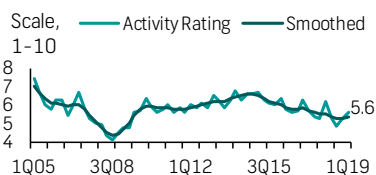




FNB Estate Agents Survey

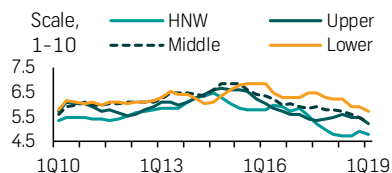
5.6 Market Activity **15.3** Weeks on market **10** Serious viewers **9.4** % drop in asking price

Figure 1: Market Activity Rating



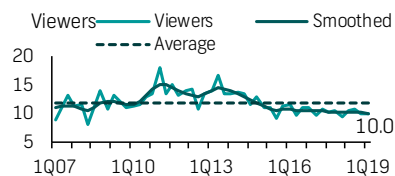
Source: FNB Estate Agents Survey

Figure 2: Activity Rating by Income area (4qma)



Source: FNB Estate Agents Survey

Figure 3: Serious viewers per show house prior to sale



Source: FNB Estate Agents Survey

Agents' perceptions reveal a stabilising market

The FNB Estate Agents Survey results for 1Q19 shed some light on the current market activity and sentiment on the ground. We summarise some of the key takeaways below.

Market activity

Estate agents did not perceive further slowing in housing demand in the first quarter of 2019. Their average estimate for “serious viewers per show house prior to sale” was 9.97 viewers per show house, virtually the same as the estimate of the prior quarter. This, however, still languishes behind the historical average of 11.95 viewers since 4Q06.

In addition, agents did not perceive a further weakening in the balance between demand and supply in the first-quarter survey. The average time of homes on the market moved sideways at 15 weeks and 3 days from 15 weeks and 6 days in 4Q18, putting a break on a broadly rising trend since the end of 2015. This is significantly lower than the most recent peak of 17 weeks and 6 days in 3Q18. Notwithstanding, this suggests that current demand levels are still insufficient to mop up available supply of housing stock on the market, when compared to the long-term average of 13 weeks and 4 days (since inception of the survey question in 4Q04).

The view of a persistent supply-demand imbalance (in favour of buyers) was supported by a marginal rise in the percentage of sellers having to drop their asking price to strike a deal. Such sales accounted for 95.3% of all sales, up from 94.3% in 4Q18. The average price drop, however, appears to have stabilised around -9.4%, virtually unchanged from the previous quarter and still above the historical average of -9.0% since 2010. This imbalance is more pronounced in the coastal areas and in the high-net-worth segments (properties valued at R3.6 million or more), with an estimated 97.3% and 100% of properties selling at below asking price, respectively.

Nevertheless, agents perceived market activity to have picked up in first quarter of 2019, the second successive quarter of improvement. The agents' Residential Activity rating (scale of 1 to 10) registered 5.85 from 5.27 at the end of 2018, consistent with a slight reduction in the time that a property is on the market.

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Reasons for selling

Estate agents perceive “Downscaling because of life stage” as still the most prominent reason for selling a property in SA, with such sales accounting for 23% of all sales, flat from the previous quarter. Furthermore, emigration-driven sales are gradually increasing, accounting for 14.2% of all sales, up from 10% in 4Q18. In fact such sales, according to estate agents, have doubled in the past two years and are, as expected, more prominent in the coastal areas and in upmarket segments. On a slightly positive note, although downscaling due to financial pressure has become increasingly prominent in the past year, the estimated proportion of such sales eased to 15.9% in 1Q19, from 19% in 4Q18.

Of those who sell due to financial pressure, an estimated half opt for the rental market, and the other half opts for a cheaper property. The proportion of those who opt for rentals has, over the past year, been rising, only retreating in 1Q19 at approximately 49.01% from 68.01% in 4Q18. However, these trends do not appear to have benefited the rental market, as vacancies are reported to be increasing and rental inflation continues to languish below inflation. One explanation could be that households are consolidating in the rental market, opting for shared space.

Related to this, the survey shows that, although not a dominant trend yet, there is a rising trend of communal living property purchases (we define this as people buying property jointly with friends or other extended family members with a view to living together to share expenses/repayments). The 1Q19 results show that 15.9% of respondent agents are seeing this trend increasing in their respective markets, up from 12.7% in 4Q18. This consumer behaviour is not surprising when viewed in the context of housing expenses outpacing wage growth, and consistent with other manifestations of consumer pressures in adjacent markets, such as the passenger car market wherein total volumes are declining but the proportion of SUVs (family-oriented cars) is rising.

Bottom line

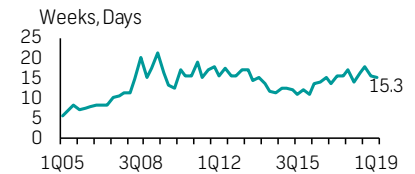
The FNB Estate Agents Survey reveals that supply-demand imbalances are still prevalent in the South African housing market, although they were not perceived to have worsened in the first three months of 2019. More positively, there are more optimistic agents than there are pessimistic about near-term market prospects. Meaningful near-term recovery will pivot on improvement in economic conditions and a turnaround in the current consumer pessimism.

Table 1: Reasons for selling – 1Q19

Reasons for selling (As % of Total Sales)	SA	HNW	Upper	Middle	Lower
Downscaling due to financial pressure	15.9	13.3	11.8	16.5	19.0
Downscaling with life stage	23.0	27.2	25.7	21.8	20.2
Emigrating	14.2	18.1	15.5	14.7	10.6
Relocating within SA	7.8	7.7	8.9	8.3	6.9
Upgrading	9.1	5.4	10.3	9.2	10.9
Moving for safety and security reasons	10.2	8.7	10.8	9.6	11.5
Change in family structure	12.2	13.6	10.4	12.8	11.7
Moving to be closer to work or amenities	7.5	6.1	6.8	7.2	9.2

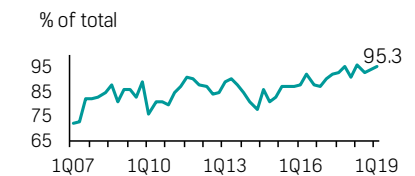
Source: FNB Estate Agents Survey

Figure 4: Time on market



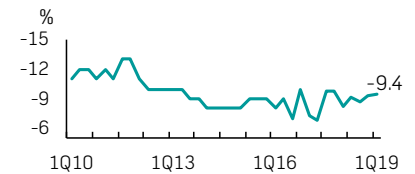
Source: FNB Estate Agents Survey

Figure 5: Sales below asking price



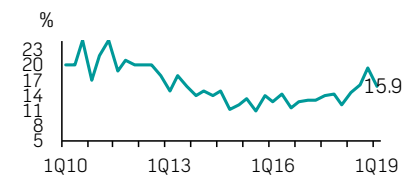
Source: FNB Estate Agents Survey

Figure 6: % drop in asking price



Source: FNB Estate Agents Survey

Figure 7: Downscaling due to financial pressure



Source: FNB Estate Agents Survey

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