

SOUTH AFRICA Housing Market Report - 2021

Executive Summary

The residential property market is the largest component of the South African property market and a crucial source of household wealth. As of the end of 2021, there were 6.74 million residential properties on South Africa's deeds registry, valued at approximately R6.26 trillion. Just under a third of all residential properties (30%) were valued under R300 000 and over half (52%) the properties were valued under R600 000. Furthermore, government-subsidised properties comprised a sizable portion (31% or 2.13 million) of all residential properties, particularly at the lower end of the market, reflecting the massive impact of public investment in the national government housing programme over the years.

Having seen activity decline in 2020, the first year of the pandemic, both the new and resale markets appear to be recovering, with notable increases in transaction volumes in 2021. South Africa's resale market was three times more active than the new-build market for houses in 2021—more than three quarters of all residential transactions were in the resale market. This is particularly important for low income households in the affordable housing sector, as the resale market often serves as a first step onto the property ladder for first time home buyers/owners. In 2021, approximately 121 800 households became homeowners for the first time. Of these, 15% were beneficiaries of new government-subsidised housing.

The mortgage market also appears to be recovering in 2021. Bonded transactions, constituting 58% of all residential transactions, increased by 33% in volume and 48% in value in 2021. Although most bonds are issued for the purchase of higher end properties, there is evidence of mortgage lending for properties valued under R900 000.

About this report

This report utilises deeds registry data as of 31 December 2021 which was obtained from Lightstone Pty Ltd. in June 2022. Because of this, the report only covers properties which appear on the deeds registry (the formal market) – it does not include backyard units and informal settlement dwellings. According to the 2021 General Household Survey, there are 17.9 million households living in South Africa, of which 11.7%, or approximately 2 million, live in informal dwellings.

Nearly 19% of South African households live in rented dwellings. Given that more than one family might live in a rental property with a single title deed—for example, a high-rise building—the data in this report also does not provide a clear picture of the 18.7% of households who stay in rented dwellings (approximately 3.6 million households).

Unlike our previous Citymark reports which only used five market segments, this report includes an additional two market segments above R1.2 million, in order to better understand this component of the market. Valuations are provided by Lightstone and are not based on municipal valuation rolls. See page 15 for further information.

This report was written by Alison Tshangana and Luther Jubane, with data analysis by Alfred Namponya. To access individual reports on the eight metros, as well as online dashboards, visit: CAHF's Citymark page: <http://housingfinanceafrica.org/projects/citymark-analysis-of-residential-property-markets-in-south-africas-eight-metros/>

Contents

1. Size and distribution of South Africa's residential property market	2
2. Number of residential properties by market segment	3
3. Government-subsidised properties	4
4. New build market	5
5. Resale market	6
6. New and resale transactions of government-subsidised properties	7
7. First-time home buyers/owners	8
8. Housing finance — New vs resale transactions	9
9. Bonded transactions by lender	10
10. Freehold vs. sectional title properties	11
11. Comparing South Africa's eight metros	12
12. Comparing South Africa's nine provinces	13
13. Implications for affordable housing	14
14. Report methodology	15

1. How big is the market?

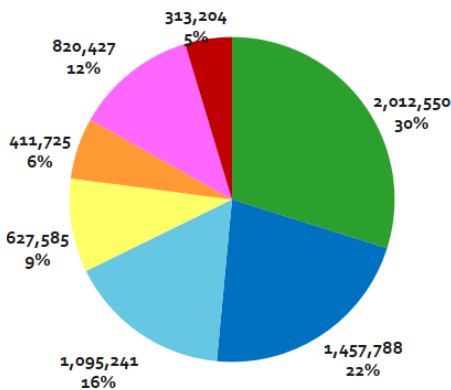
Size and distribution of residential properties

At the end of 2021, the total value of the residential property market in South Africa reached R6.264 trillion, comprising over 6.74 million properties and 89% of the total property market in the country. Between 2020 and 2021, the total residential property portfolio increased by just 4.86% in value, compared to 6.23% in the previous year prior to COVID.

Residential property is the most substantial component of household asset wealth for many South Africans. These properties range from sectional title and freehold properties, to residential dwellings in private estates; they include government-subsidised homes, homes occupied by their owners or rented to others, and holiday homes; and they span rural areas, mining towns, small towns, secondary or intermediary cities, and metro municipalities.

Number of residential properties by market segment

Total number of residential properties: 6 738 520
South Africa, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).



In this latest analysis of the residential market, we have added a further two market segments, in order to get a more nuanced understanding of properties valued over R1.2 m:

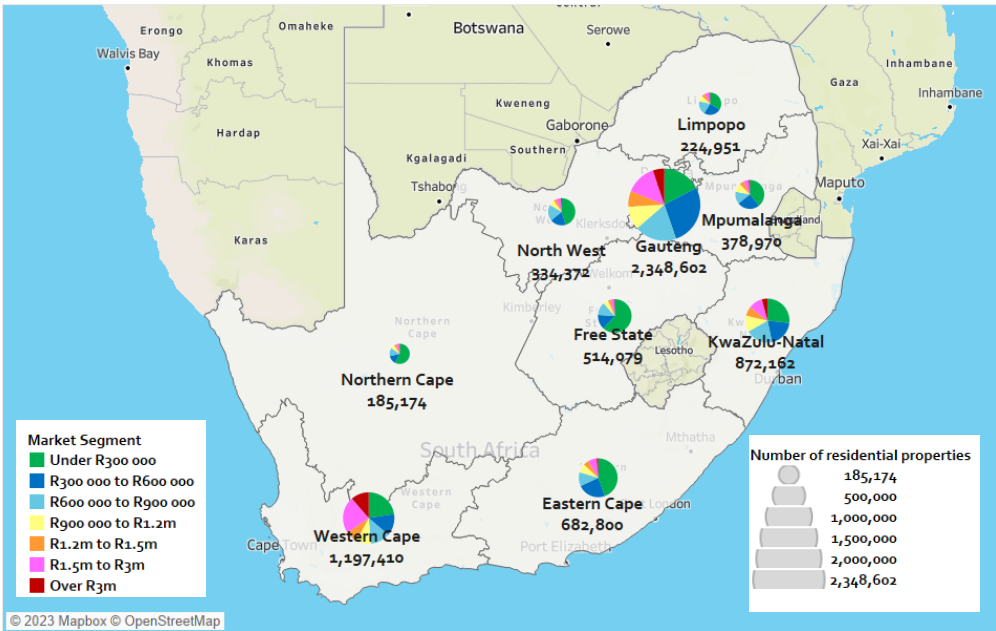
- **Entry market**—properties worth R300 000 or less
- **Affordable market**—R300 000 - R600 000
- **Conventional market**—R600 000 - R900 000
- **High-end market**—R900 000 - R1.2 m
- **Lower luxury market**—R1.2 m – R1.5 m
- **Mid luxury market**—R1.5 m – R3m
- **Top luxury market**—R3m and above

At the end of 2021, the majority of residential properties in South Africa (nearly 68%) were valued at R900 000 or less. Of the total residential properties, 30% were homes that are valued less than R300,000, of which the majority were estimated to be government-subsidised homes, demonstrating the enormous impact of public investment in the sector.

The map below shows the spatial distribution of residential properties by value across the country. Each pie graph represents a province: the size of the circle reflects the total number of registered properties while the coloured slices of the pie represent the number of properties in each market segment.

Total number of residential properties South Africa, 2021

Gauteng and Western Cape are the provinces with the largest number of residential properties—35% and 18% of the country's total, respectively.



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

About 57% of the total formal residential property market is found in the eight metros, with Johannesburg accounting for the majority of properties. According to UN Habitat, South Africa is one of the most urbanized countries in Africa, with approximately 67% of the population living in urban areas. This percentage is expected to increase to 80% by 2050, increasing demand for housing in cities.

2. Market overview

Number of residential properties by market segment

SOUTH AFRICA
Housing Market
Report 2021

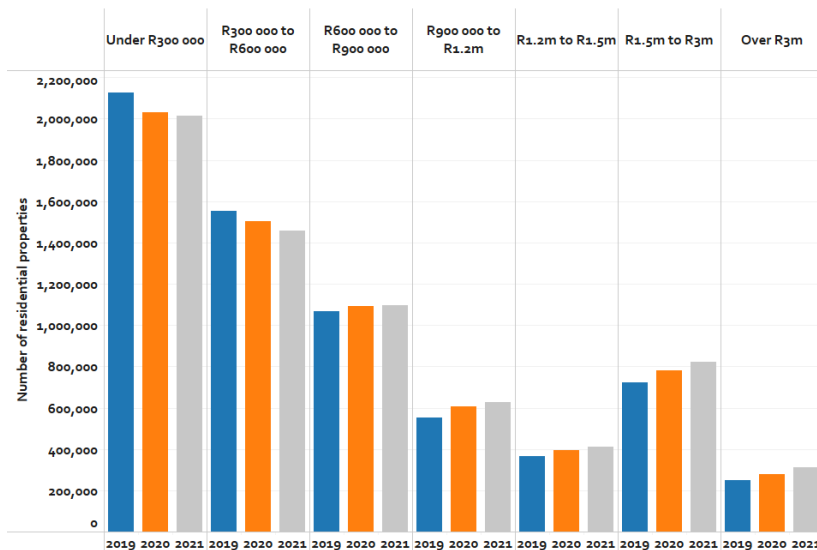
As at the end of 2021, a total of 2 million residential properties were valued under R300 000, of which 69% were government-subsidised units.

