

# PROPERTY BAROMETER – HOLIDAY TOWN PRICE TRENDS

*While holiday towns have had a relatively good run through 2014, signs of slowing house price growth in these regions as a whole are evident, a reflection of rising interest rates and slowing economic growth*

14 May 2015

## HOLIDAY TOWN HOUSE PRICE INFLATION STARTS TO FOLLOW NATIONAL TREND SLOWER?

*After some resurgence off a low base through 2014, the FNB Holiday Towns House Price Index has begun to show signs of a loss in growth momentum recently. This index is compiled from transaction data for towns deemed to be “strongly holiday property-driven”.*

*In the 1<sup>st</sup> quarter of 2015, the index showed quarter-on-quarter growth of 2.1%, down for the 3<sup>rd</sup> consecutive quarter from a high of 3.3% reached in the 2<sup>nd</sup> quarter of 2014.*

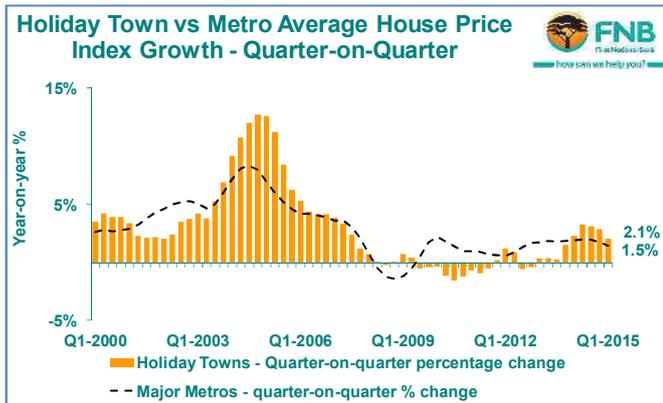
## A RECENT HISTORY OF HOLIDAY TOWN PERFORMANCE

*Prior to 2014, holiday towns had lagged the Major Metro Residential Regions for most of the period from 2010 to 2013, showing house price deflation over a significant part of that period.*

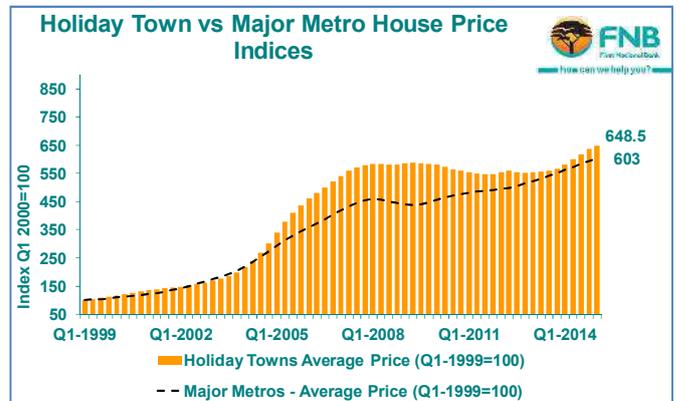
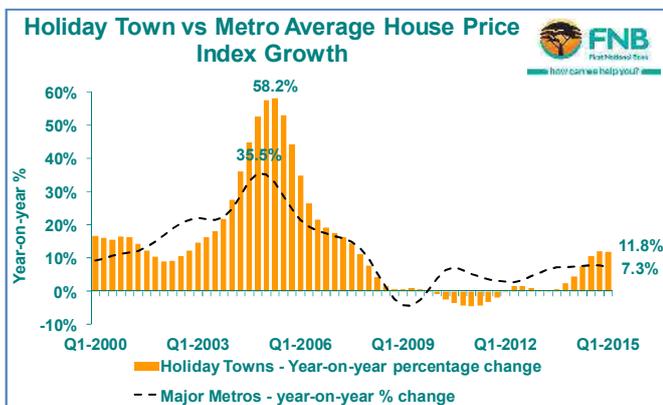
*This was explained by a financially-constrained and highly indebted household sector following the 2008/9 recession, and it was understandable that primary residential demand-driven metros would perform better than holiday markets that were strongly drive by non-essential holiday property buying.*

*By 2014, however, financial pressures had eased after some years of low interest rates, and the holiday town market began to make a noticeable “comeback”. Its prior price deflation and very low inflation over the 2010 to 2013 period had also driven a significant holiday town residential affordability improvement.*

*Creating a Major Metro House Price Index and a Holiday Town Index with 1999 = 100 in both, one can see how the gap between the 2 that had been built up during the boom years (when holiday town inflation was far stronger at a stage) was all but wiped out by early-2014. It was thus arguably time for the 2 markets to move more in tandem with each other, and we started to see that in 2014.*



*This has just started to translate into slower growth in the still-high year-on-year rate, from 12.1% in the final quarter of 2014 to 11.8% in the 1<sup>st</sup> quarter of 2015.*



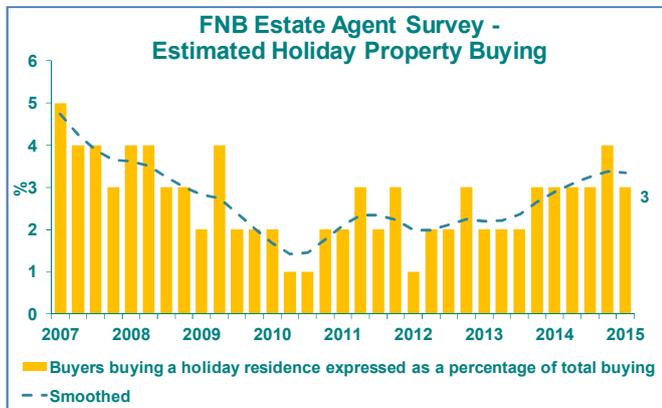
We witnessed a similar 2014 improvement in the FNB Estate Agent Survey, where the estimated percentage of home buyers believed to be holiday home buyers “elevated broadly from early-2014 to hover at around 3%, after prior years of being more around 2-3%.

## OUTLOOK

From here onward, however, we expect slowing house price growth in the Holiday Town markets to be the order of the day.

This expectation comes on the back of a slow economy, which looks set to remain so for the foreseeable future, as well as interest rates being expected to resume their rise late in 2015.

Given the non-essential nature of holiday home buying, and thus the more cyclical of holiday home-driven residential markets, we would expect the price growth in our FNB Holiday Town House Price Index to drop back to low single digit rates below that of the Major Metro Regions in the not too distant future.



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