

# Residential building activity remaining under pressure

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**Based on data published by Statistics South Africa, building activity in the South African market for new private sector-financed housing (see explanatory notes) remained under pressure in the first five months of 2016, with much subdued year-on-year growth in activity levels in May this year.**

The planning phase contracted in the five months up to May, whereas the construction phase showed some relatively low single-digit growth over this period.

The number of new housing units for which building plans were approved was down by 3,5% year-on-year (y/y) to almost 23 000 units in January to May this year. This came on the back of a contraction in the planning phase across all three segments of housing. In May, only marginal growth of 1,3% y/y was evident in the number of plans approved.

Growth in the volume of new housing units reported as being completed came to 5,1% y/y in January to May, with a cumulative total of 16 357 units built during this period. The construction phase showed some noticeable divergent trends at a segment level, with strong growth of almost 32% y/y in respect of flats and townhouses in the 5-month period up to May, whereas the segment for smaller-sized houses contracted by 10% y/y over the same period and the segment for houses larger than 80m<sup>2</sup> showing growth of only 3,4% y/y in the 5-month period.

The total real value of plans approved for new residential buildings came to R15,48 billion in January to May this year, up by only 1,1% y/y from R15,31 billion in the corresponding period last year. The real value of new residential buildings reported as completed amounted to R9,75 billion in the five months to May, showing growth of just 1,7% y/y from R9,59 billion a year ago. These real values are calculated at constant 2010 prices.

The average cost of new housing built increased by 7,9% y/y to an average of R6 409 per square meter in the first five months of the year compared with R5 939 per square meter over the same period last year.

The average building cost per square meter in the three categories of housing was as follows in January to May 2016:

- Houses of <80m<sup>2</sup>: R4 083, up by 8% y/y
- Houses of ≥80m<sup>2</sup>: R6 494, up by 4,6% y/y
- Flats and townhouses: R7 501, up by 8,6% y/y

At a geographical level, the provinces of Gauteng and the Western Cape continued to dominate residential building activity in January to May this year. The major metropolitan municipalities of Cape Town, Johannesburg, Tshwane and

Ekurhuleni had the largest combined share of 62,8% of a national total of 39 666 new private sector-financed housing units built in 2015.

Against the background of trends in and the outlook for the economy, household finances and consumer and building confidence, residential building activity is to remain relatively subdued in the rest of the year.