Journal of African Real Estate Research
Volume 6, Issue 1
*Special Issue: Women in African Real Estate and Urban Development Research*

# Urban Regeneration and the Perceptions of Commercial Real Estate Market Participants: The Case of the Johannesburg Inner City

Prisca Simbanegavi[1], Average Chigwenya[2], Michael Kodinye[3], Thokozani Msimanga[4] and Thobeka Mbhele[5]

[1,3-5]School of Construction Economics and Management, University of the Witwatersrand, South Africa
[2]Department of Landscape Architecture and Urban Design, National University of Science and Technology, Zimbabwe

**To cite this article:** Simbanegavi, P., Chigwenya, A., Kodinye, M., Msimanga, T. & Mbhele, T. (2021). Urban Regeneration and the Perceptions of Commercial Real Estate Market Participants: The Case of the Johannesburg Inner City. *Journal of African Real Estate Research, 6*(1), pp.89-103. DOI: 10.15641/jarer.v6i1.935.

## Abstract

Many factors contribute to urban decay in inner city locations as real estate investments fall and industries disappear or move to more attractive locations. In South Africa, the attainment of democracy and the resultant 'white flight' in favour of decentralised locations precipitated urban decay. Commercial real estate has spill-over effects on foot-count and absorption rates on inner city real estate. It helps stimulate redevelopment of other property types such as apartments, which contribute to the overall economic revitalisation of the decayed inner city. This paper examines the challenges faced by real estate investors in regeneration projects in Johannesburg Inner City (JIC). The paper uses an exploratory qualitative research design, where interviews were conducted with commercial real estate participants in JIC. The paper identified five challenges faced by commercial real estate market participants regarding investments and operations: building acquisition, physical public infrastructure, homelessness, lack of financing, and crime. An understanding of these challenges faced by commercial real estate market participants is valuable for policy-makers trying to attract commercial real estate investments to the inner city. Successful regeneration projects will promote urban renewal and revitalise economic activities in the decaying regions. The identified challenges will illuminate municipal programs and policies needed for the development of inner cities.

**Keywords:** Johannesburg Inner City; Commercial Real Estate; Qualitative Research; Urban Regeneration; South Africa

[1] Prisca.simbanegavi@witts.ac.za

## 1. Introduction

Urban decay is a problem that represents a state of disrepair and abandonment of previously functioning inner cities by businesses in preference for better locations (Ferilli et al., 2017; Goo, 2017). Factors that contribute to urban decay include capital flight, hijacked and dilapidated buildings, high local unemployment, poverty, homelessness and squatting living, political marginalisation, crime and elevated levels of pollution. It is difficult to evict homeless people from their settlements (Walsh, 2013). In South Africa, the attainment of democracy and the resultant 'white flight' in favour of decentralised locations represents another major factor in urban decay (Delgado & Zeuli, 2016; Hoogendoorn & Gregory, 2016; McCarthy, 2016). Most recently, Frantál et al. (2014) highlighted global economic stagnation as another cause for urban decay in some locations as real estate investments fall and industries disappear or move to countries with lower labour costs.

Regeneration of inner cities helps in reducing urban decay. Attracting property investments into urban regeneration locations will help in revitalising decaying inner cities (Adair, et al., 2003b; Didier et al., 2012; Goo, 2017; Massey & Gunter, 2020). In this context, urban regeneration attempts to create long-term solutions that improve economic, social, physical, and environmental conditions of inner cities (Zheng et al., 2014). The City of Johannesburg is implementing urban regeneration programs, such as City Improvement Districts (CID), to attract private capital to inner city districts and promote economic development; however, inner cities represent high risk locations to real estate investors, which pushes investors away (Carter, 2006; Adair et al*.,* 2007). Investors choose to avoid high risk locations in favour of moderate risk locations, which are usually found in decentralised areas (Adair et al., 2003a; Bethlehem, 2013; Grant & Thompson, 2015). As a result, understanding property investment risks in the urban regeneration process is essential for achieving regeneration objectives.

Urban regeneration is very important as it revitalises decaying urban spaces. It brings urban spaces into new economic uses that will help drive the economy. So, understanding issues of urban regeneration in inner city Johannesburg will go a long way in trying to reactivate economic activities in the city. It will also address other social issues such as crime, security, and homelessness. This, in turn requires an understanding of concerns that commercial real estate market participants such as financial institutions, developers, investors and property management companies have regarding the areas that require regeneration.

