

Housing market remains resilient in the face of potential rate hike

Although economists predict another interest rate hike this week, BetterBond CEO, Carl Coetzee assures homeowners that the property market is still stronger than it was in 2008.



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“With economists predicting that the repo rate could increase by as much as 50 basis points on Thursday, taking the prime lending rate to 8.25%, it’s understandable that homeowners are concerned about the impact this will have on their bond repayments,” says Coetzee. “Of course, the increase will mean a change in monthly repayments, and we encourage homeowners to factor this into their budget calculations. But we are still in a far better position than we were in 2008 when the property market collapsed and inflation was at 11.5%.”

By way of explanation, the monthly repayments on a R2m bond in 2008, at the height of the property market’s implosion when the prime lending rate was at 15.5%, was just over R27,000. If the repo rate increases this week, the monthly repayment on a home of the same value at a prime lending rate of 8.25% will be R10,000 less than it was 14 years ago.

Furthermore, the recent increase in interest rates has not dampened the banks’ appetite to lend, says Coetzee.

“BetterBond has seen an almost 10% increase in the ratio of formally granted bonds for April, year-on-year, which is significant coming off the high base set last year,” says Coetzee. With some banks offering loans of up to 105% for qualifying applicants, there are options for aspirant homeowners.



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Buyer activity remains strong, especially in the middle-priced segments, says Coetzee. Re/Max reports that in real terms

(inflation adjusted rand values), sales values for 2021 grew by 60.9% compared with 2008. “I do expect that buyer activity will take a knock if there is a hike, but the demand for homes priced at fair market value should not be negatively affected following this week’s announcement. This is where pricing a home correctly becomes so much more important,” says regional director and CEO of Re/Max of Southern Africa, Adrian Goslett.

“We are still in single digit territory with the prime lending rate below the 10% it was before the pandemic, and there are opportunities for buyers across all price bands to invest in property,” says Coetzee. “Working with a bond originator will also help secure a lower interest rate which will have a favourable impact on bond repayments as the interest rate cycle moves upwards.”

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