BetterBond
# PROPERTY BRIEF

**JULY 2025**

## HIGHLIGHTS

**7.4%**
**YOY increase in home loan applications**

**R1.28 million**
**Average house price for first-time buyers**

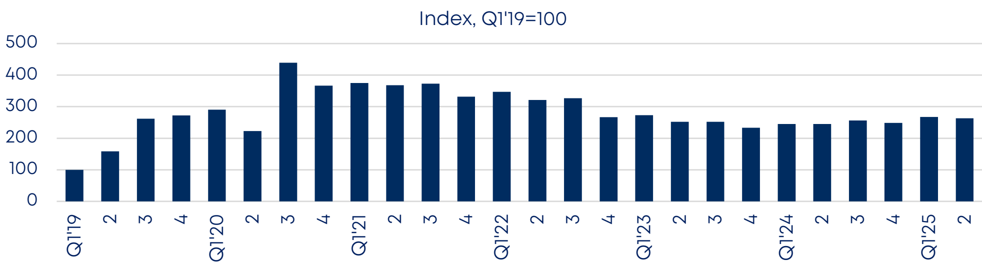
**R165,000**
**Average deposit for first-time buyers**

**13.6%**
**YOY increase in home loans granted**

## 1 BetterBond index of home loan applications

Despite a fairly active month in May, as well as a marginal decline in the prime lending rate, homebuying activity during Q2 2025 could not match the performance of Q1 2025 **(figure 1)**. Fortunately, however, the YOY increase in the number of home loan applications did manage to increase, with the bonus of an increase that outpaced the rise in the latest consumer price index (CPI), namely 7.4% (CPI was at merely 2.8% at the end of May). The residential property market still has a long way to go before breaching the levels of activity experienced at the beginning of 2021 – prior to the Monetary Policy Committee (MPC) embarking on a restrictive policy approach that saw the prime rate climb to a 15-year high. The index for the 12 months ending in May 2025 is now 28% lower than four years ago. Fortunately, a measure of stability has returned to the residential property market, with the latest index reading 4.5% higher than two years ago. With the CPI remaining below the MPC's target range for inflation, there is an excellent chance for another rate cut at the end of July.

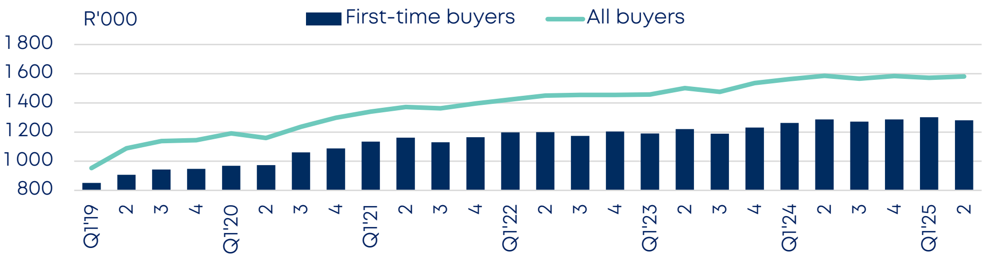
**FIGURE 1**




## 2 Average home purchase price

After reaching an all-time high of R1.3 million during Q1 2025, the average house price for first-time buyers (FTBs) declined marginally to R1.28 million in Q2 2025 **(figure 2)**. The subdued level of activity in homebuying has manifested itself in YOY declines for all buyers and FTBs alike, both in nominal and real terms. During Q2 2025, the average house price for all buyers amounted to R1.58 million, confirming the continued presence of a buyer's market for houses, as do the declines of 6.4% and 8.3%, for real house prices for all buyers and FTBs, respectively, since Q1 2022. After this date, the relentless rise in interest rates started to bite into the pockets of prospective homeowners. With the debt service costs as a percentage of household income having moved rapidly from 6.7% in 2021 to 9.1% in 2024, the dampening effect on residential property market activity was no surprise. Fortunately, the latter has started to decline and is now at 8.9%.

