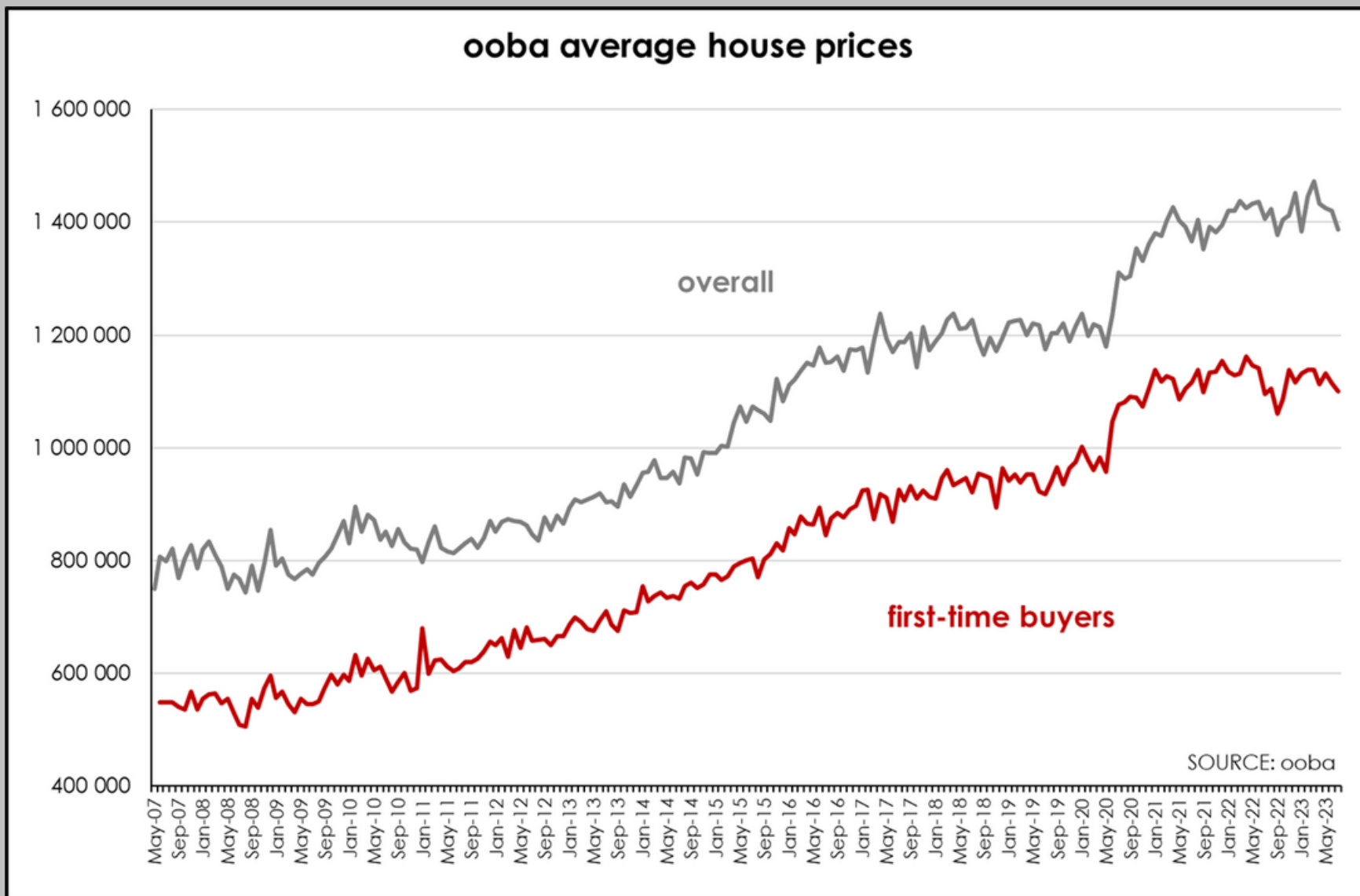


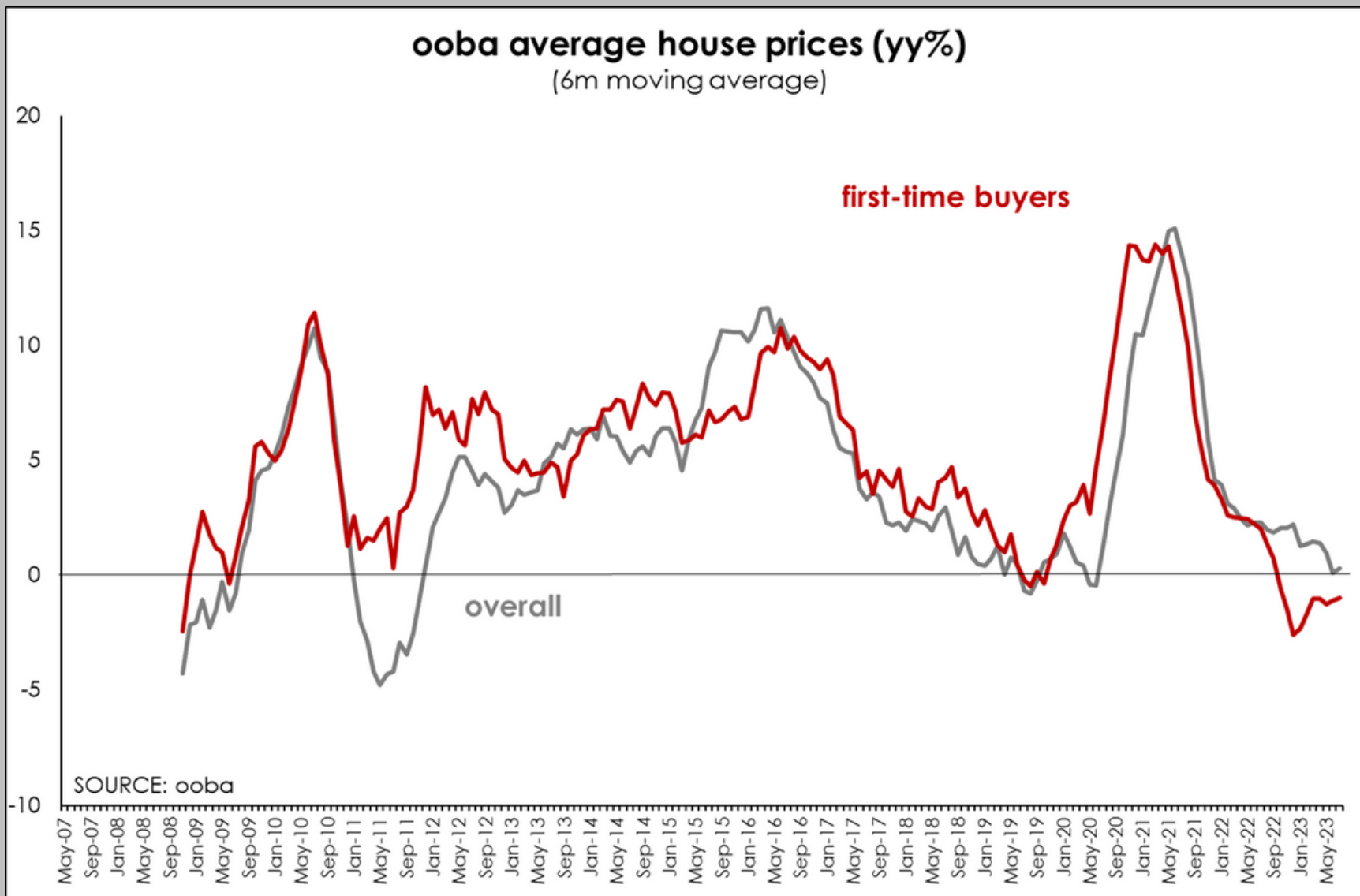


Market Update

August 2023

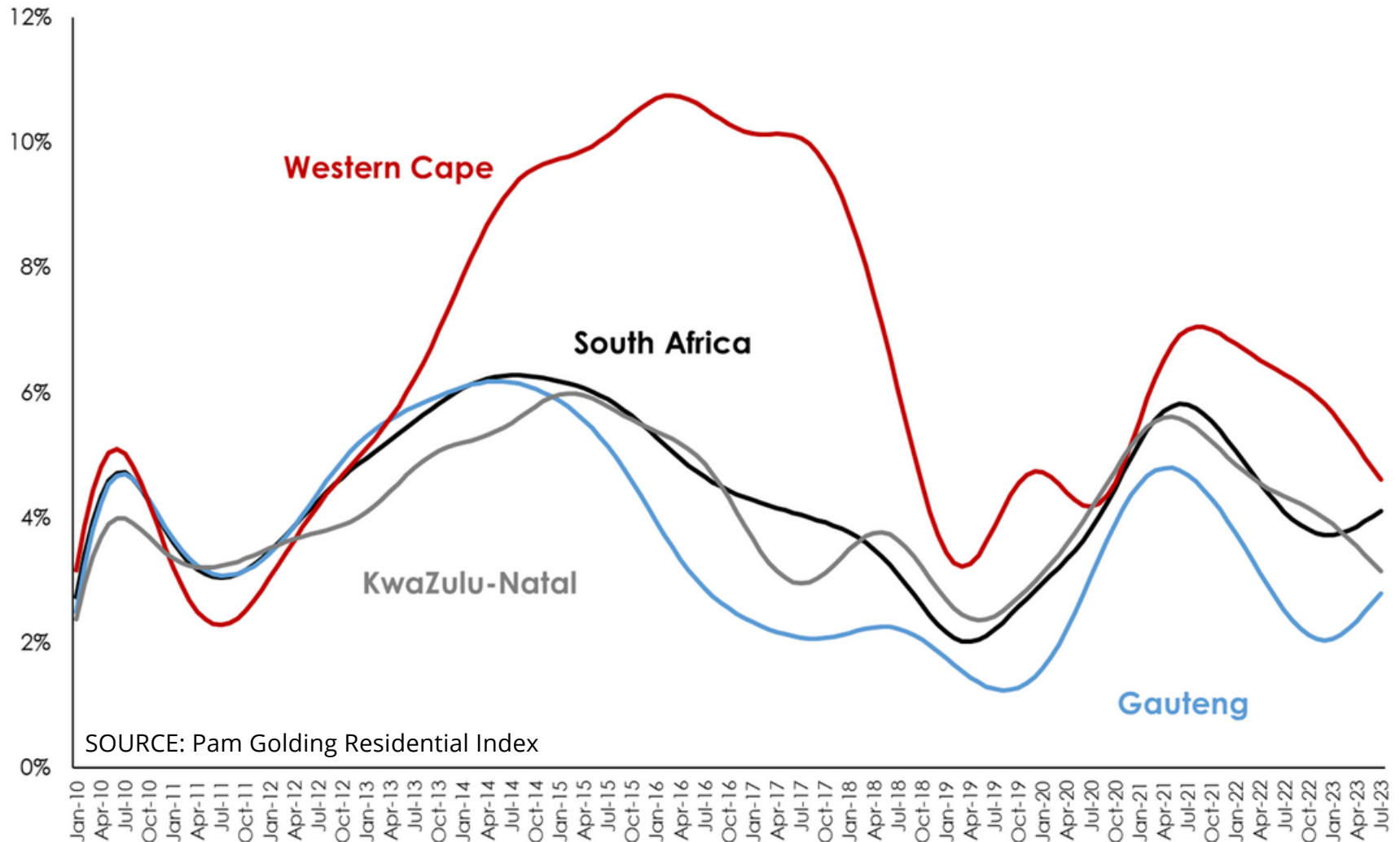


The **overall purchase price** continued to ease from a record R1.47m in Mar'23, softening to R1.39m in Jul'23. The average price paid by the more interest rate sensitive **first-time buyer** eased marginally to R1.10m last month.

