BetterBond
PROPERTY BRIEF

APRIL 2025

HIGHLIGHTS

9.3%
YOY increase in the number of home loan applications

3.1%
YOY increase in the average home price for first-time buyers

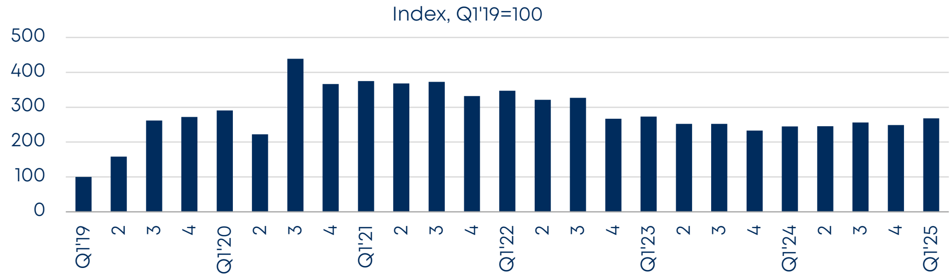
R185,000
Average home loan deposit for first-time buyers

90%
YOY increase in the value of building plans in KwaZulu-Natal

1 BetterBond index of home loan applications

The marginal improvement in homebuying activity that became evident in the first two months of the year gained some traction in March, with the BetterBond home loan index increasing by 7.7% QOQ and by 9.3% YOY during Q1 2025 **(figure 1)**. Home loan applications started a declining trend ever since the record high prime rates of the past three years started to bite but flattened out since mid-2023. Prior to the switch to a restrictive monetary policy, the BetterBond home loan index increased by an impressive 29% in the space of only 12 months (between Q1 2020 – prior to the Covid pandemic – and Q1 2022. Despite the refusal of the Monetary Policy Committee (MPC) to lower the repo rate again during their March policy meeting, the residential property market seems poised to accelerate during the rest of the year. With inflation still at the bottom end of the Reserve Bank's target range, a further interest rate cut may occur in May.

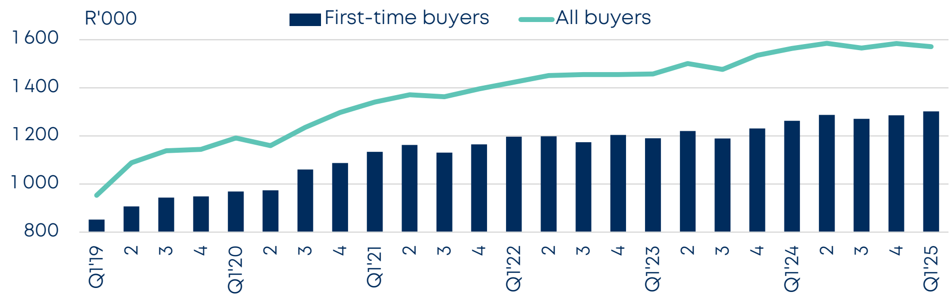
FIGURE 1



2 Average home purchase price

The marginally lower cost of servicing home loan debt has not yet translated into a meaningful return to positive growth in average home prices. Fortunately for first-time homebuyers, a YOY increase of 3.1% in average home prices during Q1 2025 managed to touch on the current consumer price index, which stood at 3.2% in February **(figure 2)**. For all buyers, the YOY increase was merely 0.5%, but still better than the marginal decline recorded for the first two months of the year. Viewed from a five-year perspective, it is clear that an investment in a residential property still holds the promise of a store of value, although the age-old maxim of location first should be kept in mind. Since Q1 2020 (prior to the Covid pandemic and the rise in interest rates to their highest level in 15 years), house prices have increased at an average annual rate of 5.7% for all buyers and 6.1% for first-time buyers – considerably higher than the current inflation rate of 3.2% and also higher than the dividend yield of 2.4% on Satrix (a proxy for listed companies on the JSE).

