

Higher-density Housing



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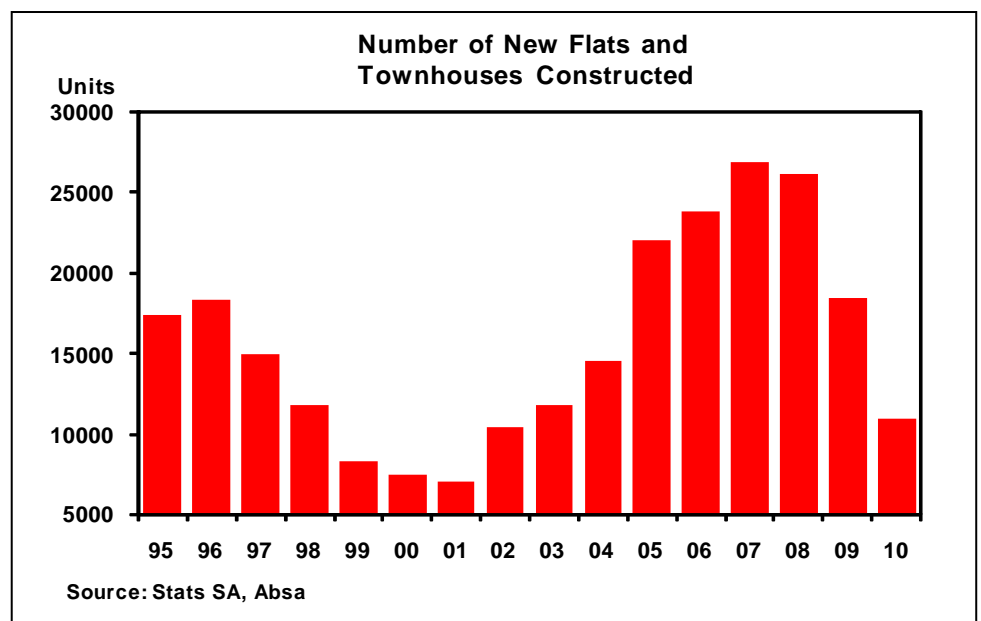
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The past few years saw a major focus on higher-density residential property developments in South Africa, especially in the major metropolitan areas. These developments, consisting mostly of flats and townhouses, were also the focus of an increasing number of property investors and speculators, which caused strong growth in the demand for and supply of these types of higher-density housing. More than 251 000 new flats and townhouses were reported to have been constructed from 1995 to 2010.

The volume of new flats and townhouses built was on a sharp downward trend in 2009 and 2010 compared with the period 2001-2008. This was mainly the result of economic developments which impacted household finances and demand and supply conditions for housing. In view of these developments, the average building area of flats and townhouses dropped to an average of around 108m² over the past three years. This was a reflection of the greater focus on the affordability of housing against the background of the economic cycle, as well as rising municipal rates, taxes and levies. However, the cost per square metre of building flats and townhouses continued to rise at a faster pace than the headline consumer price inflation rate over the past few years, which contributed to the value per unit of new flats and townhouses constructed to be on an upward trend in real terms, except for 2007 and 2008 when noticeable real price declines occurred.

Significant cost pressures were experienced in the residential building and construction sector over the past few years, which were reflected by rapidly rising building costs. These cost pressures include material costs; equipment costs; transport costs; labour costs; and the cost of suitable vacant development land, which is impacted by aspects such as scarcity, the availability of services, and the cost of rezoning.

Higher-density residential developments are expected to be a strong focus of future housing demand and supply in South Africa, specifically in the major and fast-growing metropolitan areas. This will be driven by the affordability of housing, which will depend on building costs, the state of household finances, the cost of mortgage finance, and the availability and cost of vacant development land and municipal services.



New Flats and Townhouses

Buildings constructed

	Volumes		Building area per unit		Value per unit			Building cost per unit			Headline
	Number	% change	m ²	% change	Rand	Nominal % change	Real % change	Rand per m ²	Nominal % change	Real % change	CPI inflation rate (%)
1995	17 409	37.6	96.6	-7.4	97 364	-3.6	-11.3	1 008	4.1	-4.2	8.7
1996	18 354	5.4	98.2	1.7	109 736	12.7	5.0	1 117	10.8	3.2	7.3
1997	15 060	-17.9	92.3	-6.1	110 305	0.5	-7.4	1 195	7.0	-1.5	8.6
1998	11 907	-20.9	96.6	4.6	126 011	14.2	6.8	1 305	9.2	2.1	6.9
1999	8 402	-29.4	104.6	8.3	135 722	7.7	2.4	1 298	-0.6	-5.4	5.1
2000	7 527	-10.4	100.1	-4.3	137 429	1.3	-3.9	1 372	5.8	0.4	5.4
2001	7 093	-5.8	113.5	13.3	164 900	20.0	13.6	1 453	5.9	0.2	5.7
2002	10 473	47.7	116.3	2.5	184 498	11.9	2.5	1 586	9.2	0.0	9.2
2003	11 862	13.3	122.1	5.0	216 041	17.1	10.6	1 769	11.5	5.4	5.9
2004	14 618	23.2	139.8	14.5	305 948	41.6	39.6	2 188	23.6	21.9	1.4
2005	22 066	51.0	128.1	-8.4	338 974	10.8	7.2	2 647	21.0	17.0	3.4
2006	23 858	8.1	130.8	2.1	414 167	22.2	16.7	3 167	19.7	14.3	4.7
2007	26 949	13.0	114.8	-12.3	397 372	-4.1	-10.4	3 463	9.3	2.1	7.1
2008	26 221	-2.7	107.1	-6.7	421 576	6.1	-4.4	3 936	13.7	2.4	11.0
2009	18 462	-29.6	106.7	-0.3	460 377	9.2	1.9	4 313	9.6	2.3	7.1
2010	10 965	-40.6	108.7	1.8	514 869	11.8	7.3	4 736	9.8	5.3	4.3

Source: Stats SA, Absa

