



Trends Shaping the Residential Property Market Underpinned in Q1 '24 Home Loan Data



The Quarter 1 2024 (Q1 '24) home loan statistics from South Africa's leading home loan comparison service, ooba Home Loans, reveal that while homebuying activity levels have slowed in the current high interest rate environment, there are still several key indicators pointing to a residential property market poised for gradual recovery.



Underscoring the latest statistics from the Q1 '24 oobarometer, Rhys Dyer CEO of ooba Group acknowledges that, "As expected, the prevailing 'higher for longer' interest rate environment has continued to impact ooba Home Loan's application volumes for the quarter. However, resilient South Africans will likely be rewarded by predicted rate cuts towards the end of 2024."

Looking to the effect that high interest rates have on the home loan market, Dyer says: "In Q1 '24, the volume of home loan applications processed were down by 9% from Q1 '23 and down 25% from Q1 '22. However, we have seen an 8% increase in application volumes in Q1 '24 versus Q4 '23, and there is definitely more activity in the market. Coupled with this, the uptick in property prices, first-time homebuyer deposit values and buy-to-let investments against the backdrop of steady bank approval rates are all positive trends."

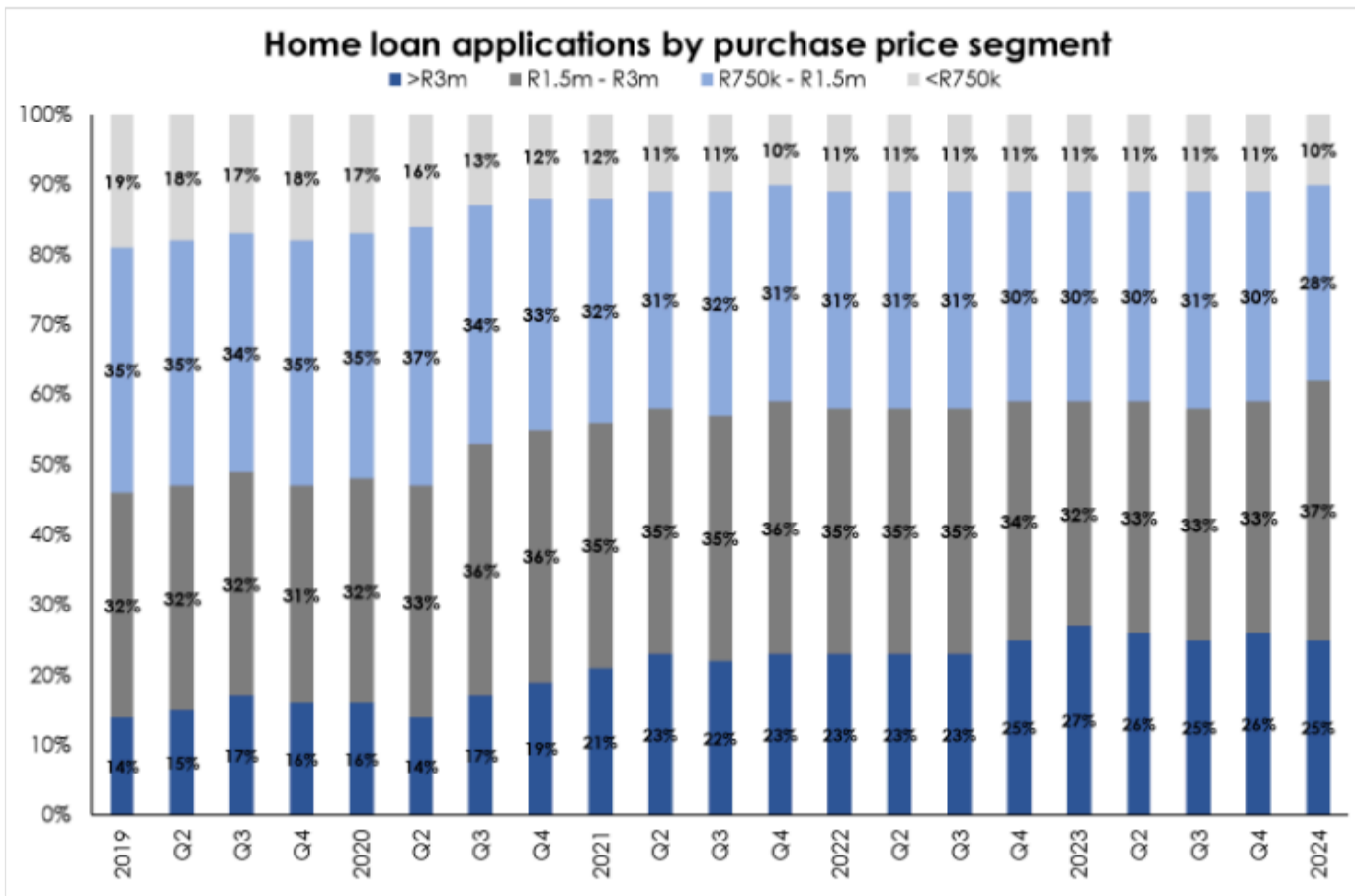
Property price growth fueled by affluent homebuyers

