



FEBRUARY 2024

HIGHLIGHTS



Percentage of BetterBond home loans for purchase prices below R1m



YOY increase in average home price for first-time buyers



Gauteng share of home loans in the past 12 months



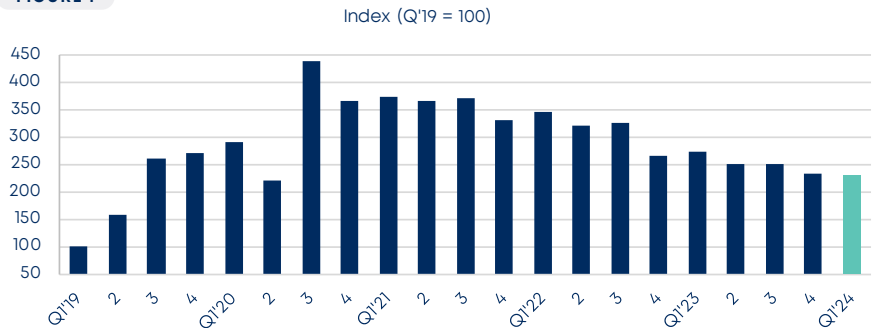
Average home loan value in the Western Cape

1 BetterBond index of average monthly home loan applications

Home loan activity started the year on a solid footing, with January applications virtually at the same level as the Q4 2023 monthly average (figure 1). This is encouraging as January is usually quite a slow month for many businesses, following on from the summer holiday season.

There is nevertheless cause for some concern that, since Q4 2021, home loan applications have been below levels achieved in the last quarter before the Covid-19 pandemic. Unsurprisingly, this downward trend started in the same quarter as the Reserve Bank Monetary Policy Committee commenced interest-rate hikes.

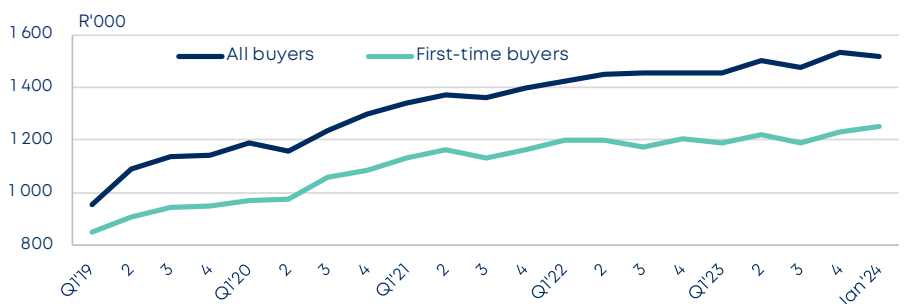
FIGURE 1



2 Average home purchase price

A measure of resilience remains in the residential property market. January saw YOY increases in average home purchase prices for all buyers (4.2%) and first-time buyers (5.1%), whereas in QOQ there was a marginal decline of 1.1% for all buyers and a modest increase of 1.6% for first-time buyers (figure 2). With the rate of annualised consumer inflation still marginally higher than the rate of increase in home prices, buyers still have an advantage over sellers.

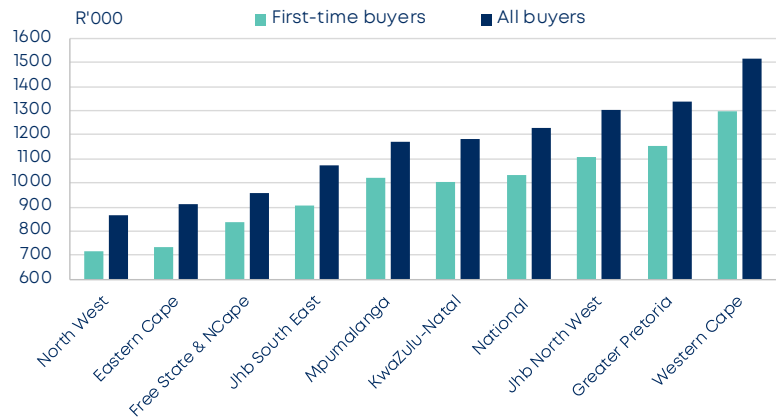
FIGURE 2



3 Regional composition of average home loans (12 months to Jan 2024)

During the 12 months to Jan 2024, the Western Cape retained its position as the top region for home loan values (figure 3). At an average value of just over R1.5 million, home loan values in the Western Cape were 13% higher than in Greater Pretoria and 75% higher than in the North West province. Compared to the national average, home loan values in the Western Cape are 24% higher. One reason why home loan values have been muted could be due to increased deposits required from prospective homebuyers.

