



**Formal residential property
markets**

OVERVIEW

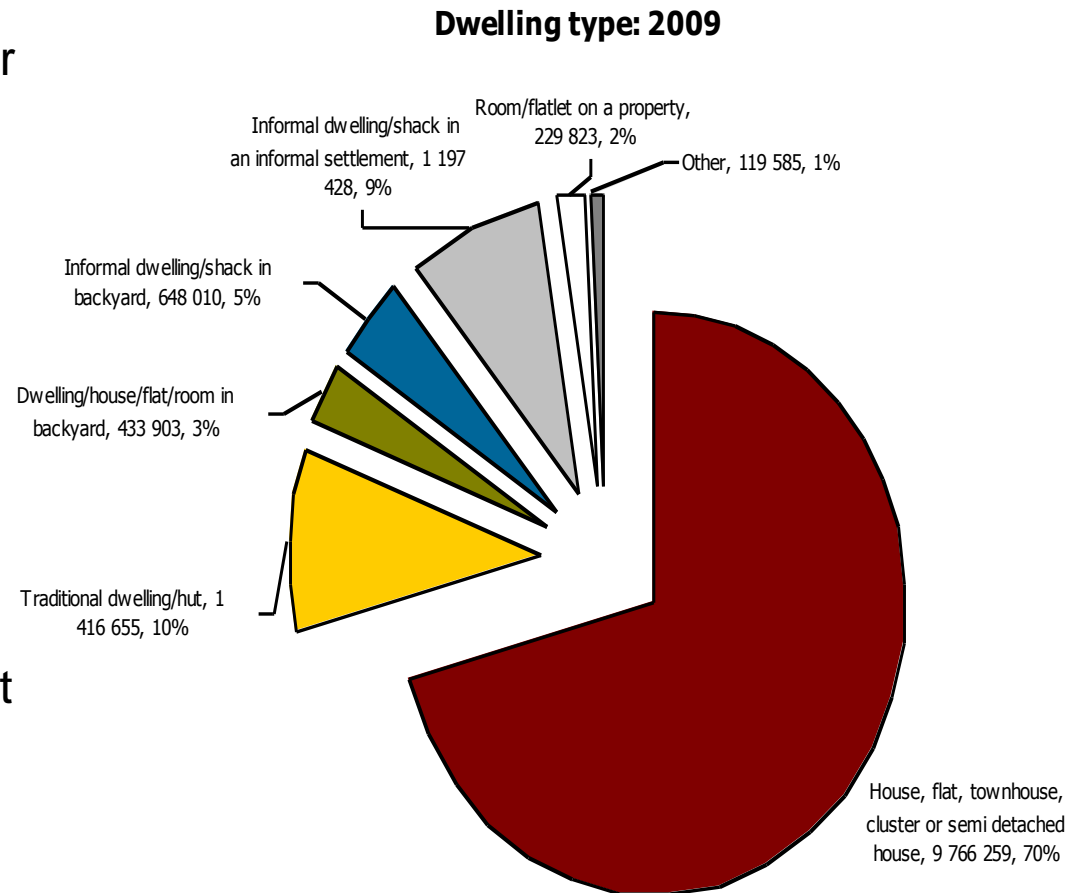
- Residential property in South Africa
 - Housing conditions
 - Housing affordability
 - Housing supply
- Concepts:
 - The housing “asset”
 - Understanding pools and flows
 - An incremental approach
- Synthesis: **what can municipalities do to make affordable housing markets work better?**
- A tool: the Affordable Land + Housing Data Centre

Residential property in South Africa

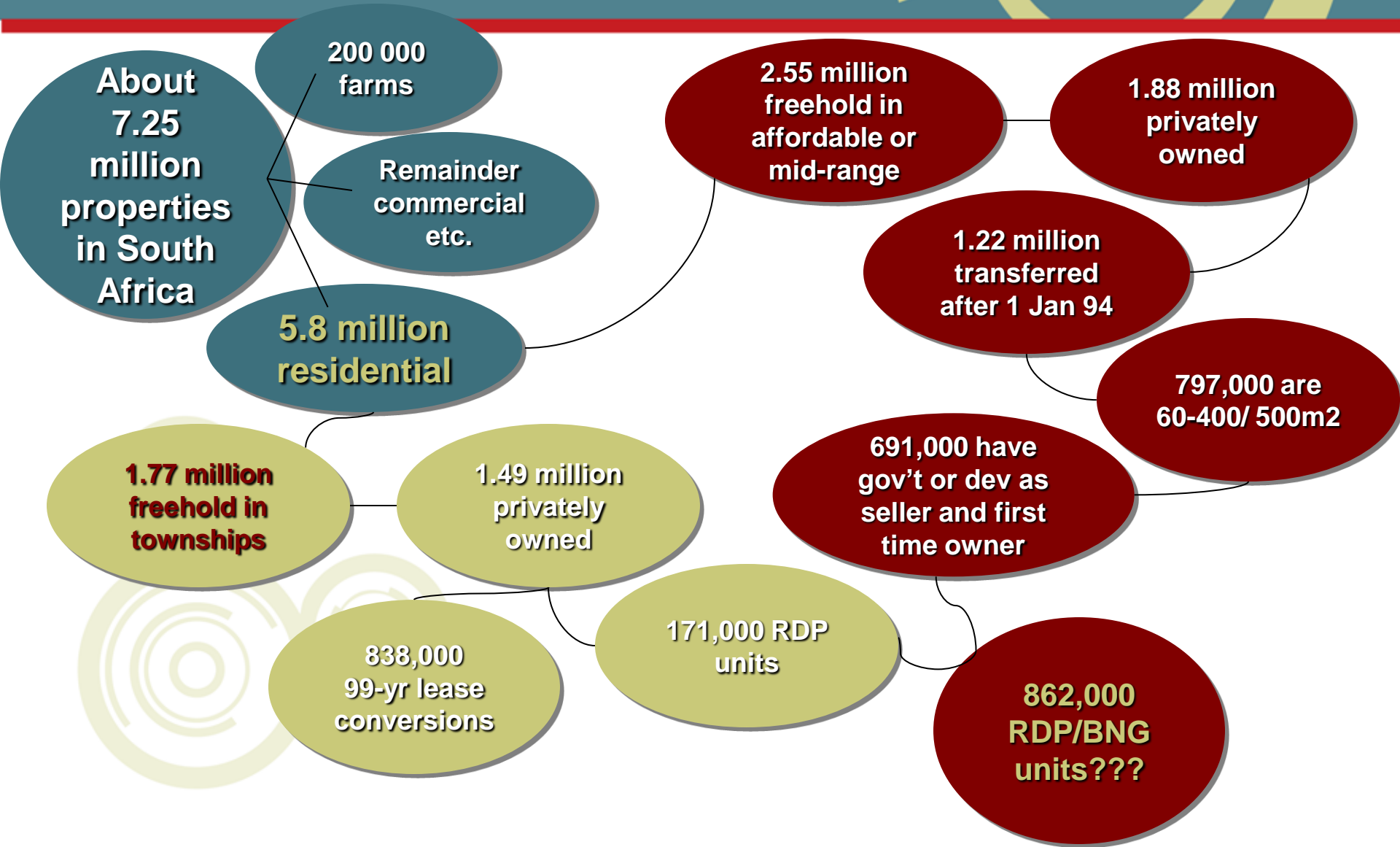
13.8 million households in South Africa

- Over 1.8 m in informal dwellings or shacks
- 9.7 m households in formal dwellings (3.2 million of these without access to sanitation or overcrowded)
- An estimated 2.5 m households in government subsidised properties

