

CAPE TOWN Housing Market Report - 2018

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With a total value of R1.009 billion in 2017, Cape Town’s residential property market is less affordable, with only 42% of all residential properties worth less than R600 000. Houses built through government’s housing programmes make up 23% of all residential properties, and 82% of all entry market properties valued less than R300 000. While the number of new and resale transactions has been increasing at the upper end of the market, the number of entry market transactions has slowed.

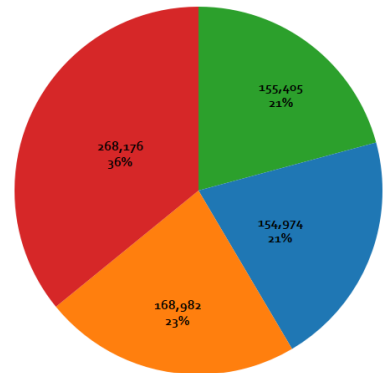
1. Size of Cape Town’s residential property market

There are 747 537 residential properties on the deeds registry in Cape Town, making up 66% of the total residential properties in the Western Cape. This report separates the total residential property market into four segments, according to value:

- **Entry market**—properties worth R300 000 or less
- **Affordable market**—properties worth R300 000 - R600 000
- **Conventional market**—properties worth R600 000-R1.2m
- **High-end market**—properties worth over R1.2m

Only 21% of residential properties in Cape Town are valued at R300 000 or less and fall in the entry market. Another 21% are in the affordable market segment; and 23% fall in the conventional market—valued between R600 000 – R1.2m. The high end market (properties worth over R1.2m) comprises 36% of all properties in Cape Town.

Number of residential properties by market segment
City of Cape Town, 2017

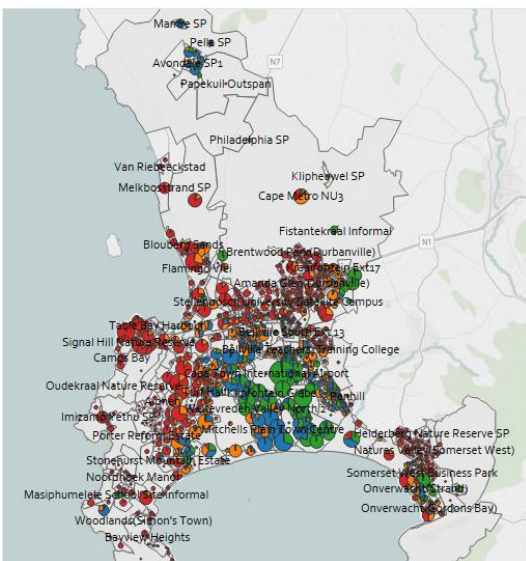


Data Source: CAHF’s Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

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

Distribution of residential properties by market segment

City of Cape Town, 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
 * 0
 ● 5,000
 ● 10,000
 ● 15,380

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

Cape Town Metro Municipality comprises a city centre area, northern suburbs (towards Bloubergstrand and Durbanville), southern suburbs, Cape Flats area, and Somerset West. 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 Cape Town, the majority of entry market houses are located in the Cape Flats area, while the high-end residential properties are grouped in the northern, the Atlantic Seaboard and the CBD.

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.

2. Number of government-subsidised properties

As share of each market segment

The total value of Cape Town's residential property market in 2017 was R1 009.6 billion, and constituted 71.8% of the total provincial residential property market.

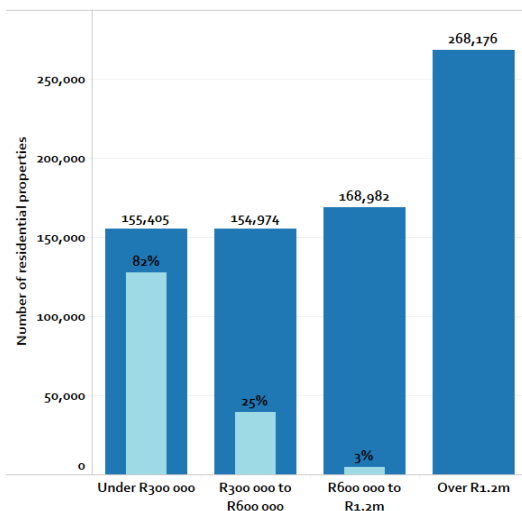
65.4% of Western Cape households reside in the metro. The average monthly household income in the metro (R21 424 – 2016 estimate)² is slightly higher than for the province as a whole (R17 917).