The number of high end properties has been growing over the last two years, while the number of properties *under* R600 000 is dropping. From 2020 to 2021, the number of properties over R3m increased by 13%, while the number of *entry level* properties below R300 000 fell by 28%. This was a continuation of the same trend from 2020, when the number of luxury properties increased by nearly 10%, while the stock of low value properties declined.

This is likely due to appreciation of low-end properties—these figures are in nominal terms and do not account for inflation. As noted above, the total value of the residential property market increased by 6.23% in 2020 and then by 4.86% in 2021. With this nominal increase in value, properties will shift into higher value bands.

In terms of numbers of residential properties, Gauteng had the largest residential property market, with a significant portion of those properties (27%) in the *affordable* market between R300 000 and R600 000. In fact, in 2021 the number of residential properties in Gauteng which are valued below R900 000 was greater than all the properties in the Western Cape combined.

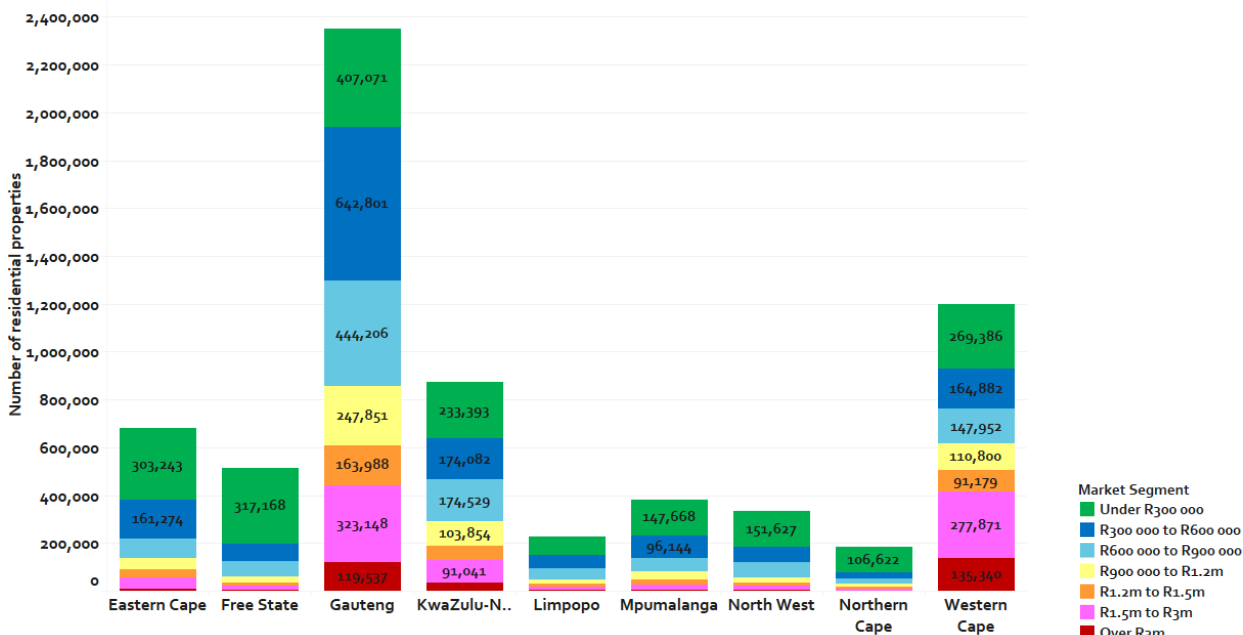
Number of residential properties by market segment 2019 - 2021
South Africa



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Number of residential properties by market segment by province

2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

3. Number of government-subsidised properties

As share of each market segment

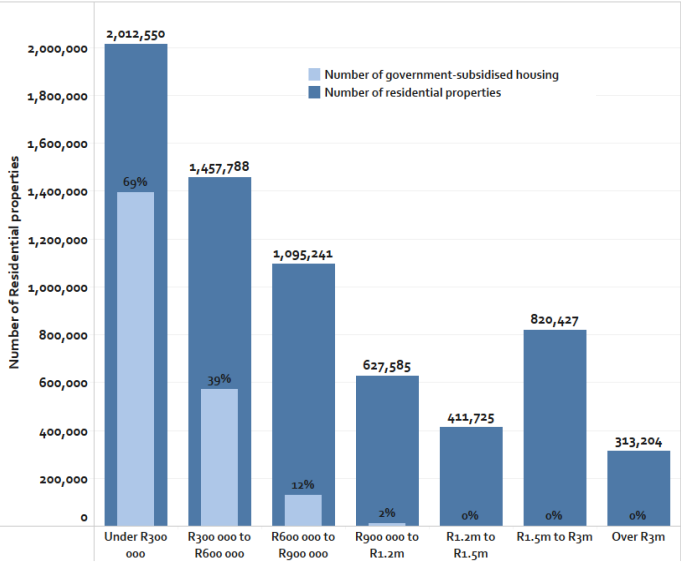
Government-subsidised housing accounts for a massive portion of South Africa’s housing stock: **in 2021, GSP made up 31% of residential properties in South Africa, totalling over 2.1 million units.**

The bulk of these GSP (66%) were in the **entry** market valued under R300 000, however a sizable portion (27%) were in the **affordable** market between R300 000 and R600 000, and a further 12% were in the **conventional** market (R600 000 - R900 000). A small slice (1 563 houses) were valued over R900 000, showing the potential appreciation of GSP. On the whole, the GSP countrywide was older stock: 89% of the units were over 8 years old, and thus no longer governed by the pre-emptive clause in the Housing Act which restricts sale.

The majority of this public housing investment has been in Gauteng and the Western Cape, which together contain 46% of all GSP nationwide. In the provinces with smaller populations, government investment is responsible for a substantial portion of today’s residential property market. In the Free State and Northern Cape, GSP make up nearly 50% of all residential units; KZN is the province with the smallest portion of GSP (25%) which is still sizable.

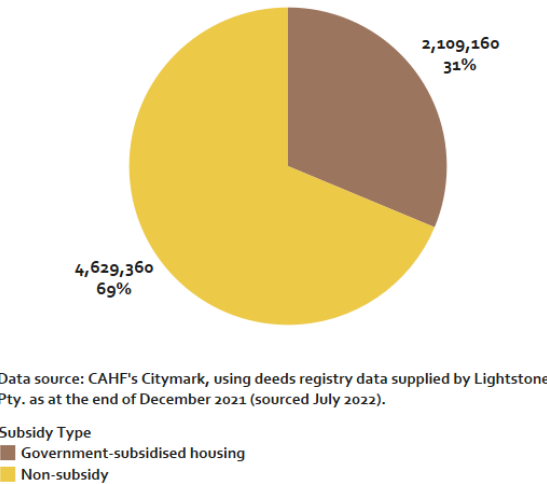
The national government housing programme has played a massive role in shaping the supply and segmentation of the market. The availability of stock in the **entry** market is predominantly attributable to public investment: 69% of units valued under R300 000 were GSP. In the **affordable** market (R300 000 – R600 000), 39% of the properties were government-subsidised.

Total number of residential properties by market segment
South Africa, 2021



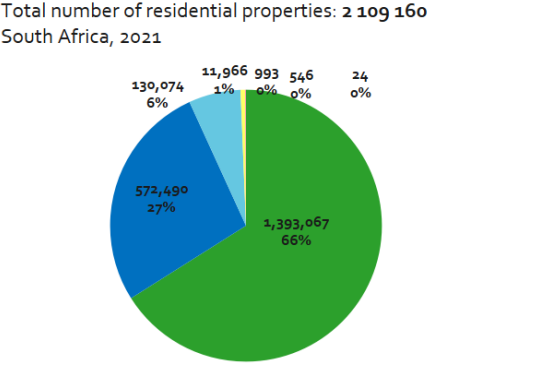
Data source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Residential property: GSP and non GSP
South Africa, 2021



Data source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

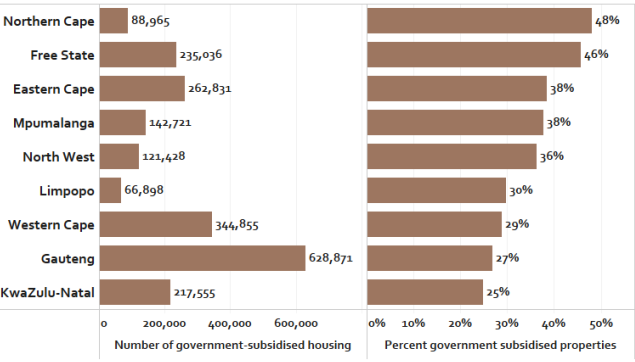
Number of residential properties by market segment: GSP
Total number of residential properties: 2 109 160
South Africa, 2021



Data source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).



