



Centre for Affordable
Housing Finance
in Africa

Understanding Housing Markets: South Africa's metros

12 May 2016



Agenda

Understanding housing markets in the metros

Why is understanding important

Housing continuum, a framework

Overview findings of all metro markets

Next steps, applying the findings

The Cities Support Program

This brief

- Understanding housing markets

- Using data to find new ways of understanding

- Building internal capacity

Deliverables

- Updated city report

- House price index model

Understanding markets

Why is data important? *What market requires intervention?*

NEIGHBOURHOOD 1

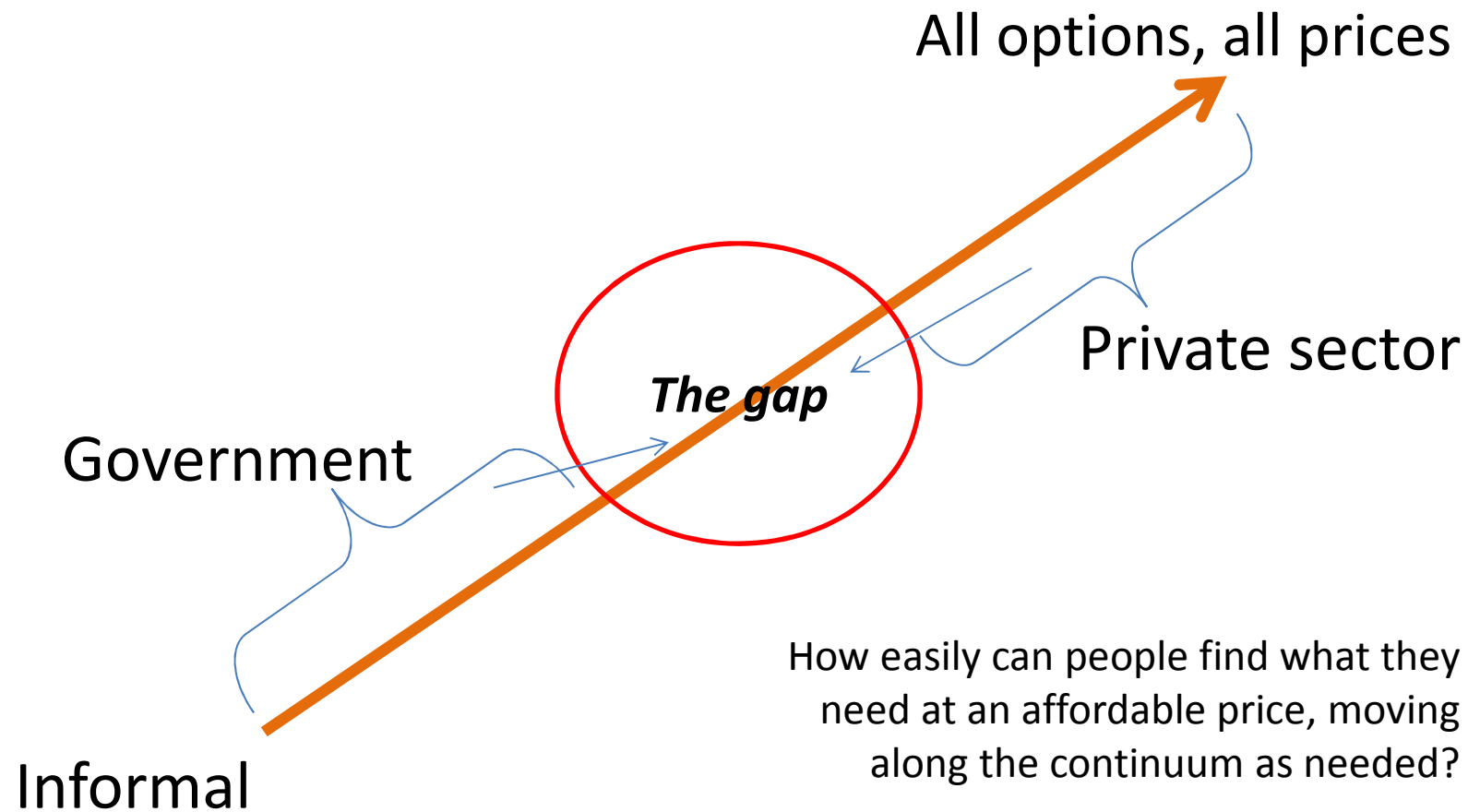
- Average home value, sales price and per capita income are one-third metro average
- Almost half of the 11 000 households rent
- Only 11% of houses have mortgage bonds
- Over last five years, there have been very few new registrations

