

PROPERTY BAROMETER – OCTOBER RESIDENTIAL BUILDING STATS

Residential units plans passed for units over 80 square metres is a useful leading economic indicator, and like most other indicators of late, it was pointing down in October.

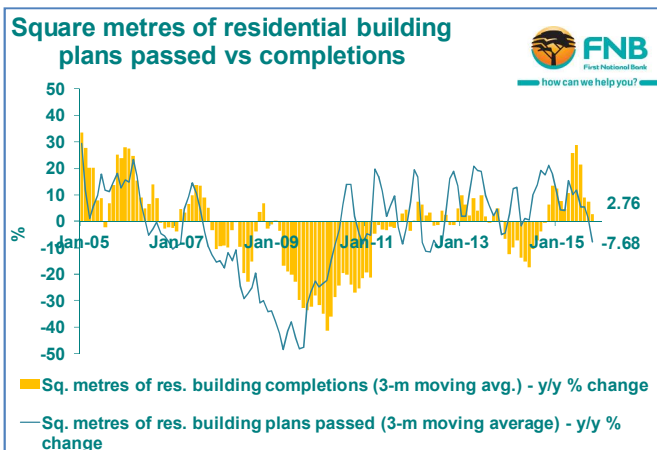
10 December 2015

THE MAIN BUILDING STATS

For the month of October, square metres' worth of residential buildings completed declined by -13% year-on-year. This represents a weakening from the prior months' positive growth of +14.6%.

However, as monthly data is traditionally volatile, we prefer to analyse trends through smoothing the data with a 3-month moving average. Here too, though, we see a weakening in growth to 2.76% year-on-year in October, from a previous 7.4% for the 3 months to September.

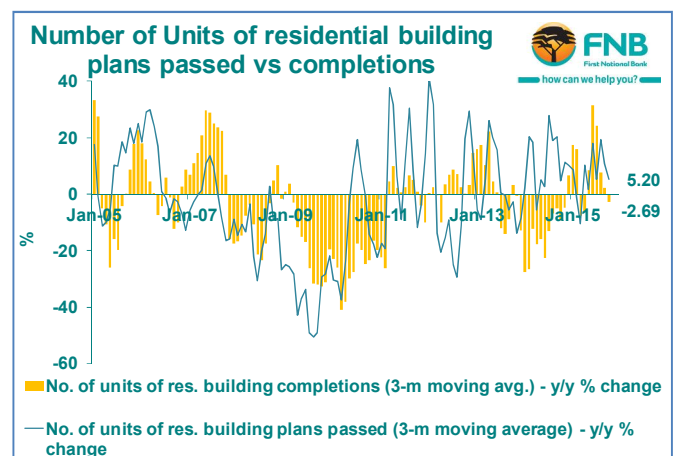
The 3 month moving average for Square Metres of Residential Plans Passed, too, has been recording slowing growth, from a positive +1.2% year-on-year for the 3 months to September to a drop of -7.7% for the 3 months to October.



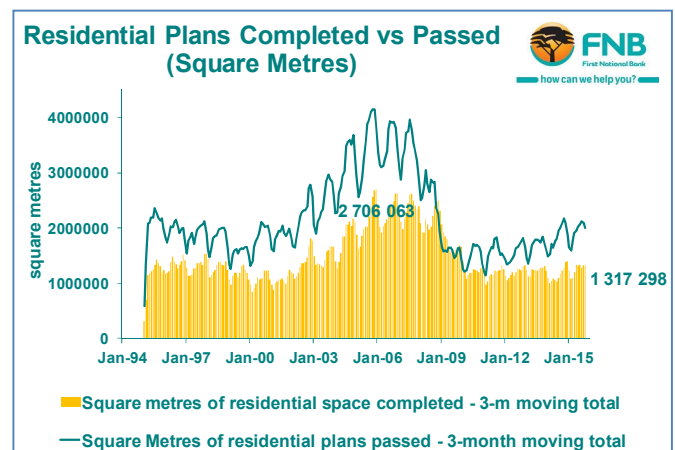
A similar picture is witnessed when examining the number of residential units completed. Here, too, we saw a slowing in the year-on-year growth rate from a positive +12.2% in September to -23.2% decline in October.

