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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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### Further drop in property market sentiment in the second quarter of 2018

After declining in the first quarter of 2018 from late last year, the level of positive sentiment regarding conditions in the South African residential property market dropped somewhat further in the second quarter of the year.

#### Homeowner Sentiment Index (HSI) results

The overall national HSI score, which reflects the percentage of survey respondents with positive sentiment regarding residential property market conditions in the country, declined to 73% in the second quarter of 2018 from 75% in the first quarter and 82% in the fourth quarter of 2017. The main positive and negative factors mentioned by survey respondents were as follows in the second quarter of the year (percentage of respondents in brackets):

- Positive factors: Property is a secure asset (36%) and still increases in value (22%).
- Negative factors: The land reform issue causes uncertainty regarding property as an investment (25%), with some political uncertainty still prevailing (25%).

#### Homeowner sentiment sub-indices results

At a national level the HSI sub-indices were all lower in the second quarter of 2018 compared with the first quarter, with these trends indicating that consumers remained relatively cautious about property market conditions and influencing factors up to mid-year.

#### Buying property

Positive property-buying sentiment dropped to 61% in the second quarter of 2018 from 70% in the first quarter, which was much in line with sentiment back in the first quarter of last year. The lower second-quarter buying sentiment was largely related to tough economic conditions, as indicated by most survey respondents as the main negative factor. However, the main reasons why the majority of respondents were still in favour of buying property were as follows:

- Property still increases in value and is a good investment (35%).
- Property prices are relatively low and there are bargains in the market (27%).
- Interest rates are low (7%).

#### Selling property

The positive sentiment towards selling property was somewhat lower at 43% in the second quarter of the year from 46% in the first quarter. The main reasons mentioned in the second-quarter survey for selling property were the following:

- Property prices are relatively high and you may get a good price when selling (41%).
- Many people want to own property, which is supportive of selling (11%).
- Land expropriation without compensation causes uncertainty regarding property as an investment (7%).

#### Investing in property

The second quarter of the year saw the positive sentiment regarding property as an investment declining to 77% from 81% in the first quarter and 83% in the fourth quarter of last year. The issue of land reform was indicated by 20% of survey respondents as the main negative reason, which contributed to the abovementioned further drop in this sub-index. Reasons in favour of property investment were as follows in the second quarter of the year:

- Property remains a good investment (29%).
- Property still accumulates in value (15%).
- There is a demand for rental property (13%).

## Renovating property

A total of 74% of survey respondents displayed positive sentiment in the second quarter of 2018 regarding renovating property, compared with 79% in the first quarter. The main reasons mentioned in favour of renovating property were the following in the second quarter:

- Renovation increases the value of a property (37%).
- Constant upgrading of a property is important, especially if wanting to sell (13%).
- Building materials are well priced (10%).

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property dropped to 68% in the second of the year from 73% in the first quarter. The main reasons mentioned in favour of buying versus renting property were as follows in the second quarter:

- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (35%).
- Property still increases in value and is a good investment (21%).
- Property prices are relatively low and there are bargains in the market (19%).

## Property market sentiment at a provincial level

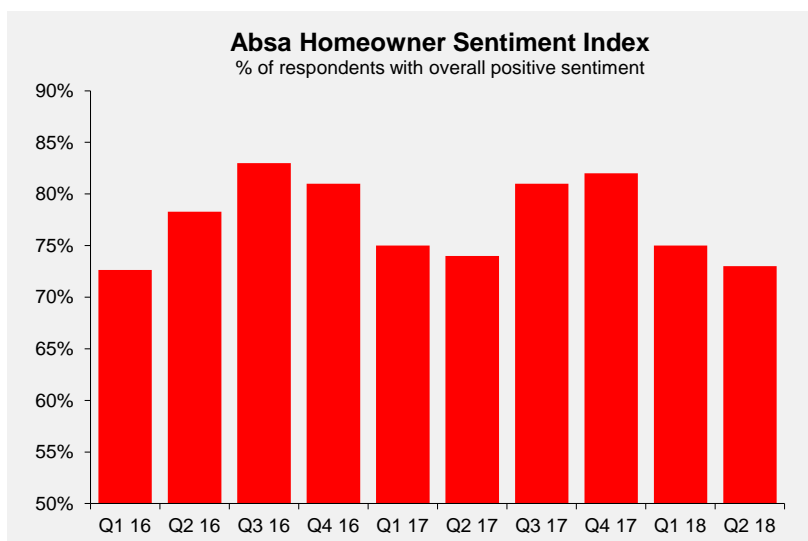
A total of 82% of the HSI survey respondents in the second quarter of 2018 resided in Gauteng (48%), the Western Cape (19%) and KwaZulu-Natal (15%). The remaining 18% of respondents resided in the other six provinces, with the individual samples sizes of these provinces regarded as too small for separate reporting purposes. The overall positive HSI score in each of the abovementioned three provinces was as follows in the second quarter of the year:

