

14 August 2013

PROPERTY BAROMETER –REGIONAL MIGRATION TRENDS REVIEW

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Western Cape continues to far outperform the other 8 provinces in terms of its ability to attract repeat home buyers from other provinces and retain its own.

HIGHLIGHTS

- *We use Deeds Office data to examine migration trends of repeat property buyers (individuals only) between the 9 provinces.*
- *The Big 4 provinces (Gauteng, Western Cape, KZN and Eastern Cape) have the lowest percentage of repeat buyers buying in other provinces (i.e. outflows), the Western Cape having the lowest percentage of repeat buyers buying elsewhere to the tune of 12.9% of its total repeat buyers.*
- *The Smaller 5 provinces (Limpopo, North West, Northern Cape, Free State and Mpumalanga) have noticeably higher percentages of repeat buyers buying outside of their provinces, Limpopo having the highest 31% of repeat buyers buying elsewhere.*
- *The 2012 level of repeat buyer outflows correlates broadly inversely to relative provincial economic performances over the prior 5 years 2007-2011, with the major provinces showing both the higher average economic growth rates along with the lower repeat buyer outflow rates.*
- *When examining net in/outflows of repeat buyers by province, the Western Cape remains far ahead with a massive net repeat buyer inflow of 6.7% of total repeat buying in the province. By comparison, the other 3 of the Big 4 provinces, along with 4 out of 5 of the smaller provinces, have net repeat buyer outflows.*
- *This far superior performance, in terms of repeat buyer attractiveness, by the Western Cape, is believed to be the combination of it being the 2nd largest regional economy in SA, the 2nd fastest growing economy behind Gauteng, while also being perceived as a great lifestyle region.*
- *While the Western Cape has the best estimated net inflows of repeat buyers, and lowest gross outflow, it is believed that Gauteng may have something of an advantage in terms of attracting younger members of the labour force from other regions who are aspirant 1st time home buyers. These movements cannot be picked up in deeds data, but the FNB Estate Agent Survey suggests that Gauteng generally has a higher number of 1st time home buyers when expressed as a percentage of total buyers. Nevertheless, the level of net repeat buyer inflows into the Western Cape bodes very well for that region's future economic growth.*
- *Relative to the smaller 5 provinces, the Big 4 are all believed to have an advantage in terms of attracting 1st time buyers starting work careers, while a bigger portion of total repeat buyer outflows from the Big 4 to the Smaller 5 are believed to be more for non-work motives. Therefore, despite 3 of the Big 4 provinces showing net repeat buyer outflows in 2012, we remain of the belief that they have a competitive advantage in terms of attracting and retaining active skilled labour, and that the rate of gross outflows of repeat buyers is a better reflection of this ability (the higher the outflows the worse the attractiveness for skilled labour), as opposed to looking at net out/inflows.*

SUMMARY

Given that many people vote with their feet, studying migration patterns between regions in South Africa can provide a good indication of household perceptions towards regions, perceptions of economic opportunity, lifestyle or other factors. Deeds Office data offers us the opportunity to gain an indication of a region's attractiveness by trying to quantify the migration of repeat property buyers between regions, in this case between provinces.

For this purpose, we identify all purchases by individuals where there is a corresponding sale by the same individual within 12 months either side of the purchase. The bulk of these "repeat buying" transactions are within the same province, but a portion of these purchases, 18.7% in 2012, were in a province other than where the corresponding sale took place. This figure represents our estimate of the year's inter-provincial re-location rate or, alternatively put, the "repeat buyer semi-gration" rate. It isn't an exact science, as some holiday property buying may "interfere", while aspirant 1st time buyers who have re-located do not get included into this figure. Nevertheless, we believe it to be a good indicator of a large portion of semi-gration flows.

The inter-provincial repeat buyer migration picture shows a similar picture in 2012 compared with 2011. Firstly, in terms of total inter-provincial repeat buyer migration, 2012 was another slow growth year, measuring 3.1%, down from 2011's 4.8%, and the 2nd year of slowing growth in line with a recent economic growth slowdown which constrains employment growth and thus labour mobility. But as a percentage of total repeat buying, interprovincial repeat buying continued to rise in importance to 18.7%, now well higher than 13.8% at the turn of the century back in 2000. Over the long term, therefore, it would appear that household mobility is rising, and that a greater portion of households relocate to more far off destinations, predominantly for work purposes.

