

# Home Loans



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Completion date:  
20 July 2012

## Housing review

Third quarter 2012

- Real growth in the South African economy slowed down in the first quarter of 2012, largely driven by a sharp contraction in mining production. Growth of less than 3% is forecast for 2012 on the back of a depressed global economy and expected lower growth in gross domestic expenditure. Consumer price inflation is projected to stay below 6%, with monetary policy to remain accommodative for the foreseeable future.
- The first quarter of 2012 saw real household disposable income and consumption growth slowing down from the preceding quarter. With virtually no net savings available, growth in income and consumption remains closely correlated. The ratio of household debt to disposable income was marginally lower in the first quarter of the year, with the cost of servicing debt remaining under control against the background of low interest rates. Many credit-active consumers were still battling with impaired credit records in the early stages of the year, which affected their risk profile and access to credit. Household finances will continue to reflect macroeconomic and consumer-related trends.
- Middle-segment house price deflation continued in both nominal and real terms in the second quarter of 2012. In the affordable and luxury categories nominal house price growth remained in positive territory up to the middle of the year.
- The affordability of housing, as represented by the ratios of house prices and mortgage repayments to household disposable income, improved further up to the first quarter of 2012. However, many households' ability to take advantage of improving housing affordability continued to be affected by factors such as income trends, debt levels, risk profiles (as reflected by the state of consumer credit records), the National Credit Act, and banks' lending criteria.
- Economic growth, employment, inflation, interest rates, household income and debt, the state of consumer credit records, and consumer confidence will remain key factors to the housing market. These factors will impact the affordability of property and the accessibility of mortgage finance against the background of trends in property prices, property running costs, financing and transaction costs, and credit criteria applied by banks.
- The housing market is forecast to continue to show a relatively subdued performance regarding price growth for the rest of 2012 and in 2013. In real terms house prices are set to continue to deflate over the next 6 to 18 months, which will be the result of trends in nominal prices and headline consumer price inflation during this period.

## Overview

### The economy

Growth in South Africa's real gross domestic product (GDP) moderated to a seasonally adjusted annualised rate of 2,7% in the first quarter of 2012 from 3,2% in the fourth quarter of last year. The slower pace of expansion in the first quarter was mainly the result of mining production contracting sharply on the back of industrial action and work stoppages due to safety reasons in some parts of the sector, with the other sectors of the economy posting positive growth in the quarter.

After reaching a recent high of 6,3% year on year (y/y) in January 2012, headline consumer price inflation, at 5,5% y/y in June, is back within the inflation target range of 3%-6%. Declining food price inflation over the past few months was a major contributor to the downward trend in the headline inflation figure.

After remaining stable since last cut in late 2010, interest rates were again lowered in July this year, with rates now at levels of around 38 years ago. The latest drop in interest rates came against the background of increased concerns about global economic conditions and future prospects, with domestic inflation expected to remain under control over the short to medium term.

### The household sector

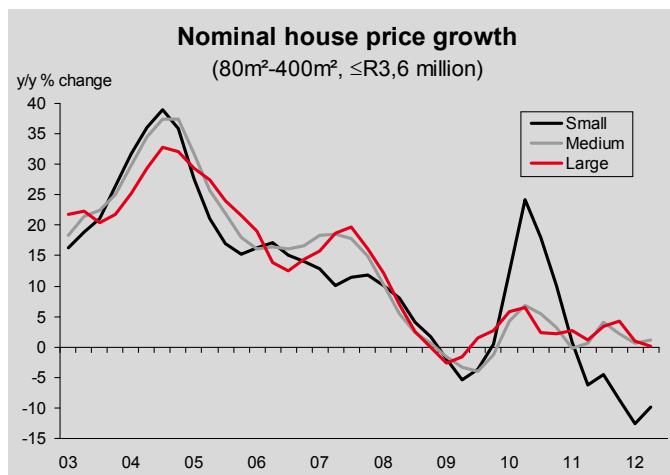
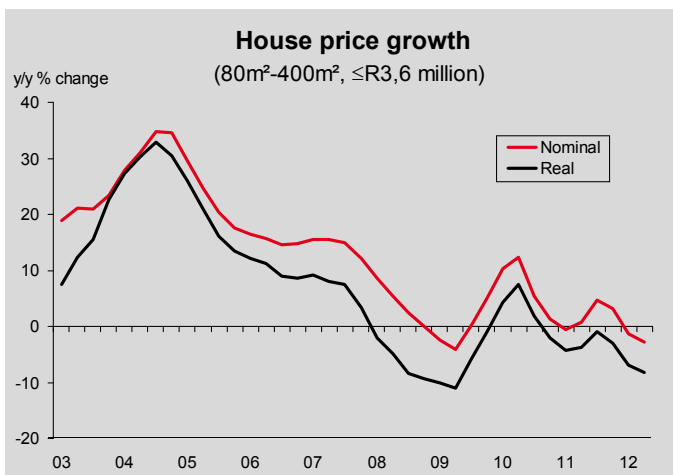
The first quarter of 2012 saw growth in real household disposable income and consumption expenditure slowing down from the fourth quarter of last year. With virtually no net savings available, growth in income and consumption remains closely correlated. The ratio of household debt to disposable income was marginally

lower in the first quarter of the year, with the cost of servicing debt remaining under control against the background of low interest rates. Many credit-active consumers were still struggling with impaired credit records in the first quarter of the year, which affected their risk profile and access to credit.

