Stable interest rate good news for housing and consumers

By Samuel Seeff

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A stable interest rate is good news for the housing market and consumers and I welcome the recent decision by the Reserve Bank's Monetary Policy Committee to retain the repo rate at its current level of 5%. Right now, a stable interest rate is the best course for the property market and, in fact, for the economy as a whole.

While there have been some calls to lower the interest rate, such a move could encourage short-term spending, something that we do not need right now. It is vital that consumers start saving and that we encourage and foster a strong savings culture. Now more than ever, I would encourage homeowners to invest their annual bonuses and any spare cash into their home loans, something that will stand them in good stead to weather future interest rate hikes.

As we head into the holiday season, traditionally a period when imprudence tends to outweigh caution when it comes to spending and in the context of the current economic climate, a stable rather than fluctuating rate sends the right message. Already, it is likely that a rate hike towards the end of next year seems increasingly unavoidable.

Done little to stimulate economic growth

In any event, the low rate has done little to stimulate economic growth and has certainly not encouraged wholesale property buying. The continued stringent mortgage lending criteria simply does not support an noteworthy increase in the volume of home loans granted, something that is vital to boost home buying and sales volumes.

What we have seen this year is renewed buyer enthusiasm and a notable uptick in activity in the primary housing sector in the major urban areas. Although caution remains the order of the day, trading conditions are at the best levels since the economic downturn. Unnecessary fluctuation or a premature interest rate hike is likely to dent consumer confidence in the already fragile housing market and could impact on the economy as a whole.

An improvement in the property market is good news across the board. It means that more South Africans are buying homes, not only in the lower-to-middle sector of the market where it is needed the most, but also in the upper end of the market. While conditions remain heavily influenced by the overall consumer debt levels, a stable interest rate enables those who can to take advantage of the favourable buying conditions.

More should be done to encourage home ownership

I believe that more should be done to encourage home ownership and I once again call for further easing of the mortgage lending criteria and measures such as full bonds and longer repayment periods for first-time buyers. Property ownership is the cornerstone of a healthy economy and society, and with prices continuing to remain relatively flat, it is a good time for first timers to buy. Aside from encouraging greater home ownership, growth in the property market also has a significant knock-on economic benefit.

For now though, I am encouraged by the momentum in the market this year. Next year may well be the first year when we start seeing some real upwards movement in sales volumes driven by the primary urban sector of the market. Given the increased activity and serious stock shortages reported nationwide, we may well see some double-digit price growth in the lower and upper end of the market next year. While still some way from any real recovery, the market is heading in the right direction and the stable interest rate will continue to support home affordability.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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