



HOUSING INDEX



14%

The house price Index growth has shown some recovery, compared to the first few months of the year, growing by 13.0% year on year at the end of May. **The Volume Index, however, continues to show substantial weakening in the market recording a 14.0% decline in growth for the same period.** The decline was specifically exaggerated at the coast recording negative growth of -42.0% y-o-y, and in central area where volume growth also contracted but by 12.0% y-o-y.





HOUSING SEGMENT



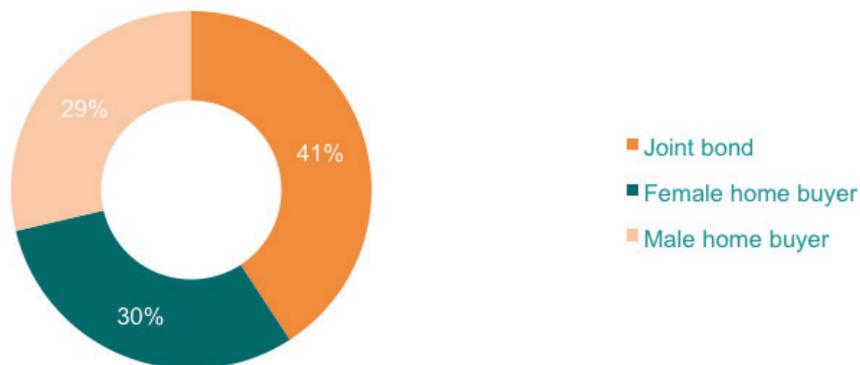
In terms of house segments, the largest decline in volume of transactions emanates from the high-end market (house prices over N\$2.6mn) where growth contracted by 46.0% at the end of May. Prices in this segment, however, haven't declined as one would expect with the extended drop in demand. Although high-end property price growth remain 22.4% higher compared to last year May, we expected lagged response to weakening demand in the segment.



The middle and lower segment continues to enjoy strong price growth recording on average growth of 18.0% at the end of May. Volume growth in these two segments however remains poor, down 8.0% at the end of May. The negative volume growth experienced over the past 6 months across all segments suggests that the future property price growth will reign in to a more palatable 11% growth, but this is based on a rebound in volume growth.

MARKET DEMOGRAPHICS

Home buyer share in the market



41.0% of the property is currently bonded through joint-bond facilities, followed by female house buyers with 31.0% of the market, while male buyers make up the remaining 28.1%. Deeds data reveals that most property is bought by individuals between the age of 30 and 39 years with the most common house buyer being 35 years old. Female buyers seem to be most prevalent between the ages of 22 and 32 while male buyers were more prevalent in the 33 years and older brackets.



GEOGRAPHIC SPLIT

In the central region, prices continue to grow at 14.4% despite volumes declining by 12.0% y-o-y. **Analyzing Windhoek specifically, the median house price is currently N\$1.3mn which is 10.5% higher than average Windhoek house prices in 2015.** High income suburbs have begun to show signs



of decline. In Kleine Kuppe prices have dropped by 1.0%, while Ausblick and Olympia prices have declined by 12.1% and 2.2% respectively. However, low income areas such as Okuryangava, Khomasdal, Katutura and Rocky Crest recorded strong price growth.

At the coast, prices grew by 15.2% as volumes declined by 42.0% year on year. In the high-end of the market, no growth in property prices was recorded across the major towns. Growth however was recorded in property prices in the middle to lower segment of about 5% year on year. **Swakopmund recorded the highest growth in prices (28.2% y-o-y) setting median price at N\$1.2mn at the end of May.** In Walvis Bay, prices grew by 6.2% setting the median price of a bonded house in that area at N\$800k.



N\$1.2mn

Northern towns continue to grow favorably. Volumes increased by 23.0% at the end of May while prices increased by 14.1% to the new median price of N\$605k. Katima Mulilo and Ongwediva drove the volume growth. In terms of prices, the respective towns grew by 30.1% and 17.3% at the end of May. Prices in Oshakati were down 21.5% while in Otjiwarongo, prices were down 22.8%. The decline in price growth is potentially seasonal, rather than an indication of a slowing market as average growth (in prices) in these areas for the year remains well above 10%.

CONCLUSION

Several dynamics are currently working simultaneously in the housing market. Other than the substantial drop in transactions at the high-end, and lower than expected activity at the coast, market prices seem to be slowing down in tandem with the rest of the economy, which decelerated to 3.5% growth in the first quarter. After disposable income barely grew last year and two quick interest rate hikes this year, spending power has been eroded and **therefore**

we expect house prices to decelerate to 11% growth by year end. The higher end of the property ladder is expected to feel the brunt of this deceleration. Under these conditions, we expect a certain degree of downsizing, whereby property prices in the upper price segments decelerate and prices in the middle to lower price segment accelerate as we witnessed during the financial crisis of 2009. The anticipated increase in mass houses will provide additional downward pressure to property prices.

