

## PROPERTY BAROMETER – FNB Mining Towns House Price Indices

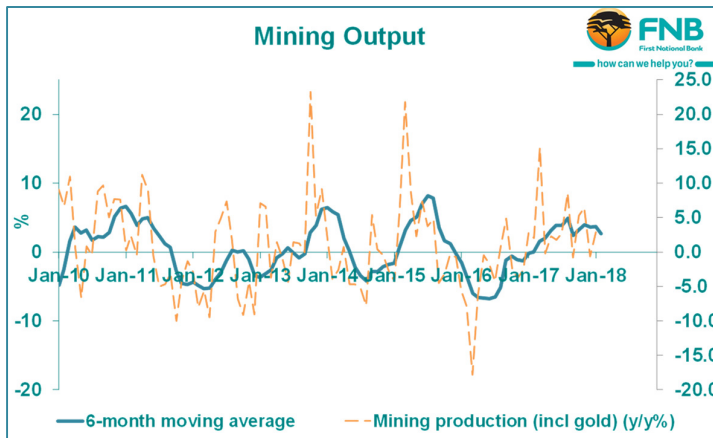
*The FNB Mining Towns House Price Index continues to point to slowing growth, and underperformance in these towns’ housing markets relative to the overall national picture.*

7 May 2018

### FNB MINING TOWN HOUSE PRICE INDEX PERFORMANCES

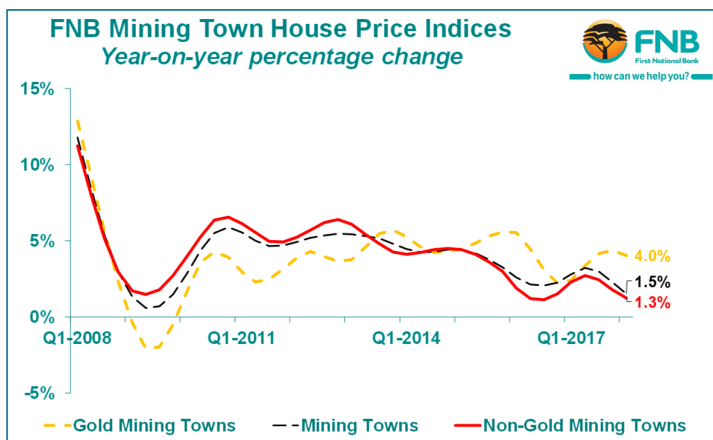
The FNB Mining Towns House Price Indices growth rates have slowed in recent quarters, which may be in part influenced by a mild slowing in Mining Sector Production growth of late.

### RECENT DEVELOPMENTS IN THE MINING SECTOR



South Africa’s Mining Sector output growth has broadly slowed in recent months. Using a 6-month moving average for smoothing purposes, year-on-year growth in mining production slowed from 4% for the 6 months to November 2017 to 2.7% for the 6 months to February 2018.

### FNB MINING TOWNS HOUSE PRICE INDICES’ GROWTH HAVE SLOWED IN RECENT QUARTERS, AND ARE BELOW THE NATIONAL AVERAGE



This recent broad slowing in growth in Mining Production volumes may have been in part behind a slowing in the FNB Mining Towns House Price Index growth rate in recent quarters.

