

Property barometer



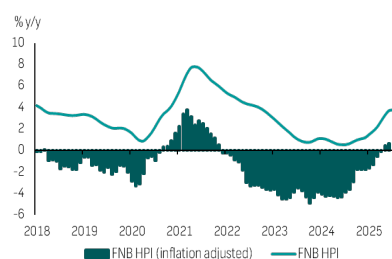
7 August 2025

3.7% ↔
y/y FNB HPI

51.60 ↑
Market strength index

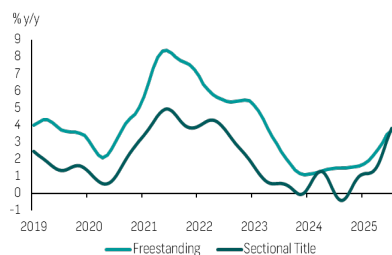
12 weeks and one day ↔
Time on market

Figure 1: FNB HPI



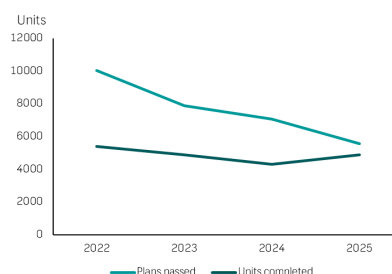
Source: FNB Economics

Figure 2: Freestanding Homes vs Sectional Titles



Source: FNB Economics

Figure 3: Supply of new units: Flats and Townhouses (YTD)



Source: Stats SA, FNB Economics

Property prices steady in July as buyer preferences shift

The FNB House Price Index (HPI) remained steady in July, averaging 3.7% y/y (Figure 1), with June figures revised upward from 3.2% to 3.7%. This marks a notable shift, as house prices are now rising faster than inflation. For the first time in the post-pandemic era, equity values generated by sectional title properties marginally outpaced those of freestanding homes (3.8% vs. 3.7%) (Figure 2).

The shift in buyer sentiment towards sectional title properties likely reflects evolving lifestyle preferences and affordability constraints. Following a relatively aggressive hiking cycle (2021–2023) and persistent real wage underperformance since 2021, buyers appear to be gravitating toward more compact, cost-effective housing options. Additionally, with more companies embracing the back-to-office trend, the need for larger spaces, once driven by work-from-home requirements, has diminished. As such, the pandemic-induced premium for bigger homes appears to have waned.

Trends in property development

The upward trend in sectional title values persists despite a seemingly pre-emptive response from developers. Year-to-date, supply of new flats and townhouses, typically sold or leased as sectional titles, rose to 4 866 units (+13.5%). However, this increase follows years of decline and should be viewed in the context of base effects. Pipeline supply remains weak and year-to-date, building plans approved by municipalities for new flats and townhouses are down 21.2%, suggesting continued supply constraints (Figure 3). This imbalance is likely to support further price growth in the sectional title segment, particularly in well-located areas with strong amenities and transport links. The lag in new approvals may reflect developer caution amid regulatory delays, rising costs, and uncertainty around municipal service delivery.

Overall, current and projected supply dynamics support a sustained upward trend in sectional title property values. These developments reinforce our view of a broader residential price cycle, underpinned by easing inflation, lower borrowing costs, and modest real wage gains.

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Looking ahead

In our June publication, we noted the SARB's likely shift toward a 3% inflation target. This has since been affirmed, with the Monetary Policy Committee (MPC) now explicitly, and unilaterally, favouring the lower bound of the 3–6% target range. With inflation expected to rise in 2H25, we anticipate a prolonged pause in rate changes as the South African Reserve Bank (SARB) guides expectations toward this new anchor. Assuming success over the next two to three years, which historical precedent suggests is achievable, this sets the stage for rate cuts from 2027, with interest rates potentially easing toward the 6% range by 2028. Lower borrowing costs, alongside improving real wages and stable inflation, should support housing demand, particularly in the low- to middle-income segments, reinforcing the current upward price cycle.

