

# State of the Residential Property Market



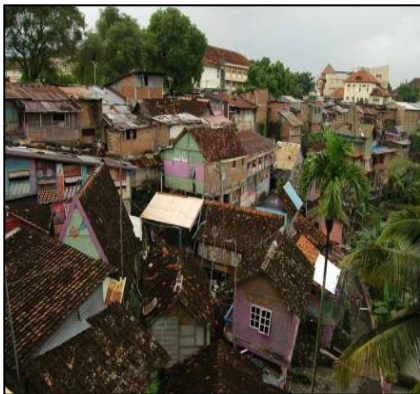
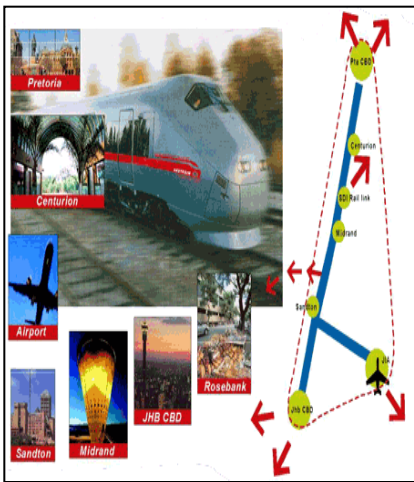
**Francois Viruly**  
**Construction Economics and Management**

GPF Johannesburg  
EPPFP 13 Feb 2014



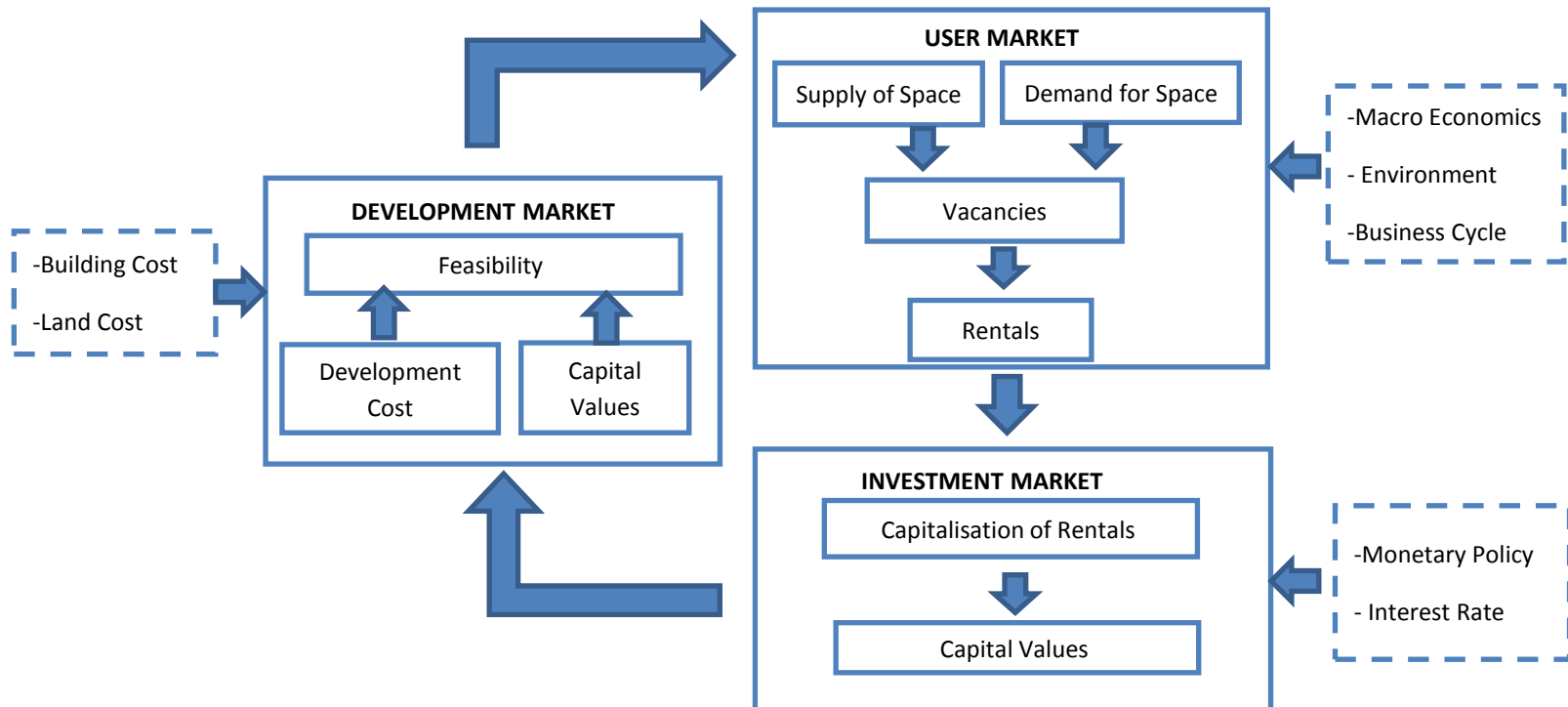
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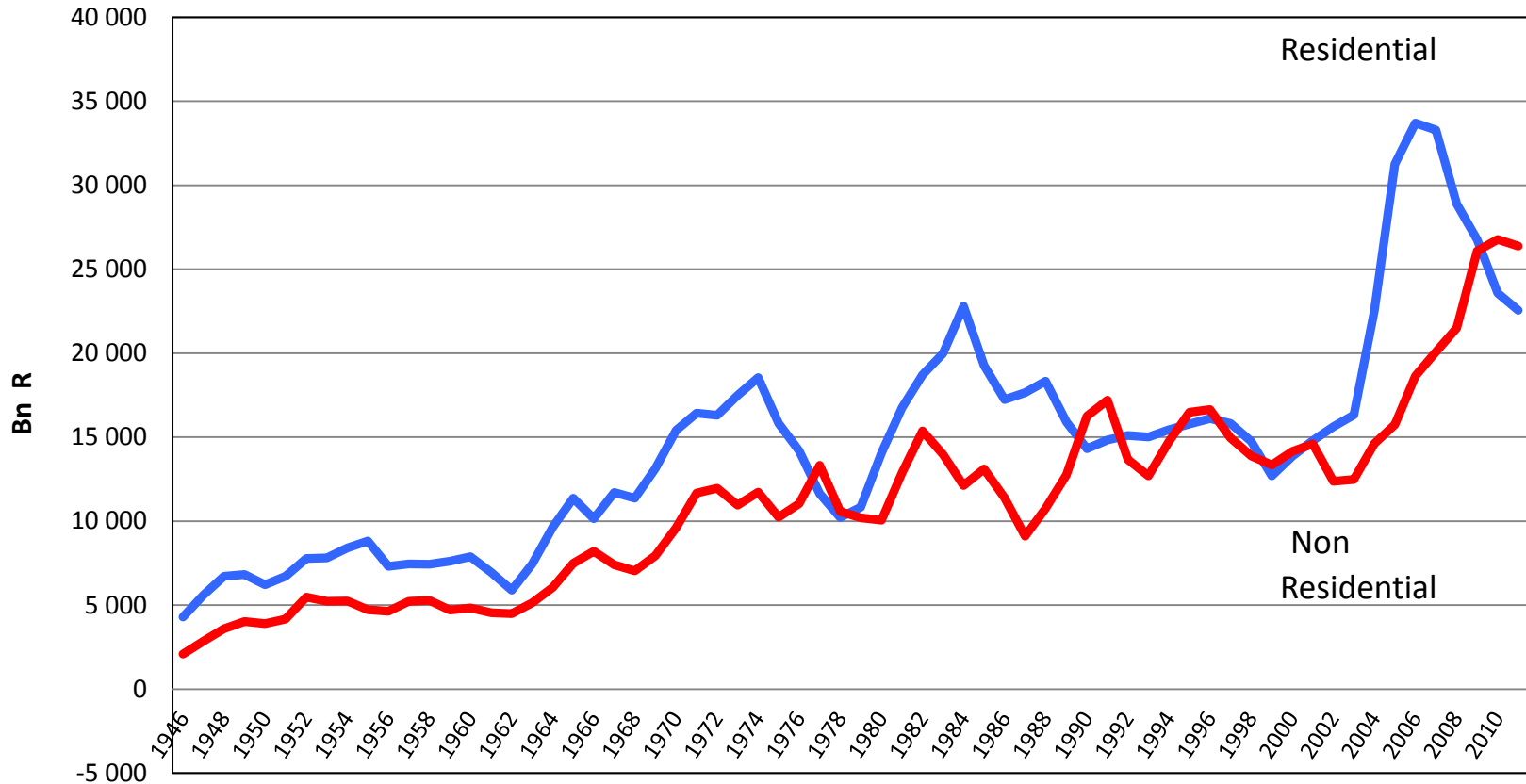


# The Interrelationship between the Different Sectors of the Property Market

## THE INTERACTION BETWEEN MARKETS



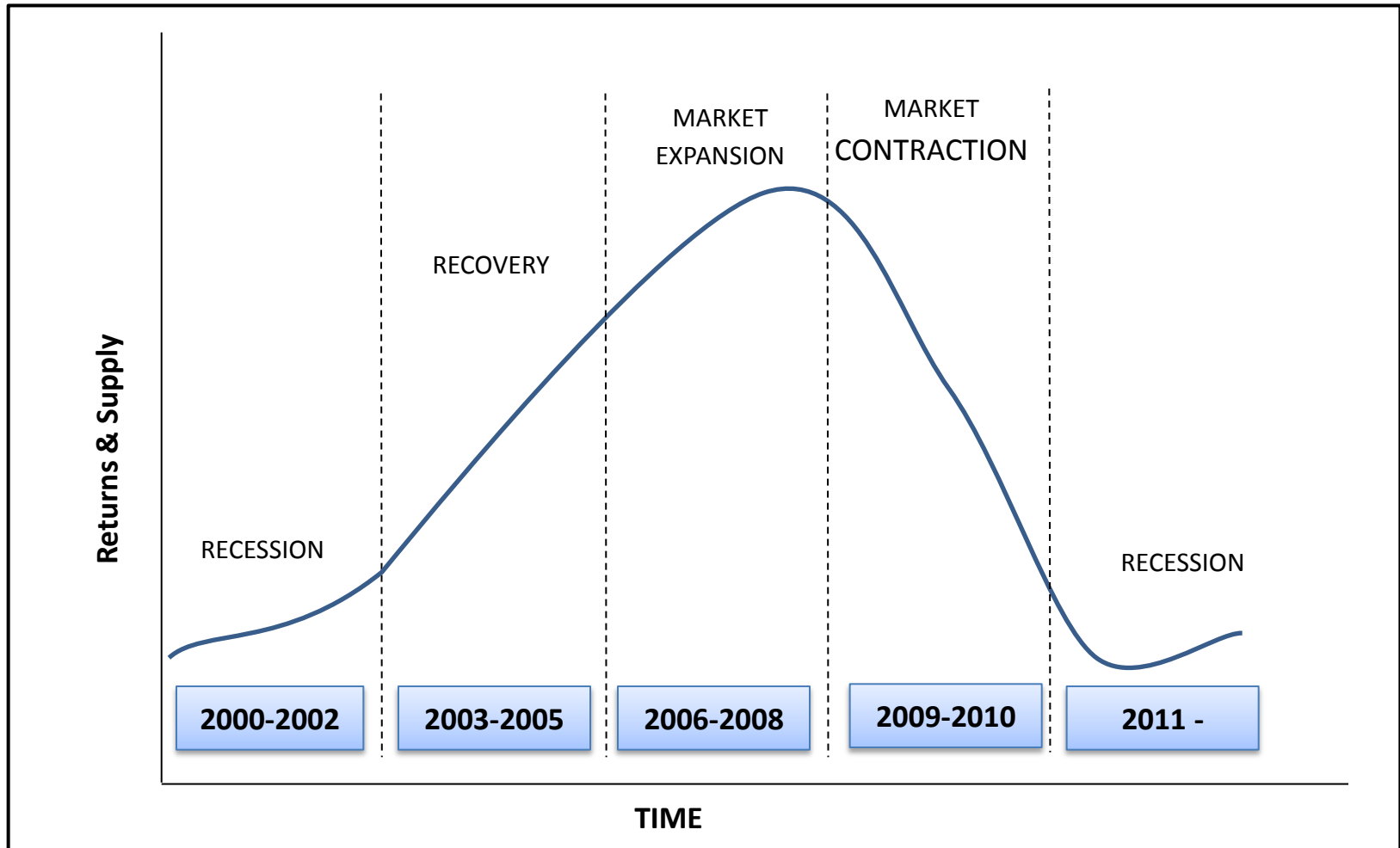
# Every Twenty Years we have a Major Property Construction Boom...