Growth in real household disposable income was lower at an annualised rate of 3,2% in the first quarter of 2012 compared with 4,7% in the preceding quarter. The average wage settlement rate was 7,3% y/y in the first quarter, down from 8,2% y/y in the first quarter of 2011, while headline consumer price inflation averaged 6,1% y/y over the same period. The abovementioned slower pace of growth in real income occurred against the background of declining employment (see below) and inflationary pressures in the early stages of the year.

Real household consumption expenditure registered annualised growth of 3,1% in the first quarter of 2012, down from 4,6% in the final quarter of last year. The lower growth in real household spending was the result of slower income growth as well as inflationary pressures, affecting consumers' spending power. Growth in household income and consumption remains closely correlated against the background of the dire situation regarding savings (see below).

The household savings rate, i.e. the ratio of gross household saving to disposable income, showed a marginal increase to 1,7% in the first quarter of the year from 1,6% in the preceding quarter. The ratio of net saving to income remained at a zero-level in the first quarter. Net household saving is based on the level of gross saving, adjusted for depreciation write-offs on the value of fixed assets held by households, such as residential buildings.



Year-on-year growth in household credit extension, comprising instalment sales credit, leasing finance, mortgage advances, credit card debt, overdrafts, and general loans and advances (mainly personal and micro loans), remained in single digits into the second quarter of 2012. This serves as an indication of the state of household finances, consumers' risk profile, and the level of consumer confidence (see below). These factors, against the background of the National Credit Act (NCA) and banks' lending criteria, affect the appetite for and access to credit. However, unsecured lending by households continued to grow at a relatively fast pace in the first half of the year and is a situation that needs constant close monitoring in order to determine if and when reaching possible bubble proportions.

Based on data published by the National Credit Regulator, as much as 9,05 million credit-active consumers, or 46,4% of a total of 19,49 million, had impaired credit records in the first quarter of 2012. This was 2,92 million, or 48,1%, more than the 6,11 million credit-active consumers having been in this situation back in the second quarter of 2007. The percentage of credit-active consumers with impaired credit records appears to have stabilised around the 46%-level since the first quarter of 2010. This situation continues to have a significant impact on the accessibility of credit.

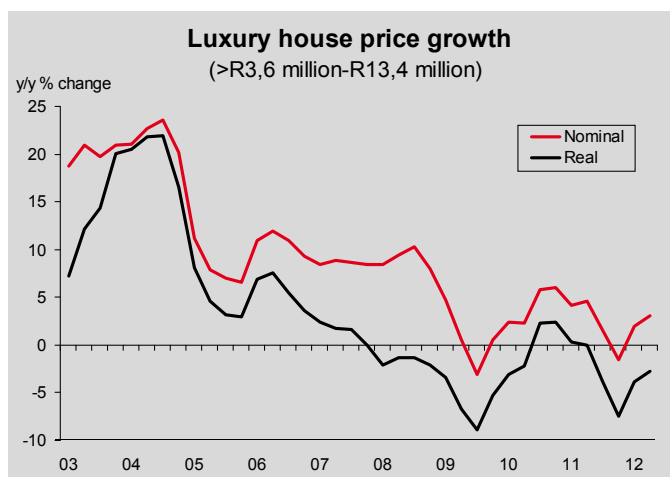
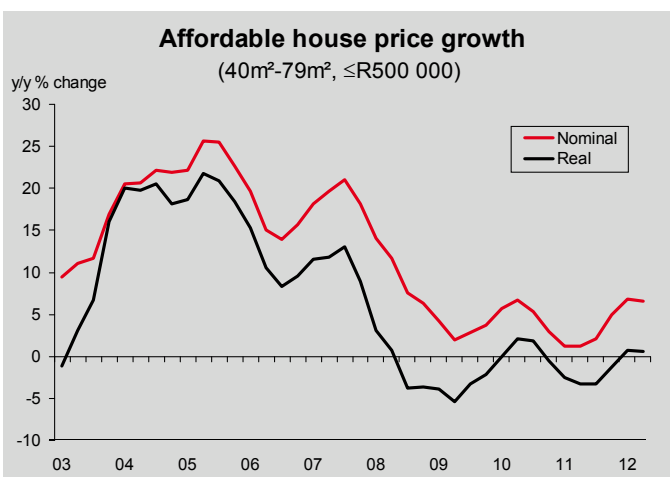
The household debt ratio, i.e. the balance of outstanding household debt as a percentage of annual disposable income, was only marginally lower at 74,7% in the first quarter of 2012 compared with 74,8% in the fourth quarter of last year. This was the net result of debt increasing by 1,6% and nominal income rising by 1,7% in the first quarter of the year from the final quarter of 2011. Based on the marginally lower debt ratio and a stable prime interest rate in the first quarter

of the year, the cost of servicing household debt as a percentage of disposable income remained unchanged at 6,7%.

The household sector's net wealth as a percentage of disposable income tapered off slightly to 303,6% in the first quarter of 2012 from 304,7% in the fourth quarter of last year. Households' net wealth is the total value of non-financial assets (mainly residential buildings) and financial assets (mainly assets with monetary institutions, interest in pension funds and long-term insurers, equities and bonds), less liabilities (mortgage loans and other debt).

According to Statistics South Africa's latest *Quarterly Labour Force Survey*, a total of 13,422 million people were employed in the first quarter of 2012, which was 75 000, or 0,6%, less than at the end of last year. This contributed to the unemployment rate rising to 25,2% in the first quarter of the year from 23,9% in the fourth quarter of 2011. A total of 605 000 less people were employed in the first quarter of 2012 compared with 14,027 million having been employed at the end of 2008. Early indications are that employment has dropped further in the second quarter of the year, which will keep up the pressure on many households' financial position.

