BetterBond
PROPERTY BRIEF

MAY 2025

HIGHLIGHTS

2.2%
YOY increase in home loan applications

R1.6 million
Average house price for all buyers

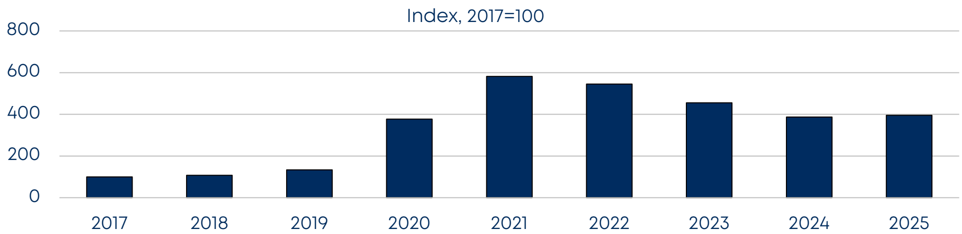
20%
Real increase in average house price since 2019

2.2%
YOY real increase in average homebuyer income

1 BetterBond index of home loan applications

During the 12 months to April 2025, homebuying activity stabilised, mainly due to the three marginal declines in the prime lending rate between September 2024 and January 2025 **(figure 1)**. Compared to a year earlier, BetterBond's latest 12-month index of home loan applications increased by 2.2% – a huge improvement on the decline of 15% that was recorded between the 12 months to April 2023 and April 2024. Record high prime rates led to a declining trend in home loan applications that lasted for three successive years, but the switch to a slightly more accommodating monetary policy seems to have assisted with ending this downward cycle. Since the end of the state capture era, a strong growth trend returned to homebuying activity, with the BetterBond home loan index increasing almost four-fold over the past eight years – despite the temporary slump induced by the Reserve Bank's restrictive monetary policy between 2022 and the end of 2024. Any further relaxation of the monetary policy is bound to lead to an acceleration of property market activity – hopefully in May.

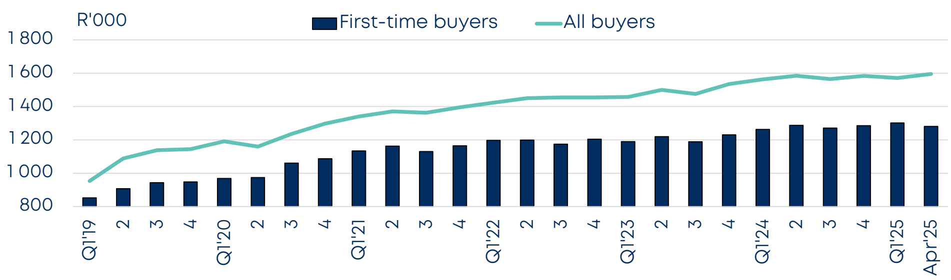
FIGURE 1



2 Average home purchase price

A marginal YOY increase was recorded for the average home purchase price in April 2025, reaching a level of R1.6 million **(figure 2)**. This is 1.6% higher than the average for Q1 2025, with a fairly stable trend of just below R1.6 million having come to the fore over the past five quarters. It seems clear that the housing market has adopted a wait-and-see approach vis-à-vis the next interest rate cut, which may occur as soon as May. The marginal decline in the average home price for first-time buyers (FTB) to R1.28 million could stimulate demand during 2025, especially due to the lower deposit requirement that has developed since mid-2024. For all buyers, the latest average home price confirms the soundness of an investment in residential property, with a real increase of 20% in average home prices over the past six years. The shares of home loans allocated to higher priced houses have continued to increase over the past two years, with a 10% YOY increase for homes priced above R3 million over the past 12 months.