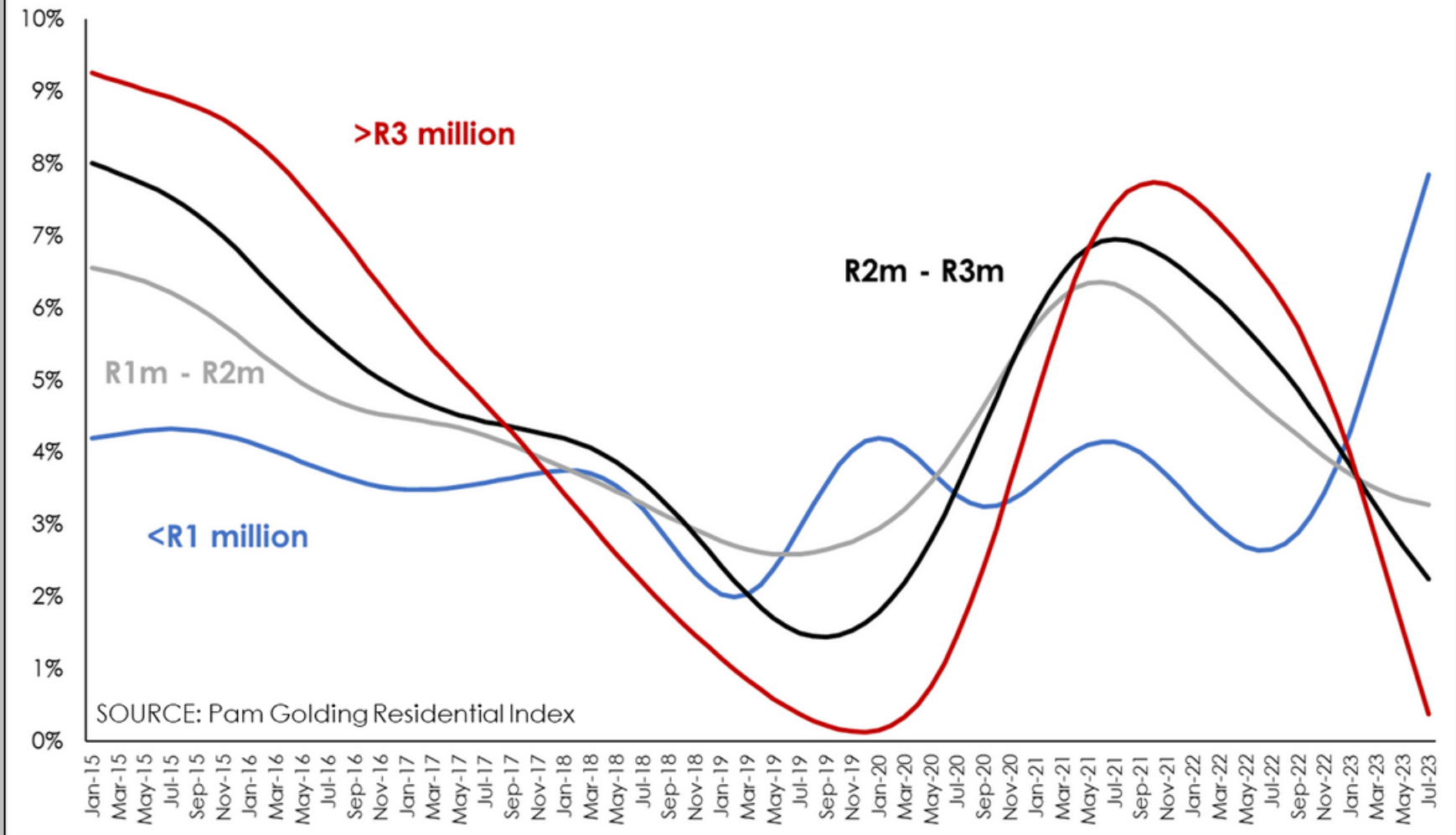


As **overall national house price inflation** (HPI) remains barely positive in Jul'23 at +0,3%, prices paid by **first-time buyers** remained firmly entrenched in negative territory for the 10th consecutive month at -1,0% from year-earlier levels.

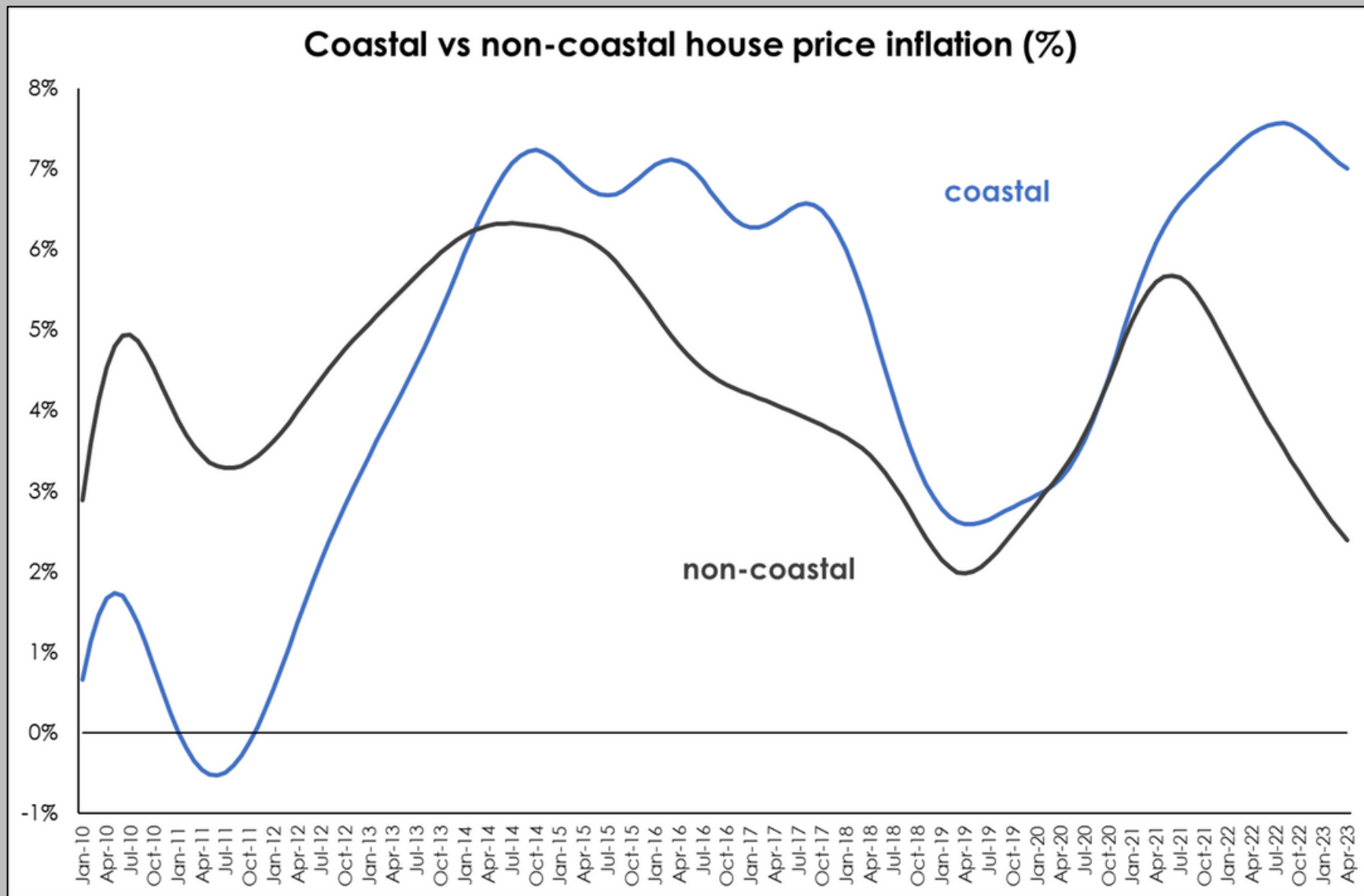
Gauteng rebounds but Western Cape & KZN continue to slow



