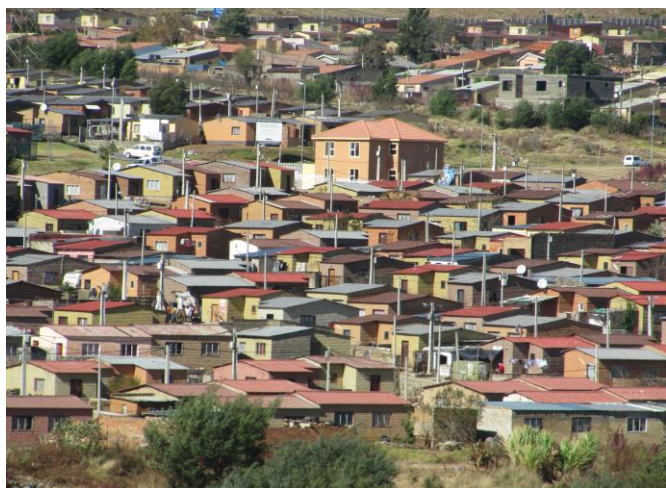


# SOUTH AFRICA Housing Market Report - 2024



## Executive Summary

Based on title deeds data as of 31 December 2023, this report offers an analysis South Africa’s residential property market with a particular focus on the bottom of the property ladder, including affordable housing and houses delivered through South Africa’s national subsidised housing programme. Market segmentation by property value enables a more nuanced view of housing stock and performance in the low value market. Indicators also reveal trends in access to finance by low income households and mortgage lending activity at the bottom end of the housing market.

The data reflects that, after two years of increased market activity post-COVID, transactions in 2023 took a knock, with 20% fewer transactions taking place and 26% fewer bonds issued than in 2022. This is likely due to rising interest rates which were sustained into 2024.

In 2023, South Africa’s residential property market comprised 6.91 million properties and was valued at R6.789 trillion. Importantly, 76% of those properties were valued under R1.2 million while two-thirds were valued at R900 000 or less. The stock of low-value residential properties is largely due to government’s massive public investment in housing over the years. At present 32% of residential properties were subsidised by government, comprising 2.183 million units. Given that this report is based on deeds data, it does not include the large number of houses that are part of the title deed backlog. If these properties were also included, the share of government-subsidised properties in the overall residential market would be 43%.

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## About this report

This report utilises deeds registry data as of 31 December 2023 which was obtained from Lightstone Pty Ltd. in March 2024. Because of this, the report only covers properties which appear on the deeds registry (the formal market) – it does not include backyard units and informal settlement dwellings. According to the 2023 General Household Survey, 12.2% of South African households live in informal dwellings.

The 2022 Census indicates that there are now 17.8 million households in South Africa, of which 23.2% live in rented dwellings. Given that more than one family might live in a rental property with a single title deed—for example, a high-rise building—the data in this report also does not provide a clear picture of the approximately 4.1 million households who stay in rented dwellings.

This report uses seven market segments to provide a more nuanced picture of the overall residential property market, with particular attention to lower value properties. Valuations are provided by Lightstone and are not based on municipal valuation rolls. See page 15 for further information on the methodology.

This report was written by Alison Tshangana. To access this report, as well as online dashboards, visit: CAHF’s Citymark page: <http://housingfinanceafrica.org/projects/citymark-analysis-of-residential-property-markets-in-south-africas-eight-metros/>

# 1. How big is the market?

## Size and distribution of the residential property market

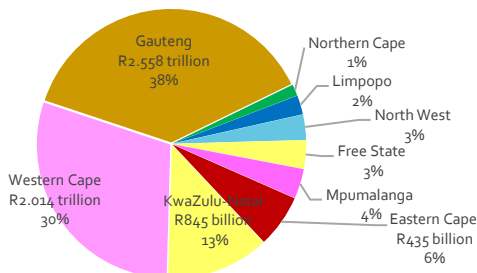
At the end of 2023, the total value of the residential property market in South Africa reached R6.789 trillion, comprising over 6.91 million properties. Residential properties make up 89.3% of total properties in the country, by volume. Compared to 2022, the total residential property portfolio increased nominally by just 2.17% in value, compared to a larger 3.78% increase from 2021 to 2022 as the economy emerged from COVID.

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

Urbanisation plays a pivotal role in driving demand for housing in urban areas. According to UN Habitat (World Cities Report 2022), South Africa is one of the most urbanised countries in Africa, with approximately 67% of the population living in urban areas in 2020, rising to 72% by 2030. According to the 2022 Census, 40% of the population live in the metros. As a consequence, 57% of residential properties country-wide are located in the eight metros, constituting 68% of the total value of the residential market. South Africa's annual average rate of change of the urban population dropped from 1.97% for 2015-2020, to 1.72% for 2020-2025, and will continue to slowly decline to 2035 (UN-Habitat). This would suggest that the increased demand for housing in urban areas will continue to increase, but at a slower rate going forward.

### Provincial share of total value of residential property market, 2023

Total value of SA residential property market: R6.789 trillion



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

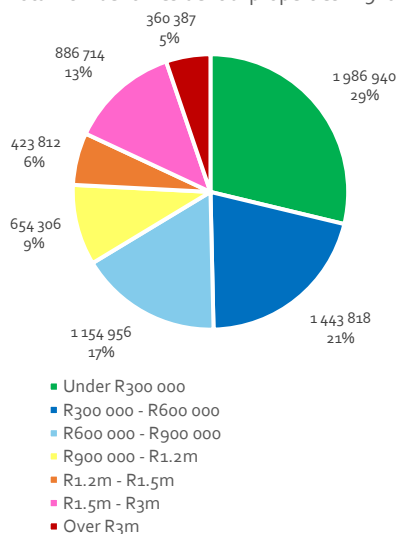
Looking at the provincial distribution of residential properties, the top pie graph shows that Gauteng and the Western Cape contain the lion's share of the total value of the national market (38% and 30% respectively). Cape Town alone accounts for one fifth of the total value of South Africa's residential property market (20.7%) while Johannesburg contains another 16.3%.

Our analysis of the residential market divides the properties into seven market segments by value, with the focus on the lower end of the property ladder:

- **Entry market**—properties worth R300 000 or less
- **Affordable market**—R300 000 - R600 000
- **Conventional market**—R600 000 - R900 000
- **High-end market**—R900 000 - R1.2 million
- **Lower luxury market**—R1.2 million – R1.5 million
- **Mid luxury market**—R1.5 million – R3million
- **Top luxury market**—R3 million and above

### Number of residential properties by market segment, 2023

Total number of residential properties: 6 910 933



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

At the end of 2023, the majority of residential properties in South Africa (nearly 66%) were valued at R900 000 or less (bottom pie graph). Of the total residential properties, 29% were **entry-level** homes valued less than R300 000 (1.987 million residential properties). The majority of houses in the **entry-level** market (69%) are government-subsidised homes, demonstrating the enormous impact of public investment in the sector.

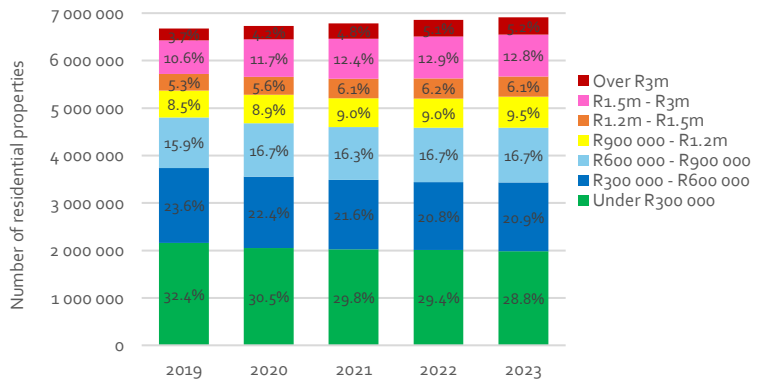
Within the housing sector, definitions of 'affordable housing' vary amongst developers, lenders and government. However regardless of the precise threshold for 'affordable', it's clear that most of the residential property market—in volume—is at the lower end. Approximately 76% of all residential properties are valued under R1.2 million.

