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Housing review

Second quarter 2013

- The fourth quarter of 2012 saw the South African economy growing at a seasonally adjusted, annualised rate of 2,1%, as measured by growth in the country's real gross domestic product. This was almost double the pace of economic growth in the third quarter of last year, when the economy expanded by only 1,2% on the back of labour unrest in the mining sector, which caused massive losses in commodity production and export revenue. Real economic growth of 2,5% was recorded in 2012 and is forecast to be 2,7% in 2013.
- Domestic inflationary pressures have mounted in recent months, driven by rising fuel prices and a weaker exchange rate, which may cause headline consumer price inflation to breach the 6% level in the short term. Based on current trends in and prospects for the global and local economy, as well as the outlook for consumer price inflation, interest rates are, however, forecast to remain at current levels throughout 2013.
- The household sector continued to experience some financial strain, with growth in real household disposable income and consumption expenditure slowing down up to end-2012, savings remaining low, the number of credit-active consumers with impaired credit records rising further and consumer confidence at its lowest level in nine years. Household sector finances will continue to be driven by macroeconomic factors such as economic growth, employment, inflation and interest rates.
- Although nominal year-on-year house price growth in the middle segment of the market accelerated to above 10% in the first quarter of 2013, early indications of a moderation in price growth later this year emerged in the first quarter. In real terms house prices increased in the first quarter of the year after deflating for nine consecutive quarters from the fourth quarter of 2010 up to end-2012. House price growth in the category for affordable housing remained in positive territory in the early stages of 2013, whereas price deflation in the luxury segment accelerated in the first quarter of the year from late last year.
- Single-digit nominal house price growth is forecast for 2013. This will be the result of recent developments regarding house price growth, as well as trends in and prospects for the economy, household finances and consumer confidence, which are expected to be reflected in the performance of the residential property market. Based on expected trends in nominal price growth and headline consumer price inflation, very little, if any, real house price inflation is projected for 2013.

Overview

The economy

The fourth quarter of 2012 saw the South African economy growing by a seasonally adjusted, annualised rate of 2,1%, as measured by growth in the country's real gross domestic product (GDP). This was almost double the pace of economic growth in the third quarter of last year, when the economy expanded by only 1,2%, mainly as a result of widespread labour unrest in the mining sector, which caused massive losses in commodity production and export revenue. Real economic growth of 2,5% was recorded in 2012, down from 3,5% in 2011. The lower growth in 2012 was the combined result of global economic trends and domestic developments during the course of the year.

Real value added in the mining sector continued to contract in the final quarter of 2012 on the back of ongoing strike activity in gold and platinum mining sub-sectors, whereas the pace of growth in the agricultural and manufacturing sectors accelerated further in the quarter. Growth in the real value added by the services sector improved in the fourth quarter of last year as a result of an increase in activity in the banking sector and financial markets.

The headline consumer price inflation rate averaged 5,7% year-on-year (y/y) in the first quarter of 2013, after coming in at 5,4% y/y in January and 5,9% y/y in both February and March. Inflationary pressures were caused by rising fuel prices on the back of international oil price and rand exchange rate movements. The weakening in the exchange rate during 2012 and into 2013 came on the back of factors such as labour market instability, credit rating downgrades and a persistent large current account deficit. Since the start of the year up to late March, the rand depreciated by around 9% against the US dollar, before strengthening somewhat in April. The oil price increased from around \$110 per barrel at the end of last year to more than \$118 per barrel in mid-February this year, before tapering off gradually to about \$100 per barrel in April. These recent exchange rate and oil price movements led to a substantial over-recovery on petrol, diesel and paraffin prices in April, which will lead to lower fuel prices in May and cause some downward pressure on inflation in the near term.

Interest rates remained unchanged since the key monetary policy rate – the repo rate – was last cut in

mid-2012. The continued low interest rates are the result of trends in and prospects for the global and domestic economies, while inflationary pressures are expected to push headline consumer price inflation to above 6% later this year before slowing down.

The household sector

The household sector continued to experience some financial pressure, with growth in real household disposable income and consumption expenditure slowing down up to end 2012, savings remaining low, the number of credit-active consumers with impaired credit records rising further and consumer confidence at its lowest level in nine years.

Growth in real household disposable income slowed down to an annualised rate of 2,4% in the fourth quarter of 2012, from 4,7% in the final quarter of 2011. The slowdown in real disposable income growth occurred against the background of tight labour market conditions and inflationary pressures. Labour costs continued to rise at a faster pace than inflation with the average wage settlement rate virtually unchanged at 7,6% in 2012 from 7,7% in 2011. Labour productivity growth remained low at around 1,2% y/y in the first three quarters of 2012 after similar growth in 2011.

Annualised growth in real household consumption expenditure was on a declining trend in 2012, slowing down to 2,4% in the fourth quarter from 4,4% a year ago. This was the result of factors such as slowing income growth, rising inflation and continued low consumer confidence. The close correlation between real income and consumption growth continued up to the end of 2012 and is related to the severe lack of household savings to support consumption expenditure.

The ratio of gross household saving to disposable income was marginally higher at 2,8% in 2012 from 2,7% in 2011. This implies that for every R100 in disposable (after-tax) income earned, households saved on average only R2,80 in 2012, which is not regarded as sufficient to pay a deposit when financing property, a vehicle or household appliances. The ratio of net saving to disposable income remained at a zero-level up to the fourth quarter of last year. Net household saving is based on the level of gross saving, adjusted for depreciation write-offs on the value of physical assets held by households, such as residential buildings and vehicles.

Outstanding household credit balances, which include installment sales credit, leasing finance, mortgage advances, credit card debt, overdrafts and general loans and advances (mainly personal and micro loans), continued to grow at around 10% y/y up to early 2013. Factors such as the National Credit Act (NCA), banks' risk appetite and lending criteria and consumers' credit-risk profiles determine the availability and accessibility of credit. Year-on-year growth in outstanding household unsecured credit balances (credit card debt, overdrafts and general loans and advances) remained well above 20% in the early stages of 2013, posing a threat to the financial wellbeing of many households.

