

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

7 November 2012

House price growth improves, but set to remain relatively low

October 2012 saw the year-on-year growth in the average value of homes in the middle segment of the South African housing market improving further compared to September this year. Month-on-month price growth, however, is still on a steady declining trend, pointing to eventual subdued year-on-year price growth. These trends are 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 in the middle segment of the market (see explanatory notes).

The average value of middle-segment homes increased by a nominal 2,6% year-on-year (y/y) in October this year, after rising by a revised 1,5% y/y in September. The first ten months of the year saw house prices marginally down by 0,6% y/y, after significant price deflation evident in the small segment of the market for most of the year.

Real house price deflation continued up to September, with the momentum slowing down somewhat from August on the back of improved nominal price growth, but faster rising inflation. The headline consumer price inflation rate accelerated to 5,5% y/y in September on the back of upward pressure coming from food prices and transport costs. Consumer price inflation averaged 5,7% in the first nine months of 2012 compared with the same period last year.

The average nominal value of homes in each of the three middle-segment categories of the housing market was as follows in October 2012:

- Small homes (80m²-140m²): R749 800
- Medium-sized homes (141m²-220 m²): R1 042 900
- Large homes (221m²-400m²): R1 526 200

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	367.2	385.9	334.7	384.8	388.0	389.5	391.5	404.0	411.1
February	379.8	385.1	333.0	389.6	388.3	389.6	394.5	406.0	408.5
March	391.8	382.6	333.6	392.6	389.3	391.7	397.9	406.5	406.3
April	401.0	379.5	335.4	393.3	391.3	395.2	400.7	405.4	405.8
May	404.8	377.3	339.2	392.1	394.2	399.5	401.7	404.0	407.3
June	402.5	375.9	344.7	389.3	397.6	403.9	400.7	403.5	409.8
July	396.0	374.2	351.8	386.4	400.5	408.0	398.3	404.8	412.6
August	388.8	370.7	359.7	384.5	401.6	411.5	395.5	407.7	415.2
September	383.7	364.8	368.3	384.2	400.8	414.8	394.0	411.1	417.4
October	381.9	356.6	376.4	385.1	398.4	417.5	394.5	413.6	419.0
November	382.9	347.7		386.5	395.0		396.9	414.4	
December	384.8	339.8		387.6	391.6		400.5	413.3	
Average	388.8	370.0	347.7	388.0	394.7	402.1	397.2	407.9	411.3

South Africa's real economic growth for 2012 is projected at 2,5%, expected to accelerate to 3% in 2013. Global economic trends as well as domestic developments will remain major drivers of the country's economic performance.

Headline consumer price inflation increased further to 5,5% y/y in September from 5% y/y in August and 4,9% y/y in July, with the main risks for inflation over the short term being food price increases, rising transport costs and rand exchange rate volatility. Despite some upward pressure over the short term, consumer price inflation is still forecast to remain within the inflation target range of 3%-6% up to 2014.

Against the background of developments in and prospects for the economy, inflation and household finances, domestic interest rates are forecast to remain low over the next two years.

House price growth showed some improvement in recent months, based on the Absa house price indices. In the small segment of the market, price deflation was evident for almost two years, with year-on-year price growth back in positive territory in September and October this year. This development in the small category came on the back of base effects, with prices on a declining trend a year ago.

The forecast is still for relatively low nominal house price growth towards the end of 2012 and for most of 2013. Real house price deflation is expected to continue into next year, based on the outlook for nominal price growth and headline consumer price inflation over 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		
	September 2012	October 2012	Year-to-date 2012	August 2012	September 2012	Year-to-date 2012
Small houses (80m ² -140m ²)	1.0	5.5	-7.4	-7.6	-4.3	-13.6
Medium-sized houses (141m ² -220m ²)	3.5	4.8	1.8	-2.4	-1.9	-4.0
Large houses (221m ² -400m ²)	1.5	1.3	1.1	-3.0	-3.7	-4.3



