BetterBond
PROPERTY
BRIEF

Economic Compass

FEBRUARY 2026

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.

Relatively cheap vehicles imported mainly from China have been flooding the South African market, placing established domestic manufacturers at risk. Although the Department of Trade, Industry and Competition has acknowledged the need for retaliatory measures aimed at eliminating the practice of "dumping", which China is renowned for, it needs to act swiftly. South Africa's vehicle and component manufacturing sector is a major employer and is the third largest earner of foreign exchange, next to precious metals and minerals.

The latest seasonally adjusted Absa Purchasing Managers' Index (PMI) for the manufacturing sector has provided hope for higher growth in this key sector. The index increased by 8.2 points to 48.7 in January, marking a significant recovery from December's disappointing performance. The strength of the rand in recent months has played into the hands of importers of manufactured products, although it has also lowered prices of imported intermediary inputs in rand terms.

South Africa's currency is the talk of the town, having strengthened significantly against virtually every key currency over the past year. A strong currency assists in keeping inflation in check, which may prompt the hawks at the Reserve Bank to lower the repo rate in March. Such a move could propel the residential property sector to new heights during 2026!

HIGHLIGHTS

R200 billion
South Africa's trade surplus in 2025

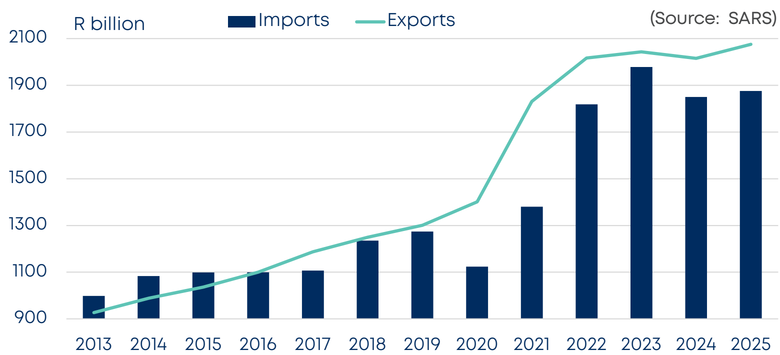
Germany
No 1 export trade partner for high value-added goods

R148 billion
Retail trade sales in November

1 Exports rise to an all-time high

South Africa's exports continued to outstrip the value of imports during 2025 to ultimately produce a cumulative trade surplus of exactly R200 billion **(figure 1)**. Last year was the fourth year in succession that total exports managed to breach the R2 trillion level and the ninth year in a row that a trade surplus was recorded.

FIGURE 1 **South African exports reach all-time high in 2025 & secure 9th successive annual trade surplus**



Last year's outstanding export performers were precious metals, agriculture and processed food. One of the features of South Africa's international trade is the undue reliance on only five key product groups, viz minerals, precious metals, vehicles and spares, agriculture and food, and base metals. In combination, these groups represent 80% of the country's total foreign exchange earnings from goods exports.

Viewed from the perspective of the destination of exports of high value-added (HVA) goods, which excludes metals and minerals, the US has dropped from the second position to number four, while Belgium has climbed up the rankings to position number three. Germany remains solidly in first place.

The Southern African Development Community continues to play a dominant role as a destination for exports of high value-added goods, with no less than five of its member countries represented in the top ten export destinations for HVA goods. Interestingly, China is only in the 11th spot, with the United Arab Emirates and Spain having climbed up the ranks in recent years to numbers 12 and 14, respectively.

Retail sales record in November

November witnessed retail trade sales of R148 billion – a new record and 3.5% higher than the figure for 2024 (in real terms), with the lower cost of credit playing a significant part in this achievement.

By virtue of the Black Friday phenomenon and the Christmas festive season, the fourth quarter of every year has a long-standing tradition as the best turnover period for retailers. The sectors that fared the best during 2025 were pharmaceuticals, furniture and appliances, and the category for "other", which mainly includes books, stationery, jewellery, watches and sport equipment, all of which managed to beat inflation by a healthy margin.

