

Older buyers show the power of home equity

Buyers over-50 are currently paying about twice as much for their homes, on average, as buyers under-30, but only about 30% more on their monthly bond repayments.

The average home purchase price paid by buyers aged between 20 and 30 over the past 12 months was R772 000, while that paid by buyers aged 50 to 60 was R1 337 000 - and that paid by buyers over-60 was R1 687 000, according to the latest statistics from BetterLife Home Loans.

However, there is a much narrower gap when it comes to the home loans obtained by buyers in these different age groups, says Shaun Rademeyer of BetterLife Home Loans. "Our statistics show that buyers aged 20 to 30 are currently paying an average deposit of around R90 000, which puts their average bond at R682 000 and their average monthly repayment at just over R6 800.

"Buyers aged 50 to 60, however, are paying an average of R388 000 as a deposit, which takes their average bond down to R949 000 and monthly repayment to R9 475, or possibly even less if they are able to negotiate a preferential interest rate. The average deposit size for over-60s currently is R674 000, which puts their average bond at just over R1m and average monthly repayment at around R10 000."

Most buyers over-50 are of course repeat buyers, he says, and these figures clearly illustrate the greater buying power that results from building up equity in a property which can then be used as a deposit to acquire a more expensive property, without raising one's monthly home loan repayment too much.

"What is also encouraging, given the current economic and political uncertainties in SA, is the increasing number of over-50 buyers who are prepared to use their equity in this way and commit it to another, more expensive property purchase, rather than 'cash-out' the proceeds of their home sales and withdraw from the market.

"Our stats also reflect this, in the rising percentages of home loans that are being granted in higher-price categories. In the 12 months to end-May, 38,7% of all homes loans granted were for more than R1m, compared to 36,5% in the previous 12 months."

At the same time, Rademeyer says, younger buyers are clearly starting to struggle now to get on to the first rung of the property ladder. The BetterLife statistics show that in the past 12 months, the percentage of home loans granted for between R500 000 and R1m, which is the space mostly occupied by younger buyers has fallen from 40,2% to 38,6%.

"However, it is also worth noting that this is not due to a decline in demand, as the percentage of home loan applications being made by first-time buyers has actually increased over the past 12 months from 46,1% to 47,5%. But the banks are becoming increasingly cautious when it comes to approving new loans and are applying very strict credit qualification criteria."

Indeed, he says, the statistics show that the initial decline ratio for all banks is currently almost 66% (two-thirds) of home loan applications submitted, "and this means that applicants have little chance of obtaining a loan without the assistance and intervention of reputable bond originators."

BetterLife Press Release