BetterBond

Property Brief

OCTOBER 2026

A more stable property market, despite renewed rate pressure

South Africa's residential property market is showing a mix of stability and continued pressure. Home loan applications increased by 2.4% in Q3, while average monthly applications for the first three quarters of 2026 remained virtually on par with 2025. House prices continued to rise, with average prices reaching R1.7 million and first-time buyers recording 8.4% YoY growth in Q3. At the same time, higher deposit requirements and the September increase in the prime lending rate are creating additional challenges for prospective buyers. This edition of the BetterBond Property Brief explores the latest trends shaping homebuying activity, affordability and house prices.

> "There are encouraging signs of stability across the residential property market, with home loan activity holding up and house price growth continuing to outpace inflation. At the same time, higher deposit requirements and renewed interest rate pressure mean affordability remains an important consideration for buyers. The market is showing resilience, with stronger homebuyer incomes and improved loan approval ratios helping to support activity."

STEPHAN POTGIETER

CEO of BetterHome Group Mortgage Origination and BetterBond

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Economic Compass

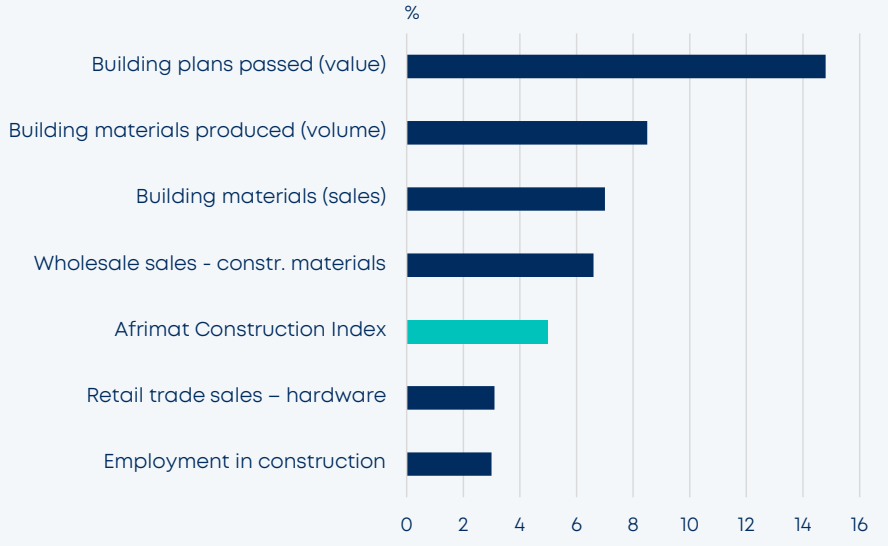
1 Construction sector on the mend

It is heartening to note the gradual recovery of South Africa's construction sector, which has experienced a decade of turbulence. This key sector's woes started with the retirement of Gill Marcus as president of the South African Reserve Bank in 2015, after which the Monetary Policy Committee appointed by then President Jacob Zuma started to follow an increasingly restrictive policy stance by systematically increasing the prime lending rate (via the repo rate). Then came the decimation of infrastructure spending by the public sector because of state capture, followed by the health pandemic of 2020 and the oil price shock of 2022, when Russia invaded Ukraine – a free enterprise democracy.

FIGURE 1

Quarter-on-quarter real increases in key construction sector indicators – Q2 2026

(Sources: Stats SA; Afrimat)



Fortunately, the Afrimat Construction Index (ACI) has now consolidated at the same level as its base period of 2014 (see **figure 1**), picking up nicely during Q2 2026 with an impressive 5% QoQ increase in real terms – outperforming the GDP by a considerable margin.

Although the YoY increase was more subdued, it is encouraging that employment in the construction sector has increased by 95,000 over the 12 months ended June 2026. Lower interest rates and higher levels of capital formation by the public sector represent two reasons for the recovery of construction activity, which will hopefully expand into higher levels of residential property market development. With the values of residential buildings completed still lagging the rates of increase in average house prices, a future shortfall in this market seems unavoidable.

