

# Home Loans



## Contents

Overview	2
House price trends	4
Building costs and new and existing house price trends	6
Land values	6
Interest rates and mortgage repayments	6
Affordability of housing	6
Outlook	7
Statistics	9

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## Housing review

Fourth quarter 2012

- The South African economy expanded at a real seasonally adjusted annualised rate of 3,2% in the second quarter of 2012, up from 2,7% in the first quarter. The improved economic growth came on the back of a strong recovery in mining production after the sector was plagued by industrial action in the first quarter. However, widespread strike action again erupted in the mining sector in the third quarter, continuing in the fourth quarter and also spreading to other sectors of the economy. In view of these developments, together with a continued depressed global economic performance, South Africa's real economic growth is forecast at around 2,5% for 2012, expected to rise to 3% in 2013.
- Headline consumer price inflation is projected to stay within the 3%-6% target range, although some upward pressure is expected over the short term. Interest rates are forecast to remain low in the next two years.
- Household finances continued to experience strain, with real disposable income and consumption growth slowing down, the debt ratio increasing, savings remaining under pressure, an increasing number of consumers having impaired credit records and consumer confidence staying low. Economic and consumer-related trends will continue to impact household finances and confidence levels.
- Only marginal nominal house price growth occurred in the middle segment of the market in the third quarter of 2012. However, in real terms, i.e. after adjustment for the effect of consumer price inflation, house prices continued to decline compared with a year ago. In the segment for affordable housing, year-on-year price growth remained in positive territory in both nominal and real terms in the third quarter, whereas in the luxury category price growth remained low in nominal terms, while real price deflation continued in this segment of the market.
- Housing affordability, as measured by house prices and mortgage repayments as a percentage of household disposable income, improved somewhat further in the second quarter of 2012, but many households' ability to take advantage of these improving affordability trends is still hampered by the general state of their finances.
- The outlook for the residential property market remains benign for the rest of 2012 and 2013 against the background of trends in and prospects for the economy and the household sector. As a result, relatively low nominal house price growth is forecast up to the end of the year and for most of next year. Real house price deflation is projected to continue over the short to medium term in view of expected low nominal price growth and headline consumer price inflation forecast to remain above the 5% level.

## Overview

### The economy

The second quarter of 2012 saw South Africa's real gross domestic product (GDP) rising at a seasonally adjusted annualised rate of 3,2% from 2,7% in the first quarter. The improved economic growth in the second quarter came on the back of a strong recovery in mining production after a sharp contraction in the preceding quarter as a result of major production losses due to industrial action in the platinum sector. Higher levels of production in some other sectors of the mining industry, together with improved agricultural output, also contributed to the faster pace of economic expansion in the second quarter. However, widespread strike action is occurring in the mining sector since the third quarter of the year, with some other sectors of the economy also experiencing production losses due to strikes.

Excluding the more volatile primary sectors of mining and agriculture, the rest of the domestic economy showed more subdued quarter-on-quarter (q/q) growth of 1,6% in the second quarter of the year from 3,8% in the first quarter. This was the net result of production in the secondary sector contracting by a real 0,5% q/q, impacted by declining production in the manufacturing and electricity, gas and water sectors, with some improvement evident in growth in the construction sector. Real growth in the tertiary (services) sector slowed down to 2,3% q/q in the second quarter from 3% q/q in the first quarter, with all tertiary sub-sectors posting a slowdown in growth.

After slowing down to 4,9% year-on-year (y/y) in July 2012, headline consumer price inflation edged up to 5% y/y in August and 5,5% y/y in September. Upward

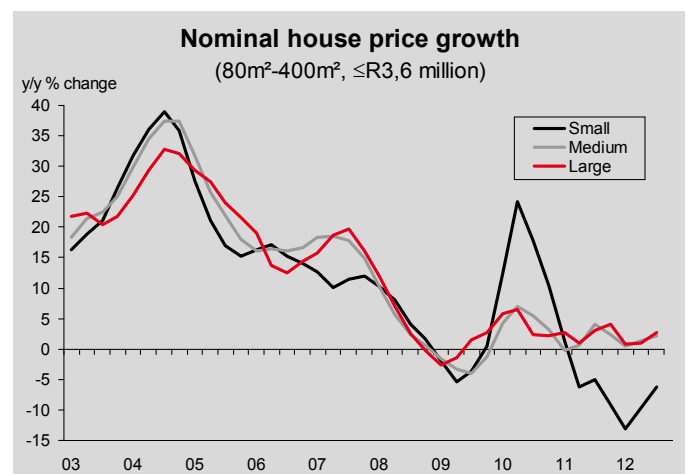
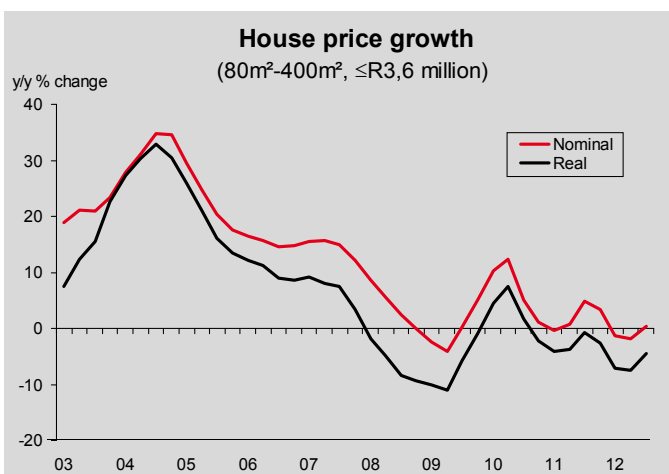
pressure on food prices against the background of rising global food price inflation and recent sharp hikes in fuel prices are negatively impacting the inflation picture, which affects consumers' spending power.

