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PROPERTY BAROMETER

Residential Property Monthly

House price inflation continues to taper gradually, increasingly reflecting an economy that has run low on steam.

CONTENTS

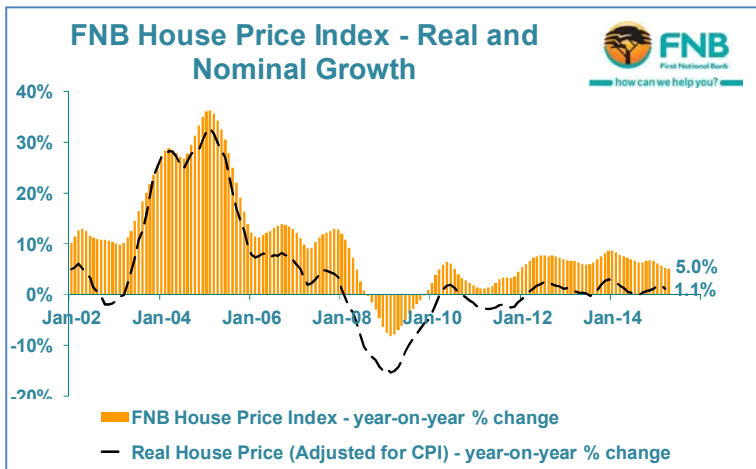
1. *Key Points*
2. *Summary*
3. *FNB April House Price Index*
4. *FNB Valuers Market Strength Index*
5. *Economic Indicators*
6. *Economic Data related to the Residential Market*
7. *Exchange rate and local price trends for foreign buyers*
8. *Conclusion*
9. *The Property Economy in Pictures*
10. *House Price Index Table*
11. *Addendum – Notes*
12. *Key Indicator Tables*

1. HIGHLIGHTS

- *FNB April House Price Index up 5% year-on-year, a slower growth rate than the March 5.2%, continuing a broad slowing inflation trend. Month-on-month house price inflation remained near to zero in April*
- *Real house price levels still 67% above early-2001 levels but -18.3% down on the December 2007 Boom time high*
- *FNB Valuers Market Strength Index still points towards a well balanced residential market, but shows a recent lack of further strengthening*
- *Economic data releases in April were “mixed”, but still point towards economic mediocrity, with the SARB Leading Business Cycle Indicator recording its 16th successive year-on-year decline in February*
- *The disinflationary impact of low oil prices has started to abate, with CPI inflation beginning to rise in March. Further expected rise, back up to near the 6% SARB upper target limit by late-2015, is expected to see the resumption of interest rate hiking late this year.*
- *The FNB Euro and Pound-denominated House Price Indices continued to rise year-on-year in April, but dollar strength continues to see SA property cheaper for those foreign buyers dealing in the Greenback.*
- *Ongoing economic weakness, along with an expected move towards a resumption of interest rate hiking, is expected to move house price inflation down to still lower single digit territory in the near term.*

2. SUMMARY

According to the FNB House Price Index, the average house price for April 2015 rose 5.0% year-on-year. This is slightly slower than the previous month's revised 5.2%, and continues the slowing year-on-year price inflation trend of recent months.



Despite the nominal house price inflation slowdown, however, recent months' house prices continue to grow positively in real terms, when adjusted for CPI inflation. As at March (April CPI stats not available yet), real house price inflation was 1.1% year-on-year, kept in positive territory by a still-low CPI inflation rate of 4.1%. However, real house price inflation is now diminishing, as CPI inflation starts to rise once more and house price inflation slows.

The average price of homes transacted in March was R997,311.

Examining the longer term real house price trend (house prices adjusted for CPI inflation), we see that despite some rise in recent years, (+5.2% since the October 2011 low) the average real house price level remains -18.3% below the high reached in December 2007 at the back end of the residential boom period. Looking back longer though, the average real price remains 67% above the January 2001 level, a time back just before boom-time price inflation started to accelerate rapidly.

The FNB Valuers' Market Strength Index, an indicator of FNB's residential valuers' perceptions of the market, continues to point to a well-balanced market, but does not suggest further strengthening in April.

The Valuers as a group have perceived a mild residential demand weakening in recent months combined with slight supply improvements. The result has been that, while the FNB Valuers' Market Strength Index rating (which reflects the perceived balance between supply and demand) is still above the key 50 level, at 50.53 in April, which means that the Demand Rating is stronger than the Supply Rating, it is nevertheless slightly lower than March's revised 50.60.

If one considers the fragile economic fundamentals which currently underpin the residential market, it appears likely that the broadly slowing year-on-year house price growth trend is set to continue in the near term.

Economic data released in April was a "mixed bag, some showing improvement but the overall picture still one of economic mediocrity. The economy has had a short potential "boost" early in the year from last year's sharp drop in Global oil prices. This indeed took CPI inflation down to 3.9% as at February, offering the consumer some Real Disposable Income support. This in turn may have led to some February strengthening in real retail sales growth.

However, working in part against this "oil-positive" has been simultaneously suppressed metals commodity prices, which impacts negatively on SA export growth and thus on the economy, while the Electricity Sector's supply constraints have been disruptive once more in the 1st quarter of 2015. So, while February mining showed a return to positive growth, the Manufacturing PMI for March and April reverted to levels below 50, signaling more possible contraction in the large Manufacturing Sector, which bodes ill for the overall economy.

In addition, the SARB Leading Indicator remains in negative year-on-year territory, offering little hope of any meaningful near term economic improvement, while CPI inflation starts to turn higher once more, which is expected to put the interest rate hiking debate back on the table later in the year.

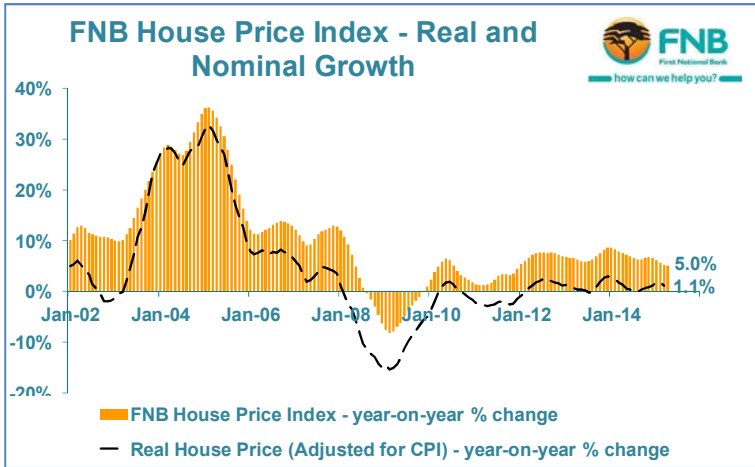
All of this means that the Residential Market continues to lack in growth drivers from here onward, it would seem. It is, however, difficult to see any sharp house price slump in the foreseeable future, with residential building activity growing but still at modest levels, implying limitations to new residential supply entering the market

Average house price inflation thus appears set to slow gradually, moving below the 5% mark into lower single-digit territory in the coming months.

3. FNB APRIL 2015 HOUSE PRICE INDEX

- *April House Price Inflation*

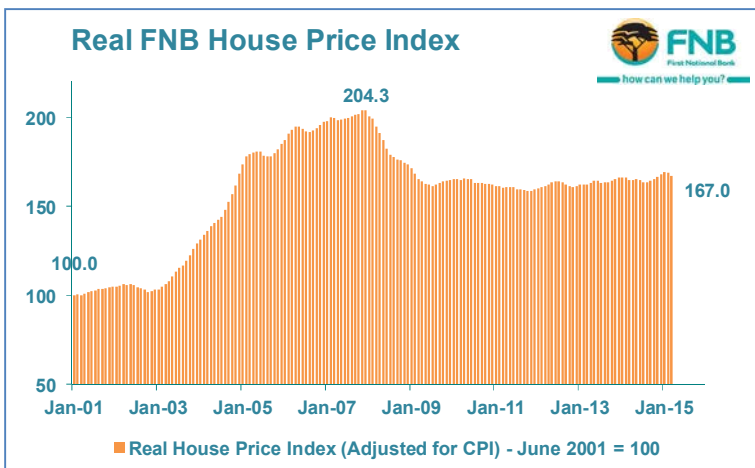
According to the FNB House Price Index, the average house price for April 2015 rose 5.0% year-on-year. This is slightly slower than the previous month's revised 5.2%, and continues the slowing year-on-year price inflation trend of recent months.



Despite the nominal inflation slowdown, however, recent months' house prices continue to grow positively in real terms, when adjusted for CPI inflation. As at March (April CPI stats not available yet), real house price inflation was 1.1% year-on-year, kept in positive territory by a still-low CPI inflation rate of 4.1%. However, real house price inflation is now diminishing, as CPI inflation starts to rise once more, and house price inflation slows.

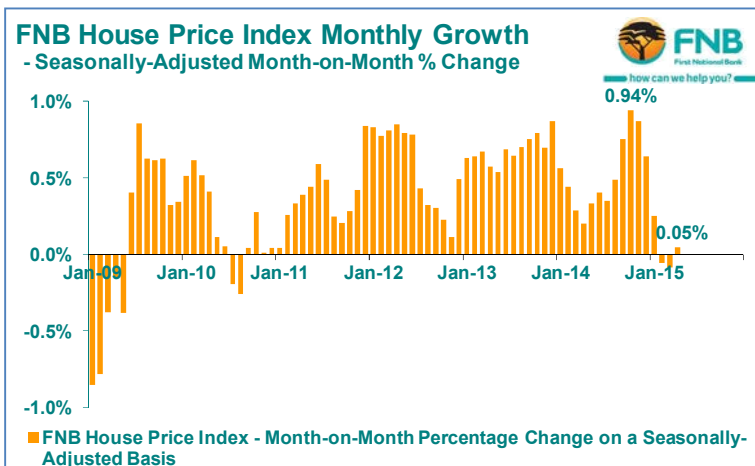
The average price of homes transacted in March was R997,311.

- *Real House Price Levels*



Examining the longer term real house price trend (house prices adjusted for CPI inflation), we see that despite some rise in recent years, (+5.2% since the October 2011 low) the average real house price level remains -18.3% below the high reached in December 2007 at the back end of the residential boom period. Looking back longer though, the average real price remains 67% above the January 2001 level, a time back just before boom-time price inflation started to accelerate rapidly.

