Lephalale – Limpopo

Housing Market Overview
Human Settlements Mining Town Intervention
2008 – 2013
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1. Frequently Used Acronyms

CAHF – Centre for Affordable Housing Finance in Africa
GDP – Gross Domestic Product
GVA – Gross Value Added
HDA – Housing Development Agency
HPI – Housing Performance Index
IDP – Integrated Development Plan
LM – Local Municipality
NU – Non-Urban, StatsSA subplace designation
RDP – Reconstruction and Development Programme
SDF – Spatial Development Framework
SP – Subplace
StatsSA – Statistics South Africa
2. Introduction

The Housing Development Agency (HDA) is a national public development agency that promotes sustainable communities by making well-located land and buildings available for the development of human settlements. As its primary activity, the HDA assembles and releases state, private and communal land and buildings for development. In addition, the HDA provides project delivery support services to organs of state at local, provincial and national levels.

In setting the agenda and asserting its role in the housing continuum, the HDA realised that there is a gap in the provision of accurate and easy-to-understand information regarding the property market, particularly in previously overlooked areas including the mining towns.

The development of this report is a result of this gap. It aims to explore and present an overview of the formal housing markets in Matjhabeng, Moqhaka, Merafong, Randfontein, Westonaria, Thabazimbi, Greater Tubatse, Elias Motsoaledi, Lephalale, Fetakgomo, eMalahleni, City of Matlosana, Mogale City, Ephraim Mogale, Steve Tshwete, Thaba Chweu, Tsantsabane, Ga-Sekgonyana, Gamagara, Kgetlengrivier, Madibeng, Moses Kotane and Rustenburg so as to change perceptions of affordable markets and as such, expand and deliver affordable housing options within South Africa's municipalities.

The study was undertaken over a three-month period, relying mainly on the high level indicators developed by the Centre for Affordable Housing Finance in Africa which considered the market conditions, existing market size and activity, average prices and values, market growth and lending activity in the area to support a better understanding of the opportunity and the impact of various housing policy interventions. The centre also highlighted the range of opportunities across areas to stimulate the affordable housing market in South African municipalities.

The methodology also included site visits to eMalahleni, Randfontein, Westonaria and Rustenburg so as to confirm findings and to gain more insights about the current housing circumstances.

The report is intended for use by all stakeholders involved in planning including professionals in municipalities, Government officials, private sector, investors, developers and urban planners, for the mission of enticing a range of development options. The report does not address housing supply for the lowest income levels but rather seeks to make the case for expanding the gap market in order to entice private sector engagement more effectively.

2.1 Report Contents

The report covers the following aspects of housing markets through maps, charts and graphs to highlight understanding across the municipality and at the neighbourhood level, where housing markets function.

1. **Housing Performance Profile** – the pace of growth by suburb, on maps and in charts, as measured by the Housing Performance Index
2. **Market Size** – total number and distribution of residential properties, households, values and sales prices, key demographic indicators
3. **Market Activity** – properties, sales and new properties and resales over time
4. **Lending Activity** – sales and loans by lender
5. **Affordability Profile** – affordability based on local incomes, compared to sales price, housing gaps and affordability ratios
6. **Leverage** – the value of equity available for purchasing new homes
7. **Rental Index** – those areas most prime for quality, dense, professionally managed rental housing

2.2 Definitions and Methodology

For housing supply, title and deeds records were merged at the suburb level, mapped and ranked through the Citymark dashboard. Priority has been placed on actual transaction datasets from familiar sources that can be geocoded to the subplace level, trended over time and updated regularly. For housing demand, StatsSA data was applied as the most consistently collected, widely understood and most common source of demographic data in the Country.
2.3 Benchmarks

Benchmarks are indicators used to compare performance across areas and are valuable for understanding meaning. Each indicator was created at the local, municipal and national levels in order to measure performance within and across markets. These benchmarks also highlight areas or trends which are outperforming the overall market in certain ways and might be most receptive to a variety of new housing development options.

2.4 Site Visits

As mentioned, the team conducted four site visits to eMalahleni, Randfontein, Westonaria and Rustenburg. These visits provided the chance to confirm findings from the data and chat informally with residents about their current housing circumstances: where they had moved from, where they were currently living and how affordable it was and where they were headed, including their ambitions and concerns. This helps to provide a sense of the housing continuum in the town – what choices residents feel empowered by and what constraints keep them from realising their dreams and aspirations. Residents who were engaged came from informal settlements, brand new RDP homes and a stalled RDP project which had recently been reactivated by the city.

Some of the key insights from these site visits were:

- Residents may not know exactly what their home might be worth but they are very aware that their home has a value, which includes stability and security for themselves and a better future for their families
- Many residents use their homes to supplement their own income, including renting shacks and rooms and operating home-based businesses
- There might be a relationship between how the houses are handed over and the sense of ownership (as evidenced by improvements to the homes)
- Everyone we spoke to understood the importance of a title deed, that the title deed proved (secured) ownership, even if in a few cases, they were not sure of its status or how to get one
- Most people mentioned a better future for their children as an integral part of the importance of homeownership
- Residents were aware that there is an acute shortage of housing opportunities and that despite having their homes, they were surrounded by others without adequate housing

Many people understood housing markets around them intuitively – where the better houses were closer to jobs and transportation and what the barriers were – the price, the inconvenience and the cash required to access the houses.

2.5 Using this Report

This report is intended to provide a high-level view of the mining town housing markets overall and by neighbourhood, within areas of particular interest by measuring and comparing housing market performance amongst each other and with the municipality. This report highlights connections and implications from the findings that are of significant interest to the HDA. The report does not seek to understand why things are but offers general ideas based on experience with housing markets and new learning about mining town housing markets from these reports.
The report findings emphasise opportunity as opposed to risk or failure. Opportunities are defined as conditions or indicators within areas which can show:

- The ways in which areas or markets are behaving positively (such as growing more quickly) or showing strength (such as stability and consistency)
- The ways in which areas can be connected to common strategies that promote growth, investment or sustainability (such as proximity to transit or density)
- A more accurate picture of the real value of areas in ways that can leverage economic investment (such as equity, lending levels and new registrations)
- Better ways in which risk can be measured and accounted for (such as timing, scale, or location risk)
- A more comprehensive scope or scale of markets, to better estimate and project market intervention (such as property or population size, absorption rates, or patterns of behaviour)
- Ways to challenge and overcome those perceptions or assumptions that might stymie investment, or slow growth

This report is not intended to provide a complete final picture of market conditions or demographic circumstances. It does not reflect conditions in the informal market, nor general attitudes. It is not intended to be the last word on market potential but rather the first: how can current conditions present opportunities for better housing options and improved market performance? Where are places that might be performing better in some ways, which might provide areas of opportunity, and how? The highest and best use of this report is to suggest new ways to support the growth of affordable housing in South African mining towns, by exploring and reconsidering areas for new investment, expanding existing investment and promoting policies and programmes which can support and entice that development. It can also imply the impact of ongoing investment and programmes activities.

2.6 About Formal Housing Markets

This report relies on the South African deeds registry as the basis for analysing local housing markets. Thus, the report only measures the formal housing market, which can be defined as those residential properties which have been formally titled to a specific owner or group of owners. While this excludes a large part of the human housing condition in these towns, the advantage of focusing on the formal housing market is that it offers a better understanding of that part of the residential property market which is most opportune for leverage and investment interventions in ways previously not understood.

Taking into consideration the housing backlog from StatsSA, informal settlements and human mobility, housing markets are quite fluid and difficult to measure. Understanding housing markets more completely is one advantage of the titling initiatives recommended by many housing policy and planning advocates across the Country.
3. Context

3.1 Municipal and Regional Context

Key aspects of the city are shown from here for contextual purposes which have been published on the city's website. These aspects are summarized from its 2014 - 2016 IDP, to give important insights to the market overall:

- “Lephalale is the fastest growing municipality in the Waterberg District”
- “Lephalale is the biggest municipality in the Limpopo Province”
- “The Municipality is further characterized by a number of smaller villages in a leaner pattern on the eastern part without any economic activity”
- “The majority of the population is, however, located in the rural area with enormous backlogs in municipal infrastructure, housing, and social facilities”
- “The construction of Medupi power station which started in 2007 has already put tremendous pressure on the Municipality for the provision of more potable water, electricity and expansion of waste water treatment systems. The influx of people from surrounding areas and outside the Municipality has led to growth in informal settlements”

3.2 Socio-Economic Profile:

The municipality's current demographic information is drawn from the HDA Municipal Profiles and from the 2001 - 2011 Census Data:

- “Lephalale has a population of 115 767”
- “There was a 3.06% population growth between 2001-2011”
- “In 2011, over 22.2% of the population was unemployed, and almost 26.9% of the economically active population earn no income”
- “The mining industry makes up the highest share of the GVA and employment market”
- “There are 29 880 households in Lephalale, with an average household size of 3.3 people”
- “82.3% live in formal dwellings”
- “49.22% of the households have flush toilets connected to a sewerage system, piped water inside the dwelling; weekly refuse removal and electricity for lighting”
- “40.7% of the housing is owned and fully paid off”
4. Context: Mining Sector Overview

This brief industry profile is provided to help understand how the mining sector might affect and engage housing in the mining towns. The mining policies are not specific to the towns - that information is not available. This information has been included because of the mineral mined, the regional location or specific city references (this report does not assess program efficacy or impact).

