



BetterBond
PROPERTY
BRIEF



Early recovery in housing – but geopolitical risks persist

South Africa's residential property market is showing signs of recovery, with home loan applications rising and buyer activity gradually improving. Lower inflation and a steady interest rate environment have supported this momentum, alongside declining deposit requirements and rising real incomes among homebuyers. However, ongoing geopolitical tension in the Middle East continues to drive market volatility, placing pressure on fuel prices and delaying further rate cuts. Against this backdrop, the latest BetterBond Property Brief examines key housing trends, shifting buyer dynamics and the sustainability of the market's recovery in an uncertain global environment.



“Improving fundamentals are supporting renewed activity in the property market, but elevated geopolitical risk continues to influence confidence, interest rates and the pace of recovery.”

STEPHAN POTGIETER

CEO of BetterHome Group Mortgage Origination and BetterBond

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In addition to traditional economic factors, the level of geopolitical uncertainty has emerged as a significant non-economic force influencing asset prices and market behaviour. Several authoritative research studies have been published that confirm this causality, most notably the work by Caldara and Iacoviello, who have developed the Geopolitical Risk (GPR) index.

Real estate markets constitute an integral part of the highly interconnected global economy, due to real estate assets representing a significant portion of household wealth, institutional asset portfolios and the generation of economic output. It is important, therefore, to take the level of geopolitical uncertainty into account when analysing property market conditions. The authoritative GPR index examines different levels of geopolitical uncertainty since 1900. The most profound spikes in the GPR index occurred around the two world wars, the Korean War, the Cuban Missile Crisis, the previous two Gulf wars, the 9/11 terror attacks in the US, Russia's military invasion of Ukraine and the current Gulf war.

A study by Moodley and Lawrence, published in 2026 by the Multidisciplinary Publications Institute (MDPI), has confirmed that rising geopolitical tensions and fluctuating financial market conditions have increased volatility and negatively impacted property returns across BRICS countries. Until such time as a lasting ceasefire is established in the Middle East, the GPR index will remain elevated and will contribute to an extension of the current buyers' market in South Africa.



Dr Roelof Botha
Economist

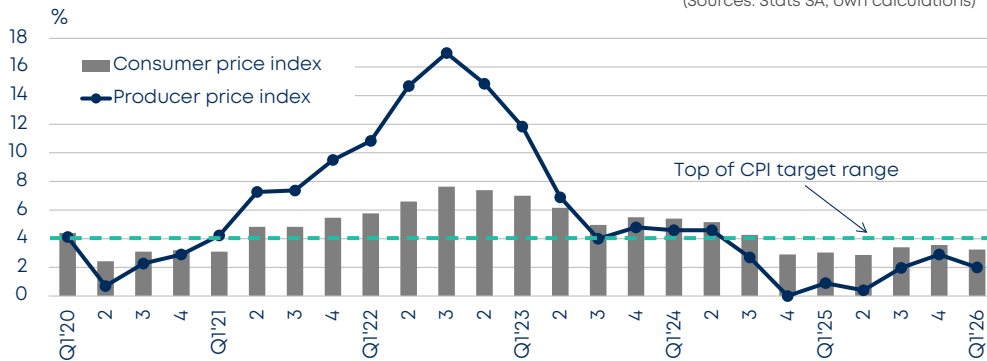
Affiliated with the Gordon Institute of Business Science (GIBS), Dr Botha is a seasoned commentator on economic issues, long-time advisor to the Optimum Investment Group and Currencies Direct, and former advisor to the National Treasury.

1 Inflation declines again

In the meantime, one of the most important indicators affecting the property market remains conducive to an expansion of activity once the Middle East war has ended, namely lower inflation. The latest decline in both the Consumer Price Index (CPI) and the Producer Price Index (PPI) is good news and has played its part in the decision by the Monetary Policy Committee (MPC) of the Reserve Bank to keep the repo rate on hold (figure 1).

FIGURE 1 Consumer Price Index and Producer Price Index (quarterly averages)

(Sources: Stats SA; own calculations)



The fact that food price increases are on a downward trend is especially encouraging, as this category has the largest weighting in the consumption expenditure basket. Nevertheless, it remains a point of concern that prices administered by the public sector, most notably electricity and water, continue to outpace the overall CPI. Hopefully, progress with creating a more competitive and diversified electricity market will eventually rein in the rapidly rising cost of electricity.

