



Absa Homeowner Sentiment Index



continue



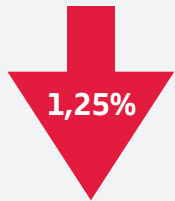
Homeowner Sentiment Index

The Absa Homeowner Sentiment Index (HSI) determines consumer sentiment regarding the property market conditions in general in South Africa.



Key Summary

Absa Homeowner Sentiment Index (HSI) shows that confidence in the SA property market fell 3% in Q1 2020.



Respondents are concerned about the economic outlook, despite the interest rate cut of 0.25% in January 2020 and another 1.00% in March 2020.



1 in 6 of the negative outlook respondents noted COVID-19 specifically as their reason for lack of confidence in the property market



Sentiment in the market tends towards reduced activity – with fewer respondents considering it an appropriate time to buy, invest or sell property.



Many respondents still believe that property can play an important role in helping them weather the current uncertain economic environment – hinged heavily on property's ability to maintain value during this time.



Despite the South African Reserve Bank reducing lending rates by a further 1.00% in April 2020, we expect COVID-19 related damage to sentiment to increase in Q2 2020.



Emerging Trends



While Q4 2019 showed that concerns around political instability were subsiding and property's appeal as a secure asset increasing, the picture changed somewhat in Q1 2020 due to the current recession and economic uncertainty – many respondents citing COVID-19 specifically.



Market remains favourable for property buyers. When it comes to prices, we see an increase in the proportion of respondents who consider it a good time to buy and an increase in the proportion of those who consider it a bad time to sell.



More respondents than in Q4 2019 would lean towards property ownership in response to the negative economic outlook

The most positive segment of respondents was that of investors, followed by individuals currently renting and first-time homeowners. Non-first-time homeowners not only had the least confidence in the market, they also had the largest decline.



76%

First-time homeowner
Q4 2019: 79%



61%

Homeowner
Q4 2019: 68%



79%

Investor
Q4 2019: 80%



78%

Currently renting
Q4 2019: 75%



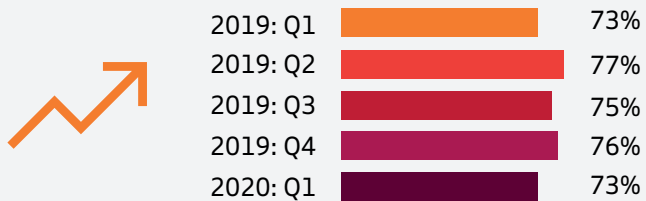
HSI Results

The Absa Homeowner Sentiment Index reflects the percentage of survey respondents with positive sentiment about the residential property market of South Africa.



The overall sentiment score of 73% is 3% lower than that seen in Q4 2019. The main drivers of the positive and negative sentiment-related factors mentioned by survey respondents were as follows (percentage of respondents in brackets):

Overall sentiment



Positive factors



Property is a good investment (49%) and the property market / economy are set to improve (20%)

Negative factors

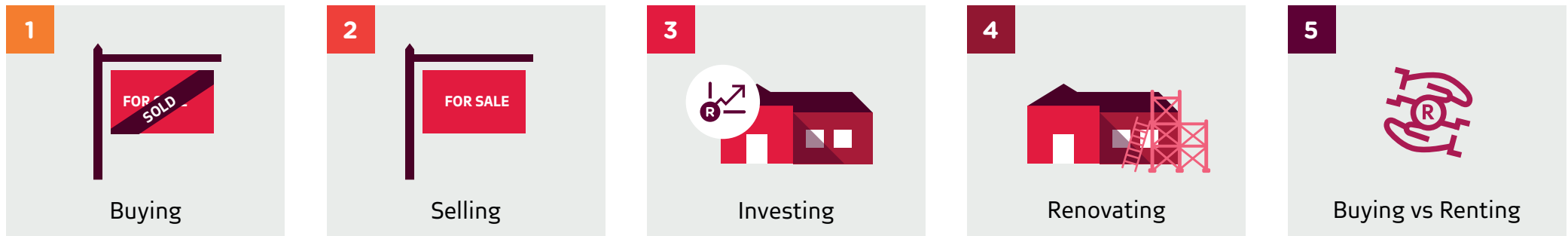


COVID-19 has exacerbated volatility and uncertainty (51%) in an economy with an already negative outlook (36%)

Homeowner sentiment sub-index results

There was a decline in all five of the HSI sub-indices for Q1 2020 (vs. Q4 2019), with the sub-index for selling property experiencing the largest decline, already off the lowest base. Investing in and renovating property were next in line, with the buying of property having the smallest decline. It is very important to note that the buying property sub-index has the strongest correlation to overall sentiment, therefore while sentiment about the property market remains relatively high, we see that there are many players who are currently invested in the industry but are not very confident about its outlook.

