

SEMI-GRATION PROPERTY BUYING

Western Cape appears to have the best net inward migration of repeat buyers, with impressive retention of its residents.



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SUMMARY – REPEAT BUYING ESTIMATES SUGGEST WESTERN CAPE IS IN THE BEST POSITION WITH REGARD TO OBTAINING AND RETAINING SKILLS

Semi-gration has been a word "bandied about" in recent times to refer to people re-locating to a different part of the country, as opposed to emigration, which refers to those people leaving the country with the intention not to return.

While the phrase may be relatively new, the process of "Semi-gration" is a very old one, and has been taking place for thousands of years, largely driven by the location of economic opportunities during normal peaceful times.

We use Deeds Data over the decade 2000-2009 to attempt to gain an estimate of the extent and direction of semi-gration over the period. One shortcoming of this analysis is that it cannot determine how the country's 1st time buyers have migrated over the decade, and the 1st time buyer group is admittedly significant. The focus is therefore on repeat buyers during the decade.

By repeat buyers, we mean individual buyers (therefore excluding properties bought by trusts, cc's and limited companies) who have recorded sales of property at the Deeds. The recorded sales may be after the actual purchase, because we assume that many do only sell some time after re-locating. Another admitted limitation is that some holiday property buying may be included in the figures.

Nevertheless, we believe that the estimates reflect the broad pattern of buyer movement. An individual is believed to come from the province in which his sale of property is recorded, and is moving to the province where his purchase is recorded (with the majority of repeat purchases obviously being within the same province).

What emerges from the study is that the Western Cape comes out with the best estimated net inward migration rate of +3.2% of the province's total estimated repeat buying. In other words, it has more repeat buyers entering than leaving. This, however, is not solely due to the number of migrants that the province attracts, but equally due to it having the lowest rate of outward migration by repeat buyers.

We believe that this success of the Western Cape is not only due to its much-vaunted lifestyle, with many other more rural regions also providing great lifestyle attractions. Rather, it is the province's balance between lifestyle, as well as possessing the 2nd largest major metro economy (City of Cape Town) in the country (and being the 3rd largest provincial economy), and on top of this the economy estimated to be the fastest growing one in SA.

One surprise emanating from the study, perhaps, is that Gauteng is a more popular semi-gration destination for Western Cape outward bound repeat buyers, relative to the province's size, than the Western Cape is for Gauteng outbound buyers relative to Gauteng's much larger size. This emphasizes the view that the overwhelming majority of migrants move for economic opportunity, with lifestyle factors of secondary importance.

However, the Western Cape's outbound repeat buyers appear overwhelmingly headed for Gauteng, with very small percentages going anywhere else. Gauteng's outbound buyers, by comparison, are far more evenly distributed across the country. The result is that Gauteng has an estimated net outward migration rate (KZN being another very popular Gauteng destination).

These estimates bode well for the Western Cape's future ability to maintain a superior economic growth rate to the other provinces, because while skilled labour migration is driven overwhelmingly by economic opportunities, the converse is also true, i.e. that inward skilled labour migration helps to drive economic growth and thus increase a region's economic opportunities.



How can we help you?

CONSIDERING THE EXTENT AND DIRECTION OF "SEMI-GRATION" BETWEEN PROVINCES.

Semi-gration has been a word "bandied about" in recent times to refer to people re-locating to a different part of the country, as opposed to emigration, which refers to those people leaving the country with the intention not to return.

While the phrase may be relatively new, the process of "Semi-gration" is a very old one, and has been taking place for thousands of years.

From 1886, the country's major semi-gration destination became Johannesburg and its surroundings, which mushroomed initially due to the Gold Rush, and later due to a rapidly growing diversifying Gauteng (formerly known as the Pretoria-Witwatersrand-Vereeniging economic region) regional economy that became the economic hub of Southern Africa.