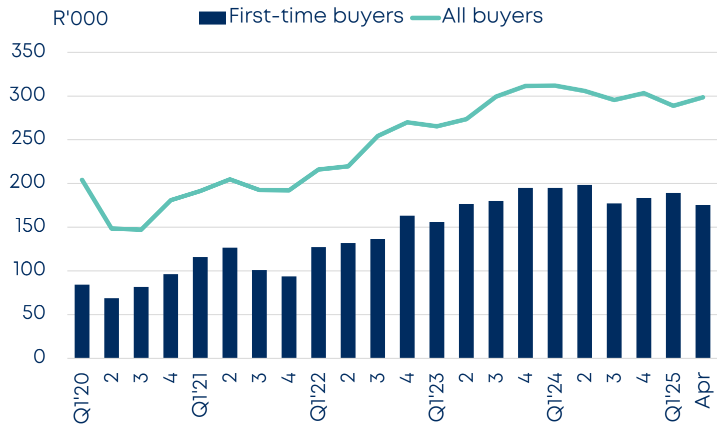
FIGURE 2



3 Average deposit for home purchase

In tandem with the most recent trend for average home prices, the average deposit required for all buyers also increased in April to R300,000 – marginally lower than the peak of R312,000 recorded in Q1 2024 **(figure 3)**. In contrast, FTBs have enjoyed a declining trend in the average deposit requirements for accessing home loans since Q2 2024, having dropped from R199,000 to R175,000 in April. The latter value is 8.9% lower than in April last year and is certainly a welcome development for the more affordable housing market segments. Positive developments that could lead to further declines in deposit levels include the declines in credit impairments by banks and in civil debt defaults that occurred during Q4 2024.

FIGURE 3



4 Loan approval ratio by region (12 months to April 2021 and 2025)

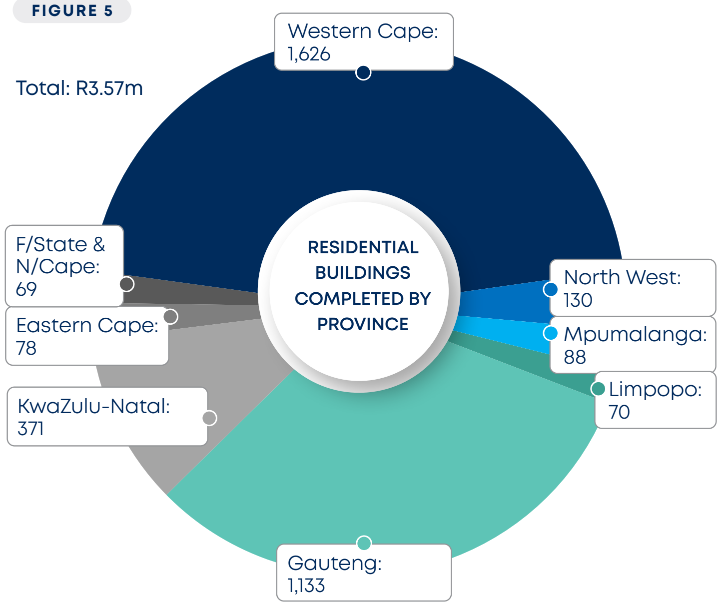
A noticeable shift has occurred in the home loan approval ratio between the country's different regions, with an increase recorded in every region over the past four years **(figure 4)**. For the 12 months ended April, the average loan application approval ratio for all regions stood at 77.5% – a modest increase from the 74.1% level four years ago. In several regions, the increases have been more pronounced, with the Eastern Cape overtaking the Western Cape to assume the number one position with a ratio of 83.9%. Greater Pretoria has retained its number two position. The Eastern Cape has also recorded the highest gain since 2021, namely 10.2%. Any further lowering of the prime lending rate will almost certainly lead to further increases in approval ratios for home loan applications.

FIGURE 4

5 Value of residential buildings completed by province (Jan and Feb 2025)

During the first two months of the year, activity in the residential building sector was quite slow, except for the regions that house the three largest metros: Gauteng, KwaZulu-Natal and the Western Cape **(figure 5)**. Over the past two years, the "semigration" phenomenon in the latter province has picked up considerable pace, with the Western Cape starting to open a substantial gap for indicators related to the residential property sector, especially for the values of building plans passed and buildings completed. For the country as a whole, the value of residential buildings completed during January and February declined by 9.3%, compared to the first two months of last year, with business in the Eastern Cape particularly slow. Gauteng has experienced a huge setback, with a decline of 30%, while the Western Cape has surged into first place with an increase of almost 24%.

