



# Absa Homeowner Sentiment Index

Q2 2023





# 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 through measuring various aspects of consumers' confidence levels, referred to in this report as subindices. Among these, we measure the sentiment of consumers concerning the current timing for buying, selling, investing, buying rather than renting, and renovating property.

## Key summary

Consumer confidence in the South African property market improved by 5pp to 78% in Q2 2023, from 73% in Q1 2023. Despite the challenging economic environment, responses started to reflect a slightly higher level of optimism of future recovery, reflecting views that property is a secure asset that will create sufficient wealth over the longer term.



The overall confidence in Q2 2023 of 78% is 5pp higher than in Q1 2023, but reflects similar level as measured in Q2 2022.



Both the Sell sentiment and the Buy vs Rent sentiment remained low maintaining the same levels as Q1 2023



Concerns about current uncertain economic conditions, the weak Rand, high interest rates, the increasing cost of living, and affordability, were only some of the drivers for the declining Buy sentiment.



Investing sentiment at 72% in Q2 2023 improved by 2pp quarter on quarter. There was a marginal improvement of 1pp to 73% in sentiment towards confidence to renovate, customers recognising that maintenance and renovations will increase the value of their properties in future



# HSI Results

## Overall sentiment



2021: Q3		82%
2021: Q4		79%
2022: Q1		81%
2022: Q2		78%
2022: Q3		82%
2022: Q4		79%
2023: Q1		73%
2023: Q2		78%

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

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

The overall sentiment score of 78% is 5pp higher than in Q1 2023, reflecting some level of optimism despite the current tough economic environment.

## Positive factors



Main drivers of positive sentiment: Property is and always has been a secure asset (59%), property always increases in value (58%) and creates long-term income (56%), and the property market will improve (48%)

## Negative factors



Main drivers of negative sentiment: The unstable economy (63%), political instability in South Africa (50%), crime levels (55%) and high unemployment (55%)

## Homeowner sentiment subindex results

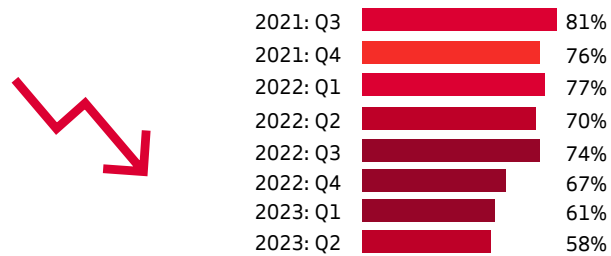
Comparing Q2 2023 to Q1 2023, there has been a 2pp decline in the Buy sentiment. Sell, and Buy rather than Rent sentiments remained flat, while the "Invest" and "Renovate" sentiments increased slightly by 2pp and 1pp respectively.



# Buying Property

Buy sentiment reflected a third consecutive decline in Q2 2023 by 3pp to 58%. This is also 12pp lower than the 70% recorded in Q2 2022 and the lowest level since Q3 2018 when 57% was recorded.

## 1 Overall sentiment



3 pp



With a decline from Q1 2023 to Q2 2023 listed below are the main drivers of positive and negative factors driving sentiment for buying property (percentage of respondents in brackets)

### Positive factors



Property is always a good investment (62%), property accumulates in value (50%), you can make good profit (41%) and people are desperate to sell (40%).

### Negative factors



High interest rates (68%), the economy not performing well (59%), cost of living is high (57%) and rand weakness (54%).

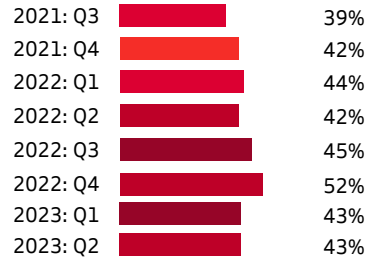
In Q2 2023 there was a decline in buying sentiment across all consumer segments, except for renters (non-owners) that remained flat. Buying sentiment in the first-time homeowner segment of the survey's respondents declined by 4pp, repeat homebuyers by 3pp and investors 3pp compared to the previous quarter.



# Selling property

Sell sentiment remained flat at 43% in Q2 2023 when compared to Q1 2023.

## 2 Overall sentiment



### Opp

With a flat move from Q1 2023 to Q2 2023, listed below are the main drivers of positive and negative factors driving sentiment for selling property. The percentage of respondents is outlined in brackets.