The purpose of this study is to assess the challenges faced by commercial real estate market participants regarding the regeneration of Johannesburg Inner City (JIC). The research, therefore, provides municipal policy-makers with an understanding of the concerns that commercial real estate market participants have. The understanding of these challenges can help in strategising inner city regeneration projects for economic development of the city.

The remainder of this paper is structured as follows. Next, background on urban regeneration in the JIC is provided and a theoretical framework for the empirical investigation is presented. Then, the data collection and analysis are discussed, which is followed by the results and a conclusion.

## 2. Urban Renewal in Johannesburg, South Africa

JIC is categorised into six major districts with unique characteristics: the Commercial District, Midtown District, Station District, Braamfontein, Exchange District, and Financial District (Bethlehem, 2013; Thompson, 2015; Hoogendoorn & Gregory, 2016). The districts have various functions and property uses that serve to distinguish them. JIC used to be the economic heart of Johannesburg, but its economic prominence has deteriorated. Following the end of apartheid, the JIC has experienced urban decay, capital flight and a decline of economic activity causing the inner city to deteriorate (Bethlehem, 2013). It is characterised by chronically neglected public infrastructure and lack of investment.

Hillbrow lies at the centre of the inner-city in the commercial district, densely populated with economic migrants and refugees. Hillbrow is a prominent example of urban decay in the JIC. It was formerly an affluent residential neighbourhood, but many middle-class white residents moved out at the end of apartheid in 1994. They were replaced by low-income workers and unemployed people, many of whom were refugees and illegal immigrants from neighbouring countries.

Many businesses that operated in the area followed their customers to these suburbs. Some apartment buildings were 'hi-jacked' by gangs, who collected rentals from residents but failed to pay the utility bills, leading to termination of municipal services and a refusal by the legal owners to invest in maintenance or cleaning. Occupied today by low-income residents and immigrants, these areas are characterised by heavy overcrowding, proliferation of crime, drug dealings, illegal businesses, and property decay. The preferred decentralised locations were Randburg and Sandton, which subsequently began to develop (Hoogendoorn & Gregory, 2016).

The City of Johannesburg added regeneration to its Integrated Development Plan (IDP) through the Johannesburg Development Agency (JDA), which was established in 2001 and tasked to implement and facilitate regeneration in the JIC (Goo, 2017). Under the JDA, a development framework was initiated to create a concept of 'precincts' that specialised in specific activities. Ultimately, legislation that addresses regeneration within the Urban Development Zones (UDZs) was developed through City Improvement Districts and Business Improvement Districts (HDA, 2013; JDA, 2015).

Different stakeholders in the process of urban regeneration contribute to defining regenerative strategies in the form of Public Private Partnerships (PPPs) (Kort & Klijn, 2013). Urban regeneration strategies exist in multiple formats, which make use of different approaches and applications. Harada and Jørgensen (2016) further substantiates the adaptability of urban regeneration and illustrate how regeneration strategies make use of a 'custom fit' process due to locations' unique circumstances. It is understood that the effectiveness, strengths, and weaknesses of regeneration strategies vary according to location.

Established in 2003, The Trust for Urban Housing Finance (TUHF) uses a specialist financier strategy to lend to investors, particularly funding refurbishment and improvement of residential properties within the inner city. This strategy was developed in response to commercial banks failing to understand the investment dynamics of the inner city and hence not being interested in lending to real estate investors in the inner city (TUHF, 2018). TUHF gets funds from the South African National Housing Finance Corporation, Futuregrowth, the Public Investment Company (PIC), and Standard Bank. To date, TUHF has achieved circa R5 billion 'loan book' for apartment units in various locations throughout the inner city and has proven effective in attracting possible investors by charging below market fees (TUHF, 2018). As an example of the effectiveness of this strategy to facilitate urban regeneration, the development company Propertuity prediced a total of 4,875 additional entry-level apartments for sale (condos) and for rent by the end of year 2020 targeted to students, low-middle income individuals and young professionals (Propertuity, 2016).

### *2.1. Urban development zones*

Urban Development Zones (UDZ) are used to induce and facilitate urban development through regeneration. This method provides an incentive for private sector investments in demarcated zones through a straight-line depreciation allowance of 20% of the cost of improvement over 5 years on dilapidated properties and tax allowance (Amirtahmasebi et al., 2015). A national tax incentive program was introduced in 2003 by the Ministry of Finance through which municipalities identify UDZs as areas of priority that must be factored into regenerative initiatives. The tax deduction is 20% in the first year plus 5 % in the following 4 years for the cost of erecting, extending, improving or adding an entire or part of a building of a minimum size of 1,000m$^2$ in the JIC (HDA, 2013; Amirtahmasebi et al., 2015). The incentive takes the form of a tax allowance allowing accelerated depreciation over a period of five years for investments made in either the refurbishment of existing property or the creation of new developments within the inner city. Thus, any tax-paying, property-owning individual or entity may claim the tax benefits of the UDZ incentive.

