

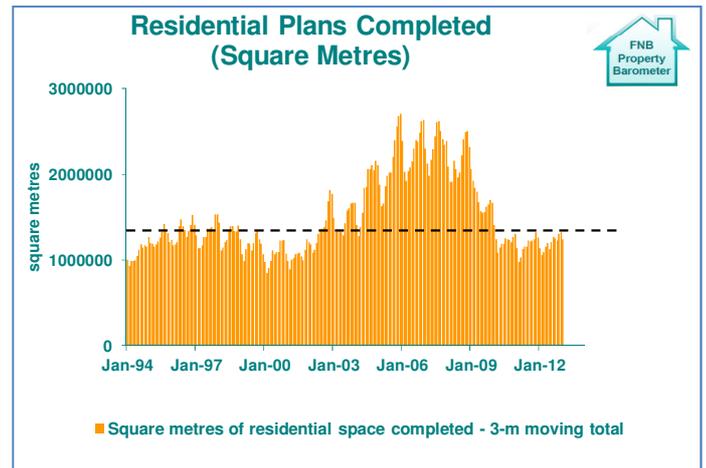
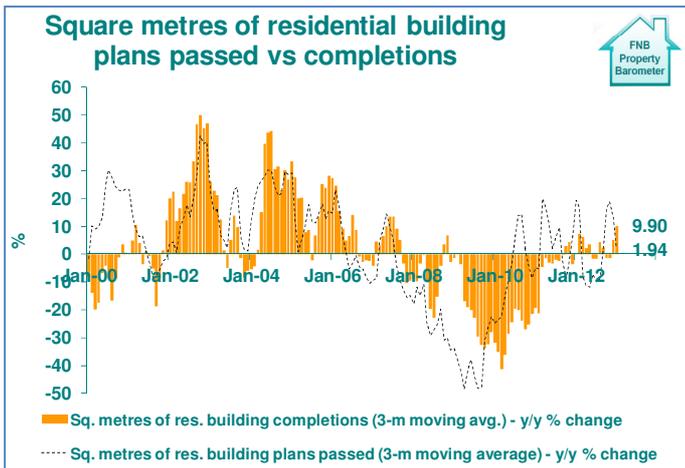
# PROPERTY BAROMETER – JANUARY RESIDENTIAL BUILDING STATISTICS

*Residential building activity may return to mildly positive growth in 2013, after some years of decline*

19 March 2013

The release of January residential building statistics by StatsSA shows building completions growth getting off to a pretty good start in 2013. On a year-on-year basis, square metreage of residential buildings completed rose 10.4% in January. However, due to data volatility we prefer to use a 3-month moving average, which came out at a healthy 9.9% year-on-year for the 3 months to January. This follows on a period in the 2<sup>nd</sup> half of 2012 in which square metreage of building plans passed was generally positive, a useful leading indicator of near term trends in completions.

However, solid growth is far from guaranteed, with square metres of plans passed having once again seen year-on-year growth turning negative to the tune of -1% in January, and the 3-month moving average's year-on-year growth slowing to a lowly rate of 1.94%.



However, plans passed can also be volatile from month to month, and after a decline of -2.9% in square metreage of buildings completed for the entire 2012, we would expect some mild positive growth for the year 2013. This is due to some narrowing in the important residential Replacement Cost Gap, which reflects the percentage difference between the replacement cost of a Full Title home and the existing value of that home (calculated by FNB valuers for insurance purposes upon valuing homes).

The 4<sup>th</sup> quarter of 2012 saw a slight further decline in the replacement cost gap from 23% in the 3<sup>rd</sup> quarter to 21%. This means that the cumulative decline from the early-2012 peak of 26.1% is starting to become significant, and contributes to some improvement in residential building market conditions, by making it slightly less challenging to bring competitively (to compete with existing house prices) priced new residential stock to the market. However, the gap still remains well above the virtually zero level at a stage in 2007. That 2007 gap was a situation which facilitated the peak of the residential building boom in that year, as back then it was very easy for the development sector to compete price-wise with the existing home market.