Interest rates were kept unchanged into the fourth quarter after being cut in July this year to levels last seen in the mid-1970s. The recent drop in interest rates came against the background of increased concerns about global economic conditions and future growth prospects, with domestic inflation forecast to remain within the inflation target range of 3%-6%, despite some upward pressure expected in the short term.

### The household sector

The following trends were recently evident in the household sector:

- Growth in real household disposable income and consumption expenditure tapered off in the second quarter of 2012 compared with the first quarter and the fourth quarter of last year.
- Households' savings ratio (savings as a percentage of disposable income) remained under pressure, with the result that growth in income and consumption was still closely correlated in the second quarter.
- The ratio of household debt to disposable income increased somewhat further in the second quarter of the year, driven by higher growth in debt than in income during this period.
- Credit-active consumers' risk profile continued to deteriorate in the second quarter, adversely affecting their access to credit.
- Consumer confidence remained relatively low in the third quarter of the year.



Real household disposable income growth slowed down to an annualised 3% in the second quarter of 2012 from 3,2% in the first quarter and 4,7% in the final quarter of last year. In the first half of the year the average wage settlement rate was 7,7% y/y, marginally higher than the 7,5% y/y recorded in the corresponding period last year. Headline consumer price inflation averaged 6% y/y in the first six months of the year. The slower pace of growth in real disposable income occurred against the background of continued tight labour market conditions and inflationary pressures.

Household consumption expenditure recorded annualised growth of 2,9% in the second quarter of 2012, down from 3,1% in the first quarter. The declining growth in real household spending was the result of slower income growth, some inflationary pressures and a low level of consumer confidence. Growth in household income and consumption remains closely correlated against the background of a lack of savings.

The household savings rate, i.e. the ratio of gross household saving to disposable income, was stable at 1,7% in the first half of 2012 of the year. This implies that for every R100 in disposable (after-tax) income earned by households, they save only R1,70 on average. The ratio of net saving to disposable income remained at a zero-level in the second quarter. Net household saving is based on the level of gross saving, adjusted for depreciation write-offs on the value of fixed assets, such as residential buildings, held by households.

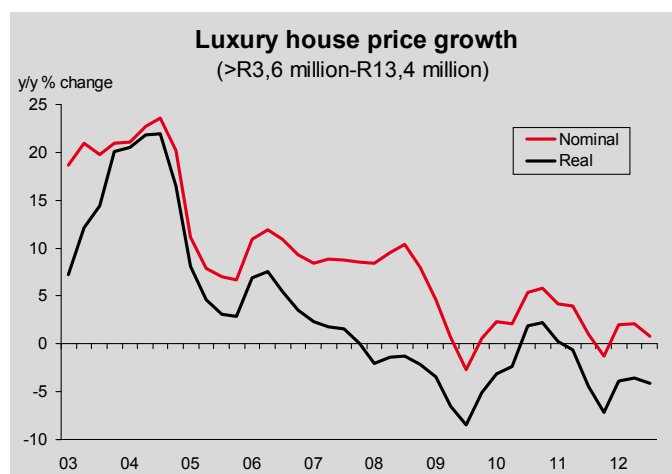
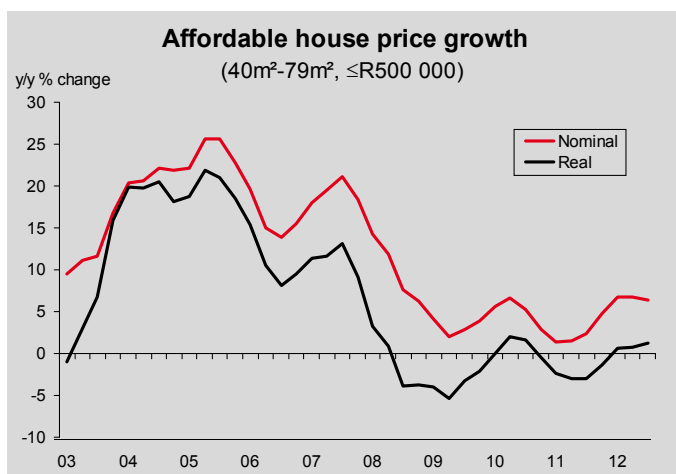
Household credit, comprising instalment sales credit, leasing finance, mortgage advances, credit card debt, overdrafts and general loans and advances (mainly personal and micro loans), showed growth of just below 10% y/y into the third quarter of 2012, reflecting the

extent of household consumption, consumers' risk profiles, and the level of consumer confidence. These factors, against the backdrop of the National Credit Act (NCA) and banks' lending criteria, determine households' appetite for and access to credit. However, unsecured lending by households (credit card debt, overdrafts and general loans and advances) continued to grow at well above 20% y/y into the third quarter of the year, contributing to the abovementioned growth of almost 10% y/y in total household credit balances.

