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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

7 July 2015

Subdued house price growth recorded in the first half of 2015

The first half of 2015 saw 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 remaining subdued. After adjustment for the effect of inflation, some real house price deflation was evident in some categories of housing in May compared with the same month a year ago.

Nominal month-on-month growth in house prices remained relatively low in the second quarter of 2015, averaging 0,5% during this period, while declining in real terms in the three-month period of March to May this year. House prices were in May still down by an average of 10,5% in real terms compared with the peak in August 2007.

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

- Small homes (80m²-140m²): R830 000
- Medium-sized homes (141m²-220 m²): R1 224 000
- Large homes (221m²-400m²): R1 892 000

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 gradual slowdown in year-on-year house price growth, which commenced in October last year and largely driven by economic trends and developments regarding household finances, is showing early signs of temporarily levelling out as a result of base effects. However, trends in and prospects for the economy (economic growth, employment, inflation and interest rates) and the consumer sector (income growth, savings, credit demand, debt servicing, credit-risk profiles and confidence) do not bode well for the property market and house price growth in the second half of the year.

Nominal house price growth is forecast to average around 6% in 2015 and may slow down even further in 2016 on the back of trends in and the outlook for the economy and the household sector, which will be reflected in the property market. With the headline consumer price inflation rate forecast to rise to above the upper limit of the inflation target range of 3%-6% towards the end of the year and for most of 2016, there is a significant probability of house prices deflating in real terms up to late next year.

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	375.7	389.3	435.5	427.4	448.3	479.0	440.9	479.0	503.9
February	372.6	395.7	432.2	427.4	452.7	480.1	444.9	482.5	505.6
March	370.3	402.7	427.7	427.1	455.9	481.8	449.1	486.3	508.2
April	369.7	408.7	423.4	427.6	457.8	484.2	452.4	490.6	511.7
May	370.9	412.7	419.9	429.0	458.9	487.0	455.3	494.5	515.6
June	374.0	414.5	416.6	430.5	460.5	489.9	458.2	497.3	519.4
July	378.0	415.6		431.4	463.5		461.1	499.0	
August	381.6	417.9		431.9	467.5		464.3	500.3	
September	383.7	422.3		432.8	471.7		467.3	502.0	
October	383.7	428.3		434.8	474.9		469.7	503.3	
November	383.3	433.6		438.3	477.1		472.0	503.6	
December	384.8	436.3		443.2	478.2		475.4	503.3	
Average	377.4	414.8	425.9	431.8	463.9	483.6	459.2	495.1	510.8

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		
	May 2015	June 2015	Year-to-date 2015	April 2015	May 2015	Year-to-date 2015
Small (80m²-140m²)	1.8	0.5	5.4	-0.8	-2.7	2.1
Medium (141m²-220m²)	6.1	6.4	6.1	1.2	1.5	1.7
Large (221m²-400m²)	4.3	4.5	4.6	-0.2	-0.3	0.3



