism as it believes that truth and human behavior cannot be merely explained by scientific facts, but with human interpretation. This approach doesn't answer the “what”, it answers the “why” (O’Leary, 2013). It relies heavily on human interpretation and personal perception and is mainly used for qualitative research. This philosophy is subjective and places importance on gaining different views in order to reflect reality (Punch & Oancea, 2014). This view is usually referred to as the qualitative approach and is based on the belief that the world and reality are not objective and external, but are socially constructed and given meaning by people.

Realism can be separated into two main types; direct realism and critical realism. Direct realism believes that what we see, feel and touch is an accurate portrayal of reality. Critical realism is of the belief that human experiences and senses may provide a false depiction of the real world. An example of this is optical illusions where you may see or experience one thing yet it is something else. Literature states that it is preferable to take the critical realist approach (Novikov & Novikov, 2013). This is due to its ability to capture the fuller picture when studying a phenomenon.

Pragmatism places importance on the research question and believes that more than one approach can be taken in research. It believes in applying both objective and subjective stances in research. This approach subscribes to the idea that both positivist and interpretivist provide the best insight to what is truly occurring and it is mostly used for mixed methods research (Collis & Hussey, 2014). The research made use of the positivist approach. This was due to the fact that the research aimed to collect data that was statistical and objective. It aimed to understand statistical information rather than opinion or human experiences. (O'Leary, 2013). The approach was adopted in seeking answers for the research that describes the “what” and codifies the observations made.

### **3.3 Data Collection**

The research collected information through the use of relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes.

#### **3.3.1 Data collection instrument**

There are various data collection instruments that may be employed. These include interviews; questionnaires; observations; and case studies. The instrument selected needs to be fitting for the research, while maintaining reliability and validity (Bell, 2014). Hence the researcher had to delineate the data collection instruments as discussed below in attempting to uncover the impacts of using rent control to mitigate displacement.

Observations can be participatory where the researcher is directly involved in the data collection process. Researchers may do this by posing as a respondent so as to observe the data collection first hand, while remaining anonymous. Observation can also be non-participatory. In this instance, the researcher did not get involved in the research but merely observed from a distance. This method, however, is said to negatively affect data as respondents' behavior may change as they are aware that they are being observed (Cohen, Manion & Morrison, 2013; Bell, 2014). Due to the weakness of this data collection method the research opted not to use it.

Interviews are a very common instruments used to draw information from respondents and provide the researcher with opportunities to probe respondents (Phillips & Phillips, 2016). Interviews can be conducted orally or in writing and they are either structured or unstructured. Structured interviews only provide the respondents with options. Unstructured interviews are more flexible as they are open-ended, allowing respondents to provide extended and detailed responses. Interviews are best suited for qualitative research as this instrument is able to reveal opinions and experiences of respondents (Gubrium, Holstein, Marvasti & McKinney, 2012). Interviewing as a research instrument was not an ideal method for the research study as issues of validity and reliability were considered.

Surveys are commonly used in quantitative research as they allow for opinions to be recorded statistically. There are two main survey types; structured and unstructured surveys. Structured surveys are close ended and intended to collect only data that is considered essential by the researcher. They are standardized and do not make provision for respondents' opinions. Unstructured surveys on their part, contain open-ended questions. In addition to the data required the respondents are permitted to provide additional input (Delamont, 2012; Grey, 2014). The researcher therefore used information from a sample of individuals and explored aspects of the rent control in the Johannesburg CBD to make some inference about the wider population.

Case studies are used in order to gain in-depth knowledge on a specific case or entity and places focus on a particular location and time frame. Case studies are mostly exploratory in nature and are used to explain complex phenomena (Cohen, et al., 2013; Bell, 2014). This data collection method was found unsuitable to unearth the research question as it is limited to the sensitivity and integrity of the researcher.

The research intended to make use of responses from data provided by investors and developers to determine which incentives would encourage them to adopt rent control. It intended to express the sentiments of the respondents numerically, therefore, the data was quantitative. However, qualitative statements from an open- ended question we also used in order to further strengthen the arguments. Given the characteristics of the various instruments the survey was the best instrument to capture the required data for the research (Fry, et al., 1981; Grey, 2014).

The choice to use a survey as the research instrument was for the following reasons:

- Less time required of the respondents to participate which would encourage a higher response rate
- Less time required in the administration of the data collection and analysis process
- Cost effective data collection as the survey would be distributed electronically and would not require the presence of the researcher

### **3.3.2 Data collection procedure**

The survey was distributed to the respondents via electronic mail. Some property developers and investor were approached to complete the questionnaire physically. Questionnaires were presented in English language in a manner that was easy to understand. Strong efforts was made to encourage respondent to participate in the survey by explaining the aim and importance of the research. It was explained that the survey consisted of structured standardized questions and for such reason it should not consume much of the respondents' time. Where respondents did not respond to initial emails follow-up telephone calls were made to encourage participation. It was imperative that data was collected from this particular population. It was through the analysis of the data collected from these respondents that the research objectives were fulfilled.

### **3.4 Research Techniques**

Primary data is first hand data often collected by the researcher. This information does not exist as yet and is collected by means of instruments such as interview, surveys, observations, etc. Secondary data makes use of existing knowledge. It is findings of others which can be retrieved from sources such as academic journals, books, newspapers, etc. (Collis & Hussey, 2014). This research made use of primary data collected from survey questionnaires administered to private property investors and property developers.

Vogt & Johnson (2011, p. 104) define descriptive statistics as “procedures for summarizing, organizing, graphing, and in general, describing quantitative data”. The aim being to explore the

situation in the Johannesburg CBD by describing important factors associated with rent control to mitigate displacement. According to Healey (2015, pg. 18) “descriptive statistics are used to summarize the distribution of a single variable and the relationships between two or more variables”. Thus gathering information on the implementation of rent control and how it could prevent displacement during rejuvenation of properties.

The research made use of descriptive statistic techniques to provide statistical representation of the attitudes of the respondents. Due to the nature of information that was sought the research made use of the Likert scale to measure the attitudes of respondents on the various terms presented as incentives for the implementation of rent control. Nemoto & Belgar (2014, p. 2) state that “A Likert scale is a psychometric scale that has multiple categories from which respondents choose to indicate their opinions, attitudes, or feelings about a particular issue”.

### **3.5. Study Population**

Ritchie & Lewis (2003, p. 49) state that “selecting research settings and populations involves identifying those which, by virtue of their relationship with the research questions are able to provide the most relevant, comprehensive and rich information”. The population selected for the research include private property investors and property developers in the Johannesburg’s CBD. This group of individuals and/or organizations were important in the consultation of the implementation of rent control as their participation in the process was deemed critical. Hence, it was worth exploring what incentives would encourage the adoption of rent control. The respondents were obtained from database of developers and investors, urban regeneration websites as well as property organizations. Such database include the following:

1. South African Property Owners Association
2. Property Owners and Managers Association
3. Johannesburg Development Agency
4. South African Institute of Black Property Practitioners, and
5. Johannesburg Property Company.