One thing that certainly did not change was the Western Cape's apparent competitive advantage in the form of the lowest percentage of repeat buyers leaving the province, as well as by far the strongest net inward migration rate of repeat buyers from other provinces. This should not come as too much of a surprise. The province's economy is the 2nd largest in South Africa after Gauteng, and has also boasted the 2nd highest growth rate slightly behind that of Gauteng in recent years. In addition, the City of Cape Town and surrounding areas has the benefit of a perceived high quality lifestyle compared to many other of SA's cities, and it is this combination of good economic opportunity along with lifestyle that appears to be proving to be the winning recipe in attracting both wealth and skills to the province in relatively abundant quantities.

Cape Town aside, though, the other 3 of the Big 4 provinces (Gauteng, KZN and Eastern Cape) find themselves with net outward migrations of repeat buyers (i.e. more repeat buyers leaving the provinces than the number flowing in), something that one may think may not bode well for their future economic growth rates.

However, we believe that these provinces still have a competitive advantage over the smaller 5 provinces, despite not showing noticeably better net migration rates than the Small 5. Our reasoning is that a higher percentage of departures of repeat buyers from the larger economic centres are for non-work related reasons, i.e. retirement and lifestyle. This is especially so in the case of Gauteng which, according to the FNB Estate Agent Survey, has a significantly lower percentage of departees doing so for work-related purposes. This suggests that Gauteng loses less active skilled labour than may meet the eye.

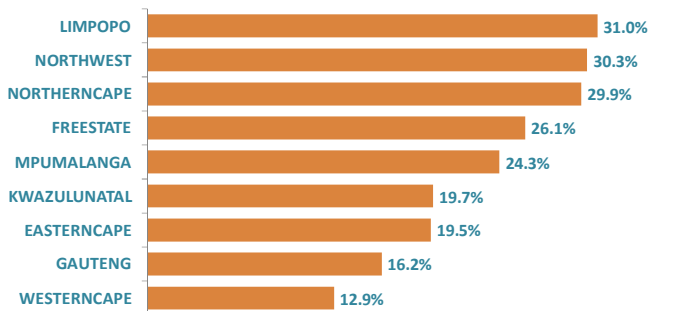
Furthermore, it is believed that the larger economic centres, especially Gauteng, benefit more from inward migration of aspirant 1st time buyers in the early stages of their working life, than do the smaller provinces.

And so we find in this exercise that net migration rates don't correlate that strongly to longer term economic growth performances. Rather, gross outward migration rates of repeat buyers appear to be better correlated to economic growth. Here, we found yet again in 2012 that the Big 4 provinces had noticeably low repeat buyer outflow rates, with Western Cape having the lowest rate (12.9% of total repeat buying in the province), followed by Gauteng (16.2%), Eastern Cape (19.5%), and KZN (19.7%). The smaller 5 provinces all had noticeably higher repeat buyer outflow rates, Limpopo being worst with 31% of total repeat buyers buying in another province, followed by North West (30.3%), Northern Cape (29.9%), Free State (26.1%) and Mpumalanga (24.3%). These outflow levels show a broad inverse correlation with relative economic growth rates of the previous 5 years (2007-11), where the Big 4 had noticeably stronger average annual economic growth rates than the Smaller 5 provinces, along with lower outflows of repeat home buyers.

This should perhaps concern policymakers, because while skilled labour outflows are probably caused by relatively weak economic performance, they can also sustain weak regional management and economic performance in the smaller economic regions.

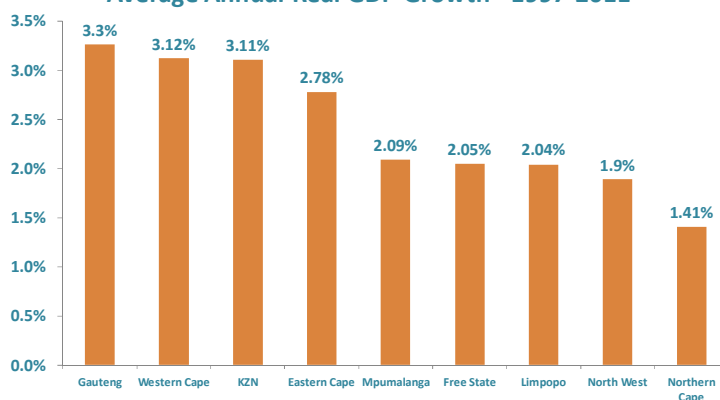
2012 Outflow of Repeat Individual Buyers

- Expressed as a percentage of total repeat buying



■ 2012 Outflow of Repeat Buyers - expressed as a percentage of total repeat buying

Average Annual Real GDP Growth - 1997-2011



■ Average Annual Real GDP Growth - 1997-2011

1. INTERPROVINCIAL MIGRATION HAS BEEN GROWING MODERATELY AGAIN AFTER A 2008/9 RECESSION SLUMP

In the years following the 2008/9 recession, renewed economic growth of sorts has led to some moderate increase in household mobility, much due to improved employment opportunities. This, in turn, has led to some renewed growth in the number of repeat home buyers (i.e. those home buyers who are buying again after or around the time of selling their previous property) relocating between provinces.

