

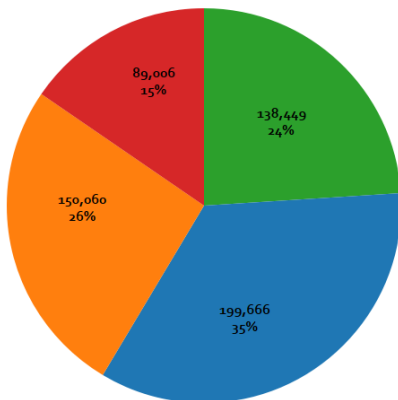
EKURHULENI Housing Market Report - 2018

1. Size of the residential property market
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3. Residential transactions – new and resale
4. First time home owners/buyers
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Ekurhuleni’s residential property market is primarily affordable with 60% of residential properties valued less than R600 000. 28% of properties in the metro have been financed by the state as part of the national housing subsidy programme. In 2017, 71% of all residential transactions (15 054) were on the resale market, compared to only 6 131 new registrations on the deeds registry in that year. Only 19% of new transactions in 2017 were in the entry-level market below R300 000. Of the 1 162 new transactions in this segment, 96% were government-subsidised properties.

1. Size of Ekurhuleni’s residential property market

Number of residential properties by market segment Ekurhuleni, 2017



Data Source: CAHF’s Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Market segment
 ■ Under R300 000
 ■ R300 000 to R600 000
 ■ R600 000 to R1.2m
 ■ Over R1.2m

There are 577 181 residential properties on the deeds registry in Ekurhuleni, making up 26% of the total residential properties in the Gauteng.

This report separates the total residential property market into four segments, according to value:

- The **entry market**— properties worth R300 000 or less
- The **affordable market**—properties worth R300 000 - R600 000
- The **conventional market**—properties worth R600 000 - R1.2 million
- The **high-end market**—properties worth over R1.2 million

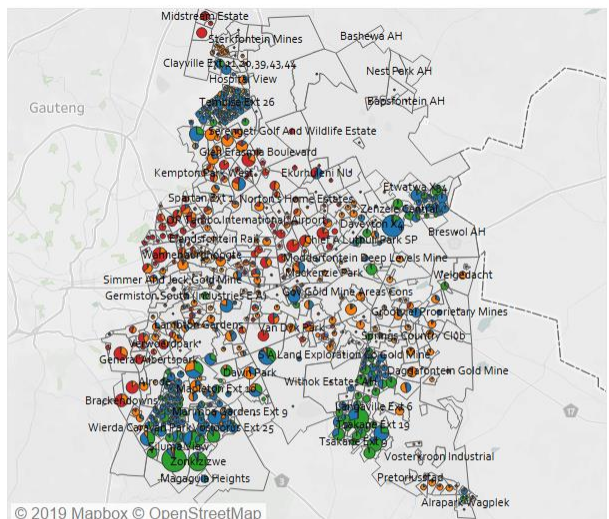
The residential property market is primarily affordable, with nearly 60% of residential properties in Ekurhuleni are valued at R600 000 or less. Only 15% of residential properties are in the highest segment, valued at over R1.2 million.

This map shows the spatial distribution of residential properties by value across the metro. Each pie graph represents one Census subplace or suburb: the size of the circle reflects the total number of registered properties in that suburb while the coloured slices of the pie represent the number of properties in each market segment.

In Ekurhuleni, the majority of entry market houses (valued at R300 000 or below) are located in the southern parts of the metro and in Tembisa, while the high-end residential properties are grouped in the middle areas around Germiston and Kempton Park.

This report utilises 2017 title deeds data obtained from Lightstone Pty Ltd.. Because of this, the report only covers properties which appear on the deeds registry (the formal market) – it does not include properties that are not formally registered on the deeds registry, as might be found in backyards or in informal settlements. Valuations are provided by Lightstone and are not based on municipal valuation rolls. See page 11 for further information.

Distribution of residential properties by market segment Ekurhuleni, 2017



Data source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

Number of residential properties
 ● 5,000
 ● 10,000
 ● 14,262

Market segment
 ■ Under R300 000
 ■ R300 000 to R600 000
 ■ R600 000 to R1.2m
 ■ Over R1.2m

2. Number of government-subsidised properties As share of each market segment

The total value of Ekurhuleni's residential property market in 2017 was R428.2 billion and constitutes 26% of the total provincial residential property market (in value).

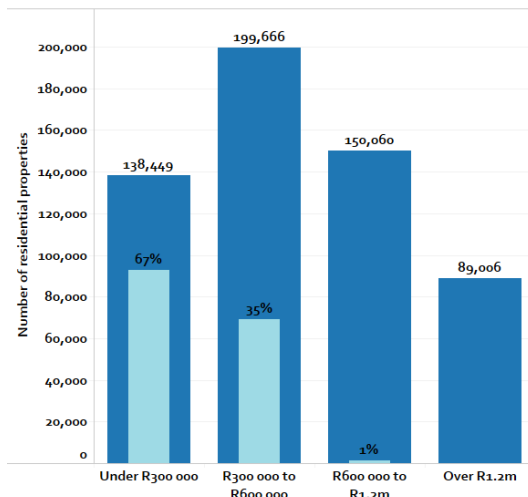
26% of Gauteng households reside in the Ekurhuleni metro. The average monthly household income in the metro (R13 328–2016 estimate)¹ is lower than for the province as a whole (R16 099).