Dr Roelof Botha
Economist

Dr Botha is an alumni faculty member of the Gordon Institute of Business Science (GIBS) and a seasoned commentator on economic issues. He is an economic advisor to BetterBond and Currencies Direct, and former advisor at the National Treasury.

HIGHLIGHTS

5%
QoQ increase in the Afrimat Construction Index in Q2

95,000
YoY increase in construction employment in Q2

R9.21 trillion
total bank assets in June 2026

8.1%
average annual growth in bank assets since Oct 24

New record for SA bank assets

At the end of Q2 2026, the total assets of South Africa's banks increased to a new record high of R9.21 trillion – a YoY increase of 9.1%. Since 2019, the trend for total bank asset growth has clearly been influenced by seismic events such as the health pandemic of 2020 and the oil price shock that was experienced with Russia's military invasion of Ukraine.

During the most recent period of restrictive monetary policy, when the prime lending rate was increased to a 15-year high of 11.75%, bank asset growth was muted at 2.9%. Since the rate-cutting cycle started toward the end of 2024, bank asset growth has accelerated, increasing at an annual average rate of 8.1%.

According to the 2026 PwC Banking Report, lower interest rates and moderating inflation had started to support household affordability, with pockets of improved activity in credit cards, vehicle finance, home loans, payments and insurance. The report also found that corporate balance sheets remained relatively healthy, while infrastructure spending across all modes assisted in the creation of funding and advisory opportunities for the major banks.

Property market overview

HIGHLIGHTS

2.4%
QoQ increase in home loan applications

R1.7 million
Average house price for all buyers in Q3

21%
YoY increase in sectional title building plans passed

5.6%
YoY increase in average deposit for FTBs

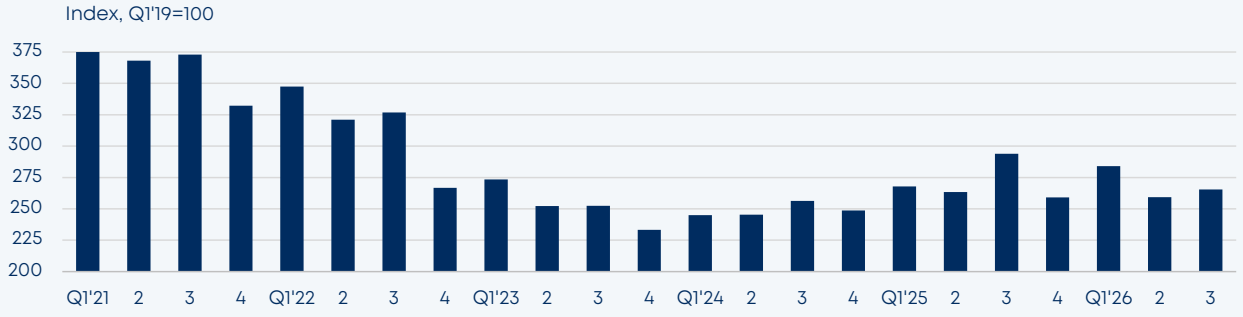
8.4%
YoY increase in average house price for FTBs

No 1
Western Cape ranking for houses and flats built YTD

2 BetterBond Index of Home Loan Applications

The decision in May by the Reserve Bank's Monetary Policy Committee (MPC) to start reversing the rate-cutting cycle immediately dampened the appetite for homebuying, with a sharp decline in the number of home loan applications received during Q2. Fortunately, activity improved again during Q3, with a QoQ increase of 2.4% in the BetterBond Index of Home Applications, as illustrated by **figure 2**. The average monthly number of home loan applications during the first three quarters of 2026 is virtually on par with the figure for 2025, reflecting a measure of stability in the residential property market. The fact that the value of residential building plans passed during the first seven months of 2026 has increased by 8.4% YoY confirms a more upbeat environment, despite the challenges surrounding higher home loan rates. An interesting trend that has emerged between January and July is a shift in the composition of building plans towards flats and townhouses, which has increased by 21% YoY.

