

Affordable Land and Housing Data Centre

Understanding the dynamics that shape the affordable land and housing market in South Africa.



Filling the Gaps:

Affordable and other housing markets

in Buffalo City

September, 2012

DISCUSSION DOCUMENT

Presentation overview



1. Introduction

2. Market Size

3. Market Potential

4. Market Dynamics

5. Comparison to other Metropolitan Municipalities

6. Conclusions

Introduction

- This report provides a profile of affordable and other housing markets in the Buffalo City Metropolitan Municipality
- The affordable housing market comprises residential properties whose value is less than R 500 000 and is acquired by households earning less than about R15,000 a month
- The importance of the affordable housing market in South Africa cannot be overstated – of the 6 million residential properties on the South African Deeds Registry, over half (3,4 million, or 58%) are valued at less than R500 000.
- The type of housing in the affordable housing market includes:
 - existing stock found in the former ‘Black, Coloured and Indian townships’,
 - government subsidized housing, and, to a lesser extent, new housing developed by the private sector.
- There is increasing recognition that the affordable housing market forms an important component of South Africa’s economy

Methodology

- This report sets out the findings of an analysis of data from the South African Deed Registry, together with data on South Africa's National Subsidy Programme
- The analysis uses specific indicators of the formal real estate market to describe current conditions in the affordable market, and compares them to the rest of the metropolitan area and to the nation as a whole.
- A categorisation of affordable housing properties and suburbs is used:
 - **An affordable housing property** is any property valued below R500,000 that can be acquired by a family or household earning less than R 15 000.
 - **An affordable suburb** is a neighbourhood with an identifiable name and recognized boundaries in which the average worth of the residential properties within it is less than or equal to R 500 000.
- Analysing the affordable housing market in South Africa is challenging on several fronts:
 - The affordable market is thinner than other markets and Information within the market is limited
 - Anecdotal information indicates that there are informal transactions that occur within the market that are not recorded through the deeds registry.

Methodology cont.

- All of the data analysed in this presentation was drawn from the South African Deeds Registry at the end of 2010 unless otherwise noted.
- The data is analysed in terms of three areas of focus:
 - 1) **Market size**
 - 2) **Market potential**
 - 3) **Market dynamics**
- The data is analysed using two dimensions:
 - 1) **Property value:** The following categories are specified:
 - Less than R250,000
 - R251,000 to R500,000
 - More than R500,000
 - 2) **Area:** The following categories are specified :
 - Affordable areas in the city
 - The city as a whole
 - National

Presentation overview



1. Introduction

2. Market Size

3. Market Potential

4. Market Dynamics

5. Comparison to other Metropolitan Municipalities

6. Conclusions

Determining market size

The key dimensions that measure market size are:

- The total **number** of registered residential properties in the market
- The **worth** of registered residential properties in the market
- The extent to which these properties are being **traded** (i.e. bought and sold)
- Where the properties are **located**
- **Who** owns them and the **type of ownership**

Value of registered properties

Value of properties	Affordable areas in Buffalo City	Buffalo City : All properties	National: All properties
< R250 000	R5,900,665,000 <i>99% of metro in category</i>	R5,931,325,000 <i>4% of national in category</i>	R146,580,735,000
R251 000– 500 000	R4,673,380,000 <i>89%</i>	R5,232,710,000 <i>1%</i>	R398,211,440,000
> R500 000	R4,206,710,000 <i>12%</i>	R36,557,840,000 <i>1%</i>	R2,624,765,870,000
Total	14,780,755,000	R47,721,875,000	R3,169,558,045,000
Percent of area	31%	2%	

Source: SA Deeds Registry, 2010

- Residential properties in South Africa are valued at R3,169 billion
- The properties within Buffalo City are valued at R48 billion, which means that the city has an estimated 2% of the country's population and contains 2% of the country's residential real estate value
- **Properties in affordable areas are valued at R15 billion or 31% of the total value of residential properties in the city**
- 99% of properties below the value of R250,000 are located in affordable areas which indicates a high concentration of affordable properties in these areas

Number of registered properties

- 2% (196,000) of South African residential properties are located in Buffalo city
- 68% of these are located in affordable areas
- 21% of affordable properties are of unknown worth – these are assumed to be predominantly subsidy properties as they are often registered as having no or minimal value

Value of properties	Affordable areas in Buffalo City	Buffalo City : All properties	National: All properties
< R250 000	38 067 <i>53% of affordable areas</i>	38 249 <i>36% of all properties</i>	1 141 801
R251 000–500 000	12 661 <i>17%</i>	14 073 <i>13%</i>	1 052 949
> R500 000	6 489 <i>9%</i>	33 430 <i>3%</i>	2 200 071
Unknown worth	15 255 <i>21%</i>	20 112 <i>19%</i>	1 182 071
Total	72 472	105 864	5 576 892*
%	68%	2%	

Source: SA Deeds Registry, 2010

* While there are 6 million residential properties in the Deeds Registry approximately 400,000 of them do not have GIS coordinates or addresses and therefore could not be used in this analysis.

Sales transactions

Value of properties	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties	
	Number	Value (Rm)	Number	Value (Rm)	Number	Value (Rm)
< R250,000	550	78	614	88	61,286	4,838
R251,000– 500,000	445	166	630	240	40,579	15,654
> R500,000	145	107	1,422	1,806	101,740	147,636
Total	1,140	350	2,666	2,133	203,605	168,128
%	43%	16%	1%	1%		

Source: SA Deeds Registry, 2010

- Properties sold in Buffalo City comprises 1% of the number of properties sold in South Africa as a whole and 1% of the total sales value
- 43% of all properties sold in Buffalo City were in the affordable suburbs – this indicates sizable formal market activity in these areas
- Of the properties sold in affordable suburbs, 48% were valued below R250 000, which indicates some product availability in the lowest end of the housing market

Average values of residential properties

Value of properties	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties
	Average worth	% of national average	Average worth	% of national average	Average worth
< R250,000	159,119	100%	159,151	121%	131,439
R251,000– 500,000	375,522	100%	377,113	100%	375,628
> R500,000	674,001	58%	1,163,318	90%	1,290,364
Total	193,205	45%	429,027	77%	558,484

Source: SA Deeds Registry, 2010

- The average value of a home in Buffalo City is R429,000 which is about three quarter of the national average
- The average home value in an affordable suburb in Buffalo City is R193,000 which is just under half of the city's average value, indicating a wide product gap.