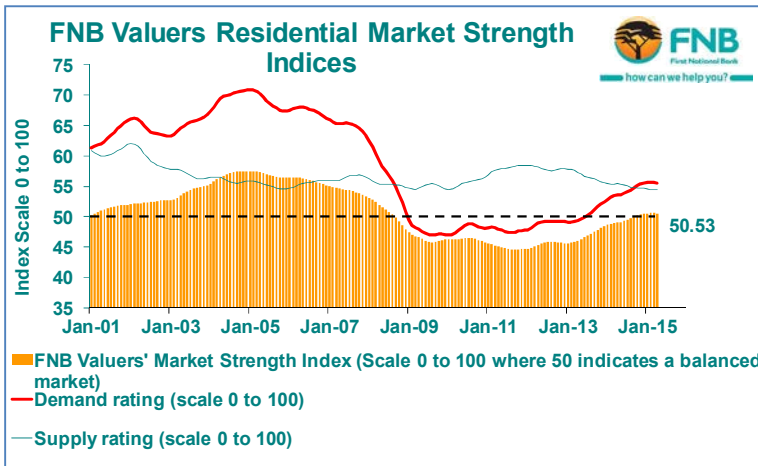
- *Month-on-month house price inflation*



Moving on to the seasonally adjusted month-on-month house price inflation rate, a better indicator of recent growth momentum than the year-on-year rate, and the early-2015 "soft patch" in the housing market continues to be reflected. We saw this rate return to very slightly positive territory, to the tune of +0.05%, after 2 months of negative growth, but the level remains very weak, and suggests growth constraints which may be reflective of a weak start to 2015 by the economy in general.

4. THE FNB VALUERS MARKET STRENGTH INDEX

- The FNB Valuers Market Strength Index still points to a well-balanced market, but did not rise further in April



The FNB Valuers' Market Strength Index (Explanatory notes in Section 9) continues to point to a well-balanced market, but does not suggest further strengthening in April.

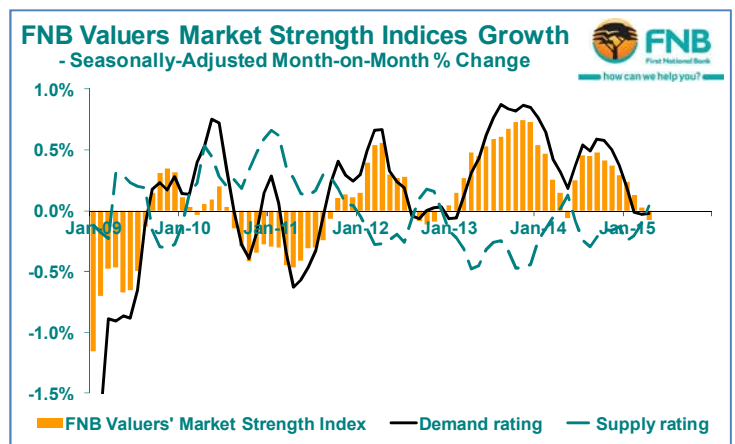
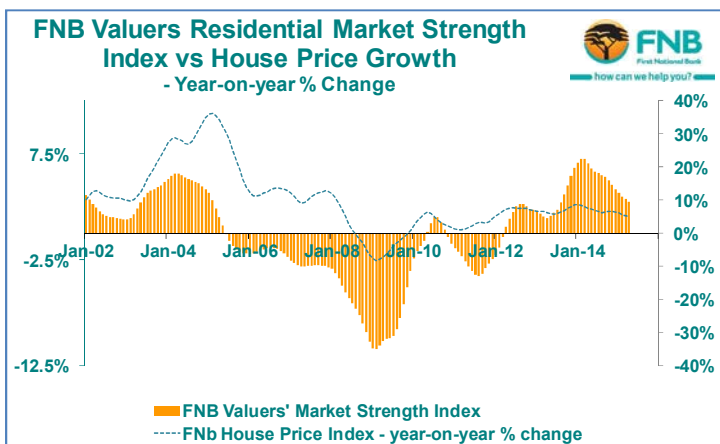
The Valuers as a group, have for much of the past 3 years perceived a rise in demand along with deteriorating supply of residential stock, the perfect recipe for an improving balance between demand and supply. The index scale is zero to 100, and a level of 50 indicates a balanced market, with the Residential Demand Rating equaling the Residential Supply Rating.

Significantly, therefore, the Market Strength Index rating is now above the key 50 level,

recording 50.53 as at April. However, this is slightly lower than March's revised 50.60.

On a year-on-year basis, the Market Strength Index remains well above the level of April a year ago, i.e. 3% higher. However, this year-on-year rate of increase has been slowing steadily since April a year ago.

And on a month-on-month seasonally-adjusted basis, the Valuers' Market Strength Index actually declined for the 1st time since June 2014. And of significance is that the Valuers' Demand Rating has seen a slight month-on-month decline for 3 consecutive months to April, the 1st period of decline since early-2013.



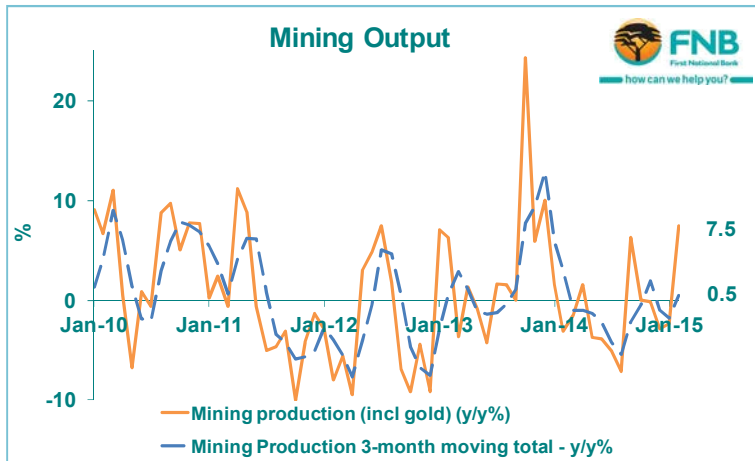
The FNB Valuers' Market Strength Index thus supports the view that the rate of strengthening in the market has been slowing, and has possibly even ended as of late, thus explaining the gradually slowing rate of house price inflation.

5. ECONOMIC INDICATORS

- **Broad Economic data released in April suggested some improvement “here and there”, but still pointed to “mediocrity” and arguably continues to explain a lack of recent residential demand growth.**

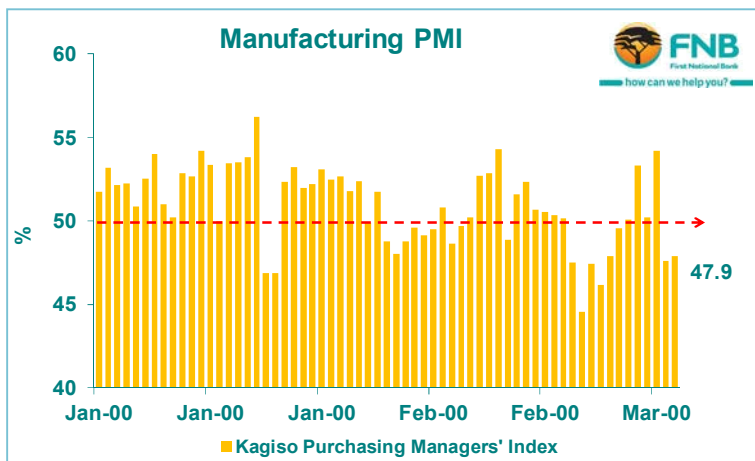
Examining the main high frequency data released during April, we saw a mixed bag of indicators, and while there were some improvements, it is difficult to identify any strong indication of direction in the economy. The overall picture remains one of mediocre economic performance at best.

Two key sector data releases were those of Mining and Manufacturing Production for February 2015.

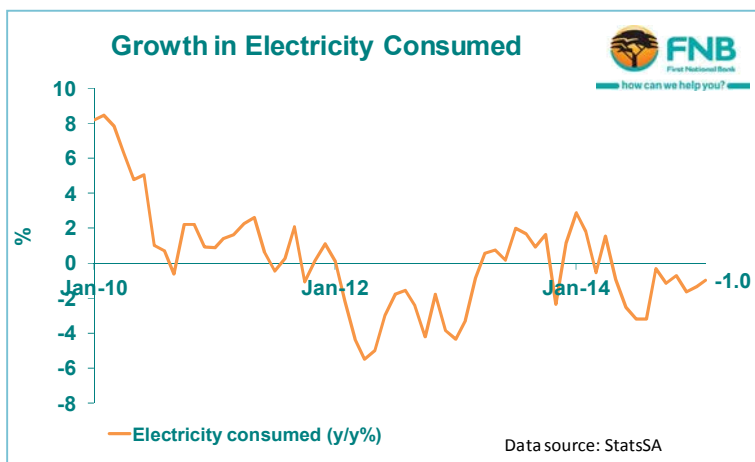


The often volatile Mining Output number shot up out of negative growth territory in January to register a strong +7.5% positive year-on-year growth rate. However, a low base effect from a year ago played a key role here, with February 2014 Mining production having slipped quite sharply due largely to last year's Platinum Sector Strike.

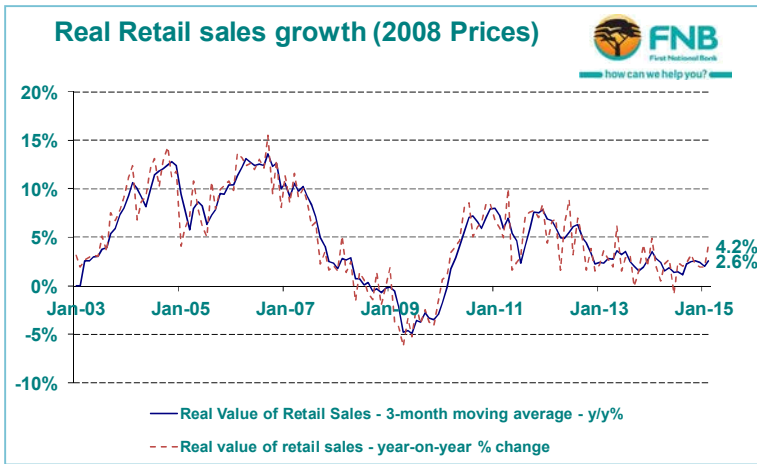
On a smoothed 3 month moving average basis, Mining Output growth was a more modest +0.5% year-on-year for the 3 months to February 2015.



The larger Manufacturing Sector's production showed less promise, still languishing in negative territory to the tune of -0.5% year-on-year in February. In addition, the more up to date Manufacturing Purchasing Managers' Index (PMI) for April remained well below 50, at 47.9 for the 2nd consecutive month, suggesting possible further contraction in this key sector.



