

APRIL FNB HOUSE PRICE INDEX

After some rise in residential demand in the summer comes a slight acceleration in house price growth

2 May 2011



FNB HOUSE PRICE INDEX YEAR-ON-YEAR GROWTH ACCELERATES MILDLY

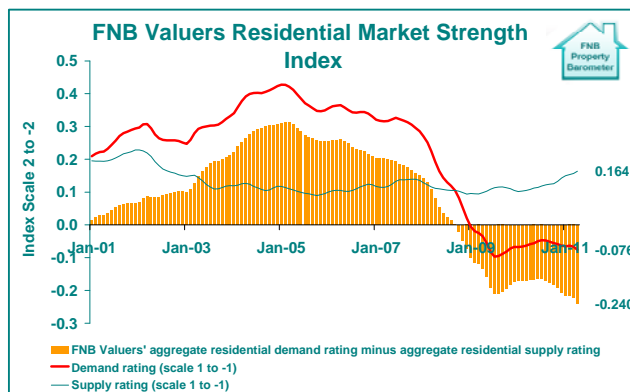
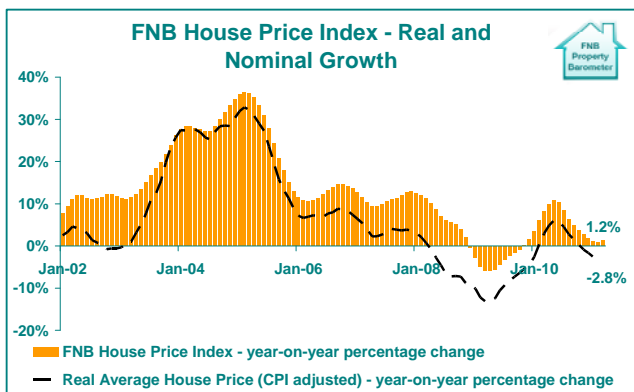
The April 2011 FNB House Price Index showed further mild acceleration in year-on-year growth on March's revised rate of 1.2%, to 2.2%. This is the 2nd successive month of mild acceleration in year-on-year house price growth, an event which we believe is the lagged result of a further brief flurry of interest rate cutting by the Reserve Bank (SARB) late in 2010. Those rate cuts caused a mild uptick in residential demand which may have been more than just the usual summer seasonal factors.

In real terms, however, adjusted for consumer price inflation, the year-on-year decline continues, to the tune of -2.8% in March (April CPI figures not yet available), given that nominal house price growth was well-below the higher 4.1% CPI inflation rate.

However, the FNB Valuers Market Strength Index suggests that our valuers have started to see further deterioration in the strength of demand versus supply during April, after a some small signs of stabilization in preceding months of 2011. This weakening in the market balance is the combined result of a further strengthening in the supply of residential stock on the market during the month, along with a weakening in demand, according to the valuers' combined opinion.

The contrast between the valuers' combined opinion and a slight acceleration in year-on-year price growth suggests that, we should not expect too much from the slight rise in price growth. What is probably being reflected in the recent house price trend is the mild residential demand improvement late in 2010, which was the result of 2 late-2010 interest rate cuts. However, the last rate cut was 5-and-a-half months ago in November, and it is likely that the impact is starting to wear thin. So, while price growth usually lags demand trend changes, and we are only now seeing the impact of rate cuts in house price trends, the weakening Market Strength Index suggests that the acceleration in house price growth will probably be short lived for the time being.

Currently, the talk is about rising oil and food prices, rising consumer price inflation, from 3.7% in February to 4.1% in March, and the widespread expectation of interest rate hikes later in 2011. Such an event, we believe sustains the possibility of renewed house price decline, given the current weak demand relative to supply.