Against the backdrop of trends in the abovementioned factors affecting household finances, the level of consumer confidence, as published by the Bureau of Economic Research at the University of Stellenbosch, dropped sharply by 8 index points to a level of -3 in the second quarter of 2012 from 5 index points in the first quarter. Consumer confidence was on average 14,5 and 7,3 index points in 2010 and 2011 respectively, and is measured on the back of expectations regarding the



outlook for the economy, household finances and durable consumption expenditure.

### Mortgage finance

The value of outstanding mortgage balances in the household sector continued to show relatively low growth of around 2,5% in the first half of 2012. The ongoing slow pace of growth in mortgage balances is indicative of the gradual deleveraging by households against the background of residential property market conditions and the state of their finances, affected by factors such as employment, income growth, inflationary pressures, debt levels, the accessibility of mortgage finance in view of risk profiles and banks' lending criteria, and the level of consumer confidence.

The ratio of outstanding household mortgage debt to disposable income was slightly lower at 42,2% in the first quarter of 2012 from 42,5% in the fourth quarter of 2011. This was the net result of quarter-on-quarter growth of 0,8% in household mortgage debt and growth of 1,7% in nominal disposable income. Households' outstanding mortgage debt came to 56,4% of total debt balances in the first quarter of the year.

The cost of servicing household mortgage debt as a percentage of disposable income remained unchanged at 3,8% in the first quarter of 2012. This was the net result of the abovementioned growth in household mortgage debt and nominal disposable income, impacting the mortgage debt ratio, as well as continued stable mortgage interest rates in the quarter.

### House price trends

The second quarter of 2012 saw house price deflation

continuing in both nominal and real terms in the middle segment of the market, i.e. with regard to homes of 80m<sup>2</sup> - 400m<sup>2</sup> and priced up to R3,6 million in 2012. In the affordable and luxury categories nominal house price growth remained in positive territory on a quarterly as well as an annual basis up to the middle of the year.

These trends in house prices occurred against the background of macroeconomic developments and property market-related factors impacting household finances. As a result, the demand for and supply of housing might be affected, caused by changes in property buying trends, which will impact market activity, transaction volumes and price trends on a segment basis and at a geographical level.

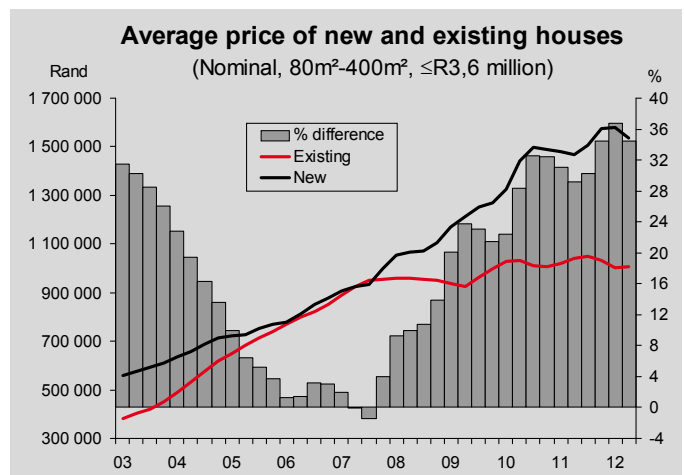
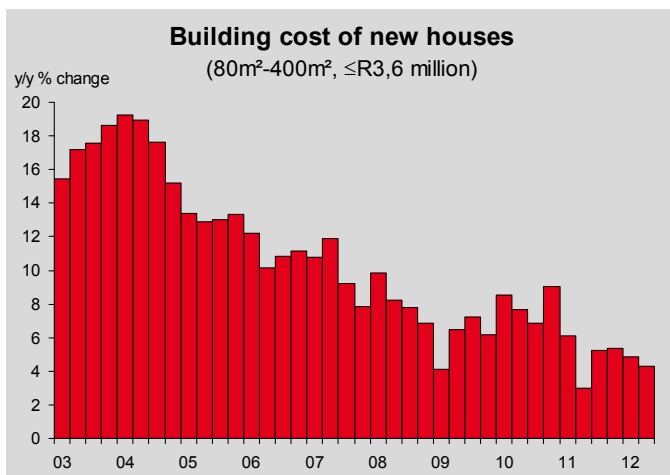
The house price trends presented in this report are based on the value of homes for which Absa received and approved applications for mortgage finance. Real house price calculations are based on nominal prices deflated by the headline consumer price index.

### Affordable housing

The average nominal price of affordable housing (homes of 40m<sup>2</sup> - 79m<sup>2</sup> and priced up to R500 000 in 2012) increased by 6,6% y/y to about R332 400 in the second quarter of 2012, after rising by 6,9% y/y in the first quarter. Real price growth, i.e. after adjustment for the effect of consumer price inflation, of 0,8% y/y was recorded in the second quarter, much in line with growth of 0,7% y/y in the preceding quarter.

### Middle-segment housing

The middle segment of the market (homes of 80m<sup>2</sup> - 400m<sup>2</sup> and priced at R3,6 million or less in 2012) saw a



nominal price decline of 2,8% y/y in the second quarter of the year, which brought the average price in this segment to about R1 027 100. Real price deflation amounted 8% y/y in the second quarter, after prices dropped by a real 6,9% in the first quarter.