SARB

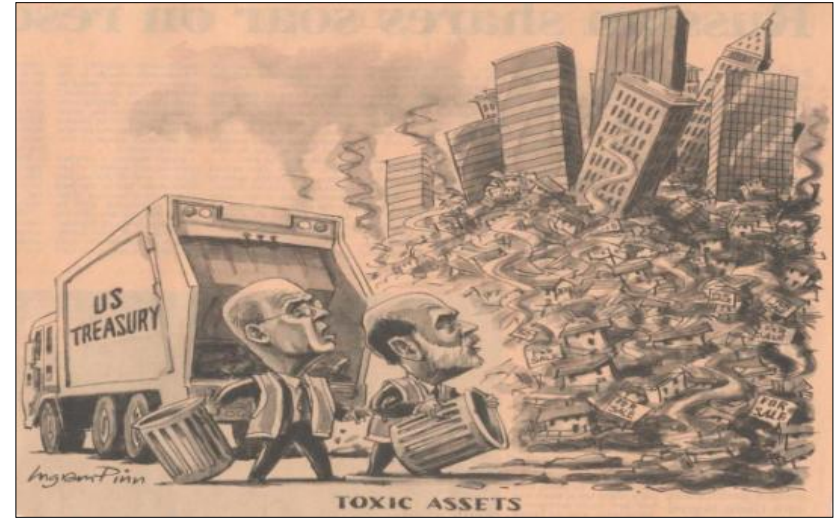


# The Stages of the South African Property Cycle





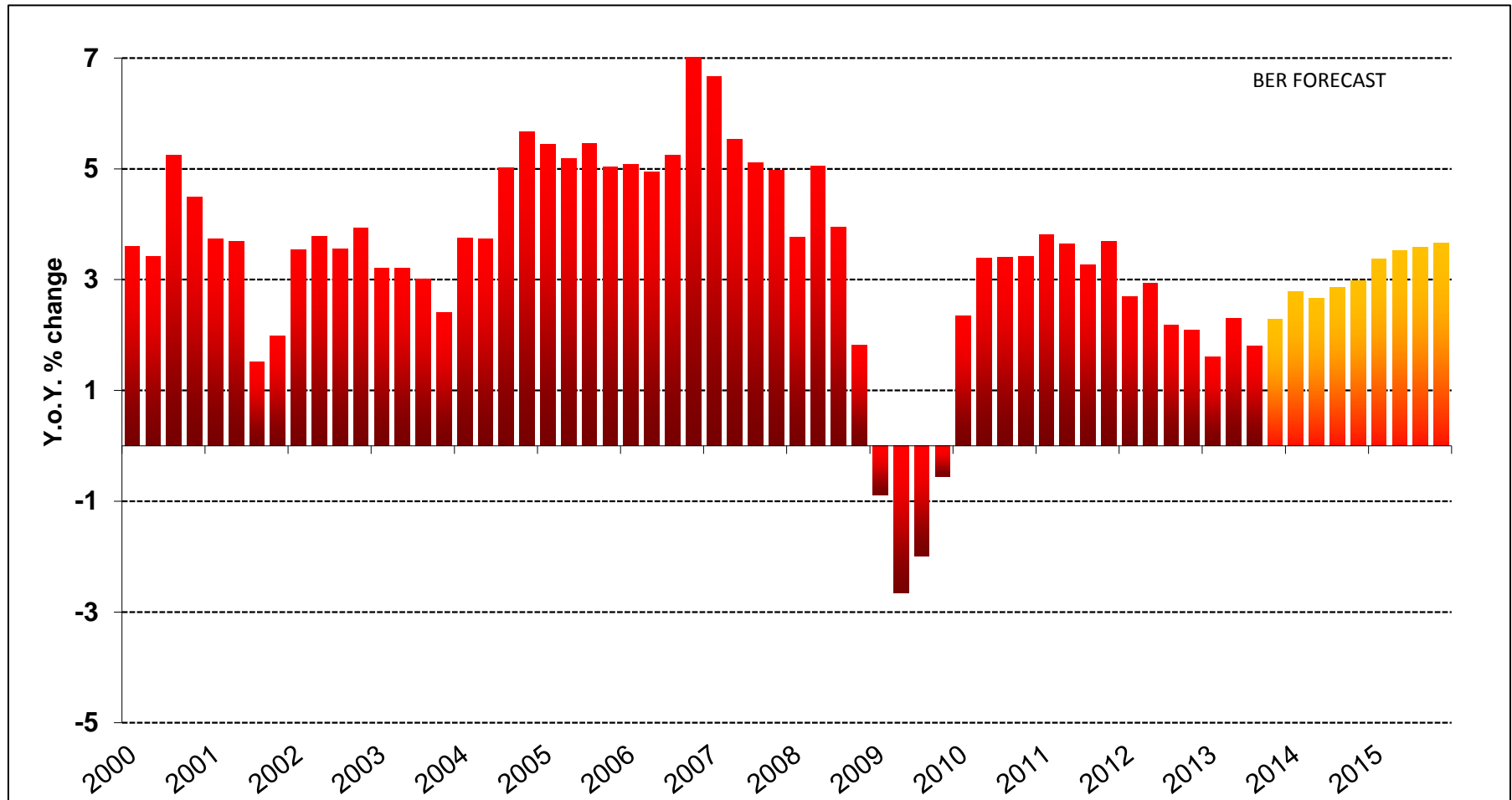
# The Globalization Of The Real Estate Investment Sector



# Economic growth

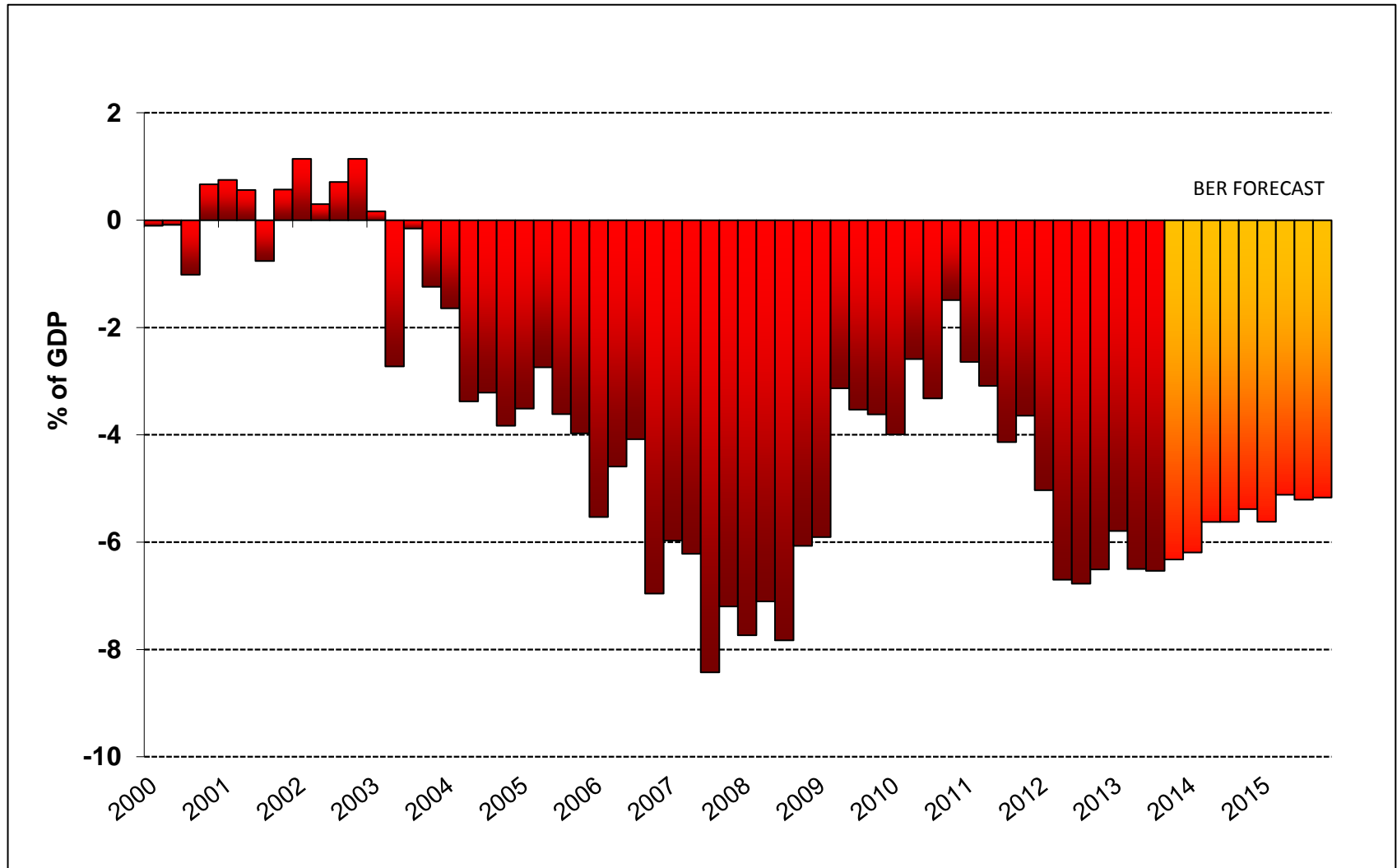
## Gross Domestic Product (GDP)

