

# Repo rate hikes - no reason for property owners, buyers to panic, says FNB

While experts agree that interest rates will be on the rise this year, Mfundo Mabaso, growth head at FNB Home Finance, says there is no reason for property owners or prospective buyers to panic. This follows the South African Reserve Bank's (SARB) recent repo rate hike of 0.25%, pushing the prime rate up to 7.5%.



Mfundo Mabaso, growth head at FNB Home Finance

Mfundo Mabaso, growth head at FNB Home Finance, says, "The current interest rate hiking cycle is a transition from record-low interest rates in the previous two years, but the SARB's cautious approach suggests that it might take a few years before we see interest rates comparable to those in 2019. This, however, will be determined by a number of factors, including the inflation outlook. Taking everything into account, property owners and buyers will continue to have some breathing room."

Mabaso says that despite the well-documented challenges posed by the pandemic, the last two years have also been beneficial to residential property buyers as it has effectively become cheaper to buy than to rent due to record-low interest rates. Many people took advantage of the opportunity to realise their dreams with relatively low instalments, he says.

While the residential property market is expected to remain appealing to new home buyers, Mabaso advises those in the market to do their research before purchasing a home:

**Shop around:** The excitement of looking for a new home can sometimes be overshadowed by emotional decisions. As a result, you should always resist the temptation to buy the first property you view. Instead, create a shortlist of properties that meet your requirements and arrange for a second or third viewing before submitting a formal offer to purchase.

**Put down a deposit:** While financial institutions may offer 100% home loans to qualifying customers, putting down a deposit is always a great way to reduce your debt and subsequent monthly payments. Lower instalments are advantageous during periods of interest rate increases, and you can do more with your disposable income.

**Choose a property you can afford:** Whether you're buying a home or an investment property, it is important to consider whether you can afford it over the long term. Irrespective of whether a property is a standalone house or a sectional title, there are always maintenance costs to consider.



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**Rates and taxes:** Rates and taxes must be taken into account when purchasing property because they are standard costs for property owners. Before you sign an offer to purchase, request that the current property owner provide rates and taxes for at least three months. In addition, if the property is a sectional title, you may request levy statements.

"Despite the rising interest rates, the property market provides potential value to both buyers and sellers. Many property

owners have made additional investments, such as creating work-from-home spaces, which provide prospective buyers with a variety of options to meet their needs," Mabaso says.

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