



## BetterBond PROPERTY BRIEF



## Economic Compass



### 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.

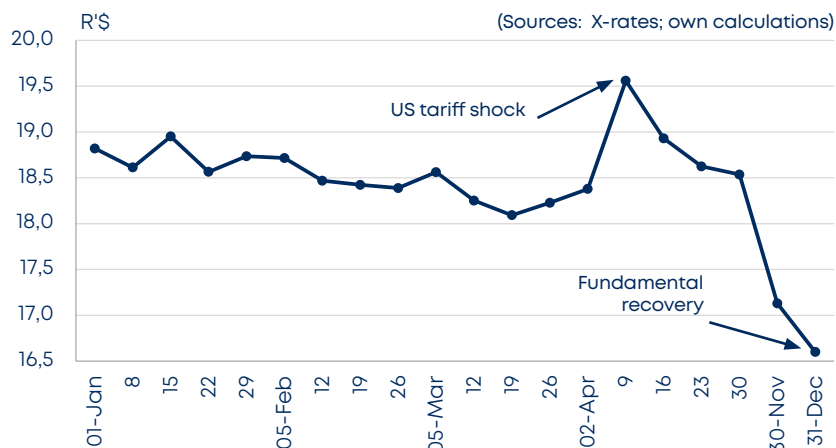
From an economic perspective, the new year promises to be an improvement on 2025, when the economy was still in the throes of recovering from the highest interest rates in 15 years. Fortunately, interest rates continued declining last year, with the prime lending rate now at a level of 10.25%, compared to 11.75% at the beginning of September 2024. A cursory look at reputable economic forecasts for 2026 suggests that South Africa can expect a GDP growth of between 1.5% and 2% – not great, but this would be a huge improvement on recent years, when growth was barely above zero.

Mining continues to represent a key sector of the economy, with minerals accounting for 44% of South Africa's total exports in 2025. The rise in the prices of gold and platinum during 2025 was nothing short of spectacular, with the National Treasury also benefiting via prospects for increased taxation revenue from companies in the mining sector's supply chain. This should complement the fiscal resources required for the urgent need to repair and expand logistics infrastructure. Hopefully, stronger global growth will also serve to start boosting the prices for other key export commodities, which will assist with the monumental task of meaningful job creation.

### 1 The rand shines in 2025

During 2025, South Africa's currency made a habit of being among the best performing currencies in the world. The month of December was no exception, with the rand gaining 3.2% against the US dollar and outperforming all the 16 key currencies monitored by Currencies Direct, which include the US dollar, the euro, the British pound and the Chinese yuan. The month-on-month appreciation of 3.2% in December took the year-on-year strengthening against the US dollar to 13.8% (figure 1).

FIGURE 1 The rand against the US dollar in 2025



One explanation for the sterling performance of the South African currency is the traditional positive relationship with the gold price – a trend that has existed for the better part of the past eight decades. Another reason can be found in the solid performance of the South African balance of payments, with both the trade account and the financial account having produced sizeable surpluses over the past two years.

JANUARY 2026

### HIGHLIGHTS



10.25%

prime lending rate



1.5%-2%

GDP growth  
forecast for 2026



13.8%

rand's gain on  
US dollar in 2025


Then there is the obvious impact of a weaker US dollar, which has been weighed down by economic policy uncertainty and a substantial narrowing of its yield advantage over peers. Compared to the yield on long-term German bonds, US bonds have lost 94 basis points since January 2025 – a deterrent to investor appetite that is widely expected to gain traction with further cuts in the Federal Reserve’s bank rate in 2026.

Although a strong currency poses risks to export earnings, it has the advantage of reducing the cost of imports, including intermediary products used in local manufacturing. This will serve to keep inflation in check and could well play a role in further interest rate cuts early in 2026.

