



Thursday 18 February 2021

Figure 1: Change in the value of total building plans passed, completed in South Africa – constant prices (y/y %)

	December 2020	2020
<b>Total building plans passed</b>	<b>-4.4</b>	<b>-34.5</b>
Residential	36.4	-33.0
Non-residential	-58.1	-39.1
Additions and alterations	-4.5	-33.7
<b>Total completed buildings</b>	<b>-11.5</b>	<b>-46.7</b>
Residential	4.6	-53.1
Non-residential	-32.1	-43.8
Additions and alterations	-17.9	-26.6

Source: Stats SA, Investec

- Total building completions measured in real terms plunged by a marked -46.7% y/y in 2020, as the economic effects of the COVID-19 pandemic took hold. Additionally, pipeline activity remains lacklustre, with plans passed down -34.5% from 2019's figure of R89.6billion.
- Encouragingly however, demand within the residential segment of the market has steadily picked up from lows experienced in Q2.20. Specifically, residential building plans approved grew by 36.4% y/y and 15.7% y/y in December and November, respectively.
- This is consistent with the BER's Q4.20 building survey which saw confidence amongst players in the residential sector climb notably. "The higher confidence was supported by a marked improvement in activity and profitability," according to the BER. Indeed, "the rating of insufficient demand for new building work (a proxy for order books) as a constraint on business operations further declined to 74% in 2020Q4, from 82% in the previous quarter." The historically low interest rate environment, competitive house prices, pent up demand, and a move to a remote working lifestyle for many (which has increased the need for a more comfortable work from home setting), has aided buying activity.
- Conversely, non-residential builder confidence slid by three index points to 12 in the fourth quarter of 2020, "underpinned by a further deterioration in building activity growth, according to the BER.
- Non-residential building completions fell by a further -32.1% y/y in December, following a decline of -64.5% y/y in November. Similarly, building plans passed, which is an indication of future activity fell by -58.1% y/y in December.
- According to a report published by the SA Property Owners Association (SAPOA), the overall office vacancy rate was at 13.3% in Q4.20, the highest level since 2004 and the "fact that South Africa entered the covid era with an oversupply of office space further exacerbates the situation."
- While expectations of a pick-up in confidence and economic activity this year is anticipated, supported by the vaccine roll-out, risks to the outlook remain.

Figure 2: BER Building Confidence Index



Source: BER, Stats SA



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