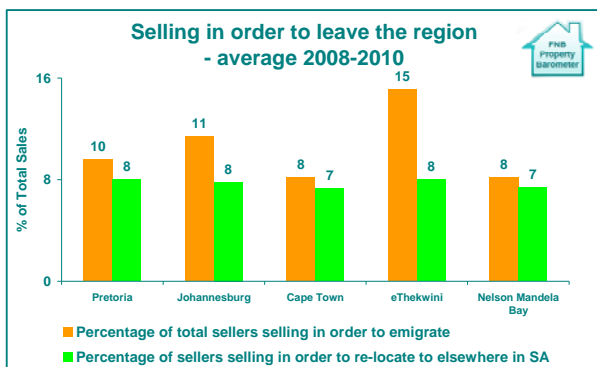
Some people focusing on semi-gration in recent years have linked it to households moving away from congested or crime ridden cities towards a better lifestyle, and indeed there are some that do. But economic opportunity, i.e. jobs or business opportunities remain the number one driver of semi-gration, and of course if one can move for a combination of better job opportunities as well as a better lifestyle that would arguably be first prize.

In turn, semi-grants help to drive economic growth and opportunity in a region, especially the skilled ones, so regions that have a "net inward migration of skills are probably not only those that offer "superior" economic opportunities, but they also have a good chance of having their economic growth boosted by these arrivals.

What does the FNB Estate Agent Survey say about the issue?

In our FNB Estate Agent Survey, we ask questions regarding the reasons that people sell properties. In the most recent survey, agents estimate that approximately 7% of all sellers are selling in order to re-locate to another part of South Africa.

Although this report is not focused on "emigration", let's consider emigration and semi-gration together for a moment to get an idea of which major regions face the biggest propensity of residents (mostly skilled labour effectively being considered here) to leave. By major metro, the survey suggests that that sellers from eThekwin metro have the highest propensity to leave the region from its formal/well-developed property segments, combining emigration and semi-gration, while the sellers from the City of Cape Town Metro have the lowest propensity to leave the region. The two major Gauteng Metros sit somewhere in between.



The big differences in the estimates come more in the percentage of sellers believed to be selling in order to emigrate, with KZN averaging 15% from 2008 to mid-2010 in the estate agent survey, Joburg 11%, Pretoria 10%, and Cape Town and Mandela Bay on 8%.

With regard to the drivers of relocation within South Africa, Relocating for work related transfers, or in search of better job and business opportunities, are seen as the primary driver, according to the sample of agents.

Secondary drivers are:

- relocation for retirement purposes
- desire to escape traffic / congestion
- need to move closer to children / family members
- desire to escape high crime levels by moving to areas that are perceived as safer.

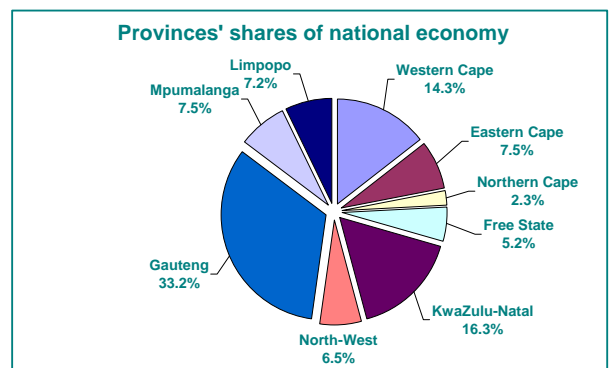
This puts a different slant on things, compared to the perceptions of some people that a high portion of semi-gration takes place due to people fleeing "crime and grime" Most people don't have the luxury of being able to move away from the main centres of economic opportunity.

But a place that has the combination of huge economic opportunity as well as a great lifestyle would probably be winning the race to attract "semi-grants", and indeed this may well be the case.

Where should the country's key semi-gration magnets be?

Where are the major semi-gration magnets, i.e. the places of economic opportunity.

Well, in terms of sheer size, Gauteng remains the main economic hub by far, having mushroomed following the discovery of gold in 1886. In most of our lifetimes, therefore, it has been the main place of economic opportunity, and this should be the main semi-gration destination in terms of sheer numbers.