Solar power reaches a new milestone


During 2025, the amount of rooftop photovoltaic (PV) solar installed in South Africa finally surpassed the total installed capacity of utility-scale solar farms that have contracted their capacity to Eskom. South Africa currently has over 11.6 GW of operational solar energy. The expansion of renewable energy generation is testimony to how rapidly capacity can scale when government and the private sector align.

HIGHLIGHTS




8.9%

YOY increase in bond applications




15%

YOY decline in average deposit for FTBs



R1.7 million

average house price in Greater Pretoria



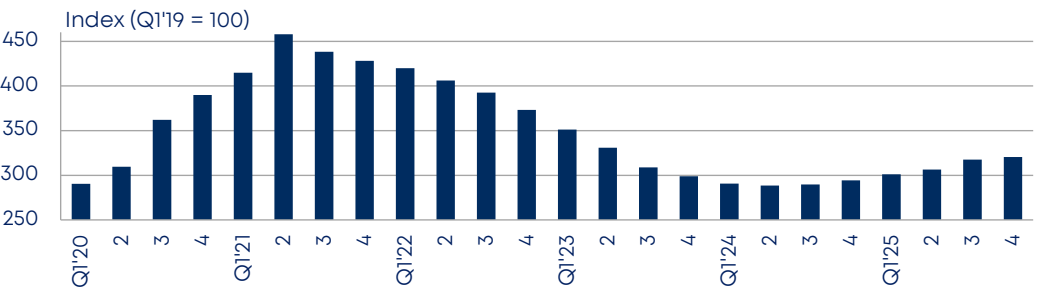
150 basis points

Decline in prime rate since Q3 2024

2 BetterBond index of home loan applications

During December, seasonality comes into play in the residential property market, with the summer holiday season leading to a predictable decline in the level of activity across the board – including the number of deeds registrations. As a result, data presented on a quarterly basis skews underlying trends. Figure 2 has therefore been presented based on a four-quarter moving average, a method that allows for the elimination of seasonal factors. It is clear from this data set that the residential property market serviced by BetterBond’s involvement is heading in the right direction, albeit at a modest pace. Although the number of home loan applications received during Q4 was only marginally higher than during Q3, the YOY increase was 8.9% – an encouraging number when the relatively high prime lending rate is taken into consideration. The latest rate cut (in November 2025) should lead to a further improvement during 2026.

FIGURE 2



3 Average home purchase price

The loss of effective working days during the summer holidays did not prevent average house prices from continuing an upward momentum, with a YOY increase of 3.3% having been recorded in Q4 (figure 3). The increase for first-time buyers (FTBs) was lower at 2.2%, which is marginally lower than the annualised increase in the consumer price index. These data sets confirm the continued existence of a market environment that favours buyers, especially against the background of the significant decline in the number of new houses that have been built. In nominal terms, the average house price paid by FTBs reached a new record high of just above R1.3 million. Latest average house price trends show that the housing market is still feeling the effects of restrictive monetary policy between 2022 and 2024. Hopefully, the rate-cutting cycle that started in September 2024 will continue in 2026.