The property organizations approached provided names of property investors and developers that are active in the Johannesburg inner city on their database. However, they were prohibited from sharing contact details and assisting in the distribution of the survey. The internet was used to source the contact details of the various property investors and developers and they were approached with a request to participate in the research by completing the survey electronically.

In addition organizations individuals who are owners of property companies were approached by the researcher at a tender briefing. The session was advertised by Johannesburg Social Housing Company to company owners interested in submitting a tender for the development of buildings in the Johannesburg inner city. These respondents were approached physically and asked to complete the form at the end of the tender briefing.

### **3.6. Sampling Technique**

Probability sampling implies that the whole population has a chance of being selected and it is done so at random. Probability sampling provides a good representation of the population and the results are more valid. There are two types of probability sampling methods that are commonly used: Stratified and random sampling. Stratified sampling requires the researcher to divide the population into sub-groups based on their characteristics. These groups are called strata. Knowledge of the population is essential in order to make use of stratified sampling (DePoy & Gitlin, 2015; MacNabb, 2015). With random sampling, it is acknowledged that there is an equal chance for all subjects in the population to be chosen.

Non-probability sampling is mainly used for research that requires specific information in order to fulfil its objectives, which means there are parts of the population that have no chance of being selected. Though it does not provide as strong a representation of the population as probability sampling, it is useful for research whose aims require the use of certain groups within the population (Palinkas, 2015). Some methods of non-probability research include cluster sampling; quota sampling; purposive sampling and snowball sampling.

Cluster sampling occurs when the selected population is in a group often determined by location (i.e., neighbourhood). Continuing the example, in the selected neighbourhood twenty streets will be selected and so each household from those identified streets will be chosen (Teddle & Yu, 2007; DePoy & Gitlin, 2015). The researcher was motivated to adopt cluster sampling so as to reduce the total number of respondents and costs given the desired accuracy. Quota sampling is a non-probability sampling that is similar to stratified sampling. Subjects are selected from a grouping within the population, that is, male and female. The difference with quota sampling lies in that quota sampling allows for non-probability sampling within the sub groups (DePoy & Gitlin, 2015). Selection bias and the limited statistical power because of the small number cannot be ruled out when non-probability sampling methods are used.

“Purposive sampling is described as a random selection of sampling units within the segment of the population with the most information on the characteristic of interest” (Guarte & Barrios 2006, p. 277). Purposive sampling is used when the researcher selects subjects from a population based on a specific characteristic that he considers relevant for the research. This method allows for in-depth information and for the researcher to obtain information that directly addresses the purpose of the research (Cohen, Manion, & Morrison, 2013). Snowball sampling, mostly occurs when applying purposive sampling. It is the process in which the researcher makes use of the population that he has chosen to source additional respondents. This approach is mostly taken in instances where the identified sample is scarce (Uprichard, 2013) Therefore, based on the review of the different methods, the sampling method employed was purposive sampling. The motivation for making use of purposive sampling was due to the researcher’s own knowledge of the population, their elements and relation to the research aims and objectives. The research obtained data from a population which meets a particular criterion. This is applied in order to provide in-depth knowledge by obtaining samples from parts of the population that are best equipped to fulfill the aims and objectives of the study (Palinkas, 2015; Uprichard, 2013). The sampling criteria include:

- a) Parties that are involved in the investment of property in the Johannesburg CBD and
- b) Parties that are involved in the developers of property in the Johannesburg CBD.

### **3.7 Validity and Reliability**



According to Bernard (2006, p. 54) “Validity refers to the accuracy and trustworthiness of instruments, data, and findings in research”, while “Reliability refers to whether or not you get the same answer by using an instrument to measure something more than once” (Bernard, 2006, p. 54). The disadvantage of employing quantitative research when making use of surveys as a data collection instrument is the attainment of validity and reliability. Validity and reliability are dependent on the quality of the research instrument and data collection. The aim is to minimize the threats to the validity and reliability of the research instrument in order to produce accurate findings (Bernard, 2006; Adcock & Collier, 2001). Efforts to control the various threats shall be discussed in detail.

“Validity refers to the extent to which findings made represent what was intended to be measured in the research” (Moskal, Leydens, & Pavelich 2002, p. 351). The strength of the validity depends on whether questions posed in the survey contain all relevant sub-questions required to answer the research questions (Miller & Brewer, 2003; Yilmaz, 2013). In an effort to ensure validity achieved in the survey, (pilot survey) was conducted to a number of experts bearing similar traits to the selected research population and to researchers. They were then asked to confirm face validity by informing whether the questions posed appear adequate for the purpose of the research (Bernard, 2006). In addition, they were asked to confirm content validity by stating whether each of the sub-questions posed in the survey successfully addressed the research questions (Moskal, Leydens, & Pavelich, 2002). The researcher therefore needed to ensure that questions in the survey measured what they were supposed to be measuring.

In order to achieve construct validity, variables selected should present a true reflection/description of what it is that is intended to be measure. Possible threats to construct validity include hypothesis guessing; evaluation apprehension; and researcher bias (Adcock & Collier, 2001; Yilmaz, 2013). For the research, the issue of hypothesis guessing were unlikely as there were no compensations in place for participating in the survey, therefore, no changes of normal behaviour occurred.

Evaluation apprehension may have occurred if the respondent was under personal time pressure which may have resulted in the survey being completed hastily. In order to mitigate these threats respondents were provided with a moderate amount of time before the submission deadline of the survey. Researcher bias was eliminated as the survey was distributed electronically and in so doing the respondents were not influenced by the researcher. Regarding the physical survey the

researcher was not present during the completion of the survey. Further, in the case of physical survey copies an external party bearing no personal interests in the research conducted the distribution and collection of the completed surveys. The external party also notified that once respondents had completed the survey they were placed in a collection box at the exit. (Adcock & Collier, 2001; Johnson & Onwuegbuzie, 2006). An additional factor that may have potentially weakened validity is the lack of response from respondents, as it decreases the sample size (Miller & Brewer, 2003). In an effort to achieve a maximum response rate follow up telephone calls were made to respondents who did not complete the survey by the proposed deadline to further encourage their participation.

Reliability relates to the consistency of a measure. A participant completing an instrument meant to measure motivation should have approximately the same responses each time the test is completed” (Heale & Twycross 2015, p. 66). The reliability of the survey was established by posing the same question in a different form. This assisted in revealing the stability of the responses (Heale & Twycross, 2015). Another possible threat to reliability was bias. This threat was minimized as questions posed in the survey were standardized, therefore, they were the same for all respondents. (Miller & Brewer, 2003; Yilmaz, 2013). As a result this ensured consistency where survey questions and statements measure the same characteristic.

