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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 seasonally adjusted and smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers in the data. As a result, the most recent index values and price data may differ from previously published figures.

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House price indices

8 October 2013

Declining trend in middle-segment house price growth continues

Year-on-year growth the average value of homes in the middle segment of the South African housing market slowed down further in September 2013. The slowing house price growth came on the back of base effects, with month-on-month price growth still slowing down and thus contributing to lower year-on-year price growth. These trends in home values 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).

All three categories of middle-segment housing saw year-on-year price growth slowing down further in nominal terms in September from August this year. In real terms, i.e. after the adjustment for the effect of headline consumer price inflation, house price deflation accelerated in August in both the small and medium-sized segments of the market. This was the result of nominal price growth tapering off further, whereas consumer price inflation edged up to 6,4% year-on-year (y/y) in August from 6,3% y/y in July. Year-to-date nominal and real house price growth in all three segments of housing was well in single digits in the first nine months of the year.

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

- Small homes (80m²-140m²): R757 400
- Medium-sized homes (141m²-220 m²): R1 089 800
- Large homes (221m²-400m²): R1 653 700

South Africa's real economic growth measured around 2% in the first half of 2013 compared with the corresponding period last year, impacted by global economic trends as well as domestic developments, especially with regard to labour strikes which continued into the fourth quarter of the year. These developments contributed to formal sector employment growth of only 0,1 y/y by mid-year. Real economic growth is forecast at 2% for the full year after growth of 2,5% in 2012, with employment growth expected to remain low.

Many consumers continued to experience financial pressure, with headline consumer price inflation rising above the 6% level in July and August this year, eroding spending power. Inflation is currently driven by increasing food prices, high transport costs, a weak exchange rate and wage hikes. Consumer credit-risk profiles continued to deteriorate, with a total of 9,7 million credit-active consumers (48% of a total of 20,2 million) who had an impaired credit record in the second quarter of the year. Against the background of these developments, consumer confidence dropped to its lowest level in 10 years in the third quarter of the year.

In view the abovementioned trends and expectations, interest rates are forecast to remain at current levels up to the third quarter of 2014 before being hiked. Continued low interest rates as well as single-digit house price growth in the rest of the year and in 2014 will support levels of activity in the residential property market and benefit the affordability of housing and mortgage finance.

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	392.5	329.7	381.8	388.5	389.4	429.0	403.8	410.0	434.6
February	393.1	328.3	376.4	388.9	390.1	428.8	406.1	407.5	439.8
March	390.4	329.8	371.6	389.8	392.6	427.7	406.7	405.8	445.3
April	385.5	333.4	369.3	391.8	396.2	427.1	405.6	406.3	449.7
May	380.3	338.6	369.5	394.7	400.0	427.7	403.9	408.7	452.7
June	375.9	345.2	371.5	397.9	403.6	429.3	403.1	412.3	454.3
July	371.7	353.1	374.3	400.4	407.5	431.4	404.0	416.1	454.8
August	366.9	361.7	377.2	401.2	411.7	433.8	406.5	419.7	454.9
September	360.7	370.5	380.2	400.0	416.0	436.2	409.7	422.6	454.0
October	352.3	378.5		397.3	420.5		412.2	425.1	
November	343.1	384.0		393.9	424.7		413.0	427.8	
December	334.9	385.1		390.9	427.7		412.1	430.8	
Average	370.6	353.2	374.7	394.6	406.7	430.1	407.2	416.1	448.9

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		
	August	September	Year-to-date	July	August	Year-to-date
	2013	2013	2013	2013	2013	2013
Small (80m ² -140m ²)	4.3	2.6	9.1	-0.3	-2.0	4.0
Medium (141m ² -220m ²)	5.4	4.9	7.3	-0.4	-1.0	1.7
Large (221m ² -400m ²)	8.4	7.4	8.9	2.8	1.8	3.1

Absa house price index

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