Average sales prices of residential properties

Sales price of properties	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties
	Average price	% of national average	Average price	% of national average	Average price
< R250,000	113,641	96%	118,146	170%	69,690
R251,000– 500,000	368,333	98%	376,540	101%	372,949
> R500,000	828,539	65%	1,274,651	69%	1,841,133
Total	144,805	34%	430,651	82%	525,173

Source: SA Deeds Registry, 2010

- Buffalo City's average property prices are approximately slightly under the national average and are similar to the metro's average property value (R429,000)
- Average property prices in affordable suburbs are R145,000, which is 15% less than the comparable area's average property values (R193,000)
- The average sales price of properties in affordable suburbs with a value of below R250,000 is R114,000 which is lower than their average worth of R159,000. This may indicate weak demand or an under valuing of these properties.

New registrations

Value of properties	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties	
	Number	Value (Rm)	Number	Value (Rm)	Number	Value (Rm)
< R250,000	53	12	59	13	23,633	2,221
R251,000– 500,000	95	36	92	56	18,012	6,786
> R500,000	121	76	117	293	21,912	27,338
Unknown worth	197	n/a	194	n/a	28,622	na
Total	466	124	462	362	92,179	36,345
% of total	101%	34%	1%	1%		

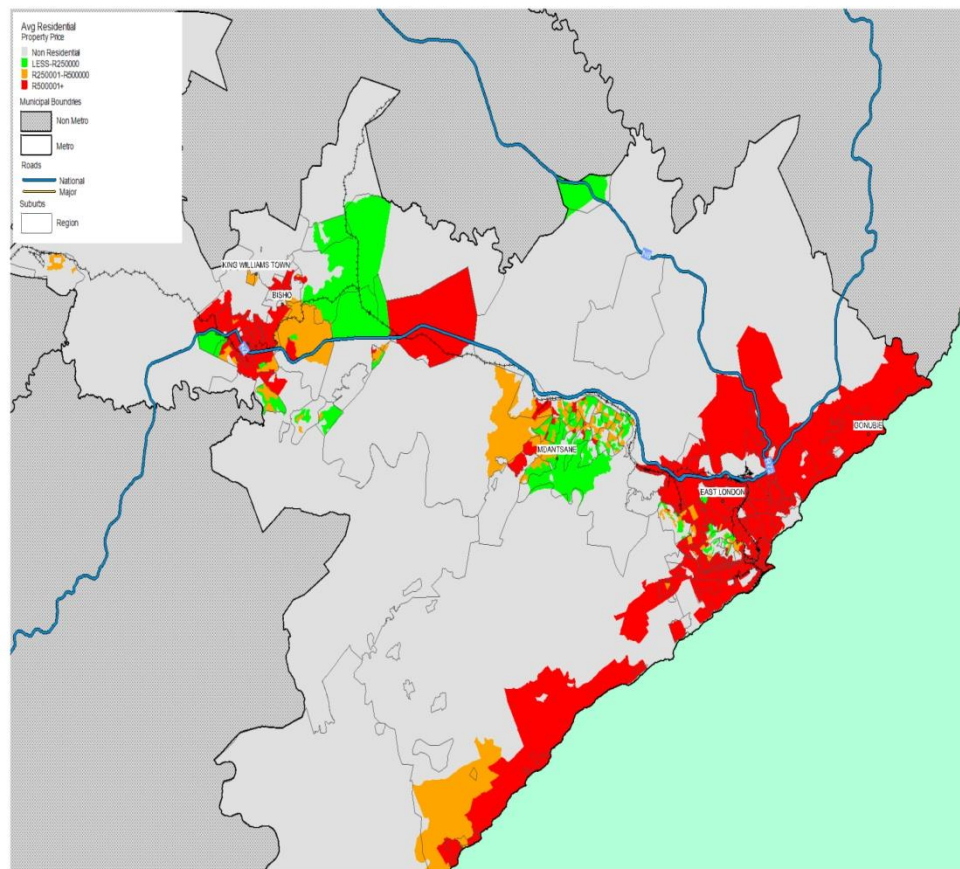
Source: SA Deeds Registry, 2010

- Buffalo City added 462 new registrations into the deeds registry in 2010 about 0.4% of its existing stock
- All of this stock was located within affordable suburbs, about 32% were worth under R 500 000, indicating growth in the lower end of the market, and expanding opportunities for lower income households to acquire formal homeownership.
- Forty two percent were of unknown value, almost all of which were located in affordable suburbs and thus are likely to be housing delivered through the subsidy programme and just registered