FIGURE 2

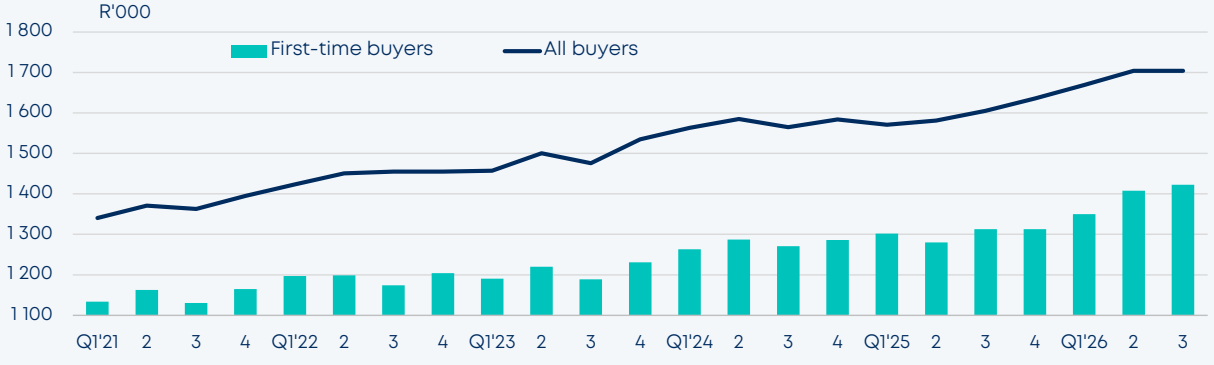


3 Average home purchase price

The gap between the value of building plans passed and buildings completed in the metros and larger municipalities of South Africa continues to increase, with the completion ratio having declined by 12% YoY during the first seven months of 2026. The slow pace of completion for new residential buildings is bound to continue placing upward pressure on house prices, despite the demand for houses having ebbed because of higher interest rates and a generally subdued economy.

Figure 3 illustrates the rising trend in house prices since interest rates were lowered towards the end of 2024, with first-time buyers (FTBs) having experienced a higher rate of increase, namely 8.4% YoY during Q3. Importantly for prospective homeowners, average house price growth has now started to exceed the rate of inflation by a healthy margin. For all buyers, the YoY real increase in house prices during Q3 was 1.8% at an average value of R1.7 million.

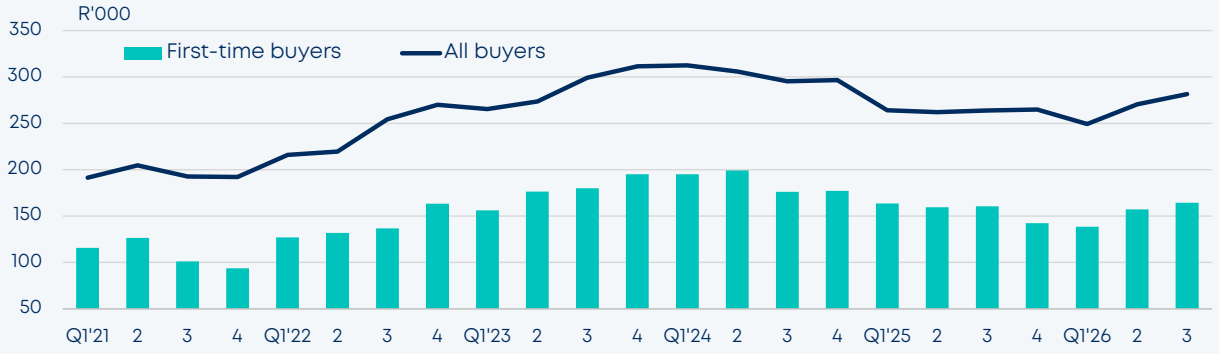
FIGURE 3



4 Average deposit for home purchase

During the past 12 months, the country's home loan lenders were clearly uncertain about the next direction for the Reserve Bank's repo rate (and the prime rate). This is reflected in a significant monthly divergence of average deposits required for accessing home loans. As a rule, expectations of lower interest rates tend to lead to a lowering of deposit requirements and vice versa. Since September 2025, banks have been playing yo-yo with this key indicator of homebuying activity, lowering their deposit requirements for all buyers on no less than seven occasions and increasing them on five occasions. Unfortunately for prospective homebuyers, banks reacted swiftly to the September prime rate increase, with Q3 ending with a deposit requirement for all buyers that was 21.7% higher than a year ago (**figure 4**). FTBs were spared such a large increase, with the average deposit requirement only increasing by 5.6% YoY.