Monthly FNB House Price Index (% y/y)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001		-1.7	-0.7	-0.4	-0.5	0.7	3.0	5.9	8.6	10.6	11.6	11.8
2002	11.6	12.0	12.8	13.8	14.2	14.0	13.6	13.1	13.2	13.5	13.8	13.8
2003	14.0	14.5	15.3	16.2	17.1	18.2	19.3	20.3	21.4	22.9	24.7	27.0
2004	29.4	31.3	32.4	33.2	33.7	33.9	34.5	35.1	35.3	35.2	35.3	35.4
2005	34.8	33.8	32.9	31.8	30.7	29.7	28.8	27.9	26.9	25.7	23.9	21.7
2006	19.9	18.5	17.6	17.3	17.3	17.2	16.9	16.5	15.8	15.1	14.4	14.0
2007	14.0	14.3	14.9	15.7	16.3	16.6	16.3	15.5	14.5	13.2	12.0	11.0
2008	9.7	8.0	5.5	2.5	-0.4	-2.9	-4.7	-5.6	-5.8	-5.6	-5.1	-5.1
2009	-5.0	-5.0	-4.5	-3.8	-2.8	-1.8	-0.7	0.0	0.5	0.9	1.2	2.0
2010	3.0	3.8	4.4	4.9	5.0	4.9	4.8	4.6	4.6	4.5	4.4	4.1
2011	3.7	3.2	2.8	2.8	3.1	3.5	3.9	4.1	4.1	3.9	3.8	4.0
2012	4.4	4.7	5.0	5.0	4.7	4.5	4.4	4.4	4.5	4.7	4.8	4.8
2013	4.8	4.9	5.2	5.6	6.1	6.6	6.9	7.2	7.3	7.4	7.5	7.7
2014	7.8	8.0	8.1	8.1	8.1	7.8	7.6	7.3	7.0	6.7	6.5	6.3
2015	6.2	6.2	6.2	6.2	6.1	6.1	6.0	6.1	6.3	6.6	6.8	6.7
2016	6.4	5.9	5.3	5.0	4.9	4.9	5.0	4.9	4.7	4.2	3.9	3.6
2017	3.5	3.7	4.0	4.2	4.3	4.4	4.3	4.2	4.2	4.2	4.3	4.3
2018	4.2	4.0	3.7	3.5	3.4	3.4	3.4	3.3	3.3	3.2	3.3	3.3
2019	3.3	3.3	3.1	2.9	2.6	2.4	2.2	2.1	2.1	2.1	2.0	1.9
2020	1.6	1.2	0.9	0.9	1.2	1.6	2.2	2.9	3.4	3.7	4.1	4.7
2021	5.5	6.3	7.1	7.7	7.8	7.7	7.4	7.0	6.5	6.3	6.0	5.7
2022	5.3	5.1	5.0	4.7	4.5	4.3	4.2	4.1	4.0	3.8	3.6	3.2
2023	2.9	2.6	2.2	1.9	1.6	1.3	1.0	0.8	0.7	0.7	0.8	1.0
2024	1.1	1.0	0.9	0.7	0.6	0.5	0.5	0.6	0.8	1.0	1.1	1.2
2025	1.5	1.8	2.2	2.7	3.3	3.7	3.7					

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ADDENDUM – NOTES:

Note on The FNB House Price Index:

The FNB Repeat Sales House Price Index has been one of our repertoire of national house price indices for some years, and is based on the well-known Case-Shiller methodology which is used to compile the Standard & Poor's Case-Shiller Home Price Indices in the United States.

This "repeat sales approach" is based on measuring the rate of change in the prices of individual houses between 2 points in time, based on when the individual homes are transacted. This means that each house price in any month's sample is compared with its own previous transaction value. The various price inflation rates of individual homes are then utilized to compile the average price inflation rate of the index over time.

The index is compiled from FNB's own valuations database, thus based on the residential properties financed by FNB.

We apply certain "filters" and cut-offs to eliminate "outliers" in the data. They main ones are as follows:

- The maximum price cut-off is R15m, and the lower price cut-off is R20 000.
- The top 5% of repeat sales price growth rates, and the bottom 5% of growth rates are excluded from the data set.
- Repeat transactions that took place longer than 10 years after the previous transaction on the same home are excluded, as are repeat transactions that took place less than 6 months after the previous transaction on the same home.
- The index is very lightly smoothed using Central Moving Average smoothing technique.

Note on the FNB Valuers' Market Strength Index:

When an FNB valuer values a property, he/she is required to provide a rating of demand as well as supply for property in the specific area. The demand and supply rating categories are a simple "good (100)", "average (50)", and "weak (0)". From all of these ratings we compile an aggregate demand and an aggregate supply rating, which are expressed on a scale of 0 to 100. After aggregating the individual demand and supply ratings, we subtract the aggregate supply rating from the demand rating, add 100 to the difference, and divide by 2, so that the FNB Valuers' Residential Market Strength Index is also depicted on a scale of 0 to 100 with 50 being the point where supply and demand are equal.

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