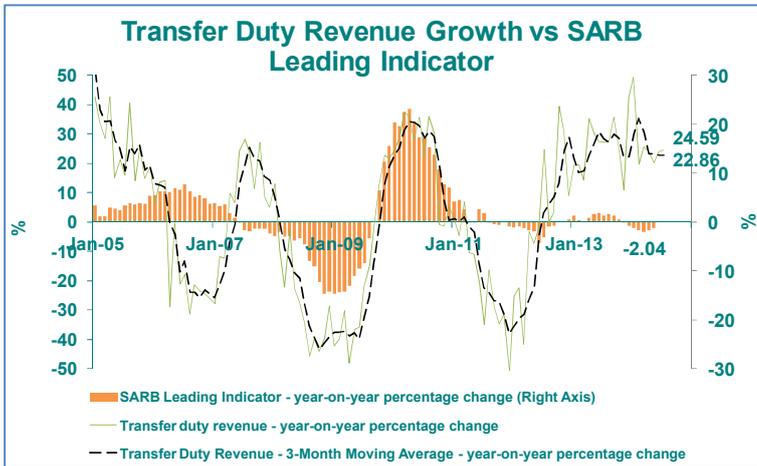


# PROPERTY BAROMETER – JULY TRANSFER DUTY REVENUE

*July transfer duty revenue growth still very strong, but continues to broadly move sideways.*



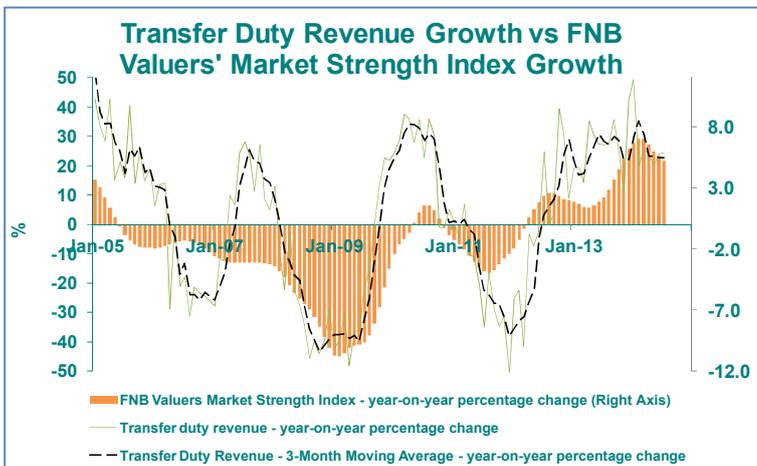
July SARS (South African Revenue Services) revenue data still showed robust growth in transfer duty revenue. The monthly year-on-year growth rate was 24.6%, up from June's 23.9%.

However, the recent growth rates continue to appear to be reflecting the formation of a broad "growth peak", as the transaction volume base gets higher.

While the recent months' growth rates remain very strong, they remain off the 49.4% year-on-year growth peak in January. In addition, with monthly data movements often being volatile, we like to smooth out the number with a 3-month moving average, and for the 3-months to July we saw growth of 22.86% year-on-year, marginally higher than the 22.7% of the previous month's 3-month moving average, but significantly off the 35% recorded for the 3 months to February.

The still-strong transfer duty revenue growth continues to point to ongoing property market strength, in part reflective of strength in the residential property market, the result of a combination of solid transaction volumes growth as well as respectable average price growth since 2012. Improved average house price growth since 2011 also causes more rapid transfer duty bracket creep, which adds to transfer duty revenue growth.

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However, the broadly sideways move in the transfer duty growth recently has hinted at a (admittedly high) growth peak having been forming for some time, which would be in line with certain of our key FNB indicators that have shown a lack of further strengthening in the 1<sup>st</sup> half of 2014. Amongst these, the rate of year-on-year growth in the FNB Valuers' Market Strength Index has slowed in recent months, as has the rate of growth in the FNB House Price Index, as well as the rate of increase in the FNB Estate Agent Survey Activity Rating.

Therefore, SARS transfer duty revenue growth continues to confirm the existence of a very strong property market in recent times. However, the pace of acceleration in the combination of price and transaction volume growth has perhaps been reaching its peak. A high base effect should play a role in curbing further growth acceleration. In addition, an economy with no significant growth, along with the recent start of interest rate hikes should cool growth in property demand, and thus ultimately the growth rate in transfer duty revenue. For the time being, though, the growth remains strong.

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