

PROPERTY BAROMETER –INTER-PROVINCIAL REPEAT HOME BUYER MIGRATION TRENDS

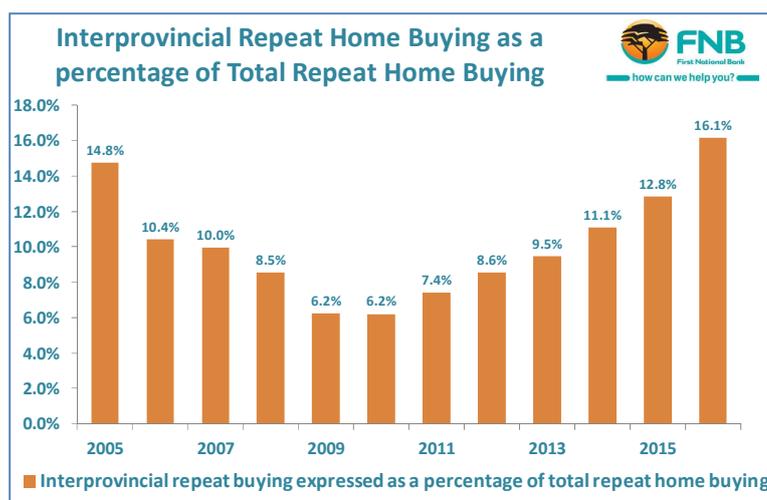
13 February 2017

Our annual Repeat Home Buyer study for 2016 showed still further strengthening in the Western Cape’s ability to attract repeat home buyers to the region, while also showing an acceleration in Gauteng’s net outflow of repeat home buyers. The Western Cape now far outperforms the other 8 provinces in this regard. This goes some way to explaining the province’s far stronger 2016 house price growth than the rest.

Given that many people vote with their feet, studying migration patterns between regions in South Africa can provide a good indication of household perceptions towards regions, perceptions of economic opportunity, lifestyle or how well a region is run perhaps. Deeds Office data offers us the opportunity to gain an indication of a region’s attractiveness by trying to quantify the migration of repeat property buyers between regions, in this case between provinces. Repeat home buyers are those who sell a property and buy another one within a reasonably close time period to each other.

For the purpose of this study, we identify all purchases by individuals (“natural persons”) where there is a corresponding sale by the same individual within a period 6 months prior to their purchase (some who relocate may purchase a new home in advance of the sale of their old one), to up to 18 months after that purchase (an adjustment from prior studies where we took a shorter period of only up to 6 months subsequent to the purchase). The bulk of these “repeat buying” transactions are within the same province, but a portion of these purchases, 16.1% in 2016, were in a province other than where the corresponding sale took place. This figure represents our estimate of the year’s inter-provincial re-location rate or, alternatively put, the “repeat buyer semi-gration” rate. It isn’t an exact science, as some holiday property buying may “slip through”, while aspirant 1st time buyers who have re-located do not get included into this figure. Nevertheless, we believe it to be a good indicator of a large portion of “semi-gration” flows.

THE AGGREGATED NATIONAL INTER-PROVINCIAL REPEAT HOME BUYER MIGRATION PICTURE



The inter-provincial repeat buyer migration picture shows 2016 to have been another year of increase in the rate of inter-provincial migration. From 12.8% of total repeat property buying being estimated to be inter-provincial repeat buying in 2015, the estimate rose to 16.1% in 2016. This is now significantly higher than the 6.2% lows reached around 2009/10 just after the last recession.

For a time, following the 2008/9 recession, we believe the rising trend from 2011 was largely the lagged response to the economic growth recovery that started back in 2009.

