

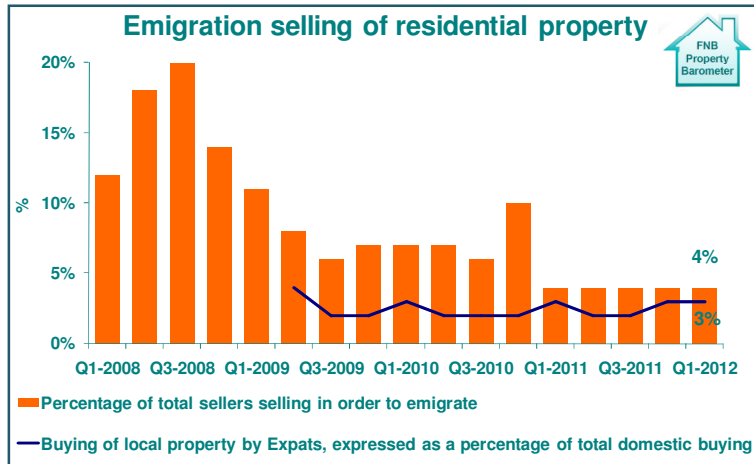
PROPERTY BAROMETER – THE FOREIGN IMPACT ON THE SOUTH AFRICAN RESIDENTIAL MARKET

Is the effect of Africa’s improving economic situation starting to become visible in the South African residential property market.

13 March 2012

Early in 2012, the 1st Quarter FNB Estate Agent Survey suggests that the “net foreign effect” on the South African property market continues to improve mildly.

With regard to outflows of South African home owners, the estimated percentage of domestic sellers “selling in order to emigrate” remains unchanged at 4% of total sellers.



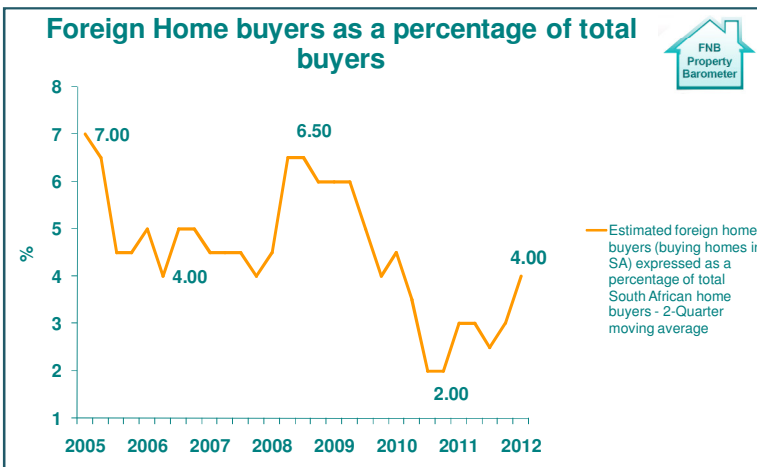
This is the 5th consecutive quarter that the sample of agents has estimated a percentage near to 4%, and the level remains a far cry from the 20% peak of the 3rd quarter of 2008.

As mentioned in previous quarters, the estimated slow rate of emigration selling is believed to be the combination of South Africa being in a relatively “calm space” regarding its own policies and political events, along with a “mediocre” economic and employment situation in many parts of the western world (notably Europe) which are often popular SA emigration destinations. So, while South

Africa’s economy is not excelling, it also doesn’t have the major turbulence and debt crises of certain European economies either, with its national debt situation largely under control, and its relative position in the world from an economic point of view is “not too bad”.

Simultaneously, the estimated number of SA expatriates buying property in South Africa has risen slightly as a percentage of total home buyers in the past 2 quarters, from 2% to 3%. One needs to be cautious about reading too much into such small moves though, as this survey question response, since its inception, has typically shown little movement. The overwhelming majority (91%) of respondents believes the number of expat buyers to be “about the same” at 12 months ago, with 6% indicating an increase and a lesser 3% believing that there are less expat buyers.

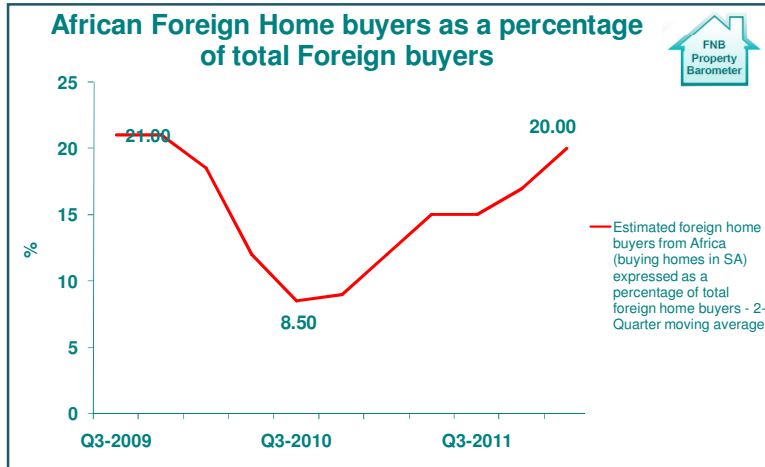
Where there seems to be a more noticeable improvement emanating from the survey responses is in the survey response regarding the percentage of home buyers that are foreign citizens.



Using a 2-quarter moving total, the 1st quarter 2012 survey estimate rose to 4%, from a previous 3%, and further up from the 2% bottom point reached in the 2nd half of 2010.

This does not suggest that foreign buyers are buying in nearly the numbers believed to have been the case back prior to 2008, a time when their percentage was higher and total market transaction volumes were higher.

However, the improvement since 2010 is becoming significant.



And what is also becoming apparent from the survey is that foreign citizens from the rest of Africa are becoming a more significant foreign buyer group following a slump.

From a low estimate of 8.5% of total foreign buyers back in 2010, the African foreign buyer contingent is estimated at 20% of total foreign buyers as at the 1st quarter of 2012.

From this part of the survey, agents are telling us that African foreign buyers have become a very significant part of the foreign buyer contingent in the SA residential market.

Secondly, it would appear from the previous dip in the African buyer percentage around

2009/10, and subsequent recovery more recently, that foreign buyers from our own continent show more cyclical behavior than non-African foreign buyers.

CONCLUSION

Foreign buyers remain, as always, are a relatively small group of buyers of South African residential property. However, there are signs that their contribution to overall buying is on the way up once more, with the effects of the recession of a few years ago gradually passing on.

More noticeable is a significant increase in the African continent's contribution to foreign buying, according to the agents' perceptions.

Against this, the outflow of emigrant sellers from the SA market appears to remain subdued, as one would expect in what is still a relatively tough period economically for many developed countries. This restricts job prospects, and thus the limits the attractiveness of certain traditionally popular emigration destinations.

The "net foreign effect" on the South African residential property market thus appears to be improving mildly, according to the FNB Estate Agent Survey.

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