AUG 2026

BetterBond

PROPERTY BRIEF

Property market remains resilient despite changing market conditions

South Africa's residential property market continues to show resilience as stable interest rates, improving affordability and rising household incomes support buyer confidence. While higher deposit requirements tempered home loan applications in July, more home loans were approved and average home values remained strong, with first-time buyers reaching a new record average purchase price. This edition of the BetterBond Property Brief explores the latest trends influencing home loan activity, affordability and regional market performance.

"It's encouraging to see the market holding up well despite ongoing economic uncertainty. More home loans are being approved, affordability has improved over the past two years and buyer confidence remains resilient. That creates real opportunities for South Africans looking to take the next step on the property ladder."

STEPHAN POTGIETER
CEO of BetterHome Group Mortgage Origination and BetterBond

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Prime rate on hold, despite diesel price shock

Benchmark oil prices have continued the see-saw pattern that commenced with the start of the Iran war. July started on a positive note, with the price of Brent crude oil averaging around $75 per barrel during the first ten days of the month. As has become customary whenever hostilities in the Middle East flare up, it climbed back to around $87 per barrel on 23 July. Although last month's oil price movement did not lead to an increase in the petrol price in August, owners of vehicles running on diesel were in for a shock, with a hefty price increase driven by temporary diesel shortages related to Ukraine's repeated drone attacks on Russian oil refineries.

Millions of indebted households would have been relieved by the Monetary Policy Committee's decision in July to keep its benchmark lending rate at 7%, translating into a steady prime lending rate of 10.5%. The monetary policy authorities followed the example of the US Federal Reserve and the Bank of England by adopting a wait-and-see approach, due to the anticipated temporary nature of higher global inflation. Once the hostilities between the US and Iran have subsided, there is every chance that energy prices will decline sharply, especially due to plans by the United Arab Emirates and Venezuela to significantly expand their crude oil production. Inflation may therefore peak quite soon, which justifies the decision by many central banks not to overreact by raising interest rates when there is an absence of excess demand.

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

7%
Repo rate

5.6%
YoY growth in tourist arrivals

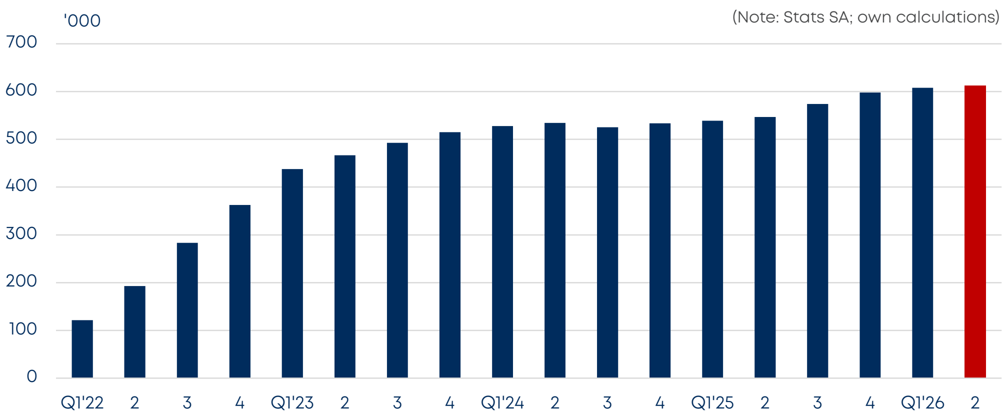
EUROPE
No 1 tourist source region

1 Tourists favour South Africa

South Africa's tourism industry has shown scant regard for the global tourism hiccup caused by a combination of hostilities in the Middle East and soaring fuel prices. According to the latest data from UN Tourism, the conflict in the Middle East is likely to reduce international tourist arrivals in 2026 to below 3%, with almost zero growth having been recorded in March. The global travel and tourism industry has been hit hard by the spike in aviation fuel and air fares, exacerbated by uncertainty about air connectivity and reduced flight capacity.

In South Africa, however, the arrival of overseas visitors during the first six months of 2026 increased by 5.6% YoY, a marked improvement on the growth recorded between 2024 and 2025 (**see figure 1**). The UK continues to occupy the top spot in terms of overseas arrivals, with the US hot on its heels, followed by Germany, the Netherlands, France and Australia. From a regional perspective, Europe continues to dominate, with North America in second position. A staggering 96% of foreign tourist arrivals to South Africa are from countries classified as free enterprise democracies, some of whom are so impressed that they buy properties.

