

Second Quarter 2008

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Date of completion: 23 May 2008

Compiled by:
Jacques du Toit
Senior Property Analyst
Absa Home Loans
Absa Group Limited
(Reg No 86/03934/06)

First Floor
45 Mooi Street
Johannesburg
2001

PO Box 7735
Johannesburg
2000

Tel +27(11)350-7246
Fax: +27(11)350-5351
E-mail: jacques@absa.co.za
Website: <http://www.absa.co.za>

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In a nutshell

- South Africa's economic performance remained strong towards the end of 2007, to a large extent driven by high levels of activity in the building and construction sector.
- The household sector remained under pressure on the back of rising inflation, higher interest rates and the effect of the National Credit Act. The cost of servicing household debt increased to 11% of disposable income, real disposable income growth slowed significantly, and real household consumption expenditure growth tapered off further.
- Nominal and real house price growth slowed down further in the first quarter of 2008, largely as a result of the tightening of monetary policy, stricter requirements for credit extension, and housing having become less affordable.
- The average nominal price of affordable housing increased by 13,8% year-on-year (y/y) to R277 000 on average in the first quarter of 2008 (18,2% y/y in the preceding quarter). Real price growth came to 3,5% y/y in the first quarter of the year, down from 9,0% y/y in the fourth quarter of last year.
- Nominal price growth of 9,5% y/y was recorded in middle-segment housing in the first quarter of 2008 (12,4% y/y in the fourth quarter of 2007), causing the average price of a house in this market segment to come to about R976 000. In real terms, prices dropped by 0,3% y/y in the first quarter of 2008 (+3,7% y/y in the final quarter of 2007).
- In the luxury segment of the market, house prices increased by a nominal 6,7% y/y to about R4,2 million in the first quarter of 2008 (7,6% y/y in the preceding quarter). The average price of houses in this category dropped by a real 2,9% y/y in the first quarter, compared with a decline of 0,8% y/y recorded in the fourth quarter of 2007.
- At a provincial level, nominal year-on-year house price growth in the middle segment of the market varied between 17,4% y/y and -0,6% y/y in the first quarter of 2008.
- In the country's major metropolitan areas, nominal growth in house prices of between 19,4% y/y and 1,0% y/y was recorded in the first quarter of the year.
- Nominal growth in house prices along the coast varied between 21,6% y/y and 9,6% y/y in the first quarter of 2008.
- CPIX inflation is forecast to remain under upward pressure in the near term, influencing inflation expectations, which will have a major impact on the demand for higher wages this year.
- Interest rates are expected to rise again in June, with a risk of further rate hikes in the rest of the year if CPIX inflation remains at high levels.
- Nominal house price growth of between 5% and 6% is projected for 2008, resulting in a real price decline of around 4,5% this year, taking account of headline consumer price inflation projections. This will be the first time since 1999 that real price growth will be in negative territory.

Residential property market

Macroeconomic and household sector overview

In 2007, South Africa's real gross domestic product (GDP) growth was around 5% for the fourth consecutive year. In the final quarter of last year, economic growth recovered somewhat as especially manufacturing output growth turned positive following a decline in the preceding quarter. In the construction sector, growth in real production remained strong towards the end of the year on the back of high levels of activity in civil and non-residential building construction. Real fixed capital formation in residential buildings rose by 6,4% year on year (y/y) in the fourth quarter of 2007, down from 8,6% y/y in the third quarter, reflecting a slowing housing market in the final stages of the year.

The ratio of household debt to disposable income increased marginally from 77,5% in the third quarter of 2007 to 77,6% in the fourth quarter. The somewhat higher debt-to-income ratio, in combination with the rising interest rates since mid-2006, caused the cost of servicing household debt to rise to about 11% of disposable income in the fourth quarter of 2007, up from 10,3% in the third quarter. At the bottom of the interest rate cycle in the first quarter of 2006 when the prime lending rate was at 10,5%, the cost of servicing household debt was 7% of disposable income, at a time when the household debt ratio was 68,8%.

The seasonally adjusted annualised growth in real disposable income of households tapered off markedly from a rate of 7,5% in the first quarter of 2007 to 3,6% in the fourth quarter, which was the lowest growth recorded since the second quarter of 2003, when it was 3,3%. The downward trend in real household disposable income growth in 2007 is a reflection of rising inflation during the course of the year.

Growth in real final consumption expenditure by households slowed to a seasonally adjusted

annualised rate of 3,8% in the fourth quarter of 2007, compared with 4,4%, 4,9% and 7,2% in the third, second and first quarters respectively. This resulted from the higher interest rates, as well as the sharply rising food and fuel prices, impacting negatively on consumers' spending power.

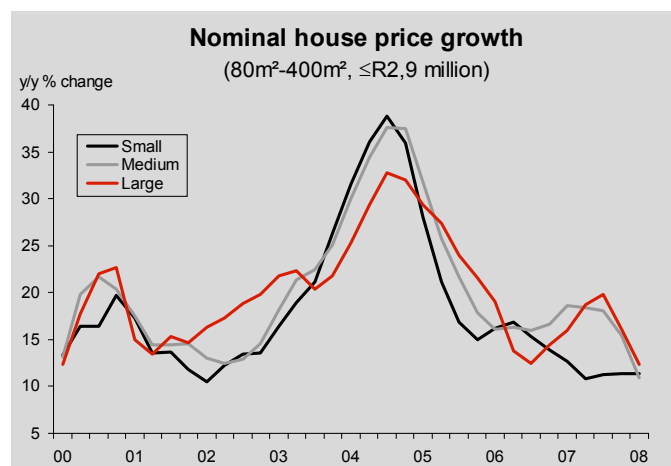
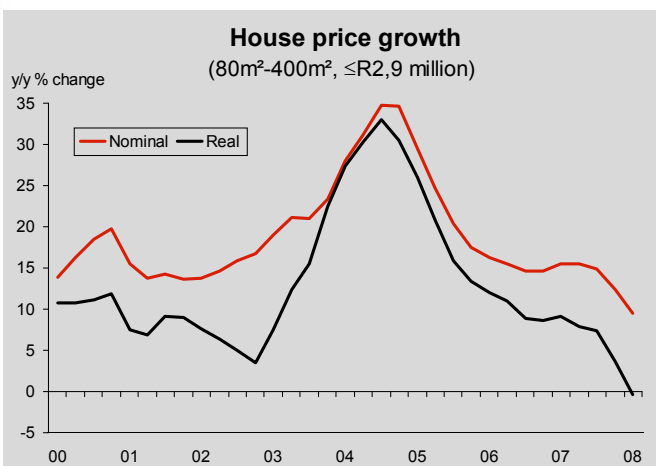
The ratio of net household saving to disposable income remained stable at -0,5% in the fourth quarter of 2007 from the second and third quarters (in calculating net household saving for this purpose, elements such as depreciation write-offs on the value of fixed assets held by households, e.g. residential buildings, were taken into account).

