



PROPERTY BAROMETER

FNB House Price Index

Year-on-year house price growth continued to accelerate mildly to 4.6% in November.

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MARKET ANALYTICS AND
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In November 2017, the FNB House Price Index showed a further mild acceleration in year-on-year growth, from a revised 4.4% in October, to 4.6%.

Examining the year-to-date average, though, it appears most probably that, despite the recent monthly year-on-year acceleration, average house price growth for 2017 as a whole will be not far above 3%, down from an average 4.7% in 2016, and the 3rd consecutive year of average house price growth slowdown.

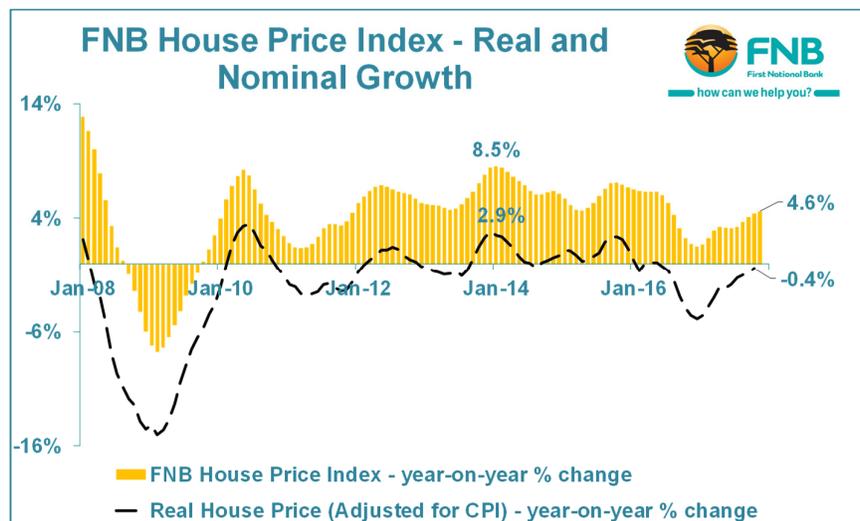
NOVEMBER FNB HOUSE PRICE INDEX FINDINGS

The FNB House Price Index for November 2017 rose by 4.6% year-on-year. This is a mild further acceleration from the revised 4.4% for October.

In real terms, when adjusting for CPI (Consumer Price Index) inflation, the house price correction gradually continued as at October, with the real rate of house price change remaining in mildly negative territory to the tune of a -0.4% year-on-year decline (November CPI data not yet available). This is a diminished real house price deflation rate, however, from -0.9% year-on-year in September and from a low of -4.8% reached in December 2016.

This diminished real price decline in October was due in part to the acceleration in the year-on-year house price inflation rate of that month from 4.1% in September to 4.4%. However, a decline in CPI inflation from 5.1% year-on-year in September to 4.8% in October also assisted in curbing real house price decline.

The average price of homes transacted in September was R1,103,092.

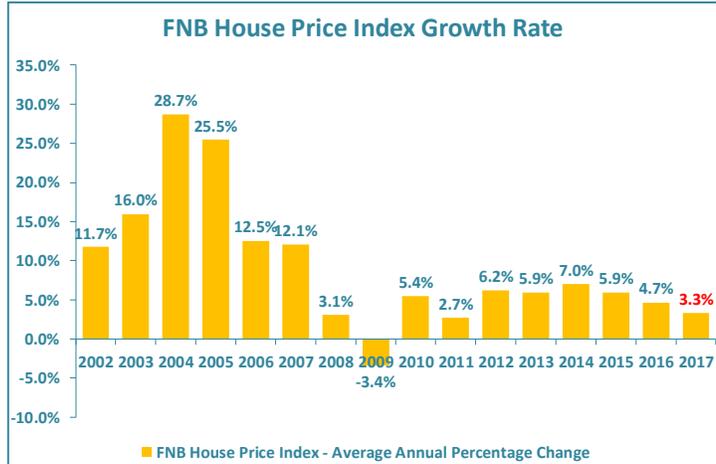


2017 REMAINS ON COURSE TO BEING A SLOWER PRICE GROWTH YEAR THAN THE PREVIOUS 3.

Although year-on-year house price growth has been accelerating mildly in recent months, viewing the “bigger” annual picture it remains most probable that 2017 as a whole will turn out to be a slower average house price growth year than 2016, and will represent the 3rd consecutive year of house price growth slowdown.

With 11 months’ worth of house price data already available, the annual average year to date house price growth for 2017 sits at 3.3%, down from 4.7% in 2016, and a multi-year high of 7% reached in 2014.

Our Firstrand expectation at the beginning of 2017 had been for 3% average house price growth this year.

