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The Household Sector Economy

The Western Cape housing market is expected to continue to outperform in 2026…and it is more than just about current "semigration" rates.

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Even if net "semi-gration" into the Western Cape were to slow significantly, which is doubtful at this stage, the province will still likely be the outperforming residential property region in 2026. It has many things going for it.

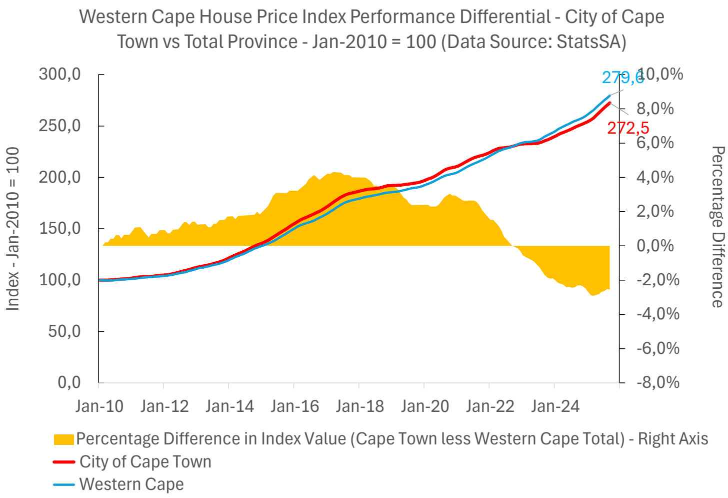
OVERVIEW

In 2026, I expect that the Western Cape will once again be the outperformer in terms of house price and residential rental growth.

Some have argued that the deterioration in relative home affordability should ultimately stem the Western Cape's property market outperformance, and indeed at some point one would expect this. There have even been claims of a net "reverse semi-gration" trend emerging, whereby the migration of skilled and more affluent households from South Africa's most populated province, Gauteng, to the popular Western Cape Province, has reversed.

Such a reversal is unlikely at this stage. However, as City of Cape Town and its immediate surroundings have become less affordable, a spreading out of "semi-gration" appears to have been taking place. This has benefited the Southern Cape and West Coast housing markets relatively speaking.

This shift has been happening for some years, and may have been driving a narrowing in the outperformance gap between City of Cape Town House Price Index and the overall Western Cape House Price Index from 2017, this gap having turned negative in 2022 (using January 2010 as the index base month). The trend points to the province's intra-regional house price growth outperformance for some years having been outside of the City of Cape Town. More such outperformance from the smaller regions is expected in 2026.



WESTERN CAPE ONGOING OUTPERFORMANCE IN 2026 EXPECTED DESPITE AFFORDABILITY CONCERNS

Claims of “Reverse Net Semi-Gration” back in the direction of Gauteng seem doubtful at this point

Both Gauteng and the Western Cape, two of the major 3 provinces in terms of economic size (KZN being other major one), have strong overall net population inflows. However, the popular South African term “semi-gration” tends to refer implicitly to a portion of the more skilled, middle-to-higher income, part of the population relocating to different regions in search of opportunity or a better quality of life.

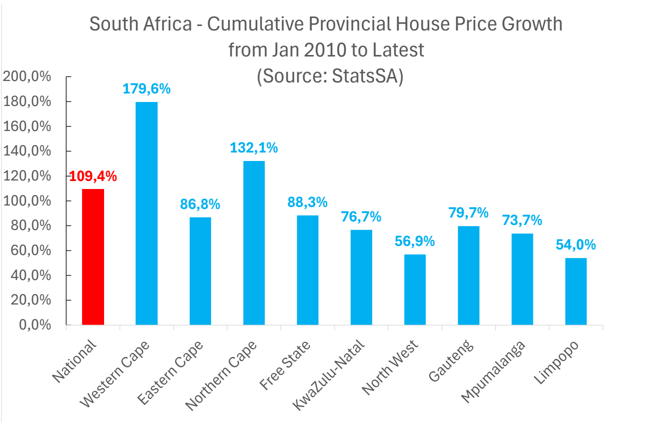
Much has been said in recent years around a strong net “semi-gration” rate in the direction of especially the Western Cape, and to a lesser extent KZN north coast and others, and a net outflow of such people out of Gauteng.