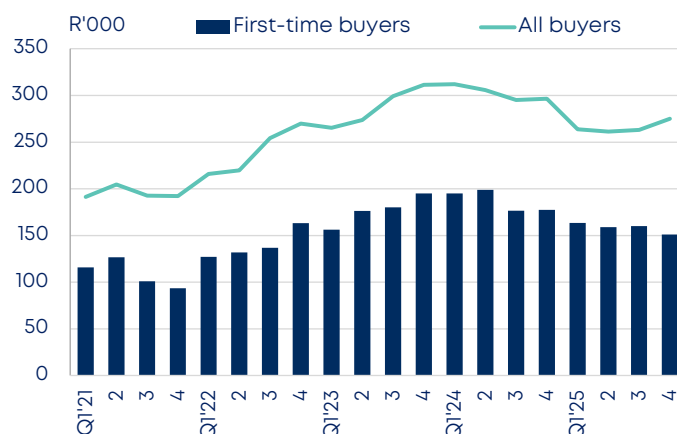
FIGURE 3



## 4 Average deposit for home purchase

The downward trend in the average deposits required for FTB access to home loans that commenced in the beginning of 2024 continued during Q4, with a QOQ decline of 5.6% and a YOY decline of 15%. Although the picture was not quite as rosy for all buyers, the YOY decline in average deposits remains welcome and should incentivise homebuying activity in 2026 (figure 4). Nevertheless, it remains a point of concern to prospective homebuyers that the average deposit requirement for FTBs remains 30% higher than at the beginning of 2021, despite a relatively low ratio of bank impairments to bank assets. Fortunately, the latter ratio seems to have started a declining trend. Combined with a cumulative decline of 150 basis points in the prime rate, banks seem to have started taking a more lenient view towards granting home loans to prospective buyers.

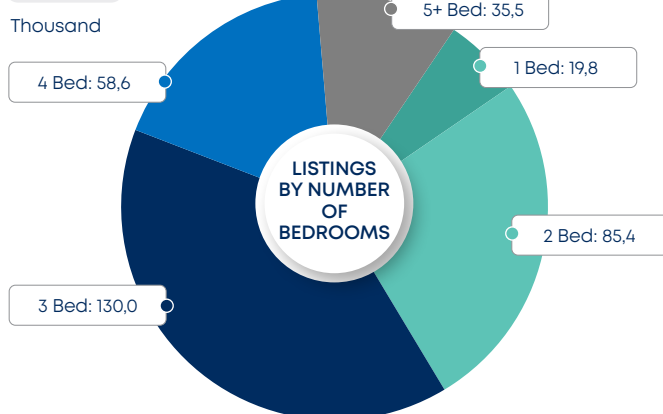
FIGURE 4



## 5 Composition of average monthly Property24 listings by number of bedrooms (June to Dec 2025)

During the second half of 2025, demand for houses with three bedrooms continued to occupy the number one position for homes listed for sale on Property24, with an average monthly figure of 130,000. Two-bedroomed houses for sale were in second place, with an average monthly number of 85,400, with one-bedroomed properties being the least popular. Houses with five or more bedrooms were the second scarcest of all properties, mainly due to their relatively higher price tag. In an environment of low growth and formal sector employment creation, the composition of houses for sale depicted by figure 5 is likely to change in favour of smaller homes during 2026.

FIGURE 5



## 6 Average FTB deposit as a percentage of the average deposit for all buyers

The gap between the deposit requirements for FTBs and repeat buyers (for accessing home loans by banks) narrowed considerably during Q4. Expressed as the percentage of deposits for all buyers, the average FTB deposit declined by 10% QOQ to reach its lowest level since Q3 2022 (figure 6). After the latter date, higher interest rates started to take their toll on activity in the residential property market, with the number of deeds registrations falling from 380,000 in 2022 to 304,500 in 2023 – a significant decline of 20%. The housing market has stabilised since then but remains lower than the levels attained before the Covid-19 pandemic. Further declines in FTB deposit requirements are on the cards, which should boost the sales of houses in 2026.

