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PROPERTY BAROMETER

FNB City of Cape Town House Price Indices

The most expensive market, i.e. the Atlantic Seaboard, has seen its price growth slow the fastest off the highest base, while in certain more affordable sub-regions of the City there has still been some growth acceleration.

Our 1st quarter 2018 City of Cape Town Sub-Regional House Price Indices showed the majority of sub-regions to be experiencing slowing year-on-year house price growth, with the most expensive regions' house price growth slowing more noticeably. But the search for relative home affordability in a now very expensive city (by SA standards) may be the driver of some house price growth accelerations in some of the most affordable regions of the Metro.

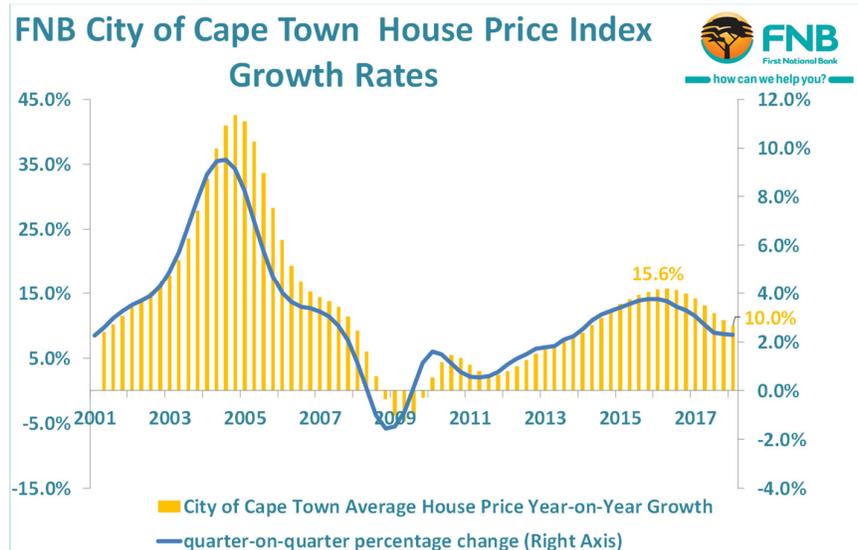
Overall, though, our deeds data-driven City of Cape Town House Price Index continued to show a gradually slowing price growth rate, albeit still strong.

THE OVERALL CITY PICTURE

Using Deeds Office Data, we compile a set of house price indices for key sub-regions within the City of Cape Town Metro using a repeat sales methodology.

We have then rolled up this set of sub-regions into an overall City of Cape Town Metro House Price Index. In the 1st quarter of 2018, the City of Cape Town's estimated average house price growth rate remained strong at 10% year-on-year.

However, this year-on-year price growth rate represents the 7th consecutive quarter of slowing from a 10-year revised high of 15.6% recorded in the 2nd quarter of 2016.



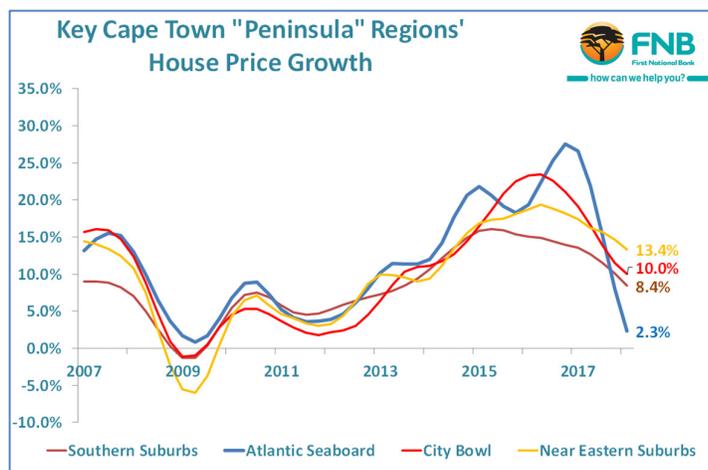
CAPE TOWN SUB-REGION HOUSE PRICE TRENDS

1ST QUARTER 2018 KEY CAPE TOWN SUB-REGIONAL HOUSE PRICE GROWTH RATES

The majority of the FNB City of Cape Town Sub-Regional House Price Indices still show relatively strong growth. However, 8 of our 12 defined sub-regions saw their year-on-year growth having slowed in the 1st quarter of 2018, the slowest growth rate now being recorded in the City's most expensive region, the Atlantic Seaboard.