In the first few months of 2008, CPIX inflation (headline consumer price inflation, excluding the mortgage interest rate component) rose further to well above the 6% upper limit of the inflation target range of 3%-6%, to a large extent driven by significantly higher food and fuel price inflation, and rand exchange rate movements. Domestic fuel prices are currently at record highs, mainly as a result of the international oil price rising to above \$120/barrel in recent times.

The Reserve Bank's Monetary Policy Committee (MPC) hiked the key monetary policy interest rate, the repo rate, by a further 50 basis points at its April 2008 meeting as a result of continued inflationary pressures in the economy. In answer to this, the commercial banks raised their lending rates to the public (prime overdraft and mortgage rates) to a level of 15%.

House price trends in the first quarter of 2008

A further slowdown in house price growth was evident in all segments of the residential property market in the first quarter of 2008. This was mainly a reflection of deteriorating market conditions as a result of rising inflation and interest rates, eroding consumers' spending power. These factors, as well as sharply



declining real household disposable income growth during the course of last year and the full implementation of the National Credit Act in mid-2007, have contributed to housing becoming less affordable.

These developments have caused the focus of many homebuyers to have shifted from luxury, large and expensive properties to smaller and more affordable properties. As a result, the downward trend in house price growth has accelerated since the third quarter of last year.

Affordable housing

In the first quarter of 2008, year-on-year growth in the average nominal price of houses in this segment of the market (houses of 40m²-79m² and priced at R400 000 or less) slowed to 13,8% from 18,2% in the fourth quarter of 2007 and 20,8% in the third quarter of last year.

In real terms, price growth of 3,5% y/y was recorded in the first quarter of 2008, compared with real price growth of 9% and 12,9% respectively in the third and fourth quarters of 2007.

Middle-segment housing

The average price of houses in the so-called middle segment of the residential property market (houses of 80m²-400m² and priced at up to R2,9 million) increased by a nominal 9,5% y/y in the first quarter of this year (12,4% in the preceding quarter). This was the first time since the fourth quarter of 1999 that nominal house price growth dipped below 10% on an annual basis.

In real terms (after adjustment for inflation), house prices declined by 0,3% y/y in the first quarter of 2008 (+3,7% y/y in the fourth quarter of 2007). This was the first real year-on-year decline in house prices in the middle segment since the second quarter of 1999, when a price drop of 2,3% was recorded.

In the three middle-segment categories, year-on-year house price growth was as follows in the first quarter of 2008:

- *Small houses (80m²-140m²):* 11,3% in nominal terms (11,4% in the fourth quarter of 2007). Real price growth of 1,3% y/y was recorded (2,7% in the fourth quarter of 2007).
- *Medium houses (141m²-220m²):* a nominal 10,9% (15,4% in the final quarter of last year). Real price growth came to 1,0% y/y (6,4% in the fourth quarter of 2007).
- *Large houses (221m²-400m²):* 12,4% in nominal terms (16,1% in the preceding quarter). In real terms, price growth was 2,3% y/y (7,1% in the fourth quarter of 2007).

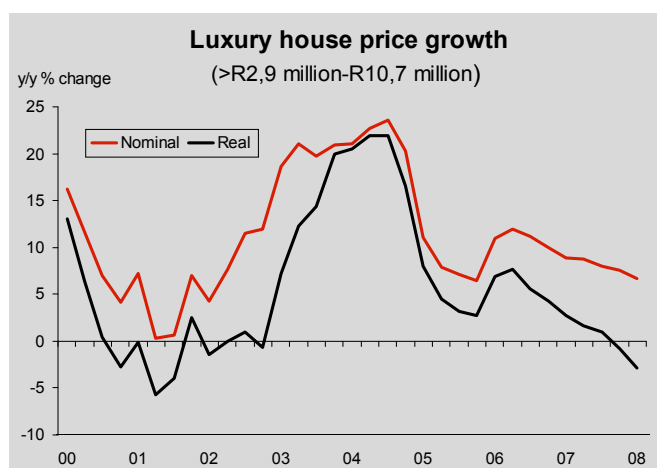
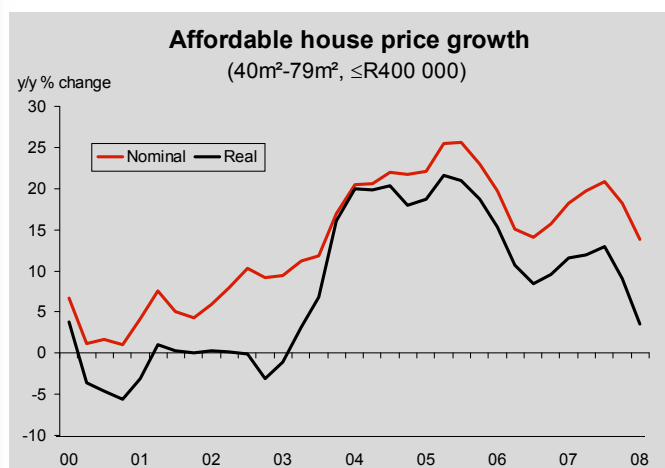
Luxury housing

Nominal house price growth in the luxury segment (houses valued at between R2,9 million and R10,7 million) came to 6,7% y/y in the first quarter of 2008, compared with a growth rate of 7,6% in the fourth quarter of 2007.

In real terms, prices dropped by 2,9% y/y in the first quarter of 2008 compared with a price decline of 0,8% y/y in the preceding quarter.

Regional house prices

On a provincial basis, nominal year-on-year growth in house prices in the middle segment of the housing market varied from 17,4% in the Free State to a decline of 0,6% in Limpopo in the first quarter of 2008. The performance of the housing market at provincial level is to a large extent driven by the structure of regional economies (including the extent of economic infrastructure, and sectoral composition, trends, developments and growth), socio-economic factors (including living standards and conditions, employment, the level and distribution of household income, as well as the extent of poverty) and the physical location of properties (coastal, inland, rural and metropolitan areas). These factors play an



important role in the supply of and demand for property and in the divergence of house price growth between provinces.

