

Absa Homeowner Sentiment Index

Q4 2023



Your story matters





Homeowner Sentiment Index

The Absa Homeowner Sentiment Index (HSI) is an indicator of the overall state of consumer confidence in South Africa's property market. This research presents market players with an understanding of the overall confidence level of consumers. It also unpacks more nuanced insights by measuring various aspects of consumers' confidence levels, referred to as subindices in this report. Among these, we measure the sentiment of consumers concerning the current timing for buying, selling, investing, buying rather than renting, and renovating property. The index has a customer-centric view, involving close to 1 300 consumers.

Key summary

In Q4 2023 we surveyed 1250 consumers about the South African property market. When asked whether they "are currently confident about the property market in South Africa (by this thinking it is a secure asset that will create sufficient wealth over the longer term)", positive responses amounted to 78%, which was 3% lower than in Q3 2023 and lower than all the Q4 scores recorded over the past three years.



Overall, positive responses declined to 78% in Q4 2023, which was 3% lower than in Q3 2023, 1% lower than in Q4 2022 and Q4 2021, and 2% lower than in Q4 2020. Consumers expressed their caution about the current environment and household finances, indicating that they would rather postpone participating in the market in the short term.



The **buy sentiment** declined by 3% to 64% in Q4 2023 after showing slight signs of recovery in Q3 2023. Buy sentiment has been on a consistent downwards trend since Q4 2021 (the start of the rate cycle), declining by 12pp compared to Q4 2021.



The **sell sentiment** increased slightly, by 2% to 48% in Q4 2023 compared to Q3 2023, but was 4% lower than in Q4 2022.



The **buy vs rent sentiment** (potential future buyers who are currently renting) declined by 2% to 67% in Q4 2023 after showing slight signs of recovery in the previous quarter. This subindex has also been trending downwards, declining by 11% in Q4 2023 compared to Q4 2021, by 4% in Q4 2022.



The **renovate sentiment** sentiment (homeowners' sentiment about making improvements or alterations) remained flat at 75% compared to Q3 2023, and declined by 2% compared to Q4 2022. This trend started to improve at the beginning of 2023 but levelled out in the past two quarters.



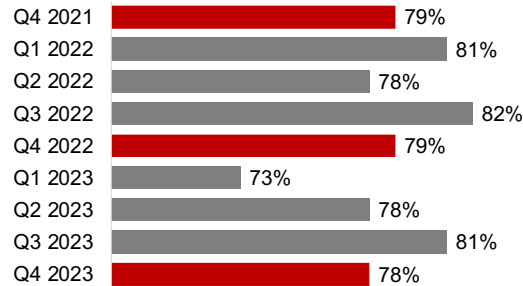
The **invest sentiment** declined slightly, by 1% to 76% in Q4 2023 compared to Q3 2023. The Q4 2023 score remained 2% and 3% lower compared to Q4 2022 and Q4 2021 respectively.



HSI Results

Homeowner sentiment subindex results

Overall sentiment



The HSI reflects the percentage of survey respondents who are confident (responded positively) about the South African property market.

When asked whether respondents are “currently confident about the property market in South Africa (by this thinking it is a secure asset that will create sufficient wealth over the longer term)”, 78% responded positively.

Overall, positive responses declined to 78% in Q4 2023, which was 3% lower than in Q3 2023 and 1% lower than in Q4 2022 and Q4_2021, and 2% lower than in Q4 2020.

Positive factors



Main drivers of positive sentiment: Property is and always has been a secure asset (50%, down 4%), property always increases in value (54% - remained the same) and creates long-term income (54%, down 1%), the property market will improve (48%, up 2%) and it depends on the location (45%, up 1%).

Negative factors



Main drivers of negative sentiment: The unstable economy (65%, down 5%), political instability in South Africa (48%, up 3%), crime levels (43%, down 4%) and high unemployment (46%, down 4%). Other mentions included property has become very expensive (44%), buying power has decreased (34%) and the market will take time to recover (33%).

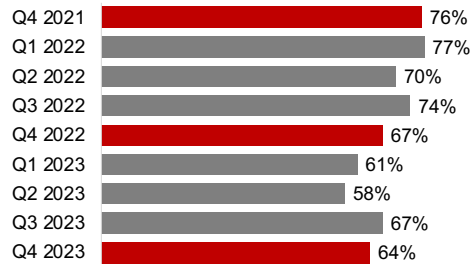
Overall, consumers expressed caution about the current environment and household finances, indicating that they would rather postpone participating in the market in the short term, and realising the market will take time to recover. Uncertainty around the macro environment, affordability, high interest rates and high living costs remained key negative drivers. The sentiment scores reflect uncertainty, caution and strain expressed by consumers in Q4 2023.



