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MARKET ANALYTICS AND
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PROPERTY BAROMETER

FNB Gauteng Sub-Region House Price Indices

Major Metro Gauteng residential regions still showing real house price decline, but we still anticipate some mild strengthening in the near term.

Our 1st quarter 2018 Gauteng Metro and Major Council House Price Indices continued to mostly show low single-digit rates of growth well-below general consumer price inflation, translating into further price decline in real terms (when adjusted for consumer price inflation). However, our 1st quarter FNB Estate Agent Survey showed a noticeable uptick in the Gauteng Metros' Activity Ratings, which leads us to anticipate mildly stronger house price growth in this region in 2018.

THE BROAD GAUTENG METRO PICTURE

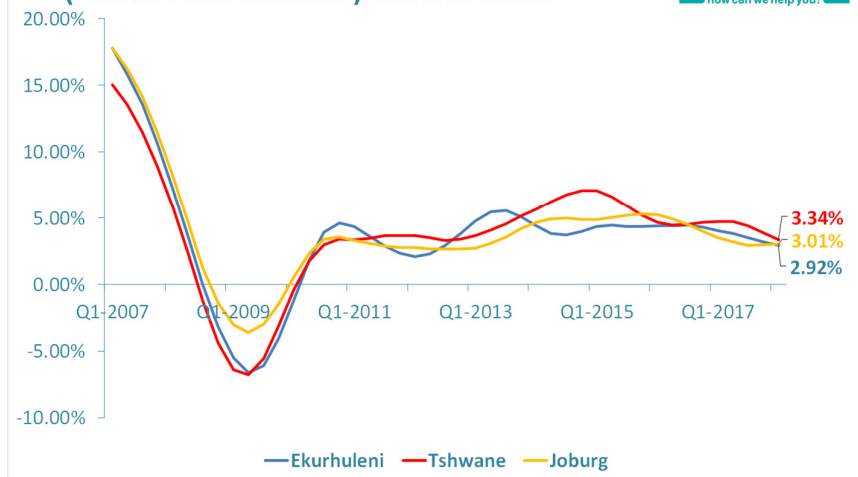
Using Deeds Office Data, we construct a set of house price indices for key sub-regions within the province of Gauteng, the aim being to evaluate this regional housing market's performance in more detail.

We have then rolled up this set of sub-regions into overall house price indices for each major metropolitan council region as well as for each district municipal region in those areas outside of Gauteng's 3 metros.

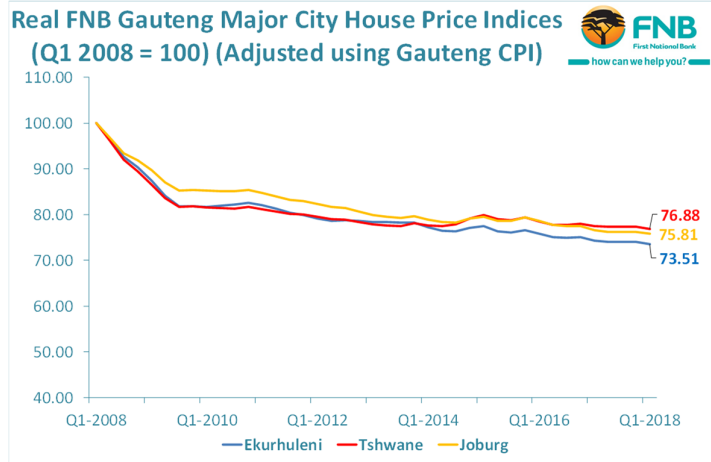
All 3 of Gauteng's major metros continue to show low single-digit house price growth.

In the 1st quarter of 2017, the City of Tshwane had by a small margin the strongest estimated average house price growth rate to the tune of 3.34% year-on-year, followed by City of Joburg's 3.01% and Ekurhuleni with 2.92%.

