

FNB GAUTENG ESTATE AGENT SURVEY -1st QUARTER 2012

12 April 2012

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The 1st Quarter 2012 FNB Gauteng Estate Agent Survey shows Gauteng Estate Agents to be currently the most optimistic of the major metropolitan regions.

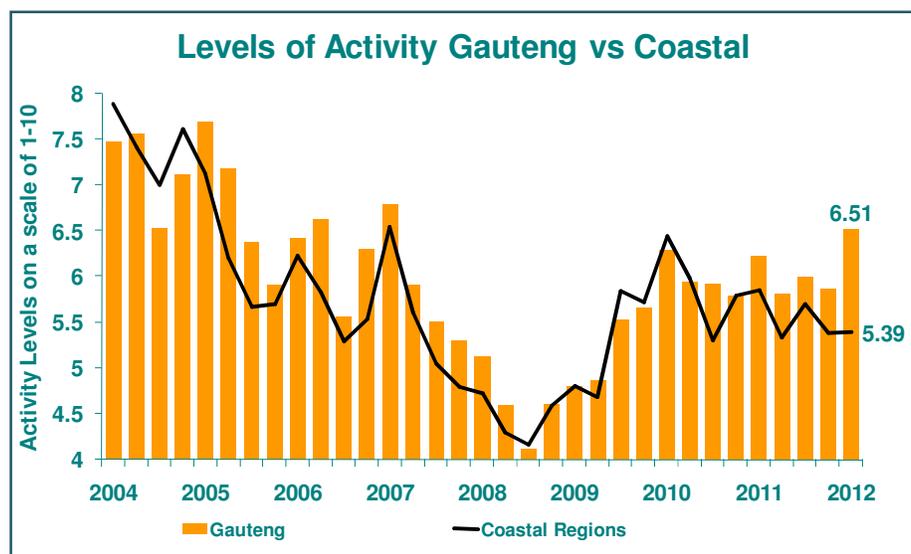
GAUTENG ESTATE AGENTS POINT TO SIGNIFICANTLY STRONGER DEMAND IN THE 1ST QUARTER OF 2012

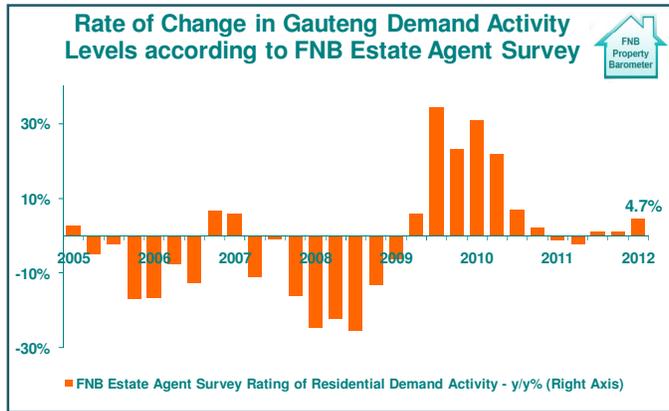
The 1st Quarter 2012 FNB Estate Agent Survey, completed in the month of February, came out with a mildly more positive national view of the domestic residential property market, largely thanks to a significant improvement in the market perceptions of the Gauteng Region's estate agents surveyed. By comparison, the Coastal Metro Regions' agents remained more subdued.

The FNB Estate Agent survey is of a sample of estate agents predominantly in SA's major metropolitan regions (Gauteng, Cape Town, Ethekwini and Nelson Mandela Bay). The 1st question asked to agents is with regard to their perceptions of residential demand in their areas, a subjective question on a scale of 1 to 10, with 10 being the strongest level of demand.

The 1st quarter Gauteng Residential Demand Activity Indicator rose significantly from the previous quarter's 5.86, to 6.51. By comparison, the combined Coastal Regions' Demand Activity Indicator was almost unchanged at 5.39 in the 1st quarter from 5.38 in the previous quarter.

We caution about the interpretation of the 1st quarter Gauteng improvement, as the 1st quarter is generally a seasonally strong period. But the difference between Gauteng and the rest of the major metro regions is now significant, and perhaps ties in with the Economists.co.za major provincial economic barometers which suggest that the Gauteng economy has been the strongest of the major provincial economies recently.