About 20% of households (2.8 m) rent their primary dwellings

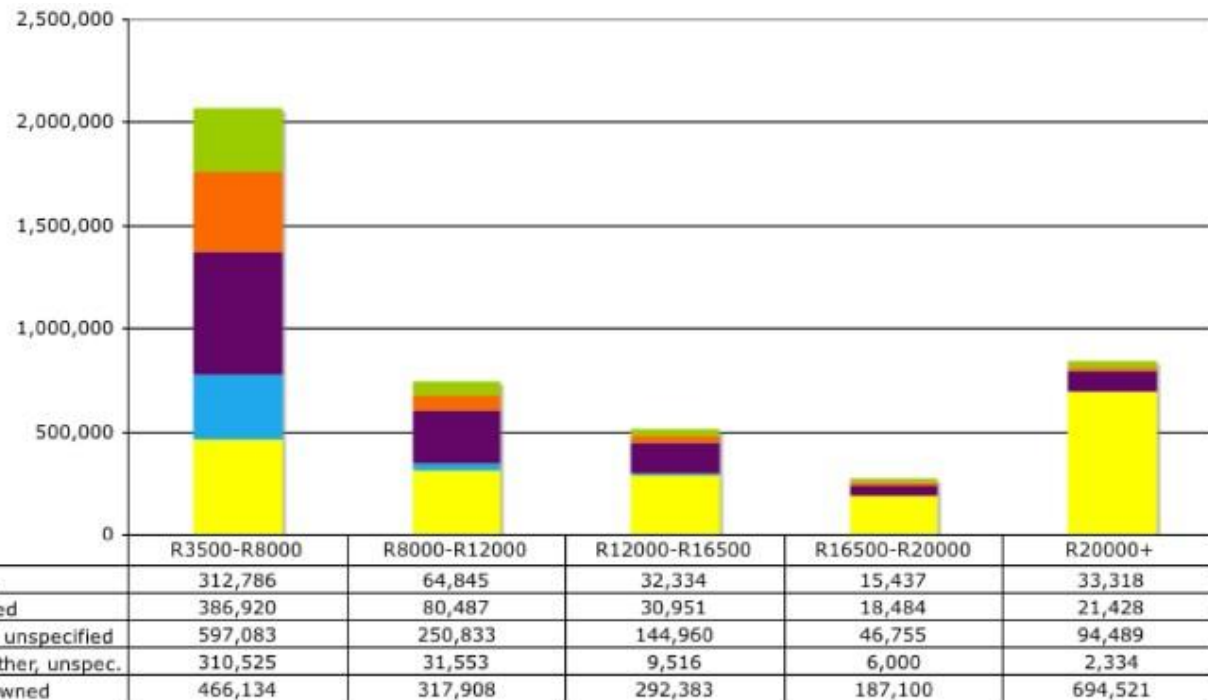
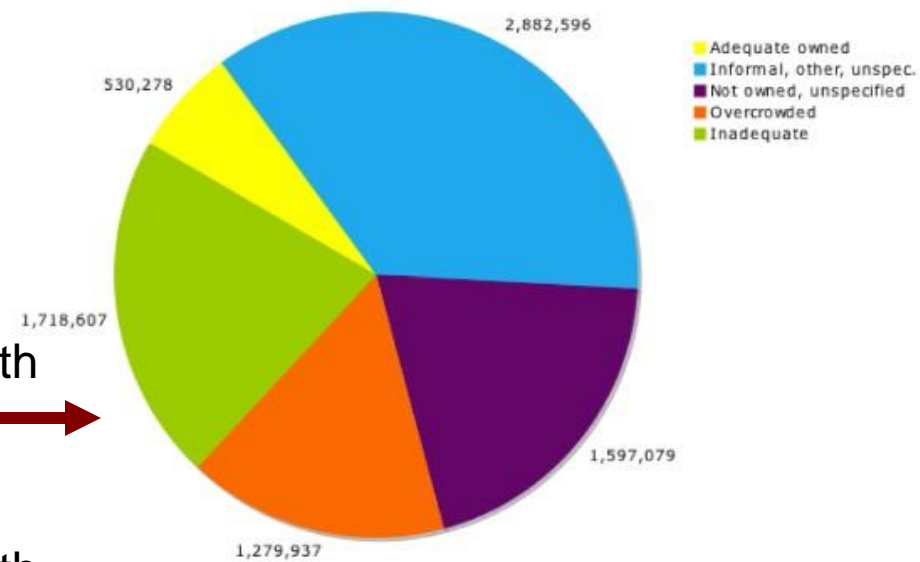


