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FNB Property Barometer

PROPERTY BAROMETER
Residential Property Monthly

There are some things that are different between now and the end of the early-1980s residential boom, but some are ominously similar.

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SUMMARY

While the residential market is no longer "booming" in terms of demand or house price growth, it remains in "boom time" territory" when it comes to the level of house prices in real terms (i.e. when we adjust house prices for consumer price inflation over time).

Real house prices are only marginally down from all time recorded historic highs reached around 2007/8. And while the residential market itself these days is no longer in an "irrational" frenzy of speculative activity and "buyer panic", real house prices are kept at "boom time" levels by "boom time" policy measures, which include low real interest rates and big deficits. Ultimately, a wide deficit on the country's Current Account on the Balance of Payments, which reflects Gross Domestic Expenditure being well in excess of National Income (i.e. a country living beyond its means), needs to "correct". This correction is not always a smooth process. It wasn't after the early-1980s property boom. Is it different this time?

The early-1980s residential price boom was kick-started by the combination of low real interest rates along with rampant economic growth which was supported by a major commodity price boom, most notably Gold. The period of high real house prices went on after the commodity price boom had ended, with real house price levels peaking only at the end of 1983.

Economic growth performance had begun to weaken long before this stage, but for a time, the country could sustain strong domestic expenditure, well above its national income, in short living beyond its means and running a wide Current Account Deficit on the Balance of Payments. This could not last indefinitely, however. Ultimately, the foreign capital inflows needed to finance that current account deficit would slow, as economic growth performance increasing concerned investors, along with an increasingly turbulent environment as the political and social situation deteriorated. This ultimately translated into a sharp Rand weakening. From the 3rd quarter of 1983 to the 4th quarter of 1985, the Real Trade Weighted Rand Index fell by -48.5%.

The Reserve Bank at around that time, had a more "discretionary" approach to setting interest rates than these days, and viewed interest rates as a tool not only with which to achieve price stability (influence price inflation), but also to achieve macro-economic stability through focusing on variables such as the Balance of Payments equilibrium too.

Understandably, it responded to restore some semblance of macroeconomic order. From 8% early in 1981, Prime Overdraft Rate moved up sharply to 18% by the end of 1982, and after a brief period of cutting rates in 1983, the *level went up still further to 24% by the end of 1984. Prime mortgage rate followed a similar path.*

In real terms, the resultant drop in house prices was a massive -44.3% from the 1st quarter of 1984 to the 1st quarter of 1987.

While those were different times to today, many things these days appear ominously similar. In recent times, we once again have had a major commodity price drop, and while the Mining Sector may indeed be a smaller part of our economy today, there can be a significant impact on exports, jobs and already-high social tensions in the country.

Like the early-1980s, we run a large Current Account Deficit these days, which has aided a significant Rand weakening since around 2011. As economic growth stagnates, as social tensions rise, and as ratings agencies lower SA's sovereign rating, once again investors become increasingly nervous, which adversely affects the capital inflows from abroad needed to fund the current account deficit. Admittedly the political system of today is not nearly as unacceptable to the world as that of the 1980s, so weak capital inflows are more driven by weak economic performance than by orchestrated "boycotts" or disinvestment campaigns.

The wide current account deficit, therefore ultimately has to be reduced significant for the sake of economic and price stability. The country needs to start living more "within its means". Treasury has started the process of trying to reduce its fiscal deficit, and the SARB has started to raise interest rates, which will further this cause. We believe that this monetary and fiscal "stimulus withdrawal", while necessary, will lead to a corresponding real house price "correction" down from what we still believe are "boom time" levels

However, while many things look similar to the early-1980s, some things are indeed different, though. These days, the SARB appears more sensitive to the shocks that interest rate moves can cause if "too rapid". In addition, today we have far higher levels of especially household indebtedness than in the 80s, making the economy more sensitive to interest rate moves. The SARB of today is therefore likely to move far more slowly in its interest rate hiking process. We thus forecast Prime Rate to reach 10.5%, one percentage point higher than its current level, only by 2017.

This, we believe, makes the chances of house prices correcting gradually over a number of years, still rising in "nominal" terms, but at a rate broadly lower than CPI inflation, which translates into a real downward correction. And such a slow correction is crucial for both mortgage lenders as well as mortgage borrowers, so as to avoid a situation of widespread "negative equity" Negative equity occurs when a home owner owes more on a home than what the home is worth. It is a troublesome environment to be in because it makes it difficult to "trade out" of one's home and settle all of the debt during tougher financial times. All out nominal house price drops are thus a key risk to the mortgage sector.

However, for as long as the big deficit hasn't yet gone away, unemployment is high and social tensions threaten to boil over, the Rand remains at risk. This in turn poses "upside" risks to an inflation forecast, and the SARB is of course primarily focused on its 3-6% CPI inflation target. And therein lies the big question. Will the global economic environment "play ball", and allow the SARB the time to engineer the "soft landing" that the economy as well as the residential market needs? Will the US Federal Reserve start to hike interest rates in September as some speculate it will? This could weaken capital inflows to South Africa. If not Fed hiking, will China suffer a "hard landing", in the process further softening commodity prices and SA exports further, while also potentially raising investor concerns regarding Emerging Markets (of which SA happens to be one)? Finally, does the economic growth deterioration in South Africa raise social tensions to "uncontrollable" levels, again raising investor concerns.

It is clear that we can't continue to run the wide Current Account Deficit on the Balance of Payments indefinitely. These possible events have the potential to exert increased pressure on the Rand, and should the turn for the worse in foreign capital flows be swift, we may find ourselves in a position where we are forced to move to a Current Account surplus situation rapidly, helped on by more rapid interest rate hiking than perhaps the SARB had planned.

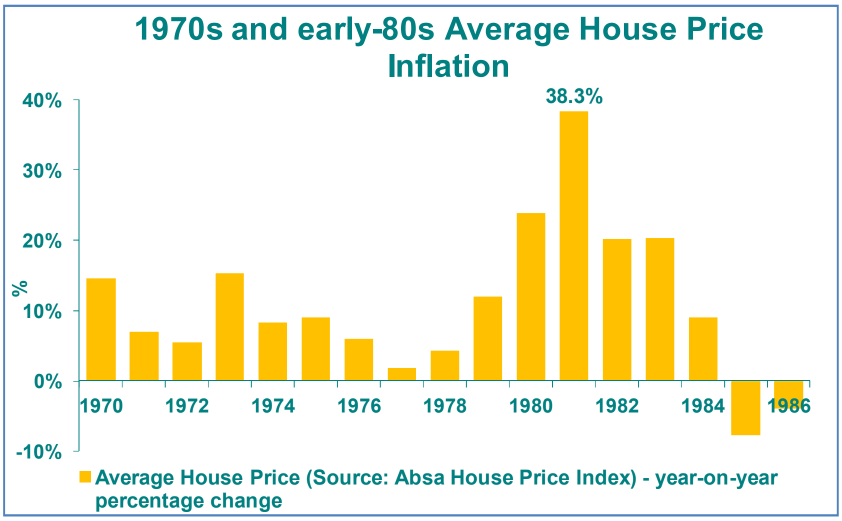
The last rapid move from a wide deficit to a surplus was in the early-to-mid 1980s as capital flows turned rapidly. And that was the last time we had a sharp and sustained downward correction in real house prices.

FOCUS: SOME THINGS ARE DIFFERENT BETWEEN NOW AND THE END TO THE EARLY-80S HOUSING BOOM, BUT SOME ARE OMINOUSLY SIMILAR

While the residential market is no longer "booming" in terms of demand growth or house price growth, it remains in "boom time" territory" when it comes to the level of house prices in real terms (i.e. when we adjust house prices for consumer price inflation over time). Real house prices are only marginally down from all time recorded historic highs reached around 2007/8. And while the residential market itself these days is no longer in an "irrational" frenzy of speculative activity and "buyer panic", real house prices are kept at "boom time" levels by "boom time" policy measures, which include low real interest rates and big deficits. Ultimately, a wide deficit on the country's Current Account on the Balance of Payments, which reflects Gross Domestic Expenditure being well in excess of National Income (i.e. a country living beyond its means), needs to "correct". This correction is not always a smooth process. It wasn't after the early-1980s property boom. Is it different this time?

