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3rd QUARTER FNB SEGMENT HOUSE PRICE REVIEW

INTRODUCTION – REVIEW OF KEY RESIDENTIAL SEGMENT PRICE TRENDS BY HOME TYPE

JOHN LOOS:
HOUSEHOLD AND PROPERTY
SECTOR STRATEGIST
011-6490125
John.loos@fnb.co.za

EWALD KELLERMAN:
PROPERTY MARKET ANALYST
011-6320021
ekellerman@fnb.co.za

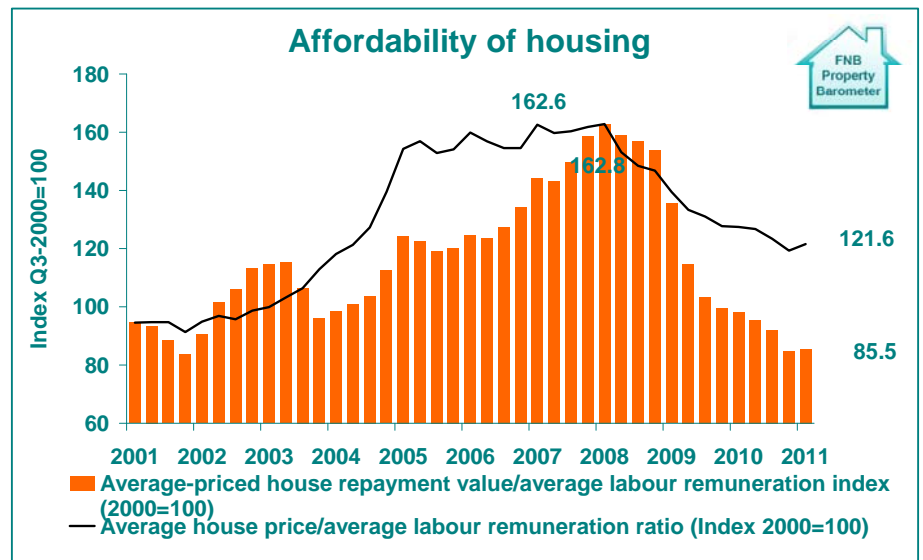
Although home affordability has improved significantly, financial pressure from other sources keeps the search for affordability on

Viewing home affordability from a price relative to average employee remuneration perspective, there has been a major improvement in home affordability for the average income earner, due to the combination of average wage growth outstripping growth in house prices in recent years, and of course for those utilising credit there has been a major drop interest rates.

Labour data runs behind national economic data, so the “traditional” affordability measures only run up until the 1st quarter of 2011. At that stage, the average price/average labour remuneration ratio index (Q3 2000=100) had reached a level of 121.6. While still 21.6% up on mid-2000, this represents a massive -25.2% decline (improvement) on the peak of in-affordability reached in the 1st quarter of 2007. The second measure of affordability, i.e. the loan instalment value of a 100% bond on the average-priced house/average labour remuneration ratio (also in index form), has seen an even bigger decline of -47.5% since its peak as at the 1st quarter of 2008.

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The 1st quarter levels, however, are slightly up (worse) on the previous quarter, which may suggest that the rapid affordability improvements of recent years may be slowing, with a lack of further interest rate cutting as well as due to wage inflation recently coming under pressure in a weak economy.

Nevertheless, 1st quarter affordability ratios are back down to levels which, in the case of the price/remuneration ratio, were last seen in early-2004, while in the case of the instalment/remuneration ratio such a level was last seen at the end of 2001.

Therefore, there is no doubt that a major affordability improvement has taken place. However, the search for greater affordability in housing is probably not yet over, driven by affordability issues outside of home value. By this we refer to home-related running costs being driven up sharply by municipal rates and tariffs, as well as the likes of food and transport costs rising steadily due to high global food and oil prices. The pressure thus still remains on households, and we believe that this is visible in segment house price trends.

In previous reports, we have mentioned how the affordability search keeps the more affordable areas of major metros outperforming the higher end, and have also made mention of how “essentials” are priority in tough times, translating into major metro house price growth outperforming that of holiday towns.

In the FNB property segment data we witness smaller-sized home price growth mildly outperforming the more expensive medium and larger-sized home price growth rates.

In addition, the Full Title segment’s house price growth of 6.3% year-on-year as at the 3rd quarter of 2011 is also significantly outperforming that of the Sectional Title market’s 1.1% growth rate in the same quarter. This may seem to contradict our “affordability drive” statements, because the average Full Title home value of R891,764 is significantly higher than the R691,333 Sectional Title segment’s average.

