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PROPERTY BAROMETER – MARCH GAUTENG FNB HOUSE PRICE INDEX

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FNB Gauteng House Price Index shows the country's largest property market to be gradually recovering, and City of Joburg appears to be the strongest region.

GAUTENG HOUSING MARKET GAINING TRACTION EARLY IN 2012

The long period of low interest rates, and a recession fading in the memories of many, appears to be gradually putting Gauteng's property market on a better footing.

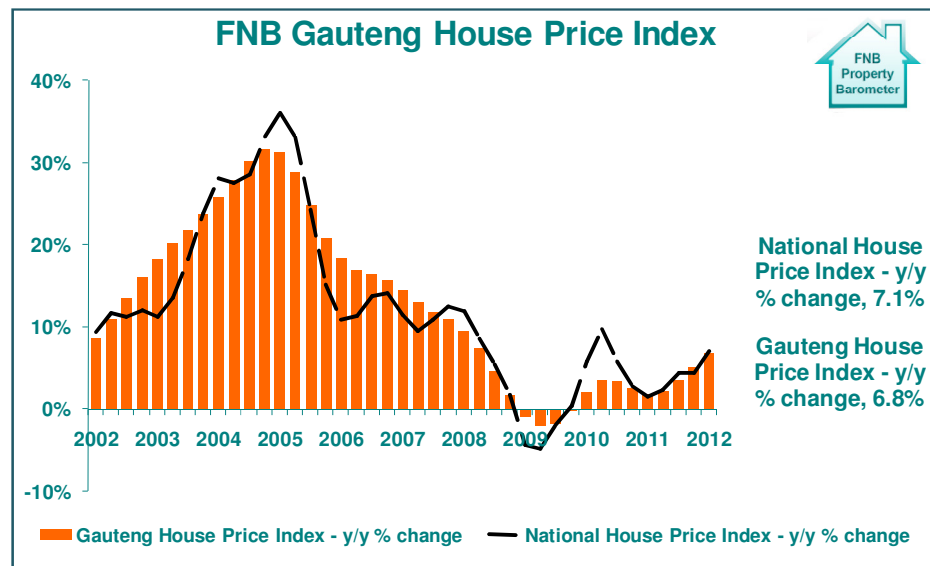
The FNB Gauteng House Price Index showed a further slight acceleration in the 1st quarter of 2012. From the 1st quarter a year ago, the average house price has risen 6.8% to the 1st quarter of 2012. This is now very near to the national average price growth rate of 7.1% for the 1st quarter of 2012, and is the 3rd successive quarter of strengthening price growth in the province. This is also the highest price growth rate in the Gauteng House Price Index since the 2nd quarter of 2008.

Gauteng, being a very diversified services-driven economy, and with its property market being overwhelmingly primary residential demand-driven, is typically less volatile than many of the country's smaller property regions. Therefore, it appeared to experience less price decline in 2009 than did the country as a whole, while also showing significantly less price increase during the "mini-recovery" of 2010 after the big fall in interest rates in 2009.

But now, about two-and-a-half years after the major interest rate cuts of 2009, finally the province's market appears to be gaining more "traction".

In real terms, too, with consumer price inflation at just above 6%, it would appear that the province's house price growth rate has moved into slightly positive terrain.

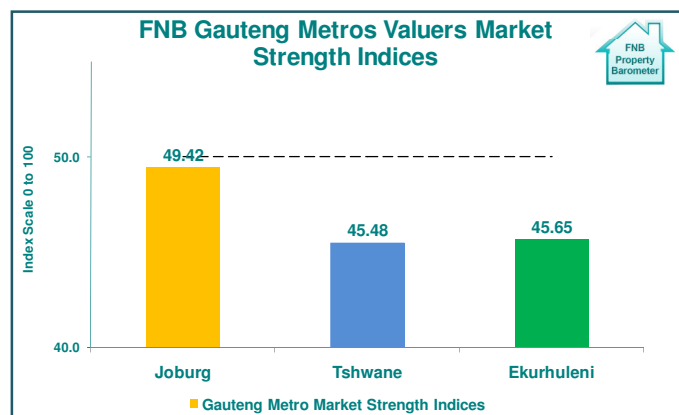
The average property transaction price for Gauteng was R866,806 in the 1st quarter of 2012, according to FNB's data. While now improving, the recovery has been tough going, and this price level is only 9.3% higher than the level reached in the 2nd quarter of 2008, which was just before price deflation set in in the province's market.



