RESPUBLICA GAUTENG CO-LIVING MARKET ANALYSIS PHASE 2:

Combined Summary Report

Public Report

2024

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URBAN STUDIES

Contents

1. BACKGROUND

Respublica is in the process of diversifying into the affordable residential market. The plan is to provide better quality housing options close to economic opportunities with a focus on the economically active commuter market.

This research report is a combined summary of the detailed node market research reports. The following nodes are summarised in this report: Randburg, Rosebank, Sandton, Kempton Park, Menlyn, and Parktown. The content of this report focuses on the commuter survey and the market potential of the co-living model. Primary research in the form of surveys and focus groups to support the secondary research as well as to inform the demographic information was also conducted.

The market research will assist in understanding the nodes and the current living conditions and needs of workers and commuters in the six identified nodes.

2. RESEARCH OBJECTIVES

The Phase 2 research is a direct outflow of the deliverables of the research conducted in Phase 1. Phase 2 will focus on a detailed analysis of the top nodes as identified in Phase 1.

The main objectives of Phase 2 will be the following:

- Workforce population with a focus on the number of workers, anchor employment institutions and mobility patterns.
- Quantify and disaggregate the volume of people working in the identified nodes by detailed demographics (age, gender, ethnicity, nationalities, household size and typology, income brackets and employment industry)
- Detailed evaluation of the current and planned residential market per node.
- Comparative analysis with a focus on rental housing stock. This will include rental benchmarking with prices for different housing typologies and additional services.
- Price benchmarking including facilities and whether water, electricity, and Wi-Fi are included in the price or paid separately (full-service offering and price inclusion comparison).
- Urban market dynamics with a focus on growth prospects and potential constraints.
- Demand modelling focussing on the overall residential demand and specifically the demand from the potential target market.

3. RESEARCH METHODOLOGY

This is a desktop and primary research study, and the following existing sources of information were used:

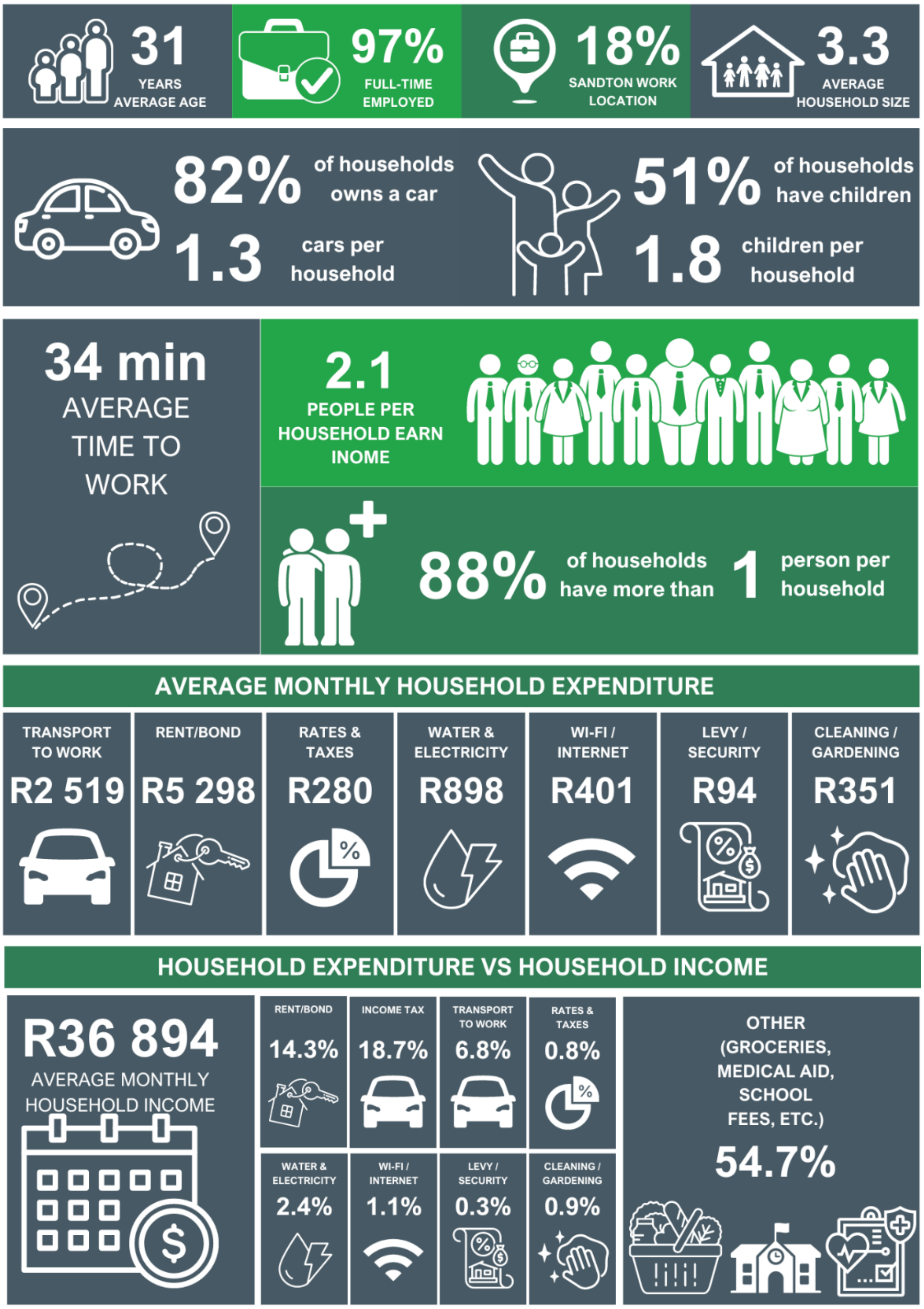
- Stats SA;
- Urban Studies' databank 2005-2023;
- Google Earth Pro;
- MapInfo Pro 19.0;
- QGIS;
- TPN;
- Primary research conducted by Urban Studies including:
    - Commuter market surveys (face-to-face in the node)
    - Focus Groups
- Urban Studies has conducted many residential market studies in Gauteng over the past three decades.

In the figures there will be a reference to a base percentage, this indicates the percentage of the commuters who have answered the question.

4. COMMUTER SURVEY

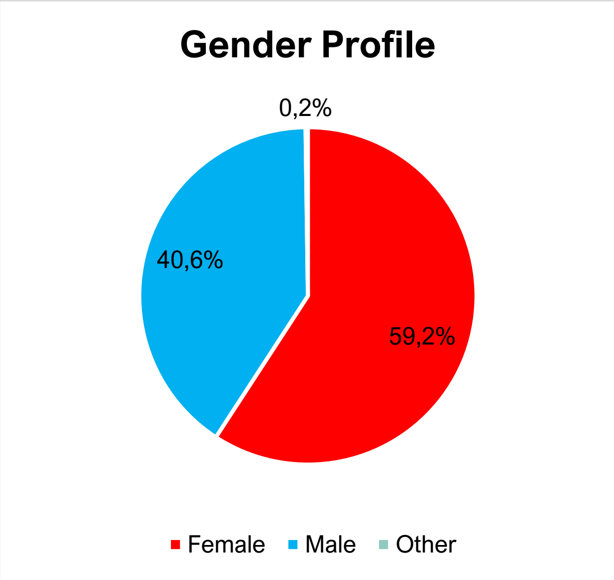
The commuter survey provides market data to make better decisions regarding the proposed affordable co-living development model. The commuter surveys were conducted in five economic nodes in Gauteng which include: Randburg, Rosebank, Parktown, Menlyn, Sandton and Kempton Park. In total 900 surveys were conducted.

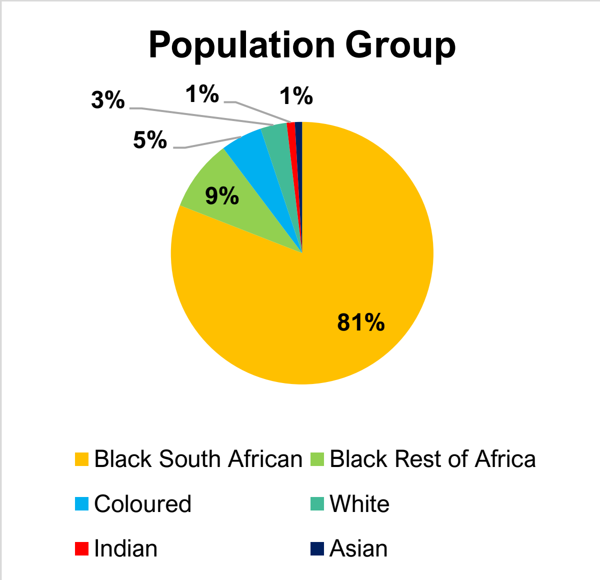
The following infographic provides a summary of the commuter survey with a detailed analysis to follow.