### **3.8. Ethical Considerations**

In order to carry out the research ethically the following steps were taken:

- a) The researcher first acquired ethical clearance from the research committee of the University of the Witwatersrand prior to carrying out the survey.
- b) When respondents were approached by the researcher a formal request was made for the participation of the survey.
- c) The respondents were then be informed of all the information regarding the research. This included the purpose of the survey and the manner in which the data was to be interpreted.

- d) Researcher assured respondent of their anonymity and present would be presented data accurately.
- e) To comply with ethical research practice the following documents were provided and completed: Participation information sheet and Consent form (Gajjar, 2013; O’Leary, 2013)

### **3.9 Conclusion**

This chapter has shown that the research was conducted in a quantitative manner as a way of deeper understanding of the research phenomenon, which is the implementation of rent control strategies that seek to minimize displacement caused by regeneration. The sampling technique was introduced and the researcher has supported the use of surveys in collecting statistical data to gain a broad understanding of perceptions to determine strategies that would encourage the adoption of rent control in the Johannesburg inner city. Data analysis and presentation were done after a thorough analysis of the content of the surveys. The selected themes from the literature were used to summarize and categorize the data collected and to highlight the important features relating to rent control, gentrification and displacement. Ethical considerations were also discussed to ensure that the study was conducted in an honest and respectful manner.

## **CHAPTER FOUR:**

### **DATA ANALYSIS**

#### **Introduction**

This chapter summarizes key findings and presents the conclusion and recommendations of the research

The reports and discusses the findings of the research. In total 60 surveys were received from property investors and developers from the Johannesburg CBD. The research survey was distributed electronically to 122 companies from which 48 responses were achieved. The low response rate of 39% could have been due to the researcher being unable to approach respondents physically due to time and financial constraints. It was also distributed physically to 32 property investors and developers all of which responded. The chapter reports on descriptive statistics as well as correlation analysis of the results. The descriptive statistics discuss observations from the respondents' profile and the correlation analysis test various hypotheses. These hypotheses elucidate whether rent control can be utilized as a means to reduce displacement. It also reports on observations from the open ended questions which in order to reinforce the findings.

#### **4.1 Data Analysis and Discussion**

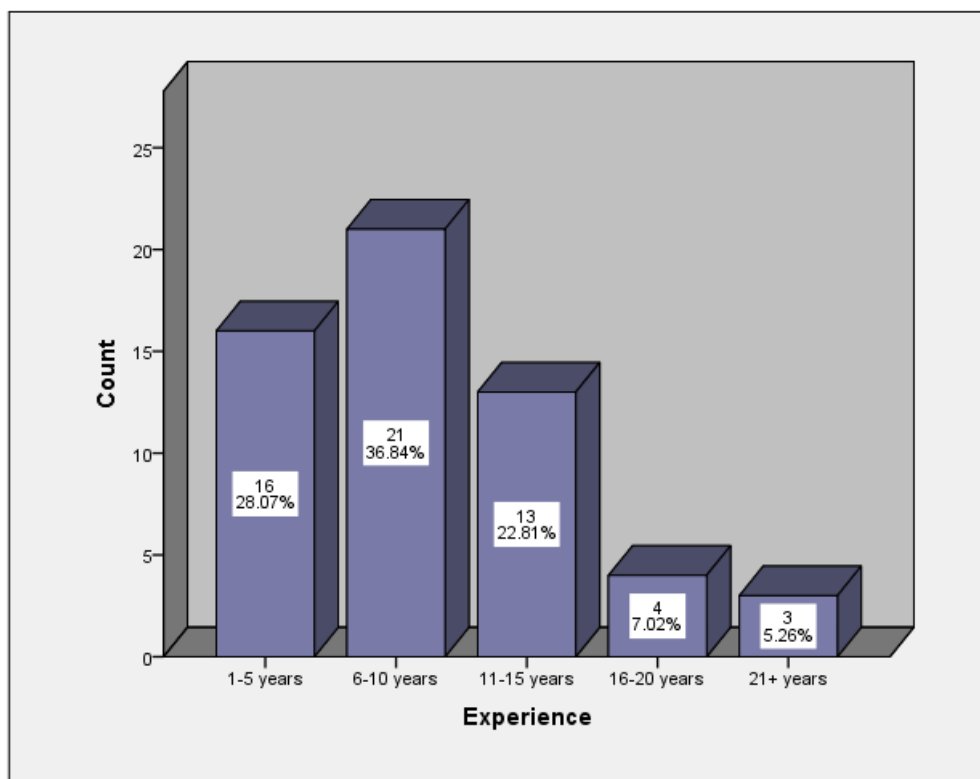
The section being the most crucial component of the research analyses and interprets collected data and as such findings were produced.

##### **4.1.1 Demographic characteristics**

This section reports on the descriptive analysis of these demographic characteristics. With the use of descriptive statistics which includes the use of graphs, charts and tables, etc. to represent and provide a summary of data. It allows visual presentation of distributions and patterns that exist in

the data (Mendenhall, Beaver, & Beaver, 2013). Descriptive statistics presented in the chapter include demographic characteristics of property developers and private property investors surveyed in this research. The survey respondents in this research were distinguished by the following characteristics: Years of experience in the property industry, Number of years working in Johannesburg, Property class in which their company places focus, and type of property sector.

**Figure 4.2: Experience in property industry (in years)**



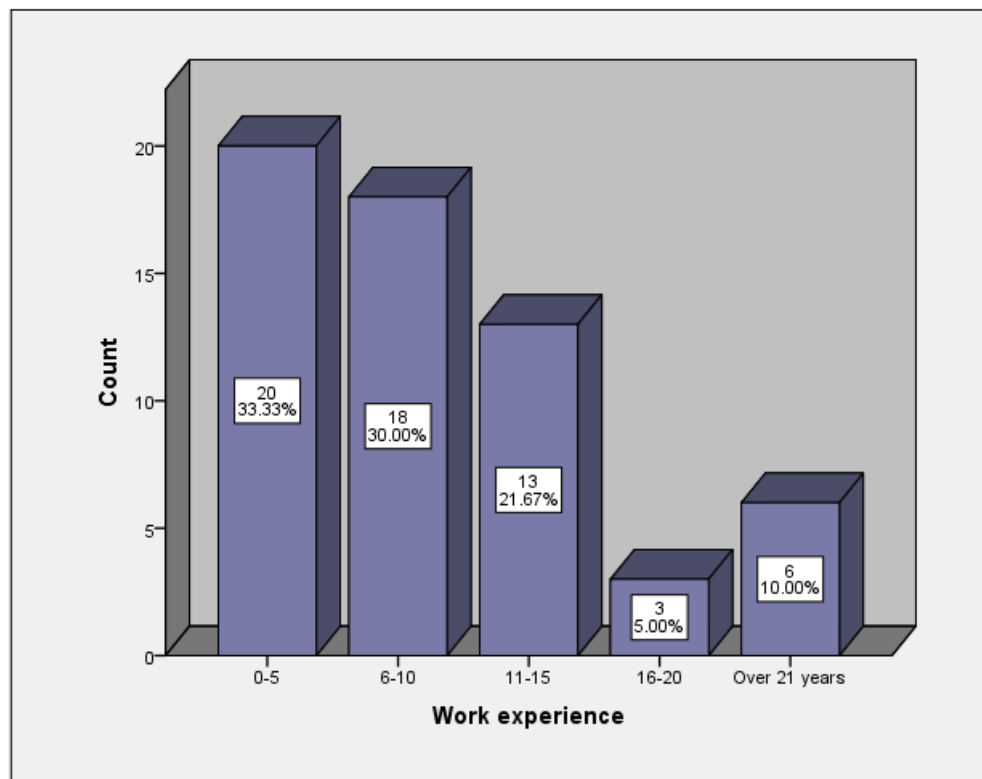
Source: (Own Compilation, Analysis: 2017)

