



BetterBond PROPERTY BRIEF



Property market recovery continues – but pressure points remain

South Africa's residential property market continues to recover, with home loan applications growing steadily and home prices reaching new highs among both first-time and repeat buyers. Rising incomes, improving household resilience and stronger economic activity have increased market confidence. However, higher fuel prices, ongoing conflict in the Middle East and stricter bank deposit requirements may place pressure on affordability and delay further interest rate relief. The latest BetterBond Property Brief explores the trends shaping buyer behaviour, regional performance and the outlook for the housing market.



"Lower interest rates and stronger household finances are supporting a broad-based recovery in the property market, but rising fuel costs and tighter lending conditions could temper momentum in the months ahead."

STEPHAN POTGIETER

CEO of BetterHome Group Mortgage Origination and BetterBond

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Fuel prices remain elevated

During the last week of April and into the first week of May, the price of oil remained above \$100 per barrel, providing ample evidence of the continued impasse between the US and Iran. Global energy prices continue to be held hostage at very high levels by the effective closure of the Strait of Hormuz, which has led to fears over higher inflation all over the world. Unless the world's second busiest oil tanker route is reopened soon, the spike in global fuel prices may curb the more accommodating monetary policy stance that has been followed by most central banks since the end of 2024.

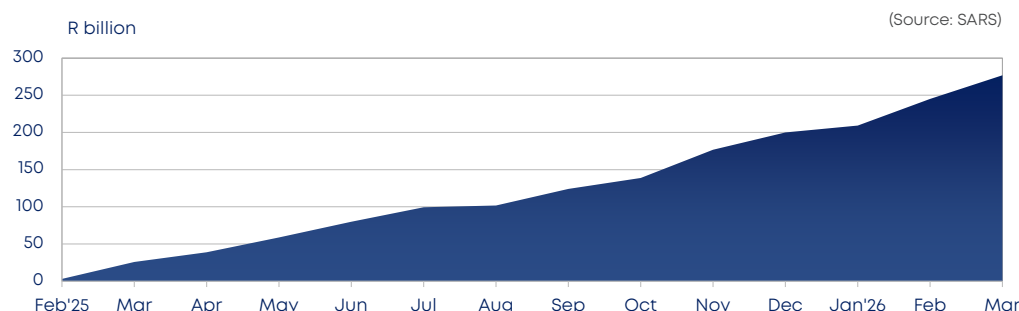
At the end of March, both consumer and producer price inflation in South Africa remained at levels of just above 3% and just above 2%, respectively, but the higher fuel prices could unsettle these price indices in April. Unfortunately, the Producer Price Index (PPI) is also under threat from the inability of South Africa's electricity utility to contain its costs. In March, the YoY increase of the PPI for electricity and water shot up to 17.9%, compared to -2.9% for agriculture and 2.3% for the overall PPI. Much more needs to be done to rein in the inordinately steep rise of electricity and water costs.

Fortunately, key indicators such as retail trade sales and the value of new vehicle sales have performed well during Q1 2026. The YoY increase of 8.8% in the number of light commercial vehicles sold during Q1 is especially encouraging and a clear sign of broad-based economic activity, as also confirmed by the latest S&P Global Purchasing Managers' Index (PMI) for South Africa's private sector, which remained above the neutral 50-mark in March.

1 Trade surplus on a roll

Fortunately for South Africa, its abundance of precious metals has assisted in keeping the balance of payments with the rest of the world in good shape, with the country's cumulative trade surplus for Q1 2026 having trebled from last year's figure of R28.5 billion to R77 billion.

FIGURE 1 South Africa's cumulative trade balance since February 2025



This has elevated the upward trend in the cumulative trade surplus since the beginning of 2025, as illustrated by **figure 1**. The significance of the country's balance of payments stability is especially relevant for domestic price stability, as it supports the exchange rate, which, in turn prevents an even higher increase in the price of imported fuel.

A feature of the international trade account during Q1 2026 has been the change in the ranking of the top four export sections, with agriculture and food overtaking vehicles and components as the third largest generator of foreign exchange. Another feature is the further closing of the gap between the top two export sections, with precious metals challenging minerals for the gold medal.

New incentives for exports to China

China's new zero-tariff policy for 53 African countries came into effect on 1 May, providing a significant new incentive for goods exports to the world's second largest economy. The China-Africa Framework Agreement on Economic Partnership for Shared Prosperity (CAEPA) was established as a framework to promote economic ties between China and Africa. Significantly, it covers 98% of taxable items (8,786 in total) and includes agricultural products such as fruit, nuts, meat, raisins and wine, as well as virtually all processed and manufactured goods.