The following price changes occurred in the three middle-segment categories in the second quarter of 2012:

- Small houses (80m<sup>2</sup> - 140m<sup>2</sup>): -9,9% y/y nominal and -14,8% y/y real.
- Medium houses (141m<sup>2</sup> - 220m<sup>2</sup>): 1,1% y/y nominal and -4,4% y/y real.
- Large houses (221m<sup>2</sup> - 400m<sup>2</sup>): 0,1% y/y nominal and -5,4% y/y real.

### Luxury housing

In the luxury segment of the market (homes priced at between R3,6 million and R13,4 million in 2012), the average nominal price increased by 3% y/y to R4 940 800 in the second quarter of 2012, after rising by 2% y/y in the preceding quarter. In real terms, prices in this category of housing were down by an average of 2,6% y/y in the second quarter of the year, after dropping by 3,9% y/y in the first quarter.

### Regional house prices

At a geographical level, i.e. in the various provinces, metropolitan areas and coastal regions, house price trends varied in the second quarter of 2012 (see tables at the back of the report).

National economic developments, affecting current and prospective homeowners, do have an impact on the performance of the residential property market at geographical level. However, regional property markets

may react differently to these developments, while a range of area-specific factors may also play an important role in the extent and direction of regional property market performance indicators. Region-specific factors that may affect the property market at geographical level may include

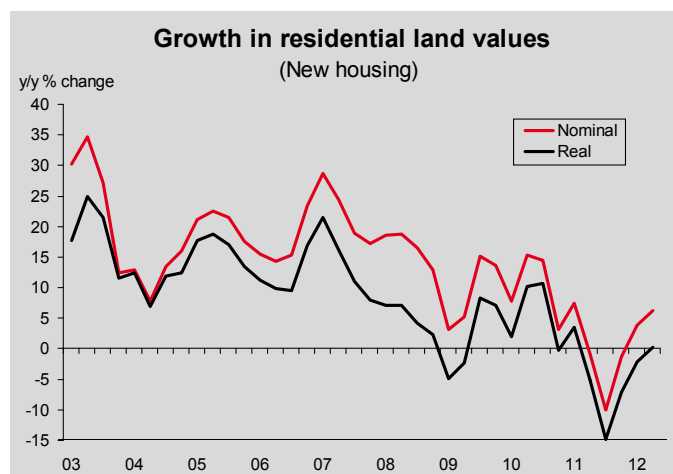
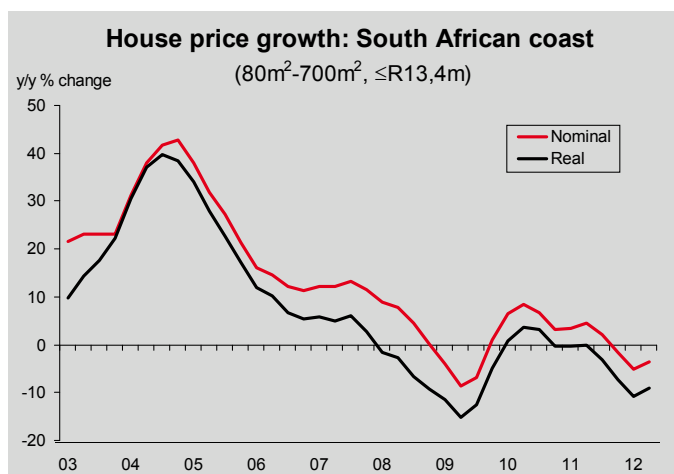
- infrastructure-related aspects,
- the availability of serviced residential development land,
- regional economic performance,
- the extent and structure of sectoral economic development,
- socio-economic conditions,
- the extent of property investment,
- location (views and proximity to amenities), and
- the relative size of and market activity per segment of housing within a region.

These factors may affect the performance of property in the various regions in different ways, reflected in property demand and supply conditions, market activity, buying patterns, transaction volumes and price levels and growth.

### Building costs and new and existing house price trends

The cost of having a new house built increased by 4,3% y/y in the second quarter of 2012, after rising by 4,8% y/y in the first quarter of the year.

In view of trends in building costs, the average nominal price of a new house increased by 4,5% y/y to about R1 534 600 in the second quarter of the year. In real terms the price of a new house dropped by 1,1% y/y in the quarter. The average nominal price of an existing house was down by 3,2% y/y to about R1 006 500 in the second quarter, which translated into a real decline of 8,5% y/y. As a result, it was a





nominal R528 100, or 34,4%, cheaper to buy an existing house than to have a new one built in the second quarter of 2012.

Various factors affect residential building costs, which will eventually be reflected in the price of new housing. These factors may include

- the cost of serviced development land,
- costs related to the planning and construction phases such as professional and consulting fees with regard to rezoning, the drafting and approval of building plans, structure design and site inspections,
- the cost of development finance,
- the cost of preparing land for construction,
- the cost of providing infrastructure such as roads, electricity, water and sewage installations,
- building material costs,
- equipment costs,
- transport costs,
- labour costs, and
- developer and contractor profit margins.

### Land values

The average value of land for new housing in the middle and luxury segments of the market for which Absa received and approved applications for mortgage finance, increased by a nominal 6,3% y/y to about R532 500 in the second quarter of 2012 (3,8% y/y in the first quarter). In real terms the average value of vacant land for new housing was marginally higher by 0,5% y/y in the second quarter of the year, after declining by 2,2% y/y in the preceding quarter.

### Interest rates and mortgage repayments

Interest rates remained unchanged since November

2010 up to July this year, when a cut of 50 basis points was announced. Interest rate decisions are influenced by global and domestic economic developments and prospects, as well as the outlook for headline consumer price inflation, keeping in mind the affect of these factors on household finances.