### Positive factors



Respondents believe that you can get a good price for your property (56%), that it's good to rather sell if you can no longer afford the property ( 46%), and that it is good to sell if you are upgrading (44%).

### Negative factors

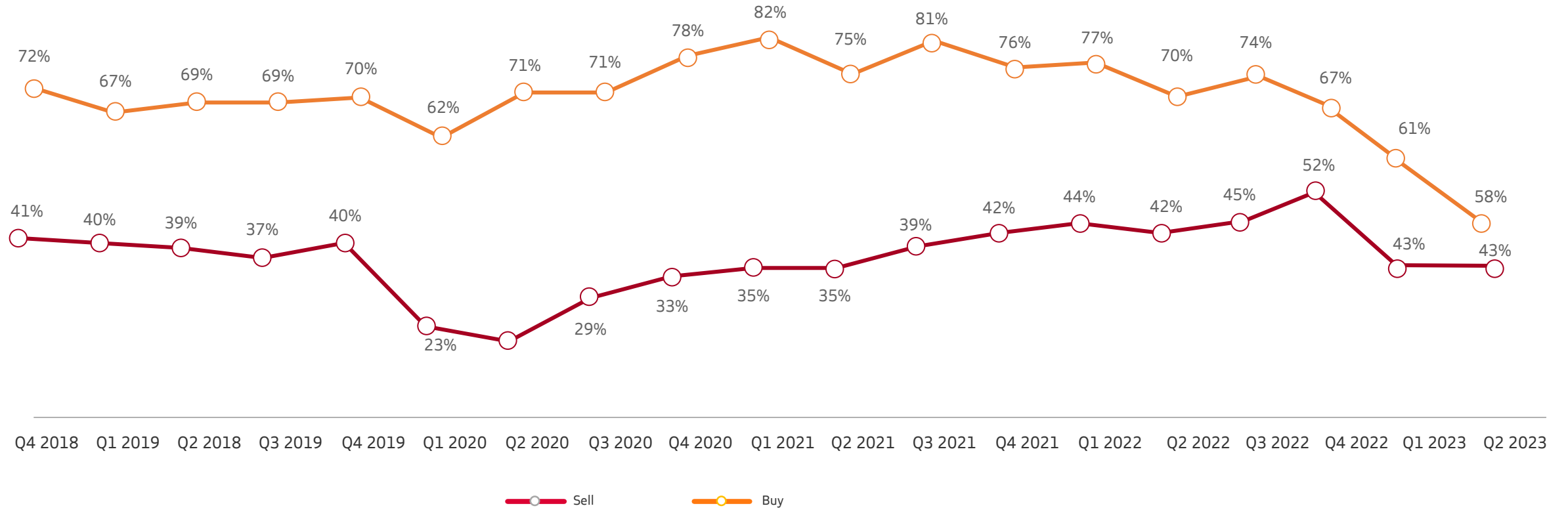


Q2 2023 respondents felt that the economy is neither doing well (55%) nor is it stable (56%), they felt negative about the currency weakness (50%) and that one should rather keep property as an investment than sell it (48%).

In Q2 2023 there was a 4pp decline in selling sentiment in the First-Time Home Buyer consumer segment, but Repeat Buyer sentiment to sell improved slightly by 2pp. Investor respondents still indicated that you can get a good price for your property, with sentiment in this segment increasing by 20pp in Q2 2023 compared to Q1 2023.

## Buy-Sell Gap analysis

A comparison of sentiment of Buyers and Sellers in the market reflects that both the sentiment to Sell and the sentiment to Buy remained low in Q2 2023, with the gap further contracting to 15%. In Q2 2023 both Buyers and Sellers were less positive about currently buying and selling, which was reflected in lower activity when it comes to applications for credit and property transfers in the property market, as well as lower house price growth.





# Investing in property

In Q2 2023, 72% of respondents considered it an appropriate time to invest in property. Sentiment for Investing in property improved slightly by 2pp from 70% in Q1 2023. Year on year, Investing sentiment was however still 6pp lower than in Q2 2022.

