



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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House price growth slowing down

Latest trends

House price growth appears to be slowing down again, as was the case earlier this year. This is based on the latest trends in the Absa house price indices for small, medium-sized and large homes in the middle-segment of the South African housing market for which the bank received and approved applications for mortgage finance (see explanatory notes).

The recent developments with regard to nominal house price growth came against the backdrop of slowing or declining price trends on a monthly basis in the various categories of housing over the past few months, which were expected to eventually lead to a slowdown in year-on-year price growth at a later stage.

Rising headline consumer price inflation, currently at 6% year-on-year (y/y), caused real house price deflation to continue unabatedly across all three segments of housing up to October this year. The average real price of middle-segment houses, calculated at constant 2008 prices, was in October as much as 13,6% below the peak of August 2007. This was caused by average nominal house price growth being below the average headline consumer price inflation rate during this period.

Average nominal house prices in the various segments were as follows in November 2011, with nominal and real price changes presented in the table on the next page:

- Small homes (80m²-141m²): R709 500
- Medium-sized homes (141m²-220m²): R1 007 100
- Large homes (221m²-400m²): R1 512 700

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	342.3	365.2	379.3	375.0	383.1	385.8	373.0	392.1	405.2
Feb	337.2	377.1	379.7	372.7	387.2	385.6	371.4	394.8	406.9
Mar	331.5	389.1	379.8	370.4	390.3	386.6	371.0	397.7	406.9
Apr	326.6	398.8	379.8	368.2	391.8	389.2	372.4	399.9	405.3
May	324.0	403.5	380.0	366.1	391.9	393.0	375.2	400.6	403.2
Jun	324.6	402.5	379.7	364.9	390.5	397.0	378.9	399.5	402.1
Jul	328.0	397.1	377.7	364.8	388.7	400.3	382.9	397.2	402.9
Aug	332.7	390.0	373.4	365.6	387.3	402.2	386.2	395.0	405.2
Sep	337.4	383.8	367.9	367.5	386.8	403.0	388.2	394.3	408.4
Oct	342.1	380.0	361.8	370.6	386.7	403.2	389.0	395.6	411.8
Nov	347.5	378.5	356.2	374.4	386.7	403.1	389.4	398.4	415.3
Dec	355.0	378.6		378.6	386.4		390.3	402.1	
Average	335.7	387.0	374.1	369.9	388.1	395.4	380.7	397.3	406.7

Outlook

The South African economy recorded real annualised growth of 1,4% in the 3rd quarter of 2011, after growing by 1,3% in the 2nd quarter and 4,5% in the 1st quarter of the year. Real growth of around 3% is expected for the full year, forecast to rise only marginally in 2012 against the background of the outlook for the global economy. A poorly performing European as well as US economy will adversely affect South Africa's exports to these regions, influencing domestic production, employment and household finances.

Headline consumer price inflation (CPI) is forecast to marginally breach the 6% level by year-end and for part of 2012, driven by rising food prices, transport costs and property running costs. Despite headline CPI expected to be above the upper limit of the inflation target range of 3%-6% in 2012, interest rates are projected to remain low for most of next year in view of global economic trends and the possible impact of these developments on the domestic economy over the next twelve months.

Nominal house price growth of around 2% is forecast for the full year of 2011, with price growth expected to remain relatively low in 2012. Against the background of economic developments during the course of next year, the short- to medium-term performance of the residential property market and demand for mortgage finance will be driven by the state of consumer finances and credit records, as well as trends with regard to consumer confidence. In real terms, i.e. after adjustment for the effect of inflation, house prices are set to decline further towards the end of the year and into next year, based on average nominal price growth expected to be below the average headline consumer price inflation rate during this period.

Absa House Price Indices

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

Category of housing	Nominal y/y % change			Real y/y % change		
	October 2011	November 2011	Year-to-date 2011	September 2011	October 2011	Year-to-date 2011
Small houses (80m ² -140m ²)	-4.8	-5.9	-3.5	-9.3	-10.2	-7.7
Medium-sized houses (141m ² -220m ²)	4.3	4.2	-1.8	-1.4	-1.7	-3.1
Large houses (221m ² -400m ²)	4.1	4.2	-2.5	-2.0	-1.8	-2.3



