



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 continued to decline in May

The year-on-year growth in home values in the small, medium-sized and large categories of housing in South Africa for which Absa approved mortgage finance (see explanatory notes) remained under pressure in May 2011.

In the first five months of the year, house prices showed an average nominal decline in the small and medium-sized categories, while all three segments recorded real price declines up to April. The declining trend in real home values over the past few months is related to the slower nominal price growth, while the consumer price inflation rate has risen gradually during this period to a level of 4,2% in April.

In the category of **small houses** (80m²-141m²), prices dropped by a nominal 6,4% y/y in May this year (-4,7% y/y in April). The base effect of a strong upward trend in price growth in this segment of the market a year ago is having a significant impact on current year-on-year price growth. The average price of a small house came to about R755 400 in May. A real price decline of 8,6% y/y was recorded in the small-house category in April.

The average value of **medium-sized homes** (141m²-220m²) declined by 1,8% y/y in May 2011, after being 1,7% y/y lower in April. The price of a medium-sized house was around R955 500 in May this year. In real terms, home values in the medium-sized segment dropped by 5,7% y/y in April 2011.

The segment for **large houses** (221m²-400m²) saw nominal price growth of 1,8% y/y in May, down from 2% y/y in April. The average price of a large house came to R1 487 700 in May. A real price decline of 2,1% y/y occurred in the large segment in April.

The general state of consumer finances is believed to continue to impact the residential property market over a wide front. Employment was marginally down in the first quarter of the year, with consumer confidence being lower in the same period. Many consumers are still having impaired credit records, while there has been no further relief in terms of lower interest rates in the first few months of the year. These developments were evident in household mortgage advances growth tapering off to only 3,3% y/y in April this year.

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 | 342.1 | 364.0 | 382.3 | 374.9 | 382.8 | 386.6 | 373.8 | 392.6 | 405.4 |
| Feb | 337.2 | 376.9 | 383.2 | 372.4 | 386.5 | 385.5 | 372.2 | 395.5 | 407.5 |
| Mar | 331.7 | 389.8 | 382.6 | 370.1 | 388.9 | 384.3 | 371.8 | 398.4 | 408.5 |
| Apr | 327.0 | 400.2 | 381.3 | 368.1 | 389.8 | 383.2 | 373.0 | 400.7 | 408.8 |
| May | 324.5 | 404.9 | 379.2 | 366.4 | 389.4 | 382.5 | 375.4 | 401.2 | 408.4 |
| Jun | 325.2 | 403.2 | | 365.4 | 388.1 | | 378.8 | 399.9 | |
| Jul | 328.3 | 396.8 | | 365.5 | 386.6 | | 382.4 | 397.4 | |
| Aug | 332.5 | 388.5 | | 366.3 | 385.9 | | 385.5 | 395.0 | |
| Sep | 336.4 | 381.7 | | 368.0 | 386.1 | | 387.5 | 394.3 | |
| Oct | 340.5 | 378.4 | | 370.9 | 386.6 | | 388.4 | 395.6 | |
| Nov | 345.5 | 378.2 | | 374.6 | 387.2 | | 389.2 | 398.6 | |
| Dec | 353.2 | 380.2 | | 378.7 | 387.3 | | 390.5 | 402.2 | |
| Average | 335.3 | 386.9 | 381.7 | 370.1 | 387.1 | 384.4 | 380.7 | 397.6 | 407.7 |

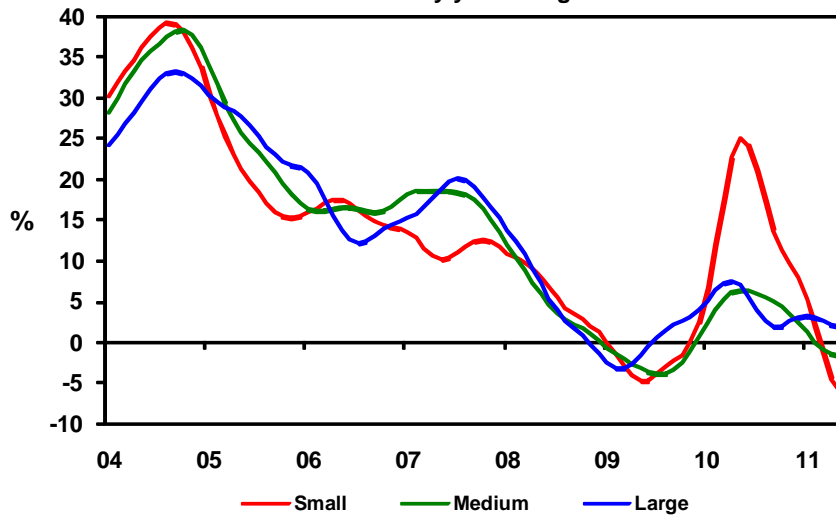
Consumer price inflation is forecast to rise to a level of almost 6% by the end of 2011, with no further interest rate cuts forecast in the current cycle. The South African Reserve Bank's Monetary Policy Committee is expected to closely watch developments on the inflation as well as the broad economic front when deciding on the way forward for domestic interest rates in months to come. The current forecast is for interest rates to remain stable until early 2012, when rates are expected to be hiked. Banks' prime and variable mortgage interest rates are projected to rise to a level of 11,5% by the end of next year. Rising interest rates will impact the cost of servicing household debt, including mortgage debt, which will put further pressure on household finances and consumers' ability to spend and take up credit.

Nominal house price growth is expected to remain under pressure in the near term, with home values set to decline further in real terms on the back of rising consumer price inflation towards the end on the year.

Absa House Price Indices
Houses of 80m²-400m², up to R3,5 million

| Category of housing | Nominal y/y % change | | | Real y/y % change | | |
|---|----------------------|----------|-------------------|-------------------|------------|-------------------|
| | April 2011 | May 2011 | Year-to-date 2011 | March 2011 | April 2011 | Year-to-date 2011 |
| Small houses (80m ² -140m ²) | -4.7 | -6.3 | -1.4 | -5.8 | -8.6 | -3.8 |
| Medium-sized houses (141m ² -220m ²) | -1.7 | -1.8 | -0.8 | -5.1 | -5.7 | -4.3 |
| Large houses (221m ² -400m ²) | 2.0 | 1.8 | 2.5 | -1.6 | -2.1 | -1.2 |

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Nominal y/y % change



Absa House Price Indices
Real y/y % change

