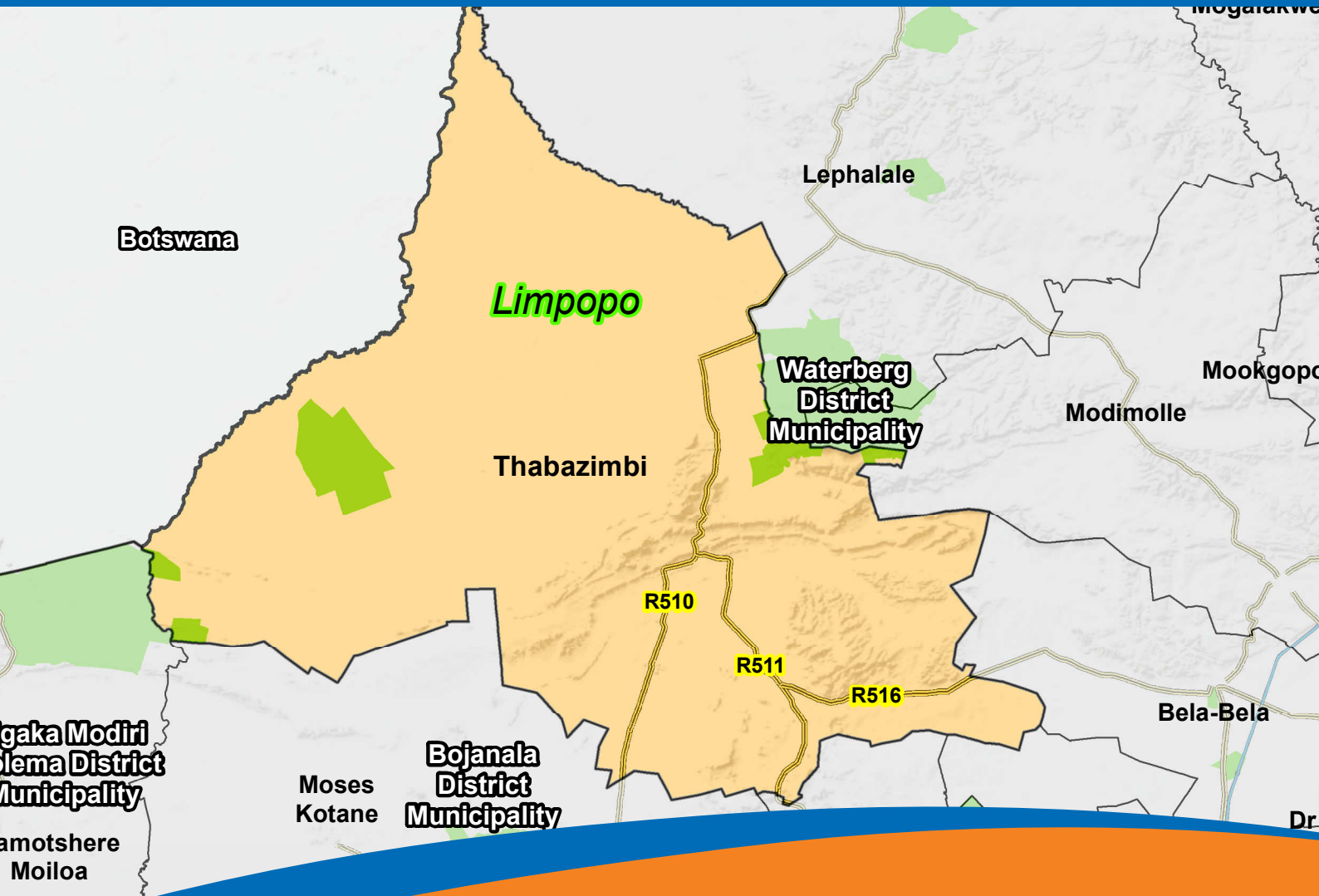


## Working for integration



## Thabazimbi – Limpopo

Housing Market Overview  
Human Settlements Mining Town Intervention  
2008 – 2013

**The Housing Development Agency (HDA)**

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**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>NU</b>	– Non Urban, a Stats SA 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. These indicators consider 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 indicators also highlight 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 is 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.

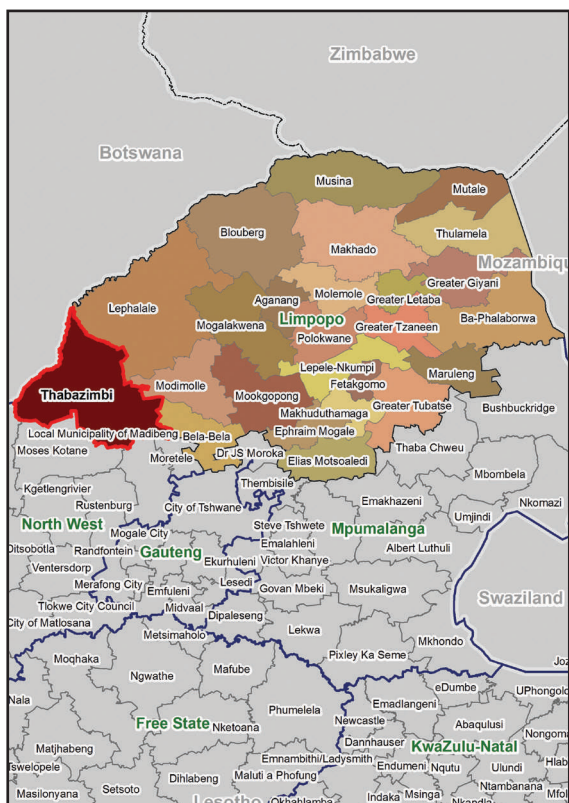
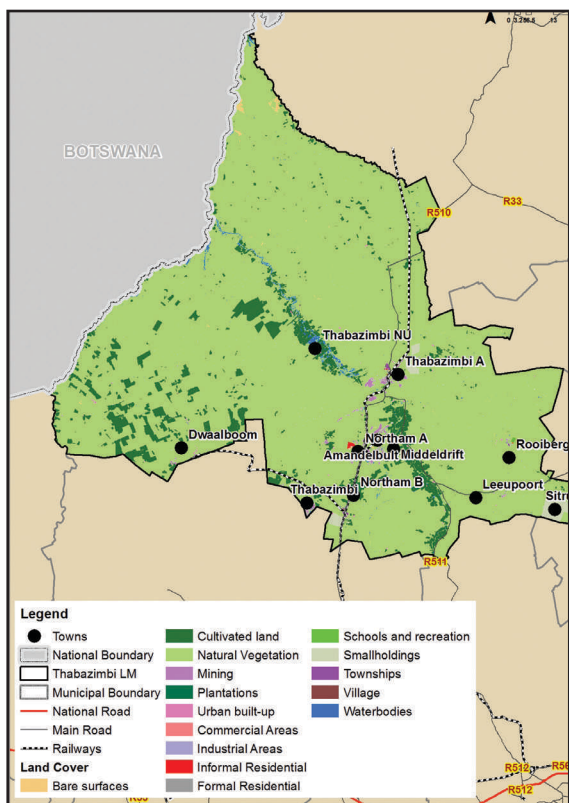
## 2.6 About Formal Housing Markets

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:

- “There has been mining activity in Thabazimbi since the 1930s when iron and steel production started”
- “Boundaries of Thabazimbi Municipality include the following areas: Thabazimbi, Northam, Leeupoort, Rooiberg and Dwaalboom”
- “Thabazimbi falls under the Waterberg District Municipality”
- “Land ownership is mostly traditional; the municipality is predominantly rural with about 62 settlements, most of which are villages”
- “The mining sector has shown significant potential to absorb skills, and has also been identified to establish mining opportunities in the small scale mining sector”
- “Thabazimbi is one of the Country’s most attractive tourism destinations; agriculture has also proven, in addition to mining, to be the strong economic sector”
- “The most dominant economic sector is mining, which contributes over 90% to the municipality’s GVA and 58% to the labour market”
- “All other sectors contribute less than 15% each of the GVA and labour market”
- “The area’s economy depends largely on the mining, agriculture and tourism sectors”

### 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:

- “Thabazimbi has a population of 85 234”
- “There was a 2.63% population growth between 2001 – 2011”
- “The unemployment rate was 20.6% and the youth unemployment rate at 26.9% as measured by Stats SA in the 2001 – 2011 Census Data”
- “There are 25,080 households in Thabazimbi and 2,370 agricultural households with a collective average household size of 4 people”
- “70.7% live in formal dwellings”
- “61.9% of the households have flush toilets connected to a sewerage system, piped water inside the dwelling, weekly refuse removal and electricity for lighting”
- “4.2% of the houses are fully owned and paid off”

## 4. Context: Mining Sector Overview

This brief industry profile is provided to help one 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).

Thabazimbi is known as the mountain of iron, referring to the iron ore reef which was discovered in 1919. Thabazimbi is located in the Waterberg District Municipality.

### 4.1 Mining Industry Profile

- “Arcelor Mittal Steel (Arcelor Mittal South Africa) draws much of its raw mineral from Thabazimbi Kumba Iron Ore Mine”
- “Thabazimbi municipality is surrounded by platinum producing areas such as Northam Platinum mine and Amandelbult Mine”
- “Other minerals produced in the area include Andalusite, which is mined by Rhino Mine and limestone for the production of cement by Pretoria Portland Cement (PPC)”
- “The mining sector has significant potential to absorb skills; a need to establish mining opportunities in the small scale mining sector has also been identified”
- “Platinum and iron ore mining are major contributors to the economy of the region”
- “Most if not all the urban settlements in the municipality were established as mining settlements”
- “The major mining settlements in the area are Setaria, Swartklip and Amandelbult”
- “The majority of the mines are located between Thabazimbi and Northam”

### 4.2 Housing in the Mining Sector

The remote locations of many mining operations that means mining companies have long histories of providing housing solutions for their employees, from executive management to miners. Different approaches to housing policies vary and are not discussed in specific terms. The knowledge of the general mine housing policies assists one 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.

Thabazimbi is located in Waterberg District Municipality and the primary extractive in Thabazimbi is Iron Ore and platinum. The major mining activity in Thabazimbi by mineral is located in: Northam Complex and Zwartklip – Platinum; Madikwe – Gold; Dwaalboom and Koedoeskop – Limestone; Maroeloesfontain and Grootfontein – Andalusite and Iron Ore in Donkerpoort.

The prominent mines in Thabazimbi are: Kumba Iron Ore, Dishaba Mine and Tumela Mine, which are owned and managed by Anglo American. Anglo Platinum won a Govan Mbeki Award for the best finance-linked individual subsidy project in Northam, awarded by Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA) in May 2012.

Their mine housing policies and examples of other outline mine housing policies 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 2014/2015 IDP:

### 5.1 Housing Challenges:

- " According to Stats SA, Thabazimbi's housing backlog was 6,643 in 2011 "
- "Lack of land has hindered 2,079 low income and 1,500 middle income households from receiving subsidies from CoGHSTA"
- "The municipality has growing informal settlements due to lack of land"
- "The municipality has noted illegal occupants in RDP houses"
- "There are lack of services in some RDP houses"

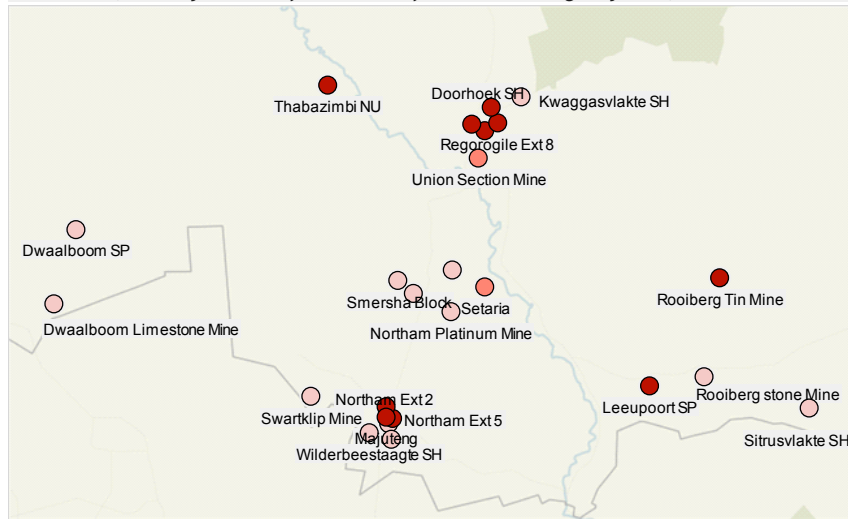
### 5.2 Housing Strategies:

- "The Department of Public Works has donated parcels of land to the municipality to cater for middle income households"
- "The municipality has put a housing strategy in place to address the housing backlog"

## 6. Context: Market Reports

### HDA Mining Town reports market coverage

Thabazimbi, Data by suburb of census and formal deeds registry data, 2013



Source: Stats SA Census, 2011, South African Deeds Registry via Lightstone (Pty) Ltd, 2015.

Data coverage  
1 2 3 4

### 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. As an example, information on bonded sales will only reference suburbs in which bonded sales took place.

#### Thabazimbi Housing Report Coverage

Total Census Subplaces (SPs)	27	
Total SPs with registered residential properties	13	48%
Total SPs with sales	11	41%
Total SPs with bonded sales	11	41%

#### Market Area By The Numbers

Suburbs	27
Suburbs with residential properties	13
Households	25 081
Residential properties	6 452
Housing backlog	6 643
Backlog as percent of all properties	103%
Households to properties ratio	3.89
Total residential value	R2.8 billion
Average monthly income	R11 700
Average property value	R436 500
Average sales price	R488 500

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

## 7. Key Findings: Housing Market Overview



Thabazimbi's **housing market has experienced some of the highest growth of all mining towns**, which appears to be largely attributed to the freehold property market; a robust market in the sale of existing freehold properties. In Thabazimbi, properties with lower values are dispersed throughout the municipality near Government-sponsored housing. The municipality has diverse housing options by market value segment. The market generally seems to be focused on the upper-priced properties; bonded sales in lower-value markets were an extremely small portion of the bonded market until 2013 when they saw the highest percentage of bonded sales. Some areas are spiking, perhaps the result of more recent higher-priced housing development.



Thabazimbi's affordability ratio **is among the lowest of the 22 mining towns**. Some formal markets appear to be more affordable to local residents, creating the potential for some areas to have stable formal affordable housing. Due to its below average monthly income, there remain large disparities among incomes and affordable housing access within the municipality. 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 repayments) as well as unlocking equity, rather than simply trying to push costs down.



**About 40% of all registered properties in Thabazimbi are Government-sponsored.** The value of these homes, if sold in the private market, can be applied towards the cost of a new home. The presence of older RDP 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. Average equity in these areas double 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 RDP acquisition loans.



The area has notable diversity and integration of housing values and property types, which suggests **a market that is ready to meet a wide range of needs and expectations**. Formal mixed-income housing options which offer much-needed internal cross subsidisation to keep prices affordable will likely do very well and this bodes well for a market less reliant on government and mining intervention.



Lending is apparent throughout Thabazimbi. Bonded sales in lower-value segments made up an extremely small portion of the bonded sales. While the share of lending by each of the four major banks in the Country has remained consistent, lending from non-traditional lenders also consistently increased from 2008 — perhaps to make up for the lack of expanded lending by the existing institutions. With the presence of several RDP units, it will be an important strategy to encourage traditional lenders to develop creative loan programmes targeting those homeowners in order to unlock the value of those homes and allow owners to move up the housing continuum.



In Thabazimbi, **46% of households rent**, according to the 2011 StatsSA census, which is above average amongst the mining towns in the study. The **opportunity for rental housing development within Thabazimbi is strong within specific areas**. Those areas with greater density, modest income, 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

The Thabazimbi **housing market has experienced stable growth**, which seems to be largely attributed to the freehold property market and the increasing urbanisation of previously undeveloped or rural areas within the municipality.

Recent growth has stabilised, 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 an estimated housing backlog of 103% of all registered residential properties in Thabazimbi, **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 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 are then compared 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.