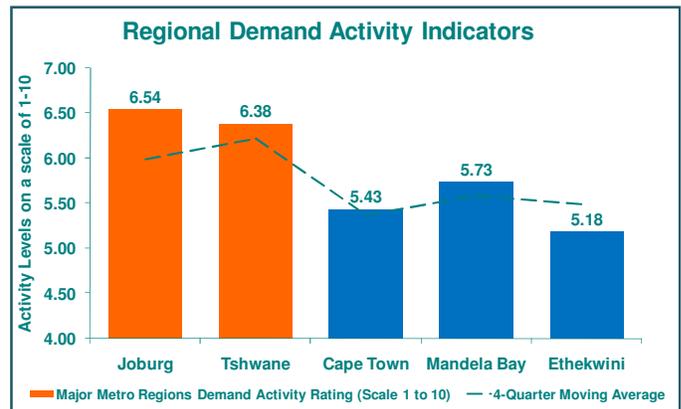
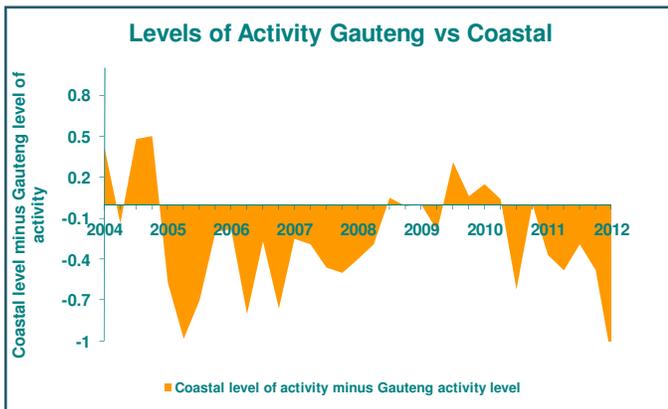




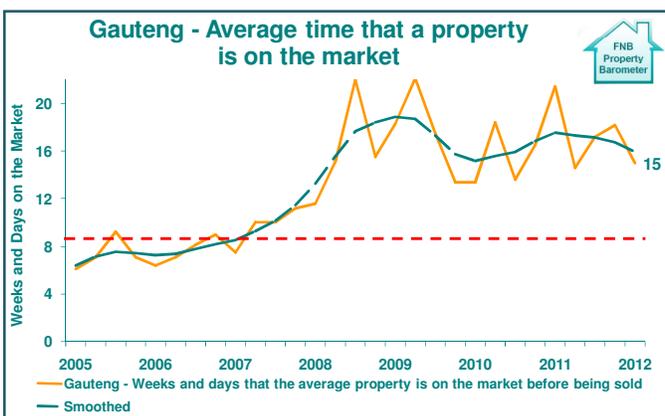
In order to attempt to eliminate seasonal factors, we calculate the year-on-year percentage change in the Demand Activity Indicator. This approach suggests an improving performance in the Gauteng Region, with year-on-year percentage change improving from +1.2% in the previous quarter to +4.7% in the 1st quarter of 2012.

Mapping the difference between the Gauteng demand activity rating and that of the combined Coastal Metros, it becomes apparent that as residential market recoveries are gathering steam, as was the case around 2004 and again in 2009/10, agents in the Coastal Metros appear to experience market conditions more positively than those in Gauteng. With something of a lag, however, Gauteng conditions appear to overtake those of the Coastal Regions, and the margin by which Gauteng's Demand Activity Indicator exceeds that of the Coastal Regions has widened to a level similar to a stage of 2005.

The greater strength appears spread across Gauteng, with both Joburg's (6.54) and Tshwane's (6.38) demand activity ratings exceeding those of Cape Town (5.43), Mandela Bay (5.73) and Ethekwini (5.18).



