



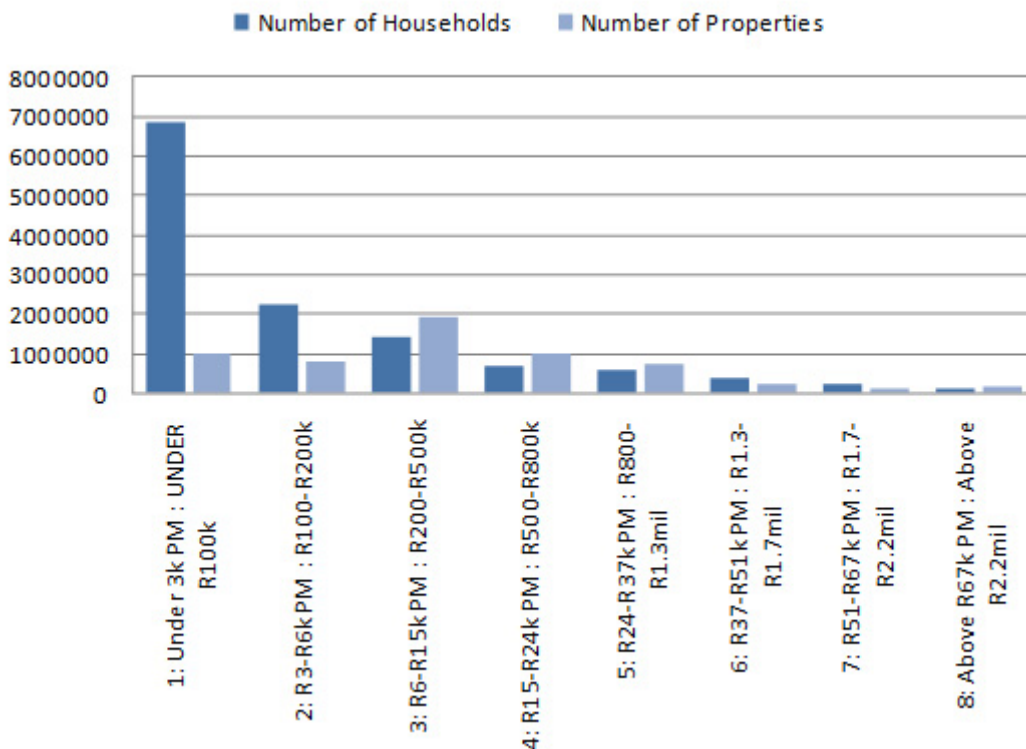
Your Property Information Advantage

Lightstone maps South Africa's most affordable housing

Demand for affordable housing in South Africa far outweighs affordable housing stock, particularly for properties with values below R200 000, where potential demand is in the millions. So says Lightstone property consulting, which recently undertook a survey to identify affordable areas in the country.

The chart below highlights the great demand for housing in affordable areas and particularly affordable properties with values below R200 000. It summarises the households that make up the population of South Africa by their respective income earning categories and maps these income categories to the value bands of property that would be affordable.

Housing Demand for Residential Properties in South Africa



Not surprisingly the biggest shortage of properties is for the seven million households earning a combined income of under R3 000 per month, who would not qualify for a home loan to buy a property worth more than R100 000. However, there are only an estimated one million properties in the R100 000 price band in South Africa.

“These households would most likely be housed in informal housing or as secondary households on formal properties or in government housing,” says property consultant, Hayley Ivins.

She adds that while income below R3 000 is the space in which most government-driven housing activities take place, the affordable housing market has emerged as an important battleground for mortgage lenders in recent years – comprising 3.47 million properties collectively valued at ~R850 billion. This figure is made up of 2.28 million properties in the <R250 000 segment and 1.19 million properties in the R250 000 to R450 000 segment.