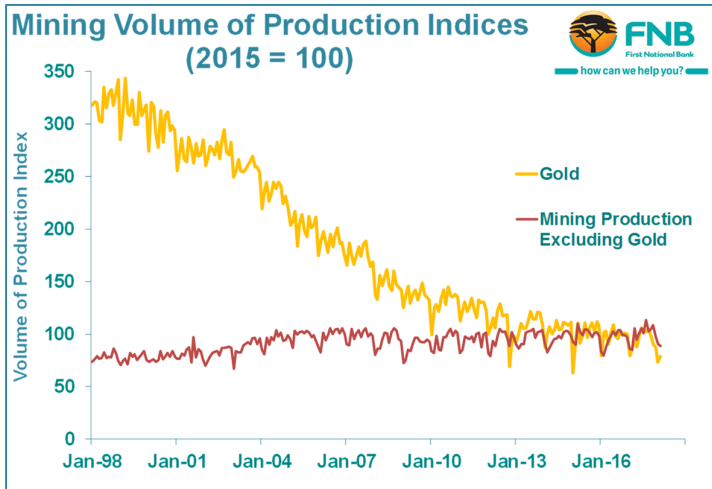
In the 1<sup>st</sup> quarter of 2018, the FNB Mining Towns House Price Index grew by 1.5%, slower than the 2.3% of the previous quarter, representing the 3<sup>rd</sup> successive quarter of slowing growth since the 3.2% “high” reached in the 2<sup>nd</sup> quarter of last year.

1.5% remains on the weak side of the overall national market, our FNB “Long Term” National Repeat Sales House Price Index having grown by 5.5% in the 1<sup>st</sup> quarter of this year.

The Mining Towns House Price Index growth is also still clearly negative in real terms to the tune of about -2.6% year-on-year, with CPI (Consumer Price Index) inflation measuring a significantly higher 4.1% year-on-year in the 1<sup>st</sup> quarter of 2018.

Interestingly, the FNB Gold Mining Towns House Price Index grew faster than the Non-Gold Mining Towns Sub-Index, to the tune of 4.0% in the 1<sup>st</sup> quarter of 2018, while FNB Non-Gold Mining Towns House Price Index grew by a lesser 1.3%. However, both indices growth rates remain below the National Index's rate.

**LONGER RUN PERFORMANCE**



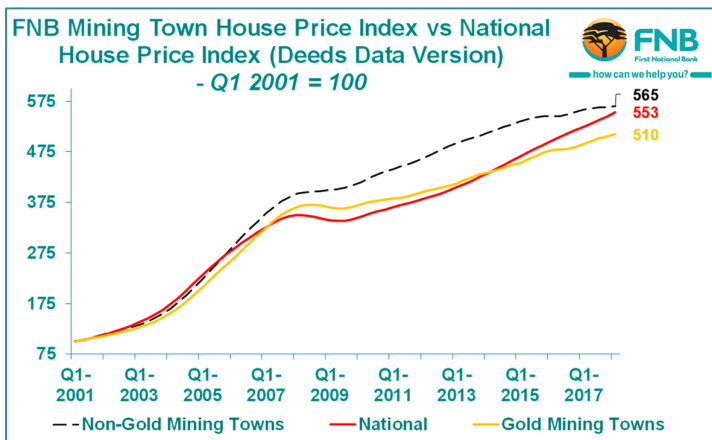
The FNB Gold Mining Towns House Price Index has outperformed that of Non-Gold Mining Towns for most of the period since late-2013, despite also being weak, but both the Gold Mining and Non-Gold Mining House Price Indices have underperformed the National Index growth-wise since around 2013.

The Gold Mining Towns' house price growth outperformance of the Non-Gold Mining Towns may suggest more "realistic" Gold Mining Town housing markets, which have long-since come to terms with gold's long term decline, probably translating into far less

expansion in housing supply (less supply growth possibly provides slightly more support for house price growth).

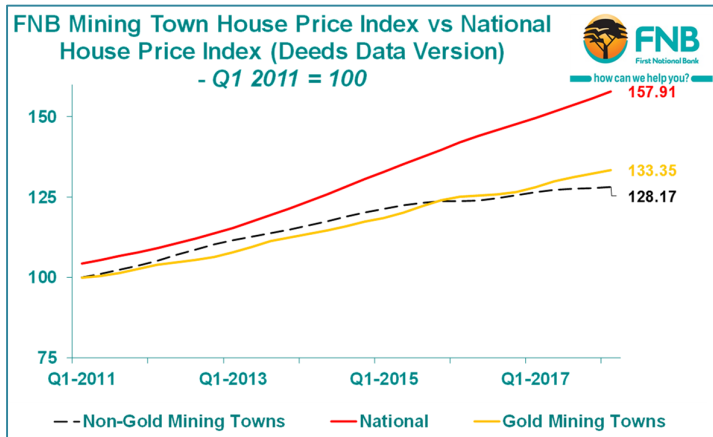
But in the longer run, we would continue to expect Gold Mining Town housing markets to underperform Non-Gold Mining Towns, while also expecting both indices to continue to underperform the broader National Market.

