BetterBond
PROPERTY BRIEF

Economic Compass

DECEMBER 2025

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On top of ample rains over much of the country's maize producing regions, signs of a revival of economic growth have been appearing in a variety of economic indicators. First and foremost is the real GDP growth rate for Q3 2025, which came in at 2.1% YOY – its highest annualised rate in three years. According to Statistics SA, the economy added a quarter of a million new jobs in Q3 2025, of which 65% emanated from the private sector. Another positive is the S&P Global credit rating upgrade of South Africa's sovereign bonds (as predicted in November's Economic Compass).

Then there is the rand exchange rate, which continues to baffle the pessimists. Since the beginning of the year, the rand is one of the world's best performing currencies against the US dollar, having strengthened by 10%. From a real estate point of view, the pick of the good news crop is undoubtedly the further cut in the prime lending rate (via the Reserve Bank's repo rate), which is now 150 basis points lower than at the beginning of September last year. Hopefully, the lowering of the inflation target range will not deter further rate cuts.

HIGHLIGHTS

2.1%
Q3 real YOY GDP growth

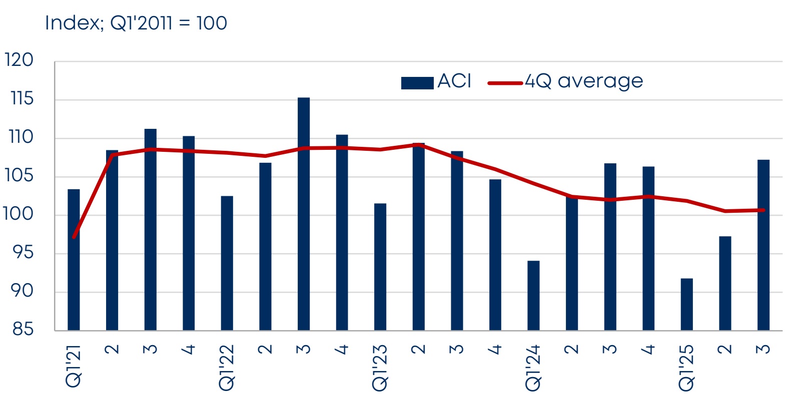
ZAR USD
10%
The rand's appreciation versus the US $ in 2025

$1,755
Platinum price on 16 October

1 Construction sector recovers in Q3

The Afrimat Construction Index (ACI) for Q3 2025 has posted an impressive double-digit QOQ increase, representing a significant improvement over the second quarter results **(figure 1)**. This composite index of activity levels in the building and construction sectors is compiled every quarter and includes several indicators that are aligned to the conditions in the residential property market, especially regarding building activity.

FIGURE 1 **Afrimat Construction Index (ACI) – Q3 2025**



It is encouraging that only one of the 10 indicators that comprise the index failed to record QOQ growth, namely the value of construction works. The outstanding performers during Q3 were the value of buildings completed, the volume of building materials produced and the value of building plans passed, all of which increased at double-digit rates (QOQ, in real terms).

Gold and platinum continue to shine

Historically, the gold and platinum industries have continued to generate jobs, foreign exchange earnings and substantial taxation revenues for South Africa. The current price surge experienced by these precious metals is exceptionally good news for South Africa. Gold leads the way with an all-time high of $4,358 per fine ounce having been recorded on 20 October. Platinum has also come to the precious metals party, reaching a 12-year high of $1,755 on 16 October. Combined with other metals and minerals, these commodities currently represent 44% of the country's export earnings.

New record for vehicle sales

During October, the number of new vehicles sold in South Africa increased by 16.8% YOY to reach a record high of 56,000 units. The positive impact of the lowering of the prime rate (via the repo rate) has also resulted in a new record high for the Drive. co.za Motor Index (DMI). One of the positive features included in the data underpinning the DMI for Q3 is the new record high for the real value of exports of vehicles and components, which has occurred despite the uncertainty surrounding the so-called tariff wars.