Number of GSPs and percent share of total properties
All provinces, 2021



Data source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

4. Residential market activity in South Africa

Market for new build

SOUTH AFRICA Housing Market Report 2021

Due to a number of factors, including the significant impact of government housing programmes, the new and resale markets behave quite differently, and therefore are considered separately in this report. New residential transactions on the deeds registry serve as a proxy for new construction and include houses that were built by a private developer, as well as units that were built through government programmes and transferred to beneficiaries. Because this report draws on deeds registry data, **only houses where the beneficiary has received their title deed can be included in this report.**

Nationally, the new build market is relatively small: **in 2021, there were 61 202 new transactions, constituting just 23% of total transactions.** The volume of new registrations has clearly been influenced by COVID, as shown by record low numbers in 2020. However, it should be noted that this decline in total new transactions began in 2019, when new transactions fell nationally by 13% compared to 2018. This was followed by a 10% decline in 2020, the first year of the pandemic and lockdown. However construction activity and new registrations rebounded in 2021, the second year of the pandemic, by a substantial 19%.

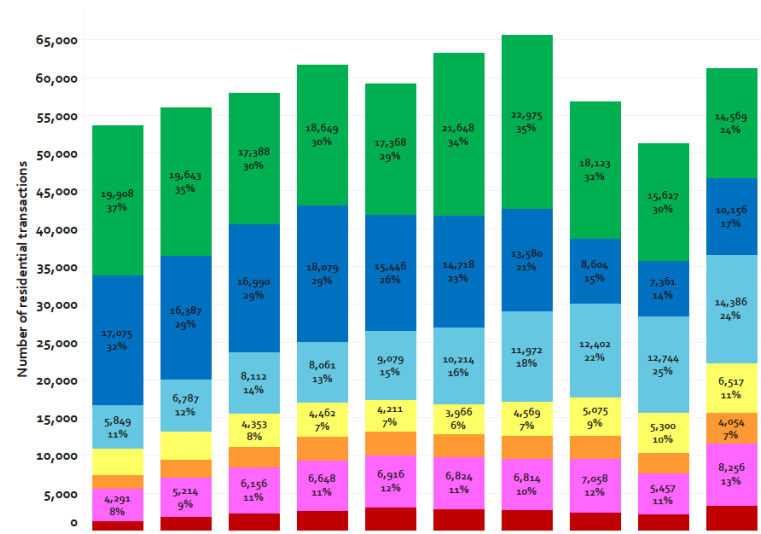
Analysis of the market segmentation shows that this rebound in 2021 is largely due to boosts in new registrations in the **affordable** market (R300 000 – R600 000) and the **mid luxury** market (R1.2m – R1.5m). Surprisingly, most of these new **affordable** market transactions in 2021 were GSP (60% or 6 071 new transactions) – suggesting that GSP delivered in the **entry** band, were subsequently valued in the next band up (**affordable**). It would be worth exploring whether this is a function of good location. The injection of new build in the **mid luxury** market was due to private development.

The **entry** market was the only segment where new transactions dropped (by 7%) in 2021. Given that 86% of these new **entry** market transactions were GSP, it appears this was due a failure of government delivery to rebound at the pace of the private sector.

In total, 32% of all new transactions in 2021 were for government-subsidised properties. Again, this data only includes RDP houses where beneficiaries received their title deed. Actual delivery could be higher, with the difference due to delays in transferring title on built units.

Number of new residential transactions

South Africa, 2012 to 2021

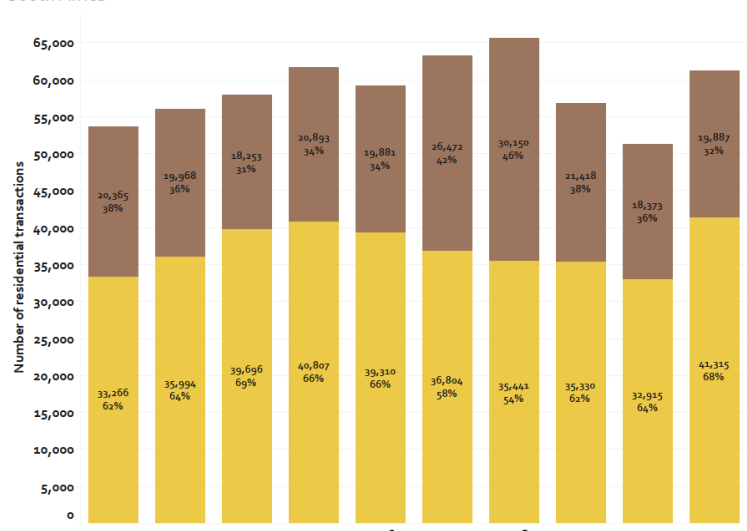


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

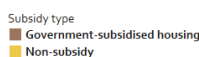


New transactions: GSP and non-GSP 2012 -2021

South Africa



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

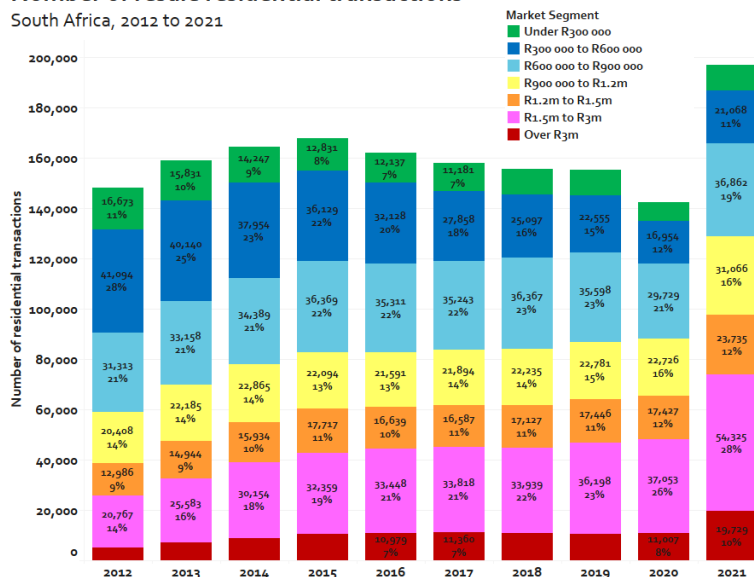


5. Residential market activity in South Africa

Resale market

Number of resale residential transactions

South Africa, 2012 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

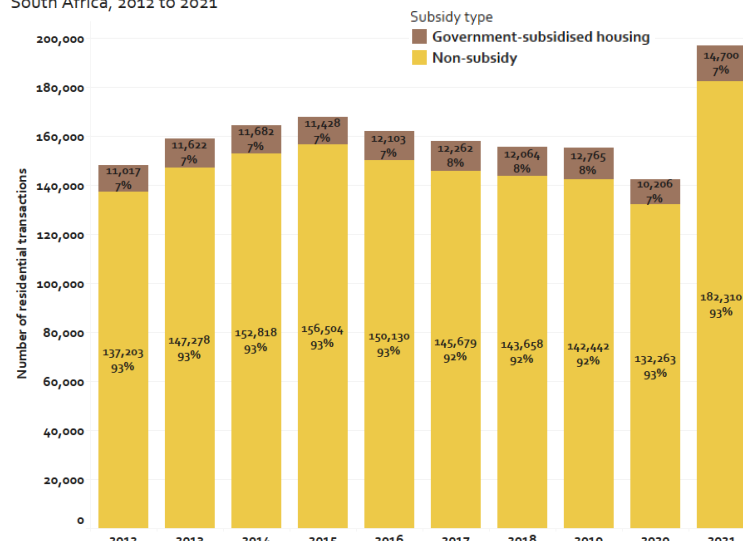
Similar to the rise in new transactions in 2021, the resale market also experienced a significant rebound in 2021.

Since 2015, the volume of resale transactions had been slowly declining, with this pattern continuing into the first year of the pandemic in 2020. However in 2021, the volume of resale transactions jumped by 38%, to 197 010. This rebound was largely due to resale activity at the high end of the market, in the market segment of properties valued over R1.5m.

