MARCH BUILDING STATS

Everything still points towards a significantly weaker 2009 on the home building front

HOME LOANS DIVISION

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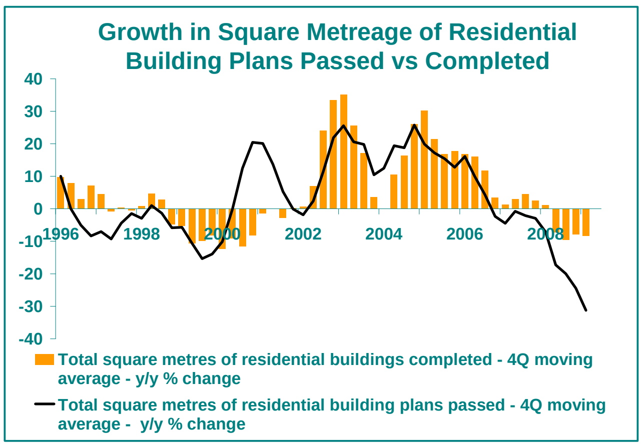
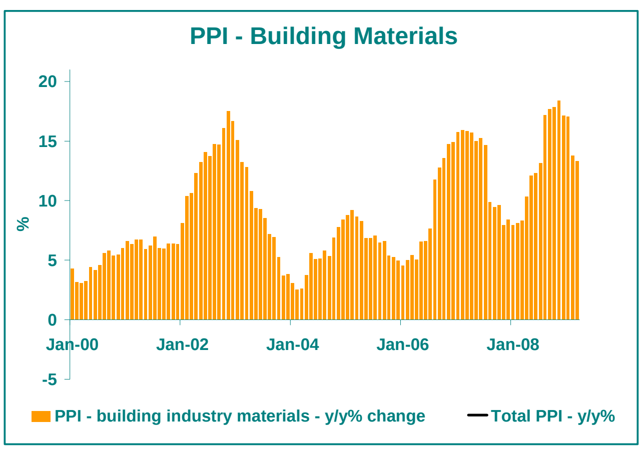
MARCH BUILDING STATS ONCE AGAIN CONFIRM THE MAJOR RESIDENTIAL FIXED INVESTMENT CUT-BACK BY THE HOUSEHOLD SECTOR

Building Stats for March 2009 complete the picture for residential building for the first quarter, and confirm the view that 2009 looks set to be a very weak year for sectors linked to residential property fixed investment. For the first quarter as a whole, the number of residential units completed declined by – 10% year-on-year (compared with – 1.7% in the previous quarter), while on a per square metre basis the year-on-year rate of decline was – 5.8% in the first quarter (compared with – 2.9% in the previous quarter).



The building plans passed numbers, possibly a good sign of where things are headed in the near term, paint a far worse picture, with the year-on-year rate of decline in number of units plans passed recording – 34.3% year-on-year (compared with – 26.8% in the previous quarter), and the square metreage of plans passed declining by – 44.6% (compared with – 34.3% in the previous quarter).

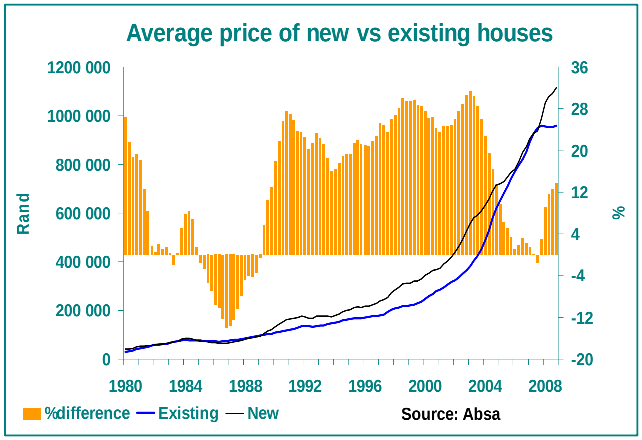
For the past 4 quarters, therefore, the decline in square metreage of completions has been -8.4% on the previous 4 quarters, while plans passed is a massive -31.2% down

