

Classic Business

Classic FM

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Presenter: One man who deals a lot with people who are in distress at the moment or maybe shopping around for a better deal on their bond, is the CEO of Integer, Simon Stockley, and he joins us now. What did you make of Mr Mboweni and his gang today?

Simon Stockley: I was a little disappointed with the run up to the announcement. I found the talk of 200 basis points somewhat alarmist, particularly given that the property sector is under pressure and certainly ordinary consumers are suffering, and however the comments may or may not have come out, they were reported in the press and as such the Governor was under an obligation to correct an impression that had been created in the press and to protect consumers, I think, from unnecessary stress, and that appears to be something that he failed to do.

Presenter: Do you think estate agent Lew Geffen, caused unnecessary stress by his suggestion that property prices were going to plummet by 40% from last year's peak to the end of the this year?

Simon Stockley: He was by all accounts, communicating a view in an internal memorandum, which found its way into the public domain. I guess he is entitled to his view and that view, as I have understood it, is that prices could fall by as much as 40%. That is possible. I do personally think that we are not in freefall territory – there have certainly been corrections in the market and certainly consumers are suffering. They are under pressure, they are shopping around for better deals on their bond rate, and prices within the real estate sector have certainly flattened. Have they fallen off 40%? That hasn't been our view to date. Can they still fall 40%? That's anybody's guess. But certainly the man in the street is suffering – he is being squeezed – and there are tough times ahead. I was listening with great interest to the views of your two economists and really share and endorse the sentiment that the pain comes, not with the first bond statement notifying you of the increase, but really the pain comes six or seven months down the line when customers really battle to make that instalment and run a very real risk of losing their property.

Presenter: If I recall correctly, you launched Integer sometime in the last quarter of last year, was it?

Simon Stockley: We launched 1 October 2007.

Presenter: Classic Business launched on 1 October last year and we share an anniversary. Was it, in retrospect, a rather difficult and silly time to have started moving into the mortgage bond business?

Simon Stockley: Certainly I will concede it's been a challenging time – global financial markets are in turmoil, there is particular stress within the mortgage industry – but to a large extent, our offering is contra-cyclical. We launched the product in competition to the banks and we launched the product in the belief that South African consumers deserved and warranted some further choice in relation to their mortgage offering, and

that choice related not only to price, but also to service and to the range of products, and that offering to an extent makes us counter-cyclical in that we're not concentrating on the new purchase sector of the market. In fact, 70% of our business is actually written in the re-finance sector, so there isn't in fact a property transaction involved. A customer is not buying or selling a property – they are simply shopping around and looking for a better deal in terms of either accessing some of the liquidity in their property to pay down short term debt, and that is becoming increasingly common in the current high interest rate environment, or simply shopping around to try and get a better rate on their home loan. That's a phenomenon that is common in other jurisdictions. It's something that we've seen in the US and the UK and the Australian markets, but it's a relatively new phenomenon in the South African market.

Presenter: And as we see this interest rate hike today and possibly another in a few months time, and the cumulative impact of the previous interest rate hikes, are you expecting that there are going to be more and more existing property holders who sit back and think I just don't like this environment, I don't like paying what I'm paying, I'm going to see if I can get a better deal?

Simon Stockley: Very much so, and it goes further than that. It's a question of looking for a better deal and I think it's also a question of looking for greater product innovation and looking potentially to features of a mortgage product like a fixed rate product or a capped rate product where customers can manage their interest rate exposure. So I think customers are going to demand of their lenders better service, better rate and greater product innovation.

Presenter: And just to summarise, the property market is still moving - people are still buying and selling, albeit in a slightly gloomier climate?

Simon Stockley: Absolutely, it's very much alive. I wouldn't say it's alive and kicking but it is still there. There is growth across the sector, but that level of growth is down and it slowed down for very good reasons. We had year-on-year growth of 30% and that really wasn't sustainable, so it is a correction. The market is not in freefall, but it is certainly a slow down and a correction.