BetterBond
# PROPERTY BRIEF

# Economic Compass

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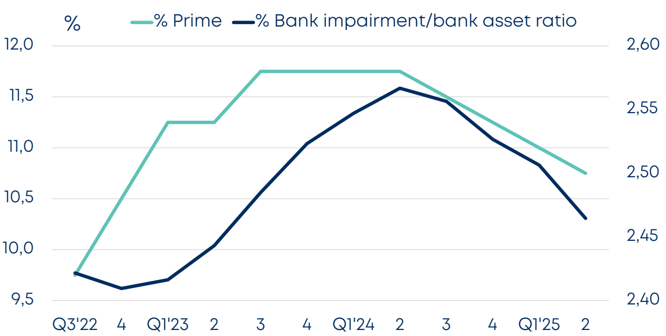
In addition to the mild October rains that assisted staple crop planting, the second month of spring provided the country with a public relations bonanza on a variety of fronts. First was the news of an investment package for South Africa worth nearly €12 billion by the European Union and a number of development finance institutions, earmarked inter alia for energy transition and sustainable infrastructure. Then, at the end of October, South Africa was removed from the so-called grey list of the Financial Action Task Force (FATF). The government of national unity (GNU) and the private banking sector had worked together for more than 30 months to restore compliance with South Africa's institutional capacity to combat money laundering and terror financing, which is destined to lead to an improvement of investor confidence. With tourism booming and a noticeable recovery of the residential property market, the year seems to be ending on a high note!

## 1 Welcome decline in bank impairment ratio

Ever since the Monetary Policy Committee (MPC) started to relax its long-standing restrictive monetary policy during 2024, both the value of bank impairments (bad debts) and the ratio of impairments to total bank assets have started a welcome declining trend **(figure 1)**. South Africa's benchmark long-term interest rate (the 10-year bond yield) has also declined by 225 basis points since the beginning of April, providing a message to the MPC that its monetary policy stance is behind the curve and is still too restrictive to encourage sustained high levels of growth in demand – which the economy desperately needs.

**FIGURE 1** Prime overdraft rate and the ratio between bank impairments and total bank assets




(Note: 4-q avg. for impairment ratio; Sources: SARB; own calculations)

### HIGHLIGHTS

**30 MONTHS**
**The time it took South Africa to exit the grey list**

**EURO 12 BILLION**
**EU investment package for South Africa**

**225 BASIS POINTS**
**The reduction in the 10-year bond yield since April**

## Upward trend for manufacturing and wholesale sectors

Two key sectors of the economy that have a significant bearing on the performance of GDP growth have recently picked up a bit of steam. These are wholesale sales activity and factory output. In August, the value of manufacturing sales recorded its highest level since November last year, just shy of the R300 billion level, boosted by increases in the sectors for chemicals, iron and steel, non-ferrous metals and beverages. Wholesale sales values have been under pressure as a result of lethargic economic growth (induced mainly by record high interest rates). Fortunately, however, a more pronounced increase has been observed in 2025 for the traditional seasonal uptick in sales between Q2 and Q3 2025, with the Q4 value likely to improve further to just short of R1 trillion.

## Credit rating upgrade on the cards

Speculation is rife that South African bonds may soon receive a credit rating upgrade, as alluded to in a note published by the Bank of America, which referred to the current positive outlook by S&P Global ratings for South Africa's local currency debt (albeit still at sub-investment grade). The next overview of South Africa's macroeconomic and fiscal disposition by the ratings agency will certainly be influenced by sound prospects for higher growth in 2025 and 2026, significant increases in precious metal prices and improvements in the efficiency of harbours. The removal from the FATF grey list and signs that the coalition government is starting to implement economic and fiscal reforms while improving the country's logistics, will also play a role in the decision by S&P Global.

