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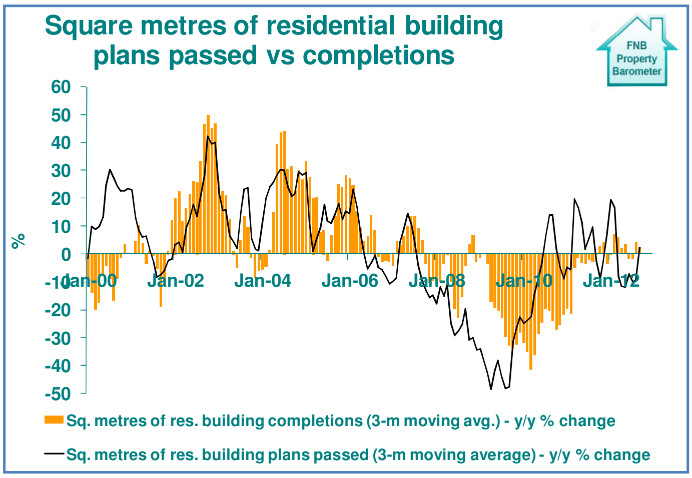
PROPERTY BAROMETER – SEPTEMBER RESIDENTIAL BUILDING STATISTICS

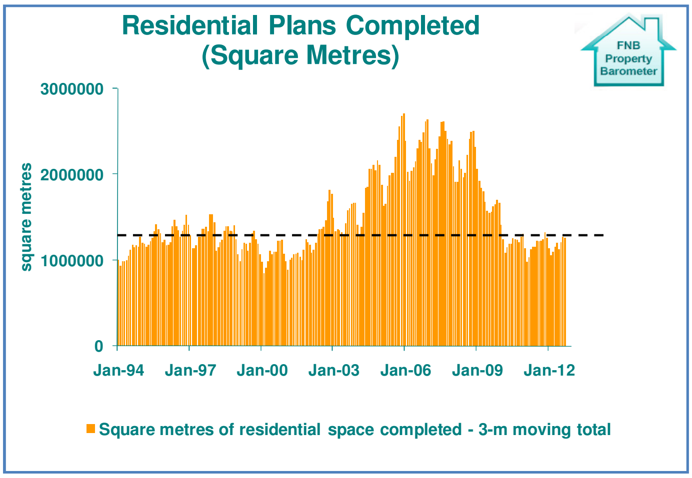
Has residential building activity "settled down" for the long haul?

15 November 2012

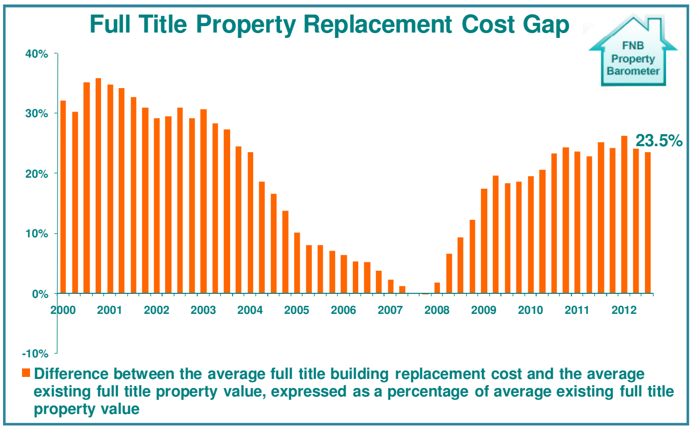
The release of September residential building statistics by StatsSA continues to show a very "settled" picture, with square metre-age of residential buildings completed hovering around levels similar to the pre-boom late-1990s. And over the past year we have seen only minor fluctuations above and below zero in terms of year-on-year percentage change in square metres completed. All in all, therefore, things look fairly settled.

Using a 3-month moving average to smooth the data volatility, we saw the 3rd quarter's year-on-year growth rate in square metres of residential buildings completed record +2.37%, slightly down from the 2nd quarter's 7%. Moving in the opposite direction, square metres of building plans passed moved slightly better from a -7.2% decline in the 2nd quarter to a slightly positive + 2.4%, which hardly suggests much in the way of growth in activity to come.