And smoothing using the 3 month moving average, we see a continuation of the growth slowdown from +2.3% year-on-year growth for the 3 months to September, to -2.7% for the 3 months to October.

In short, the 2nd half of the year has brought a slowing growth rate in residential building completions.



And so, residential building completions chug along at a level around half of what they were back at the height of the building boom. 1.317 million square metres of residential space were completed for the 3 months to October, compared to 2.706 million completed for the 3 months to December 2005.



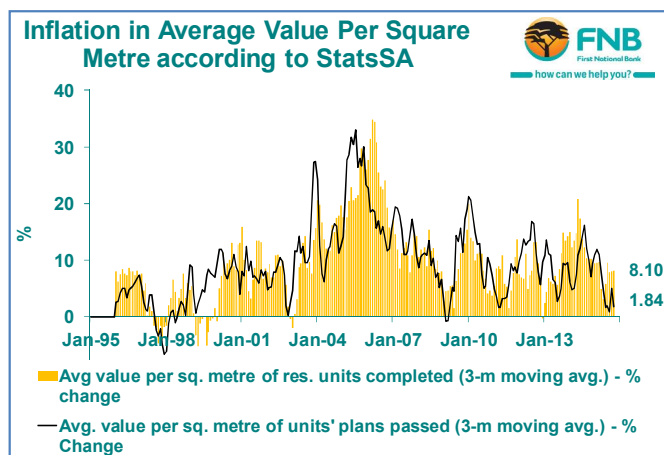
While the currently moderate level of building activity is not great news for the Development Sector, it is crucial to maintaining a reasonable balance between demand and supply in the Residential Market at a time

when the economy is at high risk of recession going into 2016, and residential demand could be slowing.

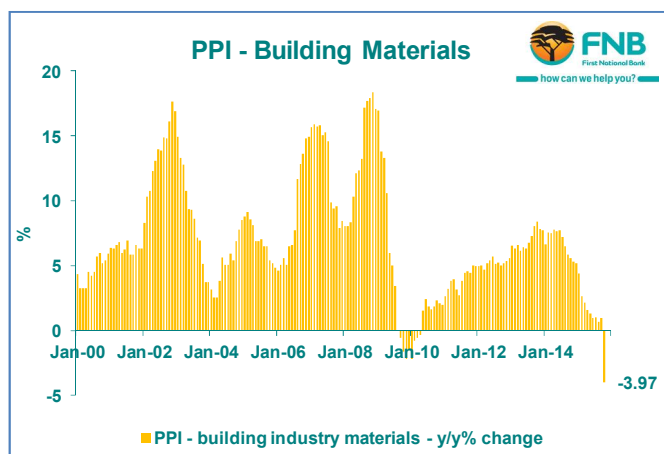
AVERAGE VALUE OF NEWLY BUILT HOMES

Building costs have up until recently appeared to limit the ability of the Development Sector to bring “competitively priced” new homes to the market. For the 3 months to October, the year-on-year average value of units completed rose by 8.1%, and of plans passed by 1.8%.

This inflation rate is, however, noticeably lower than the high of 20.8% year-on-year for units completed, recorded in May 2014.

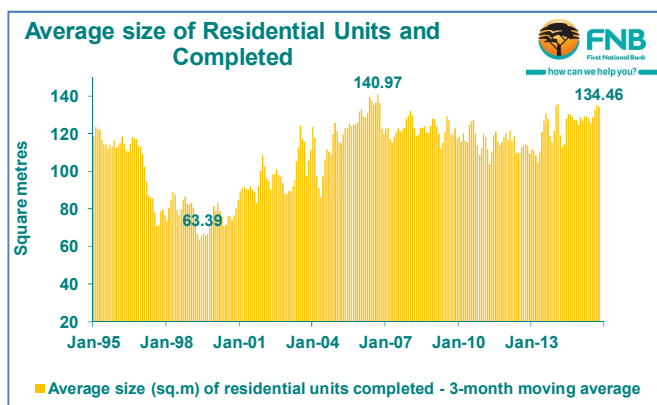


The building cost constraint, however, may be starting to ease a little. Building Materials Cost inflation, as per the PPI for Building materials, has slowed all the way from a high of 8.4% year-on-year in October 2013, to deflation of -3.97% year-on-year by October 2015.

