

Brazil Homebuilders

Who are the consumers sustaining mid high-income demand in SP? – survey takes

Industry Overview

Looking to understand mid/high-income demand in SP

Demand for mid/high-income housing has been surprisingly resilient in SP – challenging weak affordability amid elevated mortgage rates. This trend raises a few questions on the profile of this demand: Who are those consumers? Which type of product are they buying? Why are they buying now? We surveyed about 500 mid/high-income and luxury consumers (income above R\$8k/month, kept outside the program) in São Paulo to better understand the demand for mid/high-income homes in a still high-rate environment ahead of an easing cycle. We found that...

Ownership is a preference directly related to income. 80% of respondents own the property in which they live. This percentage increases proportionally to income: while 91% of luxury consumers own their home, only 69% of mid-income respondents do.

Most of the recent demand comes from high-income/luxury. 43% of respondents who own a property have bought it in the past year, mostly (41%) luxury and high-income clients. Over half of luxury and high-income consumers have bought a property in the last year vs 37% of mid-income.

‘Upgrade’ and ‘investment’ have been the main reason for buying a home amid higher-income consumers... 64% of consumers who bought a home in the past year did it for ‘upgrade’ (35%) or ‘investment’ (29%). This print reaches 70% amid high-income and luxury clients while ‘marriage’ (12%) and ‘leave parents’ home’ (9%) is more frequent amid mid-income consumers (despite those not being younger in our sample).

...and the wealthy are most likely to continue representing most of the demand. 62% of luxury/high-income respondents intend to buy a home in the next 12 months. Of those, 62% already bought another property in the past year, which could explain the ‘investment’ component of demand.

Affordability has been keeping mid-income consumers at bay. Out of the 48% of mid-income consumers not intending to buy a home in the next year, 48% claim ‘affordability’ is the main reason for doing so and 26% are ‘still saving money’.

As such, interest rates get more relevant on the purchase decision as income decreases. 84% of mid-income consumers claim that interest rates are ‘very important’ on their decision to buy a home vs less than 73% of luxury and high-income consumers.

Renting is (in fact) cheaper than buying, especially for the wealthy. Income commitment on a mortgage doesn’t really change depending on wage when buying a home: most spend between 10 and 20% of their income on mortgages. When it comes to rents, while most luxury consumers spend less than 10% on rents, the majority of mid-income consumers spend over 10% of income on rents.

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Abbreviations

SP = São Paulo

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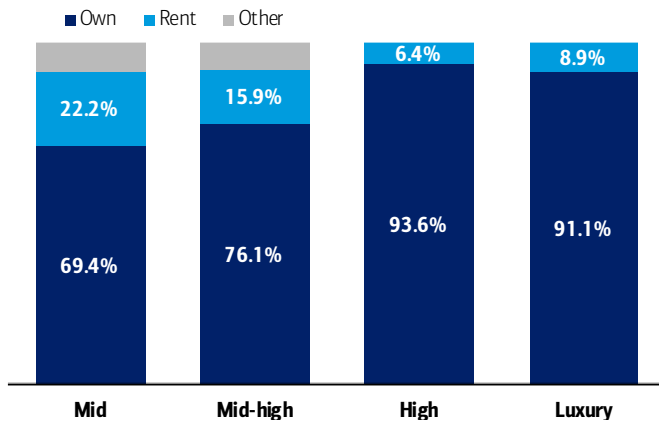
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Mid/high-income demand in 7 charts

Exhibit 1: Ownership is directly related to income...

How would you describe the ownership of your current home?



Source: Survey Monkey, BofA Global Research

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Exhibit 2: ...while luxury/high-end consumers represent most demand

Did you buy a home in the last 12 months?

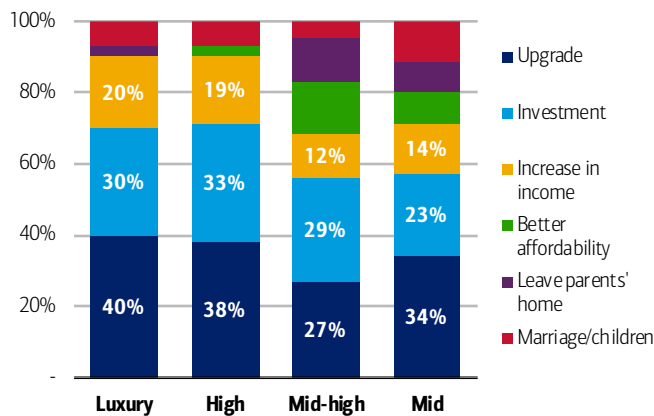


Source: Survey Monkey, BofA Global Research

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Exhibit 3: 'Investment' and 'upgrade' were the main reasons for buying

Why did you buy a home?

