



Compiled by
Jacques du Toit
Property Analyst
Absa Home Loans

45 Mooi Street
Johannesburg | 2001

PO Box 7735
Johannesburg | 2000
South Africa

Tel +27 (0)11 350 7246
jacques@absa.co.za
www.absa.co.za

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

16 January 2014

House price growth continued to slow down up to end-2013

December 2013 saw year-on-year growth in the average value of homes in the middle segment of the South African housing market slowing down further, after peaking around April last year. This was the result of base effects and continuing month-on-month price growth of less than 1% up to year-end. Economic conditions in general as well as trends in household finances and consumer confidence have also affected the property market and property price growth during the course of the year. These trends in house prices 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).

Average nominal year-on-year price growth was in single digits in all three middle-segment categories of housing in 2013. The average nominal value of homes in each category was as follows in December last year:

- Small homes (80m²-140m²): R778 000
- Medium-sized homes (141m²-220 m²): R1 085 000
- Large homes (221m²-400m²): R1 720 000

The country's economic performance was under pressure during 2013, with real growth estimated to have been 1,8% on the back of major production losses as a result of labour strikes, while growth in consumption expenditure remained low. Based on expected trends in global growth and prospects for the domestic economy, growth in the country's real gross domestic product is forecast to rise to 2,7% in 2014.

Consumer price inflation slowed down to 5,3% year-on-year (y/y) in November as a result of a drop in fuel prices and lower food price inflation. However, domestic fuel prices edged up again in both December and January on the back of movements in the rand exchange rate and international oil prices, which will cause inflationary pressures. Consumer price inflation is forecast to average 5,7% in 2014. Based on the outlook for the economy and inflation, interest rates are forecast to remain unchanged until the third quarter of 2015 before being hiked.

The residential property market will continue to be driven by economic developments and trends in household finances and consumer confidence. Single-digit nominal house price growth is forecast for 2014, while real price growth will be constrained by consumer price inflation which is expected to be just below the 6% level for the year. Continued low interest rates will support the housing market and the demand for 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	391.5	329.0	381.1	388.6	389.3	429.2	402.6	411.1	437.5
February	392.7	328.1	376.8	389.0	390.3	429.1	405.2	408.5	442.1
March	390.8	330.3	372.6	390.0	393.1	428.0	406.1	406.2	447.2
April	386.4	334.5	370.0	392.1	396.9	427.4	405.2	406.0	451.4
May	381.6	340.1	370.2	395.0	400.6	427.5	403.5	408.0	454.3
June	377.1	346.5	373.8	398.2	404.1	428.3	402.4	411.7	456.2
July	372.4	353.7	379.6	400.5	407.8	429.5	403.1	416.1	457.7
August	366.7	361.1	385.4	401.0	411.8	431.0	405.6	420.5	459.7
September	359.9	368.8	389.6	399.5	416.0	432.4	409.2	424.2	462.8
October	351.1	376.1	391.6	396.7	420.3	433.4	412.2	427.4	466.2
November	341.7	381.6	392.1	393.3	424.5	433.9	413.5	430.7	469.7
December	333.7	383.3	390.5	390.5	427.6	434.3	413.0	433.9	472.4
Average	370.5	352.7	381.1	394.5	406.9	430.3	406.8	417.0	456.4

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		
	November	December	Year-to-date	October	November	Year-to-date
	2013	2013	2013	2013	2013	2013
Small (80m ² -140m ²)	2.7	1.9	8.0	-1.3	-2.4	2.8
Medium (141m ² -220m ²)	2.2	1.6	5.8	-2.3	-2.9	0.4
Large (221m ² -400m ²)	9.1	8.9	9.5	3.4	3.6	3.5

Absa house price index

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



