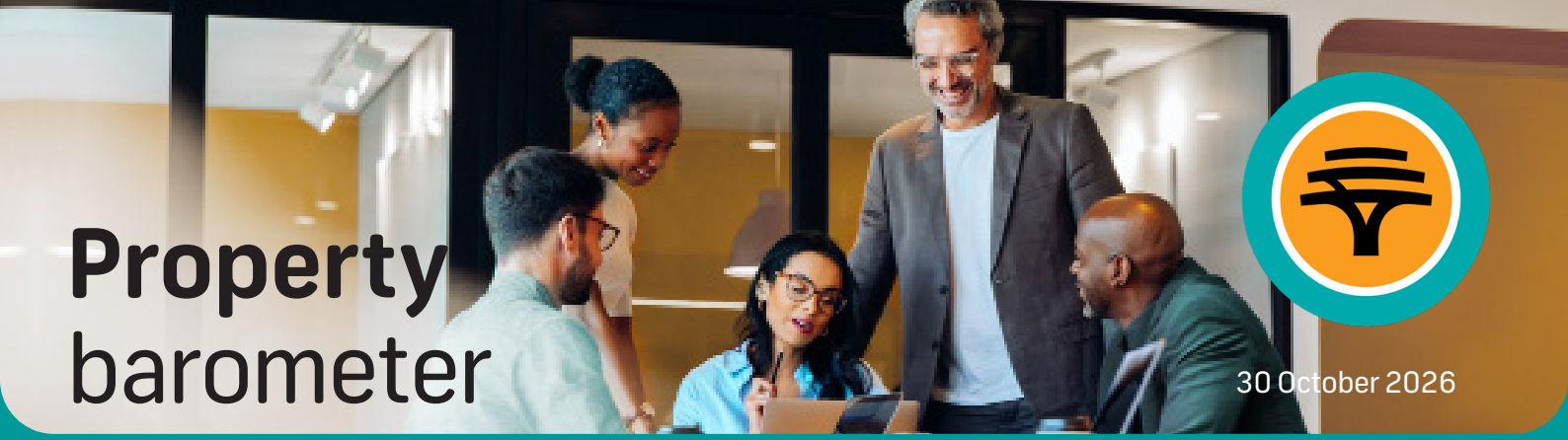


Property barometer

30 October 2026

5.1%	4.7%	0.8%	53.0
average HPI growth, 3Q26	HPI growth, September	quarter-on-quarter price gain	market strength, September

3Q26 quarterly update: Prices lose momentum, but tight supply continues to cushion the market

Overview

The housing market entered a slower and more segmented phase in 3Q26. National house-price inflation averaged 5.1% year-on-year (y/y), down from 5.9% in 2Q26, and eased further to 4.7% in September. Monthly growth was virtually flat in September, confirming that the earlier acceleration has faded. Nevertheless, the adjustment remains orderly as market strength improved during the quarter, while a still-thin development pipeline is limiting the supply response and cushioning nominal values.

Rental inflation remains contained nationally, but the distribution is becoming more uneven. In September Stats SA recorded actual rentals up 3.9% y/y. The Western Cape remained the strongest market at 5.9%, despite cooling from 7.7% in 2Q26, while Gauteng, the North West and the Free State strengthened and Mpumalanga, KwaZulu-Natal and Limpopo softened. This points to localised supply-demand imbalances rather than a broad national rental upswing.

Bottom line

Our base case remains one of slower nominal price growth and constrained transaction volumes, rather than a national price correction. Affordability will remain the main brake on demand, especially for first-time and mortgage-dependent middle-income buyers. The regional performance will also increasingly be determined by supply scarcity, local economic conditions, service delivery and migration patterns.

What to watch

- Interest rates and mortgage affordability: This remains the main trigger for a broader demand recovery.
- Labour income and employment: Weaker household income would turn a volume slowdown into more meaningful price pressure.
- Rental affordability: Strong escalation in the Western Cape raises the risk of tenant trade-down and migration to peripheral nodes.
- Municipal infrastructure and service delivery: Regional housing performance will increasingly reflect local execution rather than the national cycle.