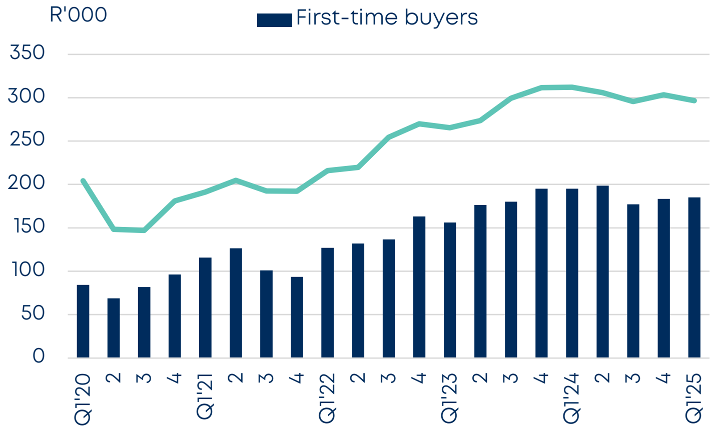
FIGURE 2



3 Average deposit for home purchase

In mid-2024, a temporary lowering occurred for the deposits required to access home loans by first-time buyers, but a rising trend has resumed since Q4 2024, albeit marginal. During Q1 2025, the average home loan deposit for first-time buyers amounted to R185,000, representing a QOQ increase of 1% **(figure 3)**. Fortunately, the average deposit declined YOY by 5.1%. For all buyers, both the quarterly and annualised trends are in their favour, with declines of 2.2% and 4.9%, respectively. A positive development that could well lead to further declines in deposit levels is the decline of 1.8% in credit impairments by banks that occurred between October and December last year. Credit impairments had risen by 5.1% between December 2023 and October 2024.

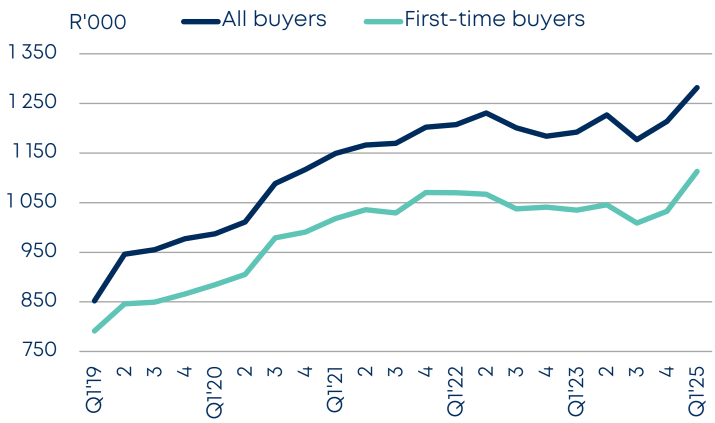
FIGURE 3



4 Average approved home loan values (all buyers and first-time buyers)

The increase in average home loan values for all regions is a most welcome development and could be a precursor to a new sustained growth phase for the residential property market. During Q1 2025, the average home loan for all buyers amounted to R1.28 million – the highest level ever and 11.5% higher than three years ago (before the restrictive monetary policy and record-high interest rates set in). A new record high was also recorded for average home loans awarded to first-time buyers, with a value of R1.11 million **(figure 4)**. The YOY increases for home loans for all buyers and first-time buyers were identical, namely 7.5%, while the QOQ increases were 5.6% and 7.7%, respectively. A downward trend in these values kicked in at the beginning of 2022 but has now started moving decidedly to higher levels.

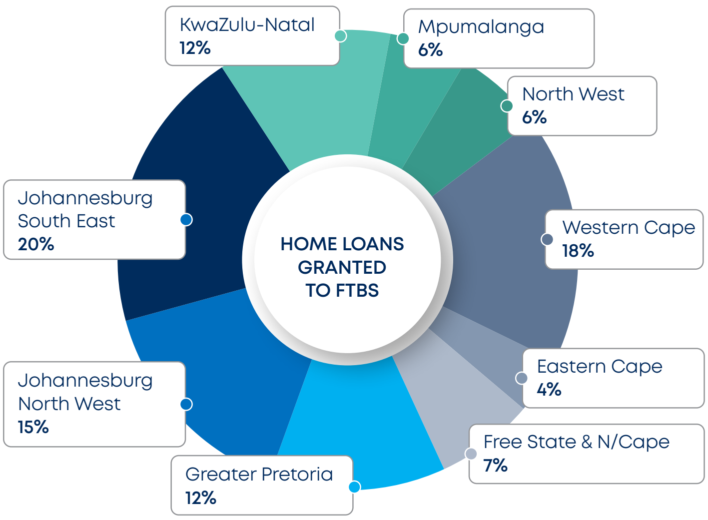
FIGURE 4



5 Regional composition of home loans granted to FTBs (12 months to March 2025)

During the 12 months to the end of March 2025, the number of loans granted to first-time homebuyers increased by 33% over the previous 12-month period. Johannesburg's South-Eastern suburbs and the Western Cape retained their number one and two positions for the number of home loans granted to first-time buyers **(figure 5)**. Gauteng remains the busiest province for residential property market transactions with 48% of the total loans granted over the past 12 months. Provinces that managed to enlarge their share of homebuying activity are Mpumalanga, Free State, the Northern Cape and North-West, at the expense of lower levels of home loans granted in Greater Pretoria, the Eastern Cape and Johannesburg's North-Western suburbs. Regions that house large metropolitan municipalities continue to account for the bulk of home loans granted to first-time buyers, namely 77% of the total.