Lephalale is located in Limpopo, and is part of the international border between South Africa and Botswana.

4.1 Mining Industry Profile

- Lephalale Local Municipality has been identified as a petrochemical cluster and has attained the status of national development node
- The coal fields which boast more than 40% of the total coal reserve of South Africa are located in Lephalale
- The Waterberg Coal Field is estimated to contain a resource base of 50 billion tons, of which 12.5 billion tons can be mined by opencast method (coal is sufficiently close to surface that it does not require the
- Lephalale’s mining industry contributes 59.2% to Waterburg GDP and 69.65% to the Waterburg electricity sector
- The presence of huge coal reserves in Lephalale is the main reason for the expected development and upswing in the economy and the resultant growth in population
- Medupi Power Station is currently under construction
- The Matimba Power Station delivers 3 990 megawatts to the South African grid

4.2 Housing in the Mining Sector

Because of the remote locations of many mining operations, mining companies have long histories of providing housing solutions for its employees, from executive management to miners. Different approaches to housing policies vary and are not discussed in specific terms. Knowing the general mine housing policies assists in understanding the effects on the housing markets in their entirety in the towns. Unlike large metropolitan areas whose housing markets grew more organically (with some historical master planning involved), these towns were largely designed intentionally to serve the interests of the mining franchises above them. The following is only indicative of each company’s general approach; the housing models in each town are approached differently and more specific to their context. Essentially understanding the housing options offered by the mining companies is an important factor in understanding local housing markets.

Lephalale’s primary extractive is coal. Over 40% of South Africa’s coal reserves are located in Lephalale. South Africa’s coal is produced by five dominant coal mining companies, namely: BHP Billiton’s Energy Coal South Africa (BECSA), Anglo American Thermal Coal, Xstrata Coal, Exxaro Resources, and Sasol Mining. Their Mine Housing Policies outline the following:

- Anglo American committed more than R2 billion to facilitate home ownership and achieve the Mining Charter target of ‘one person per room’ through 2014
- Anglo American currently offers a number of different housing options, ranging from housing allowances to houses built for employees
- Xstrata has eliminated hostels and unsustainable “mine villages”
- XCSA pays industry leading “living out allowances” (about R2000 per month) which are intended to offer employees with flexible housing options throughout the area
- XCSA educate and train all employees during annual induction training on how to access and the merits of living in formal housing as opposed to informal housing
- Exxaro has introduced a five-year mortgage repayment subsidy for first-time homebuyers who are permanent employees
- While Exxaro’s housing policy focuses on home ownership, employees receive a housing or living-out allowance to assist them in obtaining accommodation. The total value of these allowances in 2010 was over R137 million
- Exxaro facilitated employee ownership of 10510 homes in 2010
5. Context: Housing

The municipality has identified the following challenges and opportunities in its 2014/2015 IDP:

5.1 Housing Challenges/ Status:

- “Between 16 000 and 37 000 additional housing units will be required for the next 20 years”
- “Lack of well located, developed land for housing (most of the land which is well located and well suited is privately owned and insufficient for housing subsidies)”
- “High number of people with RDP housing needs”
- “Lengthy procedure in dissemination between Limpopo Provincial government and local authorities regarding housing matters”
- “Huge infrastructure requirements and projected costs for constructing infrastructure in vastly scattered rural settlements”
- “Municipality does not own land around provincial growth point areas”
- “Illegal occupation of land (informal settlements)”
- “Traditional leaders allocate residential sites without consultation with the Municipality, guidance and application of land use management system”

5.2 Housing Strategies:

- “All household should have at least a basic level of water service by 2014”
- “In the development of future coal mines and power stations, care should be taken that residential settlements are located as close as possible to these work opportunities, to reduce travel time and cost of transport”
- “Housing provision should be aligned with demarcation of sites and infrastructure provision”
6. **Context: Market Reports**

6.1 **Report Coverage**

It is important to keep in mind that these reports only cover the formal housing market, as captured by the Deeds Registry. Thus there are four layers of information in the report:

1. Total StatsSA suburbs;
2. Suburbs with residential properties;
3. Suburbs with residential properties sold;
4. Suburbs with residential properties sold with a bond.

This map shows all the census suburbs in the town (pink) to all the suburbs with residential properties with bonded sales (dark red). The chart shows what percentage of the town has a formal residential housing market. This may help explain some of the maps, and why some suburbs are included and some may be omitted. For example, information on bonded sales will only reference suburbs in which bonded sales took place.

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![Map of Lephalale Housing Market Report Coverage](image-url)

**Lephalale Housing Market Report Coverage**

<table>
<thead>
<tr>
<th>Total Census Subplaces (SP’s)</th>
<th>56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SP’s with registered residential properties</td>
<td>8  14%</td>
</tr>
<tr>
<td>Total SP’s with sales</td>
<td>7  13%</td>
</tr>
<tr>
<td>Total SP’s with bonded sales</td>
<td>7  13%</td>
</tr>
</tbody>
</table>

**Market Area by the Numbers**

<table>
<thead>
<tr>
<th>Suburbs</th>
<th>56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suburbs with residential properties</td>
<td>8</td>
</tr>
<tr>
<td>Households</td>
<td>29 879</td>
</tr>
<tr>
<td>Residential properties</td>
<td>6 968</td>
</tr>
<tr>
<td>Housing Backlog</td>
<td>24 442</td>
</tr>
<tr>
<td>Backlog as percent of all properties</td>
<td>350 %</td>
</tr>
<tr>
<td>Households to properties ratio</td>
<td>4.29</td>
</tr>
<tr>
<td>Average monthly income</td>
<td>R 5 800</td>
</tr>
<tr>
<td>Average property value</td>
<td>R 1 413 000</td>
</tr>
<tr>
<td>Average sales price</td>
<td>R 720 000</td>
</tr>
<tr>
<td>Total residential value</td>
<td>R 9.8 billion</td>
</tr>
</tbody>
</table>

**Source:** Centre for Affordable Housing Finance in Africa, Lightstone, StatsSA
7. Key Findings: Housing Market Overview

Of the 22 mining towns investigated, Lephalale was among the six identified as having a growing housing market. This is likely due to continued growth and expansion of the mining sector and jobs along the Platinum Corridor and Medupi Power Station; and increasing urbanization of previously undeveloped or rural areas within the municipality. Recent growth has levelled off a bit, creating an opportunity for markets to be carefully assessed in order to best position the next wave of growth. However housing options are not currently diversely distributed across the municipality.

Lephalale’s affordability ratio is 4.7, which is above the national average of 3, and mining town average of 2.8, indicating the local incomes struggle significantly to afford the average local house price. The municipality’s relatively high sales prices mean there remain large disparities among incomes and affordable housing in certain areas within the municipality. In some areas, low sales prices could be the result of lack of credit access, forcing sellers to sell for whatever cash might be offered regardless of how much the house may be worth.

Within Lephalale, 16% of all registered residential properties are government-sponsored, that is facilitated through a development initiative such as RDP. The presence of government-sponsored units within the municipality represent an important opportunity to leverage that investment in affordable housing in the years ahead, as owners seek to sell and move up the housing continuum, if opportunities are positioned properly. Average equity in these areas double purchasing power, putting moderately priced housing within reach of lower income families. This situation can be used to drive developers to build more gap housing, and financiers to finance RDP acquisition loans.

The area has an above-average diversity and integration of housing values and property types, despite some clustering, which suggests a market that is ready to meet a wide range of needs and expectations. Formal mixed-income housing options which offer much-needed internal cross subsidization to keep prices affordable will likely do very well, and bodes well for a market less reliant on government and mining intervention.

Lending in Lephalale is highly concentrated by area and loan size. Bonded sales are almost entirely concentrated in housing and sales over R500 000, with those loans concentrated in two central city higher priced housing markets. While the share of lending by each of the four major banks in the country has remained consistent. Lephalale has experienced a significant increase in non-traditional lenders with lending from non-traditional lenders accounting for more than half the loans since 2010. With the presence of hundreds of RDP units, it will be an important strategy to encourage traditional lenders to develop creative loan programs targeting those homeowners in order to unlock the value of those homes, and allow owners to move up the housing continuum.

The opportunity for rental housing development within Lephalale is reasonable. StatsSA indicates 28% of households are renting. Those areas with greater density, modest incomes, and affordability challenges are more likely to support quality, professionally managed affordable rental housing. Rental housing also provides flexibility to employers and workers as mining markets expand and contract from time to time.
8. Housing Performance Profile

8.1 Key Findings: Housing Performance Index

The Lephalale housing market has experienced one of the highest levels of growth last year of all mining towns, which is likely due to continued growth and expansion of the mining sector and jobs along the Platinum Corridor and Medupi Power Station, and the increasing urbanization of previously undeveloped or rural areas within the municipality.

