

INTERPROVINCIAL HOME BUYER MIGRATION MONITOR

*- An indicator of regional economic
competitiveness*



FNB PROPERTY MARKET ANALYTICS

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SECTION 1. SUMMARY –WE RATE THE WESTERN CAPE THE MOST COMPETITIVE REGION IN TERMS OF ITS ABILITY TO ATTRACT MIGRANTS TO ITS FORMAL PROPERTY SECTOR, AND THUS TO ITS ECONOMY

Over the years, the competitiveness of economies has been a key focus of economists, both of national economies as well as of regional and even city economies. In services-dominant economies such as South Africa's, the ability to attract skilled labour is all important, because skills drive such economies. As such, an indicator of a country or region's ability to attract and retain skilled migrants is arguably one useful indicator of a region's "economic competitiveness". We believe that looking at residential property transactions can provide such an indicator.

The FNB Estate Agent Surveys of recent years have been used to gather information regarding agents' views of why people sell property, and the results have been broken down into major metro regions. In some home sales categories, significant regional differences in survey results can be interpreted as representing differences in perceptions and confidence levels, of the group of residents that trades formal sector homes within those regions, towards those regions. This group generally represents the skilled and highly-skilled echelons of society, and is thus influential in driving the regional economies.

Our estate agent survey results in major metros over the past two-and-a-half years point to relatively strong confidence in a region being shown by the property sellers of the City of Cape Town, as well as its inhabitants possibly having been in the most solid financial position. During this period, the city had the 2nd lowest rate of selling in order to move for safety and security purposes, suggesting a better perception of crime than most of the other major metros, the 2nd lowest emigration selling rate along with the highest rate of property buying by foreigners (which shows a relatively solid level of long term confidence in the region), and the lowest rate of Net Downscaling for financial reasons, i.e. downscaling due to financial pressure minus selling in order to upgrade.

The above reasons for selling can be regarded as indicators of perceptions of lifestyle of a region as well as confidence in that region. However, given that many people vote with their feet, Deeds data offers us the opportunity to further gain an indication of a region's attractiveness by trying to quantify the migration of people between regions, in this case between provinces. For this purpose, we identify all purchases by individuals where there is a corresponding sale by the same individual within 12 months either side of the purchase. The bulk of these "repeat buying" transactions are within the same province, but a portion of these purchases, 17.6% in 2010, were in a province other than where the corresponding sale took place, and this figure represents our estimate of the year's inter-provincial re-location rate or, alternatively put, the "semi-gration" rate. It isn't an exact science, as some holiday property buying may "interfere", while 1st time buyers who have re-located do not get included into this figure. Nevertheless, we believe it to be a good indicator of semi-gration flows.

The 2010 total inter-provincial repeat buyer flow rate was slightly higher than the 17% of 2009, reflecting some recovery in the economy, which in turn creates improved job prospects for skilled labour and thus drives a higher level of re-location.

Breaking it down by province, we found the Western Cape to have the lowest outbound re-location rate of 10.6% of total repeat buyers, followed by Gauteng with 14.6%. The smaller provinces had the worst rates of outbound migration, with the highest estimated to be Limpopo at 33.6% of its total repeat buying, followed by Mpumalanga on 32%.

On a net migration basis, i.e. repeat buyers entering a province minus those departing, it was only the Western Cape that saw positive or "net inward" migration to the tune of +10.6% of total repeat buying. Next best was Gauteng with a slight net outbound migration rate of -1.1%. The Western



How can we help you?

Cape and Gauteng were the only provinces that saw some improvement in their net migration rates in 2010. This would suggest in part that the best economic recovery has taken place around these 2 major economies regions, while also probably reflective of corporate consolidation of certain activities around head offices (largely based in the 2 major provinces) in tough economic times of recent years.