HIGHLIGHTS

10.4% YOY increase in bond applications

8.4% Increase in average house price since Jan 2024

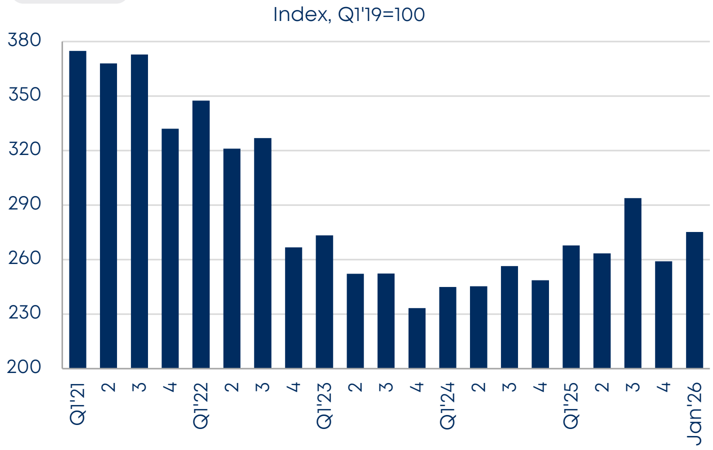
4.1% YOY increase in building costs

R1.6 million National average house price

2 BetterBond Index of home loan applications

January witnessed the traditional recovery for home loan activity from the previous month, when seasonality comes into play due to the summer holidays and the Christmas season, which invariably lead to a predictable decline in the level of activity in several sectors of the economy – with retail trade a notable exception. The regular slump during Q4 of each year is illustrated by **figure 2**, which also indicates the recovery in January, which amounted to an increase in the number of home loan applications of 2.8% (compared to January 2025). When compared to the number of applications in January 2024, the performance is more impressive, namely an increase of 10.4%. It is clear from this data set that activity in the residential property market is shedding the negative effects of the record high interest rates that existed in 2023 and 2024.

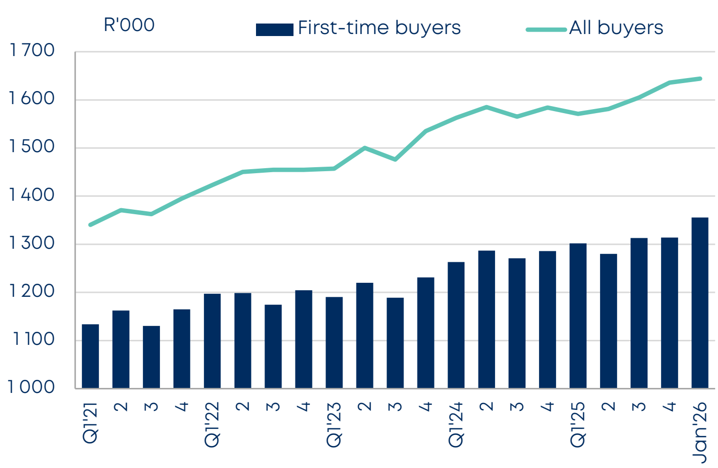
FIGURE 2



3 Average home purchase price

Average house prices continued with the improved upward momentum that has been evident since the prime lending rate (via the Reserve Banks repo rate) declined by more than 100 basis points, which occurred during the second half of last year. Since then, two further cuts have materialised, translating in a current prime lending rate of 10.25%. In January, a YOY increase of 4.1% was recorded for all buyers, while average house prices for first-time buyers (FTB) only increased by 1% (see **figure 3**). Viewed from a two-year perspective, average house prices for all buyers and FTBs have increased by 8.3% and 8.5%, respectively, reflecting modest real increases (after adjustment for inflation). If house price increases continue to outstrip the rate of increase in the consumer price index (CPI), the residential property market may start to attract speculative investment buyers, which should lead to even higher rates of house price increases.

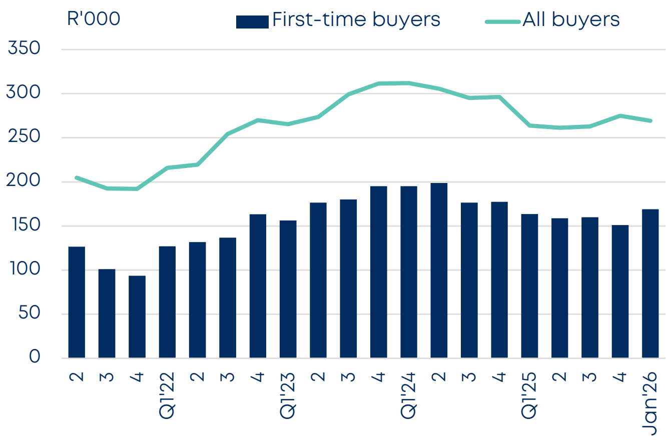
FIGURE 3



4 Average deposit for home purchase

The unfortunate decision by the monetary policy authorities in November last year to lower the inflation target range seems to have contributed to a halt in the downward trajectory of the deposit requirements for accessing home loans from the banks. The new effective target range is 3% to 4% (previously 3% to 6%), which will be more difficult to maintain, especially in the event of a meaningful exchange rate depreciation (which will serve to elevate the prices of most imported goods). During January, the deposits required for home loans by FTBs actually increased, albeit marginally. As illustrated by **figure 4**, prospective homebuyers are nevertheless in a more advantageous position than two years ago, with declines in the deposit requirements of 9.2% and 10%, respectively, for all buyers and FTBs.