Buying Property

The buy sentiment declined by 3% to 64% in Q4 2023 after showing slight signs of recovery in Q3 2023.

1 Buying sentiment



When asked whether they are “currently confident about the property market in South Africa” and whether “now is the appropriate time to buy”, 64% of respondents responded positively, opposed to 67% in Q3 2023.

Buy sentiment has been on a consistent downwards trend since Q4 2021 (the start of the rate cycle), declining by 12pp compared to Q4 2021.

Positive factors



Property is always a good investment (61% up 2%), property accumulates in value (51% up 2%), you can make good profit (42% up 4%), people are desperate to sell (38% down 1%) and prices will increase (39% same).

Negative factors



High interest rates (55%, down 9%), the economy is unstable (55%, down 4%), cost of living is high (53%, down 2%) and prices are high (50%, down 3%). Other mentions included the rand is weak (46%) and high unemployment (43%).

Compared to the previous quarter, a lower proportion of respondents believed it to be a good time to buy property. The struggling economy remains a major barrier to actively taking part in the buying market. Uncertainty around when the recovery will take effect, current affordability and general uncertainty around the political environment are some of the factors mentioned.

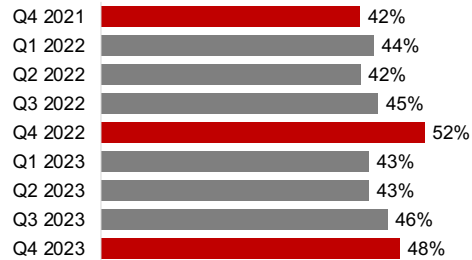
Ownership is a rational and emotional investment, which is driven by both the tangible and intangible benefits of homeownership. However, homeownership is often a long-term goal and many mention having to save before buying a property and would rather postpone this decision in the short term.



Selling property

The **sell sentiment** improved by 2% to 48% in Q4 2023 after showing slight signs of recovery in Q3 2023.

2 Selling sentiment



In response to “Are you currently confident about the property market in South Africa?” and “Is now the appropriate time to sell?”, the **sell sentiment** increased slightly by 2% to 48% in Q4 2023 compared to Q3 2023, but was 4% lower than in Q4 2022.

Positive factors



You can get a good price for your property (55, down 3%), it is good to rather sell if you can no longer afford the property (40%, up 5%), it is good to sell if you are upgrading (45, up 1%) and I want to free up capital (21%, down 1%).

Negative factors



The economy is unstable (52%, down 3%), rather keep the property as an investment (41%), rather wait a few more years for the property to appreciate in value and people’s buying power has decreased (35%).

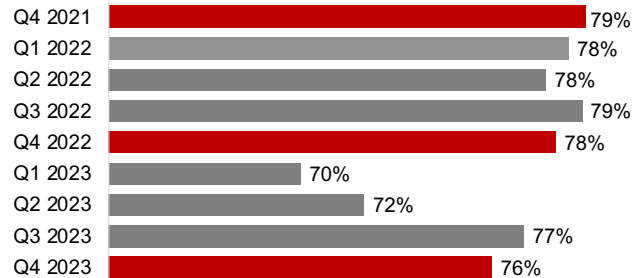
Consumers are split between whether or not it is an appropriate time to sell property, with a roughly even split for each argument. Economic challenges dominate those who do not believe it is an appropriate time to sell however many need to sell for financial reasons as well as changing personal circumstances (e.g. relocation, new job opportunities and live style needs).



Investing in property

The **invest sentiment** declined slightly by 1% to 76% in Q4 2023 compared to Q3 2023.

3 Invest sentiment



In response to “Are you currently confident about the property market in South Africa?” and “Is now the appropriate time to invest in property?”, the **invest sentiment** declined slightly by 1% to 76% in Q4 2023 compared to Q3 2023. The Q4 2023 score remained 2% and 3% lower compared to Q4 2022 and Q4 2021 respectively.

Positive factors



Property always accumulates in value (56%, up 3%), you will make a good return (50%, up 1%), there is demand for rental properties (49%, up 2%), good source of passive income (50%, up 1%), and there will be a high demand for property in the future (48%, up 4%). Other mentions included now is a good time to buy for investment (38%) and one can get some bargains (32%).