29% of households in Ekurhuleni rent, slightly more than the provincial figure of 27%.²

Over one quarter (28%) of all properties on the deeds registry in Ekurhuleni (162 833) appear to have been subsidised by the state.

In this analysis, government-subsidised property (GSP) refers to houses built through various government programmes, including RDP, BNG and the discount benefit scheme. Since government-subsidised houses are not marked as such on the title deed, we utilise a proxy to identify these properties on the deeds registry—see page 11 for a full explanation.

Total residential properties by market segment Ekurhuleni, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Measure Names
■ Total number of govt-subsidised houses
■ Total number of residential properties

Residential property market - Comparing Ekurhuleni to the province

Total number of households (2016) - Ekurhuleni ¹	1 299 490
<i>As share of all provincial households</i>	26.2%
Total number of residential properties - Ekurhuleni	577 181
<i>As share of total provincial residential properties</i>	26.0%
Total value of residential properties - Ekurhuleni	R428.2 billion
<i>As share of total provincial residential properties</i>	26.0%
Average property value - Ekurhuleni	R741 880
<i>Average property value for the province</i>	R899 482
Percent of households renting (2016) - Ekurhuleni ¹	28.8%
<i>Percent of households renting in the province</i>	27.1%
Average monthly household income (2016 estimate) - Ekurhuleni ²	R13 328
<i>Provincial average household income (2016 estimate) ²</i>	R16 099
<i>Percent of provincial average income</i>	83%
Government-subsidised properties as share of total residential properties - Ekurhuleni	28%
<i>Percent of GP government-subsidised properties which are located in Ekurhuleni</i>	28%

Total residential properties by market segment Ekurhuleni, 2017

Market segment	Total number of residential properties	Percent share of total	Total number of govt-subsidised houses	Govt-subsidised properties percent share of market segment
Under R300 000	138,449	24%	92,676	67%
R300 000 to R600 000	199,666	35%	69,054	35%
R600 000 to R1.2m	150,060	26%	1,103	1%
Over R1.2m	89,006	15%	0	0%
Grand Total	577,181	100%	162,833	28%

Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

- Government-subsidised housing accounts for a significant portion of affordable housing stock in Ekurhuleni: 67% of houses valued under R300 000, and 47% of all houses valued under R600 000, are government-subsidised.
- Of the total 162 833 GSP houses in Ekurhuleni, 57% are valued at R300 000 or below, while 42% are valued between R300 000 and R600 000.
- The average value of GSP 0-8 years old is R209 051, while the average value of GSP properties over 8 years old is R252 158.

Notably, 97% (158 076 properties) of total GSP in Ekurhuleni are over 8 years old, and thus eligible to be sold. This creates an entry market that is more affordable than the cheapest newly-built housing available – a first step onto the housing ladder for low income earners.

3. Residential transactions in Ekurhuleni

New build market

In South Africa, the residential property market is very thin and widely spread. 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. Only houses where the beneficiary has received their title deed will be included in this data.

There was a notable 46% increase in new build transactions in 2017, compared to the previous year, primarily in the affordable market.

In 2017, there were a total of 6 131 new transactions, or 29% of the total transactions in that year.

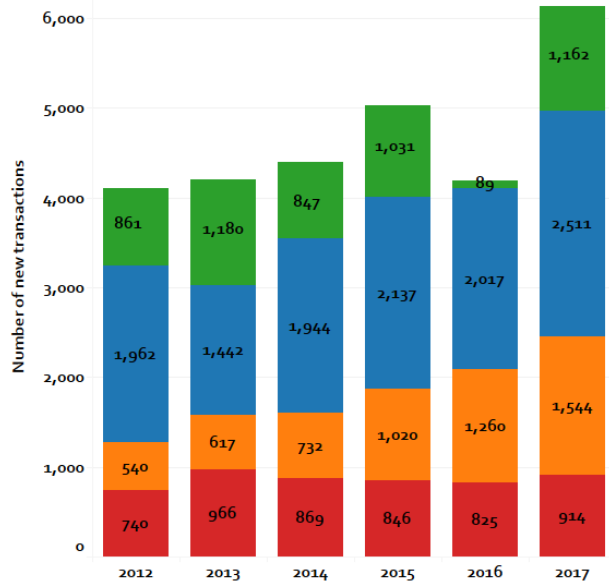
- The largest number of these transactions (2 511) was in the affordable market—41%. This number increased by a sizable 24% compared to 2016.
- 25% of new transactions were in the conventional market, and 15% in the high-end market.
- Only 19% of new transactions in 2017 were in the entry-level market. Of the 1 162 new transactions in this segment, 96% were government-subsidised properties.

