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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 Coliminate 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 declined further in the third quarter of 2018

After reaching a recent high in the fourth quarter of 2017, the level of positive sentiment regarding conditions in the South African residential property market remained on a gradual downward trend up to the third quarter of 2018.

#### 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 marginally lower at 72% in the third quarter of 2018 compared with 73% in the second quarter. The main positive and negative sentiment-related factors mentioned by survey respondents were as follows in the third quarter of the year (percentage of respondents in brackets):

- Positive factors: Property is a secure asset (38%) and still increases in value (22%).
- Negative factors: The land reform aspect is detrimental to property investment (28%), the economy is in recession (19%) and there is continued political uncertainty (17%).

#### Homeowner sentiment sub-indices results

The HSI sub-indices were all lower at a national level in the third quarter of 2018 compared with the first and second quarters, indicating that consumers remained well aware of market conditions and influencing factors, which made them more wary of engaging in property-related transactions up to the third quarter of the year.

#### Buying property

Positive property-buying sentiment was down to 57% in the third quarter of the year from 61% in the preceding quarter and came to its lowest level since the first quarter of 2016. The further drop in buying sentiment was mainly related to tough economic conditions, mentioned by 64% of survey respondents. However, below the main reasons put forward by respondents for buying property:

- Property still increases in value and is a good investment (33%).
- Property prices are relatively low and there are bargains in the market (30%).

#### Selling property

The positive sentiment towards selling property dropped to 37% in the third quarter from 43% in the second quarter. The main reasons mentioned in the third-quarter survey for not in favour of selling property were related to tough market and economic conditions (71% of respondents), 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 (27%).
- Property still increases in value and is a good investment (12%).
- Many people want to own property, which is supportive of selling (10%).

#### Investing in property

The positive sentiment regarding property as an investment declined somewhat further to 75% in the third quarter from 77% in the second quarter. The aspect of land reform was indicated by 24% of survey respondents as the main factor for not investing in property, followed by tough economic conditions and uncertainty about the future (21% of respondents). However, reasons in favour of property investment were as follows in the third quarter of the year:

- Property remains a good investment (34%).
- Property prices are relatively low and there are bargains in the market (18%).
- There is good return on investment property (14%).

## Renovating property

A total of 72% of survey respondents displayed positive sentiment in the third quarter of 2018 regarding renovating property, compared with 79% and 74% in the first and second quarters respectively. The main reason mentioned in the third quarter for not being in favour of renovations, is the factor of affordability (29% of respondents), whereas reasons in favour of renovating property were the following in the quarter:

- Renovation increases the value of a property (36%).
- Constant upgrading of a property is important, especially if wanting to sell (15%).

## Buying rather than renting property

The positive sentiment regarding buying rather than renting property was marginally lower at 67% in the third quarter of the year compared with 68% in the second quarter. The main reasons mentioned in the third-quarter survey for renting rather than buying property are the tough economic conditions (34% of respondents) and renting property is cheaper (28% of respondents). However, the reasons in favour of buying rather than renting property were as follows in the third quarter:

- It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (28%).
- Property prices are relatively low and there are bargains in the market (26%).
- Property still increases in value and is a good investment (17%).

## Property market sentiment at a provincial level

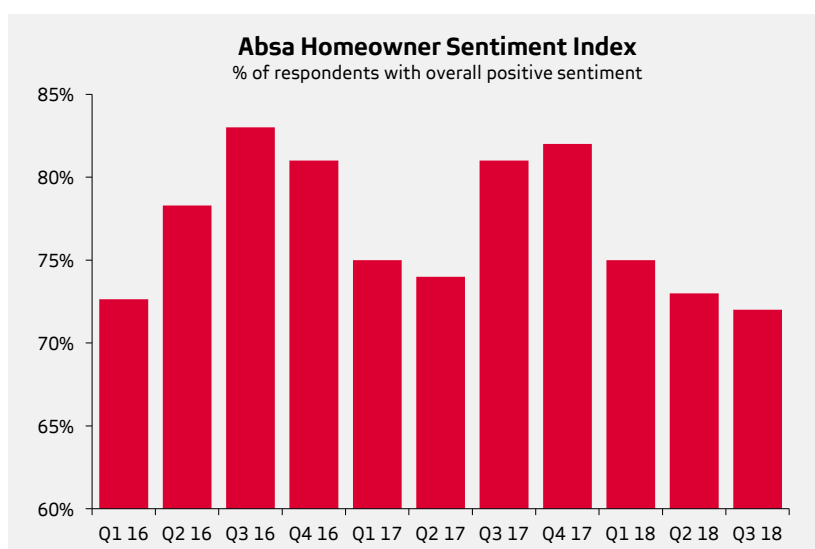
In the third quarter of 2018 a total of 83% of the HSI survey respondents resided in Gauteng (48%), the Western Cape (21%) and KwaZulu-Natal (14%). The remaining 17% of respondents resided in the other six provinces, with the individual samples sizes of these provinces regarded as too small for separate reporting purposes. The overall positive HSI score in each of the above-mentioned three provinces was as follows in the third quarter of the year:

- Gauteng: 77%, up from 75% in the second quarter.
- Western Cape: 70%, marginally down from 71% in the second quarter.
- KwaZulu-Natal: 65%, unchanged from the second 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 tables at the back of the report.

## Outlook

Since the start of the second quarter of 2018 consumers' financial positions have been adversely affected by higher taxes and sharply rising fuel prices, with the aspect of land reform and a poorly performing economy that currently continue to impact property market sentiment over a wide front. Financial institutions' credit risk appetites and lending criteria will be reflective of these conditions, with these factors expected to continue contributing to subdued residential property market sentiment towards year-end and into 2019. The above-mentioned factors and subsequent property market sentiment 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%

### 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%

### 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%

### 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%

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

% of respondents with positive sentiment by sub-index

Sub-indices	Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	69%	67%	72%	68%	70%	70%	61%	61%	58%	56%
Selling property	36%	38%	41%	41%	45%	48%	42%	45%	36%	38%
Investing in property	85%	78%	86%	79%	84%	76%	77%	77%	78%	72%
Renovating property	79%	79%	81%	76%	80%	76%	74%	74%	71%	72%
Buy rather than rent	75%	74%	74%	75%	75%	70%	69%	67%	70%	63%
Overall sentiment	83%	77%	83%	80%	77%	71%	76%	69%	76%	67%

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

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