Economists

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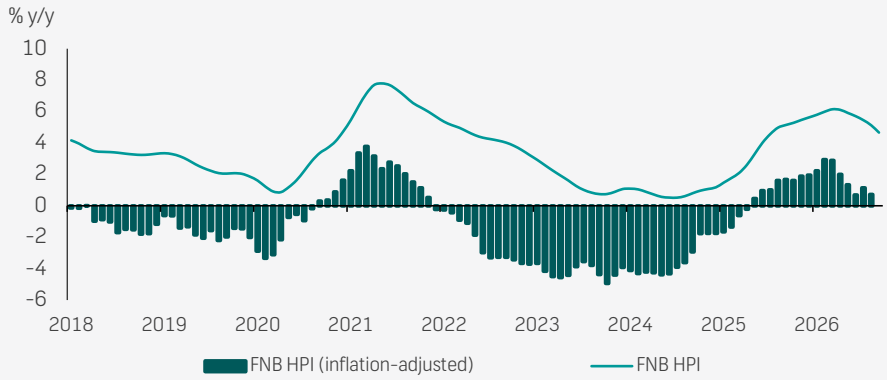
1. National price pulse

A clear loss of momentum through the quarter

Average annual house-price growth slowed to 5.1% in 3Q26 from 5.9% in 2Q26 and 6.0% in 1Q26. On a monthly basis, growth eased from 5.4% y/y in July to 5.1% in August and 4.7% in September. The index rose by only 0.02% month-on-month (m/m) in September, after gains of 0.29% and 0.25% in July and August, respectively.

The data points to normalisation after a strong 2025 and early-2026 recovery. Prices are still rising nationally, but the premium over consumer inflation has narrowed and the wealth-effect support to household spending is fading. This is consistent with elevated borrowing costs and weaker real-income momentum restraining marginal buyers.

Figure 1: FNB HPI



Source: FNB Economics

2. Market balance and regional divergence

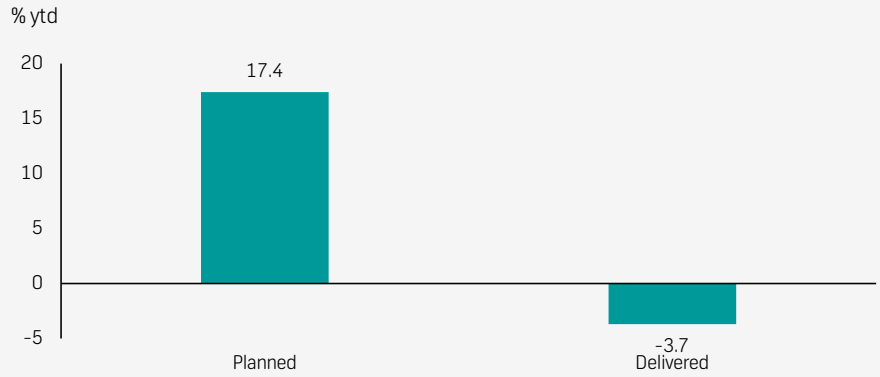
Supply tightness is doing more of the work

FNB's market strength indicators continue to suggest that price resilience is being supported more by limited supply than by a broad-based demand boom. A reduced flow of listings and new stock has narrowed buyers' choice in parts of the market. Where supply is scarce, sellers retain greater pricing power, marketing periods tend to shorten and the discount required to conclude a sale is contained. This helps explain why nominal prices can remain positive even as affordability constraints suppress transaction volumes.

Official building statistics reinforce this interpretation. During January to August 2026, municipalities approved 24 928 residential units, 17.4% more than in the comparable period of 2025. The increase was concentrated in smaller and higher-density housing where approvals rose to 5 511 units for houses below 80m² and 12 241 units for flats and townhouses, while 7 176 larger houses were approved. The composition of the pipeline therefore points to a shift towards more compact housing rather than a broad expansion across all residential formats.

However, delivery remained materially weaker than the approvals pipeline. Municipalities reported 15 381 residential units completed during January to August 2026, about 3.7% fewer than a year earlier. Completed flats and townhouses fell to 6 958 units from 7 899, while completions of houses below 80m² rose to 3 903 from 3 294 and larger-house completions increased to 4 520 from 4 008.

