Slow recovery on cards for property market

SA Home Loans predicts a year of slow recovery for the property market in 2024, rather than a bounce back, with a cautious return of consumer confidence.

Source: Supplied. SA Home Loans (SAHL) chief executive officer, Rob Kelso.

This is according to SA Home Loans (SAHL) chief executive officer, Rob Kelso, who says the interest-rate cycle has been the dominant factor with the most significant cumulative tightening cycle in more than a decade and the most rapid rise in interest rates in more than two decades.

“This has resulted in strained affordability for new buyers and strained affordability for existing borrowers, with rising arrears on credit portfolios across the industry.

“In 2023, we saw a sharp fall in property- and mortgage transactions, which were down in the region of 25% year on year, with the most strain evident in the heart of the market – those segments under R3m.

“This is despite an environment where the credit-supply side or bank appetite remained robust,” he adds. That said, he says this is a normal cyclical slowdown tied to interest rates, which will turn when interest rates stabilise and come down again.

Against this backdrop, SAHL celebrates 25 years in the competitive home-loan market. When the business was launched in February 1999, interest rates were at an all-time high of 23.5% and South Africans were decidedly cash strapped.

SAHL introduced a dramatically discounted rate at the time, offering consumers a compelling alternative to bank offerings, and giving a greater number of South Africans access to home finance.

Two years down the line, competitors started to take SAHL seriously, reducing their rates significantly and thereby creating a more competitive environment to the benefit of all consumers.

Revolutionising home finance

To achieve this, SAHL introduced an alternative funding method to the usual funding secured by banks from retail and wholesale deposits.

Instead, it pioneered a funding model that bypassed the banks and linked borrowers directly to the capital markets to fund their mortgages, known as securitisation, and has since firmly established itself as the leading securitisation issuer in the South African capital markets.

Today, SA Home Loans has financed homes for more than 300,000 South Africans to date, providing access to R170bn in lending. It has raised more than R90bn from the South African capital markets to make this possible – successfully connecting the country’s savings and pension funds to provide home finance to South Africans.

It has also provided significant financial relief to homeowners impacted by pandemics, floods, weather and other life events through its home-related insurance offerings and helped change lives through various outreach and enterprise development initiatives.

More solo women than men applying for bonds to buy their own homes

6 Mar 2024

Kelso says that over these 25 years SAHL has lived through all possible economic cycles, from interest rates rising and falling and property market booms and busts, to the global financial crisis and a pandemic.

“This has provided us with deep insight into the market and validated our faith in the resilience of the property market over time, allowing us to consistently meet the needs of consumers no matter the stage in the cycle.”

Despite the elections, load shedding and geopolitical factors, the economic signals for 2024 (and even more so 2025) are increasingly positive.

“Notably, the consumer price index (CPI) has moderated, and interest rates have likely peaked, and the consensus is for a round of steady, moderate rate cuts from mid-year,” notes Kelso.

This will provide relief for consumers, with improved affordability and increasing confidence to access credit.

Navigating economic volatility

Kelso says going forward, lender appetite is likely to remain robust, providing a strong base for market recovery.

“We are seeing the traditional bank lenders active and competitive in the market, as well as new entrants to the home loan market, in line with the emergence of new banks and the diversification of existing banks. Their presence is likely to continue to grow in prominence moving forward.

“We have a front-row seat to some of this evolving landscape as the chosen ‘home loan delivery partner of choice’ for select exciting brands with large and loyal customer bases.

“These partnerships are testament to the deep expertise and capabilities we have built and can now offer to these partners and their clients.

“At SA Home Loans, we are poised to contribute positively to the industry’s recovery. We are also set to help more South Africans achieve their home-ownership goals and to avoid jumping through impossible hoops to do so,” concludes Kelso.