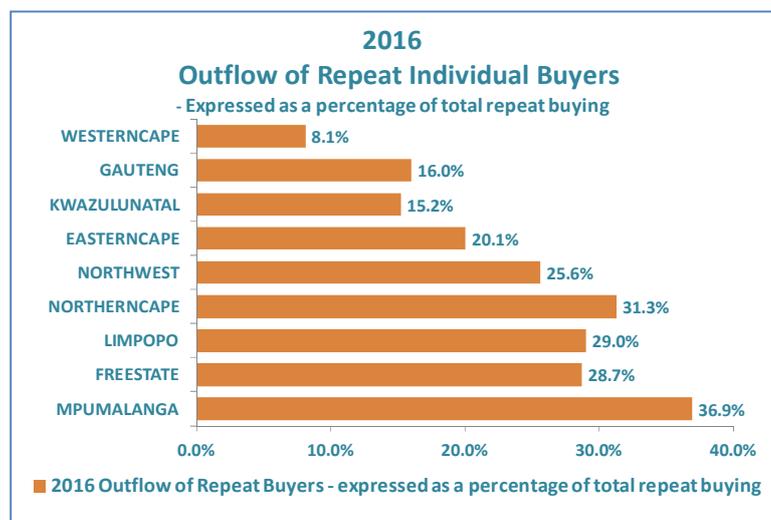
Improved economic growth increases the level of employment and economic opportunity, in turn raising the mobility of labour, which drives a greater level of inter-regional migration.

However, economic growth has already long been slowing, since around 2012, and while that heightened mobility can linger for some time after, we don’t believe that the ongoing rise in the inter-provincial migration rate can solely be due to the lagged impact of that post-2009 economic recovery. Rather, we believe that it is also due to the

Western Cape’s ongoing rise as a popular “semi-gration” destination, for reasons over and above the short run economic cycle.

THE WESTERN CAPE AS A POPULAR REPEAT HOME BUYER DESTINATION

Over the past decade or so, the Western Cape has greatly enhanced its “appeal” to repeat home buyers relative to many other regions of the country.



The province maintains a competitive advantage, which appears reflected in its having the lowest percentage of repeat buyers leaving the province, i.e. 8.1% of total repeat buying in the province, as well as by far the strongest net inward migration (inward migrating repeat buyers minus outbound ones) rate of repeat buyers from other provinces.

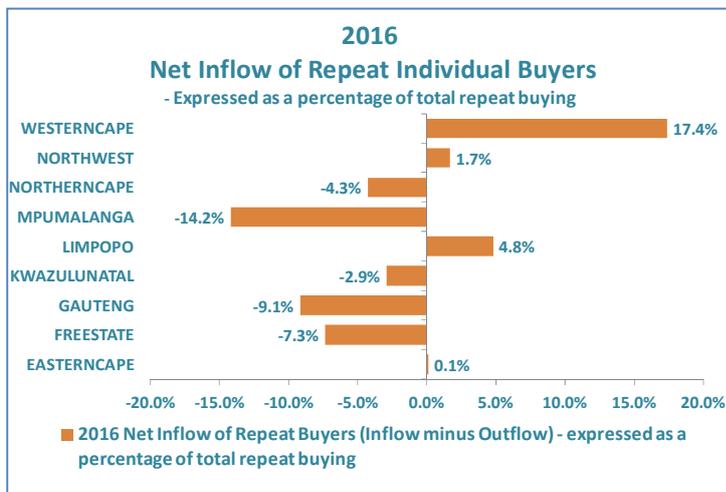
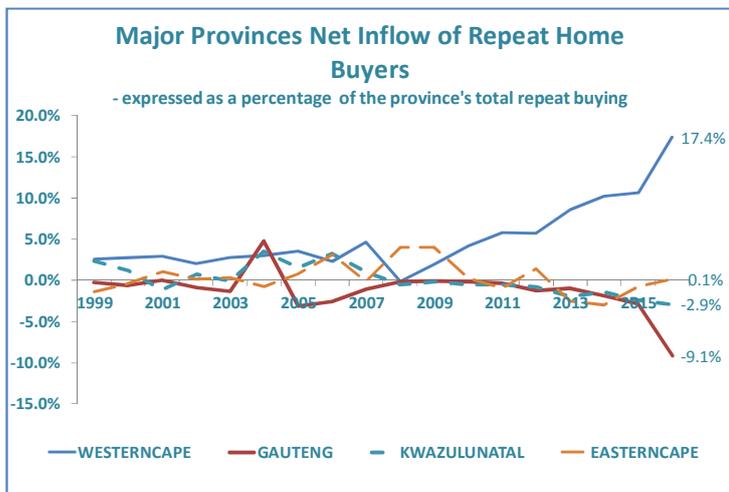
This should not come as too much of a surprise. The province has a highly skills-dependent services-dominated economy, and the 2nd-highest Per Capita Gross Domestic Product (GDP) behind Gauteng. And from 1997 to 2005, over almost 2 decades, it has also been neck and neck with Gauteng as the joint fastest average annual economic growth region, according to