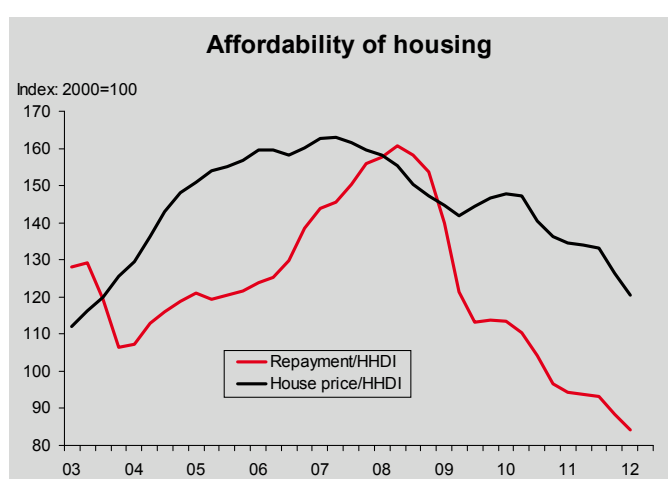
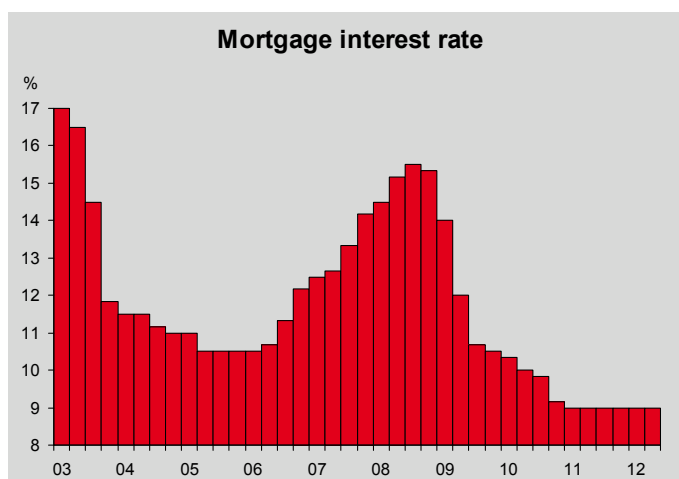
Banks' prime and variable mortgage interest rates are currently at 8,5%, with these lending rates at levels last seen in late 1973/early 1974. As a result, monthly mortgage repayments are in general 35,9% lower compared with early December 2008, when the mortgage rate was 15,5%. Low interest rates have a positive effect on the affordability of mortgage finance, supporting the demand for housing and consumers' ability to take up credit to buy property.

The impact of changes in the mortgage interest rate is reflected in the relevant tables at the back of the report, presenting monthly mortgage repayments for various loan amounts at various interest rates, as well as mortgage loan amounts based on various fixed monthly repayments at various interest rates. These calculations are based on a 20-year repayment term.

### Affordability of housing

The affordability of housing, as represented by the ratios of house prices and mortgage repayments to household disposable income, improved further up to the first quarter of 2012 (see graph on the affordability of housing). This was the net result of trends in house price and income growth in the quarter, while interest rates remained unchanged during this period.

However, many households' ability to take advantage of improving housing affordability continued to be affected



by factors such as income trends, debt levels, risk profiles (as reflected by the state of consumer credit records), the NCA and banks' lending criteria.

A downward/upward trend in the abovementioned two housing affordability ratios implies that house prices and mortgage repayments are rising at a slower/faster pace than household disposable income. The result is that housing has in effect become more/less affordable.

## **Outlook**

### **The economy**

Prospects of a depressed global economic performance and lower growth in gross domestic expenditure are expected to cause South Africa's real economic growth to dip below the 3%-level this year, from 3,1% in 2011. Against this background, the Reserve Bank is projecting real GDP growth of 2,7% for 2012, with growth forecast to improve to 3,8% in 2013 and 4,1% in 2014.

Headline consumer price inflation, currently back within the target range of 3%-6%, is expected to remain below the 6%-level for some time. The Reserve Bank's forecast is for consumer prices to rise by an average 5,6% in 2012, and by 5,1% in both 2013 and 2014. However, higher international grain prices as a result of severe drought conditions in the US are seen a risk to domestic food prices and thus the short-term outlook for headline inflation.

In view of the abovementioned prospects regarding the global and local economy, as well as the current outlook

for consumer price inflation, interest rates are expected to remain relatively low over the next 12 to 18 months.

### **The household sector**

Household finances will continue to reflect developments on the macroeconomic and consumer front. The household debt ratio is not forecast to materially improve from its current level of almost 75%, impacted by slower growth in income this year and next year compared with 2011. Consumption expenditure is expected to continue to closely track income growth against the background of an extremely low level of household saving. Continued low interest rates will support household consumption and the demand for and affordability of credit.

### **The residential property market**

Economic growth, employment, inflation, interest rates, household income and debt, the state of consumer credit records and consumer confidence will remain key factors to the housing market. These factors will impact the affordability of property and accessibility of mortgage finance against the background of trends in property prices, property running costs, financing and transaction costs and banks' lending criteria.

As a result, the housing market is forecast to continue to show a relatively subdued performance in respect of price growth for the rest of 2012 and in 2013. Based on Absa's calculations, house prices are forecast to continue to deflate in real terms over the next 6 to 18 months, which will be the result of trends in nominal prices and headline consumer price inflation during this period.

