BIZCOMMUNITY

Flat repo rate welcomed amidst slow economy and property market

By Stuart Manning

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We have welcomed the decision by the Reserve Bank's Monetary Policy Committee (MPC) to retain the repo rate at the current level of 6.50% (base home loan rate of 10%).

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The decision was largely anticipated by the market given the better than expected consumer inflation figure of 4.6% for June (lower than the market expectation of 4.8%), despite the weaker exchange rate.

Although the currency fluctuation poses a risk of monetary policy tightening, analysts believe that while inflation remains within the 3%-6% target range, the Reserve Bank is likely to keep the interest rate flat for the rest of the year.

This decision is good news for consumers and property owners, especially those with mortgage bonds. Bear in mind that consumers have had to absorb a number of cost hikes, most notably the petrol price increases, so any interest rate saving, is a boon.

Uncertainty around land expropriation

Aside from the economic pressure, the political noise and policy uncertainty around land expropriation remains a concern for the market. It has made many buyers, especially at the top end of the market and those who do not have to buy right now, hesitant, both local and foreign buyers alike.

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The risk of further cost hikes on the back of a weaker currency and petrol price hikes means that the economy is likely to remain sluggish throughout the year. This will leave us with an overall weaker property market, although there are pockets of good growth in both turnover and prices.

The market is holding up well despite the economic challenges, and while slower, there is still price growth and plenty of reasons to buy. Many areas are seeing excellent trade with especially the lower to mid-market sectors being quite active.

Opportunity in every market

While market commentators and analysts tend to highlight the downside of the market without necessarily weighing the balance, there is opportunity in every market. Any market is a scale and when one side goes down, the other goes up.

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While downmarket conditions are often characterised by speculators looking for bargains, it also brings serious buyers, but of course you need to know the difference. Many sellers are still making good deals as they adapt to the changing conditions. They may not be seeing stellar profits, but they are still making money.

When the sales side of the property market scale tips and finances are under pressure, the rental side of the market tends to go up with more demand for rental property. Although rates are under pressure, the good news for landlords is that they can still fill their units/homes and at least continue earning returns.

ABOUT STUART MANNING

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