Understanding the credit cycle through the lens of residential demand
By William Macrobert, Chief Executive Officer, Stockhouse Capital

How do you see the current credit cycle evolving over the next 12–24 months?
Looking into a residential and housing perspective, the market has just come from a very tough period between 2023 to 2025, characterised by high interest rates, over-indebtedness among consumers, low economic growth and a muted outlook, which has driven demand to rent rather than buy. We have experienced these trends over the last 20+ years, and they usually follow bespoke cycles of around four-year intervals. A shift in the residential market is usually a precursor of a shift to come, and usually pre-dates growth by up to six months, where demand and market sentiment drive investors and owner occupiers to take the risk in obtaining finance to buy.

A strong buyer market is key to the developers and investors we fund.

We have experienced a systematic shift in consumer demand in this sector in Q4 2025, indicating a strong demand-driven residential market for 2026 and 2027, with demand for residential properties and sales statistics steadily on the rise.

In our market segment, we see above-average growth in private credit in the residential market, fuelled by increased demand for residential property and a general positive outlook towards 2026 and 2027. This, together with the inability of major banks to effectively compete in this market, we forecast exponential growth in demand for private credit in our market segment.

How has competition among private lenders affected deal terms and returns?
In our market segment, competition remains low, but with the recovery expected in demand for residential sales and increased demand for private credit. We anticipate new entrants will look to capitalise on this growth.

Our approach is to provide fair risk-adjusted pricing that leaves enough on the table for both of us as a private credit provider and the underlying client we finance. This remains at the forefront of our ability to be successful in this market. Clients are inherently loyal and if treated fairly and consistently, they generally avoid shopping around in the market and rather elect to do repeat business with you.

What's your view on the sustainability of private credit growth relative to traditional bank lending?
Traditional bank lending is the main driver behind the growth of the private credit market. In South Africa, our banks are big, their processes are cumbersome, and their credit decisions are driven by policy and constraints, rather than a real understanding of the market. Our philosophy is not to bank the un-banked, but to offer good bankable clients (who can obtain bank funding at any traditional bank) quick and competitive deals supported by a more in-depth understanding of their business needs, market trends and norms, which allow them to be more agile, focused and profitable.

For example, a bank will give you funding on a residential development with 70% pre-sales. It takes you about 6 months to achieve the pre-sales, then another 6 months for installation of services, once you have achieved the pre-sales and then another 12 months for construction. The developer sells at today's market value but can only deliver the house in 24 months and must absorb the increase in building costs. In that sense, it is more profitable for developers to pay higher interest rates and fees, with a lower level of pre-sales, allowing them to adjust their selling prices to match the building cost and make a higher profit. You have to understand the market and be agile to move with it, a concept that traditional banks struggle with due to increased policy and regulation placed upon them.

This is the major opportunity driving growth in private credit in our market segment. We are not extending credit to clients who cannot obtain bank finance, but rather to good banking clients who require better terms.

In that sense, the growth in the private credit market in our segments is largely taken from the traditional banks.

What are your expectations for returns in credit funds over the next few years compared to historical averages?
In our market segment, volumes are forecasted to increase substantially, ie the quantum of private credit, but from a return perspective, our forecast for our market segment is that returns will remain broadly in line with current levels. Although the inclination is to increase pricing when markets are good and growing, long-term sustainability and client retention remain at the forefront. Private credit in our market delivers a predictable and sustainable return year after year.