

Rate cut a further boost for market sentiment

 By Dr Andrew Golding

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The recent announcement of an interest rate cut of 25bps, coupled with Moody's decision to not only leave South Africa's credit rating unchanged at one notch above junk status, but to also upgrade the outlook from negative to stable, are positive factors which should provide welcome stimulus for the residential property market.



Image source: www.pexels.com

These announcements are favourable for consumers and market sentiment. Firstly, with Moody's decision, another cloud of uncertainty has been lifted from the local economic landscape. The news reinforced recent rand strength and, since it follows a better than expected inflation release for February – with the inflation rate easing to just 4%, marginally below market expectations – this strengthened the case for an interest rate cut.

The repo rate reduction to 6.5% is the first cut since July 2017. Based on the views of economists and various market commentators, interest rates are now likely to remain unchanged at this level for the remainder of the year.

While SA's economic prospects have improved since the recent change in political leadership, growth forecasts remain relatively subdued and with consumers facing the prospect of a 1% hike in the VAT rate from 1 April, the case could be made for a further modest easing in interest rates.

Impact of VAT hike on consumers

Interest rate cuts are always positive for the housing market. However the benefits of this modest reduction may take longer than usual to be felt as households will need to adjust to the hike in VAT and the general increase in the tax burden via the fuel levy and other tariffs such as electricity, water and property rates.



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Having said that, for the calendar year to date and based on Pam Golding Properties' sales, activity in the marketplace

remains brisk in sought-after hubs and locations and there is generally a solid demand for properties on offer at market-related prices. Buyers continue to demonstrate a willingness to embark on first-time acquisitions as well as properties for upgrading or downsizing, or simply relocating, depending on their individual requirements.

Not surprisingly, the demand for convenient, lock-up-and-go hassle-free sectional title units accessible to the workplace and all amenities proceeds unabated, while the appeal of secure estate living with a range of value-add benefits on hand such as outdoor, sports and leisure activities, beckons to a cross-section of home buyers.

ABOUT DR ANDREW GOLDING

Dr Andrew Golding, chief executive of the Pam Golding Property group, was originally in private practice as a General Practitioner on the Atlantic Seaboard from 1991 to 1996, after which he joined the family business as MD in 1996, followed by his present position.

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