## Statistics

Average nominal house prices											
	2008 Rand	2009 Rand	2010 Rand	2011 Rand	2011			2012			
					Q2 Rand	Q3 Rand	Q4 Rand	Q1 Rand	Q2		y/y % Δ
									Rand	q/q % Δ	
<b>National</b>											
<b>Middle segment (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	967 836	964 396	1 033 880	1 054 486	1 056 212	1 072 084	1 054 388	1 022 485	1 027 073	0,4	-2,8
Small (80m <sup>2</sup> -140m <sup>2</sup> , ≤R3,6m)	685 342	667 430	774 155	738 085	752 241	742 568	696 081	664 924	677 772	1,9	-9,9
Medium (141m <sup>2</sup> -220m <sup>2</sup> , ≤R3,6m)	947 690	924 039	969 427	985 735	983 222	1 003 531	988 154	973 914	994 098	2,1	1,1
Large (221m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	1 387 477	1 387 307	1 445 507	1 487 261	1 475 433	1 489 493	1 508 402	1 490 565	1 476 542	-0,9	0,1
New (80m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	1 075 305	1 226 123	1 438 392	1 507 175	1 467 884	1 505 914	1 574 505	1 581 092	1 534 585	-2,9	4,5
Existing (80m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	956 964	954 836	1 019 060	1 035 130	1 039 733	1 049 922	1 031 147	1 000 841	1 006 547	0,6	-3,2
<b>Affordable (40m<sup>2</sup>-79m<sup>2</sup>, ≤R500 000)</b>	283 305	292 759	307 733	315 610	311 825	316 006	323 322	330 033	332 371	0,7	6,6
<b>Luxury (R3,6m-R13,4m)</b>	4 438 716	4 497 522	4 677 085	4 781 769	4 794 682	4 776 769	4 752 545	4 888 807	4 940 846	1,1	3,0
<b>Provinces</b>											
<b>Eastern Cape</b>	865 550	830 739	905 778	892 949	903 336	888 506	865 900	866 905	876 854	1,1	-2,9
<b>Free State</b>	726 848	753 098	834 710	890 063	894 548	956 537	894 803	825 182	791 283	-4,1	-11,5
<b>Gauteng</b>	997 625	1 023 146	1 081 203	1 119 720	1 118 081	1 129 909	1 126 007	1 077 741	1 060 914	-1,6	-5,1
<b>KwaZulu-Natal</b>	852 999	853 007	926 256	958 448	975 742	982 762	936 760	884 320	865 946	-2,1	-11,3
<b>Limpopo</b>	835 363	841 940	888 760	888 598	895 397	894 924	881 919	864 584	847 320	-2,0	-5,4
<b>Mpumalanga</b>	798 225	811 136	854 148	906 843	914 483	912 380	915 160	903 899	890 135	-1,5	-2,7
<b>North West</b>	789 804	787 253	836 784	850 173	828 379	882 618	905 331	897 721	879 539	-2,0	6,2
<b>Northern Cape</b>	661 289	693 258	782 476	772 672	709 176	787 753	853 577	807 521	834 866	3,4	17,7
<b>Western Cape</b>	1 102 861	1 099 380	1 176 177	1 162 068	1 151 707	1 166 314	1 171 179	1 167 612	1 175 330	0,7	2,1
<b>Metropolitan regions</b>											
<b>PE/Uitenhage (Eastern Cape)</b>	895 402	817 008	894 662	865 336	897 963	840 680	803 065	818 420	862 510	5,4	-3,9
<b>East London (Eastern Cape)</b>	996 328	1 019 521	1 048 950	982 590	953 658	960 455	1 016 641	1 060 543	1 081 246	2,0	13,4
<b>Bloemfontein (Free State)</b>	951 509	946 501	1 081 130	1 104 233	1 099 932	1 128 087	1 110 371	1 051 548	1 023 745	-2,6	-6,9
<b>Greater Johannesburg (Gauteng)</b>	1 043 697	1 076 491	1 105 957	1 166 280	1 159 157	1 174 775	1 189 250	1 123 757	1 097 754	-2,3	-5,3
Johannesburg Central & South	884 621	888 747	907 521	928 225	932 451	936 257	919 208	855 176	797 009	-6,8	-14,5
Johannesburg North & West	1 273 106	1 300 323	1 393 192	1 411 265	1 400 919	1 407 600	1 434 970	1 406 079	1 393 071	-0,9	-0,6
East Rand	911 847	932 146	949 757	1 022 441	1 005 578	1 043 623	1 069 677	1 029 704	996 920	-3,2	-0,9
<b>Pretoria (Gauteng)</b>	1 062 679	1 057 591	1 162 190	1 182 370	1 190 936	1 188 800	1 169 075	1 147 075	1 134 207	-1,1	-4,8
<b>Durban/Pinetown (KwaZulu-Natal)</b>	975 743	917 453	997 908	1 005 670	1 008 178	1 044 017	1 003 253	981 889	976 377	-0,6	-3,2
<b>Cape Town (Western Cape)</b>	1 097 861	1 097 235	1 198 487	1 188 700	1 157 166	1 200 181	1 229 935	1 225 910	1 243 008	1,4	7,4
<b>Coastal regions</b>											
<b>South Africa</b>	1 193 414	1 136 714	1 206 548	1 231 574	1 253 541	1 228 878	1 198 068	1 183 029	1 207 940	2,1	-3,6
<b>Western Cape</b>	1 232 923	1 190 509	1 275 817	1 321 911	1 351 254	1 312 970	1 257 399	1 271 405	1 346 402	5,9	-0,4
West Coast	1 269 988	1 137 222	1 252 540	1 348 066	1 373 710	1 340 053	1 298 580	1 278 190	1 259 302	-1,5	-8,3
Cape Peninsula and False Bay	1 208 947	1 158 941	1 244 094	1 275 441	1 287 204	1 278 597	1 246 019	1 256 710	1 341 534	6,7	4,2
South Coast	1 316 861	1 308 274	1 374 992	1 433 148	1 512 969	1 378 633	1 279 075	1 309 649	1 385 165	5,8	-8,4
<b>Eastern Cape</b>	1 107 406	1 038 373	1 084 298	1 084 486	1 083 672	1 066 207	1 105 147	1 140 649	1 108 741	-2,8	2,3
<b>KwaZulu-Natal</b>	1 162 905	1 102 562	1 199 205	1 280 322	1 348 798	1 310 979	1 215 027	1 092 242	1 098 449	0,6	-18,6
South Coast	1 066 734	913 732	1 073 320	1 034 892	1 030 362	999 517	1 038 807	982 844	915 100	-6,9	-11,2
North Coast	1 237 438	1 199 529	1 282 665	1 403 849	1 477 689	1 466 710	1 300 099	1 173 655	1 220 681	4,0	-17,4