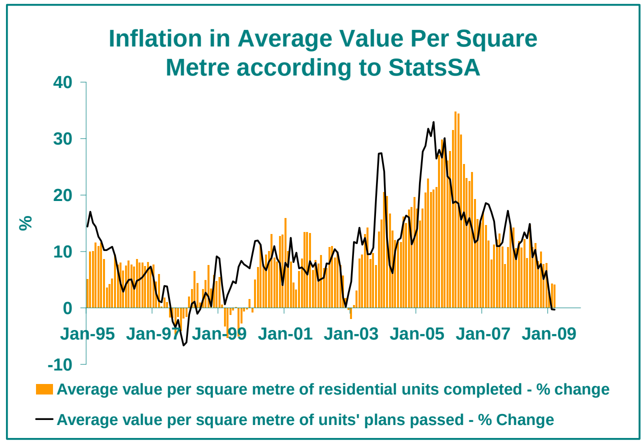


Developers/building contractors face a dual challenge at present. On the one hand demand for housing overall is very weak, suffering from the lagged impact of high inflation and interest rates until mid-last year, as well as the more recent recessionary and job cutting environment. Simultaneously, building cost increases have been significant, hampering efforts to bring competitively priced stock to the market. Building input cost inflation appears to be subsiding, but remains significant, with the producer price index for building materials showing year-on-year inflation of 13.3% as at March. This is down from the 18.4% peak in November 2008, but still way out of line with national house price deflation which, according to the FNB House Price Index measured -102% Year-on-year in April.

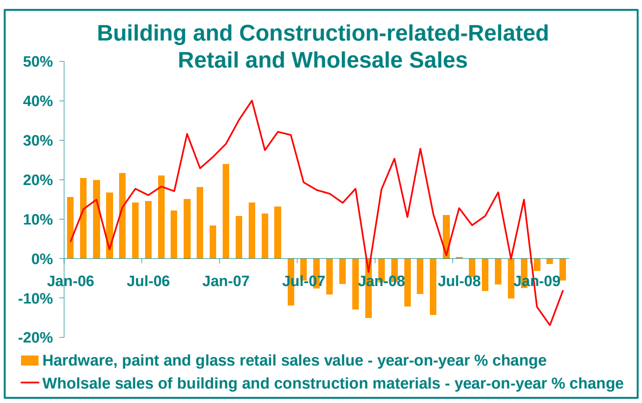
The result of the divergence between the deflation rate of existing houses and building cost inflation is believed to have been a widening in the gap between the average price of a new house versus that of an existing house over the past year or so.

This widening gap is reflected in the Absa price time series' for new vs that of existing houses, which narrowed from around 2004 to 2007 but started to widen again last year. According to the building statistics, the industry has made some progress in reducing the price inflation rate per square metre on completed units to 4.1% year-on-year in March, down from 34.8% in March 2006, but even at such a low inflation rate the gap could continue to widen between the cost of new versus existing houses, given widespread national house price deflation.

