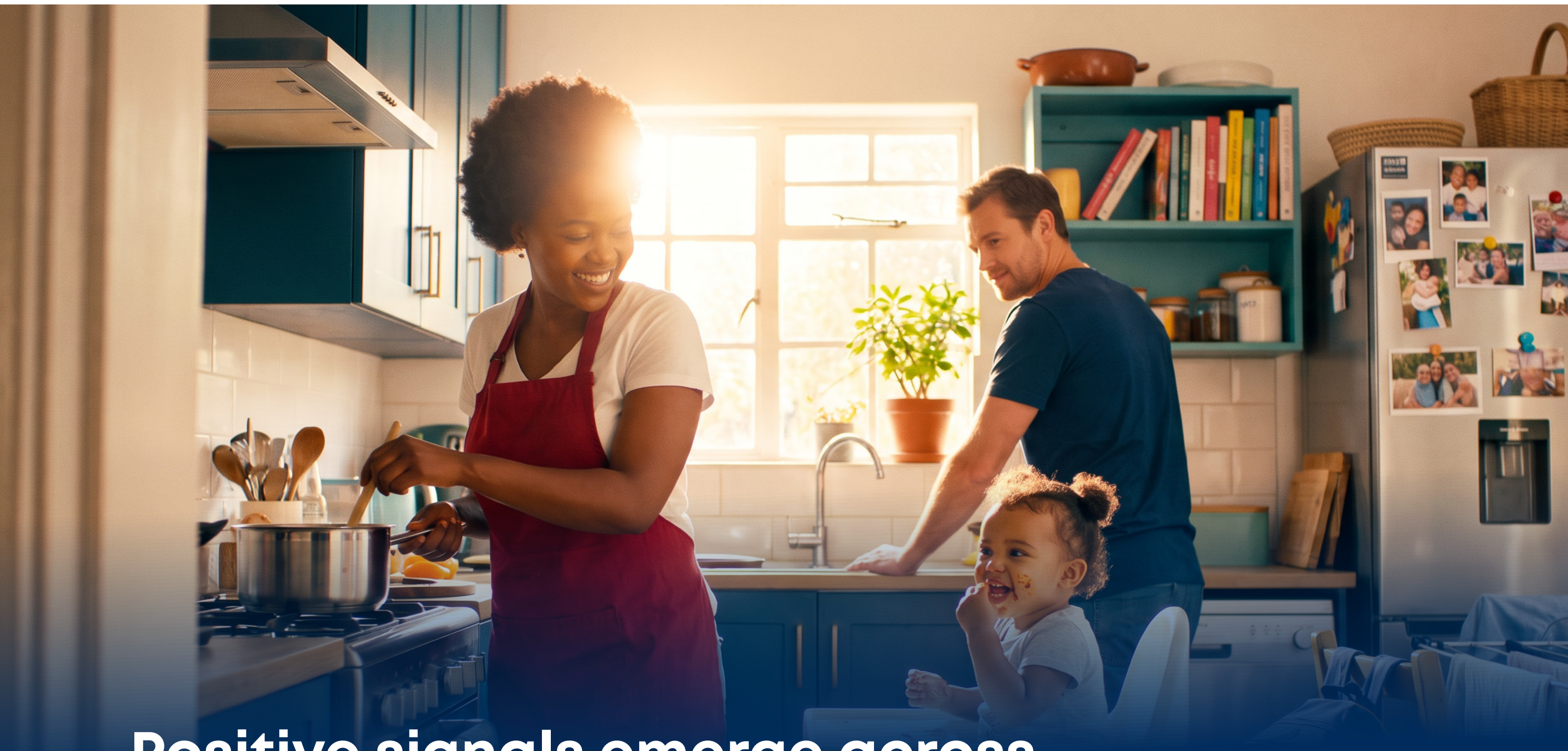
BetterBond

Property Brief

SEPTEMBER 2026



Positive signals emerge across South Africa's property market

South Africa's property market is showing several encouraging signs, with home loan applications remaining above 2023 levels, affordability improving for most age groups and house prices continuing to rise. First-time buyers are paying an average of R1.4 million, while home loan approval rates have climbed to 64.5%. Employment gains and stronger property price growth in regions such as the Western Cape, Pretoria and Mpumalanga are also influencing the market. This edition of the BetterBond Property Brief explores the latest trends shaping affordability, home loan activity and house prices.

