



Western Cape
Government

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Department of Environmental Affairs and Development Planning

Housing Market Studies for Intermediate Cities/ Larger Towns in the Western Cape

Stellenbosch Town Report

FINAL REPORT. August 2022

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This report was produced by the
Centre for Affordable Housing Finance in Africa (CAHF)

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Introduction

Project background and purpose

● Problem statement

Developed in 2021, the draft Western Cape Inclusionary Housing Policy Framework provides a guide for municipalities to develop local policies which harness inclusionary housing as a mechanism to promote better located affordable housing in towns and cities, in partnership with the private sector. As a first step to determining if inclusionary housing has the potential to be an effective policy tool in the local municipal context, it's necessary to have a clear understanding of the residential property market in the municipality.

Given that many local governments do not have the means to undertake this detailed analysis themselves, the Western Cape Department of Environmental Affairs and Development Planning (DEADP) in partnership with the Department of Human Settlements appointed the Centre for Affordable Housing Finance in Africa (CAHF) to deliver housing market studies for identified urban areas of George, Stellenbosch, Mossel Bay and Drakenstein municipalities.

● Project objectives

The overall aim of the project is to underpin and support each of the municipalities to decide on the applicability of an inclusionary housing policy for their municipality and then to assist with the design and development of that policy, by providing key data to inform the design and parameters.

The reports include: analysis of the residential property markets; housing supply and demand assessments; and analysis of the affordability gap in each area, and are intended to provide the intelligence needed to ensure an evidence-led understanding of the housing markets in these urban areas.

Key research questions

In order to inform the potential development of a local inclusionary housing policy, the analysis of the residential property market must address the following questions:

- What is the profile of housing in the city? – by market segment, property type, neighbourhood
- What is the state of the residential market currently? – in terms of market performance, activity, key players, government and private sector delivery
- What is the affordability gap? – where is affordable housing needed, how much and what type? what is the target market for the affordable housing market?
- Is there an active property development market that would make the application of an inclusionary housing policy viable?

Data sources

● Deeds data from Lightstone Pty.

Deeds data was purchased from Lightstone Pty for the study areas in each of the local municipalities, covering the period 1 January 2017 – 31 December 2021. Record-level data is aggregated over time by calendar year, at subplace level, using StatsSA boundary delineations.

NB: The data purchased from Lightstone, and detailed in the Supply and Market Activity sections of this report, reflects only the Census sub-places contained within the study area, as well as the relevant portion of the Stellenbosch NU subplace which is within the study area—see **Appendix A** for a detailed explanation. The deeds data therefore reflects the study area, and *not* the entire municipality.

● TPN Credit Bureau data on rental market

Given that the deeds data from Lightstone does not allow sight of the rental market, we obtained rental market data from TPN Credit Bureau, who produce and sell Investor Reports for specific areas. The reports provide data on rental prices by size of unit (no. of bedrooms) for last three years, low, average and high monthly rental. The drawback of the TPN data is that a) it only includes formal properties, and b) only includes data from landlords and companies that voluntarily provide the data to TPN. The lack of updated municipal or sub-place level data on the rental market is critical gap impacting on municipal planning.

● Stats SA sources

Demographic data and data on housing circumstances was sourced from Stats SA sources, including the: 2011 Census, 2016 Community Survey, 2019 General Household Survey, and Labour Force Survey Q4 2021. For many key indicators, the most updated data is not available at municipal level, forcing a trade-off between how recent the data is, and whether it is too high level to be useful to a study of the city area.

● DEADP and other Western Cape provincial sources

Population estimates were provided by the WC Department of Social Development and DEADP. Quantec data (2021) published in the Municipal Economic Review and

Outlook was provided by Provincial Treasury. Additional data was obtained from DHS on: housing project pipeline status per municipality; FLISP and social housing delivery; Restructuring Zones; and demand information acquired through public Open Day events in municipalities.

● Income segments

Apart from more outdated income data from Stats SA source, recent data on income at municipal level was difficult to obtain. In addition to Quantec data acquired from Provincial Treasury, the WC Department of Economic Development and Tourism also provided municipal-level income data for 2021. GeoTerralimage provided income data at subplace level for the four municipalities, which allowed us to isolate the data for the George city area.

Data from Stellenbosch municipality

The municipality provided a wealth of information, including: valuations data; housing demand database data; housing project information; backyard dwellings; and land use management decisions. Shapefiles were provided for: land use and zoning; the urban edge, priority development areas, zoning schemes, informal settlements and LUPO applications. This data was overlaid with deeds data from Lightstone to get a spatial understanding of market activity.

● Key respondent interviews

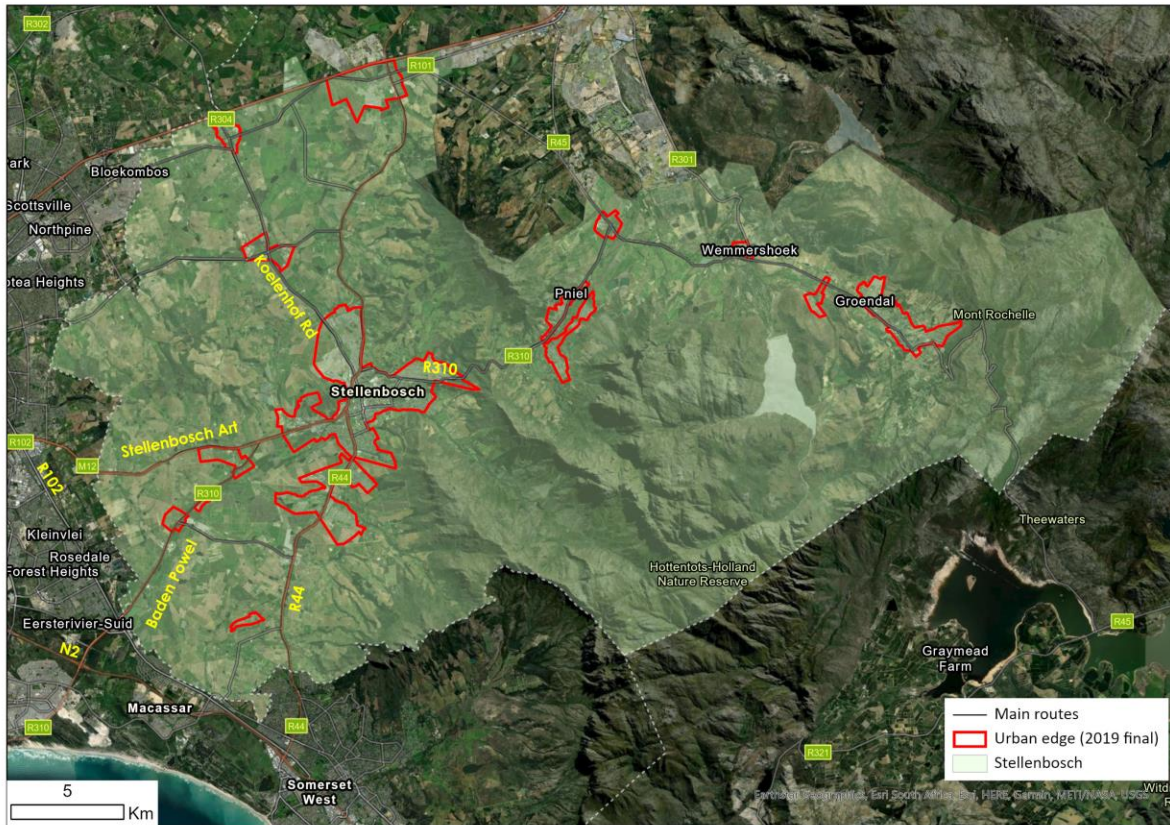
A limited number of key respondent interviews were undertaken to supplement the quantitative data sources. In Stellenbosch, we spoke to two private developers and an executive manager at the University of Stellenbosch. The interviews explored: trends in the market; the nature of demand and the target market; the level of activity and growth in the rental and ownership markets; and market prices (rental and ownership).

● Additional sources

Additional sources included: the Social Housing Regulatory Authority (SHRA), Consumer Credit Market Reports, and other sector reports and publications.

Study area

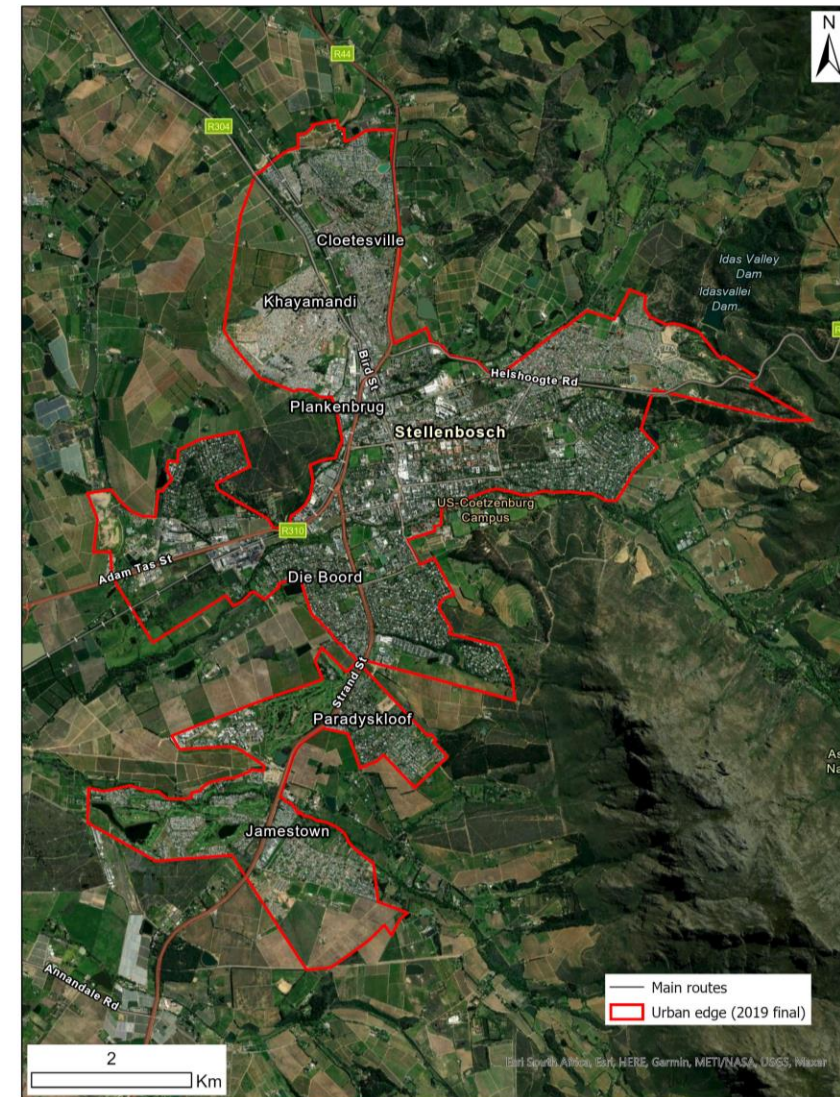
Stellenbosch municipality: Urban edge



Data source: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

As shown in the map above, the 2019 urban edge for Stellenbosch municipality includes a number of separate outlying areas—such as Pniel and Groendal—in addition to the town of Stellenbosch itself. The scope of this study is limited to the main central town of Stellenbosch, as encircled by the urban edge (map to the right)—see **Appendix A** for further detail.

Study area: Stellenbosch town



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

Methodology

Deeds data analysis

The indicators obtained from Lightstone were organized into five market segments according to property value, according to Lightstone's own valuation method (see box on pg 20):

- **Entry level market** – Properties valued under R300 000
- **Affordable market** – Properties valued R300 000 – R600 000
- **Conventional market** – Properties valued R600 000 – R900 000
- **High end market** – Properties valued R900 000 – R1.2m
- **Luxury market** - Over R1.2m

By lumping all properties valued over R1.2 million into one market segment, instead of setting up market segments with equal intervals, this classification is notably biased towards the lower end of the market. These market segments were identified with the aim of providing detail on segments within range of the affordable housing market, and therefore do not prioritise detailed stratification in the market over R1.2 million. Visually, this distorts the size of the segment above R1.2 million, as many smaller segments are collapsed into one. This is an acknowledged limitation in the report, as a more detailed understanding of the market above R1.2 million, particularly below R3 million, would enhance understanding of the ecosystem impacting on affordable housing.

A second key point of note is that the deeds data—by definition—only includes those residential properties which are recorded in the Deeds Office, and therefore excludes informal settlements and backyard dwellings, and units that may be occupied but not transferred. Census 2011 data includes these areas, but it obviously outdated, and must either be used to model and estimate the current population in informal dwellings, or municipalities must undertake specific surveys, which is not feasible and affordable in most cases. In this report, we have used data from the WC Department of Social Development and GeoTerralimage, as well as data from the municipality itself.

Third, government-subsidised houses are not explicitly recognised or marked on the title deed. Therefore its necessary to use a proxy to identify these properties on the deeds registry—our proxy is based on common programme characteristics of BNG/RDP houses, including the year, first registration price and buyer type, maximum prices, and proximity to other similar housing types. Further detail is provided at **Appendix B**.

Although not in the form of records-level data, the Lightstone data indicators enable analysis of: housing stock by market segment and property type; new and resale transactions; bonded and non-bonded transactions; housing typologies (freehold, estate, sectional title); first-time home buyers; and government-subsidised properties. Analysis of these indicators enables improved understanding of market depth and scope, affordability and inclusion.

The deeds data obtained from Lightstone is not an exact match to the boundaries of the study area / urban edge, but it is very close. **Appendix A** provides detail on the geographic areas included in the deeds data for the Stellenbosch town area obtained from Lightstone. The data covers: the 16 Census subplaces within the urban edge of the town, and one specific populated area which is located within the urban edge, but part of the larger Stellenbosch NU subplace which surrounds the city area and covers rural lands. Thus all the deeds data obtained from Lightstone which is presented in this report does not encompass the entire municipality, but only the Stellenbosch town which is the focus of this study.

Mapping

The mapping data received from the municipality and province (CSV, databases and Excels) was stored in a SQL data base where applicable to allow for connections to Power BI and Tableau software. A connection to Tableau was required as our purchased deeds data is geolocated to the Stats SA Census boundaries at the lowest level of subplace and we have pre-customized the mapping on our license in line with the Stats SA Census boundaries.

Furthermore, Tableau was also utilized to conduct analysis of the municipal data, survey data and purchased data as well as the output of graphical report charts and generic maps for the study places and the lowest level of subplace.

Additionally, for the mapping outputs, ArcGIS was utilized to produce shape files with analyzed deeds data as well as the province and municipal data where applicable, overlaid in the study focused areas.

Demand side assessment

Key demographics

Stellenbosch town is the largest settlement in the municipality, followed by Klipmuts and Franschoek and a number of smaller rural settlements. Home to a major university of 22 000 students, the town serves as a centre for the municipality with education, commercial and government services. Stellenbosch is an important centre for tourism, due to its natural environment and wineries, and also attracts retirees.

Population

Identified as the main urban node of the municipality, Stellenbosch town had a population of 101 843 in 2021, with a total of 27 359 households. Stellenbosch town is home to 52% of the total households in the municipality.*

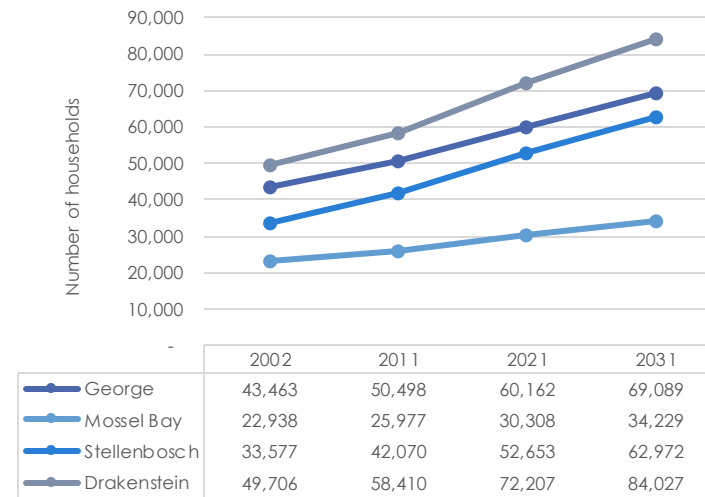
At municipal level, 73% of households have access to basic services, as well as live in a formal dwelling. Municipal population estimates by WC DSD are shown to the right, alongside figures for Drakenstein, George and Mossel Bay.

According to earlier DEADP estimates, having increased relatively faster at 2.8% per annum between 2001 and 2011, Stellenbosch municipality's population growth is estimated to slow to 2.2% per annum from 2011 to 2023, at which point the population growth rate is expected to increase to 2.5% per annum up to 2028. The municipal IDP forecasts a lower population growth rate of 1.7% per annum for the period 2021-2025. Household size in the municipality has been declining slightly, from 3.4 in 2001, to 3.3 in 2016. The municipal IDP 2022-2027 puts household size at 3.7 in 2021.

Density

Stellenbosch municipality's population density is 236 persons per km², higher than neighbouring Drakenstein municipality at 191 person/km². The 2019 SDF set the target density for the municipality at 25 dwelling units per hectare, but noted that the average density in 2015 was only 8.17, indicating that significant changes to settlement patterns needed to be effected in order to increase density within the urban edge.

Number of households per municipality



Source: W C Department of Social Development. Population and Household Estimates created for Inclusionary Housing Project/Study, 2022. Excel file: DSD\IHSstudy_SummaryOutputDraftML20220223_2011SPaligned.xlsx

Number of households by gender of head of house Stellenbosch, 2016

| | Number of households | Percent of total |
|-------------|----------------------|------------------|
| Female | 19,122 | 36.58% |
| Male | 33,152 | 63.42% |
| Grand Total | 52,274 | 100.00% |

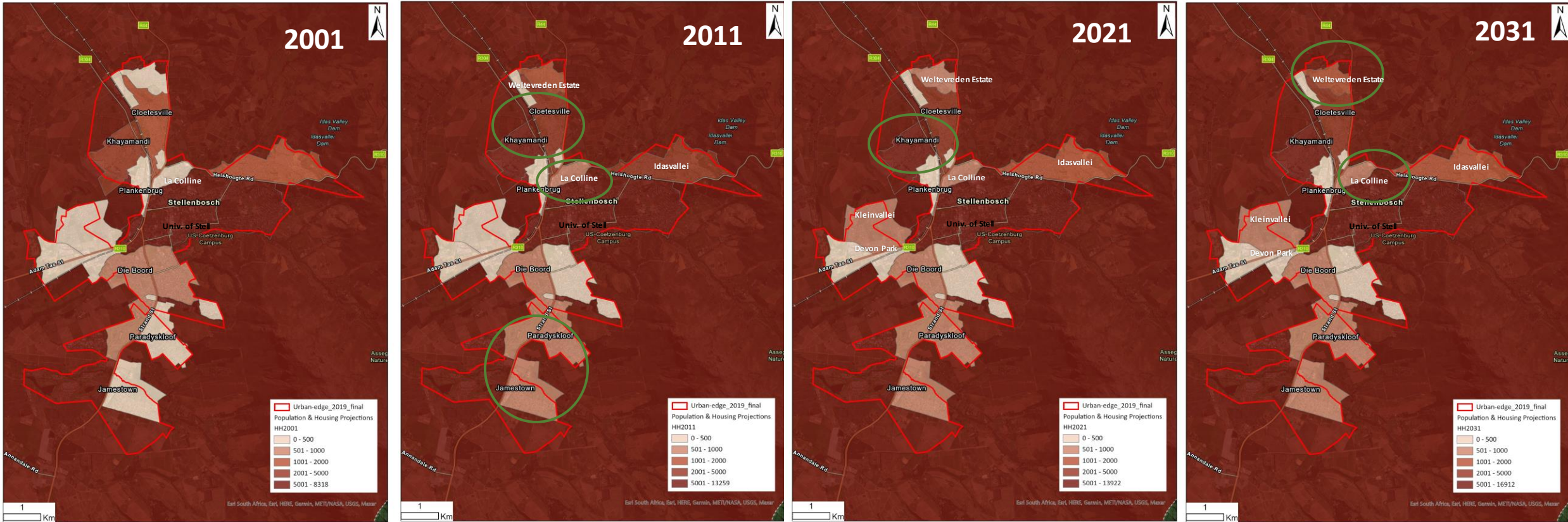
Source: 2016 Community Survey.

Demographics

As of 2021, the municipal population is 51.2% female (2021), while the 2016 Community Survey puts the number of women-headed households at just 37%.

According to the 2016 CS, approximately 30% of Stellenbosch municipality's population were adults, 42% were youth (15-34) and 4% elderly persons (65 and over). Stellenbosch municipality has an ageing population, with the cohort of persons 65 or over, growing faster than the cohort of working age adults. The great majority of stable homeowners are over 50 years old, with only about 5% under 35.

Growth of number of households by subplace (2021-2031)



Data sources: WC Department of Social Development. Population and Household Estimates created for Inclusionary Housing Project /Study, 2022.

Population growth by area – 2001-2031

Between 2001 and 2011, Khayamandi more than doubled in size, with an additional 5 004 households. Cloetsville also grew in population with 1 081 additional households. Stellenbosch SP dropped by one third, losing nearly 3 000 households. Reflecting densification at the centre of town, La Colline more than doubled its number of households. Jamestown and Paradyskloof to the south also gained population.

The next ten years until 2021 saw continued growth in Khayamandi, with another 2 760 households being added.

Looking forward, the growth in Khayamandi is forecast to continue at the same rate, growing by one third before 2031. La Colline and Cloetsville will also continue to densify. Having dropped in size prior to 2021, Welgevonden is anticipated to gain another 420 households in the next 10 years.

In total, the Stellenbosch town area is anticipated to gain an additional 6 146 households between 2021 and 2031, according to these estimates by WC DSD.

- Urban Edge
- HH2021
- 0 - 500
- 501 - 1000
- 1001 - 2000
- 2001 - 5000
- 5001 - 13922

Housing context

● Dwelling type and tenure

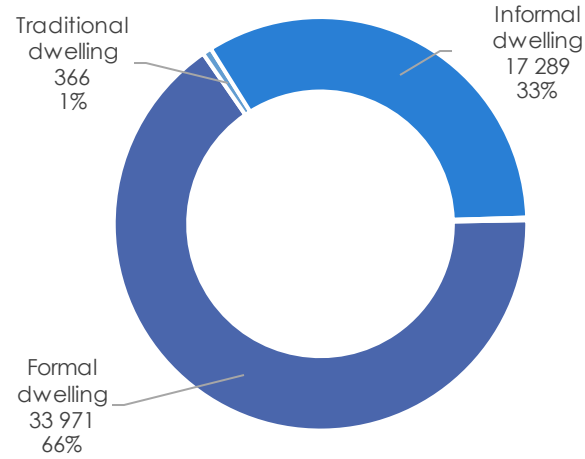
The data from the 2016 Community Survey shows that 66% of households in Stellenbosch municipality stayed in formal dwellings and 33% in informal dwellings—see pie graph. According to more recent figures from the 2021 MERO, 36 592 households in the municipality reside in formal dwellings, or 73% of total households. An estimated 25% of residents live in the 29 informal settlements in the municipality (2022-2027 IDP).

The 2016 CS has the most recent data at municipal level on tenure status—see table to the right. At that point in time, one half of the municipality's households reported that they owned their property (50%) while 19% rented. Stellenbosch municipality has a lower ownership rate than the national average (65%) and lower rates of rental than the national average (26%)—according to national data from the 2019 GHS.

Of those who owned, 41% of households reported they possessed the title deed to their home, while 37% said they did not have the deed to their property (2016 CS).

At the time of the 2011 Census, one third of households reported that they were in an RDP or government-subsidised dwelling, while 37% indicated they were not.

Number of households per dwelling type
Stellenbosch municipality (2016)



Source: 2016 Community Survey.

Number of households by tenure status
Stellenbosch municipality (2016)

| | Number of households | Percent of total |
|---|----------------------|------------------|
| Do not know | 569 | 1.09% |
| Occupied rent-free | 10,089 | 19.30% |
| Other | 5,661 | 10.83% |
| Owned and fully paid off | 22,002 | 42.09% |
| Owned; but not yet paid off | 4,121 | 7.88% |
| Rented from other (incl. municipality and social housing ins) | 1,754 | 3.36% |
| Rented from private individual | 8,077 | 15.45% |
| Grand Total | 52,274 | 100.00% |

Source: 2016 Community Survey.

Housing demand

Stellenbosch town housing demand database

According to data provided by the municipality, as of November 2021, the number of people on the Stellenbosch municipality housing demand database was 17 945. Residents of Stellenbosch town made up 64% of the database (11 396), of which: 64% were aged 41-65 years old, and 0.12% (or 14 people) indicated a member in the household had a disability.

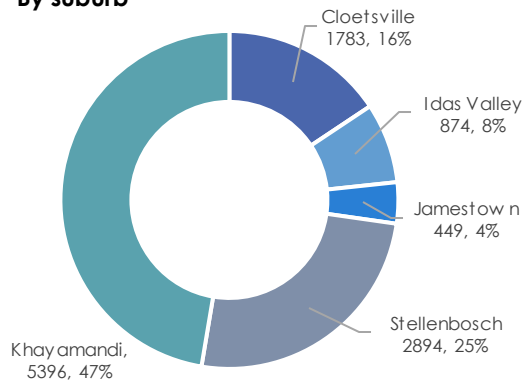
The housing demand database information must be viewed with caution for a number of reasons. The data is based on those people who voluntarily come forward, and income data is self reported and not verified. Furthermore, the demand data is a moving target and thus these figures only speak to one point in time as recorded at one event. Finally, it has been observed that this open day methodology typically undercounts persons with disabilities.

Housing gaps

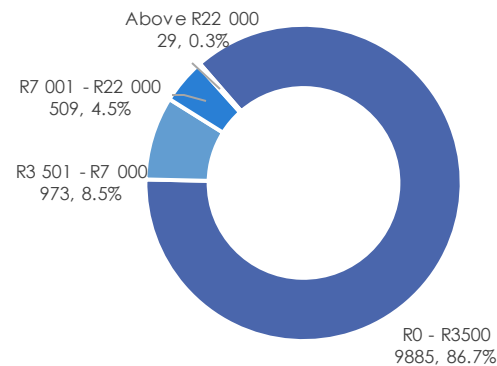
Because state housing delivery has not produced sufficient units and the private sector is not building units affordable to low and middle income households at scale, there is a significant shortage of adequate, affordable housing in Stellenbosch town, resulting in land invasions, a growth in informal settlements, and large numbers of workers and students from the university or private sector needing to commute daily

Stellenbosch town housing demand database (November 2021)

By suburb

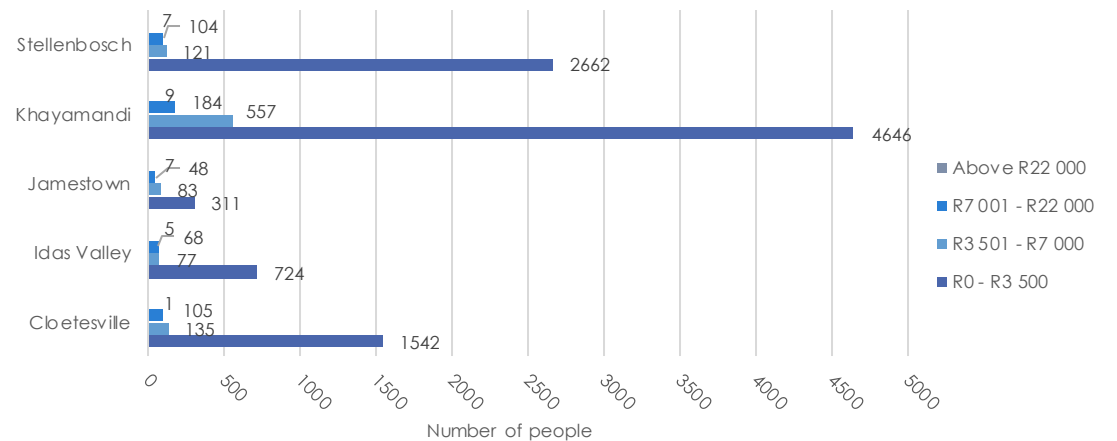


By monthly income



Source: Stellenbosch Municipality, Stellenbosch November 2021 statistics.

Stellenbosch town housing demand database by suburb and monthly income (Nov 2021)



Source: Stellenbosch Municipality, Stellenbosch November 2021 statistics.

into town. The current housing gap is specifically with respect to student housing and affordable housing for employed, lower and middle income groups. The demand for lower-value rental accommodation for university students is in the region of 4 000 units.

The data indicates that housing need is concentrated in particular areas of the town. Cloetsville, Idas Valley, Khayamandi, and Jamestown make up nearly half of the municipality's total BNG housing need. Cloetsville (84%), and Idas Valley (88%) have the highest proportion of applicants on the waiting list for 10 years or more.*

Many people on the housing demand database have been waiting for housing assistance for years. According to the 2019 SDF, 74% of the applicants (for the entire municipality) had been on the waiting list for longer than 10 years, 24% of which are currently on the waiting list for more than 20 years.

Looking at the demand database for the municipality in 2018, the majority of people (53%) were over 40 and had been on the waiting list for more than 10 years, according to the 2019 MSDF.* Those applicants who were under 40 years of age were mainly located in Khayamandi and Klappmuts, which falls outside the study area (see pg 6).

* Sourced from 2019 Stellenbosch SDF, which includes an analysis of a May 2018 extract from the WC Housing Demand Database for the municipality.

Unmet housing needs – Informal settlements and backyard dwellings

The presence of informal settlements and backyard dwellings in Stellenbosch town, provides a sort of proxy for housing demand, indicating the number of households unable to find alternate, adequate accommodation which is affordable. The location of these dwellings may indicate areas of opportunity for settlements, or may express preferences for location with respect to formal or informal employment.

As shown in the map, informal settlements within Stellenbosch town are almost entirely located in Khayamandi, at the northern end of town. It is important to note that, absent a recent survey of informal settlement residents which provides data on type and quantum of income, it is difficult to know if those households would qualify for subsidized housing, and thus whether the required housing opportunities would need to be provided by government through fully-subsidized units, service sites, social housing or FLISP. These households may have income which make them ineligible for full subsidies and unable to purchase a newly-built unit, but adequate to enable some affordability—perhaps affordable rental or a low value house on the resale market. The existence of the informal settlements and backyard dwellings are therefore an indication of housing inadequacy, but not evidence of effective housing demand or capacity to pay.

Backyard dwellers in Khayamandi

A 2021 survey of backyard dwellers in Khayamandi yielded good information on the circumstances of residents, with implications for determining demand for adequate housing. A total of 1 629 households were interviewed.

backyard dwellings were mostly occupied by single youth. Nearly three quarters (73%) of backyard structures were inhabited by one person, and 62% of

heads of households were aged between 18 and 25. Another 45% of household heads were 26-35 years old, while only 2% were over 55. The great majority of the heads of households were single (84%).