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



**Producer Price Index
in March**



Q1 trade surplus

Highlights



YoY increase in home loan applications



Average house price for first-time buyers



YoY increase in home loans granted



Average bond value for Greater Pretoria



Average FTB income in Western Cape

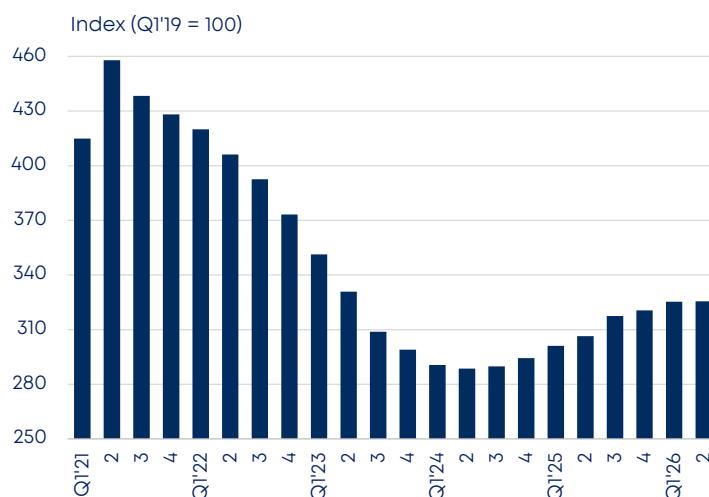


JHB South-East's share of home loans

2 BetterBond Index of Home Loan Applications

During April, home loan applications continued to increase at a healthy rate, recording a YoY increase of 6.2%. Due to seasonal effects related to school holidays and long weekends, which impact on the number of working days in a given month, the data for **figure 2** has been calculated based on a four-quarter average. It is clear that lower interest rates have been primarily responsible for the recovery path that commenced in Q3 2024 – at the same time that the monetary policy authorities became less hawkish. Since the rate-cutting cycle started, the BetterBond Index of Home Loan Applications has improved by 12.3%. Lost ground nevertheless still needs to be recovered, as the BetterBond Index remains 29% lower than at its peak in Q2 2021. Unfortunately, a drawn-out war in the Middle East poses the threat of the spike in fuel prices filtering through to higher inflation, which could stall the rate-cutting cycle.

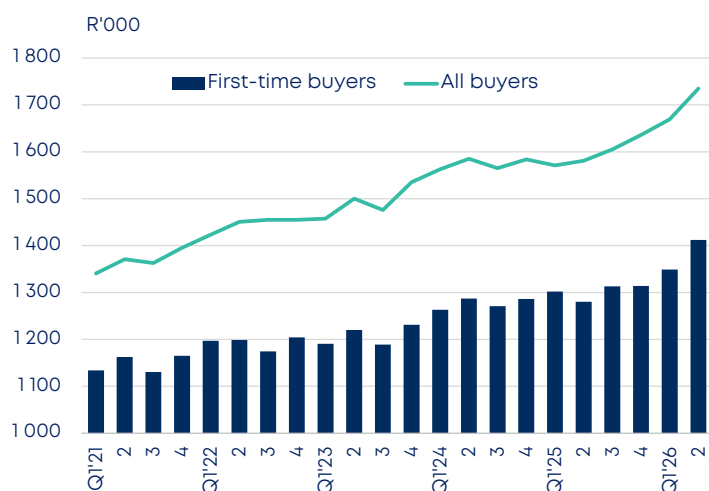
FIGURE 2



3 Average home purchase price

Average home prices for First-Time Buyers (FTBs) and repeat buyers recorded their strongest YoY growth since the recovery from the 2020 health pandemic, namely 10.3% and 19.9%, respectively. The increase in the home price growth trajectory is illustrated by **figure 3**, which also indicates five successive quarterly average price increases for FTBs. In April, the average home price for all buyers breached the mark of R1.7 million, while the average price for FTBs also moved to a new record high of R1.4 million. The QoQ growth rates for average home prices also impressed and outperformed the consumer price increase by a considerable margin. Following several years of declines in average real home prices (adjusted for inflation), the tide seems to be changing. Any further lowering of the prime rate is bound to lead to a further acceleration of home price growth.