> "There are some encouraging signals in the market, from improving home loan approval rates to stronger employment and continued growth in house prices. While buyers remain sensitive to interest rates and deposit requirements, affordability has improved for many South Africans. These trends point to a market where opportunities remain for those ready to take their next step towards homeownership."

STEPHAN POTGIETER

CEO of BetterHome Group Mortgage Origination and BetterBond

Economic Compass

Rand and retail sales on the move

The seasonally adjusted real value of retail trade sales maintained its upward momentum in Q2. As long as this key indicator remains in growth mode, GDP growth is virtually guaranteed. The total value of retail trade sales is expected to come to within touching distance of R1.6 trillion in 2026, which will be about 20% of the country's GDP.

Other good news in August was the remarkable strength of the rand exchange rate. Since the beginning of 2025, none of the currencies of South Africa's key international trading partners have managed to outperform the rand, which managed to strengthen against the currencies of nine of the world's ten largest economies, including by a whopping 17% against the US dollar. Over the past 20 months, the appreciation of the rand also hit double-digit figures against the Japanese yen and the South Korean won. A strong currency serves to keep the prices of imports in check and assists the quest for lower inflation.

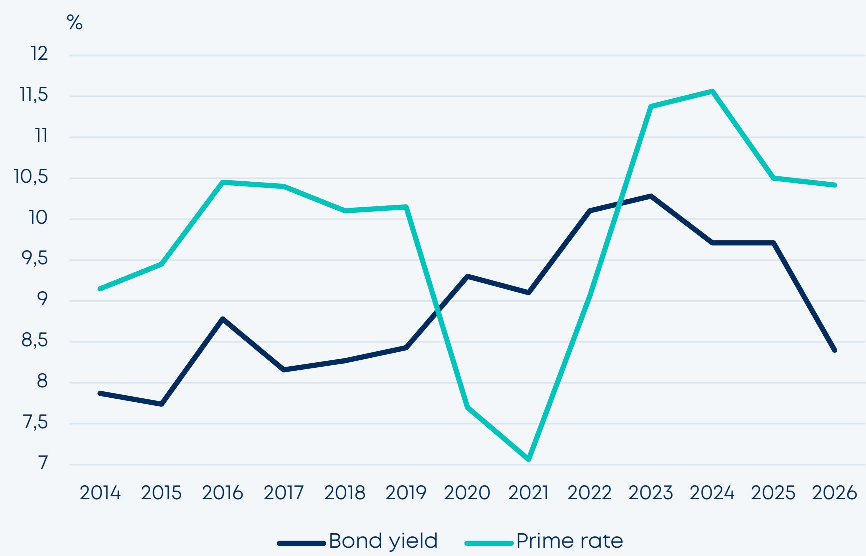
1 Bond yield spread calls out for prime rate cut

The spread between South Africa's long-term interest rate and benchmark commercial lending rate stood at a negative 210 basis points at the end of August, compared to an average negative spread since 2014 of only 89 basis points. In the Euro area, approximate parity exists between mortgage bond rates and long-term government bond yields, with the spread in Germany standing at a marginally negative rate of around 44 basis points.

FIGURE 1

South Africa's 5 to 10-year bond yield and the prime rate

(Sources: SARB; Trading Economics; EuroStat; own calculations)



Dr Roelof Botha
Economist

Dr Botha is an alumni faculty member of the Gordon Institute of Business Science (GIBS) and a seasoned commentator on economic issues. He is an economic advisor to BetterBond and Currencies Direct, and former advisor at the National Treasury.

HIGHLIGHTS

20%
retail sales as % of GDP

17%
rand strengthening vs US$ since 2025

210
basis points – spread between bond yield and prime rate

4%
new tolerance level for the CPI

(Continue)

These data comparisons, combined with the recent decline in South Africa's long-term bond yield, suggest that substantial scope exists for the further relaxation of monetary policy by the Reserve Bank (see **figure 1**). The Monetary Policy Committee (MPC) adopted a neutral stance at its most recent meeting in July, and it has become clear that the uptick in both the Consumer Price Index (CPI) and the Producer Price Index (PPI) will not be as severe as during the previous oil price shock.