### *2.2. City Improvement Districts (CIDs)*

Sub-Saharan CIDs are geographical areas in which owners agree to fund supplementary services to existing services provided by local authorities (HAD, 2013; CID Forum, 2018). In 2004, four CIDs in JIC levied a monthly average of R2,000 to more than R5,000 for services such as cleanliness and safety of commercial districts (Heimann & Oranje, 2008). This ensures marginal control and improvements to certain services that are not sufficiently delivered by the municipality. Security measures, litter collection, and maintenance of public spaces are performed more efficiently. The CIDs in JIC are Braamfontein Improvement District, Newtown Improvement District, Ellis Park Improvement District, Yeoville Improvement District, and Maboneng.

UDZs and CIDs have spearheaded the success of regenerating the inner city, combating crime, and delivering services (Raco et al., 2008; Bethlehem, 2013; Thompson, 2015; Johannesburg CID Forum, 2018). Maboneng precinct is considered a success in the regeneration of JIC using CIDs. It consists of 15 blocks (industrial and commercial space), developed by a company called Propertuity in 2008 (Hoogendoorn & Gregory, 2016; Stryjakiewicz et al*.,* 2017).

Despite efforts made towards incentivising and attracting investors to the inner city to drive the process of urban regeneration, challenges still remain (Harada & Jørgensen, 2016). So far, the private sector anchors regeneration projects within JIC districts, where the Johannesburg Development Agency sets the standards for creating and facilitating initiatives that maximise private sector participation while promoting efficient and sustainable urban regeneration in meeting some of the Sustainable Development Goals (SDGs) (McGreal et al., 2000; Amirtahmasebi et al., 2015; United Nations, 2019).

## 3. Conceptual Framework

Past studies on renewal and regeneration have focused on social and economic aspects, but are silent on assessing the concerns of commercial real estate market participants in an African city such as Johannesburg (Goo, 2017; Cattel et al., 2018; Massey & Gunter, 2020). There is a need to find ways to maximise the positive while minimising the negative social, physical, environmental and economic effects of property investing (Pivo & McNamara, 2005; Zheng et al., 2014). To encourage private investments and achieve urban regeneration and economic development objectives, municipalities need to understand the concerns of commercial real estate market participants regarding inner cities. These concerns can be categorised and analysed using a conceptual framework based on the four phases of urban regeneration adapted from extant literature (Adair et al., 1999; Adair et al., 2000; Ghent et al., 2019).

The four phases of inner city regeneration are (i) property acquisition, (ii) retrofitting/re-purposing, (iii) disposition and (iv) ownership. The following section presents an overview of different potential risks that commercial property market participants are exposed to in the JIC during different phases of the regeneration process.

In the property acquisition phase, risks exist, for example, with regards to confirming ownership of properties or obtaining access to the acquired building. For instance, the deeds registry may not show who the owner is. In other situations, the property may have been hijacked and controlled by gangsters. The tender processes suffer from a lack of transparency, particularly regarding the listing of all properties in arrears for sale by the municipality. In the retrofitting/re-purposing phase, risks include delays in planning or construction leading to cost overruns. All these risks, in turn, impact how development companies service construction loans. In the disposition phase, market risk exists, which results from a mismatch between supply and demand on completion, leading to discounted asset prices. In the ownership phase, an important risk is tenant delinquency whereby tenants fail to pay rent, thereby negatively impacting real estate performance.

## 4. Data Collection and Methodology

Previous studies investigating gentrification in African cities have used surveys (Goo, 2017; Cattell et al., 2018; Massey & Gunter, 2020) or interviews with experts on commercial real estate (Munzner & Shaw, 2014). Commercial real estate has a positive effect on revitalisation, which increases foot count and absorption rates. It helps stimulate redevelopment of other property types, such as apartments, which contribute to the overall economic revitalisation of the decayed inner city (Adair et al., 2007; Browning et al., 2010). The paper employs phenomenological methodology and is designed as an Exploratory Qualitative Study (EQS) within the case study of JIC. An EQS is designed to explore the preliminary nature of the problem to be solved in order to better understand it rather than offer a final and conclusive solution to existing problems under investigation (Gorynia et al., 2007; Finlay, 2014). The EQS design also helps to detect possible areas for advanced investigations as the methodology offers the researcher flexibility to do deeper analysis. In the empirical investigation of this study, an interview approach was used. The study is framed within a context of the different phases of urban regeneration.