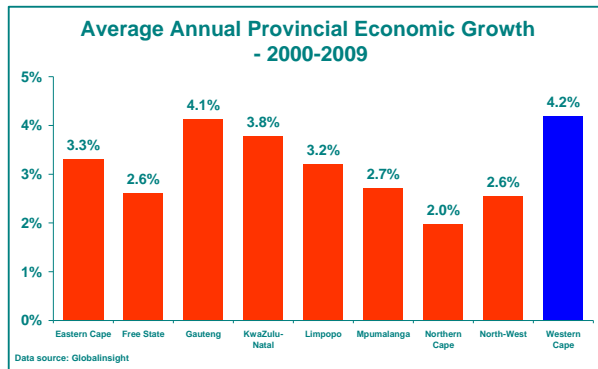


Data source: Globalinsight

But economic growth, not just sheer size, must also be seen as a key potential magnet of semi-gration, because growth provides new and untapped opportunities.

While the 3rd largest provincial economy, the Western Cape, which includes the 2nd largest major metro economy (City of Cape Town), is dwarfed in size by Gauteng, it is the leader in terms of economic growth in modern times, it would seem.

Examining the average annual real economic growth estimates by province, according to Globalsight data, it is the Western Cape economy that appears to come out tops, with an average annual growth rate of 4.2% during the past decade, just pipping the Gauteng growth rate of 4.1%.



SA's 2nd largest provincial economy, KZN, which has the country's 3rd largest major metro economy (eThekweni), was in 3rd place, growth-wise, with an average growth of 3.8%, followed by the Eastern Cape on 3.3%.

These figures should tell us that the country's small provincial economies would probably do badly in retaining their skills base, as well as in attracting skills, and should thus fare poorly as semi-gratation destinations, having neither the economic size nor the economic growth rates.

The obvious big semi-gratation magnets should therefore be Gauteng, which has economic size as well as strong growth, and the Cape Metro-driven Western Cape, 3rd in economic size, 1st in economic growth, and arguably higher on the log than Gauteng in terms of perceived lifestyle for many.

KZN has a great lifestyle, including great weather all year around, warm sea, the country's finest mountain range, the Midlands, and so on, but lags the Western Cape slightly on economic size as well as being slower than the Western Cape

and Gauteng on economic growth. KZN also has the added "disadvantage" of being more heavy industry-driven, which has harmed its natural environment over the years more than in the case of the more services-driven Western Cape economy.

A way of estimating semi-gratation rates

So much for the economic statistics, which should give us a hint of what should be. Let's look at our estimates, done using Deeds Office data to determine where repeat buyers of property buy property, compared with where their recorded sales have taken place.

The approach taken is to estimate the number of repeat buyers, i.e. all of those buyers who also have a sale recorded with the Deeds Office, by province. The province where the recorded sale of a property takes place represents the province "from" which they are believed to have moved, while the province of the recorded purchase is the province to which the re-location takes place. We include "repeat" transaction where the sale only take place after the purchase, based on the assumption that many will only sell some time after re-location.

Primary residential demand dominates residential buying. However, it is possible that there are some minor distortions to this approach. These could include a portion of holiday property purchases in the figures, which would bias the figures against Gauteng (believed to be the most overwhelmingly primary residential-driven market), while it is unclear whether there would be any bias due to buy-to-let buying across provincial borders.

We would also expect to see Gauteng attract the smallest portion of retirement-driven inward buying, which is not driven by economic opportunity but often by the search for more relaxed lifestyles.

One more fact to note is that the data includes only deeds records of transactions in individuals, i.e. no trusts, companies and closed corporations etc.

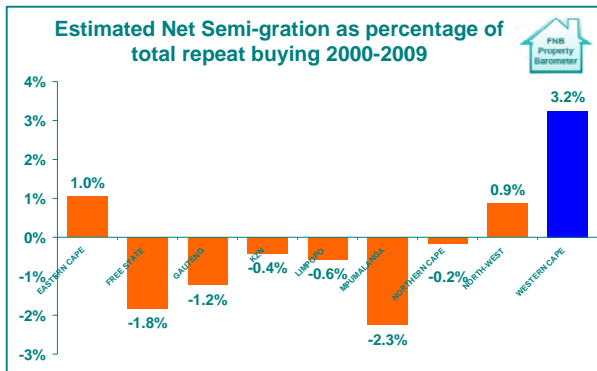
So, keeping in mind the possibility of minor distortions, what does the data tell us? Not surprisingly, it tells us that in terms of sheer numbers, Gauteng attracts by far the most estimated "semi-grat" repeat buyers, i.e. 38,566 over the 10 year period 2000-2009, with the Western Cape far behind in 2nd place with 23,408 inward "semi-grat" buyers, and KZN 3rd with 15,474.

