Market Demand Study for Affordable Rental Housing in the West Rand District Municipality

Report Synopsis

July 2022

Contents

1. Introduction
2. Study Approach
3. Target Market Overview
4. Study Area
5. Status Quo
6. Market Potential Demand Methodology
7. Future Competitive Supply
8. Municipal Market Potential
9. Concluding Remarks and Recommendations

1. Introduction

Purpose:

To conduct a market study to determine the demand for affordable rental housing in the West Rand District Municipality:

1. Mogale City LM
2. Rand West City LM
3. Merafong City LM

Outcome:

To provide comprehensive information to the SHRA and housing stakeholders with an interest to deliver Social Housing within restructuring zones (RZs).

Scope of Work

- Undertake a thorough market assessment of West Rand District Municipality
- Undertake a demand study for social housing and affordability in this area – what is the effective demand for social housing in the study area
- Show demand for social housing per capita per region
- Compile a comprehensive report with findings, conclusion, and recommendations

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2. Study Approach

Phase	Activities	Output
PHASE 1: INCEPTION	• Finalise work programme with client • Set up a Project Steering Committee • Writing the Inception Report	Project Initiation Document
PHASE 2: STATUS QUO ANALYSIS	• Location delineation • Location analysis • Economic profiling • Demographic market overview • Residential market analysis • Social housing sector analysis • Risk assessment and political influence as a risk in rental boycott	Status Quo Report
PHASE 3: MARKET DEMAND AND SUPPLY ANALYSIS	• Undertake a thorough market assessment in the municipalities • Undertake a demand study for affordable rental housing and affordability in these municipal areas with the objective to answer the question – what is the demand for social housing in the West Rand • Show demand for social housing per capita per region – rent quote • Compile comprehensive reports with findings, conclusions, and recommendations	Market and Supply Analysis Report
PHASE 4: REPORT WRITING AND RECOMMENDATION	• Final recommendations • Report writing • Report editing and finalisation • Finalisation and handover of the project	Final Report

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3. Target Market Overview

Rental Low-Income Programmes

Programme	Salary Qualification (Per Month)
Community Rental Units (CRU)	Below R3 500 (from R800)
Social Housing	R1 850 and R22 000

Bonded Low-Income Programmes

Programme	Salary Qualification (Per month)
Breaking New Ground (BNG) Housing	Below R3 500
Finance Linked Individual Subsidy Programme (FLISP) or Gap Housing	R3 501– R22 000
Affordable Bonded Housing	Above R9 000

CRU Housing

- **CRU housing is a subsidised rental option for income earners up to R3 500 per month (gross).**
- Temporary housing to persons currently residing in informal settlements.
- Includes the conversion of previous public housing e.g., hostels

Social Housing

- **Partially subsidised rental option for income earners between R1 850 and R22 000 per month.**
- Administered and regulated by SHRA
- Provided by different institutions (SHIs, ODAs, MOEs, Coops)
- Catagorised into Primary and Secondary Markets
  - Primary – R1 850 to R6 700, minimum of 30% of development
  - Secondary – R6 700 to R22 000, up to 70% of development