Overall, half of resale transactions in 2021 were below R1.2 m and half above. Of the resale transactions in the lower end, the bulk of them were valued between R600 000 and R1.2m.

Resale transactions: GSP and non-GSP 2012 -2021

South Africa, 2012 to 2021

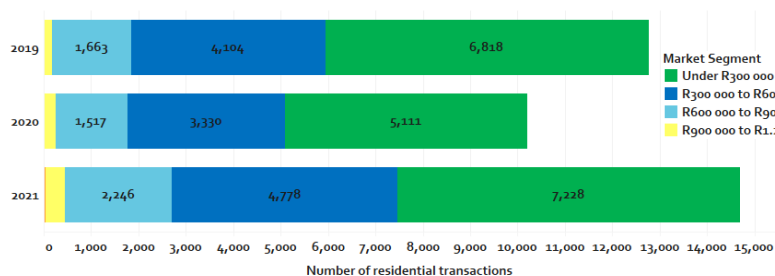


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Approximately 7% of the resale transactions in 2021 were of GSP—this proportion has remained largely consistent over the last 10 years. With the boost in resale activity in 2021, GSP resale transactions also jumped significantly, with the data showing a total of 14 700 GSP resale transactions in 2021 (4 494 more than were recorded in 2020). Half of these GSP resale transactions were in the entry market for properties valued less than R300 000. At current finance rates (20 year mortgage at 10,75% interest and 25% instalment to income), a household earning about R12 000 per month might afford such a property, suggesting that the GSP resale market is an important contributor to 'gap market' supply at the bottom end.

Resale GSP transactions by market segment, 2019 - 2021

National



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

6. Residential market activity in South Africa

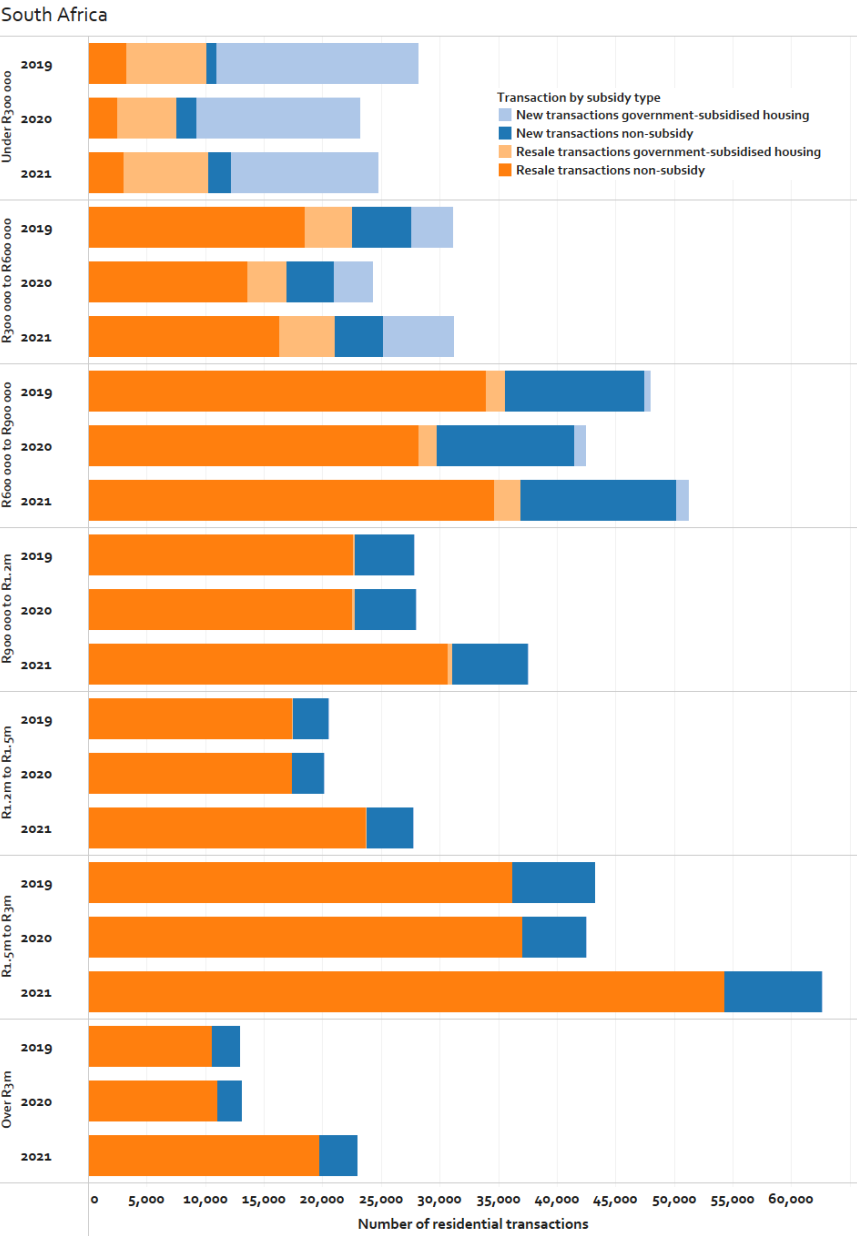
Resale and new transactions of GSP

As noted above, overall the resale market is much larger than the new build market. The exception is in the **entry** market where—due to the delivery of government housing programmes—there are more properties being added to the deeds registry (blue bars) than there are properties changing hands (orange bars).

In the resale market, GSP also play a critical role in the **entry** and **affordable** market segments. Both segments serve an important 'gap market', including for the working class. 89% of GSP under R300 000 are over 8 years old (total of 1 237 335), highlighting the potential of this resale market. At the end of 2021, the average value of GSP properties 0-8 years old was R249 380, while the average value of GSP properties over 8 years old was more, R267 606; this suggests that GSP houses are generally appreciating, providing a substantial asset base for beneficiaries.

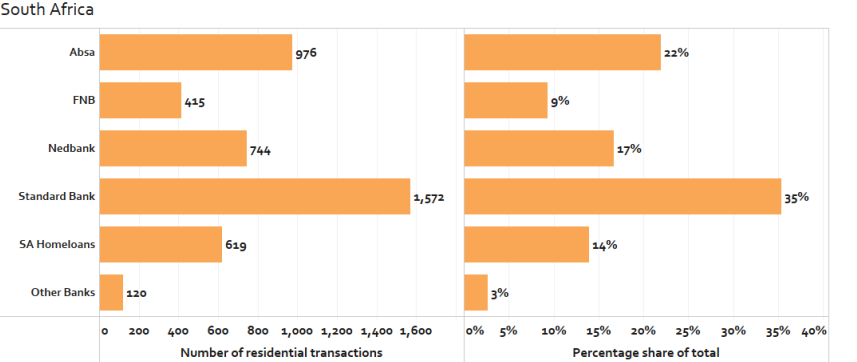
We are seeing a slow increase in the resale of GSP and the movement of banks into this market. Of the 14 700 resale transactions of GSP in 2021, **30% or 4 446 were financed with a mortgage**. Most of these properties were in the **affordable** and **conventional** markets (between R300 000 and R900 000). These properties fetched an average transaction price of R548 362. In contrast, the average price for a transaction without a mortgage was R208 315. Standard Bank issued the highest number of bonds for the resale purchase of GSP (35%, or 1 572), with Absa second at 22% of the total.

New and resale transactions, 2019 -2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Number of bonded resale transactions of GSP by lender, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

7. First-time home buyers/owners

Accessing the property market via new and resale markets

Analysing first-time home buyers (FTHB) gives a good indication of how the housing market is growing, and how households are joining the property ladder. The bulk of first-time home buyers in South Africa obtained their homes through the **resale market**. Considering the nature of the subsidy scheme which is only available to people who have never owned a property before, all new transactions of GSP housing are therefore to first-time home buyers.

A total of 121 849 households became homeowners for the first time in 2021. Of these, 18 639 (or 15%) were beneficiaries of government-subsidised housing. Another 9 560 households (8%) formally purchased a GSP on the resale market.

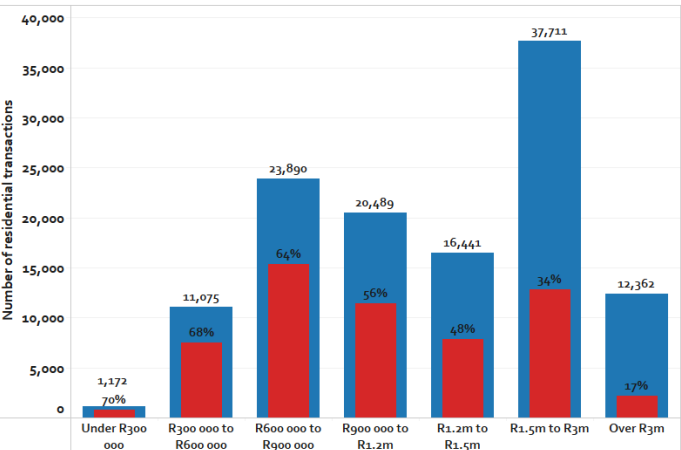
The remaining first-time homeowners bought 93 650 non-GSP homes, of which 22 341 were new and 71 309 were resale (non-GSP) properties. Overall, the main avenue through which most first-time homebuyers/owners step on to the property ladder is the resale market with 66% of all resale first-time homebuyers purchasing them on the resale market.

