



HOUSING INDEX

Third Quarter 2016



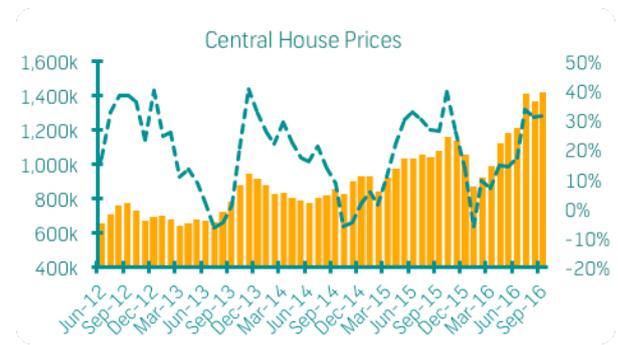
Property prices rebound in the 3Q2016 as the FNB National Price Index recorded a 27% increase compared to 3Q2015. The growth was fuelled by central and coastal price inflation as is seasonally expected during the third quarter. The movements were largely driven by higher prices in the upper segment (approximately 34% higher across the two regions) and faster than expected price inflation in the lower-end (approximately 23% higher across the two regions). The Volume index remained in negative territory for the 10th consecutive quarter printing -17% in 3Q2016, as transaction demand staggered across the regions. The narrative remains the same as the poor volume growth remains consistent with the weakening economy.



At the end of the third quarter the median price printed at N\$900, 13% higher than prices last year. Notably, the highest median prices recorded emanated from Henties Bay, Swakopmund and Windhoek which currently stand at N\$1.2mn for the coastal towns and N\$1.4mn for Windhoek.

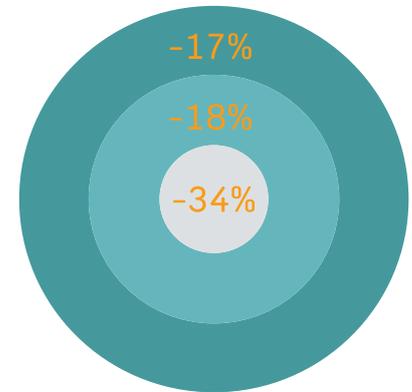
CENTRAL PROPERTIES OUTPERFORM THE MARKET

Prices in central Namibia continue to outperform the market with growth edging to 32% in 3Q2016, slightly higher than the 27% growth recorded in 3Q2015. Volume growth remained in negative territory at -16% quarter on quarter (q-o-q) spurred by the decline in transactions in Windhoek. Across the city, volumes are down 30%. Specifically, volumes in Wanaheda are down 33%, 31% in Rocky Crest, and 66% in Otjomuise. Finkenstein has had the fastest volume growth for the quarter growing as demand doubled at the end of September.



Volumes dipped across all price segments during the quarter. In the small, medium and large segment volumes recorded were -17%, -18% and -34% respectively, compared to the same quarter in 2015. Price growth however, remained robust especially in the large segment where prices accelerated to 33% q-o-q.

Prices in the small and medium segment grew rapidly by 29% and 24% respectively, on a quarterly basis. In terms of the respective towns, median price in Okahandja stands at N\$1.1mn while in Windhoek median prices edged to N\$1.5mn.



