Home Loans

Contents

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Housing review — First quarter 2013

- South Africa's economic growth slowed down to a real seasonally adjusted, annualised rate of 1,2% in the third quarter of 2012, from 3,4% in the second quarter. The lower growth was largely the result of a sharp contraction in mining production, which was severely affected by wide-spread labour unrest and strikes in a number of mining sub-sectors. Real economic growth is estimated to have been 2,5% in 2012, forecast to rise to 2,8% in 2013.
- Headline consumer price inflation accelerated in the second half of 2012 on the back of inflationary pressures and is expected to rise to above 6% in 2013 before slowing down in 2014. In view of trends in and prospects for the global and local economy, as well as the outlook for consumer price inflation, interest rates are expected to remain at current levels before rising around mid-2014.
- The household sector continued to experience some financial pressure in late 2012. Real disposable income and consumption growth slowed down further, with savings remaining low. At 76%, the household debt ratio remains relatively high. A large percentage of credit-active consumers still have impaired credit records, while consumer confidence is at a low.
- Nominal house price growth in the middle segment of the market slowed down to less than 1% in 2012 from almost 2% in 2011. In real terms, house prices deflated for the second consecutive year. The category for affordable housing performed the best in 2012 of the various market segments in terms of price growth. In the luxury segment price growth was barely positive in nominal terms last year, resulting in prices deflating in real terms.
- The relatively low nominal house price growth of the past two years is forecast to continue in 2013. Further real house price deflation is projected for 2013 on the back of expected low nominal price growth and headline consumer price inflation forecast to average around 6% this year.
- The performance of the economy, growth in employment and income, living costs, interest rates, consumers' credit-risk profiles, banks' risk appetite and lending criteria, and property running costs are important factors with regard to the affordability of property. These factors, in conjunction with the aspect of consumer confidence, will determine the showing of the residential property market this year, which will be reflected in demand and supply conditions, market activity, buying trends, transaction volumes and the demand for mortgage finance.

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Overview

The economy

The South African economy expanded at a seasonally adjusted, annualised rate of only 1,2% in the third quarter of 2012, down from 3,4% in the second quarter, as measured by growth in the country's real gross domestic product (GDP). The markedly lower economic growth in the third quarter was largely the result of a substantial quarter-on-quarter contraction of 12,7% in the real value added by the mining sector, which was severely affected by widespread labour unrest in a number of mining sub-sectors. A slowdown in the real value added by the agricultural sector as well as the tertiary (services) sector also contributed to the lower third-quarter growth rate. Growth in the real value added by the secondary sector improved to an annualised 1,2% in the third quarter from -0,5% in the preceding quarter.

After reaching a recent low of 4,9% year-on-year (y/y) in July 2012, the headline consumer price inflation rate ended the year at 5,7% y/y. The upward pressure on inflation in the second half of last year was caused by rising food prices, higher property running costs and a number of fuel price hikes, as well as a depreciation of 11,6% in the rand exchange rate from an average of R7,25 against the US dollar in 2011 to R8,21 in 2012.

Interest rates remained stable into early 2013 after last cut in July 2012 to their lowest level in almost 40 years. The continued low interest rates are the result of still uncertain global economic conditions and growth prospects for the South African economy, while consumer price inflation is expected to average around 6% in 2013 before slowing down in 2014.

The household sector

The following trends were evident with regard to household finances in late 2012:

- Growth in real household disposable income and consumption expenditure slowed down further in the third quarter of 2012 from the first and second quarters on the back of economic trends and inflationary pressures.
- With household saving as a percentage of disposable income still low, growth in income and consumption continued to be closely correlated.
- The ratio of household debt to disposable income was stable in the third quarter from the second quarter, with the cost of servicing debt remaining well under control in view of the low interest rates.
- The number of credit-active consumers with impaired credit records continued to rise, negatively affecting credit accessibility.
- Against the background of economic developments and the state of household finances, the level of consumer confidence remained low up to end-2012.

The penultimate quarter of 2012 saw growth in real household disposable income slowing down further to an annualised rate of 2,6%, compared with 4,1% and 3,5% in the first and second quarters respectively. The downward trend in real disposable income growth occurred against the background of continued tight labour market conditions and inflationary pressures. Labour costs remained under upward pressure with the average wage settlement rate at 7,4% year-on-year (y/y) in the first nine months of last year, while labour productivity showed growth of only 1,2% y/y in the first half of the year.

Annualised growth in real household consumption expenditure tapered off to 2,6% in the third quarter of 2012 from 3,1% in the second quarter and 3,7% in the first quarter. Lower income growth, rising inflation and continued low consumer confidence contributed to the slower pace of growth in real household consumption. The continued close correlation between real income and consumption growth is related to the severe lack of sufficient savings in the household sector.

The ratio of gross household saving to disposable income, was stable at 1,7% in the first three quarters of 2012. This implies that for every R100 in disposable (after-tax) income earned by households, they saved only R1,70 on average during this period. The ratio of net saving to disposable income remained at a zero-level in the third 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 balances, which include instalment sales credit, leasing finance, mortgage advances, credit card debt, overdrafts and general loans and advances (mainly personal and micro loans), showed growth of more than 10% y/y up to late 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. The amount of outstanding unsecured credit extended to households (credit card debt, overdrafts and general loans and advances) continued to rise at a fast pace up to the end of last year, largely contributing to the double-digit growth in total household credit balances in 2012.