The methods employed are based on the use of structured interviews with key urban regeneration experts in Johannesburg. Following the conceptual framework, the following questions on the purchase (acquisition phase), development (retrofitting phase), selling (disposition phase) and holding (ownership phase) of regeneration properties were developed to be included in the interviews.

1. What are the challenges to property acquisition regarding transparency in ownership and the tale of hijacked buildings, quality of buildings, and location of buildings? What triggers private investment? What role does infrastructure and social infrastructure play? What solutions do you suggest?
2. What difficulties have you faced regarding retrofitting/re-purposing of buildings? How easy is it to get approvals for rezoning a building from previous use? Are there any other costs and delays that affect development? Is retrofitting something you consider putting your money into as private equity or institution? What solutions do you suggest?

3. For those who have retrofitted buildings, what problems did you face in the disposition of the asset in terms of pricing risk and the nature of demand in the JIC? What solutions do you suggest?
4. Holding commercial real estate involves a lot of challenges/risks regarding space rental market fluctuations, what are your experiences to tenants coming back into JIC? Describe the nature of risk regarding private equity, structured debt, real estate business, mortgage service, and tenant delinquency.

The interview questions were tested (pilot) using five property real estate investors through face to face contact in July 2018. From these insights, the interview protocol was improved. We accessed a list of companies from documents found on the CID Forum website, an organisation involved in JIC, and purposefully selected participants using a snowball technique to invite commercial real estate participants. Next, researchers sent information sheets and consent letters to participants inviting them to take part in the research study. The scheduled interview dates and time were organised with those who gave written consent. The participants had five to 10 years' experience with regeneration of the inner city. This resulted in a purposefully selected sample of 27 experienced individuals working in JIC commercial real estate of which seven are property developers, five are institutional investors, six are professional property managers, five are lenders, and four are individual commercial business owners. Interviews were conducted over a period of four months from August to November 2018. A total of 15 face-to-face interviews were conducted while an additional 12 interviews were conducted telephonically. The interviews each lasted 30 minutes.

Tape-recorded interviews were transcribed word by word. To verify accuracy, all transcriptions were read back to the participants for confirmation of the key points. Interpretive Phenomenological Analysis (IPA) was utilised for thematic analysis following the four stages of data analysis. Stage 1 involved reading transcripts repeatedly to ascertain significant points from the participant. The phenomenological position implemented here was to perceive the agreement between participants and their explanations. In stage 2, the main explanations identified were re-read and coded according to how the researcher interpreted them. Stage 3 involved manually coding clusters into themes and sub-themes, showing how they were related. The fourth and final stage involved comparisons across the body of transcriptions to determine significant dominant themes supported by captions from the transcriptions. These themes are reported under the results section of this paper. The themes highlight the preliminary nature of the inner city regeneration problem.

## 5. Research Results

Following the conceptual framework explained in section 3, there are five concerns identified by commercial real estate participants that discourage private investments in ways that deter urban regeneration and economic development of inner cities. These concerns and possible solutions are discussed in the following sections.

### *5.1. Property acquisition*

The results indicated inefficiencies in the way the municipality handles property acquisition for regeneration purposes thereby hampering the success of regeneration projects in the acquisition stage. The study finds that the tender system is not transparent enough for private property investors to acquire buildings for regeneration purposes in this phase. In some instances, there is no information on who owns the building. The main challenge highlighted by participants is that they do not find well-located buildings on the municipality tender list. What they find on the list are buildings located on the outskirts of Johannesburg's inner city, which are not as favourable investments as they represent higher risk. Participant 12 said he would rather wait for the right location than get involved in properties on the outskirts of the inner city.

One solution for this problem is for the City to upgrade its tender management software to make it easier and more user-friendly for interested people to access and search available properties for sale. Another improvement to the software system could also include the verification of ownership with the deeds office before the City lists properties for sale.

### *5.2. Physical public infrastructure*

A recurring theme among participants was '*delays in upgrading and maintenance of infrastructure*', which is causing bursts in the sewer and water systems in the JIC. These challenges exacerbate cost overruns in the retrofitting phases and regeneration projects become more costly. The bad state of physical public infrastructure renders inner city properties unfavourable to lenders, making it difficult for commercial real estate developers to access construction loans. Participants highlighted that "*municipalities are not proactive in taking greater responsibility to upgrade and maintain bulk infrastructure after a change in political structures*."