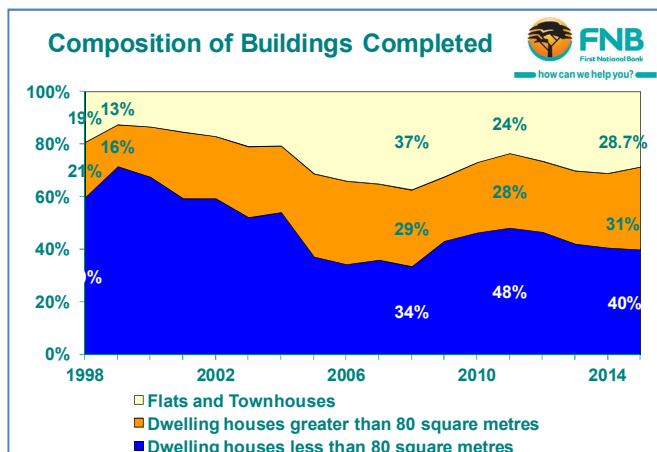


Despite the challenge of competing price-wise with existing home values, the past few years of reasonably positive housing market environment has seen an increase in the average size of homes completed, from a low of 105 square metres for the 3 months to April

2013 to 134.5 square metres for the 3 months to October 2015.



This reflects something of a loss in “market share” of the category “Dwelling Houses Smaller than 80 square Metres”, suggesting that building in the higher priced markets has grown a little faster than that in the so-called Affordable Housing Markets since around 2012.



CONCLUSION

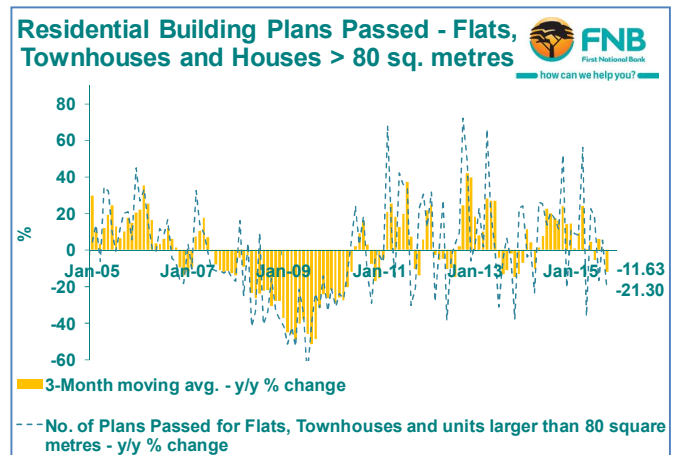
Given the likely continuation of the broad multi-year slowdown in the country’s economic growth, gradually rising interest rates and very weak Consumer Confidence, we would expect that the recent slowing in growth in residential completions is likely to continue into 2016.

We would also expect to see the start of a move towards a smaller average size of home built in 2016, which would better reflect the financially constrained Household Sector

Also important is to consider what the latest residential building stats are signaling with regard to near term economic prospects. Residential Building Plans Passed, excluding “Dwelling Houses smaller than 80 square metres” have long been used by the Reserve Bank as one of the Leading Indicators in its Composite Leading Business Cycle Indicator. And its October

year-on-year growth rate turned sharply negative to the tune of -21.3%. The smoother 3-month moving average also turned negative, recording a year-on-year drop of -11.63% for the 3 months to October, down from a +0.71% positive rate for the 3 months to September.

This, along with year-on-year contractions in other key sectors such as Mining, Manufacturing and Electricity Sales in October, serves to add to the expectation that we are heading for a weaker economic growth period in the near term.



JOHN LOOS:

