PROPERTY BAROMETER – DECEMBER RESIDENTIAL BUILDING STATS

Growth in Residential Building Activity flattened out late in 2015

18 February 2016

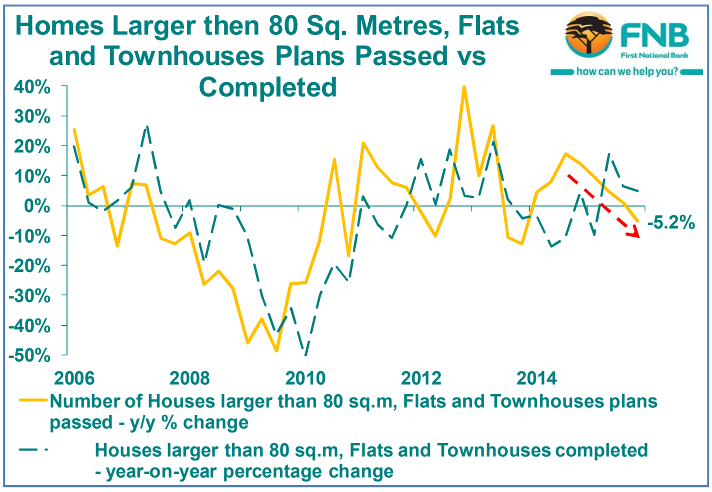
RESIDENTIAL BUILDING PLANS AS A LEADING BUSINESS CYCLE INDICATOR

The South African Reserve Bank finds the number of Residential Building Plans Passed for Flats, Townhouses and Dwelling Houses Larger than 80 Square Metres, to be a useful Leading Business Cycle Indicator. As such, this data is included in the SARB's Composite Leading Business Cycle Indicator along with a host of other data.

This implies that this grouping of Residential Building Plans Passed can be a useful indicator of the economy's performance direction in the short term.

For the 4th quarter of 2015, this indicator's year-on-year rate of change slowed further to decline by -5.2%, from the 3rd quarter's +0.7%.

This is well down after a slide from a high of +17.4% as at the 3rd quarter of 2014, and probably continues to point to economic weakness ahead.

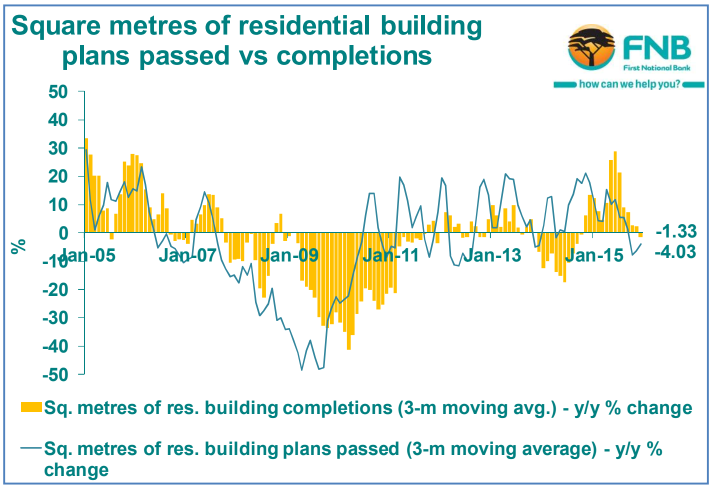


THE MAIN STATS

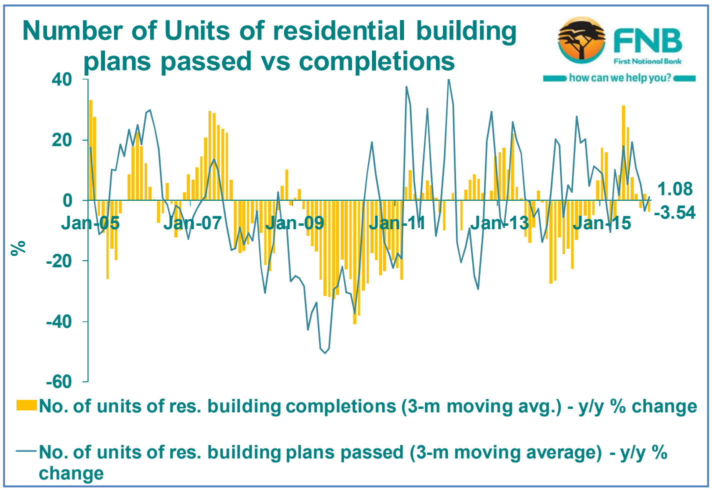
Getting to total building activity, including Dwelling Houses Smaller Than 80 Square Metres, for December 2015, square metres' worth of residential buildings completed grew by +2% year-on-year. This represents a weakening on the prior month's 7% increase.

