



## Township Trends in the South African market?

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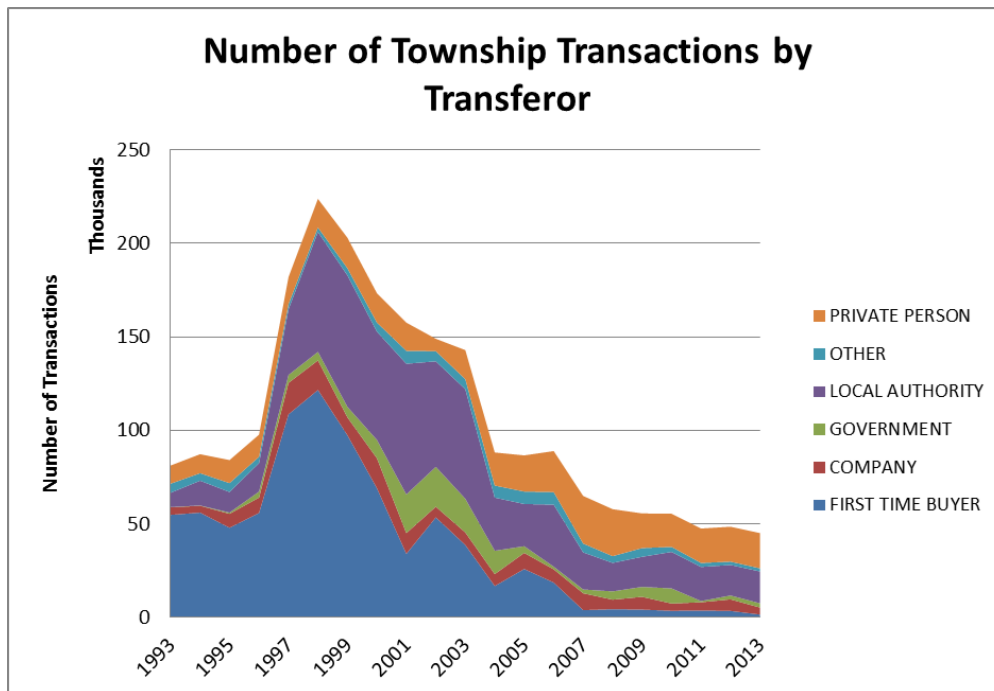
South Africa as a country has seen tremendous growth in the 20 years of democracy, which has had a profound impact on the property market. There have been many trends within the real estate space during this time, and as with any trends that emerge within an industry, there are bound to be implications. It is important for real estate agents and property professionals to bear these trends in mind, in order to better adapt their business models and to refine their approach.

The evolution and rise of townships in areas across South Africa is a trend that has definitely had an impact on the property market in South Africa.

To put things into context, more than 11 000 000 property transactions have occurred in the South African property market since 1994. Of these transactions, more than 2 000 000 have occurred in areas that have traditionally been referred to as *townships*. While townships are still primarily considered to be areas of low cost housing and government provided housing, some suburbs within these areas are starting to resemble the rest of the South African property market. There is, however, a clear distinction in the frequency of yearly transactions in townships, as well as a changing relationship between transferor and transferee as the South African economy evolves.

Between 1997 and 2003, the property market saw the most transaction activity in South African townships, with more than 55% of all transactions occurring in this period. During this time, of all the transactions taking place in townships, 43% were properties that transacted for the first time and 34% were transfers from the local authorities to private individuals and institutions.

This trend changed radically during 2007, with the proportion of first time transactions reducing to 6%. Housing activity, however, did not come to a grinding halt during this period with the amount of private individuals that sold their properties increasing from 10% in 2003, to its highest levels in 2008 at 43%.



