

THIRD OUARTER - TSHWANE FNB Residential Property Barometer Tshwane Metro activity rises sharply in 3rd quarter after mediocre start to the recovery

quarter after mediocre start to the recovery The 3rd Quarter Tshwane Metro FNB Residential Property Barometer pointed to a sizeable jump in activity levels in the region during the 3rd quarter, after a very mild recovery since the 3rd quarter of last year. This suggests that the region is beginning to feel the positive impact of the series of interest rate cuts that took place in the 1st half of 2009.

The Property Barometer is a survey of a sample of estate agents in the major cities of the country regarding their personal experience of market conditions.

The main Barometer question relates to the level of demand activity, and agents are asked to rate the level of demand that they experience on a scale of 1 to 10.

From a level of 4.74 in the 2nd quarter, the Tshwane activity level reading has risen significantly to 5.76 in the 3^{rd} quarter. This is now significantly higher than the low point of 4.2 reached in the 3^{rd} quarter of 2008. The 3rd quarter survey was undertaken in mid-August, after the bulk of the SARB's 2009 interest rate cuts to date.



Tshwane Residential Property Confidence Indicator



810

How can we help you?

Tshwane survey respondents are more upbeat than their Joburg counterparts

The steady rise in the Tshwane Metro activity rating means that the agents surveyed from that region are more upbeat about activity than their counterparts in Joburg. However, they remain slightly behind the survey respondents in the coastal regions.

The 3 major coastal metros, namely eThekwini (5.86), Mandela Bay (5.82), and Cape Town (5.82) are now slightly more upbeat in their estimates of activity compared with Joburg's 5.47 and Tshwane (5.76).



Widespread lack of seller realism still prevalent in Tshwane

The estimated percentage of properties sold at below asking price showed a slight rise from 86% in the 2nd quarter to 93% in the 3rd quarter, while the average time of a property on the market prior to being sold declined slightly from 23 weeks and 1 day in the 2nd quarter to 22 weeks and 1 day in the 3rd. These two indicators, when read together, point towards the ongoing prevalence of a widespread lack of seller realism in the market. A stronger market may assist in reducing both of these readings in the coming quarters though, through the market "catching up" to price levels to a degree, therefore making previously unrealistic price levels a little more realistic in future in a stronger market.



Reasons for selling property in Tshwane

Q1-2008 6 13	Q2-2008	Q3-2008			Q2-2009	Q3-2009
-	20	29				
13		20	34	26	33	40
	13	7	8	5	9	5
10	13	13	18	11	16	12
16	11	9	23	17	26	23
16	21	18	4	15	2	2
- 22	11	12	3	6	1	11
9	8	11	4	13	11	6
. 8	3	1	7	6	1	1
Ī	1 16	16 21 22 11	16 21 18 4 22 11 12	16 21 18 4 4 22 11 12 3	16 21 18 4 15 4 22 11 12 3 6	16 21 18 4 15 2 4 22 11 12 3 6 1

+000 8

5

22.5

Selling in order to downscale due to financial pressure remained extremely high in importance, at 40% of total selling, according to agents surveyed. Seen on a 2 quarter moving average basis, the percentage was still extreme at 37%. There seems little doubt that many of the Tshwane Metro's residents still experience significant financial pressure. Simultaneously, selling in order to upgrade remained very low at 5% of total selling. Therefore, despite improving demand for property, it is plausible to believe that something of an oversupply probably still exists as a result of ongoing financial pressure, relieved in part by interest rate cuts but not helped by a severe recession.

As a percentage of total selling, emigration selling in Tshwane showed a massive surge during 2008, similar to the trend in other metros. After a peak of 21% in the 2nd quarter of 2008, there has been a broad decline in emigration selling's significance to only 2% of total selling by the 3rd quarter of this year, according to the estate agents surveyed.



Main Tshwane Metro Price Trend estimates (using Deeds data) point to oversupplies and widespread price deflation

Despite some improvement in residential demand in recent times, oversupplies on the market were still significant as at the 2nd quarter (Deeds data runs a bit behind so 3rd quarter results are not yet available), resulting in widespread price decline continuing across much of the Tshwane region.

- The Tshwane average house price (R746,683) showed a -5.2% year-on-year decline in the second quarter, worse than the -4% of the previous quarter.
- The Acacia region (avg price = R727,787) showed a year-on-year price decline of -9.2% in the second quarter, down from a -7.9% deflation rate in the previous quarter.
- The Centurion area's (avg. price = R861,310) average price fell by -8.7%, worse than the -6.2% of the first quarter.
- The Pretoria area (avg price = R798,737) experienced price deflation of -3.5% year-on-year in the second quarter, worse than the -2.7% of the first quarter.



• Tshwane Townships (avg. price = R284,757) were the only major region of Tshwane showing slight price inflation to the tune of +1.5% year-on-year in the second quarter, but the deceleration in inflation continues, having declined from +3.1% in the previous quarter.



Interpretation/Conclusion

Although not expected to be a strong recovery, the 3rd quarter Barometer points to significantly stronger demand situation in the Tshwane Metro residential market compared to a very low activity rating last year. This metro may well be one of the more stable ones economically because of a large government component, and government employment and remuneration is generally very stable.

However, the city was not spared the recent recession, while the high rate of economic growth in the area prior to the recent downturn was accompanied by what appeared to be a very high level of building activity. The net result has been an oversupply of residential stock in recent times it would appear.

The 3rd quarter jump in demand was significant, although other key indicators such as average time on the market and percentage of sellers achieving their asking price haven't shown any meaningful improvement yet. Deeds data runs a bit behind, and still shows widespread price deflation as at the 2nd quarter, but this is expected to change slowly for the better in the numbers for the 2nd half of 2009, tracking the national trend back towards price inflation.

To date, the demand improvement is largely the result of interest rate cuts, and banks' responses to better market conditions by relaxing lending criteria has re-inforced the trend. In the near term, though, the economy is expected to provide more support for the market as we emerge from recession.

Property and Mortgage Market Analytics Unit

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