The Western Cape's 2010 net migration performance is "more of the same", with the province having had the best net inward migration for the past decade as a whole. This should be a key source of long term support to its economy, providing it with the potential to have superior long term economic growth to other regions. Has this been the case to date? Well, according to Globalinsight estimates, for the decade 2000-2009 the Western Cape had the best provincial annual real economic growth rate of 4.4%, followed closely by Gauteng with 4.3%.

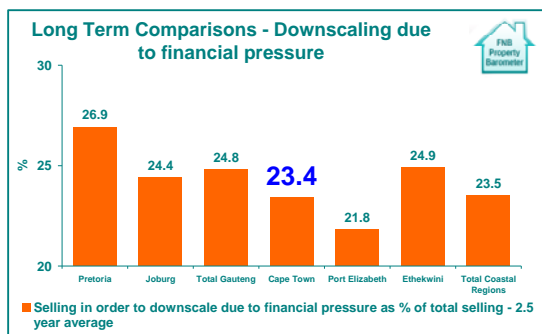
Therefore, the country's 2 major provincial economies, Gauteng and the Western Cape, appear to be leading the race to attract and retain skilled labour, with the Western Cape appearing significantly better off than Gauteng too. These 2 regions lead the others in terms of economic opportunity, the key driver of skills migration, while the Western Cape has the added advantage of a higher perceived quality of life. While superior economic and perceived lifestyle opportunity have made it the most competitive in terms of attracting skills, this ability in turn has arguably led to the Western Cape experiencing superior economic growth compared with the other regions, further enhancing its ability to attract skilled migrants to the region.

SECTION 2. DETAILED RESULTS OF THE INTERPROVINCIAL MIGRATION MONITOR.

While not coming out tops in all aspects of our Estate Agent Surveys, the Western Cape province fares very well, indicating relatively high levels of confidence and perceptions towards the region

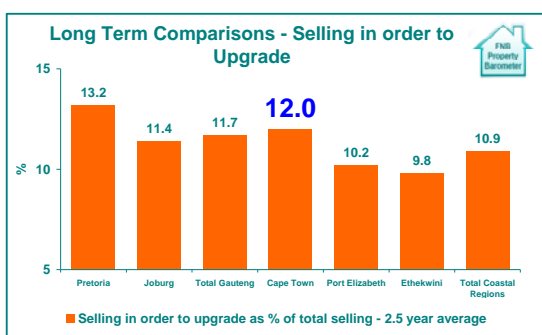
The FNB Estate Agent Surveys of recent years have been used to gather information regarding agents' views of why people sell property, and the results have been broken down into major metro regions. In some sales categories, significant regional differences in survey results can be interpreted as representing differences in perceptions and confidence levels of the group of residents that trades formal sector homes within those regions. This group generally represents the more skilled echelons of society, and is thus influential in driving the regional economies. The survey results in major metros over the past two-and-a-half years point to relatively strong confidence in the region being shown by the property sellers of the City of Cape Town, as well as its inhabitants possibly having been in the most solid financial position on average.

The key survey findings are as follows:

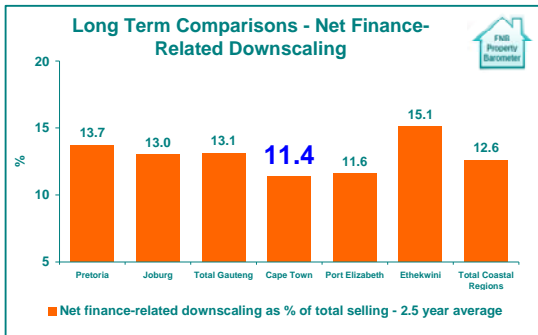


Over the past 2.5 years, City of Cape Town's financial health appears to have been near best of the major regions, although it too hasn't escaped quite severe financial pressure.

Selling in order to downscale due to financial pressure has averaged 23.4% of total selling, with only Port Elizabeth (PE) being rated lower by its own sample of agents that we surveyed.



