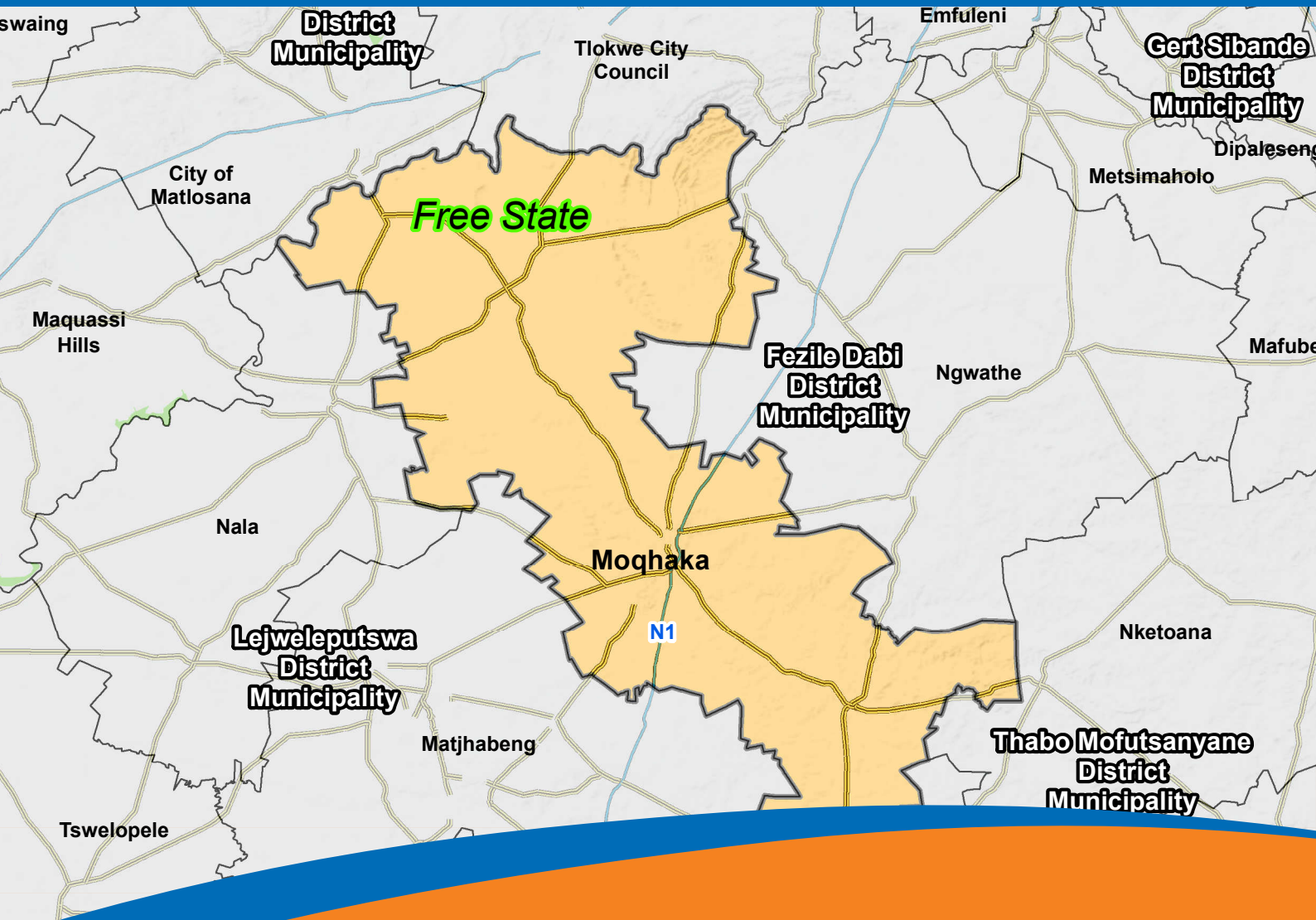


## Working for integration



## Moqhaka – Free State

Housing Market Overview

Human Settlements Mining Town Intervention

2008 – 2013

**The Housing Development Agency (HDA)**

Block A, Riviera Office Park,  
6 – 10 Riviera Road,  
Killarney, Johannesburg  
PO Box 3209, Houghton,  
South Africa 2041  
Tel: +27 11 544 1000  
Fax: +27 11 544 1006/7

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The Centre for Affordable Housing Finance (CAHF) in Africa, [www.housingfinanceafrica.org](http://www.housingfinanceafrica.org)  
Coordinated by Karishma Busgeeth & Johan Minnie for the HDA

**Disclaimer**

Reasonable care has been taken in the preparation of this report. The information contained herein has been derived from sources believed to be accurate and reliable. The Housing Development Agency does not assume responsibility for any error, omission or opinion contained herein, including but not limited to any decisions made based on the content of this report.

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## 1. Frequently Used Acronyms

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

## 2. Introduction

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

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

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

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

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

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

### 2.1 Report Contents

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

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

### 2.2 Definitions and Methodology

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

## 2.3 Benchmarks

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

## 2.4 Site Visits

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

Some of the key insights from these site visits were:

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

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

## 2.5 Using this Report

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

The report findings emphasise opportunity as opposed to risk or failure. Opportunities are defined as conditions or indicators within areas which can show:

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

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

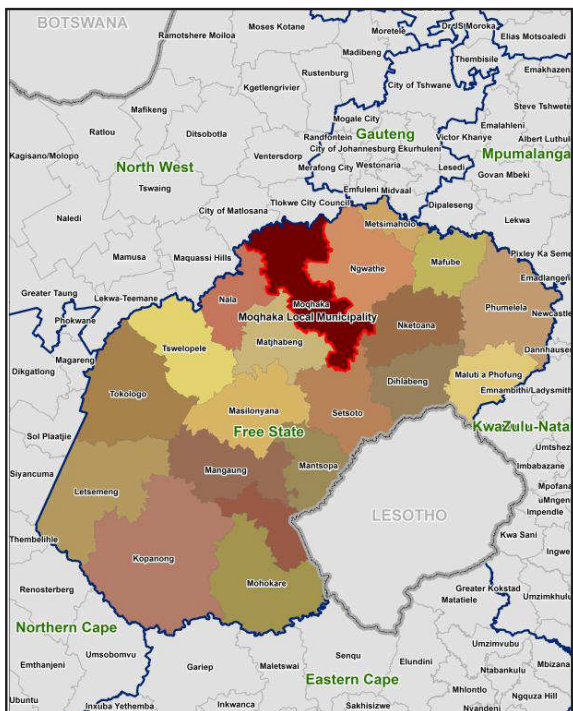
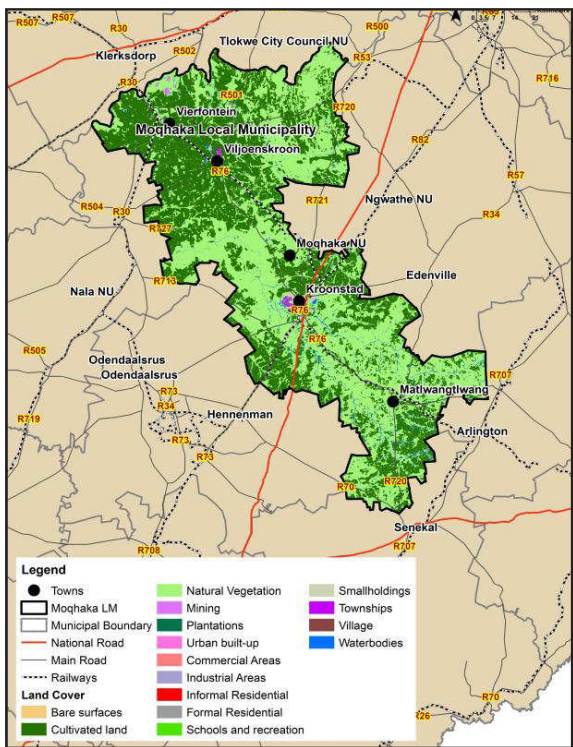
## 2.6 About Formal Housing Markets

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

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



### 3. Context



### 3.1 Municipal and Regional Context

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

- “Moghaka is situated in Fezelle Dabi District Municipality in the Free State Province”
- “The Kroonstad/Maokeng/Brentpark urban unit is situated adjacent to the N1 national road and located next to one of the largest and most important four-way railway junctions in South Africa. This positioning emphasises the ideal and strategic location of the town”
- “The Greater Kroonstad is the centre of a large agricultural community that plays an important role in the economy of the region. Industrial activities also contribute significantly to the districts economy”
- “The Department of Correctional Services and the School of Engineer’s Military bases are situated in Kroonstad, hence the population of Kroonstad regularly fluctuates depending on the intake by these institutions every season”
- “The Vaal River borders the western boundary of the area and the Vals and Renoster Rivers drain through the area towards the Vaal River. The rivers play a significant role in providing the raw water supply to Kroonstad, Steynsrus and Viljoenskroon respectively”

### 3.2 Socio-Economic Profile:

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

- “Moghaka has a population of 160,532”
- “There was a -0.45% population growth between 2001 – 2011”
- “In 2011, over 35.2% of the population was unemployed, and the dependency ratio was 50.5%”
- “There are 45,661 households in Moghaka, with an average household size of 3.2 people”
- “88.7% live in formal dwellings”
- “80.37% of the households have flush toilets connected to a sewerage system, piped water inside the dwelling; weekly refuse removal and electricity for lighting”

## 4. Context: Mining Sector Overview

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

The Moqhaka Local Municipality is located in the Free State Province. A total of nine commodities are currently being exploited in the Free State, of which gold and its by-products (uranium, silver, platinum group metals and sulphuric acid) are by far the most important, followed by diamonds and coal.

### 4.1 Mining Industry Profile

- Ferrous and base metals are not exploited at all, while industrial minerals play an important role. Revenue from the Free State Province's mineral products is the fourth highest within South Africa (after Gauteng, North-West and Mpumalanga's Province), with total sales in 1994 being valued at R7 418 million (R7 037 million in 2000)
- The larger producing mines in the Free State produce gold, coal and diamonds
- The smaller producing mines in the Free State produce clay, limestone, salt, gypsum, granite and sand and stone aggregate
- Commodities with potential for future mining include titanium, zircon, rare earths and thorium
- Though a substantial quantity of gold remains in the field, the general lower grades and weak gold prices, combined with increasing production costs in real terms – as the deposits are mined at ever-deeper levels – means that some of the gold mines have become marginal to sub-economic and face closure in the near future
- A total of 16 gold mines are still active in the Free State goldfield, namely the Beatrix; Matjhabeng; Free State Saaiplaas; HJ Joel; Harmony, amongst others
- The Vereeniging-Sasolburg coalfield ranks third in South Africa in order of importance, while the Free State supplies a saleable output of 10,5% of the national coal output
- Two mines produce coal, namely the New Vaal Colliery (owned by Anglo American) and Sigma Mine, both exploiting bituminous coal
- Four mines are currently producing diamonds from Kimberlite rock, namely the Samada; Koffiefontein; Salene (Star) and Sonnenberg (Loxton)

### 4.2 Housing in the Mining Sector

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

Moqhaka's primary extractive is diamonds, gold and coal. The prominent mines in Free State are: Beatrix; Matjhabeng; Free State Saaiplaas; HJ Joel; Harmony; Vaal Colliery (owned by Anglo American); Sigma Mine; Kimberlite rock; namely the Samada; Koffiefontein; Salene (Star) and Sonnenberg (Loxton). Their Mine Housing Policies outline the following:

- Anglo American committed more than R2 billion to facilitate home ownership and achieve the Mining Charter target of 'one person per room' through 2014
- Anglo American currently offers a number of different housing options, ranging from housing allowances to houses built for employees



## 5. Context: Housing

The municipality has identified the following challenges and opportunities from its IDP:

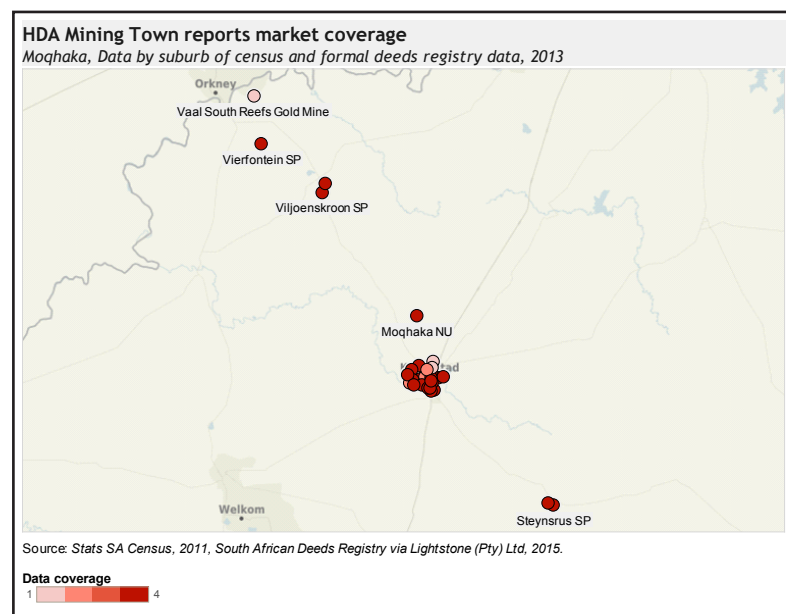
### 5.1 Housing Challenges:

- “According to StatsSA, as quoted in the HDA Municipal Profile, the housing backlog in Moqhaka was 5,987 in 2011”
- “During 2007, Moqhaka recorded a lower proportion of households living in formal dwellings (52.2%), compared with the provincial average (71%)”
- “The municipality has identified a need to acquire additional land for housing to develop a housing information centre”
- “The municipality has also identified the need to upgrade all hostels into family units”

### 5.2 Housing Strategies:

- “Acquire and develop sufficient land to provide for the current backlogs”
- “Replace all temporary structures with permanent dwellings”
- “Facilitate housing subsidy applications to assist the community in obtaining Government subsidies”
- “Apply for various housing subsidy schemes in order to build the maximum number of houses, according to grants allocated, to replace all temporary structures”
- “Determine the needs for housing for farm workers (both on and off farm projects)”
- “Perform stock take of persons needing housing or land to be used for the construction of residential units”
- “Quantify the area needed and cost of acquisition and development where necessary”

## 6. Context: Market Reports



### 6.1 Report Coverage

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

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

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

#### Moqhaka Housing Market Report Coverage

Total Census Subplaces (SP's)	38	
Total SP's with registered residential properties	35	92%
Total SP's with sales	31	82%
Total SP's with bonded sales	31	82%

#### Market Area by the Numbers

Suburbs	38
Suburbs with residential properties	35
Households	45 661
Residential properties	22 063
Housing Backlog	5 987
Backlog as percent of all properties	27 %
Households to properties ratio	2.07
Average monthly income	R 13 500
Average property value	R 254 000
Average sales price	R 386 000
Total residential value	R 5.5 billion

Source: Centre for Affordable Housing Finance in Africa, Lightstone, StatsSA

## 7. Key Findings: Housing Market Overview



**Moqhaka's housing market has experienced a spike in upward growth from 2013**, which may be strongly affected by the number of freehold properties that have been selling significantly above their values and increasing urbanisation of previously undeveloped or rural areas within the municipality. This creates an opportunity for markets to be carefully assessed in order to best position the next wave of growth.



**Moqhaka's affordability ratio of 1.09 is below both the national and the mining town average of 3 and 2.8 respectively.** In areas with sales, the affordability ratio was a little over 1 to 1, meaning the average income could afford the average house and less disparity between incomes and prices existed. In some areas, sales prices are very low, probably the result of lack of credit access, forcing sellers to sell for whatever cash might be offered regardless of how much the house may be worth. This may prioritise housing strategies and solutions, which propose creative financing tools and techniques to reduce financial barriers (such as down payments, interest rates and principal requirements) as well as unlocking equity, rather than simply trying to push costs down.



**In Moqhaka, 48% of residential properties are Government-sponsored units which presents an important opportunity to leverage that investment** in affordable housing in the years ahead, as owners seek to sell and move up the housing continuum, if opportunities are positioned properly. Average equity in these areas increases purchasing power, putting moderately priced housing within reach of lower income families. This situation can be used to drive developers to build more gap housing, and financiers to finance low priced acquisition loans.



Generally, Moqhaka has considerable diversity and integration of housing values, however property types are predominantly freehold. **There is notable sales activity throughout the municipality but properties are generally transacting below their value.** Formal, mixed-income housing development provides adequate returns for developers while providing lower income homes, and creates a market less reliant on Government and mining intervention.



**Moqhaka has experienced an incremental increase in lending from all lenders, including non-traditional lenders.** The lending portfolio of other lenders has almost doubled from 2008 – 2013. With 48% of all housing units sponsored by the Government and equity available for properties under R500 000, it will be an important strategy to encourage traditional and new lenders to develop creative loan programmes targeting those homeowners in order to make it easier for them to sell their homes, unlock the value of those homes, and allow owners to move up the housing continuum.



The **opportunity for rental housing development within Moqhaka is fair within specific areas.** Data indicates that 28% of households are renting, which is near the average rate of 31% for these mining towns. Those areas with greater density, modest incomes, and affordability challenges are more likely to support quality, professionally managed, affordable rental housing. Rental housing also provides flexibility to employers and workers as mining markets expand and contract from time to time.

## 8. Housing Performance Profile



### 8.1 Key Findings: Housing Performance Index

**Moqhaka's housing market has experienced a spike in upward growth since 2013**, which may be strongly affected by the number of subplaces where housing markets are growing, freehold properties which have been selling significantly above their values and the increasing urbanisation of previously undeveloped or rural areas within the municipality. Mining activity, which is not included in this report, may be a factor as well.