In the country's major metropolitan areas, nominal house price growth varied between 19,4% y/y in Bloemfontein in the Free State to 10,0% y/y in both the Port Elizabeth/Uitenhage metropolitan area in the Eastern Cape and greater Johannesburg in Gauteng in the first quarter of 2008. In greater Johannesburg, nominal house price growth of 13,2% y/y was recorded on the East Rand in the first quarter of the year, followed by a growth rate of 11,5% y/y achieved by the northern and western suburbs, whereas price growth in the central and southern part of the city came to only 1,0% y/y in the quarter. Apart from the abovementioned regional factors, which also impact property markets at metropolitan level, the scarcity of suitable and properly serviced land for residential development purposes has become an increasingly important factor in the country's rapidly growing urban areas. As a result, land values have risen significantly, increasingly prompting developers to move into older neighbourhoods to redevelop existing properties. This, together with the affordability aspect, has led to a greater focus on the construction of higher-density housing, with more high-rise, high-density blocks of flats and apartments to be constructed in future.

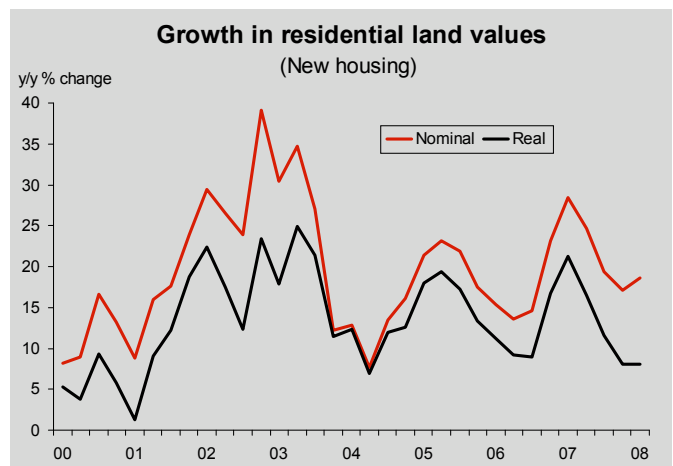
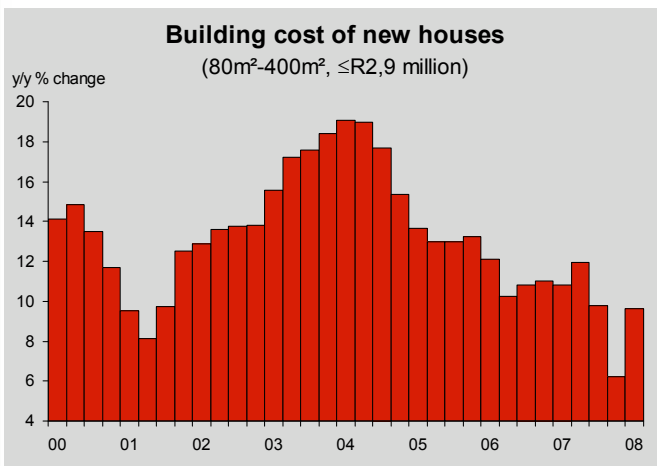
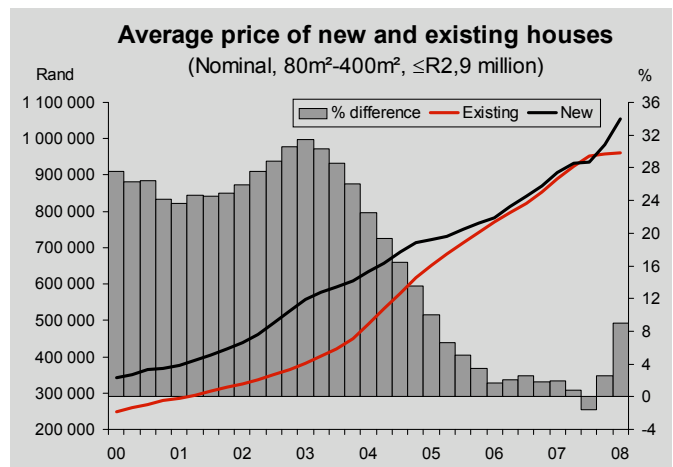
In the coastal regions, nominal growth in house prices of 17,9% y/y was recorded in KwaZulu-Natal in the first quarter of 2008, followed by 14,0% y/y along the Eastern Cape coast and 10,7% y/y along the Western Cape coast. Average nominal year-on-year price growth came to 12,1% y/y in all coastal regions combined, compared with a growth rate of 15,4% y/y in the fourth quarter of last year and 20,6% y/y in the third quarter. Current economic conditions (high inflation and interest rates), impacting negatively on the household sector and the residential property market in general, are affecting coastal property

markets in particular, as many properties (houses, apartments and vacant land) in these areas have been bought as investment properties.

Building costs and new and existing house price trends

In the first quarter of 2008, the cost of building a new house increased by a nominal 9,6% y/y, compared with 7,7% y/y in the preceding quarter. Building costs continued to rise at a rate above inflation in the first quarter of the year, driven by factors such as the demand for building materials and skilled labour as a result of high levels of activity in the building and construction sector.

The average price of a new house increased by a nominal 16,1% y/y to about R1 055 000 in the first quarter of this year, which translated into a real increase of 5,7% y/y. The average price of an existing house increased by a nominal 7,7% y/y to about R960 000 in the first quarter of 2008, which caused real prices to decline by 2% y/y in this quarter. As a result, the nominal price difference between new and existing houses was about R95 000, or 9,0%, in the first quarter of 2008.



Land values

Nominal land prices increased by 18,7 y/y to about R409 100 on average in the first quarter of 2008 (17,1% y/y in the final quarter of 2007). Real growth of 8,0% was recorded on a year-on-year basis in the first quarter of the year (8,0% y/y in the fourth quarter of last year).

In the coastal regions, land prices averaged about R542 300 in nominal terms in the first quarter of 2008, which was year on year 9,9% higher than in the same quarter of 2007 when the nominal price growth was 40,6% y/y. In real terms, no growth was recorded in land prices in the country's coastal regions in the first quarter of this year (32,7% y/y in the first quarter of 2007). The significantly lower price growth in land values along the country's coast in the first quarter of 2008 is a reflection of property market conditions currently prevailing in these areas where many residential properties, including vacant land, have been acquired for investment purposes in times when these property markets experienced strong growth.

