

# Property Insights



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### 3rd Quarter 2019 FNB Property Broker Survey – Commercial Property Broker Survey Respondents perceive financial pressure to be the strongest driver of owner-serviced commercial property sales and movement in recent times.

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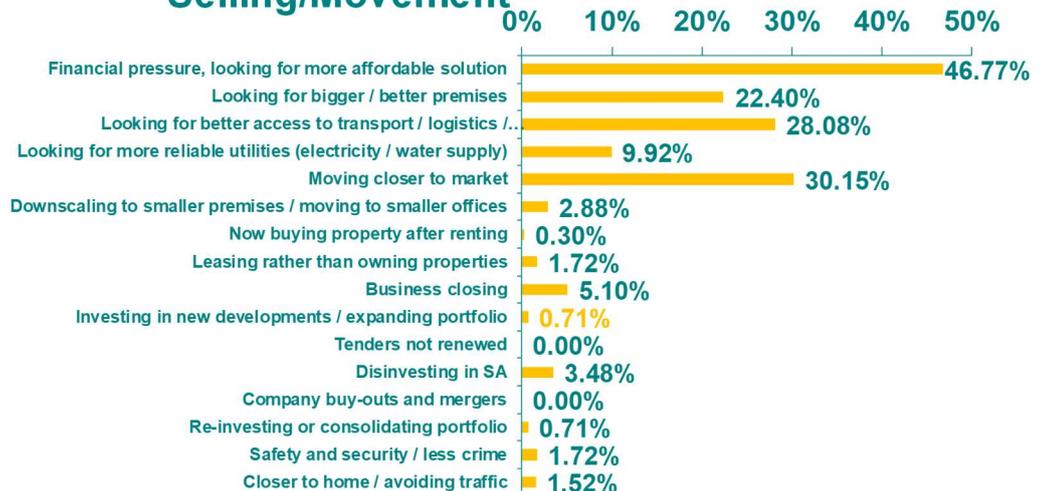
In this note, we continue with the 3<sup>rd</sup> quarter 2019 results of our FNB Commercial Property Broker Survey, which surveys a sample of commercial property brokers in and around the 6 major metros of South Africa, namely, City of Joburg and Ekurhuleni (Greater Johannesburg), Tshwane, Ethekewini, City of Cape Town and Nelson Mandela Bay.

Focusing on the key drivers of movement and sales activity in owner-serviced properties, the survey results show financial pressure to be the biggest single driver, and this factor has become even more prominent in the 3<sup>rd</sup> quarter of 2019 survey.

We don't have a significant history yet to see what a "good" level of financial pressure-related selling is and what a "bad" level is, but the recent level appears significant.

We ask respondents to give us their perception of the major drivers of "movement and sales activity" in the Owner-Serviced segment. They estimate the percentage of movement and sales that they believe would take place for a particular reason, but the total percentage of all the reasons can add up to far more than 100%, because businesses can be perceived to be selling or relocating for more than 1 reason. It isn't an exact science, therefore, but gives a broad picture, and what comes out of it is that the highest percentage of owner occupiers are perceived to be selling or relocating due to financial constraints/pressures, i.e. 46.77% in the 3<sup>rd</sup> quarter of 2019.

### Factors driving Owner Occupiers Movement and Sales - As % of Total Selling/Movement



This would appear to be very significant, and is followed by “relocating to be closer to the business’ particular market” (30.15%), “to a place with better transport, logistics and commuter nodes” (28.08%), and “looking for bigger or better premises” (22.4%).

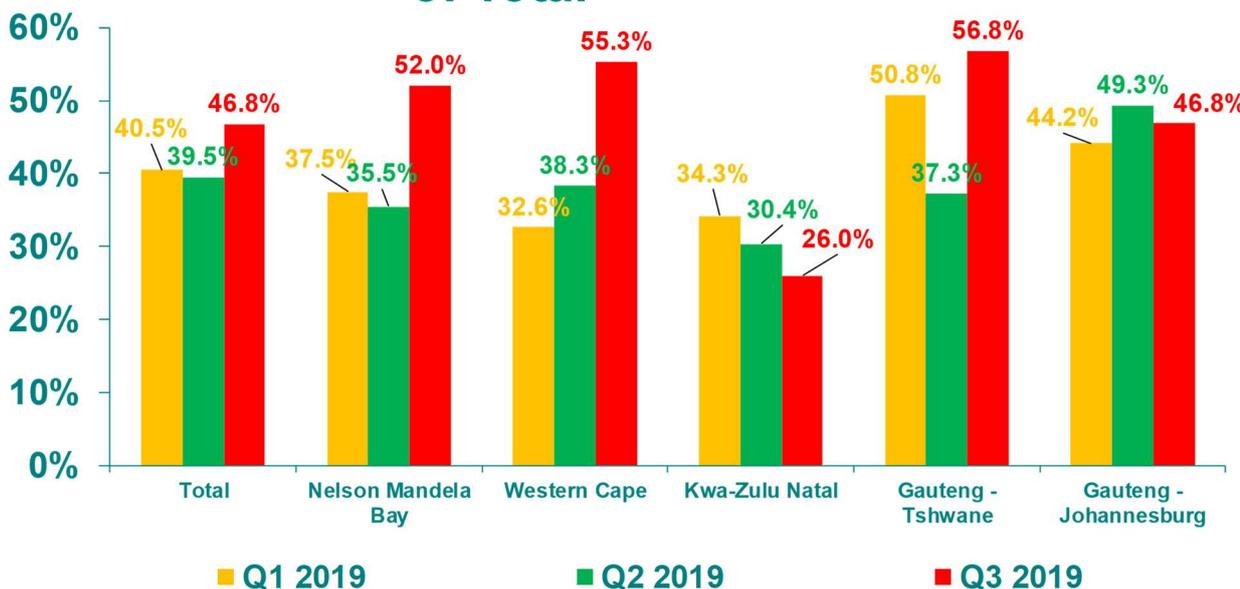
What is also noteworthy is that the 3<sup>rd</sup> quarter survey percentage for the financial pressure-related selling/relocation driver has increased from 39.5% in the 2<sup>nd</sup> quarter to that estimate of 46.8%, further indication of deterioration in the financial situation of business as a whole in this stagnating economy.

Examining where, by region, the greatest level of financial pressure-related selling or relocation is perceived to be, it turns out to be Tshwane, with 56.8% of sellers, but with Cape Town (55.3%), Nelson Mandela Bay (52%) and Greater Joburg (46.8%) not far behind. However, Ethekewini metro’s respondents perceive that metro to have a far lower level of financial pressure-related property movement and sales in the Owner Serviced Market, i.e. 26%.

These high perceived percentages of financial pressure-related sales and movement in the Owner-Serviced Property Market, along with the 3<sup>rd</sup> quarter increase, appear to tie in with other key economic data releases, most notably accelerating growth in liquidations numbers, with the average year-on-year growth rate for total liquidations for the 2<sup>nd</sup> quarter and 3<sup>rd</sup> quarter to date (up to August data available) measuring 22.4%. They also make the weak levels of business confidence easier to understand, with the 3<sup>rd</sup> quarter RMB-BER Business Confidence Index having dropped to a low last seen around 1998.

KZN appears to be an interesting exception, though. Its low level estimate for financial pressure related movement and sales ties in with brokers in that region also perceiving it to have the strongest commercial property markets of the major metros.

## Financial Pressure-Related Owner Serviced Movement/Sales Activity - As % of Total



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