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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

6 February 2015

Steady middle-segment house price growth continues in early 2015

January 2015 saw year-on-year (y/y) growth in the average nominal value of middle-segment homes in the South African residential property market remaining relatively stable from late last year. Nominal house price growth of 9,5% y/y was registered in January, slightly down from 9,7% y/y and 9,8% y/y recorded in December and November respectively. Real price growth, i.e. after adjustment for the effect of consumer price inflation, is showing signs of picking up on the back of inflation trending down. These price 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).

The continued above-inflation growth in house prices is regarded as a relative good performance against the background of persistent challenging economic conditions and low confidence levels. However, largely normalised demand and supply conditions in the residential property market are believed to be a major supporting factor to price growth.

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

- Small homes (80m²-140m²): R880 000
- Medium-sized homes (141m²-220 m²): R1 204 000
- Large homes (221m²-400m²): R1 850 000

Currently consumer price inflation is under downward pressure against the background of low international oil and domestic fuel prices. However, the major risks to the inflation outlook remain the oil price, the rand exchange rate and above-inflation wage hikes, whereas productivity growth is low. Headline consumer price inflation is forecast to dip below the 4% level this year, with interest rates expected to stay at current levels until later this year. Consumers are currently benefitting from the significantly lower fuel prices, which will be supportive of domestic demand and economic growth. Household consumption expenditure is an important driver of economic activity, with a share of around 60% in the gross domestic product.

Single-digit nominal house price growth is expected to continue in 2015 against the background of the outlook for major economic and household sector-related factors, although base effects may cause price growth to be slightly lower compared with 2013 and 2014 when price growth of 10% and 9,3% respectively was recorded. Based on current expectations regarding nominal house price growth and consumer price inflation, continued real price inflation is projected for this year, after real price growth was recorded in both 2013 and 2014.

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 | 390.6 | 441.8 | 427.6 | 448.6 | 482.1 | 440.6 | 478.4 | 507.8 |
| February | 371.5 | 396.2 | | 427.5 | 453.0 | | 444.9 | 481.9 | |
| March | 369.1 | 402.3 | | 427.1 | 456.1 | | 449.3 | 486.0 | |
| April | 368.7 | 407.6 | | 427.6 | 457.9 | | 452.9 | 490.5 | |
| May | 370.2 | 411.4 | | 429.0 | 458.9 | | 455.9 | 494.7 | |
| June | 373.6 | 413.6 | | 430.6 | 460.4 | | 458.7 | 497.4 | |
| July | 377.6 | 415.2 | | 431.5 | 463.2 | | 461.3 | 498.9 | |
| August | 381.4 | 417.9 | | 431.9 | 467.1 | | 464.2 | 499.6 | |
| September | 383.8 | 422.3 | | 432.8 | 471.1 | | 467.1 | 500.6 | |
| October | 384.5 | 427.9 | | 434.9 | 474.7 | | 469.5 | 502.4 | |
| November | 384.7 | 433.3 | | 438.5 | 477.7 | | 471.8 | 504.3 | |
| December | 386.4 | 438.2 | | 443.4 | 480.3 | | 475.0 | 506.4 | |
| Average | 377.2 | 414.7 | 441.8 | 431.9 | 464.1 | 482.1 | 459.3 | 495.1 | 507.8 |

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 | | |
|----------------------|-------------------------------|---------------|--------------|----------------------------|---------------|-------------------|
| | November 2014 | December 2014 | January 2015 | November 2014 | December 2014 | Year-to-date 2014 |
| Small (80m²-140m²) | 12.6 | 13.4 | 13.1 | 6.5 | 7.7 | 3.6 |
| Medium (141m²-220m²) | 8.9 | 8.3 | 7.5 | 3.0 | 2.8 | 1.3 |
| Large (221m²-400m²) | 6.9 | 6.6 | 6.1 | 1.0 | 1.2 | 1.6 |



