



What's really happening in the property market?

May 2008 Pay Day Pointer

Reality versus Opportunity

Every cloud has a silver lining. But reading the newspapers lately, one can be forgiven for thinking that the property market is just doom and gloom. While it is important to take a sober look at the reality to navigate the rough waters of the current economic conditions, don't lose sight of the opportunities that are still there for those who care to look!

Interest Rates

The Reality:

Up from 10.5% to 15% in less than two years, the interest rates are affecting every homeowner and property investor. The possibility of another interest rate increase is very real, particularly as inflation continues to spiral away from the Reserve Bank's target of between 4% and 6%. The Reserve Bank Governor has also warned that interest rate increases as a means of inflation targeting will not be reconsidered.

The Opportunities:

High interest rates mean that the rental market is growing strongly and this is good news for both people who own buy-to-let properties and those who are thinking about buying a property to rent out as an investment. In addition, the higher interest rates have created a buyer's market, which means that for those who want to buy a property, it has not been a better time in years.

House Price Inflation

The Reality:

This really depends on who you believe. Standard Bank's index shows that house prices dropped for the first time in eight years during March. Absa's house price index shows that house prices were 8,7% higher in March 2008 than March 2007. Take the media hype with a pinch of salt. The value of property is just increasing at a slower rate than before.

The Opportunities:

The slower house price inflation has also contributed to a buyer's market for property. Sellers are being forced to be more conservative in their asking prices. This means that buyers can expect to pay a more realistic price for properties than what the case was a year or so ago. Even so, don't lose sight of the fact that South African property still offers great value compared to other countries.

National Credit Act

The Reality:

The NCA has made it more difficult for consumers to obtain credit. The financial institutions are now far more stringent when they apply the rules

The Opportunities:

The NCA will protect many consumers, as well as the South African economy, from a credit crisis, such as experienced in the US. Responsible lending and borrowing like responsible driving and gambling, is good for a society as a whole.

BREAKING NEWS

1. Standard Bank has announced that NON-First Time home buyers will no longer qualify for cost-inclusive loans.
2. Standard Bank will restrict First Time buyers to a maximum bond value of R1 Million - excluding costs.
3. ABSA will no longer offer bonds of 108%.

The Economy

The Reality:

Things are likely to get worse before it gets better. Another interest rate hike is looming, already sky-high petrol prices could be increased again, and food prices are climbing.

The Opportunities:

All markets and market sectors move in cycles. The cycles will turn, and interest rates and inflation will come down again and the house price inflation will go up again. Now is a great time to exercise our skills in budgeting, good money management, and negotiation, and to look out for property bargains!

We wish you a wonderful month ahead and hope that we have highlighted some positive aspects that our economy is presenting right now!

Kind Regards,

Your Interface Team



Contact us :
011-326-0060 (JHB)
086-148-3223 (CT)