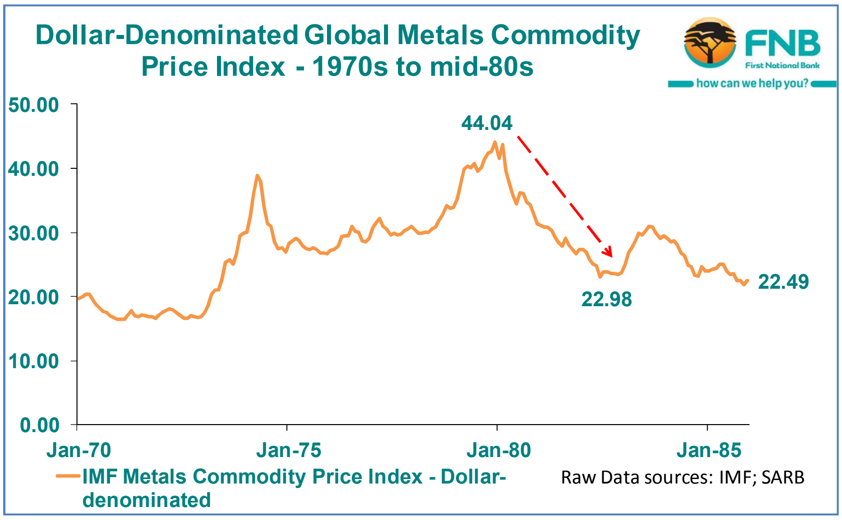
THE BACKGROUND TO THE EARLY-1980S POST-BOOM CORRECTION

The house price boom of the early-1980s was driven by economic performance that was nothing short of spectacular. Real economic growth accelerated from 3% in 1978 to a massive 6.6% in 1980, and Gross National Income peaked at an even higher 8.7% in that year. This had driven extremely strong Real Household Disposable Income growth to peak at 8.7% in 1980.

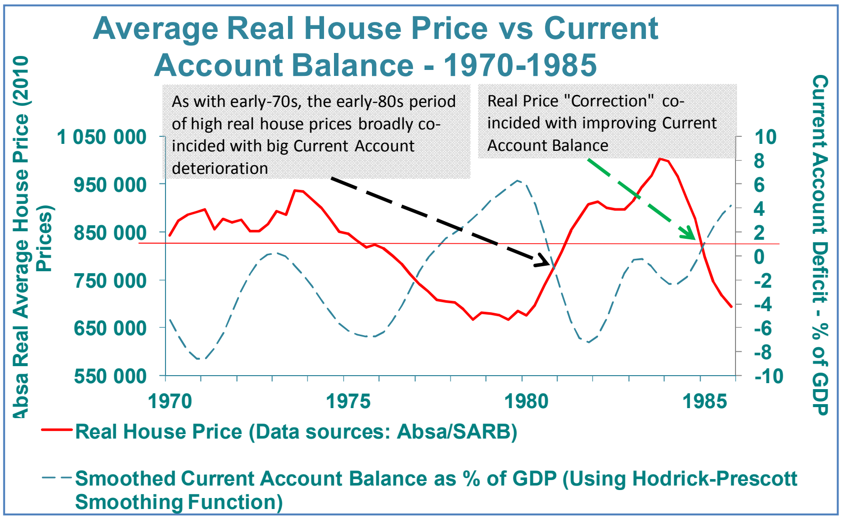


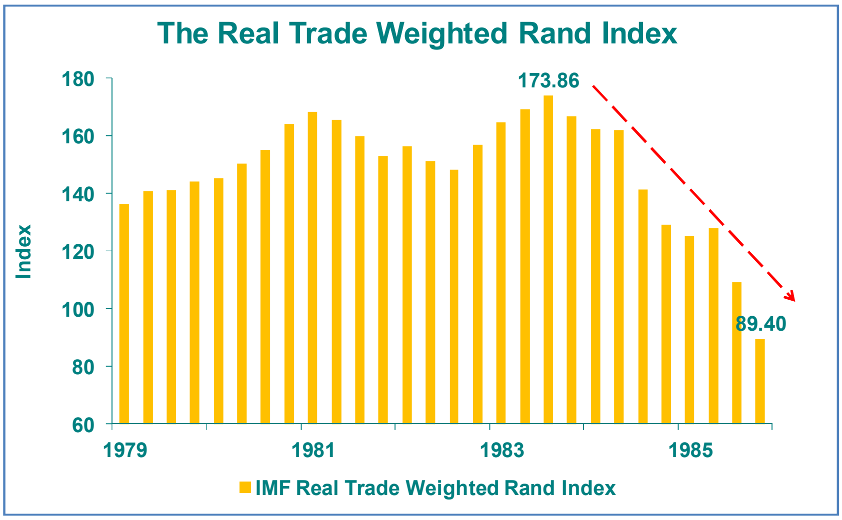
It was small wonder then that average house price growth, according to the Absa House Price Index with its long history, had accelerated to 23.8% average inflation by 1980, and recorded its fastest average annual inflation rate ever of 38.3% in 1981, the lagged effect of rapid economic growth.

And economic growth in those few years up until 1980 had not been driven by a country living beyond its means. Export growth had been solid, and the country had run annual current account surpluses consistently from 1977 to 1980. In other words, South Africa's Gross National Income exceeded its Domestic Expenditure in those 4 years. We were a country living within its means. The "fundamentals" were solid, as many macroeconomists may have said at the time, I guess.



"But the times they were a changin'". From 1980, oil prices slumped. That should have been of benefit to South Africa's oil importing economy but it wasn't, because the price of its export commodities was slumping too, notably gold. Already in 1980, the IMF Global Metals Price Index was down by -9.5% on its 1979 average annual peak, the start of a slide that would see it -39% lower by 1982.





Not surprisingly for a major commodity exporting country, real export growth slowed, and then turned sharply negative in 1981. National Income growth began to slide, as too did Real Household disposable Income growth.

For a while, though, this was not a major problem. We could "live beyond our means as a country, spending more than our national income and running a Current Account Deficit on the Balance of Payments.

From a surplus of +4% of GDP in 1980, the Current Account on the Balance of Payments swung sharply into deficit to the tune of -6% of GDP in 1981.

But the deficit would require strong net foreign capital inflows to fund it, implying limits to how far we could push our luck, as ultimately these capital flows would be insufficient, causing the Rand to give way.

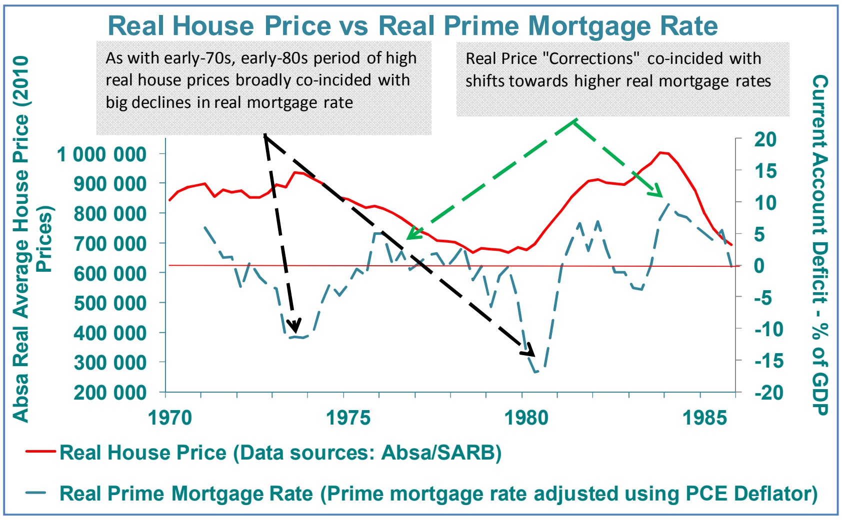
From the 3rd quarter of 1983 to the 4th quarter of 1985, the Real Trade Weighted Rand Index fell by -48.5%.

The Reserve Bank at around that time, had a more "discretionary" approach to setting interest rates than these days, and viewed interest rates as a tool not only with which to achieve price stability (influence price inflation), but also to achieve macro-economic stability through focusing on variables such as the Balance of Payments equilibrium too.

Understandably, it responded to restore some semblance of macroeconomic order. From 8% early in 1981, Prime Overdraft Rate moved up sharply to 18% by the end of 1982, and after a brief period of cutting rates in 1983, the level went up still further to 24% by the end of 1984. Prime mortgage rate followed a similar path.

The Current Account Deficit and Rand weakness during much of that period were believed to be key SARB considerations in setting interest rates. It was a tough period for the Bank. As the economy stagnated, socio-political tensions escalated, and the two are in part linked. South Africa was heading down the path towards turbulent political change. Foreign capital flows were increasingly tough to attract as investors lost confidence but also as foreign disinvestment campaigns intensified in protest against the Apartheid system.

What then of the housing market and its rampant real house prices? As previously mentioned, average house price inflation reached its most rapid annual average rate ever recorded of 38.3% in 1981. Thereafter, this rate of inflation started to slow, but still recorded strong rates in excess of 20% in 1982 and 1983. Real house prices (adjusted for CPI) thus reached their boom time peak level in the 4th quarter of 1983.



Thereafter, the proverbial wheels came of properly. In 1984, the FNB-BER Consumer Confidence Index dropped from +7 at the beginning of the year to a lowly -25 by the end of that year. With a drop to single digit house price inflation in 1984 and then 2 years of average nominal house price decline in 1985 and 1986. In real terms, the drop in house prices was a massive -44.3% from the 1st quarter of 1984 to the 1st quarter of 1987.