NEIGHBOURHOOD 2

- Outperformed the city in 4/6 key housing performance measures, indicating that the neighbourhood is growing faster than the city overall
- 5700 residential properties worth R2-billion
- 4 metro stations providing ready access to major CBD
- R175-million total annual household income
- R9-million in sales last year

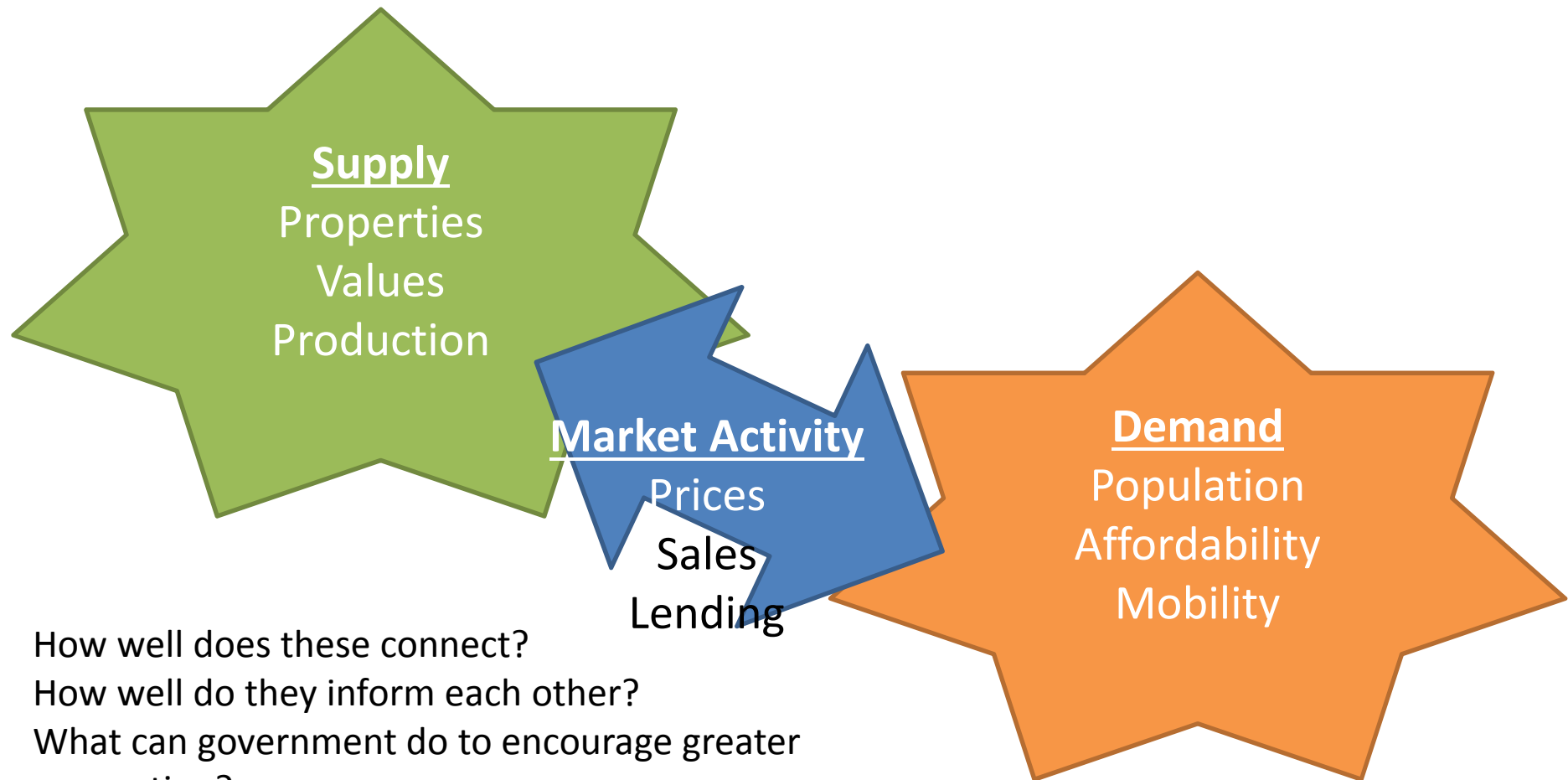
Reinforce perception or find opportunity?