Residential property in South Africa

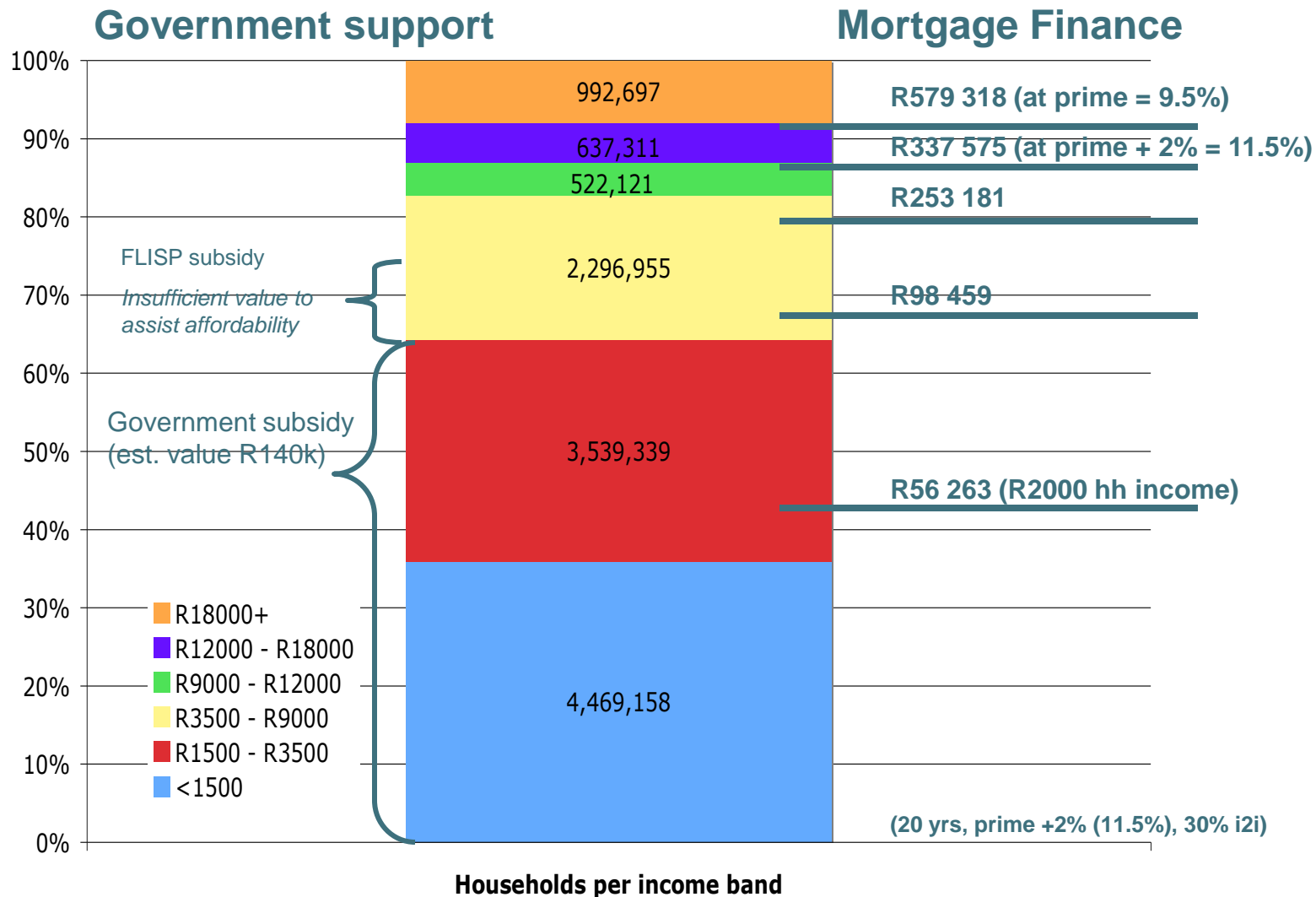


Residential property: Housing conditions

- Households earning <R3500 per month
- Households earning >R3500 per month

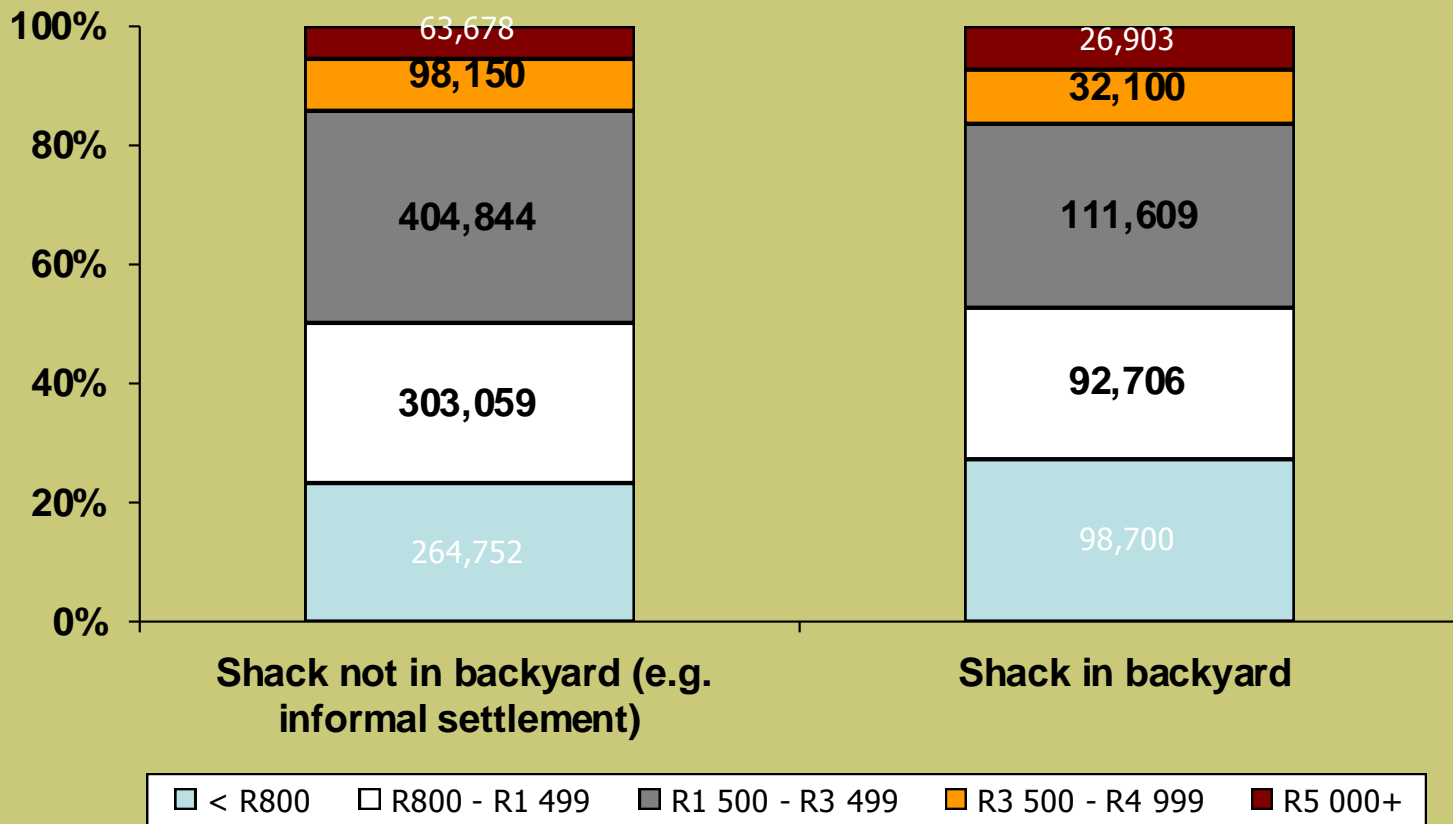


Residential property: Housing affordability



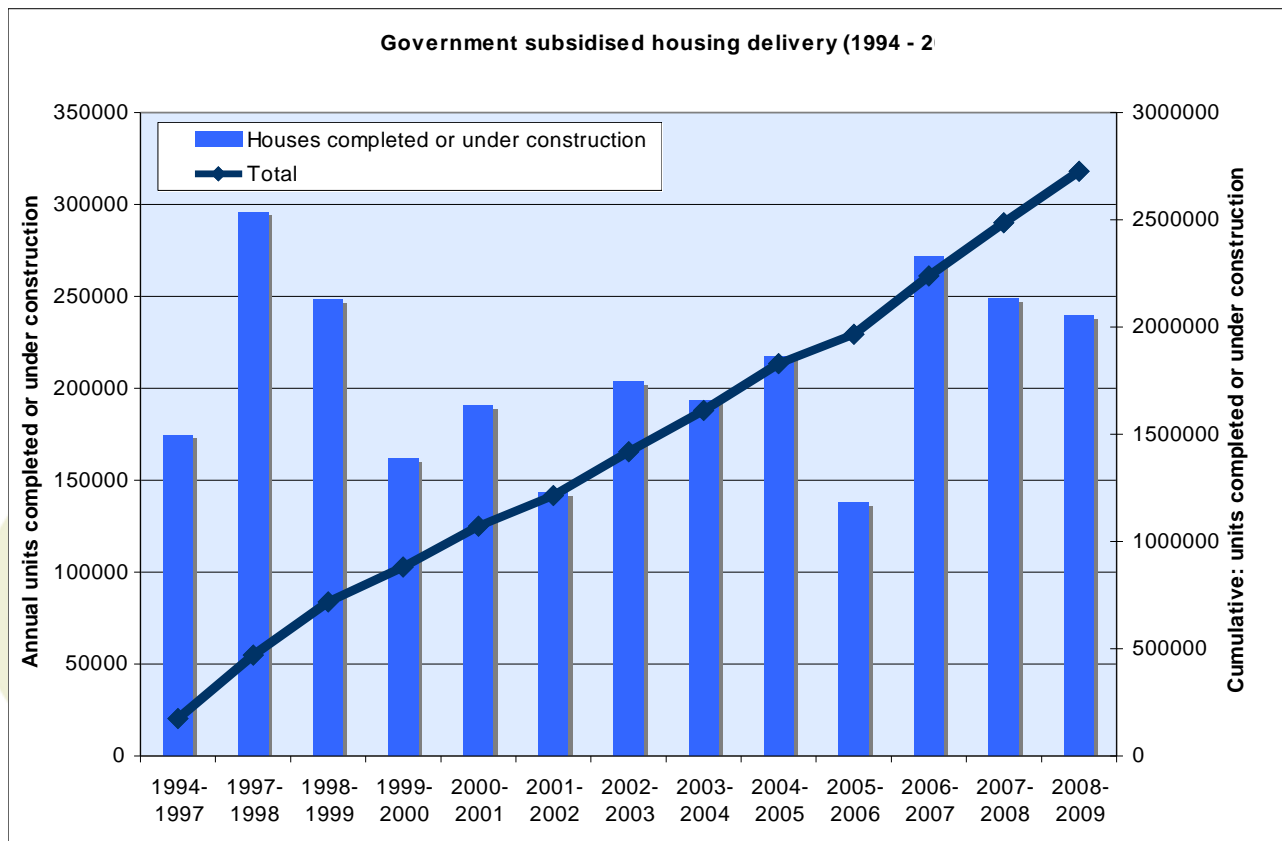
Residential property: Housing affordability

Incomes of shack dweller households in urban areas



Residential property: Housing supply (new build)

- The state is the dominant supplier of housing in South Africa - across all markets
- Even so, this is not enough...



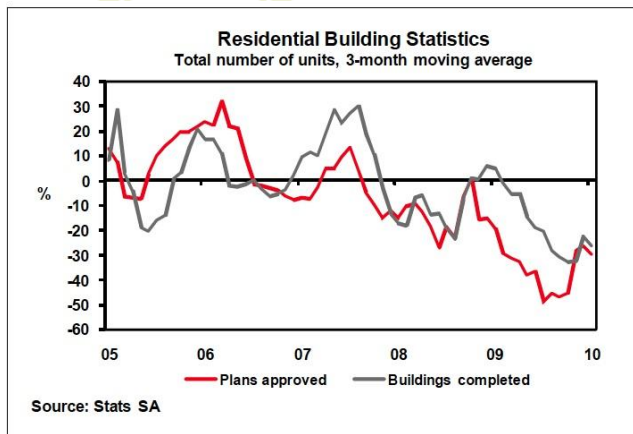
Source: Department of Human Settlements

Residential property: Housing supply (new build)

