



APRIL 2023

HIGHLIGHTS

**R1.66m**

average value of home loans for buyers aged 41-50, in Q1 2023 (2% nominal increase YOY)

**60%**

increase in cost of credit over the past 18 months, on the back of interest rate rises

**7%**

decrease in home loan applications from first-time buyers between Q1 2020 and Q1 2023

**913,000**

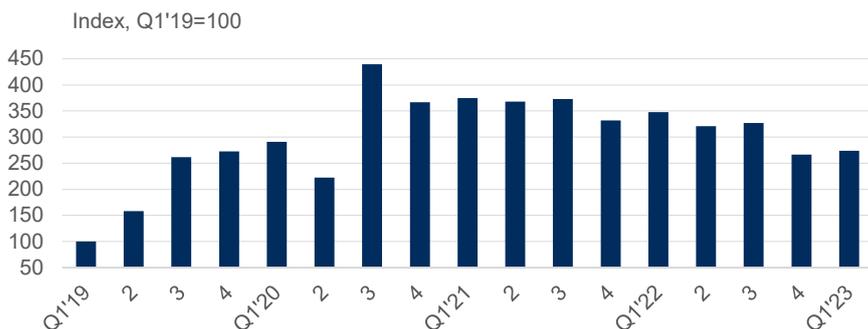
formal sector jobs created since Q2 2020 when lockdown restrictions were harshest



Total home loan applications submitted

The number of applications for new home loans (figure 1) staged a marginal recovery in Q1 2023, but were 21% lower year on year. The number of new home loan applications has dropped nearly 6% since Q1 2020 (before the Covid-19 pandemic). This is the effect of the Reserve Bank Monetary Policy Committee raising interest rates consistently since November 2021, with resultant pressure on the economy, in general, and the property sector, in particular.

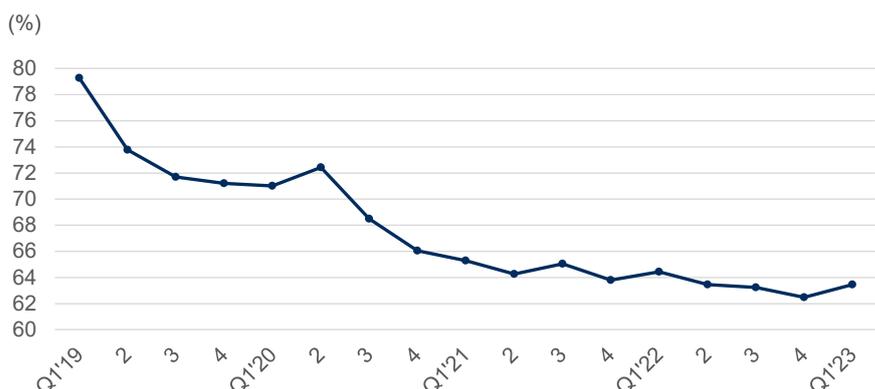
FIGURE 1



Home loan applications from first-time buyers

The majority of all home loan applications still come from first-time buyers and this has remained stable over the past two years. However, home loan applications from first-time buyers have been on a downward trajectory, with their proportion of all applications going from 71% in Q1 2020 to below 64% in Q1 2023.

FIGURE 2





## Average home purchase price

FIGURE 3

The average home purchase price for all buyers increased year on year, from R1.423 million in Q1 2022 to R1.457 million in Q1 2023. However, when we adjust for inflation, it declined by 4.3%.



## Average approved home loan value

FIGURE 4

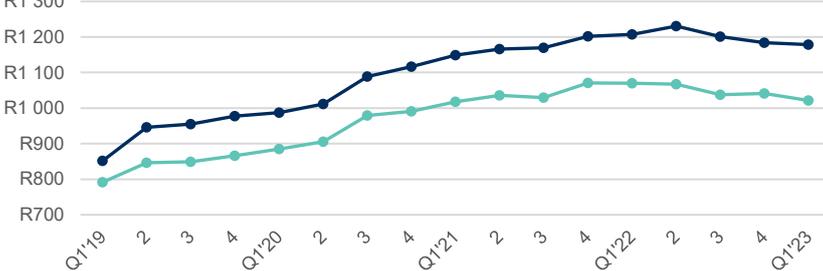


FIGURE 4

For first-time buyers there have been year-on-year declines in average home prices of almost 1% in nominal terms and 7% in real terms. Like many residential property trends over the past 18 months, this too was impacted by higher interest rates.