This housing market "crash" may have been slower in different times. But the global and domestic economic and political environment turned against South Africa too rapidly, commodity prices tumbling, foreign capital inflows slowing, and the Rand depreciating sharply. The SARB's hand was arguably "forced", interest rates had to rise sharply and SA had to "correct" back to a situation of living within its means, i.e. running a current account surplus, once more.

THE POST-2000 BOOM PERIOD

- ***The early-2000s Boom.....and Bust.....***

The next time a boom period arrived was around early-to-mid last decade. This time around, an economic growth boom, driven by a massive reduction in interest rates from the extreme levels of the 1990s, unleashed a massive consumer and residential property spending surge.

But it wasn't just about a big lowering of interest rates. Like 1980, last decade's economic boom was also helped on by a sharp rise in metals commodity prices.

The IMF Metals Commodity Price Index rose by 270% from January 2003 to May 2007.

The main part of the boom time economic growth acceleration saw real GDP growth go from 2.9% in 2003 to a peak 5.6% in 2006.

The best year of average house price growth in that boom period was achieved in 2004 to the tune of 32.2%, thereafter broadly slowing. However, in 2005-2007, house price inflation continued to exceed consumer price inflation, meaning that the average real house price only peaked in the 3rd quarter of 2007, 144% above the level at the end of the 20th century in real terms (CPI inflation adjusted) and 293% higher in nominal terms.

Things were all ready for a correction. The country had been living increasingly beyond its means, translating into a steadily widening Current Account Deficit reaching unacceptably wide margins of more than 5% of GDP by 2007.

Interest rates began to rise from mid-2006 as inflationary pressures started to mount, and by 2007 a myriad of cracks were showing not only domestically but globally as well.

The "House of Cards" came tumbling down in 2008 as global oil and food price spikes sent South African CPI inflation into double digits, Prime rate peaked at 15.5%, up from 10.5%, the Rand weakened, and the country entered recession late in that year.

- ***Or was it a bust?***

Real house prices looked headed for far lower levels, but the decline was relatively short lived. This time around, the monetary and fiscal authorities across the world, as well as domestically, "bought us some time", introducing an almost unprecedented stimulus in an attempt to keep the economic party going. In South Africa, this meant a reduction of Prime Rate back to single-digit levels last seen in the 1970s, while Government began to run substantially wider fiscal deficit, ratcheting up its debt to GDP ratio.

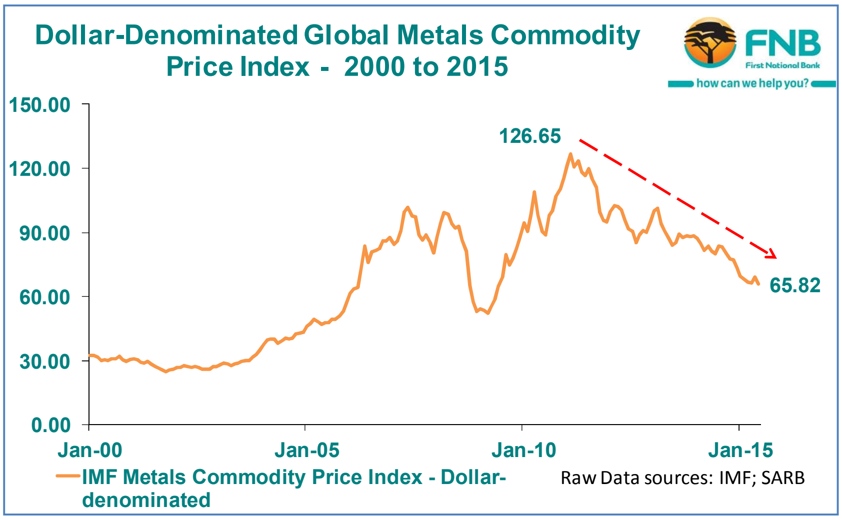
The global economy recovered quickly, and the domestic recession lasted only 3 quarters until mid-2009.

Real house prices gradually began to rise once more, and to this day remain not too far from the all time recorded historic highs, in what could still be regarded as "boom time" territory.

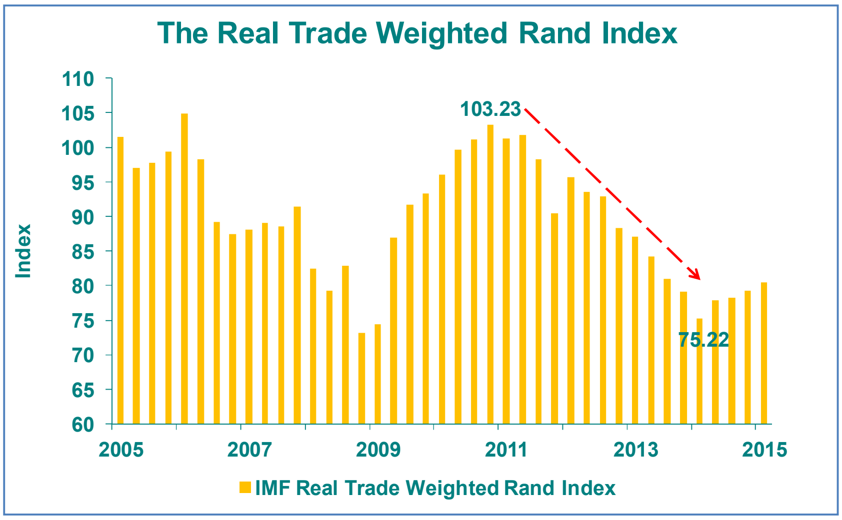
Global commodity prices also recovered after a brief dip around the time of that Global recession.

- ***But Now, many things are looking all too similar to the early-1980s....***

But now, as the effect of the stimulus measures wears off, some things are starting to look all too familiar when looking back to the early-1980s leading up to the big house price correction.



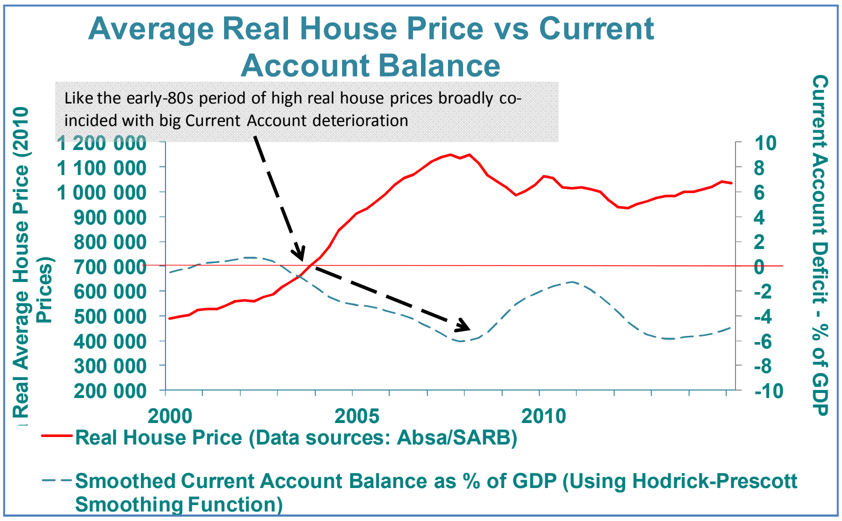
As was the case then, commodity prices have declined significantly. By June, the IMF Metals Commodity Price Index was -48% down on a post recession high reached in February 2011.

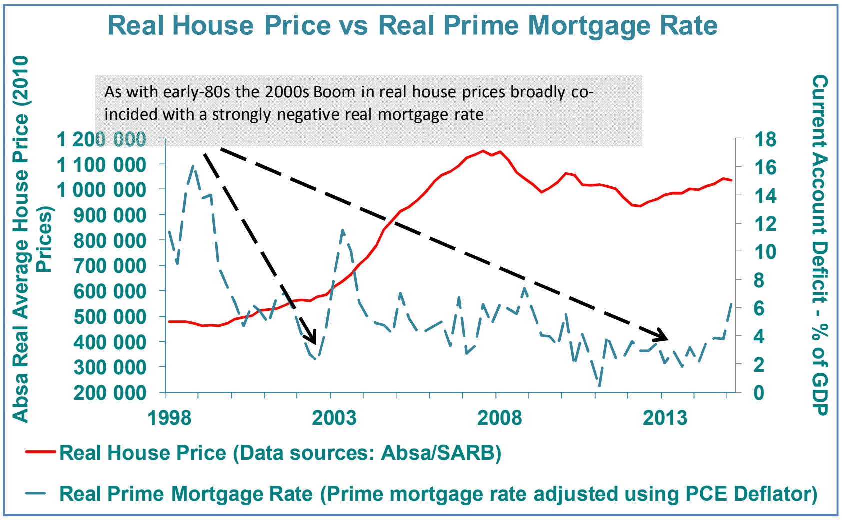


The Real Trade Weighted rand Index is -22% down on its high reached in the final quarter of 2010.