House prices are based on the total smoothed purchase price of houses (including all improvements) in respect of which loan applications were approved by Absa Bank. House prices for the provinces and metropolitan regions are smoothed for all houses between 80m<sup>2</sup> and 400m<sup>2</sup>, up to R3,6 million in 2012. House prices for the coastal regions are smoothed for all houses between 80m<sup>2</sup> and 700m<sup>2</sup>, up to R13,4 million in 2012.

Key variables							
Annual averages							
		2006	2007	2008	2009	2010	2011
<b>\$/R exchange rate</b>	Rand per US\$	6,77	7,05	8,25	8,44	7,32	7,25
<b>CPI headline inflation rate</b>	%	4,6	7,1	11,0	7,1	4,3	5,0
<b>Mortgage interest rate</b>	%	11,2	13,2	15,1	11,7	9,8	9,0
<b>Household disposable income</b>	Real % Δ	7,3	5,2	2,3	-1,1	4,2	5,2
<b>Final consumption by households</b>	Real % Δ	8,3	5,5	2,2	-1,6	3,7	5,0
<b>Household saving to disposable income</b>	%	-0,8	-1,2	-1,1	-0,7	-0,3	-0,1
<b>Household debt to disposable income</b>	%	72,8	80,0	82,3	81,0	78,2	75,9
<b>Household debt servicing to disposable income</b>	%	8,1	10,5	12,4	9,5	7,7	6,8
<b>Gross domestic product</b>	Real % Δ	5,6	5,5	3,6	-1,5	2,9	3,1
<b>House prices (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	Nominal % Δ	15,3	14,5	4,0	-0,4	7,2	2,0
<b>House prices (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	Real % Δ	10,2	6,9	-6,3	-7,0	2,8	-2,9



### Average nominal house prices by middle-segment category in the second quarter 2012

	Small: 80m <sup>2</sup> – 140m <sup>2</sup>			Medium: 141m <sup>2</sup> – 220m <sup>2</sup>			Large: 221m <sup>2</sup> – 400m <sup>2</sup>		
	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ
<b>National and provinces</b>									
<b>South Africa</b>	677 772	1,9	-9,9	994 098	2,1	1,1	1 476 542	-0,9	0,1
<b>Eastern Cape</b>	606 067	11,8	-5,0	883 627	3,9	1,1	1 384 636	3,5	7,7
<b>Free State</b>	627 708	-2,7	-11,6	635 306	-9,5	-9,2	1 042 009	-5,1	-4,3
<b>Gauteng</b>	639 365	-1,7	-17,8	981 533	3,0	0,7	1 538 331	-0,4	-0,2
<b>KwaZulu-Natal</b>	550 143	-4,7	-17,5	884 965	-0,1	-4,3	1 321 996	-4,2	-12,2
<b>Mpumalanga</b>	627 815	-0,9	-3,5	913 939	2,5	6,4	1 284 700	0,3	4,0
<b>North West</b>	542 295	-2,6	0,0	887 230	0,9	12,7	1 242 774	-5,4	14,2
<b>Northern Cape</b>	630 604	-2,0	-4,2	826 705	6,2	29,6	1 121 302	3,0	11,9
<b>Limpopo</b>	552 151	2,3	-10,8	937 696	-0,2	-4,0	1 250 846	4,0	3,8
<b>Western Cape</b>	828 741	5,2	-2,7	1 204 975	0,9	4,0	1 729 900	2,5	3,8
<b>Metropolitan regions</b>									
<b>PE/Uitenhage (Eastern Cape)</b>	659 915	26,7	9,7	826 619	10,0	-0,2	1 330 032	3,4	1,8
<b>East London (Eastern Cape)</b>	646 569	-3,4	-22,0	1 026 052	4,1	8,0	1 771 274	6,3	31,0
<b>Bloemfontein (Free State)</b>	692 057	-3,5	-15,6	993 125	-5,2	10,8	1 280 223	-7,8	-3,7
<b>Greater Johannesburg (Gauteng)</b>	671 616	-1,0	-16,9	1 002 017	-0,3	-3,0	1 565 691	-2,8	-2,3
Johannesburg Central & South	544 535	1,1	-6,2	793 895	-3,3	-3,2	1 336 074	-15,6	-16,9
Johannesburg North & West	750 834	-10,8	-27,1	1 209 287	1,9	-1,8	1 791 874	-2,8	2,8
East Rand	715 820	3,5	-10,2	908 205	-3,1	-0,2	1 332 489	-6,6	-2,1
<b>Pretoria (Gauteng)</b>	639 396	-4,5	-20,5	1 074 099	4,5	6,6	1 647 661	5,2	5,7
<b>Durban/Pinetown (KwaZulu-Natal)</b>	643 061	-4,4	-12,5	967 704	-0,9	2,0	1 487 576	-2,6	-5,8
<b>Cape Town (Western Cape)</b>	892 839	7,1	3,4	1 299 448	1,4	8,1	1 873 865	4,1	12,1