Already, the FNB Estate Agent Surveys, in which respondents provide us with an estimate of the percentage of sellers selling in order to relocate to another part of the country, have pointed to some mild increase in such relocations, from lows of 6% of total selling at stages around 2009, just after the recession, to between 8 and 9% of total home selling in recent quarters.

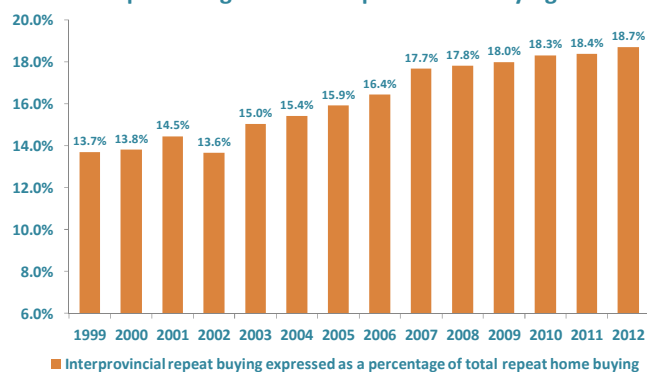
In a parallel exercise, we take all purchases by individuals, as recorded in the Deeds Office data, where there is a corresponding sale of a property 12 months either side of the purchase. This shows a long term increase in the percentage of repeat buyers that are re-locating to another province. As at 2012, interprovincial repeat buying for the country as a whole was estimated at 18.7% of total repeat home buying, higher than 2011's 18.4% and now far above the 13.8% recorded back in 2000.

Re-location within SA



Source: FNB Estate Agent Survey

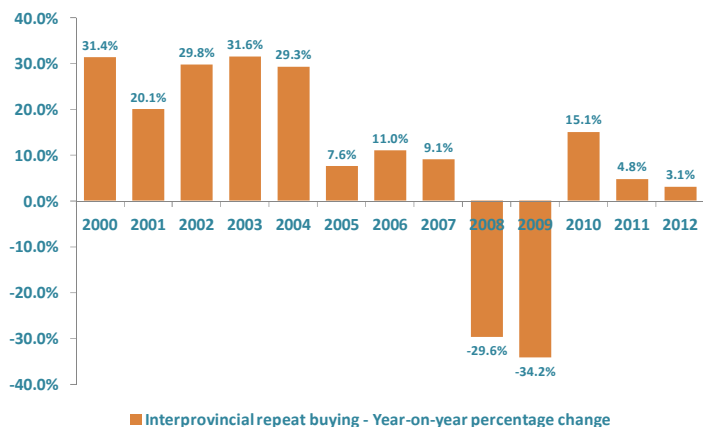
Interprovincial Repeat Home Buying as a percentage of Total Repeat Home Buying



Raw Data Source: Deeds Office

One must not, however, be fooled by the uninterrupted rise in the percentage of repeat buyers migrating between provinces through the 2008/9 recession. Viewing the data in terms of absolute volume, interprovincial migration received a huge blow in 2008 and 2009 (as did overall repeat buying), as the economy slumped and reduced job opportunities saw dramatically reduced labour mobility. Then, after massive declines of -29.6% and -34.2% in 2008 and 2009 respectively, growth in repeat buyer movement between provinces has recovered to a moderate rate at best in the subsequent years, reflecting an economy that is growing, but certainly not “shooting the lights out”.

Interprovincial Repeat Home Buying Growth



As at 2012, interprovincial repeat buying growth had slowed to 3.1%, from 4.8% in 2011, reflecting a steadily slowing economic growth rate and the resultant decline in employment opportunities that goes with it.