FNB Gauteng Major City House Price Indices
(Deeds Data Versions) Growth Rates



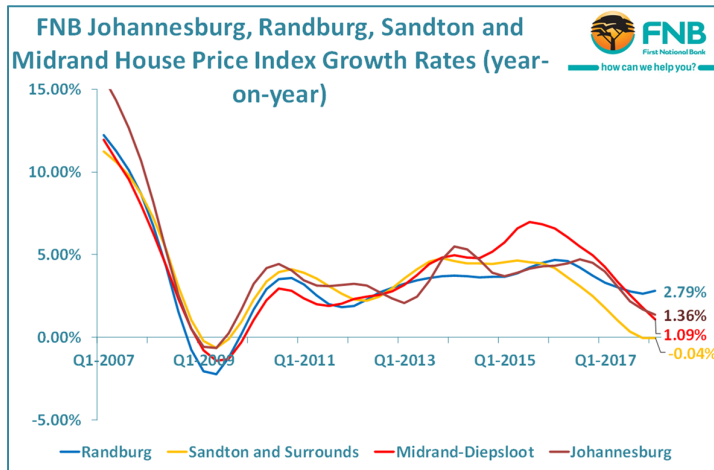
REAL HOUSE PRICE PERFORMANCES



-26.49%.

WE TAKE A LOOK AT THE CITY OF JOBURG'S MAIN REGIONS

Although slow growth appears almost everywhere in the City of Joburg outside of the regions to the south-west, the broader region to the north and north-west of the Johannesburg CBD (Central Business District) appears to have been the weakest price growth part of the Metro. This region is also generally speaking where the highest income households live, and is on average the highest priced part of the Metro.

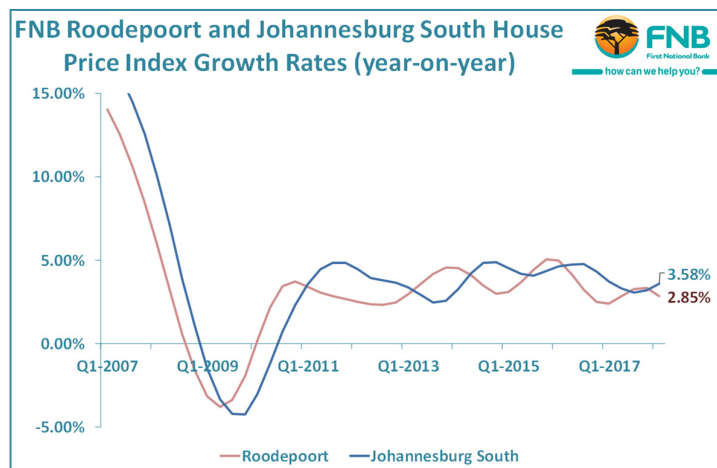


With Gauteng Consumer Price Index (CPI) Inflation at 4.1% year-on-year for the 1st quarter of 2018, these low nominal house price growth rates translate into house price declines in real terms (when adjusted for CPI), Tshwane to the tune of -0.7% year-on-year, Joburg -1.0% and Ekurhuleni -1.1%.

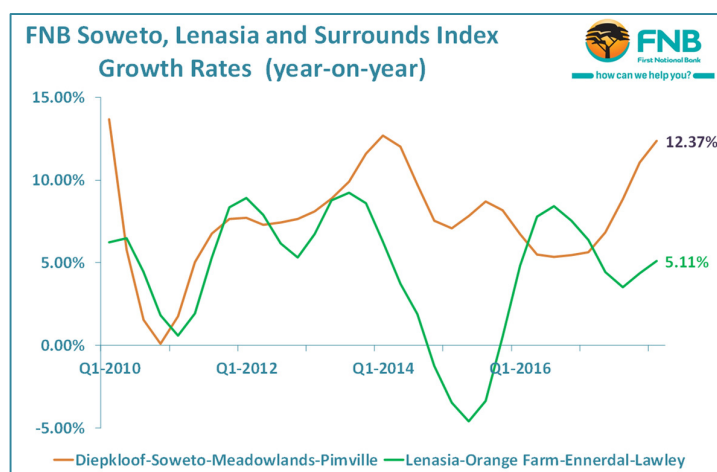
The 3 Gauteng Metros thus continued their broad decade-long correction which started around 2008.