### HIGHLIGHTS

**30%**

**Increase in bond applications since Q4 2023**

**R1.27 MILLION**

**Average house price for FTBs**

**17.4%**

**YOY increase in loans to FTBs**

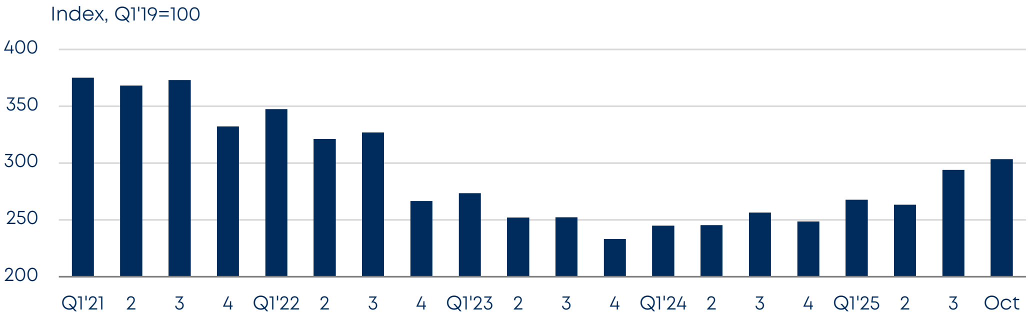
**125 BASIS POINTS**

**Decline in prime rate between Sep 24 and Nov 25**

## 2 BetterBond index of home loan applications

The decision by the MPC of the Reserve Bank to keep the repo rate unchanged at its September meeting has prevented any meaningful further improvement in the number of home loan applications received in October. Although the latest BetterBond index of home loan applications managed to increase by 3.2% in October compared to the average for Q3 **(figure 2)**, the YOY increase (October 2024) was muted at only 0.4%. Little doubt exists that many prospective homebuyers are sitting on the sidelines, hoping that interest rates will decline further. During October, the BetterBond index of home loan applications nevertheless increased to its highest level since Q3 2022. The index remains 18.6% lower than its peak during Q1 2021 but has recovered by 30% since bottoming out in Q4 2023.

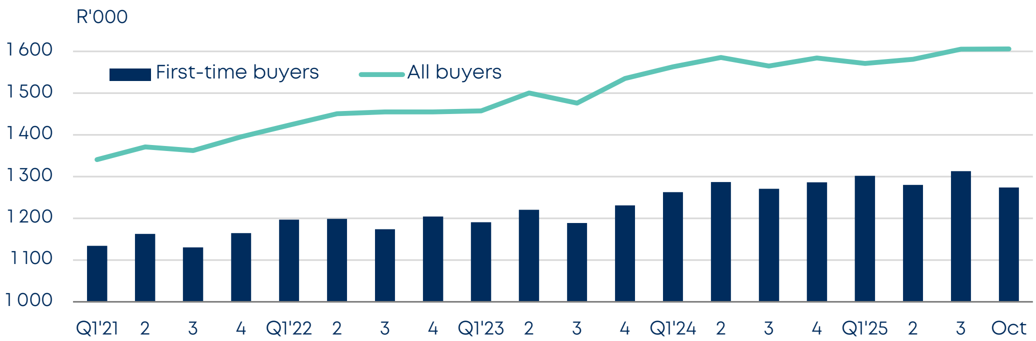
**FIGURE 2**




## 3 Average home purchase price

The average home purchase price for all buyers remained static in October, equalling the new record high achieved during Q3 and remaining marginally above R1.6 million **(figure 3)**. The market for first-time buyers (FTBs) was tighter in October, with a decline in the average home price of 3% to a level of R1.27 million. Although the average house price for all buyers has increased by 7% since Q2 2023, the impact of inflation has reduced this to a decline of 2.1%. For FTBs, the average house price in real terms has declined by 4.5% since Q2 2023, when the prime rate had increased by 425 basis points over a period of only 17 months. The fact that the average house price has declined by an annual average of 5.7% since the beginning of 2021, confirms the negative impact on the housing market as a result of restrictive monetary policy. Hopefully, further rate declines are in the offing.

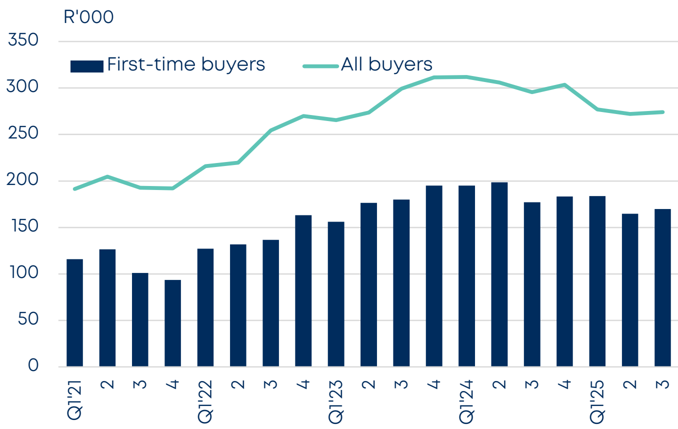
**FIGURE 3**



## 4 Average deposit for home purchase

One of the most encouraging features of homebuying activity during October was the sharp decline in the average deposit required by FTBs since a year ago, namely 21% **(figure 4)**. Although the average deposit required for all buyers increased marginally QOQ, it has also declined by more than 6% since October 2024. Lower interest rates since September, combined with a decline in the ratio of bank impairments to bank assets have assisted the more lenient approach of mortgage loan providers since the beginning of 2024. Between Q1 2024 and October 2025, the average deposit for all buyers declined by 8%. For FTBs, the decline since reaching a peak in Q2 2024 has been significant, namely 26%. Any further lowering of the deposit requirements is likely to boost homebuying activity, which may well occur during the last quarter of 2025.

