



APRIL FNB HOUSE PRICE INDEX

- Double-digit inflation returns
after 2 year absence

FNB PROPERTY
MARKET ANALYTICS

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FNB PROPERTY MARKET ANALYTICS

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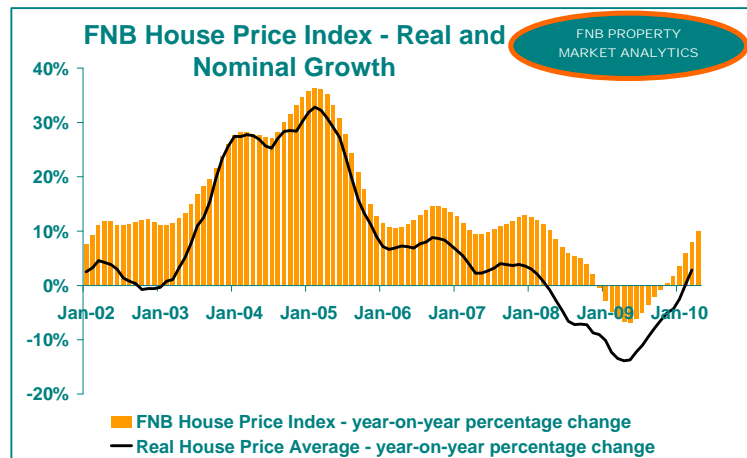
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IN A NUTSHELL

April FNB House Price inflation rate accelerates into double-digits to the tune of 10.1% year-on-year, the first double-digit inflation since April 2008.



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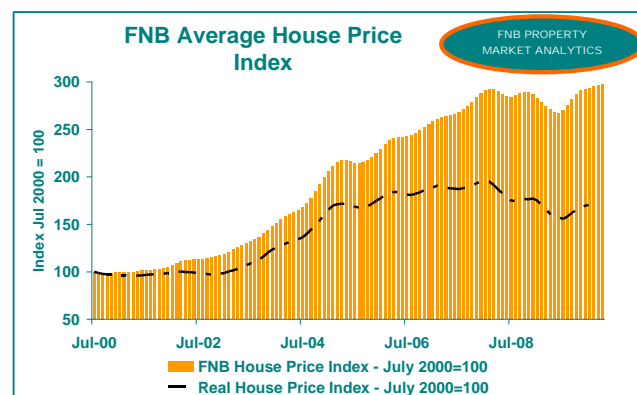
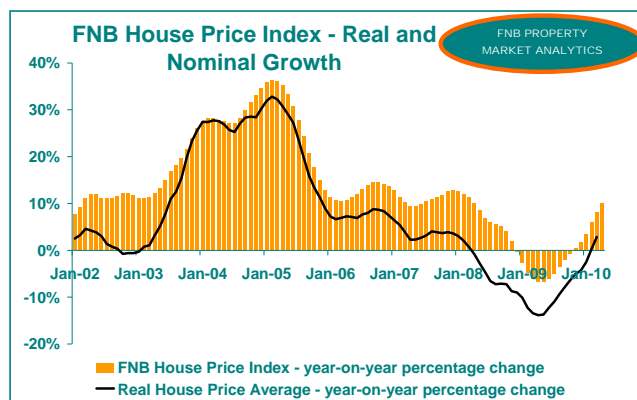
1. *FNB House Price Index growth acceleration continues, reaching double digits in April 2010*
2. *Where did the recovery have its beginnings, and how much further does it have to go?*
3. *House price data tables*
4. *Key Indicator Tables*

1. FNB HOUSE PRICE INDEX INFLATION ACCELERATION CONTINUES, REACHING DOUBLE-DIGITS IN APRIL 2010

The FNB House Price Index showed a further acceleration in year-on-year growth from a March revised figure of 8.1% to an April rate of 10.1%. This is the first month of double-digit house price inflation since April 2008, exactly 2 years ago.