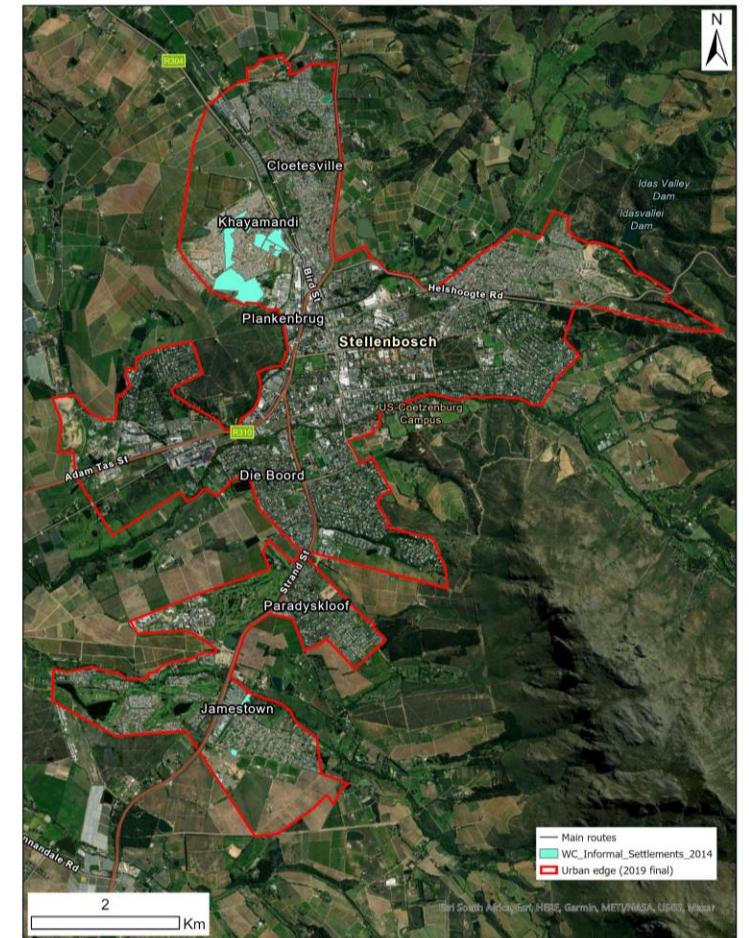
Although 48% of persons were employed, incomes were low, with 59% earning R4 000 or less a month. Only 4% reported a monthly income over R10 000. The share of households receiving a social grant—primarily the child support grant—was only 18%.

Of those who were employed, 57% indicated they were in permanent employment—mostly unskilled or low skilled—primarily as restaurant workers, general workers, and security personnel.

Approximately half of backyard households had been staying at the same address for five years. Most respondents indicated they were renting their dwellings and/or the land on which it sat. Importantly, only 11% of respondents had registered on the housing demand database.

While reported income levels would suggest that approximately one third of backyard dwellers would meet the income requirements below R3 500/month, single persons who did not have dependents would be ineligible for a housing subsidy unless they were elderly or had disabilities (both of which were very small numbers). However the relative frequency of permanent employment suggests steady formal income which would support access to credit.

Stellenbosch town: Urban edge and informal settlements



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

Employment

In 2020 Stellenbosch municipality's GDP per capita was R89 378, exceeding both Drakenstein at R76 561 and the provincial figure of R84 967 (2021 MERO). Given the concentration of jobs, the GDP per capita in Stellenbosch town itself is likely higher than the municipal figure.

The 2022-2027 IDP reports that the economy of Stellenbosch municipality grew by an average annual growth rate of 0.9% between 2015 and 2019, but contracted by 6.7% in 2020, largely due to COVID and economic lockdowns.

Employment

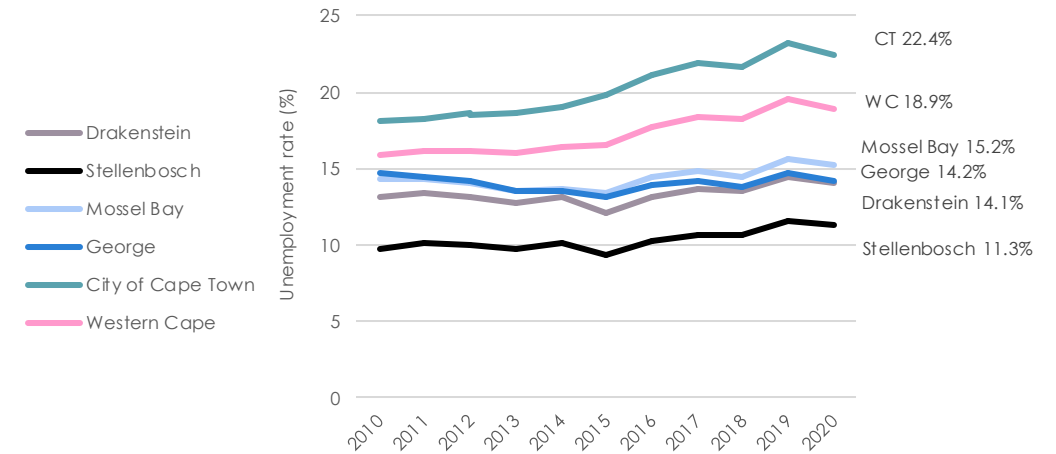
Despite the onset of the pandemic, unemployment in Stellenbosch municipality actually dropped very slightly from 11.6% in 2019, to 11.3% in 2020.

Of the approximately 73 800 workers in 2020, 74% were formally employed while 26% worked in the informal sector.

With respect to formal employment, 24% of workers in 2020 were skilled, 43% semi-skilled, and 32% low-skilled, with the number of low-skilled workers declining in the last four years.

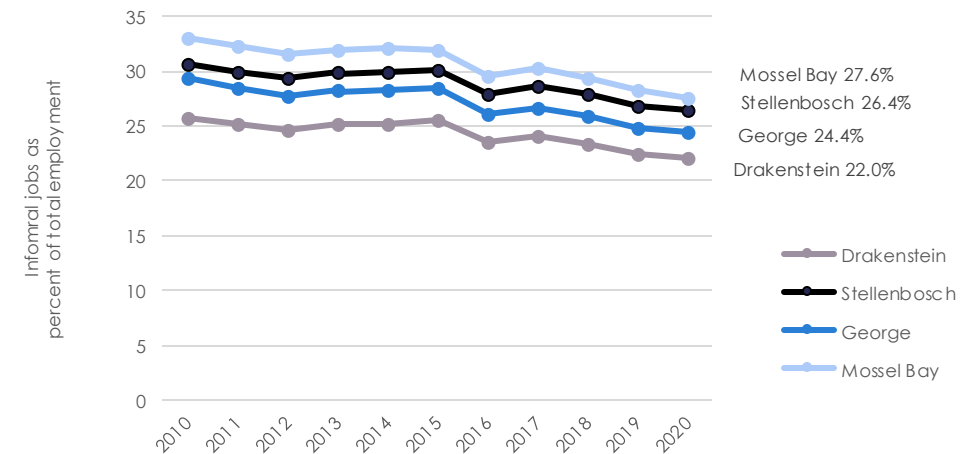
Apart from those who are unemployed, the large number of persons in informal employment creates a challenge for accessing finance to support their housing. Mortgage finance is likely unavailable to these households as banks require evidence of formal employment with a regular income.

Unemployment rates (2010-2020)



Source: 2021 Quantec, calculations by Urban Economics.

Informal employment (2010-2020)



Source: 2021 Quantec, calculations by Urban Economics.

Income

Household income

At R19 791 in 2019, average monthly household income in Stellenbosch municipality exceeds the average for the country, and for the province (2021 MERO). However it is just slightly below the average for Cape Town metro, as shown in the graph below.

Stellenbosch municipality's average monthly household income is just R208 below that of Drakenstein.

While average household income in the metro and the province overall declined from 2015 to 2019, the average household income in Stellenbosch increased very marginally—by 0.1% between 2015 and 2019.

Average monthly household income (current prices), 2019

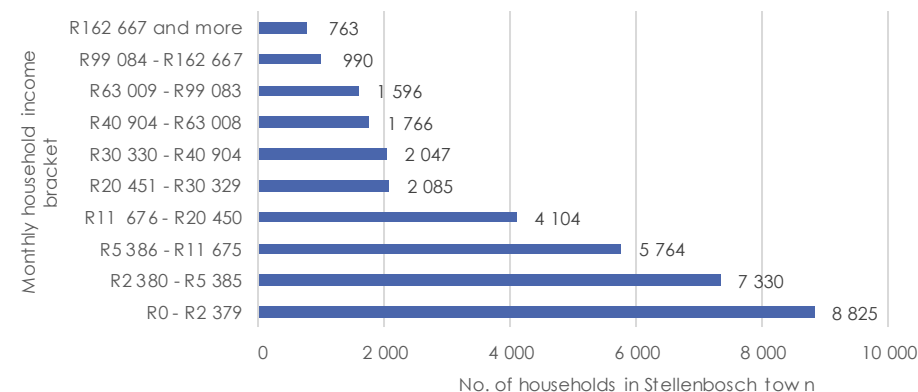


Source: 2021 Quantec, calculations by Urban Economics.

Income distribution

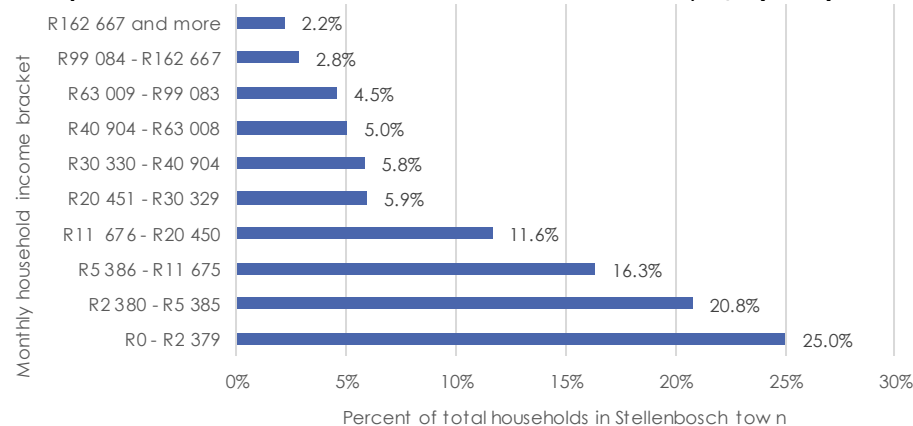
Income data obtained from GeoTerraImage (GTI) for 2021 at subplace level allowed analysis of the income profile of households in Stellenbosch town, instead of the entire municipality.* The graphs to the right display the income distribution. In Stellenbosch town, 8 8825 households, or 25% of the total, earn R2 379 or less / month. Approximately 62% earn about R12 000 or less per month.

Monthly household income distribution for Stellenbosch town (n=35 271) **



Source: ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021.

Monthly household income distribution for Stellenbosch town, ** % (2021)



Source: ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021.

* The W.C. Department of Economic Development and Tourism also provided municipal level household income data for 2021. A comparison of the DEDT and GTI data shows that the overall number of households at municipal level is close, but the GTI data has considerably more households in the bottom income segment. A comparison of the two data sources is provided in Appendix C. The GTI data is used in this report because it was available at subplace level.

** Includes data from 16 subplaces in Stellenbosch town.

Rental market

Rental rates

As noted above, the 2016 CS put the overall rental rate for Stellenbosch municipality at 18.8%. The 2016 Community Survey reported that 15.45% of households rented from private individuals, while another 3.36% rented from the municipality or social housing institutions.

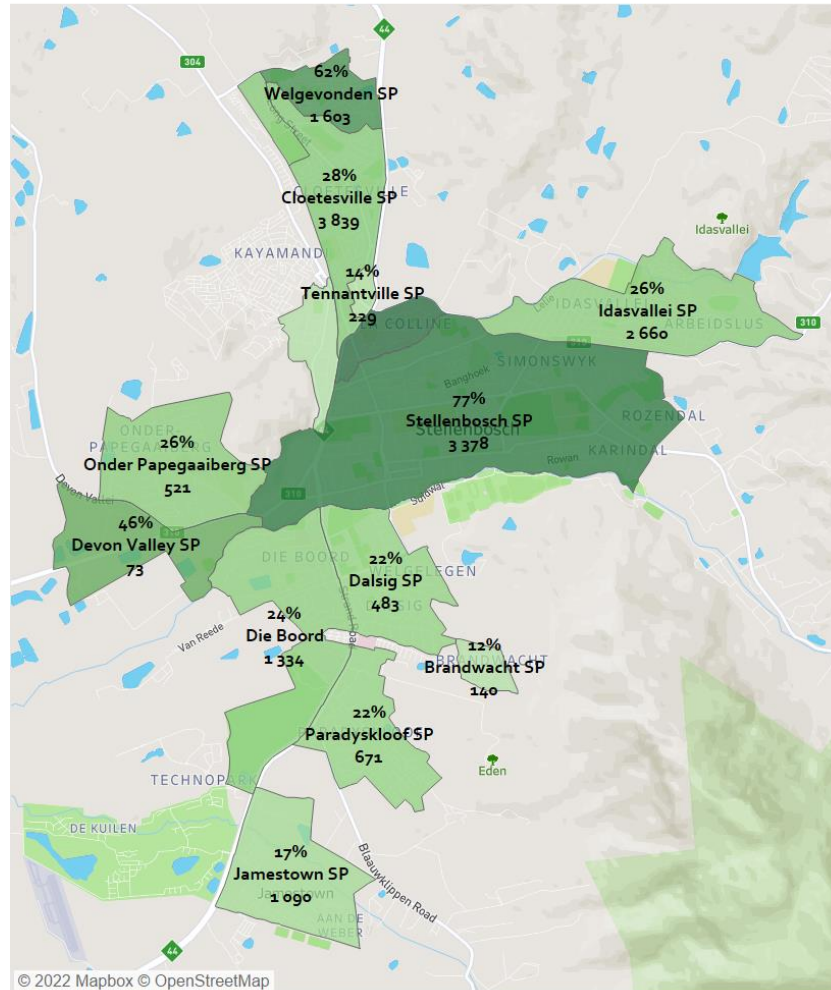
However subplace-level data on the percentage of households who rent is scarce. The most recent data on the percent of households renting by sub place is only available from the 2011 Census, and indicated that—at that time—overall 31% of households in the municipality rented their accommodation. In Stellenbosch town alone, that percentage was higher at 47%. At that time, rental rates were highest in central areas of Stellenbosch town, Stellenbosch sub place itself and La Colline. This makes sense given the presence of the university and the number of student renting their accommodation during their studies.

The pie graph displays Census 2011 figures for Stellenbosch town only. In terms of the size of rental units, 21.5% were 1-2 bedroom units, 12.1% were 3 rooms, and 23.8% had 4 rooms back in 2011.

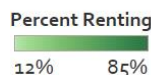
However clearly these areas, and Stellenbosch town, has changed significantly in the last eleven years. The new Census 2021 data will provide much more recent figures.

Percent households renting

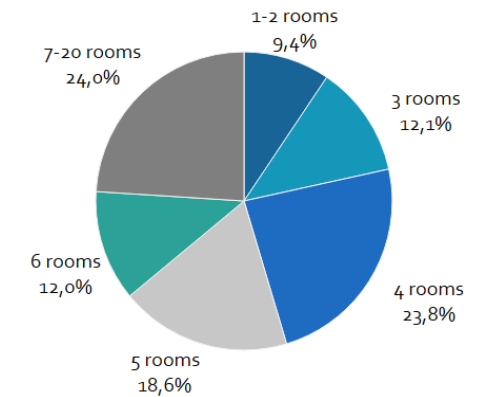
Stellenbosch, 2011



Source: Stats SA Census 2011



Stellenbosch town: Rental dwellings by number of room (2011)



Source: Stats SA Census 2011

Summary of demand side assessment

● Demand for affordable housing

Stellenbosch town had a total of 27 359 households in 2021, and is expected to grow by 2.5% per annum between 2023 and 2028 (DSD). With a relatively high population density of 236 persons per km², the municipality has an ageing population, with the cohort of persons 65 or over growing faster than the cohort of working age adults. Particular areas of the town are expected to densify more rapidly, especially Khayamandi, La Colline, Cloeteville and Welgevonden. In total, the Stellenbosch town area is anticipated to gain an additional 6 146 households between 2021 and 2031.

As of November 2021, the number of households from Stellenbosch town on the waiting list was 11 396, of which 47% stay in Khayamandi. The current housing gap is specifically with respect to lower-income student housing and affordable housing for employed, lower and middle income groups. Housing need is concentrated in particular areas of the town: Cloeteville, Idas Valley, Khayamandi, Jamestown, and central Stellenbosch. In addition to unmet housing needs for students reliant on financial aid, there is lack of housing for

Demand for student housing

Approximately 8 000 students at the University of Stellenbosch are in need of private accommodation off campus. Students who receive assistance from the National Student Financial Aid Scheme (NSFAS) have a housing allowance of approximately R60 000/year, or R5 000 /month. About 4 500 NSFAS students stay on campus but there is still about 2 500 who need to find their own accommodation. Although a number of private developers have started building for the wealthier student market (see pg 30), there is a gap for NSFAS students who require a safe place to stay at around R5 000 per month.

Of the approximately 8 000 students who require private accommodation in town, about one quarter are in the rental bracket of R5 000/ month, another portion rent in the region of R8 000/month, while the wealthier segment rent units between R8 000 and R15 000 month. The gap in supply therefore remains for affordable private accommodation for lower income students, many of who receive NSFAS support.

young families and young people starting their career. Technopark employees, university staff, teachers at local schools, lecturers, support staff at university are also another key market which is not sufficiently met.

● Affordability

According to the 2021 MERO, the average monthly household income in Stellenbosch municipality in 2021 was R19 791, which exceeded the average for the country and the province. A household with this income could purchase a house priced approximately R796 000 with a mortgage.*

As shown in the table below, 32.8% of households in Stellenbosch town earn less than R3 500/month and 19.8% of households earn R3 501-R8 000/month. According to the calculations presented in the table, only 20.5% of Stellenbosch town households could afford to purchase a home worth approximately R1.2 million or more, with a mortgage. The following section explores whether there is a sufficient supply of houses in the price bracket which is affordable to these households.

Stellenbosch town household income brackets and affordable housing purchase price (2021)

| Monthly household income bracket ** | No. of households | Percent of total households | House affordable to household at lowest end of the bracket * | House affordable to household at top end of bracket |
|-------------------------------------|-------------------|-----------------------------|--|---|
| R0 - R3 500 | 11 557 | 32.8% | --- | R142 112 |
| R3 501 - R8 000 | 6 991 | 19.8% | R142 112 | R328 887 |
| R8 001 - R16 000 | 5 390 | 15.3% | R328 887 | R649 654 |
| R16 001 - R30 000 | 4 097 | 11.6% | R649 654 | R1 218 103 |
| R30 000 - R50 000 | 2 843 | 8.1% | R1 218 103 | R2 030 171 |
| R50 001 - R100 001 | 2 650 | 7.5% | R2 030 171 | R4 060 343 |
| > R100 000 | 1 739 | 4.9% | R4 060 343 | --- |
| Total | 35 267 | 100.0% | | |

Source: ©GEOTERRAIMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021. Own calculations.

*Assuming a 7.75% interest rate, loan tenor of 20 years, 10% deposit, 30% housing premium to income ratio, and no FLISP. Also assuming the household has a regular formal income and is not accessing other finance. See cautionary notes of methodology on page 31.

** The GII income brackets shown on pg 15 have been converted here to standard income brackets. The conversion assumes the number of households is evenly spread across the income bracket, which may not be true. The total number of households in this table differs slightly from the total on pg 15 because of the conversion.

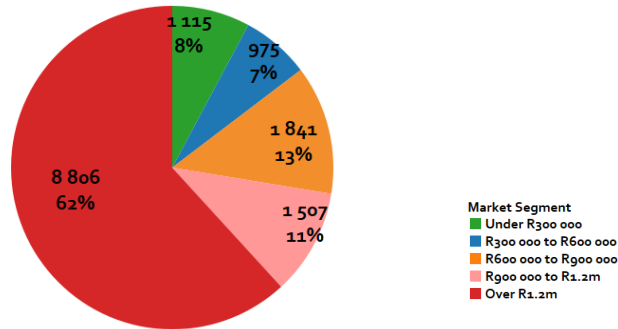
Supply side assessment

Ownership market – Housing stock by market segment

Market segmentation allows for analysis of how categories of properties have performed differently over time. Most properties under R300 000 were developed through government housing projects, with resale restrictions for houses under eight years old. Properties between R300 000 and R1.2 million are of current interest to government, investors and developers keen on providing more affordable housing, while houses valued over R1.2 million typically trade in more conventional and organic ways.

Number of residential properties by market segment

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

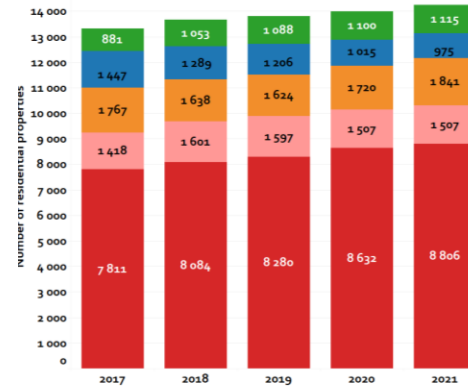
With a count of 14 244 residential properties, the total value of the residential property market of Stellenbosch town was R32.39 billion in 2021, having increased by 4.7% from 2020, and an average of 3.65% per annum over the last five years.* Just 8% of Stellenbosch town's residential properties are in the **entry** market (under R300 000) and only 7% are in the **affordable** segment (R300 000 – R600 000), while 13% are in the **conventional** market valued between R600 000 and R900 000.

Eleven percent of residential properties in Stellenbosch town are in the **high-end** market (valued between R900 000 and R1.2 million), while the large majority (62%) are in the **luxury** market over R1.2 million. This means that only about 1 in 3 residential properties is under R1.2 million. Only 28% of the residential properties, or 3 931 houses, are valued R900 000 or less.

These properties valued over R1.2 million would require a minimum monthly household income of R29 600 in order to purchase with a mortgage. (This calculation—and others in this report—assume a 7.75% interest rate, 10% deposit, 30% housing premium to income ratio, 20-year loan tenor, and no FLISP subsidy.)

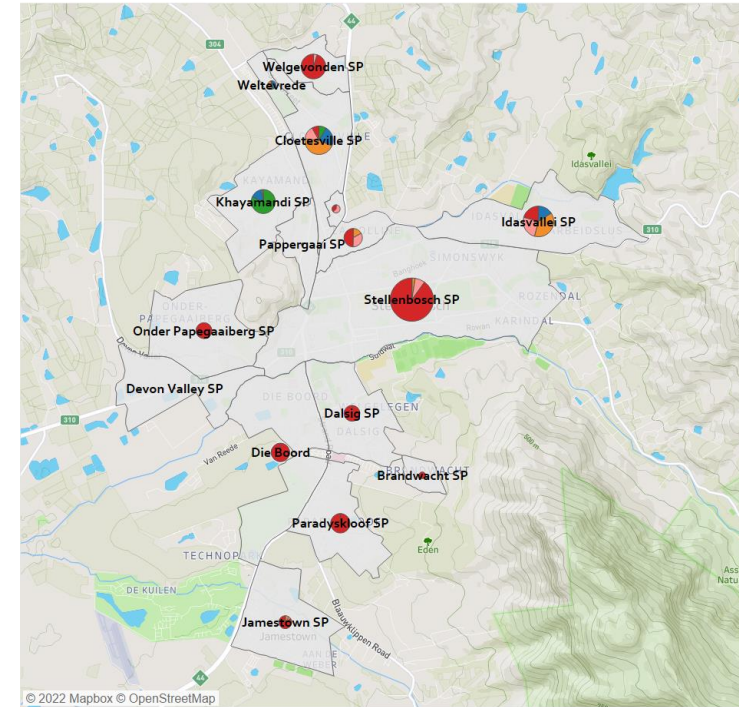
Number of residential properties by market segment

Stellenbosch, 2017 to 2021



Distribution of residential properties by market segment

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



Of the 1 115 **entry** market properties, 92% are government-subsidised properties (GSP). As shown in the map above, the **entry** level housing is clustered in Khaymandi, while the bulk of properties valued over R1.2 million are located in the centre of town. Cloetesville is a fairly mixed neighbourhood with the majority of residential properties in the **conventional** market.

* NB: As noted in the Data Sources section above, the data purchased from Lightstone, and detailed in the Supply and Market Activity sections of this report, reflects only the Census sub-places contained within the study area (Stellenbosch town). The deeds data therefore reflects the study area, and *not* the entire municipality.

Comparing Lightstone deeds data to the Stellenbosch Valuation Roll

The Lightstone data for the study area as of 31 December 2021 includes 14 244 residential properties in total, while the Stellenbosch Valuation Roll (2 July 2020) contains 15 709 properties, approximately 1 500 more.

The difference between the total residential stock counts of Lightstone and the municipal valuation roll are to be expected, for a number of reasons. Firstly, there may be a difference in timing between the date that the municipality published their roll, and the updated data from the Deeds Office and Surveyor General which Lightstone uses for its count at any point in time.* Second, the municipality may categorise residential properties differently than Lightstone. Finally, municipalities may undervalue properties in order to avoid widespread disputes over rates.

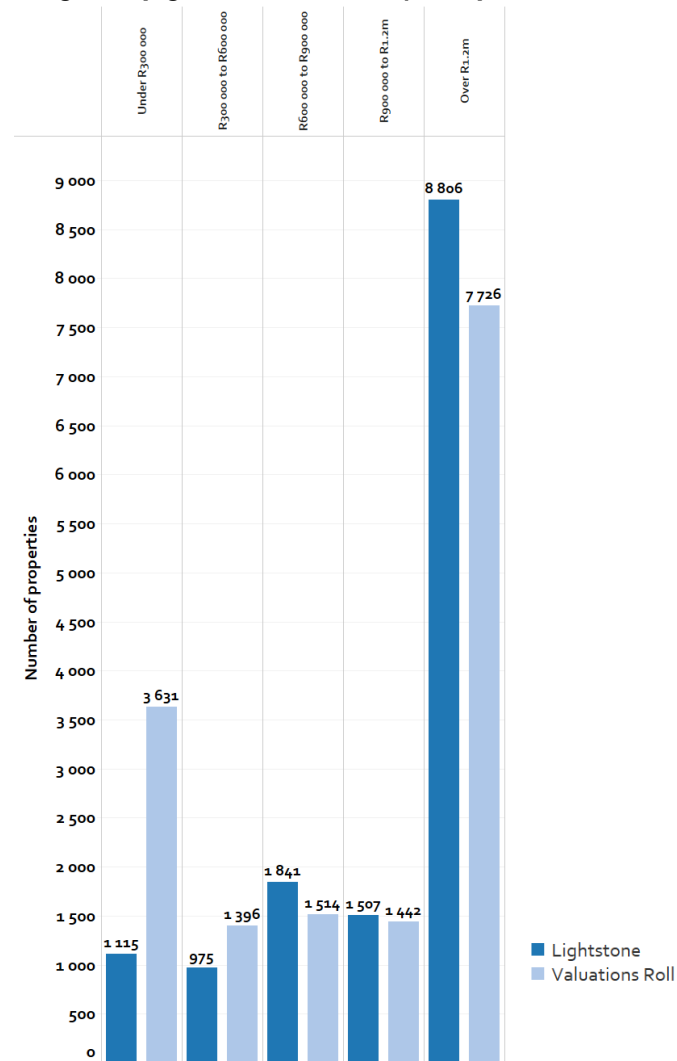
Having acknowledged these differences in methodology, a comparison of the two datasets is still valuable as it provides a more detailed picture of the market. Furthermore, the municipal valuation roll permits sight into the market segment above R1.2 million.

In our analysis of the Stellenbosch Valuation Roll, we only included properties that are zoned residential and that are located in the neighbourhoods which are part of the Stellenbosch city area, inside the urban edge. The areas included in the Lightstone data are delineated in

Appendix A.

The graph compares the data from the two sources and shows the number of properties in each market segment. The number of properties in the Lightstone data is higher than the valuation roll for the lower market segments (especially under R300 000), while the valuation roll has a bigger count of properties in the higher market segments, most notably above R1.2 million.

Stellenbosch town: Number of properties, by market segment (Lightstone and municipal VR)



Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Lightstone's valuation methodology

Lightstone's valuation approach is broadly based on three methodologies and uses a combination of these methodologies to estimate the value of a property at a given point in time:

1. Repeat sale valuation of the property: A previous sale price is inflated to current value using the Lightstone Residential Property Price Indices. Properties may have an extremely low purchase prices and as such these prices are often not used to generate a repeat sale valuation, but may sometimes be utilised where it appears that there are volumes that carried similar sale prices in the area.
2. Comparable sales valuation: This methodology uses comparable sales in the area in recent times inflated to current value using the Lightstone Residential Property Price Index. If low value sales occurred in the area, these values will affect the comparable sale valuation downwards.
3. Third party valuations: These are valuations completed by third parties such as municipalities and physical valuers which Lightstone uses as input at a property level in valuing a particular property. The Lightstone Residential Repeat Sale Indices is then used to bring historic valuations to current value.

* The date of valuation for the Stellenbosch VR was 2 July 2020. The roll was approved/implemented 1 July 2021.

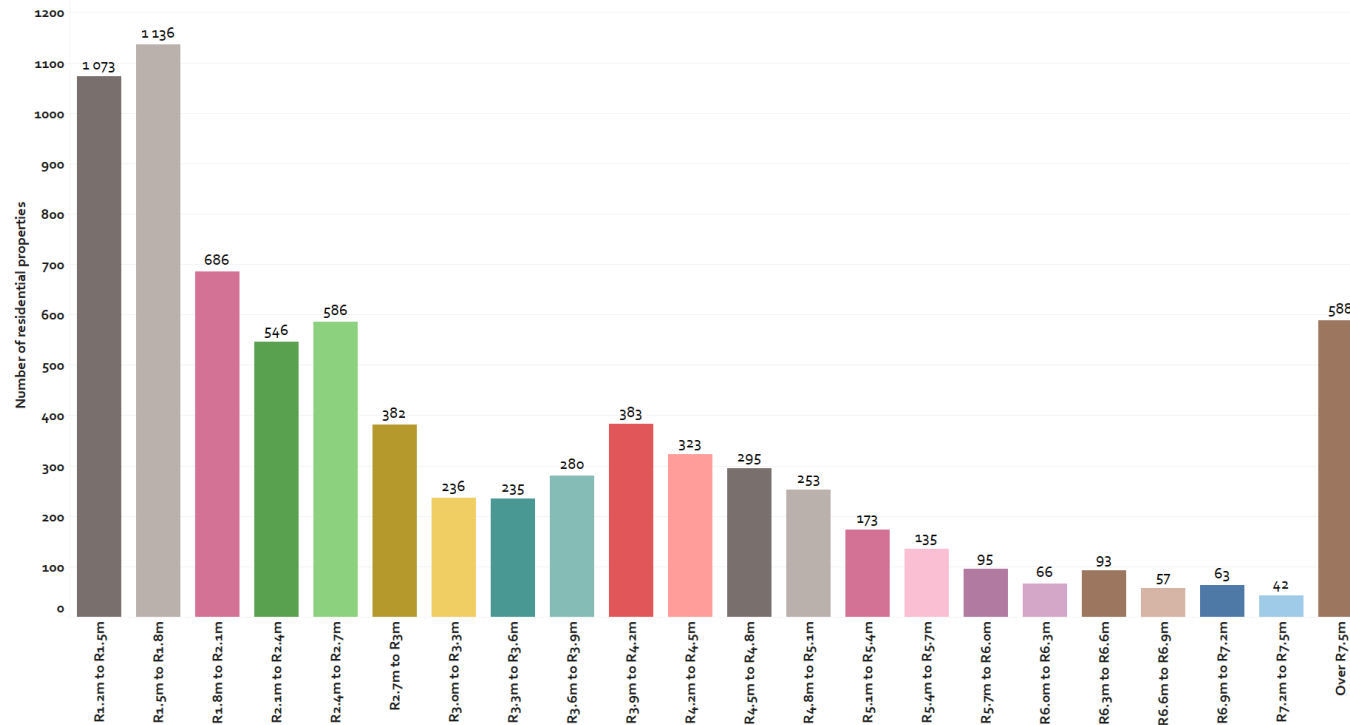
Comparing Lightstone deeds data to the Stellenbosch Valuation Roll

The graph below further segments the properties valued over R1.2 million, as per the Stellenbosch VR, and shows that many of the properties are grouped at the bottom end of the **luxury** segment—R1.2 million to R1.8 million.

