



Compiled by  
Jacques du Toit  
Property Analyst  
Absa Home Loans

45 Mooi Street  
Johannesburg | 2001

PO Box 7735  
Johannesburg | 2000  
South Africa

Tel +27 (0)11 350 7246  
jacques@absa.co.za  
www.absa.co.za

**Explanatory notes:**

The Absa house price indices, available back to 1966, are based on the total purchase price of houses in the 80m<sup>2</sup>-400m<sup>2</sup> 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.

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Bank Limited and/or the authors of the material.

## House price indices

8 June 2015

### House price growth slows down further across segments

Year-on-year growth in the average nominal value of homes in the various categories of middle-segment housing in the South African residential property market slowed down further across all categories of housing in May 2015. Taking account of the effect of inflation, some real house price deflation was evident in each category of housing in April compared with a year ago.

The ongoing declining trend in month-on-month house price growth of the past number of months also contributes to the slowdown in year-on-year price growth. Some marginal nominal month-on-month price deflation has already occurred in some segments of the market over the past few months. In real terms, house prices were on average still down by more than 11% in April this year compared with the peak in August 2007.

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

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R832 000
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 190 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 864 000

The abovementioned trends in home values 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 current downward trend in house price growth, which started in October last year, came on the back of trends in economic growth, inflation, interest rates, consumer credit-risk profiles and levels of confidence, as well as the prospects for these and other macroeconomic and household sector-related factors in the rest of the year. In view of these developments and expectations, nominal house price growth is forecast to average around 6% in 2015, down from 9,4% in 2014 and 10% in 2013.

Based on trends in and the outlook for the factors driving headline consumer price inflation, which is already showing some upward pressure as a result, domestic interest rates are forecast to be hiked before the end of the year and through 2016 to curb inflation. Against the background of the inflation rate expected to rise to a level of above the upper limit of the inflation target range of 3%-6% towards year-end and in the first half of 2016, real house price growth is forecast to be under severe downward pressure in the coming twelve months, with a strong probability of prices deflating in real terms during this period.

## Absa house price indices (nominal, 2000=100)

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R4,2 million

Month	Small houses 80m <sup>2</sup> -140 m <sup>2</sup>			Medium-sized houses 141m <sup>2</sup> -220 m <sup>2</sup>			Large houses 221m <sup>2</sup> -400 m <sup>2</sup>		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
January	376.0	389.5	435.8	427.4	448.0	478.4	441.5	478.7	503.9
February	372.7	395.7	432.4	427.3	452.4	477.9	445.5	482.0	505.2
March	370.3	402.5	427.5	426.9	455.8	477.2	449.2	485.9	506.8
April	369.6	408.4	422.2	427.5	457.9	476.5	452.1	490.5	509.2
May	370.8	412.5	417.5	428.9	459.1	475.9	454.6	494.9	511.7
June	373.9	414.3		430.4	460.9		457.2	498.0	
July	377.9	415.4		431.3	463.8		460.1	499.9	
August	381.6	417.9		431.8	467.8		463.5	501.2	
September	383.7	422.4		432.6	471.9		466.8	502.6	
October	383.9	428.4		434.6	475.2		469.5	503.6	
November	383.5	433.9		438.1	477.4		472.0	503.6	
December	385.1	436.6		442.9	478.4		475.2	503.3	
Average	377.4	414.8	427.1	431.6	464.0	477.2	458.9	495.3	507.3

## Absa house price indices

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R4,2 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	April 2015	May 2015	Year-to-date 2015	March 2015	April 2015	Year-to-date 2015
Small (80m <sup>2</sup> -140m <sup>2</sup> )	3.4	1.2	6.3	2.1	-1.1	3.3
Medium (141m <sup>2</sup> -220m <sup>2</sup> )	4.1	3.7	5.0	0.6	-0.4	1.0
Large (221m <sup>2</sup> -400m <sup>2</sup> )	3.8	3.4	4.3	0.2	-0.6	0.3