Lightstone conducted an analytical exercise to identify affordable areas in the country based on the average residential property value in an enumerator area (EA) using a threshold of R450 000 as the upper limit of the average property value for the affordable

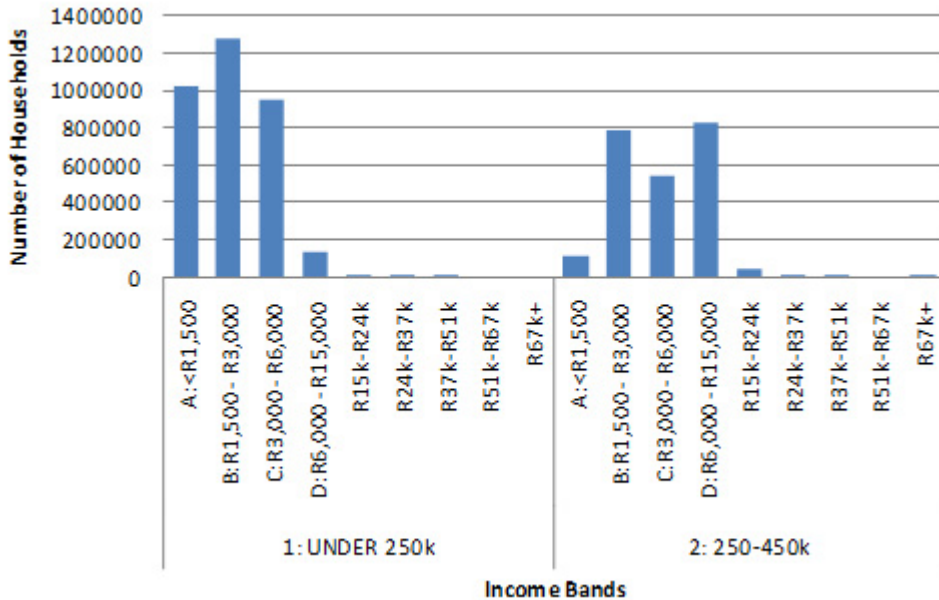
market.

The study assumes that a household will qualify for a bond with monthly repayments of no more than a third of combined revenues at a R1 for every R100 value. For example, a R400 000 will be available to a household earning a combined income of R12 000.

The approach used to identify the affordable enumerator areas (EAs) was to classify suburbs as having an average residential property value of less than R250 000, R250 to R450 000, or greater than R450 000.

About 175 000 properties without cadastres (the boundary points of an erf) were excluded from the study as they cannot be grouped into known areas. The study also excluded areas classified as mid-value or high-value using Lightstone's demographic profiling key, and areas where average property values exceed R450 000.

Income Distribution of Affordable Areas

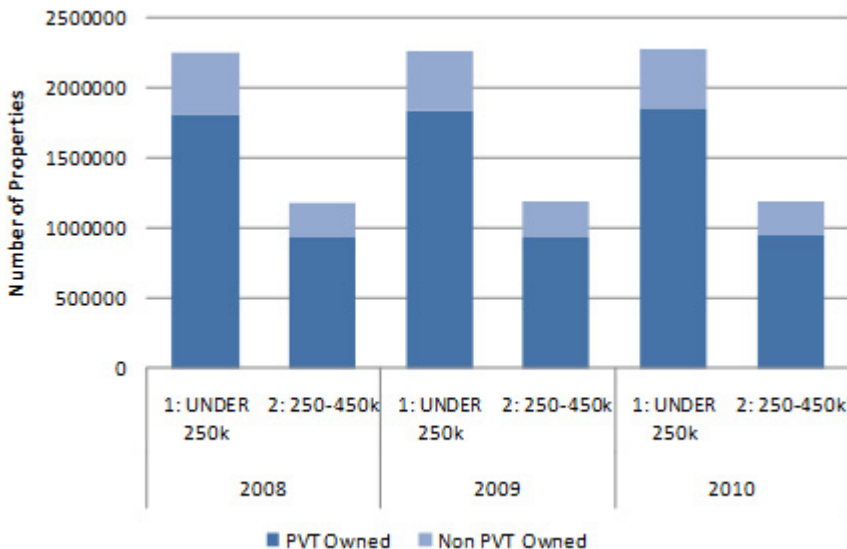


There is also a significant shortfall of more than one million properties for households earning between R3 000 and R6 000 per month, who would be housed as above, but would also make up a portion of the rental market for properties with values between R200 000 and R500 000.

