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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

8 July 2013

### Middle-segment house price growth slowed down from a year ago

Nominal year-on-year growth in the average value of homes in the middle segment of the South African housing market slowed down in June 2013 from May. Base effects and subdued month-on-month price growth are having a moderating effect on year-on-year price growth. 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 middle-segment housing was recorded at a nominal 11,8% year-on-year (y/y) in June from a revised growth rate of 12,2% y/y in May this year. The first six months of 2013 saw the average value of middle-segment homes rising by 11,2% y/y. The declining trend in year-on-year price growth continued in the categories of small and medium-sized housing, with month-on-month price changes remaining under pressure. Price growth in the segment for large homes appears to be near an upper turning point. Real price growth in middle-segment housing, i.e. after adjustment for the effect of consumer price inflation, came to 5,3% y/y in May on the back of an inflation rate of 5,6% y/y in the month.

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

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R730 300
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 077 100
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 679 100

South Africa's real economic growth is forecast at 2,3% for 2013, to be driven by expected global growth of 3,3% and domestic economic developments. Household sector finances are set to continue to experience some financial strain this year, with growth of below 3% expected in real disposable income and consumption expenditure, while savings will remain low. The general state of consumer credit records (9,53 million credit-active consumers had impaired credit records in the first three months of 2013) limits the accessibility of credit and affect household consumption expenditure, which had a share of about 61% in the country's gross domestic product in the first quarter of the year. Against this background consumer confidence is low and not expected to show a significant improvement in the rest of the year.

In view of declining economic growth and upward pressure on inflation, domestic interest rates remained unchanged in the first half of 2013, and are forecast to stay at current levels up to mid-2014 before rising to keep inflation under control. The continued low interest rates support the property market and benefit the affordability of housing and mortgage finance.

Taking account of house price trends and the 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 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,8 million

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>		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
January	393.6	330.1	382.2	388.5	389.3	428.3	403.9	409.7	433.6
February	393.7	328.5	377.1	388.9	390.0	428.2	406.1	407.5	438.7
March	390.8	330.2	372.6	389.8	392.5	428.2	406.6	405.8	444.8
April	386.2	334.0	369.6	391.7	396.0	428.8	405.9	405.8	450.6
May	382.1	339.7	367.6	394.5	399.8	429.7	404.9	407.5	456.0
June	379.1	347.1	366.7	397.8	403.6	431.2	404.7	410.4	461.0
July	376.0	355.8		400.5	407.6		406.1	413.8	
August	371.7	364.8		401.3	412.0		408.7	417.3	
September	365.1	373.5		400.2	416.4		411.4	420.7	
October	355.7	380.9		397.5	420.8		413.1	423.8	
November	345.1	385.6		394.0	424.8		413.2	426.8	
December	335.8	385.8		390.9	427.4		411.8	429.8	
Average	372.9	354.7	372.6	394.6	406.7	429.1	408.0	414.9	447.4

### 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		
	May 2013	June 2013	Year-to-date 2013	April 2013	May 2013	Year-to-date 2013
Small (80m <sup>2</sup> -140m <sup>2</sup> )	8.2	5.6	11.3	4.5	2.5	6.4
Medium (141m <sup>2</sup> -220m <sup>2</sup> )	7.5	6.8	8.6	2.3	1.8	3.1
Large (221m <sup>2</sup> -400m <sup>2</sup> )	11.9	12.3	9.7	4.9	6.0	3.3

### Absa house price index

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,8 million