With the CPI having dropped to marginally above the new upper tolerance level for inflation of 4%, the chances have improved for a further stay for the Reserve Bank's repo rate and, as an inference, also the prime rate, during its next MPC policy meeting. This decision will hopefully also be informed by the woeful labour market data during the first two quarters of 2026. Any further lowering of the CPI may witness a resumption of the rate-cutting cycle. However, this would require a swift end to the hostilities in Iran and a resumption of diesel exports by Russia.

Property market overview

HIGHLIGHTS

11.3%
increase in home loan applications since Q4 2023

R1.4 million
average house price for FTBs

27%
decline in ratio of home price to annual income since 2021

7 quarters
time it takes for incomes of 40-year-olds to pay for a house

6.5%
YoY increase in average house price for income group R15k – R25k

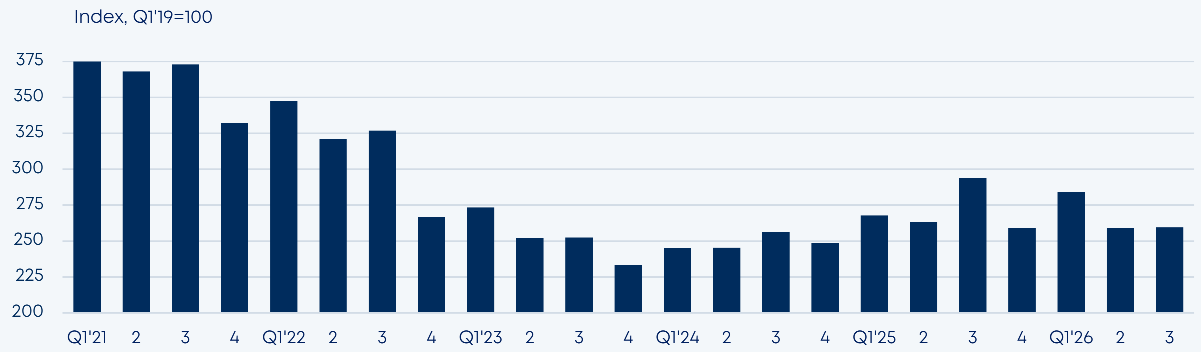
7.3%
decline in average deposit since 2023

2 BetterBond Index of Home Loan Applications

Following the marginal decline in home loan applications during Q2, an element of calmness has returned to the residential property market, with the BetterBond Index of Home Applications remaining virtually unchanged during the first two months of Q3 (**figure 2**). Several factors have conspired during 2026 to lower the tempo of homebuying activity, especially the decision of the Reserve Bank's MPC to increase the prime lending rate (via the repo rate) from 10.25% to 10.5% in May, due to an increase in the CPI.

A second problem arose when banks increased their deposit requirements for accessing home loans. Fortunately, when expressed as a percentage of average home prices, these requirements remain lower than during the period when the prime rate was at 11.75%. Home loan applications were nevertheless 11.3% higher in Q3 than in Q4 of 2023, when the record high prime rate started to bite into the pockets of households.