Location of affordable suburbs



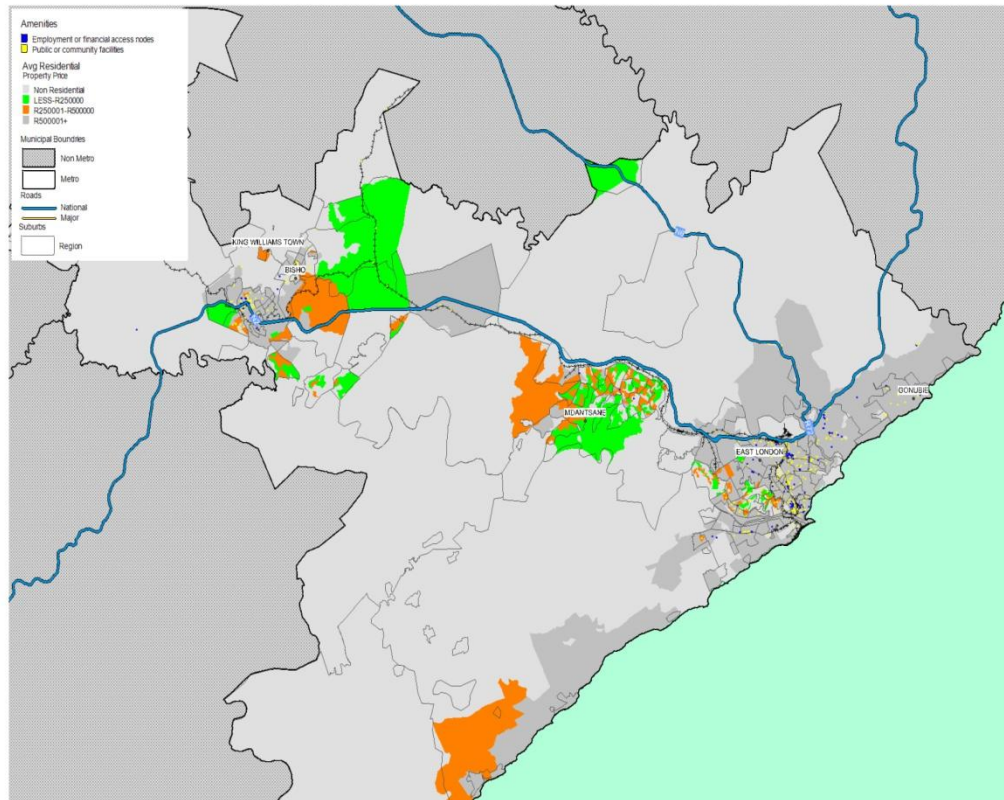
14



The map reflects the distribution of predominantly residential suburbs by average property value

- Buffalo City's affordable suburbs are predominantly in the former Black, Indian and Coloured townships and are located on the periphery of the two nodes making up the metro namely King William's Town and East London and the transport network joining the two nodes

Access to amenities of affordable suburbs



- The majority of affordable suburbs appear to have poor access to public and cultural amenities and centres of employment.

Affordable suburbs' access to amenities, 2011

Property ownership

Owner type	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties	
	No	% of afford-able areas	No	% of Buffalo City all properties	No	% of national all properties
Individual	70,362	97%	99,050	95%	5,212,161	92
Company or organisation	1,837	3%	5,660	5%	440,946	8
Bank	23	0%	42	0%	6,014	0
Total	72,222	100%	104,752	100%	5,659,121	100

Source: SA Deeds Registry, 2010

- The vast majority of properties in affordable suburbs, Buffalo City and nationally are owned by individuals – individual ownership is slightly higher in affordable areas
- More properties are held by corporations or other organizations (like governments) in Buffalo City and South Africa than in the affordable housing suburbs
- Bank-owned properties (such as foreclosures) are negligible in all three areas

Ownership type

Ownership type	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties	
	No	% of affordable areas	No	% of all Buffalo City properties	No	% of all national properties
Freehold title	70,892	98%	100,594	95%	4,698,479	84
Sectional title	1,425	2%	4,725	4%	669,753	12
Estate	155	0%	545	1%	208,660	4
Total	72,472	100%	105,864	100%	5,576,895	100

Source: SA Deeds Registry, 2010

- 98% of properties in affordable suburbs are freehold title which is 3% higher than Buffalo City overall
- The difference is primarily due to the prevalence of sectional titles in Buffalo City whereby 4% of properties are part of a sectional title scheme, as opposed to only 2% in affordable suburbs
- The high rate of freehold title in affordable areas provides two important assets – equity and choice– to existing owners if and as new housing opportunities come available

Presentation overview



1. Introduction
2. Market Size
- 3. Market Potential**
4. Market Dynamics
5. Comparison to other Metropolitan Municipalities
6. Conclusions

Determining market potential

Market potential determines the extent to which a property is a valuable asset or not measured by:

- **Lending rates**
- **Housing equity and indebtedness.** This is measured through loan-to-value which is the relationship between the outstanding debt collateralized by a property in respect of a bond over the property and the property worth (or “value”), usually presented as a %
- **Average churn rates** which reflects the rate in which properties are bought and sold within a period of time
- **Affordability** which reflects local earning potential, and can be defined by the degree to which local incomes can afford local housing.