Economic growth has stagnated since 2011, and battles to reach 2%. And like the post-boom period of the early-1980s, the social tensions have clearly risen, witnessed in heightened service delivery protest since 2008 as well as heightened strike action since around that time too. Xenophobic violence too may be yet another sign of the anger mounting in a stagnant economy with high unemployment.

This time around the environment is a little different in that there is little chance of economic boycotts and sanctions which came as a result of the global rejection of the Apartheid system. Now it is simply about policies not geared to achieving significant growth and employment, thus not creating an investor-friendly climate. But the result can be similar albeit perhaps less extreme, i.e. ratings downgrades and rising investor concerns.





This time around we once again have a wide Current Account deficit, averaging -5.4% of GDP in 2014, and having been in deficit every year since 2003. It has been showing signs of narrowing recently, but as export industries such as the mining and manufacturing sector start to feel the pinch from dropping commodity prices and home grown disruptions, the big question is whether this deficit narrowing can continue without more significant cooling measures on the domestic expenditure side of the economy.

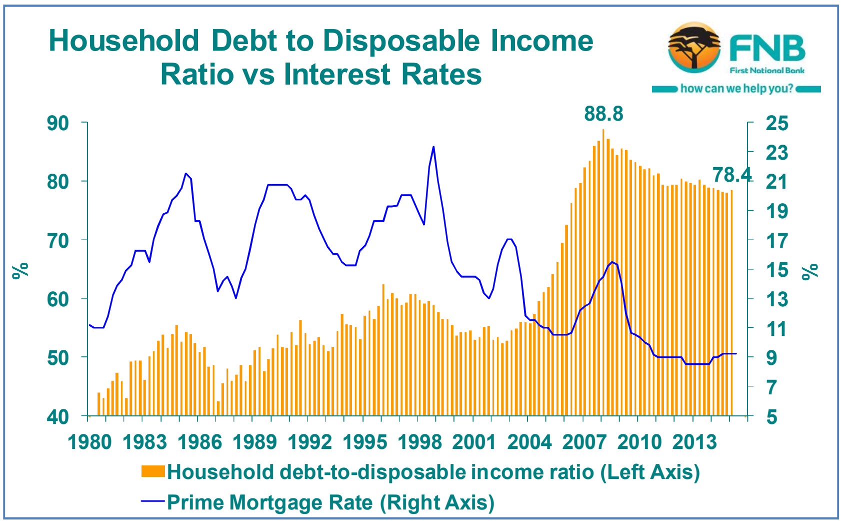
And as during the 80s boom, the big deficit this time around has been accompanied, and allowed, by a period of relatively low real interest rates. The SARB knows this, and indeed has started to "normalise" interest rates, which means upwards.

- ***Some things are indeed different***

This time around, however, we are arguably dealing with a SARB that is more sensitive to the growth impact that its actions can have.

And of course it primarily targets CPI inflation, which is a "slower moving" variable than the volatile Rand for instance.

The long and the short of it is that the Bank these days normally moves far more slowly on interest rates. From the rough treatment meted out in 1998, which included 7.25 percentage points' worth of rate hikes in less than 2 months as the Bank attempted to stabilise a free falling Rand, it has shifted to a more moderate 4 percentage points' worth of rate hikes over 9 months in 2002, after the 2001 Rand crash, and an even slower 5 percentage points in about 2 years from 2006 to 2008.



The Bank also probably knows that it has to hike slowly, allowing the economy more time to adapt, because the one major difference between now and the early-1980s is that there is a lot more debt floating around these days. In the 1st quarter of 2015, the Household Debt-to-Disposable Income Ratio was 78.4%. As at the final quarter of 1980 it was a mere 43%.

Government, too, has a far higher Debt-to-GDP ratio these days of 46.8%, compared to 30.9% late in 1980.

In short, a key difference today is that, on the one hand the SARB appears more considerate in not going out of its way to create an economic shock through interest rate policy, but on the other hand we are perhaps more "fragile" today due to far higher indebtedness levels. The SARB's margin for error is thus small.

- ***But the big question is, how much time will the SARB be given?***

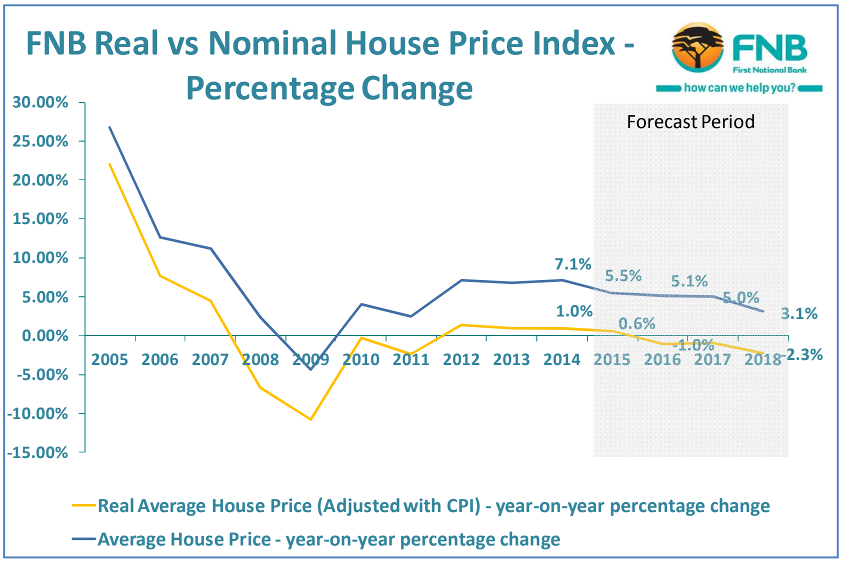
The million Dollar question, though, is whether the global economic environment will "play ball", and allow the SARB the time to engineer the "soft landing" that the economy as well as the residential market needs. Will the US Federal Reserve start to hike interest rates in September as some speculate it will? This could weaken capital inflows to South Africa. If not the Fed hiking, will China suffer a "hard landing", in the process further softening commodity prices and SA exports, while also potentially raising investor concerns regarding Emerging Markets (of which SA happens to be one)? Finally, does the economic growth deterioration in South Africa raise social tensions to "uncontrollable" levels, again raising investor concerns. It is clear that we can't continue to run the wide Current Account Deficit on the Balance of Payments indefinitely. These possible events have the potential to exert increased pressure on the Rand, and should the turn for the worse in foreign capital flows be swift, we may find ourselves in a position where we are forced to move to a Current Account surplus situation rapidly, helped on by more rapid interest rate hiking than perhaps the SARB had planned.

The last rapid move from a wide deficit to a surplus was in the early-to-mid 1980s as capital flows turned rapidly. And that was the last time we had a sharp and sustained downward correction in real house prices.

THE FORECAST

Our forecast is for the SARB to "engineer" the "soft landing, through mild interest rate "normalisation" to where Prime Rate reaches 10.5% by 2017. This is not expected to do any severe damage to an already pedestrian economic growth rate, which we project to grow not far from the 2% per annum mark through our forecast period to 2018.

Such a macroeconomic scenario is forecast to ultimately lead average house price inflation down to lower single digit rates, generally below CPI inflation, which means a downward real house price correction.



Such a scenario is crucial. We don't believe that we can get away without a downward real house price correction from what are still boom time real house price levels in a now very weak economy.

But it is crucial from both a mortgage lender and mortgage borrower point of view that some type of nominal house price inflation continue, so as to avoid a widespread "negative equity" situation where households owe more than their homes are worth. Negative equity makes it tough for households to "trade out" of their property and settle their full debt should tougher financial times befall them, and such a situation can exert significant pressure on the mortgage lending sector.

THE RISKS

The SARB, however, continues to warn of the "downside risks" to economic growth and the "upside risks" to inflation, which can come from Rand weakness as well as extreme wage demand in an environment of high social tensions, and can mean the need for higher interest rates. Big deficits normally accompany periods of high real house prices, but they also help to create these "downside risks".