IHSGlobalinsight estimates.

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

Western Cape Town aside, though, the remaining 3 of the “Big 4” provinces, i.e. Gauteng, KZN and the Eastern Cape, find themselves with net outward migrations of repeat buyers for much of the time (i.e. more repeat buyers leaving the provinces than the number flowing in), although the Eastern Cape moved into very slight net inward migration in 2016. Net outflows are something that one would think may not bode well for those regions’ future economic growth rates.

The Net Inflow of Repeat Property Buyers to the Western Cape has become nothing short of spectacular, measuring a staggering 17.4% of the province’s total repeat buying, having accelerated steadily since 2009, and even more sharply from 2015’s 10.6% of repeat buying. This net inflow percentage now dwarfs the net migration rates of the other 8 provinces.



GAUTENG'S NET OUTFLOW WORSENERD IN 2016

On the other hand, however, Gauteng's net outflow of repeat home buyers picked up speed to an estimated -9.1% of total repeat buying in that province. This is a significantly larger net outflow from 2015's estimated -2.9%. This should be a cause for some concern, as much of this migration is the highly skilled and more affluent part of the labour force, and it takes with it significant skills and purchasing power away from the country's largest provincial economy.

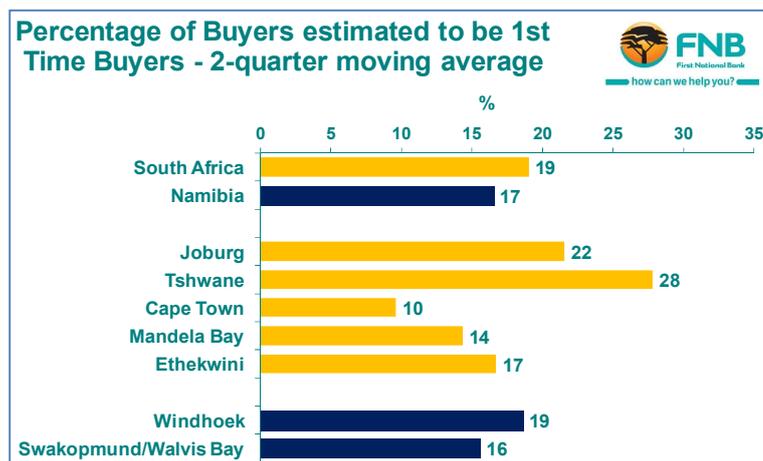
Interestingly, Gauteng's gross outflow of repeat home buyers, at 16% of total repeat home buyers, is the 3rd lowest of all 9 provinces. It is, however not a good attractor of incoming repeat home buyers from other regions.

However, we remain of the belief that the Gauteng overall skills attraction and retention situation is not as bad as the repeat home buyer migration estimates may appear.

Our reasoning is that we believe that a significant portion of departures of repeat buyers from Gauteng are for non-work related reasons, i.e. retirement and lifestyle. We pick this up in the FNB Estate Agent Survey, which normally points to a significantly lower percentage of Gauteng departees doing so for work-related purposes, as opposed to other major regions. This suggests that Gauteng may lose less active skilled labour than may meet the eye.

In addition, we are always at great pains to stress that we believe that Gauteng benefits more from inward migration of aspirant 1st time buyers in the early stages of their working life, than do the smaller provinces, due to that province still being by far the largest provincial economy and thus the major place of economic opportunity for new labour market entrants. Admittedly, though, 1st time home buyers cannot be tracked in this study.

