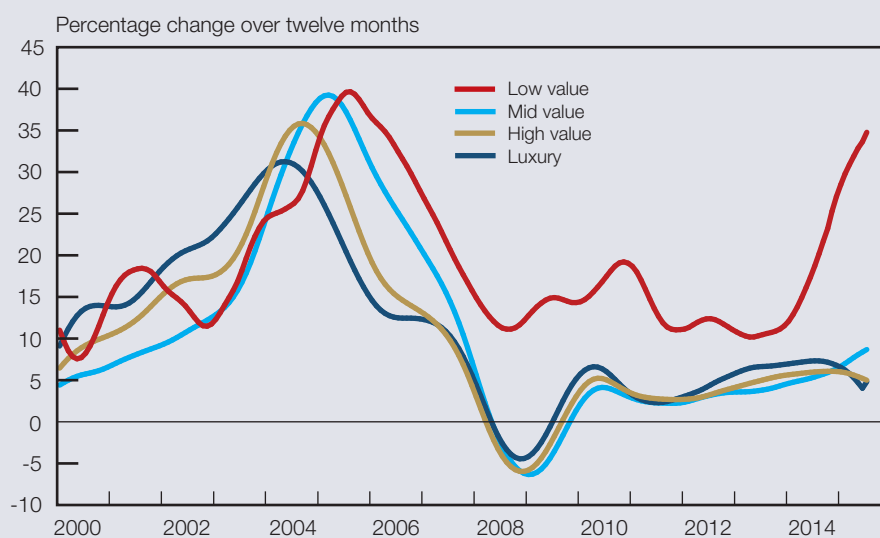


Box 7 Divergence in house price behaviour

While the behaviour of national average house prices is important from a macroeconomic viewpoint, national averages often hide considerable divergence at the disaggregated level. Data from Lightstone, for instance, show that price inflation of luxury, high-value and intermediate-value houses have moved closely together in recent years, but that the prices of houses in the low-value segment have over the past ten years consistently risen more strongly than those of the more expensive housing segments, as shown in the accompanying graph.

The low-value segment – houses with a current value of less than R250 000 – is where most people enter the commercial housing market for the first time, in many instances moving from informal dwellings to a formal-sector house. Included in the low-value segment is Reconstruction and Development Programme (RDP) housing, where prices are volatile. This segment has benefited from salary and wage increases that have in recent years generally been higher for low-income earners than for the average worker. The absence of transfer duty on property transfers in the low-value segment, alongside demographic and spatial shifts that result in many people moving into formal houses, probably favours the low-value segment.

Nominal house prices by value bands



Source: Lightstone