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## PROPERTY BAROMETER

### FNB City of Cape Town House Price Indices

Affordability possibly starting to slow price growth in certain strong City of Cape Town residential markets. But the Atlantic Seaboard still looks very “hot”, and Somerset West–Strand still seeing accelerating price growth

Our 1<sup>st</sup> quarter 2017 City of Cape Town Sub-Regional House Price Indices come with some backward revisions as we refine the methodology, but the story remains similar to a quarter ago, i.e. that the Atlantic Seaboard and to a lesser extent the City Bowl residential markets remain “hot”.

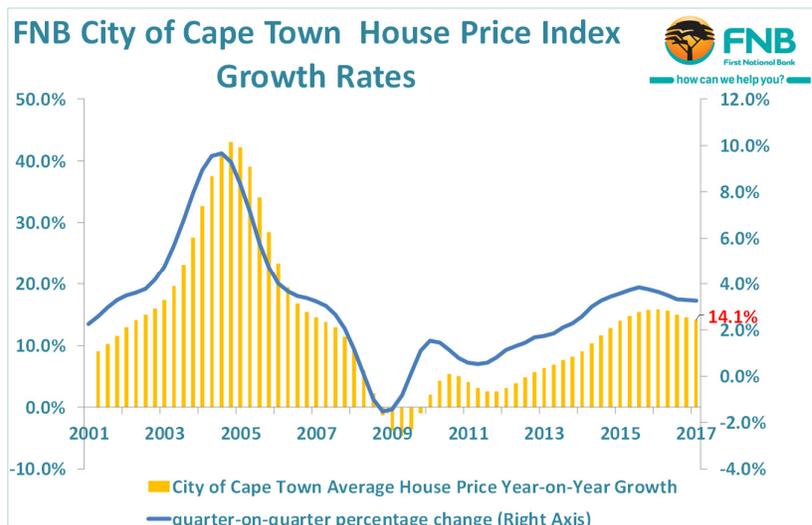
While still strong in most sub-regions, our deeds data-driven City Of Cape Town House Price Index, which uses a repeat sales methodology, has seen its double-digit year-on-year growth slowing mildly in recent quarters.

#### THE OVERALL CITY PICTURE

Using Deeds Office Data, we have recently constructed a new set of house price indices for key sub-regions within the City of Cape Town Metro, the aim being to better evaluate this regional housing market’s stellar performance in recent years.

We have then rolled up this set of sub-regions into an overall City of Cape Town Metro House Price Index. In the 1<sup>st</sup> quarter of 2017, the City of Cape Town’s estimated average house price growth rate remained in double-digit territory to the tune of 14.1% year-on-year, but slower than the 14.5% revised rate for the final quarter of 2016.

While still very strong, this year-on-year price growth rate represents the 4<sup>th</sup> consecutive quarter of slowing from a 10-year high of 15.8% revised rate recorded in the 1<sup>st</sup> quarter of 2016.



## HOUSE PRICE GROWTH REMAINS SOLID IN MOST REGIONS, ALBEIT SLOWING IN MANY....BUT IN AND AROUND THE CAPE PENINSULA ITS STILL "HOT"

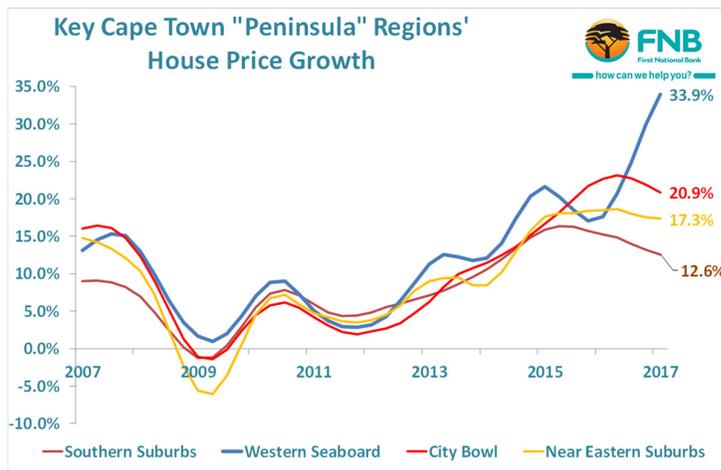
### 1<sup>st</sup> QUARTER 2017 KEY CAPE TOWN SUB-REGIONAL HOUSE PRICE GROWTH RATES

The FNB City of Cape Town Sub-Regional House Price Indices still show widespread strength across most of the metro. However, 9 of our 12 defined sub-regions saw their year-on-year growth having slowed in the 1<sup>st</sup> quarter of 2017.