But over the past few years, there has been some talk of a “reverse semi-gration” trend emerging, whereby some believe that the migration of skilled and more affluent households from South Africa’s most populous province, Gauteng, to the popular Western Cape Province, has reversed.

An argument around the relative home affordability between these 2 major property regions is advanced as one key reason for reverse semigration. And indeed, the Western Cape’s relative affordability of housing, both for home buyers and tenants, has deteriorated significantly in recent decades. This is to a significant degree a reflection of its relative popularity as a place to live, but also partly reflective of greater land scarcity in and around the City of Cape Town and others relative to especially Gauteng’s landlocked metros.

Western Cape home values have shown a major relative affordability deterioration.

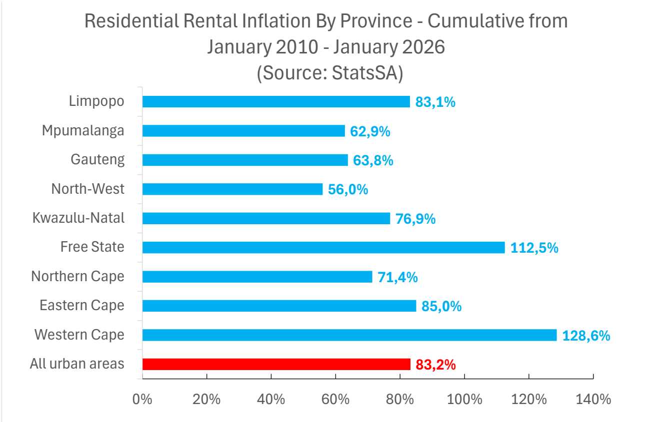
Using StatsSA house price data, the average Western Cape house price has risen by 179.6% from January 2010 to September 2025, compared to a far slower 79.7% in the case of Gauteng and 76.7% in KZN (the 3 major housing markets).



Western Cape Residential Rentals, too, have shown a major relative affordability deterioration.

The rental market has shown a similar relative affordability deterioration in the Western Cape.

The Western Cape CPI (Consumer Price Index) for Residential Rentals has inflated by 128.6% from January 2010 to January 2026. By comparison, Gauteng has inflated by a far lesser 63.8% over the same period, and KZN by 76.9%.



But there is little evidence of “reverse-semigration”.

But to date, I have seen little evidence in any data of such a reversal in semi-gration, although good data on the matter is admittedly difficult to come by. Yes, it is true that in any given period, semi-gration of households is taking place in both directions. But it has appeared for many years that the Western Cape has a strong net inflow (inflow minus outflow) of skilled and higher income semi-grants, while Gauteng and others tend towards a net outflow.

Wise Move, a company offering relocation solutions, published its 2025 Migration Report last year, citing its own 2024 data, and at that stage pointed to a very strong net outflow from Gauteng, and a net inflow into the Western Cape. These stats are interesting, because such companies probably largely relocate skilled middle-to-higher income households.

Sustained Large house price differentials between regions within countries are a frequent occurrence.

In many countries, one sees certain prime cities with property values far exceeding other regions in the same country. One only has to think of London versus other regions in the UK, and the differential can be sustained on an almost permanent basis.

The question is, at what stage does the affordability differential become so extreme that it eventually does lead to a curtailing of investor interest in property in the less affordable region, to the extent that its outperformance in terms of house price and rental growth comes to an end?

While that point must ultimately come to the Western Cape market, the question of when and at what price level is not easy to answer, because much will depend on the relative economic performances of the provinces.

Western Cape has more property market outperformance drivers than current semi-grants.

I believe that many people place too much emphasis on current semi gration inflows in explaining what drives the Western Cape's housing market. The importance of the past two decades of net skilled and affluent semi-grant inflows into the Western Cape must be emphasized here. This has meant a better cumulative build-up of the province's skills and purchasing power base. The cumulative effect of this multi-decade semi-grant inflow puts the Western Cape in the likely position to outperform the rest in terms of economic growth, because a region's skills base is a key driver of a modern economy.

The skills base not only drives the private sector directly, but the government sector too. This likely implies that, for the foreseeable future, outperformance in terms of infrastructure and service delivery will continue in many Western Cape municipalities, sustaining the relative appeal of the region and supporting its economy.