The Q1 '24 data confirms that against all odds, the average price of properties originated through ooba has trended upwards, with Dyer citing growth of 3.1% year-on-year across both the first-time and national property price categories.

Notably, both segments have also grown by 4.8% in the last quarter, with the current average national purchase price now sitting at R1 479 327 and at R1 171 798 for first-time homebuyers.

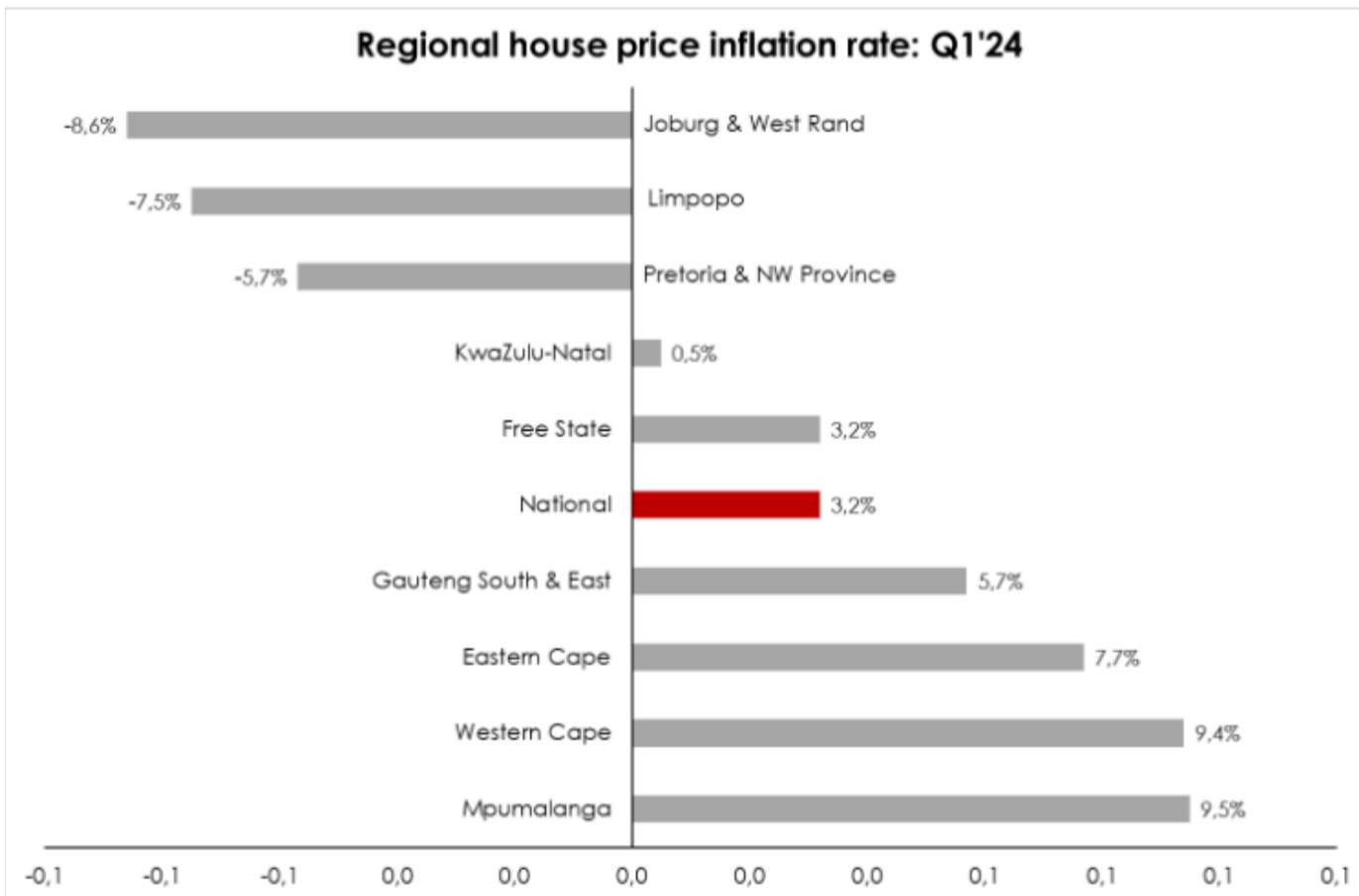
Dyer notes that in Q1 '24, 62% of the value of applications processed by ooba Home Loans fell within the greater than R1.5 million purchase price band – an upward shift from Q1 '23 where this segment represented 59% of application values.

