

Life Stage Sellers

THE DETRIMENTAL EFFECT of the affordability issue in residential property is beginning to change the demographic profile of the market. Particularly vulnerable are retired people, especially those whose spouse has pre-deceased them.

Investment bankers and life assurers have long raised the problem of the country's poor savings record, repeatedly warning that only a tiny percentage of people are able, or will be able, to retire comfortably. Inflation continues to ravage retirement plans. And South Africa, most definitely, is not awash with social benefits.

A recent rule-of-thumb study indicated that average longevity could soon reach 90 years. To retire at age 60, with any hope of living comfortably to that age one would have to start saving substantially for retirement at age 30 – the stage of life when most young people have recently married, started a family, bought a house... in other words, when they have very little disposable income with which to put into any form of retirement planning.

Added to this bleak outlook is the current belief that returns on investments are dwindling and that this trend will continue. Equity markets have been good for the past decade, in spite of the depressing antics of global banks, but we may well be in for another decade of much lower returns. Furthermore, retiring at the beginning of a bear market can be bad news.

But add to this depressing outlook the fact that the cost of living is climbing, particularly the cost of running a home. Utility charges alone – electricity, water, rates, insurance – are getting out of hand. As at August this year, the overall consumer price inflation rate was 5,3%. By comparison the CPI's housing component was rising by 6,8% pa. Dissecting the components of housing, the key contributors to the high inflation rate are electricity at 17,2% and water and other services, including rates, rising at 9,2%. And it's worth remembering that simple compound interest equation, the "rule of 72"; if consumer inflation is increasing at, say, 6% a year, then your living costs will double in 12 years; if rising at 9% then prices will double in just eight years.

One result of the affordability crisis, reports FNB's property market strategist John Loos, is an increase

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in properties being put on the market by older people – or as he puts it, "life stage sellers". This refers mostly to households or individuals whose children have grown up and left home as well as to those who are ageing and for whom large family homes are no longer practical. Loos says that a survey in 2008 indicated that this segment of the housing market was estimated at 14%. Since then the "life stage" reason for selling has reached its highest level yet of 23% in the third quarter of this year.

Hand in hand with this trend is the upsurge in demand for retirement homes – for those who can afford them. PGP's Bev Bloch, who is marketing a new retirement complex in the Cape Town suburb of Panorama says this demand has created a shortage of good, affordable retirement accommodation in the city.

An interesting statistic has been compiled by IHSGlobalinsight. Estimates of population by age point to the 60 to 64 year old age group having been the fastest growth group over the past five years, growing by 22,2% cumulatively from 2006 to 2010. The 50 to 59 year-olds by 19,7% and 50 to 54 year-olds with 18,6% growth were not far behind.

Overall, the 50-and-above age group is only around 27,5% of the 20-year-old and above population, but, says Loos, the steadily growing percentage of life stage downscaling may be reflective of this group. "With houses steadily becoming more costly to run relative to other consumer items, for South Africa's over-50s who are steadily growing as a percentage of the population, why not downscale and reduce costs.

"We often say that first-time buyers have the flexibility to stay out of the homeowner market until economic or interest rate times have improved. Well, the middle-to-upper income over-50s have a different type of flexibility; they often have over-sized homes that were purchased for

a family which has since moved out, or homes purchased for themselves for an earlier life stage where they were far more active. While such large homes may be nice, rising home-related costs may be steadily turning them into an inconvenience..." This scenario is obviously contributing to the increase in sellers downscaling, but while the trend can be negative for the larger-sized home market, it can be supportive of the smaller-sized segment, adds Loos.

PANORAMA PALMS

A new development at this well established retirement village is a modern block of one and two bedroom apartments, offering spectacular views towards Table Mountain. Retirees, says PGP's Bev Bloch, will be able to enjoy apartment living while having access to the existing facilities which include, assisted living and frail care as well as social and sporting facilities and transport shuttles.

There is a choice of one and two bedroom apartments ranging from R700 000 to R1,28 million on a life rights basis. A parking bay costs an additional R31 500. The new block is within the existing Panorama Palms village, which is in a well-established garden setting with a 24-hour guarded gatehouse, patrols and security system.

PGP's MD for the Western Cape metro region, Laurie Wener, says the developers, Trans50, have a track record in the retirement homes industry spanning nearly four decades. "There are some 1 500 senior citizens living in Trans50 villages around the country," she adds.

The Life Rights system of purchase is fairly widespread. "A life right means just that," adds Wener, "the right to inhabit a specific unit for life. This guarantees security of tenure, and as the developer remains the sole owner of the unit, there is no payment of registration fees, transfer duties or VAT. The developer retains sole responsibility for the upkeep of the village, so this is a hassle-free, financially sound, alternative for older people who don't want to be burdened with administrative costs or physically demanding maintenance work on their homes." Bev.bloch@pamgolding.co.za, or 083 252 2594/ 021 673 4200 ■■■