FIGURE 1 **Overseas tourist arrival (4 quarter average)**



Highlights

4.1%
YoY increase in home loans granted

R1.7 million
Average house price

R1.2 million
Average bond value for FTBs

13.2%
Deposit as % of home price for FTBs

880
Number of flats built in Gauteng and Western Cape year to date

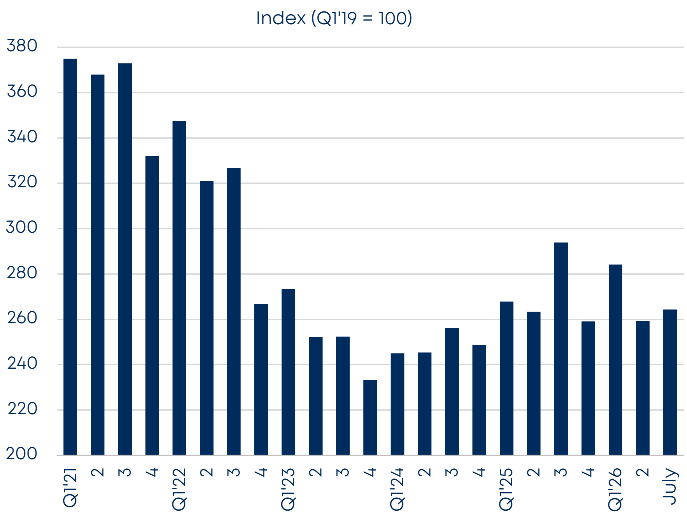
14%
Two-year increase in average homebuyer income

1.4%
YoY increase in food inflation

2 BetterBond Index of Home Loan Applications

With banks having increased their deposit requirements for homebuyers to approximately the same levels as in the beginning of 2024, when interest rates were at a 15-year high, it was predictable that home loan applications would take a knock in July. Compared to the number of loan applications in July 2024, however, the decline was muted at only 1.5%, while the July figure was actually marginally higher than the average for the preceding three months (see **figure 2**). One of the reasons for the recent decline in the BetterBond Index of Home Loan Applications may be found in the solid increases of average house prices, both for repeat buyers and for First-Time Buyers (FTBs). For the latter group, the nominal YoY increase was 8%, which would have served to temporarily discourage some prospective homeowners. Fortunately, the recent sluggishness in home loan applications has been countered by an increase in the number of home loans granted during July, namely by 4.1% YoY and by an impressive 28% since July 2024.

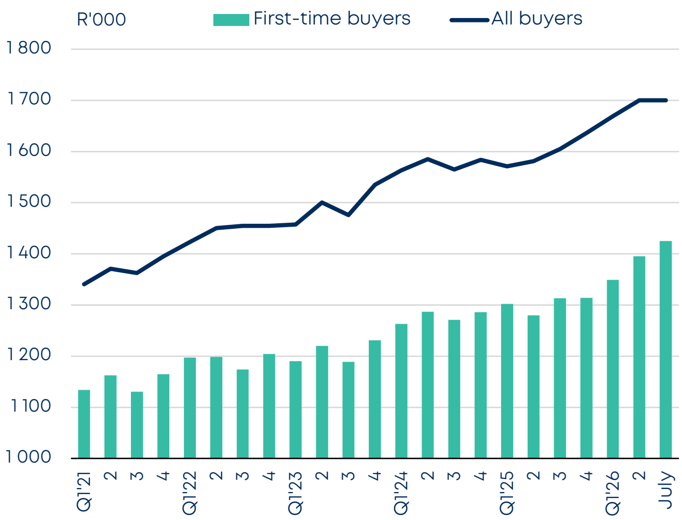
FIGURE 2



3 Average home purchase price

During July, average house prices remained quite steady, with a marginal increase to just above R1.4 million for FTBs, whilst remaining at R1.7 million for all buyers. For FTBs, a new record high was achieved, as illustrated by **figure 3**. The recent increase in the prime lending rate from 10.25% to 10.5%, combined with an uptick in average deposit requirements for accessing home loans at the banks, conspired to prevent any meaningful home price movements since May. Although average house prices have battled to keep up with the pace of inflation since 2021, this picture started changing soon after the Reserve Bank's Monetary Policy Committee (MPC) started to lower interest rates towards the end of 2024. As a result of higher levels of affordability for loan repayments, combined with a consistent increase in average homebuyer incomes, average house prices have increased by 1.1% YoY for all buyers and by 3% for FTBs in real terms.