However, as monthly data is volatile, we prefer to analyse trends through smoothing the data with a 3-month moving average. Here we also see a continuation of the recent slowing growth trend in completions. For the 3 months to December, year-on-year decline of -1.33% represents a further slowing in the rate from the +2.3% increase for the 3 months to November. This growth is markedly lower than the +28.8% year-on-year high recorded for the 3 months to June 2015.

The 3 month moving average for Sq.m. of Residential Plans Passed, too, has been weak. When we smooth the volatility, from a 15.23% high for the 3 months to April 2015, growth in square metres' worth of plans passed has slowed to a -4.03% year-on-year decline for the 3 months to December.



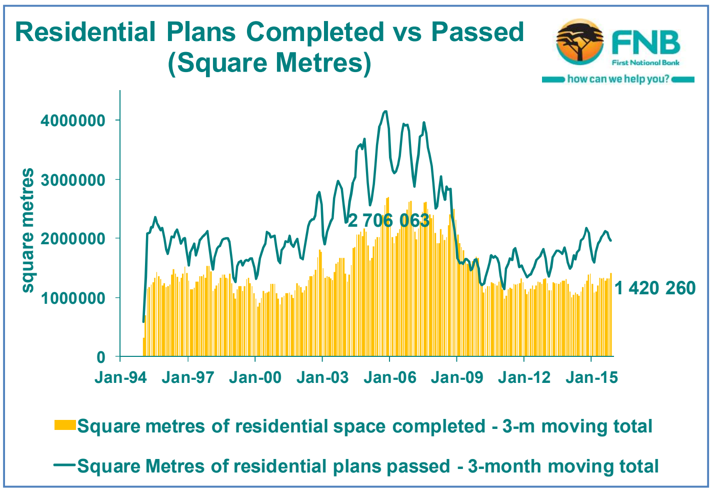
A similar weak growth picture is witnessed when examining the actual number of residential units completed, as opposed to the square metres. Here, we saw a decline in the year-on-year growth rate from +18.7% growth in November to -7.8% decline in December 2015. Smoothing out the month-to-month volatility using the 3 month moving average, we also saw slower growth to the tune of a -3.75% year-on-year decline for the 3 months to December, from +2.24% growth for the 3 months to November.



Therefore, the period of positive building completions growth that dates back to late-2014 appears to have all but petered out, monthly data volatility aside.

All in all, though, 2015 was slightly better on the building front than 2014, with the number of residential units completed for last year as a whole growing by +4.3%, compared with a -8.3% decline for 2014 as a whole.

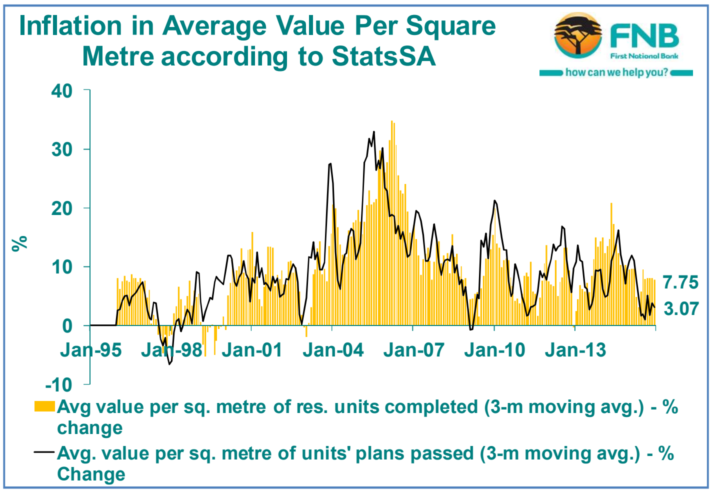
The level of building completions remains moderate compared to the boom time peak reached late in 2005. Whereas for the 3-months to December 2005 2.706 million square metres were recorded as completed, the 3 months to December 2015 recorded 1.420 million, just over half of the late-2005 peak level.