Properties over R1.2 million

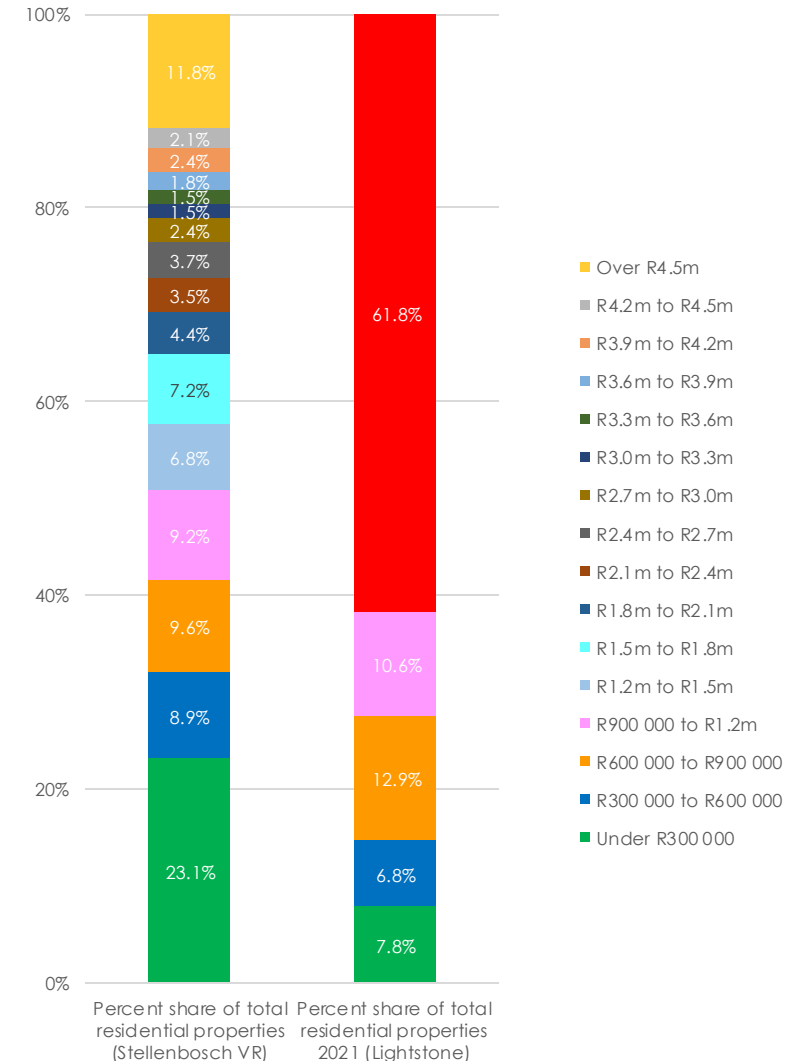
A critical drawback of the five market segments we use to analyse the Lightstone data is that all properties valued above R1.2 million are grouped together and not separated into R300 000 increments, which would allow for more detailed and nuanced understanding of the upper end of the property market. The graph to the right displays the Lightstone market segmentation, alongside the detailed market segmentation possible with the VR data.

Stellenbosch town: Number of properties valued above R1.2 million, by market segment, per municipal valuation roll



Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Stellenbosch town: Lightstone data vs. municipal valuation roll, per market segment



Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Ownership market – Housing stock by property type

Property type categorization is particularly relevant because of its implications for affordability. Often estate properties are higher value, while sectional title—in some, but not all cases—offer a more affordable option. Second, the property type is particularly relevant to an inclusionary housing policy as typically estate properties are located outside the main urban areas, while sectional title units may be better located in relation to economic opportunities.

In Stellenbosch town, in 2021 the largest portion of residential properties are freehold title outside an estate (54.5%), followed by sectional title outside an estate including student rental (27.2%), and 18.0% freehold within a private estate. Fifty properties—0.4%—are sectional title properties within estates.*

Property type by market segment

In 2021, 88% of freehold estate properties were in the **luxury** market—mostly located in Welgevonden to the north, as well as Paradyskloof to the south. The great majority of sectional title units (outside of an estate) are also in the **luxury** market (33.7% of **luxury** market stock). Much of the **high end** market is also sectional title (39%).

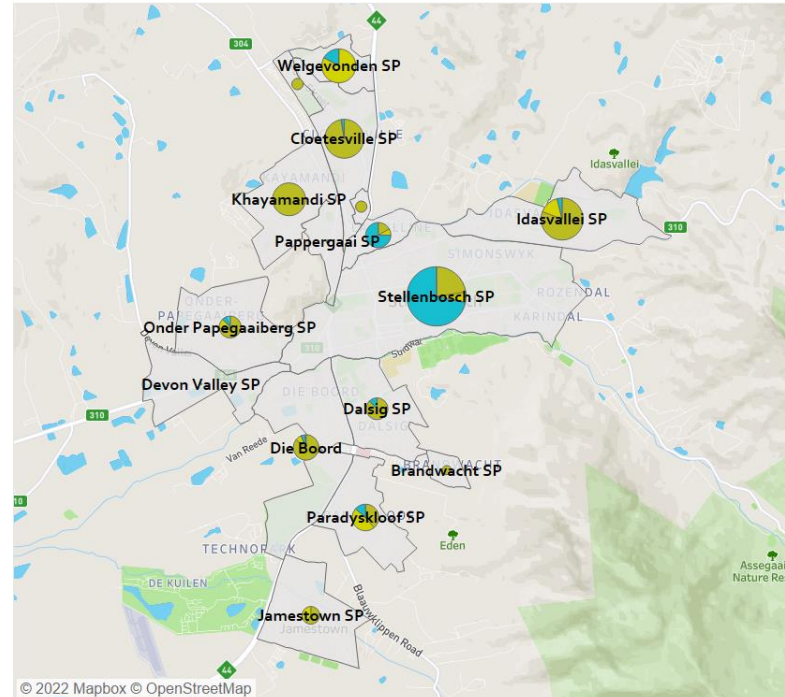
While freehold properties (outside of estates) exist in every market segment, all **entry** level properties are freehold (except for one sectional title unit). Notably, 93% of these **entry** level, freehold properties are government-subsidised properties.

Property type by location

As shown in the map above, not surprisingly, the great majority of sectional title units outside of estates are in central Stellenbosch, in the Stellenbosch sub place in the centre of town. A large portion of these properties would be student rental units. Typically rental units would be part of a sectional title development with a body corporate managing the complex, and common areas. A block of flats with one owner would also likely be a number of sectional title units on the same erf.

Distribution of residential properties by title type

Stellenbosch, 2021

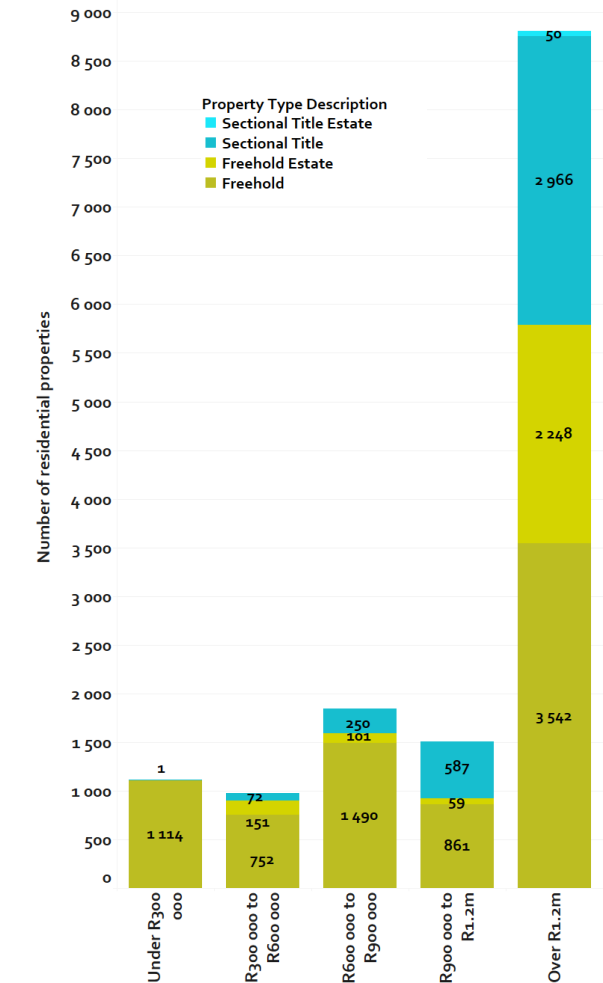


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).



Total number of properties by title type by market segment

Stellenbosch, 2021



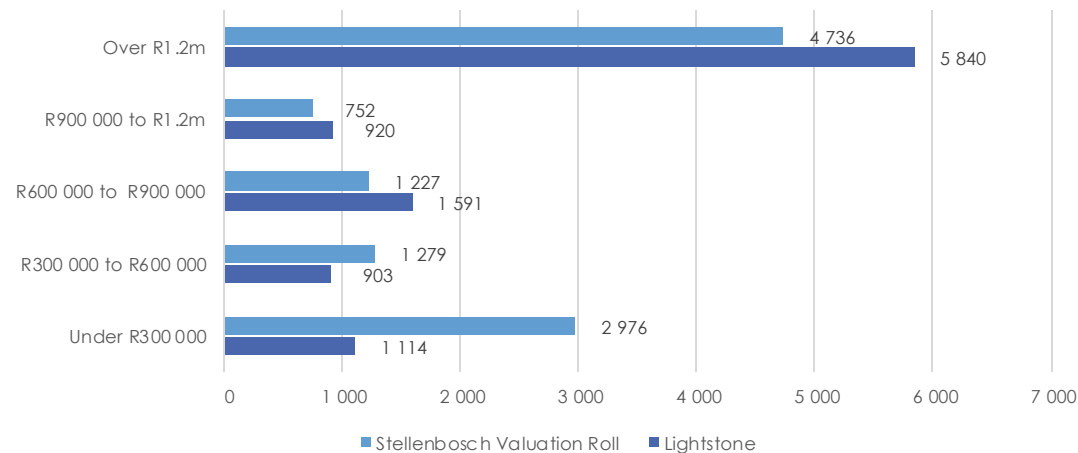
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).

Comparing Lightstone deeds data to the Stellenbosch Valuation Roll - Property types

These graphs below compare the data on the number of freehold and sectional title properties from the two data sources, the Stellenbosch Valuation Roll and the Lightstone deeds data (grouping together properties that are inside and outside private estates).^{*} Notably, the overall split between freehold and sectional title in the Lightstone data is very similar to the ratio reflected in the Valuation Roll; the VR contains 69.8% freehold and 30.2% sectional title, while the Lightstone data is split 72.8% freehold and 27.2% sectional title.

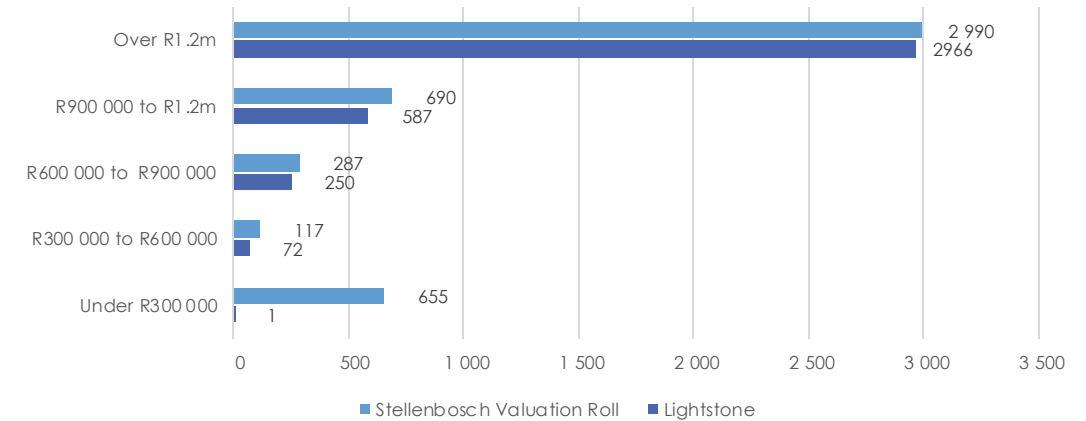
In total, the VR contains 602 more freehold properties than what is contained in the Lightstone data (10 970 Valuation Roll; 10 368 Lightstone). However, within the **luxury** market segment, approximately 1 100 more freehold properties are captured in the Lightstone data, as shown below.

Stellenbosch town: Number of freehold properties, by market segment (Lightstone & municipal VR)



NB: Both freehold properties inside and outside estates are included.
Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Stellenbosch town: Number of sectional title properties, by market segment (Lightstone and municipal VR)



NB: Both sectional title properties inside and outside estates are included.
Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Similar to freehold properties, the VR contains more sectional title units (863) than the Lightstone data. There are approximately 4 739 sectional title properties on the VR, compared to 3 876 in the Lightstone data.

In the **entry** market segment, again, there is a large disjuncture. The VR includes 655 sectional title properties below R300 000, while the Lightstone data has a single property.

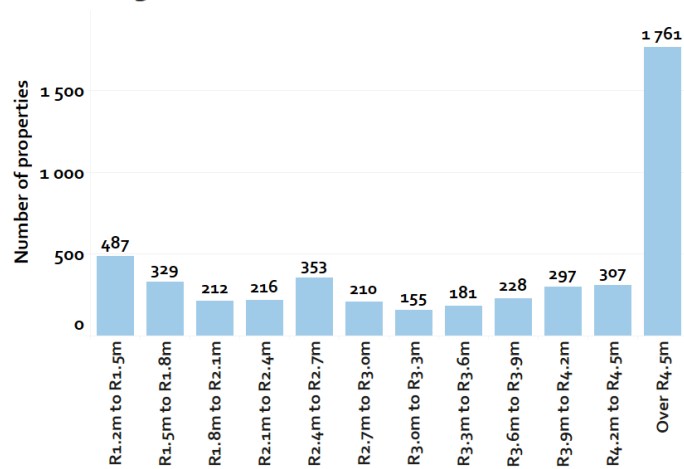
In summary, the comparison of the stock data for freehold and sectional title properties from the VR and Lightstone reflects a similar pattern. For both property types, it appears the municipal valuation roll has a higher total count, with the difference most pronounced in the **entry** market where it appears that either the VR contains an overcount or Lightstone is undercounting.

Comparing Lightstone deeds data to the Stellenbosch Valuation Roll - Property types

The data in the Stellenbosch Valuation Roll enables us to look at the properties valued over R1.2 million, in smaller market segments, to get a sense of the distribution. The graph on the left shows freehold properties over R1.2 million as per the Stellenbosch Valuation Roll.

In the Lightstone data, 56% of freehold properties (inclusive of properties inside and outside estates) are in the **luxury** segment (5 790), compared to only 43% of freehold properties in the municipal valuation roll (4 736).

Number of freehold properties over R1.2 million by market segment: Stellenbosch Valuation Roll

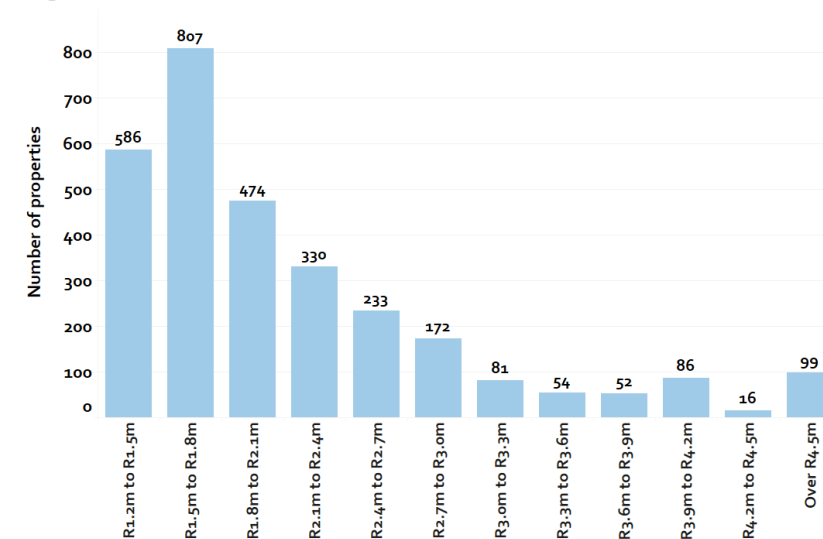


NB: Both freehold properties inside and outside estates are included.
Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

The graph below looks at the sectional title properties valued over R1.2 million on the Stellenbosch Valuation Roll.

In the Lightstone data, 77% of sectional title properties (both inside and outside estates) are in the **luxury** segment (3 016), compared to only 43% of the sectional title properties listed in the municipal valuation roll (2 990). The considerable difference in the counts of sectional title **luxury** properties bears further exploration.

Number of sectional title properties over R1.2 million by market segment: Stellenbosch Valuation Roll



NB: Both sectional title properties inside and outside estates are included.
Source: Lightstone data as of 31 Dec 2021. Stellenbosch Valuation Roll, July 2020.

Comparing municipalities – By size, market segmentation, GSP and property type

The graph to the right compares the study areas in George, Mossel Bay, Stellenbosch and Paarl/Wellington (Drakenstein) with respect to: the number of residential properties by market segment, the share of government-subsidised properties (GSP), and property type.

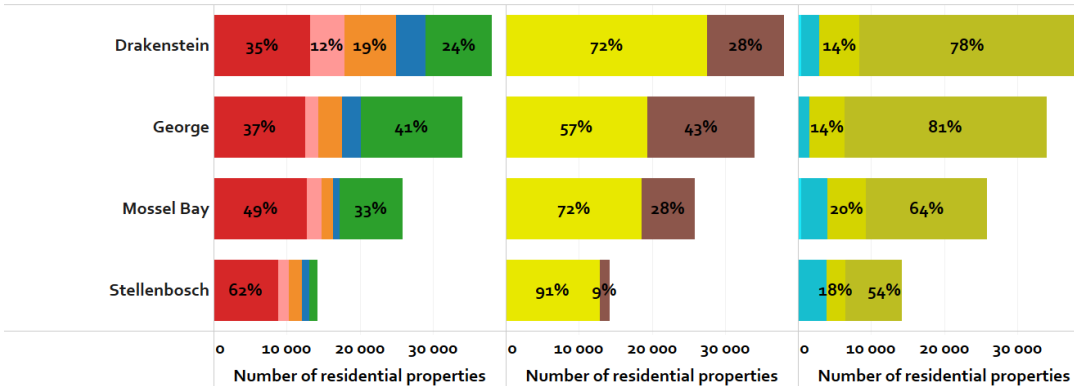
Market size and segmentation

In terms of the number of residential properties, among the four study areas, Stellenbosch town has the smallest residential property market, with a total of 14 244 properties. As shown in the bottom graph, Stellenbosch town also has the smallest residential property market in terms of value (R32.35 billion in 2021).

Of the four areas, Stellenbosch town has the largest proportion of properties in the **luxury** market over R1.2 million (62%). Stellenbosch also has the smallest portion of residential properties in the **entry** market, just 7.8%, compared to George with 41% of properties valued below R300 000.

Residential market size

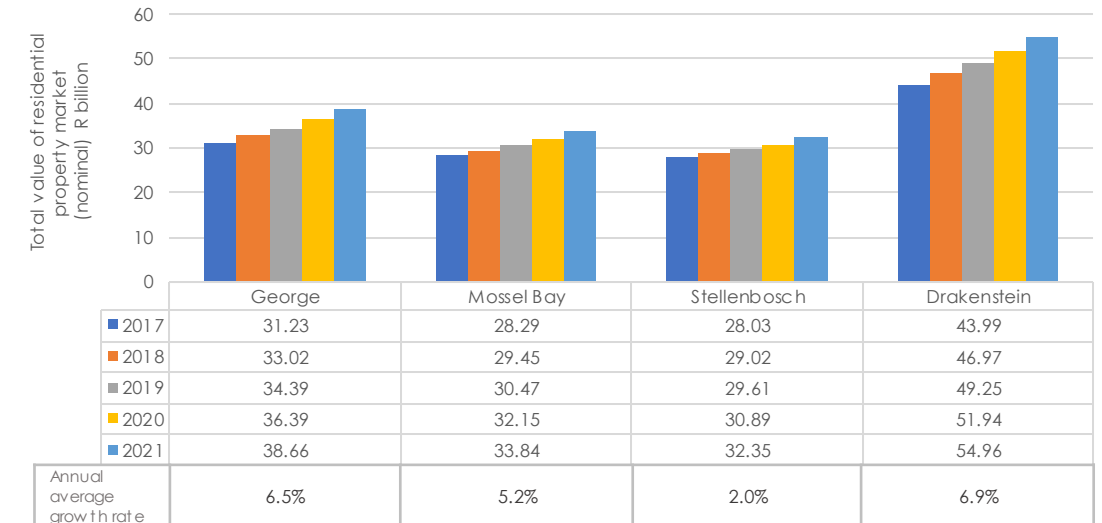
Properties by market segment, government -subsidised housing and property type
Western Cape Housing Study Municipalities, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).



Total value of residential property markets and average annual growth rate (2017-2021)



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Contribution of government housing programmes*

In Stellenbosch town, only 9% of residential properties are government-subsidised, making up just 1.2% of the total residential property market in terms of value. In contrast, neighbouring Drakenstein has 28% GSP, while as much as 43% of the residential properties in George are GSP.

Property types

Unlike the other three municipalities, only 54.5% of residential properties in Stellenbosch town are freehold title (outside an estate). This is likely due to the presence of student rental as well as the small number of GSP.

About 18% of properties are freehold houses in a private estate. Due to the university, Stellenbosch has the largest proportion of sectional title properties among the four areas (27.2%).

* GSP are identified through a proxy which is applied by Lightstone the deeds data. See further details on page 26 below.

Government-subsidised properties – Number and spatial distribution

Government-subsidised houses are not explicitly recognised or marked on the title deed. Therefore its necessary to use a proxy to identify these properties on the deeds registry—the proxy is based on common programme characteristics of BNG/RDP houses, including the year, first registration price and buyer type, maximum prices, and proximity to other similar housing types (see **Appendix B**). This analysis helps to understand the contribution of public investment in subsidised housing programmes, and the performance of these assets on the ground.

Notably, by virtue of the fact that the data is from the Deeds Office, these figures only include those subsidised houses where a title deed has been transferred to the beneficiary. According to the 2016 CS, title deed possession was low in Mossel Bay municipality (41%)—among both GSP and non-GSP properties. Due to the title deed backlog, these figures will not reflect those units delivered by government and handed over to beneficiary households who have not yet received a title deed.

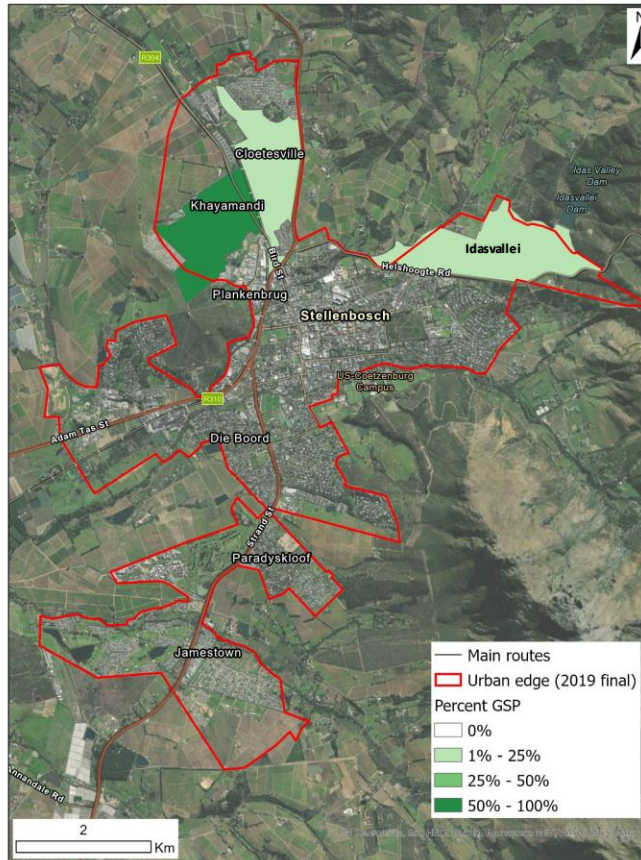
Number and location of GSP

Stellenbosch town contains only **1 353 GSP**, making up **9.5% of residential properties** in 2021. The GSP in Stellenbosch town are fairly new, with 62% eight years old or less.

All of the GSP are concentrated in just three subplaces: Khayamandi, Cloetesville and Idas Valley.

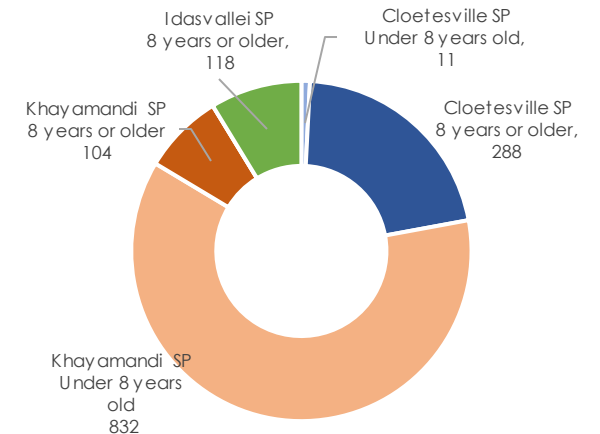
- Khayamandi contains 69% of the total GSP in the town. The area is almost entirely government-subsidised properties, with 78% of the houses subsidised by the state. Only 11% of these GSP are over 8 years old, indicating the area is a fairly new settlement.
- In contrast, Cloetesville is a more mixed neighbourhood with 18% of the residential properties GSP. However 96% of these GSP are over 8 years old, and thus eligible to be sold on the resale market.
- In Idas Valley, GSP make up only 6% of the total properties—all of which are over 8 years old.

Stellenbosch town: Distribution of GSP



Source: Light stone data as of 31 Dec 2021; Municipal Demarcation Board (MDB), ESR South Africa.

Number of GSP by subplace and age (2021)



Source: Light stone data as of 31 Dec 2021.

Subplaces containing GSP in Stellenbosch town (2021)

| Subplace name | No. of GSP | GSP as share of total properties in subplace | Subplace share of total GSP in Stellenbosch town | No. of households (2021) | No. of GSP 8 years or older | No. of GSP 8 years or older as share of total GSP in subplace | Subplace share of total GSP over 8 years old in Stellenbosch town |
|-----------------|--------------|--|--|--------------------------|-----------------------------|---|---|
| Khayamandi SP | 936 | 78% | 69% | 10 287 | 104 | 11% | 20% |
| Cloetesville SP | 299 | 18% | 22% | 2 923 | 288 | 96% | 56% |
| Idasvallei SP | 118 | 6% | 9% | 1 765 | 118 | 100% | 23% |
| | 1 353 | | 100% | 16 617 | 510 | 38% | 100% |

Source: Light stone data as of 31 Dec 2021; ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021.

Government subsidised properties – Performance and role of GSP

Value of GSP properties

Together the 1 353 GSP in Stellenbosch town were valued at R378.6 million in 2021, with an average value of R279 848. In 2021, 76% of GSP in the Stellenbosch town were **entry** market properties valued under R300 000, with 13% in the **affordable** segment valued R300 000 to R600 000, and another 10% in the **conventional** market.

As shown in the left-hand graph, GSP dominate the **entry** level market in Stellenbosch town: 92% of **entry** level properties were built by government, and 18% of residential properties in the **affordable** market (R300 000 – R600 000). Thus, not only are most GSP in the **entry** market segment, most of the **entry** market segment are GSP.

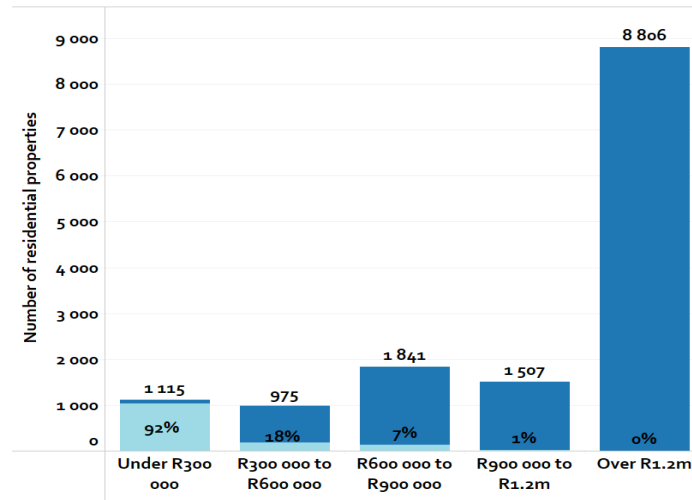
As shown in the bottom graph, the GSP in Stellenbosch town have appreciated over time. Unlike the other study areas that mostly have older GSP stock, only 38% of the GSP are over 8 years or older. However these 510 properties had an average value of R442 388 in 2021, much higher than in the other study areas. The newer GSP less than 8 years have a significantly lower average value of just R181 515. The performance of these properties over 8 years is particularly relevant as GSP older than 8 years are eligible to be sold in the formal property market.

Residential exclusion for property rates

Notably, the residential exclusion threshold as per the Stellenbosch rates policy is R250 000, meaning that the average owner of a GSP under 8 years old will not be levied any rates, while the average owner of a GSP over 8 years old would be levied rates on approximately R192 400, or 43% of the value of their property.*

* It's noted that the number of residential properties in Stellenbosch town valued under R250 000 was 3 272 in 2021, or 23%, meaning that 23% of total residential properties fall under the residential exclusion threshold.