FIGURE 4

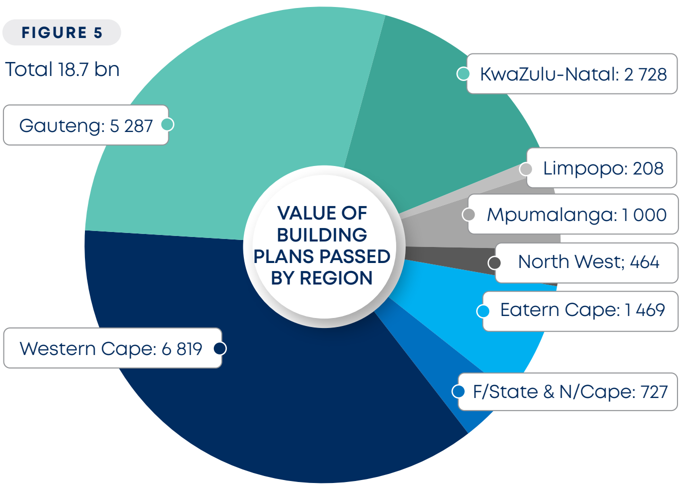


5 Value of building plans passed for alterations and additions to houses by region (Jan to Nov 2025)

Expenditure on alterations and additions to dwelling houses continue to represent a significant portion of the value of building plans passed by the metros and larger municipalities, with an average monthly value of R1.7 billion during the first 11 months of 2025 – marginally higher than the previous year. Compared to the period prior to 2023, building plans for alterations to houses took a turn for the worse, both in absolute terms and relative to total residential building plans passed. During 2025, the Western Cape consolidated its number one position for this indicator **(figure 5)**, also in terms of the YOY rate of increase. The Eastern Cape recorded the second highest increase for the YOY growth rate in the value of plans passed for alterations and additions, namely 15.2%.

FIGURE 5

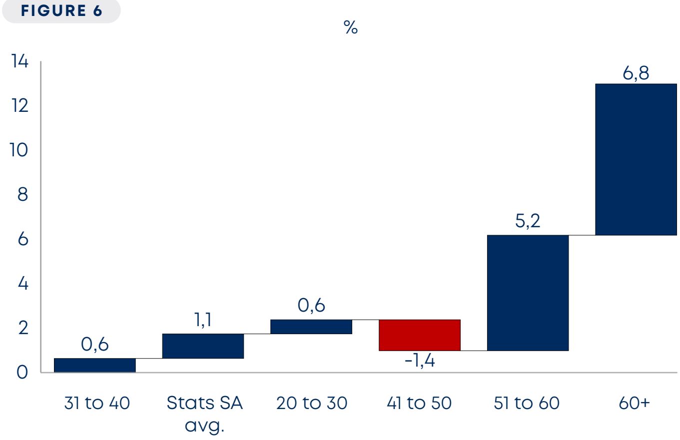
Total 18.7 bn



6 YOY real increase in average homebuyer incomes by age group (12 months to Jan 2026)

One of the most encouraging features of the BetterBond data sets on prospective homebuyers is the consistent increases in reported average incomes of people that apply for assistance with home loan financing. Over the past four years, the rate of increase in the incomes of homebuyers has outpaced inflation and the data for the 12 months to the end of January 2026 is no exception, except for the age group between 41 and 50 years **(figure 6)**. The elder age groups (read: more experience) fared exceptionally well, with double-digit nominal growth in the average income of homebuyers over 60. With average inflation of 3.2% having been recorded by Statistics SA for 2025, the latter age group recorded a real increase in their average income of 6.8%.