## 2. Market overview

### Number of residential properties by market segment

As shown in the top graph, the distribution of residential properties across market segments has not changed significantly over the last five years. It is noted that the share of total houses that are valued over R1.2 million has grown from 19.6% in 2019 to 24.1% in 2023. This is likely due to property appreciation—these figures are in nominal terms and do not account for inflation. Thus it is expected that more properties would move into the higher market segments over time.

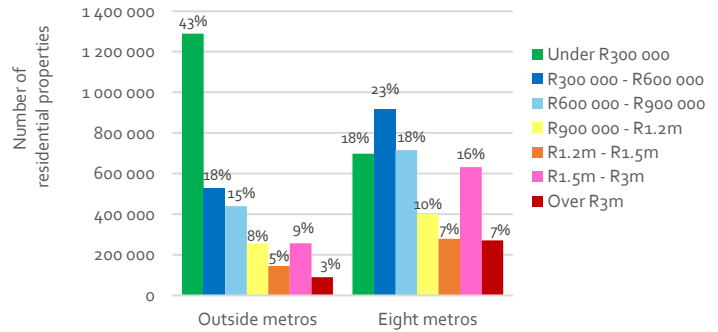
Residential properties by market segment, 2019-2023



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

The middle graph takes a closer look at market segmentation by separating residential properties in metros from those outside metros (i.e. in the local municipalities). Despite 49% of all government-subsidised housing being located in the metros, only 18% of properties in metros are valued less than R300 000, compared to 43% outside the metros in local municipalities. The metros also have a larger portion of properties in the so-called **affordable** segment between R300 000 and R900 000 (23%), compared to 18% in non-metros.

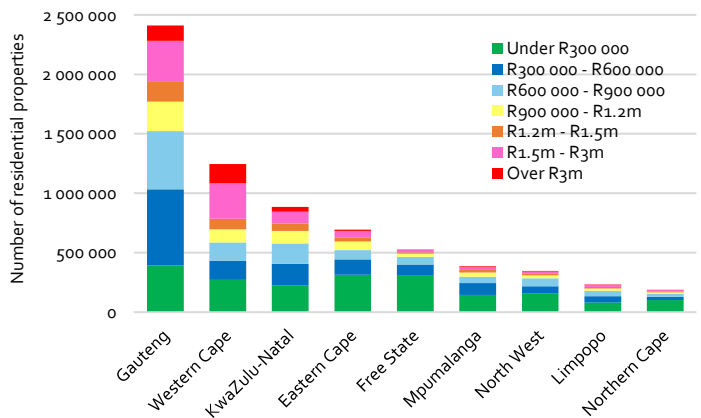
Number of residential properties by market segment for metros and non-metros, 2023



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

The different profiles of the residential property market between metros and non-metros is to be expected. Local municipalities contain the intermediate cities which are growing and serve as important economic nodes. However the rural areas—with more low value freehold properties—would also fall within the non-metro, local municipality areas.

Number of residential properties by province by market segment, 2023

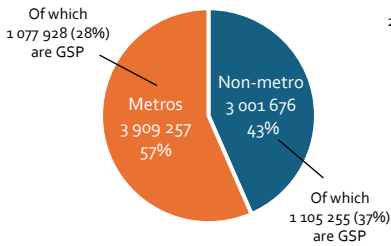


Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

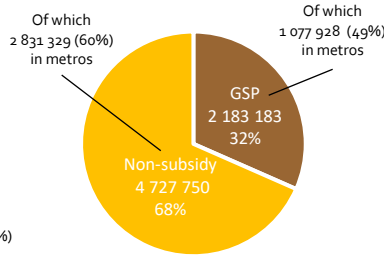
As shown in the bottom graph, Gauteng and Western Cape contain larger numbers of high-end properties valued over R1.5 million. In fact, in 2023 the number of residential properties in Gauteng which are valued below R900 000 was greater than all the properties in the Western Cape combined.

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

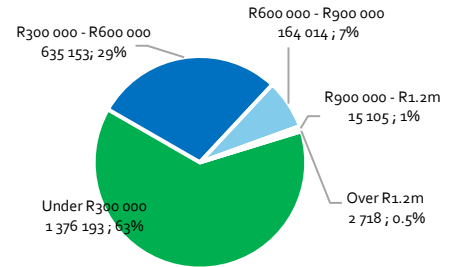
**Total residential properties: Metro and non-metro, 2023**  
Total residential properties: 6 910 933



**Total residential properties: GSP and non-GSP, 2023**  
Total residential properties : 6 910 933



**Number of government-subsidised properties by market segment, 2023**  
Total number of GSP: 2 183 183



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

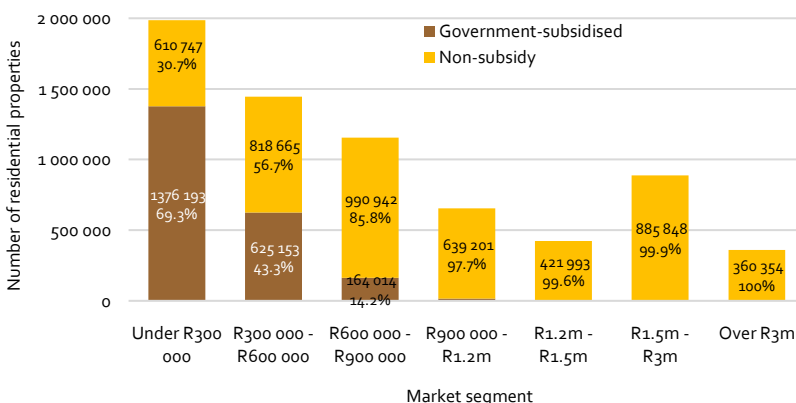
Government-subsidised housing accounts for a massive portion of South Africa's housing stock: **in 2023, GSP made up 32% of residential properties in South Africa, totalling 2.18 million units.** It should be noted that this figure differs from the total number of houses delivered by government due to the fact that the figures in this report are taken from the Deeds Office and thus only reflect those units where title deeds were handed over to the beneficiary. If all GSP units were included, then GSP would comprise 43% of total residential properties in the country.

Of the total GSP, 49% are found in the eight metros (middle pie graph). Within the metros, 28% of residential properties were subsidised by government, while in the local municipalities GSP make up 37% of houses (left pie graph).

Over time, GSP have appreciated and shifted into higher market segments. As shown in the right-hand pie graph, the bulk of GSP (63%) were in the **entry-level** market valued under R300 000, however a sizable portion (29%) were in the **affordable** market between R300 000 and R600 000, and a further 7% were in the **conventional** market (R600 000 - R900 000). A small slice (1.5%) were valued over R900 000, showing the potential appreciation of GSP.

The majority of this public housing investment has been in Gauteng and the Western Cape, which contain 35% and 18% of total GSP respectively. In the provinces with smaller populations, government investment is responsible for a substantial portion of today's residential property market. In the Free State and Northern Cape, GSP make up nearly 50% of all residential units; KZN is the province with the smallest portion of GSP (25%) which is still sizable.

**GSP vs. non GSP by market segment, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

As shown in the bottom graph, government's housing programme has played a massive role in shaping the supply and segmentation of the market. The availability of stock in the **entry-level** market is predominantly attributable to public investment: 69.3% of units valued under R300 000 were GSP. In the **affordable** market (R300 000 – R600 000), 43.3% of the residential properties were government-subsidised.

# 4. Residential market activity in South Africa

## Market for new build

Due to a number of factors, including the significant impact of government housing programmes, the new and resale markets behave quite differently, and therefore are considered separately in this report. New residential transactions on the deeds registry serve as a proxy for new construction and include houses that were built by a private developer, as well as units that were built through government programmes and transferred to beneficiaries.