HOUSEHOLD AND PROPERTY SECTOR STRATEGIST

MARKET ANALYTICS AND SCENARIO FORECASTING UNIT: FNB HOME LOANS

Tel: 087-328 0151

John.loos@fnb.co.za

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Building Plans Passed

Residential Buildings	2012	2013	2014	Q1-2015	Q2-2015	Q3-2015	Aug-15	Sep-15	Oct-15
Dwelling houses less than 80 m.sq (Number)	17 793	17 894	20 717	4 012	6 112	7 638	3 062	1 597	1 879
Y/Y % change	-21.2	0.6	15.8	-35.3	50.9	26.2	100.9	-4.5	39.2
Dwelling houses less than 80 m.sq (m ²)	867 330	886 304	1 000 827	193 697	282 066	364 730	149 753	76 680	93 634
Y/Y % change	-20.4	2.2	12.9	-36.7	38.7	30.3	101.3	0.8	41.6
Dwelling houses less than 80 m.sq (R'000)	2 704 622	2 941 897	3 665 079	796 875	962 297	1 196 379	473 176	304 120	368 963
Y/Y % change	-1.9	8.8	24.6	-20.9	30.9	18.1	49.7	17.0	45.8
Dwelling houses larger than 80 m.sq (Number)	16 582	16 203	17 121	4 049	4 242	4 555	1 439	1 601	1 500
Y/Y % change	6.8	-2.3	5.7	3.2	1.0	-4.1	-8.8	6.9	-7.5
Dwelling houses larger than 80 m.sq (m ²)	3 883 451	4 229 594	4 593 003	1 116 292	1 148 475	1 251 800	381 431	434 557	389 234
Y/Y % change	3.3	8.9	8.6	7.7	5.4	-3.6	-12.1	3.0	-16.2
Dwelling houses larger than 80 m.sq (R'000)	21 011 671	24 351 101	28 319 334	6 986 339	7 351 065	8 265 034	2 468 733	2 939 423	2 482 811
Y/Y % change	11.3	15.9	16.3	12.2	12.4	1.7	-9.7	11.2	-16.0
Flats and Townhouses (Number)	15 445	16 350	18 971	4 475	6 306	4 642	1 454	1 734	1 492
Y/Y % change	4.9	5.9	16.0	15.6	7.2	5.9	-23.2	4.1	-31.6
Flats and Townhouses (m ²)	1 495 616	1 531 217	1 873 555	475 737	589 787	476 205	153 292	175 291	153 273
Y/Y % change	6.7	2.4	22.4	26.8	15.0	-2.7	-25.1	-6.3	-37.5
Flats and Townhouses (R'000)	8 642 600	9 605 023	13 185 006	3 386 706	4 173 501	3 850 852	1 306 397	1 363 753	1 009 596
Y/Y % change	20.9	11.1	37.3	39.7	17.2	8.2	-17.2	7.8	-46.7
Total units plans passed (Number)	49 820	50 447	56 809	12 536	16 660	16 835	5 955	4 932	4 871
Y/Y % change	-5.7	1.3	12.6	-10.5	17.9	10.9	19.3	2.0	-5.5
Total building plans passed (m²)	6 246 397	6 647 115	7 467 385	1 785 726	2 020 328	2 092 735	684 476	686 528	636 141
Y/Y % change	0.0	6.4	12.3	4.0	11.9	1.2	-4.0	0.2	-18.0
Other Residential Buildings (m ²)	151 257	184 436	199 151	38 238	60 051	17 540	1 372	11 758	5 746
Y/Y % change	62.0	21.9	8.0	-42.4	103.1	-58.7	-93.6	264.6	-80.1
Other Residential Buildings (R 000)	787 573	1 405 583	1 213 717	237 998	477 541	128 069	6 787	91 243	33 265
Y/Y % change	77.0	78.5	-13.7	-23.9	111.1	-53.7	-95.0	395.6	-79.3
Total Residential Buildings (R 000)	33 146 466	38 303 604	46 383 136	11 407 918	12 964 404	13 440 334	4 255 093	4 698 539	3 894 635
Y/Y % change	13.4	15.6	21.1	14.4	17.2	3.6	-10.7	12.2	-26.0
Additions and Alterations									
Dwelling houses (m ²)	3 125 614	3 143 857	3 199 308	714 097	782 355	862 665	260 764	283 596	294 272
Y/Y % change	-1.1	0.6	1.8	-1.8	4.8	-4.6	-17.5	-7.6	-4.9
Dwelling houses (R'000)	15 869 459	16 773 444	18 274 354	4 186 082	4 599 919	5 407 961	1 650 599	1 788 209	1 835 389
Y/Y % change	5.0	5.7	8.9	5.8	9.4	1.9	-9.1	-3.0	3.5