Since the 1st quarter of 2008, Tshwane's cumulative real house price decline has been -23.12%, Joburg -24.19% and Ekurhuleni

Sandton and Surrounds, as mentioned, had the slowest house price growth, negative to the tune of -0.4% year-on-year and having been on a slowing trend. The Midrand-Diepsloot Region (dominated by Midrand area trends) was slightly less weak at 1.09% growth and slowing, and the Town of Johannesburg (which includes the CBD but also certain of the high income suburbs just to the north of the CBD) on 1.36% and still slowing. Only the Town of Randburg had begun to show slight growth acceleration, from 2.6% in the previous quarter to 2.79%.



The marginally more affordable major regions of Roodepoort (west) and Johannesburg South showed only slightly better house price growth than the more northern regions, the former showing year-on-year growth of 2.85% and Johannesburg South 3.58%.



To the South West of Johannesburg lie the lowest priced regions, i.e. the “Diepkloof-Soweto-Meadowlands-Pimville” and the “Lenasia-Orange Farm-Ennerdal-Lawley” Regions. These regions have shown accelerating growth in their indices of late, and have the 2 strongest year-on-year growth rates as at the 1st quarter of 2018, the former region showing 12.37% year-on-year growth and the latter region 5.11%. While we caution about factors that can consistently lead to over-estimates of price growth in these low income regions, the strongly accelerating growth direction of especially the Diepkloof-Soweto-Meadowlands-

Pimville Region leads us to believe that the low income end of the Joburg housing market is indeed the stronger segment.

Caution must be exercised when it comes to Repeat Sales House Price Indices using deeds data for low income regions such as the Diepkloof-Soweto-Meadowlands-Pimville Region of Joburg with its very strong 52.8% cumulative growth over 5 years. This is because social housing is often initially registered at values not related to market value, artificially inflating a repeat sales house price index in such low income regions more than the market reality.

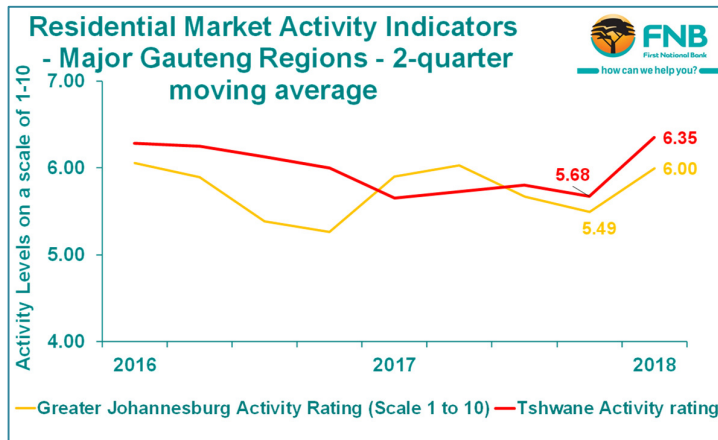
In short, we perceive a vaguely stronger market in the low income segments of the City of Joburg compared to the higher value regions, especially those to the North of the CBD. It definitely isn't a strong and clear pattern, however.

The highest priced sub-region, i.e. “Sandton and Surrounds”, remained the weakest house price growth region in the City of Joburg, declining by -0.04% year-on-year in the 1st quarter of 2018, and indeed has been the weakest performer over the past 5 years, with only 15.93% cumulative price growth over that time. This is very different to the highest priced regions of Cape Town, i.e. the Atlantic Seaboard and the City Bowl, on the other side of the country, 2 regions that have performed extremely strongly. The Atlantic Seaboard has inflated by over 100% in the past 5 years. The performance differential between the highest value regions of Joburg and those of Cape Town is reflective of major divergences in sentiment towards and within the 2 regions, and the strong outward migration of affluent households in the direction of Cape Town over the past 10 years may have much to do with an underperforming well-supplied Sandton region on the one hand, and until recently an under-supplied outperforming Cape Town high end.