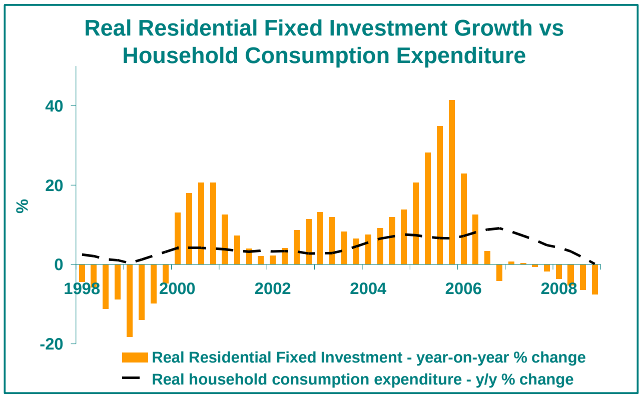




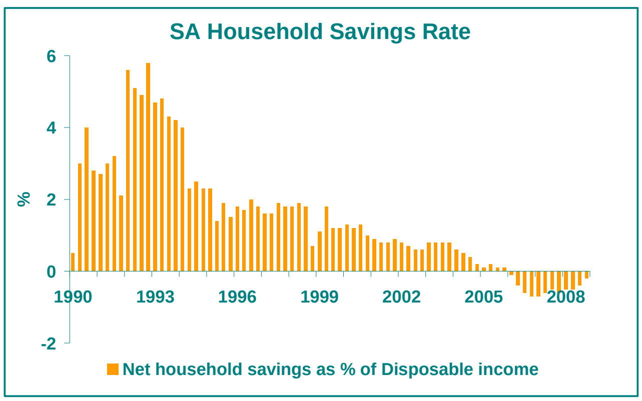
The weakness in residential building activity cuts into retail and wholesale sales numbers, too, and recent retail and wholesale sales numbers for March showed the value of wholesale sales of building and construction materials declining year-on-year by -8.1%, the third consecutive month of year-on-year decline. Hardware, paint and glass retail sales also continued to show year-on-year decline of -5.5% as at March.



INVESTMENT IN FIXED ASSETS COMES SECOND TO CONSUMPTION WHEN HOUSEHOLD INCOMES ARE UNDER PRESSURE, SUGGESTING THAT 2009 WILL BE ANOTHER YEAR OF SLOWDOWN FOR RESIDENTIAL BUILDING ACTIVITY



Given South Africa's low savings/high consumption culture, it should not be unsurprising to see residential real fixed investment growth plummeting from a lofty high of +41.4% back late in 2005 when credit was more freely available, to negative growth of -7.5% year-on-year by the end of 2008. Real household consumption expenditure by comparison is far more stable, with its year-on-year growth having peaked at a far lower 9.1% at the end of 2006, and at the end of 2008 still having shown mildly positive growth of 0.1% year-on-year. When economic times deteriorate, therefore, fixed investment by households gives way faster than consumption expenditure, with the cost of, and access to, credit being a key driver of residential fixed investment in a very low savings environment.



Over the past 3 years, South Africa's household sector has been in a situation of "net dis-saving" implying that what saving does take place is insufficient even to fully cover the depreciation of fixed assets owned by the household sector.

On top of a lack of savings for fixed investment purposes, the household sector currently battles with stringent credit criteria applied by banks, and on top of all this residential property is some way from regaining its shine as an asset class.

The FNB Residential Property Barometer does point towards a mild uptick in demand for residential property, but an oversupply of increasingly competitively priced existing property makes it unlikely that we will see an improvement in demand for new residential property during 2009. Further decline throughout the year in building activity is thus expected, and we may have to wait until at least 2010 for some recovery.