This map illustrates where new residential transactions are taking place in the metro. There is a circle for each Census subplace: the size of the pie graph reflects the number of transactions in 2017, and the coloured slices of the pie indicate the market segments where those transactions took place.

The majority of new transactions in 2017 in the entry level market occurred in the south of the metro, in Villa Farm Boksburg, Masetjhaba View and Bluegum View in Duduza.

There were also a sizable number of new transactions in the affordable market in Ekurhuleni Nu.

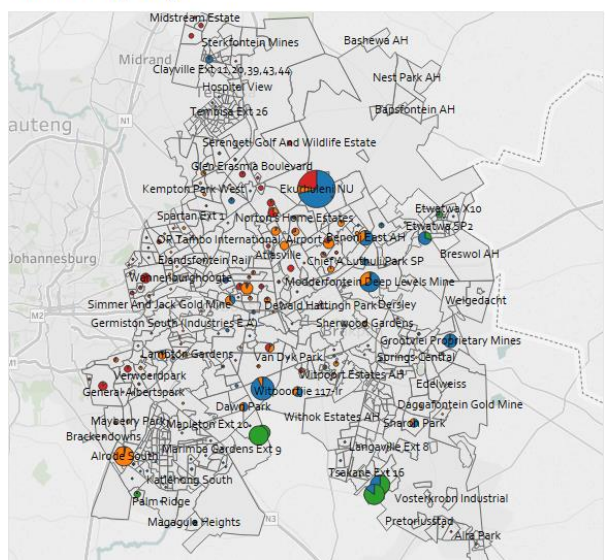
New residential transactions by market segment Ekurhuleni, 2017



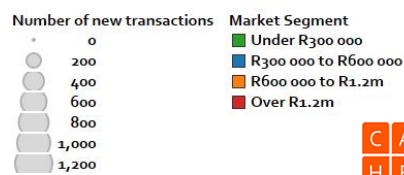
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)



Distribution of new residential transactions by market segment Ekurhuleni, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)



3. Residential transactions in Ekurhuleni

Resale market

The resale market in Ekurhuleni is significantly more active than the market for new build properties. In 2017, **71% of all residential transactions were resale.**

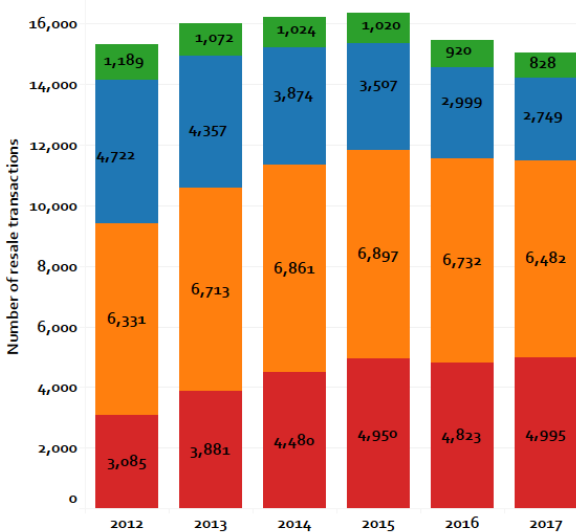
The number of resale market transactions was fairly stable from 2012 to 2015, but declined in 2016 and 2017. Specifically, the affordable market showed a pattern of declining resale transactions from 2012-2017, while the number of resale transactions in the high-end market has been rising slowly. Consistently over this time period, the bulk of resale activity took place in the conventional market where houses are valued between R600 000 and R1.2 million.

In the entry market of properties valued less than R300 000, the number of resale transactions has been declining steadily, while the number of new transactions dropped to 89 in 2016 and then climbed to 1 162 in 2017, largely due to government housing programme delivery.

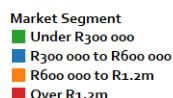
In 2017, there were a total of 15 054 resale transactions in Ekurhuleni. The bulk of resale transactions were in the conventional (43%) and the high-end market (33%), compared to only 6% in the entry market below R300 000.

In contrast to the new build market, the majority of resale transactions are concentrated in the western suburbs of the metro.