The Index also showed:

- The average house price in the index was estimated at R790,087.
- From the bottom point of the 2008/9 price slump in June 2009, the cumulative nominal increase in the FNB House Price Index as at April amounts to +11.6%. Since the start of the index numbers back in July 2000, almost 10 years ago, the cumulative increase to date is 198.1%.
- In real terms (adjusted for consumer price inflation), house prices returned to positive year-on-year inflation in February 2010, and in March grew by +2.8%, partly due to further acceleration in nominal house price inflation, but also due to a further decline in consumer price inflation from 5.7% year-on-year previous to 5.1% in March.



2. WHERE DID THE RECOVERY HAVE ITS BEGINNINGS, AND HOW FAR FURTHER DOES IT GO?

The chronological order of events during the current recovery – initial big stimulus from big interest rate cuts sees a solid residential demand recovery

1. Just after midway through 2008, the massive commodity price shock (including global oil prices and food prices amongst others) runs out of steam as the global economy heads into recession. Commodity prices then fall sharply, paving the way for lower domestic inflation and future interest rate cutting from levels where prime rate had reached 15.5%.
2. The early signs – In the 4th quarter of 2008, estate agents surveyed in the FNB Residential Property Barometer indicated that, during that quarter, they had experienced residential demand turning for the better. This was arguably the result of interest rate hiking ending in mid-2008, and improving inflation suggesting that the next rate move by the SARB would be down.
3. December 2008 saw the start of a series of interest rate cuts, amounting to 5.5 percentage points' worth to date, bringing prime rate down from 15.5% to a current 10%. This was the major stimulus for the current property recovery.
4. At R8.945bn, the January 2009 value for new mortgage loans and re-advances granted reached its lowest level since June 2003, the lagged impact of high interest rates and a sharp tightening of credit criteria by banks. As from February last year, this value started to steadily increase in response to interest rate cutting and some bank relaxation, and by December 2009 was almost double at R16.5bn.

5. In the 3rd quarter of 2009, the economy emerged from recession to record mildly positive real growth. This was a smaller, but important, stimulus for residential property demand as it translated into positive real disposable income growth returning one quarter later.

6. House price trends can be expected to lag changes in demand for property, and it was only towards mid-2009 that we began to see year-on-year house price decline bottoming out (In May), and thereafter diminishing. Year-on-year house price inflation resumed in October 2009, and in April 2010 reached double-digits for the first time in exactly 2 years.

More recent developments – interest rate cutting has slowed dramatically, household debt remains stubbornly high, and the Leading Business Cycle Indicator may be approaching its peak.

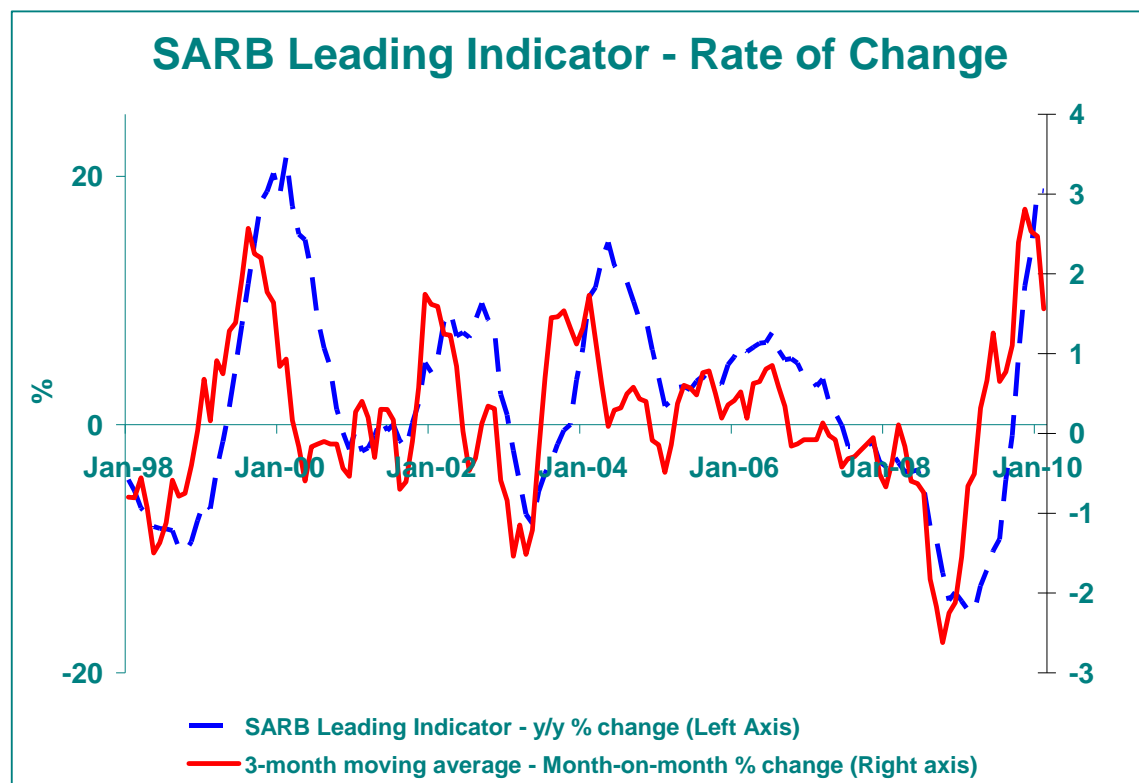
7.. After an August 2009 interest rate cut, to bring prime rate down to 10.5%, the SARB's pace of cutting slowed sharply, and only one further reduction of half a percentage point, in March 2010, has taken place since. The SARB bias still seems to be towards cutting, but early-2009-style fireworks look unlikely from here on, as further declines in consumer price inflation are far slower going than was the case in the 2nd half of 2008.