GAUTENG ESTATE AGENTS SUGGEST A SLIGHTLY MORE "REALISTICALLY PRICED" MARKET IN THE 1ST QUARTER



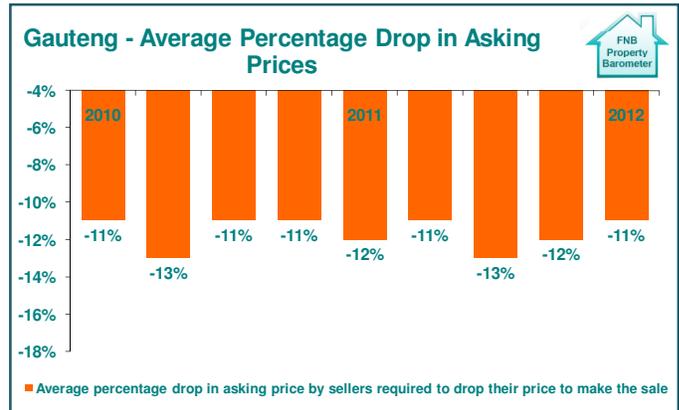
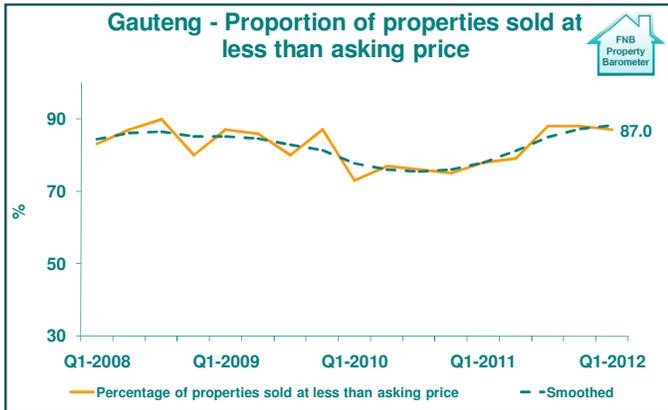
In order to examine the balance between supply and demand, or otherwise put the level of pricing realism in the market, the Estate Agent Survey asks agents to estimate the average time that properties remain on the market in their areas prior to being sold.

In the 1st quarter, Gauteng's average time on the market declined from the previous quarter's 18 weeks and 2 days, to 15 weeks. From quarter to quarter, this figure can be volatile, but the smoothed trend line that we have created, using a statistical smoothing function, has also declined slightly as of late.

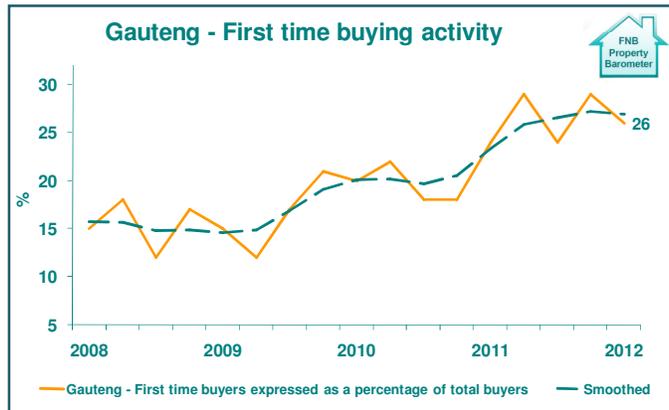
This average time on the market still remains high, however. And read in conjunction with the high percentage of sellers being required to drop their asking price to make a sale, the market can still be said to be unrealistically priced.

The percentage of properties sold at less than asking price was 87%, according to the survey, which was only a very slight improvement on the 88% recorded in the previous 2 quarters.

Furthermore, we ask agents to estimate the average percentage asking price drop on those properties where a price drop is required to make the sale. This average drop has also moderated mildly from -13% 2 quarters prior to -11% in the 1st quarter of 2012.



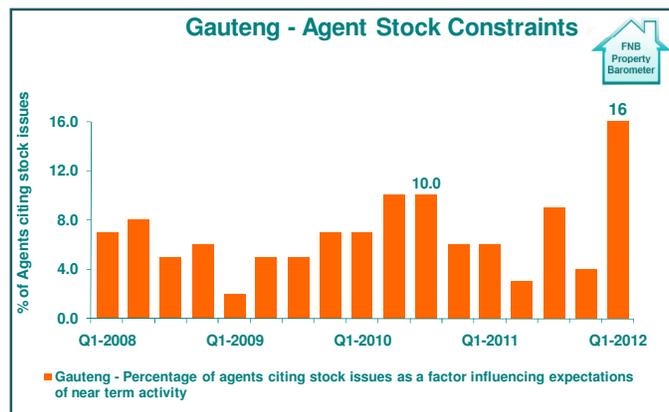
THE 1ST TIME BUYER COMPONENT OF RESIDENTIAL DEMAND HAS IMPROVED DRAMATICALLY SINCE 2009, BUT MAY BE LEVELLING OFF