- The unsubsidised market is even slower

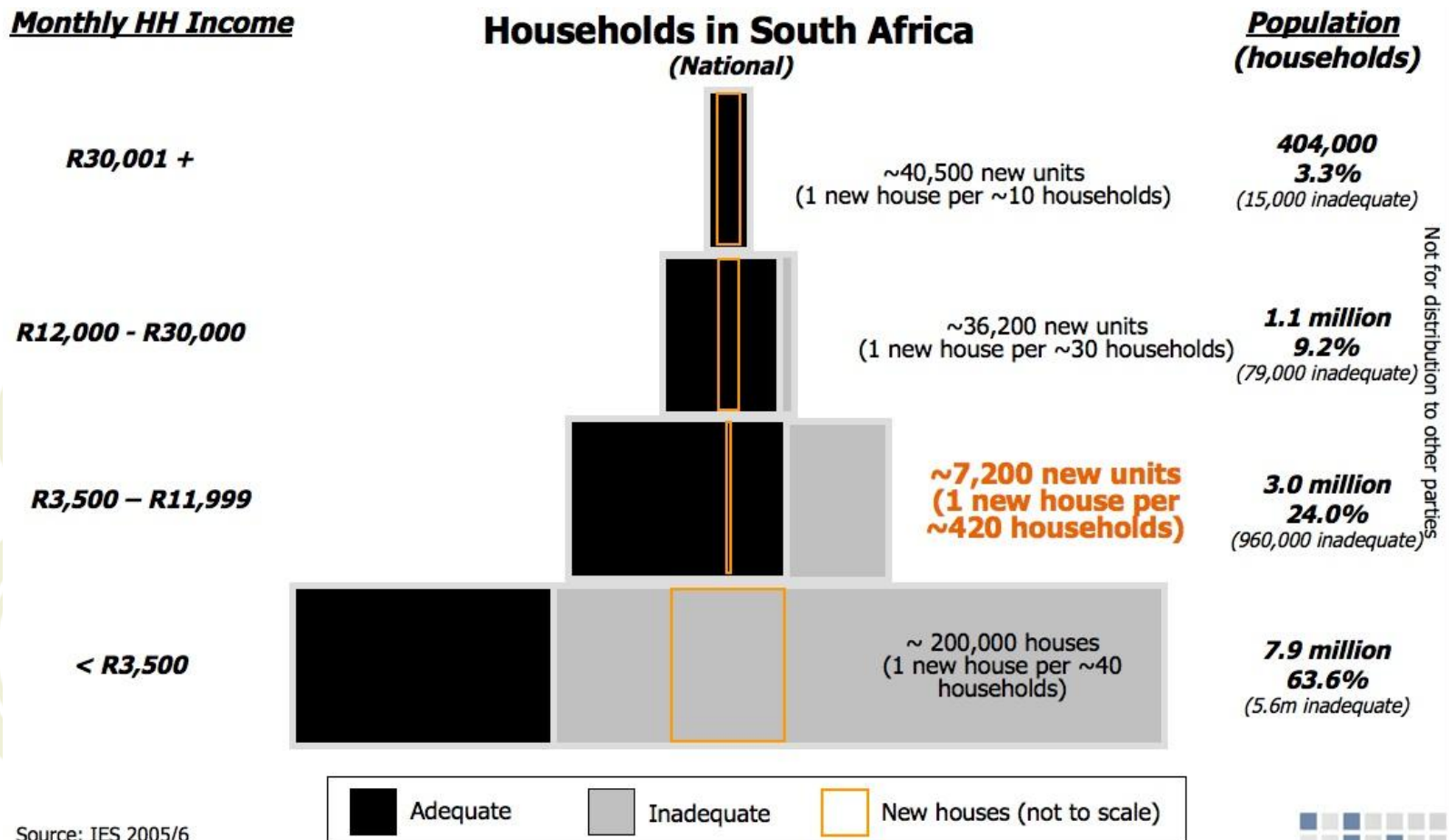
Residential building statistics (January-December)						
Category of housing	Plans passed			Buildings completed		
	Units 2008	Units 2009		Units 2008	Units 2009	
		Number	% change		Number	% change
Houses of <80m ²	33 464	25 129	-24.9	23 480	24 600	4.8
Houses of ≥80m ²	21 441	13 768	-35.8	20 357	13 897	-31.7
Flats & townhouses	29 603	14 609	-50.7	26 096	17 081	-34.5
Total	84 508	53 506	-36.7	69 933	55 578	-20.5

Source: Stats SA



Residential property: Housing supply (new build)

- Private market supply favours the higher end (analysis by Eighty20)



Source: IES 2005/6
Totals may not add up due to rounding

Residential property: Housing supply (new build)

- Even “affordable housing” is not affordable

R250 000

- @9.5% prime +2
- Over 20 years
- 30% installment to income
 - R2700/mth payment = R9000 hh income

- 17% hh in SA, or about 36% hh in urban areas can afford... but not in 2009, less than 24 500 units were built (houses <80m² is a very poor proxy, but the only one available)

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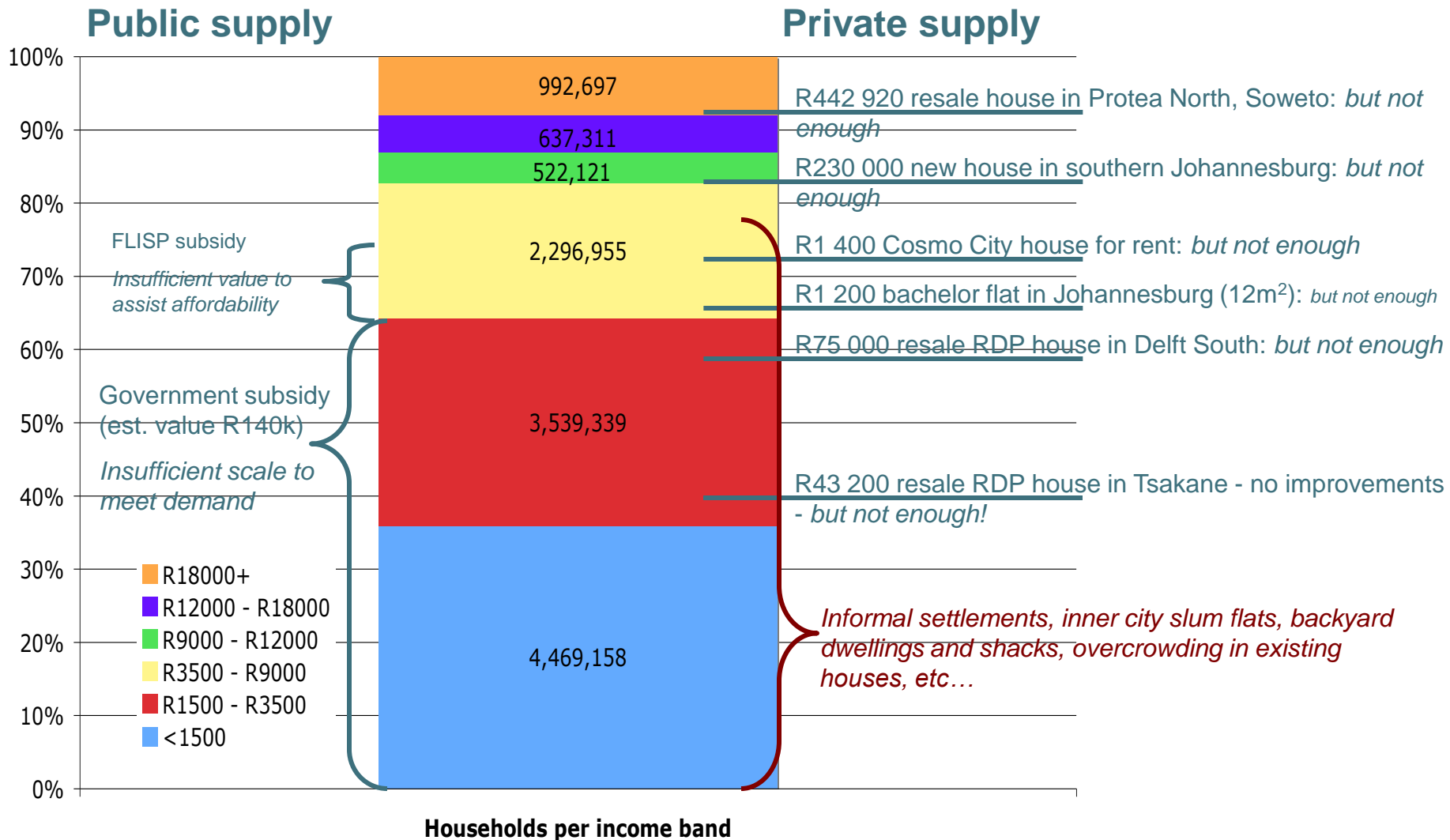
Housing supply (resale)

Township	Avg price (no. sales 2008 /total erfs)	Household affordability (@13%, 20 years, 30% i2i)
Diepkloof Ext, Gauteng	R137 919 (122 /11984)	R5 500 (25% can afford)
Dube, Gauteng	R248 256 (14 /3204)	R9 750 (20% can afford)
Katlehong Phooko, Gauteng	R98 333 (3 /501)	R3 750 (46% can afford)
Protea North, Gauteng	R442 920 (25 /2978)	R17 250 (12% can afford)
Tsakane, Gauteng	R150 699 (330 /24 996)	R6 000 (32% can afford)
Inanda, KZN	R73 400 (25 /1973)	R3 000 (51% can afford)
Lamontville, KZN	R98 629 (36 /1870)	R3 750 (16% can afford)
Ntuuma, KZN	R153 246 (93 /11894)	R6 000 (27% can afford)
Westrich, KZN	R138 457 (34 /2232)	R5 500 (29% can afford)
Delft South, WC	R75 638 (113 /7552)	R3 000 (65% can afford)
Langa, WC	R221 250 (34 /2654)	R8 750 (27% can afford)

Only about 3% of properties in former black township areas have transacted since 2007, and about 4% of properties in low income areas have transacted in that time.

