

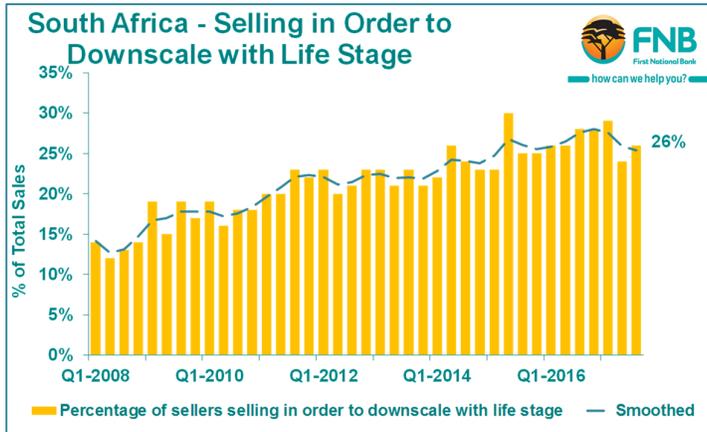
PROPERTY BAROMETER – Life Stage-related Home selling and Age-related Home Buying

The ageing groups of home owners remain a force to be reckoned with in tougher economic times.

16 October 2017

The 3rd Quarter 2017 FNB Estate Agent Survey continued to point strength in levels of those sellers believed to be selling homes in order to downscale due to “life stage”. In tougher economic times, it is those “oldies” that prove more reliable as a key driver of housing trade.

It may sound strange to some to hear that the ageing part of the home owner market could be a key driver of growth and stability in the market, but in tougher economic times these older groups appear to be less affected by the “negatives” than the less financially strong younger age groups.



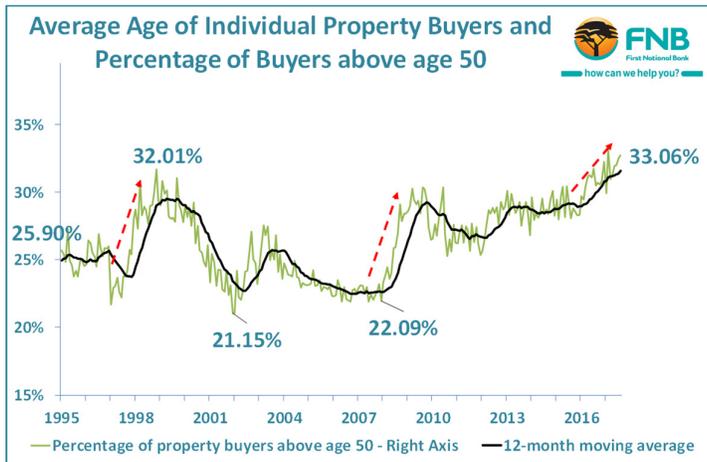
Therefore, unsurprisingly, we continue to see the FNB Estate Agent Survey reporting that the group of sellers selling “to downscale due to life stage” was by far the largest single group of home sellers in the 3rd quarter of 2017.

This group of sellers is those who are ageing and no longer see the need for a “large” home, either because the children have left home, or they no longer see fit to have to maintain such a large home due to their age.

The 3rd quarter 2017 survey recorded 26% of all home buyers estimated to be those selling to downscale due to life stage. This is the largest

percentage of all our major categories of reasons for selling, the next highest percentages being those selling “in order to downscale due to financial pressure” and those “selling due to a change in family structure (e.g. divorce)”, both of these estimated at 14% of total selling.

The most recent 26% estimate for sellers selling to downscale due to life stage is admittedly off a multi-year high of 29% reached in the 1st quarter of 2017, but is up on the 2nd quarter’s 24% and still very high in terms of the recorded history dating back to early-2008 when this questioning started.



This group of older sellers becomes buyers in the second stage of their downscaling process, and is this an important source of transactional activity in weaker economic times such as the present, when younger less financially strong households often stay put or postpone their entry into the homeowner market.

Given the likelihood of a weak economy for the foreseeable future, the “oldies” look set to remain a force to be reckoned with in a mediocre housing market. Using deeds data for buying transactions by individuals (“natural persons”), a similar story emerges to that of the Estate Agent Survey selling estimates. From 22.09% of total property buying by

individuals at the end of 2007, buyers over the age of 50 years have increased to 33.06% of total buying by August of 2017, and the pace of increase through 2016 and 2017 appears to have picked up.

This heightened level of older age group buying in recent years seems entirely understandable, given that aspirant 1st time buyers have less financial reserves built up, are more heavily reliant on credit and high loan-to-value ratios to fund property purchases, and are thus more likely to postpone their home owner market entry when economic times appear less certain and job security is lower.

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