Building Plans Passed

Residential Buildings	2006	2007	2008	Q3-2008	Q4-2008	Q1-2009	Jan-09	Feb-09	Mar-09
Dwelling houses less than 80 m.sq (Number)	37,147	36,796	30,881	14,029	6,707	6,924	3,413	1,640	1,871
Y/Y % change	*-1.4*	*-0.9*	*-16.1*	*47.6*	*-25.2*	*2.5*	*164.2*	*-22.4*	*-44.2*
Dwelling houses less than 80 m.sq (m^2)	1,657,023	1,624,463	1,378,904	579,177	305,569	300,258	149,649	73,045	77,564
Y/Y % change	*1.7*	*-2.0*	*-15.1*	*36.4*	*-21.4*	*-2.7*	*152.0*	*-26.0*	*-48.5*
Dwelling houses less than 80 m.sq (R'000)	2,984,546	3,098,758	2,775,455	1,064,908	611,317	517,832	212,299	139,430	166,103
Y/Y % change	*24.2*	*3.8*	*-10.4*	*26.5*	*-19.5*	*-23.0*	*72.0*	*-40.1*	*-47.5*
Dwelling houses larger than 80 m.sq (Number	34,846	31,782	21,440	5,388	4,291	3,487	1,003	1,217	1,267
Y/Y % change	*2.1*	*-8.8*	*-32.5*	*-37.5*	*-38.9*	*-39.8*	*-41.3*	*-39.6*	*-38.6*
Dwelling houses larger than 80 m.sq (m^2)	8,082,214	7,971,177	5,468,375	1,396,863	1,069,152	891,422	251,444	317,152	322,826
Y/Y % change	*-0.4*	*-1.4*	*-31.4*	*-34.6*	*-39.5*	*-40.0*	*-41.8*	*-38.2*	*-40.3*
Dwelling houses larger than 80 m.sq (R'000)	24,237,240	26,417,445	19,901,574	5,305,942	4,098,605	3,510,849	981,398	1,245,679	1,283,772
Y/Y % change	*13.3*	*9.0*	*-24.7*	*-30.7*	*-35.7*	*-36.9*	*-39.5*	*-34.7*	*-36.8*
Flats and Townhouses (Number)	31,932	32,988	29,946	8,007	5,774	3,453	1,119	1,327	1,007
Y/Y % change	*4.8*	*3.3*	*-9.2*	*-6.4*	*-16.6*	*-59.6*	*-41.9*	*-67.0*	*-61.2*
Flats and Townhouses (m^2)	4,138,546	3,848,201	3,230,918	869,308	560,176	342,893	105,957	138,904	98,032
Y/Y % change	*-7.3*	*-7.0*	*-16.0*	*-11.1*	*-28.9*	*-64.9*	*-58.8*	*-68.2*	*-65.4*
Flats and Townhouses (R'000)	13,230,325	13,480,089	12,882,634	3,491,042	2,259,677	1,462,813	406,029	620,509	436,275