Negative factors



The economy is not performing well (55% flat), the rand is weak (48%, down 3%) and prices are too high (47%, up 1%). Other mentions included concern for South Africa’s future (35%), concern about job security and unemployment (34%), tenants can’t afford to pay (33%, down 3%) and concern about crime (33%).

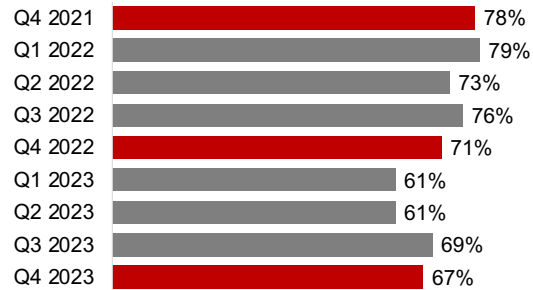
More than three quarters of respondents remained positive about investing in property. This is potentially driven by a strong demand for rental property and the likelihood of rates turning in the second half of 2024.



Buying rather than renting property

Buy vs rent sentiment (potential future buyers who are currently renting) also declined by 2% to 67% in Q4 2023 after showing slight signs of recovery in the previous quarter.

4 Buy vs Rent sentiment



In response to “Are you currently confident about the property market in South Africa?” and “Is now the appropriate time to buy or rent?”, buy vs rent sentiment declined by 2% to 67% in Q4 2023 after showing slight signs of recovery in the previous quarter.

Potential future buyers who are currently renting are mainly driven by factors such as affordability and flexibility. This subindex has been trending downwards, to 11% lower in Q4 2023 compared to Q4 2021, and down 4% in Q4 2022.

Positive factors



It is better to own than to rent (51%, up 2%), rather buy if you can afford to, 48%, down 1%, renting is more expensive (45%, up 1%) and property will accumulate in value (44%, up 3%).

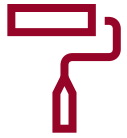
Negative factors



Renting is more flexible, with less commitment required (54% up 9%) and buying includes maintenance costs/transfer fees which can be expensive (40% up 1%), cannot afford to buy property right now (37% up 2%), employment and job security concern (35%) and the property market currently not stable (33%).

Affordability and cost of ownership in addition to the belief that renting is still more flexible, stands out among the factors detracted from buy vs rent sentiment. Respondents indicated that it will require time to save more for their first purchase.

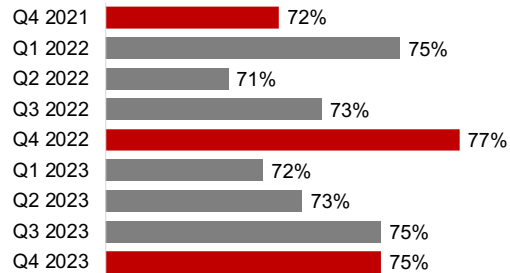
Housing remains a significant expense (and potentially a burden) during tough economic times. Employment (or lack thereof) often dictates the choice to rent, not only because of location but also affordability. There is a subcontext of affordability for many: renting is often more about barriers to purchase rather than drivers to rent.



Renovating property

In Q4 2023, 64% of respondents resided in the provinces with the highest response rates, namely Gauteng (31%), Western Cape (12%) and KwaZulu-Natal (21%)

5 Overall sentiment



Opp

The **renovate sentiment** (homeowners' sentiment about making improvements or alterations) remained flat at 75% compared to Q3 2023, and declined 2% compared to Q4 2022. This trend started to improve at the beginning of 2023 but levelled out in the past two quarters.

Positive factors



Renovating increases the value of your property (62% - remained the same), renovating will bring better returns when selling (60%, up 3%), it is good to update your property (58%, down 1%), it is a good time to renovate if you have cash (51%, up 2%) and property prices will improve in the future (44%, up 3%). Other mentions included improvements needed for security reasons (48%).