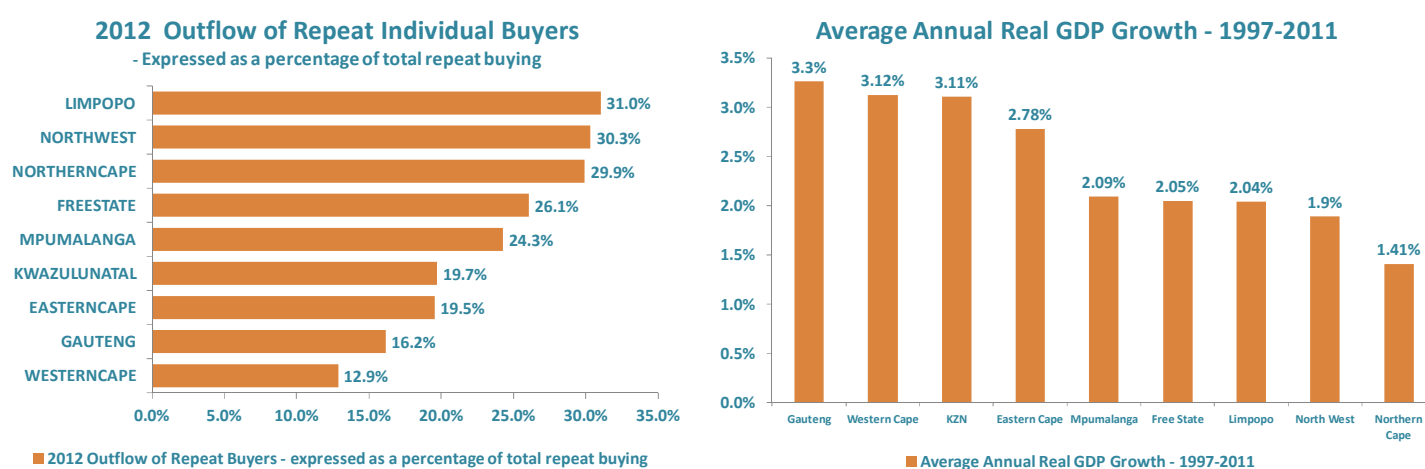
2. THE EXODUS OF REPEAT BUYERS IS MOST PRONOUNCED IN THE SMALLER PROVINCES, SUGGESTING GREATER SKILLS DRAINS FROM THESE REGIONS

A key concern for South Africa's policy-makers, as well as for the affected provincial and local governments should be what appears to be a significant skills drain from especially the smaller provinces. This is deduced from the levels of repeat home buying across provincial boundaries, assuming that the lion's share of such interprovincial repeat buying is being undertaken by the more highly-skilled segments of the labour force (housing turnover typically takes place at a more rapid rate in the higher priced echelons of the residential market). Furthermore, it is skilled labour that drives this modern services-dominated economy by and large, suggesting that the provinces on the receiving end of inward skills migration may show superior long term economic growth in future.

Certainly, there would appear to be a broad inverse correlation between the level of repeat buyer exodus and real economic growth. The Big 4 provinces (Gauteng, Western Cape, Kwazulu-Natal(KZN) and Eastern Cape) have had a noticeably lower percentage of repeat buyers leaving for other provinces. In 2012, the Western Cape had the lowest exodus of 12.9% of total repeat buyers in the province, followed by Gauteng with 16.2%, Eastern Cape at 19.5% and KZN with 19.7%. By comparison, the 5 smaller provinces had significantly higher percentages of repeat buyers exiting, Limpopo being the highest with 31% of total repeat buyers exiting, followed by North West (30.3%), Northern Cape (29.9%), Free State (26.1%) and Mpumalanga (24.3%)

These exodus rates in 2012 were not too dissimilar from preceding years, and comparing them with provincial economic performances of the 5 years 1997-2011 (2012 provincial GDPs not yet available), there appears to be a broad correlation. It is the Big 4 provinces that have had the fastest average annual economic growth rates from 2007-2011, although Gauteng (3.3%) trumps Western Cape (3.1%) by a slight margin in this case and KZN (3.1%) is slightly faster than the Eastern Cape's growth (2.8%). By comparison, the smaller 5 provinces far poorly, the slowest being Northern Cape (1.4%), followed by North West (1.9%), Limpopo (2%), Free State (2.1%) and Mpumalanga (2.1%).

One must of course ask what caused what? Is it poor economic performance that causes the higher exodus from the smaller provinces, or is the exodus that causes the poor economic performance? In reality it is probably a two way causality, with the exodus having been caused by weak economies that lack opportunity, but in turn further exacerbating the economic weakness of these regions – a vicious cycle that sustains urbanization towards the larger economic regions.