Figure 4.2 illustrates the number of years of experience that the respondents' accumulated in the property industry. It can be noted that at 36.84% the greater population of the respondents' have been working for 6-10 years; 28.07% have been active for 1-5 years; while 22.81% of the respondents attained 11-15 years; 7.02% for 16-20 years and finally 21 years and more comprised of 5.26%. It is important to evaluate the years of work experience accumulated in the property

industry as it indicates the practical understanding of the industry that the respondent possesses. It informs that they have been directly exposed to the market conditions of the property industry in their respective sector and the industry as a whole. Majority of the respondents at 36.84%, have 6-10 years of experience deeming them knowledgeable of the industry in Johannesburg. Their views on the implementation of rent control in the Johannesburg's CBD will provide a valuable response as to how they believe rent control would affect the industry and their sectors based on its growth over the years. The respondents' experience grants them an advantage in the ability to assess and foresee the consequences of the implementation of rent control. As they have been operating over many years they are aware of details in the business that drive the companies to function efficiently. This assists them in identifying incentives that would encourage them to adopt rent control (Ibiyemi & Tella, 2013). This seeks to open a discussion for a set rate like all other government-mandated price controls, on what landlords may charge tenants by devising attractive to incentivizing them.

According to Lu, et al. (2014) the level of experience serves as a good reference of the systems that are currently in place as they have attained knowledge through involvement. It assists the employee in the ability to track and forecast the evolution of the industry. Ibiyemi & Tella (2013) purport that first-hand knowledge on the local industry assists in understanding conditions that may be unique to that location. They add that the more years of work experience that are accumulated in the property industry the better equipped employees are to deal with adverse economic climates.

**Figure 4.3: Work experience in Johannesburg (in years)**



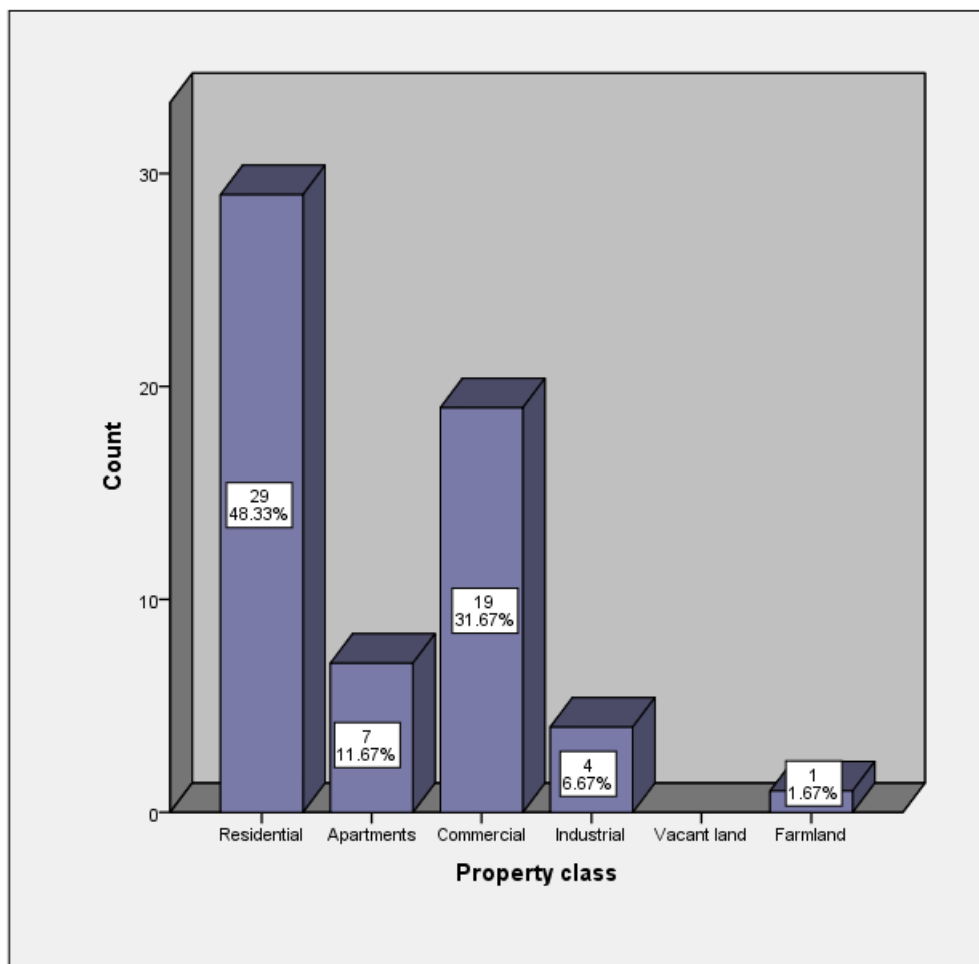
Source: (Own Compilation, Analysis: 2017)

Figure 4.3 illustrates the duration in which the respondents have been working in Johannesburg. It has been established that 33.35% have been working for 0-5 years; 30% for 6-10 years; 21.67% for 11-15 years; 5% for 16-20 years and 10% of the respondents have worked in Johannesburg for over 21 years.

33.33% of the respondent have been employed in Johannesburg for 0-5 years for any single group. Though this is the case 66.66% of the respondents have been employed in Johannesburg during or shortly after the commencement of the redevelopment which took place in 2000. Majority of respondents have experienced the effects of the redevelopment first hand. Respondents were mostly aware of the early changes in residential demographics in the Johannesburg inner city as well as the displacement of the lower income residents. Respondents, therefore, have superior insight on the nature of its origins and possible remedies as compared to employees in other metros in South Africa.

Burocco (2014) states that work experience in Johannesburg offers employees and other relevant parties the ability to make analysis of various changes prior to and following the redevelopment of the Johannesburg inner city. He provides an example of how one who has been operating in the inner city for longer would observe the gradual change in the Braamfontein neighbourhood and its unique method of regeneration.

