



Absa House Price Indices

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2008 saw the lowest house price growth since 1996

House price trends in 2008

According to Absa's calculations, nominal annual average house price growth in the middle segment of the market (see explanatory notes) slowed down to below 4% in 2008, which was the lowest price growth recorded since 1996. It was even lower than the growth rate of about 5% registered in 1999 after interest rates were hiked to well above 20% the previous year as a result of the contagion effect of the Asian financial crisis. In real terms, house prices dropped by an average of almost 7% in the period January to November last year.

In December 2008, nominal year-on-year house price growth in all three categories of middle-segment housing (small, medium-sized and large houses) dropped further compared with November, while in real terms, prices were down by almost 10% in November compared with the same month a year ago.

House price trends by category of housing

In 2008, the average nominal price of **middle-segment housing** was up by 3,8%, after rising by 14,5% in 2007. In real terms, house prices in the middle segment was down by 6,7% in the first eleven months of 2008 compared with the same period in 2007. Real price growth is based on headline consumer price inflation, which averaged 11,7% year-on-year (y/y) in January-November last year.

Middle-segment house price growth came in at 1,0% y/y in December 2008, virtually unchanged from a revised growth rate of 0,9% y/y recorded in November. This brought the average nominal price of a house in this segment of the market to about R971 300 in December, which was 0,2% up on November. Taking account of the effect of inflation, house prices in the middle segment of the market was down by 9,7% y/y in November last year, based on a headline CPI inflation rate of 11,8% y/y at the time.

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	309.8	341.7	287.0	339.0	379.1	292.6	337.7	381.9	280.8	324.4	354.0
Feb	277.5	312.5	342.8	290.3	344.6	378.7	295.3	342.1	383.1	284.0	328.8	354.3
Mar	281.6	314.6	343.4	294.4	349.9	378.1	297.2	346.5	383.7	287.1	332.6	354.6
Apr	285.7	316.6	343.7	298.8	354.8	377.8	298.7	351.3	383.3	290.3	335.9	354.8
May	289.2	318.9	343.9	303.3	359.4	378.0	300.3	356.6	382.4	293.5	339.0	355.0
Jun	291.9	321.8	343.5	307.5	363.7	378.8	302.5	362.1	381.4	296.6	342.1	354.9
Jul	294.0	325.3	342.8	311.3	367.8	379.8	305.7	367.2	380.6	299.5	345.2	354.9
Aug	295.9	329.1	341.9	314.7	371.7	381.0	310.1	371.3	380.2	302.6	348.1	355.0
Sep	297.7	332.7	340.9	318.3	374.9	382.1	315.7	374.4	380.2	306.1	350.3	355.4
Oct	299.9	335.9	339.9	322.4	377.1	383.1	321.8	376.8	380.2	310.1	352.1	355.9
Nov	302.8	338.5	339.1	327.3	378.5	383.9	327.6	378.8	380.2	314.6	353.3	356.6
Dec	306.4	340.3	338.7	333.0	379.2	384.2	332.9	380.5	380.1	319.5	353.9	357.3
Average	291.4	324.7	341.8	309.0	363.4	380.4	308.4	362.1	381.4	298.7	342.1	355.2

Nominal price growth in respect of **small houses** (80m²-140m²) was at a level of 5,3% in 2008, compared with 11,4% in 2007. In real terms, prices in this category of housing dropped by an average of 5,1% y/y in the period January to November last year.

In December 2008, house prices in the small category declined by a nominal 0,5% y/y in November from a still positive growth rate of 0,2% y/y registered in November. The average nominal price of a small house was recorded at R674 600 in December, which was 0,1% lower than in the preceding month. In real terms the average price of houses in this category dropped by 10,2% y/y in November last year compared with a year-on-year decline of 9,8% recorded in October.

The average nominal price of **medium-sized houses** (141m²-220m²) increased by 4,7% in 2008, which was significantly lower than the 17,6% registered in 2007. On average, prices in this category of the middle segment dropped by a real 5,9% y/y in the first eleven months of 2008.

Nominal house price growth of 1,3% y/y was recorded in medium-sized housing in December 2008, slightly down from a revised growth rate of 1,4% y/y in November. The average price of a house in this segment of the market was about R959 800 in December, which was just 0,1% higher than in November. In real terms, the average price of medium-sized housing was down by 9,3% y/y in November after a decline of 9,4% y/y was registered in October.

The average nominal price of **large houses** (221m²-400m²) showed an increase of 5,3% in 2008 after rising by 17,4% in 2007, while in real terms, prices were down by an average of 5,1% y/y in January-November last year.

In December 2008, nominal house prices was year-on-year 0,1% lower in the large category of housing (+0,3% y/y in November). The average price of a large house came to a level of about R1 384 600 in December, virtually unchanged from the preceding month. The average price of large houses was down by a real 10,2% y/y in November (-10,0% y/y in October).

Economic outlook and prospects for the housing market in 2009

Prime and mortgage interest rates are forecast to be cut by a cumulative 300 basis points during the course of 2009 to reach a level of 12,5% by year-end, mainly as a result of declining inflation during this period. Despite expectations of lower inflation and interest rates, economic conditions are expected to remain depressed for most of the year. Real economic growth of below 1% is projected for 2009, after estimated growth of around 3,0% in 2008. Growth in real fixed capital formation is expected to be barely positive this year, while growth in real final consumption expenditure by households will also be low compared to previous years, resulting from employment levels expected to come under further pressure and real household disposable income growth projected at only 1,5% in 2009, down from an estimated 2,7% in 2008.

In view of these expectations on the economic front, the outlook for the residential property market in 2009 remains bleak. Levels of activity are set to stay subdued up to the second half of the year, while prices in the middle segment of the market may decline by as much as 2,5% in nominal terms this year. A further real decline in house prices of up to 8% is expected in 2009, based on projected consumer price inflation trends and a drop in nominal prices.

In respect of the various categories of housing (small, medium and large housing in the middle segment, as well as affordable and luxury housing), activity levels and prices are expected to remain under pressure well into 2009. All of these categories of housing are forecast to bottom in the second half of the year and to pick up gradually towards year-end, with levels of activity and prices only to markedly improve from 2010 onwards.

Middle-segment House Prices				
	Nominal y/y % change		Real y/y % change	
	December 2008	January-December 2008	November 2008	January-November 2008
Small houses (80m ² -140m ²)	-0.5	5.3	-10.3	-5.1
Medium-sized houses (141m ² -220m ²)	1.3	4.7	-9.3	-5.9
Large houses (221m ² -400m ²)	-0.1	5.3	-10.2	-5.1
All houses (80m ² -400m ²)	1.0	3.8	-9.7	-6.7