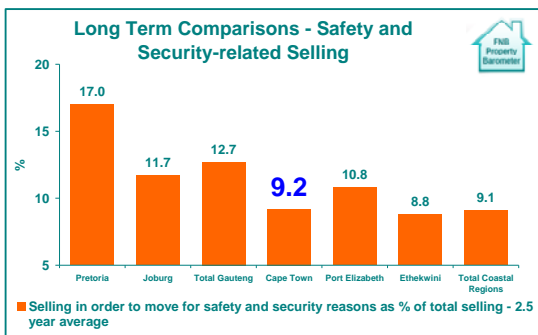
Selling in order to upgrade was the second highest as a percentage of total selling, behind Pretoria



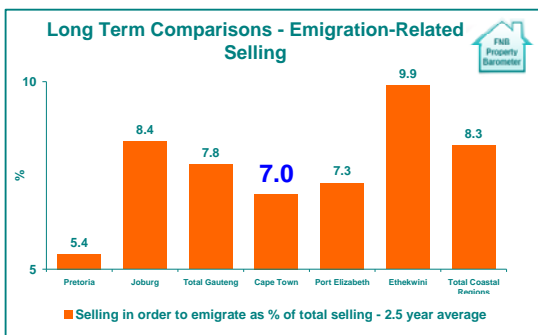
Netting downscaling due to financial pressure from selling in order to upgrade (the two reasons for selling related to financial weakness or strength), City of Cape Town's financial health appears to have been estimated to be slightly better than the other major metro regions over the past 2.5 years

"Net Selling in order to downscale due to financial pressure" was 11.4% in Cape Town, the lowest of the major metro regions

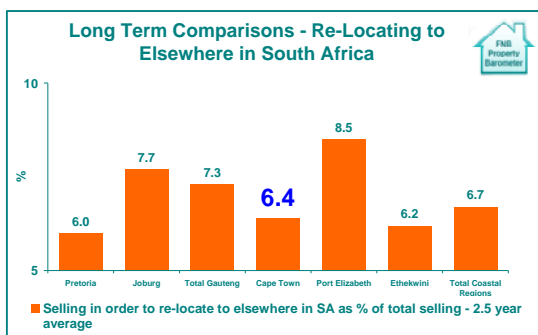
Indicators of long term confidence and perceptions regarding major metro regions



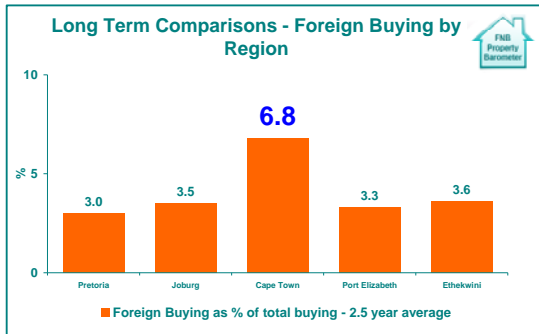
From the agent survey, it would still appear that the coastal cities are perceived as safer from a crime point of view than their Gauteng counterparts. Ethekwini metro has the lowest estimated selling in order to re-locate for safety and security reasons (9.1%), with Cape Town marginally higher at 9.2%.



Cape Town has the 2nd lowest emigration selling rate behind Pretoria, which would be reflective of how its residents perceive the long term future and quality of life.



A relatively low average estimated rate of selling in order to re-locate to elsewhere in SA, at 6.4% of total selling (once again behind Pretoria), may say much about the region's ability to provide career opportunities, along with perceived lifestyle.



