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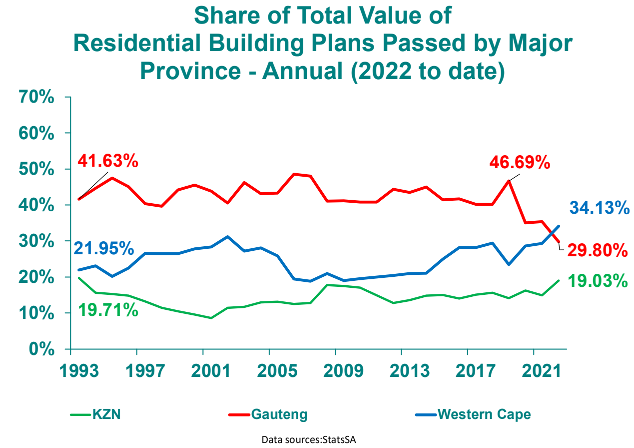
FNB Commercial Property Finance

Property Insights

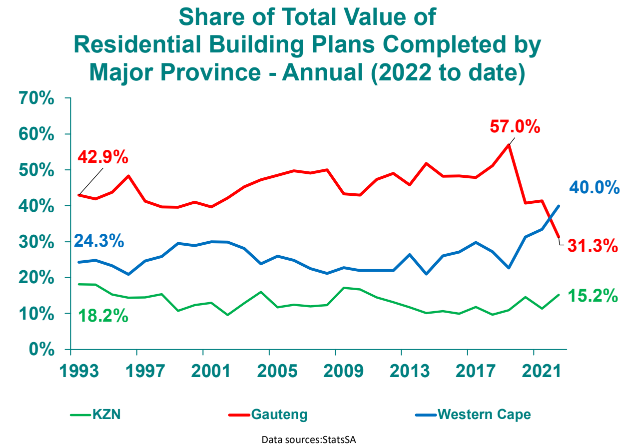
May 2022 Residential Building Statistics by Province – Is the Western Cape becoming the biggest provincial new residential building market in 2022?

One of the most interesting features of the StatsSA residential building statistics during 2022 has been the meteoric rise of the Western Cape to "number 1" spot in terms of total value of residential building plans passed and completed.

The StatsSA May 2022 release of residential building plans passed gave the picture for the 1st 5 months of the year. In the year to date, the Western Cape's value of residential building plans passed has accounted for 34.13% of the national total, above Gauteng's 29.8% share, with the 3rd largest market, KZN, coming in at 19.03%.



The picture was similar for residential buildings completed, Western Cape having 40% of the national share in terms of value, Gauteng 31.3% and KZN 15.2%.



Gauteng's share of the total market has conspicuously dropped through 2020-2022 period of Covid-19 lockdowns and beyond.

If the Western Cape sustains this stronger momentum in residential building activity, relative to the rest, 2022 will be the first year on record in which that province records a bigger value of plans passed and completions than Gauteng (and every other province).

- Don't ignore potential data reporting issues

One mustn't ignore the possibility that the drop in Gauteng's share since 2019 could have something to do with municipal reporting to StatsSA.

However, after a bigger drop in values reported than the others during the lockdown 2020 year, causing the first initial big loss in Gauteng's share, in 2021 Gauteng recorded a big recovery to the tune of 53% in value of plans passed (compared to Western Cape's 55.5%) and 30.3% in completions (compared to Western Cape's 37%). This rebound in Gauteng's reported activity in 2021 appeared very much in line with others, so reporting issues aren't apparent.

- Major coastal regions chipping away at Gauteng's dominance in various ways

But in 2022, fortunes for the country's largest economic province, and its most populous, appear to have weakened. Whereas the Western Cape has seen year-on-year growth of 39.9% in the value of residential building plans passed for the 1st 5 months of this year (and +40.8% in residential completions), Gauteng saw a -23.4% decline in plans passed (and a -16,4% decline in completions) over the same period.

KZN, the 3rd largest market, saw +16.5% growth in residential plans passed over the period, and a massive 101% in completions.

While one cannot rule out reporting issues, there may well be something in this shift in relative share of the development market more away from Gauteng.