Housing Continuum



Housing Framework

How do we understand housing markets?

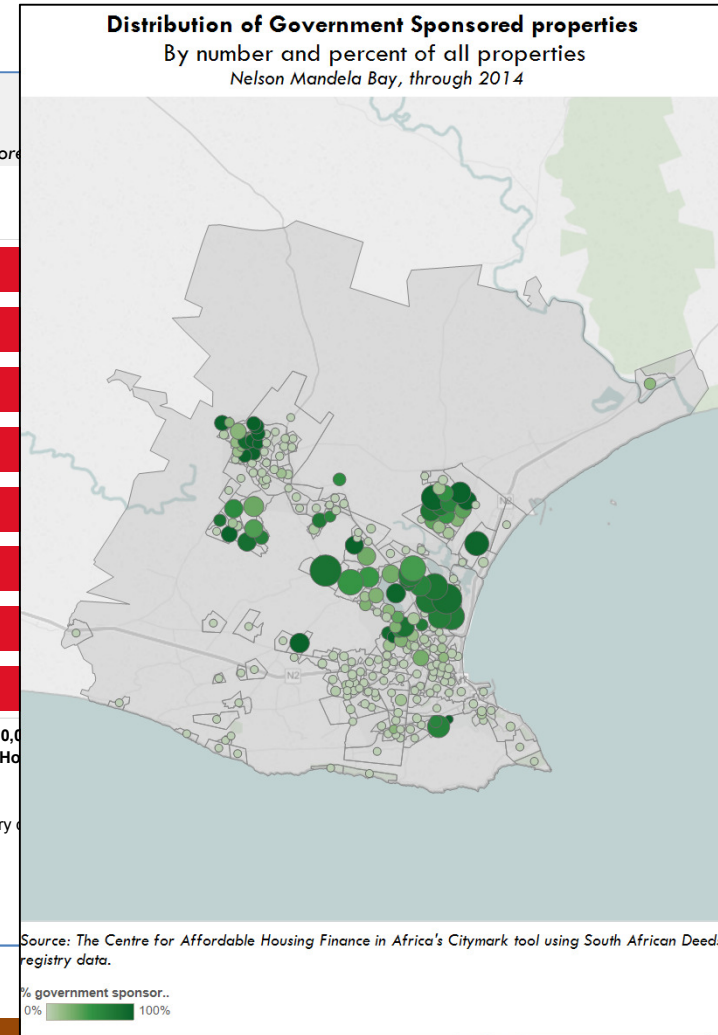
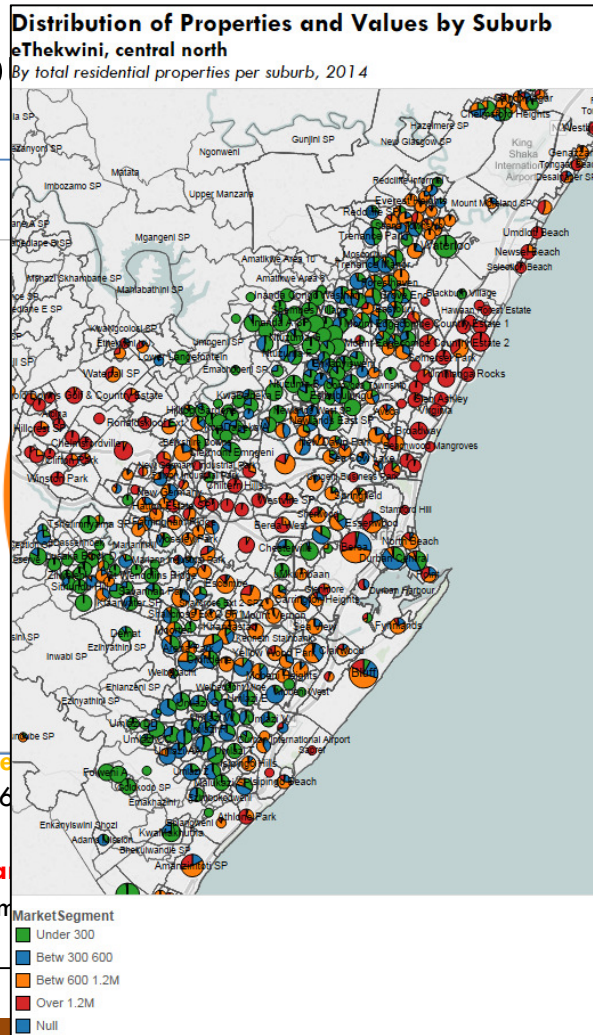