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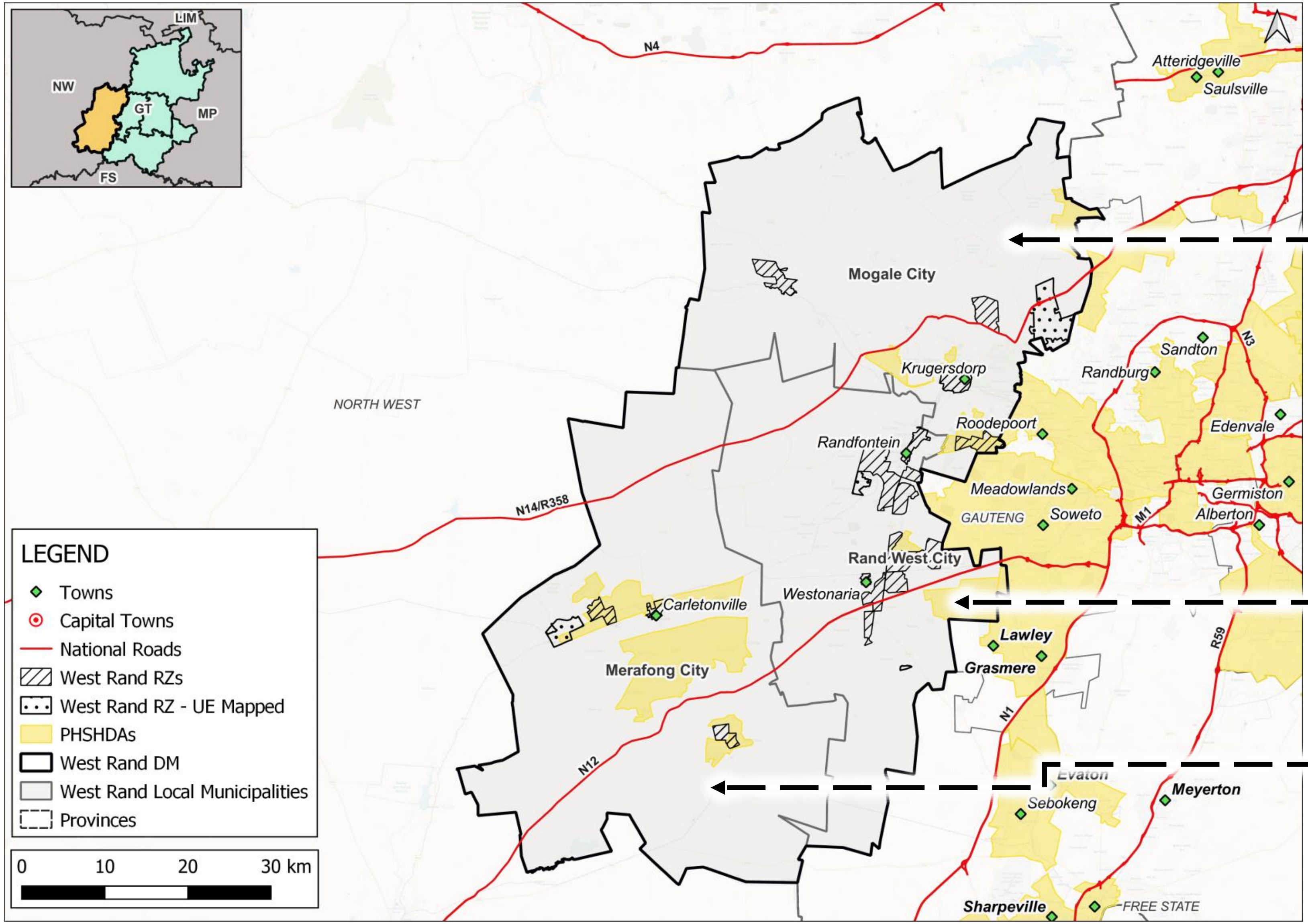
4. Study Area

<table>
<tr><th>Local Municipality</th><th colspan="2">Restructuring Zone</th></tr>
<tr><th></th><th>Delineation Mapping Available</th><th>Mapping Unavailable*</th></tr>
<tr><td>1. Mogale City Local Municipality</td><td>1. Chief Mogale Integrated Human Settlement
2. Krugersdorp CBD (including the UDF Precinct)
3. West Krugersdorp
4. Muldersdrift/ Pine Heaven
5. Magaliesberg CBD
6. Leratong Mixed Development</td><td>1. Nooitgedacht/ Rietfontain Integrated Human Settlements</td></tr>
<tr><td>2. Rand West City Local Municipality</td><td>1. Westonaria Borwa Integrated Human Settlement
2. Westonaria CBD
3. Bekkersdal
4. Simunye
5. Mohlakeng
6. Aureus
7. Uncle Harry's Precinct
8. Randfontein CBD
9. Toekomsrus
10. Finsbury</td><td>1. Thusanong
2. Middelvlei, Droogeheuwel and Ridgeview Integrated Human Settlements</td></tr>
<tr><td>3. Merafong City Local Municipality</td><td>1. Carletonville CBD
2. Fochville CBD
3. Khutsong South Integrated Human Settlements</td><td>1. Welverdiend and Varkenslaagte Integrated Human Settlements</td></tr>
</table>

*RZs have not yet been delineated through mapping. Urban-Econ has delineated RZs using information provided by local municipalities and Stats SA subplace delineation to enable demand to be determined for RZs.

4. Study Area



Mogale City LM

1. Chief Mogale Integrated Human Settlement
2. Krugersdorp CBD including the UDF Precinct
3. West Krugersdorp
4. Muldersdrift/ Pine Heaven
5. Magaliesberg CBD
6. Leratong Mixed Development
7. Nooitgedacht/ Rietfontain Integrated Human Settlements

Rand West City LM

1. Westonaria Borwa Integrated Human Settlement
2. Westonaria CBD
3. Bekkersdal
4. Simunye
5. Mohlakeng
6. Aureus
7. Uncle Harry's Precinct
8. Randfontein CBD
9. Toekomsrus
10. Finsbury
11. Thusanong
12. Middelvlei, Droogeheuwel and Ridgeview Integrated Human Settlements