8. It has recently become clear that the household debt-to-disposable income ratio is remaining stubbornly high, actually rising slightly to 79.8% in the final quarter of 2009. This is due to the mediocre income growth that still prevails, despite having had some improvement. The high debt ratio means a still-high debt-service ratio (cost of servicing the debt burden expressed as a percentage of disposable income), leaving the household sector as a whole with limited scope to grow its borrowing further.

9. In February, the 3-month moving average of the SARB Leading Business Cycle Indicator experienced its 3rd consecutive month of decline in month-on-month growth, from a peak 2.8% in November 2009, to 1.56% as at February 2010. There is typically a very good correlation between the Leading Indicator and trends in new mortgage loans granted, and this could suggest early signs that the resurgence in growth in new mortgage lending is heading towards a peak in the coming months.

Outlook

The recovery, from its beginnings late in 2008, has been under way for close to a year-and-a-half. We remain of the opinion that the peak in growth, be it demand growth or price growth, will be around mid-year/3rd quarter of 2010. This belief is derived from the fact that there has been a lack of further interest rate cutting since August 2009, implying a lack of further demand stimulus, while this lack of further rate stimulus may also be instrumental in slowing the pace of acceleration in growth of the economy later in the year, and a few months of slowing growth in the Leading Business Cycle Indicator may be early hints of this.



Monthly FNB House Price Index (July 2000 = 100)