- Gauteng: 75% (76% in the first quarter).
- Western Cape: 71% (69% in the first quarter).
- KwaZulu-Natal: 65% (72% in the first quarter).

Detailed survey results down to a sub-index level for Gauteng, the Western Cape and KwaZulu-Natal, as well as for the combined inland and coastal provinces are presented in the tables at the back of the report.

## Outlook

Despite a cut in lending rates in late March this year, existing and prospective homeowners' financial positions are adversely affected by factors such as higher taxes and sharply rising fuel prices, with the aspect of land reform impacting property market sentiment over a wide front. These factors are expected to contribute to relatively subdued residential property market sentiment in the second half of the year compared to the corresponding period last year, which will be reflected in levels of market activity, buying patterns, transaction volumes, property price growth and the demand for and growth in mortgage finance.



## 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%
Q2 2018	61%	43%	77%	74%	68%	73%

### Absa Homeowner Sentiment Index: Gauteng

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	64%	40%	78%	78%	68%	75%
Q2 2017	66%	35%	81%	74%	66%	77%
Q3 2017	69%	35%	85%	78%	76%	84%
Q4 2017	69%	39%	85%	80%	73%	82%
Q1 2018	69%	44%	84%	80%	74%	76%
Q2 2018	62%	42%	77%	75%	69%	75%

### Absa Homeowner Sentiment Index: Western Cape

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	53%	38%	69%	69%	64%	71%
Q2 2017	61%	33%	70%	75%	69%	67%
Q3 2017	69%	41%	77%	77%	75%	79%
Q4 2017	69%	46%	73%	78%	78%	80%
Q1 2018	71%	53%	71%	77%	71%	69%
Q2 2018	62%	46%	76%	76%	66%	71%

### Absa Homeowner Sentiment Index: KwaZulu-Natal

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	56%	40%	74%	77%	60%	67%
Q2 2017	61%	29%	77%	75%	64%	72%
Q3 2017	65%	39%	81%	79%	73%	77%
Q4 2017	65%	35%	87%	71%	68%	79%
Q1 2018	65%	44%	79%	78%	69%	72%
2Q 2018	56%	56%	77%	69%	66%	65%

### Absa Homeowner Sentiment Index: Inland and coastal provinces

% of respondents with positive sentiment by sub-index

Sub-indices	Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	62%	58%	66%	61%	69%	67%	72%	68%	70%	70%	61%	61%
Selling property	40%	45%	36%	33%	36%	38%	41%	41%	45%	48%	42%	45%
Investing in property	79%	74%	80%	75%	85%	78%	86%	79%	84%	76%	77%	77%
Renovating property	79%	75%	74%	75%	79%	79%	81%	76%	80%	76%	74%	74%
Buy rather than rent	66%	64%	67%	68%	75%	74%	74%	75%	75%	70%	69%	67%
Overall sentiment	75%	74%	77%	70%	83%	77%	83%	80%	77%	71%	76%	69%

Inland provinces: Free State, Gauteng, Limpopo, Mpumalanga, North West, Northern Cape

Coastal provinces: Eastern Cape, Kw aZulu-Natal, Western Cape