## 3 Overall sentiment



2021: Q3	81%
2021: Q4	79%
2022: Q1	78%
2022: Q2	78%
2022: Q3	79%
2022: Q4	78%
2023: Q1	70%
2023: Q2	72%



With a 2pp improvement in Investing sentiment in Q2 2023, the main drivers of positive and negative factors are listed below

### Positive factors



Investors believed that property always accumulates in value (59%), you will make a good return (52%) and there is demand for rental properties (51%).

### Negative factors



A high percentage of investors also felt that the economy is not performing well (62%), the Rand is weak (54%) and property prices are too high (50%).

When asked whether it is considered an appropriate time to invest in property, considering the current market, the investor customer segment of respondents reflected a 10pp improvement in overall positive sentiment compared to Q1 2023.

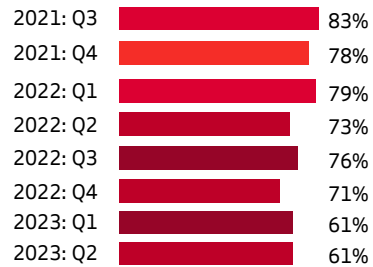
For the investors who do not consider it an appropriate time to invest in property, fewer respondents were concerned that tenants can't afford to pay rent, with a decline of 2pp. There were also more respondents citing that there will be higher demand for property in future, with the sentiment score increasing by 9pp.



# Buying rather than renting property

61% of respondents considered it an appropriate time to buy rather than rent, which remained the same as Q1 2023.

## 4 Overall sentiment



0 pp

The main drivers of the flat result are reflected in the positive and negative factors below

### Positive factors



It is better to own rather than rent (59%), if you can afford to, rather buy (49%) and renting is more expensive (46%).

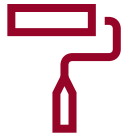
### Negative factors



Renting is more flexible, with less commitment required (48%) and buying includes maintenance costs/transfer fees which can be expensive (44%) and cannot afford to buy property right now (37%).

Affordability and cost of ownership in addition to the belief that renting is still more flexible, stands out among the factors detracting from Buying sentiment.





# Renovating property

The survey indicates that 73% of respondents consider it an appropriate time to renovate or make alterations on properties in Q2 2023. Sentiment for Renovating and making alterations improved by 1pp compared to Q1 2023 and 2pp compared to Q2 2022.

## 5 Overall sentiment



2021: Q3		74%
2021: Q4		72%
2022: Q1		75%
2022: Q2		71%
2022: Q3		73%
2022: Q4		77%
2023: Q1		72%
2023: Q2		73%



The negative and positive drivers of the 1pp improvement in sentiment are outlined below

### Positive factors



Renovating increases the value of your property (66%), renovating will bring better returns when selling (61%) and it's good to update your property (57%).

### Negative factors



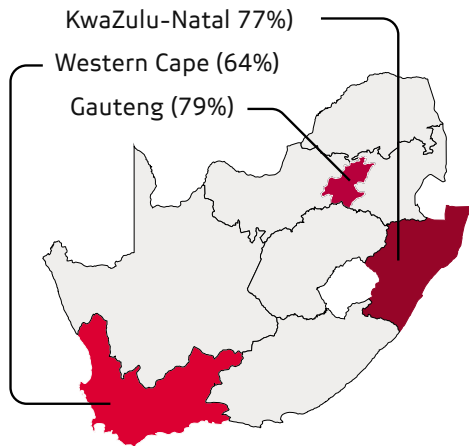
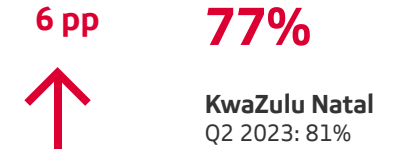
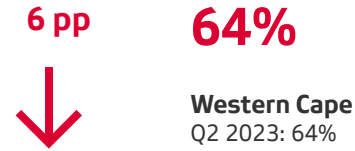
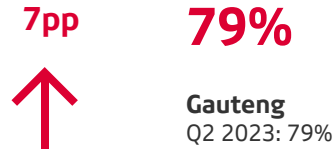
The economy is not performing well (50%), cannot afford to renovate right now (45%) and materials are expensive at the moment (42%).

Sentiment to renovate or make alterations increased in the Repeat Buyer segment by 7pp but declined in Investor and First-Time Homebuyers segments by 2pp and 6pp respectively, with these segment respondents indicated that they want to spend sparingly until the economy stabilises.