The ratio of outstanding household debt to annual disposable income was 76% in both the second and third quarters of 2012. This was the net result of debt as well as nominal income rising by 1,7% in the third quarter of the year from the second quarter. Based on the stable debt ratio and a lower prime interest rate in the third quarter, the cost of servicing household debt as a percentage of disposable income was lower at 6,5% compared with 6,9% in the second quarter.

Based on data published by the National Credit Regulator, a total of 9,25 million credit-active consumers, or 47% of a total of 19,69 million, had impaired credit records in the third quarter of 2012. This was 3,14 million, or 51,4%, more than the 6,11 million credit-active consumers having impaired credit records in the second quarter of 2007. The current state of credit records severely restricts consumers' access to credit and adversely affects household consumption expenditure in view of the extremely low level of household savings.

The ratio of households' net wealth to disposable income increased to 307,9% in the third quarter of 2012 from 302% in the preceding quarter, resulting from 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).

According to the latest *Quarterly Labour Force Survey* published by Statistics South Africa, a total of 13,645 million people were employed by the end of the third quarter last year (13,447 million employed in the second quarter). The unemployment rate increased to 25,5% in the quarter from 24,9% in the second quarter. A total of 382 000 less people were employed in the third quarter of 2012 compared with 14,027 million having been employed at the end of 2008. As a result of continued unstable labour market conditions in various sectors of the economy, many households remain financially vulnerable.

The Bureau for Economic Research's consumer confidence index deteriorated marginally to -3 index points in the fourth quarter of 2012 from -1 in the third quarter. The level of consumer confidence, measured by expectations regarding the outlook for the economy, household finances and durable consumption expenditure, is around its 2008 level when the economy was in recession. The consumer confidence index averaged 14,5 index points in 2010, 7,3 index points in 2011 and -0,5 index points in 2012.

Mortgage finance

The value of outstanding mortgage balances in the household sector showed growth of around 3% y/y towards the end of 2012, reflecting of the state of household finances, consumer credit records, consumer confidence and residential property market conditions in general.

The ratio of outstanding household mortgage debt to disposable income was somewhat lower at 41% in the third quarter of 2012 from 41,4% in the second quarter. This was the net result of quarter-on-quarter growth of 0,7% in household mortgage debt and growth of 1,7% in nominal disposable income. Households' outstanding mortgage debt came to 54% of total debt balances in the third quarter of last year, marginally down from 54,5% in the preceding quarter.

The cost of servicing household mortgage debt as a percentage of disposable income was lower at 3,5% from 3,7% in the second 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 lower mortgage interest rate in the third quarter.

House price trends

Last year saw nominal house price growth in the middle segment of the market (homes of 80m² – 400m² and priced up to R3,6 million in 2012) slowing down to less than 1% from almost 2% in 2011. In real terms, i.e. after adjustment for the effect of inflation, house prices deflated for the second consecutive year.

In terms of price growth, the category for affordable housing performed the best in 2012 of the various market segments analysed. In the luxury segment price growth was barely positive in nominal terms last year, resulting in prices deflating in real terms.

House price trends in 2012 were a reflection of property market conditions in general, driven by a combination of macroeconomic developments, the state of household finances and the level of consumer confidence.

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

The average price of affordable housing (homes of 40m² — 79m² and priced up to R500 000 in 2012) increased by 6,5% in 2012 after rising by 2,9% in 2011. Real price growth of 0,9% was registered last year in the affordable segment compared with price deflation of 2,1% in the previous year.

In the fourth quarter of 2012, the average price of affordable houses increased by a nominal 6,6% y/y to about R345 400, after rising by 6,8% y/y in the third quarter. Real price growth was recorded at 0.9% y/y in the fourth quarter, compared with 1,6% y/y in the third quarter.

Middle-segment housing

Middle-segment housing (homes of 80m² — 400m² and priced at R3,6 million or less in 2012) experienced nominal price growth of 0,6% in 2012, down from 1,7% in 2011. In real terms the average price of homes in this category dropped by 4,8% in 2012 after price deflation of 3,1% in 2011. This caused the real price of a middle-segment house to be at its lowest level since 2005 and about 17% below its peak of 2007.

The average nominal price of a home in the middle segment of the market increased by 5,3% y/y to around R1 105 100 in the final quarter of 2012. Real price deflation in this category of housing occurred for the ninth consecutive quarter, coming in at -0,3% y/y in the fourth quarter of last year, after prices dropped by a real 4,2% y/y in the preceding quarter.

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

- Small houses (80m² — 140m²): -4,3% y/y nominal and -9,4% y/y real
- Medium-sized houses (141m² — 220m²): 3,2% y/y nominal and -2,3% y/y real
- Large houses (221m² — 400m²): 1,8% y/y nominal and -3,7% y/y real

Luxury housing

In 2012 negligible price growth of 0,1% in nominal terms (2% in 2011) was recorded in the segment for luxury housing (homes priced at between R3,6 million and R13,4 million in 2012). This translated into real price deflation of 5,2% in 2012 after adjustment for the effect of inflation (-2,9% in 2011).

The fourth quarter of 2012 saw the average price of luxury housing dropping by a nominal 2,2% y/y to a level of R4 663 500, after prices rose by a marginal 0,4% y/y in the third quarter. In real terms, the average price in this category of housing dropped for the seventh consecutive quarter in the fourth quarter of last year, by 7,4% y/y (-4,5% y/y in the third quarter).

Regional house prices

At a provincial, metropolitan and coastal level, house prices increased in a number of regions on a nominal basis in 2012, while real price deflation was recorded in most regions compared with 2011.