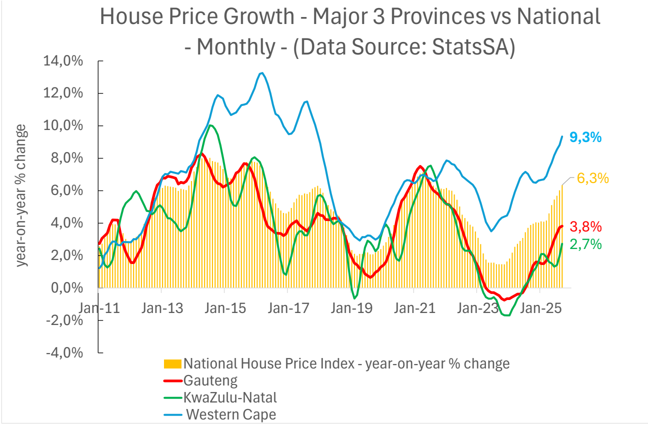
This can be expected to lead to job creation in the province being better than in other provinces, and this means that local residents in the province can also be a key driver of property outperformance, growing their purchasing power for property at a faster rate than in other provinces.

Some people focus on the impact of strong foreigner buying as a key driver of residential in-affordability, others on short term rental investment, while others may point to current rates of semi migration into the province as a key driver. But it may also be simply a looming period of superior economic growth performance in the Western Cape region that turns out to be a key driver of housing market outperformance along with the aforementioned factors.

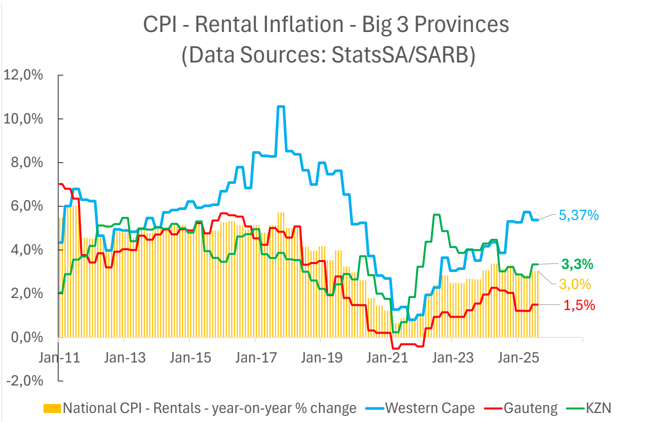
Recent data show little sign of the end of Western Cape outperformance

And certainly, if one views the major provincial house price indices as at September 2026, StatsSA's latest datapoints, one sees no apparent end to the house price growth performance of the Western Cape. At 9.3% year-on-year growth, its rate dwarfs Gauteng's 3.8% and KZN's 2.7%.

Admittedly all 3 provinces have shown house price growth accelerations of late, a function of all 3 benefiting in the short run from mild interest rate cutting.



The Western Cape's Rental outperformance also shows no sign of abating. StatsSA CPI for rentals shows the Western Cape residential rental inflation rates at 5.37% year-on-year, compared to KZN's lesser 3.3% and Gauteng's 1.5%..



But an internal shift within the Western Cape (and perhaps along the broader coastline) appears to be playing out.

However, I do believe that the Western Cape's affordability deterioration is causing a shift in semi-gration patterns over time, and thus a shift in subregional outperformance/underperformance in its house price growth.

But this is not a perceived shift between Gauteng and the Western Cape. Rather it is a shift within the Western Cape and possibly along the broader coastline of South Africa to come.

For quite a number of years, the shift in semi gration patterns within the Western Cape have been discussed. A growing portion of aspirant migrants appear to have been searching for new and perhaps less crowded and more affordable destinations, as City of Cape Town and surroundings fill up. And so, the Southern Cape, including towns such as George and Mossel Bay, has become popular, and to a lesser extent the West Coast.

