

## PROPERTY BAROMETER - RESIDENTIAL MAINTENANCE AND UPGRADES

*The perceived level of Residential Maintenance and Upgrades, as per the FNB Estate Agent Survey, declined slightly in the 2<sup>nd</sup> Quarter of 2017.*

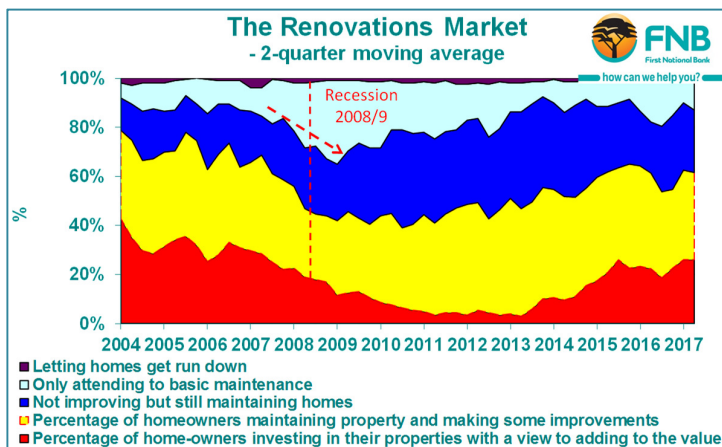
27 June 2017

### SLIGHT RECENT DETERIORATION IN LEVELS OF HOME MAINTENANCE AND UPGRADES, BUT NO STRONG DIRECTION

The picture emanating from various data sources is one of weakening in the levels of home maintenance and upgrades recently, but there is no strong direction as yet.

The FNB Estate Agent Survey has recorded a very mild weakening in agent perceptions of home maintenance and upgrades in the 2<sup>nd</sup> quarter of 2017, after a brief prior 2-quarter strengthening.

Using a 2-quarter moving average to smooth the data mildly, we depict agent perceptions regarding levels of home maintenance, and we have 5 categories/levels of home maintenance and upgrades in the survey.



The “top” level is that of “Value Adding Home Upgrades”. After a mild improvement in this category in the latter stages of 2016, the percentage remained unchanged at 26% in the 2<sup>nd</sup> quarter of 2017.

Given the recent “recessionary” conditions, it would be realistic to expect some decline in the level of these costly value adding upgrades, but as yet our sample of estate agents surveyed has not seen the onset of such a decline.

Consumer Confidence remains extremely low, as consumers become increasingly aware of, and concerned about, the weak economic and unstable

socio-political environment. We would thus expect these consumer concerns to drive a more conservative approach to home investment in general.

The next level “down” is the percentage of homeowners “fully maintaining their property and making some improvements”. This category has seen a very slight decline of late, from 36.5% for the 2 quarters up to an including the 1<sup>st</sup> quarter of 2017, to 35.5 in the 2<sup>nd</sup> quarter of 2017.

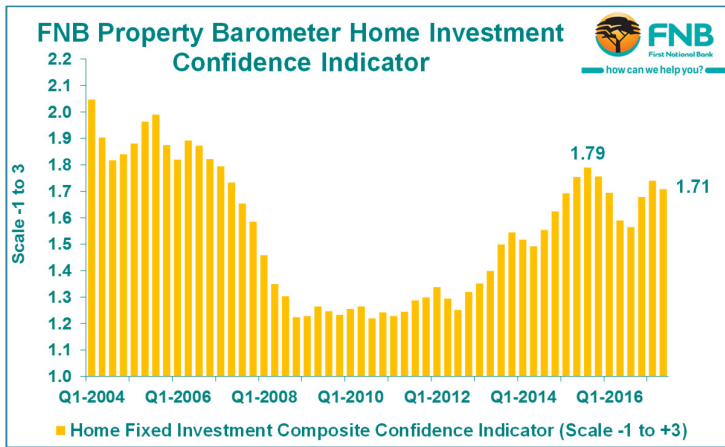
The following level down, namely the “percentage of owners not improving but still fully maintaining homes”, has also seen a slight decline, from 27.5% in the 1<sup>st</sup> quarter of 2017 to 25.5% in the 2<sup>nd</sup> quarter of 2017.

This all translates into a mild rise in the category that one would always like to see being low, i.e. the “percentage of homeowners attending to basic maintenance only”, a level which in effect means the home will “go backward” over time. This estimated percentage was 12% for the 2 quarters up to an including the 2<sup>nd</sup> quarter of 2017, which is a rise from 9.5% in the 1<sup>st</sup> quarter of 2017.

Those owners allowing their homes to “get run down”, in the areas surveyed, returned a fairly insignificant 1% in the 2<sup>nd</sup> quarter, insignificantly higher than 0.5% in the prior quarter.

