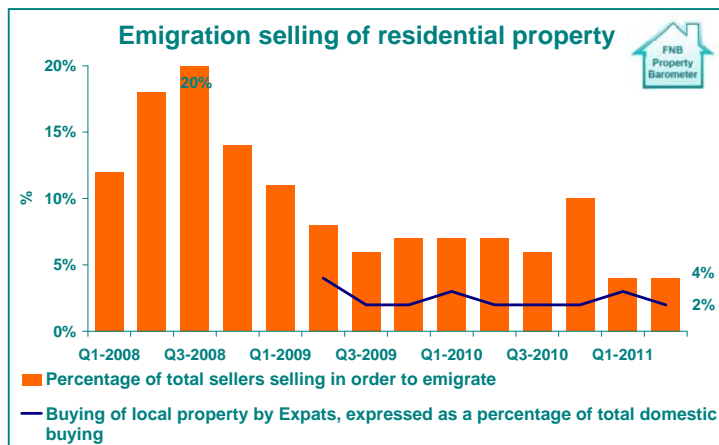


## PROPERTY BAROMETER

The brain drain appears to have slowed, and the opportunity in weak global economic times lies in the relatively strong availability of skills for non-cyclical sectors”.

15 August 2011

Since the 1<sup>st</sup> quarter of 2008, when we began to ask agents surveyed in the FNB Estate Agent Survey to provide us with estimates as to the reasons that people sell homes, emigration selling has never been lower than in 2011, when expressed as a percentage of total residential selling.



From a peak of 20% in the 3<sup>rd</sup> quarter of 2008, the percentage of residential sellers believed to be emigrating has declined to 4% for both the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2011.

Could it be a relatively positive sentiment towards South Africa from its inhabitants? Difficult to say. A well-organised 2010 World Cup may have helped, but issues such as the ongoing crime problem does not help sentiment. Certainly a relative strong rand performance improves the affordability of emigration.

But as we mentioned in our foreign buying note about a week ago, flows of investments and people between countries has to do with “relative

sentiment or environment changes” between countries. So, while absolute confidence in SA’s future may or may not have changed noticeably, there has arguably been a significant drop in the confidence levels regarding many European countries, including the UK, due to serious systemic and economic troubles in recent years, while the US’ economic fortunes have also deteriorated significantly.

Sentiment aside, high unemployment rates in many developed countries probably mean that they aren’t nearly as welcoming to immigrants from the likes of South Africa, compared to a few years ago in the global boom years, and even where they are welcoming of immigrants the job prospects just aren’t as promising as a few years ago.

As a possible indicator of South African skills returning from abroad, we ask agents to estimate the percentage of expats buying property in South Africa. This is not perfect, as expats buying property in SA don’t always do so with a view to returning permanently. Nevertheless, we assume that this is a partial indicator of skills returning or intending to return. The estimated percentage of expats buying property appears to have been relatively stable around 2-3% since mid-2009. This implies that the gap between emigration sellers at 4% of selling, and expat buyers at 2% of total buying, appears to have narrowed since 2009/10, suggesting that the net skilled labour outflow may have subsided in 2011.

A slower skills drain in tough economic times may well provide an opportunity for employers to boost their labour force skills levels. While our own economy is also showing signs of weakening along with the global economy, and the private sector may not have a short term need for what have possibly become more abundant skills in SA, for a non-cyclical sector such as government and its parastatals, such tough economic times are arguably a good opportunity to bolster the quality of skills, and with it service and infrastructure delivery. In 2009 and 2010, indeed, the public sector was largely responsible for positive employment growth in the economy, according to SARB employment indices.

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