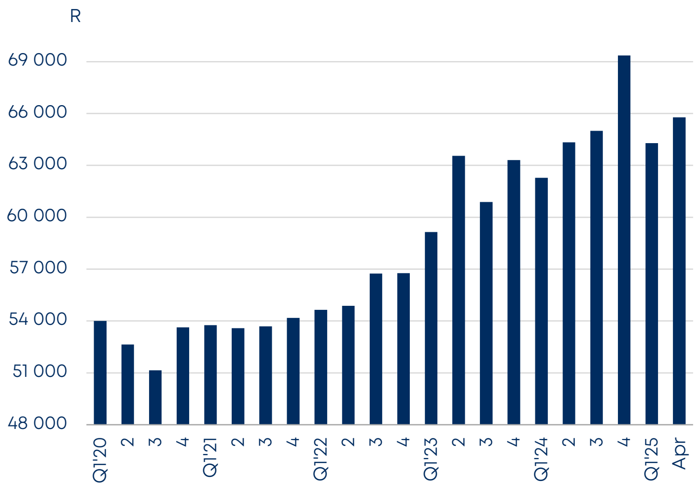
FIGURE 5



6 Average homebuyer income at constant 2024 prices

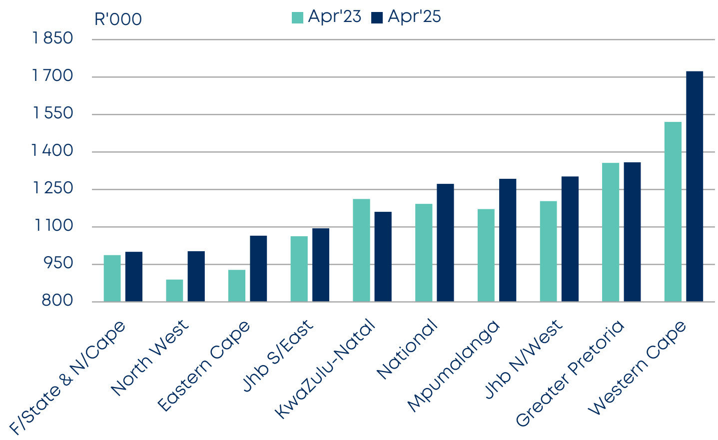
Since 2020, data pertaining to average homebuyer incomes show deviations from the long-term pattern for a dip in the first quarter of a particular year, followed by a gradual recovery to reach a new peak in the fourth quarter **(figure 6)**. The latter is obviously influenced by the traditional year-end bonuses paid to a significant portion of formal sector employees in South Africa. Due to the effect of the Covid pandemic, this trend did not feature in 2020, after which a muted return started to occur. Unfortunately, this was halted in its tracks by the record high interest rates, which forced the average household to sacrifice a much larger portion of disposable income towards servicing debt costs, while also impacting negatively on home loan applications. Marginal interest rate relief seems to have re-established the traditional trend, with a YOY real increase of 2.2% in average homebuyer income in April.

FIGURE 6



7 Regional composition of average FTB home price (12 months to April 2023 and 2025)

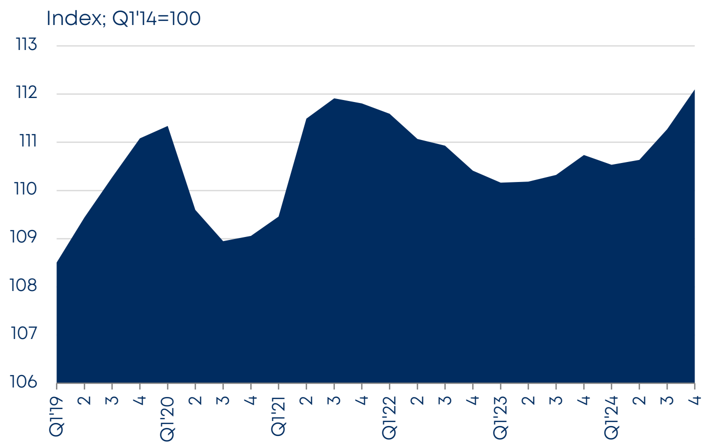
During the 12 months ended April 2025, every region in the country managed to lift its average house price for FTB to above R1 million, with the Western Cape firmly in top position at an average price tag of R1.72 million and continuing to widen the gap between second-placed Pretoria at R1.36 million **(figure 7)**. In nominal terms, only KwaZulu-Natal recorded negative price growth over the past two years, with three regions having increased average house prices at double-digit rates (the Eastern Cape at 14.7%, the Western Cape at 13.3%, North-West at 12.8% and Mpumalanga at 10.3%). For the country as a whole, the average house price for FTBs increased by 6.7% since April 2023 to a current level of R1.27 million (in nominal terms).



