

# 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 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 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

10 December 2012

### House price growth trending upwards

Year-on-year growth in the average value of homes in the middle segment of the South African housing market increased further in November 2012. Month-on-month price growth, however, continues to be on a downward trend, which is expected to affect year-on-year price growth in the near future. These house price 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).

Middle-segment home values showed a nominal rise of 5% year-on-year (y/y) in November 2012, after increasing by a revised 3,3% y/y in September. In the first eleven months of the year house prices were unchanged compared with the corresponding period last year, largely impacted by price deflation in the small segment of the market up to August this year.

Real price deflation was still evident in middle-segment housing up to October, but the momentum is slowing down, with the small and medium-sized categories showing some real year-on-year growth in October. Real price calculations are based on nominal prices deflated by the headline consumer price index. Consumer price inflation was 5,6% y/y in October, averaging 5,7% y/y in the first ten months of the year.

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

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R778 200
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 064 800
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 575 500

#### Absa house price indices (nominal, 2000=100)

Month	Small houses 80m <sup>2</sup> -140 m <sup>2</sup>			Medium-sized houses 141m <sup>2</sup> -220 m <sup>2</sup>			Large houses 221m <sup>2</sup> -400 m <sup>2</sup>		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
January	367.1	385.9	334.5	384.6	388.6	389.0	391.3	403.8	410.6
February	379.8	385.1	332.7	389.6	388.7	389.4	394.3	406.0	408.2
March	391.8	382.7	333.3	392.8	389.5	391.8	397.7	406.4	406.2
April	401.0	379.6	335.3	393.6	391.5	395.5	400.5	405.3	405.8
May	404.8	377.4	338.8	392.2	394.5	399.6	401.7	403.7	407.3
June	402.5	376.0	344.4	389.4	398.1	403.8	400.9	403.0	410.6
July	396.0	374.5	351.8	386.6	400.9	408.1	398.5	404.1	414.9
August	388.8	371.1	361.2	384.9	401.9	412.7	395.8	406.8	419.7
September	383.6	365.3	371.3	384.9	400.7	417.3	394.2	410.1	424.4
October	381.8	357.0	381.4	385.9	397.9	422.1	394.5	412.6	428.7
November	382.8	347.9	390.7	387.4	394.3	426.2	396.7	413.5	432.5
December	384.8	339.8		388.4	390.9		400.3	412.6	
Average	388.7	370.2	352.3	388.4	394.8	405.0	397.2	407.3	415.3

Growth in South Africa's real gross domestic product slowed down from an annualised 3,4% in the second quarter of 2012 to 1,2% in the third quarter. The sharply lower growth came on the back of major production losses in mining and some other sectors of the economy during the third quarter. Economic growth for the full year is forecast at around 2,5%, with global economic trends and domestic developments to be key drivers of the country's economic performance in 2013.

Inflationary pressures coming from trends in food prices, transport costs and property running costs have caused a rise in headline consumer price inflation in recent months. However, interest rates remain unchanged after a 50 basis points cut in July this year, with the South African Reserve Bank expecting inflation to stay below the 6%-level in 2013 and 2014.

Against the background of current trends in and prospects for the economy, inflation and household finances, domestic interest rates are forecast to remain low over the next two years.

With house price growth slowing down on a month-on-month basis since mid-2012, year-on-year price growth is expected to be reflective of this development in the first half of 2013. Relatively low nominal house price growth is forecast for the next twelve months, and with headline consumer price inflation projected to average around 5,5% in 2013, some real house price deflation may still occur for most of next year.

<b>Absa house price indices</b>						
<b>Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,6 million</b>						
Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	October 2012	November 2012	Year-to-date 2012	September 2012	October 2012	Year-to-date 2012
Small houses (80m <sup>2</sup> -140m <sup>2</sup> )	6.8	12.3	-5.5	-3.6	1.2	-12.2
Medium-sized houses (141m <sup>2</sup> -220m <sup>2</sup> )	6.1	8.1	2.5	-1.3	0.4	-3.5
Large houses (221m <sup>2</sup> -400m <sup>2</sup> )	3.9	4.6	2.1	-1.9	-1.6	-3.6