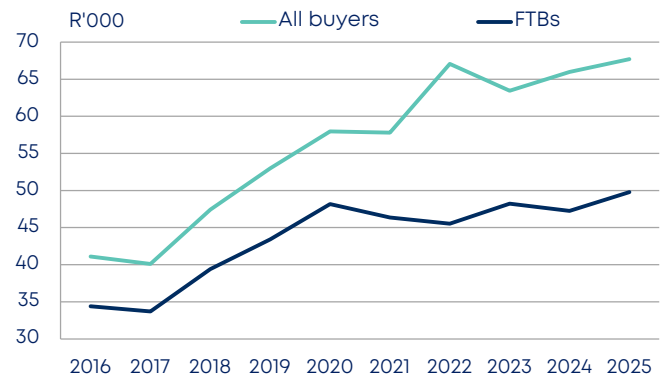
FIGURE 6



## 7 Average monthly incomes for FTBs and all buyers at constant 2025 prices

A noteworthy positive feature of the data on income of home-buyers is the recovery from the disastrous state capture era (post-2017) and the subsequent recovery from the lockdowns imposed by the Covid-19 pandemic, as illustrated by **figure 7**. Over the past nine years, the real incomes of all buyers managed to increase by an impressive annual average of 10.6% in nominal terms and by 5.7% in real terms (after an adjustment for inflation). It is also apparent from these trends that the people with relatively higher skills (as reflected by higher incomes) were relatively immune from the economic contraction caused by this extraordinary phenomenon. Fortunately for FTBs, their average income growth has outperformed the income growth of all buyers since the recovery from the record high interest rates of 2023 and 2024.

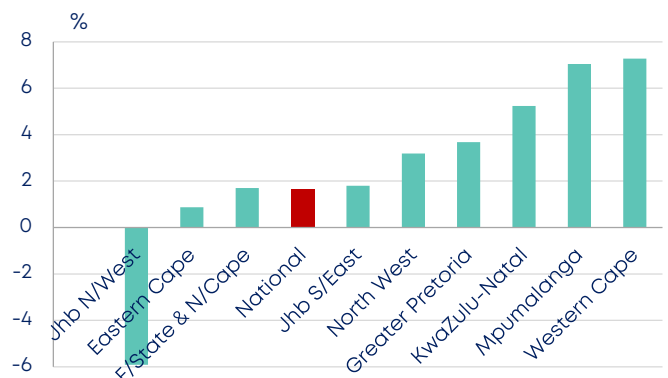
FIGURE 7



## 8 YOY percentage change in average home purchase price by region (12 months to Dec 2025)

During 2025, the Western Cape outperformed the country as a whole for the rate of increase in average house prices, namely 7.3%, compared to 1.7% for the national average (**figure 8**). Mpumalanga was hot on the heels of Western Cape last year, with average house price growth of 7%, followed by KwaZulu-Natal with a growth rate of 5.2%. Combined with Greater Pretoria, these four regions were the only ones where average house price growth managed to beat inflation. A noteworthy feature of house price trends during 2025 was the fact that only one region recorded a decline in average nominal house price growth, namely Johannesburg's North-Western suburbs. This region is being hamstrung by a decay in municipal service standards – an issue that has raised an alarm at national government level.

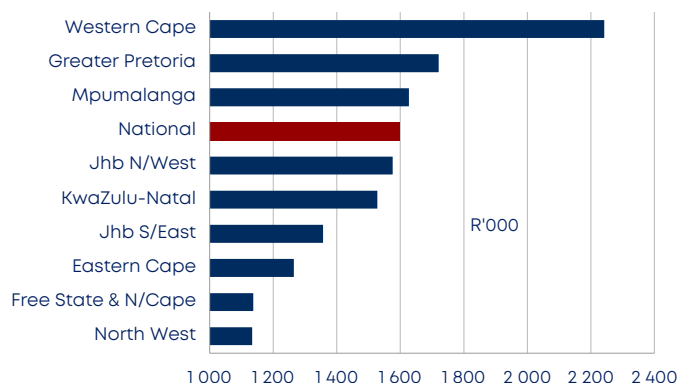
FIGURE 8



## 9 Regional composition of the average home price (12 months to Dec 2025)

The Western Cape also continues to outperform all other regions for the average value of homes sold (**figure 9**). At a level of R2.1 million, the average house price in the Western Cape was 40% higher than the national average of R1.6 million and virtually double the average price recorded in North West and the Free State/Norther Cape region. Greater Pretoria remains in second place with an average house price of R1.7 million. Mpumalanga has consolidated its position as the region with the third highest average house price, namely R1.63 million. During 2025, Mpumalanga managed to overtake the national average house price and is opening up a gap between the regions in fourth and fifth places, namely Johannesburg's North-Western suburbs and KwaZulu-Natal, respectively.

FIGURE 9



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