Participants suggested that municipalities must invest in the upgrading of sewer and water systems, storm water drainage, roads and electrical systems, which can allow the ownership/operation to succeed. One approach to financing these infrastructure improvements are Public Private Partnerships (PPP), where future revenues can be shared between public and private entities (Grant & Thompson, 2015). These revenue-shared PPPs are able to mobilise private funds into inner cities, as local authorities have failed to do it alone without collaboration with the 'efficient' private sector. Civic organisations should take an active stance on encouraging municipalities to take a greater responsibility in fostering PPPs to raise funds towards upgrading bulk infrastructure.

### *5.3. Finance challenges*

The study finds a huge challenge in the disposition phase, where the mismatch between supply and demand on completion leads to discounted asset prices. Participants highlighted that finding debt finance to purchase buildings in the JIC is a challenge as 'highest and best use' analysis channels funds into projects in better locations with less lender risk. Previously, investors preferred to invest their capital in better locations in the northern suburbs rather than the JIC. There is, however, a positive trend noted by participants where the main banks (lenders) have returned into inner city micro-locations. This is because investors have gained confidence in the returns of 9-12% on new high rise buildings (hotels, office blocks and residential units), the UDZ supported buildings, which has motivated banks such as Absa, Standard Bank and Nedbank to provide capital for 30% loan-to-value (LTV) ratios towards regeneration. This is the reason for their strategic location into JIC.

Participants recommended PPPs as a solution to financing projects for regeneration in the inner city. These PPPs should be structured for returns in the long term as focus on short-term rewards is prohibitive. The City should give priority (finance) to well established developers who are able to focus on long term benefits of urban regeneration. This avoids speculative developers who 'flip' buildings for resale without great care about the durability of the building and the health and safety of residents or other space users. Rebates and tax incentives make it possible to fast track urban regeneration. The preferential depreciation schedules for property improvements and refurbishment in UDZs are able to reduce costs associated with UDZs and makes it possible for investors to participate in capital intensive projects. Thus, UDZs act as a pioneering strategy in attracting investment into the inner city, which subsequently speeds up urban regeneration.

### *5.4. Housing and homelessness*

Inner cities are characterised by homelessness and overcrowding of people, crime, pollution and other negative externalities, which affect businesses and residents in the area. The increased homelessness in JIC drives investors away as social housing and social infrastructure are in dilapidated conditions. Participants highlighted the need for municipal commitments to upgrade and maintain social infrastructure as a precursor for successful regeneration that makes the buildings feasible and viable, which stimulates inner city investments. The problem however is that the provision of social housing is usually affected by change of governance. This is because each new mayor usually institutes new policies towards homelessness. This is a daunting exercise because the municipality is failing to provide alternative space for the homeless.

In South Africa, corporate social responsibility is not sufficient to regenerate inner cities. There is need for collaboration between the private and public sectors to address structural inefficiencies of local government as well as improve city council's efficiencies and city revenues (Adair et al., 2007; Li, 2015). Because the City has limited funds to accelerate regeneration, there is a need for the city council to be more involved and proactive in improving the social infrastructure through PPP models, which will raise funds for regeneration. In addition to social housing, there is a need for growth-focused mixed use properties in the inner city districts. To help such developments, an efficient zoning process is needed that reduces rezoning delays for mixed use retrofits. In this context, participants emphasised the importance of program continuity when new mayors take office. The success of the JIC regeneration process hinges on well-functioning PPPs where the government focuses on physical infrastructure, social housing, and other services, while real estate investors focus on buildings to preserve investment value.

One concern that came up in the interviews is the deteriorating cleanliness and aesthetics of inner city districts. Participants detailed how stakeholders must aim at revamping and improving the look to attract investors and tenants. Participants believed attention to detail and the aesthetic of the inner city requires consistent and adequate building management, property management, and community involvement to maintain a certain level of quality in the JIC. Adopting sustainable ways of living such as improved and subsidised recycling that promotes high standards of hygiene may be able to mitigate challenges to private real estate investment created by a large homeless population. Another solution would be scheduled community cleaning days by the homeless, who can be organised to improve aesthetics for JIC to attract investors and tenants.

### 5.5. Crime

Crime is an obstacle in JIC and an important deterrent to private property investments. The implementation of CIDs within the inner city has been instrumental in combating crime to some extent. Private developers that have regenerated parts of the inner city have employed private security guards to work towards making the city a safer place, making it more attractive to tenants. When commercial real estate professionals work together in CIDs, it allows them to cooperate for the good of the city and this encourages other participants to take part in the regeneration of the inner city (Kährik et al., 2016).