Notes: *When an FNB valuer values a property, he/she must provide a rating of demand as well as supply for property in the specific area. The demand and supply ratings are a simple "good (+1)", "average (0)", and "weak (-1)". From all of these ratings we compile an aggregate demand and an aggregate supply rating, which are expressed on a scale of -1 to +1. After aggregating the individual demand and supply ratings, we subtract the aggregate supply rating from the demand rating to obtain the FNB Valuers' Residential Market Strength Index.

**The FNB House Price Index is a fixed-weighted average of its sub-indices, which are split by room number and by sectional title versus freehold properties. The index is lightly smoothed using a Hodrick-Prescott smoothing function. An index month commences 7 days prior to the end of the previous month to 7 days prior to the said calendar month.

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Monthly FNB House Price Index (July 2000 = 100)



Date	Index	y/y % change	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%	Nov-10	297.8	2.7%
Aug-00	99.2		Mar-03	123.4	11.4%	Oct-05	217.5	17.8%	May-08	287.3	8.6%	Dec-10	296.8	1.8%
Sep-00	98.6		Apr-03	125.7	12.3%	Nov-05	220.7	15.0%	Jun-08	284.9	7.0%	Jan-11	296.1	1.0%
Oct-00	98.4		May-03	127.7	13.4%	Dec-05	224.9	12.8%	Jul-08	284.2	6.0%	Feb-11	297.9	0.8%
Nov-00	98.6		Jun-03	129.8	15.0%	Jan-06	229.6	11.5%	Aug-08	285.8	5.5%	Mar-11	301.8	1.2%
Dec-00	98.9		Jul-03	132.2	16.8%	Feb-06	234.4	10.8%	Sep-08	288.1	5.1%	Apr-11	306.8	2.2%
Jan-01	99.3		Aug-03	134.4	18.3%	Mar-06	238.3	10.5%	Oct-08	289.7	4.0%			
Feb-01	99.6		Sep-03	136.9	19.7%	Apr-06	240.8	10.8%	Nov-08	289.4	1.9%			
Mar-01	99.7		Oct-03	140.3	21.6%	May-06	241.9	11.3%	Dec-08	287.2	-0.4%			