MACROECONOMIC FORECAST SUMMARY

	2013	2014	2015	2016	2017	2018
			Forecast Period			
Domestic Economy (2010 Prices)						
Gross Domestic Product (R'm - 2010 Prices)	2 963 389	3 008 576	3 065 739	3 118 385	3 186 989	3 273 961
- year-on-year % change	*2.2%*	*1.5%*	*1.9%*	*1.7%*	*2.2%*	*2.7%*
Prices						
Consumer Price Index (2005=100)	136.1	144.3	151.4	160.8	170.6	180.1
- year-on-year % change	*5.8%*	*6.1%*	*4.9%*	*6.2%*	*6.1%*	*5.6%*
Interest Rates (%)						
Repo Rate (Annual Average)	5.0	5.6	5.9	6.4	6.8	7.0
Prime Interest Rate (Annual Average)	8.5	9.1	9.4	9.9	10.3	10.5
Effective Interest Rate on Household Debt (Annual Average)	10.8	11.6	12.1	12.5	12.9	13.1
Long Bond Yield (Annual Total %)	7.7	8.3	7.7	8.0	8.3	8.6
Real Effective Interest Rate on Household Debt (%)	5.0	5.5	7.2	6.3	6.8	7.5
Currency						
US Dollar/Rand Exchange Rate (Annual Average - Cents per $)	965	1084	1210	1230	1210	1190

HOUSEHOLD SECTOR

	2013	2014	2015	2016	2017	2018
			Forecast Period			
Total Employment Index (2005=100)	106.7	106.3	105.9	105.2	104.7	104.9
- year-on-year % change	*0.4%*	*-0.4%*	*-0.3%*	*-0.6%*	*-0.5%*	*0.1%*
Household Debt (R'm)	6 645 505	7 036 342	7 437 412	7 917 806	8 486 798	9 155 820
- year-on-year % change	*7.6%*	*5.9%*	*5.7%*	*6.5%*	*7.2%*	*7.9%*
Debt to Disposable Income Ratio (%)	79.5%	78.4%	78.0%	77.5%	77.2%	77.1%
Debt Service Ratio (%)	8.6	9.1	9.4	9.7	10.0	10.1
Real Disposable Income (R'm at 2005 Prices)	7 062 615	7 163 785	7 287 469	7 354 615	7 456 946	7 600 228
- year-on-year % change	*2.5%*	*1.4%*	*1.7%*	*0.9%*	*1.4%*	*1.9%*
Nominal Disposable Income (R'm)	8 364 940	8 981 284	9 537 322	10 215 306	10 991 285	11 875 736
- year-on-year % change	*8.1%*	*7.4%*	*6.2%*	*7.1%*	*7.6%*	*8.0%*
Number of Insolvencies	3 192	3 100	3 242	3 520	3 635	3 802
- year-on-year % change	*-17.9%*	*-2.9%*	*4.6%*	*8.6%*	*3.2%*	*4.6%*

HOUSING MARKET FORECAST SUMMARY

	2013	2014	Forecast Period 2015	2016	2017	2018
Housing Market						
FNB Valuers Demand Rating (Scale 0-100)	50.5	54.1	55.0	55.1	54.7	53.9
- year-on-year % change	*3.6%*	*7.0%*	*1.7%*	*0.1%*	*-0.6%*	*-1.6%*
Valuers Supply Rating (Scale 0-100)	56.7	55.1	54.6	55.0	55.2	55.5
- year-on-year % change	*-2.3%*	*-2.8%*	*-0.9%*	*0.8%*	*0.4%*	*0.4%*
Market Strength Index (Scale 0-100)	46.9	49.5	50.2	50.0	49.8	49.2
- year-on-year % change	*3.4%*	*5.5%*	*1.5%*	*-0.4%*	*-0.5%*	*-1.1%*
FNB Average House Price	891 931	955 099	1 007 589	1 058 971	1 112 370	1 147 129
- year-on-year % change	*6.8%*	*7.1%*	*5.5%*	*5.1%*	*5.0%*	*3.1%*
FNB Average House Price - Real (Rands - 2005 Prices)	55 600 796	56 137 985	56 493 260	55 907 655	55 362 468	54 083 635
- year-on-year % change	*0.9%*	*1.0%*	*0.6%*	*-1.0%*	*-1.0%*	*-2.3%*
Residential Gross Yield	9.1%	8.7%	8.9%	9.5%	9.7%	9.8%

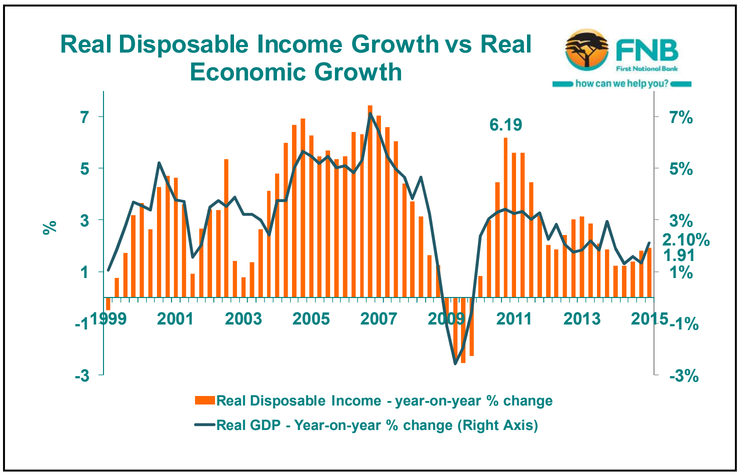
	2013	2014	2015	2016	2017	2018
Residential Affordability Indices (2005=100)						
House Price / Average Employee Remuneration Ratio	73.2	73.5	72.2	69.7	67.0	63.3
- year-on-year % change	*-0.4%*	*0.5%*	*-1.8%*	*-3.4%*	*-3.9%*	*-5.5%*
100% Bond Instalment/Average Employee Remuneration Ratio	63.5	66.4	66.9	67.0	66.0	63.2
- year-on-year % change	*-2.4%*	*4.7%*	*0.8%*	*0.1%*	*-1.4%*	*-4.2%*

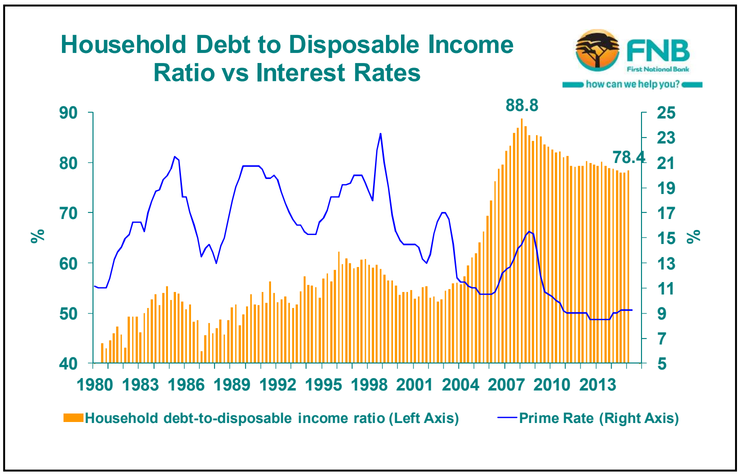
Note on affordability indices:

1. An increase in an affordability index implies a deterioration in affordability and vice versa
2. The 100% Bond Instalment/Average Employee Remuneration Index is constructed by calculating the bond instalment value on a 100% bond on the average priced house
3. The affordability indices are calculated in index form because the SARB Average Employee Remuneration series is provided as an index

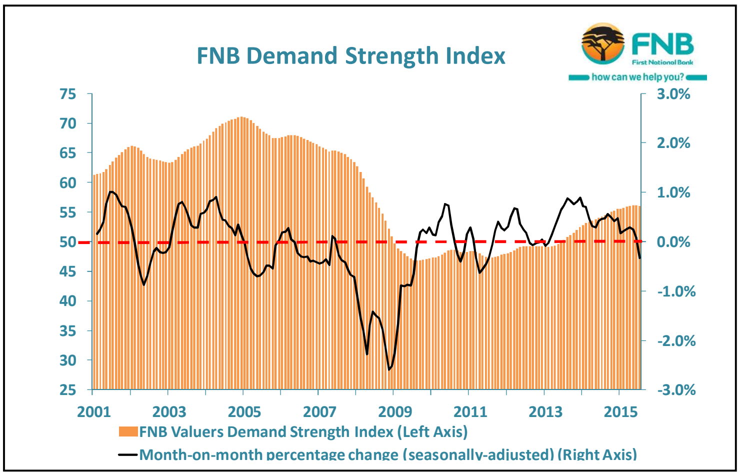
THE PROPERTY ECONOMY IN PICTURES

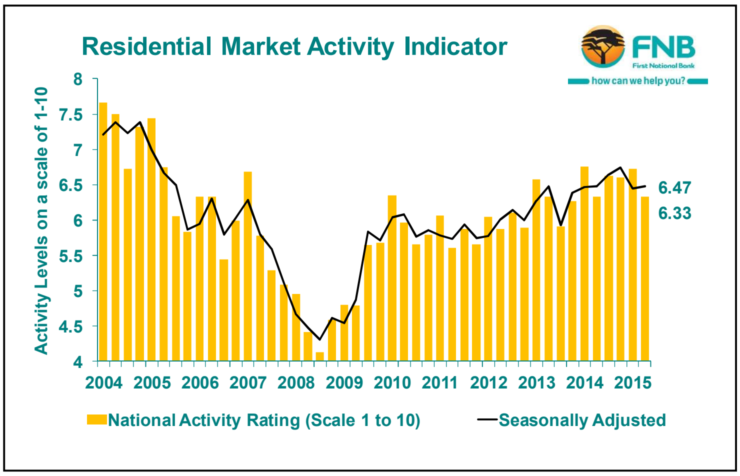
Household Sector Debt and Disposable Income Growth