Negative factors



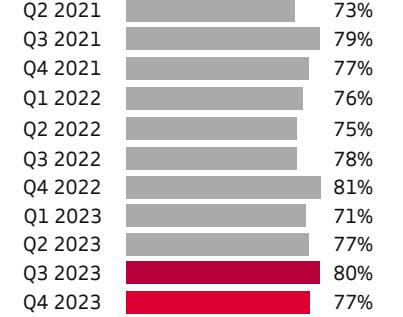
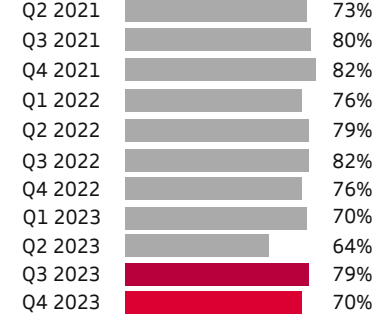
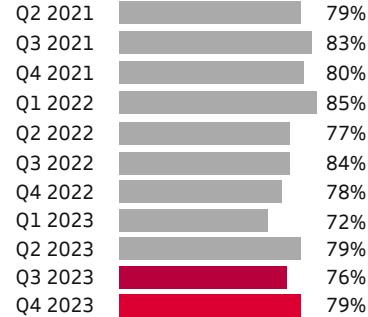
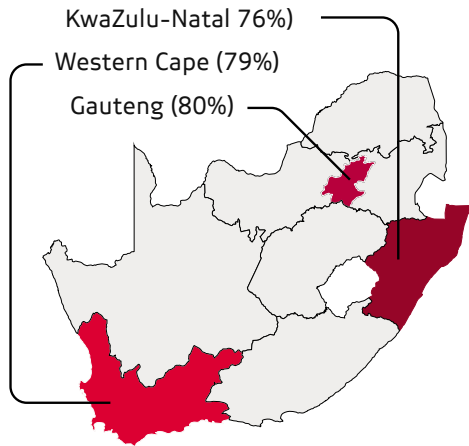
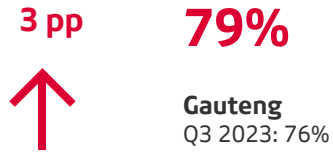
The economy is not performing well (41%, down 5%), not being able to afford to renovate right now (45%, up 6%), materials are currently expensive (47%, down 1%) and I want to spend sparingly until the economy stabilises (29%, down 6%).

South Africans are renovating out of necessity (need) as well as desire (want). Renovations are planned with specific goals in mind, such as improvements for the purpose of attaining a higher future selling price as well as changing lifestyle needs. Affordability remains a consideration and, as inflation trended lower and material costs become more affordable for cash-strapped consumers, homeowners would most likely become more willing to renovate as the importance of maintaining a home is acknowledged.



Property market sentiment at a provincial level

In Q4 2024, 62% of respondents resided in the three provinces with the highest response rates, namely Gauteng (31%), the Western Cape (12%) and KwaZulu-Natal (20%).



Gauteng
79%

KwaZulu-Natal
77%

Western Cape
70%

Eastern Cape
79%

Limpopo
79%

Mpumalanga
82%

Free State
88%

North West
73%

Northern Cape
80%



Conclusion and outlook

Outlook



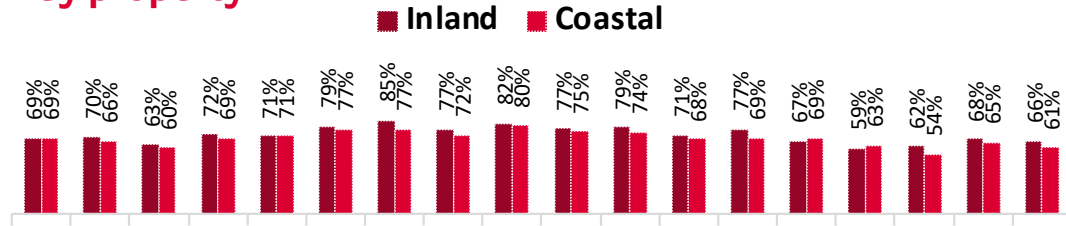
- Uncertainty around the macro environment, struggling economy, unemployment rates, affordability, high interest rates and high cost of living remained key negative drivers of sentiment in Q4 2023.
- The generally subdued sentiment was echoed in the lower property market sales volumes experienced in 2023.
- In this environment, existing and potential homeowners consistently expressed a sense of caution in all four quarters of 2023. Although a large portion of respondents still saw property as a sound investment that will increase in value over the longer term, most responses indicated that in the short term they need to spend sparingly until the economy stabilises.
- During 2023 there were slight signs of recovery in sentiment up to Q3, but this deteriorated again in Q4, the sentiment scores reflect growing uncertainty, caution and strain expressed by consumers and that the economy will take longer to recover.
- Homeownership remains aspirational and a desirable investment for South Africans. It is often a long-term goal and many mention having to save before buying a property and would rather postpone this decision in the short term.
- The outlook for consumers remains strained, and may take time to ease although inflation is expected to ease further during 2024, risks remain.
- Interest rate levels are expected to improve for indebted consumers in the second half of 2024. However, this is expected to extend the time it will take, for the property market to recover.