Recent growth has surged a bit, creating an opportunity for markets to be carefully assessed in order to best position the next wave of growth. Housing options are not currently diversely distributed across the municipality.

8.2 Policy Implications

With a market growing as quickly as Lephalale, meeting housing demand will be a crucial factor in stabilizing the town through this period of growth. In slow growth neighbourhoods, where most of the lower priced housing currently exists, housing will be built more affordably, but will need to be situated well to better integrate housing markets. Site development initiatives should include rental housing to meet the increased demand.

8.3 Quick Definitions:

**Housing Performance Index (HPI):** provides an understanding of local housing market performance by tracking six key indicators which most effectively convey fundamental components of real estate markets, and then compared to the results for the entire municipal property market to determine areas of growth or strength relative to the entire metro.

**Housing Performance Profile:** this describes housing market performance of local areas as growing (those areas where the index is 6.5 or higher), stable (the index is 4 or higher) or slow (the index is less than 4) compared to the metro in which it is located.

**Formal Housing Market:** residential properties that are registered on the South African deeds registry. This does not include informal settlements or other houses otherwise not on the deeds registry.

**Indicators:** suburb-level measures used to convey a more complete understanding of housing markets, sometimes a point of data (such as number of properties), or a calculated factor (such as the housing index or the affordability ratio).

**Housing Continuum:** a range of housing options which are available to a wide range of income levels, budgets, housing types and ownership opportunities.

**Bonded Sales:** the total residential properties that were transacted with a bond collateralized or secured by that property.

**New Registrations:** residential properties that have never appeared on the deeds registry before. This is an important indicator of the growth of a market, whether the property has just been built or was built previously and never registered.

**Churn:** an indicator of the sales activity within an area similar to turnover, it is the number of residential sales divided by the total number of properties.
8.4 The Housing Performance Index (HPI)

This map identifies the Housing Performance Profile by suburb (top) and total residential properties (bottom), to provide a sense of how local property markets are performing compared to the metro as a whole. The housing performance index (HPI) provides a glimpse of the formal housing market only, and does not include any demographic information. The weights were determined by how well the indicator reflects activity, increased investment and demand (and how reliably the indicator can be measured).

This information is useful in understanding how the formal market is behaving (which is influenced by the presence of mines, informal settlements and the people who move in and around the towns). This picture is intended to help understand how key housing sector partners (developers, investors) seek and measure opportunity, in order to better inform and coordinate government planning processes and private sector motivation.

“Growing” suburbs are areas which exceed the municipality’s rate of change in any four of six key market indicators. “Stable” areas meet or beat the municipality in at least three indicators, and “Slow” areas are growing at rates less than the municipality in two (or fewer) of the six indicators. While an index provides quick understanding, it is important to look more closely at the indicators themselves to understand more clearly the underlying factors affecting market growth and stability.

<table>
<thead>
<tr>
<th>CAHF Housing Performance Index</th>
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<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>Price</td>
</tr>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Transac-</td>
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<tr>
<td>percent</td>
</tr>
<tr>
<td>Percent</td>
</tr>
<tr>
<td>bonded</td>
</tr>
<tr>
<td>Churn</td>
</tr>
<tr>
<td>New</td>
</tr>
<tr>
<td>Properties</td>
</tr>
</tbody>
</table>
8.5 Performance Over Time

These charts provide the housing performance index by suburb over time using the six key indicators (price and value appreciation, sales and bonded sales, churn and new properties). Growth is relative to the metro (and change from the preceding year), so it is important to compare these lines to the area’s overall performance, and the direction in which the trends are headed. The city’s growth overall (below) appears to have levelled off from last year.

While most areas are experiencing very steady growth, half of all suburbs appear to have grown in 2013 compared to the prior year, (those places where the growth profile score was greater in 2013 than 2012) all of which are aggregated around the town centre. The recent influx of construction activity for the Medupi Power Station has stimulated overall market growth.

In considering development investment over the long term, stability of growth is often a more important consideration when projecting future performance than high growth. Building housing opportunities between areas of high and low growth can better integrate housing markets overall. This information can help inform how to create a more cohesive and stable housing continuum, with fewer spikes and drops, and where to begin.

Areas with no data have no residential properties or sales transactions, such as farms or open space, mines or industrial uses like power generation.
8.6 Housing Performance Indicators

Six indicators – price and value appreciation (top orange and blue lines), total sales and bonded sales (middle green bars and brown line), change in new properties and churn (bottom red and blue lines) – are the most telling of growing, active housing property markets. The relationship between indicators provides clues as to what may be driving performance, and what that might mean for future development potential, and how it might affect or be influenced by different housing types, prices or target incomes.

These charts compare the performance of three ownership types, namely freehold, sectional title and estate ownership. After a spike in growth in 2009, the market appears to be slowing down, consistent with most markets across the country. The number of sales has dropped significantly, either resulting in or driven by rising average sales prices and values, although bonded sales have increased, from 50% of all sales in 2008 (brown line) to 62% in 2013. 2009 is a significant year as it had the highest total residential sales, new properties and resales; however it also had the lowest average sale prices and bonded sales over the measured period. This may suggest a demand in the market but lack of access to credit.

Housing markets are very sensitive to access to credit, so lending information will be helpful in understanding this more closely (see Lending below). Churn rates have steadily dropped (blue line), indicating slower turnover of existing homes over time as well, except for sectional title properties.
8.7 Housing Performance Indicators by Property Type

Different housing markets perform in different ways, including freehold (free-standing) homes and sectional title (subunits within a single property). The area is predominantly freehold (see Market Size below), yet sectional title market activity is growing significantly in terms of sales transactions, lending and rates of new properties added to the registry (red line). Houses are also selling at prices closer to their value which suggests an active market where demand and supply are closely met.

Since 2011, the percent of bonded sectional title sales (brown line) has rapidly outpaced freehold sales (outpacing them by 40% in 2011), notably the volume of these properties has also doubled from the prior year, and this has stimulated market growth. Sales associated with sectional title units made up the highest portion of the sales market in 2013, despite a decline in the percentage of new sectional title properties (red line).

Lending is instrumental in the growth of housing markets, and the ability to access bonds to buy sectional title houses has driven the growth of this housing type. Sectional title is also an important affordable homeownership option.
9. Market Size

9.1 Market Size: Key Findings

Lephalale’s housing market is essentially three markets: government-sponsored housing built as part of the national housing initiative over the past 20 years, privately traded and financed homes, and informal settlements. Markets are highly segregated between higher-priced, actively selling private growing markets near the city centre, and further flung lower income, non-bonded government sponsored developments, and informal settlements (not on the deeds registry).

The implied demand for housing is high. The current estimated housing backlog is almost four times the of the town’s current total formal residential properties. Demand creates opportunities for new housing supply to be positioned between the existing segregated markets to better integrate the town’s spatial, income, and housing markets.

9.2 Policy Implications

Governments can use this existing investment to identify areas of future development and entice private sector participation. Existing government investment in housing can be leveraged to guide new development opportunities, if and as those homes can be sold to new buyers and the proceeds used to purchase new housing further up the housing continuum. For example, governments might prioritize new development between government-dominated and private markets for more integration mixed-income sites, and fills spatial gaps within the town.

Encouraging the expansion of financing to lower income families will allow for those homes to be sold, and the proceeds used to support housing development further up the housing continuum.

9.3 Quick Definitions:

<table>
<thead>
<tr>
<th>Definition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Size:</td>
<td>the total number and distribution important aspects of areas, including average home prices, home values, and total households in order to inform the potential scale of housing intervention strategies, and the impact of proposed development schemes.</td>
</tr>
<tr>
<td>Property Value Segment:</td>
<td>in order to better understand the performance of housing markets, data has been grouped into four property value bands: properties valued under R250 000, between R250 000 and R500 000, between R500 000 and R1.2 million and over R1.2 million. This helps to understand the various trends and strengths inherent in each segment, and to see how properties are integrating across the housing continuum, especially over time.</td>
</tr>
<tr>
<td>Government-sponsored housing:</td>
<td>housing which was created through some government intervention, from site and infrastructure provision, direct construction or finance, such as Site &amp; Service, RDP and BNG. While these homes are not recorded as such on the deeds registry, their presence is estimated based on surrounding registrations, timing, prices, and volume of activity.</td>
</tr>
<tr>
<td>Freehold / Full Title:</td>
<td>a permanent and absolute tenure of land or property by a person or entity (such as a corporation or trust) with freedom to dispose of it at will. Freehold or full title describes the assumption of full ownership rights when you own a property, often including the building and the land it is built on.</td>
</tr>
<tr>
<td>Sectional Title:</td>
<td>Separate ownership of units or sections within a complex or development. These are often comprised of mini subtype houses, semi-detached houses, townhouses, flats or apartments and duet houses. These are governed by the Sectional Titles Act and managed by a body corporate comprised of elected representatives of the sectional title owners in the development.</td>
</tr>
<tr>
<td>Absorption:</td>
<td>the pace with which homes to be developed might be sold in a specific market during a given period of time. This can calculated by dividing the total number of available homes coming on line by the estimated number of sales per month, often based on the rate of sales nearby.</td>
</tr>
<tr>
<td>Households to Properties ratio:</td>
<td>the total number of households (as reported by the census) divided by the total number of residential properties on the deeds registry. This is a quick easy relative indicator of household density and formality of a suburb as compared to other areas.</td>
</tr>
</tbody>
</table>
9.4 Market Size and Government Investment in Housing

Market size measures the distribution of home prices, households and values in order to inform the potential scale of housing intervention strategies, and the impact of proposed developments on the surrounding area. It can also reveal the impact of government investment in housing markets. Comparing the distribution of values to the housing performance map, several moderate income areas are growing faster than the municipality.

