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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 Colimate 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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### Property market sentiment down in the first quarter of 2019

After a marked improvement in the fourth quarter of 2018, the level of positive sentiment regarding conditions in the South African residential property market was again lower in the first quarter of 2019.

#### 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, was down to 73% in the first quarter of 2019 from 77% in the fourth quarter of last year. The main positive and negative sentiment-related factors mentioned by survey respondents were as follows in the first quarter of the year (percentage of respondents in brackets):

- Positive factors: Property is a secure asset (33%) and still increases in value (18%).
- Negative factors: Political uncertainty (25%), a poorly performing economy (25%) and land expropriation without compensation (19%).

#### Homeowner sentiment sub-indices results

At national level, the HSI sub-indices were all lower in the first quarter of the year compared with the fourth quarter of last year, indicating that consumers remained concerned about market conditions and influencing factors in the early stages of the year. Consumer confidence was in general also lower in the first quarter of the year as a result of expected economic pressures and strain on household finances against the background a higher tax burden and rising fuel prices.

#### Buying property

The first quarter of 2019 saw the level of positive property-buying sentiment declining to 67% from 72% in the fourth quarter of last year. The main reasons put forward by respondents for the positive property-buying sentiment were as follows:

- Property prices are relatively low and there are bargains in the market (31%).
- Property still increases in value and is a good investment (26%).
- It is currently a good time to buy (10%).

#### Selling property

The positive sentiment towards selling property was marginally lower at 40% in the first quarter from 41% in the fourth quarter of last year, with 51% of survey respondents of the opinion that property prices and economic trends are not favourable regarding selling. However, the main reasons mentioned in the first quarter 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 (35%).
- Many people want to own property, which is supportive of selling (15%).
- It is a good time to sell property (10%).

#### Investing in property

The positive sentiment regarding property as an investment was slightly down to 79% in the first quarter of 2019 from 80% in the preceding quarter. Reasons in favour of property investment were as follows in the first quarter of the year:

- Property remains a good investment (36%).
- Property prices are relatively low and there are bargains in the market (16%).
- Investment property renders a good return (14%).
- Property still accumulates in value (13%).
- There is a demand for rental property (11%).

## Renovating property

A total of 77% of survey respondents displayed positive sentiment in the first quarter of the year regarding renovating property, compared with 78% in the fourth quarter of last year. The main reasons in favour of renovating property were as follows in the first quarter:

- Renovation increases the value of a property (33%).
- Constant upgrading of a property is important, especially if wanting to sell (17%).
- Building materials are well priced (10%).

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property dropped from 72% in the fourth quarter of last year to 68% in the first quarter of this year. The main reasons mentioned in favour of buying rather than renting property were as follows in the first quarter:

- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (32%).
- Property still increases in value and is a good investment (25%).
- Property prices are relatively low and there are bargains in the market (23%).

## Property market sentiment at a provincial level

A total of 83% of the HSI survey respondents resided in Gauteng (47%), the Western Cape (19%) and KwaZulu-Natal (17%) in the first quarter of 2019. The remaining 17% 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 first quarter of the year:

- Gauteng: 76%, down from 82% in the fourth quarter of last year.
- Western Cape: 70%, down from 74% in the preceding quarter.
- KwaZulu-Natal: 66%, down from 72% in the final quarter of 2018.

In the first quarter of the year a total of 59% of the HSI survey respondents resided in the various inland provinces, with 41% that resided in the coastal provinces.

Detailed survey results at 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 relevant tables below.

## Conclusion and outlook

Property market sentiment was down over a wide front in the first quarter of 2019, affected by tough economic conditions, pressure on household sector finances, ongoing political uncertainty and the aspect of land reform.

The outlook is for economic growth to rise to only 1,3% in 2019 from 0,8% in 2018, with inflation expected to remain around the mid-point level of 4,5% of the inflation target range of 3%-6% and interest rates forecast to remain unchanged in the rest of the year. Consumers have in general not been very confident about the outlook for the economy and their own financial positions in the first quarter of the year, while there is still uncertainty about the outcome of the general election.

Property market sentiment will remain largely dependent on the above-mentioned factors, with sentiment that may change after the election and 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%

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

% of respondents with positive sentiment by sub-index

Sub-indices	Q1 2018		Q2 2018		Q3 2018		Q4 2018		Q1 2019	
	Inland	Coastal								
Buying property	70%	70%	61%	61%	58%	56%	74%	68%	68%	66%
Selling property	45%	48%	42%	45%	36%	38%	41%	59%	38%	42%
Investing in property	84%	76%	77%	77%	78%	72%	83%	77%	80%	77%
Renovating property	80%	76%	74%	74%	71%	72%	79%	76%	79%	73%
Buy rather than rent	75%	70%	69%	67%	70%	63%	75%	69%	70%	66%
Overall sentiment	77%	71%	76%	69%	76%	67%	80%	72%	76%	68%

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%

### 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%

### 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%	35%	78%	73%	67%	66%