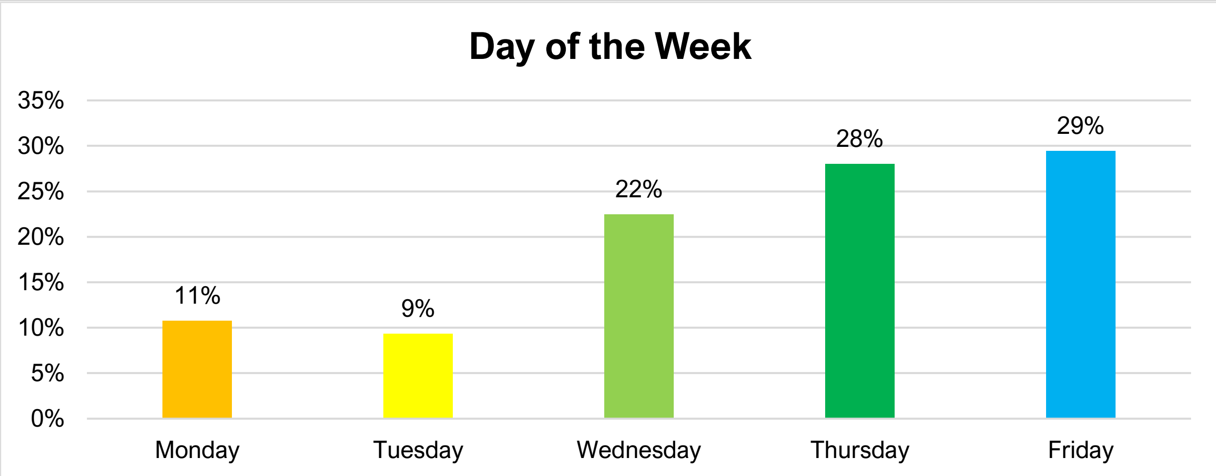


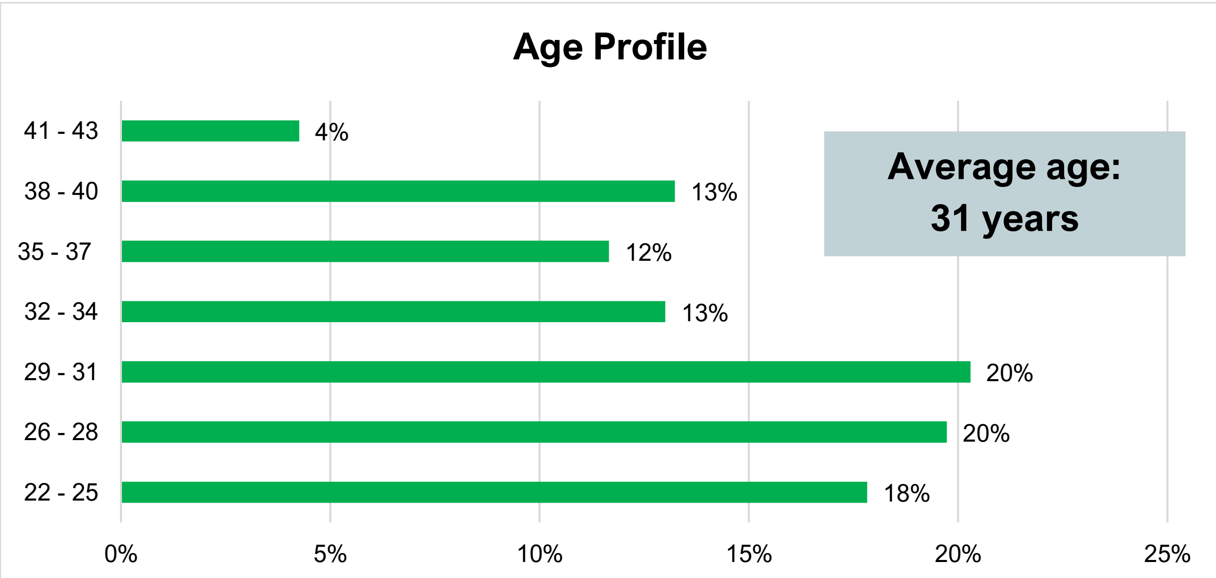
4.1. Overview of the Commuter Survey

The following data provides an overview of the demographic profile and the day of the survey.



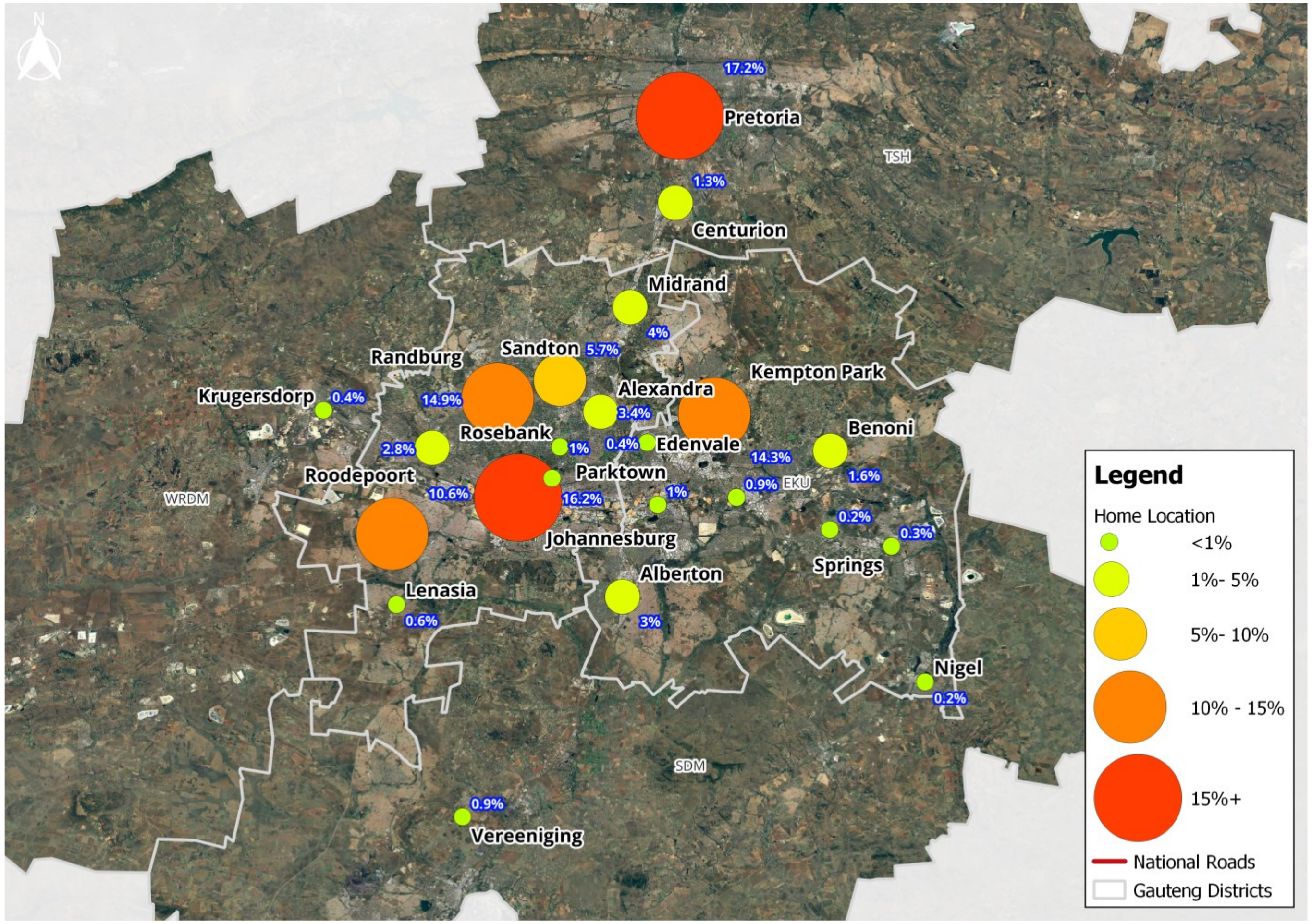






4.2. Home Suburbs

COMMUTER SURVEY – HOME SUBURB



Map Produced by Urban Studies, 2023
Software: QGIS

4.3. Employment Statistics

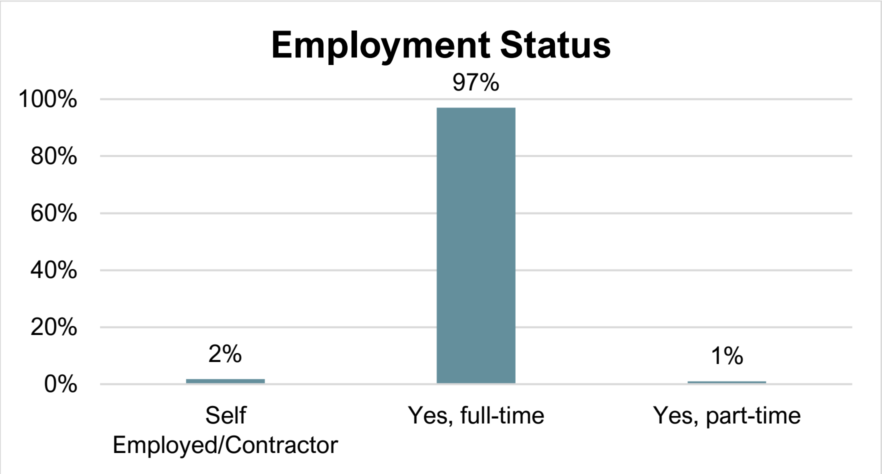
This section provides the results of the commuter survey which relates to employment statistics. The following data sets are covered:

- Employment status
- Transport mode to work.
- work travel – duration in minutes.

4.3.1. Employment Status

The employment status was utilised as a filter for the commuter survey. **97%** of the respondents are employed in a full-time capacity.

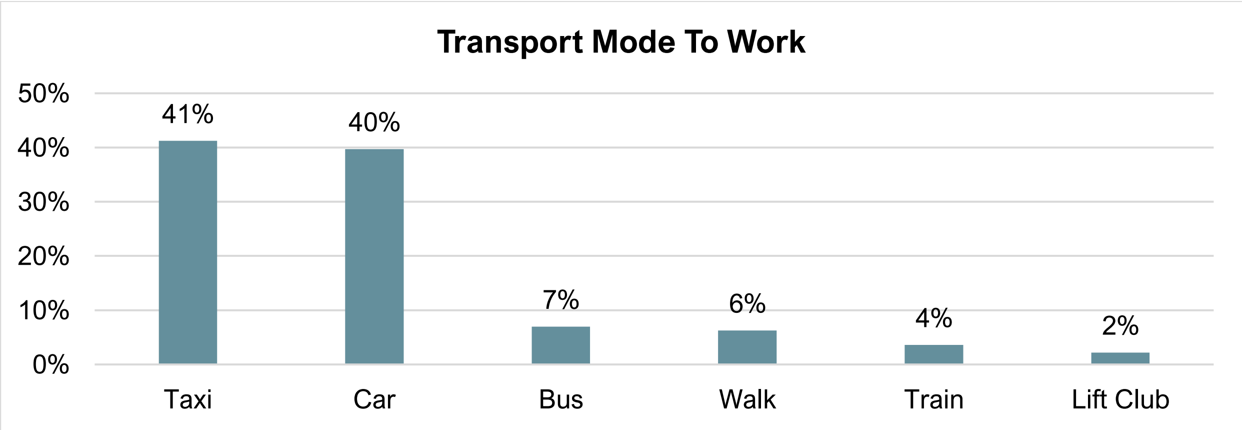
Figure 4.3.1: Employment status of commuters



4.3.2. Transport mode to work

The survey asked the commuters what type of transport they use to travel to work.