The ratio of outstanding household debt to annual disposable income was relatively stable in 2012, ending the year at 75,8% after reaching an all-time high of 83% in the first quarter of 2009. Based on trends in the debt ratio and a somewhat lower prime interest rate in the second half of last year, the cost of servicing household debt as a percentage of disposable income was marginally lower at 6,5% in the last two quarters of 2012, compared with 6,8% in the first and second quarters.

According to the National Credit Regulator, a total of 9,35 million credit-active consumers, or 46,8% of a total of 19,97 million, had impaired credit records in the fourth quarter of 2012. This was 3,24 million, or 53%, more than the 6,11 million credit-active consumers having impaired credit records in the second quarter of 2007. This situation regarding consumers' credit-risk profiles severely restricts the access to credit and adversely affects household consumption expenditure against the background of the continued low level of household savings.

Based on the latest *Quarterly Labour Force Survey* published by Statistics South Africa, a total of 13,577 million people were employed by the end of 2012 (13,645 million employed in the third quarter of last year). Employment growth of only 0,6% was recorded in 2012, largely as a result of economic conditions and labour market instability during the course of the year. In view of employment at almost 13,6 million at the end of last year, a total of around 450 000 less people were still employed compared with 14,027 million having had employment at the end of 2008. The unemployment rate remained high at 24,9% in the fourth quarter of 2012.

The Bureau for Economic Research's consumer confidence index dropped to -7 index points in the first quarter of 2013 from -3 in the final quarter of 2012. This

brought the level of consumer confidence, as measured by expectations regarding the outlook for the economy, household finances and durable consumption expenditure, to its lowest level since the first quarter of 2004. The consumer confidence index averaged 14,5 index points in 2010, 7,3 index points in 2011 and -0,5 index points in 2012.

Mortgage finance

Growth in the value of outstanding household mortgage balances remained subdued at below 3% y/y in the early months of 2013, still reflecting the state of household finances, consumer credit-risk profiles, consumer confidence and residential property market conditions in general.

The ratio of outstanding household mortgage debt to disposable income was lower at about 40% in the fourth quarter of 2012 from 41% in the third quarter. This was the net result of quarter-on-quarter growth of 0,7% in household mortgage debt and growth of 3,7% in nominal disposable income. Households' outstanding mortgage debt came to 52,6% of total debt balances in the final quarter of last year, down from 53,8% in the third quarter.

The cost of servicing household mortgage debt as a percentage of disposable income was slightly lower at 3,4% in the fourth quarter of 2012 from 3,5% in the third quarter. This came on the back of the abovementioned growth in household mortgage debt and nominal disposable income, leading to a lower mortgage debt ratio, while the mortgage interest rate remained stable in the fourth quarter.

House price trends

Although nominal year-on-year house price growth in the middle segment of the market (homes of 80m² – 400m² and priced up to R3,8 million in 2013) accelerated to above the 10% level in the first quarter of 2013, early indications of a moderation in price growth later this year emerged in the first quarter. In real terms, i.e. after adjustment for the effect of inflation, house prices increased in the first quarter of the year after deflating for nine consecutive quarters from the fourth quarter of 2010 up to end-2012.

House price growth in the category for affordable housing remained in positive territory during the early stages of 2013, whereas price deflation in the luxury

segment accelerated in the first quarter of the year from late last year.

Trends in house prices continued to be a reflection of property market conditions and related factors, which are affected by a combination of macroeconomic developments, the state of household finances and the level of consumer confidence.

The residential property price trends presented in this report are based on the value of properties for which Absa received and approved applications for mortgage finance. Real price calculations are based on nominal prices deflated by the headline consumer price index. All price data series are smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers. As a result, recent price data and growth rates may differ from previously published figures.

Affordable housing

The average nominal price growth of affordable housing (homes of 40m² – 79m² and priced up to R515 000 in 2013) was somewhat lower at 5,7% y/y in the first quarter of 2013, from 6,5% y/y in the preceding quarter. In real terms virtually no year-on-year price growth was recorded in the first quarter.

Middle-segment housing

Year-on-year house price growth in the middle segment of the market (homes of 80m² – 400m² and priced at R3,8 million or less in 2013) accelerated to 10,7% in the first three months of 2013 from 5,4% in the fourth quarter of last year. This brought the average price of a middle-segment home to about R1 133 800 in the first quarter.

Despite the further improvement in year-on-year price growth in middle-segment housing in the early months of the year, there are indications of price growth moderating in the rest of the year. As expected for some time, base effects and monthly price growth slowing down since mid-2012 have eventually caused year-on-year price growth to moderate in some categories of the middle segment towards the end of the first quarter of 2013.

The following price changes occurred in the three middle-segment categories in the first quarter of 2013:

- Small houses (80m² – 140m²): 15,8% y/y nominal and 9,5% y/y real

- Medium-sized houses (141m² – 220m²): 10,4% y/y nominal and 4,4% y/y real
- Large houses (221m² – 400m²): 8% y/y nominal and 2,2% y/y real

Luxury housing

The average price of luxury housing (homes priced at between R3,8 million and R13,8 million in 2013) deflated by 4% y/y in the first quarter of 2013 after price deflation of 1,9% y/y in the final quarter of 2012. This translated into real price deflation of 9,2% in first quarter after adjustment for the effect of inflation (-7,2% in the fourth quarter of last year).

Regional house prices

At a provincial, metropolitan and coastal level, house price growth in the first quarter of 2013 varied between relatively strong quarter-on-quarter and year-on-year growth to further price deflation in nominal as well as in real terms (see tables at the back of the report presenting house price trends at a geographical level).

The abovementioned variation in house price growth came against the background of a range of area- and regional-specific factors affecting the residential property market at a geographical level, while these regional markets are also affected by macroeconomic and consumer-related trends in general.

Area- and regional-specific factors may include economic growth and structures, as well as conditions with regard to infrastructure, demography and socio-economic development. Certain areas may also be specifically affected by property investment sentiment and focus. These factors may impact and lead to different and changing property demand and supply conditions, level of market activity, buying patterns, transaction volumes, price levels and price growth at a regional level.

