

PROPERTY BAROMETER – Housing Market Age Group Buying Trends

The multi-year trend towards an older average age of home buyers continues unabated, partly due to tough economic conditions, but partly also perhaps due to a longer-term change in population demographics.

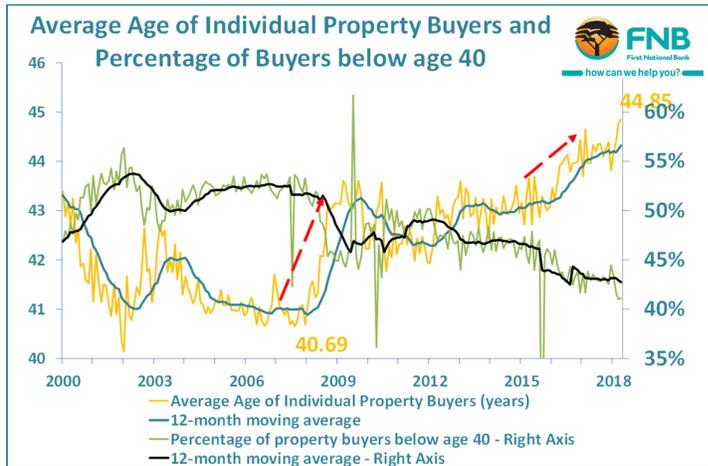
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HOUSING MARKET AGE GROUP BUYING TRENDS

The estimated average age of all home buyers (including 1st time and repeat home buyers) continues its long term increasing trend. Part of this is perhaps explained by weak economic times in recent years, which limits new job creation and thus the pace at which young working age people enter the labour market and thus the property market. However, a key part of it is perhaps South Africa’s ageing middle class population participating in the housing market until an older age than was perhaps previously the case.

Near the end of last decade-s pre-2008 housing bubble, the estimated average age of individual (“natural persons”) property buyers was 40.69 years as at December 2007.

By March 2009, this estimated had risen to 43.6 years, and despite some decline in the 2 years thereafter it never again got back to that late-2007 level. By 2012, it had begun to renew its rising trend, reaching 44.11 years by April 2018.



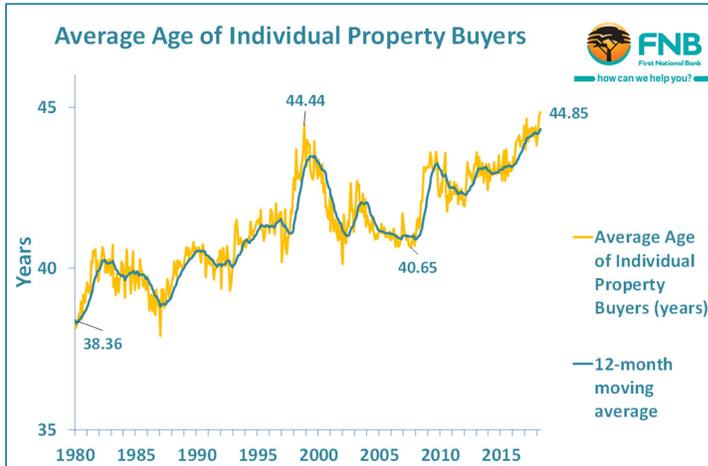
The sharp rise in average age through 2008/9 had much to do with the recessionary economic conditions at the time, along with interest rates peaking at 15.5% Prime in mid-2008.

It is the younger buyers on average that are more sensitive to economic and interest rate shocks, so it was this group that “sat on the sidelines” in greater numbers during that time waiting for better economic times. Typically, younger aspirant 1st time buyers are the more cyclical group of home buyers, given that many have no financial buffers with which

to weather an economic storm, and are highly credit-dependent too.

The fact that the average age of individual buyers never returned to that late-2017 low of 40.69 years has much to do with the fact that economic conditions never really returned to those pre-2007 “glory days” of 5%+ GDP growth.

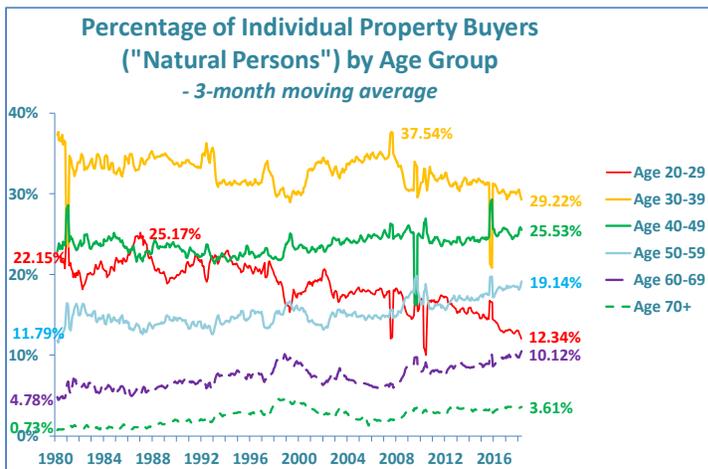
The interest rate cuts and economic growth recovery of sorts from 2009 to 2011 brought about some “short-lived” decline in average age, as younger home buyers returned to the market in greater numbers. But post-2011, economic stagnation re-emerged, which along with 2014-2016 interest rate hiking saw the average age of buyers increasing once more through much of the 2012 to 2018 period.



