

## More home owners downscaling due to tight finances

More home owners are selling their properties to downscale due to financial pressure, according to the latest FNB Estate Agent Home Buying Survey released on Tuesday, 14 June 2011.

"... agents believe that there has been a rise in the significance of selling 'in order to downscale due to financial pressure', from 22% of the total number of sellers in the first quarter to 25% in the second quarter," said Ewald Kellerman, FNB home loans property analyst, in a statement.

He said these sellers were not necessarily then buying cheaper homes, but actually leaving the property market.

"However, agents believe that around half (51%) of sellers selling for financial stress-related reasons actually exit the market and move into property rental for the time being, thus leaving something of a gap."

This gap was partly filled by first time buyers.

"According to the survey, the first time buying percentage has increased further to 25% of total buying, from 22% in the first quarter."

The second quarter survey, undertaken in May, found a slowing of residential demand and a deterioration in buyers' confidence and households' financial positions, Kellerman said.

Agents rating residential demand on a scale of one to 10, put the average estimate at 5.61 in the second quarter, significantly down from the 6.07 rating of the first quarter.

Kellerman said care should be taken in interpreting this as the season played a role, with demand typically weakening as winter approached.

"On a year-on-year basis, the rating of demand activity for the second quarter is -5.9%, down on the corresponding quarter of a year ago," he said.

Estate agents said financial pressure on households and no sign of further interest rate cuts were key influences on their expectations for the sector.

The Estate Agent Confidence Indicator, which covers agents' expectations for demand over the three months following each survey, had declined for the fifth successive quarter.

The most prominent factor affecting their expectations was economic stress and general pessimism, followed by seasonality, which was typical for this time of year, Kellerman said.

The third most important driver of expectations was the National Credit Act (NCA).

"The NCA was generally seen as negative, being perceived as a key reason for the limited amount of loans still being granted by banks."

In fourth place was interest rates.

*Source: Sapa*

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