How well does these connect?
How well do they inform each other?
What can government do to encourage greater connection?

The Market Framework: *Supply*

What how
Where
What is
At what

- ◆ **The subsidy market** – properties worth R300 000 or less
- ◆ **The gap market** – properties worth between R300 000 and R600 000
- ◆ **The affordable market** – properties worth between R600 000 and R1.2 million;
- ◆ **The conventional market** – properties worth over R1.2 million



The Market Framework: *Activity*

The interaction of supply and demand

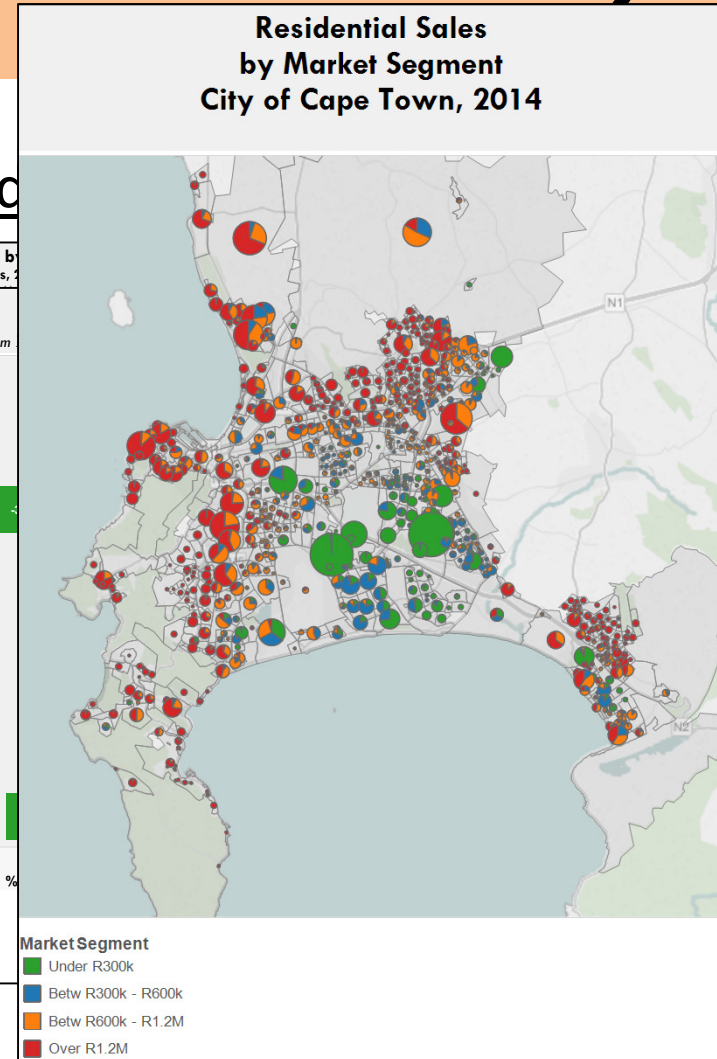
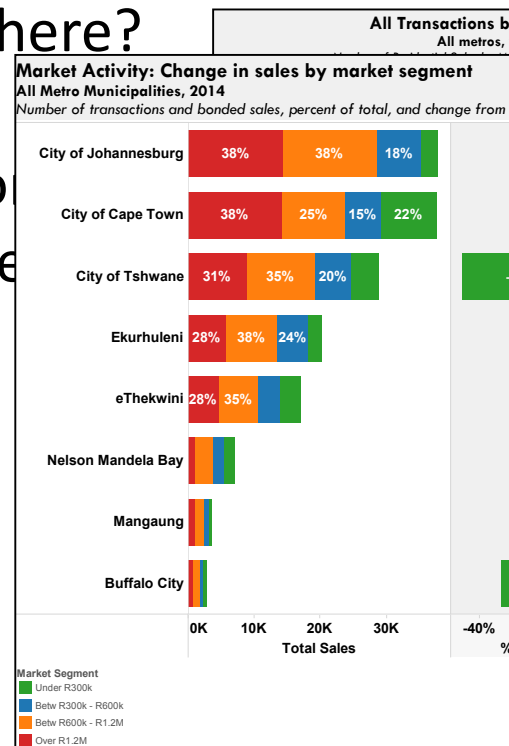
What's trading, where?

