JUNE 2026

BetterBond
PROPERTY BRIEF

Property market resilience holds firm amid higher rates

South Africa's residential property market continues to show resilience despite renewed pressure from higher interest rates and stricter lending conditions. Home loan applications remain above pre-pandemic levels, property prices are growing faster than inflation and homebuyer incomes continue to strengthen. Regional markets such as the Western Cape and KwaZulu-Natal are driving activity, while demand remains strongest in the affordable housing segment. However, rising deposit requirements and the recent increase in the prime lending rate may temper momentum in the months ahead. The latest BetterBond Property Brief explores the trends shaping homebuyer activity, affordability and regional market performance.

> "Despite higher interest rates and increased deposit requirements, the residential property market continues to benefit from stronger household finances, rising home values and sustained buyer demand. The challenge now is maintaining this momentum until borrowing costs begin to ease again."
>
> **STEPHAN POTGIETER**
> CEO of BetterHome Group Mortgage Origination and BetterBond

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Inflation rises due to oil price shock

Although the price of Brent crude oil was 26% lower at the end of May than a month earlier, the impact of higher fuel prices continues to drive inflation rates higher all over the world. In April, the annualised rates of Consumer Price Indices (CPIs) in Mexico, Brazil and Australia were marginally higher than South Africa's rate of 4%, while inflation in the US, the EU and India has increased to between 3% and 4%. Several central banks have reacted to the oil price shock by raising their official interest rates, including South Africa, despite the absence of demand inflation in the economy.

The decision last year by the monetary policy authorities to abandon the inflation target range of 3% to 6% and replace it with a target point of 3% has restricted the flexibility of accommodating temporary higher inflation caused by unavoidable price shocks. The ensuing higher cost of capital and credit will inevitably slow down the steady recovery of broad-based economic activity in coming months. Fortunately, the South African economy is in fairly good shape and is poised for higher growth when the war in the Middle East is over, as this event will trigger a sharp drop in fuel prices.

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

26%
MoM decline in Brent oil price

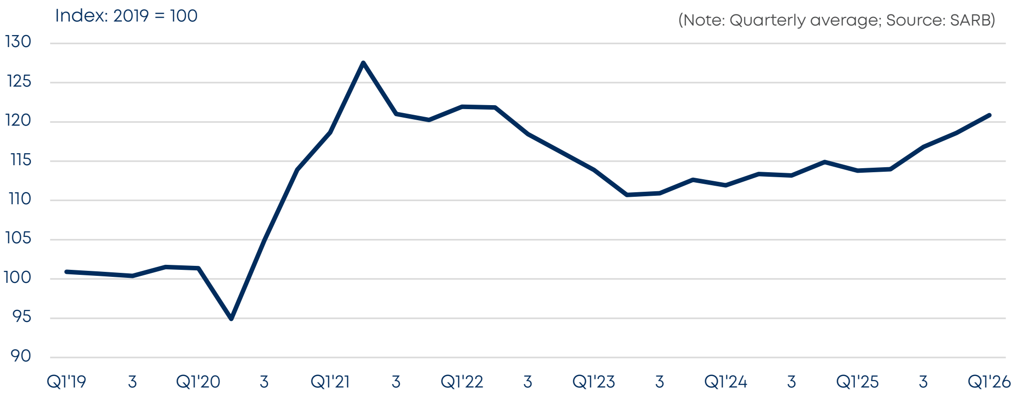
4%
YoY increase in the Consumer Price Index

3.5%
MoM increase in the value of the rand

1 Leading business cycle at four-year high

The composite leading Business Cycle Indicator (BCI) compiled by the Reserve Bank continued its upward momentum in March, increasing by 2.4% from the level in February and by an impressive 7.5% YoY (**figure 1**). Six of the BCI's seven available component time series made positive contributions during March, in contrast to a decrease in the composite leading business cycle indicator for South Africa's major trading-partner countries.

FIGURE 1 **South Africa's composite leading Business Cycle Indicator (BCI)**



The largest positive contributors were an acceleration of the six-month smoothed growth rate in the real M1 money supply and a widening of the interest rate spread between the prime rate and the long-term bond yield. Other encouraging factors included increases in the number of new passenger vehicles sold (six-month smoothed growth rate) and job advertisements in the Sunday Times and Pnet.

