

Rate of House Price Growth Accelerating

Absa says there is a prospect of price deflation of less than 0.5% for the full year. Nominal year-on-year house price growth in the local housing market picked up further in November 2009, Absa said on Monday.

The bank said there was a prospect of price deflation of less than 0.5 percent for the full year.

After adjustment for the effect of inflation, house prices continued to decline in real terms up to October this year, albeit at a slower pace, property analyst Jacques du Toit said.

House prices in the middle segment of the market were up by a nominal 4.7 percent year-on-year to R1,006,300 in November, after increasing by a revised 3.4 percent year-on-year in October, he said.

Month-on-month price inflation came to 0.9 percent in November.

Du Toit said that in real terms, middle-segment house prices were down by 2.4 percent year-on-year in October, compared with a decline of 3.9 percent year-on-year in September after revision.

The average price of small houses (80 to 140 square metres) declined by 1.7 percent year-on-year in nominal terms in November, compared with a revised drop of 2.2 percent year-on-year in the preceding month.

Du Toit said as a result, the average nominal price in this category of housing came to R665,100 in November.

In real terms, the average price of small houses was down by 7.7 percent year-on-year in October, after declining by a revised 8.6 percent year-on-year in September.

In respect of medium-sized houses (141 to 220 square metres), nominal price deflation came to 3.3 percent year-on-year in November.

"This brought the average price in this segment to around R916,900 in November.

"Adjusted for inflation, prices declined by a real 9.2 percent year-on-year in October, Du Toit said.

The average nominal price of large houses (221 to 400 square metres) increased by 3.5 percent year-on-year in November this year, after rising by a revised three percent year-on-year in October.

Du Toit said the average nominal price in respect of large housing was at a level of R1,419,700 in November.

In real terms, house prices in this segment dropped by 2.8 percent year-on-year in October.

"Various economic indicators point to a gradual recovery in the South African economy.

These include the South African Reserve Bank's leading business cycle indicator, which had risen uninterruptedly for a period of six months up to September this year and positive quarter-on-quarter real gross domestic product growth of 0.9 percent in the third quarter.

An improvement in the purchasing managers index, which measures manufacturing activity, and slightly higher levels of business and consumer confidence, were also playing a part, Du Toit said.