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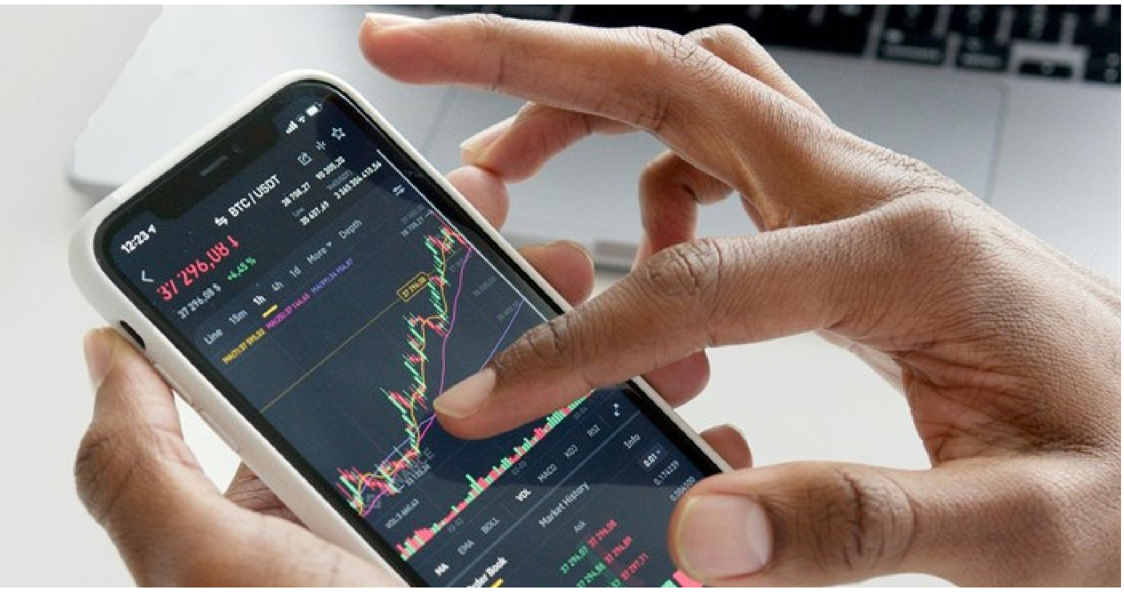
Inflation concerns and stagnant lending rates dampen South African property market revival prospects

Lew Geffen Sotheby's International Realty chief executive officer Yael Geffen says given the dismal inflation numbers for February, which was the second consecutive month of rising inflation, "South Africans are probably breathing a collective sigh of relief that the repo rate didn't go up another 25 basis points".



Source: Pexels

"But the Monetary Policy Committee leaving the prime lending rate at a 15-year high of 8.25% isn't exactly cause to celebrate, either," says Geffen.

"For the past few years South African consumers have been the proverbial small kid on the playground; the kid whose lunch money has been stolen by the school bully so many times that he's relieved nothing happened today, instead of being outraged at the fortune he's lost in the past couple of years since the repo rate rocketed up 4.75%.

"Think back; for a while there during the pandemic, which wasn't that long ago, the repo rate was 3.5%.

"Since then, the economy has shed hundreds of thousands of jobs and the real term value of salaries of those who are still lucky enough to be employed has dropped by nearly 7% compared to pre-pandemic household income. This while the interest rate has more than doubled!

“There is no universe in which that math computes to anything but disaster for households that are already overburdened by debt.”

Geffen says with prospects of a rate cut in the first half of the year now all but gone, broad revitalisation of South Africa’s property market is likely to be delayed.

“Buyers are likely to be cautious, waiting to see what inflation does in the second half of the year. If lending rates come down, the market will see a sharp rebound,” Geffen predicts.