Rand outperforms the lot

During May, the South African rand recorded the largest gain of any global currency of note against the US dollar, managing to appreciate by 3.5%. In sharp contrast, several of the most traded currencies suffered setbacks against the greenback, including the Euro, the British pound and the Indian rupee. The rand's strong showing during May had nothing to do with a weak dollar, as the US dollar index ended the month on a stronger footing. Reasons for the extraordinary resilience of the rand remain rooted in a strong balance of payments, both for the current account and the financial account.

Highlights

12%
increase in home loan applications since 2020

10.5
prime lending rate

R3.5 billion
value of building plans passed in KZN in Q1

R1.4 million
average home price for FTBs

7.3%
YoY increase in FTB deposit requirements

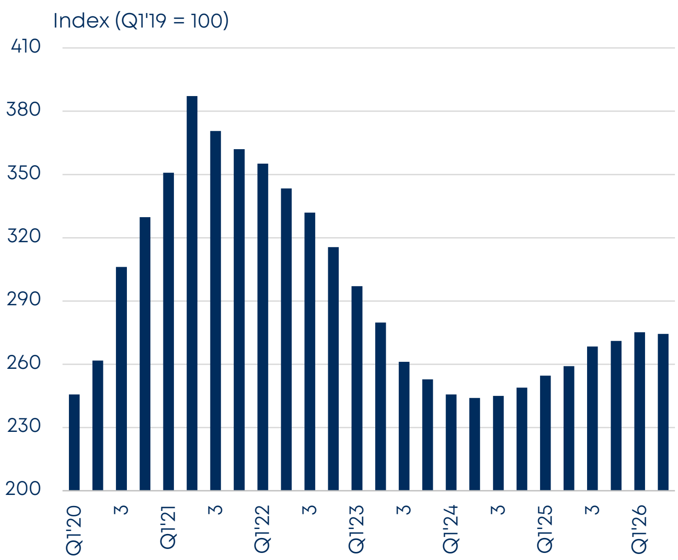
R68,800
average monthly income of homebuyers

33%
share of loans for houses priced between R500,000 and R1 million

2 BetterBond Index of Home Loan Applications

In anticipation of a return to higher interest rates, several banks have raised their deposit requirements for accessing home loans, which has played a part in a marginal decline in the BetterBond Index of Home Loan Applications during May. Combined with the index value for April, this has resulted in virtually the same average level for the index thus far in Q2, although YoY growth was still secured at a rate of 6% (see **figure 2**). Total home loan applications received during Q2 2026 were 12% higher than during Q1 2020, but still significantly lower than the peak achieved in Q2 2021. Since the low point that followed the relentless rate hiking cycle of the monetary policy authorities that commenced in November 2021 and lasted for 34 successive months, the number of home loan applications have increased by 12.5%. Now that the prime lending rate has been increased by 25 basis points to a level of 10.5%, some prospective homebuyers are likely to postpone their plans until the next rate cutting cycle starts. This could occur within a relatively short period after the end of the war in the Middle East, which will undoubtedly witness a sharp drop in oil prices.