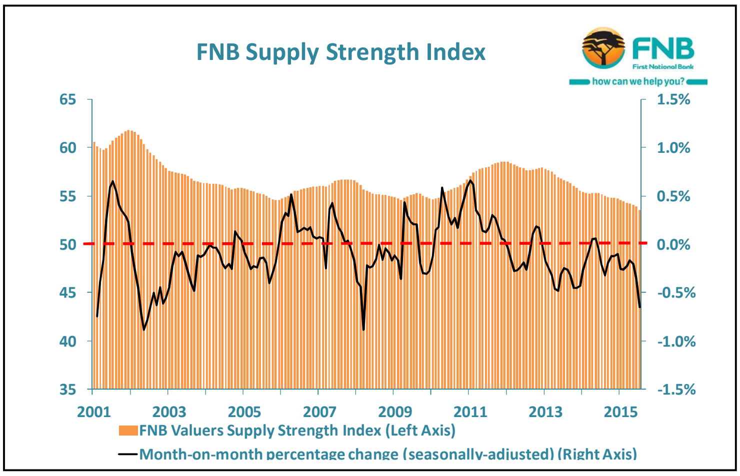


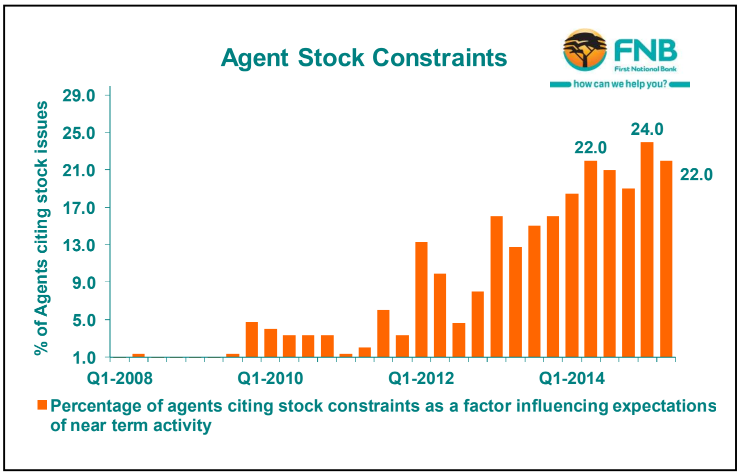
Housing Demand and Activity Levels



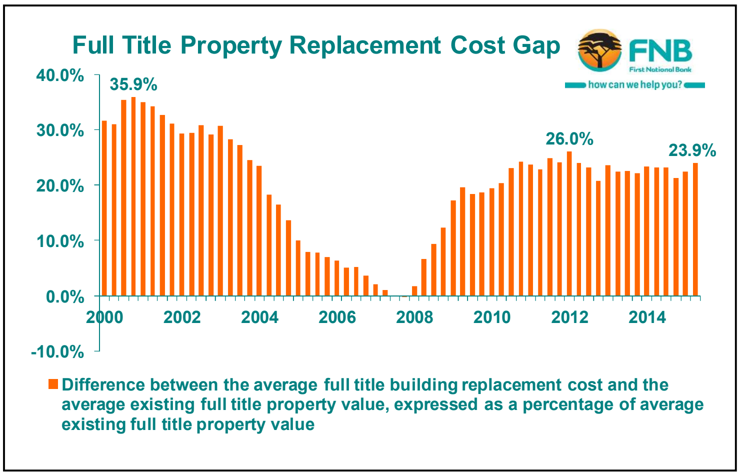


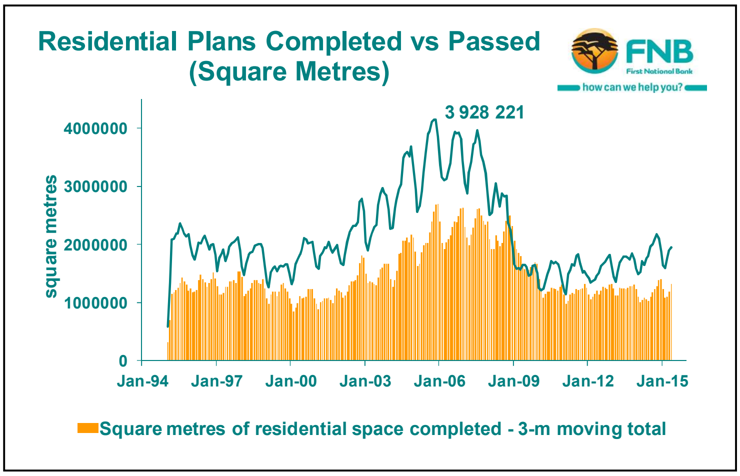
Housing Supply



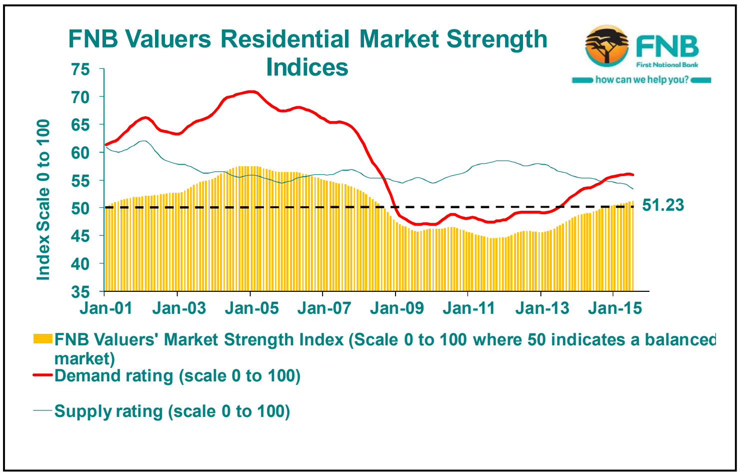


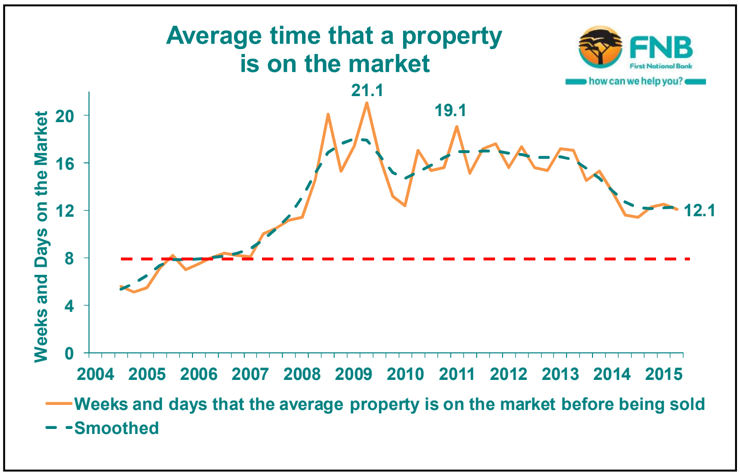
New Home Supply



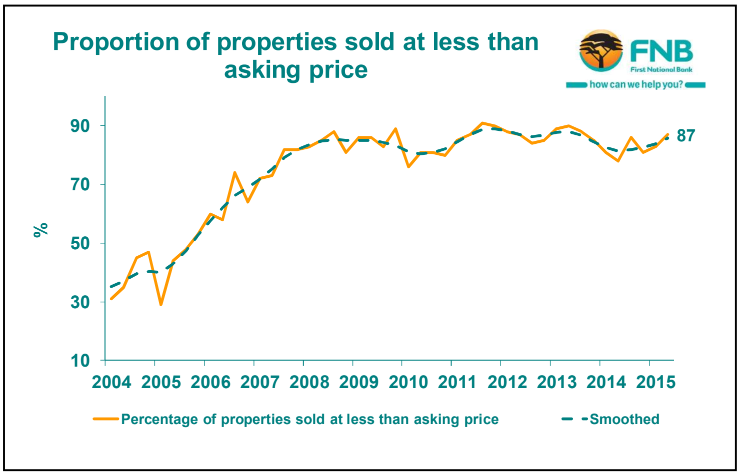


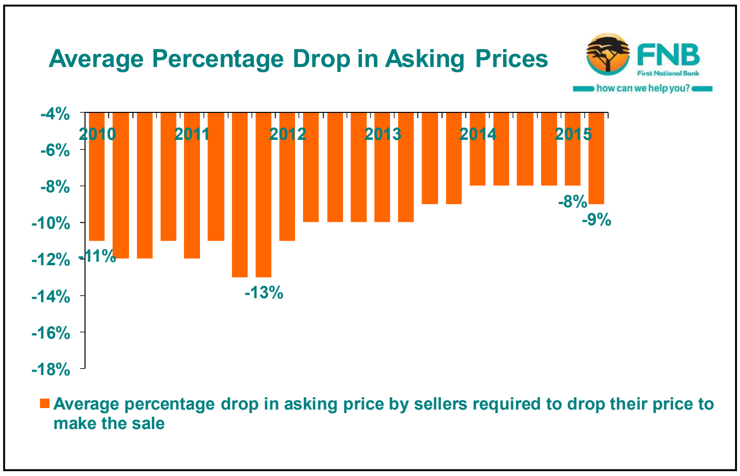
Housing Market Demand-Supply Balance



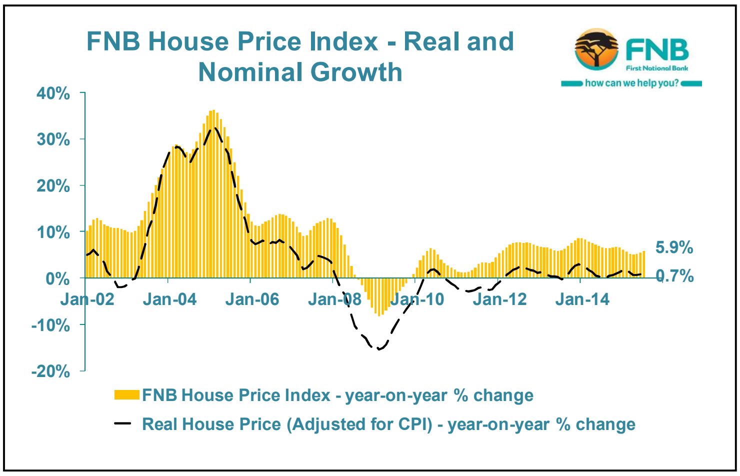


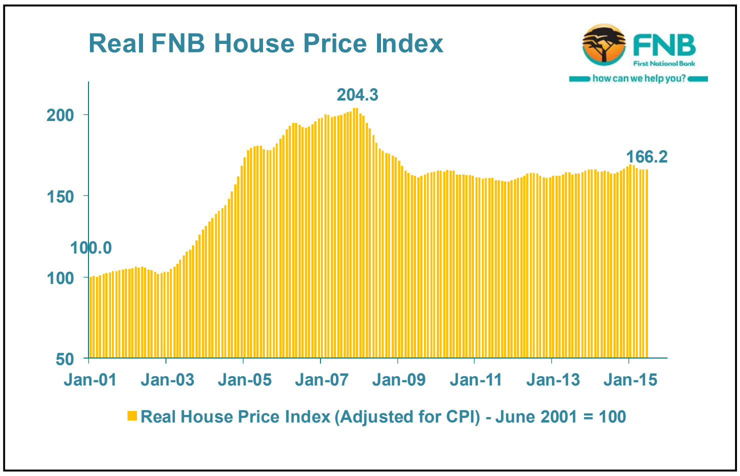
Housing Market Price Realism



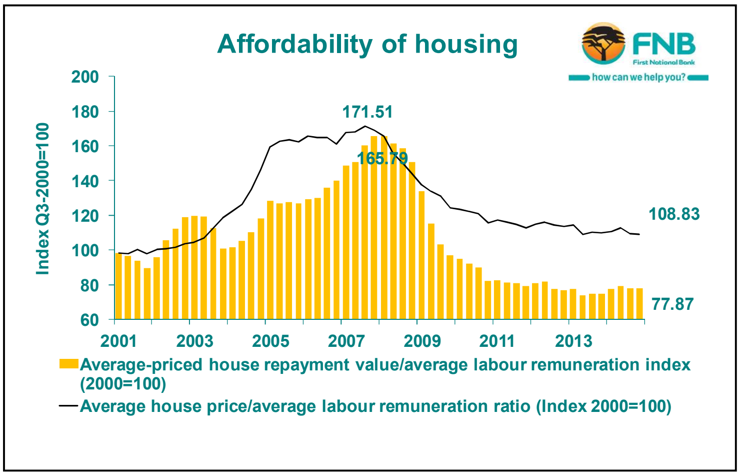


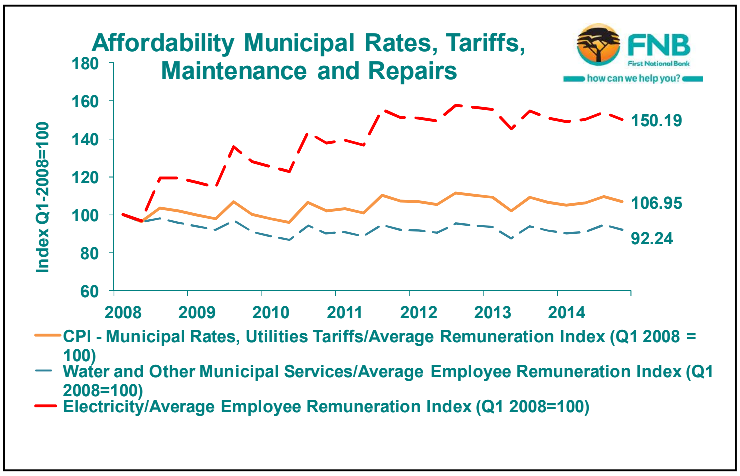
Housing Price Performance



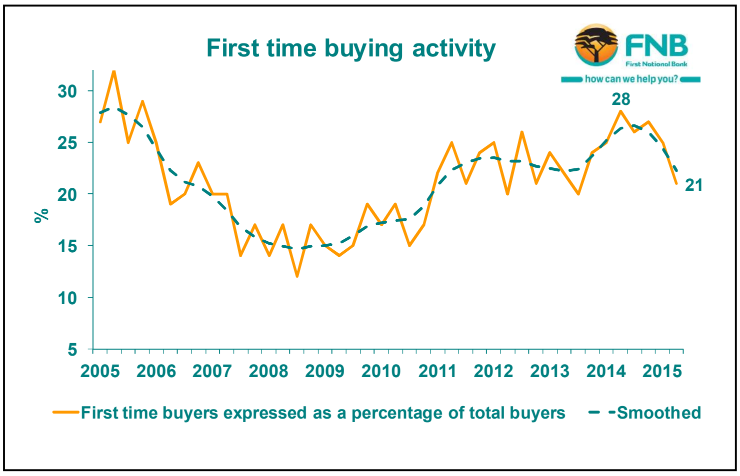


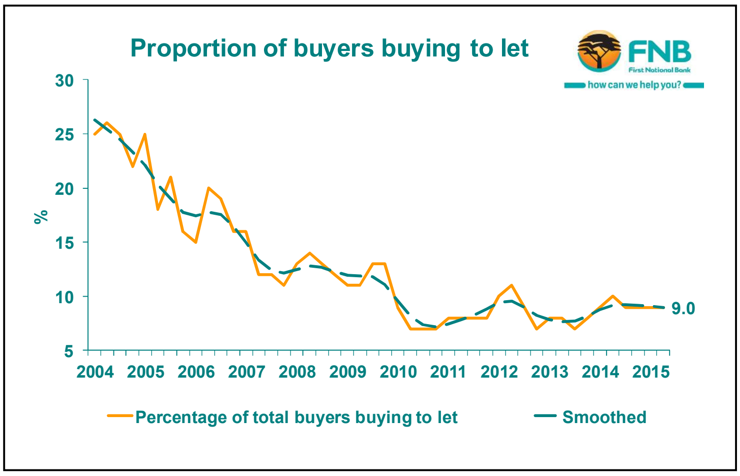
Housing Affordability





1st Time and Buy-to-Let Buying





Property and Mortgage Market Summary

END OF PERIOD	2012	2013	2014	Q3-2014	Q4-2014	Q1-2015	Q2-2015	Apr-15	May-15	Jun-15	Jul-15
Residential Property Prices											
FNB National Average House Price (Rand)	835 476	891 929	955 419	956 861	975 655	990 977	1 001 479	997 883	1 001 379	1 005 175	1 009 504
y/y % change	*7.1*	*6.8*	*7.1*	*6.5*	*6.6*	*5.7*	*0.0*	*5.1*	*5.2*	*5.5*	*5.9*
m/m seasonally-adjusted % change								*0.21*	*0.44*	*0.61*	*0.72*
FNB Valuers Demand Strength Index	48. 93	50. 38	54. 15	54. 42	55. 37	55. 76	56. 03	55. 97	56. 06	56. 05	55. 89
y/y % change	*2.4*	*3.0*	*7.5*	*7.4*	*6.4*	*5.0*	*0.0*	*4.5*	*4.5*	*4.1*	*3.3*
m/m % change								*0.18*	*0.17*	*-0.02*	*-0.28*
FNB Valuers Supply Strength Index	57. 95	56. 71	55. 1	54. 9	54. 74	54. 51	54. 11	54. 323	54. 148	53. 851	53. 433
y/y % change	*0.0*	*-2.1*	*-2.8*	*-2.6*	*-1.8*	*-1.6*	*0.0*	*-2.0*	*-2.2*	*-2.5*	*-2.9*
m/m % change								*-0.15*	*-0.32*	*-0.55*	*-0.78*
FNB Valuers Market Strength Index	45. 49	46. 84	49. 53	49. 76	50. 31	50. 63	50. 96	50. 82	50. 96	51. 1	51. 23
y/y % change	*1.3*	*3.0*	*5.7*	*5.5*	*4.5*	*3.6*	*0.0*	*3.6*	*3.7*	*3.7*	*3.5*
m/m % change								*0.18*	*0.27*	*0.28*	*0.26*
Major Metro Areas Average House Price (Rand)	1 012 027	1 080 200	1 163 698	1 175 575	1 195 888	1 213 493					
y/y % change	*3.4*	*6.7*	*7.7*	*7.9*	*7.8*	*7.3*					
- Upper Income Area Average House Price (Rand)	2 121 597	2 301 602	2 514 311	2 547 131	2 598 168	2 641 917					
y/y % change	*2.7*	*8.5*	*9.2*	*9.6*	*9.4*	*8.8*					
- Middle Income Area Average House Price (Rand)	1 163 821	1 238 884	1 342 377	1 357 923	1 380 881	1 396 396					
y/y % change	*4.2*	*6.4*	*8.4*	*8.9*	*8.5*	*7.3*					