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

### 8.2 Policy Implications

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

### 8.3 Quick Definitions:

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

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

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

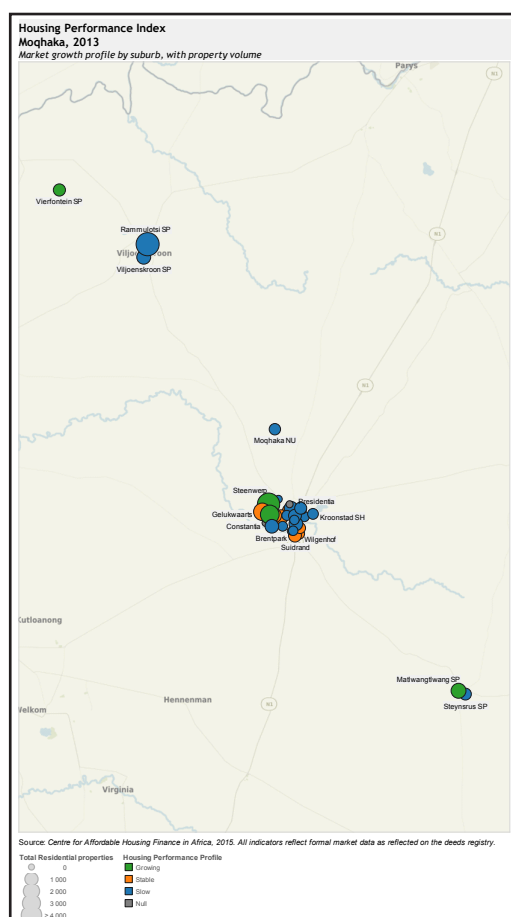
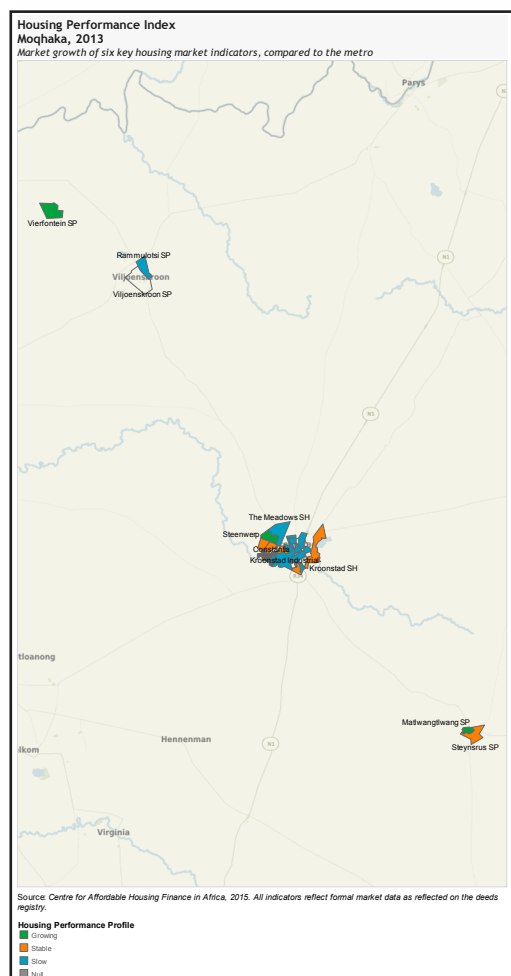
**Indicators:** suburb-level measures used to convey a more complete understanding of housing markets, sometimes a point of data (such as number of properties), or a calculated factor (such as the housing index or the affordability ratio).

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

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

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

**Churn:** an indicator of the sales activity within an area similar to turnover, it is the number of residential sales transactions divided by the total number of properties.



## 8.4 The Housing Performance Index (HPI)

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

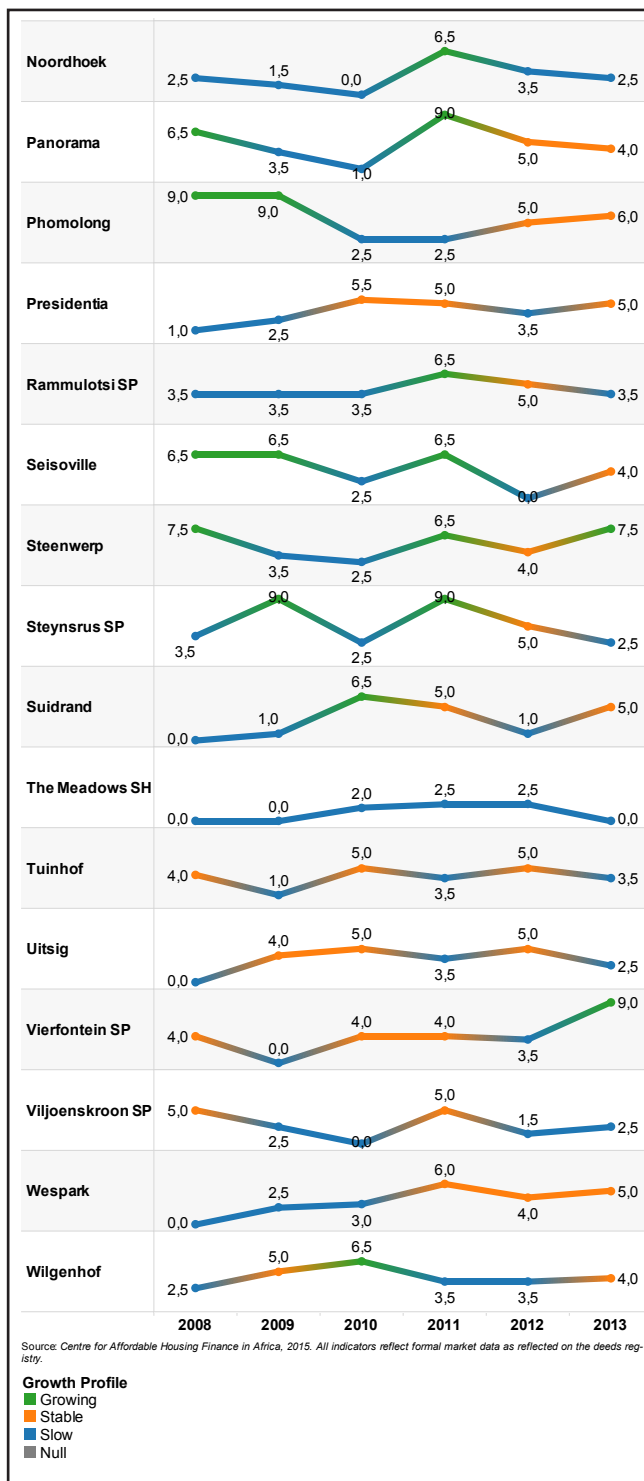
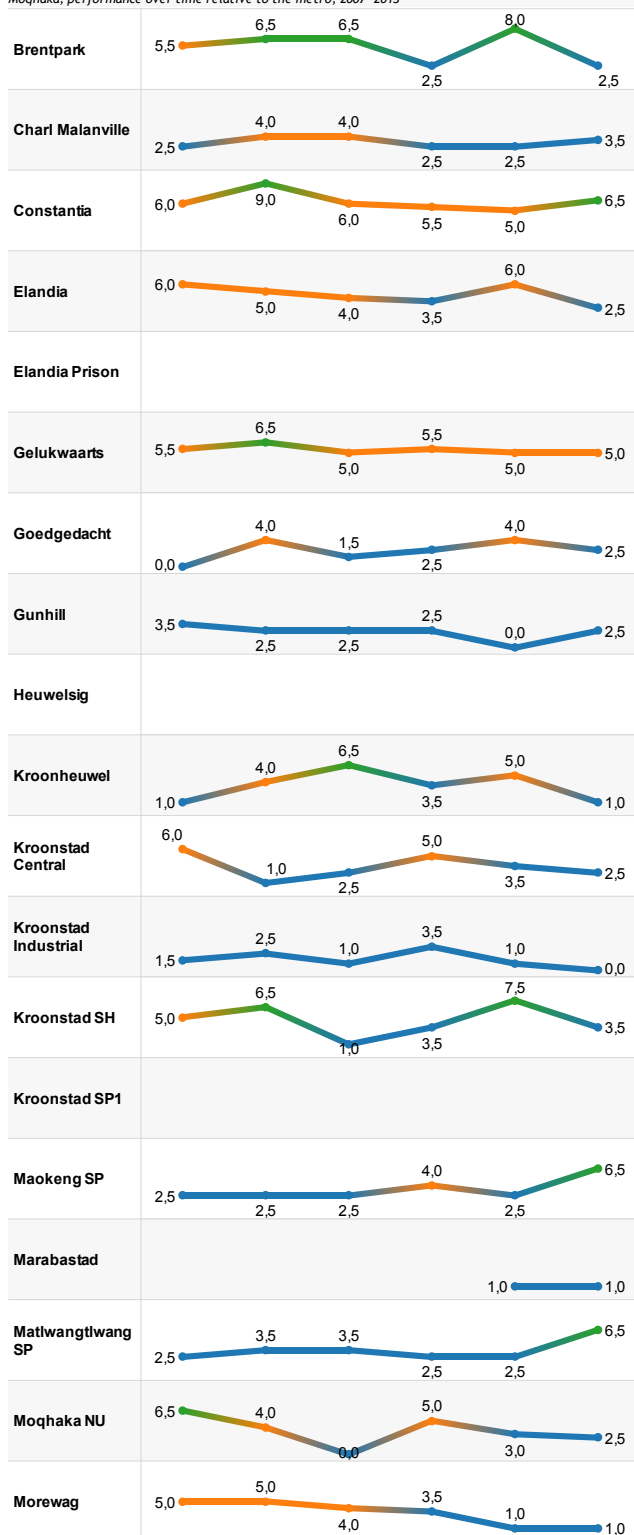
This information is useful in understanding how the formal market is behaving (which is influenced by the presence of mines, informal settlements and the people who move in and around the towns). This picture is intended to help understand how key housing sector partners (developers or investors) seek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

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

CAHF Housing Performance Index			
Indicator	Measured	Implies	Weight
Price	Average sales price	Appreciation	25%
Value	Average property value	Appreciation	25%
Transactions	Number of sales	Demand	15%
Percent bonded	Bonds per sales	Investment	15%
Churn	Repeat sales as a percent of total properties	Activity	10%
New Properties	New properties added to the registry	Growth	10%

## Housing Performance Index Trends

Moqhaka, performance over time relative to the metro, 2007-2013



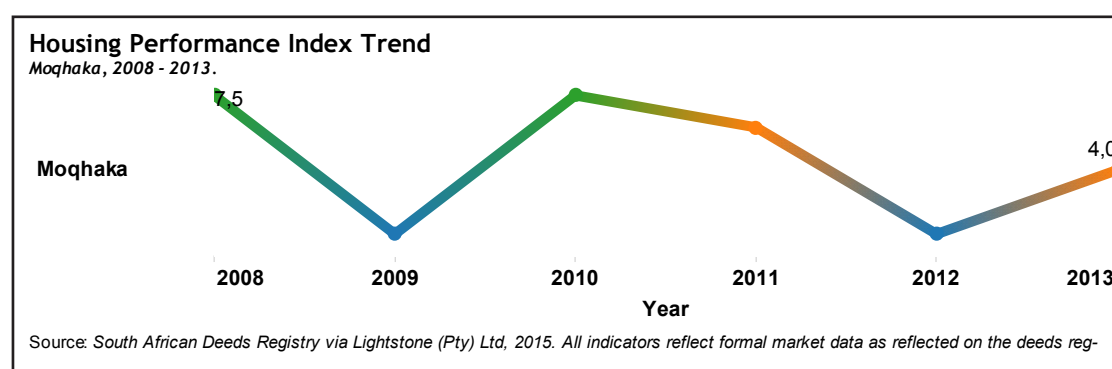


## 8.4 Performance Over Time

These charts provide the Housing Performance Index by suburb over time using the six key indicators (price and value appreciation, sales and bonded sales, churn and new properties). Growth is relative to the municipality (and change from the preceding year), so it is important to compare these lines to the area's overall performance, and the direction in which the trends are headed. The city's growth overall (below) is in the top six growth markets for mining towns and appears to be on a stable upward trend, as compared to the province.

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

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



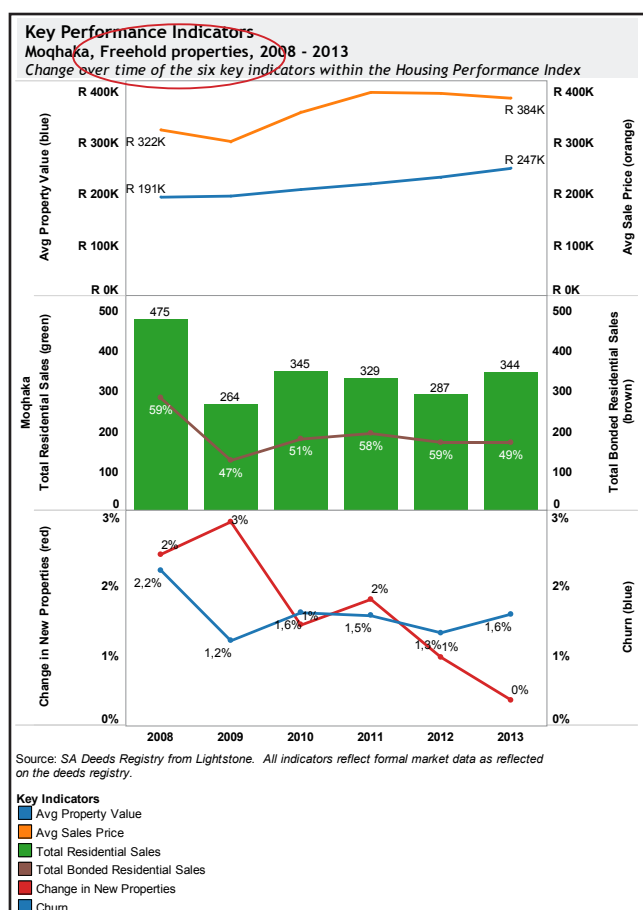
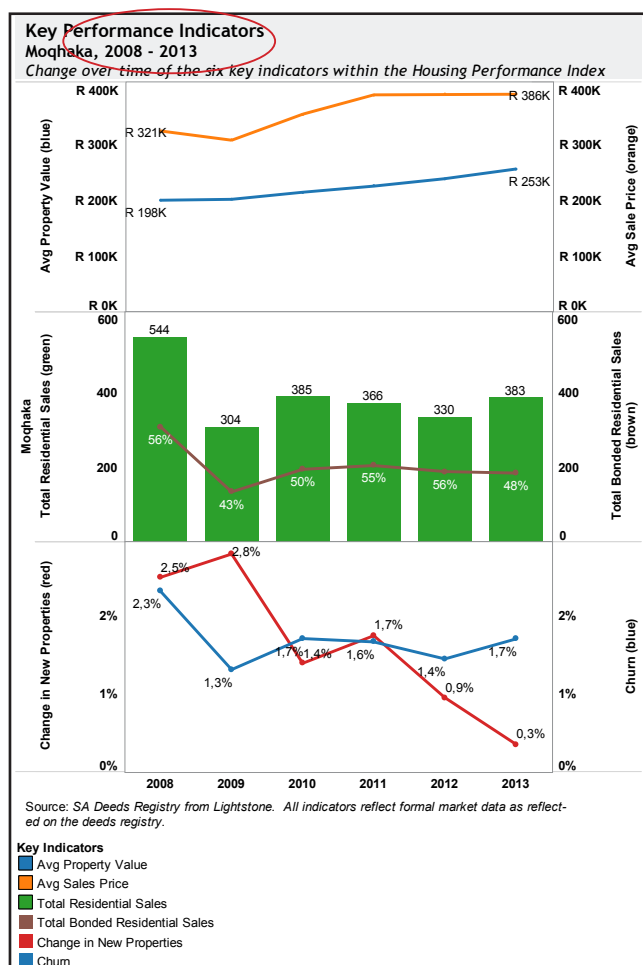
## 8.5 Housing Performance Indicators

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

These charts compare the performance of three ownership types, namely freehold, sectional title and estate ownership. The housing market in Moqhaka is dominated by freehold properties. **Overall properties have been selling above their values, suggesting active lender and buyer interest in the area. This may also be the result of lower cost housing bringing the average value down.**

**Overall the number of sales (green bar) have fluctuated steadily since 2009, and bonded sales (brown line) have dropped by almost 10%.**

Housing markets are very sensitive to access to credit, so lending information will be helpful in understanding this more closely (see Lending below). Churn rates have steadily increased (blue line), indicating higher turnover of existing homes over time.



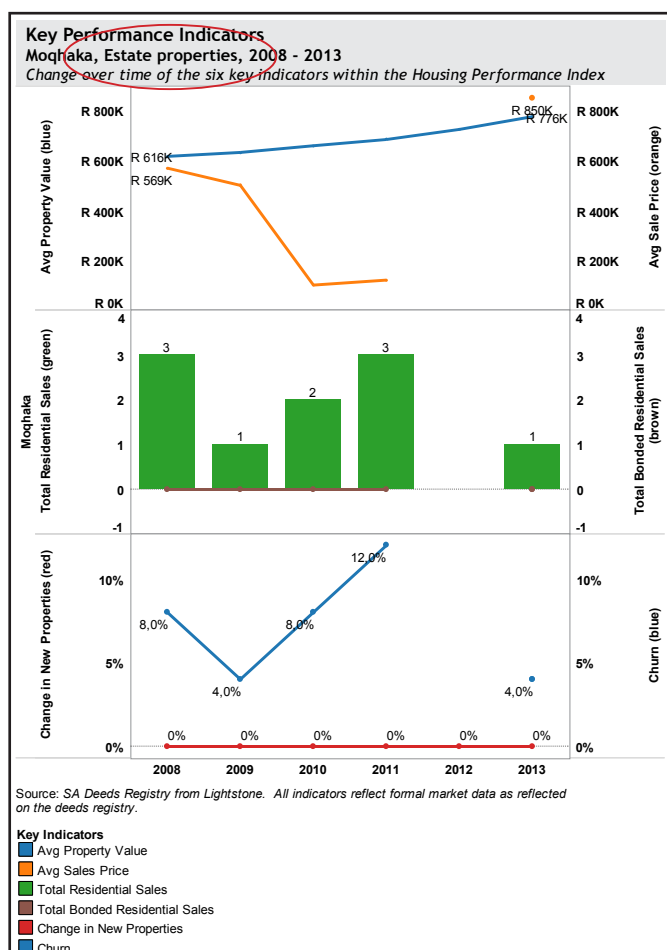
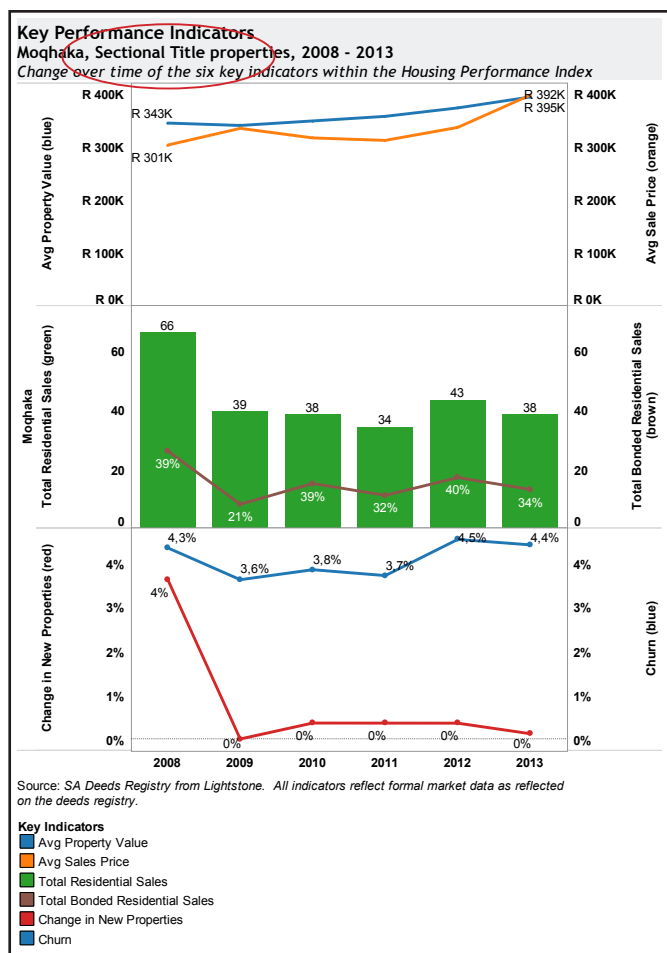
## 8.6 Housing Performance Indicators by Property Type

Different housing markets perform in different ways, including freehold (free-standing) homes and sectional title (subunits within a single property). The area is predominantly freehold (see Market Size below), with only a few places throughout the municipality having sectional title properties and only a small number having estate properties. Overall, sectional title sales prices have been parallel, and sometimes identical. Market activity decreased significantly in 2009 in terms of sales, lending and rates of new properties added to the registry (red line).