Source: StatsSA



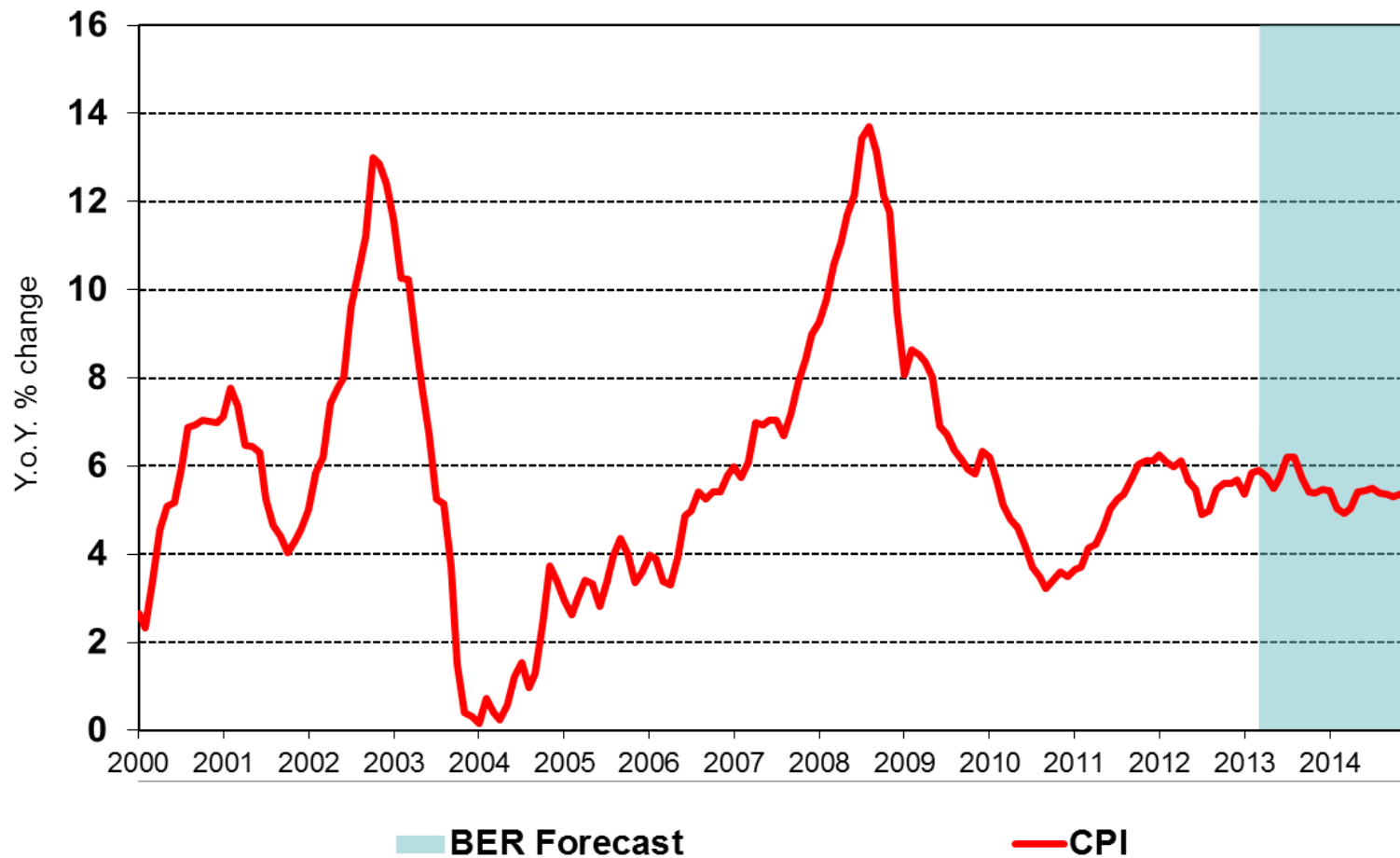
# Current Account Balance as % of GDP

Quarterly Bulletin (SARB) data



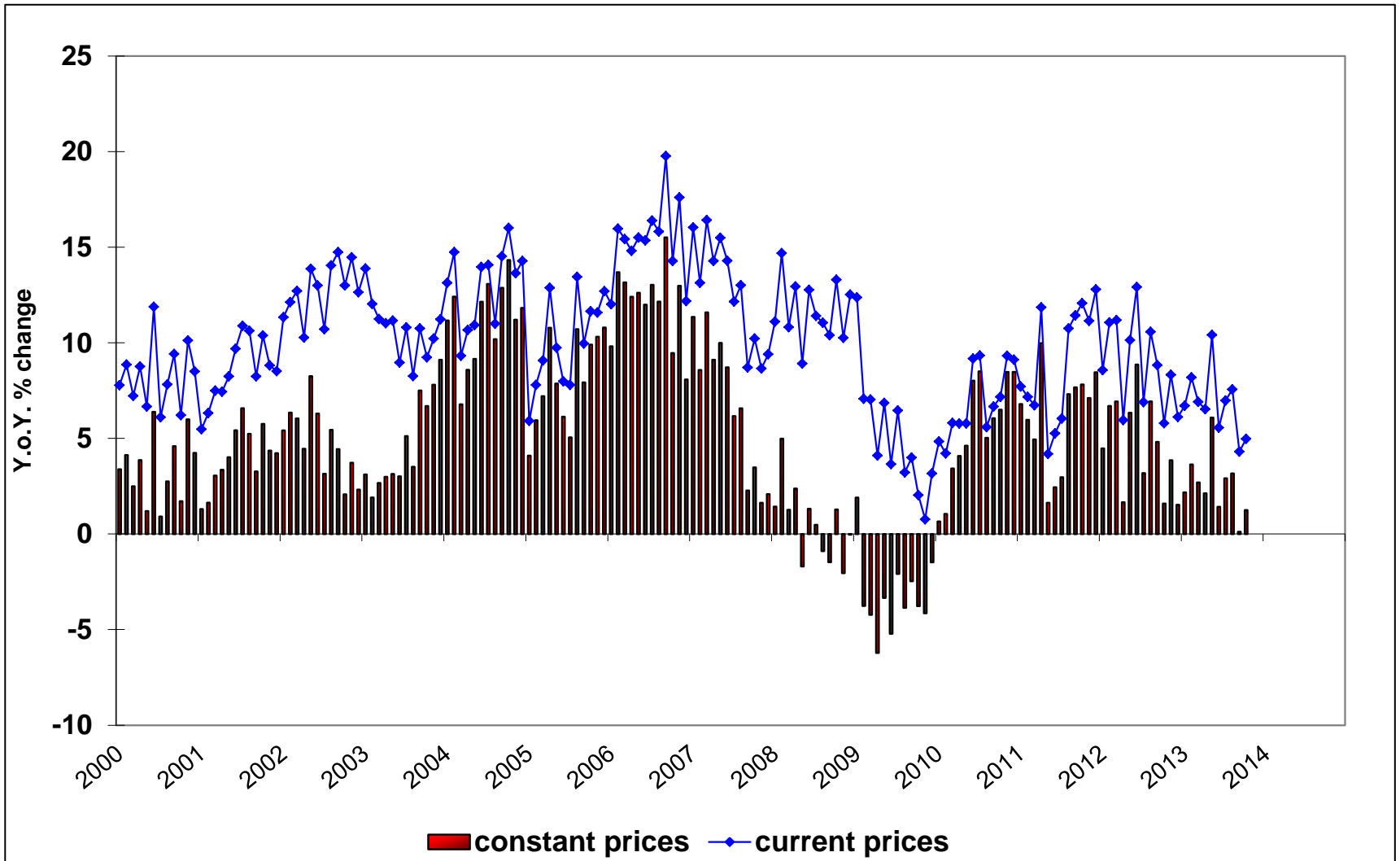


# SA Inflation (StatsSA)

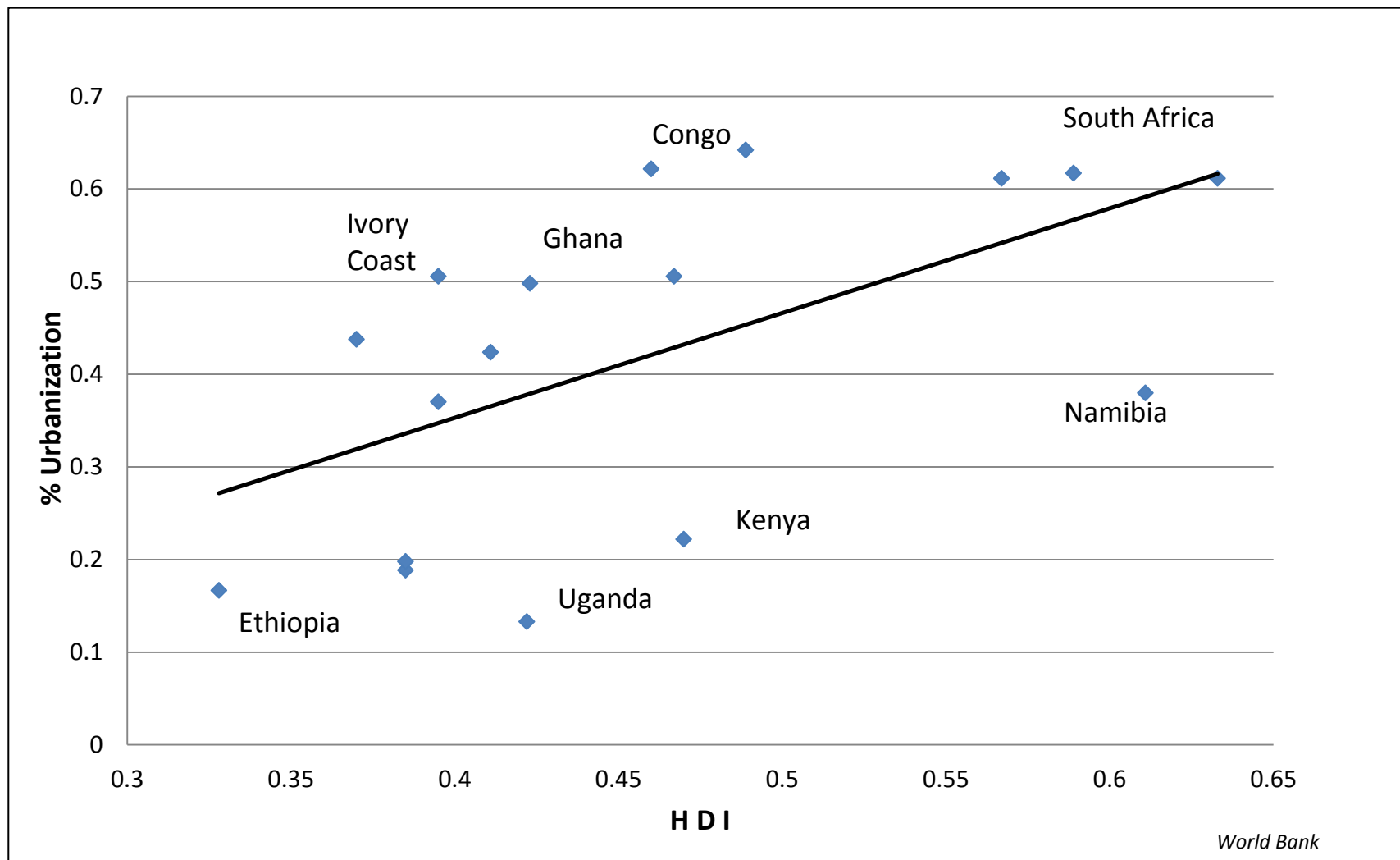


# Retail Sales

Statistics South Africa (StatsSA) data

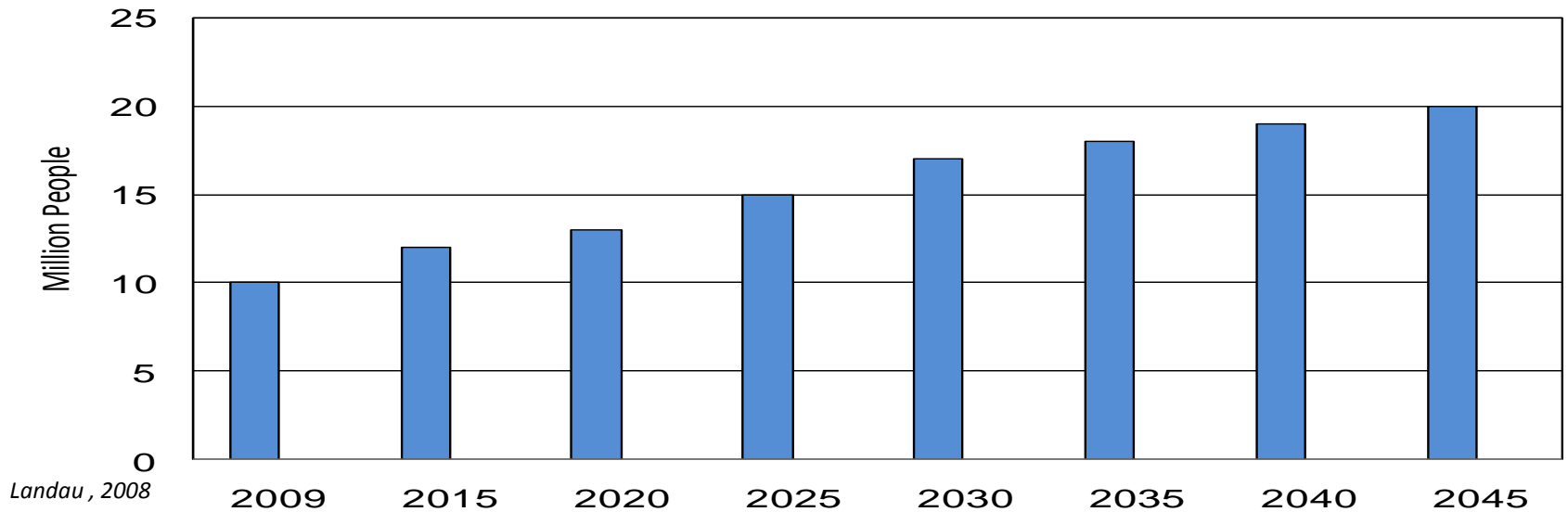


# Human Development Index (HDI) % Urbanisation

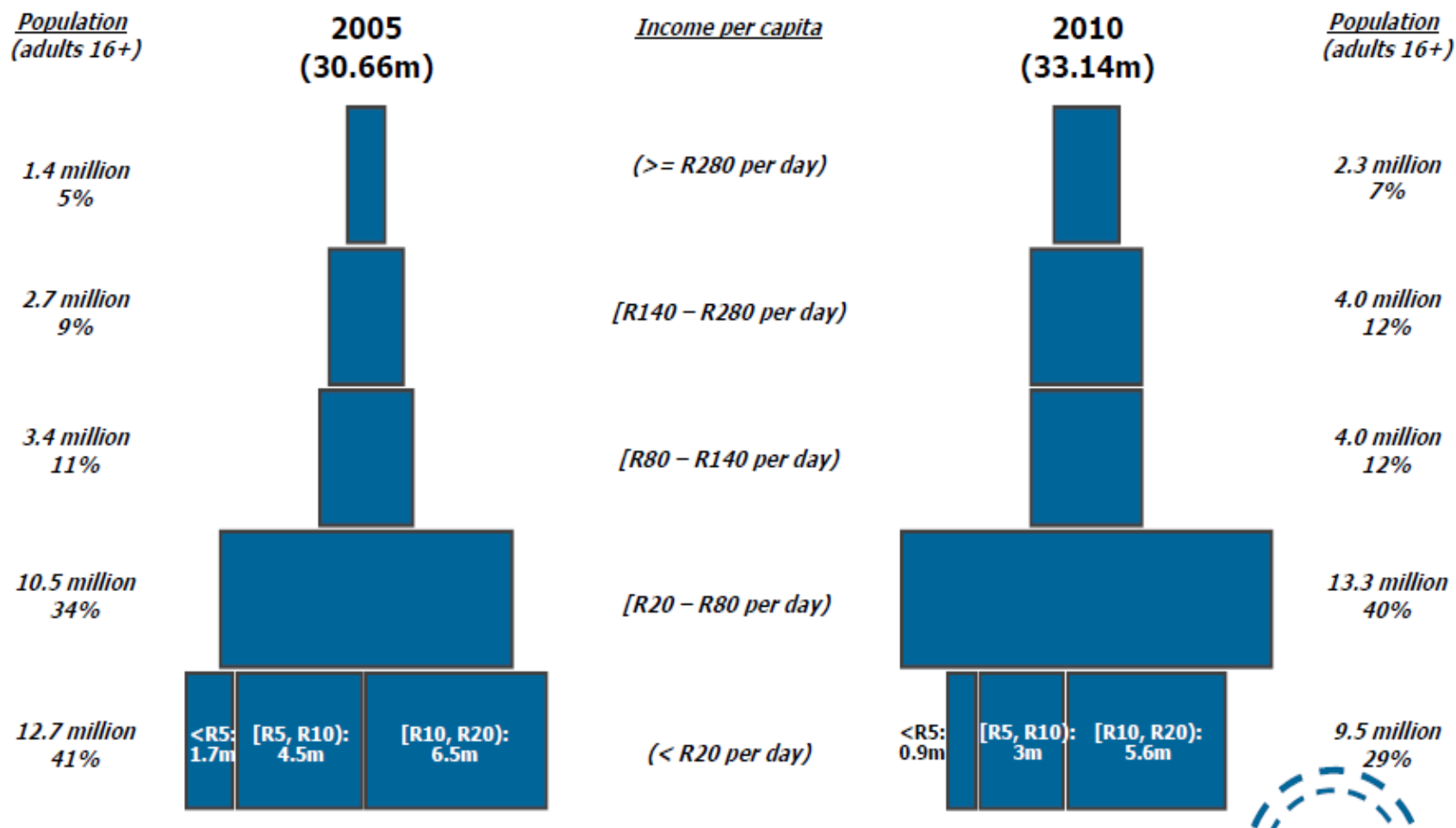