- Lower Income Area Average House Price (Rand)	745 065	787 235	836 745	842 897	855 881	868 887					
y/y % change	*3.5*	*5.7*	*6.3*	*6.2*	*6.2*	*6.3*					
- Affordable Area Average House Price (Rand)	387 858	412 707	444 153	448 268	455 952	461 407					
y/y % change	*3.8*	*6.4*	*7.6*	*7.7*	*7.6*	*6.8*					
- Major 3 Provinces' Former Black Township Average House Price (Ran	257 380	277 111	300 012	303 031	311 303	323 472					
y/y % change	*3.7*	*7.7*	*8.3*	*8.3*	*9.3*	*11.6*					
- Holiday Towns Average House Price (Rand)	815 891	822 004	893 631	907 896	933 732	952 965					
y/y % change	*1.1*	*0.7*	*8.7*	*10.6*	*12.1*	*11.8*					
FNB Estate Agent Survey											
Level of Residential Demand Activity (Scale 1 to 10)	5. 98	6. 27	6. 58	6.6 3	6.6 1	6.7 3	6.3 3				
y/y % change	*3.1*	*4.8*	*4.9*	*12.2*	*5.4*	*-0.4*	*0.0*				
First time buyers as a percentage of total buyers (%)	23.0	22.5	26.5	26.0	27.0	25.0	21.0				
Buy-to-let as a percentage of total buyers (%)	9.3	7.8	9.3	9.0	9.0	9.0	9.0				
Average time of properties on the market (Weeks and Days)	16.0	16.0	12.2	11.4	12.3	12.5	12.1				
Percentage of properties sold at less than asking price (%)	86.0	88.0	81.5	86.0	81.0	83.0	87.0				
Percentage of properties on the market for 3 months or more (%)	77.5	74.5	56.0	55.0	46.0	48.0	46.0				
Residential Building Sector											
Number of units' plans passed	49 820	50 447		15 184	13 490	12 536	11 142	5 906	5 236		
y/y % change	*-5.7*	*1.3*		*20.4*	*10.3*	*-10.5*	*-21.2*	*62.8*	*-16.2*		
Square metres' worth of plans passed	6 246 397	6 647 115		2 067 637	1 876 667	1 785 726	1 305 512	666 114	639 398		
y/y % change	*-0.0*	*6.4*		*19.2*	*17.8*	*4.0*	*-27.7*	*31.6*	*-4.9*		
Average size of units' plans passed (square metres)	125.4	131.8		136.2	139.1	142.4	117.2	113	122		
Number of units completed	42 978	41 485		9 569	11 227	8 482	7 018	3 009	4 009		
y/y % change	*6.1*	*-3.5*		*-4.9*	*6.5*	*-7.7*	*-12.9*	*2.7*	*62.3*		
Square metres' worth of buildings completed	4813164.0	4885830.0		1 232 732	1 402 125	1 092 448	896 930	405 503	491 427		
y/y % change	*2.9*	*1.5*		*-3.9*	*13.5*	*4.7*	*-12.8*	*14.3*	*50.6*		
Average size of units' completed (square metres)	112.0	117.8		128.8	124.9	128.8	127.8	134.76	122.58		

Property and Mortgage Market Summary

END OF PERIOD	2012	2013	2014	Q3-2014	Q4-2014	Q1-2015	Q2-2015	Apr-15	May-15	Jun-15	Jul-15
Mortgage Market											
New residential loans and re-advances granted (R'm)	169 677	196 144	213 318	56 314	53 447	55 954					
