

Unchanged repo rate positive, while buyers gradually return to the market

 By [Dr Andrew Golding](#)

18 Jan 2019

After an unexpectedly tough 2018, but with the welcome announcement that the repo rate remains unchanged following this first MPC meeting of the year, the outlook for 2019 is somewhat brighter. Nonetheless, the year ahead is likely to be characterised by a number of highly significant events which could substantially impact the performance of the local residential property market.



© magiceyes – [123RF.com](#)

Apart from the repo rate holding steady, providing encouragement for home buyers with mortgages, in the short-term there have been a number of positive developments. These include the prospect of a third petrol price cut in early-February, following cumulative cuts of R3 per litre in December and January, renewed rand strength helping to dampen inflationary pressures and the Reserve Bank thus seemingly under little pressure to raise interest rates again. Some analysts even believe the MPC may wait until late-2019 or possibly early-2020 before raising interest rates again. While economic growth is likely to remain below 2% this year, it is still expected to be about double the dismal 0.7% recorded in 2018.

Economic and residential activity rebounding

Locally, economic and residential activity appears to be rebounding modestly as buyers capitalise on sound buying opportunities in the current environment. While the 'sweet spot' in the residential property market continues to be the price range up to approximately R5m or R6m, we are seeing more buyers in the marketplace than a couple of months ago – most notably in high-demand nodes which include Hyde Park, Pretoria and the burgeoning KZN North Coast, for example.

These are areas which have seen significantly improved activity in December 2018 compared with the same period in 2017, with uMhlanga even turning in record sales turnover during this period. In addition, our Pretoria region reports that development sales in mixed-use developments have also surprised on the upside over the past three to six months.

KZN is priced well and well positioned from a commuting perspective and therefore still experiencing semigration, Gauteng is showing good activity largely because it remains the financial hub of the country and attracts the upwardly mobile,

career-minded home buyer, while Pretoria and surrounds are active as people invest in precincts such as Menlyn Maine, which offers attractive and convenient, lifestyle living.

More buyers around

In fact, generally, there seem to be more buyers around than a couple of months ago, with the perception of property ownership as the basic cornerstone of wealth creation still holding good, particularly for a groundswell of aspirant first-time buyers gaining a foothold in the market. From an affordability perspective, cash buyers are more opportunistic as they seek out good buys, while coastal areas are still regarded as a lifestyle choice by purchasers flush with cash.

However, these positive factors are tempered by the fact that buyers are price-sensitive in the current market, with many investors and property buyers adopting a wait-and-see approach in the lead-up to the 2019/20 budget and the general election (expected in May 2019). Not only will the results of both these events influence local business and consumer confidence, but also the likelihood of South Africa keeping or losing its investment grade rating from Moody's.

Should the economic recovery and/or political environment lean towards the upside, South Africa may well retain its investment grade rating and the outlook for the local housing market will improve. However, any disappointments on these fronts could see Moody's downgrade South Africa – which would weigh on confidence, batter the rand and increase the risks of a deterioration in the economic outlook and hence the local housing market.

Growth in prices to remain subdued

The market consensus appears to be that activity will remain relatively muted this year, but fairly resilient nonetheless, and that growth in prices will remain in the low single digits – in all likelihood below the prevailing consumer inflation rate, suggesting that prices will decline in real terms. However, there are still pockets of growth, and an understanding of prevailing market trends is required to ensure a sound investment when purchasing a home.

As always, when the housing market is booming, almost all towns and suburbs flourish – although to varying degrees depending on their own unique set of market dynamics. In a muted market, such as currently experienced, opportunities for the savvy investor present themselves, typically, for example, those looking for a long-term property investment in prime locations such as the sought-after Cape Atlantic Seaboard, an area which offers not only some of the most appealing and scenically beautiful locations but also a compelling lifestyle proposition.

The V&A Waterfront in particular continues to flourish, with sales to out-of-town buyers, downsizers and some international buyers. Conditions here remain buoyant. So too on the Western Seaboard, where sales activity has slowed somewhat in recent years but prices continue to rise.

Interestingly, buyers in the Western Seaboard are generally young – with the largest age cohort typically those 35 years or younger. This suggests that first-time buyers are looking beyond the traditional suburbs for more affordable areas.

International impacts

Looking at international impacts, so far in 2019 the rand has been supported by the prospect of US interest rates rising at a more gradual pace, which is fuelling investors' risk appetite for emerging market assets – including those in South Africa.

We believe that 2019 holds much promise, as elections and a positive result will drive sentiment and improve the economic outlook. Foreign investment is on standby and all things being equal we will see an increase in activity, given that we are a favoured world emerging market. If this occurs, the local property market will start to see significant improvements in activity.

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.

- SA's young population, changing lifestyles drive shift to sectional title homes - 7 Aug 2023
- Steady repo rate encouraging new s for existing, aspiring mortgage holders - 21 Jul 2023
- Series of unfortunate events precipitate further repo rate hike - 26 May 2023
- #Budget2023: Increase in threshold for transfer duty exemption good new s for home buyers - 23 Feb 2023
- Banking sector underpinning residential property market activity - 28 Nov 2022

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>