Building costs and new and existing house price trends

The cost of building a new house increased by a nominal 5,4% y/y in the first quarter of 2013, which was well in line with the average headline consumer price inflation rate of 5,7% y/y in the quarter. The average nominal price of a new house increased by 8,6% y/y to about R1 720 100 in the first quarter, which translated into real price growth of 2,7% y/y. The average price of an existing house was up by a nominal 10,8% y/y to

about R1 109 500 in the first quarter, which came to a real price increase of 4,8% y/y in the quarter. As a result, it was R610 600, or 35,5%, cheaper to have bought an existing house than to have a new one built in the first quarter of 2013.

Factors impacting building costs, and eventually the price of new housing, include material costs; equipment costs; transport costs; labour costs; developer and contractor profit margins; and the cost of developing land for residential purposes, which is impacted by aspects such as finance costs, land scarcity, the availability of services, the cost of rezoning, the demolition of old and unwanted structures and other infrastructure, and the installation of new infrastructure where applicable.

Land values

The average value of land for new housing in the middle and luxury segments of the market for which Absa received applications and approved mortgage finance, increased by a nominal 7,6% y/y to about R540 000 in the first quarter of 2013, after rising by 3% y/y in the preceding quarter. In real terms land values were up by 1,8% y/y in the first quarter of the year, after declining by a real 2,5% y/y in the final quarter of 2012

Land values for new housing will continue to be driven by the all-important factor of location, as well as the availability of municipal services such as electricity, water, sewerage and refuse removal, and the availability and condition of transport infrastructure.

Interest rates and mortgage repayments

Interest rates remained stable in the initial months of 2013 after last cut by 50 basis points in July 2012. Banks' prime and variable mortgage interest rates are currently at 8,5% per annum, with these lending rates at their lowest level in 40 years. Monthly mortgage repayments are in general 35,9% lower compared to early December 2008, when the mortgage rate was at a level of 15,5% per annum. The continued low mortgage interest rate is beneficial to the affordability of mortgage finance, supporting the demand for housing and consumers' ability to take up credit to buy property.

Interest rate decisions are expected to remain a reflection of global and domestic economic developments and prospects, as well as the outlook for

headline consumer price inflation and the factors affecting inflation.

The impact of changes in the mortgage interest rate is reflected in the relevant tables at the back of the report, presenting monthly mortgage repayments for various loan amounts at various interest rates, as well as mortgage loan amounts based on various fixed monthly repayments at various interest rates. These calculations are based on a 20-year repayment term.

Affordability of housing

The affordability of housing improved somewhat further in the final quarter of 2012, as represented by the ratios of house prices and mortgage repayments to household disposable income (see graph on the affordability of housing). This was the net result of trends in house price and income growth, and the mortgage interest rate remaining low.

Many households' ability to take advantage of the improved housing affordability continued to be affected by factors such as employment, income, savings, living costs, debt levels, as well as credit-risk profiles (as reflected by the state of consumer credit records), the NCA and banks' lending criteria in the case of the need for mortgage finance to buy a home.

A downward/upward trend in the abovementioned two housing affordability ratios implies that house prices and mortgage repayments are rising at a slower/faster pace than household disposable income. The result is that housing is in effect becoming more/less affordable.

Outlook

The economy

Real growth in the South African economy is forecast at 2,7% for 2013, after growth of 2,5% was recorded in 2012. The country's economic performance will continue to be determined by global growth and the resultant demand for exports, as well as developments on the domestic economic front.

The International Monetary Fund (IMF) projects world economic growth of 3,3% this year, with the advanced economies expected to grow by only 1,2%. The emerging and developing economies are forecast to post real growth of 5,3% in 2013. The fact that South Africa's economic growth is lagging that of the group of

developing economies is most likely because of its historical close trade relations with the advanced economies, stretching over many decades.

Domestic inflationary pressures have mounted in recent months on the back of rising fuel prices and a weaker exchange rate. As a result, the headline consumer price inflation rate is expected to rise to above the 6% level later in the year, before slowing down into 2014.

Based on current trends in and prospects for the global and local economy, as well as the outlook for consumer price inflation, interest rates are forecast to remain stable throughout 2013 before rising in the second half of 2014 to contain inflation.

The household sector

Household sector finances will continue to be driven by macroeconomic factors such as economic growth, employment, inflation and interest rates.

The following trends are expected to emerge in 2013 in household sector-related variables:

- Employment growth is expected to be marginally up on the 0,6% recorded in 2012.
- Growth in real household disposable income is forecast to slow down to 2,8%, affected by inflationary pressures and expected moderate employment growth.
- In view of a continued lack of savings, growth in real household consumption, forecast at 2,9%, will remain closely correlated with income growth.
- With lending rates to remain low for longer, many households will continue to take up credit to fund consumption expenditure, which will keep the ratio of debt to income at levels of between 76% and 78% over the next two years.

- The cost of servicing household credit as a percentage of disposable income is expected to remain under control in view of continued low interest rates.

The future state of household finances will to a large extent be determined by the following structural features that emerged over time:

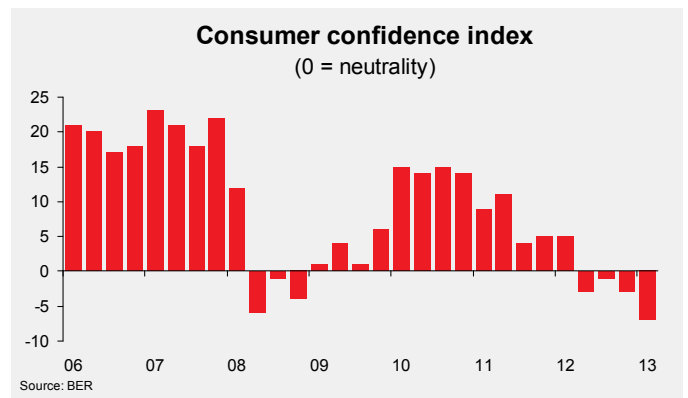
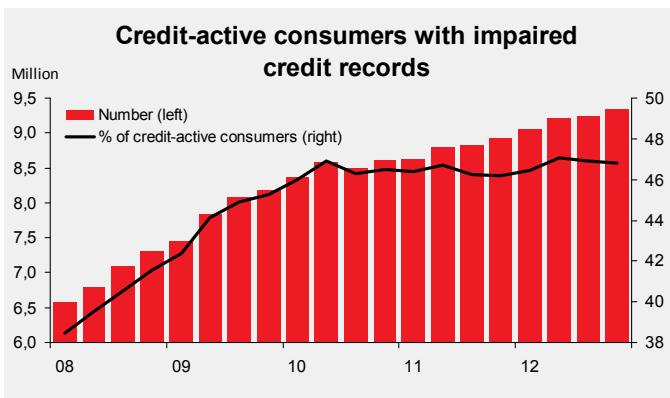
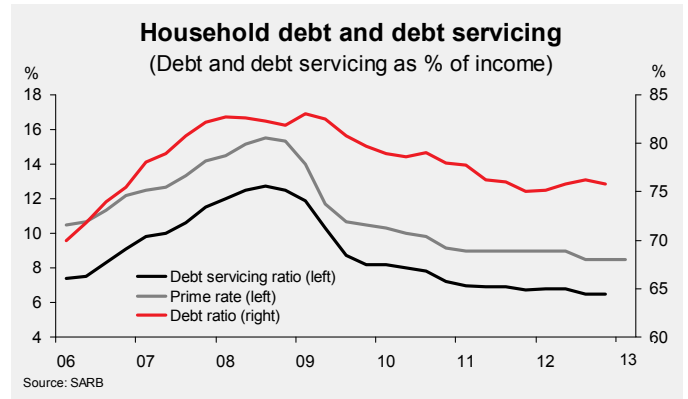
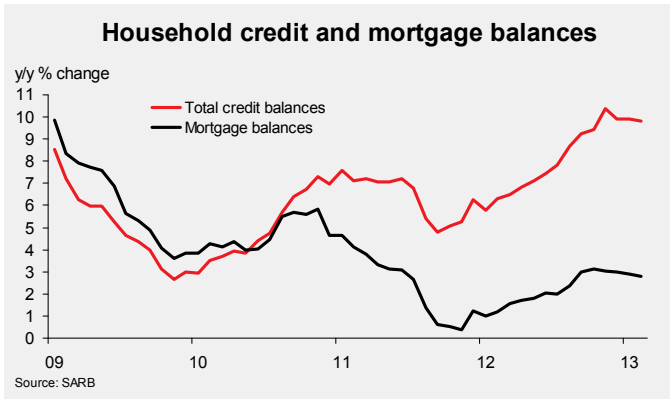
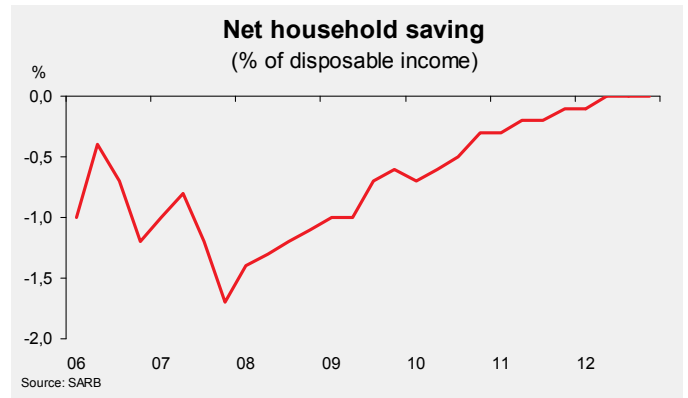
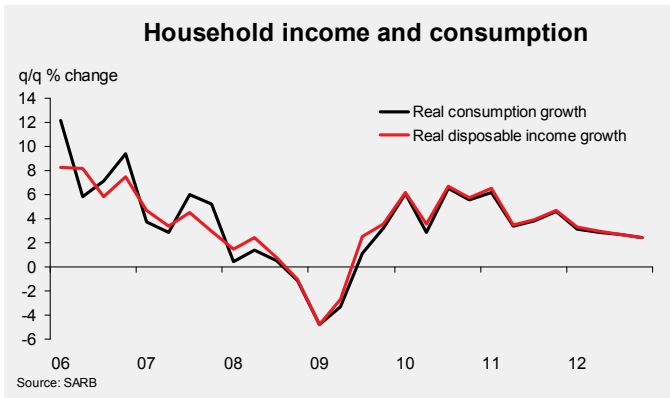
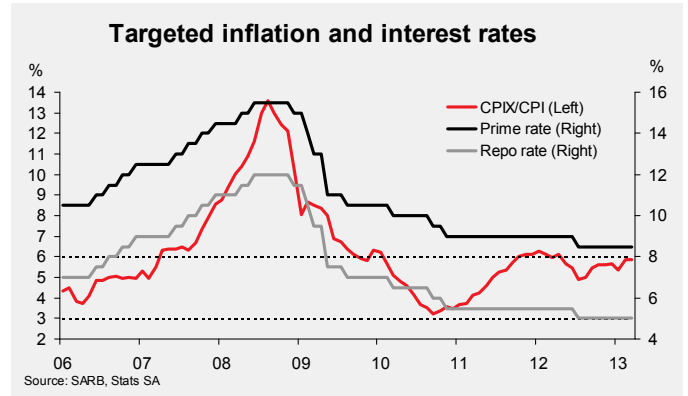
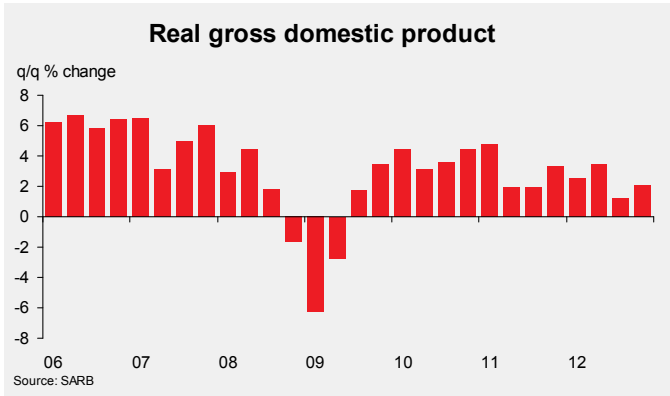
- A close correlation between growth in real household disposable income and consumption expenditure, which is a reflection of the dire savings situation.
- A lack of sufficient savings, which impacts the ability to pay a deposit when applying for credit to finance a home, vehicle or household appliances.
- Relatively high levels of debt, which affect the ability to take up further credit.
- Impaired credit records, which limit the accessibility of credit.