Nationally, the new build market is relatively small: in 2023, there were **49 893 new transactions, constituting one quarter of total new and resale transactions.**

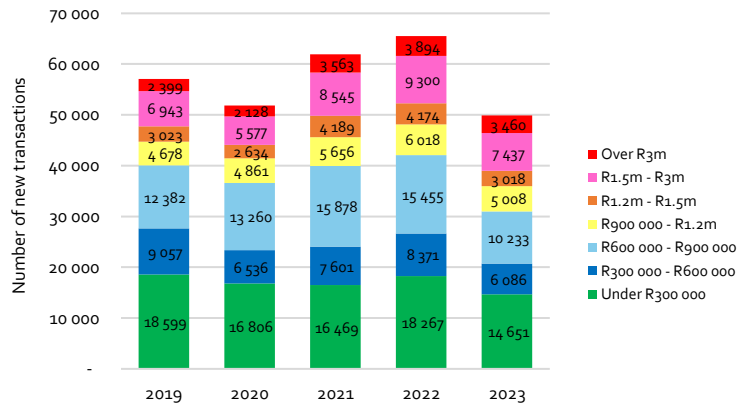
As SA began its recovery from COVID, construction activity and new registrations rebounded in 2021 and 2022 (top graph). However we have seen a steep 24% drop in new transactions in 2023—approximately 15 600 fewer new transactions than in 2022. The drop in new transactions was felt across all market segments.

In 2023, more than half of total new transactions (54%) were for residential properties valued R900 000 or less. The great majority of new transactions at the bottom of the property ladder was due to government building. Of the 14 651 new transactions in the entry-level market, 83% were government-subsidised.

As shown in the middle graph, in 2023, 15 908 GSP were newly registered at the Deeds Office in 2023. In total, 32% of all new transactions were for government-subsidised properties. Again, this data only includes RDP houses where beneficiaries received their title deed. Actual delivery could be higher, with the difference due to delays in transferring title on houses which have been built and handed over to beneficiaries.

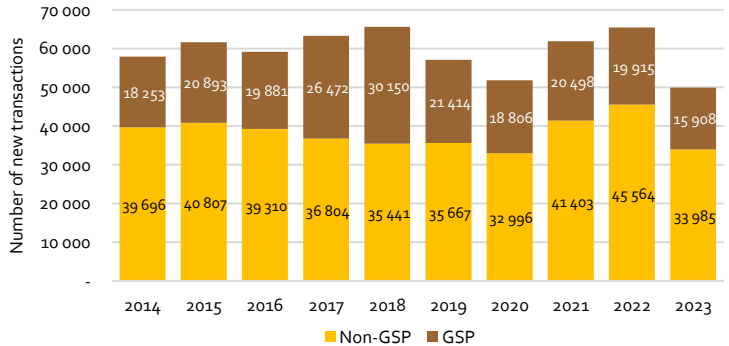
The distribution of new transactions in the country is quite skewed geographically. As shown in the bottom graph, the largest portion of new registrations are taking place in Gauteng and the Western Cape, although both were impacted by the overall decline of new transactions in 2023. Of all new transactions in 2023, 56% were in the eight metros.

**New transactions of residential properties by market segment, 2019-2023**



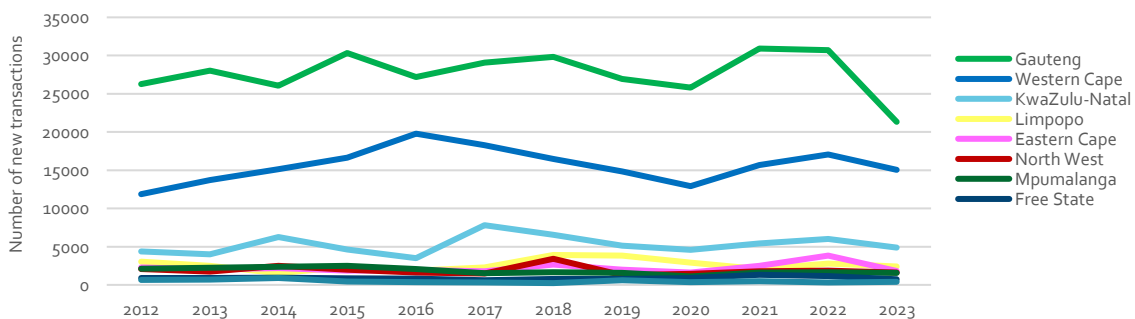
Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**New transactions: GSP vs. non-GSP, 2014-2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**New transactions by province, 2012-2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).



# 5. Residential market activity in South Africa

## Resale market

Similar to the decline in new transactions in 2023, the resale market also experienced a notable reduction in market activity in 2023. As can be seen in the top graph, resale activity has been declining since 2021. The total number of resale transactions dropped by 19% to 150 738 in 2023—approximately 35 000 fewer resale transactions compared to the previous year. The decline was felt in all market segments.

In 2023, 35% of resale transactions were for residential properties valued at R900 000 or below. 39% were for higher value properties over R1.5 million.

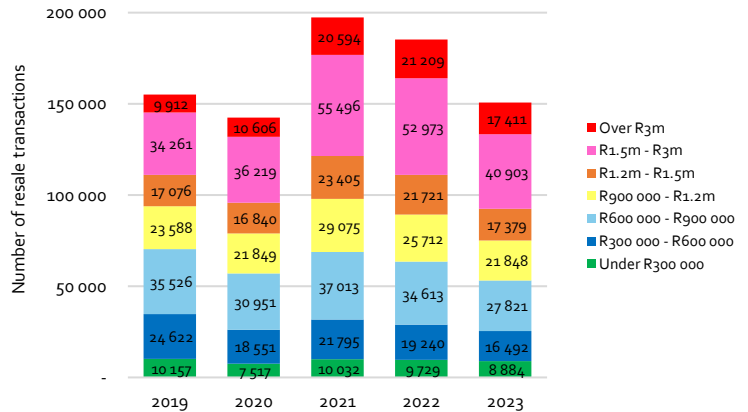
Of the total resale activity in 2023, two-thirds took place in the metros. 17% of the transactions were in Cape Town, 16% in Johannesburg, and another 11% in Tshwane. Just over a third (34%) of the resale transactions took place in the local municipalities (outside the metros).

Resale transactions of GSP is another important market segment to watch. On the whole, the GSP are older stock: 1.96 million or 90% of the GSP are over 8 years old, and thus no longer governed by the pre-emptive clause in the Housing Act which restricts sale. This then opens up the older GSP as potential supply in the resale market. Approximately 8.7% of the resale transactions in 2023 were of GSP (13 147)—this proportion has remained largely consistent over the last 10 years.

Of these GSP resale transactions, 17% were of GSP that were less than 8 years old. This would include transactions which were exempted from the 8-year prohibition by the province as a result of a waiver application (as would be the case in the Western Cape), transactions that happened on properties older than 8 years but for which title deeds were only more recently delivered, or transactions which were not in compliance with the resale restriction.

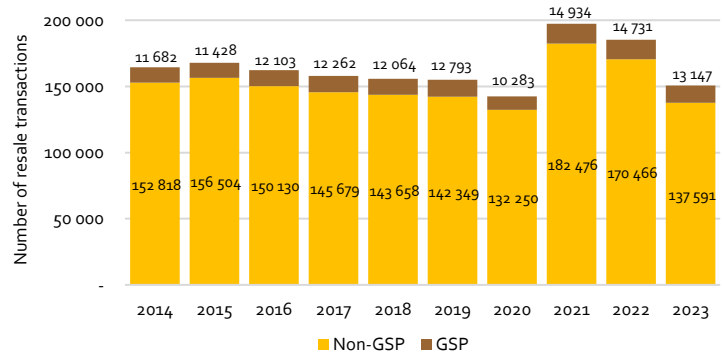
Mortgage lenders are moving into the GSP resale market. Of the 13 147 resale transactions of GSP in 2023, 30% or 3 879 were financed with a mortgage—totaling R2.174 billion in value. These properties fetched an average resale transaction price of R560 570. In contrast, the average price for a resale transaction *without* a mortgage was R235 137. Standard Bank issued the highest number of bonds for the resale purchase of GSP (28%, or 1 090), with Nedbank second at 25% of the total.