Firstly, the Western Cape has seen its share of the value of residential building activity broadly growing since near a decade ago, and its residential market has performed stronger than other major regions in the period following the 2008/9 Global Financial Crisis.

In addition, evidence has existed in the FNB Estate Agent Surveys of 2022 to date that the Western Cape market has had the strongest market activity in its overall residential market, and Gauteng the weakest, if estate agents' perceptions are reasonably accurate.

There has been strong evidence in the post-lockdown period of strong net "semi-gration" of skilled middle-to-higher income households to the Western Cape, and net outflows away from Gauteng.

The semi-gration flows to the Western Cape have also increasingly broadened outwards from Cape Town, to the Southern Cape as well as up the West Coast, requiring significant new development activity in those regions.

The sentiment towards the Western Cape has been decidedly more positive it would appear, attracting significant skills inflows and likely investment flows in the process.

Indeed, in recent times our FNB Commercial Property Broker Survey has also pointed to Gauteng markets being weaker than major coastal metro property markets (and Cape Town metro the strongest), which suggests that Gauteng, and especially Greater Johannesburg, may have a weaker economy of late than the main coastal regions.

Therefore, relative sentiment towards these major regions, and resultant flows of skilled and middle-to-higher income people, may be altering the relative economic performances of the major economic regions in SA, in turn altering the relative sizes of their residential development markets.

Should the Western Cape's share in value of residential development be the largest for the entire 2022, and there seems a good possibility of this happening, that would be the first time on record that this has been the case. And it would say something about the economic management and performance of that province relative to other regions.

Gauteng will remain the largest economy in South Africa for many years to come. But major coastal regions, especially the Western Cape, appear to be chipping away at the extent of its dominance slowly.

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Provincial Total Value of Residential Plans Passed

