



# Absa Homeowner Sentiment Index



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## Homeowner Sentiment Index

In the second quarter of 2020 we asked 1,000 consumers questions to gauge their confidence on various aspects of the property industry in South Africa.

### Key summary

The HSI shows confidence in the South African property market is 74% in Q2 2020, a 1% improvement vs Q1.



Although respondents continue to be concerned about the economic outlook, this concern has continued to drive them towards property ownership overall – with more of them considering it a good time to buy property and a bad time to sell property



The highest overall confidence in the property market is amongst respondents who have never owned property before



The market continues to be favourable for buyers, with the current interest rates and property prices being the prominent drivers for this sentiment



While all the respondent segments agree that it is better to buy rather than to rent, current renters had the smallest increase in the sentiment to buy vs rent



## Emerging Trends

Since Q3 2019, we have seen a shift in the key driver of why respondents are choosing to invest in the market – moving away from being based on seeing property as a good investment, to a focus on the low prices in the market – a trend that has continued in Q2 2020.



Surprisingly, COVID19-specific mentions are down 5% compared to Q1 2020, as those who are less confident about the property market have transitioned to being concerned about uncertainty in general



Non first-time homeowners (who have consistently had the lowest overall confidence in the property market) had the greatest increase in sentiment in the current timing for buying property (+15%, vs +8% for all other respondents).

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### Respondents who already own investment property buck the trend for the second time this year

#### Timing to invest in property:

in Q1, they were the only segment among respondents that considered it a good time to invest (79%, vs. 67% for all other respondents), whereas in Q2 they were the only segment that reduced this sentiment (61%, vs. 71% for all other respondents)

#### Renovating and/or making alterations:

they are the only segment that improved their sentiment in Q2 in favour of renovating and/or making alterations to property (+3% vs -3% for all other respondents) and currently have the highest sentiment for this sub-index

#### Buy vs rent:

they had the biggest increase in sentiment for buying vs. renting (+8%), which results in them having the strongest sentiment for renting vs. buying (83%, vs. 73% for all other respondents). This view is likely one of the drivers behind this segment not wanting to invest in new property – more renters opting to buy will increase vacancies in their investment properties

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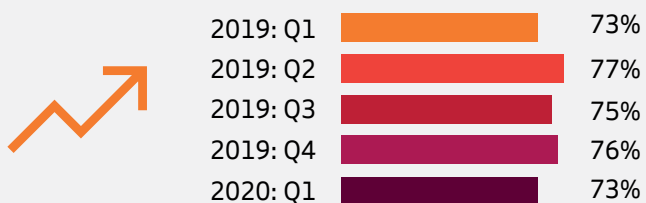


## HSI Results

The Absa Homeowner Sentiment Index reflects the percentage of survey respondents who are confident about the South African property market.

The overall sentiment score of 74% is 1% higher than that seen in Q1 2020. 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 (41%) and the currently negative economic climate is set to improve, providing good returns for those who invest (32%)

### Negative factors



COVID-19 has exacerbated volatility and uncertainty (47%) in a political and policy climate that is currently uncertain

### Homeowner sentiment sub-index result

Compared to Q1 2020, there was an improvement in the three acquisition sub-indices of the HSI (buying, investing and buying rather than renting) for Q2 2020, while the selling and renovating sub-indices declined, with the selling sub-index reaching its lowest level since the beginning of the HSI in 2015. The buying sub-index had the largest increase, ending at 71% (an increase of 9%).

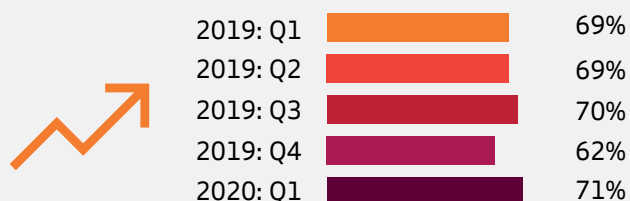


## Buying Property

71% of respondents consider it an appropriate time to buy property, considering the current market.

1

### Overall sentiment



9%



Sentiment for buying property improved by 9%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

### Positive factors



Property prices and interest rates are low (29% and 25% respectively)

### Negative factors



Negativity about the economy (59%) and COVID-19 making the market less attractive for buying (15%)

While low prices continue to be the main driver for positive buying sentiment, low interest rates being cited as a driver increased by 8%, from 4% in Q1 2020. Respondents have continued to cite the current negative climate as making this an appropriate time to buy property. This points to a belief by respondents that property will maintain its value / have less value eroded in the long term, and this will mitigate downside caused by the economic negativity.