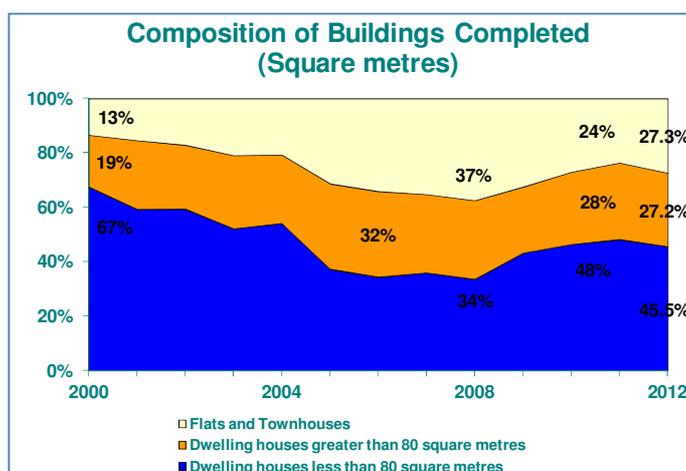
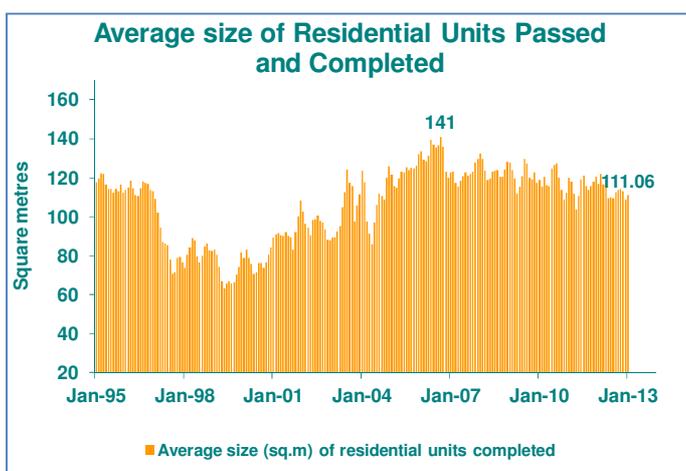


Currently, therefore, the residential building sector may be seeing some improvement in conditions due to a narrowing replacement cost gap. However, it still faces heavy competition from a well-supplied existing home market, and the 21% replacement cost gap, while better, still makes it tough to compete price-wise with the existing market.

Looking at the longer term trends in the composition of completions, we may have been seeing a mild trend change through 2012. The longer term declining trend in average unit size, from a 141 square metre peak late in 2006 to 111.06 square metres by January 2013, is not expected to change direction. The low density nature of SA housing stock is outdated, much of it having been built in the 1970s/80s when infrastructure and services around the cities were plentiful. Densification is expected to be a long term trend, therefore, as urban infrastructure and land scarcity mount, and costs of rates and tariffs bills skyrocket.

But what we saw in 2012 to date was an increase in the percentage of flats and townhouses, from 24% of total residential square metres completed in 2011 to 27.3%, which is a reversal of a “temporary” shrinking trend in this residential category from 2008 where it was as much as 37% of total square metres completed.

And in January 2013, the Flats and Townhouses category showed the fastest year-on-year growth rate of 34.5% in terms of square metres completed, and 17.7% in terms of number of units.



Looking forward to the rest of 2013, I anticipate mild improvement at best in overall residential building activity, with the narrower but still-significant replacement cost gap keeping price competition with the existing home market tough. Real economic growth appears to be normalizing back up to between 2 and 3%, after a weak 2<sup>nd</sup> half of 2012, and the FNB Estate Agent Survey points towards a noticeable rise in residential demand early in 2013, mildly positive for the development sector.

Therefore, from mildly negative growth in 2012, we expect mildly positive growth in completions to the tune of 2-3% for the entire 2013.