18.2 % of households in Cape Town rent, which is less than the provincial figure of 19.2%.²

23% of all properties on the deeds registry in Cape Town (171 887) 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
City of Cape Town, 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 gov't-subsidised houses
■ Total number of residential properties

¹ StatsSA 2016 Community Survey.
² StatsSA CPI adjustment.

Residential property market – Comparing Cape Town to the province

Total number of households (2016 estimate) – Cape Town ¹	1 264 949
<i>As share of all provincial households</i>	65.4%
Total number of residential properties – Cape Town	747 537
<i>As share of total provincial residential properties</i>	66 %
Total value of residential properties – Cape Town	R 1 009.6 bn
<i>As share of total provincial residential properties</i>	71.8 %
Average property value – Cape Town	R1 350 620
<i>Average property value for the province</i>	R1 241 560
Percent of households renting (2016 estimate) – Cape Town ¹	18.2%
<i>Percent of households renting in the province</i>	19.2%
Average monthly household income (2016 estimate) – Cape Town ²	R21 424
<i>Provincial average household income (2016 estimate)²</i>	R17 917
<i>Percent of provincial average income</i>	120%
Government-subsidised properties as share of total residential properties – Cape Town	23%
<i>Percent of WC government-subsidised properties which are located in Cape Town</i>	58 %

Total residential properties by market segment City of Cape Town, 2017

Market segment	Total number of residential properties	Percent share of total	Total number of gov't-subsidised houses	Govt-subsidised properties percent share of market segment
Under R300 000	155,405	21%	127,779	82%
R300 000 to R600 000	154,974	21%	39,351	25%
R600 000 to R1.2m	168,982	23%	4,732	3%
Over R1.2m	268,176	36%	25	0%
Grand Total	747,537	100%	171,887	23%

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 Cape Town: 82% of houses valued under R300 000, and 25% of houses in the affordable segment (R300 000 - R600 000) are government-subsidised.
- Of the total 171 887 government-subsidised houses in Cape Town, 74% are valued at R300 000 or below, while 23% are valued between R300 000 and R600 000.
- 134 397 GSP properties, or 78% of all GSP properties on the deeds registry, are more than 8 years old and are thus eligible to be sold legally.
- The average value of GSP properties over 8 years old is R187 682, while the average value of GSP properties over 8 years old is more: R242 419. This indicates that GSP houses are appreciating well, providing a substantial asset for beneficiaries.

3. Residential transactions in Cape Town

New build market

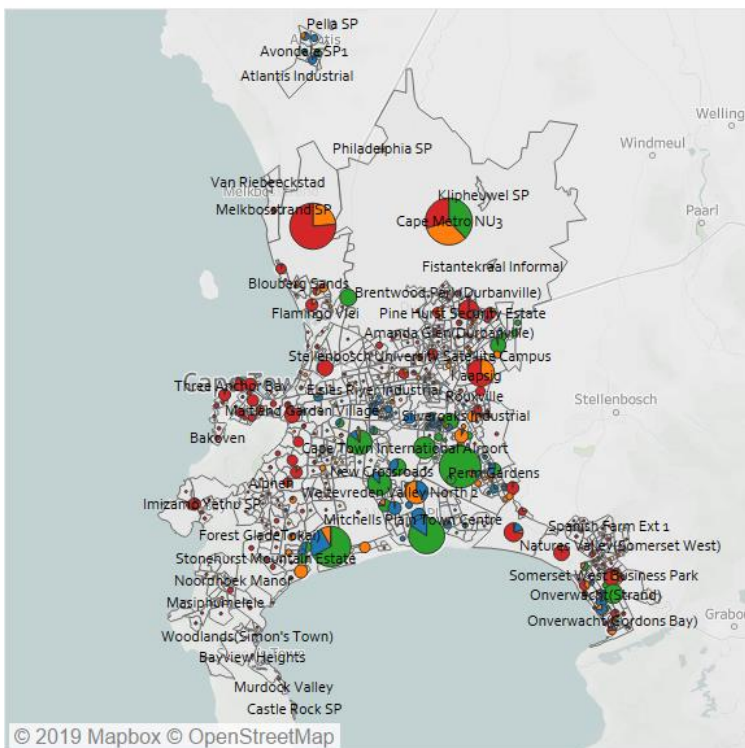
In South Africa, the residential property market is very thin and widely spread. Due to a number of factors, including the significant impact of government housing programmes, the new and resale markets behave quite differently, and therefore are considered separately in this report.