While affected by macroeconomic trends in general, the residential property market at geographical level is in many respects also influenced and driven by area-specific factors and developments of an economic, infrastructure, demographic, social and physical nature, such as location. These factors may impact and lead to different property demand and supply conditions, level of market activity, buying patterns, transaction volumes and price levels and growth across the various regions.

House prices in the middle segment of the market performed as follows at provincial level in 2012:

- Northern Cape: 10,7% higher in nominal terms (4,8% in real terms)
- Limpopo: Up by a nominal 5,2% (-0,4% in real terms)
- Eastern Cape: Up by 3,9% in nominal terms (-1,6% in real terms)
- Mpumalanga: A nominal 3,2% higher (-2,3% in real terms)
- Western Cape: Up by 2,6% in nominal terms (-2,9% in real terms)
- North-West: 2,1% higher in nominal terms (-3,3% in real terms)
- Gauteng: Down by a nominal 0,6% (-5,9% in real terms)
- Free State: 1,7% down in nominal terms (-6,9% in real terms)
- KwaZulu-Natal: Down by 2,1% in nominal terms (-7,3% in real terms)

The performance of middle-segment house prices in the major metropolitan areas was as follows in 2012:

- East London: Up by 8,5% in nominal terms (2,7% in real terms)
- Cape Town: 4,3% up in nominal terms (-1,3% in real terms)
- Pretoria: Up by a nominal 1,6% (-3,8% in real terms)
- Bloemfontein: 1% higher in nominal terms (-4,4% in real terms)
- Port Elizabeth/Uitenhage: Up by 0,6% in nominal terms (-4,8% in real terms)
- Durban: A nominal 0,3% higher (-5% in real terms)
- Greater Johannesburg: Down by 2,5% in nominal terms (-7,7% in real terms)

The coastal regions saw the following changes in 2012 in the average price level of houses of between 80m² and 700m² and priced up to R13,4 million:

- All coastal regions: Down by 1,1% in nominal terms (-6,4% in real terms)
- Eastern Cape: 2,2% higher in nominal terms (-3,3% in real terms)
- Western Cape: Marginally down by a nominal 0,5% (-5,8% in real terms)
- KwaZulu-Natal: Down by 7,6% in nominal terms (-12,5% in real terms)

Building costs and new and existing house price trends

The cost of having a new middle-segment house built, was up by a nominal 4,8% in 2012, after rising by 4,9% in 2011. The average nominal price of a new house was up by 5,1% to a level of about R1 591 600 last year. This came to real price deflation of 0,5% in the past year after adjustment for inflation. The average nominal price of an existing house was about R1 037 800 in 2012 (up by a marginal 0,3% in nominal terms, but down by a real 5,1% from 2011). This made it R553 800, or 34,8%, cheaper to have bought an existing house than to have built a new house in 2012.

In the fourth quarter of 2012 the cost of building a new house was up by a nominal 2,2% y/y (4,4% y/y in the third quarter), which was well below the average headline consumer price inflation rate in the quarter. The average nominal price of a new house increased by 2,1% y/y to about R1 630 300 in the fourth quarter, which translated into a real price drop of 3,1% y/y. The average price of an existing house was up by a nominal 5,5% y/y to about R1 082 100 in the fourth quarter, which came to no real year-on-year price change in the quarter. As a result, it was R548 200, or 33,6%, cheaper to have bought an existing house than to have a new one built in the fourth quarter of last year.

Factors impacting building costs, and eventually the price of new housing, include material costs; equipment costs; transport costs; labour costs; developer and contractor profit margins; and the cost of developing land for residential purposes, which is impacted by aspects such as finance costs, land scarcity, the availability of services, the cost of rezoning, and the demolition of old and unwanted structures and other infrastructure where applicable.

Land values

The average value of land for new housing in the middle and luxury segments of the market for which Absa received applications and approved mortgage finance, increased by a nominal 3,5% to about R510 200 in 2012, after declining by 0,5% in 2011. In real terms land values were down by 3,1% in 2012 after real price deflation of 4,2% in 2011.

In the fourth quarter of 2012 the average value of vacant land for new housing was up by a nominal 3% y/y to R508 700, while in real terms prices dropped by 2,3% y/y in the quarter.

Land values for new housing will be reflective of location, the availability of services such as electricity and water and the availability and condition of road infrastructure.

Interest rates and mortgage repayments

Interest rates were cut by 50 basis points in July 2012, after which rates were kept stable into early 2013. Interest rate decisions continued to be driven by global and domestic economic developments and prospects, as well as the outlook for headline consumer price inflation and the factors determining inflation.

Banks' prime and variable mortgage interest rates are currently at 8,5% per annum, with these lending rates at their lowest level in almost 4 decades. Monthly mortgage repayments are in general 35,9% lower compared to early December 2008, when the mortgage rate was 15,5%. Low interest rates favour 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 remained favourable during the course of 2012, reflected 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, while the mortgage interest rate was on average somewhat lower in 2012 compared with 2011.

Many households' ability to take advantage of the improved housing affordability continued to be affected by factors such as income, savings, living costs, debt levels, as well as credit-risk profiles (as reflected by the state of consumer credit records), the NCA and banks' lending criteria in the case of the need for mortgage finance to buy a home.

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

After having expanded by an estimated real 2,5% in 2012 (3,5% in 2011), the South African economy is forecast to grow by 2,8% in 2013. The country's economic performance will be determined by global growth, projected by the International Monetary Fund (IMF) to be 3,5% this year, as well as various factors affecting domestic economic conditions.

Short-term inflationary pressures are expected to cause the headline consumer price inflation rate to rise to above 6% this year, but to slow down again in 2014.