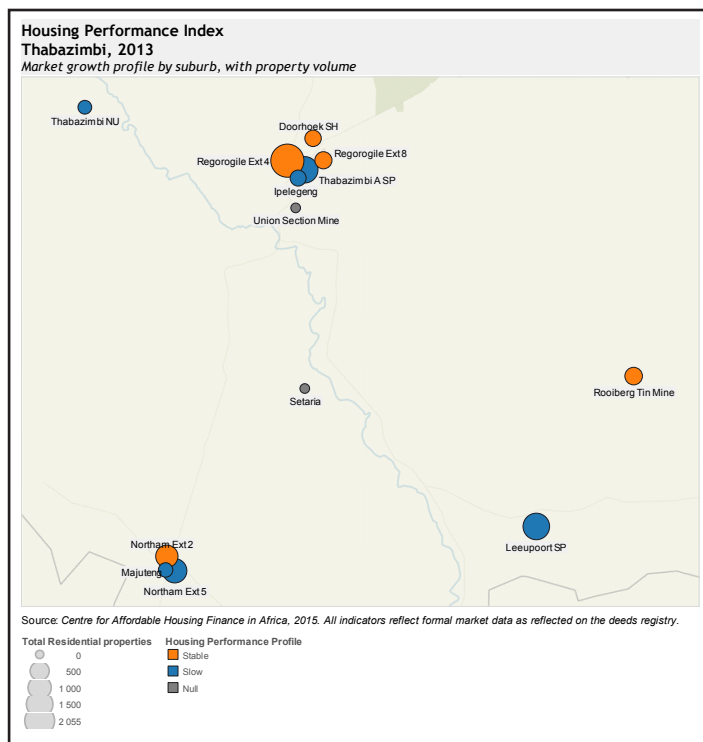
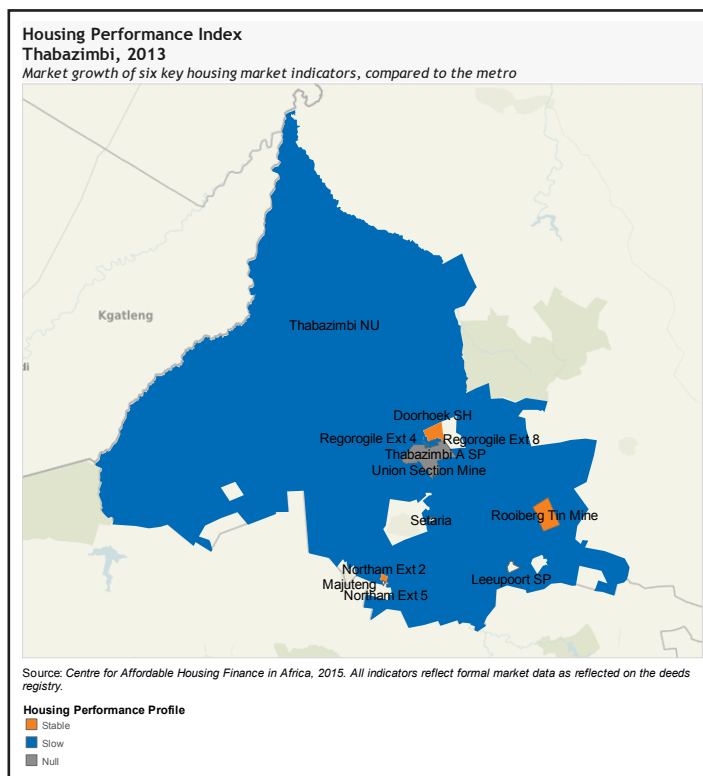
**Indicators:** suburb-level measures used to convey a more complete understanding of housing markets, sometimes a point of data (such as number of properties), or a calculated factor (such as the housing index or the affordability ratio).

**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

These maps below identify 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 one understand how key housing sector partners (developers, 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 municipality's rate of change in any four of six key market indicators. **“Stable”** areas meet or beat the municipality in at least three indicators and **“Slow”** areas are growing at rates less than the municipality in two (or fewer) of the six indicators. While an index provides quick understanding, it is important to look more closely at the indicators themselves to understand more clearly 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%

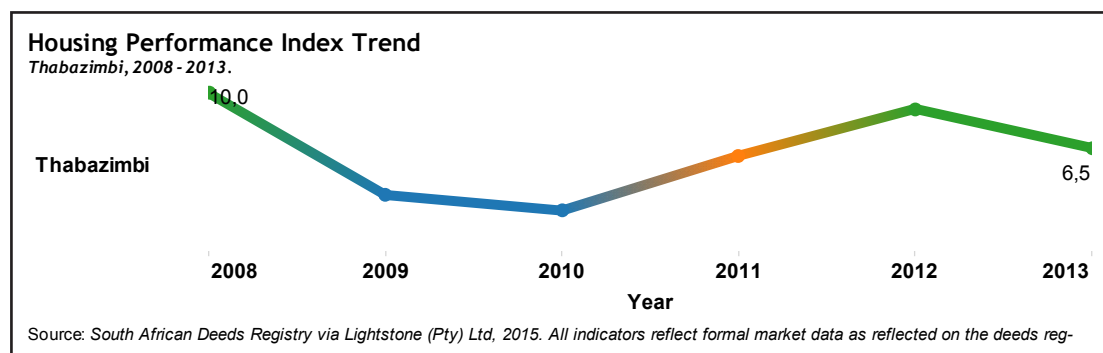
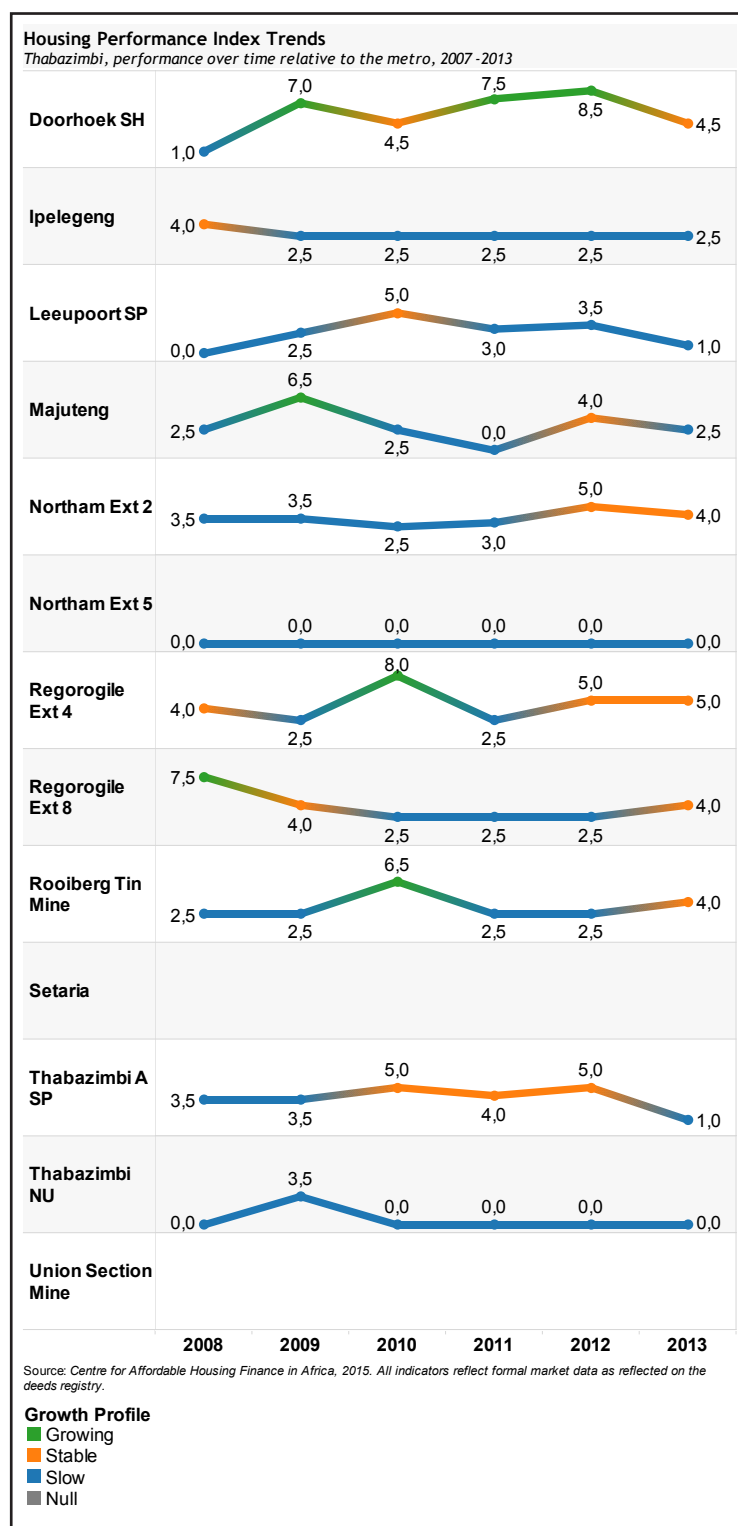
## 8.5 Performance Over Time

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 metro (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) appears to be stable and growing.**

**Several areas are experiencing stable growth, such as Northam Ext. 2, and Regorogile Ext. 4.** Over the long term, stability of growth is often a more important consideration, when projecting future performance, than high growth. Notably, lower-cost suburbs are more impacted by investment and thus their performance often outpaces the metro, whether the growth is stimulated by Government or private sector investment. This information can help inform one 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.*



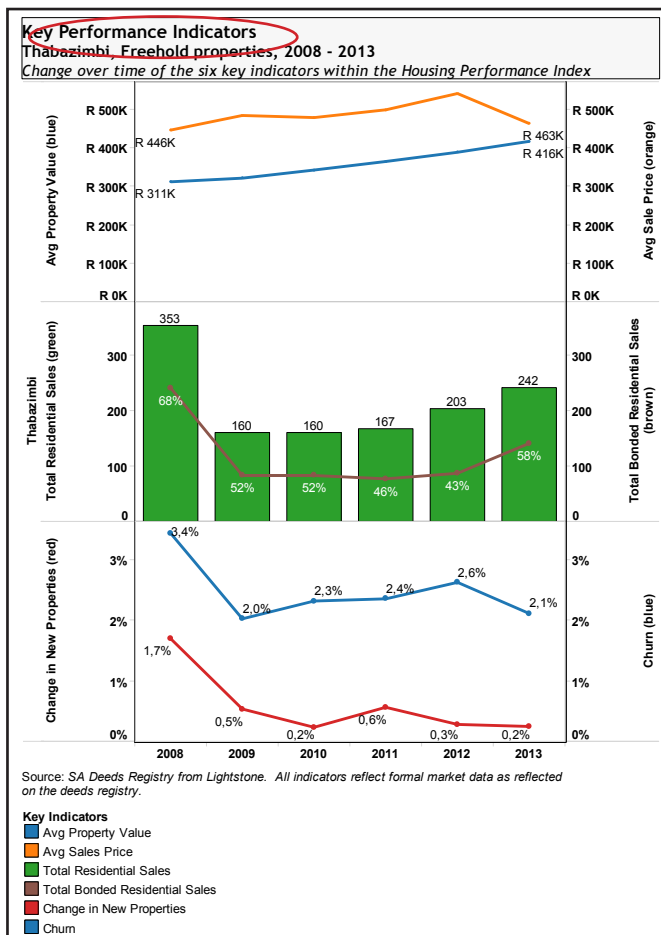
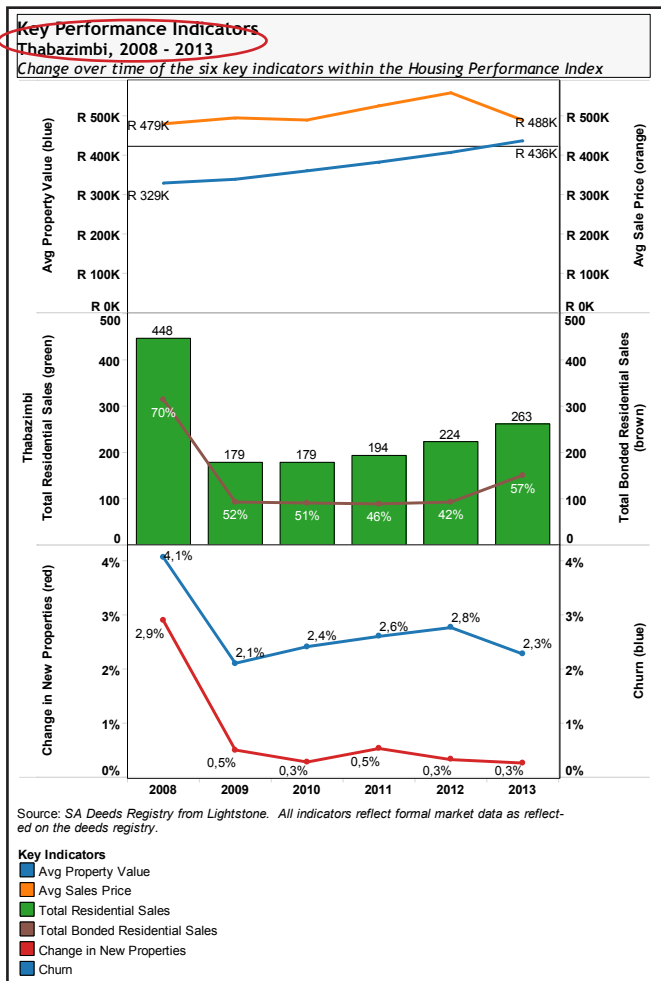


## 8.6 Housing Performance Indicators

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. While sales and bonded sales appear to have increased, **the city's growth overall (see HPI Trend) appears to be stable despite a recent dip, which seems to be largely attributed to the reduced average sales prices.**

These charts compare the performance of three ownership types, namely freehold, sectional title and estate ownership. The market appears to be slowing down, consistent with most markets across the Country. Interestingly, **residential properties are selling at prices much higher than their value, which may be the result of significant numbers of lower-cost housing, bringing the average (the blue line) down.** The town's churn (rate of sales turnover) and new registrations are very low, indicating not much housing activity generally. **The number of sales has dropped but has been increasing since 2012; bonded sales have also been increasing.** This may be due to sales price increases.

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 dropped (blue line), indicating slower turnover of existing homes over time as well.

