



# 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 80m<sup>2</sup>-400m<sup>2</sup> size category, priced at R3,6 million or less in 2012 (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 deflation continues

### Latest trends

House price deflation in the South African residential property market continued on a year-on-year basis in April 2012. This is according to Absa's calculations, which are based on the average value of homes for which the bank received and approved mortgage loan applications in the small, medium-sized and large categories in the middle segment of the market (see explanatory notes).

The abovementioned three segments of the housing market recorded nominal and real year-on-year price deflation in April and March respectively. Real house price calculations are based on headline consumer price inflation, which tapered off to 6% year-on-year (y/y) in March, from 6,1% y/y in February and 6,3% y/y in January.

Average nominal prices of homes in the various middle-segment categories were as follows in April 2012, with nominal and real price changes presented in the table and graph on the next page:

- Small homes (80m<sup>2</sup>-141m<sup>2</sup>): R622 100
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R964 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 469 700

The latest trends in house prices came against the background of macroeconomic developments and property-related factors affecting the financial position of consumers and households. These factors may affect the demand for and supply of housing and cause changes in property buying trends, which will be reflected in property market activity, transactions volumes, price trends and growth in mortgage finance on a segment basis.

**Absa House Price Indices (nominal, 2000=100)**

Month	Small houses 80-140 m <sup>2</sup>			Medium-sized houses 141-220 m <sup>2</sup>			Large houses 221-400 m <sup>2</sup>		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Jan	366.4	382.8	330.5	384.0	386.5	390.2	391.4	404.1	411.6
Feb	378.9	382.4	323.2	388.4	386.2	388.2	394.3	406.0	408.7
Mar	391.1	381.2	317.2	391.3	387.2	386.7	397.5	406.5	406.0
Apr	400.7	379.8	312.3	392.1	389.7	385.9	399.9	405.7	403.5
May	405.0	379.2		391.2	393.4		400.5	404.6	
Jun	403.3	378.8		388.9	397.7		399.3	404.3	
Jul	397.2	377.6		386.5	401.2		396.8	405.6	
Aug	389.9	374.2		385.1	402.7		394.3	408.5	
Sep	384.1	368.1		385.0	402.0		393.3	411.9	
Oct	381.4	359.3		385.7	399.5		394.4	414.4	
Nov	381.3	349.2		386.7	396.1		397.2	415.2	
Dec	382.2	339.4		387.0	392.8		400.8	414.1	
Average	388.5	371.0	320.8	387.7	394.6	387.7	396.6	408.4	407.4

## Outlook

South Africa's real economic growth is projected at 2,7% for 2012, after coming in at 3,1% in 2011. Consumer price inflation is forecast to average just above 6% this year, with interest rates expected to remain unchanged until late this year before being hiked to keep especially core inflation (headline consumer price inflation, which excludes the components of food, non-alcoholic beverages, petrol and energy) under control. In view of these expectations, prime and variable mortgage interest rates, currently at 9%, are forecast to peak at 11% by the end of 2013.

The South African housing market is expected to continue showing a subdued performance in respect of price trends in the rest of 2012, driven by the above-mentioned forecasts as well as prospects for the economy in general, and the eventual impact of these on household finances. In real terms, i.e. after adjustment for the effect of inflation, house prices are set to further deflate in 2012 from last year, which will be the result of developments in nominal prices and headline consumer price inflation towards the end of the year.

### Absa House Price Indices

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,6 million

Category of housing	Nominal y/y % change			Real y/y % change		
	March 2012	April 2012	Year-to-date 2012	February 2011	March 2011	Year-to-date 2012
Small houses (80m <sup>2</sup> -140m <sup>2</sup> )	-16.8	-17.8	-15.9	-20.4	-21.5	-20.2
Medium-sized houses (141m <sup>2</sup> -220m <sup>2</sup> )	-0.1	-1.0	0.1	-5.3	-5.7	-5.3
Large houses (221m <sup>2</sup> -400m <sup>2</sup> )	-0.1	-0.5	0.4	-5.2	-5.7	-5.0