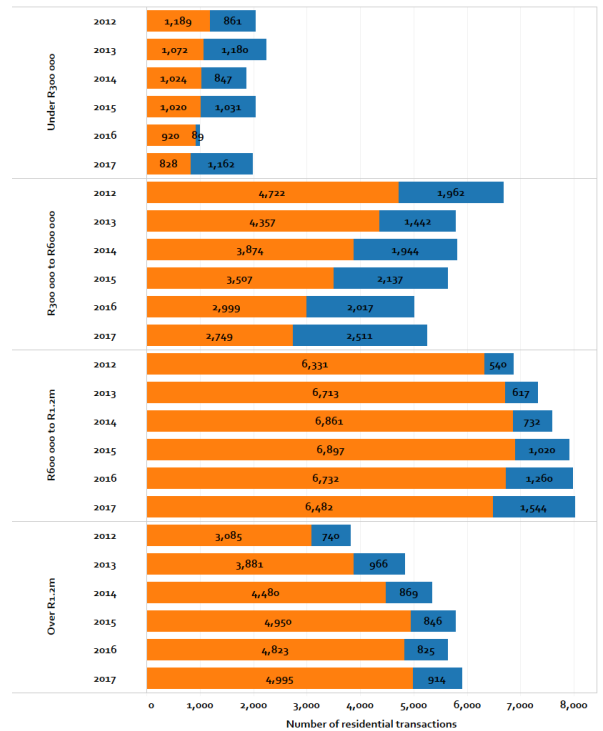
Resale residential transactions by market segment Ekurhuleni, 2017



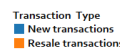
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)



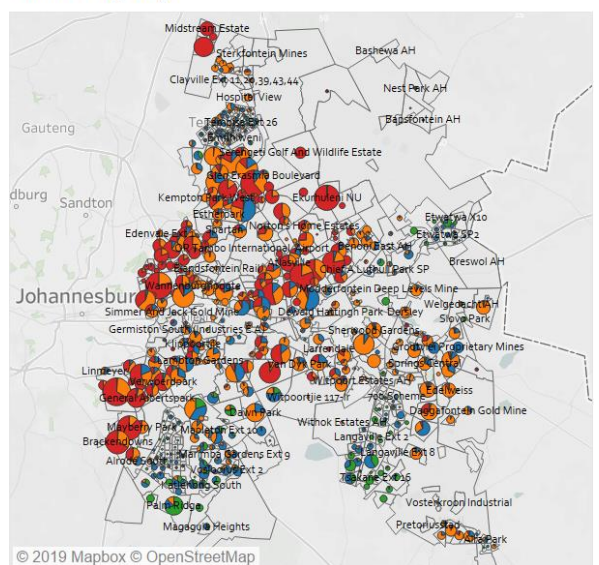
New and resale transactions by market segment Ekurhuleni



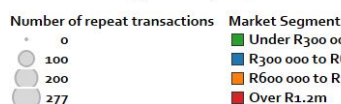
Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)



Distribution of resale residential transactions by market segment Ekurhuleni, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)



4. First-time home buyers/owners

Accessing the property market via new and resale markets

The majority of first-time home buyers/owners¹ in Ekurhuleni are purchasing their homes on the **resale market** instead of buying newly-constructed homes or receiving houses from government.

In 2017, there were 9 570 households who became homeowners for the first time. Only 16% (1 524) of these households became home owners by receiving a new government-subsidised property (GSP). Another 6% purchased a GSP on the resale market. 50% bought a new house (non-GSP) and 28% bought a house (non-GSP) on the resale market.

Overall the majority of transactions by first-time home buyers/owners are on the resale market (56%)—indicating that the resale market is the main means for first-time homeowners to step onto the property ladder.

However at the lower end of the market, first-time homeowners are primarily moving into new homes instead of purchasing on the resale market. In the entry market, 70% of first-time homeowners acquired their house through new registrations. Government-subsidised housing was largely responsible for this: 1 072 of the 1 109 new transactions by first-time homeowners in the entry market were GSP.

Low-income households are also becoming homeowners for the first time by purchasing old RDP houses that are for sale. Of the 484 resale transactions by first-time buyers of houses in the entry market in 2017, 370 (76%) of these resale transactions were GSP.

First time home buyers as percent of all transactions Ekurhuleni

	2013	2014	2015	2016	2017
Under R300 000	72%	72%	75%	62%	80%
R300 000 to R600 000	51%	56%	57%	59%	66%
R600 000 to R1.2m	33%	36%	37%	39%	43%
Over R1.2m	13%	14%	16%	18%	18%

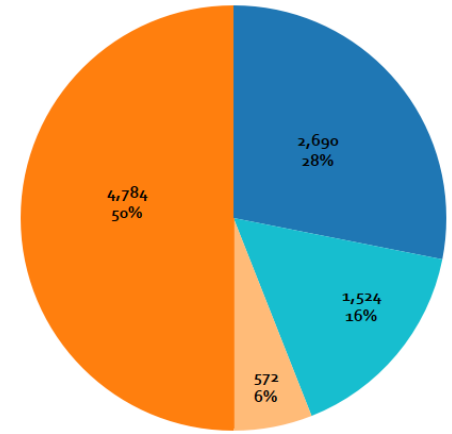
Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

First-time homeowners drive the market at the lower end. 80% of transactions of properties under R300 000 and 66% of transactions of properties R300 000 – R600 000 (including GSP) are first-time homeowners/buyers.