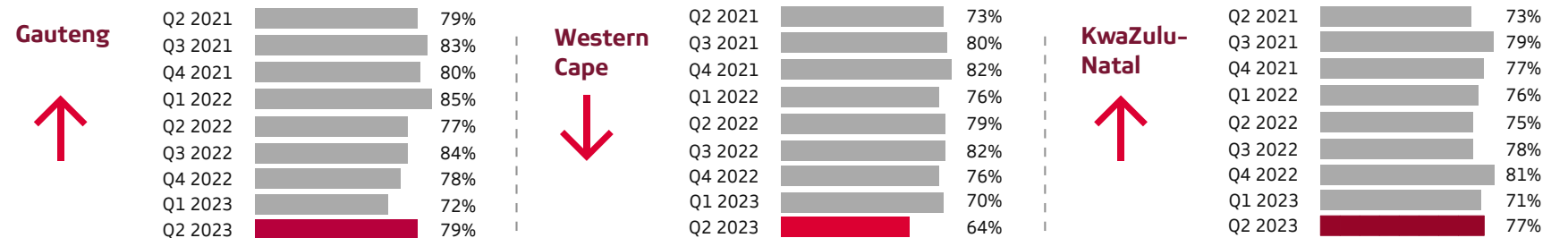


# Property market sentiment at a provincial level

In Q2 2023, 63% of respondents resided in the three provinces with the highest response rates, namely Gauteng (28%), the Western Cape (22%) and KwaZulu-Natal (13%).



Sentiment in these areas for Q2 2023 and change from Q1 2023 were as follows





# Conclusion and outlook

## Outlook



- Despite a challenging economic environment, the overall confidence in the South African property market improved by 5pp to 78% in Q2 2023, from 73% in the previous quarter. The n=1277 respondents surveyed in Q2 2023 are thus more optimistic about the outlook of homeownership.
- The climate of rising living costs and deteriorating affordability continued to influence subdued growth in property market activity (applications and Deeds Office transfers) and declining growth in house prices in Q2 2023.
- In an environment of low economic growth, high inflation and high interest rates, existing and potential homeowners are still cautious. Although many respondents still see property as a good investment over the longer term which will increase in value, many responses indicated wanting to spend sparingly until the economy stabilises. Concerns about economic instability and affordability are driving more people to continue renting and delay realising their dream of homeownership.
- The outlook for the economy and interest rates remains uncertain in the short term. Based on the current outlook, it is expected that rates will start declining in the first quarter of 2024, providing much needed relief for consumers with home loan debt.