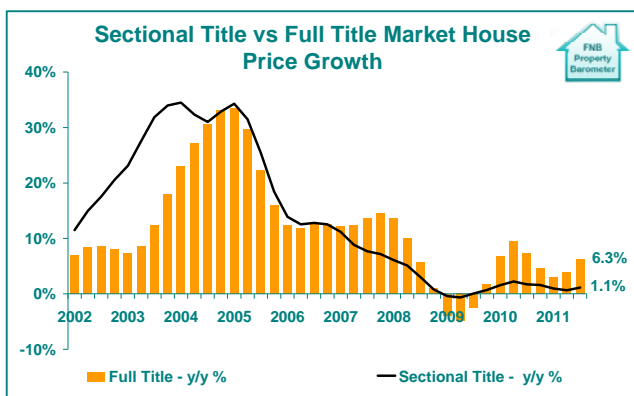
However, one must compare “apples with apples”, and when breaking down the segments by room number, one sees that homes with comparable room numbers in the full title segment are cheaper on average than those in the sectional title. For instance, the Full Title segment’s major sub-segment is the 3 bedroom market, whose average price was measured at R925,509, lower than the Sectional Title 3 Bedroom sub-segment’s R952,474. So the “affordability drive” view still holds, with the cheaper Full Title 3 bedroom average price growth of 5.8% outperforming the Sectional Title 3 bedroom rate of 1.4%.

Other cost factors may also be supporting the Full Title segment more than the Sectional Title market. Much of the last decade’s building boom focused on suburban sectional title homes, and these were often located where land was more freely available and not always in ideal locations. Older established Full Title-dominant suburbs often have the established government schools, good infrastructure, and are better located relative to major employment nodes.

And finally, the Sectional Title segment may still be suffering from a greater degree of “over-building” in the boom years, having been a major target for the more cyclical 1st time buyer and buy-to-let demand. This may imply a still-greater oversupply waiting to be “mopped up”. These abovementioned factors, we believe, continue to contribute to a better performance from the Full Title segment in the 3rd quarter of 2011, compared to that of the Sectional Title segment.

DETAILED PRICE TRENDS

The Full Title Market continued to outperform the Sectional Title segment in the 3rd quarter of 2011



The Full Title Market segment continued to outperform the Sectional Title Segment in the 3rd quarter of 2011, although both segments showed some mild price growth increase.

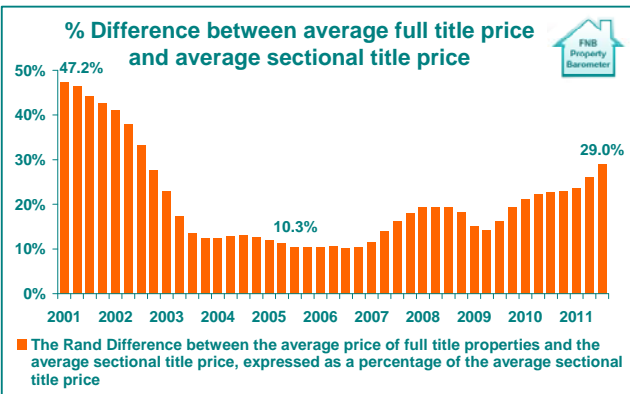
The year-on-year growth rate in the Full Title Price Index for the 3rd quarter was 6.3%, up from the previous quarter’s revised 3.8% while the Sectional Title Index grew at a slower slightly 1.1%, up from 0.7% revised rate in the previous quarter. The Full Title segment would thus appear to have been largely responsible for the overall house price growth improvement towards mid-year, which we believe was the lagged impact of some slight improvement in residential demand in the summer

quarters as a result of late-2010 interest rate cuts.