The HSI tracks the following sub-indices:





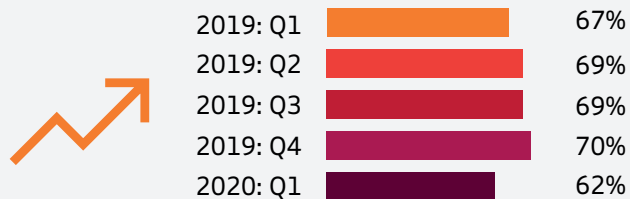
Buying Property



62% of respondents consider it an appropriate time to buy property, considering the current market.

1

Overall sentiment



Sentiment for buying property declined by 8%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

Positive factors



Prices are low (33%) and property remains a good investment (27%)

Negative factors



Negativity about the economy (63%) and COVID-19 making the market less attractive for buying (19%)

Many respondents also cited the current economic negativity making it an appropriate time to buy property – this pointing to a belief by respondents that property will maintain its value / have less value eroded to help mitigate losses due to the economic negativity. 25% of the respondents who consider it a good time to buy property in the current market attributed their response to economic negativity, an increase of 11% from Q4 2019 (14%).



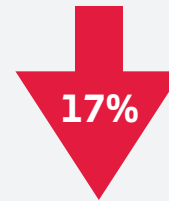
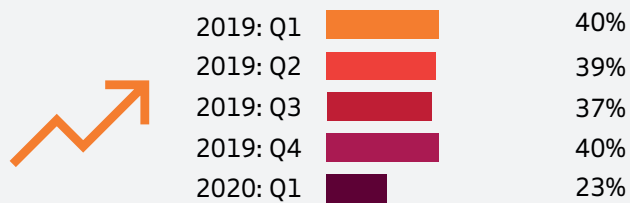
Selling Property



23% of respondents consider it an appropriate time to sell property, considering the current market.

2

Overall sentiment



Sentiment for selling property declined by 17%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

Positive factors



Property is a good investment (43%) and timing is good (14%)

Negative factors



Prices are low (37%) and the economic outlook remains negative (28%)

There has been a marked shift in the role of the economic outlook on the sentiment to sell property. The shift has resulted in many respondents opting to hold onto their properties rather than sell them – pointing to a similar belief driving buying sentiment due to economic outlook, namely that property will maintain value / have less value eroded through the uncertain economic period.



Investing in property



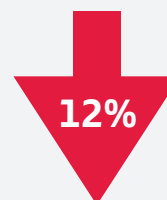
67% of respondents consider it an appropriate time to invest in property, considering the current market.

3

Overall sentiment



2019: Q1	<div></div>	79%
2019: Q2	<div></div>	82%
2019: Q3	<div></div>	81%
2019: Q4	<div></div>	79%
2020: Q1	<div></div>	67%



Sentiment for investing in property declined by 12%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

Positive factors



Property is a good investment (50%) and prices are currently low (26%)

Negative factors



Negative economic outlook (55%) and the timing is currently bad (14%)

From Q3 2019, there has been a shift in the driver for sentiment to invest in the market – with respondents slowly shifting away from being driven by property being a good investment to sentiment to invest driven by the currently low prices in the market. The positive factors in Q3 2019 had 60% of respondents citing property as a good investment and 17% citing low prices, -10% and up +9% compared to Q1 2020 respectively.