Total number of residential properties
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

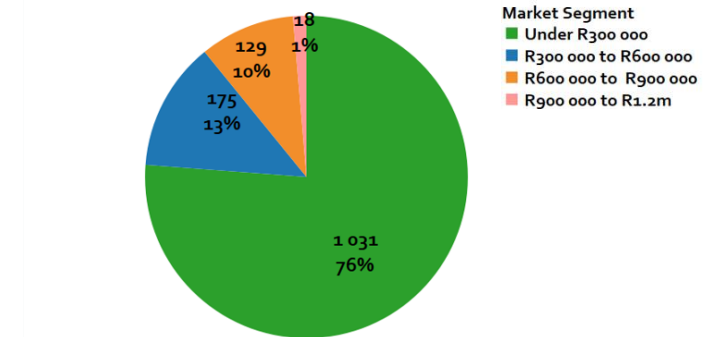
■ Number of government-subsidised housing
■ Number of residential properties

Total number of residential properties
Stellenbosch, 2021

| Market Segment | Number of residential properties | Number of government-subsidised housing | Government-subsidised houses percent share of market segment |
|----------------------|----------------------------------|---|--|
| Under R300 000 | 1 115 | 1 031 | 92% |
| R300 000 to R600 000 | 975 | 175 | 18% |
| R600 000 to R900 000 | 1 841 | 129 | 7% |
| R900 000 to R1.2m | 1 507 | 18 | 1% |
| Over R1.2m | 8 806 | 0 | 0% |
| Grand Total | 14 244 | 1 353 | 9% |

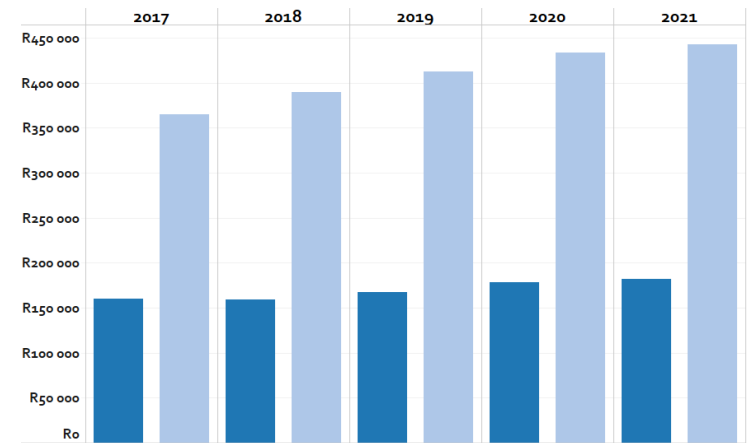
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of June 2021 (sourced June 2022).

Number of residential properties by market segment: Government-subsidised properties
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).

Average value of GSP under and over 8 years (2017 - 2021)
Stellenbosch, 2017 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).

■ o-8 year old
■ More than 8 years old

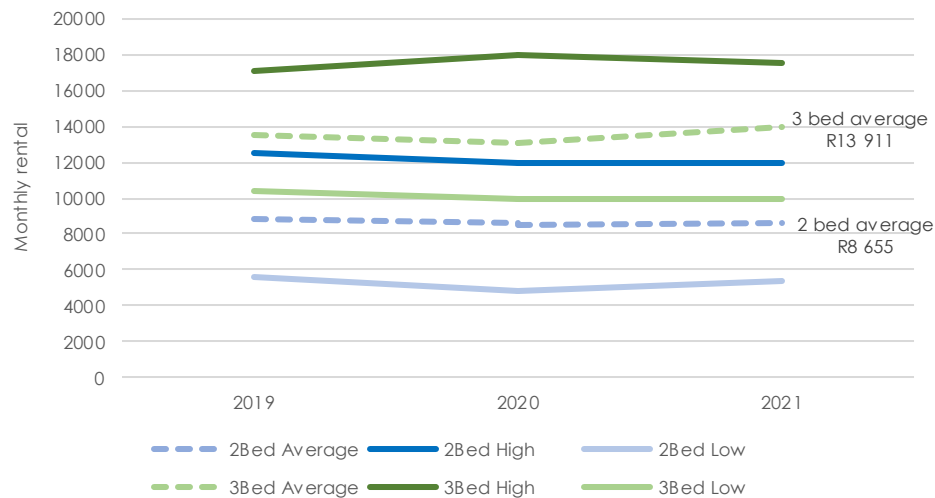
Rental market – Rental prices by property type and size

The TPN Credit Bureau provides updated data on the rental market, however its important to note that these figures are for the municipality as a whole, and not Stellenbosch town.

● By number of bedrooms

According the TPN data, the average monthly rental for a 3 bedroom unit in Stellenbosch municipality was R13 911, and for a 2 bedroom unit it was R8 655. These averages dropped very slightly in 2020—as shown in the graph below—and then returned to 2019 levels.

Monthly rental prices for 2 and 3 bedroom units (2019-2021)



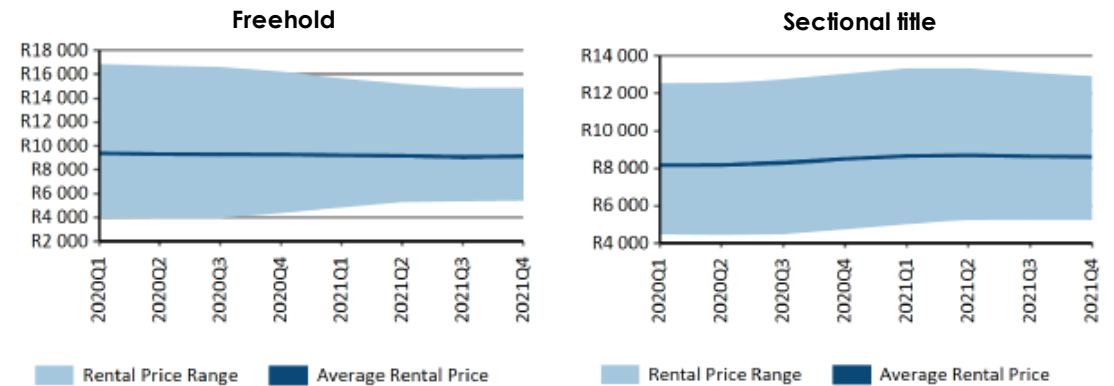
Source : TPN Credit Bureau, Investor Reports March 2022.

● By property type

On average, rental prices for sectional title units are more affordable than freehold property. (Notably, the TPN data does not disaggregate freehold properties inside and outside of private estates as the Lightstone data does.)

According to TPN data, at the end of 2021, average rent was around R9 000/month for freehold properties and around R8 000/month for sectional title units. The graphs below show the average rental price as well as the price range, from Q1 2020 to Q4 2021. As at the final quarter of 2021, the minimum rental price was approximately R5 000/month for both freehold and sectional title properties.

Rental price range (2020-2021)



Source : TPN Credit Bureau, Investor Reports March 2022.

● Target market

Assuming a benchmark of 30% of income spent on rent, the lowest-priced freehold or sectional title property (R5 000/month) would be affordable to households with a minimum income of R16 670/month—which is approximately 31% of households in Stellenbosch town.*

* Calculation based on income data from ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021.

Rental market – Rental price distribution

Rental price distribution

The graphs to the right display the distribution of rental units (less than 3 rooms, 3 rooms, and more than 3 rooms) according to their rental price. Data is from TPN, for 2021, for Stellenbosch municipality as a whole.

For **freehold** properties, the largest share of rental units with less than three rooms (approximately 27%) go for a rental price of R8 000/month. However freehold property with less than three rooms can rent for as low as R3 000/month, and as high as R14 000/month.

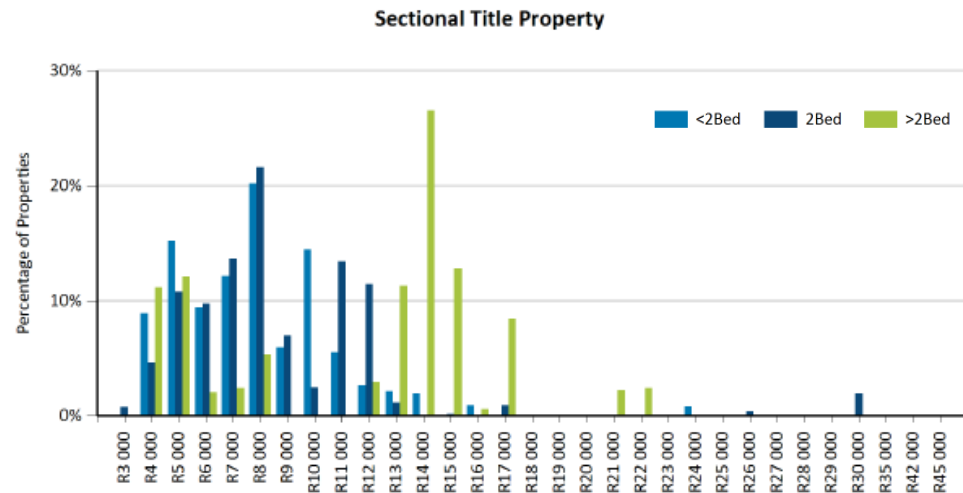
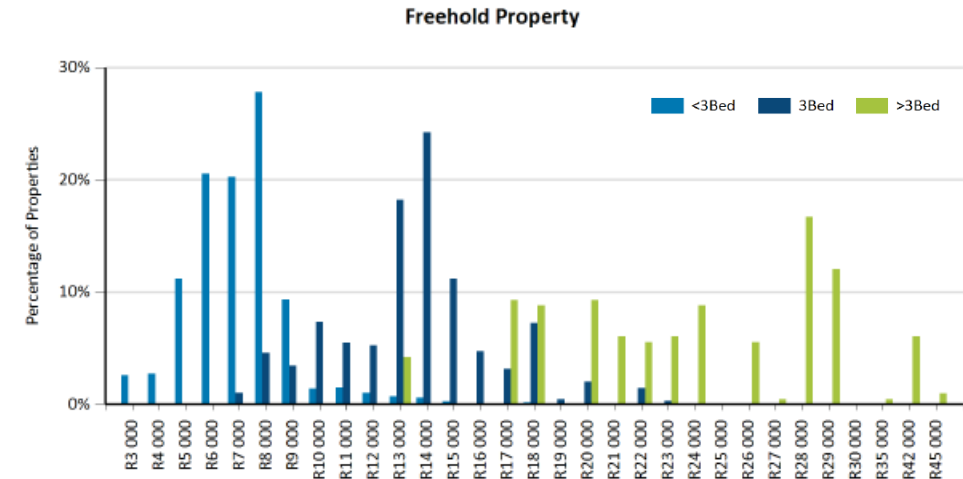
Most three bedroom units are priced R10 000 – R18 000 /month, but the range extends from R7 000 to R23 000 per month. Larger properties with over three bedrooms are all above R13 000/month and have the widest distribution of prices, from R13 000 to over R45 000 per month.

Again assuming a 30% rent to income ratio, a household would need a monthly income of R26 670 to rent the most common small freehold with less than three rooms (R8 000)—only an estimated 23% of households in the municipality earn this much or more.

For **sectional title** properties, the most common sectional title unit with 2 bedrooms rents for R8 000/month. The most common sectional title unit with less than 2 bedrooms rents for the same price, but it is easier to find units less than that (R4 000 – R5 000 / month). The biggest portion of larger sectional title units with more than 2 bedrooms rent at R14 000/month, but prices range from R4 000 to R22 000 per month.

The average household in Stellenbosch is unlikely to locate a rental unit in their price range. For example, a household looking for a 3 bedroom house in Stellenbosch municipality is most likely to find a R14 000/month freehold property (requiring an income of R46 670 /month)—only 13% of households fall in this category. Alternatively they if they are looking for a sectional title unit, they would typically find apartments for R8 000/month, which require a monthly income of R26 670. Approximately 23% of households in the municipality earn this much.

Rental price distribution (2021)



Source : TPN Credit Bureau, Investor Reports March 2022.

Rental housing for students

● Rental price distribution

With a total student body of 22 000, the University of Stellenbosch is a critical force in the residential property market of the municipality, and especially Stellenbosch town itself. The university itself accommodates approximately 6 500 students in its residences, leaving around 8 000 students who require affordable accommodation in town.

A number of years ago, many students stayed in granny flats or houses in town, but more recently homeowners have converted these properties for tourist accommodation. Until the 2000's, the primary private student accommodation was blocks of flats which would work for students, or a small family. Small student flats were built in the CBD area, providing a good location, and bringing students closer to campus. However these private units were primarily affordable to wealthier students only.

Currently, there are a number of developers building for the higher income bracket of the student market, but there remains a gap in supply for students who receive support from the National Student Financial Aid Scheme (NSFAS). Much of the stock built now is narrowly targeted at the student market (with small rooms and shared facilities), and is not suitable for small families or young professionals.

In the next year, the University is planning on adding 400 units in the residences, and another 800 private student units will be developed for the top market.

High end student accommodation

The flagship residential development in Stellenbosch, called MySpace, was built by developer Abacus and serves as an example of the types of rental units being built presently which narrowly target wealthier students.

Currently there is one My Space Residence located in Paradys (125 units), with two more locations set to open in January 2023 in Drostdy and Dorpstree with a further 550 beds. Most of the units are sharing, with some singles available.

Prices per bed range from R8 500 to R12 500 per month, and include a wide range of amenities including: study area, wifi, gym, lounge area, water and electricity. The least expensive beds (R8 500/month) are in a 24m² twin room, with a small kitchenette, bathroom and two beds. These units are not affordable to NSFAS students who receive an allowance of R5 000/month for accommodation.

Summary of supply side assessment

House prices in Stellenbosch have been rising for a number of years. Out of the four study areas, Stellenbosch town has the largest proportion of **luxury** market properties (62%) as well as the smallest portion of **entry** market units (8%). One developer operating in the area said that its very difficult to find residential properties for less than R900 000, and most properties under R700 000 would be of lower quality and size. Only 28% of residential properties, or 3 931 houses, are valued R900 000 or less.

● Government-subsidised properties

In Stellenbosch town, just 9% of the residential properties are government subsidised (1 353). Stock in the **entry** market is almost entirely the result of public investment: 92% of **entry** market houses are GSP, with all concentrated in 3 subplaces: Khayamandi, Cloeteville and Idas Valley.

Most GSP in Stellenbosch town are fairly new—62% are less than 8 years old—but the older ones have seen significant appreciation over time. The 510 GSP 8 years or older had an average value of R442 388 in 2021, while the newer GSP have a significantly lower average value of just R181 515.*

● Rental market

On average, rental prices for sectional title units are more affordable than freehold property. According to TPN data, at the end of 2021, average rent was around R9 000/month for freehold properties and around R8 000/month for sectional title units. The average monthly rental for a 3 bedroom unit in 2021 in Stellenbosch municipality was R13 911, and for a 2 bedroom unit it was R8 655.

The average household in Stellenbosch is unlikely to locate a rental unit in their price range—most units are only affordable to less than a quarter of households. A household looking for a 3 bedroom unit is most likely to find a R14 000/month freehold property which would require a monthly income of R46 670—only 23% of households fall in this bracket.

* It should be noted that the valuation of the GSP under 8 years old is likely an underestimation due to the fact that they have not been sold formally since primary transfer.

Estimated household incomes required to purchase property with a mortgage, per market segment (2021)

| Market segment (residential property value) | No. of properties | % share of total properties | Minimum monthly household income needed to purchase in this market segment* | Maximum monthly household income needed |
|---|-------------------|-----------------------------|---|---|
| Entry level: < R300 000 | 1 115 | 7.8% | -- | R7 300 |
| Affordable: R300 000 - R600 000 | 975 | 6.8% | R7 300 | R14 750 |
| Conventional: R600 000 - R900 000 | 1 841 | 12.9% | R14 750 | R22 200 |
| High end: R900 000 - R1.2m | 1 507 | 10.6% | R22 200 | R29 600 |
| Luxury: > R1.2m | 8 806 | 61.8% | R29 600 | -- |
| Total | 14 244 | 100% | | |

* Assuming 7.75% interest rate, 20 year loan tenor, 30% premium to income ratio, 10% deposit and no FLISP. Source: Lightstone data as of 31 Dec 2021. Own calculations.

● Affordability

Only 20% of residential properties (or approximately 2 800 houses) fall in the bracket between R300 000 and R900 000 (**affordable** and **conventional** market segments), which is theoretically accessible for purchase by households earning between R7 300/month and R22 000/month—see table above. As noted above, with the average monthly household income for Stellenbosch (R19 791), a household could only afford a house priced R796 000—but there are less than 3 500 properties valued this amount or less in the town.

Nearly 62% of residential properties are valued over R1.2 million (**luxury** market) and thus would require a monthly income of approximately R29 600 or more in order to purchase with a mortgage (no FLISP). This implies that those units would be out of reach for nearly 80% of households in the town.

Word of caution regarding affordability calculations

There are a number of important cautionary notes which should be raised with respect to these calculations:

- While house purchases below R1.2 million avoid transfer fees, there are other transfer costs which are not included here—see box on pg 43.
- Not all households purchase in the market segment they can afford: some may have additional funds from a once-off source, and some may have other competing expenses that prohibit them from spending the benchmark figure of 30% on housing.
- Some households may be living in properties that they accessed either by purchase or inheritance or gift, that today they could not afford to buy - in some cases properties appreciate faster than incomes.

Current market activity

New vs. resale market activity

Analysis of resale and new transactions provides a view into current market activity—which geographic areas are seeing more private development and new sales, and which properties are being traded more frequently, and where.

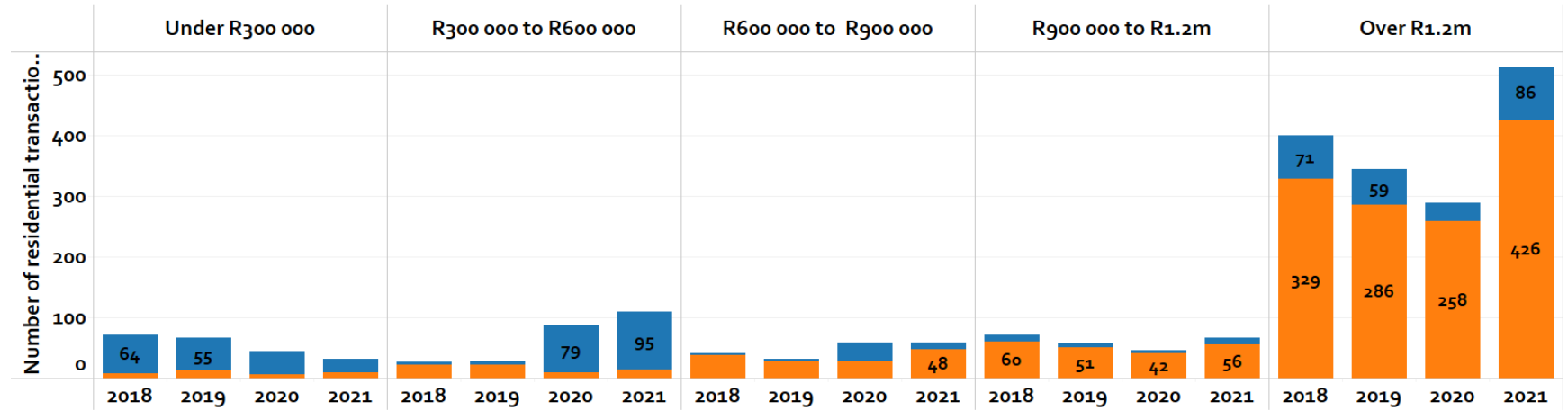
In Stellenbosch town, as in the rest of the country, the resale market is nearly twice as large as the new build market, accounting for the great majority of sales. In 2021, there were 554 resale transactions and 226 new transactions in the area.

Despite the continuation of the pandemic and restrictions into a second year, the market activity picked up significantly in 2021, compared to the first year of COVID. In 2020, there were just 343 resale transactions and 182 new transactions recorded.

As shown in the graph, Stellenbosch town saw far more transactions over R1.2 million than below. The exception was new construction in the [affordable](#) market segment, where there were 95 new transactions between R300 000 and R600 000 in 2021. This will be unpacked further in the sections below.

Number of new and resale transactions market segment

Stellenbosch, 2018 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Transaction Type
■ New transactions
■ Resale transactions

Market for new build – New transactions by market segment

Unlike Mossel Bay and George, new transactions in Stellenbosch town were *increasing* pre COVID. Having dropped from 2018 to 2019, the volume of new transactions rose by 40% in 2020, driven primarily by more sales in the **affordable** and **conventional** markets. 2021 saw a further increase in new **affordable** transactions, as well as a jump in **luxury** sales, which together boosted the total number of new transactions by 24% in 2021.

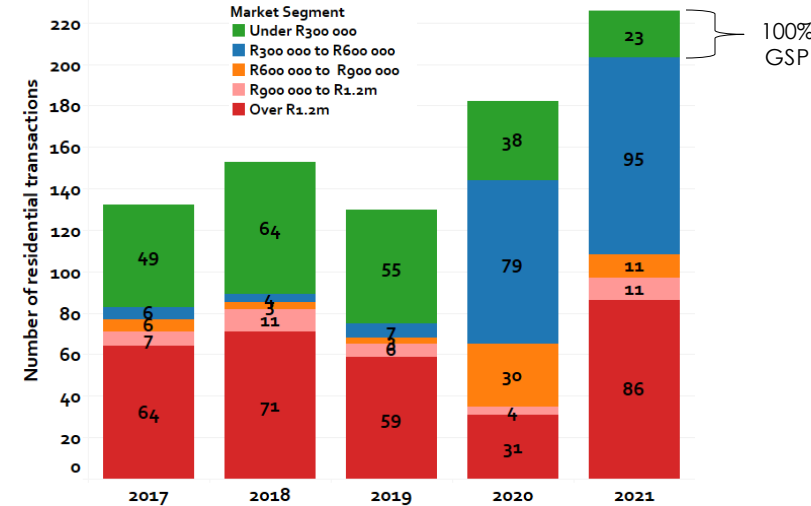
In 2021, there were 226 new transactions in Stellenbosch town, totaling R252 million in value. New transactions in Stellenbosch town have averaged 165 per annum over the last five years.

Its important to note that new transactions include both the sale of houses newly constructed by private developers, as well as the transfer of new subsidised units to government housing programme beneficiaries.

For Stellenbosch town, the entirety of the new transactions in the entry market in 2021 (23 transactions) were GSP—there was no private sector construction of new houses below R300 000 in 2021. These 23 new transactions in the **entry** market were the only GSP registrations in 2021.

New residential transactions by market segment

Stellenbosch, 2017 to 2021



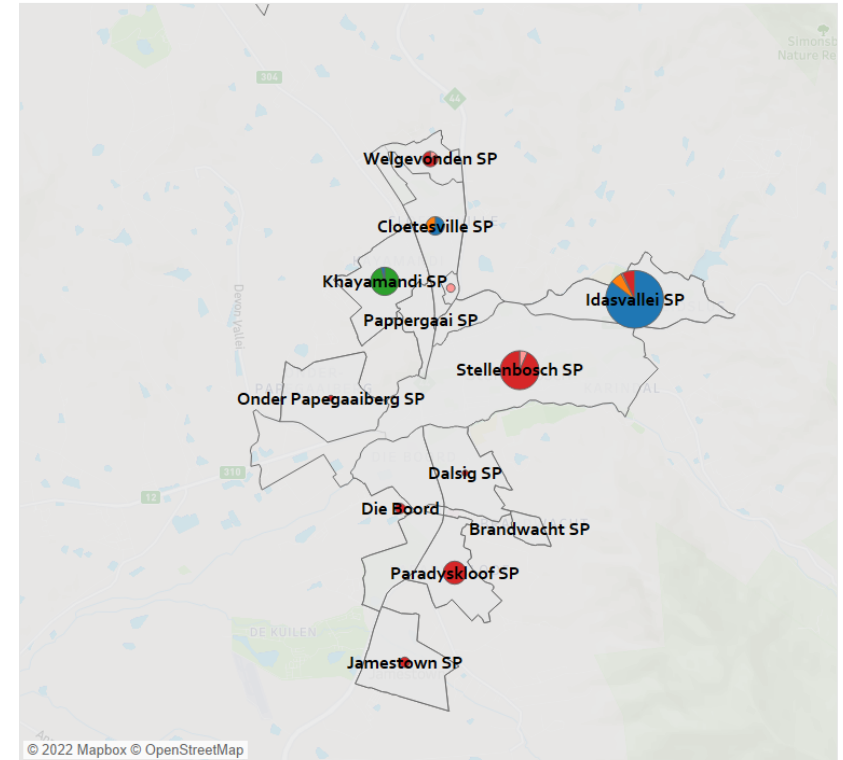
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

In 2021, 90% of new transactions were sales of *non-GSP* houses which were built by the private sector. These *non-GSP* new transactions in 2021 totaled R62.7 million.

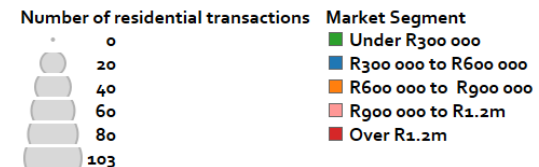
As shown in the map to the right, the **entry** level new transactions in 2021—all GSP—took place in Khayamandi, while the **affordable** new transactions were in Idas Valley. New construction and sales by private developers was centred in Stellenbosch central and Paradyskloof primarily.

Distribution of new transactions by market segment

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



New build market – New transactions by property type

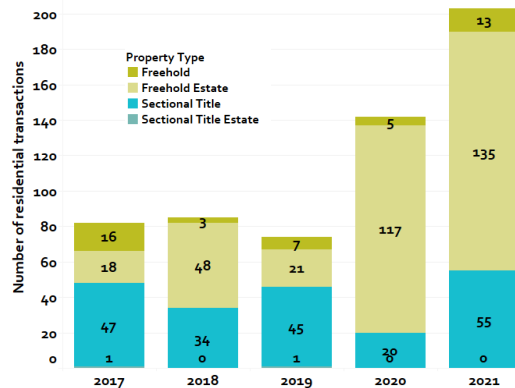
Analysis of new transactions (excluding GSP) by property type sheds light on the typologies of units which developers are constructing and bringing onto the market within Stellenbosch town.

New units from private sector

The graphs below show the number of new transactions each year, by property type, *excluding* GSP. Over the last five years, the consistent majority of units built and sold by the private sector have been freehold properties in estates (67%), with another 27% sectional title outside estates.

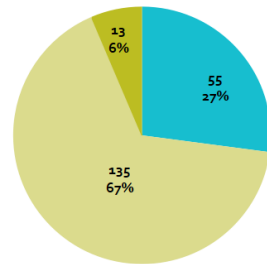
Very few regular freehold houses are being built by the private sector. Only 6% (just 13 houses) of new transactions in 2021 were freehold units outside of estates. The private sector is not building sectional title within estates—only two have been built and sold in Stellenbosch town in the last five years.

New residential transactions by property type: Non-subsidy properties
Stellenbosch, 2017 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

New residential transactions by property type : Non-subsidy properties
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

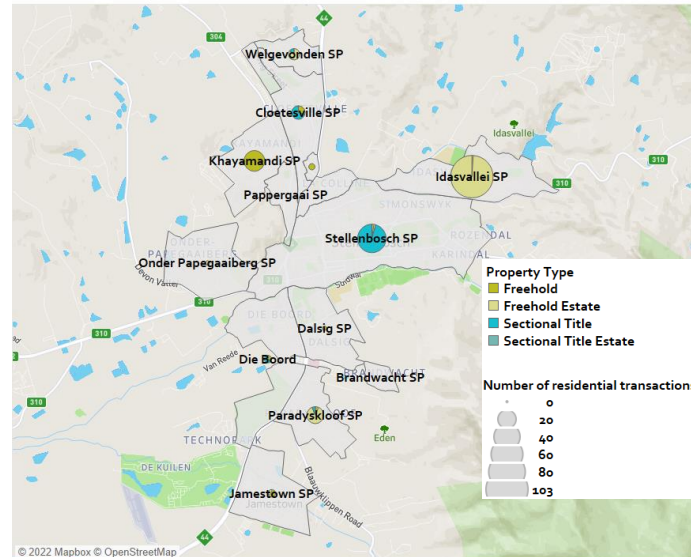
Property Type
Sectional Title
Freehold Estate
Freehold

Total new transactions

The bar graph to the right *includes* GSP, and thus gives an overall picture of new units being sold or transferred each year. As indicated previously, the 23 new freehold transactions in the **entry** market are all GSP. However notably there is a significant number of new transactions of freehold estate properties in the **affordable** segment—88 transactions in 2021—which are not GSP. Many of these are part of the Idas Valley housing development—see next page.

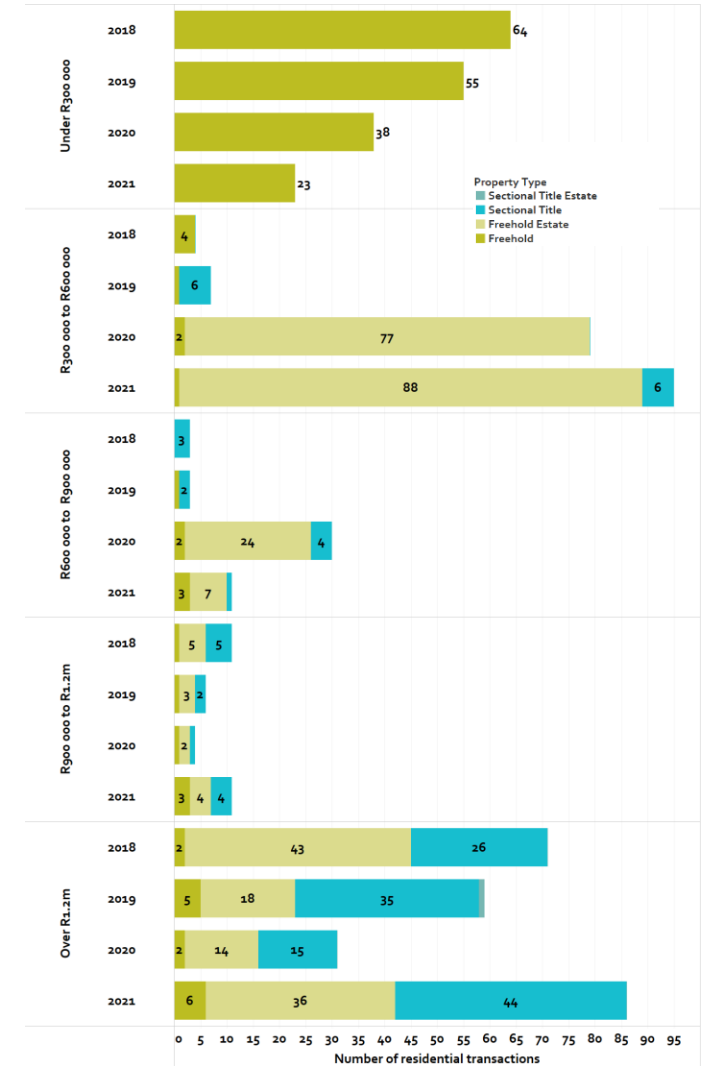
New transactions of sectional title units (outside an estate) are dominant in the **luxury** market, where there were 44 of these new units sold in 2021.