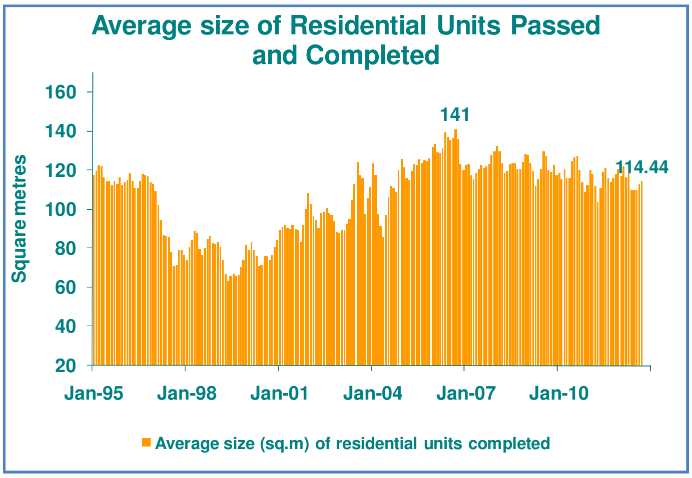
What has also broadly flattened out if the residential Replacement Cost Gap, which reflects the percentage difference between the replacement cost of a home and the existing value of that home (calculated by valuers for insurance purposes upon valuing homes). The 3rd quarter did see a slight decline in the percentage gap from 24.1% in the 2nd quarter to 23.5% in the 3rd quarter. However, as yet the decline is not significant, with the gap still remaining well above the virtually zero level at a stage in 2007. That was a situation which facilitated the peak of the residential building boom in that year, as back then it was very easy for the development sector to compete price-wise with the existing home market.

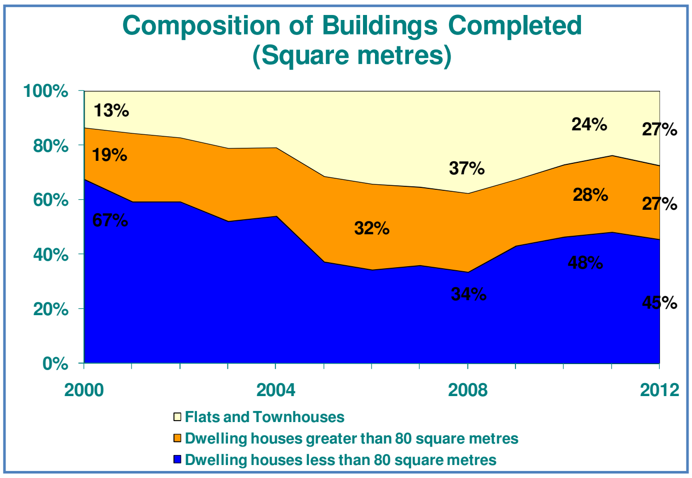


Currently, the residential building sector continues to battle to gain traction at a time when it faces heavy competition from a well-supplied existing home market, and the 23.5% replacement cost gap makes it tough to compete price-wise with the existing market.

Looking at the longer term trends in the composition, we may be seeing a mild trend change through 2012. The longer term declining trend in average unit size, from a 141 square metre peak late in 2006 to 114.4 square metres by September 2012, is not expected to change direction. The low density nature of SA housing stock is outdated, much of it having been built in the 1970s/80s when infrastructure and services around the cities were plentiful. Densification is expected to be a long term trend, therefore, as urban infrastructure and land scarcity mount, and costs of rates and tariffs bills skyrocket.

But what we have seen in 2012 to date is an increase in the percentage of flats and townhouses, from 24% of total residential square metres completed in 2011 to 27%, which is a reversal of a significant shrinking trend in this residential category since 2008 where it was as much as 37% of total square metres completed.





Looking forward to 2013, I anticipate sideways movement in overall building activity at best, with the significant replacement cost gap keeping price competition with the existing home market tough, while the building sector may have to contend with a slower economic growth and slowing real household disposable income growth rate.

However, of significance may be a change in the composition of building activity in 2013, with flats and townhouses becoming a larger portion of total residential completions as the urban densification process proceeds, and with the relative price advantage of larger free standing full title properties having been whittled away by slightly better price growth in recent years, and by sharply rising operating costs in the form of rates and tariff hikes. "Smaller will thus be increasingly better" in the years to come.

