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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 R3,8 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

8 April 2013

House price growth showing signs of slowing down

Year-on-year growth in the average value of homes in some categories of housing in the middle segment of the South African residential property market appears to have reached an upper turning point. As expected for some time, base effects and slowing monthly price growth since mid-2012 have caused year-on-year price growth to start moderating. These 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 middle-segment small, medium-sized and large homes (see explanatory notes).

Middle-segment house price growth came to 11,8% year-on-year (y/y) in March 2013, after rising by a revised 10,9% y/y in February. Real price growth was recorded at 4,8% y/y in February after adjustment for the effect of consumer price inflation, which was 5,9% y/y in the month.

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

- Small homes (80m²-140m²): R752 600
- Medium-sized homes (141m²-220 m²): R1 079 500
- Large homes (221m²-400m²): R1 609 600

Headline consumer price inflation is driven by inflationary pressures coming from rising fuel prices and a weaker rand exchange rate since the beginning of the year, and is forecast by the South African Reserve Bank to average 6,3% y/y in the third quarter of 2013 before slowing down gradually to just more than 5% in the fourth quarter of 2014. The key monetary policy interest rate – the repo rate – was kept unchanged at 5% per annum by the Monetary Policy Committee at its second meeting of the year in March. As a result, banks' prime and variable mortgage interest rates remained stable at 8,5% per annum. Against the background of expected real economic growth of 2,7% in 2013 (2,5% in 2012) and inflation forecast to average around 6% for the full year, interest rates are projected to remain at current levels throughout the year. Continued low interest rates will benefit housing and mortgage finance affordability.

Nominal year-on-year house price growth appears to be peaking in some categories of the middle-segment of the market, influenced by market conditions and slowing month-on-month growth in the past few months. Nominal price growth for the full year is forecast to be in single digits, with real price trends to be driven by a combination of nominal price movements and consumer price inflation.

Absa house price indices						
Houses of 80m ² -400m ² , up to R3,8 million						
Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	February 2013	March 2013	Year-to-date 2013	January 2012	February 2013	Year-to-date 2013
Small (80m ² -140m ²)	16.3	14.8	15.8	10.3	9.8	10.1
Medium (141m ² -220m ²)	10.7	10.2	10.4	4.7	4.5	4.6
Large (221m ² -400m ²)	8.1	9.0	8.0	1.6	2.1	1.8

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	394.3	330.4	384.2	388.6	389.5	429.8	403.6	409.2	437.9
February	393.9	328.0	381.3	388.8	389.8	431.4	405.7	407.1	440.0
March	390.4	329.0	377.8	389.6	392.0	432.1	406.2	405.6	441.9
April	385.4	332.6		391.4	395.4		405.3	405.6	
May	381.1	338.6		394.2	399.2		404.1	407.4	
June	378.1	346.8		397.6	403.1		404.0	410.6	
July	375.4	356.4		400.4	407.4		405.4	415.0	
August	371.6	366.3		401.4	412.1		408.0	420.0	
September	365.6	375.6		400.4	416.7		410.9	425.0	
October	356.6	382.6		397.8	421.0		412.6	429.4	
November	346.3	386.2		394.4	424.8		412.7	432.9	
December	336.7	386.3		391.3	427.8		411.3	435.6	
Average	373.0	354.9	381.1	394.7	406.6	431.1	407.5	416.9	439.9

