Working for integration

Thaba Chweu – Mpumalanga

Housing Market Overview
Human Settlements Mining Town Intervention
2008 – 2013
The Housing Development Agency (HDA)
Block A, Riviera Office Park,
6 – 10 Riviera Road,
Killarney, Johannesburg
PO Box 3209, Houghton,
South Africa 2041
Tel: +27 11 544 1000
Fax: +27 11 544 1006/7

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

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

© The Housing Development Agency 2015
1. Frequently Used Acronyms

CAHF – Centre for Affordable Housing Finance in Africa
GDP – Gross Domestic Product
GVA – Gross Value Added
HDA – Housing Development Agency
HPI – Housing Performance Index
IDP – Integrated Development Plan
NU – Non Urban, a Stats SA subplace designation
RDP – Reconstruction and Development Programme
SDF – Spatial Development Framework
SP – Subplace
StatsSA – 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:

- “The Thaba Chweu Municipality is located in the north western region of Mpumalanga Province”
- “Thaba Chweu has some of the major tourist attractions in South Africa which include the following tourist destinations: Graskop; Pilgrim’s Rest; The Pinnacle; The Potholes; Three Rondavels; Gods Window; Blyde Canyon; Mac Mac Falls; Drakensburg Mountain Range; The View Point – Pilgrim’s Rest, Forestry Plantations and many others”
- “The mining sector accounts for the largest portion of the employment market at 23.9%”
- “Burgersfort, Steelpoort and Lydenburg are home to the world’s second biggest deposits of platinum”
- “A variety of timber and mining companies are within Thaba Chweu or adjacent to Thaba Chweu, for example York Timber, Merensky and Sappi”
- “Thaba Chweu has close access to the N4 that links Maputo to Gaborone via Nelspruit, eMalahleni, Pretoria, Rosslyn, Brits, Rustenburg and Zeerust”
- “Thaba Chweu’s has various economic drivers which diversify employment creation and job opportunities, e.g. agriculture, forestry and manufacturing”

3.2 Socio-Economic Profile:

The municipality’s current demographic information is drawn from the 2001 — 2011 Census Data:

- “Thaba Chweu has a population of 98 387”
- “There was a 1.86% population growth between 2001 — 2011”
- “In 2011, over 20.5% of the population was unemployed and 12% of the average households earn no income”
- “There are 33 352 households in Thaba Chweu, with an average household size of 2.7 people”
- “74.6% live in formal dwellings”
- “61% of the households have flush toilets connected to a sewerage system, piped water inside the dwelling, weekly refuse removal and electricity for lighting”
- “37.4% of the households are either fully owned or being paid off”
4. Context: Mining Sector Overview

This brief industry profile is provided to help understand one 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).

Thaba Chweu is located in Mpumalanga, on the far north-eastern part of the Ehlanzeni District Municipality; it shares its boundaries with Limpopo.

Key mining aspects of the municipality, as summarised from Thaba Chweu Local Economic Development Agency Investment Brochure and the 2013/2014 IDP.

4.1 Mining Industry Profile

- “Thaba Chweu is home to the Eastern Platinum Belt – this belt is home to over 20 smelters, platinum and other mineral resources mines”
- “The human settlements growth that has taken place over the past two years has been mainly contributed to by the mining sector”
- “Mining and quarrying in Thaba Chweu contributes 52% to the District’s GVA”
- “Mining contributes 10% to the Thaba Chweu economy and provides 2500 jobs”
- “The mining sector shed 4.9% jobs between September 2009 and September 2010”
- “The municipality intends to link with mining operations in Greater Tubatse to stimulate job creation”

4.2 Housing in the Mining Sector

The remote locations of many mining operations means that 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.

Thaba Chweu's primary extractive is platinum. There are currently over 18 mines operating around Thaba Chweu. The mine companies include: Xstrata, Mototolo; Impala Platinum; Anglo Platinum; Aquarius; Dwarsriver; Everest Platinum; junior miners and quarries. Some of their mine housing policies outline the following:

- “Anglo American committed more than R2 billion to facilitate home ownership and achieve the Mining Charter target of ‘one person per room’ through 2014”
- “Anglo American currently offers a number of different housing options, ranging from housing allowances to houses built for employees”
- “Xstrata has eliminated hostels and unsustainable mine villages”
- “XCSA pays industry leading “living out allowances” (about R2000 per month) which are intended to offer employees with flexible housing options throughout the area”
- “XCSA educate and train all employees during annual induction training on how to access and the merits of living in formal housing as opposed to informal housing”
5. Context: Housing

The municipality has identified the following challenges and opportunities from its 2014/2015 IDP:

