



3rd QUARTER RESIDENTIAL MAINTENANCE AND UPGRADES

Estate agents as well as hardware sales point to households addressing home maintenance backlogs on a larger scale, but “value adding” upgrades to homes remain weak

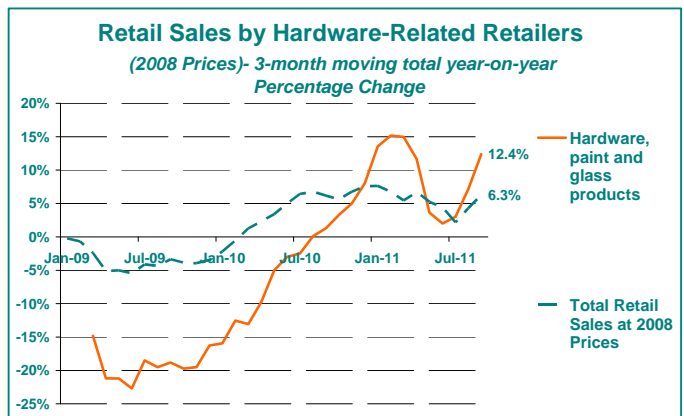
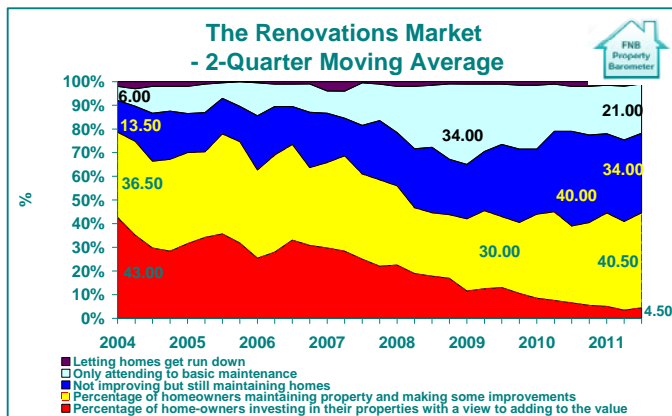
17 November 2011

3rd QUARTER FNB ESTATE AGENT SURVEY POINTS TO IMPROVED HOME MAINTENANCE LEVELS

Yesterday saw the release of September retail sales data, which indicated that hardware retailers had recently been experiencing the strongest sales growth, suggesting that home maintenance had been on the improving path after some recently tough financial years had led to some neglect of homes. In real terms, retail sales by hardware, paint and glass product retailers grew by a very strong 12,4% year-on-year in the 3rd quarter of 2011.

The 3rd Quarter FNB Estate Agent Survey results continue to support this evidence of improving home maintenance. In each survey, the sample of agents is asked for their perception of home maintenance and upgrades in their area(s). Of concern back in 2009, was that agents had reported a significant increase in the estimated percentage of homeowners only “attending to basic maintenance”. Whereas this percentage had been a mere 6% at the start of the survey back in 2004, it had steadily increased to 34% by the 1st quarter of 2009, on a 2-quarter moving average basis.

Fortunately, since 2009 the percentage of homeowners falling into this category of “basic maintenance only” has receded to 21% as at the 3rd quarter of 2011, as an increasing portion is believed to have moved back into the higher level maintenance categories.



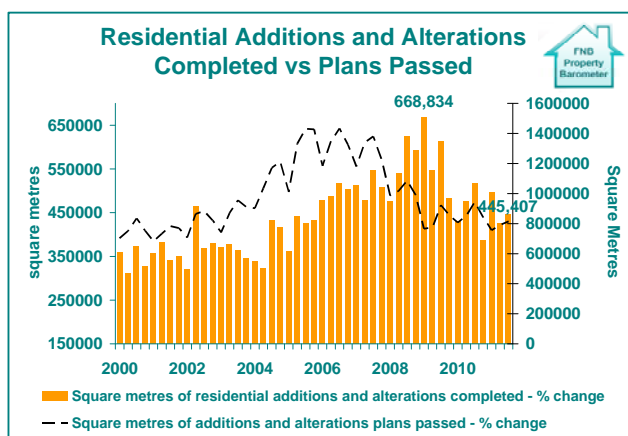
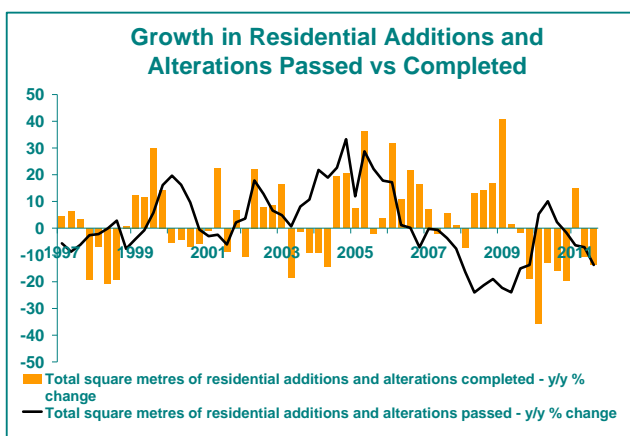
The next category “up” is the estimated percentage of homeowners “not improving but still maintaining” homes. This estimated percentage has also receded somewhat from 40% as at the 3rd quarter of 2010 to 34% of total homeowners in the 3rd quarter of 2011. However, this is more due to estimates that a significant portion of homeowners have moved to the next level “up”, namely homeowners “fully maintaining their property and making some improvements. The percentage falling into this category has risen significantly from 30% as at the 3rd quarter of 2009 to 40.5% in the 3rd quarter of 2011. This category now possesses the largest estimated percentage of homeowners.

BUT BOTH AGENTS AND STATSSA BUILDING STATS SUGGEST THAT VALUE ADDING UPGRADES TO HOMES REMAIN SLOW

The “top category” in the home maintenance part of the FNB Estate Agent Survey, namely those homeowners making “value adding upgrades” to their homes, remains very weak at 4.5%. This is a far cry from the estimated 43% of homeowners doing value adding upgrades back at the beginning of 2004, and suggests that we should be seeing very weak “additions and alterations” data from StatsSA building statistics.

Indeed, the perceived weakness amongst agents in the area of value adding upgrades appears to be supported by the most recent StatsSA September building stats data, which completes the picture for the 3rd quarter.

According to this data, the year-on-year decline in square metreage of residential additions and alterations completed deteriorated further to -13.8% in the 3rd quarter, compared to a decline of -10.6% in the previous quarter. This means that the level of additions and alterations completed in the 3rd quarter was 66.6% of the peak reached in the 1st quarter of 2009. Additions and alterations plans passed suggest that this weakness is not going to change any time soon, having declined year-on-year by -13.7% in the 3rd quarter.



In short, therefore, estate agents surveyed estimate that there has been an overall improvement in the level of home maintenance since 2009. However, they simultaneously indicate that property upgrades remain very weak. The 3rd quarter 2011 StatsSA building stats continue to support this view of weak upgrading activity, with square metreage of additions and alterations recorded as completed still declining steadily.

This all ties in with indications that the household sector remains under significant financial pressure. No time for luxuries, therefore, and households are mostly focused on catching up on the “basics”, which include addressing maintenance backlogs on homes.

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