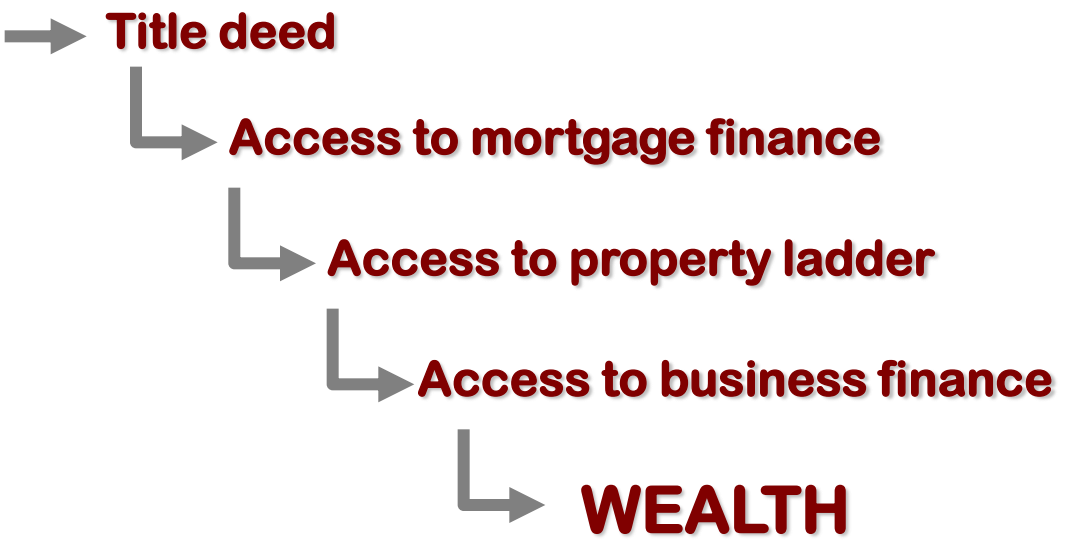
Vs. 11% of properties in the R250 000 –R750 000 market segment,
13% of properties in the R750 000 – R1,5 million market segment,
and just under 16% of properties in the luxury segment, costing more than R1,5m.

Housing supply (public & private)



“Poor people save... but they hold these resources in defective forms: houses built on land whose ownership rights are not adequately recorded and unincorporated businesses with undefined liability... Because the rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside of narrow, local circles where people know and trust each other, cannot be used as collateral for a loan, and cannot be used as a share against an investment.”

Source: Hernando de Soto (2000) *Mystery of Capital*. Page 6



There is a housing shortage in the affordable market – with only 1 house delivered for every 420 households

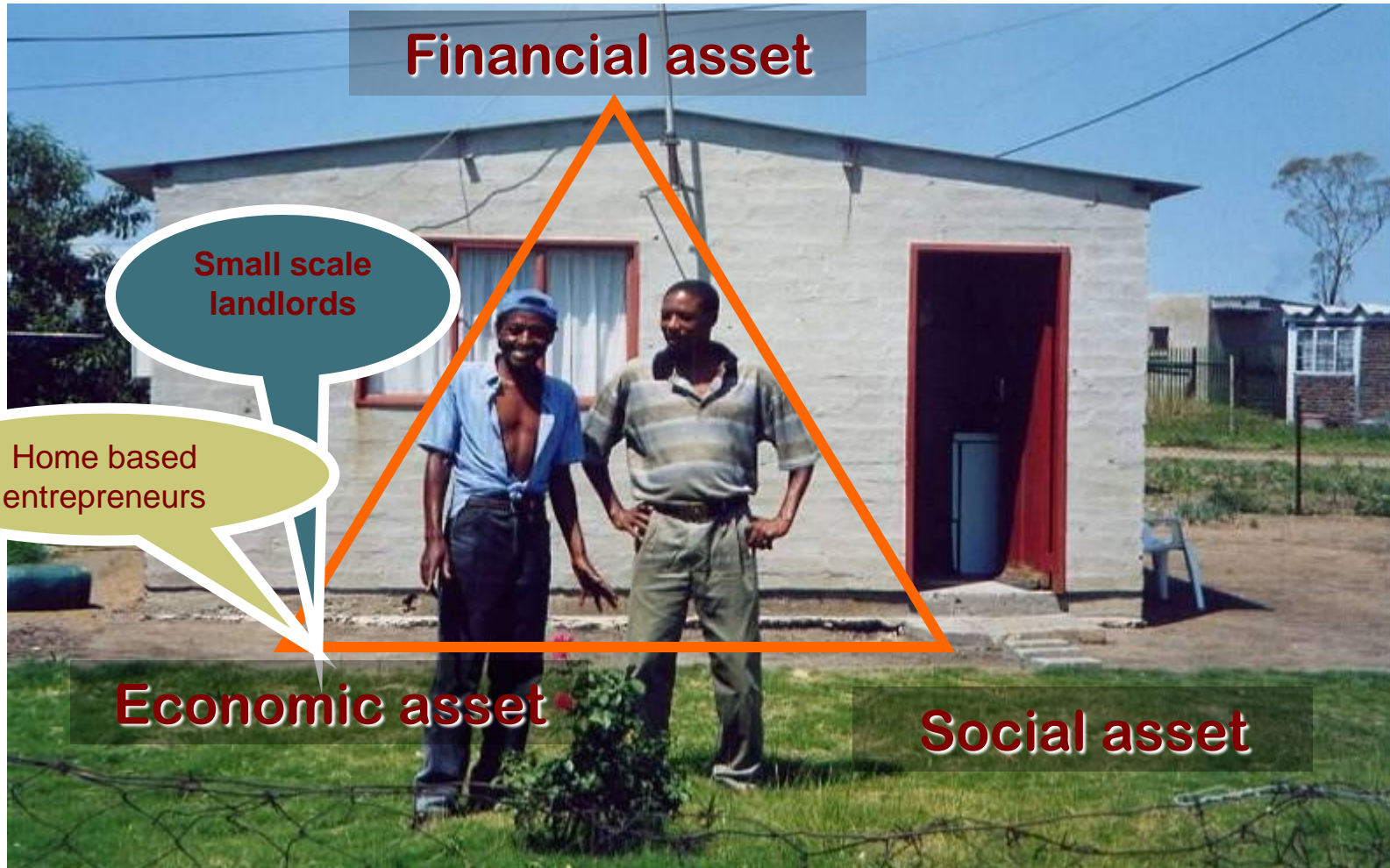
Only about 3% of properties in former black township areas and 4% in low income areas have transacted since 2007, vs. 11% in higher income markets.

- BUT this depends upon
 - A functioning **secondary property market**
 - Sufficient, affordable **housing stock** for the target market
 - **Housing affordability** for mortgage finance
 - Mortgage lenders **willing and able to go down market**

About 83% of South African households cannot afford the mortgage repayments for the cheapest newly built house

53% of households in the FSC target market were ineligible for mortgage finance – a further 20% are too poor - and the FSC is in flux!

Understanding it differently



Source: Shisaka Development Management Consultants (2006) Research Report: Consolidated analysis of research into small scale landlords and home based entrepreneurs.

The economic asset: income-earning

- Small scale landlords provide accommodation for 15% of all South African households (1,85 million households), and generate a combined rental income in excess of R400 million per month.

