

Home Loans



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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 R3,6 million or less in 2012 (including improvements), in respect of which mortgage loan applications were received and 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 indices

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Further uptick in annual house price growth

Year-on-year growth in the average value of homes in the middle segment of the South African housing market improved somewhat further in September this year from August. However, month-on-month price growth tapered off to some extent, pointing to a subdued near-term price performance. These trends are according to the Absa house price indices, which are based on applications for mortgage finance received and approved by the bank in respect of small, medium-sized and large homes in the middle segment of the market (see explanatory notes).

September 2012 saw middle-segment home values rising by a nominal 1,2% year-on-year (y/y), after marginal price growth of 0,3% y/y in August. In the first nine months of the year house prices were down by an average 1% y/y, affected by continued annual price deflation in the small segment of the market. Month-on-month price growth, however, slowed down in recent months after being on a gradual rising trend up to mid-year. The slowing momentum in monthly house price growth is attributed to the household sector still experiencing a fair amount of financial pressure.

Real house price deflation continued up to August 2012, but the momentum has slowed down on the back of some improvement in nominal price growth as well as a lower headline consumer price inflation rate, currently at 5% y/y, compared with a rate of above 6% early this year.

The average nominal value of homes in each of the three middle-segment categories of the housing market was as follows in September 2012:

- Small homes (80m²-140m²): R693 200
- Medium-sized homes (141m²-220 m²): R1 028 900
- Large homes (221m²-400m²): R1 538 300

Absa house price indices (nominal, 2000=100)

Month	Small houses 80m ² -140 m ²			Medium-sized houses 141m ² -220 m ²			Large houses 221m ² -400 m ²		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
January	367.3	386.6	335.3	384.8	388.1	389.9	391.5	403.9	410.8
February	379.9	385.6	333.4	389.5	388.2	389.6	394.4	406.0	408.3
March	391.9	382.9	334.5	392.5	389.0	391.5	397.7	406.3	406.2
April	400.9	379.5	337.4	393.2	390.9	395.2	400.4	405.3	406.0
May	404.4	377.0	340.9	391.9	393.8	399.6	401.3	404.0	408.0
June	401.9	375.5	343.8	389.2	397.2	403.8	400.3	403.5	411.2
July	395.5	373.9	345.7	386.4	400.2	407.1	397.8	404.8	414.9
August	388.5	370.8	347.0	384.7	401.6	409.8	395.2	407.7	418.7
September	383.8	365.2	348.0	384.6	401.2	411.8	393.8	411.0	422.3
October	382.4	357.3		385.5	398.9		394.4	413.4	
November	383.7	348.5		386.9	395.6		396.8	414.1	
December	385.7	340.5		387.8	392.2		400.5	413.0	
Average	388.8	370.3	340.7	388.1	394.8	399.8	397.0	407.8	411.8

The South African economy is expected to grow by a real 2,5% in 2012, after expanding by 3,1% in 2011. The slower pace of economic growth projected for this year is the result of a continued depressed global economic performance, while production losses due to industrial action in the mining and some other sectors of the economy since the third quarter of the year are expected to adversely affect second-half economic growth, which were accounted for in the abovementioned forecast for full-year growth.

Headline consumer price inflation edged up slightly to 5% y/y in August from 4,9% y/y in July, with the main risks for inflation over the short term being food price increases, rising transport costs and rand exchange rate volatility. However, consumer price inflation is forecast to remain within the inflation target range of 3%-6% up to 2014.

In view of recent economic developments and expectations regarding economic growth and inflation, the South African Reserve Bank's Monetary Policy Committee kept the repo rate unchanged at 5% at their September meeting, with commercial banks' lending rates, i.e. prime and variable mortgage interest rates, remaining stable at 8,5%. Absa's forecast is for interest rates to remain unchanged at current levels up to late-2014, with the probability of a further rate cut against the background of a likely slowdown in economic growth, although some inflationary pressures are expected in the near term.

On the back of prevailing and expected residential property market conditions, affected by the current state of and outlook for the economy and the household sector, relatively low nominal house price growth is forecast for the remainder of 2012 and for most of next year. Real house price deflation is projected to continue over the short to medium term in view of expected nominal price growth and the outlook for headline consumer price inflation.

Absa house price indices						
Houses of 80m²-400m², up to R3,6 million						
Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	August 2012	September 2012	Year-to-date 2012	July 2011	August 2011	Year-to-date 2012
Small houses (80m ² -140m ²)	-6.4	-4.7	-9.7	-11.9	-10.9	-15.2
Medium-sized houses (141m ² -220m ²)	2.0	2.7	1.3	-3.0	-2.8	-4.3
Large houses (221m ² -400m ²)	2.7	2.8	1.5	-2.3	-2.2	-4.2



