BetterBond
PROPERTY
BRIEF

Economic Compass

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Key indicators of economic activity in South Africa are characterised by a permanent pendulum swing between good and bad news. August was no exception, with an incorrect data input by the National Energy Regulator of South Africa (Nersa) going to cost consumers an additional R54 billion. It begs the question as to why there exists this layer of bureaucracy in addition to Eskom and the Department of Electricity. The deregulation of unnecessary public sector functions has been recommended by the World Bank and needs urgent attention. There is also justifiable concern over the Reserve Bank's wish to abandon the current inflation target range of 3% to 6% and replacing it with a target point of 3%. This is an ill-conceived idea for a developing economy that is always prone to exchange rate fluctuations and geographically far removed from the world's lucrative consumer markets. Hopefully, National Treasury will have the last say.

HIGHLIGHTS

160 BASIS POINTS
Year-to-date decline in SA bond yield

64%
Increase in container throughput since Jan 2024

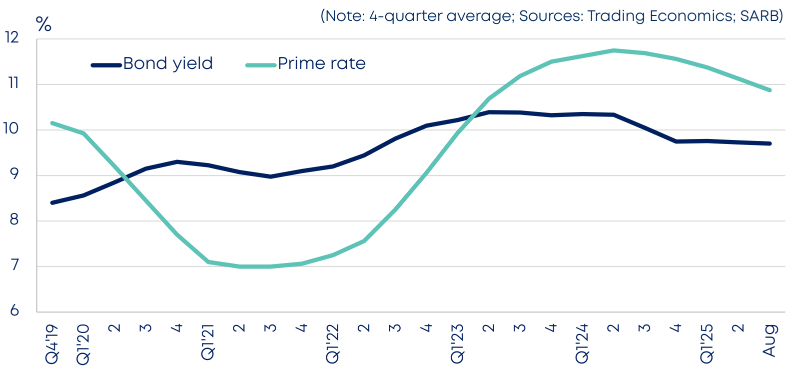
$3,470
Gold price on 1 Sept 2025

1 Welcome decline in the bond yield

Good news on the economics front is the decline in South Africa's 10-year bond yield. According to fund managers polled by Bloomberg in mid-August, foreign investors have been flooding into South Africa's government bond market to take advantage of what has been described as one of the best emerging market trades of recent years. The formation of a government of national unity has contributed to a positive sentiment, due to plans to reform the economy and improve public finances.

FIGURE 1

South Africa's 10-year bond yield and the prime rate



Earlier this year, foreigners were net sellers of South African bonds, causing the bond yield gap with US bonds to increase from 5.6% to 6.2%. Following the recent interest rate cuts and the eventual Parliamentary approval of the 2025/26 national budget, this trend was reversed. Since January, the 10-year US bond yield has fallen by 60 basis points, while the local bond yield has dropped by 160 basis points, resulting in a narrowing of the yield gap to only 5.3% at the end of August **(figure 1)**. Lower domestic bond yields exert a beneficial effect on fiscal stability.

Harbours on the mend

South Africa's ports are on a path of recovery from a myriad of problems that have been encountered over the past decade. Between January 2024 and July 2025, the number of containers handled at the five ports increased by 64%, with the latest throughput of containers approaching levels last seen almost a decade ago. Transnet Port Terminals is investing R4 billion in new equipment, including components for four ship-to-shore cranes, rubber-tyred gantries and haulers, which will assist the drive for improved efficiency at the country's ports.

Precious metals on a roll

The first day of spring was greeted by a resurgent gold price, which rose to above $3,470 per ounce (within a whisker of a record high), as capital markets became increasingly certain of an interest rate cut in the US. The meeting of the Federal Reserve to decide on its next move is scheduled for 11 September. On another positive note, the platinum price remains more than 50% higher than during the first week of April. The fact that the platinum supply is expected to remain in deficit for quite some time as demand continues to exceed output, is good news for the South African economy.