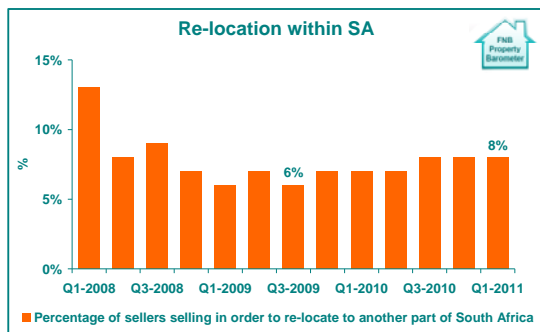
According to the estate agents surveyed, over the past 2.5 years Cape Town has been the metro attracting by far the largest portion of foreign buying at 6.8% of total Cape Town buying, which speaks volumes about external perceptions towards the region.

So, Over the past 2.5 years the reasons for selling suggest that the Cape Metro has been one of the financially healthiest of SA's major metros, while its residents appear to have above average confidence in the region, if the estimated reasons for selling are to go by. Its strong points include:

- the 2nd lowest estimated percentage of selling being in order to move for safety and security purposes
- the 2nd lowest rate of emigration selling
- the Lowest rate of Net Downscaling (Downscaling due to financial pressure minus upgrading)
- It also has the highest percentage of foreign buying

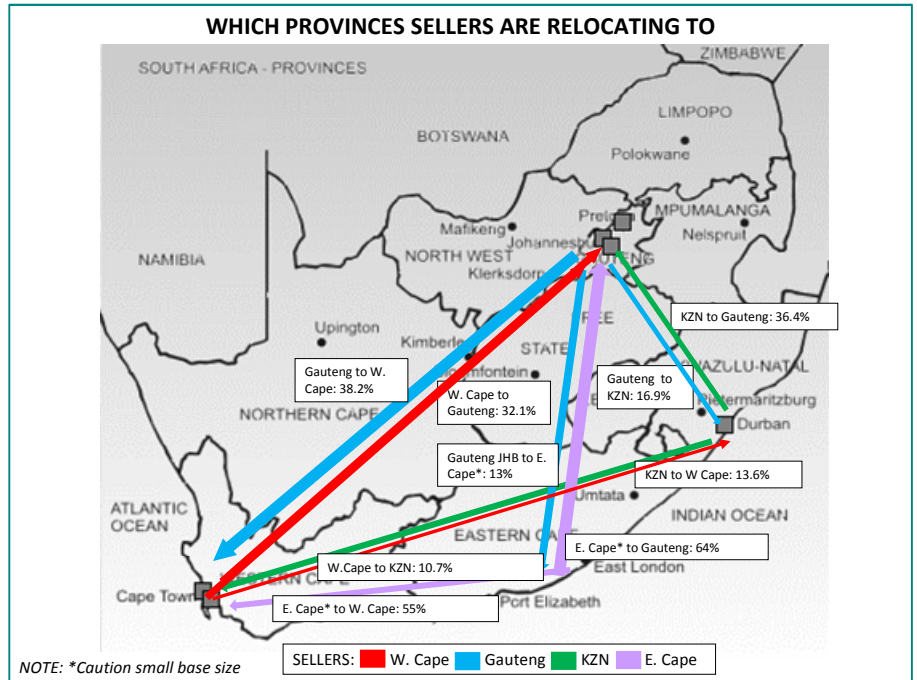
Put all of this together with the fact that the Western Cape is the country's 2nd largest provincial economy, thus offering very significant economic opportunities, and this should be the recipe for a relatively good rate of migration to, and retention of, the more skilled echelons of society. In terms of economic opportunity, given its sheer size, Gauteng remains a key drawcard for skilled people, but Western Cape sellers indicate that their region it has the edge in terms of confidence and perceived lifestyle.

In 2010, estate agents indicated a mild increase in selling in order to re-locate to elsewhere in South Africa



From a low of 6% of total sellers at a stage of 2009, hampered by recession, selling in order to re-locate to elsewhere in South Africa reportedly rose to 8% of total selling by the 2nd quarter of 2010, a reflection of better economic times.