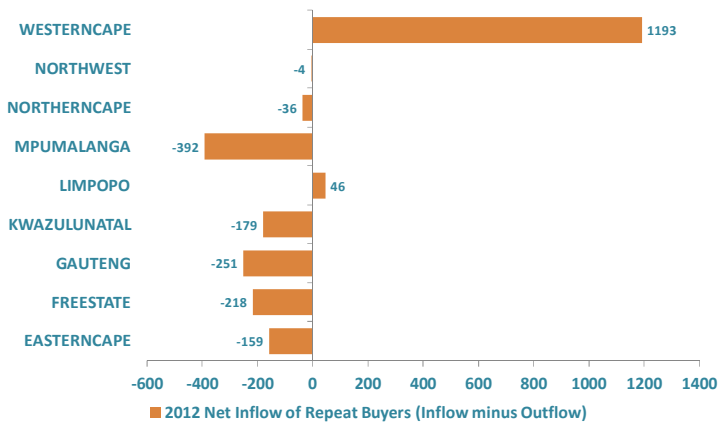
3. BUT TO COMPLETE THE PICTURE, SHOULD ONE NOT RATHER CONSIDER NET IN/OUTFLOWS?

Perhaps it would seem more logical to compare net migration (Inflows minus outflows) instead of gross migration between provinces. On a net migration basis, the advantage that the larger provinces have over the smaller ones in terms of attracting skills becomes seemingly less apparent, with the exception of the Western Cape. This province's competitiveness really starts becoming even more apparent. On a net migration basis, i.e. repeat buyers entering a province minus those departing, it was the Western Cape that once again saw a hugely positive or "net inward" migration to the tune of +6.7% of total repeat buying, remaining streets ahead of all of the other provinces, as it has done for much of the last decade.

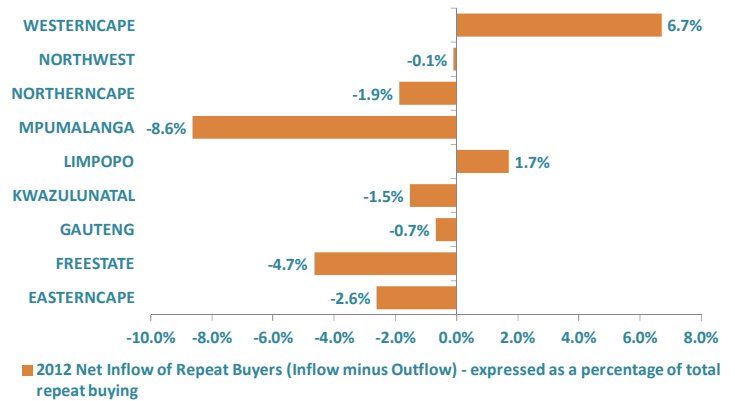
But the other 3 of the Big 4 provinces do not show a clear advantage over the smaller ones. Gauteng had a small net outward migration rate of -0.7% of total repeat buying, KZN an outflow of -1.5%, and Eastern Cape -2.6%.

Surprisingly, Limpopo had a slightly positive net inward migration rate of +1.7% of total repeat buying, while North West with its small outward migration rate of -0.1% was also slightly better than the Big 4 excluding the Western Cape.