HIGHLIGHTS

11%
QOQ increase in home loan applications

R1.3 million
Average FTB home purchase price

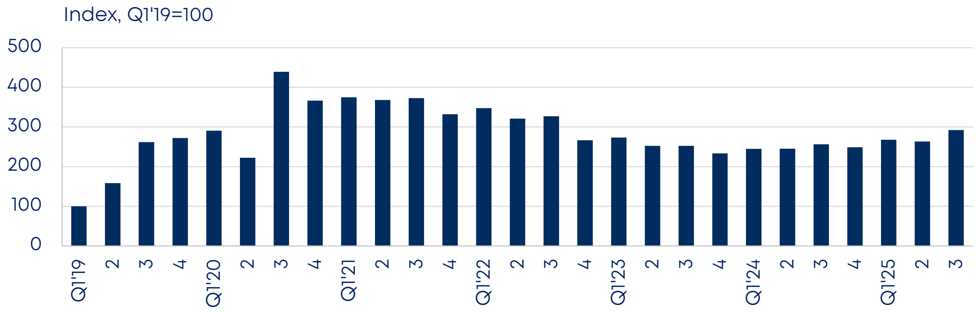
5%
YOY decline in average deposit for all buyers

6.6%
YOY increase in share of homes sold above R3 million

2 BetterBond index of home loan applications

The impact of interest rate changes on the residential property market is predictable and has been vividly demonstrated by the latest reading of the BetterBond index of home loan applications. In reaction to the latest interest rate cut, which took the prime rate down to 10.5%, this index increased by 11% QOQ and by 14% YOY during July and August **(figure 2)**. In the process, the number of home loan applications reached its highest level since Q3 2022, when the record high interest rates started biting into the pockets of prospective homebuyers. It is clear that residential property is slowly but surely building up steam, but the pace of recovery of demand will only gain traction once the prime rate has returned to its pre-Covid level of 10% or (preferably) lower.

FIGURE 2



3 Average home purchase price

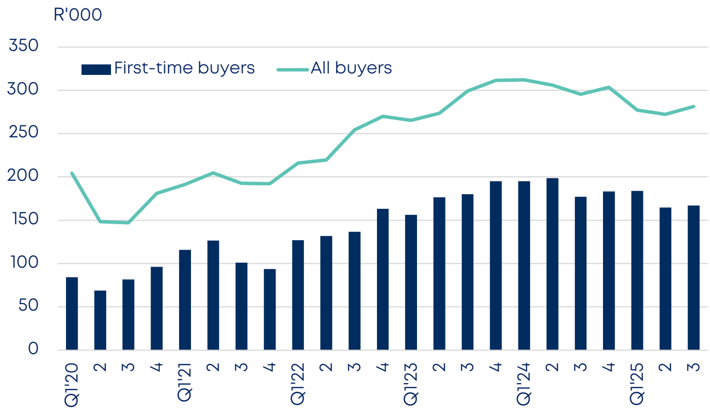
During July and August, the average home purchase price for all buyers managed to beat its previous record high by the smallest of margins, remaining just short of the R1.6 million mark **(figure 3)**. For first-time homebuyers (FTBs), the average price during July and August climbed to a new record high of slightly more than R1.3 million. The YOY increase in the average house price for all buyers was just 1.2% – well below the current inflation rate of 3% – showing that the residential property market still favours buyers. Since Q2 2023, when the residential property market went into a slump, the average house price for all buyers increased by 5.9% (in nominal terms), which is virtually on the nose of the change in the consumer price index over this period.

FIGURE 3

4 Average deposit for home purchase

Ever since Q1 2024, the average deposit required for home loans has been playing yo-yo, with a series of up and down movements. Fortunately for prospective homebuyers, the net effect until the end of August has been downward. Although Q3 to date experienced another marginal increase in the average deposit (for all buyers and FTBs alike), the YOY figures showed declines of 5% and 6%, respectively **(figure 4)**. Due to the predictable increase in bank impairments because of the record high interest rates between 2022 and the end of 2024, banks were compelled to raise their deposit requirements for mortgaged home loans. The welcome reversal of this trend is bound to gather momentum if interest rates decline further.