One of the key constraints on the economy early in 2015 has been the Electricity Sector, with disruptive load shedding having been implemented frequently. The release of February Electricity Sales data showed a continuation of year-on-year decline in electricity consumed in South Africa to the tune of -1%, the 10th consecutive month of year-on-year decline. This is in part a reflection of economic weakness resulting in weakness in power demand, but also in part a reflection of a lack of supply capacity in the sector, and the Electricity Sector is currently seen by some as the biggest economic growth constraint.



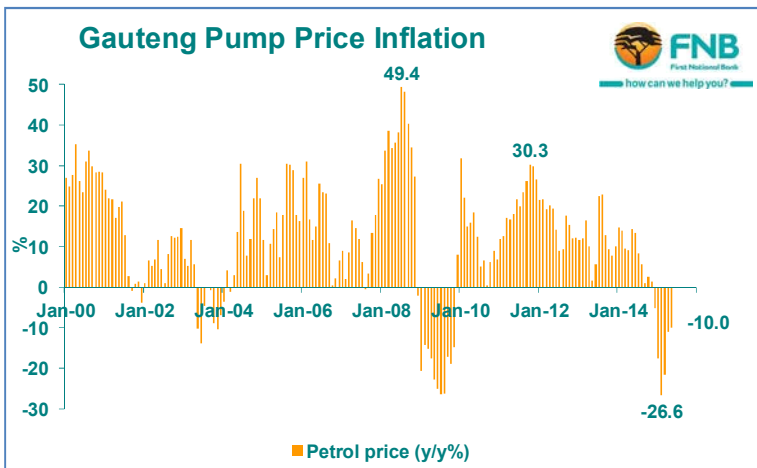
Another April economic data release which is closer to the consumer is that of Real Retail Sales growth for February. This data showed signs of possible short term benefit to the consumer from lower consumer and retail price inflation in the early stages of 2015.

After a slow 1.9% year-on-year growth rate in January, real retail sales growth jumped considerably to 4.2% in February.

However, we always caution than monthly retail data can be volatile, and on a more smoothed 3-month moving average basis the 3 months' to February showed a more modest 2.6% year-on-year growth rate.

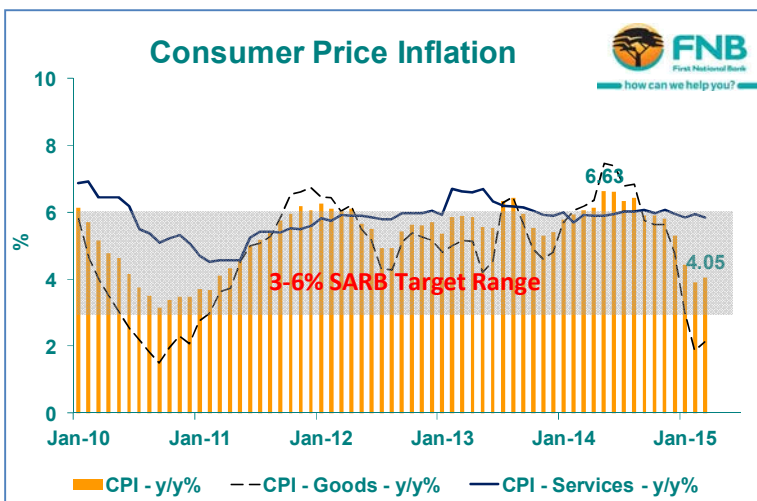
Nevertheless, it is conceivable that the February improvement is more than just data volatility. At that stage a global oil and food price inflation drop had caused a sharp decline in Consumer Price Inflation, having slowed further to 3.9% year-on-year, after having ended 2014 only 2 months earlier at a significantly higher 5.3%.

- **The disinflationary impact of low oil prices starts to fade**



The benefits from sharply lower global oil prices, however, have started to dissipate, with some recovery in oil markets as well as a significant fuel levy increase being implemented.

From an average price of \$50.1/barrel in January, the spot price of Brent Crude Oil rose to average \$60.6/barrel in April. The impact was further influenced by a Rand continuing its long term "drift" against the dollar to move to an average of weaker than R12/Dollar in March and April, driving the Rand oil price up even more significantly.



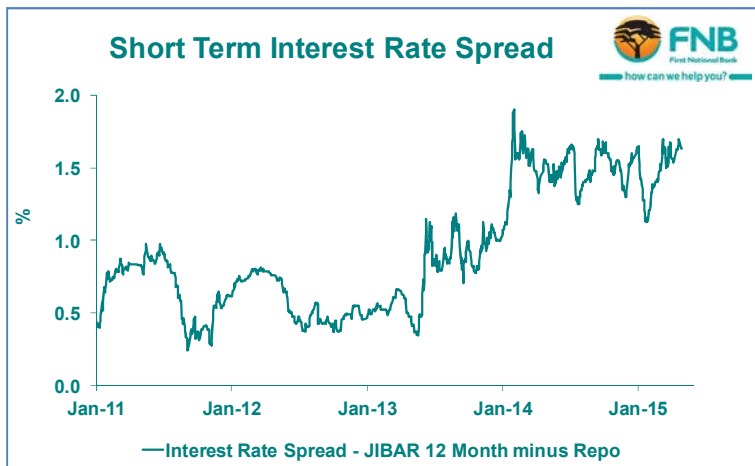
While domestic petrol prices are still in year-on-year deflation as at beginning May, one can see the magnitude of this deflation diminishing, with the Gauteng Pump Price having recorded -10% year-on-year decline for the new May petrol price (still to come into effect), from a far more significant deflation rate of -26.6% as at February 2015.

The result is just starting to be witnessed in the Consumer Price Index (CPI) data for March, which saw the CPI inflation rate rise mildly from 3.9% to 4.05% after a prior period of rapid decline.

It would thus appear that the "window" of opportunity, presented by the sharp fall in oil

prices from back last year, has perhaps started to pass on.

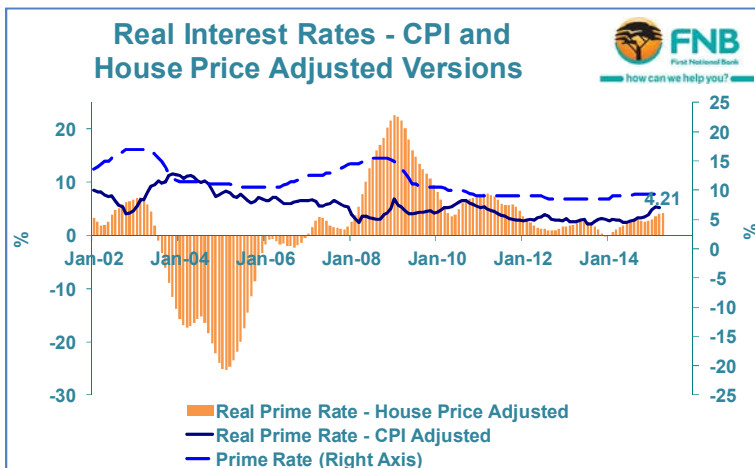
- *Interest rate hiking expected to resume late in 2015*



We believe that this is the start of the “normalization” of the CPI inflation rate back to nearer to the SARB’s 6% upper target limit, as the disinflationary impact of last year’s oil price drop diminishes, and that it will ultimately result in the SARB resuming its interest rate hiking late in 2015.

Indeed, the JIBAR 12 month interest rate remains elevated above the Repo Rate by 1.6 percentage points as at the end of April, one sign of market expectation of possible interest rate hiking to come.

- *Current interest rate levels remain firmly against residential market speculative activity*



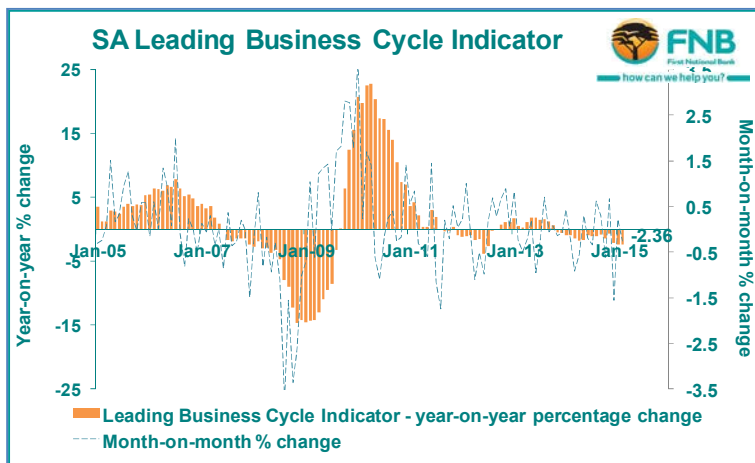
Although interest rates remain low by historic standards, they appear sufficient to constrain residential speculative activity, given that house price growth remains well below Prime Rate.

We calculate an “alternative” Real Prime Rate, adjusting prime to real terms using house price inflation instead of consumer prices. We have seen this alternative Real Prime Rate rising gradually in recent months, to measure +4.21% in April. Such a positive real rate makes it tough for speculators to borrow money in order to purchase property for short term capital gain.

Further interest rate hiking expected late this year, coupled with our expectation of still lower

house price inflation, should continue to keep the lid on speculative and “exuberant” behaviour in the residential market

- *The ongoing year-on-year decline in the SARB Leading Business Cycle Indicator continues to point to near term mediocrity in the economy*



While some data releases, such as February Mining and Retail, did show some improvement, the SARB Leading Business Cycle Indicator continues to point to a stagnant economic situation in the near term.

The February SARB Leading Indicator showed another year-on-year decline to the tune of -2.36%, its 16th consecutive monthly year-on-year decline.

On a month-on-month basis, too, the Indicator reverted to negative growth territory.

The list of negative contributors to the Composite Leading Indicators was a lengthy one in February. Relating directly to residential property, the 1st negative contributing factor was a disappointing level of Residential Building Plans Passed for “Flats, Townhouses and dwelling houses larger than 80 square metres.

However, global economic factors played a role too, with weak SA export commodity prices being cited as one negative along with the Composite Leading Indicator for SA’s Major Trading Partner Countries also contributing negatively. Yes, outside of the USA, not all of the global economy is on a solid footing, and weak export commodity prices have partly offset the positive impact of low oil prices.

Related in part to low commodity prices, some key Manufacturing Sector numbers used to make up the Leading Indicator also contributed negatively. It is not out of the question that Electricity Supply constraints contributed negatively here as well.

