



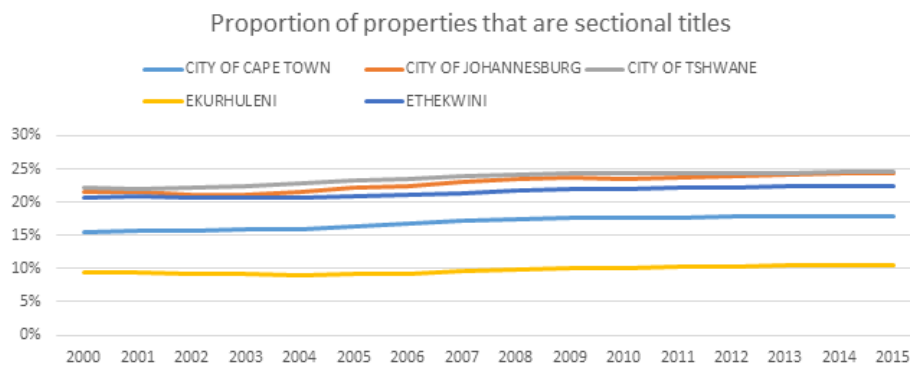
Are South African Metros Expanding?

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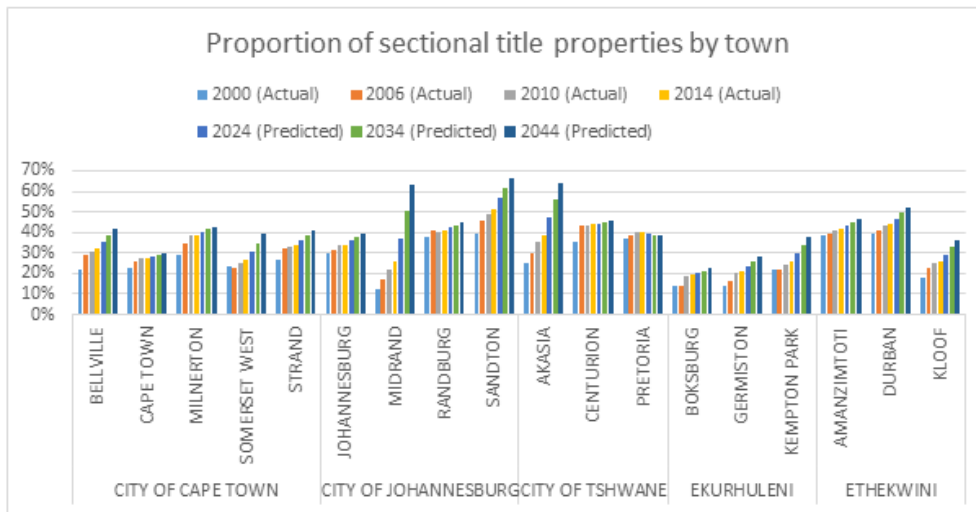
As the global village expands and populations increase, cities across the world are becoming increasingly densely populated. In 1950, less than 100 cities had more than one million inhabitants, and in recent years this figure has swollen to more than 500 cities. Nearly 50% of the global population live in urban areas, creating a continual need for an increase in living space amidst declining vacant land stock.

When looking at South Africa [where the majority of areas are sparsely populated when compared to some countries in Europe and Asia] there has been little need for dense residential live areas and apartment blocks. In our major cities, though, this has not been the case. Despite rural towns overwhelmingly consisting of freehold properties, South African metropolitan areas (metros) are slowly becoming more densely populated.

Analysing the trend over the past 15 years, in all metro the proportion of sectional title properties relative to the whole slowly increased.



Even though the current growth in the proportion of sectional title properties does not imply that South African metros will resemble that of Tokyo or New York soon, many towns are rapidly densifying. One observation that can be made is that densification seems to be a phenomena present only in the inner city and city suburbs, and not present in areas traditionally referred to as townships. It can be speculated that the reason for this is the relatively low value of land in township areas when compared to suburbs and the inner city. In the case of the latter, high land prices encourage developments that optimise land use like apartments or shared garden sectional schemes. If we zoom in on the towns situated in the aforementioned metros it suggests that some areas in the South African metros are rapidly densifying. Lightstone analysed the proportion of sectional title properties at four different points in time. These points in time correspond to the property market at the inception of the last property boom (2000), after the boom (2006), after the crash (2010) and the latest statistics (2014/15). We also extrapolated the expected proportion of sectional title properties giving the property stock growth observed freehold and sectional title properties over the past five years.



Note: "Cape Town" represents a larger area around the CBD including Claremont, Wynberg etc.

A granular view of the property market shows that metro towns, particularly within the Johannesburg metro, are densifying. What is interesting is that traditional city centres (Johannesburg, Pretoria and Durban) are not always the most densely populated or fastest densifying areas in the respective municipalities.

Apart from Ethekweni, the most growth in sectional title properties seem to be occurring next to the city centres. In the City of Tshwane, the proportion of sectional title properties has remained roughly the same in Pretoria, while Akasia is expected to be a more densely populated area than Pretoria city centre in 30 years. Sandton has always been a good investment for commercial property and has seen its proportion of sectional title properties increase from 40% to 50% in the past 15 years. This figure might increase to nearly 65% in 30 years.

One town that we expect to change dramatically over the next 30 years is Midrand. Even though the proportion of sectional title properties is currently only at 26%, at the current rate of densification, this town might be one of the most densely populated areas in South Africa within the next 30 years. A closer look at Midrand's property statistics shows a doubling in the number of properties since 2000 and a roughly 550% increase in the total number of sectional title properties.

While it is not yet obvious how South Africa will deal with the ever increasing need for formal housing, one thing that is evident is that most metropolitan areas in South Africa would not necessarily have to take the skyscraper route in developing densely populated suburbs. The relative availability of land, inner city regeneration initiatives and better building and transport technology provides us options to drastically reshape what the South African cities of the future will look like.