Apr-01	100.0		Nov-03	144.1	23.9%	Jun-06	242.2	12.1%	Jan-09	283.3	-2.8%			
May-01	100.6		Dec-03	148.0	26.1%	Jul-06	242.8	13.0%	Feb-09	278.7	-4.8%			
Jun-01	101.4		Jan-04	151.7	27.7%	Aug-06	244.1	13.8%	Mar-09	275.5	-5.7%			
Jul-01	101.8	1.8%	Feb-04	155.2	28.3%	Sep-06	246.4	14.5%	Apr-09	273.1	-5.9%			
Aug-01	102.2	3.0%	Mar-04	158.2	28.3%	Oct-06	249.0	14.5%	May-09	271.5	-5.5%			
Sep-01	102.5	4.0%	Apr-04	160.8	27.9%	Nov-06	252.0	14.2%	Jun-09	272.5	-4.4%			
Oct-01	102.9	4.5%	May-04	163.0	27.6%	Dec-06	255.5	13.6%	Jul-09	275.1	-3.2%			
Nov-01	103.7	5.1%	Jun-04	165.1	27.2%	Jan-07	258.9	12.8%	Aug-09	279.1	-2.4%			
Dec-01	105.1	6.2%	Jul-04	168.1	27.2%	Feb-07	261.3	11.5%	Sep-09	283.5	-1.6%			
Jan-02	106.9	7.7%	Aug-04	172.4	28.3%	Mar-07	262.5	10.2%	Oct-09	287.3	-0.8%			
Feb-02	108.9	9.3%	Sep-04	178.0	30.0%	Apr-07	263.4	9.4%	Nov-09	289.9	0.2%			
Mar-02	110.7	11.1%	Oct-04	184.6	31.6%	May-07	264.6	9.4%	Dec-09	291.5	1.5%			
Apr-02	112.0	11.9%	Nov-04	191.9	33.2%	Jun-07	266.2	9.9%	Jan-10	293.1	3.5%			
May-02	112.6	11.9%	Dec-04	199.3	34.6%	Jul-07	268.2	10.5%	Feb-10	295.7	6.1%			
Jun-02	112.8	11.2%	Jan-05	206.0	35.8%	Aug-07	270.9	11.0%	Mar-10	298.2	8.2%			
Jul-02	113.1	11.1%	Feb-05	211.6	36.3%	Sep-07	274.2	11.3%	Apr-10	300.1	9.9%			
Aug-02	113.7	11.2%	Mar-05	215.5	36.2%	Oct-07	278.6	11.9%	May-10	301.1	10.9%			
Sep-02	114.4	11.6%	Apr-05	217.4	35.2%	Nov-07	283.8	12.6%	Jun-10	300.3	10.2%			
Oct-02	115.4	12.1%	May-05	217.2	33.3%	Dec-07	288.4	12.9%	Jul-10	298.2	8.4%			
Nov-02	116.3	12.2%	Jun-05	216.1	30.9%	Jan-08	291.4	12.5%	Aug-10	296.9	6.4%			
Dec-02	117.4	11.7%	Jul-05	214.8	27.8%	Feb-08	292.8	12.0%	Sep-10	297.2	4.8%			
Jan-03	118.8	11.2%	Aug-05	214.4	24.3%	Mar-08	292.2	11.3%	Oct-10	298.0	3.7%			