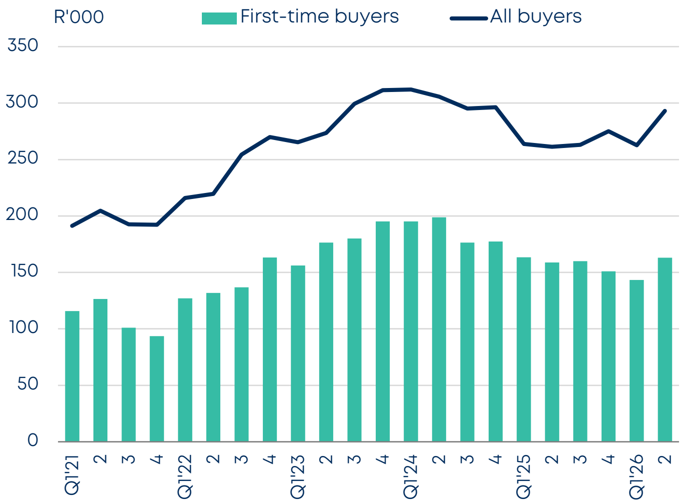
FIGURE 3



4 Average deposit for home purchase

Following a drop in the average deposit required for purchasing a home in June, prospective homebuyers would have been disappointed to see another increase in July, ostensibly due mainly to expectations among banks of another interest rate increase (which did not materialise). For all buyers, the average deposit has increased by 9.5% compared to July 2025, but only by 3.3% compared to two years earlier. In July 2026, FTBs required an average deposit that was equal to 13.2% of the average home price. Fortunately, the latest deposit requirements remain marginally below the peaks during the relentless rate hiking cycle of the monetary policy authorities between 2022 and 2024 (see **figure 4**). Other good news is related to the recent increase in the pace at which average home prices are rising, which has served to keep the current ratio of deposit requirements to home prices well below the peaks that occurred in 2023.

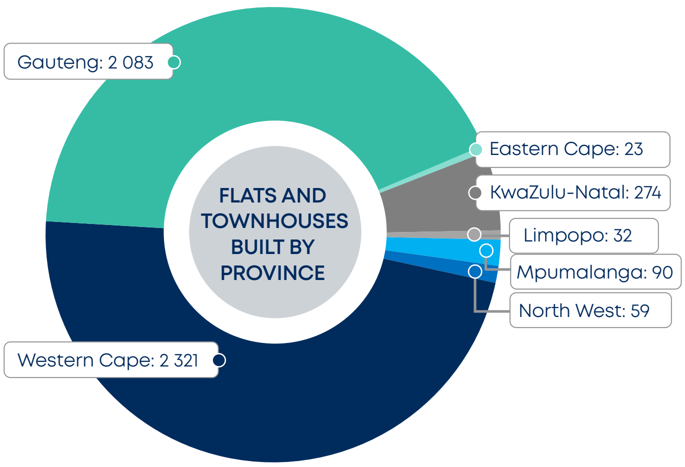
FIGURE 4



5 Number of flats and townhouses built by province (Jan to May 2026)

Figure 5 illustrates the provincial composition of the number of new flats and townhouses that were completed during the first five months of the year (excluding those that did not have at least double-digit values). It is clear from this data that flats and townhouses are a domain that is dominated by only two provinces, namely the Western Cape and Gauteng. Their combined units built in 2026 stands at a monthly average of 880. Gauteng recorded an increase of 8% for the number of new flats and townhouses built, thereby closing the gap with the Western Cape. KwaZulu-Natal was in third place, having built less of these units than during the same period last year. Mpumalanga seems to be developing an appetite for the building of more compact dwelling units (albeit still small), with a hefty increase from only seven units last year to 90 in 2026. Slow growth in real disposable household income could well stimulate future demand for smaller residential units.