FIGURE 5

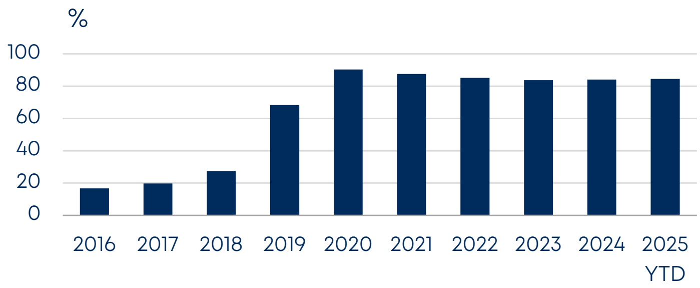


6 Average percentage deposit required for home prices below R500k

Despite a marginal increase in the average home loan deposit required for properties valued at below R500,000, a modest downward trend has become evident. Between 2020 and the 12 months to March 2025, the average deposit requirement declined by 6% **(figure 6).** The impact of the Covid pandemic is evident in the increase of 32% that occurred for this deposit level between 2019 and 2020.

Homebuying activity for lower priced houses has been under pressure since interest rates started moving to record high levels, with a decline of 6.4% in the share of home loans for the price bracket below R500,000. The average monthly income for the age group below 30 years has nevertheless increased by 8% in real terms over the past two years to a level of more than R40,000, which provides some encouragement for the prospects of a further recovery of homebuying activity at the lower end of the market.

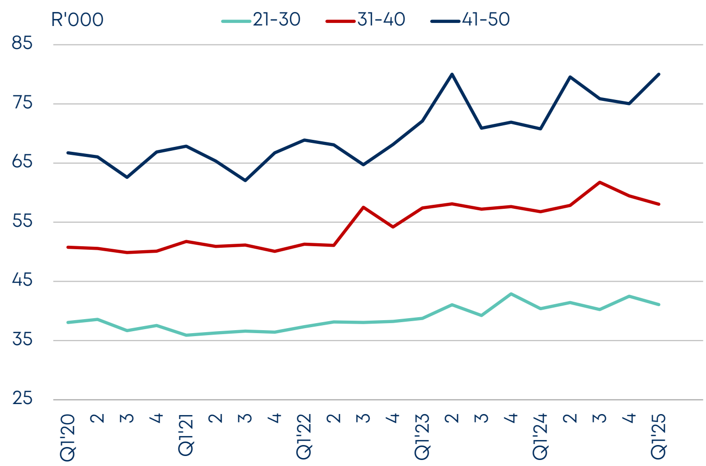
FIGURE 6



7 Average homebuyer incomes by age group at constant 2024 prices

Average income levels in South Africa follow a decidedly lower trend during the first quarter of every year, mainly because of a base effect related to annual bonus payments that occur in the preceding (fourth) quarter. This trend has been evident again during Q1 2025, with QOQ declines in the real income levels of the age groups 21-30 years and 31-40 years **(figure 7)**. Fortunately, the YOY data is positive for all age groups. An outstanding feature of the average income levels for homebuyers is the exceptionally strong growth experienced for the age group 41-58 years, namely 6.6% QOQ and 13% YOY. During Q1 2025, the average income of the latter age group was R80,000 per month. For the youngest age group, this figure was virtually half at R41,000 per month. Except for the age group 31-40 years, all the age groups experienced double-digit income growth in nominal terms over the past two years.

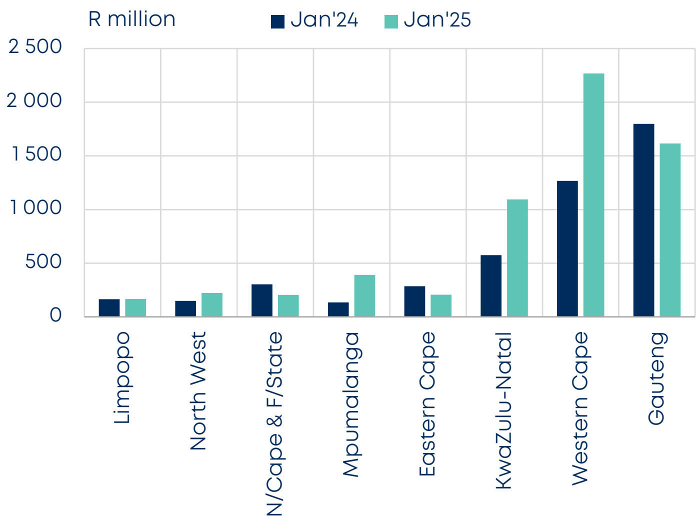
FIGURE 7



8 Value of building plans passed by region (Jan 2024 and 2025)

Mpumalanga shot the lights out for the value of building plans passed in January 2025, with a YOY increase of 190% to a level of R392 million **(figure 8)**. In the process, this province elevated its provincial ranking from last to fourth. The performances of KwaZulu-Natal and the Western Cape were even more impressive, as these occurred from a much higher base than in Mpumalanga. In January, the value of building plans passed in the latter two provinces increased by 90% and 79% YOY, respectively. Gauteng's performance was disappointing, with a YOY decline of 10%. This caused the country's most populated province to drop into second place, behind the Western Cape.