Cumulative Percentage Change in the FNB House Price Index



From Date	Cumulative % change to Apr 2011	From Date	Cumulative % change to Apr 2011	From Date	Cumulative % change to Apr 2011	From Date	Cumulative % change to Apr 2011	From Date	Cumulative % change to Apr 2011
Jul-00	206.8%	Feb-03	153.6%	Sep-05	42.6%	Apr-08	5.8%	Nov-10	3.0%
Aug-00	209.3%	Mar-03	148.7%	Oct-05	41.1%	May-08	6.8%	Dec-10	3.4%
Sep-00	211.2%	Apr-03	144.0%	Nov-05	39.0%	Jun-08	7.7%	Jan-11	3.6%
Oct-00	211.7%	May-03	140.3%	Dec-05	36.4%	Jul-08	8.0%	Feb-11	3.0%
Nov-00	211.1%	Jun-03	136.4%	Jan-06	33.6%	Aug-08	7.4%	Mar-11	1.7%
Dec-00	210.1%	Jul-03	132.2%	Feb-06	30.9%	Sep-08	6.5%		
Jan-01	209.1%	Aug-03	128.3%	Mar-06	28.8%	Oct-08	5.9%		
Feb-01	208.1%	Sep-03	124.1%	Apr-06	27.4%	Nov-08	6.0%		
Mar-01	207.9%	Oct-03	118.7%	May-06	26.8%	Dec-08	6.8%		
Apr-01	206.7%	Nov-03	113.0%	Jun-06	26.7%	Jan-09	8.3%		
May-01	204.8%	Dec-03	107.2%	Jul-06	26.4%	Feb-09	10.1%		
Jun-01	202.5%	Jan-04	102.3%	Aug-06	25.7%	Mar-09	11.4%		
Jul-01	201.3%	Feb-04	97.6%	Sep-06	24.5%	Apr-09	12.4%		
Aug-01	200.3%	Mar-04	93.9%	Oct-06	23.2%	May-09	13.0%		
Sep-01	199.2%	Apr-04	90.8%	Nov-06	21.7%	Jun-09	12.6%		
Oct-01	198.3%	May-04	88.2%	Dec-06	20.1%	Jul-09	11.5%		
Nov-01	196.0%	Jun-04	85.8%	Jan-07	18.5%	Aug-09	9.9%		
Dec-01	192.0%	Jul-04	82.5%	Feb-07	17.4%	Sep-09	8.2%		
Jan-02	187.1%	Aug-04	77.9%	Mar-07	16.9%	Oct-09	6.8%		
Feb-02	181.8%	Sep-04	72.3%	Apr-07	16.5%	Nov-09	5.8%		
Mar-02	177.2%	Oct-04	66.2%	May-07	16.0%	Dec-09	5.2%		
Apr-02	174.0%	Nov-04	59.9%	Jun-07	15.2%	Jan-10	4.7%		
May-02	172.4%	Dec-04	53.9%	Jul-07	14.4%	Feb-10	3.8%		
Jun-02	171.9%	Jan-05	48.9%	Aug-07	13.3%	Mar-10	2.9%		
Jul-02	171.2%	Feb-05	45.0%	Sep-07	11.9%	Apr-10	2.2%		
Aug-02	169.9%	Mar-05	42.3%	Oct-07	10.1%	May-10	1.9%		
Sep-02	168.2%	Apr-05	41.1%	Nov-07	8.1%	Jun-10	2.2%		
Oct-02	166.0%	May-05	41.2%	Dec-07	6.4%	Jul-10	2.9%		
Nov-02	163.8%	Jun-05	42.0%	Jan-08	5.3%	Aug-10	3.3%		
Dec-02	161.3%	Jul-05	42.8%	Feb-08	4.8%	Sep-10	3.2%		
Jan-03	158.2%	Aug-05	43.1%	Mar-08	5.0%	Oct-10	3.0%		

