

Home loans just got more expensive as MPC hikes interest rate

The Monetary Policy Committee (MPC) has announced an increase to the repo rate by 25 basis points to 4%, leaving the prime lending rate at 7.5%. While aware that a potential cycle of interest rate hikes was on the cards for 2022, Adrian Goslett, regional director and CEO of Re/Max of Southern Africa was hopeful that they might occur more gradually.



Source: Gallo/Getty

“Every time interest rates climb, home loans become that little bit more expensive. This can affect activity within the housing market, as fewer people will be able to afford the repayments at the higher interest rate. Over time, this could mean smaller buyer pools and downward pressure on asking prices, especially if more homes enter the market owing to affordability issues,” he explains.

Goslett adds that the more gradually interest rates climb, the less of an effect it will have on the housing market as a whole. “If interest rates had remained stable after the last interest rate hike in November, the MPC would have allowed homeowners and buyers time to adjust to the higher repayments that they faced on their home loans and other debt repayments. This second consecutive interest rate hike is likely to dampen demand among buyers and could also place many homeowners under pressure to keep up with their home loans,” Goslett comments.



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Regarding the outlook for the rest of the year, Goslett remains cautiously optimistic for whatever lies ahead. “The property market has experienced two years of hyperactivity despite the economic challenges we have faced. While it is likely that we

will see activity subside this year, along with any interest rate hikes, the South African real estate market is resilient and the demand for homes will always exist in some shape or form. The key to generating good returns on your real estate investments is to stay informed of local market conditions by seeking the advice of a trusted real estate professional,” he concludes.

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