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Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change
Jul-00	100.0		Feb-03	121.0	11.1%	Sep-05	215.1	20.8%	Apr-08	290.1	10.1%
Aug-00	99.2		Mar-03	123.4	11.4%	Oct-05	217.5	17.8%	May-08	287.3	8.6%
Sep-00	98.6		Apr-03	125.8	12.3%	Nov-05	220.7	15.0%	Jun-08	284.9	7.0%
Oct-00	98.4		May-03	127.7	13.4%	Dec-05	224.9	12.8%	Jul-08	284.2	6.0%
Nov-00	98.6		Jun-03	129.8	15.0%	Jan-06	229.6	11.5%	Aug-08	285.8	5.5%
Dec-00	98.9		Jul-03	132.2	16.8%	Feb-06	234.4	10.8%	Sep-08	288.2	5.1%
Jan-01	99.3		Aug-03	134.4	18.3%	Mar-06	238.3	10.5%	Oct-08	289.8	4.0%
Feb-01	99.6		Sep-03	136.9	19.7%	Apr-06	240.9	10.8%	Nov-08	289.6	2.0%
Mar-01	99.7		Oct-03	140.3	21.6%	May-06	241.9	11.3%	Dec-08	287.4	-0.4%
Apr-01	100.0		Nov-03	144.1	23.9%	Jun-06	242.2	12.1%	Jan-09	283.4	-2.8%
May-01	100.7		Dec-03	148.0	26.1%	Jul-06	242.8	13.0%	Feb-09	278.4	-4.9%
Jun-01	101.4		Jan-04	151.7	27.7%	Aug-06	244.1	13.8%	Mar-09	274.5	-6.1%
Jul-01	101.8	1.8%	Feb-04	155.3	28.3%	Sep-06	246.4	14.5%	Apr-09	270.8	-6.6%
Aug-01	102.2	3.0%	Mar-04	158.3	28.3%	Oct-06	249.0	14.5%	May-09	267.6	-6.8%
Sep-01	102.5	4.0%	Apr-04	160.8	27.9%	Nov-06	252.1	14.2%	Jun-09	267.2	-6.2%
Oct-01	102.9	4.5%	May-04	163.0	27.6%	Dec-06	255.5	13.6%	Jul-09	270.0	-5.0%
Nov-01	103.7	5.1%	Jun-04	165.2	27.2%	Jan-07	258.9	12.8%	Aug-09	275.6	-3.6%
Dec-01	105.1	6.2%	Jul-04	168.1	27.2%	Feb-07	261.3	11.5%	Sep-09	282.1	-2.1%
Jan-02	106.9	7.6%	Aug-04	172.4	28.3%	Mar-07	262.6	10.2%	Oct-09	287.4	-0.8%
Feb-02	108.9	9.3%	Sep-04	178.0	30.0%	Apr-07	263.5	9.4%	Nov-09	291.0	0.5%
Mar-02	110.7	11.1%	Oct-04	184.6	31.6%	May-07	264.6	9.4%	Dec-09	292.4	1.7%
Apr-02	112.0	11.9%	Nov-04	191.9	33.2%	Jun-07	266.2	9.9%	Jan-10	293.4	3.5%
May-02	112.6	11.9%	Dec-04	199.3	34.6%	Jul-07	268.2	10.5%	Feb-10	295.0	6.0%
Jun-02	112.8	11.2%	Jan-05	206.0	35.8%	Aug-07	270.9	11.0%	Mar-10	296.7	8.1%
Jul-02	113.1	11.1%	Feb-05	211.6	36.3%	Sep-07	274.2	11.3%	Apr-10	298.1	10.1%
Aug-02	113.7	11.2%	Mar-05	215.6	36.2%	Oct-07	278.6	11.9%			
Sep-02	114.4	11.6%	Apr-05	217.4	35.2%	Nov-07	283.8	12.6%			
Oct-02	115.4	12.1%	May-05	217.2	33.3%	Dec-07	288.4	12.9%			
Nov-02	116.3	12.2%	Jun-05	216.1	30.9%	Jan-08	291.4	12.5%			
Dec-02	117.4	11.8%	Jul-05	214.8	27.8%	Feb-08	292.8	12.0%			
Jan-03	118.8	11.2%	Aug-05	214.4	24.3%	Mar-08	292.2	11.3%			

