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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 index and its sub-indices are derived from a quarterly survey of a representative sample of urban consumers, conducted by Columinate 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

8 February 2018

### Property market sentiment marginally up in the fourth quarter of 2017

After a recovery in South African residential property market sentiment in the third quarter of 2017 from the second quarter, perceptions regarding market conditions were in the fourth quarter of last year slightly better compared with those in the preceding quarter, with sentiment also much in line with the last two quarters of 2016. These trends in property market sentiment came against the background of local political developments towards the end of last year as well as some greater optimism regarding economic prospects in view of recent trends on this front.

#### Homeowner Sentiment Index (HSI) results

The overall HSI score, which reflects the percentage of survey respondents with positive sentiment regarding residential property market conditions, was only marginally higher at 82% in the fourth quarter of 2017 compared with 81% in the third quarter. The main reasons mentioned by survey respondents which impacted their perceptions regarding the property market in the fourth quarter were the following:

- Property is a secure asset (33%)
- Property still increases in value (28%)
- A home is essential (11%)

#### Homeowner sentiment sub-indices results

The HSI sub-indices all showed either a slight improvement or remained unchanged in the fourth quarter of last year compared with the third quarter, with these trends indicating that consumers remained largely positive about the residential property market up to the end of the year.

#### Buying property

Property-buying sentiment remained on an upward trend in the fourth quarter of 2017, increasing to 70%, after a low of 60% in the first quarter of the year. The main reasons mentioned in favour of buying property were the following:

- Property prices are relatively low and there are bargains in the market (29%)
- Property still increases in value and is a good investment (23%)
- The rand exchange rate is strong (9%)

#### Selling property

The positive sentiment towards selling property improved further to 41% in the fourth quarter of last year, rising from a low of 34% in the second quarter. The top reasons for selling property were the following:

- Property prices are relatively high and you may get a good price when selling (35%)
- Many people want to own property, which is supportive of selling (13%)
- It is a good time to sell property (5%)

#### Investing in property

As much as 83% of respondents were positive about property as an investment in the final quarter of 2017, which was much in line with sentiment in the third quarter of last year and the fourth quarter of 2016. Reasons mentioned why it is an appropriate time to invest in property were as follows:

- It is a good time to investment in property (30%)
- Property prices are relatively low and there are bargains in the market (15%)
- There is a demand for rental properties (15%)

## Renovating property

A total of 79% of survey respondents displayed positive sentiment in the fourth quarter of 2017 when asked whether it is a good time to renovate or do alterations to a property. The fourth-quarter positive sentiment regarding property renovations was unchanged from the preceding quarter. The top reasons mentioned in this regard were the following:

- Renovation increases the value of a property (38%)
- Building materials are currently well-priced (12%)
- It is good to constantly upgrade a property, especially if trying to sell (11%)

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property was unchanged at 74% in the fourth quarter of 2017 from the third quarter of last year. The main reasons mentioned in favour of buying versus renting property were as follows:

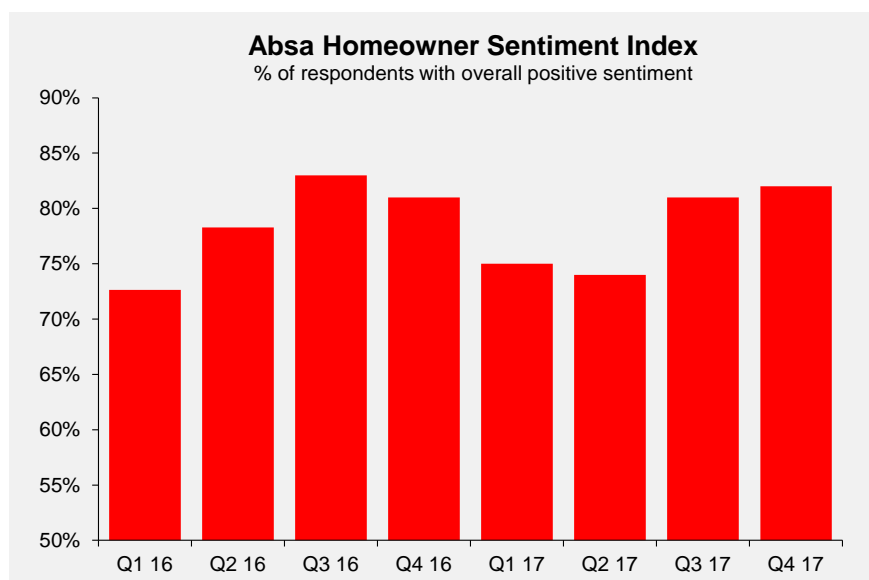
- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (29%)
- Property still increases in value and is a good investment (22%)
- Property prices are relatively low and there are bargains in the market (22%)

## Other interesting facts from the fourth-quarter 2017 HSI survey

- 53% of respondents were male and 47% were female
- 36% of respondents were 18-34 years of age, while 31% were 35-44 years of age and 33% were 45+ years of age
- 70% of respondents were owning a home, with 30% renting a home
- 72% of respondents were full-time employed, with 14% self-employed and 6% part-time employed
- 52% of respondents were residing in Gauteng, 19% in the Western Cape, 13% in KwaZulu-Natal and 16% in the other six provinces
- 77% of respondents were living in a metropolitan area
- 62% of respondents were living inland, while 38% were living in coastal areas

## Outlook

Based on expectations of a better economic performance, inflation to remain within the inflation target range of 3%-6%, stable to possibly slightly lower interest rates and a hopefully more stable political environment in 2018, overall confidence levels and property market sentiment are forecast to gradually improve during the course of the year. Such developments will be reflected in higher property market activity, transaction volumes, property price growth and demand for and growth in mortgage finance.



## Absa Homeowner Sentiment Index

% of respondents with positive sentiment

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%