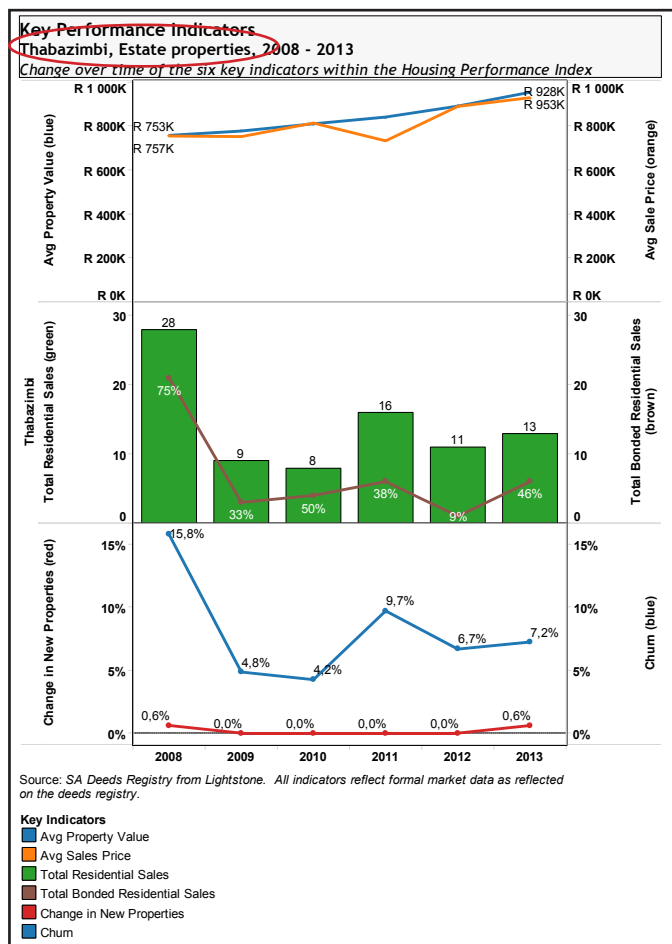
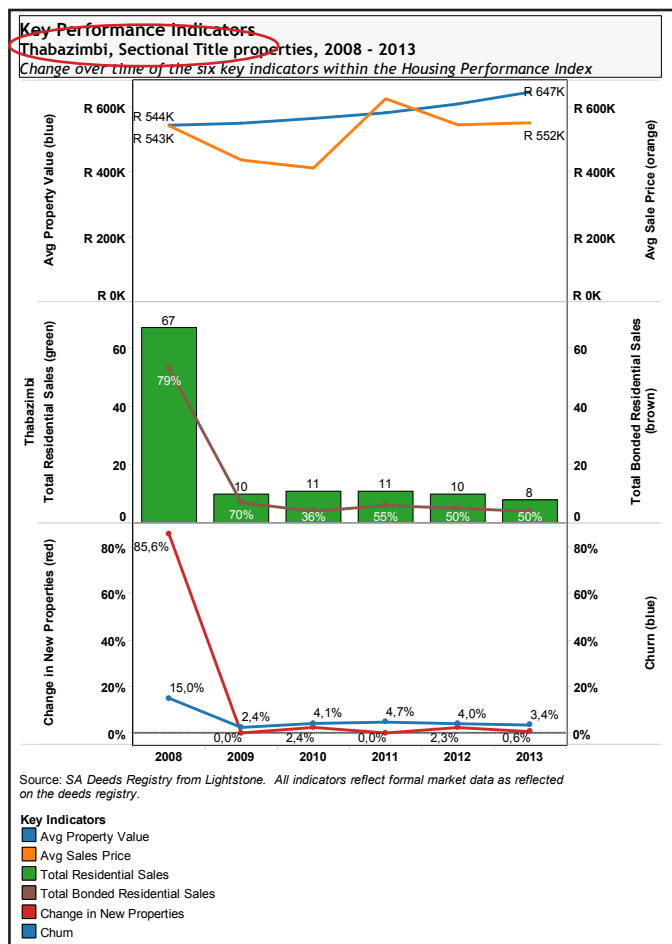


## 8.7 Housing Performance Indicators by Property Type

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), yet sectional title market and estate activity is growing in terms of sales transactions, lending and rates of new properties added to the registry (red line).

Interestingly, when sales were at their highest in 2013, sale prices were at their lowest and more aligned to property values. Bonded sales have seen a spike in growth in line with increases in sale of existing properties and higher resale of properties. **Bonds associated with freehold units and estate units appear to be driving the growth in bonded sales overall which is steadier than those of sectional units.** Lending on sectional titles have remained low since 2008, dropping by 29% since 2008, possibly driving the drop in sales prices as well. 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.

Churn rates, or turnover rates (blue lines) are the highest in sectional and estate properties, suggesting a robust market in the sale of existing sectional and estate properties. Although sectional title and estate sales are exceptionally low, the sales that do occur appear to be more aligned with related property values. **As markets formalise and strengthen, these trends, i.e. property values and sale prices, inform each other more effectively and the trend lines become almost parallel over time.**



## 9. Market Size



### 9.1 Market Size: Key Findings

Thabazimbi'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 diverse although the diversity is between higher-priced, actively selling private growing markets, with further flung lower-income, non-bonded government sponsored developments and informal settlements (not on the deeds registry) concentrated to the south-west of Elias Motsoaledi.

The need for housing is high. The current estimated housing backlog represents about 103% of the town's current total formal residential properties. 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.

### 9.2 Policy Implications

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. As an example, **Government might prioritise new development between Government-dominated and private markets** for more integration mixed-income sites and fill spatial gaps within the town. Government can use this existing investment to identify areas of future development and entice private sector participation.

**The encouragement of the expansion of financing** to lower-income families will allow for those homes to be sold and the proceeds then 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 and 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 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.

**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 from 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.

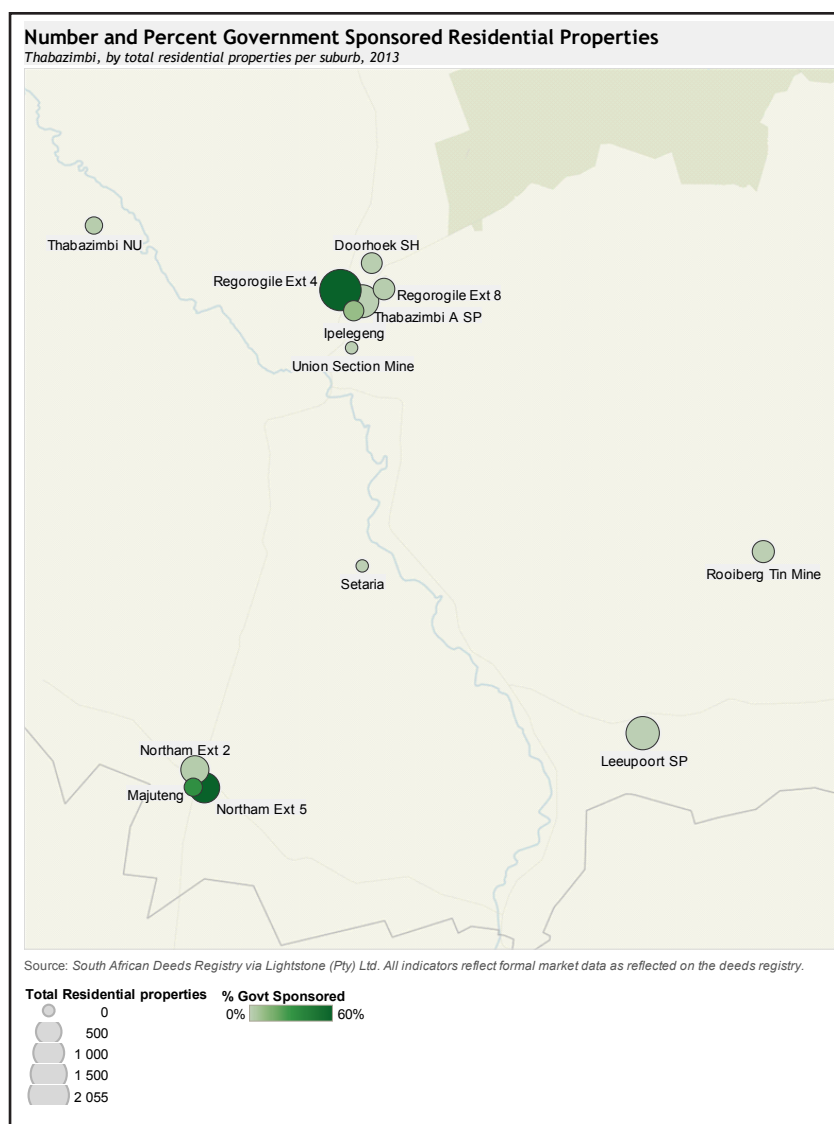
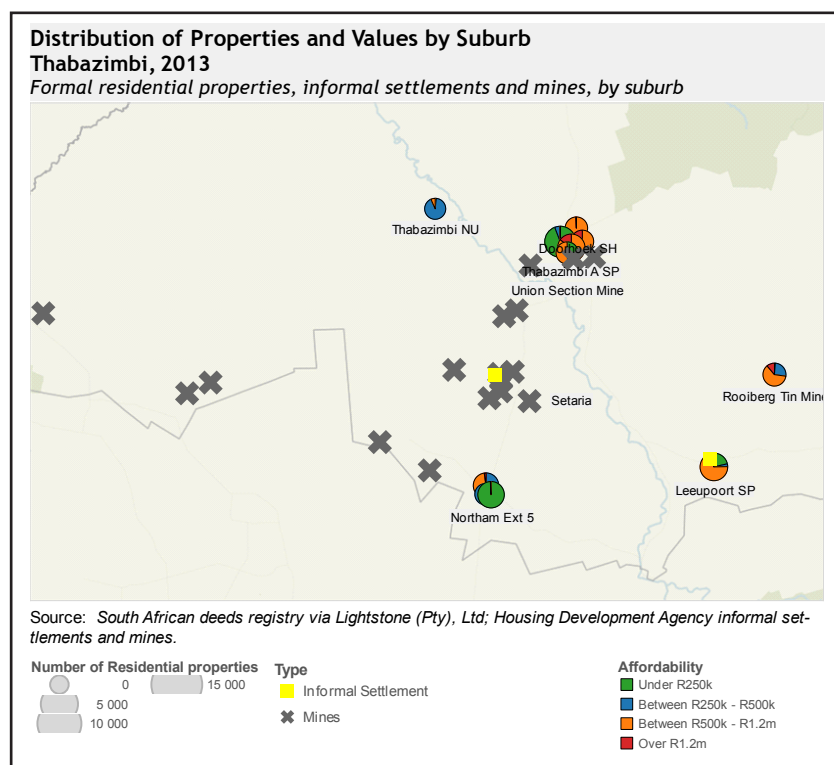
**Households to Properties Ratio:** the total number of households (as reported by the census) divided by the total number of residential properties on the deeds registry. This is a quick, easy relative indicator of household density and formality of a suburb as compared to other areas.

## 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.

In Thabazimbi, properties with lower values are concentrated in the west and coincident with Government investment in housing (map two). It is a very positive fact that so **many Government-sponsored housing units are on the deeds registry**. 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.

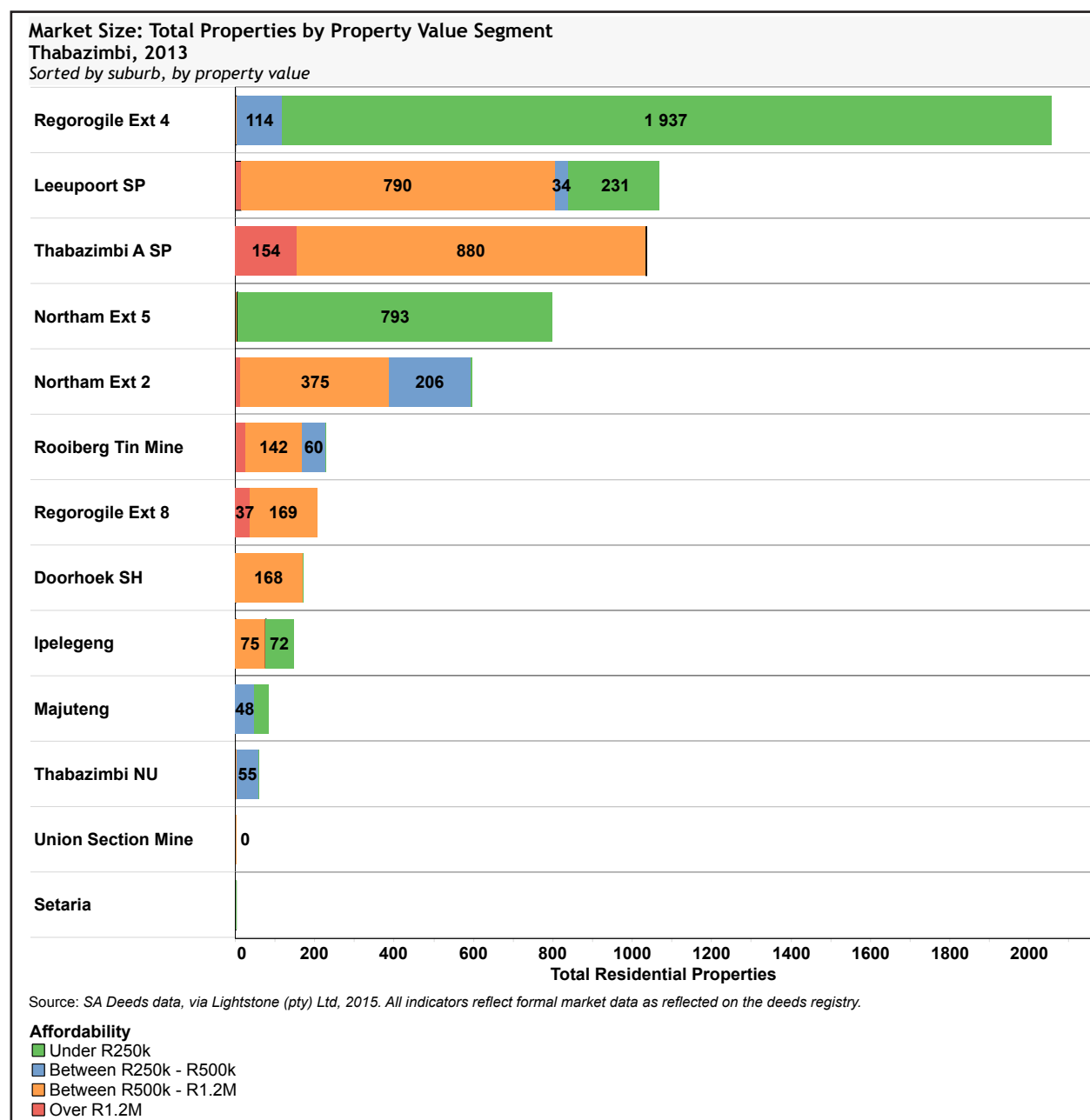
**The encouragement of the resale of government sponsored housing is an important means of expanding housing options** – for the sellers, who can move up the ladder with the equity from the sale of their property, to the first-time homebuyer purchasing the existing home. More activity in these markets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



## 9.5 Market Size by Value Segment

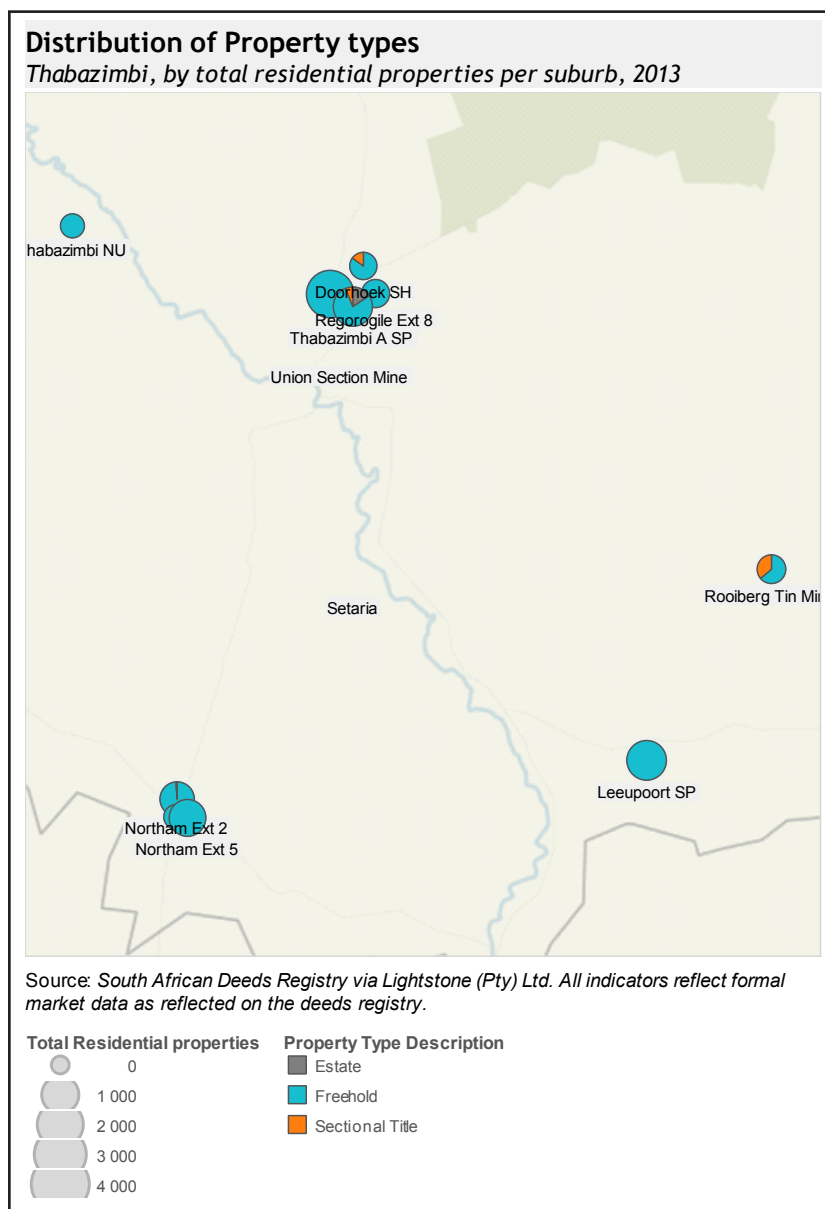
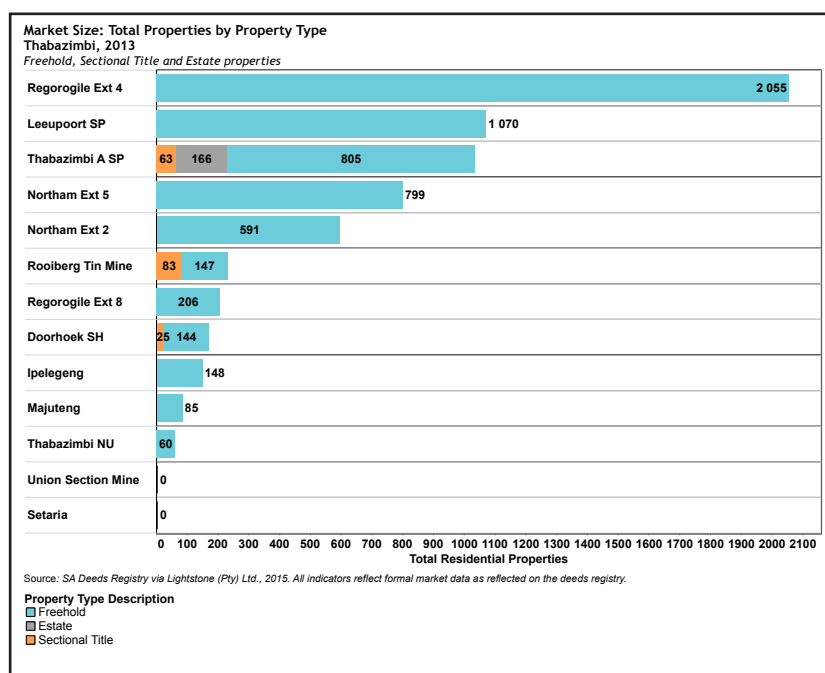
These charts provide the total properties within each suburb by property value segment: below R250 000 (which includes most of the Government-sponsored housing); between R250 000 – R500 000; between R500 000 and R1.2 million and over R1.2 million).