At what rate

Who is investing or

Who is being served

- ◆ **The subsidy market**—properties worth R300 000 or less;
- ◆ **The gap market**—properties worth between R300 000 and R600 000;
- ◆ **The affordable market**—properties worth between R600 000 and R1.2 million;
- ◆ **The conventional market**—properties worth over R1.2 million.

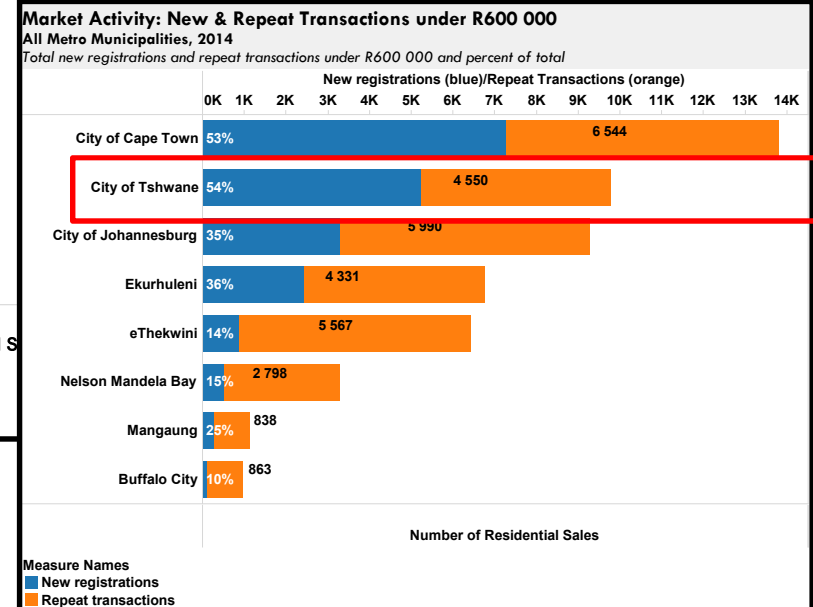
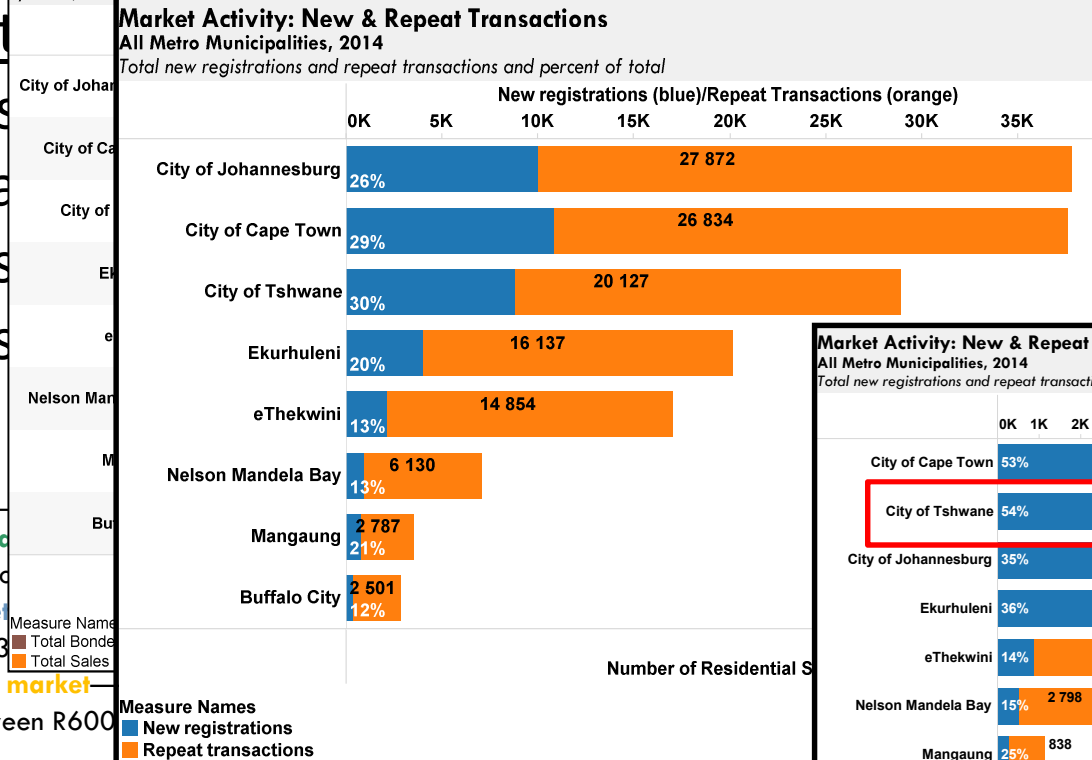


