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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

9 April 2014

House price growth remains resilient in challenging market conditions

The first quarter of 2014 saw nominal year-on-year growth in the average value of homes in the middle segment of the South African housing market remaining in single digits, with price growth accelerating in two categories of housing. Base effects are a prominent factor in the latest trends in price growth. House price movements in real terms, i.e. after adjustment for the effect of consumer price inflation, varied between some deflation and some positive growth in the segments in the early months of the year compared with a year ago. These house price 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).

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

- Small homes (80m²-140m²): R782 100
- Medium-sized homes (141m²-220 m²): R1 152 400
- Large homes (221m²-400m²): R1 741 500

The headline consumer price inflation rate was marginally higher at 5,9% y/y in February from 5,8% y/y in January. Upward pressure on inflation persists, coming from rising food prices and transport costs, above-inflation wage hikes and a relatively weak exchange rate. Inflation is forecast to average 6,5% in 2014. Interest rates were kept stable up to March after being hiked by 50 basis points in January, with concerns about continued inflationary pressures, while the economy is underperforming. Economic growth for 2014 is forecast at 2,2%. The projection is for interest rates to be hiked further in May and September this year, with the prime rate, currently at 9%, to end the year at a level of 10%.

Consumers remained financially strained up to the end of 2013 and into the early stages of 2014. Income and consumption growth, still closely correlated, tapered off further, while almost 50% of credit-active consumers had impaired credit records by late last year. Subdued growth in household credit extension contributed to the ratio of household debt to disposable income declining somewhat to 74,3% in the 4th quarter of 2013. Consumer confidence remained low up to the 1st quarter of 2014, with consumers still pessimistic about the outlook for the economy and the resultant impact on their finances and consumption expenditure.

The abovementioned trends in and prospects for the economy and the household sector are expected to impact the property market, with single-digit nominal house price growth forecast for the rest of 2014. Virtually no real house price growth is projected for this year, based on the combined effect of expected trends in nominal price growth and 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	331.9	376.2	389.1	391.3	428.5	450.0	410.3	437.6	473.1
February	331.7	372.2	390.9	392.0	428.4	455.9	407.8	441.9	475.8
March	333.8	369.1	392.6	394.3	427.6	461.3	405.7	446.9	477.9
April	337.2	368.1		397.5	427.3		405.5	451.1	
May	341.6	369.5		400.8	427.9		407.3	454.2	
June	346.9	373.5		404.3	428.9		411.0	456.5	
July	353.5	378.9		408.1	429.6		415.5	458.1	
August	360.6	384.2		412.5	430.2		420.1	460.0	
September	367.7	387.7		416.6	431.5		424.1	462.1	
October	374.1	388.7		420.8	434.1		427.5	464.6	
November	378.3	388.3		424.6	438.3		431.0	467.1	
December	378.9	388.3		427.3	443.9		434.2	470.2	
Average	353.0	378.7	390.9	407.5	431.4	455.7	416.7	455.9	475.6

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		
	February	March	Year-to-date	January	February	Year-to-date
	2014	2014	2014	2014	2014	2014
Small (80m ² -140m ²)	5.0	6.4	4.9	-2.2	-0.9	-1.5
Medium (141m ² -220m ²)	6.4	7.9	6.4	-0.7	0.5	-0.1
Large (221m ² -400m ²)	7.7	6.9	7.6	2.2	1.7	1.9

