



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 80m<sup>2</sup>-400m<sup>2</sup> size category, priced at R4,2 million or less in 2015 (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.

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Bank Limited and/or the authors of the material.

## House price indices

10 April 2015

### House price growth extends slowing trend

The first quarter of 2015 saw year-on-year growth in the average nominal value of middle-segment homes in the South African residential property market being on a steady downward trend. The slowing trend in house price growth was already evident in the fourth quarter of last year. Real price growth also softened up to February this year on the back of declining nominal price growth, despite inflation trending lower in the first two months of the year. 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 middle-segment small, medium-sized and large homes (see explanatory notes).

Nominal middle-segment house price growth was recorded at 6,2% year-on-year (y/y) in March, down from 7,3% y/y in February after reaching a level of 10% y/y in the months of August to October last year. On a month-on-month basis, house price growth remained on a downward trend, with prices deflating by almost 0,2% in nominal terms in March, which was the first monthly price deflation since early 2012.

The downward trend in nominal house price growth since late last year came on the back of a subdued economic performance, continued low consumer confidence, interest rate hikes during the course last year and the prospect of further rate hikes up to late 2016.

The average nominal value of homes in each of the middle-segment categories was as follows in March 2015:

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R868 000
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 193 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 821 000

Real house price growth, i.e. after adjusting nominal price growth for the effect of consumer price inflation, was down to 3,3% y/y in February from 3,7% y/y in January this year, despite the fact that inflation dropped to 3,9% y/y in February. However, inflation is forecast to pick up to a level of above 6% y/y by year-end, with higher domestic fuel prices set to be a major contributing factor in rising inflation, driven by international oil price and \$/R exchange rate movements. Fuel prices were already hiked substantially in March and April, which will put upward pressure on inflation in the near-term. In view of these expectations, interest rates are forecast to increase later this year and through 2016 in an attempt to control inflationary pressures.

These developments will adversely affect household finances and eventually also impact the residential property market, leading to the view that nominal house price growth will remain in single digits this year. Expected rising inflation towards year-end will have a dampening effect on real house price growth in coming months.

### Absa house price indices (nominal, 2000=100)

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R4,2 million

Month	Small houses 80m <sup>2</sup> -140 m <sup>2</sup>			Medium-sized houses 141m <sup>2</sup> -220 m <sup>2</sup>			Large houses 221m <sup>2</sup> -400 m <sup>2</sup>		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
January	376.6	389.9	436.7	427.5	448.0	478.5	442.9	477.9	502.7
February	373.3	395.9	436.6	427.3	452.4	478.0	447.0	481.6	501.5
March	370.6	402.5	435.9	426.9	455.7	477.5	450.9	486.0	500.0
April	369.6	408.1		427.4	457.7		453.8	490.8	
May	370.6	411.9		428.8	458.9		456.2	495.2	
June	373.6	413.8		430.3	460.7		458.7	498.0	
July	377.8	415.2		431.2	463.8		461.5	499.5	
August	381.7	417.9		431.7	467.8		464.5	500.5	
September	383.9	422.7		432.6	472.1		467.3	501.8	
October	384.2	428.4		434.7	475.4		469.4	503.0	
November	383.9	433.1		438.2	477.5		471.4	503.6	
December	385.5	435.8		443.0	478.4		474.5	503.3	
Average	377.6	414.6	436.4	431.7	464.0	478.0	459.8	495.1	501.4

### Absa house price indices

Houses of 80m<sup>2</sup>-400m<sup>2</sup>, up to R4,2 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	February	March	Year-to-date	January	February	Year-to-date
	2015	2015	2015	2015	2015	2015
Small (80m <sup>2</sup> -140m <sup>2</sup> )	10.3	8.3	10.2	7.3	6.1	6.7
Medium (141m <sup>2</sup> -220m <sup>2</sup> )	5.7	4.8	5.7	2.3	1.7	2.0
Large (221m <sup>2</sup> -400m <sup>2</sup> )	4.1	2.9	4.1	0.7	0.2	0.5



