

FNB HOME BUYING ESTATE AGENT SURVEY BY SEGMENT

- Agents operating in the "High Net Worth" segment are still the least upbeat about demand levels



FNB PROPERTY MARKET ANALYTICS

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THE MIDDLE AND LOWER INCOME SEGMENTS APPEAR THE HEALTHIEST

Our national FNB Estate Agent Survey for the 1st quarter of 2011 has suggested that the summer saw something of a mild strengthening in residential demand. This came as little surprise, with summer generally being a seasonally stronger period, and with the Reserve Bank resuming interest rate cutting in September and November. The survey has perhaps been a little confusing, though, simultaneously suggesting that the market may have become a little more oversupplied despite a demand improvement, possibly suggesting a strengthening in supply too.

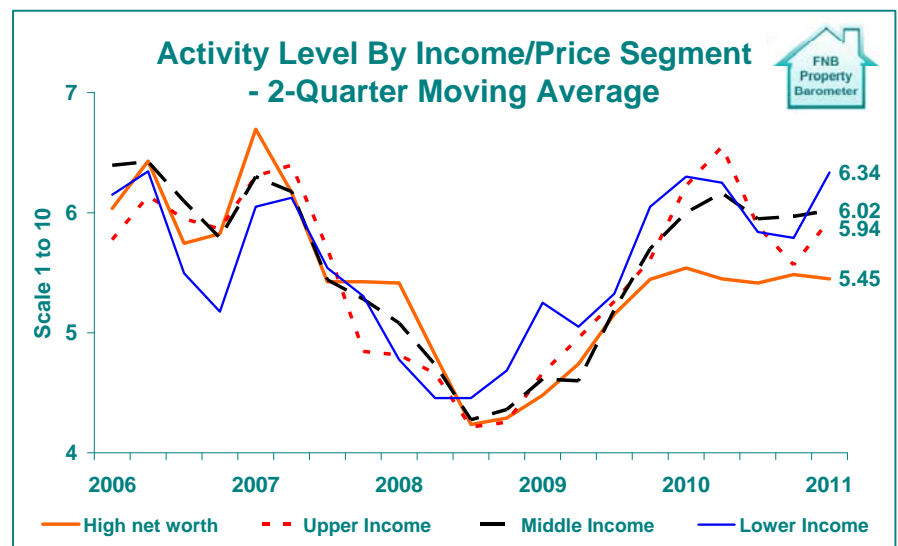
Breaking the survey up into income/price segments, 3 of the 4 "self-defined" income segments pointed to a stronger level of demand activity in the 1st quarter of 2011, compared to the previous quarter, using the 2-quarter moving average.

Due to sample size issues when segmenting the market, we use 2-quarter moving averages in all of the survey data displayed in this report. The general picture was one of mild demand strengthening for the 2 quarters to Quarter 1 of 2011, with the exception of the seemingly very flat "High Net Worth" segment.

The survey segments the market into 4 agent-defined* income segments, namely "Lower Income Areas" (average price = R582,000), "Middle Income Areas" (average price = R1.17m), "Upper Income Areas" (average price = R2.01m) and "High Net Worth Areas" (average price = R2.8m).

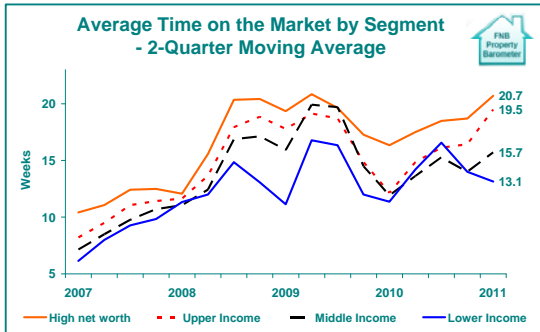
When asking the agents for their rating of demand activity in their area/market, on a scale of 1 to 10, agents in the Lower Income and Middle Income segments gave the highest average ratings of 6.34 and 6.02 respectively, for the 2-quarters to the 1st quarter of 2011, which represents improvement in the previous quarters. The Upper Income areas also reported some demand improvement, recording a 5.94 reading. The High Net Worth segment was the odd one out, recording the lowest 1st quarter reading of 5.45, which represents a slight declining from the previous quarter.

Since early-2010, the High Net Worth segment appears to have flattened out at a noticeably weaker demand level, compared with the lower 3 segments whose demand estimates have remained more narrowly grouped together.