Thabazimbi has a wide range of property values throughout the municipality, with a few suburbs hosting only one range of housing values, primarily those with properties under R250 000. While suburbs with similar property markets are clustered near each other, this diversity overall may help to explain the area's stable market. In small housing markets, Government interventions and programmes must be more targeted, as their impact on the market overall will be greater.



## 9.6 Market Size by Property Type

Residential properties are predominantly freehold in Thabazimbi. Where those sectional title units are located might provide important freehold information on where different housing options would be best located. **Thabazimbi A SP is the only subplace with all three property types, i.e. freehold, sectional title and estate properties; it also has the largest volume of properties above R500 000. Despite the low number of residential sectional title and estate properties,** churn rates (or turnover rates) are the highest in sectional and estate properties, suggesting a robust market in the sale of existing sectional and estate properties.





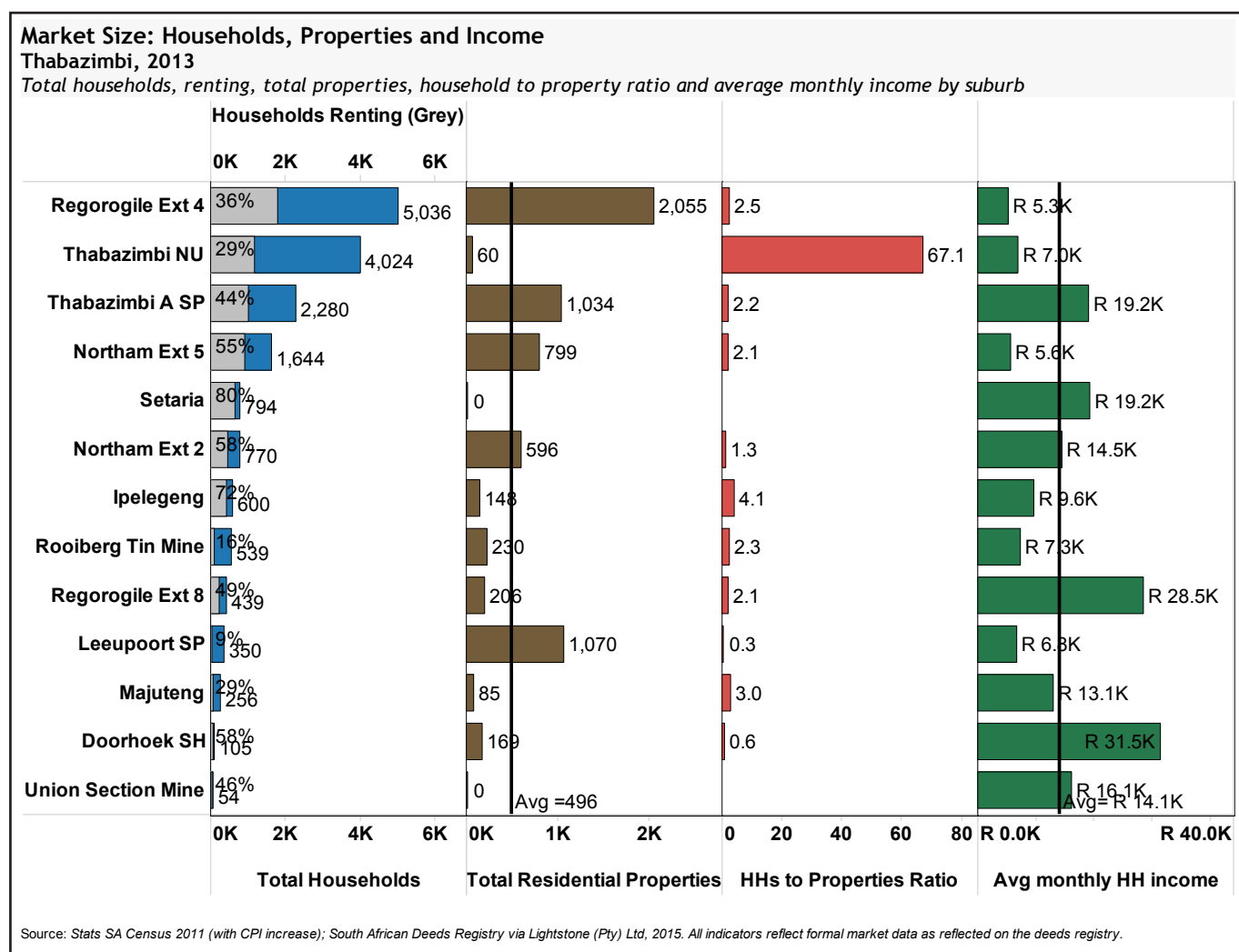
## 9.7 Market Size by Households and Income

The understanding of the distribution of households and incomes within Thabazimbi helps to inform one 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.

**Areas with high levels of renters (grey bars) also very often have above-average household incomes** (for example Ipelegeng SP, Regorogile Ext 8, Doorhoek SH and Thabazimbi A SP). We suggest these high levels of renters might be the combination of mining executives who rent (instead of own) and support staff who rent nearby in backyard accommodation.

Areas with above-average renters and moderate incomes (e.g. Northam Ext 5 and Regorogile Ext 4) might display families 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 have high populations, few registered properties and low incomes. In the case of Thabazimbi NU – which has the highest households-to-properties ratio and average incomes – rental accommodation may be for middle-income mine employees.



## 10. Market Activity



### 10.1 Key Findings

Sales activity is apparent throughout the municipality; sales dropped across the country after 2008 and have continuously picked up afterwards Thabazimbi, more so in higher priced housing. Bonded sales in lower markets made up an extremely small portion of the bonded market, i.e. until 2013 when they saw the highest percentage of bonded sales.

Thabazimbi has active repeat sales and new sales and this is a positive contributing factor to the stable growth of the market. Property value (the home's worth) and sales prices are closely related in a few subplaces. In less active markets, sales prices are significantly less than their suggested value.

### 10.2 Policy Implications

Focus on increasing **access to lending**, determining what barriers exist to **make credit more accessible** through lower-cost products, more flexible terms and/or inclusion of existing debt into a mortgage loan product.

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 portion 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.

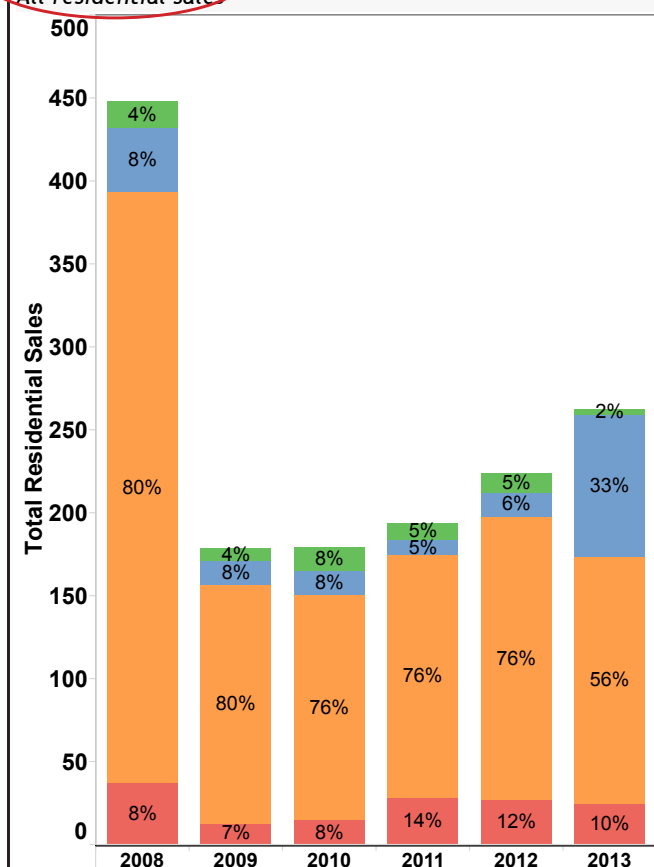
**New Sale / New Registration:** the appearance of a residential property on the deeds registry for the first time. It might include new construction or previously existing units being recorded for the first time (such as previously built RDP homes).

**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

Interestingly, in Thabazimbi, the growth in sales and bonded sales appears to have been driven by properties valued between R250 000 and R500 000 (the blue section). Market analyses for 2014 will be key to understanding the sustainability of this trend. The market share experienced a significant decrease in 2013, with a 20% decrease for properties in the above R500 000 segment (orange bar) and a 27% increase in the below R500 000 segment, (the blue bar). This strongly contributed to the below R500 000 segment, (the blue bar), having the highest percentage of bonded sales in the same year. The relationship between sales and bonds shows the importance of access to credit to growing housing markets, in particular the lower-valued segments. **The share of bonded loans under R500 000 has increased in 2013 from 1% of the market in 2012 to 53% of the market in 2013.** This might be due to increased access to credit to lower-income borrowers, or an increase in access to affordable homes. Policies which help expand access to credit and provide more housing opportunities under R500 000, in the lower bands, can expand sales within that band.

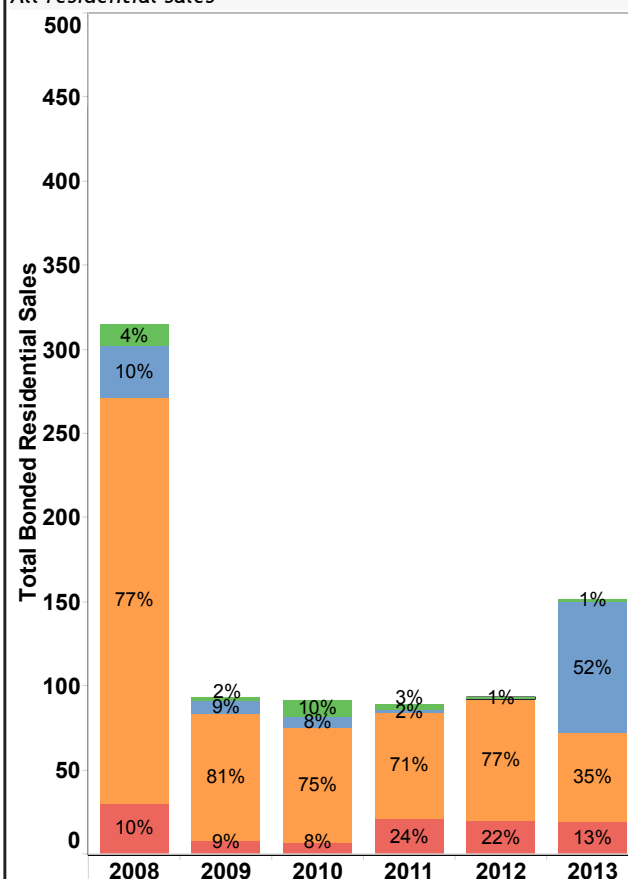
**Total Sales by Property Value Segment  
Thabazimbi, 2008 - 2013**  
All residential sales



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

**Property Value Segment**  
 ■ Under R250k  
 ■ Between R250k - R500k  
 ■ Between R500k - R1.2M  
 ■ Over R1.2M

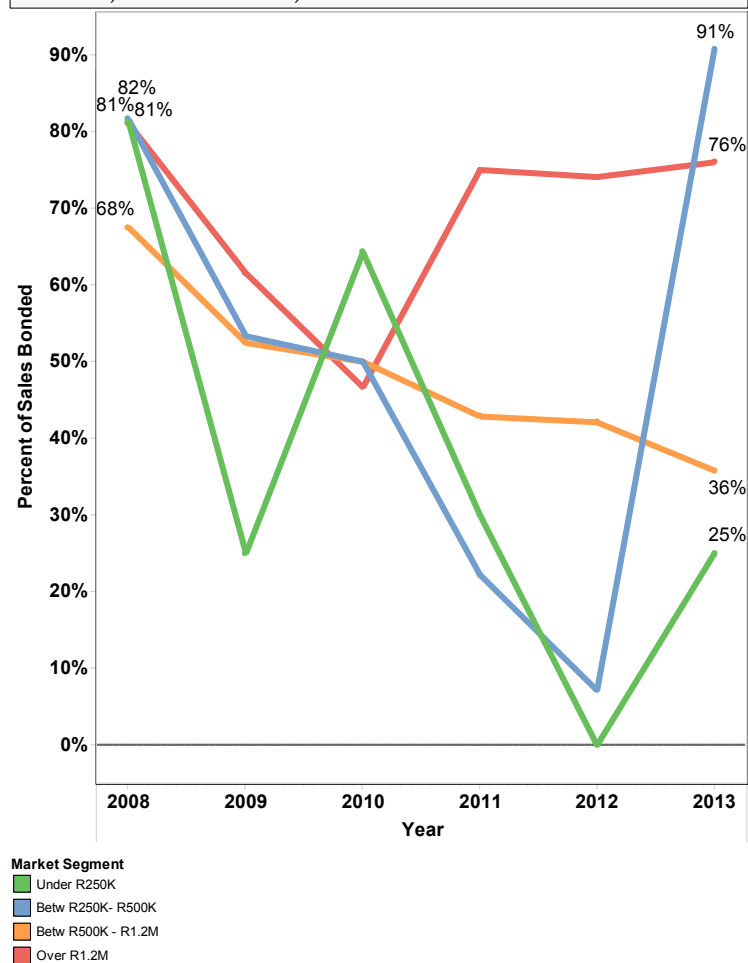
**Total Bonded Sales by Property Value Segment  
Thabazimbi, 2008 - 2013**  
All residential sales



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

**Property Value Segment**  
 ■ Under R250k  
 ■ Between R250k - R500k  
 ■ Between R500k - R1.2M  
 ■ Over R1.2M

**Percent of Sales Bonded by Value Segment**  
Thabazimbi, All residential sales, 2008 - 2013



## 10.5 Lending per Property Value Segments

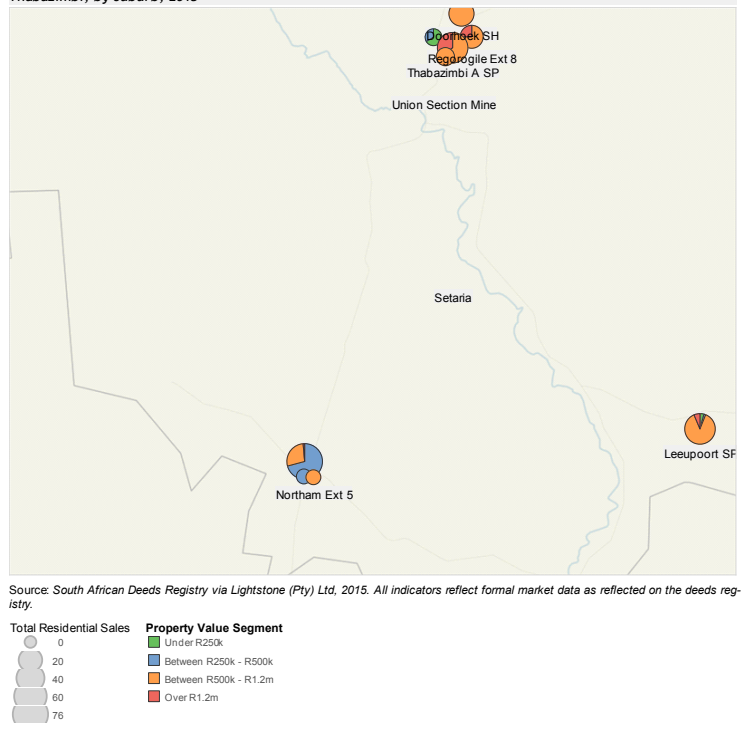
This chart shows (by contrast to the previous charts) the percent of bonded sales within the various property value segments. The relatively few formal bonded sales in the town make the trend lines move dramatically.

