



Property Barometer

All you need to know about the property market.

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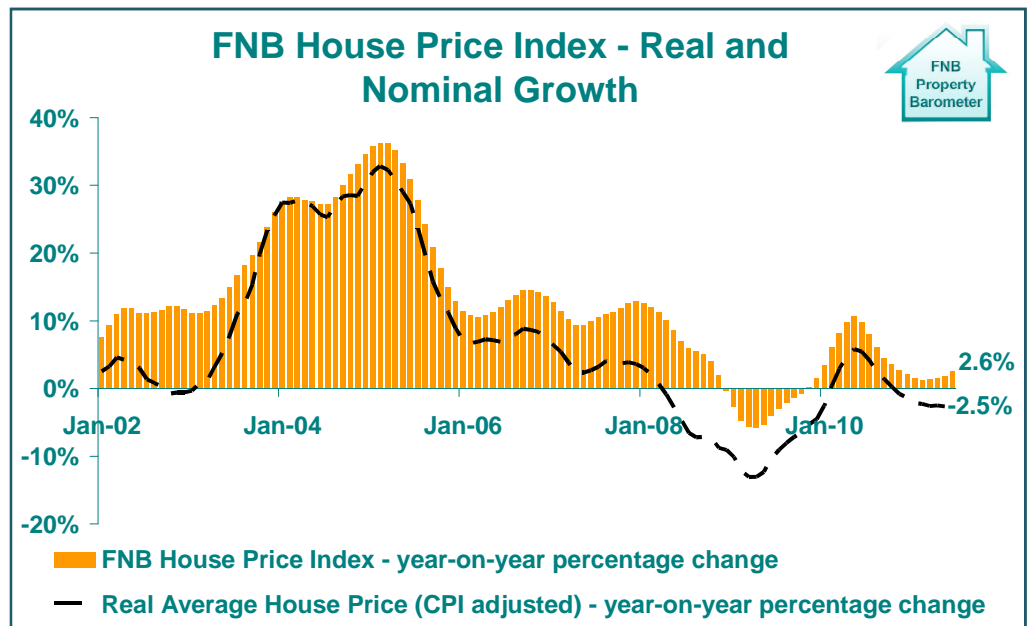
June FNB House Price Index

FNB House Price Index shows mild year-on-year acceleration in growth

The June FNB House Price Index shows slight acceleration to 2,6% year-on-year growth from a revised 1,8% in May. Adjusting the nominal growth rate with inflation, real house prices have declined at a rate of -2,5% per annum as at May 2011 (June CPI figures not available yet) with CPI inflation at 4,6% still much higher than property price growth.

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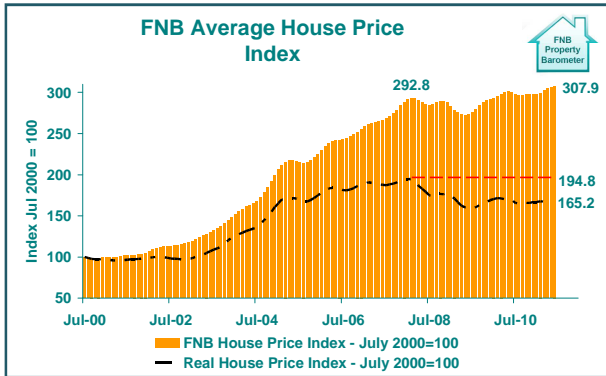
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The slight acceleration in the most recent month is believed to be an effect of the last interest rate reduction in November 2010. This growth rate is not expected to be sustained in the coming months as these effects wear thin.

Real house prices still declining

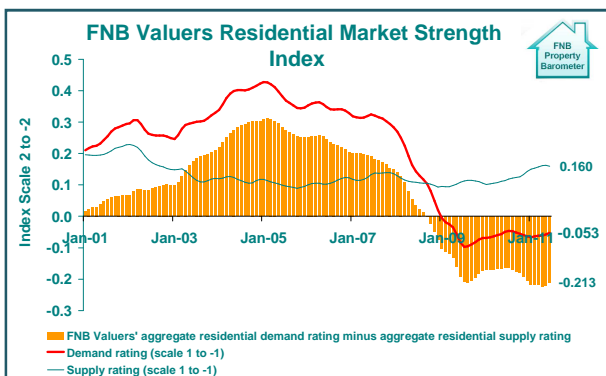
The average house price for residential property recorded in June 2011 is R 805,759. In real terms, house prices have reached a high point in February 2008 at an index value of 194.8 and have retracted to a much lower 165.2 in May 2011 (June CPI not available yet).



Therefore, the average house price in real terms is currently more than 15% below the highest point reached three years ago.

Market balance showing signs of improvement

The FNB Valuers Residential Market Strength Index shows a slight improvement in the market balance rating in June (Aggregate Demand rating minus aggregate supply rating)*. This improvement can be ascribed to a simultaneous improvement in the demand activity as well as a slight reduction in the supply levels reported by the FNB Valuers panel.



Overall, the index still shows a heavily unbalanced market in favor of supply, which explains the downward pressure on current price levels and real price decline. In addition, the imbalance dampens our expectations for price growth in the near future and the sustainability of the most recent nominal price increase recorded for June.