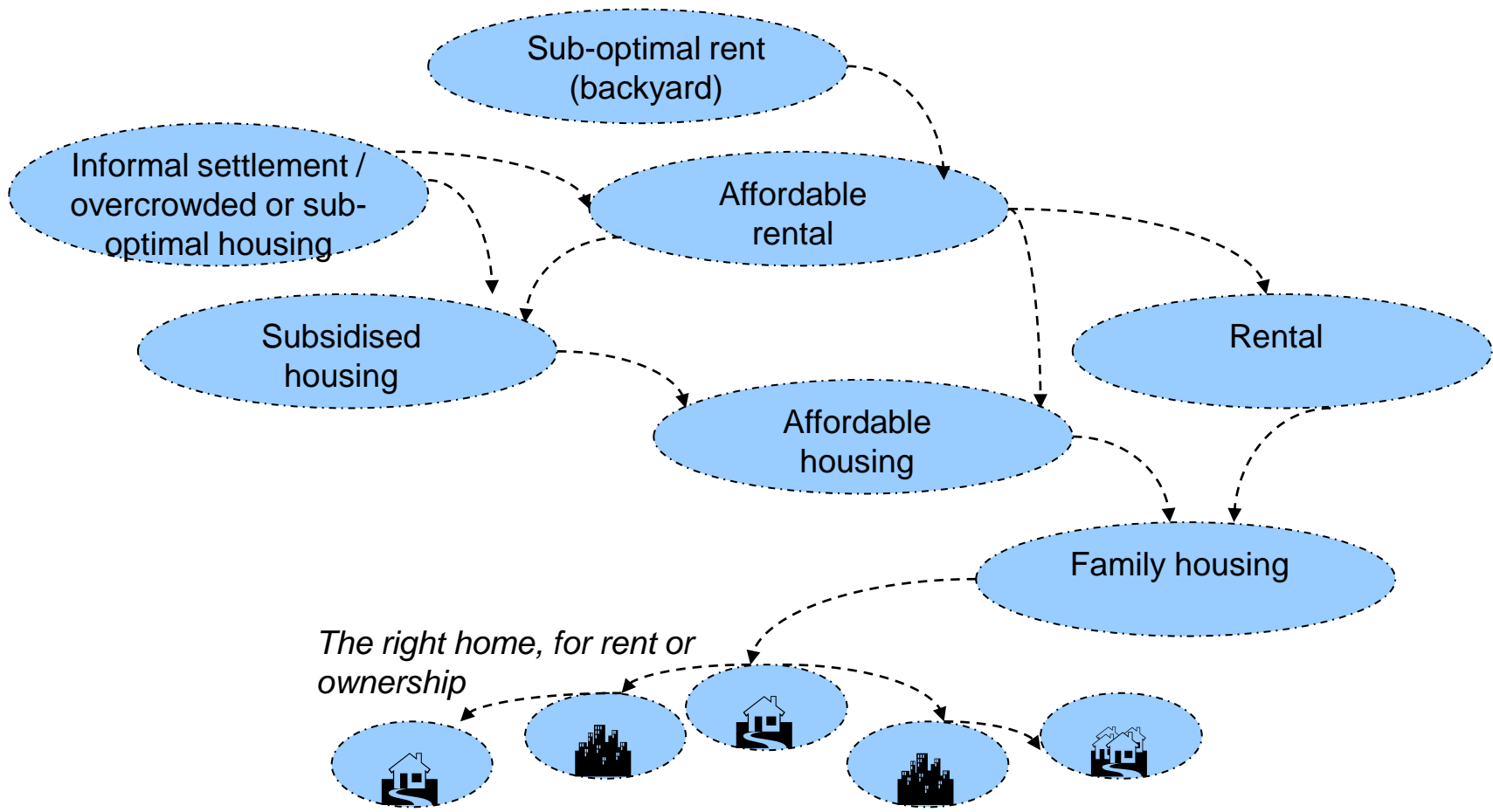


“We see as typical the migrant who first builds a one-storey house for his family, then adds a second storey to which he moves, renting the ground floor to tenants; later he builds a slightly better house for himself and the whole of the first house is let; again he might build a new house specifically designed for a few tenants.” (Lloyd, 1990:294)

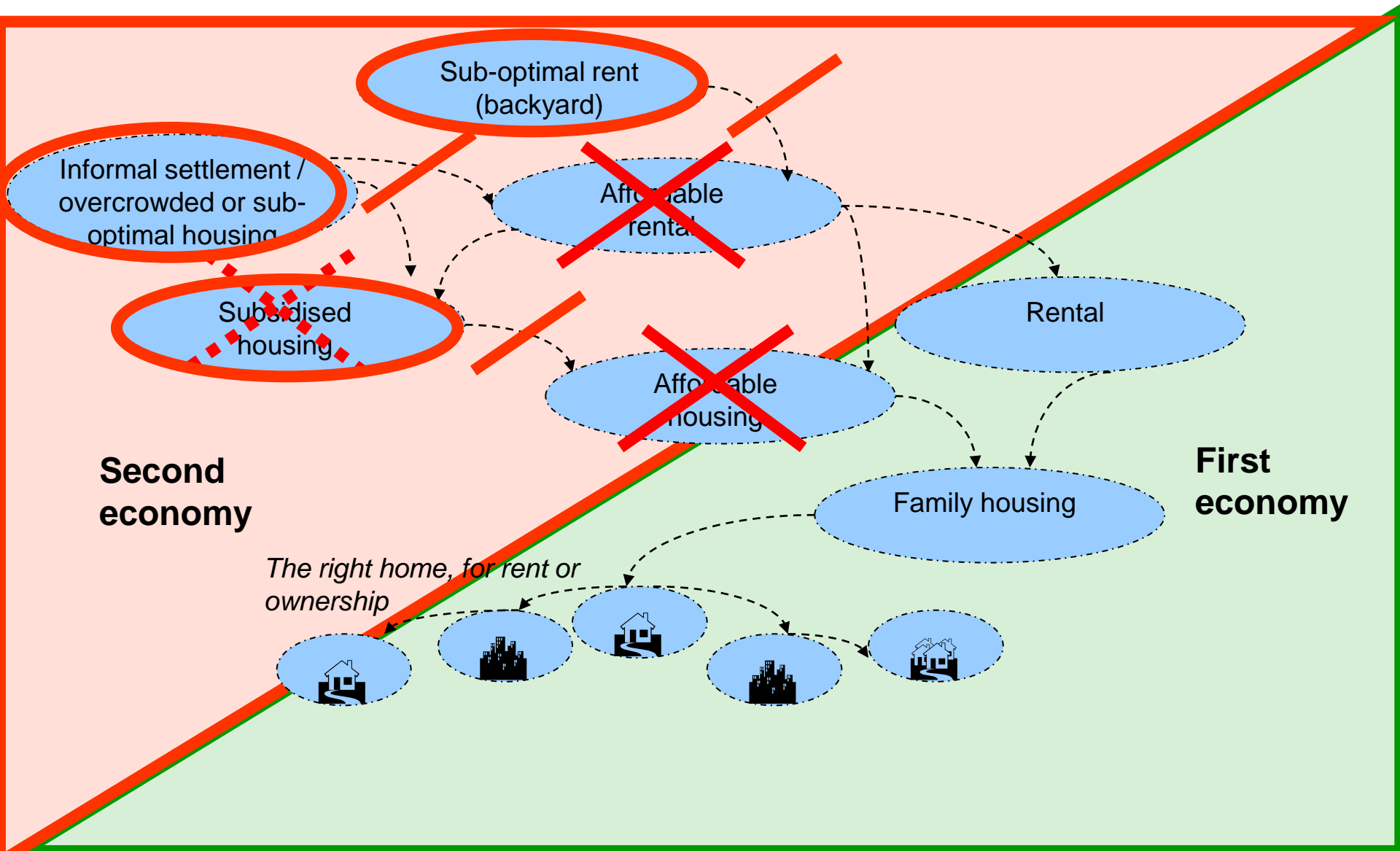
The economic asset: income-earning

- Home based enterprises (HBE's) are **income generating activities undertaken by residents from their homes**. In low income areas in South Africa they are predominantly informal in nature and survivalist in scale, but often are the only source of income for the household. There are:
 - **Retail oriented**: spaza shops, frozen food retailers, clothing retailers, etc.
 - **Production oriented**: fence and gate manufacturers, food preparation, etc.
 - **Service oriented**: hair salons, mechanics, traditional healers, B&B operators, restaurants