Cumulative Percentage Change in the
FNB House Price IndexFNB PROPERTY
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From Date	Cumulative % change to Feb 2010	From Date	Cumulative % change to Feb 2010	From Date	Cumulative % change to Feb 2010	From Date	Cumulative % change to Feb 2010
Jul-00	198.1%	Feb-03	146.4%	Sep-05	38.6%	Apr-08	2.8%
Aug-00	200.6%	Mar-03	141.7%	Oct-05	37.1%	May-08	3.8%
Sep-00	202.4%	Apr-03	137.1%	Nov-05	35.1%	Jun-08	4.6%
Oct-00	202.8%	May-03	133.5%	Dec-05	32.6%	Jul-08	4.9%
Nov-00	202.2%	Jun-03	129.7%	Jan-06	29.8%	Aug-08	4.3%
Dec-00	201.3%	Jul-03	125.6%	Feb-06	27.2%	Sep-08	3.4%
Jan-01	200.3%	Aug-03	121.8%	Mar-06	25.1%	Oct-08	2.9%
Feb-01	199.3%	Sep-03	117.7%	Apr-06	23.8%	Nov-08	3.0%
Mar-01	199.1%	Oct-03	112.5%	May-06	23.3%	Dec-08	3.7%
Apr-01	198.0%	Nov-03	106.9%	Jun-06	23.1%	Jan-09	5.2%
May-01	196.2%	Dec-03	101.4%	Jul-06	22.8%	Feb-09	7.1%
Jun-01	193.9%	Jan-04	96.5%	Aug-06	22.1%	Mar-09	8.6%
Jul-01	192.7%	Feb-04	92.0%	Sep-06	21.0%	Apr-09	10.1%
Aug-01	191.8%	Mar-04	88.4%	Oct-06	19.7%	May-09	11.4%
Sep-01	190.7%	Apr-04	85.4%	Nov-06	18.3%	Jun-09	11.6%
Oct-01	189.8%	May-04	82.9%	Dec-06	16.7%	Jul-09	10.4%
Nov-01	187.6%	Jun-04	80.5%	Jan-07	15.1%	Aug-09	8.2%
Dec-01	183.7%	Jul-04	77.3%	Feb-07	14.1%	Sep-09	5.7%
Jan-02	178.9%	Aug-04	72.9%	Mar-07	13.5%	Oct-09	3.7%
Feb-02	173.8%	Sep-04	67.5%	Apr-07	13.2%	Nov-09	2.5%
Mar-02	169.3%	Oct-04	61.5%	May-07	12.7%	Dec-09	1.9%
Apr-02	166.3%	Nov-04	55.3%	Jun-07	12.0%	Jan-10	1.6%
May-02	164.7%	Dec-04	49.6%	Jul-07	11.1%	Feb-10	1.0%
Jun-02	164.2%	Jan-05	44.7%	Aug-07	10.0%	Mar-10	0.5%
Jul-02	163.5%	Feb-05	40.9%	Sep-07	8.7%		
Aug-02	162.3%	Mar-05	38.3%	Oct-07	7.0%		
Sep-02	160.6%	Apr-05	37.1%	Nov-07	5.0%		
Oct-02	158.4%	May-05	37.2%	Dec-07	3.4%		
Nov-02	156.3%	Jun-05	37.9%	Jan-08	2.3%		
Dec-02	153.9%	Jul-05	38.8%	Feb-08	1.8%		
Jan-03	150.9%	Aug-05	39.1%	Mar-08	2.0%		