Estate properties sold at least R500 000 below their value until 2011, there were no transactions thereafter. The one transaction that occurred in 2013 was about R70 000 above the property value. It appears that there have not been any new estate properties and that all the transactions that occurred were resales of existing properties.

Estate properties have consistently experienced the least amount of market activity.

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



## 9. Market Size



### 9.1 Market Size: Key Findings

Moqhaka's housing market is essentially three markets: Government-sponsored housing built as part of the national Housing Initiative over the past 20 years, privately traded and financed homes, and informal settlements. Markets are generally closely clustered with lower-priced, actively selling private growing markets near the city centre, and middle income, non-bonded Government-sponsored developments and informal settlements (not on the deeds registry).

The implied demand for housing is high, highlighted by the high number of informal settlements. Demand creates opportunities for new housing supply to be positioned between the existing segregated markets to better integrate the town's spatial, income and housing markets. The current proximity of Government-sponsored housing to the informal settlements creates opportunity for Government to eradicate the informal settlements by expanding their investment within the same proximity.

### 9.2 Policy Implications

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

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

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

### 9.3 Quick Definitions:

**Market Size:** the total number and distribution of important aspects of areas, including average home prices; home values; total households in order to inform the potential scale of housing intervention strategies; and the impact of proposed development schemes.

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

**Government-sponsored Housing:** housing which was created through some Government intervention, from site and infrastructure provision, direct construction or finance, such as Site & Service, RDP and BNG. While these homes are not recorded as such on the deeds registry, their presence is estimated based on surrounding registrations, timing, prices and volume of activity.

**Freehold / Full Title:** a permanent and absolute tenure of land or property by a person or entity (such as a corporation or trust) with freedom to dispose of it at will. Freehold or full title describes the assumption of full ownership rights when one owns a property, often including the building and the land it is built on.

**Sectional Title:** separate ownership of units or sections within a complex or development. These are often comprised of mini subtype houses, semi-detached houses, townhouses, flats or apartments and duet houses. These are governed by the Sectional Titles Act and managed by a body corporate comprised of elected representatives of the sectional title owners in the development.

**Absorption:** the pace with which homes to be developed might be sold in a specific market during a given period of time. This can be calculated by dividing the total number of available homes coming on line by the estimated number of sales per month, often based on the rate of sales nearby.

**Households to Properties Ratio:** the total number of households (as reported by the census) divided by the total number of residential properties on the deeds registry. This is a quick, easy relative indicator of household density and formality of a suburb as compared to other areas.

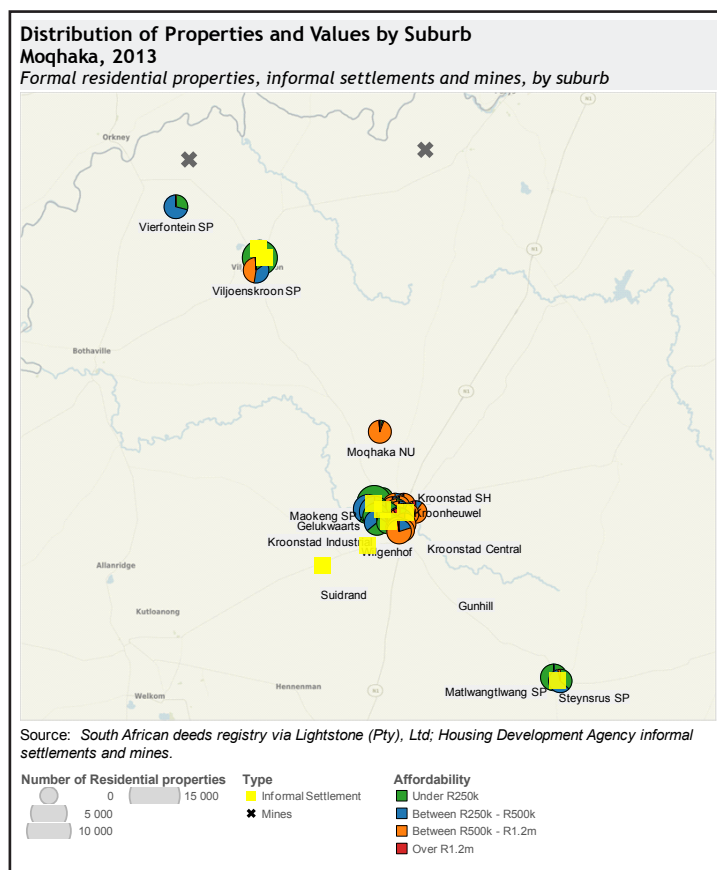
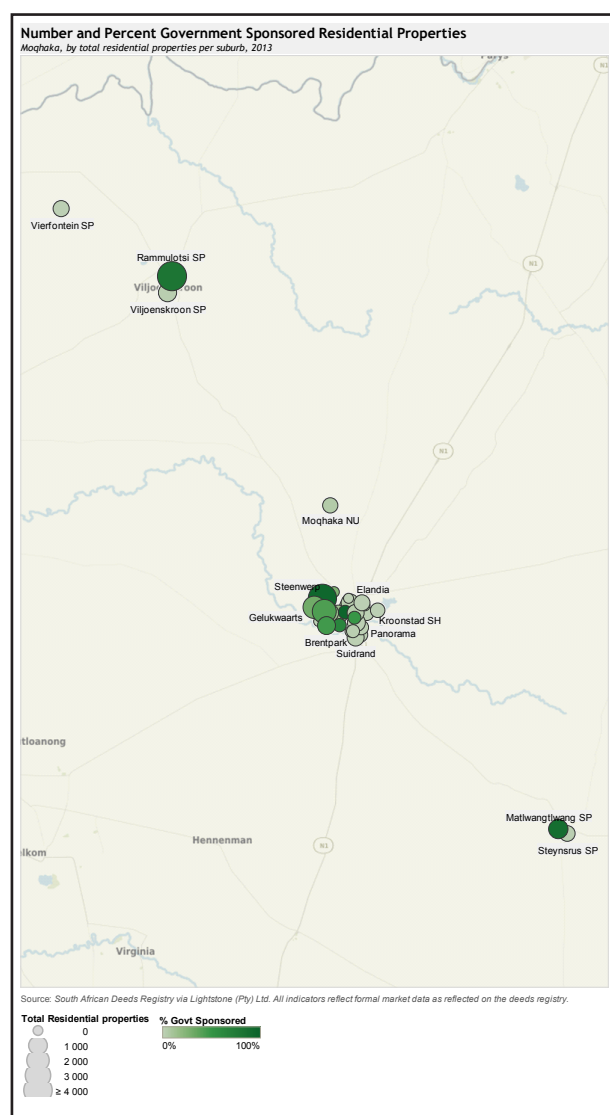
## 9.4 Market Size and Government Investment in Housing

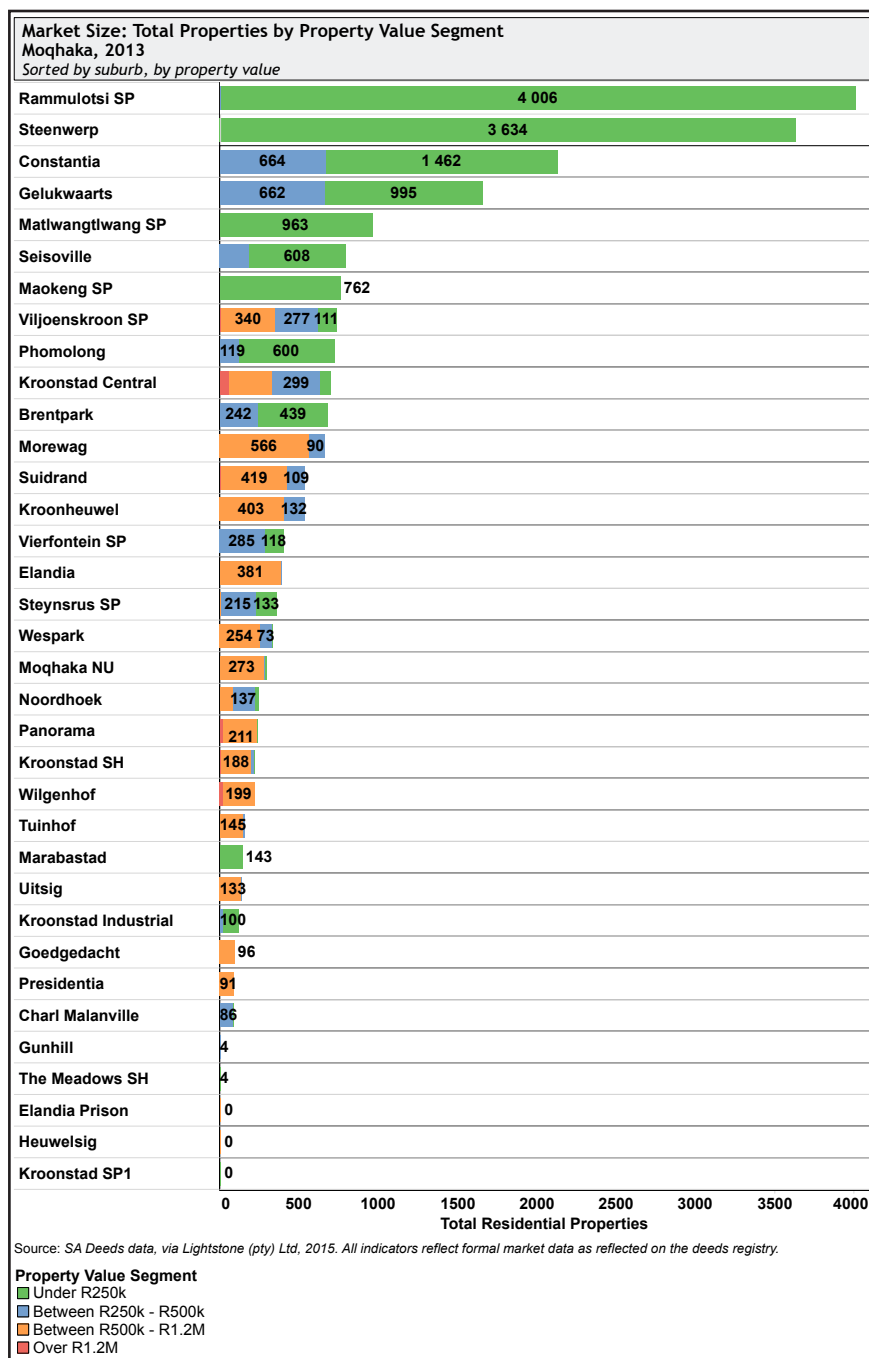
Market size measures the distribution of home prices, households and values in order to inform the potential scale of housing intervention strategies, and the impact of proposed developments on the surrounding area. It can also show the impact of Government investment in housing markets. Comparing the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

In Moqhaka, both formal and informal properties of several values are concentrated towards the centre of the municipality, considerably far away from mines. The location of these properties coincides with the location of the highest concentration of Government investment in housing (map two).

It is a very positive fact that so **many Government-sponsored housing units are on the deeds registry**. However, often these homes are undervalued for two reasons. The subsidy value was often noted as the sales price (rather than the cost), or sales prices are driven low because buyers lack access to credit with which to purchase the homes at a more realistic sales price, and must pay with the cash they have.

**Encouraging the resale of Government-sponsored housing is an important means of expanding housing options** – for the sellers, who can move up the ladder with the equity from the sale of their property, to the first time homebuyer purchasing the existing home. More activity in these markets will also raise the value of the home, often a family's most valuable asset.





## 9.5 Market Size by Value Segment

These charts provide the proportion of properties within each suburb by property value segment (below R250 000; between R250 000 – R500 000 and over R500 000). Almost half (i.e 48%) of Moqhaka’s residential properties are government sponsored units. Moqhaka has a mixed range of property values in several suburbs, with only a few suburbs hosting only one range of property values. This may help to explain the area’s growing-market.

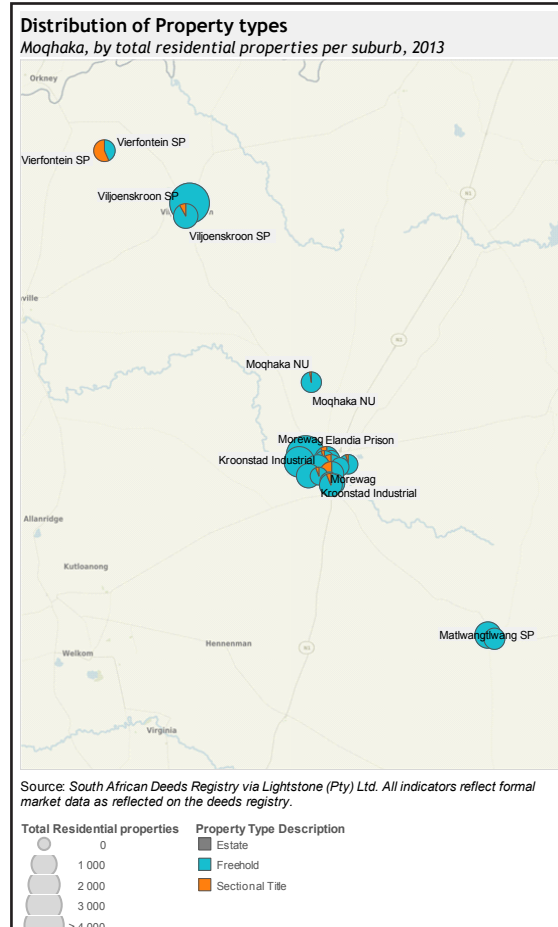
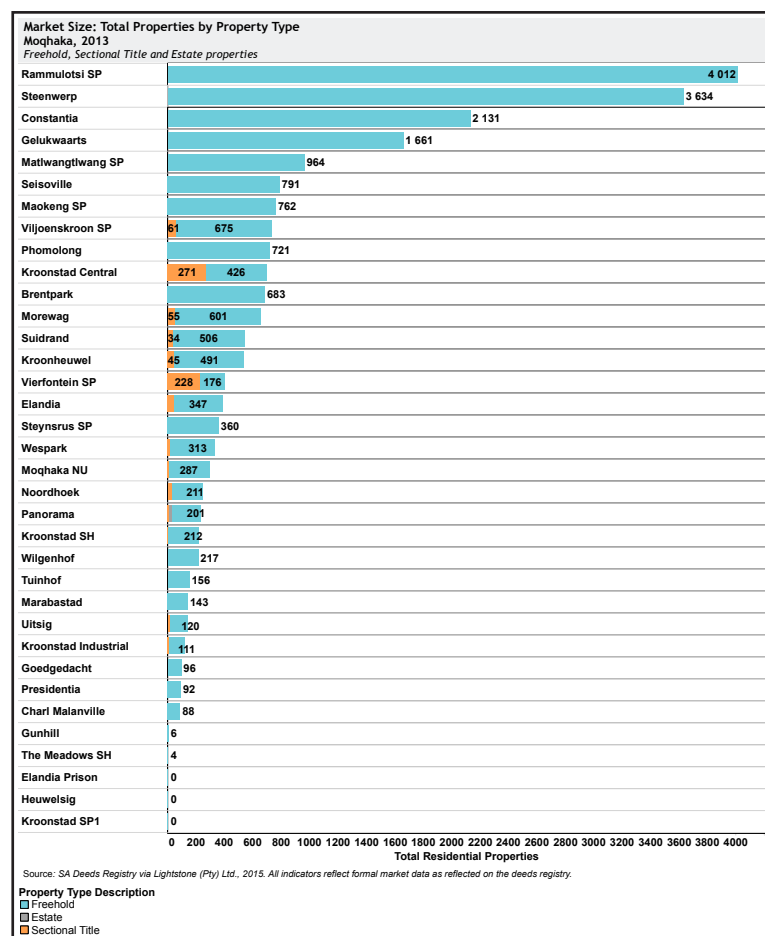
In small housing markets, Government interventions and programmes must be more specific as their impact on the market overall will be greater.