**Figure 4.4: Property class where respondents worked**



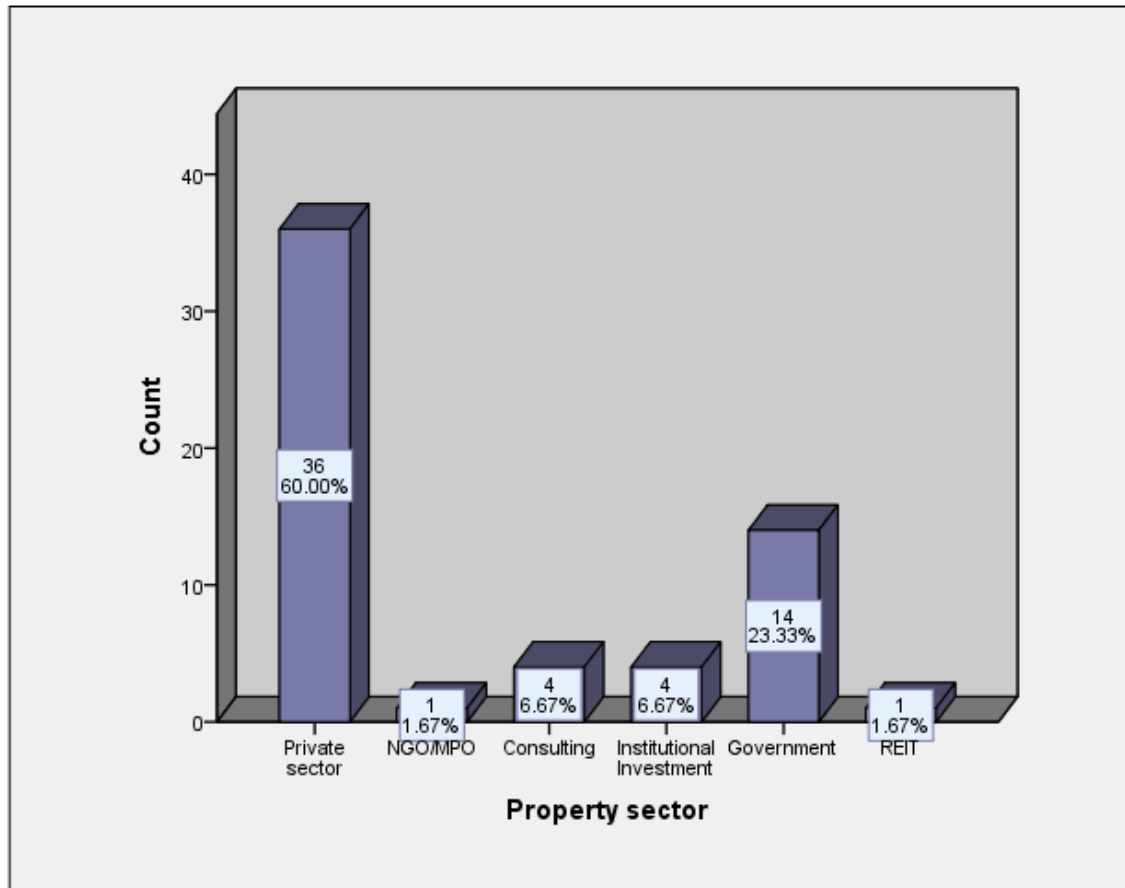
Source: (Own Compilation, Analysis: 2017)



Figure 4.4 illustrates the property class in which the company of the respondent focuses on. It can be observed that at 48.33% or almost half of the respondents' company's core business places focus on residential property. This is followed by commercial property at 31.67%; while apartments is at 11.67%; industrial accounted for 6.67% and lastly farmland 1.67%. None of the respondents were in the business of managing vacant land. The high representation of the residential sector is advantageous in assisting with incentives to adopt rent control as these will be the parties to potentially house the displaced residents. Respondents from the commercial property class also provide valuable insight on the business activity in the area and the repercussion of retaining low-income dwellers post regeneration. They will also have observed conversions of other commercial properties into apartments and residential dwellings and have the insight to forecast the impact that rent control would produce.

The high representation of respondents in the residential and commercial class is due to the increased redevelopment of the inner city housing projects which have taken place since 2000. State interventions and tax relaxations have encouraged the development of affordable housing in the inner city (Nevin, 2000; Winkler, 2012). Rogerson (2014) concurs by stating that there has been an increase in accommodation in the Johannesburg inner city as office blocks have been converted into flat apartments and residential spaces. Commercial properties increased as well to compliment the influx of the middle class income into the inner city (Nevin, 2014). The rise of the black middle class in South Africa has brought a strong purchasing power and contributed to the national coffers through taxes. The danger in this growth is migration of the black middle class from townships causing high demand for housing. Consequently, rental costs increase and the low income residents get displaced.

**Figure 4.5: Property sector where respondents operate**



Source: (Own Compilation, Analysis: 2017)

Figure 4.5 illustrates the property sector in which the property developers and private property investors operate in. At 60% majority of the respondents are private sector investors, followed by the government sector with 23.33% and the remaining sectors (i.e., NGO/MPO; consulting and institutional investment) achieving less than 20% representation collectively. The large representation of the private sector is positive for the research as it is integral in the implementation of rent control. From international examples, review of literature show that public-private partnerships strengthen the implementation of rent control as developments and investment in the inner city are carried out effectively by the private sector when there is mutually beneficial support from the government.

According to Klug, et al., (2013) the large portion of private investors involved in the property sector could be explained by government subsidies which encourages the participation of private entities to develop affordable housing projects in the inner city. Mosselson (2017) expresses similar views in stating that there has been a rise in private property companies partaking in the development of social housing in the Johannesburg's CBD. He attributes it to additional grants made available by government towards the renewal of the inner city.

#### **4.1.2 Correlation analysis and hypothesis testing**

Correlation is a means of assessing the association between two variables (Prematunga, 2012). Correlation is measured by a correlation coefficient ( $r$ ) that indicates the strength and direction of relationships. It ranges between -1 and +1, with positive value (+1) indicating a perfect positive linear relationship between the variables and a negative value (-1) indicating a perfect negative relationship between the variables. A value of 0 indicates that there is no relationship between the variables (Prematunga, 2012; Puth et al, 2015). The further away the correlation coefficient is from 0 the stronger the relationship is between the variables. Statistical significance indicates the generalizability of relationships and the extent to which the relationship of the variables arose by chance.

In this research the researcher made use of the bivariate analysis on SPSS. These are a form of descriptive statistics that compares different variables concurrently to determine whether a relationship exists between them, and if so, the nature of the relationship. The research used the Spearman rho Coefficient to examine the association between the selected variables. Spearman rho Correlation Coefficient measures the strength between variables, it is nonparametric and does not require that data follows normal distribution. The rationale behind the use of Spearman rho correlation is its ability to work better with smaller sample sizes and that it is non-parametric. This means that it relies more on rankings and order (Wu, Geng, & Zhao, 2017). In the research it was used mainly to assess, interpret results and show the significance of the data, whether a strong correlation existed or not. The researcher had to think broadly, considering all the evidence gathered for the study as well as geographical theory, in order to offer a full explanation of the pattern identified by the statistics.

