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Explanatory notes:

The Absa House Price Indices, available back to 1966, are based on the total purchase price of houses in the 80m²-400m² size category, priced at R3,1 million or less in 2008 (including improvements), in respect of which mortgage loan applications were approved by Absa. Prices are smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers in the data. As a result, the most recent index figures may differ materially from previously published figures.

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House prices continue to decline

The average nominal price of **middle-segment housing** (see explanatory notes) dropped by 0,4% year-on-year (y/y) in March 2009 to around R961 800, after declining by 0,2% y/y in February. On a month-on-month basis, nominal house prices are declining since mid-2008, after peaking at R965 800 in May.

In real terms, middle-segment house prices were down by 8,2% y/y in February, while declining by 7,6% y/y in January. House prices are declining in real terms since August 2007. Real house price calculations are based on the consumer price index (CPI) for all urban areas, available from January 2008, as published by Statistics South Africa. Before this date the calculations are based on the historical CPI for metropolitan areas, linked to the CPI for all urban areas, which is the new headline CPI inflation.

In both nominal and real terms, house prices declined the most in the large segment on a year-on-year basis, and the least in the small segment in recent months. This is an indication of the upper end of the market being under much pressure, with more buyers opting for smaller and more affordable housing.

In the category for **small houses** (80m²-140m²), prices dropped by a nominal 0,6% y/y in March 2009 (-0,6% y/y in February). This brought the average nominal price of a small house to about R677 600 in March. In real terms, prices in this category of housing dropped by 8,5% y/y in February (-7,8% y/y in January).

The average nominal price of **medium-sized houses** (141m²-220m²) was down by 1,8% y/y in March this year (-1,6% y/y in February). This brought the average price in this segment of the market to R932 700. On a month-on-month basis, the average price of medium-sized houses dropped for the sixth consecutive month in March, by 0,3%. In real terms, prices were 9,5% y/y lower in February, after declining by a real 8,7% y/y in January.

Absa House Price Indices (nominal, 2000=100)												
Month	Small houses 80-140 m ²			Medium-sized houses 141-220 m ²			Large houses 221-400 m ²			All houses 80-400 m ²		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
	Jan	310.1	340.4	339.2	339.0	380.7	375.8	337.7	381.5	374.7	324.2	354.5
Feb	312.9	341.5	339.6	344.6	380.7	374.4	342.1	382.9	373.0	328.5	354.8	353.9
Mar	314.9	342.4	340.2	349.7	380.2	373.3	346.5	383.6	371.3	332.3	355.1	353.8
Apr	316.8	343.1		354.7	379.5		351.4	383.4		335.7	355.2	
May	318.9	343.7		359.3	379.2		356.8	382.7		338.9	355.3	
Jun	321.8	343.7		363.6	379.5		362.4	381.8		342.1	355.3	
Jul	325.3	343.0		367.8	380.1		367.5	381.1		345.4	355.2	
Aug	329.1	342.0		371.6	380.8		371.6	380.8		348.2	355.1	
Sep	332.7	340.9		374.7	381.2		374.5	380.3		350.5	354.8	
Oct	335.7	339.7		377.0	380.7		376.7	379.5		352.3	354.4	
Nov	337.9	339.1		378.8	379.3		378.6	378.1		353.6	354.1	
Dec	339.3	339.0		380.1	377.4		380.2	376.5		354.3	354.0	
Average	324.6	341.5		363.4	379.9		362.2	381.0		342.2	354.8	

With regard to **large houses** (221m²-400m²), prices declined by a nominal 3,2% y/y to around R1 352 400 in March 2009 after a drop of 2,6% y/y was recorded in February. This was the biggest nominal year-on-year price drop since June 1986, with the average price now almost R45 000 below the March 2008 peak of R1 397 300. Prices of large houses were down by a real 10,3% y/y in February this year, after declining by 9,1% y/y in real terms in January.

After contracting at a seasonally adjusted annualised rate (saar) of 1,8% in the fourth quarter of 2008, the South African economy is believed to be in a recession, which is technically defined as two consecutive quarters of negative real economic growth. The economy is forecast to contract further on a quarter-on-quarter basis in the first and second quarters this year, bottoming and recovering gradually in the second half of the year. Real GDP growth for 2009 is projected at -0,5%, negatively impacting employment and household income.

The Reserve Bank's Monetary Policy Committee is expected to cut the key monetary policy rate, the repo rate, by a further 250 basis points to a level of 7% up to June this year, which will prompt commercial banks to lower their prime and mortgage interest rates to 10,5%. Interest rates have already been cut by a cumulative 250 basis points since December last year.

Despite the expectation of further interest rate cuts, the household sector may continue to experience some financial strain this year, especially in view of an expected poorly performing economy. This is forecast to cause further job losses, which will adversely affect household income and consequently consumer sentiment, confidence and spending.

As a result, the housing market is expected to remain under pressure for much of 2009, with house prices forecast to drop by a nominal 3%-4% and a real 8,5%-9,5% this year.

Middle-segment House Prices				
	Nominal y/y % change		Real y/y % change	
	March	January-March	February	January-February
	2009	2009	2009	2009
Small houses (80m ² -140m ²)	-0.6	-0.5	-8.5	-8.1
Medium-sized houses (141m ² -220m ²)	-1.8	-1.6	-9.5	-9.1
Large houses (221m ² -400m ²)	-3.2	-2.5	-10.3	-9.7
All houses (80m ² -400m ²)	-0.4	-0.3	-8.2	-7.9