8 Altron Fintech Household Resilience Index Q4 2024

The results of the Altron FinTech Household Resilience Index (AFHRI) for Q4 2024 were released early in May 2025, confirming the continued financial pressure on South African households. Despite a marginal improvement in the four-quarter average reading of the AFHRI, it remains on virtually the same level as Q4 2021, after which rising interest rates started to bite into the disposable incomes of households **(figure 8)**. The latest reading of the AFHRI results should be viewed against the spike in the indicators for long-term insurance surrenders and lump sum pension payments. These have been influenced by the so-called two-pot retirement system, which commenced in Q3 2024 and has led to a significant increase in retirement fund withdrawals, which is detrimental to the financial disposition of households in the longer term.

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

2.7%

YOY consumer inflation in March

3.5%

GDP growth forecast by 2029 due to Operation Vulindlela

Fortunately, the saga over the possible VAT rate increase has finally come to an end – with a bit of help from the Western Cape High Court. National Treasury now has to lick its wounds, get used to the fact that several other political parties are part of the new government of national unity (GNU), and return to the drawing board for a final attempt at passing the national budget. Finance minister Enoch Godongwana seems to be quite perturbed by the prospect of cutting state expenditure in lieu of reliance on higher VAT, but this task should not be that difficult.

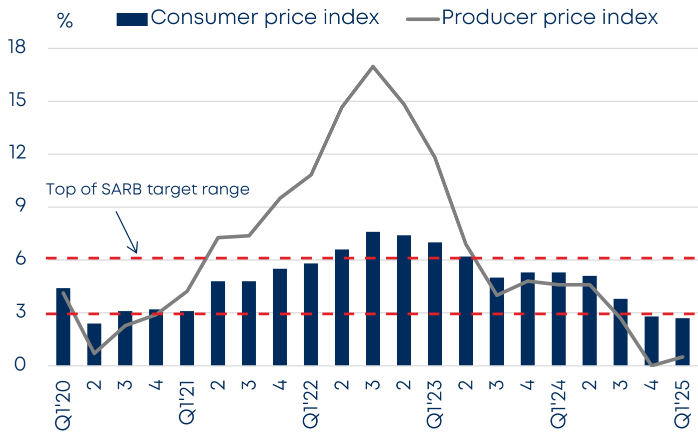
The World Bank's so-called road map for securing higher growth in South Africa (at the request of the SA government) clearly identifies the need for reassessing public sector tasks and expenditures – an issue that has been glaringly obvious within all three spheres of the public sector ever since the unfortunate era of state capture. Although National Treasury cannot be expected to carry the brunt of the mammoth task to get dysfunctional municipalities and other under-performing government institutions up and running again, it is certainly in a position to give effect to the recommendations contained in the World Bank study. Doing so will not only serve to strengthen the public finances but will certainly be applauded by the private sector at large, especially investors.

Lower inflation bodes well for further rate cuts

The consumer price index (CPI) resumed a declining trend in March, mainly due to producer price inflation (PPI) remaining at historic lows. In March, the CPI recorded an annualised rate of increase of 2.7% **(figure 9)**. The PPI for March also declined from the February figure and is now at a level of 0.5%. The fact that these two benchmarks of inflation are below the Reserve Bank's target for inflation (3% to 6%) confirms the dire need for a more accommodating monetary policy.

The underlying cause of very low inflation is a lack of demand in the economy, as illustrated by the high and rising level of unutilised capacity in the country's manufacturing sector. South Africa's economic policy priority should shift from curbing inflation to encouraging demand via lowering the cost of credit and of capital investment – a view that is shared by many business leaders and millions of indebted households.

FIGURE 9 **Consumer & producer inflation remain below bottom of the SARB's target range**



(Source: Stats SA)

Operation Vulindlela promises higher growth

The second phase of Operation Vulindlela (OV) was announced on 7 May, and it has set 30 key reforms to assist the quest for higher economic growth, especially in the energy, logistics and water sectors. Although the tasks related to improving South Africa's decaying infrastructure are intimidating, it should be noted that the impact of the first phase of OV has been independently verified and includes energy reforms that have generated more than 20,000 MW of independent renewable power. Furthermore, the Bureau for Economic Research has modelled the new reforms and found that, if implemented, SA could target 3.5% growth by 2029.

Notable reforms that have now been announced include the restructuring of Transnet, the introduction of private sector participation (PSP) in ports and the implementation of a points-based system for critical skills visas and general work visas.

Economist
Dr Roelof Botha

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

www.betterbond.co.za