

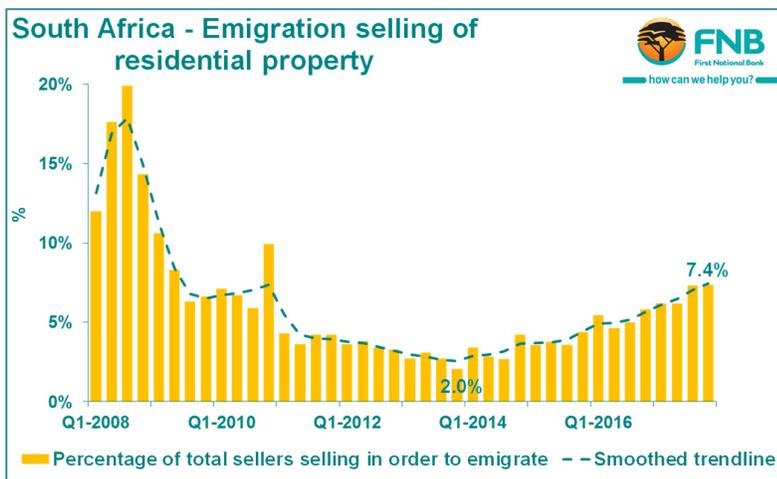
PROPERTY BAROMETER – Emigration-related Home selling

FNB Estate Agent Survey for the 4th quarter of 2017 showed a further small further increase in the percentage of emigration-related home selling, continuing a rising trend that started back in 2014

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The 4th Quarter 2017 FNB Estate Agent Survey pointed to a slight further rise in the estimated rate of emigration-related home selling, continuing a multi-year rising trend which started back in 2014.

In the survey, we ask agents to provide estimates as to the extent of the main motives for selling primary residences.



One of the 8 key motives for selling homes is the “Selling in order to emigrate” motive.

Expressed as a percentage of total home selling, selling in order to emigrate reached its lowest level in the history of the survey (this survey question began in early-2008) back in the final quarter of 2013, at an estimated 2.0% of total home selling.

Since then, however, this selling motive has embarked on a gradually rising trend, reaching 7.4% of total selling by the 4th quarter 2017 survey, a further slight rise from the previous quarter’s 7.3% estimate.

DRIVERS OF EMIGRATION CAN BE NUMEROUS

Emigration-related selling is arguably a good confidence indicator when it comes to how middle to higher income households perceive the longer term economic and financial future of the country, but also appears to have a strong cyclical component to it. We watched this estimated percentage peak at 20% in the 3rd quarter of 2008, in the midst of a sharp domestic recession, and then fade away to that 2% late in 2013 in seeming lagged response to an economic recovery from 2009 to around 2011. Then, with the economy’s growth stagnating from around 2012, further exacerbated by interest rate hiking from early-2014, the percentage of emigration-related selling began to rise once more.

But we believe that it was driven by a bit more than recent economic performance alone. 2017 saw widely publicized rating agency downgrades to so-called “junk status”, which were in part reflective of a lack of clear policy direction aimed at improving economic growth performance. Such actual or perceived policy uncertainty can raise concerns as to future economic opportunity in South Africa, and this can be an influence on emigration rates should offshore economic opportunities seem reasonable. Rand weakness in recent years, we believe, could have been a key factor too, making “hard currencies” that much more attractive for local highly skilled people to go and earn.

COULD WE SEE A DECLINE IN EMIGRATION-RELATED HOME SELLING IN 2018?

Going into 2018, however, we’ll be looking for signs of a possible reversal in that rising trend in emigration-related home selling. SARB and OECD Leading Business Cycle Indicators have in recent times been rising, pointing to mildly improved economic performance to come in the near term.

Investors appear to have interpreted a change in the ruling party’s leadership, at its recent December elective conference, as raising the possibility of positive economic policy changes to come, and the Rand has rallied partly as a

result. We believe that a stronger Rand itself, while driven by improved sentiment, can also drive improvement in sentiment, as well as diminish the attractiveness of earning in major foreign currencies by locals.

In short, the start of 2018 feels far more positive than did much of 2017. The Rand appears to reflect significantly improved sentiment and expectations amongst investors, and a stronger Rand can in turn also help to boost sentiment. We would expect this improved sentiment to lead to some near-term decline in the estimated emigration-related home selling percentage.

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