2012 Net Inflow of Repeat Individual Buyers

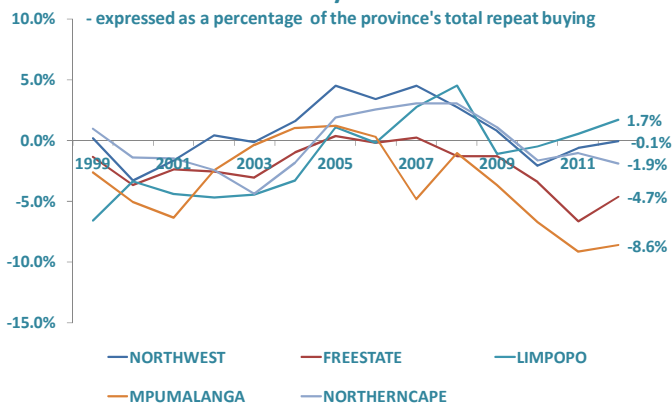


2012 Net Inflow of Repeat Individual Buyers
- Expressed as a percentage of total repeat buying

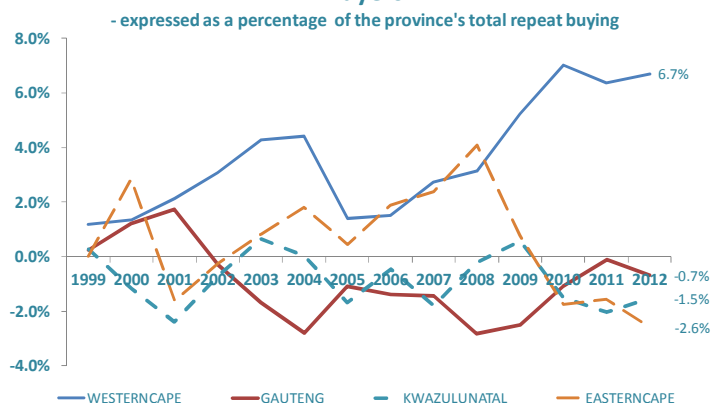


In fact, of the smaller 5 provinces, all except the Northern Cape even showed slight improvements in the form of either higher net inward migration in the case of Limpopo, or smaller outward migration rates in the case of Free State, Mpumalanga, and North West.

Minor Provinces Net Inflow of Repeat Home Buyers



Major Provinces Net Inflow of Repeat Home Buyers



So how can we come to the belief that the smaller provinces possibly have larger skills drains than some of the Big 4? The answer lies in the apparent motives for leaving a province/region, and it is believed that a greater percentage of “semi-grants” moving from the larger centres to the smaller ones are doing so for lifestyle of retirement, as compared to the movers from smaller to larger economic region who do so more for work reasons. This, at least, is what the FNB Estate Agent Survey indicates. Taking the average estimate for the past year-and-a-half, the agent sample estimated that only 62.3% of departees from Gauteng were doing so for work reasons, while the rest did so for lifestyle, retirement, to be closer to family, or other reasons. In the case of the 2nd largest economic region, the Western Cape the percentage was higher at 81.2%, the 3rd largest, KZN, on 84%, and the 4th largest, Eastern Cape, on 85.5%. These surveys centre largely around the major metros within these provinces.

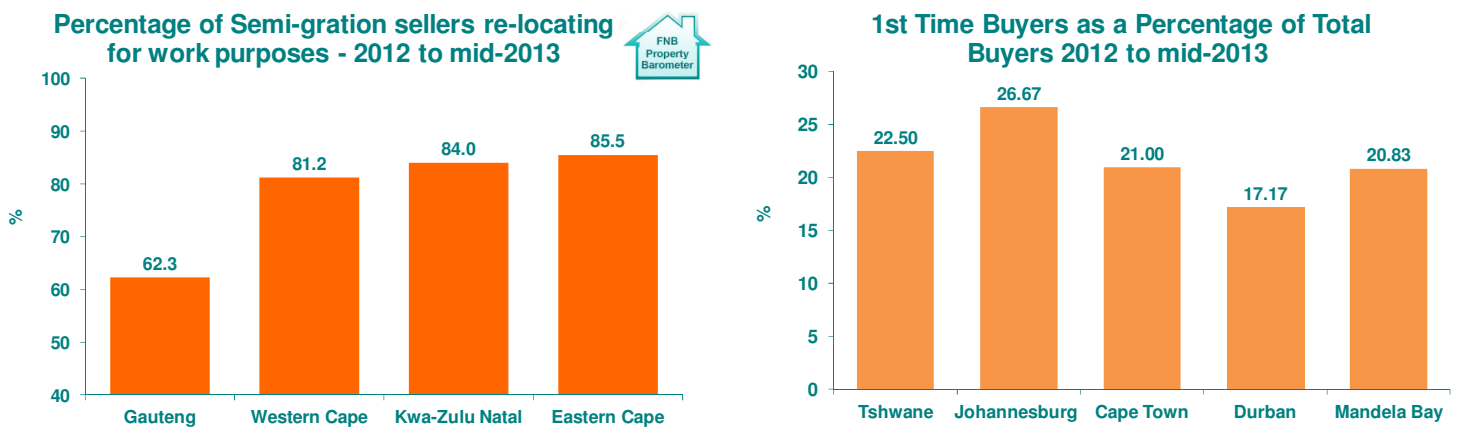
We assume that, if we had done similar surveys in the smaller economic regions, the percentage of work-related departures would be even higher.

Therefore, should one have been able to estimate only those repeat buyer migrations that were work-related, we believe that especially Gauteng, but KZN and the Eastern Cape too, to a lesser extent, would have better looking net inward migration rates. Now retirement and lifestyle -related arrivals do contribute purchasing power to a region, and thus have positive economic benefits. But these benefits are arguably not as significant as those migrants who contribute to the full time skilled labour pool, on top of their purchasing power that they bring.

