

Flat repo rate, lower inflation welcomed as economic challenges mount

By  Samuel Seeff

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The Monetary Policy Committee of the South African Reserve Bank announced on Thursday, 25 May, that the repo rate is to remain at 7% (home loan base rate of 10.5%).



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We expected this decision given that there has been no further economic upheaval since the Cabinet reshuffle and change of the finance minister at the end of March. Although the rand remains volatile, good news this week came in the form of a lower inflation rate, down to 5.3% (from 6.1% in March) while the International Monetary Fund also recently upgraded the economic growth rate to 1% (from 0.8%) for this year.

A flat interest rate and lower inflation gives more breathing space to consumers and home owners and allows buyers to still benefit from a rate saving and get slightly bigger bonds. This is good for the property market which continues at a fairly balanced pace.

Well-balanced property market

Although some areas are reporting increasing stock levels coming onto the market combined with fewer buyers, the overall picture remains that of a still well-balanced property market. We have also not seen any drastic rise in distressed sales coming onto the market and anticipate stable conditions for the remainder of the year.

Sales are however, now taking longer and buyers, aware of the shifting market conditions, are more particular about the prices that they will pay, something that sellers need to be cognisant of.

The banks, while still keen to lend, are taking a more conservative outlook with deals taking longer to be approved. Buyers are therefore urged to ensure that they buy within their means, have good credit records and meet all of the qualifying criteria to avoid disappointment.

Higher activity levels in Cape Town

When volatility creeps into the economy and property market, you begin to see area differences emerge. While Johannesburg is seeing a notable rise in stock levels and a drop in demand, Cape Town, in contrast, is still experiencing tight stock levels and continues to attract relatively higher activity levels and prices.

In general, ordinary buyers and sellers are continuing about their daily business of buying and selling and there is still plenty of activity to keep the market ticking over. With so much being written about the market, the best advice right now is to consult with a local area expert who can provide vital insight into the demand and price levels in your area.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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