

# It's crunch time for first-time buyers - BetterLife

According to Shaun Rademeyer, CEO of BetterLife Home Loans, the next six months are going to be a critical time for first-time homebuyers.



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“At the moment, the affordability of homes is improving, but the access to finance is getting more difficult and confidence in the economy is falling, which may be causing first-time buyers to doubt the wisdom of purchasing now.

“However, they should bear in mind that the best time to buy is usually when everyone else is selling or sitting on the fence, and the rate of price growth is very low or non-existent. And our statistics show that the rate of price growth is definitely slowing currently, especially in the first-time sector of the market.”

The figures show that at the end of April, the year-on-year growth rate in first-time buyer prices was 4,38%, compared with a year-on-year growth rate of 4,84% at the end of March – and 5,06% at the end of April 2016. In the overall market, the year-on-year rate of price growth was 5,02% at the end of April, compared to 5,41% at the end of March, and 6,97% at the end of April 2016.

“What is more, those who are following the crowd now, and are in the process of selling, are aware that they have more competition in the marketplace and are generally more willing to negotiate, meaning that buyers can often secure even better pricing.”

## Affordability to improve

Affordability is also likely to improve further, says Rademeyer, as salary and wage increases this year run ahead of house price growth. The latest forecasts are that salaries will increase by between 6% and 7,5% in nominal terms this year – or by up to 1,5% in after-inflation terms.

“In addition, many consumers have worked very hard to pay off debt over the past few years and decrease the amount they spend each month on debt repayment. According to the latest Momentum/ Unisa Household Wealth Index, the average household currently spends 21% of gross income on debt repayment.

But in order to take advantage of these developments, he notes, buyers are going to need access to home loans, “and we anticipate that it is going to become significantly harder to obtain such loans after the end of this year. The banks will naturally become increasingly cautious about extending any kind of credit as the effects of the ratings downgrade become more evident, and in fact are already starting to apply stricter loan qualification criteria.

“Consequently, we believe there is about a six-month window of optimum buying opportunity now, especially for first-time buyers.”

He says the BetterLife statistics show that there is still a very healthy demand for first-time home ownership, with the percentage of home loan applications coming from first-time buyers having increased by 2% year-on-year at the end of April to 47,25%, and first-time buyers still accounting for 36% of all formally granted home loans.

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