

BetterBond says buyers are still keen, despite rate increases

The latest statistics from BetterBond Home Loans, SA's leading mortgage origination group, show that the number of home loan applications received in July was actually 2% higher than the number received in July last year – despite the two interest rate increases that have been announced this year.

“This speaks to the ongoing strong demand for housing as the backlog built up after the 2008/09 recession continues to spill into the market,” says BetterBond CEO Shaun Rademeyer.

“There is more evidence for this as home prices continue to increase in the face of dwindling supply. According to our statistics, the average home price showed a year-on-year increase of 10,75% in July, when it reached R906 407. In the same period, the average home price paid by first-time buyers rose 7,63% to R639 071.”

The Betterbond figures also show, he says, that the total number of bonds approved in the 12 months to end-July was 3,34% higher than in the previous 12 months, and that the total value of bond approvals showed a year-on-year increase of 6,46% at end-July to some R38,8bn.

In addition, the average approved bond size has increased by almost 3% in the past 12 months to R755 586, and the average bond approved for first-time buyers has increased by almost 1% to R585 287.

And at the same time, the average percentage of purchase price required as a deposit has shown a 3,62% decline year-on-year, while the average percentage of purchase price required by first-time buyers has declined by 7,17%.

“Nevertheless, we are expecting to see some contraction in the market in the remaining months of this year as affordability issues begin to bite, especially if there are additional interest rate increases as predicted.”

Such increases obviously make it more difficult to qualify for home loans in terms of the household disposable income required by the banks, says Rademeyer, and also tend to make consumers wary of committing to any new debt such as a home loan.

“For now, though, it is worth noting that the number of applications initially declined by one bank but subsequently approved by others showed a 4,34% year-on-year increase in July – and that the number of applications declined by the borrowers' own banks actually rose 7,88% in the same period.

“It is thus becoming even more important for buyers to work with a mortgage originator that will motivate individual applications and can submit them to multiple banks in order to secure the best result for the prospective homebuyer.”

BetterBond's overall bond approval ratio in the past 12 months has been 75%, and the total value of applications “rescued” after initially being declined was R18,44bn”.

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