Also of significance may be a change in the composition of building activity in 2013, with flats and townhouses becoming a larger portion of total residential completions as the urban densification process proceeds, and with the relative price advantage of larger free standing full title properties having been whittled away by slightly better price growth in recent years compared with sectional title. In addition, ongoing rises in operating costs in the form of rates and tariff hikes militate in favour of smaller residential units. “Smaller will thus be increasingly better” in the years to come.

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## Building Plans Passed

<b>Residential Buildings</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Q2-2012</b>	<b>Q3-2012</b>	<b>Q4-2012</b>	<b>Nov-12</b>	<b>Dec-12</b>	<b>Jan-13</b>
Dwelling houses less than 80 m.sq (Number)	20 752	22 567	17 781	4 524	4 649	4 200	1 875	637	1 344
<i>Y/Y % change</i>	<i>-17.4</i>	<i>8.7</i>	<i>-21.2</i>	<i>-7.6</i>	<i>-28.5</i>	<i>-18.0</i>	<i>-14.3</i>	<i>-54.9</i>	<i>-34.8</i>
Dwelling houses less than 80 m.sq (m <sup>2</sup> )	928 325	1 089 658	866 653	220 077	227 930	205 586	89 478	33 706	70 345
<i>Y/Y % change</i>	<i>-15.7</i>	<i>17.4</i>	<i>-20.5</i>	<i>-5.3</i>	<i>-26.5</i>	<i>-20.0</i>	<i>-17.0</i>	<i>-53.5</i>	<i>-23.7</i>
Dwelling houses less than 80 m.sq (R'000)	2 092 786	2 757 030	2 700 855	683 992	739 825	638 441	269 261	131 789	192 747
<i>Y/Y % change</i>	<i>-5.5</i>	<i>31.7</i>	<i>-2.0</i>	<i>20.0</i>	<i>-7.8</i>	<i>-17.9</i>	<i>-18.8</i>	<i>-33.1</i>	<i>-28.7</i>
Dwelling houses larger than 80 m.sq (Number)	14 885	15 529	16 562	3 937	4 460	4 179	1 649	1 026	1 196
<i>Y/Y % change</i>	<i>8.0</i>	<i>4.3</i>	<i>6.7</i>	<i>-3.6</i>	<i>10.6</i>	<i>1.5</i>	<i>11.1</i>	<i>-12.6</i>	<i>5.8</i>
Dwelling houses larger than 80 m.sq (m <sup>2</sup> )	3 809 452	3 757 969	3 876 589	942 565	1 063 893	974 112	389 016	235 230	273 922
<i>Y/Y % change</i>	<i>5.3</i>	<i>-1.4</i>	<i>3.2</i>	<i>-4.4</i>	<i>12.0</i>	<i>2.4</i>	<i>7.6</i>	<i>-11.9</i>	<i>8.4</i>
Dwelling houses larger than 80 m.sq (R'000)	17 931 885	18 878 026	15 621 990	4 978 631	5 851 341	5 396 927	2 180 043	1 297 541	1 550 914
<i>Y/Y % change</i>	<i>15.6</i>	<i>5.3</i>	<i>-17.2</i>	<i>4.3</i>	<i>19.6</i>	<i>7.9</i>	<i>13.0</i>	<i>-6.3</i>	<i>17.9</i>
Flats and Townhouses (Number)	12 275	14 728	10 472	3 419	4 266	4 957	2 034	806	709
<i>Y/Y % change</i>	<i>-25.7</i>	<i>20.0</i>	<i>-28.9</i>	<i>-17.1</i>	<i>-5.4</i>	<i>104.3</i>	<i>102.6</i>	<i>3.9</i>	<i>0.3</i>