However, notably, the majority of first-time home buyers/owners (76%) are entering the property market in the affordable and conventional markets, despite the contribution of government's housing programme. A smaller proportion (27%) of first-time buyer/owners are acquiring properties valued below R300 000 (including GSP beneficiaries).

First time home buyers

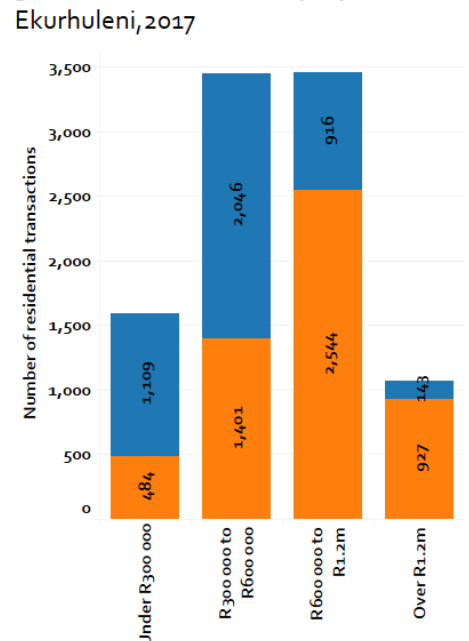
Ekurhuleni, 2017



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018).

Transaction Type
 ■ New transaction non-subsidy
 ■ New transactions government subsidised
 ■ Resale transaction government subsidised
 ■ Resale transaction non-subsidy

Number of first-time home buyers/owners (including government-subsidised properties) Ekurhuleni, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Transaction Type
 ■ New transactions
 ■ Resale transactions

¹ In this section of the report we use the term 'first time home buyers/owners' because not all of these households purchased their homes e.g. beneficiaries of government-subsidised houses.

5. Housing finance

Bonded transactions by market segment

New vs. resale transactions

In 2017, 61% (or 12 999) of all transactions in Ekurhuleni were bonded:

- 72% of bonded transactions were for resale and 28% were new transactions.
- 60% of all new transactions were bonded, while 62% of all resale transactions were bonded.

Nearly all bonded transactions in the new build market are for properties valued over R300 000. Less than 1% of new transactions of properties under R300 000 were financed with a bond, largely because these were government-subsidised properties.

In the resale market, banks are issuing more bonds at the upper end of the property ladder—both in percentage and absolute terms. Only 13% of resale transactions below R300 000 were bonded, compared to 67% of resale transactions of homes valued R1.2 million or more.

New and resale bonded transactions by market segment

Ekurhuleni, 2017

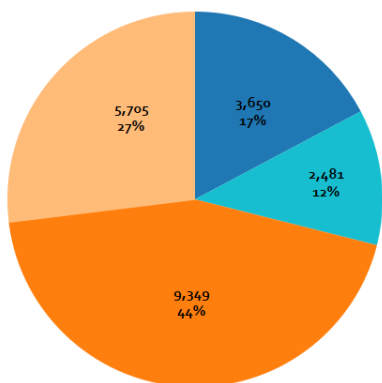
Market Segment	New transactions			Resale transactions		
	Number of residential transactions	Number of bonded transactions	Percent bonded transactions	Number of residential transactions	Number of bonded transactions	Percent bonded transactions
Under R300 000	1,162	4	0%	828	105	13%
R300 000 to R600 000	2,511	1,789	71%	2,749	1,549	56%
R600 000 to R1.2m	1,544	1,297	84%	6,482	4,348	67%
Over R1.2m	914	560	61%	4,995	3,347	67%
Grand Total	6,131	3,650	60%	15,054	9,349	62%

Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

Transaction Type
■ New transactions
■ Resale transactions

Bonded and non-bonded transactions (new and resale)

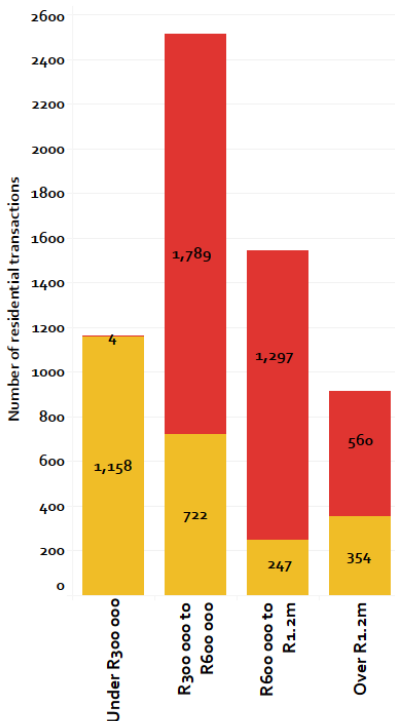
Ekurhuleni, 2017



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

Transaction type
■ New transaction bonded
■ New transaction not bonded
■ Resale transaction bonded
■ Resale transaction not bonded

