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The colour of money

Townships losing 12 000 Black Diamond families each month to the suburbs



Middle class blacks have their feet firmly on the SA property ladder. Portia Tau-Sekati

THE EXTENT to which the black middle class is embracing home ownership has increased significantly over the past two years, dispelling the general notion that black South Africans aren't sharing in the wealth created by one of the longest and strongest property booms the country has ever seen.

Portia Tau-Sekati, CEO of the National Association of Real Estate Agencies (Narea), says the recent UCT/Unilever Institute's Black Diamonds survey confirms that middle class blacks now have their feet firmly on the SA property ladder. Tau-Sekati says

"The percentage of Black Diamonds who live in the suburbs more than doubled from 23% in 2005 to 47% in 2007. At the same time, Black Diamonds who live in townships dropped from 77% to 53%."

there's been a dramatic shift in perceptions of home ownership among blacks. Investing in property is now high on their agenda, right up there with other priorities such as a good education for their children.

Says Tau-Sekati: "Traditionally, bricks and mortar were seen merely as a place of shelter. That's clearly changed – with property being increasingly regarded as an important wealth-creating asset and status symbol."

The Unilever survey shows that there are 2,6m black South Africans who fall into the so-called Black Diamonds category, up 30% over the past two years. Although there are different definitions of who the typical black middle class consumer is, the term Black Diamonds generally refers to educated, salaried people earning more than R4 000/month.

Tau-Sekati says the rapid growth in that sector has seen the migration from townships to former white suburbs accelerating at a much faster pace than initially anticipated. That's confirmed by Unilever's research, which shows that the percentage of Black Diamonds who live in the suburbs more than doubled from 23% in 2005 to 47% in 2007. At the same time, Black Diamonds who live in townships dropped from 77% to 53%.

Tau-Sekati says that translates to more than 12 000 black families/month (50 000 individuals) moving from townships to suburbs. Interestingly, the buying power in the townships dropped by 15% over the same two-year period. That does, of course, have impli-

cations for developers and retailers that are increasingly taking their malls and merchandise to townships.

Main reasons for blacks moving to the suburbs include access to jobs and shopping malls, improved security, access to better

schools and opportunities for children and a visible sign of success/status. Black buyers also believe that the suburbs offer better property investment returns than townships.

Tau-Sekati expects the move to the suburbs to gain further momentum as black buying power increases. She says there's no doubt that black buyers will become a major driver of housing sales and prices in traditional suburbs over the next five years. "The fast-changing dynamics of the SA housing market will challenge many of the traditional marketing and selling methods used by the SA real estate industry."

But the biggest challenge, says Tau-Sekati, is to create enough new stock – particularly priced below R700 000 – to meet the rapidly growing demand for affordable housing in the suburbs.

David Wentzel, CEO of developer RBA Housing, which operates in the market priced between R250 000 and R700 000, confirms that there's almost an insatiable demand for affordable housing from black buyers. Wentzel says official estimates show that there's currently a housing shortage of 650 000 in the price bracket below R500 000.

Wentzel's view is supported by the latest figures from Lightstone's house price index. It indicates that most of the action on SA's housing front has shifted to the lower and middle end of the market. Lightstone's affordable price band – below R250 000 – reported growth of a massive 43% in March (year-on-year), while the mid-value areas priced between R250 000 and R700 000 are still up 22%. That compares to growth of 13% in the category priced between R700 000 and R1,5m and 11% for the top end above R1,5m.

FNB property strategist John Loos says Lightstone's figures point to a lower end of the market that's literally on the boil. He says while banks may have originally been pressured into the lower end of the market by agreements with Housing Minister Lindiwe Sisulu, from a business sense banks can no longer afford not to participate in that sector.

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