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PROPERTY BAROMETER – NOVEMBER RESIDENTIAL BUILDING STATS

Growth in Residential Building Activity all but grinds to a halt late in 2015

21 January 2016

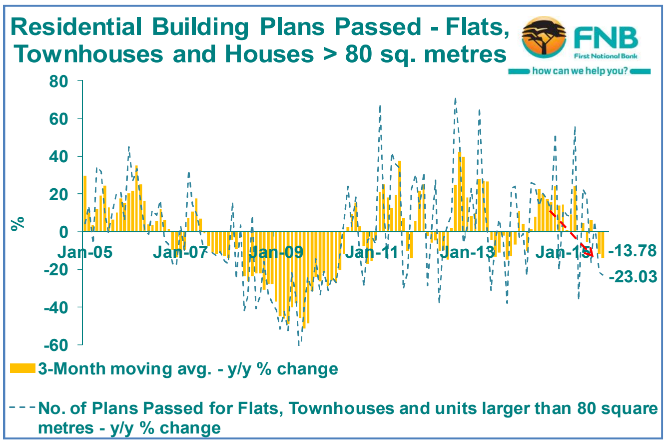
RESIDENTIAL BUILDING PLANS AS A LEADING BUSINESS CYCLE INDICATOR

The South African Reserve Bank finds the number of Residential Building Plans Passed for Flats, Townhouses and Dwelling Houses Larger than 80 Square Metres, to be a useful Leading Business Cycle Indicator. As such, this data is included in the SARB's Composite Leading Business Cycle Indicator along with a host of other data.

This implies that this grouping of Residential Building Plans Passed can be a useful indicator the economy's performance direction in the short term.

Sadly, this indicator is yet another one that points towards near term economic growth weakening as we enter 2016. In November 2015, the number of Residential Plans Passed for Flats, Townhouses and Dwelling Houses Larger than 80 Square Metres declined year-on-year by -23.03%, after an October decline of –21,3%. To smooth what is a volatile data series, we also calculate a 3-month moving average, whose year-on-year decline had also reached a significant -13.78% for the 3 months to November. This is well down after a slide from a high of +23.9% as at April 2015.

Therefore, insofar as residential building plans are a leading economic indicator, they add further support to the expectation that the economic growth slowdown probably has further to go in the near term.

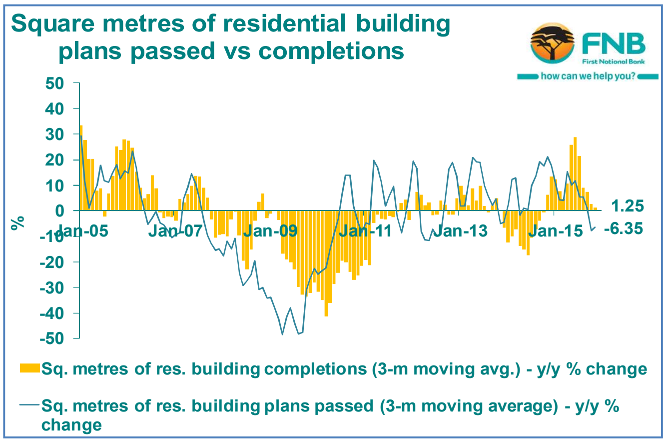


THE MAIN STATS

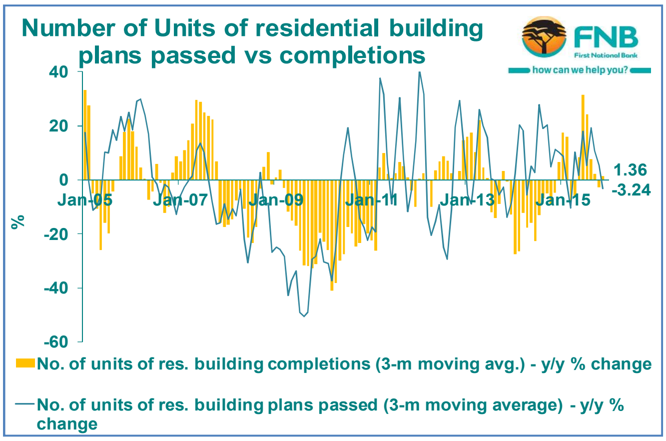
Getting to total building activity, including Dwelling Houses Smaller Than 80 Square Metres, for November 2015, sq.m. worth of residential building completed grew by +3.99% year-on-year. This represents an increase on the prior months' -13.05% decline.

