

Flat repo rate welcomed as economic, housing market outlook remains weak

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The decision by the Monetary Policy Committee of the South African Reserve Bank to leave the repo rate unchanged is most welcome in a climate where the economic and housing market outlook remains weak.



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Save for any major dilemma, it also now seems likely that we will see the year out without any further interest rate hikes.

The decision means that the repo rate stays at 7% and the base home loan rate at 10.5%. The decision was expected by the market given that the CPI (Consumer Price Index) has remained fairly stable, albeit still at the upper target range while the currency has regained some of its losses.

This good news follows the unexpected announcement earlier this month that the GDP in the second quarter of 2016 grew by a very encouraging 3,3%. The change in local government in key metros has also been a massive positive injection for the country and, if the DA starts to deliver, it will benefit everybody.

This is now the third successive meeting that the rate has stayed put and this breather is good news for home owners who can now benefit from a rate saving a little longer. The flat rate combined with the slower price growth also makes for positive buying conditions.

Good time to buy

We do not foresee anything in the short-term that will bring prices down any further, so, it is indeed a good time to buy. The banks are still lending and there is still time for buyers to get onto the property ladder, but caution is now the order of the day.

The economic outlook remains weak, a downgrade in December still looms and, the property market has begun its inevitable slow-down.

This is not a time to splurge, it is a time to be sensible and save. That means that buyers need to make smart decisions and build some fat into their budgets. There is not much positive price growth taking place outside of the Cape areas, so seller now need to be more conservative with their price expectations if they hope to conclude a successful sale.

The economy is set to remain flat for the remainder of this year, and the property market will track this very closely.

It is still very much a tale of two cities, Cape Town versus the rest of the metros, but the market is still well-balanced in most urban areas and it remains business as usual as there is in any event always some degree of movement in the market as sellers and buyers need to transact in the ordinary course of life.

While we do not expect any fireworks for the remainder of this year, there is still plenty of activity. The South African property market has a history of resilience and that is in part still evident. Even just a slight economic uptick will be good news for the market.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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