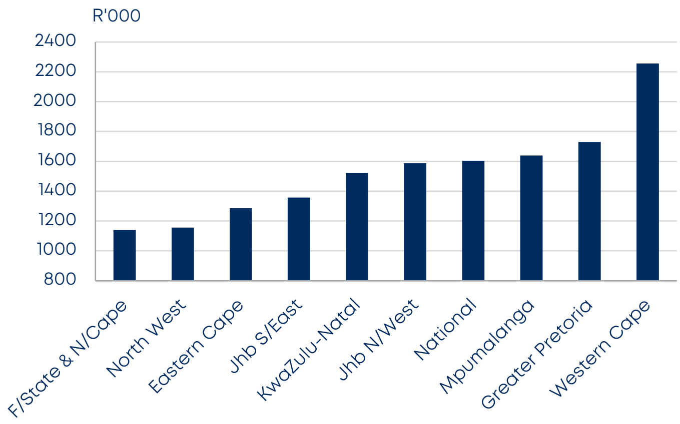
FIGURE 6



7 Regional composition of average home price (12 months to Jan 2026)

Mpumalanga and the Western Cape were tied for first place in the latest stakes for annualised increases in average home prices, coming in at 7.2%, which also represents an impressive real increase (after adjustment for inflation of 3.2%, on average, for calendar 2025). KwaZulu-Natal was the only other region to have recorded a meaningful real growth rate in average home prices, although the North West and Greater Pretoria witnessed average price increases of marginally above 3%. The Western Cape remains way out in front, with an average home price of R2.26 million for the 12 months to January 2026, followed by Greater Pretoria at R1.73 million **(figure 7)**. The only regional decline in average home prices was recorded in Johannesburg's North Western suburbs.

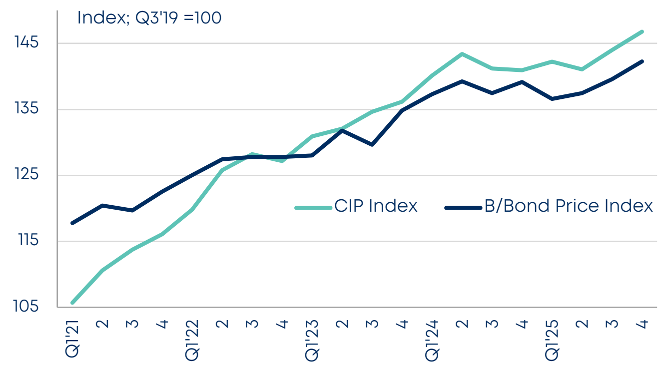
FIGURE 7



8 Construction Input Price Index and the BetterBond Home Price Index

Between Q2 2024 and Q2 2025, the Construction Input Price Index (CIPI) experienced a decline, in contrast to a modest increase in the tempo of average home price increases (as per both the Residential Property Price Index (RPPI) published by Statistics SA and the BetterBond Home Price Index). As a result, the buyers' market range was narrowed, but 2025 once again witnessed a sharper increase in building costs than the average home price, namely 4.1% **(figure 8)**. This trend reaffirms the existence of a buyers' market for residential properties. The increase in home prices has been fuelled mainly by the rate-cutting cycle of the Reserve Bank's Monetary Policy, but also by modest increases in average salaries and employment creation.

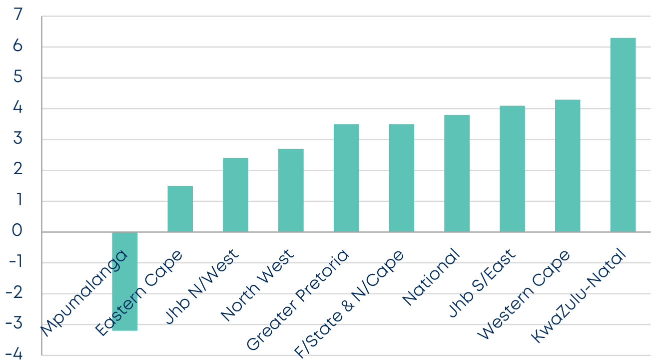
FIGURE 8



9 YOY percentage change in home loan approval ratio by region (12 months to Jan 2026)

An outstanding feature of the latest BetterBond data on bond origination is the solid increases of formal loan approvals, with Mpumalanga being the only region that experienced a modest decline during the 12 months to January 2026. The national average approval ratio was 63.5%, representing a YOY increase of 3.8% **(figure 9)**. Greater Pretoria was in pole position during the past 12 months, with an approval ratio of 73.3%, followed by the Western Cape at 70.4%. KwaZulu-Natal recorded the highest YOY rate of increase in the approval ratio, namely 6.3%, with a ratio of 68% – well above the national average. Recent improvements in the loan impairment metrics of banks have assisted the increase in home loan approval ratios.

FIGURE 9



Economist
Dr Roelof Botha

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

BetterBond