



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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Growth in home values remains relatively low

Trends in house prices remained mixed in the middle segment of the South African housing market, based on the Absa house price indices for small, medium-sized and large house for which the bank approved mortgage finance (see explanatory notes). In two of the segments trends in price growth appear to be improving, while in the third segment price growth continues to slow down.

Nominal year-on-year house price growth improved further in the medium-sized category in September 2011, with price deflation still slowing down in the small segment. In the category for large houses, price growth has been on a declining trend since May last year, which is indicative of the market for these type of properties feeling the effect of economic trends, the state of household finances and lower consumer confidence. Month-on-month price trends remained subdued in all three segments of housing in September.

In real terms, i.e. after adjustment for inflation, annual price deflation continued across the board in all three categories of housing up to August this year, impacted by rising by headline consumer price inflation, which was recorded at 5,3% year-on-year (y/y) in August.

Average nominal prices of homes in the various categories were as follows in September 2011, with nominal and real price growth presented in the table on the next page:

- Small homes (80m²-141m²): R752 200
- Medium-sized homes (141m²-220m²): R1 019 000
- Large homes (221m²-400m²): R1 449 700

Factors believed to be impacting activity in the housing market include low real economic growth (1,3% at a seasonally adjusted annualised rate in the 2nd quarter); continued pressure on employment; consumer price inflation of above 5%, expecting to rise further towards the end of the year; no interest rates cuts since November last year; a low level of consumer confidence; and 46,7% of a total of 18,8 million credit-active consumers having damaged credit records in the 2nd quarter of 2011.

These factors affect the residential property market, limiting consumers' access to and demand for credit, including mortgage finance. Against this background, the value of new mortgage loans granted by banks in respect of residential property was down by 34% y/y in the 2nd quarter of 2011, while growth in outstanding household mortgage balances slowed down to only 1,4% y/y in August 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	341.9	364.4	379.4	375.1	383.0	385.7	372.9	392.4
Feb	337.2	376.9	380.0	372.7	387.1	385.5	371.5	395.1	407.4
Mar	331.9	389.3	380.4	370.4	390.3	386.5	371.3	397.9	407.5
Apr	327.2	399.3	380.4	368.2	391.8	389.0	372.7	400.0	406.1
May	324.4	404.2	380.3	366.1	391.9	392.7	375.4	400.7	404.0
Jun	324.7	403.3	380.2	364.9	390.7	397.0	378.9	399.9	402.0
Jul	327.5	398.1	379.8	364.9	388.9	400.9	382.7	398.0	400.3
Aug	331.6	391.0	378.8	365.7	387.5	404.3	385.9	396.3	398.9
Sep	335.8	384.6	377.6	367.6	386.9	407.1	387.9	395.9	398.0
Oct	340.2	380.5		370.6	386.7		388.8	397.2	
Nov	345.7	378.7		374.3	386.7		389.4	399.8	
Dec	353.7	378.7		378.6	386.3		390.5	402.9	
Average	335.2	387.4	379.7	369.9	388.1	394.3	380.7	398.0	403.3

Domestic real economic growth of 3,1% is expected for 2011, with growth forecast to rise only marginally to 3,4% in 2012. Although headline consumer price inflation (CPI), as well as core CPI (headline CPI, excluding the components of food, non-alcoholic beverages, petrol and energy) are expected to rise further, interest rates are forecast to remain at current levels until late next year before being hiked, with room for rates to drop further if economic conditions continue to deteriorate.

Nominal house price growth is forecast to be well within single digits for the full year of 2011, projected at between 2% and 2,5%. In real terms, house prices are expected to continue to decline in the rest of the year on the back of rising consumer price inflation, which is projected to marginally breach the 6% level by the end of the year and for part of 2012.

Absa House Price Indices

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

Category of housing	Nominal y/y % change			Real y/y % change		
	August 2011	September 2011	Year-to-date 2011	July 2011	August 2011	Year-to-date 2011
Small houses (80m ² -140m ²)	-3.1	-1.8	-2.6	-9.4	-8.0	-6.9
Medium-sized houses (141m ² -220m ²)	4.3	5.2	1.5	-2.1	-1.0	-3.4
Large houses (221m ² -400m ²)	0.7	0.5	1.5	-4.4	-4.5	-2.7