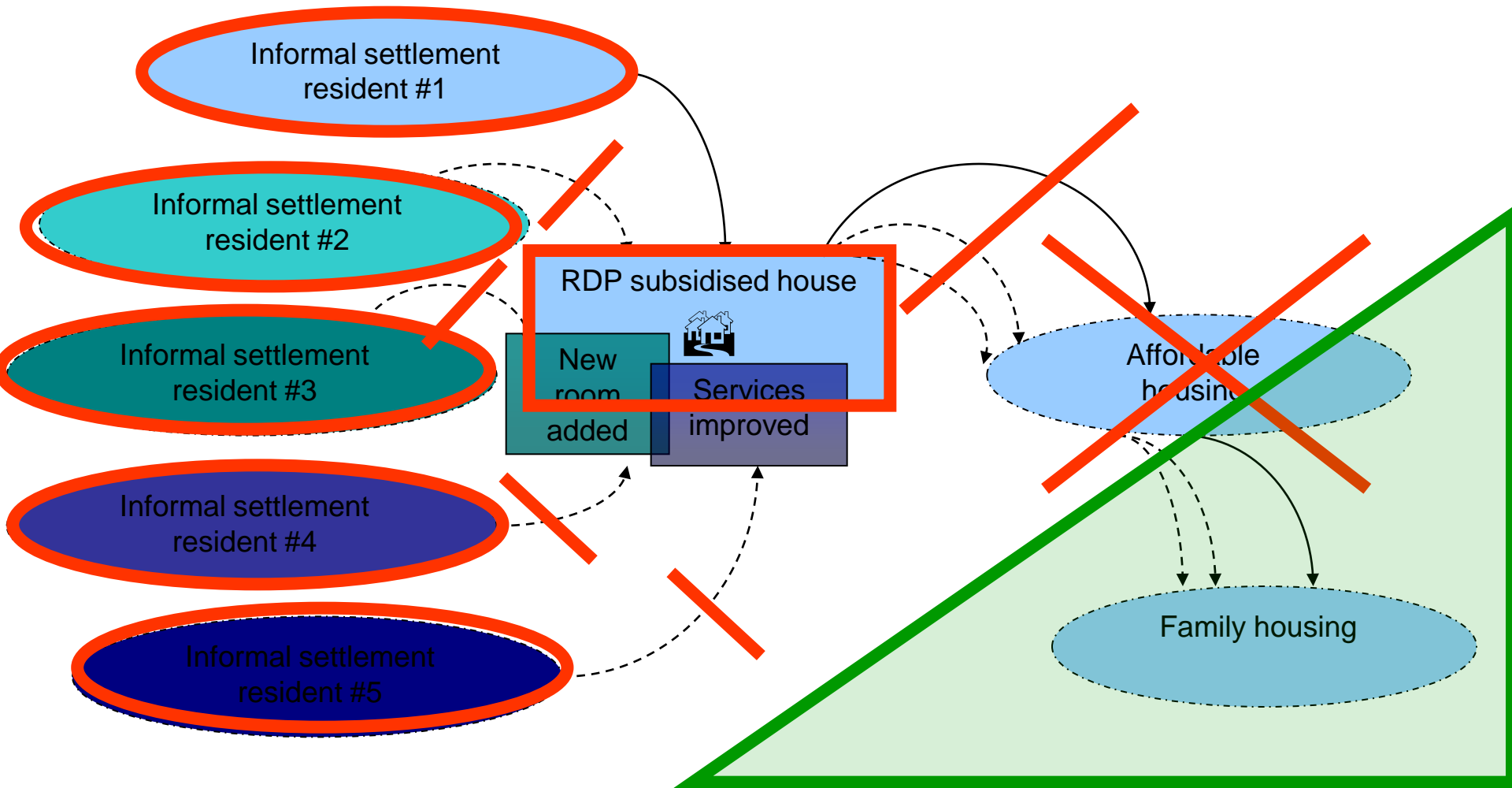




The first / second economy divide



Missed opportunity for filtering



An incremental approach



Once homeless, now an investor, providing housing to other low income earners

← **2nd dwelling for business...**

← **Income for retirement...**



Sell and buy...



Mortgaged 5-room house with granny cottage

Sell to buy...



Mortgaged 2-room house with backyard dwelling

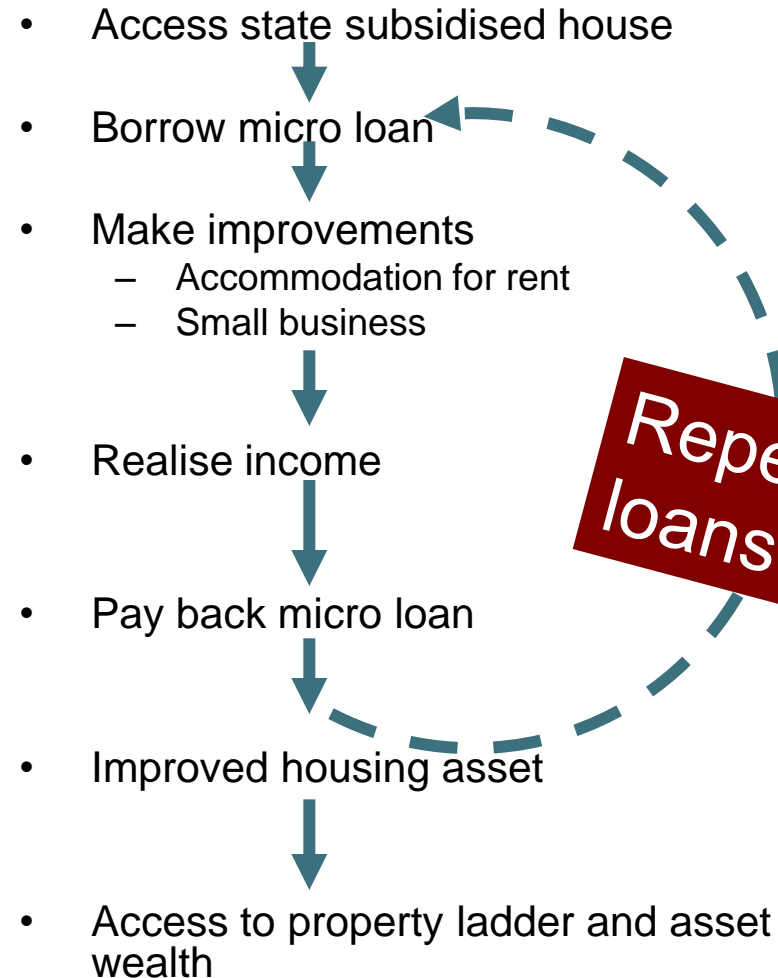
Borrow microloan to improve



Starter house

Improved house with backyard room (for rental)

An incremental approach



- The house provides a critical platform for enterprise/business activity – offering opportunities for income generation and poverty alleviation
 - HBEs and SSLs generate significant income and provide appropriate affordable and convenient services for lower income customers
 - This diversifies residential areas and enhances access to services & amenities, building sustainable human settlements
- This is an incremental, perpetual process supported by housing micro finance and developmental local government

- **We are not building enough affordable houses:** housing backlog continues to grow so households make a plan, using informal mechanisms
- **Our housing options are too expensive:** at least 20% of the population is too rich to be eligible for a subsidy, but too poor to afford to buy a new house. High income housing is reaching saturation levels.
- **Housing affordability is not being matched with housing supply**

A municipal response:

- Expedite housing delivery processes
- Address infrastructure backlogs
- Promote efficient land use: subdivisions, backyard rental, home extensions, urban infill
- Incentivise affordable housing delivery
- De-incentivise (i.e. tax) high income housing new build
- Use the subsidy asset as the first step in an incremental approach

To respond, municipalities must understand and monitor the local character of their property markets