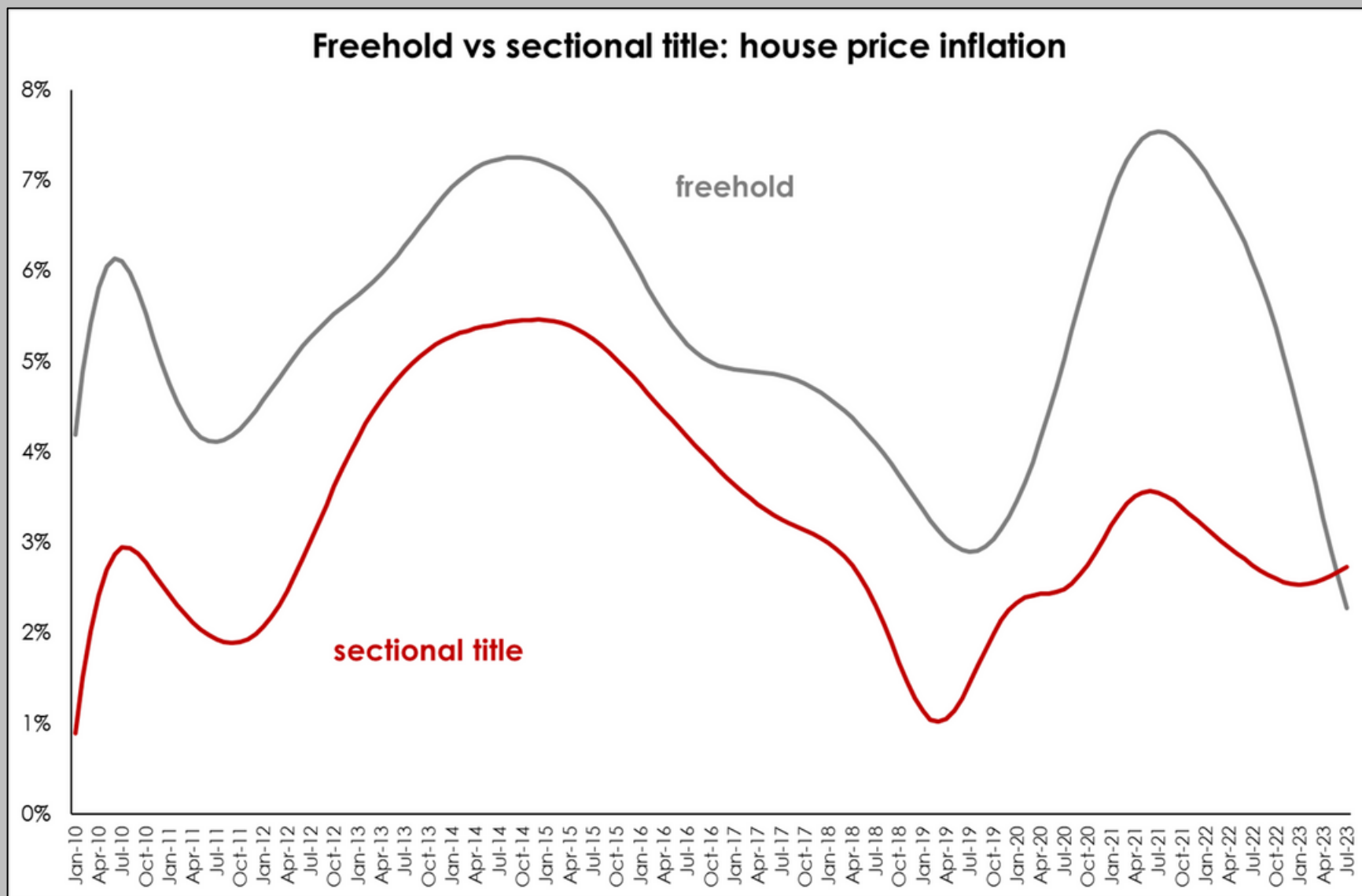
Only <R1m price band continues to show accelerating growth in house prices



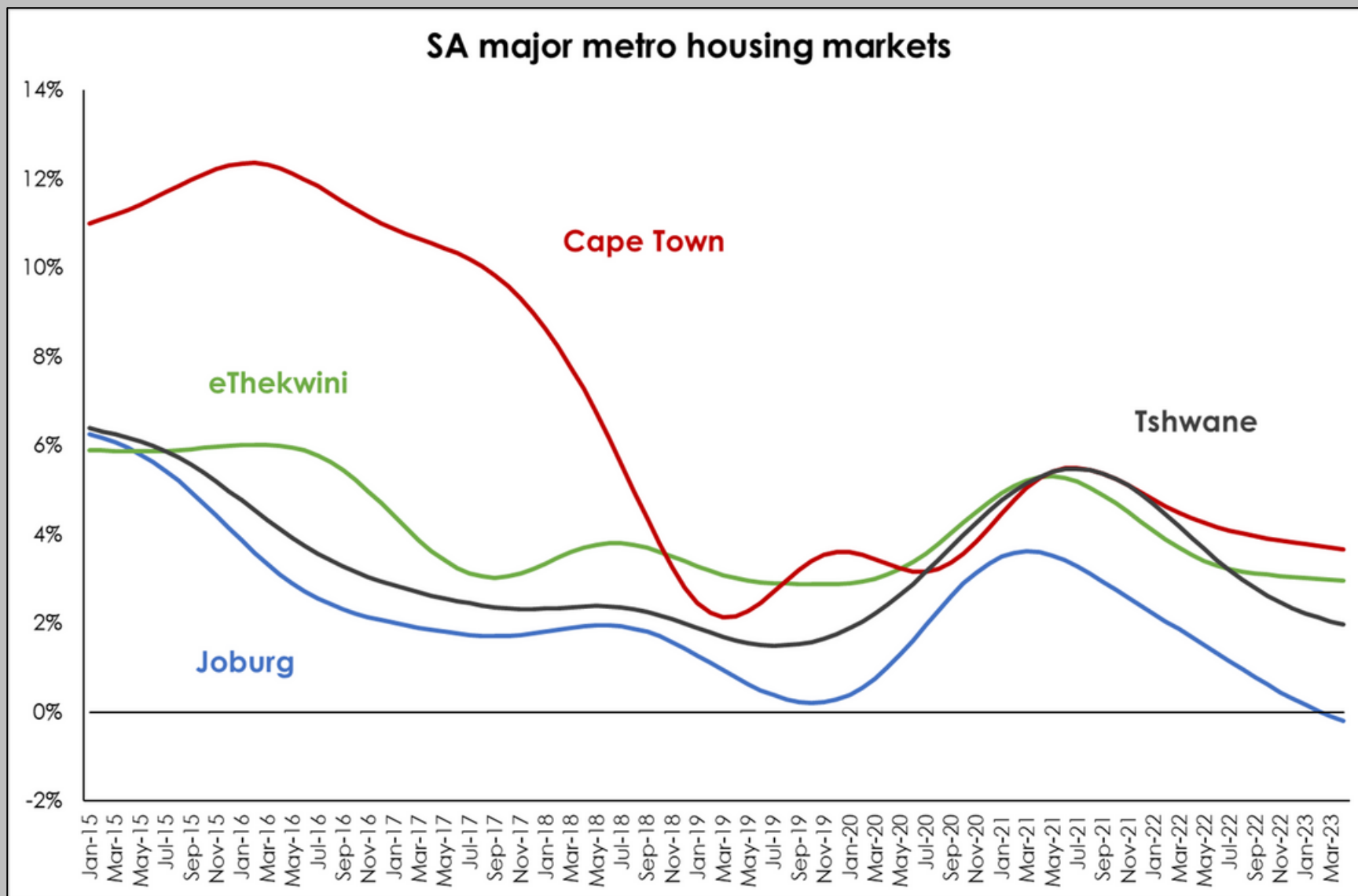
Prevailing trends of 2022 continue – with house price inflation slowing in all price bands, except the **lower price band** (<R1m), where price growth accelerated to +7,8% in Jul'23.



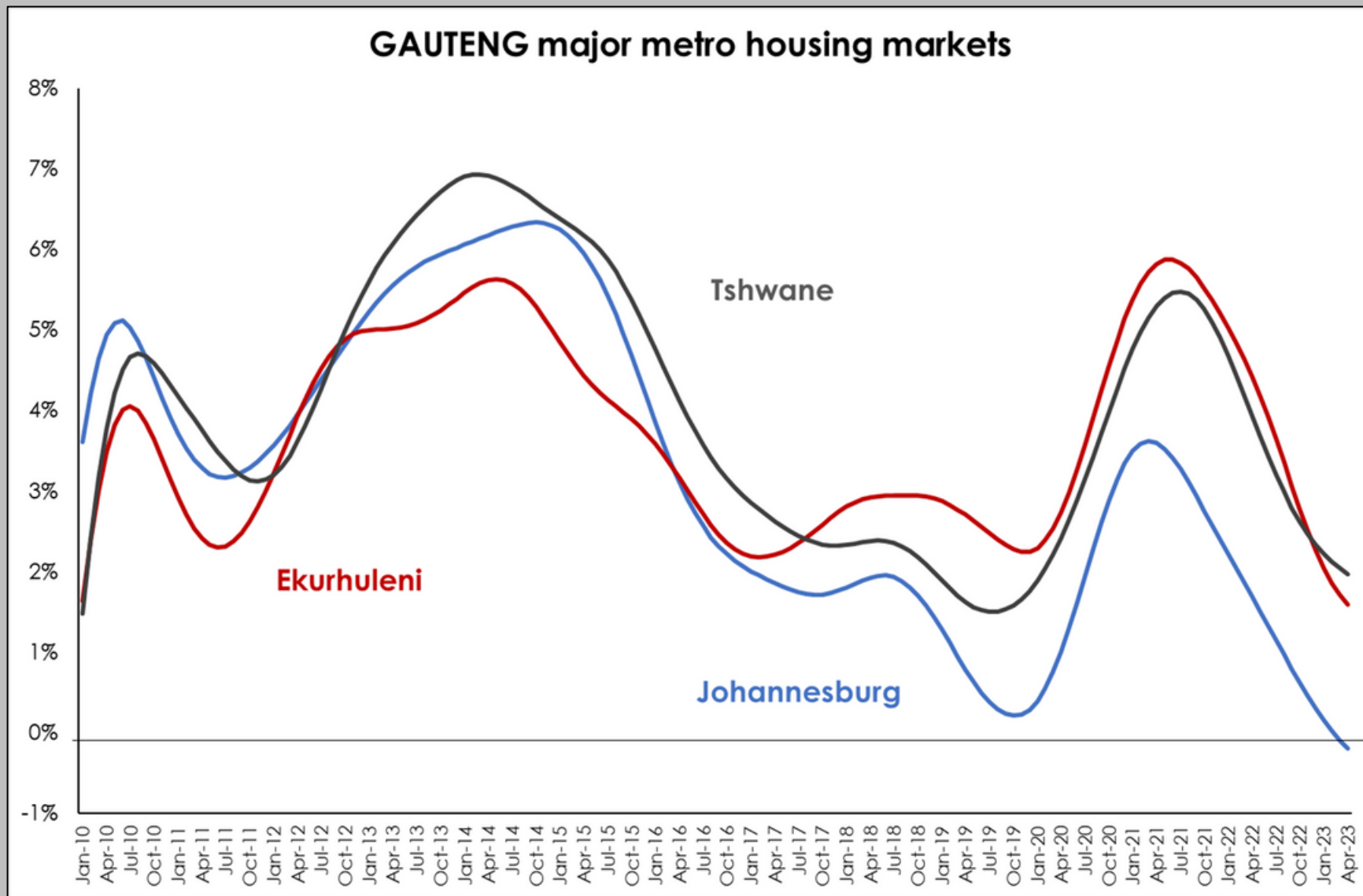
With **non-coastal HPI** slowing more rapidly than growth in **coastal** house prices, the coastal price premium continues to widen –averaging 4,55% in the year to Apr'23 (latest) compared to an average of 3,63% last year.