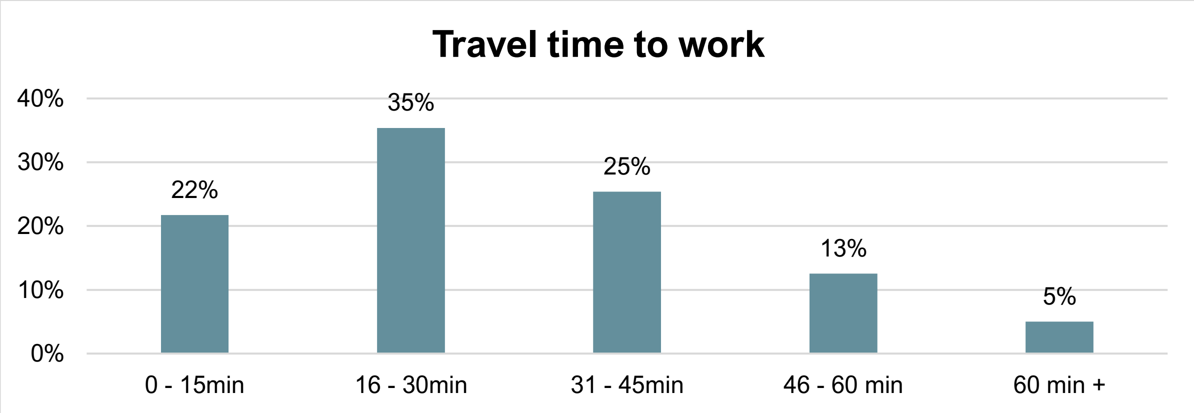
Figure 4.3.2: Transport mode to work.



4.3.3. Duration in minutes travel to work

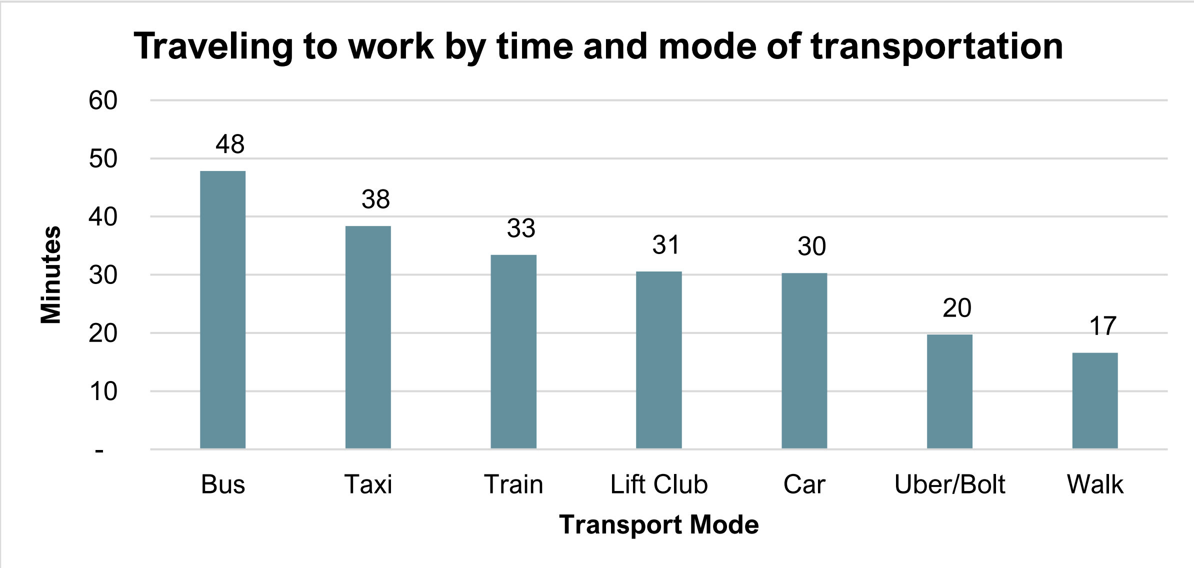
The time travel to work only showcases one-way trips for commuters. On average commuters travel 34 minutes from their home to work.

Figure 4.3.3: How long do you travel to work from your home?



The figure below highlights the average time in minutes it takes for the commuters to travel to work by mode of transportation.

Figure 4.3.4: Traveling to work by time and mode of transportation



4.4. Household Information

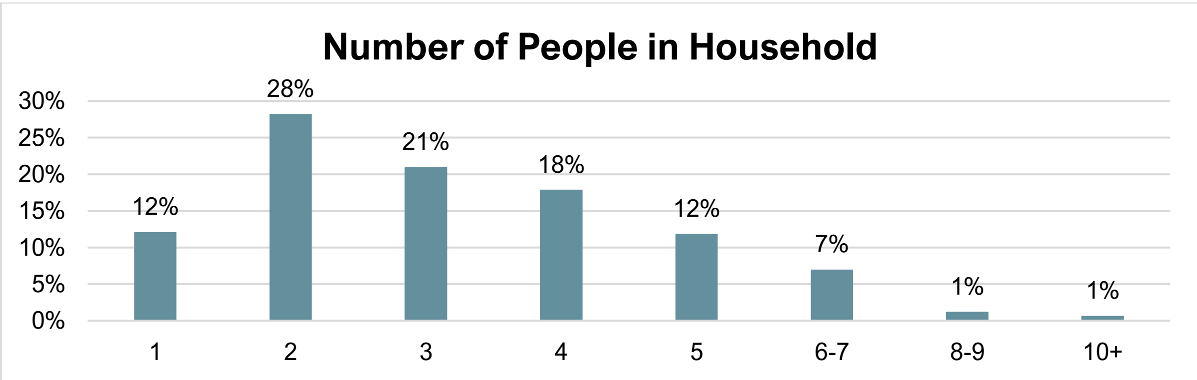
In this section, the commuters were asked about their household environment which related to the following topics:

- Household size
- Number of children in the household
- Number of people earning income
- Number of cars in household
- Household composition.

4.4.1. Number of people in the household

The average household size of the commuters is 3.3. The national census of 2022 found that the average household size in South Africa is 3.5 and in Gauteng, it is 2.8.

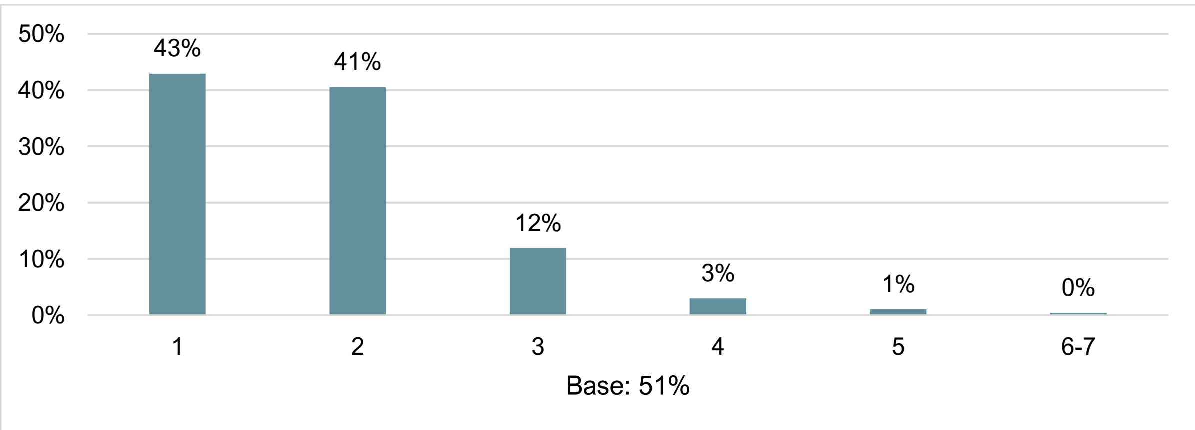
Figure 4.4.1: Number of people in the household



4.4.2. Number of children in the household

The commuter survey found that 51% of households have children, of the 51% of households that have children the average number of children per household is 1,8. The life cycle of the commuters is important to consider, as for households with children the location of schools is important.

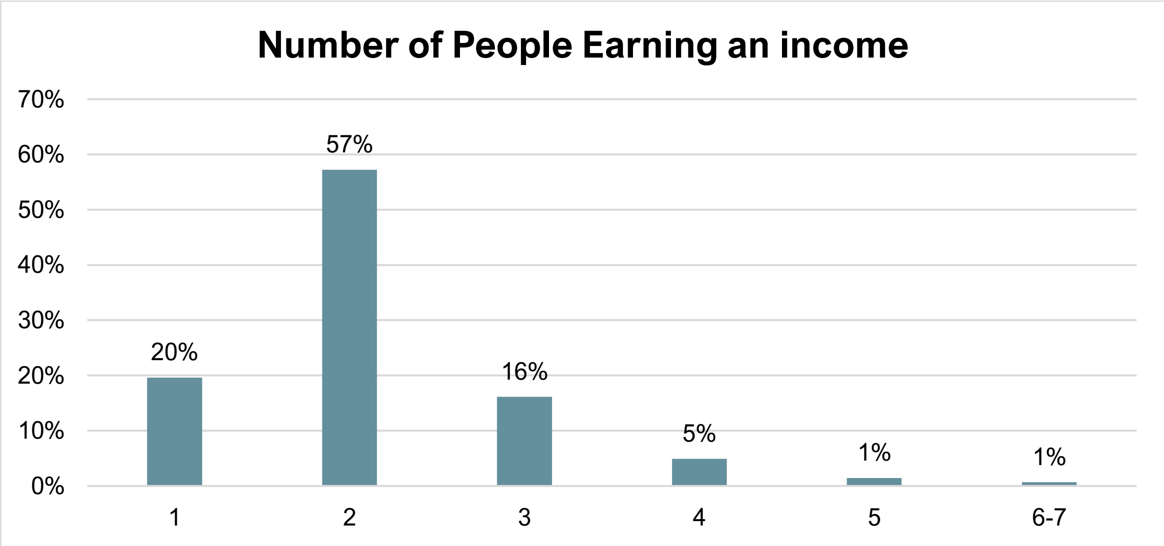
Figure 4.4.2: Number of children in the household



4.4.3. Number of people earning income

Based on the commuter survey, most households have at least 2 people earning an income. The average number of people earning an income per household is 2,1. The number of earners is a positive indication of increased affordability levels.

