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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

6 October 2014

Middle-segment house price growth marginally down in September

Year-on-year growth in the average nominal value of middle-segment homes in the South African residential property market was marginally lower in September this year compared with the preceding month. This came on the back of a declining trend in month-on-month price growth since January this year (see graph below), which was, as expected, eventually reflected in lower year-on-year price growth.

Real house price growth, i.e. after adjustment for the effect of consumer price inflation, remained relatively subdued in the first eight months of the year compared with the corresponding period last year, impacted by the fact that consumer price inflation averaged 6,2% year-on-year (y/y) in January to August. 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 September 2014:

- Small homes (80m²-140m²): R820 000
- Medium-sized homes (141m²-220 m²): R1 166 000
- Large homes (221m²-400m²): R1 879 000

The following macroeconomic and household finance-related factors are impacting the residential property market and eventually house price trends:

- Low real economic growth of 0,6% quarter-on-quarter (q/q) in the second quarter of 2014, after a contraction of 0,6% q/q in the first quarter, with full-year growth of 1,5% expected.
- Low private sector formal employment growth up to the second quarter of the year.
- Upward pressure on consumer price inflation, averaging 6,2% y/y in January to August this year, and expected to remain above the 6% level until early 2015.
- An upward trend in interest rates, forecast to continue in 2015 to curb inflation, affecting the cost and affordability of and demand for credit, including mortgage finance.
- Declining growth in real household disposable income and consumption growth, which remains closely correlated on the back of a low level of household savings.
- A household debt ratio of 73,5% of disposable income, with the cost of servicing debt that has risen to almost 8% of disposable income on the back of higher interest rates.
- The number of credit-active consumers with impaired credit records increased to 9,95 million in the second quarter of 2014 (45% of a total 22,12 million), which affects banks' risk appetite and lending criteria, and the accessibility of credit.
- Continued relatively low consumer confidence of -1 index points in the third quarter.
- Consumers remained mildly to very exposed in terms of their financial vulnerability in the second quarter of the year.

In view of abovementioned trends in and prospects for the economy and the household sector, as well as house price growth in the first nine months of the year, single-digit nominal price growth is forecast for the remainder of the year and in 2015, with real price growth that will be influenced by trends in consumer price inflation.

Absa house price indices (nominal, 2000=100)

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

Month	Small houses 80m²-140 m²			Medium-sized houses 141m²-220 m²			Large houses 221m²-400 m²		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
January	330.7	378.3	390.0	391.2	428.0	449.0	410.5	438.1	474.5
February	330.4	374.8	395.3	391.7	427.7	453.0	408.4	442.5	477.5
March	332.7	371.5	402.2	393.9	427.0	455.9	406.9	447.2	481.3
April	336.5	369.9	408.7	397.1	427.2	457.7	407.1	451.0	486.3
May	341.4	370.8	412.7	400.5	428.2	458.8	409.1	454.0	492.4
June	347.0	374.5	413.9	404.0	429.6	460.5	412.4	456.3	499.1
July	353.4	380.0	413.7	408.1	430.7	462.7	416.3	458.4	505.4
August	360.1	385.2	413.3	412.8	431.6	464.8	420.0	460.9	511.2
September	366.8	388.1	411.8	417.2	433.0	466.8	423.2	463.5	515.8
October	373.3	388.2		421.5	435.5		426.4	466.1	
November	378.3	387.0		425.1	439.3		430.1	468.5	
December	380.0	387.0		427.3	444.1		434.0	471.4	
Average	352.5	379.6	406.8	407.5	431.8	458.8	417.0	456.5	493.7

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		
	August 2014	September 2014	Year-to-date 2014	July 2014	August 2014	Year-to-date 2014
Small (80m²-140m²)	7.3	6.1	7.9	2.4	0.8	1.8
Medium (141m²-220m²)	7.7	7.8	6.9	1.0	1.2	0.5
Large (221m²-400m²)	10.9	11.3	9.1	3.7	4.2	2.5

Absa house price index

Houses of 80-400m², up to R4 million