5.1 Housing Challenges:

- “There is a general need for developable housing sites throughout the municipality”
- “The provision of housing is also largely constrained by lack of land – because of the mountainous topography and the dolomite geological conditions”
- “Sabie has an identified shortage of 2,300 housing units for the current population”
- “The housing waiting list shows a need for 4,660 houses across all Wards”
- “The housing backlog is mainly due to the high influx of people from the rural and farming areas”
- “According to the IDP, the slow movement of the land reform programme is affecting the establishment of new townships in rural areas within Thaba Chweu”

5.2 Housing Strategies:

- “Housing should not pose a danger to the residents”
- “Water services should be available in all houses”
- “Houses should have adequate sanitation for residents”
- “Housing opportunities should be in close proximity to transport and employment opportunities”
- “Housing should be provided according to the waiting list”
- “Informal settlements should be formalised throughout the municipality”
- “Plan for the creation of public open space and play facilities in new low-income housing developments, as part of the housing and infrastructure development”
6. Context: Market Reports

6.1 Report Coverage

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

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

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

Thaba Chweu’s housing market has stabilised after a recent drop; the stabilisation was due to stable incomes, new housing investment and, in particular, a thriving sectional title market (which provides an affordable ownership option). Overall, the housing market appears to be growing steadily; this growth seems to be stimulated by the growth in Mashishing, Sabie and Graskop’s markets. Housing options by property value segment are diversely distributed across the municipality. However, the municipality is predominantly freehold. Additionally, the highest growth volumes in Thaba Chweu appear in subplaces with high Government housing investment.

Thaba Chweu’s affordability ratio, at 4.3, is above the national average of 3 and the mining town average of 2.8. Overall, suburbs may appear affordable. However, at the citywide level, the overall average income is much lower, therefore the few average sales are unaffordable. Perhaps due to below-average monthly incomes, 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 requirements) as well as unlocking equity rather than simply trying to push costs down.

The presence of older RDP units within the municipality represents 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 41% of all registered properties in Thaba Chweu are Government-sponsored. Average equity in these areas doubles 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.

Thaba Chweu has an above-average diversity and integration of housing values and property types, despite some clustering, 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.

Thaba Chweu has experienced consistent activity from all traditional lenders in 2013, throughout the municipality. There is also a slight but consistent emergence of non-traditional lenders; these lenders have more flexible regulatory environments and more creative, competitive financing tools which may facilitate housing ownership opportunities for the lower segment of the market. Due to the presence of hundreds of 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.

Despite low rental housing options, 45% of households rent in Thaba Chweu, which is significantly higher than the mining town average of 30%. The opportunity for rental housing development is strong in specific areas such as Beverly Hills, Mashishing SP and Indian Centre Kokstad Ext 2. Areas with high levels of renters also very often have above-average household incomes. Those areas with greater density, modest incomes and affordability challenges are more likely to support quality, professionally managed, affordable rental housing.
8. Housing Performance Profile

8.1 Key Findings: Housing Performance Index

The Thaba Chweu housing market has experienced modest levels of uneven growth recently. It has seen an influx of some new housing investment and a growing sectional title market and the increasing urbanisation of previously undeveloped or rural areas within the municipality. Mining activity, which is not included in this report, may be a factor as well.

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

8.2 Policy Implications

With a market growing as quickly as Thaba Chweu, 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 the 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 divided by the total number of properties.
8.4 The Housing Performance Index

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measured</th>
<th>Implies</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Average sales price</td>
<td>Appreciation</td>
<td>25%</td>
</tr>
<tr>
<td>Value</td>
<td>Average property value</td>
<td>Appreciation</td>
<td>25%</td>
</tr>
<tr>
<td>Transactions</td>
<td>Number of sales</td>
<td>Demand</td>
<td>15%</td>
</tr>
<tr>
<td>Percent Donned</td>
<td>Bonds per sales</td>
<td>Investment</td>
<td>15%</td>
</tr>
<tr>
<td>Churn</td>
<td>Repeat sales as a percent of total properties</td>
<td>Activity</td>
<td>10%</td>
</tr>
<tr>
<td>New Properties</td>
<td>New properties added to the registry</td>
<td>Growth</td>
<td>10%</td>
</tr>
</tbody>
</table>
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 overall growth (below) appears to be recovering and advancing towards a stable upward trend.

Most areas are experiencing slow market growth with only two subplaces – Graskop and Sabie on the town’s east side – experiencing a spike in growth in 2013. In considering development investment over the long term, stability of growth is often a more important consideration, when projecting future performance, than high growth. Building housing opportunities between areas of high and low growth can better integrate housing markets overall. This information can help inform 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.

