Prospects already looking up for SA home buyers

By Rudi Botha

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Ahead of the medium-term budget policy speech and the SA Investment Summit this week, things are already looking up for home buyers and owners in SA thanks to a stronger rand, declining inflation and improving employment prospects.

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This follows President Ramaphosa's national jobs summit earlier this month and his appointment of former Reserve Bank governor Tito Mboweni as the country's new finance minister a few days later.

These two events have already seen the rand strengthen against the dollar and other major currencies, and prompted major ratings agency Moody's to delay any review of SA's credit rating, which it currently ranks as positive with a stable outlook.

Moody's is the one agency that currently stands between SA consumers and the hugely negative effects that a downgrade of the country's investment status to 'junk' would have, which is why there is always so much anxiety when a review of its assessment is due, as it was on 12 October.

However, the agency has now announced that it will not make any decision until after the medium-term budget policy speech which minister Mboweni will deliver on Wednesday, and there is now good reason to hope that its rating and outlook will remain unchanged, despite the fact that SA entered a technical recession in the second quarter of the year and is still experiencing only very low GDP growth.

Better performing rand

Although volatile, the rand has also performed better since Mr Mboweni's appointment, and this will hopefully reduce the need for further fuel price increases this year and thus help to keep inflation down and interest rates static.

Meanwhile, the economy is showing definite signs of improvement and the third quarter results are expected to show a return to GDP growth. Statistics reveal, for example, that production in the manufacturing sector was up in July and August compared to the second quarter and that car sales have increased steadily since June.

In addition, our figures show that home loan application numbers were 2.76% higher in the third quarter than in the second, and we hope to see this trend continue as the agreement concluded by government, business, labour and community organisations after the jobs summit takes effect.

Obtaining a home loan is the key to home ownership for most people, and a steady job or profitable self-employment is a prerequisite for those applying for home loans, so it was exciting to learn that the job summit participants are committed to creating more than 250,000 jobs a year for at least the next 10 years. If even just 10% of those jobs result in home purchases, the potential for the expansion of SA’s R4tn residential real estate market is enormous.

As for those who are already planning to buy a home, they should be sure to apply for loan through a reputable bond originator. At the moment, we are finding that the average variation between the best and worst rate offered on an application is 0.5%, which could translate into very significant savings for the borrower. On a R1.5m loan, for example, the potential savings amount to almost R120,000 worth of interest over the lifetime of the loan, plus some R6,000 a year off the home loan instalments.

ABOUT THE AUTHOR

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