Figure 2: Building plans



Source: Stats SA, FNB Economics

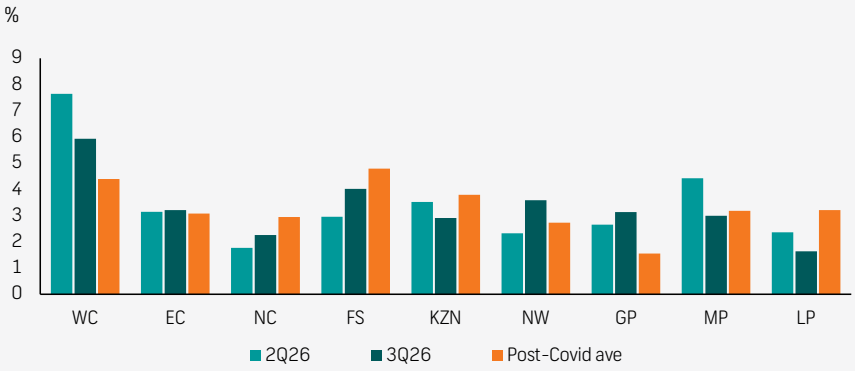
3. Rental market update

Rental inflation is contained nationally, but regional divergence is pronounced

Recent CPI data shows rental inflation rising by 3.9% y/y and 0.8% quarter-on-quarter (q/q), while owners' equivalent rent increased by 3.8% y/y and 0.9% over the quarter. Both measures remained below headline CPI inflation of 4.5%, although the broader housing and utilities category rose by 5.2% y/y. In real terms, national rental growth therefore remains modest, which limits the extent to which landlords can compensate for higher operating and financing costs through rent escalation alone.

However, the national average masks pronounced regional divergence. Western Cape rental inflation remained the strongest at 5.9% y/y in 3Q26, despite slowing from 7.7% in 2Q26, and remained above its 4.0% post-Covid average. The Free State accelerated from 3.0% to 4.0%, North West from 2.3% to 3.6% and Gauteng from 2.7% to 3.1%. By contrast, Mpumalanga slowed from 4.4% to 3.0%, KwaZulu-Natal from 3.5% to 2.9% and Limpopo from 2.4% to 1.6%, while Eastern Cape was broadly stable at 3.2%.

Figure 3: Rental inflation by province



Source: Stats SA, FNB Economics

This pattern is consistent with rental markets being driven increasingly by local fundamentals rather than a single national cycle. In the Western Cape, above-average escalation indicates persistent pressure on available stock, although the 2Q26 to 3Q26 moderation suggests that affordability is beginning to restrain further acceleration. The strengthening in Gauteng, the Free State and the North West points to firmer tenant demand or tighter effective supply, but escalation

remains moderate enough to suggest that landlords still face affordability ceilings. Softer readings in Limpopo, KwaZulu-Natal and Mpumalanga imply weaker pricing power and a greater need to prioritise occupancy and tenant retention.

4. Outlook

Slower growth, constrained volumes and sharper segmentation

The 3Q26 data is consistent with a transition from early-cycle recovery to a more mature and selective phase. House-price growth should continue to ease towards the mid-4% range in the near term as affordability constraints limit buyer depth. Nevertheless, a broad-based nominal decline is not our base case: residential completions are lower relative to recent norms, limiting the immediate supply response, while better market execution continues to support achieved prices.

The most likely adjustment remains through transaction volumes and buyer mix. Higher-income and cash-rich households are better positioned to transact, although sentiment remains a constraint, while first-time and middle-income mortgage borrowers are more sensitive to interest rates, deposit requirements and real-income growth. Rental demand should remain supportive, but escalation is likely to stay concentrated in supply-constrained markets. In stronger regions, affordability may increasingly drive tenant trade-down, smaller-unit demand and movement towards peripheral nodes, while in softer regions, vacancy management and tenant retention will matter more than headline escalation.

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	2.1	2.6	3.3	4.0	4.6	5.0	5.1	5.3	5.5	5.6
2026	5.8	6.0	6.1	6.1	5.9	5.7	5.4	5.1	4.7			

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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