HIGHLIGHTS

150 basis point

Drop in the prime rate since 2024

23.5%

Increase in home loan applications since Q3 2023

R1.63 million

Average home purchase price

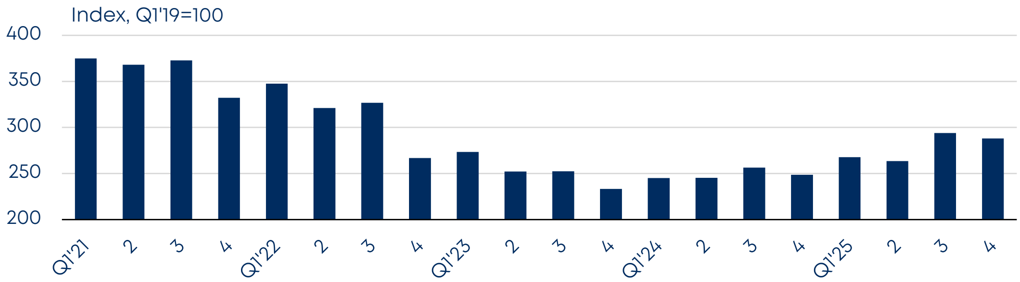
R18.6 billion

Value of houses and flats built YTD 2025

2 BetterBond index of home loan applications

The number of home loan applications received during October and November was marginally lower than during the Q3, most likely due to the anticipation of an interest rate cut among prospective homebuyers **(figure 2)**. Fortunately, the Monetary Policy Committee (MPC) of the Reserve Bank decided to lower the repo rate by another 25 basis points at their meeting towards the end of November, which now translates into a prime rate of 10.25%. Although the prime rate remains 300 basis points higher than in the beginning of 2022, it has been reduced by 150 basis points since the 15-year record high that existed until the end of August last year. The latest BetterBond index of home loan applications has performed well over the past year, with an impressive YOY increase of 16%. Since bottoming out in Q3 2023, the index has increased by 23.5%.

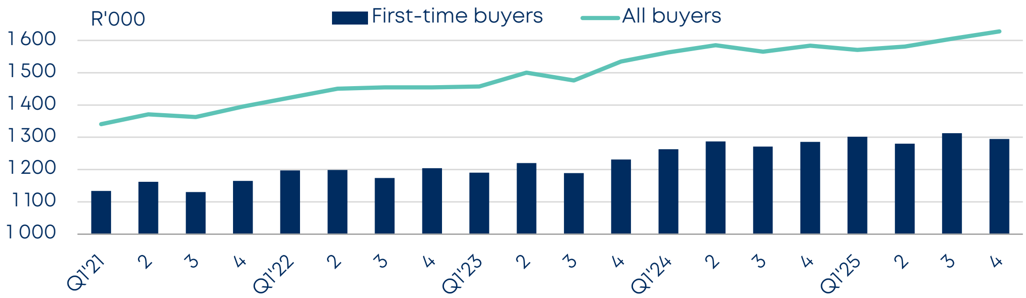
FIGURE 2



3 Average home purchase price

The average home purchase price for all buyers increased marginally between Q3 and the first two months of Q4. Compared to Q4 2024, average home prices increased by 2.8%, which is slightly lower than the current consumer price index (CPI), suggesting a continuation of a market environment that favours buyers. In nominal terms, a new record high was achieved during Q4 at R1.63 million. The market for first-time buyers (FTBs) was tighter during October and November, with a QOQ decline in the average home price of 1.4% to a level of R1.3 million **(figure 3)**. Although the average house price for all buyers has increased by 8.5% since Q2 2023, the impact of inflation has reduced this to a decline of 0.7%. Although the negative impact on the housing market of restrictive monetary policy between 2022 and 2024 is still being felt, the shift to a rate-cutting cycle is likely to lead to further house price increases in 2026.

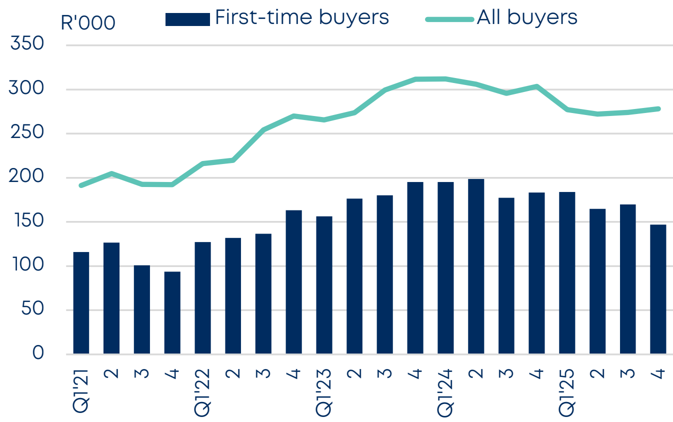
FIGURE 3



4 Average deposit for home purchase

Prospective homebuyers will be encouraged by the downward trend since 2024 in the average deposits required for access to home loans. A sharp YOY decline of 20% has occurred in the average deposit required by FTBs **(figure 4)**. The QOQ decline of 13% was also significant. Although the average deposit required for all buyers increased marginally QOQ, it has also declined by more than 9% since Q4 2024. The latest lowering of interest rates, combined with a decline in the ratio of bank impairments to bank assets continue to assist a more lenient approach of home loan providers. Between Q1 2021 and Q1 2024, the average deposit requirement for FTBs increased by 68%. The welcome downward trend that has now kicked in has played its part in the modest revival of the residential property market since interest rates have started to decline.