We believe that, after a very strong run, the City's residential market is running into affordability challenges for many aspirant buyers, especially the younger 1<sup>st</sup> time buyers, and that this in turn may have started to "put the brakes" mildly on house price increases in many of the sub-regions.

### IN AND AROUND THE CAPE PENINSULA THE MARKETS ARE STILL VERY STRONG, ALBEIT WITH EARLY SIGNS OF PRICE GROWTH SLOWDOWN

On the land-scarce Cape Peninsula itself, where especially the very expensive Atlantic Seaboard would probably



not be very dependent on financially constrained 1<sup>st</sup> time buyers, the markets remain strong to say the least. Admittedly, 3 of the 4 major "Peninsula" regions have recently seen slowing house price growth, the Southern Suburbs region leading the way slower to 12.6% year-on-year in the 1<sup>st</sup> quarter of 2017, from a multi-year high of 16.3% in mid-2015.

More recently, from a year-on-year growth high of 18.6% in the 2<sup>nd</sup> quarter of 2016, the Near Eastern Suburbs (including amongst others Salt River, Woodstock and Pinelands) slowed to 17.3% in the 1<sup>st</sup> quarter of 2017, and the City Bowl region's price growth has also slowed from 23.1% to 20.9% over the same

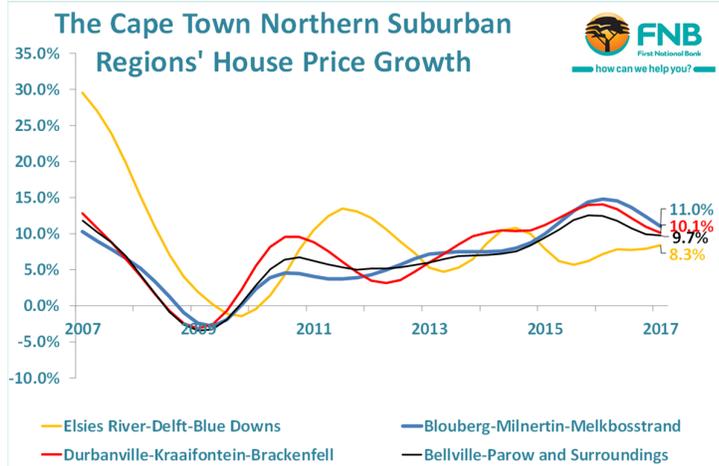
period.

While these price growth rates are mildly slower from their multi-year peaks, however, they remain very strong.

But the really "hot" region still appears to be the most expensive one, i.e. the Atlantic Seaboard, with estimated year-on-year house price growth of 33.9%, and this growth had still accelerated in the 1<sup>st</sup> quarter of 2017. This region is something of a "world on its own", typically driven by strong levels of foreign buying, as well as perhaps a significant number of very wealthy "migrants" moving from the likes of Gauteng and other South African regions to the Western Cape. In addition, the Atlantic Seaboard has a severe land shortage for new development, being situated on the side of the mountain area.

**OUT NORTH, HOUSE PRICE GROWTH HAS BEEN SLOWING, HAVING NEVER GONE TO QUITE THE EXTREME HIGHS OF THE PENINSULA MARKETS**

The Northern regions of the City of Cape Town have been showing slowing house price growth in 4 out of 5 of the regions, having never quite reached the highs of price growth that the Peninsula regions did in recent years.



The strongest of the 4 major Northern regions in recent times has been the Western Seaboard, in which we group Blouberg, Milnerton and Melkbosstrand. From a multi-year year-on-year house price growth peak of 14.8% in the 1<sup>st</sup> quarter of 2016, this region's price growth had slowed to a still-solid 11%.

Grouped fairly closely, but also slowing, were the house price growth rates of 10.1% for Durbanville-Kraaifontein-Brackenfell and 9.7% for Bellville-Parow and Surroundings.

The lower priced Elsies River-Delft-Blue Downs region appears typically something of a laggard in the house price cycle, and although

experiencing the slowest growth of the 4 regions, its growth was still on an accelerating path at 8.3% year-on-year in the 1<sup>st</sup> quarter.