Private Institutional investment

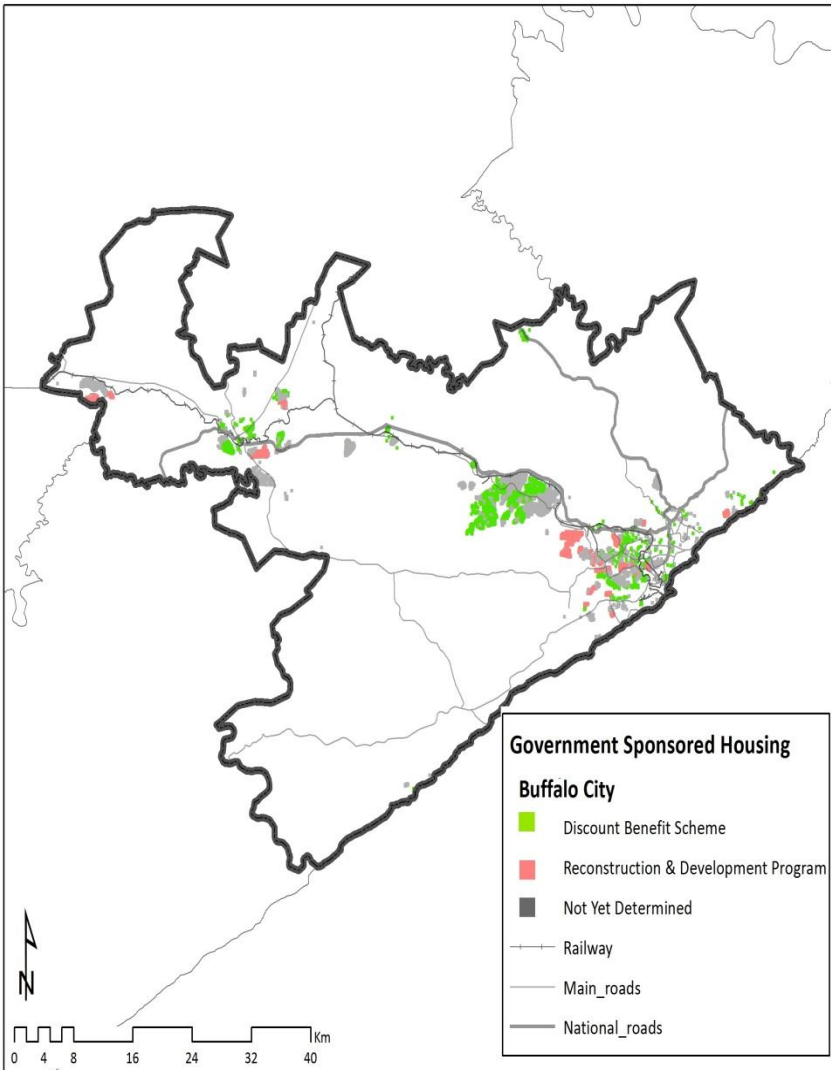
Type of Lenders	Affordable areas in Buffalo City		Buffalo City : All properties		National: All properties	
	No	Value (Rm)	No	Value (Rm)	No	Value (Rm)
Large commercial lenders	12,482 86%	2,709 90%	28,718 90%	11,650 90%	1,830,459 91%	879,799 91%
Mid – tier lenders	1,689 12%	298 10%	2,813 9%	1,294 10%	164,465 8%	82,391 9%
Other investors	272	14	515	36	205,310	42,280
Total loan volume	14,443	3,021	32,046	12,979	2,006,971	963,303
% of total	45%	23%	2%	1%		

Source: SA Deeds Registry, 2010

- In Buffalo City 23% of the total loan value is invested in affordable areas, but affordable areas represent 45% of the loan production
- In all area categories, the large commercial lenders share over 86% of the entire market
- Buffalo City's affordable areas show a slightly lower level of lending by large commercial lenders than the city overall (86% and 90% respectively)
- Buffalo City's affordable areas show a slightly higher level of lending by mid tier lenders than the city overall (12% and 9% respectively)

Government investment

- 31 868 registered subsidized units have been built in Buffalo City since 1994, or about 2% of the total number of subsidised stock registered. This comprises about **30% of the city's registered housing stock**, subsidized or not. (It is noted that a significant number of subsidised housing units have not been registered)
- Clustering subsidised housing constrains flexibility and distorts prices in some contexts. The current deed restrictions exacerbates this problem. Diversifying these clusters can be a key strategy towards diluting these effects
- In the areas where housing is more evenly distributed within neighbourhoods, the investment provides significant equity and leverage opportunities, depending on the level of market vibrancy.



Development potential in affordable areas

- Buffalo City's average loan to value is 44%, lower than the national average of 48%
- Affordable areas have similar loan to values, averaging 45%
- The percent of properties in an area that have bonds is an indicator of an area's access to credit:
 - Properties in Buffalo City are as likely to have a bond than the national average
 - Affordable areas in Buffalo City are 3% less likely to have a bond than the rest of the country and than the city as a whole

Leverage	Affordable areas in Buffalo City	Buffalo City : All properties	National: All properties
Average loan to value	45%	44%	48%
% of sales that are bonded	46%	49%	49%

Source: SA Deeds Registry, 2010

Affordability

Affordability spectrum	Buffalo City	All metros	National: All properties
Monthly payment on average home	R3,948	5,440	R4,815
Average monthly income available for mortgage	R847	1,289	R846
Affordability index	4.66	4.22	5.69
Affordability Target	R87,793	R140,265	R92,040
Percent of existing average home price	20%	24%	18%

Source: SA Deeds Registry, 2010

- In Buffalo City, the average household income can afford a home worth almost R 88 000, which is about 20% of the cost of an average home in the city.
- Buffalo City's affordability index is 4.66 – this means it takes just over four and a half times the average income to afford an average house in the city. This affordability index is lower than the national index, indicating that Buffalo City has relatively better affordability than the country as a whole.
- Residential properties in metropolitan municipalities overall are slightly more affordable than the rest of the country, probably because of their higher earning potential, with an Affordability Index of 4.2.

Churn

Churn	Affordable areas in Buffalo City	Buffalo City : All properties	National: All properties
< R250,000	1.50%	1.48%	0.90%
R251,000– 500,000	1.57%	1.54%	1.28%
> R500,000	5.19%	3.35%	3.23%
Unknown worth	0.58%	0.58%	0.55%

Source: SA Deeds Registry, 2010

- Churn rates in affordable housing suburbs and for properties below R500 000 in Buffalo City are higher than the national rates – indicating an active market.
- Churn rates in Buffalo Cities for properties above R500 000 is above the national rate in affordable areas and similar to the national rate in all areas.
- Areas of greater development potential can be revealed through a closer look at churn rates across and within suburbs to find areas of hidden development potential.

Presentation overview



1. Introduction
2. Market Size
3. Market Potential
- 4. Market Dynamics**
5. Comparison to other Metropolitan Municipalities
6. Conclusions

Determining market dynamics

The key dimensions that measure market dynamics are:

- Change in **market size** reflected through an analysis of new housing stock (registrations) and sales volume
- Change in **market potential** reflected through an analysis of sales transfer and lending rates