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.**

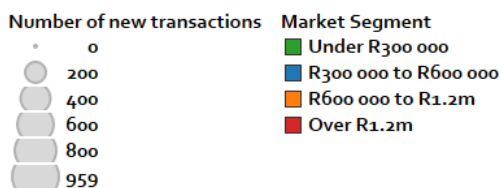
Between 2013 and 2017, the annual number of new residential transactions averaged 10 600 in Cape Town. During this period, the largest growth in new transactions was in the high-end market. However every year the largest share of new transactions was in the entry market below R300 000.

Distribution of new residential transactions by market segment

City of Cape Town, 2017

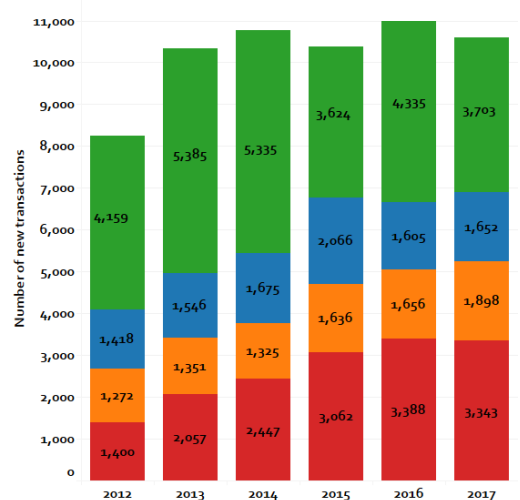


Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)



New residential transactions by market segment

City of Cape Town, 2017



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



In 2017, there were a total of 10 596 new transactions in Cape Town. **35% of new transactions were in the entry market, 16% in the affordable market, 18% in the conventional market, and 32% in the high-end market.**

Of the 3 703 new transactions in the entry market of properties valued less than R300 000, 98% 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 vast majority of new transactions in 2017 occurred in the southwest areas of the metro around Mitchell's Plain, primarily government housing programmes. The high-end new transactions occurred around the Waterfront and in the areas of Melkbosstrand and Bloubaaistrand.

3. Residential transactions in Cape Town

Resale market

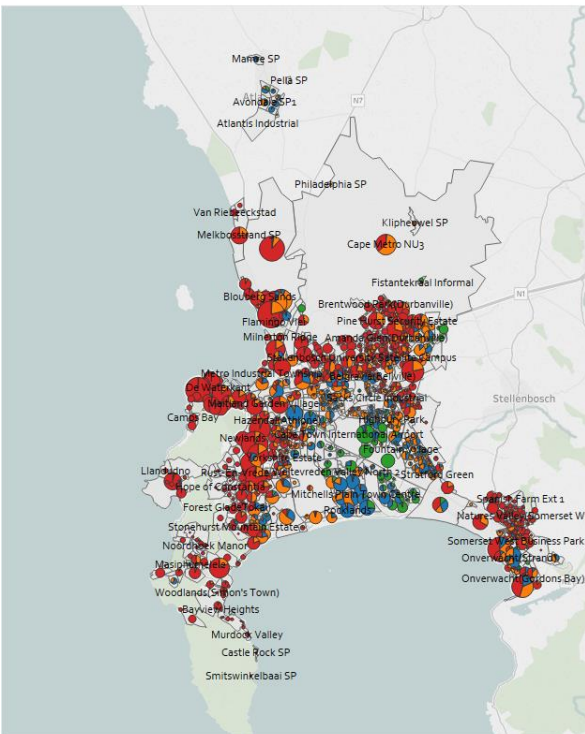
The resale market in Cape Town is significantly more active than the market for new build properties. In 2017, **72% of all residential transactions were resale**. Similar to the new build market, the resale market has seen a steady increase in transactions of high-end properties between 2012 and 2017. However resale transactions in the entry and affordable markets have generally declined since 2015. The number of resale transactions has averaged 27 000 units per annum over this period.

In 2017, there were 26 676 resale transactions in Cape Town, 5% less than the previous year. The bulk of resale activity (56%) in 2017 took place in the high-end market, followed by 25% in the conventional market, 14% in the affordable market, and only 6% in the entry market.