However, in the more affordable regions the slowing trend is less apparent than the higher priced end, with certain of these sub-regions even showing recent price growth accelerations. This, we believe, continues to be the result of the relative in-affordability in higher end sub-regions after recent years of strong price growth, encouraging a search for relative affordability lower down the price ladder in the more affordable sub-regions.

IN AND AROUND THE CAPE PENINSULA THE CITY'S MOST EXPENSIVE MARKETS CONTINUED TO SHOW THE CLEAREST SIGNS OF SLOWING PRICE GROWTH IN THE 1ST QUARTER



In the 1st quarter of 2018, we saw further slowing in house price growth in the City Bowl and the other major 3 sub-regions closest to the City Bowl, i.e. in and around the Cape Peninsula.

These sub-regions near to the city and the mountain have shown some of the strongest house price inflation of all of the Cape Town sub-regions over the past 5 years, and this prior deterioration in home affordability appears to have led to slowing demand, and thus price growth, in recent quarters.

The most expensive sub-region in the City of Cape Town Metro, i.e. the Atlantic Seaboard, has seen its average house price growth slow the

most sharply off the highest base, from a revised multi-year high of 27.5% year-on-year in the final quarter of 2016 to 2.3% by the 1st quarter of 2018.

This does not surprise us, as this sub-region has experienced the most rapid cumulative growth of all the sub-regions over the past 5 years, to the tune of 111%.

The City Bowl started its price growth slowdown a little earlier than the Atlantic Seaboard, and has gone from its revised multi-year year-on-year growth high of 23.6% in the 2nd quarter of 2016 to 10.0% by the 1st quarter of 2018.

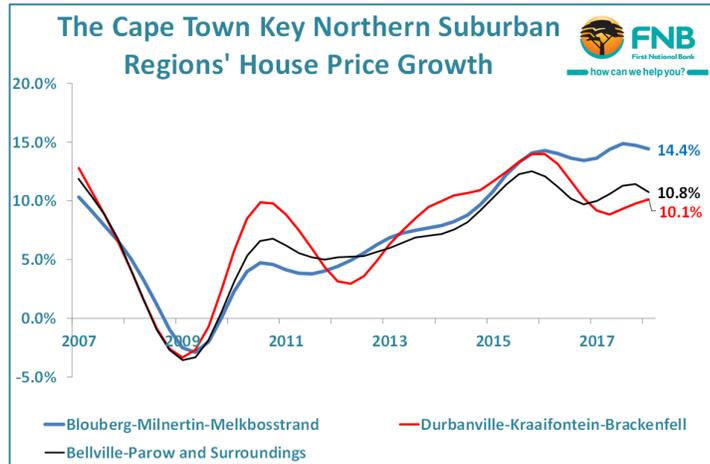
The Southern Suburbs, the other one of the "most expensive 3" sub-regions, saw further slowdown from 10.1% in the prior quarter to 8.4% in the 1st quarter of 2018, having gradually slowed from a multi-year high of 16.1% in the 2nd quarter of 2015.

Arguably reflective of the heightened search for relative affordability in or near to Cape Town's prime place of employment, the City Bowl, is the indication that the most affordable sub-region within close proximity to the City Bowl, i.e. the Near Eastern Suburbs sub-region (including amongst others Salt River, Woodstock and Pinelands), shows the fastest house price growth of these "Major 4" sub-regions in or near to the Cape Peninsula.

Proximity to the City Bowl (and for that matter to Claremont Business Node) is becoming increasingly important as the city's traffic congestion deteriorates. From a 19.4% high in the 1st quarter of 2016, the Near Eastern Suburbs House Price Index has also seen year-on-year growth slowing, but less significantly than the others, to reach 13.4% by the 1st quarter of 2018. It now has the fastest price growth rate of the Major 4 sub-regions surrounding Table Mountain.

THE TREND OF SLOWING GROWTH IS LESS PRONOUNCED IN THE MORE AFFORDABLE SUBURBAN MARKETS, AND SOME SUB-REGIONS EVEN SHOW STRENGTHENING PRICE GROWTH.

Further away from Table Mountain, in Cape Town’s more affordable suburban areas, the pattern of “slowdown” in price growth remains less clear, and there has even been some acceleration in certain sub-regions. We remain of the belief that the extremely high prices in the areas close to the City Bowl may have been encouraging a portion of aspirant buyers to shift their home search to these more “affordable” City of Cape Town housing markets a little further away, in search of greater affordability.