However, as monthly data is volatile, we prefer to analyse trends through smoothing the data with a 3-month moving average. Here we see a continuation of the recent slowing growth trend in completions. For the 3 months to November, year-on-year growth of +1.25% represents a slightly slower rate than the +2.76% increase for the 3 months to October, as the growth rate now hovers very near to the zero mark. This growth is markedly lower than the +28.8% year-on-year high recorded for the 3 months to June.

The 3 month moving average for Sq.m. of Residential Plans Passed, too, has been recording broadly slowing growth, when we smooth the volatility, from a 15.23% high for the 3 months to April 2015, to -6.35% year-on-year decline for the 3 months to November.

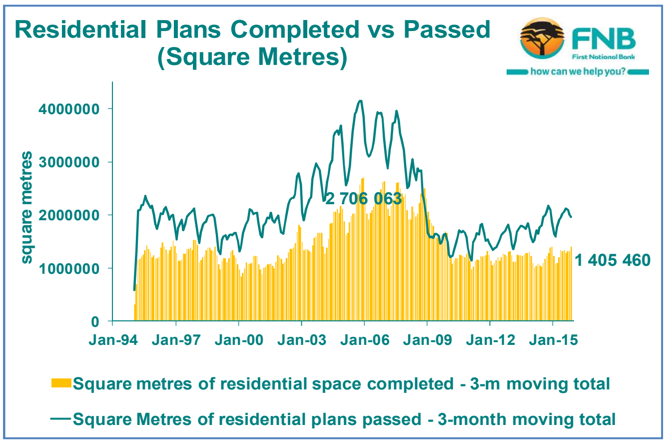


A similar weak growth picture is witnessed when examining the number of residential units completed, as opposed to the square metres. Here, too, we saw a rise in the year-on-year growth rate from a -23.21% decline in October to +16.8% in November 2015.. But smoothing out the month-to-month volatility using the 3 month moving average, we see a continuation of the *slow growth to the tune of +1.36% for the 3 months to November, slightly up from -2.7% in the 3 months to October.*



Therefore, the period of positive building completions growth that dates back to late in 2014 appears to have all but petered out, monthly data volatility aside.

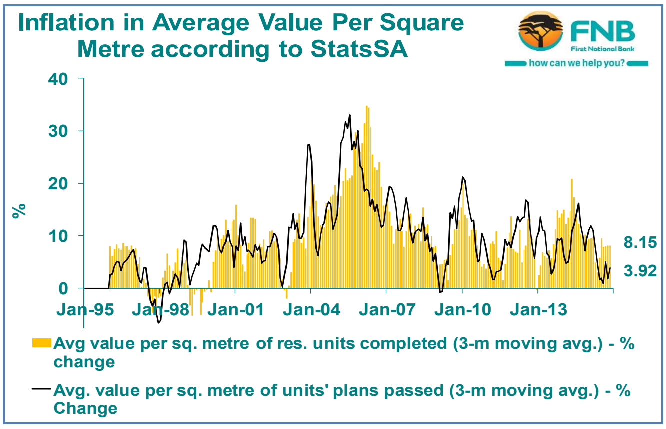
The level of building completions remains moderate compared to the boom time peak reached late in 2005. Whereas for the 3-months to December 2005 2.706 million square metres were recorded as completed, the 3 months to November 2015 recorded 1.405 million, just over half of the late-2005 peak level.