The household debt ratio, i.e. the balance of outstanding household debt as a percentage of annual disposable income, was 76,3% in the second quarter of 2012, up from 75,6% in the first quarter and 75,4% in the fourth quarter of last year. This was the net result of debt increasing by 3% and nominal income rising by 2,1% in the second quarter of the year from the first quarter. Based on the higher debt ratio and a stable prime interest rate in the second quarter, the cost of servicing household debt as a percentage of disposable income was marginally higher at 6,9% from 6,8% in the first quarter.

According to the National Credit Regulator, up to 9,22 million credit-active consumers, or 47% of a total of 19,6 million, had impaired credit records in the second quarter of 2012. This was 3,11 million, or 50,9%, more than the 6,11 million credit-active consumers having impaired credit records in the second quarter of 2007. This situation regarding credit records continues to significantly hamper consumers' access to credit and restricts consumption expenditure in the wake of the extremely low level of household savings.

The ratio of households' net wealth to disposable income was only slightly higher at 300,9% in the second



quarter of 2012 compared with 300% in the preceding quarter, largely impacted by the combined performance of the financial and property markets. 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).

Based on Statistics South Africa's latest *Quarterly Labour Force Survey*, a total of 13,447 million people were employed by the second quarter of 2012, with the unemployment rate at 24,9% in the quarter. A total of 580 000 less people were employed in the second quarter of 2012 compared with 14,027 million having been employed at the end of 2008. With labour market conditions in some sectors of the economy being relatively unstable during the course of the year, many households' financial position remains under pressure.

The level of consumer confidence, as published by the Bureau for Economic Research at the University of Stellenbosch, was at -1 index points in the third quarter of 2012, marginally up from -3 in the second quarter of the year. Consumer confidence, measured by expectations regarding the outlook for the economy, household finances and durable consumption expenditure, is currently back to levels last seen in 2008/2009 when the economy was in recession. After the recession consumer confidence averaged 14,5 and 7,3 index points in 2010 and 2011 respectively.

## Mortgage finance

Growth in the value of outstanding mortgage balances in the household sector remained relatively low at around 3% y/y into the third quarter of 2012, with the continuing

slow pace of growth in mortgage balances being a reflection of the state of household finances, consumer confidence and residential property market conditions.

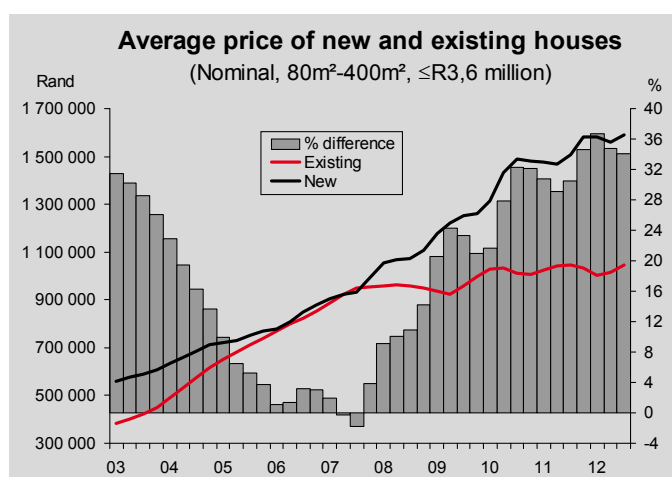
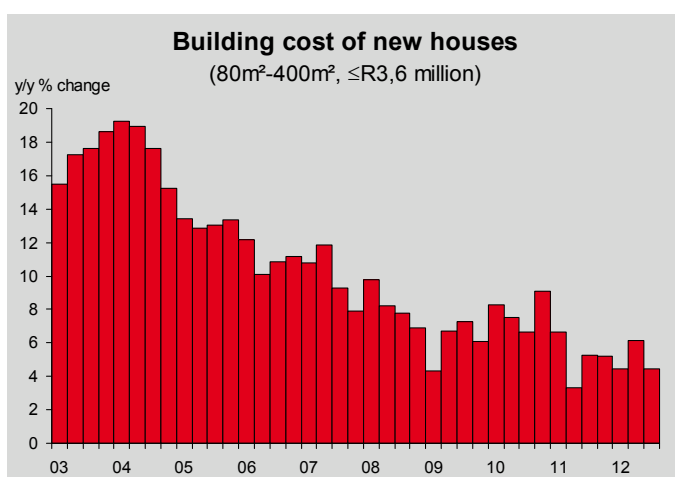
The ratio of outstanding household mortgage debt to disposable income was down to 41,6% in the second quarter of the year from 42,2% in the first quarter. This was the net result of quarter-on-quarter growth of 0,8% in household mortgage debt and growth of 2,1% in nominal disposable income. Households' outstanding mortgage debt came to 54,6% of total debt balances in the second quarter of the year, down from 55,8% in the first quarter.