Our belief remains that within the Full Title Segment, especially the “suburban” 3 bedroom family market (the largest segment of the Full Title Market) is a very solid and stable component, because it was arguably less of a first time buyer and buy-to-let target during last decade’s boom than the Sectional Title Market. This, we believe, was important in keeping the Full Title Market a little more solid through the weak post-boom period that began to set in in 2007 and

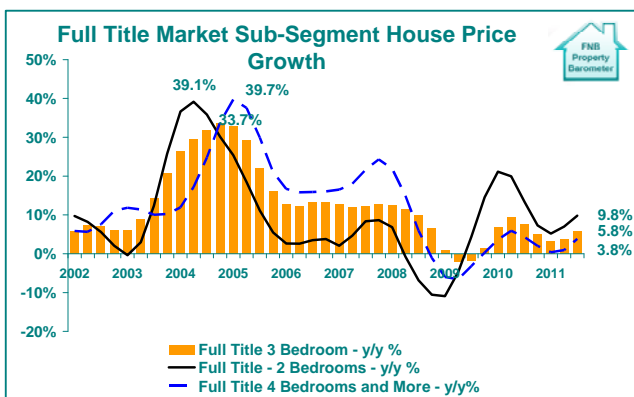
continues to the present day, because established family demand is more steady than 1st time buyer and buy-to-let demand. The Full Title segment also appeared to have less "over-building" during the boom and thus less of an oversupply than did the Sectional Title segment.

However, the 2 Bedroom Full Title market has also heavily supported average price growth of this segment in recent years following the recession of 2008/9. The 2-Bedroom Full Title Segment is believed to be driven heavily by the Affordable Housing Segment, which has been less oversupplied than the suburban markets in recent years.



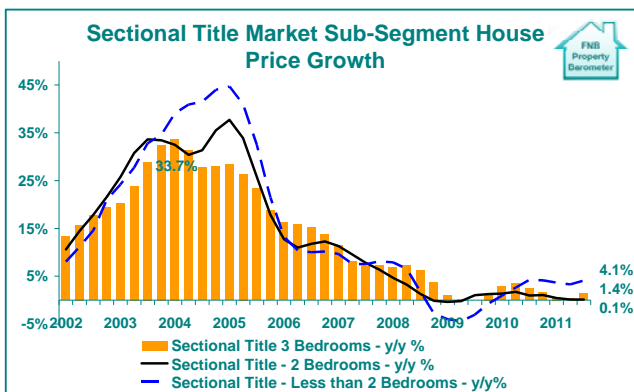
In the 3rd quarter, ongoing superiority in price growth in the Full Title Segment implied a further widening in the gap between average full title price and that of sectional title properties, with the average full title price level now 29% above that of the sectional segment. This is now significantly wider than the 10.3% reached at a stage of 2005.

All Full Title Segments saw price growth rise mildly in the 3rd quarter



Of the 3 key sub-segments within the Full Title Market, the 2, 3 and 4 bedroom sub-segments all showed a slight increase in year-on-year price growth in the 3rd quarter of 2011. The 2 Bedroom sub-segment (average price = R451,556), saw year-on-year price growth rise from +7% revised in the previous quarter to +9.8% in the 3rd quarter, while the 3 Bedroom sub-segment's (average price = R925,509) growth rose from +3.8% to +5.8%. The 4 Bedroom and More sub-segment (average price = R1.524m), which has shown the weakest growth of the 3 since the 2nd half of 2008, also saw a more modest improvement from +0.9% in the previous quarter to +3.8% year-on-year growth in the 3rd quarter.

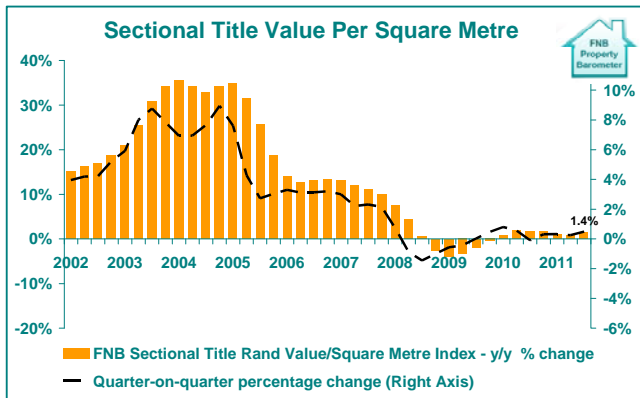
The Less than 2 Bedroom sub-segment showed the Sectional Title segment's best price growth in the 3rd quarter



Within the Sectional Title Market, the Less than 2 Bedroom sub-segment (average price = R476,707) continued to show the best year-on-year price growth of +4.1% in the 3rd quarter. This was slightly up from a revised +3.3% in the previous quarter. We believe that its mildly superior performance, compared to the 2 and 3 bedroom sub-segments in recent quarters, may be due to this segment being driven more by 1st time buyers than the larger units, and 1st time buyers are believed to have increased in significance over the past year. By comparison, the larger 2 Bedroom sub-segment (average price = R628,127) showed slower price growth of +1.4%, and the 3 Bedroom sub-segment (average price = R952,474) +0.1%.