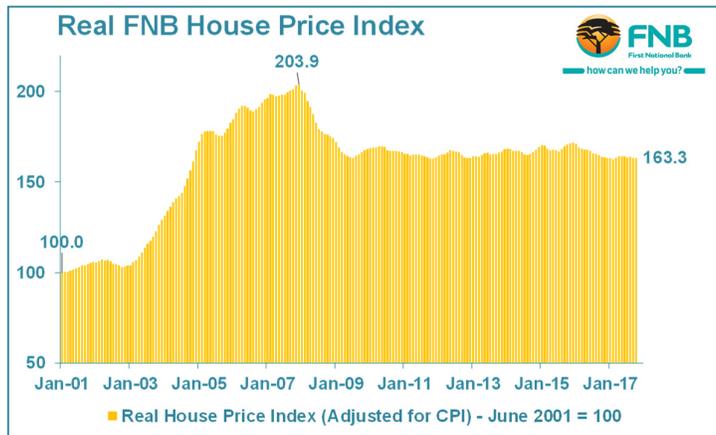


HOUSE PRICE “CORRECTION WATCH” – LONGER RUN REAL HOUSE PRICE ADJUSTMENTS

Examining the longer term real house price trends (house prices adjusted for CPI inflation), we see that the level as at October 2017 had lost -4.9% since a post-2008/9 recession high in December 2015.

Looking a bit further back to the all-time real house price peak at the end of 2007 (at the end of the pre-2008 housing boom period), on a cumulative basis real house prices were -19.9% down on that high as at October 2017.

However, looking back further, despite a mediocre performance in recent years, the average real price currently remains a massive 62.5% above the end-2000 level, almost 17 years ago, and a time back just before boom-time price inflation started to accelerate rapidly.



In nominal terms, when not adjusting for CPI inflation, the average house price in November 2017 was 318.26% above the end-2000 level. By comparison, consumer goods and services prices, as measured by the CPI, were only 156.69% higher over virtually the same period (up to October 2017 due to November CPI data not available).

