



Absa House Price Indices

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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 R3,5 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 came under further pressure in April

Home values in the small, medium-sized and large categories of housing in South Africa for which Absa approved mortgage finance (see explanatory notes), experienced some further strain in April 2011 on a year-on-year basis. However, some marginal nominal growth occurred on a monthly basis in April in each of the abovementioned segments. In the first four months of 2011, average nominal year-on-year price growth was still positive in the three categories of housing compared with a year ago.

In real terms, home values dropped further in all three segments in March 2011 on the back of headline consumer price inflation rising to 4,1% year-on-year (y/y) in the month from 3,7% y/y in February. In the period January to March this year, real price declines occurred in the three categories compared with the corresponding period in 2010.

The segment for **small houses** (80m²-141m²) recorded a nominal year-on-year price drop of 3,5% in April 2011 (-1,2% in March). The average price of a small house came to about R766 300 in April. In real terms prices were down by 5,1% y/y in this segment of the market in March this year.

The average nominal value of **medium-sized homes** (141m²-220m²) declined by a marginal 0,1% y/y in April 2011, after rising by only 0,1% y/y in the preceding month. This brought the price of a medium-sized house to about R972 900 in April. A real price decline of 3,9% y/y occurred in this category of housing in March 2011.

In the category of **large houses** (221m²-400m²) nominal year-on-year price growth slowed down to 2% in April from 2,5% in March. The average price of a large house was recorded at around R1 489 700 in April. March this year saw an average real price decline of 1,8% y/y in the large segment.

The developments regarding house price growth in the first four months of 2011 were impacted by price trends in the same period last year, while many consumers are still experiencing some financial strain, which ultimately influenced the housing market.

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		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Jan	341.5	363.3	381.4	374.8	382.7	388.4	373.8	392.5	405.1
Feb	336.9	375.9	383.0	372.3	386.4	388.8	372.3	395.5	407.2
Mar	331.8	388.7	384.0	370.0	388.9	389.2	372.0	398.6	408.5
Apr	327.3	398.7	384.7	368.0	389.9	389.4	373.2	401.0	409.0
May	325.0	403.3		366.3	389.6		375.7	401.6	
Jun	325.6	401.8		365.4	388.3		378.9	400.3	
Jul	328.5	395.6		365.4	386.8		382.5	397.7	
Aug	332.4	387.5		366.2	385.8		385.5	395.2	
Sep	336.1	380.8		368.0	385.7		387.3	394.3	
Oct	339.9	377.4		370.8	386.2		388.2	395.5	
Nov	345.0	377.1		374.4	387.1		388.9	398.4	
Dec	352.7	379.0		378.5	387.9		390.2	402.0	
Average	335.2	385.8	383.3	370.0	387.1	389.0	380.7	397.7	407.5

Inflationary pressures are mounting in the South African economy on the back of rising energy costs and food prices, while employment and consumer confidence were down in the first quarter of 2011 compared with the fourth quarter of 2010. Growth in household credit extension, including mortgage advances, remained well in single-digit territory in the first three months of the year, reflecting the state of household finances and the resultant ability to take up credit.

In view of these developments and the expectation of inflation rising to an average of just below 6% y/y in the fourth quarter of 2011, interest rates are currently forecast to remain unchanged until early 2012, when the first rate hike is expected. Banks' prime and variable mortgage interest rates are forecast to rise by a cumulative 250 basis points during the course of 2012 to a level of 11,5% by year-end.

Against the background of house price trends in the first few months of the year and the outlook for economic growth, employment, inflation and interest rates, which will impact household finances, the current forecast is for average nominal house price growth of between 1% and 1,5% this year. Real house price deflation of 3,5% to 4% is projected for 2011, based on the forecast for nominal price growth and headline consumer price inflation expected to average 5% this year.

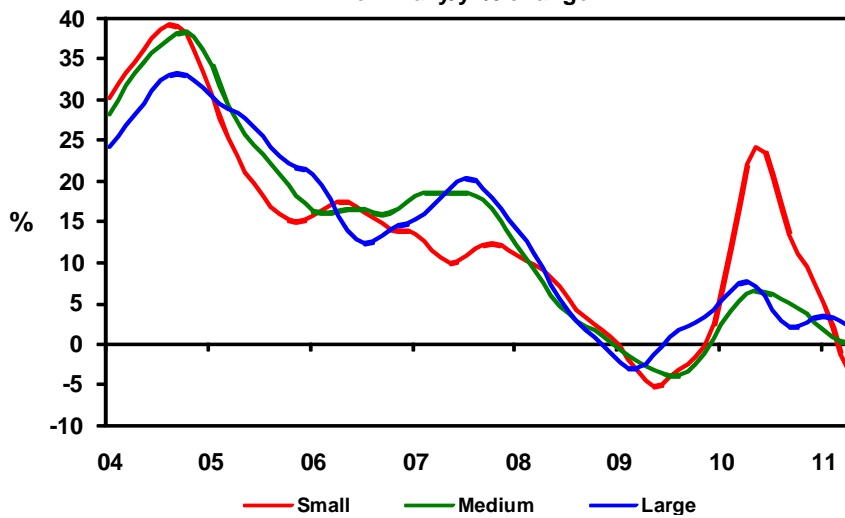
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Houses of 80m²-400m², up to R3,5 million

Category of housing	Nominal y/y % change			Real y/y % change		
	March 2011	April 2011	Year-to-date 2011	February 2010	March 2010	Year-to-date 2011
Small houses (80m ² -140m ²)	-1.2	-3.5	0.4	-1.8	-5.1	-1.9
Medium-sized houses (141m ² -220m ²)	0.1	-0.1	0.5	-3.0	-3.9	-3.0
Large houses (221m ² -400m ²)	2.5	2.0	2.7	-0.7	-1.8	-0.9

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Nominal y/y % change



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Real y/y % change