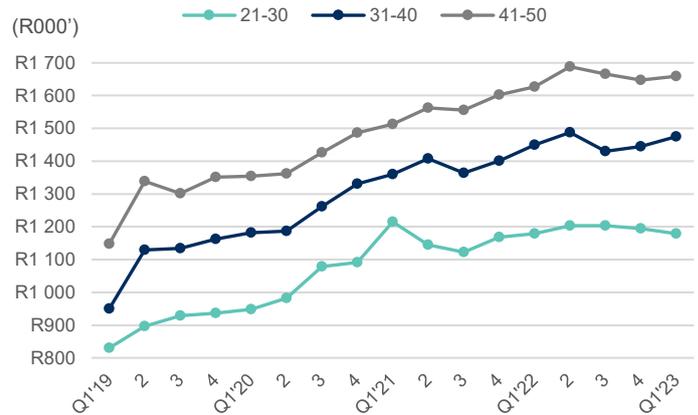


## Average value of home loans by age group

FIGURE 5

'Age before beauty' when it comes to homebuying!

- Buyers in the 41-50 age group secured home loans valued at R1.66 million on average, in Q1 2023. This is a nominal increase of almost 2% compared with Q1 2022.
- By comparison, for buyers aged 21-30, the average value of approved home loans was R1.18 million in Q1 2023.



## % change in average home price – all buyers

FIGURE 6

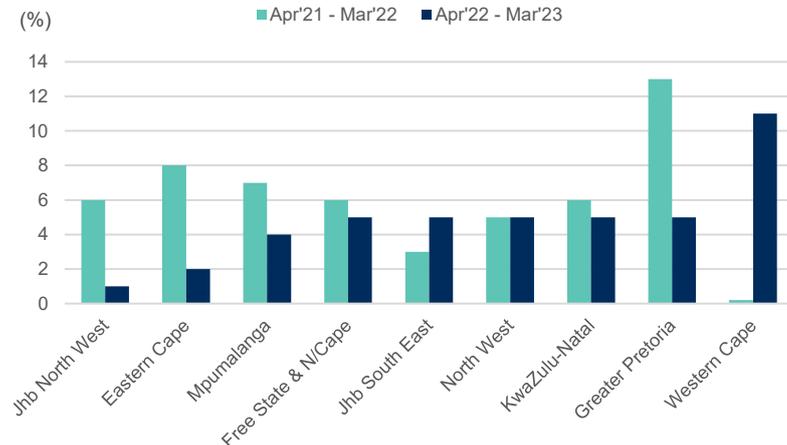


FIGURE 6

In nominal terms, all BetterBond regions across South Africa recorded positive growth in average home prices for the 12 months ending March 2023. When adjusting for inflation, however, only the Western Cape figures remain positive.

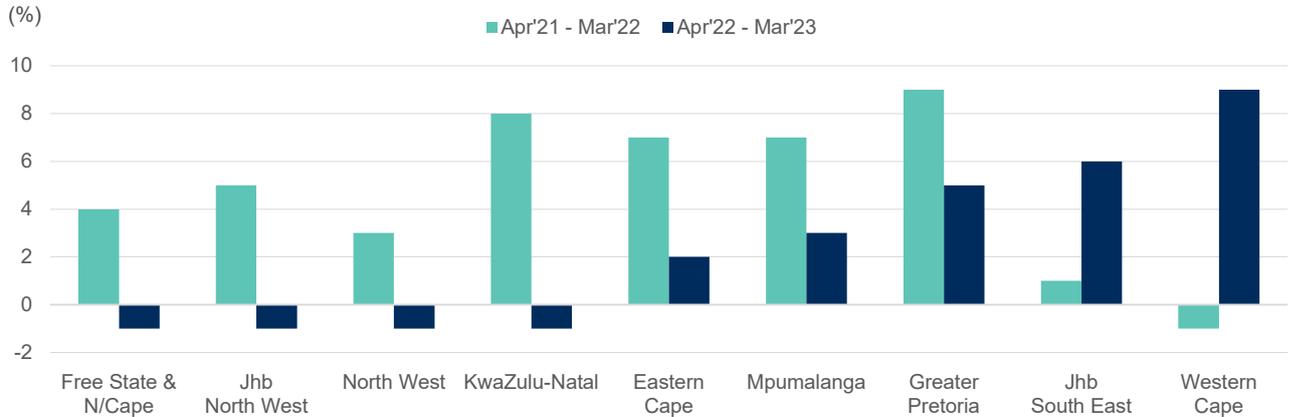
During the preceding 12 months (ending March 2022), Greater Pretoria significantly outperformed the rest of the country, with an increase of 13% in average home prices, followed by the Eastern Cape (8%) and Mpumalanga (7%).



