BetterBond
PROPERTY BRIEF

Economic Compass

OCTOBER 2025

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.

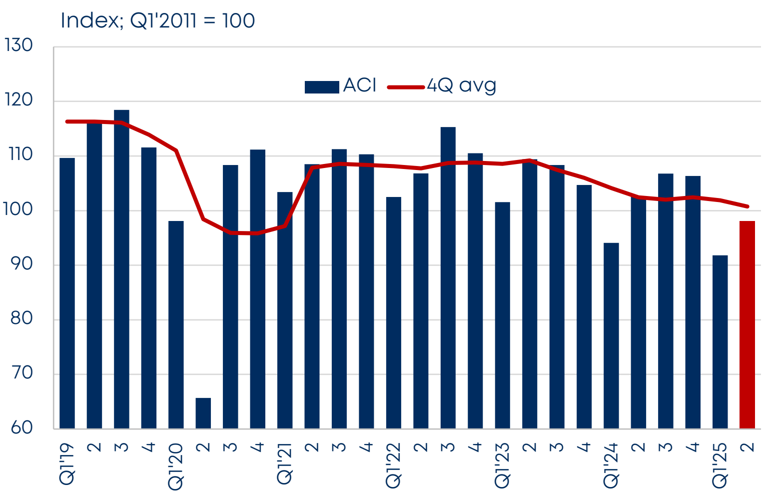
In addition to South Africa facing increased trade barriers in the US market, the expiry of the US preferential trade framework (the Africa Growth and Opportunity Act – Agoa) is set to provide a double-whammy to the 32 African countries that received trade preferences until September 30. The impact on the balance of payments has already been felt, with the August trade surplus taking a nose-dive.

Fortunately, the destination of the bulk of South Africa's exports of high value-added goods is Europe and sub-Saharan Africa. During the first eight months of 2025, exports to these regions have continued to do well, with Germany and Belgium having reinforced their appetite for a variety of manufactured goods from Africa's economic powerhouse. Between January and August, the export of goods to Europe (excluding metals and minerals) amounted to R233 billion, representing a YOY increase of 24%.

1 Modest recovery of construction activity

The Afrimat Construction Index (ACI) for Q2 2025 has improved from its lowest level since the Covid-19 pandemic, but the seasonally adjusted trend remains on a downward path **(figure 1)**. The further marginal decline in the prime lending rate during Q2 also played a role in the improvement of indicators related to retail trade sales of hardware, as well as the values of building plans passed and buildings completed.

FIGURE 1 **Afrimat Construction Index - Q2 2025**



Following a remarkably swift recovery of the ACI from the lockdowns imposed during the Covid-19 pandemic, construction activity edged up marginally, but the record high interest rates that kicked in during 2023 put paid to further progress. On a positive note, it is encouraging that the Ministry of Cooperative Governance and Traditional Affairs has unveiled plans for the most significant restructuring of local government in three decades. The effective implementation of major reforms to local governments could eventually act as a catalyst for construction activity in the designated municipalities, while also addressing the pressing housing shortage.

HIGHLIGHTS

R233 BILLION
Value of high value-added exports to Europe in 2025

ZAR USD
9%
Strengthening of the rand/US$ exchange rate in 2025

1.3 MILLION
Number of overseas tourists Jan to July

Rand strength continues in September

South Africa's currency enjoyed a splendid run during the first month of spring, outperforming every currency of note against the US dollar, including the euro, the Chinese yuan and the British pound. The rand has strengthened by more than 9% against the greenback since the beginning of the year and only four other currencies monitored by Exchange4Free have a better record during 2025, namely the Brazilian real, the euro, the Mexican peso and the Polish zloty.

The dollar remains under pressure as a result of lower bond yields and weakness in several key economic indicators, including the services sector purchasing managers' index (PMI) and signs of rising unemployment. A strong rand assists in keeping inflation in check, which, with a bit of luck (and economic insight) will lead to another interest rate cut in November.

Tourism recovery on track

South Africa's tourism industry is on the verge of a full recovery, with 1.3 million overseas travellers having visited the country between January and July – 83,000 more than in 2024. During July, the number of overseas tourists arriving in South Africa increased by 20% YOY and by an even more impressive 29% from the June figure. Sustained growth in tourism boosts the property market via an increased demand for accommodation in guest houses.

