

Looking to buy property? It's a good time to borrow

South Africa is currently in what is termed a 'buyers' market', with more supply of properties than demand from buyers. In the last five years, properties have often stayed in the market longer than average and asking prices have remained the same or decreased.

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On the other hand, borrowers are in a strong position, thanks to the South African Reserve Bank's decision to cut a further 25 basis points (bps) off the repo rate, bringing the prime interest rate to 9.75%.

Encouragingly, it is the lowest interest rate since 2015 and has been widely welcomed, particularly by the property sector, as the cost of borrowing is now at its cheapest.

The cumulative effect of each reduction by 25bps adds up and has given South African borrowers some much needed respite. SA Reserve Bank governor Lesetja Kganyago also hinted at a further rate cut later this year which is a sign to be optimistic about the future.

The practical implications of this are that traditional financial institutions find themselves having to work harder to secure customers' business. This is compounded by the rise of innovative fintech solutions that are poised to transform existing banking models in favour of offering more value and convenience to customers.



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Home loan market share

Technology is empowering customers to analyse their service providers more carefully, before making

financial decisions, while startups are leveraging tech to provide more convenient and effective customer service. Currently, South Africa's top five banks are competing aggressively for home loan market share and the market can expect this trend to continue beyond 2020.

It is known that financial institutions have to lend money to customers in order to sustain their businesses and grow. These institutions do not make money until they have advanced funds to customers and successfully collected instalments, by charging interest in the process. This level of competition to win the hearts, mind and share of customers' wallets, puts quality borrowers in the pound seat, where they can now seize the opportunity to choose their lenders.

Traditional banks are being digitally disrupted and therefore have to think differently about how to add value to their customers in a rapidly transforming digital environment. This makes 2020 a great time for customers to consider buying homes.

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