Merafong City LM

1. Carletonville CBD
2. Fochville CBD
3. Khutsong South Integrated Human Settlements
4. Welverdiend and Varkenslaagte Integrated Human Settlements

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5. Status Quo

ECONOMIC PERFORMANCE

- The local economy has declined significantly from 2018 and was at GVA growth rate of -10,0% in 2020
- Contributes 6% to the Gauteng Economy in 2020

SOCIO-ECONOMIC CONSIDERATIONS

- Increase in population at average of 1,76% population and 1,52% household growth rate
- Significant potentially economically active population with approximately 50% employed
- Most are employed in wholesale and retail trade and financial, insurance, real estate and business services
- High portion of low-income earners (58,6%) and a significant portion potentially qualify for affordable housing
- High level of provision of basic household services

RESIDENTIAL MARKET TRENDS

- Most households live in a house on a separate stand, followed by a substantial portion of informal dwellings (25,3%)
- Active rental housing market in Krugersdorp, with lower activity in Randfontein and Carletonville
- Average rental price for 1-bedroom is R3 538, 2-bedroom is R5 240, 3-bedroom R6 950

HOUSING PERSPECTIVE

- Active social housing developments in the region and planned future social housing developments
- Insufficient infrastructure and bulk services to support additional housing in the district
- Land for the development of additional housing is available, with allocation for CRU and social housing
- Low expectation of political influence in rental boycotts

6. Market Potential Demand Methodology

Step 1: Study area household size is determined

Step 2: Portion of households with rental tenure is distinguished

Step 3: Households are distributed per annual income category

Step 4: Households within target market income range qualification are determined

Step 5: Effective housing demand is determined for CRU and Social Housing

Step 6: Housing backlog is determined using households in substandard housing

Step 7: Future competitive supply is subtracted from effective demand

Step 8: Net effective demand (NED) is determined

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7. Competitive Supply

Future competitive housing could only be identified for social housing, considering the following number of units:

	Development	No of Planned Units
	MOGALE CITY	**3 767**
1	Mogale Junction 2	416
2	Boston House	86
3	Boston House	84
4	Phethego Heights	482
5	Mogale City Ext 10	1131
6	Chief Mogale Gardens	870
7	West Village	282
8	Vrysig Extension	416
	RAND WEST CITY	**2 674**
9	Westonaria Borwa	460
10	Montrose Mega	990
11	Mohlakeng	720
12	Orion Heights	504
	MERAFONG CITY	**2 302**
13	Fochville Extension 8/ Lerato	256
14	Extension 20 & 21/Casa Mia	1590
15	Elijah Barayi x2	456
West Rand DM Total		**8 743**

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8. Mogale City Residential Market Potential

- An NED for affordable housing exists
  - **SH primary market**
    - 5 966 units in 2022 to 9 689 units in 2035
  - **SH Secondary market**
    - 5 102 units in 2022 to 6 847 units in 2035
  - **CRU**
    - 4 550 units in 2022 to 8 131 units in 2035
- Expected entry of supply from 2022 to 2027
- Primary vs Secondary ratio is 53,9% to 46,1%

NET EFFECTIVE DEMAND PER HOUSING CATEGORY

		Year				
Housing Category	**Backlog**	**2022**	**2023**	**2025**	**2030**	**2035**
CRU	4 309	4 550	4 795	5 300	6 648	8 131
Social Housing Primary Market	5 734	5 966	6 011	6 179	7 716	9 689
Social Housing Secondary Market	5 027	5 102	4 731	4 144	5 118	6 847
Total		**15 618**	**15 536**	**15 623**	**19 483**	**24 667**

- Based on household size and spatial characteristics
- The NED for affordable housing can be hosted in the RZs
- Chief Mogale IHS and Leratong can accommodate the most (40%) demand at 6 247 units in 2022
- Muldersdrift is expected to accommodate the least (5%) at 781 households in 2022

NET EFFECTIVE DEMAND PER RZ

RZ	**Distribution**	**2022**	**2023**	**2025**	**2030**	**2035**
Chief Mogale IHS ; Leratong	**40%**	6 247	6 215	6 249	7 793	9 867
Krugersdorp West; CBD;	**30%**	4 685	4 661	4 687	5 845	7 400
Muldersdrift	**5%**	781	777	781	974	1 233
Magaliesburg	**10%**	1 562	1 554	1 562	1 948	2 467
Nooitgedacht/Rietfontein IHS	**15%**	2 343	2 330	2 343	2 922	3 700
Total		**15 618**	**15 536**	**15 623**	**19 483**	**24 667**

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9. Rand West City Residential Market Potential

