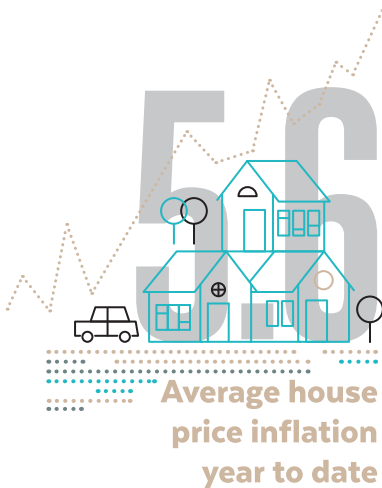


SLOWDOWN IN SIGHT

Slow housing market requires greater understanding of trends



The national housing market has remained remarkably resilient in recent years – despite five consecutive years of subdued economic growth, a severe drought and repeated bouts of Rand weakness, which have ignited renewed price pressures and prompted the Reserve Bank to gradually, but repeatedly, raise interest rates.

However, signs are now emerging that the national housing market is beginning to lose momentum in the face of these persistent economic headwinds.

After registering an average house price inflation rate of 5.5% last year, the *Pam Golding Residential Property Index* (PGP Index) appears to be slowing. After reaching a high of 5.7% in March this year, the PGP Index has eased slightly to 5.4% in September 2016 – bringing the average house price inflation thus far this year to 5.6%.

The slowdown in the national housing market is also evident in the house price indices of South Africa's major banks – notably FNB and Absa (see the graph below). These indices tend to be more volatile than the PGP Index but are both clearly indicating a marked downturn in house price inflation.

National house price inflation is slowing

SOURCE: PGP INDEX, FNB & ABSA