CONCLUSION

In the 1st quarter of 2018, only the City of Joburg House Price Index had shown a very slight acceleration in its year-on-year growth rate on the previous quarters, from 2.92% in the 3rd quarter of 2017 to 3.01%, while the other 2 metro regions, Tshwane and Ekurhuleni, still showed slowing growth in recent quarters.

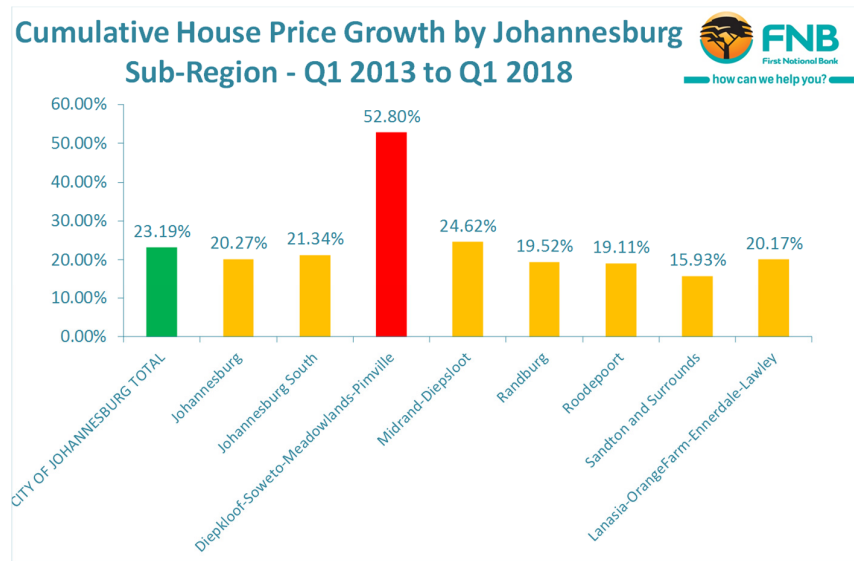
The Tshwane house price index has been the “outperformer” of the 3 metros by a small margin in recent quarters. However, we do expect a near term acceleration in house price growth in all 3 of these regions. The decade-long real price decline has gradually been improving home affordability in Gauteng, and 1st time buyer levels are solid as a result.



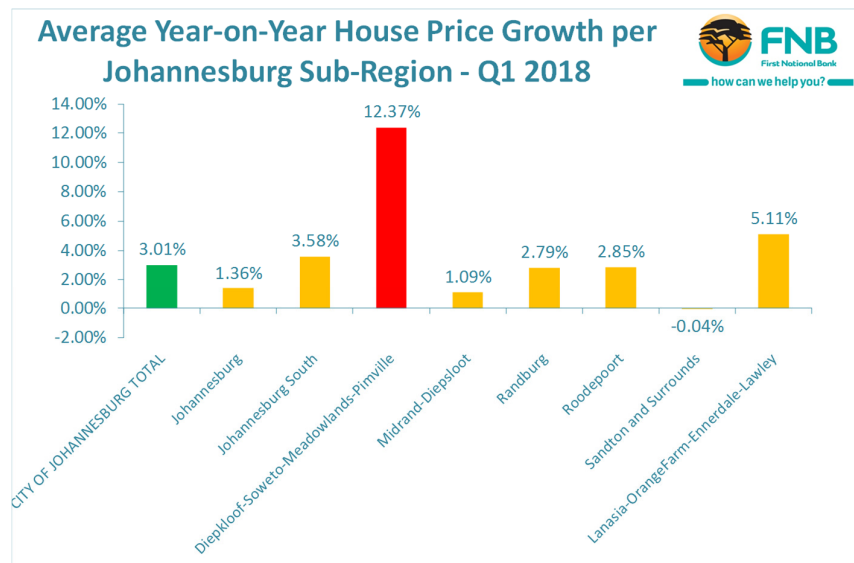
And in the 1st quarter, on the back of improved sentiment, agents surveyed in the FNB Estate Agent Survey reported significant increases in residential activity levels in their areas, increases to levels above the national average. This is usually a signal of a stronger and better balanced market on its way, both in Tshwane and the Greater Johannesburg region (including City of Joburg and Ekurhuleni).