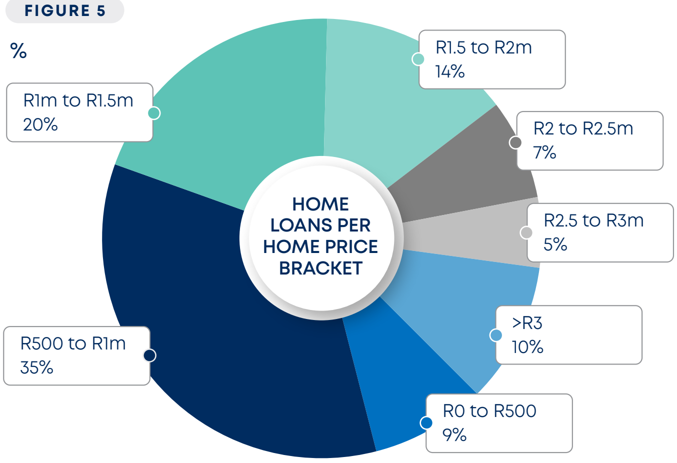
FIGURE 4



5 Percentage share of home loans per home price bracket (12 months to Aug 2025)

Houses priced up to R1 million accounted for 44% of the home loans granted during the 12 months ended August 2025, but the share of the lowest price bracket (under R500,000) declined by 5% YOY **(figure 5)**. In contrast, the share of loans granted for homes priced at above R3 million increased by 6.6% over the past 12 months. The share of loans for homes priced at above R2.5 million increased marginally to 15.5%. Homebuying activity for properties valued at between R1 million and R1.5 million was ranked the second highest, with 20% of the share of loans granted. In the event of interest rates declining further, the observed shift towards a higher level of activity for relatively higher-priced houses is bound to continue.

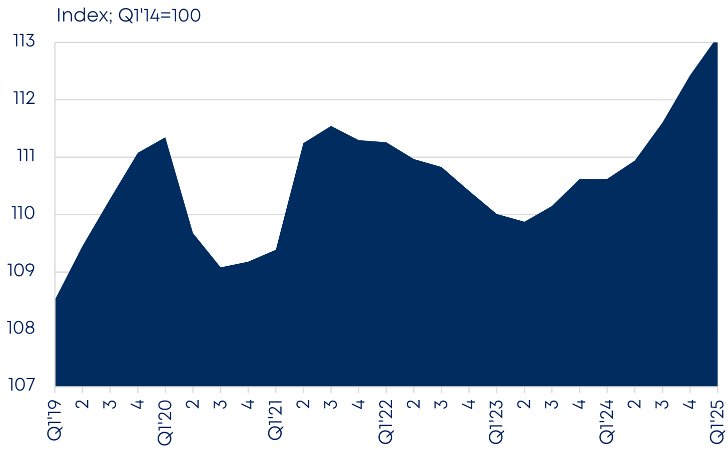
FIGURE 5



6 Altron Fintech Household Resilience Index Q1 2025 (4-quarter average)

The results of the Altron FinTech Household Resilience Index (AFHRI) for Q1 2025 were released early in September. Although the QOQ reading was 4.2% lower than the index value for Q4 2024, this was mainly due to seasonal influences related to end-of-year bonuses and pent-up savings to pay for summer holidays and Christmas shopping. One of the encouraging features of the latest AFHRI **(figure 6)** is the stability that has crept in for the average index value over the past four quarters, which is 13.1% higher than the value at inception (2014). The fact that the annual average improvement in this index since Q3 2021 is merely 0.4% illustrates the challenging environment faced by consumers, especially due to the exceptionally high interest rates since 2022.