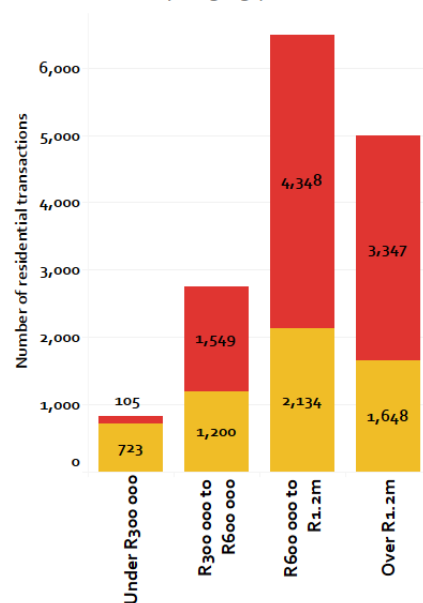
Number of new transactions Ekurhuleni (2017): 6 131



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Bonded Transaction
■ Bonded
■ Not bonded

Number of resale transactions Ekurhuleni (2017): 15 054



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Bonded Transaction
■ Bonded
■ Not bonded

5. Housing finance

Bonded transactions by lender

Overall, FNB and Standard Bank had the largest market share of residential bonded transactions in Ekurhuleni in 2017—both at 26% of the total in 2017. This was followed by Absa and Nedbank at 15% each, and SA Home Loans at 12%. All lenders issued more bonds for resale transactions than for newly-built homes.

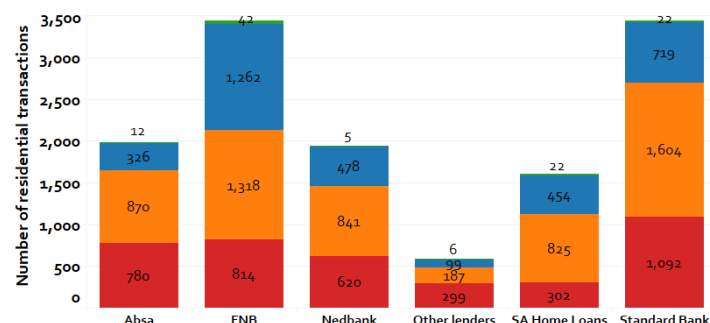
All five major banks are active in each market segment, although the affordable segment (R300 000 – R600 000) is dominated by FNB (comprising of 38% of all bonded transactions in this segment) and Standard Bank (22%). Standard Bank has the largest slice of both the conventional market (28%) and the high-end market (28%).

However all five banks only have approximately 1% of their total bonded transactions in the entry market below R300 000. FNB reached down market the most: in 2017, 38% of their bonded transactions were for properties valued below R600 000.

With respect to the entry market of properties valued under R300 000, only 109 bonds were issued in this market segment in 2017. The largest provider of bonds was FNB who was responsible for 39% of bonded transactions in this market segment in 2017, followed by Standard Bank and SA Home Loans which each had a 20% share.

With respect to the overall size of the mortgage market in Ekurhuleni, mortgage lending increased very slightly (0.25%) in 2017 with respect to the number of outstanding mortgages. However the size of the loan book increased by 3.7% in 2017.

Total bonded transactions by lender by market segment Ekurhuleni, 2017

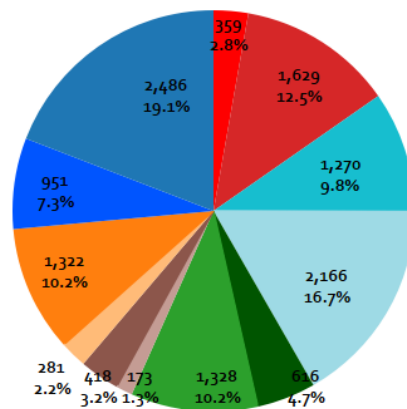


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018).

Market Segment
■ Under R300 000
■ R300 000 to R600 000
■ R600 000 to R1.2m
■ Over R1.2m

Residential bonded transactions by lender Ekurhuleni, 2017

Ekurhuleni, 2017

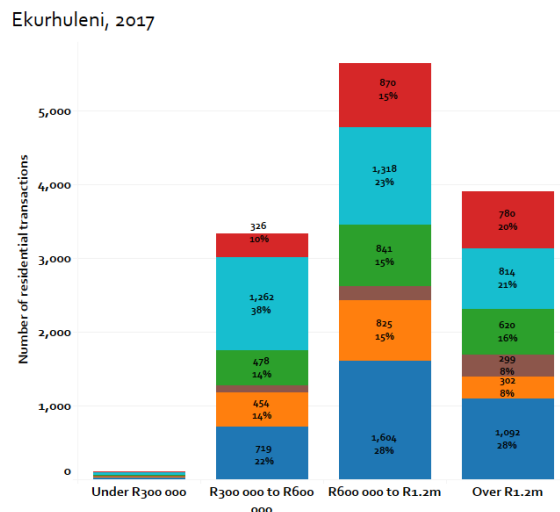


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

Lender by type of transaction

- Absa new transactions
- Absa resale transactions
- FNB new transactions
- FNB resale transactions
- Nedbank new transactions
- Nedbank resale transactions
- Other new transactions
- Other resale transactions
- SAHL new transactions
- SAHL resale transactions
- SBSA new transactions
- SBSA resale transactions

Total bonded transactions by market segment by lender Ekurhuleni, 2017



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018).