**Overall, the total sales receiving bonds in Thabazimbi went down over the past six years in all categories, but the drop was not evenly experienced.** The lowest property values (the green and the blue line) experienced the greatest decrease since 2009, perhaps driven by decreased access to credit or decreased supply of housing that falls within this segment. However, the lowest property values appear to be recovering since 2012 this may be due to a new development.

The upper-priced properties, such as the orange line, continue a steady downward trend, perhaps due to market overexposure or fewer eligible buyers.

**The market generally seems to be focused on the upper-priced properties with growing interest and activity in the lower property segments.**

**Sales by Property Value Segments**  
Thabazimbi, by suburb, 2013



## 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. Sales are apparent throughout the municipality.** Despite the 32% decline in bonded sales to the R500 000 – R 1.2M value segment (orange line in the chart above) the sales activity in this value segment appear to be the most robust throughout the municipality. The sales which took place in the lower-valued property segments were in areas close to areas with high Government-sponsored housing (such as Regorogile). These might be new registrations of those homes.

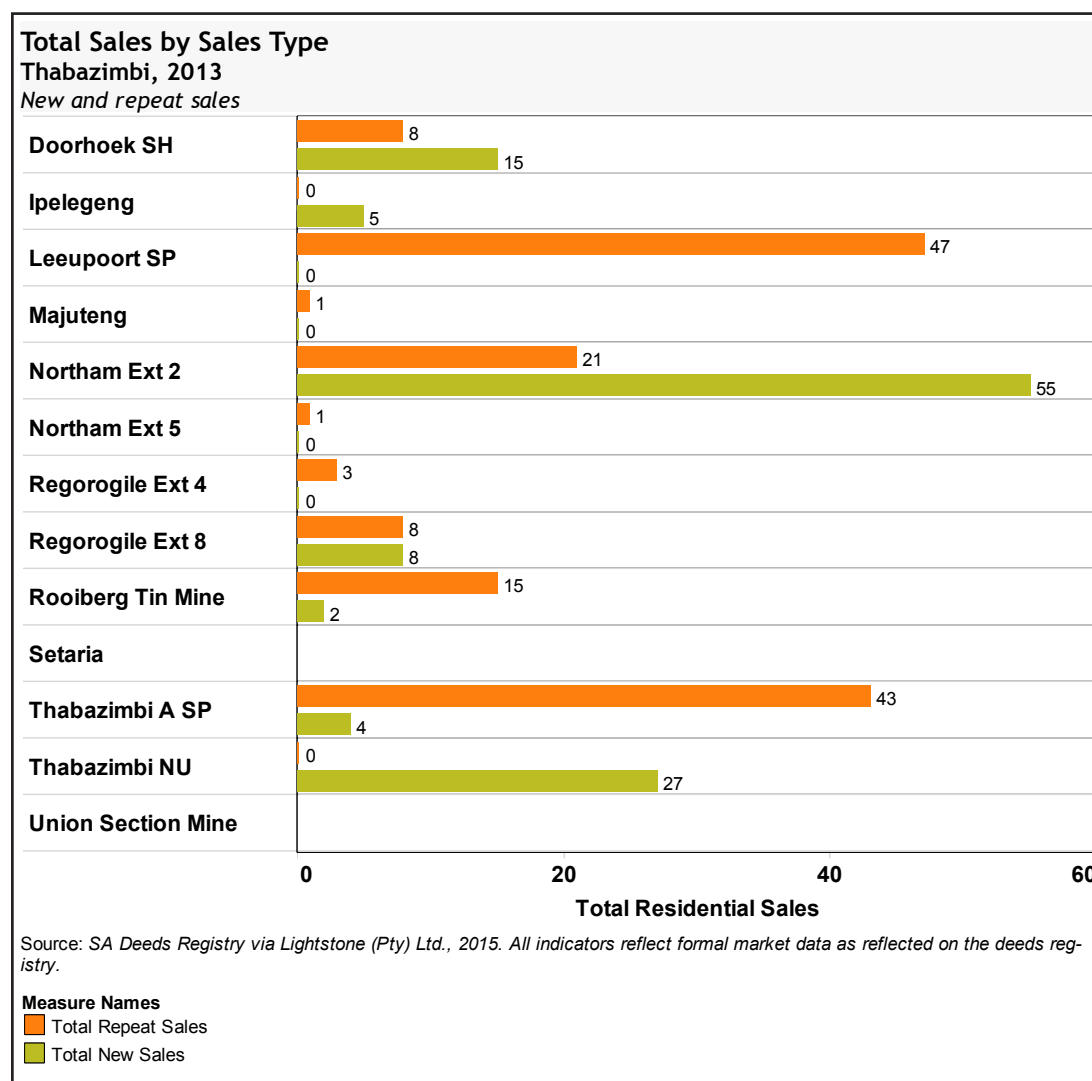
Access to credit is a significant boost or barrier to housing market growth. While some suburbs offer a range of housing price options, pinpointing product prices and types to specific areas, especially considering local affordability, is important in ensuring programme success.

## 10.7 Sales by New and Repeat Sales

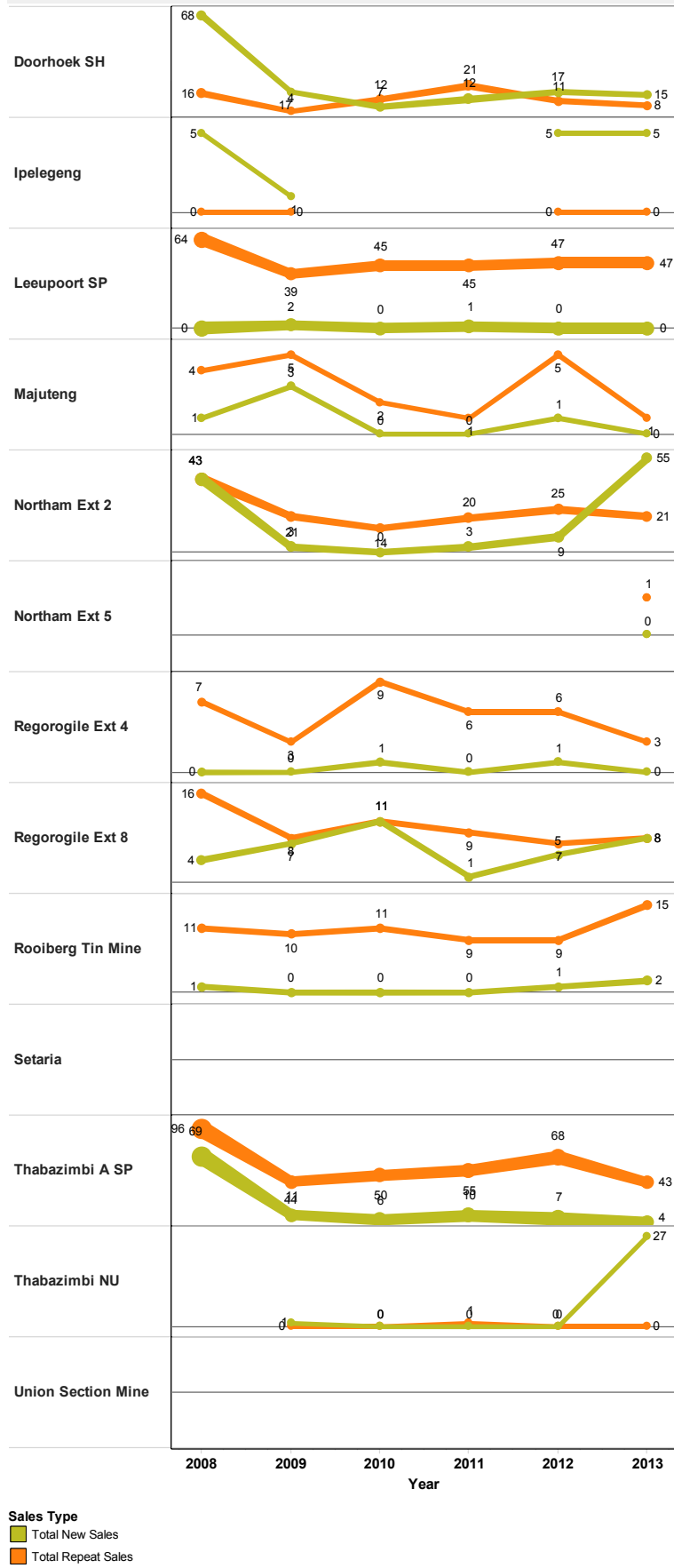
An important distinction in market performance is the sale of new homes (which have never appeared on the deeds registry) and the resale of existing homes. The chart shows new (green) and repeat sales (orange) by suburb. In most mining towns, new registrations are clustered in only a few suburbs. **In Thabazimbi, almost all subplaces had new registrations.**

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 being 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.*



**Sales Trends by Sales Type**  
**Thabazimbi, 2008 - 2013**  
*New and Repeat Sales*



## 10.8 Market Activity amongst New and Repeat Sales

The **growth and maturity of housing markets can often be found by comparing 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. The thicker lines reflect areas with more sales.

Often, volumes of new homes in prior years become resales in later years. As an example, Thabazimbi A SP had a small uptick in resales in 2010, after a spike in new sales in 2008. Understanding how mining companies create new units helps one understand their existing and potential contribution to expanding the local housing economy.

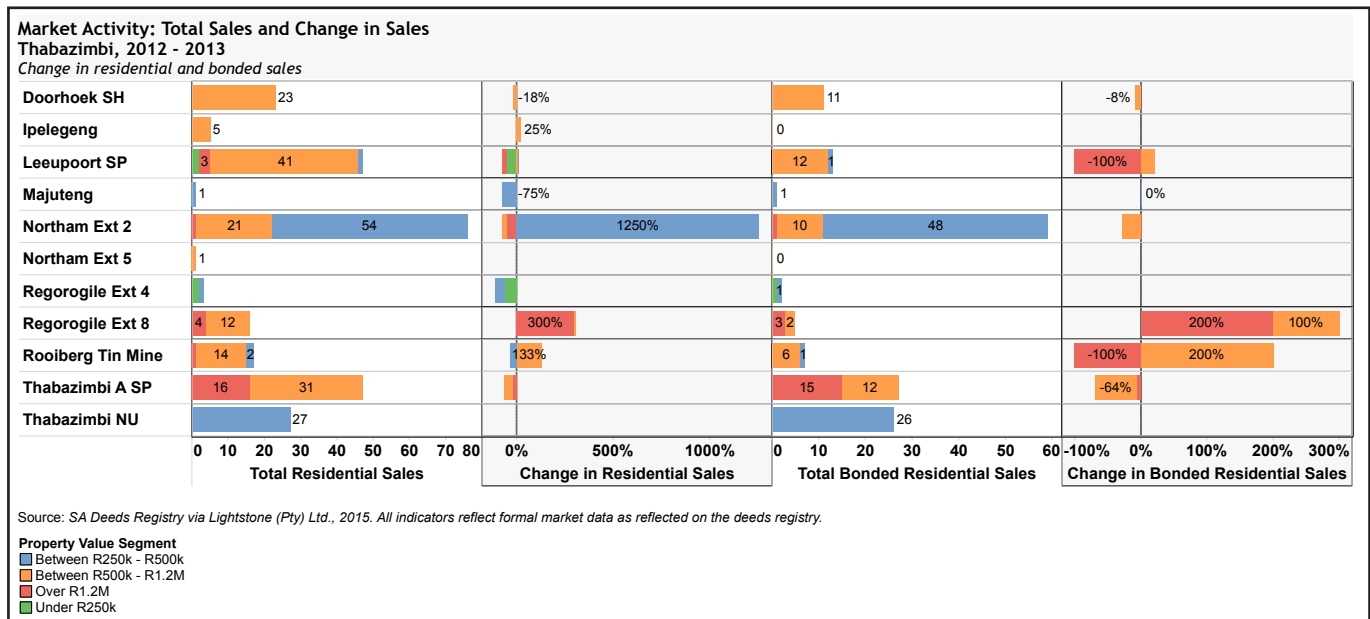


## 10.9 Total Sales by Property Value, Change From The Prior Year

This chart shows the change in activity for property sales and bonded property sales 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.