But there is more than that. There is a longer term rising average age trend that appears to be at play, which may be a function of longer term demographic trends, or at least the demographic trends of the “Middle Class”.

The average buyer age started 1980 at a significantly lower estimate of 38.36 years, and despite numerous short term cyclical ups and downs, has sustained a long term rising trend to reach the most recent 44.85 years, an increase in excess of 6 years.

PROPERTY TRANSACTION TRENDS IN DIFFERENT AGE COHORTS



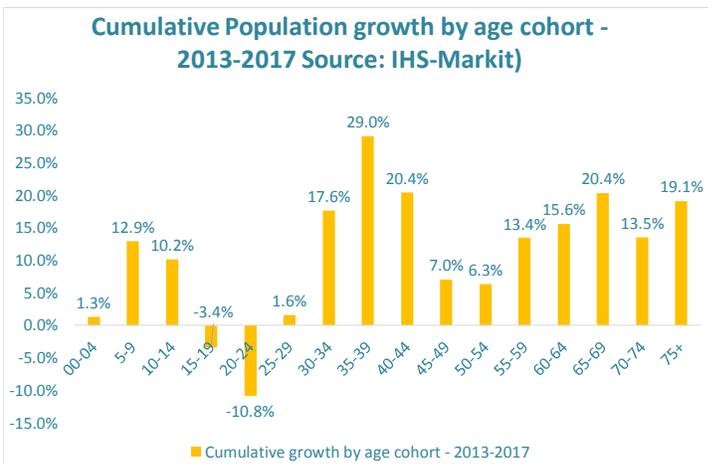
Breaking down the buyer population groups into broad age cohorts, the change in composition over the years has been significant, especially at the youngest and oldest ends of the spectrum. Since 1980, the property buyer population below age 30 has seen its share of total home buying decline from 22.15% to 12.34%, thus almost halving. Its most recent share estimate is also significantly down on its 18.12% estimate at the end of 2007, the back end of the pre-2008 housing bubble.

The 30-39 year old age cohort started to see its share decline from after the pre-2008 boom too, declining from a 37.61% high as at August 2007 to 29.22% by April 2018.

At the other end of the age spectrum, the 50-58 year old age group has seen its share grow from 11.79% of total transactions at the start of 1980 to 19.34% by April 2018, the 60-69 year old cohort from 4.78% to 10.12% and the 70+ age cohort from 0.73% to 3.61%.

DO DEMOGRAPHIC TRENDS HELP TO EXPLAIN PROPERTY AGE GROUP TRENDS?

Examining the past 5 years of growth in population by age cohort, it appears possible that the group in its 20s will see its share of total transactions decline even further.

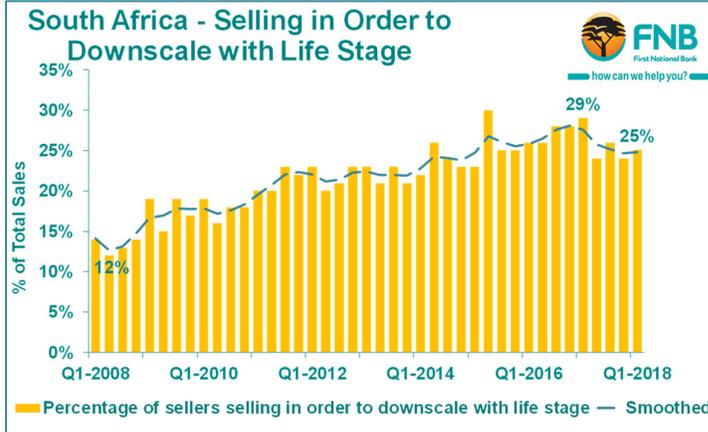


From 2013 to 2017 the 20-24 year old age cohort declined by -10.8% in number, while the 25-29 year old cohort grew by a mere 1.6%.

By comparison at the other end of the scale, the 75+ group grew by 19.1%, the 70-74 year old group by 13.5%, the 65-69 year group by 20.4%, the 60-64 year old group by 15.6% and the 55-59 year old group by 13.4%. The fastest growth group

was somewhere in the middle, i.e the 35-39 year old group which grew by 29%, but it seems clear that the old age cohorts have been growing at far more significant rates than the “entry-level” 20s age cohorts, and this could explain a fair amount of the young groups’ declining share of total property transactions

HIGH LEVELS OF OLDER SELLERS DOWNSCALING



The FNB Estate Agent Survey also points to very significant increase in elderly age groups members’ participation in the housing market in recent years.

The estimate for those sellers that are selling in order to “downscale due to life stage” (normally older sellers retiring or whose children have left home, and there is no longer a need for such a large home) was at 25%, far above the 12% low of 2008 around the time of the recession when the survey question started.

CONCLUSION

An ageing group of participants in the housing market is due to short term cyclical factors, as well as reflecting a longer term more permanent “structural” change.

The long term multi-decade trend may be driven by demographic changes, including significant growth in the older age cohort numbers.

In addition, a noticeable renewed rise in average age of home buyers since around 2012 arguably has much to do with a stagnating economy from around that time as well as some mild interest rate hiking from 2014 to 2016. Such economic pressures tend to deter the highly credit-driven and financially constrained aspirant young buyers from entering the market more than they deter older repeat buyers, the latter who often have far bigger financial buffers built up, as well as having significant equity in the property that they sell in tandem with the new one that they buy.

Older age cohorts are thus the more stable group in terms of housing demand through the property and economic cycles.

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