The Market Framework: *Activity*

The int
What's
At wh
Who is
Who is

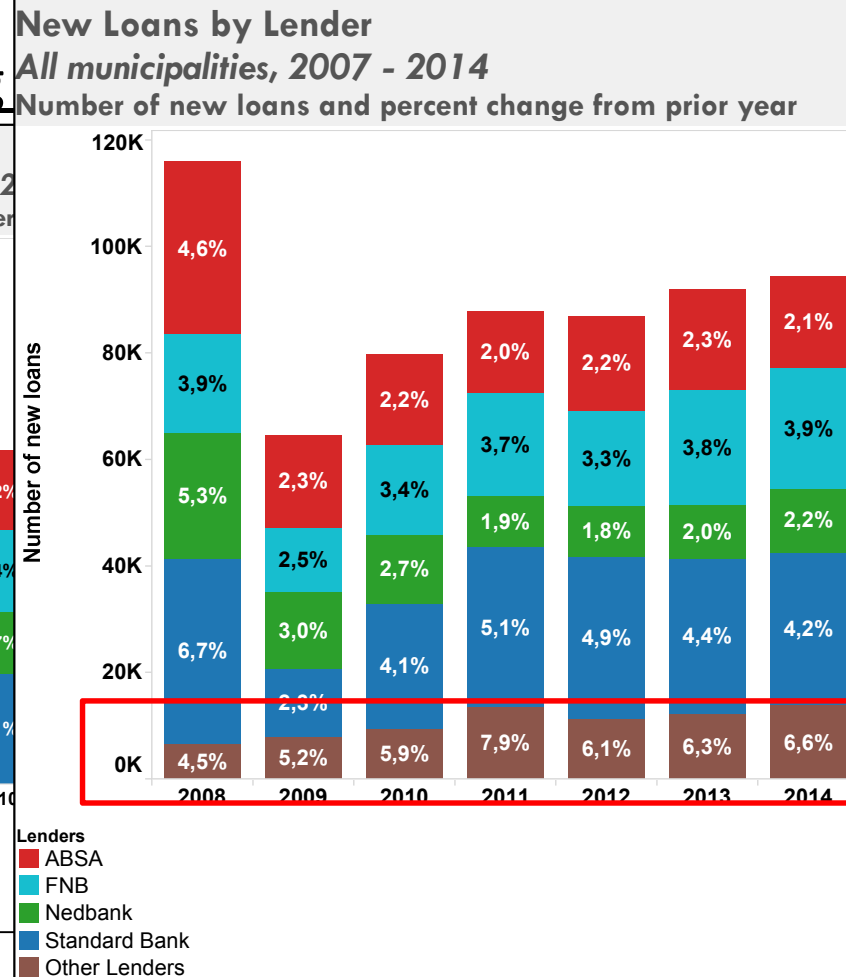
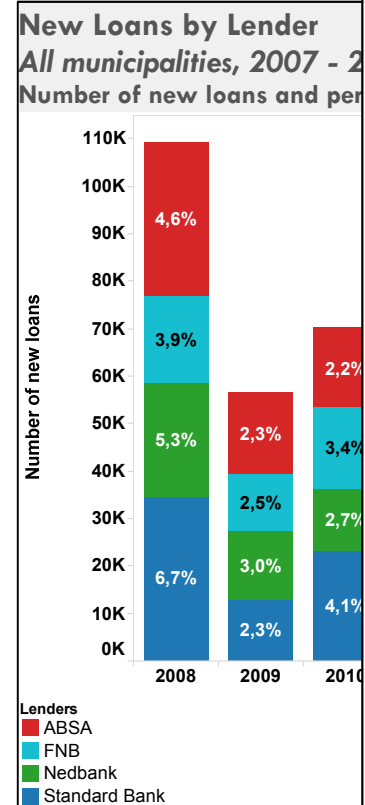
- ◆ **The subsidy market** — properties worth between R300 000 and R600 000
- ◆ **The gap market** — properties worth between R600 000 and R1.2 million
- ◆ **The affordable market** — properties worth between R600 000 and R1.2 million
- ◆ **The conventional market** — properties worth over R1.2 million.