## 4.2 Hypothesis testing

The research seeks to understand whether rent control can be used to ameliorate displacement, hence, the approach employed is to explore their willingness to adopt rent control. Correlations have been conducted towards this investigation and variables that will be examined include the property developers and investors' likelihood to adopt rent control, their belief that rent control can reduce displacement as well as their belief in rent control as an effective tool when accompanied by suitable compensation.

To further analyse the property developers and investors' willingness to adopt rent control correlations was conducted to explore the influence that observed changes following the redevelopment of the Johannesburg inner city in 2000 have had. The research explored the relationship between aspects of the various changes that were observed and the likelihood to adopt rent control. These observed changes that were identified include capital growth; increase in rent; good quality tenants; reduced; less vacancies and improved neighbourhoods. Each relationship shall be analysed and discussed individually. Several hypotheses are tested as shown below.

### **4.3.1.1 Hypothesis 1: Support for rent control to reduce displacement has a positive relationship with the likelihood to adopt rent control.**

The hypothesis intends to test the relationship of the support for rent control and the likelihood of property developers and investors to adopt rent control. In Table 3.1, the correlation coefficient is negative (-0.521) and statistically significant ( $p = 0.000$ ), leading the researcher to not to reject the null hypothesis - a surprising finding since we expected a positive coefficient. This means that while the support for rent control as a means of reducing displacement increases the likelihood to adopt rent control experiences a decline.

With the surprising finding, the researcher further hypothesized that there could be intervening variables that play a role in mediating the relationship between rent control and the likelihood of adopting rent control. Further analysis was accomplished through partial correlation analysis in SPSS. This entailed conducting a correlation analysis between support for rent control as a tool to

reduce displacement and the likelihood to adopt rent control, while controlling for other variables that may be instrumental in the relationship between the two preceding variables. It can be observed in the table below that when work experience in property industry and work experience in Johannesburg are considered in correlation analysis, the correlation coefficient increases from -0.521 to 0.585. When an additional variable is added, role in company, the p-value increases further to -0.589. Controlling for other variables, that is, what property class the respondents work in as well as respondent's knowledge of the displacement of lower income residents that has taken place in the Johannesburg CBD, the results still led the researcher not to reject the null hypothesis. There is need for further research to establish what factors, perhaps, beyond the variables in the current research that can influence this relation. This may include qualitative research involving inquiring the respondents' particular role in their respective company. The results may suggest that while respondents (given their roles in the respective companies) may believe that rent control can be used to reduce displacement the position they hold may influence their likelihood of adopting it after considering how they would benefit or be disadvantaged in the event that it is implemented. Perhaps their individual roles require particular incentives in order for their belief in the use of rent control to better influence them to adopting rent control.

**Table 3.1 Spearman's rho Correlations results**

|                       |   |                                | <b>Believe rent control can reduce displacement</b> | <b>Likely to adopt rent control</b> |
|-----------------------|---|--------------------------------|---|-------------------------------------|
| <b>Spearman's rho</b> | <b>Believe rent control can reduce displacement</b> | <b>Correlation Coefficient</b> | 1.000   | -.521**                             |
|                       |   | <b>Sig. (2-tailed)</b>         | .   | .000                                |
|                       |   | <b>N</b>                       | 53  | 53                                  |
|                       | <b>Likely to adopt rent control</b>                 | <b>Correlation Coefficient</b> | -.521**   | 1.000                               |
|                       |   | <b>Sig. (2-tailed)</b>         | .000  | .                                   |
|                       |   | <b>N</b>                       | 53  | 53                                  |

\*\*. Correlation is significant at the 0.01 level (2-tailed).

**Table 3.2 Spearman's rho Correlations results**

| <b>Control Variables</b>  |   |                                | <b>Believe rent control can reduce displacement</b> | <b>Likely to adopt rent control</b> |
|---|---|--------------------------------|---|-------------------------------------|
| <b>Experience in property industry &amp; Work experience in JHB</b> | <b>Believe rent control can reduce displacement</b> | <b>Correlation</b>             | 1.000   | -.585                               |
|   |   | <b>Significance (2-tailed)</b> | .   | .000                                |
|   |   | <b>Df</b>                      | 0   | 46                                  |
|   | <b>Likely to adopt rent control</b>                 | <b>Correlation</b>             | -.585   | 1.000                               |
|   |   | <b>Significance (2-tailed)</b> | .000  | .                                   |
|   |   | <b>Df</b>                      | 46  | 0                                   |

**Table 3.3 Spearman's rho Correlations results**

| Control Variables  |  |                         | Believe rent control can reduce displacement | Likely to adopt rent control |
|--|--|-------------------------|--|------------------------------|
| Experience in property, Work experience in JHB & Role in company | Believe rent control can reduce displacement | Correlation             | 1.000  | -.589                        |
|  |  | Significance (2-tailed) | .  | .000                         |
|  |  | Df                      | 0  | 42                           |
|  | Likely to adopt rent control                 | Correlation             | -.589  | 1.000                        |
|  |  | Significance (2-tailed) | .000   | .                            |
|  |  | Df                      | 42   | 0                            |

**4.3.1.2 Hypothesis 2: The belief in the efficacy of rent control if accompanied by suitable compensation has a positive relationship with the belief that rent control can reduce displacement.**

The hypothesis tests whether the respondents' belief that rent control can reduce displacement is affected by their belief in rent control as an effective tool to reduce displacement if it is accompanied by suitable compensation. As can be observed in Table 3.4 the  $r$  is at 0.631 indicating a positive relationship. The value is fairly close to 1 which suggests that the relationship between the variables is reasonably strong. With  $p$ -value equal to 0.000, we reject the null hypothesis. We can therefore conclude that the belief that rent control can serve as an effective tool to reduce displacement if accompanied by suitable compensation has a reasonably strong and positive relationship with the belief that rent control can reduce displacement.



**Table 3.4 Spearman's rho Correlations results**

|                       |   |                                | <b>Believe rent control effective with compensation</b> | <b>Believe rent control can reduce displacement</b> |
|-----------------------|---|--------------------------------|---|---|
| <b>Spearman's rho</b> | <b>Believe rent control effective with compensation</b> | <b>Correlation Coefficient</b> | 1.000   | .631**  |
|                       |   | <b>Sig. (2-tailed)</b>         | .   | .000  |
|                       |   | <b>N</b>                       | 53  | 53  |
|                       | <b>Believe rent control can reduce displacement</b>     | <b>Correlation Coefficient</b> | .631**  | 1.000   |
|                       |   | <b>Sig. (2-tailed)</b>         | .000  | .   |
|                       |   | <b>N</b>                       | 53  | 53  |

\*\*. Correlation is significant at the 0.01 level (2-tailed).