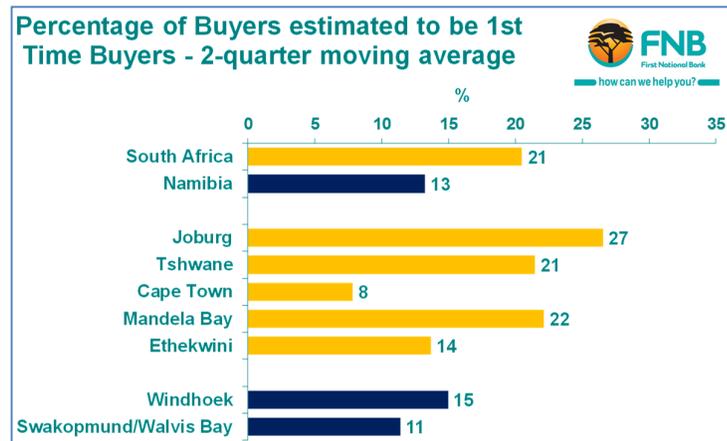
**NOTE ON 1<sup>ST</sup> TIME BUYING AND AFFORDABILITY IN CAPE TOWN**

Possible evidence of Cape Town affordability challenges come from our FNB Estate Agent Survey which, for the 2 summer 2016/17 quarters showed a very low estimate of 1<sup>st</sup> time buyer levels in the City of Cape Town.

Whereas Joburg and Tshwane's sample of agents surveyed estimated that 1<sup>st</sup> time home buyers amounted to 27% and 21% of total home buyers respectively, Cape Town's estimate was a lowly 8%.

We suspect that this low estimate may well be reflective of a significant affordability deterioration in recent years, as the already-expensive Cape Town market got significantly more expensive.

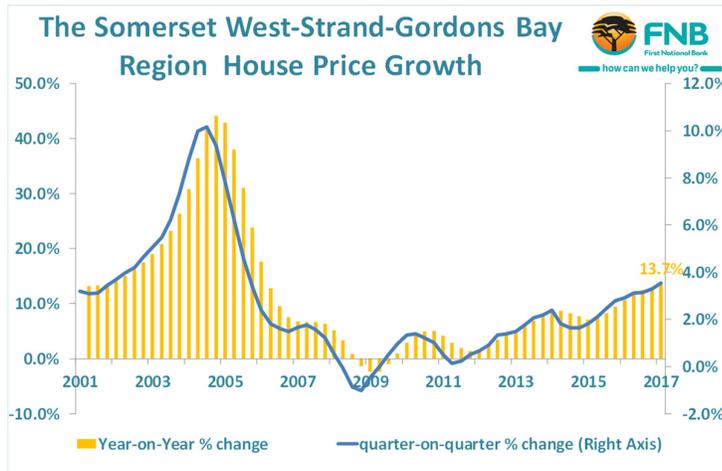
Ultimately, a lack of new market entrants should become a "drag" on many of the sub-regions.



However, we don't only think that affordability is an issue for aspirant young home buyers. The well-documented repeat home buyer migration from other regions to the Western Cape may also be slowed somewhat by mounting affordability challenges, with especially a portion of retirees from major inland regions perhaps looking in future in greater numbers for more affordable towns in the other coastal provinces, i.e. the Eastern Cape and KZN.

Hence, we believe, a recent slowing in most of the sub-regions, as well as in the year-on-year price growth for the entire City of Cape Town will continue in the near term.

**SOMERSET WEST-STRAND-GORDONS BAY IS SHOWING AN “INTERESTING” ACCELERATION**



One of those few regions bucking the recent trend of slowing house price growth is the Somerset West-Strand-Gordons Bay region.