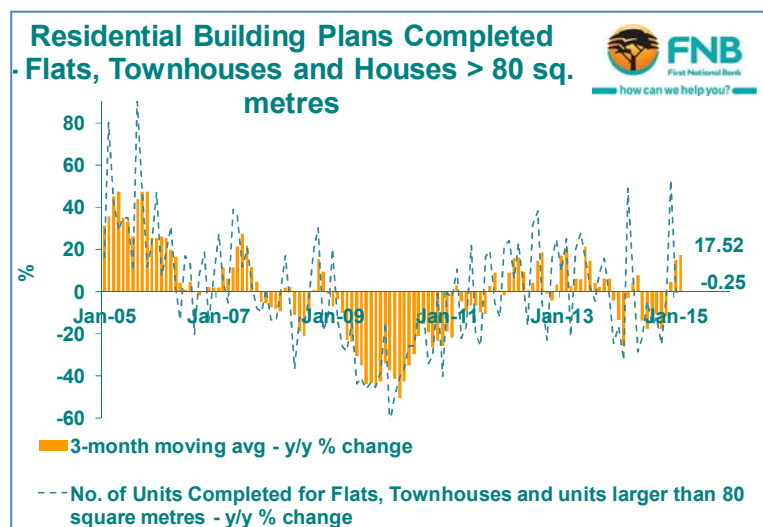
Therefore, the Leading Indicator as a near term forward-looking indicator does nothing to change our ongoing expectation of economic stagnation. This, in turn, continues to support our expectation that the various forms of growth in the residential market, be it price or volume growth, will be constrained in the near term.

6. ECONOMIC DATA RELATED TO THE RESIDENTIAL MARKET

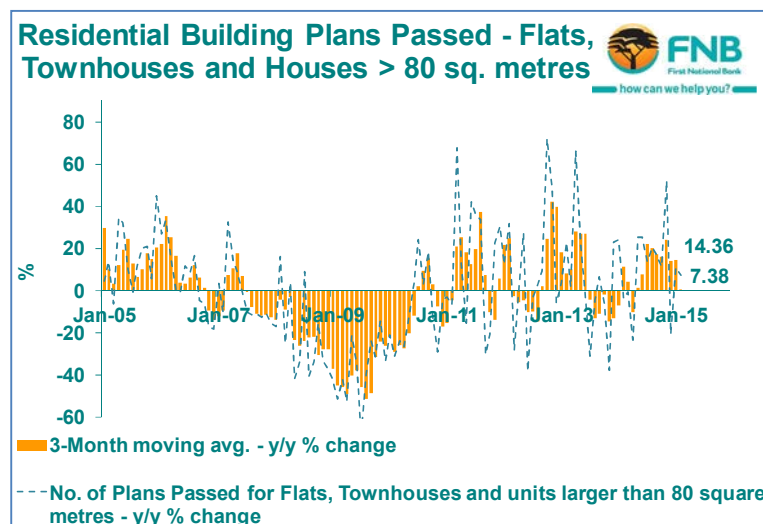
- **Residential Building Data doesn’t raise any concern of “major oversupplies”**

While key economic data and events in April, and especially the SARB Leading Indicator, have not pointed to any major economic excitement, other economic data suggests that the Residential Market is probably not on the verge of any major oversupply.

The FNB Valuers Supply Strength Index did rise very slightly month-on-month in April, after prior declines, suggesting that the Valuers may have started to perceive improving supply. This is not too surprising given perceptions of a lack of further growth in residential demand, while residential building activity had been increasing moderately.



However, building activity has been far from extreme, but during last year we began to see the number of Residential Building Plans Passed grow positively once more, translating into a return to positive growth in Residential Completions late last year. While the number of Flats, Townhouses and Houses larger than 80 square metres (we exclude those smaller than 80 square metres as many of those relate more to the “RDP” segment which is outside of the “mainstream” market) completed declined by a slight -0.25% year-on-year in February, we prefer to use a smoothed 3-month moving average, which shows a reasonable year growth rate of 17.52% for the 3 months to February year-on-year.

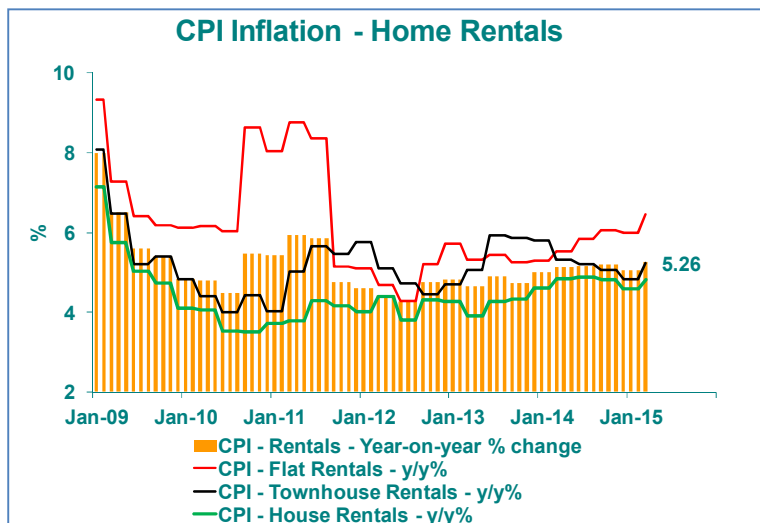


Residential units’ plans passed continue to suggest further positive growth in the near term, growing year-on-year by 14.36% for the 3 months to February.

While the growth appears reasonable, it comes off a very low base, with the number of units being completed for the 3 months to February only 36.5% of the high level reached for the 3 months to October 2008.

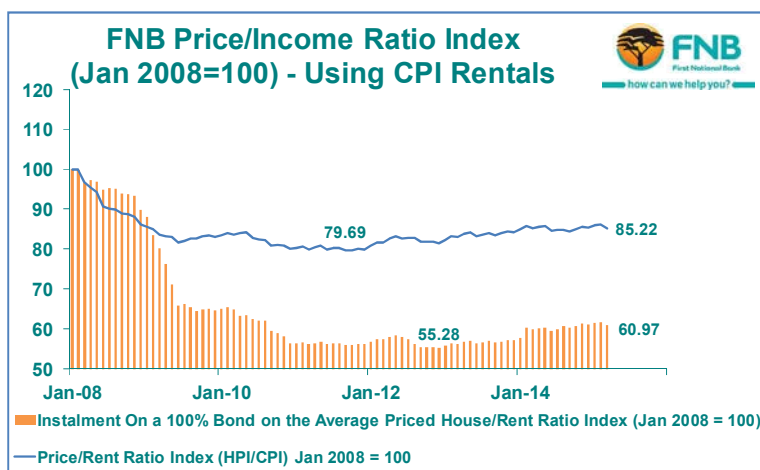
Hence our belief that “chronic” oversupplies are not a distinct possibility in a market slowdown.

- **Rental inflation may just be starting to exceed house price inflation, implying a possible end to the trend of improvement in the attractiveness of renting relative to buying**



One of the less noticed data releases in April was the CPI for Rentals, which estimated actual residential rental inflation to have accelerated to 5.26% year-on-year in March, from a previous 5.05%. This starts to put rental inflation very slightly above slowing house price inflation. Flat rental inflation is noticeably higher than the other 2 property categories at 6.5%, followed by the Townhouse category at 5.23% and the House category on 4.8%.

The higher inflation rate in the smaller “flats” category suggests an ongoing search for affordability in a financially constrained environment, a similar phenomenon observed in recent times in the home buying market it would appear.

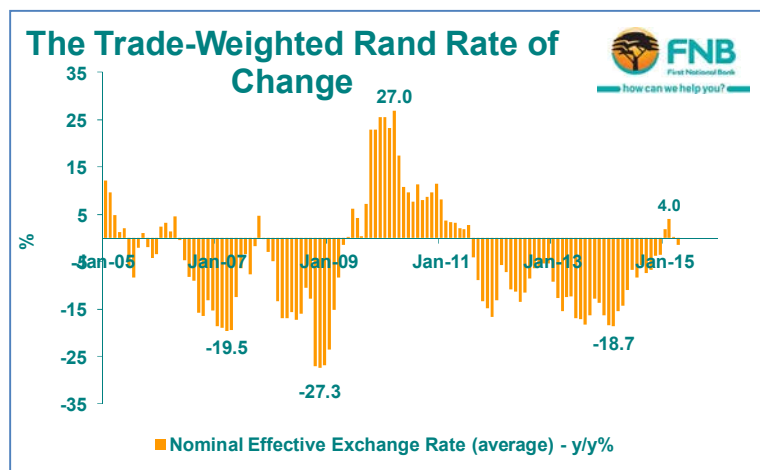


Higher rental inflation, relative to house price inflation, should it be sustained in the near term, would mean a reversal of the slow upward trend in the House Price:Rent Ratio (in index form) which has been in place since around early-2012. The increase in this ratio meant that home buying was gradually becoming less attractive relative to the rental option, and ultimately such a deterioration should lead to some increase in demand for rental properties. That point may be approaching.

The bond instalment value on the average priced home/Average Rent Ratio had also been rising since early-2012, but this also turned slightly down in March. This ratio is expected to resume its rise late in 2015 when interest rates are expected to resume rising, and the further expected rise in this ratio is expected to shift the attractiveness more in favour of renting for a portion of the market.

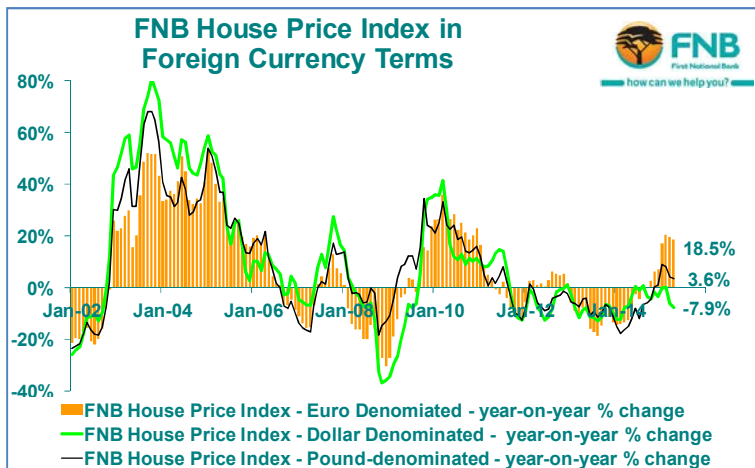
7. THE EXCHANGE RATE AND LOCAL PRICE TRENDS FOR FOREIGN BUYERS

- **For foreign buyers dealing in US Dollars, SA residential property continues to become ever-cheaper, but will the foreign demand be there?**



The Rand continues to go through a relatively “well-behaved” period, with the year-on-year depreciation in the trade weighted effective exchange rate index for April measuring a very small -1.5%.