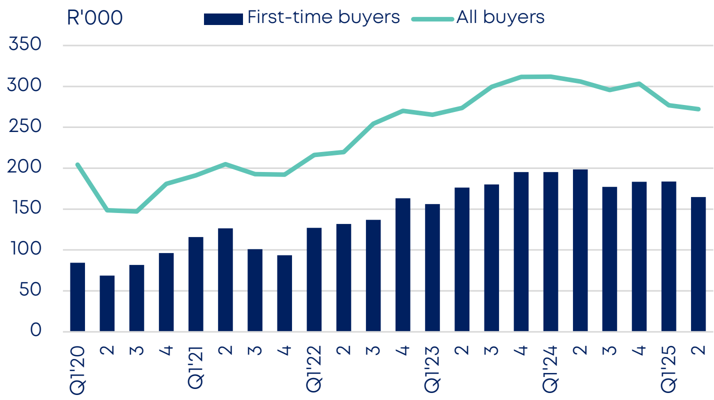
**FIGURE 2**



## 3 Average deposit for home purchase

During the first half of last year, the average deposits required for home loan approvals reached a peak, but this trend has now been reversed, with a YOY decline of 17% for FTBs and 11% for all buyers having been recorded in Q2 2025 **(figure 3)**. After moving to above R300,000 since the end of 2023, this value declined to an average of R272,000 during Q2 2025. FTBs have benefited even more, with a decline in the average deposit from just below R200,000 a year ago to R165,000 in Q2 2025. After a gradual increase until Q1 2024, the ratio of bank credit impairments to total bank assets has declined marginally to 2.5%. The deceleration in the growth of credit impairments at South African banks is a welcome development and confirms a high level of effective credit risk management.

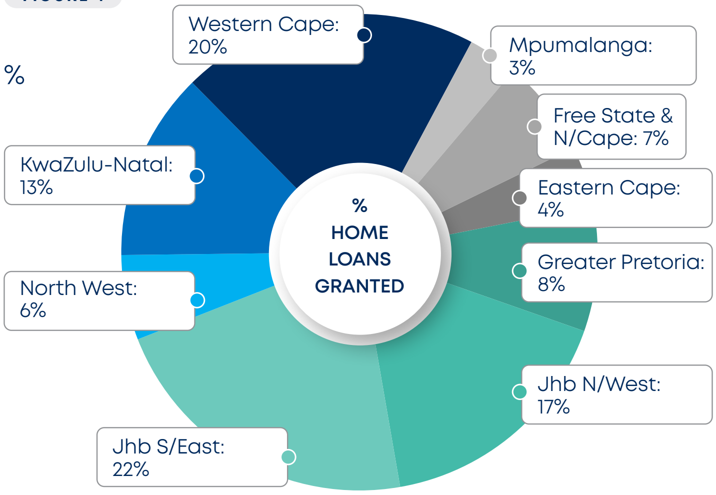
FIGURE 3




## 4 Regional composition of home loans granted

**Figure 4** illustrates the regional composition of home loans granted, with a YOY increase of 13.6%. Reasons for this welcome trend include marginal interest rate relief, with the prime lending rate now at 10.75%, compared to 11.25% at the beginning of 2025. Although criticism has been levelled against the monetary policy authorities for not lowering interest rates at a faster pace, any lowering immediately raises the affordability of home purchases, especially for FTBs. Another reason has been the declining trend of real home prices (after adjustment for inflation). Combined with sustained increases in real incomes of home loan applicants, this has also enhanced the attractiveness of buying a house. Johannesburg's South-Eastern suburbs came in at number one for loans granted.

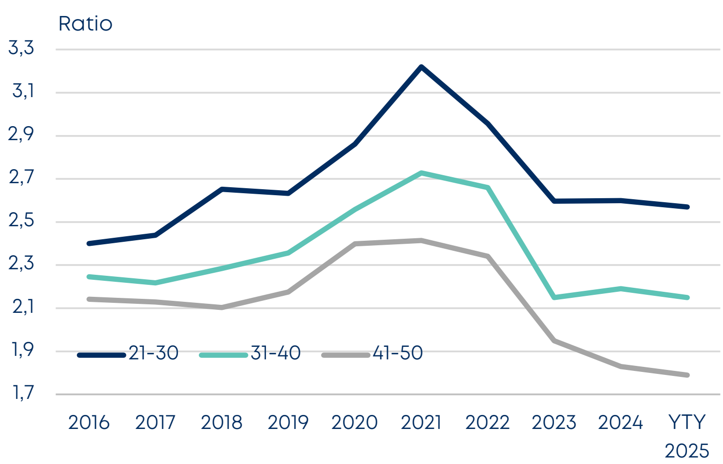
FIGURE 4




## 5 Ratio of average home price to average annual income by age group

Between 2016 and the first year after the worst of the lockdown imposed during the Covid pandemic, average home prices kept on rising at a faster rate than average income levels of prospective homebuyers **(figure 5)**. In 2021, the average house price of loans administered by BetterBond cost the equivalent of 3.2 years of income for buyers aged between 21 and 30. For buyers in their 40s, this ratio stood at 2.4 years. Since then, houses have become more affordable by this ratio, namely only 2.6 years for people in their 20s but, due to the increase in lending rates to their highest level in 15 years, residential property market activity actually declined. Reasons include the steep increase in the deposits required to access home loans, as well as a wait-and-see approach by potential buyers regarding the timing of the relaxation of monetary policy, which will influence their monthly loan repayments.