Sectional Title price trends on a per square metre basis

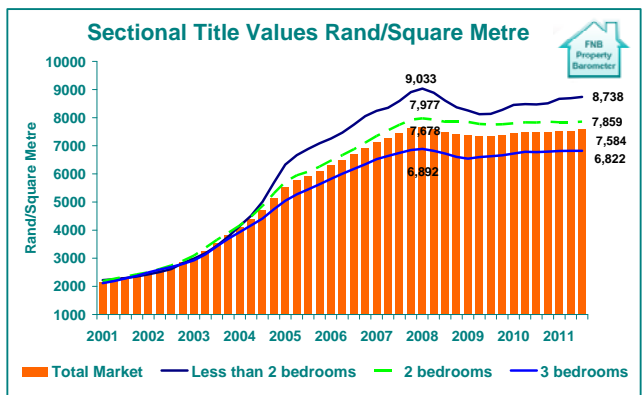
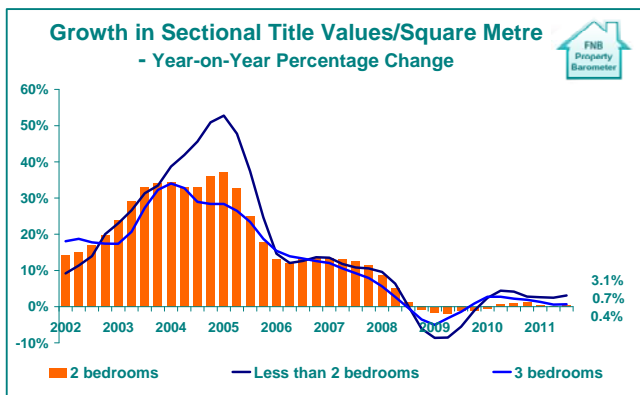
The FNB Sectional Title Value Per Square Metre Index, which estimates the average value of sectional title property on a per square metre basis, is an attempt to reduce the effect of a change in the size composition of property transactions on property indices over time, thereby getting a more accurate reflection of true property value trends in this property category. The index is a fixed-weighted average of the 4 Sectional Title Market sub-segments, i.e. the "Less than 2 Bedroom Segment, the 2 Bedroom Segment, the 3 Bedroom Segment and the 4 Bedroom Segment". The 2 Bedroom sub-segment is by far the largest of the Sectional Title Market, accounting for almost half of the overall index.



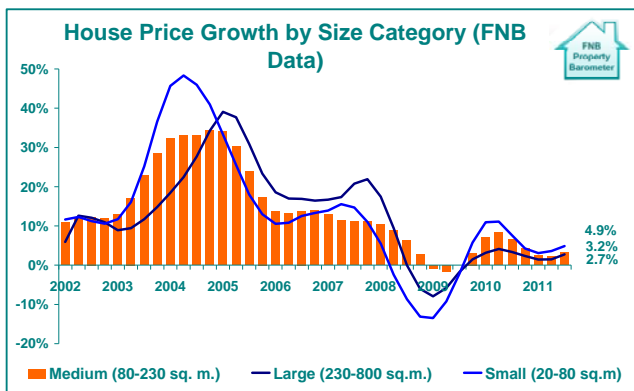
On a per square metre basis, the average value of sectional title properties rose by +1.4% year-on-year for the 3rd quarter, slightly up from the previous quarter's +0.8% revised figure. On a quarter-on-quarter basis, the average value registered 0.5% growth.

Segmenting the Sectional Title Market into its 3 key segments, the smaller the size in terms of bedroom number the higher the per square metre value. The "Less than 2 Bedroom Segment" showed an average value of R8,738/square metre in the 3rd quarter of 2011, the 2 Bedroom Segment averaged R7,859/square metre, and the 3 Bedroom Segment R6,822/square metre. The overall average value per square metre was R7,584.

All segments are still at lower average per square metre values than their 1st Quarter 2008 peak values despite their gradual rise after the recession. The "Less than 2 Bedroom" sub-segment was the most negatively affected during the 2008/9 slump and even after a recent catch-up sees its revised average/square metre value now -3.3% below the early-2008 peak. The 2 Bedroom sub-segment is -1.5% down from the peak while the 3 Bedroom sub-segment is a mere -1% lower.