Trade balance on the march

South Africa's international trade account has started 2026 on a high note, mainly because of lower imports and the record prices for gold and platinum. Despite only half of the top ten export sections recording a trade surplus during the first two months of the year, the 39% YoY increase in the value of precious metal exports secured a healthy cumulative trade surplus of R45.4 billion – a hefty improvement on the meagre R3.3 billion surplus recorded in January and February last year. The top three contributors to the nifty trade surplus were precious metals, minerals, and agriculture and food.

With the rand exchange rate taking a knock in the wake of the Middle East war, the chances for higher future export earnings in rand terms have improved, while the stronger currency is also likely to lead to some discouragement of imports. The only red flag is the spike in the oil price, which has already resulted in fuel price increases.

HIGHLIGHTS



Prime rate on hold



year-to-date trade surplus

Highlights



QoQ increase in home loan applications



Average house price for first-time buyers



Decline in average FTB deposit since Q1 2024



Average bond value for Greater Pretoria



YoY increase in value of flats built

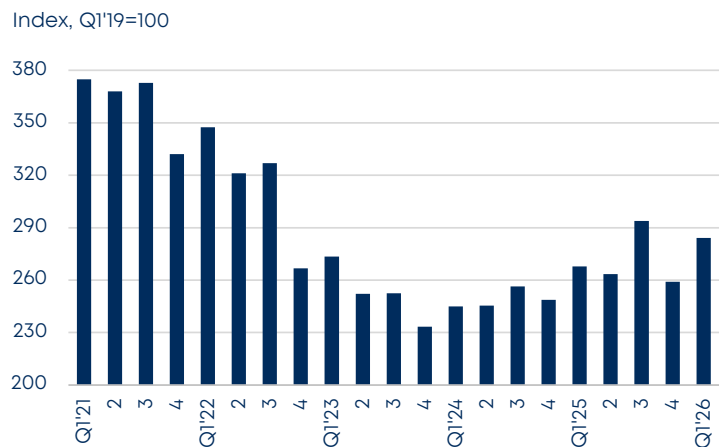


Share of loans awarded to FTBs

2 BetterBond Index of Home Loan Applications

During Q1 2026, home loan applications continued on the recovery path that started in 2024 – when monetary policy became less restrictive, as illustrated by **figure 2**. The QoQ increase in the BetterBond Home Loan Index of 9.7% is impressive, especially due to the muted levels of household income that usually follow the preceding quarter of each year (due to year-end bonuses being paid). The YoY increase of 6.1% is also impressive and has consolidated the recovery rate of 16% over the past two years. Lower interest rates have boosted homebuying activity, with a recovery in the BetterBond Home Loan Index of 21.8% since the low point of Q4 2023, when the highest interest rates in 15 years were biting into the pockets of prospective homeowners. Hopefully, a swift ending to the hostilities in the Middle East will lead to a resumption of the declining interest rate cycle.

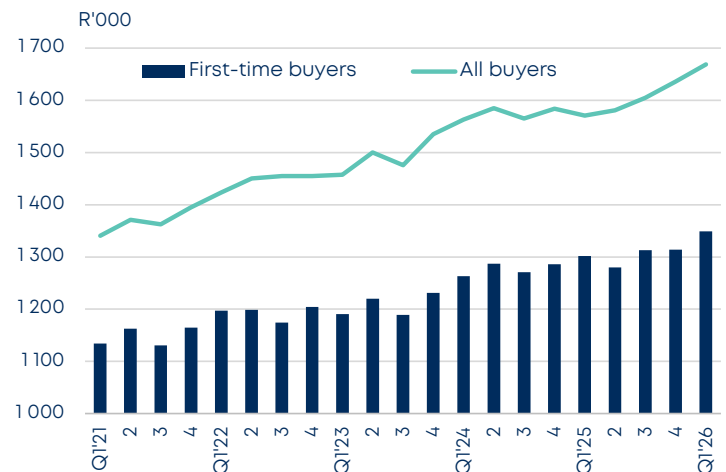
FIGURE 2



3 Average home purchase price

Positive YoY growth in average house prices for both first-time buyers (FTBs) and repeat buyers continued during Q1 2026, namely 3.6% and 5.3%, respectively. Home prices have also risen in real terms, with an inflation adjusted YoY increase for all buyers of 3.2%. In nominal terms, new record highs were recorded during Q1 2026, namely R1.67 million for all buyers and R1.35 million for FTBs (see **figure 3**). The QoQ increases favoured FTBs, coming in at 2.7%, with the average home price for all buyers increasing by 2% since Q4 2025. The upheaval caused by the war in the Middle East has led to a sharp increase in oil and fuel prices, which has contributed to a pause of the rate-cutting cycle that started in September 2024. Unfortunately, there have been no further rate cuts in 2026, with the prime lending rate still at 10.25% – marginally higher than the rate that existed before the pandemic-induced lockdowns of 2020.