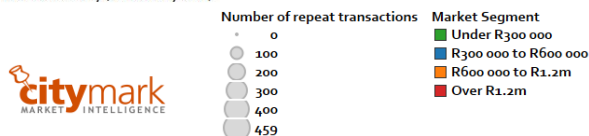
In the entry market of properties valued less than R300 000, most of the transactions (3 703) were new (primarily GSP) compared to 1 525 resale transactions.

As shown in the map below, the resale transactions are concentrated where the higher-value properties are: southern suburbs, northern suburbs and the Waterfront.

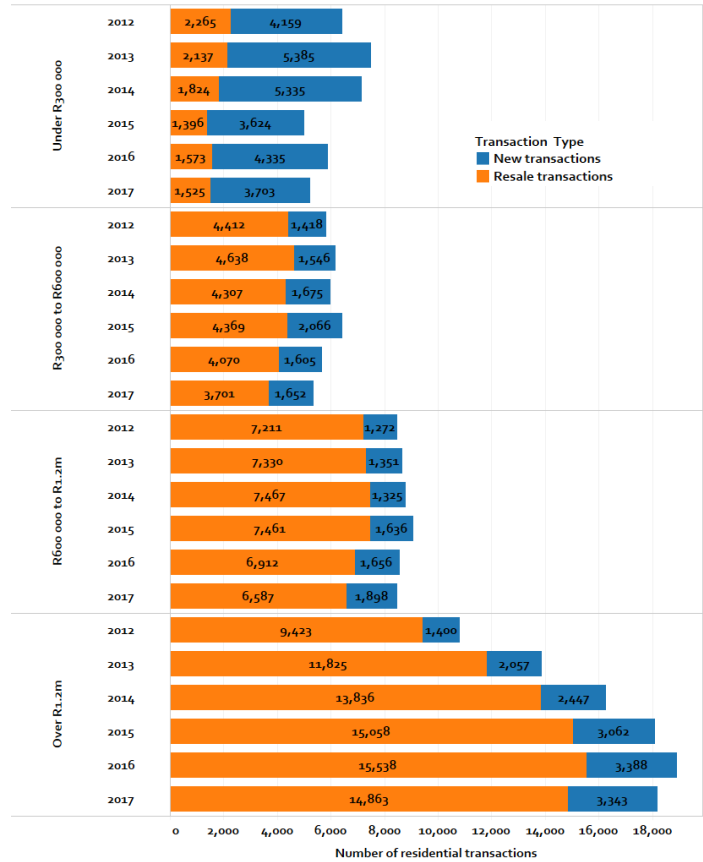
Distribution of resale residential transactions by market segment
City of Cape Town, 2017



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

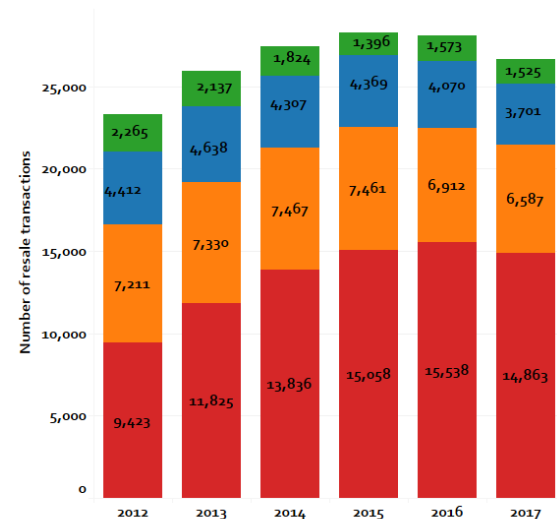


New and resale transactions by market segment
City of Cape Town



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

Resale residential transactions by market segment
City of Cape Town, 2017



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. 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 Cape Town are purchasing their home on the **resale market** in comparison to buying newly-constructed homes or receiving houses from government.

In 2017, there were 15 250 households who became homeowners for the first time. 27% (4 173) of these households became homeowners by receiving a new government-subsidised property (GSP), while another 10% purchased a GSP on the resale market. The largest share (47%) bought regular houses on the resale market. The remaining 16% purchased new homes from private developers.

With exception of the entry market segment, the majority of transactions by first-time home buyers/owners are on the resale market—indicating that the resale market is the main means for first-time home owners to step onto the property ladder. **Overall 57% of first-time home owners purchased homes on the resale market.**

Notably, over half of first-time home buyers/owners in Cape Town are entering the property market at the low end, in the entry and affordable markets. First-time buyers/owners are therefore significant drivers of transaction activity in the entry market, comprising 88% of transactions.