Flats and Townhouses (m <sup>2</sup> )	1 172 152	1 401 183	1 008 830	350 840	405 775	486 257	189 776	107 052	62 053
<i>Y/Y % change</i>	<i>-22.8</i>	<i>19.5</i>	<i>-28.0</i>	<i>-15.0</i>	<i>1.6</i>	<i>85.5</i>	<i>68.2</i>	<i>17.6</i>	<i>-5.1</i>
Flats and Townhouses (R'000)	5 945 008	7 145 742	5 590 714	1 960 469	2 302 656	3 049 983	1 241 140	605 540	398 441
<i>Y/Y % change</i>	<i>-13.3</i>	<i>20.2</i>	<i>-21.8</i>	<i>-1.9</i>	<i>8.3</i>	<i>114.7</i>	<i>97.4</i>	<i>25.4</i>	<i>15.0</i>
<b>Total units plans passed (Number)</b>	<b>47 912</b>	<b>52 824</b>	<b>44 815</b>	<b>11 880</b>	<b>13 375</b>	<b>13 336</b>	<b>5 558</b>	<b>2 469</b>	<b>3 249</b>
<i>Y/Y % change</i>	<i>-13.6</i>	<i>10.3</i>	<i>-15.2</i>	<i>-9.3</i>	<i>-11.1</i>	<i>14.3</i>	<i>18.9</i>	<i>-26.6</i>	<i>-16.6</i>
<b>Total building plans passed (m<sup>2</sup>)</b>	<b>5 909 929</b>	<b>6 248 810</b>	<b>5 752 072</b>	<b>1 513 482</b>	<b>1 697 598</b>	<b>1 665 955</b>	<b>668 270</b>	<b>375 988</b>	<b>406 320</b>
<i>Y/Y % change</i>	<i>-5.3</i>	<i>5.7</i>	<i>-7.9</i>	<i>-7.2</i>	<i>2.3</i>	<i>13.3</i>	<i>14.8</i>	<i>-12.7</i>	<i>-1.0</i>
Other Residential Buildings (m <sup>2</sup> )	197 567	93 348	49 076	13 054	12 357	75 052	15 270	51 107	6 240
<i>Y/Y % change</i>	<i>-25.3</i>	<i>-52.8</i>	<i>-47.4</i>	<i>-0.9</i>	<i>-29.3</i>	<i>310.8</i>	<i>152.4</i>	<i>373.7</i>	<i>-49.7</i>
Other Residential Buildings (R 000)	1 090 834	444 940	238 595	53 297	65 973	377 289	65 449	243 280	30 468
<i>Y/Y % change</i>	<i>-18.8</i>	<i>-59.2</i>	<i>-46.4</i>	<i>-4.0</i>	<i>-25.3</i>	<i>260.9</i>	<i>67.2</i>	<i>310.7</i>	<i>-54.9</i>
<b>Total Residential Buildings (R 000)</b>	<b>27 060 513</b>	<b>29 225 738</b>	<b>23 516 441</b>	<b>7 676 389</b>	<b>8 959 795</b>	<b>9 462 640</b>	<b>3 755 893</b>	<b>2 278 150</b>	<b>2 172 570</b>
<i>Y/Y % change</i>	<i>4.4</i>	<i>8.0</i>	<i>-19.5</i>	<i>3.8</i>	<i>13.3</i>	<i>29.5</i>	<i>28.3</i>	<i>7.2</i>	<i>8.6</i>
<b>Additions and Alterations</b>									
Dwelling houses (m <sup>2</sup> )	3 443 686	3 160 212	2 335 310	783 144	812 136	790 441	290 276	207 425	202 845
<i>Y/Y % change</i>	<i>3.8</i>	<i>-8.2</i>	<i>-26.1</i>	<i>-1.0</i>	<i>0.4</i>	<i>-1.7</i>	<i>-10.6</i>	<i>-3.1</i>	<i>-3.3</i>
Dwelling houses (R'000)	15 388 880	15 111 747	11 794 753	3 913 132	4 211 628	4 075 159	1 538 516	1 019 280	1 078 183
<i>Y/Y % change</i>	<i>13.0</i>	<i>-1.8</i>	<i>-21.9</i>	<i>5.7</i>	<i>7.1</i>	<i>1.8</i>	<i>-5.3</i>	<i>-4.3</i>	<i>3.3</i>