In addition, our measurements of repeat buyer migrations do not capture the movements of younger 1st time buyers, a high percentage of whom would move for work-related reasons. This group is believed to migrate strongly towards the larger economic centres, thus probably benefiting Gauteng the most, followed by the other Big 4 provinces. It may also be plausible to assume that greater percentages of young “still-to-be” homeowners would migrate from smaller provinces to the larger ones than vice versa, in a similar fashion to the percentages of repeat buyers exiting provinces. While we can’t substantiate this belief at this

stage, what we can say is that the FNB Estate Agent Survey does consistently point to Gauteng, and especially its main economy, Johannesburg, as consistently having the highest percentage of 1st time buyers of the major cities, which may possibly support such a view.

There thus appears a better broad inverse correlation between longer term economic growth and the level of gross outflows of repeat buyers by province, whereas the measurement of net out/inflows appears less correlated to economic performance.



4. CONCLUSION

The inter-provincial repeat buyer migration picture shows a not too dissimilar picture in 2012 to that of 2011.

One thing that certainly did not change was the Western Cape’s apparent competitive advantage in the form of the lowest percentage of repeat buyers leaving the province, as well as by far the strongest net inward migration rate of repeat buyers from other provinces.

This should not come as too much of a surprise. The province’s economy is the 2nd largest in South Africa after Gauteng, and has also boasted the 2nd highest growth rate slightly behind that of Gauteng in recent years.

In addition, the City of Cape Town and surrounding areas has the benefit of a perceived high quality lifestyle compared to many other of SA’s cities, and it is this combination of good economic opportunity along with lifestyle that appears to be proving to be the winning recipe in attracting both wealth and skills to the province in relatively abundant quantities.

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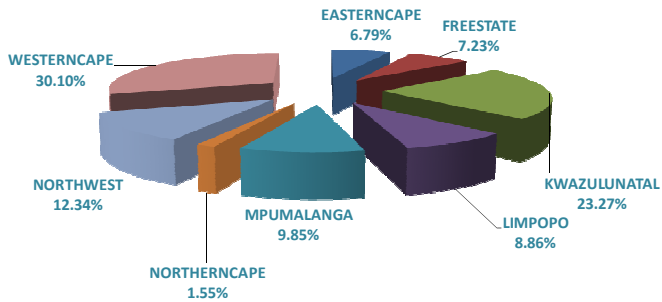
However, we believe that these provinces still have a competitive advantage over the smaller 5 provinces, despite not showing noticeably better net migration rates than the Small 5. Our reasoning is that a higher percentage of departures of repeat buyers from the larger economic centres are for non-work related reasons, i.e. retirement and lifestyle. This is especially so in the case of Gauteng which, according to the FNB Estate Agent Survey, has a significantly lower percentage of departees doing so for work-related purposes. This suggests that Gauteng loses less active skilled labour than may meet the eye, and that its net outward migration of repeat buyers may not necessarily amount to a net outward migration of active skills.

In addition, it is believed that the larger economic centres, especially Gauteng, benefit more from inward migration of aspirant 1st time buyers in the early stages of their working life, than do the smaller provinces.

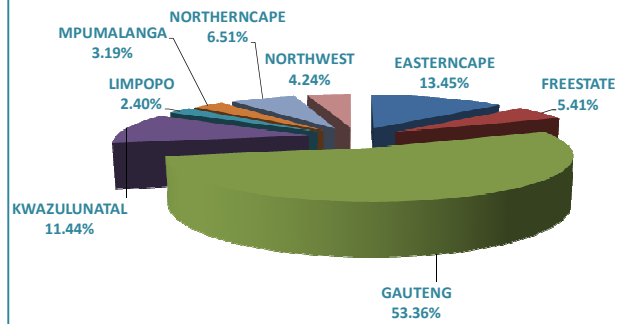
So, we find that net migration rates don’t correlate that strongly to longer term economic growth performances. Rather, gross outward migration rates of repeat buyers appear to be better inversely correlated to economic growth, with the Big 4 provinces generally showing a lower percentage of repeat buyers “jumping ship”, and higher long term economic growth rates, compared to the smaller 5 provinces with their high rate of departures and low economic growth rates.

