



AUGUST 2023

HIGHLIGHTS



Strengthening of Rand / \$ exchange rate in June & July



Increase in BetterBond share of Deeds Office registrations since Q3 2020



Decline in Deeds Office registrations since Q3 2021



June 2023 Producer Price Index

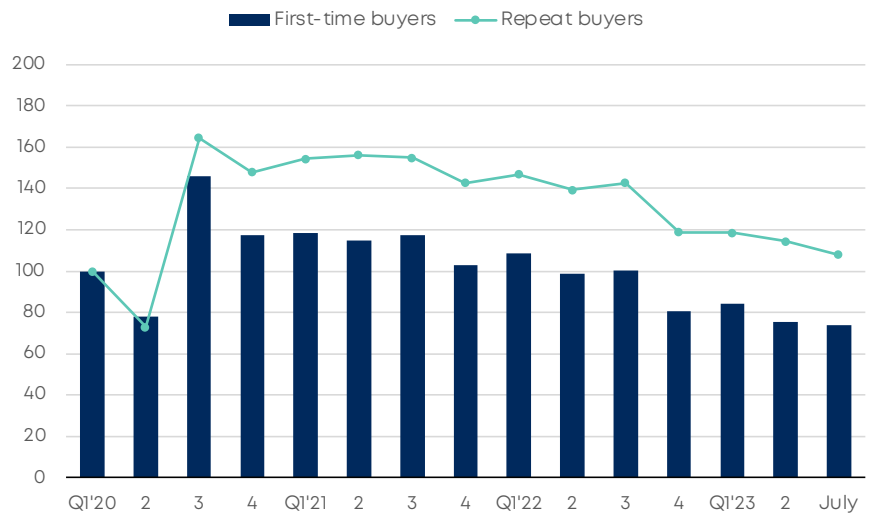
1 Total number of home loan applications submitted since 2020

After the decline of Q2 2020, induced by the Covid-19 pandemic, property market activity rebounded healthily, buoyed by a strong dose of pent-up demand. The number of BetterBond home loan applications then remained well above the levels of pre-pandemic Q1 2020, largely due to the lowering of interest rates by the Reserve Bank (**figure 1**).

In only seven months (Dec 2019 – June 2020), the prime interest rate dropped from 10% to 7%, stimulating tremendous homebuying activity.

Interest rates then started rising in late-2021. Prime has gone from 7% in Nov 2021 to 11.75% in May 2023, not conducive to residential homebuying.

FIGURE 1



2 Average home price, per region

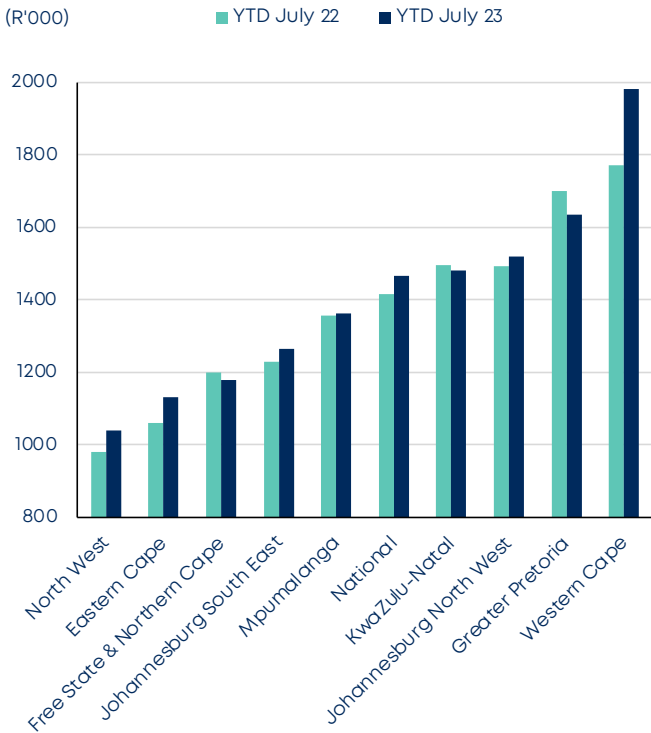
Average home prices have increased (**figure 2, on next page**), despite higher interest rates (especially during 2023).