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Building Plans Passed

Residential Buildings	2009	2010	2011	Q1-2012	Q2-2012	Q3-2012	Jul-12	Aug-12	Sep-12
Dwelling houses less than 80 m.sq (Number)	25 115	20 752	22 567	4 422	4 524	4 628	816	1 590	2 222
Y/Y % change	*-26.5*	*-17.4*	*8.7*	*-26.9*	*-7.6*	*-28.8*	*-73.6*	*-18.6*	*52.1*
Dwelling houses less than 80 m.sq (m^2)	1 100 737	928 325	1 089 658	213 765	220 077	227 756	42 857	80 020	104 879
Y/Y % change	*-26.5*	*-15.7*	*17.4*	*-26.3*	*-5.3*	*-26.6*	*-69.5*	*-13.0*	*34.6*
Dwelling houses less than 80 m.sq (R'000)	2 214 516	2 092 786	2 757 030	642 035	683 992	739 115	175 241	271 700	292 174
Y/Y % change	*-26.6*	*-5.5*	*31.7*	*5.8*	*20.0*	*-7.9*	*-47.9*	*20.1*	*21.8*
Dwelling houses larger than 80 m.sq (Number	13 785	14 885	15 529	4 004	3 937	4 465	1 527	1 562	1 376
Y/Y % change	*-35.7*	*8.0*	*4.3*	*21.6*	*-3.6*	*10.7*	*14.2*	*9.2*	*8.7*
Dwelling houses larger than 80 m.sq (m^2)	3 618 817	3 809 452	3 757 969	902 651	942 565	1 066 206	368 853	381 028	316 325
Y/Y % change	*-33.8*	*5.3*	*-1.4*	*3.8*	*-4.4*	*12.2*	*18.1*	*12.4*	*5.9*
Dwelling houses larger than 80 m.sq (R'000)	15 514 207	17 931 885	18 878 026	4 783 734	4 978 631	5 859 625	2 013 262	2 092 537	1 753 826
Y/Y % change	*-25.4*	*15.6*	*5.3*	*13.7*	*4.3*	*19.7*	*25.4*	*17.8*	*16.0*
Flats and Townhouses (Number)	16 522	12 275	14 728	2 788	3 419	4 265	1 656	1 440	1 169
Y/Y % change	*-44.2*	*-25.7*	*20.0*	*-24.0*	*-17.1*	*-5.4*	*-15.6*	*-3.2*	*10.2*
Flats and Townhouses (m^2)	1 518 213	1 172 152	1 401 183	252 776	350 840	405 214	139 916	148 644	116 654
Y/Y % change	*-53.2*	*-22.8*	*19.5*	*-22.7*	*-15.0*	*1.4*	*-3.4*	*10.3*	*-2.7*
Flats and Townhouses (R'000)	6 858 672	5 945 008	7 145 742	1 329 684	1 960 469	2 300 561	741 460	839 251	719 850
Y/Y % change	*-47.9*	*-13.3*	*20.2*	*-16.9*	*-1.9*	*8.2*	*-0.8*	*30.2*	*-1.9*
Total units plans passed (Number)	**55 422**	**47 912**	**52 824**	**11 214**	**11 880**	**13 358**	**3 999**	**4 592**	**4 767**
Y/Y % change	***-35.0***	***-13.6***	***10.3***	***-13.8***	***-9.3***	***-11.2***	***-37.4***	***-5.7***	***25.8***
Total building plans passed (m^2)	**6 237 767**	**5 909 929**	**6 248 810**	**1 369 192**	**1 513 482**	**1 699 176**	**551 626**	**609 692**	**537 858**
Y/Y % change	***-38.9***	***-5.3***	***5.7***	***-7.9***	***-7.2***	***2.4***	***-7.7***	***7.8***	***8.3***
Other Residential Buildings (m^2)	264 521	197 567	93 348	23 665	13 054	12 357	6 287	3 475	2 595
Y/Y % change	*-31.5*	*-25.3*	*-52.8*	*-46.7*	*-0.9*	*-29.3*	*66.1*	*-71.7*	*83.5*
Other Residential Buildings (R 000)	1 343 307	1 090 834	444 940	119 325	53 297	65 973	29 428	19 958	16 587
Y/Y % change	*-19.1*	*-18.8*	*-59.2*	*-39.3*	*-4.0*	*-25.3*	*55.5*	*-67.1*	*89.0*
Total Residential Buildings (R 000)	**25 930 702**	**27 060 513**	**29 225 738**	**6 874 778**	**7 676 389**	**8 965 274**	**2 959 391**	**3 223 446**	**2 782 437**
Y/Y % change	***-32.9***	***4.4***	***8.0***	***4.0***	***3.8***	***13.3***	***9.3***	***19.1***	***11.6***
Additions and Alterations									
Dwelling houses (m^2)	3 318 140	3 443 686	3 160 212	739 177	783 144	812 989	283 671	282 985	246 333
Y/Y % change	*-18.7*	*3.8*	*-8.2*	*-2.2*	*-1.0*	*0.5*	*-1.2*	*13.3*	*-9.6*
Dwelling houses (R'000)	13 618 736	15 388 880	15 111 747	3 666 331	3 913 132	4 215 290	1 452 018	1 467 717	1 295 555
Y/Y % change	*-8.5*	*13.0*	*-1.8*	*5.6*	*5.7*	*7.2*	*4.7*	*21.0*	*-2.7*