Outlook

The SARB announced the last of the two 2010 rate cut in November, more than 7 months ago. Effects of these interest rate reductions are starting to wear thin as the household sector gets used to the lower interest rate environment. Unfortunately, current low interest rates alone are not enough to sustain positive house price growth.

Rising inflation levels is expected to be curbed by an interest rate hiking cycle expected to start towards the end of 2011.

Interest rate expectations on the back of rising inflation, coupled with a weak market in terms of demand and supply balance increases the likelihood of another round of nominal house price decline early next year.

Notes: *When an FNB valuer values a property, he/she must provide a rating of demand as well as supply for property in the specific area. The demand and supply ratings are a simple "good (+1)", "average (0)", and "weak (-1)". From all of these ratings we compile an aggregate demand and an aggregate supply rating, which are expressed on a scale of -1 to +1. After aggregating the individual demand and supply ratings, we subtract the aggregate supply rating from the demand rating to obtain the FNB Valuers' Residential Market Strength Index.

**The FNB House Price Index is a fixed-weighted average of its sub-indices, which are split by room number and by sectional title versus freehold properties. The index is lightly smoothed using a Hodrick-Prescott smoothing function. An index month commences 7 days prior to the end of the previous month to 7 days prior to the said calendar month.

Monthly FNB House Price Index (July 2000 = 100)



Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change
Jul-00	100.0		Feb-03	121.0	11.1%	Sep-05	215.1	20.8%	Apr-08	290.1	10.1%	Nov-10	298.0	2.8%
Aug-00	99.2		Mar-03	123.4	11.4%	Oct-05	217.5	17.8%	May-08	287.3	8.6%	Dec-10	297.6	2.1%
Sep-00	98.6		Apr-03	125.7	12.3%	Nov-05	220.7	15.0%	Jun-08	284.9	7.0%	Jan-11	297.6	1.5%
Oct-00	98.4		May-03	127.7	13.4%	Dec-05	224.9	12.8%	Jul-08	284.2	6.0%	Feb-11	299.5	1.3%
Nov-00	98.6		Jun-03	129.8	15.0%	Jan-06	229.6	11.5%	Aug-08	285.8	5.5%	Mar-11	302.4	1.4%
Dec-00	98.9		Jul-03	132.2	16.8%	Feb-06	234.4	10.8%	Sep-08	288.1	5.1%	Apr-11	304.8	1.6%
Jan-01	99.3		Aug-03	134.4	18.3%	Mar-06	238.3	10.5%	Oct-08	289.7	4.0%	May-11	306.5	1.8%
Feb-01	99.6		Sep-03	136.9	19.7%	Apr-06	240.8	10.8%	Nov-08	289.3	1.9%	Jun-11	307.9	2.6%
Mar-01	99.7		Oct-03	140.3	21.6%	May-06	241.9	11.3%	Dec-08	287.2	-0.4%			
Apr-01	100.0		Nov-03	144.1	23.9%	Jun-06	242.2	12.1%	Jan-09	283.2	-2.8%			
May-01	100.6		Dec-03	148.0	26.1%	Jul-06	242.8	13.0%	Feb-09	278.7	-4.8%			
Jun-01	101.4		Jan-04	151.7	27.7%	Aug-06	244.1	13.8%	Mar-09	275.7	-5.7%			
Jul-01	101.8	1.8%	Feb-04	155.2	28.3%	Sep-06	246.4	14.5%	Apr-09	273.4	-5.8%			
Aug-01	102.2	3.0%	Mar-04	158.2	28.3%	Oct-06	249.0	14.5%	May-09	272.0	-5.3%			
Sep-01	102.5	4.0%	Apr-04	160.8	27.9%	Nov-06	252.0	14.2%	Jun-09	273.2	-4.1%			
Oct-01	102.9	4.5%	May-04	163.0	27.6%	Dec-06	255.5	13.6%	Jul-09	275.8	-3.0%			
Nov-01	103.7	5.1%	Jun-04	165.1	27.2%	Jan-07	258.9	12.8%	Aug-09	279.6	-2.2%			
Dec-01	105.1	6.2%	Jul-04	168.1	27.2%	Feb-07	261.3	11.5%	Sep-09	283.8	-1.5%			
Jan-02	106.9	7.7%	Aug-04	172.4	28.3%	Mar-07	262.5	10.2%	Oct-09	287.4	-0.8%			
Feb-02	108.9	9.3%	Sep-04	178.0	30.0%	Apr-07	263.4	9.4%	Nov-09	290.0	0.2%			
Mar-02	110.7	11.1%	Oct-04	184.6	31.6%	May-07	264.6	9.4%	Dec-09	291.5	1.5%			
Apr-02	112.0	11.9%	Nov-04	191.9	33.2%	Jun-07	266.2	9.9%	Jan-10	293.1	3.5%			
May-02	112.6	11.9%	Dec-04	199.3	34.6%	Jul-07	268.2	10.5%	Feb-10	295.6	6.1%			
Jun-02	112.8	11.2%	Jan-05	206.0	35.8%	Aug-07	270.9	11.0%	Mar-10	298.2	8.2%			
Jul-02	113.1	11.1%	Feb-05	211.6	36.3%	Sep-07	274.2	11.3%	Apr-10	300.1	9.8%			
Aug-02	113.7	11.2%	Mar-05	215.5	36.2%	Oct-07	278.6	11.9%	May-10	301.0	10.7%			
Sep-02	114.4	11.6%	Apr-05	217.4	35.2%	Nov-07	283.8	12.6%	Jun-10	300.1	9.9%			
Oct-02	115.4	12.1%	May-05	217.2	33.3%	Dec-07	288.4	12.9%	Jul-10	297.9	8.0%			
Nov-02	116.3	12.2%	Jun-05	216.1	30.9%	Jan-08	291.4	12.5%	Aug-10	296.5	6.1%			
Dec-02	117.4	11.7%	Jul-05	214.8	27.8%	Feb-08	292.8	12.0%	Sep-10	296.8	4.6%			
Jan-03	118.8	11.2%	Aug-05	214.4	24.3%	Mar-08	292.2	11.3%	Oct-10	297.7	3.6%			

