



MARCH 2023

HIGHLIGHTS

**R1.465m**  
NATIONAL AVERAGE  
HOUSE PRICE

**8.6%**

Average nominal house price increase of home loans, compared to average inflation of 5%, since 2016

**R1.18m**

Average value of home loans for all buyers

**28%**

Average house prices in the Western Cape 28% higher than the national average, in 2022

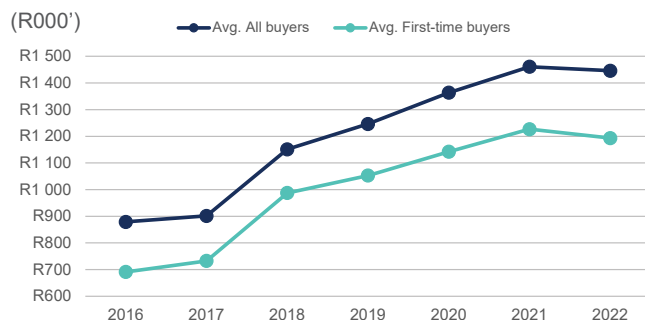


Real average house prices

In nominal terms, average house prices for all buyers reached new highs in 2022. But if we adjust for inflation, we see a marginal decline, mainly due to financial pressures on consumers and homebuyers since the beginning of last year (figure 1). Over the past six years, homebuying has nevertheless been a good hedge against inflation. Since 2016, the average nominal house price increased by 8.6% for all buyers and 7.1% for first-time buyers, compared to average inflation over this period of 5%.

FIGURE 1

Average real house price



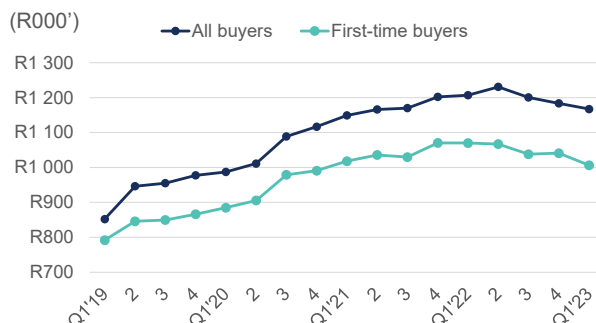
Home loan values back to 2021 levels

Rising inflation and higher interest rates have eroded purchasing power for prospective homebuyers, with the average value returning to the levels of early 2021 (figure 2). The spread between home loans for first-time buyers and all buyers has declined, from 92.9% in the first quarter of 2019 to 86.2% during the first two months of 2023.

Since Q1 2019, the average value of these home loans has outpaced inflation by a healthy margin. For all homebuyers, the average value increased by 8.6% per annum to R1.18 million and for first-time buyers by 10.8% per annum to R1.04 million at the end of 2022. During these four years, the consumer price index (CPI) only increased by 4.7% per annum.

FIGURE 2

Average home loan value



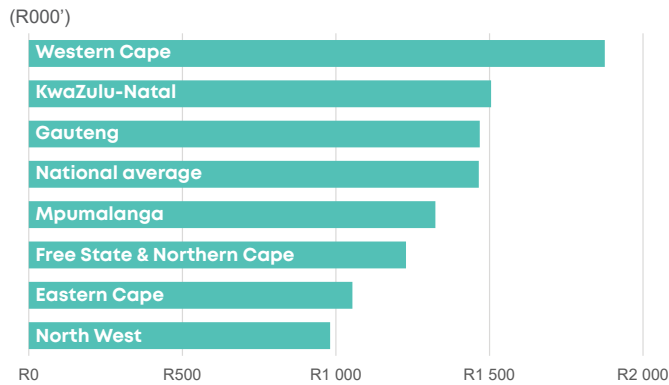


## Property prices in large metros

Average residential property prices in the provinces that are home to the largest metropolitan municipalities remain higher than elsewhere (figure 3). We have calculated this by weighting the individual provincial prices with their relative shares of the number of approved BetterBond home loan applications. At R1.468 million, the Gauteng average house price is nearly identical to the national average of R1.465 million.