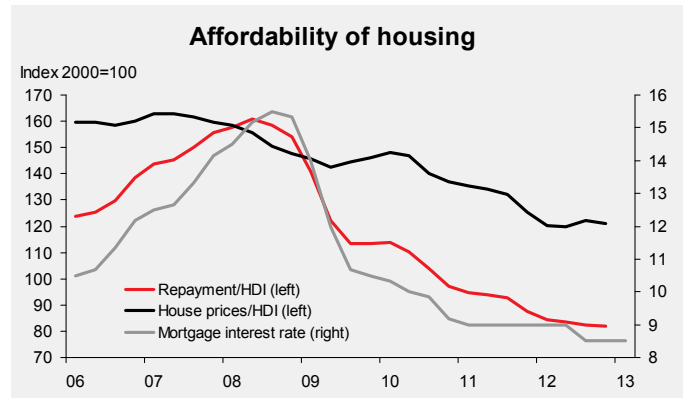
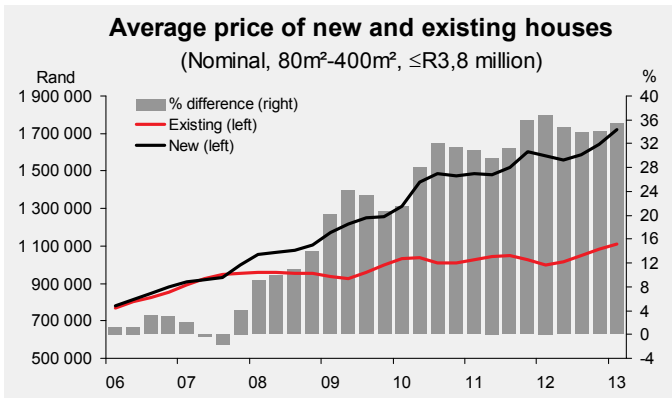
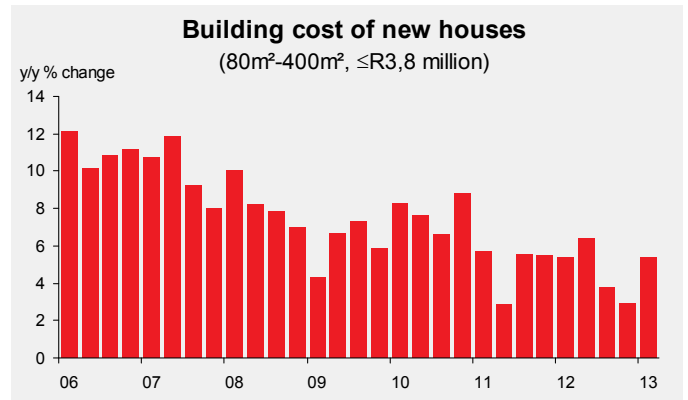
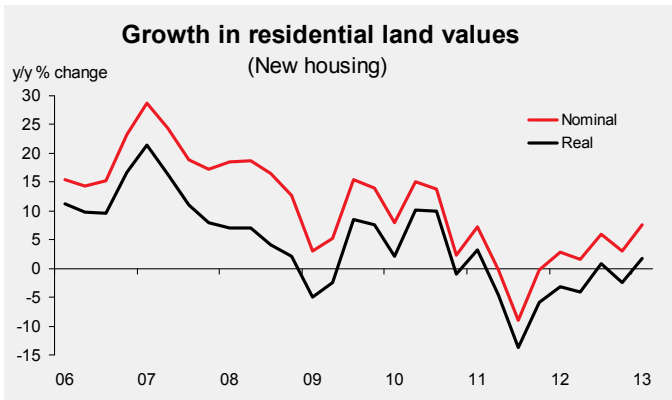
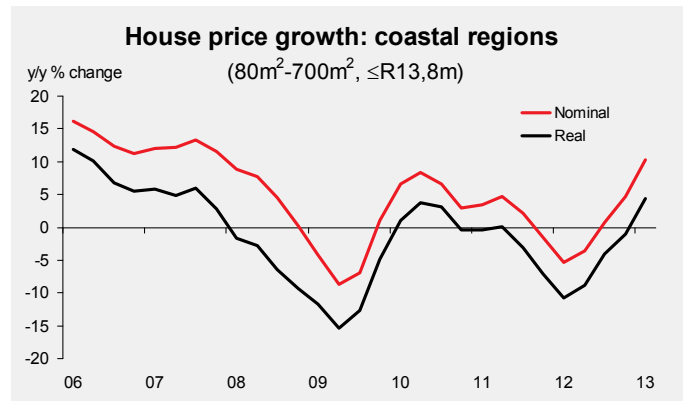
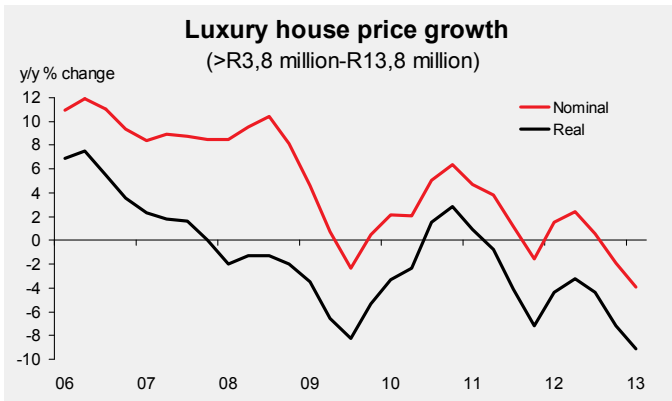
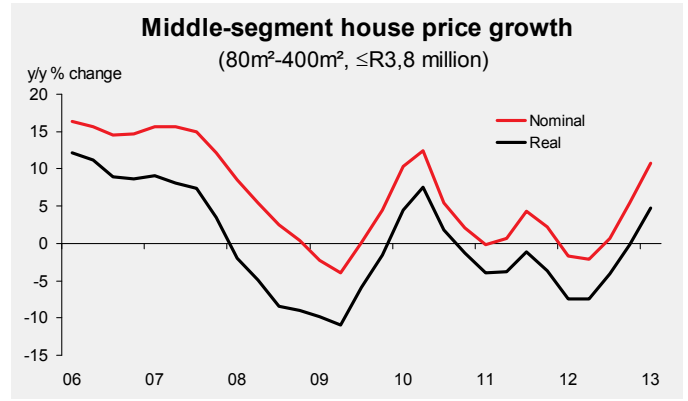
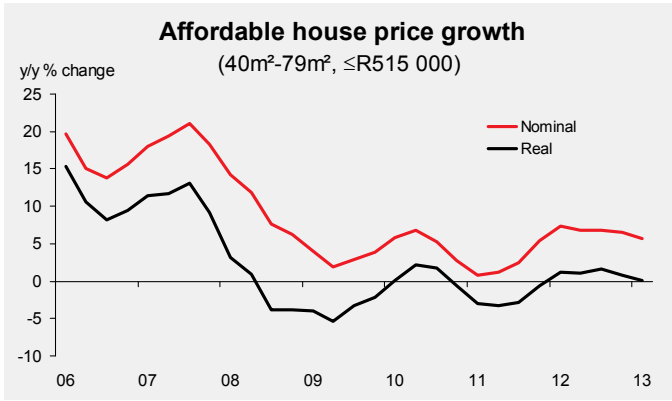
The residential property market