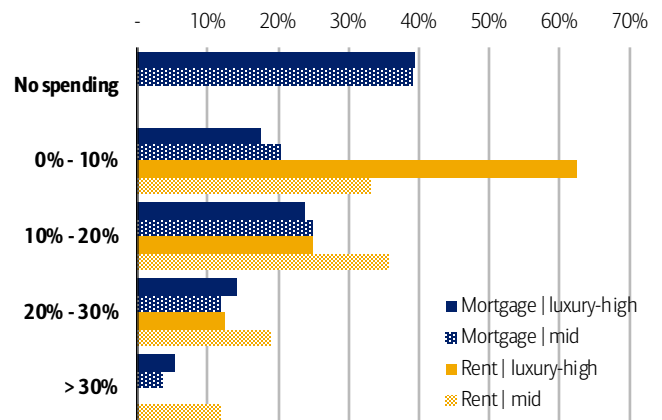


Source: Survey Monkey, BofA Global Research

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Exhibit 4: Most consumers spend 10-20% of income on mortgages

How much of your income do you spend on housing?

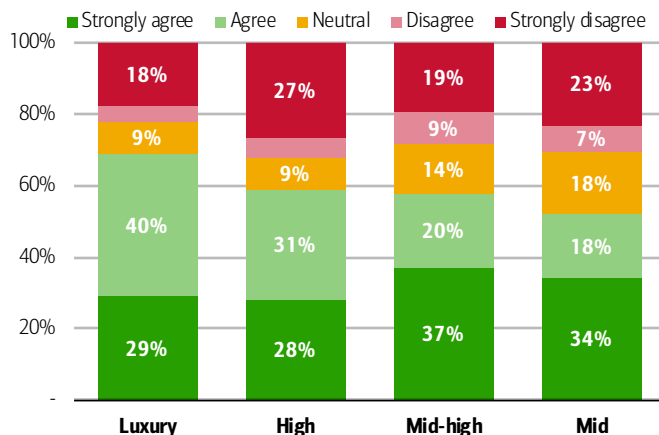


Source: Survey Monkey, BofA Global Research

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Exhibit 5: The wealthy are likely to continue being most of demand

Do you agree with the sentence? 'I intend to buy a home in the next 12 months'

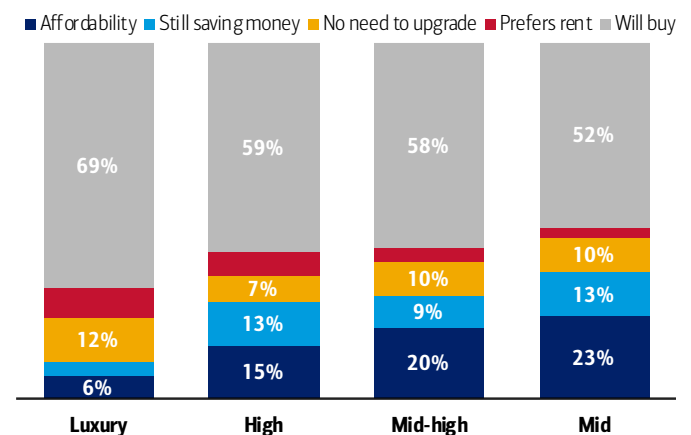


Source: Survey Monkey, BofA Global Research

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Exhibit 6: 'Affordability' is the main reason keeping mid-income at bay

Why don't you intend to buy a home in the next 12 months?

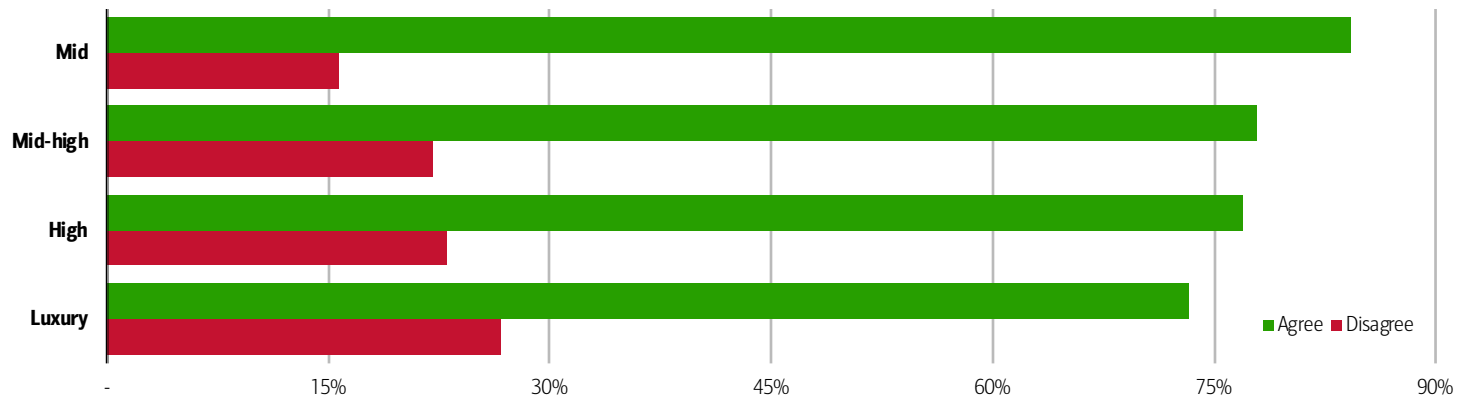


Source: Survey Monkey, BofA Global Research

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Exhibit 7: Interest rates get more relevant on the purchase decision as income decreases

Do you agree with the sentence?