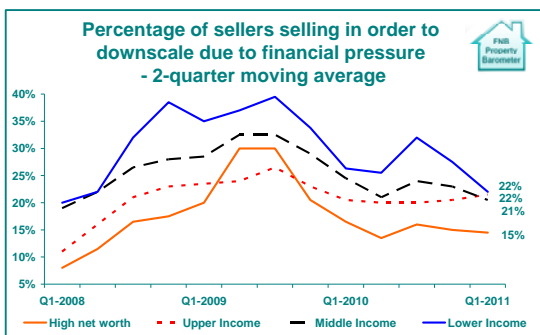


How can we help you?

The differential in demand activity ratings between the lower and the higher end of the market appears to be reflected in a noticeable widening in the differential between the average estimated time that a property is on the market prior to being sold on the higher end segments, versus that of the lower end segments.

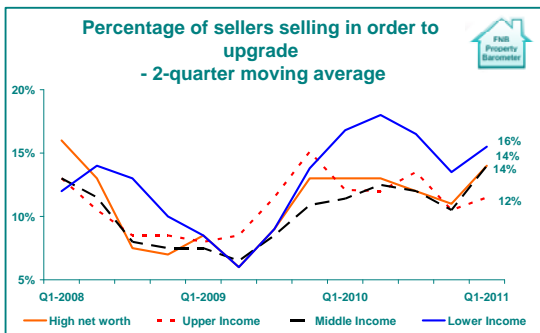


Again using a 2-quarter moving average, agents in the High Net Worth segment estimated an average time on the market of 20.7 weeks for the 2 quarters to the 1st quarter of 2011, up from the previous quarter's 18.7 weeks. The Upper Income segment also saw a noticeable rise from 16.4 weeks previous to 19.5 weeks, which was the most significant deterioration in market balance of all 4 segments. The Middle Income segment remained considerably lower, rising from a previous quarter's 14 weeks to 15.7 weeks. The Lower Income segment was the odd man out here, though in a positive manner, having its estimated time on the market improve from 14 weeks in the previous quarter to 13.1 weeks in the 1st quarter of 2011. This is in line with agents in this segment reporting the sharpest quarterly rise in demand, to the highest level of all 4 segments.



Accompanying the noticeable relative improvement in the Lower Income Market activity level, as well as in its average time on the market, was the best improvement of all the segments in the estimated percentage of sellers selling in order to downscale due to financial pressure. From a previous quarter's 28% of total selling, this category of selling declined to 22% in the 1st quarter. An improvement in this percentage for the Middle Income areas, too, meant that the differential in percentages between the lower end and the High Net Worth segment narrowed in the 1st quarter. It is possible that a greater improvement (decline) in stress-related selling in the Lower Income segment assisted in constraining supply on the market in this segment to a greater degree than the higher income segments, thereby further assisting in improving its market balance as reflected by a decline in the average time on the market. The

noticeable exception to improvements in this selling category's percentage was that of the Upper Income segment, which remained almost flat, deteriorating slightly from 21% of total selling to 22%.



In the category of selling named "selling in order to upgrade, we saw estimated increases as a percentage of total selling in all 4 income segments, following a decline in the previous 2 quarters. This possibly supports our theory that renewed interest rate cutting late in 2010 boosted seller confidence amongst sellers not desperate to sell, encouraging them to place their homes on the market, and thereby boosting supply of stock on the market recently.

Interestingly, the weakest performance in this selling category since late-2009 appears to have come from the Upper Income segment, which has shifted from having the highest percentage of sellers upgrading as at the 4th quarter of 2009 to having the lowest by the 1st quarter of 2011.

In summary, the FNB Estate Agent survey continues to suggest that the Middle and Lower Income segments are still performing better than the higher end segments. The High Net Worth segment remains very flat in terms of demand. The Upper Income segment showed some summer improvement in demand, but remained lower than the Middle and Lower Income segments. In terms of balance between supply and demand, as reflected in the average time of a property on the market, the Upper Income segment had the most pronounced increase in the estimated average time on the market in the 1st quarter of 2011. It was also the only one of the 4 segments not to have an improvement in the percentage of sellers selling in order to downscale due to financial pressure, as well as having the weakest estimated performance in the percentage selling in order to upgrade. The most marked improvements in market health in the summer months seem to have been in the arguably more interest rate-sensitive Middle and Lower Income segments.

*In the FNB Estate Agent Survey, income segments are "self-defined" by estate agents participating. In other words, they indicate in the survey whether they believe themselves to be operating in "Low Income", "Middle Income", "Upper Income" or "High Net Worth" areas or perhaps a combination. They then provide us with their estimate of the average price level for the area(s). The average prices of the Estate Agent income segments differ from our own price bands for major metros.