Monthly FNB House Price Index (Jan 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		Jul-05	218.0	26.3%	Jan-10	284.6	4.0%	Jul-14	356.75	6.4%
Feb-01	100.7		Aug-05	218.1	23.5%	Feb-10	287.2	5.6%	Aug-14	357.23	6.1%
Mar-01	101.4		Sep-05	219.1	20.6%	Mar-10	289.6	6.8%	Sep-14	359.11	6.1%
Apr-01	102.4		Oct-05	221.3	17.9%	Apr-10	291.2	7.7%	Oct-14	361.82	6.2%
May-01	103.6		Nov-05	224.1	15.1%	May-10	292.0	8.2%	Nov-14	364.66	6.4%
Jun-01	104.7		Dec-05	227.8	13.0%	Jun-10	291.4	7.8%	Dec-14	367.00	6.1%
Jul-01	105.4		Jan-06	232.0	11.4%	Jul-10	290.0	6.5%	Jan-15	368.96	5.7%
Aug-01	106.0	9.2%	Feb-06	236.6	10.7%	Aug-10	289.3	5.3%	Feb-15	370.44	5.2%
Sep-01	106.5	8.9%	Mar-06	240.8	10.8%	Sep-10	289.6	4.3%	Mar-15	371.84	4.8%
Oct-01	107.1	8.9%	Apr-06	244.0	11.4%	Oct-10	290.0	3.7%	Apr-15	373.22	4.7%
Nov-01	107.9	9.3%	May-06	245.5	12.0%	Nov-10	289.9	3.1%	May-15	374.63	4.9%
Dec-01	109.3	10.1%	Jun-06	245.9	12.5%	Dec-10	289.7	2.4%	Jun-15	376.23	5.4%
Jan-02	110.9	10.9%	Jul-06	246.4	13.0%	Jan-11	289.9	1.9%	Jul-15	378.41	6.1%
Feb-02	112.9	12.1%	Aug-06	247.6	13.5%	Feb-11	291.5	1.5%	Aug-15	381.17	6.7%
Mar-02	114.8	13.2%	Sep-06	249.6	13.9%	Mar-11	293.6	1.4%	Sep-15	384.80	7.2%
Apr-02	116.2	13.6%	Oct-06	252.0	13.8%	Apr-11	295.5	1.5%	Oct-15	387.87	7.2%
May-02	117.1	13.1%	Nov-06	254.8	13.7%	May-11	297.2	1.8%	Nov-15	390.22	7.0%
Jun-02	117.5	12.2%	Dec-06	258.2	13.3%	Jun-11	298.3	2.4%	Dec-15	392.00	6.8%
Jul-02	117.7	11.7%	Jan-07	261.4	12.7%	Jul-11	299.1	3.1%	Jan-16	393.44	6.6%
Aug-02	117.9	11.3%	Feb-07	264.1	11.6%	Aug-11	299.5	3.5%	Feb-16	394.68	6.5%
Sep-02	118.2	11.0%	Mar-07	266.1	10.5%	Sep-11	299.7	3.5%	Mar-16	396.00	6.5%
Oct-02	118.8	10.9%	Apr-07	267.9	9.8%	Oct-11	299.8	3.4%	Apr-16	397.48	6.5%
Nov-02	119.5	10.7%	May-07	270.1	10.0%	Nov-11	300.7	3.7%	May-16	398.70	6.4%
Dec-02	120.5	10.3%	Jun-07	273.1	11.1%	Dec-11	302.6	4.5%	Jun-16	399.13	6.1%
Jan-03	121.9	9.9%	Jul-07	276.1	12.0%	Jan-12	305.5	5.4%	Jul-16	398.80	5.4%
Feb-03	123.9	9.7%	Aug-07	279.0	12.7%	Feb-12	308.8	5.9%	Aug-16	397.93	4.4%
Mar-03	126.3	10.0%	Sep-07	282.2	13.1%	Mar-12	312.4	6.4%	Sep-16	397.24	3.2%
Apr-03	129.0	11.0%	Oct-07	285.9	13.5%	Apr-12	315.6	6.8%	Oct-16	397.13	2.4%
May-03	131.6	12.3%	Nov-07	290.0	13.8%	May-12	317.6	6.9%	Nov-16	397.38	1.8%
Jun-03	134.1	14.2%	Dec-07	293.3	13.6%	Jun-12	318.6	6.8%	Dec-16	398.18	1.6%
Jul-03	136.8	16.2%	Jan-08	295.0	12.8%	Jul-12	318.6	6.5%	Jan-17	400.03	1.7%
Aug-03	139.1	17.9%	Feb-08	294.9	11.6%	Aug-12	318.5	6.3%	Feb-17	403.28	2.2%
Sep-03	141.3	19.6%	Mar-08	292.7	10.0%	Sep-12	318.3	6.2%	Mar-17	407.31	2.9%
Oct-03	144.0	21.3%	Apr-08	289.2	7.9%	Oct-12	318.0	6.1%	Apr-17	409.99	3.1%
Nov-03	147.1	23.1%	May-08	285.3	5.6%	Nov-12	318.0	5.7%	May-17	411.19	3.1%
Dec-03	150.7	25.0%	Jun-08	282.1	3.3%	Dec-12	318.9	5.4%	Jun-17	411.75	3.2%
Jan-04	154.4	26.7%	Jul-08	280.1	1.5%	Jan-13	321.5	5.3%	Jul-17	412.04	3.3%
Feb-04	158.3	27.8%	Aug-08	279.8	0.3%	Feb-13	324.8	5.2%	Aug-17	412.82	3.7%
Mar-04	162.0	28.3%	Sep-08	279.7	-0.9%	Mar-13	328.4	5.1%	Sep-17	413.67	4.1%
Apr-04	165.1	27.9%	Oct-08	279.1	-2.4%	Apr-13	331.1	4.9%	Oct-17	414.43	4.4%
May-04	167.5	27.3%	Nov-08	277.7	-4.3%	May-13	332.7	4.8%	Nov-17	415.29	4.5%
Jun-04	169.8	26.6%	Dec-08	275.8	-6.0%	Jun-13	334.0	4.8%			
Jul-04	172.5	26.2%	Jan-09	273.7	-7.2%	Jul-13	335.3	5.2%			
Aug-04	176.6	27.0%	Feb-09	271.9	-7.8%	Aug-13	336.8	5.8%			
Sep-04	181.7	28.6%	Mar-09	271.1	-7.4%	Sep-13	338.6	6.4%			
Oct-04	187.8	30.4%	Apr-09	270.5	-6.5%	Oct-13	340.5	7.1%			
Nov-04	194.7	32.3%	May-09	269.8	-5.4%	Nov-13	342.8	7.8%			
Dec-04	201.7	33.9%	Jun-09	270.4	-4.2%	Dec-13	345.8	8.4%			
Jan-05	208.2	34.9%	Jul-09	272.2	-2.9%	Jan-14	348.9	8.5%			
Feb-05	213.7	34.9%	Aug-09	274.8	-1.8%	Feb-14	352.3	8.4%			
Mar-05	217.4	34.2%	Sep-09	277.5	-0.8%	Mar-14	354.9	8.1%			
Apr-05	219.1	32.7%	Oct-09	279.7	0.2%	Apr-14	356.4	7.7%			
May-05	219.2	30.8%	Nov-09	281.3	1.3%	May-14	357.0	7.3%			
Jun-05	218.6	28.8%	Dec-09	282.8	2.5%	Jun-14	356.9	6.9%			

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 “Full Title 3 Bedroom volumes remain unchanged from one month to the next, but Sectional Title 1 Bedroom and Less (the cheapest segment 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.