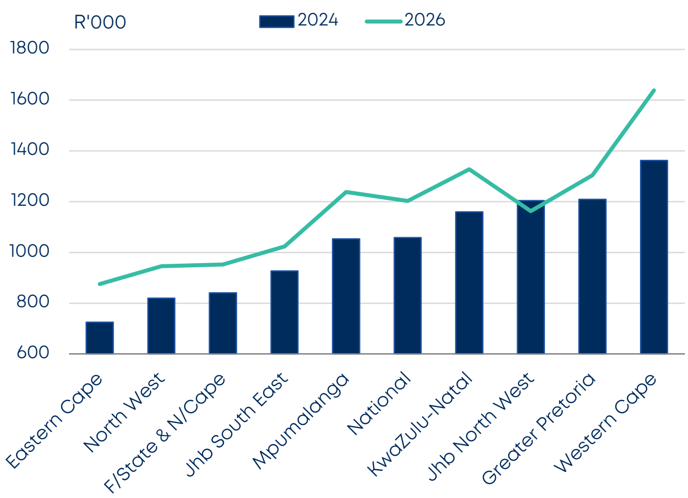
FIGURE 5



6 Average home loan value for FTBs by region (12 months to July 2024 & 2026)

Apart from only one region, namely Johannesburg's North Western suburbs, all other regions have recorded exceptionally high increases in average home loan values for FTBs over the past two years, as illustrated by **figure 6**. The Eastern Cape was in pole position with an increase of 21%, followed closely by the Western Cape with a 20% increase. The national average home loan value for FTBs was R1.2 million during the 12 months to end July 2026. Only one other region failed to record a double-digit increase over the past 24 months, namely Greater Pretoria. Mpumalanga was in third spot with an increase of 18%. Contributing factors for these elevated growth rates included the lowering of banks' deposit requirements and the decline in the prime lending rate from 11.75% in September 2024 to 10.5% currently. Another reason can be found in the consistent increase in average incomes of FTBs, which has served to lower the risk profiles of many homebuyers.

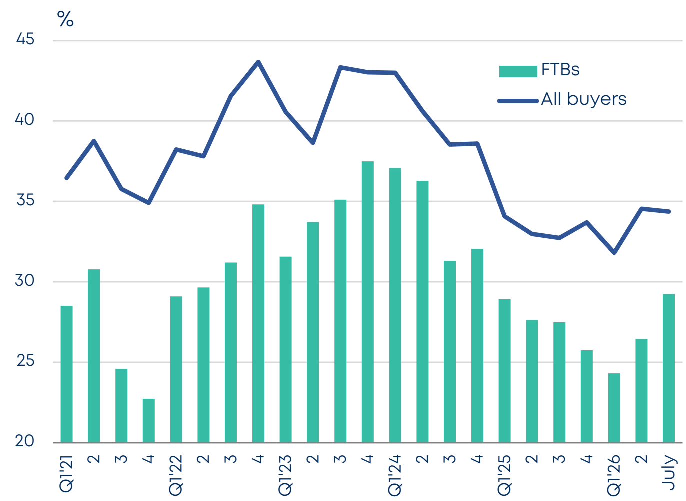
FIGURE 6



7 Ratio of average deposits to average annual salaries

Ever since South Africa's inflation rate started to increase as a result of the spike in fuel prices, banks have been playing yo-yo with their deposit requirements, raising them in April and May in anticipation of a rate increase. Average deposit levels were then dropped in June, only to be raised again in July, when another interest rate increase was widely expected but never materialised. Fortunately, homebuyers have experienced consistent salary increases. Combined with the lower deposit requirements that accompanied the Reserve Bank's rate-cutting cycle from late 2024 to early 2026, this has contributed to a welcome decline in the ratio of average deposits to average annual salaries. Despite the uptick in July, as illustrated by **figure 7**, it was still lower than a year ago. Since arriving at a peak in Q4 of 2022, this ratio has declined by 21% for all buyers.

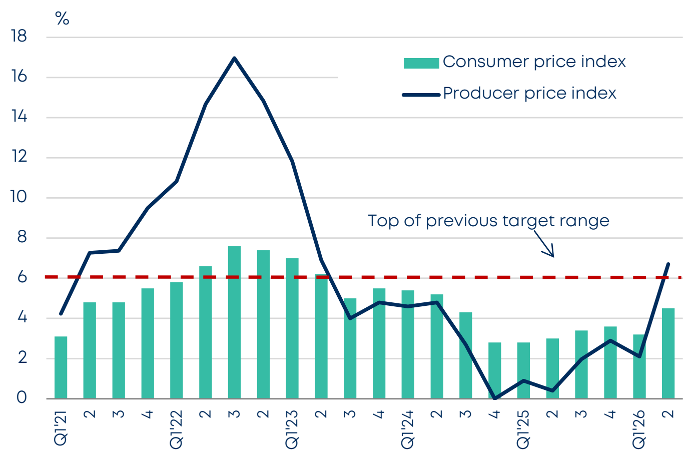
FIGURE 7



8 Average quarterly Consumer Price Index (CPI) and Producer Price Index (PPI)

It was always predictable that higher oil prices would eventually filter through to higher producer and consumer inflation. The oil price reacts strongly to supply-side shocks, especially when accompanied by additional imbalances between demand and supply. Fortunately for South Africa, the latest increases in the PPI and the CPI have not yet been as severe as during the previous oil price shock in 2022 (see **figure 8**). This may have played a role in the decision by the Reserve Bank to keep interest rates on hold during its July meeting. Another encouraging development is the declining trend for food prices, which is the dominant expenditure category for lower income groups. Since the end of 2024, food inflation has declined consistently to a level of only 1.4%. A normalisation of maritime oil freight should lead to a sharp drop in oil prices, which will place downward pressure on inflation.

