Interest rate disappoints, but South Africans will buy property this festive season

By Samuel Seeff

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The decision by the South African Reserve Bank (SARB) to retain the repo rate at 3.5% (home loan base rate at 7%) is disappointing and out of step with the economy. A rate cut would have provided a vital business and consumer boost ahead of the busy retail and holiday season, freeing up cash to spend in the economy at one of the most challenging times.

Samuel Seeff, chairman of the Seeff Property Group

The third quarter economic bounce-back is unlikely to result in a net growth position and, overall, the outlook remains negative as confirmed by Moody's and Fitch. This, combined with the benign inflation rate which at just 3% is at the bottom of the Reserve Bank's target range, was a strong enough case for at least a further 25bps rate cut.

One sector which has demonstrated the vital importance of appropriate rate cuts is the property market. For the first time in a decade, we have seen the interest rate driving demand which is exceeding analysts' forecasts.

Favourable mortgage lending conditions

We have seen some of the best trading months in six years and, in some instances, better than at the height of the last 2015/6 mini property boom. This is driven predominantly by buyers with stable employment, relatively unaffected by the Covid-19 pandemic, and the favourable mortgage lending conditions.

It is not just first-time buyers, but the affordability of mortgage finance is also seeing buyers upgrading to bigger homes or better neighbourhoods as well as investing in second homes and rental properties where they find good value.

With some of the best bond approval rates in over a decade and buyers still benefiting from favourable mortgage loan terms, we expect the buoyancy in the market to be sustained into the latter part of 2021. The market remains well-balanced which means that prices are not running away, and South Africans will be buying property this festive season.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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