The growth performance of the economy, growth in employment and income, living costs, interest rates, consumers' credit-risk profiles, consumer confidence and banks' risk appetite and lending criteria will remain important factors with regard to the performance of the residential property market. These factors will be reflected in property demand and supply conditions, market activity, buying trends, transaction volumes and the demand for mortgage finance.

Against this background, as well as recent developments regarding house price growth, nominal prices are forecast to record single-digit growth this year. Based on expected trends in nominal price growth and headline consumer price inflation, very little, if any, real price inflation is projected for 2013.

Graphs





Statistics

Average nominal house prices

	2009 Rand	2010 Rand	2011 Rand	2012 Rand	2012				2013		
					Q1	Q2	Q3	Q4	Q1		
					Rand	Rand	Rand	Rand	Rand	q/q % Δ	y/y % Δ
National											
Middle segment (80m²-400m², ≤R3,8m)	964 826	1 036 748	1 054 745	1 061 032	1 024 162	1 037 327	1 075 719	1 106 921	1 133 768	2,4	10,7
Small (80m ² -140m ² , ≤R3,8m)	666 573	775 247	742 899	706 919	655 614	675 897	729 224	766 940	759 112	-1,0	15,8
Medium (141m ² -220m ² , ≤R3,8m)	923 830	969 896	985 966	1 015 740	975 431	997 426	1 029 505	1 060 598	1 076 971	1,5	10,4
Large (221m ² -400m ² , ≤R3,8m)	1 387 005	1 446 613	1 484 225	1 518 627	1 483 424	1 485 600	1 529 697	1 575 786	1 602 331	1,7	8,0
New (80m ² -400m ² , ≤R3,8m)	1 225 062	1 427 847	1 521 805	1 592 944	1 583 246	1 556 280	1 588 330	1 643 920	1 720 069	4,6	8,6
Existing (80m ² -400m ² , ≤R3,8m)	954 659	1 021 319	1 034 948	1 037 832	1 001 162	1 014 728	1 051 577	1 083 862	1 109 471	2,4	10,8
Affordable (40m²-79m², ≤R515 000)	292 767	307 741	315 970	336 840	330 495	333 418	338 676	345 241	349 497	1,2	5,7
Luxury (R3,8m-R13,8m)	4 510 073	4 680 243	4 775 143	4 796 050	4 880 791	4 875 605	4 786 685	4 684 349	4 687 980	0,1	-4,0
Provinces											
Eastern Cape	831 365	909 936	890 012	917 270	873 865	898 461	935 408	945 210	955 683	1,1	9,4
Free State	752 252	835 761	890 686	873 077	831 928	801 086	884 575	978 166	930 655	-4,9	11,9
Gauteng	1 021 517	1 081 441	1 119 183	1 104 449	1 070 423	1 080 382	1 114 241	1 140 660	1 138 884	-0,2	6,4
KwaZulu-Natal	850 811	923 303	960 189	936 185	881 853	890 245	944 741	1 032 370	1 122 701	8,7	27,3
Limpopo	834 127	889 236	879 257	919 600	852 947	888 129	948 367	988 956	1 002 968	1,4	17,6
Mpumalanga	808 737	854 780	903 173	929 066	890 449	893 838	931 277	1 000 700	1 038 720	3,8	16,7
North West	786 166	837 069	849 664	872 795	902 538	887 351	860 916	840 376	861 449	2,5	-4,6
Northern Cape	695 252	781 402	773 932	867 495	815 570	862 435	900 745	891 233	971 190	9,0	19,1
Western Cape	1 098 468	1 173 438	1 161 543	1 195 232	1 170 243	1 186 515	1 206 352	1 213 587	1 250 331	3,0	6,8
Metropolitan regions											
PE/Uitenhage (Eastern Cape)	816 662	898 404	861 164	870 582	831 349	870 750	890 411	889 818	888 752	-0,1	6,9
East London (Eastern Cape)	1 018 821	1 049 380	984 066	1 078 130	1 063 942	1 083 741	1 086 316	1 078 523	1 058 143	-1,9	-0,5
Bloemfontein (Free State)	942 699	1 084 240	1 104 070	1 111 004	1 058 058	1 034 402	1 128 138	1 223 419	1 184 183	-3,2	11,9
Greater Johannesburg (Gauteng)	1 074 476	1 106 433	1 164 077	1 133 731	1 117 090	1 115 317	1 138 380	1 158 460	1 158 485	0,0	3,7
Johannesburg Central & South	886 443	907 679	903 881	869 401	837 056	834 822	902 814	902 913	858 512	-4,9	2,6
Johannesburg North & West	1 296 358	1 391 393	1 412 790	1 422 928	1 401 369	1 405 790	1 434 177	1 450 374	1 460 473	0,7	4,2
East Rand	932 206	952 164	1 024 689	1 018 958	1 024 441	1 005 526	1 016 440	1 029 424	1 054 331	2,4	2,9
Pretoria (Gauteng)	1 055 210	1 163 576	1 183 674	1 182 521	1 137 172	1 151 358	1 208 895	1 232 660	1 220 128	-1,0	7,3
Durban/Pinetown (KwaZulu-Natal)	918 937	996 753	1 009 349	1 003 212	973 017	963 940	980 046	1 095 843	1 213 500	10,7	24,7
Cape Town (Western Cape)	1 097 819	1 195 519	1 187 636	1 242 567	1 232 146	1 244 258	1 245 601	1 248 263	1 286 799	3,1	4,4
Coastal regions											
South Africa	1 136 330	1 206 106	1 232 456	1 220 916	1 183 233	1 208 729	1 235 578	1 256 122	1 305 675	3,9	10,3
Western Cape	1 188 540	1 274 213	1 318 697	1 315 732	1 268 628	1 329 102	1 329 671	1 335 345	1 382 930	3,6	9,0
West Coast	1 141 079	1 241 198	1 338 399	1 233 937	1 264 945	1 231 447	1 208 692	1 230 666	1 272 447	3,4	0,6
Cape Peninsula and False Bay	1 156 104	1 242 945	1 271 786	1 312 639	1 255 020	1 323 618	1 329 202	1 342 716	1 430 341	6,5	14,0
South Coast	1 307 529	1 375 515	1 433 361	1 358 834	1 309 027	1 372 611	1 381 683	1 372 014	1 365 443	-0,5	4,3
Eastern Cape	1 039 700	1 083 858	1 084 497	1 108 658	1 131 336	1 112 852	1 113 713	1 076 731	1 053 571	-2,2	-6,9
KwaZulu-Natal	1 099 000	1 196 016	1 279 371	1 188 631	1 098 586	1 131 237	1 230 548	1 275 693	1 473 401	15,5	34,1
South Coast	912 447	1 072 160	1 030 645	1 003 404	976 568	979 553	1 041 397	1 016 100	958 455	-5,7	-1,9
North Coast	1 194 797	1 278 131	1 404 557	1 312 829	1 189 390	1 232 360	1 326 727	1 502 837	1 759 481	17,1	47,9