First time home buyers as percent of all transactions City of Cape Town

	2013	2014	2015	2016	2017
Under R300 000	87%	89%	87%	89%	88%
R300 000 to R600 000	52%	55%	59%	60%	62%
R600 000 to R1.2m	34%	36%	38%	39%	42%
Over R1.2m	20%	22%	21%	21%	21%

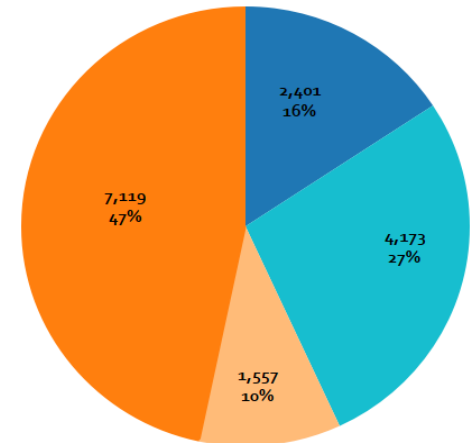
Data Source: CAHF's Citymark, using Deeds Registry Data supplied by Lightstone Property as at the end of December 2017 (sourced July 2018)

The great majority of new transactions by first-time homeowners in the entry market are GSP. Of the 3 584 new transactions by first-time buyers of houses valued R300 000 or less (entry market), 3 526 (98%) are GSP.

However the resale of GSP is also an important avenue for low income households to step onto the property ladder. Of the 1 032 resale transactions by first-time buyers in the entry market, 920 (89%) of these were GSP.

First time home buyers

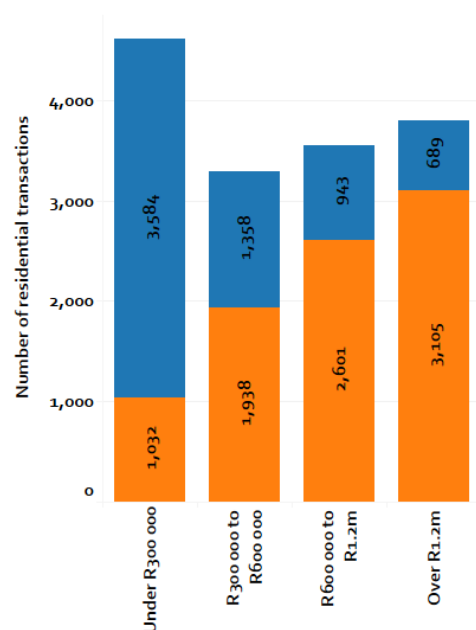
City of Cape Town, 2017



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) City of Cape Town, 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

In 2017, 50% (or 18 587) of all transactions in Cape Town were bonded:

- 80% of bonded transactions were for resale and 20% were new transactions.
- 36% of all new transactions were bonded, while 55% of all resale transactions were bonded.

In both the new and resale markets, 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 57% of resale transactions of homes valued R1.2 million or more. There were only 21 new bonded transactions and 201 bonded resale transactions in the entry market that were recorded in the deeds registry for Cape Town in 2017.

New and resale bonded transactions by market segment

City of Cape Town, 2017

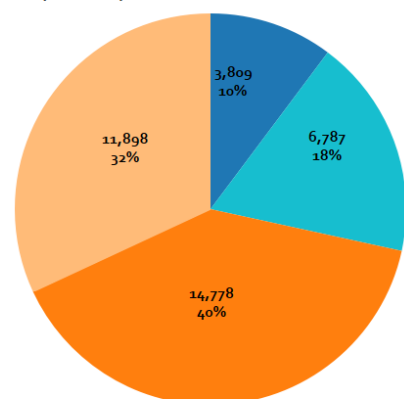
Market Segment	New transactions			Resale transactions		
	Number of residential transactions	Number of bonded transactions	Percent bonded transactions	Number of residential transactions	Number of bonded transactions	Percent bonded transactions
Under R300 000	3,703	21	1%	1,525	201	13%
R300 000 to R600 000	1,652	573	35%	3,701	2,069	56%
R600 000 to R1.2m	1,898	1,327	70%	6,587	4,090	62%
Over R1.2m	3,343	1,888	56%	14,863	8,418	57%
Grand Total	10,596	3,809	36%	26,676	14,778	55%

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)

