



Absa House Price Indices

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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 R3,1 million or less in 2008 (including improvements), in respect of which mortgage loan applications were approved by Absa. Prices are smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers in the data. As a result, the most recent index and price growth data may differ materially from previously published figures.

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Growth in home values slowing down further

Latest trends

The year-on-year (y/y) growth in the value of middle-segment homes for which Absa approved mortgage finance (see explanatory notes), slowed down further in August after peaking in April this year. The average nominal value of small, medium and large houses increased by a weighted 7,1% y/y in August, down from a revised growth rate of 9,4% y/y in July. The average nominal price of a house in the middle segment of the market was around R1 036 600 in August 2010.

In real terms, i.e. after adjustment for the effect of inflation, middle-segment home values were up by 5,5% y/y in July (up by a real 7% y/y in June), based on consumer price inflation slowing down to 3,7% y/y in July from 4,2% y/y in June. Real house price calculations are important from an investment point of view, as property investors would like to know if their investment has beaten inflation during a certain period.

The value of **small houses** (80m²-140m²) increased by a nominal 28,3% y/y in August, slightly down from a revised 28,7% y/y in July. The average nominal value of a home in this segment was about R837 100 in August. In real terms, the value of a small house was up by 24,1% y/y in July, after rising by 23% y/y in June.

With year-on-year price growth in the nominal value of small houses also slowing down in August, all three segments of housing measured by the Absa house price indices are recording lower levels of nominal growth on an annual basis. Base effects are believed to be largely responsible for these price trends, as property price growth recovered markedly in the second half of 2009.

Absa House Price Indices (nominal, 2000=100)

Month	Small houses 80-140 m ²			Medium-sized houses 141-220 m ²			Large houses 221-400 m ²		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Jan	341.9	337.9	363.2	379.5	375.2	383.3	382.9	375.2	390.7
Feb	342.9	335.2	379.3	379.7	373.0	388.1	384.3	374.0	393.7
Mar	343.4	332.2	394.5	379.7	370.8	391.3	384.8	373.8	396.7
Apr	343.7	329.2	406.3	379.5	368.8	392.3	384.0	374.9	399.0
May	343.9	327.0	414.1	379.6	366.9	391.5	382.6	377.1	400.3
Jun	343.8	326.1	418.1	380.2	365.5	389.7	381.0	380.0	400.8
Jul	343.3	326.4	420.1	380.9	364.9	387.6	379.9	382.9	400.9
Aug	342.8	327.5	420.2	381.6	365.1	384.9	379.2	385.1	400.5
Sep	342.2	329.4		381.8	366.5		378.9	386.2	
Oct	341.7	333.0		381.2	369.3		378.7	386.6	
Nov	341.0	339.2		379.7	373.3		377.9	387.2	
Dec	339.9	349.4		377.5	378.1		376.6	388.5	
Average	342.5	332.7	402.0	380.1	369.8	388.6	380.9	381.0	397.8

In the segment of **medium-sized houses** (141m²-220m²), the average nominal value of properties increased by 5,4% y/y in August, down from a revised growth rate of 6,2% y/y recorded in July. The average nominal price of a medium-sized house was around R961 700 in August. Real price growth came to 2,4% y/y in July this year, marginally higher than the 2,3% y/y growth rate registered in June.

In August the year-on-year growth in the average nominal value of **large houses** (221m²-400m²) tapered off to 4% y/y from 4,7% y/y in July. This brought the value of a large house to a level of around R1 458 600 in nominal terms in August. In real terms the average value of a home in the large segment was up by 1% y/y in July, after increasing by 1,2% y/y in June.

Prospects for house prices in the rest of 2010

House prices in the middle segment of the market increased by an average of 10,5% y/y in nominal terms in the first eight months of 2010, with real price growth in this category of housing averaging 5,8% y/y in the period January to July this year. This real price growth is based on an average headline consumer price inflation rate of 4,9% y/y in the first seven months of the year.

Year-on-year house price growth is expected to slow down further towards the end of 2010, with prices forecast to grow at an average of about 10% in nominal terms for the full year. In 2009 middle-segment house prices, as measured by the Absa house price indices, dropped marginally by 0,2%. Real price growth for 2010 is forecast at between 5% and 5,5%, after prices declined by a real 7% in 2009.

Absa House Price Indices

Houses of 80m²-400m², up to R3,1 million

Category of housing	Nominal y/y % change			Real y/y % change		
	July 2010	August 2010	Year-to-date 2010	June 2010	July 2010	Year-to-date 2010
Small houses (80m ² -140m ²)	28.7	28.3	21.7	23.0	24.1	15.1
Medium-sized houses (141m ² -220m ²)	6.2	5.4	5.4	2.3	2.4	0.4
Large houses (221m ² -400m ²)	4.7	4.0	5.3	1.2	1.0	0.5