FIGURE 3

Average prices of homes, per region in 2022

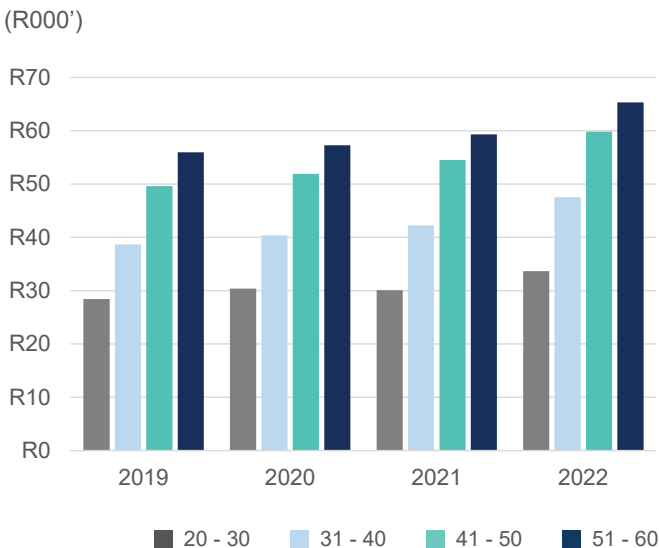


## Solid increase in homebuyers' income

Over the past four years, BetterBond data shows a consistent increase in homebuyers' income. Since Q1 2019, average income for the 31-40 age group increased by 22.9% to more than R47,500 per month, followed by 41-50 year-olds, with an increase of 20.5% to almost R60,000 per month (figure 4). Rising incomes bode well for growth in the residential property market, once interest rates start dropping.

FIGURE 4

Average monthly income of homebuyers



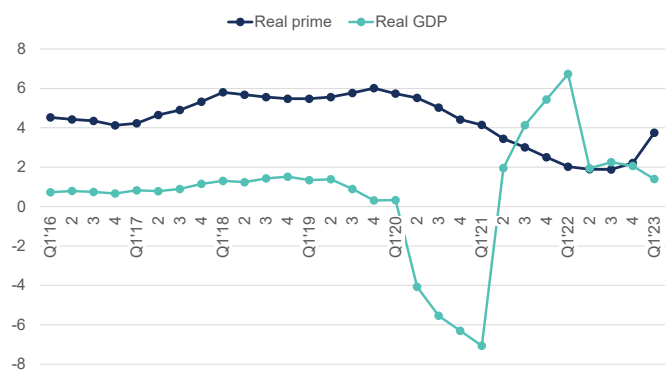
## Impact of interest rates

Orthodox macroeconomic theory tells us that higher interest rates are inversely correlated to GDP (figure 5) and higher interest rates generally lead to subdued residential property market activity. Unsurprisingly, therefore, bond approvals started dipping after the interest rate rise of November 2021, the first in three years. Since then, the cost of credit, measured against the prime overdraft rate, has increased by 54% which is significant.

The Reserve Bank has been criticised for its reaction to higher inflation on the basis of the main causes of higher consumer prices. The latter can be attributed mainly to the rising costs of energy, fuel and global freight shipping, none of which have led to demand-side inflation.

FIGURE 5

Real prime rate and year-on-year real GDP growth



(Note: Estimate for Q1'23; Sources: Stats SA; Dr Roelof Botha calculations)

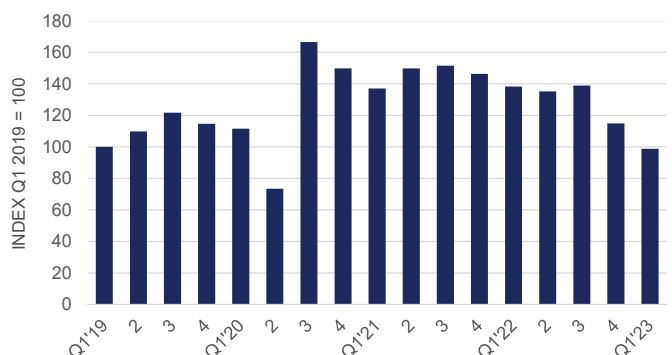


## Number of home loan approvals

BetterBond's number of formally approved bond applications staged a swift recovery from the worst effects of the Covid-19 pandemic and then rebounded again, with the monthly average for 2021 rising by 31% over pre-pandemic 2019. Since 2021, however, higher inflation and rising interest rates have dampened home-loan based buying, with the average number of bond approvals dropping by 10% in 2022 and again in the first two months of 2023 (figure 6).

FIGURE 6

Monthly home loan applications





## Rise and rise of the Western Cape

Semigration is set to continue and could lead to a growing divergence between house prices in the Western Cape and the rest of the country. There is a broadly similar semigration trend in areas like the KwaZulu-Natal North and South Coast. Greater Pretoria also remains attractive because of the location of government departments and the University of Pretoria, the largest residential campus in SA. Small, pristine towns in rural areas will also continue to experience demand as a result of semigration. However, these transactions are unlikely to have a material impact on national average house prices and home loan volumes.

