



# Absa House Price Indices

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Compiled by:  
Jacques du Toit  
Senior Property Analyst  
Absa Home Loans  
Absa Group Limited  
(Reg No 1986/003934/06)

45 Mooi Street  
Johannesburg  
2001

PO Box 7735  
Johannesburg  
2000  
South Africa

Tel: +27 (0) 11 350 7246  
E-mail: jacques@absa.co.za  
Website: <http://www.absa.co.za>

#### 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 R3,5 million or less in 2011 (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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## Home values continue to grow at a slow pace

The average nominal value of small, medium-sized and large houses in the middle-segment of the South African housing market for which Absa approved mortgage finance (see explanatory notes), continued to show relatively low growth on a year-on-year basis in February 2011.

The base effect of a recovery in home values twelve months ago is a key factor in the current low level of year-on-year price growth, and is expected to remain an important factor in the first half of 2011. Moderate month-on-month price growth is evident in all three segments of housing since late 2010, which is believed to be related to low inflation and interest rates, a higher level of real economic growth, and an increase in employment numbers towards the end of last year.

In real terms, the prices of medium-sized homes were declining over the past three months compared with a year ago, while the average real value of large houses is on a declining trend since August last year, compared with the same period twelve months ago. Real house price calculations are based on the headline consumer price index.

The average value of **small houses** (80m<sup>2</sup>-141m<sup>2</sup>) increased by a nominal 4,3% year-on-year (y/y) in February 2011, after rising by an adjusted 6,3% y/y in January. The average price of a house in this segment of the market came to about R784 600 in February this year. Real price growth of 2,6% y/y was recorded in January.

In the segment of **medium-sized houses** (141m<sup>2</sup>-220m<sup>2</sup>) the average nominal price was up by 1,5% y/y in February this year (2,1% y/y in January). The price of a medium-sized house was around R982 200 in February. A real price decline of 1,5% y/y was recorded in January this year.

Nominal year-on-year price growth in the category of **large houses** (221m<sup>2</sup>-400m<sup>2</sup>) was 3,7% in February 2011 (3,5% in January). The average price of a large house came in at around R1 494 600 in February. In real terms the average price in this segment of housing was down by 0,2% y/y in January 2011.

### 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>		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Jan	341.6	364.2	387.2	374.8	383.4	391.4	374.0	392.6	406.3
Feb	337.2	377.8	393.9	372.3	387.5	393.2	372.7	395.9	410.3
Mar	332.2	391.1		369.9	390.3		372.4	399.1	
Apr	327.8	401.3		367.9	391.3		373.6	401.3	
May	325.4	405.2		366.2	390.9		375.9	401.5	
Jun	325.8	402.4		365.2	389.1		379.0	399.6	
Jul	328.3	394.6		365.2	387.1		382.3	396.4	
Aug	331.9	384.9		365.9	385.6		385.0	393.4	
Sep	335.3	377.4		367.7	385.2		386.7	392.4	
Oct	339.2	374.9		370.7	386.0		387.6	393.9	
Nov	344.5	376.9		374.4	387.6		388.6	397.3	
Dec	352.8	381.5		378.8	389.5		390.2	401.7	
Average	335.2	386.0	390.6	369.9	387.8	392.3	380.7	397.1	408.3

The South African economy is forecast to expand by between 3,5% and 4% in real terms this year, with expectations of a moderate increase in employment, further growth in real household disposable income, and interest rates remaining low. These factors, as well as the lowering of transfer duty on property announced in the national Budget in February, are expected to support the residential property market in 2011. However, consumer price inflation is forecast to rise during the course of the year on the back of movements in food price inflation, international oil prices, and the rand exchange rate. Oil price and currency movements are adversely affecting domestic fuel prices since late last year, while a hike of 18 cents/litre in fuel taxes on 6 April 2011 will cause fuel prices to rise even further. Higher transport costs and consumer price inflation, together with rising electricity prices, municipal rates, taxes and levies, will impact household finances and eventually the residential property market in 2011.

Taking account of recent trends in house prices, as well as the abovementioned expectations with regard to the economy, nominal house price growth of around 1,5% is currently forecast for 2011. Based on this forecast and a projected average consumer price inflation rate of between 4,5% and 5% this year, house prices are set to record a real decline in 2011.

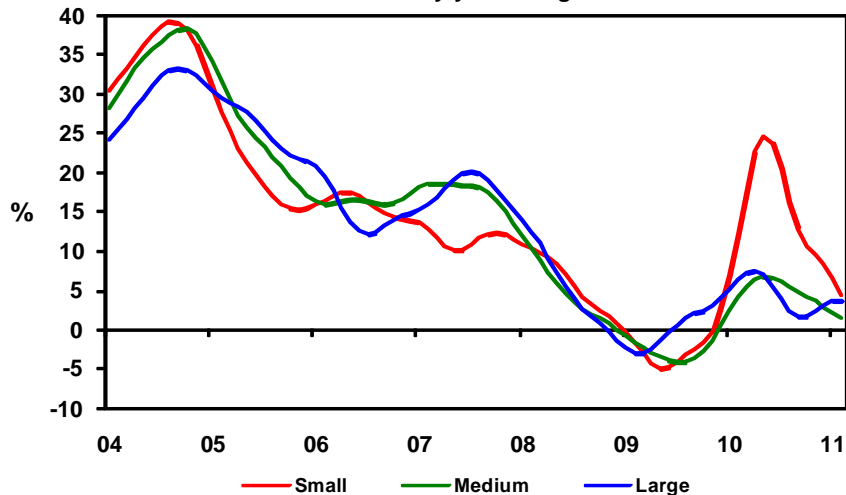
### Absa House Price Indices

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,5 million

Category of housing	Nominal y/y % change			Real y/y % change		
	January 2011	February 2011	Year-to-date 2011	November 2010	December 2010	January 2011
Small houses (80m <sup>2</sup> -140m <sup>2</sup> )	6.3	4.3	5.3	5.6	4.5	2.6
Medium-sized houses (141m <sup>2</sup> -220m <sup>2</sup> )	2.1	1.5	1.8	-0.1	-0.6	-1.5
Large houses (221m <sup>2</sup> -400m <sup>2</sup> )	3.5	3.7	3.6	-1.3	-0.5	-0.2

### Absa House Price Indices

Nominal y/y % change



### Absa House Price Indices

Real y/y % change