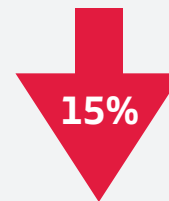
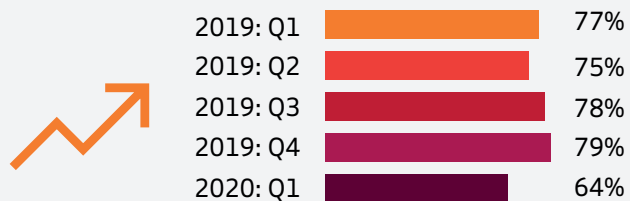
Renovating property



64% of respondents consider it an appropriate time to renovate or make alterations, considering the current market.

4

Overall sentiment



Sentiment for renovating and making alterations declined by 15%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

Positive factors



Property is a good investment (32%) and it is always good to make renovations (31%)

Negative factors



Negative economic outlook (24%) and renovations being a bad investment (18%)

Consideration of the economic outlook being a negative factor to renovating property was much lower in Q4 2019 (9%), when the main consideration was associated with the expense of renovating (25%). These two factors have since changed positions, once again showing the cautiousness of the respondents to spending at this stage of uncertainty. Respondents who feel that it is always a good time to renovate have also noticeably reduced from Q4 2019, where 40% of respondents who felt it was appropriate to renovate or make alterations cited that it is always good to renovate, vs. 31% for Q1 2020.



Buying rather than renting property



69% of respondents consider it an appropriate time to buy rather than rent, considering the current market.

5

Overall sentiment



2019: Q1	<div></div>	68%
2019: Q2	<div></div>	73%
2019: Q3	<div></div>	72%
2019: Q4	<div></div>	72%
2020: Q1	<div></div>	69%



Sentiment for buying rather than renting declined by 3%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

Positive factors



Property is a good investment (34%) and prices are currently low (30%)

Negative factors



Negative economic outlook (27%) and renting is more advantageous (18%)

Although there has been a noticeable increase in the proportion of respondents citing the current economic uncertainty leading to renting's flexibility being more advantageous, there remain respondents who feel that the currently low prices and property's ability to maintain value / have less value eroded through the uncertain economic period made buying property more advantageous than renting.



Property market sentiment at a provincial level



In Q1 2020 80% of respondents reside in Gauteng (47%), the Western Cape (18%) and KwaZulu Natal (15%).

Sentiment in these three areas for Q1 2020 was as follows:



2%

Gauteng

Q4 2019: 77%



4%

Western Cape

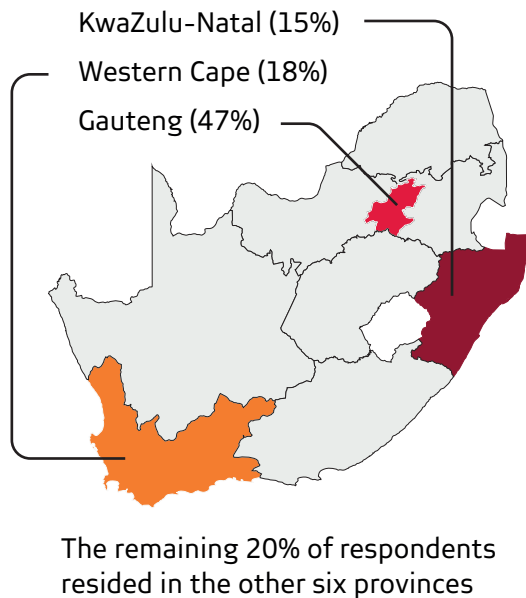
Q4 2019: 76%



6%

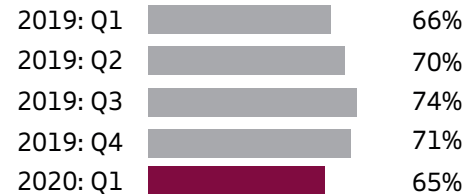
KwaZulu Natal

Q4 2019: 71%

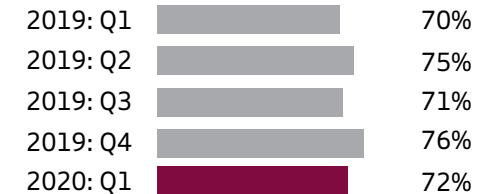


The overall positive HSI score in each of the above-mentioned three provinces was as follows:

KwaZulu-Natal



Western Cape



Gauteng



Refer to the next page for more in depth information regarding the aforementioned information.