Price Trends by Size of Home - Smaller is Better



With financial pressure still significant, and rates and tariff bills related to property raising the operating costs of such properties significantly, "smaller remains better" in terms of property sizes, and smaller size properties continued to perform slightly better in terms of price growth in the 3rd quarter. Of the 3 size categories, the 20-80 square metre Small Sized category (average price = R422,258) showed the best year-on-year price growth of +4.9% in the 3rd quarter. This segment's growth has outperformed the other 2 since the end of 2009. The 80-230 square metre Medium Size category (average price = R855,292) was next best with +3.2% growth, while the

230-800 square metre Large Size category (average price = R1.593m) saw the weakest rise of +2.7%.

CONCLUSION

Since 2007/08, the two measures of home affordability have improved significantly. However, financial pressures on the household sector are still significant from other sources. These include sharp municipal rates and tariff increases related to housing, but also big increases in petrol and food costs.

Rising consumer price pressures, and an economy not strongly supportive of household income growth, means that the search for affordability in the housing market is probably still strongly on the go.

As a result, we have previously mentioned that more affordable areas are generally outperforming higher priced areas in terms of house price growth. Split by property type, too, we see evidence of the affordability search. The Full Title segment is outperforming the Sectional Title segment in terms of price growth, with each sub-segment of the Full Title market (split by room number) still being cheaper than the comparable sub-segment of the Sectional Title market.

Split by size of home, too, we see the smaller-sized more affordable segment mildly outperforming the larger-sized unites on average.

This "affordability drive" is expected to continue for the foreseeable future as households continue to repair their somewhat fragile balance sheets.