In Lephalale, properties with higher values are located in the centre of municipality (the map on the right); lower valued homes coincide with government investment in housing (map on the left). An estimated 16% of all properties on the deeds registry in Lephalale are government-sponsored housing units. Often these homes are undervalued however for two reasons. The subsidy value was often noted as the sales price (rather than the cost), or sales prices are driven low because buyers lack access to credit with which to purchase the homes at a more realistic sales price, and pay with the cash they have.

Encouraging the resale of government sponsored housing is an important means of expanding housing options – for the sellers, who can move up the ladder with the equity from the sale of their property, to the first time homebuyer purchasing the existing home. More activity in these markets will also raise the value of the home, often a family’s most valuable asset. Interestingly, the clusters of informal settlements on the east are separated by the Lephalale River from the main part of town.
9.5 Market Size by Value Segment

These charts provide the total of properties within each suburb by property value segment (below R250 000, which includes most of the government sponsored housing), between R250 000 - R500 000, between R500 000 and R1.2 million and over R1.2 million). Lephalale has an unusual diverse range of property values within several suburbs. The lowest property values however are primarily isolated in two subplaces, and one is quite far the town centre (Thabo Mbeki).

The construction of the Medupi Power Station has created an influx which has stimulated the market growth indicated in the trends above. A diverse approach to housing options for its employees may help to expand the diversity and distribution of housing options across town. Placing these housing options in between isolated suburbs can help bring markets together.
9.6 Market Size by Property Type

Lephalale residential properties are predominantly freehold. Sectional title properties (orange) are concentrated in the south of the municipality, with estates in only one subplace, i.e. Lephalale Ext. 18.

Sometimes sectional title ownership can present affordable housing options through shared costs of living space and convenient locations.
9.7 Market Size by Households and Income

Understanding the distribution of households and incomes within Lephalale helps to inform scale, development impact and programme targets.

Census data is useful as the only source of demographic information consistently available at the suburb level, and provides interesting insights into local differences.

**Areas with high levels of renters (grey bars) very often have the highest household incomes.** In Lephalale, the suburbs with the lowest average incomes have the lowest level of renting households. We suggest these high levels of renters might be the combination of higher income executives who rent, as well as support staff who live in backyard accommodation.

Areas with above average renters and moderate incomes (Marapong Ext 1 and Marapong SP) might mean families ready for more formal rental options, or even ready to purchase a home.

**Ratios of households (from StatsSA) to properties (from the deeds registry) - the red bar - can show degrees of limited supply or informality.** The informal settlements in Lephalale have high populations, few registered properties, and low incomes. The subplace with the highest number of households, i.e. 5 267, has the fewest registered properties, perhaps revealing the informal settlements surrounding (but not within) Thabo Mbeki.

### Market Size: Households, Properties and Income

**Lephalale, 2013**

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Households Renting (Grey)</th>
<th>Total Households</th>
<th>Total Residential Properties</th>
<th>HHs to Properties Ratio</th>
<th>Avg monthly HH income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lephalale NU</td>
<td>33%</td>
<td>5 267</td>
<td></td>
<td></td>
<td>R 6,0K</td>
</tr>
<tr>
<td>Lephalale Ext16</td>
<td>54%</td>
<td>2 716</td>
<td></td>
<td></td>
<td>R 30,2K</td>
</tr>
<tr>
<td>Lephalale Ext29</td>
<td>67%</td>
<td>1 347</td>
<td>832</td>
<td>1.0</td>
<td>R 16,9K</td>
</tr>
<tr>
<td>Marapong SP1</td>
<td>44%</td>
<td>1 336</td>
<td>770</td>
<td>1.6</td>
<td>R 9,0K</td>
</tr>
<tr>
<td>New Town</td>
<td>64%</td>
<td>1 230</td>
<td>1 141</td>
<td>1.7</td>
<td>R 26,0K</td>
</tr>
<tr>
<td>Marapong Ext1</td>
<td>58%</td>
<td>1 111</td>
<td>522</td>
<td>1.1</td>
<td>R 7,0K</td>
</tr>
<tr>
<td>Thabo Mbeki SP</td>
<td>28%</td>
<td>854</td>
<td>533</td>
<td>2.3</td>
<td>R 6,1K</td>
</tr>
<tr>
<td>Lephalale Ext18</td>
<td>33%</td>
<td>354</td>
<td></td>
<td>0.9</td>
<td>R 39,2K</td>
</tr>
</tbody>
</table>

Source: Stats SA Census 2011 (with CPI increase); South African Deeds Registry via Lightstone (Pty) Ltd, 2015. All indicators reflect formal market data as reflected on the deeds registry.
10. Market Activity

10.1 Key Findings

Sales of units are located in the south of Lephalale, in mostly upper income areas. Sales dropped across the country after 2008, and in Lephalale have picked up slowly afterwards, and mostly in higher priced housing. Bonded sales in lower markets are an extremely small portion of the bonded market.

Sales continue to be dominated by repeat sales, with several new housing sales. Property value (the home's worth) and sales prices are closely related in active markets. In less active markets, sales prices are significantly less than their suggested value.

10.2 Policy Implications

Focus on increasing access to lending, determining what barriers exist to make credit more accessible, either through lower cost products, more flexible terms, and/or inclusion of existing debt into a mortgage loan product. These products should be tailored to meet the needs of the lower income markets.

Create financing products which can bring down the cost of quality rental housing as an affordable alternative to homeownership for lower income families.

10.3 Quick Definitions:

Market Activity: performance of key housing property market indicators over time, such as sales, bonds, registrations and churn.

Market Share: the portion of the market according to certain indicators, such as loans, types of properties, or property values.

Property Value Segment: in order to better understand the performance of housing markets, data has been grouped into four property value bands: properties valued under R250 000, between R250 000 and R500 000, between R500 000 and R1.2 million and over R1.2 million. This helps to understand the various trends and strengths within each segment, and to see how properties are integrating across the housing continuum, especially over time.

Bonded Sale: a transfer of deed on the deeds registry with an associated bond from a lender, including the property as collateral for the bond.

New sale / new registration: the appearance of a residential property on the deeds registry for the first time. It might include new construction or previously existing units being recorded for the first time (such as previously built RDP homes)

Resale / Repeat Sales: the sale or transaction of a property which has existed on the deeds registry before (as opposed to a new sale or new registration).
10.4 Sales and Bonded Sales by Property Value Segments

Almost 90% of all residential sales and 85% bonded sales in Lephalale have been over R500 000 (the red and orange sections). Market share (the percentage of the total) by property value segment has changed since 2008, suggesting an evolving housing market. The relationship between sales and bonds shows the importance of access to credit to growing housing markets, in particular the lower valued segments.

The share of bonded sales under R 500 000 has dropped over time, from 15% of all sales in 2008 to 1% in 2013. This might be due to credit indebtedness which disproportionately impacts lower income borrowers, or lack of access to affordable homes with which to buy. Policies which help expand access to credit and provide more housing opportunities under R 500 000 in the lower bands can expand sales within the band. Rental housing might also be a more suitable option.
The chart shows (by contrast to the previous chart) the percent of bonded sales within the various property value segments. The relatively few formal bonded sales in the town make the trend lines more dramatic.

The chart reveals the dramatically different housing markets in Lephalale. The total sales receiving bonds in Lephalale increased for properties over R 500 000 and significantly decreased for properties below R 500 000. The lower property values (the green and blue lines) experienced the greatest drop in bonded sales since 2008, perhaps due to lack of access to credit or decreased supply of housing that falls within this segment. Bonded sales between R250 000 and R500 000 (blue line) experienced the greatest decrease (from 66% in 2008 and 0% in 2013).

The upper tiered properties more closely reflect the activity of overall bonded sales rates across the country - a dip in bonds around 2008 and increasing in 2009, and levelling off more recently.

**10.5 Lending per Property Value Segments**

The chart shows (by contrast to the previous chart) the percent of bonded sales within the various property value segments. The relatively few formal bonded sales in the town make the trend lines more dramatic.

The chart reveals the dramatically different housing markets in Lephalale. The total sales receiving bonds in Lephalale increased for properties over R 500 000 and significantly decreased for properties below R 500 000. The lower property values (the green and blue lines) experienced the greatest drop in bonded sales since 2008, perhaps due to lack of access to credit or decreased supply of housing that falls within this segment. Bonded sales between R250 000 and R500 000 (blue line) experienced the greatest decrease (from 66% in 2008 and 0% in 2013).