"Conversely, a downward shift in homebuying activity in Q1 '24 in the price range below R1.5 million was recorded, as evidenced by ooba Home Loans' graph showcasing the home loan applications (value) by purchase price segment over the last five years," he states.



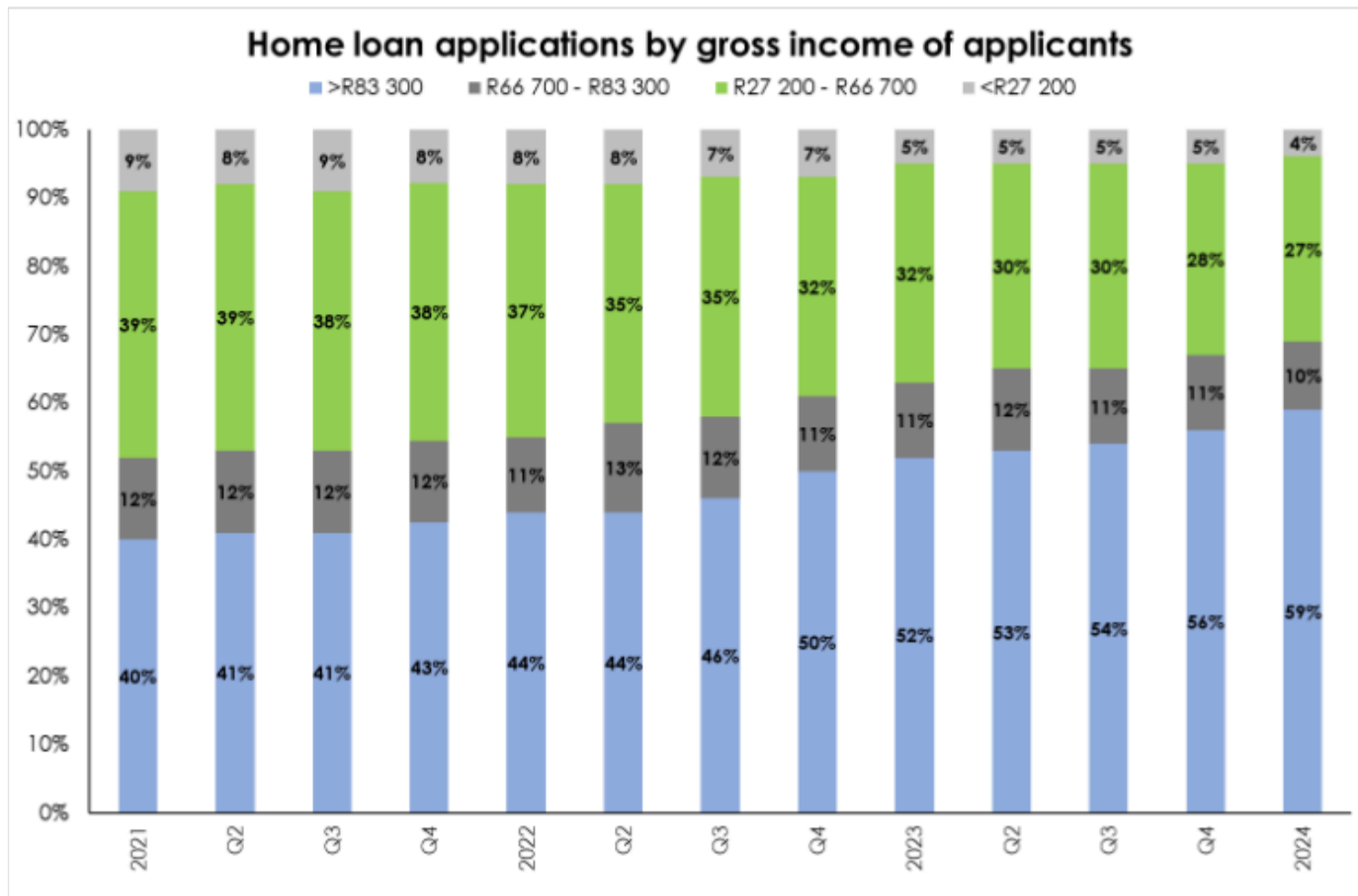
Regional house price inflation rate

“Year-on-year, the Western Cape and Mpumalanga registered the highest growth in the price of houses originated by ooba Home Loans, showing a robust +9.4% and +9.5% respectively,” says Dyer.



Looking to the factors that have fuelled this growth, Dyer shares that increased property prices are not the result of demand outstripping supply, but can rather be attributed to the pipeline of affluent homebuyers purchasing properties in high-demand regions such as the Western Cape.

“Our latest statistics show that almost 60% of the value of applications processed in Q1 '24 were from homebuyers who had a monthly income in excess of R83,300, compared to 43% in Q4'21, at the start of the rate hiking spree,” says Dyer. “These homebuyers are less impacted by the external economic pressures currently faced by consumers, and are seeing opportunities in the current market.”



Average income earnings overshoot house price inflation

Nationally, the average gross income of home loan applicants processed during Q1 '24 was noticeably higher than levels recorded a year prior. In all regions except Mpumalanga, the year-on-year increase in applicant income levels has exceeded the growth recorded in the average purchase price paid, reinforcing the dominance of more affluent homebuyers in the last quarter.

This trend is most pronounced in the Free State, where the average price paid for a home increased by just +3.2% year-on-year, in contrast to +24.1% year-on-year growth in the average gross income of applicants in this region over the same period.

