

Stable interest rate great news for best buyer's market in decades

By  Samuel Seeff

21 May 2021

The decision by the Reserve Bank to retain the repo rate at 3.5% (home loan base rate at 7%) is great news and underscores the best buyer's market in decades.



Image source: www.pixabay.com

While to date, much of the updraft in the property market has been interest-rate induced, driven by first-time buyers, overall volumes, which is about 20,000 per month at best, remains well below what it should be for such a low interest rate. This is due to a large sector of the market not transacting to any notable degree for some time.

This may, however, be about to change. There are early signs that confidence could be returning to the upper end of the market. President Cyril Ramaphosa's recent actions against corruption both in terms of his Zondo Commission testimony and demonstrable implementation of the ANC's "step-aside rule" has been a confidence boost.

More high-value transactions

We have recently seen more high-value transactions and have achieved record-high sales months boosted by an increase in high-value transactions, the most recent being sales of R45m to R55m and more in the pipeline.

Foreign and second-home buyers are also investing again, not just on the Atlantic Seaboard but in the coastal towns such as Plettenberg Bay as well. SA expats also seem to be investing in property with the intention of returning to the country.

That said, we remain of the view that the Reserve Bank should be taking a more aggressive stance to boost the economy. 2% economic growth for the year is simply not enough for an emerging market. More needs to be done to foster a climate for investment, economic growth and job creation.

Globally, central banks have been far more aggressive with their rate cuts. The UK and US are reporting booming real estate markets with up to 20 to 30 offers on a single property reported in the US. In SA, the local boom has only really been in the first-time buyer sector of the market.



Interest rate hike held off for another quarter

Adrian Goslett 20 May 2021



Rand continuing to hold up

Despite the rapid rise in the CPI to 4.4%, it remains within the Reserve Bank's target range of 3-6%. The hike in inflation is also pandemic-driven and not due to overspending by consumers because of a low interest rate. The currency continues to hold up well, recently rallying significantly against the US dollar and more than recovering the losses suffered since last year April.

Nonetheless, we are very upbeat about the prospects for property for the year ahead. We could even start seeing the build up to a market-wide boom later this year. The interest rate should remain at the current low rate, perhaps hiking by a marginal 25 basis points at the most.

South Africa is still one of the best places to live and buy property in and conditions remain favourable for buyers, both from an interest rate and price growth perspective. Price growth has been confined mostly to the mid to low price bands. Stock levels remain well balanced but we expect stock shortages towards the latter part of the year.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

- #BudgetSpeech2024: Finance Minister urged to keep personal and property taxes unchanged - 20 Feb 2024
- Property market now favours buyers in most areas - 3 Jul 2023
- Is it still a good time to sell your property? - 18 Apr 2023
- How the latest interest rate hike will affect your bond repayment - 27 Jan 2023
- Property outlook positive into 2023 despite rate hikes - 6 Dec 2022

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>