Y/Y % change	*4.9*	*1.9*	*-4.4*	*-1.3*	*-23.4*	*-63.8*	*-62.2*	*-66.6*	*-60.7*
Total units plans passed (Number)	**103,925**	**101,566**	**82,267**	**27,424**	**16,772**	**13,864**	**5,535**	**4,184**	**4,145**
Y/Y % change	***1.6***	***-2.3***	***-19.0***	***2.8***	***-26.8***	***-34.3***	***27.0***	***-24.4***	***-0.9***
Total building plans passed (m^2)	**13,877,783**	**13,443,841**	**10,078,197**	**2,845,348**	**1,934,897**	**1,534,573**	**507,050**	**529,101**	**498,422**
Y/Y % change	***-2.3***	***-3.1***	***-25.0***	***-19.6***	***-34.3***	***-44.6***	***-32.3***	***-49.6***	***-48.9***
Other Residential Buildings (m^2)	207,859	253,101	365,906	70,642	118,184	57,113	2,079	46,111	8,923
Y/Y % change	*12.4*	*21.8*	*44.6*	*44.9*	*71.3*	*-36.3*	*-83.0*	*-33.0*	*4.1*
Other Residential Buildings (R 000)	812,730	971,053	1,526,884	288,899	418,211	252,076	7,977	206,840	37,259
Y/Y % change	*46.6*	*19.5*	*57.2*	*36.8*	*75.0*	*-32.6*	*-89.1*	*-21.3*	*-2.0*
Total Residential Buildings (R 000)	**41,264,841**	**43,967,345**	**37,086,547**	**10,150,791**	**7,387,810**	**5,743,570**	**1,607,703**	**2,212,458**	**1,923,409**
Y/Y % change	***11.6***	***6.5***	***-15.6***	***-17.1***	***-28.5***	***-46.1***	***-44.4***	***-48.1***	***-45.0***
Additions and Alterations									
Dwelling houses (m^2)	5,288,732	5,123,880	4,121,654	1,086,105	991,160	761,680	190,504	270,071	301,105
Y/Y % change	*1.7*	*-3.1*	*-19.6*	*-21.3*	*-19.0*	*-22.8*	*-40.7*	*-20.8*	*-7.3*
Dwelling houses (R'000)	14,745,152	16,003,257	14,286,383	4,011,120	3,686,058	2,827,655	692,742	1,003,007	1,131,906
Y/Y % change	*16.2*	*8.5*	*-10.7*	*-14.5*	*-12.5*	*-20.2*	*-41.8*	*-17.8*	*-0.2*