All bonded sales took place throughout the municipality, all of which were in the R250 000+ segment. **The highest change in sales has been in the under R250 000 segment, interestingly with bonds associated with this value segment.**

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

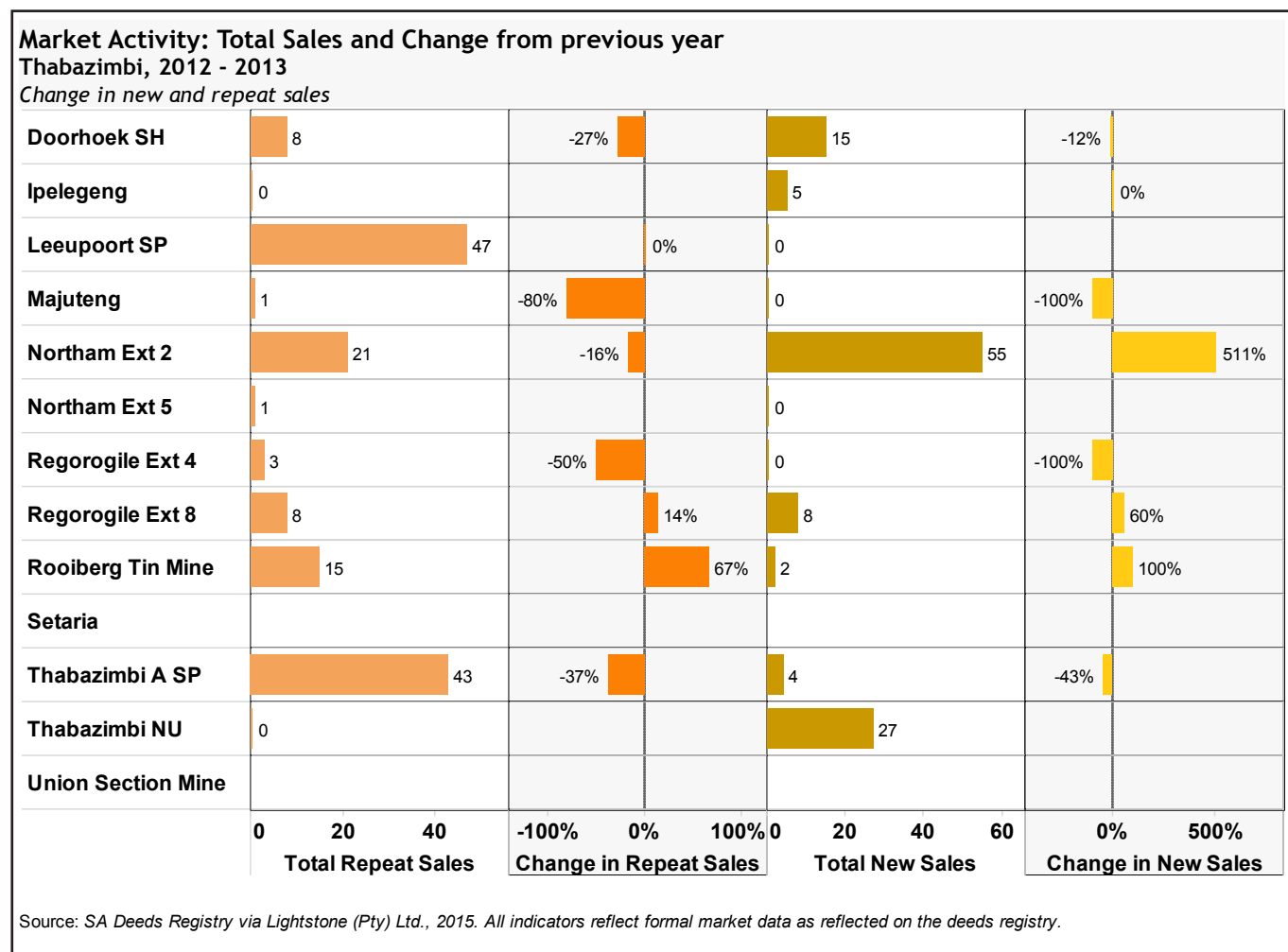


## 10.10 Change in New and Repeat Sales

This chart shows the specific rate of activity of new and resale properties from 2012 to 2013. Many of the developments built by the Government are heading into their 8th year and become eligible for resale by their owners.

Many of the 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 on line for resale, Government can align policies that encourage the sale and **development nearby, which can help leverage that prior investment, expand housing options and stimulate movement up the next rung on 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.*

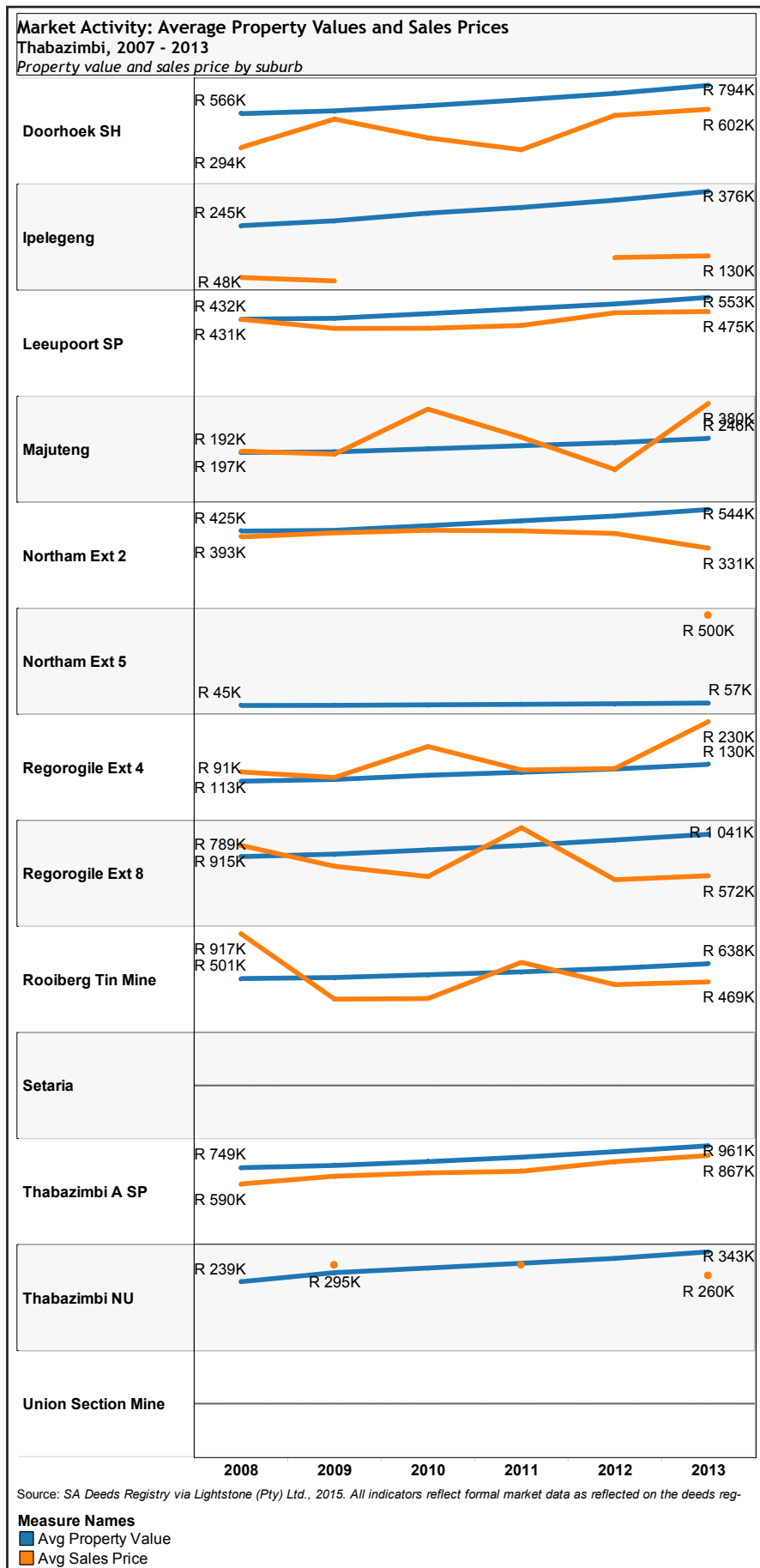


## 10.11 Average Property Values and Sales Price

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<sup>1</sup>, determined by the number of sales, changes in prices, churn (repeat sales) and other factors present in a robust housing market. Only houses that have been 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 Thabazimbi A SP and Leeupoort SP).**

Rising sales prices in affordable areas can reflect improved access to credit as well as increasing interest in the neighbourhood.



## 11. Lending Activity



### 11.1 Key Findings

**Lending is apparent throughout the municipality in Thabazimbi.** Bonded sales are almost entirely concentrated in properties over R500 000, although bonded sales in lower markets made up an extremely small portion of the bonded market until 2013. While the share of lending by each of the four major banks in the Country has remained consistent, lending from non-traditional lenders in Thabazimbi has also consistently increased from 2008 to 2013, perhaps to make up for the lack of expanded lending by the existing institutions.

### 11.2 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. Existing lenders should take lower incomes into account by reducing finance costs.

Loans to entice the development of more middle-market housing would create more integrated markets. Financing, to build affordable rental housing options, could offset some of the credit accessibility issues in the market overall.

### 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.

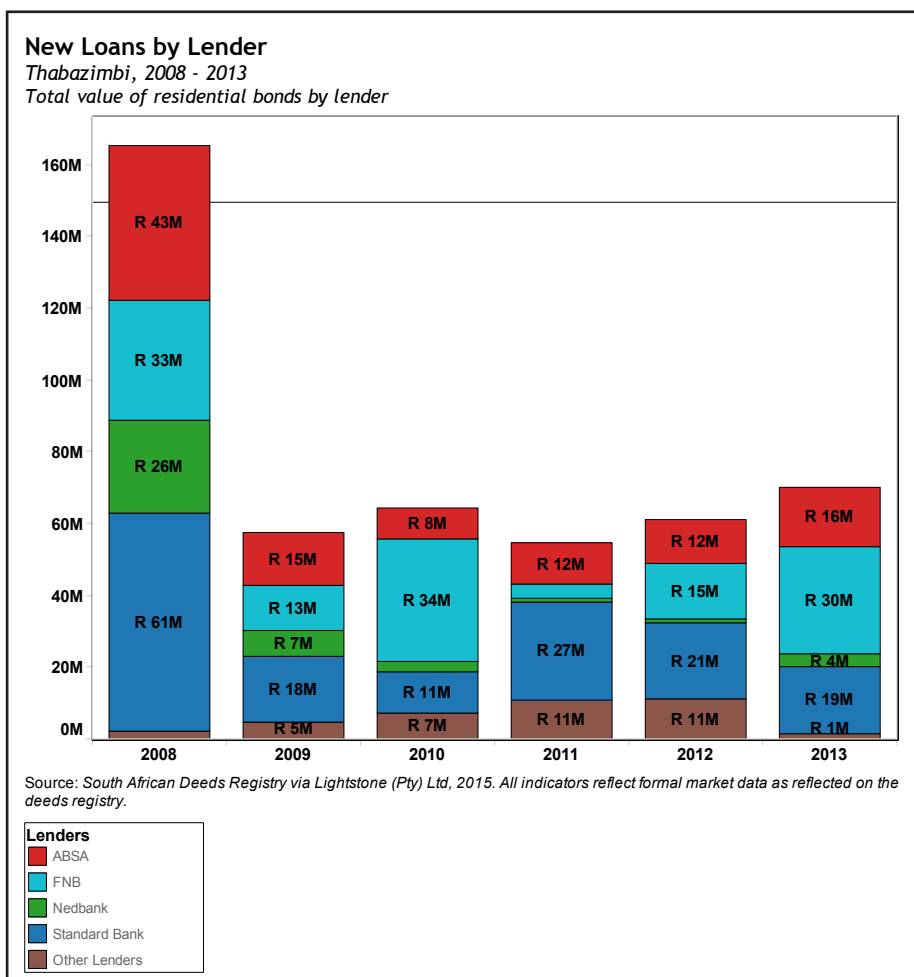
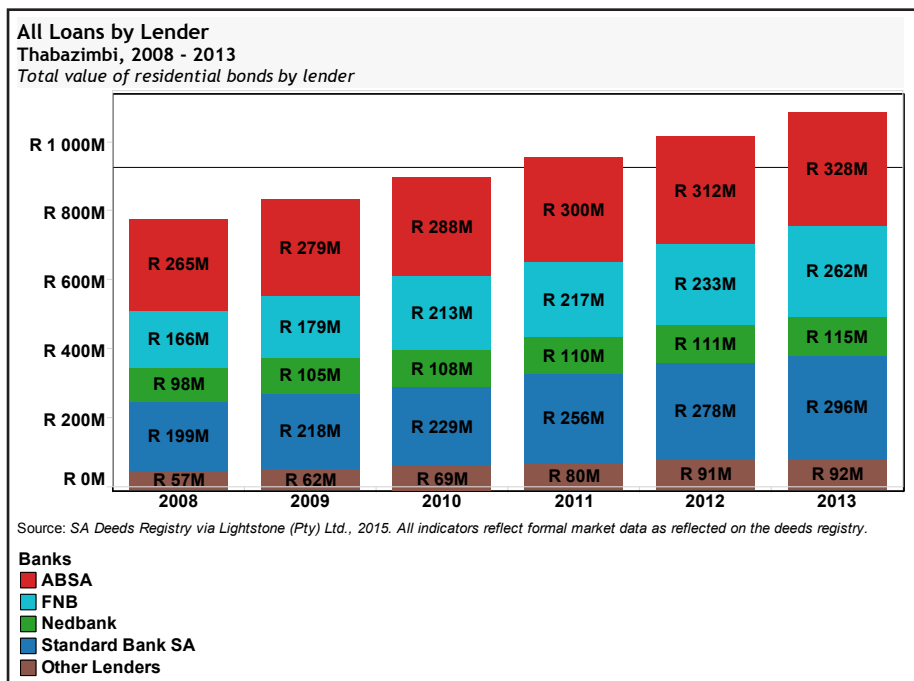
**Residential Bond:** a loan made for the intention of acquiring a property, which is secured by the title to the property. These are determined by the property address and the timing with which bonds and sales transactions are recorded on the deeds registry.

## 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), to the bottom chart (activity by lender per year), it's possible to see that while the lending in the area has consistently grown, the amount per year varies from lender to lender (for example, FNB's increased investment in 2010 and 2013). The real game changer has been the infusion of other lenders into the area; which has increased their portfolio significantly since 2008, despite a drop in 2013. Most of these lenders are employers in the area offering home loans to their employees, often in conjunction with the growth of mining activity in the area.

These other lenders primarily include companies providing home loan benefits to their employees.

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



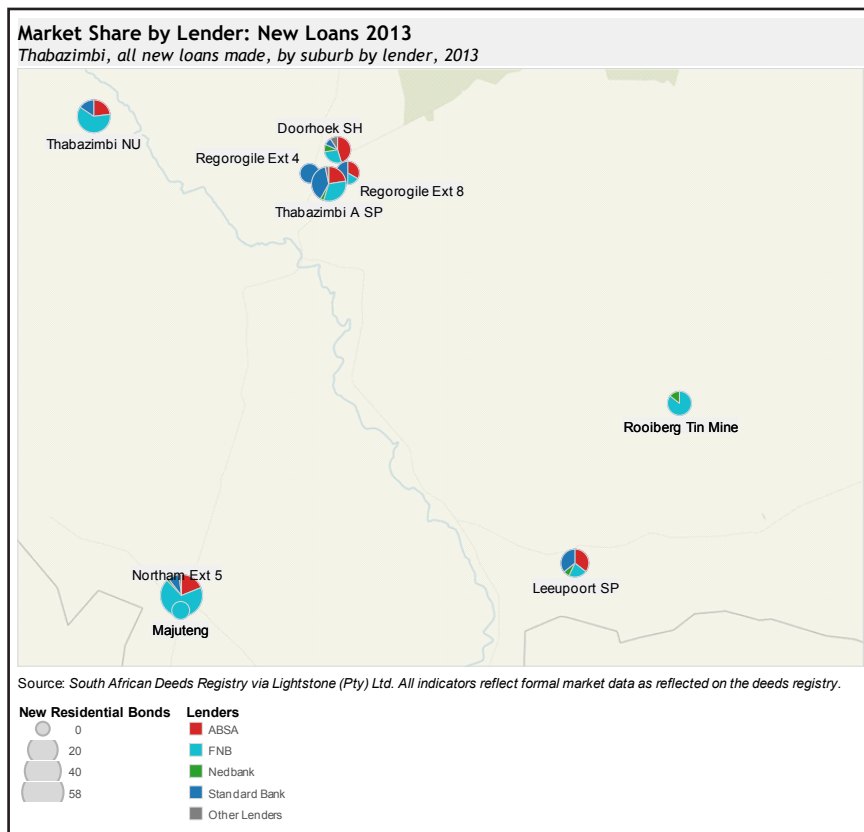
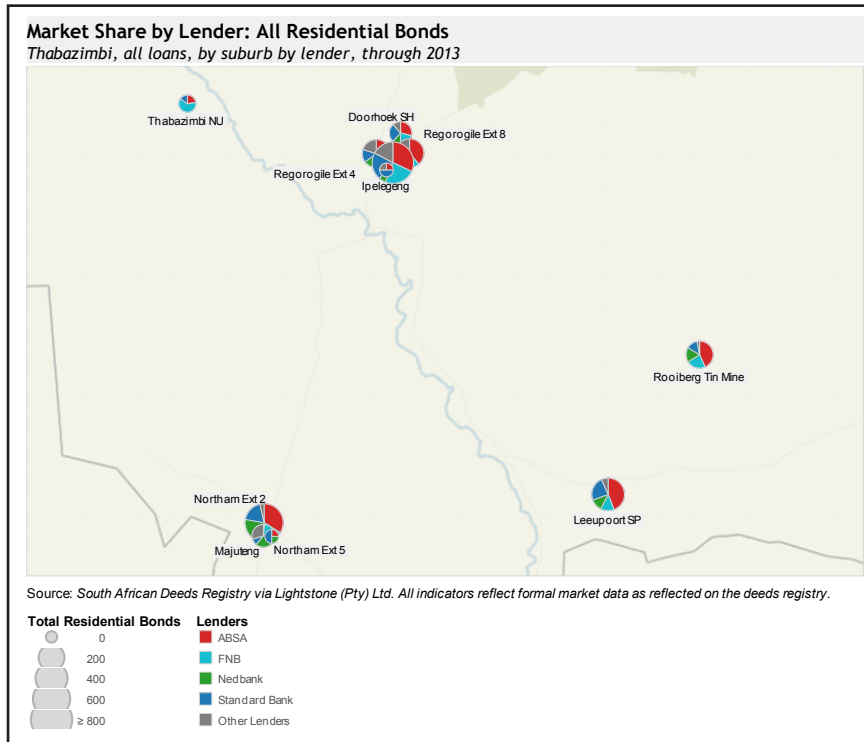
## 11.5 New Loans by Lender

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 (slices in the bottom map) and how that has changed from their overall portfolio in that suburb (slices in the top map).