## % change in average home price – first-time buyers

Viewed from the perspective of first-time homebuyers, the areas of South Africa where average home prices have increased the most, remained similar for the two years ending March 2023:

- In 2022/23 the Western Cape was the top-performing region and in 2021/22 Greater Pretoria was number one.
- For the 12 months ending March 2023, Greater Pretoria was joint second for all buyers, and third for first-time buyers.
- Greater Pretoria featuring prominently on these lists confirms its appeal in terms of homeownership.



## Pretoria's purple patch

A number of factors explain the current 'purple patch' of good fortune that Pretoria is enjoying in residential property.



- The **semigration** trend from Gauteng to other parts of the country – particularly the coastal regions of the Western Cape and KwaZulu-Natal – is creating tremendous property investment opportunities in South Africa's economic powerhouse province, with Pretoria performing particularly well.
- It is our administrative **capital** and the seat of the executive branch of government, so a number of government departments operate from here and many officials are based here. It is also the location of most foreign **embassies** in South Africa.
- More than 50,000 **jacaranda trees** line the streets and carpet the city in purple every October. This gives rise to its nickname, the Jacaranda City. It puts on one of the world's great annual natural spectacles to be found in an urban environment.
- There is a wide range of **cultural and lifestyle options** to enjoy, including the Union Buildings, the National Botanical Garden, the State Theatre, Loftus Versfeld sports stadium and a lot more.
- The **University of South Africa (UNISA)** is our country's largest and one of 11 mega-distance teaching institutions in the world.
- The **University of Pretoria (Tuks)** is our biggest residential university.
- **Key industrial areas** are located here, including large motor-vehicle manufacturing plants at Rosslyn (Nissan and BMW) and Silverton (Ford).



## 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.

# Economist's notes



## Housing stock – supply & demand

The critical factors that have influenced residential property market activity.

**On the supply side**, the stock of available homes for sale has been impacted by the number of new houses built (formal building plans approved by municipalities) and emigration.

In recent years, supply-side housing has also been constrained by a decline in new residential buildings completed. Based on the value of homes that were built and the average price of homes, the number of new homes coming to market went from 82,300 in 2019 to 46,400 in 2022.

**On the demand side**, the property market was boosted during the Covid-19 pandemic by historically low interest rates over an extended period of time. Since November 2021, however, the Reserve Bank Monetary Policy Committee has decided on nine consecutive occasions to raise the repo rate and therefore the prime lending rate. This has had a cooling effect on homebuying as evidenced by the number of home loan applications dropping. The fact that South Africa has significantly higher interest rates than most of its key trading partners is a policy that has been criticised by a number of economists, including Prof Brian Kantor, Head of the Research Institute at Investec Wealth & Investment.



## Housing Credit

In real terms, household credit remains well below levels of a decade ago.

The cost of credit has increased by more than 60% over the past 18 months on the back of interest rates rises. This will continue to dampen economic activity in our country, and could keep exerting downward pressure on property purchases.

Homebuying has also been under pressure due to the loss of formal sector jobs during the Covid-19 pandemic. Although 913,000 formal sector jobs have been created since Q2 2020, when lockdown restrictions were at their harshest, the current total formal employment figure of just under 11 million is still 300,000 short of Q1 2020.

**Economist**  
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