In 2021, most first-time home buyers acquired houses in the **conventional** market segment (24%), while 16% of FTHB accessed their homes in the **entry** segment and another 16% got their homes in the **affordable** market. 30% of first-time home buyers were evenly split between the **high-end** and **mid-luxury** segments, while 9% were in the **lower luxury market** and only 3% of first-time home buyers bought houses worth R3 million and over in the **top luxury** market segment.

First-time home buyers were prominent in the resale market of government-subsidised properties in 2021. Of the 14 700 resale transactions of government-subsidised properties in 2021, 9 560 or 65% were first-time home buyers. This shows how important the GSP resale market is in enabling households to own a house for the first time.

First-time home buyers/owners as a percentage of total resale transactions

South Africa, 2021

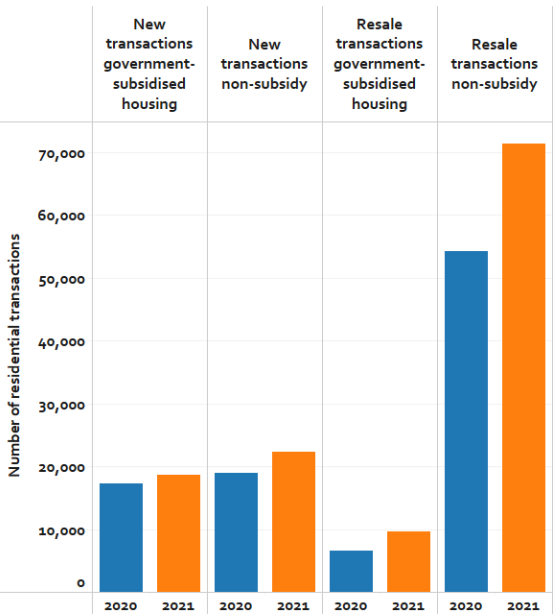


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

■ Number of first-time home buyers/owners
■ Number of resale residential transactions

First-time home buyers/owners by transaction type, 2020 and 2021

South Africa



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

The resale market is an important and popular means for first-time home buyers to purchase homes across all market segments, except for the **top luxury** segment where only 17% of the transactions were first-time home buyers. In the market segments under R1.2 million, first-time home buyers accounted for over 50% of the resale transactions.

Record low interest rates beginning in 2020 and stretching into 2021 have reduced the cost of mortgage finance for buyers. However beginning in the latter half of 2021, interest rates began rising again and have continued to climb into 2023 as the South African Reserve Bank seeks to curb inflation.

8. Housing finance

Bonded transactions by market segment

New vs. resale transactions

In 2021, 58% (or 156 668) of all transactions in South Africa were bonded:

- **Most bonded transactions (79%) were for resale**, with the remainder being new transactions.
- **Just under half (49%) of all new transactions were bonded, and 63% of all resale transactions were bonded.**

In the resale market, banks are issuing more bonds at the upper end of the property ladder—both in percentage and absolute terms. The same is also observed in the new build market.

Of the 123 140 resale bonded transactions in 2021, a fraction were for the properties valued below R600 000 (approximately 10%). Most of the resale bonded transactions (54%) were for properties over R1.2 million. In the market segments over R600 000, 63% or more of the resale transactions were funded with a mortgage. Nevertheless, the approximately 12 250 mortgages issued for resale of properties valued under R600 000 demonstrates that the lower end of the market can be supported with formal credit.

New transactions are less likely to be financed with a mortgage than resale purchases. In the new build market, many of the bonded transactions are for properties in the **conventional** market between R300 000 and R600 000. As might be expected, the majority of new purchases of luxury properties are bonded. In the value band between R600 000 and R1.5 million, which includes the gap market, over 70% of the new transactions are bonded.

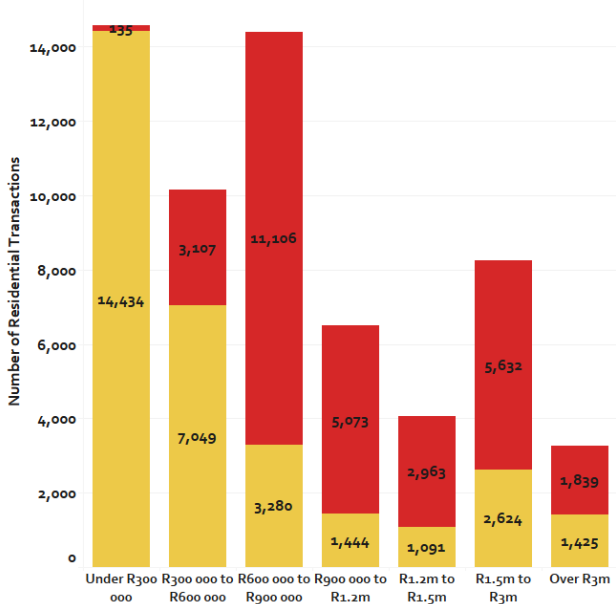
New and resale bonded transactions
South Africa, 2021

Market Segment	New transactions			Resale transactions		
	Bonded transactions	Non-bonded transactions	Percent bonded	Bonded transactions	Non-bonded transactions	Percent bonded
Under R300 000	135	14,434	1%	1,172	9,053	11%
R300 000 to R600 000	3,107	7,049	31%	11,075	9,993	53%
R600 000 to R900 000	11,106	3,280	77%	23,890	12,972	65%
R900 000 to R1.2m	5,073	1,444	78%	20,489	10,577	66%
R1.2m to R1.5m	2,963	1,091	73%	16,441	7,294	69%
R1.5m to R3m	5,632	2,624	68%	37,711	16,614	69%
Over R3m	1,839	1,425	56%	12,362	7,367	63%
Total	29,855	31,347	49%	123,140	73,870	63%

NB: The total numbers of transactions in this table differs from the 156 668 figure given above because the table does not include 3 673 transactions where the type of transaction is neither new nor resale but is 'non-applicable'.

Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022)

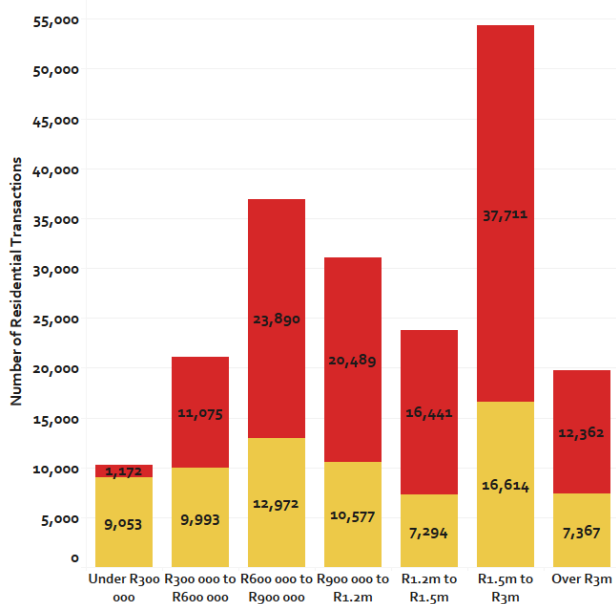
Number of new residential transactions
South Africa, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

■ Bonded transactions
■ Non-bonded transactions

Number of resale residential transactions
South Africa, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

■ Bonded transactions
■ Non-bonded transactions

9. Housing finance

Bonded transactions by lender

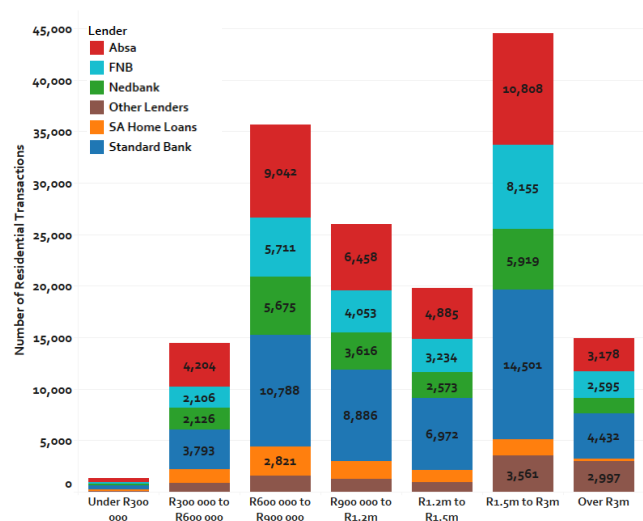
The total number of bonded transactions in 2021 was 156 668, a 33% increase in South Africa’s mortgage lending compared to 2020 volumes. Correspondingly, the value of the bonded transactions also jumped by 48%, from R149.3 billion in 2020, to R221.1 billion in 2021. This sharp increase in the size and value of the loan book in 2021 from 2020 is likely partially a response to record low interest rates in 2020 and the first part of 2021, and provides evidence that the mortgage market is recovering from declines due to COVID-19 lockdowns and restrictions.