The relative stability of the Rand in recent times, compared with earlier depreciations, has been contributing to South African property becoming a little more expensive in certain “hard currency” terms.



The FNB House Price Index in Euro-denominated terms showed an April year-on-year inflation rate of 18.5%, a reflection of a Euro under some pressure.

The Pound-denominated FNB House Price Index, too, increased in April year-on-year, albeit by a more modest 3.6%.

For those foreign property buyers who deal in Dollars, however, the FNB Dollar House Price Index continued to decline by -7.9% year-on-year in April, a reflection of the strength of the Dollar, as the US economy continues its recovery and speculation continues as to the timing of the start of US interest rate hiking.

The Dollar-denominated FNB House Price Index is now -28.1% down on a high reached in mid-2011, prior to a major slide in the Rand, and 22.2% down in Pound terms over the same period. SA property has thus become a lot cheaper for many potential foreign buyers over the past 4 years or so. And indeed, foreign buying has recovered somewhat over the period too, assisted, too, by a recovery in the popularity of residential property as an asset class globally.

But will foreign buying strengthen noticeably in South Africa in the near term? We're not so sure. A key negative event in April was renewed xenophobic violence. This is another reflection of the rise in social tensions in recent years, tensions which have initially manifested themselves in heightened service delivery protest and industrial action since around 2007/8. This could dampen potential investor sentiment.

On top of this there is some ongoing uncertainty around possible future restrictions on foreign land/property ownership in South Africa.

We'll be watching the FNB Estate Agent Survey question regarding foreign buying in the coming quarters for any signs of a confidence deterioration. We'll also be watching the estate agent estimates of emigration-related selling, which runs the risk of an increase on the back of recent weakness in local sentiment.

8. CONCLUSION

The broad slowing year-on-year house price growth trend, which began back early in 2014, looks set to continue in the near term, with average house price inflation appearing to be on the verge of dipping below the 5% mark into lower single-digit territory.

The economy has had a short potential "boost" early in the year from last year's sharp drop in Global oil prices. This indeed took CPI inflation down to 3.9% as at February, offering the consumer some Real Disposable Income support. This in turn may have led to some February strengthening in real retail sales growth.

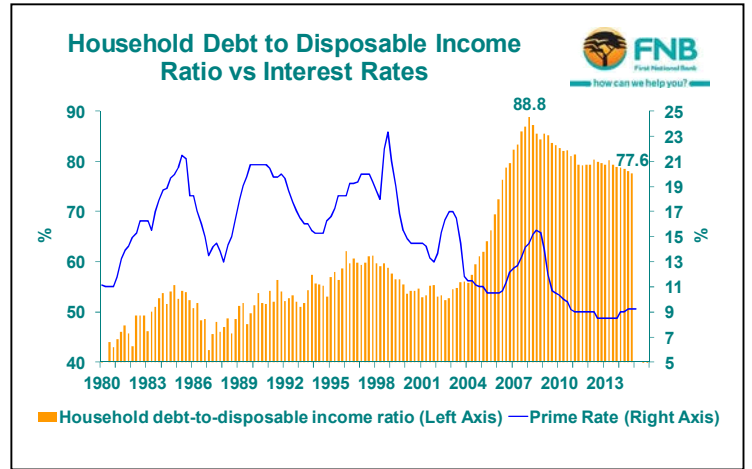
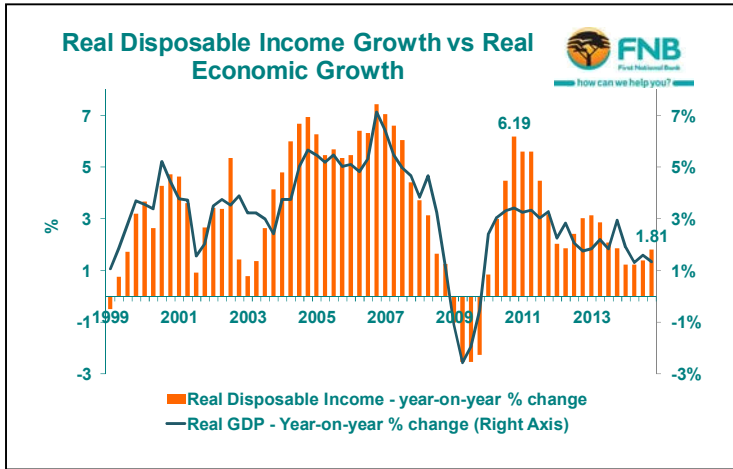
However, working in part against this "oil-positive" was a drop in metals commodity prices, which impacts negatively on SA export growth and thus on the economy, while the Electricity Sector's supply constraints have been disruptive once more in the 1st quarter of 2015. So, while February mining showed a return to positive growth, the Manufacturing PMI for March and April reverted to levels below 50, signaling contraction in the key Manufacturing Sector, which bodes ill for the overall economy.

In addition, the SARB Leading Indicator remains in negative year-on-year territory, offering little hope of any meaningful near term economic improvement, while CPI inflation starts to turn higher once more, which is expected to put the interest rate hiking debate back on the table later in the year.

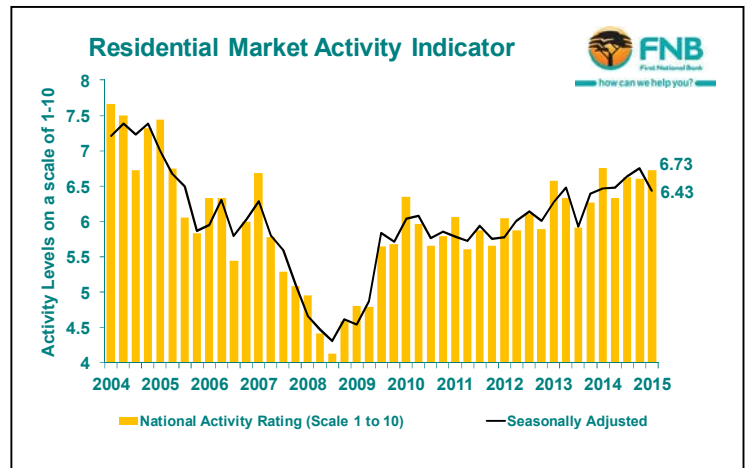
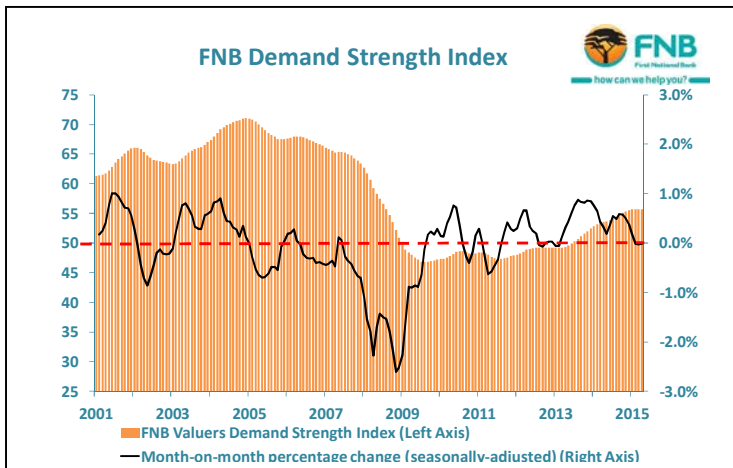
All of this means that the Residential Market appears to lack growth drivers from here onward. It is, however, difficult to see any major price slump in the foreseeable future, with residential building activity growing but still at modest levels, limiting the pace of supply growth.

9. THE PROPERTY ECONOMY IN PICTURES

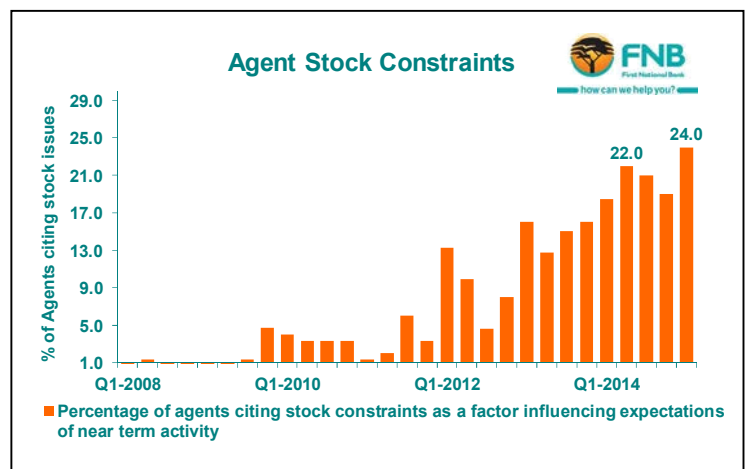
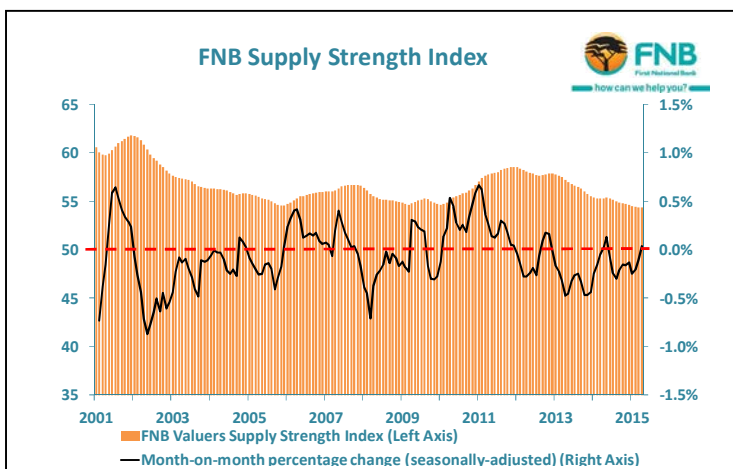
Household Sector Debt and Disposable Income Growth