The cost of servicing household mortgage debt as a percentage of disposable income was marginally lower at 3,7% in the second quarter from 3,8% in the first quarter. 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 a stable mortgage interest rate in the quarter.

## House price trends

On a year-on-year basis, some marginal nominal house price growth was recorded in the middle segment of the market (homes of 80m<sup>2</sup> - 400m<sup>2</sup> and priced up to R3,6 million in 2012) in the third quarter of 2012. However, in real terms, i.e. after adjustment for the effect of consumer price inflation, house prices continued to decline compared with a year ago, with the pace of real price deflation slowing down in the quarter.

In the category for affordable housing, year-on-year price growth remained in positive territory in both nominal and real terms in the third quarter, whereas in the luxury segment price growth remained low in



nominal terms, with real price deflation continuing unabatedly in the quarter.

The latest trends in house prices are a reflection of property market conditions in general, impacted by a combination of macroeconomic developments, the state of household finances and the level of consumer confidence. In view of these factors, the demand for and supply of housing might be affected by changes in buying trends, market activity and eventual transaction volumes.

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

All price data series are smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers. As a result, recent price data and growth rates may differ from previously published figures.

### Affordable housing

In the segment for affordable housing (homes of 40m<sup>2</sup> - 79m<sup>2</sup> and priced up to R500 000 in 2012), the average price increased by a nominal 6,4% year-on-year (y/y) to about R336 900 in the third quarter of 2012, after rising by 6,8% y/y in the second quarter. Real price growth was recorded at 1,4% y/y in the third quarter, compared with 1% y/y in the second quarter.

### Middle-segment housing

Average nominal price growth in middle-segment housing (homes of 80m<sup>2</sup> - 400m<sup>2</sup> and priced at R3,6 million or less in 2012), came to only 0,4% y/y in the

third quarter of the year, after price deflation of 1,9% y/y was recorded in the preceding quarter. The average house price in this segment of the market was around R1 073 500 in the third quarter. Real price deflation continued in the middle segment, coming in at 4,4% y/y in the quarter, after prices dropped by a real 7,2% y/y in the second quarter.

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

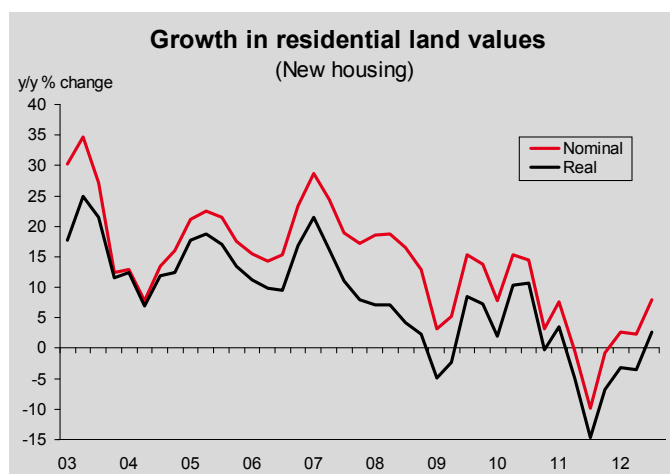
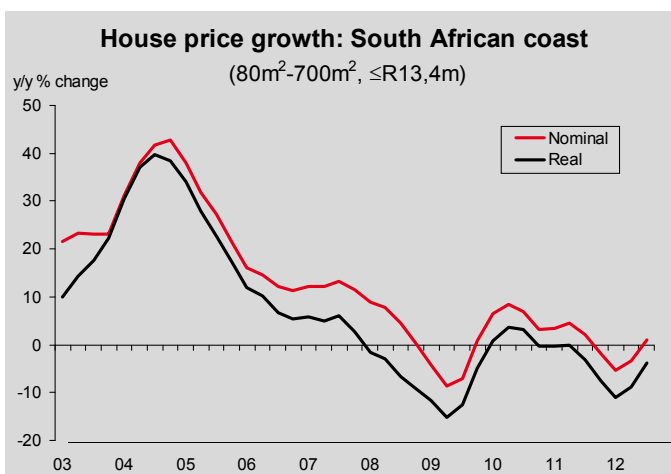
- Small houses (80m<sup>2</sup> - 140m<sup>2</sup>): -6,2% y/y nominal and -10,7% y/y real.
- Medium-sized houses (141m<sup>2</sup> - 220m<sup>2</sup>): 2,1% y/y nominal and -2,7% y/y real.
- Large houses (221m<sup>2</sup> - 400m<sup>2</sup>): 2,6% y/y nominal and -2,2% y/y real.

