

# Metro house price performance remains vibrant

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House price inflation within the major metropolitan areas is gathering momentum, with house prices in Cape Town outperforming other major metros by a considerable margin.

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From mid-2013 to early-2015, the **Western Cape enjoyed the strongest house price inflation** among the three major provinces. However, an acceleration in the rate of growth in house prices in KwaZulu-Natal (KZN) saw the province begin to outperform the Cape in early-2015. Since then **KZN house prices have continued to strengthen** while the other major provinces, and South Africa overall, have experienced a slowdown in the pace of house price inflation.

Looking at the various price bands within KZN, it becomes clear that the region's outperformance has been driven by strong growth in the upper price band (>R2m) and, to a lesser extent, healthy growth in the lower price band (<R1m). In contrast, the middle price band has performed broadly in line with the overall market.

As noted before, the strong growth in the upper price band in KZN (+19.69% year on year in April) is out of sync with the slowdown evident in top-end house prices in Gauteng (+3.92%) and the Western Cape (+0.68%) (see Figure 2). However, growth in this category in KZN has now peaked and is beginning to lose momentum, which will ultimately bring it back in line with the top-end performance in the other major regions.

Figure 2



The regional indices represent the performance of the entire provincial **residential property market**. However, house price inflation within the major metropolitan areas is increasingly showing brisker growth than seen in most non-metro areas. The metro areas typically account for the bulk of economic activity in a province and thus experience a steady influx of people seeking economic opportunities. The often **constrained availability of land within the metro areas**, coupled with rapid urbanisation and in-migration between metros, contribute to a steady increase in metro house price inflation.

During the past decade, house price inflation in Johannesburg and Tshwane (Pretoria) have closely tracked the performance of house prices in Gauteng as a whole. However, in recent months, as house price inflation in the province has started to soften, price inflation in Johannesburg and, to a greater extent in Tshwane, have accelerated. The last time growth in metro house prices exceeded growth in the province overall was in the early 2000s - ahead of the 2004 housing boom.

Similarly in the Western Cape, average regional **house price inflation** is clearly losing momentum, while Cape metro house prices have accelerated sharply since mid-2014. This is the first time that this stark divergence between metro and provincial house prices has been recorded since 2000. The acceleration in house prices in the Cape metro is largely attributable to the severe stock shortages experienced in many suburbs as well as the geographical limits on land available for development. The continued relocation of homeowners from other provinces further underpins this trend.

In eThekweni (Durban metro) the growth of metro house prices continues to track the overall performance of the provincial housing market. This could well be attributable to the fact that there has been a shift in KZN away from core metro areas. One of the reasons for this is the general migration northwards. As a result, the new town centre of uMhlanga has become the KZN business hub while growth nodes in and around uMhlanga have seen excellent price inflation.

There has also been a move towards pockets inland of the core metro areas in places like Hillcrest and even the KZN Midlands, where people are choosing lifestyle over the congestion associated with the traditional urban centres. As a result, KZN tends to consist of multiple mini-metros as opposed to very clear large metro areas with outlying areas as is more typical of the other major regions.

When comparing the four metro regions, it is clear that **house prices in the Cape Town metro are outperforming by a considerable margin**, with an annual growth rate of 13.4% in January (most recent data), followed by Tshwane (+9.6%), Johannesburg (+7.9%) and eThekweni (+7.5%). Thus, although KZN has overtaken the Western Cape as the top performing regional residential property market, Cape Town continues to dominate in terms of metro house price performance.

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