Mortgage finance

Commercial banks' variable mortgage interest rates rose to 15% in April after the Reserve Bank's Monetary Policy Committee hiked the repo rate by a further 50 basis points on the back of inflationary pressures. Interest rates have been raised by a cumulative 450 basis points since mid-2006, which caused monthly mortgage repayments in general to have risen by about 32% over this period.

The impact of the abovementioned hikes on the mortgage interest rate is reflected in the tables at the back of the publication, presenting monthly mortgage repayments for various loan amounts at different interest rates, as well as mortgage loan amounts based on various fixed monthly repayments at different interest rates. All calculations are based on a 20-year repayment period.

Affordability of housing

The house price-to-remuneration ratio has been relatively stable over the three quarters up to the third quarter of 2007 for which specific remuneration data is available. This ratio is on an upward trend since the beginning of 2000 when the housing market entered a boom phase. Although house price growth has slowed markedly during 2007, growth in remuneration per worker (both variables measured in nominal terms) has increased from 4,9% y/y in the first quarter of last year to 7,7% y/y in the third quarter, causing the house price-to-income ratio to remain virtually static in the first three quarters of the year.

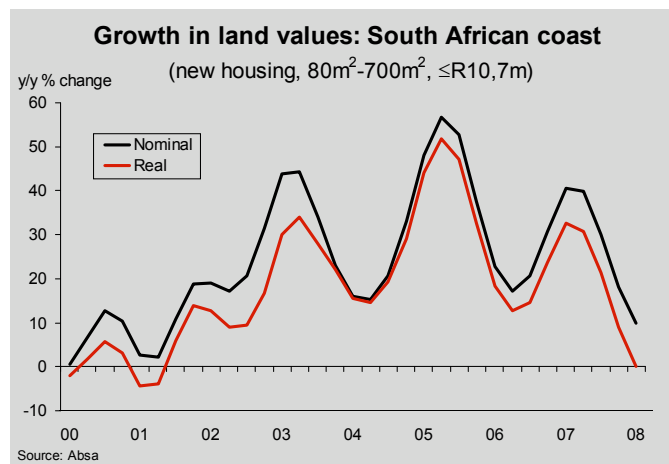
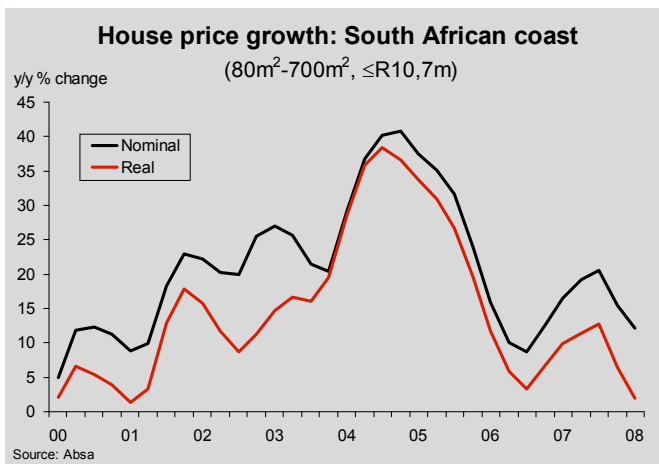
The ratio of mortgage repayments to remuneration has accelerated significantly since the middle of 2006, to its highest level in the second quarter of last year since the fourth quarter of 1990. This was mainly as a result of the interest rate hikes over this period, which caused mortgage repayments to have increased sharply.

The upward trend in the abovementioned two affordability ratios implies that house prices and mortgage repayments are rising at a faster rate than remuneration, which means that housing is in effect becoming less affordable.

Outlook

CPIX inflation, currently at above 10% and well above the 6% upper limit of the inflation target range, is forecast to remain under upward pressure over the short term on the back of international oil price, food price and exchange rate movements. As a result, inflation expectations will remain high in coming months, which will have a significant effect on demands for higher wages this year. According to the latest projections by the South African Reserve Bank, CPIX inflation is expected to gradually decline from around the second quarter of 2008 to only reach the 6% level by late 2009.

In view of these developments and expectations on



the inflation front, the Reserve Bank's Monetary Policy Committee is expected to hike interest rates again in June, with a risk of further rate hikes later in the year if CPIX inflation remains stubbornly high. Interest rates are forecast to stay high throughout 2009 in an attempt to get inflation under control, with rates only to be cut in early 2010.

These factors, as well as the effect of the National Credit Act, are set to cause a further slowdown in the residential property market over the next 12 to 18 months as households' financial position remains under pressure with growth in real household disposable income forecast to be significantly lower in 2008 and 2009 than in the past few years.

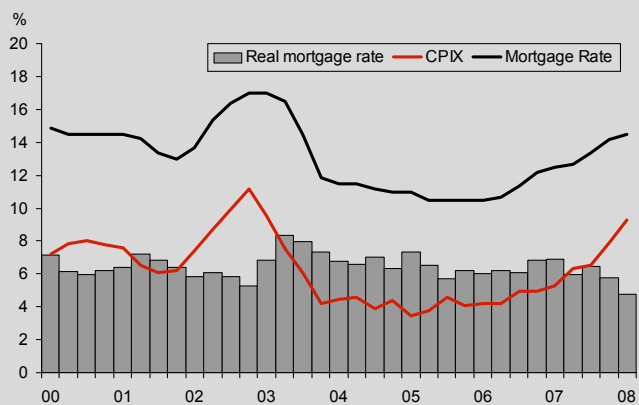
The affordability of housing, already a major issue for many prospective homebuyers in especially the low- and middle-income categories, will become even more important against this background and cause homebuyers to consider even smaller, more affordable and higher-density housing in future.

In view of these expectations, nominal house price growth of 5% to 6% is forecast for 2008, with real prices

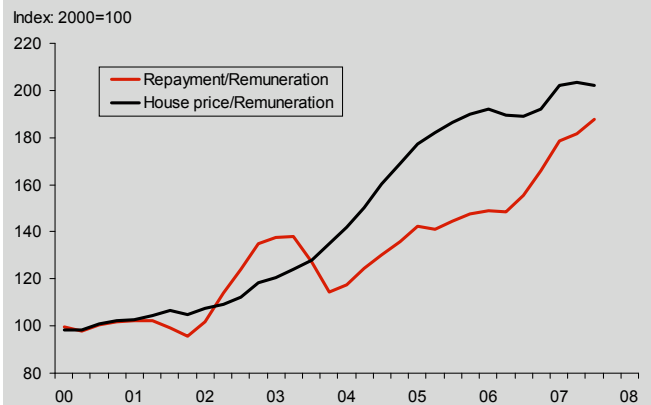
set to decline by around 4,5% this year, taking account of headline consumer price inflation projections. This will be the first time since 1999 that real house price growth will be in negative territory. In 2009, nominal house price growth is projected to decline even further to a level of just below 4%, with prices set to drop again in real terms next year.