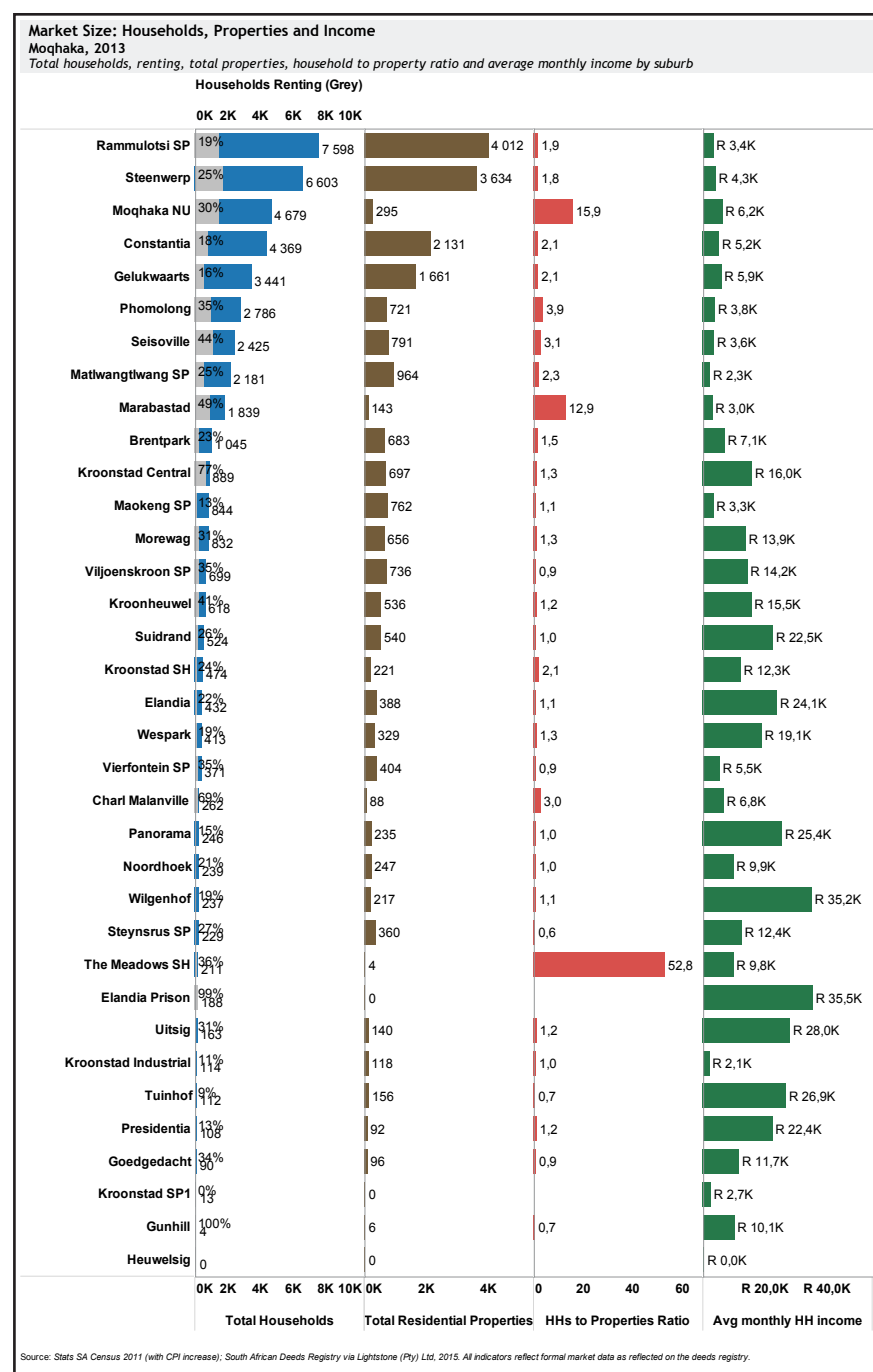
A diverse approach may help to expand the diversity and distribution of housing options across town.



## 9.6 Market Size by Property Type

Moghaka's residential properties are predominantly freehold, with only a few subplaces having sectional title properties and only one having estate properties.





## 9.7 Market Size by Households and Income

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

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

**Of the 22 mining towns, areas with high levels of renters (grey bars) also very often have the highest household incomes,** however, the inverse is true for Moghaka. All subplaces with average incomes that are above R20 000 also have rental percentages which are below 30%, except Elandia Prison, which has an average rental of 99% and average income of R35 500 – this may be rental housing which is available to employees of the prison (or perhaps the incarcerated population). It is suggested that these high levels of renters might be the combination of mining executives who rent (instead of own), as well as support staff who rent nearby in backyard accommodation. While rental generates important income to the owners, the creation of quality, affordable rental housing in those areas can help to address some of the housing backlog quickly.

Areas with above average renters and moderate incomes (green bar) (such as Charl Malanville and Gunville) might mean families which are ready for more formal rental options.

**Ratios of households (from StatsSA) to properties (from the deeds registry) - the red bar- can show degrees of limited supply or informality.** The informal settlements, such as The Meadows SH, have high populations, low formal properties, few registered properties and low incomes.

## 10. Market Activity



### 10.1 Key Findings

Sales activity is evident in several subplaces throughout the municipality, however the properties that are being transacted are selling considerably below their values. Sales dropped across the country after 2008, and in Moqhaka they have fluctuated steadily.

Bonded sales in lower markets are an extremely small portion of the bonded market. Sales continue to be dominated by repeat sales, with few new housing sales. Property value (the home's worth) and sales prices are closely related in active markets. In less active markets, sales prices are less than their suggested value.

### 10.2 Policy Implications

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

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

### 10.3 Quick Definitions:

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

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

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

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

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

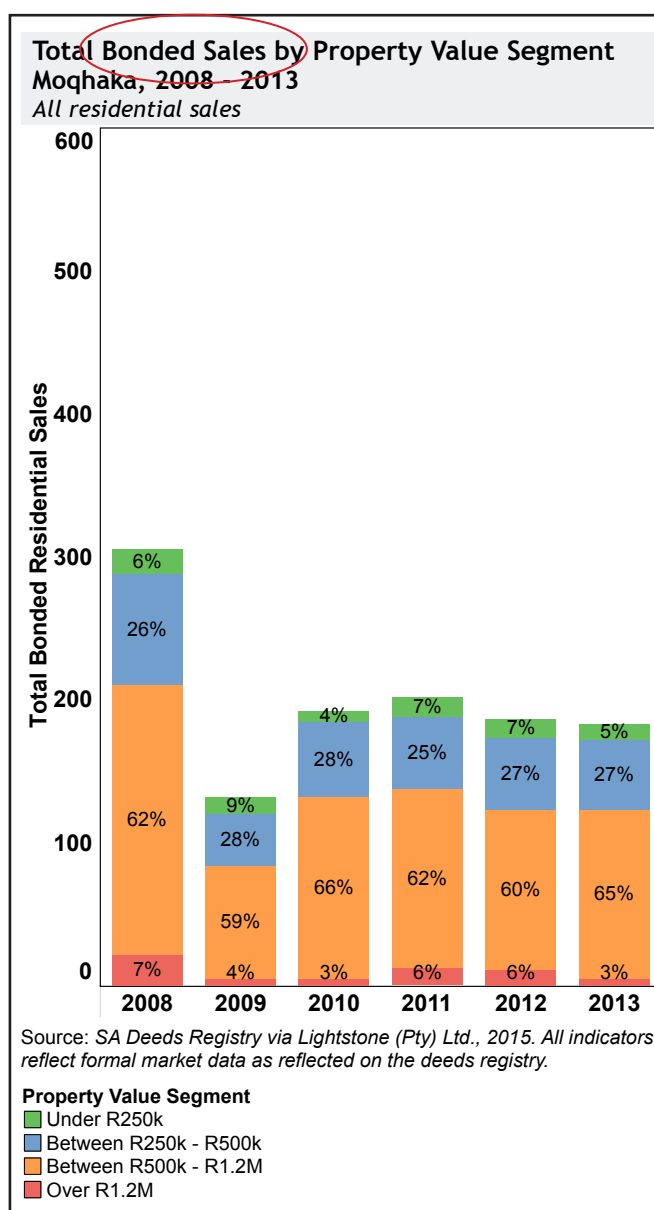
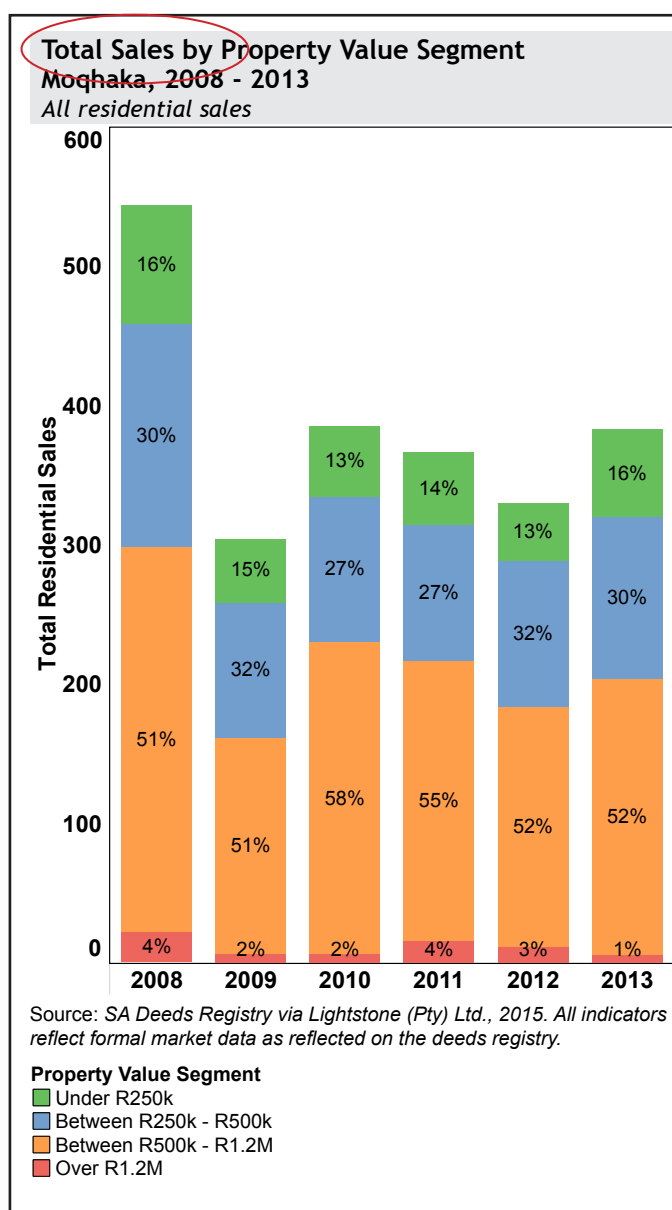
**Resale / Repeat Sales:** the sale or transaction of a property which has existed on the deeds registry before (as opposed to a new sale or new registration).

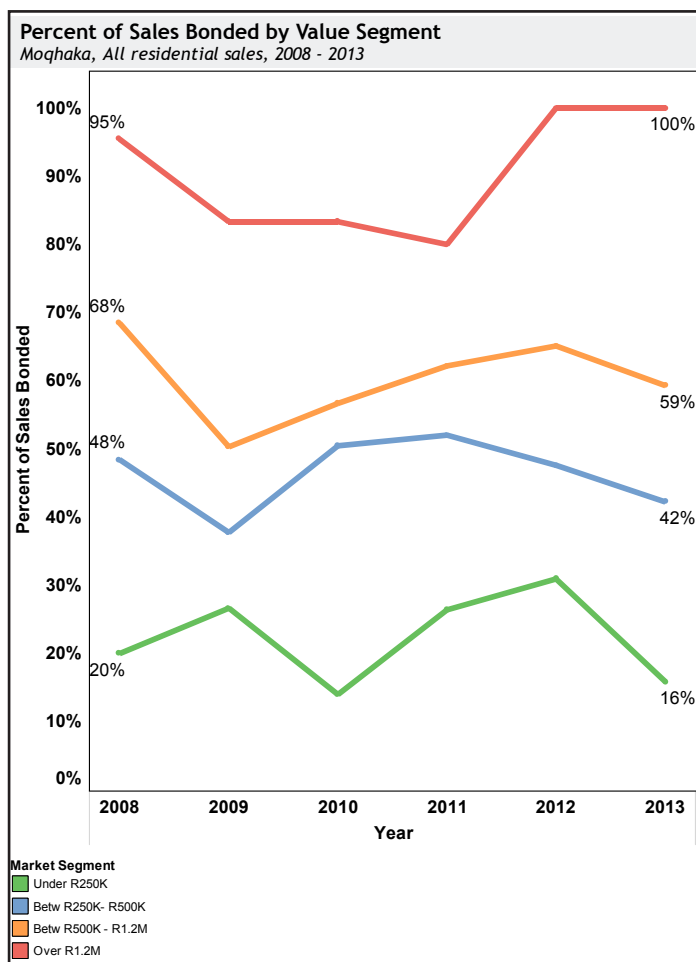
## 10.4 Sales and Bonded Sales by Property Value Segments

In 2008, just over 50% of all residential sales and almost 70% of bonded sales in Moqhaka were over R500 000 (the red and orange sections). In contrast, just under 50% of all residential sales, and roughly 30% of bonded sales were under R500 000 in 2008 (the blue and green section). While sales in the proportion of lower segments increased slightly in 2013, the share of bonds declined after a slight increase in 2011. Properties under R250 000 represented 16% of all sales in 2013, but only 5% of the bonded sales.

The relationship between sales and bonded sales shows **that sales in the lower segments have consistently lower proportions of bonds than their proportion of sales**. This highlights the importance of access to credit to growing housing markets, in particular the lower valued segments. **The share of bonded sales under R500 000 has fluctuated over time, but still takes up the lowest share of the lending market.**

This might be due to credit indebtedness, which disproportionately impacts lower income borrowers, or lack of access to affordable homes with which to buy. Policies that help expand access to credit and provide more housing opportunities under R500 000, in the lower bands, can expand sales within that band. Rental housing might also be a more suitable option.



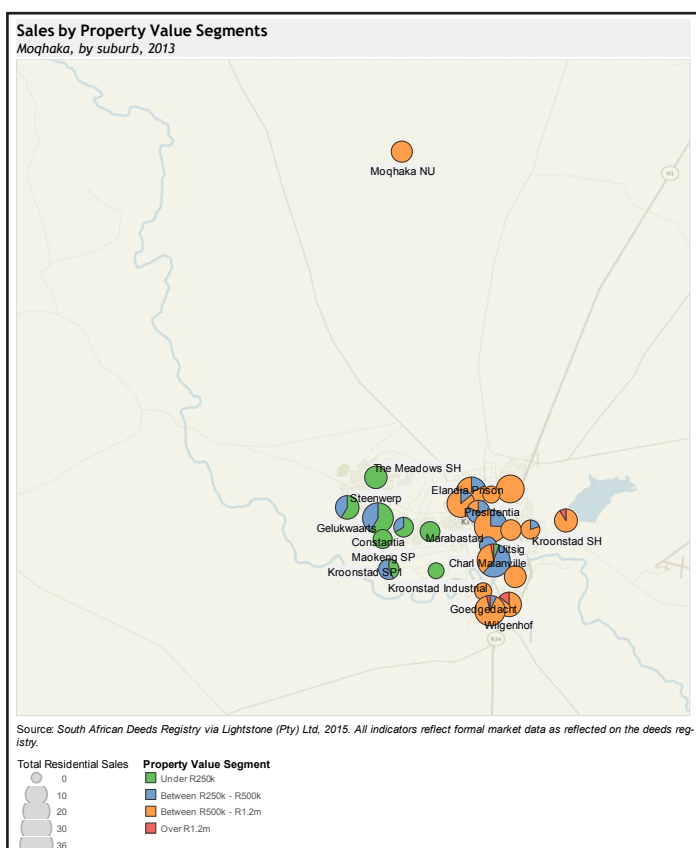


## 10.5 Lending per Property Value Segments

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

**Overall, the total sales receiving bonds in Moqhaka has decreased since 2008, except for the highest value segment (red line) which has increased to 100%.** Interestingly, the highest drop in bonded sales has been in the R500 000 to R1.2million (orange line) value segment, perhaps due to decreased supply of housing that falls within this segment, or decreased access to credit.

**Mid-range and upper tiered properties sales experienced relatively fluctuating activity since 2009.**



## 10.6 Sales by Property Value Segments

**This map shows the volume of sales activity (the size of the dot) by suburb across the town by property value segment (the slices of the pie).**

The midrange properties (the orange segments) saw most activity, with the lower priced homes (green) having a smaller portion of the sales activity. This may be a potential sign of active (increased) supply and steady demand for the middle market. This map reveals that sales activity in the municipality is split, with sales in the lower segment to the west and the mid segment to the east.

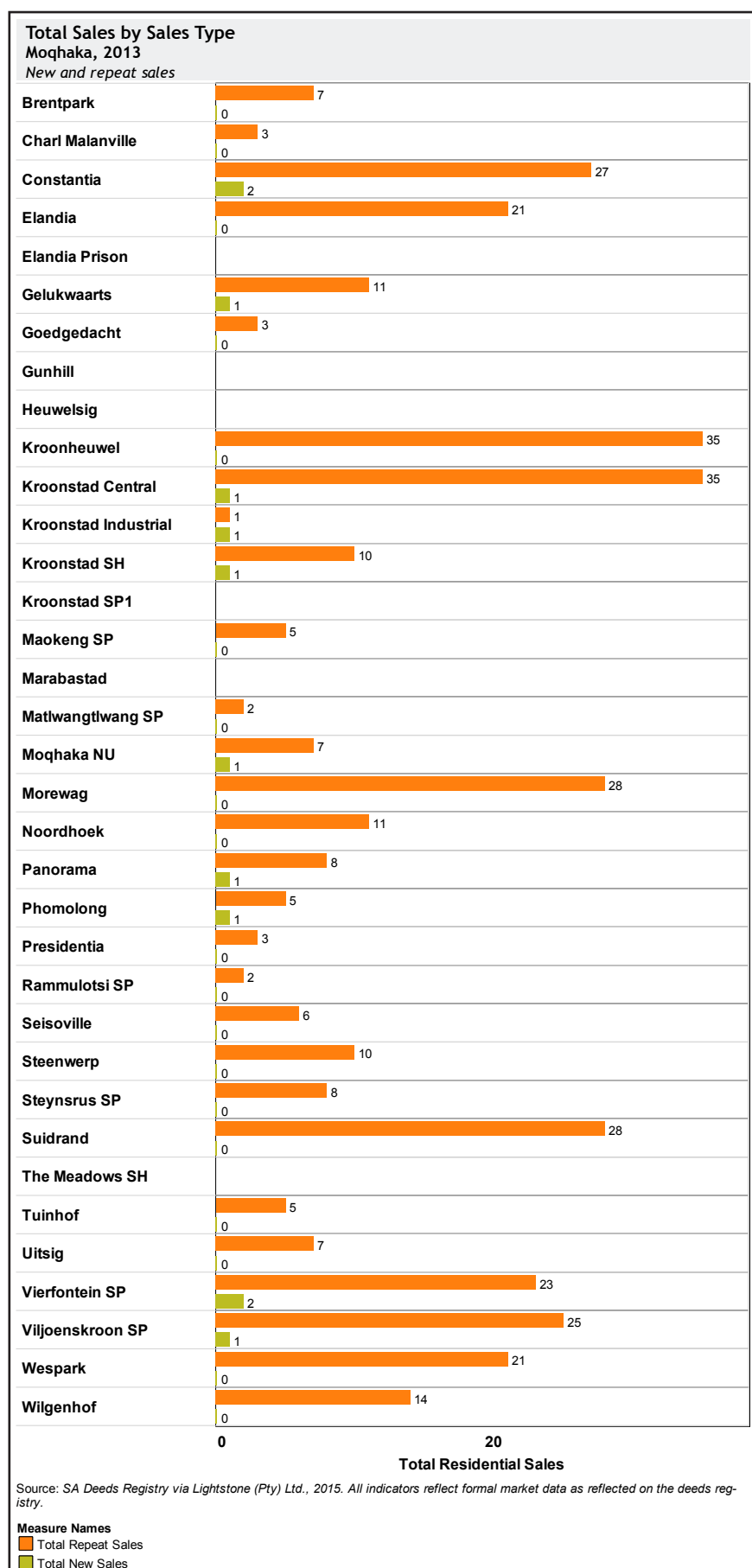
Access to credit is a significant boost or barrier to housing market growth. While some suburbs offer a range of housing price options; pinpointing product prices and types to specific areas, especially considering local affordability; is key to ensuring programme success.