The upper tiered properties more closely reflect the activity of overall bonded sales rates across the country - a dip in bonds around 2008 and increasing in 2009, and levelling off more recently.
10.6 Sales by Property Value Segment

The map shows the volume of sales activity (the size of the dot) by subplace across the town, by property value segment. Most of sales took place in the city centre.

The higher valued properties in the red and orange saw most activity, but the lower priced homes (green and blue) also saw registered sales activity, a potential sign of active (increased) supply and steady demand.

Access to credit is a significant boost or barrier to housing market growth. While some suburbs offer a range of housing price options, pinpointing product prices and types to specific areas, especially considering local affordability, is key to ensuring program success.

10.7 Sales by New Homes and Repeat Sales

An important distinction in market performance is the sale of new homes (which have never appeared on the deeds registry) and the resale of existing homes. The chart shows new (green) and repeat sales (orange) by suburb. In most mining towns, new registrations are clustered in only a few suburbs, however in the case of Lephalale six out of the eight subplaces have had new sales activity, with new sales, slightly exceeding repeat sales in Lephalale Ext. 16. Thabo Mbeki SP, which has the largest volume of government sponsored housing, does not appear to have formal sales.

New sales can also show the recent registration of government-sponsored housing investment. An important point is to recognize the impact of newly registered government investment in housing. Registrations of these properties may be perceived as a market distortion, but the deeds issued on government sponsored housing represent real assets which now can be traded and loaned against, and are key to moving up the housing ladder. Thus the housing market has in fact grown.

Suburbs with no data reflect areas with no sales or new registrations.
10.8 Market Activity amongst new and Repeat Sales

The growth and maturity of housing markets can often be found by comparing new homes and resales over time. The growth of existing home sales (the orange line) indicates sustained interest of housing markets by borrowers and lenders. The thicker lines reflect areas with more sales. New Town has shown steady new sales and repeats, perhaps of the units added to the market in 2009.

Often volumes of new homes in prior years become resales in later years. Understanding how mining companies create new units helps understand their existing and potential contribution to expand the local housing economy.
10.9 Total Sales by Property Value, Change from the Prior Year

This chart shows the change in activity for property sales and bonded property sales from 2012 to 2013. It is possible to see important market shifts by comparing the change in activity within particular property markets from one year to the next.

Newtown and Lephalale Ext 16 and 18 were the only areas which experienced an increase in sales and bonds from 2012 to 2013.

Suburbs with no residential sales in the past two years are not shown.

<table>
<thead>
<tr>
<th>Property</th>
<th>Value Segment</th>
<th>Lephalale Ext 16</th>
<th>Lephalale Ext 18</th>
<th>Lephalale Ext 29</th>
<th>Lephalale NU</th>
<th>Marapong Ext 1</th>
<th>Marapong SP 1</th>
<th>New Town</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newtown</td>
<td>Between R250k - R500k</td>
<td>48 -71%</td>
<td>226 27%</td>
<td>31 31%</td>
<td>159 -100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newtown</td>
<td>Between R500k - R1.2M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newtown</td>
<td>Over R1.2M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newtown</td>
<td>Under R250k</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.
10.10 Change in New and Repeated Sales

This chart shows the change in new and repeat sales from 2012 to 2013. As seen before, new sales were concentrated in Lephalale Ext. 16 and 18 and Newtown. Interestingly, the new sales added in New Town represented an almost 100% increase from the prior year, and more activity than the entire town combined.

Many of the developments built by the government are heading into their 8th year, and become eligible for resale by their owners. By understanding when those units come on line for resale, government can align policies which encourage the sale and development nearby, which can help leverage that prior investment, expand housing options and stimulate movement up the next rung up the housing ladder. Resales are an important means of recycling existing homes to make available more housing options.

Suburbs with no information had no residential sales in the past two years.
The relationship between local sales prices (orange lines) and average property values (blue lines) can tell much about the activity and integration of supply and demand. Every house in a suburb has a value, determined by the number of sales, changes in prices, churn (repeat sales) and other factors present in a robust housing market. Only houses which have sold have sales prices, but this lowers the value of homes in markets with fewer sales.

As markets formalize and strengthen, these trends inform each other more effectively, and the trend lines become almost parallel over time (such as parts of Lephalale Ext. 29 and Newtown).

Sales in many areas of Lephalale have been robust and values are rising in most areas, indicating steady active markets. Rising sales prices in affordable areas can reflect improved access to credit, as well as increasing interest in the neighbourhood. Thabo Mbeki SP has large volumes of government sponsored housing units which are appreciating in value but are not being transacted; these properties may be eligible for resale, creating equity for the sellers, and new homes for the buyers.
11. Lending Activity

11.1 Key Findings

Lending is highly concentrated in Lephalale by area and loan size. Bonded sales are almost entirely concentrated in housing and sales over R500 000, with those loans concentrated in two central city higher priced housing markets. While the share of lending by each of the four major banks in the country has remained consistent, lending from non-traditional lenders accounted for more than half the loans since 2010, perhaps to make up for the lack of expanded lending by the existing institutions.

11.12 Policy Implications

Policies and programs should target expanding access to credit, including the creation of new funds, with broader investment guidelines and possibilities, and small loan programs with which to make financing more accessible to lower income households. Loans to entice the development of more middle market housing would create more integrated markets. Financing with which to build affordable rental housing options could offset some of the credit accessibility issues in the market overall.

11.3 Quick Definitions:

Lending Activity: the performance of key lending indicators over time, such as bond volume, new loans and bonded sales, by lending institution.

Portfolio Size: the total number and value of loans given out by particular lending institutions in the study area.

Property Value Segment: in order to better understand the performance of housing markets, data has been grouped into four property value bands: properties valued under R250 000, between R250 000 and R500 000, between R500 000 and R1.2 million and over R1.2 million. This helps to understand the various trends and strengths inherent in each segment, and to see how properties are integrating across the housing continuum, especially over time.

Residential Bond: a loan made for the intention of acquiring a property, which is secured by the title to the property. These are determined by the property address and the timing with which bonds and sales transactions are recorded on the deeds registry.
11.4 Lending Over Time

Loan data taken from the deeds registry can provide lending activity by lender, which has grown consistently in the area. By comparing the top chart (all loans held by each lender) to the bottom chart (lending activity by lender per year), it is possible to note that while the lending in the area has consistently grown, the amount per year varies from lender to lender. For example, annual lending increased from 2012 to 2013 for ABSA and Nedbank but dropped for FNB, Standard and other lenders.

Of note has been the infusion of other lenders into the area. Since 2010, the most significant increase in annual lending has been driven by other lenders, in particular in 2011. These other lenders primarily include companies providing home loan benefits to their employees. In 2013, Lephalale’s largest other lender was Risima, an entity created by the Limpopo Economic Development Enterprise.

The following charts explore lending by bank by suburb to understand more specifically where bank investment has been made by suburb, and what that may mean about financing availability for various development sites and scenarios. It’s possible to see the impact of other lenders by suburb, in particular Lephalale ext. 16 and New Town (which might have boosted much of the new sales there).
### New Loans by Lender

