

# Ongoing record-low interest rate bolsters property market confidence



By [Dr Andrew Golding](#)

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Faced with recent setbacks to the economic recovery and with inflation hovering close to the mid-point range of the inflation target, as widely anticipated, the Monetary Policy Committee's stance remains supportive of the economy by keeping the repo rate at near five-decade lows (3.5%). This means the prime interest rate holds steady at 7%.



Dr Andrew Golding, chief executive of the Pam Golding Property group

Given the underlying weakness and uneven recovery in the economy, market commentators ahead of the recent announcement included a call for the first hike to be delayed for as long as possible – even until 2023, depending on inflationary pressures and any potential shift in the inflation target.

From a housing perspective, the prevailing low interest rates have undoubtedly bolstered market confidence, coupled with favourable lending conditions seeing both average (trailing effective) and first-time buyer approval rates rising further in August (2021), increasing to 82.6% and 81.2% respectively, according to Ooba.

Moreover, after increasing in Q4 2020 and Q1 2021, deposits as a percentage of purchase price are again declining, with average and first-time home buyer deposit rates converging at around 7% in August, while the overall approval rate for 100% home loans rose marginally in the same month to 82.8%.

(Source: Ooba)

## Uninterrupted growth in sub-R1m price band

According to the Pam Golding Residential Property Index, while national house price inflation continues to lose momentum as economic growth slows in Q3 2021, easing from a peak of 5.2% in May to 5% in August, the sub-R1m price band continues to enjoy uninterrupted growth, averaging at 5.8% for the year to date (to August 2021).

Bucking the national trend, the Western Cape is the only major regional market in which house price inflation continues to accelerate, with house price inflation averaging 5.8% during the year to date, compared to 4.7% in both Gauteng and KwaZulu-Natal.

In addition, according to Lightstone, the coastal price premium versus non-coastal homes continues to widen, reaching 2.9% in May 2021 (latest data) and averaging at 2.2% for the year to date, compared to just 0.2% in 2020.

According to Ooba, the average price of homes sold rebounded in August, rising to R1.4m overall and R1.13m for first-time buyers – the latter approaching January 2021's record high.

Notably, at R113bn, the total value of residential property transfers in South Africa during the first half (H1) of 2021 was 35.4% above H1 2019, while units were 12.3% higher at approximately 114,000 (Lightstone data). This robust improvement from pre-Covid levels of activity underlines the ongoing resilience of the country's housing market, underpinned by consistent demand for correctly priced homes across all price bands, particularly the sub-R5m category - but also including luxury residences.

## 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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