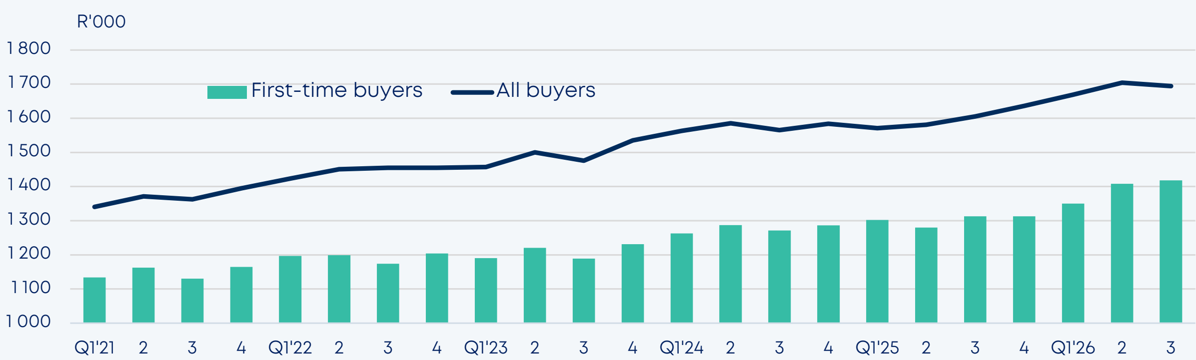
FIGURE 2



3 Average home purchase price

During July and August of 2026, the average home prices for First-Time Buyers (FTBs) and repeat buyers moved in opposite directions (**figure 3**). For FTBs, the average price increased marginally QoQ, but an impressive YoY increase of 8% was recorded – in line with the previous quarter's price trend. For repeat buyers, a marginal decline was recorded, but the YoY performance was also positive. Although potential homebuyers seem to have become wary of the possibility of further interest rate increases, the slow rate of completion of new homes, as reported by Statistics SA, suggests that a supply deficit is building up in the residential property market – hence the solid increase in average house prices since the slump of mid-2023. Compared to three years ago, the average house price for all buyers has increased by 2.5% in real terms. For FTBs, the current average price is R1.4 million, a nominal increase of 19% since Q3 2023.

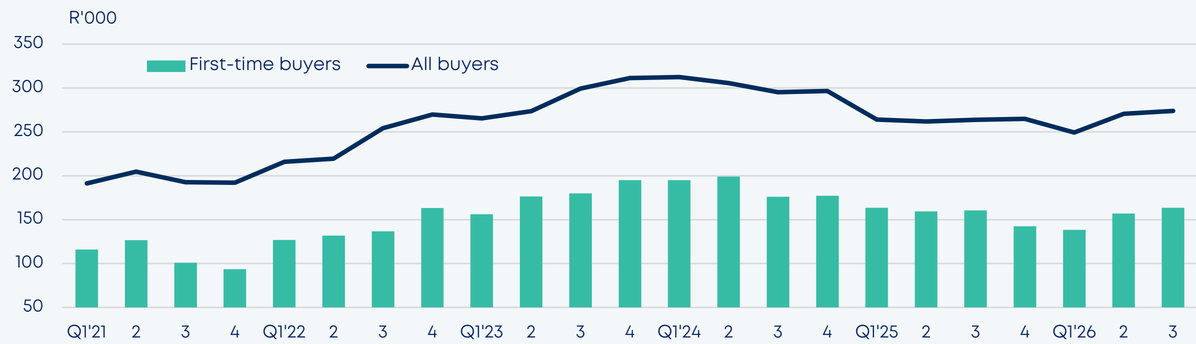
FIGURE 3



4 Average deposit for home purchase

Despite the benchmark home loan lending rate remaining at 10.5% during the past three months, banks raised their deposit requirements again during the first two months of Q3 2026. FTBs were faced with a smaller YoY increase than repeat buyers, namely 1.8%. Fortunately, deposit requirements remain 7.3% lower than two years ago for all buyers, as illustrated by **figure 4**. Unless interest rates rise again, there is every chance that deposit requirements will stay quite stable during the rest of the year, especially against the background of solid returns on equity and favourable interest margins achieved by major banks during their most recent financial reporting period. According to the 2026 PwC Major Bank Analysis, their combined headline earnings grew by 9.4%, while their combined credit loss ratio eased slightly.