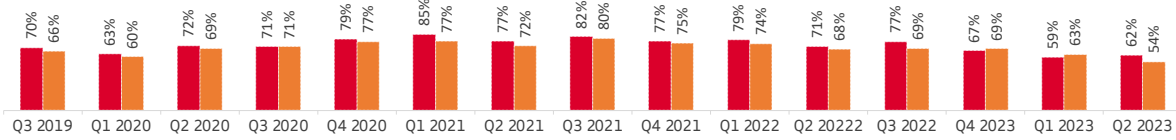
# Appendix



# Inland and coastal

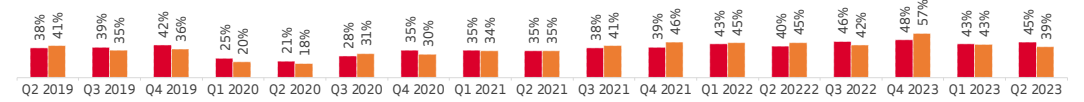
## Buy property

— Inland — Coastal



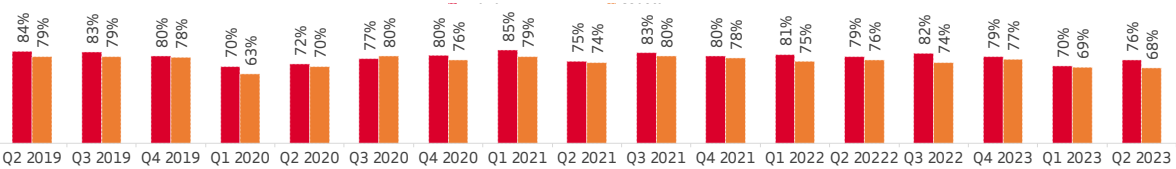
## Sell property

— Inland — Coastal



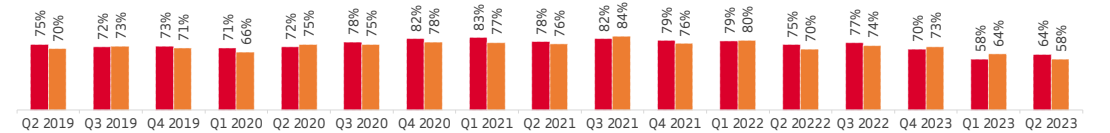
## Invest in property

— Inland — Coastal



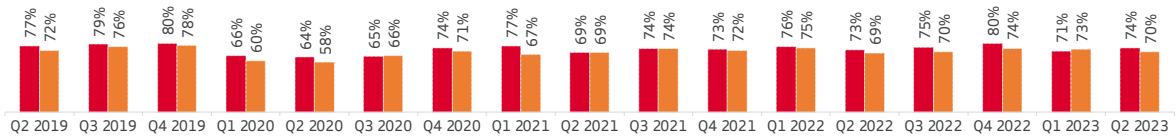
## Buy or rent property (buy score)

— Inland — Coastal



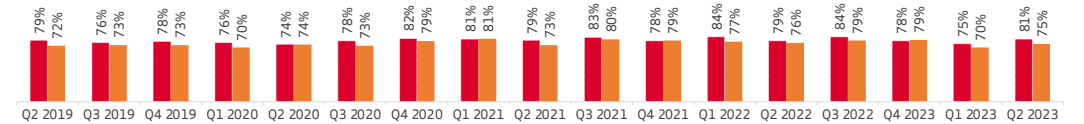
## Renovate or make alterations

— Inland — Coastal



## Confidence in the property market

— Inland — Coastal





# Inland and coastal

## Buy property

Sentiment to buy property improved slightly by 2pp inland but declined by 9pp in the coastal region. Leading drivers for the low sentiment in both regions remain high interest rates, cost of living and the economy not performing well.

## Sell Property

Sentiment to sell property is down 4pp to 39% in Q2 2023 from 43% in Q1 2023 in the coastal region but improved slightly by 2pp inland to 45% in Q2 2023. A leading driver for sentiment in both regions is still that the economy is not performing well. Sentiment reflecting that you can get a good price for your property increased slightly, while sentiment that if you can no longer afford the property, then you should rather sell, increased.

## Invest in Property

Sentiment to invest in property increased 6pp inland and declined 1pp in the coastal region. Respondents in both regions are more confident that there will be a high demand for property in the future and respondents are slightly more positive that you will be able to make a good return. Negative factors such as the economy in general, rand weakness and prices are still too high seems to remain.

## Buy rather than rent property

Sentiment to buy rather than rent property is down 6pp coastal but up 6pp in the inland region. A higher percentage of respondents overall believe it is better to own than rent in the current market, but negative drivers such as the ability to afford property right now and job security/risk of unemployment remain.

## Renovate or make alteration

Sentiment in property renovations is up 3pp inland and down 3pp in the coastal regions. Overall, there is an increase in the sentiment that renovating will bring better returns when selling. Respondents with a negative sentiment towards making renovations or altering their property, discouraged by the high cost of materials declined slightly but affordability and current economic conditions, remain. Many also feel that their properties are still in a good condition.

## Confidence in the property Market

Overall confidence in the future of the property market however increased by 6pp inland from 75% in Q1 2023 to 81% in Q2 2023 and 5pp from 70% in Q1 2023 to 75% in Q2 2023 in the coastal regions. Respondents overall were more positive that property remains a secure asset, will increase in value and creates a long-term income. Concerns about the economy, job security and current cost of buying property remain.