Distribution of new transactions by property type
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Number of new transactions by property type by market segment
Stellenbosch, 2018 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Idas Valley

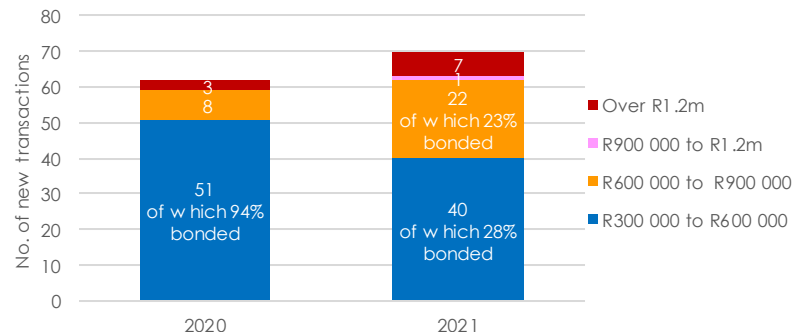
Located in the northern portion of Stellenbosch Municipality, north of Helshoogte Road and east of Lelie Street, Idas Valley has a stock of 1 953 residential properties in 2021, of which 39% are in the **conventional** market, between R600 000 and R900 000 as per the Lightstone data (see also pg 26).

The municipality appointed ASLA Magwebu to execute two projects in Lindida as part of the Idas Valley Housing Project. The project is a mixed housing development, with 113 GAP houses, and 87 fully subsidized units. It's a multi phased development, with families beginning to move in in 2019 and 2020. As part of the Khay Lam project, the Free Market Foundation has also been involved in facilitating the transfer of the properties so that owners receive their title deeds.*

The website of Oak Tree Village, one of the developments in the area, advertises the following new units for sale. These properties are targeted at first time home buyers with gross monthly income below R30 000:**

- 55.7 m² 2 bedroom from R607 950
- 43.4 m² 2 bedroom from R468 000
- 54.6m² 3 bed from R699 500

Idas Valley: New transactions by market segment (2020 & 2021)



Source: Light stone data as of 31 Dec 2021.

The Property24 and Private Property websites offer limited listings for sales of existing housing in Idas Valley below R1 million, as shown in online adverts.

Googlemaps screengrab of Idas Valley (24 July 2022)



Screengrabs from Property24 and Private Property websites (24 July 2022)

| | |
|--|--|
| | |
| | |

Resale market – Secondary market sales

The resale market has behaved somewhat differently than the new build market over the last few years in Stellenbosch town. Resale transactions were declining since 2017, and continued to drop into the first year of the pandemic. However in 2021, the total number of resale transactions shot up by 62%, to higher levels than 2017. This increase was driven almost entirely by a boost in resale transactions of properties in the **luxury** market over R1.2 million.

In total there were 554 resale transactions in 2021, totaling R1.38 billion in value. The great majority of these transactions were over R1.2 million (77%), 10% were in the **high end** market, 9% in the **conventional** market, and 3% in the **affordable** market. There were only 9 resale transactions of **entry** market properties in 2021.

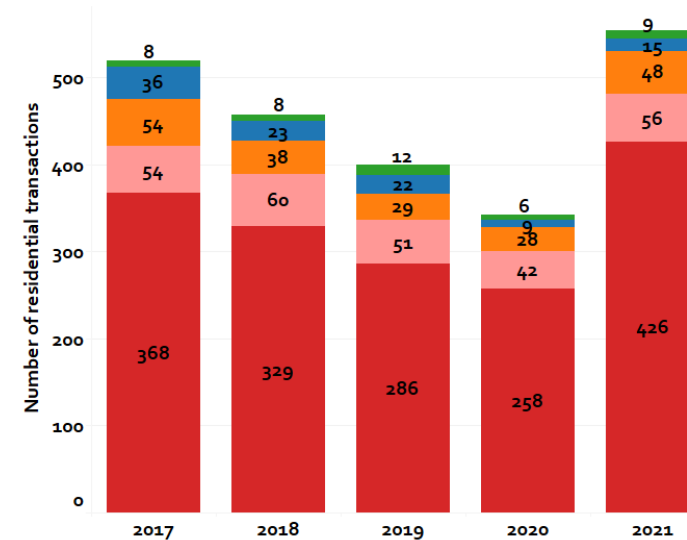
Over the five-year period, the majority of resale transactions have been in the **luxury** market over R1.2 million, averaging approximately 73% of total resale transactions annually.

Resale transactions of GSP

A number of resale transactions each year are sales of existing GSP which are older than 8 years (and thus no longer subject to sales restrictions). In Stellenbosch town, 62% (501) of the total 1 353 GSP are over 8 years old, comprising a total asset value of

Resale residential transactions by market segment

Stellenbosch, 2017 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

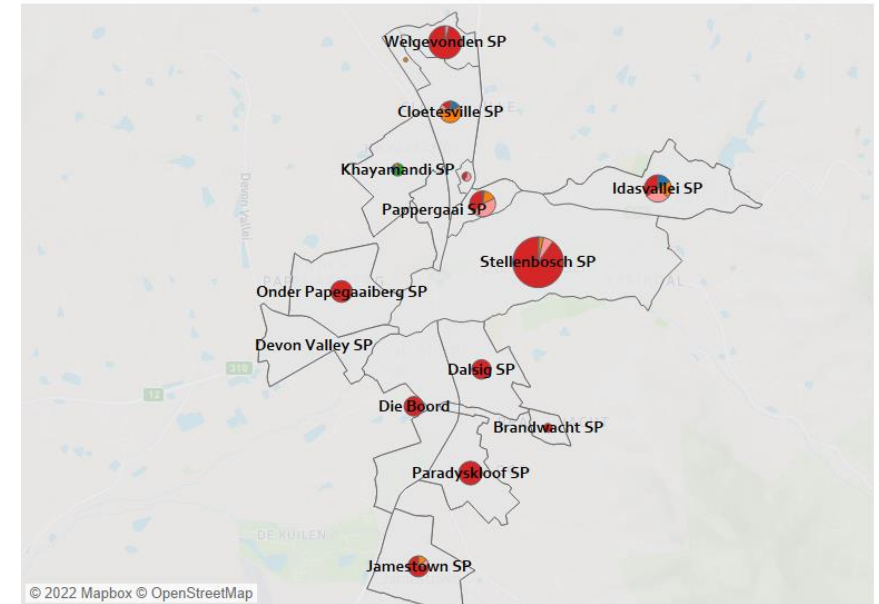


R225.6 million. In 2021, 12 GSP were sold on the resale market, at an average price of approximately R254 583. These resale transactions of GSP made up just 2% of all resale transactions in 2021.

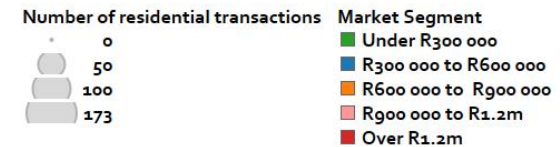
Eight of the 9 **entry** market resale transactions in 2021 were cases of GSP changing hands. This underlines the critical importance of GSP properties, not only in their original delivery to beneficiary households, but also their role in providing a critical supply of affordable housing for households purchasing property on the resale market.

Distribution of resale transactions by market segment

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



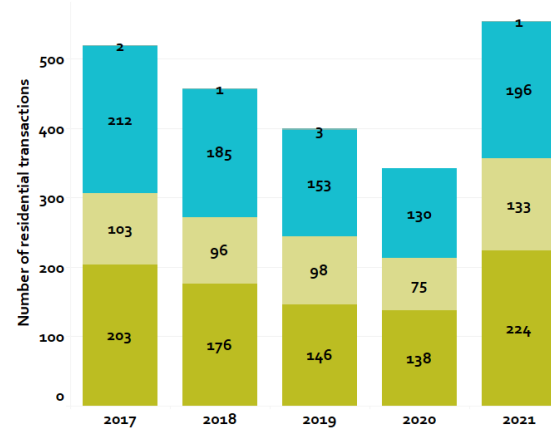
Resale market – Resale transactions by property type

As shown in the pie graph, the largest share of resale transactions are of regular freehold properties outside of private estates (40%). The resale of sectional title units outside estates accounted for 35% of total resale transactions in 2021, with the remaining 24% made up of resale transactions of freehold properties inside estates.

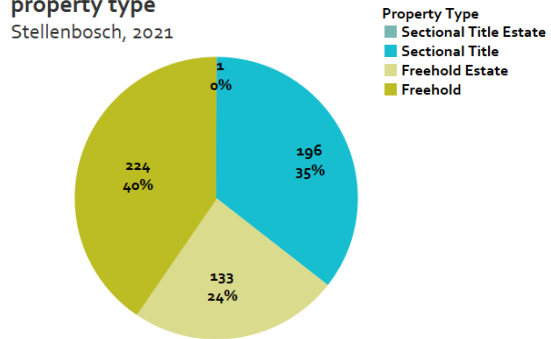
Most resale activity was transactions of properties valued over R1.2 million, both regular freehold and sectional title.

The sale of student units for rental would be reflected in the numbers of resale transactions of sectional title units outside estates. Most of these were properties over R900 000.

Resale residential transactions by property type Stellenbosch, 2017 to 2021

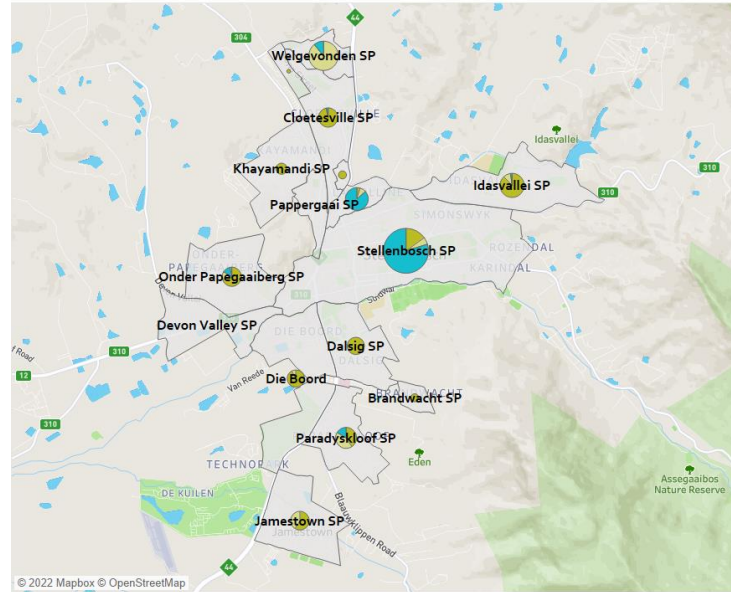


Resale residential transactions by property type Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Distribution of resale transactions by property type Stellenbosch, 2021

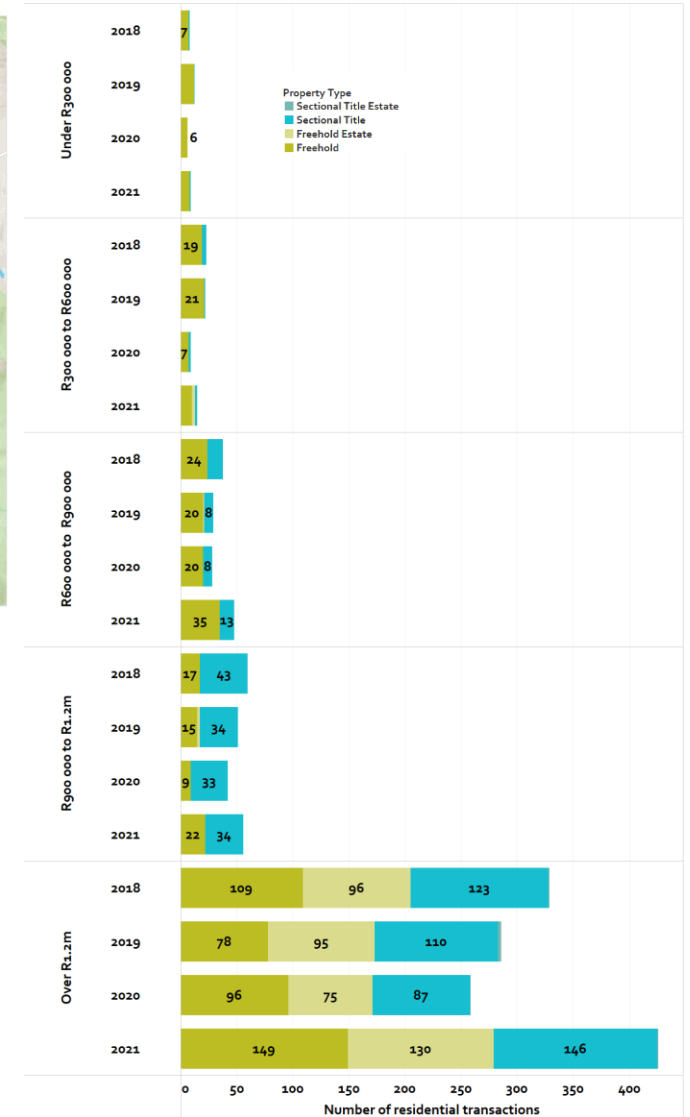


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



As shown in the map above, sectional title resale transactions are mostly in downtown Stellenbosch and Pappergaai—most of these sales are for units over R1.2 million.

Number of resale transactions by property type by market segment Stellenbosch, 2018 to 2021



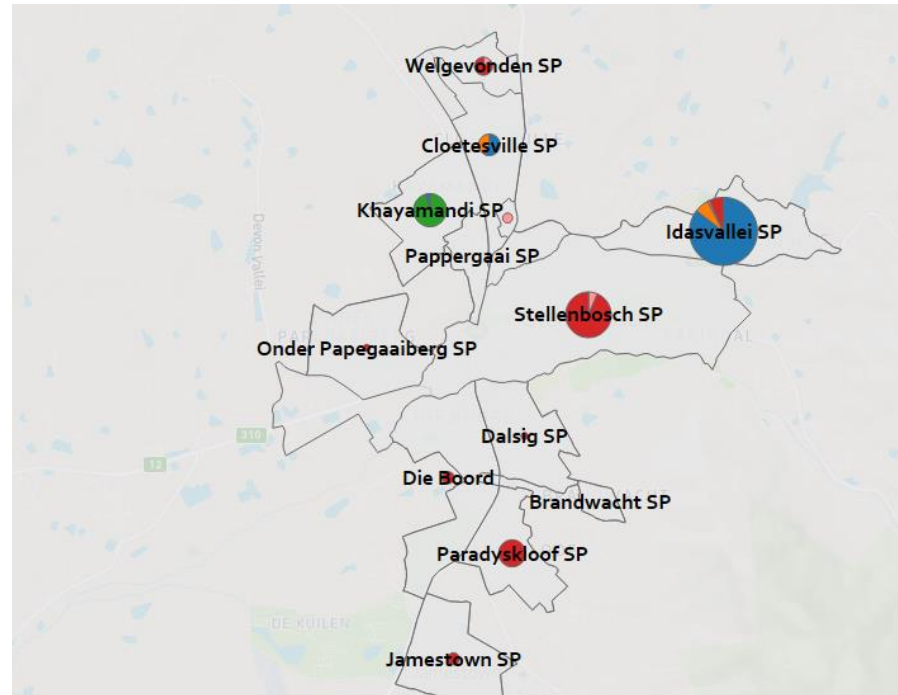
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Spatial distribution of new vs. resale market activity

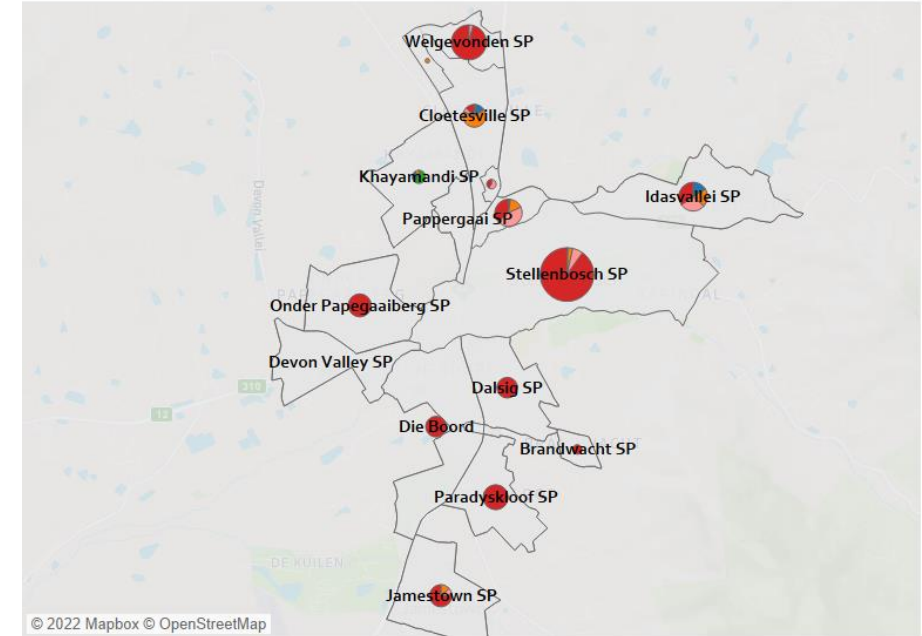
These two graphs illustrate the marked differences between the new build and resale markets in Stellenbosch town. A clear pattern is visible in new transactions: **entry** market new build of GSP in Khayamandi, new **affordable** segment transactions in Idas Valley, and new build of **luxury** units over R1.2 million in central Stellenbosch.

Resale activity was overwhelmingly transactions valued over R1.2 million, and was spread across the town, with the majority of resale activity in Welgevonden and central Stellenbosch again.

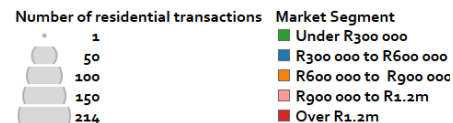
Distribution of new transactions by market segment
Stellenbosch, 2021



Distribution of resale transactions by market segment
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



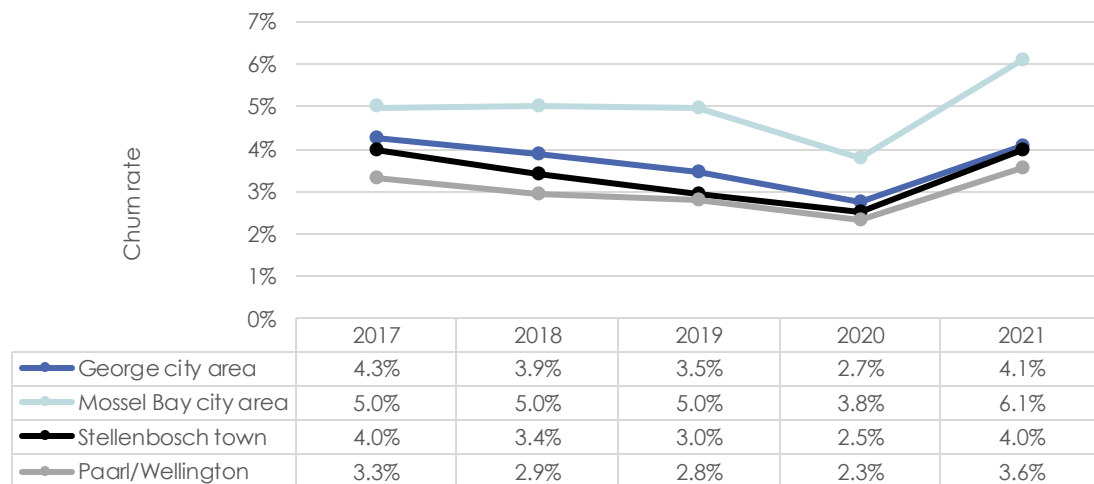
Churn – Levels of resale transactions by market segment

Another important indicator of market activity is the churn rate. Churn rates measure the rate of formal (registered) turnover of the property market: the total number of formal repeat transactions divided by the total number of properties less new registrations, calculated as an annual ratio. It serves as a useful indicator for understanding how well filtering is happening within the property market, or whether markets in particular neighbourhoods are constrained.* Churn can also indicate a level of market interest. More resale activity also brings new people into an area. Given apartheid's legacy of racially-divided cities, neighbourhoods with very low churn rates are unlikely to diversify quickly.

However it should be noted that churn rates may be undermined by the number of informal sales in the market, which would not be reflected in the formal deeds data.

Prior to the pandemic, the churn rate in Stellenbosch town had been falling, from 4.0% in 2017, to a low of 2.5% in 2020. However, resale activity picked up in 2021, returning to its 2017 level of 4.0%. The graph below shows how the churn rate for Stellenbosch town compare to the other four study areas. The George city area,

Churn rate for four study areas (2017-2021)



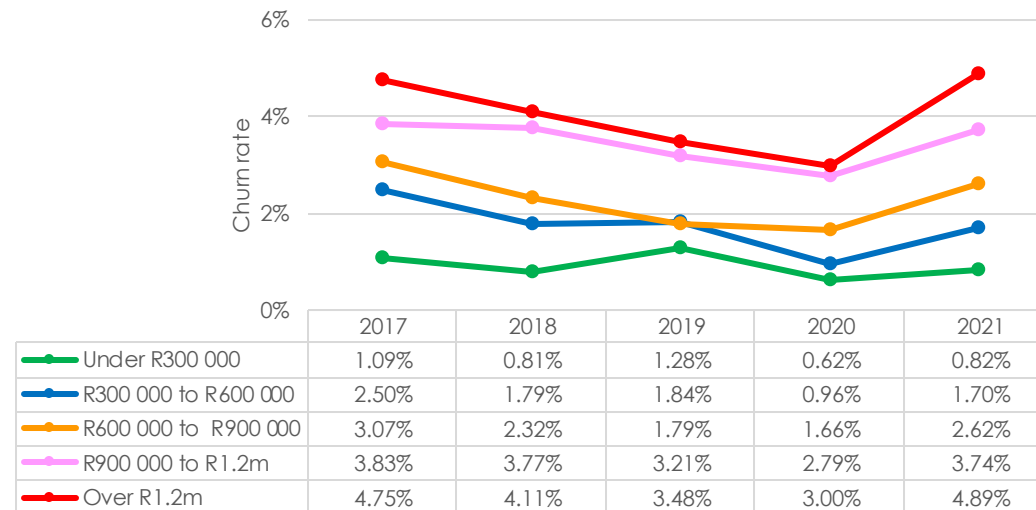
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Stellenbosch town and Paarl/Wellington have followed the same pattern over this five-year period, while the churn rate in the Mossel Bay city area has been consistently higher.

Churn rates by market segment

Churn varies significantly between market segments, with higher value properties changing hands more frequently than lower value properties. While the top market segment of properties worth more than R1.2 million have relatively high churn rates – reaching 4.89% in 2021—the bottom entry level market segment of properties worth less than R300 000 have churn rates of 0.82% in the same year. For properties in the affordable market, the churn rate is also low, 1.7%. This means that properties in those market segments are not selling – the potential benefits of filtering are not being realised.

Churn rate by market segment (2017-2021)



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

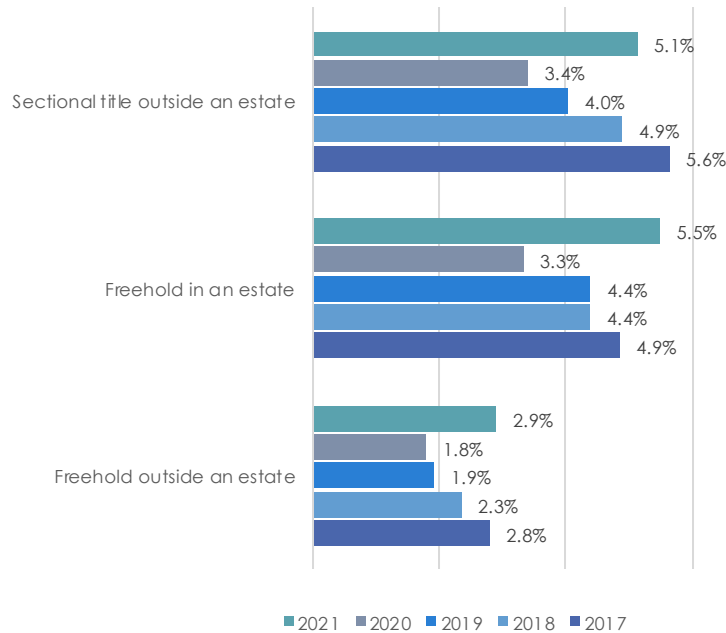
Churn – Turnover of GSP

Churn rates by property type

Resale market transaction rates (or churn) also vary significantly by property type. Freehold estate and sectional title properties (outside private estates) have relatively high levels of turnover – almost twice as large as regular freehold properties outside an estate (including GSP). This suggests a more vibrant market within private estates and sectional title properties outside of estates in Stellenbosch town, and substantial market interest in these property types. Given the demand for student housing, and the regular turnover as students locate there and then leave after their studies, the higher turnover for sectional title outside an estate makes sense.

The churn rates for all the property types was dropping prior to the pandemic, and then rebounded in 2021 to rates higher than the pre-pandemic rates.

Churn rates (2021) by property type



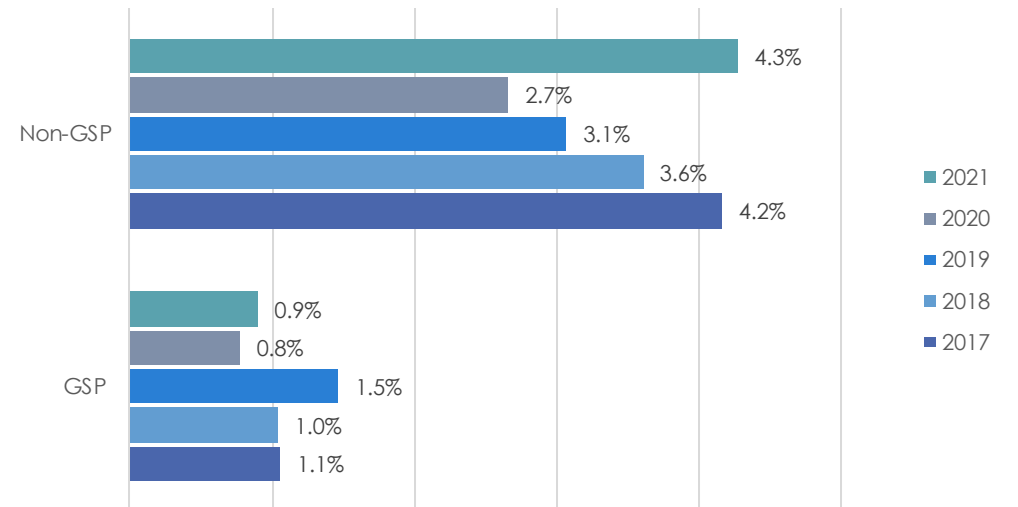
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Churn rates of government-subsidised properties

The analysis by property type indicates that the lower levels of churn with freehold properties outside estates, is responsible for reduced overall average of 4.0% across Stellenbosch town. This is partly due to a very small churn rate for GSP—just 0.9% in 2021—largely because of the 8-year preemptive clause attached to government-subsidised properties.

However the impact of the Housing Act restriction on GSP sale in Stellenbosch town is limited, given that only 38% of GSP are 8 years or older and therefore can be transacted freely. The low resale activity of older GSP houses is a cause for concern, as the small churn rate indicates that homeowners are not realizing the asset value of their property.

Churn rates: GSP or non-GSP (2017-2021)



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

First-time home buyers – How do households step onto the property ladder?

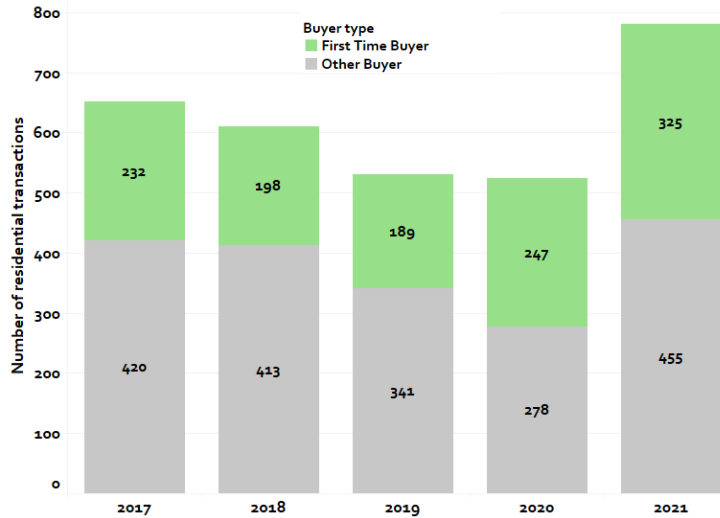
● FTHB as share of total transactions

First-time home buyers (FTHB) are a critical force in the residential property market, particularly the affordable housing segment, making up 42% of total transactions in Stellenbosch town last year. In 2021, 325 households became home-owners for the first time—of which only 7% received a new house from government.

As shown in the middle graph, transactions by FTHB rose by about 32% in the second year of the pandemic. Likely influenced by the record-low interest rates in 2020, the number of bonded FTHB transactions went from 75 in 2019, to 136 in 2020. In 2021, 45% of FTHB transactions were bonded.

First time home buyers: Total residential transactions

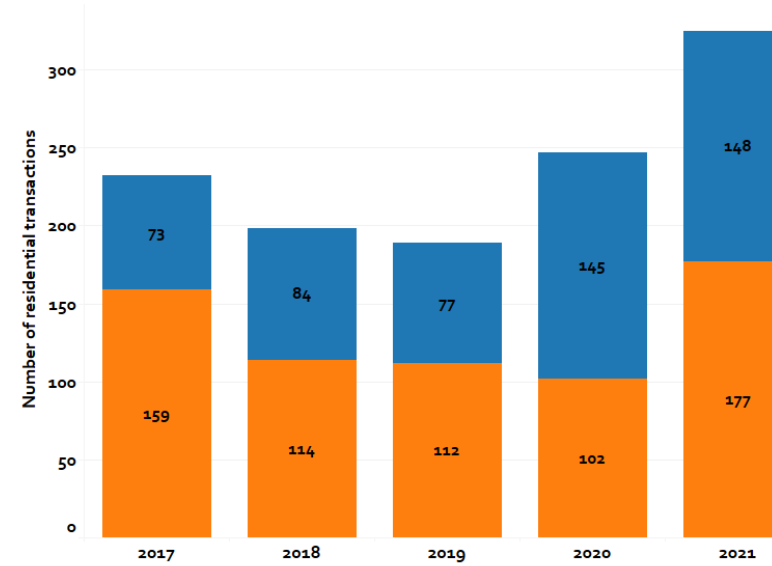
Stellenbosch, 2017 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

First time home buyers: Total residential transactions

Stellenbosch, 2017 to 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Sales Type
 ■ New transactions
 ■ Resale transactions

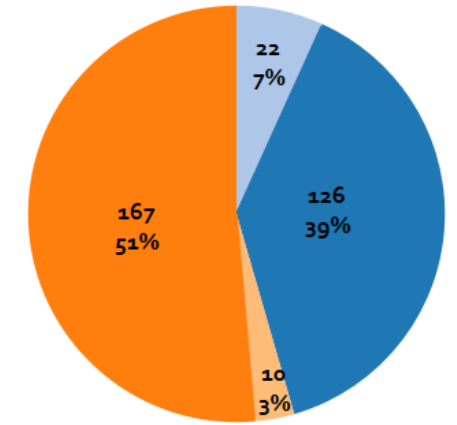
● How do FTHB step onto the property ladder?

