

## PROPERTY BAROMETER - RESIDENTIAL MAINTENANCE AND UPGRADES

*The perceived level of Residential Maintenance and Upgrades, as per the FNB Estate Agent Survey, remains solid, but “value adding home upgrades” are not perceived to be strengthening further*

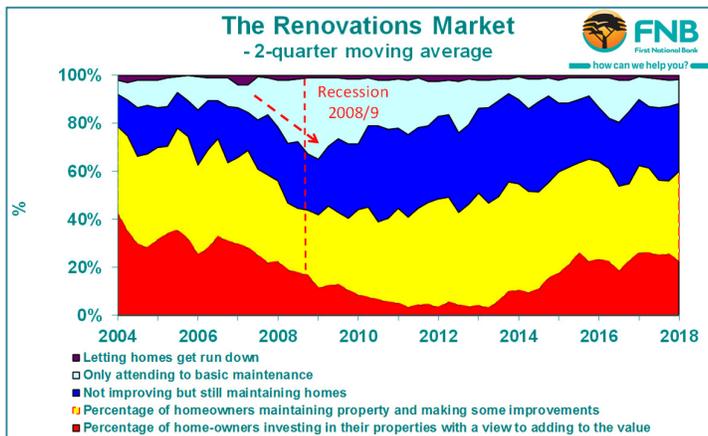
7 May 2018

**THERE WAS A VERY SLIGHT IMPROVEMENT IN LEVELS OF HOME MAINTENANCE AND UPGRADES EARLY IN 2018, BUT THIS WAS MORE ON THE MAINTENANCE SIDE THAN ON THE UPGRADES SIDE.**

Although agents surveyed perceived average home maintenance and upgrade levels to be stronger early in 2018, the perception was one of slight weakening in “value adding upgrades” to homes.

The FNB Estate Agent Survey recorded a mild strengthening in agent perceptions of overall home maintenance and upgrades levels early in 2018.

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”. This category showed a weakening from 25.5% in the 4<sup>th</sup> quarter of 2017 to 22.85% in the 1<sup>st</sup> quarter of 2018, further down on 26% highs reached in the 1<sup>st</sup> 2 quarters of 2017.

The next level “down” is the percentage of homeowners “fully maintaining their property and making some improvements”. This category has risen noticeably over the past 2 consecutive quarters, from 27% in the 3<sup>rd</sup> quarter of 2017 to 34% in the final quarter of last year and then to 40.7% in the 1<sup>st</sup> quarter of 2018.

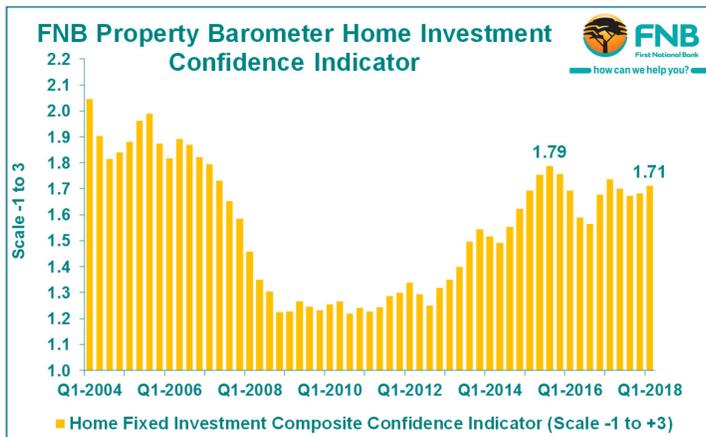
The following level down, namely the “percentage of owners not improving but still fully maintaining homes”, has seen a slight rise in the 1<sup>st</sup> quarter of 2018, from 28% in the previous quarter to 29.3%.

This has translated into a mild decline 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 8.7% for the 2 quarters up to and including the 1<sup>st</sup> quarter of 2018, down from 11% in the prior quarter.

Those owners allowing their homes to “get run down”, in the areas surveyed, returned a still fairly insignificant 1.85% in the 1<sup>st</sup> quarter of 2018, slightly lower than the 2% estimate for the previous quarter.