In view of the abovementioned trends in and prospects for the global and local economy, as well as the outlook for consumer price inflation, interest rates are expected to remain at current levels this year before rising by 50 basis points at around mid-2014.

The household sector

Growth in real household disposable income is forecast to slow down to 3% in 2013 from an estimated 3,6% in 2012, impacted by inflationary pressures and expected moderate employment growth. Against the background of a continued lack of sufficient savings, growth in real household consumption, forecast at 3,3% for this year, will remain closely correlated with income growth. With lending rates projected to stay at current low levels until mid-2014, many households will continue to make use of credit to fund consumption expenditure, with the result that the ratio of debt to income is forecast to rise to around 78% by the end of 2013. However, the cost of servicing household credit as a percentage of disposable income is expected to remain under control in view of continued low interest rates.

Over the short to medium term, the household sector is set to be plagued by three structural financial factors, namely relatively high levels of debt (impacting the ability to take up further credit); the lack of savings (impacting the ability to pay a deposit on a property or a vehicle when applying for mortgage or vehicle finance); and impaired credit records (limiting the accessibility of credit).

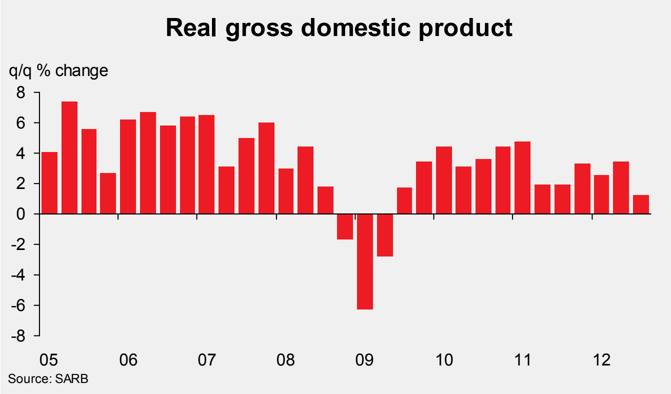
The residential property market

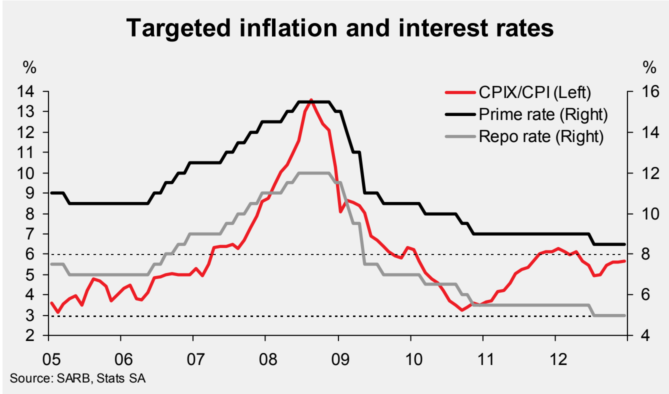
Based on current trends in and prospects for the economy and the household sector, the outlook for the residential property market this year remains subdued.

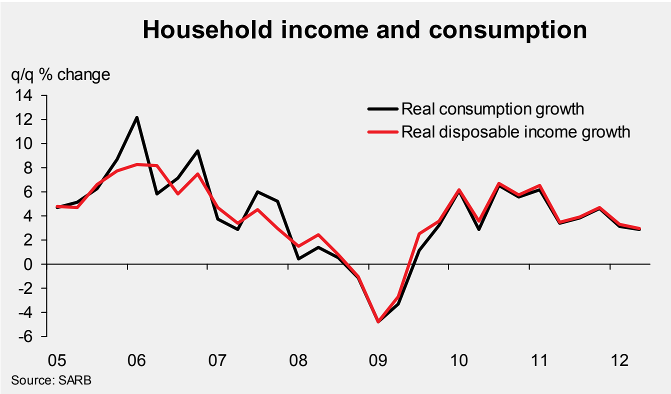
Factors such as the performance of the economy, growth in employment and income, living costs, interest rates, consumers' credit-risk profiles, banks' risk appetite and lending criteria, and property running costs are set to remain important with regard to the affordability of property. These factors, in conjunction with the aspect of consumer confidence, will determine the showing of the residential property market this year, which will be reflected in demand and supply conditions, market activity, buying trends, transaction volumes and the demand for mortgage finance.

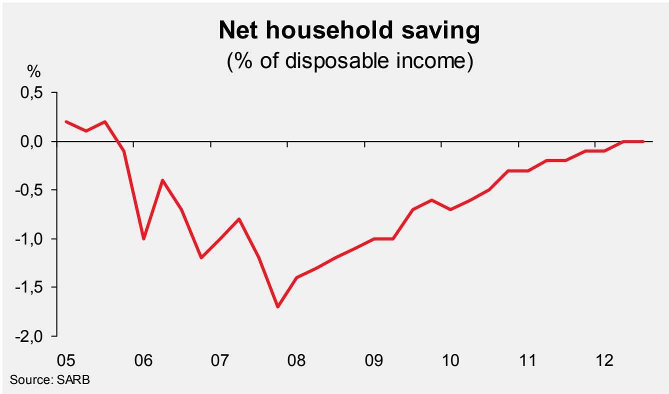
Against this background, the relatively low nominal house price growth of the past two years is forecast to continue in 2013. Further real house price deflation is projected for 2013 on the back of expected low nominal price growth and headline consumer price inflation forecast to average around 6% this year.