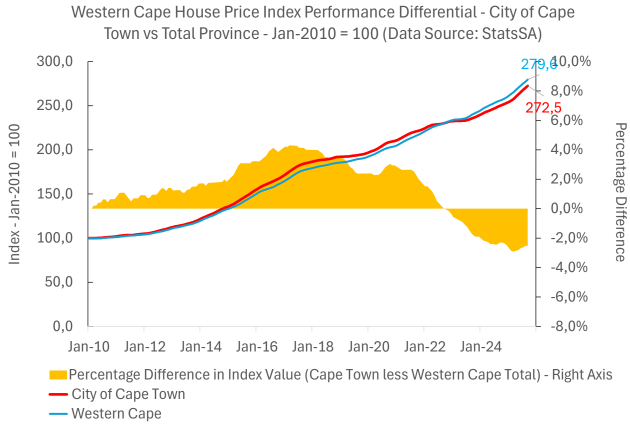
This may have begun to cause the rest of the Western Cape to outperform the City of Cape Town.

Is Western Cape's best house price growth now outside of the City of Cape Town?

On the graph below, we view the Western Cape House Price Index from 2010 to its most recent data point, against the City of Cape Town Metro House Price Index over the same period. January 2010 being the base month for both.

The percentage gap that the City of Cape Town House Price Index Built up over the total Western Cape House Price Index was at its biggest early in 2017. From then on there was a broad narrowing of This performance gap, and around mid-2022 the City of Cape Town index started to show a negative gap relative to the overall province's index.

This suggests that house price growth outperformance within the Western Cape has come more from outside the City of Cape Town Metro in recent years, and may reflect the relative popularity shift within the province towards towns outside of the Metro and its immediate surroundings.



Finally, is the Eastern Cape Coast set to benefit more from semi-gration?

Interesting too, is that in Wise Move's 2025 migration report, the company also reported a net inward migration into the Eastern Cape 2024. One wonders whether that is not a sign of the continuation of the perceived trend of semi gration gradually spreading out along a broader part of South Africa's coastline.

It is only one piece of data, and doesn't confirm a trend. However, I am of the belief that the deteriorating affordability of housing in the City of Cape Town and even the broader Western Cape, ultimately leads to other, previously less-favoured towns along the coast benefiting more from semi-gration as time goes by.

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About John Loos: Independent Economist

John started his career as an economist in the National Treasury in the 1990s. Thereafter, he became the Southern African Macroeconomist for Globalinsight (now S&P Global). From 2000 to 2005, he was at Absa Bank, as a senior macroeconomist working on the group's economic forecasting process.

In 2004, he was named Reuters Economist of the Year.

From 2006 to 2018 he pursued an acquired passion for housing market analysis at First National Bank (FNB), where he produced some of the leading housing market analysis in SA at the time. His analysis of the pre-2008 housing bubble taught him how "irrational" economic decision-making can be, when greed and over-exuberance take hold of a market, and how painful the aftermath can be.

From late in 2018 to early-2026, he spent the remainder of his time with FNB at the bank's Commercial Property Finance Unit, undertaking commercial property analysis.

New Beginnings, New Purpose…Independent Economist with a Household Sector, Consumer and Housing Market Focus

In March 2026, John began a new and exciting phase of his career, returning to focusing on the economics of the Household Sector, in which his Housing Market analysis once more became one of the key focus areas, along with the financial health, mindset and well-being of the Household Sector.

Additionally, he promotes the Economics of Hope, Motivation and Well-Being. He believes that South Africa has the ingredients for a far more successful economy and society right under its nose, with ample pockets of excellence and "winners" who can be studied, learnt from, and whose winning principles can be replicated in the broader economy. He believes that this is slowly starting to happen, and that the South African Economy can ultimately prosper to a far greater extent.

Many people in the Property Market will know John, who has addressed to them on the economy, the property market, and his talks themed around "Hope, Optimism, what Winners do and WHY.

John believes in the importance of sport, not only for physical health benefits, but also because of the mental and economic lessons that it brings. Describing himself as a "social endurance sport junkie", he has done a list of events and adventures that include the Comrades Marathon, the Ironman Triathlon, ultra mountain running races, a myriad of ultra-unsupported cycling races and adventures that span the length and breadth of beautiful South Africa, ans well as a walk up Africa's highest mountain.

John's experience as an economist, along with his broader life experiences have been combined to build a compelling and entertaining offering as an economist, strategist, keynote speaker, and event MC.