Buildings Completed

Residential Buildings	2006	2007	2008	Q3-2008	Q4-2008	Q1-2009	Jan-09	Feb-09	Mar-09
Dwelling houses less than 80 m.sq (Number)	24,029	27,555	23,514	7,071	6,067	5,374	1,675	1,767	1,932
Y/Y % change	*-8.7*	*14.7*	*-14.7*	*-8.9*	*-2.9*	*-0.2*	*103.3*	*-11.2*	*-24.9*
Dwelling houses less than 80 m.sq (m^2)	1,032,528	1,192,474	1,057,017	312,308	274,477	235,134	78,718	72,674	83,742
Y/Y % change	*-1.6*	*15.5*	*-11.4*	*-8.7*	*-3.3*	*0.7*	*97.9*	*-15.7*	*-22.1*
Dwelling houses less than 80 m.sq (R'000)	1,851,863	2,226,861	2,193,791	633,106	600,569	438,013	114,824	151,132	172,057
Y/Y % change	*34.2*	*20.2*	*-1.5*	*2.7*	*-7.3*	*-3.3*	*20.5*	*-16.7*	*-2.5*
Dwelling houses larger than 80 m.sq (Number)	22,118	22,158	20,315	5,470	5,154	3,769	1,104	1,363	1,302
Y/Y % change	*-0.6*	*0.2*	*-8.3*	*-6.3*	*-11.0*	*-25.5*	*-15.3*	*-23.8*	*-33.8*
Dwelling houses larger than 80 m.sq (m^2)	4,941,428	5,042,274	4,744,774	1,293,973	1,277,803	964,232	291,407	348,702	324,123
Y/Y % change	*0.6*	*2.0*	*-5.9*	*-3.3*	*-5.1*	*-11.9*	*0.1*	*-8.2*	*-23.6*
Dwelling houses larger than 80 m.sq (R'000)	14,059,447	15,809,143	15,781,525	4,662,406	4,750,250	3,573,237	1,069,553	1,303,165	1,200,519
Y/Y % change	*17.0*	*12.4*	*-0.2*	*2.0*	*3.0*	*-4.5*	*7.9*	*-0.2*	*-16.8*
Flats and Townhouses (Number)	23,858	26,949	25,981	7,498	6,935	5,180	1,983	1,658	1,539
Y/Y % change	*8.1*	*13.0*	*-3.6*	*5.6*	*7.9*	*-5.3*	*56.1*	*-10.2*	*-34.6*
Flats and Townhouses (m^2)	3,120,296	3,092,497	2,777,548	801,252	769,893	606,499	224,610	189,676	192,213
Y/Y % change	*10.4*	*-0.9*	*-10.2*	*-3.2*	*1.3*	*3.1*	*59.5*	*-0.6*	*-25.0*
Flats and Townhouses (R'000)	9,881,190	10,354,321	10,389,967	3,134,574	3,053,316	2,455,967	871,823	827,742	756,402
Y/Y % change	*32.1*	*4.8*	*0.3*	*6.8*	*15.9*	*10.6*	*60.9*	*15.3*	*-21.3*
Total units completed (Number)	**70,005**	**76,662**	**69,810**	**20,039**	**18,156**	**14,323**	**4,762**	**4,788**	**4,773**
Y/Y % change	***-0.9***	***9.5***	***-8.9***	***-3.2***	***-1.7***	***-10.0***	***-13.0***	***0.5***	***-0.3***
Total building space completed (m^2)	**9,094,252**	**9,327,245**	**8,579,339**	**2,407,533**	**2,322,173**	**1,805,865**	**594,735**	**611,052**	**600,078**
Y/Y % change	***3.5***	***2.6***	***-8.0***	***-4.0***	***-2.9***	***-5.8***	***26.1***	***-7.0***	***-23.9***
Other Residential Buildings (m^2)	76,101	175,955	193,783	41,019	85,679	55,652	804	18,114	36,734
Y/Y % change	*17.2*	*131.2*	*10.1*	*71.4*	*101.6*	*90.4*	*-91.6*	*160.2*	*189.4*
Other Residential Buildings (R 000)	280,250	729,269	762,808	194,980	366,026	246,863	2,315	79,078	165,470
Y/Y % change	*81.7*	*160.2*	*4.6*	*114.4*	*140.7*	*127.0*	*-94.7*	*155.9*	*388.5*
Total Residential Buildings (R 000)	**26,072,750**	**29,119,594**	**29,128,091**	**8,625,066**	**8,770,161**	**6,714,080**	**2,058,515**	**2,361,117**	**2,294,448**
Y/Y % change	***24.0***	***11.7***	***0.0***	***5.0***	***9.0***	***2.9***	***23.1***	***5.6***	***-12.2***
Additions and Alterations									
Dwelling houses (m^2)	1,987,253	2,044,928	2,238,662	624,729	593,528	656,138	188,086	248,855	219,197
Y/Y % change	*19.6*	*2.9*	*9.5*	*14.3*	*16.8*	*38.1*	*24.8*	*61.5*	*28.8*
Dwelling houses (R'000)	5,065,165	5,782,551	6,787,595	2,027,082	1,937,005	2,274,969	648,594	891,329	735,046
Y/Y % change	*45.4*	*14.2*	*17.4*	*18.2*	*29.4*	*48.8*	*36.7*	*81.4*	*30.6*