# Demographics Become Densities ?



According to AMPS the BoP has declined considerably since 2005. At that time there were almost 13 million adults in the BoP. In 2010 the BoP was estimated to comprise less than 10 million adults

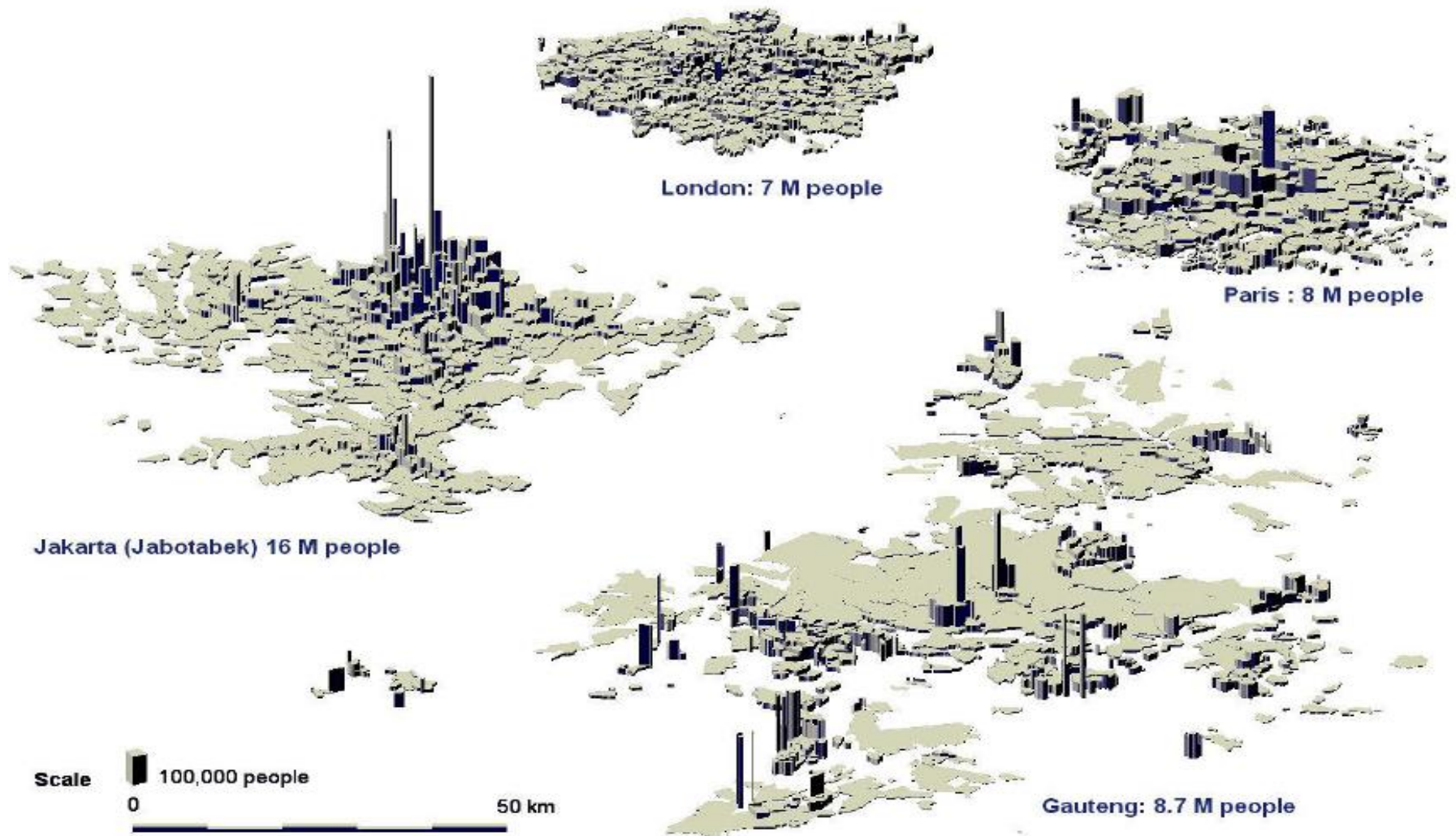


## Distribution of Income

% of SA Households	Approx Household Monthly
14.8%	R15,000 +
32.7%	R3,500 - R15'000
52.5%	0 - R3,500



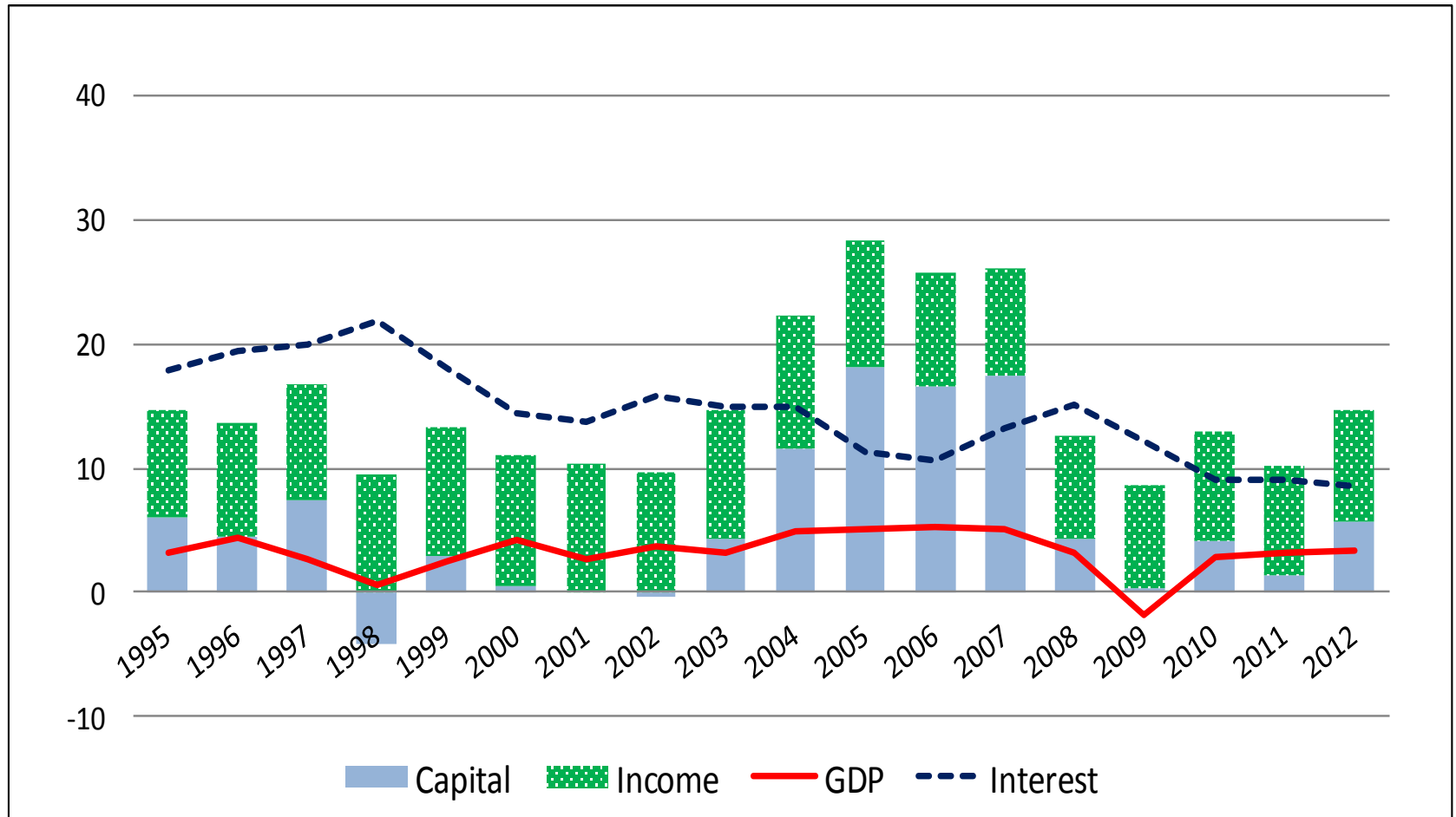
# Inefficient and Environmentally Unsustainable ?



