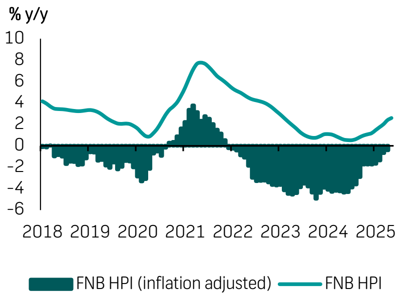
Property barometer

11 June 2025

2.6% ↑	51.50 ↑	12 weeks and one day ↑
y/y FNB HPI	Market strength index	Time on market

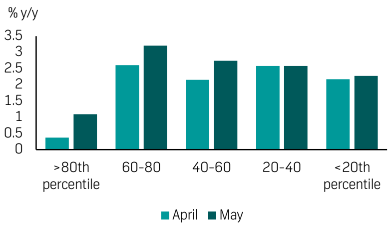
House price growth accelerates in May

Figure 1: FNB HPI



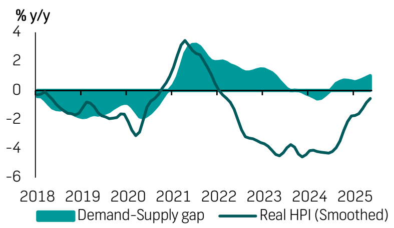
Source: FNB Economics

Figure 2: Price growth by price point (based on FNB transactions)



Source: FNB Economics

Figure 3: Market Stength Indicators



Source: FNB Economics

The FNB House Price Index (HPI) maintained its upward trajectory, averaging 2.6% y/y in May, up from 2.4% in April (revised from 2.2%) (Figure 1). This acceleration was primarily driven by the middle-to upper-priced segments, while growth in the lower-priced segments was stable (Figure 2).

Market recovery primarily driven by supply contraction

Our proprietary market strength indices continue to signal a less deteriorated housing market. We show measured positivity because the recent strengthening has been further fuelled by a sharper decline in supply than by a rise in demand (Figure 3). The recent hesitation in demand growth may reflect heightened global and domestic policy uncertainty—much of which has since eased. On the supply side, the contraction is largely due to a sustained decline in new housing stock, which is aligned with weak sentiment and anaemic economic conditions. Year-to-date, the volume of newly completed homes is down 14.0%, following annual declines of 7.4% in 2024 and 25.9% in 2023 (Figure 4).

Rental market remains subdued amid weak labour conditions

Stats SA's rental market data continues to reflect relatively subdued demand, with rental inflation averaging just 2.9% in 1Q25—virtually unchanged from the previous quarter. Meanwhile, following a consistent downward trend since 4Q23, flat or apartment vacancy rates edged up to 6.7% in 1Q25, from 6.0% previously, according to Rode data (Figure 5). Nonetheless, this remains below the 7.9% recorded in the same period last year. While rental market conditions vary significantly across major cities, most regions are experiencing strengthening demand-supply dynamics, except for the Gauteng metros (Johannesburg and Pretoria) where the market softened in 1Q25 (Figure 6). Overall, the slight uptick in vacancy rates, despite a continued decline in the supply of new flats and townhouses, may signal a shift from renting to homeownership, driven by declining borrowing costs and post-pandemic behavioural changes.

Economists

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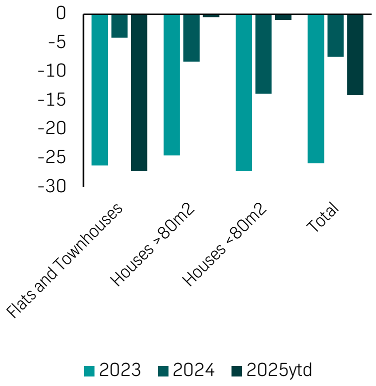
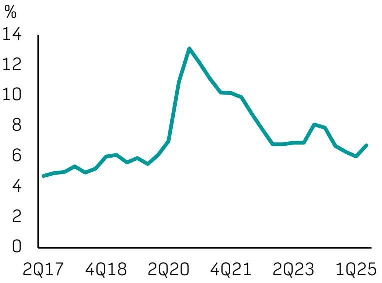
Figure 4: Volume of newly built stock (% y/y)



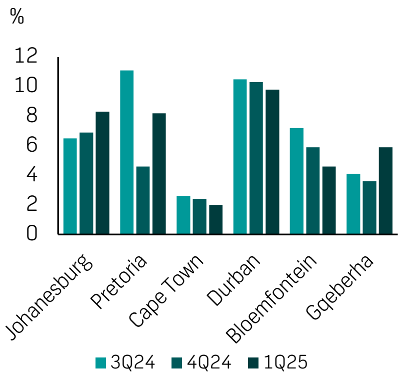
Source: Stats SA, FNB Economics

Figure 5: Flat vacancies



Source: Rode, FNB Economics

Figure 6: Flat vacancies in major cities



Source: Rode, FNB Economics

Interestingly, Stats SA's muted rental inflation contrasts with private sector data, such as PayProp's Rental Index, which points to a much stronger rental market. These differences likely stem from variations in sample composition and geographic representation. While Stats SA's data are nationally representative and include a broader range of rental types and regions, private sector indices often reflect more active market segments and higher-value rentals, which may be experiencing stronger demand and pricing power. More broadly, the lack of pricing power among landlords, as evidenced by Stats SA's muted rental escalations, reflects the persistently weak labour market.

Tepid growth before a gradual recovery; lower inflation target may come sooner than expected

South Africa's near-term growth outlook remains weak, with GDP expected to grow by just 1.1% in 2025, down from a previous estimate of 1.3% and 1.9% earlier in the year—due to persistent policy and logistical challenges. While household consumption is holding up, investment remains constrained by uncertainty, and structural reforms are progressing slower than hoped.

Nonetheless, we expect growth to gradually pick up to around 2.0% by 2027, supported by easing inflation and anticipated interest rate cuts, which should boost consumer spending.

We expect a further 25bps repo rate cut by September, bringing the rate to a cyclical trough of 7.0%. This should support affordability and improve property market sentiment. However, the SARB's plan to lower its inflation target to 3.0%, which we originally expected to happen in 2026, may be implemented sooner, based on signals from the most recent Monetary Policy Committee (MPC) statement. Depending on the inflation trend going into 2026 and the response of inflation expectations, this could keep the MPC highly conservative despite weak economic conditions. While this could affect near-term housing affordability, a lower inflation anchor should enhance long-term macroeconomic stability and sentiment.

Overall, continued rate relief is expected to support buying activity, particularly in the low- to mid-market segments, while accelerated economic reforms will be essential to improving sentiment and activity in the higher-priced segments.

Year-to-date, the HPI has averaged 2.0%, slightly ahead of our initial expectations. This suggests a still subdued, yet stronger-than-anticipated market. At this pace, risks to the price growth outlook are skewed to the upside, although global uncertainty continues to cloud the broader outlook.

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	1.7	2.0	2.4	2.6							

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 fromthe 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 previoustransaction 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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