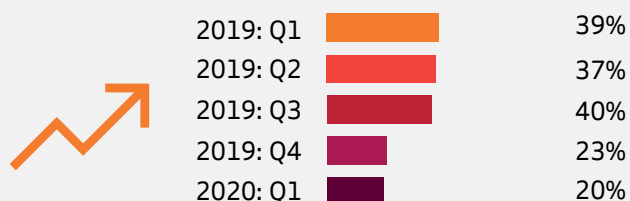


## Selling Property

Only 20% of respondents consider it an appropriate time to sell property, considering the current market.

**2**

### Overall sentiment

**3%**

Sentiment for selling property 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 (35%) and the low interest rates will attract more buyers (11%)

### Negative factors



Prices are low (49%) and the economic outlook remains negative (19%)

Low prices as a driver for lower sentiment for selling property has increased off the highest base by 12% vs Q1 2020. The shift in the role of the economic outlook on the lower sentiment to sell property (and property's ability to help homeowners weather the storm of uncertainty) that we started seeing in the Q1 2020 HSI will likely be sustained (in part) by the low interest rate cycle relieving pressure from otherwise pressured sellers.

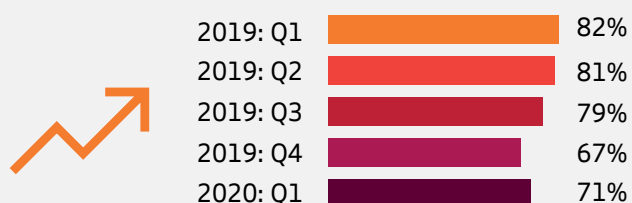


## Investing in property

71% of total respondents consider it an appropriate time to invest in property, considering the current market

3

### Overall sentiment



4%



Sentiment for investing in property improved by 4%, with the main drivers of positive and negative factors listed below (percentage of respondents in brackets):

### Positive factors



property is a good investment (35%) and prices are currently low (31%)

### Negative factors



negative economic outlook (31%) and the timing is currently bad (13%)

In the Q1 2020 HSI we noted that from Q3 2019, there has been a shift in the drivers 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 – a trend that continues in Q2. An additional factor that we now find to be increasing the index for investing is that of low interest rates – having increased 7% compared to Q1 2020.

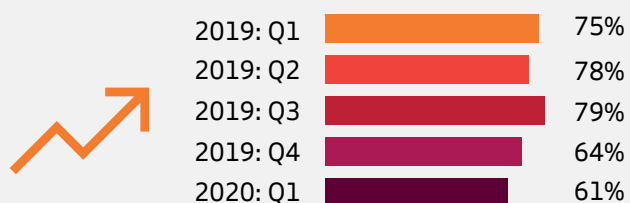


## Renovating property

61% of respondents consider it an appropriate time to renovate or make alterations, considering the current market.

**4**

### Overall sentiment

**3%**

Sentiment for renovating and making alterations declined by 3%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

### Positive factors



It is always good to renovate (29%) and the current timing is good (24%)

### Negative factors



Prices are currently high (25%) and the timing is bad (23%)

We have seen an increase in the percentage of respondents who believe it is currently a good (up 12% vs Q1) and a bad time (up 5% vs Q1) to renovate. The role of COVID-19 on the negative sentiment towards renovating has reduced by 8%, where in Q1 respondents were largely uncertain about the specific impact that the pandemic would have on the timing for renovating. It is also notable that none of the respondents cited a high cost of living (vs 6% in Q1) as a driver for a lower sentiment for renovating.



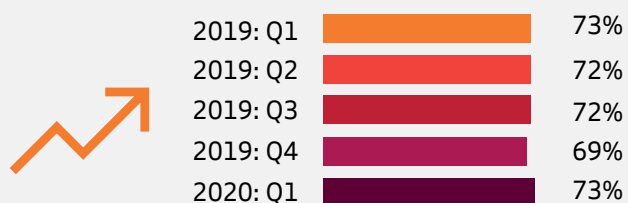


## Buying rather than renting property

73% of respondents consider it an appropriate time to buy rather than rent, considering the current market.