BY METRO, THE GAUTENG RESIDENTIAL MARKET STRENGTH APPEARS TO BE MORE IN THE CITY OF JOBURG METRO

Breaking it down by major regions in Gauteng, it would appear that the province's major metro, namely City of Joburg, has recently shown the most strength in its property market of the 3 major metros, the other 2 being Ekurhuleni and Tshwane.

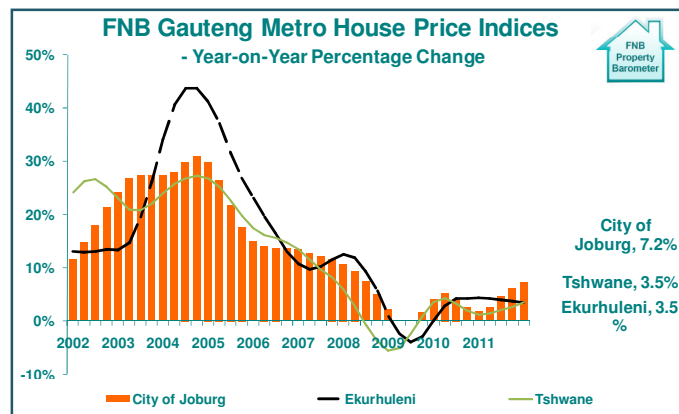
This emerges in both the average price growth rates as well as in FNB Valuers' Average Market Strength ratings by metro.



Note: 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.

In the 1st quarter of 2012, the FNB Market Strength Indices per Gauteng Metro pointed to the City of Joburg having the best balance between supply and demand, at a level of 49.4, just shy of the crucial level of 50 at which the demand rating would match the supply rating.

By comparison, the Tshwane (45.48) and Ekurhuleni (45.65) markets appear a little bit less "balanced"



These differences in the perceived balances between supply and demand appear to manifest themselves in mild differences in average house price growth.

The FNB City of Joburg Price Index rose by 7.2% year-on-year in the 1st quarter, compared to lower 3.5% rates of increase for both Tshwane and Ekurhuleni in the same quarter.

COMMENT - PERCEPTIONS OF THE CITY OF JOBURG RESIDENTIAL MARKET

From our valuations activities in the region, our perception is that Gauteng's market stability currently lies in and around its key City of Joburg "Northern Suburbs" business nodes. The Northern Suburbs are not immune to recessionary shocks such as the one of 2008/9, but a greater shortage of land for development does assist in supporting the property values in these areas. In addition, during the mediocre economic performance of recent years, the economies of the region's prime business nodes are believed to hold up better, as many corporates streamline costs by centralizing certain functions to head offices, many of which are in Joburg's northern business nodes.

By comparison, our feeling is that the West Rand residential market doesn't quite possess the market strength of the northern suburbs, possibly still dealing with supply overhangs created by a building boom of a few years ago, which we perceive have been far more extreme than the building boom of the northern suburbs, due to greater land availability in parts of the West Rand.

Looking forward, rising congestion and transport costs (helped on by possible SANRAL Toll Road implementation) are also likely to benefit Joburg's northern suburbs relative to the other major regions of "Greater Johannesburg", as this sub-region is arguably the province's key commuter destination.

Finally, also a probable source of support for the overall City of Joburg residential market is the fact that this metro possesses the prime "former township" region around Soweto. Soweto has been at the forefront of the transformation from a "dormitory town" township to a more suburban-like character with major improvements in the area of retail and services. This is significantly improving its popularity as a place to live, which in turn is supporting the "township" component of the City of Joburg's property market.

**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.