Investors continue to cash in

The rise of buy-to-let investors continues, with a growing number of homebuyers purchasing properties with the intention of letting them in return for rental income.

This ongoing trend now accounts for 13% of ooba Home Loan's application volumes nationally – up from 8% in Q1 '23. "The driving force behind the national rebound is undoubtedly still the Western Cape, with applications for investment properties rising to 31.1% of the total in early-2024, while in the Eastern Cape investment demand has more recently begun to climb, rising to robust 16.2% in Q1 '24."

Interestingly, the Eastern Cape is the only region registering demand for holiday homes well above the national average, at 2% of applications compared to 0.24% nationally.

First-time buying activity remains subdued

From the first-time homebuying frenzy in May 2020 when interest rates plummeted to 7%, during which this prized segment accounted for a record 56% of ooba Home Loans' applications, to a low of 46% in Q1 '24, indicates that the first-time homebuyers segment remains sensitive to interest rates in tough economic conditions.

"We have seen a further 3% year-on-year contraction in activity from this market segment," notes Dyer. "This is a clear indicator that prospective homebuyers are choosing to delay the purchase of their first property until rates begin to drop and inflationary pressures are reduced."

These buyers are, however, using the delay of their decision to purchase as a time to accumulate savings in order to finance a greater portion of their purchase, recognising the long-term financial benefits of putting down a deposit.