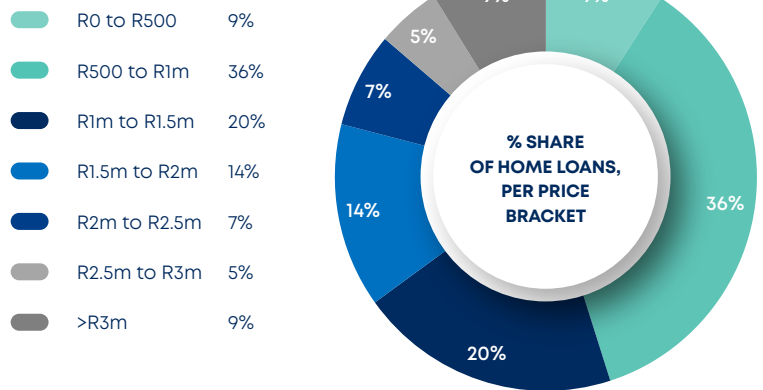
FIGURE 3



4 % share of home loans, per price bracket (12 months to Jan 2024)

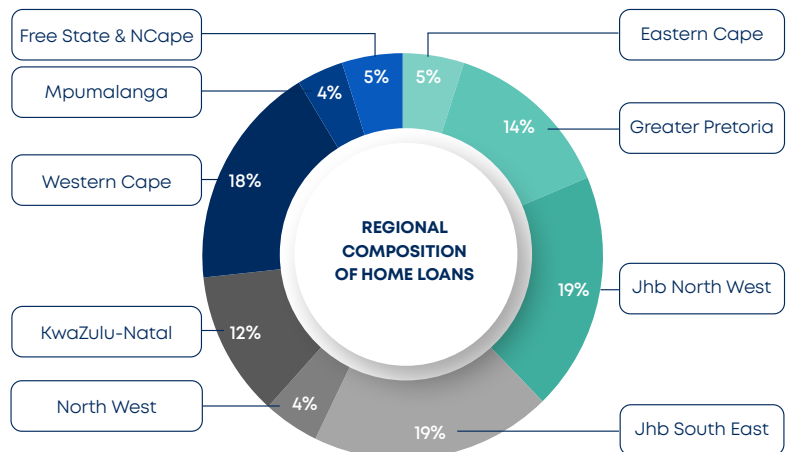
Over the past 12 months, the share of home loans for purchase prices below R1 million has continued to dominate homebuying activity, representing 45% of total home loans awarded (figure 4). Against the backdrop of high interest rates and subdued economic growth, this trend is not surprising and likely to remain until interest rates start coming down. Fortunately, new job creation has continued over the past two years, which provides the residential property market with a growing base of potential demand. The first three quarters of 2023 saw 811,000 new jobs being created in the economy.

FIGURE 4



5 Regional composition of home loans (12 months to Jan 2024)

During the 12 months to Jan 2024, Gauteng continued to dominate the home loans market with the BetterBond regions of Greater Pretoria, and the two Johannesburg regions, accounting for more than 52% of all home loans awarded (figure 5). After Gauteng, the Western Cape and KwaZulu-Natal recorded the next best home loans activity. In the current macro-economic environment of subdued growth and higher debt-servicing costs, home loan activity is likely to remain somewhat constrained, but prospective buyers are in good bargaining positions.

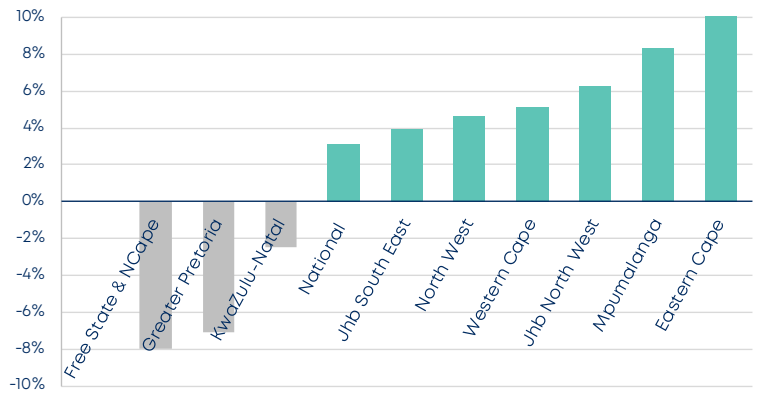


6 % change in average home prices, by region (12 months to Jan 2023 and Jan 2024)

Over the past 12 months, most BetterBond regions experienced increases in average home prices, the exceptions being KwaZulu-Natal, Greater Pretoria, and the Free State & Northern Cape (figure 6). The friendly city of Gqeberha came out on top, with a 10% average YOY increase, followed by Mpumalanga.

The quality of municipal services plays a role in homebuyers' choice of location and residential property experts will assess with keen interest the impact of the results of the national general election on the future regional composition of home prices.