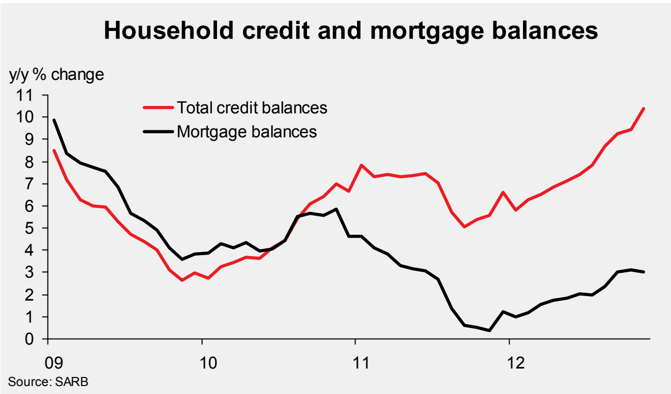
Graphs

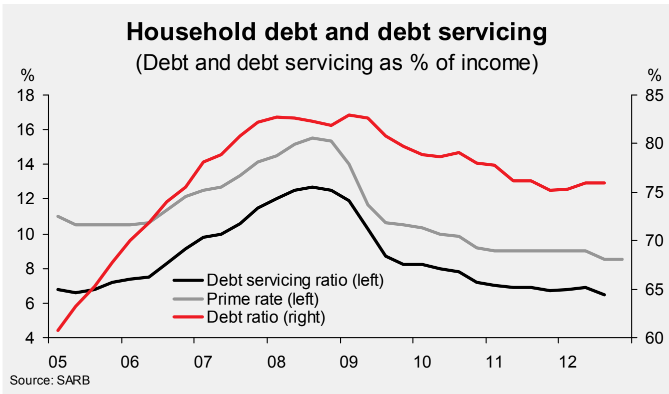

Real gross domestic product
q/q % change
Source: SARB

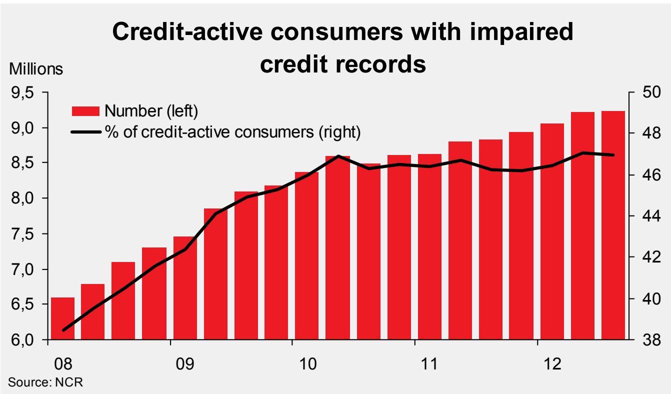

Targeted inflation and interest rates
CPIX/CPI (Left)
Prime rate (Right)
Repo rate (Right)
Source: SARB, Stats SA

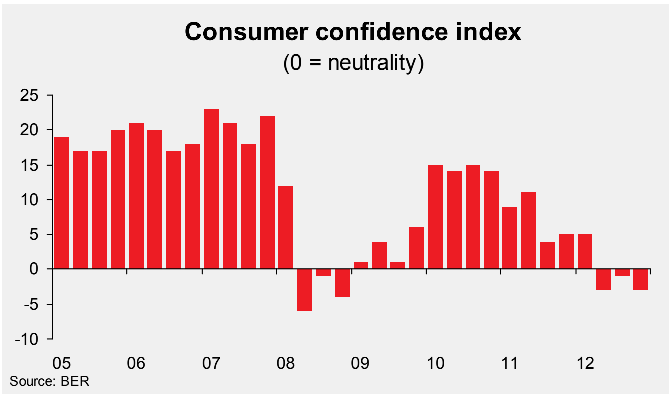

Household income and consumption
q/q % change
Real consumption growth
Real disposable income growth
Source: SARB


Net household saving
(% of disposable income)
Source: SARB


Household credit and mortgage balances
y/y % change
Total credit balances
Mortgage balances
Source: SARB

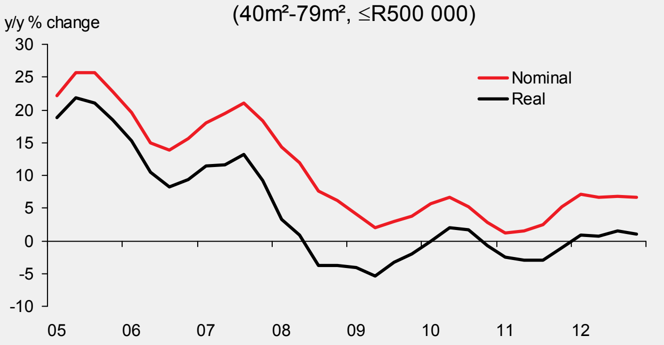

Household debt and debt servicing
(Debt and debt servicing as % of income)
Debt servicing ratio (left)
Prime rate (left)
Debt ratio (right)
Source: SARB


Credit-active consumers with impaired credit records
Millions
Number (left)
% of credit-active consumers (right)
Source: NCR


Consumer confidence index
(0 = neutrality)
Source: BER

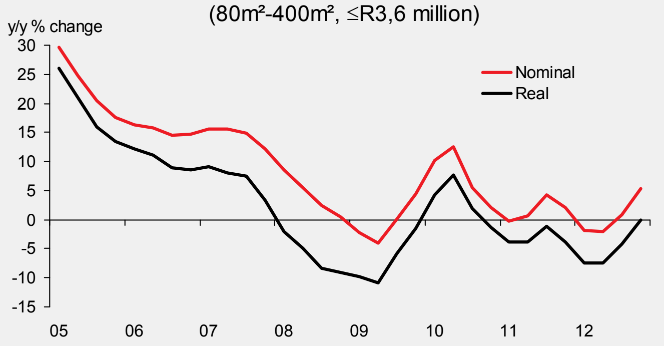
Affordable house price growth

(40m²-79m², ≤R500 000)



