



## Market insights with **Property Barometer**

Important information you need to know to make informed decisions.



**FNB**  
First National Bank

how can we help you?

# PROPERTY BAROMETER – HOLIDAY TOWNS VS METROS

Primary Residence–Driven Major Metro Markets continue to outperform holiday town residential markets, it would appear.

27 October 2011

*In the Second Quarter FNB Estate Agent Survey, estate agents pointed towards some decline in holiday property demand relative to overall residential demand, although month-to-month changes can admittedly be a little volatile. The currently mediocre level of holiday property demand is unsurprising, and remains insufficient to lift the FNB Holiday Town House Price Index out of price deflation.*

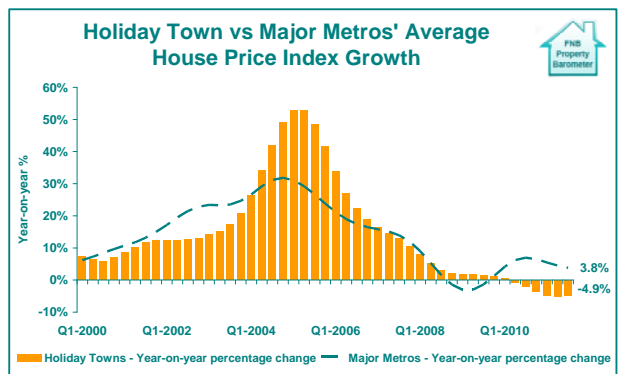
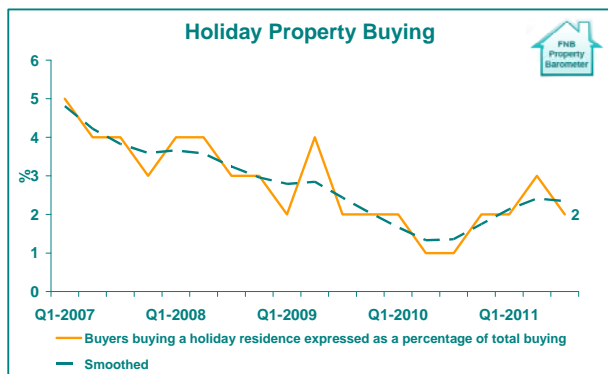
We have long been of the view that the holiday-driven property regions of the country are more cyclical than the more primary residential-driven major metro regions, reaching higher peaks in the booms, and lower troughs in the tough economic times such as the present. And 3rd quarter FNB Estate Agent Survey data along with house price data continue to suggest that holiday property buying remains on the backburner, and that holiday-driven property regions are suffering more as a result.

After having shown something of a recovery in significance, from an estimated 1% around mid-2010, estimated holiday property buying expressed as a percentage of total residential buying dropped back from 3% in the previous quarter to 2% in the 3<sup>rd</sup> quarter of 2011, according to the sample of agents surveyed in the FNB Estate Agent Survey. These recent percentages remain below the 5% level recorded at the beginning of 2007, and this in a thinner overall market than those days.

The result of this continued focus primarily on “essentials”, i.e. primary residential buying, means that major metro housing markets appear to continue to outperform those towns more strongly driven by holiday property demand.

The FNB Holiday Towns House Price Index remains in deflation territory to the tune of -4.9% year-on-year as at the 3<sup>rd</sup> quarter of 2011. By comparison, the country's 6 primary residential demand-driven metros showed house price growth to the tune of +3.8% in the same quarter. Both indices are estimated using Deeds Data transactions by individuals.

A relatively better performance in Major Metro markets compared to the holiday towns is expected to continue for the foreseeable future, although the metro markets themselves remain mediocre. Not only does the currently fragile financial situation of the household sector's finances play a role in limiting the more non-essential holiday property demand, but so too do the spiraling costs related to property. By this we refer to most notably multi-year electricity cost increases averaging around 25% per year, while municipal rates and other utilities tariffs also currently run well above overall consumer price inflation, all making the possession of a 2<sup>nd</sup> non-income generating property a costly business.



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