For BetterBond home loans, the nominal year-on-year increase for the 12 months ending July 2023, amounted to 3.6%. When adjusted for inflation, this number becomes marginally negative.

Three BetterBond regions – Western Cape, Eastern Cape, North West – recorded positive year-on-year growth in average home prices for the 12 months ending July 2023.

Now that inflation is on a downward path (having peaked in July 2022), the chances of interest rates coming down, are improving.

FIGURE 2



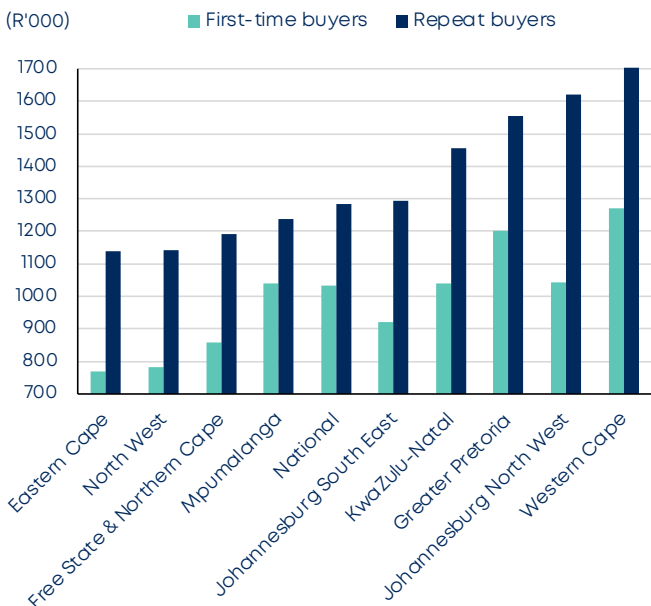
3 Approved home loan value, per region

Figure 3 shows that across South Africa, the average value of approved BetterBond home loans for first-time buyers amounts to 80% of the value for repeat buyers.

The smallest variances between these two groups occur in Mpumalanga, Greater Pretoria and the Western Cape.

Average home loan values for repeat buyers in all regions are above R1.1 million, and for first-time buyers average home loan values are above R1 million in five regions.

FIGURE 3



4 % of formal grants, per price bracket

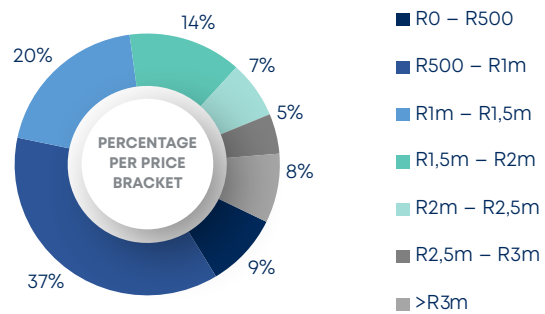
Homebuying activity in the price brackets below R1 million has been impacted by rising interest rates (figure 4).

There has been a decline in formal home loans granted below R500 000, as well as between R500 000 and R1 million for the 12 months ending July 2023.

A marginal decline has occurred between R1 million and R1.5 million, and comparatively more formal grants have been approved for homes priced above R2 million.

Higher income earners enjoy the benefit of alternate income sources – investments, rental income and more – which insulate them, to some extent, from the negative effects of higher interest rates. Lower income earners are more dependent upon home loan finance.

FIGURE 4



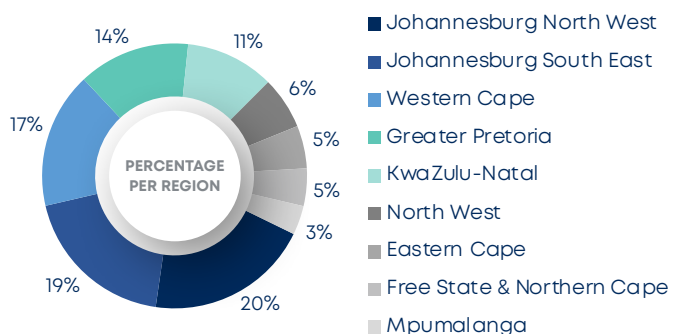
5 Percentage of formal home loan grants, per region

Figure 5 shows that Gauteng continues to outperform other regions of the country in terms of number of formal home loans granted, with a share of more than 50% of the total number of home loans for the 12 months to July 2023.