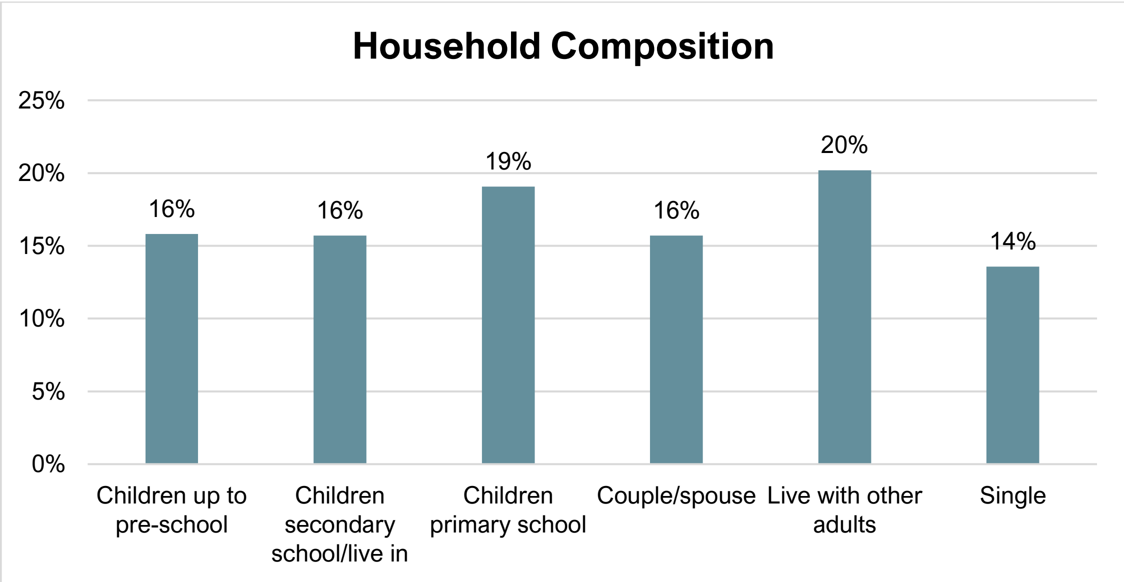
Figure 4.4.3: Number of people earning an income



4.4.4. Household Composition

The household composition examines the lifecycle of the commuters. Based on the commuter survey, 51% of households have children in Pre-, Primary, or Secondary school. This confirms how important schools are in the areas considered for the Co-Living model.

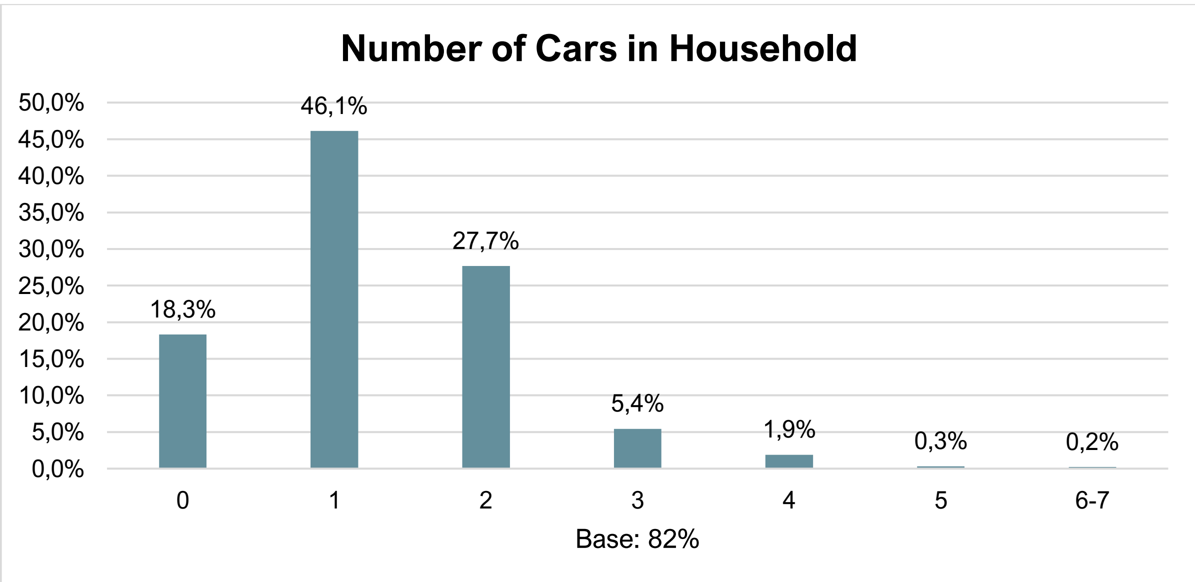
Figure 4.4.5: Household composition



4.4.1. Number of cars in household

The commuter survey found that 82% of households have reported having a car. On average the number of vehicles per household is 1,3. This provides a good indication when considering parking numbers and parking ratios. It is expected that car ownership will continue to increase in the future.

Figure 4.4.3: Number of cars in household



4.5. Home Conditions

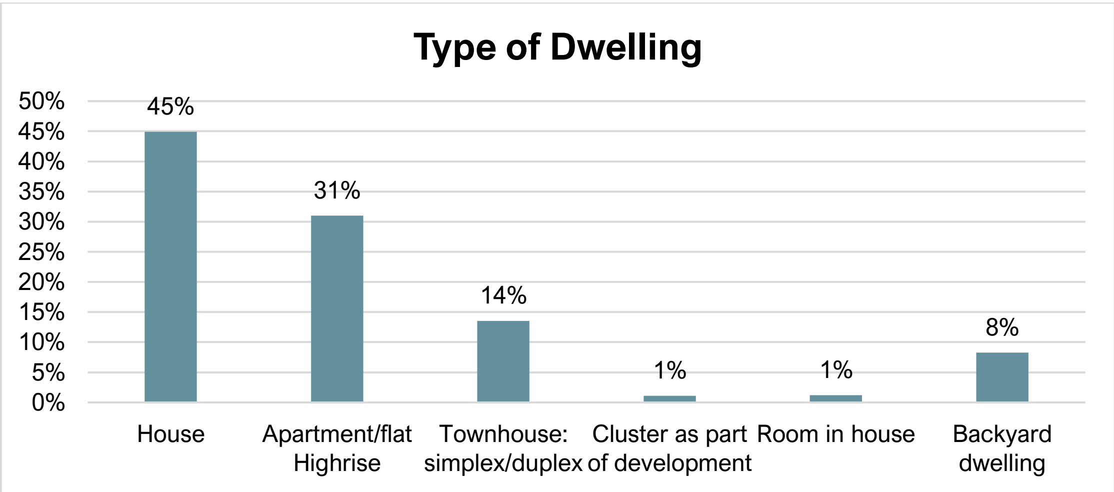
The following section examines the home conditions of commuters based on the following topics:

- Type of dwelling
- Tenure status
- Satisfaction rating

4.5.1. Type of Dwelling

The dwelling typology provides insights into how commuters are familiar with living in higher-density residential accommodation. The commuters who stay in multiple residential units' accommodation amount to 46%. 92% of commuters live in formal dwellings.

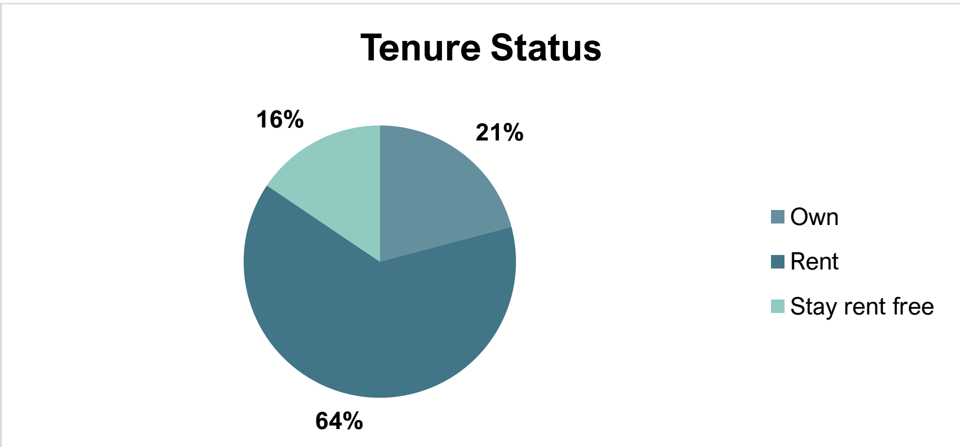
Figure 4.4.5: Type of dwelling



4.5.2. Tenure Status

Based on the commuter survey, 64% of commuters are renting their accommodation. About 23% of commuters who own their properties, own it without any monthly bond payments.

Figure 4.5.2: Tenure Status



4.5.1. Satisfaction Rating

The satisfaction rating indicates that there is an overall very satisfied or satisfied rating for the current home environment, home location and amenities.

