

# South African consumers are much more prepared for buying a home

According to the latest statistics from BetterLife Home Loans the average price of homes on which new bonds were approved in the financial year to end-February, rose by 6,3% to just over R1m.



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These figures also show that over the same period, the average approved bond size was R811,000, and that 52% of borrowers in the past 12 months were able to pay a deposit of one-fifth of the purchase price - or more - when applying for their home loans.

"This is a far cry from the days when 100% or no-deposit loans were the norm, and it is very much in line with our on-the-ground experience, which is that South African consumers have become much more informed about their finances in general, and are putting a lot more financial preparation into becoming home owners than they did a few years ago," says BetterLife Home Loans CEO, Shaun Rademeyer.

"Many of those coming into the market as home buyers now have in fact been saving carefully for two to three years to accumulate a sizeable deposit, because they are more aware of the benefits of doing so when it comes to qualifying for a loan, and also keeping monthly bond repayments down in the face of rising interest rates."

## Monthly income

As it is, the monthly household income required to qualify for the average loan has risen less than 1% in the past 12 months, despite the 6,3% in house prices, largely because so many prospective borrowers have been able to put down bigger deposits.

“What is more, greater financial awareness and discipline as regards personal debt management and savings has facilitated sustained demand in the residential property sector over the past 12 months - and in the number of new home loan applications - even though there have been three interest rate increases in that time.

“We find that consumers who have planned well ahead for their home purchases won’t delay in the hope of the tide turning on interest rates or home prices. In addition to saving substantial deposits, they have usually also made provision for interest rate fluctuations by reducing their overall debt burdens, which is reflected in the fact that the percentage of outright declines on home loan applications submitted to the banks has actually dropped by more than three percentage points over the past 12 months.”

## **Deposit required**

Meanwhile, Rademeyer says, first-time buyers who have usually been the first to exit the market when the financial going gets tough, have been assisted to go ahead with their home purchasing plans over the past year by the fact that home prices in this sector grew by an average of just 2,3%.

“The average deposit required in the first-time buyer sector also fell, from an average 8,4% of the purchase price to 7% of the purchase price, and on top of that the very large majority of those home loans that were approved for 100% of the purchase price went to first-time buyers.”

This bodes well for the future of the market as buyers move up the property ladder, he says, as does the fact that the banks are still keen on new home loan business.

“However, prospective home buyers need to know that credit criteria are being strictly applied, and that they have a better chance of being approved for a home loan if they apply through a reputable mortgage originator,” he concludes.

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