## 10.7 Sales by New and Repeat Sales

An important distinction in market performance is the sale of new homes (which have never appeared on the deeds registry) and the resale of existing homes. The chart shows new (green) and repeat sales (orange) by suburb. In most mining towns, new registrations are clustered in only a few suburbs. Moqhaka appears to have new sales in several subplaces throughout the municipality, although these sales are significantly small.

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

*Suburbs with no data reflect areas with no sales or new registrations.*

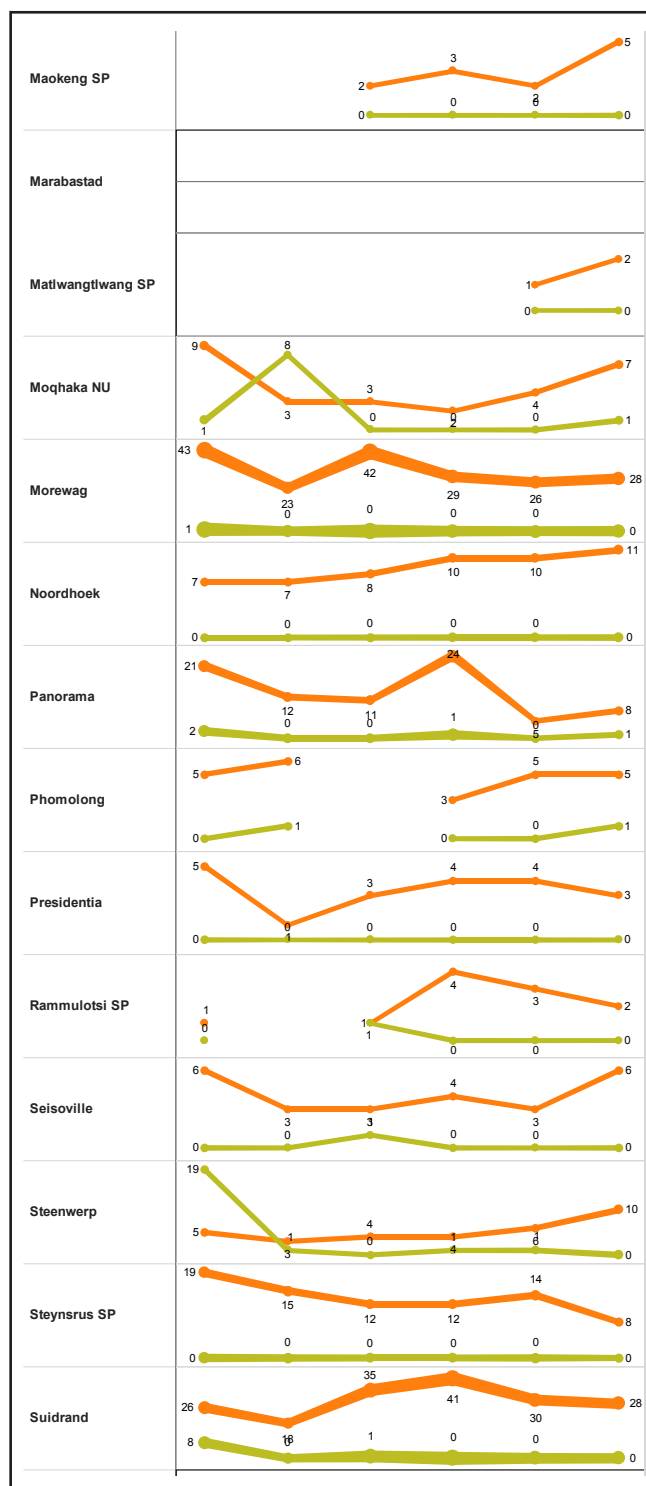
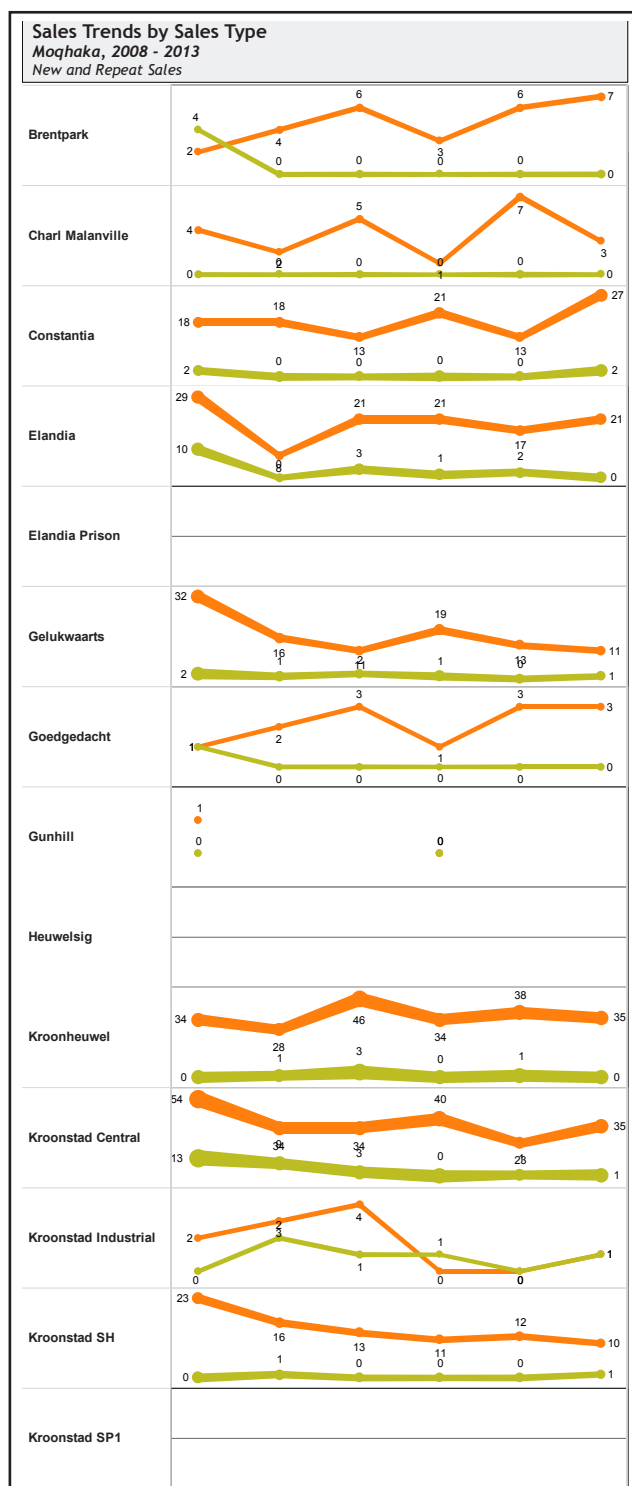




## 10.8 Market Activity Amongst New and Repeat Sales

In Moqhaka, several subplaces have experienced large volumes of activity, such as Morewag, Viljoenskroon, Kroonheuwel and Kroonstad Central. **The growth and maturity of an area's housing market can often be detected by comparing the interaction between new and resale market transactions over time.** The growth of existing home sales (the orange line) indicates sustained interest of housing markets by borrowers and lenders.

Often volumes of new homes in prior years become resales in later years. Understanding how mining companies create new units helps to understand their existing and potential contribution to expanding the local housing economy.

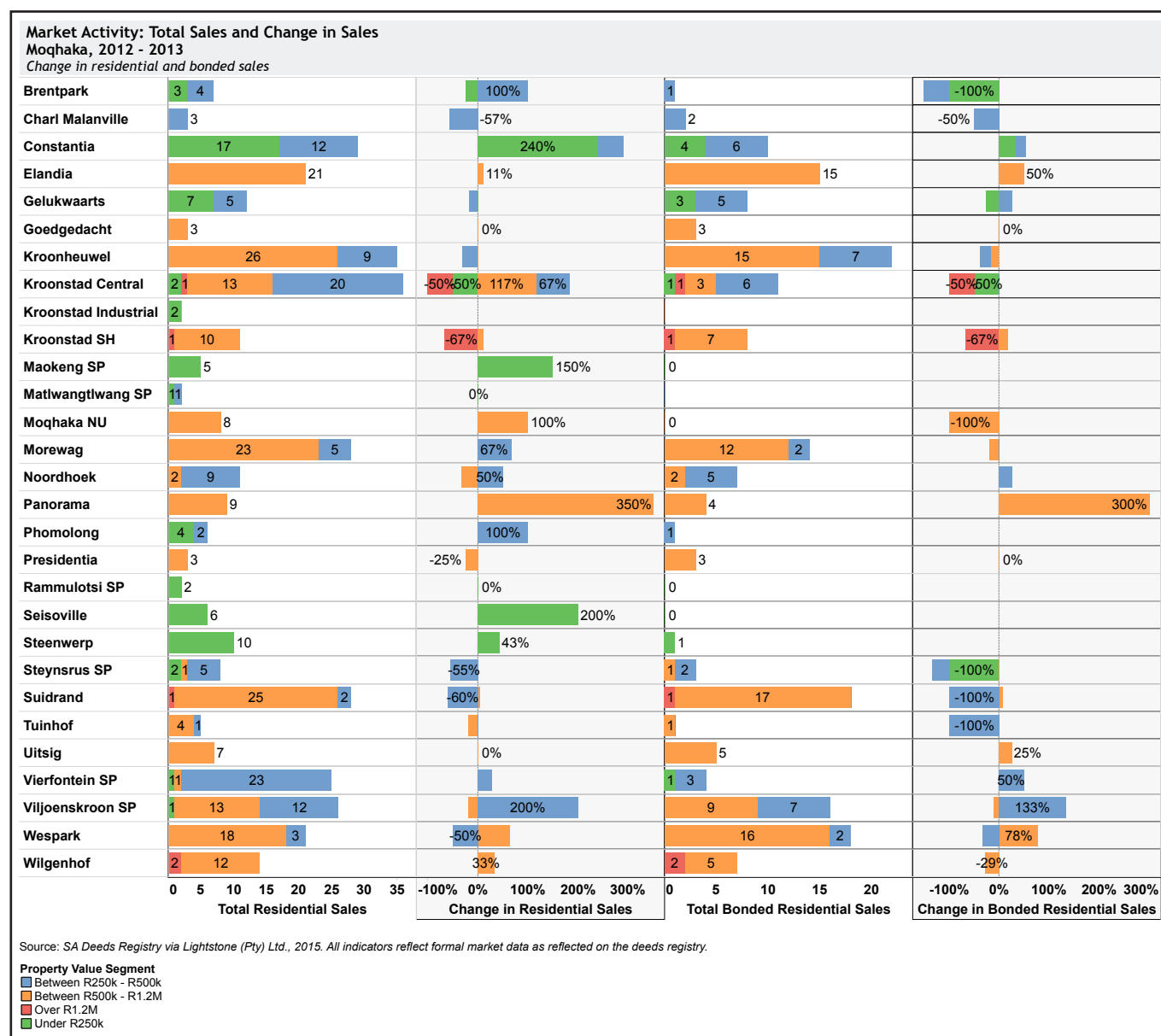


## 10.9 Total Sales by Property Value, Change From The Prior Year

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

Several subplaces have experienced an increase in both sales and bonds from 2012 to 2013. It is important to note that several suburbs experienced significant increases in residential sales in the under R250 000 value segment, however there was only one suburb with increased bonds associated with this market segment. In 2013, this market segment grew without the support of credit.

*Suburbs with no information had no residential sales transactions in the past two years.*

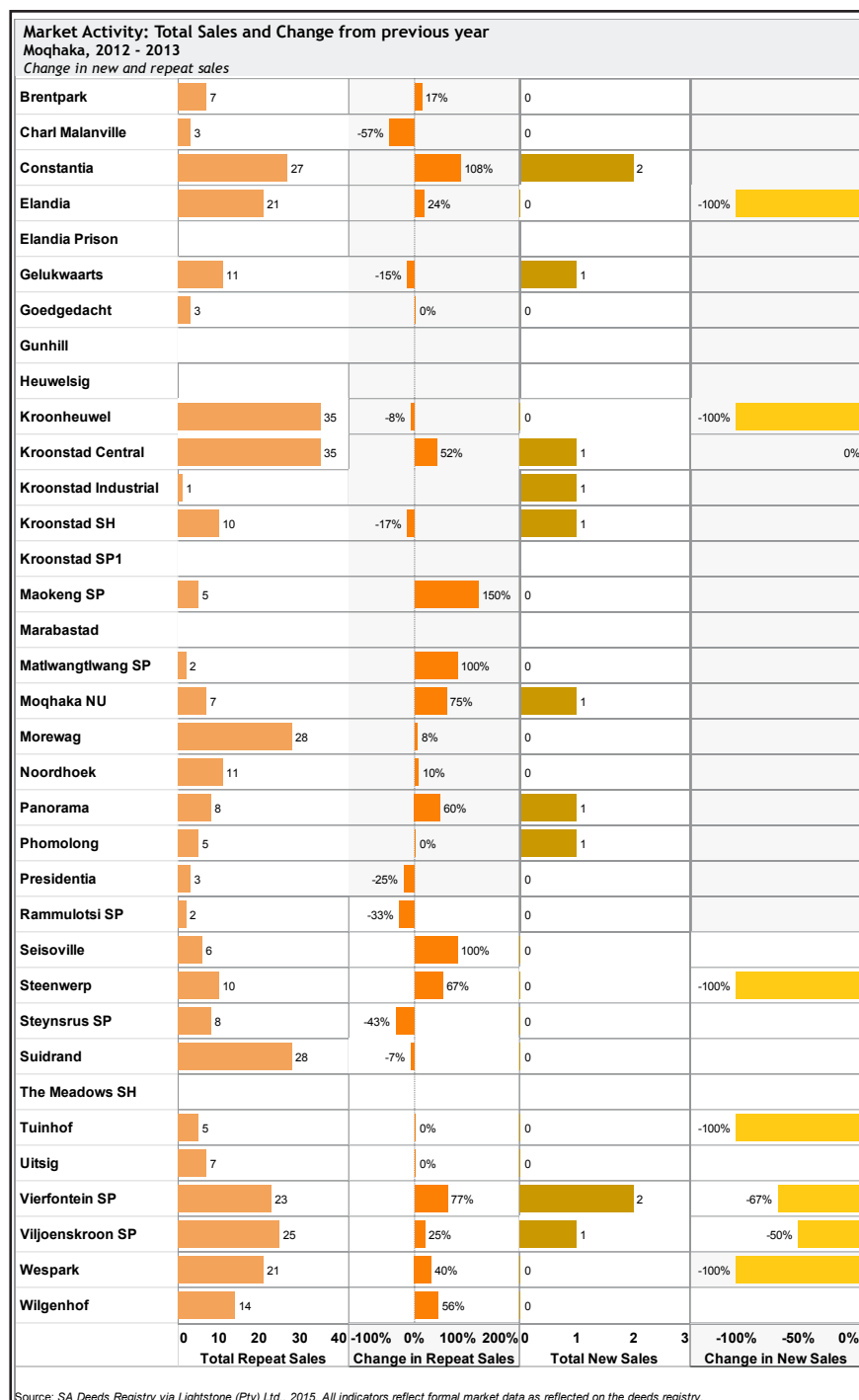


## 10.10 Change in New and Repeat Sales

This chart shows the specific rate of activity of new and repeat sales from 2012 to 2013. As seen before, the Moqhaka market is dominated by resales. While there are a few new sales throughout the municipality, no suburb has an increase of new sales in 2013.

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

*Suburbs with no information had no residential sales in the past two years.*

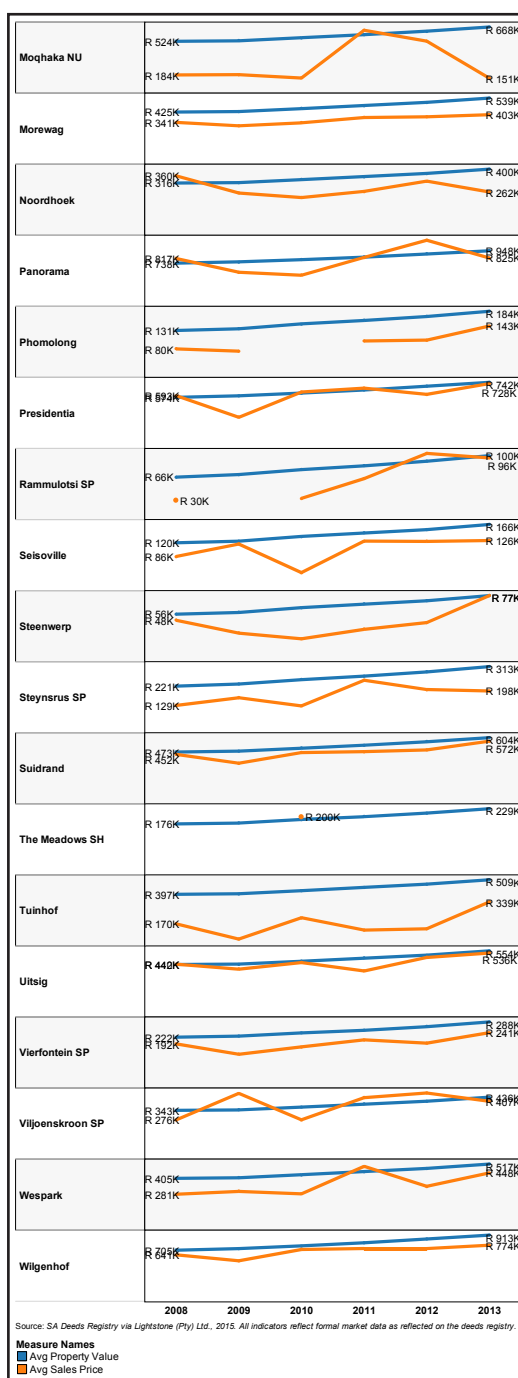
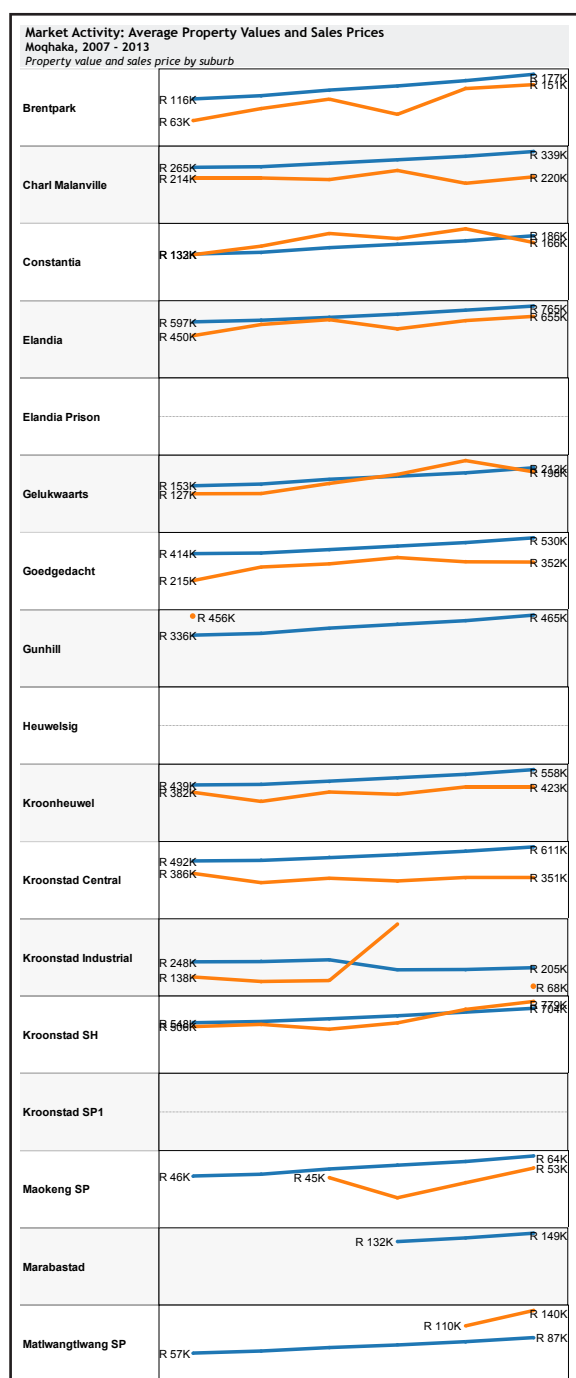


## 10.11 Average Property Values and Sales Price

The relationship between local sales prices (orange lines) and average property values (blue lines) can tell much about the activity and integration of supply and demand. Every house in a suburb has a value, determined by the number of sales, changes in prices, churn (repeat sales) and other factors present in a robust housing market. Only houses which have sold have sales prices, but this lowers the value of homes in markets with fewer sales.

