



Absa House Price Indices

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House price growth slowed down further in October

Nominal year-on-year house price growth in the middle segment of the market was in October 2008 at its lowest level since January 1993. In all three categories of housing (small, medium-sized and large houses) nominal price growth edged lower in October compared with a year ago. In real terms (i.e. after adjustment for inflation) house prices dropped further in September to their lowest level in almost three years.

The financial difficulties South African consumers are currently facing as a result of trends in domestic inflation, interest rates, real household disposable income, household debt and debt servicing, as well as the effect of the National Credit Act and the tightening of credit criteria by banks, have caused the housing market to cool off to levels not seen in many years.

The average nominal price of **middle-segment housing** (see explanatory notes) was up by 1,2% year-on-year (y/y) in October 2008, slowing down from a revised growth rate of 1,5% y/y in September. This brought the average nominal price of a house in this segment of the market to about R969 100 in October. In view of these price trends, nominal year-on-year house price growth is at risk of moving into negative territory in the near future.

In real terms, house prices in the middle segment of the market declined by 10,1% y/y in September (-10,1% y/y in August), based on headline consumer price inflation. CPI inflation was somewhat lower at 13,1% y/y in September from 13,7% y/y in August.

Nominal house price growth with regard to **small houses** (80m²-140m²) slowed down to 2,8% y/y in October 2008 from 3,4% y/y in September. The average nominal price of a small house came to about R687 100 in October. In real terms the average price of small houses dropped by 8,6% y/y in September (-8,4% y/y in August).

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 R2,9 million or less (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 figures may differ materially from previously published figures.

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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		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Jan	273.8	310.1	340.3	286.9	339.2	379.4	292.6	336.7	382.2	280.9	324.1	354.2
Feb	277.6	313.0	341.1	290.3	344.7	378.4	295.3	341.6	383.2	284.1	328.5	354.3
Mar	281.7	315.5	341.6	294.3	349.7	377.3	297.1	346.5	383.5	287.2	332.5	354.5
Apr	285.7	317.9	341.9	298.7	354.5	376.4	298.6	351.5	382.9	290.4	336.0	354.7
May	289.1	320.4	342.1	303.2	359.0	376.4	300.2	356.8	381.7	293.5	339.2	355.1
Jun	291.9	323.3	342.4	307.4	363.3	377.3	302.3	362.3	380.7	296.5	342.4	355.5
Jul	294.1	326.5	342.9	311.1	367.5	378.9	305.3	367.3	380.4	299.4	345.4	355.8
Aug	296.1	329.8	343.6	314.7	371.5	380.6	309.4	371.5	380.7	302.5	348.1	356.0
Sep	297.9	332.8	344.3	318.3	375.0	382.3	314.6	374.7	381.4	306.0	350.3	356.3
Oct	300.3	335.4	344.9	322.6	377.5	383.8	320.3	377.2	382.8	310.0	352.1	356.5
Nov	303.2	337.5		327.6	379.0		326.0	379.3		314.5	353.4	
Dec	306.7	339.0		333.3	379.7		331.4	380.9		319.3	354.0	
Average	291.5	325.1		309.0	363.4		307.8	362.2		298.7	342.2	

The average nominal price of **medium-sized houses** (141m²-220m²) increased by 1,7% y/y in October 2008, slightly down from a revised 1,9% y/y in September. This brought the average price of housing in this segment of the market to around R958 700 in October. In real terms, the average price of medium-sized housing was down 9,9% y/y in September after a similar year-on-year decline in August.

With regard to **large houses** (221m²-400m²), nominal price growth of 1,5% y/y was recorded in October this year, down from a revised 1,8% y/y in the preceding month. In October, the average price of a house in this category came to a level of about R1 394 300. The average real price of large houses was down by 10,0% y/y in September (-9,9% y/y in August).

In view of current and expected economic conditions, prospects for the residential property market in the rest of 2008 and into next year are quite dismal. Based on the trends of the first ten months of 2008, nominal house price growth in the middle segment of the market is forecast to average between 3,5% and 4% for the full year, which will be the lowest annual price growth recorded since 1996, when it was 3,6%. In real terms, middle-segment house prices are projected to drop by just more than 7% in 2008 from 2007 levels. In 2009, nominal house price growth is expected to be even lower than in 2008, with real prices set to decline in 2009 for a second year in succession.

Middle-segment House Prices				
	Nominal y/y % change		Real y/y % change	
	October 2008	January-October 2008	September 2008	January-September 2008
Small houses (80m ² -140m ²)	2.8	6.2	-8.6	-4.4
Medium-sized houses (141m ² -220m ²)	1.7	5.2	-9.9	-5.3
Large houses (221m ² -400m ²)	1.5	6.5	-10.0	-3.9
All houses (80m ² -400m ²)	1.2	4.5	-10.1	-5.9