DIRECTION OF REPEAT BUYING - 2000-2009

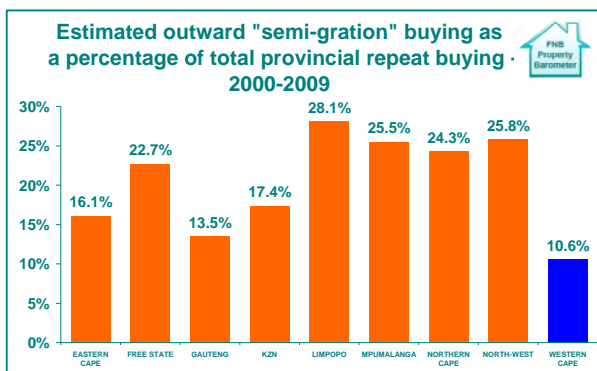
From \ To											Grand Total Repeat Buying	Grand Total excluding intra-region repeat buying
	EASTERN CAPE	FREE STATE	GAUTENG	KZN	LIMPOPO	MPUMALANGA	NORTHERN CAPE	NORTH-WEST	WESTERN CAPE			
EASTERN CAPE	42780	648	2985	901	137	252	203	235	2861		51002	8222
FREE STATE	771	32004	3893	810	187	508	571	935	1713		41392	9388
GAUTENG	3629	3728	275677	9658	2887	4788	645	5162	12548		318722	43045
KZN	976	861	9343	75904	311	961	105	582	2811		91854	15950
LIMPOPO	162	209	2872	347	13453	670	57	479	468		18717	5264
MPUMALANGA	264	449	5327	1141	707	27843	89	584	977		37381	9538
NORTHERN CAPE	248	597	527	93	71	90	9534	274	1154		12588	3054
NORTH-WEST	278	769	4703	616	460	526	310	24566	876		33104	8538
WESTERN CAPE	2540	1168	8916	1908	357	642	1047	676	146084		163338	17254
Grand Total	51648	40433	314243	91378	18570	36280	12561	33493	169492		768098	
Grand Total excluding intra-region repeat buying	8868	8429	38566	15474	5117	8437	3027	8927	23408			120253

Obviously, the number that a province attracts is only half of the story, with the other half being how many sellers is loses to other regions. Here again, it is Gauteng, due to its sheer size that can be expected to see the largest absolute outflow of 43,045 estimated repeat buyers from 2000 to 2009, the Western Cape 2nd with 17,254 and KZN 3rd with 15,950. Of the 3 major provinces, both Gauteng (-4,479) and KZN (-476) had estimated net outflows of repeat buyers over the decade, while the Western Cape recorded a surplus of +6,154 repeat buyers.

To get a perspective of how significant these net inflows/outflows are, we express the net inflow/outflow to/from a province as a percentage of the total estimated repeat buyers in or from the particular province. Here, we begin to see the apparent superior performance of the Western Cape over the other 8 provinces in terms of its ability to attract the best net inflow of repeat buyers as a percentage of repeat buyers from that province, i.e. +3.2%. North West and the Eastern Cape are the other 2 provinces with estimated net inflows of repeat buyers (It is possible that North West benefits from Gauteng commuters living within its boundaries as well as from Gauteng's economy gradually "spilling over" into it.).



How does the Western Cape achieve the best estimated net inflow of repeat property buyers? Well, it isn't purely about being the most popular semi-gration destination for outsiders. It is also about a better retention of residents. The Western Cape has the lowest percentage of estimated "outbound" repeat buyers as a percentage of its total estimated repeat buyers, i.e. 10.6%



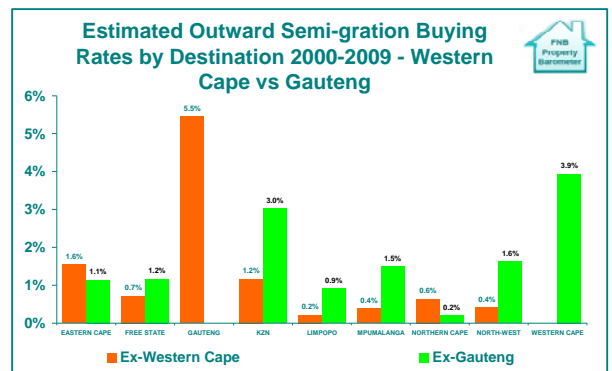
Gauteng has the 2nd-least amount of outbound buyers as a percentage of its total repeat buyers, i.e. 13.5%, although that province's sheer size means that it has the largest absolute amount.