# The Densification of the Built Environment

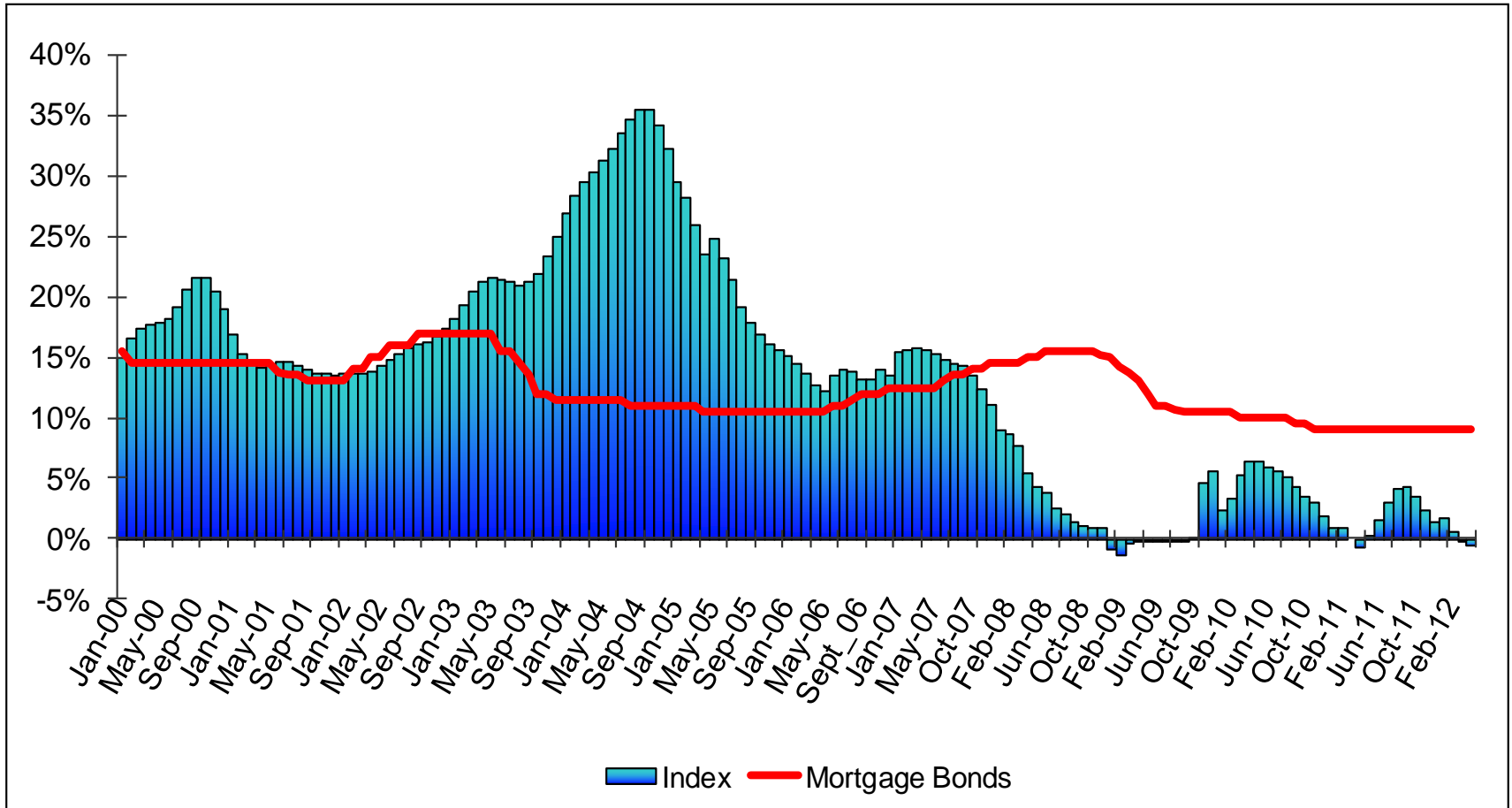


# Total IPD Returns versus GDP Growth





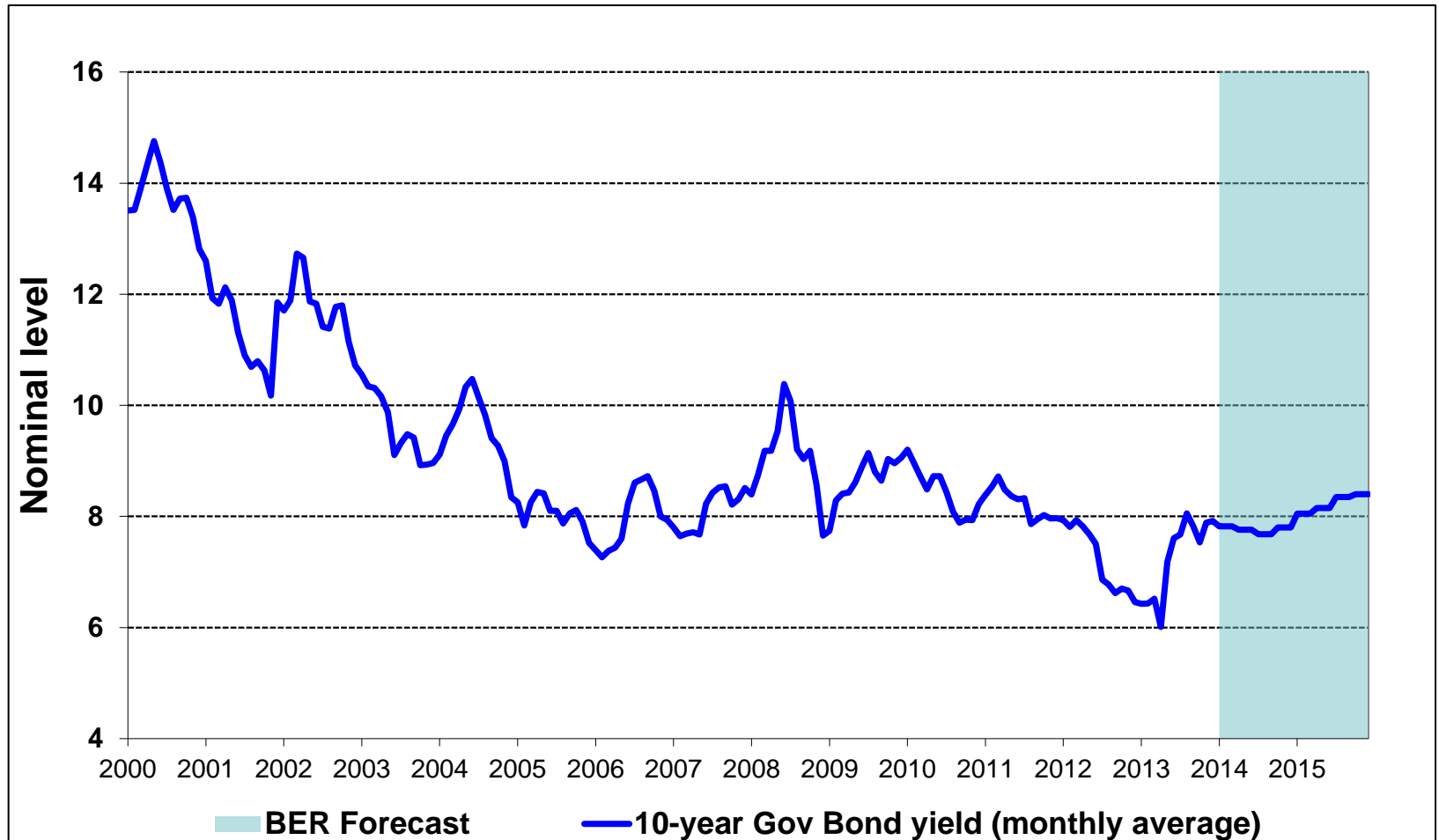
# ABSA House Price Index ( Medium size ) (YOY % Change—Nominal 2000 = 100)



# The Performance of the Residential Property Market

Category of Housing	Real YoY % Change		YTD %
	Oct 2013	Nov 2013	2013
Small (80 sqm-140 sqm)	-1.3	-2.4	2.8
Medium (141 sqm - 220 sqm )	-2.3	-2.9	0.4
Large (221sqm-400 sqm )	3.4	3.6	3.5