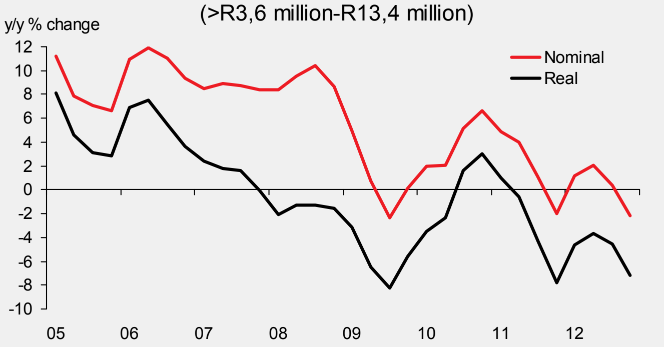
Middle-segment house price growth

(80m²-400m², ≤R3,6 million)



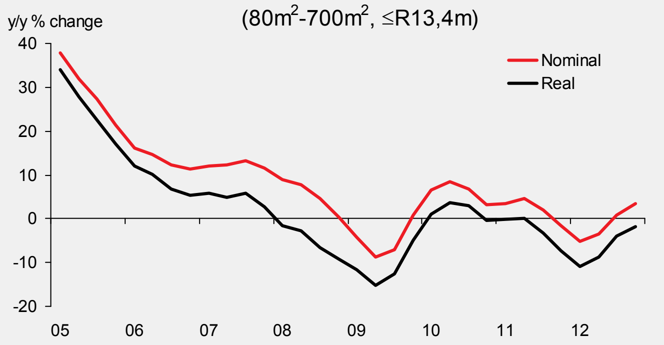
Luxury house price growth

(>R3,6 million-R13,4 million)



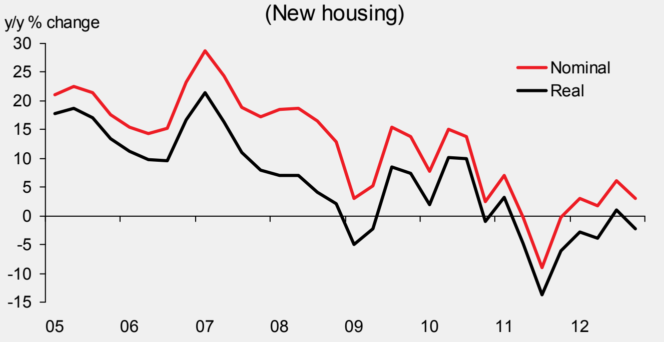
House price growth: coastal regions

(80m²-700m², ≤R13,4m)



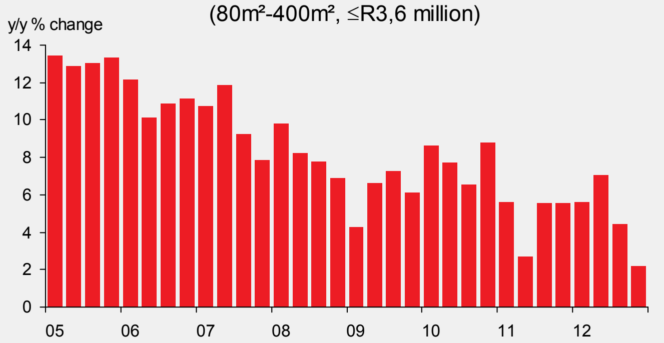
Growth in residential land values

(New housing)



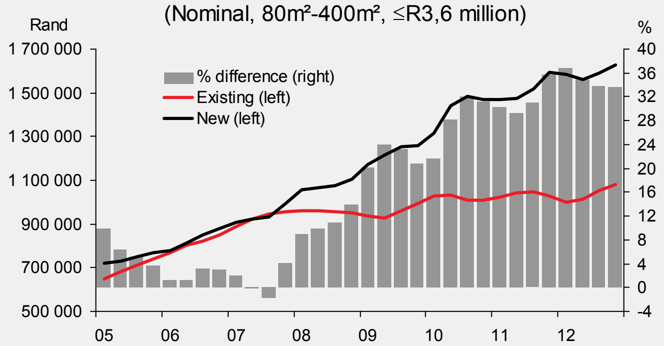
Building cost of new houses

(80m²-400m², ≤R3,6 million)

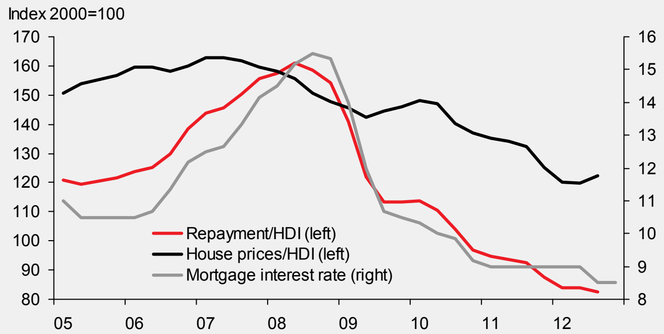


Average price of new and existing houses

(Nominal, 80m²-400m², ≤R3,6 million)



