



Absa House Price Indices

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Growth in house prices remained low in March

Price growth in the value of middle-segment homes (small, medium-sized and large houses) in the South African housing market for which Absa approved mortgage finance (see explanatory notes), remained at a relatively low level on a year-on-year (y/y) basis up to March 2011.

The slowing pace of year-on-year house price growth recorded in the first three months of the year is believed to be related to the base effect of a recovery in home values in the same period last year. Marginal monthly price growth was evident in two of the three categories of housing measured by the Absa house price indices.

Real year-on-year price declines occurred in the segments of medium-sized and large houses in the first two months of the year, while real price growth in respect of small houses edging down further in February this year. Real house price calculations are based on headline consumer price inflation, which measured 3,7% y/y in January and February this year.

In the category of **small houses** (80m²-141m²) nominal year-on-year price growth of 2% was registered in March 2011 (4,1% in February). The average price of a small house was recorded at around R794 200 in March. In real terms price growth in this segment of the housing market came to 0,4% y/y in February.

The average nominal value of **medium-sized houses** (141m²-220m²) was down by 0,7% y/y in March this year, after rising by a revised, but negligible, 0,1% y/y in the preceding month. This brought the price of a medium-sized house to about R966 300 in March. A real price decline of 3,5% y/y on average was registered in this segment of housing in February this year.

Nominal year-on-year price growth in the category of **large houses** (221m²-400m²) was unchanged at 3,5% in March from February this year. The average price of a large house was around R1 503 400 in March. An average real price decline of 0,2% y/y was recorded with regard to large homes in February 2011.

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 R3,5 million or less in 2011 (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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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		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Jan	341.5	364.0	387.2	374.7	382.8	387.4	373.8	392.5	406.1
Feb	336.9	377.5	393.0	372.2	386.8	387.2	372.4	395.6	409.6
Mar	331.8	390.9	398.7	369.8	389.6	386.8	372.1	398.8	412.8
Apr	327.4	401.6		367.8	390.7		373.4	401.2	
May	325.0	406.3		366.2	390.4		375.8	401.6	
Jun	325.5	404.3		365.3	389.0		379.0	400.0	
Jul	328.3	397.0		365.3	387.2		382.5	397.1	
Aug	332.0	387.4		366.1	386.0		385.4	394.4	
Sep	335.6	379.2		367.9	385.8		387.1	393.3	
Oct	339.6	375.5		370.7	386.2		387.9	394.6	
Nov	344.7	376.8		374.3	387.0		388.8	397.8	
Dec	352.8	381.4		378.4	387.4		390.2	402.0	
Average	335.1	386.8	393.0	369.9	387.4	387.1	380.7	397.4	409.5

Inflationary pressures are mounting in the domestic economy on the back of trends in international oil prices and local food prices. As a result, no further interest rate cuts are projected, with the first rate hike in the current cycle only expected in early 2012, taking account of rising inflation, as well as the expected performance of the economy during the course of 2011. Banks' prime and variable mortgage rates are forecast to rise by 250 basis points from 9% to 11,5% during 2012.

In view of the abovementioned expectations and recent house price trends, nominal price growth of between 1% and 1,5% is currently forecast for 2011. Based on this forecast and a projected average consumer price inflation rate of 5% this year, house prices are set to decline by more than 3% in real terms this year.

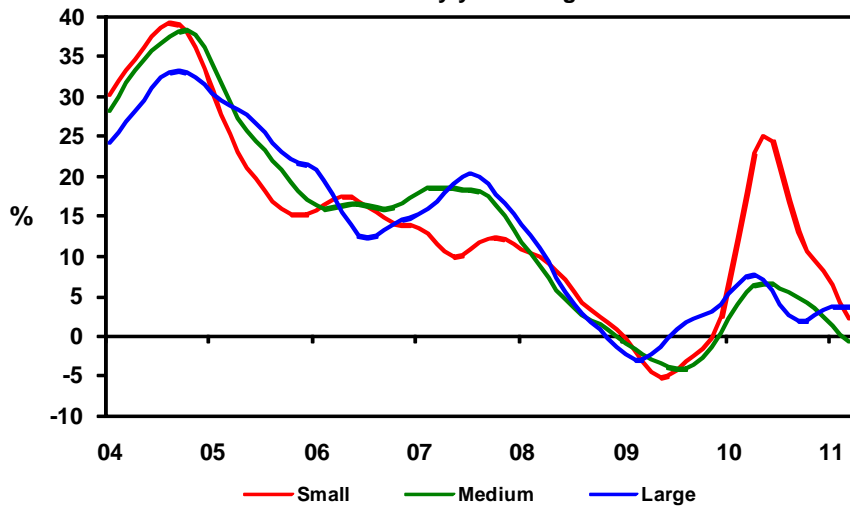
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Houses of 80m²-400m², up to R3,5 million

Category of housing	Nominal y/y % change			Real y/y % change		
	February 2011	March 2011	Year-to-date 2011	January 2010	February 2010	Year-to-date 2011
Small houses (80m ² -140m ²)	4.1	2.0	4.1	2.6	0.4	1.5
Medium-sized houses (141m ² -220m ²)	0.1	-0.7	0.2	-2.4	-3.5	-2.9
Large houses (221m ² -400m ²)	3.5	3.5	3.5	-0.2	-0.2	-0.2

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Nominal y/y % change



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Real y/y % change