However, with the residential property market expected to slow down further towards the end of 2008, and bottoming in 2009, it will in the second half of this year and in 2009 be time to buy property, especially from an investment point of view. Investors in the housing market should not expect to achieve positive real capital appreciation during the next 24 months, but with an increase in demand for rental property, an acceptable income return may be achieved during this period. In view of property being a medium to longer-term investment (5 years and longer), property investors should look through the current downward cycle and focus on income returns, with a view of achieving positive real capital appreciation as from 2010.

Mortgage rate and inflation



Affordability of housing



Housing market conditions and what existing and prospective homeowners should do under current circumstances

Interest rates and their impact on the residential property market

- In April 2008, interest rates were hiked by the Reserve Bank's Monetary Policy Committee on the back of strong upward pressure on inflation, coming from high oil prices, a weaker rand exchange rate and rising food prices.
- The latest interest rate hike has further negatively affected the affordability of housing in all segments of the market. As a result, the cost of servicing household debt has risen, putting significant pressure on the already stretched financial position of households as a result of additional factors such as higher fuel and food prices.
- The increase in interest rates to the amount of 450 basis points since June 2006, has caused the average monthly repayment on a mortgage loan to rise by 32% over this period.
- The April rate hike is set to further dampen activity in the housing market during the rest of 2008 and into 2009. The housing market came under additional pressure with the full implementation of the National Credit Act in June 2007, which saw stricter credit requirements for both banks and consumers. While existing homeowners have to deal with higher mortgage repayments, aspiring homeowners in especially the lower- and middle-income categories find it increasingly difficult to afford a mortgage loan to buy their own home.

What existing and prospective homeowners should do

- The abovementioned developments illustrate the importance of factoring in an interest rate of a few percentage points above the prevailing rate at the time of applying for a mortgage loan, which will help an applicant to determine whether he or she will still be able to afford the mortgage loan when interest rates increase.
- In view of consumers currently experiencing additional financial pressure as a result of the higher interest rates, existing and prospective homeowners are encouraged to contact their bank to ascertain what various options are available with regard to a mortgage loan.
- These options include a fixed-rate mortgage contract for a certain period, which will give peace of mind in respect of future mortgage repayments during times when interest rates are rising; an extension of the term of an existing mortgage loan, taking into account certain conditions; the consolidation of other debt into a mortgage loan, provided that sufficient equity is available in the property; and depositing extra funds such as bonuses in the mortgage account, which will reduce the outstanding loan amount and thus interest payable.
- One of the most important things to do when experiencing difficulty in servicing debt, is to contact the bank without delay in order to arrange alternative ways of repayment. Failing to do this, may result in a property eventually being repossessed by the bank in an attempt to recover the outstanding debt. This will negatively impact a client's credit record, which may adversely affect his or her ability to obtain credit in future.
- Households should make an effort of living within their financial means during times of financial difficulty, by keeping to a budget of income and expenses, differentiating between essentials and luxuries, limiting any further debt, paying cash for purchases and having specific saving goals.
- If possible, homeowners should always put down a deposit when buying property, making sure they have sufficient equity in the property right from the start of the mortgage loan.
- With affordability of housing currently under pressure, prospective homeowners may also look at buying smaller and cheaper properties in areas they have not considered previously.

Property market outlook

- With CPIX inflation surging to above 10% in recent times, the risk of further interest rate hikes has increased.
- Higher interest rates, as well as rising house prices, albeit at a much slower pace than over the past few years, will contribute to affordability remaining one of the important factors influencing the property market.
- The housing market is expected to bottom in 2009, with price growth forecast to pick up gradually on the back of lower inflation and interest rates in late 2009/early 2010.
- Next year will probably be the best time to buy property, especially from an investment point of view. Real (i.e. after inflation) capital returns on investment property will initially be low or even negative over the next year or so, but property should be regarded as a medium- to longer-term investment, implying that property investors should have an investment horizon of five years and longer. The rental market, however, is forecast to pick up further over the next 12 to 18 months, which should support income returns on buy-to-let investment properties.