- An NED for affordable housing exists
  - **SH primary market**
    - 4 817 units in 2022 to 7 068 units in 2035
  - **SH Secondary market**
    - 4 726 units in 2022 to 6 227 units in 2035
  - **CRU**
    - 3 778 units in 2022 to 5 953 units in 2035
- Expected entry of supply from 2022 to 2026
- Primary vs Secondary ratio is 50,5% to 49,5%

NET EFFECTIVE DEMAND PER HOUSING CATEGORY

		Year				
Housing Category	**Backlog**	**2022**	**2023**	**2025**	**2030**	**2035**
CRU	3 628	3 778	3 930	4 243	5 066	5 953
Social Housing Primary Market	4 795	4 817	4 768	4 881	5 894	7 068
Social Housing Secondary Market	4 935	4 726	4 348	4 073	5 019	6 227
Total		**13 321**	**13 046**	**13 196**	**15 980**	**19 248**

- Based on household size and spatial characteristics
- The NED for affordable housing can be hosted in the RZs
- Mohlakeng can accommodate the most demand (30%) at 3 996 units in 2022
- Middelvlei, Droogeheuwel, and Ridgeview is expected to accommodate the least (2%) at 266 households in 2022

NET EFFECTIVE DEMAND PER RZ

RZ	**Distribution**	**2022**	**2023**	**2025**	**2030**	**2035**
Randfontein CBD; Uncle Harry's; Aureus	**15%**	1 998	1 957	1 979	2 397	2 887
Finsbury	**3%**	400	391	396	479	577
Westonaria CBD	**5%**	666	652	660	799	962
Westonaria Borwa	**5%**	666	652	660	799	962
Toekomsrus	**20%**	2 664	2 609	2 639	3 196	3 850
Mohlakeng	**30%**	3 996	3 914	3 959	4 794	5 774
Bekkersdal	**5%**	666	652	660	799	962
Simunye	**10%**	1 332	1 305	1 320	1 598	1 925
Thusanong	**5%**	666	652	660	799	962
Middelvlei, Droogeheuwel, Ridgeview	**2%**	266	261	264	320	385
Total		**13 321**	**13 046**	**13 196**	**15 980**	**19 248**

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10. Merafong City Residential Market Potential

- An NED for affordable housing exists
  - **SH primary market**
    - 3 094 units in 2022 to 3 820 units in 2035
  - **SH Secondary market**
    - 4 083 units in 2022 to 4 452 units in 2035
  - **CRU**
    - 2 078 units in 2022 to 2 956 units in 2035
- Expected entry of supply from 2022 to 2029
- Primary vs Secondary ratio is 43,1% to 46,9%

NET EFFECTIVE DEMAND PER HOUSING CATEGORY

		Year				
Housing Category	**Backlog**	**2022**	**2023**	**2025**	**2030**	**2035**
CRU	2 014	2 078	2 142	2 271	2 605	2 956
Social Housing Primary Market	3 074	3 094	3 192	3 093	3 286	3 820
Social Housing Secondary Market	4 133	4 083	4 214	3 790	3 734	4 452
Total		**9 255**	**9 547**	**9 154**	**9 625**	**11 228**

- Based on household size and spatial characteristics
- The NED for affordable housing can be hosted in the RZs
- Carletonville can accommodate the most demand (40%) at 3 702 units in 2022
- Welverdriend and Varktenslagte is expected to accommodate the least (10%) at 926 households in 2022

NET EFFECTIVE DEMAND PER RZ

RZ	Distribution	2022	2023	2025	2030	2035
Carletonville CBD	**40%**	3 702	3 819	3 662	3 850	4 491
Khutsong South IHS	**30%**	2 777	2 864	2 746	2 888	3 368
Fochville CBD	**20%**	1 851	1 909	1 831	1 925	2 246
Welverdriend and Varktenslagte IHS	**10%**	926	955	915	963	1 123
Total		**9 255**	**9 547**	**9 154**	**9 625**	**11 228**

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11. Concluding Remarks and Recommendations

- **The West Rand DM shows a sufficient demand for rental affordable housing - CRU and social housing**
- Key recommendations to be considered:
  - The demand should be closely adhered to and planned for in order to maintain the feasibility of future developments, considering the 50 to 50% ratio between social housing primary and secondary markets
  - Planning, provision, funding and maintenance of adequate infrastructure
  - Interventions are required to ensure that restructuring zones enable the provision of social housing
  - CRU and social housing awareness should be spread to stakeholders
  - Price competitiveness against open market prices must be maintained according to the areas where the RZs are located to attract the market – mostly for the secondary market
  - Further market studies to further understand the market needs and preferences

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