New Registrations Added

Nationally, by band



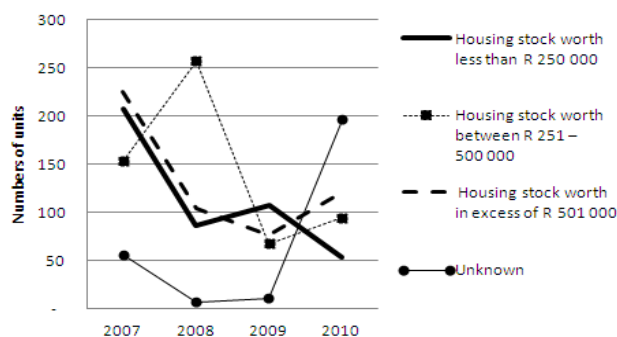
New Registrations Added

Buffalo City, by band



New Registrations Added

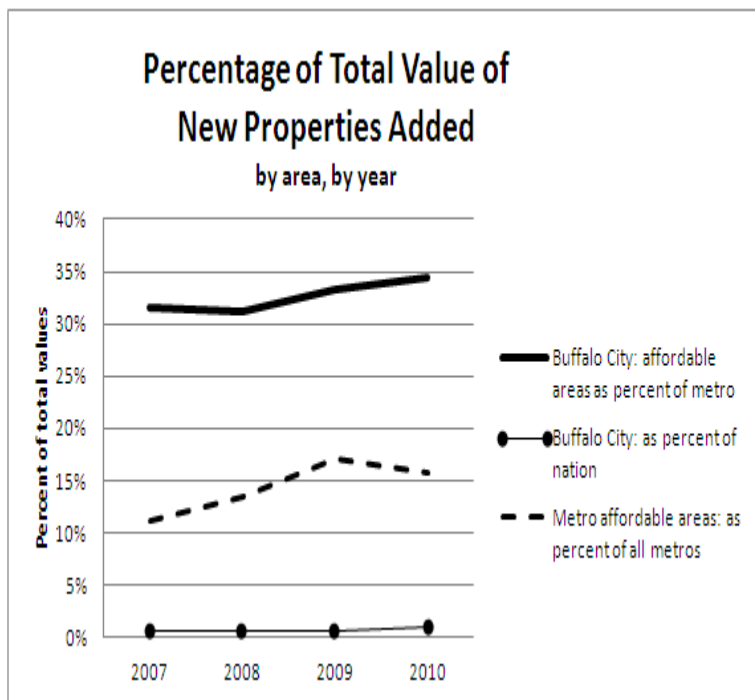
Buffalo City, affordable areas



New housing stock

- In Buffalo City over the past five years, the growth of new registrations has varied significantly depending on the price band.
- New registrations for properties over R 250 000 experienced two growth spurts between 2007–2008 and 2009 and 2010
- New registrations for properties worth /ess than R 250 000 experienced one growth spurt between 2008 – 2009 but generally declined over the period.
- There was an increase in housing stock registered without a value and this stock is located predominantly in affordable areas. The lack of a related increase in sales within these areas strongly suggests that these are newly registered existing subsidised residential properties.

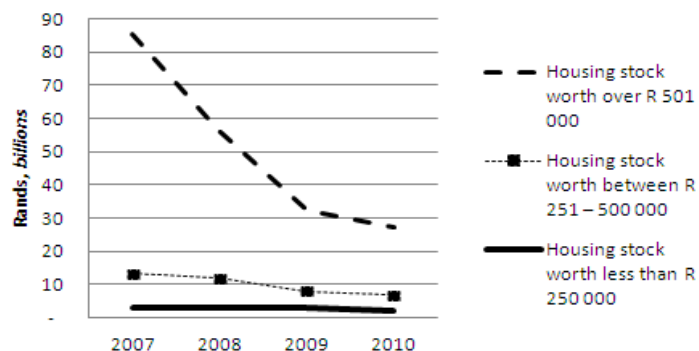
Total values



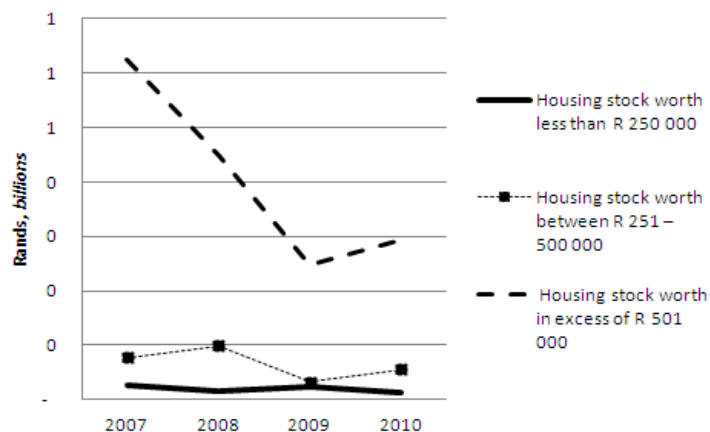
- The value of new properties added in Buffalo City's affordable areas has increased from 31% in 2007 to 35% in 2010. This is similar to other metropolitan areas (see below).
- The value of new properties added in Buffalo City as a whole has also seen an increase from 11% to 16% between 2007 and 2010.
- The percentage of total values of affordable areas in the metropolitan cities has grown from 12% to 16%