Overall, Standard Bank had the largest market share of residential bonded transactions in South Africa in 2021 at 32%. This was followed by Absa with 25%, and FNB with 17%. All lenders issued more bonds for resale transactions than for newly-built homes.

All five major banks were active in each market segment in 2021. Generally Standard Bank was the most active across the market, although the exception was the **affordable segment**, where Absa issued the more mortgages. The largest share of the bonded transactions in South Africa in 2021 (28%) were in the **mid-luxury market** from R1.5 million to R3 million. However it should be noted that this **mid luxury** segment is a wider band than the others and covers a larger range of values.

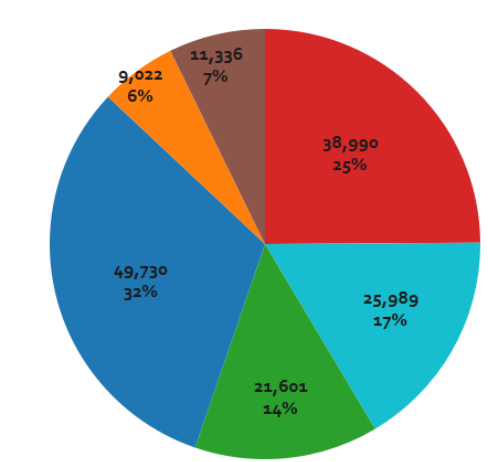
For properties valued in the **entry market** under R300 000, the largest provider of bonds was Absa - responsible for 31% of bonded **entry market** transactions in 2021. This was followed by Standard Bank and Nedbank at 26% and 14% respectively. SA Home Loans (which includes Capitec) issued just 11% of the bonds in this market segment in 2021.

Number of bonded transactions by lender by market segment
South Africa, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Bonded transactions by lender
Total number of bonded transactions: 156 668
South Africa, 2021

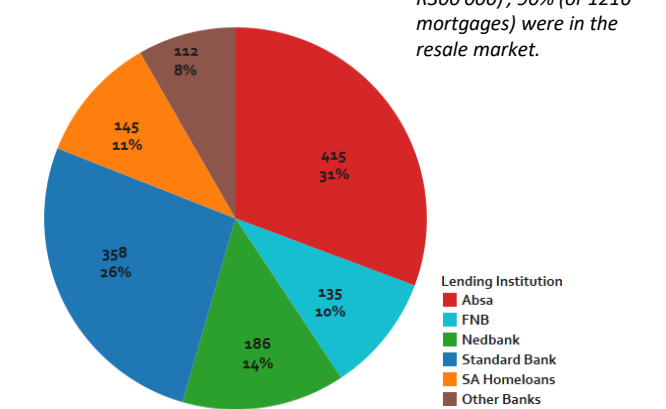


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

- Lending Institution
- Absa
 - FNB
 - Nedbank
 - Standard Bank
 - SA Homeloans
 - Other Banks

The drop in the prime rate to 7% in 2020 significantly increased affordability and created considerable opportunity to broaden access to mortgage finance, particularly for first-time (working-class) home buyers in the lower market segments. However, there was still a decline in mortgage uptake in 2020 despite the reduced interest rates. Interestingly, an increase in mortgage loans is seen in 2021 despite interest rates rising closer to levels pre-COVID beginning in the latter part of 2021.

Under R300 000 bonded transactions by lender
South Africa, 2021

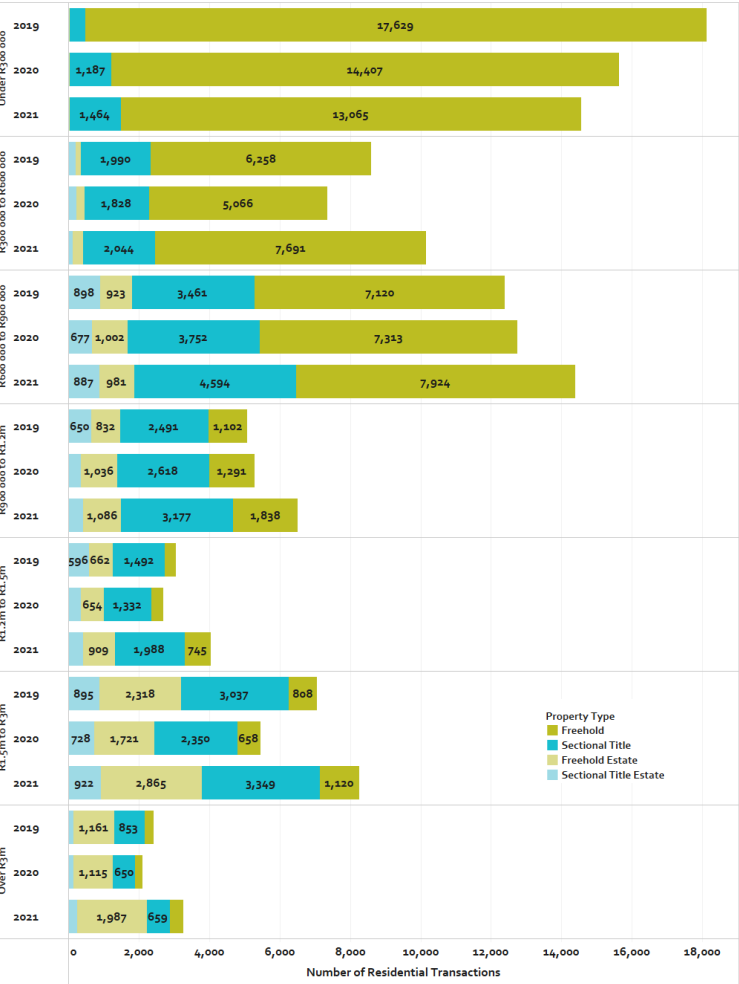


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

Of the 1351 bonded transactions for properties in the entry market (under R300 000), 90% (or 1216 mortgages) were in the resale market.

10. Freehold vs. sectional title properties

Number of new residential transactions by property type
South Africa, 2019 - 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

*Freehold*¹ properties are owned in their entirety, most commonly a single home on a single stand. A *sectional title* property is typically a single unit in a shared context, such as a block of flats or complex of townhouses. Both these property types can also exist within a private estate. For this analysis, properties which fall within a private estate are categorised as either *freehold estate* or *sectional title estate* properties.

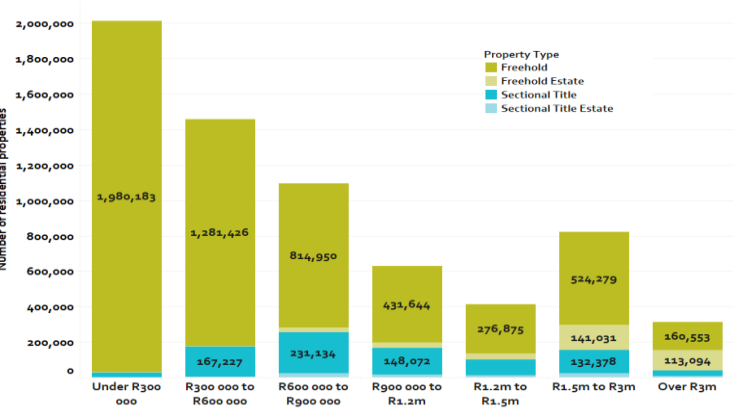
Most of the new registrations at the lower end of the property ladder are freehold properties outside of private estates, often delivered through government housing programmes. For example, 90% of the new transactions in the **entry market** in 2021 were freehold properties outside of estates. Over R900 000, the number of new transactions of regular freehold properties outside of estates drops significantly.

At the upper end of the property ladder, a significant number of the new properties being built in South Africa are freehold homes in private estates. Of the 3 264 new transactions valued over R3 million in 2021, 60% were freehold estate and 20% were sectional title properties outside of estates.

With regard to existing stock, overall, most properties were freehold — in 2021, 98% of all properties valued **under R300 000** were freehold, and 74% in the **R600 000 – R900 000** market, compared to just 51% in the market segment **valued over R3 million**.