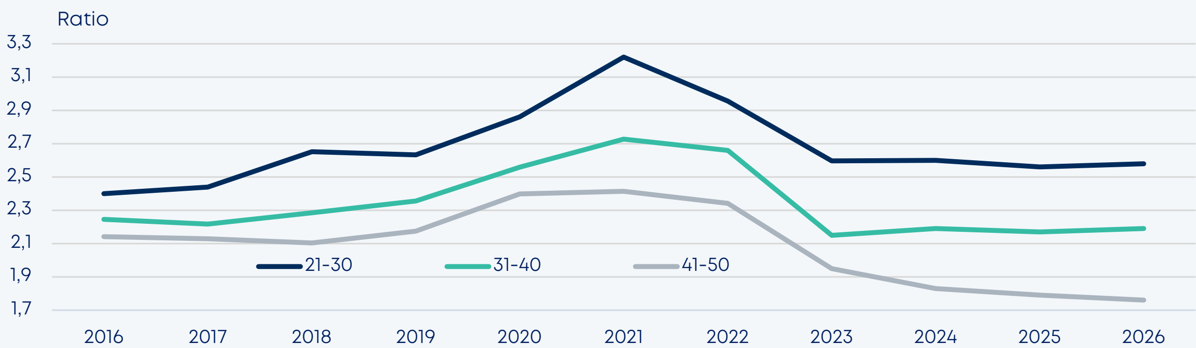
FIGURE 4



5 Ratio of average home price to average annual income by age group (12 months to end Aug 2026)

Figure 5 illustrates a marginal reversal of the declining trend in the ratio of average home prices to average incomes for selected age groups. This ratio experienced an extraordinary spike during the health pandemic of 2020, when many private sector employees were prepared to accept lower incomes as a means of remaining employed during a period of hardship for most companies, due to the lockdowns. The rate at which incomes started to gain (relative to home prices), started easing when interest rates rose to record high levels, but the ratio of home prices to incomes has since stabilised. Except for homebuyers aged 21 to 30 years, these ratios are lower than a decade ago, signalling an improvement in the affordability of homebuying for most age groups. Homebuyers aged 41 to 50 years only require seven quarters of income to buy a house at the national average price, with their ratio having declined by 27% to 1.76 since 2021.

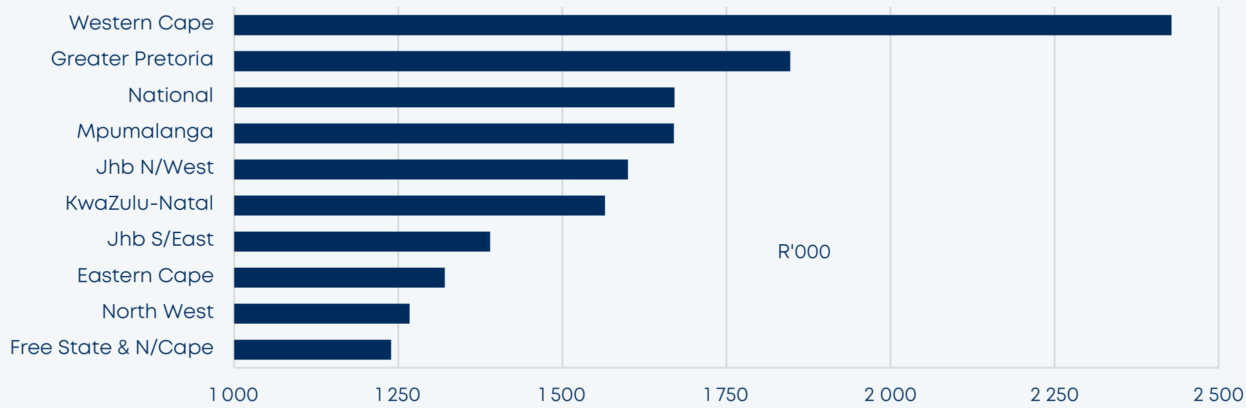
FIGURE 5



6 Regional composition of average home prices (12 months to Aug 2026)

In terms of average house prices, the Western Cape and Greater Pretoria have been opening a gap with the rest of the provinces. Over the past year, both regions recorded double-digit increases in average house prices, with the Western Cape in pole position at a rate of increase of 13.8% and Pretoria second with a YoY increase of 11.5% (**figure 6**). One reason for the higher demand being experienced for homes in these regions is the prevalence of many schools that boast quality education and extra-mural activities, especially sport. The presence of quality tertiary educational institutions is another reason, while Pretoria has the added advantage of being the administrative capital of South Africa, housing the Union Buildings, government ministries and foreign embassies. Over the past year, Mpumalanga has leap-frogged KwaZulu-Natal into third spot, with an average house price of R1.67 million.