5

### Overall sentiment



4%



Sentiment for buying rather than renting improved by 4%, with the main drivers of positive and negative factors as follows (percentage of respondents in brackets):

### Positive factors



Prices are currently low (38%) and property is a good investment (26%)

### Negative factors



Negative economic outlook (28%) and renting is more advantageous (19%)

We have seen a shift in the drivers for buying rather than renting, as more respondents now consider it an appropriate time to buy rather than rent. They have cited low property prices more than property being a good investment, where we had the opposite order in Q1 2020. Low interest rates are also featuring more than they did in Q1 2020, with 18% of respondents citing them as the driver for buying rather than renting.

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## Property market sentiment at a provincial level

In Q2 2020 79% of respondents reside in Gauteng (44%), the Western Cape (19%) and KwaZulu Natal (16%).

Sentiment in these three areas for Q2 2020 was as follows:



72%

**Gauteng**  
Q1 2020: 75%



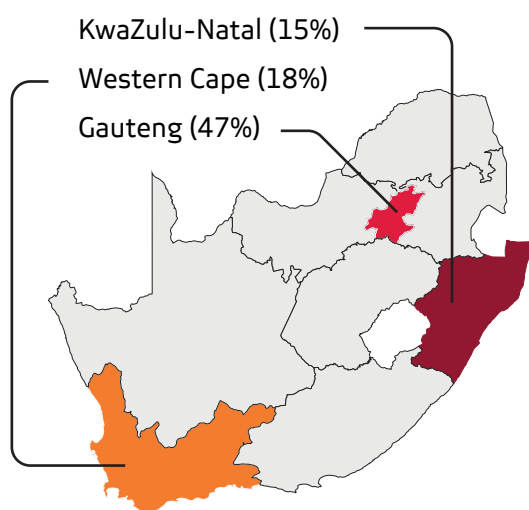
75%

**Western Cape**  
Q1 2020: 72%



71%

**KwaZulu Natal**  
Q1 2020: 65%



The remaining 20% of respondents  
resided in the other six provinces

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

**KwaZulu-  
Natal**



Q2 2019	<div></div>	70%
Q3 2019	<div></div>	74%
Q4 2019	<div></div>	71%
Q1 2020	<div></div>	65%
Q2 2020	<div></div>	71%

**Western  
Cape**



Q2 2019	<div></div>	75%
Q3 2019	<div></div>	71%
Q4 2019	<div></div>	76%
Q1 2020	<div></div>	72%
Q2 2020	<div></div>	75%

**Gauteng**



Q2 2019	<div></div>	81%
Q3 2019	<div></div>	75%
Q4 2019	<div></div>	77%
Q1 2020	<div></div>	75%
Q2 2020	<div></div>	72%

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## Conclusion and outlook

In the Q1 2020 HSI we started to see how respondents' sentiments about the property industry reflected their belief that property has the potential to help them weather the current social and economic uncertainty. The results of the current HSI show that these sentiments are even more pronounced.

### Outlook



We highlighted in the Q1 2020 HSI that the market remains favourable to buyers. Although low property prices have been the most significant driver of this for some months, the additional interest rate cuts in Q2 2020 of 1.50% have had the most significant impact in the favourability of terms for buyers.



COVID19-specific mentions have surprisingly also reduced, as we see respondents' source of concern shift towards uncertainty in general. This is likely due to the increasing number of challenges that respondents are facing / expect to face. The diversity of responses now indicate concerns that span economic uncertainty, the political outlook, COVID-19 and future property prices.



We're seeing a move by respondents who already own investment property towards fortifying their existing portfolios – they're the least in support of either making new investments or selling existing property and view the current time as the most appropriate to renovate and/or make alterations to property. Where respondents who already own investment property sentiment differs the most from their would-be clientele is in the appropriateness to buy vs rent – where they increased their sentiment towards buying vs. renting by 12% (to be ranked the highest at 83%), the renter segment increased their sentiment the least, landing them at 71% overall, which is ahead only of the population that currently neither rents nor owns property.