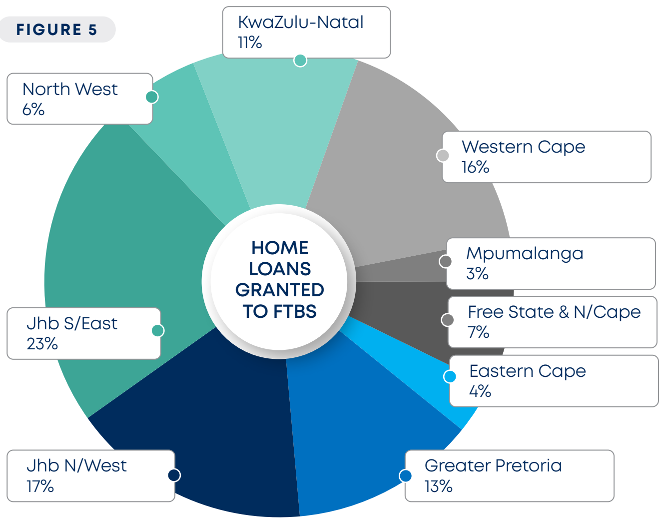
FIGURE 4




## 5 Regional composition of home loans granted to FTBs (12 months to October 2025)

Over the past two years, a significant improvement has occurred in the number of home loans granted to FTBs. Between the 12 months to October 2023 and 2024, the residential property market took a hefty knock, induced by the highest interest rates in 15 years, which put the prospect of buying a home out of reach for many people, especially in the lower income groups. Fortunately, this has changed over the past 12 months, with the YOY increase in total home loans granted to FTBs rising by 17.4% – an impressive improvement on the increase of merely 3.3% between 2023 and 2024. Johannesburg's South-Eastern suburbs have retained their number one position for the number of home loans granted to FTBs, with the Western Cape and Johannesburg's North-Western suburbs neck-on-neck for position number two **(figure 5)**.

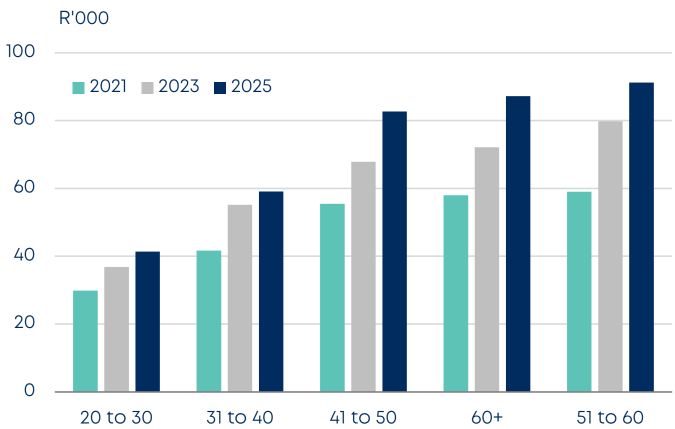
FIGURE 5




## 6 Average monthly homebuyer incomes (12 months to October)

Over the past four years, the rate of increase in the incomes of homebuyers for every age group has outpaced inflation by a considerable margin. Between 2021 and 2023, the best performing age group was homebuyers aged between 51 and 60, with their average incomes increasing by more than 35% **(figure 6)**. This age group also occupies pole position for average incomes during each of the years between 2021 and 2025. Homebuyers aged 41 to 50 years enjoyed the largest increases between 2023 and 2025, namely 22%, with those aged above 60 in second place. Over the past two years, the impact of weak economic growth and high interest rates resulted in a much smaller average real increase for all age groups, dropping from 14.2% between 2021 and 2023 to 8%.