These charts compare the performance of three ownership types, namely freehold, sectional title and estate ownership. Generally, properties appear to be selling notably above their values, e.g. in 2013 sale prices were about R170 000 above the property value, which may suggest lender and buyer interest in area. The gap may also be the result of lower-cost housing bringing the average value down. Further to this considering that sale prices decreased was in unison with the spike in new properties, more so freehold properties and it also suggests an unmet demand for properties.

Overall, the number of sales (green bar) has halved and bonded sales (brown line) have decreased by 15% since 2008. The greatest decrease is visible in the estate properties, which are predominantly located in Mashishing. Interestingly, it’s also the largest and most diverse market in the municipality.

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, except for sectional title properties.
Different housing markets perform in different ways, including freehold (free-standing) homes and sectional title (sub-units within a single property). The area is predominantly freehold (see Market Size below), yet sectional title market activity is growing significantly in terms of sales transaction, lending and rates of new properties added to the registry (red line).

Along with the 13% decrease in the bonded sales of freehold properties, there has been a 14% increase in the bonded sales of sectional title properties, suggesting a shift in the lending focus. Bonds associated with sectional title units in 2013 (71%) are more than 15% higher than any other property type. This may be driven by market growth which has been stimulated by an increase in new sectional title properties and the simultaneous steady increase in churn areas. Sectional title sale prices and values are almost identical, suggesting active and interested lenders, buyers and sellers. 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.

Sectional title properties are of the only property type experiencing higher and significantly increasing churn, or turnover rates (blue lines), even with the increase in new properties, suggesting a robust market in the sale of existing sectional title properties. While sales volumes are almost five times less than freehold properties, the number of sectional title sales has increased since 2011. 2008 saw a spike in new Estate properties, suggesting a new development. Estate properties are, however, experiencing the greatest drop in market activity and average sales prices are trending significantly below property values.
9. Market Size

9.1 Market Size: Key Findings

Thaba Chweu’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 and integrated between higher-priced, actively selling private growing markets and lower income, non-bonded Government-sponsored developments and further flung informal settlements (not on the deeds registry).

The implied demand for housing is high. The current estimated housing backlog represents about 50% 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

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

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 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 you own 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 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. When comparing the distribution of values to the housing performance map, several moderate income areas are growing faster than the municipality.

In Thaba Chweu, unlike most mining towns, Government-sponsored housing seems to be concentrated within formal property markets, providing a great opportunity to leverage that investment through programmes and priorities to unlock the value of those homes for the homeowners.

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).

Thaba Chweu has a range of property values throughout the municipality, with very few suburbs hosting only one property value segment; there are almost 3000 properties under R250 000 within the main city centre. This may help to explain the area’s stable market and lack of sensitivity to changes in prices, financing or income changes. In small housing markets Government interventions and programmes must be more specific as their impact on the market overall will be greater. This makes it a good model for understanding the impact of a broad range of well-located, affordable housing. A diverse approach may help to expand the diversity and distribution of housing options across town.

### Market Size: Total Properties by Property Value Segment

**Thaba Chweu, 2013**

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Under R250k</th>
<th>Between R250k - R500k</th>
<th>Between R500k - R1.2M</th>
<th>Over R1.2M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mashishing SP</td>
<td>906</td>
<td>1 307</td>
<td>881</td>
<td>2 921</td>
</tr>
<tr>
<td>Sable SP</td>
<td>610</td>
<td>372</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td>632</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simile SP</td>
<td>418</td>
<td>204</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graskop SP</td>
<td>478</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>230</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverlyhills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kellysville</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leroro SP</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

**Source:** SA Deeds data, via Lightstone (pty) Ltd, 2015. All indicators reflect formal market data as reflected on the deeds registry.
Thaba Chweu residential properties are predominantly freehold, with sectional title units located in the town centre.

**9.6 Market Size by Property Type**

Mashishing SP has the highest number of residential properties and the most diverse property types – i.e. freehold, sectional title and estate properties. It also has the most diverse property value segments, i.e. with the properties valued at R250 000 – R500 000 between R500 000 and R1.2 million; and over R1.2 million, making it a good example for how markets might work in other parts of the municipality.
9.7 Market Size by Households and Income

The understanding of the distribution of households and incomes within Thaba Chweu helps to inform one of 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 (i.e. Mashishing SP, Sabie SP, Indian Centre Kokstad Ext. 2 and Sterkspruit SH). 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. While this generates important income to the owners, the creation of quality, affordable rental housing in those areas can help to address some of the housing backlog more quickly.

