



Market insights with Property Barometer

Important information you need to know to make informed decisions.



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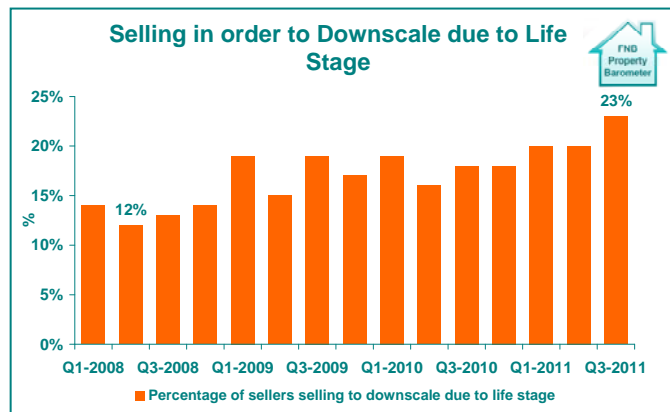
how can we help you?

FNB ESTATE AGENT SURVEY – “LIFE STAGE” SELLING

In recent years, the FNB Estate Agent Survey has reported a steady rise in sellers “selling in order to downscale due to life stage”. What could be driving this?

10 October 2011

In the 3rd quarter FNB Estate Agent Survey, Estate agents report a further increase in the percentage of sellers selling in order to downscale due to “life stage”. This refers mostly to those households whose children have grown up and left home, as well as to those who are ageing and for whom a large home may no longer be “practical”.



When we started questioning agents as to the reasons that people were selling homes, back at the beginning of 2008, they estimated that 14% were doing so in order to downscale due to “life stage”. Since then, this reason for selling has steadily risen, reaching its highest level yet of 23% in the 3rd Quarter of 2011.

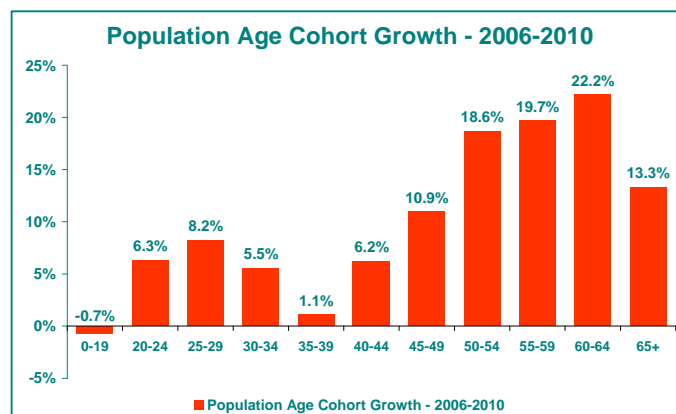
Is this a cyclical phenomenon, or are there other factors causing this group of “oldies” to become seemingly the single-most important contributor to residential supply at present as well as possibly a significant driver of demand for smaller-sized homes?

Unfortunately, our survey question only started in 2008, so we cannot use the time series generated

from it to determine how this group’s selling patterns surge and subside over cycles. It is conceivable that these households were holding back on selling in 2008 due to the extremely weak nature of the market at that stage, with a recession in play as well as high interest rates at the time. One would think that such sellers, many of whom are in no hurry to sell, may bide their time until the market strengthens, and perhaps they are now coming out of the proverbial woodwork in greater numbers due to property times being a little better compared with 2008.

However, one would expect sellers that sell for many other reasons, barring those doing so due to financial pressure, to also possibly hold back on selling until market conditions improve, so as a percentage of total selling it isn’t clear that the short term property cycle fully explains the rising percentage of “life stage sellers”.

A few other factors should be considered. Two important ones are an ageing population, especially the middle and upper income sections that drive the formal property market, along with sharply rising housing costs.



Indeed, IHSGlobalinsight estimates of population by age cohorts point to the 60 to 64 year old age group having been the fastest growth group over the past 5 years, growing by 22.2% cumulatively from 2006 to 2010. The 50-59 year-olds on 19.7% and 50-54 year old with 18.6% growth were not far behind.