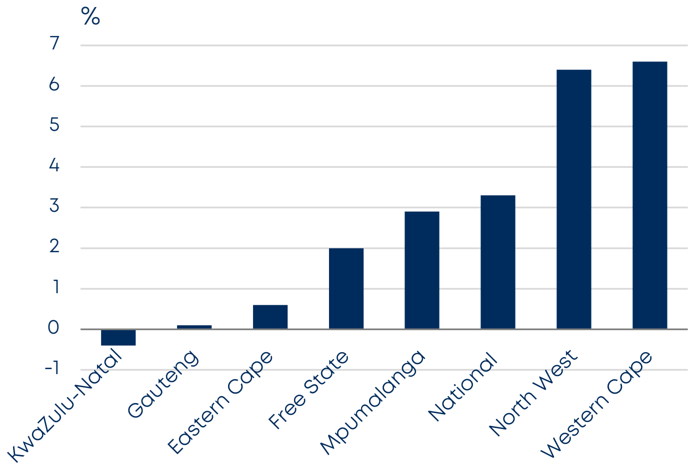
FIGURE 6



## 7 YOY increase in residential property price index by region (Q2 2025)

According to Statistics SA **(figure 7)**, residential property prices in South Africa increased by 6.1% between Q2 2024 and Q2 2025 (3.3% in real terms). These figures are considerably higher than the average nominal and real increases for homebuyers using the services of BetterBond, presumably due to the sample group utilised by Statistics SA being smaller than the data collected by BetterBond. The upshot of this difference in house price trends is that users of the Residential Property Price Index (RPPI) published by Statistics SA may be misled to believe that there is a higher level of demand for houses than actually exists. Although an upward trend is also present in the BetterBond data, residential property market activity has not yet recovered sufficiently to record positive real growth rates, mainly due to interest rates remaining higher than before the Covid-19 pandemic.

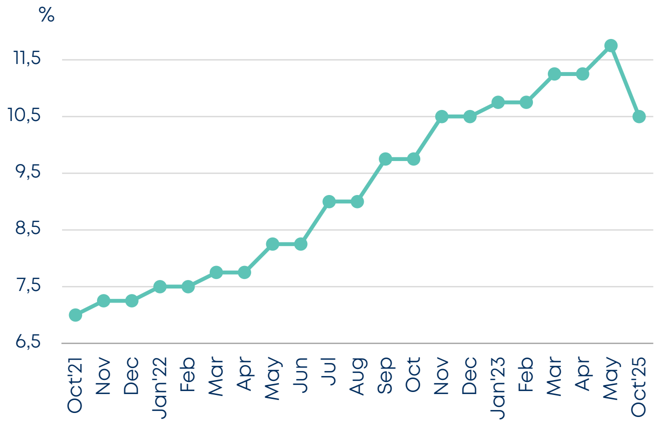
FIGURE 7




## 8 Prime lending rate

South Africa's residential property market recovered swiftly after the worst of the Covid-19 pandemic but was then faced with the unexpected scenario of ten successive increases in the prime rate (via the Reserve Bank's official repo rate), totalling 475 basis points. In the process, the prime rate increased from 7% in October 2021 to a 15-year high of 11.75% in May 2023, where it remained until September 2024, despite an absence of demand inflation and a plunge in GDP growth to barely above zero **(figure 8)**. Fortunately, a rate-cutting cycle commenced in September 2024 but the current prime rate of 10.5% remains 50% higher than four years ago. Further interest declines will be necessary to return the residential property market to the level of activity prior to 2023.

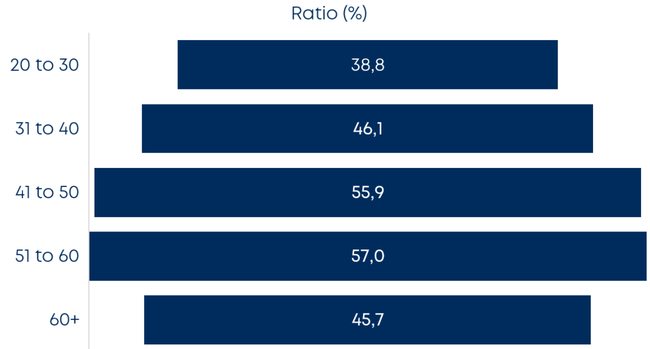
FIGURE 8




## 9 Ratio between average annual incomes of homebuyers and average house prices by age group

The ratio between the average annual incomes of homebuyers and average house prices represents a useful guide for determining the affordability of purchasing a house. Mainly by virtue of possessing the highest average income, the age group between 51 and 60 years also has the highest level of affordability for purchasing a house **(figure 9)**. This age group earns enough, on average, to repay a house priced at the average for this age group within less than two years, a luxury that is also enjoyed by the age group between 41 and 50 years. It is fairly predictable that the youngest age group of homebuyers (20 to 30 years old) have the lowest ratio of average incomes to average house prices paid by buyers in this age group.

FIGURE 9

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