Lender
■ Absa
■ FNB
■ Nedbank
■ Other lenders
■ SA Home Loans
■ Standard Bank

6. Freehold vs. sectional title properties

Freehold 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. In this analysis, properties which fall within a private estate—both freehold or sectional title—are categorised as *estate* properties.

Estate properties mainly exist at the upper end of the market—70% of estate properties are valued over R1.2 million. Freehold properties are mainly in the lower market segments: 65% of freehold properties are valued below R600 000, and 92% of properties in the entry and affordable markets are freehold. Sectional title properties are primarily in the affordable and conventional market segments.

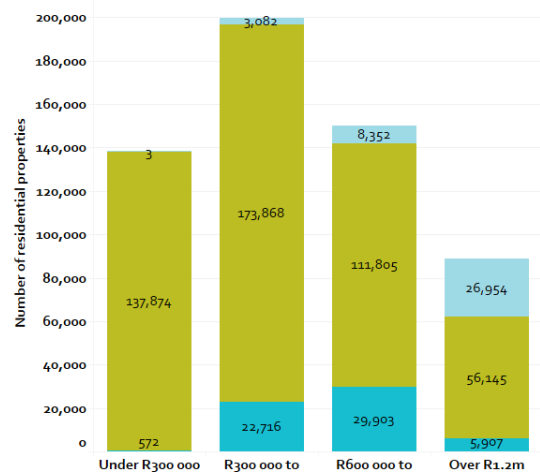
The data on new transactions helps to paint a picture of what types of residential properties are being built and sold in each market segment. In the high-end market segment, there has been a steady flow of new registrations of estate properties each year; in 2017, 70% of new transactions in the high-end market were estate properties. In contrast, in the entry and affordable market segments, the majority of new registrations each year are freehold properties. The number of new registrations of sectional title properties has generally been declining from 2012-2017 in the affordable segment, but increasing in the conventional market over this period.

Number of properties by type by market segment
Ekurhuleni, 2017

	Estate		Freehold		Sectional Title	
	Total number of residential properties	Percent share of total	Total number of residential properties	Percent share of total	Total number of residential properties	Percent share of total
Under R300 000	3	0.0%	137,874	28.7%	572	1.0%
R300 000 to R600 000	3,082	8.0%	173,868	36.2%	22,716	38.4%
R600 000 to R1.2m	8,352	21.8%	111,805	23.3%	29,903	50.6%
Over R1.2m	26,954	70.2%	56,145	11.7%	5,907	10.0%
Grand Total	38,391	100.0%	479,692	100.0%	59,098	100.0%

Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

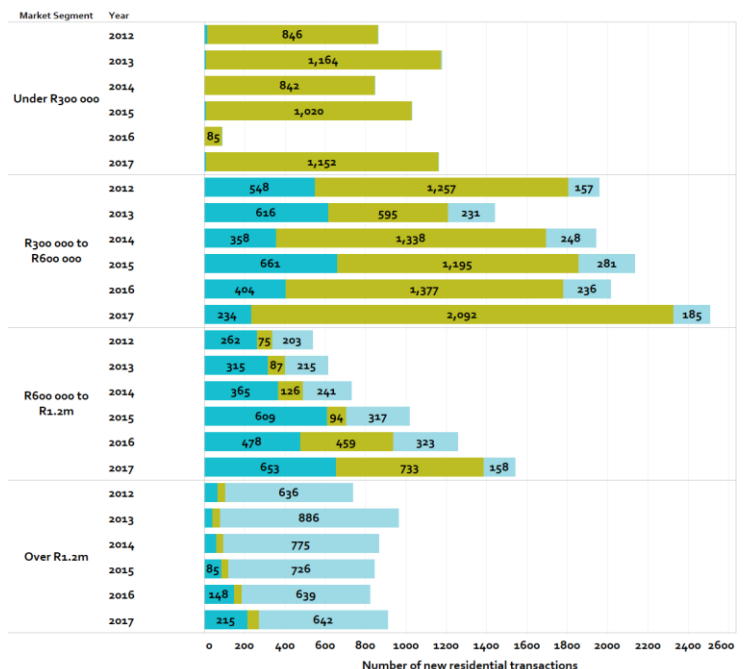
Total number of properties by title type per market segment
Ekurhuleni, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Property Type
■ Estate
■ Freehold
■ Sectional title

Number of new transactions by property type by market segment
Ekurhuleni



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

Property type
■ Estate
■ Freehold
■ Sectional title

7. Comparing Ekurhuleni to other metros

Of the eight metros, Ekurhuleni has the fourth smallest average residential property value in 2017 (R741 880) and the lowest average residential property value of the three Gauteng metros.