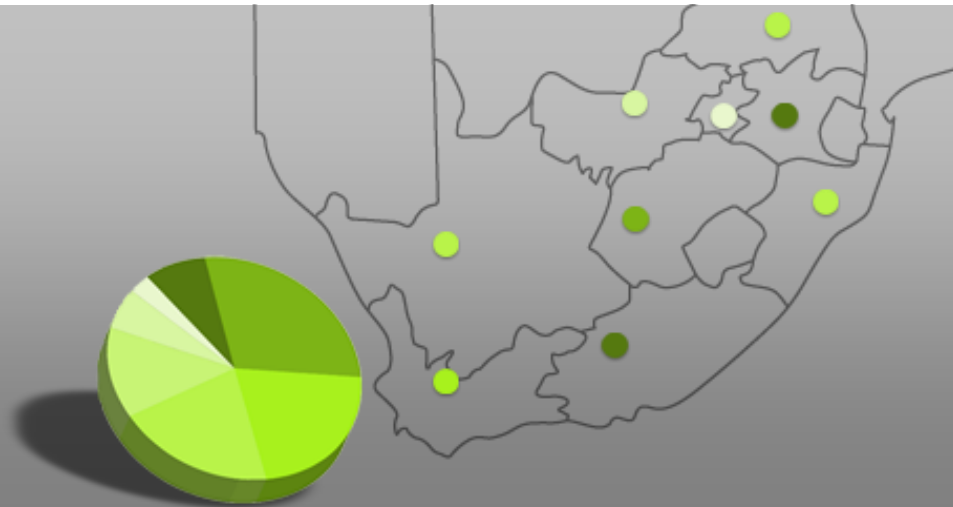
Understanding local property markets

al+hdc

Affordable Land & Housing Data Centre

The Affordable Land + Housing Data Centre

Understanding the dynamics that shape the low-income and affordable housing market in South Africa.



The ABSA house price index (September 2010) estimates that the average nominal value of a home in the small houses (80m²-140m²) segment of the market is about R837,100. Yet over 70% of South Africans are only able to afford houses of less than R500,000. While most of South Africa's population live in such houses, very little is known about this market segment. The **Affordable Land and Housing Data Centre (al+hdc)** is an initiative focused on the lower segment of South Africa's property market. Drawing deeds data from the South African deeds registry and survey data from StatsSA and other sources, the *al+hdc* provides information on all suburbs in South Africa where the average property price is less than R500,000. The *al+hdc*'s purpose is to provide accurate and up to date information on the low-income and affordable land and housing market in South Africa. Providing data at the suburb level, the *al+hdc* provides insight into the purchase price, the type of buyer and seller and level of mortgage finance in this segment of the market. Consolidated analysis includes trends, levels of churn in different areas and the average value of properties. Further, the latest research on this segment of the market can be accessed from the website.



Making financial markets work for the poor



Urban LandMark
making urban land markets work for the poor



Lightstone

Understanding local property markets

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al+hdc
Affordable Land & Housing Data Centre

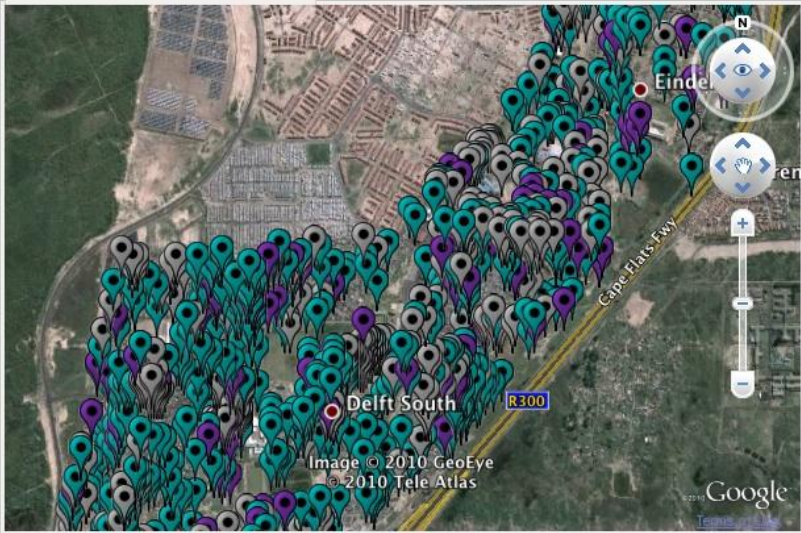
Home Survey Data **Transaction Data** Suburb Profiles Publications Definitions Help

Transaction Data

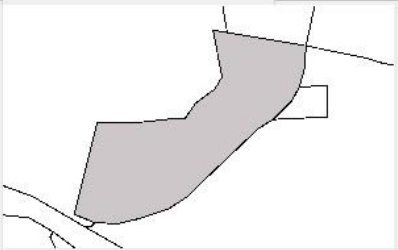
City Suburb [EXPLORE AREAS](#)

Delft South

Interactive Map - Delft South



Information - Delft South



FACTS:

- No. of residential properties: 7,613
- Churn of residential properties: 1.8% (2009)
- Proportion of sales that are bonded: 9.49% (2009)
- Average residential erf size: 154 sq. m.

[More information](#)

SURVEY DATA:

- [TRPM](#)
- [ULM](#)
- [Housing finance](#)

Legend - Seller Types

<input type="checkbox"/> Government	<input type="checkbox"/> Individual	<input type="checkbox"/> Company	<input type="checkbox"/> Bank	<input type="checkbox"/> Multiple
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Transaction Data

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Delft South

Interactive Map - Delft South

Property 1:
Erf size: 160
Purchase date: 2006-03-02
Purchase price: R50,000
Seller type: Individual
Buyer type: Individual

Property 2:
Purchase date: 2006-11-21
Purchase price: R106,000
Seller type: Individual
Buyer type: Individual

Information - Delft South

FACTS:
No. of residential properties: 7,613
Churn of residential properties: 1.8% (2009)
Proportion of sales that are bonded: 9.49% (2009)
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[More information](#)

SURVEY DATA:
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Legend - Seller Types

Government Individual Company Bank Multiple

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Transaction Data

City: Suburb: [EXPLORE AREAS](#)

Lamontville

Interactive Map - Lamontville

© 2010 Tele Atlas
Image © 2010 DigitalGlobe

Information - Lamontville

FACTS:
No. of residential properties: 2,329
Churn of residential properties: 2.1% (2009)
Proportion of sales that are bonded: 10.00% (2009)
Average residential erf size: 507 sq. m.
[More information](#)

SURVEY DATA:
[TRPM](#)

Legend - Seller Types

Government Individual Company Bank Multiple

Understanding local property markets

View Transaction Data - Lamontville

Show me by for the period to

Property Characteristics

Freehold or sectional title: Freehold Sectional title Both

Erf size

Transaction details

Purchase price

Buyer type Individual Company Bank Government Unknown

Seller type Individual Company Bank Government Unknown

Sale is bonded Bonded Not bonded Both

Mortgage bond details

Institution Standard Bank Nedcor ABSA FNB SA Homeloans Other Any

Bond amount

Bond type Primary Secondary Switch Any

General data filters

Unclean data Exclude Include

Zero-price transactions Exclude Include

[Select a new suburb](#)

[Perform another query](#)

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Transaction Data - Lamontville

[DOWNLOAD CSV FILE](#)

	2004	2005	2006	2007	2008	2009	Total
< R50,000	1	3	3	22	20	-	49
R50,000 - R99,000	3	4	2	2	1	1	13
NOT APPLICABLE	1	10	4	5	7	40	67
R100,000 - R199,000	11	6	10	5	1	-	33
R200,000 - R299,000	-	1	4	2	5	1	13
R300,000 - R399,000	-	-	-	4	5	3	12
R400,000 - R499,000	-	-	-	1	-	1	2
Total	16	24	23	41	39	46	189

[Select a new suburb](#)

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Delft South

July 21st, 2010

Indicators:

- No. of residential properties: 7,613
- Average residential erf size: 154 sq. m.
- Churn of residential properties: 1.8% (2009)
- Churn of residential properties (sales between individuals): 1.4% (2009)
- Proportion of sales that are bonded: 9.49% (2009)
- Average sales price between individuals: R66,337 (2009)
- Bank market share of number of bonds (2009):
 - ABSA: 23%
 - Other: 8%
 - FNB: 46%
 - Standard Bank: 23%
- Average time between purchase and registration (2009): 4.1 months

Know something interesting about this suburb? Leave us a comment

Leave a Reply

Name (required)

Mail (will not be published) (required)

Website

More information

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LAUNCH:

- **Date:** Thursday, 4 November 2010
- **Time:** 07h30 for 08h00 to 10h30
- **Venue:** FNB Conference and learning centre, 114 Grayston Drive, Sandown, Sandton
- **RSVP:** Due to limited seating, kindly RSVP by 22 October 2010, or as soon as possible to Nitha Ramnath nithar@finmark.org.za or 082 921 4769