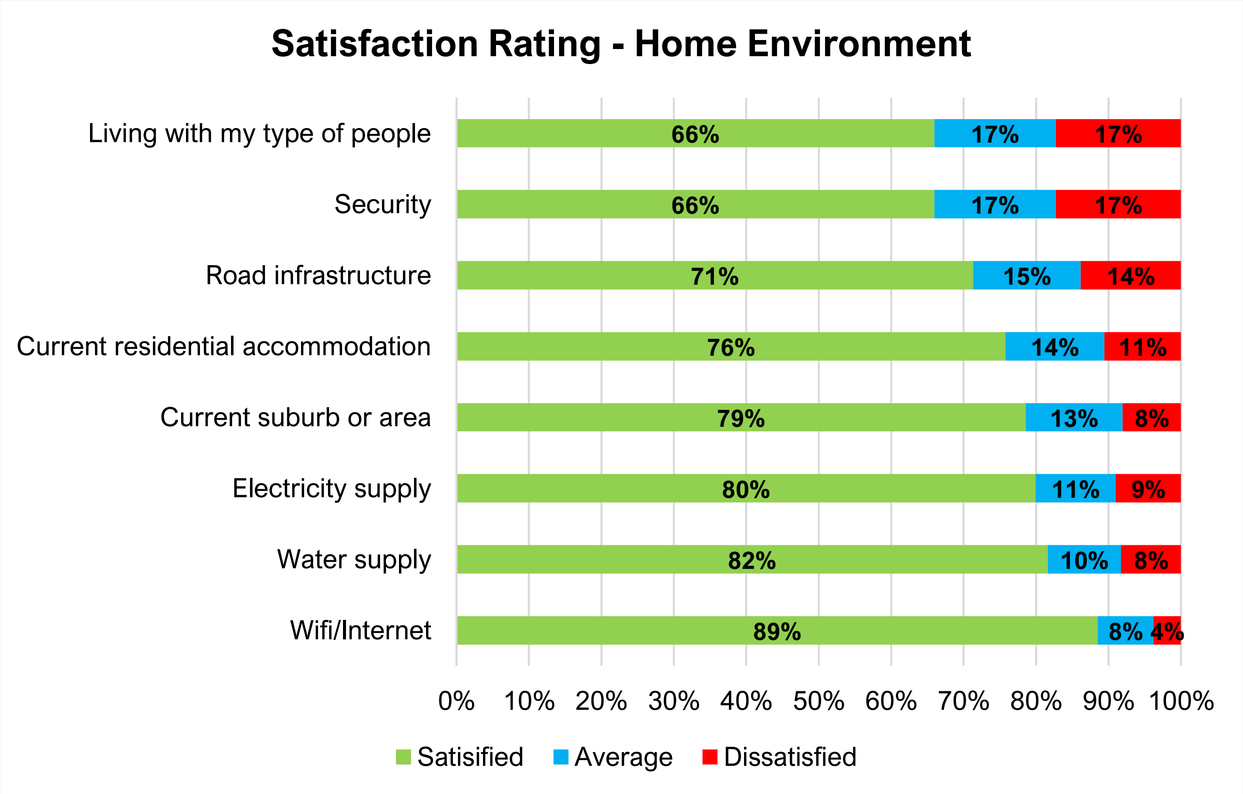
In general, commuters are fairly satisfied with their home environment. The area where there might be some improvement is living with my type of people and security who each have a dissatisfaction rating of 17%.

Road infrastructure also has a higher dissatisfaction rating compared to the other categories with 14% indicating they are dissatisfied with the condition of the road.

Security and Road infrastructure is a country-wide problem and is one of the elements which the average commuter has little control over, but they can move to an area with better safety.

Interestingly, the satisfaction rating of electricity supply is not one of the lowest considering the amount of loadshedding South Africa experienced in 2023 and early 2024.

Figure 4.5.2: Satisfaction Rating



4.6. Income and Expenditure

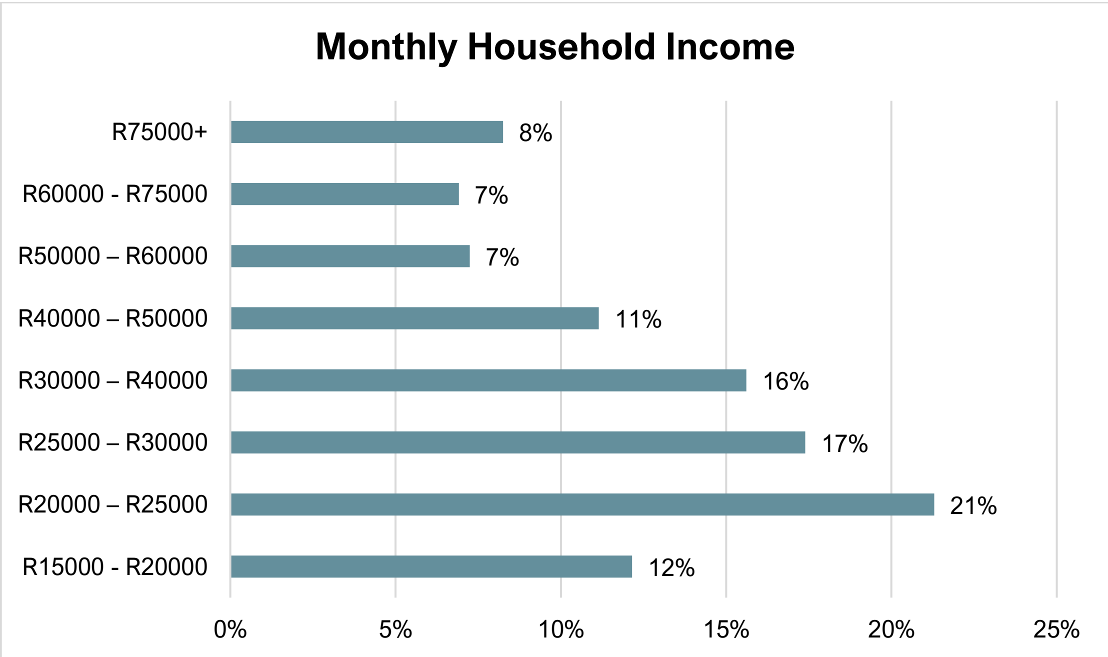
This section examines the income and expenditure of households:

- Gross household income
- Monthly expenditure on:
  - Residential accommodation
  - Rates and taxes
  - Water and electricity
  - Transport to work
  - Wi-Fi/internet
  - Levy/security
  - Cleaning/gardening

4.6.1. Gross Household Income

The gross household income provides an understanding of commuters' affordability and expenditure. The **gross average** household income is R36 894.

Figure 4.6.1: Gross Household Income

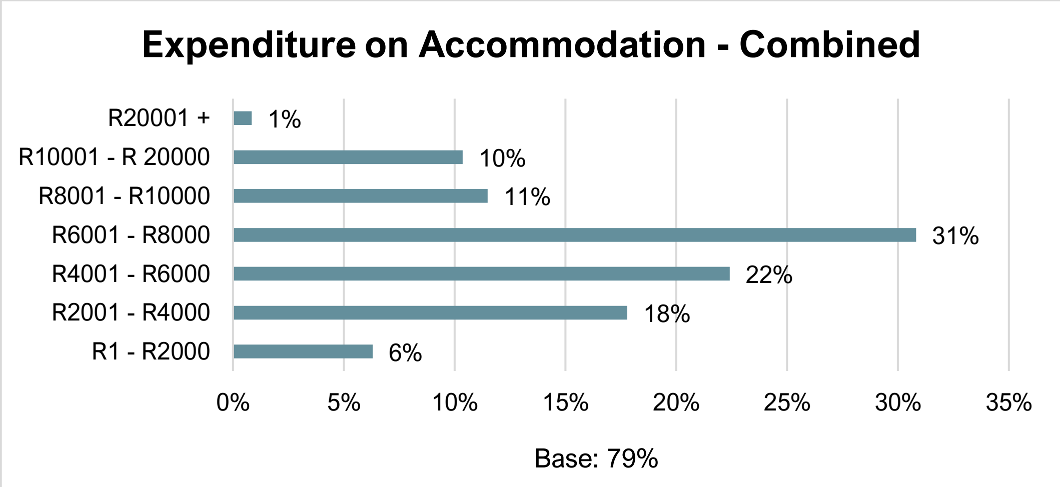


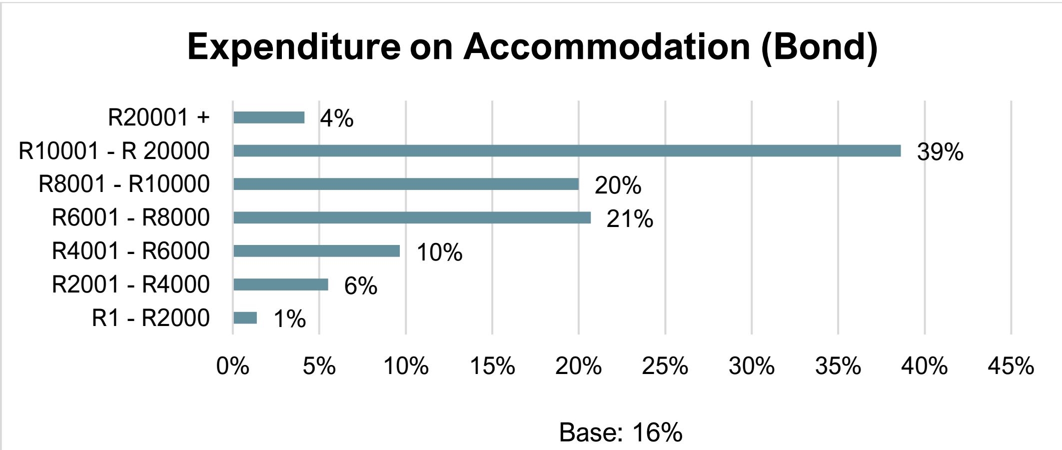
4.6.2. Monthly Expenditure on Residential Accommodation

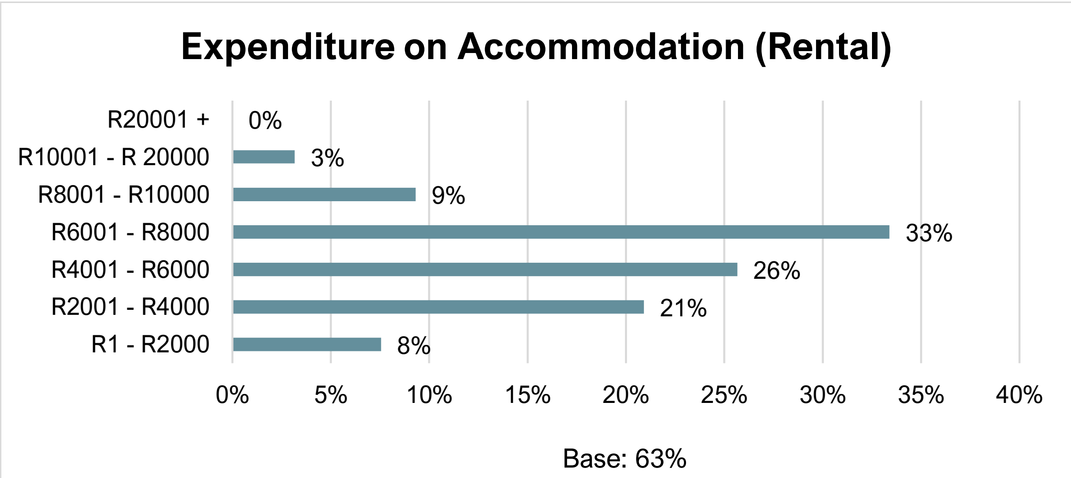
The consumer survey has found that the average households pay R5 298 per month for residential accommodation, this amount includes households who stay rent-free. When excluding households who stay rent-free/do not have any expenditure on accommodation, the average is R6 678.