Appendix

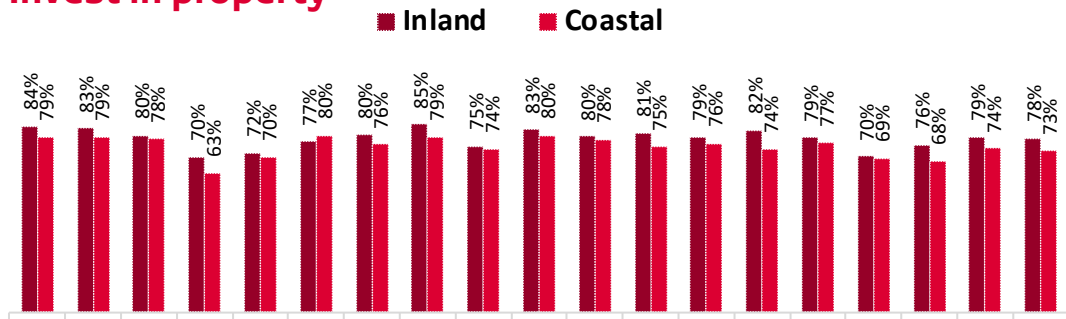


Inland and coastal

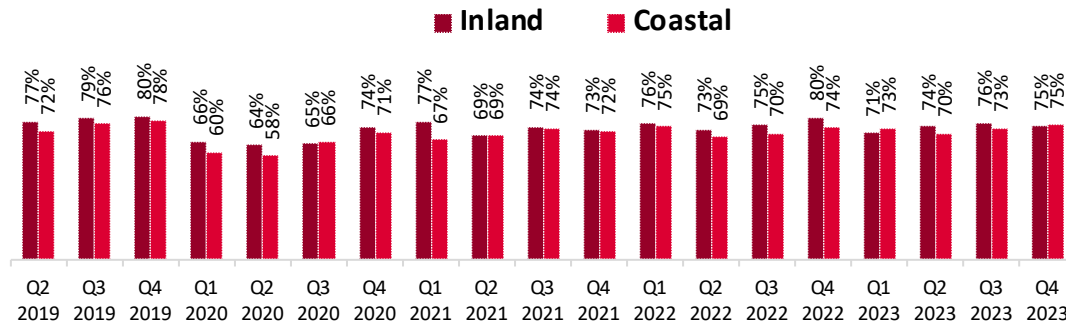
Buy property



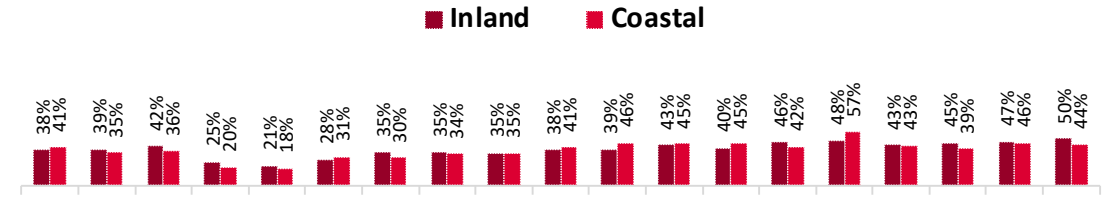
Invest in property



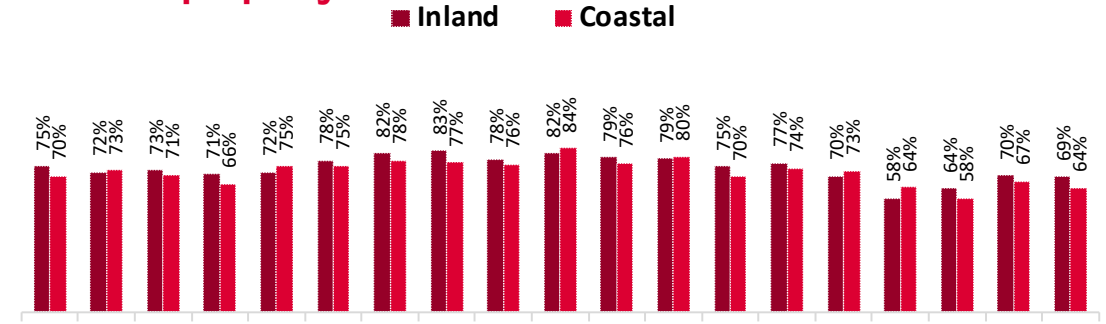
Renovate or make alterations



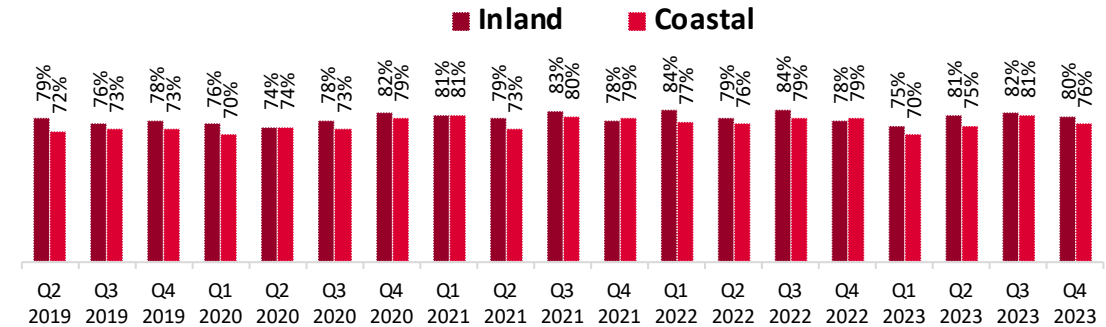
Buy property



Invest in property



Renovate or make alterations





Inland and coastal

Buy property:

Sentiment to buy property declined 6% inland and by 4% in the coastal regions. The leading negative drivers for the low sentiment in both regions remain high interest rates, cost of living and poor economic performance.

Sell property:

Sentiment to sell property inland is up 3% in Q4 2023 and down 2% in the coastal regions. Both regions mention continued poor economic performance. Sentiment reflecting that you can get a fair price for your property increased slightly, while sentiment that if you can no longer afford your property, you should rather sell, increased.

Invest in property:

Sentiment to invest in property declined slightly, by 1%, both inland and in the coastal regions. Respondents in both regions are confident that there will be a high demand for property in the future. However, respondents are slightly less confident that you will be able to make a good return. Negative factors such as the economy in general, and weakness and continued high prices seemed to remain.