Resale transactions of residential properties by market segment, 2019-2023



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

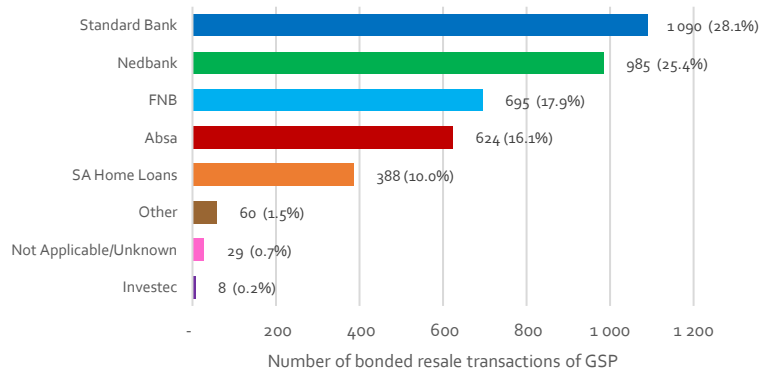
Resale transactions: GSP vs. non-GSP, 2014-2023



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

Bonded resale transactions of GSP by lender, 2023

Total bonded resale of GSP = 3 879



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

# 6. First-time homeowners

## Accessing the property market via new and resale markets

The number of households who become homeowners for the first time each year serves as an important indicator of how inclusive and accessible the housing market is. During 2023, 93 092 households in South Africa became homeowners, 21% fewer than in 2022. This particular category of buyers is a key driver of market activity: 44% of all transactions in 2023 were by FTHOs.

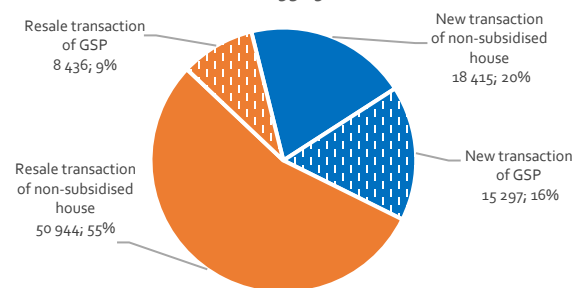
Analysing FTHOs also provides useful insight into how the housing market is growing, and how households are joining the property ladder. In order to be eligible for a government-subsidised home, individuals cannot have previously owned property, thus all beneficiaries of new GSP are first-time homeowners. Yet, despite the contribution of government's housing programme, the majority of FTHO in South Africa don't receive a subsidy house but instead purchase their homes through the resale market.

Of the 93 092 households that became FTHO in 2023, 15 297 (16%) were beneficiaries of government-subsidised housing. Another 8 436 households (9%) formally purchased a GSP on the resale market, demonstrating that older GSP stock can provide a supply of affordable housing for those entering the property market

The remaining first-time homeowners bought approximately 70 000 homes (non-subsidised), of which 27% were new and 73% were resale (non-GSP) properties. Overall, the main avenue through which most first-time homeowners step on to the property ladder is the resale market with 66% of all FTHO purchasing an existing (non-subsidised) home. The resale market is therefore a critical avenue for ensuring access to the market for first-time homeowners—its proper functioning is thus a key ingredient to an inclusive market.

### How first-time home owners acquired their homes, 2023

Total first-time home owners: 93 092

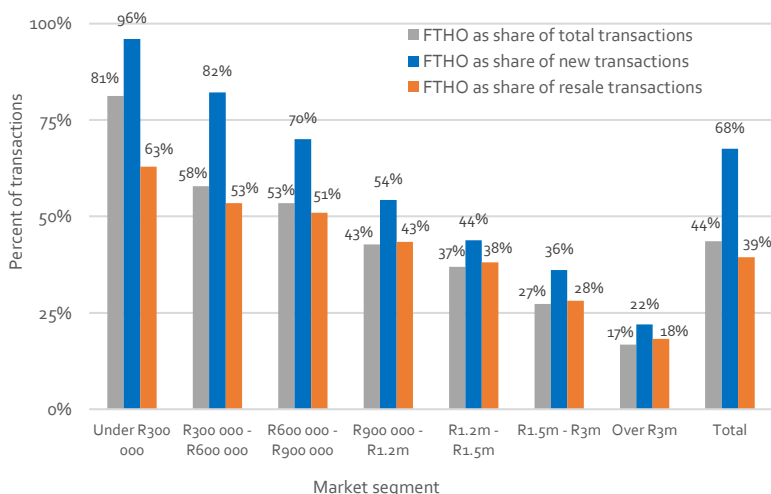


Note: Excludes 'Not applicable' sales type and 'Not applicable' buyer type. Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

The figures below consider FTHO transactions by market segment. Due to government's housing programme, FTHOs make up nearly all of new transactions of houses valued under R300 000 (96%). Within the range of housing valued between R300 000 and R900 000, 51% of transactions involve households who are acquiring a home for the first time. This underlines the importance of housing finance instruments targeted to this demographic group, to enable market activity.

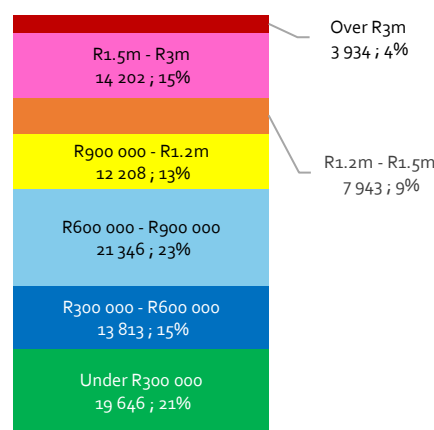
Not surprisingly, the deeds data shows that most FTHOs enter the market at the lower levels. In 2023, over half (59%) of FTHO transactions were for properties valued under R900 000. Of these, 54% were financed with a bond.

### First-time home-owners (FTHO) as a share of total, new and resale transactions by market segment, 2023



### First-time homeowner transactions by market segment, 2023

Total FTHO transactions: 93 092



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

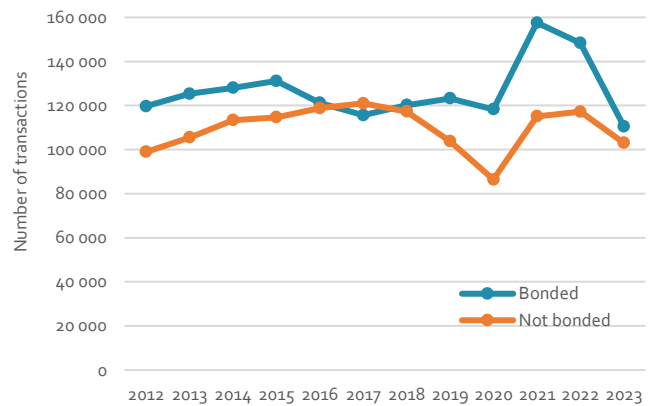
# 7. Mortgage market

## Size and value of outstanding bonds

The Lightstone data also provides a view of South Africa’s overall residential mortgage market, in terms of the size of the market and activity. The total number of bonded transactions in 2023 was only 110 498, a steep 25.5% drop in mortgage lending compared to 2022 volumes. As a result, there were 37 834 fewer bonded transactions in 2023 compared to the previous year.

