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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 80m²-400m² 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 September 2015

House price growth remaining on a downward trend

August 2015 saw a continuation of the declining trend in year-on-year growth in the average nominal value of homes in the various categories of middle-segment housing in South Africa. Average month-on-month price growth has slowed down further to below 0,2% in August – its lowest level since early 2012 and contributing to the downward trend in year-on-year price growth.

Real house price growth, i.e. after adjustment for the effect of consumer price inflation, also slowed down up to July as a result of declining nominal price growth and steadily rising consumer price inflation in recent months. Some real year-on-year price deflation was evident in all categories of middle-segment housing in July. The average level of house prices was in July almost 12% lower 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 August 2015:

- Small homes (80m²-140m²): R869 000
- Medium-sized homes (141m²-220 m²): R1 206 000
- Large homes (221m²-400m²): R1 917 000

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).

Average house price growth has been on a continued downward trend since late 2014, driven by increasingly challenging economic conditions as reflected by economic and employment growth, inflation and interest rate trends and developments regarding the state of household finances, consumer credit-risk profiles and consumer confidence. Consumers are expected to face increased financial strain towards year-end and in 2016 as a result of inflationary pressures and rising interest rates. Banks' risk appetite and lending criteria will reflect these conditions, affecting the demand for and affordability of housing and mortgage finance, which will be evident in the performance of the property market.

Nominal house price growth is forecast to remain in single digits to average around 6% in 2015, with the risk for price growth to the downside into next year. Against the background of current trends in and forecasts for nominal house price growth and headline consumer price inflation, projected to average 4,7% this year and 5,8% next year, house prices will remain relatively low and under downward pressure in real terms.

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	374.9	388.7	434.5	427.1	448.1	479.0	441.0	479.7
February	371.8	395.1	430.6	427.2	452.3	480.3	445.1	483.3	506.8
March	369.7	402.4	426.4	427.0	455.5	481.4	449.2	487.1	509.4
April	369.5	408.7	424.0	427.8	457.6	482.6	452.7	491.5	512.7
May	371.1	413.1	424.5	429.4	458.9	483.5	455.6	495.8	516.7
June	374.4	415.1	427.5	431.0	460.9	483.7	458.5	499.1	520.4
July	378.4	416.1	431.8	431.9	464.1	483.5	461.3	501.3	523.4
August	382.0	418.2	436.5	432.3	468.2	482.8	464.2	502.8	526.2
September	383.9	422.4		433.0	472.3		467.1	504.2	
October	383.8	428.2		434.9	475.2		469.5	505.1	
November	383.2	433.4		438.3	477.0		472.1	504.8	
December	384.4	435.8		443.1	478.0		475.8	504.3	
Average	377.2	414.8	429.5	431.9	464.0	482.1	459.3	496.6	515.1

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		
	July	August	Year-to-date	June	July	Year-to-date
	2015	2015	2015	2015	2015	2015
Small (80m²-140m²)	3.8	4.4	5.5	-1.7	-1.1	1.2
Medium (141m²-220m²)	4.2	3.1	5.2	0.2	-0.7	1.0
Large (221m²-400m²)	4.4	4.7	4.6	-0.5	-0.5	0.1



