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Explanatory notes:

The Absa House Price Index is based on the total purchase price of houses in the 80m²-400m² size category, valued at R2,7 million or less in 2006 (including improvements), in respect of which 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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House price trend growth firm in the first quarter

According to the latest Absa House Price Index, nominal year-on-year growth in house prices remained firm at 15,5% on average in the first quarter of 2007. This development was supported by continued strong growth in transaction volumes during the period January to March this year.

In March, nominal house price growth of 15,5% year-on-year was recorded in the middle segment of the market (see explanatory notes), compared with a revised growth rate of 15,6% in February. This brought the average price of a house in this segment of the market to about R902 200 in March 2007.

In real terms, year-on-year growth of 9,3% was recorded in February compared with a revised growth rate of 9% in January, based on the headline consumer price index.

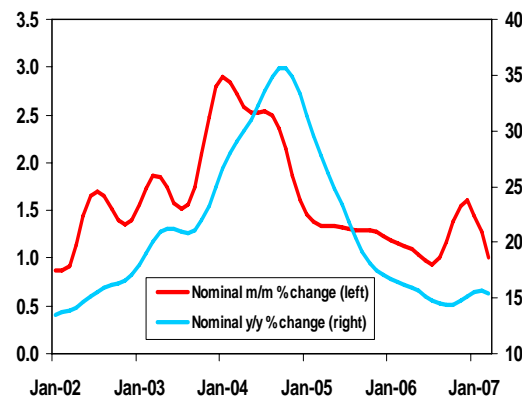
On a month-on-month basis, nominal price growth was lower at 1% in March after growth of 1,3% was recorded in February. House prices increased by 1,4% month-on-month in real terms in February (0,6% month-on-month in January).

Volatility in international oil prices and the rand exchange rate, a sharp jump in domestic fuel prices in April, as well as the drought conditions and devastating fires which occurred in some agricultural regions around the country, are expected to push food price inflation to higher levels in the near future. These trends do not bode well for overall inflationary pressures in the economy over the short term, especially taking into account that food has a weighting of as high as 25,7% in the overall CPIX index.

In view of further upward pressure on inflation in coming months, together with continued strong growth in domestic credit extension; increasing household debt levels and debt servicing costs; and a substantial current account deficit, the risk for interest rates over the short term is on the upside. The Reserve Bank's Monetary Policy Committee meets again next week, with their decision on the way forward for domestic interest rates to be announced on Thursday, 12 April.

The trend in month-on-month house price growth is downward since the beginning of the year, after increasing in the second half of 2006. Taking this into account, as well as the risk of higher interest rates in April, house price growth is forecast to moderate during the course of the year.

Absa House Price Index



Absa House Price Index (nominal, 2000=100)

	2003	2004	2005	2006	2007
Jan	144.6	183.1	240.7	281.0	324.4
Feb	147.1	188.3	244.0	284.2	328.6
Mar	149.9	193.5	247.3	287.4	331.9
Apr	152.6	198.5	250.6	290.6	
May	155.3	203.5	253.9	293.6	
Jun	157.8	208.6	257.3	296.4	
Jul	160.1	213.9	260.6	299.2	
Aug	162.6	219.2	264.0	302.2	
Sep	165.5	224.4	267.4	305.7	
Oct	168.9	229.2	270.9	310.0	
Nov	173.1	233.5	274.3	314.7	
Dec	178.0	237.2	277.7	319.8	
Ann ave	159.6	211.1	259.1	298.7	