

Repeat buyers give real estate a big vote of confidence

The household income required to buy the average home has increased by less than 2% in the past 24 months, despite the fact that the average home price has risen by more than 17%.

According to the latest statistics from BetterLife Home Loans, SA's leading mortgage origination group, the difference has been accounted for by homebuyers putting down bigger cash deposits, and by a 16% increase in the average approved bond size, from R672 000 two years ago to R782 000 in the 12 months to end-April.

“And both these adjustments,” says BetterLife CEO Shaun Rademeyer, “indicate households that are in much better financial shape than they were in 2013, with less debt and more discretionary income available to cover bigger monthly mortgage instalments.”

What is more, the figures show that repeat buyers now account for some 53% of new home loan applications compared to 46% two years ago, and that many of them are upgrading to more expensive properties, he says.

“This is a real vote of confidence in the future of the property market, especially since these buyers are clearly now using the equity they have built up in their existing properties to pay bigger deposits rather than to pay off personal loans, credit card balances and other debts.”

As for first-time buyers, the household income required to buy the average starter home has risen by just 1,5% over the past two years, while the average approved bond size has risen by almost 10% to R598 000, Rademeyer says.

“However, the average percentage of purchase price required as a deposit from first-time buyers has increased slightly (0,35%), and the additional cash requirement appears to have somewhat dampened demand in this sector. This is understandable because first-time buyers tend to be young people whose ability to save is most affected when the cost of any essential such as transport and electricity goes up.”

Nevertheless, he says, first-time buyers have accounted for a sterling 40% of formally granted home loans in the past 12 months, and 30% of the total value of formally granted loans.

Meanwhile the percentage of home loan applications submitted to the banks that are being declined outright continues to fall, according to the BetterLife statistics. The average in the year to end-April was 28%, down from 29% in the year to end-March and 31% at the end of April 2014.

“But even though this shows that the banks also have more confidence in the market now,” says Rademeyer, “it is still advantageous for prospective buyers to apply for their home loans through a reputable mortgage originator like BetterLife that will prepare their application properly, motivate it individually and ensure that they get the best interest rate possible.”

This is underlined, he says, by the fact that BetterLife has been able to secure the approval of 73% of all the home loan applications it has submitted to the banks in the past 12 months.

“And even more impressive, we believe, is the fact that we have “rescued” more than 25 000 home loan applications worth a total of about R18,7bn in the past 12 months. These were applications that were initially turned down by one bank but that we were able to have approved by another bank, and together they account for almost half the total value of home loans approved during this period.”

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