



Compiled by
Jacques du Toit
Property Analyst
Absa Home Loans

45 Mooi Street
Johannesburg | 2001

PO Box 7735
Johannesburg | 2000
South Africa

Tel +27 (0)11 350 7246
jacques@absa.co.za
www.absa.co.za

Explanatory notes:

The Absa house price indices, available back to 1966, are based on the total purchase price of homes in the 80m²-400m² size category, priced at R4,4 million or less in 2016 (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

9 September 2016

Continued slowdown in middle-segment house price growth

August 2016 saw year-on-year growth in the average nominal value of middle-segment homes in the South African housing market slowing down further to its lowest level in almost four years. Monthly nominal price growth came to a virtual standstill in August, after being on a declining trend during the course of the year. In real terms, i.e. after adjustment for the effect of consumer price inflation, house prices contracted unabatedly on a year-on-year and month-on-month basis in the first seven months of the year.

Nominal price growth of 3,8% year-on-year (y/y) was recorded in middle-segment housing in August this year, with real price deflation of 1,7% y/y registered in July.

The average nominal value of homes in each of the middle-segment categories was as follows in August 2016:

- Small homes (80m²-140m²): R939 000
- Medium-sized homes (141m²-220 m²): R1 312 000
- Large homes (221m²-400m²): R1 973 000

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 South African economy recorded real growth of 3,3% at a seasonally adjusted annualised rate in the second quarter of the year, after a contraction of 1,2% in the first quarter. Second-quarter growth was mainly driven by the mining sector (11,8% growth), the manufacturing sector (8,1% growth), the transport, storage and communication sector (2,9% growth) and the finance, real estate and business services sector (2,9% growth). The economy is, however, forecast to show very little, if any, growth for the full year. Headline consumer price inflation averaged 6,3% y/y in the first seven months of the year and is forecast to remain above the 6% level up to year-end. Interest rates have been hiked earlier this year and further rate hikes cannot be ruled out. Consumers' financial vulnerability and credit health deteriorated further in the second quarter of the year, with consumer confidence, already at a low level, that may continue to decline.

Against the background of the abovementioned trends and prospects, nominal house price growth is forecast to remain under downward pressure in the rest of the year and into 2017, with prices expected to drop further in real terms over the next twelve months.

Absa house price indices (nominal, 2000=100)

Houses of 80m²-400m², up to R4.4 million in 2016

Month	Small houses 80m²-140 m²			Medium-sized houses 141m²-220 m²			Large houses 221m²-400 m²		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
	January	391.0	431.7	458.9	448.0	478.6	502.9	480.4	505.8
February	396.6	428.8	464.3	452.4	480.1	504.6	484.1	507.7	546.6
March	403.1	426.0	467.4	455.9	481.7	507.7	487.9	510.2	547.8
April	408.9	425.2	468.3	458.1	483.5	511.6	492.0	513.3	548.0
May	413.2	426.9	468.4	459.3	485.9	515.8	496.0	517.8	547.0
June	415.7	430.2	468.9	461.1	488.3	519.6	498.8	523.5	545.2
July	417.1	434.2	469.9	464.0	490.6	522.7	500.3	529.4	543.7
August	419.1	437.8	471.2	467.9	493.0	525.2	501.3	533.9	541.7
September	422.6	440.6		471.7	495.7		502.6	536.8	
October	427.4	443.0		474.6	498.1		503.9	538.7	
November	431.4	446.8		476.5	500.1		504.6	540.6	
December	433.1	452.3		477.6	501.6		504.8	542.8	
Average	414.9	435.3	467.2	463.9	489.8	513.8	496.4	525.0	545.6

Absa house price indices

Houses of 80m²-400m², up to R4.4 million in 2016

Category of housing	Nominal year-on-year % change			Real year-on-year % change		
	July 2016	August 2016	Year-to-date 2016	June 2015	July 2016	Year-to-date 2016
	Small (80m²-140m²)	8.2	7.6	8.6	2.6	2.1
Medium (141m²-220m²)	6.5	6.5	5.9	0.1	0.5	-0.5
Large (221m²-400m²)	2.7	1.5	5.4	-2.0	-3.1	-0.3

Absa house price index

Houses of 80-400m², up to R4.4 million in 2016, Index 2000=100