### Luxury housing

The luxury segment of the market (homes priced at between R3,6 million and R13,4 million in 2012) showed nominal price growth of 0,8% y/y to a level of R4 790 400 in the third quarter of 2012, after prices rose by 2,1% y/y in the second quarter. In real terms, the average price in this category of housing dropped further by 3,9% y/y in the third quarter of the year (-3,4% y/y in the second quarter).

### Regional house prices

House price trends varied on a regional basis, i.e. at a provincial, metropolitan and coastal level, with annual and quarterly price growth evident in a number of geographical areas, while in a few regions prices continued to decline in the third quarter of 2012 (see tables at the back of the report).





General economic trends have an impact on the performance of the residential property market at geographical level, but these regional markets may react differently to these developments as a result of a number of area-specific factors, such as location, physical infrastructure and the level and extent of economic development and growth. These factors may affect 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 building cost of new houses increased by an average 4,4% y/y in the third quarter of 2012, after rising by 6,1% y/y in the second quarter of the year.

The average nominal price of a new house increased by 5,4% y/y to about R1 589 500 in the third quarter of the year, with marginal growth of 0,4% y/y recorded in real terms. The average nominal price of an existing house was virtually unchanged in the third quarter compared with a year ago, rising by only 0,1% y/y to about R1 048 300. In real terms the price of an existing house was down by 4,7% y/y in the quarter. In view of these trends, it was a nominal R541 200, or 34,1%, cheaper to buy an existing house than to have a new one built in the third quarter of 2012.

### Land values

The average value of stands for new housing in the middle and luxury segments of the market for which Absa received and approved applications for mortgage finance, rose by a nominal 7,9% y/y to about R525 200 in the third quarter of 2012, after rising by 2,2% y/y in the preceding quarter. In real terms the average value

of vacant land for new housing was up by 2,8% y/y in the third quarter, after declining by 3,3% y/y in the second quarter.

### Interest rates and mortgage repayments

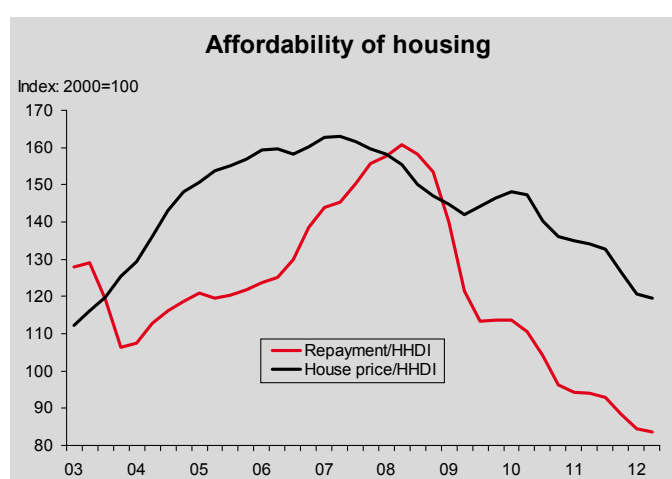
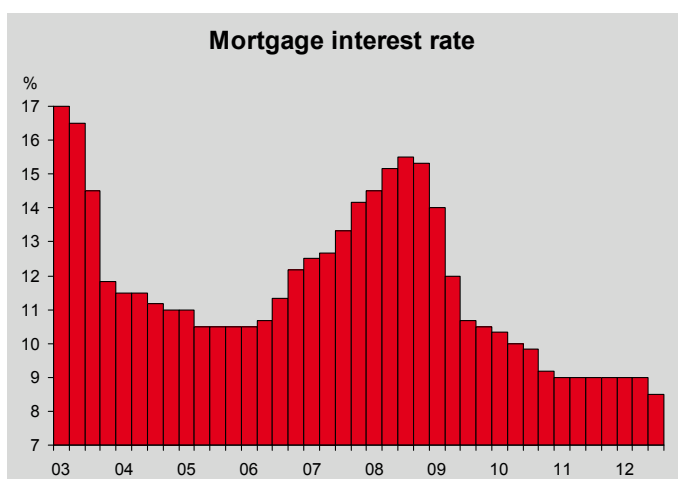
After being cut by a further 50 basis points in July, interest rates remained unchanged into the fourth quarter of the year. Interest rate decisions are influenced by global and domestic economic developments and prospects, as well as the outlook for headline consumer price inflation, with the effect of these factors on household finances kept in mind.

With banks' prime and variable mortgage interest rates currently at 8,5%, these lending rates are at their lowest level in more than 38 years. Monthly mortgage repayments are in general 35,9% lower compared to 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 showed some further marginal improvement up to the second quarter of 2012, represented by the ratios of house prices and



mortgage repayments to household disposable income (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.