Buildings Completed

Residential Buildings	2012	2013	2014	Q1-2015	Q2-2015	Q3-2015	Aug-15	Sep-15	Oct-15
Dwelling houses less than 80 m.sq (Number)	20 023	17 436	15 444	3 527	4 391	3 713	1 080	1 406	1 074
Y/Y % change	2.7	-12.9	-11.4	-4.7	58.3	-3.9	-22.7	10.0	-54.2
Dwelling houses less than 80 m.sq (m ²)	902 955	808 514	764 268	181 719	215 711	183 477	53 852	70 186	51 894
Y/Y % change	-0.4	-10.5	-5.5	3.7	56.3	-2.6	-21.6	15.0	-58.8
Dwelling houses less than 80 m.sq (R'000)	2 337 344	2 315 435	2 767 020	689 527	821 874	713 504	208 994	270 609	223 828
Y/Y % change	1.8	-0.9	19.5	30.6	63.3	2.0	-20.0	19.7	-59.7
Dwelling houses larger than 80 m.sq (Number)	11 569	11 538	10 750	2 708	3 161	3 074	997	1 137	1 054
Y/Y % change	1.0	-0.3	-6.8	12.2	33.9	9.6	6.4	26.5	-3.7
Dwelling houses larger than 80 m.sq (m ²)	2 805 442	2 859 082	2 776 600	705 112	808 609	829 821	259 781	290 562	268 548
Y/Y % change	1.2	1.9	-2.9	15.7	37.4	12.0	2.0	17.3	-10.7
Dwelling houses larger than 80 m.sq (R'000)	14 577 590	15 910 377	17 061 655	4 321 373	5 118 352	5 363 195	1 647 045	1 852 521	1 747 106
Y/Y % change	9.0	9.1	7.2	19.6	44.6	14.2	1.2	16.6	-4.4
Flats and Townhouses (Number)	11 386	12 511	11 849	2 247	3 040	3 004	1 184	1 060	829
Y/Y % change	19.3	9.9	-5.3	-27.0	4.0	3.6	69.9	2.5	100.7
Flats and Townhouses (m ²)	1 104 767	1 218 234	1 166 426	205 617	301 393	310 088	120 227	107 977	94 271
Y/Y % change	10.9	10.3	-4.3	-20.6	-0.4	2.2	65.8	7.6	86.5
Flats and Townhouses (R'000)	5 848 247	7 203 121	7 592 393	1 427 587	2 062 980	2 325 928	910 083	878 765	716 304
Y/Y % change	20.7	23.2	5.4	-17.0	7.9	20.9	85.2	37.7	116.9
Total units completed (Number)	42 978	41 485	38 043	8 482	10 592	9 791	3 261	3 603	2 957
Y/Y % change	6.1	-3.5	-8.3	-7.7	31.5	2.3	7.6	12.2	-23.2
Total building space completed (m²)	4 813 164	4 885 830	4 707 294	1 092 448	1 325 713	1 323 386	433 860	468 725	414 713
Y/Y % change	2.9	1.5	-3.7	4.7	28.8	7.4	9.6	14.6	-13.0
Other Residential Buildings (m ²)	45 645	88 659	88 528	5 434	49 655	10 561	10 019	425	477
Y/Y % change	-69.5	94.2	-0.1	-76.1	162.6	-52.8	#N/A	-97.0	-98.0
Other Residential Buildings (R 000)	306 248	492 628	519 920	35 945	324 519	67 450	64 734	1 980	3 186
Y/Y % change	-64.5	60.9	5.5	-72.2	258.2	-47.1	#N/A	-97.8	-98.1
Total Residential Buildings (R 000)	23 069 429	25 921 561	27 940 988	6 474 432	8 327 725	8 470 077	2 830 856	3 003 875	2 690 424
Y/Y % change	7.9	12.4	7.8	8.1	37.7	13.8	18.9	18.1	-6.7
Additions and Alterations									
Dwelling houses (m ²)	1 466 959	1 722 368	1 120 747	260 453	303 821	330 775	105 327	122 531	93 256
Y/Y % change	-16.8	17.4	-34.9	-24.4	33.5	22.4	15.5	30.3	-11.8
Dwelling houses (R'000)	6 867 590	8 228 378	6 130 061	1 383 593	1 627 956	1 840 600	601 726	676 823	557 432
Y/Y % change	-12.7	19.8	-25.5	-21.4	24.2	21.3	14.5	30.6	-3.5