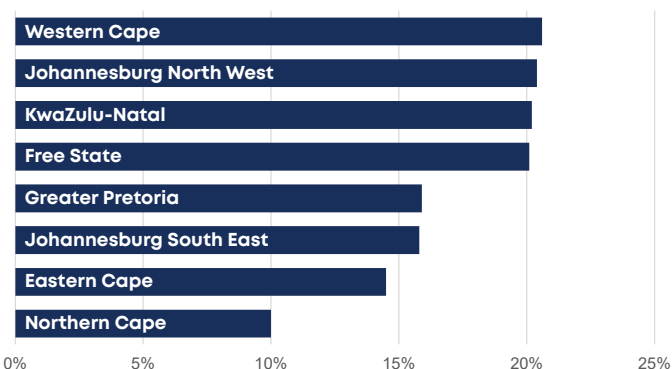


### Certain provinces offer better value for first-time homebuyers

In provinces with greater population density and therefore more housing stock, first-time buyers can often get better deals. These 'better buys' fall into three broad categories – 10%, 15% and 20% more bang for their buck. **Figure 7** ranks house price differences between all buyers and first-time buyers, expressed as a percentage, e.g. in the Western Cape, Johannesburg North West, KZN and Free State regions, homebuyers get 20% more home for their loans.

**FIGURE 7**

% difference between house prices for first-time buyers and all buyers



In the Western Cape, superior service delivery and good roads have helped residential property prices outstrip those in the rest of the country. In 2022, the average house price in the Western Cape was 28% higher than the national average; 78% higher than the Eastern Cape average and almost double the average in North West.

### Average house prices per region for 2022

Region	First-time buyers R'000	All buyers R'000
Western Cape	1,489	1,876
Greater Pretoria	1,462	1,739
Johannesburg North West	1,200	1,507
KwaZulu-Natal	1,201	1,505
Northern Cape	1,167	1,297
Johannesburg South East	1,068	1,269
Free State	976	1,222
Eastern Cape	901	1,054

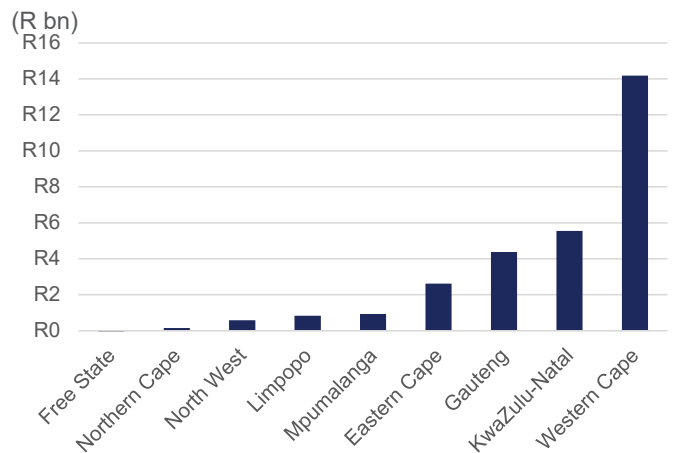


### Approved building plans pointing the way to the future

The growing importance of the residential property market in the Western Cape should not be underestimated. It has a strong structural dimension and could have an enduring, significant impact on house prices in the rest of the country. **Figure 8** shows the increase in value of approved residential building plans, by province. Plans that are approved today, translate into new properties that come onto the market and bolster housing stocks in future.

**FIGURE 8**

Increase in the value of approved building plans by province between 2012 and 2022



(Sources: Stats SA; Dr Roelof Botha calculations)



**Dr Roelof Botha**  
Economist

## Economist's notes

### Keeping the lights on

Addressing the electricity crisis has now become – and should be! – our country's number one priority. Government has adopted an 'all hands on deck' approach, with international experts called in to help end rolling electricity outages and restore energy security.

### Brighter shades of grey

South Africa's grey-listing by the Financial Action Task Force (FATF) for falling short of certain international standards for the combating of money laundering and other serious financial crimes was not good news. However, let's remember that the FATF evaluation was conducted in 2019, when several law enforcement institutions were weakened by the state capture era. Since then, credibility has been restored to key institutions like the SA Revenue Service (SARS) and the National Prosecuting Authority (NPA), and amendments have been enacted to laws on anti-money laundering and the combating of terrorism financing. South Africa is working closely with the FATF to resolve the remaining deficiencies within agreed timeframes



### Big-picture positivity

- The macro economy remains in good shape.
- 1.4 million new jobs created in 2022.
- SA's leading business cycle indicator remains close to the all-time high recorded in 2022.
- Total exports soared to an unprecedented level of more than R2 trillion in 2022.
- The JSE benchmark equity index also reached an all-time high earlier in 2023.



### Inflation

Inflation has likely peaked, so the chances of seeing interest rate reductions during the second half of this year have improved considerably. This could bring about an economic growth phase in a post-Covid, post-state capture era.



### Respite for homeowners and prospective homebuyers

- The 2023 National Budget provided tax incentives for renewable energy installations, including one for individual households to install rooftop solar panels and claim a rebate of up to R15,000.
- The property transfer duty threshold has also been adjusted. Properties below R1.1 million are now excluded from transfer duty payments. This figure is only marginally less than the average house price for first-time homebuyers.

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