Stable repo rate underpins ongoing resilience of residential property market

By Dr Andrew Golding

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With inflation currently below the mid-point of the Reserve Bank's inflation target and economic growth remaining sluggish, the Monetary Policy Committee kept the repo rate steady at 6.75%, as expected. This decision is a positive outcome for many consumers.

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With the jury still out until today, when Moody's makes its announcement regarding South Africa's credit rating status, the repo rate decision was welcome. However, some would argue that the tepid economic growth rate and lower inflation of only 4.1% year-on-year in February, indicated that the case could have been made to rather reduce the repo rate.

For first-time and other buyers seeking finance to acquire residential property, the stable and still relatively low interest rate provides further incentive to commit to investment decisions, and thereby provide further stimulus and impetus for the property market.

In fact, the residential market continues to reflect surprising resilience despite the fact that some are awaiting the outcome of the election in May. However, with market conditions currently favouring buyers, others are pressing ahead, in particular young families and singles eager to gain their foothold on the first rung of the property ladder, or put down roots in locations where they can raise their children in a more care-free environment.

New trend towards decentralised hubs

The market is currently experiencing an interesting trend which follows hot on the heels of the semigration trend, which has seen some South Africans from across the country relocate to the coastal regions, notably initially the Western Cape and then more recently, to the Garden Route and KwaZulu-Natal coastline.

This new trend, which is already clearly evident in the Western Cape, is seeing Capetonians shifting their attention away from traffic congestion, long waiting lists at schools and house price tags beyond their budgets, to smaller, better-located properties in decentralised business nodes or to suburbs on the periphery of the Cape metro housing market and beyond. From the South Peninsula, Western Seaboard and ever-popular Northern Suburbs, these buyers are now extending their reach to more outlying areas into smaller towns and villages along the Whale Coast or Boland and Overberg towns such as Hermanus, Wellington and Robertson.

Notably, these towns are experiencing an influx of young and often first-time buyers, attracted by the affordability of homes and appealing lifestyle, which is creating a ripple effect with new amenities such as schools, shopping centres and increased medical facilities such as hospitals being developed, reinforcing the appeal of these areas for younger buyers and families, as well as retirees.

With opportunities in the market to acquire accessibly priced homes amid a stable interest rate and competitive bank lending environment, coupled with slightly lower house price growth rates, this is in fact an opportune time for first-time buyers in particular, to make sound buying decisions. This is especially true of areas which are poised for growth.

Post-election and after the traditionally quieter winter season, we anticipate we will see increased vigour and activity in the market along with renewed investor confidence, which in turn will drive up prices due to the increased demand.

With the forecast for mild interest rate hikes having been pushed out to late 2019 or possibly even early 2020, the current market presents a unique opportunity for informed buyers and investors to secure sound medium- to long-term investments at good value.

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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