y/y % change	*3.5*	*15. 6*	*8. 8*	*8.7*	*1.3*	*9.1*					
Residential re-advances granted (R'm)	8 291	10 452	11 911	3 164	2 979	3 476					
y/y % change	*40.0*	*26.06*	*14.*	*0.5*	*4.8*	*18.5*					
Total residential mortgage loans outstanding - Banks (R'm)	826 765 341	837 817 308	854 418 677	852 691 634	854 418 677	862 453 853	865 278 521	863 709 677	865 278 521		
y/y % change	*1. 2*	*1. 3*	*2.*	*2.*	*2.*	*2.4*	*2.2*	*2.5*	*2.5*		
Key Economic Indicators											
Real Gross Domestic Product (R'm at 2000 prices)	2 899 247	2 963 389		3 009 503	3 040 250	3 050 345					
y/y % change	*2.2*	*2.2*		*1.6*	*1.3*	*2.1*					
Real Residential Fixed Investment (R'm)	50 219	46 676		42 282	42 344	43 135					
y/y % change	*-2.0*	*-7.1*		*-7.0*	*-7.4*	*-11.6*					
Prime Rate (%)	8. 8	8. 5	9. 1	9.3	9.3	9.3	9.3	9.25	9.25	9.25	9.3152
Yields on Government Bonds 10 years and Longer (%)	7.9	7.7	8.3	8.2	7.9	7.6	8.1	7.8	8.1	8.3	8.2
Currencies - USDZAR	8. 22	9. 66	10. 85	10. 769	11. 212	11. 754	12. 107	12. 02	11. 97	12. 3	12. 46
Currencies - EURZAR	10.55	12.82	14.39	14. 268	14. 01	13. 222	13. 376	12.96	13.35	13.80	13.70
CPI - y/y % change	*5. 7*	*5. 8*	*6. 1*	*6.2*	*5.7*	*4.1*		*4. 5*	*4. 6*	*4. 7*	
Gauteng pump price y/y%				*5.0*	*-0.4*	*-22.0*	*-8.7*	*-10.9*	*-10.0*	*-5.1*	*-4.0*
FNBBER Consumer Confidence Index	-0.5	-5.3	-0.8	-1.0	0.0	-4.0	-15.0				
RMBBER Business Confidence Index	47	46	45	46.0	51.0	49.0	43.0				
SARB Composite Leading Business Cycle Indicator	99. 4	99. 4		97. 1	97. 5	95. 3	94. 2	95.0 4	93.4		
y/y % change	*-0.9*	*0.0*		*-1.7*	*-1.5*	*-3.1*	*-2.5*	*-1.49*	*-3.43*		
m/m % change								*0.56*	*-1.73*		
Real Retail Sales (2008 Prices) - R'm	673 289	690 885		170 581	202 001	169 079	116 222	57 109	59 113		
y/y % change	*4.5*	*2.6*		*2.2*	*2.4*	*2.7*	*-30.9*	*3.4*	*2.4*		
Manufacturing - Volume of Production (Index 2005=100)	105. 08	106. 53		108. 3	113. 1	101. 5	101. 2	98.4	104.0		
y/y % change	*2.2*	*1.4*		*-0.7*	*0.4*	*0.6*	*-2.8*	*-2.1*	*-1.4*		
Mining - Volume of Production (Index 2005=100)	95. 98	99. 53		101. 2	104. 3	97. 4	100. 8	101.0	100.5		
y/y % change	*-3.2*	*3.7*		*-2.2*	*-0.8*	*8.9*	*3.8*	*7.9*	*2.7*		
Vehicle Sales - Total (NAAMSA)	539 303	565 999		153 907	144 709	142 587	129 142	39 889	43 326	45 927	
y/y % change	*8.7*	*5.0*		*4.0*	*7.1*	*1.0*	*-1.9*	*-1.3*	*-0.8*	*-3.5*	
Passenger Vehicle Sales - Total (NAAMSA)	364 767	379 673		103 494	95 098	92 630	83 067	26 166	27 471	29 430	
y/y % change	*10.6*	*4.1*		*2.8*	*5.0*	*-1.0*	*-2.6*	*0.5*	*-2.7*	*-5.2*	