"An increasing percentage of first-time homebuyers are making the financially savvy choice of saving for a deposit," says Dyer. "47% of our Q1 '24 applications from this market segment secured their purchase with a deposit, in comparison to 43% of first-time homebuyers in Q1 '23." The average deposit from new homebuyers rose to 10.9% of the purchase price, up from Q1 '23's 9.7% and significantly higher from the average deposit of 7.3% recorded across all applications processed by ooba Home Loans in Q1 '24.

"A bigger deposit helps to reduce your home loan term and/ or your monthly home loan repayments. It's also a great way to secure the best possible interest rate and show both the banks and sellers that you're a serious homebuyer."

Bank approval rates are undeterred by the current climate

In spite of economic fluctuations, bank approval rates remain steady at 83.4% of applications processed in Q1 '24, for ooba Home Loans customers. "This is an indication that the banks' lending appetites are still robust and – promisingly – that buyers' financial standing has stabilised in the last year, considering that rates have remained unchanged since May 2023," says Dyer.

The latest data from ooba Home Loans show that home loan applicants are not as financially stretched as would be expected in a high interest rate environment. Instalments as a percentage of gross income in Q1 '24 averaged out at 19.4% – a slight uptick on the ratio of 18.7% at the start of the rate hiking cycle in November 2021 – but still comfortably below the industry benchmark of 30%.

“Encouraging too is the finding that the ratio of ooba Home Loans applications declined by one bank but approved by another is trending higher (up 2.8% quarter-on-quarter), which clearly illustrates the critical role that bond originators fulfil for homebuyers by sourcing financing options from multiple banks,” he adds.

Banks continue to lend with competitive rates

The country's lenders are further easing pressure on homebuyers by still offering attractive discounts to prime, with the average weighted rate of concession now at -0.52%, 7 basis points cheaper than Q1 '23, a welcome relief in a time of high interest rates and higher monthly instalments.

The banks are competing for a share of the smaller home loan market, making finance more accessible by easing terms and conditions, and offering better rate discounts (which, in turn, has a positive impact on affordability). “The banks continue to offer additional rates concessions as an incentive for new-to-bank customers,” says Dyer.

Looking ahead

“The residential property market is on the precipice of better times and the market is ready for a shakeup after a few trying years,” says Dyer.

“The expected rate cuts later this year combined with elevated bank approval rates and competitive property prices make right now the perfect time to get a foot on the property ladder.”

“Our statistics also paint a clear picture of the benefits of using a home loan comparison service to secure a lower interest rate which is crucial in today's climate. We look forward to sharing our next round of statistics which should highlight a slow but steady growth trajectory,” he concludes.

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Simply The Best

Ooba home loans services are simply the best. My Consultant Bianca Dancer was so hands on and helpful from the get go. She guided me through the entire process and put me at ease being a first time buyer. I highly recommend their services.

Tia J

Excellent Service

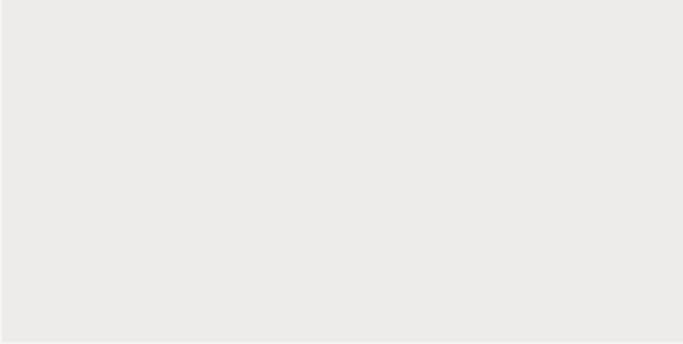
Jay Govender and Maleshini Reddy from OOBA provided outstanding assistance and guidance in securing our home loan. Response times were excellent and they were professional and friendly.

Brice G

Bond Application

Estelle Vorster was really helpful in securing the best deal for my home loan, she not only negotiated a lower interest rate she went as far as securing 50% discount on the transfer costs.


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