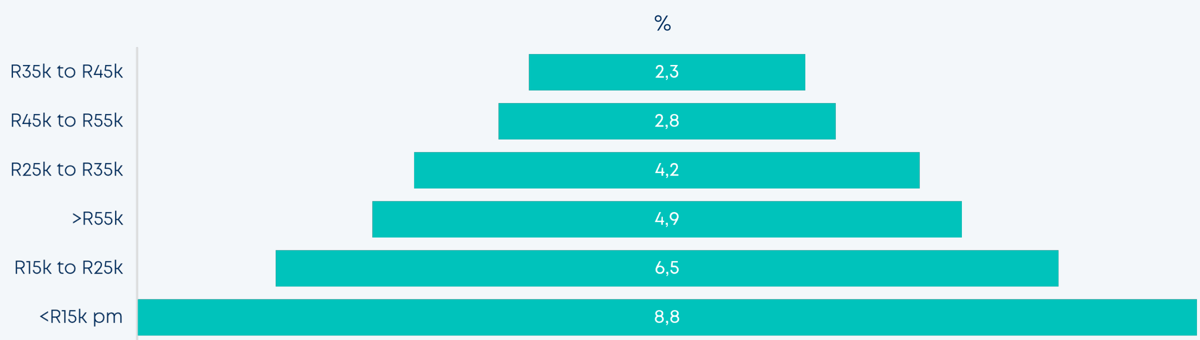
FIGURE 6



7 YoY increase in average home purchase price per income group (12 months to Aug 2026)

Ever since the prime lending rate has been reduced, a significant change has occurred in the rankings for average home prices between the different income groups. Although prospective homebuyers earning less than R15,000 per month continue to occupy the first position for YoY home price growth (at a YoY increase of 8.8%), the second lowest income group (R15,000 to R25,000 per month), has jumped from the fifth spot to second, with YoY home price growth of 6.5% (**figure 7**). A shift has also occurred in the top income group (above R55,000 per month), whose ranking has decreased from second to third spot. These three income groups managed to beat inflation, with the July reading of the CPI at 4.3%. For the whole country, the positive impact of lower interest rates is clearly visible in a YoY increase for the average house price of 5.9%, compared to only 1.2% during the previous 12 months.

FIGURE 7

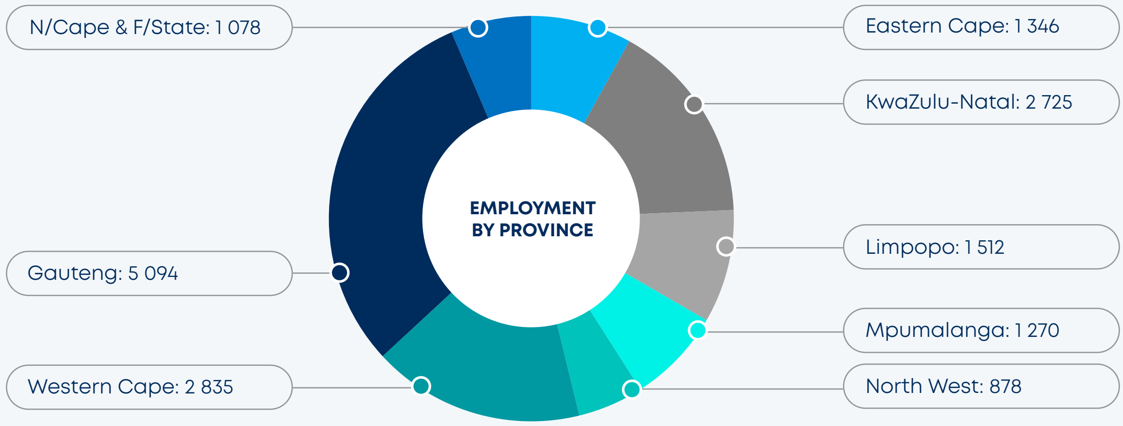


8 Employment by province (Q2 2026)

The availability of jobs is one of the key considerations for regional migration, which continues to change the demographics of South Africa and also plays an important role in the availability and prices of houses. During the 12 months to end June 2026, three provinces managed to attract people from other parts of the country via meaningful increases in employment. The Western Cape is the standout performer, having recorded a gain of 91,000 new jobs – virtually identical to the number of jobs lost in Gauteng. Mpumalanga experienced the second largest increase in jobs created, namely 47,000, followed by KwaZulu-Natal with 23,000. Unfortunately for the Eastern Cape and North West, jobs were shed during the past four quarters. **Figure 8** illustrates the provincial composition of employment as at Q2 2026, with Gauteng still firmly in top spot with 30% of the country's total.