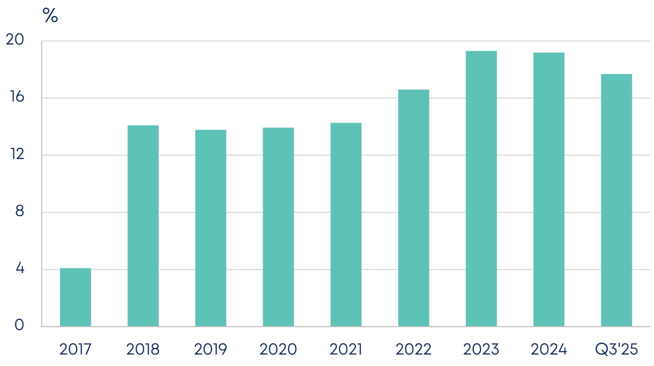
FIGURE 6



7 Average annual deposit as a percentage of purchase price for all buyers since 2017

Between 2018 and 2021, the average deposit required for home loans (all buyers) by the banking sector was 14%. Due to the imposition of the South African Reserve Bank's restrictive monetary policy, interest rates were raised to a 15-year high, which predictably led to a significant increase in the percentage of home prices that were required as deposits for loans. By 2023, the deposit level had been raised to 19.3% – representing an increase of 38% and making it more difficult for prospective homebuyers to purchase properties. Fortunately, the recent lowering of the prime lending rate to 10.5% has resulted in a modest decline in the deposit requirements (as a percentage of home prices), namely by 8% **(figure 7)**.

FIGURE 7



8 YOY percentage change in the home loan approval ratio by region (12 months to Aug 2025)

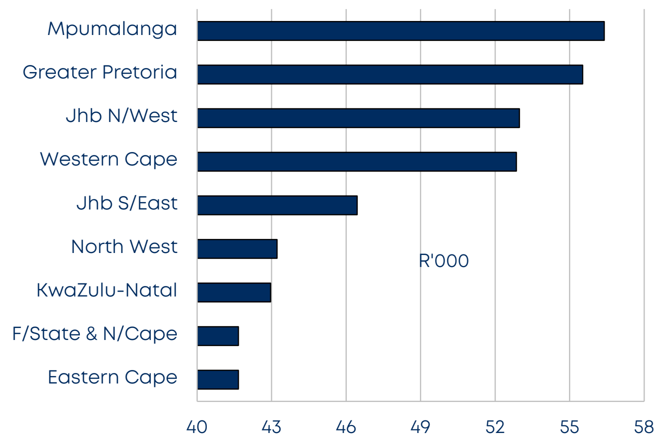
A fortuitous combination of lower interest rates, higher average income levels and a marginal decline in deposit requirements by banks has exerted a positive impact on the home loan approval ratios in most regions, with Greater Pretoria leading the pack with a YOY increase of 4.7%, followed by the Free State & Northern Cape and the south-eastern suburbs of Johannesburg **(figure 8)**. Greater Pretoria also boasted the number one position for the approval ratio, followed closely by the Western Cape. The only two provinces to have experienced declines in home loan approval ratios were Mpumalanga and the Eastern Cape. Hopefully, more interest rate cuts will occur during the rest of the year, which should provide a further boost for loan approval ratios.

FIGURE 8

9 Average monthly income of FTBs by region (12 months to Aug 2025)

In real terms (after an adjustment for inflation), average monthly incomes of FTBs have continued rising in 2025, outpacing the consumer price index by a considerable margin. During the past 12 months, the Eastern Cape has outperformed the other regions, posting an impressive YOY increase in average incomes of 25%, although this has occurred off a low base **(figure 9)**. Mpumalanga is also in the medals, boasting the second highest YOY increase and the highest average income for FTBs, namely R56,400. Greater Pretoria is in second place for average monthly FTB incomes at R55,500, followed by the north-western suburbs of Johannesburg and the Western Cape. Fortunately, the economy started to create jobs again in Q2 2025, albeit marginal, which should witness further increases in average incomes.

FIGURE 9



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