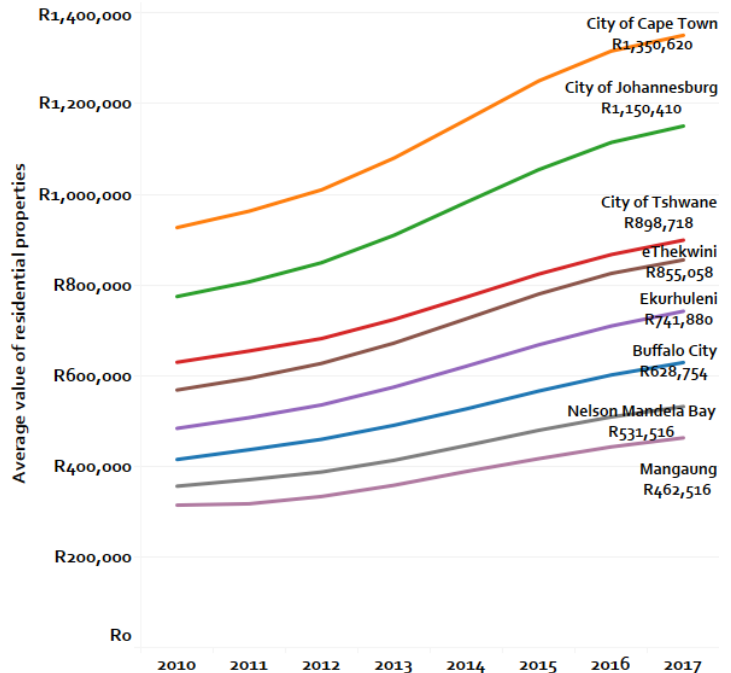
With respect to market size, Ekurhuleni has the third largest residential property market, in terms of number of properties.

In terms of total value of the residential property market, Ekurhuleni is the fourth largest of the eight metros, and the smallest of the three Gauteng metros. The total value of Ekurhuleni's property market is R428.2 billion, compared to Buffalo City which is the lowest at R76.8 billion and Cape Town which is the highest (R1 009.6 billion).

28% of Ekurhuleni's residential properties are government-subsidised, compared to Nelson Mandela Bay at the high end (42%), and eThekweni at the low end (21%).

Ekurhuleni has the fourth highest proportion of freehold properties out of the 8 metros (83%) and the largest proportion of freehold out of the three Gauteng metros.

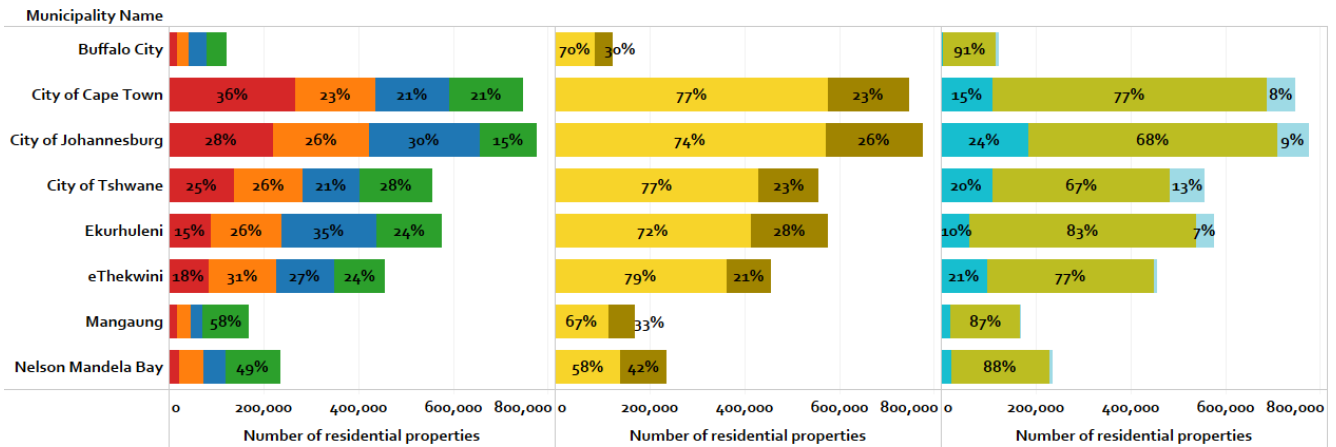
Average value residential properties



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Residential market size

Properties by market segment, government subsidised housing and property type
Eight metro municipalities, 2017



Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

Market segment
■ Under R300 000
■ R300 000 to R600 000
■ R600 000 to R1.2m
■ Over R1.2m

Subsidy Type
■ Government Subsidised
■ Non subsidised

Property Type
■ Estate
■ Freehold
■ Sectional Title

8. 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 analyses created?

Record-level deeds are 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. Properties over R1.2 million trade in more conventional and organic ways.

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.

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 its 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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