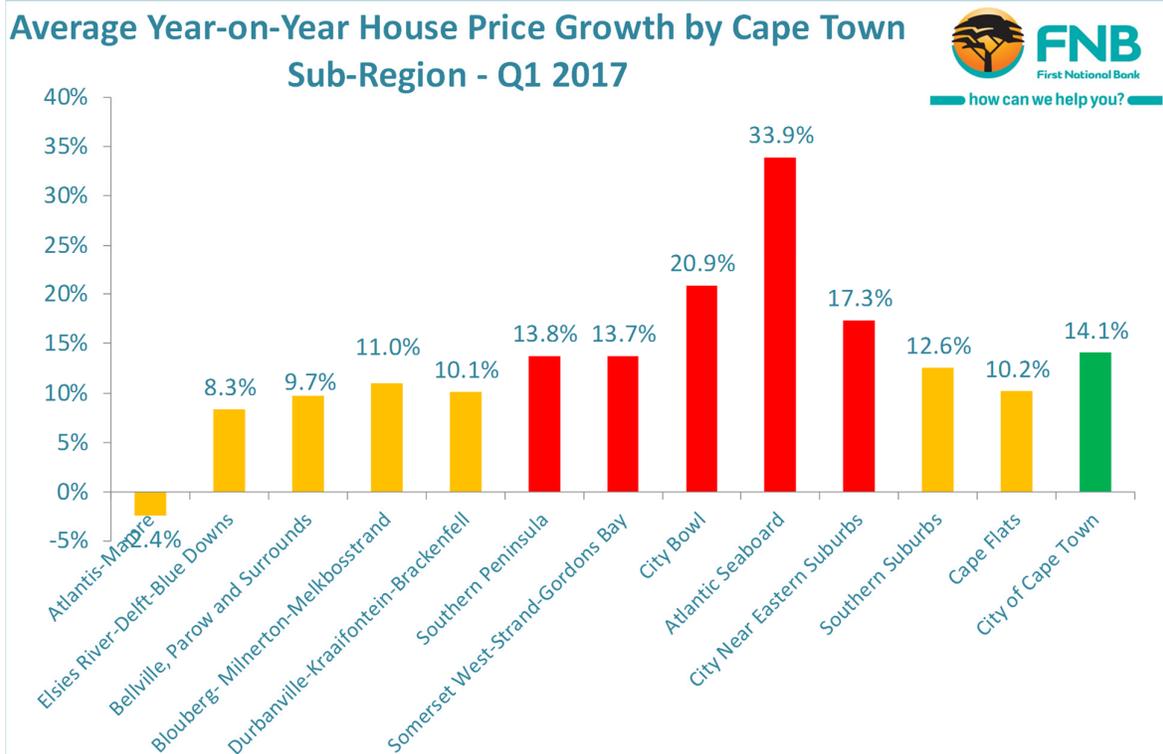
At 13.7% year-on-year, this region’s estimated house price growth rate was still on an accelerating path in the 1<sup>st</sup> quarter of 2017, coming off a lower base than especially the Peninsula regions, having not seen quite as rapid price growth as those regions over the past 5 years or so.

This region is known to be a popular one both for foreign buyers as well as for affluent up-country retirees, and it may just benefit somewhat from the major affordability

deteriorations on the Peninsula, providing what would still be an expensive, but arguably more affordable alternative to the Peninsula markets.

**STRONGEST PRICE GROWTH STILL MOSTLY NEAR TO THE PENINSULA, BUT SOMERSET WEST-STRAND-GORDONS BAY HAS EDGED INTO THE TOP 5 PRICE GROWTH REGIONS**

Stacking up all of the regions next to each other, the Atlantic Seaboard region remained the one with the strongest house price growth in the 1<sup>st</sup> quarter of 2017 at 33.9% year-on-year. This was followed by the 20.9% of the City Bowl, 17.3% of the Near Eastern Suburbs, and 13.8% for the Southern Peninsula (which includes Fishoek-Noordhoek and Simons Town areas). One change in the house price growth “pecking order”, though, was that 5<sup>th</sup> strongest growth went to the Somerset West-Strand-Gordons Bay region, with the Southern Suburbs region having slowed to a slightly slower rate.