## Buildings Completed

<b>Residential Buildings</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Q2-2012</b>	<b>Q3-2012</b>	<b>Q4-2012</b>	<b>Nov-12</b>	<b>Dec-12</b>	<b>Jan-13</b>
Dwelling houses less than 80 m.sq (Number)	18 858	19 506	14 039	5 291	4 786	5 980	2 303	1 803	1 223
<i>Y/Y % change</i>	<i>-23.3</i>	<i>3.4</i>	<i>-28.0</i>	<i>14.0</i>	<i>-13.0</i>	<i>29.4</i>	<i>43.3</i>	<i>13.8</i>	<i>-15.3</i>
Dwelling houses less than 80 m.sq (m <sup>2</sup> )	837 429	906 246	634 553	237 064	218 041	268 125	101 931	82 542	55 142
<i>Y/Y % change</i>	<i>-22.1</i>	<i>8.2</i>	<i>-30.0</i>	<i>6.7</i>	<i>-14.5</i>	<i>20.8</i>	<i>28.7</i>	<i>11.2</i>	<i>-14.6</i>
Dwelling houses less than 80 m.sq (R'000)	1 835 428	2 297 040	1 658 112	603 956	566 763	677 507	261 538	194 511	126 255
<i>Y/Y % change</i>	<i>-19.2</i>	<i>25.2</i>	<i>-27.8</i>	<i>10.4</i>	<i>-7.3</i>	<i>2.1</i>	<i>5.0</i>	<i>-10.3</i>	<i>-16.2</i>
Dwelling houses larger than 80 m.sq (Number)	10 856	11 456	8 396	2 743	2 878	3 150	1 199	996	827
<i>Y/Y % change</i>	<i>-21.9</i>	<i>5.5</i>	<i>-26.7</i>	<i>0.8</i>	<i>-10.0</i>	<i>2.6</i>	<i>9.0</i>	<i>12.3</i>	<i>3.4</i>
Dwelling houses larger than 80 m.sq (m <sup>2</sup> )	2 787 173	2 773 544	2 060 973	663 574	728 809	746 883	295 448	225 901	203 469
<i>Y/Y % change</i>	<i>-24.0</i>	<i>-0.5</i>	<i>-25.7</i>	<i>1.5</i>	<i>-3.3</i>	<i>1.2</i>	<i>15.7</i>	<i>-6.9</i>	<i>12.5</i>
Dwelling houses larger than 80 m.sq (R'000)	12 323 412	13 371 829	10 577 865	3 282 894	3 936 939	4 027 373	1 603 751	1 233 280	1 073 057
<i>Y/Y % change</i>	<i>-15.7</i>	<i>8.5</i>	<i>-20.9</i>	<i>6.3</i>	<i>9.7</i>	<i>5.9</i>	<i>24.2</i>	<i>-4.9</i>	<i>25.8</i>
Flats and Townhouses (Number)	10 965	9 545	8 428	2 305	3 398	3 033	1 257	995	710
<i>Y/Y % change</i>	<i>-40.6</i>	<i>-13.0</i>	<i>-11.7</i>	<i>0.2</i>	<i>63.9</i>	<i>6.4</i>	<i>24.0</i>	<i>50.3</i>	<i>17.7</i>
Flats and Townhouses (m <sup>2</sup> )	1 191 976	996 413	794 794	232 399	309 758	310 329	129 501	85 533	68 767
<i>Y/Y % change</i>	<i>-39.5</i>	<i>-16.4</i>	<i>-20.2</i>	<i>-16.2</i>	<i>41.5</i>	<i>2.9</i>	<i>31.8</i>	<i>-4.2</i>	<i>34.5</i>