#### Lephalale, 2008 - 2013

*The value of new bonds by lender by suburb over time*

<table>
<thead>
<tr>
<th>Suburb</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lephalale Ext16</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>ABSA</td>
<td>R 13,704,480</td>
<td>R 14,179,350</td>
<td>R 14,767,900</td>
<td>R 20,968,000</td>
<td>R 29,934,350</td>
<td>R 30,293,870</td>
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<tr>
<td>FNB</td>
<td>R 16,125,000</td>
<td>R 11,892,291</td>
<td>R 7,254,850</td>
<td>R 11,708,000</td>
<td>R 25,088,653</td>
<td>R 28,639,383</td>
</tr>
<tr>
<td>Nedbank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Bank</td>
<td>R 14,497,193</td>
<td>R 11,980,302</td>
<td>R 6,721,007</td>
<td>R 17,126,603</td>
<td>R 7,428,200</td>
<td>R 9,601,350</td>
</tr>
<tr>
<td>Other Lenders</td>
<td>R 4,350,000</td>
<td>R 12,800,000</td>
<td>R 5,890,000</td>
<td>R 15,523,122</td>
<td>R 19,556,000</td>
<td>R 17,165,000</td>
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<tr>
<td>Lephalale Ext18</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ABSA</td>
<td>R 550,000</td>
<td>R 10,102,176</td>
<td>R 0</td>
<td>R 399,000</td>
<td>R 253,800</td>
<td>R 2,583,312</td>
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<td>FNB</td>
<td>R 2,687,000</td>
<td>R 1,007,000</td>
<td>R 0</td>
<td>R 330,319</td>
<td>R 1,000,000</td>
<td>R 1,000,000</td>
</tr>
<tr>
<td>Nedbank</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Bank</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 1,464,975</td>
<td>R 1,153,000</td>
<td>R 1,100,000</td>
</tr>
<tr>
<td>Other Lenders</td>
<td>R 0</td>
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<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Lephalale Ext29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABSA</td>
<td>R 858,000</td>
<td>R 2,415,500</td>
<td>R 7,792,500</td>
<td>R 4,068,750</td>
<td>R 3,171,400</td>
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<td>FNB</td>
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<td>R 2,491,800</td>
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<tr>
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<td>Standard Bank</td>
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<td>R 6,076,500</td>
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<td>Other Lenders</td>
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<tr>
<td>Lephalale NU</td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>ABSA</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
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<td>R 0</td>
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<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Nedbank</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
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<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Marapong Ext1</td>
<td></td>
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<td></td>
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</tr>
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<td>R 0</td>
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<td>R 0</td>
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<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Marapong SP1</td>
<td></td>
<td></td>
<td></td>
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<td>R 36,000</td>
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<td>R 528,000</td>
<td>R 508,500</td>
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<td>Other Lenders</td>
<td>R 270,000</td>
<td>R 1,944,074</td>
<td>R 910,000</td>
<td>R 2,007,000</td>
<td>R 3,179,957</td>
<td>R 450,000</td>
</tr>
<tr>
<td>New Town</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABSA</td>
<td>R 18,537,622</td>
<td>R 8,995,000</td>
<td>R 36,000</td>
<td>R 697,600</td>
<td>R 9,882,100</td>
<td>R 6,300,700</td>
</tr>
<tr>
<td>FNB</td>
<td>R 9,718,619</td>
<td>R 1,590,543</td>
<td>R 6,306,400</td>
<td>R 889,750</td>
<td>R 1,555,700</td>
<td>R 3,806,000</td>
</tr>
<tr>
<td>Nedbank</td>
<td>R 10,116,540</td>
<td>R 1,870,000</td>
<td>R 8,475,500</td>
<td>R 2,960,000</td>
<td>R 7,443,015</td>
<td>R 18,549,060</td>
</tr>
<tr>
<td>Standard Bank</td>
<td>R 16,854,980</td>
<td>R 6,362,049</td>
<td>R 4,705,000</td>
<td>R 8,545,652</td>
<td>R 5,808,535</td>
<td></td>
</tr>
<tr>
<td>Other Lenders</td>
<td>R 4,230,000</td>
<td>R 6,362,049</td>
<td>R 4,705,000</td>
<td>R 8,545,652</td>
<td>R 4,705,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: South African Deeds Registry via Lightstone (Pty) Ltd, 2015. All indicators reflect formal market data as reflected on the deeds registry.
11.5 New Loans by Lender

As markets shift, different lenders respond in different ways. These maps show the previous bar charts on a map. The first chart—all loans by lender—is represented on the top map. All loans made last year—the second chart—is shown on the lower map. By comparing the two maps, it’s possible to see where lenders invested loans in the last year (pies in the bottom map), and how that has changed from their overall portfolio in that suburb (pies in the top map). Lephalale Ext. 16 has the largest volume of loans, having received loans from most lenders; Lephalale Ext. 16 also has the largest volume of new loans.

Non-traditional lenders, such as government subsidiaries, private equity funds and employer lenders, have more flexible regulatory environments and more creative, competitive financing tools. It will be important for government to engage these investors as well to ease access to credit, lower costs of financing and share in the commitment towards growing housing markets in the mining towns.
12. Leverage

12.1 Key Findings

The presence of older government-sponsored units within the municipality represent an important opportunity to leverage that investment in affordable housing in the years ahead, as owners seek to sell and move up the housing continuum, if opportunities are positioned properly. About 16% of all registered properties in Lephalale were sponsored by the government. The value of these homes if sold in the private market can be applied towards the cost of a new home.

This situation can be used to drive developers to build more gap housing, and financiers to finance RDP acquisition loans.

12.2 Policy Implications

Policies should focus on enticing developers to build more housing in the gap market, and encourage lending to the RDP and other lower cost home markets. Sites could be prioritised which connect these RDP neighbourhoods to other more active housing markets to encourage mixed income development.

To encourage an increase in the supply of gap housing, governments can unlock sites, supply infrastructure or grants, or hook-up fee discounts. Governments can also reduce the cost of construction finance, which can all be passed down to the buyers in the form of lower sales prices.

Governments can create programs using funds pooled from a range of government and private sector partners, which provide bonds for small properties, and offset risks through loan guarantees, loan loss reserves, and interest rate discounts. Funds can also organize to implement homebuyer counselling, debt consolidation and moderate rehab costs of the existing home to ensure loan performance of the portfolio.

These programs would work together in the mining towns to create better social, housing and economic integration. In Lephalale, these might be between central Lephalale and Marapong to the west.

12.3 Quick Definitions:

**Leverage:** the ability to use the percentage of the property that has been paid off as a down payment for another property

**Equity:** the value of the residential property less the outstanding balance of the bond. This represents the value of ownership built up in a property, and is often used as the downpayment for the owner’s next house purchased up the housing ladder.
12.4 Equity Fills the Gap

Equity is the value of one’s home less the amount owed to the lender. The chart shows the average equity per suburb (the green bar) compared to the average sales price per suburb. This helps to show what portion of the sales price might be paid for by homeowners’ equity. If a homeowner in Lephalale Ext. 16 wished to purchase a home in Lephalale Ext. 18, they could sell their home, and apply it towards the cost of the new home, reducing the amount they would have to borrow. Instead of borrowing over R830 000 (the average sales price), they would only need about R 110 000 (the orange bar in Lephalale Ext. 16 minus the green bar in Lephalale Ext. 18). Thus equity makes homeownership in higher priced neighbourhoods affordable, expanding housing options. Equity closes the housing gap for less affluent homeowners because their properties are less likely to have a bond, and those markets have experienced more appreciation of value. It is important to consider this value in additional to a homeowner’s income.

Equity invested by homeowners also reduces risk by increasing their financial stake in their home. This is the same way upper income families move up the housing continuum, and is now available at scale for lower income families as well, thanks to the massive government investment in homes for the poor. This requires financing available for the lower income buyers, something to explore with lender partners.

While averages in such diverse housing markets are hard to consider meaningfully, the picture does indicate that purchasing power increases -and gaps close- when equity is taken into consideration.

<table>
<thead>
<tr>
<th>Average Equity to Average Sales Price</th>
<th>Lephalale, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg Sales Price</td>
<td>Avg Value of Residential Equity</td>
</tr>
<tr>
<td>Lephalale Ext16</td>
<td>R 775K</td>
</tr>
<tr>
<td>Lephalale Ext18</td>
<td>R 828K</td>
</tr>
<tr>
<td>Lephalale Ext29</td>
<td>R 1 039K</td>
</tr>
<tr>
<td>Lephalale NU</td>
<td>R 616K</td>
</tr>
<tr>
<td>Marapong Ext1</td>
<td>R 416K</td>
</tr>
<tr>
<td>Marapong SP1</td>
<td>R 720K</td>
</tr>
<tr>
<td>New Town</td>
<td>R 35K</td>
</tr>
</tbody>
</table>
| Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.

The value of average home equity related to the average sales price.
12.5 Accessing equity closes the Housing Gap and can drive demand

Understanding the difference in equity growth rates on a map allows a better understanding of which property markets can be leveraged to support more new development. Many higher priced areas have experienced modest equity growth (grey areas) – or loss (red areas) – over the past five years, likely due to increasing sales prices (rather than amortization as new buyers tend to have less equity, and this market has been very active recently). The greatest equity growth over five years (green areas and green lines) has been in less developed areas with fewer sales, and values have accrued to the existing homeowners.

Lephalale’s properties under R500 000 have experienced tremendous growth in equity, meaning that those homes can be important ways of funding the next house up the housing ladder.

Homes worth less than R500 000 typically have fewer loans, a faster-growing value, and an initial housing cost that was low or free (thanks to government investment in housing). Homebuyers can reduce the amount they have to borrow through savings or the equity in their home, if they have an existing house which they can sell. This lowers their monthly payment or increases the price they can afford. Leverage is the practice of using this equity to increase their housing affordability. This indicator thus becomes very useful for meeting — and closing — the housing gap.

Constraints to using leverage in affordable housing markets include the availability of credit for potential buyers to pay the full value of the house, maximizing the equity available to the homeowner, the availability of homes up the housing ladder to buy and in the case of RDP owners, the ability to sell government subsidised stock (which comes with an eight-year resale restriction). Other constraints include household indebtedness, and the willingness of existing homeowners to sell their most important asset.

However, policies which address these constraints can expand the housing ladder in remarkably quick and cost-effective ways. Closing cost assistance, interest rate write downs, and loan loss funds all cost a fraction of new construction, and put the opportunity –and choice -in the hands of the homeowner, rather than the government.
13. Affordability Profile

13.1 Key Findings

Lephalale's affordable ratio of 4.7 exceeds the mining town average of 2.7 meaning it takes about 4.7 times the average municipality income to afford the average house there, the second highest of all towns. There remain large disparities among incomes and affordable housing access in certain areas within the municipality.