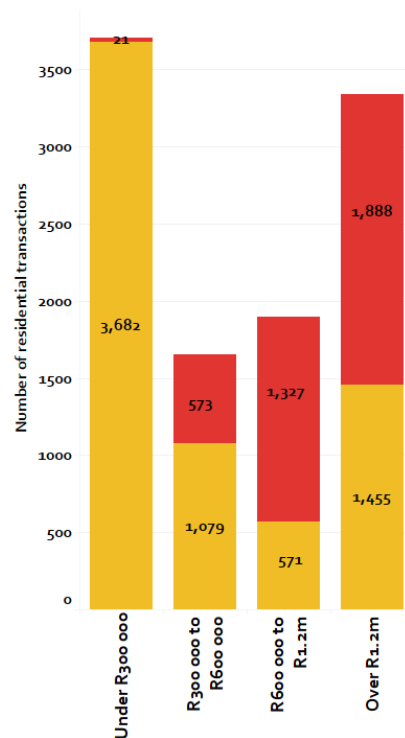
City of Cape Town, 2017



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

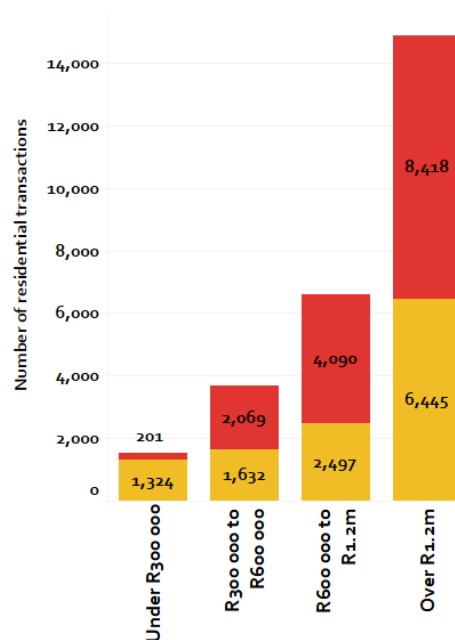
Number of new transactions City of Cape Town (2017): 10 596



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 City of Cape Town (2017): 26 676



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, market share of home loans in Cape Town in 2017 is unevenly distributed between the main four banks. Standard Bank had 28% of the residential bonded transactions in Cape Town in 2017, followed by FNB at 21%, Absa at 18%, Nedbank at 15%, and SA Home Loans at 7.7%. All lenders issued more bonds for resale transactions than for newly-built homes.

All five banks were active in each market segment. Standard Bank has the largest slice of bonded transactions (26%) in the high-end market.

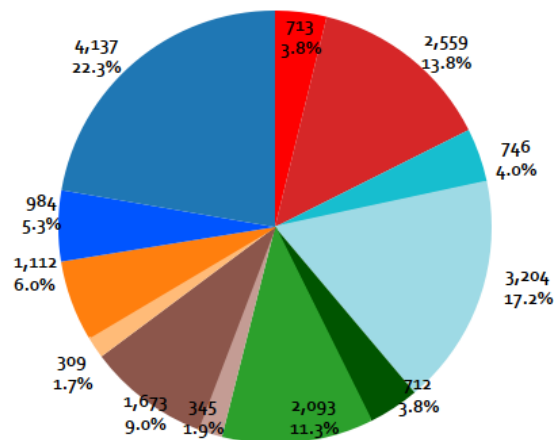
In the entry market, FNB and Standard Bank were responsible for most of the bonded transactions (28% and 27% respectively). 21% of bonded transactions below R300 000 were issued by SA Home Loans.

However all five of the banks had only 0.5% - 3.5% of their total bonded transactions in the entry market. SA Home Loans reached down market the most: in 2017, 37% of their bonded transactions were for properties valued below R600 000. Absa had the largest portion (60%) of their bonded transactions in the high-end market.

With respect to the overall size of the mortgage market in Cape Town, mortgage lending declined very slightly (-0.64%) in 2017 with respect to the number of outstanding mortgages, while the size of the loan book increased 5.3% in 2017.