COASTAL PROPERTY – VOLUMES REMAIN POOR

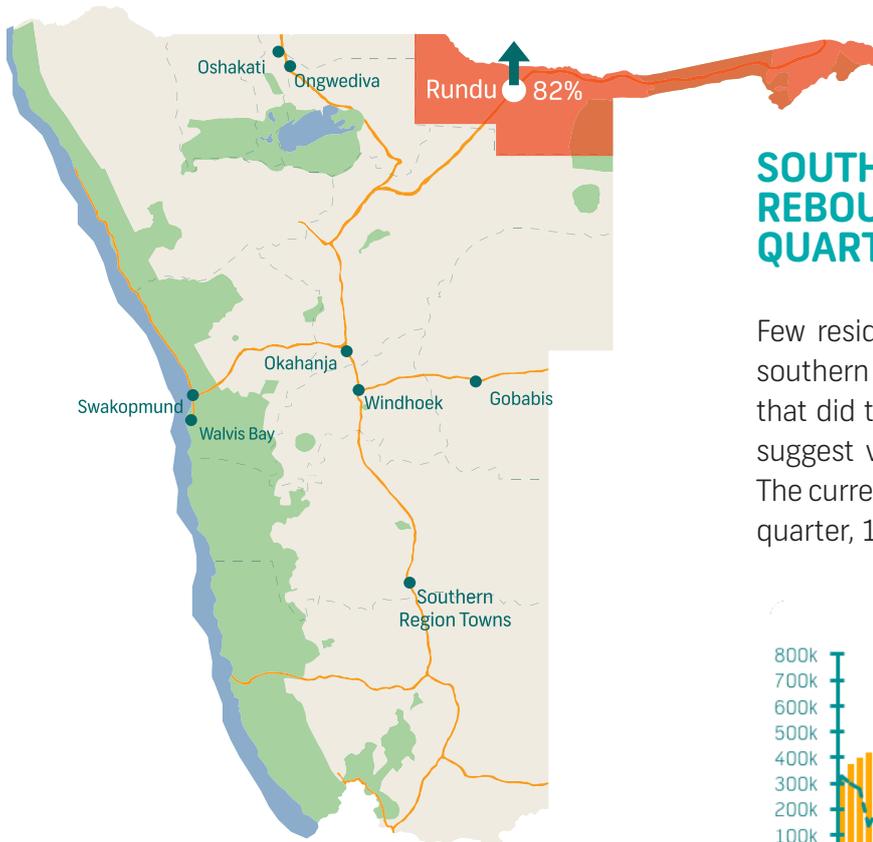
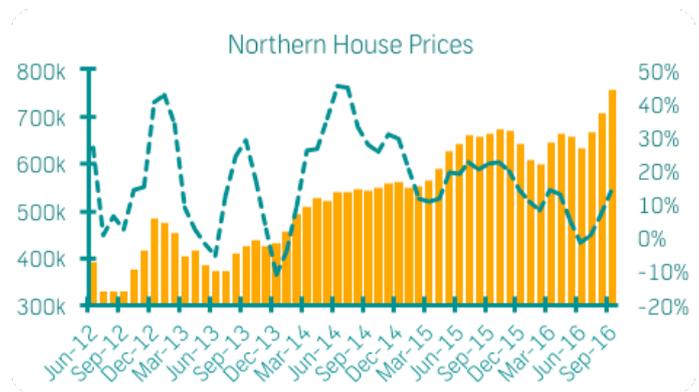
Volumes at the coast contracted by 46% as demand weakened across all segments. Volume growth at Henties Bay slumped lower to -22% while in Swakopmund and Walvis Bay volumes growth declined to -53% q-o-q. Median prices averaged N\$1.2mn in Swakopmund, N\$1mn in Walvis Bay, and N\$1.1mn in Henties Bay during the third quarter after very high price growth in the major towns. Prices increased by 16% at Henties Bay and 34% in Walvis Bay and Swakopmund.





NORTHERN PROPERTY PRICES CONTINUE TO TRACK INFLATION

Prices up north grew by 7% at the end of the second quarter, a lower growth rate as compared to 3Q2015 which stood at 22%. Volumes grew by 10% q-o-q, a comfortable growth rate, considering declining volumes in both central and coastal towns. Volumes in the region were supported by increased activity in Ongwediva with volumes doubling since last year. Property appetite also increased in Rundu by 82% q-o-q as the area becomes a hotspot for development. The median price has doubled in areas like Rundu, Tsumeb and Otjiwarongo. Grootfontein and Eenhana have both experienced price growth of 47% and 27% since 3Q2015.



SOUTHERN PROPERTIES – REBOUND DURING THE THIRD QUARTER

Few residential properties changed hands in the southern parts of the country. However, the few that did trade during the third quarter of the year suggest volume growth declining by 67% q-o-q. The current median price stands at N\$640k for the quarter, 16% higher than house prices last year.





KNIGHT FRANK GLOBAL HOUSE PRICE INDEX

The property market continues to recover at moderate pace as sentiment about buying improves and as the global economy turns. The latest Knight Frank Global index advanced 4% year on year (y-o-y) supported mainly by the spill over effects of quantitative easing and low interest rates which have pushed asset prices higher. The current momentum is expected to continue into 2017 despite the political uncertainties of Trumpenomics and fallout from Brexit.