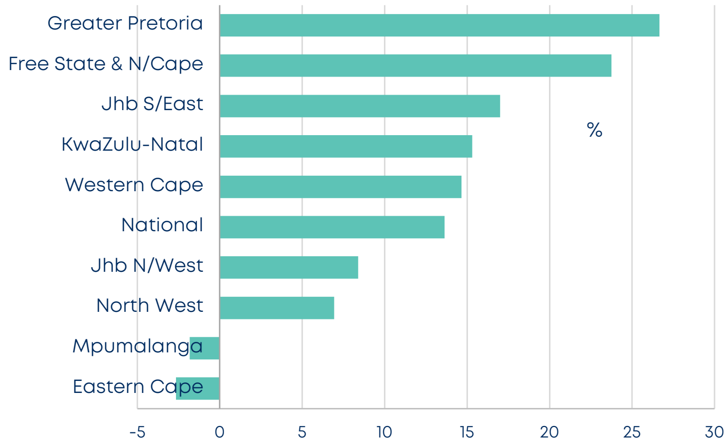
FIGURE 5



## 6 Percentage change in home loans granted by region (12 months to June 2024 & 2025)

Over the past 12 months, only two regions experienced a decline in the number of home loans granted, viz the Eastern Cape and Mpumalanga **(figure 6)**. Two other regions also under-performed relative to the rest of the regions and the national average increase of almost 14%, namely the North West and Johannesburg's North-Western suburbs. Greater Pretoria fared exceptionally well, with an increase in the number of home loans granted of 26.7%, possibly because of being home to the largest residential University in the country and also a number of motor vehicle manufacturers, which have spawned a large and diversified component manufacturing supply-chain. Predictably, the Western Cape continues to expand its home loan activity, with YOY growth of 14.7% for loans granted.

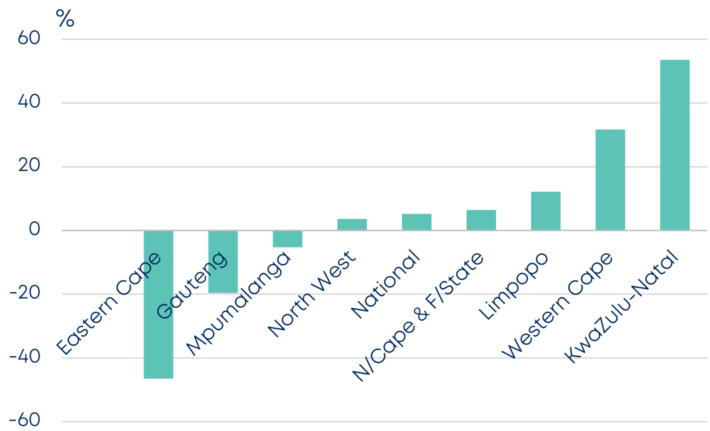
FIGURE 6




## 7 YOY percentage change in value of residential buildings completed by province (Jan to April 2025)

The first four months of the year have revealed striking differences in the values of houses and flats that were built in South Africa's provinces, with a spread of 100 percentage points between the worst and best performers **(figure 7)**. KwaZulu-Natal ruled the roost, with a YOY increase of 53.6%, whilst the Eastern Cape disappointed with a decline of 46.5%. The Western Cape was second best, with an increase of 32%, which is not surprising, given the ongoing phenomenon known as semigration, mainly due to superior standards of public service delivery at provincial and municipal level. Building activity in Gauteng declined by 20% YOY, likely due to long-standing and serious deficiencies with basic service delivery, especially with water, electricity and roads.