Statistics and projections

| Average nominal house prices | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|-----------|---------|---------|
| | 2004 Rand | 2005 Rand | 2006 Rand | 2007 Rand | 2007 | | | | 2008 | | |
| | | | | | Q1 Rand | Q2 Rand | Q3 Rand | Q4 Rand | Q1 | | |
| | | | | | | | | | Rand | q/q % Δ | y/y % Δ |
| National | | | | | | | | | | | |
| Middle segment (80m²-400m², ≤R2,9m) | 573 928 | 704 134 | 811 323 | 929 217 | 890 934 | 920 377 | 944 768 | 960 787 | 975 517 | 1,5 | 9,5 |
| Small (80m ² -140m ² , ≤R2,9m) | 418 699 | 501 753 | 579 571 | 646 298 | 622 170 | 635 710 | 654 479 | 672 833 | 692 679 | 2,9 | 11,3 |
| Medium (141m ² -220m ² , ≤R2,9m) | 536 368 | 664 263 | 772 161 | 907 618 | 860 890 | 895 989 | 927 687 | 945 906 | 954 991 | 1,0 | 10,9 |
| Large (221m ² -400m ² , ≤R2,9m) | 779 302 | 976 795 | 1 121 483 | 1 319 174 | 1 246 093 | 1 299 057 | 1 351 112 | 1 380 433 | 1 400 587 | 1,5 | 12,4 |
| New (80m ² -400m ² , ≤R2,9m) | 673 372 | 742 762 | 827 284 | 939 792 | 908 300 | 931 352 | 935 774 | 983 741 | 1 054 684 | 7,2 | 16,1 |
| Existing (80m ² -400m ² , ≤R2,9m) | 553 496 | 696 599 | 810 459 | 931 191 | 891 324 | 924 052 | 950 953 | 958 435 | 959 825 | 0,1 | 7,7 |
| Affordable (40m²-79m², ≤R400 000) | 150 830 | 188 690 | 216 821 | 257 609 | 243 353 | 253 439 | 265 154 | 272 035 | 276 852 | 1,8 | 13,8 |
| Luxury (>R2,9m-R10,7m) | 3 160 587 | 3 408 104 | 3 779 621 | 4 081 618 | 3 973 135 | 4 071 934 | 4 137 266 | 4 177 611 | 4 239 629 | 1,5 | 6,7 |
| Provinces | | | | | | | | | | | |
| Eastern Cape | 516 260 | 645 090 | 748 692 | 850 668 | 827 562 | 845 284 | 866 604 | 873 725 | 865 458 | -0,9 | 4,6 |
| Free State | 408 712 | 491 411 | 568 659 | 685 764 | 624 702 | 665 062 | 736 154 | 749 172 | 733 256 | -2,1 | 17,4 |
| Gauteng | 610 987 | 733 889 | 848 046 | 971 167 | 945 649 | 966 847 | 977 232 | 1 004 444 | 1 032 773 | 2,8 | 9,2 |
| KwaZulu-Natal | 553 106 | 683 857 | 818 016 | 882 914 | 855 626 | 894 672 | 902 366 | 886 244 | 871 454 | -1,7 | 1,8 |
| Limpopo | 438 487 | 566 836 | 710 503 | 821 710 | 811 383 | 837 540 | 826 426 | 811 490 | 806 376 | -0,6 | -0,6 |
| Mpumalanga | 407 502 | 526 329 | 661 480 | 755 903 | 727 586 | 741 353 | 758 105 | 796 567 | 823 191 | 3,3 | 13,1 |
| North West | 418 210 | 528 133 | 622 129 | 715 668 | 673 989 | 704 043 | 729 174 | 755 466 | 784 493 | 3,8 | 16,4 |
| Northern Cape | 369 036 | 438 449 | 550 890 | 630 717 | 614 446 | 609 441 | 636 992 | 661 989 | 663 376 | 0,2 | 8,0 |
| Western Cape | 646 382 | 829 123 | 942 205 | 1 047 807 | 1 013 807 | 1 040 245 | 1 071 949 | 1 083 673 | 1 090 778 | 0,7 | 7,6 |
| Metropolitan regions | | | | | | | | | | | |
| PE/Uitenhage (Eastern Cape) | 540 297 | 674 335 | 770 258 | 865 361 | 836 589 | 850 899 | 874 852 | 899 103 | 920 072 | 2,3 | 10,0 |
| East London (Eastern Cape) | 498 202 | 710 057 | 796 384 | 894 097 | 875 173 | 891 976 | 895 040 | 914 199 | 949 406 | 3,9 | 8,5 |
| Bloemfontein (Free State) | 517 732 | 640 462 | 758 344 | 928 251 | 842 370 | 906 872 | 966 560 | 997 203 | 1 006 158 | 0,9 | 19,4 |
| Greater Johannesburg (Gauteng) | 617 187 | 740 935 | 876 758 | 1 006 249 | 980 722 | 999 760 | 1 012 072 | 1 039 887 | 1 078 773 | 3,7 | 10,0 |
| Johannesburg Central & South | 536 783 | 616 669 | 771 985 | 867 422 | 870 346 | 879 008 | 858 847 | 861 486 | 879 460 | 2,1 | 1,0 |
| Johannesburg North & West | 763 338 | 920 641 | 1 074 271 | 1 234 013 | 1 186 145 | 1 213 553 | 1 243 605 | 1 292 749 | 1 322 279 | 2,3 | 11,5 |
| East Rand | 505 280 | 638 747 | 754 089 | 865 108 | 835 223 | 865 780 | 868 384 | 891 044 | 945 771 | 6,1 | 13,2 |
| Pretoria (Gauteng) | 671 873 | 812 507 | 924 639 | 1 071 990 | 1 022 029 | 1 059 429 | 1 104 130 | 1 102 371 | 1 100 743 | -0,1 | 7,7 |
| Durban/Pinetown (KwaZulu-Natal) | 540 616 | 723 545 | 853 672 | 984 358 | 924 665 | 994 125 | 1 016 502 | 1 002 140 | 992 884 | -0,9 | 7,4 |
| Cape Town (Western Cape) | 665 566 | 847 517 | 968 004 | 1 067 907 | 1 029 082 | 1 057 202 | 1 084 340 | 1 101 006 | 1 110 356 | 0,8 | 7,9 |
| Coastal regions | | | | | | | | | | | |
| South Africa | 779 116 | 1 025 625 | 1 145 696 | 1 350 583 | 1 276 768 | 1 331 278 | 1 388 995 | 1 405 291 | 1 431 118 | 1,8 | 12,1 |
| Western Cape | 818 048 | 1 097 216 | 1 213 738 | 1 447 670 | 1 370 476 | 1 413 282 | 1 484 288 | 1 522 252 | 1 517 396 | -0,3 | 10,7 |
| West Coast | 649 699 | 928 911 | 1 020 596 | 1 190 620 | 1 131 523 | 1 164 863 | 1 195 643 | 1 270 452 | 1 375 568 | 8,3 | 21,6 |
| Cape Peninsula and False Bay | 845 957 | 1 085 910 | 1 210 997 | 1 434 233 | 1 361 128 | 1 392 146 | 1 472 028 | 1 511 630 | 1 492 280 | -1,3 | 9,6 |
| South Coast | 786 899 | 1 189 143 | 1 284 994 | 1 588 106 | 1 486 857 | 1 582 898 | 1 629 497 | 1 653 171 | 1 674 847 | 1,3 | 12,6 |
| Eastern Cape | 624 593 | 800 612 | 922 365 | 1 069 405 | 1 001 466 | 1 052 546 | 1 105 718 | 1 117 892 | 1 141 723 | 2,1 | 14,0 |
| KwaZulu-Natal | 761 015 | 970 442 | 1 187 519 | 1 381 582 | 1 264 842 | 1 396 361 | 1 436 123 | 1 466 238 | 1 490 931 | 1,7 | 17,9 |
| South Coast | 630 705 | 889 739 | 1 098 923 | 1 168 040 | 1 158 642 | 1 161 021 | 1 122 878 | 1 229 619 | 1 301 772 | 5,9 | 12,4 |
| North Coast | 863 606 | 1 047 353 | 1 288 328 | 1 557 276 | 1 372 965 | 1 563 969 | 1 661 016 | 1 631 154 | 1 680 091 | 3,0 | 22,4 |