Provincial Residential Building Plans Passed - Number of Units

	2004	2005	2006	2007	2008	Q3-2008	Q4-2008	Q1-2009	Jan-09	Feb-09	Mar-09
Residential Buildings											
National Total	92,749	102,258	103,925	101,566	82,267	27,424	16,772	13,864	5,535	4,184	4,145
Y/Y % change	*10.5*	*10.3*	*1.6*	*-2.3*	*-19.0*	*2.8*	*-26.8*	*-34.3*	*27.0*	*-24.4*	*-0.9*
Western Cape	23,959	22,429	20,577	17,269	17,996	5,489	4,219	2,403	1,080	619	704
Y/Y % change	*29.0*	*-6.4*	*-8.3*	*-16.1*	*4.2*	*23.3*	*-2.4*	*-49.6*	*-13.0*	*-73.4*	*-41.2*
% Share of National Total	*25.8*	*21.9*	*19.8*	*17.0*	*21.9*	*20.0*	*25.2*	*17.3*	*19.5*	*14.8*	*17.0*
Gauteng	32,699	43,356	48,658	48,568	35,276	13,077	5,336	4,708	1,493	1,538	1,677
Y/Y % change	*18.9*	*32.6*	*12.2*	*-0.2*	*-27.4*	*-3.8*	*-48.9*	*-51.4*	*-26.3*	*-48.7*	*-64.0*
% Share of National Total	*35.3*	*42.4*	*46.8*	*47.8*	*42.9*	*47.7*	*31.8*	*34.0*	*27.0*	*36.8*	*40.5*
KZN	10,184	11,015	8,672	9,689	8,994	2,707	1,471	1,090	217	362	511
Y/Y % change	*-30.5*	*8.2*	*-21.3*	*11.7*	*-7.2*	*19.6*	*-47.2*	*-65.8*	*-70.1*	*-78.9*	*-31.7*
% Share of National Total	*11.0*	*10.8*	*8.3*	*9.5*	*10.9*	*9.9*	*8.8*	*7.9*	*3.9*	*8.7*	*12.3*
Eastern Cape	9,061	6,432	6,449	4,726	5,145	801	2,626	1,647	516	924	207
Y/Y % change	*3.5*	*-29.0*	*0.3*	*-26.7*	*8.9*	*-55.1*	*300.3*	*258.8*	*360.7*	*605.3*	*-4.2*
% Share of National Total	*9.8*	*6.3*	*6.2*	*4.7*	*6.3*	*2.9*	*15.7*	*11.9*	*9.3*	*22.1*	*5.0*
North West	3,272	4,367	5,670	7,418	4,474	1,424	911	2,400	1,739	281	380
Y/Y % change	*-42.0*	*33.5*	*29.8*	*30.8*	*-39.7*	*25.9*	*-48.8*	*140.7*	*443.4*	*-12.2*	*6.4*
% Share of National Total	*3.5*	*4.3*	*5.5*	*7.3*	*5.4*	*5.2*	*5.4*	*17.3*	*31.4*	*6.7*	*9.2*
Free State	6,551	5,808	4,993	4,776	3,719	1,231	1,171	773	3,379	3,571	6,765
Y/Y % change	*44.3*	*-11.3*	*-14.0*	*-4.3*	*-22.1*	*3.1*	*59.8*	*72.5*	*893.8*	*5.7*	*89.4*
% Share of National Total	*7.1*	*5.7*	*4.8*	*4.7*	*4.5*	*4.5*	*7.0*	*5.6*	*61.0*	*85.3*	*163.2*
Northern Cape	877	1,552	918	596	444	163	39	46	438	401	815
Y/Y % change	*265.4*	*77.0*	*-40.9*	*-35.1*	*-25.5*	*21.6*	*-64.9*	*-74.2*	*7200.0*	*-8.4*	*103.2*
% Share of National Total	*0.9*	*1.5*	*0.9*	*0.6*	*0.5*	*0.6*	*0.2*	*0.3*	*7.9*	*9.6*	*19.7*
Mpumalanga	3,476	4,617	4,996	5,705	4,348	1,316	698	553	126	177	250
Y/Y % change	*37.2*	*32.8*	*8.2*	*14.2*	*-23.8*	*-8.5*	*-54.6*	*-34.3*	*-37.3*	*-42.0*	*-25.6*
% Share of National Total	*3.7*	*4.5*	*4.8*	*5.6*	*5.3*	*4.8*	*4.2*	*4.0*	*2.3*	*4.2*	*6.0*
Limpopo	2,670	2,682	2,992	2,819	1,871	1,216	301	244	76	97	71
Y/Y % change	*76.2*	*0.4*	*11.6*	*-5.8*	*-33.6*	*75.7*	*-44.6*	*-53.1*	*-29.6*	*-34.5*	*-73.1*
% Share of National Total	*2.9*	*2.6*	*2.9*	*2.8*	*2.3*	*4.4*	*1.8*	*1.8*	*1.4*	*2.3*	*1.7*