We expect this because Gold Mining production has been in a major long term decline, while Non-Gold Mining production, although more stable, has not kept up with the broader economy's growth either.



From the year 2000 to 2017, Gold Mining Output has declined by -68.2% in SA, while Non-Gold Mining Output has grown by +29.2%.

The difference is reflected in the slower cumulative growth rate in the FNB Gold Mining Towns House Price Index, which has risen by 410% since the beginning of 2001, compared to 465% in the Non-Gold Mining Towns Index.



While The FNB Non-Gold Mining Town House Price Index did mildly exceed the cumulative growth of the overall National Housing Market, the Mining Sector's problems have intensified more recently, with the end of the commodity price boom around 2011.

And since then, both the Gold and Non-Gold Mining Town House Price Indices have significantly underperformed the National House Price Index, the National Index rising cumulatively by 57.9% since the 1<sup>st</sup> quarter of 2011, the Gold Mining

Towns Index by a far slower 33.35% and the Non-Gold Index by 28.17%.

## CONCLUSION

**In short, the FNB Mining Towns House Price Indices year-on-year growth rates slowed as we moved into 2018. This could be in part reflective by a recent broad slowing in mining production growth.**

**They also continue to underperform the overall National House Price Index, arguably reflective of the Mining Sector's longer term stagnation trend.**

**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**

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by FirstRand Group Limited and / or the authors of the material.

First National Bank – a division of FirstRand Bank Limited. An Authorised Financial Services provider. Reg No. 1929/001225/06

**Note:**

The FNB Mining Town House Price Indices are derived from Deeds Office Data, utilizing only property transactions by individuals (“natural persons”). There are 3 Mining Town-related indices:

- The FNB Gold Mining Towns House Price Index
- The FNB Non-Gold Mining Towns Index
- The FNB Mining Towns Index (which includes both gold and non-gold mining towns).

The index methodology used is a “repeat sales” methodology

Given that deeds data is a different dataset to our monthly FNB National House Price Index, and more dated than our own FNB data, the Mining Town Indices are not exactly comparable with it.

The FNB National House Price Index quoted in this report is also compiled from deeds data using the same methodology as the Mining Town House Price Indices. It is thus comparable with the Mining Town House Price Indices, but is a different house price index to the monthly FNB National House Price Index which is compiled using FNB-specific data and according to a different methodology.

## MINING TOWNS AVERAGE HOUSE PRICE INDICES

	2015	2016	2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
<b>MINING TOWNS HOUSE PRICE INDICES</b>							
<b>Total Mining Towns (Index Q1 2001 = 100)</b>	516.2	527.9	542.8	542.5	544.8	545.8	546.3
- year-on-year % change	3.9%	2.3%	2.8%	3.2%	3.0%	2.3%	1.5%
- quarter-on-quarter % change				0.8%	0.4%	0.2%	0.1%
<b>Gold Mining Towns (Index Q1 2001 = 100)</b>	463.2	480.9	498.1	496.2	501.2	505.4	509.5
- year-on-year % change	5.1%	3.8%	3.6%	3.4%	4.2%	4.4%	4.0%
- quarter-on-quarter % change				1.3%	1.0%	0.8%	0.8%
<b>Non-Gold Mining Towns (Index Q1 2001 = 100)</b>	540.6	548.4	561.0	560.7	562.3	563.3	564.6
- year-on-year % change	3.8%	1.4%	2.3%	2.7%	2.4%	1.8%	1.3%
- quarter-on-quarter % change				0.5%	0.3%	0.2%	0.2%