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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

6 August 2015

### Continued slowdown in house price growth

The declining trend in year-on-year growth in the average nominal value of homes in the various categories of middle-segment housing in the South African residential property market continued in July this year. Average month-on-month price growth has slowed down to below 0,2% in July, contributing to declining annual price growth. Real price growth, i.e. after adjustment for the effect of inflation, also tapered off in June on the back of steadily rising consumer price inflation, with some real year-on-year price deflation evident in some categories of middle-segment housing. The average level of house prices was in June down by 11,2% in real terms compared with the peak in August 2007.

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

- Small homes (80m<sup>2</sup>-140m<sup>2</sup>): R844 000
- Medium-sized homes (141m<sup>2</sup>-220 m<sup>2</sup>): R1 210 000
- Large homes (221m<sup>2</sup>-400m<sup>2</sup>): R1 877 000

The abovementioned trends in home values 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).

The slowdown in year-on-year house price growth commenced in October last year and is believed to be the result of continued challenging economic conditions such as low economic and employment growth, while inflation and interest rates are on a rising trend, which impact household finances, consumer credit-risk profiles and consumer confidence.

Macroeconomic trends, the state of household finances, confidence levels, and banks' risk appetite and lending criteria will remain key driving factors of the demand for and affordability of housing and mortgage finance over the next 12-18 months. The household sector is forecast to experience increased financial pressure in the rest of the year and during next year against the background inflationary pressures and higher interest rates, which will eventually hamper the performance of the property market.

The forecast is for nominal house price growth to remain in single digits at a level of about 6% in 2015 and 2016, which will be lower than the average price growth of around 9,5% in 2013 and 2014. This will be the result of trends in and the outlook for key macroeconomic and household sector-related factors. Based on current trends in and forecasts for nominal house price growth and headline consumer price inflation, which is projected to average 5% this year and 6,3% next year, house prices are under downward pressure in real terms in the rest of the year and in 2016.

### 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	375.5	389.0	434.9	427.2	448.2	479.0	441.2	478.9
February	372.5	395.5	431.5	427.3	452.4	480.3	445.4	482.3	505.8
March	370.3	402.7	427.5	427.1	455.6	481.5	449.4	486.2	508.0
April	369.8	408.9	424.4	427.8	457.6	482.7	452.7	490.8	510.3
May	371.1	413.0	422.9	429.4	458.9	483.8	455.4	495.4	512.5
June	374.2	414.8	422.7	431.0	460.9	484.4	458.1	498.9	514.1
July	378.2	415.8	423.9	431.9	464.1	484.5	461.0	501.0	515.2
August	381.8	418.0		432.2	468.2		464.2	502.4	
September	383.7	422.3		432.9	472.2		467.3	503.7	
October	383.7	428.1		434.8	475.1		469.8	504.4	
November	383.1	433.4		438.2	477.0		472.2	504.0	
December	384.5	436.0		443.1	478.0		475.5	503.3	
Average	377.4	414.8	426.8	431.9	464.0	482.3	459.3	495.9	510.0

### 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		
	June	July	Year-to-date	May	June	Year-to-date
	2015	2015	2015	2015	2015	2015
Small (80m²-140m²)	1.9	2.0	5.2	-2.1	-2.7	1.4
Medium (141m²-220m²)	5.1	4.4	5.8	0.8	0.3	1.6
Large (221m²-400m²)	3.1	2.8	4.0	-1.1	-1.6	-0.2