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## 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%
Q2 2020	71%	20%	71%	61%	73%	74%

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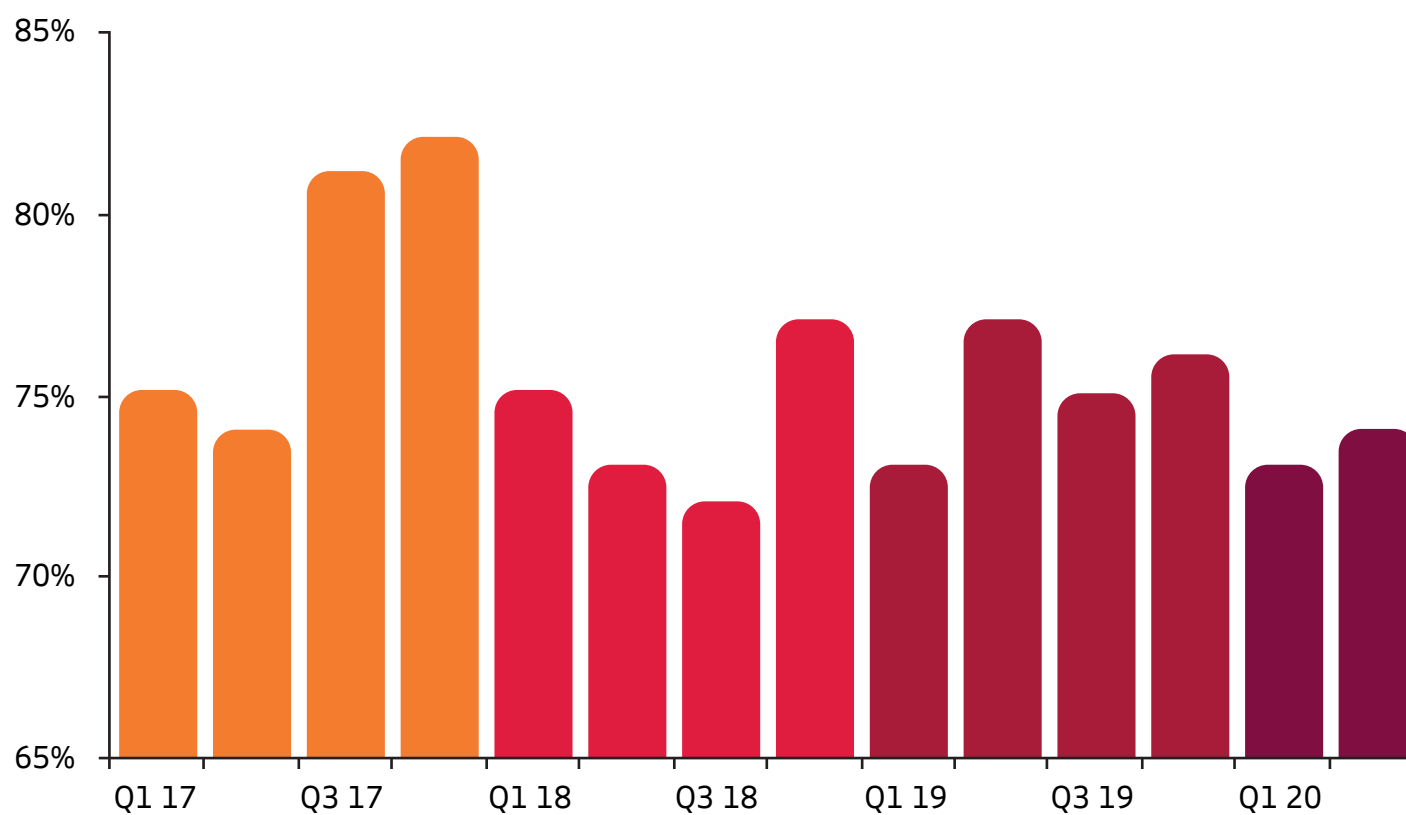
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## Absa Homeowner Sentiment Index

% of respondents nationally with overall positive sentiment





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## 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%
Q2 2020	72%	21%	72%	72%	63%	72%

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## 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%
Q2 2020	68%	18%	69%	75%	59%	71%

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## 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%
Q2 2020	71%	20%	70%	78%	59%	75%

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## Absa Homeowner Sentiment Index: Inland and Coastal Provinces

% of respondents with positive sentiment by sub-index

Sub-Indices	Q2 2019		Q3 2019		Q4 2019		Q1 2020		Q2 2020	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	69%	69%	70%	66%	70%	70%	63%	60%	72%	69%
Selling property	38%	41%	39%	35%	42%	36%	25%	20%	21%	18%
Investing in property	84%	79%	83%	79%	80%	78%	70%	63%	72%	70%
Renovating property	77%	72%	79%	76%	80%	78%	66%	60%	64%	58%
Buy rather than rent	75%	70%	72%	73%	73%	71%	71%	66%	72%	75%
Overall sentiment	79%	72%	76%	73%	78%	73%	76%	70%	74%	74%

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

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

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