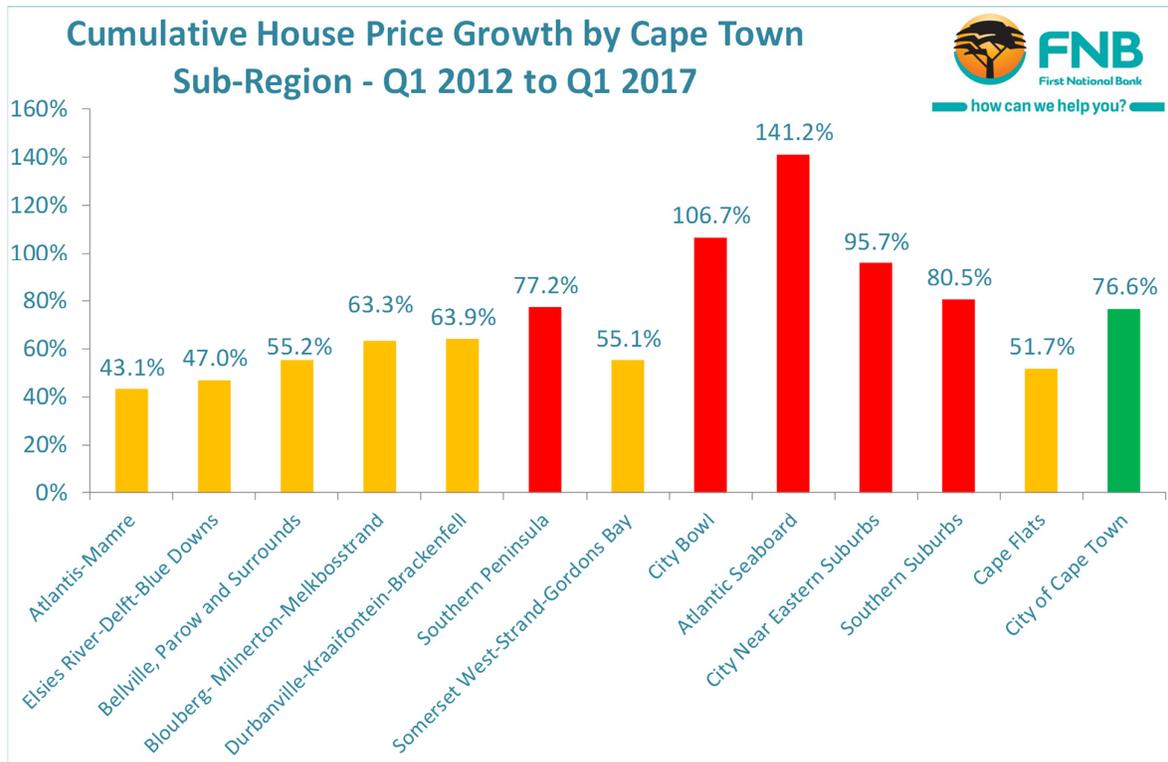


## LONGER TERM PRICE GROWTH TRENDS – 5-YEAR CUMULATIVE GROWTH RATES

A look at the longer term big picture shows the strongest performance to have been clearly in and near to the Cape Peninsula.

We calculate a 5-year cumulative house price growth rate by sub-region, over the period 1<sup>st</sup> quarter 2012 to 1<sup>st</sup> quarter 2017. Over this period, all 5 of the top performing sub-regions were the ones closest to the Cape Peninsula's mountainous areas.

Leading the pack was the Atlantic Seaboard, with estimated cumulative price growth of 141.2% over the period, followed by the City Bowl with 106.7%, City Near Eastern Suburbs with 95.7%, Southern Suburbs with 80.5%, and Southern Peninsula with 77.2%.



## CONCLUSION

Although the City of Cape Town has seen some mild slowing in average house price growth in recent quarters, at 14.1% year-on-year this market remains very strong.

The mild slowing in average house price growth has been fairly broad-based, taking place in 9 of 12 regions of the City.

We remain of the belief that affordability has become a mounting challenge, especially for new entrants to the home ownership markets in the City, but even possibly to a portion of aspirant “semi-grants” from other regions looking to relocate to the popular Western Cape region. This will probably not stop the migration of repeat home buyers to that region, from other major South African regions, but may indeed slow it down somewhat.

The Atlantic Seaboard residential market remains very hot, and as at the 1<sup>st</sup> quarter did not appear to have taken part in the broader slowdown.

The Somerset West-Strand-Gordons Bay region continued to see its house price growth accelerate into the 1<sup>st</sup> quarter of 2017. This region's house prices haven't inflated as fast as the Peninsula regions over the past 5 years,

and it is possible that this region, although not exactly cheap itself, may have recently become a slightly more popular destination for affluent upcountry migrants to the Cape Town region, as the regions close to Table Mountain become exorbitant.