A slight rise in the 2<sup>nd</sup> and 3<sup>rd</sup> categories, i.e. those “fully maintaining and making some improvements” and “not improving but still fully maintaining homes”, in the 1<sup>st</sup> quarter 2018 suggests that, while households are still relatively conservative (reflected in a lack of growth in “value adding upgrades to homes), financial pressure on households as a group is not necessarily increasing.

## FNB HOME INVESTMENT CONFIDENCE INDICATOR EDGES SLIGHTLY HIGHER

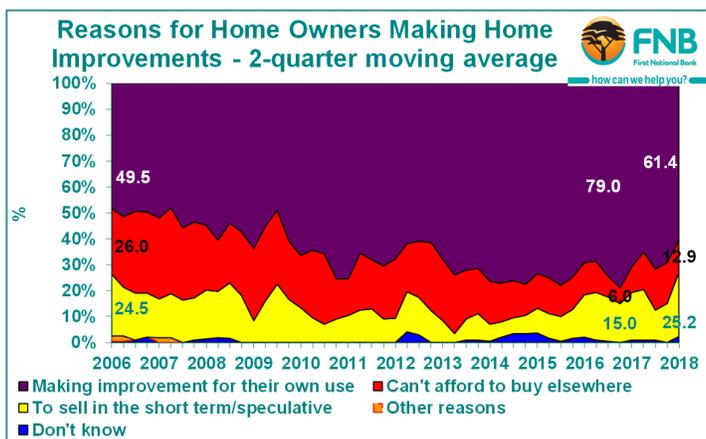


The slight increase in 2 of the highest 3 categories of home investment, “Maintaining and making some improvements” and “not improving but still fully maintaining homes”, in the 1<sup>st</sup> quarter of 2018 (and decline in the lowest 2 categories over the same period) has contributed to a 2<sup>nd</sup> successive quarter of increase in the FNB Home Investment Confidence Indicator, following on a prior decline earlier in 2017. From a revised 1.67 in the 3<sup>rd</sup> quarter of 2017, this indicator rose to 1.68 in the final quarter of 2017 and then to 1.71 in the 1<sup>st</sup> quarter of 2018.

This indicator is represented on a scale of -1 to +3.

It had a steady increase over the 2013 to 2015 period, and now hovers at relatively strong levels. The recent renewed rise may prove to be a small boost for Hardware Retail Sector Sales growth early in 2018.

## REASONS FOR MAKING HOME IMPROVEMENTS



With regard to the reasons for why people undertaking home improvements are doing it, our agent survey pointed to the speculative building motive being a little more significant going into 2018.

For the 2 quarters up to the 1<sup>st</sup> quarter of 2018, the Speculative Motive rose from 9% as at the 3<sup>rd</sup> quarter of 2017 to 21% in the final quarter and then further to 29.3% in the 1<sup>st</sup> quarter of 2018.

The overwhelming majority of 61.4% still do the improvements for their own use, while 12.9% do it because they “can’t afford to buy elsewhere”. The latter 2 motives have declined in significance in

recent quarters, though, as the speculative motive has risen in prominence.

## CONCLUSION

The FNB Estate Agent Survey questioning relating to the Home Maintenance and Upgrades market showed mild strengthening going into 2018. It points to a Household Sector that remains solid financially, with a high level of full home maintenance, but nevertheless relatively cautious and not “splashing out” on value adding upgrades.

The home maintenance situation remains far stronger than it was during the 2008/9 recession levels, which is important from a mortgage lender perspective, lenders wishing to see the value of the security backing their loans being maintained as far as possible.

With Leading Business Cycle Indicators having recently been pointing to possible further economic strengthening in near term, it is plausible that we can see further strengthening in the home maintenance levels in the coming quarters.

**JOHN LOOS:**  
**HOUSEHOLD AND PROPERTY SECTOR STRATEGIST**  
**087-328 0151**  
**John.loos@fnb.co.za**

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