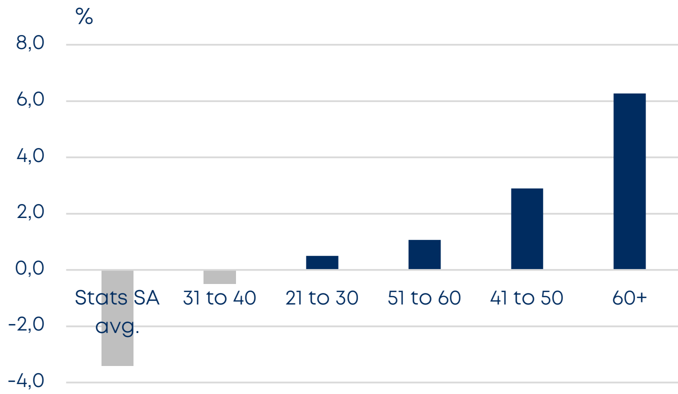
FIGURE 4



5 YOY real increase in homebuyer incomes by age group (12 months to Nov 2025)

Over the past year, a more modest rise in average home-buyer incomes has been observed, although this trend is not as pronounced as the trend for average formal sector salaries in the economy. The latter has declined by 3.4% in real terms since Q3 last year, while most homebuyers managed to increase their incomes over the past year. For the two age groups between 21 and 30 years and 31 to 40 years, the average real income of homebuyers was virtually unchanged over the past year, but buyers above 40 years of age have experienced positive real income increases **(figure 5)**. During Q4, the age group above 60 years enjoyed the largest average YOY income increase, namely 6.3%.

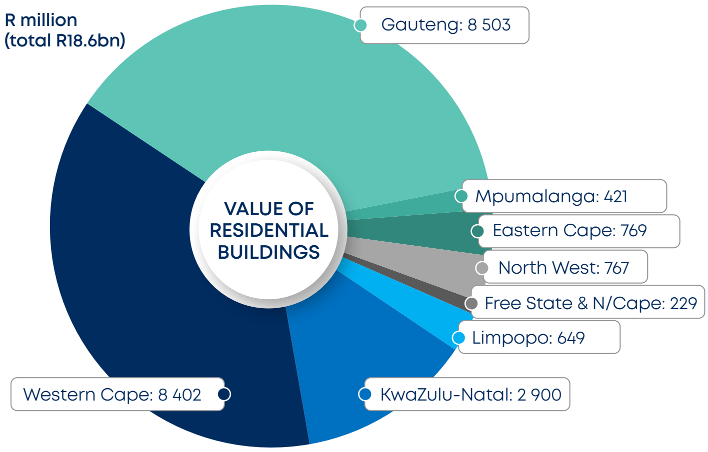
FIGURE 5



6 Value of residential buildings completed by province (Jan to Sept 2025)

Although Gauteng managed to secure the highest value for residential buildings completed during the first three quarters of 2025, the Western Cape is on the verge of assuming position number one for this key indicator of residential property market activity **(figure 6)**. The reason is related to the fact that a significant portion of these houses and flats that were built in 2025 were related to their plans having being passed in 2024, when the Western Cape overtook Gauteng for the first time for the latter indicator. This trend has strengthened in 2025, with the value of residential building plans passed in the Western Cape at a level of R13 billion (from January to September), which is 40% higher than the figure for Gauteng.