Note on recent 1st time buying levels:



We can't prove the regional migration rates of aspirant 1st time buyers with this exercise, but there is perhaps anecdotal evidence of younger skilled people being attracted towards Gauteng by its huge economic opportunity.

In this regard we refer to estimates of 1st time buyer levels as per the FNB Estate Agent Survey.

Whereas there appears to be a relatively low rate of 1st time home buying in the Western Cape, i.e. only 10% of total home buying in the final half of 2016, Joburg was estimated at a far higher 22%, and Tshwane Metro at 28%.

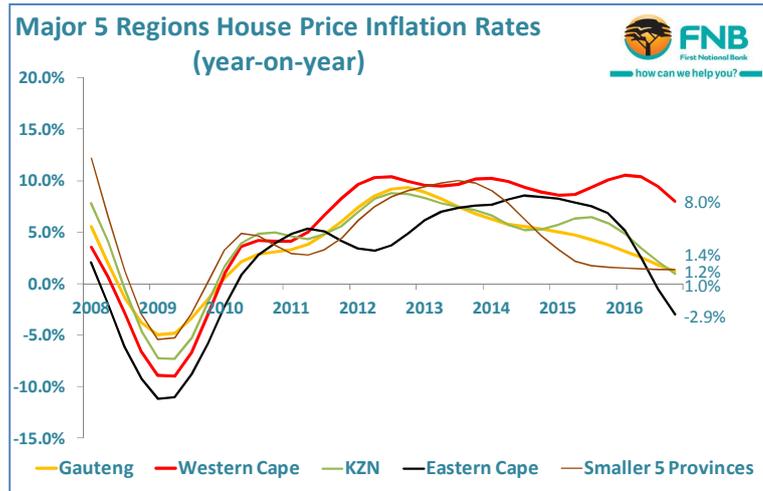
MOST POPULAR DESTINATIONS FOR THE 4 MAJOR PROVINCES' "SEMI-GRANTS"

For Gauteng, the Western Cape is the most popular destination for its "semi-grants", with 56.2% of its outbound repeat home buyers heading for that province in 2016. Of the Big 4 provinces, the other one whose "semi-grants" favour the Western Cape are those from the Eastern Cape, with 53.6% of that province's outbound repeat home buyers heading for the Western Cape. KZN, however, saw 46.64% of its outbound repeat buyers heading for Gauteng in 2016, making Gauteng still their most popular destination, followed by 34.77% of its outbound repeat buyers heading for the Western Cape.

For outbound repeat home buyers from the Western Cape, Gauteng remains the most popular destination, with 45.88% of this group headed there in 2016, followed by 21.82% headed to the Eastern Cape.

CONCLUSION

The Western Cape's strong inward migration of repeat home buyers continued, and indeed appeared to strengthen further, in 2016. At 17.4% of the province's repeat home buying, no other province's net inflow of repeat home buyers comes close.



We believe that the further acceleration in net inflow of repeat home buyers in 2016 explains much of the Western Cape's far superior house price growth in 2016.