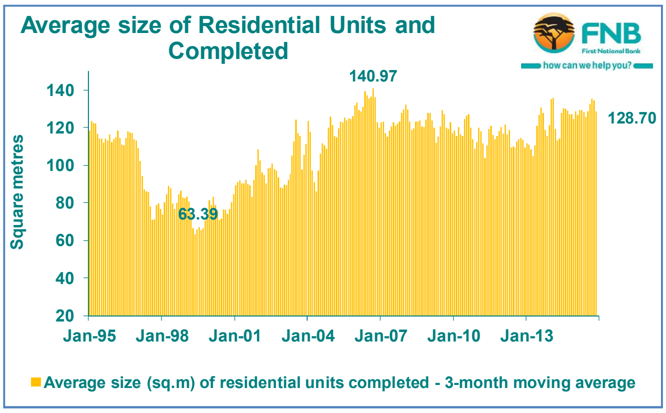
AVERAGE VALUE OF NEWLY BUILT HOMES

Building costs have for a while appeared to limit the ability of the Development Sector to bring "competitively priced" new homes to the market. For the 3 months to November, the year-on-year average value of units completed rose by 3.9%, and of plans passed by 8.1%.

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



We may, however, be seeing the start of the development sector's attempts to address affordability constraints by reducing the average size of homes built. From 135.6 square metres for the 3 months to September, the average size of units completed declined to 128.7 sq. m. for the 3 months to November.



CONCLUSION

In short, therefore, Residential Plans passed, excluding dwelling Houses smaller than 80 square metres, can be a useful leading business cycle indicator, and their broad year-on-year decline of late points to further near term economic growth weakening.

Simultaneously, residential building stats reflect economic and property conditions. Various of our FNB property economic data points towards slowing demand and easing residential supply constraints in the existing home market of late.

This, along with Plans Passed growth already in negative territory, suggests slowing level of building completions to come in 2016.

Increasingly financially constrained times also lead us to expect a smaller average size of home to be built in 2016