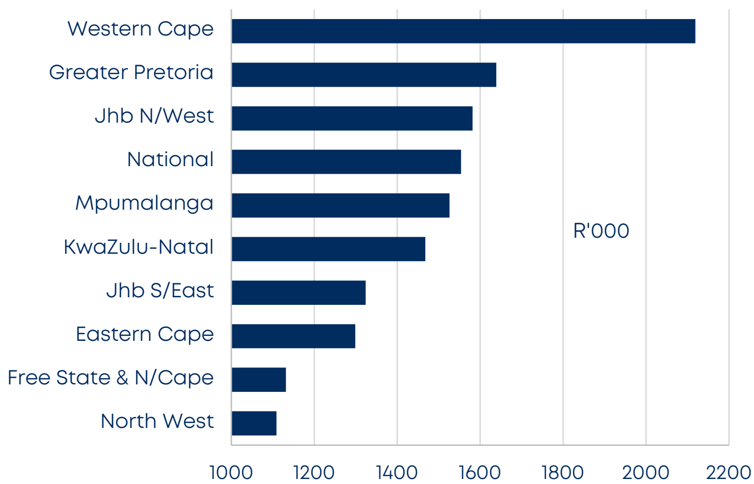
FIGURE 7




## 8 Regional composition of average home price (12 months to June 2025)

Four regions experienced positive YOY increases in average home prices during the first half of 2025. The Eastern Cape led the pack, with a nifty increase of 10%, followed by the North West, although average house prices in these two regions remained the third lowest and the lowest, respectively **(figure 8)**. No region recorded an average price of less than R1 million, with the Western Cape recording the highest average price at R2.1 million. With the platinum price having soared by more than 30% since the end of May, the prospects for further growth in residential property market activity in the North West have improved considerably. South Africa's North-West province is by far the world's largest supplier of platinum group metals, which are critically important for the global energy transition (especially in the hydrogen economy).

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**

ZAR▲ 0.8%

**Q1 YOY real GDP growth**

49%

**Increase in the price of platinum since January**

Last month delivered the usual mix of good and bad news on the economics front, with a couple of items in neutral territory. One of them is South Africa's GDP dataset for Q1 2025, with YOY economic growth remaining positive at 0.8%, which is the fifth successive GDP growth rate of less than one per cent. The continued demise of capital formation, especially in the area of infrastructure, has also contributed to a decline in the Afrimat Construction Index in Q1 2025, which reflects the lethargy of building activity. Unless interest rates start declining at a faster pace, South Africa will continue to experience sub-optimal economic growth, due to the excessively high cost of credit and of capital.

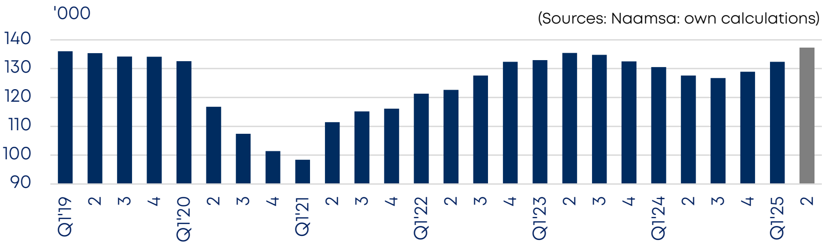
## New vehicle sales surge in 2025

The slow progress with residential property market activity in recent months has not been shared by the domestic market for new vehicles. One reason is the fact that the average price of a new car is approximately 25% of the average house price, although the latter has a knack to appreciate in value, while motor vehicles usually depreciate at a rate of knots!

For the first half of the year, new-vehicle sales in South Africa amounted to more than 47,000 units – an increase of 19% compared with the same month last year **(figure 9)**, supported by an influx of affordable imported models. According to data released by the Automotive Business Council (known as Naamsa), it is clear that the growing impact of geopolitical and trade-related disruptions has not yet been felt too heavily in South Africa, with vehicle exports increasing by 7.9% in June to reach 36,343 units.

**FIGURE 9**

Number of local vehicle sales - 4-quarter average




Naamsa notes that South Africa's Automotive industry has long relied on thriving exports to sustain production volumes and attract investment into the sector. However, the current trade policy shifts, particularly from the US, pose a challenge to this model, which will require an urgent response by diversifying markets and expanding regional trade.

## Welcome increase in platinum group metal prices

Following a fairly subdued first five months of the year, the prices of platinum group metals (PGMs) suddenly came to light in June. Between 2 January and 2 July, the increases in the prices of platinum, palladium, rhodium and ruthenium amounted to 49%, 30%, 20% and 63%, respectively. Combined with platinum's relatively more attractive affordability versus gold, the prospects for further price gains are favourable. This promises to be exceptionally good news for the South African platinum mining industry, as well as the National Treasury.

## Tourism recovery gains traction

South Africa's tourism industry is well on its way to a full recovery. During Q2 2025, the post-Covid recovery rate for overseas visitors to South Africa reached a level of just below 90% (using the number of tourists in the same quarter before the pandemic as the denominator). Europe continues to dominate the South African tourism industry in terms of overseas arrivals, accounting for almost two-thirds of the total. Combined with North America, these two regions have been responsible for more than 80% of all tourist arrivals from overseas over the past two years.

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**Dr Roelof Botha**

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