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Published by:
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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 R2,9 million or less in 2007 (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 growth slowing down further

Nominal house price growth of 8,7% year-on-year was recorded in the middle segment of the market (see explanatory notes) in March 2008, compared with a revised growth rate of 9,5% in February. Average nominal house price growth came to 9,5% in the first quarter of the year (12,4% in the final quarter of 2007). These trends in house price growth are according to the latest Absa House Price Index, which indicates that the average price of a middle-segment house was about R980 400 in March this year.

In real terms, year-on-year price growth was negative by 0,3% in February from positive growth of 1,0% recorded in January. This was the first time since June 1999 that real year-on-year house price growth was negative.

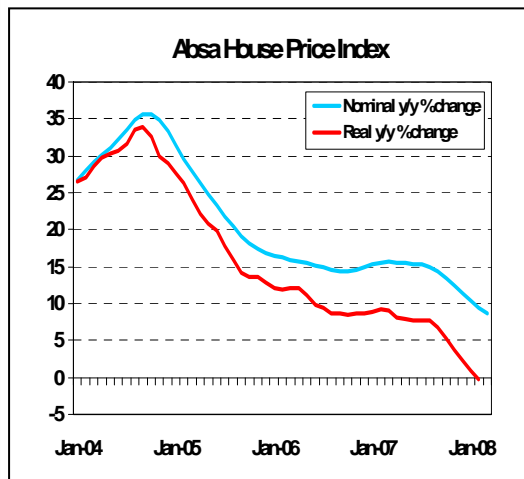
On a month-on-month basis, nominal house price growth remained stable at 0,5% in March from February. In real terms, house prices were virtually constant, recording positive growth of only 0,2% in February from January.

The slowdown in year-on-year house price growth has accelerated since September last year, mainly driven by further interest rate hikes in the second half of last year, a significant slowdown in growth in real household disposable income up to the end of 2007, and the full implementation of the National Credit Act in mid-2007, which saw a tightening of lending requirements applicable to consumers and financial institutions.

Currently at 9,4%, CPIX inflation is way outside the inflation target range of 3%-6%, and still under strong upward pressure as a result of recent oil price, rand exchange rate and food price movements. These factors are adding to inflation expectations, which are set to have a significant impact on demands for higher wages this year. The CPIX inflation rate is forecast to increase to well above 9% in the near term, with an annual average of about 9% projected for the full year.

In view of these developments, the Reserve Bank's Monetary Policy Committee will face a difficult task next week when deciding on the way forward for domestic interest rates. However, the forecast is for rates to remain unchanged throughout 2008.

In view of these developments, house price growth is expected to slow down even further this year from current levels. Nominal price growth of around 7% (about -2% in real terms) is projected for the full year. This will be the lowest nominal growth recorded in house prices since 1999, when it was 4,9%. It will also be the first time since 1999 that annual real house price growth will be in negative territory.



| Absa House Price Index (nominal, 2000=100) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| Jan | 183.2 | 240.8 | 280.5 | 323.6 | 357.0 |
| Feb | 188.4 | 244.1 | 283.6 | 327.9 | 358.9 |
| Mar | 193.5 | 247.3 | 286.8 | 331.7 | 360.6 |
| Apr | 198.5 | 250.6 | 290.0 | 335.2 | |
| May | 203.5 | 253.9 | 293.3 | 338.6 | |
| Jun | 208.6 | 257.2 | 296.3 | 341.8 | |
| Jul | 213.9 | 260.6 | 299.3 | 345.0 | |
| Aug | 219.3 | 263.9 | 302.4 | 347.7 | |
| Sep | 224.4 | 267.4 | 305.9 | 349.9 | |
| Oct | 229.2 | 270.8 | 309.9 | 351.7 | |
| Nov | 233.5 | 274.2 | 314.3 | 353.4 | |
| Dec | 237.3 | 277.4 | 319.0 | 355.2 | |
| Ann ave | 211.1 | 259.0 | 298.4 | 341.8 | |