Areas with above-average renters and moderate incomes (green bar) (e.g. Thaba Chweu NU and Beverly Hills) 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 in Leroro SP, Thaba Chweu NU and Sterkspruit Nature Reserve A have high populations, low formal properties, few registered properties and low incomes.

### Market Size: Households, Properties and Income
Thaba Chweu, 2013

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Households Renting (Grey)</th>
<th>Total Households</th>
<th>Total Residential Properties</th>
<th>HHs to Properties Ratio</th>
<th>Avg monthly HH income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mashishing SP</td>
<td>60% 11,775</td>
<td></td>
<td></td>
<td>2.0</td>
<td>R 11.8K</td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td>45% 6,087</td>
<td></td>
<td></td>
<td></td>
<td>R 13.8K</td>
</tr>
<tr>
<td>Simile SP</td>
<td>42% 3,390</td>
<td></td>
<td></td>
<td></td>
<td>R 4.4K</td>
</tr>
<tr>
<td>Sabie SP</td>
<td>51% 1,786</td>
<td></td>
<td></td>
<td></td>
<td>R 4.2K</td>
</tr>
<tr>
<td>Lerero SP</td>
<td>1% 1,220</td>
<td></td>
<td></td>
<td>152.5</td>
<td>R 11.3K</td>
</tr>
<tr>
<td>Graskop SP</td>
<td>1% 1,087</td>
<td></td>
<td></td>
<td></td>
<td>R 11.5K</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>2% 80</td>
<td></td>
<td></td>
<td></td>
<td>R 4.6K</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext. 2</td>
<td>2% 1,254</td>
<td></td>
<td></td>
<td></td>
<td>R 11.3K</td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td>2% 1,000</td>
<td></td>
<td></td>
<td></td>
<td>R 4.2K</td>
</tr>
<tr>
<td>Beverlyhills</td>
<td>2% 69</td>
<td></td>
<td></td>
<td></td>
<td>R 6.2K</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td>2% 47</td>
<td></td>
<td></td>
<td></td>
<td>R 16.4K</td>
</tr>
<tr>
<td>Kellysville</td>
<td>20% 474</td>
<td></td>
<td></td>
<td></td>
<td>R 5.6K</td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td>60% 682</td>
<td></td>
<td></td>
<td></td>
<td>R 4.4K</td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td>0% 0</td>
<td></td>
<td></td>
<td></td>
<td>R 0.0K</td>
</tr>
</tbody>
</table>

Source: Stats SA 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.
10. Market Activity

10.1 Key Findings

Sales of housing units are concentrated in the south of Thaba Chweu and mostly in upper-income areas. Sales dropped across the Country after 2008 and have picked up slowly afterwards in Thaba Chweu again, mostly in higher-priced housing.

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

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. These products should be tailored to meet the needs of the lower-income markets.

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

10.3 Quick Definitions:

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

**Market Share**: the 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

In 2008, over 90% of all residential sales and bonded sales in Thaba Chweu were over R500 000 (the red and blue sections). Market share (the portion of the total) by property value segment has remained relatively consistent since 2009, with most change occurring in 2012 when 80% of sales and bonded sales were above R500 000. 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 increased by 15% between 2010 – 2012. However, it declined by half to 12% in the following year (while interestingly, loans to properties under R250 000 increased by 3% in 2013). The sales by property value chart, below, indicates that much of this increase was in Sabie.

Decreases in lending overall might be due to credit indebtedness which disproportionately impacts lower-income borrowers, or lack of access to affordable homes to buy. 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.
10.5 Lending per Property Value Segments

This chart shows (by contrast to the previous charts) the percent of bonded sales within the various property value segments. The relatively few formal bonded sales in the town make the trend lines more dramatic. **Overall, the total of sales receiving bonds in Thaba Chweu went down in the past 6 years evenly but the drop was not evenly distributed across property values.** Properties within R500 000 and R1.2 million (the blue line) increased dramatically, perhaps reflecting the increased registrations of sectional title units within that period. The lowest property values (the green line) experienced the greatest decrease since 2008, perhaps due to decreased supply of housing that falls within this segment, or limited access to credit.

Bonded sales between R250 000 – R500 000 experienced the highest spike in growth from 2009, growing by 30%. This upsurge may be due to new housing being added, such as the new freehold units which likely fit into this price range. The upper tiered properties more closely reflect the activity of overall bonded sales rates across the Country. Bonded sales of properties over R500 000 have decreased by about 15% during the measured period, perhaps due to market overexposure, or fewer eligible buyers.

10.6 Sales by Property Value Segments

This map shows the volume of sales activity (the size of the dot) by suburb and value across the town.