**As markets formalise and strengthen, these trends inform each other more effectively, and the trend lines become almost parallel over time (such as Goedgedacht, Kroonheuwel, Morewag and Suidrand). Almost all the subplaces in the municipality have consistently sold below their value, with the rest fluctuating.**

Sales prices in affordable areas more often reflect available access to credit, rather than levels of interest in the neighbourhood. Values on the deeds registry of these properties often reflect the subsidy amount, lowering the value.



## 11. Lending Activity



### 11.1 Key Findings

**Lending is moderately dispersed throughout Moqhaka by area and market segment, however** bonded sales are concentrated in housing and sales over R500 000, with those loans predominantly concentrated in one central area in the municipality. The share of lending by each of the four major banks in the country increased consistently and the share of lending by Other lenders has almost doubled since 2008, perhaps reflecting increased mining activity requiring expanded staff deployment, or to make up for the lack of lending growth by the existing institutions.

### 11.12 Policy Implications

Policies and programmes should **target expanding access to credit, including the creation of new funds, with broader investment guidelines and possibilities, and small loan programmes** with which to make financing more accessible to lower income households. Loans to entice the development of more middle-market housing would create more integrated markets.

Programmes should make creative financing available for rental projects as well.

### 11.3 Quick Definitions:

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

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

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

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

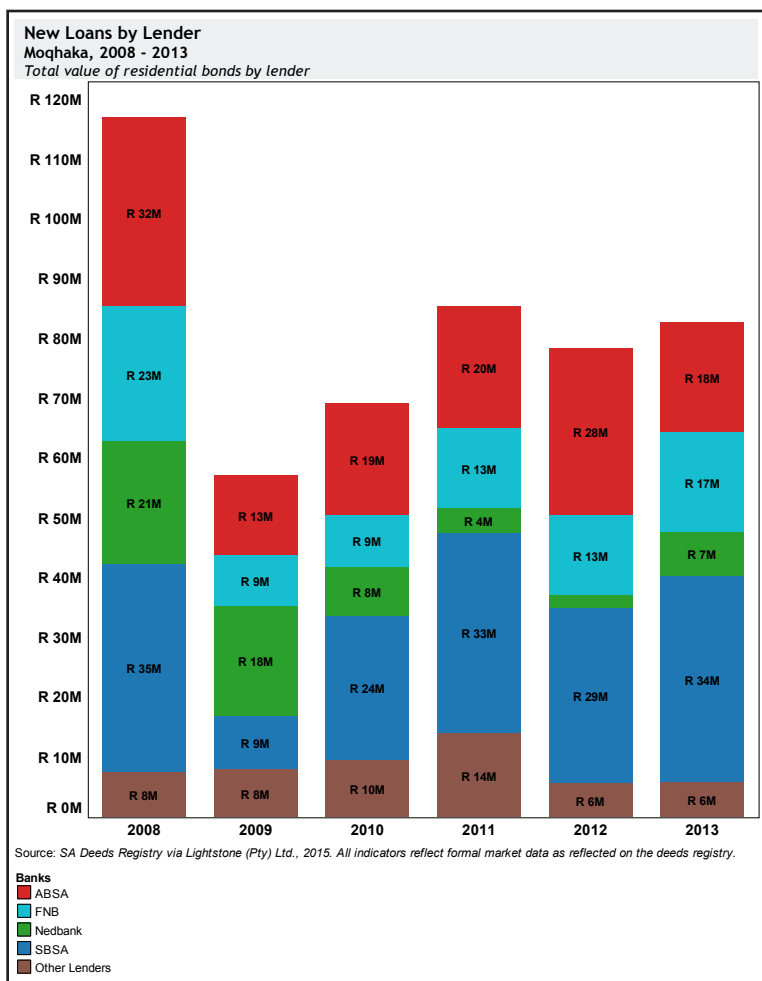
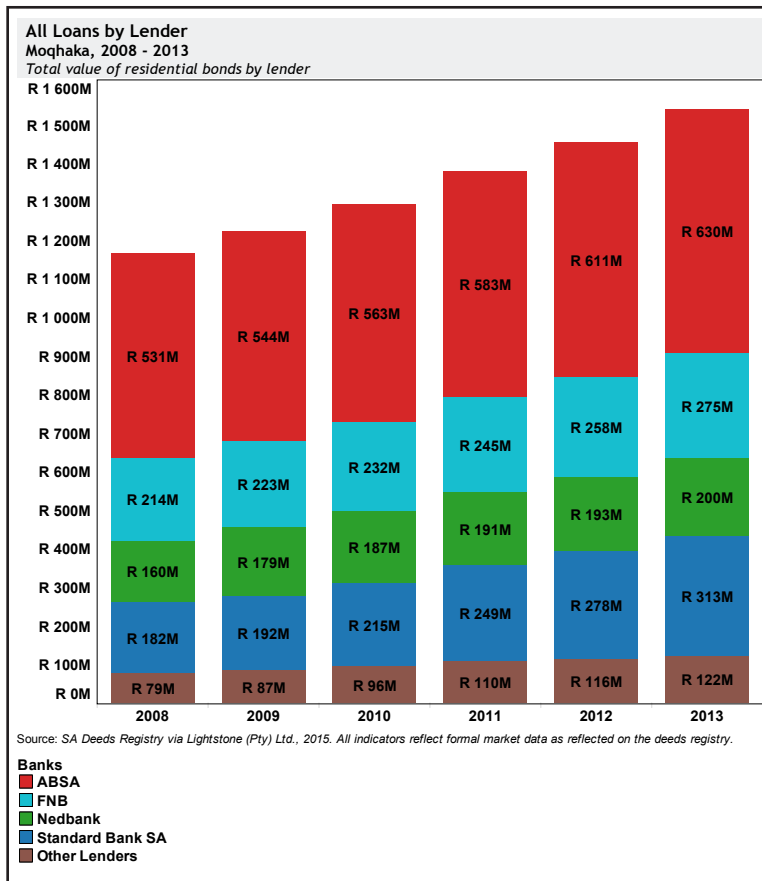
## 11.4 Lending Over Time

Loan data taken from the deeds registry can provide lending activity by lender, which has grown consistently in the area. By comparing the top chart (all loans held by each lender) and the bottom chart (activity by lender per year) it is possible to note that while the lending in the area has consistently grown, the amount per year varies from lender to lender. For example, annual lending has increased incrementally among all lenders between 2008 and 2013.

Of note has been the infusion of other lenders into the area, from 2008 – 2013 lending activity by other lenders has increased by 60%.

These other lenders primarily include companies providing home loan benefits to their employees. This is most often employer-assisted lending, primarily companies providing home loan benefits to their employees. The **lending may reflect increased mining activity requiring staff deployment in the area.**

The following charts explore lending by bank and by suburb to understand specifically where bank investment has been made by suburb, and what that may mean about financing availability for various development sites and scenarios.





## 11.5 New Loans by Lender

As markets shift, different lenders respond in different ways. These maps show the previous bar charts on a map. The first chart (all loans by lender) is represented on the top map. All loans made in 2013 (the second chart) is shown on the lower map. **By comparing the two maps, it's possible to see where lenders invested loans in the last year (pies in the bottom map), and how that has changed from their overall portfolio in that suburb (pies in the top map).**

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

New Loans by Lender Moghaka, 2008 - 2013 <i>The value of new bonds by lender by suburb over time</i>						
		ABSA	FNB	Moghaka Nedbank	Standard Bank	Other Lenders
Brentpark	2008	R 0	R 0	R 150,000	R 251,000	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 210,000	R 0	R 0	R 25,000
	2011	R 160,000	R 0	R 0	R 0	R 0
	2012	R 250,000	R 0	R 185,700	R 410,000	R 0
	2013	R 0	R 0	R 0	R 353,600	R 0
Charl Malanville	2008	R 0	R 249,417	R 572,335	R 0	R 0
	2009	R 0	R 0	R 0	R 245,000	R 274,980
	2010	R 380,000	R 0	R 0	R 396,000	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 450,700	R 183,750	R 0	R 250,000	R 0
	2013	R 0	R 0	R 0	R 476,000	R 0
Constantia	2008	R 350,000	R 0	R 81,445	R 536,000	R 0
	2009	R 668,000	R 417,200	R 0	R 546,500	R 666,615
	2010	R 0	R 610,000	R 0	R 694,000	R 270,000
	2011	R 711,000	R 296,500	R 0	R 1,999,050	R 150,000
	2012	R 828,000	R 0	R 0	R 880,000	R 0
	2013	R 0	R 710,000	R 0	R 2,319,000	R 0
Elandia	2008	R 6,995,000	R 2,270,000	R 1,273,090	R 5,180,355	R 1,395,000
	2009	R 1,830,000	R 0	R 589,475	R 0	R 0
	2010	R 2,125,000	R 450,000	R 470,000	R 1,250,000	R 1,200,000
	2011	R 1,119,500	R 1,390,000	R 0	R 3,800,000	R 580,000
	2012	R 1,150,000	R 720,000	R 547,000	R 3,344,000	R 0
	2013	R 3,532,000	R 1,580,900	R 2,275,700	R 2,885,000	R 0
Gelukwaarts	2008	R 611,000	R 693,335	R 211,655	R 1,709,837	R 0
	2009	R 430,500	R 456,790	R 222,018	R 230,000	R 100,082
	2010	R 406,500	R 435,000	R 0	R 504,500	R 363,822
	2011	R 325,000	R 430,000	R 0	R 3,184,600	R 0
	2012	R 0	R 413,750	R 0	R 1,723,520	R 0
	2013	R 250,000	R 478,000	R 0	R 1,395,400	R 0
Goedgedacht	2008	R 0	R 0	R 0	R 0	R 0
	2009	R 530,000	R 0	R 0	R 0	R 0
	2010	R 0	R 165,000	R 0	R 350,000	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 180,000	R 0	R 0	R 450,000	R 820,000
	2013	R 250,000	R 0	R 0	R 424,000	R 440,000
Gunhill	2008	R 0	R 0	R 0	R 0	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 500,000	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Kroonheuwel	2008	R 3,485,000	R 1,104,000	R 1,964,286	R 3,604,760	R 725,200
	2009	R 1,570,000	R 576,800	R 994,163	R 855,000	R 710,000
	2010	R 1,431,000	R 1,431,000	R 894,423	R 3,468,487	R 2,370,000
	2011	R 1,235,000	R 480,000	R 1,323,109	R 1,844,000	R 150,000
	2012	R 3,069,000	R 1,695,000	R 320,000	R 3,562,000	R 360,000
	2013	R 3,531,000	R 2,000,000	R 205,700	R 1,591,000	R 520,000
Kroonstad Central	2008	R 4,672,500	R 1,661,000	R 2,191,109	R 3,452,800	R 550,000
	2009	R 670,550	R 2,037,600	R 10,408,448	R 975,000	R 0
	2010	R 1,502,000	R 350,000	R 858,110	R 2,049,000	R 0
	2011	R 2,970,000	R 500,000	R 240,264	R 3,790,000	R 1,680,000
	2012	R 850,000	R 465,000	R 0	R 2,791,000	R 0
	2013	R 1,086,600	R 0	R 0	R 2,337,200	R 120,000
Kroonstad Industrial	2008	R 0	R 840,000	R 0	R 600,000	R 0
	2009	R 0	R 0	R 0	R 180,000	R 0
	2010	R 0	R 0	R 0	R 0	R 0
	2011	R 0	R 486,800	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Kroonstad SH	2008	R 1,000,000	R 1,189,000	R 1,955,974	R 2,435,000	R 0
	2009	R 1,963,000	R 573,990	R 2,585,519	R 490,000	R 0
	2010	R 0	R 0	R 0	R 1,670,000	R 570,000
	2011	R 3,525,000	R 0	R 0	R 1,231,000	R 0
	2012	R 5,615,000	R 720,000	R 0	R 1,400,000	R 200,000
	2013	R 1,426,000	R 1,670,000	R 720,000	R 1,650,000	R 250,000
Maokeng SP	2008	R 40,000	R 0	R 0	R 0	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 0	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Matlwangtwan g SP	2008	R 0	R 0	R 0	R 0	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 0	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Moghaka NU	2008	R 0	R 0	R 0	R 180,000	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 280,500	R 0	R 0	R 0
	2011	R 0	R 0	R 0	R 1,050,000	R 0
	2012	R 1,895,000	R 0	R 0	R 0	R 0
	2013	R 0	R 800,000	R 0	R 0	R 0
Morewag	2008	R 2,658,500	R 2,003,197	R 1,701,513	R 2,567,000	R 0
	2009	R 588,000	R 1,659,200	R 344,853	R 1,542,000	R 840,000
	2010	R 1,260,500	R 716,000	R 1,711,822	R 3,745,000	R 700,000
	2011	R 1,346,000	R 723,289	R 587,679	R 3,482,500	R 1,350,000
	2012	R 2,025,000	R 1,185,000	R 0	R 3,294,600	R 720,000
	2013	R 1,221,000	R 1,620,000	R 1,055,000	R 2,422,000	R 0
Noordhoek	2008	R 0	R 1,148,000	R 840,137	R 600,200	R 0
	2009	R 230,000	R 0	R 0	R 0	R 300,000
	2010	R 250,000	R 380,000	R 0	R 462,500	R 0
	2011	R 743,000	R 295,000	R 0	R 513,000	R 1,115,000
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0

Panorama	2008	R 3,030,000	R 2,069,000	R 1,081,824	R 4,195,000	R 0
	2009	R 969,500	R 500,000	R 1,259,913	R 2,581,000	R 900,000
	2010	R 1,770,000	R 250,000	R 0	R 540,000	R 0
	2011	R 4,603,000	R 1,757,500	R 190,000	R 4,477,000	R 1,250,000
	2012	R 1,280,000	R 1,600,000	R 0	R 531,000	R 0
	2013	R 835,000	R 690,000	R 0	R 700,000	R 0
Phomolong	2008	R 0	R 0	R 0	R 332,500	R 0
	2009	R 0	R 0	R 0	R 90,000	R 0
	2010	R 0	R 0	R 0	R 50,000	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 200,000	R 0
Presidentia	2008	R 0	R 130,000	R 770,000	R 450,000	R 530,000
	2009	R 760,000	R 0	R 704,075	R 0	R 0
	2010	R 383,000	R 712,500	R 0	R 0	R 0
	2011	R 150,000	R 0	R 0	R 0	R 0
	2012	R 200,000	R 1,000,000	R 0	R 837,000	R 0
	2013	R 500,000	R 580,000	R 0	R 1,450,000	R 0
Rammulotsi SP	2008	R 380,000	R 0	R 0	R 70,000	R 20,000
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 0	R 0
	2011	R 0	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Seisoville	2008	R 0	R 240,000	R 0	R 0	R 0
	2009	R 0	R 0	R 227,423	R 0	R 0
	2010	R 0	R 0	R 0	R 216,000	R 0
	2011	R 258,500	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 250,000	R 0
	2013	R 0	R 0	R 0	R 0	R 0
Steenwerp	2008	R 243,000	R 0	R 0	R 281,900	R 0
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 0	R 0
	2011	R 0	R 0	R 0	R 0	R 120,000
	2012	R 292,000	R 150,000	R 0	R 0	R 0
	2013	R 104,500	R 0	R 0	R 0	R 0
Steynsrus SP	2008	R 0	R 108,000	R 121,550	R 0	R 689,000
	2009	R 0	R 80,000	R 202,280	R 0	R 270,000
	2010	R 375,000	R 0	R 0	R 0	R 0
	2011	R 0	R 305,000	R 0	R 450,000	R 0
	2012	R 420,000	R 350,000	R 0	R 0	R 600,000
	2013	R 0	R 0	R 0	R 700,000	R 410,000
Suidrand	2008	R 2,889,500	R 1,395,000	R 2,435,310	R 859,000	R 920,000
	2009	R 455,000	R 216,000	R 382,656	R 0	R 980,000
	2010	R 3,123,000	R 288,150	R 2,023,041	R 3,030,871	R 1,537,000
	2011	R 795,000	R 4,371,500	R 0	R 3,940,500	R 2,795,000
	2012	R 4,624,000	R 1,470,000	R 308,574	R 2,795,291	R 900,000
	2013	R 1,552,000	R 500,000	R 575,000	R 5,145,000	R 1,100,000
The Meadows SH	2008		R 0			
	2009		R 0			
	2010		R 0			
	2011		R 0			
	2012		R 0			
	2013		R 0			
Tuinhof	2008	R 558,000	R 1,503,000	R 1,713,415	R 0	R 0
	2009	R 750,000	R 0	R 0	R 0	R 0
	2010	R 0	R 0	R 0	R 400,000	R 0
	2011	R 442,000	R 0	R 0	R 0	R 0
	2012	R 0	R 0	R 0	R 410,000	R 0
	2013	R 0	R 0	R 0	R 477,000	R 70,000
Uitsig	2008	R 960,000	R 875,000	R 0	R 0	R 0
	2009	R 879,500	R 0	R 453,448	R 0	R 550,000
	2010	R 370,000	R 0	R 0	R 1,862,500	R 600,000
	2011	R 320,000	R 0	R 202,508	R 377,000	R 0
	2012	R 646,000	R 375,250	R 0	R 773,000	R 0
	2013	R 1,170,000	R 558,600	R 0	R 1,016,000	R 0
Vierfontein SP	2008	R 361,300	R 446,825	R 647,492	R 972,200	R 910,000
	2009	R 0	R 0	R 0	R 0	R 0
	2010	R 100,000	R 80,000	R 0	R 480,000	R 0
	2011	R 198,000	R 190,000	R 101,938	R 423,000	R 0
	2012	R 310,000	R 114,000	R 0	R 0	R 0
	2013	R 280,000	R 0	R 409,400	R 0	R 0
Vijpenskroon SP	2008	R 2,852,500	R 3,076,500	R 2,265,155	R 3,274,000	R 1,830,000
	2009	R 880,000	R 950,000	R 0	R 1,327,000	R 1,932,540
	2010	R 1,130,000	R 1,330,000	R 0	R 956,500	R 2,000,000
	2011	R 627,800	R 0	R 0	R 475,000	R 2,945,000
	2012	R 939,000	R 1,726,508	R 0	R 1,494,500	R 1,760,000
	2013	R 2,131,000	R 1,824,000	R 490,000	R 1,845,000	R 430,000
Wespark	2008	R 530,000	R 877,000	R 221,893	R 1,211,000	R 100,000
	2009	R 0	R 586,567	R 0	R 0	R 0
	2010	R 1,335,000	R 220,000	R 395,706	R 751,500	R 0
	2011	R 900,000	R 1,244,000	R 0	R 1,345,000	R 610,000
	2012	R 803,000	R 909,000	R 560,000	R 1,958,000	R 0
	2013	R 900,000	R 1,165,000	R 0	R 4,712,000	R 1,580,000
Wilgenhof	2008	R 0	R 720,000	R 362,371	R 1,530,000	R 0
	2009	R 0	R 456,000	R 0	R 0	R 400,000
	2010	R 2,826,000	R 810,000	R 1,875,330	R 540,000	R 0
	2011	R 0	R 750,000	R 1,555,000	R 1,080,000	R 1,340,000
	2012	R 1,515,000	R 0	R 0	R 1,539,000	R 300,000
	2013	R 0	R 2,602,000	R 1,500,000	R 1,536,000	R 0