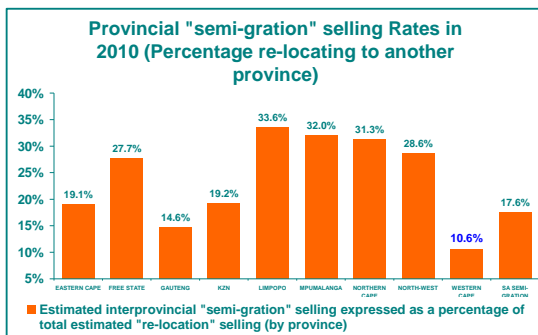
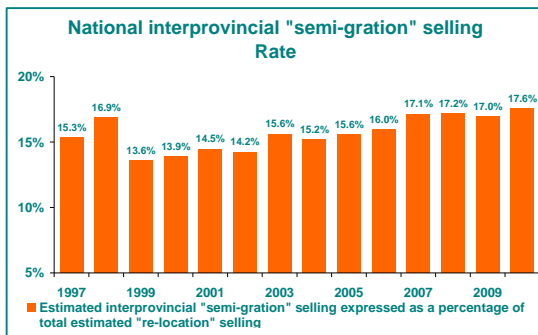
We asked our panel of agents as to where the key re-location destinations were, and given that the bulk of re-locating is for job purposes, it came as little surprise that the largest percentages of agents cited one or more of SA's major metros. The map shows the percentage of agents citing each of the major metros as a key re-location destination.



So how do people vote when using their feet? We estimate of numbers of "semi-grants" between provinces using Deeds Data

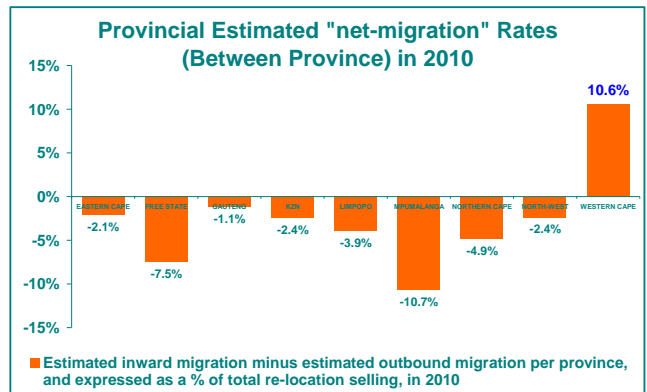
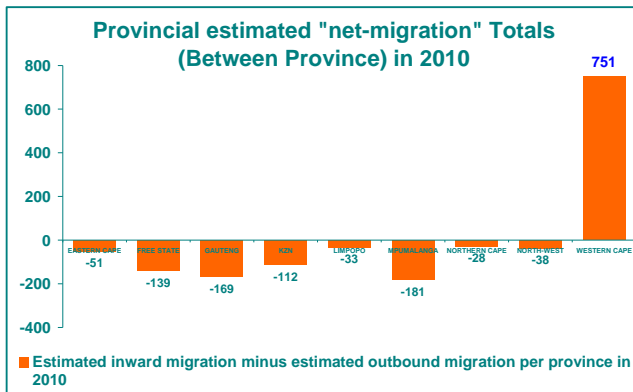
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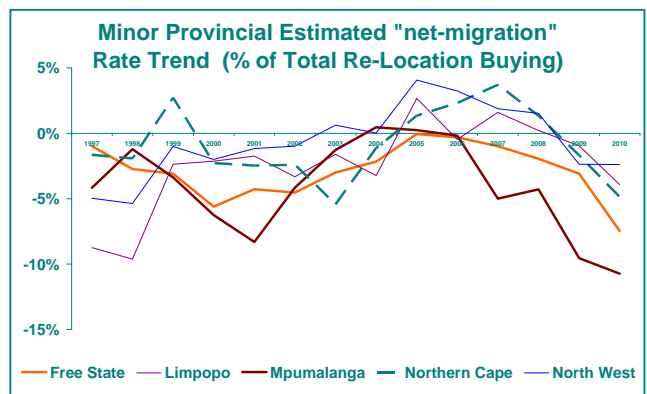
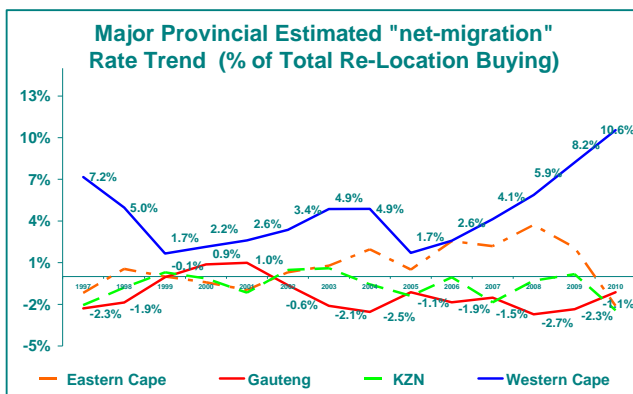