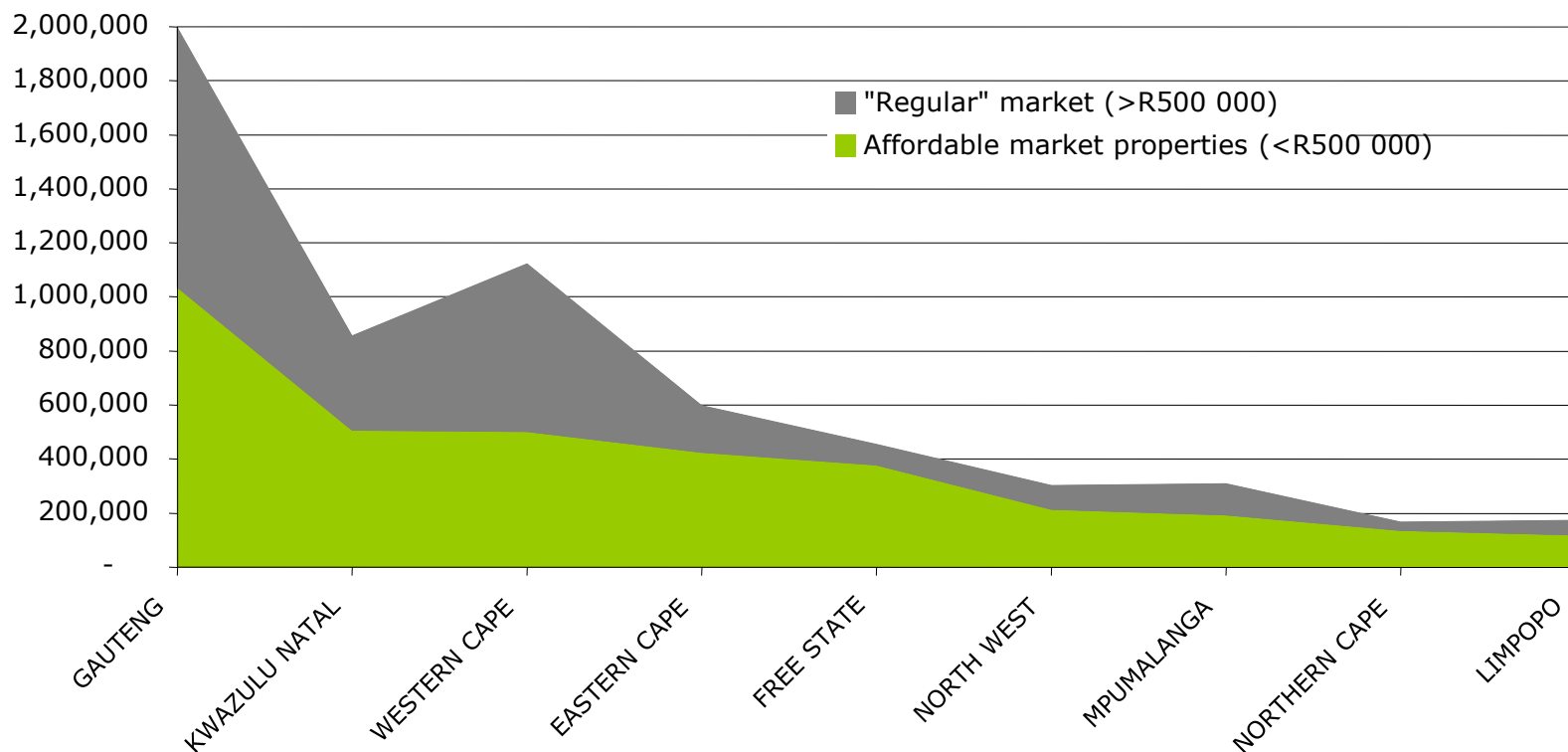
# Long-term Interest Rates





# Affordable versus Regular Market Properties

**Affordable vs. "Regular" Market Properties by Province: All Residential Properties**



## Market size

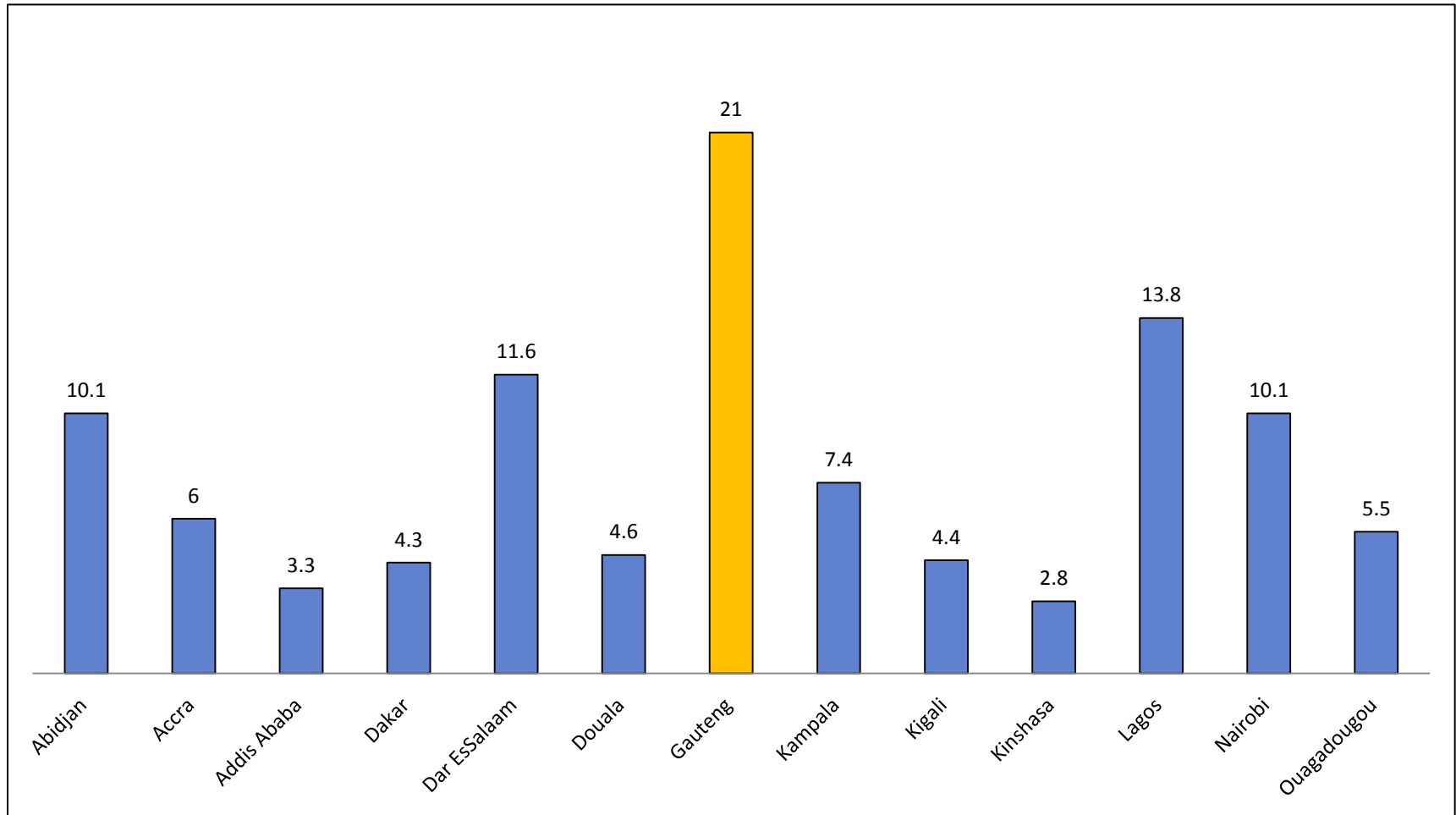
The majority (58%) of properties in SA are worth less than R500,000. each

# Developing the Residential Asset Class ...



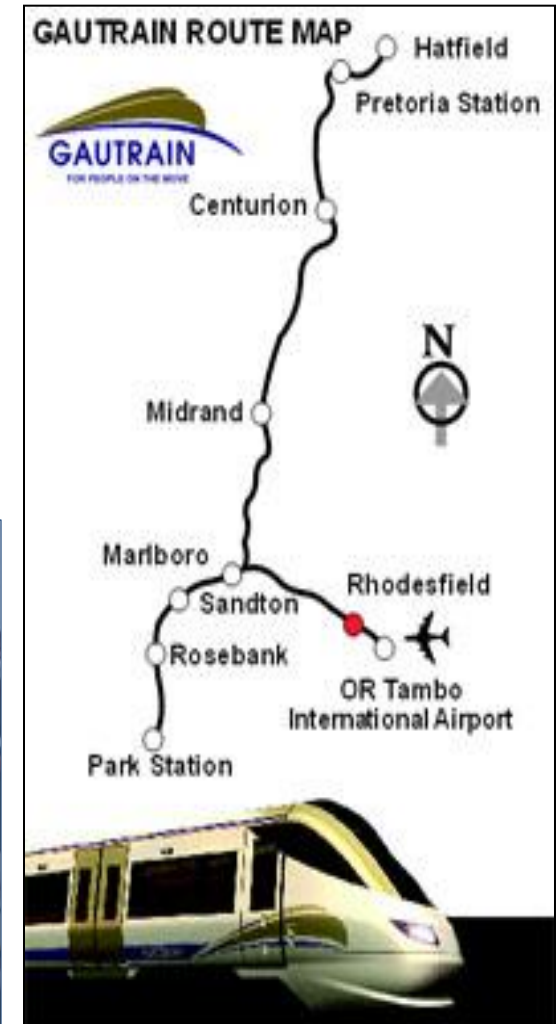
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# % of Household Budget Spent on Transport in Africa