Total Transactions and Bonded Sales
All Metro Municipalities, 2014
By metro, with percent bonded as a percentage of all sales



The Market Framework: *Lending*

How is lending helping

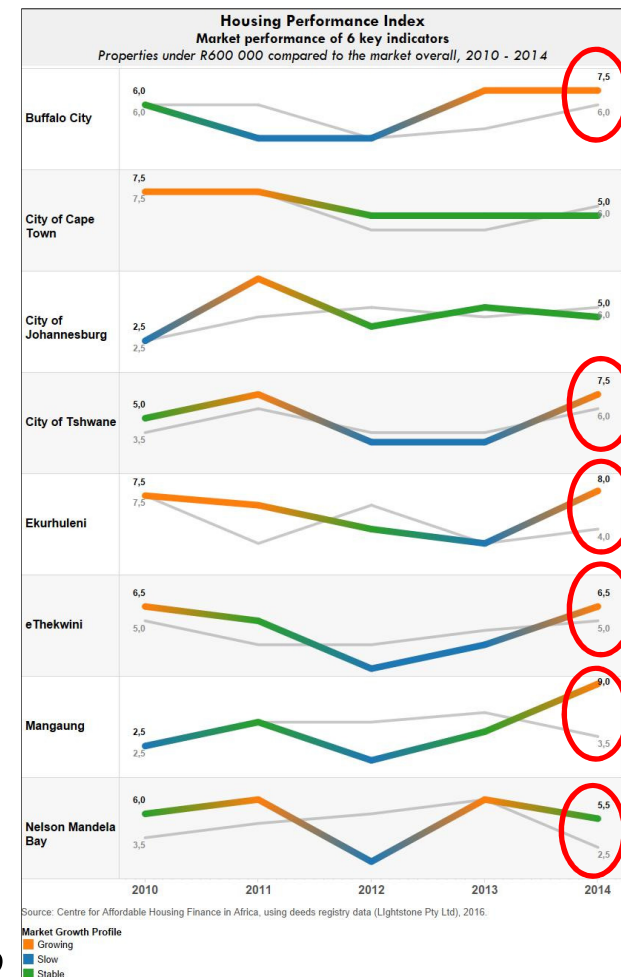


Market Performance

Index uses six indicators:

1. Property value
2. Transaction price
3. Total transactions
4. Total bonded transactions
5. Churn (turnover)
6. New registrations

- ✓ Measure percent change from prior year, compare to province
- ✓ Score, trend over time
- ✓ Separate under R600 000