While growth in **freehold** house prices continued to slow (+2,3% in Jul'23), **sectional title** HPI showed signs of recovery, rising to +2,7% last month –exceeding FH house price inflation for a 2ndconsecutive month. This last occurred in late-2004.

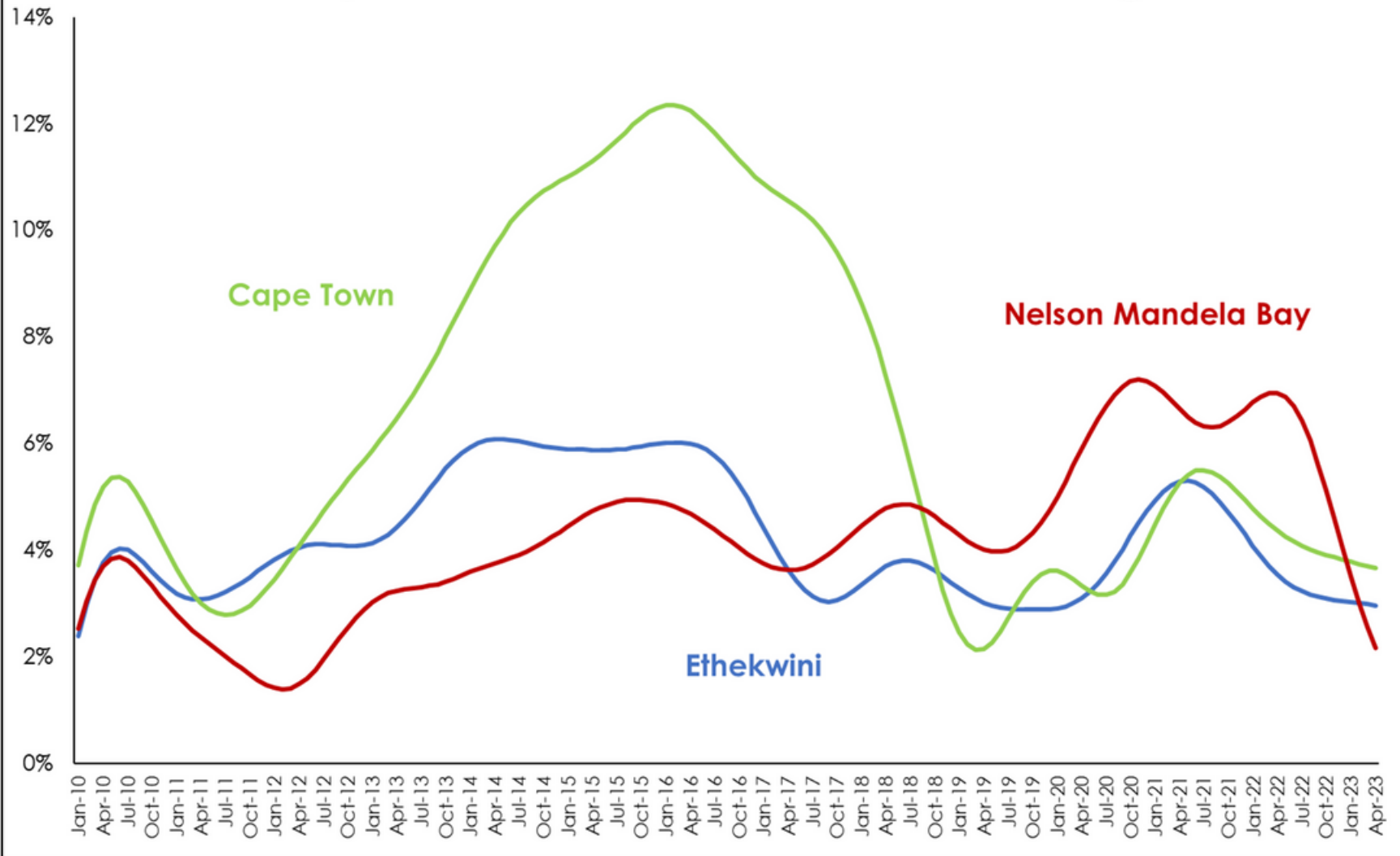


Price growth in most **major metro markets** continued to slow in Apr'23 (latest data) while in **eThekweni** HPI remained steady at 3.0%. Revised HPI in **Joburg** fell below year-earlier levels (-0,2% in Apr'23) for the second consecutive month.



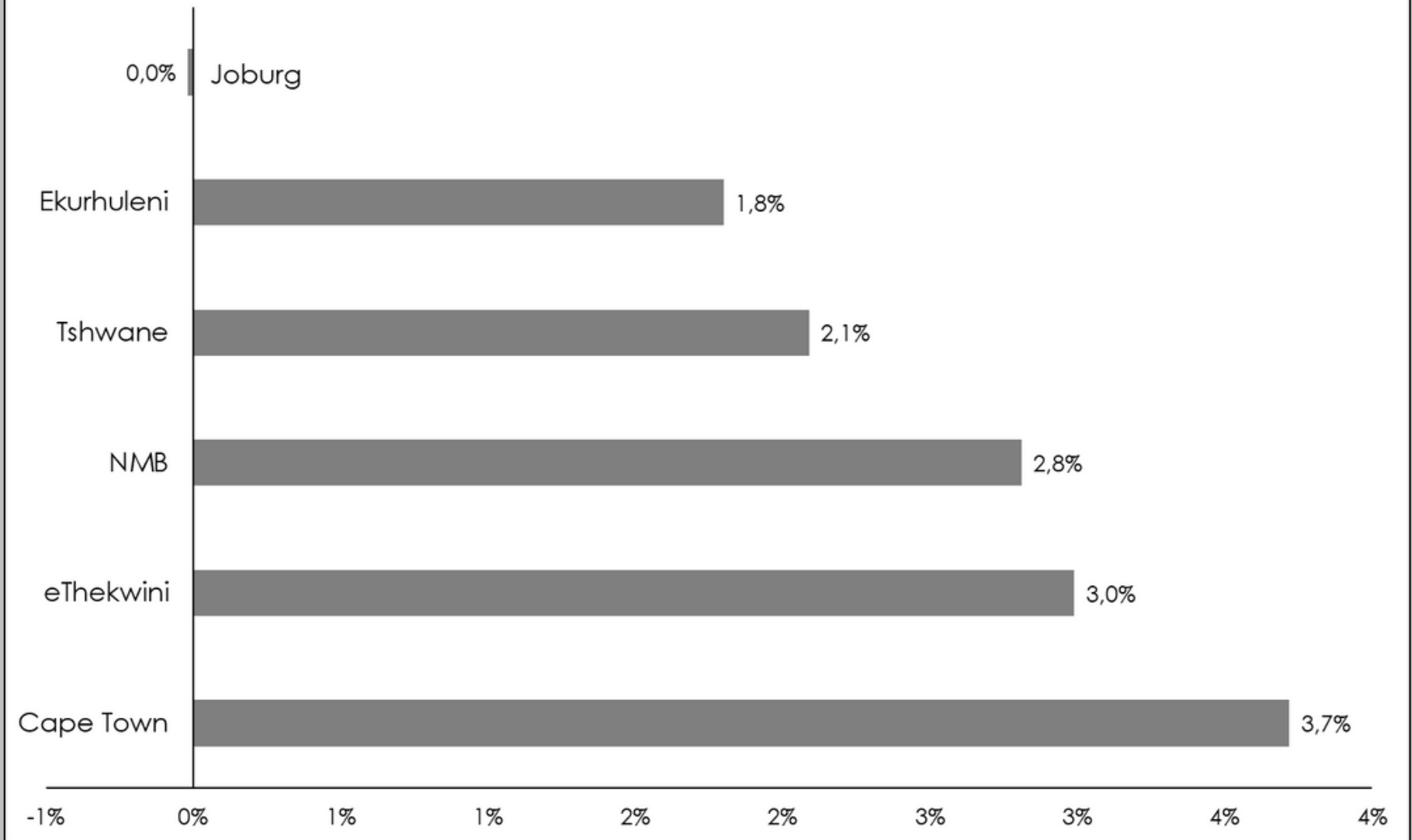
Within Gauteng, growth in prices in all three sub-regions continued to lose momentum in Apr'23 (latest) –ranging from +1,98% in **Tshwane** to -0,19% in **Joburg**.