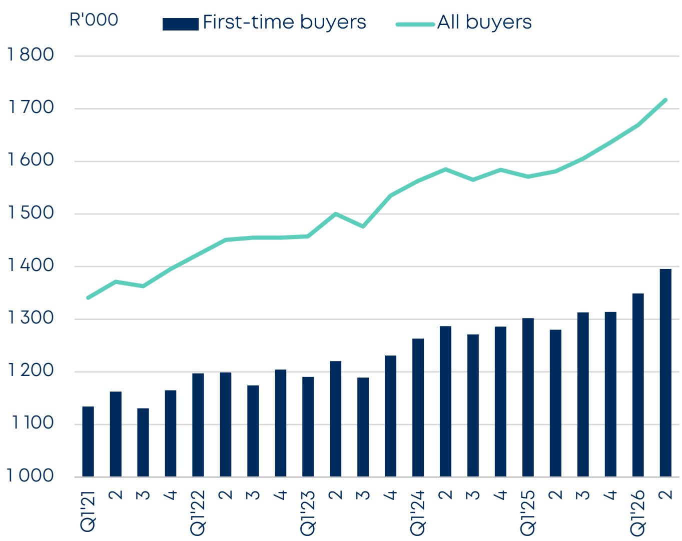
FIGURE 2



3 Average home purchase price

During April and May, average home prices continued to play catch-up on the slow rates of increase that were experienced during the period of record high interest rates. The YoY growth for (First-Time Buyers) FTBs and all buyers increased by 9% and 8.6%, respectively, during Q2 2026, managing to outpace the rate of inflation, which was 4% YoY. The increase in the home price growth trajectory is illustrated by **figure 3**, which also indicates five successive quarterly average price increases for all buyers. In May, the average home price for all buyers remained above R1.7 million, while the average price for FTBs was R1.4 million. Since Q1 2021, average house prices have declined in real terms, albeit marginally, which confirms the negative impact on residential property prices of the high interest rates between 2022 and 2024. Due to the decision by the monetary authorities to raise the prime rate to 10.5%, the so-called buyers' market for residential properties is now likely to be extended.

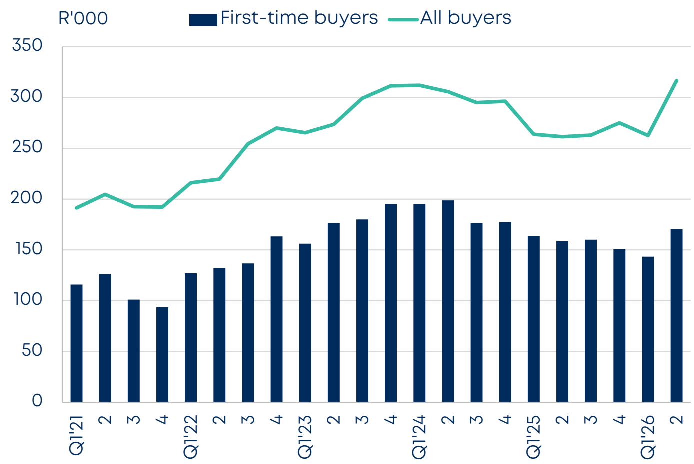
FIGURE 3



4 Average deposit for home purchase

The expectation of an interest rate increase, because of higher inflation, prompted banks to raise their deposit requirements for accessing home loans as early as April. Fortunately, May did not witness any significant further increases, but the average deposit required for all buyers in Q2 2026 was 21% higher than a year ago (see **figure 4**). The blow is softer for FTBs, who only have to face a 7.3% increase in average deposit requirements. Against the background of solid financials having recently been reported by most major banks and a consistent increase in their net assets, the extent of the higher deposit requirements is cause for some concern. It should also be mentioned that the ratio of credit impairments to total assets of the country's banks has declined by 15% since 2020, which suggests that a more sympathetic approach towards the financing needs of prospective homeowners is warranted. Hopefully, the brakes will be applied to a further lifting of deposit requirements.

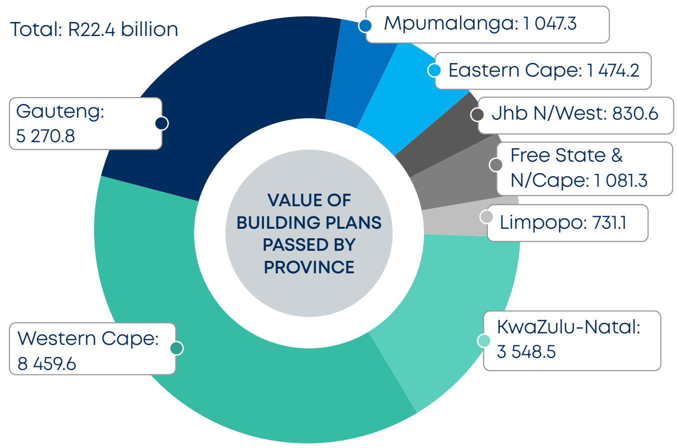
FIGURE 4



5 Value of building plans passed by province – Q1 2026 (Source: Stats SA)

Figure 5 illustrates the provincial composition of the value of building plans passed by the country's metros and larger municipalities during the first three months of the year. When compared to the data for Q1 2025, the most significant observation is the increasing gap between the Western Cape and the other provinces. In the Western Cape, the value of approved building plans increased by 10% YoY, while the value for Gauteng declined by the same margin. In the process, the Western Cape approved plans worth R8.5 billion and now accounts for 37.7% of all approved building plans. For the whole country, the share of building plans for residential buildings increased to 73%, with the remainder represented by non-residential buildings and alterations. Another feature of the latest data on building plans is the solid performance of KwaZulu-Natal, with a YoY increase of 14.4% to a value of R3.5 billion.