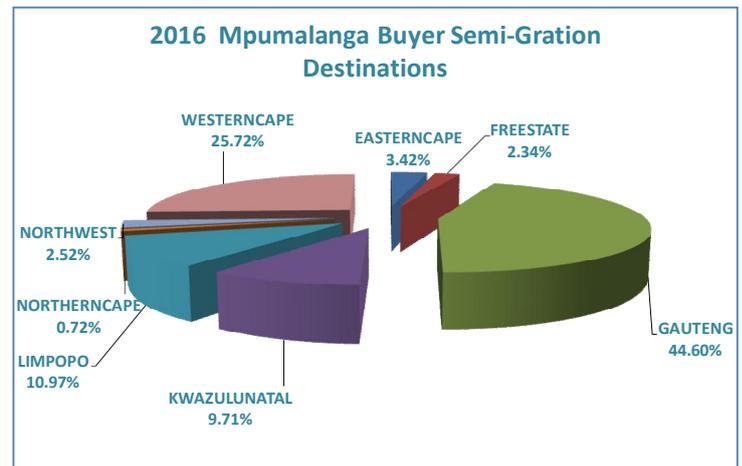
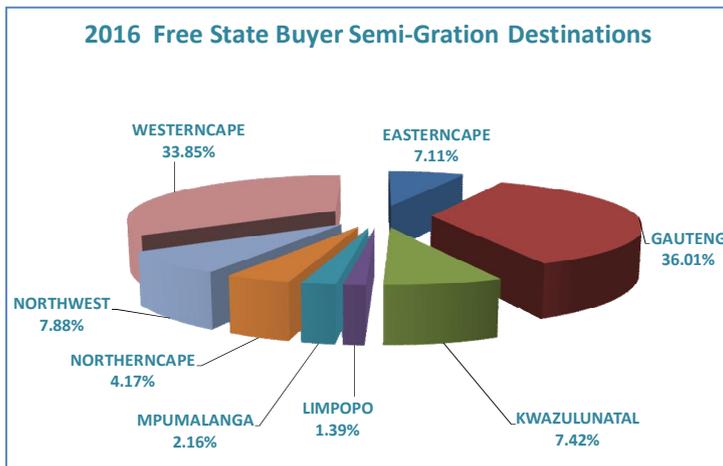
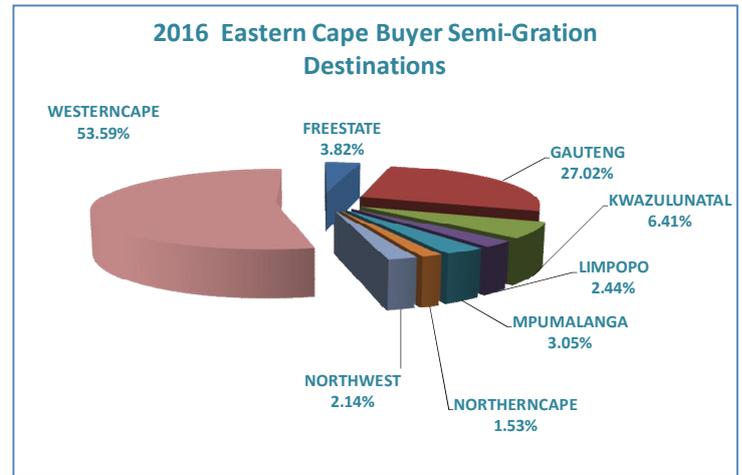
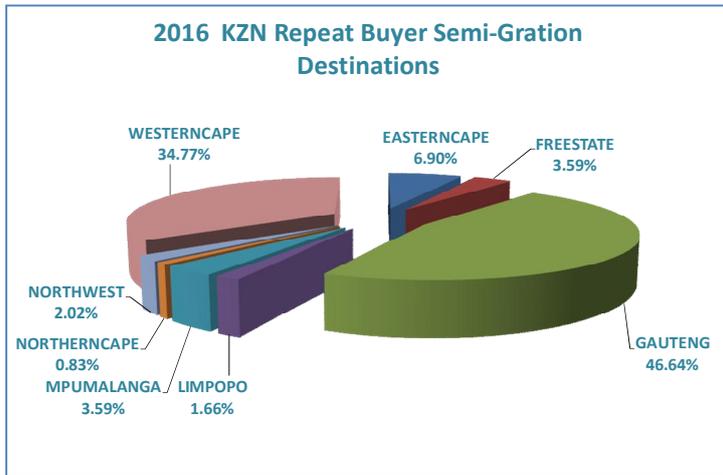
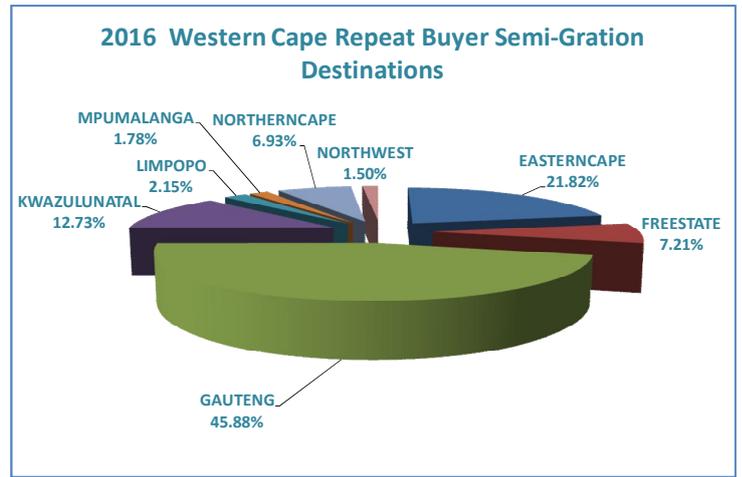
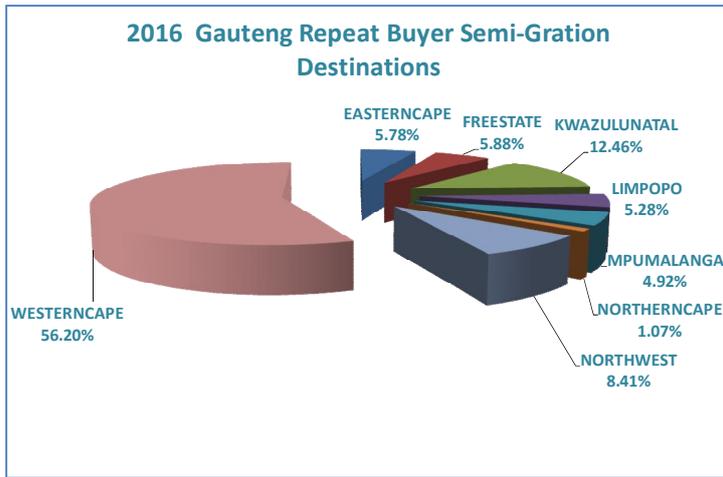
As at the final quarter of 2016, the FNB Western Cape House Price Index showed year-on-year growth of 8%. The next strongest growth rate of the FNB Provincial Region House Price Indices was the index for the 5 Smaller Provinces (i.e. Limpopo, Mpumalanga, North West, Free State and Northern Cape), which measured a mere 1.4%, followed by Gauteng's 1.2% and KZN's 1%.