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

Resins:

ASISA

FNH

Netbank

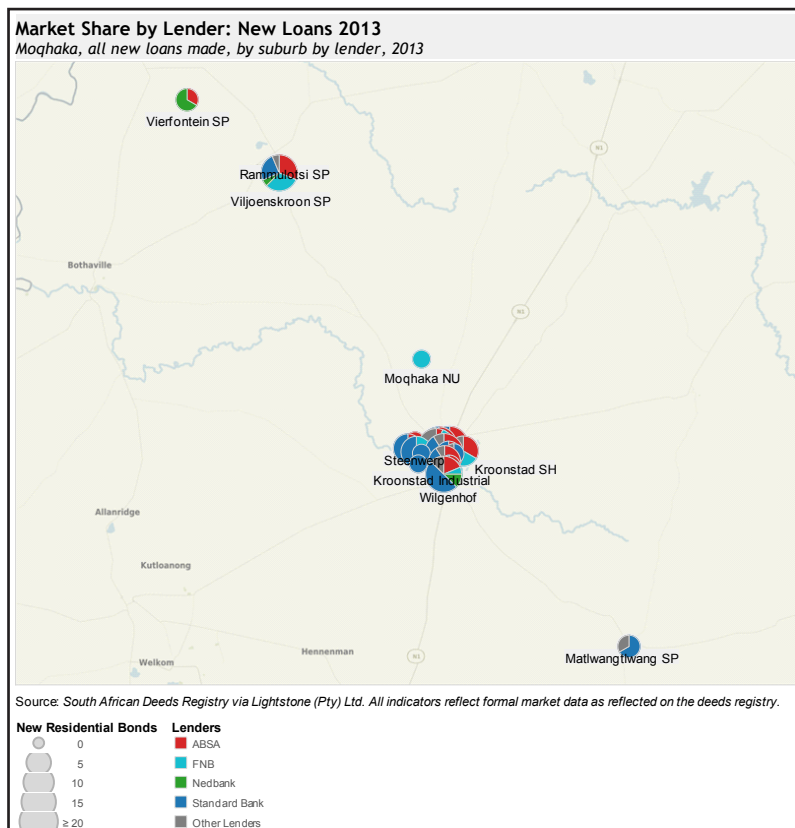
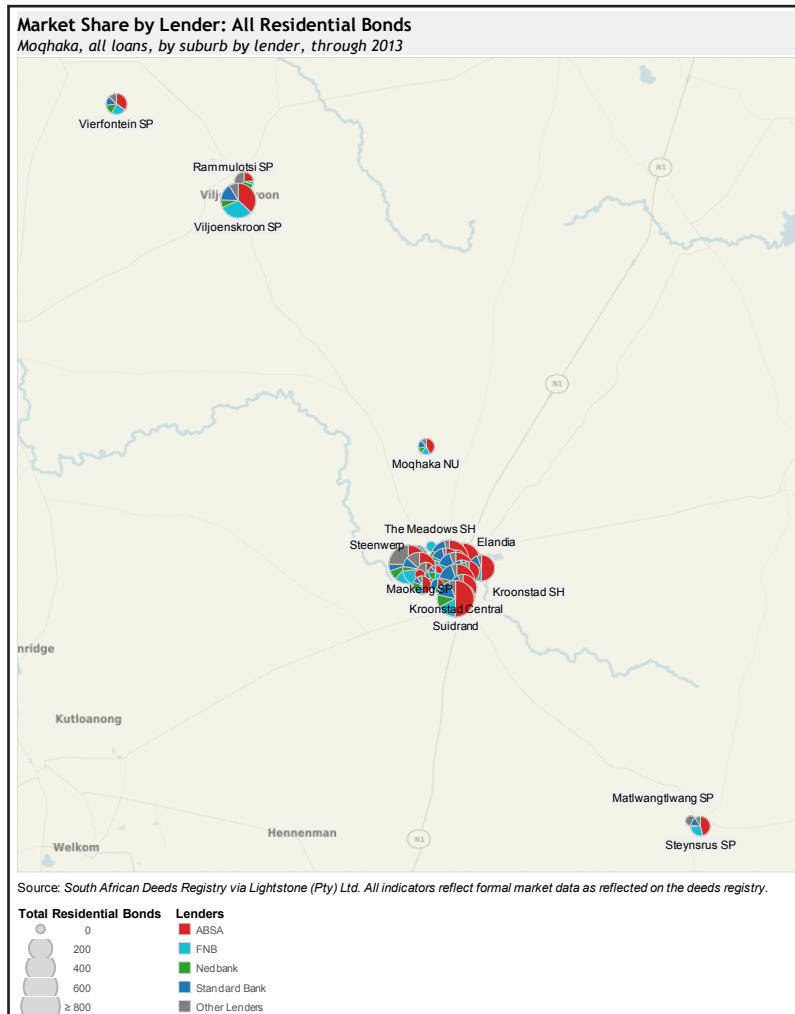
Standard Bank

Other Lenders

## 11.6 Market Share

Understanding market share at the local level is key to understanding the potential for end-user finance, where gaps might exist, and how to make the case for more lending. It is interesting that there has been consistent lending activity throughout all the subplaces in Moqhaka between 2008 and 2013, when often lending is concentrated in a few places. The largest volume of lending is visible in the central part of Moqhaka where the highest concentration of residential properties are located.

Comparing lending over time and by suburb also shows which lenders perceive value or risk.



## 12. Leverage



### 12.1 Key Findings

The presence of older **Government-sponsored units within the municipality represent an important opportunity to leverage that investment** in affordable housing in the years ahead, as owners seek to sell and move up the housing continuum, if opportunities are positioned properly. About 48% of all registered properties in Moqhaka were sponsored by the Government. The value of these homes if sold in the private market can be applied towards the cost of a new home.

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

### 12.2 Policy Implications

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

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

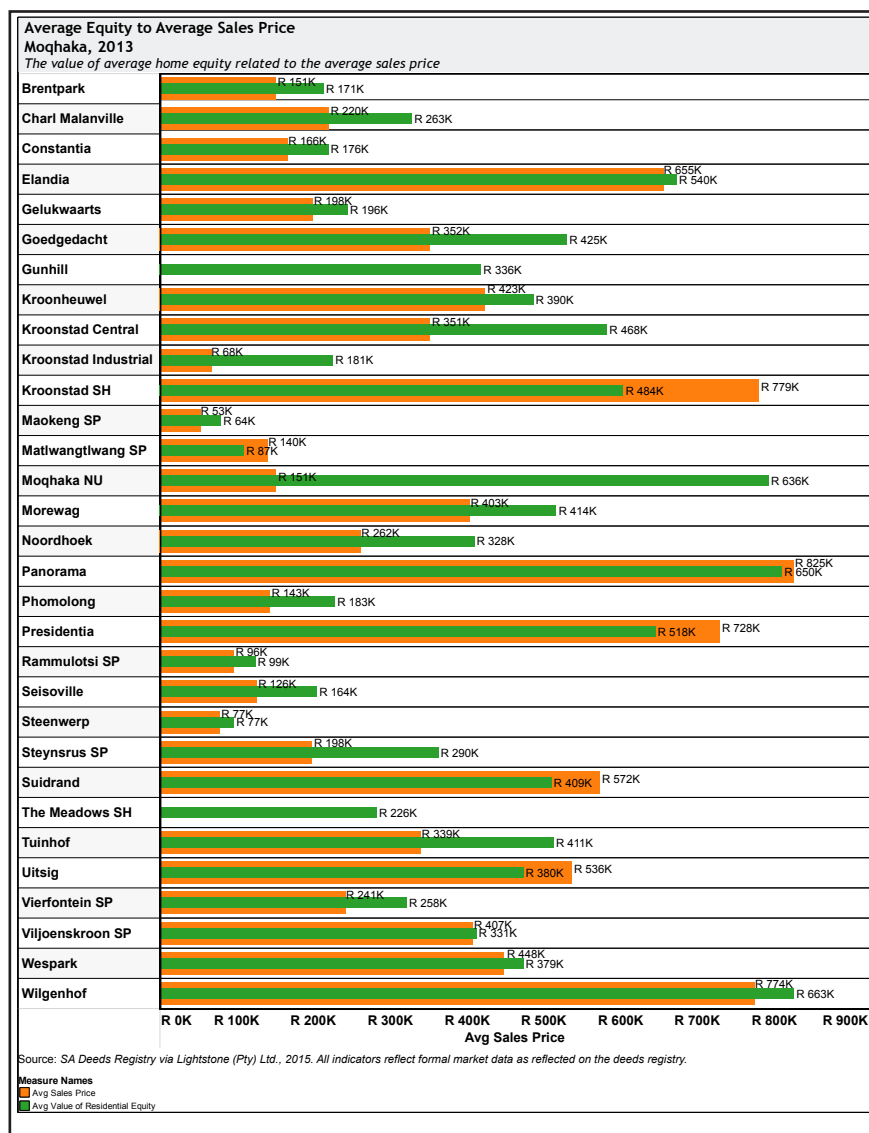
Government can create programmes using funds pooled from a range of government and private sector partners, which provide bonds for small properties, and offset risks through loan guarantees, loan loss reserves, and interest rate discounts. Funds can also organise to implement homebuyer counselling,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

These programmes would work together in the mining towns to create better social, housing and economic integration. In Moqhaka, this might be areas between Phomolong and Morewag, higher priced more active markets, and Kroonheuwel.

### 12.3 Quick Definitions:

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

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



## 12.4 Equity Fills the Gap

Equity is the value of one's home less the amount owed to the lender. The chart shows the average equity per suburb (the green bar) compared to the average sales price per suburb. This helps to show what portion of the sales price might be paid for by the homeowners' equity.

If a homeowner in Phomolong wished to purchase a home in Morewag, they could sell their home and apply it towards the cost of the new home, reducing the amount they would have to borrow. Instead of borrowing over R403 000 (the average sales price), they would only need about R220 000 (the orange bar in Morewag minus the green bar in Phomolong). Thus, equity makes homeownership in higher priced neighbourhoods affordable, expanding housing options. **Equity closes the housing gap for less affluent homeowners because their properties are less likely to have a bond, and those markets have experienced more appreciation of value.** It is important to consider this value in addition to a homeowner's income.

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

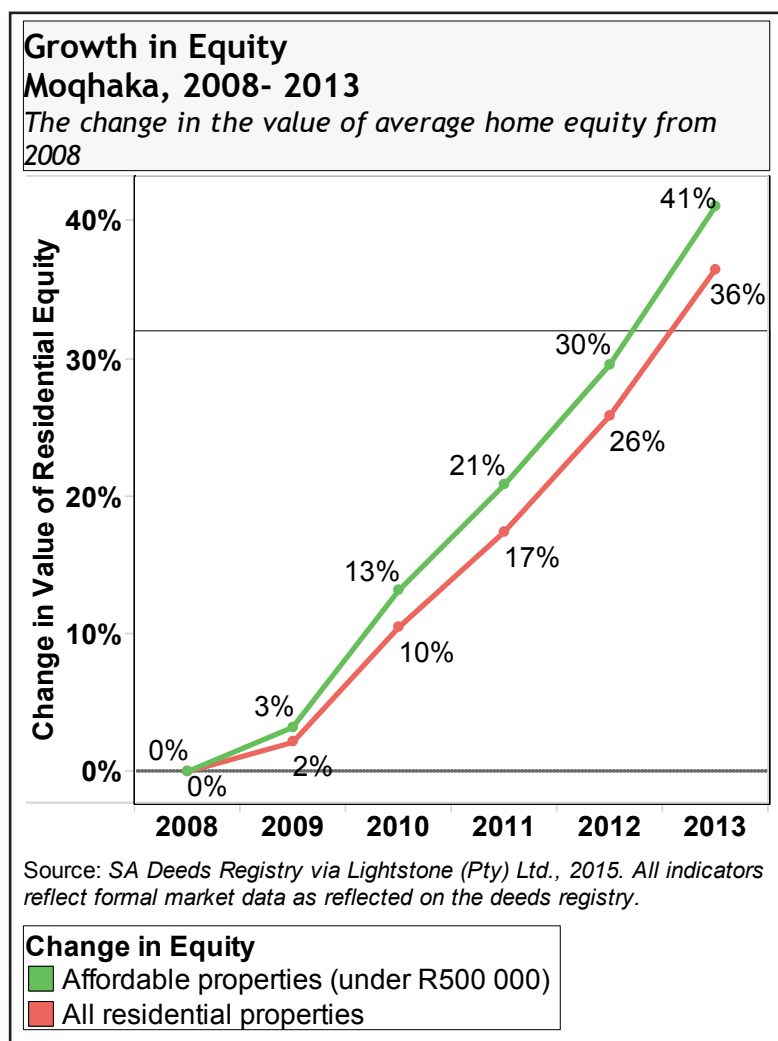
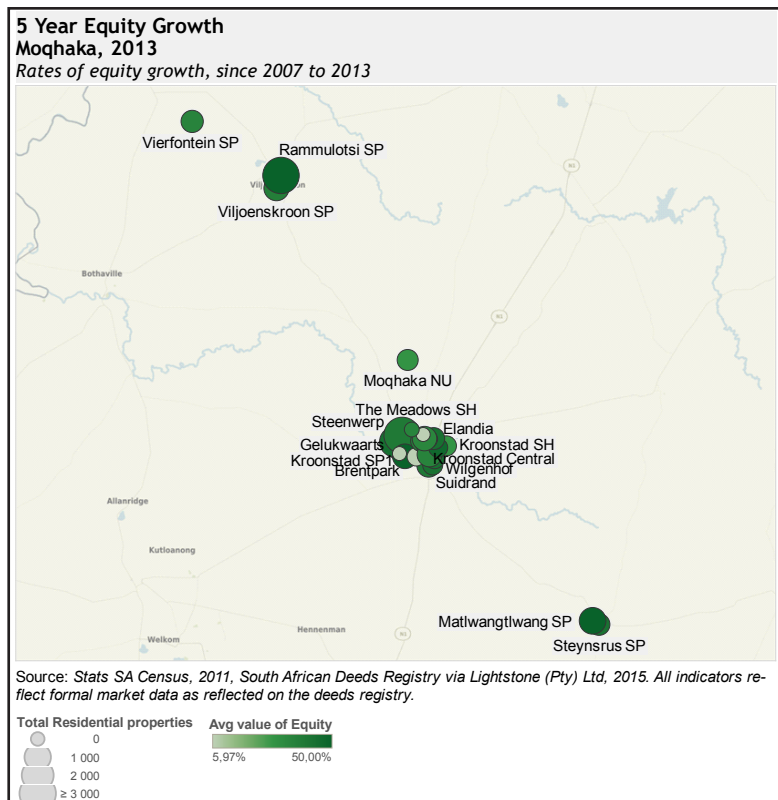
While averages in such diverse housing markets are hard to consider meaningfully, the picture does indicate that purchasing power increases (and gaps close) when equity is taken into consideration.

## 12.5 Accessing Equity Closes the Housing Gap and can Drive Demand

Understanding the difference in equity growth rates on a map allows a better understanding of which property markets can be leveraged to support more new development. Many higher priced areas have experienced modest equity growth (grey areas) or loss (red areas) over the past five years. This may be due to increasing sales prices (rather than amortisation as new buyers tend to have less equity, and this market has been very active recently). The greatest equity growth over five years (green areas and green lines) has been in less developed areas with fewer sales, and values have accrued to the existing homeowners. Homes worth less than R500 000 typically have fewer loans, a faster-growing value, and an initial housing cost that was low or free (thanks to Government investment in housing). Homebuyers can reduce the amount they have to borrow through savings or the equity in their home, if they have an existing house which they can sell. This lowers their monthly payment or increases the price they can afford. Leverage is the practice of using this equity to increase their housing affordability. This indicator thus becomes very useful for meeting, and closing, the housing gap.

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

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



## 13. Affordability Profile



### 13.1 Key Findings

**Moqhaka's affordability ratio of 1.09 is below both the national and the mining town average of 3 and 2.8 respectively.** In areas with sales, the affordability ratio was a little over 1 to 1, meaning the average income could afford the average house and less disparity between incomes and prices existed. In some areas, sales prices are very low, probably the result of lack of credit access, forcing sellers to sell for whatever cash might be offered regardless of how much the house may be worth.

