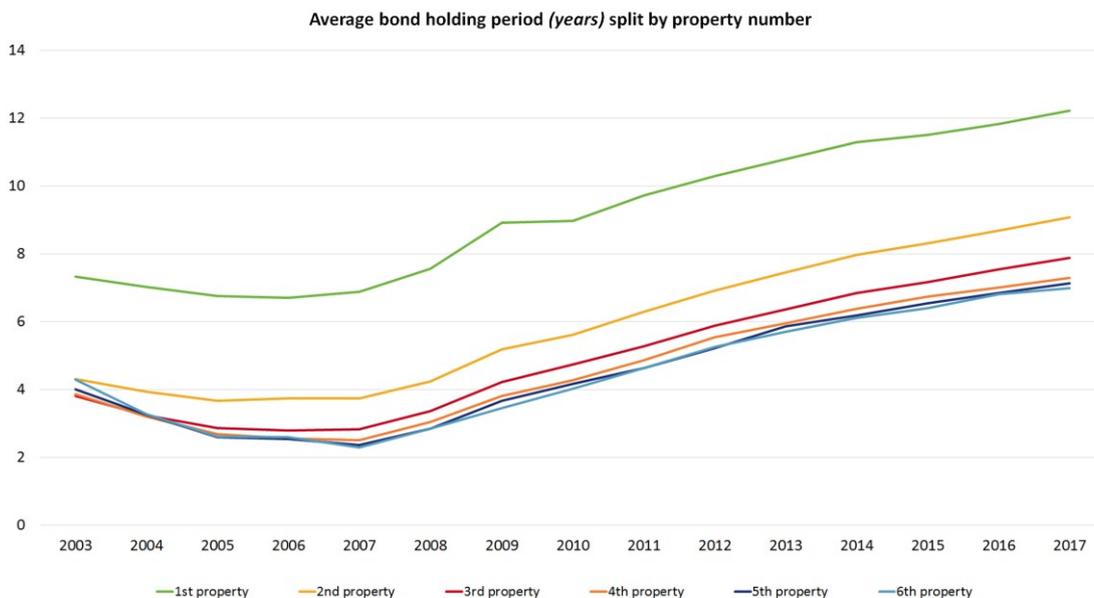




Average bond tenure and trends

Residential property is a worthwhile investment vehicle, providing many young professionals and recently wedded couples with a solid asset to start building their wealth at a relatively early age. One of the major differences between property and other non-physical investments is that property requires continuous maintenance to preserve and increase the value over time.

A trend that has emerged since the housing market crash and subsequent subdued economic growth is the tendency of property owners to retain properties for longer periods compared to before 2008. Data analysed by Lightstone reveals that first-time buyers hold on to properties for up to twelve years as opposed to repeat owners who keep properties between seven and nine years.

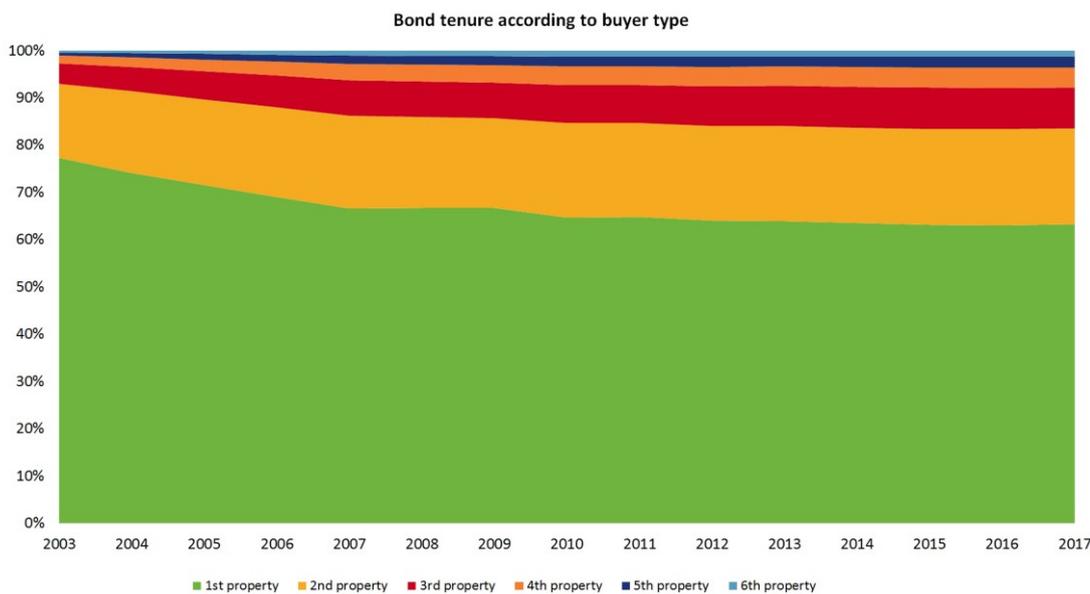


Graph illustrates average bond holding period split by property number.

Although twelve years may seem like a long period to retain a property; during the so called property boom between 2003 and 2005, first time property owners held on to properties

for roughly seven years and repeat owners for up three years. A closer look at the data showed that this was due primarily to buyers modernising properties through renovations and then ‘flipping’ it for a profit. This is a trend that has since died down, increasing the average bond tenure of properties.

Average bond tenure was not the only change in buyer behaviour after the property crash, with the proportion of bond cancellations by first time owners dropping from 77% in 2003 to 67% in 2007. In 2010 the market showed stability remaining at 63%. Lightstone attributes this fluctuation to the change in property market, prompting new entrants to avoid selling their property during a time of subdued property growth. As a result, first time property owners are trying to retain properties until the market starts showing more positive growth again.



Above graph illustrates the bond activity of buyers over time.

A big implication as a result of increased buyer tenure is that most of the properties entering the market would have been held for a relatively longer period when compared to a few years ago. The longer a property is held the greater the variability in the long-term maintenance of the property and the bigger a buyer’s chances of buying a ‘lemon’. This requires the buyers (especially those who are buying their first homes) to examine any potential properties for maintenance related problems such as damp, irrigation systems and leaking roofs, with particular attention to illuminate forthcoming frustration and unnecessary expenditure.