	2017	2018	2019	2020	2021	Q3-2021	Q4-2021	Q1-2022	Mar-22	Apr-22	May-22
Total Value of Building Plans Passed (R'000)											
National Total	57 928 406	61 760 655	55 452 953	39 711 702	60 223 392	15 582 358	15 587 746	15 404 755	5 109 013	4 839 789	5 013 080
Y/Y % change	*5.6*	*6.6*	*-10.2*	*-28.4*	*51.7*	*43.5*	*13.2*	*14.8*	*11.2*	*-3.2*	*-20.3*
Western Cape	16 317 005	18 166 013	13 031 773	11 365 754	17 677 141	5 133 574	5 077 098	5 309 770	1 828 152	1 551 864	1 742 570
Y/Y % change	*5.6*	*11.3*	*-28.3*	*-12.8*	*55.5*	*57.9*	*36.3*	*46.5*	*57.9*	*14.4*	*49.0*
% Share of National Total	*28.2*	*29.4*	*23.5*	*28.6*	*29.4*	*32.9*	*32.6*	*34.5*	*35.8*	*32.1*	*34.8*
Gauteng	23 251 391	24 823 158	25 888 529	13 925 194	21 306 570	5 490 071	5 013 539	4 560 887	1 244 623	1 536 815	1 134 567
Y/Y % change	*1.6*	*6.8*	*4.3*	*-46.2*	*53.0*	*48.7*	*10.8*	*-5.2*	*-8.5*	*-25.5*	*-55.9*
% Share of National Total	*40.1*	*40.2*	*46.7*	*35.1*	*35.4*	*35.2*	*32.2*	*29.6*	*24.4*	*31.8*	*22.6*
KZN	8 760 663	9 659 812	7 852 780	6 463 063	8 999 693	1 823 664	2 292 151	2 943 680	961 911	1 073 297	997 685
Y/Y % change	*13.9*	*10.3*	*-18.7*	*-17.7*	*39.2*	*16.7*	*-3.9*	*28.9*	*0.0*	*79.0*	*-29.7*
% Share of National Total	*15.1*	*15.6*	*14.2*	*16.3*	*14.9*	*11.7*	*14.7*	*19.1*	*18.8*	*22.2*	*19.9*
Eastern Cape	2 676 626	2 773 250	2 418 772	1 817 731	3 809 135	1 092 701	891 551	832 689	299 767	273 978	351 992
Y/Y % change	*21.5*	*3.6*	*-12.8*	*-24.8*	*109.6*	*79.8*	*17.8*	*-2.6*	*-6.8*	*20.9*	*13.5*
% Share of National Total	*4.6*	*4.5*	*4.4*	*4.6*	*6.3*	*7.0*	*5.7*	*5.4*	*5.9*	*5.7*	*7.0*
North West	2 301 476	1 706 911	1 561 129	1 531 878	2 461 002	514 782	654 505	366 995	148 193	148 882	277 342
Y/Y % change	*42.5*	*-25.8*	*-8.5*	*-1.9*	*60.7*	*-6.3*	*29.2*	*-32.8*	*-12.7*	*-37.2*	*-1.3*
% Share of National Total	*4.0*	*2.8*	*2.8*	*3.9*	*4.1*	*3.3*	*4.2*	*2.4*	*2.9*	*3.1*	*5.5*
Free State	1 467 977	1 558 018	1 432 625	1 041 371	1 342 615	377 336	366 937	253 381	74 234	52 487	83 175
Y/Y % change	*-8.2*	*6.1*	*-8.0*	*-27.3*	*28.9*	*15.8*	*33.3*	*-18.3*	*-39.4*	*-38.1*	*-38.2*
% Share of National Total	*2.5*	*2.5*	*2.6*	*2.6*	*2.2*	*2.4*	*2.4*	*1.6*	*1.5*	*1.1*	*1.7*
Northern Cape	290 172	305 653	438 424	691 062	518 556	107 010	133 815	80 745	29 367	50 131	52 057
Y/Y % change	*-8.2*	*6.1*	*-8.0*	*-27.3*	*28.9*	*-25.2*	*-55.2*	*-27.1*	*-47.8*	*21.6*	*201.6*
% Share of National Total	*0.5*	*0.5*	*0.8*	*1.7*	*0.9*	*0.7*	*0.9*	*0.5*	*0.6*	*1.0*	*1.0*
Mpumalanga	1 672 321	1 737 184	1 580 658	1 848 968	2 428 799	627 453	651 009	695 699	344 072	99 744	278 655
Y/Y % change	*-18.1*	*3.9*	*-9.0*	*17.0*	*31.4*	*38.6*	*-24.0*	*21.3*	*6.1*	*-56.2*	*15.6*
% Share of National Total	*2.9*	*2.8*	*2.9*	*4.7*	*4.0*	*4.0*	*4.2*	*4.5*	*6.7*	*2.1*	*5.6*
Limpopo	1 190 775	1 030 656	1 248 263	1 026 681	1 679 881	415 767	507 141	360 909	178 694	52 591	95 037
Y/Y % change	*9.0*	*-13.4*	*21.1*	*-17.8*	*63.6*	*52.7*	*15.2*	*19.2*	*48.8*	*-68.0*	*-34.8*
% Share of National Total	*2.1*	*1.7*	*2.3*	*2.6*	*2.8*	*2.7*	*3.3*	*2.3*	*3.5*	*1.1*	*1.9*

