JULY 2026

BetterBond
# PROPERTY BRIEF

## Property market supported by stronger growth and easing cost pressures

South Africa's residential property market continues to demonstrate resilience as improving economic conditions and lower fuel prices help support buyer confidence. While the recent increase in the prime lending rate has softened home loan application volumes, activity remains above levels seen two years ago, with property prices continuing to outpace inflation and average home values reaching new record highs. Encouragingly, banks have eased deposit requirements in recent months, improving affordability for many buyers despite higher borrowing costs. With inflation expected to moderate and prospects for future interest rate relief improving, the latest BetterBond Property Brief explores the trends shaping homebuyer activity, affordability and regional market performance.

"Although higher interest rates have slowed market activity, the underlying fundamentals remain encouraging. Improving affordability, easing deposit requirements and resilient demand continue to support the residential property market, while a more favourable inflation outlook offers renewed optimism for buyers in the months ahead."

**STEPHAN POTGIETER**
CEO of BetterHome Group Mortgage Origination and BetterBond

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## Higher growth and lower fuel prices

South Africa has joined a growing club of nations that are experiencing a strong pushback against illegal immigration. Following a heightened political debate over unmanaged inward migration, several countries, including Germany, Turkey, Greece and Poland, have implemented stricter border enforcement as well as forced returns of illegal migrants. Fortunately, the anti-migrant protests at the end of June did not spill over into the type of unrest that was experienced in July 2021.

Fortunately, also, the economy has moved into a modestly higher gear, with YoY GDP growth of 1.4% having been recorded in Q1 2026. In contrast to the nervous socio-political milieu, June provided an impressive array of good news on the economics front, most notably in the form of lower fuel prices. An apparent end to the war in the Middle East is rapidly busy normalising the shipment of oil, leading to a decline of 19.8% in the price of diesel (since May). The recent increase in the rate of inflation is bound to reach a turning point soon, especially due to a consistent lowering of food inflation. With a bit of luck, this may prevent further interest rate increases.

**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

GDP **1.4%**
YoY real GDP growth in Q1

**19.8%**
decline in diesel price since May

ZAR USD **8%**
YoY increase in the rand/$ exchange rate

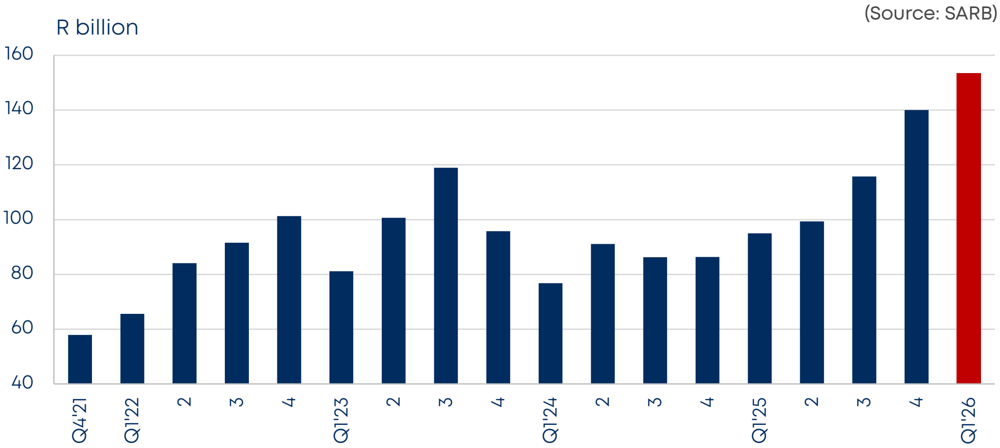
## 1 Rand strength may keep inflation in check

In line with the recent increase in the yield on US Treasury bonds, the US dollar enjoyed a solid run in June, with only one currency of note, the Indian rupee, managing to appreciate against the greenback. The South African rand remained quite stable during the recent oil price shock and was 8% stronger on 3 July against the US dollar than a year ago, outperforming 12 of the 16 key currencies monitored by Currencies Direct.

South Africa continues to enjoy fundamental balance of payment stability, as reflected, inter alia, by a healthy surplus on the international trade account and a surge in receipts of income from foreign direct investment (see **figure 1**).

**FIGURE 1** **Income from foreign direct investment (seasonally adjusted at annual rates)**

(Source: SARB)




Short- to medium-term movements in US inflation and interest rates will play a key role in global capital market trends during the rest of the year, including the rand exchange rate, which will also impact on inflation via rand-denominated import prices.