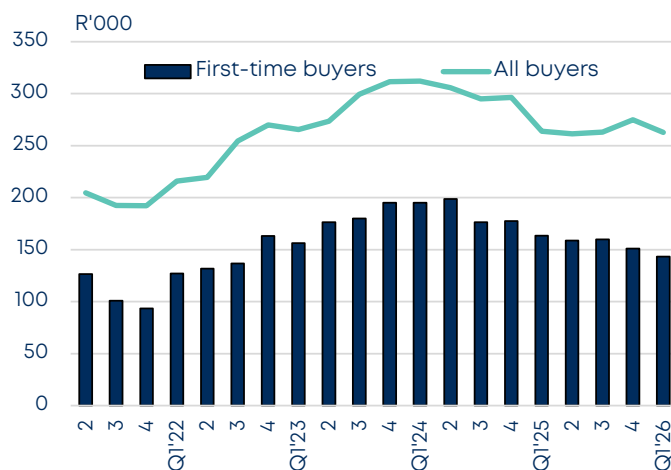
FIGURE 3



4 Average deposit for home purchase

The consistent decline since mid-2024 in average deposit requirements for accessing home loans has been caused by a fortuitous combination of enhanced investor confidence in South African banks, marginally higher economic growth and, more recently, by lower interest rates. A solid financial performance by the country's major banks has witnessed a healthy increase in the sector's price/earnings ratio (for banks listed on the JSE), while the Financial 15 sector experienced an increase of 50% in equity value between the beginning of April 2025 and the end of February 2026. Since then, the war in the Middle East has taken its toll, but the sector's equity value remains 36% higher than a year ago. Lower interest rates have also assisted in lowering the ratio of credit impairments to bank assets, with the average deposit requirement for FTBs having declined by 26.6% since Q1 2024 (see **figure 4**).

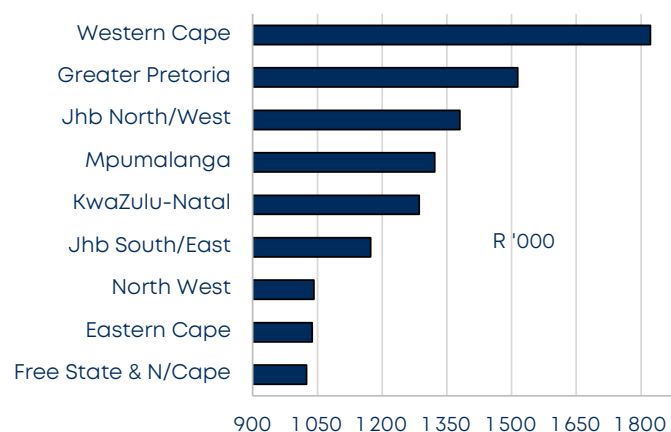
FIGURE 4



5 Regional composition of average bond value (12 months ending March 2026)

Figure 5 illustrates the composition of average bond values over the past 12 months, with the Western Cape firmly entrenched in the top position at an average value of R1.82 million, followed by Greater Pretoria at R1.4 million. The latter region has opened a substantial gap between Johannesburg's North-Western suburbs. Differences in municipal service delivery standards are likely to have played a role in the wide regional spread of changes to average home loans values. For Cape Town, an increase of 18.1% in the average home loan value was observed over the past two years, while all of Johannesburg's suburbs could only muster an average increase of 4.4%. During the past 12 months, every region managed to break through the R1 million level, with the North West trading places with the Free State and Northern Cape region.