**A rise in the 2 lower categories “only attending to basic maintenance” and “allowing homes to get run down” can suggest some rise in the levels of financial pressure, or constraints. But 1 quarter’s rise in these categories is insufficient to conclude the start of a trend.**

## FNB HOME INVESTMENT CONFIDENCE INDICATOR EDGES SLIGHTLY LOWER



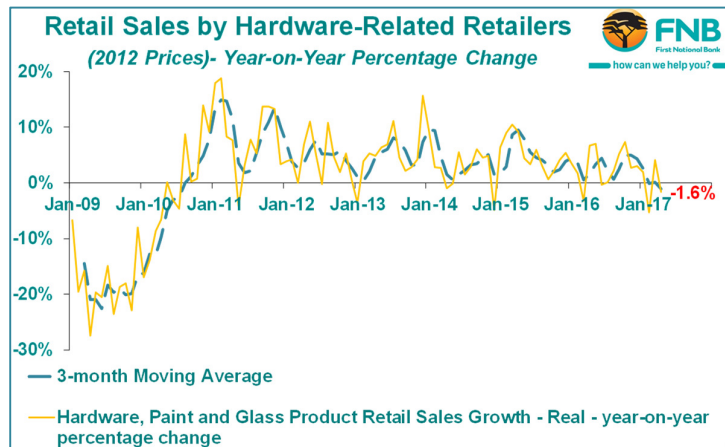
The slight decline in 2 of the highest 3 categories of home investment, “Maintaining and making some improvements”, and “Not Spending but still maintaining homes”, in the 2<sup>nd</sup> quarter (and rise in the lowest 2 categories) has contributed to a 1-quarter decline in the FNB Home Investment Confidence Indicator, following on 2 previous quarters’ rise.

This indicator is represented on a scale of -1 to +3. The indicator had a steady increase over the 2013 to 2015 period, to reach a level of +1.79 in the 3<sup>rd</sup> quarter of 2015. That level was the highest level since the 1<sup>st</sup> quarter of 2007.

Thereafter, however, we have seen less clear direction, including a 4-quarter decline into 2016, a 2-quarter rise in the summer quarters of 2016/17, and now a 1-quarter slight decline.

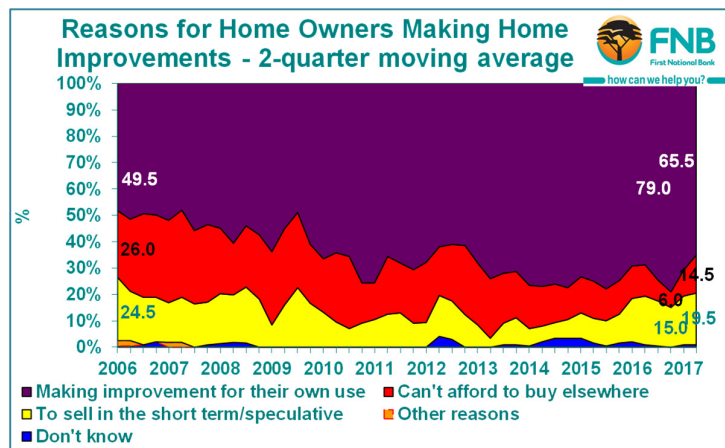
## HARDWARE RETAIL POINTS TO WEAKENING IN HOME MAINTENANCE AND UPGRADES

Further hint of slowing in the level of home maintenance and upgrades also emanates from a view of growth in Real Retail Sales by Hardware, Paint and Glass Products Retailers.



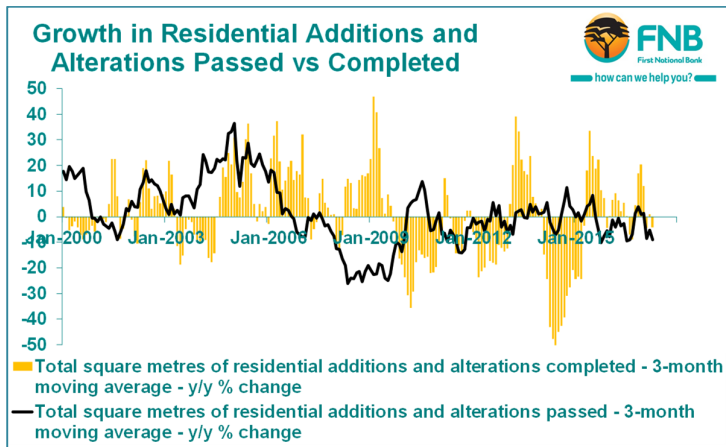
Using a 3-month moving average for smoothing purposes, this category of real retail sales declined slightly by -1% year-on-year for the 3 months to April 2017, and -1.6% year-on-year in April alone. This represents a slowdown from +2.7% 3-month moving average in November last year.

## REASONS FOR MAKING HOME IMPROVEMENTS



With regard to the reasons for why people undertaking home improvements are doing it, interesting is that our agent survey points to some increase in the significance of the speculative building motive to 19.5% of total home improvements for the 2 quarters up to the 2<sup>nd</sup> quarter of 2017. This is noticeably above the 3.5% low reached at a stage of 2013.

But the overwhelming majority of 65.5 still do the improvements for their own use, while 14.5% do it because they “can’t afford to buy elsewhere”.



Finally, viewing StatsSA Building Statistics up until April 2017, we have recently witnessed a mild year-on-year decline in square meterage of residential building additions and alterations plans passed as well as those completed. Plans passed declined by -8.9% year-on-year for the 3 months to April, while completions declined by a lesser -4.2% in the same period. Both of these categories started their declines only recently.

## CONCLUSION

Various data related to the Home Maintenance and Upgrades market shows little more than hints of weakening. However, viewing all of this data together, given that the Estate Agent Survey data, Hardware Retail Sales data, as well as Building data all show some mild weakening of late, the perception that some weakness may be emerging in the Home Maintenance and Upgrades market becomes more believable.

The situation remains significantly better than 2008/9 recession levels. However, a recently renewed recessionary environment, and weak consumer confidence levels should be expected to lead to greater household spending caution and lower levels of home maintenance and upgrades on average.

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