A little over half of FTHB purchase an existing house (55%). More households become home-owners by buying on the resale market, than by purchasing new affordable housing units from private developers.

Of the 177 resale transactions to FTHB, just 10 were older GSP being sold to FTHB. This small number makes sense given that only 38% of the GSP in Stellenbosch are over 8 years old and able to be sold.

First time home buyers

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Transaction type
 ■ New transactions government-subsidised housing
 ■ New transactions non-subsidy
 ■ Resale transactions government-subsidised housing
 ■ Resale transactions non-subsidy

The majority of FTHB who move into a new house did not receive it from government, but instead purchased it from a private developer (126 transactions, or 39% of FTHB).

First-time home buyers – By market segment

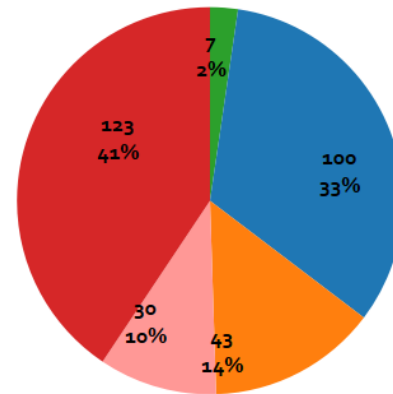
By market segment

Excluding the 22 households who were beneficiaries of government-subsidised housing in 2021, approximately half of FTHB are purchasing properties which are R900 000 or less—see pie graph below. Ten percent are buying units in the **high end** market, and 41% are purchasing in the **luxury** market over R1.2 million.

FTHB are particularly important to the **affordable** market segments, making up 91% of sales in this market.

Number of first time home buyers by market segment

(Excludes new transactions of government-subsidised properties)
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



Transfer payments and other costs associated with buying a house

For first-time homebuyers, there can be many unexpected associated costs to purchasing a home including VAT, bond initiation fees, bond registration fees and monthly loan account administration fees. However, the largest additional costs for a home-buyer are the transfer fees, and transfer duty payments.

Transfer fees are paid to the attorneys who complete the transaction paperwork and are typically the largest portion of the total transfer costs—ranging from R23 000 to R35 000 for a R1.2 million house.

Transfer duty payments are owed to the South African Revenue Service (SARS). Homes valued below the threshold of R 1 million are exempt from any duty payments. If the house is R1 million - R1.375 million, 3% of the value over R1 million is owed. The percentage owed continues to climb as the value of the house increases. Transfer duty payments are exempt for those who acquire a house through marriage, divorce, inheritance, or if a property purchase is canceled before it is registered at the Deeds Office.

The threshold adjustment for transfer duty payments took effect on March 1, 2020, prior to which the threshold was R900 000. This adjustment specifically enacted to aid those trying to enter the property market.

Mortgage market – New and resale bonded transactions

An analysis of bonded transactions provides a picture of the health of the mortgage market and the degree of confidence by the financial sector in the residential property market. In 2021, 53% of all transactions (419) in Stellenbosch town were bonded: of which, 80.5% were resale & 19.5% new transactions.

The graphs to the top right show the number of bonded transactions in each market segments—both new and resale. Overall, 36% of new transactions were bonded, although this number is impacted by the number of GSP which are transferred to beneficiaries, obviously without a bond. As noted above, 90% of the new transactions in 2021 were non-GSP. Of these 203 new transactions of non-GSP, only 40% were bonded, meaning that approximately 60% of the households who bought a new house from a developer in Stellenbosch town, did not require financing to do so. Interestingly, most of these cash purchases were for properties in the [affordable](#) segment (80).

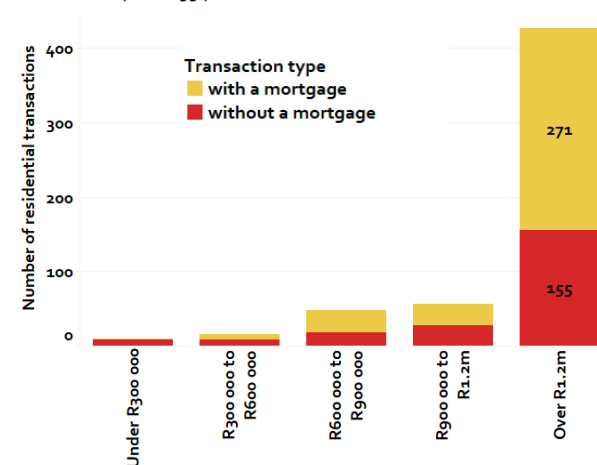
In total, 61% of all resale transactions were bonded. Of the 337 bonded resale transactions, only one was a GSP.

As would be expected, banks primarily lend to the top of the market. There were no bonded transactions under R300 000 in 2021. Of the total bonded transactions, over 78% were for properties valued over R1.2 million in 2021. Only 28% of transactions under R900 000 were bonded, while 63% of transactions over R1.2 million were bonded.

In an area such as Stellenbosch with a large number of wealthy residents, non-bonded transactions could be the result of high-income buyers who don't require financing, or low income households who can't access a mortgage. It may also be that these homes were purchased with non-mortgage loans. In Stellenbosch town, excluding new GSP registrations, 55% of all transactions in 2021 were bonded (see bottom graph), meaning that 45% of households (338 transactions) managed to buy a house cash. This proportion is low compared to Drakenstein at 62%, but higher than Mossel Bay, where only 34% of transactions (excluding new GSP) were financed with a bond.

Number of resale transactions

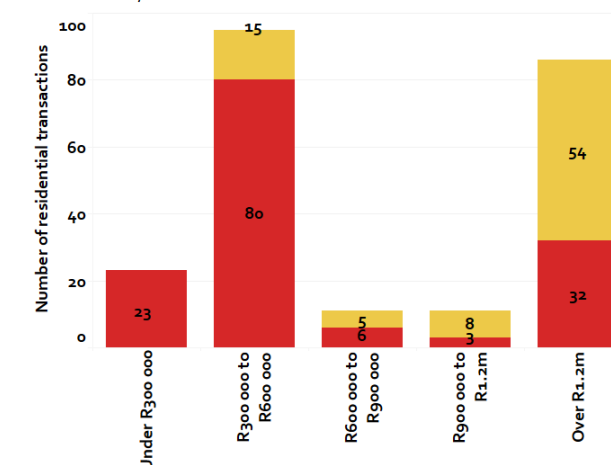
Stellenbosch, 2021: 554



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Number of new transactions

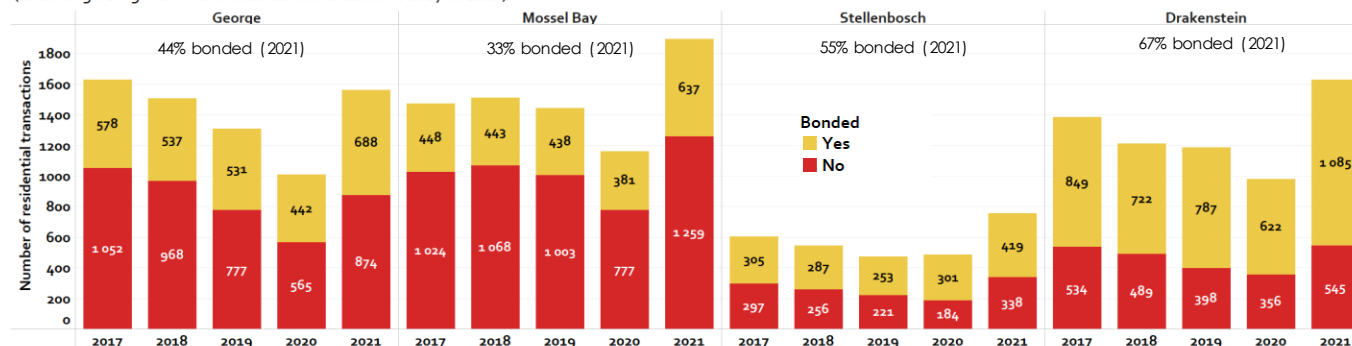
Stellenbosch, 2021: 226



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

Number new and resale transactions: Bonded and non-bonded

(Excluding new government -subsidised transactions 2017 to 2021)



Source: Lightstone data as of 31 Dec 2021.

Mortgage market – Bonded transactions by lender and property type

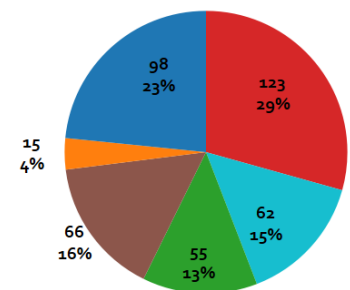
By lender

In total, 419 bonds were issued for new and resale transactions in 2021, over half of which were issued by Standard Bank and Absa.

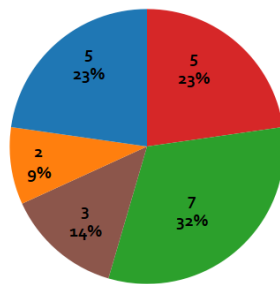
However, if we focus specifically on bonds for transactions under R600 000, the picture shifts. No bonds were issued in the **entry** market in 2021, and there were only 22 bonds issued in the **affordable** segment. Nedbank issued one third (7 bonds) with Absa and Standard Bank both issuing 5 bonds in the **affordable** segment—see bottom right pie graph.

All of the five main banks are lending in every segment (except the **entry** market) but the bulk of lending is for properties over R1.2 million.

Residential transactions by lender
Stellenbosch, 2021



Residential transactions by lender:
Under R600 000
Stellenbosch, 2021



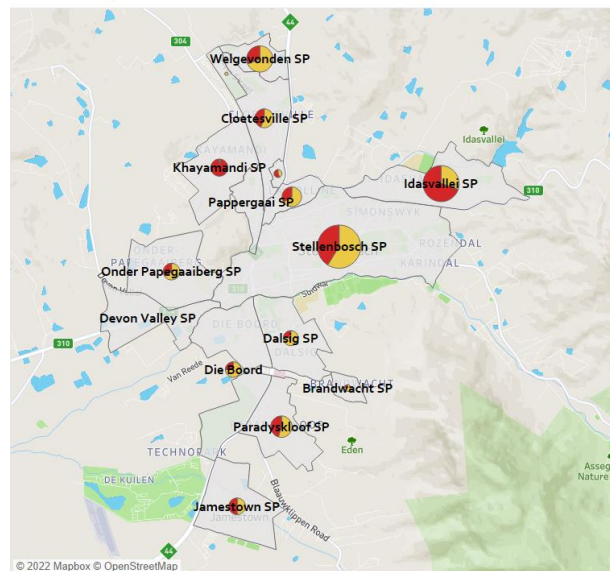
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



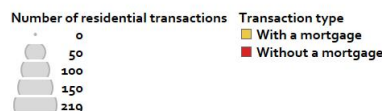
By geographic area

As shown in the map below, in 2021 the banks were primarily lending in central Stellenbosch, Welgevonden and Idas Valley. The graphs to the right zero in on two areas with much of the lending activity: Stellenbosch SP and Welgevonden. In both areas, Absa and Standard Bank issued the most bonds. And in both areas, the overwhelming majority of bonds were for properties valued over R1.2 million.

Distribution of new and resale transactions: Bonded and non-bonded
Stellenbosch, 2021

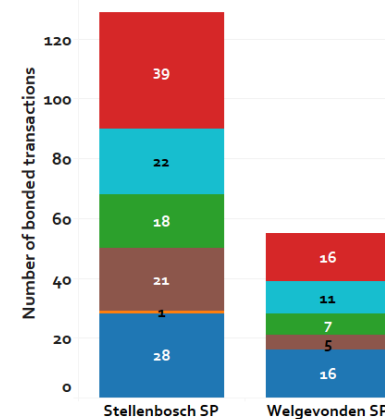


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

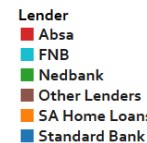


Number of new and resale bonded transactions by lender

Stellenbosch SP & Welgevonden SP
Stellenbosch, 2021

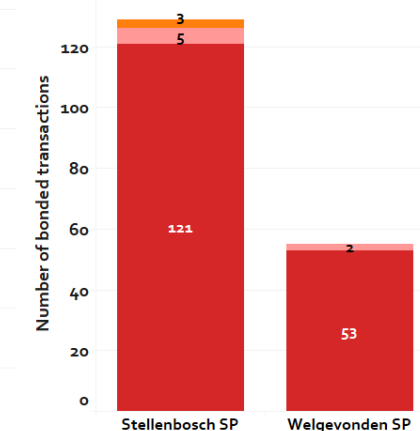


Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

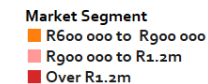


Number of new and resale transactions: Bonded by market segment

Stellenbosch SP & Welgevonden SP
Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



By property type

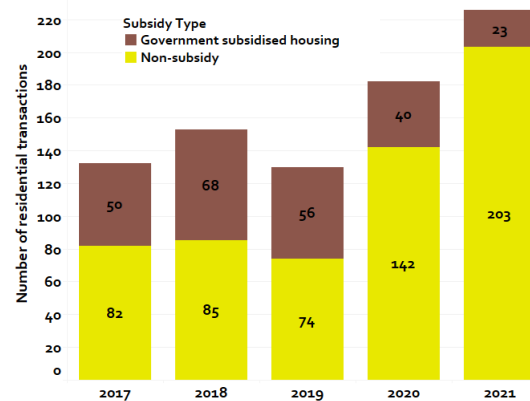
Bonded transactions were fairly evenly spread between the three property types: 36% freehold, 34% sectional title, and 30% freehold estate. There were no bonded transactions for sectional title properties in estates in 2021.

The rate of bonded transactions was highest for freehold and sectional title properties (58% bonded), compared to 46% of freehold estate transactions which were bonded in 2021.

Government housing delivery

According to the Lightstone deeds data, which uses a proxy to identify GSP, as described above, the number of new registrations of GSP in Stellenbosch town over the last five years was only 237 units, as shown in the graph below. Again, it must be noted that the deeds data will only reflect GSP where the beneficiary has received their title deed, and therefore will not necessarily match municipal or provincial figures of houses delivered.

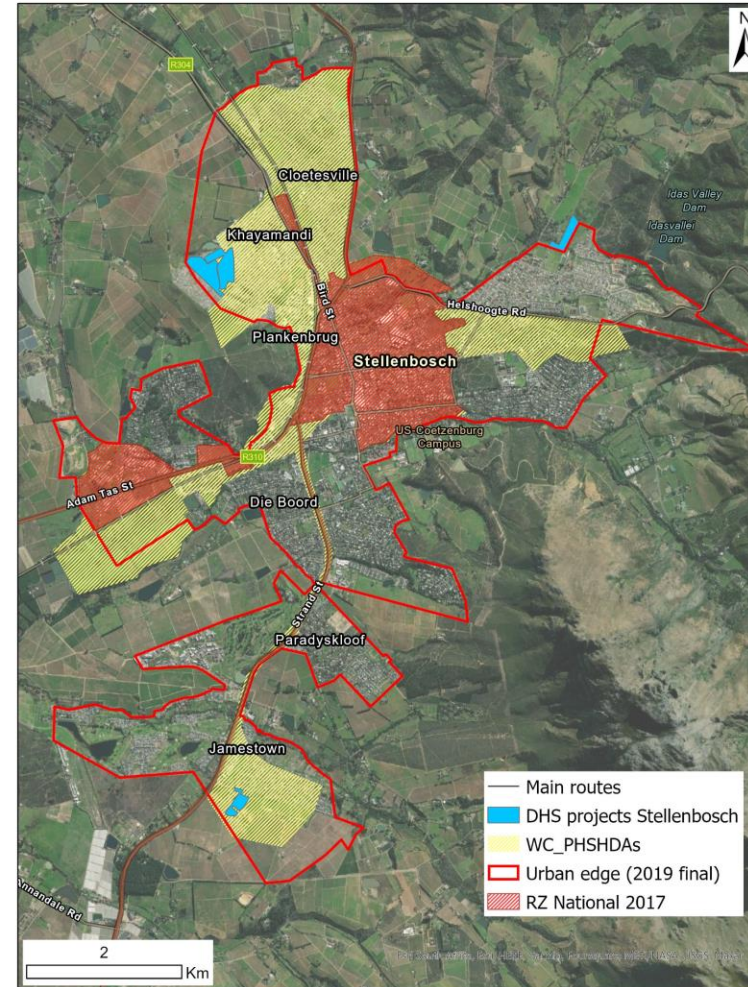
New residential transactions : GSP and non-GSP
Stellenbosch, 2017 to 2021



Data source: CAHP's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

The development of the Adam Tas corridor is positioned as the main catalytic project highlighted in the 2022-2027 IDP. This involves re-design and development of the land around the Adam Tas Road, along the R44 and the railwayline, bringing in a range of housing typologies and different income groups. The intention is for the district to be residentially-led with mixed-use, high density development and an emphasis on non-motorized access to the town centre.

Stellenbosch town: Government housing projects



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

The municipality's housing pipeline covers the ten-year period to 2030/31 and is focused on social housing, the provision of serviced sites, affordable housing, upgrading of informal settlements and mixed-use housing (formalized homeownership employer housing, especially farmworker housing) (2022-2027 IDP). Projects within the Stellenbosch town area include:

- Jamestown, Farm 527 (phases 2, 3 and 4)- Work is being undertaken to finalise the sub-division plan, and obtain development rights for mixed-use development, approximately 2000 housing opportunities. The project is a Mayoral priority.
- Idas Valley (erf 9445, Oak Tree Village)
- Rectification of Cloetesville subsidy houses at The Steps and Orlean Lounge – These are temporary units with toilets erected for temporary relocation of occupants (161 housing opportunities).
- Erf 7001, Cloetesville – The intention is to obtain development rights on erf 7001 in order to establish GAP housing (360 GAP housing units).
- Upgrade of the Khayamandi CBD – This project is also a Mayoral priority and involves approximately 1 854 housing opportunities.
- Development of the northern extension, Khayamandi – Approximately 5000-6000 housing opportunities.
- Upgrading of Zone 0 in Khayamandi – 711 housing opportunities.

Restructuring zones and social housing delivery

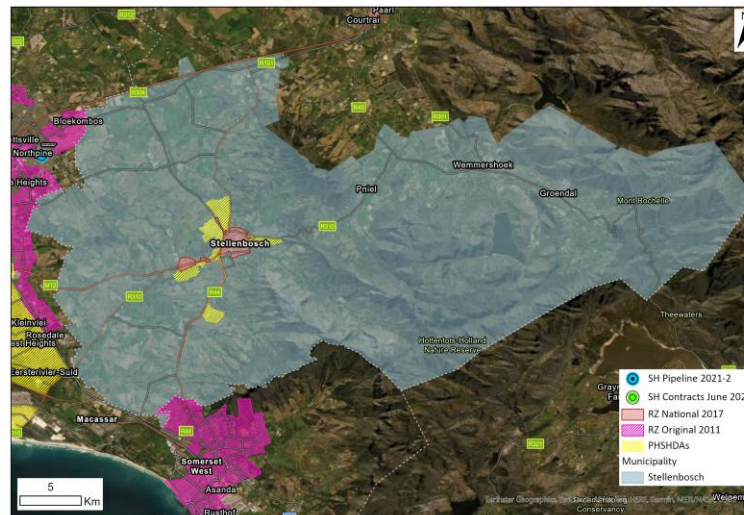
Activity in the rental market in Stellenbosch town includes government plans for social housing projects. Two Restructuring Zones for Stellenbosch municipality were included in the National 2017 Gazette: Greater Stellenbosch and Plankenbrug.

In the map to the right, the area in red marks the RZ which includes central Stellenbosch, as well as the area around Adam Tas Street. The Priority Human Settlements and Housing Development Area (PHSHDA) for the Stellenbosch town is shown on the map in yellow. Some areas of the PHSHDA and RZ extend outside the current urban edge, but both are mainly within the urban edge.

Although there are not currently any social housing projects in implementation, there are four projects in pre-planning stage (and thus not reflected on the map):*

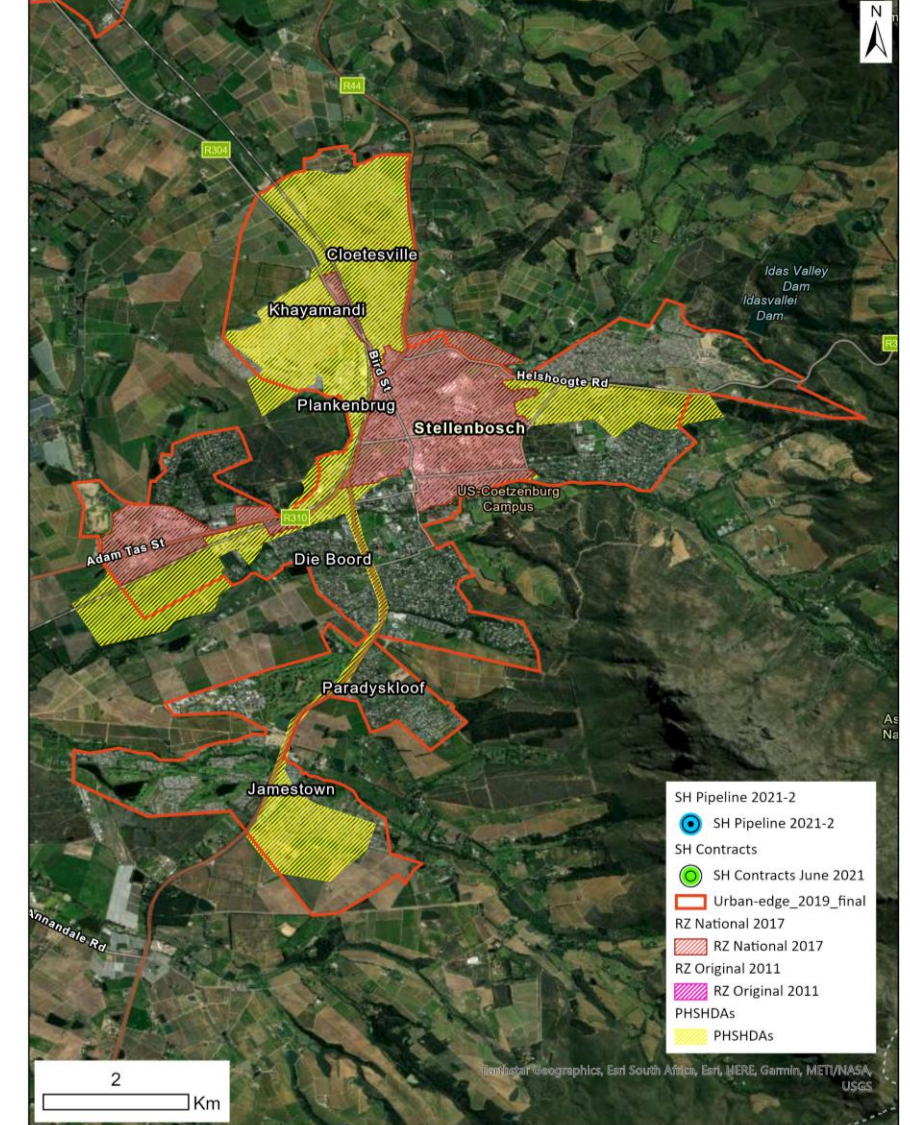
- Lapland Flats—This is a refurbishment of existing medium-rise council flats (400 units), with estimated delivery in 2022/23.
- Two projects in La Colline—The two projects total 550 units and are in early stages.
- Town Centre, Erf 2609—This involves unused or underused buildings that can be demolished and re-developed for social housing, yielding potentially 600 units.

Stellenbosch municipality: Restructuring zones and PHSHDAs



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

Stellenbosch town: Restructuring zones and PHSHDA



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

Rental market

Rental yields provide an indication to landlords and potential landlords which properties would be profitable to rent out.

Freehold property rental yields

Since 2010, the gross rental yield for freehold properties in Stellenbosch municipality has stayed below the national average, despite variations during the period. As at the end of 2021, the gross rental yield was approximately 5.1%, while the effective yield (taking into account outstanding rental payments) was a slightly less at around 4.9%.

Sectional title rental yields

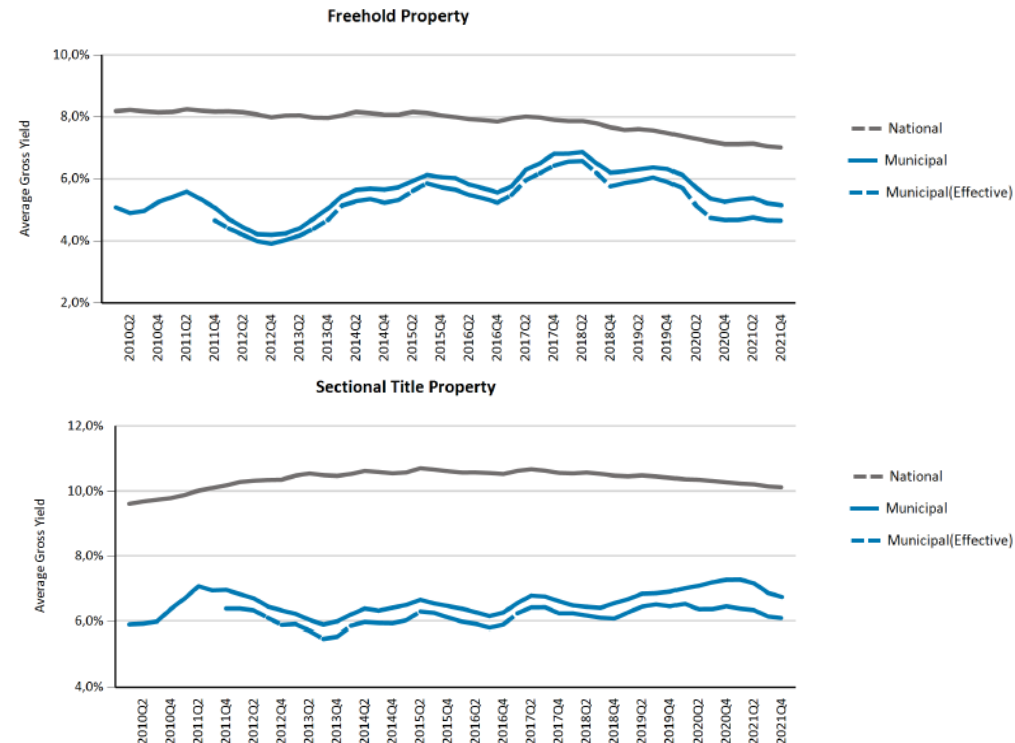
Gross rental yields for sectional title also stayed below the national average. At the end of 2021, the gross rental yield for sectional title (6.8%) was higher than that of freehold properties. Effective rental yield for sectional title was again slightly less, at approximately 6.2%. At the end of 2021, gross rental yield for sectional title was approximately 1.7 percentage points higher than for freehold units.

Percentage of tenants in good standing

The percentage of tenants in good standing reflects the number of tenants who are up to date with their monthly payments,* and serves as another indicator of profitability for landlords. The indicator took a heavy hit in the second quarter of 2020, due to the economic impact of COVID and associated lockdowns. At that time the national average dropped to 74%. Since then the national average for percentage of tenants in good standing has substantially recovered, reaching 81.4% at the end of 2021.

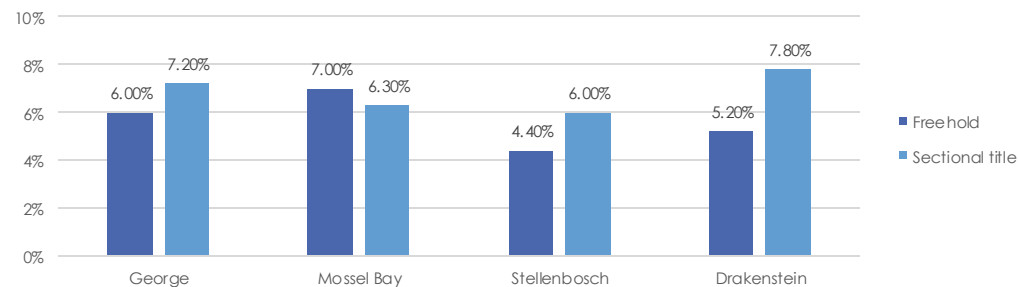
At the end of 2021, the good standing rate for Stellenbosch municipality was strong (90.28%), higher than both the national and provincial averages.

Stellenbosch municipality rental yields (2010-2021)



Source : TPN Credit Bureau, Investor Reports March 2022.

Effective rental yields for four municipalities (Q4 2021)



Source : TPN Credit Bureau, Investor Reports March 2022.

Summary of current market activity

As with the other study areas, market activity picked up substantially in 2021—led by resale transactions of **luxury** properties. The property typologies that are seeing the most activity and higher churn rates are freehold estate (5.5%) and sectional title outside estate (5.1%).

● New build market

Unlike Mossel Bay and George, new transactions in Stellenbosch town were *increasing* pre COVID. Then in 2021 they shot up by 24%, due to growth in **affordable** and **luxury** transactions. In 2021, all of the new transactions in the **entry** market (23 transactions) were GSP—there was no private sector construction of new houses below R300 000 in 2021.

Over the last five years, the consistent majority of units built and sold by the private sector have been freehold properties in estates (67%), with another 27% sectional title outside estates. New transactions of sectional title units (outside an estate) are dominant in the **luxury** market, where there were 44 of these new units sold in 2021. Very few regular freehold houses (outside estates) are being built by the private sector—just 13 houses in 2021. Nor is the private sector building sectional title within estates—only two have been built and sold in Stellenbosch town in the last five years.

● Resale market

Unlike new transactions which have been on the rise, resale transactions in Stellenbosch town were declining since 2017, and continued to drop into the first year of the pandemic. However in 2021, the total number of resale transactions shot up by 62%, to higher levels than 2017, driven mostly sales in the **luxury** market over R1.2 million. In total there were 554 resale transactions in 2021, totaling R1.38 billion in value. The great majority of these transactions were over R1.2 million (77%), 10% were in the **high end** market, 9% in the **conventional** market, and 3% in the **affordable** market. There were only 9 resale transactions of **entry** market properties in 2021.

Resale activity of GSP is very thin, because stock of GSP in Stellenbosch town is very small (only 9%), of which only 62% of these units are over 8 years old. In total, 12 GSP changed handed formally in 2021.

The impact of student housing on the residential market is apparent. Given the university setting, 35% of resale activity was sectional title transactions outside estates, with another 40% being freehold properties outside estates. Despite the student market, the overwhelming portion of these transactions are over R1.2 million.

On the whole, the churn rate for Stellenbosch town is at the lower end of the four study areas (4.0% in 2021) yet slightly higher than nearby Paarl/Wellington (3.6%). Similar to the other intermediate cities, low value properties have lower churn rates—one fifth the rate of **luxury** properties.

