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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 R3,8 million or less in 2013 (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

11 March 2013

### House price growth improves further in February

February 2013 saw year-on-year growth in the average value of homes in the middle segment of the South African housing rising further. This was largely the result of the base effect of slowing house price growth as well as price deflation in one segment of the market twelve months ago. However, monthly price growth is still on a declining trend, which will most likely cause year-on-year price growth to moderate later this year. 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 middle-segment small, medium-sized and large homes (see explanatory notes).

Price growth in the middle segment of the market was recorded at 10,2% year-on-year (y/y) in February this year, after rising by a revised 9% y/y in January. Real price growth came to 3,5% y/y in January.

The average nominal value of homes in each of the three middle-segment categories was as follows in February 2013:

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R776 700
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 076 800
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 575 400

While inflationary pressures persist, headline consumer price inflation, at 5,4% y/y in January this year, remained below the 3%-6% target range. The rand exchange rate depreciated to above R9 per US dollar in the first week of March, while fuel prices were hiked further earlier this month. These factors will be considered by the Reserve Bank's Monetary Policy Committee when meeting later this month to decide on monetary policy.

Relatively subdued real economic growth of around 1,6% was recorded in the second half of 2012 as a result of global economic trends and the effect of labour market instability in various sectors of the economy. This brought growth to a real 2,5% in 2012, down from 3,5% in 2011. The economy is forecast to grow by a real 2,8% in 2013.

Although nominal year-on-year house price growth is on an upward trend, price growth for the full year is projected to remain in single digits, which will be the result of monthly price growth still slowing down and expected to be reflected in year-on-year price growth later this year. In real terms house prices are forecast to remain under pressure in view of consumer price inflation forecast to rise to above 6% this year.

**Absa house price indices**  
Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,8 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	January 2013	February 2013	Year-to-date 2013	November 2012	December 2012	January 2013
Small (80m <sup>2</sup> -140m <sup>2</sup> )	17.3	17.8	17.5	5.7	8.9	11.3
Medium (141m <sup>2</sup> -220m <sup>2</sup> )	10.3	10.6	10.5	2.0	3.4	4.7
Large (221m <sup>2</sup> -400m <sup>2</sup> )	5.8	6.3	6.0	-1.1	-0.6	0.4

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

Month	Small houses 80m²-140 m²			Medium-sized houses 141m²-220 m²			Large houses 221m²-400 m²		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
January	393.3	333.1	390.7	388.5	389.5	429.7	403.6	409.1	432.8
February	392.2	331.1	389.9	388.7	389.8	431.0	405.8	407.1	432.5
March	388.4	332.1		389.5	391.9		406.3	405.6	
April	383.6	335.1		391.4	395.3		405.3	405.7	
May	380.0	340.3		394.2	399.1		404.2	407.4	
June	377.8	347.7		397.6	403.2		404.0	410.8	
July	375.9	356.7		400.5	407.6		405.4	415.3	
August	372.4	366.5		401.5	412.3		408.0	420.3	
September	366.3	375.6		400.6	416.9		410.8	425.0	
October	357.3	382.9		398.0	421.2		412.5	428.7	
November	347.4	387.6		394.6	425.0		412.6	431.1	
December	338.6	389.8		391.4	427.8		411.2	432.2	
Average	372.8	356.5	390.3	394.7	406.6	430.4	407.5	416.5	432.7