Cumulative Percentage Change in the FNB House Price Index



From Date	Cumulative % change to Jun 2011	From Date	Cumulative % change to Jun 2011	From Date	Cumulative % change to Jun 2011	From Date	Cumulative % change to Jun 2011	From Date	Cumulative % change to Jun 2011
Jul-00	207.9%	Feb-03	154.5%	Sep-05	43.2%	Apr-08	6.1%	Nov-10	3.3%
Aug-00	210.5%	Mar-03	149.6%	Oct-05	41.6%	May-08	7.2%	Dec-10	3.5%
Sep-00	212.3%	Apr-03	144.9%	Nov-05	39.5%	Jun-08	8.1%	Jan-11	3.5%
Oct-00	212.8%	May-03	141.1%	Dec-05	36.9%	Jul-08	8.3%	Feb-11	2.8%
Nov-00	212.2%	Jun-03	137.3%	Jan-06	34.1%	Aug-08	7.7%	Mar-11	1.8%
Dec-00	211.2%	Jul-03	133.0%	Feb-06	31.3%	Sep-08	6.9%	Apr-11	1.0%
Jan-01	210.2%	Aug-03	129.1%	Mar-06	29.2%	Oct-08	6.3%	May-11	0.5%
Feb-01	209.2%	Sep-03	124.9%	Apr-06	27.9%	Nov-08	6.4%		
Mar-01	209.0%	Oct-03	119.5%	May-06	27.3%	Dec-08	7.2%		
Apr-01	207.8%	Nov-03	113.7%	Jun-06	27.1%	Jan-09	8.7%		
May-01	205.9%	Dec-03	108.0%	Jul-06	26.8%	Feb-09	10.5%		
Jun-01	203.6%	Jan-04	103.0%	Aug-06	26.2%	Mar-09	11.7%		
Jul-01	202.4%	Feb-04	98.3%	Sep-06	25.0%	Apr-09	12.6%		
Aug-01	201.4%	Mar-04	94.6%	Oct-06	23.7%	May-09	13.2%		
Sep-01	200.3%	Apr-04	91.5%	Nov-06	22.2%	Jun-09	12.7%		
Oct-01	199.3%	May-04	88.9%	Dec-06	20.5%	Jul-09	11.6%		
Nov-01	197.0%	Jun-04	86.5%	Jan-07	18.9%	Aug-09	10.1%		
Dec-01	193.1%	Jul-04	83.2%	Feb-07	17.8%	Sep-09	8.5%		
Jan-02	188.1%	Aug-04	78.6%	Mar-07	17.3%	Oct-09	7.1%		
Feb-02	182.8%	Sep-04	73.0%	Apr-07	16.9%	Nov-09	6.2%		
Mar-02	178.2%	Oct-04	66.8%	May-07	16.4%	Dec-09	5.6%		
Apr-02	175.0%	Nov-04	60.5%	Jun-07	15.7%	Jan-10	5.1%		
May-02	173.4%	Dec-04	54.5%	Jul-07	14.8%	Feb-10	4.2%		
Jun-02	172.9%	Jan-05	49.5%	Aug-07	13.7%	Mar-10	3.3%		
Jul-02	172.2%	Feb-05	45.5%	Sep-07	12.3%	Apr-10	2.6%		
Aug-02	170.9%	Mar-05	42.9%	Oct-07	10.5%	May-10	2.3%		
Sep-02	169.2%	Apr-05	41.6%	Nov-07	8.5%	Jun-10	2.6%		
Oct-02	166.9%	May-05	41.7%	Dec-07	6.8%	Jul-10	3.4%		
Nov-02	164.8%	Jun-05	42.5%	Jan-08	5.7%	Aug-10	3.8%		
Dec-02	162.2%	Jul-05	43.3%	Feb-08	5.2%	Sep-10	3.8%		
Jan-03	159.2%	Aug-05	43.6%	Mar-08	5.4%	Oct-10	3.4%		