Value of residential properties added per year

Value of Residential Properties Added
per year, nationally

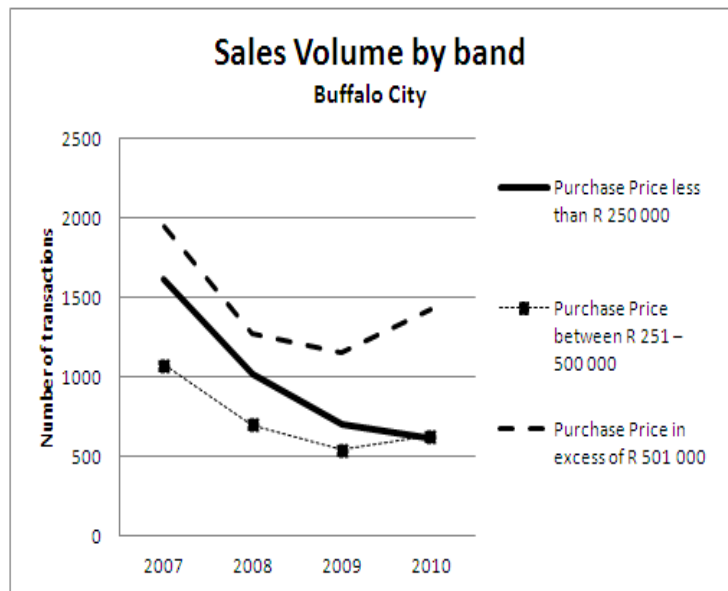


Value of Residential Properties Added
per year, Buffalo City



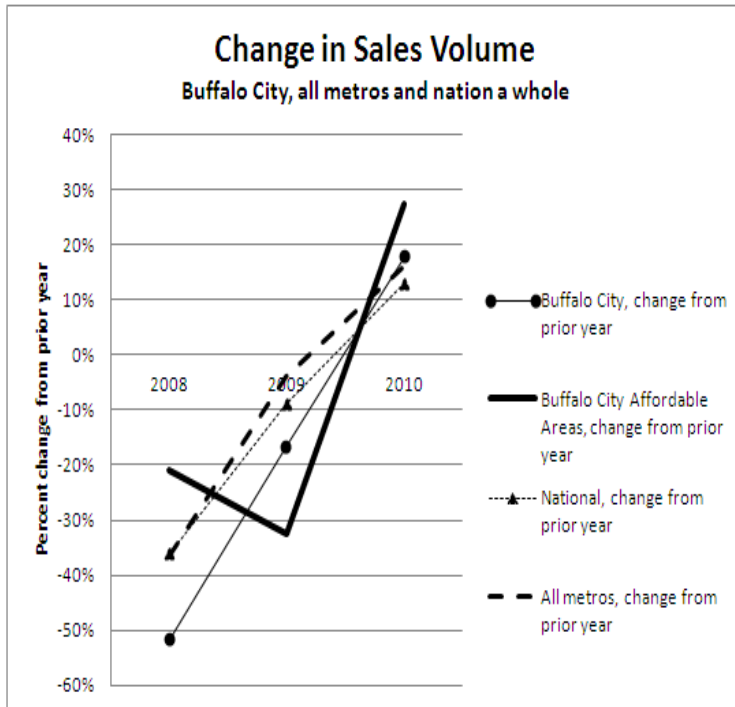
- The value of residential stock added to the South African Deeds Registry per year has dropped from just over R 100 billion in 2007 to R 35 billion in 2010, largely as a function of the economic downturn.
- Within Buffalo City, consistent with the country as a whole, the total value of new residential properties added has dropped considerably since 2007 as well, from an estimated R 728 million to R365 million in 2010.
- The decrease in value of residential properties added has been more significant in respect of properties valued more than R500 000, than those valued less than R500 000

Sales per year



- Sales within price bands ranged considerably.
- In 2007, Buffalo City had 4 600 sales; in 2010, there were 2 700, a 40% drop due in large part to changing economic conditions
- In 2007, almost 2700 registered sales were worth R 500 000 or less, or about 58% of the total sales that year. In 2010, about 1 244 registered sales were priced less than R 500 000, or almost 46% of the total sales that year
- Despite a drop over the period, low and mid-priced property sales constitute a significant proportion of the real estate market in the city

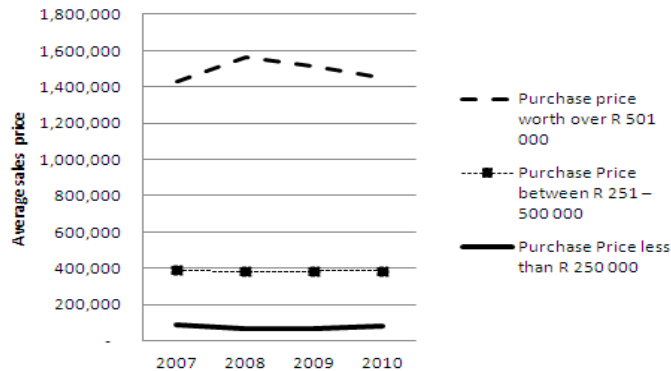
Change in sales volume



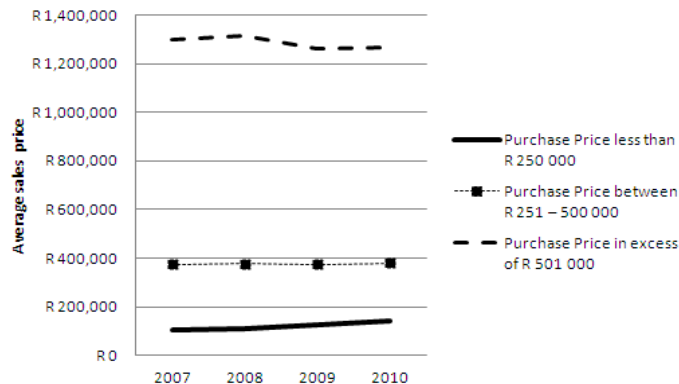
- There has been a growth in residential properties sold between 2008 and 2010. This reflects general growth across the country, *despite* the reduction in property registrations overall.

Average sales prices

Average Sales price
Nationally, by band



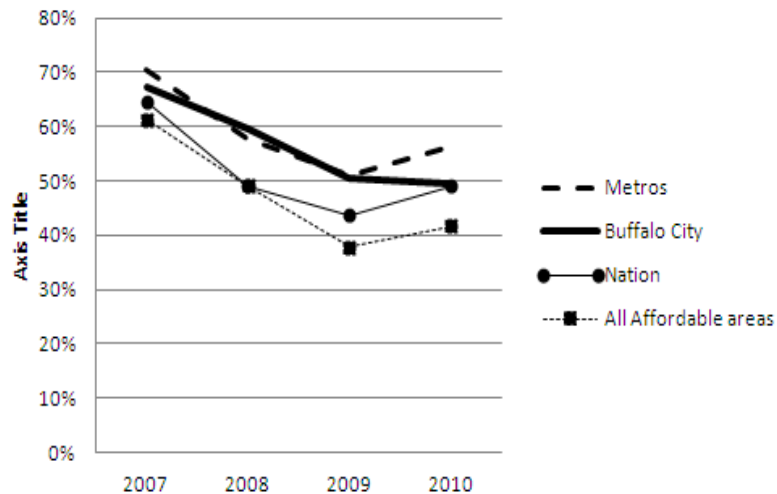
Average Sales Price
Buffalo City, by band



