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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 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.

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## House price indices

7 May 2015

### Slowing trend in house price growth continues

The downward trend in the year-on-year growth in the average nominal value of middle-segment homes in the South African residential property market, which started in the fourth quarter of 2014, continued up to April this year. It is believed that economic conditions and factors related to household finances, such as economic growth, inflation, interest rates, consumer credit-risk profiles, confidence as well as the outlook for these variables, are currently some of the main driving factors of property market conditions and trends in house prices.

The slowdown in nominal year-on-year house price growth over the past six months was also affected by a declining trend in month-on-month price growth since early 2014. With nominal house price growth trending down, real price inflation also tapered off, despite the relatively low inflation rate of 4,1% y/y in the first quarter of the year.

Nominal house price growth came to 5,7% year-on-year (y/y) in April 2015, declining further from a revised 6,7% y/y in March, after touching on 10% y/y in August to October last year. On a monthly basis, prices deflated marginally by a nominal 0,1% in April.

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

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R851 000
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 205 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 828 000

In real terms, i.e. after adjustment for the effect of consumer price inflation, house price growth slowed down to 2,5% y/y in March from 3,5% y/y in February this year, despite the fact that inflation remained low at 4% y/y in March. However, with inflation expected to be on a rising trend in the rest of the year, real house price growth is forecast to come under further downward pressure in the near term. Inflationary pressures will increase the focus on interest rates, which are projected to be hiked before year-end and through 2016.

Rising inflation and interest rates will adversely affect household finances and levels of confidence, eventually impacting the residential property market. Against this background, nominal house price growth is forecast to remain in single digits throughout the year, with real price growth to reflect trends in inflation in months to come.

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

Houses of 80m²-400m², up to R4,2 million

Month	Small houses 80m²-140 m²			Medium-sized houses 141m²-220 m²			Large houses 221m²-400 m²		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
January	376.5	389.6	435.4	427.5	448.2	479.4	441.4	478.4	503.8
February	373.3	395.8	433.5	427.3	452.5	480.3	445.4	481.7	503.3
March	370.7	402.6	430.8	426.8	455.7	481.6	449.3	485.8	502.6
April	369.8	408.4	427.1	427.2	457.6	482.3	452.3	490.5	501.9
May	370.8	412.3		428.5	458.7		454.8	495.0	
June	373.8	414.2		430.0	460.5		457.5	498.3	
July	377.9	415.3		431.0	463.6		460.4	500.2	
August	381.6	417.8		431.6	467.8		463.6	501.4	
September	383.8	422.4		432.6	472.0		466.8	502.7	
October	383.9	428.5		434.8	475.2		469.5	503.7	
November	383.5	433.5		438.4	477.2		471.9	504.0	
December	385.1	435.8		443.2	478.4		475.1	503.9	
Average	377.6	414.7	431.7	431.6	464.0	480.9	459.0	495.5	502.9

### Absa house price indices

Houses of 80m²-400m², up to R4,2 million

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	March 2015	April 2015	Year-to-date 2015	February 2015	March 2015	Year-to-date 2015
Small (80m²-140m²)	7.0	4.6	8.2	5.4	2.8	5.1
Medium (141m²-220m²)	5.7	5.4	6.0	2.2	1.6	2.0
Large (221m²-400m²)	3.5	2.5	3.9	0.5	-0.6	0.3