House prices are based on the total smoothed purchase price of houses (including all improvements) in respect of which loan applications were approved by Absa Bank. House prices for the provinces and metropolitan regions are smoothed for all houses between 80m² and 400m², up to R3,8 million in 2013. House prices for the coastal regions are smoothed for all houses between 80m² and 700m², up to R13,8 million in 2013.

Key variables and projections

Annual averages

		2007	2008	2009	2010	2011	2012	2013	2014
\$/R exchange rate	Rand per US\$	7,05	8,25	8,44	7,32	7,25	8,21	9,32	9,13
CPI headline inflation rate	%	7,1	11,0	7,1	4,3	5,0	5,7	6,3	5,7
Mortgage interest rate	%	14,5	15,0	10,5	9,0	9,0	8,5	8,5	9,0
Household disposable income	Real % Δ	5,2	2,2	-1,2	4,7	5,2	3,7	2,8	3,3
Final consumption by households	Real % Δ	5,5	2,2	-1,6	4,4	4,8	3,5	2,9	3,5
Household saving to disposable income	%	-1,2	-1,2	-0,8	-0,5	-0,2	0,0	-0,1	-0,3
Household debt to disposable income	%	80,0	82,3	81,0	78,2	76,3	75,7	76,7	77,5
Household debt servicing to disposable income	%	10,5	12,4	9,7	7,8	6,9	6,6	6,5	6,8
Gross domestic product	Real % Δ	5,5	3,6	-1,5	3,1	3,5	2,5	2,7	3,4
House prices (80m²-400m², ≤R3,6m)	Nominal % Δ	14,5	4,1	-0,4	7,5	1,7	0,6	6,7	3,7
House prices (80m²-400m², ≤R3,6m)	Real % Δ	6,9	-6,1	-7,0	3,1	-3,1	-4,8	0,4	-1,9

Average nominal house prices by middle-segment category in the first quarter 2013

