Silver linings for homeowners as economic revival takes centre stage

By Tony Clarke

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Finance minister Tito Mboweni's supplementary budget speech on Wednesday was met with trepidation by many South Africans. The combined effects of the coronavirus pandemic and global economic downturn are expected to see our economy contract by 7.2% in 2020 and gross national debt rise to a predicted 81.8% of GDP by the end of this fiscal year.

Tony Clarke, MD of the Rawson Property Group

While the picture painted by the minister is undeniably bleak – and a little light on actionable detail, there are rays of hope that can be extrapolated for homeowners.

Having our national debt situation laid out in black and white was definitely difficult to hear, but it's also heartening to see our government acknowledging the situation that we're in without trying to sugar coat it. This, together with the new zero-based budget, suggests that they are committed to making the changes necessary to help our country weather this crisis, even if they have not yet fully road-mapped what those changes will be.

Emphasis on economic revival

One thing that was clear was the finance minister's emphasis on economic revival. The minister's aim to "create jobs, reduce the cost of doing business and build a competitive economy" could well have some positive knock-on effects on property.

To stimulate the economy, the government needs to stimulate spending – get money flowing again. One of the main ways of achieving this is to cut interest rates, making it less attractive for consumers to save capital and more attractive for them to invest in assets. For this reason, we're not just expecting interest rates to stay low for the foreseeable future, they could even drop further in coming months.

This will give homeowners much-needed relief on monthly bond repayments, as well as incentivise new buyers to enter the property market. The resulting boost to activity will help stabilise property prices and contribute to a return to healthy price growth in time.

Image source: Gallo/Getty

Money to remain tight

Unfortunately, money will likely still be tight for the average South African as unemployment tops 30% and businesses rein in spending.

Homeowners will need to budget carefully to ensure they can continue to meet their monthly bond repayments and keep up with essential maintenance and upgrades to protect the long-term value of their properties. Those who find themselves in financial difficulty are advised to contact their lender as soon as possible rather than opting for short-term or payday loans, which are extremely expensive and can quickly become long-term debt traps.

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According to minister Mboweni, commercial banks have already provided around R30bn in relief to customers, while insurers and medical aid schemes have also offered payment holidays.

At the Rawson Property Group, we implore commercial and residential landlords who have received relief on their bond repayments to share this reprieve with their tenants. We're all in this together, and the more supportive we can be, the faster we will be able to get through our current challenges.

ABOUT TONY CLARKE

Tony Clarke is the MD of the Rawson Property Group.

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