Breaking it down by province, at 10.6% of total repeat buyers in 2010, it would appear that the Western Cape had the lowest outbound migration of "repeat buyers" to other provinces. Gauteng is estimated to have the 2nd lowest outbound rate of repeat buyers, and Eastern Cape and KZN neck and neck in 3rd and 4th place.

However, it is on a net migration basis, however, where the Western Cape's superior competitiveness really starts becoming apparent. On a net migration basis, i.e. repeat buyers entering a province minus those departing, it was only the Western Cape that saw positive or "net inward" migration to the tune of +10.6% of total repeat buying. Next best was Gauteng with a slight net outbound migration rate of -1.1%.

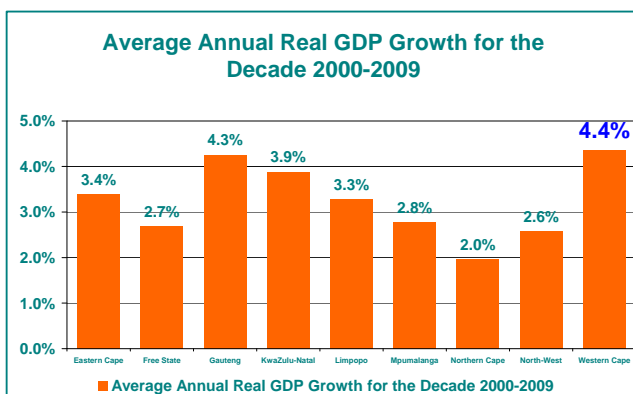


The Western Cape and Gauteng were the only provinces that saw some improvement in their net migration rates in 2010. This would suggest in part that the best economic recovery has taken place around these 2 major economies regions, but is also probably reflective of corporate consolidation of certain activities around head offices in tough economic times of recent years.



IN CONCLUSION – SUPERIOR SKILLS ATTRACTION APPEARS TO HAVE SUPPORTED SUPERIOR ECONOMIC GROWTH FOR THE WESTERN CAPE, WITH GAUTENG SLIGHTLY BEHIND.

We believe that repeat home buyer interprovincial migration estimates are a good indication of a region's economic competitiveness, and that the Western Cape comes out very much on top in this regard. The Western Cape's 2010 net migration performance is "more of the same", having had the best net inward migration for the past decade as a whole. This should be a key source of long term support to its economy, providing it with the potential to have superior long term economic growth to other regions. According to Globalinsight estimates,



for the decade 2000-2009 the Western Cape had the best provincial annual economic growth rate of 4.4%, followed closely by Gauteng with 4.3%. The apparent "two horse race" for skills indeed appears to have gone hand in hand with the country's 2 major regions having the best economic growth.



How can we help you?

KEY SEMI-GRATION DESTINATIONS FROM MAJOR PROVINCES