Further political stability in the Middle East, combined with the prospect of a significant expansion of oil production by Venezuela and the United Arab Emirates, will undoubtedly curb inflationary pressures in the months ahead. This may prevent an increase in the US Federal Reserve interest rate and assist in keeping the rand steady. A stable or modestly stronger rand will place downward pressure on domestic inflation and could even lead to a resumption of a rate-cutting cycle later in 2026 or early in 2027.

# Highlights

**5.7%**
Increase in loan applications since July 2024

**-37%**
Drop in oil price since May

**R2.4 million**
Average house price in the Western Cape

**R1.7 million**
Average house price

**15.5%**
Increase in average FTB income since 2022

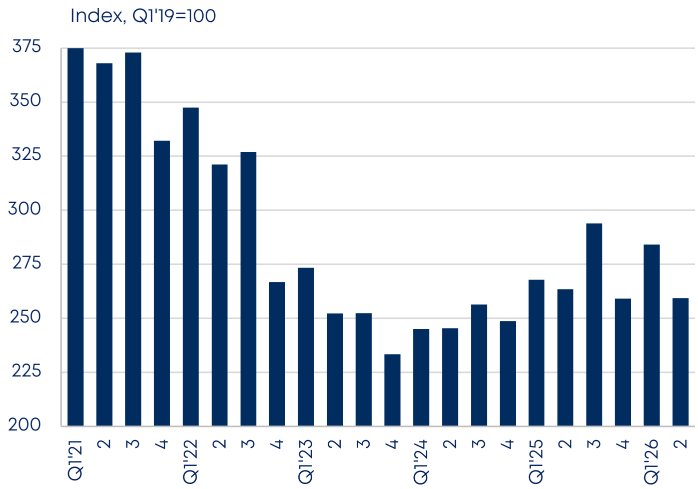
**R69,000**
Average income of all homebuyers

**7.5%**
YoY increase in residential property price index

## 2 BetterBond Index of Home Loan Applications

The decision in May by the Reserve Bank's Monetary Policy Committee to increase the prime lending rate from 10.25% to 10.5% has predictably led to a decline in the BetterBond Index during Q2, as illustrated by **figure 2**. Apart from the negative impact of higher interest rates on the affordability of home loans, higher deposit requirements have played a part in the marginal contraction of loan applications. Although the YoY growth in home loan applications declined by 1.6% in Q2, it was still 5.7% higher than two years ago. This suggests that the recovery in residential property market activity since interest rates started declining from exceptionally high levels towards the end of 2024 could remain in place – on condition that the prime rate does not increase much further. The price of Brent crude oil has already dropped by 37% since the beginning of May, which will assist an imminent reversal of the inflation rate.

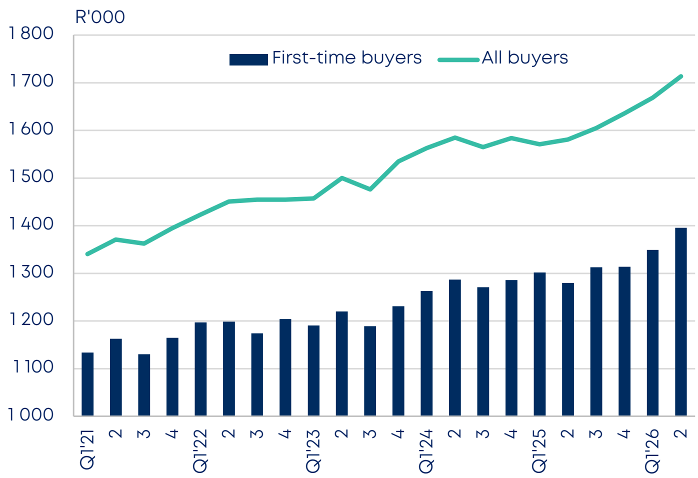
FIGURE 2




## 3 Average home purchase price

Average home prices continued to increase in both nominal and real terms during Q2, with new record highs for all buyers and for first-time buyers (FTBs), as illustrated by **figure 3**. The latter group fared the best, recording nominal growth of 9% for the average house price, compared to an increase of 8.4% for all buyers. In real terms, average house prices for FTBs increased by 4.5% in Q2, despite the higher deposit requirements that kicked in since the war in the Middle East. In Q2, the average house prices for all buyers and for FTBs amounted to R1.7 million and R1.4 million, respectively. The impact of monetary policy on house prices has been profound. Record high interest rates resulted in an average annual increase of house prices of only 1.5% between Q2 2023 and Q1 2025, which was negative in real terms. Since then, the nominal growth of house prices has outperformed inflation by a considerable margin.

