

## Real estate to rebound as South Africa cuts interest rate, says Yael Geffen

Lew Geffen Sotheby's International Realty chief executive officer Yael Geffen says the Sarb's recent 25 basis-point cut is the best news that South Africa's highly debt-burdened consumers have had in four years.



Source: 123RF.

“Until the announcement today, South Africa’s real rates had reached the highest level in 19 years, and consumers hadn’t seen a rate cut in four years.

“This benchmark rate cut to 8% is a small step in monetary terms, but a massive one in terms of positive business and consumer sentiment.

“It marks a significant turnaround for South Africa’s economic outlook, off the back of the strengthening rand (trading at R17.43 to the US\$ at the time of the MPC’s announcement) and six months of downward trending inflation that reached 4.4% in August; falling below the SA Reserve Bank’s 4.5% target for the first time since April 2021.”

Geffen says consumers will feel the difference immediately.

“On a bond of R2m, this cut means your repayment at prime will go down by more than R300 a month, and over the lending term of the mortgage, could save you more than R745,000. That’s a phenomenal amount of money on a cut of just 25 basis points.

“Since the MPC started hiking rates during the pandemic, home owners with bonds of around R2m have had to find an extra R7,000 a month to service them, when in real terms, salaries have gone down.

“Two-thirds of the average household spending right now, is going towards servicing debt. This cut isn’t massive, but consumers will feel the relief.”

Geffen says there’s little doubt the rate cut will be a significant shot in the arm for the property market.

“People have been waiting for this cut – either to step onto the property ladder, or to upgrade.

“Everyone was expecting the repo rate to go down in the second half of the year, and buyers have been waiting for it, because it makes a massive difference when you’re servicing a bond.

“I expect market activity to react almost instantly, and it bodes well for South Africa’s property sector for the remainder of the year, as well as brightening the outlook significantly for 2025.”

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