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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

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Stable house price growth in the first half of 2014

Nominal year-on-year growth in the average value of homes in the middle segment of the South African housing market remained relatively stable in a close range of between 8,5% and 9% since September last year. At a segment level, base effects continued to play a role in price growth. Relatively low real house price growth, i.e. after adjustment for the effect of consumer price inflation, was recorded across all three categories of housing in the first five months of the year compared with the corresponding period last year. Real price growth slowed down further in recent months on the back of rising consumer price inflation. These 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 of the middle-segment categories was as follows in June this year:

- Small homes (80m²-140m²): R833 100
- Medium-sized homes (141m²-220 m²): R1 143 200
- Large homes (221m²-400m²): R1 773 700

Current trends in the domestic macro economy and the household sector do not appear to be supportive of a significant improvement in residential property market conditions over the short term. Economic and employment growth remains subdued, while upward pressure on inflation and interest rates continue. These factors negatively affect consumers' disposable income, consumption expenditure, saving, confidence and the affordability of and demand for credit.

The outlook for the economy is to grow by a real 1,5% in 2014, impacted by sluggish global growth, subdued domestic demand and major production losses on the back of protracted labour strikes in some sectors of the economy during the course of the year. The rand exchange rate is forecast to depreciate to above the level of R11 per US dollar in the second half of the year, which will, together with rising food prices, transport costs, property running costs and above-inflation wage pressures, contribute to consumer price inflation remaining above 6% until early 2015. Interest rates are projected to rise further towards year-end and through 2015, which will cause a rise in debt servicing costs and put an indebted household sector under further financial pressure. Little, if any, improvement is expected in the level of employment, with growth in real household disposable income and consumption forecast to remain closely correlated at just above 1% against the background of virtually no net household saving.

The abovementioned trends in and prospects for the economy and the household sector are affecting residential property market conditions, reflected by market activity, buying patterns, transaction volumes and price growth. Based on house price trends in the first half of the year and market prospects, nominal price growth of around 8% this year and 6% next year is expected. Real house price growth will be driven by trends in nominal price growth and inflation and is projected at about 1,5% and 0,5% in 2014 and 2015 respectively, with higher interest rates to adversely affect the affordability of and demand for housing and mortgage finance.

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	330.6	378.4	389.5	391.3	428.6	449.6	409.8	437.7	473.3
February	330.4	374.9	395.1	391.9	428.4	453.9	407.5	442.0	476.5
March	332.8	371.8	402.1	394.1	427.5	456.6	405.6	446.9	479.6
April	336.6	370.2	408.7	397.2	427.3	457.6	405.5	451.2	482.6
May	341.3	370.5	413.8	400.5	428.0	457.8	407.4	454.3	485.1
June	346.9	373.1	418.3	404.0	429.0	457.6	411.1	456.4	486.9
July	353.4	377.3		408.0	429.7		415.7	458.0	
August	360.1	381.6		412.5	430.5		420.4	459.7	
September	367.1	384.3		416.9	432.0		424.4	461.7	
October	373.7	384.9		421.2	434.8		427.8	464.0	
November	378.7	384.6		425.0	439.0		431.2	466.5	
December	380.3	385.8		427.5	444.3		434.4	469.8	
Average	352.7	378.1	404.6	407.5	431.6	455.5	416.7	455.7	480.7

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		
	May 2014	June 2014	Year-to-date 2014	April 2014	May 2014	Year-to-date 2014
Small (80m ² -140m ²)	11.7	12.1	8.4	4.0	4.7	1.5
Medium (141m ² -220m ²)	7.0	6.7	6.4	0.9	0.3	0.2
Large (221m ² -400m ²)	6.8	6.7	7.3	0.8	0.2	1.2