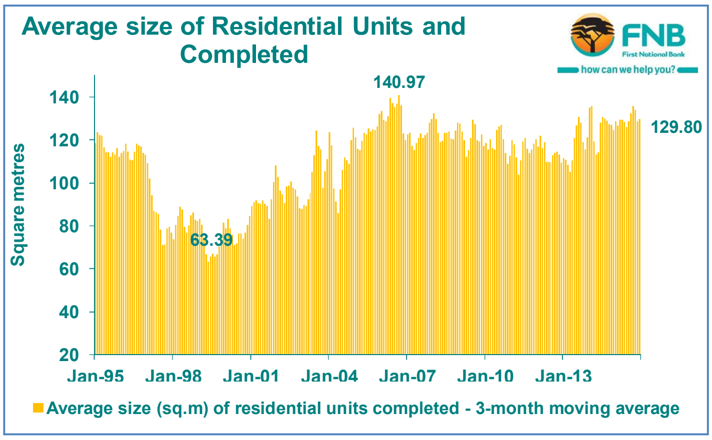
AVERAGE VALUE OF NEWLY BUILT HOMES

Building costs have for a while appeared to limit the ability of the Development Sector to bring "competitively priced" new homes to the market. For the 3 months to December, the year-on-year average value of units completed rose by 7.75%, and of plans passed by 3.07%.

This inflation rate is noticeably lower than the high of 20.8% year-on-year for units completed, recorded in May 2014, but remains in rising territory nevertheless. However, low inflation in the average value of plans passed suggests a more aggressive drive to contain home affordability, in tough economic times, moving forward.



We haven't, however, seen strong signs of the start of the development sector's attempts to address affordability constraints by reducing the average size of homes built. From 135.6 square metres for the 3 months to September, the average size of units completed declined only marginally to 129.8 sq. m. for the 3 months to December.



CONCLUSION

In short, therefore, Residential Plans passed, excluding dwelling Houses smaller than 80 square metres, can be a useful leading business cycle indicator, and their broad year-on-year decline in the final quarter of 2016 points to further near term economic growth weakness.

Simultaneously, residential building stats reflect economic and property conditions. Various of our FNB property economic data points towards slowing demand and easing residential supply constraints in the existing home market of late.

This, along with Plans Passed growth having been broadly weaker towards the end of 2015, suggests slowing level of building completions to come in 2016.

Increasingly financially constrained times also lead us to expect a smaller average size of home to be built in 2016