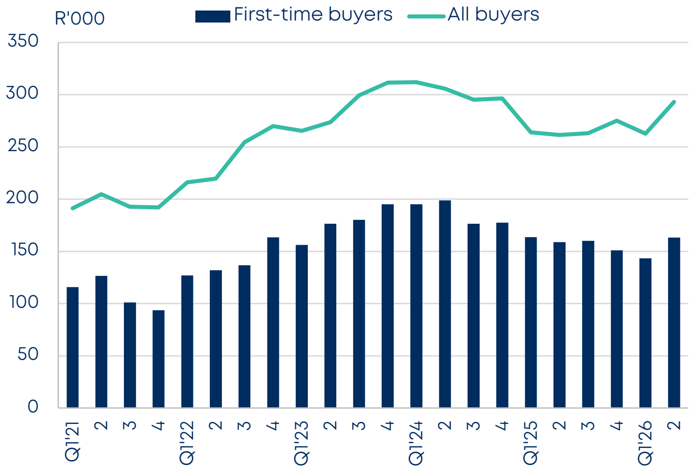
FIGURE 3



## 4 Average deposit for home purchase

Prospective homebuyers would have been pleasantly surprised by the more accommodating stance on deposit requirements for access to home loans that was adopted by most banks during May and June (see **figure 4**). Although the QoQ changes to this key indicator of homebuying activity increased by double-digit rates for all buyers and for FTBs, a significant decline has occurred since April, when the deposit requirement for all buyers ballooned to more than R300,000. Since then, however, it has declined by 16% for all buyers and by 12% for FTBs – a most welcome development in the midst of some despondency in the market over the recent rise in the prime lending rate. Other relatively good news for FTBs is the decline of 29% in their average deposit requirement (from R230,000 in March 2024 to R163,000 in June 2026).

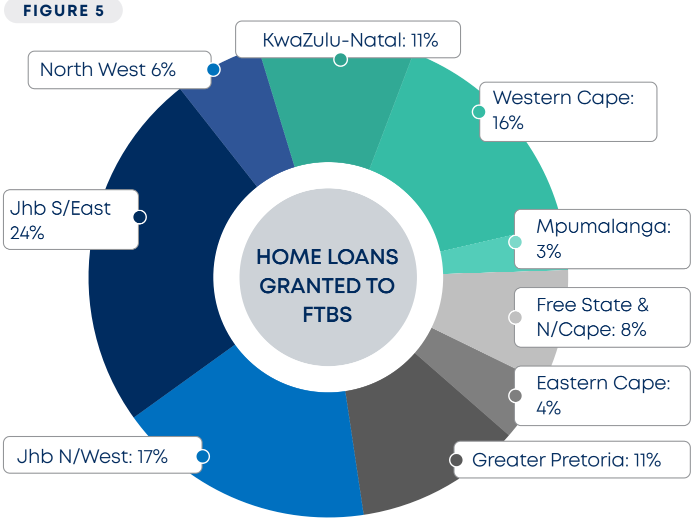
FIGURE 4




## 5 Regional composition of home loans granted to FTBs (12 months to June 2026)

**Figure 5** illustrates the regional composition of home loans granted to FTBs during the 12 months to June 2026, which has shown a declining YoY trend in three provinces that possess metropolitan municipalities. One of the reasons for the modest overall decline in the number of loans granted is a so-called base effect, which followed the double-digit increase during the previous two years. Johannesburg's South-Eastern suburbs were star performers over the past 12 months, consolidating its number one position for the number of loans granted to FTBs with an increase of 2.9%. Its immediate neighbour to the North-Western suburbs also fared well, with only a marginal decline, while retaining second position (ahead of the Western Cape with the bronze medal). Greater Pretoria retains its number four position, with the Eastern Cape also having experienced an increase in home loans granted.