House prices are based on the total smoothed purchase price of houses (including all improvements) in respect of which loan applications were approved by Absa Bank. House prices for the provinces and metropolitan regions are smoothed for all houses between 80m² and 400m², up to R2,9 million. House prices for the coastal regions are smoothed for all houses between 80m² and 700m², up to R10,7 million.

| Key variables and projections | | | | | | | | | |
|--|---------------|-------|------|------|------|------|------|------|------|
| Annual averages | | | | | | | | | |
| | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| \$/R exchange rate | Rand per US\$ | 10,52 | 7,56 | 6,45 | 6,36 | 6,77 | 7,05 | 7,98 | 8,25 |
| CPI headline inflation rate | % | 9,2 | 5,9 | 1,4 | 3,4 | 4,6 | 7,1 | 9,7 | 6,4 |
| CPIX inflation rate | % | 9,3 | 6,8 | 4,3 | 3,9 | 4,6 | 6,5 | 9,1 | 5,9 |
| Mortgage interest rate | % | 15,8 | 15,0 | 11,3 | 10,6 | 11,2 | 13,2 | 15,2 | 15,5 |
| Household disposable income | Real % Δ | 3,0 | 3,6 | 6,3 | 6,6 | 7,6 | 6,9 | 3,6 | 2,7 |
| Final consumption by households | Real % Δ | 3,2 | 3,5 | 6,7 | 6,9 | 8,2 | 7,0 | 3,5 | 3,2 |
| Household saving to disposable income | % | 0,7 | 0,8 | 0,4 | 0,1 | -0,5 | -0,5 | -0,5 | -0,9 |
| Private sector credit extension (end of period) | Nominal % Δ | 3,4 | 18,7 | 14,9 | 19,2 | 24,8 | 22,0 | 16,4 | 17,5 |
| Mortgage advances (end of period) | Nominal % Δ | 10,8 | 16,5 | 24,5 | 28,6 | 30,4 | 25,3 | 16,9 | 19,1 |
| Household debt to disposable income | % | 50,7 | 52,4 | 56,6 | 63,3 | 71,1 | 76,5 | 77,7 | 79,6 |
| Gross domestic product | Real % Δ | 3,7 | 3,1 | 4,9 | 5,0 | 5,4 | 5,1 | 3,4 | 3,9 |
| House prices (80m²-400m², ≤R2,9m) | Nominal % Δ | 15,3 | 21,2 | 32,3 | 22,7 | 15,2 | 14,7 | 5,3 | 3,7 |
| House prices (80m²-400m², ≤R2,9m) | Real % Δ | 5,6 | 14,5 | 30,4 | 18,7 | 10,1 | 7,1 | -4,0 | -2,5 |

Average nominal house prices by middle-segment category in the first quarter 2008

| | Small: 80m ² – 140m ² | | | Medium: 141m ² – 220m ² | | | Large: 221m ² – 400m ² | | |
|---------------------------------|---|---------|---------|---|---------|---------|--|---------|---------|
| | Price Rand | q/q % Δ | y/y % Δ | Price Rand | q/q % Δ | y/y % Δ | Price Rand | q/q % Δ | y/y % Δ |
| National and provinces | | | | | | | | | |
| South Africa | 692 679 | 2,9 | 11,3 | 954 991 | 1,0 | 10,9 | 1 400 587 | 1,5 | 12,4 |
| Eastern Cape | 589 101 | -4,1 | 2,8 | 870 176 | 0,5 | 9,1 | 1 290 387 | 2,6 | 9,9 |
| Free State | 569 190 | 7,3 | 27,8 | 708 983 | -3,6 | 22,4 | 971 529 | -9,1 | 19,8 |
| Gauteng | 708 815 | 3,3 | 18,8 | 952 887 | 3,2 | 11,1 | 1 458 212 | 2,1 | 13,0 |
| KwaZulu-Natal | 640 122 | 4,8 | 16,9 | 928 094 | 0,1 | 6,7 | 1 308 901 | -0,9 | 8,2 |
| Mpumalanga | 589 451 | 2,4 | 6,6 | 826 588 | 0,1 | 12,5 | 1 162 596 | 3,8 | 13,3 |
| North West | 519 223 | 4,2 | 10,5 | 841 746 | 7,3 | 31,4 | 1 073 019 | 3,6 | 13,7 |
| Northern Cape | 550 939 | 3,3 | 19,2 | 721 886 | 7,1 | 24,3 | 1 010 067 | 5,1 | 30,2 |
| Limpopo | 611 157 | 1,5 | 15,5 | 750 261 | -2,8 | -2,6 | 1 261 985 | 7,3 | 11,7 |
| Western Cape | 822 661 | 1,3 | 9,4 | 1 106 950 | -0,8 | 5,5 | 1 563 016 | 0,2 | 3,0 |
| Metropolitan regions | | | | | | | | | |
| PE/Uitenhage (Eastern Cape) | 534 504 | -6,1 | -12,1 | 822 598 | -1,5 | 2,6 | 1 422 035 | 3,7 | 21,1 |
| East London (Eastern Cape) | 646 369 | -3,4 | 4,8 | 1 027 870 | 3,7 | 16,3 | 1 292 823 | 3,7 | -3,0 |
| Bloemfontein (Free State) | 716 994 | -0,2 | 33,2 | 993 716 | 5,0 | 21,6 | 1 282 097 | -1,9 | 7,3 |
| Greater Johannesburg (Gauteng) | 760 703 | 3,7 | 22,3 | 1 018 161 | 2,7 | 13,0 | 1 504 158 | 3,9 | 13,9 |
| Johannesburg Central & South | 661 506 | 0,4 | 37,7 | 938 751 | 7,7 | 20,2 | 1 388 151 | 0,0 | 9,8 |
| Johannesburg North & West | 845 680 | 1,8 | 14,8 | 1 189 890 | 0,9 | 11,5 | 1 733 934 | 3,5 | 13,7 |
| East Rand | 762 926 | 6,1 | 28,8 | 887 742 | 4,4 | 11,2 | 1 262 354 | 4,8 | 14,6 |
| Pretoria | 660 364 | -1,3 | 9,8 | 969 774 | 2,7 | 5,6 | 1 531 692 | 0,5 | 9,6 |
| Durban/Pinetown (KwaZulu-Natal) | 764 711 | 2,9 | 30,5 | 986 704 | -0,3 | 7,6 | 1 598 956 | 2,4 | 23,1 |
| Cape Town (Western Cape) | 853 174 | 1,2 | 10,7 | 1 126 421 | -0,5 | 3,3 | 1 640 730 | 1,2 | 4,9 |

House prices are based on the total smoothed purchase price of houses (including all improvements) between 80m² and 400m², up to R2,9 million, in respect of which loan applications were approved by Absa Bank.