The number of bonded transactions has varied over the last few years, largely due to COVID and its impact on interest rates. As shown in the top graph, in 2020, the number of bonded transactions dropped slightly by 4.0% and then sharply rebounded in 2021 by 33.2%, far surpassing 2019 levels. 2022 then saw a 5.8% decrease, followed by 2023’s significant drop of 25.5%. That having been said, the 2023 number of bonded transactions is only slightly less than the average for 2012-2019.

Number of bonded and non-bonded transactions, 2012-2023



Source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

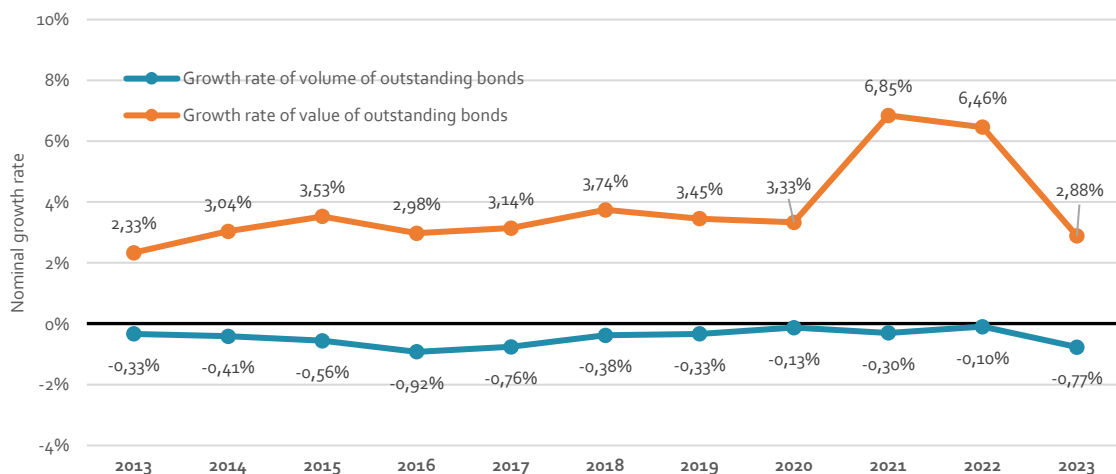
NB: These figures include new and resale transactions, as well as transactions recorded as ‘non-applicable’ for type of transaction.

High interest rates are the main driver behind the drop in new bonds. The prime rate went from from 7.25% at beginning of 2022 to 10.5% by the year’s end. In 2023, there were three more hikes as the SA Reserve Bank struggled to contain inflation, reaching 11.75% where it has remained to date (July 2024). Data from the National Credit Regulator suggests that the decline in mortgage lending looks to continue in 2024, as their data indicates a 18.71% drop in the number of mortgages granted in Q1 2024 compared to Q1 2023.

The total value of outstanding mortgages in South Africa, at the end of 2023, was R1.428 trillion, which constitutes a 2.88% decline from the previous year. As shown in the bottom graph, the growth rate of the value of mortgages outstanding rose sharply in 2021 and 2022 (6.85% and 6.46% respectively), but then returned to a more moderate growth rate in 2023 (2.88%).

Although the *value* of the total bonds outstanding has been growing (in nominal terms), the *number* of outstanding bonds have been slowly but steadily declining over the last 10 years, as can be shown by the negative nominal annual growth rates reflected in the bottom graph. In 2023, the volume of outstanding bonds dropped by 0.77%, to 2.241 million mortgages outstanding at the end of 2023. The number of outstanding bonds in 2023 is 4% less than ten years ago.

Nominal growth rates of volume and value of outstanding bonds, 2012-2023



Source: CAHF’s Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).



# 8. Housing finance

## Bonded transactions by market segment

The most common way homebuyers finance home purchases is with mortgages, and in South Africa, 53% of new and resale residential transactions were bonded in 2023. Given the predominance of resale activity in comparison to new build, the large majority of bonded transactions are in the resale market—nearly 80%. In 2023, 59% of resale transactions were bonded (top graph).

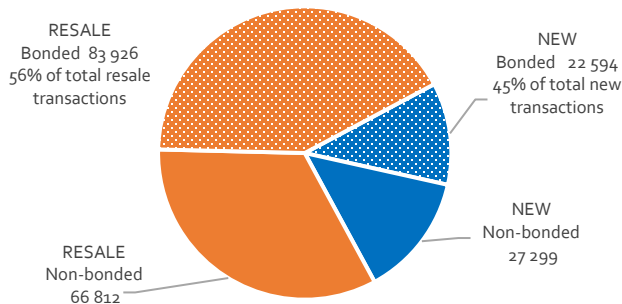
The new build market is slightly different, as overall only 45% of new transactions are bonded due to the number of new transactions which are housing beneficiaries obtaining government subsidised units for free. However if GSP are removed from the calculation, 69% of new transactions are bonded.

The bottom graph shows the proportions of transactions—new and resale—that were bonded in 2023, by market segment. Only 6% of **entry-level** transactions were bonded, rising to 46% for transactions valued R300 000 to R600 000. Between R600 000 and R3 million, the rate stays at 62%-64%.

For the resale market, the bulk of bonded transactions are at the upper end of the property ladder, particularly in the R1.5 - R3 million range (bottom table). Of the 83 926 resale bonded transactions in 2023, 30% were for properties valued below R900 000. Beginning at about the R600 000 mark, resale transactions are bonded approximately 60% of the time.

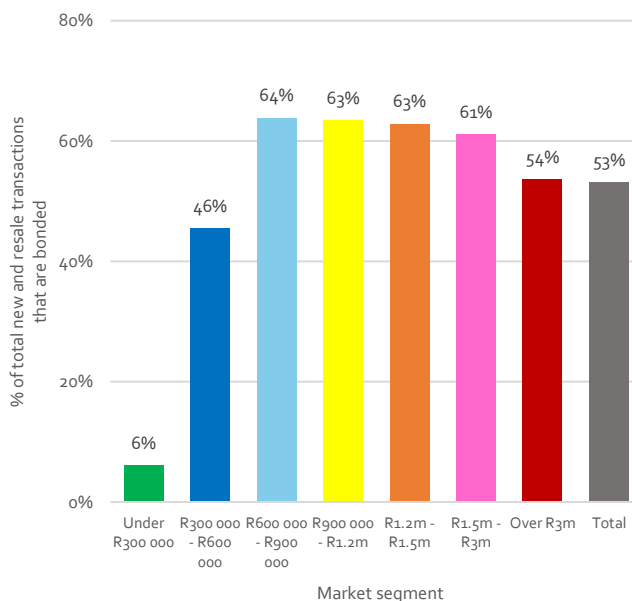
According to the NCR, only 1.57% of the mortgages granted in 2023 went to households with a monthly income below R15 000. However, there is evidence of some bonds issued for transactions of low value properties: 1 070 bonds for resale transactions of properties under R300 000 and 349 bonds for new transactions in the same segment (bottom table). Notably, in the R300 000 to R600 000 segment, nearly half (48%) of resale transactions are financed with a mortgage, providing additional evidence that the lower end of the property market can be supported with formal credit.

**New and resale transactions by bonded and non-bonded, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**Bonded transactions as a share of total new and resale transactions, by market segment, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

Market segment	New transactions			Resale transactions		
	Bonded	Non-bonded	Percent bonded	Bonded	Non-bonded	Percent bonded
Under R300 000	349	14 302	2.4%	1 070	7 814	12.0%
R300 000 - R600 000	2 391	3 695	39.3%	7 885	8 607	47.8%
R600 000 - R900 000	7 549	2 684	73.8%	16 734	11 087	60.1%
R900 000 - R1.2m	3 766	1 242	75.2%	13 249	8 599	60.6%
R1.2m - R1.5m	2 023	995	67.0%	10 798	6 581	62.1%
R1.5m - R3m	4 593	2 844	61.8%	24 922	15 981	60.9%
Over R3m	1 923	1 537	55.6%	9 268	8 143	53.2%
<b>Total</b>	<b>22 594</b>	<b>27 299</b>	<b>45.3%</b>	<b>83 926</b>	<b>66 812</b>	<b>55.7%</b>

Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

# 9. Housing finance

## Which banks are lending down-market?

Overall, Standard Bank South Africa (SBSA) had the largest market share of residential bonded transactions in South Africa in 2023 at 26%. This was followed by First National Bank (FNB) with 23%, and Absa with 21% (top pie graph).

