

Home Loans



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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 received and 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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House price indices

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House price performance remains subdued

Year-on-year growth in the average value of homes in the middle segment of the South African housing market continued to show some strain in July 2012. This is according to the Absa house price indices, which are based on applications for mortgage finance received and approved by the bank in respect of small, medium-sized and large homes (see explanatory notes).

Price levels in the large-home category remained virtually unchanged in nominal terms over the past few months, with prices in the medium-sized segment showing some signs of a gradual improvement. The small segment continued to record price deflation up to July, but the pace of deflation is slowing down since March this year. On a month-on-month basis house price growth is on a slight upward trend since April, starting to positively impact year-on-year price growth.

In real terms, i.e. after adjustment for the effect of inflation, house price deflation continued up to June, with the momentum slowing down against the background of the abovementioned trends in nominal price growth as well as a downward trend in headline consumer price inflation from 6,3% year-on-year (y/y) in January to 5,5% y/y in June.

Absa house price indices (nominal, 2000=100)

Month	Small houses 80m ² -140 m ²			Medium-sized houses 141m ² -220 m ²			Large houses 221m ² -400 m ²		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
January	367.0	385.5	334.8	384.5	387.5	389.0	391.5	403.4	411.3
February	379.4	384.1	333.0	389.1	387.4	388.6	394.5	405.5	408.9
March	391.3	381.4	334.4	392.0	388.0	390.8	397.7	406.2	407.0
April	400.4	378.6	337.5	392.7	389.9	394.8	400.3	405.7	406.0
May	404.1	377.1	340.9	391.6	392.7	399.4	401.1	404.9	405.6
June	401.9	376.7	344.0	389.1	396.3	404.2	400.1	404.9	405.2
July	395.8	375.9	347.4	386.5	399.6	408.2	397.7	406.3	405.1
August	389.0	373.2		385.0	401.4		395.1	409.0	
September	384.3	367.4		385.0	401.1		393.9	412.0	
October	382.8	359.0		385.8	399.0		394.5	414.1	
November	383.6	349.4		387.0	395.6		396.8	414.5	
December	385.1	340.6		387.6	391.8		400.2	413.5	
Average	388.7	370.7	338.9	388.0	394.2	396.4	396.9	408.3	407.0

The average nominal value of homes in each of the three middle-segment categories of the housing market was as follows in July 2012, with nominal and real price changes presented in the table and graphs below:

- Small homes (80m²-141m²): R692 000
- Medium-sized homes (141m²-220 m²): R1 019 900
- Large homes (221m²-400m²): R1 475 500

With South Africa's real gross domestic product (GDP) forecast to grow at a slower pace of 2,6% in 2012 from 3,1% in 2011, headline consumer price inflation back within the inflation target range of 3% to 6% and expected to remain below the 6% level up to 2014, the South African Reserve Bank's Monetary Policy Committee cut the key policy, the repo rate, by 50 basis points to 5% in July this year. In reaction to this, commercial banks' prime and mortgage interest rates were lowered to 8,5%. This brought these lending rates to their lowest level in more than 38 years. However, against the background of prospects for the economy and the outlook for household finances, the further cut in the mortgage rate is not expected to give significant stimulus to the housing market.

Economic growth, employment, inflation, interest rates, household income and debt, consumers' risk profile and consumer confidence will remain key factors to the housing market in the rest of 2012. 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. In view of this, the housing market is forecast to continue to show a relatively subdued price performance towards the end of the year and into 2013. House prices are projected to continue to deflate in real terms over the next 18 months, which will be the result of trends in nominal prices and headline consumer price inflation during this period.

Absa house price indices						
Houses of 80m²-400m², up to R3,6 million						
Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	June 2012	July 2012	Year-to-date 2012	May 2011	June 2011	Year-to-date 2012
Small houses (80m ² -140m ²)	-8.7	-7.6	-10.8	-14.4	-13.4	-16.3
Medium-sized houses (141m ² -220m ²)	2.0	2.2	1.2	-3.7	-3.3	-4.6
Large houses (221m ² -400m ²)	0.1	-0.3	0.4	-5.2	-5.1	-5.1