● First time home buyers

In 2021, 325 households became home-owners for the first time—of which only 7% received a new house from government. Likely influenced by the record-low interest rates in 2020, the number of bonded FTHB transactions went from 75 in 2019, to 136 in 2020. More households become home-owners by buying on the resale market, than by purchasing new affordable housing units from private developers. Approximately half of FTHB are purchasing properties which are R900 000 or less, 10% percent are buying units in the **high end** market, and 41% are purchasing in the **luxury** market over R1.2 million. In 2021, 45% of FTHB transactions were bonded.

● Mortgage market activity

In the new build market, only 40% of non-GSP transactions were bonded, mostly in the **affordable** segment. In Stellenbosch town, excluding new GSP registrations, 55% of all transactions in 2021 were bonded. This proportion is low compared to Drakenstein at 62%, but higher than Mossel Bay, where only 34% of transactions (excluding new GSP) were financed with a bond.

In total, 419 bonds were issued for new and resale transactions in 2021, over half of which were issued by Standard Bank and Absa. There were no bonded transactions below R300 000 in 2021, and only 22 bonds issued in **affordable** segment.

Implications for inclusionary housing

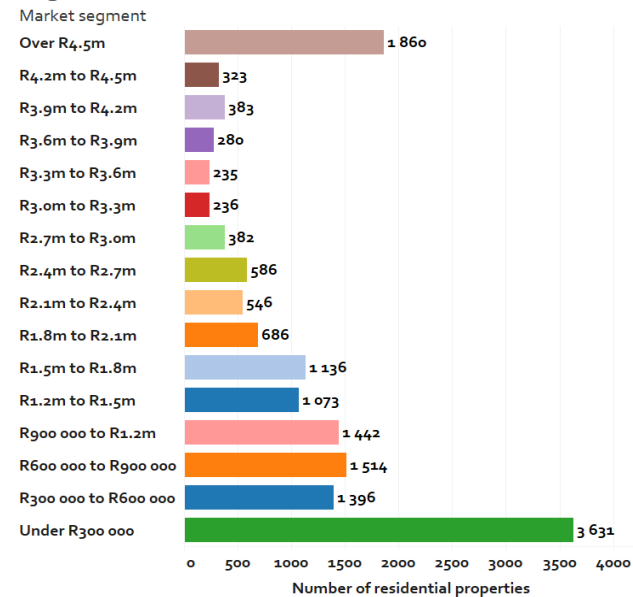
What is the profile of housing in Stellenbosch town?

In order to better understand the implications of the above analysis on inclusionary housing, we return to the key questions set out for this study:

- What is the profile of housing in the city? – by market segment, property type, neighbourhood
- What is the state of the residential market currently? – in terms of market performance, activity, key players, government and private sector delivery
- What is the affordability gap? – where is affordable housing needed, how much and what type? what is the target market for the affordable housing market?
- Is there an active property development market that would make the application of an inclusionary housing policy viable?

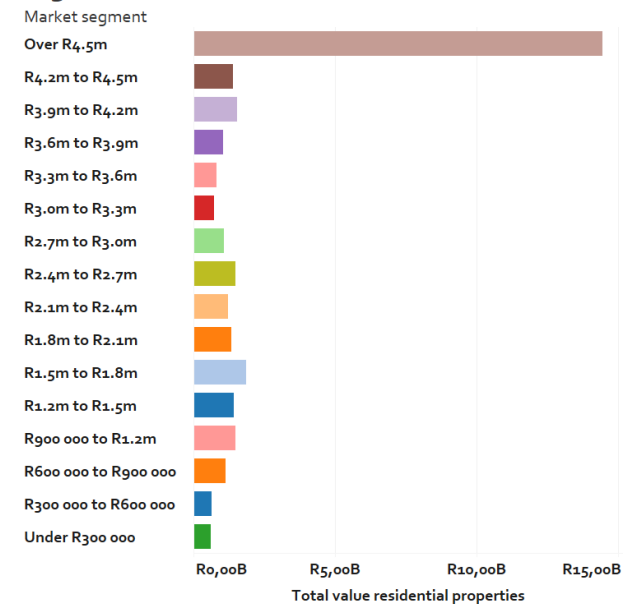
This concluding section of the report pulls together the main points of the above analysis to identify the characteristics and trends of the residential property market in Stellenbosch town which would critically impact on the success of an inclusionary housing policy.

Number of residential properties by market segment: Stellenbosch VR (2020)



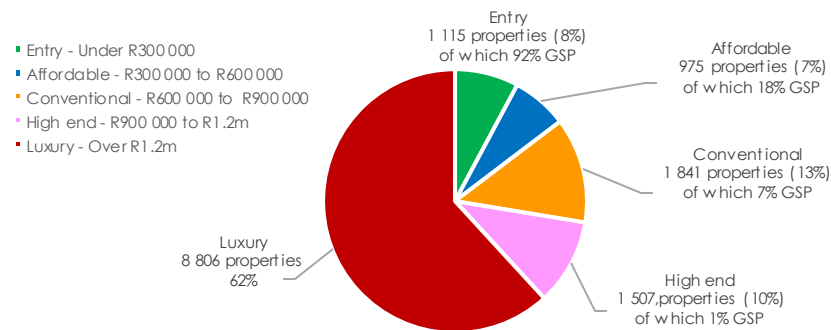
Source: Stellenbosch Valuation Roll, July 2020.

Total value of residential properties by market segment: Stellenbosch VR (2020)



Source: Stellenbosch Valuation Roll, July 2020.

Number of properties by market segment: Lightstone data (2021)



Source: Lightstone data as of 31 Dec 2021.

With approximately 35 300 households (as per GTI data), nearly one quarter of households in Stellenbosch town earn R2 379 or less. Of the four study areas, Stellenbosch town has the smallest residential property market in terms of number of properties, and also the smallest in terms of value (R32.35 billion), growing at an average 2.0% annually over the last five years.

The municipal valuation roll from July 2020 records 15 709 residential properties while the Lightstone data as at the end of 2021 has fewer (14 244). However both indicate a predominantly luxury market. More than the other three study areas, Stellenbosch town's residential property market is biased towards high value properties, with 62% valued over R1.2 million in 2021. Just 15% (or 2 090) are valued under R600 000, and over half of these lower value properties are government-subsidized units. The stock of GSP in Stellenbosch town is fairly low—just 1 393 units all located in Khayamandi, Cloeteville and Idas Valley; the majority of the GSP are under 8 years old.

Given the location of the university in town, rental rates are high and the share of sectional title properties outside estates (27%) is large.

What is the state of the residential market currently?

Market activity in Stellenbosch town is centred in private estates, in the upper market segments, with sectional title resale playing a larger role due to the presence of the university.

● New build market

Unlike Mossel Bay and George, new transactions in Stellenbosch town were increasing pre COVID, and continued to climb through the pandemic, driven largely by **luxury** market sales and the construction of some **affordable** housing developments.

Delivery of government housing programmes is limited, with 23 new registrations recorded in the Lightstone data in the **entry** market below R300 000 in 2021, in Khayamandi. However the private sector built and sold 203 units with a total value of R62.7 million, of which 46% were actually **affordable** housing valued between R300 000 and R600 000. A new development in Idas Valley saw the sale of 88 new homes in the **affordable** segment between R300 000 and R600 000 in 2021.

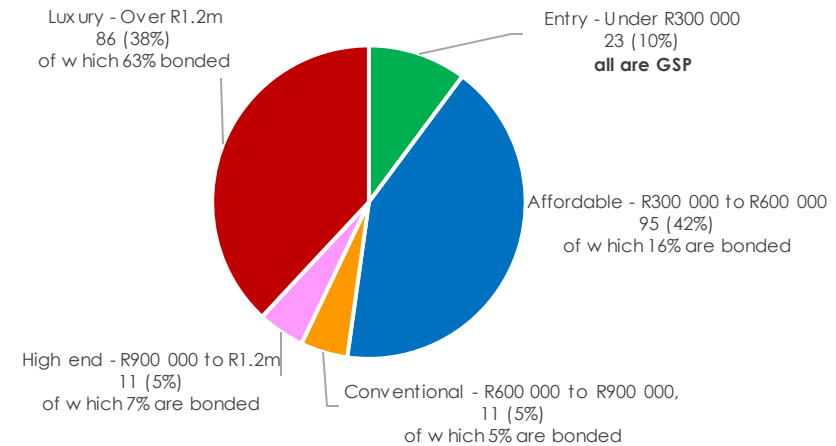
Over the last five years, the private sector has primarily been building freehold properties in private estates (67% of total new non-GSP transactions), with another 27% sectional title units outside estates—much of which is likely upper end rental housing for students. The private sector is mainly investing in new gated developments, or student rental housing. Very few regular freehold houses outside of estates are being built—less than 15 in 2021.

Notably, of the approximately 200 new transactions of non-GSP in 2021, only 40% were bonded (80), yet most of these non-mortgage purchases were for properties in the **affordable** segment. If the majority of units are bought without finance, it may be that these **affordable** housing developments are not reaching the target market, but instead are being purchased by higher-income households and/or buyers who are purchasing a second property with cash.

● Resale activity

Resale activity has followed the same pattern as the other three study areas in the last five years, declining from 2017 to 2020, and then rebounding past 2017 levels in the second year of the pandemic. This was clearly driven by secondary sales of **luxury** properties, primarily in Stellenbosch SP, in the centre of town, as well as Welgenden.

Stellenbosch town: New sales by market segment (2021)



Source: Lightstone data as of 31 Dec 2021.

Some of these resale transactions are of GSP, but very few. As noted earlier, Stellenbosch town differs from the other three study areas in its small stock of GSP (only 1 353 houses in total, or 9% of total residential properties). Over half of these (62%) are newer GSP which are still bound by the 8 year sales restriction. In 2021, only 12 GSP changed hands on the secondary market, at an average price of R254 583.

Purchases by first time home buyers jumped to 325 transactions in 2021. Most first time home buyers are purchasing on the secondary market (54%), while 39% are buying new units from private developers. The data suggests that many first time home buyers are wealthier and/or have higher incomes: excluding government housing beneficiaries, 41% of first time home buyers are purchasing properties valued over R1.2 million, and just 49% are purchasing with a bond.

● Mortgage lending

Excluding new GSP registrations, only 55% of all transactions in 2021 were bonded. Nearly 78% of the bonded transactions in 2021 were over R1.2 million, indicating that not only is the mortgage market limited in volume, it is also largely limited to high-value transactions. While some of these households may have drawn up once-off lump sum payments (e.g. pensions or inheritance), many of them will have been drawing upon equity from a previous home.

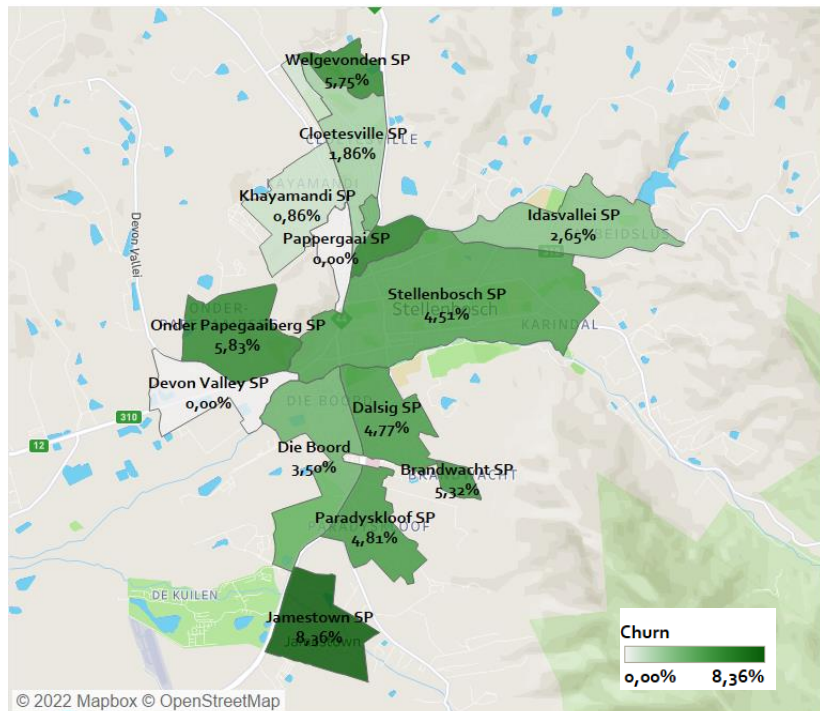
What is the state of the residential market currently?

Churn rates

After having declined 2018-2020, the overall churn rate for Stellenbosch town returned to 4.0% in 2021. As with the other study areas, the churn rate for the higher market segments exceeds that of the lower market segments—ranging from 0.82% for the entry market, to R4.89% for the luxury market.

Churn rates by subplace

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced June 2022).

As a result of the very low churn rates at the bottom end of the market, filtering is not taking place. This is important because, without turnover at the lower end of the ladder, current homeowners (both GSP and not) are unable to realise the asset wealth of their properties and move up the ladder.

As reflected in the churn rates, the market activity for sectional title outside estates and freehold properties in private estates is substantial.

Market activity is clearly concentrated in particular neighbourhoods and suburbs, as shown in the map. Highest churn rates in 2021 were in Jamestown (8.36%) and Onder Papegaai (5.83%) and Welgevonden (5.75%). One developer interviewed described a process of gentrification in Jamestown as it transformed into a more up-market area, 85% of properties valued over R1.2 million.

Rental market

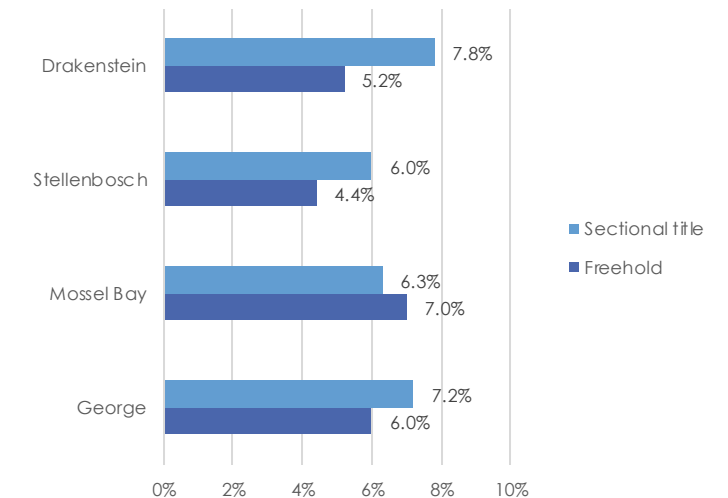
Data on the rental market is painfully scarce—the TPN data used in this report does not include absolute figures and thus does not assist with quantifying supply and demand. According to a representative of the university, there is a gap in supply of affordable private accommodation for lower income students, many of whom receive NSFAS support.

According to TPN's municipal level data, a 2 bedroom sectional title unit would typically rent for R8 000/month, which require a monthly income of R26 670. Approximately 23% of households in

the municipality earn this much, and students dependent on national financial aid, would have a budget of R5 000/month only.

The graph below compares Stellenbosch municipality to the other three municipalities, demonstrating that effective rental yields for freehold and sectional title were smallest in Stellenbosch.

Effective rental yields for four municipalities (Q4 2021)



Source : TPN Credit Bureau, Investor Reports March 2022.

What is the affordability gap? – Town level

The table to the right compares the stock of housing per market segment in Stellenbosch town, to the number of households with the income required to purchase a house with a bond in that market segment. The results point to:

● Unmet housing needs in the lowest segment

The unmet housing need is most pronounced in the lowest segment. The table shows a large number of households with a monthly income below R7 300—approximately 17 900 households, or 51% of the total. However there are only 1 115 formal houses on the deeds registry valued below R300 000. This would suggest an unmet need for affordable formal housing: many of these households may currently be renting, and/or staying in informal settlements or backyard dwellings which are not reflected in the deeds data.

Similarly, in the income segments between R7 300/month and R22 200/month, there are far more households (approximately 8 500) than there are houses in the corresponding market segment which would be affordable to households with this income (around 2 800). One possibility may be that a number of these households are renting, or staying in informal dwellings. The data does suggest there is an undersupply of houses valued in the **affordable** and **conventional** market segments.

● Apparent market clearing in the high end segment

In the **high end** market segment of houses valued between R900 000 and R1.2 million, there are 1 507 residential properties, and 1 562 households with monthly incomes that would theoretically enable them to purchase a house at this value. The supply appears to roughly match the demand.

● Potential oversupply in the luxury market

However there does appear to be a disjuncture at the top end of the market. There are about 8 800 residential properties valued over R1.2 million in Stellenbosch town (approximately 62% of the total), however there are only about 7 300 households with incomes over R29 600 which would enable them to purchase a house with a bond at this cost. This is consistent with the findings of this study which indicate private developers are focusing on the top end of the market.

Estimated household incomes required to purchase property with a mortgage, per market segment (2021)

| Market segment (residential property value) | No. of properties in that market segment | % share of total properties in that market segment | Minimum monthly household income needed to purchase in this market segment* | Maximum monthly household income needed to purchase in this market segment | No. of 2021 households that fall in this income bracket** | Percent of 2021 households that fall in that income bracket |
|---|--|--|---|--|---|---|
| Entry level: < R300 000 | 1 115 | 7.8% | -- | R7 300 | 17 909 | 50.8% |
| Affordable: R300 000 - R600 000 | 975 | 6.8% | R7 300 | R14 750 | 5 447 | 15.4% |
| Conventional: R600 000 - R900 000 | 1 841 | 12.9% | R14 750 | R22 200 | 3 035 | 8.6% |
| High end: R900 000 - R1.2m | 1 507 | 10.6% | R22 200 | R29 600 | 1 562 | 4.4% |
| Luxury: > R1.2m | 8 806 | 61.8% | R29 600 | -- | 7 316 | 20.7% |
| Total | 14 244 | 100% | | | 35 269 | 100% |

* Assuming 7.75% interest rate, 20 year loan tenor, 30% premium to income ratio, 10% deposit and no FLISP.

** Assuming even spread of number of households at each income level, within an income bracket.

Source: Lightstone data as of 31 Dec 2021; ©GEOTERRAIMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021. Own calculations.

Word of caution regarding affordability calculations

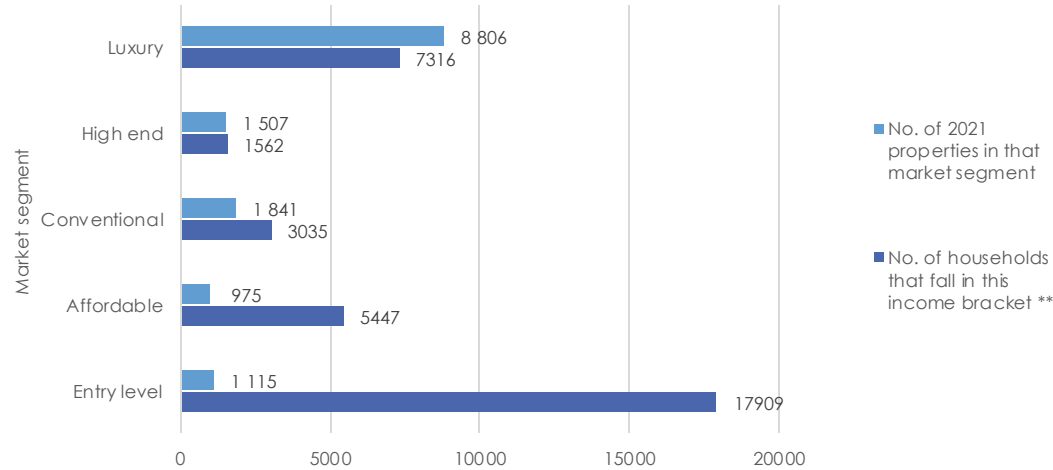
There are a number of important cautionary notes which should be raised with respect to these calculations:

- While house purchases below R1.2 million avoid transfer fees, there are other transfer costs which are not included here. See box on page 43.
- Not all households purchase in the market segment they can afford: some may have additional funds from a once-off source, and some may have other competing expenses that prohibit them from spending the benchmark figure of 30% on housing.
- Some households may be living in properties that they accessed either by purchase or inheritance or gift, that today they could not afford to buy - in some cases properties appreciate faster than incomes.

The affordability gap – Town level

The graph below shows the gap between the housing stock in each market segment and the number of households with an income required to purchase a house with a bond in that market segment.

Stellenbosch town: Number of properties per market segment and number of households in associated income bracket (2021)



It should be emphasized that this analysis must be considered with caution and due recognition of its limitations (see box on prior page). This is not a quantification of demand, but only a comparison of the available stock and the number of households with an income required to purchase that stock with a bond. It does not consider the rental market, and does not take into account the multitude of circumstances that also impact on a household's housing choices and ability to pay e.g. large once-off income such as pension payout or inheritance; equity from a previous property; housing preferences and needs with respect to size, location and other factors; and other sources of credit.

* Assuming 7.75% interest rate, 20 year loan tenor, 30% premium to income ratio, 10% deposit and no FLISP.
 ** Assuming even spread of number of households at each income level, within an income bracket.
 Source: Lightstone data as of 31 Dec 2021; ©GEOTERRAIMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021. Own calculations.

Where is the affordability gap? – Neighbourhood view

With subplace level income data, it's possible to undertake the same analysis we did at municipal level, comparing the number of properties per market segment to the number of households in the associated income band, at neighbourhood level. The graphs below display this comparison for three subplaces in Stellenbosch town, selected because they had a combination of average churn rates and sizable populations—Idas Vallei, Cloeteville and Welgevonden.

Idas Vallei and Cloeteville both have older GSP properties that make up 6% and 18% of the total, respectively. Idas Vallei's residential properties are fairly mixed in value, with the largest portion in the **conventional** market, due to recent new developments (see pg 36). There are a large number of households in the lowest income segment, yet no properties below R300 000. It's not likely the 'surplus' properties in the **conventional** and **high end** market are affordable for households with these incomes.

Similarly, Cloeteville has a disproportionate number of households in the lowest income segment, and clearly insufficient supply of **entry level** and **affordable** units in the area. Again, there appears to be an oversupply of **conventional** market units, relative to the income level of most households in the neighbourhood.

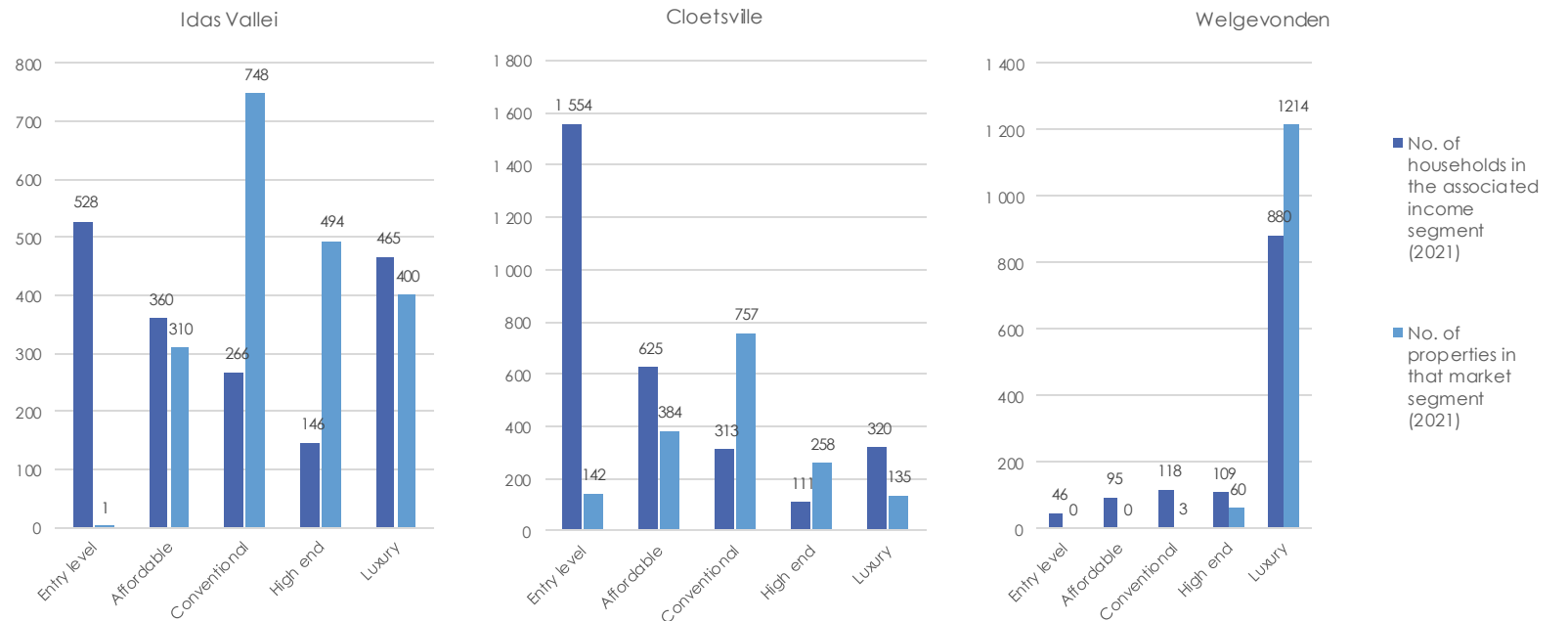
Welgevonden is an entirely different neighbourhood, with zero GSP and nearly all **luxury** properties. The majority of households are also in the top earning segment. It appears that private investment has resulted in an oversupply of homes over R1.2 million, or those units were likely developed with a target market in mind that comes from outside the area.

Churn, GSP and number of properties by market segment –selected subplaces (2021)

| | Churn (2021) | GSP as share of total properties in subplace (2021) | Total no. of households in subplace (2021) | No. of GSP over 8 years as share of total GSP in subplace (2021) | Number of properties per market segment (2021) | | | | | Total residential properties (2021) |
|-------------|--------------|---|--|--|--|----------------------|----------------------|-------------------|------------|-------------------------------------|
| | | | | | Under R300 000 | R300 000 to R600 000 | R600 000 to R900 000 | R900 000 to R1.2m | Over R1.2m | |
| Idas Vallei | 2.66% | 6% | 1 765 | 100% | 1 | 310 | 748 | 494 | 400 | 1 953 |
| Cloeteville | 1.86% | 18% | 2 923 | 96% | 142 | 384 | 757 | 258 | 135 | 1 676 |
| Welgevonden | 5.75% | 0% | 1 248 | - | 0 | 0 | 3 | 60 | 1214 | 1 277 |

Source: Lightstone data as of 31 Dec 2021; ©GEOTERRAIMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021. Own calculations.

Number of properties per market segment and number of households in associated income bracket (2021)*



* Assuming 7.75% interest rate, 20 year loan tenor, 30% premium to income ratio, 10% deposit and no FLSP. Also assuming an even spread of number of households at each income level, within an income bracket.

Source: Lightstone data as of 31 Dec 2021; ©GEOTERRAIMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021. Own calculations.

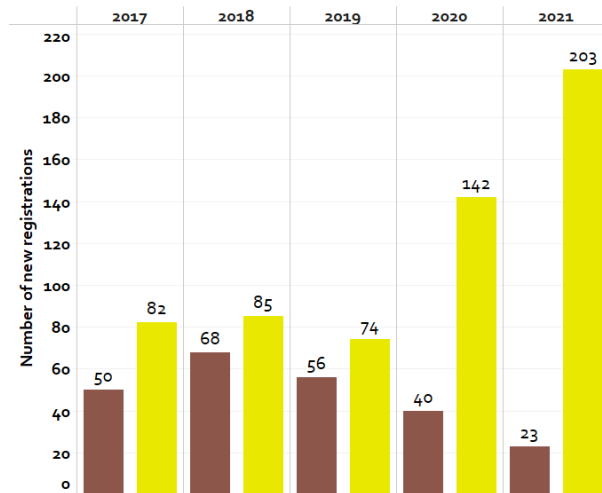
Is there sufficient developer activity and interest? – Non GSP new transactions by market segment

Given that inclusionary housing leverages planning permissions to compel the incorporation of affordable housing units into private developments, the presence of strong developer interest is a necessary prerequisite for the regulatory mechanism to be effective.

The top left graph compares the number of new registrations of GSP and new transactions of non-GSP properties over the last five years. In 2021, 203 housing units were built and sold by private developers or households in Stellenbosch town.

New registrations and transactions of GSP and non-GSP (2017-2021)

Stellenbosch



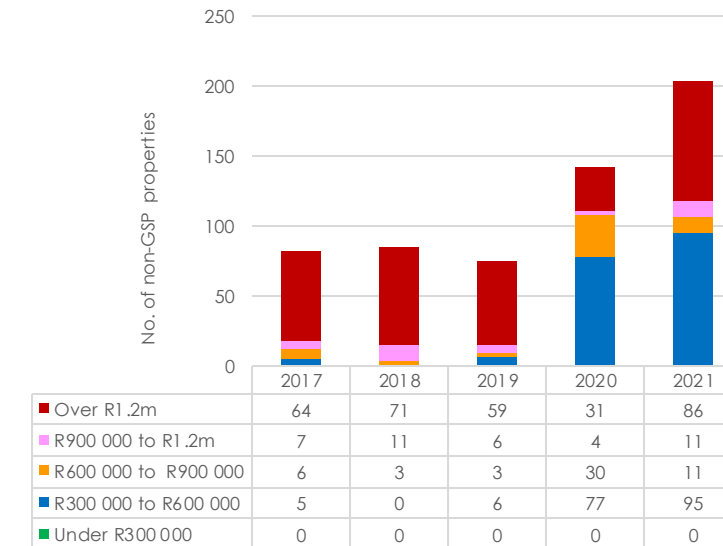
Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).

■ New GSP transactions
■ New non-GSP transactions

The graph below then unpacks the non-GSP new transactions for each year, by market segment. The graph thus reflects the types of products that private developers are putting into the market, providing evidence of the degree and nature of recent private developer activity and investment.

As shown in the map to the right, the apart from the Idas Valley development which already is largely affordable housing, private investment in building new luxury units in the Stellenbosch SP has been substantial.

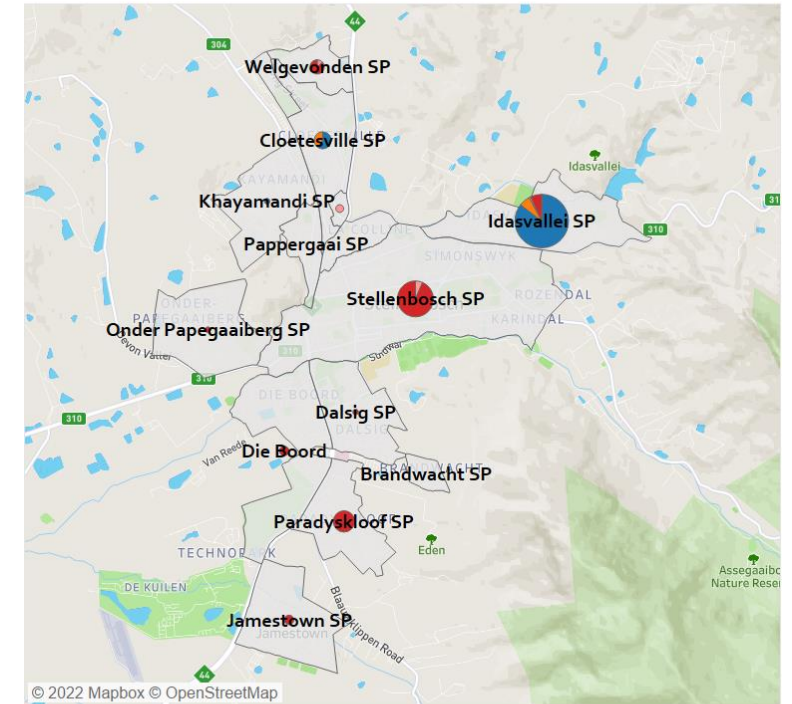
New transactions non-GSP by market segment (2017-2021)



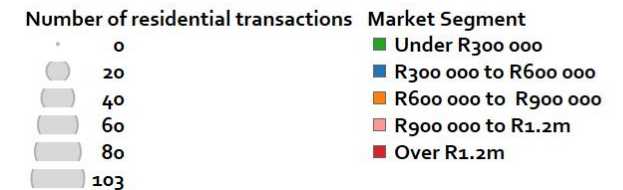
Source: Lightstone data as of 31 Dec 2021.

