



Absa House Price Indices

12 January 2012

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2011 saw low nominal house price growth, with prices deflating in real terms

Relatively low nominal year-on-year house price growth was recorded in 2011, while in real terms, prices dropped last year compared with 2010. On a monthly basis price growth slowed down or was in negative territory towards the end of the year. These trends are based on 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).

Last year saw nominal growth in middle-segment home values of 2,2%, down from 7,3% in 2010. Interest rate cuts to the amount of 450 basis points in 2009 provided stimulus to the housing market, contributing to prices rising by more than 7% in 2010. However, interest rates were cut by only another 150 basis points in 2010, and remained unchanged in 2011. This, together with rising inflation, relatively high levels of debt, damaged credit records and tight labour market conditions, weighed on consumers and confidence levels during last year, impacting the demand for housing and mortgage finance, as well as house price growth.

Driven by increasing food prices, transport costs and property running costs, headline consumer price inflation was on an upward trend throughout 2011, rising to above 6% year-on-year (y/y) late last year. This caused house prices to deflate by a real 2,7% in 2011. The average real price of middle-segment houses, calculated at constant 2008 prices, was in November almost 14% below its peak of August 2007, which was the result of average nominal house price growth being below the average headline consumer price inflation rate over the past 4½ years.

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

- Small homes (80m²-141m²): R694 400
- Medium-sized homes (141m²-220m²): R985 400
- Large homes (221m²-400m²): R1 548 200

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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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	343.1	365.7	380.1	374.9	383.8	385.9	373.3	391.6	404.7
Feb	337.9	377.9	380.1	372.5	388.2	385.5	371.4	394.5	406.6
Mar	331.9	390.0	379.8	370.3	391.3	386.5	370.8	397.6	406.8
Apr	326.5	399.9	379.5	368.2	392.4	389.1	372.1	399.8	405.5
May	323.4	404.7	379.7	366.3	391.9	393.1	375.0	400.2	403.6
Jun	323.6	403.6	379.7	365.1	390.0	397.6	379.0	398.6	402.3
Jul	326.8	398.0	377.9	365.0	387.7	401.2	383.4	395.9	402.8
Aug	331.6	390.9	373.8	365.6	386.2	402.5	386.8	393.4	405.4
Sep	336.4	384.8	367.5	367.4	385.8	401.7	388.6	392.7	409.8
Oct	341.4	381.1	360.8	370.5	386.1	399.8	389.1	394.2	414.8
Nov	347.2	379.7	354.5	374.4	386.6	397.3	389.2	397.4	420.0
Dec	355.1	379.7	348.6	378.9	386.5	394.5	389.9	401.3	425.0
Average	335.4	388.0	371.8	369.9	388.0	394.6	380.7	396.4	408.9

The South African economy is forecast to post real growth of 2,8% in 2012, after expanding by an estimated 3% in real terms in 2011. The lower growth expected this year compared with last is against the background of global growth of only 3,3% projected for 2012, impacted by the prolonged sovereign debt crisis in Europe. Headline consumer price inflation is forecast to remain above the 6% level throughout 2012, driven by continued pressure on food prices, transport costs and property running costs. In view of these expectations, interest rates are forecast to remain at current levels until late this year before being hiked.

In view of the abovementioned macroeconomic trends expected, and their eventual impact on the household sector, nominal house price growth is projected to remain relatively low in 2012. In real terms house prices are set to deflate further this year, based on low nominal price growth expected and consumer price inflation to be above 6% on average.

Absa House Price Indices

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

Category of housing	Nominal y/y % change			Real y/y % change		
	November 2011	December 2011	Year-to-date 2011	October 2011	November 2011	Year-to-date 2011
Small houses (80m ² -140m ²)	-6.6	-8.2	-4.2	-10.7	-12.0	-8.2
Medium-sized houses (141m ² -220m ²)	2.8	2.0	1.7	-2.4	-3.1	-3.1
Large houses (221m ² -400m ²)	5.7	5.9	3.2	-0.8	-0.4	-1.9