The volume of sales activity appears to be highest in the west of the municipality. The R500 000 – 1.2 million (orange portion) and over R1.2 million (red portion) appear to be the most active value segments.

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

An important distinction in market performance is the transacting 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. As with several other mining towns, new registrations are clustered in only a few subplaces across the municipality. Mashishing, which has the highest number of both repeat and new sales, appears to be the most active subplace in the municipality. A key follow-up will be in determining what is constraining this growth.

New sales often 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 can now 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.

<table>
<thead>
<tr>
<th>Total Sales by Sales Type</th>
<th>Thaba Chweu, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New and repeat sales</strong></td>
<td></td>
</tr>
<tr>
<td>Beverlyhills</td>
<td></td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td></td>
</tr>
<tr>
<td>Graskop SP</td>
<td>19</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>12</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>2</td>
</tr>
<tr>
<td>Kellysville</td>
<td></td>
</tr>
<tr>
<td>Leroro SP</td>
<td></td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td></td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>23</td>
</tr>
<tr>
<td>Sabie SP</td>
<td>54</td>
</tr>
<tr>
<td>Simile SP</td>
<td>3</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td></td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td></td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td></td>
</tr>
</tbody>
</table>

Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.
In Thaba Chweu, several suburbs have experienced sales over the past few years. The **growth and maturity of housing markets can often be found by comparing the interaction between new and resale market sales 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 such as Mashishing, which had more sales.

Often, volumes of new homes in prior years become resales in later years. 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 (first two columns) and bonded property sales (third and fourth columns) from 2012 to 2013. It is possible to see important market shifts by comparing the change in activity within particular property markets from one year to the next.

It is important to note the 700% change in residential sales in the under R250 000 value segment which coincides with growth in Government-sponsored units, further noting that only 5 of these were bonded sales. Interestingly, there has been an increase in loans to mid-to-upmarket (orange and red) properties and several middle-market areas between R500 000 and R1.2 million.

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

```
<table>
<thead>
<tr>
<th>Property Value Segment</th>
<th>2012 Total Sales</th>
<th>2013 Total Sales</th>
<th>Change in Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under R250k</td>
<td>18</td>
<td>27</td>
<td>26.25%</td>
</tr>
<tr>
<td>Between R250k - R500k</td>
<td>62</td>
<td>85</td>
<td>37.7%</td>
</tr>
<tr>
<td>Between R500k - R1.2M</td>
<td>49</td>
<td>36</td>
<td>-26.53%</td>
</tr>
<tr>
<td>Over R1.2M</td>
<td>1</td>
<td>3</td>
<td>200%</td>
</tr>
</tbody>
</table>
```

### Market Activity: Total Sales and Change in Sales

**Thaba Chweu, 2012 - 2013**

Change in residential and bonded sales

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Total Residential Sales</th>
<th>Change in Residential Sales</th>
<th>Total Bonded Residential Sales</th>
<th>Change in Bonded Residential Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graskop SP</td>
<td>18</td>
<td>26.25%</td>
<td>11</td>
<td>120%</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>2</td>
<td>-33%</td>
<td>1</td>
<td>-50%</td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>85</td>
<td>700%</td>
<td>62</td>
<td>0</td>
</tr>
<tr>
<td>Sabie SP</td>
<td>47</td>
<td>700%</td>
<td>24</td>
<td>200%</td>
</tr>
<tr>
<td>Simile SP</td>
<td>2</td>
<td>-33%</td>
<td>3</td>
<td>-100%</td>
</tr>
</tbody>
</table>

Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.
10.10 Change in New and Repeat Sales

This chart shows the specific rate of activity of new and repeat sales from 2012 to 2013. As seen before, new sales were concentrated in Graskop, Mashishing and Sabie.

Many of these 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.

Mashishing, Sabie and Graskop are the only subplaces with new sales, although this is a percentage decrease from the previous year, all of which are located where there has been high Government-sponsored housing investment.

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

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Total New Sales</th>
<th>Change in New Sales</th>
<th>Total Repeat Sales</th>
<th>Change in Repeat Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverlyhills</td>
<td></td>
<td>-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graskop SP</td>
<td>19</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>2</td>
<td>-50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kellysville</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leroro SP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>137</td>
<td>-10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sabie SP</td>
<td>54</td>
<td>74%</td>
<td></td>
<td>-15%</td>
</tr>
<tr>
<td>Simile SP</td>
<td>3</td>
<td>-25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.
The relationship between local sales prices (orange lines) and average property values (blue lines) can tell much about the activity and integration of supply and demand. Every house in a suburb has a value, determined by the number of sales, changes in prices, churn (repeat sales) and other factors present in a robust housing market. Only houses which have 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 Mashishing). Interestingly this subplace has the highest investment in Government-sponsored housing and the highest number of properties, i.e. 2921 units, in the under R250 000 segment.