Property and Mortgage Market Summary, and Key Economic Indicators

END OF PERIOD	2005	2006	2007	2008	2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Residential Property Prices														
FNB National Average House Price (Rand)	565,077	636,111	706,811	755,309	728,410	702,719	721,922	759,534	772,029	765,181	767,635	772,017	776,435	780,087
y/y % change	26.5	12.6	11.1	6.9	-3.6	-6.6	-3.6	0.5	5.8	1.7	3.5	6.0	8.1	10.1
Major Metro Areas Average House Price (Rand)	613,512	729,259	828,946	865,791	858,676	851,909	859,641	872,055	887787					
y/y % change	26.8	18.9	13.7	4.4	1	2.2	.6	1.87	4.3					
- Top End Area Average House Price (Rand)	1,358,701	1,549,110	1,701,351	1,815,187	1,831,259	1,812,994	1,830,285	1,869,826	1924999					
y/y % change	19.0	14.0	9.8	6.7	0.9	-0.4	0.3	2.9	6.2					
- High Income Area Average House Price (Rand)	842,244	984,876	1,117,418	1,158,111	1,143,499	1,133,370	1,146,406	1,163,369	1181516					
y/y % change	27.3	16.9	13.5	3.6	-1.3	-3.0	-0.7	2.1	4.5					
- Middle Income Area Average House Price (Rand)	537,285	649,989	733,423	757,321	743,813	741,550	743,069	747,385	753012					
y/y % change	32.7	21.0	12.8	3.3	-1.8	-2.7	-1.7	-0.1	1.3					
- Affordable Area Average House Price (Rand)	208,503	275,157	340,595	360,240	358,999	354,992	360,412	367,136	377086					
y/y % change	28.4	32.0	23.8	5.8	-0.3	-2.1	0.1	3.2	6.7					
- Major 3 Provinces' Former Black Township Average House Price (Rand)	118,899	162,920	219,913	262,322	274,703	271,696	276,097	282,444	289628					
y/y % change	25.8	37.0	35.0	19.3	4.7	3.8	3.9	5.7	7.8					
- Coastal Holiday Towns Average House Price (Rand)	710 590	849 103	954 880	1 040 229	1 058 515	1 069 265	1 055 519	1 034 162	1015396					
y/y % change	40.2	19.5	12.5	8.9	1.8	3.6	0.7	-2.9	-5.6					
FNB Residential Property Barometer														
Level of Residential Demand Activity (Scale 1 to 10)	6.5	6.0	5.7	4.5	5.2	4.8	5.7	5.7	6.35					
y/y % change	-10.7	-7.6	-5.2	-20.8	15.6	8.4	36.8	23.7	32.3					
First time buyers as a percentage of total buyers (%)	28.3	21.8	17.8	15.0	15.8	14.0	15.0	19.0	17.0					
Buy-to-let as a percentage of total buyers (%)	20.0	17.5	12.8	13.0	12.0	11.0	13.0	13.0	9.0					
Average time of properties on the market (Weeks and Days)	7.0	8.0	10.0	15.4	17.0	21.1	16.4	13.2	12.4					
Percentage of properties sold at less than asking price (%)	43.5	64.0	77.3	84.3	86.0	86.0	83.0	89.0	76.0					
Percentage of properties on the market for 3 months or more (%)	21.0	26.0	42.8	74.8	74.0	85.0	70.0	62.0	61.0					
Residential Building Sector														
Number of units' plans passed	102,258	103,925	102,691	84,508	54,337	12,705	13,624	13,179	6,342	3,813	2,483	3,859		
y/y % change	10.3	1.6	-1.2	-17.7	-35.7	-33.9	-50.3	-21.4	-57.2	-12.5	-55.1	-19.9		
Square metres' worth of plans passed	14,211,337	13,877,783	13,490,430	10,181,185	6,157,327	1,602,510	1,465,269	1,501,015	792,129	412,599	327,576	464,553		
y/y % change	12.8	-2.3	-2.8	-24.5	-39.5	-39.0	-48.5	-22.4	-50.1	-20.0	-35.4	-17.4		
Average size of units' plans passed (square metres)	139.0	133.5	131.4	120.5	113.3	126.1	107.6	113.9	124.9	108.2	131.9	120.4		
Number of units completed	70,624	70,005	76,661	70,058	56,611	13,254	13,611	14,614	5,394	5,976	2,255	3,139		
y/y % change	-0.1	-0.9	9.5	-8.6	-19.2	-16.9	-32.1	-19.5	-64.4	9.1	-52.6	-40.1		
Square metres' worth of buildings completed	8,789,257	9,094,252	9,327,001	8,615,194	6,698,436	1,572,875	1,620,050	1,669,670	689,831	551,838	296,538	393,293		
y/y % change	17.7	3.5	2.6	-7.6	-22.2	-20.1	-32.7	-28.1	-62.4	-20.1	-50.1	-37.9		
Average size of units' completed (square metres)	124.5	129.9	121.7	123.0	118.3	118.7	119.0	114.3	127.9	92.3	131.5	125.3		