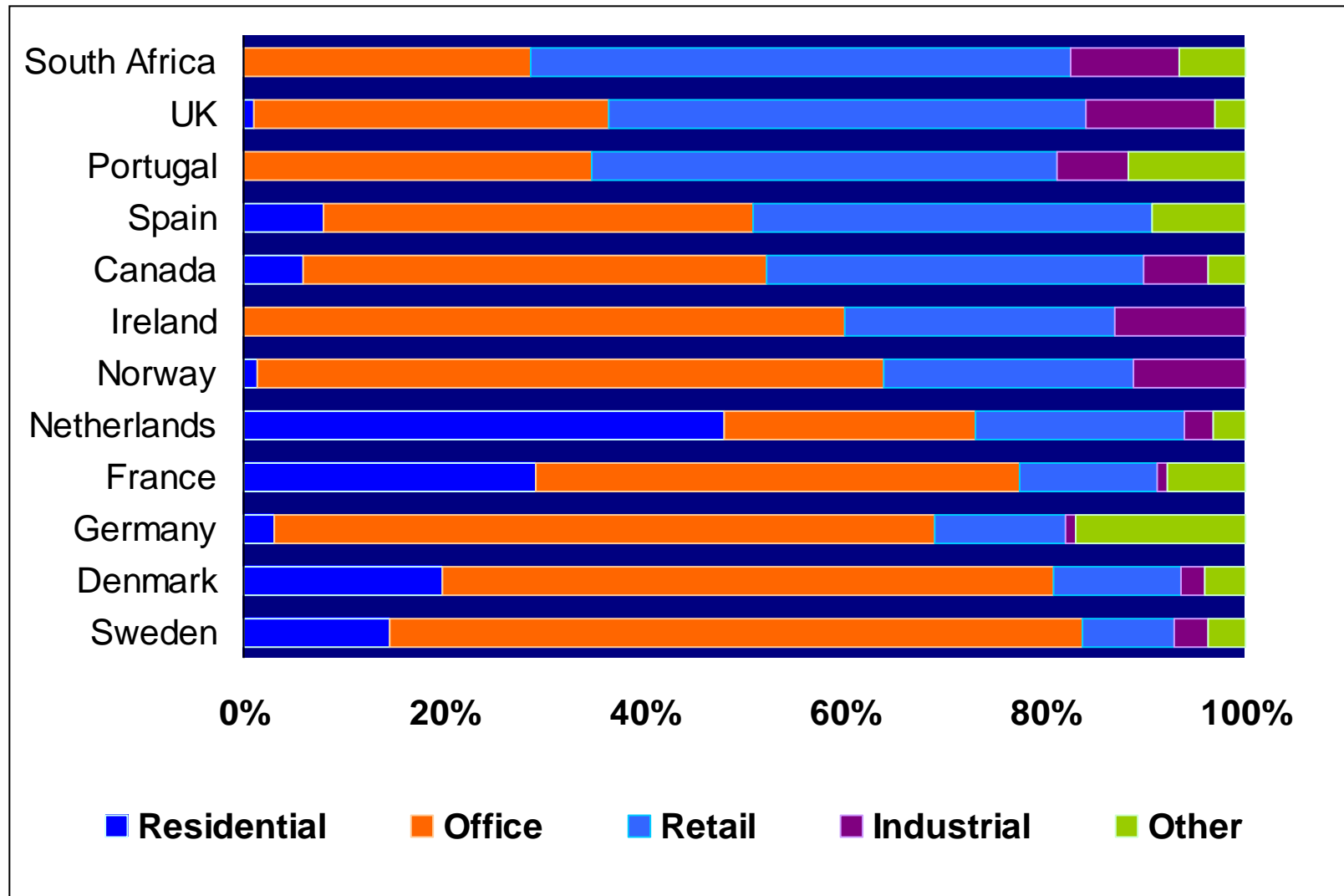


Source: OECD

# Think Differently about Nodes

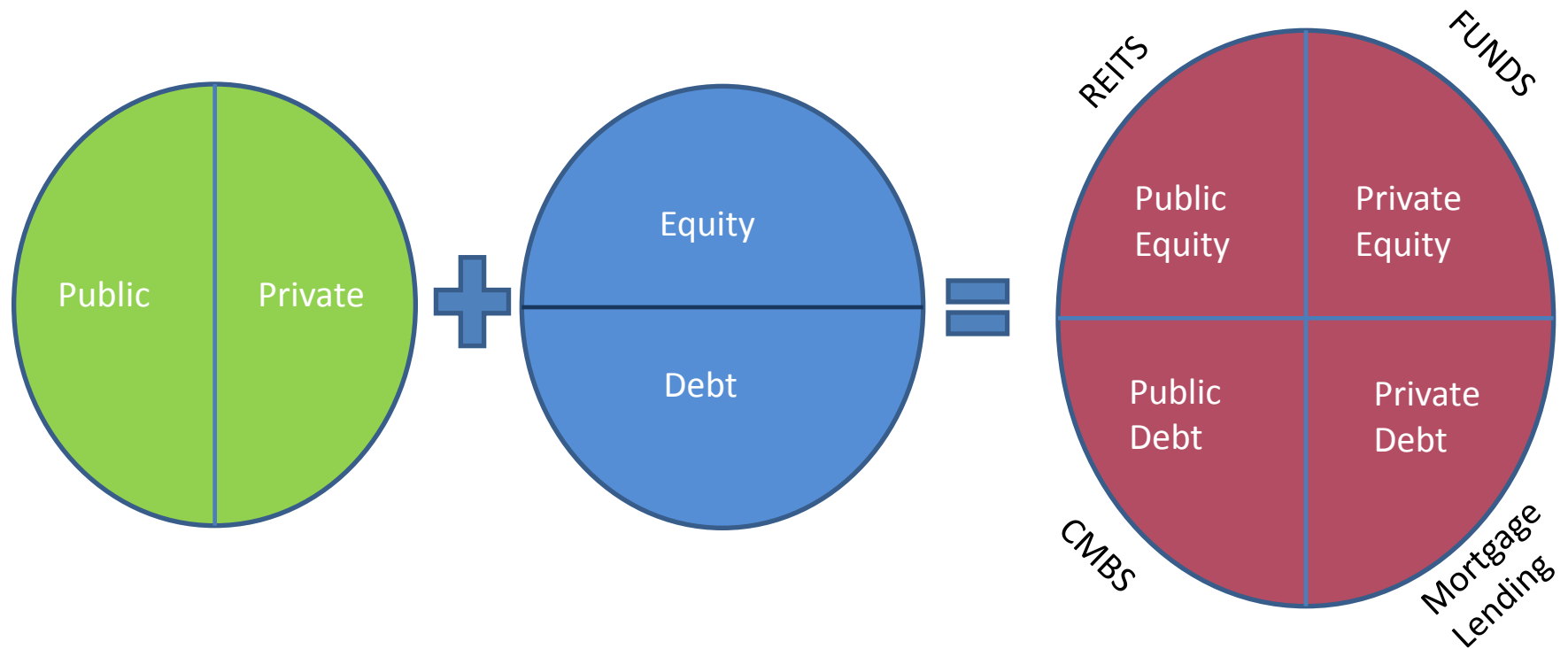


# Market Structures-Portfolio Investment





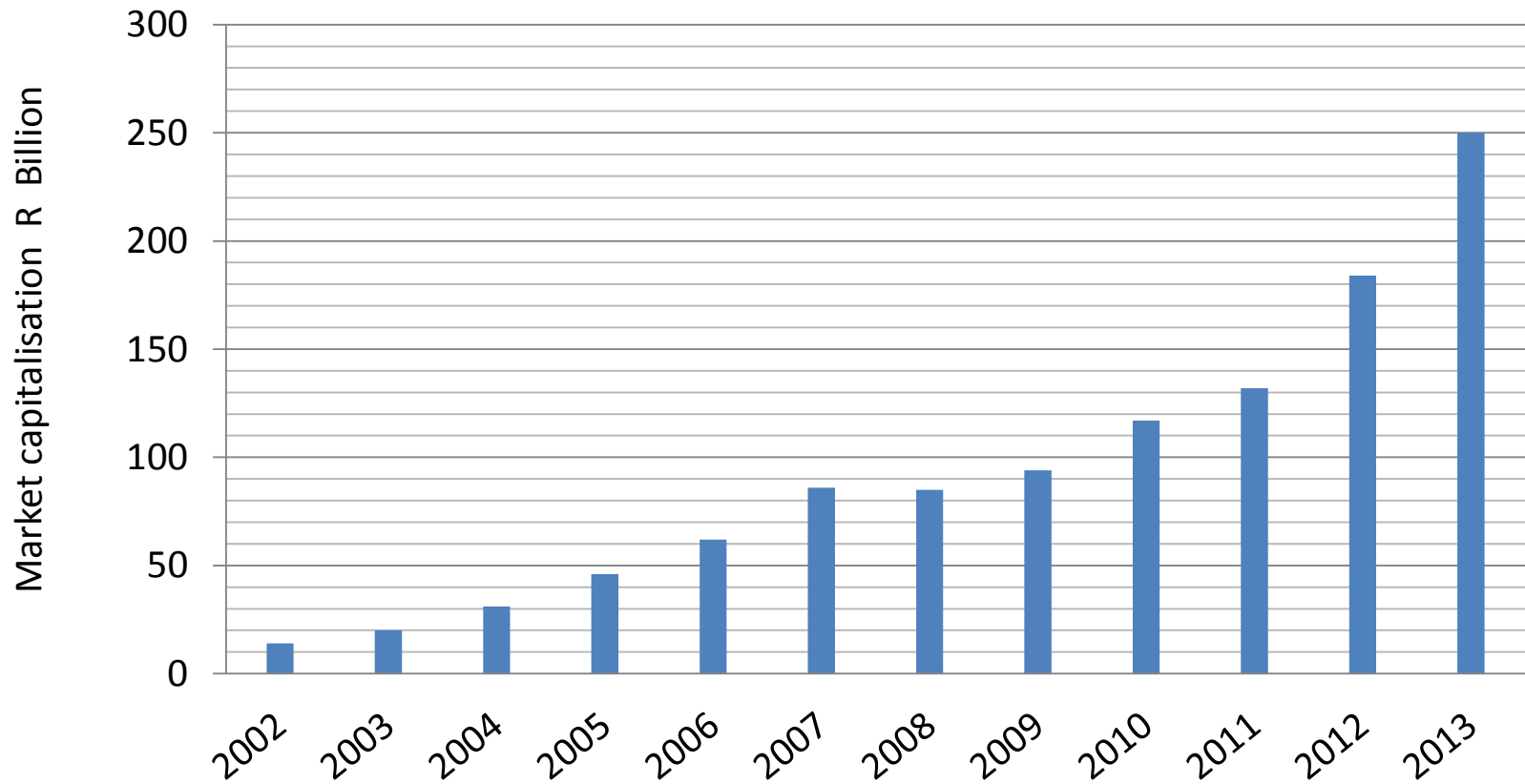
# How to participate : Real Estate Investments can be made from a wide range of starting points



# SA REIT Regulation

Regulator	JSE	
Regulatory Rules :	Listing Requirements Section 13	
	Initial	On-going
R300 million Property Asset	✓	✓
Pay 75% of distributable income annually	✓	✓
Maintain LTV below 60%	✓	✓
Committee to ensure risk management and annual risk disclosure		✓
Only enter into derivatives in ordinary course of business		✓
75% of revenue “rental”	✓	Tax test

# South African Listed Property Sector



# Developing the Asset Class ...







*Opens*  
**NOVEMBER 2012**

1000 PARKING BAYS

100 SHOPS



**tubatse** MALL  
BURGERSFORT



“Shoppers can look forward to a modern, air conditioned mall with a choice of over 100 shops, boasting a well planned tenant mix,,



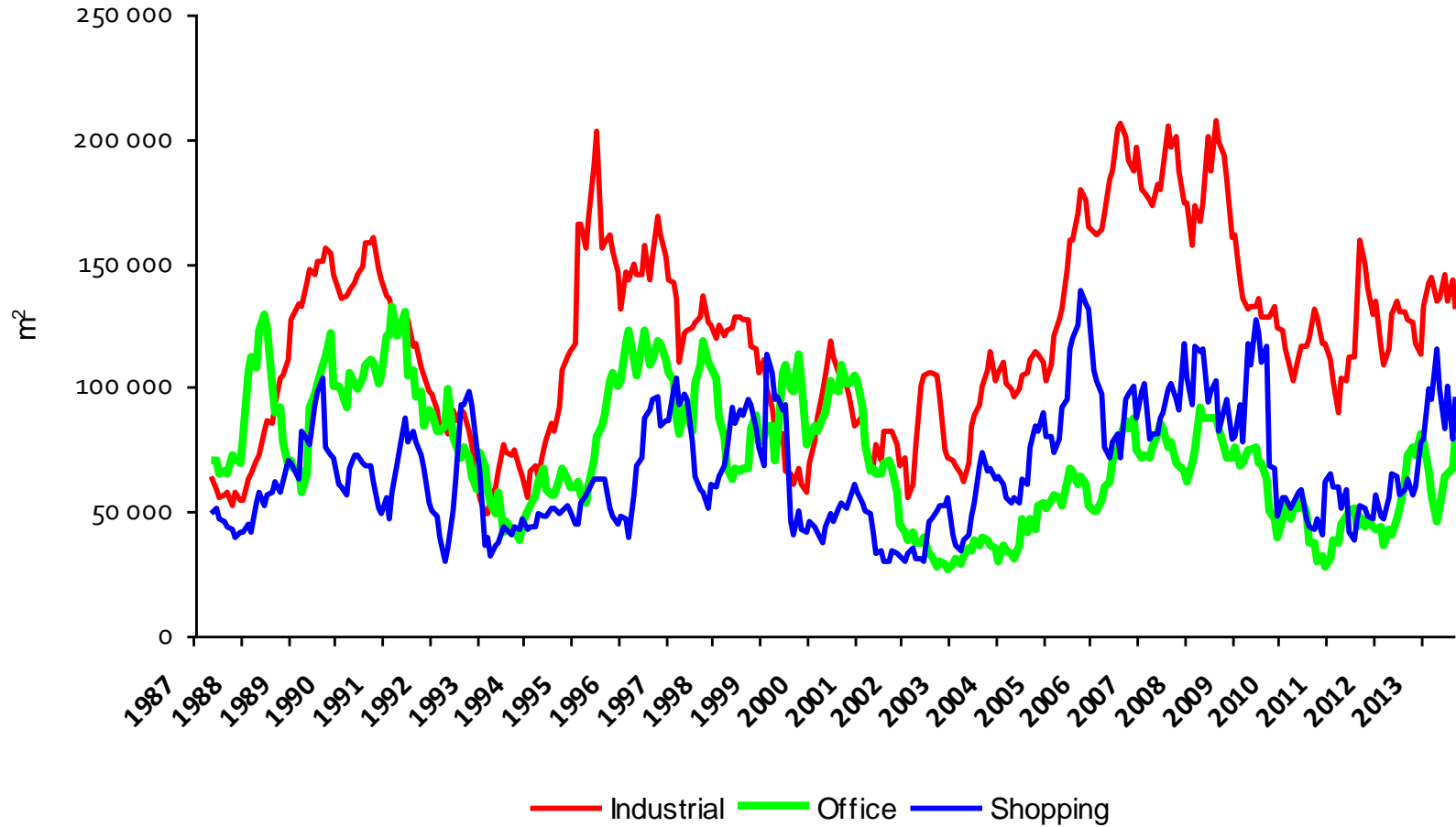
# Residential Building Activity 1994-2013

Building Plans Completed	Units	% Total
Houses<80 sqm	526 819	46.90%
Houses>80 sqm	299 872	26.70%
Flats & Townhouses	296 551	26.40%
Total	1 123 242	100%