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Building Plans Passed

Residential Buildings	2013	2014	2015	Q2-2015	Q3-2015	Q4-2015	Oct-15	Nov-15	Dec-15
Dwelling houses less than 80 m.sq (Number	17 894	20 717	22 789	6 112	7 638	5 027	1 873	1 976	1 178
Y/Y % change	*0.6*	*15.8*	*10.0*	*50.9*	*26.2*	*14.0*	*38.7*	*28.3*	*-22.4*
Dwelling houses less than 80 m.sq (m^2)	886 304	1 000 827	1 088 524	282 066	364 730	248 031	93 293	97 427	57 311
Y/Y % change	*2.2*	*12.9*	*8.8*	*38.7*	*30.3*	*17.2*	*41.0*	*30.8*	*-19.3*
Dwelling houses less than 80 m.sq (R'000)	2 941 897	3 665 079	3 948 982	962 297	1 196 379	993 431	367 431	363 554	262 446
Y/Y % change	*8.8*	*24.6*	*7.7*	*30.9*	*18.1*	*9.3*	*45.2*	*8.2*	*-17.9*
Dwelling houses larger than 80 m.sq (Numbe	16 203	17 121	16 980	4 242	4 555	4 134	1 491	1 521	1 122
Y/Y % change	*-2.3*	*5.7*	*-0.8*	*1.0*	*-4.1*	*-2.7*	*-8.0*	*3.5*	*-3.1*
Dwelling houses larger than 80 m.sq (m^2)	4 229 594	4 593 003	4 619 148	1 148 475	1 251 800	1 102 581	388 035	393 533	321 013
Y/Y % change	*8.9*	*8.6*	*0.6*	*5.4*	*-3.6*	*-5.7*	*-16.5*	*-0.3*	*3.7*
Dwelling houses larger than 80 m.sq (R'000)	24 351 101	28 319 334	29 912 624	7 351 065	8 265 034	7 310 186	2 477 214	2 659 681	2 173 291
Y/Y % change	*15.9*	*16.3*	*5.6*	*12.4*	*1.7*	*-1.5*	*-16.2*	*6.3*	*10.6*
Flats and Townhouses (Number)	16 350	18 971	19 898	6 306	4 642	4 475	1 508	1 179	1 788
Y/Y % change	*5.9*	*16.0*	*4.9*	*7.2*	*5.9*	*-7.4*	*-30.9*	*-41.5*	*181.6*
Flats and Townhouses (m^2)	1 531 217	1 873 555	1 992 217	589 787	476 205	450 488	154 309	155 770	140 409
Y/Y % change	*2.4*	*22.4*	*6.3*	*15.0*	*-2.7*	*-9.2*	*-37.1*	*-10.0*	*80.9*
Flats and Townhouses (R'000)	9 605 023	13 185 006	14 907 807	4 173 501	3 850 852	3 496 748	1 014 257	1 236 199	1 246 292
Y/Y % change	*11.1*	*37.3*	*13.1*	*17.2*	*8.2*	*-4.0*	*-46.4*	*6.9*	*110.9*
Total units plans passed (Number)	**50 447**	**56 809**	**59 667**	**16 660**	**16 835**	**13 636**	**4 872**	**4 676**	**4 088**
Y/Y % change	***1.3***	***12.6***	***5.0***	***17.9***	***10.9***	***1.1***	***-5.4***	***-7.0***	***23.4***
Total building plans passed (m^2)	**6 647 115**	**7 467 385**	**7 699 889**	**2 020 328**	**2 092 735**	**1 801 100**	**635 637**	**646 730**	**518 733**
Y/Y % change	***6.4***	***12.3***	***3.1***	***11.9***	***1.2***	***-4.0***	***-18.1***	***0.7***	***13.2***
Other Residential Buildings (m^2)	184 436	199 151	130 311	60 051	17 540	14 482	8 249	1 519	4 714
Y/Y % change	*21.9*	*8.0*	*-34.6*	*103.1*	*-58.7*	*-76.1*	*-71.5*	*-92.7*	*-56.8*
Other Residential Buildings (R 000)	1 405 583	1 213 717	937 593	477 541	128 069	93 985	45 279	11 572	37 134
Y/Y % change	*78.5*	*-13.7*	*-22.8*	*111.1*	*-53.7*	*-76.4*	*-71.9*	*-92.6*	*-54.0*
Total Residential Buildings (R 000)	**38 303 604**	**46 383 136**	**49 707 006**	**12 964 404**	**13 440 334**	**11 894 350**	**3 904 181**	**4 271 006**	**3 719 163**
Y/Y % change	***15.6***	***21.1***	***7.2***	***17.2***	***3.6***	***-3.8***	***-25.8***	***2.9***	***25.8***
Additions and Alterations									
Dwelling houses (m^2)	3 143 857	3 199 308	3 136 968	782 355	862 665	777 851	293 835	251 889	232 127
Y/Y % change	*0.6*	*1.8*	*-1.9*	*4.8*	*-4.6*	*-5.3*	*-5.1*	*-10.0*	*0.0*
Dwelling houses (R'000)	16 773 444	18 274 354	19 156 630	4 599 919	5 407 961	4 962 668	1 833 475	1 597 209	1 531 984
Y/Y % change	*5.7*	*8.9*	*4.8*	*9.4*	*1.9*	*3.2*	*3.4*	*-4.3*	*12.3*