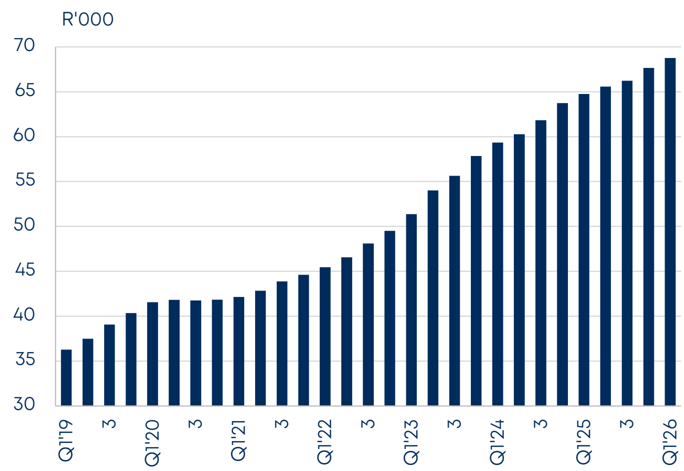
FIGURE 5



6 Average monthly homebuyer incomes at constant 2026 prices (4-quarter average)

An encouraging feature of the trend in average incomes of homebuyers is the sustained increase that has occurred since the recovery from the Covid pandemic of 2020, as illustrated by **figure 6**. Between Q1 2020 and Q1 2021, the average income of all buyers hardly changed, as many employees were prepared to sacrifice higher increases for remaining employed, or accepting shorter working hours. Since then, average monthly incomes of homebuyers have increased at an average annual rate of 10% in real terms (based on seasonally adjusted data) to reach a level of R68,800. When compared to earnings by the country's formal sector employees, it is clear that homebuyers are in a significantly higher income bracket. According to data published by Statistics SA, the average income of all employees was R29,700 during Q4 2025, having increased YoY by 1.9% in real terms. For homebuyers, the YoY increase was 5.9%.

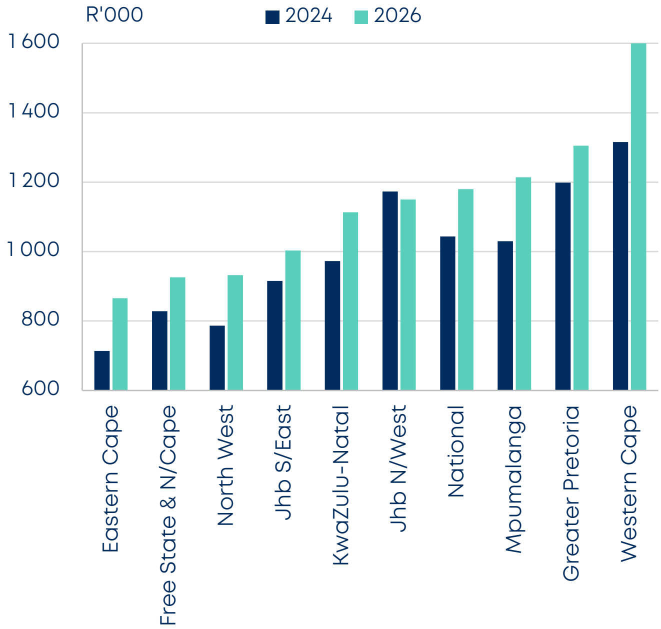
FIGURE 6



7 Average FTBs bond value by region (12 months to May 2024 & 2026)

In sharp contrast to the near universal decline in average home loan values that occurred between 2023 and 2024, these values have now increased at double-digit rates in all the regions except Johannesburg's North Western suburbs. Ironically, between 2023 and 2024, the latter region was the only one to have recorded a YoY increase in average bond values. The Western Cape was the stand-out performer between the 12 months ended May 2024 and two years later, having increased the average bond value by 22% to a level of R1.6 million (see **figure 7**). At R1.3 million, Greater Pretoria boasts the second highest average bond value, but this has only increased by 8.8% over the past two years. Mpumalanga is now in third spot at an average bond value of R1.22 million, having overtaken Johannesburg North West. After having dropped to below the R1 million mark in 2024, KwaZulu-Natal has now witnessed an increase of 14.5% in its average bond value since May 2024. The residential property market in North West seems to be benefiting from the sharp rise in prices for Platinum Group Metals (PGMs), which are in abundance in this province, with the average bond value increasing by 18.5% to just below R1 million over the past two years.