Conclusion and outlook



The overall result and results of the sub-indices all indicate that sentiment in the market tends towards reduced activity – with fewer respondents considering it an appropriate time to buy, invest or sell property. A negative and uncertain economic environment was the most featured reason for the sentiment, with COVID-19 mentioned specifically by many of the respondents.

Outlook



An important feature of the results to the HSI for Q1 2020 indicates that many respondents still believe that property can play an important role in helping them weather the current uncertain economic environment as it unfolds – be it respondents indicating that it is an appropriate time to buy / invest or that it is a bad time to sell due to a negative economic outlook. It is important to note that a driver of these sentiments hinge on property's ability to maintain value during this time, meaning that should there be signs of property's inability to maintain value, we could see a massive reduction in overall sentiment about the property industry.



The South African Reserve Bank reduced lending rates by a further 1.00% in April 2020. While the lower lending rates, together with low property prices being cited by respondents, are advantageous for the property industry by improving affordability for property buyers, there remains a proportion of respondents who are contemplating measures that would minimize their financial obligations (renting rather than buying, consideration for it not being a good time to buy, etc.).



We expect COVID-19 related damage to our GDP to be large and while South Africa's early and purposeful containment efforts, together with a relatively young population provides us some advantages, a high proportion of our population remains impoverished, the incidence of tuberculosis and HIV are high and a high proportion of our population has scant access to good hygiene infrastructure and quality healthcare.



