



Absa House Price Indices

4 November 2009

Compiled by:
Jacques du Toit
Senior Property Analyst
Absa Home Loans
Absa Group Limited
(Reg No 1986/003934/06)

45 Mooi Street
Johannesburg
2001

PO Box 7735
Johannesburg
2000
South Africa

Tel: +27 (0) 11 350 7246
Fax: +27 (0) 11 350 5351
E-mail: jacques@absa.co.za
Website: <http://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 80m²-400m² size category, priced at R3,1 million or less in 2008 (including improvements), in respect of which mortgage loan applications were approved by Absa. Prices are smoothed in an attempt to exclude the distorting effect of seasonal factors and outliers in the data. As a result, the most recent index and price growth data may differ materially 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 Group Limited and/or the authors of the material.

House price inflation resumes

After almost a year of nominal year-on-year house price deflation in the South African housing market, some price inflation was recorded in the past two months, according to Absa's calculations. Based on recent price trends, it was expected that annual nominal price growth would resume shortly. On the back of these developments as well as declining consumer price inflation in recent months, real price deflation slowed down further in September.

House prices in the **middle-segment** (see explanatory notes) were up by a nominal 2,6% year-on-year (y/y) to R991 200 in October 2009, after rising by a revised 1,3% y/y in September. Month-on-month price inflation came to 1,1% in October. In real terms, house prices in the middle segment of the market were down by 4,6% y/y in September (-6% y/y in August).

The average nominal price of **small houses** (80m²-140m²) were down by a nominal 3,1% y/y in October, compared with a decline of 3,6% y/y recorded in September after revision. This brought the average nominal price of small houses to about R657 200 in October. In real terms, the average price of houses in this segment was 9,2% y/y lower in September, after declining by a revised 9,8% y/y in August.

In the category of **medium-sized houses** (141m²-220m²), the average nominal price declined by 4,4% y/y in October (-4,5% y/y in September after revision), which brought prices in this segment to around R908 300. Taking account of inflation, this resulted in a real price decline of 10,1% y/y in September, unchanged from August.

Nominal price growth in respect of **large houses** (221m²-400m²) accelerated to 3,2% y/y in October this year, after increasing by a revised 2,6% y/y in the preceding month. This caused the average nominal price to rise to R1 417 400 in October. The average price of large houses was down by a real 3,3% y/y in September, compared with a drop of 4,2% y/y in August.

The latest trends with regard to house prices are encouraging, which are based on a further rise in transaction volumes in October, compared with September. This came after transaction volumes appear to have bottomed in August this year.

Absa House Price Indices (nominal, 2000=100)												
Month	Small houses 80-140 m ²			Medium-sized houses 141-220 m ²			Large houses 221-400 m ²			All houses 80-400 m ²		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Jan	309.9	341.0	338.3	338.8	380.8	375.9	337.7	382.0	374.5	324.1	354.8	350.1
Feb	312.4	342.6	336.7	344.4	381.1	374.0	342.5	383.4	374.2	328.8	355.6	347.4
Mar	314.5	343.8	334.5	349.6	380.8	371.9	347.1	384.0	374.8	332.9	356.1	345.1
Apr	316.6	344.6	331.8	354.7	380.1	369.5	352.0	383.6	376.4	336.6	356.4	343.9
May	318.9	344.9	329.5	359.5	379.6	367.2	357.1	382.6	378.7	339.7	356.5	344.7
Jun	321.8	344.5	328.3	363.9	379.5	365.4	362.4	381.1	381.4	342.6	356.5	347.5
Jul	325.3	343.4	328.1	367.9	379.7	364.1	367.3	379.8	383.9	345.3	356.3	351.7
Aug	329.0	342.2	328.3	371.6	380.2	363.5	371.2	378.8	386.0	347.6	356.1	356.2
Sep	332.3	341.2	328.8	374.5	380.5	363.2	374.1	378.0	387.8	349.4	355.9	360.6
Oct	335.1	340.4	329.9	376.7	380.3	363.6	376.5	377.2	389.1	351.2	355.2	364.6
Nov	337.4	339.9		378.4	379.3		378.7	376.2		352.7	354.0	
Dec	339.2	339.3		379.8	377.7		380.5	375.2		353.9	352.4	
Average	324.4	342.3		363.3	380.0		362.3	380.2		342.1	355.5	

Despite massive job losses recorded in the third quarter of 2009, there are indications from various economic indicators, such as the South African Reserve Bank's leading and coincident business cycle indicators, that the economy is on its way to recovery. Although the household sector is still very much under pressure on the back of declining employment, while real disposable income growth is negative territory, housing market conditions are expected to improve further towards the end of the year and into 2010. Better economic conditions, as well as banks' less tight lending criteria and the lagged effect of lower interest rates, will provide much needed support to the property market during the course of the next twelve months.

Taking account of house price trends in the first ten months of 2009, nominal price deflation of less than 1,5% seems possible for the full year compared with 2008. Average nominal house price growth of up to 3% in 2010 is attainable if the latest trends prove to be sustainable. Real price deflation of around 8% is forecast for 2009, while prices may decline further in real terms next year on the back of nominal house price and inflation projections.

Absa House Price Indices						
Houses of 80-400m², up to R3,1 million						
Category of housing	Nominal y/y % change			Real y/y % change		
	September 2009	October 2009	Jan-Oct 2009	August 2009	September 2009	Jan-Sep 2009
Small houses (80m ² -140m ²)	-3.6	-3.1	-3.3	-9.8	-9.2	-10.1
Medium-sized houses (141m ² -220m ²)	-4.5	-4.4	-3.3	-10.1	-10.1	-9.9
Large houses (221m ² -400m ²)	2.6	3.2	-0.1	-4.2	-3.3	-7.5
All houses (80m ² -400m ²)	1.3	2.6	-1.3	-6.0	-4.6	-8.7

