

Repo rate reduction further incentive for savvy home buyers

 By [Dr Andrew Golding](#)

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In the midst of a rapidly contracting economy in limbo under an extended lockdown, the announcement of a further reduction of 50 bps in the repo rate will have a positive effect on the residential property market, albeit deferred until potential buyers can begin transacting in earnest.



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This is some good news for the residential property market and the real estate industry, which is under considerable pressure at present. While we have seen a very positive response to our iShow technology - which enables us to showcase properties for sale online via video viewings and virtual show days using Facebook's Watch Party functionality - buyers remain hesitant to commit on the basis of 'sight unseen'. Once real estate is allowed to operate at full strength, which we hope will be in the near future, we will be able to ascertain the net effect of the recent extensive reduction in interest rates thus far this year.

Bolster the economy

With inflation still at the lower end of the 3-6% target band, it is also hoped that the current low interest rates – last experienced in the early-70s, will help bolster the economy and provide prospective home buyers and investors with an incentive to make property-buying decisions. These include first-time buyers, who comprise just under half the loans extended via mortgage originator, ooba.

Further motivation for savvy homebuyers with medium to long term capital growth in mind, is the current muted house price inflation. According to ooba, average house prices remained steady at just over R1.2m during the first four months of the year, while the average price of first-time buyers remains below R1m, as they capitalise on accessibly priced homes which attract zero transfer duty.

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Time to buy is now

That said, the time to buy is clearly now, as the lower price band (below R1m) continues to see house price inflation escalate, with the latest Pam Golding Residential Property Index showing house prices in this price band rising by 6.9% in April (2020). Notable among the metro markets, and according to the latest data from Lightstone, Cape Town house price inflation (4.2% in January 2020) continues to rebound, followed by Nelson Mandela Bay (3.5%) and eThekweni (3.2%) holding steady. Compared with a national average of 2.6%, this is indicative of the fact that housing markets in the coastal metros continue to outperform, but obviously these results reflect a pre-Covid world and it remains to be seen what kind of market there will be post lockdown.

Further good news for consumers - and for the inflation outlook in general - is that although the fuel price is probably set to increase by close to 50c per litre in June, with diesel set to decline once more, this still leaves it approximately R3.50 per litre lower than at the start of the year.

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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