	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2016	Q3-2016	Q4-2016	Q1-2017		
<b>CT METROPOLITAN ROLL UP</b>	15.59%	15.02%	14.50%	14.07%	527.17%	74.64%
<b>Atlantis - Mamre</b>	2.25%	-1.22%	-2.38%	-2.45%	519.47%	40.42%
<b>Mitchells Plain-Eerste Rivier</b>	7.79%	7.77%	7.86%	8.35%	520.94%	43.27%
<b>Bellville and Surrounds</b>	11.81%	10.72%	9.92%	9.70%	376.19%	53.12%
<b>Western Seaboard</b>	14.56%	13.64%	12.32%	10.99%	376.19%	61.24%
<b>North Eastern Suburbs</b>	13.41%	12.12%	10.95%	10.09%	440.92%	62.90%
<b>Southern Peninsula</b>	13.33%	14.10%	14.52%	13.76%	505.18%	73.44%
<b>Somerset West-Strand-Gordons Bay</b>	11.75%	12.51%	13.05%	13.74%	381.41%	54.08%
<b>City Bowl</b>	23.09%	22.69%	21.82%	20.86%	677.53%	104.81%
<b>Atlantic Seaboard</b>	20.68%	24.82%	30.00%	33.93%	918.33%	138.82%
<b>City Eastern Suburbs</b>	18.65%	17.97%	17.53%	17.33%	586.34%	93.18%
<b>Southern Suburbs</b>	14.84%	13.96%	13.20%	12.57%	534.33%	78.05%
<b>Cape Flats</b>	10.61%	10.52%	10.45%	10.17%	409.58%	50.39%

**NOTES: AREA COMPOSITION OF THE CITY OF CAPE TOWN SUB-REGIONAL HOUSE PRICE INDICES**

Main Areas Included in Each Sub-Regional House Price Index							
Former Townships	Atlantis-Mamre	Elsies River-Blue Downs-Macassar	Bellville-Parow and Surrounds	Blouberg-Milnerton-Melkbosstrand	Durbanville-Kraaifontein-Brackenfell	Southern Peninsula	Somerset West-Strand-Gordons Bay
Guguletu	Atlantis	Belhar	Bellville	Blouberg	Brackenfell	Cape Point	Gordons Bay
Khayelitsha	Mamre	Blackheath	Goodwood	Melkbosstrand	Durbanville	Fish Hoek	Sir Lowrys Pass
Langa		Blue Downs	Kuils River	Milnerton	Kraaifontein	Kommetjie	Somerset West
Nyanga		Delft	Parow			Noordhoek	Strand
		Eerste River				Scarborough	
		Elsies River				Simon's Town	
		Macassar					
		Matroosfontein					

City Bowl	Atlantic Seaboard	Near Eastern Suburbs	Southern Suburbs	Cape Flats	City of Cape Town Metro House Price Index
					Roll-up of all City of Cape Town sub-regions
Foreshore	Bantry Bay	Rugby	Bishops court	Buckingham	
V & A Waterfront	Mouille Point	Lagoon Beach	Steenberg Golf Es	Wetton	
Zonnebloem	Clifton	Kensington	Silwersteen Estate	Rondebosch East	
De Waterkant	Camps Bay	Maitland	Claremont	Ottery East	
Cape Town City C	Bakoven	Salt River	Newlands	Lansdowne	
Gardens	Fresnaye	Woodstock	Silvertree Estate	Southfield	
Tamboerskloof	Sea Point	Maitland Garden V	Tokai	Heathfield	
Devil's Peak Estat	Green Point	Oude Molen Villag	Rondebosch	Retreat	
Vredehoek	Three Anchor Bay	Pinelands	Meadowridge	Lavender Hill	
University Estate	Hout Bay	Windermere	Mowbray	Plumstead	
Schotschekloof			Westlake	Elfindale	
Walmer Estate			Wynberg	Nerissa Estate	
Oranjezicht			Observatory	Ottery	
			Bergvliet	Ferness	
			Kenilworth	Coniston Park	
			Royal Cape	Otyhouse Estate	
			Diep River	Edward	
			Rosebank	Crawford	
			Kirstenhof	Sunlands	
			Dreyersdal	Yorkshire Estate	
			Dennendal	Pinati	
			Forest Glade	Glen Valley	
			Constantia	Romp Vlei	
			Muizenberg	Belthorn Estate	
				Fairways	
				Brooklyn	
				Romp Vallei	
				Glen View	
				Penlyn Estate	
				Eden Klein	
				Frere Estate	
				Turf Hall	
				Turf Hall Estate	
				Steenberg	
				Sheraton Park	
				Cafda Village	
				Seawinds	
				Athlone	
				Athlone	
				Grassy Park	
				Mitchells Plain	
				Philippi	
				Guguletu	
				Khayelitsha	
				Langa	
				Nyanga	