Buildings Completed

Residential Buildings	2013	2014	2015	Q2-2015	Q3-2015	Q4-2015	Oct-15	Nov-15	Dec-15
Dwelling houses less than 80 m.sq (Number)	17 436	15 444	16 022	4 391	3 713	4 391	1 117	1 935	1 339
Y/Y % change	*-12.9*	*-11.4*	*3.7*	*58.3*	*-3.9*	*-14.0*	*-52.3*	*31.9*	*3.2*
Dwelling houses less than 80 m.sq (m^2)	808 514	764 268	791 987	215 711	183 477	211 080	53 288	90 689	67 103
Y/Y % change	*-10.5*	*-5.5*	*3.6*	*56.3*	*-2.6*	*-19.6*	*-57.6*	*24.3*	*5.1*
Dwelling houses less than 80 m.sq (R'000)	2 315 435	2 767 020	3 064 303	821 874	713 504	839 398	227 369	372 774	239 255
Y/Y % change	*-0.9*	*19.5*	*10.7*	*63.3*	*2.0*	*-19.0*	*-59.1*	*39.1*	*12.5*
Dwelling houses larger than 80 m.sq (Number)	11 538	10 750	12 163	3 161	3 074	3 220	1 049	1 194	977
Y/Y % change	*-0.3*	*-6.8*	*13.1*	*33.9*	*9.6*	*1.6*	*-4.2*	*8.9*	*-0.1*
Dwelling houses larger than 80 m.sq (m^2)	2 859 082	2 776 600	3 158 391	808 609	829 821	814 849	267 741	302 097	245 011
Y/Y % change	*1.9*	*-2.9*	*13.8*	*37.4*	*12.0*	*-2.8*	*-10.9*	*2.7*	*0.7*
Dwelling houses larger than 80 m.sq (R'000)	15 910 377	17 061 655	20 158 127	5 118 352	5 363 195	5 355 207	1 743 471	1 989 501	1 622 235
Y/Y % change	*9.1*	*7.2*	*18.1*	*44.6*	*14.2*	*2.7*	*-4.6*	*6.7*	*6.8*
Flats and Townhouses (Number)	12 511	11 849	11 486	3 040	3 004	3 195	816	1 452	927
Y/Y % change	*9.9*	*-5.3*	*-3.1*	*4.0*	*3.6*	*8.3*	*97.6*	*12.0*	*-25.3*
Flats and Townhouses (m^2)	1 218 234	1 166 426	1 174 581	301 393	310 088	357 483	93 518	144 202	119 763
Y/Y % change	*10.3*	*-4.3*	*0.7*	*-0.4*	*2.2*	*18.5*	*85.0*	*6.9*	*3.1*
Flats and Townhouses (R'000)	7 203 121	7 592 393	8 474 693	2 062 980	2 325 928	2 658 198	712 915	1 022 017	923 266
Y/Y % change	*23.2*	*5.4*	*11.6*	*7.9*	*20.9*	*30.5*	*115.9*	*8.8*	*20.4*
Total units completed (Number)	**41 485**	**38 043**	**39 671**	**10 592**	**9 791**	**10 806**	**2 982**	**4 581**	**3 243**
Y/Y % change	***-3.5***	***-8.3***	***4.3***	***31.5***	***2.3***	***-3.7***	***-22.6***	***18.7***	***-7.8***
Total building space completed (m^2)	**4 885 830**	**4 707 294**	**5 124 959**	**1 325 713**	**1 323 386**	**1 383 412**	**414 547**	**536 988**	**431 877**
Y/Y % change	***1.5***	***-3.7***	***8.9***	***28.8***	***7.4***	***-1.3***	***-13.1***	***7.0***	***2.0***
Other Residential Buildings (m^2)	88 659	88 528	73 155	49 655	10 561	7 505	632	4 947	1 926
Y/Y % change	*94.2*	*-0.1*	*-17.4*	*162.6*	*-52.8*	*-69.4*	*-97.3*	*#N/A*	*140.8*
Other Residential Buildings (R 000)	492 628	519 920	492 576	324 519	67 450	64 662	3 884	48 414	12 364
Y/Y % change	*60.9*	*5.5*	*-5.3*	*258.2*	*-47.1*	*-62.4*	*-97.7*	*#N/A*	*243.4*
Total Residential Buildings (R 000)	**25 921 561**	**27 940 988**	**32 189 699**	**8 327 725**	**8 470 077**	**8 917 465**	**2 687 639**	**3 432 706**	**2 797 120**
Y/Y % change	***12.4***	***7.8***	***15.2***	***37.7***	***13.8***	***5.4***	***-6.8***	***11.7***	***11.8***
Additions and Alterations									
Dwelling houses (m^2)	1 722 368	1 120 747	1 160 198	303 821	330 775	265 149	92 800	94 295	78 054
Y/Y % change	*17.4*	*-34.9*	*3.5*	*33.5*	*22.4*	*-4.7*	*-12.2*	*5.6*	*-6.3*
Dwelling houses (R'000)	8 228 378	6 130 061	6 449 351	1 627 956	1 840 600	1 597 202	555 382	556 970	484 850
Y/Y % change	*19.8*	*-25.5*	*5.2*	*24.2*	*21.3*	*3.6*	*-3.8*	*12.6*	*3.1*