1st time buyer demand in Gauteng remained high in the 1st quarter of 2012 at 26%. This was down from the previous quarter's 28%. One must bear in mind that this number can be volatile from quarter to quarter, but the smoothed trend line appears to show a flattening out after 2 years of steady increase in the 1st time buyer percentage.

At 26%, the Gauteng 1st time buyer percentage remains higher than the coastal 1st time buyer percentage of 24%, and has been consistently above the Coastal percentage since the 2nd quarter of 2009.

GAUTENG RESIDENTIAL SUPPLY APPEARS TO BE MORE CONSTRAINED IN THE 1ST QUARTER

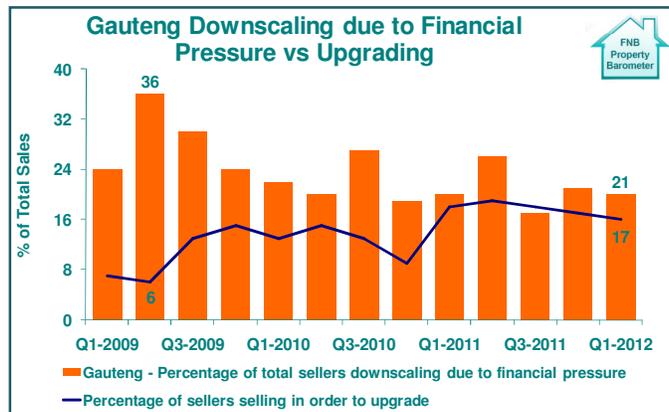


While bad news for estate agents, residential stock constraints are good from a point of view of market strength and property price performance.

Measuring supply relative to demand is admittedly challenging. However, when asking agents about their market expectations in the near term, we allow them to provide a list of factors that influence their expectations, both in a positive and a negative way. In the 1st quarter of 2012, we saw a significant rise in the percentage of Gauteng agents citing "stock constraints" as an issue, to 16%, from 4% in the previous quarter.

An increased supply constraint comes as little surprise, given the very significant increase in Gauteng's residential demand rating in the 1st quarter, and would appear to explain the acceleration in average house price growth in Gauteng in the 1st quarter as per the FNB Gauteng House Price Index.

ON THE SELLING SIDE, AGENTS STILL SEE SIGNIFICANT FINANCIAL STRESS-RELATED SELLING

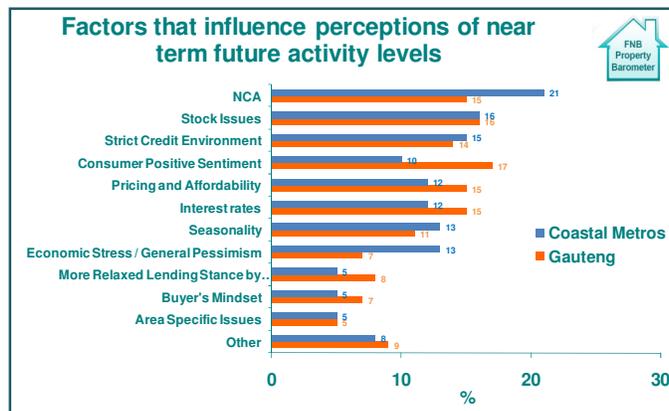


What is interesting is that, while our Gauteng survey respondents have indicated a solid improvement in residential demand in the 1st quarter, this does not mean that they are seeing low levels of financial stress. To the contrary, they indicate still very significant levels of financial pressure amongst homeowners, estimating that 21% of sellers were selling in order to downscale due to financial pressure in the 1st quarter of 2012.

However, there are a significant number of homeowners who are financially strong, and this is perhaps witnessed in the estimate that 17% of sellers are selling in order to upgrade.