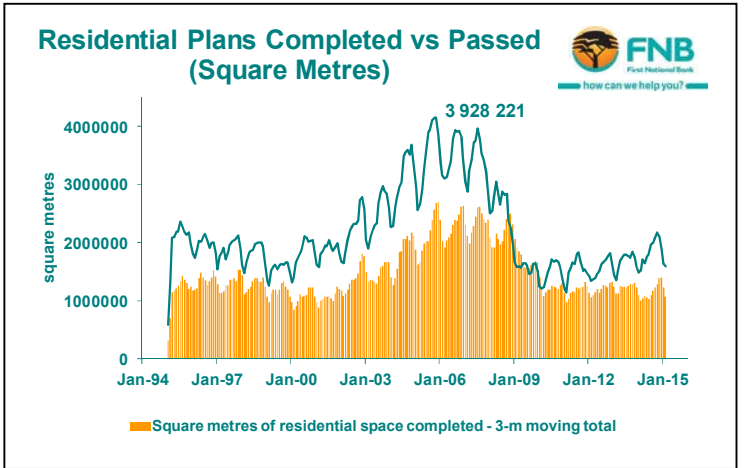
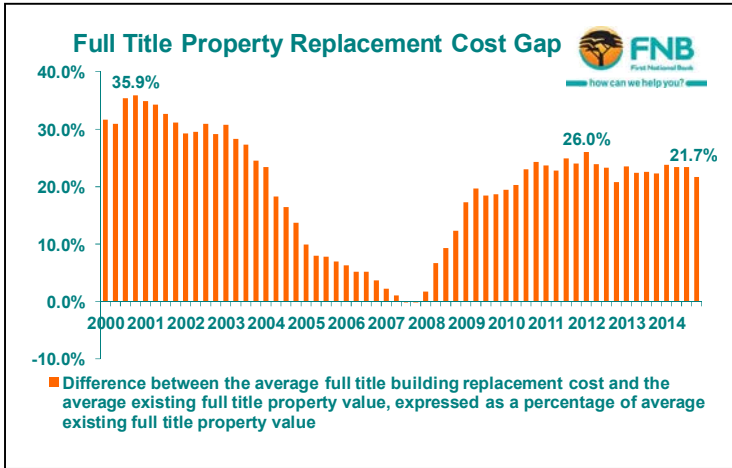
Housing Demand and Activity Levels



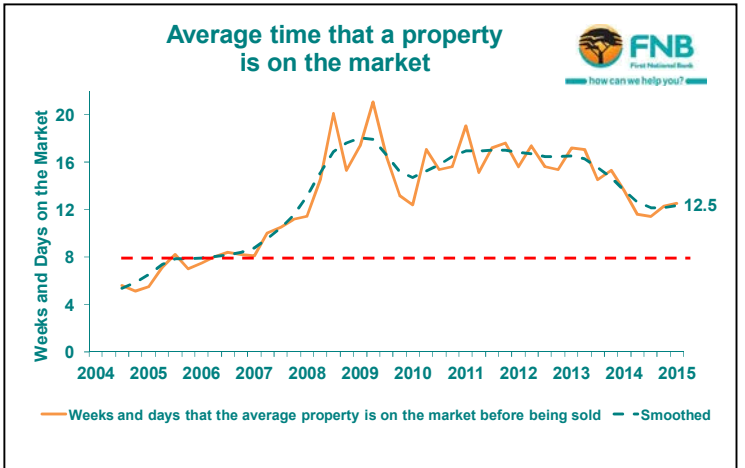
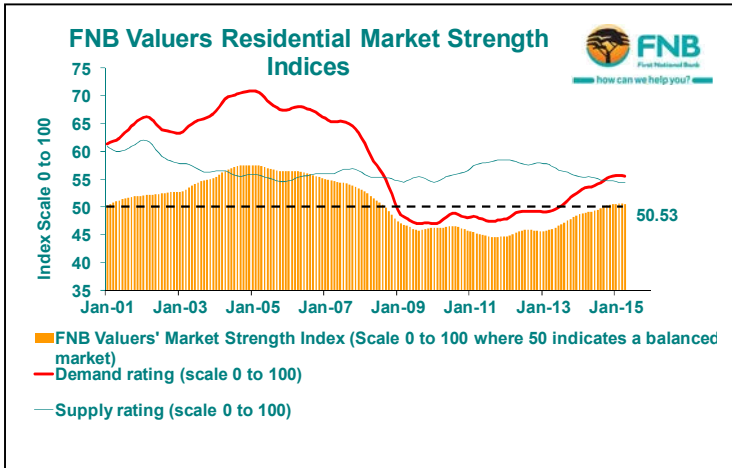
Housing Supply



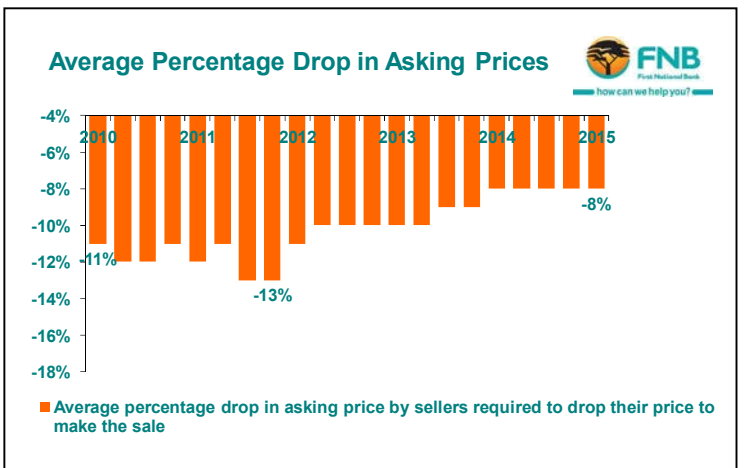
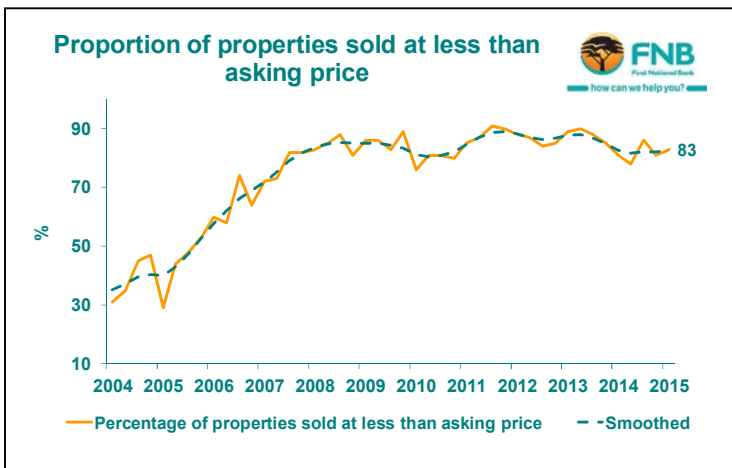
• *New Home Supply*



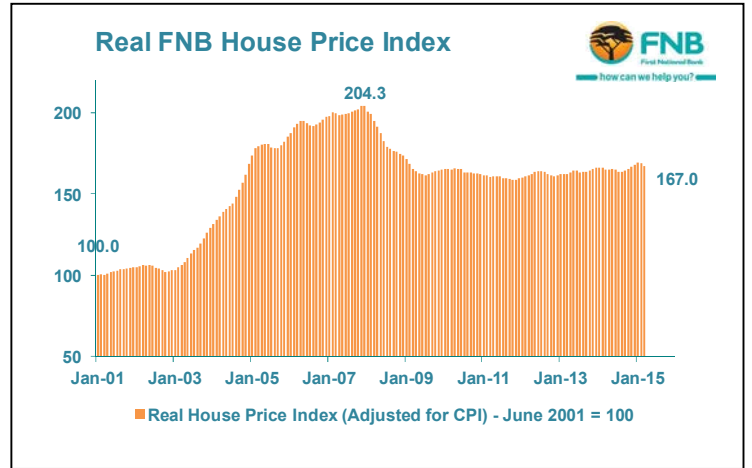
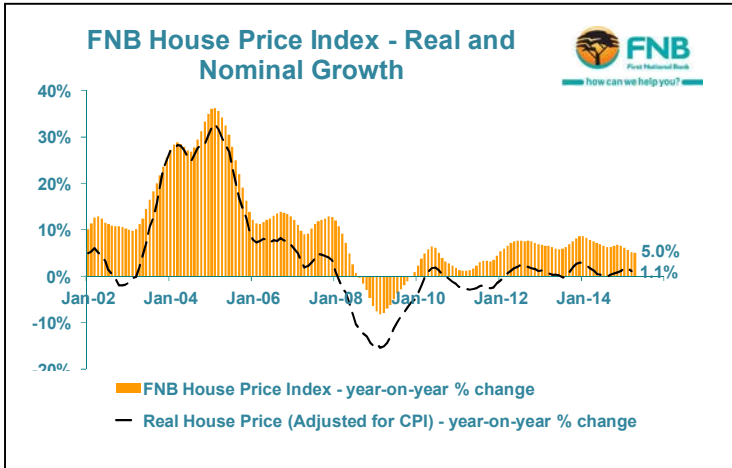
• *Housing Market Demand-Supply Balance*



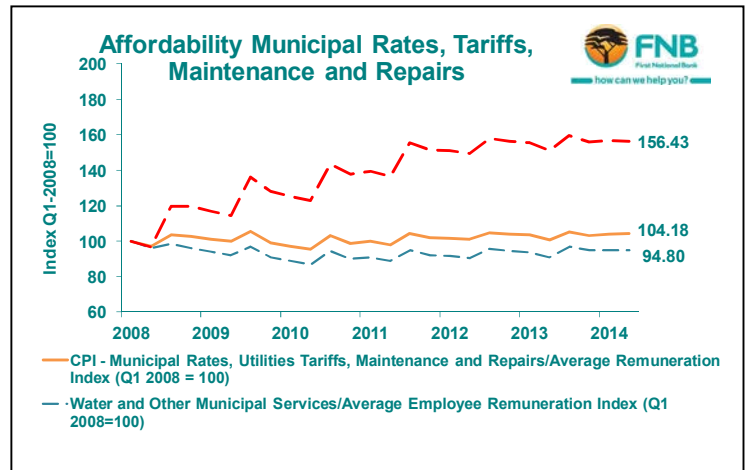
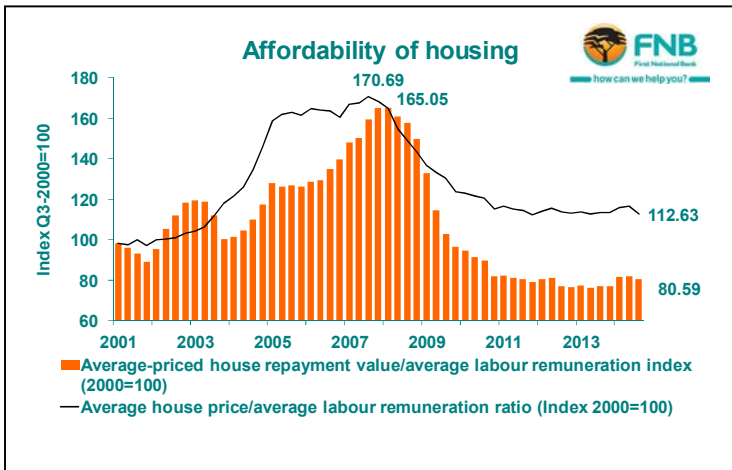
• *Housing Market Price Realism*



