



# Absa House Price Indices

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## Subdued growth in house prices continues

House prices in the South African residential property market continued to show relatively low nominal growth on a year-on-year basis in February 2012, with month-on-month price trends under pressure since late last year. In real terms, i.e. after adjustment for the effect of inflation, house prices deflated further up to January this year, based on headline consumer price inflation of 6,3% year-on-year (y/y) in the month.

Average nominal price levels of houses in the various categories of the middle segment of the market were as follows in February 2012, with nominal and real price changes presented in the table on the next page:

- Small homes (80m<sup>2</sup>-141m<sup>2</sup>): R649 700
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R975 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 530 300

The residential property market is still impacted by economic and confidence factors affecting the household sector. Many home owners and prospective home buyers have to deal with various factors impacting their finances, such as rising inflation, a relatively high debt-to-income ratio and damaged credit records. These factors affect the affordability of housing and the accessibility of mortgage finance.

The affordability of housing, as measured by the ratios of house prices and mortgage repayments to household disposable income (HHDI), improved in the past four to five years on the back of low house price growth, lower interest rates and rising disposable income (see graphs below). However, many households' ability to take advantage of the improved housing affordability continued to be hampered by the abovementioned factors affecting their finances.

### Explanatory notes:

The Absa House Price Indices, available back to 1966, are based on the total purchase price of houses in the 80m<sup>2</sup>-400m<sup>2</sup> size category, priced at R3,6 million or less in 2012 (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 <sup>2</sup>			Medium-sized houses 141-220 m <sup>2</sup>			Large houses 221-400 m <sup>2</sup>		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
	Jan	366.0	383.1	332.7	383.8	386.1	392.1	391.7	404.2
Feb	378.5	383.0	326.2	388.1	385.8	390.3	394.5	406.2	420.1
Mar	390.7	381.9		391.0	386.7		397.8	406.8	
Apr	400.3	380.6		391.8	389.4		400.2	406.0	
May	404.5	379.7		391.0	393.3		400.8	404.6	
Jun	402.8	379.0		388.8	397.7		399.5	403.8	
Jul	396.8	377.4		386.5	401.2		397.0	404.7	
Aug	389.6	373.6		385.2	402.8		394.5	407.3	
Sep	383.9	367.0		385.3	402.3		393.5	410.8	
Oct	381.3	358.4		385.9	400.0		394.5	414.3	
Nov	381.1	348.9		386.7	397.2		397.2	417.1	
Dec	382.2	340.3		386.8	394.5		400.8	418.8	
Average	388.1	371.1	329.4	387.6	394.7	391.2	396.8	408.7	419.9

2012 is expected to see the South African economy growing by a real 2,8%, after growth of 3,1% was achieved in 2011. The somewhat lower growth forecast for this year will largely be the result of a slower pace of expansion projected for the world economy, which is set to affect the local economy.

Consumer price inflation is projected stay above the 6% level throughout the year, with interest rates to remain unchanged until late this year before being hiked on the back of inflationary pressures.

The residential property market will continue to reflect conditions and developments in the economy, impacting the household sector. Nominal house price growth is forecast to be still relatively low this year after rising by only around 2% in 2011. Real house price deflation is set to continue in 2012 as a result of expected low nominal price growth and headline consumer price inflation forecast to be above 6% on average this year.

### Absa House Price Indices

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R3,6 million

Category of housing	Nominal y/y % change			Real y/y % change		
	January 2012	February 2012	Year-to-date 2012	November 2011	December 2011	January 2012
Small houses (80m <sup>2</sup> -140m <sup>2</sup> )	-13.2	-14.8	-14.0	-13.7	-16.1	-18.3
Medium-sized houses (141m <sup>2</sup> -220m <sup>2</sup> )	1.5	1.2	1.4	-3.2	-3.9	-4.4
Large houses (221m <sup>2</sup> -400m <sup>2</sup> )	3.8	3.4	3.6	-1.0	-1.5	-2.3



