



Absa House Price Indices

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Compiled by:
Jacques du Toit
Senior Property Analyst
Absa Home Loans
Absa Group Limited
(Reg No 1986/003934/06)

45 Mooi Street
Johannesburg
2001

PO Box 7735
Johannesburg
2000
South Africa

Tel: +27 (0) 11 350 7246
E-mail: jacques@absa.co.za
Website: <http://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 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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Growth in home values improving further

Year-on-year (y/y) growth in home values in the middle segment of the South African housing market improved further in July 2011, while in real terms, price deflation continued up to June this year. This is based on the latest trends in the Absa house price indices for small, medium-sized and large homes for which the bank approved mortgage finance (see explanatory notes).

Nominal house price growth accelerated in both the medium-sized and large categories of the market in July 2011, while price deflation was still evident in the small segment, impacted by the base affect of strong price growth a year ago. In real terms, i.e. after adjustment for the effect of inflation, prices in all three categories of housing declined further in June 2011 compared with a year ago. Real house price calculations are based on consumer price inflation, which increased to 5% y/y in June, from 4,6% y/y in May this year.

The average value of **small homes** (80m²-141m²) dropped by a nominal 4,1% y/y in July 2011, with the pace of price deflation slowing down. The average price of a small home came to about R757 100 in July this year. In real terms the value of small houses dropped by 10,2% y/y in June (-10,3% y/y in May).

The category of **medium-sized homes** (141m²-220m²) saw nominal price growth of 2,9% y/y in July, which brought the average price in this segment to around R995 800. A real price decline of 3,3% y/y was recorded in the medium-sized category in June this year, after prices dropped by a real 4% y/y in May.

Nominal price growth of 1,3% y/y was recorded in respect of **large homes** (221m²-400m²) in July this year, with the average price in this segment of the market coming to R1 467 800. In real terms prices in the large category were down by 3,8% y/y in June (-3,4% y/y in May).

Based on trends in home values up to July this year, and projections of steady economic growth, gradually rising inflation, stable interest rates, and continued growth in household disposable income, nominal house price growth of between 1% and 2% is expected for the full year. With consumer price inflation forecast to rise to around 6% y/y by year-end, house prices are set to decline in real terms this year, after rising by a real 3% in 2010.

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	342.2	364.7	379.4	374.9	382.8	386.0	373.4	392.8	405.9
Feb	337.4	377.6	380.3	372.5	386.7	385.9	372.0	395.6	407.6
Mar	331.8	390.3	380.2	370.1	389.5	386.9	371.7	398.4	407.7
Apr	326.9	400.2	379.7	368.0	390.7	389.3	372.9	400.5	406.7
May	324.1	404.5	379.5	366.2	390.5	392.2	375.4	401.1	405.3
Jun	324.6	402.6	379.8	365.1	389.2	395.3	378.7	400.0	404.2
Jul	327.8	396.2	380.1	365.1	387.5	398.6	382.3	397.9	403.0
Aug	332.1	388.3		366.0	386.5		385.4	395.9	
Sep	336.2	381.8		367.8	386.3		387.4	395.3	
Oct	340.5	378.2		370.8	386.6		388.4	396.6	
Nov	345.8	377.3		374.4	386.8		389.3	399.4	
Dec	353.8	378.2		378.6	386.5		390.7	402.8	
Average	335.3	386.7	379.9	369.9	387.5	390.6	380.6	398.0	405.8

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

Category of housing	Nominal y/y % change			Real y/y % change		
	June 2011	July 2011	Year-to-date 2011	May 2011	June 2011	Year-to-date 2011
Small houses (80m ² -140m ²)	-5.7	-4.1	-2.8	-10.3	-10.2	-6.5
Medium-sized houses (141m ² -220m ²)	1.6	2.9	0.6	-4.0	-3.3	-3.7
Large houses (221m ² -400m ²)	1.0	1.3	1.9	-3.4	-3.8	-2.1