HIGHLIGHTS

14.6%

YOY increase in home loan applications

R1.6 million

Average home purchase price

10.7%

Increase in average home price since 2019

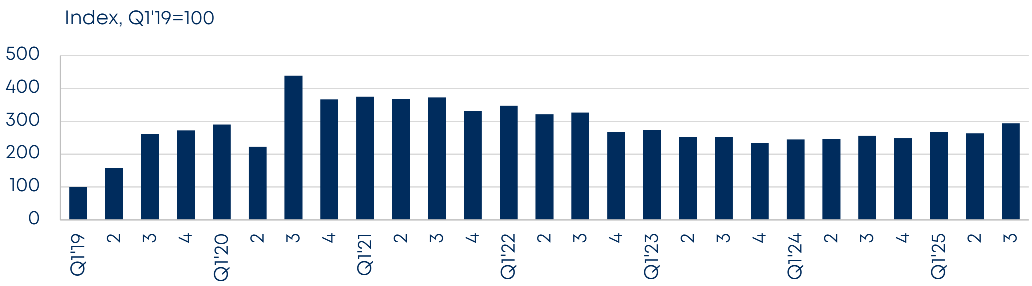
15%

Decline in average FTB deposit since Q2 2024

2 BetterBond index of home loan applications

The positive impact of the lower prime rate on the residential property market has been reflected in the Q3 data underpinning the BetterBond index of home loan applications. In reaction to the five successive cuts of 25 basis points each in the Reserve Bank's repo rate (which automatically feeds into the prime lending rate) the BetterBond index of home loan applications increased by 11.6% QOQ and 14.6% YOY during Q3 2025 **(figure 2)**. Since bottoming out in Q4 2023, the number of home loan applications has increased by 26%, although it remains 15% lower than during Q1 2022, when the Reserve Bank started to follow a restrictive monetary policy stance and the prime rate eventually increased to a 15-year high of 11.75%. With inflation remaining at the bottom end of the Reserve Bank's target range, another interest rate cut may occur before the end of the year.

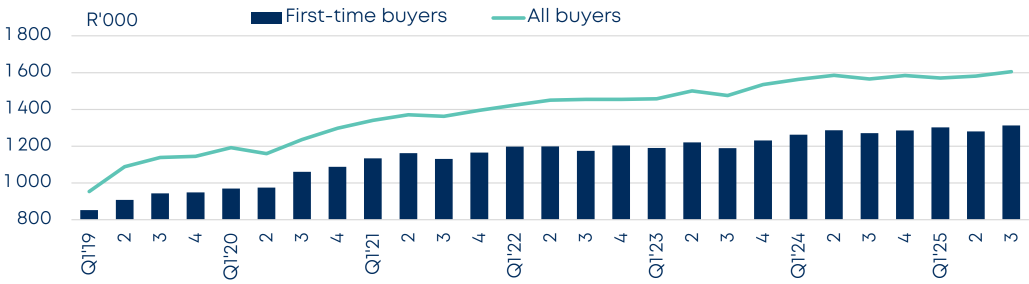
FIGURE 2



3 Average home purchase price

During Q3 2025, the average home purchase price for all buyers reached a new record high, breaching the level of R1.6 million for the first time **(figure 3)**. For first-time buyers (FTBs), the average price during Q3 also moved to a new record high of marginally higher than R1.3 million. The YOY increase in average home prices for all buyers and FTBs was 2.2% and 2.9%, respectively. These growth rates are marginally lower than the current consumer price index (CPI), which confirms the continued existence of a buyers' market for residential property, although the gap between the price increase for homes and the CPI is shrinking. Since Q2 2019, the average home price for all buyers increased by 10.7% and for FTBs by 8.7%, providing proof of the soundness of an investment in residential property.

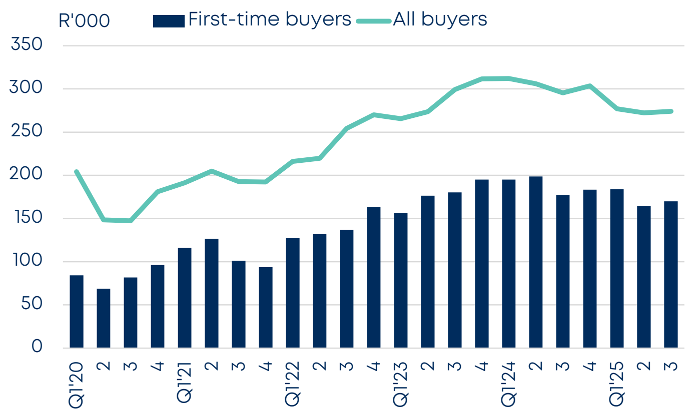
FIGURE 3



4 Average deposit for home purchase

Over the past two years, the average deposit required for home loans has been fluctuating in a range of around R270,000 for all buyers and around R170,000 for FTBs, following a fairly steep increase in Q1 2022, when interest rates started to increase **(figure 4)**. Although the average deposit during Q3 increased marginally for all buyers and FTBs from the previous quarter, YOY declines of 7.5% and 4.5%, respectively, were recorded. Since the average deposit for all buyers reached a peak in Q1 2024, it has been reduced by 12%. For FTBs, the decline from a peak in Q2 2024 amounts to 15%. Relatively slow growth in average income levels will probably cause the current deposit requirements to remain quite stable during the rest of 2025.