	Small: 80m ² – 140m ²			Medium: 141m ² – 220m ²			Large: 221m ² – 400m ²		
	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ
National and provinces									
South Africa	759 112	-1,0	15,8	1 076 971	1,5	10,4	1 602 331	1,7	8,0
Eastern Cape	654 523	-8,4	20,5	956 406	-0,2	12,7	1 563 120	6,3	14,5
Free State	856 729	0,0	37,5	766 411	-1,2	11,7	1 214 729	-4,4	11,0
Gauteng	769 311	-1,5	19,7	1 004 677	-3,9	5,4	1 611 665	1,7	5,7
KwaZulu-Natal	613 852	-0,1	7,2	1 043 852	5,3	18,6	1 637 338	7,6	19,1
Mpumalanga	679 812	-1,4	8,6	1 035 103	-1,5	16,1	1 420 259	6,7	14,2
North West	599 479	-6,5	8,1	855 253	2,5	-1,0	1 199 395	6,8	-7,1
Northern Cape	597 819	-6,2	-9,8	859 075	15,3	8,6	1 424 672	11,3	30,3
Limpopo	629 022	-4,5	15,7	1 093 280	3,3	18,0	1 568 402	-2,9	36,3
Western Cape	822 037	-1,3	4,6	1 273 902	4,3	6,9	1 837 703	3,2	8,7
Metropolitan regions									
PE/Uitenhage (Eastern Cape)	627 955	-12,2	19,2	840 107	11,5	10,2	1 578 588	8,4	22,4
East London (Eastern Cape)	779 464	3,9	17,6	1 162 076	0,2	18,8	1 618 776	-6,6	-3,2
Bloemfontein (Free State)	1 040 445	3,3	52,3	1 134 460	5,0	10,1	1 528 820	-2,4	10,7
Greater Johannesburg (Gauteng)	830 117	-1,1	22,9	963 474	-2,7	-3,9	1 609 403	-0,3	1,8
Johannesburg Central & South	522 969	-8,0	-3,3	737 699	-4,6	-9,2	1 635 011	1,8	6,7
Johannesburg North & West	829 207	-10,8	0,0	1 232 240	1,0	3,5	1 716 436	-1,1	-6,2
East Rand	941 667	3,3	36,6	905 672	2,0	-2,8	1 439 361	-0,4	4,0
Pretoria (Gauteng)	708 065	-2,8	8,4	1 132 070	-5,7	9,4	1 786 418	4,1	14,0
Durban/Pinetown (KwaZulu-Natal)	651 014	-2,9	-2,2	1 088 448	6,0	12,1	1 713 076	5,2	13,3
Cape Town (Western Cape)	848 868	-0,9	2,2	1 377 040	7,0	7,7	1 938 613	4,0	7,4

House prices are based on the total smoothed purchase price of houses (including all improvements) between 80m² and 400m², up to R3,8 million, in respect of which loan applications were approved by Absa Bank.

Monthly mortgage repayment
(rand, calculated over a period of 20 years)

Mortgage amount	Repayment at a mortgage rate of													
	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%
100 000	836	868	900	932	965	998	1 032	1 066	1 101	1 136	1 172	1 207	1 244	1 280
200 000	1 673	1 736	1 799	1 864	1 930	1 997	2 064	2 133	2 202	2 272	2 343	2 415	2 487	2 560
300 000	2 509	2 603	2 699	2 796	2 895	2 995	3 097	3 199	3 303	3 408	3 515	3 622	3 731	3 840
400 000	3 346	3 471	3 599	3 729	3 860	3 994	4 129	4 266	4 404	4 545	4 686	4 829	4 974	5 120
500 000	4 182	4 339	4 499	4 661	4 825	4 992	5 161	5 332	5 505	5 681	5 858	6 037	6 218	6 400
600 000	5 019	5 207	5 398	5 593	5 790	5 990	6 193	6 399	6 607	6 817	7 029	7 244	7 461	7 680
700 000	5 855	6 075	6 298	6 525	6 755	6 989	7 225	7 465	7 708	7 953	8 201	8 452	8 705	8 960
800 000	6 692	6 943	7 198	7 457	7 720	7 987	8 258	8 531	8 809	9 089	9 373	9 659	9 948	10 240
900 000	7 528	7 810	8 098	8 389	8 685	8 985	9 290	9 598	9 910	10 225	10 544	10 866	11 192	11 520
1 000 000	8 364	8 678	8 997	9 321	9 650	9 984	10 322	10 664	11 011	11 361	11 716	12 074	12 435	12 800
1 500 000	12 547	13 017	13 496	13 982	14 475	14 976	15 483	15 996	16 516	17 042	17 574	18 111	18 653	19 200
2 000 000	16 729	17 356	17 995	18 643	19 300	19 968	20 644	21 329	22 022	22 723	23 432	24 147	24 870	25 600
2 500 000	20 911	21 696	22 493	23 303	24 126	24 959	25 805	26 661	27 527	28 404	29 289	30 184	31 088	32 000

Mortgage amount at fixed monthly repayment
(rand, calculated over a period of 20 years)

Mortgage repayment	Mortgage amount at a mortgage rate of													
	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%
1 000	119 554	115 231	111 145	107 281	103 625	100 162	96 882	93 771	90 819	88 017	85 355	82 824	80 417	78 125
2 000	239 109	230 462	222 290	214 562	207 249	200 325	193 763	187 542	181 639	176 035	170 710	165 649	160 834	156 250
3 000	358 663	345 693	333 435	321 843	310 874	300 487	290 645	281 313	272 458	264 052	256 065	248 473	241 250	234 375
4 000	478 217	460 923	444 580	429 124	414 498	400 649	387 526	375 083	363 278	352 069	341 421	331 297	321 667	312 501
5 000	597 771	576 154	555 725	536 405	518 123	500 811	484 408	468 854	454 097	440 086	426 776	414 122	402 084	390 626
6 000	717 326	691 385	666 870	643 686	621 748	600 974	581 289	562 625	544 916	528 104	512 131	496 946	482 501	468 751
7 000	836 880	806 616	778 015	750 967	725 372	701 136	678 171	656 396	635 736	616 121	597 486	579 770	562 918	546 876
8 000	956 434	921 847	889 160	858 248	828 997	801 298	775 052	750 167	726 555	704 138	682 841	662 595	643 335	625 001
9 000	1 075 989	1 037 078	1 000 305	965 529	932 622	901 460	871 934	843 938	817 375	792 156	768 196	745 419	723 751	703 126
10 000	1 195 543	1 152 308	1 111 450	1 072 810	1 036 246	1 001 623	968 815	937 708	908 194	880 173	853 551	828 243	804 168	781 251
15 000	1 793 314	1 728 463	1 667 174	1 609 216	1 554 369	1 502 434	1 453 223	1 406 563	1 362 291	1 320 259	1 280 327	1 242 365	1 206 252	1 171 877
20 000	2 391 086	2 304 617	2 222 899	2 145 621	2 072 492	2 003 245	1 937 631	1 875 417	1 816 388	1 760 346	1 707 103	1 656 487	1 608 337	1 562 503
25 000	2 988 857	2 880 771	2 778 624	2 682 026	2 590 615	2 504 057	2 422 038	2 344 271	2 270 485	2 200 432	2 133 878	2 070 608	2 010 421	1 953 128