Rates decision welcomed amidst challenging economy, property market

By Samuel Seeff

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The recent decision by the Monetary Policy Committee of the South African Reserve Bank (SARB) to keep the interest rate at the current level of 7% (home loan base rate of 10.5%) for the fifth successive meeting is most welcome news.

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With so much political and economic uncertainty and pressure on the property market, this is indeed good news to kick off the year. A rate cut would have been much better, but we will take any good news that we can get at this stage.

We are seeing an overall property market increasingly feeling the pinch of the poor economic fundamentals and just too much negative political noise that is undermining business and consumer confidence.

While the currency has stabilised, the December inflation rate climbed to 6.8%, up from 6.6% in November as it continues its stubborn breach of the 6% upper target range. This is concerning for interest rate stability, the economy and further downward pressure on the property market.

Retail has not had a great festive season, new vehicle sales are under pressure and there is some noise around more job losses on the cards. That said, we are encouraged by some economists who are expecting an improvement in the economy this year.

Effects of the 'Trump era'

Some interesting developments to watch include how the 'Trump era' will affect our economy, the performance of emerging markets, especially the Chinese economy, now South Africa's biggest trade partner. Commodity prices and demand along with the drought and recent devastating fires in the Western Cape are all concerns that weigh on the economy and property market. The lead up to the ANC's elective conference in December is also likely to impact.

Despite some rather negative data from the property economists, we continue seeing a reasonably resilient market, obviously slower, especially in the economically affected areas such as the northern region mining towns, countryside and some coastal belts, but on the whole, it remains business as usual.

Remember, regardless of the economic state, there is always a level of activity and the market is still in a much better position compared to the post 2007/8 period. Although stock levels have increased and price growth has slowed, we have not seen prices drop nor any major creep in bond defaulters, the movements have been manageable on the whole.

Plenty of positivity in the market

This is no doubt going to be a year of further consolidation for the property market and Budget 2017 is likely to bring further cost rises. Nonetheless, there is still plenty of positivity in the market with opportunities for buyers, sellers and investors in almost every sector.

Prudence, however, is the order of the day and it is advisable to speak to your local property specialist for insight on local conditions as these vary drastically from area to area and regionally.

ABOUT SAMUEL SEEFF

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