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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

10 June 2013

House price growth slowing down

House price growth slowed down in May 2013, based on nominal year-on-year growth in the average value of homes in the middle segment of the South African residential property market. This is the result of base effects and a downward trend in monthly price growth since mid-2012, which was expected to eventually cause year-on-year price growth to moderate. 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).

May 2013 saw middle-segment nominal house price growth tapering off to 11,1% year-on-year (y/y) from a revised growth rate of 11,7% y/y in April. Lower year-on-year price growth was evident in especially the small and medium-sized categories of the market, with month-on-month price deflation occurring in both these segments of housing. Price growth in the segment for large homes appears to be at an upper turning point. Real price growth in middle-segment housing, i.e. after adjustment for the effect of consumer price inflation, was recorded at 5,5% y/y in April in view of an inflation rate of 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 May 2013:

- Small homes (80m²-140m²): R720 600
- Medium-sized homes (141m²-220 m²): R1 061 800
- Large homes (221m²-400m²): R1 625 900

Real economic growth came in at a seasonally adjusted annual rate of only 0,9% in the first quarter of 2013, after growth of 2,1% in the final quarter of last year. Contractions in the real value added by the agricultural, electricity gas and water and manufacturing sectors contributed to the low first-quarter growth. The South African Reserve Bank expects real growth of 2,4% in 2013, improving to 3,5% in 2014. The headline consumer price inflation rate, at 5,9% y/y in February, March and April, is expected to breach the upper inflation target limit of 6% in the near term on the back of inflationary pressures coming from above-inflation wage demands, a weak exchange rate and rising transport costs. As a result of recent movements in the rand exchange rate and international oil prices, a substantial under-recovery in fuel prices occurred in the first week of June, pointing to a possible hike in fuel prices in early July. The Reserve Bank's forecast is for consumer price inflation to average 5,8% in 2013, slowing down to 5,2% in 2014.

Interest rates were kept unchanged in the first half of 2013, and are forecast to remain at current levels in the rest of the year before rising around mid-2014 to keep inflation under control. This interest rate projection is based on current trends in and prospects for the domestic economy and inflation. Continued low interest rates will support the property market and benefit the affordability of housing and mortgage finance.

On the back of the latest trends in house price growth and various factors impacting the housing market, single-digit nominal year-on-year price growth is forecast for the full year. Real house price growth will continue to be driven by a combination of movements in nominal prices and consumer price inflation.

Absa house price indices (nominal, 2000=100)

Houses of 80m²-400m², up to R3,8 million

Month	Small houses 80m ² -140 m ²			Medium-sized houses 141m ² -220 m ²			Large houses 221m ² -400 m ²		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
January	393.7	330.2	382.5	388.5	389.2	428.4	403.7	409.4	434.0
February	393.7	328.4	377.0	388.9	389.7	428.0	405.8	407.2	437.8
March	390.7	330.1	371.5	389.9	392.2	427.1	406.3	405.7	441.3
April	386.2	334.1	366.2	392.0	395.9	426.2	405.5	405.8	444.4
May	382.1	340.2	361.8	394.9	399.8	425.0	404.5	407.7	446.4
June	379.1	348.0		398.2	403.7		404.3	410.7	
July	376.0	356.9		400.8	407.8		405.8	414.2	
August	371.6	366.0		401.6	412.1		408.4	417.8	
September	365.1	374.6		400.3	416.4		411.2	421.2	
October	355.7	381.7		397.5	420.8		412.9	424.4	
November	345.2	386.1		394.0	424.7		413.0	427.6	
December	336.0	386.2		390.8	427.5		411.5	430.7	
Average	372.9	355.2	371.8	394.8	406.6	427.0	407.8	415.2	440.8

Absa house price indices

Houses of 80m²-400m², up to R3,8 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	April 2013	May 2013	Year-to-date 2013	March 2012	April 2013	Year-to-date 2013
Small (80m ² -140m ²)	9.6	6.3	11.8	6.3	3.5	7.1
Medium (141m ² -220m ²)	7.6	6.3	8.5	2.8	1.7	3.2
Large (221m ² -400m ²)	9.5	9.5	8.3	2.7	3.5	2.1

Absa house price index

Houses of 80m²-400m², up to R3,8 million