Buy rather than rent property:

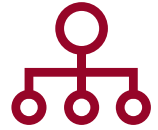
Sentiment to buy rather than rent property was down 3% in the coastal regions and down 1% and job security/risk of unemployment remained.

Renovate or make alterations:

Sentiment to renovate property was down 1% inland but up 2% in the coastal regions. There was a continued positive sentiment that renovating will bring better returns when selling. Respondents with a negative sentiment towards making renovations or altering their properties remained, discouraged by affordability (the cost of materials still being high, albeit to a lesser degree) and current economic conditions. Many also feel that their properties need maintenance to create future value.

Confidence in the property market:

Overall confidence in the future of the property market decreased by 2% inland, from 82% in Q3 2023 to 80% in Q4 2023, and by 5% in the coastal regions, from 81% in Q3 2023 to 76% in Q4 2023. Overall, consumers expressed caution about the current environment and household finances, with more respondents indicating that they would rather postpone participating in the market in the short term.



Absa Homeowner Sentiment Index

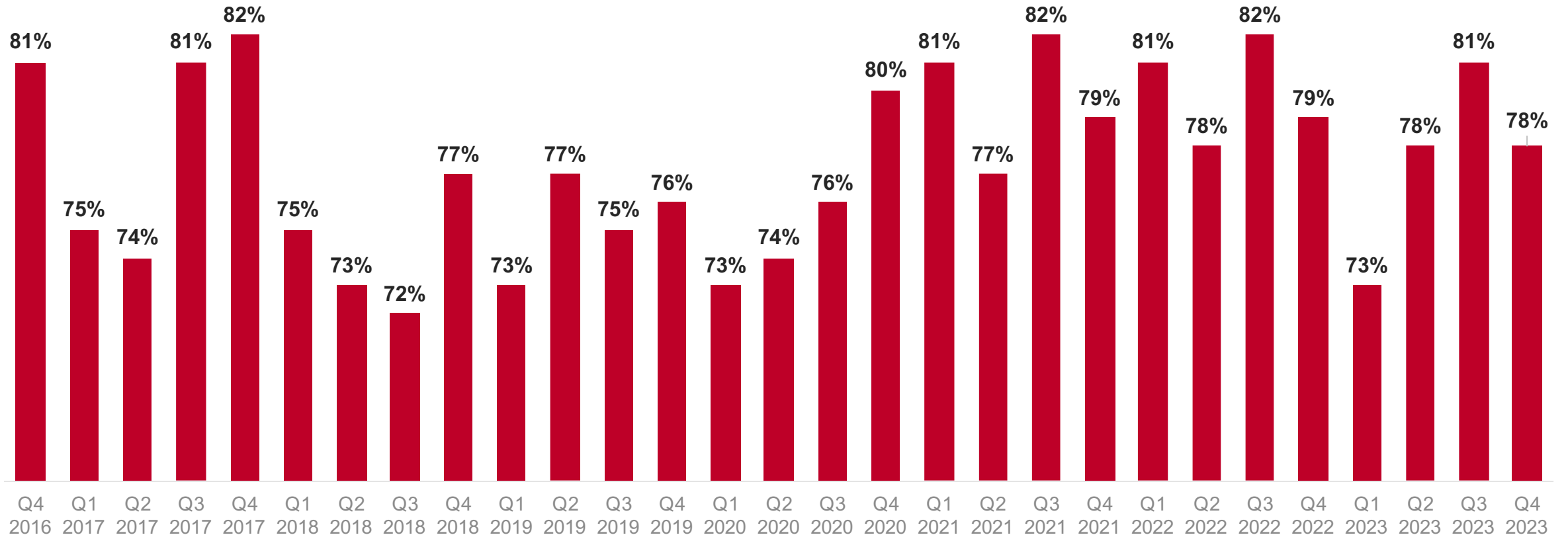
% of respondents nationally with positive sentiment by sub-index

