

Dear Business Partners,

Please find attached the latest FNB Residential Property Barometer.

In summary:

- The FNB House Price Index growth slowed to 1.1% y/y in July, down from 1.6% in June (revised from 1.7%). This is in line with the continued decline in buying activity, with mortgage volumes now tracking closer to pre-pandemic levels. The average bond amount, estimated from deeds data, declined by approximately 3% in 2Q23, the first decline in 14 years (since 2Q09). Similarly, year-to-date tax data reveals that property transfer duties are down by 10.3% compared to the same period last year. In addition to lower demand, these indicators signify a downscaling trend by buyers, along with tightening of lending standards amid higher borrowing costs and affordability constraints.
- Feedback from estate agents indicates a widening gap between income levels and current house prices. Approximately 45% of surveyed estate agents assert that income levels have considerably lagged behind house prices, while 24% believe income has managed to keep pace. Consequently, a larger proportion of sellers have needed to recalibrate their expectations and reduce their asking prices. Although the average discount quantum on asking prices remains consistent, hovering around 10%, our survey suggests that 81% of sellers in 2Q23 were compelled to lower their asking prices, reflecting an increase from 75% in the previous quarter. Collectively, these indications suggest a subdued environment for house price growth. However, variations are evident across regions, with data showing relatively stronger performance in the Eastern and Western Cape regions.

Full report attached.

Kind regards

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