Households who pay a monthly bond for their home pay an average of R10 495 per month. Household who pay a monthly rent for their accommodation pays an average of R5 705 per month.

Figure 4.6.2: Expenditure on residential accommodation



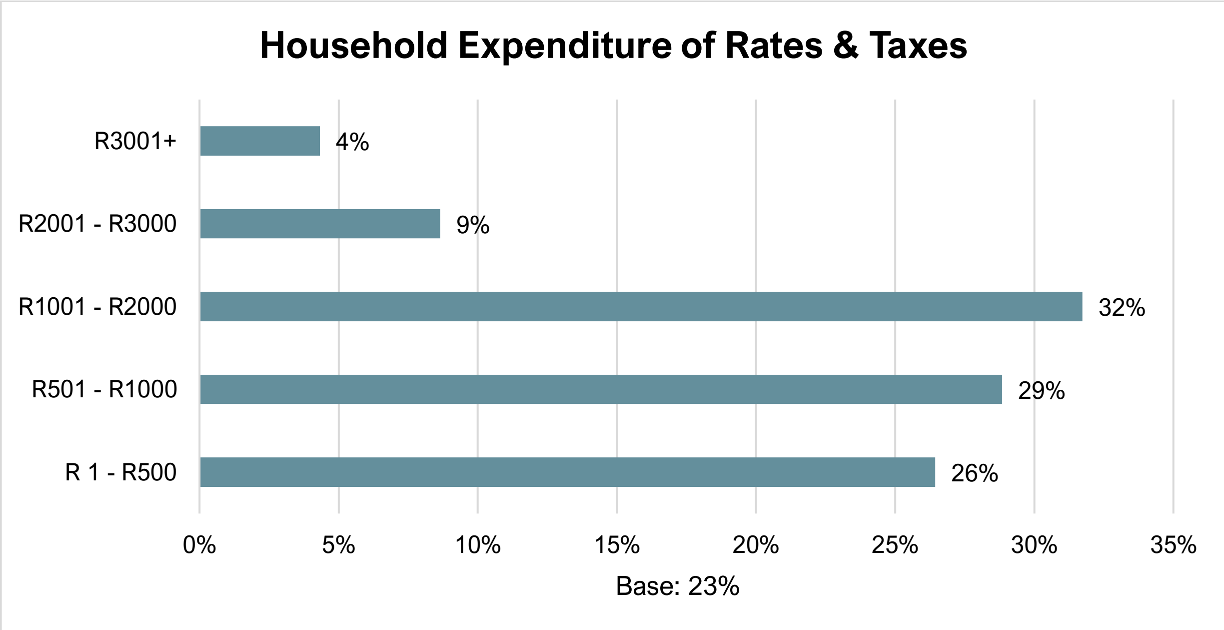




4.6.3. Monthly Expenditure on rates and taxes

The commuter survey has found that only 23% of households pay monthly rates and tax bills. On average the expenditure is R280.

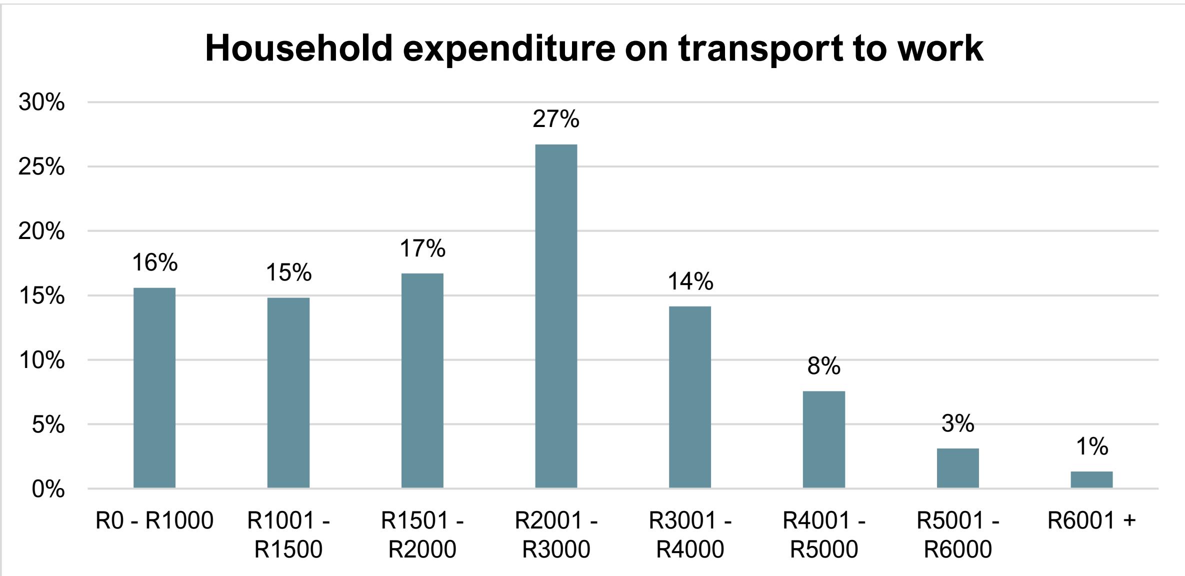
Figure 4.6.3: Monthly expenditure on rates and taxes



4.6.1. Monthly Expenditure on transport to work.

The commuter survey has found that a large portion of households (53%) spend more than R2000 per month on transport. Households spend on average, R2 519 on transport to work monthly.

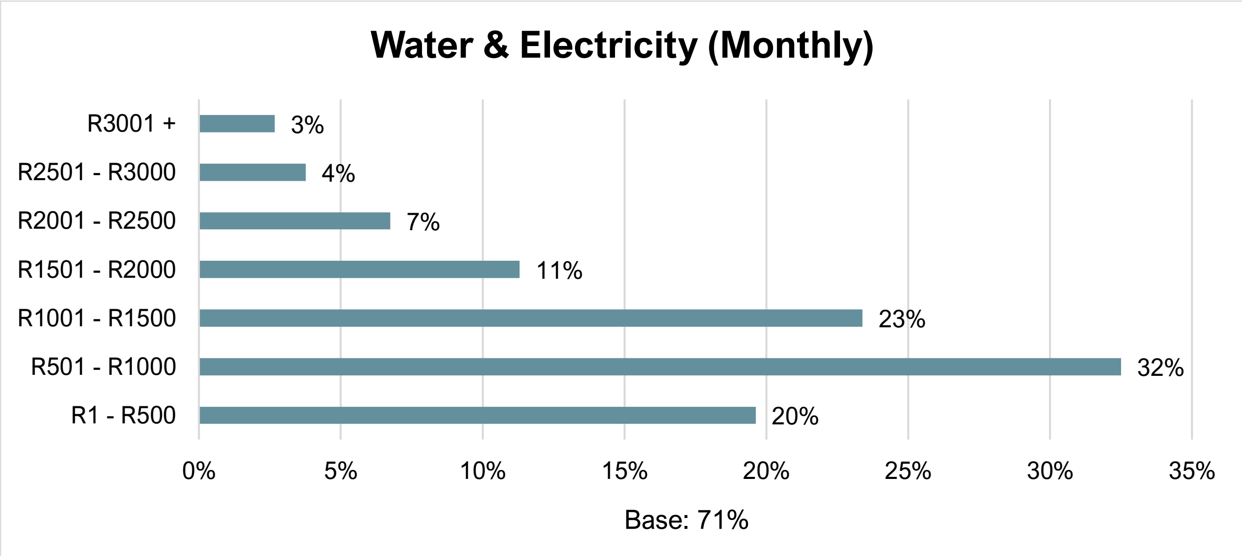
Figure 4.6.3: Household Expenditure on transport to work



4.6.2. Monthly Expenditure on water and electricity

In the commuter survey, about 71% reported expenditure on water and electricity. The average monthly amount is R898. This amounts to R276 per person compared to the average household size in the commuter survey.