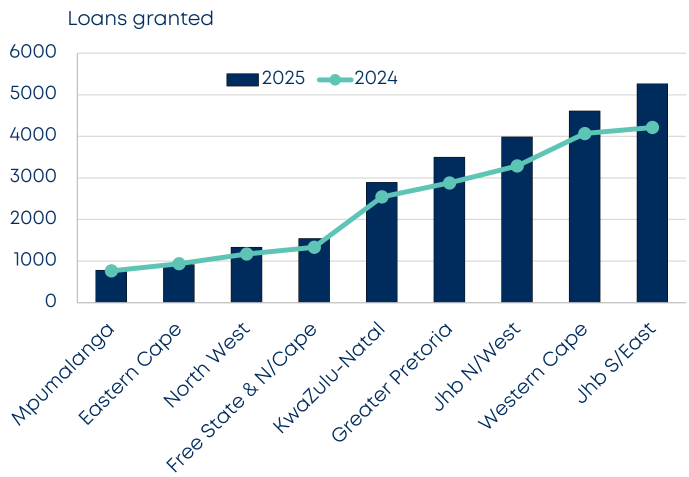
FIGURE 4



5 Regional composition of total home loans granted (12 months to Sept 2024 & 25)

During the past 12 months, Gauteng ruled the roost for the number of home loans granted, with Johannesburg's South-Eastern suburbs, Greater Pretoria and Johannesburg's North-Western suburbs enjoying the number one to three rankings, respectively, for YOY growth Johannesburg's South-Eastern region also consolidated its number one position for the total number of home loans granted, with a total of 5,265 **(figure 5)**. For all regions combined, the YOY increase was impressive, namely 17% – a clear sign of resurgence in the residential property market. This trend has been made possible by lower home loan rates, with three cuts in the official repo rate thus far in 2025. It is encouraging that eight of the nine regions experienced increases in the number of home loans granted.

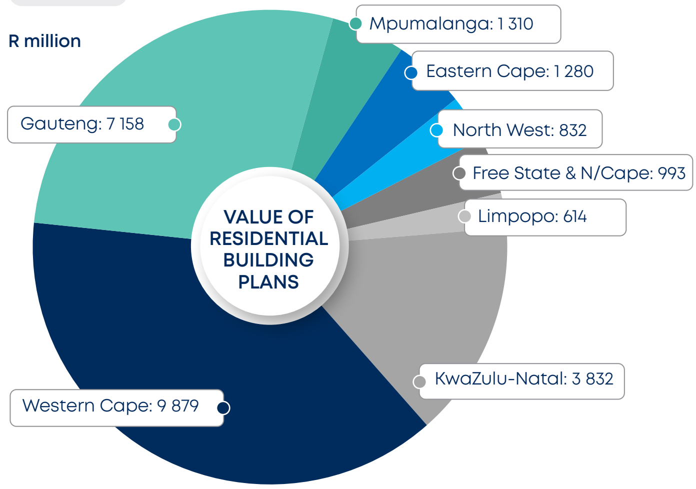
FIGURE 5



6 Value of residential building plans passed by province - Jan to July 2025

During the first seven months of 2025, the Western Cape consolidated its number one position for the value of residential building plans passed by the metros and larger municipalities in South Africa **(figure 6)**. Gauteng remains in second place, followed by KwaZulu-Natal. The total value for all provinces was R26 billion, marginally lower than for the same period last year. The attractiveness of the Western Cape as a permanent residence destination is illustrated by the fact that 38% of the value of all residential building plans passed currently emanate from this province, while it has also recorded double-digit YOY growth. Although the Eastern Cape enjoyed the highest YOY growth in the value of building plans passed between January and July (17%), this occurred from a base that was 87% lower than in the Western Cape.

