Interest rate disappoints as second wave could eat into property and economic gains

By Samuel Seeff

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The decision by the South African Reserve Bank (Sarb) to retain the repo rate at 3.5% (home loan base rate at 7%) is disappointing for the economy and property market.

Samuel Seeff, chairman of the Seeff Property Group

There is ample reason for a cut given the split decision and missed opportunity in November. Since then, the rand has strengthened and inflation dipped to 3.1%, the lowest in 16 years. Although expected to rise, analysts believe it will remain below the midpoint of 4.5%, providing enough reason for a rate cut.

We have seen what last year's rate cuts did for the economy and property market with better than expected results during the second half of 2020. While the property market is poised to continue its buoyancy, we now again find ourselves with tighter lockdown restrictions amid a second wave resurgence of the Covid-19 pandemic.

Impact on employment, household finances

The risk of the Reserve Bank not taking the opportunity to provide a stimulus is that the economic impact on employment and household finances could start eating into the gains made last year. While we have not seen the anticipated levels of distressed sales, the longer the pandemic lingers, the higher the risk.

We entered December with a buoyant market, predominantly in the low and mid-price sectors to R1.8m (R3m in some areas). Even the top end saw good movement in the R10m to R20m range towards late 2020 with Seeff scooping several sales above R20m in December.

Characteristically, the market tapered down at year-end. While too early to tell whether we will see the same level of buoyancy this year, the Seeff Group remains upbeat provided the interest rate remains favourable and economy can reopen fully soon.

Repo rate remains unchanged, still room for a further cut

Dr Andrew Golding 21 Jan 2021

Vaccination programme urgent

Ultimately, government needs to get on with a vaccination programme with some urgency to limit the economic fall-out from the lockdown. The longer it lingers, the higher the risk of rising inflation and distressed properties which could lead to tighter bank lending criteria and higher deposit requirements. This would inevitably impact on activity in the low and mid-price ranges.

Nonetheless, we enter 2021 with a great buyer's market, especially in the low to mid-market areas to R1.8m (R3m in some areas) and selectively in the upper price bands and sellers should be able to find interested buyers provided they price

correctly.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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