HOW GAUTENG AGENTS SEE THE NEAR TERM OUTLOOK

In terms of expectations of demand in the near term, from late-2010 onward we have seen a broadly declining trend in the percentage of agents expecting residential demand to strengthen in the quarter following the survey.

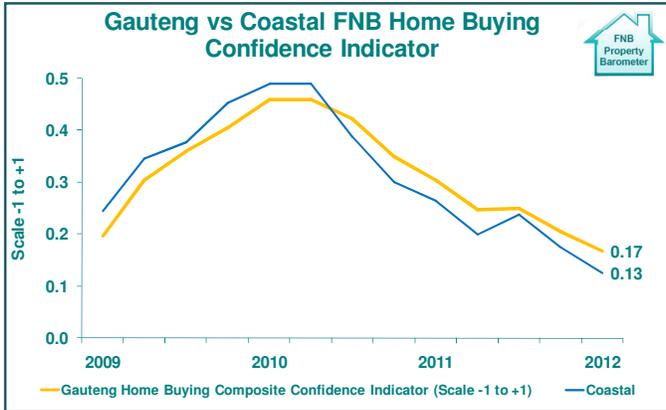


This was probably to be expected, as interest rate reduction by the Reserve Bank slowed to a snails' pace after a series of rapid cuts to August 2009. With little obvious to further drive the market stronger since 2010, agent expectations have gradually flattened out.

This broad flattening trend in near term expectations is true for both Gauteng and the Coastal Regions. However, as at the 1st quarter of 2012, Gauteng agents surveyed returned a more positive expectation, with 31% of them expecting market activity to increase in the 2nd quarter, compared to only 18% of respondents in the case of the Coastal Regions.

When asking Gauteng agents for the factors influencing their near term expectations, the tight credit environment remains a key perceived negative, with 15% of agents pointing to the "National Credit Act" and 14% to "strict credit environment" as key factors in their world. As far as negative factors for agents go, the credit environment is followed by 16% of agents citing "stock issues" as a factor.

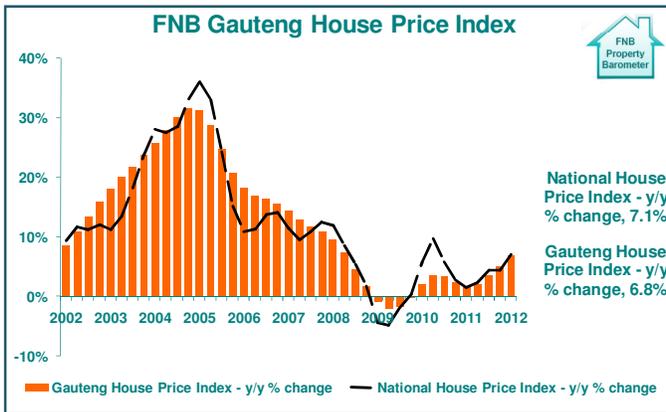
However, "Consumer Positive Sentiment" comes up as the most significant positive factor, with 17% of agents pointing to this factor as a positive influence, while 15% point to interest rates as a key factor. Interest rates and their low levels are generally seen as positive.



In order to eliminate the strong influence of seasonal factors, we aggregate the results for agents' near term expectations on a 4-quarter moving average basis, and the result is what we call the FNB Home Buying Confidence Indicator. The Indicator is on a scale of -1 to +1, with a -1 number assigned to a "weakening expectation" by an agent, a rating of zero to an "unchanged" expectation, and a +1 rating to a "strengthening" expectation.

Here, with seasonal factors eliminated, we see the 1st quarter Gauteng Home Buying Confidence Indicator declining further on the previous quarter's level, from 0.21 to 0.17.

The agents surveyed, therefore, continue to follow a broad trend of moderating expectations. What we witness on the Confidence Indicator graph, however, is how the Gauteng market appears to lag the Coastal Metro markets. In 2009/early-2010, the Coastal Confidence Indicator was consistently higher than the Gauteng Indicator. Since then, it has been the other way around.



This time lag witnessed in the Estate Agent Survey also appears to show in the Gauteng House Price Index, whose year-on-year price growth was well-down on the national average rate in 2010, but which has since more-or-less tracked the national price growth rate as from 2011.