Many households' ability to take advantage of the improving trend in housing affordability over the past four to five years continued to be affected by factors such as income, savings, living costs, debt levels, credit-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 is in effect becoming more/less affordable.

## Outlook

### The economy

The South African economy is forecast to grow by a real 2,5% in 2012, after expanding by 3,1% in 2011. The slower pace of economic growth projected for this year came on the back of a continued depressed global economy and various factors affecting domestic economic conditions.

The ongoing relatively poor performance of the world economy, especially with regard to European countries, is impacting South Africa's export performance. Merchandise exports to Europe amounted to 27,4% and 25,1% of total merchandise exports in 2010 and 2011 respectively, and 26,8% in the first eight months of 2012. No major improvement in the economic performance of advanced economies is expected in 2013.

Locally, major production losses due to severe industrial action in the mining sector as well as some other sectors of the economy since the third quarter of the year are set to further affect the country's economic growth, which is forecast to be lower in the second half of the year compared with the first half.

Headline consumer price inflation remains within the target range of 3%-6%, but edged up in August and September this year on the back of upward pressure on food prices and transport costs, which might push inflation somewhat higher in the near term. However, the

inflation rate is expected to remain below the 6%-level in the next two years, with the Reserve Bank's forecast at 5,6% for 2012, 5,2% for 2013 and 5% for 2014.

In view of the abovementioned trends in and prospects for 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 24 months.

### The household sector

Household finances will continue to reflect economic and consumer-related developments, with the following trends expected:

- The household debt ratio is not forecast to improve in the next year or two from its current level of above 76%, which will be driven by expected slower growth in income this year and next year compared with 2011, while the level of debt is still growing.
- Household consumption expenditure is set to continue to closely track income growth against the background of an extremely low level of savings.
- Low interest rates for longer will support household consumption and the demand for and affordability of credit.
- The state of consumers' credit-risk profiles, with a rising percentage of credit-active consumers having impaired credit records, will continue to hamper the accessibility of credit, impacting consumption expenditure.
- Future trends in consumer confidence will be reflective of economic developments and prospects, as well as changes in and the direction of household finance-related factors.

### The residential property market

A number of factors are regarded as being important for the future performance of the property market, which include the following:

#### *Economic factors:*

- Economic growth.
- Employment.
- Interest rates, impacted by economic developments and inflation trends.

#### *Household finance-related factors:*

- Household income, consumption, savings and investments.
- Household debt and debt servicing.

- Consumer credit records.
- Consumer confidence.

*Finance factors:*

- Banks' risk appetite and lending criteria, affecting the accessibility and availability of mortgage finance.
- Some of the main driving factors include the economic cycle, the state of household finances, the property cycle, the NCA and consumers' credit-risk profile.

*Affordability factors:*

- The affordability of property and mortgage finance, impacting property buying trends, market activity, property transaction volumes, and the demand for mortgage finance.
- The most important factors affecting housing and

mortgage finance affordability include property prices, interest rates, household finances, banks' lending criteria, property running costs and transaction costs.

Against the background of these factors and the abovementioned trends in and prospects for the economy, the household sector and the property market, the outlook for the residential sector remains benign for the rest of 2012 and 2013. Relatively low nominal house price growth is forecast up to year-end and for most of next year. Real house price deflation is projected to continue over the short to medium term in view of expected low nominal price growth and headline consumer price inflation to remain above 5%.