➤ *What is it telling us?*

The market

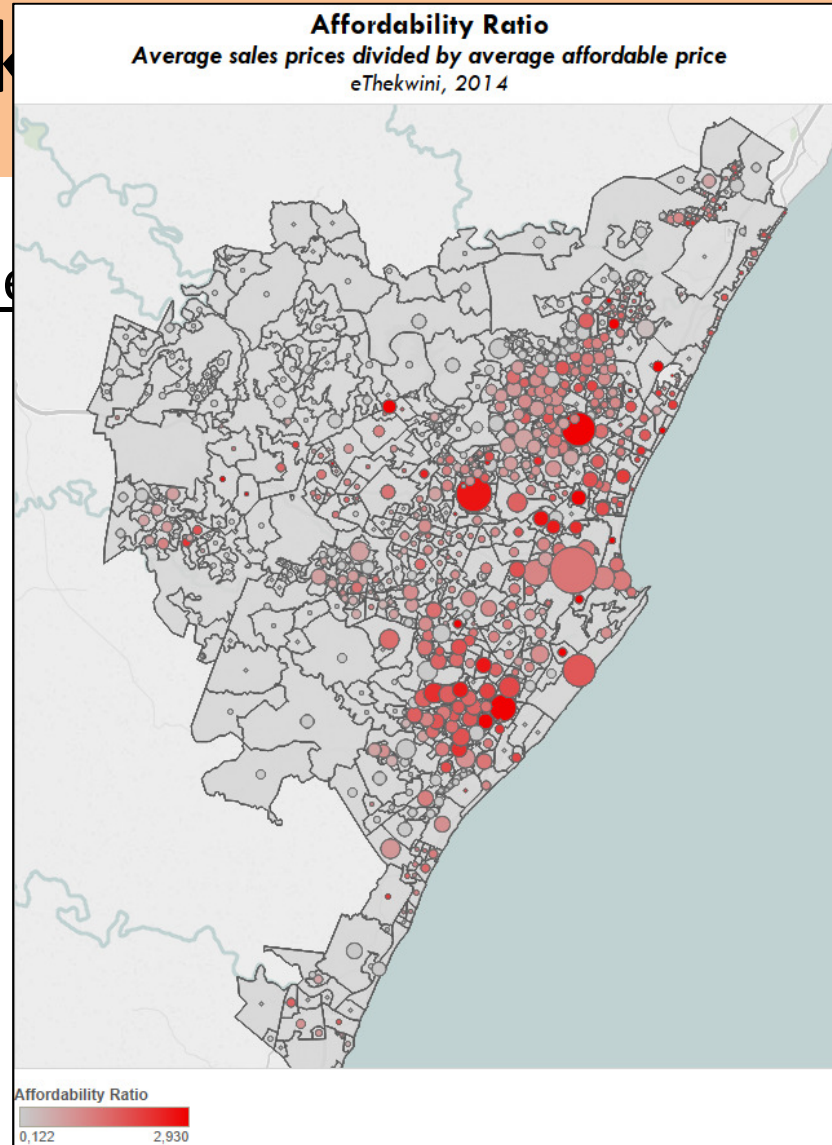
rdability






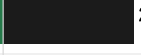

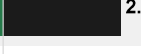

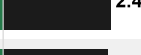

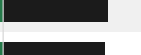

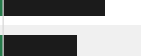

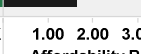
What is affordable

Where?

To whom?

To what degree?



	R -528K		 3.10
	R -566K		 2.93
	R -531K		 2.93
096K	R -678K		 2.62
	R -466K		 2.41
119K	R -641K		 2.34
	R -349K		 2.28
	R -312K		 1.65
action	-1000K	-500K	0K
	Affordable Price Gap		Affordability Ratio

From statistics to solutions

How can indicators guide policy?

Housing need

High housing backlog to properties
High households to properties ratio
Low turnover (churn)

Focus on housing supply

Potential sites
Infrastructure

Rental housing
Construction finance

Affordability

Low average incomes
Low affordability (high ratio)
Low prices + high aff ratio

Focus on bringing down costs

Household subsidies: FLISP, closing costs, incremental finance, site and service

Finance costs: interest rate subsidies, lower loans

Access equity: lower loans to free up RDP equity

Applying the Findings

Indicator	Implies	Informs
Distribution of properties	Market size	Potential demand, spatial gaps, areas of opportunity, timing
Distribution of households	Market size	Overcrowding, development potential, demand, spatial gaps
Distribution of transactions	Market formality	Affordability and housing gaps, price potential, credit access
Distribution of bonds	Investor interest	Credit access, indebtedness, potential investor partners
Distribution of equity	Market potential	Potential demand, affordability, areas of opportunity
Households to properties	Demand	Overcrowding, development constraints, affordability, gaps
Affordability ratio	Affordability	Housing gaps, price potential, credit demand



“The most effective mayors own the picture of their city.
You should own and carry an understanding of the dynamics
of your city.” - *Mayor Williams*

Thank you!

Adelaide Steedley

adelaide@housingfinanceafrica.org

www.housingfinanceafrica.org/citymark