



Compiled by
Jacques du Toit
Property Analyst
Absa Home Loans

45 Mooi Street
Johannesburg | 2001

PO Box 7735
Johannesburg | 2000
South Africa

Tel +27 (0)11 350 7246
jacques@absa.co.za
www.absa.co.za

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 R3,8 million or less in 2013 (including improvements), in respect of which mortgage loan applications were received and approved by Absa. Prices are seasonally adjusted and smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers in the data. As a result, the most recent index values and price data may differ from previously published figures.

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House price indices

8 August 2013

Slowdown in house price growth continues

Price growth in the South African housing market slowed down further in July this year from June, as reflected by nominal year-on-year growth in the average value of homes in the middle segment of the market. Base effects and continued subdued month-on-month price growth in all the categories analysed are still impacting year-on-year price growth. These findings 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 middle-segment small, medium-sized and large homes (see explanatory notes).

Middle-segment house price growth came to a nominal 9,8% year-on-year (y/y) in July from a revised growth rate of 10,8% y/y in June. The first seven months of 2013 saw the value of middle-segment homes rising by an average 10,8% y/y. The slowdown in year-on-year price growth continued in the categories of small and medium-sized housing, while price growth in the segment for large homes appears to be near an upper turning point. Real price growth in middle-segment housing was registered at 5% y/y in June, i.e. after adjustment for the effect of headline consumer price inflation, which was at 5,5% y/y.

The average nominal value of homes in each of the three middle-segment categories was as follows in July 2013:

- Small homes (80m²-140m²): R742 600
- Medium-sized homes (141m²-220 m²): R1 064 900
- Large homes (221m²-400m²): R1 697 900

Inflationary pressures persist in the local economy, driven by the factors of food prices, transport costs, wage hikes and a relatively weak rand exchange rate. Against the background of subdued economic growth, while headline consumer price inflation is expected to trend upwards to above the 6% level in the near term, domestic interest rates are forecast to remain stable into 2014 before being hiked to keep inflation under control.

The performance of and prospects for the residential property market will continue to be closely related to economic growth, employment and household income growth, property running costs and living costs in general, interest rates, consumers' credit-risk profiles, consumer confidence and banks' risk appetite and lending criteria. These factors will impact the affordability of housing and mortgage finance and will be reflected in property demand and supply conditions, price trends, market activity, buying trends, transaction volumes and the demand for mortgage finance.

Against this background, as well as recent trends in house price growth, nominal prices are forecast to show single-digit growth for the full year. As a result of expected trends in nominal price growth and headline consumer price inflation in the rest of the year, relatively low real house price inflation is projected for 2013.

Absa house price indices (nominal, 2000=100)

Houses of 80m²-400m², up to R3,8 million

Month	Small houses 80m ² -140 m ²			Medium-sized houses 141m ² -220 m ²			Large houses 221m ² -400 m ²		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
January	393.5	330.0	382.4	388.6	389.4	429.0	404.0	409.8	432.7
February	393.7	328.5	377.0	388.9	390.0	428.8	406.1	407.6	438.2
March	390.8	330.2	372.7	389.8	392.5	427.9	406.6	406.0	444.4
April	386.3	334.0	370.7	391.7	396.0	427.3	405.8	406.2	450.9
May	382.1	339.6	370.5	394.5	399.6	426.9	404.6	408.3	456.7
June	379.0	346.8	371.3	397.8	403.4	426.6	404.4	411.4	462.0
July	375.9	355.3	372.8	400.5	407.4	426.3	405.8	414.7	466.1
August	371.5	364.3		401.4	411.9		408.4	417.8	
September	365.0	373.1		400.2	416.4		411.3	420.6	
October	355.7	380.7		397.5	421.0		413.2	423.1	
November	345.1	385.6		394.1	425.1		413.4	425.8	
December	335.8	386.0		391.0	427.9		412.0	428.8	
Average	372.9	354.5	373.9	394.7	406.7	427.5	408.0	415.0	450.2

Absa house price indices

Houses of 80m²-400m², up to R3,8 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	June 2013	July 2013	Year-to-date 2013	May 2013	June 2013	Year-to-date 2013
Small (80m ² -140m ²)	7.1	4.9	10.7	3.3	1.4	5.7
Medium (141m ² -220m ²)	5.7	4.6	7.7	1.2	0.2	2.4
Large (221m ² -400m ²)	12.3	12.4	10.0	6.0	6.4	3.7

Absa house price index

Houses of 80m²-400m², up to R3,8 million