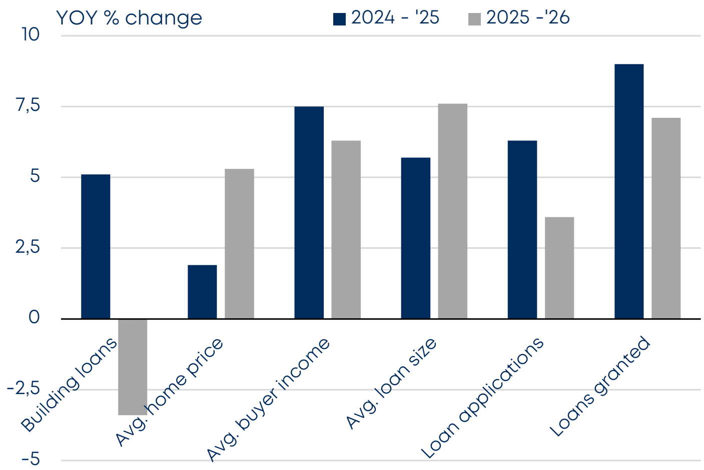
FIGURE 8



9 YoY percentage change in homebuying metrics (12 months ending July 2025 and 2026)

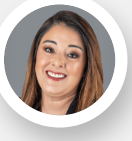
The positive impact of lower interest rates is clearly visible in a number of key indicators of residential property market activity, as illustrated by **figure 9**. Although the growth trend for home loan applications and the number of loans granted have subsided somewhat since the initial stages of interest rate cuts, they both remain in positive territory, with a YoY increase of 7.1% in loans granted during the past 12 months. The only negative movement is the share of loans allocated to new buildings. Combined with slow growth for building plans approved by the larger municipalities, this could lead to a future supply deficit. Strong demand for homebuying is also reflected in a significant increase of late in average house prices. A particular encouraging trend is the stellar increases in average incomes of homebuyers. For all buyers, this increase was 14% over the past two years.

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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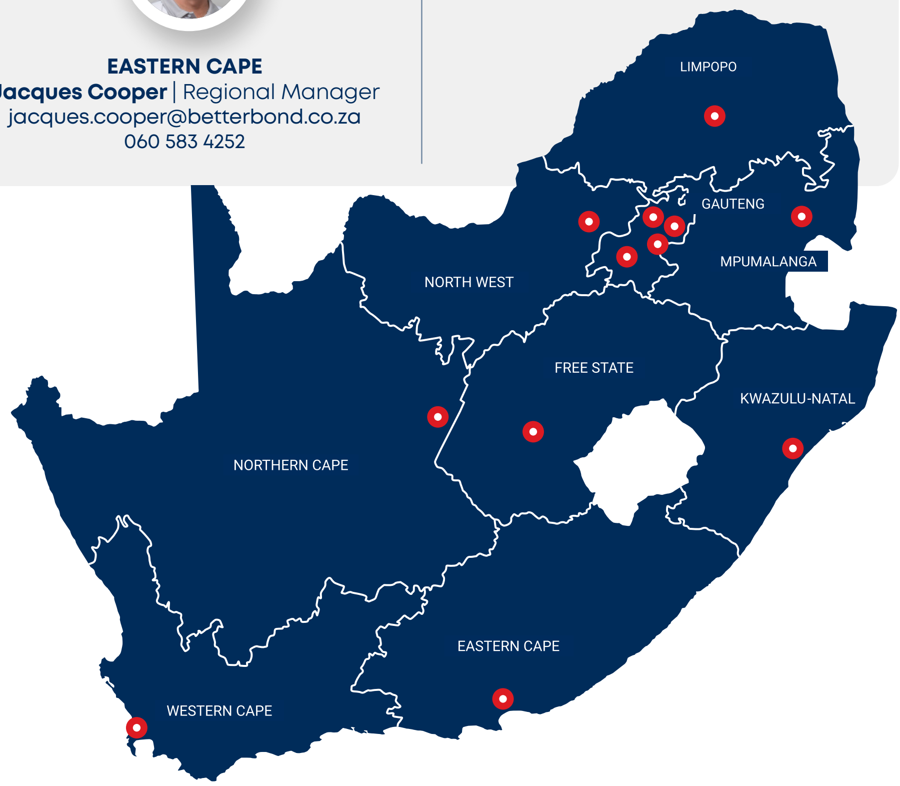

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