The 50-and-above age cohorts are only approximately 27.5% of the total 20 year and above population. But the steadily growing percentage of “life stage downscaling” may be reflective of these cohorts being the fastest growth cohorts in SA.

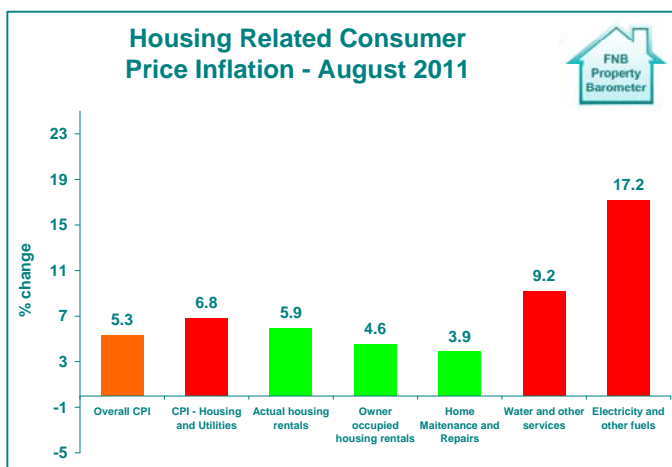
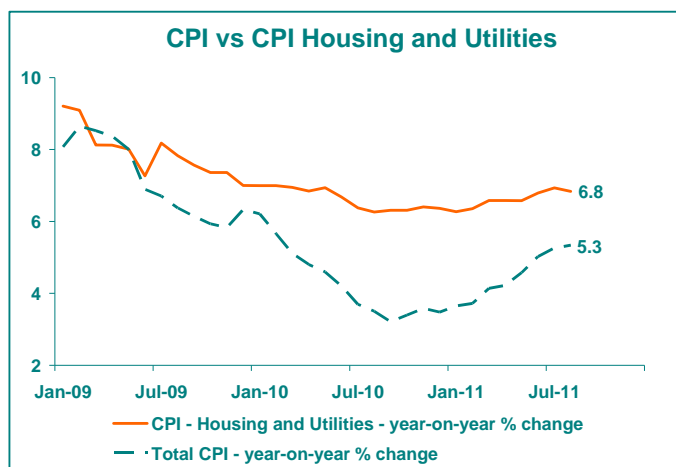
Data source: IHSGlobalinsight

The second major possible contributor is the steadily rising costs related to housing, and by this we mean municipal rates and utilities tariffs. As at August 2011, the overall Consumer Price inflation rate was 5.3%. By comparison, the CPI for Housing was rising by a higher 6.8% year-on-year. Dissecting the components of the Housing CPI one sees that the key contributors to its high inflation rate are Electricity, inflating at 17.2%, and Water and Other Services (includes municipal rates) rising at 9.2%.

Houses, therefore, are steadily becoming more costly to run relative to other “consumer items”. For SA’s “over-50s”, who are steadily growing as a percentage of the population, why not downscale and reduce costs? We often say that 1st time buyers have the flexibility to stay out of the homeowner market until economic or interest rate times have improved. Well the middle-to-upper income over-50s have a different type of flexibility. They often have “over-sized” homes that were purchased for a family which has since moved out, or homes purchased for themselves for an earlier life stage where they were far more active. While such large homes may be nice, rising home-related costs may be steadily turning them into an inconvenience for a group who don’t always need them.

Therefore, the mild improvement in the residential market since 2008 may well have played something of a role in driving this “life stage” group of sellers who are not always necessarily under pressure to sell. However, we suspect it is more than merely cyclical. The combination of faster- growing over-50 age cohorts in SA relative to younger cohorts, along with more recent sharply rising home-related rates and utilities tariffs, is believed to be a key contributing factor to a rise in estimated percentage of sellers selling in order to “downscale due to life stage”.

This trend can simultaneously be negative for the larger-sized home market but supportive of the smaller-sized home segment.



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