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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 R4 million or less in 2014 (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

10 March 2014

Single-digit house price growth continues

Nominal year-on-year growth in the average value of homes in the middle segment of the South African housing market remained in single digits in February 2014, impacted by factors related to the economy, household finances and consumer confidence. However, base effects caused an uptick in nominal year-on-year price growth in two segments of the market. In real terms, i.e. after adjustment for the effect of consumer price inflation, house prices continued to deflate on a year-on-year basis in two segments, while low single-digit real growth was evident in one segment. These trends observed 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).

The average nominal value of homes in each category was as follows in February 2014:

- Small homes (80m²-140m²): R757 600
- Medium-sized homes (141m²-220 m²): R1 133 900
- Large homes (221m²-400m²): R1 723 900

Real economic growth improved in the final quarter of 2013 after a poor showing in the third quarter due to massive disruptions in production on the back of labour strikes. Full-year growth came to 1,9% in 2013, expected to rise to 2,7% in 2014, mainly driven by stronger global growth. Inflationary pressures mounted in early-2014, with headline CPI inflation increasing to 5,8% year-on-year in January and forecast to average above 6% this year as a result of a weak exchange rate, rising transport costs and wage pressures. In view of these developments and expectations, prime lending and variable mortgage interest rates, hiked by 50 basis points in January, are projected to rise further during the course of 2014 to end the year at a level of 10% per annum.

Residential property market trends and prospects will remain indicative of economic and employment growth, as well as developments with regard to household finances (income, consumption, saving and debt levels), consumer credit-risk profiles, inflation, interest rates, consumer confidence and banks' lending criteria. These factors will drive the affordability of housing and accessibility of mortgage finance and will be reflected in property demand and supply conditions, price trends, market activity, buying patterns, transaction volumes and the demand for and growth in residential mortgage finance.

Single-digit nominal house price growth is forecast to continue in 2014 on the back of trends in and prospects for the economy, the household sector and related factors. Real house price growth will be a function of the combined effect of trends in nominal price growth and consumer price inflation.

Absa house price indices (nominal, 2000=100)

Houses of 80m²-400m², up to R4 million

Month	Small houses 80m ² -140 m ²			Medium-sized houses 141m ² -220 m ²			Large houses 221m ² -400 m ²		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
January	329.0	379.8	383.2	391.3	428.4	449.1	410.5	437.2	471.6
February	328.0	375.5	380.3	391.9	428.2	453.9	408.1	441.7	473.3
March	330.3	371.5		394.2	427.3		406.1	446.8	
April	334.6	369.4		397.4	427.1		406.1	451.2	
May	340.3	370.2		400.8	427.8		408.2	454.3	
June	346.9	374.5		404.3	428.8		412.0	456.6	
July	354.1	381.0		408.2	429.6		416.7	458.2	
August	361.5	387.4		412.6	430.4		421.2	460.1	
September	368.9	391.3		416.8	432.0		425.0	462.4	
October	375.8	391.8		420.9	434.7		428.0	464.9	
November	380.8	389.5		424.7	438.7		431.0	467.4	
December	382.2	386.3		427.2	443.6		433.9	469.7	
Average	352.7	380.7	381.8	407.5	431.4	451.5	417.2	455.9	472.5

Absa house price indices

Houses of 80m²-400m², up to R4 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	January	February	Year-to-date	November	December	January
	2014	2014	2014	2013	2013	2014
Small (80m ² -140m ²)	0.9	1.3	1.1	-2.9	-4.1	-4.6
Medium (141m ² -220m ²)	4.8	6.0	5.4	-1.9	-1.5	-0.9
Large (221m ² -400m ²)	7.9	7.2	7.5	3.0	2.7	2.0

Absa house price index

Houses of 80m²-400m², up to R4 million