Property and Mortgage Market Summary, and Key Economic Indicators

END OF PERIOD	2006	2007	2008	2009	2010	Q2-2010	Q3-2010	Q4-2010	Q1-2011	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Residential Property Prices														
FNB National Average House Price (Rand)	636,111	706,810	755,174	732,913	779,187	786,249	778,274	778,559	781,315	776,589	774,733	779,508	789,705	802,857
<i>y/y % change</i>	12.6	11.1	6.8	-2.9	6.3	10.3	6.5	2.7	1.0	1.8	1.0	0.8	1.2	2.2
Major Metro Areas Average House Price (Rand)	867,517	990,313	1,024,371	1,011,300	1,068,804	1,063,802	1,077,954	1,087,859	1,095,164					
<i>y/y % change</i>	18.2	14.2	3.4	1	5.7	6.04	6.62	5.99	4.7					
- Top End Area Average House Price (Rand)	1,459,205	1,653,201	1,720,489	1,724,920	1,830,772	1,821,279	1,846,493	1,866,130	1,882,487					
<i>y/y % change</i>	15.2	13.3	4.1	0.3	6.1	6.5	6.9	6.3	5.2					
- High Income Area Average House Price (Rand)	876,374	999,266	1,028,572	1,010,454	1,066,971	1,063,134	1,075,911	1,082,699	1,085,934					
<i>y/y % change</i>	18.3	14.0	2.9	-1.8	5.6	6.1	6.4	5.4	3.8					
- Middle Income Area Average House Price (Rand)	584,410	667,774	684,810	664,587	696,058	692,912	701,893	708,234	712,764					
<i>y/y % change</i>	22.9	14.3	2.6	-3.0	4.7	4.8	6.0	5.7	4.6					
- Affordable Area Average House Price (Rand)	261,711	331,575	352,870	336,042	358,863	355,200	362,863	370,445	377,864					
<i>y/y % change</i>	30.4	26.7	6.4	-4.8	6.8	6.5	8.8	9.4	8.9					
- Coastal Holiday Towns Average House Price (Rand)	712,586	802,248	835,475	853,879	834,268	843,647	828,519	811,763	793,869					
<i>y/y % change</i>	24.7	12.6	4.1	2.2	-2.3	-1.3	-3.1	-5.1	-6.9					
FNB Residential Property Barometer														
Level of Residential Demand Activity (Scale 1 to 10)	6.0	5.7	4.5	5.2	5.9	6.0	5.7	5.8	6.07					
<i>y/y % change</i>	-7.6	-5.2	-20.8	15.6	13.6	24.4	0.2	1.9	-4.4					
First time buyers as a percentage of total buyers (%)	21.8	17.8	15.0	15.8	17.0	19.0	15.0	17.0	22.0					
Buy-to-let as a percentage of total buyers (%)	17.5	12.8	13.0	12.0	7.5	7.0	7.0	7.0	8.0					
Average time of properties on the market (Weeks and Days)	8.0	10.0	15.4	17.0	15.1	17.1	15.4	15.6	19.1					
Percentage of properties sold at less than asking price (%)	64.0	77.3	84.3	86.0	79.5	81.0	81.0	80.0	85.0					
Percentage of properties on the market for 3 months or more (%)	26.0	42.8	74.8	74.0	73.0	79.0	78.0	74.0	81.0					
Residential Building Sector														
Number of units' plans passed	103,925	102,691	84,508	54,390	46,521	13,832	13,746	9,812	5,956	2,242	2,355	3,601		
<i>y/y % change</i>	1.6	-1.2	-17.7	-35.6	-14.5	8.9	-0.7	-25.2	-34.8	-40.8	-4.6	-6.7		
Square metres' worth of plans passed	13,877,783	13,490,430	10,181,185	6,133,474	5,812,766	1,574,751	1,688,107	1,339,286	780,308	351,514	334,336	445,972		
<i>y/y % change</i>	-2.3	-2.8	-24.5	-39.8	-5.2	-1.7	14.7	-10.7	-35.5	-13.8	2.9	-3.9		
Average size of units' plans passed (square metres)	133.5	131.4	120.5	112.8	124.9	113.8	122.8	136.5	131.0	156.8	142.0	123.8		
Number of units completed	70,005	76,661	70,058	56,947	40,671	9,590	10,242	11,712	5,113	3,334	1,805	3,308		
<i>y/y % change</i>	-0.9	9.5	-8.6	-18.7	-28.6	-27.7	-24.8	-19.9	-44.0	-44.2	-21.5	3.5		
Square metres' worth of buildings completed	9,094,252	9,327,001	8,615,194	6,713,973	4,815,418	1,191,179	1,232,079	1,308,451	572,695	410,712	230,173	342,522		
<i>y/y % change</i>	3.5	2.6	-7.6	-22.1	-28.3	-24.4	-24.0	-21.7	-47.2	-25.6	-23.3	-13.4		
Average size of units' completed (square metres)	129.9	121.7	123.0	117.9	118.4	124.2	120.3	111.7	112.0	123.2	127.5	103.5		