House price inflation in coastal metro markets converges

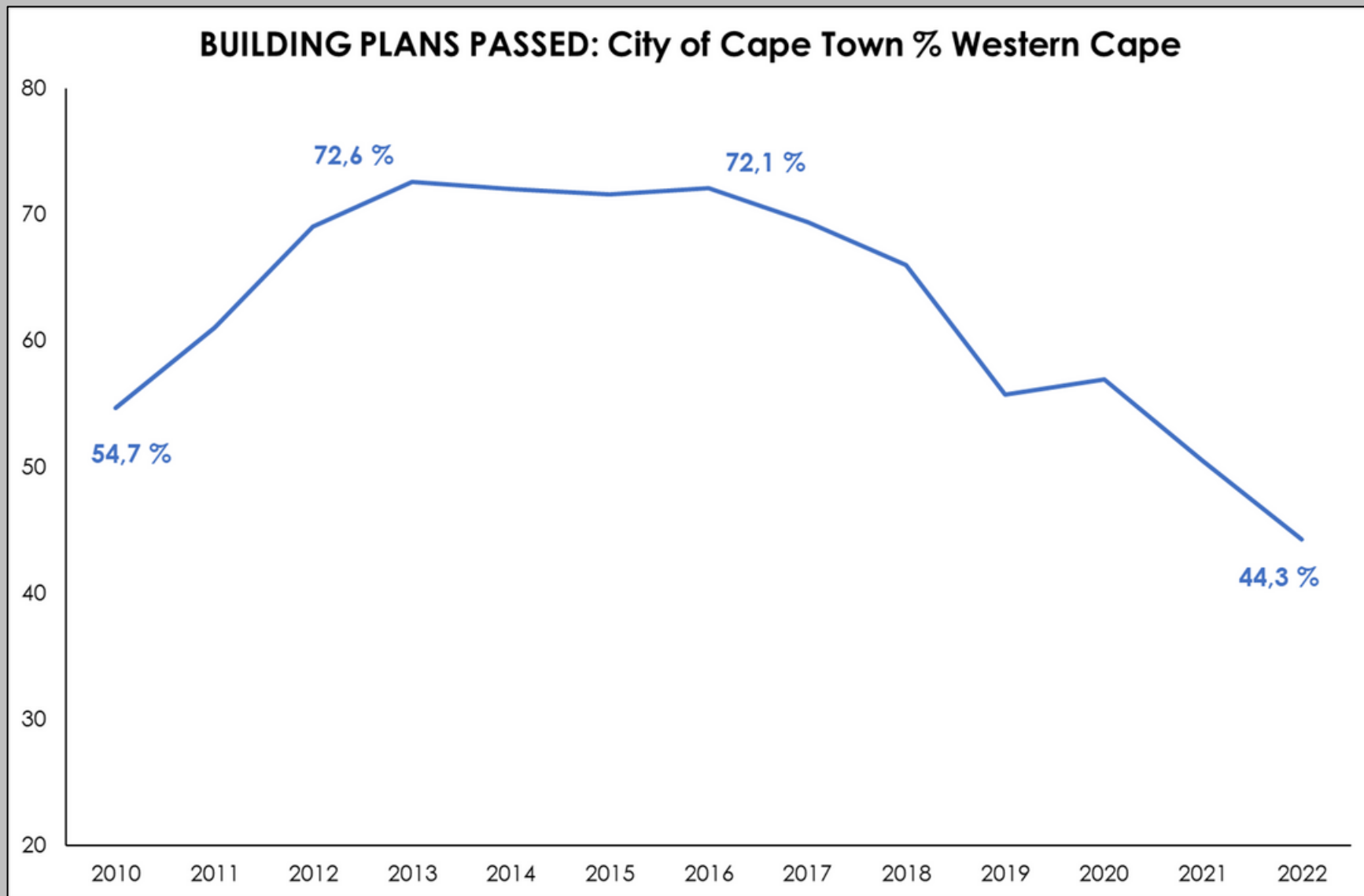


After a period of outperformance, house price inflation in **Nelson Mandela Bay** slowed sharply from mid-22 onwards -easing to +2,17% in Apr'23. This is the lowest among the three coastal metro markets.

METROS: house price inflation (Jan - Apr 2023)

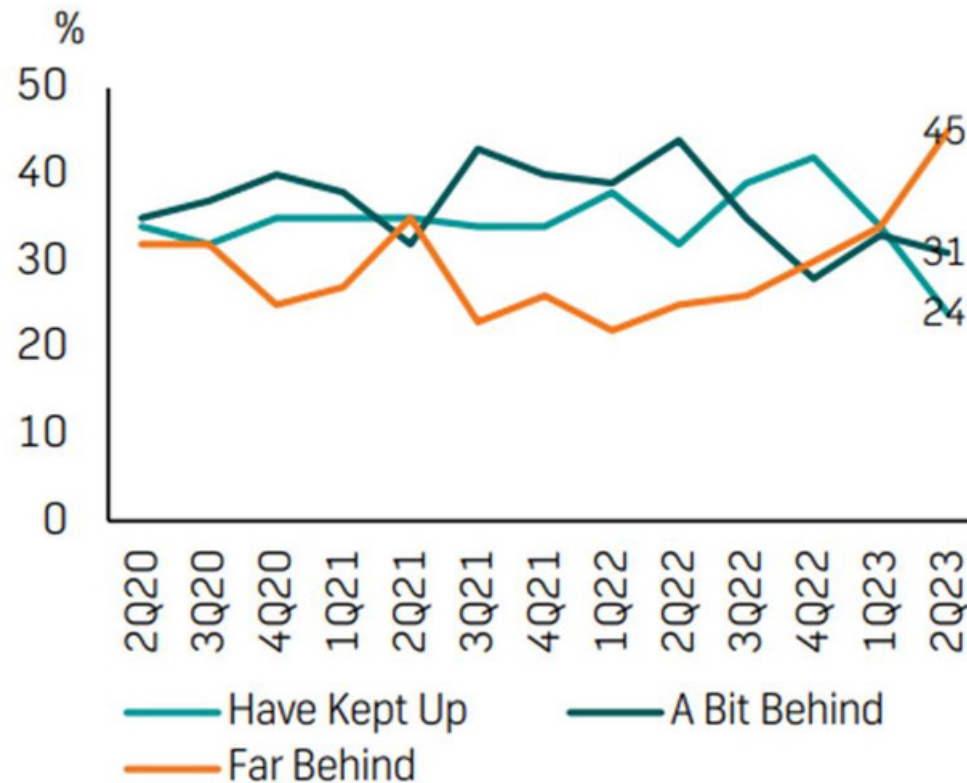


Slower growth in prices sees **Nelson Mandela Bay** slip into third place behind Cape Town and eThekweni. **Joburg** prices have contracted by an average -0.02% during the first four months of the year (latest data).

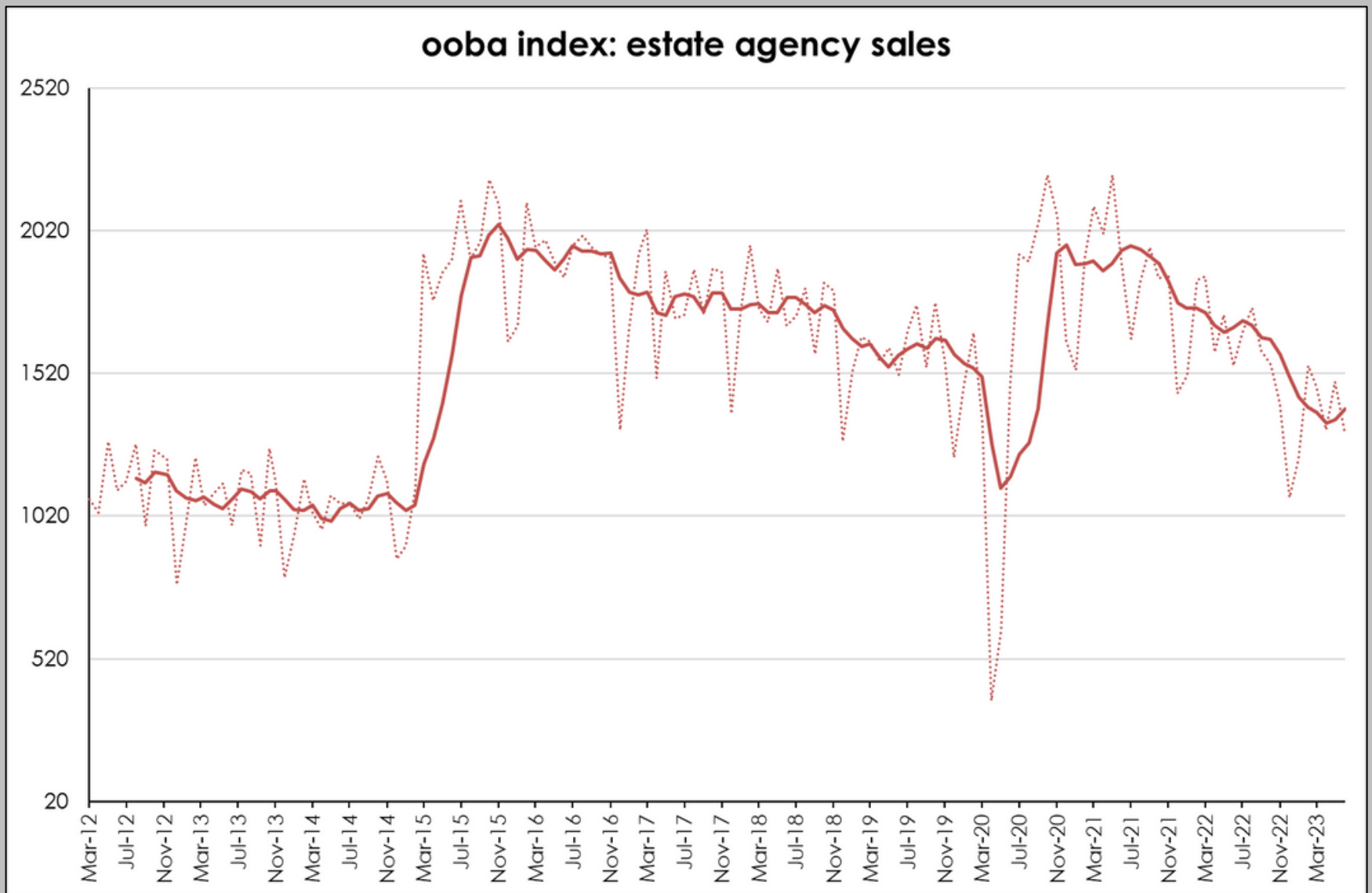


The **value of building plans passed** in the City of Cape Town has declined from a peak of over 72% between 2013 and 2016 to just 44,3% in 2022 –even as the Western Cape has overtaken Gauteng. The **Garden Route** accounts for a growing percentage of plans passed.