The two BetterBond regions in Johannesburg retained the top positions, followed by the Western Cape, Greater Pretoria and KwaZulu-Natal.

It is apparent that demographics play a significant role in the regional composition of property market activity, especially due to the presence of economically dynamic, active and innovative so-called ‘propulsive industries’ in key metros.

FIGURE 5

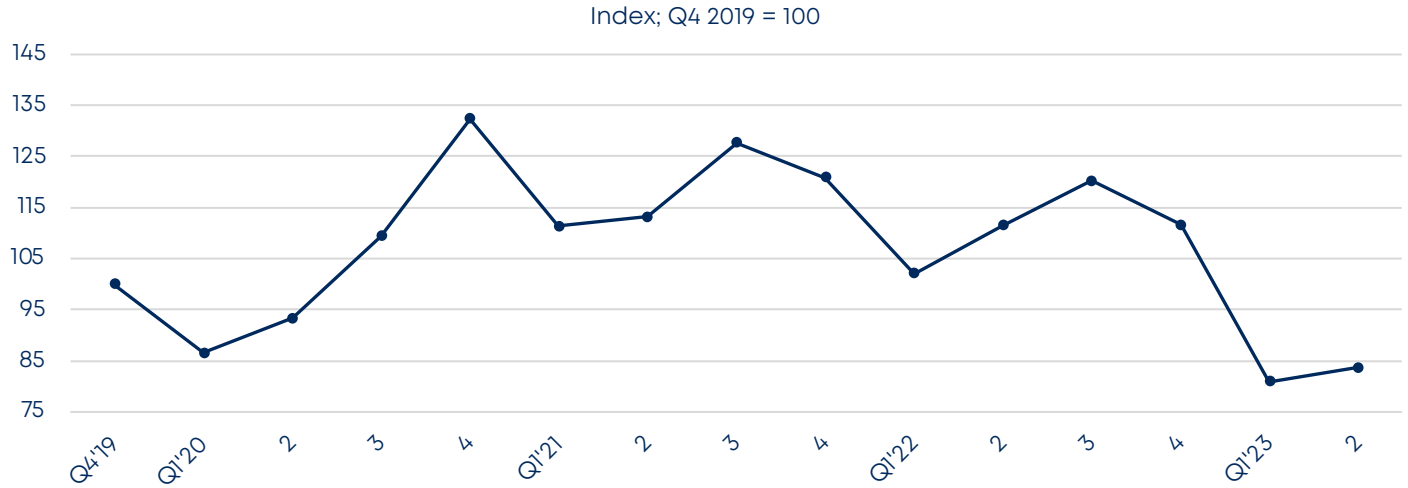


6 % Deeds Office registrations

The rise in interest rates has taken a toll on Deeds Office registrations, which have declined to a lower level than during Q2 2020 (the 'Covid quarter'), when strict lockdown restrictions were in place (figure 6).

BetterBond has nonetheless managed to increase its share of Deeds Office registrations by 9% in the three years to May 2023. Industry experts are optimistic that an end to the current rate-hiking cycle will lead to an uptick in this key indicator of residential property market activity.