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Building Plans Passed

Residential Buildings	2012	2013	2014	Q1-2015	Q2-2015	Q3-2015	Sep-15	Oct-15	Nov-15
Dwelling houses less than 80 m.sq (Number	17 793	17 894	20 717	4 012	6 112	7 638	1 597	1 879	2 039
Y/Y % change	*-21.2*	*0.6*	*15.8*	*-35.3*	*50.9*	*26.2*	*-4.5*	*39.2*	*32.4*
Dwelling houses less than 80 m.sq (m^2)	867 330	886 304	1 000 827	193 697	282 066	364 730	76 680	93 634	99 067
Y/Y % change	*-20.4*	*2.2*	*12.9*	*-36.7*	*38.7*	*30.3*	*0.8*	*41.6*	*33.0*
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	304 120	368 963	370 040
Y/Y % change	*-1.9*	*8.8*	*24.6*	*-20.9*	*30.9*	*18.1*	*17.0*	*45.8*	*10.1*
Dwelling houses larger than 80 m.sq (Numbe	16 582	16 203	17 121	4 049	4 242	4 555	1 601	1 500	1 522
Y/Y % change	*6.8*	*-2.3*	*5.7*	*3.2*	*1.0*	*-4.1*	*6.9*	*-7.5*	*3.5*
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	434 557	389 234	394 432
Y/Y % change	*3.3*	*8.9*	*8.6*	*7.7*	*5.4*	*-3.6*	*3.0*	*-16.2*	*-0.1*
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	2 939 423	2 482 811	2 662 990
Y/Y % change	*11.3*	*15.9*	*16.3*	*12.2*	*12.4*	*1.7*	*11.2*	*-16.0*	*6.5*
Flats and Townhouses (Number)	15 445	16 350	18 971	4 475	6 306	4 642	1 734	1 492	1 161
Y/Y % change	*4.9*	*5.9*	*16.0*	*15.6*	*7.2*	*5.9*	*4.1*	*-31.6*	*-42.4*
Flats and Townhouses (m^2)	1 495 616	1 531 217	1 873 555	475 737	589 787	476 205	175 291	153 273	153 642
Y/Y % change	*6.7*	*2.4*	*22.4*	*26.8*	*15.0*	*-2.7*	*-6.3*	*-37.5*	*-11.2*
Flats and Townhouses (R'000)	8 642 600	9 605 023	13 185 006	3 386 706	4 173 501	3 850 852	1 363 753	1 009 596	1 230 309
Y/Y % change	*20.9*	*11.1*	*37.3*	*39.7*	*17.2*	*8.2*	*7.8*	*-46.7*	*6.4*
Total units plans passed (Number)	**49 820**	**50 447**	**56 809**	**12 536**	**16 660**	**16 835**	**4 932**	**4 871**	**4 722**
Y/Y % change	***-5.7***	***1.3***	***12.6***	***-10.5***	***17.9***	***10.9***	***2.0***	***-5.5***	***-6.0***
Total building plans passed (m^2)	**6 246 397**	**6 647 115**	**7 467 385**	**1 785 726**	**2 020 328**	**2 092 735**	**686 528**	**636 141**	**647 141**
Y/Y % change	***0.0***	***6.4***	***12.3***	***4.0***	***11.9***	***1.2***	***0.2***	***-18.0***	***0.7***
Other Residential Buildings (m^2)	151 257	184 436	199 151	38 238	60 051	17 540	11 758	5 746	1 519
Y/Y % change	*62.0*	*21.9*	*8.0*	*-42.4*	*103.1*	*-58.7*	*264.6*	*-80.1*	*-92.7*
Other Residential Buildings (R 000)	787 573	1 405 583	1 213 717	237 998	477 541	128 069	91 243	33 265	11 572
Y/Y % change	*77.0*	*78.5*	*-13.7*	*-23.9*	*111.1*	*-53.7*	*395.6*	*-79.3*	*-92.6*
Total Residential Buildings (R 000)	**33 146 466**	**38 303 604**	**46 383 136**	**11 407 918**	**12 964 404**	**13 440 334**	**4 698 539**	**3 894 635**	**4 274 911**
Y/Y % change	***13.4***	***15.6***	***21.1***	***14.4***	***17.2***	***3.6***	***12.2***	***-26.0***	***3.0***
Additions and Alterations									
Dwelling houses (m^2)	3 125 614	3 143 857	3 199 308	714 097	782 355	862 665	283 596	294 272	250 095
Y/Y % change	*-1.1*	*0.6*	*1.8*	*-1.8*	*4.8*	*-4.6*	*-7.6*	*-4.9*	*-10.7*
Dwelling houses (R'000)	15 869 459	16 773 444	18 274 354	4 186 082	4 599 919	5 407 961	1 788 209	1 835 389	1 597 838
Y/Y % change	*5.0*	*5.7*	*8.9*	*5.8*	*9.4*	*1.9*	*-3.0*	*3.5*	*-4.2*