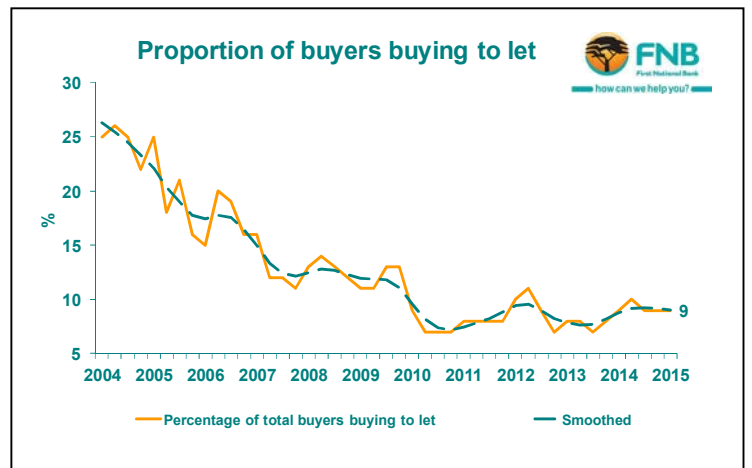
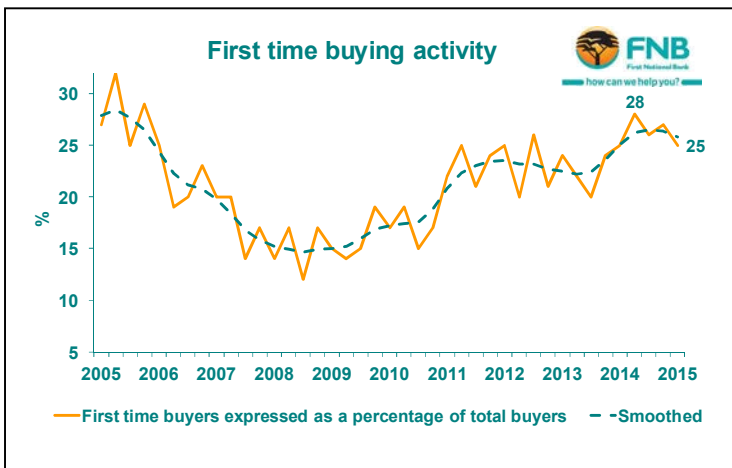
• *Housing Price Performance*



• *Housing Affordability*



• *1st Time and Buy-to-Let Buying*



10. HOUSE PRICE INDEX TABLE

Monthly FNB House Price Index (January 2001 = 100)



how can we help you?

Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change	Date	Index	y/y % change	
Jan-01	100.0		Jan-05	209.7	36.1%	Jan-09	272.8	-7.6%	Jan-13	317.88	6.7%	
Feb-01	100.7		Feb-05	215.4	36.3%	Feb-09	270.7	-8.2%	Feb-13	321.34	6.6%	
Mar-01	101.4		Mar-05	219.6	35.6%	Mar-09	269.5	-7.9%	Mar-13	325.00	6.5%	
Apr-01	102.4		Apr-05	221.7	34.3%	Apr-09	268.6	-7.1%	Apr-13	327.78	6.3%	
May-01	103.6		May-05	222.0	32.5%	May-09	267.5	-6.2%	May-13	329.41	5.9%	
Jun-01	104.7		Jun-05	221.7	30.4%	Jun-09	267.8	-5.1%	Jun-13	330.66	5.8%	
Jul-01	105.3		Jul-05	221.1	27.9%	Jul-09	269.2	-3.8%	Jul-13	331.90	6.0%	
Aug-01	105.6	10.0%	Aug-05	221.3	25.0%	Aug-09	271.4	-2.9%	Aug-13	333.38	6.3%	
Sep-01	106.0	9.2%	Sep-05	222.3	21.9%	Sep-09	273.8	-2.0%	Sep-13	335.14	6.8%	
Oct-01	106.5	8.9%	Oct-05	224.5	19.1%	Oct-09	275.5	-1.1%	Oct-13	337.07	7.4%	
Nov-01	107.3	9.0%	Nov-05	227.3	16.2%	Nov-09	276.6	-0.2%	Nov-13	339.18	8.1%	
Dec-01	108.6	9.5%	Dec-05	231.0	13.9%	Dec-09	277.6	0.9%	Dec-13	342.07	8.6%	
Jan-02	110.2	10.2%	Jan-06	235.3	12.2%	Jan-10	278.9	2.3%	Jan-14	344.99	8.5%	
Feb-02	112.2	11.4%	Feb-06	240.0	11.4%	Feb-10	281.0	3.8%	Feb-14	348.07	8.3%	
Mar-02	114.1	12.6%	Mar-06	244.2	11.2%	Mar-10	282.8	4.9%	Mar-14	350.62	7.9%	
Apr-02	115.6	12.9%	Apr-06	247.4	11.6%	Apr-10	284.0	5.8%	Apr-14	352.25	7.5%	
May-02	116.5	12.4%	May-06	248.9	12.1%	May-10	284.5	6.4%	May-14	353.12	7.2%	
Jun-02	116.8	11.6%	Jun-06	249.3	12.5%	Jun-10	284.0	6.1%	Jun-14	353.42	6.9%	
Jul-02	117.0	11.2%	Jul-06	249.9	13.0%	Jul-10	282.7	5.0%	Jul-14	353.61	6.5%	
Aug-02	117.2	10.9%	Aug-06	251.1	13.5%	Aug-10	282.1	3.9%	Aug-14	354.35	6.3%	
Sep-02	117.4	10.7%	Sep-06	252.9	13.8%	Sep-10	282.4	3.2%	Sep-14	356.33	6.3%	
Oct-02	117.9	10.7%	Oct-06	255.1	13.6%	Oct-10	282.9	2.7%	Oct-14	359.08	6.5%	
Nov-02	118.7	10.6%	Nov-06	257.7	13.4%	Nov-10	282.8	2.2%	Nov-14	361.94	6.7%	
Dec-02	119.8	10.3%	Dec-06	260.8	12.9%	Dec-10	282.6	1.8%	Dec-14	364.34	6.5%	
Jan-03	121.1	9.9%	Jan-07	263.9	12.1%	Jan-11	282.8	1.4%	Jan-15	366.28	6.2%	
Feb-03	123.2	9.8%	Feb-07	266.3	11.0%	Feb-11	284.2	1.2%	Feb-15	367.67	5.6%	
Mar-03	125.7	10.2%	Mar-07	268.1	9.8%	Mar-11	286.1	1.2%	Mar-15	368.86	5.2%	
Apr-03	128.5	11.1%	Apr-07	269.7	9.0%	Apr-11	287.8	1.3%	Apr-15	370.00	5.0%	
May-03	131.1	12.5%	May-07	271.9	9.2%	May-11	289.3	1.7%				
Jun-03	133.6	14.4%	Jun-07	274.8	10.2%	Jun-11	290.3	2.2%				
Jul-03	136.3	16.5%	Jul-07	277.7	11.1%	Jul-11	291.0	3.0%				
Aug-03	138.6	18.3%	Aug-07	280.6	11.8%	Aug-11	291.5	3.3%				
Sep-03	140.9	20.0%	Sep-07	283.6	12.1%	Sep-11	291.7	3.3%				
Oct-03	143.6	21.8%	Oct-07	287.0	12.5%	Oct-11	291.9	3.2%				
Nov-03	146.8	23.6%	Nov-07	290.8	12.9%	Nov-11	292.9	3.6%				
Dec-03	150.4	25.5%	Dec-07	293.9	12.7%	Dec-11	294.9	4.4%				
Jan-04	154.1	27.2%	Jan-08	295.3	11.9%	Jan-12	297.8	5.3%				
Feb-04	158.1	28.3%	Feb-08	294.9	10.7%	Feb-12	301.3	6.0%				
Mar-04	161.9	28.8%	Mar-08	292.6	9.1%	Mar-12	305.1	6.6%				
Apr-04	165.1	28.5%	Apr-08	289.0	7.1%	Apr-12	308.5	7.2%				
May-04	167.6	27.9%	May-08	285.2	4.9%	May-12	311.0	7.5%				
Jun-04	169.9	27.2%	Jun-08	282.0	2.6%	Jun-12	312.6	7.7%				
Jul-04	172.8	26.8%	Jul-08	279.9	0.8%	Jul-12	313.2	7.6%				
Aug-04	177.0	27.7%	Aug-08	279.4	-0.4%	Aug-12	313.5	7.6%				
Sep-04	182.3	29.4%	Sep-08	279.3	-1.5%	Sep-12	313.8	7.6%				
Oct-04	188.5	31.3%	Oct-08	278.6	-2.9%	Oct-12	313.7	7.5%				
Nov-04	195.6	33.3%	Nov-08	277.1	-4.7%	Nov-12	313.9	7.2%				
Dec-04	202.9	34.9%	Dec-08	275.1	-6.4%	Dec-12	315.1	6.9%				

11. ADDENDUM - NOTES:

Note on The FNB Average House Price Index: Although also working on the average price principle (as opposed to median or repeat sales), the FNB House Price Index differs from a simple average house price index in that it could probably be termed a “fixed weight” average house price index.

One of the practical problems we have found with house price indices is that relative short term activity shifts up and down the price ladder can lead to an average or median price index rising or declining where there was not necessarily “genuine” capital growth on homes. For example, if “suburban segment volumes remain unchanged from one month to the next, but former Black Township (the cheapest areas on average) transaction volumes hypothetically double, the overall national average price could conceivably decline due to this relative activity shift.

This challenge of activity shifts between segments is faced by all constructors of house price indices. In an attempt to reduce this effect, we decided to fix the weightings of the FNB House Price Index’s sub-segments in the overall national index. This, at best, can only be a partial solution, as activity shifts can still take place between smaller segments within the sub-segments. However, it does improve the situation.

With our 2013 re-weighting exercise, we have begun to segment not only according to room number, but also to segment according to building size within the normal segments by room number, in order to further reduce the impact of activity shifts on average price estimates.