An important trend to note is the rise of “other” lenders and the growing portions of the market they are active in; for example in Doorhoek and Regorogile, in 2011 and 2010 respectively, more than half of the lending is by other lenders.

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 as well to ease access to credit, lower costs of financing and share in the commitment towards growing housing markets in the mining towns.

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





## New Loans by Lender Thabazimbi, 2008 - 2013

The value of new bonds by lender by suburb over time

		Thabazimbi				
		ABSA	FNB	Nedbank	Standard Bank	Other Lenders
Doorhoek SH	2008	R 7,017,000	R 3,762,500	R 2,388,557	R 3,388,800	R 0
	2009	R 1,813,500	R 1,092,420	R 1,451,393	R 1,971,388	R 740,000
	2010	R 2,087,800	R 1,795,675	R 135,050	R 1,469,100	R 790,000
	2011	R 0	R 399,200	R 0	R 2,020,000	R 3,560,000
	2012	R 535,500	R 2,612,750	R 0	R 2,582,390	R 2,940,000
	2013	R 2,189,500	R 2,347,660	R 815,700	R 670,500	R 520,000
Ipelegeng	2008	R 0			R 80,000	R 0
	2009	R 0			R 550,000	R 0
	2010	R 0			R 0	R 0
	2011	R 0			R 0	R 0
	2012	R 0			R 0	R 0
	2013	R 0			R 0	R 0
Leeupoort SP	2008	R 5,399,000	R 1,521,000	R 3,449,799	R 1,321,800	R 73,900
	2009	R 1,787,500	R 535,000	R 1,297,048	R 405,000	R 0
	2010	R 1,000,000	R 325,000	R 265,692	R 1,207,500	R 1,080,000
	2011	R 1,549,000	R 1,230,000	R 570,000	R 3,851,500	R 640,000
	2012	R 3,125,000	R 1,250,000	R 450,000	R 1,150,000	R 450,000
	2013	R 1,600,000	R 1,025,000	R 545,700	R 2,382,000	R 0
Majuteng	2008	R 216,000	R 181,094	R 0	R 370,000	R 63,000
	2009	R 0	R 610,000	R 0	R 3,090,000	R 0
	2010	R 0	R 1,860,000	R 368,133	R 0	R 0
	2011	R 0	R 250,000	R 0	R 0	R 0
	2012	R 0	R 237,500	R 0	R 0	R 0
	2013	R 0	R 380,000	R 0	R 0	R 0
Northam Ext 2	2008	R 8,959,025	R 11,541,132	R 4,948,395	R 16,686,034	R 0
	2009	R 2,548,951	R 2,345,000	R 1,730,608	R 250,000	R 2,230,000
	2010	R 460,000	R 21,450,000	R 680,557	R 1,174,500	R 590,000
	2011	R 0	R 1,150,000	R 817,938	R 7,061,500	R 0
	2012	R 1,647,500	R 408,812	R 845,700	R 4,411,000	R 1,940,000
	2013	R 4,250,504	R 10,768,121	R 590,700	R 2,583,000	R 280,000
Northam Ext 5	2008	R 0		R 0	R 0	
	2009	R 0		R 0	R 60,000	
	2010	R 0		R 0	R 0	
	2011	R 0		R 0	R 0	
	2012	R 0		R 0	R 0	
	2013	R 0		R 0	R 0	
Regorogile Ext 4	2008	R 0	R 150,318	R 201,938	R 212,000	R 0
	2009	R 0	R 0	R 0	R 477,000	R 0
	2010	R 0	R 160,000	R 0	R 435,500	R 700,000
	2011	R 0	R 0	R 0	R 145,000	R 300,000
	2012	R 0	R 0	R 0	R 0	R 0
	2013	R 0	R 0	R 0	R 490,000	R 0
Regorogile Ext 8	2008	R 2,967,416	R 1,643,700	R 2,695,589	R 4,725,000	R 1,200,000
	2009	R 1,361,000	R 2,542,500	R 1,103,474	R 1,977,800	R 1,030,000
	2010	R 1,740,000	R 1,450,000	R 0	R 2,196,001	R 700,000
	2011	R 2,347,250	R 125,000	R 0	R 4,440,170	R 0
	2012	R 1,530,000	R 0	R 0	R 520,400	R 0
	2013	R 942,000	R 1,200,000	R 0	R 1,532,000	R 0
Rooiberg Tin Mine	2008	R 1,980,000	R 882,000	R 354,251	R 810,000	R 0
	2009	R 630,000	R 520,000	R 0	R 0	R 0
	2010	R 238,000	R 0	R 0	R 550,000	R 310,000
	2011	R 1,400,000	R 0	R 0	R 450,000	R 0
	2012	R 0	R 1,375,000	R 0	R 200,000	R 0
	2013	R 0	R 2,451,000	R 250,000	R 0	R 0
Thabazimbi A SP	2008	R 16,664,460	R 13,812,450	R 11,608,024	R 33,185,855	R 850,000
	2009	R 6,426,400	R 5,212,500	R 1,379,278	R 9,717,750	R 620,000
	2010	R 2,888,068	R 7,320,000	R 1,467,334	R 4,238,500	R 3,130,000
	2011	R 6,451,000	R 500,000	R 0	R 9,292,078	R 6,190,000
	2012	R 5,273,200	R 9,541,702	R 0	R 12,378,700	R 5,660,000
	2013	R 5,744,450	R 7,523,000	R 1,580,000	R 9,956,500	R 620,000
Thabazimbi NU	2008	R 0	R 0		R 0	
	2009	R 0	R 0		R 0	
	2010	R 0	R 0		R 0	
	2011	R 0	R 0		R 0	
	2012	R 0	R 0		R 0	
	2013	R 1,602,810	R 4,202,891		R 979,631	

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

Banks  
■ ABSA  
■ FNB  
■ Nedbank  
■ 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. Almost all subplaces have seen consistent lending over the past six years. Much of the growth in lending in 2013 was associated with the Rooiberg tin mine. The Thabazimbi NU (non-urban) is a subplace which surrounds the town, so it's not possible to designate where those loans were located in town, but perhaps near the tin mine as well.

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 **RDP 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 40% of all registered properties in Thabazimbi are Government-sponsored, making it the fourth highest of all mining towns studied. 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.

To encourage an increase in the supply of gap housing, Government can unlock sites, supply infrastructure or grants, or hook-up fee discounts. Government 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, that provide bonds for small properties and offset risks through loan guarantees, loan loss reserves and interest rate discounts. Funds can also be organised to implement homebuyer counselling, debt consolidation and moderate rehab costs of the existing home to ensure loan performance of the portfolio.

These programs would work together in the mining towns to create better social, housing and economic integration.

### 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

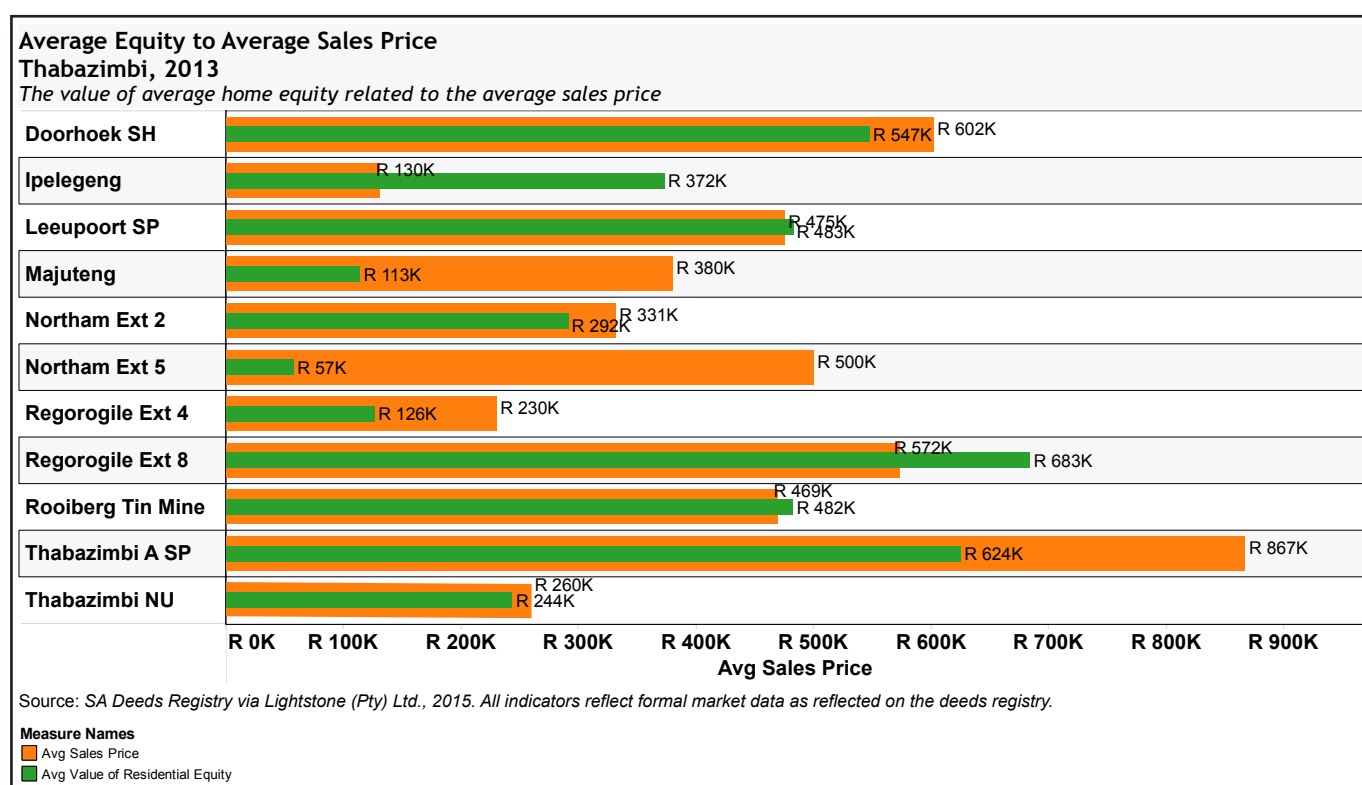
**Equity:** the value of the residential property less the outstanding balance of the bond. This represents the value of ownership built up in a property and is often used as the down-payment for the owner's next house purchased up the housing ladder.

## 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 homeowners' equity. If a homeowner in Doorhoek wished to purchase a home in Thabazimbi A SP, they could sell their home and apply the equity towards the cost of the new home, reducing the amount they would have to borrow. Instead of borrowing over R867 000 (the average sales price), they would only need about R320 000 (the orange bar in Thabazimbi A SP minus the green bar in Doorhoek). 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 as well, thanks to the massive Government investment in homes for the poor. This requires financing available 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.

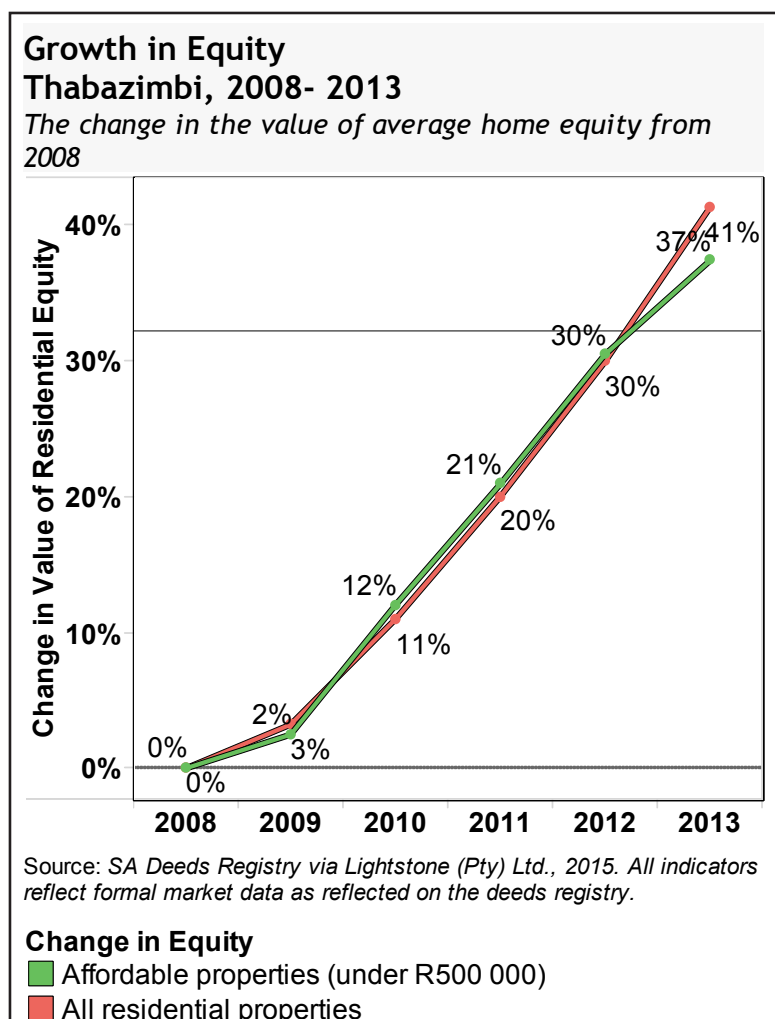
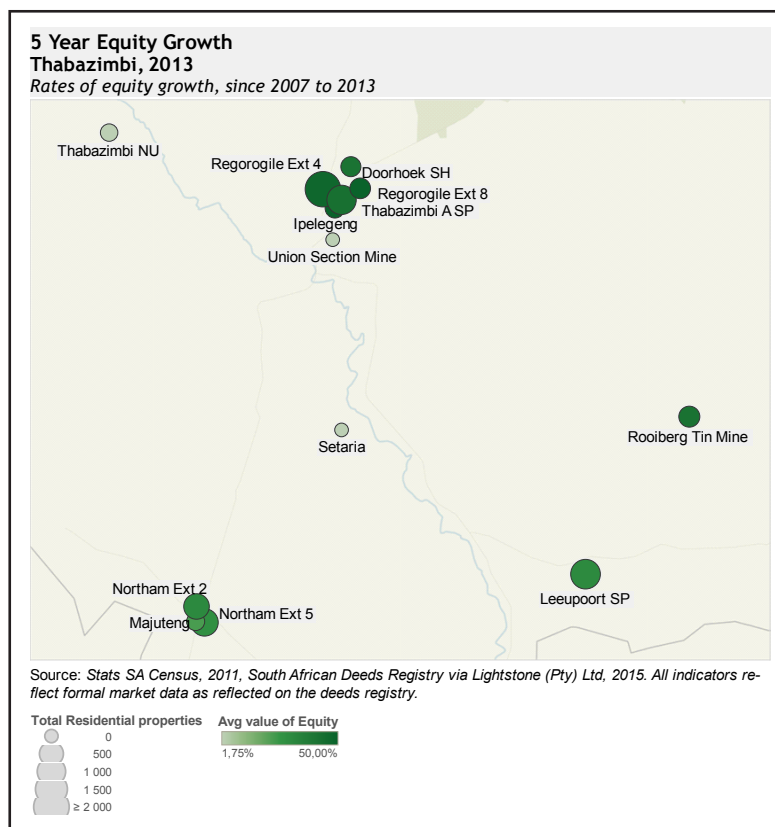


## 12.5 Accessing Equity Closes the Housing Gap and Can Drive Demand

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, likely 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 that 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.



