

Housing demand just keeps on going

The demand for residential property continues to hold up well despite the current slow rate of economic growth in SA, according to the latest statistics from BetterBond Home Loans, SA's leading mortgage origination group. These show, says CEO Shaun Rademeyer, that the total number of home loan applications submitted to the banks by BetterBond was almost 3% up year-on-year at the end of February, indicating a similar increase in the number of offers to purchase being made by prospective homebuyers.

The BetterBond figures also reveal that the average home price paid in the year to end-February was R939 000, or 5,89% more than in the previous 12 months – but that the average approved bond size rose by only 5,69% over the same period and that the total value of formally granted bonds rose by only 3,2%, he says.

“And this is underlined by the fact that the average percentage of purchase price required as a deposit rose from 16,96% to 17,12%. In other words, the average buyer had to spend considerably more of his or her own money to acquire a home in the past year – and that makes the increase in demand even more significant.”

Rademeyer says further analysis reveals that this demand has primarily been driven by existing homeowners with sufficient equity in their current properties to fund the deposits and costs associated with the purchase of their next homes.

“In the first-time buyers' sector, our figures show that there has been a 6,4% decline in the number of applications submitted over the past 12 months, in the face of a 4,85% increase in the average home price to R654 000 and an increase in the average deposit required from 8% to 8,52% of purchase price.”

Nevertheless, he says, first-time buyers still managed to account for an impressive 40,2% of the 37 300 home loans formally granted through BetterBond in the past 12 months – and 31% of the total value of loans granted.

“This is surprising, in that first-time buyers are generally younger people with lower disposable incomes and less latitude in their budgets to absorb the sort of steep food, fuel and electricity price increases experienced in 2014 while still trying to save a deposit for a house.

“But it is also extremely encouraging, because healthy demand from first-time buyers is what creates the knock-on effect that enables the real estate market to expand. It also underlines the excellent timing of the Transfer Duty changes announced in last month's national Budget.”

In terms of these changes, Rademeyer explains, there will be no transfer duty payable now on any pre-owned home priced at less than R750 000. “The vast majority of first-time buyers – and many repeat buyers - will thus no longer have to worry about paying this tax in addition to the other cash amounts they require to purchase a property.

“And that, combined with static interest rates and the drop in fuel prices since last year, should help to boost first-time buying again in the coming 12 months.”

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