

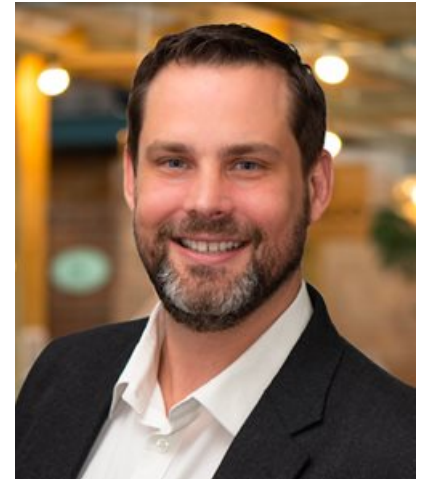
Going off-grid, a necessity not everyone can afford

By [Antonie Goosen](#), issued by [Meridian Realty](#)

5 Apr 2023

In a recent article by the [Daily Investor](#) quoting economist, Dawie Roodt, it was noted that businesses and individuals are becoming more productive and using less electricity when units of electricity consumed in order to produce economic output are compared from 2007 to 2022. In addition, the private sector is slowly increasing their electricity generation capacity mainly through installation and use of solar power. South Africa is at, what I believe, is a tipping point. One where resourceful South Africans are planning to have consistent utility supplies at home or in the office, to remain productive, connected and to run a basic household or office.

Last year, I looked into the question '[Is taking your property off the grid a good investment?](#)' This year, we need to look at the financial implications of this. Transitioning to an off-grid home is costly and electricity and water supply are inextricably linked with pump systems and critical water pipelines being affected by loadshedding. Neither electricity, nor water supply can be viewed in isolation. Securing some alternatives is no longer a nice to have, but a necessity. This will, unfortunately, again make the discrepancy between the haves and have nots more obvious in a country that should be building a solid and sustainable middle class.



Antonie Goosen

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– Antonie Goosen

Despite the Finance Minister, Enoch Godongwana, announcing a rebate of 25% of the cost of solar panels (up to a maximum of R15,000), installations remain expensive. According to the [South African Photovoltaic Industry Association \(SAPVIA\)](#), most average households would need to purchase a 5kW hybrid system with solar panels and an inverter which costs between R95,000 and R200,000. Even R15,000 off this hefty price is beyond the means of many, but this is a positive step by government, even if it is a small step.

My advice is to make your home as energy efficient as possible, within your means and budget. This could mean you will need to:

- Start to buy LED bulbs for the house,
- Shower instead of bath – this saves water and energy,
- Install a gas stove or buy/rent a freestanding one,
- Turn lights and unused appliances off as much as possible,
- Install a gas geyser,
- Consider appliance upgrades to more energy efficient ones (ratings range from A to G),
- Consider smart plugs and associated app.

This will reduce electricity dependence, but also, should you be able to install solar into your home, you will require less kilowatts (kW) and your installation will cost less. South Africans are already on the trajectory of becoming more energy efficient, since as early as 2007.

In addition, water security is becoming a reality as aging infrastructure and electricity outages impact on supply. Installing a water tank is far more affordable than electricity alternatives, with tanks ranging from around R2,500 to R15,000.

We must not look at the reality of utilities in South Africa without looking at the current property market. According to FNB's

Property Barometer released on 14 February, 'Annual growth in the FNB House Price Index moved slightly lower in January, to 2.7% y/y from 2.9% in December. Segmented data shows that the slowdown is broad-based across price segments and major cities.'

Lower pricing is a result of slowing demand due to the high cost of living. The most affected market segment is the lower to mid-priced segment of the market where buying has slowed the most.

With domestic headline inflation expected to fall to 5.8% in 2023 from 6.9% in 2022, according to FNB, households should have a bit of a reprieve. However, FNB expects 'home buying activity to decrease in the coming months as the high cost of living has eroded affordability, making it difficult for buyers to save enough for a down payment' on a home loan.

First time buyers are really feeling the pinch and are finding entering the market very difficult. Thankfully, the announcement during the budget speech that the transfer duty bracket increased by 10%, meant that buyers will not pay transfer duties on properties less than R1.1m. This will assist first time and lower value home buyers. The middle market remains dampened in line with what FNB has highlighted, however increased competition amongst lenders has made buying a home without a deposit more accessible. Even the higher value segment is slowing off the back of two bumper years associated with the semigration movement and low interest rates prior to the interest rate hikes.

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Homes with hybrid electricity solutions (pairing solar with inverters), water storage, boreholes and grey water systems continue to demand higher prices. Eco estates and complexes with solar are sought after with the added benefit of security and alleviating the hassle of maintaining systems from owners. Finally, as interest rates ease and lending is made more accessible, some recovery may be seen, but potential buyers remain cautious. I stand by my opinion that we are in the throws of a global and local energy transition and the fact remains that South Africa is the 30th driest country according to WWF. A phased approach to reducing electricity dependence and conserving water is advised. Be prepared for outages as best you can and know that any improvements to your home will add to the property's value in the medium to long term.

ABOUT THE AUTHOR

Antonie Goosen is principal and owner of Meridian Realty.

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