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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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Resilient middle-segment house price growth in the past two years

House price trends

The average value of middle-segment homes in the South African residential property market has shown relatively strong growth over the past two years up to the end of 2014. Nominal price growth came to 10% in 2013 after relatively poor growth in the preceding year, with price growth of around 9% recorded in 2014. In real terms, i.e. after adjustment for the effect of consumer price inflation, annual house price growth of between 3% and 4% was registered in 2013 and 2014. 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 abovementioned house price performance came despite some challenging economic conditions experienced over this 24-month period, such as declining economic growth, low employment growth, a depreciating exchange rate and rising inflation and interest rates, which affected household finances. However, a situation of a normalisation of and more balanced housing demand and supply conditions are believed to have largely contributed to the price growth of the past two years. Against this background, the average nominal value of homes in each of the middle-segment categories was as follows in December 2014:

- Small homes (80m²-140m²): R876 000
- Medium-sized homes (141m²-220 m²): R1 201 000
- Large homes (221m²-400m²): R1 837 000

Economic and property market outlook

Some further global economic expansion and an uptick in local demand is expected to result in the South African economy growing by a real 2,4% in 2015, after estimated growth of 1,4% in 2014. Headline consumer price inflation was below the 6% level up to late 2014, impacted by lower food price inflation as well as declining fuel prices on the back of significantly lower international oil prices. Against this background, inflation is expected to drop to a level of 3,6% year-on-year (y/y) by mid-year, after which it is forecast to rise to around 6% y/y by December on the back of base effects, a possible rebound in oil and fuel prices in the second half of the year and a depreciating exchange rate. Consumer price inflation is projected to average 4,5% in 2015, averaging above 6% in 2016. Interest rates were hiked by a cumulative 75 basis points in 2014, with the prime interest rate ending the year at 9,25%. Based on expected declining consumer price inflation in the first half of 2015, the current forecast is for the prime rate to remain unchanged up to September when a 25 basis point hike is foreseen to curb the effect of rising inflation in the second half of the year. Interest rate hikes totaling 75 basis points are forecast for 2016 in an attempt to temper inflationary pressures during next year. The prime rate is projected at 9,5% by end-2015 and 10,25% by the end of 2016.

In view of the abovementioned developments and expectations, the residential property market is set to show another relatively solid performance in 2015. Nominal middle-segment price growth of around 8% is forecast, which will translate into real price growth of more than 3% this year, based on projected consumer price inflation of 4,5%, which is in line with real price growth of the past two years.

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	331.0	378.4	389.0	391.1	427.8	448.6	411.2	440.2	477.8
February	330.7	374.7	395.0	391.6	427.7	453.0	408.8	444.5	481.2
March	332.8	371.5	401.7	393.9	427.2	456.2	406.9	449.1	485.5
April	336.7	370.0	407.7	397.2	427.7	457.9	406.8	453.0	490.3
May	341.6	370.6	412.1	400.6	429.0	458.9	408.5	456.3	494.8
June	347.4	373.5	414.4	404.2	430.5	460.3	411.5	459.4	498.0
July	354.1	377.8	415.8	408.3	431.4	463.1	415.1	462.1	499.7
August	360.8	381.8	418.6	412.8	431.8	467.1	419.2	464.8	500.4
September	367.7	384.0	423.3	417.1	432.8	471.3	423.1	467.5	501.3
October	374.1	384.0	428.7	421.2	434.9	474.9	427.3	469.6	502.3
November	378.9	383.6	434.0	424.7	438.5	478.2	431.9	471.6	503.6
December	380.4	384.8	439.7	426.9	443.4	480.9	436.1	474.5	504.5
Average	353.0	377.9	415.0	407.5	431.9	464.2	417.2	459.4	494.9

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		
	November 2014	December 2014	Year-to-date 2014	October 2014	November 2014	Year-to-date 2014
Small (80m ² -140m ²)	13.2	14.3	9.8	5.4	7.0	3.0
Medium (141m ² -220m ²)	9.0	8.5	7.5	3.1	3.1	1.2
Large (221m ² -400m ²)	6.8	6.3	7.7	1.0	0.9	1.6

Nominal house price growth

Houses of 80-400m², up to R4 million in 2014





