

Steady repo rate good news for first-time buyers



By [Dr Andrew Golding](#)

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In line with general consensus among economists prior to the recent Monetary Policy Committee announcement, the repo rate remains unchanged, which provides comfort for those wanting to purchase a home as well as those with existing mortgages.

Furthermore, the prognosis seems to be that the repo rate is likely to remain stable for the remainder of the year, with the possibility of an interest rate cut in 2018 or even at the end of 2017.

Naturally, socio-political factors and perceived risks around what transpires regarding US interest rates and other macro-economic influences, bring pressure to bear on the rand, the economy and investor confidence in South Africa in general.

However, the fact that interest rates remain steady is particularly welcome news for consumers who are feeling the pinch of ever-rising costs, a factor which is most evident among those gaining a foothold or already on the lower rungs of the residential property ladder, which brings us to another important point.

Small green shoots of growth

With inflation contained and small green shoots of growth becoming evident in the economy, one of the most positive takeout's from the recent National Budget is the potential for home buyers in the price range up to R900,000, given the increase in the transfer duty threshold.

This shift in the transfer exemption from R750,000 to R900,000 was, we believe, not only long overdue, it could also potentially have a significant impact on the market, stimulating first-time buying through increased affordability, and creating a positive ripple effect through all levels of the market.

While it is probably too soon to be able to gauge an immediate impact on the volume of property purchases in South Africa, given that sales transactions from the point of signing the offer to purchase through to actual transfer of the property take several months, it is interesting to note recent data from ooba.

Saving in transfer duty

This reveals that the average price of a home purchased by a first-time buyer has over the past two years, i.e. since early 2015, increased from R750,000 to R900,000. This means that the saving in transfer duty – supported by the stability in the repo rate - has the potential to stimulate further buying in this price band, among both new buyers as well as those

upgrading from existing homes. This in turn will filter through the marketplace, helping mitigate the relatively moderate growth experienced in the market over the past year.

Interestingly, further noteworthy data reported by Pam Golding Properties Research department shows that the lower price band up to R1m continues to outperform the national market, with growth in prices in this sector continuing to gather momentum. This supports the ongoing and increasing demand for housing in the more affordable price bands across all regions around the country.

ABOUT DR ANDREW GOLDING

Dr Andrew Golding, chief executive of the Pam Golding Property group, was originally in private practice as a General Practitioner on the Atlantic Seaboard from 1991 to 1996, after which he joined the family business as MD in 1996, followed by his present position.

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