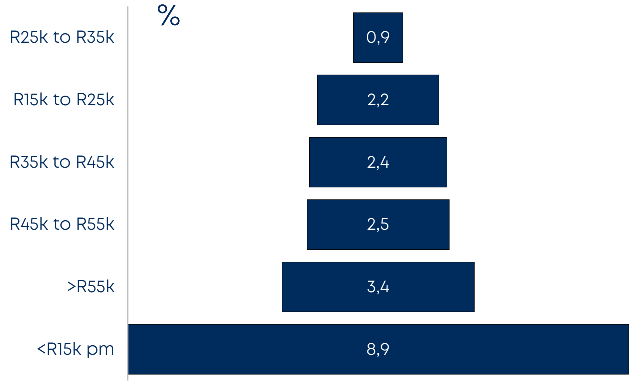
FIGURE 6



7 YOY increase in average home purchase price per income group (Q3 2025)

During the past 12 months, the strongest growth in demand for houses **(figure 7)** emanated from the lowest income group (homebuyers earning less than R15,000 per month), followed by the highest income group in second place (earning above R55,000 per month). While the latter income group obviously has greater buying power, prospective homebuyers in the lowest income category are more likely to react positively to lower interest rates, which explains the nifty 9% increase in the average home price paid by them. Although the average prices paid for homes by the other four income groups all managed to record increases, none of them were able to outstrip the current inflation rate of 3.2%. From this perspective, the buyers' market is still intact.

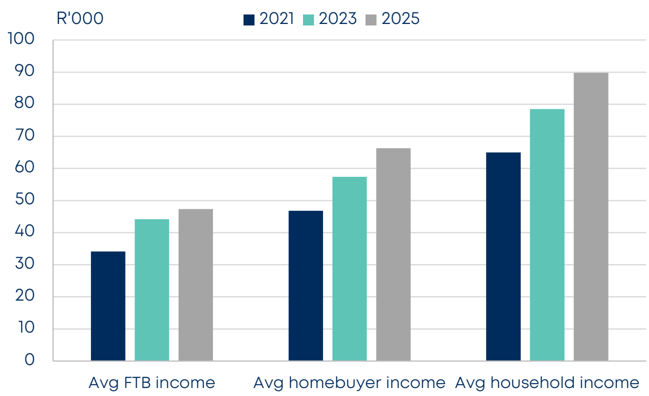
FIGURE 7



8 Average monthly homebuyer incomes (12 months to Sept)

One of the most notable trends in the residential property market over the past four years has been the steady increase in homebuyer incomes, with similar growth patterns among both first-time and repeat buyers **(figure 8)**. Since 2021, the monthly incomes of all buyers increased by an annual average of 9.1%, outstripping the change in the consumer price index by a healthy margin. For FTBs, the annual average increase in incomes amounted to 8.5%, also well above the average annual inflation rate over the past four years. It is also encouraging that growth in average household incomes have kept pace with the incomes of individual buyers. During September, this value was R95,000, which will, in all likelihood exceed R100,000 during Q4, when many households receive year-end bonuses.

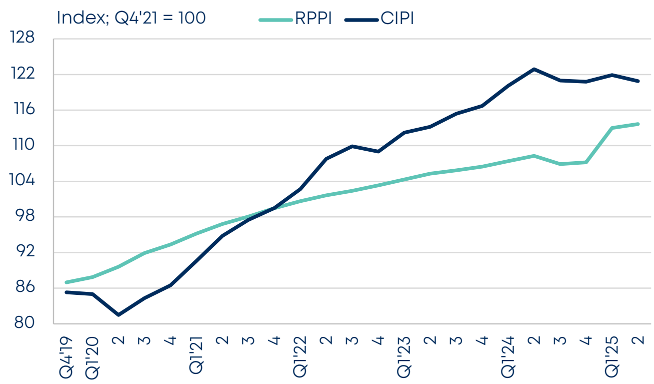
FIGURE 8



9 The residential property price index and construction input price index

Over the past year, a consistent decline in the construction input price index (CIPI), combined with an increase in the residential property price index (RPPI), has narrowed the buyers' market range, which earlier reached a peak in Q2 2024 **(figure 9)**. This development is a clear sign of improved demand from prospective homebuyers, while the reduction in building costs is in line with a record low for the country's producer price index. Although the Monetary Policy Committee (MPC) of the Reserve Bank missed another opportunity at the end of September to reduce the cost of home loan financing, the recent decline in the consumer price index (CPI), albeit marginal, carries the hope of another cut in the prime lending rate (via the repo rate) in November.

FIGURE 9



Economist
Dr Roelof Botha

Contact us
Colette Van Dyk | CMO BetterHome Group | colette.vandyk@betterhome.co.za | **www.betterbond.co.za**

BetterBond