Interest rate holds steady in face of economic instability


By Adrian Goslett

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Following the recent wave of economic instability, the Monetary Policy Committee (MPC) announced that interest rates will remain stable at 3.5% (repo rate), with the prime lending rate then remaining at 7%.


Adrian Goslett, regional director and CEO of Re/Max of Southern Africa

This was a prudent decision, as many have entered the property market owing to record-low interest rates. Subsequently, increasing rates at this meeting could have had some concerning consequences for homeowners who are already being pinched by the political unrest and harsher lockdown restrictions during the third wave.

Those who entered the market within the last year will have become accustomed to having their bond repayments subject to the current interest rate. Many might not have room in their budgets under the current circumstances to afford an increase at this time. Though a cut of 25 basis points could have helped ease the economic burden many will face in the months ahead, the MPC has acted wisely by at least keeping interest rates steady at this time.

Prioritise home loan instalments

Homeowners are still cautioned to leave room in their budget for potential interest rate increases when planning for the year ahead. Though times are tough, homeowners ought to prioritise their home loan instalments to avoid facing the risk of losing their home. Before things get too tough, speak to your financial institution. Some homeowners might be under the impression that the bank will repossess their property as soon as they communicate their distress. However, this is not the case. There a few ways that the bank might help, such as rescheduling the debt, offering some advice on the right steps to take, or renegotiating the term of the loan from 20 years to 30 years. As a final option, they might recommend placing the home on their distressed sales list to help the homeowners get out of debt. The homeowners can then use this money to purchase a home they can afford.


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While it is impossible to predict with any certainty how the property market will perform going forward, real estate will always be a sound investment strategy when looking for long-term returns. The property market works in cycles. As economic and political situations stabilise, so too will the demand for real estate, which will drive up property values. Those who hope to time the market to maximise their returns should seek the advice of an experienced real estate professional who can keep them up-to-date on trends and the latest market conditions.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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