

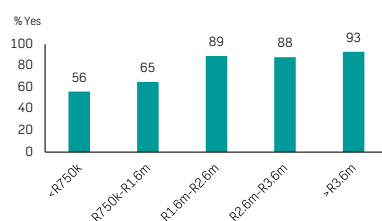


Property barometer

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Special Report

Figure 1: Increase in the installation of alternative energy solutions?



Source: FNB Estate Agents survey 3Q23, FNB Economics

Figure 2: Are pre-installed alternative energy solutions becoming a key consideration for buyers?

%	Whole market	Affordable market	Traditional market
Yes	36	56	30
No	64	44	70

Source: FNB Estate Agents survey 3Q23, FNB Economics

Impact of load-shedding on buyer preferences

In this report, we use our FNB Estate Agents Survey results for 3Q23, to qualitatively assess how the unprecedented intensity of load-shedding in the last 12 months has reshaped buyer preferences in the domestic market. Below, we summarise the results in five questions:

1. Has there been an increase in the installation of alternative or backup electricity solutions?

Overall, 75% of surveyed agents report an increase in the installation of alternative electricity solutions. These installations are more prevalent in higher-priced segments: only 56% in the affordable market¹ report an increase, compared to 81% in the traditional market. In our view, this reflects affordability across the income scale and the fact that higher-income homeowners have superior access to funding options.

2. What ownership models do home buyers prefer?

Results suggest that 71% of homeowners opt to purchase these systems outright, even if using home loans or other forms of credit to finance the purchase. Only 3% opt for rental solutions through independent providers, while 27% opt for a mix of purchase and rental of one or more components of the system. Interestingly, the picture looks different in the affordable market. Here, 54% opt for a mix of rental and purchase, once again signifying variations in affordability as well as access to funding.

3. Has there been an increase in demand for properties with alternative energy solutions (such as solar panels or solar-ready systems) already installed? i.e. Are these becoming a key consideration for buyers?

Surprisingly, 64% of agents believe that pre-installed energy solutions are not a key consideration for prospective buyers. At first, this may seem counterintuitive, given the disruptiveness of load-shedding and the increased investment into alternative energy sources by households and corporates alike. However, the truth

¹ For the purpose of this report, we define the Affordable Market as property values below R750 000, and the Traditional Market as property values >R750 000.

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is more nuanced. Fifty-six percent (56%) of agents in the affordable market state that energy solutions are, in fact, a key consideration for buyers in their market. In the traditional market, only 30% of agents believe that solar installation is an important consideration. This means that wealthier households are more indifferent, likely because they have superior access to savings and funding options, and therefore can always install these themselves with relative ease which also allows for customisation. In addition, customisation allows these prospective buyers to eliminate the risk of information asymmetry. Solar systems depreciate over time and require regular maintenance for optimal performance. Thus, having greater control of the type and quality of the installed system would give these buyers peace of mind. By contrast, lower-income households have limited funding options and would much rather buy a house pre-installed with a solar system. This may be compounded by socio-economic factors such as security concerns during load-shedding hours, which tend to be more acute in lower to middle income areas.

4. Are buyers willing to pay a premium for properties that have a solar system installed?

In line with question three above, results suggest that most buyers are not willing to pay a premium for solar systems, with 74% of agents responding “No.” Once again, there are critical nuances across the purchase price. Half of surveyed agents (50%) in the affordable market suggest that buyers are willing to fork out a premium, compared to just 18% in the traditional market. The low willingness to pay a premium could also be influenced by the high-interest rate environment.

5. What is the average premium that buyers are willing to pay?

On average, the estimated average premium for a solar-installed home (based on those willing to pay) is approximately R79,000 and varies markedly across price buckets. In the affordable market, the average premium is approximately R25,000, compared to R126,000 in the traditional market. As a proportion of the purchase price, most agents (69%) estimate the “solar premium” to be within the 0-5% range, while 22% believe it lies within the 6-10% range. Interestingly, 13% of agents in the affordable market estimate that the solar premium can go as high as >15% of the purchase price. In part, this reflects the statistical impact of the relatively lower prices as well as the inherent supply shortages in this segment, let alone properties with installed solar systems. This often leads to bidding wars among buyers. By contrast, none of the interviewed agents in the traditional market had witnessed such a high premium. These tie in with results of questions one, three, and four above.

Conclusion

The unprecedented levels of load-shedding over the past 12 months have facilitated shifts in buyer preferences. Results suggest greater demand and a willingness to pay a higher price for properties pre-installed with solar solutions. However, this is only limited to the affordable market. Most agents estimate that the premium is generally within the 0-5% range of the purchase price but could go up to over 15% in certain instances. In higher-priced segments, however, pre-installed energy solutions play a less significant role in buying decisions, as wealthier buyers prefer customisation.

Figure 3: Estimated premium as % of purchase price

%	Whole market	Affordable market	Traditional market
0-5%	69	63	74
6-10%	22	21	22
11-15%	4	4	4
>15%	6	13	0
Weighted average (%)	5.7	5.5	5.9

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