Residential bonded transactions by lender

City of Cape Town, 2017



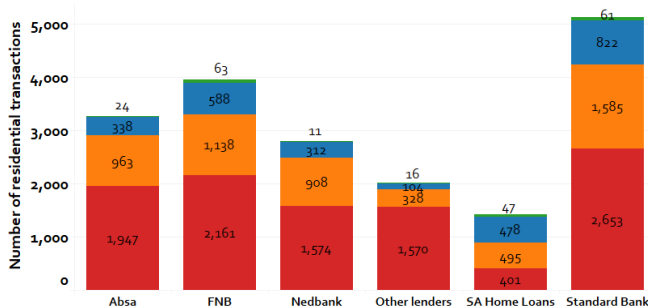
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018)

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 lender by market segment

City of Cape Town, 2017

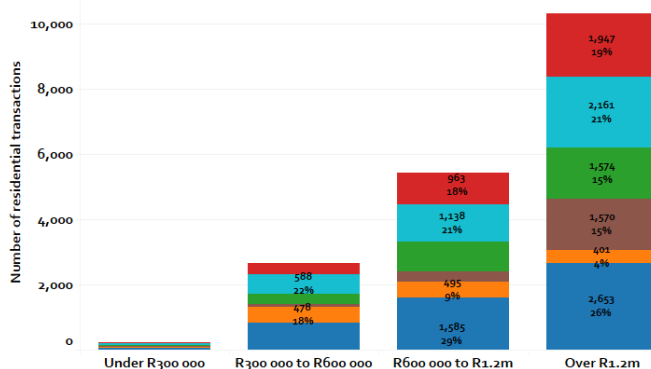


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2017 (sourced July 2018).

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

Total bonded transactions by market segment by lender

City of Cape Town, 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.

Metro-wide, the average transaction price is R1.37 million for freehold properties, R 1.7 million for sectional title, and R2.0 million for estate properties.¹

Estate properties primarily exist in the conventional and high-end markets—69% of estate properties are valued over R1.2 million. Sectional title properties are also mostly in upper half of the market: 83% of sectional title properties are valued over R600 000. In contrast, freehold properties are spread fairly evenly across the market segments.

Over the period 2012-2017, new transactions in the entry market were almost exclusively freehold properties. The number of new transactions of sectional title properties has increase over this period in the high-end market. Similarly, the number of new registrations of estate properties in the high-end market has generally risen. In 2017, 63% of new transactions were freehold properties, and the remaining new transactions were evenly split between sectional title and estate properties.

Number of properties by type by market segment City of Cape Town, 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%	154,932	26.8%	470	0.4%
R300 000 to R600 000	2,422	4.1%	134,986	23.3%	17,566	16.0%
R600 000 to R1.2m	16,241	27.2%	111,748	19.3%	40,993	37.4%
Over R1.2m	40,986	68.7%	176,597	30.5%	50,593	46.2%
Grand Total	59,652	100.0%	578,263	100.0%	109,622	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

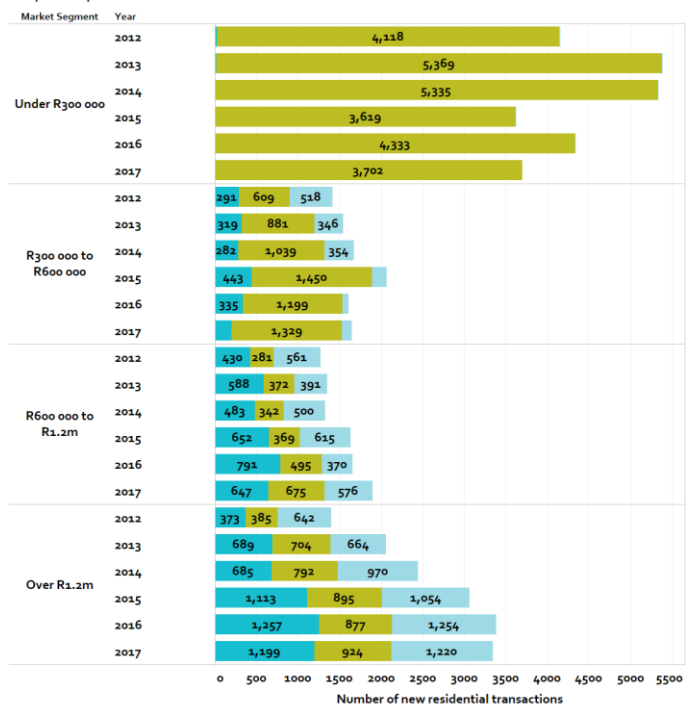
City of Cape Town, 2017



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 City of Cape Town



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

6. Comparing Cape Town to other metros

Of the eight metros, Cape Town had the largest average residential property value in 2017: R1 350 620 compared to the lowest, R462 516 in Mangaung.