Participant 18 is of the opinion that CIDs help the City in attracting investments into the inner city but crime, especially violent crime, in the JIC is still an obstacle for commercial real estate investors. They shy away from these areas, preferring more secure locations. One of the participants says: *"I am a business owner; I have to close shop before 5 pm because of crime, although it would make business sense to open until late."* This shows that the crime situation in JIC is a big deterrent to investors. Furthermore, the participant says: *"How can we invest into a property that does not make enough revenue due to crime as businesses are not free to generate enough revenue."* As a solution, most participants recommended joining the regenerated CID in parts of the inner city that have become safer and more attractive to invest in. *"Regenerated parts of JIC in CIDs make the city a safer place, making it more attractive."* Membership fees can be more affordable by charging fees according to business turnover rather than a flat fee. This reduces costs paid by smaller companies who join a CID in the inner city. Another solution is for the City and police to collaborate with CIDs to install and manage surveillance cameras on streets.

## 6. Conclusion, Recommendations and Implications

Attracting property investments into urban regeneration locations provides a long-term solution to urban decay. Through an interview-based empirical investigation, five themes emerged highlighting the challenges and possible solutions towards regeneration in the JIC. These themes included lack of transparency in acquisition of properties, financing issues, upgrading of physical public infrastructure, inadequate social housing and homelessness, and crime. The main challenge in the acquisition of regeneration properties is that the City of Johannesburg tender system is not transparent enough to help investors identify available properties in locations of interest. To make regeneration successful, municipalities should strive for efficiency in improving the tendering process during acquisition. This speeds up the process and removes speculative investors who will not partake in the retrofitting/re-purposing, disposition and commercial real estate ownership stages of the regeneration process

Obtaining debt financing and attractive equity capital is another challenge where 'highest and best use' analysis channels funds away from inner cities in favour of better locations. To counter this in the disposition stage, the government can structure regeneration PPPs, where shared-value financing projects offer economic benefits in the long term. We recommend commercial real estate developers use UDZ incentives in order to make inner city investments viable. The UDZ incentives will help negate the costs associated with CID fees required in the JIC. Through tax breaks in UDZs, private investors are able to participate in capital intensive projects deemed 'efficient' in delivering regeneration properties.

Delays in upgrading and maintenance of the physical infrastructure are problems that drive investment away from JIC. Investors prefer more lucrative locations for commercial real estate retrofits and new buildings as a solution, Furthermore, civic organisations should take a strong stance in forcing municipalities to take greater responsibility in fostering effective PPPs that are able to raise funds for upgrading and maintaining bulk infrastructure such as sewer and clean water, storm water drainage, roads and electrical systems where the focus is on revenue sharing. Possible interventions include tax rebates and incentives to upgrade physical infrastructure, using PPPs to finance regeneration projects and retroffiting buildings to mixed use which also helps with homelessness. Installing and managing surveillance cameras on streets helps in combating crime. It is through PPPs that urban regeneration can support physical public infrastructure, and social infrastructure (schools, health facilities, and diverse variants of social housing) that cater for homeless and unemployed people within the inner city. This helps in the disposition phase where prospective buyers get the assurance that the area is well maintained and is not likely to regress and cause more urban decay in the future.

Homelessness affects a location's aesthetics, which in turn drives away investors because it reduces attractiveness to potential tenants in the operation phase. To solve this problem, social housing should be a priority for the City in which private developers receive financial incentives to regenerate properties into mixed use buildings that include hostels. These hostels can be used by homeless people, thereby minimising concentrated slums. Lastly, crime is a major reason why commercial real estate market investors shy away from JIC locations. CIDs represent a solution to reduce crime and address safety concerns of residents and businesses.

This paper provides municipal policy-makers with an understanding of the concerns of commercial real estate market participants regarding operations and investments in the inner city. The success of JIC regeneration hinges on well-functioning public-private partnerships where government focuses on infrastructure and other services while private real estate investors focus on the full value chain of buildings as investment assets. Through well-structured PPPs, developers, financial institutions, and property management companies are able to expedite urban regeneration in decayed locations.

Future research on the urban regeneration of inner city districts in emerging countries could investigate whether the issues raised in this paper differ across Africa or between continents. Furthermore, a quantitative research approach to regenerated properties could measure the impact of CID levies/cost on investment returns given that commercial real estate developers use UDZ incentives in feasibility studies to justify inner city investments.