FIGURE 8



Economist's notes

Dr Roelof Botha | Economist
Affiliated with the Gordon Institute of Business Science (GIBS), Dr Botha is a seasoned commentator on economic issues, long-time advisor to the Optimum Investment Group and Currencies Direct, and former advisor to the National Treasury.

HIGHLIGHTS

R1.2 TRILLION
South Africa's gold and forex reserves

2.5%
YOY increase in the Afrimat Construction Index

A number of events occurred last month that made one reflect on the "Ides of March", referring to a day in the ancient Roman calendar that fell on March 15 and is associated with misfortune (due to the date on which Roman statesman Julius Caesar was assassinated). Although not quite as dramatic as this tragic event of more than two centuries ago, the tariff war invoked by US President Donald Trump, combined with the tension in the government of national unity (GNU) over the 2025 National Budget, may exact a huge toll on the South African economy.

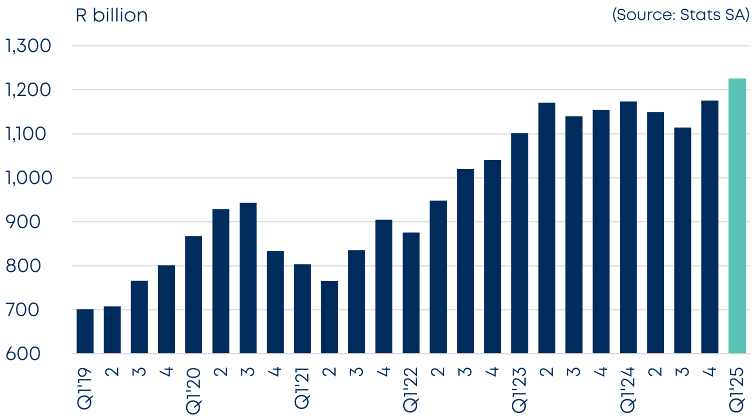
On top of these threats to the task of lifting the country's growth rate was the refusal of the Reserve Bank's MPC to lower interest rates further (from a current record high real prime rate of 7.8%). The negative impact of higher tariffs on products shipped to the US may eventually be alleviated if South Africa's trade officials can find a way to reduce some of the duties levied on imports from the US and then provide their counterparts in the US with an amended and accurate calculation of the average tariff (weighted by trade values).

New record for forex reserves

Fortunately, South Africa's balance of payments is in excellent condition, with the gross gold and foreign exchange reserves reaching a new record high of more than R1.2 trillion in Q1 2025 **(figure 9)**. The financial account of the balance of payments ended the year with a surplus of R62.9 billion – an increase of 18.6% over the figure for 2023 and the third successive year that a surplus on this account was recorded.

During Q4 2024, the current account of the balance of payments recorded its second surplus of the year, namely more than R16 billion. This achievement was rather predictable due to a 41% surge in the value of gold exports (QOQ), reaching a level of R150 billion for the full year.

FIGURE 9 South Africa's gold & foreign exchange reserves



Producer price index at record low

Price increases at the factory gate remain at their lowest level in more than two decades, with the producer price index (PPI) barely above zero. During the last two quarters of 2024, the PPI recorded two successive quarters of negative readings for the first time since this data series has been kept by the country's central bank. The consumer price index is currently very close to the bottom of the inflation target range (3.2%), which translates into a benign inflationary environment. Hopefully, the MPC will take note of these trends and provide some relief for indebted households in May.

New life in the construction sector

The lowering of the prime lending rate from 11.75% to 11% has exerted a marginal positive impact on the Afrimat Construction Index (ACI) for Q4 2024, with the YOY increase of 2.5% outperforming the YOY real GDP growth rate of only 0.5% by a considerable margin. The ACI has now improved for three quarters in succession, boosted by the value of building plans passed by larger municipalities and the value of building material sales.

Economist
Dr Roelof Botha

Contact us
Taryn Curtis | BetterBond Marketing Manager | taryn.curtis@betterbond.co.za

www.betterbond.co.za

BetterBond