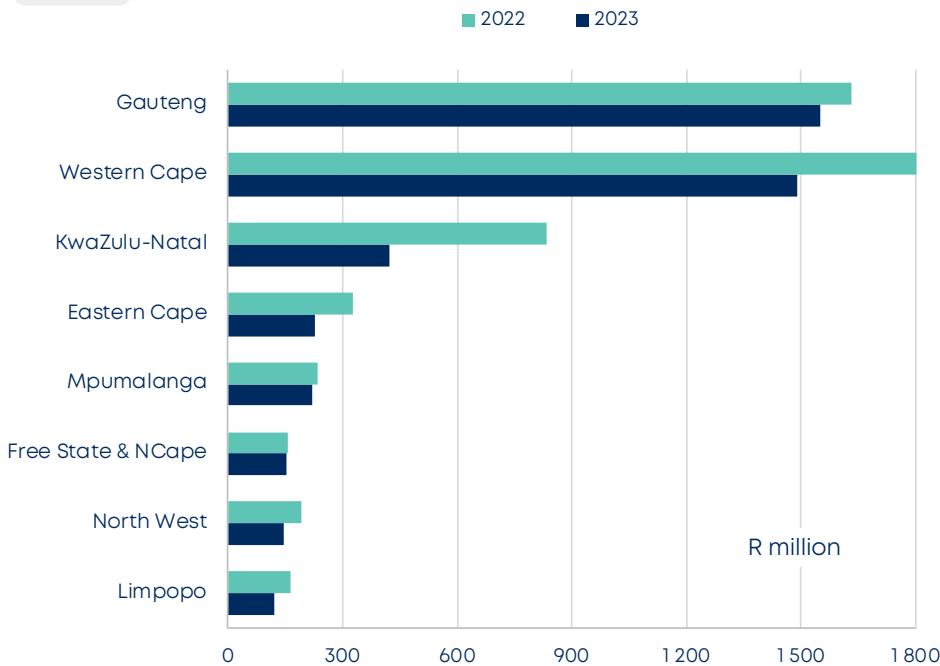
FIGURE 6



7 Average monthly value of building plans passed, by region in 2022 & 2023

No part of the country has been untouched by rising interest rates over the past two years, with the value of building plans passed in the metros and larger municipalities declining by 19% nationally in 2023 (figure 7). KwaZulu-Natal metros fared the worst, with a decline of 49%. Gauteng managed to perform relatively well, with a decline of only 5%, which made it possible for the province to surpass the Western Cape as the region with the highest value of building plans passed. Once interest rates start coming down, the lack of new residential building activity may serve as a constraint to the supply of homes, which could result in an upward trend in the prices of homes located in South Africa's most popular homebuying areas.

FIGURE 7



Economist's notes



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.



811,000

New jobs created Jan to Sept 2023



8.1%

YOY increase in retail trade sales (Dec 2023)

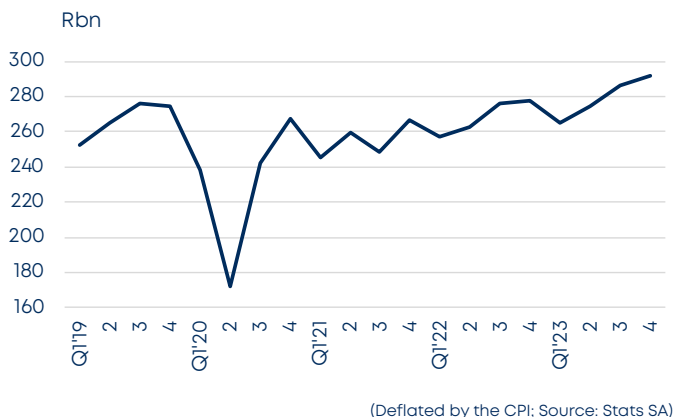
Economic records re-written

Despite the disappointment of the Reserve Bank keeping interest rates unchanged in January, instead of starting to lower them and reverting to a more accommodating monetary policy approach, the economy is still faring quite well, as confirmed by a number of new records for sales values in key sectors:

- The manufacturing sector ended 2023 on a high (**figure 8**), recording a sales figure of R876 billion in Q4 2023, representing a new quarterly record, both in nominal and real terms.
- Factories had a strong showing in 2023, recording YOY record sales performance every single month, and managing to maintain real growth of between 4% and 5%.
- Total manufacturing sales ended 2023 on R3.3 trillion, 10% higher than in 2022 in nominal terms, and well above the average rate of inflation.

8 Average monthly manufacturing sales at constant 2023 prices

FIGURE 8



Two of the major manufacturing divisions – Food & Beverages and Motor Vehicles & Parts – also managed to increase their capacity utilisation in 2023.

Food and beverage processing represents the largest of the manufacturing divisions, accounting for more than 22% of total manufacturing sales.

'Twas the season to be jolly

In the lead-up to December 2023, there were predictions of muted retail trade sales (on the back of consumers battling higher debt-servicing costs), but this did not come to pass. Total retail sales increased by a strong 22.5% QOQ and 8.1% YOY in December.

The main beneficiaries of the R157 billion spent in South African shops in December were general dealers, with textiles and clothing also faring well.

National Budget passes acid test

Capital markets' reaction to a National Budget is widely regarded as a key barometer of its soundness in maintaining sufficient fiscal stability. The Treasury would have been pleased by the decline in the bond yield and strengthening of the rand/US dollar exchange rate (albeit marginally) shortly after the the budget speech. Detail is required in the area of growth-enhancing policies, but it was encouraging to hear Finance Minister Enoch Godongwana echo President Cyril Ramaphosa's commitment to closer cooperation with the private sector in fixing infrastructure, especially in energy, roads, harbours and the railways.

Economist
Dr Roelof Botha

Contact us
Taryn Curtis | BetterBond Marketing Manager | taryn.curtis@betterbond.co.za

www.betterbond.co.za

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