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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 Coluinate 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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### Improvement in property market sentiment in the fourth quarter of 2018

After declining to a low in the third quarter of 2018, the level of positive sentiment regarding conditions in the South African residential property market showed a marked improvement in the fourth quarter of last year.

#### 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, increased to 77% in the fourth quarter of 2018 from 72% in the third quarter. The main positive and negative sentiment-related factors mentioned by survey respondents were as follows in the fourth quarter of last year (percentage of respondents in brackets):

- Positive factors: Property is a secure asset (34%) and still increases in value (24%).
- Negative factors: The land reform aspect is detrimental to property investment (27%), the economy is not performing well (21%) and there is still some political uncertainty (19%).

#### Homeowner sentiment sub-indices results

The HSI sub-indices were all higher at a national level in the fourth quarter of 2018 compared with the third quarter, indicating that consumers have over a wide front been more positive about market conditions and influencing factors towards the end of the year.

#### Buying property

Positive property-buying sentiment was significantly higher at 72% in the fourth quarter of 2018 compared with only 57% in the third quarter. The main reasons put forward by respondents for the increased property-buying sentiment were as follows:

- Property prices are relatively low and there are bargains in the market (29%).
- Property still increases in value and is a good investment (25%).

#### Selling property

The positive sentiment towards selling property improved to 41% in the fourth quarter of last year from 37% in the third quarter. The main reason mentioned in the fourth-quarter survey for not in favour of selling property was the fact that asking prices are not achieved (37%), whereas the following reasons were mentioned in favour of selling property:

- Property prices are still relatively high and you may get an acceptable price when selling (34%).
- Many people want to own property, which is supportive of selling (15%).

#### Investing in property

The positive sentiment regarding property as an investment increased from 75% in the third quarter of 2018 to 80% in the fourth quarter. Reasons in favour of property investment were as follows in the fourth quarter of the year:

- Property remains a good investment (29%).
- Property prices are relatively low and there are bargains in the market (17%).
- Property still accumulates in value (15%).
- There is a demand for rental property (14%).
- There is a good return on investment property (11%).

## Renovating property

A total of 78% of survey respondents displayed positive sentiment in the fourth quarter of 2018 regarding renovating property, compared with 72% in the third quarter. The main reasons in favour of renovating property were as follows in the quarter:

- Renovation increases the value of a property (30%).
- Constant upgrading of a property is important, especially if wanting to sell (17%).
- Building materials are well priced (12%).

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property increased to 72% in the fourth quarter of last year from 67% in the third quarter. The main reasons mentioned in favour of buying rather than renting property were as follows in the fourth quarter:

- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (27%).
- Property prices are relatively low and there are bargains in the market (24%).
- Property still increases in value and is a good investment (22%).

## Property market sentiment at a provincial level

In the fourth quarter of 2018 a total of 82% of the HSI survey respondents resided in Gauteng (47%), the Western Cape (19%) and KwaZulu-Natal (16%). The remaining 18% 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 fourth quarter of last year:

- Gauteng: 82%, up from 77% in the third quarter.
- Western Cape: 74%, up from 70% in the third quarter.
- KwaZulu-Natal: 72%, up from 65% in the third quarter.

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 increased over a wide front in the final quarter of 2018 on the back of an improved economic performance, higher levels of growth in real household disposable income and consumption expenditure in the third quarter, as well as a lower consumer price inflation rate at year-end on the back of recent sharp drops in domestic fuel prices, which were the result of positive international oil price and rand exchange rate movements.

The outlook is for economic growth to increase to 1,7% in 2019 from an estimated 0,7% in 2018, with inflation expected to remain around the mid-point level of 4,5% of the inflation target range of 3%-6%. Currently the forecast is for interest rates to remain stable up to late this year before being hiked by 25 basis points to keep inflation under control. Banks' prime lending and variable mortgage interest rates are expected to end the year at a level of 10,5% per annum. Although there is some uncertainty about the outcome of the general election in May this year, there seems to be more policy certainty in various sectors of the economy, while concerted actions have been taken and are still underway to stabilise the country's institutional framework and a number of state-owned enterprises.

Against the background of the above-mentioned factors and developments, property market sentiment is expected to remain largely positive and may improve further in 2019, which will be reflected in higher 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%

### 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%

### 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%

### 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%

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

% of respondents with positive sentiment by sub-index

Sub-indices	Q4 2017		Q1 2018		Q2 2018		Q3 2018		Q4 2018	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	72%	68%	70%	70%	61%	61%	58%	56%	74%	68%
Selling property	41%	41%	45%	48%	42%	45%	36%	38%	41%	59%
Investing in property	86%	79%	84%	76%	77%	77%	78%	72%	83%	77%
Renovating property	81%	76%	80%	76%	74%	74%	71%	72%	79%	76%
Buy rather than rent	74%	75%	75%	70%	69%	67%	70%	63%	75%	69%
Overall sentiment	83%	80%	77%	71%	76%	69%	76%	67%	80%	72%

Inland provinces: Free State, Gauteng, Limpopo, Mpumalanga, North West, Northern Cape

Coastal provinces: Eastern Cape, KwaZulu-Natal, Western Cape