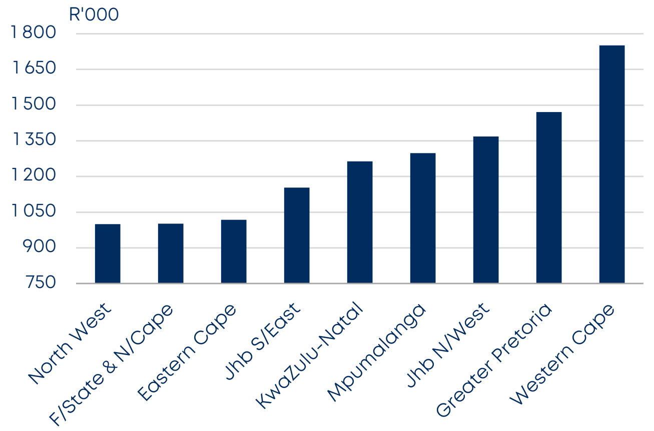
FIGURE 6



7 Regional composition of average bond value (12 months ended Nov 2025)

The fairly sharp decline during 2025 in the average deposit requirement for home loan approval has manifested itself in healthy increases for the average value of home loans. During the 12 months ended November 2025, only two regions failed to record positive real growth for the latter indicator. North West came out tops with a nominal YOY increase of 9.3% (5.9% in real terms), albeit from a low base, followed by the Eastern Cape and the Western Cape, both of which also recorded real growth rates of more than 5%. An interesting feature of the latest data on average bond values is that all the regions now enjoy values of above R1 million, with the Western Cape's average value of R1.75 million having increased the gap with the rest of the regions **(figure 7)**.

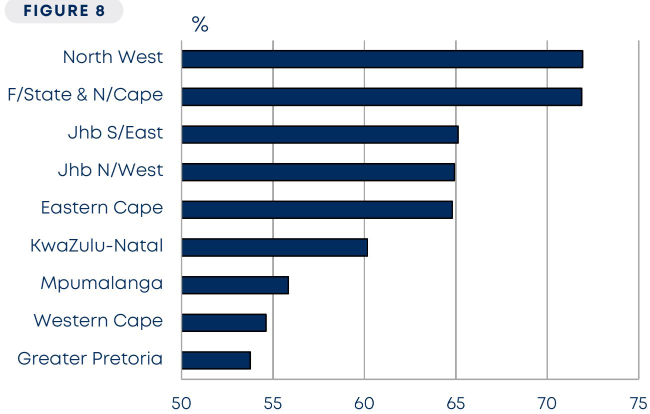
FIGURE 7



8 FTB share of total home loan applications (%)

North West, Free State and the Northern Cape have the highest ratios for the share of home loan applications by FTBs, namely 72% (both), followed by Johannesburg's South-Eastern and North-Western suburbs, both at 65% **(figure 8)**. Due to the fact that the Greater Pretoria region and the Western Cape have the highest average house prices, it is not surprising that their shares of FTB loan applications are the lowest of all the regions, namely 54% and 55%, respectively. From the perspective of FTBs, it is encouraging that seven of the nine regions depicted by figure 8 enjoyed increases in their share of home loan applications, with Johannesburg's North-Western suburbs coming out tops with an increase of 3.1%.

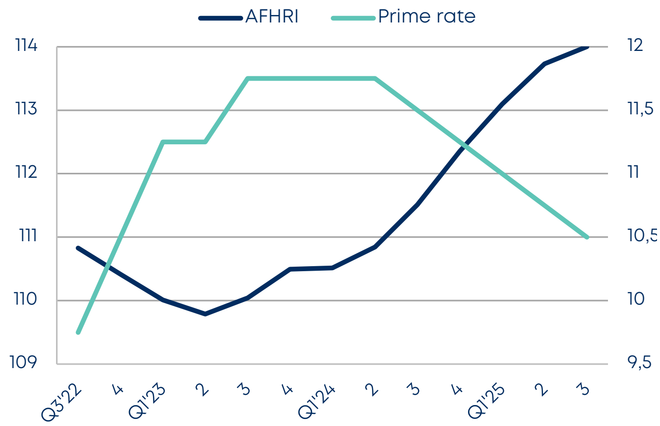
FIGURE 8



9 Altron FinTech Household Financial Resilience Index (AFHRI) and the prime rate

The latest results of the Altron FinTech Household Resilience Index (AFHRI) have confirmed some relief for households during the first half of the year. The AFHRI showed a healthy YOY improvement of 2.3% during Q2 2025. An inverse relationship exists between interest rates and the financial well-being of households. When the prime rate was lowered to 7% in mid-2020, the AFHRI increased by more than 9%. The higher interest rates that followed in 2022 automatically raised the ratio of debt costs to disposable income of households, leaving the average household no choice other than to curb expenditure and, in many cases, to postpone any plans to buy a home. Fortunately, the recent lowering of the prime rate has reversed this trend **(figure 9)**.

FIGURE 9



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