It is the smaller provinces, especially the inland ones such as Limpopo, Mpumalanga, Northern Cape and North West which have huge percentages of outbound buyers.

How does the Western Cape have such good retention? Great lifestyle's in great environments are arguably found in far smaller centres than the country's major metros, while Gauteng must still be seen to possess the best economic opportunities in general. It is arguably the combination of economic opportunity, having the 2nd largest major metropolitan (City of Cape Town) economy after Gauteng, combined with probably as a good a lifestyle as a major metro can provide, given the usual issues of congestion, pollution and crime, that gives the Western Cape province the edge.

So, the net result appears to be that the Western Cape residents that do move away do so largely for better economic opportunity but not for much else. On what do we base this suspicion? On the estimate that the overwhelming majority of the Western Cape's outbound repeat buyers appear to head for Gauteng, i.e 5.9% of total repeat buyers in the province over the past decade. *Some may be surprised to hear that this appears to make Gauteng a more favoured semi-gration destination for Western Cape residents than what the Western Cape is for Gauteng people, relative to the size of each province's market, of course.* Because, by comparison, a lesser 3.9% of Gauteng's total repeat buyers were estimated to be outbound buyers for the Western Cape (although in absolute numbers the Gauteng outbound group was larger).

However, whereas the Gauteng outbound distribution was more evenly spread across provinces, with a significant group headed for the other major coastal region, KZN (3%), and even such small regions as North West (1.6%) and Mpumalanga (1.5%), the Western Cape province's outbound buyers are far more single-mindedly focused on Gauteng, with the 2nd most important Western Cape destination believed to be Eastern Cape with only 1.6% of its total repeat buyers headed there, and even less to KZN (see graph below).



This suggests that Western Cape semi-grants move largely for economic opportunity, and have limited interest in other "good lifestyle" provinces.

So add good lifestyle to a strong economy and you have a winning recipe, which seems to be what gives the Western Cape a competitive advantage not only in attracting semi-grants but, importantly in retaining them as well.

IN CONCLUSION

The Western Cape appears to lead in terms of having the best net inward semi-gration rate. This bodes well for the province's future long term economic growth rate, because we are probably dealing largely with skilled migrants in these figures, which are focused on repeat buyers in the formal residential property market.

While much is often made of peoples' seeking of lifestyle changes as a key driver of semi-gration, the overwhelming driver must surely still be economic opportunities. The Western Cape arguably has a good balance of both, possessing the 2nd largest major metro economy in the country, the fastest economic growth region over the past decade, according to Globalsight estimates, and with the Cape Metro possessing about as good a lifestyle as a major South African city could provide.

In turn, the Western Cape's seemingly superior ability to attract skilled SA migrants may support its ability to grow its economy at superior rates in future.

Admittedly, this study does not include 1st time buyers' migration habits. Our Deeds Data estimates suggest that, from 2000 to 2009, Gauteng had the highest percentage of buyers in the age cohort 20-29 (this includes 1st time individual buyers too). It is possible that this includes a higher percentage of inward semi-grants from other regions, who arrive in search of economic opportunity and then buy a property for the 1st time. That could be where Gauteng makes up for its net loss of repeat buyers.

1st time buyers fall outside the scope of this study. Nevertheless, it would appear that policy challenges face at least the two other major provinces, i.e. Gauteng and KZN, in terms of finding ways to compete with the Western Cape's seemingly superior ability to retain repeat residential buyers, which, along with lower estimated emigration rates (from the FNB Estate Agent Survey) would suggest a superior ability in retaining its skilled labour base.