Buildings Completed

Residential Buildings	2012	2013	2014	Q1-2015	Q2-2015	Q3-2015	Sep-15	Oct-15	Nov-15
Dwelling houses less than 80 m.sq (Number)	20 023	17 436	15 444	3 527	4 391	3 713	1 406	1 074	1 906
Y/Y % change	*2.7*	*-12.9*	*-11.4*	*-4.7*	*58.3*	*-3.9*	*10.0*	*-54.2*	*29.9*
Dwelling houses less than 80 m.sq (m^2)	902 955	808 514	764 268	181 719	215 711	183 477	70 186	51 894	89 740
Y/Y % change	*-0.4*	*-10.5*	*-5.5*	*3.7*	*56.3*	*-2.6*	*15.0*	*-58.8*	*23.0*
Dwelling houses less than 80 m.sq (R'000)	2 337 344	2 315 435	2 767 020	689 527	821 874	713 504	270 609	223 828	368 641
Y/Y % change	*1.8*	*-0.9*	*19.5*	*30.6*	*63.3*	*2.0*	*19.7*	*-59.7*	*37.6*
Dwelling houses larger than 80 m.sq (Number)	11 569	11 538	10 750	2 708	3 161	3 074	1 137	1 054	1 189
Y/Y % change	*1.0*	*-0.3*	*-6.8*	*12.2*	*33.9*	*9.6*	*26.5*	*-3.7*	*8.5*
Dwelling houses larger than 80 m.sq (m^2)	2 805 442	2 859 082	2 776 600	705 112	808 609	829 821	290 562	268 548	292 535
Y/Y % change	*1.2*	*1.9*	*-2.9*	*15.7*	*37.4*	*12.0*	*17.3*	*-10.7*	*-0.6*
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	1 852 521	1 747 106	1 927 978
Y/Y % change	*9.0*	*9.1*	*7.2*	*19.6*	*44.6*	*14.2*	*16.6*	*-4.4*	*3.4*
Flats and Townhouses (Number)	11 386	12 511	11 849	2 247	3 040	3 004	1 060	829	1 414
Y/Y % change	*19.3*	*9.9*	*-5.3*	*-27.0*	*4.0*	*3.6*	*2.5*	*100.7*	*9.1*
Flats and Townhouses (m^2)	1 104 767	1 218 234	1 166 426	205 617	301 393	310 088	107 977	94 271	139 747
Y/Y % change	*10.9*	*10.3*	*-4.3*	*-20.6*	*-0.4*	*2.2*	*7.6*	*86.5*	*3.6*
Flats and Townhouses (R'000)	5 848 247	7 203 121	7 592 393	1 427 587	2 062 980	2 325 928	878 765	716 304	994 778
Y/Y % change	*20.7*	*23.2*	*5.4*	*-17.0*	*7.9*	*20.9*	*37.7*	*116.9*	*5.9*
Total units completed (Number)	**42 978**	**41 485**	**38 043**	**8 482**	**10 592**	**9 791**	**3 603**	**2 957**	**4 509**
Y/Y % change	***6.1***	***-3.5***	***-8.3***	***-7.7***	***31.5***	***2.3***	***12.2***	***-23.2***	***16.8***
Total building space completed (m^2)	**4 813 164**	**4 885 830**	**4 707 294**	**1 092 448**	**1 325 713**	**1 323 386**	**468 725**	**414 713**	**522 022**
Y/Y % change	***2.9***	***1.5***	***-3.7***	***4.7***	***28.8***	***7.4***	***14.6***	***-13.0***	***4.0***
Other Residential Buildings (m^2)	45 645	88 659	88 528	5 434	49 655	10 561	425	477	4 947
Y/Y % change	*-69.5*	*94.2*	*-0.1*	*-76.1*	*162.6*	*-52.8*	*-97.0*	*-98.0*	*#N/A*
Other Residential Buildings (R 000)	306 248	492 628	519 920	35 945	324 519	67 450	1 980	3 186	48 414
Y/Y % change	*-64.5*	*60.9*	*5.5*	*-72.2*	*258.2*	*-47.1*	*-97.8*	*-98.1*	*#N/A*
Total Residential Buildings (R 000)	**23 069 429**	**25 921 561**	**27 940 988**	**6 474 432**	**8 327 725**	**8 470 077**	**3 003 875**	**2 690 424**	**3 339 811**
Y/Y % change	***7.9***	***12.4***	***7.8***	***8.1***	***37.7***	***13.8***	***18.1***	***-6.7***	***8.7***
Additions and Alterations									
Dwelling houses (m^2)	1 466 959	1 722 368	1 120 747	260 453	303 821	330 775	122 531	93 256	96 223
Y/Y % change	*-16.8*	*17.4*	*-34.9*	*-24.4*	*33.5*	*22.4*	*30.3*	*-11.8*	*7.7*
Dwelling houses (R'000)	6 867 590	8 228 378	6 130 061	1 383 593	1 627 956	1 840 600	676 823	557 432	566 224
Y/Y % change	*-12.7*	*19.8*	*-25.5*	*-21.4*	*24.2*	*21.3*	*30.6*	*-3.5*	*14.5*