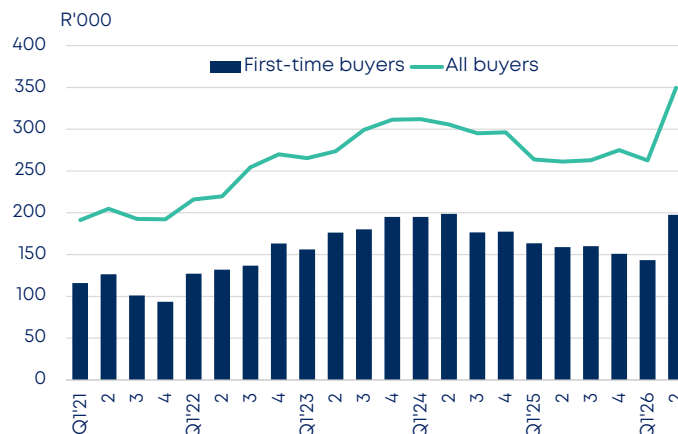
FIGURE 3



4 Average deposit for home purchase

The declining trend in the deposit requirements for accessing home loans was halted in its tracks in April, with a surprising 33% QoQ increase for all buyers. Although a more cautious approach by the banks towards home loan lending was widely expected due to fears over higher inflation, the extent of the increase in deposit requirements has caught many property market practitioners by surprise (see **figure 4**). The increase has been even more severe for FTBs, who now must raise the equivalent of 38% of a home's purchase price, on average. The pronounced shift in sentiment towards home loan lending by the banking sector is even more surprising when considering that the average deposit requirement for FTBs had declined consistently over the previous eight quarters to a level of R143,000. In April, it jumped to R198,000 – virtually the same level as in Q2 2024.

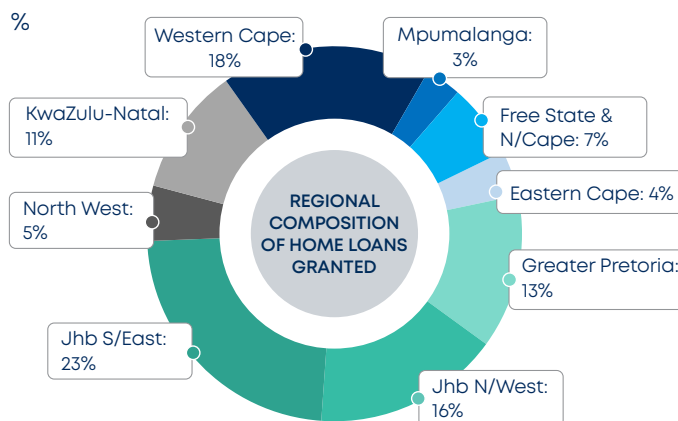
FIGURE 4



5 Regional composition of home loans granted (12 months ending April 2026)

Figure 5 illustrates the composition of home loans granted over the past 12 months, with Johannesburg's South-Eastern suburbs remaining in the top position, with 23.3% of the share of the total loans granted. This region also managed to increase its regional share and recorded the highest growth in home loans granted over the past year, namely 28.6%. The Western Cape remains entrenched in second spot, with a share of 19.3%, followed by Johannesburg's North-Western suburbs and Greater Pretoria, with shares of 17.8% and 13.2%, respectively. Among the less densely populated regions, the Free State and Northern Cape impressed with exceptionally strong growth in home loans granted over the past two years, namely 43%.