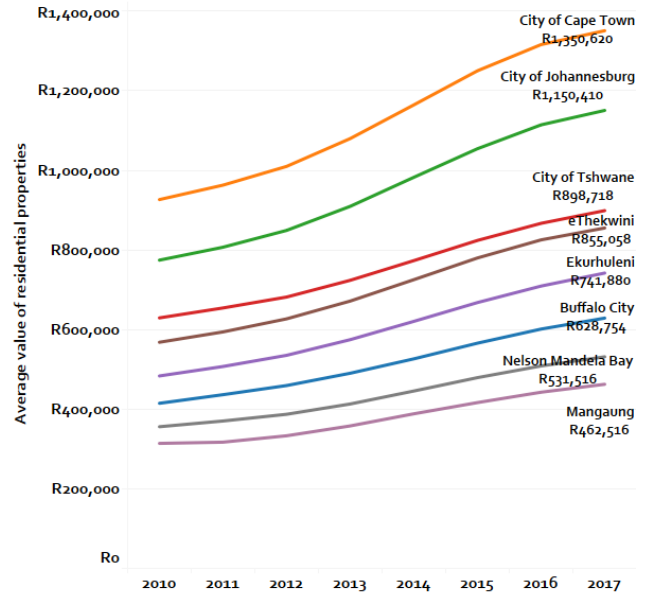
With respect to number of residential properties, Cape Town has the second largest residential property market behind Johannesburg. However the **total value of Cape Town's property market is the highest of the 8 metros: R1 009.6 billion**, compared to Buffalo City which is the lowest at R76.8 billion.

Cape Town also has the largest share of properties valued more than R1.2 million (36%)—in terms of number of properties.

23% of Cape Town's residential properties are government-subsidised, compared to Nelson Mandela Bay (42%) at the high end, and eThekweni at the low end (21%).

Finally, Cape Town has a slightly smaller share of estate properties (8%) compared to Tshwane (13%) and Johannesburg (9%). 77% of Cape Town properties are freehold and 15% are sectional title.

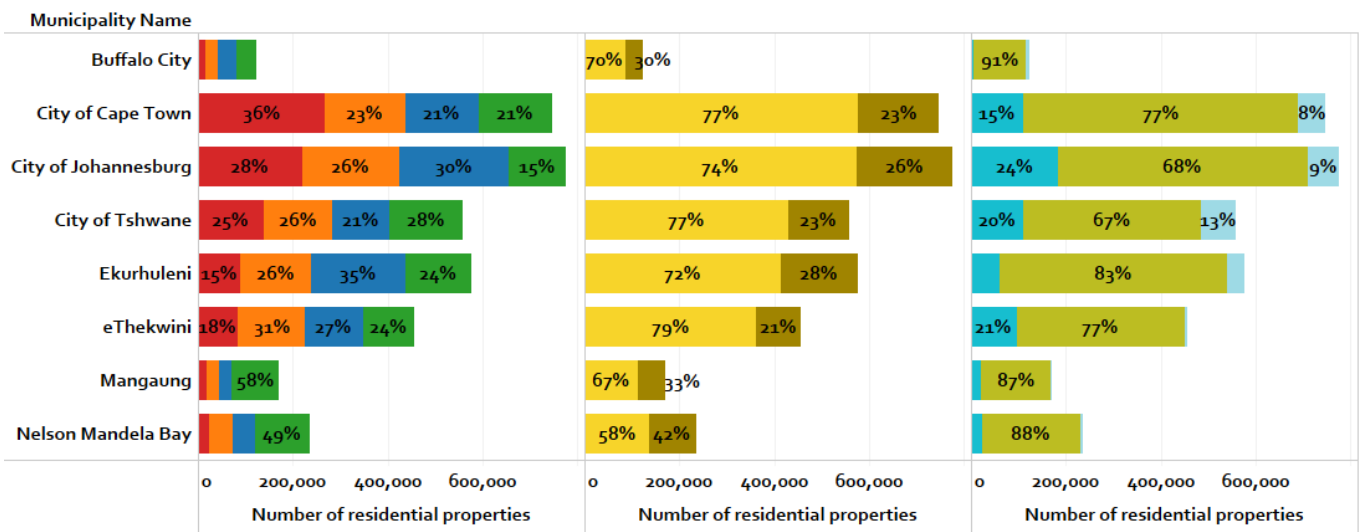
Average value residential properties



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

7. 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's 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.

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