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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 November 2013

Continued slowdown in middle-segment house price growth

October 2013 saw a further slowdown in year-on-year growth in the average value of homes in the middle segment of the South African housing market. The major factors contributing to the downward trend in house price growth are base effects, slowing month-on-month price growth, which leads to lower year-on-year price growth, and conditions with regard to the economy and household finances in general. 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).

Nominal year-on-year price growth was slowing down further in all three categories of housing in October from September this year. The weighted average price growth in the small, medium-sized and large-home segments came to a nominal 8% year-on-year (y/y) in October, down from 8,6% y/y in September. In real terms, i.e. after adjustment for the effect of inflation, middle-segment house price growth was only marginally lower at 2,5% y/y in September from 2,6% y/y in August. This was the result of nominal price growth tapering off further, whereas headline consumer price inflation was lower at 6% y/y in September from 6,4% y/y in August.

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

- Small homes (80m²-140m²): R789 500
- Medium-sized homes (141m²-220 m²): R1 079 500
- Large homes (221m²-400m²): R1 694 600

Real economic growth has been relatively low at around 2% in the first half of 2013 compared with the same period last year, affected by global economic trends as well as developments on the domestic front. Economic growth is forecast at a real 2% for 2013, down from 2,5% in 2012, but expected to rise to 2,8% in 2014. Inflation remains around the 6% level and is forecast to average 5,8% in 2013 and 5,5% in 2014, with the main risks to the inflation outlook being food prices, transport costs, property running costs, wage hikes and the exchange rate. Based on current conditions and the outlook for economic growth and inflation, interest rates are forecast to remain unchanged before being hiked in the third quarter of 2014. Continued low interest rates will support the affordability of mortgage finance and the property market in general.

The consumer sector continues to experience financial strain, with inflation eroding spending power, growth in employment, real household disposable income and consumption expenditure remaining low, savings not showing any real improvement and credit-risk profiles deteriorating further, with the result that consumer confidence is at a 10-year low.

Against the background of the abovementioned trends and expectations, single-digit house price growth is forecast to continue in 2014. Based on the outlook for nominal house price growth and consumer price inflation, relatively low real house price inflation is projected for the rest of the year and in 2014.

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	392.4	329.4	380.8	388.4	389.5	429.2	403.9	409.8	435.2
February	392.9	328.3	375.9	388.8	390.2	429.5	406.2	407.8	439.5
March	390.2	330.1	371.3	389.8	392.8	428.9	406.9	406.3	444.6
April	385.4	334.1	368.7	391.8	396.4	428.6	406.0	406.5	449.6
May	380.3	339.6	369.4	394.6	400.0	429.0	404.8	408.5	453.6
June	375.8	346.4	373.1	397.7	403.6	429.8	404.3	411.9	456.8
July	371.3	354.1	378.8	400.2	407.2	430.5	405.3	415.9	459.3
August	366.0	362.2	385.1	400.9	411.2	431.3	407.6	420.0	461.4
September	359.4	370.3	391.1	399.8	415.4	431.7	410.3	423.5	463.3
October	351.0	377.5	396.3	397.2	419.8	432.1	412.2	426.5	465.2
November	341.8	382.6		393.9	424.0		412.6	429.3	
December	334.0	383.6		391.0	427.3		411.6	432.0	
Average	370.0	353.2	379.0	394.5	406.5	430.0	407.6	416.5	452.9

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		
	September	October	Year-to-date	August	September	Year-to-date
	2013	2013	2013	2013	2013	2013
Small (80m ² -140m ²)	5.6	5.0	9.2	-0.1	-0.3	3.6
Medium (141m ² -220m ²)	3.9	2.9	6.8	-1.5	-1.9	1.3
Large (221m ² -400m ²)	9.4	9.1	9.5	3.2	3.2	3.4

Absa house price index

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