FIGURE 6



7 Residential Property Price Index & Construction Input Price Index

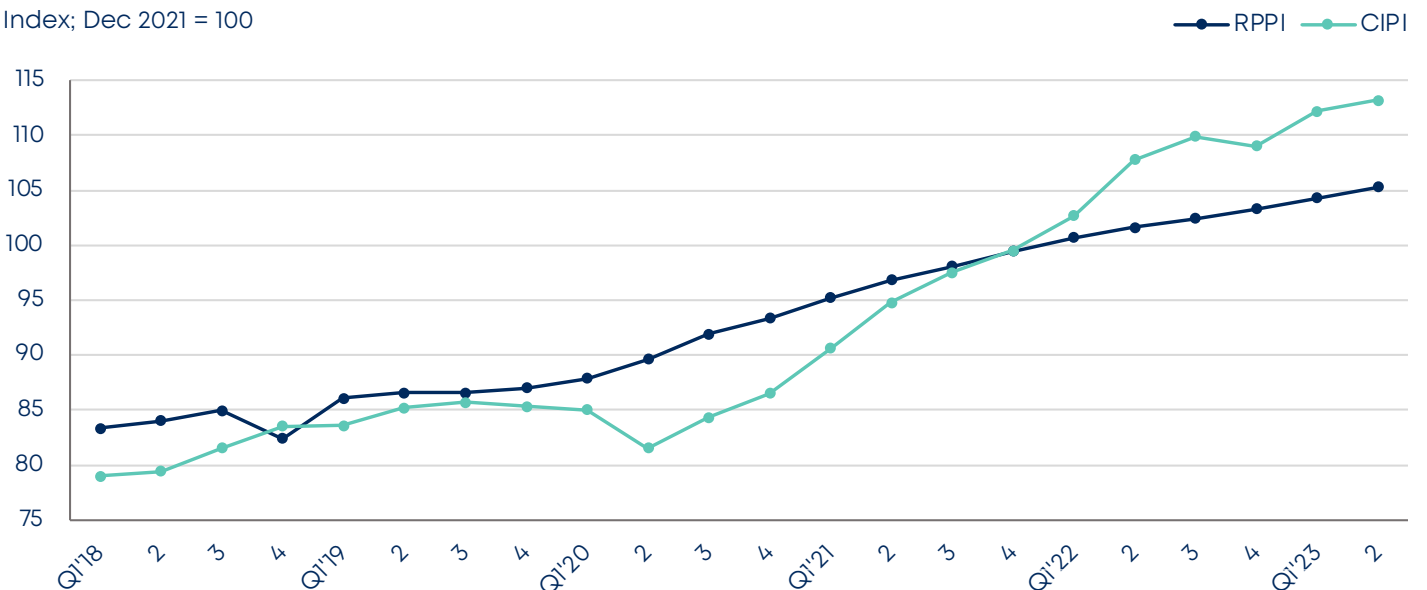
Unsurprisingly, construction costs have risen at a rapid rate during the past two years, almost similar to the Production Price Index (PPI), and linked to the increase in the Consumer Price Index (CPI).

The Construction Input Price Index (CIPI) is related to other building and civil works, and serves as a benchmark for input price trends in the residential building sector.

Figure 7 shows that house prices were shielded from the effects of the Covid-19 pandemic (also because of a lack of demand), but building costs have since increased at a faster rate and the relevant index is now 7.5% higher than the Residential Property Price Index (RPPI).

Once interest rates decline meaningfully, house prices will play catch-up. For now, it remains a buyers' market.

FIGURE 7



Women & Property

August is Women's Month in South Africa. Women in our country are embracing financial independence through property ownership. They are also well represented in our property industry.

- In the decade **2010-2020**, bond approvals for women in SA increased from **14%** to **41%**, with **60%** from single women
- Between **2015** and **2020**, more women bought property on their own than men or married couples
- At least **60%** of SA's residential housing stock is owned by single women (Lightstone)
- Women are waiting longer to get married, with the median age of marriage for women **increasing from 29 in 2011 to 32 in 2023** (Stats SA)
- **42.1%** of South African households are headed by a woman
- **± 7.5 million** women are the main income earners in their families



The picture elsewhere



USA

- **87%** of women believe they don't need to be married to own their own home (Bank of America)
- **65%** of single women would rather invest in property while they're single, than wait for a partner
- **45%** of women aged 25 to 44 will be single by 2030 (Morgan Stanley)
- Since 1981, single women have outpaced single men as homebuyers (National Association of Realtors)
- In 2022, there were nearly double as many single women (**17%**) homebuyers than single men (**9%**)
- Sex and the City writer Jenny Bicks got 22,000 likes for this tweet: '24 years ago I wrote an episode where Miranda is shamed for buying an apartment as a single woman. Now single women outnumber single men as homeowners.'



UK

- **33%** of mortgaged owner-occupiers are women (Savills)
- Mortgage applications with primary or sole female applicants increased from **29%** in 2017 to **33%** in 2021 (Habito)
- Only **2.8%** growth in female mortgage holders over the past decade (Habito)
- In England, women need an average of 12 times their annual salary to be able to buy a home, while men need just over 8 times (Habito)

For women, buying a home is about more than resale value. It's about charting their own futures.



