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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

7 November 2014

Middle-segment house price growth slowing down

The middle-segment of the South African residential property market saw year-on-year growth in nominal home values starting to slow down in recent months against the background of a declining trend in month-on-month price growth since January this year, which accelerated after May (see graph below), and a fair amount of financial strain experienced by consumers. In real terms, i.e. after adjustment for the effect of consumer price inflation, year-on-year house price growth was in positive territory in the first nine months of the year. However, real price growth remained in low single digits during this period, impacted by consumer price inflation averaging 6,2% year-on-year (y/y) in January to September. 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 October 2014:

- Small homes (80m²-140m²): R843 000
- Medium-sized homes (141m²-220 m²): R1 173 000
- Large homes (221m²-400m²): R1 818 000

The South African Reserve Bank's Monetary Policy Committee will later this month decide on monetary policy and the way forward for local interest rates. Headline consumer price inflation was down to 5,9% y/y in September from 6,4% y/y in August, with underlying core inflation (headline inflation, excluding the components of food, non-alcoholic beverages, petrol and energy) that moved in a relatively narrow band of 5,3%-5,8% y/y in the first nine months of the year. Based on exchange rate movements and significantly lower international oil prices, a major cut in domestic fuel prices occurred in early November, which will contribute to keeping the lid on inflation in the near term. The current forecast is for headline consumer price inflation to average 6,1% y/y in 2014 and 5,1% y/y in 2015. The rand exchange rate, however, remains a major risk to the inflation outlook. In view of these inflation expectations and prospects for the economy in general, interest rates are forecast to remain unchanged up to year-end, with hikes totaling 75 basis points expected in 2015, which will bring prime lending and variable mortgage interest rates to a level of 10% per annum by the end of next year. Rising interest rates will add to the financial pressure experienced by consumers and impact the affordability of and demand for credit.

Based on the abovementioned trends and prospects, as well as house price growth in the first ten months of the year, single-digit nominal price growth is forecast for the full year and in 2015. Current projections regarding nominal house price growth and consumer price inflation are expected to deliver some real price growth in 2015.

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	377.8	389.7	391.2	428.0	449.0	411.2	437.6	475.1
February	330.2	374.4	395.6	391.7	427.7	453.0	408.7	442.3	478.3
March	332.3	371.4	402.4	393.9	427.1	456.0	406.8	447.1	482.3
April	336.2	370.1	408.3	397.2	427.3	457.8	406.8	451.0	487.3
May	341.3	370.9	412.3	400.5	428.3	458.9	408.8	454.0	492.2
June	347.1	374.1	414.2	404.0	429.7	460.5	412.0	456.6	495.8
July	353.8	378.5	415.7	408.1	430.7	462.8	415.7	459.1	498.1
August	360.4	382.7	417.8	412.7	431.5	465.4	419.2	461.9	499.2
September	367.0	385.0	420.5	417.1	432.9	467.5	422.3	464.8	499.4
October	373.2	385.0	423.7	421.4	435.4	469.5	425.4	467.3	499.0
November	378.0	384.5		425.0	439.2		429.2	469.5	
December	379.6	385.6		427.2	444.1		433.3	472.2	
Average	352.5	378.3	410.0	407.5	431.8	460.0	416.6	457.0	490.7

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		
	September	October	Year-to-date	August	September	Year-to-date
	2014	2014	2014	2014	2014	2014
Small (80m ² -140m ²)	9.2	10.0	8.8	2.6	3.1	2.2
Medium (141m ² -220m ²)	8.0	7.8	7.0	1.3	2.0	0.7
Large (221m ² -400m ²)	7.4	6.8	8.0	1.5	1.4	1.9

Absa house price index

Houses of 80-400m², up to R4 million