THE CITY OF JOBURG'S MAIN REGIONS IN PICTURES

5-year Cumulative Growth

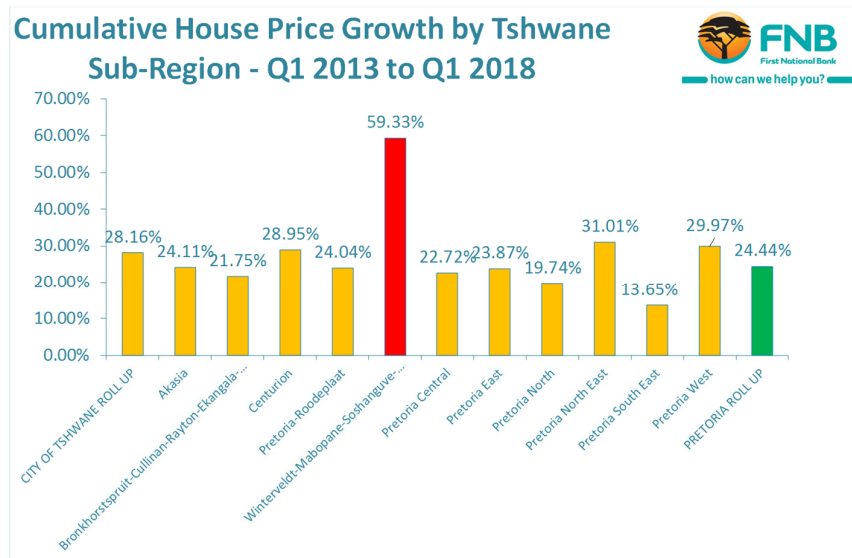


1st Quarter 2018 Growth

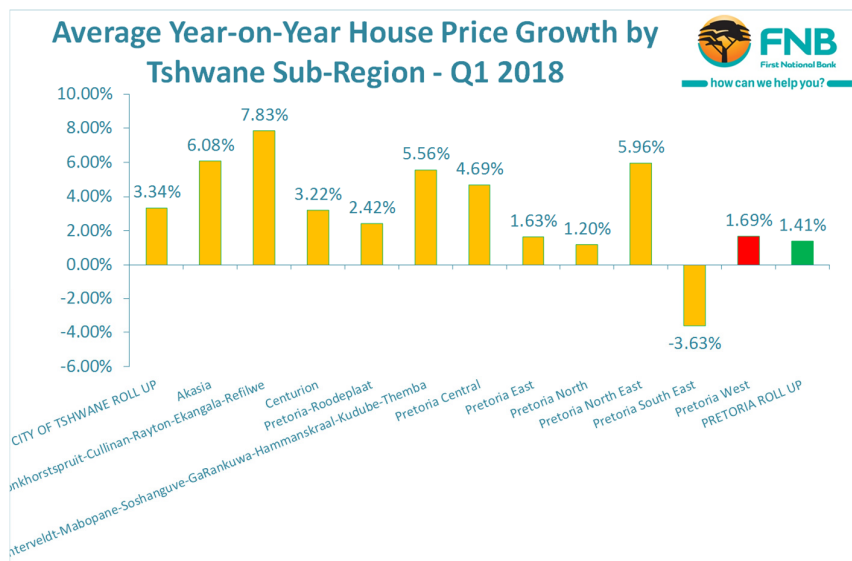


THE CITY OF TSHWANE'S MAIN REGIONS IN PICTURES

5-year Cumulative Growth

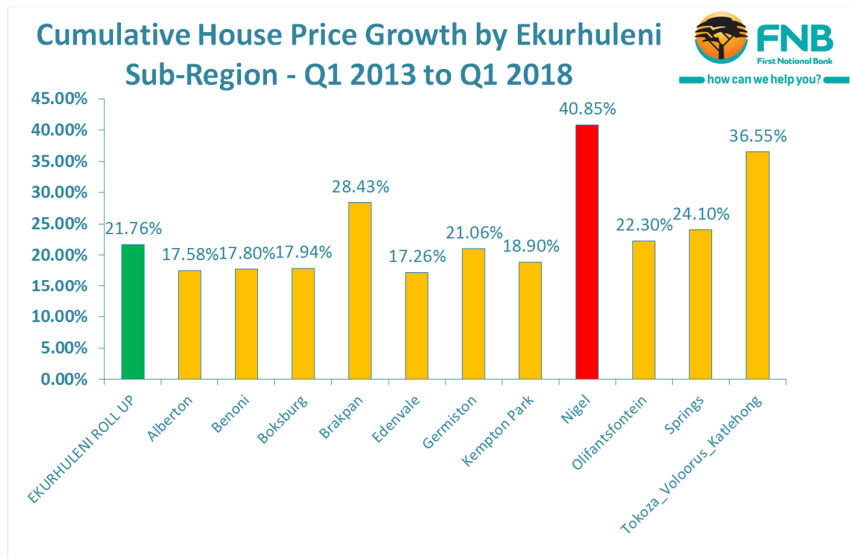


1st Quarter 2018 Growth

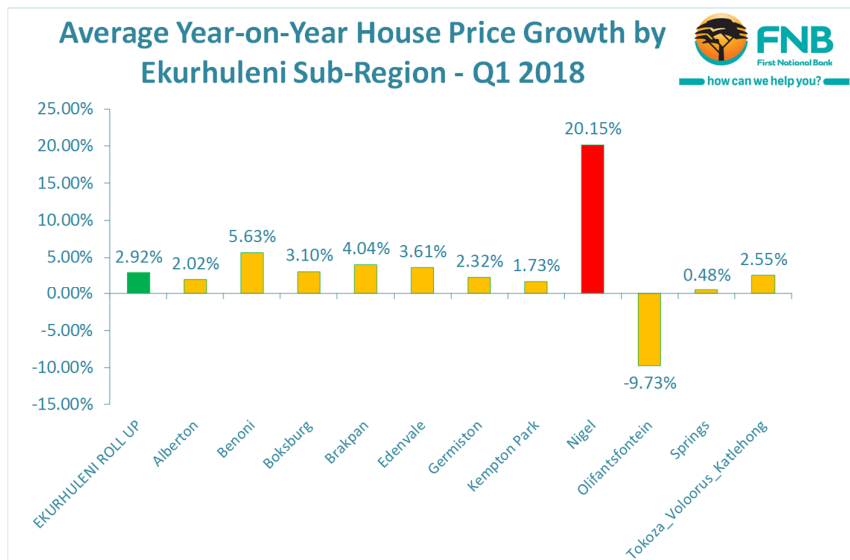


THE CITY OF EKURHULENI'S MAIN REGIONS IN PICTURES

5-year Cumulative Growth



1st Quarter 2018 Growth



HOUSE PRICE GROWTH SUMMARY TABLES

CITY OF JOHANNESBURG SUB-REGIONAL HOUSE PRICE INDICES – AVERAGE GROWTH RATES						
	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
CITY OF JOHANNESBURG TOTAL	3.16%	2.92%	2.96%	3.01%	221.72%	23.19%
Johannesburg	3.04%	2.16%	1.67%	1.36%	242.61%	20.27%
Johannesburg South	3.30%	3.04%	3.20%	3.58%	242.55%	21.34%
Diepkloof-Soweto-Meadowlands-Pimville	6.84%	8.84%	11.07%	12.37%	864.99%	52.80%
Midrand-Diepsloot	3.32%	2.57%	1.80%	1.09%	206.49%	24.62%
Randburg	3.01%	2.76%	2.65%	2.79%	170.64%	19.52%
Roodepoort	2.83%	3.26%	3.33%	2.85%	176.22%	19.11%
Sandton and Surrounds	0.99%	0.34%	-0.07%	-0.04%	143.35%	15.93%
Lanasia-OrangeFarm-Ennerdale-Lawley	4.42%	3.52%	4.34%	5.11%	372.28%	20.17%