Figure 4: Agents perceptions about income levels relative to prices

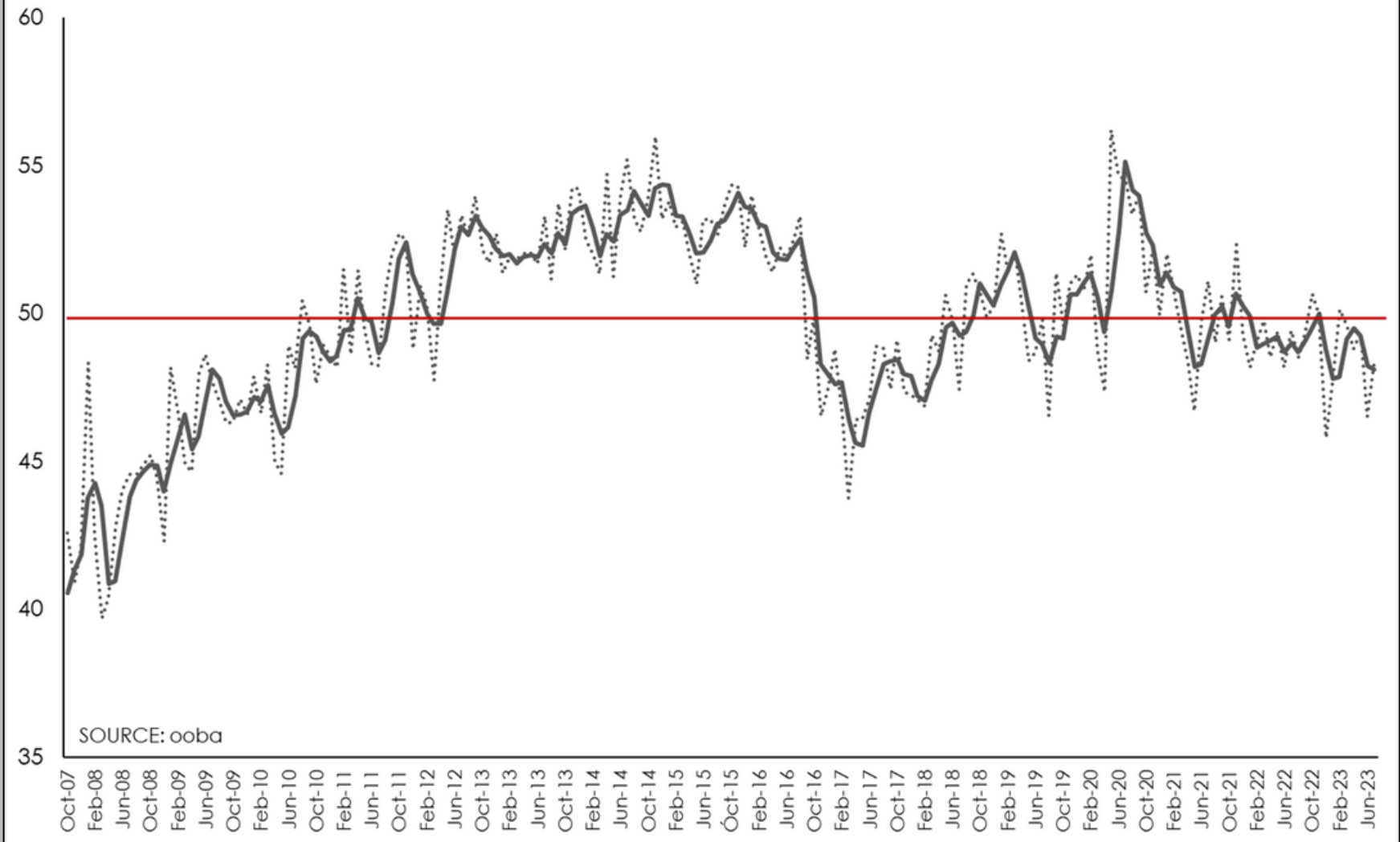


Growing pressure on household finances is highlighted by the perceived deterioration in affordability in recent quarters. According to FNB, in Q2'23 only 24% of estate agents believe that income has kept pace with house prices –forcing 81% of sellers to lower their asking price.

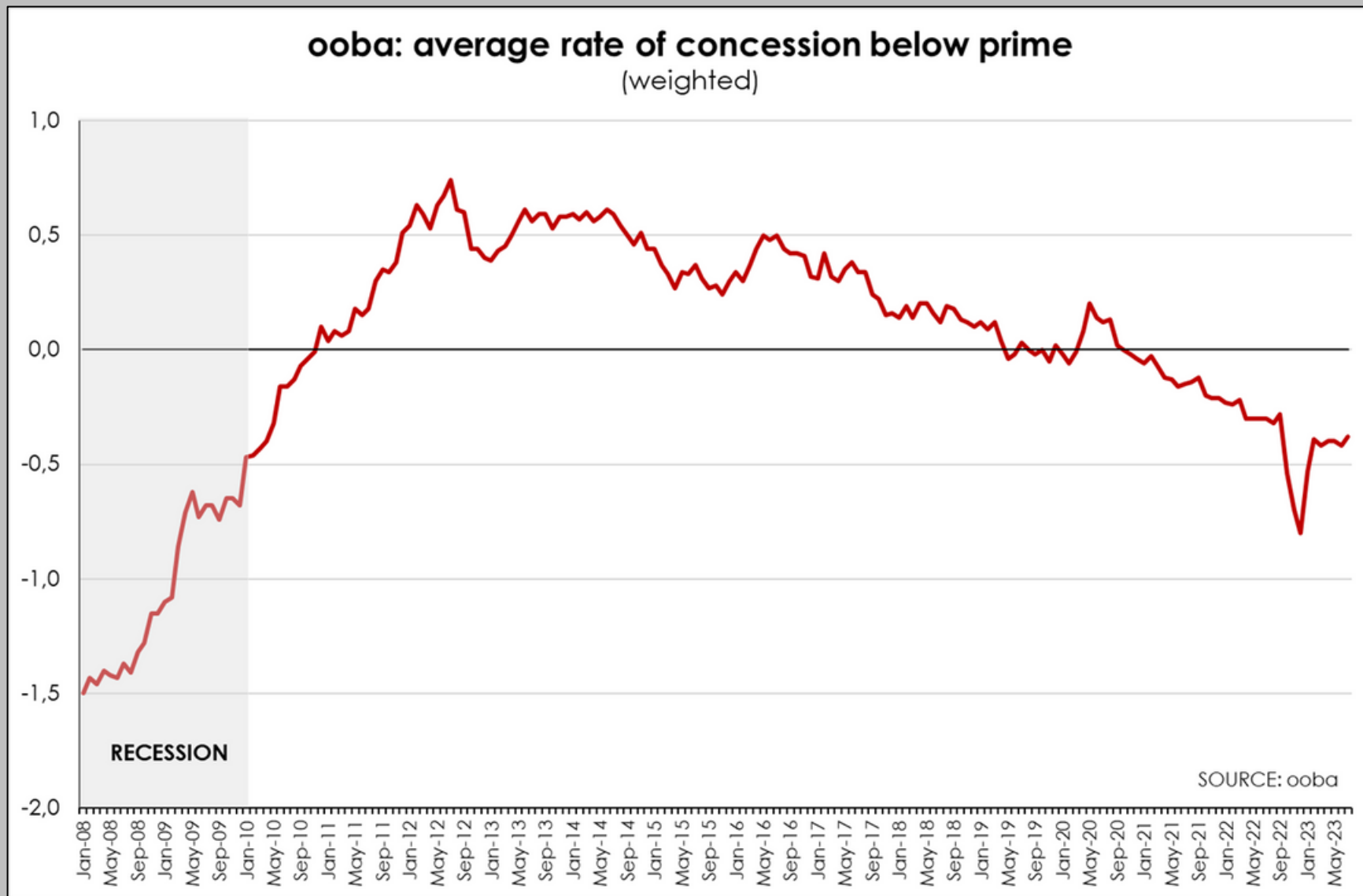


Sales activity eased one more in Jun'23. During the first half of the year, sales are an estimated 17,0% lower than during the same period in 2022.