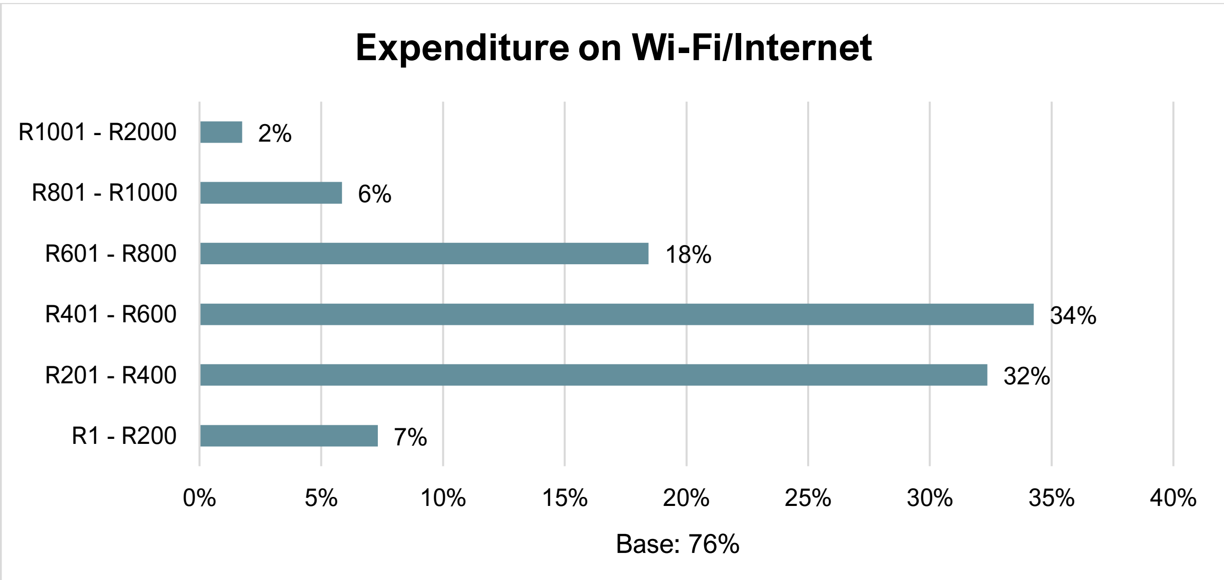
Figure 4.6.4: Monthly expenditure on water and electricity



4.6.3. Monthly Expenditure on Wi-Fi/internet

Internet connection is the basis on which most people communicate. The commuter survey found that 76% of households have a monthly expenditure of Wi-Fi/Internet and have an average monthly expenditure of R401. This also correlates with the Census 2020 which indicates that 78% of households have Wi-Fi available.

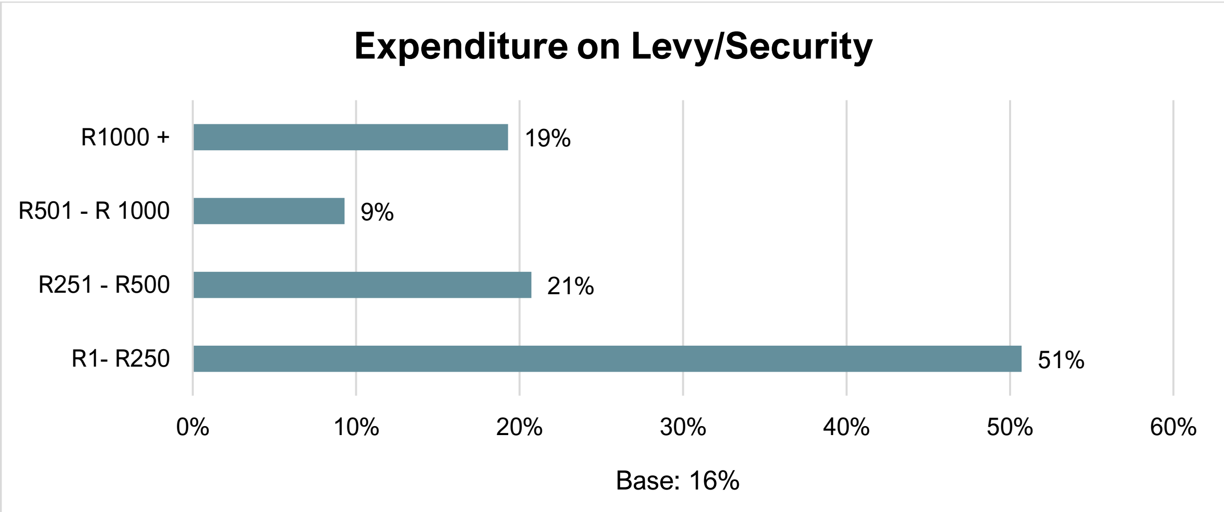
Figure 4.6.5: Monthly expenditure on Wi-Fi/internet



4.6.4. Monthly Expenditure on levy/security

The commuter survey has found that only 16% of commuters have a monthly expenditure on a levy and security. The average expenditure is R94.

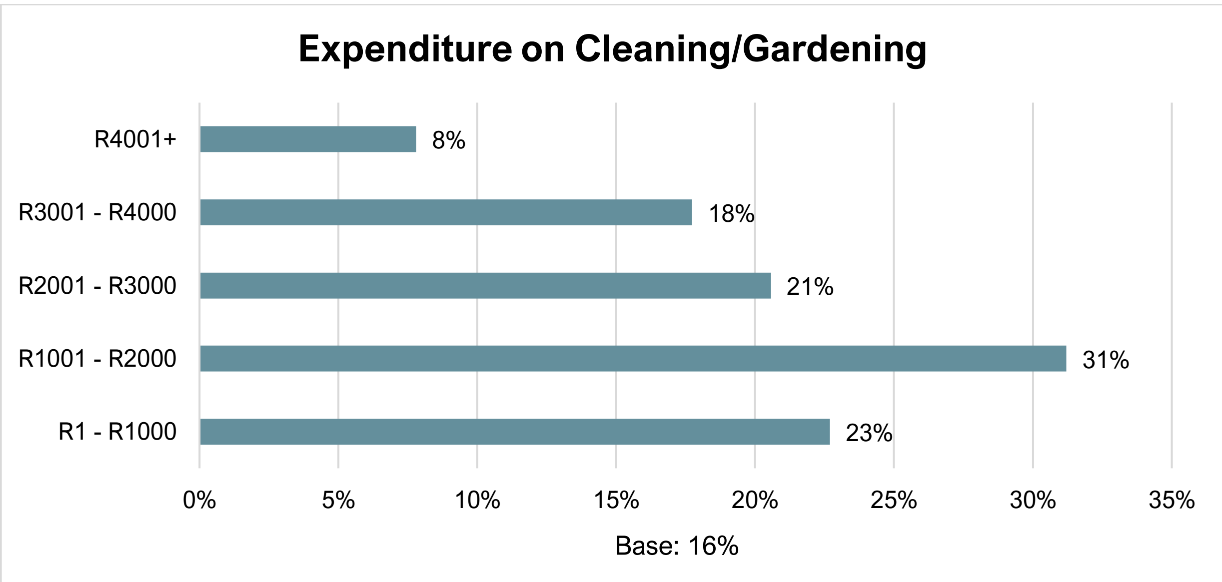
Figure 4.6.6: Monthly expenditure on levy/security



4.6.5. Monthly Expenditure on cleaning/gardening

Of the commuters who participated in the survey, only 16% indicated that they have a monthly expenditure on cleaning and gardening services. On average the monthly expenditure is R351 on cleaning and gardening services per household.

Figure 4.6.7: Monthly expenditure on cleaning/gardening

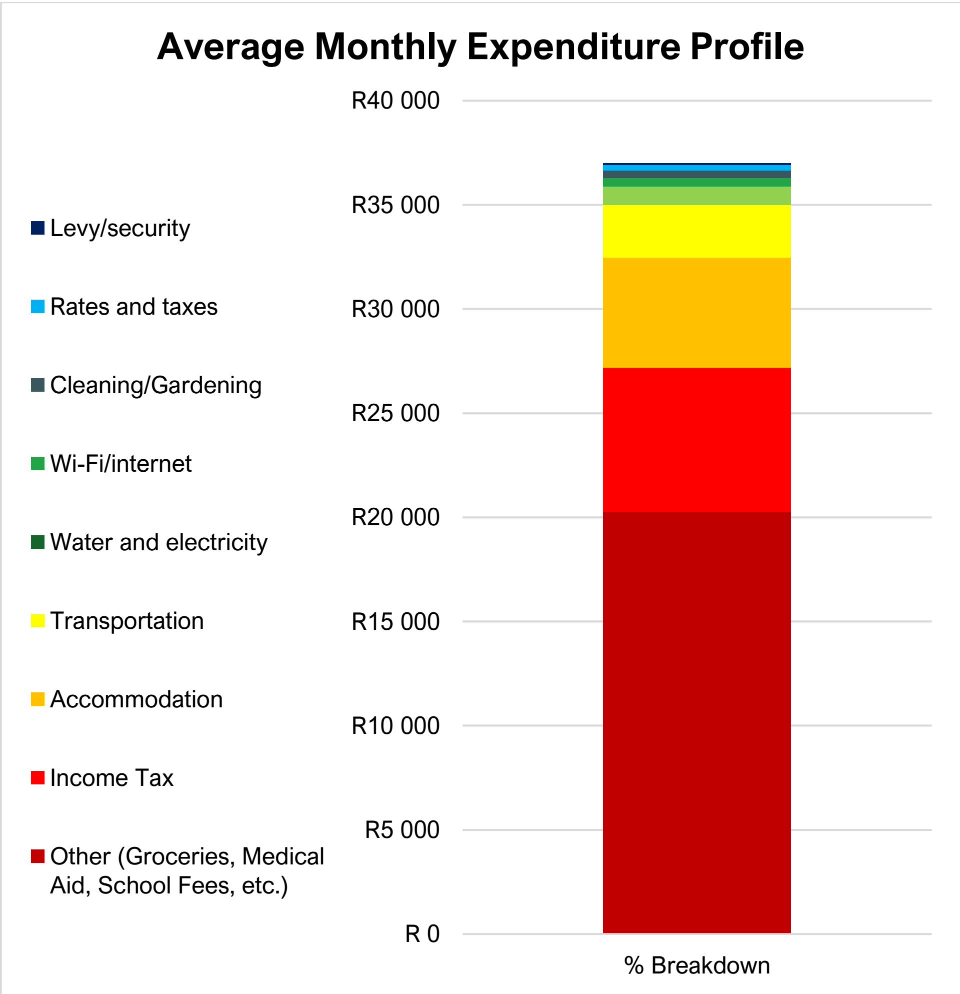


4.6.6. Summary of Average Household Expenditure

The average monthly household expenditure considers all data points, including households who have not reported an expenditure on a number of expenditure categories.

Table 4.6.8: Summary of Average Monthly Expenditure Profile

Average Monthly Expenditure Profile	% Breakdown
Levy/security	0,3%
Rates and taxes	0,8%
Cleaning/Gardening	0,9%
Wi-Fi/internet	1,1%
Water and electricity	2,4%
Transportation	6,8%
Accommodation	14,3%
Income Tax	18,7%
Other (Groceries, Medical Aid, School Fees, etc.)	54,7%



4.7. Willingness to relocate.

The commuter survey also tested if the respondent is considering relocating.