In some areas, sales prices are very low, probably the result of lack of credit access, forcing sellers to sell for whatever cash might be offered regardless of how much the house may be worth.

13.2 Policy Implications

Affordability constraints due to below-average incomes can be addressed through housing strategies and solutions which propose creative financing tools and techniques which can reduce financial barriers (such as down payments, interest rates and principal requirements) as well as unlocking equity, rather than simply trying to push costs downs.

Lowering the cost of financing can also increase the amount which can be borrowed, which can increase sales prices, and the amount of equity a home seller will be able to access to buy their next home.

Lack of adequate affordable supply in areas with very low incomes can often be quickly addressed through the careful considered provision of well-located quality rental housing.

13.3 Quick Definitions:

Affordability: affordability is generally defined as the ability to allocate less than 25-30% of a household’s monthly income towards housing costs. While upper income families’ income enables them to cover the cost of producing and selling a housing unit and thus provides many housing options, lower income families struggle because their income often does not adequately cover the cost of producing and selling a housing unit. Supply is limited and others must collaborate to provide decent affordable housing.

Affordability Ratio: the purchasing power of local incomes to afford local sales prices. The local average sales price is divided by the target house price. This shows the relationship between local incomes and local sales prices – a larger number means that local sales prices are harder for local incomes to afford, implying a mismatch between local housing options and residents.

Housing Gap: the shortfall between the target house price a household can afford and the sales price (or construction cost) of a house. This can be calculated by the difference between the target affordable price and the cost or price of the house.

Target house price: the sales price affordable to local households, which is calculated using the average area median income available for housing (25% of monthly income) using standard underwriting criteria (typically 20 year amortization at 11%, with 5% down).
13.4 Affordability

Actual affordability relies on understanding local household income to determine what is reasonably afforded by existing residents, how much of a gap exists and what is required to ensure more realistic affordability. The Affordability Ratio is determined by dividing the purchase price affordable to the average household income by the average sales price. Nationally, it takes three times the average income to afford the average sales price; within the mining towns, this ratio averages 4. This doesn’t mean that families are paying that, it means that most homes on the deeds registry are not affordable to the majority of South Africans. But this indicator provides an important benchmark, by providing a sense affordability levels, and how well local markets might be meeting the needs of local residents.

In Lephalale, there appear to be affordability gaps in several markets, as shown by the negative price gap, the amount by which local sales prices are higher than what’s affordable to local residents. Price gaps in Lephalale NU and New Town are negative, perhaps the result of more recent housing development (New Town) which drove up recent sales prices and the inclusion of the informal settlements (Lephalale NU), which might have reduced the average income.

Introducing new products or strategies are more likely to be sustainable if they are responsive to current residents. The target home price in column 2 can also be compared to estimated potential per-unit construction costs to determine the amount of subsidy which may be required to build and sell the units to local residents.

<table>
<thead>
<tr>
<th>Subplace Name</th>
<th>Avg Monthly Income</th>
<th>Target house price</th>
<th>Average Sales Price</th>
<th>Affordable Price Gap</th>
<th>Affordability Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lephalale Ext16</td>
<td>R 30K</td>
<td>R 797K</td>
<td>R 775K</td>
<td>R 22K</td>
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<tr>
<td>Lephalale Ext18</td>
<td>R 39K</td>
<td>R 1,034K</td>
<td>R 828K</td>
<td>R 206K</td>
<td>0.8</td>
</tr>
<tr>
<td>Lephalale Ext29</td>
<td>R 17K</td>
<td>R 445K</td>
<td>R 616K</td>
<td>R -171K</td>
<td>1.4</td>
</tr>
<tr>
<td>Lephalale NU</td>
<td>R 6K</td>
<td>R 158K</td>
<td>R 720K</td>
<td>R -562K</td>
<td>4.5</td>
</tr>
<tr>
<td>Marapong Ext1</td>
<td>R 7K</td>
<td>R 185K</td>
<td>R 55K</td>
<td>R 130K</td>
<td>0.3</td>
</tr>
<tr>
<td>Marapong SP1</td>
<td>R 9K</td>
<td>R 238K</td>
<td>R 185K</td>
<td>R 53K</td>
<td>0.8</td>
</tr>
<tr>
<td>New Town</td>
<td>R 26K</td>
<td>R 685K</td>
<td>R 808K</td>
<td>R -122K</td>
<td>1.2</td>
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<tr>
<td>Thabo Mbeki SP</td>
<td>R 6K</td>
<td>R 160K</td>
<td></td>
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</tr>
</tbody>
</table>

Source: StatsSA Census 2011 (with CPI increase); South African Deeds Registry via Lightstone (Pty) Ltd, 2015. All indicators reflect formal market data as reflected on the deeds registry.
13.5 Mind the Gap

This chart is identical to the previous chart but shows bar lines to better visualize difference across the area. These tables measure relative affordability for each suburb in the target area in three ways: starting with the average income (column 1), it calculates the average sales price affordable to the average family using standard underwriting terms (5% down, 11% for 20 years, up to 25% of household income, column 2). It compares that to the area’s average sales price (column 3). Column 4 (“Affordable Price Gap”) shows the difference between the average sales price and the local target (affordable) house price. Column 5 divides the two values to show the affordability ratio, the number of times it might take the local income to afford the local sales price. For example, in Lephalale NU, it takes 4.54 times the average income to afford the average sales price, likely because of the lower incomes in the informal settlements there.

In Lephalale, the average income is about R 5 800, the average target house price is R 153 000 (how much house that income can afford), and the average sales price is R 720 000. Thus, in 2013, it took 4.7 times the average income to afford the average house. These very high level indicators are useful when comparing affordability, to see which areas are more or less affordable. This helps to understand how housing strategies need to address affordability within the town, including what resources or policies might be required to help fill these gaps (i.e., affordable financing, buyer subsidies).

When affordability is an issue, perhaps equity of existing homeowners can help fund the gap. Policies will need to encourage the sale of lower cost homes that can allow housing purchases further upstream for lower income households.
13.6 Mapping Affordability

These maps show the importance of taking local household income, or purchasing power, into the understanding of affordability. The first map shows average sales prices by suburb, with the darker areas having higher prices. The second map shows the same area by affordability ratio, the darker areas (those with higher affordability ratios) showing greater difference between suburb incomes and suburb sales prices. While some areas have high sales prices, those areas are affordable to the households there (like Lephalale ext. 16, which is lighter green). These analyses do not take into account the indebtedness of potential buyers, an important factor in determining bond eligibility. Rental housing therefore, might be an important option towards providing well-located and professionally managed affordable housing in those areas.

The areas with no dots have no residential properties on the deeds registry – they are farms or open space.
14. Rental Index

14.1 Key Findings

In Lephalale, 28% of households rent, according to the 2011 StatsSA census, which is mid-range amongst the mining towns in the study, which average 30% of all households renting.

In Lephalale, there were no areas which stood out more than any other for placement of rental housing development. Those areas with greater density, modest incomes, and affordability challenges are more likely to support quality, professionally managed affordable rental housing. Rental housing also provides flexibility to employers and workers as mining markets expand and contract from time to time.

14.2 Policy Implications

Due to the cyclical, commodity- and demand-driven nature of these towns’ primary industry, rental housing becomes a very important housing solution.

Rapidly changing housing demand driven by mining activities makes a strong case for prioritizing quality rental housing. If rental housing is well-situated and convenient to transport and centrally located dense areas, it can bring social and economic cohesion and vibrancy to housing markets over the longer term.

Densifying housing markets requires infrastructure upgrades, and financial mechanisms which provide for long-term affordability and sustainability.

14.3 Quick Definitions:

**Rental Index:** A tool used to measure the potential suitability of local areas for rental housing, as measured by a group of five indicators which support rental housing, including density, area median income, the affordability ratio, and market growth as measured by the housing performance index. A higher score implies greater success for rental housing.

**Affordability Ratio:** the purchasing power of local incomes to afford local sales prices. The local average sales price is divided by the target house price. This shows the relationship between local incomes and local sales prices – a larger number means that local sales prices are harder for local incomes to afford, implying a mismatch between local housing options and residents.

**Area median income:** the percentage of the average local income to the municipal average income, which allows for understanding the income relative to the market overall, and across many municipalities.

**Housing Performance Index:** the growth of the local suburb in six key housing market indicators as compared to the municipality growth. A higher number implies more growth. Percent households renting: the number of surveyed households who rent divided by the total number of households, per StatsSA census 2011. This includes everything from bedrooms and backyard shacks to single family homes and sectional title units.

**Population Density:** the number of people per square hectare of the suburb, as provided by StatsSA.

**Tenure:** the terms under which land or buildings are held or occupied, e.g. rental, ownership etc.
14.4 Rental Housing: Driving an Affordable Housing Option

Rental housing is one of the most efficient and effective ways to provide affordable accommodation. In most South African towns, this means backyard shacks, an important but inefficient way of meeting overwhelming housing need. While a social housing sector exists targeting lower income families in multi-unit buildings, these are primarily in large metropolitan areas. Many private developers and investors are considering expanding significantly into the rental segment. If the demand is better understood, governments can meet housing backlogs quickly and affordably by promoting policies which target affordable rental housing.