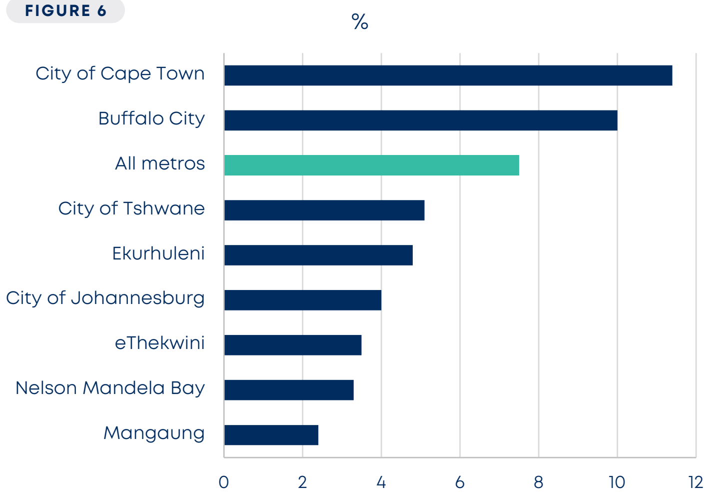
FIGURE 5




## 6 YoY increase in the Residential Property Price Index by metro (Q1 2026)

The exceptionally high increases in the Residential Property Price Indices (RPPIs) for South Africa's metropolitan municipalities are not out of sync with regional data captured by BetterBond, with the Western Cape still in pole position, but the metros in Gauteng also doing well. With the Consumer Price Index (CPI) having recorded a 3.5% YoY increase in Q1, the data in **figure 6** shows above-inflation for five of the eight metros, while the average increase in residential property prices was 7.5% - more than 100% higher than inflation. Tshwane was the best performer among the Gauteng metros, with an increase in its RPPI of 5.1%. These relatively high increases reflect solid demand growth for houses and flats, which may eventually be tempered by the recent increase in the prime rate, as well as a solid increase in the value of new residential buildings completed in Q1, namely 10.3% in real terms.

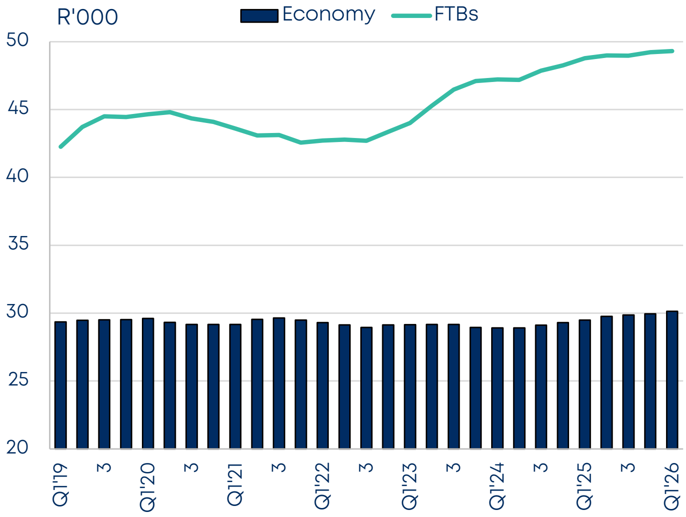
FIGURE 6



## 7 Average monthly incomes for FTBs & formal sectors of the economy at constant 2026 prices (4-quarter average)

The cornerstone of affordability for most FTBs is the level of salaries earned. Fortunately, this key indicator is heading in the right direction, with the average salary of FTBs having increased by 15.5% over the past four years, compared to an increase of only 2.8% in the average salary paid in the formal sectors of the economy. In this process, the remuneration gap between FTBs and the total economy has widened, with FTBs earning 64% more than the formal sector average. It seems clear from these data sets that employers are willing to pay a premium for people with sufficient skills and experience. **Figure 7** shows the differences between these two groups (seasonally adjusted) and illustrates the negative impact on average salaries that followed the job losses during and immediately after the Covid-19 pandemic. Sluggish economic growth has nevertheless prevented FTB salaries from outstripping the average inflation rate since 2021, albeit by a small margin.

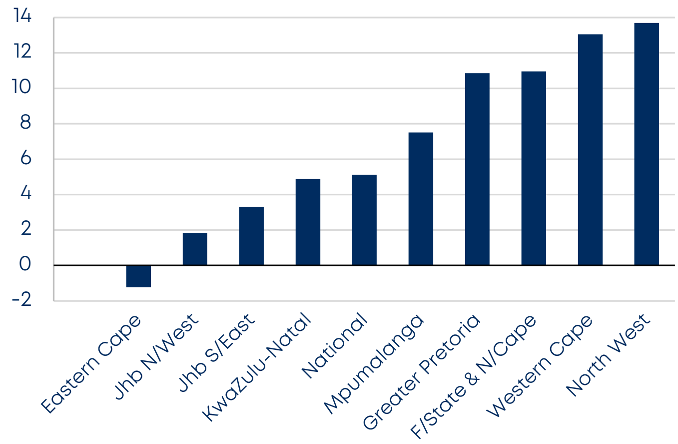
FIGURE 7




## 8 YoY % change in average home purchase price by region (12 months to June 2026)

Despite marginal declines in the number of home loan applications received during the 12 months to end June 2026, average house prices have increased at an impressive rate – an indication of abundant demand for residential properties. Four regions managed to record double-digit YoY growth for house prices, with Mpumalanga in the lead with an increase of 13.7% (see **figure 8**). The Western Cape's increase of 13% is noteworthy, as it occurred from a high base of more than R2 million, with the average house price in this province moving to a level of R2.4 million during the past 12 months. These trends confirm the continued existence of a buyers' market for residential property, which is unlikely to diminish until the prime rate has dropped to single-digit territory.