## Statistics

Average nominal house prices											
	2008 Rand	2009 Rand	2010 Rand	2011 Rand	2011		2012				
					Q3 Rand	Q4 Rand	Q1 Rand	Q2 Rand	Q3		
									Rand	q/q % Δ	y/y % Δ
<b>National</b>											
<b>Middle segment (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	967 774	964 507	1 033 077	1 055 082	1 069 677	1 055 300	1 024 008	1 037 160	1 073 516	3,5	0,4
Small (80m <sup>2</sup> -140m <sup>2</sup> , ≤R3,6m)	685 226	667 353	774 504	737 544	736 955	694 678	666 108	678 645	690 968	1,8	-6,2
Medium (141m <sup>2</sup> -220m <sup>2</sup> , ≤R3,6m)	948 040	923 850	969 555	986 177	1 001 813	988 265	975 132	998 113	1 023 276	2,5	2,1
Large (221m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	1 387 828	1 387 931	1 445 995	1 485 183	1 485 492	1 506 114	1 487 578	1 487 547	1 524 804	2,5	2,6
New (80m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	1 076 500	1 228 304	1 429 181	1 507 796	1 507 829	1 580 258	1 582 320	1 557 718	1 589 486	2,0	5,4
Existing (80m <sup>2</sup> -400m <sup>2</sup> , ≤R3,6m)	957 199	954 419	1 019 444	1 035 682	1 047 549	1 032 189	1 002 732	1 015 274	1 048 254	3,2	0,1
<b>Affordable (40m<sup>2</sup>-79m<sup>2</sup>, ≤R500 000)</b>	283 329	292 783	307 567	315 853	316 581	323 037	329 813	333 594	336 885	1,0	6,4
<b>Luxury (R3,6m-R13,4m)</b>	4 438 502	4 503 622	4 674 011	4 765 828	4 751 253	4 761 953	4 881 160	4 867 021	4 790 404	-1,6	0,8
<b>Provinces</b>											
<b>Eastern Cape</b>	865 079	829 766	908 199	889 707	884 192	861 138	863 726	897 291	966 302	7,7	9,3
<b>Free State</b>	726 151	752 054	835 606	888 116	947 908	890 789	827 932	800 674	853 713	6,6	-9,9
<b>Gauteng</b>	996 806	1 021 831	1 080 782	1 117 948	1 127 042	1 121 621	1 075 750	1 080 875	1 099 101	1,7	-2,5
<b>KwaZulu-Natal</b>	853 204	852 373	923 893	958 794	980 050	935 496	882 257	898 722	943 328	5,0	-3,7
<b>Limpopo</b>	835 458	833 512	889 086	884 874	891 435	872 677	861 448	876 977	909 813	3,7	2,1
<b>Mpumalanga</b>	797 797	809 272	856 916	904 886	907 709	914 556	907 113	898 095	926 618	3,2	2,1
<b>North West</b>	790 025	787 863	838 427	848 640	879 301	903 755	898 323	886 728	870 245	-1,9	-1,0
<b>Northern Cape</b>	658 906	692 280	779 239	775 198	788 036	857 007	810 627	857 816	950 933	10,9	20,7
<b>Western Cape</b>	1 102 912	1 097 698	1 174 450	1 164 175	1 168 105	1 167 868	1 168 610	1 184 737	1 208 518	2,0	3,5
<b>Metropolitan regions</b>											
<b>PE/Uitenhage (Eastern Cape)</b>	895 597	816 772	898 315	859 766	834 200	801 222	821 105	860 719	892 076	3,6	6,9
<b>East London (Eastern Cape)</b>	993 250	1 006 696	1 047 753	978 395	960 033	1 004 024	1 049 135	1 092 404	1 148 177	5,1	19,6
<b>Bloemfontein (Free State)</b>	949 021	940 412	1 080 764	1 101 619	1 119 361	1 104 430	1 052 891	1 031 452	1 083 464	5,0	-3,2
<b>Greater Johannesburg (Gauteng)</b>	1 042 679	1 075 068	1 104 580	1 163 138	1 170 646	1 184 026	1 119 982	1 115 091	1 135 859	1,9	-3,0
Johannesburg Central & South	881 467	887 672	906 852	909 849	904 160	905 350	846 133	833 030	896 004	7,6	-0,9
Johannesburg North & West	1 271 820	1 297 224	1 390 042	1 411 844	1 411 159	1 432 268	1 400 693	1 405 164	1 435 161	2,1	1,7
East Rand	911 880	932 160	949 382	1 021 479	1 042 932	1 066 115	1 028 514	1 006 514	1 013 001	0,6	-2,9
<b>Pretoria (Gauteng)</b>	1 062 149	1 055 865	1 164 700	1 181 711	1 186 296	1 165 178	1 148 745	1 157 197	1 180 660	2,0	-0,5
<b>Durban/Pinetown (KwaZulu-Natal)</b>	975 905	916 966	997 710	1 005 793	1 040 906	1 002 872	977 965	974 490	967 761	-0,7	-7,0
<b>Cape Town (Western Cape)</b>	1 097 937	1 097 522	1 196 152	1 190 950	1 202 561	1 230 676	1 230 026	1 239 979	1 240 731	0,1	3,2
<b>Coastal regions</b>											
<b>South Africa</b>	1 193 360	1 135 981	1 206 638	1 231 925	1 228 114	1 198 002	1 181 948	1 211 099	1 241 647	2,5	1,1
<b>Western Cape</b>	1 233 329	1 188 437	1 274 956	1 319 812	1 307 909	1 254 644	1 270 955	1 334 852	1 338 273	0,3	2,3
West Coast	1 270 475	1 139 632	1 242 501	1 338 773	1 331 681	1 293 212	1 272 476	1 239 019	1 187 384	-4,2	-10,8
Cape Peninsula and False Bay	1 209 264	1 156 056	1 244 045	1 273 526	1 272 245	1 242 065	1 256 942	1 329 675	1 344 401	1,1	5,7
South Coast	1 317 599	1 307 620	1 375 038	1 433 115	1 378 287	1 280 925	1 309 896	1 377 177	1 387 774	0,8	0,7
<b>Eastern Cape</b>	1 106 890	1 039 374	1 084 634	1 083 390	1 068 910	1 102 731	1 134 512	1 111 379	1 121 438	0,9	4,9
<b>KwaZulu-Natal</b>	1 161 713	1 100 407	1 198 778	1 282 030	1 300 172	1 212 613	1 094 754	1 147 972	1 249 158	8,8	-3,9
South Coast	1 065 242	913 678	1 072 708	1 037 920	996 943	1 035 571	980 686	984 334	1 066 333	8,3	7,0
North Coast	1 236 478	1 196 294	1 282 360	1 404 894	1 451 787	1 298 082	1 179 642	1 257 065	1 342 120	6,8	-7,6

