

Emigration, semigration up moderately in recent years

 By [John Loos](#)

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Emigration is something of a cyclical phenomenon, it would appear. While it can be driven by households' perceptions of the longer term future of the country, with recent years of “heightened social tensions” playing a role, it also has much to do with the economic cycle both in South Africa and abroad.



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The emigration-related part of our FNB Estate Agent Survey only started fairly recently, back in 2008. That was the time of the global financial crisis, and recessionary conditions in that year appeared to play a key role in dampening domestic confidence, sending the estimated percentage of home sellers “selling in order to emigrate” to a high of 20% in the third quarter of 2008. Admittedly, that was a thin market in that year, which “amplifies” this percentage, but it was a high estimate nevertheless.

It would be interesting to see how many of those emigrants filtered back to South Africa fairly quickly, because many ran into dismal economic conditions and weak job opportunities in many of their destinations.

The post-2009 economic recovery brought about happier times in South Africa, and we saw the estimated emigration-related selling percentage falling all the way to 2% by the end of 2013.

Thereafter, however, it resumed a gradual rise through 2014 to 2016, reaching a higher, though still moderate by 2008

standards, 5.8% by the fourth quarter of 2016.

By 2014, when this gradual rising emigration-selling trend began, economic growth had already been off its post-recession 2011 peak for two years. And heightened social tensions had already been with us arguably since around 2007/8, should one view strike and service delivery protest stats.

So what did the start of this renewed rise in emigration-related selling coincide with? It was the start of interest rate hiking, interestingly enough. It is probably unrealistic to blame all of the rising emigration-related selling trend on interest rate hiking. National household sector confidence, as reflected in the FNB Consumer Confidence Index, had already become “soft” since the start of the economic slowdown in 2012. But the start of interest rate hiking may have been that “final straw”, and certainly as from the second quarter of 2014 we saw the Consumer Confidence Index deteriorating more sharply, and remaining very weak ever since.

However, the 5.8% emigration selling percentage remains moderate compared to the 2008 levels. One of the key constraining factors may have been conditions in the rest of the world. While the global economy has been growing positively since the end of the financial crisis, it certainly hasn’t boomed. This limits employment opportunities, and thus limits migration of skills towards those countries. In addition, home prices in many countries are at extremely high levels, making the cost of relocation for many local South Africans “astronomical”.

Emigration selling by major region

Looking at the major urban regions in which most of our estate agent survey takes place, there is little to choose between the largest metro regions in terms of emigration levels.

Using a two-quarter average for the final two quarters of 2016, we see Greater Joburg (5.3%), Tshwane (5.4%) and Cape Town (5.5%) at almost identical estimated levels, while Ethekewini on 4.7% is also not too much different.

The Nelson Mandela Bay region, however, shows a noticeably higher 7.2% emigration-related selling estimate, which may point to that region’s economy having performed more poorly than the larger metro regions. Indeed, we do believe that the Gauteng, City of Cape Town and Ethekewini Metro economies are probably the faster long-term growth economies in South Africa.

Semigration-related selling

“Semigration” to and from regions can also be a useful indicator of a region’s economic performance as well as longer term confidence in that region. During the 2008/9 recession, many households were “staying put” in South Africa, with few new employment opportunities being created anywhere at the time. According to the sample of agents surveyed, the percentage of sellers selling in order to relocate to another region within SA bottomed at 6% of total selling early in 2009.

Since then, this percentage has recovered to levels as much as 10% in the first and the last quarter of 2016. As yet, despite recent renewed economic growth slowdown, we have not seen any noticeable slowdown in the motive for selling.

According to the overwhelming majority of agents, the main destination for these “semigrants” is the Western Cape region.

Examining “semigration-related” selling by major urban region for the final two quarters of 2016, we also see a noticeably low estimate of sellers selling in order to relocate away from the City of Cape Town Metro region, i.e. 3%. This, along with the majority of agents pointing to the Western Cape being the main semigration destination, continues to support other evidence of a strong net inward migration of repeat home buyers into the Western Cape.

On the other hand, the Nelson Mandela Bay region has the highest estimate of sellers selling in order to relocate to another SA region, i.e. 17.7%, according to the sample of agents surveyed in that region. Most of these sellers are believed to be headed towards the Western Cape. This, along with a slightly higher emigration selling rate from this region, points at its

economy possibly underperforming the other major metro regions in terms of growth.

Confidence levels high in Western Cape

In conclusion, both emigration and semigration-related home selling have risen mildly in recent years, but emigration-related selling is not at high levels compared to the estimates of 2008.

Within South Africa's major regions, the estimates point to confidence levels in the Western Cape region as being higher amongst home sellers and repeat buyers. Confidence is driven by a combination of economic performance as well as perceptions of regional management, while lifestyle also plays a role in location choice. This higher confidence level doesn't come out in the Western Cape's emigration rate, which is very similar to the large metros of Gauteng and Ethekewini.

However, it comes out in the survey of selling in order to "relocate to another SA region", where the majority of agents believe the Western Cape to be the major destination for these sellers, while the province is estimated to have by far the fewest departees.

We must just add, however, that we believe Gauteng to be the "magnet" for younger skilled labour market entrants, who are often aspirant first-time home buyers. Whereas the somewhat expensive Cape Town housing market attracted relatively few first-time home buyers in the second half of 2016, to the tune of an estimated 10% of total buying, Joburg and Tshwane were major first-time buyers drawcards to the tune of 22% and 28% of total buying respectively.

We suspect that many of these buyers may originate from other regions, as they flock to the country's largest economy to launch their working careers.

While we can't prove this first-time buyer migration pattern, we do believe that the major two beneficiaries of skilled labour are the Western Cape and Gauteng, the Western Cape better at attracting the older repeat buyer skilled population, and Gauteng better at attracting the younger skills who become first-time buyers. The result is that we would expect these two regional economies to continue to outperform the rest in terms of longer term economic growth for the foreseeable future.

ABOUT JOHN LOOS

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