Provincial Residential Buildings Completed - Number of Units

	2004	2005	2006	2007	2008	Q3-2008	Q4-2008	Q1-2009	Jan-09	Feb-09	Mar-09
Residential Buildings											
National Total	70,682	70,624	70,005	76,662	69,810	20,039	18,156	14,323	4,762	4,788	4,773
Y/Y % change	*24.6*	*-0.1*	*-0.9*	*9.5*	*-8.9*	*-3.2*	*-1.7*	*-10.0*	*-13.0*	*0.5*	*-0.3*
Western Cape	17,301	19,598	17,207	19,312	15,065	4,505	4,120	3,910	1,098	1,193	1,619
Y/Y % change	*46.4*	*13.3*	*-12.2*	*12.2*	*-22.0*	*-11.1*	*19.0*	*11.2*	*92.6*	*-18.7*	*9.6*
% Share of National Total	*24.5*	*27.7*	*24.6*	*25.2*	*21.6*	*22.5*	*22.7*	*27.3*	*23.1*	*24.9*	*33.9*
Gauteng	23,997	27,433	33,654	33,372	32,695	9,088	8,323	5,379	1,672	2,217	1,490
Y/Y % change	*10.9*	*14.3*	*22.7*	*-0.8*	*-2.0*	*8.3*	*-10.3*	*-26.6*	*10.7*	*-3.5*	*-57.6*
% Share of National Total	*34.0*	*38.8*	*48.1*	*43.5*	*46.8*	*45.4*	*45.8*	*37.6*	*35.1*	*46.3*	*31.2*
KZN	8,157	8,189	5,984	5,823	7,594	2,075	2,468	1,746	345	647	754
Y/Y % change	*-24.0*	*0.4*	*-26.9*	*-2.7*	*30.4*	*26.8*	*71.5*	*27.4*	*13.1*	*54.0*	*16.9*
% Share of National Total	*11.5*	*11.6*	*8.5*	*7.6*	*10.9*	*10.4*	*13.6*	*12.2*	*7.2*	*13.5*	*15.8*
Eastern Cape	5,767	4,617	4,334	4,466	3,582	1,465	997	690	146	111	433
Y/Y % change	*89.9*	*-19.9*	*-6.1*	*3.0*	*-19.8*	*-5.7*	*-15.5*	*1.3*	*-33.3*	*-33.1*	*46.3*
% Share of National Total	*8.2*	*6.5*	*6.2*	*5.8*	*5.1*	*7.3*	*5.5*	*4.8*	*3.1*	*2.3*	*9.1*
North West	6,629	4,124	3,531	5,324	4,459	1,223	859	744	323	234	187
Y/Y % change	*298.4*	*-37.8*	*-14.4*	*50.8*	*-16.2*	*3.9*	*-25.6*	*-43.6*	*-16.1*	*-65.1*	*-29.2*
% Share of National Total	*9.4*	*5.8*	*5.0*	*6.9*	*6.4*	*6.1*	*4.7*	*5.2*	*6.8*	*4.9*	*3.9*
Free State	4,573	3,431	1,466	3,556	1,656	384	556	547	1,459	1,567	2,908
Y/Y % change	*-4.2*	*-25.0*	*-57.3*	*142.6*	*-53.4*	*-34.4*	*-22.1*	*-7.3*	*715.1*	*7.4*	*85.6*
% Share of National Total	*6.5*	*4.9*	*2.1*	*4.6*	*2.4*	*1.9*	*3.1*	*3.8*	*30.6*	*32.7*	*60.9*
Northern Cape	374	438	398	751	420	170	45	69	412	379	770
Y/Y % change	*92.8*	*17.1*	*-9.1*	*88.7*	*-44.1*	*-23.1*	*-25.5*	*-47.4*	*4477.8*	*-8.0*	*103.2*
% Share of National Total	*0.5*	*0.6*	*0.6*	*1.0*	*0.6*	*0.8*	*0.2*	*0.5*	*8.7*	*7.9*	*16.1*
Mpumalanga	2,799	1,833	2,313	2,738	3,381	860	603	341	86	121	134
Y/Y % change	*41.0*	*-34.5*	*26.2*	*18.4*	*23.5*	*-3.6*	*-9.5*	*-64.9*	*-67.9*	*-69.4*	*-56.5*
% Share of National Total	*4.0*	*2.6*	*3.3*	*3.6*	*4.8*	*4.3*	*3.3*	*2.4*	*1.8*	*2.5*	*2.8*
Limpopo	1,085	961	1,118	1,320	958	269	185	897	781	82	34
Y/Y % change	*27.0*	*-11.4*	*16.3*	*18.1*	*-27.4*	*14.0*	*-62.9*	*250.4*	*2792.6*	*20.6*	*-78.9*
% Share of National Total	*1.5*	*1.4*	*1.6*	*1.7*	*1.4*	*1.3*	*1.0*	*6.3*	*16.4*	*1.7*	*0.7*