The figures reflect gains by FNB in the last two years. In 2021, FNB had just 17% market share behind both Standard Bank and Absa. As can be shown in the middle graph to the right, the number of bonded transactions financed by Absa and SBSA notably dropped in 2022 and continued to fall in 2023, while FNB and Nedbank experienced much smaller declines in 2023.

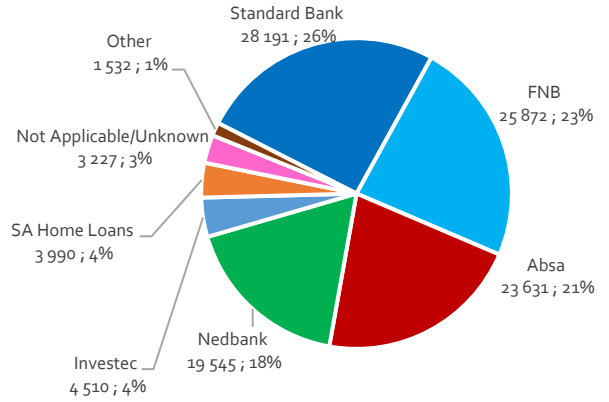
In which market segments are banks concentrating their lending? All the major banks were active in each market segment in 2023, as can be seen in the bottom-right graph. Standard Bank has the largest share of bonded transactions in every market segment, except for 'Under R300 000', where the largest portion of bonds were issued by Nedbank (20.1%).

Are mortgages being offered at the lower end of the property ladder? Notably, the number of bonds issued for transactions valued R600 000 to R900 000 reached nearly 25 000 in 2023, indicating a good appetite by the banks to lend in this segment.

The bottom pie graph displays market share for bonded transactions under R900 000 and shows the high level of activity of Nedbank at the lower end of the market, compared to higher value properties. In 2023, a total of 36 981 bonded transactions took place for residential properties valued under R900 000.

**Bonded transactions by lender, 2023**

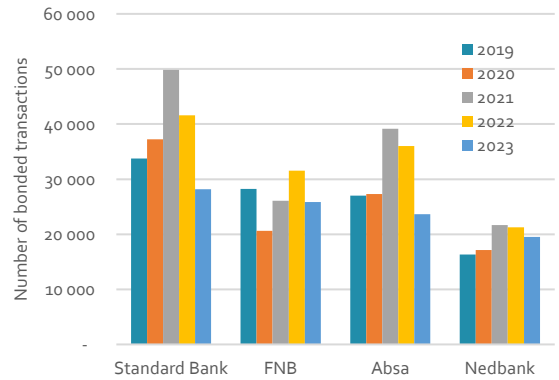
Total bonded transactions: 110 498



NB: The total numbers of transactions in this graph is larger than the figures on page 9 because this graph includes transactions that are recorded as neither new nor resale but as 'non-applicable'.

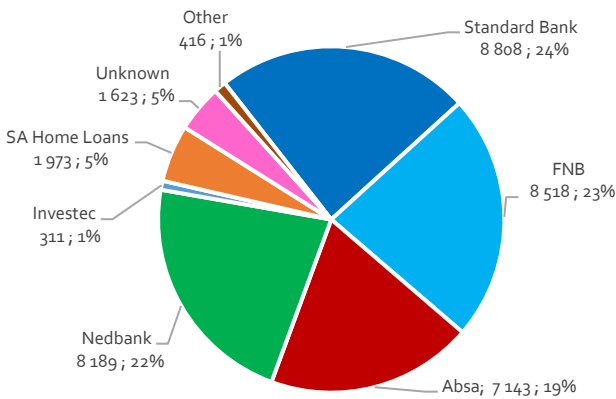
Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**Bonded transactions by lender (top four banks), 2019-2023**

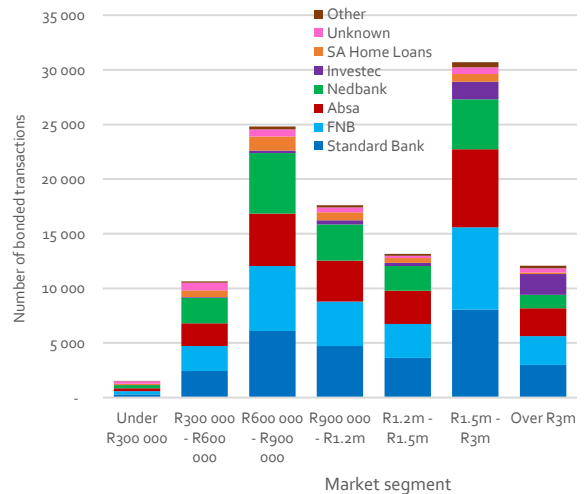


Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**Bonded transactions under R900 000 by lender, 2023**



**Bonded transactions by lender by market segment, 2023**

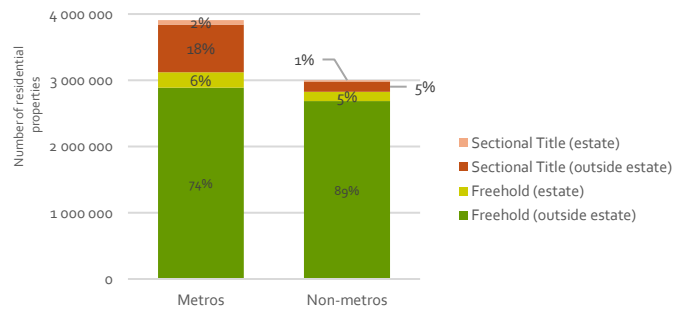


Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

# 10. Freehold vs. sectional title properties

## What type of properties are being built and where?

**Metro and non-metro housing stock by property type, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

*Freehold*<sup>1</sup> properties are owned in their entirety, most commonly a single home on a single stand. A *sectional title* property is typically a single unit in a shared context, such as a block of flats or complex of townhouses. Both these property types can also exist within a private estate. Sectional title properties are important from an affordability perspective because often they offer a less expensive option for ownership, compared to freehold properties.

Country-wide, 86% of residential properties are freehold, and just 14% sectional title. Sectional title units are concentrated in urban areas. Within the metros, sectional title make up 18% of total properties—and 82% of all sectional title units are located in the eight metros (top graph). Their existence contributes to more densified cities and increased affordable housing supply.

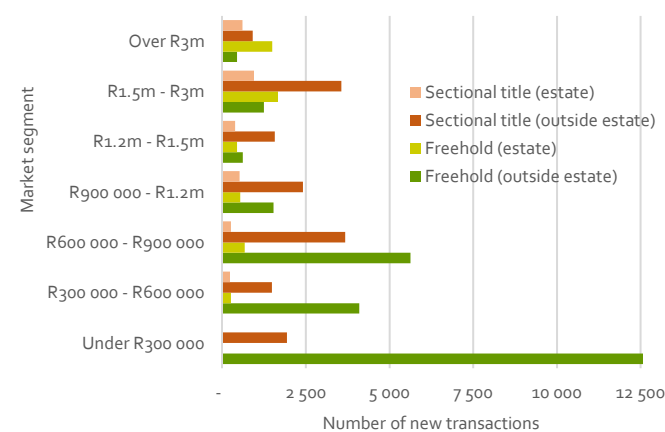
Only 6% of all properties are located in residential estates. Of these properties, just over half (52%) are in the eight metros. As might be expected, the bulk of estate properties are in the upper market segments.