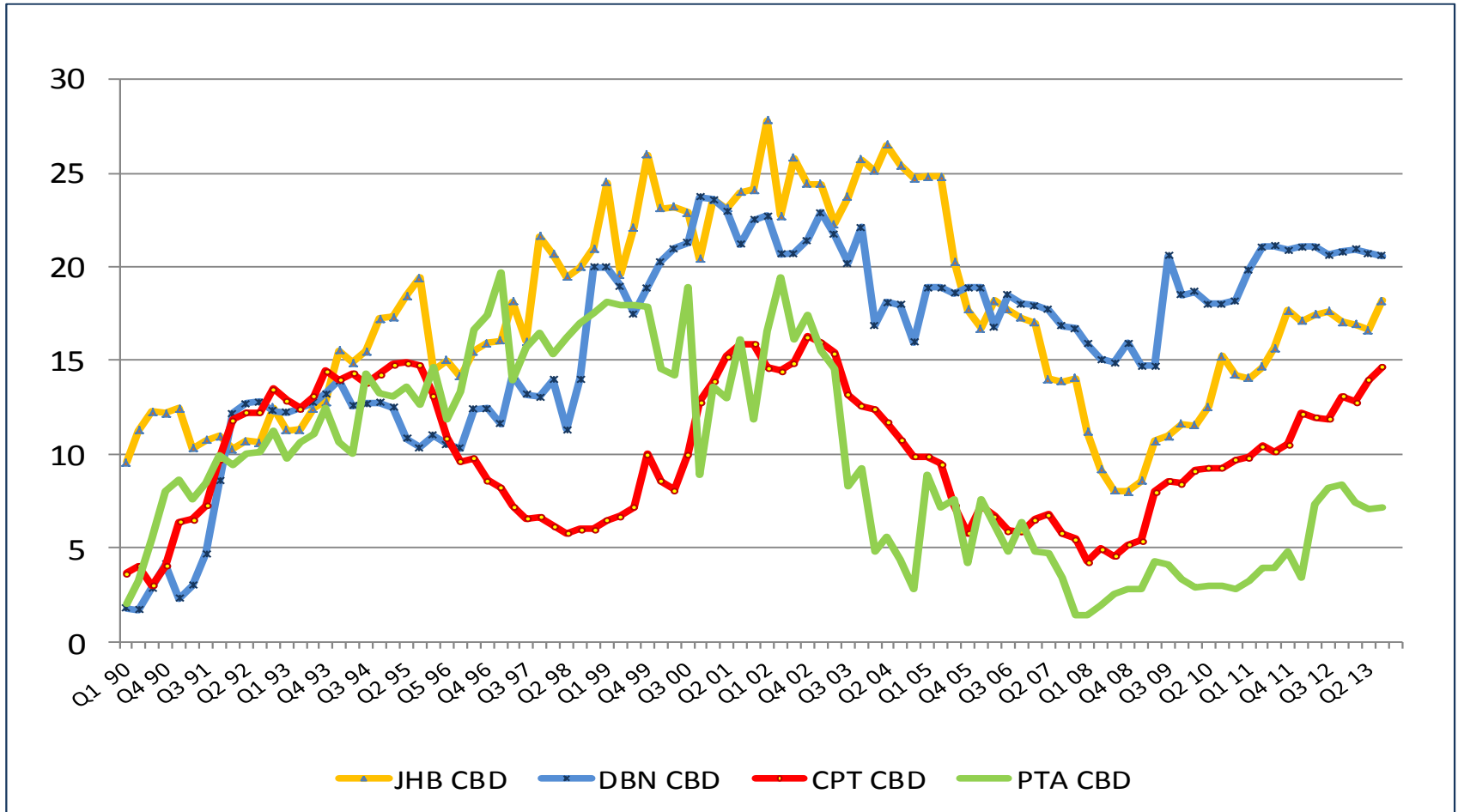
# Residential Building Activity

	Units 2012	Units 2013	
	Number	Number	% Change
Houses<80 sqm	18,220	16,401	-10
Houses>80 sqm	10,576	10,765	1.8
Flats & Townhouses	10,452	11,743	12.4
Total	39,248	38,911	-0.9

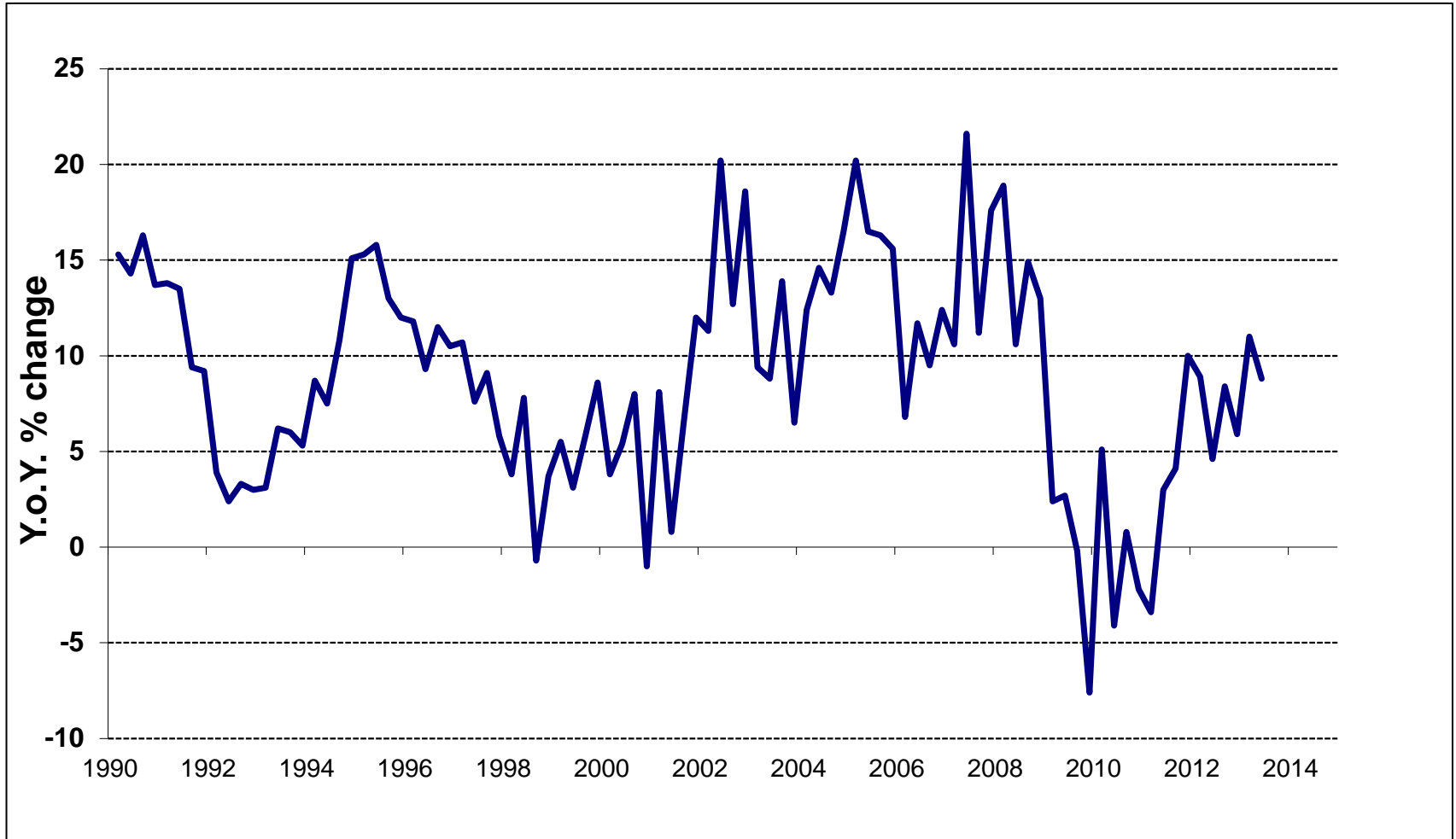
# Total Building Plans Passed



# CBD Offices Vacancy Rate

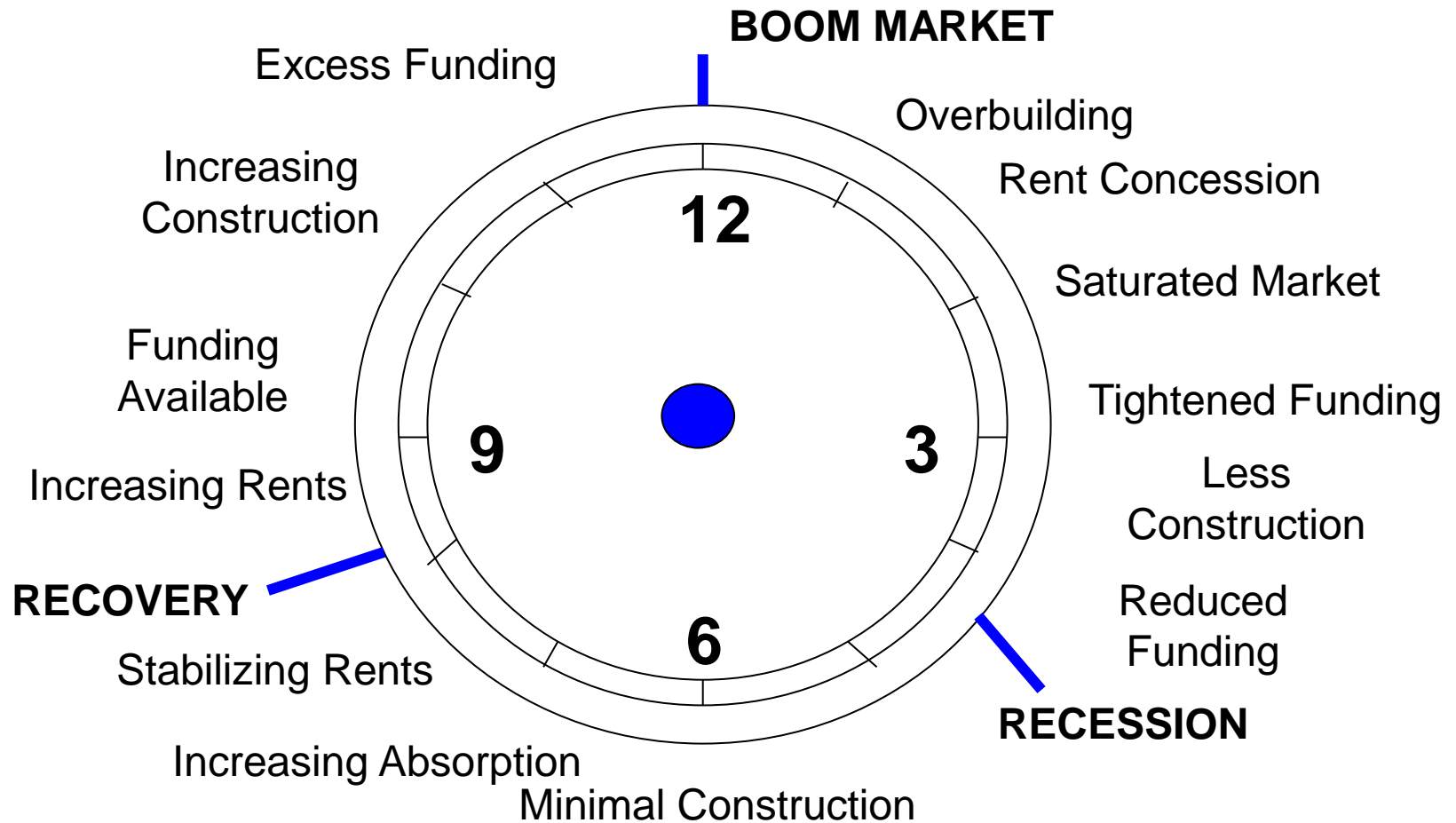


# Building Cost MFA/BER calculations





# The Real Estate Clock





A Built Environment That  
Promotes Economic Growth  
and Development





# Property as a Catalyst for Economic Growth and Development



# The Property Market Delivers One Way Or The Other...



**TOWN  
PLANNING**

**SERVICES**

**BUILDING**

**OCCUPATION**

Property  
Rights

Tenure

Community  
Rights/  
Entitlement







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