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The Absa Homeowner Sentiment Index (HSI) measures sentiments of South African consumers with regard to various aspects of the residential property market. The main index and its sub-indices are derived from a quarterly survey of a representative sample of urban consumers, conducted by Columinate and based on demographic survey information. The HSI survey determines consumer sentiment regarding buying, selling, investing in, renting of and renovating property, as well as property market conditions in general.

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## Homeowner Sentiment Index

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### Property market sentiment down in the first quarter of 2018

The level of positive sentiment regarding conditions in the South African residential property market dropped in the first quarter of 2018 from the fourth quarter of 2017, with sentiment on par with a year ago. The latest trend regarding property market sentiment came against the background of factors impacting consumers financially, such as a number of indirect tax hikes announced in the national Budget in February, as well as the widely-debated aspect of land expropriation without compensation.

#### Homeowner Sentiment Index (HSI) results

The overall HSI score, which reflects the percentage of survey respondents with positive sentiment regarding residential property market conditions, was down to 75% in the first quarter of 2018 from 82% in the final quarter of 2017. The main positive and negative factors mentioned by survey respondents were as follows in the first quarter of the year (percentage of respondents in brackets):

- Positive factors: Property is a secure asset (35%) and still increases in value (28%).
- Negative factors: Land expropriation without compensation causes uncertainty regarding property as an investment (28%), while some political uncertainty still prevails (23%).

#### Homeowner sentiment sub-indices results

The HSI sub-indices were either unchanged or slightly lower in the first quarter of 2018 from the fourth quarter of last year, except the sub-index on selling property, which increased further in the first quarter. These trends in the sub-indices indicate that consumers have become somewhat more cautious about property market conditions and influencing factors in early 2018.

#### Buying property

Property-buying sentiment was unchanged at 70% in the first quarter of 2018 from the preceding quarter, but remained well above the low of 60% recorded in the first quarter of last year. The main reasons mentioned by survey respondents in favour of buying property were the following:

- Property still increases in value and is a good investment (25%).
- Property prices are relatively low and there are bargains in the market (19%).
- Interest rates are low (11%).

#### Selling property

The positive sentiment towards selling property improved further to 46% in the first quarter of the year from 41% in the final quarter of last year, with a low of 34% measured in the second quarter of 2017. The main reasons mentioned in early 2018 for selling property were the following:

- Property prices are relatively high and you may get a good price when selling (38%).
- Many people want to own property, which is supportive of selling (10%).
- The rand exchange rate is strong (6%).

#### Investing in property

A total of 81% of respondents were positive about property as an investment in the first quarter of 2018, which was down from 83% in the fourth quarter of last year, mainly as a result of the aspect of land expropriation without compensation. Reasons mentioned why it is an appropriate time to invest in property were as follows:

- Property remains a good investment (23%).
- Property still accumulates in value (15%).
- Property prices are relatively low and there are bargains in the market (13%).

## Renovating property

In the first quarter of 2018 a total of 79% of survey respondents displayed positive sentiment when asked whether it is a good time to renovate or do alterations to a property. The first-quarter positive sentiment regarding property renovations was unchanged from the third and fourth quarters of 2017. The main reasons mentioned in this regard were the following:

- Renovation increases the value of a property (37%).
- Constant upgrading of a property is important, especially if wanting to sell (11%).
- It is a good time to renovate property (10%).

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property was marginally lower at 73% in the first quarter of 2018 compared with 74% in the fourth quarter of last year. The main reasons mentioned in favour of buying versus renting property were as follows:

- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (31%).
- Property still increases in value and is a good investment (21%).
- Property prices are relatively low and there are bargains in the market (16%).

## Property market sentiment at a provincial level

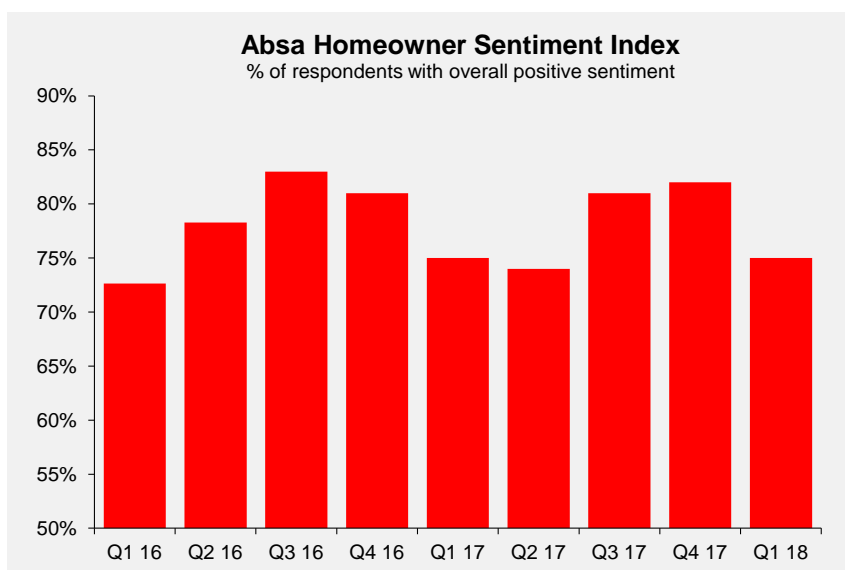
In the first quarter of 2018 a total of 50% of the HSI survey respondents resided in Gauteng, with 19% living in the Western Cape and 15% living in KwaZulu-Natal. The remaining 16% of survey respondents were from the other six provinces in the country, with the individual samples sizes of these provinces regarded as too small for separate reporting purposes. The overall positive HSI score in each of the abovementioned three prominent provinces was as follows in the first quarter of the year:

- Gauteng: 76% (82% in the fourth quarter of 2017).
- Western Cape: 69% (80% in the fourth quarter of 2017).
- KwaZulu-Natal: 72% (79% in the fourth quarter of 2017).

The relatively sharp drop of 11 percentage points in property market sentiment in the Western Cape in the first quarter of the year from the final quarter of last year is believed to be closely related to the ongoing severe drought conditions in especially the Cape Town metropolitan municipal area as well as in other drought-stricken regions within the province.

## Outlook

Although factors such as expected higher economic growth of 1,8% (1,3% in 2017), consumer price inflation to stay within the target range of 3%-6% and interest rates currently projected to remain unchanged towards year-end after being lowered in late March, property market sentiment may be hampered over the short to medium term by financial strain experienced by consumers against the background of higher indirect taxes, as well as uncertainty related to the aspect of land expropriation without compensation. The combined effect of the abovementioned factors will be reflected in property market activity, buying patterns, transaction volumes, property price growth and the demand for and growth in mortgage finance across most segments and geographical regions of the property market.



## Absa Homeowner Sentiment Index

% of respondents nationally with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2016	60%	38%	77%	72%	67%	73%
Q2 2016	64%	39%	79%	79%	67%	78%
Q3 2016	72%	46%	85%	79%	75%	83%
Q4 2016	71%	48%	83%	76%	73%	81%
Q1 2017	60%	42%	77%	77%	66%	75%
Q2 2017	64%	34%	78%	75%	68%	74%
Q3 2017	68%	37%	82%	79%	74%	81%
Q4 2017	70%	41%	83%	79%	74%	82%
Q1 2018	70%	46%	81%	79%	73%	75%