Buildings Completed

Residential Buildings	2009	2010	2011	Q1-2012	Q2-2012	Q3-2012	Jul-12	Aug-12	Sep-12
Dwelling houses less than 80 m.sq (Number)	24 579	18 858	19 506	3 964	5 291	4 784	1 705	1 925	1 154
Y/Y % change	*4.7*	*-23.3*	*3.4*	*-16.4*	*14.0*	*-13.0*	*-17.1*	*7.2*	*-30.0*
Dwelling houses less than 80 m.sq (m^2)	1 075 337	837 429	906 246	179 558	237 064	217 931	76 849	87 826	53 256
Y/Y % change	*1.9*	*-22.1*	*8.2*	*-13.3*	*6.7*	*-14.6*	*-18.5*	*6.8*	*-32.2*
Dwelling houses less than 80 m.sq (R'000)	2 271 302	1 835 428	2 297 040	488 339	603 956	565 817	218 080	201 867	145 870
Y/Y % change	*1.8*	*-19.2*	*25.2*	*2.8*	*10.4*	*-7.5*	*2.6*	*-3.2*	*-23.4*
Dwelling houses larger than 80 m.sq (Number)	13 906	10 856	11 456	2 800	2 743	2 853	1 067	912	874
Y/Y % change	*-31.7*	*-21.9*	*5.5*	*13.5*	*0.8*	*-10.8*	*1.3*	*-13.1*	*-20.1*
Dwelling houses larger than 80 m.sq (m^2)	3 667 902	2 787 173	2 773 544	666 174	663 574	731 225	271 829	240 725	218 671
Y/Y % change	*-22.8*	*-24.0*	*-0.5*	*6.0*	*1.5*	*-3.0*	*10.5*	*4.8*	*-21.3*
Dwelling houses larger than 80 m.sq (R'000)	14 613 516	12 323 412	13 371 829	3 328 691	3 282 894	3 966 280	1 472 433	1 292 831	1 201 016
Y/Y % change	*-14.3*	*-15.7*	*8.5*	*15.2*	*6.3*	*10.5*	*24.2*	*18.3*	*-8.4*
Flats and Townhouses (Number)	18 462	10 965	9 545	2 735	2 305	3 388	1 113	1 135	1 140
Y/Y % change	*-29.6*	*-40.6*	*-13.0*	*17.8*	*0.2*	*63.4*	*84.6*	*162.7*	*9.8*
Flats and Townhouses (m^2)	1 970 734	1 191 976	996 413	252 713	232 399	309 682	81 962	124 361	103 359
Y/Y % change	*-29.8*	*-39.5*	*-16.4*	*27.2*	*-16.2*	*41.4*	*29.7*	*173.1*	*-6.2*
Flats and Townhouses (R'000)	8 499 489	5 645 543	4 845 205	1 268 149	1 207 901	1 660 149	453 081	669 524	537 544
Y/Y % change	*-23.1*	*-33.6*	*-14.2*	*28.4*	*-3.1*	*65.8*	*36.6*	*221.3*	*16.6*
Total units completed (Number)	**56 947**	**40 679**	**40 507**	**9 499**	**10 339**	**11 025**	**3 885**	**3 972**	**3 168**
Y/Y % change	***-18.7***	***-28.6***	***-0.4***	***-0.3***	***7.0***	***2.4***	***4.6***	***21.2***	***-16.2***
Total building space completed (m^2)	**6 713 973**	**4 816 578**	**4 676 203**	**1 098 445**	**1 133 037**	**1 258 838**	**430 640**	**452 912**	**375 286**
Y/Y % change	***-22.1***	***-28.3***	***-2.9***	***6.2***	***-1.7***	***2.6***	***6.7***	***26.7***	***-19.5***
Other Residential Buildings (m^2)	223 633	192 468	149 523	9 046	4 654	7 023	-	1 512	5 511
Y/Y % change	*10.9*	*-13.9*	*-22.3*	*-82.9*	*-88.9*	*-57.2*	*-100.0*	*-72.2*	*-1.3*
Other Residential Buildings (R 000)	1 002 579	1 208 759	863 212	38 760	20 948	48 204	-	8 801	39 403
Y/Y % change	*12.3*	*20.6*	*-28.6*	*-87.7*	*-92.1*	*-33.4*	*-100.0*	*-65.1*	*65.7*
Total Residential Buildings (R 000)	**26 386 886**	**21 013 142**	**21 377 286**	**5 123 939**	**5 115 699**	**6 240 450**	**2 143 594**	**2 173 023**	**1 923 833**
Y/Y % change	***-15.5***	***-20.4***	***1.7***	***9.7***	***-0.6***	***18.3***	***22.2***	***41.6***	***-3.1***
Additions and Alterations									
Dwelling houses (m^2)	2 311 557	1 811 174	1 762 670	378 692	384 327	361 843	107 384	131 332	123 127
Y/Y % change	*3.5*	*-21.6*	*-2.7*	*-23.6*	*-9.7*	*-18.6*	*-29.9*	*-8.2*	*-16.9*
Dwelling houses (R'000)	8 417 523	7 392 211	7 871 046	1 693 393	1 754 804	1 768 515	528 787	642 237	597 491
Y/Y % change	*16.0*	*-12.2*	*6.5*	*-22.3*	*-3.2*	*-10.2*	*-22.8*	*1.1*	*-7.9*