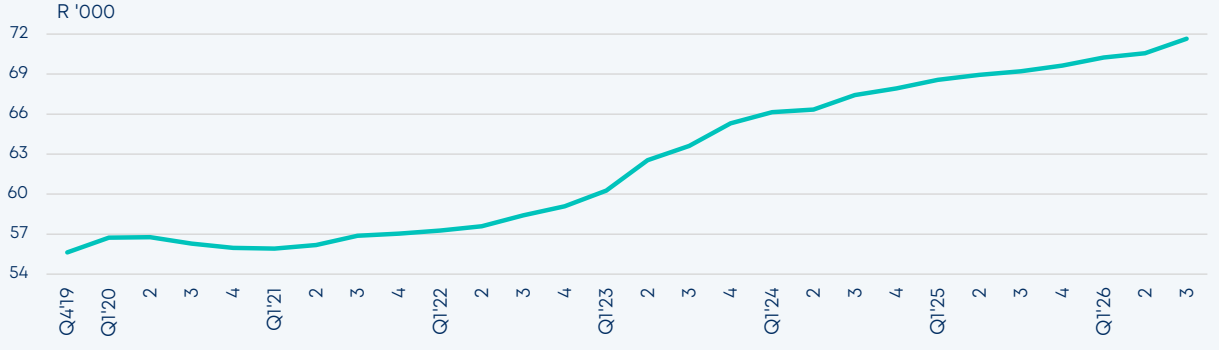
FIGURE 4



5 Average monthly income of homebuyers at constant 2026 prices (4-quarter average)

Figure 5 illustrates the relentless increase in average incomes of homebuyers in real terms (after an adjustment for inflation via the Consumer Price Index – CPI). This key indicator of affordability for residential property transactions took a predictable knock during the health pandemic of 2020 and then became static at the beginning of 2024, when the record high prime lending rate of 11.75% started to hurt the pockets of households. Since then, however, homebuyer incomes that use BetterBond's services for accessing home loans have experienced a steady rate of increase – a welcome trend that has served to mitigate the negative impact of higher deposit requirements. Over the past five years, the average annual increase in this indicator (in real terms) amounted to 4.7%, compared to only 1.2% for the country's GDP. A new average level of homebuyer income of R74,000 per month was recorded during Q3.

