

Homeowners, future buyers advised to brace for further hikes in interest rate

The Monetary Policy Committee (MPC) announced on Thursday, 26 January, that the repo rate will increase by 25 basis points to 7.25%, resulting in a prime lending rate of 10.75%. This increase was expected, but it is uncertain how many more hikes will occur in the coming year.



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“It all depends on how inflation behaves and how our economy performs. The worsening energy crisis and upcoming electricity price hike is possibly the most important factor that the Sarb will no doubt be keeping an eye on when considering future decisions around the interest rate,” says Adrian Goslett, regional director and CEO of Re/Max of Southern Africa.

“My advice to homeowners and to future buyers is to prepare themselves for the worst-case scenario of having interest rates climb by roughly 1% over the course of the year. It is better to make room in your budget now than to be caught short if interest rates do climb further,” he advises.



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Impact of rate hikes becoming more evident

Goslett adds that the effects of these interest rate hikes are already slowly becoming more evident. “The total number of registered transactions lessened during the last quarter of 2022. Following this latest interest rate hike, it is likely that the property market will quieten down somewhat further over the course of the year.”

Goslett highlights that the effects of any interest rate hike can only really be felt a month or two after the announcement once homeowners adjust to the higher debt repayments. “Any impact caused by the rising interest rates is, therefore, likely to be gradual and is unlikely to cause any form of housing market crisis. That being said, I do foresee that the property market will be less active this year than it has been in previous years. Homeowners will need to price the home fairly and partner with a reliable real estate professional to ensure they sell for full value,” says Goslett.

He encourages agents to prepare themselves for a less active housing market. “In real estate, even when times are good, you never know when to expect your next pay cheque. Now more so than ever, agents will need to prioritise building a reserve fund to see them through the months where no earnings are coming in,” he concludes.

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