Affordability of housing



Statistics

Average nominal house prices

	2009 Rand	2010 Rand	2011 Rand	2012 Rand	2011	2012					
					Q4 Rand	Q1	Q2	Q3	Q4		
						Rand	Rand	Rand	Rand	q/q % Δ	y/y % Δ
National											
Middle segment ($80m^2$-$400m^2$, ≤R3,6m)	964 590	1 036 840	1 054 822	1 060 715	1 049 518	1 022 614	1 037 949	1 077 207	1 105 092	2,6	5,3
Small ($80m^2$-$140m^2$, ≤R3,6m)	667 064	775 198	741 915	710 217	694 258	660 953	676 814	725 357	777 743	7,2	12,0
Medium ($141m^2$-$220m^2$, ≤R3,6m)	923 863	969 909	986 519	1 017 824	987 177	976 449	997 916	1 030 735	1 066 196	3,4	8,0
Large ($221m^2$-$400m^2$, ≤R3,6m)	1 386 984	1 446 347	1 485 652	1 511 857	1 503 529	1 485 754	1 486 265	1 522 802	1 552 608	2,0	3,3
New ($80m^2$-$400m^2$, ≤R3,6m)	1 224 820	1 427 605	1 515 068	1 591 642	1 596 575	1 585 275	1 560 358	1 590 614	1 630 322	2,5	2,1
Existing ($80m^2$-$400m^2$, ≤R3,6m)	954 492	1 021 167	1 035 102	1 037 815	1 026 079	1 000 424	1 015 507	1 053 179	1 082 148	2,8	5,5
Affordable ($40m^2$-$79m^2$, ≤R500 000)	292 790	307 500	316 294	336 938	324 085	330 611	333 657	338 586	345 388	2,0	6,6
Luxury (R3,6m-R13,4m)	4 514 740	4 686 374	4 780 595	4 787 341	4 766 755	4 878 090	4 874 164	4 780 570	4 663 495	-2,4	-2,2
Provinces											
Eastern Cape	831 106	908 751	890 995	926 150	866 092	869 050	894 660	943 022	975 696	3,5	12,7
Free State	753 196	837 102	889 763	874 549	886 933	824 470	796 084	881 644	1 001 572	13,6	12,9
Gauteng	1 022 609	1 080 569	1 117 399	1 110 350	1 118 173	1 074 144	1 083 856	1 115 930	1 155 785	3,6	3,4
KwaZulu-Natal	850 435	923 476	959 016	938 957	937 495	881 571	893 449	950 833	1 034 229	8,8	10,3
Limpopo	834 433	888 980	880 033	925 762	863 157	853 180	885 805	948 682	1 015 382	7,0	17,6
Mpumalanga	809 304	856 330	905 793	935 059	913 037	903 937	895 804	934 271	1 006 223	7,7	10,2
North West	787 231	836 437	851 872	869 755	911 527	900 781	887 992	866 197	824 050	-4,9	-9,6
Northern Cape	692 257	779 306	767 858	850 257	836 195	807 396	866 635	905 980	821 017	-9,4	-1,8
Western Cape	1 098 538	1 172 923	1 163 035	1 193 314	1 164 958	1 167 987	1 185 575	1 207 997	1 207 074	-0,1	3,6
Metropolitan regions											
PE/Uitenhage (Eastern Cape)	816 847	896 956	860 357	865 538	804 141	821 801	861 934	886 165	892 251	0,7	11,0
East London (Eastern Cape)	1 018 152	1 048 538	986 801	1 070 381	1 024 862	1 070 413	1 076 485	1 069 844	1 064 783	-0,5	3,9
Bloemfontein (Free State)	943 330	1 085 230	1 103 059	1 114 415	1 096 777	1 046 542	1 024 949	1 121 495	1 264 674	12,8	15,3
Greater Johannesburg (Gauteng)	1 075 684	1 105 206	1 162 588	1 133 182	1 180 320	1 120 790	1 116 010	1 136 592	1 154 949	1,6	-2,1
Johannesburg Central & South	886 966	906 286	904 404	873 694	885 551	838 193	835 928	902 771	917 884	1,7	3,7
Johannesburg North & West	1 299 427	1 392 978	1 412 007	1 422 919	1 431 207	1 402 792	1 405 505	1 431 703	1 451 677	1,4	1,4
East Rand	931 888	948 490	1 021 912	1 017 014	1 067 208	1 030 858	1 007 164	1 014 422	1 015 610	0,1	-4,8
Pretoria (Gauteng)	1 056 385	1 162 775	1 181 365	1 200 395	1 163 812	1 142 188	1 161 134	1 216 965	1 281 291	5,3	10,1
Durban/Pinetown (KwaZulu-Natal)	918 773	998 039	1 006 392	1 009 468	1 005 078	976 139	969 958	990 462	1 101 313	11,2	9,6
Cape Town (Western Cape)	1 097 813	1 194 935	1 189 652	1 240 328	1 226 926	1 229 516	1 242 125	1 246 745	1 242 929	-0,3	1,3
Coastal regions											
South Africa	1 136 205	1 206 387	1 231 806	1 218 089	1 198 295	1 183 569	1 210 749	1 237 608	1 240 430	0,2	3,5
Western Cape	1 189 103	1 274 563	1 319 906	1 313 429	1 259 952	1 274 847	1 334 551	1 331 670	1 311 410	-1,5	4,1
West Coast	1 140 273	1 244 318	1 349 877	1 228 000	1 309 243	1 286 316	1 251 320	1 204 134	1 170 230	-2,8	-10,6
Cape Peninsula and False Bay	1 156 929	1 243 152	1 272 121	1 310 130	1 246 278	1 260 295	1 328 816	1 334 136	1 317 275	-1,3	5,7
South Coast	1 307 612	1 375 298	1 433 201	1 358 604	1 286 064	1 310 343	1 373 557	1 379 726	1 370 791	-0,6	6,6
Eastern Cape	1 039 866	1 082 850	1 085 967	1 109 771	1 103 812	1 134 258	1 113 067	1 112 285	1 079 473	-2,9	-2,2
KwaZulu-Natal	1 100 622	1 198 407	1 280 308	1 182 879	1 207 571	1 089 623	1 132 226	1 239 418	1 256 863	1,4	4,1
South Coast	912 820	1 072 605	1 029 383	1 006 220	1 016 994	973 809	980 416	1 041 296	1 029 358	-1,1	1,2
North Coast	1 197 060	1 281 812	1 406 602	1 301 332	1 299 574	1 175 810	1 233 432	1 340 158	1 455 930	8,6	12,0