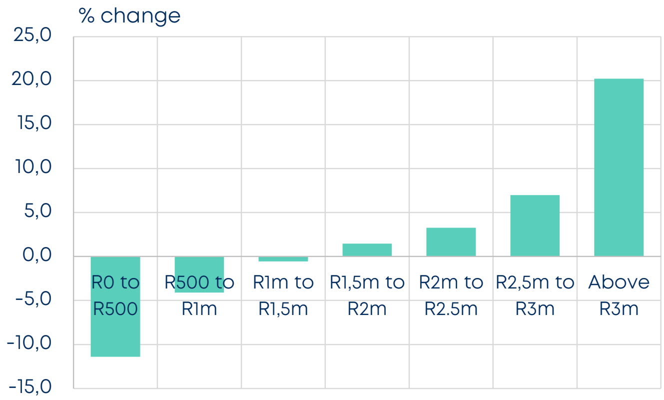
FIGURE 7



8 YoY percentage change in the share of home loans per home price bracket (12 months ended May 2024 & 2026)

Figure 8 illustrates a rare positive correlation between the percentage change in the share of home loans for the different home price brackets and the house prices over the past two years. Without exception, higher priced houses have experienced increases in their share of home loans that were awarded, with houses priced above R3 million having moved from a share of 9.5% to 11.4% since May 2024 – an increase of 20%. The bracket immediately below (R2.5 to R3 million) was second in the growth stakes, but its share remains the lowest of the seven price brackets monitored by BetterBond. Although the price bracket for houses valued at between R500,000 and R1 million recorded a decline in its share of home loans granted, it remains the most popular price bracket, accounting for 33% of all loans during the 12 months to May 2026.

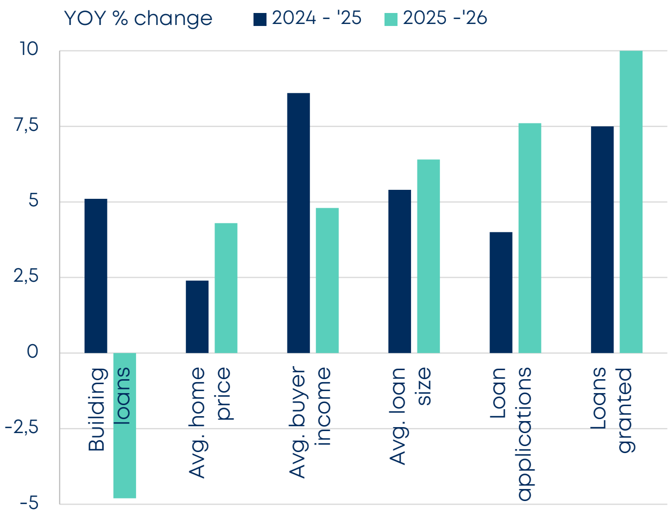
FIGURE 8



9 YoY percentage change in homebuying metrics between May 2024 and 2026

Figure 9 provides a nutshell overview of the changes that have been observed over the past two years regarding key indicators underpinning the residential property market. The only indicator that has not experienced a positive move over the past year is the share of loans that are awarded for building purposes, which is aligned to the long-standing weakness in construction activity at large. The only one that has recorded a lower rate of increase between May 2025 and 2026 than the previous 12-month period is the average income of homebuyers, although its growth rate of 5% has outperformed the rate of growth for salaries in the formal sectors of the economy. The outstanding performers were the number of loans granted, which rose by 10% and the number of loan applications, which recorded an increase of 7.6%. All-in-all, the past 12 months have witnessed a sustained improvement in homebuying activity, mainly due to the decline in the prime rate since September 2024.

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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