AVERAGE HOUSE PRICE BY MAJOR SEGMENT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Q4-2010	Q1-2011	Q2-2011	Q3-2011
FULL TITLE SEGMENT														
Full Title Average Price (Rand)	303,090	327,182	365,112	469,777	586,417	659,060	746,102	801,089	781,769	836,825	844,139	850,989	870,479	891,764
- year-on-year % change		7.9%	11.6%	28.7%	24.8%	12.4%	13.2%	7.4%	-2.4%	7.0%	4.6%	3.0%	3.8%	6.3%
- quarter-on-quarter % change											0.6%	0.8%	2.3%	2.4%
2 Bedroom (Rand)	183,883	195,529	215,362	291,173	333,723	344,155	364,617	353,528	355,223	408,880	414,572	422,096	436,827	451,556
- year-on-year % change		6.3%	10.1%	35.2%	14.6%	3.1%	5.9%	-3.0%	0.5%	15.1%	7.3%	5.2%	7.0%	9.8%
- quarter-on-quarter % change											0.8%	1.8%	3.5%	3.4%
3 Bedroom (Rand)	300,522	320,308	360,581	470,643	586,116	661,463	743,404	817,994	814,928	873,555	881,501	890,188	908,795	925,509
- year-on-year % change		6.6%	12.6%	30.5%	24.5%	12.9%	12.4%	10.0%	-0.4%	7.2%	4.9%	3.2%	3.8%	5.8%
- quarter-on-quarter % change											0.7%	1.0%	2.1%	1.8%
4 Bedrooms and More (Rand)	500,529	538,327	596,805	728,989	957,692	1,111,917	1,336,850	1,469,352	1,411,812	1,467,585	1,467,369	1,465,803	1,488,831	1,524,150
- year-on-year % change		7.6%	10.9%	22.1%	31.4%	16.1%	20.2%	9.9%	-3.9%	4.0%	2.0%	0.4%	0.9%	3.8%
- quarter-on-quarter % change											0.0%	-0.1%	1.6%	2.4%
SECTIONAL TITLE SEGMENT AVERAGE HOUSE PRICE														
Sectional Title Average House Price (Rand)	208,921	242,827	314,122	416,582	528,693	597,008	648,805	672,879	672,418	684,313	686,340	688,636	689,835	691,333
- year-on-year % change		16.2%	29.4%	32.6%	26.9%	12.9%	8.7%	3.7%	-0.1%	1.8%	1.6%	1.0%	0.7%	1.1%
- quarter-on-quarter % change											0.4%	0.3%	0.2%	0.2%
Less than 2 Bedroom (Rand)	131,668	149,806	194,831	275,757	369,429	409,717	443,327	457,809	443,765	456,977	461,731	469,401	470,288	476,707
- year-on-year % change		13.8%	30.1%	41.5%	34.0%	10.9%	8.2%	3.3%	-3.1%	3.0%	4.2%	3.7%	3.3%	4.1%
- quarter-on-quarter % change											0.8%	1.7%	0.2%	1.4%
2 Bedroom (Rand)	192,083	223,258	292,612	387,750	496,820	556,175	604,520	618,092	620,782	628,790	630,394	630,799	630,204	628,127
- year-on-year % change		16.2%	31.1%	32.5%	28.1%	11.9%	8.7%	2.2%	0.4%	1.3%	1.1%	0.4%	0.1%	0.1%
- quarter-on-quarter % change											0.5%	0.1%	-0.1%	-0.3%
3 Bedroom (Rand)	289,596	337,635	427,406	555,493	688,490	793,154	860,060	911,362	916,338	940,153	940,648	942,248	946,829	952,474
- year-on-year % change		16.6%	26.6%	30.0%	23.9%	15.2%	8.4%	6.0%	0.5%	2.6%	1.6%	0.6%	0.3%	1.4%
- quarter-on-quarter % change											0.1%	0.2%	0.5%	0.6%
SECTIONAL TITLE PER SQUARE METRE														
Sectional Title Average Price (Rand/square metre)	2,287	2,671	3,422	4,587	5,836	6,613	7,376	7,553	7,369	7,480	7,504	7,529	7,547	7,584
- year-on-year % change		16.8%	28.1%	34.0%	27.2%	13.3%	11.5%	2.4%	-2.4%	1.5%	1.6%	1.1%	0.8%	1.4%
- quarter-on-quarter % change											0.3%	0.3%	0.3%	0.5%
Less than 2 Bedroom (Rand/square metre)	2,283	2,597	3,345	4,839	6,744	7,636	8,525	8,723	8,197	8,480	8,508	8,674	8,693	8,738
- year-on-year % change		13.7%	28.8%	44.7%	39.4%	13.2%	11.6%	2.3%	-6.0%	3.4%	2.8%	2.6%	2.5%	3.1%
- quarter-on-quarter % change											0.4%	1.9%	0.2%	0.5%
2 Bedroom (Rand/square metre)	2,310	2,692	3,507	4,705	6,001	6,784	7,643	7,905	7,787	7,830	7,858	7,837	7,838	7,859
- year-on-year % change		16.6%	30.3%	34.2%	27.6%	13.0%	12.7%	3.4%	-1.5%	0.5%	1.2%	0.5%	0.1%	0.4%
- quarter-on-quarter % change											0.4%	-0.3%	0.0%	0.3%
3 Bedroom (Rand/square metre)	2,243	2,646	3,298	4,315	5,351	6,087	6,690	6,760	6,609	6,769	6,790	6,815	6,823	6,822
- year-on-year % change		18.0%	24.6%	30.8%	24.0%	13.8%	9.9%	1.0%	-2.2%	2.4%	1.9%	1.3%	0.6%	0.7%
- quarter-on-quarter % change											0.2%	0.4%	0.1%	0.0%
HOUSE PRICES BY HOME SIZE														
Large Homes (Rand)	519,565	573,429	638,015	803,747	1,062,455	1,245,100	1,484,901	1,554,861	1,498,858	1,547,325	1,554,510	1,555,784	1,573,978	1,592,728
- year-on-year % change		10.4%	11.3%	26.0%	32.2%	17.2%	19.3%	4.7%	-3.6%	3.2%	2.3%	1.4%	1.5%	2.7%
- quarter-on-quarter % change											0.3%	0.1%	1.2%	1.2%
Medium Sized Homes (Rand)	253,356	283,180	341,137	454,363	571,681	649,734	725,204	775,378	776,478	826,866	833,017	838,058	845,969	855,292
- year-on-year % change		11.8%	20.5%	33.2%	25.8%	13.7%	11.6%	6.9%	0.1%	6.5%	4.3%	2.5%	2.1%	3.2%
- quarter-on-quarter % change											0.5%	0.6%	0.9%	1.1%
Small Sized Homes (Rand)	133,719	148,981	182,681	264,891	322,613	360,772	410,363	390,440	370,424	401,499	403,943	409,879	416,150	422,258
- year-on-year % change		11.4%	22.6%	45.0%	21.8%	11.8%	13.7%	-4.9%	-5.1%	8.4%	4.3%	3.0%	3.6%	4.9%
- quarter-on-quarter % change											0.3%	1.5%	1.5%	1.5%