It appears that more lower-value sectional title properties are being built, as suggested by the increasing number of new transactions of sectional title properties outside of estates that are targeted at the market between R900 000 and R1.2 million. In the market range R1.2 - R3 million, the majority of new transactions in 2021 were sectional title properties located outside of private estates. Sectional title properties typically offer an affordable alternative for households wanting to own a home. Municipalities can therefore encourage mixed uses/ mixed income and property types, to improve integration and affordability by applying the levers of land use planning and approvals.

Total number of residential properties by property type
Total number of residential properties: 6 738 520
South Africa, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

11. Comparing South Africa's eight metros

With respect to the volume of properties, Johannesburg had the largest residential property market across the eight metros — with a total number of approximately 828 000 residential properties in 2021, compared to Buffalo City with the lowest at approximately 132 000.

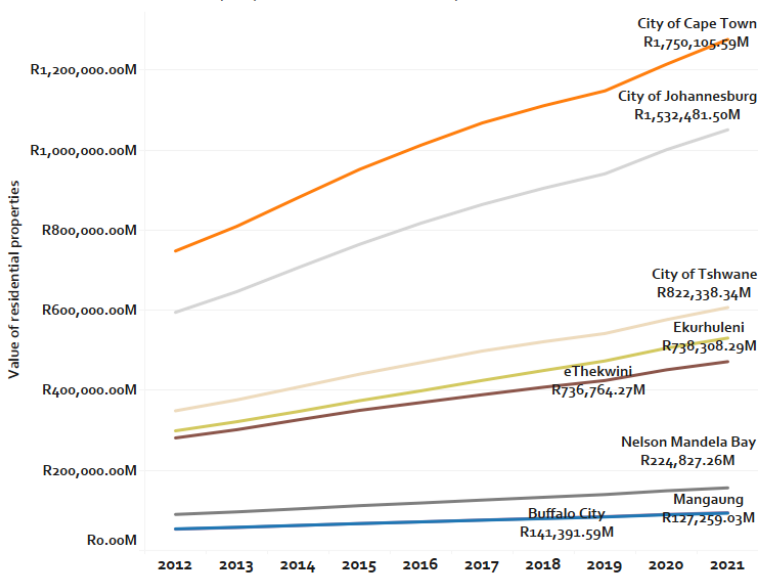
In terms of value, Cape Town has the largest residential property market, at R1.75 trillion, followed by Johannesburg with R1.53 trillion. In contrast, Mangaung has a much smaller market totaling R127.3 billion.

Nelson Mandela Bay is the metro with the largest percentage of government-subsidized properties—42% of residential properties in the metro are the result of government housing programmes. In contrast, eThekweni has the smallest portion of GSP at 22%.

With respect to property types, the metro with the largest percentage of freehold properties in private estates is Tshwane (8%), while Johannesburg has a larger share of sectional title properties (outside of estates)—26%.

Total value residential properties

Total value residential properties metro municipalities, 2012 to 2021

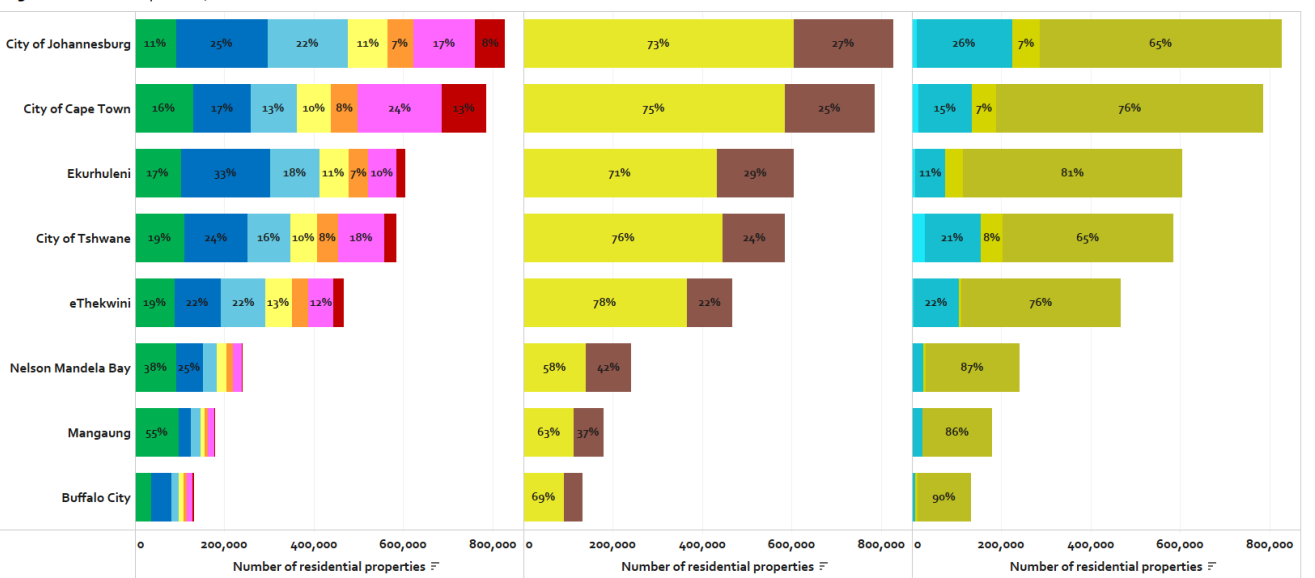


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

- Municipality Name
- Buffalo City
 - City of Cape Town
 - City of Johannesburg
 - City of Tshwane
 - Ekurhuleni
 - eThekweni
 - Mangaung
 - Nelson Mandela Bay

Residential market size

Properties by market segment, government -subsidised housing and property type
Eight Metro Municipalities, 2021



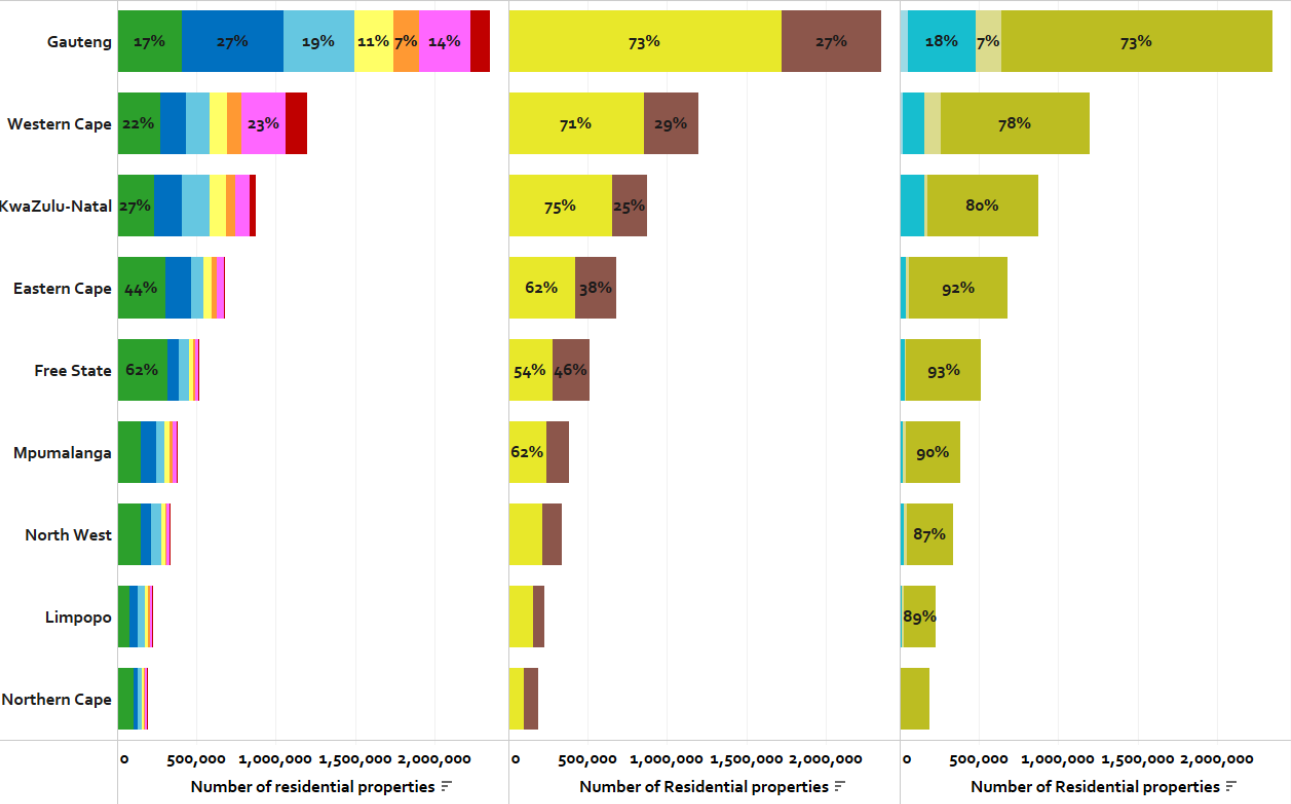
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

- Market Segment
- Over R3m
 - R1.5m to R3m
 - R1.2m to R1.5m
 - R900 000 to R1.2m
 - R600 000 to R900 000
 - R300 000 to R600 000
 - Under R300 000
- Subsidy Type
- Government-subsidised housing
 - Non-subsidy
- Property Type
- Freehold
 - Freehold Estate
 - Sectional Title
 - Sectional Title Estate

12. Comparing South Africa's nine provinces

Residential Market Size

Properties by market segment, government -subsidised housing and property type
All provinces, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced July 2022).