**Monthly mortgage repayment
(rand, calculated over a period of 20 years)**

| Mortgage amount | Repayment at a mortgage rate of | | | | | | | | | | | |
|-----------------|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 10,5% | 11,0% | 11,5% | 12,0% | 12,5% | 13,0% | 13,5% | 14,0% | 14,5% | 15,0% | 15,5% | 16,00% |
| 100 000 | 998 | 1 032 | 1 066 | 1 101 | 1 136 | 1 172 | 1 207 | 1 244 | 1 280 | 1 317 | 1 354 | 1 391 |
| 200 000 | 1 997 | 2 064 | 2 133 | 2 202 | 2 272 | 2 343 | 2 415 | 2 487 | 2 560 | 2 634 | 2 708 | 2 783 |
| 300 000 | 2 995 | 3 097 | 3 199 | 3 303 | 3 408 | 3 515 | 3 622 | 3 731 | 3 840 | 3 950 | 4 062 | 4 174 |
| 400 000 | 3 994 | 4 129 | 4 266 | 4 404 | 4 545 | 4 686 | 4 829 | 4 974 | 5 120 | 5 267 | 5 416 | 5 565 |
| 500 000 | 4 992 | 5 161 | 5 332 | 5 505 | 5 681 | 5 858 | 6 037 | 6 218 | 6 400 | 6 584 | 6 769 | 6 956 |
| 600 000 | 5 990 | 6 193 | 6 399 | 6 607 | 6 817 | 7 029 | 7 244 | 7 461 | 7 680 | 7 901 | 8 123 | 8 348 |
| 700 000 | 6 989 | 7 225 | 7 465 | 7 708 | 7 953 | 8 201 | 8 452 | 8 705 | 8 960 | 9 218 | 9 477 | 9 739 |
| 800 000 | 7 987 | 8 258 | 8 531 | 8 809 | 9 089 | 9 373 | 9 659 | 9 948 | 10 240 | 10 534 | 10 831 | 11 130 |
| 900 000 | 8 985 | 9 290 | 9 598 | 9 910 | 10 225 | 10 544 | 10 866 | 11 192 | 11 520 | 11 851 | 12 185 | 12 521 |
| 1 000 000 | 9 984 | 10 322 | 10 664 | 11 011 | 11 361 | 11 716 | 12 074 | 12 435 | 12 800 | 13 168 | 13 539 | 13 913 |
| 1 500 000 | 14 976 | 15 483 | 15 996 | 16 516 | 17 042 | 17 574 | 18 111 | 18 653 | 19 200 | 19 752 | 20 308 | 20 869 |
| 2 000 000 | 19 968 | 20 644 | 21 329 | 22 022 | 22 723 | 23 432 | 24 147 | 24 870 | 25 600 | 26 336 | 27 078 | 27 825 |
| 2 500 000 | 24 959 | 25 805 | 26 661 | 27 527 | 28 404 | 29 289 | 30 184 | 31 088 | 32 000 | 32 920 | 33 847 | 34 781 |

**Mortgage amount at fixed monthly repayment
(rand, calculated over a period of 20 years)**

| Mortgage repayment | Repayment at a mortgage rate of | | | | | | | | | | | |
|--------------------|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 10,5% | 11,0% | 11,5% | 12,0% | 12,5% | 13,0% | 13,5% | 14,0% | 14,5% | 15,0% | 15,5% | 16,00% |
| 1 000 | 100 162 | 96 882 | 93 771 | 90 819 | 88 017 | 85 355 | 82 824 | 80 417 | 78 125 | 75 942 | 73 862 | 71 878 |
| 2 000 | 200 325 | 193 763 | 187 542 | 181 639 | 176 035 | 170 710 | 165 649 | 160 834 | 156 250 | 151 885 | 147 724 | 143 755 |
| 3 000 | 300 487 | 290 645 | 281 313 | 272 458 | 264 052 | 256 065 | 248 473 | 241 250 | 234 375 | 227 827 | 221 585 | 215 633 |
| 4 000 | 400 649 | 387 526 | 375 083 | 363 278 | 352 069 | 341 421 | 331 297 | 321 667 | 312 501 | 303 769 | 295 447 | 287 510 |
| 5 000 | 500 811 | 484 408 | 468 854 | 454 097 | 440 086 | 426 776 | 414 122 | 402 084 | 390 626 | 379 711 | 369 309 | 359 388 |
| 6 000 | 600 974 | 581 289 | 562 625 | 544 916 | 528 104 | 512 131 | 496 946 | 482 501 | 468 751 | 455 654 | 443 171 | 431 265 |
| 7 000 | 701 136 | 678 171 | 656 396 | 635 736 | 616 121 | 597 486 | 579 770 | 562 918 | 546 876 | 531 596 | 517 032 | 503 143 |
| 8 000 | 801 298 | 775 052 | 750 167 | 726 555 | 704 138 | 682 841 | 662 595 | 643 335 | 625 001 | 607 538 | 590 894 | 575 020 |
| 9 000 | 901 460 | 871 934 | 843 938 | 817 375 | 792 156 | 768 196 | 745 419 | 723 751 | 703 126 | 683 480 | 664 756 | 646 898 |
| 10 000 | 1 001 623 | 968 815 | 937 708 | 908 194 | 880 173 | 853 551 | 828 243 | 804 168 | 781 251 | 759 423 | 738 618 | 718 775 |
| 15 000 | 1 502 434 | 1 453 223 | 1 406 563 | 1 362 291 | 1 320 259 | 1 280 327 | 1 242 365 | 1 206 252 | 1 171 877 | 1 139 134 | 1 107 926 | 1 078 163 |
| 20 000 | 2 003 245 | 1 937 631 | 1 875 417 | 1 816 388 | 1 760 346 | 1 707 103 | 1 656 487 | 1 608 337 | 1 562 503 | 1 518 846 | 1 477 235 | 1 437 550 |
| 25 000 | 2 504 057 | 2 422 038 | 2 344 271 | 2 270 485 | 2 200 432 | 2 133 878 | 2 070 608 | 2 010 421 | 1 953 128 | 1 898 557 | 1 846 544 | 1 796 938 |