Although values are consistently increasing throughout the municipality, sales prices fluctuate a great deal, and are often notably lower. Sales prices in affordable areas more often reflect access to credit, rather than interest in the neighbourhood.
11. Lending Activity

11.1 Key Findings

The largest volume of lending occurs in one subplace – i.e. Mashishing. Bonded sales are almost entirely concentrated in sales over R500 000, with those loans largely concentrated in only two subplaces. Lending from non-traditional lenders has increased incrementally and consistently, similar to lending by each of the four major banks in the Country, which has also increased steadily.

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. Programmes should also make creative financing available for rental projects.

11.3 Quick Definitions:

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

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

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

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

Loan data taken from the deeds registry can provide lending activity by lender, which has grown consistently in the area. By comparing the top chart (all loans held by each lender) and the bottom chart (activity by lender per year) it is possible to note that, while the lending in the area has consistently grown the amount per year varies from lender to lender. As an example, annual lending decreased significantly from 2008, when the highest new lending activities by all lenders took place. Of note has been the infusion of other lenders into the area throughout the period. This is most often employer-assisted lending, primarily from companies providing home loan benefits to their employees. The lending may reflect increased mining activity, requiring staff deployment in the area. In 2011, there was a significant increase in lending, perhaps in response to the infusion of jobs. Standard Bank has maintained the highest market share in Thaba Chweu in recent years.

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 areas 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 lower map) and how that has changed from their overall portfolio in that suburb (slices in the top map). In Thaba Chweu, all lenders appear to be active historically throughout the entire municipality, with all lenders giving new loans in 2013 but not in all areas.

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

<table>
<thead>
<tr>
<th>Suburb</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thaba Chweu</td>
<td>ABSA</td>
<td>FNB</td>
<td>Nedbank</td>
<td>Standard Bank</td>
<td>Other Lenders</td>
<td>Other Lenders</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td></td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
</tbody>
</table>

## 11.6 Market Share

Most areas in Thaba Chweu have sustained lending activity over time. 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.

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

12.1 Key Findings

The presence of older Government-sponsored units within the municipality represents 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 41% of all registered properties in Thaba Chweu were sponsored by the Government. The value of each of these homes, if sold in the private market, can be applied towards the cost of a new home.

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

12.2 Policy Implications

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

To encourage an increase in the supply of gap housing, Government can unlock sites, supply infrastructure or grants, or hook-up fee discounts. 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 organise to implement homebuyer counselling, debt consolidation and moderate rehab costs of the existing home to ensure loan performance of the portfolio.

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

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 Harmony Hill wished to purchase a home in Simile, they could sell their home and apply the equity towards the cost of the new home, reducing the amount they would have to borrow by, to R300 000. Thus, equity makes homeownership in higher-priced neighbourhoods or newer developments more affordable, expanding housing options (and increasing the potential market area). **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.

<table>
<thead>
<tr>
<th>Average Equity to Average Sales Price</th>
<th>Thaba Chweu, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The value of average home equity related to the average sales price</strong></td>
<td></td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td>R 840K</td>
</tr>
<tr>
<td>Graskop SP</td>
<td>R 449K, R 569K</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>R 48K, R 314K</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>R 746K, R 760K</td>
</tr>
<tr>
<td>Kellysville</td>
<td>R 284K</td>
</tr>
<tr>
<td>Leroro SP</td>
<td>R 159K</td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>R 352K, R 758K</td>
</tr>
<tr>
<td>Sable SP</td>
<td>R 131K, R 462K, R 560K</td>
</tr>
<tr>
<td>Simile SP</td>
<td>R 217K</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td>R 67K</td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td>R 300K</td>
</tr>
</tbody>
</table>

Source: SA Deeds Registry via Lightstone (Pty) Ltd., 2015. All indicators reflect formal market data as reflected on the deeds registry.
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 which they can sell. This lowers their monthly payment or increases the price they can afford. Leverage is the practice of using this equity to increase their housing affordability. This indicator thus becomes very useful for meeting – and closing – the housing gap.

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

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

13.1 Key Findings

Thaba Chweu’s affordability ratio of 4.3 is above the mining town average of 2.8 – meaning it takes 4.3 times the average income to afford the average house. The overall monthly average income is below average and there remain large disparities among incomes and affordable housing access in certain areas within the municipality.

In some areas, sales prices are very low, probably the result of lack of credit access forcing sellers to sell for whatever cash might be offered regardless of how much the house may be worth.