'For me, the expectation of the interest rate is very important in the decision to buy a property. Therefore, a possible decrease in Selic directly impacts my decision to buy a home.'

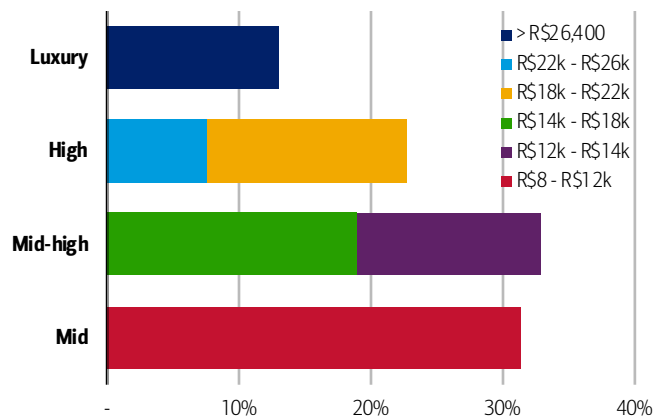
Source: Survey Monkey, BofA Global Research

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Respondents' profile

Exhibit 8: 64% of consumers are mid-income vs 36% high/luxury

What is your current household income?

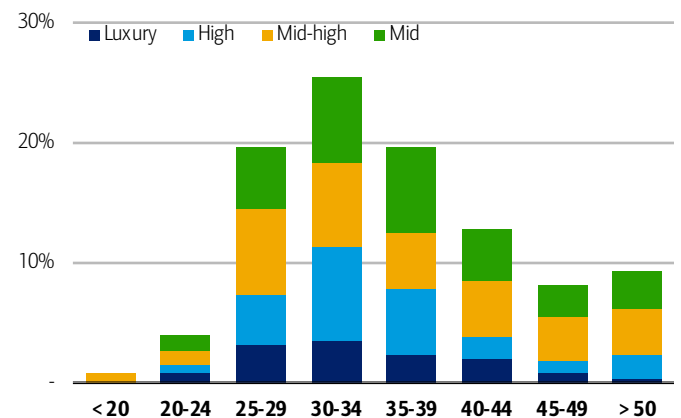


Source: Survey Monkey, BofA Global Research

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Exhibit 9: Age doesn't correlate with income in our sample

How old are you?

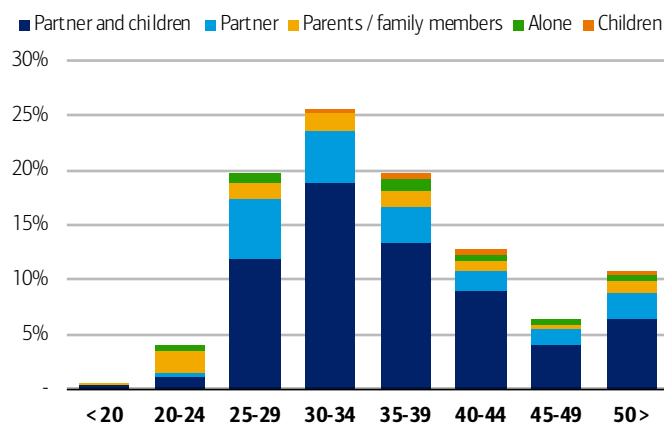


Source: Survey Monkey, BofA Global Research

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Exhibit 10: Most respondents live with partner + children...

Which of the options below best describes your current housing situation?

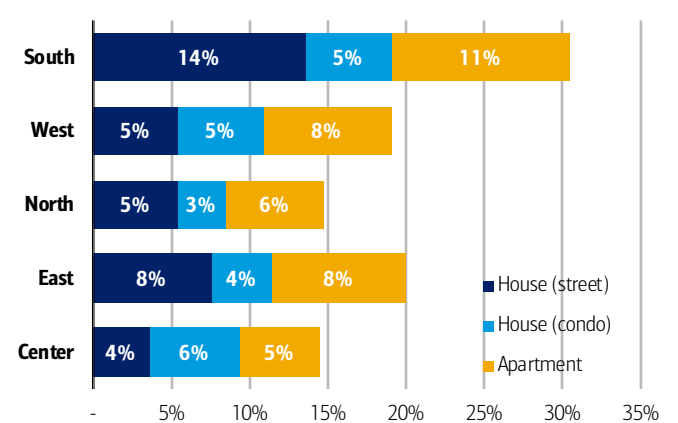


Source: Survey Monkey, BofA Global Research

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Exhibit 11: ...and in houses in the south region of SP

Which of the following best describes your home and region?



Source: Survey Monkey, BofA Global Research

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