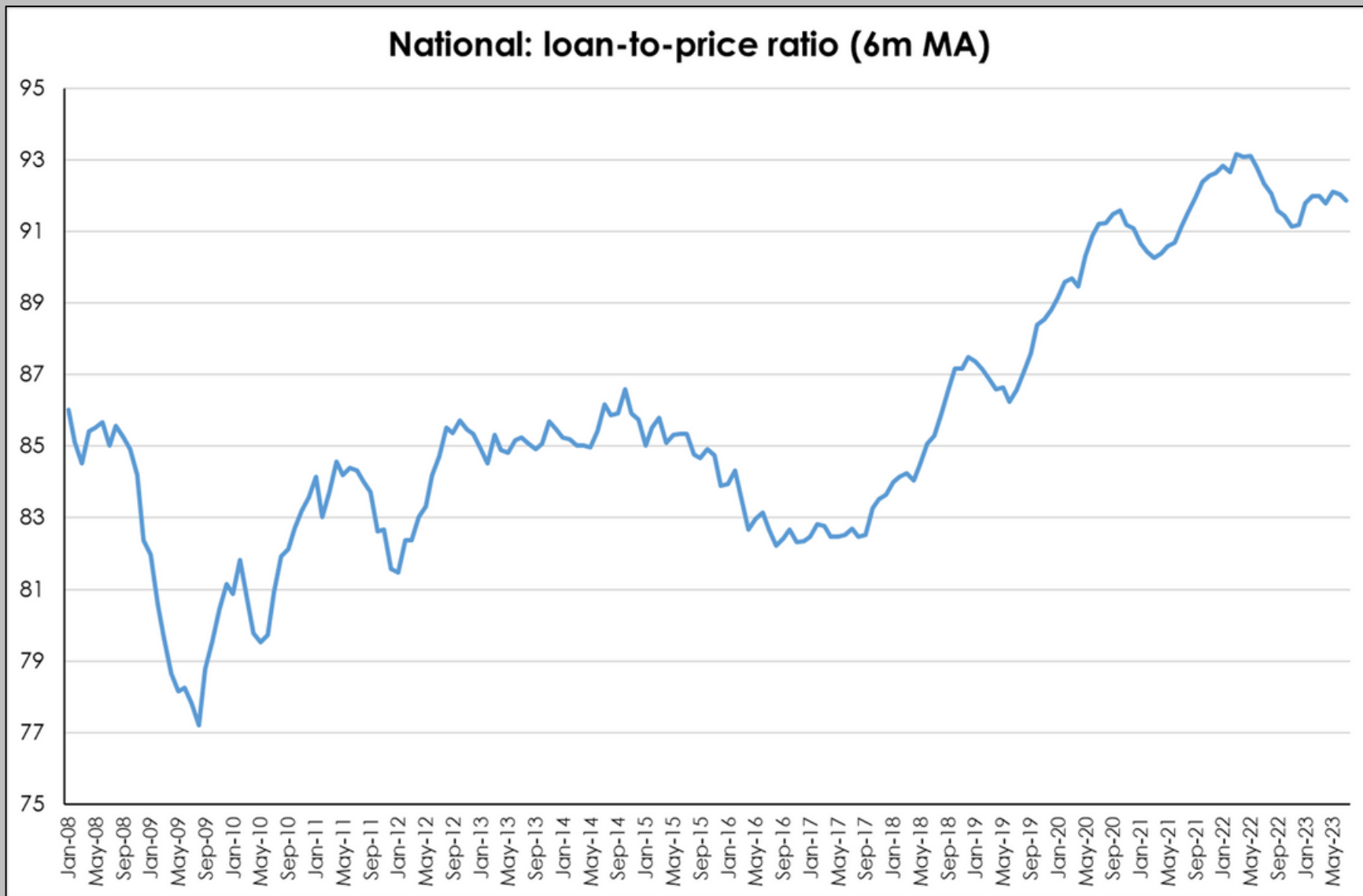
First-time buyers (average % total mortgage applications)



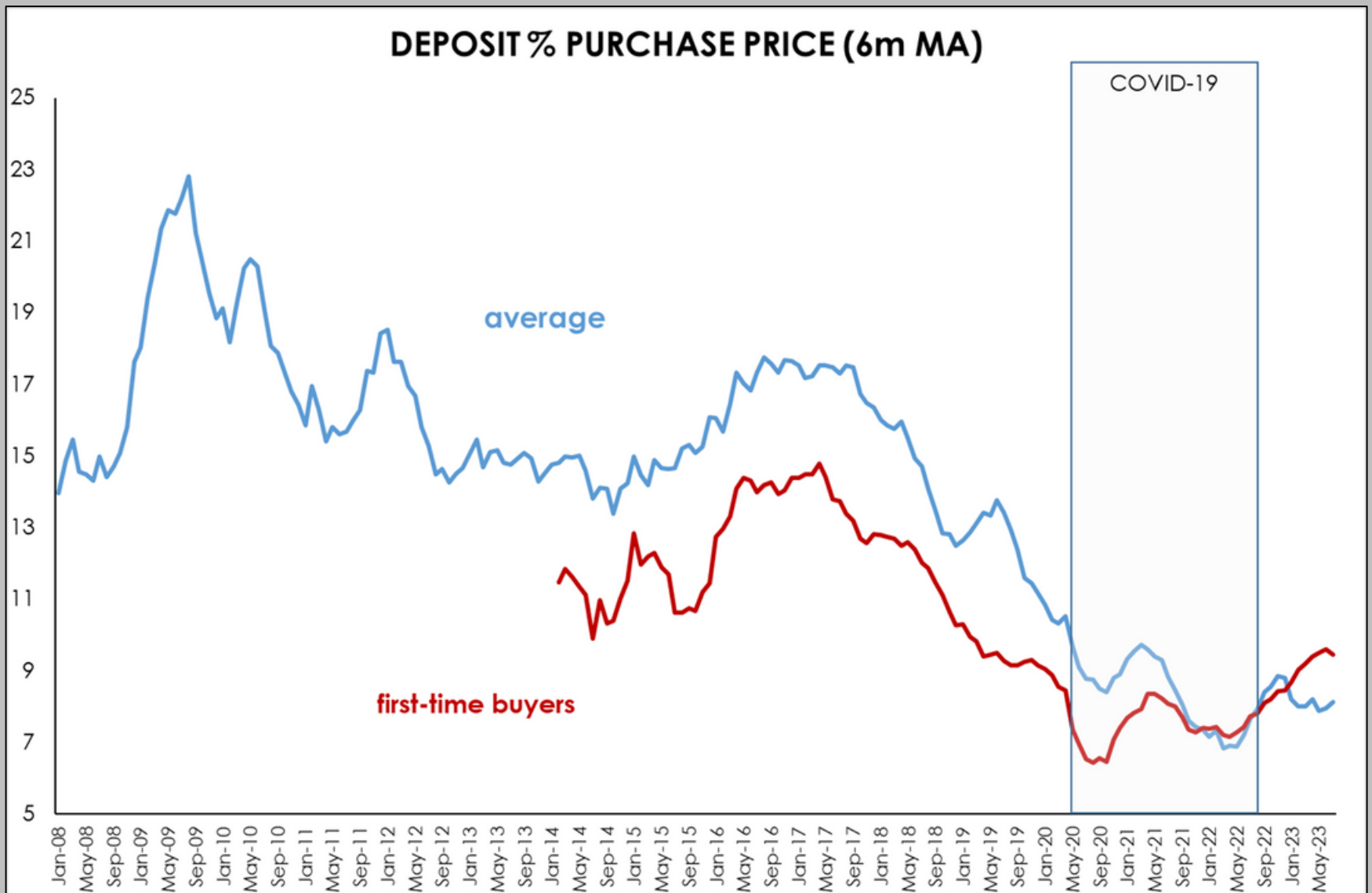
After consolidating around the 50% level in recent months, applications from **first-time buyers** appear to be weakening further. Despite rebounding to 48,5% in Jul'23 –the smoothed trend continues to decline.



The average weighted rate of **concession below prime** increased marginally in Jul'23 –inching up from -0,42% to -0,38% last month.



The **loan-to-value ratio** eased further in Jul'23 –declining to 91,9%. The rebound in the LTV ratio from a low of 91,2% in Dec'22 appears to be peaking as rate hikes and the still elevated cost of living take a toll on economic activity and household finances.

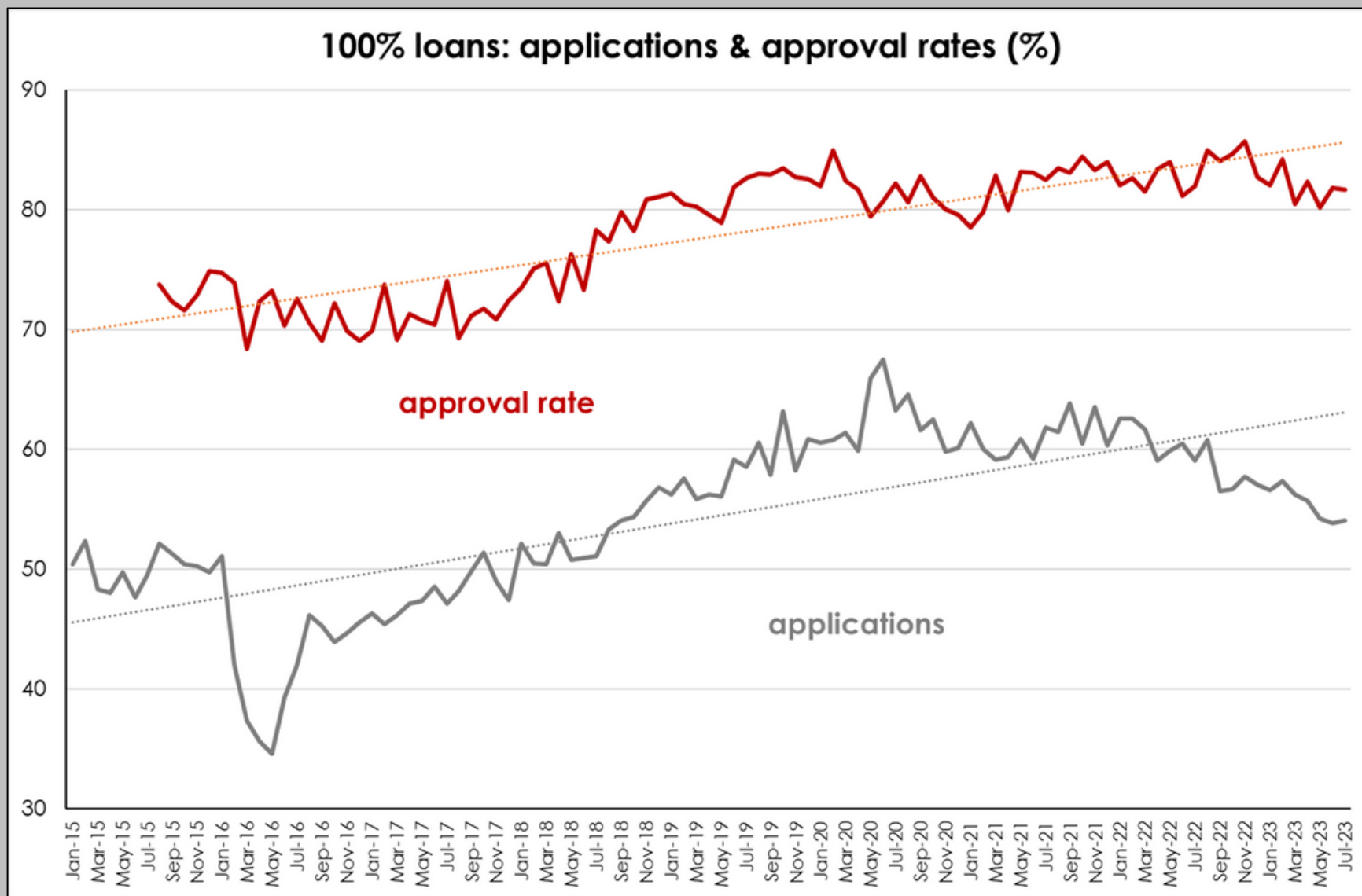


While the **average deposit as % purchase price** inched higher in Jul'23 –rising to 8,1%, **FTB deposits** eased to 9,45% of purchase price. FTB deposits as % purchase price have been rising steadily since Apr'22.