Provincial Total Value of Residential Plans Completed

	2017	2018	2019	2020	2021	Q3-2021	Q4-2021	Q1-2022	Mar-22	Apr-22	May-22
Total Value of Building Plans Completed (R'000)											
National Total	38 828 606	44 465 069	52 493 387	25 571 640	32 858 901	8 035 118	10 179 896	7 424 299	3 197 697	3 352 978	3 046 283
Y/Y % change	*11.0*	*14.5*	*18.1*	*-51.3*	*28.5*	*8.3*	*4.9*	*4.7*	*-1.4*	*49.2*	*18.2*
Western Cape	11 553 753	12 084 905	11 888 519	8 013 370	10 981 121	2 702 788	3 394 911	2 682 482	1 150 221	1 536 129	1 308 238
Y/Y % change	*21.9*	*4.6*	*-1.6*	*-32.6*	*37.0*	*5.0*	*13.4*	*11.1*	*15.6*	*104.0*	*72.6*
% Share of National Total	*29.8*	*27.2*	*22.6*	*31.3*	*33.4*	*33.6*	*33.3*	*36.1*	*36.0*	*45.8*	*42.9*
Gauteng	18 577 293	22 740 013	29 901 816	10 419 070	13 578 793	3 134 723	4 134 311	2 620 606	997 688	895 832	809 904
Y/Y % change	*10.0*	*22.4*	*31.5*	*-65.2*	*30.3*	*4.7*	*0.1*	*-14.1*	*-26.6*	*-0.1*	*-34.2*
% Share of National Total	*47.8*	*51.1*	*57.0*	*40.7*	*41.3*	*39.0*	*40.6*	*35.3*	*31.2*	*26.7*	*26.6*
KZN	4 596 642	4 299 551	5 721 703	3 727 797	3 724 992	1 043 020	1 294 397	1 092 113	660 324	532 764	472 916
Y/Y % change	*32.3*	*-6.5*	*33.1*	*-34.8*	*-0.1*	*22.6*	*-1.1*	*83.8*	*116.6*	*101.3*	*155.9*
% Share of National Total	*11.8*	*9.7*	*10.9*	*14.6*	*11.3*	*13.0*	*12.7*	*14.7*	*20.6*	*15.9*	*15.5*
Eastern Cape	880 593	1 138 671	1 161 585	640 512	1 213 225	358 587	376 172	329 903	147 593	125 788	114 051
Y/Y % change	*-27.4*	*29.3*	*2.0*	*-44.9*	*89.4*	*58.6*	*116.6*	*10.9*	*-30.0*	*134.9*	*30.8*
% Share of National Total	*2.3*	*2.6*	*2.2*	*2.5*	*3.7*	*4.5*	*3.7*	*4.4*	*4.6*	*3.8*	*3.7*
North West	1 113 950	1 498 043	1 255 473	1 001 986	1 188 744	272 857	358 686	232 213	74 740	112 882	144 153
Y/Y % change	*-10.8*	*34.5*	*-16.2*	*-20.2*	*18.6*	*12.6*	*-28.9*	*-15.9*	*-39.1*	*50.3*	*15.3*
% Share of National Total	*2.9*	*3.4*	*2.4*	*3.9*	*3.6*	*3.4*	*3.5*	*3.1*	*2.3*	*3.4*	*4.7*
Free State	578 862	633 935	281 774	314 297	447 099	73 251	60 964	61 124	11 690	9 353	33 994
Y/Y % change	*-33.2*	*9.5*	*-55.6*	*11.5*	*42.3*	*150.4*	*76.4*	*-64.4*	*-88.1*	*-81.6*	*-47.1*
% Share of National Total	*1.5*	*1.4*	*0.5*	*1.2*	*1.4*	*0.9*	*0.6*	*0.8*	*0.4*	*0.3*	*1.1*
Northern Cape	110 908	88 802	268 408	261 692	288 503	61 665	112 733	46 932	24 690	21 863	10 193
Y/Y % change	*-33.2*	*9.5*	*-55.6*	*11.5*	*42.3*	*-33.6*	*18.9*	*1.1*	*-5.0*	*-26.6*	*-47.4*
% Share of National Total	*0.3*	*0.2*	*0.5*	*1.0*	*0.9*	*0.8*	*1.1*	*0.6*	*0.8*	*0.7*	*0.3*
Mpumalanga	883 406	1 335 109	1 342 326	664 728	793 890	178 661	283 825	176 135	72 540	62 877	98 194
Y/Y % change	*-23.3*	*51.1*	*0.5*	*-50.5*	*19.4*	*13.2*	*-7.7*	*19.5*	*-0.4*	*-5.2*	*39.7*
% Share of National Total	*2.3*	*3.0*	*2.6*	*2.6*	*2.4*	*2.2*	*2.8*	*2.4*	*2.3*	*1.9*	*3.2*
Limpopo	533 199	646 040	671 783	528 188	642 534	209 566	163 897	182 791	58 211	55 490	54 640
Y/Y % change	*1.9*	*21.2*	*4.0*	*-21.4*	*21.6*	*-16.3*	*2.2*	*94.9*	*12.3*	*-3.6*	*46.0*
% Share of National Total	*1.4*	*1.5*	*1.3*	*2.1*	*2.0*	*2.6*	*1.6*	*2.5*	*1.8*	*1.7*	*1.8*