

Rate decision welcomed as first-property buyer's market booms

 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 welcome news.



Samuel Seeff, chairman of the Seeff Property Group

Unlike the rest of the economy, the residential property sector has reaped the benefits of the aggressive rate cuts resulting in a first-property buyer's boom. The market up to R5m to R8m has also been buoyant.

There has also been a mini coastal boom in areas targeted by semigration buyers, from Cape Town to Hermanus and Plettenberg Bay and the KZN North Coast. Those who are not moving permanently are setting up second homes where they can spend extended periods; the remote working trend being a major driver of this.

Surprising uptick in prices

The improved affordability and pent-up demand following the hard lockdown has boosted June to August sales in many areas to pre-Covid levels and some to the highest levels in recent years. This has resulted in a surprising uptick in prices with FNB reporting 2.8% y/y growth for August, from 1.8% in July.

Properties are currently selling at some of the fastest rates in recent years,

being within 11 weeks on average compared to 14 weeks in the second quarter.

While the rates decision was expected following five aggressive rate cuts, the significantly worse GDP data of a 51% y/y contraction in the second quarter and weaker outlook for the year leaves room for SARB to provide a rate cut at the next meeting. This will be a vital stimulus to reignite the economy which, save for the residential property market, has not seen any major impact from the rate cuts.

Uncertain times

Looking ahead, we are in uncertain times. Although there has been a number of high value property sales, the luxury and investment sectors remain muted despite the good stock and relatively competitive pricing. These buyers are anxious to first see a return of confidence, decisive action on corruption including arrests and economic policy aimed at growth rather than debt accumulation.

In the meantime, buyers are able to take advantage of the lowest interest rate in over five decades. The positive activity in the market paves the way for more movement and new stock to come onto the market. Developers may also consider coming back if this is sustained.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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