Property and Mortgage Market Summary, and Key Economic Indicators

END OF PERIOD	2005	2006	2007	2008	2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Mortgage Market														
Total Mortgage Advances Outstanding (R'm)	526,647	684,593	853,819	966,921	1,001,946	983,387	993,696	1,001,946	1,016,617	1,001,946	1,005,530	1,012,749	1,016,617	
y/y % change	27.6	30.0	24.7	13.2	3.6	8.2	5.5	3.6	3.6	3.6	3.9	3.9	3.6	
New residential loans and re-advances granted (R'm)	248,800	338,327	364,575	271,276	174,303	35,718	46,576	56,662	-1.3					
y/y % change	38.7	36.0	7.8	-25.6	-35.7	-49.6	-22.2	-1.3						
Residential re-advances granted (R'm)				81,585	55,152	11,400	15,106	15,402	-7.6					
y/y % change				-32.4	-50.2	-18.8	-7.6							
Total residential mortgage loans outstanding - Banks (R'm)	426,204,649	546,196,842	672,988,765	753,122,034	775,061,630	768,659,583	772,098,288	775,061,630	783,319,885	775,061,630	778,471,689	783,319,885		
y/y % change	30.0	28.2	23.2	11.9	2.9	7.1	4.8	2.9	2.2	2.9	2.9	3.0		
Key Economic Indicators														
Real Gross Domestic Product (R'm at 2000 prices)	1,571,082	1,659,122	1,750,139	1,814,521	1,782,059	1,773,364	1,777,326	1,791,331						
y/y % change	5.3	5.6	5.5	3.7	-1.8	-2.7	-2.2	-1.4						
Real Residential Fixed Investment (R'm)	33,455	36,198	35,874	33,156	30,060	30,280	29,797	29,339						
y/y % change	29.3	8.2	-0.9	-7.6	-9.3	-9.6	-9.6	-8.3						
Prime Rate (%)	10.6	11.2	13.2	15.1	11.8	12.0	10.7	10.5	10.5	10.5	10.5	10.5	10.4091	10.
Yields on Government Bonds 10 years and Longer (%)	8.1	7.9	8.0	9.1	8.7	8.7	8.9	9.0	9.1	9.0	9.2	9.1	8.9	8.8
Currencies - USDZAR	6.36	6.75	7.04	8.27	8.43	8.46	7.79	7.52	7.52	7.53	7.46	7.69	7.40	
Currencies - EURZAR	7.91	8.48	9.64	12.10	11.72	11.54	11.15	11.10	10.36	11.03	10.61	10.45	10.04	
CPI - y/y % change	3.4	4.6	7.1	11.5	7.1	7.7	6.4	6.0	5.7	6.3	6.2	5.7	5.1	
Gauteng pump price y/y%						-21.9	-23.4	-9.8	22.5	8.1	31.8	22.1	15.0	16.0
FNBBER Consumer Confidence Index	18.3	19.0	21.0	0.3	3.0	4.0	1.0	6.0	15.0					
RMBBER Business Confidence Index	82.5	83.5	74.8	40.0	26.0	26.0	23.0	28.0	43.0					
SARB Composite Leading Business Cycle Indicator	118.5	125.4	125.5	117.0	110.2	107.2	110.0	118.7	124.9	120.9	124.7	125.0		
y/y % change	3.2	5.8	0.1	-6.8	-5.8	-11.6	-4.9	10.1	19.1	13.9	18.9	18.8		
Real Retail Sales (2008 Prices) - R'm	418,556	468,446	498,767	500,191	475,443	114,498	113,359	132,949	74,755	53,690	37,876	36,879		
y/y % change	8.2	11.9	6.5	0.3	-4.9	-6.2	-5.2	-5.3	-34.8	-3.8	-1.5	-1.5		
Manufacturing - Volume of Production (Index 2005=100)	100.0	104.8	109.6	110.6	96.7	92.5	99.5	103.4	90.7	91.0	86.8	94.5		
y/y % change	3.0	4.8	4.6	0.9	-12.5	-18.7	-13.5	-4.3	-1.0	3.2	3.5	2.7		
Mining - Volume of Production (Index 2005=100)	100.0	98.7	97.8	92.3	86.1	87.7	90.7	89.6	78.6	88.8	78.3	78.9		
y/y % change	1.3	-1.3	-0.9	-5.7	-6.7	-8.6	-5.9	-4.7	2.7	-2.1	9.7	5.8		
Vehicle Sales - Total (NAAMSA)	565,182	647,021	613,043	489,340	353,970	79,947	92,124	88,599	106,720	26,958	34,113	34,314	38,293	
y/y % change	25.6	14.5	-5.3	-20.2	-27.7	-33.9	-25.6	-14.2	14.4	-12.9	11.8	16.4	14.9	
Passenger Vehicle Sales - Total (NAAMSA)	377,002	427,021	384,582	294,761	224,754	50,611	57,873	56,231	69,985	16,078	23,768	22,031	24,186	
y/y % change	25.2	13.3	-9.9	-23.4	-23.8	-27.3	-24.5	-10.4	16.6	-17.9	15.4	21.3	13.6	