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 and projections									
Annual averages									
		2006	2007	2008	2009	2010	2011	2012	2013
<b>\$/R exchange rate</b>	Rand per US\$	6,77	7,05	8,25	8,44	7,32	7,25	8,07	7,96
<b>CPI headline inflation rate</b>	%	4,6	7,1	11,0	7,1	4,3	5,0	5,6	5,3
<b>Mortgage interest rate</b>	%	11,2	13,2	15,1	11,7	9,8	9,0	8,6	8,1
<b>Household disposable income</b>	Real % Δ	7,3	5,2	2,3	-1,1	4,2	5,2	3,5	3,1
<b>Final consumption by households</b>	Real % Δ	8,3	5,5	2,2	-1,6	3,7	5,0	3,4	3,3
<b>Household saving to disposable income</b>	%	-0,8	-1,2	-1,1	-0,7	-0,3	-0,1	0,0	-0,2
<b>Household debt to disposable income</b>	%	72,8	80,0	82,3	81,0	78,2	76,4	76,3	77,7
<b>Household debt servicing to disposable income</b>	%	8,1	10,5	12,4	9,5	7,7	6,9	6,7	6,6
<b>Gross domestic product</b>	Real % Δ	5,6	5,5	3,6	-1,5	2,9	3,1	2,5	3,0
<b>House prices (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	Nominal % Δ	15,3	14,6	4,0	-0,3	7,1	2,1	0,5	1,9
<b>House prices (80m<sup>2</sup>-400m<sup>2</sup>, ≤R3,6m)</b>	Real % Δ	10,2	6,9	-6,3	-6,9	2,7	-2,7	-4,8	-3,2

### Average nominal house prices by middle-segment category in the third 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>	690 968	1,8	-6,2	1 023 276	2,5	2,1	1 524 804	2,5	2,6
<b>Eastern Cape</b>	732 188	18,5	24,9	966 746	7,2	14,8	1 436 118	2,4	12,3
<b>Free State</b>	621 726	0,1	-6,6	691 630	7,6	-12,4	1 135 573	7,3	-1,6
<b>Gauteng</b>	693 411	6,8	-7,6	1 015 161	2,1	1,6	1 540 119	0,5	-0,4
<b>KwaZulu-Natal</b>	553 552	-1,5	-14,8	896 687	1,0	-3,3	1 424 420	5,3	-5,2
<b>Mpumalanga</b>	659 936	3,8	0,9	1 033 541	9,3	18,4	1 182 153	-3,0	-3,7
<b>North West</b>	639 884	14,7	10,4	853 816	-1,4	-0,2	1 211 447	-5,3	9,6
<b>Northern Cape</b>	719 051	6,6	10,3	754 271	-7,1	6,5	1 282 389	11,3	30,0
<b>Limpopo</b>	543 714	0,0	-11,4	993 158	3,8	7,6	1 490 713	16,1	30,5
<b>Western Cape</b>	818 188	1,1	-1,8	1 213 820	1,3	4,7	1 797 679	3,3	5,0
<b>Metropolitan regions</b>									
<b>PE/Uitenhage (Eastern Cape)</b>	750 200	15,8	47,9	860 925	3,7	6,3	1 326 520	-0,7	9,5
<b>East London (Eastern Cape)</b>	719 794	5,0	-4,2	1 074 985	3,8	16,9	1 849 273	5,1	32,5
<b>Bloemfontein (Free State)</b>	706 931	1,8	-13,9	960 614	-2,9	1,8	1 429 370	8,2	5,8
<b>Greater Johannesburg (Gauteng)</b>	747 367	9,3	-3,1	981 820	-2,6	-7,4	1 560 433	0,0	-4,3
Johannesburg Central & South	580 194	6,2	4,3	758 169	-5,0	-6,8	1 512 184	12,7	-9,4
Johannesburg North & West	877 326	11,4	-7,5	1 235 539	1,8	-3,3	1 753 810	-0,7	-1,8
East Rand	770 404	6,8	-0,4	906 957	-1,3	-4,4	1 335 465	-0,8	-4,7
<b>Pretoria (Gauteng)</b>	656 426	1,9	-14,4	1 193 810	9,1	15,4	1 648 854	1,1	5,4
<b>Durban/Pinetown (KwaZulu-Natal)</b>	598 226	-6,4	-18,9	946 911	-1,6	-2,8	1 522 895	1,1	-4,2
<b>Cape Town (Western Cape)</b>	847 507	-1,0	-1,4	1 279 827	-0,6	4,8	1 890 843	1,0	8,2

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