## References

Abbott, D. (2008). *Encyclopaedia of Real Estate Terms* (3rd edition). London: Delta Alpha Publishing.

Adair, A.S., Berry, J.N., Hutchison, N. & McGreal, S. (2007). Attracting institutional investment into regeneration: necessary conditions for effective funding. *Journal of Property Research*, *24*(3), pp.221-240.

Adair, A.S., Berry, J.N., McGreal, W.S., Deddis, W. G. & Hirst, S. M. (1999). Evaluation of investor behaviour in urban regeneration. *Urban Studies*, *36*(12), pp.2031–2045.

Adair, A.S., Berry, J.N. & McGreal, W.S. (2003a). Financing property's contribution to regeneration. *Urban Studies*, *40*(5–6), pp.1065–1080.

Adair, A.S., Berry, J.N., McGreal, W.S., Hutchison, N., Watkins, C. & Gibb, K. (2003b). Urban regeneration and property investment performance. *Journal of Property Research, 20*(4), pp.1–16.

Adair, A.S., Berry, J.N., McGreal, W.S., Deddis, B. & Hirst, S. (2000). The financing of urban regeneration. *Land Use Policy*, *17*(2), pp.147-156.

Bethlehem, L (2013). A new dynamic–urban regeneration in the Joburg CBD. The *Journal of the Helen Suzman Foundation*, 69, pp.17-24.

Browning, C.R., Byron, R.A., Calder, C.A., Krivo, L.J., Kwan, M.P., Lee, J.Y. & Peterson, R.D. (2010). Commercial density, residential concentration, and crime: Land use patterns and violence in neighborhood context. *Journal of Research in Crime and Delinquency, 47*(3), pp.329-357.

Cattell, K., Michell, K., Bowen, P. & Florence. T. (2019). Gentrification and city improvement districts: A case study of residents' perception in Claremont, South Africa. In proceedings of the *CIB W070 International Conference in Facilities Management*.

Carter, A. (2006). Building an investment market for economic development. *Local Economy*, *21*(1), pp.65–72.

Delgado, M. & Zeuli, K. (2016). Clusters and regional performance: Implications for inner cities. *Economic Development Quarterly*, *30*(2), pp.117-136.

Didier, S., Peyroux, E., & Morange, M. (2012). The spreading of the City Improvement District Model in Johannesburg and Cape Town: Urban regeneration and the neoliberal Agenda in South Africa. *International Journal of Urban and Regional Research*, *36*(5), pp. 915-935.

Ferilli, G., Sacco, P.L., Tavano, B.G. & Forbici, S. (2017). Power to the people: when culture works as a social catalyst in urban regeneration processes (and when it does not). *European Planning Studies*, *25*(2), pp.241-258.

Finlay, L. (2014). Engaging phenomenological analysis. *Qualitative Research in Psychology*, *11*(2), pp.121-141.

Frantál, B., Greer-Wooten, B., Klusácek , P. & Martinat, S. (2014). Exploring spatial patterns of urban Brownfields regeneration: The case of Brno, Czech Republic, *Cities*, *44*, pp.9-12.

Ghent, A., Torous, W. & Valkanov, R. (2019) Commercial real estate as an asset class. *Annual Reviews of Financial Economics, 11*, pp.153-171.

Gorynia, M., Nowak, J., Howak, J. & Wolniak, R. (2007). Motives and modes of FDI in Poland: An exploratory qualitative study. *Journal for East European Management Studies*, *12*(2), pp.132-151.

Goo, D.A. (2017). From urban decline to gentrifying spaces: the case of the Maboneng precinct in Johannesburg's inner city. S*outh African Journal of Cultural History*, *31*(1), pp.1-18.

Grant, R. & Thompson, D. (2015). City on edge: immigrant businesses and the right to urban space in inner-city Johannesburg. *Urban Geography*, *36*(2), pp.181-200.

Harada, Y. & Jørgensen, G. (2016). Area-based urban regeneration comparing Denmark and Japan. *Planning Practice & Research*, *31*(4), pp.359-382.

Heimann, C. & Oranje, M. (2008). City improvement districts in South Africa: An exploratory overview. *Town and Regional Planning, 53,* pp.14-24.

Hoogendoorn, G. & Gregory, J. (2016). Instagrammers, urban renewal and the Johannesburg inner city. *Urban Forum*, *27*(4), pp.399-414.

Housing Development Agency. (HDA). (2013). Reviving Our Inner Cities: Social Housing and Urban Regeneration in South Africa, Research Series Published by HDA, South Africa. [Online]. Available at: http://thehda.co.za/pdf/uploads/multimedia/HDA_NASHO_reseach_report_lo-res.pdf. Accessed: 20th June, 2018.