What type of properties are being built? In 2023, most of the new registrations at the lower end of the property ladder were freehold properties outside of private estates, primarily delivered through government housing programmes. However there are also notable numbers of freehold (outside estate) properties being built that are valued between R300 000 and R900 000, as shown in the middle graph. From R1.5 million and up, more freehold houses are built inside private estates than outside.

As shown in the middle graph, new sales of sectional title properties in 2023 were more evenly spread across market segments, with 41% valued below R900 000. Notably there were 1 931 new transactions of sectional title properties below R300 000, and another 1 491 in the R300 000 to R600 000 range.

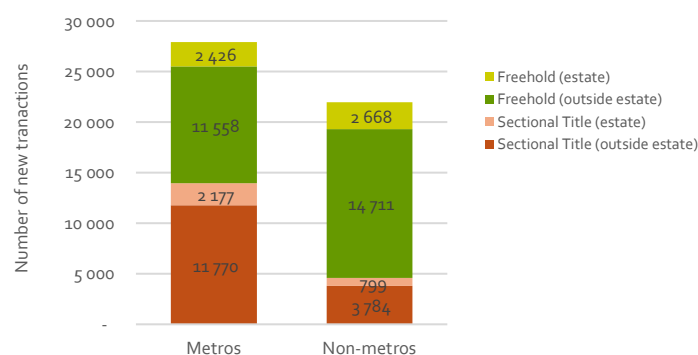
The bottom graph demonstrates that more of the new transactions are happening in the metros compared to local municipalities. One half of the new transactions in metros were sectional title—on par with freehold properties. This underlines the importance of sectional title in densification. 76% of new sectional title units outside of estates were built in the metros.

**New transactions per market segment by property type, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

**New transactions per metros and non-metro areas by property type, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

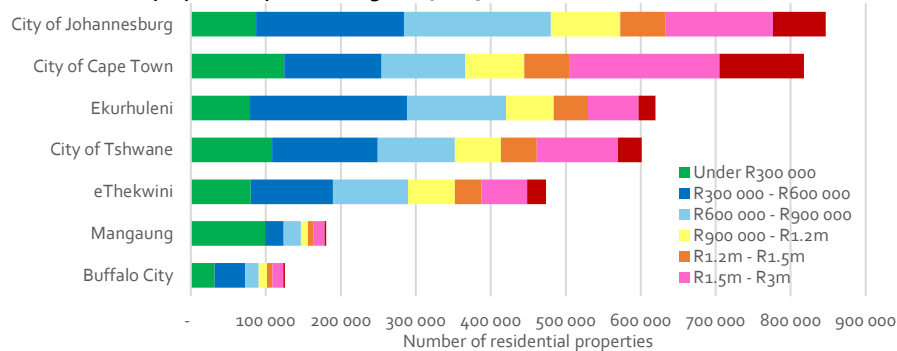
# 11. Comparing South Africa's eight metros

With respect to the volume of properties, Johannesburg had the largest residential property market across the eight metros — with a total number of 846 797 residential properties in 2023, compared to Buffalo City with the lowest at 125 421. In terms of value, Cape Town has the largest residential property market, at R1.402 trillion, followed by Johannesburg with R1.104 trillion. In contrast, Mangaung has a much smaller market totaling R95.6 billion—1/15<sup>th</sup> the size of Cape Town.

Johannesburg is the metro with the largest number of government-subsidised properties—over 225 500 units. However Nelson Mandela Bay hosts the biggest percentage of GSP—42% of their residential properties were subsidised by government. In contrast, eThekweni has the smallest portion of GSP at 22%.

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

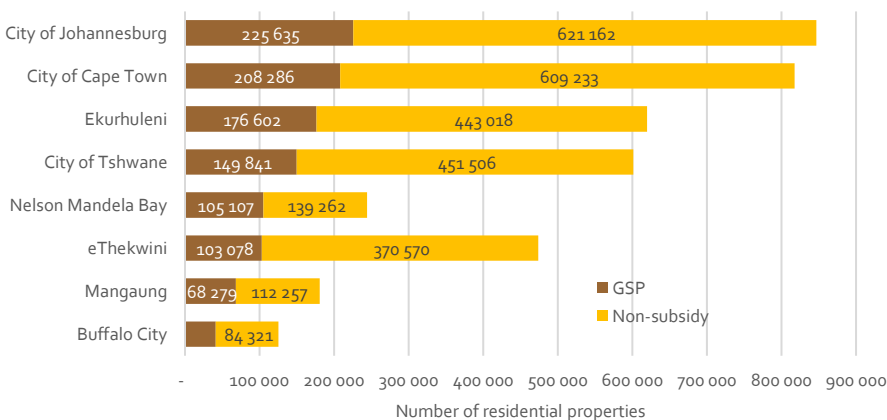
**Metro residential properties by market segment, 2023**



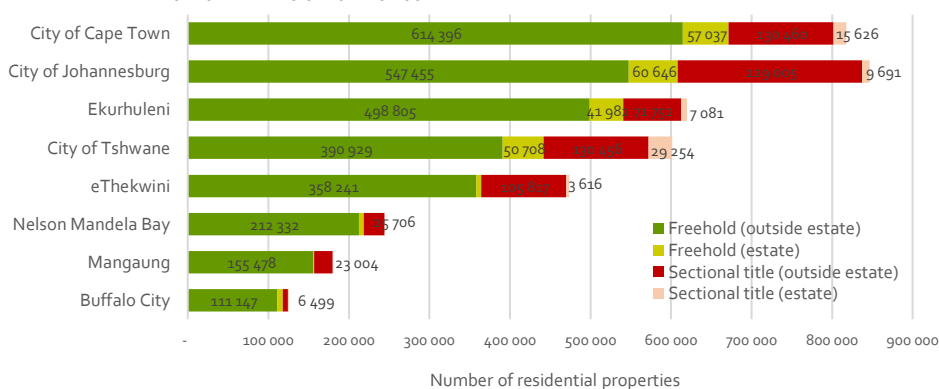
**Value of metro residential property markets, 2023**

Metro	R billion
City of Cape Town	R1 402.20
City of Johannesburg	R1 104.35
City of Tshwane	R651.64
Ekurhuleni	R574.79
eThekweni	R503.68
Nelson Mandela Bay	R167.27
Mangaung	R100.85
Buffalo City	R95.59
<b>Total for metros</b>	<b>R4 600.36</b>
Metros as share of total residential property market	67.8%

**Metro residential properties by GSP vs. non GSP, 2023**



**Metro residential properties by property type, 2023**



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).

## 12. Comparing South Africa's nine provinces

Gauteng exceeds the other provinces in both number of residential properties and total value of the residential property market. Gauteng's market is valued at R2.56 trillion, comprising 38% of the total value of South Africa's residential property market. Gauteng also contains 35% of the total number of residential properties in the country. The Western Cape comes second, with 30% of the total value of the SA residential property market, but just 18% of the total number of properties.

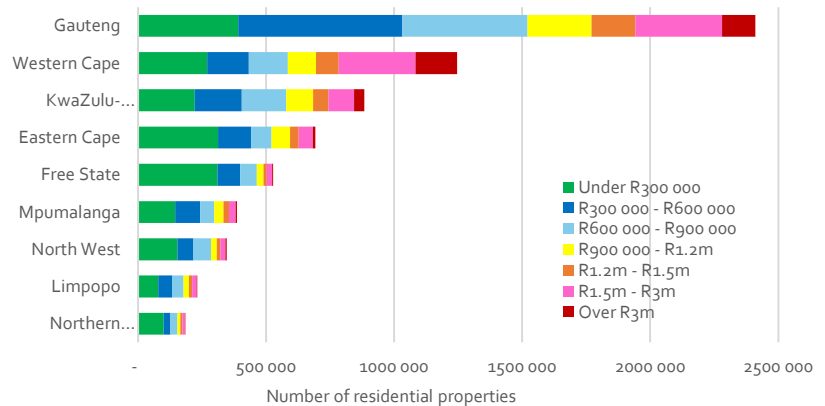
Except for Western Cape and Gauteng, all the provinces have their largest share of residential properties in the **entry-level** market segment, under R300 000. In the Free State, 59% of the residential properties are in the **entry market**.