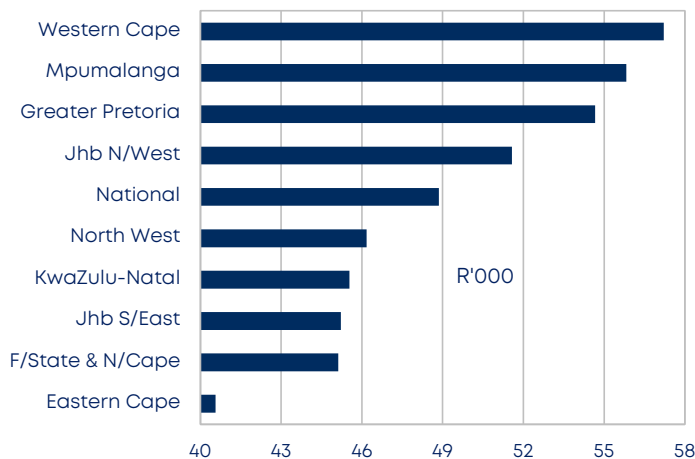
FIGURE 5



6 Average monthly income of FTBs by region (12 months to April 2026 – R'000)

During the past year, a significant divergence has occurred between average regional incomes of FTBs, with the Western Cape moving into first position with an average monthly income of R57,200. In the process, the Western Cape overtook Mpumalanga, Greater Pretoria and Johannesburg's North-Western suburbs, who now occupy positions number two, three and four, respectively, as illustrated by **figure 6**. The range for the YoY changes to average FTB incomes is more than 1,000 basis points, stretching from a negative 2.5% in Johannesburg's North-Western suburbs to a positive 9.7% for the Western Cape. The solid YoY increase in FTB incomes in the North West province can be attributed to some extent to the record high prices for platinum group metals, which has benefited mining activity.

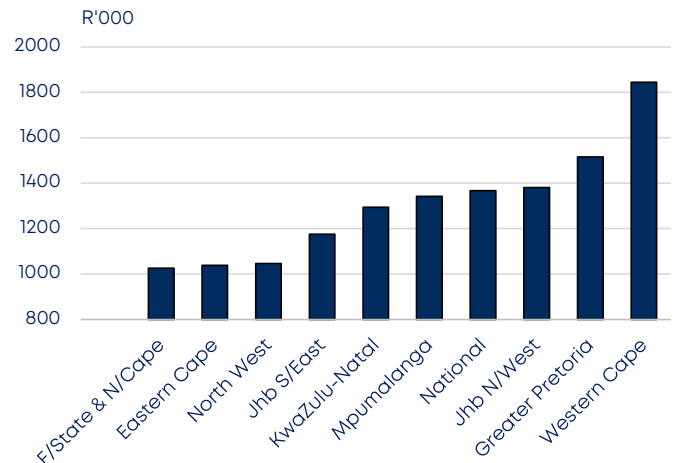
FIGURE 6



7 Regional composition of average bond value (12 months to April 2026 – R'000)

The Western Cape has maintained its position as the region with the highest average home loan value, while also recording the highest increase from the level 12 months ago, as illustrated by **figure 7**. The Greater Pretoria region remained in second position with an average bond value of R1.5 million. During the past 12 months, every region managed to move to above the mark of R1 million for average bond values, with the North West region recording a YoY increase of 10.8%. With banks having resorted to stricter deposit requirements during April, average bond values are likely to remain fairly stable during the next couple of months. For most regions, the increases in bond values were higher than the increases in home prices, mainly as a result of a downward trend in average deposit requirements that existed for most of the past year.

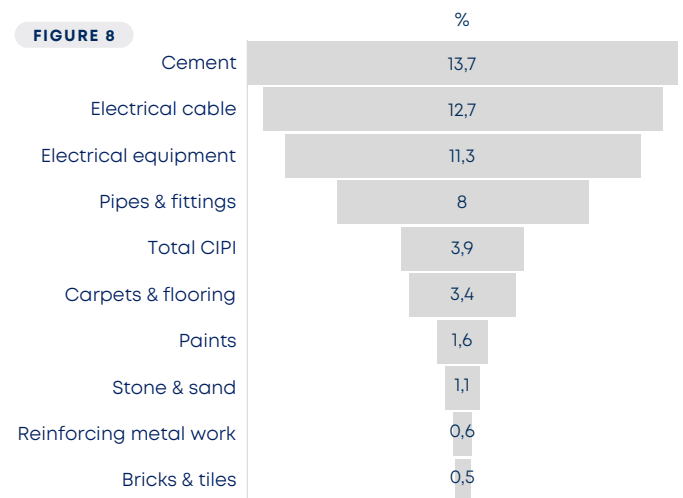
FIGURE 7



8 YoY % change in key components of the Construction Input Price Index (CIPI)

Figure 8 depicts the wide range of construction cost increases over the past year. Between Q1 2025 and Q1 2026, average house prices increased by 6.9%, compared to an increase in the CIPI of 4.3%, both of which were above the YoY increase in the Consumer Price Index (CPI). This led to a narrowing of the gap between house price trends and the CIPI, which is a proxy for the replacement cost of a house, but construction costs still remain higher. Over the past four years, the average annual increase in the CIPI was 5.5%, compared to a 4.2% increase in the average house price monitored by BetterBond. With banks having raised their deposit requirements for prospective homebuyers in April and signs of an end to the rate-cutting cycle, the buyers' market for residential property is likely to continue well into the year.