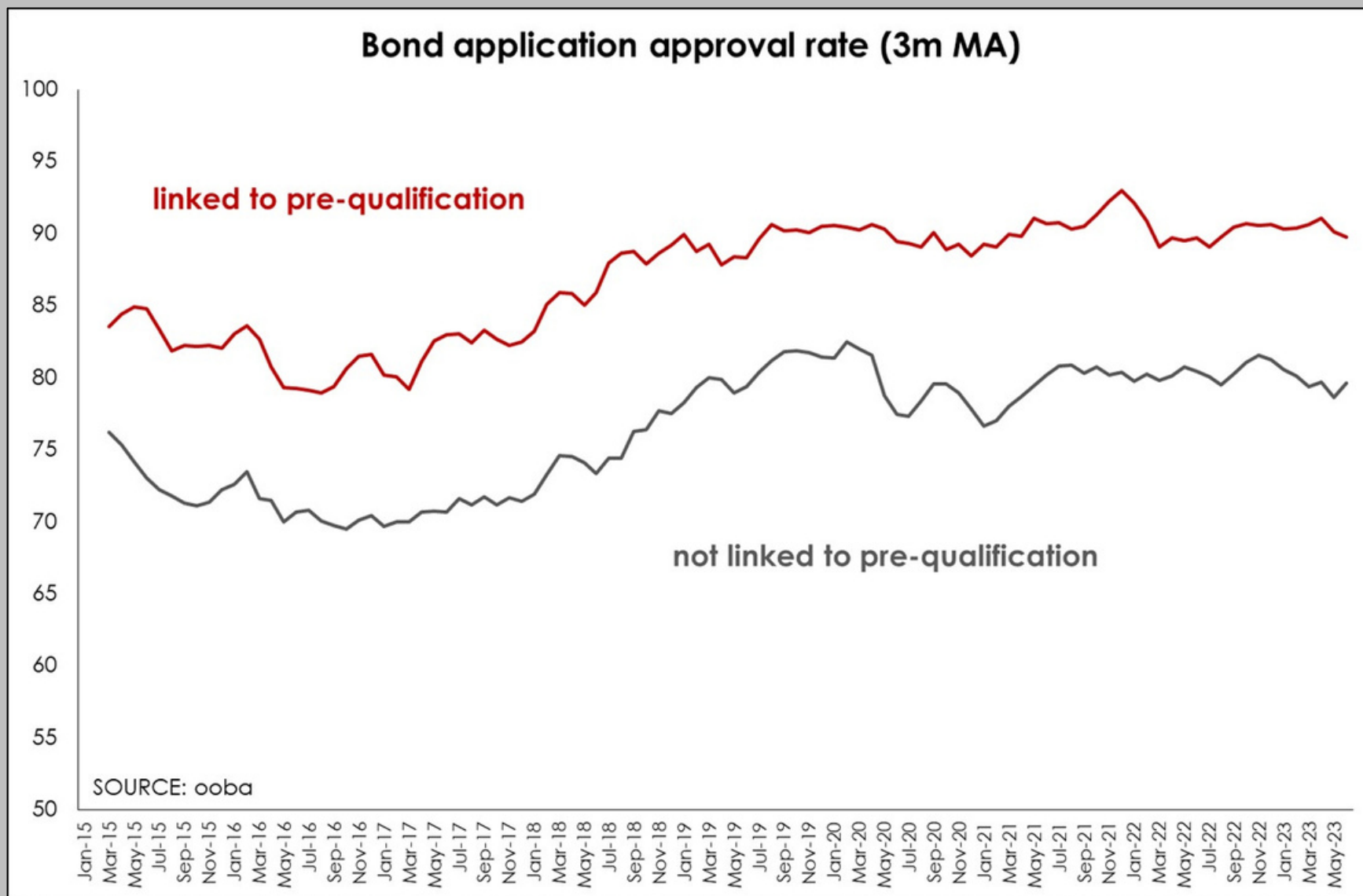
APPROVAL RATES: trailing effective & FTHB (6m MA)



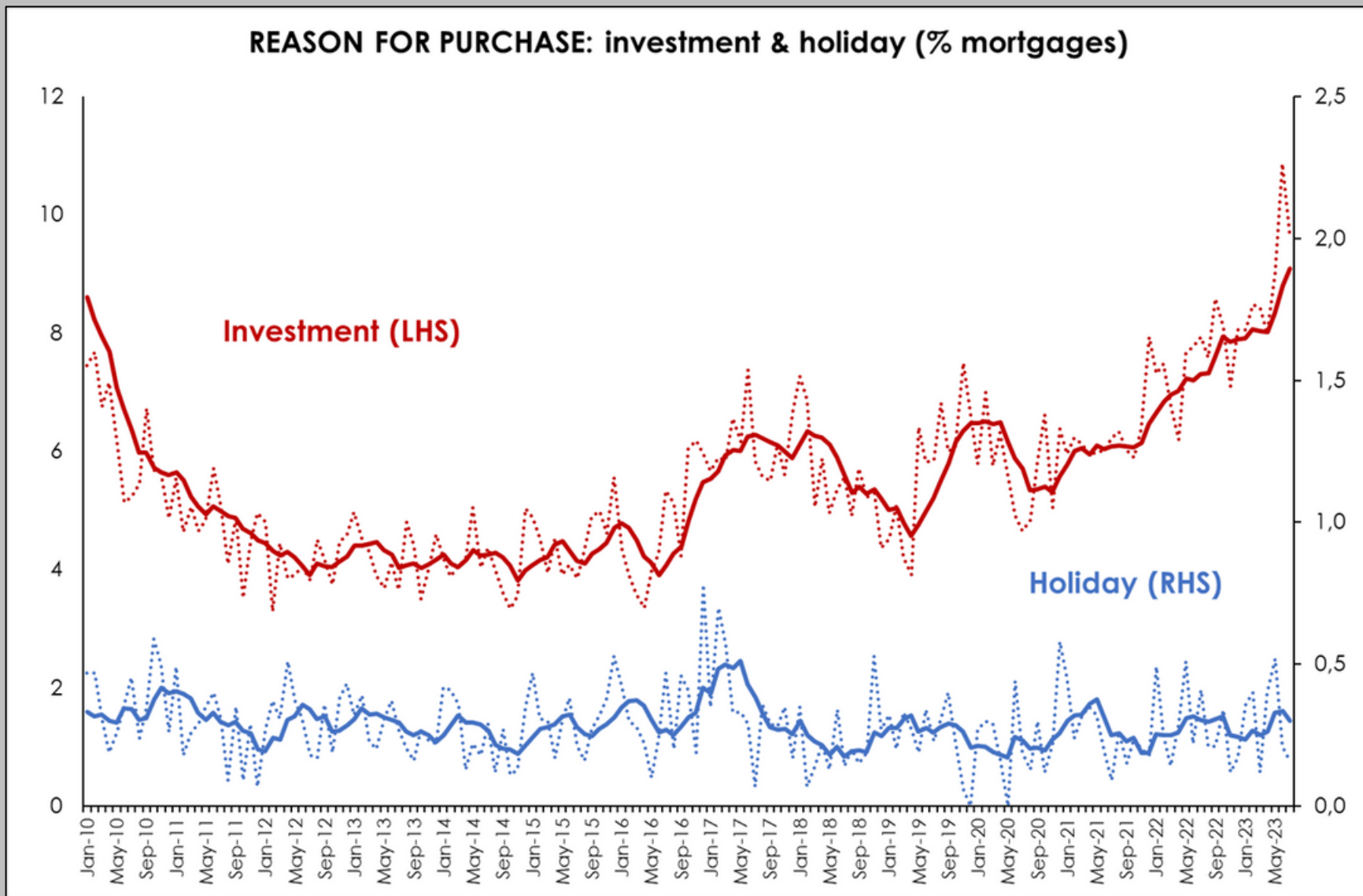
The declining trend in **approval rates** halted (temporarily?) in June and July. The **overall rate** inched up to 82,4% last month, while the **FTB approval rate** declined once more, easing to 81,0% in Jul'23.



100% bond applications have stabilised at 54% in recent months, after easing from a record high of 67,5% in Jun'20. The **approval rate** for **100% loans** continues to trend sideways just above 80% -with an approval rate of 81,7% last month.



Approval rates for applications linked to **pre-qualification** remained unchanged at 89,8% in Jul'23 while those **not linked** to pre-qualification eased to 79,2% -widening the gap between the two approval rates to the highest level in more than a year.



Demand for **investment/rental** properties eased to 9,7% in Jul'23, down from 10,9% in June.
However, the acceleration in the underlying trend (6m MA) remains intact.