House prices are based on the total smoothed purchase price of houses (including all improvements) between 80m<sup>2</sup> and 400m<sup>2</sup>, up to R3,6 million, in respect of which loan applications were approved by Absa Bank.

### Monthly mortgage repayment (rand, calculated over a period of 20 years)

Mortgage amount	Repayment at a mortgage rate of													
	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%
100 000	836	868	900	932	965	998	1 032	1 066	1 101	1 136	1 172	1 207	1 244	1 280
200 000	1 673	1 736	1 799	1 864	1 930	1 997	2 064	2 133	2 202	2 272	2 343	2 415	2 487	2 560
300 000	2 509	2 603	2 699	2 796	2 895	2 995	3 097	3 199	3 303	3 408	3 515	3 622	3 731	3 840
400 000	3 346	3 471	3 599	3 729	3 860	3 994	4 129	4 266	4 404	4 545	4 686	4 829	4 974	5 120
500 000	4 182	4 339	4 499	4 661	4 825	4 992	5 161	5 332	5 505	5 681	5 858	6 037	6 218	6 400
600 000	5 019	5 207	5 398	5 593	5 790	5 990	6 193	6 399	6 607	6 817	7 029	7 244	7 461	7 680
700 000	5 855	6 075	6 298	6 525	6 755	6 989	7 225	7 465	7 708	7 953	8 201	8 452	8 705	8 960
800 000	6 692	6 943	7 198	7 457	7 720	7 987	8 258	8 531	8 809	9 089	9 373	9 659	9 948	10 240
900 000	7 528	7 810	8 098	8 389	8 685	8 985	9 290	9 598	9 910	10 225	10 544	10 866	11 192	11 520
1 000 000	8 364	8 678	8 997	9 321	9 650	9 984	10 322	10 664	11 011	11 361	11 716	12 074	12 435	12 800
1 500 000	12 547	13 017	13 496	13 982	14 475	14 976	15 483	15 996	16 516	17 042	17 574	18 111	18 653	19 200
2 000 000	16 729	17 356	17 995	18 643	19 300	19 968	20 644	21 329	22 022	22 723	23 432	24 147	24 870	25 600
2 500 000	20 911	21 696	22 493	23 303	24 126	24 959	25 805	26 661	27 527	28 404	29 289	30 184	31 088	32 000

### Mortgage amount at fixed monthly repayment (rand, calculated over a period of 20 years)

Mortgage repayment	Mortgage amount at a mortgage rate of													
	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%	14,5%
1 000	119 554	115 231	111 145	107 281	103 625	100 162	96 882	93 771	90 819	88 017	85 355	82 824	80 417	78 125
2 000	239 109	230 462	222 290	214 562	207 249	200 325	193 763	187 542	181 639	176 035	170 710	165 649	160 834	156 250
3 000	358 663	345 693	333 435	321 843	310 874	300 487	290 645	281 313	272 458	264 052	256 065	248 473	241 250	234 375
4 000	478 217	460 923	444 580	429 124	414 498	400 649	387 526	375 083	363 278	352 069	341 421	331 297	321 667	312 501
5 000	597 771	576 154	555 725	536 405	518 123	500 811	484 408	468 854	454 097	440 086	426 776	414 122	402 084	390 626
6 000	717 326	691 385	666 870	643 686	621 748	600 974	581 289	562 625	544 916	528 104	512 131	496 946	482 501	468 751
7 000	836 880	806 616	778 015	750 967	725 372	701 136	678 171	656 396	635 736	616 121	597 486	579 770	562 918	546 876
8 000	956 434	921 847	889 160	858 248	828 997	801 298	775 052	750 167	726 555	704 138	682 841	662 595	643 335	625 001
9 000	1 075 989	1 037 078	1 000 305	965 529	932 622	901 460	871 934	843 938	817 375	792 156	768 196	745 419	723 751	703 126
10 000	1 195 543	1 152 308	1 111 450	1 072 810	1 036 246	1 001 623	968 815	937 708	908 194	880 173	853 551	828 243	804 168	781 251
15 000	1 793 314	1 728 463	1 667 174	1 609 216	1 554 369	1 502 434	1 453 223	1 406 563	1 362 291	1 320 259	1 280 327	1 242 365	1 206 252	1 171 877
20 000	2 391 086	2 304 617	2 222 899	2 145 621	2 072 492	2 003 245	1 937 631	1 875 417	1 816 388	1 760 346	1 707 103	1 656 487	1 608 337	1 562 503
25 000	2 988 857	2 880 771	2 778 624	2 682 026	2 590 615	2 504 057	2 422 038	2 344 271	2 270 485	2 200 432	2 133 878	2 070 608	2 010 421	1 953 128