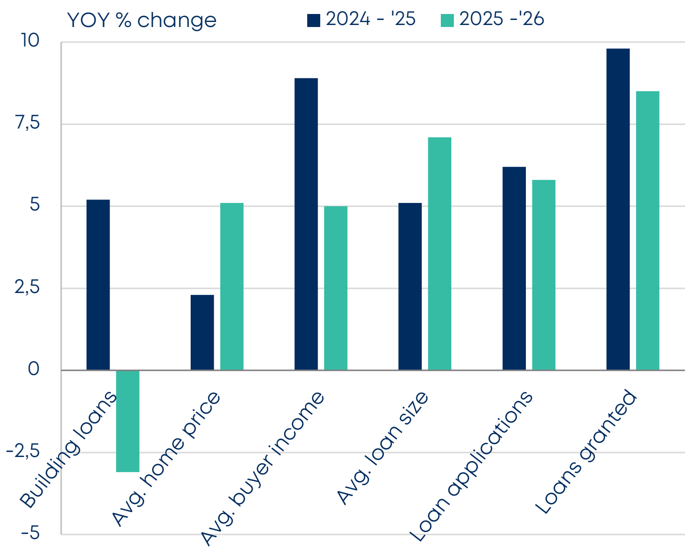
FIGURE 8




## 9 YoY % change in homebuying metrics (12 months ending June 2025 and 2026)

Over the past two years, most of the key indicators of residential property market activity continued to perform well, with notable increases in the average value of home loans and average house prices as illustrated by **figure 9**. These two indicators, combined with the average income of homebuyers, all managed to record higher value increases than the average inflation rate during the 12 months ended June 2026. The average house price represented the single largest YoY improvement in homebuying metrics during the past 12 months. Although the number of loans granted declined marginally when compared to the YoY increase between 2024 and 2025, this indicator still managed to record a YoY increase of 5.8%. During the past 12 months, the average income of all homebuyers rose to just below R69,000 per month, while the number of loans granted increased by 8.5%.

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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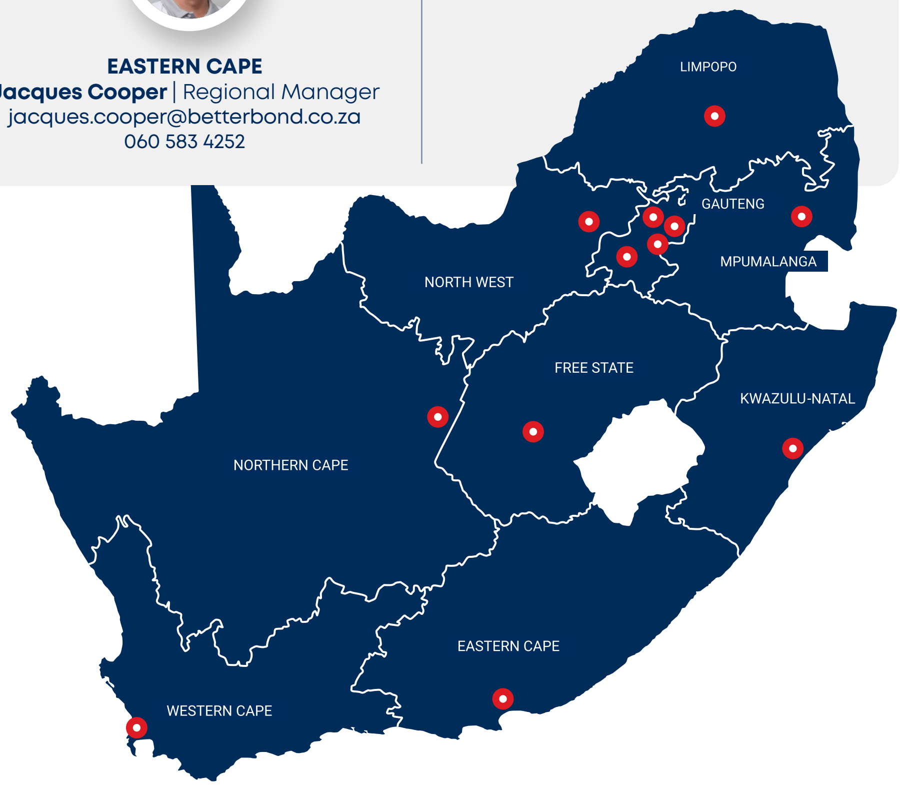


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