13.2 Policy Implications

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

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

Lack of adequate affordable supply in areas with very low incomes can often be quickly addressed through the 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 provide 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 understanding local household income to determine what is reasonably afforded by existing residents, how much of a gap exists and what is required to ensure more realistic affordability. The Affordability Ratio is determined by dividing the purchase price affordable to the average household income, by the average sales price. Nationally, it takes three times the average income to afford the average sales price; within the mining towns, this ratio averages 2.8. This doesn’t mean that families are paying that, it means that most homes on the deeds registry are not affordable to the majority of South Africans. 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 Thaba Chweu, a few formal markets appear more affordable to local residents, creating potential for a fairly stable formal housing market. The introduction of new products or strategies is more likely to be sustainable if they are responsive to current residents. Developers and investors consider purchasing power and affordability of surrounding areas in order to understand the price point – and project viability – of future development.

The target home price can also be compared to estimated potential per-unit construction costs to determine the ease with which units might be built and sold.

<table>
<thead>
<tr>
<th>Subplace Name</th>
<th>Avg Monthly Income</th>
<th>Target house price</th>
<th>Average Sales Price</th>
<th>Affordable Price Gap</th>
<th>Affordability Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverlyhills</td>
<td>R 6K</td>
<td>R 147K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td>R 4K</td>
<td>R 110K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graskop SP</td>
<td>R 11K</td>
<td>R 303K</td>
<td>R 449K</td>
<td>R -146K</td>
<td>1.5</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>R 5K</td>
<td>R 120K</td>
<td>R 48K</td>
<td>R 73K</td>
<td>0.4</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>R 11K</td>
<td>R 297K</td>
<td>R 760K</td>
<td>R -463K</td>
<td>2.6</td>
</tr>
<tr>
<td>Kellysville</td>
<td>R 16K</td>
<td>R 432K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leroro SP</td>
<td>R 4K</td>
<td>R 116K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td>R 0K</td>
<td>R 0K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>R 12K</td>
<td>R 311K</td>
<td>R 758K</td>
<td>R -448K</td>
<td>2.4</td>
</tr>
<tr>
<td>Sable SP</td>
<td>R 14K</td>
<td>R 365K</td>
<td>R 560K</td>
<td>R -196K</td>
<td>1.5</td>
</tr>
<tr>
<td>Simile SP</td>
<td>R 3K</td>
<td>R 83K</td>
<td>R 131K</td>
<td>R -48K</td>
<td>1.6</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td>R 6K</td>
<td>R 163K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td>R 25K</td>
<td>R 658K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thaba Chweu NU</td>
<td>R 5K</td>
<td>R 132K</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 price. As an example in Indian Centre Kokstad Ext. 2, it takes 2.6 times the average income to afford the average house. It is worth noting that most subplaces do not have sales activity with which to measure sales affordability. In areas with sales, the affordability ratio was about 4.3, meaning the average income could not afford the average house with less disparity between incomes and prices. Overall, suburbs appear affordable for households in those specific suburbs as they can afford those houses. However, at the citywide level, the overall average income is much lower, therefore the few average sales are unaffordable.

In Thaba Chweu, the average income is about R5 900, the average target house price is R156 000 (how much house that income can afford) and the average sales price is R670 000. 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.

This includes what resources or policies might be required to help fill these gaps, i.e. affordable financing, buyer subsidies, key questions, include: can equity fill the housing gap, and if so, what policies will encourage the sale of lower-cost homes that can allow housing purchases further upstream for lower-income households? How might the housing or income gap affect sales and rental feasibility?