Flats and Townhouses (R'000)	5 645 543	4 845 205	4 136 199	1 207 901	1 660 989	1 714 503	718 977	468 114	382 256
<i>Y/Y % change</i>	<i>-33.6</i>	<i>-14.2</i>	<i>-14.6</i>	<i>-3.1</i>	<i>65.9</i>	<i>6.5</i>	<i>40.2</i>	<i>-4.5</i>	<i>56.9</i>
<b>Total units completed (Number)</b>	<b>40 679</b>	<b>40 507</b>	<b>30 863</b>	<b>10 339</b>	<b>11 062</b>	<b>12 163</b>	<b>4 759</b>	<b>3 794</b>	<b>2 760</b>
<i>Y/Y % change</i>	<i>-28.6</i>	<i>-0.4</i>	<i>-23.8</i>	<i>7.0</i>	<i>2.7</i>	<i>15.4</i>	<i>27.9</i>	<i>21.1</i>	<i>-3.1</i>
<b>Total building space completed (m<sup>2</sup>)</b>	<b>4 816 578</b>	<b>4 676 203</b>	<b>3 490 320</b>	<b>1 133 037</b>	<b>1 256 608</b>	<b>1 325 337</b>	<b>526 880</b>	<b>393 976</b>	<b>327 378</b>
<i>Y/Y % change</i>	<i>-28.3</i>	<i>-2.9</i>	<i>-25.4</i>	<i>-1.7</i>	<i>2.4</i>	<i>5.0</i>	<i>21.7</i>	<i>-3.0</i>	<i>10.4</i>
Other Residential Buildings (m <sup>2</sup> )	192 468	149 523	20 723	4 654	7 023	24 732	-	23 642	11 591
<i>Y/Y % change</i>	<i>-13.9</i>	<i>-22.3</i>	<i>-86.1</i>	<i>-88.9</i>	<i>-57.2</i>	<i>-35.3</i>	<i>-100.0</i>	<i>184.8</i>	<i>1315.3</i>
Other Residential Buildings (R 000)	1 208 759	863 212	107 912	20 948	48 204	197 196	-	192 139	52 067
<i>Y/Y % change</i>	<i>20.6</i>	<i>-28.6</i>	<i>-87.5</i>	<i>-92.1</i>	<i>-33.4</i>	<i>-5.6</i>	<i>-100.0</i>	<i>223.0</i>	<i>1188.5</i>
<b>Total Residential Buildings (R 000)</b>	<b>21 013 142</b>	<b>21 377 286</b>	<b>16 480 088</b>	<b>5 115 699</b>	<b>6 212 895</b>	<b>6 616 579</b>	<b>2 584 266</b>	<b>2 088 044</b>	<b>1 633 635</b>
<i>Y/Y % change</i>	<i>-20.4</i>	<i>1.7</i>	<i>-22.9</i>	<i>-0.6</i>	<i>17.8</i>	<i>5.3</i>	<i>18.8</i>	<i>1.2</i>	<i>30.5</i>
<b>Additions and Alterations</b>									
Dwelling houses (m <sup>2</sup> )	1 811 174	1 762 670	1 124 862	384 327	360 927	342 985	121 634	84 771	108 974
<i>Y/Y % change</i>	<i>-21.6</i>	<i>-2.7</i>	<i>-36.2</i>	<i>-9.7</i>	<i>-18.8</i>	<i>-13.6</i>	<i>-11.4</i>	<i>-24.6</i>	<i>-1.2</i>
Dwelling houses (R'000)	7 392 211	7 871 046	5 216 712	1 754 804	1 763 344	1 655 903	592 798	426 154	509 269
<i>Y/Y % change</i>	<i>-12.2</i>	<i>6.5</i>	<i>-33.7</i>	<i>-3.2</i>	<i>-10.4</i>	<i>-13.3</i>	<i>-6.3</i>	<i>-26.5</i>	<i>5.1</i>