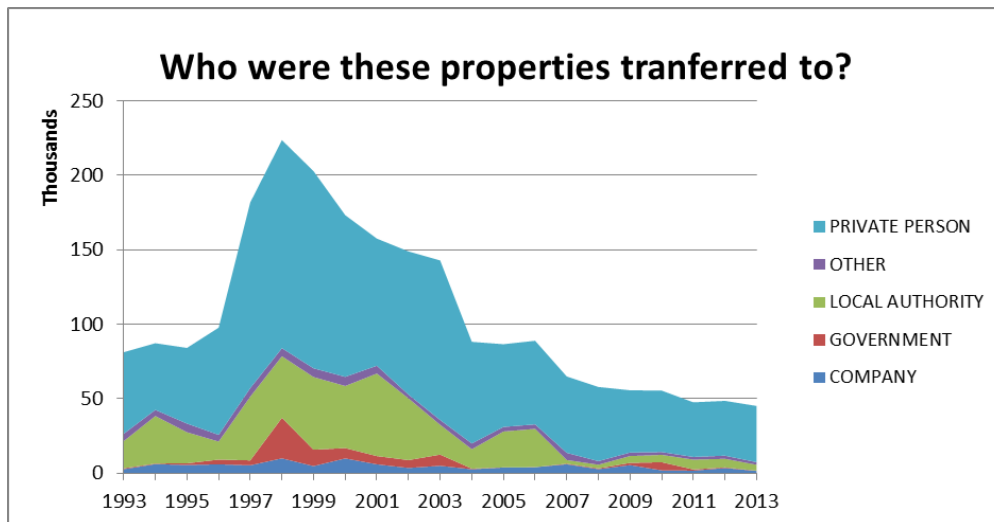
There are currently about 1 850 000 registered properties in South Africa that were traditionally known as townships. Over the last two decades, these areas have evolved immensely with the introduction of RDP and other state subsidised houses, and the transfer of land and stands from government and local authorities to private individuals.

Of the nearly 1 850 000 properties, about 530 000 are registered as RDP properties, while another 275 000 are registered as other forms of subsidised properties or properties that were once built on land under a 99 year lease agreement. In the case of the latter, the land has now been transferred to the homeowner.

The degree of involvement by government and local authorities within these transactions, is somewhat foreign to the rest of the South African property market. Less than 20% of all the properties transferred in the South African property market since 1994, were by government to other market players. Even though this figure is almost twice as high in townships, it does not necessarily imply that ownership has remained in the hands of government and local authorities.

Of all property transactions that took place since 1994, 66% have been transferred to private individuals, and this amount rose to more than 75% after 1997. Most transfers to non-private individuals such as government and local authorities, do not necessarily stay in the hands of non-private hands for very long, and about 80% are subsequently transferred to private individuals.

However, once a property has been transferred into private hands, it will most likely continue being transferred to and from private individuals. In 2003, 83% of properties owned by private individuals were again transferred to private individuals. This number increased to about 94% in 2013 and is a strong indicator that behaviour among private individuals within townships are starting to resemble that of the rest of the market.



There have also been noteworthy trends when it comes to RDP and subsidised housing. A large portion of transactions that were transferred from government and local authorities to private individuals, particularly during the period of 1997 – 2003, were RDP and other subsidised forms of housing. Transfer of these properties during this period accounted for approximately 52%. This is primarily due to the first transfer of such a property from government or a local authority to a private individual.

This figure has declined to under 35% in the last couple of years, with the majority of non-RDP or subsidised properties accounting for 65% of properties. When taking into account the amount of registered properties currently in townships, and how often they transact, it is clear that non-subsidised or RDP properties have a much higher probability to transact. In 2013, 2% of RDP and other forms of subsidised properties transacted, while 3% of non RDP houses transacted. Of these two groups, non-subsidised and non-RDP houses most likely resemble the national housing market, since about 4.5% of all properties transacted in 2013.

The townships that have seen the majority of property transactions taking place, are found in Soweto. Soweto is one of the largest townships in South Africa and resembles many other townships with its fair share of informal housing, subsidised housing, as well as private developments. Since numerous property transfers in townships are from government and local authorities to private individuals, the average transfer price is sometimes very low.

In the past decade, it is interesting to note that properties within Soweto have mainly been transacting between private individuals, leading to the increase in the market value of township properties. Over the period of 2000-2004, the average transaction value of most properties in Soweto that were sold by a private individual, was below R100 000. Since 2009, this value has increased dramatically across the different types of properties.

The median transaction price of RDP houses and other forms of subsidised properties have increased by more than 500% in the past couple of years, while non-subsidised house transaction prices increased by about 300%. The discrepancy in price growths between these types of properties should, however, even out in time, due to the fact that RDP housing and other forms of subsidised properties have been growing from a lower base.

*All stats and research courtesy of Lightstone, provider of comprehensive data, analytics and systems on automotive, property and business assets.*