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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 Columatine 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

23 October 2019

Property market sentiment somewhat down in Q3 2019 from Q2

Positive sentiment regarding conditions in the South African residential property market was somewhat lower in the third quarter of 2019 compared with the second quarter, despite a cut in lending rates in late July and a rebound in economic growth in the second quarter after a contraction in the first quarter.

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, tapered off to 75% in the third quarter of 2019 from 77% in the second quarter. The main positive and negative sentiment-related factors mentioned by survey respondents in the third quarter were as follows (percentage of respondents in brackets):

Positive factors: Property is a secure asset (33%) and still increases in value (15%).

Negative factors: A poorly performing and volatile economy (24%), ongoing political uncertainty (15%), and land expropriation without compensation, which affects property as an investment (13%).

Homeowner sentiment sub-indices results

Levels of sentiment in respect of the HSI sub-indices were somewhat mixed in the third quarter of the year compared with the second quarter, which serve as an indication that consumers were in general not overly positive nor overly negative about property market conditions and influencing factors in the third quarter.

Buying property

Positive property-buying sentiment was unchanged at 69% in the third quarter of 2019 from the second quarter. The main reasons mentioned by survey respondents in the third quarter for the positive property-buying sentiment were as follows:

It is a buyers' market, with property prices being relatively low, while there are bargains in the market (31%).

Property still increases in value and is a good investment (27%).

Selling property

Positive sentiment towards selling property declined somewhat further to 37% in the third quarter of the year from 39% in the second quarter and 40% in the first quarter. Reasons for 63% of survey respondents not being positive about selling property include low price levels, a bad time to sell and weak economic conditions. The main factors mentioned by respondents in the third quarter survey for being in favour of selling property were as follows:

Property prices are still relatively high and you may get an acceptable price when selling (28%).

Many people want to own property, which is supportive of selling (17%).

Investing in property

The level of positive sentiment regarding property as an investment came to 81% in the third quarter of the year, slightly down from 82% in the second quarter. Reasons mentioned for being in favour of property investment were as follows in the third quarter:

Property remains a good investment (30%).

It is a buyers' market, with property prices being relatively low, while there are bargains in the market (16%).

Property still accumulates in value (13%).

Investment property renders a good return (11%).

There is a demand for rental property (11%).

Renovating property

In the third quarter, a total of 78% of survey respondents were positive regarding renovating property, compared with 75% in the second quarter. The main reasons in favour of renovating property were as follows in the third quarter:

Renovation increases the value of a property (30%).

Constant upgrading of a property is important, especially if wanting to sell (15%).

It is currently a good time to renovate property (13%).

Buying rather than renting property

Positive sentiment regarding buying rather than renting property was marginally lower at 72% in the third quarter of the year from 73% in the second quarter. The key reasons mentioned in favour of buying rather than renting property were as follows:

Property prices are relatively low and there are bargains in the market (26%).

It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (25%).

Property still increases in value and is a good investment (24%).

Property market sentiment at a provincial level

In the third quarter of 2019, as much as 80% of the HSI survey respondents resided in Gauteng (48%), the Western Cape (17%) and KwaZulu-Natal (15%). The remaining 20% of respondents resided in the other six provinces, with the individual sample sizes of these provinces regarded as too small for separate reporting purposes. The overall positive HSI score in each of the above-mentioned three provinces was as follows in the third quarter of the year:

Gauteng: 75%, down from 81% in the second quarter.

Western Cape: 71%, down from 75% in the second quarter.

KwaZulu-Natal: 74%, up from 70% in the second quarter.

In the third quarter, a total of 59,7% of the HSI survey respondents resided in the various inland provinces of the country, with 40,3% that resided in the coastal provinces. As much as 76% of inland survey respondents were positive about property market conditions in the third quarter, compared with 73% of coastal survey respondents.

Detailed survey results regarding the various HSI sub-indices for the combined inland and coastal provinces, as well as for Gauteng, the Western Cape and KwaZulu-Natal individually, are presented in the relevant tables below.

Conclusion and outlook

Property market sentiment was somewhat mixed across the HSI sub-indices in the third quarter of 2019, with the level of overall sentiment marginally lower in the quarter compared with the second quarter. Factors that affected sentiment in the penultimate quarter of the year include prevailing economic conditions, the state of consumer finances, broad political and policy aspects and consumer confidence.

The outlook is for economic growth to be less than 1% in 2019, with growth expected to improve to a still low level of around 1,5% in 2020. Inflation is expected to average 4,2% this year, forecast to rise to 5% next year, inter alia as a result of a projected weakening in the rand exchange rate against the major international currencies and expected upward pressure on fuel and electricity prices. Interest rates are forecast to remain unchanged in the rest of the year and in 2020 in view of inflation projected to remain within the 3%-6% target range and economic growth to be relatively low over this period.

These factors will continue to drive property market sentiment in the rest of the year and in 2020, 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%
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%

Absa Homeowner Sentiment Index: Inland and coastal provinces

% of respondents with positive sentiment by sub-index

Sub-indices	Q3 2018		Q4 2018		Q1 2019		Q2 2019		Q3 2019	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	58%	56%	74%	68%	68%	66%	69%	69%	70%	66%
Selling property	36%	38%	41%	59%	38%	42%	38%	41%	39%	35%
Investing in property	78%	72%	83%	77%	80%	77%	84%	79%	83%	79%
Renovating property	71%	72%	79%	76%	79%	73%	77%	72%	79%	76%
Buy rather than rent	70%	63%	75%	69%	70%	66%	75%	70%	72%	73%
Overall sentiment	76%	67%	80%	72%	76%	68%	79%	72%	76%	73%

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

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

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%

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%

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%

