



# Absa House Price Indices

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## The average nominal price of houses was higher in all categories in February compared with a year ago

The average nominal value of homes for which Absa approved mortgage finance (see explanatory notes) increased further in February 2010, with all three categories of housing, as defined by Absa (small, medium and large), recording a positive nominal year-on-year rise in values. In real terms, house prices were still lower in February compared with a year ago. With CPI inflation trending down further in recent months, house prices continued to contract at a slower pace in real terms up to January this year.

In the category of **small houses** (80m<sup>2</sup>-140m<sup>2</sup>), the average nominal value was up by 1,6% year-on-year (y/y) in February this year, compared with a revised growth rate of 0,7% y/y recorded in January. This caused the average nominal value of a small house to come to about R676 800 in February. The average value of houses in this category was a real 5,2% y/y lower in January, after declining by 6,1% y/y in December last year,

The average nominal value of **medium-sized houses** (141m<sup>2</sup>-220m<sup>2</sup>) increased by 2,2% y/y in February, after a revised increase of 1% y/y was registered in January. This brought the average nominal value in this segment of housing to a level of around R953 600 in February. After adjustment for the effect of inflation, the average value of medium-sized houses was a real 4,9% y/y lower in January, after a decline of 6,2% y/y was recorded in December 2009.

In the segment of **large houses** (221m<sup>2</sup>-400m<sup>2</sup>), the average nominal value increased by 3,3% y/y in February this year, up from 3,1% y/y in January. This brought the average value of a large house to a nominal R1 408 000 in February. In real terms, the average value of a large house was 2,9% y/y lower in January, compared with real price deflation of 3,3% y/y registered in this segment of the market in December last year.

### Explanatory notes:

The Absa House Price Indices, available back to 1966, are based on the total purchase price of houses in the 80m<sup>2</sup>-400m<sup>2</sup> 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 and price growth data may differ materially from previously published figures.

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**Absa House Price Indices (nominal, 2000=100)**

Month	Small houses 80-140 m <sup>2</sup>			Medium-sized houses 141-220 m <sup>2</sup>			Large houses 221-400 m <sup>2</sup>		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Jan	342.5	336.1	338.4	379.5	375.4	379.2	382.3	374.9	386.7
Feb	344.5	334.5	339.8	380.2	373.6	381.7	383.7	374.2	386.6
Mar	345.7	332.7		380.4	371.6		384.3	374.5	
Apr	346.2	330.8		380.4	369.4		383.8	376.1	
May	346.2	329.3		380.4	367.1		382.6	378.6	
Jun	345.3	328.7		380.5	365.2		381.2	381.4	
Jul	344.1	329.1		380.7	364.2		380.1	384.2	
Aug	342.8	330.1		380.9	364.3		379.4	386.1	
Sep	341.6	331.7		380.9	366.0		379.0	387.0	
Oct	340.2	333.5		380.3	369.0		378.4	387.1	
Nov	338.9	335.3		378.9	372.6		377.4	387.0	
Dec	337.6	336.9		377.1	376.0		376.1	386.8	
Average	343.0	332.4	339.1	380.0	369.5	380.4	380.7	381.5	386.6

After emerging from recession in the second half of 2009, the South African economy is expected to grow by a real 2,8% in 2010, mainly driven by the recovery in the global economy, while domestic demand is expected to gradually pick up from the levels of last year. The FIFA World Cup event is also set to boost domestic economic activity around the middle of the year.

CPI inflation slowed down marginally to 6,2% y/y in January, from 6,3% y/y in December, and is forecast to be below the 6% level on average in the 1<sup>st</sup> quarter of the year. However, the electricity price hike of 24,8% for 2010/2011, announced in February, remains the major threat to the inflation outlook for 2010. Against this background, interest rates are projected to remain unchanged up to late this year before being raised by 50 basis points in an attempt to keep CPI inflation below the 6% level.

With the economy recovering and employment increasing up to the end of last year, which will support growth in household disposable income, the residential property market is expected to gather further momentum in 2010. Growth in the nominal value of houses is forecast to be around 6% higher in 2010 compared with 2009.

### Absa House Price Indices

Houses of 80-400m<sup>2</sup>, up to R3,1 million

Category of housing	Nominal y/y % change			Real y/y % change		
	January 2010	February 2010	Jan-Feb 2010	November 2009	December 2009	January 2010
Small houses (80m <sup>2</sup> -140m <sup>2</sup> )	0.7	1.6	1.1	-6.5	-6.1	-5.2
Medium-sized houses (141m <sup>2</sup> -220m <sup>2</sup> )	1.0	2.2	1.6	-7.1	-6.2	-4.9
Large houses (221m <sup>2</sup> -400m <sup>2</sup> )	3.1	3.3	3.2	-3.1	-3.3	-2.9