## 13. Affordability Profile



### 13.1 Key Findings

**At 1.58, Thabazimbi's affordability ratio is lower than both the national (3) and the mining town (2.8) averages.** Despite above-average incomes, large disparities among incomes and affordable housing access remain.

In some areas, sales prices used to determine affordability 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. In many areas of town, there are simply no sales.

### 13.2 Policy Implications

Affordability constraints, due to below-average incomes, can be addressed through housing strategies and solutions that propose **creative financing tools and techniques which can reduce financial barriers (such as down-payment assistance, 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 carefully 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' incomes enable them to cover the cost of producing and selling housing units and thus providing 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 amortisation at 11%, with 5% down).

## 13.4 Affordability

Actual affordability relies on the understanding of 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, and the average ratio for mining towns is 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. However this indicator provides an important benchmark, by providing a degree of affordability. We can measure that disparity at the local level as an indicator of how well local markets might be catering to local residents.

**In Thabazimbi, formal markets appear more affordable to local residents – except Northam Ext 5 which, at 3.4, has the highest affordability ratio in Thabazimbi – creating the potential for a fairly stable formal housing market. Some areas have very high gaps, perhaps the result of more recent higher-priced housing development.** The introduction of new products or strategies is 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. Areas with no data had no sales.

### Mind the Gap Table

#### Thabazimbi, 2013

*Affordability indicators per suburb*

Subplace Name	Avg Monthly Income	Target house price	Average Sales Price	Affordable Price Gap	Affordability Ratio
Doorhoek SH	R 31K	R 831K	R 602K	R 229K	0.7
Ipelegeng	R 10K	R 253K	R 130K	R 122K	0.5
Leeupoort SP	R 7K	R 179K	R 475K	R -296K	2.7
Majuteng	R 13K	R 346K	R 380K	R -34K	1.1
Northam Ext 2	R 15K	R 383K	R 331K	R 52K	0.9
Northam Ext 5	R 6K	R 149K	R 500K	R -351K	3.4
Regorogile Ext 4	R 5K	R 139K	R 230K	R -91K	1.7
Regorogile Ext 8	R 28K	R 751K	R 572K	R 179K	0.8
Rooiberg Tin Mine	R 7K	R 193K	R 469K	R -276K	2.4
Setaria	R 19K	R 507K			
Thabazimbi A SP	R 19K	R 506K	R 867K	R -361K	1.7
Thabazimbi NU	R 7K	R 185K	R 260K	R -76K	1.4
Union Section Mine	R 16K	R 426K			

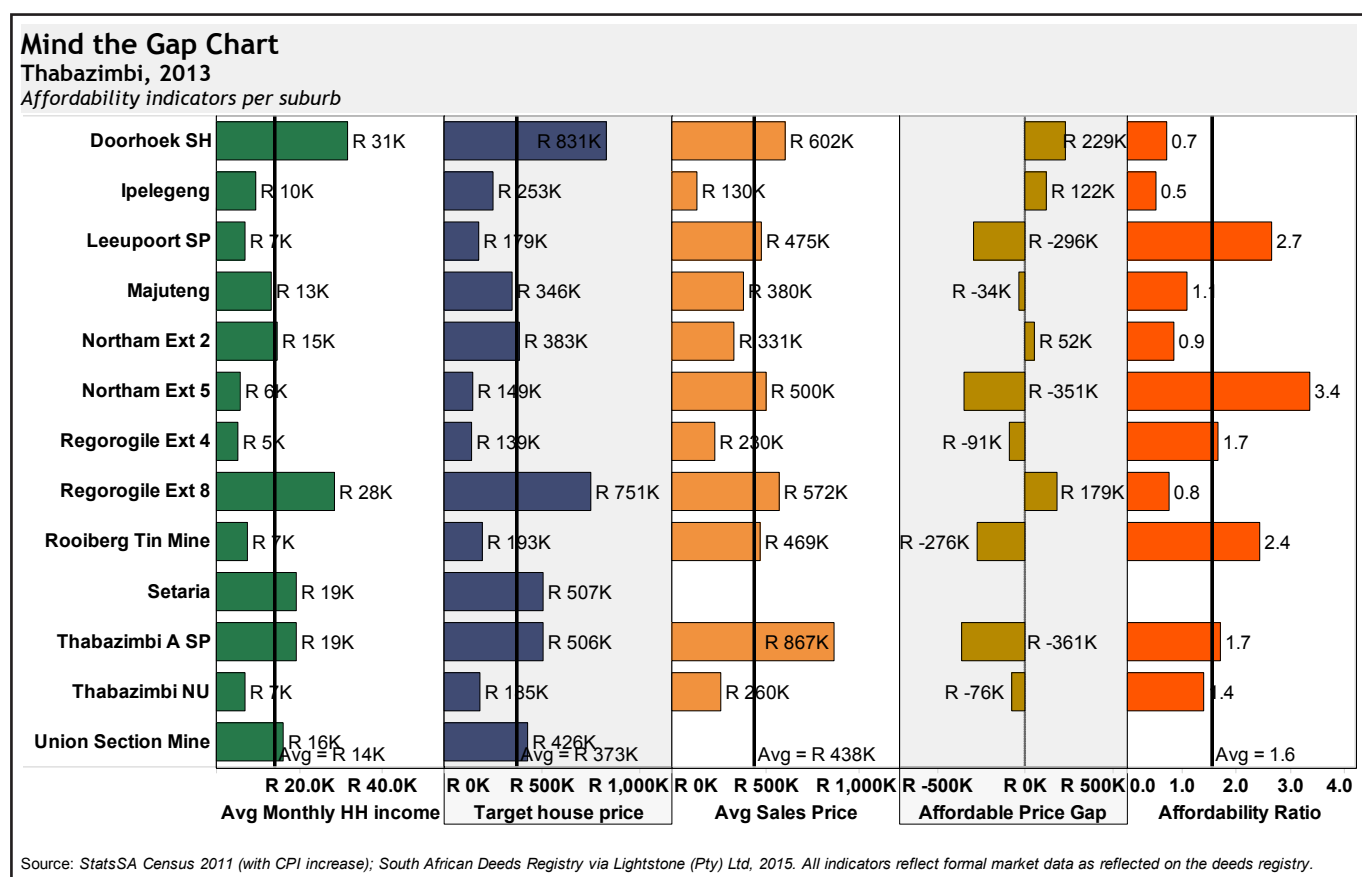
Source: StatsSA Census 2011 (with CPI increase); South African Deeds Registry via Lightstone (Pty) Ltd, 2015. All indicators reflect formal market data as reflected on the deeds registry.

## 13.5 Mind the Gap

This chart is identical to the previous chart but shows bar lines to better visualise difference 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. As an example, in Leeupoort, it takes 12 times the average income to afford the average sales price.

In Thabazimbi, the average income is about R11 700. Where income is earned, the average target house price is R310 000 (how much house that income can afford) and the average sales price is R488 000. **Thus in 2013, it took 1.58 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 (i.e., 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.

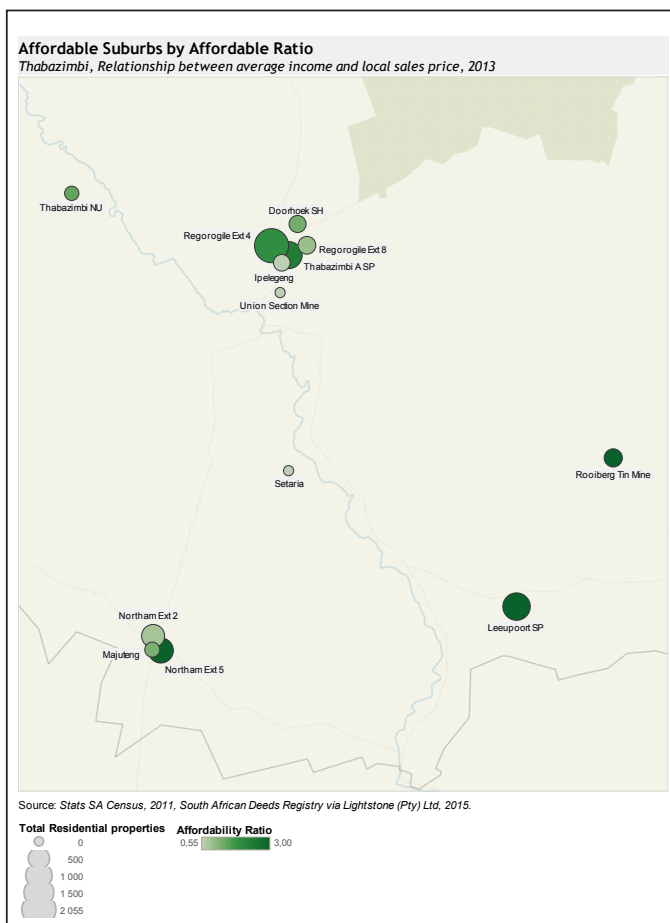
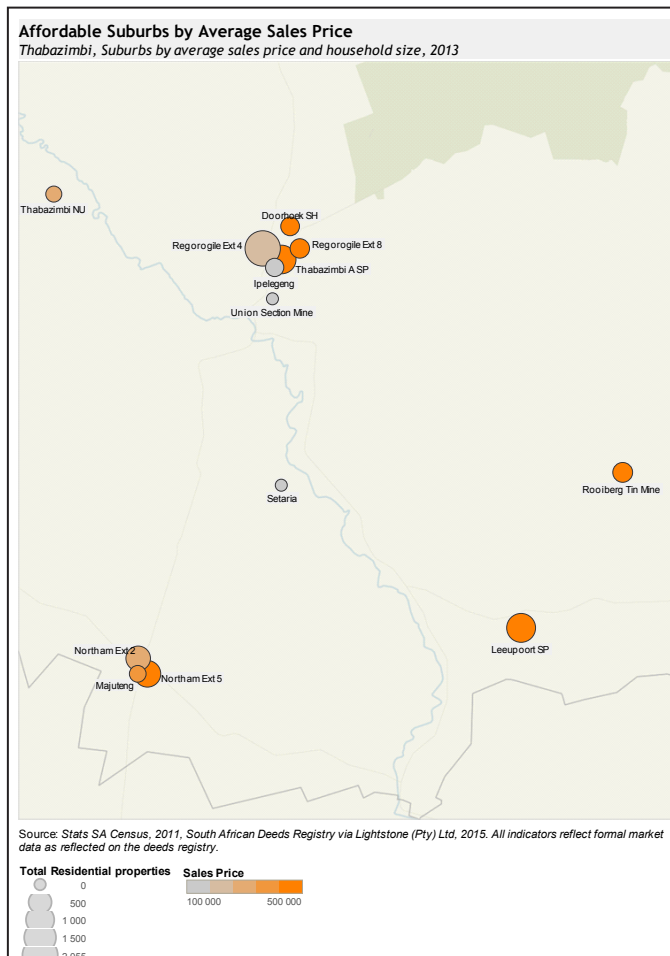




## 13.6 Mapping Affordability

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 greater difference between suburb incomes and suburb sales prices. **While some areas appear affordable by sales price (such as Regorogile Ext 4), 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

In Thabazimbi, **46% of households rent**, according to the 2011 StatsSA census, which is mid-range amongst the mining towns in the study.

The **opportunity for rental housing development within Thabazimbi is strong within specific areas, e.g. Northam Ext 5 – which scored highest on the rental index. This suggests that the opportunity for rental housing is strongest in this specific area.** 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.

### 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. The densifying of 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 that 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.

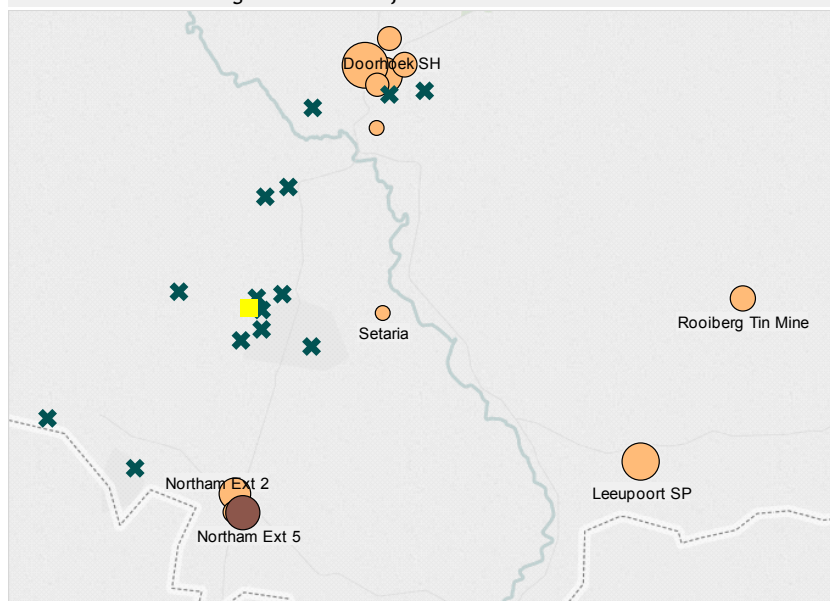
**Population Density:** the number of people per square hectare of the suburb, as provided by StatsSA.

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

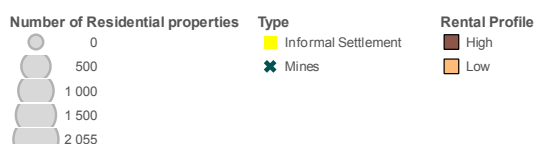
## Rental Index

Thabazimbi, by suburb, 2013

Those suburbs with a higher likelihood of rental demand



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



## 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 very inefficient means of meeting housing needs. While a social housing sector exists which targets 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-better understood, Government can meet housing backlogs quickly and affordably by promoting policies which target affordable rental housing. **In Thabazimbi, it appears that one suburb scores high on the rental index, i.e. Northam Ext 5. This suggests that the opportunity for rental housing is strongest in this specific area.**

Security of tenure through a lease agreement, residents have assurance of quality property management means that consistent utility access and can even build up their credit history with positive rent and utility accounts. Owners of rental housing must locate their properties competitively to ensure monthly occupancy, rental housing must provide affordable access to transport hubs, jobs and community services. By bundling a set of housing market indicators, it is possible to find those places where a rental strategy might be well-suited. The map shows those areas with above-average densities, moderate incomes and above-average households currently renting, all important factors when considering the placement and promotion of rental housing.

Several conditions are crucial for the creation of successful and sustainable rental markets: density, high demand and affordability. By using existing housing performance indicators, it is possible to prioritise the presence of those indicators intentionally to pick up those areas primed for rental housing. 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.

Rental Index Indicator	Method	Implies	Weight
Median Income	80 - 120% area median income	Affordability	35%
Population Density	Exceeds metro average	Density	35%
Housing Performance Index	Growing	Demand	15%
Affordability Ratio	Ratio exceeds metro average	Affordability	15%

## 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, 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. For 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 a key component 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

This refers to 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 either 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 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.

## 15.12 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.

### 15.13 Leverage

Leverage is the practice of purchasing something by borrowing part of the total cost and 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 more attractive because lenders have less risk, while owners have more invested and have more potential **EQUITY** to invest in new housing options.

### 15.14 Market Segment

This refers to the aggregate of all properties within a certain rand value. Properties are aggregated by their **VALUE** to better understand the unique dynamics of these market segments. Values are divided into three bands: values under R250 000; between R250 000 and R500 000; and above R500 000. 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.

### 15.15 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.

### 15.16 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.

### 15.17 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.

### 15.18 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 is 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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