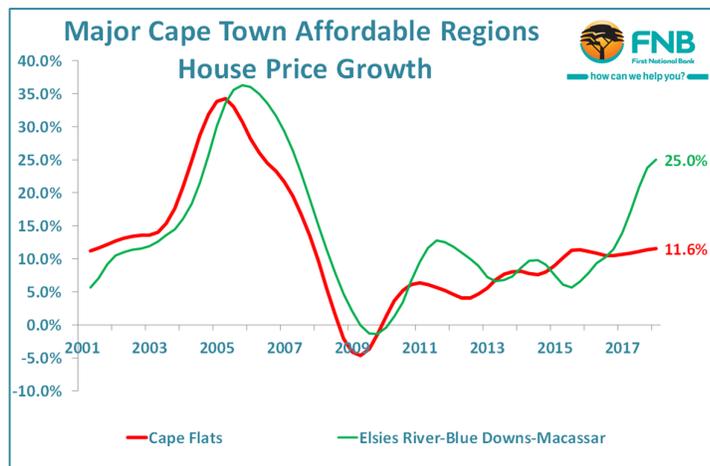
All 3 major Northern Suburbs sub-saw double-digit average house price growth rates in the 1st quarter of 2018, with 1 out of the 3 showing a growth acceleration.

The Western Seaboard Sub-Region (including Blouberg, Milnerton and Melkbosstrand) saw a slowing in year-on-year price growth, from 14.7% in the previous quarter to 14.4% in the 1st quarter of 2018, the 2nd successive quarter of slowing growth.

The “Bellville-Parow and Surroundings” sub-region also saw its price growth slow, from 11.4% year-on-year in the final quarter of 2017 to 10.8% in the 1st quarter of 2018, after prior

quarters of strengthening.

However, the Durbanville-Kraaifontein-Brackenfell sub-region continued to accelerate mildly, from 9.8% growth in the final quarter of 2017 to 10.1% in the 1st quarter of 2018.



Moving into even more affordable regions, ones which incorporate many of the city’s Apartheid Era former so-called “Coloured” and “Black” Areas, we have recently seen price growth accelerations.

This, too, we believe could reflect a mounting search for relative affordability after rapid price inflation in the higher priced “suburban” areas in recent years.

Therefore, we have seen the Cape Flats House Price Index experience a further growth acceleration, from 11.4% year-on-year in the previous quarter to 11.6% in the 1st quarter of 2018. The Elsies River-Blue Downs-Macassar

Region has also seen house price growth accelerate further to reach 25% year-on-year, from 23.7% in the previous quarter.

CONCLUSION

In short, in the 1st quarter of 2018, the City of Cape Town has seen further mild slowing in average house price growth for the 7th consecutive quarter, although the most recent 10.0% year-on-year growth rate remains strong.

When viewing the major sub-region house price indices, however, slowdown is not across the board. It still appears that the clearest signs of slowing house price growth remain at the high end, after some years of strong affordability deterioration. But the resultant search for greater affordability is arguably the reason why the slowing trend is less clear in the more affordable housing regions (relatively speaking) further away from Table Mountain.

Questions continue to be asked as to whether the drought has taken its toll on the housing market in Cape Town? We believe that it must have had some impact, via its negative impact on the Western Cape economy, as well as on sentiment within and towards the region. However, we remain of the view that the slowing price growth was “overdue” in any event, and more due to “natural” market causes in response to prior years of significant home affordability deterioration. 1st time buying levels, according to the FNB Estate Agent Surveys are very low in Cape Town relative to the rest of SA, a reflection of this poor affordability.

We have also estimated that repeat home buyer “migration” to the Western Cape from the rest of SA has slowed in 2017, a further factor in slowing Cape Town housing demand. This slowing may be in part due to poor home affordability in Cape Town as well as due to the drought making the region temporarily less appealing.

Going forward, however, should the drought conditions deteriorate further, at some point it is conceivable that they may become “recessionary” for the Western Cape economy, and at that stage it could have a very significant impact on the region’s housing market. But that’s a major risk to the region which is not easily predictable. Much depends on the 2018 Winter rainfall season in the Western Cape.