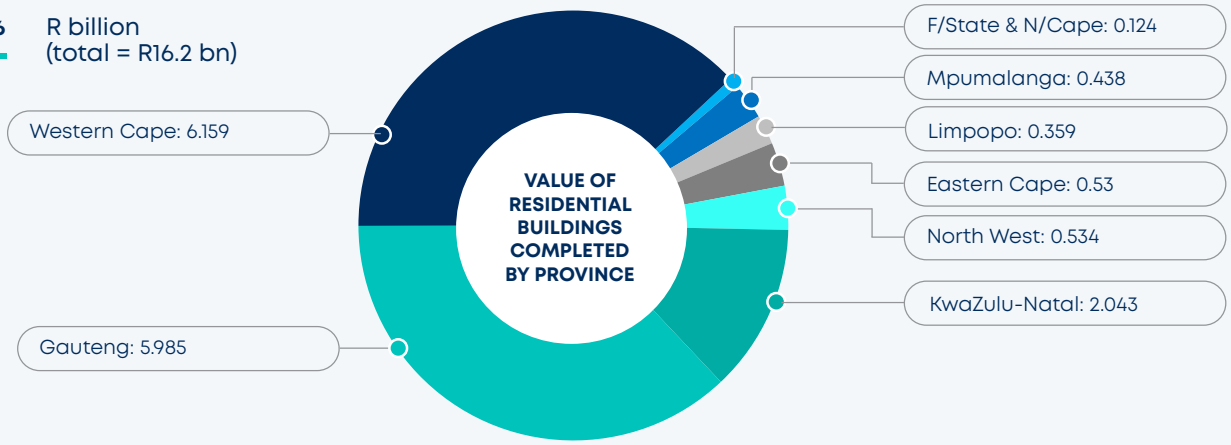
FIGURE 5



6 Value of residential buildings completed by province (Jan to July 2026)

In contrast to a revival of a growth trend for the values of residential building plans passed by the country's metros and larger municipalities, the values of houses and flats that have been completed continues to decline, albeit marginally. During the first seven months of the year, the Western Cape consolidated its number one position for the latter indicator, with R6.2 billion of residences having been built, as illustrated by **figure 6**. Gauteng remained comfortably in second place with a value of R6 billion, while also recording a YoY increase of 3.2%. Only one other province managed to record a positive YoY increase in the value of houses and flats built, namely Mpumalanga. The total value of residential buildings completed between January and July amounted to R16.2 billion, with the lion's share (88%) represented by only three provinces – the Western Cape, Gauteng and KwaZulu-Natal.

FIGURE 6 R billion (total = R16.2 bn)



7 YOY % change in ratios of home loans granted by region (12 months to Sept 2026)

An improvement of the ratios for the granting of home loans has been an outstanding characteristic of the latest BetterBond data on homebuying activity (**figure 7**). During the 12 months to September 2026, North West was the only region to have experienced a decline in the number of loans granted as a percentage of loan applications. Greater Pretoria consolidated its position as the region with the highest ratio of loans granted, namely 75%, with the Western Cape and KwaZulu-Natal locked into second spot with a ratio of 72%. KwaZulu-Natal was in top spot for the YoY increase in the ratio of loans granted, namely 8.7%, followed by the Free State and the Northern Cape with an increase of 6.8%. Two reasons for these positive trends are the sound financial position of South Africa's major banks and the fact that the average incomes of homebuyers have increased at a faster rate than the recent increases in deposit requirements.

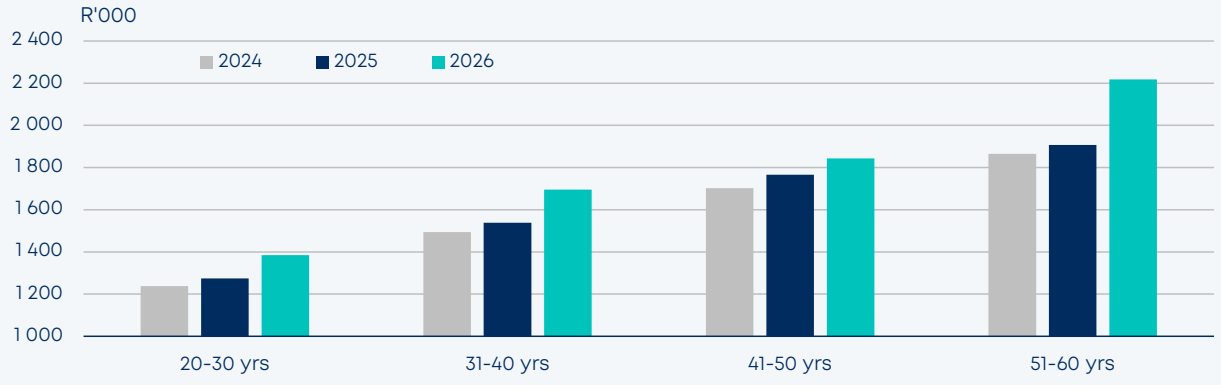
FIGURE 7

8 Average home purchase price by age group (12 months to Sept)

Figure 8 provides ample proof of the beneficial impact exerted on the residential property market by the lowering of the prime rate since September 2024. Between the 12 months ended September 2024 and 2025, the positive impact of lower debt costs for homeowners started to trickle through, but home purchase prices only increased marginally. Real house price growth was, in fact, negative over this period.

