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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 R3,6 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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Pace of house price deflation slowing down

Deteriorating house price growth in the South African residential property market appears to be turning the corner. The downward trend in house prices started to level out recently, with month-on-month price changes in the process of returning to positive territory. These trends are according to the Absa house price indices, which are based on the average value of homes for which the bank received and approved applications for mortgage finance in the small, medium-sized and large categories in the middle segment of the market (see explanatory notes).

The segments of small and medium-sized housing still recorded nominal year-on-year price deflation in May this year, with the pace of price deflation slowing down in the small category. No further nominal month-on-month price deflation occurred in these two segments in the past two months. The category for large housing saw a marginal uptick in nominal year-on-year price growth since April. Real price deflation, however, continued in all three segments on the back of headline consumer price inflation, which averaged 6,1% year-on-year in the first four months of the year.

The average nominal price level of homes in each of the three middle-segment categories was as follows in May 2012, with nominal and real price changes presented in the table and graphs on the next page:

- Small homes (80m²-141m²): R666 900
- Medium-sized homes (141m²-220 m²): R968 600
- Large homes (221m²-400m²): R1 481 600

Trends in the housing market are impacted by economic developments and property-related factors affecting household finances and housing demand and supply. These are reflected in property buying trends, market activity, transactions volumes, price trends and growth in mortgage finance.

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		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Jan	367.1	382.7	335.2	384.2	386.8	389.8	391.5	403.9	411.4
Feb	379.5	381.6	332.8	388.7	386.6	388.4	394.4	405.9	409.3
Mar	391.5	379.7	332.3	391.7	387.6	387.8	397.6	406.3	407.8
Apr	400.8	377.9	332.9	392.5	390.1	387.7	399.9	405.5	407.0
May	404.8	377.3	334.8	391.6	393.8	387.7	400.5	404.3	406.8
Jun	402.9	377.4		389.3	398.0		399.2	403.9	
Jul	396.8	376.9		386.8	401.5		396.6	405.2	
Aug	389.7	374.2		385.3	403.0		394.1	408.0	
Sep	384.3	368.2		385.1	402.1		393.0	411.3	
Oct	381.8	359.3		385.8	399.3		394.0	413.7	
Nov	381.7	349.3		386.7	395.7		396.8	414.5	
Dec	382.5	340.7		387.1	392.2		400.6	413.5	
Average	388.6	370.4	333.6	387.9	394.7	388.3	396.5	408.0	408.4

Domestic real economic growth is forecast to be slightly down this year from 3,1% in 2011, driven by global economic developments set to have a dampening effect on the country's export performance. Consumer price inflation is forecast to return to within the inflation target range of 3% to 6% by late 2012 or early 2013, with interest rates to remain unchanged at current levels until the fourth quarter of 2013 when a rate hike is expected.

In view of the outlook for the economy and the household sector, the housing market is expected to continue showing a subdued price performance in the rest of the year. In real terms house prices are set to deflate further up to the end of 2012 on the back of expected trends regarding nominal house prices and headline consumer price inflation.

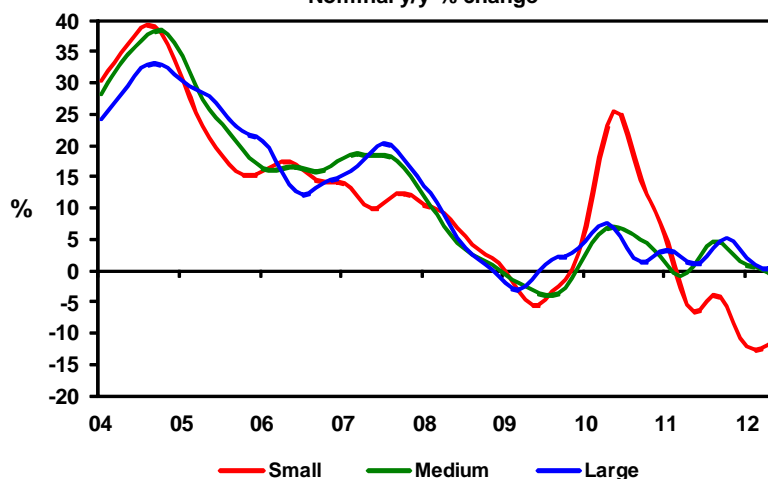
Absa House Price Indices

Houses of 80m²-400m², up to R3,6 million

Category of housing	Nominal y/y % change			Real y/y % change		
	April 2012	May 2012	Year-to-date 2012	March 2011	April 2011	Year-to-date 2012
Small houses (80m ² -140m ²)	-11.9	-11.3	-12.1	-17.4	-17.0	-17.4
Medium-sized houses (141m ² -220m ²)	-0.6	-1.6	-0.2	-5.6	-6.4	-5.6
Large houses (221m ² -400m ²)	0.4	0.6	0.8	-5.3	-5.4	-5.0

Absa House Price Indices

Nominal y/y % change



Absa House Price Indices

Real y/y % change

