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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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Pace of house price growth accelerating

Based on Absa's calculations, nominal year-on-year house price growth in the South African housing market picked up further in November 2009, with the prospect of price deflation of less than 0,5% for the full year. After adjustment for the effect of inflation, house prices continued to decline in real terms up to October this year, albeit at a slower pace.

House prices in the **middle segment** of the market (see explanatory notes) were up by a nominal 4,7% year-on-year (y/y) to R1 006 300 in November, after increasing by a revised 3,4% y/y in October. Month-on-month price inflation came to 0,9% in November. In real terms, middle-segment house prices were down by 2,4% y/y in October, compared with a decline of 3,9% y/y in September after revision.

The average price of **small houses** (80m²-140m²) declined by 1,7% y/y in nominal terms in November, compared with a revised drop of 2,2% y/y in the preceding month. As a result, the average nominal price in this category of housing came to R665 100 in November. In real terms, the average price of small houses was down by 7,7% y/y in October, after declining by a revised 8,6% y/y in September.

In respect of **medium-sized houses** (141m²-220m²), nominal price deflation came to 3,3% y/y in November (-3,8% y/y in October after revision). This brought the average price in this segment to around R916 900 in November. Adjusted for inflation, prices declined by a real 9,2% y/y in October (-9,6% y/y in September after revision).

The average nominal price of **large houses** (221m²-400m²) increased by 3,5% y/y in November this year, after rising by a revised 3% y/y in October. The average nominal price in respect of large housing was at a level of R1 419 700 in November. In real terms, house prices in this segment dropped by 2,8% y/y in October (-3,5% y/y in September after revision).

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			All houses 80-400 m ²		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Jan	309.8	340.8	338.1	338.8	380.7	376.0	337.8	382.1	374.6	324.1	354.7	349.8
Feb	312.3	342.6	336.6	344.3	381.1	374.1	342.5	383.4	374.3	328.8	355.7	347.6
Mar	314.5	343.9	334.4	349.6	380.8	371.9	347.1	384.0	374.8	333.0	356.4	345.9
Apr	316.6	344.7	331.8	354.7	380.1	369.5	351.9	383.6	376.3	336.7	356.8	345.3
May	319.0	345.1	329.4	359.5	379.6	367.1	357.1	382.6	378.7	339.8	357.0	346.2
Jun	322.0	344.7	328.3	364.0	379.6	365.3	362.4	381.1	381.3	342.7	357.0	349.1
Jul	325.4	343.6	328.5	368.1	379.9	364.4	367.3	379.9	383.8	345.3	356.7	353.4
Aug	329.0	342.3	329.6	371.7	380.3	364.5	371.2	379.0	385.9	347.5	356.2	358.3
Sep	332.2	341.1	331.0	374.5	380.7	365.1	374.1	378.3	387.6	349.3	355.7	362.8
Oct	334.9	340.3	332.6	376.6	380.5	366.1	376.4	377.6	389.0	351.0	354.7	366.8
Nov	337.2	339.7	333.9	378.2	379.4	367.0	378.6	376.6	389.8	352.5	353.4	370.2
Dec	339.0	339.1		379.6	377.8		380.5	375.5		353.7	351.8	
Average	324.3	342.3		363.3	380.0		362.3	380.3		342.0	355.5	

Various economic indicators point to a gradual recovery in the South African economy. These include the South African Reserve Bank's leading business cycle indicator, which has risen uninterruptedly for a period of six months up to September this year; positive quarter-on-quarter real GDP growth of 0,9% in the third quarter; an improvement in the purchasing managers index, which measures manufacturing activity; and slightly higher levels of business and consumer confidence. However, households are still struggling with relatively high levels of debt in relation to income, tough labour market conditions and declining real disposable income. In view of these developments, housing market conditions are expected to improve further in 2010, but it is set to be a gradual process with nominal price growth forecast to remain in single digits over the next twelve months.

In the first eleven months of 2009, nominal house price deflation averaged 0,5%, compared with the same period last year. If recent trends in price levels prove to be sustainable, nominal price growth of at least 5% can be expected in 2010. Real house prices are forecast to decline for a second consecutive year in 2009, with at best a small real increase next year, based on nominal house price and consumer price inflation trends and projections.

Absa House Price Indices						
Houses of 80-400m², up to R3,1 million						
Category of housing	Nominal y/y % change			Real y/y % change		
	October 2009	November 2009	Jan-Nov 2009	September 2009	October 2009	Jan-Oct 2009
Small houses (80m ² -140m ²)	-2.2	-1.7	-3.0	-8.6	-7.7	-9.8
Medium-sized houses (141m ² -220m ²)	-3.8	-3.3	-3.1	-9.6	-9.2	-9.8
Large houses (221m ² -400m ²)	3.0	3.5	0.2	-3.5	-2.8	-7.0
All houses (80m ² -400m ²)	3.4	4.7	-0.5	-3.9	-2.4	-7.8