- In the lower sales price bands, average sales prices have remained more stable than upper income markets, providing a greater ability to predict where values will be over time.
- From a lender's perspective, stable housing values improves the security of the loan collateral, and reduces risk. From a developer's perspective stability in lower income average prices reduces the perceived risk of development in these markets, in terms of price, profit, demand and timing.
- Overall, considering the drop in higher end sales volumes locally and nationally, it is important to note that sales prices have been averaged across significantly fewer properties. Values, sales prices and sales volumes in affordable areas by contrast are much more consistent across the period

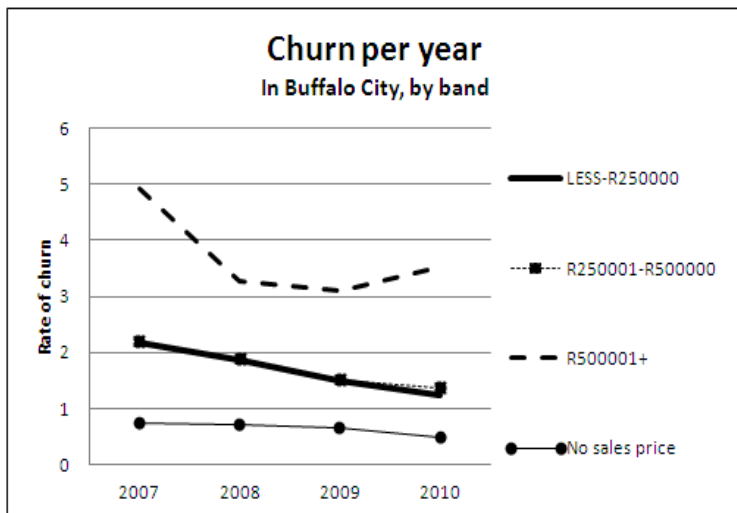
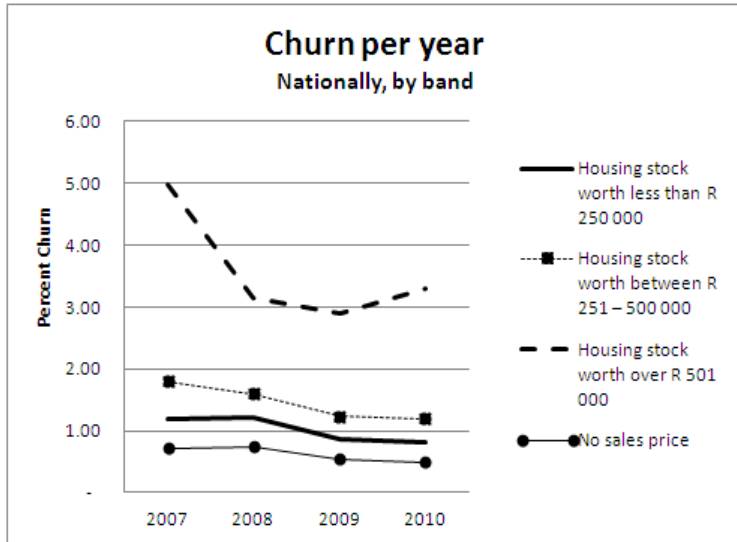
Lending

Percent of Properties Bonded
per year, per areas



- Lending rates within Buffalo City remained above the national average, and were similar to the rates of all metropolitan areas
- Lending rates within affordable areas across the country lagged as a whole, but was consistent with trends in other areas. This is an important observation is that lending within these areas, although less of the proportion as a whole, grows and contracts with regular market trends.

Churn



- Churn rates among houses worth more than R 500 000 are much higher than homes worth less than R 500 000.
- Generally, rates of churn in affordable areas are below area averages.
- A low churn rate might not just reflect lack of market interest, but may also reflect lack of adequate affordable opportunities up the housing ladder in which to move, limited access to credit in an area, or too much access to credit, resulting in overleveraged homeowners unable to sell because values are lower than outstanding loans.

Presentation overview



1. Introduction
2. Market Size
3. Market Potential
4. Market Dynamics
- 5. Comparison to other Metropolitan Municipalities**
6. Conclusions

Market size

Market Size	Joburg	Cape Town	Tsh-wane	Ekur-huleni	NMB	Ethek-wini	Man-gaung	Msun-duzi	BC
Total number of registered properties as a percentage of national registered properties	13%	12%	9%	9%	4%	8%	2%	1%	2%
Total number of registered properties below R500,000 in value, as a percentage of national registered properties	21%	22%	17%	20%	11%	19%	4%	3%	4%
Percent of affordable suburbs to total metro suburbs	40%	41%	44%	58%	57%	71%	69%	66%	68%

- Buffalo City's property market is one of the smallest of the metropolitan areas.
- The percent of affordable suburbs in the metro is higher than other metro's. This is largely due to higher property prices in the metro.

Concentration	Joburg	Cape Town	Tshwane	Ekurhuleni	NMB	Etheke-wini	Man-gaung	Msun-duzi	BC
Percent of properties below R250 000 in value in affordable areas	17	40	30	38	59	41	20	37	53
Percent of properties between R251 000 and R500 000 in value in affordable areas	44	39	47	30	19	37	23	40	17
Percent of properties above R500 000 in value in affordable areas	7	10	7	6	6	10	4	12	9
Percent of properties of unknown worth in affordable areas	32	11	16	27	16	12	53	12	21
Percent of new registrations of properties below R250 000 in affordable areas	56	100	98	96	99	96	98	58	90
Percent of govt subsidized properties of all registered properties in the metro	19	21	15	28	42	22	29	20	30
Total property values in affordable areas as a percentage of total national property values	46	49	49	38	35	50	24	51	35
Number of loans in affordable areas as a percentage of loans in all areas of the metro	25	31	26	30	44	45	41	43	45