However, the residential property markets of the Western Cape and Gauteng have a different composition. In Gauteng, a small portion of the properties are valued less than R300 000 (16%), but 63% are under R900 000. For the Western Cape, only 47% are below R900 000.

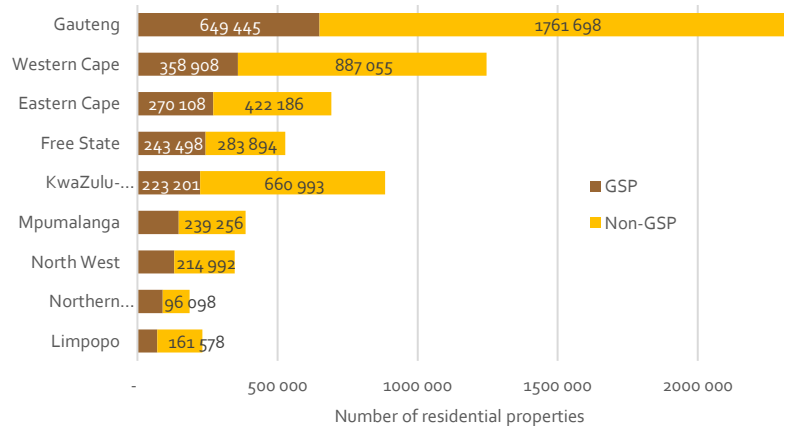
With respect to government-subsidised housing, in the Northern Cape and Free State, nearly 50% of residential property is GSP (48% and 46% respectively). In contrast, government housing programmes account for a much smaller portion of residential properties in KZN—just 25%.

Given the three large metros within its borders, Gauteng also had the largest number of sectional title properties, comprising 52% of all the sectional title units in the country. Approximately 75% of South Africa's estate properties are in Western Cape and Gauteng.

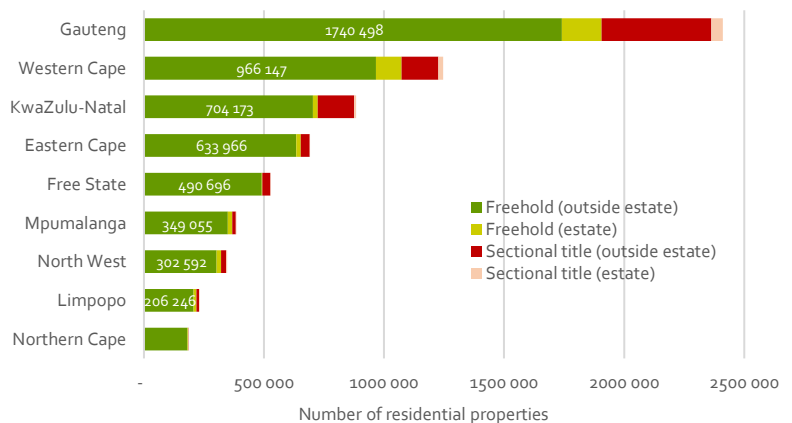
Number of residential properties by province and market segment, 2023



Number of residential properties by province: GSP and non-GSP



Number of residential properties by province and property type, 2023



Source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at 31 December 2023 (sourced March 2024).



## 13. Implications for affordable housing

### *Growing housing market, with lower value housing comprising the lion's share of stock*

Over the years, the number of residential properties has been growing, along with the total value of that stock. Over the last ten years, 715 500 residential properties have been added to the deeds registry, and the total value of residential stock has increased by 61% (in nominal terms), to R9.631 trillion.

Definitions of the 'gap market' and affordable housing vary in the sector. The Banking Association South Africa (BASA) sets the upper household income limit at R29 600/month which allows a household to qualify for a bond of approximately R820 000 at current interest rates.\* Government's First Home Finance (FHF) programme, which provides subsidies to the 'gap' market, has an upper eligibility threshold of R22 000/month, which would enable a household to qualify for a bond of approximately R600 000.

Regardless of the exact figure for 'affordable' housing, the data tells us that 21% of residential stock (1.44 million properties) are valued at R600 000 to R900 000; and 2/3 of total stock is valued at R900 000 or less—indicating that lower-value housing is a substantial majority of the market, not a small sub-segment or niche.

The availability of stock in the **entry-level** market is predominantly attributable to public investment: 69% of units valued under R300 000 were GSP.

### *Reduced transactions in low value market as interest rates dampen activity*

Transactions are also good indicators of a property market's activity and health. On the whole, transactions dropped a notable 20% compared to 2022, likely due largely to sustained high interest rates in 2023. Total transactions in 2023 amounted to approximately 213 500, indicating an overall churn rate of 3.09% for SA's residential market. Looking exclusively at residential properties valued under R900 000 that were *not* subsidised by government, the churn rate was just 2.45%. In 2023, only 41% of transactions were for properties valued under R900 000, compared to 61% ten years ago.

The share of new transactions that are at the lower end of the market seems to be dropping. Five years ago, 52% of new transactions (excluding GSP) were valued under R900 000, compared to just 44% in 2023. In the lowest market segments under R600 000, there is

very limited delivery of properties financed by the private sector, apart from government-subsidised housing programmes. This poses a serious challenge to many South African households whose incomes only allow them to purchase **entry** or **affordable** properties. Affordable housing that has been built but whose titles have not yet been allocated do not reflect on deeds registry. Unless the titles are delivered, these affordable units will remain 'dead capital'.

### *Skewed mortgage market*

Although the value of the total bonds outstanding has been growing (in nominal terms), the number of outstanding bonds has been slowly but steadily declining over the last 10 years. The total number of bonded transactions in 2023 was only 110 498, a steep 25.5% drop in mortgage lending compared to 2022 volumes.

In recent years, lenders are issuing fewer bonds for the purchases of houses valued under R900 000. Of all the bonded transactions in 2023, one third were for houses in the three lowest market segments (under R900 000). Nedbank has the largest market share for bonded transactions under R900 000, but there is great potential for all the banks to expand their lending down market.

### *Recommendations*

At present the FHF subsidy is largely distributed to households at the top end of the eligible income bracket, and in many cases, 'gap' households are unable to access a bond and purchase a new houses even with a subsidy. However, a key opportunity exists in the residential resale market, where resale market prices are often for values lower than what is available in the new build market. More attention must be paid to enabling 'gap' households to purchase on the resale market which offers lower prices. Leveraging the potential of the resale market depends on resolving the title deeds backlog and addressing the incidence of informal transactions, both of which undermine healthy market functioning and constrain transaction values. Targeted transaction support and title deed restoration efforts are needed. This would also increase municipal revenue.

Expanding FHF activity in the resale market can have the effect of broadening effective demand by both subsidy beneficiaries and the sellers of resale properties who become buyers of the next property up the ladder. This will enable better filtering in the market and additionally assist affordable housing developers to raise construction finance.

\* Assuming 30% premium to income ratio, 10% deposit, 20 year bond, and prime interest rate 11.75%.

## 13. Implications for affordable housing

### Conclusions

#### *Growing housing market, but plenty of room for more growth*

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

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

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

#### *Skewed mortgage market*

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

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

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

#### *The significance of government subsidised properties for first-time homeowners*

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

### Recommendations

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

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

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

## 14. Report methodology

### What is the source of the data?

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

### How are the indicators derived?

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

### Why use market segments?

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

### How is the value determined?

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

### How is transaction price determined?

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

### How are government-subsidised properties identified?

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

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

[www.housingfinanceafrica.org](http://www.housingfinanceafrica.org)

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