4.7.1. Plans to relocate.

From the commuter survey, 70% of commuters indicated that they plan to relocate within the next 2 – 3 years.

Figure 4.7.1: Plans to relocate

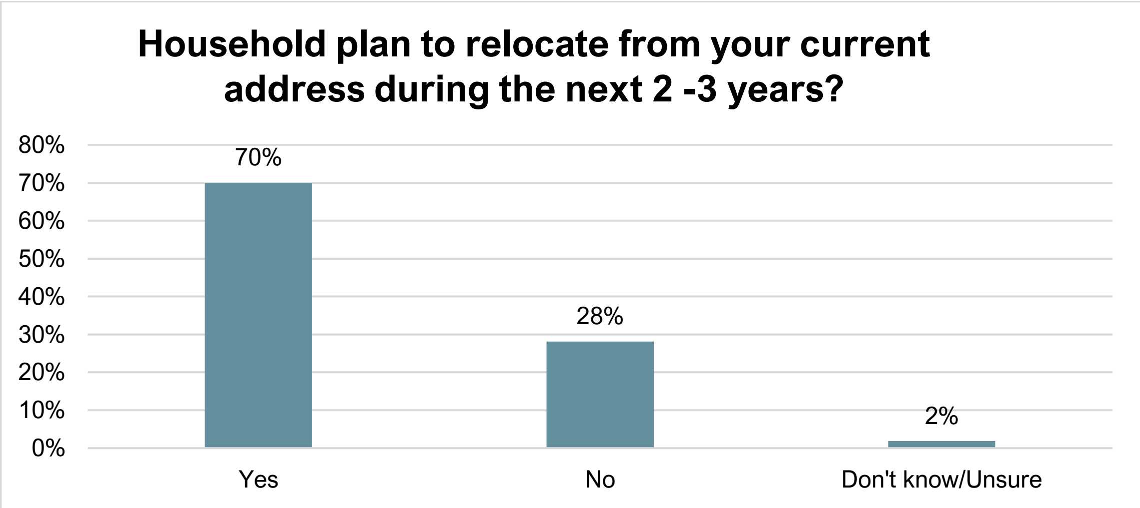
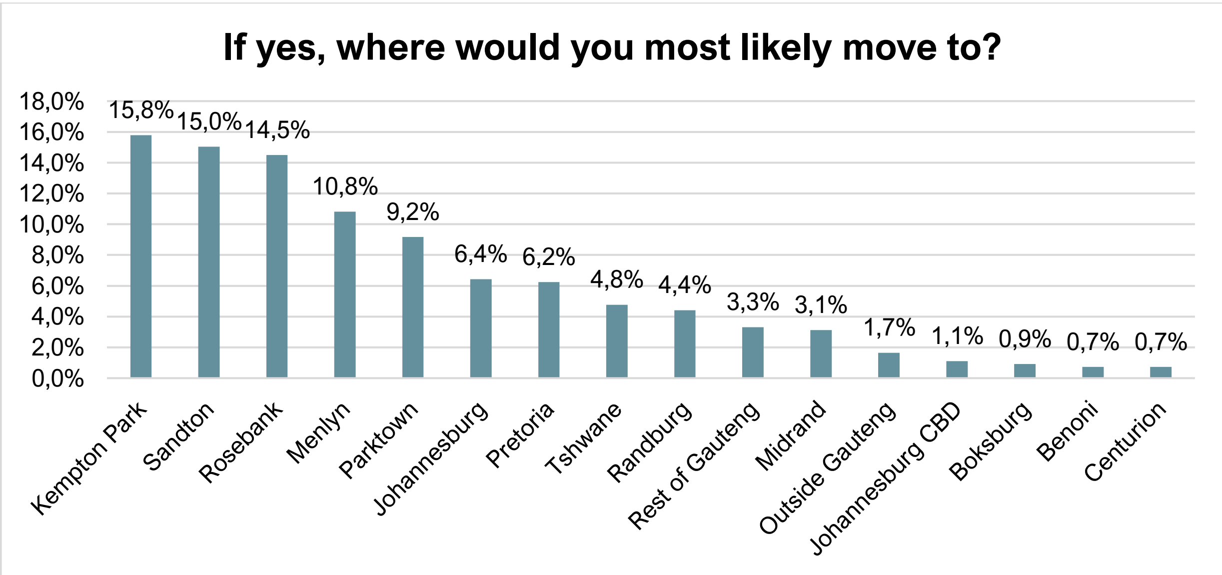


Figure 4.7.2: If yes, to where to relocate?

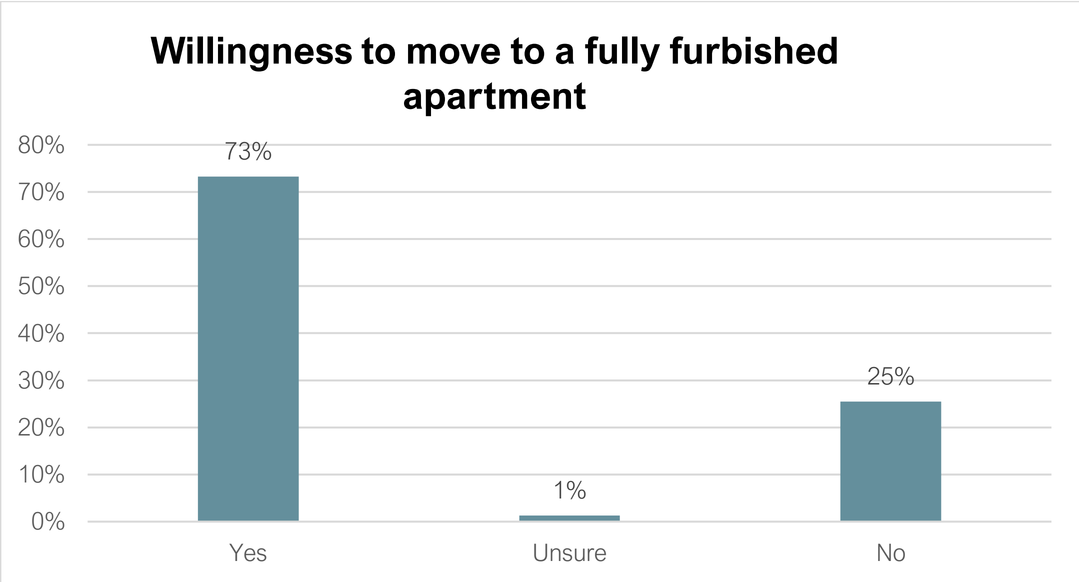
Of the commuters that indicated that they are willing to relocate, a large portion indicated that they are willing to move to Kempton Park (15.8%), Sandton, (15%), and 14.8% indicated that they are willing to move to Rosebank. This indicates that commuters considered moving to where major job opportunities are.



4.7.2. Move to a fully furnished apartment.

Commuters were asked if they would consider moving to a fully furnished apartment. The definition of a fully furnished apartment includes a fridge, stove, microwave, curtains, and some furniture such as a couch and bed. 73% of commuters are willing to move to a fully furnished apartment, which contradicts what the focus groups have found.

Figure 4.7.3: Willingness to move to a fully furnished apartment.



4.8. Conclusion

The commuter survey in the economic nodes provides valuable insights into the dynamics of the workers and commuters.

The following dynamics were noted:

- The average age of the commuters who completed the survey is 31 years.
- A large proportion of commuters reported that they stay in Randburg (14%) and Soweto (11%), which are more affordable residential nodes.
- Taxis (41%) and private cars (40%) are the largest modes of transportation to work.
- Taxi transportation takes on average 38 minutes to take workers to work. Bus transportation takes the longest with an average of 48 minutes.
- The average housing household size is 3.3, this aligns with the national average of 3.5 but is above the Gauteng average of 2.8.
- 51% of households have children and the average number of children per household is 1,8.
- The average number of people earning an income per household is 2,1. The number of earners is a positive indication of increased affordability levels.
- On average the number of vehicles per household is 1,3. This provides a good indication when considering parking numbers and parking ratios. It is expected that car ownership will continue to increase in the future.
- The commuters who stay in multiple residential units' accommodation amount to 46%. 92% of commuters live in formal dwellings.
- In general, commuters are fairly satisfied with their home environment. The area where there might be some improvement is living with my type of people and security who each have a dissatisfaction rating of 17%.
- Despite commuters being generally satisfied with their home environment, the majority would consider moving which suggests the desire for a more aspirational lifestyle. This suggests an opportunity for the co-living model.
- Road infrastructure also has a higher dissatisfaction rating compared to the other categories with 14% indicating they are dissatisfied with the condition of the road.
- Security and Road infrastructure is a country-wide problem and is one of the elements which the average commuter has little control over, but they can move to an area with better safety.
- Households who pay a monthly bond for their home pay an average of R10 495 per month Household who rents their accommodation pays an average of R5 705 per month. This average excludes commuters who did not report accommodation expenses.

5. CONCLUSION

The following SWOT Analysis concludes the research for the co-living model.

SWOT

Strengths

1. Cost-effective model for young professionals.
2. Provides community living and social interaction.
3. Well-located accommodation near economic nodes will enhance the desirability of the Co-Living Model.
4. Central location with good accessibility.
5. Close to amenities in economic nodes.

Weaknesses

1. Small units might receive pushback from commuters.
2. Privacy concerns and the need for "own" space might lower the desirability of the Co-Living Model.
3. The Co-Living model is a new concept in South Africa and might face scepticism regarding cultural acceptance.
4. Overall product financial feasiblity might be challenging when targeting the lower spectrum of the LSM market.

Opportunities

1. Affordable housing options are always in demand, especially in well-located areas.
2. Target workers that travel more than 30 minutes to work.
3. The population in the great Gauteng urban area are expected to continue to increase.
4. Provision of well-defined costs to attract tenants.

Threats

1. High value of land impacting overall development feasibility.
2. Commuters are price sensitive.
3. Competitive environment with other affordable housing development.