Several conditions are crucial for the creation of successful and sustainable rental markets: density, high demand, and affordability. In order to sustain rental housing at scale, projects must be able to achieve density to keep costs down, and access ready markets, with good proximity to jobs, transport and educational opportunities to keep projects running smoothly. It is possible to bundle those indicators and find those areas primed for rental housing.

14.5 Locating Rental Housing Markets

The map shows those areas more dense than others, with moderate incomes and housing market growth, all important factors when considering the placement and promotion of rental housing. In Lephalale, no particular areas appear to be better suited than others for rental housing according to the index.

With security of tenure through a lease agreement, residents have access to quality, accountable property management, and consistent utility access and can even build up their credit history with positive rent and utility accounts. Because rental housing providers must locate their properties competitively to ensure monthly occupancy, rental housing provides affordable access to transport hubs, jobs and community services.
15. Key Concepts

The definitions of the concepts used in this profile are set out in alphabetical order below.

15.1 Affordable

Traditionally affordable refers to housing or areas with prices or values below the overall market which target below-average incomes. It is often defined as R500 000 or less (but can be higher or lower depending on intent) because this is the amount that a household earning less than R16 000 on average can afford, the target limit of many government subsidy schemes. Affordability is the relationship between the cost of housing (a mortgage bond payment or rent) and the income of the tenant or owner. Affordable housing is that which can be rented or purchased within certain constraints: in this report, with a mortgage equal to 28% of the borrower's income, at 11% over 20 years, with 5% of the sales price paid as down payment. Areas where the average income can afford the average sales price or more are considered affordable.

15.2 Affordability Ratio

This ratio measures relative affordability by comparing the AVERAGE sales price to the average income within the same area—higher ratios meaning less affordability. The average sales price is divided by the AFFORDABLE sales price, which is calculated as the present value of typical mortgage terms using 28% of the average income (95% of the average sale price, at 11% for 20 years). A ratio of 1 means that the average home price is exactly equal to the average household income. Ratios over 1 represent the number of times by which the average income must be increased to afford the average home.

15.3 Appreciation

The rate, or percent change, over time between two values (most often price or value) is calculated by dividing the difference between the beginning and end values of the property in the timeframe by the beginning value. The result is the percent by which the property value or price changed. It is a valuable means of comparing the rate of change across very different property markets, areas or market sizes.

15.4 Average

The result obtained by adding several amounts together and then dividing this total by the number of amounts. For instance, average sales price is calculated by adding up all sales within an area and dividing this total by the total number of sales within an area. The average is useful for comparing and understanding different areas, market sizes, and property types.

15.5 Benchmark

An indicator that is calculated in the same way across a larger level (such as national or municipal levels) to compare with smaller areas (such as main places or suburbs). Benchmarks are useful for understanding the performance of housing markets because they provide a consistent means of comparing markets to each other and to larger areas. For example, local markets perceived as having modest appreciation rates may actually be growing quickly when compared with other areas, the metro or the country as a whole. Benchmarks are a key component of the housing performance index, which uses them to determine whether local areas or metros are changing faster than, about the same as, or slower than the metros or the country.
15.6 Bonded Sale

A sales transaction transferring ownership of a property which includes an associated mortgage bond, used by the buyer to purchase that property and which the lender requires to be secured by that property. Bonded sales reflect lender investment in an area, and perceptions of market strength and risk levels.

15.7 Churn

The total number of homes sold within an area over a one-year period divided by the number of homes within that area. Similar to turnover, churn represents active market interest, a large pool of eligible buyers and willing sellers, and ready access to mortgage financing. In affordable areas, lower churn can reflect reduced housing mobility rather than less marketability, as the result of fewer upward housing options for potential sellers, and less access to bond financing for potential buyers. Other indicators (such as bond rates or types, loan to values, equity rates and income) can help differentiate marketability from pent-up market mobility.

15.8 Equity

The value of ownership interest in a property, primarily the current VALUE of a property minus the current value of any bonds or other claims on the property. Equity value grows as mortgage balances are paid down and property values increase. Equity is realised when a house is sold and is most often used to purchase another property, by either increasing amount available to purchase or lowering monthly mortgage payments (or both). Individual circumstances within neighbourhoods may vary widely, but areas with higher aggregate levels of equity represent greater opportunity for upward mobility, both for existing residents who can sell and invest the equity in a new home and for lower income households able to purchase the existing home.

15.9 Equity Growth

The rate at which an owner or investor’s equity value has changed over time, calculated by dividing the difference between the values of equity at the beginning and end of the period by the beginning year’s equity value. Growth in equity (along with income levels) can be used to determine market potential, as equity significantly boosts the purchasing power of potential buyers. Circumstances that increase equity return include prices that appreciate faster than debt is paid down, less debt, and registrations of new properties with no debt.

15.10 Formal Housing market

A formal housing market is an area where owners sell or otherwise transfer residential properties (which have been registered on the national title and deed registry) to willing buyers who become the legal owners of those properties. Housing markets also include residences that are rented, traded, bartered or otherwise swapped, or legally occupied. This report tracks formal housing markets, as it only uses actual sales reflected on the South African deeds registry. It is estimated that 25–50% of all properties in South Africa are not registered.

15.11 Housing Continuum

The housing continuum includes all ranges and options of housing, from temporary shelter and informal housing to the highest variety of housing ownership and occupancy models and prices. A continuum implies a continuous, connected marketplace of housing options, which serve the full range of conceivable housing demands as people’s lifestyles and life circumstances change over time. In reality, most housing markets are an uneven distribution of housing supply and housing demand.
15.12 Leverage

Leverage is the practice of purchasing something by borrowing part of the total cost and is measured by the degree to which a buyer has borrowed funds to purchase a home. Also called gearing, leverage can be measured in several ways (such as loan to value or equity ratio), but all compare bond amounts to the housing value. Generally, homes or neighbourhoods that are highly leveraged are understood to be higher risk because owners lose less equity if they default. Areas with lower leverage rates are generally considered more attractive because lenders have less risk, while owners have more invested and have more potential EQUITY to invest in new housing options.

15.13 Market Segment

This refers to the aggregate of all properties within a certain rand value. Properties are grouped by their value to better understand the unique dynamics of these market segments. Values are divided into four bands: values under R250 000; between R250 000 and R500 000; R500 000 to R1.2 million and over R1.2 million. Generally, properties at or below R500 000 are considered affordable because the estimated monthly housing cost (R15 000 to R16 000) is considered the maximum income eligible for many government subsidy programs, above which potential buyers must access the unsubsidised housing market.

15.14 Market Share

Market share is the percentage of a market accounted for by a specific entity in that market. Lending market share is determined by the number of all loans in an area or bond portfolio originated or held by a single institution divided by the total number of bonds in the area or portfolio. Market share can reflect the business model or the prevailing attitudes of particular lenders towards opportunity within certain areas. Lenders track their market share by area and value carefully: too high could mean that they are at greater risk if values decrease, while too low means that the lender may be losing business to competitors.

15.15 Rental Index

A score calculated for each suburb, to measure the potential suitability of local areas for rental housing, as measured by a basket of six indicators which are more favourable towards rental housing. A higher score, between 1 and 10, implies a greater likelihood of success. These indicators include density, the number of households currently renting, area median income, the affordability ratio, households to properties ratio, and market growth as measured by the housing performance index. The index gives higher weight to aspects more suitable to rental housing, such as density and income, and moderate weight to the current number of households renting (as reported to the census), the local income as a percentage of the municipal median income, affordability (the relationship between local incomes and sales prices), and the number of households in the area to formal housing units on the deeds registry.

15.16 Suburb

A neighbourhood (within or beyond the central metropolitan area), with an identifiable name, often socially accepted borders and common characteristics. This report uses suburb boundaries as established and demarcated by StatsSA (and referred to in its documentation as sub-places). In 2011, there were about 22 000 sub-places within South Africa.

15.17 Value or Worth

The value of a property as determined by several factors, including recent comparable sales nearby, CHURN, lending activity in the area, specific and area property details such as the size, age, and amenities. A property’s worth is often related to the amount of information available to make an appropriate determination, which is a contributing factor in undervaluing affordable areas where details on formal market activity is inconsistent. This study uses Lightstone’s (www.lightstone.co.za) proprietary valuation methodology to determine value.
16. Source List

  Accessed 05 February 2015
  Accessed 09 February 2015
  Accessed 09 February 2015
  Accessed 09 February 2015.
Department of Human Settlement
240 Justice Mahomed Street
Govan Mbeki House
Sunnyside, Pretoria
0002

Private Bag X645 (Minister)
Pretoria
South Africa, 0001

Phone: +27 12 421 1311
Website: www.dhs.gov.za

The Housing Development Agency (HDA)
6 - 10 Riviera Road
Riviera Office Park, Block A
Killarney
Johannesburg, 2193

PO Box 3209
Houghton, South Africa, 2041

Phone: +27 11 544 1000
Fax: +27 11 544 1006/7
Website: www.thehda.co.za