5. KEY SEMI-GRATION DESTINATIONS BY PROVINCE

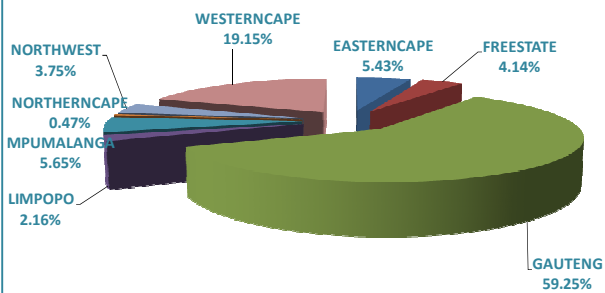
2012 Gauteng Repeat Buyer Semi-Gratation Destinations



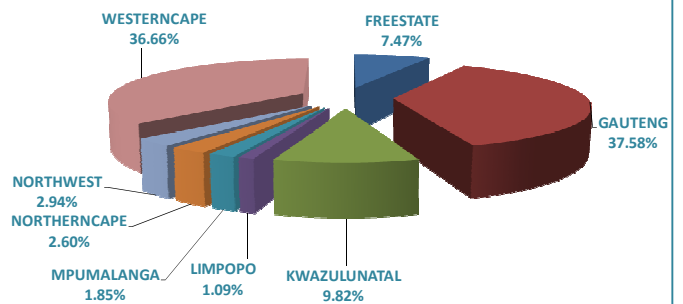
2012 Western Cape Repeat Buyer Semi-Gratation Destinations



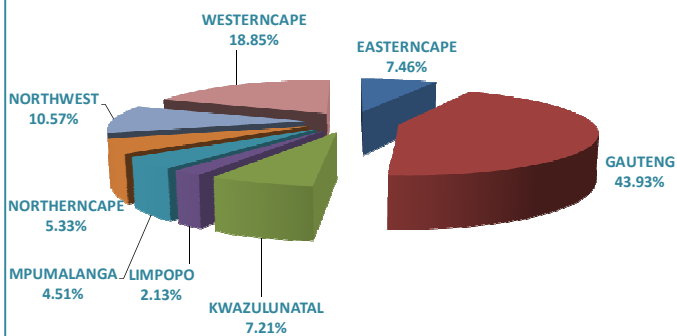
2012 KZN Repeat Buyer Semi-Gratation Destinations



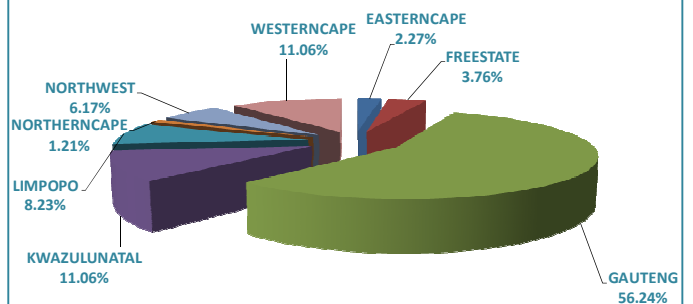
2012 Eastern Cape Buyer Semi-Gratation Destinations



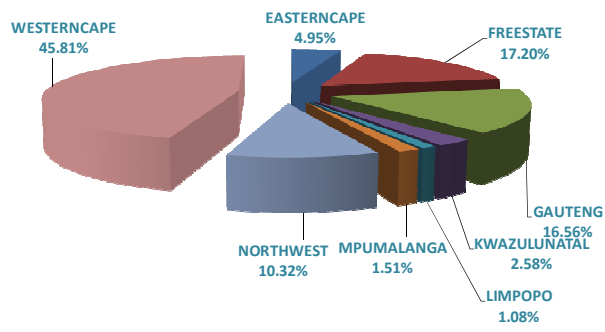
2012 Free State Buyer Semi-Gratation Destinations



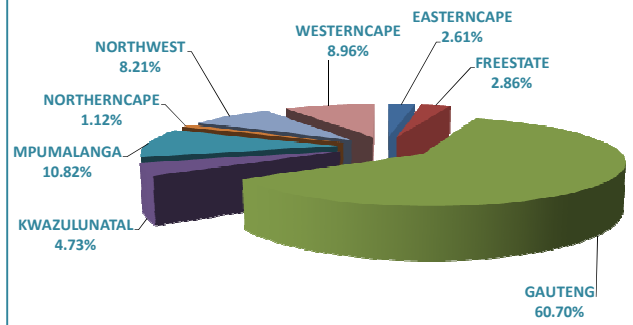
2012 Mpumalanga Buyer Semi-Gratation Destinations



2012 Northern Cape Repeat Buyer Semi-Gratation Destinations



2012 Limpopo Repeat Buyer Semi-Gratation Destinations



2012 North West Repeat Buyer Semi-Gratation Destinations

