Property Insights

4th Quarter 2020 FNB Property Broker Survey – Commercial Property Broker Survey Respondents continue to perceive "high and rising" levels of financial pressure-related selling in the Owner-Serviced Commercial Property Sector.

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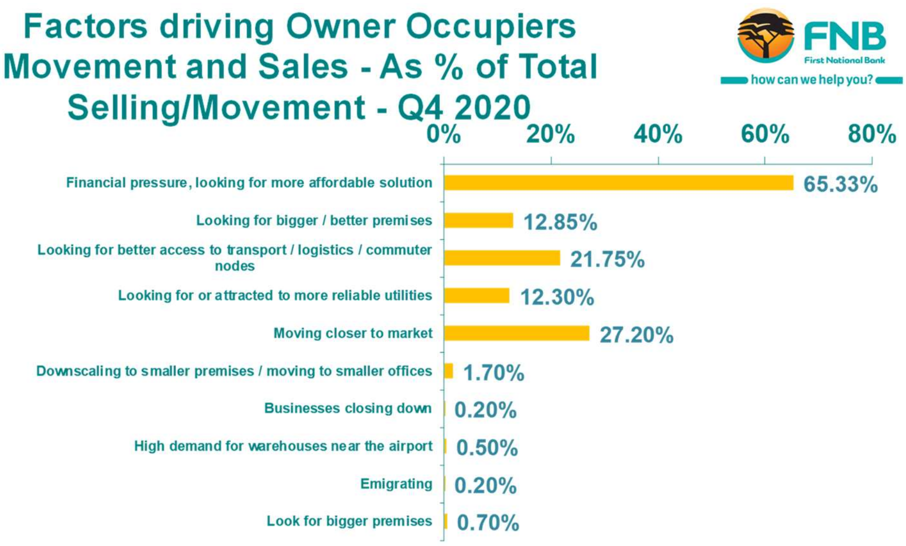
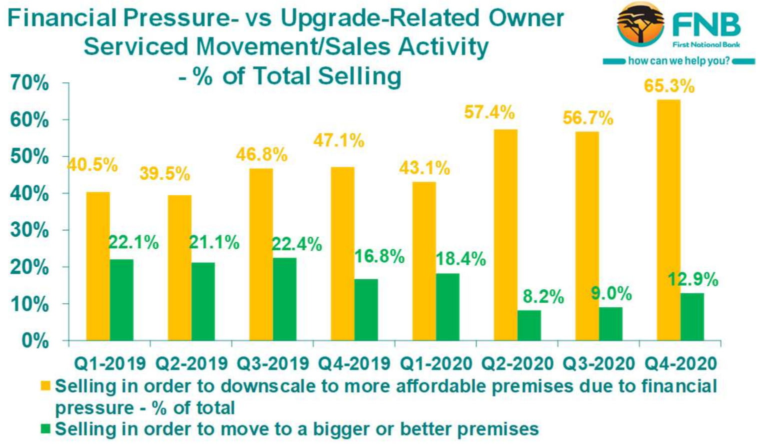
In this note, we continue with the 4th quarter 2020 results of our FNB Commercial Property Broker Survey, which surveys a sample of commercial property brokers in the 6 major metros of South Africa, ie. City of Joburg and Ekurhuleni (Greater Johannesburg), Tshwane, Ethekwini, City of Cape Town and Nelson Mandela Bay.

Focusing on the key drivers of movement and sales activity in owner-serviced properties, the survey results show financial pressure to still be by far the biggest single driver. This factor became noticeably more prominent in the 2nd quarter 2020 survey as COVID-19 lockdowns hit, and has remained "elevated and rising" in the 4th quarter survey.

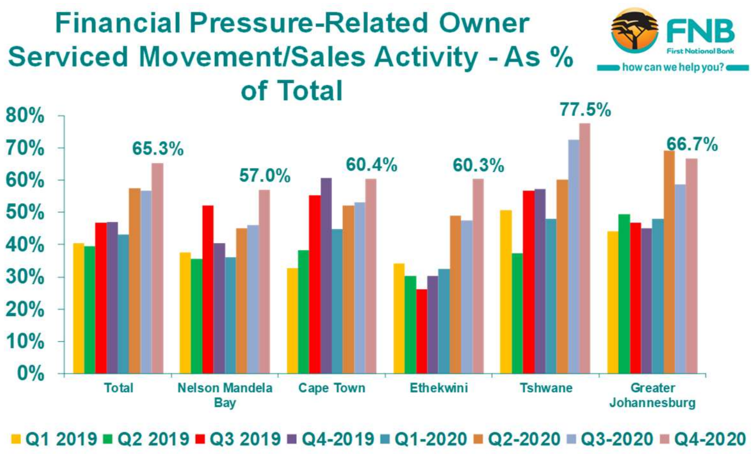
We ask respondents for their perception of the major drivers of "movement and sales activity" in the Owner-Serviced Property segment. They estimate the percentage of movement and sales that they believe would take place for a particular reason. The total percentage of all the reasons can add up to more than 100%, because businesses can 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 by far the highest percentage of owner occupiers are perceived to be selling or relocating influenced by financial constraints/pressures, i.e. 65.33% in the 4th quarter 2020 survey. This is a further rise from the 3rd quarter's 56.7%, as well as about 22 percentage points higher than the 43.1% recorded in the 1st quarter of 2020.



This most recent level would appear to be very significant, with the 2 other significant motives being "relocating to be closer to the business' particular market (27.2%), and "looking for a location with better access to transport, logistics and commuter nodes" (21.75%).



However, sales and relocation for "bigger and better premises" remain at a lowly 12.9% in the 4th quarter survey. This is mildly higher than the 9% of the prior quarter, but it remains far below the 22.4% estimate from the 3rd quarter of 2019. This percentage declined in prominence as economic and financial times toughened already prior to COVID-19 lockdown, but then declined far more noticeably in the 2nd quarter of 2020 as lockdown caused the recession to go far deeper. The 4th quarter mild increase is perhaps reflective of economic and property market trading activity largely normalizing following the 2nd quarter hard lockdown, but with financial constraints still containing it to relatively low levels.



Examining where, by region, the greatest level of financial pressure-related selling or relocation is perceived to be, it turns out to be the Gauteng regions, as was the case in the previous quarter, Tshwane being the highest at 77.5% of sellers, followed by Greater Johannesburg with 66.7%.

The 3 coastal metros appear better by comparison, Cape Town recording 60.4% of sellers perceived to be selling for financial pressure-related reasons, Ethekwini 60.3% and Nelson Mandela Bay 57%. However, all 5 regions' percentages remain elevated compared to just prior to lockdown, and all 5 rose in the 4th quarter of 2020.

Conclusion

The 4th quarter broker survey points to financial pressure amongst property owner-occupiers remaining "elevated" even after lockdown has been eased, following the hard lockdown of the 2nd quarter of 2020. The estimated percentage of sellers selling in order to downscale due to financial pressure remains relatively high compared to the pre-lockdown surveys, and still rising. The percentage believed to be selling in order to upgrade to a better property remains very low compared to pre-lockdown surveys, although it has risen mildly since the 2nd "hard lockdown" quarter. This is perhaps reflective of economic and property market activity having largely normalised post-lockdown, but with financial constraints still being high.

The latest survey results point to lagged economic and financial impacts of COVID-19 lockdown period persisting, as they are expected to do for a lengthy period of time.

They add support to the view that "full" post-lockdown economic recovery will be slow.

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