The FNB House Price Index’s main segments are now as follows:

- *The weightings of the sub-segments are determined by their relative transaction volumes over the past 5 years, and will now change very slowly over time by applying a 5-year moving average to each new price data point. The sub-segments are:*

- *Sectional Title:*

- *Less than 2 bedroom – Large*
- *Less than 2 bedroom – Medium*
- *Less than 2 bedroom – Small*

- *2 Bedroom – Large*
- *2 bedroom – Medium*
- *2 bedroom – Small*

- *3 Bedroom and More - Large*
- *3 Bedroom and More - Medium*
- *3 Bedroom and More - Small*

- *Full Title:*

- *2 Bedrooms and Less - Large*
- *2 Bedrooms and Less - Medium*
- *2 Bedrooms and Less - Small*

- *3 Bedroom - Large*
- *3 Bedroom - Medium*
- *3 Bedroom - Small*

- *4 Bedrooms and More - Large*
- *4 Bedrooms and More - Medium*
- *4 Bedrooms and More – Small*

The size cut-offs for “small”, “medium” and “large” differ per room number sub-segment. “Large” would refer to the largest one-third of homes within a particular room number segment over the past 5 year period, “Medium” to the middle one-third, and “Small” to the smallest one-third of homes within that segment.

- *The Index is constructed using transaction price data from homes financed by FNB.*
- *The minimum size cut-off for full title stands is 200 square metres, and the maximum size is 4000 square metres*
- *The maximum price cut-off is R10m, and the lower price cut-off is R20,000 (largely to eliminate major outliers and glaring inputting errors).*
- *The index is very lightly smoothed using a Hodrick-Prescott smoothing function with a Lambda of 5.*

Note on the FNB Valuers' Market Strength Index: **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.*

Property and Mortgage Market Summary

END OF PERIOD	2012	2013	2014	Q2-2014	Q3-2014	Q4-2014	Q1-2015	Jan-15	Feb-15	Mar-15	Apr-15
Residential Property Prices											
FNB National Average House Price (Rand)	835 476	891 931	955 114	951 304	956 253	975 174	990 854	987 282	991 027	994 254	997 311
<i>y/y % change</i>	7.1	6.8	7.1	7.2	6.4	6.6	5.7	6.2	5.6	5.2	5.0
<i>m/m seasonally-adjusted % change</i>								0.25	-0.05	-0.09	0.05
FNB Valuers Demand Strength Index	48.93	50.38	54.16	53.68	54.43	55.39	55.65	55.65	55.66	55.64	55.57
<i>y/y % change</i>	2.4	3.0	7.5	8.2	7.4	6.4	4.7	5.4	4.7	4.2	3.8
<i>m/m % change</i>								0.11	0.03	-0.04	-0.14
FNB Valuers Supply Strength Index	57.95	56.71	55.09	55.34	54.9	54.72	54.5	54.575	54.482	54.445	54.497
<i>y/y % change</i>	0.0	-2.1	-2.9	-2.9	-2.6	-1.9	-1.6	-1.6	-1.6	-1.7	-1.6
<i>m/m % change</i>								-0.20	-0.17	-0.07	0.10
FNB Valuers Market Strength Index	45.49	46.83	49.53	49.17	49.77	50.34	50.58	50.54	50.59	50.6	50.53
<i>y/y % change</i>	1.3	3.0	5.8	6.2	5.5	4.6	3.5	3.8	3.5	3.2	3.0
<i>m/m % change</i>								0.17	0.11	0.01	-0.13
Major Metro Areas Average House Price (Rand)	979 285	1 038 830	1 109 216	1 098 867	1 118 476	1 138 777					
<i>y/y % change</i>	3.4	6.1	6.8	6.6	6.8	7.0					
- Upper Income Area Average House Price (Rand)	1 926 432	2 056 876	2 192 229	2 173 647	2 212 999	2 245 519					
<i>y/y % change</i>	2.3	6.8	6.6	6.4	6.8	6.7					
- Middle Income Area Average House Price (Rand)	1 151 422	1 220 847	1 314 855	1 301 442	1 327 610	1 353 947					
<i>y/y % change</i>	4.4	6.0	7.7	7.5	8.1	8.1					
- Lower Income Area Average House Price (Rand)	742 496	784 526	834 064	826 467	839 706	855 566					
<i>y/y % change</i>	3.6	5.7	6.3	6.2	6.1	6.5					
- Affordable Area Average House Price (Rand)	389 902	413 451	448 659	441 921	453 287	466 673					
<i>y/y % change</i>	4.0	6.0	8.5	7.8	8.8	10.1					
- Major 3 Provinces' Former Black Township Average House Price (Rand)	261 398	278 265	304 562	301 203	307 964	314 442					
<i>y/y % change</i>	3.1	6.5	9.5	9.5	9.6	9.2					
- Holiday Towns Average House Price (Rand)	801 672	800 621	852 409	851 974	862 495	862 386					
<i>y/y % change</i>	1.0	-0.1	6.5	7.0	8.0	6.1					
FNB Estate Agent Survey											
Level of Residential Demand Activity (Scale 1 to 10)	5.98	6.27	6.58	6.33	6.63	6.61	6.73				
<i>y/y % change</i>	3.1	4.8	4.9	0.0	12.2	5.4	-0.4				
First time buyers as a percentage of total buyers (%)	23.0	22.5	26.5	28.0	26.0	27.0	25.0				
Buy-to-let as a percentage of total buyers (%)	9.3	7.8	9.3	10.0	9.0	9.0	9.0				
Average time of properties on the market (Weeks and Days)	16.0	16.0	12.2	11.6	11.4	12.3	12.5				
Percentage of properties sold at less than asking price (%)	86.0	88.0	81.5	78.0	86.0	81.0	83.0				
Percentage of properties on the market for 3 months or more (%)	77.5	74.5	56.0	57.0	55.0	46.0	48.0				
Residential Building Sector											
Number of units' plans passed	49 820	50 447		14 107	15 184	13 490	8 444	4 202	4 242		
<i>y/y % change</i>	-5.7	1.3		2.4	20.4	10.3	-39.7	-10.7	-1.1		
Square metres' worth of plans passed	6 246 397	6 647 115		1 808 597	2 067 637	1 876 667	1 133 187	546 054	587 133		
<i>y/y % change</i>	-0.0	6.4		0.6	19.2	17.8	-34.0	-4.1	5.2		
Average size of units' plans passed (square metres)	125.4	131.8		128.2	136.2	139.1	134.2	130	138		
Number of units completed	42 978	41 485		8 057	9 569	11 227	4 883	2 220	2 663		
<i>y/y % change</i>	6.1	-3.5		-22.7	-4.9	6.5	-46.9	-1.6	-2.2		
Square metres' worth of buildings completed	4813164.0	4885830.0		1 029 160	1 232 732	1 402 125	645 919	301 186	344 733		
<i>y/y % change</i>	2.9	1.5		-17.2	-3.9	13.5	-38.1	-4.2	-2.0		
Average size of units' completed (square metres)	112.0	117.8		127.7	128.8	124.9	132.3	135.67	129.45		

Property and Mortgage Market Summary



END OF PERIOD	2012	2013	2014	Q2-2014	Q3-2014	Q4-2014	Q1-2015	Jan-15	Feb-15	Mar-15	Apr-15
Mortgage Market											
New residential loans and re-advances granted (R'm)	169 677	196 144	213 318	52 281	56 314	53 447					
<i>y/y % change</i>	3.5	15.6	8.8	5.9	8.7	1.3					
Residential re-advances granted (R'm)	8 291	10 452	11 911	2 835	3 164	2 979					
<i>y/y % change</i>	40.0	26.06	14.	14.0	0.5	4.8					
Total residential mortgage loans outstanding - Banks (R'm)	826 765 341	837 817 308	854 418 677	846 836 676	852 691 634	854 418 677	861 336 103	856 313 170	861 336 103		
<i>y/y % change</i>	1.2	1.3	2.	1.7	2.	2.	2.2	2.0	1.8		
Key Economic Indicators											
Real Gross Domestic Product (R'm at 2000 prices)	2 899 247	2 963 389		2 994 060	3 009 503	3 040 250					
<i>y/y % change</i>	2.2	2.2		1.3	1.6	1.3					
Real Residential Fixed Investment (R'm)	50 219	46 676		42 476	42 282	42 344					
<i>y/y % change</i>	-2.0	-7.1		-1.7	-7.0	-7.4					
Prime Rate (%)	8.8	8.5	9.1	9.0	9.3	9.3	9.3	9.25	9.25	9.25	9.25
Yields on Government Bonds 10 years and Longer (%)	7.9	7.7	8.3	8.3	8.2	7.9	7.4	7.5	7.5	7.8	7.8
Currencies - USDZAR	8.22	9.66	10.85	10.548	10.769	11.212	11.754	11.58	11.59	12.07	12.03
Currencies - EURZAR	10.55	12.82	14.39	14.461	14.268	14.01	13.222	13.45	13.15	13.08	12.94
CPI - <i>y/y % change</i>	5.7	5.8	6.1	6.5	6.2	5.7		4.4	3.9	4.	
Gauteng pump price <i>y/y%</i>				12.3	5.0	-0.4	-22.0	-17.5	-26.6	-21.7	-10.9
FNBBER Consumer Confidence Index	-0.5	-5.3	-0.8	4.0	-1.0	0.0					
RMBBER Business Confidence Index	47	46	45	41.0	46.0	51.0	49.0				
SARB Composite Leading Business Cycle Indicator	100.3	101.2		99.7	99.8	99.5		98.93	98.67		
<i>y/y % change</i>	-0.9	0.9		-1.4	-1.0	-1.4		-2.37	-2.36		
<i>m/m % change</i>								0.21	-0.26		
Real Retail Sales (2008 Prices) - R'm	673 289	690 885		168 214	170 581	202 001		56 012	56 079		
<i>y/y % change</i>	4.5	2.6		1.4	2.2	2.4		1.9	4.2		
Manufacturing - Volume of Production (Index 2005=100)	105.08	106.53		104.1	108.3	113.1		92.1	101.6		
<i>y/y % change</i>	2.2	1.4		-1.1	-0.7	0.4		-2.4	-0.5		
Mining - Volume of Production (Index 2005=100)	95.98	99.53		97.	101.2	104.		89.1	91.9		
<i>y/y % change</i>	-3.2	3.7		-2.2	-2.2	-1.0		-2.3	7.5		
Vehicle Sales - Total (NAAMSA)	539 303	565 999		131 693	153 907	144 709		46 712	46 114	49 761	
<i>y/y % change</i>	8.7	5.0		-6.7	4.0	7.1		0.4	1.4	1.2	
Passenger Vehicle Sales - Total (NAAMSA)	364 767	379 673		85 322	103 494	95 098		32 273	29 579	30 778	
<i>y/y % change</i>	10.6	4.1		-8.7	2.8	5.0		-1.3	1.2	-2.9	