- There is a high concentration of properties below R500,000 in Buffalo City's affordable areas
- One fifth of properties in affordable areas are of unknown worth and are likely to be properties subsidised by government.
- Property values in the affordable areas of Buffalo City are lower than most metro's and are similar to Ekurhuleni and Nelson Mandela Bay
- The extent to which lending is occurring in affordable areas in Buffalo City is high when compared to other metro's

Market Potential

Market Potential	Joburg	Cape Town	Tshwane	Ekurhuleni	NMB	Ethekwini	Man-gaung	Msunduzi	BC
Percent of national average worth	1.49	1.65	1.22	0.96	0.81	1.16	0.57	0.94	0.77
Average sales price in affordable areas as a percentage of the national average sales price	42	43	43	32	39	47	36	32	28
Churn in affordable suburbs for properties below R250 000	0.59	0.94	0.52	0.31	1.56	1.32	1.79	1.37	1.50
Churn in affordable suburbs for properties between R250 001 - R500 000	0.76	1.78	1.09	0.67	2.16	1.95	2.62	2.18	1.57
Churn in affordable suburbs for properties above R500 000	2.70	3.53	3.31	3.01	3.99	3.51	4.16	3.14	5.19
Percent of national lending (total loan volume in value in affordable areas as a percent of the national loan volume value)	1.80	2.00	1.40	1.20	0.50	1.30	0.30	0.20	0.30
Affordability Index	4.29	4.69	2.91	3.84	5.11	7.13	3.15	4.89	4.66

- The selling price of properties in Buffalo City's affordable areas is the lowest of all Metro's
- Churn in Buffalo City's affordable areas is high when compared to other metro's
- The percent of national lending in terms of loan value is lower in Buffalo City than other metro's.
- Buffalo City has one of the higher affordability indexes of the metro's

Presentation overview



1. Introduction
2. Market Size
3. Market Potential
4. Market Dynamics
5. Comparison to other Metropolitan Municipalities
- 6. Conclusions**

Conclusions

- Of all registered properties in Buffalo City, 73 000 are located in affordable areas, comprising 68% of the total stock of the city. These properties are valued at R15 billion or 31% of the total value of residential properties in the city.
- During 2010, 2700 properties were sold in Buffalo City, totalling a value of R 2 billion. This comprises 1% of the number of properties sold in South Africa as a whole and 1% of the total sales value. What is significant to note is that 43% of all properties sold in Buffalo City were in affordable suburbs. This indicates that there is measureable formal market activity in these areas. What is further notable is that of the properties sold in affordable suburbs, 48% were valued below R250 000. This indicates some product availability in the lowest end of the housing market.
- In 2010, Buffalo City added 462 new registrations into the deeds registry, about 0.4% of its existing stock. All of this stock was in affordable housing suburbs. This indicates expanding opportunities for lower income households to advance up the economic ladder through formal homeownership.

Conclusions cont.

- The vast majority of properties in affordable suburbs and in Buffalo City as a whole are owned by individuals (97% and 95% respectively). In affordable areas most properties are owned on the basis of freehold title (98%) this is more so in non – affordable areas where sectional title also occurs. Residents in the affordable suburbs of Buffalo City live in their homes for longer periods than in non-affordable areas or the city as a whole. This results in these suburbs having lower churn rates. However it also results in these suburbs having higher levels of equity than non-affordable areas or the city as a whole. High equity levels suggest opportunities for the households living in these suburbs to invest in new housing options.
- Buffalo City has approximately 32 000 registered government-subsidised housing units. This represents an opportunity to establish a robust range of affordable housing solutions, if these assets can be leveraged effectively. Many of these properties will enter the market fully tradable, as the 8 year sale restriction expires over the coming years.

Conclusions cont.

- Buffalo City's average loan to value is 44%, which is lower than the national average (48%). Affordable areas have similar loan to values, averaging 45%.
- In respect of the percent of sales that are bonded, properties in Buffalo City have the same percentages to the national average (49%). In affordable areas in Buffalo City this is slightly less 46%.
- Buffalo City has 2% of the country's total loan volume, which is the same as its share of property values (2%). Over 86% of lenders are the large commercial lenders or South Africa Home Loans. Other mid-tier investors are similar to the national average in Buffalo City (i.e. 9% as opposed to 8%).
- Churn in affordable areas in Buffalo City is high when compared to other metro's.
- Buffalo City's average home price is slightly lower than the national average i.e. R429,000 as compared to R558,000. When compared to other metropolitan areas, Buffalo City's affordability index (the relationship between the average home price and the average household income) is medium.

Conclusions cont.

- Buffalo City's affordable suburbs are predominantly in the former Black, Indian and Coloured townships and are located on the periphery of the City. The majority of affordable suburbs appear to have poor access to public and cultural amenities and centers of employment.
- Sales in both non-affordable and affordable areas have declined over the past four years due in large part to changing economic conditions.
- New registrations for properties over R 250 000 experienced two growth spurts between 2007– 2008 and 2009 and 2010. New registrations for properties worth less than R 250 000 experienced one growth spurt between 2008 – 2009 but generally declined over the period. There was an increase in housing stock registered without a value and this stock is located predominantly in affordable areas. The lack of a related increase in sales within these areas strongly suggests that these are newly registered existing subsidised residential properties.

Conclusions cont.

- The efficient and effective provision of housing is a central tenet of any urban growth and development strategy.
- Not only is access to housing the only land use mentioned as a right in the South African constitution, but strengthening housing options boosts economic opportunity, barriers to access affect the economy as a whole.
- Unlike other more prominent comparably-sized industries, neighbourhood dynamics are not well understood, despite their importance as a building block of the nation's economy.
- This profile begins to assist in increasing this understanding.

Affordable Land and Housing Data Centre

Understanding the dynamics that shape the affordable land and housing market in South Africa.



Filling the Gaps:

Affordable and other housing markets
in Buffalo City

September, 2012

DRAFT FOR REVIEW