CITY OF TSHWANE SUB-REGIONAL HOUSE PRICE INDICES – AVERAGE GROWTH RATES						
	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
CITY OF TSHWANE ROLL UP	4.70%	4.38%	3.86%	3.34%	206.51%	28.16%
Akasia	4.33%	5.70%	6.13%	6.08%	242.54%	24.11%
Bronkhorstspuit-Cullinan-Rayton-Ekangala-Refilwe	5.71%	6.00%	6.66%	7.83%	274.41%	21.75%
Centurion	4.35%	3.98%	3.66%	3.22%	177.53%	28.95%
Pretoria-Roodeplaat	4.32%	3.77%	3.06%	2.42%	181.09%	24.04%
Winterveldt-Mabopane-Soshanguve-GaRankuwa-Hammanskraal-Kudube-Themba	9.89%	7.72%	5.96%	5.56%	543.22%	59.33%
Pretoria Central	5.05%	4.99%	4.59%	4.69%	332.87%	22.72%
Pretoria East	3.50%	2.80%	2.11%	1.63%	152.93%	23.87%
Pretoria North	4.46%	3.71%	2.53%	1.20%	181.01%	19.74%
Pretoria North East	7.95%	7.80%	6.94%	5.96%	278.92%	31.01%
Pretoria South East	-0.87%	-1.11%	-2.31%	-3.63%	168.31%	13.65%
Pretoria West	8.58%	7.33%	4.95%	1.69%	349.97%	29.97%
PRETORIA ROLL UP	5.05%	4.26%	2.88%	1.41%	205.96%	24.44%

CITY OF EKURHULENI SUB-REGIONAL HOUSE PRICE INDICES – AVERAGE GROWTH RATES						
	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
EKURHULENI ROLL UP	3.81%	3.53%	3.21%	2.92%	257.04%	21.76%
Alberton	2.78%	2.65%	2.42%	2.02%	203.50%	17.58%
Benoni	2.15%	3.11%	4.56%	5.63%	187.59%	17.80%
Boksburg	1.88%	1.77%	2.13%	3.10%	192.91%	17.94%
Brakpan	7.87%	6.84%	4.96%	4.04%	298.42%	28.43%
Edenvale	1.46%	1.51%	2.48%	3.61%	192.44%	17.26%
Germiston	4.82%	4.13%	3.19%	2.32%	230.32%	21.06%
Kempton Park	3.94%	3.34%	2.49%	1.73%	229.67%	18.90%
Nigel	12.59%	15.80%	19.03%	20.15%	458.49%	40.85%
Olifantsfontein	-1.80%	-4.10%	-6.63%	-9.73%	892.88%	22.30%
Springs	2.44%	1.56%	1.15%	0.48%	283.93%	24.10%
Tokoza_Volloorus_Katlehong	2.11%	2.59%	3.25%	2.55%	716.93%	36.55%

	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
EMFULENI ROLL UP	3.00%	3.09%	2.89%	2.40%	354.47%	20.62%
Evaton_Sebokeng	7.28%	5.66%	2.47%	-0.75%	606.81%	50.43%
Vaal_Vanderbijlpark	3.47%	6.33%	8.66%	8.22%	346.41%	22.89%
Vereeniging	1.55%	-0.19%	-1.90%	-2.59%	272.36%	14.91%

	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
MOGALE CITY	3.68%	4.08%	4.26%	4.49%	236.70%	25.06%
Krugersdorp -Magaliesburg-Mogale	2.90%	2.60%	2.59%	2.54%	198.49%	21.60%
Randfontein	4.27%	5.90%	6.31%	6.47%	245.11%	21.63%

	Quarterly year-on-year percentage change				Cumulative 15-year growth	Cumulative 5-year growth
	Q2-2017	Q3-2017	Q4-2017	Q1-2018		
LESEDI	-5.52%	-4.86%	-3.62%	-1.63%	210.89%	8.99%
MERAFONG	3.39%	3.74%	3.57%	2.58%	266.53%	7.17%
MIDVAAL	8.97%	10.72%	10.01%	7.70%	313.06%	33.93%
WESTONARIA	10.95%	6.45%	2.12%	-2.46%	440.90%	29.63%