Appendix



Absa Homeowner Sentiment Index

% of respondents nationally with positive sentiment by sub-index

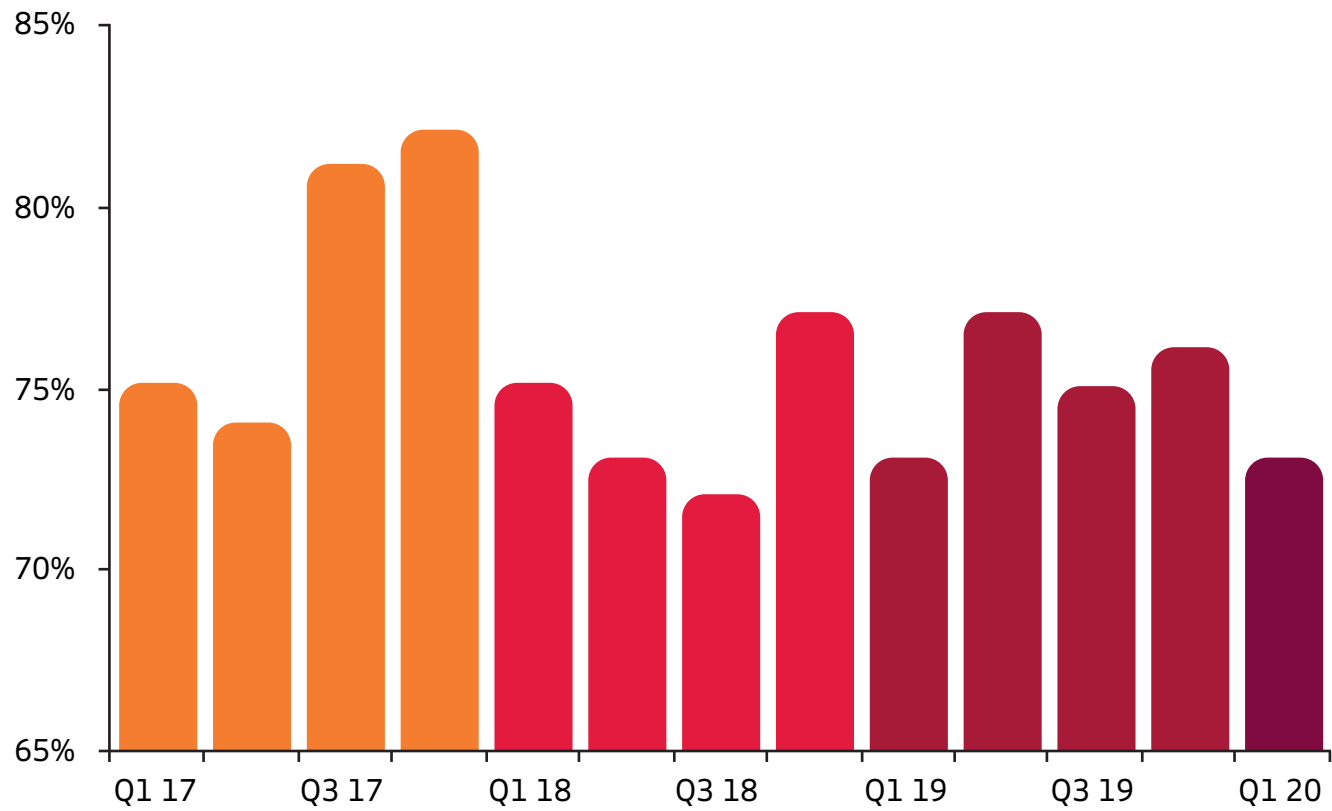


Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2016	60%	38%	77%	72%	67%	73%
Q2 2016	64%	39%	79%	79%	67%	78%
Q3 2016	72%	46%	85%	79%	75%	83%
Q4 2016	71%	48%	83%	76%	73%	81%
Q1 2017	60%	42%	77%	77%	66%	75%
Q2 2017	64%	34%	78%	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%
Q3 2018	57%	37%	75%	72%	67%	72%
Q4 2018	72%	41%	80%	78%	72%	77%
Q1 2019	67%	40%	79%	77%	68%	73%
Q2 2019	69%	39%	82%	75%	73%	77%
Q3 2019	69%	37%	81%	78%	72%	75%
Q4 2019	70%	40%	79%	79%	72%	76%
Q1 2020	62%	23%	67%	64%	69%	73%



Absa Homeowner Sentiment Index

% of respondents nationally with overall positive sentiment





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%
Q3 2018	58%	34%	79%	72%	72%	77%
Q4 2018	74%	41%	85%	80%	75%	82%
Q1 2019	67%	37%	81%	79%	69%	76%
Q2 2019	69%	36%	84%	77%	75%	81%
Q3 2019	68%	39%	82%	78%	71%	75%
Q4 2019	71%	41%	80%	80%	73%	77%
Q1 2020	63%	25%	71%	67%	71%	75%



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%
Q2 2018	56%	56%	77%	69%	66%	65%
Q3 2018	55%	31%	73%	75%	65%	65%
Q4 2018	68%	35%	77%	78%	75%	72%
Q1 2019	62%	36%	78%	72%	67%	66%
Q2 2019	72%	39%	81%	81%	68%	70%
Q3 2019	63%	28%	83%	83%	70%	74%
Q4 2019	69%	39%	80%	78%	67%	71%
Q1 2020	57%	25%	65%	68%	65%	65%



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%
Q3 2018	59%	40%	71%	71%	67%	70%
Q4 2018	70%	44%	76%	73%	65%	74%
Q1 2019	73%	48%	77%	73%	68%	70%
Q2 2019	69%	45%	79%	69%	72%	75%
Q3 2019	65%	38%	75%	70%	71%	71%
Q4 2019	73%	33%	77%	75%	72%	76%
Q1 2020	61%	19%	58%	53%	66%	72%



Absa Homeowner Sentiment Index: Inland and Coastal Provinces



% of respondents with positive sentiment by sub-index

Sub-Indices	Q1 2019		Q2 2019		Q3 2019		Q4 2019		Q1 2020	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	68%	66%	69%	69%	70%	66%	70%	70%	63%	60%
Selling property	38%	42%	38%	41%	39%	35%	42%	36%	25%	20%
Investing in property	80%	77%	84%	79%	83%	79%	80%	78%	70%	63%
Renovating property	79%	73%	77%	72%	79%	76%	80%	78%	66%	60%
Buy rather than rent	70%	66%	75%	70%	72%	73%	73%	71%	71%	66%
Overall sentiment	76%	68%	79%	72%	76%	73%	78%	73%	76%	70%

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

Coastal provinces: Eastern Cape, KwaZulu-Natal, Western Cape

Compiled by:



Absa Home Loans



15 Troye Street
Johannesburg, 2001
South Africa
PO Box 7735
Johannesburg, 2000

Contact details:



Absahomeloans@absa.co.za



www.absa.co.za



The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Bank Limited and/or the authors of the material.





www.absa.africa