#### **4.3.1.3 Hypothesis: The likelihood to adopt rent control is influenced by capital growth.**

The hypothesis tests whether the likelihood to adopt rent control is influenced by capital growth. Table 3.5 illustrates that the correlation coefficient is 0.266, which is not close to 1 meaning that the relationship is positive yet weak. It is statically significant and as such we reject the null hypothesis. We can conclude that though it is weak, capital growth has a positive influence on the likelihood to adopt rent control.

**Table 3.5 Spearman's rho Correlations results**

|                           |   |                                    | <b>Likely to<br/>adopt rent<br/>control</b> | <b>Capital<br/>growth</b> |
|---------------------------|---|------------------------------------|---|---------------------------|
| <b>Spearman's<br/>rho</b> | <b>Likely to adopt rent<br/>control</b> | <b>Correlation<br/>Coefficient</b> | 1.000                                       | .266                      |
|                           |   | <b>Sig. (2-tailed)</b>             | .   | .055                      |
|                           |   | <b>N</b>                           | 53  | 53                        |
|                           | <b>Capital growth</b>                   | <b>Correlation<br/>Coefficient</b> | .266  | 1.000                     |
|                           |   | <b>Sig. (2-tailed)</b>             | .055  | .                         |
|                           |   | <b>N</b>                           | 53  | 53                        |

**4.3.1.4 Hypothesis 4: The likelihood to adopt rent control is positively influenced by increases in rent.**

The hypothesis seeks to investigate whether increases in rent have a positive influence on the likelihood of adopting rent control. As can be seen in Table 3.6 the  $r = 0.304$  meaning there is a positive relationship between the likelihood of property developers and investors adopting rent control and increases in rent. While the relationship is positive  $r$  is far from 1 informing that it is rather weak. Table 3.6 reports that the significance level is 0.02 which is less than  $\alpha = 0.05$  signifying that it is statistically significant, thus, the researcher rejected the null hypothesis. Therefore, there is sufficient evidence to conclude that the increases in rent observed by the respondents in the JHB inner city following the redevelopment have a positive influence on their likelihood to adopt rent control.

**Table 3.6 Spearman's rho Correlations results**

|                   |                                 |                 | Likely to<br>adopt rent<br>control | Increase in<br>rent |
|-------------------|---------------------------------|-----------------|------------------------------------|---------------------|
| Spearman's<br>rho | Likely to adopt rent<br>control | Correlation     | 1.000                              | .304*               |
|                   |                                 | Coefficient     |                                    |                     |
|                   |                                 | Sig. (2-tailed) | .                                  | .027                |
|                   | Increase in rent                | N               | 53                                 | 53                  |
|                   |                                 | Correlation     | .304*                              | 1.000               |
|                   |                                 | Coefficient     |                                    |                     |
|                   |                                 | Sig. (2-tailed) | .027                               | .                   |
|                   |                                 | N               | 53                                 | 53                  |

\*. Correlation is significant at the 0.05 level (2-tailed).

#### **4.3.1.5 Hypothesis 5: The likelihood to adopt rent control is influenced by good quality tenants.**

The hypothesis tests whether good quality tenants have a positive impact on the likelihood to adopt rent control. It can be observed in Table 3.7 that  $r$  is positive indicating that a positive relationship exists. However, it is not a strong relationship as  $r = 0.318$ . The  $p$ -value at 0.020 is less than  $\alpha = 0.05$  (significance level) indicating that it is statistically significant. As such, the researcher rejected the null hypothesis. This suggests that good quality tenants bear slight influence on the likelihood to adopt rent control.

**Table 3.7 Spearman's rho Correlations results**

|                           |   |                                    | <b>Likely to<br/>adopt rent<br/>control</b> | <b>Good quality<br/>tenants</b> |
|---------------------------|---|------------------------------------|---|---------------------------------|
| <b>Spearman's<br/>rho</b> | <b>Likely to adopt rent<br/>control</b> | <b>Correlation<br/>Coefficient</b> | 1.000                                       | .318*                           |
|                           |   | <b>Sig. (2-tailed)</b>             | .   | .020                            |
|                           |   | <b>N</b>                           | 53  | 53                              |
|                           | <b>Good quality tenants</b>             | <b>Correlation<br/>Coefficient</b> | .318*                                       | 1.000                           |
|                           |   | <b>Sig. (2-tailed)</b>             | .020  | .                               |
|                           |   | <b>N</b>                           | 53  | 53                              |

\*. Correlation is significant at the 0.05 level (2-tailed).

#### **4.3.1.6 Hypothesis 6: The likelihood to adopt rent control is influenced by decreased vacancies.**

The hypothesis seeks to test the influence that decreased vacancies observe in the Johannesburg inner have on the likelihood of property developers and investors to adopt rent control. Table 3.8 reports that the  $r$  is 0.215 is positive, however, the relationship is weak as it is significantly distant from 1. The effect is statistically insignificant, consequently, the researcher failed to reject the null hypothesis. It can therefore conclude that there is insufficient evidence to conclude that the influence of decreased vacancies has a likelihood to adopt rent control.

**Table 3.8 Spearman's rho Correlations results**

|                           |   |                                    | <b>Likely to<br/>adopt rent<br/>control</b> | <b>Less<br/>vacancies</b> |
|---------------------------|---|------------------------------------|---|---------------------------|
| <b>Spearman's<br/>rho</b> | <b>Likely to adopt rent<br/>control</b> | <b>Correlation<br/>Coefficient</b> | 1.000                                       | .215                      |
|                           |   | <b>Sig. (2-tailed)</b>             | .   | .122                      |
|                           |   | <b>N</b>                           | 53  | 53                        |
|                           | <b>Less vacancies</b>                   | <b>Correlation<br/>Coefficient</b> | .215  | 1.000                     |
|                           |   | <b>Sig. (2-tailed)</b>             | .122  | .                         |
|                           |   | <b>N</b>                           | 53  | 53                        |

**4.3.1.7 Hypothesis 7: The likelihood to adopt rent control is influenced by improved neighbourhoods.**

The hypothesis tests whether improved neighbourhoods have a positive influence on the likelihood to adopt rent control. Table 3.9 shows that  $r$  is 0.172 which means that there is a positive relationship. The relationship, however, is exceptionally weak as it is far removed from 1. The test is statistically insignificant, thus, the researcher failed to reject the null hypothesis. The outcome implies that though positive, there is insufficient evidence that adopting rent control is influenced by improved neighbourhoods.