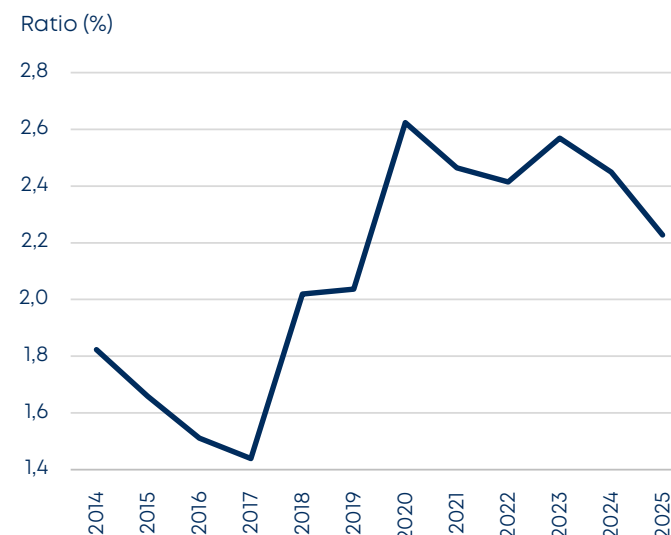
FIGURE 5



6 Credit impairments as a percentage of total bank assets

As a general rule, the ratio of bank impairments (bad debts) as a percentage of total bank assets exhibits a positive relationship with the level of interest rates. It is clear from **figure 6** that this inverse correlation has been prevalent during the past decade. During the tenure of the previous Governor of the Reserve Bank, Gill Marcus, monetary policy was fairly accommodating, with the real prime lending rate averaging 3.4% between 2011 and 2015. Despite the real prime rate edging up to 4.4% between 2014 and 2017, bank assets swelled by 5.3% in real terms during this period. After the appointment of a new Monetary Policy Committee in 2015, the prime rate was systematically increased to 5.7% in 2019 (in real terms), leading to an increase in credit impairments. The low interest rates that followed the health pandemic of 2020 reversed this trend but record high interest rates during 2023 and 2024 saw another spike in bank loan write-offs. Fortunately, the marginal decline in the real prime rate during 2025 has now reversed this trend.

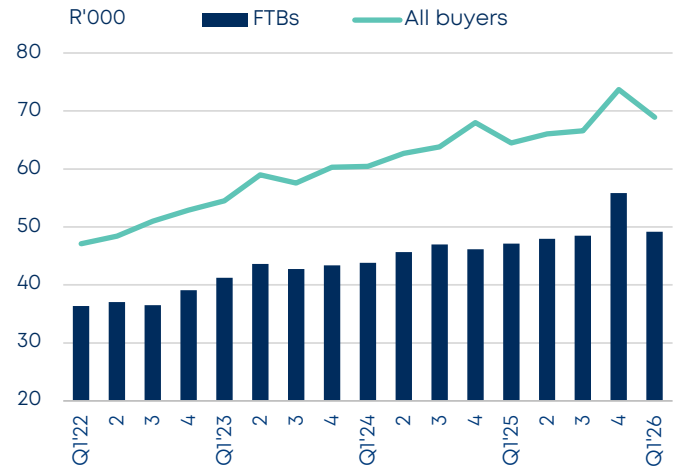
FIGURE 6



7 Average monthly incomes of homebuyers

Average incomes of homebuyers broadly follow the same seasonal trend as the average remuneration levels for the formal sectors of the economy, with a traditional spike during Q4 of each year, followed by a decline in the Q1 of the ensuing year. This seasonality is related to year-end bonuses that are paid to a significant proportion of employees. Many business owners, particularly in the retail sector, also experience increased turnover levels during Q4 of each year, mainly due to spending sprees associated with the months of November (Black Friday) and December (Christmas shopping). **Figure 7** illustrates this seasonal trend for homebuyers while also confirming an upward trajectory for average incomes. For all buyers, the average annual real growth in incomes over the past four years amounted to 5.4%, which is considerably higher than for economy-wide increase, which only amounted to 0.3%.

FIGURE 7

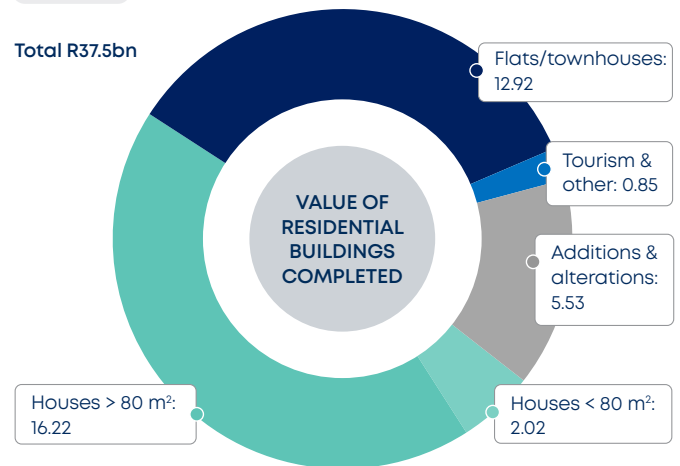


8 Value of residential buildings completed in 2025 (R billion)

During 2025, a significant shift occurred in the composition of residential buildings completed in the metros and larger municipalities, with a larger demand for smaller units. The YoY growth of 16.2% for houses smaller than 80 square metres contrast with the decline of 5.5% for houses larger than 80 square metres. Despite this shift, the larger houses still commanded most of the new building activity, representing 43% of the total, as illustrated by **figure 8**. New flats and townhouses recorded exceptionally strong growth of 27%, while also representing the second largest category, namely 34.4% of the total value of completed residential buildings. The lion's share of activity remained in the three provinces with the largest metros, namely Gauteng, the Western Cape and KwaZulu-Natal. In combination, these three accounted for 88% of new residential buildings completed in 2025.