---

**Mind the Gap Chart**

**Thaba Chweu, 2013**

*Affordability indicators per suburb*

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Avg Monthly HH income</th>
<th>Target house price</th>
<th>Avg Sales Price</th>
<th>Affordable Price Gap</th>
<th>Affordability Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverlyhills</td>
<td>R 6K</td>
<td>R 147K</td>
<td>R 449K</td>
<td>R -146K</td>
<td>0.5</td>
</tr>
<tr>
<td>Glory Hill Ext 5</td>
<td>R 4K</td>
<td>R 10K</td>
<td>R 48K</td>
<td>R 73K</td>
<td>0.4</td>
</tr>
<tr>
<td>Graskop SP</td>
<td>R 11K</td>
<td>R 303K</td>
<td>R 760K</td>
<td>R -463K</td>
<td>2.6</td>
</tr>
<tr>
<td>Harmony Hill</td>
<td>R 5K</td>
<td>R 20K</td>
<td>R 48K</td>
<td>R 73K</td>
<td>0.4</td>
</tr>
<tr>
<td>Indian Centre Kokstad Ext 2</td>
<td>R 11K</td>
<td>R 297K</td>
<td>R 760K</td>
<td>R -463K</td>
<td>2.6</td>
</tr>
<tr>
<td>Kellysville</td>
<td>R 16K</td>
<td>R 432K</td>
<td>R 120K</td>
<td>R -196K</td>
<td>1.6</td>
</tr>
<tr>
<td>Leroro SP</td>
<td>R 4K</td>
<td>R 16K</td>
<td>R 48K</td>
<td>R 73K</td>
<td>0.4</td>
</tr>
<tr>
<td>Lydenburg Nature Reserve</td>
<td>R 0K</td>
<td>R 0K</td>
<td>R 0K</td>
<td>R 0K</td>
<td>0.0</td>
</tr>
<tr>
<td>Mashishing SP</td>
<td>R 12K</td>
<td>R 311K</td>
<td>R 1758K</td>
<td>R -448K</td>
<td>2.4</td>
</tr>
<tr>
<td>Sabie SP</td>
<td>R 14K</td>
<td>R 365K</td>
<td>R 560K</td>
<td>R -196K</td>
<td>1.6</td>
</tr>
<tr>
<td>Simile SP</td>
<td>R 8K</td>
<td>R 8K</td>
<td>R 131K</td>
<td>R -48K</td>
<td>0.8</td>
</tr>
<tr>
<td>Sterkspruit Nature Reserve A</td>
<td>R 6K</td>
<td>R 163K</td>
<td>R 859K</td>
<td>R -658K</td>
<td>1.7</td>
</tr>
<tr>
<td>Sterkspruit SH</td>
<td>R 25K</td>
<td>R 32K</td>
<td>R 231K</td>
<td>R 451K</td>
<td>1.7</td>
</tr>
</tbody>
</table>

*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.
13.6 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 sale price, such as Simile, 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, which is 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 either farms, open spaces, mines or informal settlements.
14. Rental Index

14.1 Key Findings

In Thaba Chweu, 45% of households rent, according to the 2011 StatsSA census. The opportunity for rental housing development within Thaba Chweu is strong within specific areas. Three subplaces score high on the rental index, i.e. Beverly Hills, Mashishing SP and Indian Centre Kokstad Ext 2; this suggests that the opportunity for rental housing is strongest in those specific areas.

Those areas with greater density, modest incomes and affordability challenges are more likely to support quality, professionally managed, affordable rental housing. Areas with high levels of renters also very often have the highest household incomes. 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.
14.4 Rental Housing: Driving an Affordable Housing Option

Rental housing is one of the most efficient and effective ways to provide affordable accommodation. In most South African towns, this means backyard shacks, an important but inefficient way of meeting overwhelming housing need. While a social housing sector exists, targeting lower income families in multi-unit buildings, these are primarily in large metropolitan areas. Many private developers and investors are considering expanding significantly into the rental segment. If the demand is better understood, governments can meet housing backlogs quickly and affordably by promoting policies which target affordable rental housing.

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

14.5 Locating Rental Housing Markets

The map shows those areas that are more dense than others, with moderate incomes and housing market growth, all important factors when considering the placement and promotion of rental housing. In Thaba Chweu, three subplaces score highest on the rental index, i.e. Beverly Hills, Mashishing SP and Indian Centre Kokstad Ext 2; this suggests that the opportunity for rental housing is strongest in those specific areas.

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

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

15.1 Affordable

Traditionally affordable refers to housing or areas with prices or values below the overall market which target below-average incomes. It is often defined as R500 000 or less (but can be higher or lower depending on intent) because this is the amount that a household earning less than R16 000 on average can afford, 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 meaningless 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

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 amount available to purchase or lowering monthly mortgage payments (or both). Individual circumstances within neighbourhoods may vary widely, but areas with higher aggregate levels of equity represent greater opportunity for upward mobility, both for existing residents who can sell and invest the equity in a new home and for lower income households able to purchase the existing home.

15.9 Equity Growth

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

15.10 Formal Housing market

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

15.11 Housing Continuum

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

15.12 Leverage

Leverage is the practice of purchasing something by borrowing part of the total cost and 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.
15.13 Market Segment

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

15.14 Market Share

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

15.15 Rental Index

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

15.16 Suburb

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

15.17 Value or Worth

The value of a property as determined by several factors, including recent comparable sales nearby, 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) proprietary valuation methodology to determine value.
16. Source List

  Accessed 05 February 2015
  Accessed 09 February 2015
  Accessed 09 February 2015
  Accessed 09 February 2015.
- Thaba Chweu Local Economic Development Agency. Thaba Chweu Local Economic Development Agency Investment Brochure