Distribution of new transactions by market segment: Non-subsidy properties

Stellenbosch, 2021



Data source: CAHF's Citymark, using deeds registry data supplied by Lightstone Pty. as at the end of December 2021 (sourced March 2022).



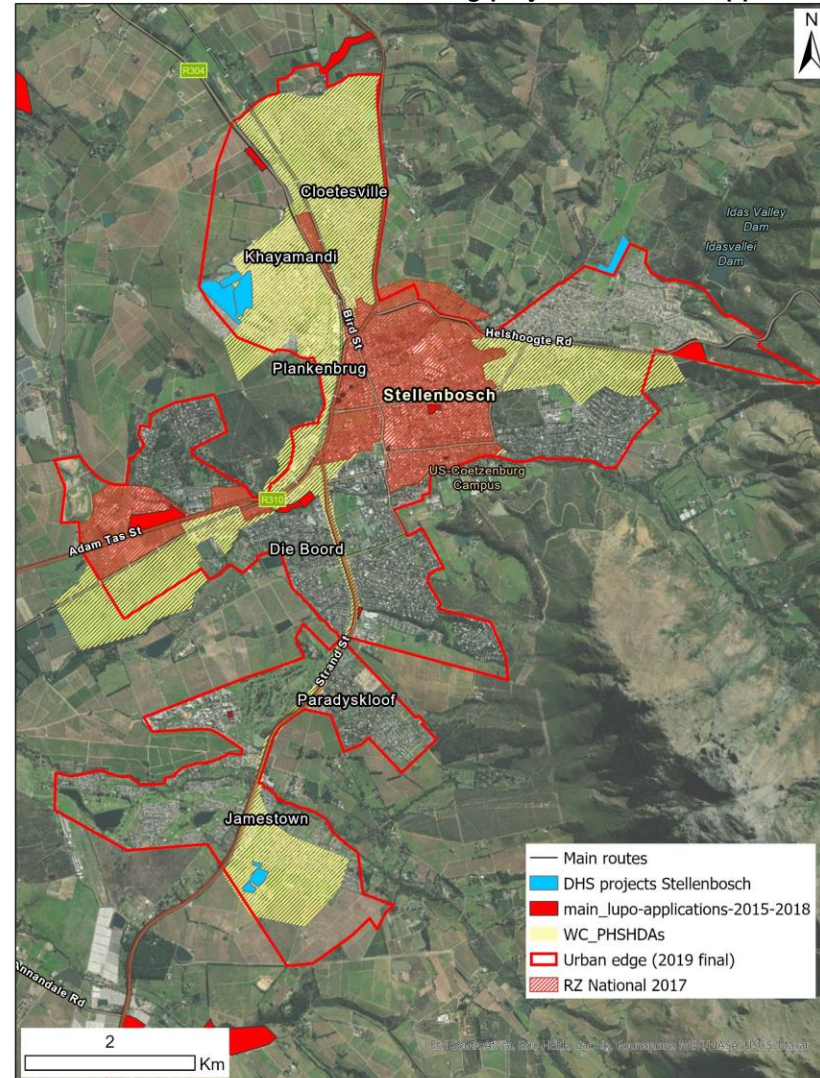
Is there sufficient developer activity and interest? – Evidence from land use management applications

The left-hand map shows the main LUPO applications (red) alongside the location of government housing projects (blue). It therefore gives a visualization of public investment alongside private sector intentions for development and investment.

The LUPO applications are centred in the Adam Tas corridor, in keeping with municipal plans for developing that area. Additional applications are for developments near Idas Valley and Cloetesville, and in the centre of town.

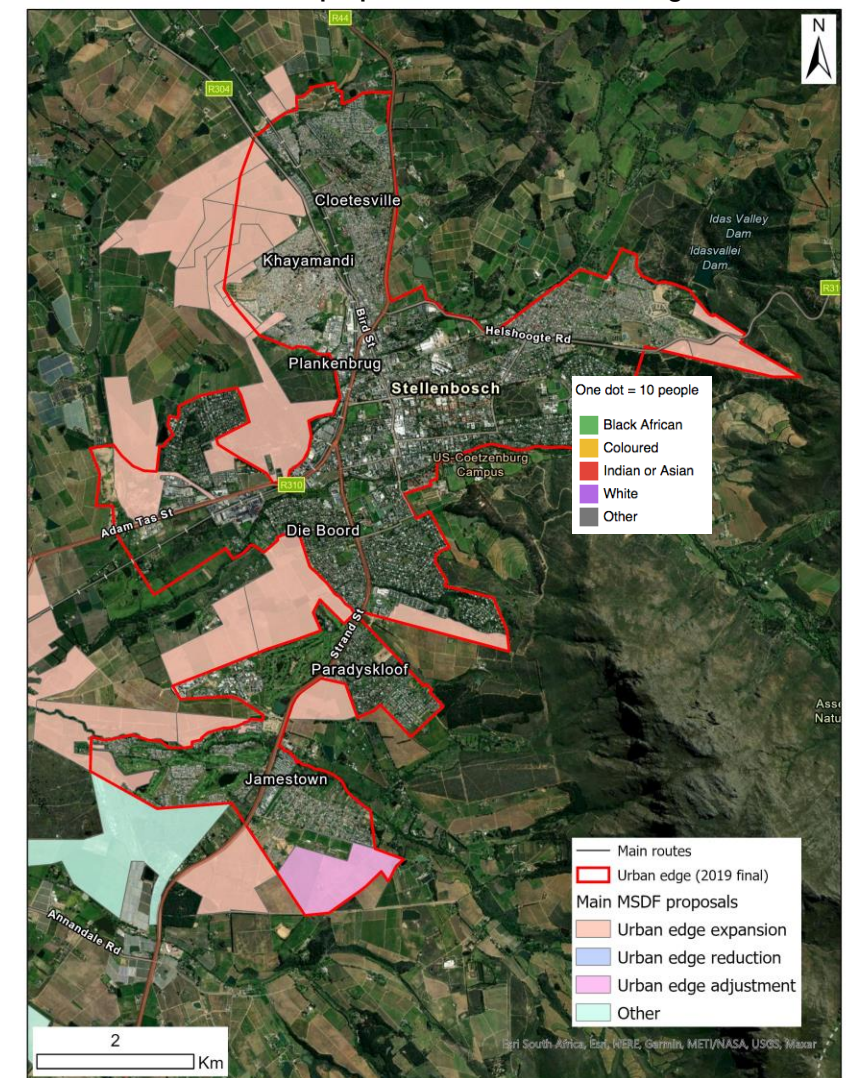
The map to the right displays areas proposed for changes to the current urban edge, which also provide an indicator of developer interest. Most are areas of expansion, near Khayamandi, and north and south of the Adam Tas corridor. There is also a proposed adjustment to the urban edge in Jamestown.

Stellenbosch town: Government housing projects and LUPO applications



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

Stellenbosch town: MSDF proposals to amend urban edge



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

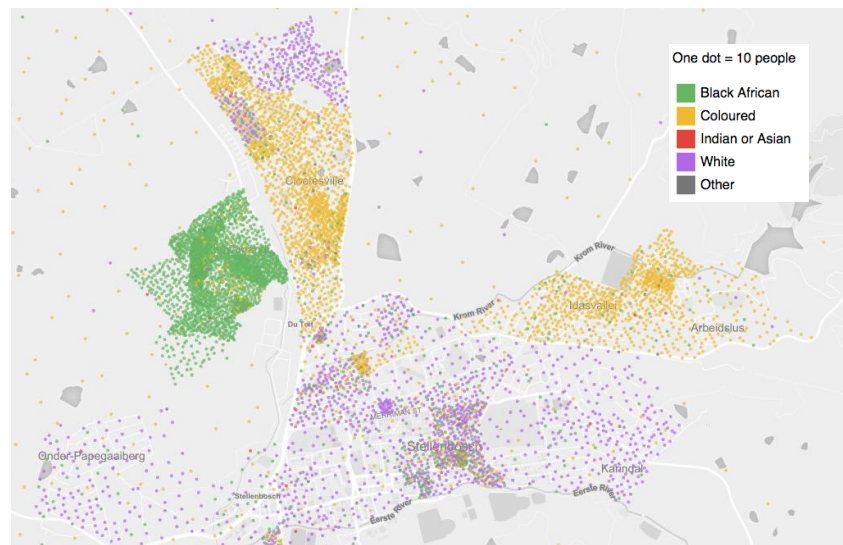
Conclusion

Inclusionary housing is intended to promote better located affordable housing, create more inclusive neighbourhoods and contribute to spatial transformation. The geographic target of an inclusionary housing policy would thus be areas that harbour a potential for greater inclusion and diversity in property value bands, while also containing the space and potential for new developments (in terms of appropriate residential zoning and the existence of bulk infrastructure), in addition to being well-located with respect to transport, jobs and amenities.

The demand and supply side assessments of the residential property market in Stellenbosch town point to opportunities to leverage private developer investment towards the construction of additional affordable housing, both ownership and rental, especially in those areas experiencing increased market activity post-COVID and high churn rates. This includes the centre of town (Stellenbosch subplace) as well as Idas Valley and Jamestown.

The map to the far right displays areas of residential zoning which would allow for further development. The map to the far left, apart from showing the striking racial divisions that continue to define Stellenbosch town spatially, suggests that

Stellenbosch town: Racial distribution

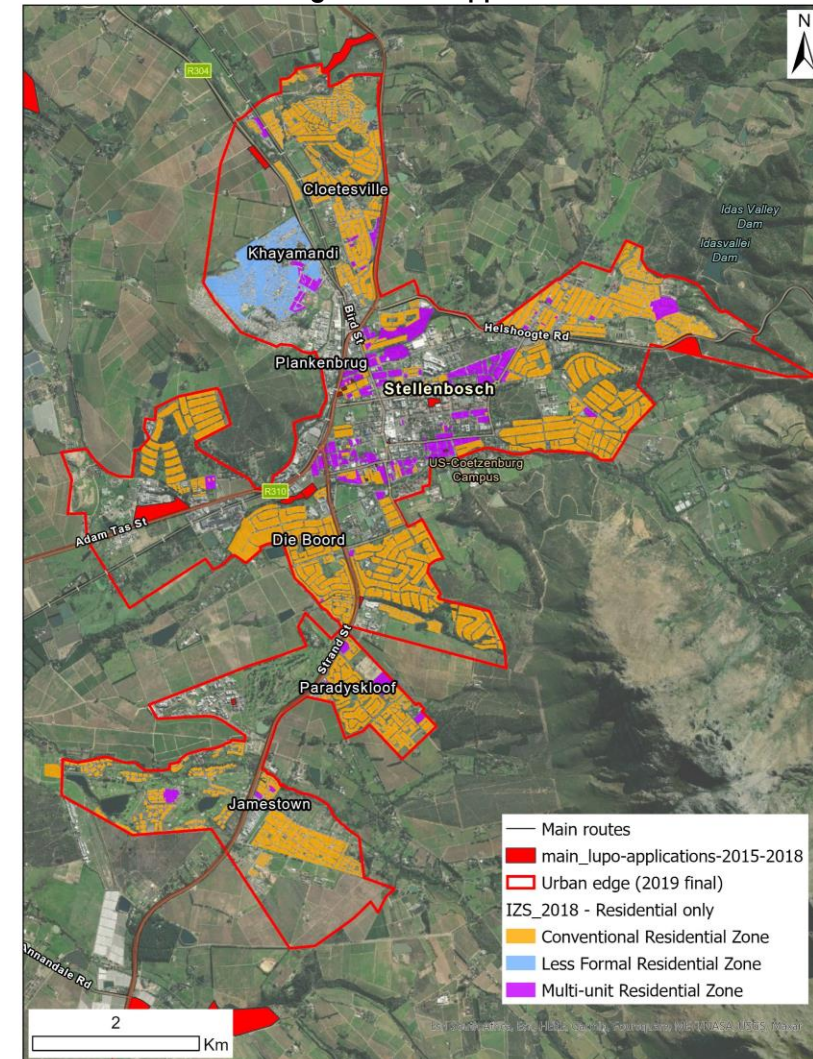


Source: Stellenbosch Municipality Spatial Development Framework, Approved by Council on 11 November 2019, pg. 36.

there is considerable room in these largely-white areas to further densify, before moving to expand the urban edge.

Despite the evidenced demand in the entry and affordable markets, private developers are currently focused on building luxury properties—mostly freehold estate and sectional title. An inclusionary housing policy has the potential to leverage this developer interest towards increased investment in affordable housing, thus increasing supply and contributing to mixed neighbourhoods. The challenge is to ensure that demand in each sub market is met, while preserving new affordable housing for the intended target market.

Stellenbosch town: Zoning and LUPO applications



Data sources: Stellenbosch Municipality, Municipal Demarcation Board (MDB), ESRI South Africa.

This report was prepared by the Centre for Affordable Housing Finance in Africa (CAHF) under the commission of the Western Cape Department of Environmental Affairs and Development Planning (WC DEA&DP) and the Western Cape Department of Human Settlements (WCDHS)

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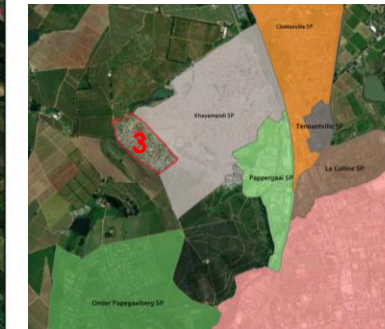
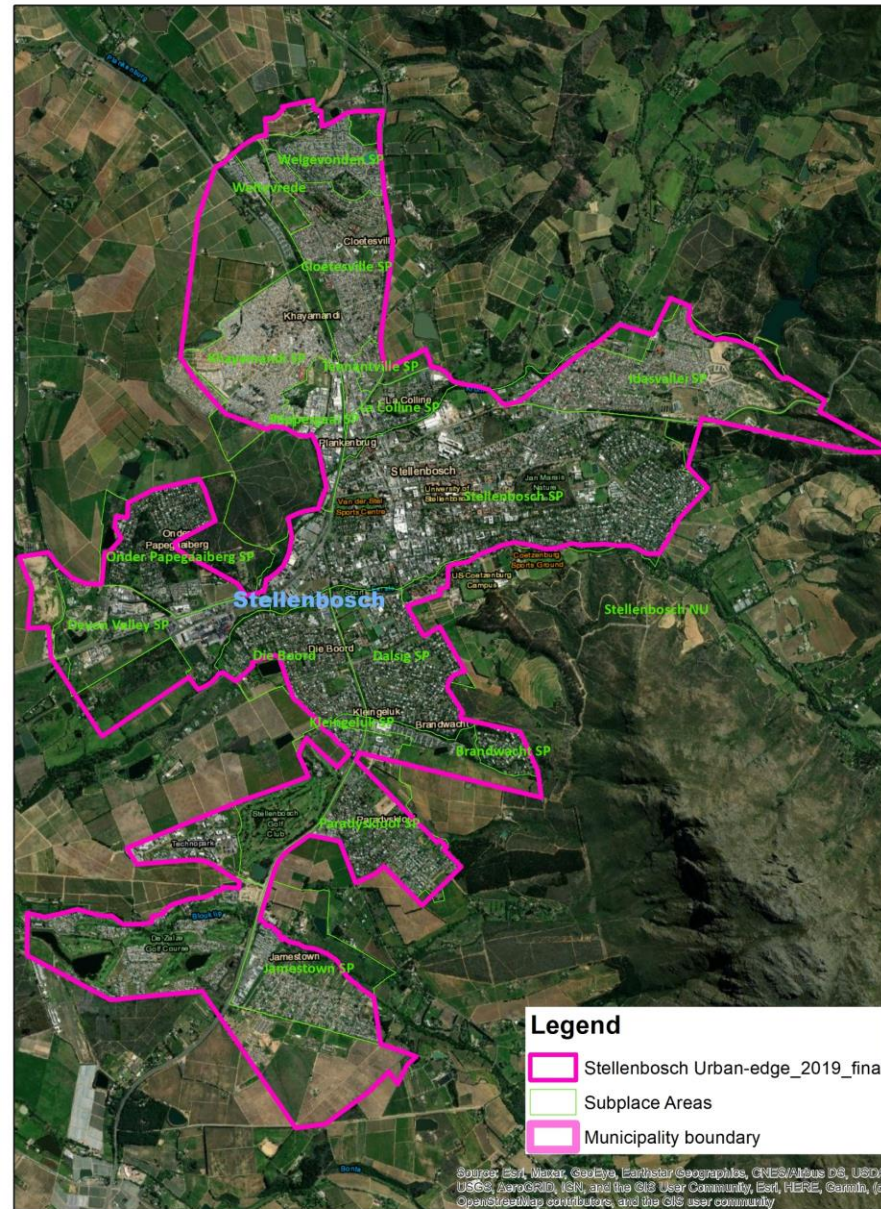
Appendix A. Scope of Lightstone deeds data

As noted in the Introduction of the report, the area identified for the focus of this study is the Stellenbosch town area within the urban edge. However the borders of the Census subplaces are not perfectly aligned with the urban edge. The map to the right shows the urban edge of Stellenbosch town in purple, which is also the boundary for the study area. The boundaries of the Census subplaces are shown in green.

We purchase the Lightstone indicators at Census sub-place level. For the most part, the boundaries of the Census subplaces align with the urban edge and thus the study area. However in some cases there are portions which fall inside the urban edge / study area, but are part of the expansive Stellenbosch NU which surrounds the town area and also covers the rural areas of the municipality. We identified four of these areas, as shown in the small maps to the right, and considered whether we should request deeds data for this particular portion of the Stellenbosch NU for the purposes of this study:

- Area 1: A luxury golf estate and thus not a priority to include in the study.
- Area 2: A Technopark with mainly office buildings, and thus not a priority to include in the study.
- Area 3: An informal settlement, and thus would not reflect in the deeds data.
- Area 4: A formal residential development, fairly recent and therefore relevant for this study.

We therefore felt it worthwhile to include the data for area 4, as a particular sub section of Stellenbosch NU, and add this data to the 16 subplaces fully (or nearly fully) contained within the study area / urban edge (see list).



| Sp Code | Subplace Name |
|-----------|-----------------------|
| 167010001 | Welgevonden SP |
| 167011001 | Weltevrede |
| 167011002 | Cloeteville SP |
| 167012001 | Khayamandi SP |
| 167013001 | Pappergai SP |
| 167015001 | Tenantville SP |
| 167017001 | Idasvlei SP |
| 167018001 | Stellenbosch SP |
| 167018002 | Die Boord |
| 167019001 | Onder Papegaaiberg SP |
| 167020001 | Devon Valley SP |
| 167022001 | Dalsig SP |
| 167024001 | Paradykskloof SP |
| 167025001 | Brandwacht SP |
| 167026001 | Jamestown SP |
| 167014001 | La Colline SP |

Appendix B. Proxy for identifying government-subsidised housing

The term “government-subsidised properties” refers to any properties created as a result of government subsidies, including provision of land, construction of top structures, and where possible, financing. The definition is limited to the data indicators available from the deeds registry, and/or those extrapolated from Lightstone’s databases. The methodology uses the knowledge of the government programmes, namely RDP/BNG, discount benefit scheme and 99-year leases, to identify particular characteristics of a residential property to designate it as “government subsidised.”

Properties are deemed to be government subsidised, and under which programme, if all of the following conditions hold true:

RDP/BNG:

1. The property’s first transaction price is less than the government subsidy amount (R184 658 for 2017; R187 275 for 2018-2021), plus R50 000, depending on the year of transacting, *and*
2. The property’s first seller to a private owner should be a government entity or a major developer/development company,^[1] *and*
3. The property should be a freehold non-farm property,^[2] *and*
4. The stand size of the property should be less than or equal to 500 m²,^[3] *and*
5. New private transactions are not bonded,^[4] *and*
6. The property’s first registration should have taken place also after 1 January 1994,^[5] *and*

^[1] Subsidy amounts were often used as the default property value on the deeds registry at the time of registration. An amount of R50 000 was added to these amounts to take into consideration the incidences where registrations attempted to consider actual market values.

^[2] The Residential Development Programme (RDP) and Breaking New Ground (BNG) programmes provided funding to provinces, municipalities or developers to build housing directly on top of land made available for that purpose. Both were implemented after 1 January 1994. All RDP/BNG homes were transferred directly from the province or municipality or the developer to the owner directly.

^[3] All RDP/BNG properties were transferred to owners in freehold title.

^[4] The RDP/BNG programme implemented lot size limitations of up to 500 square metres.

^[5] As RDP and BNG properties were provided to owners for free, there should be no bond.

^[6] The programmes were implemented after 1994, with land initially designated in large plots to the developer, province or municipality, and delivered to the homeowners upon completion.

7. The property should not fall in luxury/super wealthy areas or within a gated estate, *and* ^[7]
8. Properties located in suburbs (Lightstone suburb spatial layer) with 10 or more flagged active RDP/BNG properties. ^[7]

Subsidy Other:

In order to be classified as the ‘Subsidy Other’ subsidy type, all the following conditions must hold true:^[8]

1. The property is not an RDP/BNG property as defined above, and
2. The title deed type should be freehold (non-farm), and
3. The transferor of the property to the first private owner is a government entity, and
4. The property’s first private registration date occurs on or after 1 January 1989, and
5. The property is not located in a luxury or gated estate area.

Alternatively, the following conditions must be met which attempt to identify 99-year leasehold subsidy properties:

6. The property does not meet the RDP/BNG requirements, and
7. The property’s first private transfer title deed begins with ‘TL’.^[9]

Note that 99-year leasehold properties are also classified as “Subsidy Other” subsidy type. **Properties identified in this report as GSP are a combination of both RDP/BNG and Subsidy Other.**

^[7] Due to the programme guidelines, properties were only developed in large development tracts; this indicator is to prevent isolated properties which might meet other criteria from being inadvertently included (such as due to data entry errors).

^[8] The two other major government housing interventions precede the RDP and BNG programme, namely the Discount Benefit Scheme and the 99-year lease programme.

^[9] 99-year leaseholds were properties provided by the government, in order to adhere to national legislation preventing land ownership by race category. Leasehold ownership was created to provide collateral assurance to those lenders and investors providing acquisition loans. Note that bonded first-time private registrations are allowed for when classifying a property as a 99-year leasehold.

Appendix C. Comparison of municipal level income data from WC DEDT and GTI

For this project, income data was provided by the Western Cape Department of Economic Development and Tourism for 2021, at municipal level only. Income data obtained from GTI, also for 2021, was available at subplace level, allowing isolation of the study area.

Total number of households by municipality (2021) – GTI and WC DEDT data

| | GTI total no. of households | DEDT total no. of households | Difference | |
|--------------|-----------------------------|------------------------------|-------------------|--------|
| | | | No. of households | % |
| George | 65 010 | 64 480 | -530 | -0.8% |
| Mossel Bay | 41 649 | 33 137 | -8 516 | -25.7% |
| Stellenbosch | 58 593 | 50 567 | -8 034 | -15.9% |
| Drakenstein | 72 931 | 73 736 | 805 | 1.1% |

Source: ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021; W C Department of Economic Development and Tourism, 2021.

Monthly household income distribution (2021) – GTI and WC DEDT data*

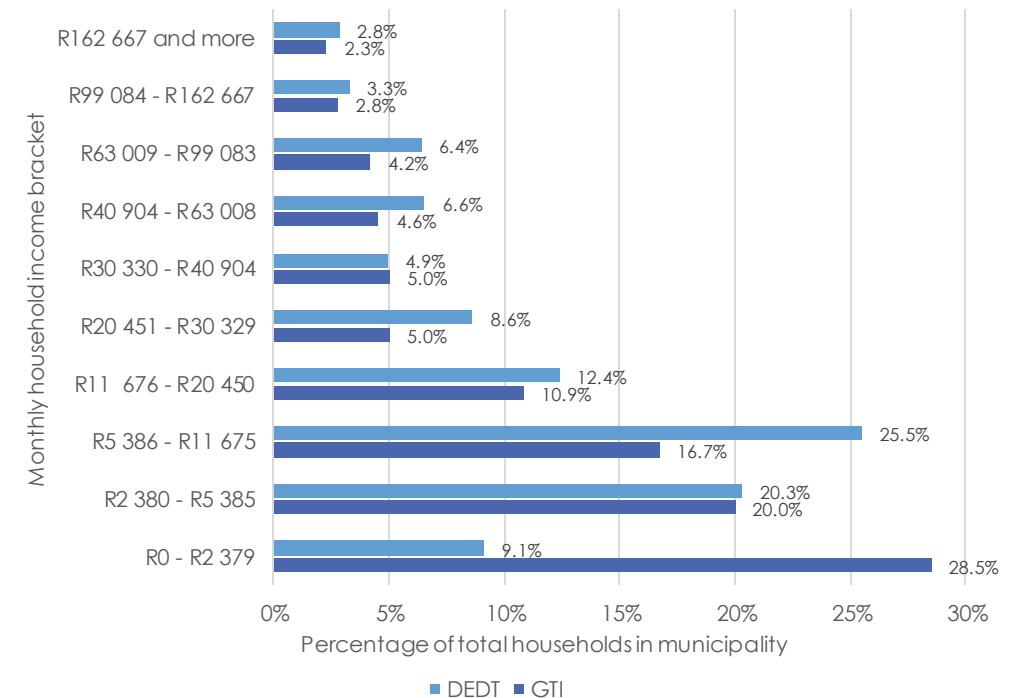
| | GTI | | WC DEDT | |
|--------------------|-------------------|---------------|-------------------|---------------|
| | No. of households | Percent share | No. of households | Percent share |
| R0 - R2 379 | 16 704 | 29% | 4 606 | 9% |
| R2 380 - R5 385 | 11 720 | 20% | 10 282 | 20% |
| R5 386 - R11 675 | 9 805 | 17% | 12 897 | 26% |
| R11 676 - R20 450 | 6 367 | 11% | 6 267 | 12% |
| R20 451 - R30 329 | 2 935 | 5% | 4 368 | 9% |
| R30 330 - R40 904 | 2 946 | 5% | 2 498 | 5% |
| R40 904 - R63 008 | 2 670 | 5% | 3 313 | 7% |
| R63 009 - R99 083 | 2 458 | 4% | 3 230 | 6% |
| R99 084 - R162 667 | 1 635 | 3% | 1 659 | 3% |
| R162 667 and more | 1 352 | 2% | 1 439 | 3% |
| Total | 58 593 | 100% | 50 559 | 100% |

Source: ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021; W C Department of Economic Development and Tourism, 2021.

At municipal level, the number of total households for 2021 does not differ significantly between the two data sources: according to GTI, total households for Stellenbosch municipality was 58 593, while DEDT reported 16% less, 50 567 households.

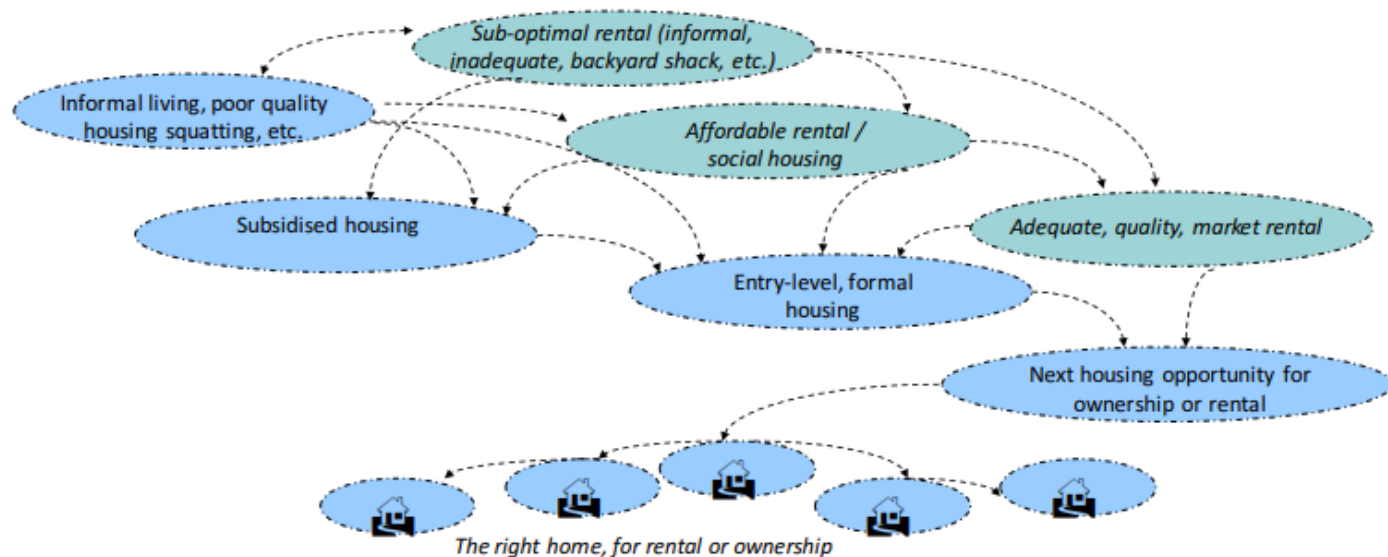
The data does differ significantly in its distribution however. The graph below compares the income data from the two sources. Given that the two sources used different income brackets, the DEDT data was converted into the GTI income segments, which required an assumption that the number of households in an income bracket is evenly distributed across the income range.*

Monthly household income distribution at municipal level (2021) – GTI and WC DEDT data



Source: ©GEOTERRA IMAGE – Neighbourhood Lifestyle Index™ (NLI™) Release 2021; W C Department of Economic Development and Tourism, 2021.

Appendix D. Filtering in residential property markets



Filtering is when households move from one house to another to meet their needs affordably

- **New housing supply** and **functional resale markets** enable filtering
- **When filtering works** there is **sufficient supply of affordable housing** for ownership and rental, enabling **household mobility** and the **leverage of the housing asset**.
- **When filtering doesn't work**, **household mobility** is constrained, the **value of the housing asset declines**, and poor households cannot access the property market. This also depresses household affordability for entry-level housing, and widens the housing gap, as first time buyers come without equity.