Property and Mortgage Market Summary, and Key Economic Indicators

END OF PERIOD	2006	2007	2008	2009	2010	Q2-2010	Q3-2010	Q4-2010	Q1-2011	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Mortgage Market														
Total Mortgage Advances Outstanding (R'm)	684,593	853,819	966,921	1,001,946	1,042,107	1,023,395	1,041,775	1,042,107	1,047,603	1,042,107	1,043,875	1,047,603		
y/y % change	30.0	24.7	13.2	3.6	4.0	3.4	4.8	4.0	3.0	4.0	3.8	3.4		
New residential loans and re-advances granted (R'm)	338,327	364,575	272,905	188,122	246,603	60,736	64,127	64,422		18,909				
y/y % change	36.0	7.8	-25.1	-31.1	31.1	52.1	25.4	7.8		16.0				
Residential re-advances granted (R'm)			48,878	53,699	43,115	9,849	12,092	11,190		3,221				
y/y % change			#N/A	9.9	-19.7	-13.6	-20.0	-19.8		-4.1				
Total residential mortgage loans outstanding - Banks (R'm)	546,196,842	672,988,765	753,122,034	775,061,630	806,523,602	792,975,870	807,732,649	806,523,602	811,553,587	806,523,602	808,662,517	811,553,587		
y/y % change	28.2	23.2	11.9	2.9	4.1	3.2	4.6	4.1	3.0	4.1	3.7	3.3		
Key Economic Indicators														
Real Gross Domestic Product (R'm at 2000 prices)	1,659,122	1,751,499	1,814,134	1,783,617	1,834,293	1,826,265	1,838,587	1,858,688						
y/y % change	5.6	5.6	3.6	-1.7	2.8	3.1	2.7	3.8						
Real Residential Fixed Investment (R'm)	36,198	35,882	33,257	30,202	28,130	28,302	27,850	27,572						
y/y % change	8.2	-0.9	-7.3	-9.2	-6.9	-7.1	-6.9	-6.0						
Prime Rate (%)	11.2	13.2	15.1	11.8	9.8	10.0	9.8	9.2	9.0	9.0	9.0	9.0	9.0	9.0
Yields on Government Bonds 10 years and Longer (%)	7.9	8.0	9.1	8.7	8.6	8.9	8.3	8.2	8.6	8.4	8.5	8.7	8.9	8.7
Currencies - USDZAR	6.75	7.04	8.27	8.43	7.32	7.57	7.32	6.88	7.04	6.78	6.99	7.19	6.94	
Currencies - EURZAR	8.48	9.64	12.10	11.72	9.68	9.61	9.43	9.36	9.62	8.98	9.36	9.80	9.71	
CPI - y/y % change	4.6	7.1	11.5	7.1	4.3	4.5	3.5	3.5	3.8	3.5	3.7	3.7	4.1	
Gauteng pump price y/y%						15.6	4.0	7.3	13.9	6.8	11.9	12.6	17.2	16.7
FNBBER Consumer Confidence Index	19.0	21.0	0.3	3.0	14.5	14.0	15.0	14.0	9.0					
RMBBER Business Confidence Index	83.5	74.8	40.0	26.0	42.5	36.0	47.0	44.0	55.0					
SARB Composite Leading Business Cycle Indicator	125.4	125.5	117.0	110.7	130.0	130.9	129.5	131.1	135.4	133.0	134.7	136.1		
y/y % change	5.8	0.1	-6.8	-5.3	17.4	21.4	17.1	9.8	5.4	9.2	5.8	6.6		
Real Retail Sales (2008 Prices) - R'm	468,329	498,641	500,066	481,908	506,822	121,484	122,640	146,178	80,960	59,309	41,073	39,887		
y/y % change	11.9	6.5	0.3	-3.6	5.2	5.1	6.2	7.7	-30.5	8.3	6.3	5.6		
Manufacturing - Volume of Production (Index 2005=100)	104.8	109.6	110.4	96.2	100.9	100.0	103.2	105.3	93.7	90.8	87.7	99.7		
y/y % change	4.9	4.6	0.7	-12.9	4.9	8.7	4.5	2.5	-1.5	0.3	1.6	6.0		
Mining - Volume of Production (Index 2005=100)	98.7	97.8	92.3	86.2	91.5	86.3	98.2	97.3	81.5	97.0	80.8	82.1		
y/y % change	-1.3	-0.9	-5.7	-6.6	6.2	-1.6	8.3	8.4	-3.4	9.0	3.2	2.8		
Vehicle Sales - Total (NAAMSA)	647,021	613,043	489,340	353,970	426,233	97,590	110,887	111,036	129,676	35,475	38,934	42,995	47,747	
y/y % change	14.5	-5.3	-20.2	-27.7	20.4	22.1	20.4	25.3	21.5	31.6	14.1	25.3	24.7	
Passenger Vehicle Sales - Total (NAAMSA)	427,021	384,582	294,761	224,754	279,238	61,852	75,711	71,690	86,725	23,020	27,578	28,755	30,392	
y/y % change	13.3	-9.9	-23.4	-23.8	24.2	22.2	30.8	27.5	23.9	43.2	16.0	30.5	25.7	