# Absa Homeowner Sentiment Index

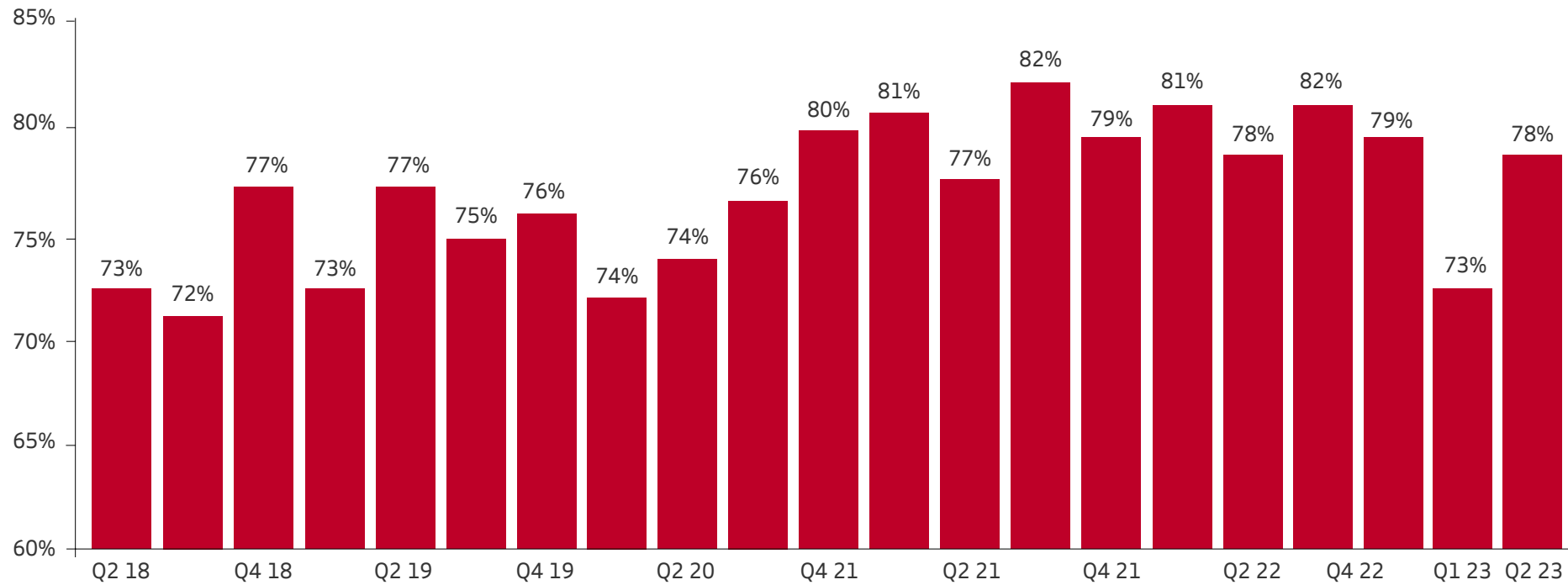
% of respondents nationally with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
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%
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%	61%	73%	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
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%



# 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
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	78%	33%	78%	66%	81%	85%
Q2 2021	76%	26%	71%	65%	76%	73%
Q3 2021	82%	36%	78%	73%	86%	80%
Q4 2021	76%	44%	77%	70%	77%	82%
Q1 2022	76%	47%	74%	74%	79%	76%
Q2 2022	70%	48%	75%	71%	71%	79%
Q3 2022	75%	46%	76%	71%	76%	82%
Q4 2022	67%	58%	73%	75%	71%	76%
Q1 2023	60%	39%	66%	73%	64%	70%
Q2 2023	50%	41%	60%	63%	52%	64%



# 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
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%
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	69%	59%	76%	73%	72%	81%
Q1 2023	65%	51%	71%	73%	63%	71%
Q2 2023	56%	39%	71%	72%	61%	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	
	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal	Inland	Coastal
<b>Buying property</b>	77%	72%	82%	80%	77%	75%	79%	74%	71%	68%	77%	69%	67%	69%	59%	63%	62%	54%
<b>Selling property</b>	35%	35%	38%	41%	39%	46%	43%	45%	40%	45%	46%	42%	48%	57%	43%	43%	45%	39%
<b>Investing in property</b>	75%	74%	83%	80%	80%	78%	81%	75%	79%	76%	82%	74%	79%	77%	70%	69%	76%	68%
<b>Renovating property</b>	69%	69%	74%	74%	73%	72%	76%	75%	75%	70%	75%	70%	80%	74%	71%	73%	74%	70%
<b>Buy rather than rent</b>	78%	76%	82%	84%	79%	76%	79%	80%	73%	69%	77%	74%	70%	73%	58%	64%	64%	58%
<b>Overall sentiment</b>	79%	73%	83%	80%	78%	79%	84%	77%	79%	76%	84%	79%	78%	79%	75%	70%	81%	75%

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

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



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