CITY OF CAPE TOWN METRO AVERAGE HOUSE PRICE GROWTH BY MAJOR SUB-REGION

	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
CITY OF CAPE TOWN METRO	13.1%	11.9%	10.8%	10.0%	479.33%	79.15%
Atlantis - Mamre	13.7%	18.2%	17.6%	13.3%	575.53%	83.08%
Mitchells Plain-Eerste Rivier	17.1%	20.9%	23.7%	25.0%	630.28%	79.45%
Bellville and Surrounds	10.6%	11.3%	11.4%	10.8%	369.26%	61.31%
Western Seaboard	14.4%	14.9%	14.7%	14.4%	377.94%	77.67%
North Eastern Suburbs	8.8%	9.3%	9.8%	10.1%	426.35%	68.25%
Southern Peninsula	11.9%	10.7%	10.2%	10.1%	433.55%	74.42%
Hottentots Holland	10.2%	9.9%	10.5%	11.4%	339.40%	60.53%
City Bowl	16.6%	13.8%	11.5%	10.0%	531.44%	109.20%
Atlantic Seaboard	22.0%	15.2%	8.0%	2.3%	649.42%	110.96%
City Eastern Suburbs	16.3%	15.7%	14.7%	13.4%	557.73%	101.98%
Southern Suburbs	12.7%	11.5%	10.1%	8.4%	458.60%	81.52%
Cape Flats	10.9%	11.1%	11.4%	11.6%	409.03%	61.50%

NOTES: AREA COMPOSITION OF THE CITY OF CAPE TOWN SUB-REGIONAL HOUSE PRICE INDICES

Main Areas Included in Each Sub-Regional House Price Index							
Former Townships	Atlantis-Mamre	Elsies River-Blue Downs-Macassar	Bellville-Parow and Surrounds	Blouberg-Milnerton-Melkbosstrand	Durbanville-Kraaifontein-Brackenfell	Southern Peninsula	Somerset West-Strand-Gordons Bay
Guguletu	Atlantis	Belhar	Bellville	Blouberg	Brackenfell	Cape Point	Gordons Bay
Khayelitsha	Mamre	Blackheath	Goodwood	Melkbosstrand	Durbanville	Fish Hoek	Sir Lowrys Pass
Langa		Blue Downs	Kuils River	Milnerton	Kraaifontein	Kommetjie	Somerset West
Nyanga		Delft	Parow			Noordhoek	Strand
		Eerste River				Scarborough	
		Elsies River				Simon's Town	
		Macassar					
		Matroosfontein					

City Bowl	Atlantic Seaboard	Near Eastern Suburbs	Southern Suburbs	Cape Flats	City of Cape Town Metro House Price Index
					Roll-up of all City of Cape Town sub-regions
Foreshore	Bantry Bay	Rugby	Bishops court	Buckingham	
V & A Waterfront	Mouille Point	Lagoon Beach	Steenberg Golf Es	Wetton	
Zonnebloem	Clifton	Kensington	Silwersteen Estate	Rondebosch East	
De Waterkant	Camps Bay	Maitland	Claremont	Ottery East	
Cape Town City C	Bakoven	Salt River	Newlands	Lansdowne	
Gardens	Fresnaye	Woodstock	Silvertree Estate	Southfield	
Tamboerskloof	Sea Point	Maitland Garden V	Tokai	Heathfield	
Devil`s Peak Estat	Green Point	Oude Molen Villag	Rondebosch	Retreat	
Vredehoek	Three Anchor Bay	Pinelands	Meadowridge	Lavender Hill	
University Estate	Hout Bay	Windermere	Mowbray	Plumstead	
Schotschekloof			Westlake	Elfindale	
Walmer Estate			Wynberg	Nerissa Estate	
Oranjezicht			Observatory	Ottery	
			Bergvliet	Ferness	
			Kenilworth	Coniston Park	
			Royal Cape	Otyhouse Estate	
			Diep River	Edward	
			Rosebank	Crawford	
			Kirstenhof	Sunlands	
			Dreyersdal	Yorkshire Estate	
			Dennendal	Pinati	
			Forest Glade	Glen Valley	
			Constantia	Romp Vlei	
			Muizenberg	Belthorn Estate	
				Fairways	
				Brooklyn	
				Romp Vallei	
				Glen View	
				Penlyn Estate	
				Eden Klein	
				Frere Estate	
				Turf Hall	
				Turf Hall Estate	
				Steenberg	
				Sheraton Park	
				Cafda Village	
				Seawinds	
				Athlone	
				Athlone	
				Grassy Park	
				Mitchells Plain	
				Philippi	
				Guguletu	
				Khayelitsha	
				Langa	
				Nyanga	