Johannesburg Development Agency. (JDA). (2015). Inner City Transformation and Investment Trends, Johannesburg. Johannesburg Development Agency. [Online]. Available at: http://www.jicp.org.za/wp.content/uploads/2016/11/2009_14_Investment_Trends.pdf. Accessed: 15th July, 2018.

Kährik, A., Temelová, J., Kadarik, K. & Kubeš, J. (2016). What attracts people to inner city areas? The cases of two post-socialist cities in Estonia and the Czech Republic. *Urban studies*, *53*(2), pp. 355-372.

Kort, M. & Klijn, E.H. (2013). Public–private partnerships in urban regeneration: Democratic legitimacy and its relation with performance and trust. *Local Government Studies*, *39*(1), pp.89- 106.

Li, L. H. (2015). State or market: the role of the government in urban village regeneration in China. *International Journal of Urban Sciences*, *19*(2), pp.157-167.

McCarthy, J. (2016). *Partnership, Collaborative Planning, and Urban Regeneration*. London: Routledge.

McGreal, S., Adair, A., Berry, J., Deddis, B. & Hirst, S. (2000). Accessing private sector finance in urban regeneration: investor and non-investor perspectives. *Journal of Property Research*, *17*(2), pp.109-131.

Massey, R., & Gunter, A. (Eds). (2020). *Urban Geography in South Africa: Perspectives and Theory*. Switzerland: Springer.

Munzner, K. & Shaw, K. (2014). Renew whom? Benefits and beneficiaries of Renew Newcastle. *Urban Policy and Research*, *33*(1), pp.17-36.

Pivo, G. & McNamara, P. (2005). Responsible property investing. *International Real Estate Review*, *8*(1), pp.128-143.

Propertuity. (2016). Maboneng Census: Analytics behind Neighbourhood Building. Johannesburg. Propertuity. [Online]. Available at: http://propertuity.co.za/downloads/Maboneng-Developing-a-Neighbourhood-Economy.pdf. Accessed: 20th June, 2018.

Raco, M., Henderson, S. & Bowlby, S. (2008). Sustainable Urban Regeneration in a Global City–The Regeneration of Paddington Basin, In Ache, P., Maloutas, T., Taşan-Kok, T., Andersen, H.T. & Raco, M. (Eds), *Cities between Competitiveness and Cohesion. Discourses, Realities and Implementation*. New York: Springer. pp.187-203.

Stryjakiewicz, T., Kudłak, R., Ciesiółka, P., Kołsut, B. & Motek, P. (2018). Urban regeneration in Poland's non-core regions. *European Planning Studies*, *26*(2), pp.316-341.

The Trust for Urban Housing Finance (TUHF). (2018). TUHF Integrated Annual Report. [Online]. Available at: http://www.tuhf.co.za/wp-content/uploads/2018/10/TUHF-Annual-Integrated-Report-2018.pdf. Accessed: 3rd September, 2018.

United Nations (2019). Sustainable Development Goals (SDG Compass). United Nations. [Online]. Available at: https://sdgcompass.org/sdgs/sdg-11.

Walsh, S. (2013). 'We won't move'. The suburbs take back the centre in urban Johannesburg. *City*, *17*(3), pp.400-408.

Amirtahmasebi R., Orloff, M., Wahba, S. & Altman, A. (2015). *Regenerating Urban Land. Regenerating Urban Land: A Practitioner's Guide to Leveraging Private Investment*. Washington, DC: World Bank.

Yunda, J.G. & Sletto, B. (2020). Densification, private sector-led development, and social polarization in the global south: Lessons from a century of zoning in Bogotá. *Cities, 97,* pp.102550. DOI: 10.1016/j.cities.2019.102550.

Zheng, H.W., Shen, G.Q. & Wang, H. (2014). A review of recent studies on sustainable urban renewal. *Habitat International*, *41,* pp.272-279.

**Funding, Conflict of Interest and Acknowledgements**

This study received no funding. All authors declare no conflict of interest. Our sincere gratitude goes to commercial real estate participants who provided their opinions on this qualitative research study. This article received profound insight from presentations at an AfRES conference in Arusha, Tanzania in 2019, mentored by Professor Julia Freybote of The School of Business at Portland State University, USA. We acknowledge Wits University students (Michael Kodinye, Thokozani Msimanga, and Thobeka Mbhele) for their 2018 Research Report which pioneered this paper.