FIGURE 8

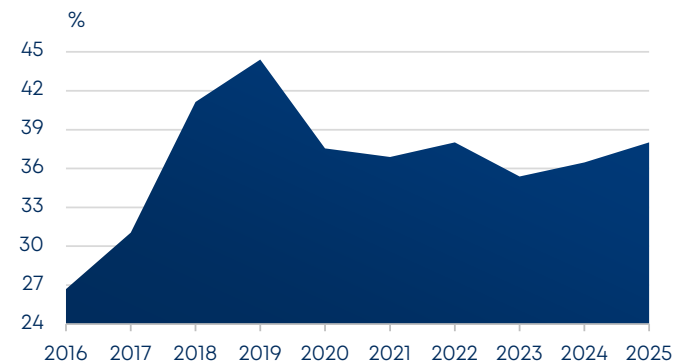
Total R37.5bn



9 Share of loans allocated to first-time buyers

As a general rule, an inverse relationship exists between the level of interest rates and the share of home loans granted to FTBs. This has once again been observed since 2024 (see **figure 9**), with the lower prime rate having been primarily responsible for the YoY increase in the FTB share of home loans of 3.1% in 2024 and by a further 4.3% in 2025. Since 2023, the share of loans awarded to FTBs has climbed from 35.4% to 38%. From a regional perspective, another inverse relationship has also been observed, with higher average house prices mostly associated with lower home loan shares for FTBs. The latter phenomenon is largely explained by the relatively lower levels of affordability among FTBs, who are, on average, younger than repeat buyers.

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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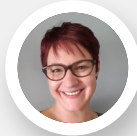
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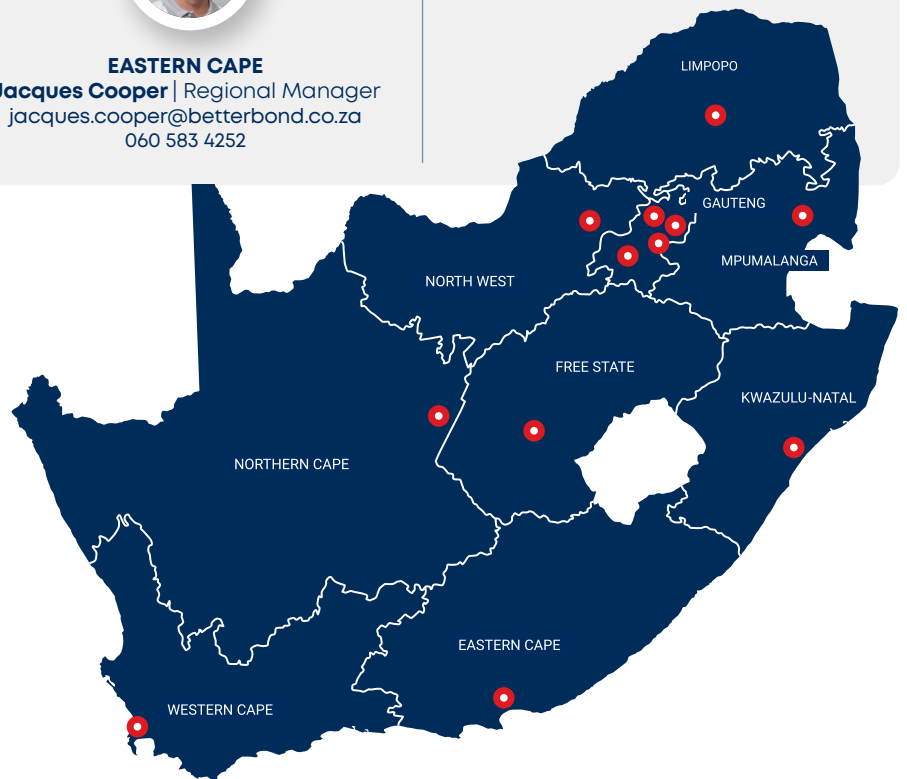
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