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 $80m^2$ and $400m^2$, up to R3,6 million in 2012.
House prices for the coastal regions are smoothed for all houses between $80m^2$ and $700m^2$, up to R13,4 million in 2012.

Key variables and projections
Annual averages

		2007	2008	2009	2010	2011	2012	2013	2014
\$/R exchange rate	Rand per US\$	7,05	8,25	8,44	7,32	7,25	8,21	8,49	8,09
CPI headline inflation rate	%	7,1	11,0	7,1	4,3	5,0	5,6	6,1	5,5
Mortgage interest rate	%	14,5	15,0	10,5	9,0	9,0	8,5	8,5	9,0
Household disposable income	Real % Δ	5,2	2,2	-1,2	4,7	5,2	3,6	3,0	3,6
Final consumption by households	Real % Δ	5,5	2,2	-1,6	4,4	4,8	3,4	3,3	3,8
Household saving to disposable income	%	-1,2	-1,2	-0,8	-0,5	-0,2	0,0	-0,2	-0,4
Household debt to disposable income	%	80,0	82,3	81,0	78,2	76,4	76,3	77,7	78,6
Household debt servicing to disposable income	%	10,5	12,4	9,5	7,7	6,9	6,6	6,6	6,9
Gross domestic product	Real % Δ	5,5	3,6	-1,5	3,1	3,5	2,5	2,8	3,5
House prices ($80m^2$-$400m^2$, ≤R3,6m)	Nominal % Δ	14,5	4,1	-0,4	7,5	1,7	0,6	4,9	3,8
House prices ($80m^2$-$400m^2$, ≤R3,6m)	Real % Δ	6,9	-6,2	-7,0	3,1	-3,1	-4,8	-1,1	-1,6

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

	Small: 80m² – 140m²			Medium: 141m² – 220m²			Large: 221m² – 400m²		
	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ	Price Rand	q/q % Δ	y/y % Δ
National and provinces									
South Africa	777 743	7,2	12,0	1 066 196	3,4	8,0	1 552 608	2,0	3,3
Eastern Cape	757 095	3,9	45,3	960 223	1,2	15,1	1 419 085	-2,9	4,4
Free State	897 546	34,7	36,8	778 802	7,2	5,5	1 304 702	12,7	11,8
Gauteng	802 008	11,4	11,8	1 059 469	3,9	9,0	1 582 679	2,4	1,6
KwaZulu-Natal	624 425	7,0	-1,0	975 507	5,6	8,3	1 520 071	6,7	7,0
Mpumalanga	700 203	5,4	9,5	1 074 965	4,3	21,7	1 349 679	14,4	7,6
North West	670 167	5,5	11,9	832 765	-1,5	-3,1	1 060 150	-9,1	-12,6
Northern Cape	678 976	0,5	3,1	720 678	-5,1	-4,9	1 156 003	-5,6	7,1
Limpopo	680 688	16,8	19,3	1 064 471	6,2	17,0	1 673 642	11,0	51,2
Western Cape	842 212	2,3	5,7	1 209 355	-0,4	3,4	1 725 740	-2,9	0,0
Metropolitan regions									
PE/Uitenhage (Eastern Cape)	742 880	-0,3	49,0	733 329	-10,6	-5,2	1 331 324	-2,7	3,8
East London (Eastern Cape)	744 299	3,9	7,9	1 166 635	7,7	25,8	1 837 476	2,6	19,7
Bloemfontein (Free State)	1 049 936	36,2	35,3	1 082 764	8,0	5,2	1 634 200	11,5	13,4
Greater Johannesburg (Gauteng)	864 589	11,6	16,3	987 847	0,6	-7,3	1 617 900	3,4	-2,2
Johannesburg Central & South	623 603	6,9	13,9	778 556	0,0	-4,7	1 621 339	8,3	-2,4
Johannesburg North & West	980 541	11,5	6,8	1 220 780	0,0	-2,4	1 736 667	-0,4	-6,2
East Rand	923 317	13,1	26,6	879 973	-3,2	-11,2	1 449 381	6,1	1,0
Pretoria (Gauteng)	753 185	10,0	4,1	1 229 852	2,6	20,1	1 707 765	2,8	10,2
Durban/Pinetown (KwaZulu-Natal)	681 188	8,6	-4,4	993 557	2,6	1,3	1 649 173	6,8	7,0
Cape Town (Western Cape)	864 376	1,6	4,4	1 265 893	-0,9	0,6	1 771 132	-5,1	-1,2

House prices are based on the total smoothed purchase price of houses (including all improvements) between 80m² and 400m², 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