The income distribution for the two classes of affordable areas, i.e. under R250 000 and R250 000 to R450 000 shows an expected skew distribution in the chart above for the number of households living in <R250 000 affordable areas, with 96% of 3.4 million households earning less than R6 000 per month. In the R250 000 to R450 000 affordable areas, 98% of 1.75 million households earn less than R15 000 per month.

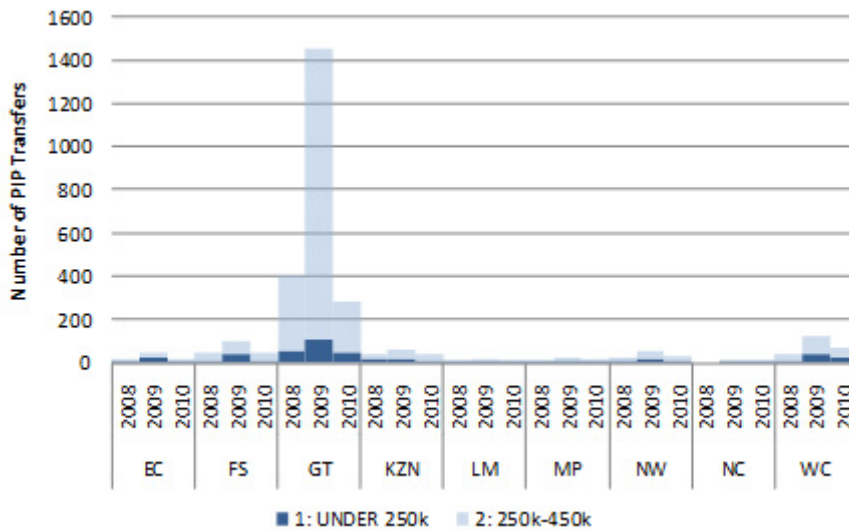
It is noticeable from the chart below that the stock volumes over the last three years have remained fairly constant. From 2008 approximately 80 000 affordable properties have been added to the existing affordable stock base, with around 32 000 added in 2008, 29 000 in 2009 and just more than 20 000 from 2010 to date.

Affordable Stock by Value Brands



The volume of property in possession (PIP) transfers over the last three years is shown for the affordable market below. 2009 was notably a year of high PIP volumes during tight economic times. Gauteng had the highest volumes of PIP transfers over 2008-2010 and although this province does have the highest volume and transfer activity of affordable stock, the PIP transfer rate is significantly higher than the other provinces which could imply that this province was the worst affected by the tough economic period.

Volume of PIP Transfers by Province



Reports Offered

- Automated Valuation Report
- Property Report
- Suburb Report
- Transfers Report
- Surveyor General Search
- CIPRO Search

Quick Tip

When searching for an address, type street name first, and it offers predictive text to ensure the correct Suburb.

NEW!

Street Summary in our property reports, giving you up to date street activity.



Get a free online valuation of your property.

Register at www.lightstone.co.za for your full report.



Comments? Thoughts? Any ideas you want to share with us?

E-mail us on hayleyi@lightstone.co.za or sueanneb@lightstone.co.za

Visit our website: www.lightstone.co.za

© 2011 Lightstone

Physical address: 1st Floor, Block G, Wedgewood Office Park, 3 Muswell Road South, Bryanston, 2191, South Africa

Telephone: +27 (0)11 244 8400 +27 (0)11 244 8400 | Facsimile:+27 (0)11 244 8416

E-mail: info@lightstone.co.za