- Market Segment

 - Over R3m
 - R1.5m to R3m
 - R1.2m to R1.5m
 - R900 000 to R1.2m
 - R600 000 to R900 000
 - R300 000 to R600 000
 - Under R300 000
- Subsidy Type

 - Government-subsidised housing
 - Non-subsidy
- Property Type

 - Freehold
 - Freehold Estate
 - Sectional Title
 - Sectional Title Estate

Gauteng exceeds the other provinces in both number of residential properties and total value of the residential property market. Gauteng’s market is valued at R2.4 trillion, comprising 38% of the total value of South Africa’s residential property market. Gauteng also contains 35% of the total number of residential properties in the country. The Western Cape comes second, with 29% of the total value of the SA residential property market, but just 18% of the total number of properties.

The provincial residential property markets also vary by segmentation. The majority of houses in the Free State (62%) were in the **entry market**, valued less than R300 000, while in the Northern Cape this figure is 58%. In Gauteng, a significant portion of the properties were in the **affordable market**, between R300 000 and R600 000: 28%.

In the Northern Cape and Free State, GSP made up nearly half of the province’s residential property market in numbers (48% and 46% respectively). In contrast, government housing programmes account for a much smaller portion of residential properties in KZN—just 25%.

Gauteng and the Western Cape had the largest shares of freehold properties in private estates, explaining the high average property values in those provinces. Given the three large metros within its borders, Gauteng also had the largest number of sectional title properties (outside of estates), comprising 59% of the total of these types of property countrywide.

13. Implications for affordable housing

Conclusions

Growing housing market, but plenty of room for more growth

- As expected, the number of residential properties has been growing year on year. Over the last 9 years, the number of residential properties recorded on the deeds registry has grown by a total of 607 823, from 6.1 million properties in 2012 to 6.7 million properties in 2021. This is almost a 10% increase. Correspondingly, the total value of properties has also increased over the same period of time from R3.6 trillion to R6.3 trillion, a promising 73% increase in value.
- Transactions are good indicators of a property market's activity and health. While there were 6.7 million properties in 2021 in South Africa, only 270 156 transactions (new and resale) were recorded; most of which were in the **conventional**, **high-end** and **mid-luxury** markets. In fact, the least transactions were in the **entry market** segment which is telling of an underserved market.

Minimal availability of properties and market activity in the lower market segments

- Relative to the **high-end** and the market segments above it, **entry** and **affordable** markets are seeing significantly less new delivery and, as stated above, transactions. This is especially true for the **entry market** where, apart from government-subsidised housing programmes, there is limited delivery of properties financed by the private sector. Resale transactions in the **affordable** segment have been on a decline since 2012 and new transactions have been declining since 2015. Likewise, resale **entry market** transactions have also been declining since 2012 while new **entry** transactions have been declining since 2018. However, an increase in 2021 is noted after the dip of 2020 due to COVID-19.
- Overall, the number of properties within these two market segments has been falling for the last 9 years due to reduced delivery and some of the properties filtering onto the **conventional** market. This poses a serious challenge to many South African households whose incomes only allow them to purchase **entry** or **affordable** properties. Affordable housing that has been built but whose titles have not yet been allocated do not reflect on deeds registry. Unless the titles are delivered, these affordable units will remain 'dead capital'.

Skewed mortgage market

- Although the mortgage market has seen considerable growth with a 33% increase since 2020, the lower market segments have received limited growth. The **entry** market saw a 21% increase and a 12% increase was

observed in the affordable segment since 2020 in terms of bonded transactions.

- Of all the bonded transactions in 2021, only 10% were in the two lowest market segments and less than 1% were for properties valued **under R300 000**. Absa and Standard Bank are the most active in the lower end, but there is great potential for all the banks to expand their lending down market.

The significance of government subsidised properties for first-time homeowners

- Most first-time home buyers access their properties in the lower and mid market segments. Government subsidised properties play a significant role for first time homebuyers/owners. 15% of first-time homeowners in 2021 were recipients of government subsidised properties and another 8% bought government subsidised properties on the resale market. There is a lot more potential to grow the number of GSPs available for transaction in the resale market should the barriers to formally buy and sell them be addressed. Removing the pre-emptive clause and resolving the title deeds backlog could both have a significant impact on housing available for the bottom end of the 'gap market'.

Recommendations

Municipalities are keen to improve the functioning of the residential property market in their areas, and to help households get on and move up the property ladder.

Beyond the delivery of subsidized housing, a key opportunity exists in the residential resale market, where resale market prices are often for values lower than what is available in the new build market. Leveraging the potential of the resale market depends on resolving the title deeds backlog and addressing the incidence of informal transactions, both of which undermine healthy market functioning and constrain transaction values. Intentional and targeted transaction support and title deed restoration efforts are needed. This would also increase municipal revenue.

Municipalities can also offer non-financial incentives, such as expedited municipal application processes, land release, and reductions in compliance costs and development charges. The government's support for a finance linked subsidy creates an important opportunity to stimulate the affordability of low-moderate income households. Applying this in the resale market as well as in the new build market can have the effect of broadening effective demand by both FLISP beneficiaries and the sellers of resale properties who become buyers of the next property up the ladder. This will ultimately enable developers raise construction finance, increasing the potential for new supply in the affordable and conventional markets, just where it is needed.

14. Report methodology

What is the source of the data?

To produce our Citymark research, CAHF uses South African deeds registry data as cleaned and prepared to our specifications by our partners at Lightstone, one of the leading property data firms in South Africa. We add to this 2011 Census data provided by StatsSA. This report only reflects the formal property market that is registered on the Deeds Registry. Informal or untitled properties, such as those in informal settlements, or which comprise part of the national titling backlog, are therefore not reflected in the analysis.

How are the indicators derived?

About one-third of the indicators are simply counts of conditions within suburbs, such as numbers of properties, sales or average values. CAHF uses these building blocks to create the remaining indicators, based on our experience in housing finance and real estate development. All of the indicators can be shown at the suburb, municipality or metro levels, up to the national level, allowing for comparisons and benchmarking.

How are the images and analysis created?

Record-level deeds data is aggregated at the suburb level into specifically defined indicators, which are then merged at the suburb level with Census data. Citymark uses 2011 StatsSA subplace boundaries, ensuring that all data sources aggregate to the same boundaries.

Why use market segments?

Market segmentation allows for analysis of how categories of properties have performed differently over time. Most properties under R300 000 were developed through government intervention with resale restrictions. Properties between R300 000 and R1.2 million are of current interest to investors and developers keen on providing more affordable housing within those segments. However it must be noted that the market segments used in this analysis are static, and are not adjusted for inflation across the years. Thus a house valued at R300 000 in 2012 was relatively more expensive than a R300 000 house today. Furthermore, a particular property may move into a different market segment as it depreciates or appreciates. In this report, we have added two more market segments at the top end of the market to allow for better analysis of properties and transactions valued over R1.2 million.

How is the value determined?

The property values in this report are not taken from municipal valuation roles. Instead the value is provided by Lightstone using their own proprietary methodology which takes into consideration a range of indicators, including transaction price, the level of sales activity in an area, and the extent of mortgage lending.

How is transaction price determined?

The prices or transaction amounts listed are those listed on the deeds registry, with no adjustment for inflation (the nominal price). In the case of government-subsidised properties, the original transaction price recorded in the deeds registry when a beneficiary receives their title deed is typically based on the subsidy quantum although different methodologies are used depending on the municipality or implementing agent for the housing project.

How are government-subsidised properties identified?

Government-subsidised houses are not explicitly recognised or marked on the title deed. Therefore it is necessary to use a proxy to identify government-subsidised properties on the deeds registry. The proxy we use is based on common programme characteristics of BNG/RDP houses, including the year, first registration price and buyer type, maximum prices, and proximity to other similar housing types.

The **Centre for Affordable Housing Finance in Africa** (CAHF) is a research NGO whose mission is to expand Africa's housing markets for all of its residents, through disseminating research and market intelligence, and supporting cross-sector collaborations and a market-based approach.

www.housingfinanceafrica.org

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