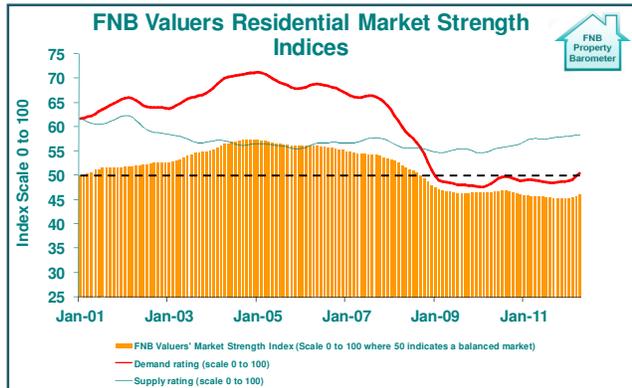


PROPERTY BAROMETER – FNB Valuers Market Strength Index

FNB’s valuers, as a group, perceived further residential market strengthening in April.

25 May 2012



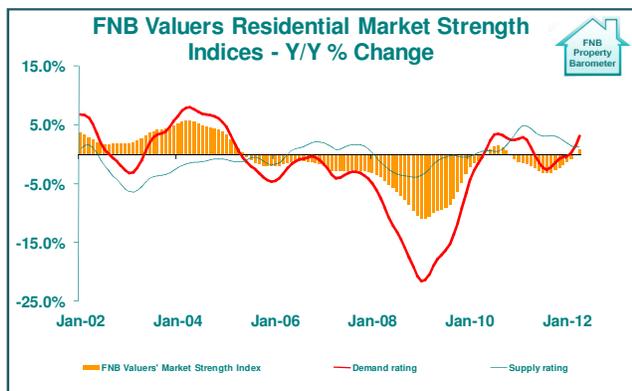
The FNB Valuers Residential Market Strength Index, which acts more as a good “co-incident” or “confirming” indicator of the recent direction of the residential market, as opposed to being a “leading indicator”, showed further strengthening in April.

Explanation of the FNB Valuers’ Indices: When an FNB valuer values a property, he/she is required to provide a rating of demand as well as supply for property in the specific area. The demand and supply rating categories are a simple “good (100)”, “average (50)”, and “weak (0)”. From all of these ratings we compile an aggregate demand and an aggregate supply rating, which are expressed on a scale of 0 to 100. After aggregating the

individual demand and supply ratings, we subtract the aggregate supply rating from the demand rating, add 100 to the difference, and divide by 2, so that the FNB Valuers’ Residential Market Strength Index is also depicted on a scale of 0 to 100 with 50 being the point where supply and demand are equal..

April Results: The Demand Rating rose in April to 46.1, from a previous month’s 45.8. This is the 4th consecutive month of strengthening. The strengthening is predominantly the result of a rise in the residential demand rating, which rose to above 50, i.e. 50.5 in April, for the 1st time since December 2008. A level above 50 implies that a greater percentage of valuers rates demand market as “strong” compared to those rating it as “weak”.

However, the market strength index is still held below the 50 level by a relatively strong supply rating, which according to the valuers measured 58.4 in April.

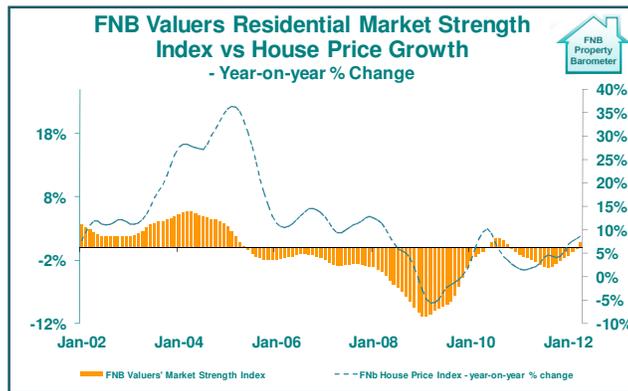
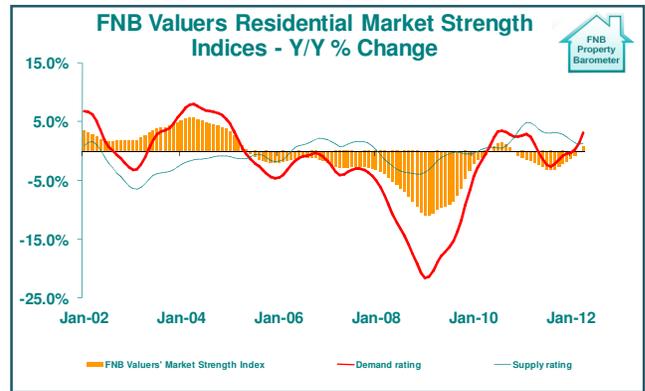
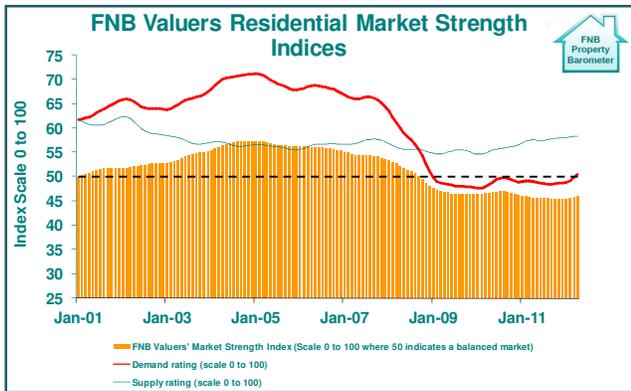


Examining the Market Strength Index on a year-on-year percentage change basis, the changes in direction become more visible to the naked eye. The Demand Strength Index rose year-on-year by 3.2%, an acceleration on previous months, while the year-on-year Supply Strength Index has gradually slowed to 1.3%, from a peak of 4.9% at March 2011.

In summary, FNB’s Valuers collectively perceived residential demand to have strengthened further in April, but still give a stronger rating to supply than to demand. However, they believe that demand has been growing at a faster rate than supply, narrowing the gap between the supply and demand ratings, which has led to a rise in the

FNB Residential Market Strength Index. Important to note, however, is that the Market Strength Index remains below the crucial 50 level (above 50 would constitute a “healthier market” where demand would start to exceed supply).

This implies that, although the FNB House Price Index has recently shown some real growth (i.e. growing faster than consumer price inflation), we should perhaps not expect that house price inflation increase to be sustainable yet. The need for caution, with regard to near term expectations, is increased by the signs of a soft global economic period currently developing.



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