FIGURE 8

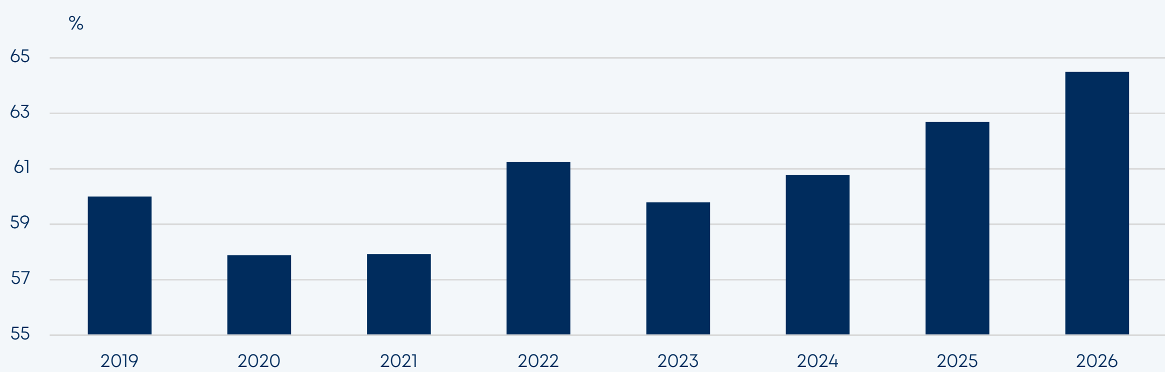
'000
(Total = 16.7 m)



9 Approval ratio for home loans granted (12 months to end Aug 2026)

Ever since interest rates started to decline from the record highs of 2023 and 2024, the approval ratio for home loans granted has started to increase, standing at a rate of 64.5% at the end of August 2026 (**figure 9**). The decline in the average approval rate experienced in 2023 was influenced by the sharp decline in formal sector employment that occurred between Q3 and Q4 of 2023, when 128,000 jobs were lost. It took five quarters for the economy to regain the loss of formal sector employment. Lower interest rates have since led to a significant recovery of formal sector employment, with a YoY increase of 5.3% as at Q2 of 2026 to a level of 12 million. Further increases in formal sector jobs could add momentum to home loan approval ratios. This will be on the cards once the rate-cutting cycle commences again.

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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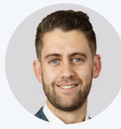

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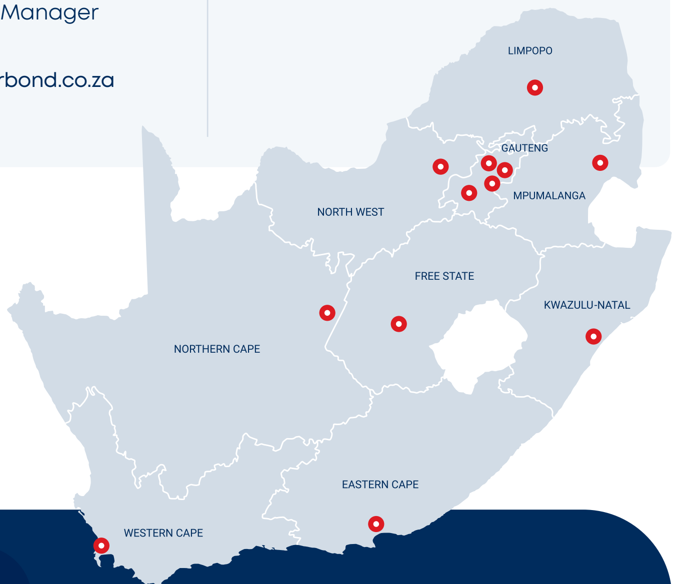

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