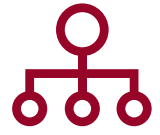
Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	60%	42%		77%	66%	75%
Q2 2017	64%	34%	78%	75%	68%	74%
Q3 2017	68%	37%	82%	79%	74%	81%
Q4 2017	70%	41%	83%	79%	74%	82%
Q1 2018	70%	46%	81%	79%	73%	75%
Q2 2018	61%	43%	77%	74%	68%	73%
Q3 2018	57%	37%	75%	72%	67%	72%
Q4 2018	72%	41%	80%	78%	72%	77%
Q1 2019	67%	40%	79%	77%	68%	73%
Q2 2019	69%	39%	82%	75%	73%	77%
Q3 2019	69%	37%	81%	78%	72%	75%
Q4 2019	70%	40%	79%	79%	72%	76%
Q1 2020	62%	23%	67%	64%	69%	73%
Q2 2020	71%	20%	71%	61%	73%	74%
Q3 2020	71%	29%	78%	65%	77%	76%
Q4 2020	78%	33%	78%	73%	80%	80%
Q1 2021	82%	35%	83%	73%	81%	81%
Q2 2021	75%	35%	74%	69%	77%	77%
Q3 2021	81%	39%	81%	74%	83%	82%
Q4 2021	76%	42%	76%	72%	78%	79%
Q1 2022	77%	44%	78%	75%	79%	81%
Q2 2022	70%	42%	78%	71%	73%	78%
Q3 2022	74%	45%	79%	73%	76%	82%
Q4 2022	67%	52%	78%	77%	71%	79%
Q1 2023	61%	43%	70%	72%	61%	73%
Q2 2023	58%	43%	72%	73%	61%	78%
Q3 2023	67%	46%	77%	75%	69%	81%
Q4 2023	64%	48%	76%	75%	67%	78%



Absa Homeowner Sentiment Index

% of respondents nationally with overall positive sentiment

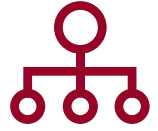




Absa Homeowner Sentiment Index: Gauteng

% 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 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%
Q1 2019	67%	37%	81%	79%	69%	76%
Q2 2019	69%	36%	84%	77%	75%	81%
Q3 2019	68%	39%	82%	78%	71%	75%
Q4 2019	71%	41%	80%	80%	73%	77%
Q1 2020	63%	25%	71%	67%	71%	75%
Q2 2020	72%	21%	72%	63%	72%	72%
Q3 2020	73%	28%	79%	66%	79%	79%
Q4 2020	80%	34%	81%	75%	82%	81%
Q1 2021	87%	35%	85%	76%	83%	80%
Q2 2021	78%	34%	75%	70%	79%	79%
Q3 2021	82%	37%	83%	75%	80%	83%
Q4 2021	79%	37%	81%	72%	80%	80%
Q1 2022	80%	43%	82%	77%	79%	85%
Q2 2022	71%	40%	78%	73%	75%	77%
Q3 2022	77%	46%	82%	76%	76%	84%
Q4 2022	66%	47%	77%	78%	67%	78%
Q1 2023	58%	42%	69%	70%	56%	72%
Q2 2023	57%	42%	73%	71%	58%	79%
Q3 2023	64%	41%	76%	73%	65%	76%
Q4 2023	64%	50%	76%	73%	67%	79%