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.

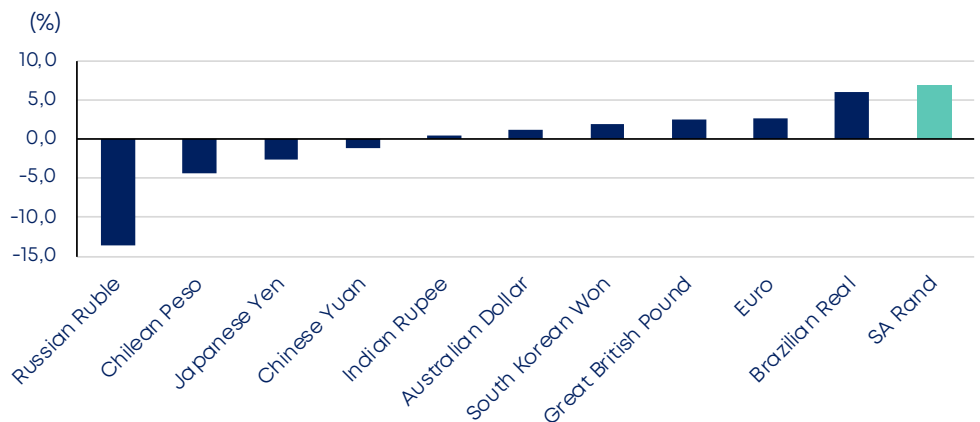
July 2023 marked the first time since Nov 2021 that the Reserve Bank did not raise its benchmark repo rate, which was good news for aspirant homebuyers and existing homeowners.

There was even better news with a further sharp decline in the Producer Price Index (PPI), which feeds into the Consumer Price Index (CPI) and acts as a leading indicator of future consumer inflation.

The Reserve Bank Monetary Policy Committee seems to have underestimated the extent and speed at which the PPI dropped off its peak of 18% in July 2022, to only 4.8% in June 2023, which will almost certainly continue to send the CPI lower in coming months.

The fairly spectacular recent performance of the South African currency represents one of the main reasons for impetus to the trend of declining inflation. Since June, no currency of note in the world has been able to match the sterling performance of the rand, which hit a double-digit strengthening against the US dollar between 1 June and 31 July 2023 (**figure 8**).

FIGURE 8



SOURCES: X-RATES; ECONOMIST'S CALCULATIONS

The drop in the CPI, from its peak of 7.8% in July 2022, to the current rate of 5.4% has been rather predictable and is also premised on the return to price stability in the global shipping industry.

This is reflected in the latest Statista Global Container Freight Rate Index, which is 86% lower than its peak of \$10 361 for a 40-foot container in Sept 2021.

These trends are bound to drive down inflation further and could lead to a reversal of interest rate hikes before year-end.

Further rise in household disposable income

In July, there was more good news from one of the key indicators in the Altron-FinTech Household Resilience Index (AFHRI). Although its reading for the Q1 2023 predictably took a slight dip as a result of financial pressures faced by South African households, it also contains some exceptionally good news on the continued resilience of several key indicators.

One of the shining stars in the ensemble of 20 indicators comprising the AFHRI, is the new all-time record for total household disposable income, which also serves as one explanation for South Africa's ability to avert a recession in Q1 2023. This key economic indicator is on course to hit the R1.1 trillion quarterly level before the end of 2023.

Economist
Dr Roelof Botha

Contact us
Franki Robinson | BetterBond Marketing Manager | franki.robinson@betterbond.co.za

www.betterbond.co.za

BetterBond, a subsidiary of BetterHome Group Limited.

Disclaimer: BetterHome Group Limited and its affiliates (being entities in which BetterHome Group Limited has a financial interest) shall not be liable for any errors, omissions and/or inaccurate information contained herein nor shall any of them be liable for any loss, damages or costs whatsoever arising from the use, dissemination or publication of this document. Recipients may not sell or otherwise profit from the dissemination of the information contained herein. This document is intended for information purposes only and is not intended to constitute advice nor is it intended to constitute an offer of any nature. You should accordingly seek advice from a professional advisor before making any financial decisions to ensure that your specific financial needs have been assessed.