Market insights with Property Barometer

Important information you need to know to make informed decisions.

FNB First National Bank how can we help you?

2011 1ST TIME BUYING RISES

1st time buyers have been lagging the overall residential market since the post-recession residential mini-recovery started in 2009/10, but 2011 finally saw a more significant increase in 1st time buyer interest.

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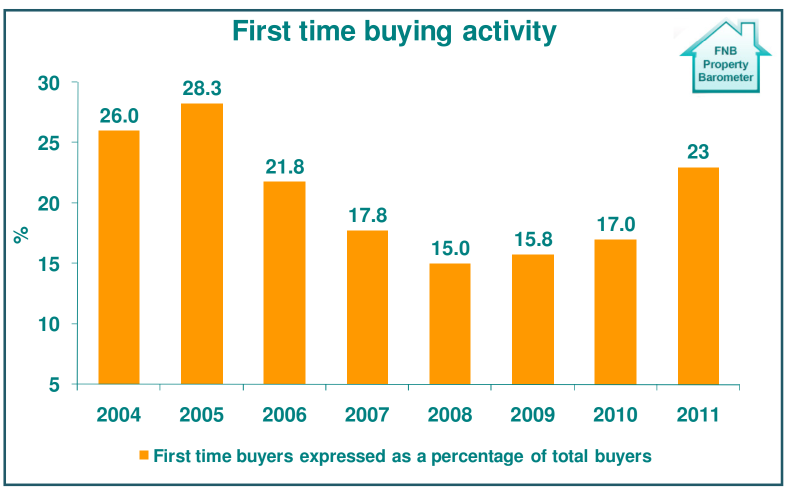
1ST TIME BUYERS BECAME A MORE SIGNIFICANT SOURCE OF RESIDENTIAL DEMAND IN 2011

Although growth in total residential transactions volumes slowed in 2011, following a surge in 2010, the FNB Estate Agent Survey points to 2011 having been a significantly better year for 1st time buyers.

This group became far less significant in the home buying market around recession time, dropping to an estimated 15% of total home buyers by 2008, according to the sample of agents surveyed at the time.



Since then, however, the past 3 years have seen consecutive increases in the 1st time buying percentage, with a very significant jump from 17% in 2010 to 23% in 2011. This is the highest 1st time buying percentage since 2005. However, one should bear in mind that overall home buying volumes are far lower compared with 2005/6, so this percentage still represents a far lower overall number of 1st time buyers compared to then.

Nevertheless, the percentage improvement over the past 3 years is partly reflective of improved 1st time home buyer confidence. Confidence alone is an important factor in driving 1st time buyer demand. Unlike established households, for whom having a home is often a more urgent and pressing matter, many young 1st time buyers have the flexibility of remaining in the rental market until such time as economic or interest rate conditions improve, or alternatively postponing their departure from their parents' home. It should therefore not be too surprising that the recovery in the 1st time buying percentage lagged the overall market recovery somewhat, with a portion probably choosing to adopt a "wait-and-see approach, but are now (rightly or wrongly) more encouraged as the memory of recession and high interest rates fades.

In addition, it is true that banks have relaxed their credit criteria gradually and mildly since 2008, which is crucial for 1st time buyers in a country which has an extremely low savings rate that makes deposit requirements troublesome for many.

But probably the most encouraging news to emerge from the sample of agents is a portion who have begun to see a noticeable change in 1st time buyer behaviour. They claim that an increasing number of 1st time buyers are able to produce the money required for deposits and transfer fees. A group also claims that 1st time buyers have become very selective regarding homes, viewing lots of properties and hunting for bargains. Nothing wrong with that.

What is beginning to emerge from our survey is that household behavior can and will change over time. We are of the opinion that household saving will improve noticeably in 2012, and indeed in the housing market some agents are already starting to see signs that this is happening. And we believe that higher savings rates are a far more desirable solution to the home loan deposit constraint than merely relying on banks to relax credit criteria.

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