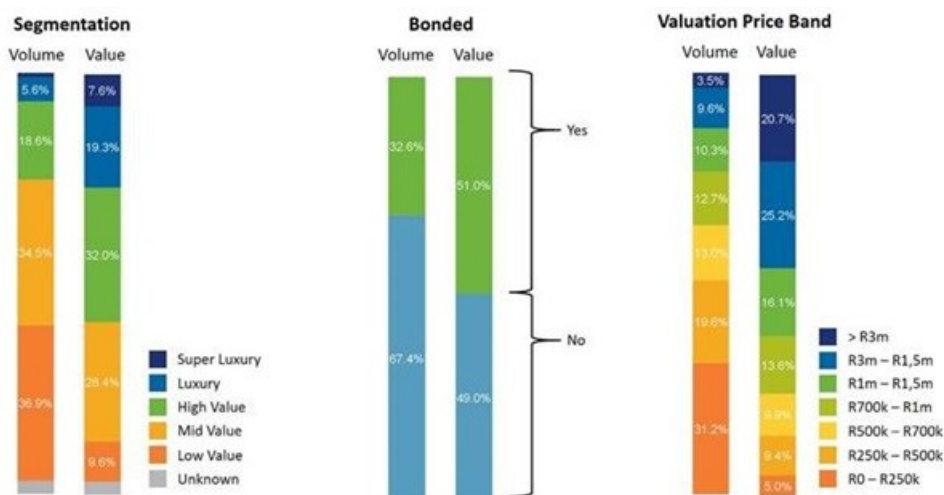


# The affordable housing market is outperforming the rest - here's how

In a recent evaluation of the total 8-million South African properties, Lightstone's analytics has revealed that the affordable sector (low and mid value) is by far the largest portion of the residential property market, amounting to 71.4% of the total volume of properties in South Africa.

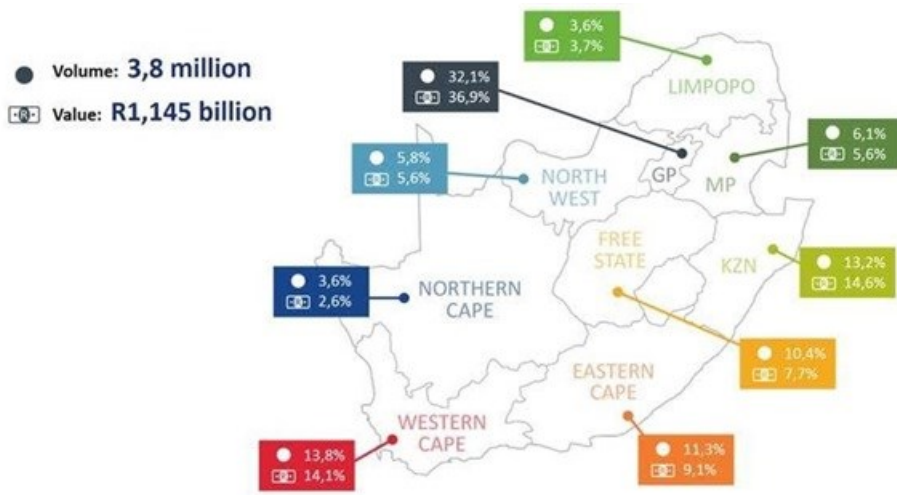
Lightstone's affordable property market is defined as properties with a Lightstone automated valuation of R700,000 or less and a total of 94.2% of these properties are classified as freehold.



“While we find the majority of the property market is growing at a stable rate, the affordable market is in a dual pressure system,” explains Paul-Roux De Kock. “On the one hand we see potential buyers moving from the informal sector to the formal sector, and on the other hand people are downscaling and dropping back into the affordable market possibly because of the shrinking economy.

“Potential buyers are looking at formal markets developing around informal settlements to obtain value for money and developers are filling the gap and meeting the demand. “What we find so interesting about the affordable market is that parts of this segment grow so rapidly that it could quickly be reclassified into a middle or high-end value segment.”

The total value of the affordable market is R1.143bn, whereas the South African residential property market is valued at R5.3tn. 32.1% of the affordable market properties are situated in Gauteng, 13.8% in the Western Cape and 13.2% in KwaZulu-Natal.



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



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

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