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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 R4,2 million or less in 2015 (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 March 2015

Nominal middle-segment house price growth edging lower

Year-on-year growth in the average nominal value of middle-segment homes in the South African residential property market softened somewhat further in February 2015, whereas real price growth accelerated up to January on the back of declining 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).

Nominal middle-segment house price growth came to 8,4% y/y in February, down from 8,9% in January and a recent high of 9,9% y/y in September last year. On a month-on-month basis, nominal price growth slowed down further to 0,3% in February from just below 0,9% in January last year.

The gradual declining trend in nominal house price growth since late last year is much in line with continued subdued real economic growth of 1,3% year-on-year (y/y) in the final quarter of the year. Full-year growth was 1,5% in 2014 (2,2% in 2013 and forecast at 2,2% in 2016). The somewhat higher interest rates and continued low level of consumer confidence could also have played a role in the lower house price growth in early 2015.

The average nominal value of homes in each of the middle-segment categories was as follows in February 2015:

- Small homes (80m²-140m²): R880 000
- Medium-sized homes (141m²-220 m²): R1 204 000
- Large homes (221m²-400m²): R1 845 000

In real terms, i.e. after adjustment for the effect of consumer price inflation, house price growth improved further to 4,3% y/y in January this year to its highest level since mid-2013. This was the effect of headline consumer price inflation slowing down to 4,4% y/y in January on the back of declining food price inflation and a significant downward trend in domestic fuel prices since the third quarter of last year, driven by a major drop in international oil prices in the second half of 2014. Based on recent oil price and \$/R exchange rate movements, fuel prices were raised again in early March, with an increase in fuel taxes announced in the 2015 Budget to cause fuel prices to jump further in April. These developments will put upward pressure on inflation, which will adversely affect real house price growth in the near term. Against this background, interest rates are forecast to increase later this year and through 2016 to curb inflationary pressures. The headline consumer price inflation rate is forecast to average 4% in 2015 and 6,3% in 2016.

Based on prospects for the main economic and household sector-related factors, single-digit nominal house price growth is projected to continue in 2015, with some real price growth expected on the back of the outlook for inflation.

Absa house price indices (nominal, 2000=100)

Houses of 80m²-400m², up to R4,2 million

Month	Small houses 80m²-140 m²			Medium-sized houses 141m²-220 m²			Large houses 221m²-400 m²		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
January	376.8	390.2	439.8	427.6	448.5	481.1	442.8	478.3	505.3
February	373.3	395.9	441.8	427.5	452.9	482.1	446.9	482.0	506.5
March	370.5	402.2		427.1	456.1		450.8	486.3	
April	369.5	407.7		427.6	457.9		453.7	490.9	
May	370.5	411.7		428.9	458.9		456.1	495.0	
June	373.6	413.9		430.4	460.4		458.6	497.5	
July	377.7	415.4		431.2	463.3		461.2	498.8	
August	381.6	418.2		431.7	467.2		464.1	499.6	
September	384.0	422.5		432.6	471.3		466.9	500.8	
October	384.4	427.8		434.7	474.7		469.1	502.2	
November	384.4	432.9		438.4	477.4		471.4	503.4	
December	386.0	436.8		443.3	479.5		474.6	504.6	
Average	377.7	414.6	440.8	431.7	464.0	481.6	459.7	494.9	505.9

Absa house price indices

Houses of 80m²-400m², up to R4,2 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	January 2015	February 2015	Year-to-date 2015	November 2014	December 2014	January 2015
Small (80m²-140m²)	12.7	11.6	12.2	6.5	7.5	8.0
Medium (141m²-220m²)	7.3	6.4	6.9	2.9	2.7	2.7
Large (221m²-400m²)	5.7	5.1	5.4	0.9	0.9	1.2



