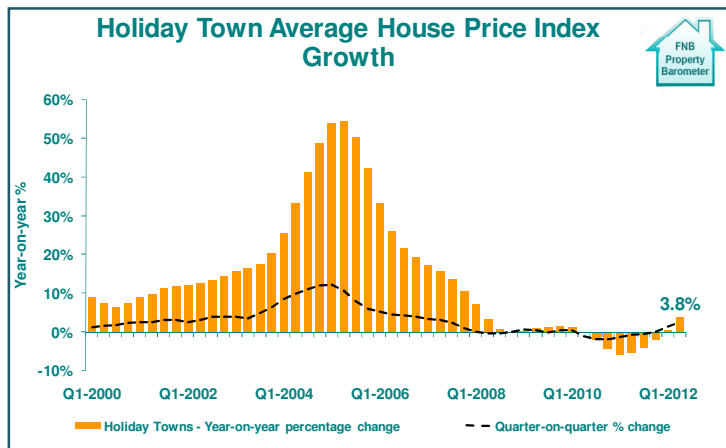


PROPERTY BAROMETER – HOLIDAY TOWN HOUSE PRICE INDEX

While still appearing to lag the national market, holiday town property market prices may be showing signs of stabilising after significant decline.

23 July 2012

In the 2nd quarter of 2012, the FNB Holiday Towns Average House Price Index showed mild growth of 3.8% year-on-year, which, while still very low, may suggest that holiday property market prices are stabilising in nominal terms after a lengthy period of decline through 2010/11.



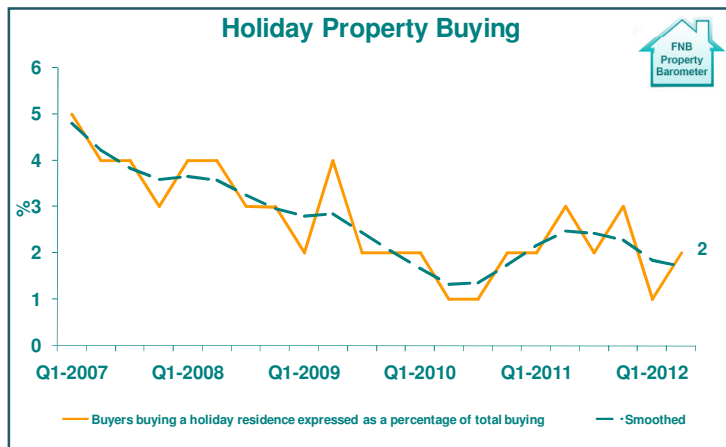
In the 2nd quarter of 2012, our Holiday Towns Average House Price Index rose by 3.8% year-on-year. This is up from the previous quarter's revised 0.5%, and is only the 2nd consecutive quarter of increase after almost 2 years (7 quarters) of consistent year-on-year decline.

The Holiday Town Index is estimated from Deeds Office data, using transactions by individuals in holiday areas deemed to be strongly residential.

In nominal terms, the Holiday Towns Price Index is -5% down since the 1st quarter of 2010, the quarter after which the lengthy period of nominal house price decline set in.

In real terms, when house prices are adjusted for consumer price inflation, the situation looks uglier, with the 2nd quarter 2012 average real price being -13.1% down on the 1st quarter of 2010, and an even bigger -22.9% down on the 1st quarter of 2008, the quarter which represented the national real house price peak at the very end of the property boom. The holiday market has thus had a very significant real price "correction" in recent years, and at 3.8% growth in the 2nd quarter was still declining real terms.

The 2012 return to low nominal price growth (although still declining in real terms), could probably at best be called stabilizing prices after the significant real and nominal price decline, and probably reflects a mildly improved rate of holiday property buying following a 2010 low.



In mid-2010, the panel of agents surveyed in the FNB Estate Agent Survey suggested that holiday home buying had reached a low of around 1% of total buying, after a declining trend from up around 5% back in early-2007.

Thereafter, there was some mild improvement to a level hovering between 2-3% in 2011, where-after the percentage appears to have declined in 2012 to between 1 and 2%.

The improvement in holiday town price growth is believed to be reflecting last year's mild improvement in holiday property buying off the 2010 low.

However, although the agent holiday buying

estimates are volatile from quarter to quarter, broadly lower percentages recorded in the survey in the 1st 2 quarters of this year, compared to last year, suggest that we should not expect too much in the way of improvement in the performance in holiday town markets in the near term

Rather, given the still high level of ongoing financial pressure in the household sector, along with significant increases in municipal rates and utilities tariffs related to housing, we would expect these markets to continue to lag the more primary residential demand-driven markets of the major metropolitan regions, due to the non-essential nature of holiday home buying. But it does appear that nominal price in holiday towns may be stabilizing.

***JOHN LOOS:
HOUSEHOLD AND PROPERTY SECTOR STRATEGIST
011-649 0125
John.loos@fnb.co.za***

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