Absa Homeowner Sentiment Index: Western Cape

% 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 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%
Q1 2019	73%	48%	77%	73%	68%	70%
Q2 2019	69%	45%	79%	69%	72%	75%
Q3 2019	65%	38%	75%	70%	71%	71%
Q4 2019	73%	33%	77%	75%	72%	76%
Q1 2020	61%	19%	58%	53%	66%	72%
Q2 2020	71%	20%	70%	59%	78%	75%
Q3 2020	66%	28%	71%	63%	74%	69%
Q4 2020	78%	28%	75%	73%	77%	79%
Q1 2021	87%	35%	85%	76%	83%	80%
Q2 2021	78%	34%	75%	70%	79%	79%
Q3 2021	82%	37%	83%	75%	80%	83%
Q4 2021	79%	37%	81%	72%	80%	80%
Q1 2022	78%	33%	78%	66%	81%	85%
Q2 2022	76%	26%	71%	65%	76%	73%
Q3 2022	82%	36%	78%	73%	86%	80%
Q4 2022	67%	58%	73%	75%	71%	76%
Q1 2023	60%	39%	66%	73%	64%	70%
Q2 2023	50%	41%	60%	63%	52%	64%
Q3 2023	61%	44%	69%	73%	65%	79%
Q4 2023	55%	45%	65%	75%	63%	70%



Absa Homeowner Sentiment Index: KwaZulu-Natal

% 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
Q2 2017	61%	29%	77%	75%	64%	72%
Q3 2017	65%	39%	81%	79%	73%	77%
Q4 2017	65%	35%	87%	71%	68%	79%
Q4 2017	69%	46%	73%	78%	78%	80%
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%
Q1 2019	62%	36%	78%	72%	67%	66%
Q2 2019	72%	39%	81%	81%	68%	70%
Q3 2019	63%	28%	83%	83%	70%	74%
Q4 2019	69%	39%	80%	78%	67%	71%
Q1 2020	57%	25%	65%	68%	65%	65%
Q2 2020	68%	18%	69%	59%	75%	71%
Q3 2020	75%	28%	86%	65%	74%	71%
Q4 2020	75%	35%	76%	70%	78%	77%
Q1 2021	77%	31%	77%	65%	75%	77%
Q2 2021	67%	44%	79%	71%	75%	73%
Q3 2021	80%	43%	80%	72%	84%	79%
Q4 2021	70%	44%	76%	73%	78%	77%
Q1 2022	68%	46%	70%	71%	78%	76%
Q2 2022	63%	38%	77%	64%	67%	75%
Q3 2022	63%	40%	72%	70%	72%	78%
Q4 2022	67%	58%	73%	75%	71%	76%
Q1 2023	65%	51%	71%	73%	63%	71%
Q2 2023	56%	39%	71%	72%	61%	77%
Q3 2023	65%	44%	74%	72%	71%	80%
Q4 2023	63%	43%	76%	72%	67%	77%



Absa Homeowner Sentiment Index: Inland and coastal provinces

% of respondents nationally with positive sentiment by sub-index

Sub-indices	Q2 2021		Q3 2021		Q4 2021		Q1 2022		Q2 2022		Q3 2022		Q4 2022		Q1 2023		Q2 2023		Q3 2023		Q4 2023	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
Buying property	77%	72%	82%	80%	77%	75%	79%	74%	71%	68%	77%	69%	67%	69%	59%	63%	62%	54%	68%	65%	66%	61%
Selling property	35%	35%	38%	41%	39%	46%	43%	45%	40%	45%	46%	42%	48%	57%	43%	43%	45%	39%	47%	46%	50%	44%
Investing in property	75%	74%	83%	80%	80%	78%	81%	75%	79%	76%	82%	74%	79%	77%	70%	69%	76%	68%	79%	74%	78%	73%
Renovating property	69%	69%	74%	74%	73%	72%	76%	75%	75%	70%	75%	70%	80%	74%	71%	73%	74%	70%	76%	73%	75%	75%
Buy rather than rent	78%	76%	82%	84%	79%	76%	79%	80%	73%	69%	77%	74%	70%	73%	58%	64%	64%	58%	70%	67%	69%	64%
Overall sentiment	79%	73%	83%	80%	78%	79%	84%	77%	79%	76%	84%	79%	78%	79%	75%	70%	81%	75%	82%	81%	80%	76%

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

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



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