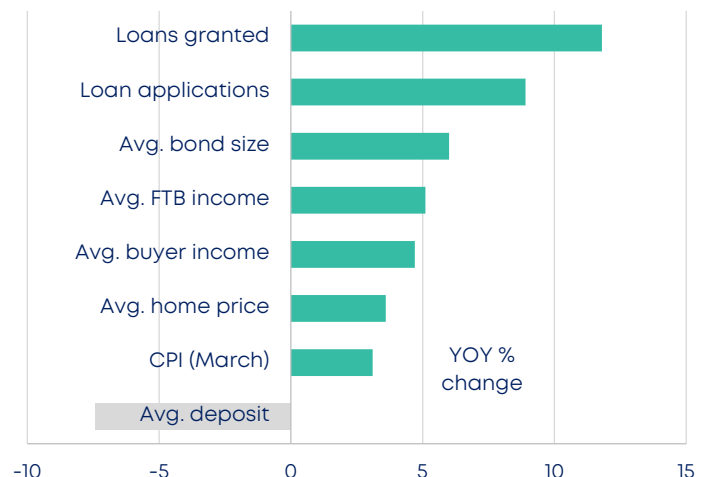
FIGURE 8



9 Key residential property market metrics (12 months to April 2026)

A number of key trends emanating from the past year's housing market are depicted by **figure 9**, all of which paint a fairly rosy picture of the recovery that occurred after interest rates started to decline and, as an inference, immediately raised the financial resilience of households. Lower debt service costs allowed many prospective homeowners back into the market. Prior to the end of 2024, a restrictive approach to monetary policy took the prime lending rate to 11.75% – its highest level in 15 years. One of the most encouraging indicators listed in the graph is the increase in the average homebuyer income, which has managed to beat inflation during the past 12 months. It is a boon to South African homeowners that home loans have increased by 11.8% YoY when total loans and advances to households remained R18 billion lower at the end of last year than in Q2 2023 (in real terms).

FIGURE 9



Get in touch

Meet the people behind our regions. This map shows where our offices are located across South Africa and introduces the regional managers who lead our teams in each province. Reach out to a regional manager for support in your area.



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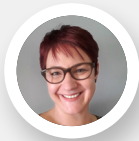
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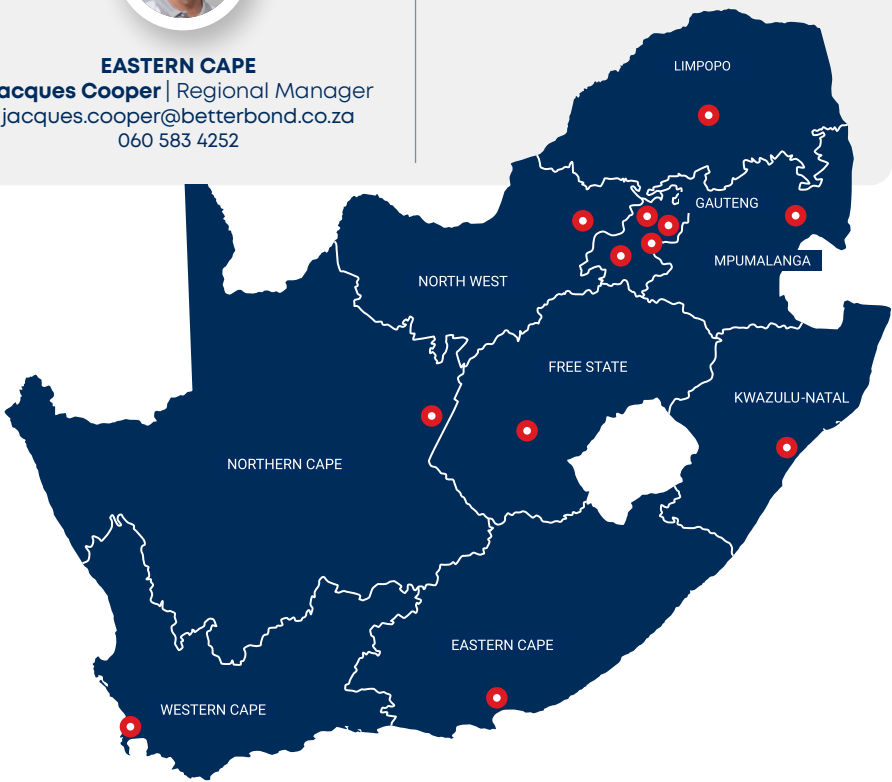
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