

BetterBond CEO welcomes unchanged repo rate, good start to 2021

BetterBond CEO Carl Coetzee has welcomed the Monetary Policy Committee's recent decision to hold the repo rate steady at 3.5%.



Carl Coetzee, CEO, Betterbond

"We welcome the MPC's decision, which will keep the prime lending rate at its record-low of 7%," says Coetzee. "Five consecutive repo rate cuts last year set the scene for the housing market's significant recovery, and now homebuyers will have a further opportunity to apply for a bond in 2021 at this competitive rate."

The South African Reserve Bank indicated at the end of last year that a gradual repo rate increase was likely towards the end of 2021. "However, it's possible that the economic impact of the second wave of the Covid-19 pandemic may result in one or two modest cuts in the repo rate during the year to provide some additional economic relief once the rand begins to strengthen," notes Coetzee.

Best December on record

BetterBond experienced its best December on record, with bond application volumes increasing by 53% year-on-year. "The word has spread that the lower interest rate means that buyers can afford up to 30% more than if they had applied for a bond in January last year. For many, this improved affordability has resulted in aspirational purchases. With the premium being placed on lifestyle as so many of us are working from home, we are definitely seeing

more buyers applying for bonds to secure their dream homes."



Repo rate remains unchanged, still room for a further cut

Dr Andrew Golding 21 Jan 2021



House prices remained resilient by the end of 2020, according to the latest FNB Property Barometer (December), increasing by 3.8% year-on-year, compared with the 3.5% growth seen in November. Much of this price growth was at the lower end because of increased demand for homes and improved affordability due to the lower interest rate. But, there was also marginal improvement in activity across all price brackets. As a result, the time that properties stayed on the market once listed dropped from the almost 11 weeks reported in the first quarter of the year, to just over nine weeks.

'Missed opportunity'

Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa, says the decision to hold the repo rate steady is a "missed opportunity" for further growth. "Although the property market is very active at this time, many buyers and sellers are struggling to make ends meet within the current economy, which puts downward pressure on asking prices. Yet another interest rate cut could have helped alleviate some of this financial pressure, allowing room for property prices to strengthen."

Goslett still advises homeowners to leave room in their budget for a possible increase of around 0.5 basis points during the course of 2021.



Interest rate disappoints as second wave could eat into property and economic gains

Samuel Seeff 22 Jan 2021



Opportunity for movement

Concludes Coetzee: "While we welcome the decision to hold the repo rate steady, there is certainly opportunity for movement, and we hope that when the MPC meets again later in the year, once the vaccine has been rolled out and inflation stabilises, a further cut will be announced to once again jumpstart economic recovery."

"However," he adds, "the housing market's recovery is already on track, and if our December bond application numbers are anything to go by, we are in for a bumper 2021."

For more, visit: <https://www.bizcommunity.com>