**Table 3.9 Spearman's rho Correlations results**

|                           |   |                                    | <b>Likely to<br/>adopt rent<br/>control</b> | <b>Improved<br/>neighbourhood</b> |
|---------------------------|---|------------------------------------|---|-----------------------------------|
| <b>Spearman's<br/>rho</b> | <b>Likely to adopt rent<br/>control</b> | <b>Correlation<br/>Coefficient</b> | 1.000                                       | .172                              |
|                           |   | <b>Sig. (2-tailed)</b>             | .   | .219                              |
|                           |   | <b>N</b>                           | 53  | 53                                |
|                           | <b>Improved<br/>neighbourhood</b>       | <b>Correlation<br/>Coefficient</b> | .172  | 1.000                             |
|                           |   | <b>Sig. (2-tailed)</b>             | .219  | .                                 |
|                           |   | <b>N</b>                           | 53  | 53                                |

### 4.3 Unstructured responses

The survey afforded respondents an opportunity to provide additional input by means of open-ended questions. This section allowed respondents to state additional incentives that would encourage them to adopt rent control. The following was noted:

- 66.66% of respondents who completed the question reported they would be enticed if rent control were to be accompanied by the reduction of water, electricity and other rate-related expenses.
- It was also suggested that assistance be provided in the form of procuring green products to serve as a medium- to long-term solution for the reduction of electricity consumption and costs.
- One of the respondents articulated that they would be encouraged by further tax incentives, over and above the current UDZ Tax break, for implementing rent control.

What was also of interest was an additional response from a respondent who took to expressing their sentiments, vehemently disagree with the use of rent control. The following remarks in the open ended section were made:

*“Rental is market driven and needs to remain that way for private developers to develop and achieve returns, in a rent controlled environment private developers will probably walk away and leave the problem with local authority”*. The respondent’s view is one that has been observed and discussed in the literature review and it was stated that indeed the rents are market driven. However, literature as well as other respondents of the survey have indicated that given certain incentives property investors and developers would consider operating under a rent-controlled environment. The literature review also made an example of countries such as Germany and Switzerland where their success with rent control was due to suitable incentives provided to property investors and developers in the inner city.

#### **4.4 Conclusion**

The characteristics of the respondents from the survey were observed and reported on the descriptive analysis. The analysis revealed that the respondents’ experience accumulated in the property industry allows them to make informed judgments regarding the property industry and the implementation of rent control policies. It was found that in the number of years that respondents had been employed in Johannesburg, most had experienced the early changes in the state of the residential area in the Johannesburg inner city following urban regeneration. It was also found that they possess the ability to suggest better remedies for displacement in the Johannesburg inner city as compared to other metros. It was found that the residential and commercial property class had the highest representation from the respondents due to the increased housing developments in the Johannesburg inner city. It was also attributed to the increased demand for residential space resulting from the influx of the middle class income into the inner city. The sector that achieved the highest representation among the respondents was the private sector and this was found as a result of government availing grants and subsidies towards affordable housing in the Johannesburg inner city.

Various hypothesis were tested using correlation analysis. The results reveal that while the support for rent control as a means of reducing displacement experiences an increase there is a decrease in the likelihood to adopt rent control. As the relationship was negative this analysis was further probed by conducting partial correlation analysis in order to assess the impact that intervening variables would have on the relationship. It was found that the p-value increased when other variables were being controlled. Further research is required to determine what other variables over and above those included in the research affect this relation.

The relationships regarding the likelihood to adopt rent control following the redevelopment were all positive. Though this was the case the correlation coefficients were low (not close to 1) indicating a rather weak relationship. This indicates that though the changes identified may have had a positive impact on the likelihood to adopt rent control the influence was not of a great strength. In the open-ended section of the survey some respondents' stated that electricity, water and other rate-related expenses as well as tax relations would also serve as an incentive towards adopting rent control.



## **CHAPTER FIVE:**

### **FINDINGS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes key findings and presents the conclusion and recommendations of the research.

Following the redevelopment of the Johannesburg's CBD in 2000 there has been displacement of its low-income dwellers. The research aimed at exploring the use of rent control as a means of mitigating displacement of low-income residents as a result of urban regeneration in the Johannesburg's CBD. The main objective of the research was to investigate whether incentives could encourage property investors and developers to adopt rent control. Furthermore, whilst investigation these impacts it was imperative that the research determine the possibility of whether rent control can be employed as a means of ameliorating displacement or not. Hence the definition of concepts such as rent control, urban regeneration, gentrification and displacement were delineated. It also became important that different rent control policies from various countries were examined. In analyzing the statistical data, various hypothesis were tested based on the insight gathered from the literature reviewed and towards answering the research questions. The research made use of correlation analysis to test the hypothesis and further observations were explored from the respondents' profile. The approach employed in uncovering this conundrum included assessing the willingness of property investors and developers in the Johannesburg's CBD to adopt rent control.

#### **5.2 Summary Of Findings**

The findings were that tenants benefited the most from rent control as it provided access to affordable accommodation. The disadvantage though was found to be that of bringing about shortages in residential stock and misallocation of housing for the tenants. Further, it was found

that Landlords benefitted from rent control from the secured tenancy that low rent offered. However, the disadvantage was that their returns were reduced. Hence, the disadvantage that landlords experienced from rent control resulted in the main disadvantages of the implementation of rent control namely reduced supply of housing for rental and the challenges of maintaining the building. Also, the reduction of housing supply in the market and reduced vacancies.

The research observed from the data analysis that property investors and developers are indeed likely to adopt rent control and would be encouraged by various factors that include consistent returns and increased demand as proposed in 2.6.3. Data revealed that a slightly strong negative relationship between the beliefs that rent control can reduce displacement and the likelihood that property developers and investors are willing adopt rent control. Property developers have reported that they have been positively influenced by the changes observed following the redevelopment of the inner city, namely capital increases; increase in tenants; good quality tenants; reduction in vacancies and improved neighbourhoods.

The research revealed further incentives that would encourage property investors and developers to curb displacement by adopting rent control. Respondents also expressed in the survey that they would be encouraged to adopt rent control in the event that expenses related to rates and taxes were reduced and this suggestion was buttressed by some of the respondents in the open ended question. An additional incentive included a unique tax break for parties who adopt rent control. Those who disagreed with the use of rent control expressed concerns regarding its effects on returns. It was further suggested that developers operate as they do currently and instead lending institutes ought to encourage home ownership to the lower income population by granting better lending terms in order to reduce displacement.

### **5.3 Conclusions And Recommendations**

It can be concluded that rent control has the potential to act as a means of mitigating the displacement taking place in the Johannesburg inner city. Property developers and investors would be open to the implementation of rent control if government makes provisions for reduction on rate related costs as well as applying an additional tax rebate tailored for participants of rent

control. Further investigation of stronger incentives however is required in order to encourage more property developers and investors to engage in rent control so as to strengthen its progression. Further research should be conducted to explore the economic implications of imposing rent control in the Johannesburg inner city. Further research also ought to be directed towards identifying external factors affecting the relationship between likelihood of property developers and investors to adopt rent control and their belief that rent control can reduce displacement. As detected from the correlations analysis, additional external factors exist which have an impact on this relationship.

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