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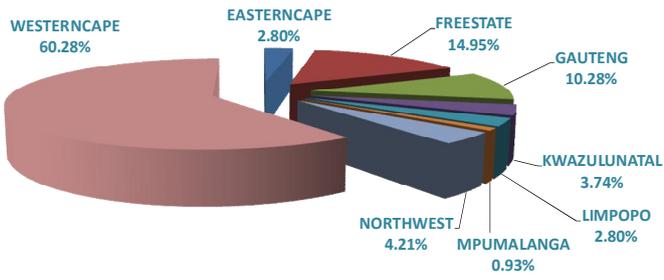
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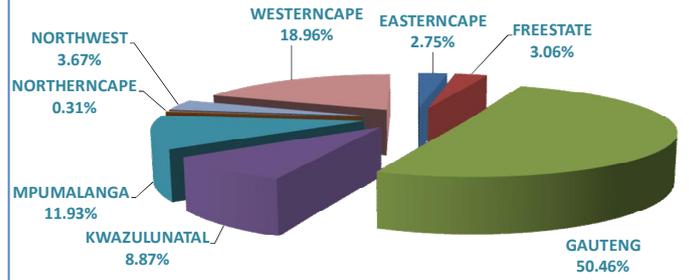
MAIN DESTINATIONS OF REPEAT HOME BUYERS WHO DEPART THEIR PROVINCE, BY PROVINCE



2016 Northern Cape Repeat Buyer Semi-Gratation Destinations



2016 Limpopo Repeat Buyer Semi-Gratation Destinations



2016 North West Repeat Buyer Semi-Gratation Destinations