Over the past year, the benefit of a lower cost of capital and credit predictably became more visible, with double-digit average nominal house price growth rates for buyers aged 31 to 40 years and buyers aged 51 to 60 years. Over the past year, the average house price for the latter age group amounted to R2.2 million, representing an impressive YoY real growth rate of 11.4% – way above the current inflation rate of 4.4%. Over the past two years, average house prices for all these age groups managed to beat inflation.

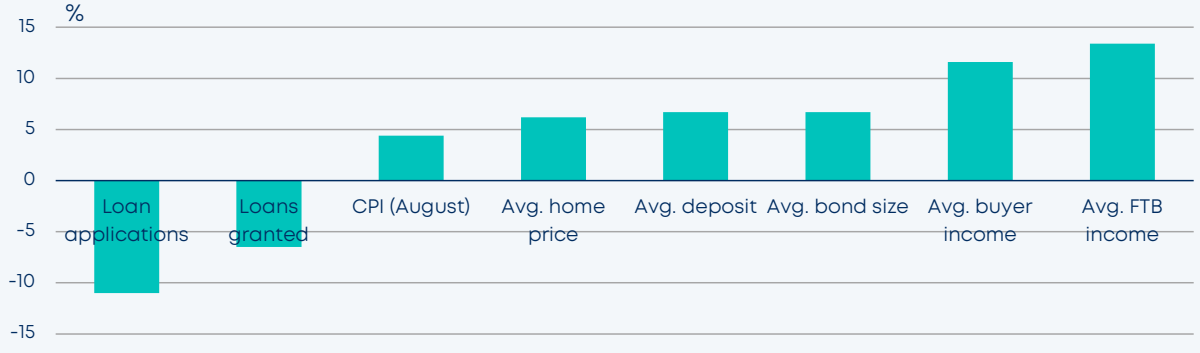
FIGURE 8



9 Key residential property market metrics (YoY percentage change Q3 2026)

The positive impact of the rate-cutting cycle that started in September 2024 remains visible in a number of key indicators of residential property market activity, as illustrated by **figure 9**. The most impressive of these are the double-digit YoY increases in average incomes of FTBs (13.4%), as well as the ability of average house price growth to outstrip the current inflation rate of 4.4% by a healthy margin. Unfortunately, however, the reversal of the rate-cutting cycle in May was taken a step further in September 2026 when the prime lending rate was increased again from 10.5% to 10.75%, ostensibly to combat higher inflation expectations. Due to the supply-side nature of the recent increase in the Consumer Price Index (CPI) and a static labour market, the move to a more restrictive monetary policy may be doing more harm than good. A normalisation of global fuel cargo shipments should lead to a sharp drop in the CPI and, hopefully, a return to lower interest rates.

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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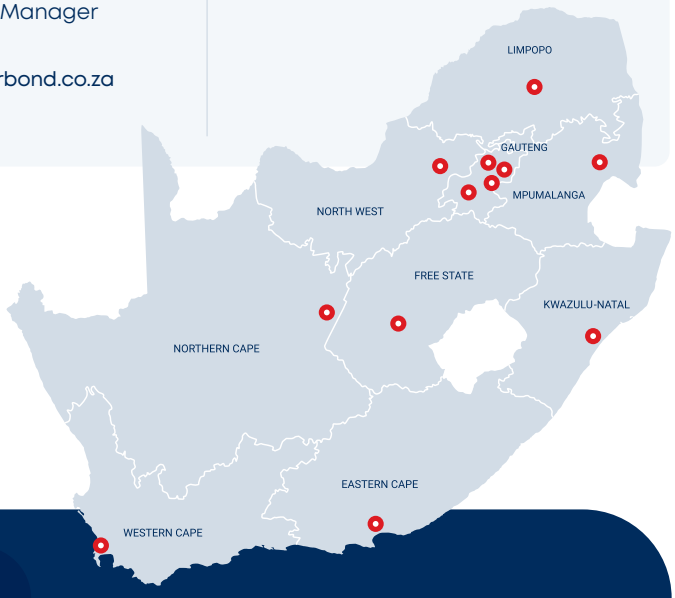

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