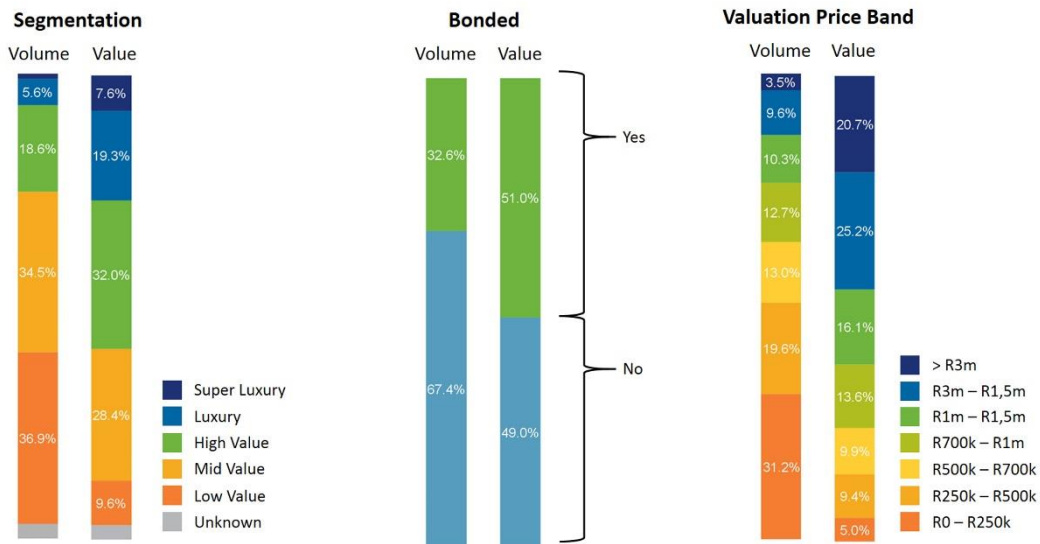




How the Affordable Property Market is outperforming the rest

Lightstone, provides analytics to evaluate trends and segmentation within all the property sectors, and in a recent evaluation of the total eight million South African properties, it is revealed that the affordable sector (low and mid value) is by far the largest portion of the residential property market, amounting to 71,4% of the total volume of properties in South Africa.

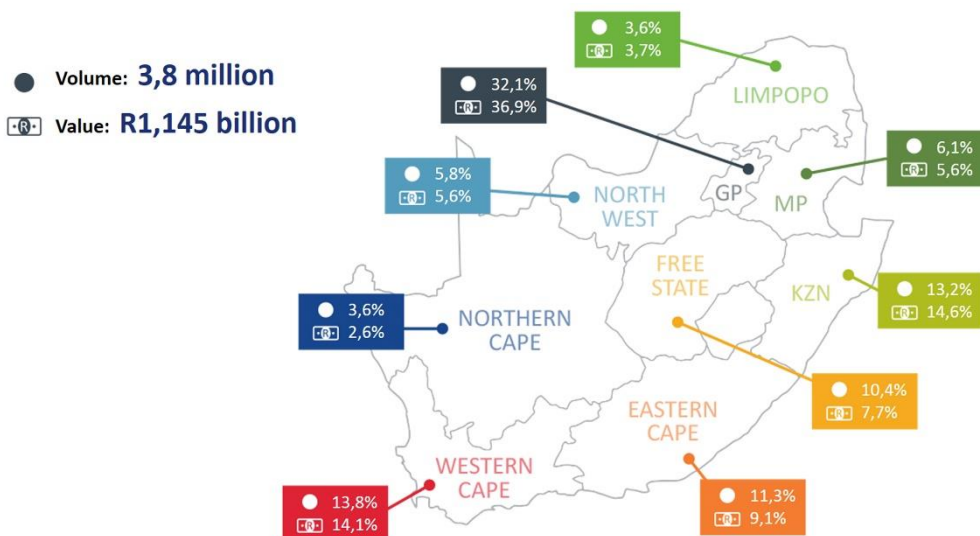
Lightstone’s affordable property market is defined as properties with a Lightstone automated valuation of R 700 000 or less and a total of 94,2% of these properties are classified as freehold.



Property stock segmentation within the residential market

“While we find the majority of the property market is growing at a stable rate, the affordable market is in a dual pressure system,” explain Paul-Roux De Kock. “On the one hand we see potential buyers moving from the informal sector to the formal sector, and on the other hand people are down-scaling and dropping back into the affordable market possibly because of the shrinking economy. Potential buyers are looking at formal markets developing around informal settlements to obtain value for money and developers are filling the gap and meeting the demand. “What we find so interesting about the affordable market is that parts of this segment grow so rapidly that it could quickly be reclassified into a middle or high-end value segment.”

The total value of the affordable market is R1,143 billion whereas the South African residential property market is valued at R5.3 trillion. 32,1% of the affordable market properties are situated in Gauteng, 13,8% in the Western Cape and 13,2% in Kwazulu Natal.



The composition of the Affordable Property Market across South Africa

Between the third quarter of 2017 to 2018 developers have responded positively towards all markets with a significant spike of new properties being registered in the low value band.



Developer participation in the market

With the significant growth in the mid to low value market it is encouraging to find traditional disruptors responding positively. Financial institutions like Old Mutual have started Stokvel financing for the low value property market, home owners are earning additional income through renting rooms or backyard properties and developers and community leaders are working together to find innovative solutions to unlock the true potential of this market segment.