### 13.2 Policy Implications

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

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

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

### 13.3 Quick Definitions:

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

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

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

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



## 13.4 Affordability

Actual affordability relies on understanding local household income to determine what is reasonably afforded by existing residents, how much of a gap exists and what is required to ensure more realistic affordability. The Affordability Ratio is determined by dividing the purchase price affordable to the average household income by the average sales price. **Nationally, it takes three times the average income to afford the average sales price, within the mining towns, this ratio averages 2.8.** This doesn't mean that families are paying that, it means that most homes on the deeds registry are not affordable to the majority of South Africans. But this indicator provides an important benchmark, by providing a sense of affordability levels, and how well local markets might be meeting the needs of local residents.

**In Moqhaka, there appear to be gaps in affordability in some markets, as shown by the negative price gap, the amount by which local sales prices are higher than what's affordable to local residents. The affordability ratio was a little over 1 to 1, meaning the average income could afford the average house and less** disparity between incomes and prices exists. The Moqhaka NU represents all the non-urban areas surrounding the town, so it's not possible to pinpoint why or where prices and incomes are so unbalanced.

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

Mind the Gap Table Moqhaka, 2013 Affordability indicators per suburb					
Subplace Name	Avg Monthly Income	Target house price	Average Sales Price	Affordable Price Gap	Affordability Ratio
Brentpark	R 7K	R 186K	R 151K	R 35K	0.8
Charl Malanville	R 7K	R 180K	R 220K	R -40K	1.2
Constantia	R 5K	R 138K	R 166K	R -28K	1.2
Elandia	R 24K	R 635K	R 655K	R -20K	1.0
Elandia Prison	R 35K	R 936K			
Gelukwaarts	R 6K	R 157K	R 198K	R -42K	1.3
Goedgedacht	R 12K	R 308K	R 352K	R -44K	1.1
Gunhill	R 10K	R 267K			
Heuwelsig	R 0K	R 0K			
Kroonheuwel	R 16K	R 410K	R 423K	R -13K	1.0
Kroonstad Central	R 16K	R 421K	R 351K	R 70K	0.8
Kroonstad Industrial	R 2K	R 54K	R 68K	R -13K	1.2
Kroonstad SH	R 12K	R 325K	R 779K	R -454K	2.4
Kroonstad SP1	R 3K	R 72K			
Maokeng SP	R 3K	R 88K	R 53K	R 35K	0.6
Marabastad	R 3K	R 80K			
Matlwangtlwang SP	R 2K	R 60K	R 140K	R -80K	2.3
Moqhaka NU	R 6K	R 164K	R 151K	R 14K	0.9
Morewag	R 14K	R 368K	R 403K	R -36K	1.1
Noordhoek	R 10K	R 261K	R 262K	R -1K	1.0
Panorama	R 25K	R 671K	R 825K	R -154K	1.2
Phomolong	R 4K	R 100K	R 143K	R -43K	1.4
Presidentia	R 22K	R 590K	R 728K	R -138K	1.2
Rammulotsi SP	R 3K	R 89K	R 96K	R -7K	1.1
Seisoville	R 4K	R 96K	R 126K	R -30K	1.3
Steenwerp	R 4K	R 113K	R 77K	R 36K	0.7
Steynsrus SP	R 12K	R 328K	R 198K	R 131K	0.6
Suidrand	R 23K	R 595K	R 572K	R 22K	1.0
The Meadows SH	R 10K	R 259K			
Tuinhof	R 27K	R 710K	R 339K	R 371K	0.5
Uitsig	R 28K	R 740K	R 536K	R 204K	0.7
Vierfontein SP	R 5K	R 144K	R 241K	R -97K	1.7
Viljoenskroon SP	R 14K	R 375K	R 407K	R -32K	1.1
Wespark	R 19K	R 505K	R 448K	R 57K	0.9
Wilgenhof	R 35K	R 930K	R 774K	R 155K	0.8

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

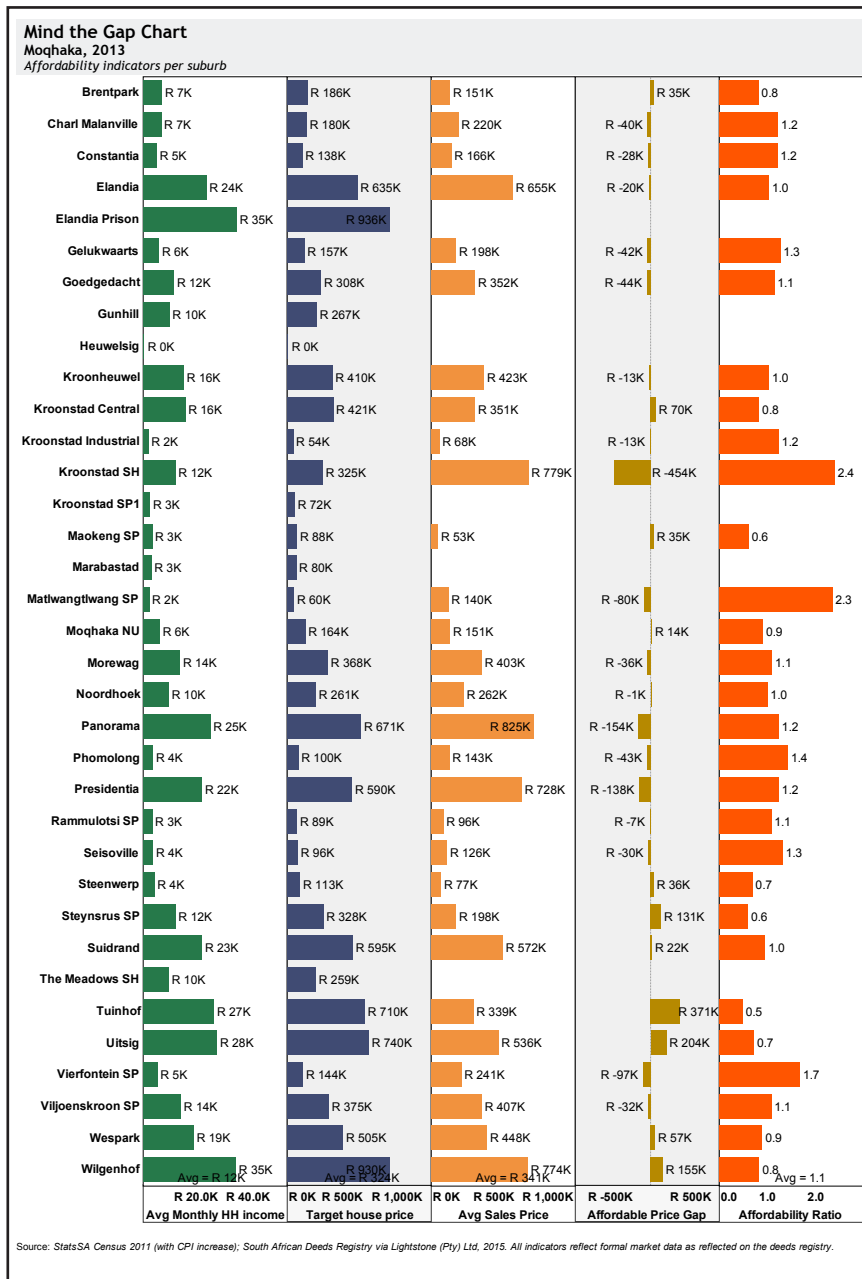


## 13.5 Mind the Gap

This chart is identical to the previous chart but shows bar lines to better visualise differences across the area. These tables measure relative affordability for each suburb in the target area in three ways: starting with the average income (column 1), it calculates the average sales price affordable to the average family using standard underwriting terms (5% down, 11% for 20 years, up to 25% of household income, column 2). It compares that to the area's average sales price (column 3). Column 4 ("Affordable Price Gap") shows the difference between the average sales price and the local target (affordable) house price. Column 5 divides the two values to show the affordability ratio, the number of times it might take the local income to afford the local sales price. For example, in Matlwangtlweng, it takes 2.3 times the average income to afford the average sales price.

In Moqhaka, the average income is about R13 500, the average target house price is R355 000 (how much house that income can afford), and the average sales price is R386 000. **Thus, in 2013, it took 1.09 times the average income to afford the average house.** These very high level indicators are useful when comparing affordability, to see which areas are more or less affordable. This helps one to understand how housing strategies need to address affordability within the town, including what resources or policies might be required to help fill these gaps (ie. affordable financing, buyer subsidies).

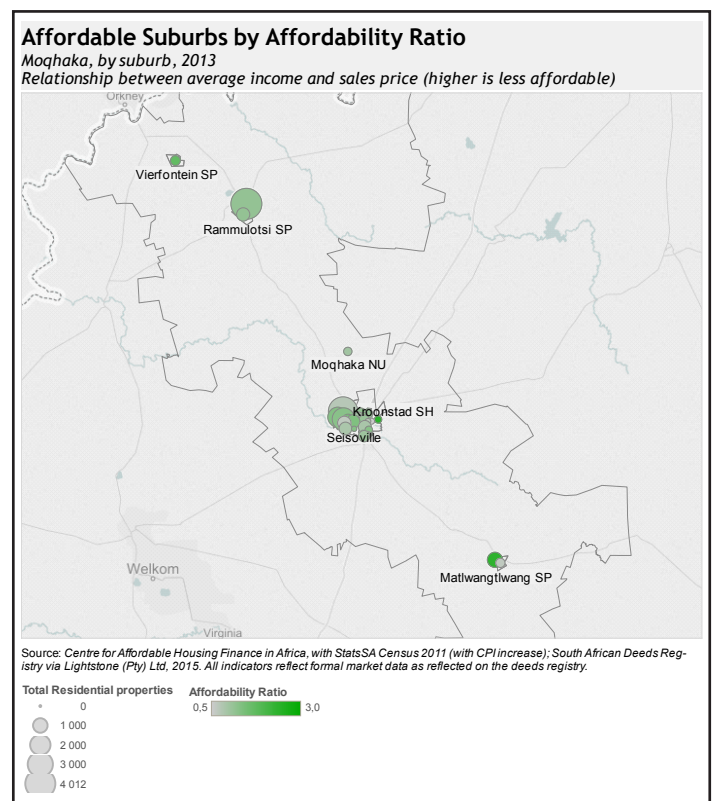
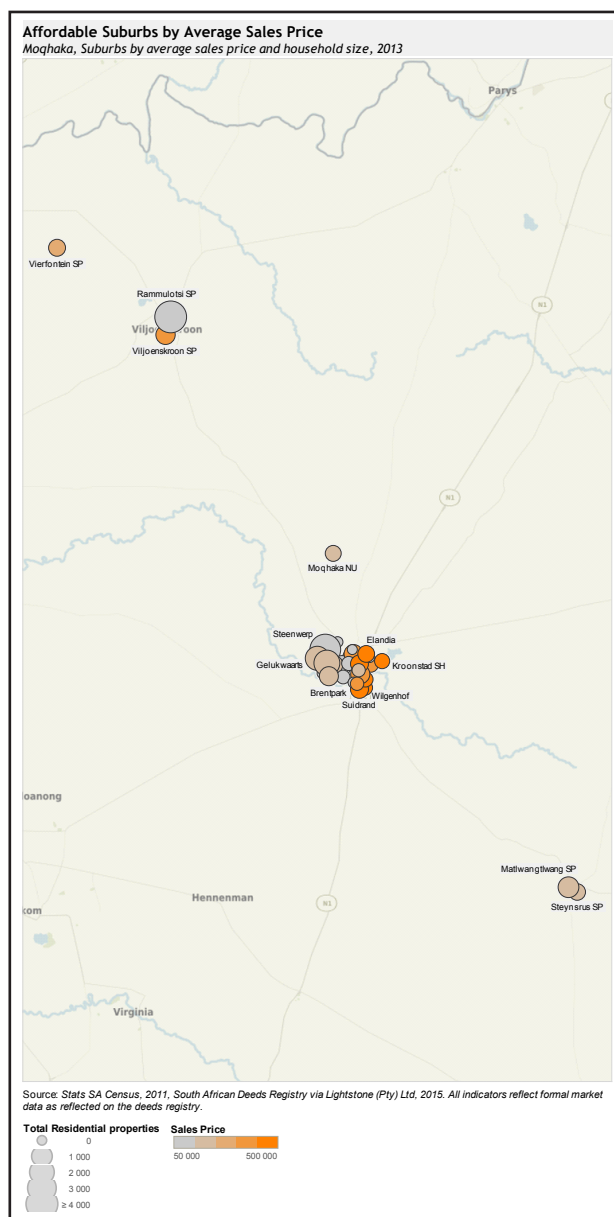
When affordability is an issue, perhaps equity of existing homeowners can help fund the gap. Policies will need to encourage the sale of lower cost homes that can allow housing purchases further upstream for lower income households.



## 13.6 Mapping Affordability

These maps show the importance of taking local household income, or purchasing power, into the understanding of affordability. The first map shows average sales prices by suburb, with the darker areas having higher prices. The second map shows the same area by affordability ratio, the darker areas (those with higher affordability ratios) showing a greater difference between suburb incomes and suburb sales prices. **While some areas appear affordable by sales price (such as Rammulotsi SP), they are not as affordable when considering local incomes (the darker green on the second map).** These analyses do not take into account the indebtedness of potential buyers, an important factor in determining bond eligibility. Rental housing, therefore, might be an important option towards providing well-located and professionally managed affordable housing in those areas.

*The areas with no dots have no residential properties on the deeds registry – they are farms or open space, mines or informal settlements.*



## 14. Rental Index



### 14.1 Key Findings

According to the 2011 StatsSA census, 28% of households rent in Moqhaka, which is mid-range amongst the mining towns in the study of 31%. In Moqhaka, it appears that two subplaces scored above 6 on the rental index, ie. Morewag and Charl Malanville; this suggests that the opportunity for rental housing is strongest within these specific areas.

Those areas with greater density, modest incomes, and affordability challenges are more likely to support quality, professionally managed and affordable rental housing. Rental housing also provides flexibility to employers and workers as mining markets expand and contract from time to time.

### 14.2 Policy Implications

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

Rapidly changing housing demand driven by mining activities makes a strong case for prioritising quality rental housing. If rental housing is well-situated and convenient to transport and centrally located in dense areas, it can bring social and economic cohesion and vibrancy to housing markets over the longer term. Densifying housing markets requires infrastructure upgrades and financial mechanisms which provide for long-term affordability and sustainability.

### 14.3 Quick Definitions:

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

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

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

**Housing Performance Index:** the growth of the local suburb in six key housing market indicators as compared to the municipality growth. A higher number implies more growth.

**Percent Households Renting:** the number of surveyed households who rent divided by the total number of households, per StatsSA census 2011. This includes everything from bedrooms and backyard shacks to single family homes and sectional title units.

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

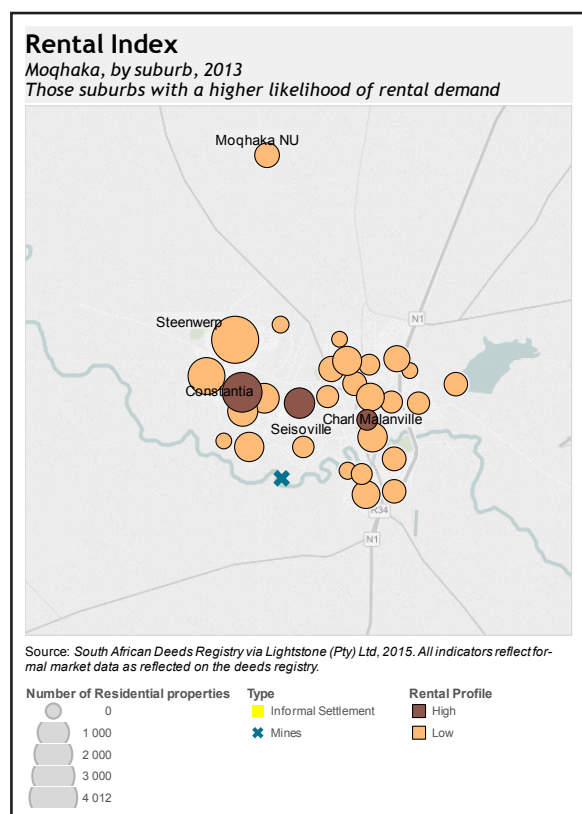
**Tenure:** the terms under which land or buildings are held or occupied, e.g. rental, ownership, etc.

## 14.4 Rental Housing: Driving an Affordable Housing Option

Rental housing is one of the most efficient and effective ways to provide affordable accommodation. In most South African towns, this means backyard shacks, an important but inefficient way of meeting overwhelming housing need. While a social housing sector exists targeting lower income families in multi-unit buildings, these are primarily in large metropolitan areas.

**Many private developers and investors are considering expanding significantly into the rental segment. If the demand is better understood Governments can meet housing backlogs quickly and affordably by promoting policies which target affordable rental housing.**

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



Rental Index Indicator	Method	Implies	Weight
Median Income	80 -120% area median income	Affordability	25%
Population Density	Exceeds metro average	Density	25%
Housing Performance Index	Growing	Demand	15%
Affordability Ratio	Ratio exceeds metro average	Affordability	15%

## 14.5 Locating Rental Housing Markets

The map shows those areas with above-average densities, moderate incomes, and above average households who are currently renting, all important factors when considering the placement and promotion of rental housing. By bundling a set of housing market indicators, it is possible to find those places where a rental strategy might be well-suited.

**In Moqhaka, it appears that two subplaces scored above 6 on the rental index, i.e. Morewag and Charl Malanville, this suggests that the opportunity for rental housing is strongest within these specific areas.** Both areas are relatively far from mines and informal settlements, thus rental housing in these areas might target support service workers and families.

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

## 15. Key Concepts

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

### 15.1 Affordable

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

### 15.2 Affordability Ratio

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

### 15.3 Appreciation

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

### 15.4 Average

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

### 15.5 Benchmark

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

## 15.6 Bonded Sale

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

## 15.7 Churn

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

## 15.8 Equity

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

## 15.9 Equity Growth

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

## 15.10 Formal Housing Market

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

## 15.11 Housing Continuum

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



## 15.12 Leverage

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

## 15.13 Market Segment

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

## 15.14 Market Share

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

## 15.15 Rental Index

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

## 15.16 Suburb

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

## 15.17 Value or Worth

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



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Department of Human  
Settlements

### **Department of Human Settlement**

240 Justice Mahomed Street  
Govan Mbeki House  
Sunnyside, Pretoria  
0002

Private Bag X645 (Minister)  
Pretoria  
South Africa, 0001

**Phone:** +27 12 421 1311

**Website:** [www.dhs.gov.za](http://www.dhs.gov.za)

### **The Housing Development Agency (HDA)**

6 - 10 Riviera Road  
Riviera Office Park, Block A  
Killarney  
Johannesburg, 2193

PO Box 3209  
Houghton, South Africa, 2041

**Phone:** +27 11 544 1000

**Fax:** +27 11 544 1006/7

**Website:** [www.thehda.co.za](http://www.thehda.co.za)