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INTEREST RATES THAT MATTER

HSBC releases latest global research findings into home ownership

- Over one-fifth of mortgage holders would struggle to deal with 2 percentage point rise in their mortgage interest rate
- Eighty percent of those looking to buy a home find it difficult to save for a deposit.

The rise of interest rate greatly concerns home owners around the world according to HSBC's new survey, Beyond the Bricks *The value of home*.

The survey of more than 10,000 people in 10 countries finds that 75% of home owners with a mortgage have not experienced a rise in the interest rate of their mortgage/home loan during the time they have had it.

The survey also examines the impact of a significant rise in interest rates upon mortgage holders. Twenty-two percent say that a 2 percentage point increase in their mortgage/ home loan interest rate would cause them to struggle or not be able to afford their mortgage repayments; this figure rises to 47% for a 5 percentage point rise.

France has the highest proportion (36%) of mortgage holders who would struggle with a rate rise of 2 percentage points, compared to only 13% of mortgage holders in China. People in France would also be the most affected (57%) by a 5 percentage point rise, compared to 35% of those in the United Kingdom.

Country	Mortgage holders who have not experienced a mortgage rate rise	Would struggle or not be able to afford a 2 point rate rise	Would struggle or not be able to afford a 5 point rate rise
Average	75%	22%	47%
France	97%	36%	57%
USA	87%	24%	45%
UK	84%	16%	35%
Canada	78%	20%	48%
Taiwan	74%	18%	48%
Australia	73%	18%	41%
China	64%	13%	37%
Singapore	61%	22%	54%
Malaysia	58%	27%	51%
Mexico	55%	26%	51%

Interest rate is also one of the main factors that trigger mortgage holders to switch provider. The survey finds that almost half (44%) of home owners with a mortgage have ever switched provider, while 61% have investigated getting a better deal by switching their mortgage. The appetite to switch provider is primarily driven by a desire to get a better deal or because of interest rate rises, with 55% of mortgage holders citing this as the reason for their switch. Twenty-four percent switched because their existing mortgage deal expired and 22% because they moved house or bought a new property.

Furthermore, the survey reflects high levels of expenditure on home ownership, with mortgage holders spending on average 38% of their monthly income on their mortgage.

According to Richard Napier, HSBC's Global Head of Mortgages: *“With the average home owner already spending almost 40% of their monthly income on their mortgage, it's important to factor potential interest rate rises into household budgets and of course to shop around for the best possible rate.”*

Prospective buyers would also be impacted by rising interest rates. Thirty-two percent say that a 2 percentage point rise in their mortgage/home loan interest rate would cause them to struggle or not be able to afford their repayments, rising to 52% for a 5 percentage point rise.

Affordability continues to be a challenge for those looking to buy a home, with 80% finding it difficult to save for a deposit.

Most prospective buyers (69%) plan to pay up to 20% of the purchase price as a deposit to secure a mortgage and will largely rely on their regular savings (78%) to help them achieve this. Owners who hold a mortgage took an average of 5 years to save for their deposit, with those in France taking longest to save up (7 years). By comparison, those in the UK took only 4 years to save for their deposit.

Despite the affordability challenge and the considerable impact of rising interest rates, 41% of those intending to buy a home are willing to stretch themselves to some extent financially to afford a better home.

Sabbir Ahmed – Head of Retail Banking and Wealth Management, HSBC Vietnam, comments: *“Home ownership continues to be a prime financial goal of many people across the world and taking out a mortgage is one of the solutions for them to achieve this goal.*

“However, the survey reveals that both prospective buyers and mortgage holders might be remarkably impacted by the rise of interest rate. Therefore, it's critical that those who are looking out for a home mortgage should understand about the product and especially major influential factors during this banking experience. At HSBC, we view this as our responsibility to help customers identify their need, make well-informed decisions and own a home at ease.”

The value of home is the second survey in the Beyond the Bricks series of global research studies into home ownership from HSBC.

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Notes to editors:

Beyond the Bricks is an independent consumer research study into global home ownership, commissioned by HSBC. It provides authoritative insights into peoples' attitudes and behaviour towards home buying, renting and funding around the world.

The value of home survey represents the views of 10,005 people in 10 countries: Australia, Canada, China, France, Malaysia, Mexico, Singapore, Taiwan, UK and USA.

The findings are based on a survey of current and prospective home owners aged 21 or older from a nationally representative online sample in each country. The research was conducted by Kantar TNS in September and October 2017.

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,900 offices in 67 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,522bn at 31 December 2017, HSBC is one of the world's largest banking and financial services organisations.

HSBC Bank (Vietnam) Ltd.

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

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