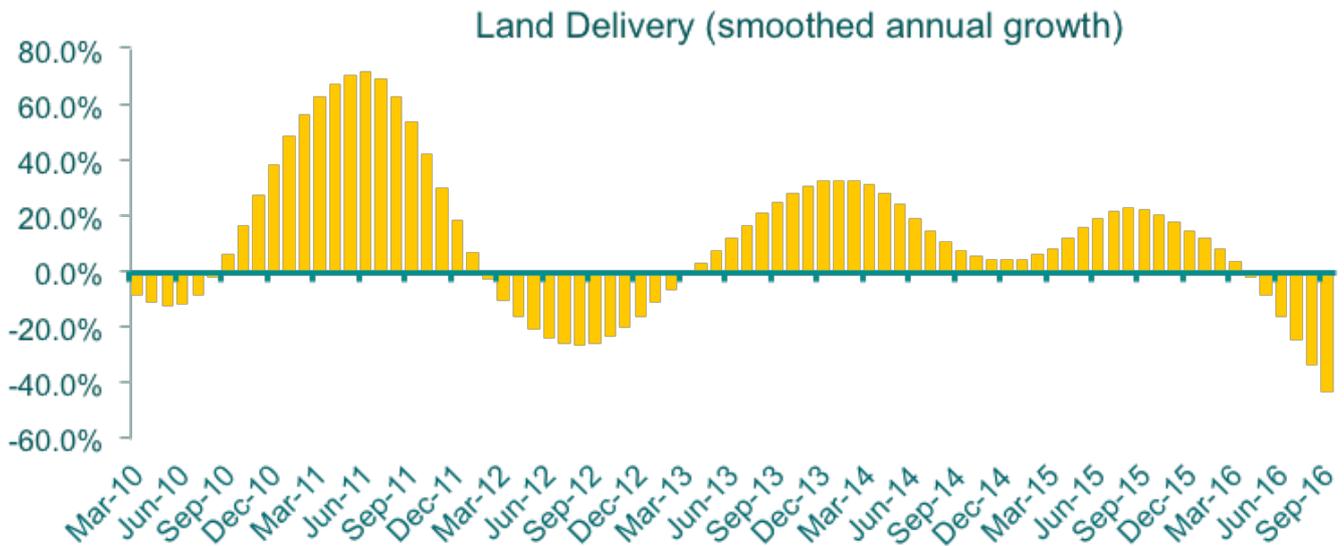
Consistent with previous quarters, Turkey, New Zealand, and Canada all grew by over 10% y-o-y while the bottom feeders, Taiwan, Ukraine and Hong Kong, remained in a deflationary environment. The latest report, which covers Q2 performance, would have ranked Namibia as the country with the second fastest growing property prices, after Turkey.

Rank	Country	12-month	6-month	3-month	Rank	Country	12-month	6-month	3-month
1	Turkey	13.90%	6.30%	3.80%	29	Bulgaria	4.60%	4.10%	1.00%
2	New Zealand	11.20%	2.20%	2.90%	30	Czech republic	4.50%	2.10%	1.00%
3	Canada	10.00%	6.80%	5.40%	31	Denmark	3.50%	0.70%	0.50%
4	Chile	9.40%	5.70%	4.80%	32	Belgium	3.50%	-0.40%	-0.60%
5	Sweden	8.90%	2.50%	2.20%	33	Portugal	3.40%	1.40%	1.60%
6	Malta	8.80%	1.20%	-1.10%	34	Indonesia	3.40%	1.60%	0.60%
7	Austria	8.10%	6.50%	3.40%	35	Romania	2.70%	5.10%	3.20%
8	Iceland	8.10%	3.90%	1.90%	36	South Korea	2.70%	0.40%	0.20%
9	Mexico	8.00%	4.90%	2.10%	37	Russia	2.60%	3.90%	-0.20%
10	Germany	7.90%	5.90%	3.60%	38	Spain	2.40%	1.10%	0.20%
11	Israel	7.80%	4.70%	2.20%	39	Estonia	1.60%	2.30%	2.00%
12	Malaysia	7.20%	3.10%	0.50%	40	Finland	1.50%	1.20%	1.10%
13	Jersey	7.00%	3.20%	4.30%	41	Switzerland	1.20%	0.40%	0.30%
14	Lithuania	6.90%	9.70%	0.70%	42	Slovenia	1.00%	2.10%	3.30%
15	Colombia	6.80%	3.90%	2.30%	43	France	0.30%	-1.30%	-0.40%
16	Australia	6.80%	0.00%	-0.20%	44	Croatia	0.20%	1.30%	1.20%
17	Ireland	6.60%	0.30%	0.50%	45	Poland	-0.10%	3.50%	-2.70%
18	Luxembourg	6.30%	5.40%	2.10%	46	Japan	-0.30%	-0.20%	0.00%
19	Latvia	6.20%	4.60%	1.80%	47	Brazil	-0.70%	-0.30%	-0.10%
20	China	5.90%	4.60%	2.90%	48	Italy	-1.20%	-1.40%	-0.40%
21	Norway	5.50%	8.00%	4.10%	49	Cyprus	-1.60%	-0.80%	-0.80%
22	India	5.20%	2.30%	0.70%	50	Singapore	-2.40%	-0.70%	-0.10%
23	Hungary	5.20%	6.20%	3.10%	51	Greece	-2.90%	-0.70%	-0.70%
24	United Kingdom	5.20%	2.50%	0.90%	52	Morocco	-3.60%	0.50%	-0.60%
25	United States	5.10%	4.00%	3.10%	53	Hong Kong	-8.10%	-6.30%	0.10%
26	South Africa	4.80%	1.90%	0.40%	54	Ukraine	-9.20%	-5.10%	-2.30%
27	Slovakia	4.70%	3.80%	3.30%	55	Taiwan	-9.40%	-4.40%	-2.20%
28	Netherlands	4.60%	3.10%	1.20%					

Source: Global Knight Frank Index



LAND DELIVERY RECOVERS



During the third quarter, land delivery took a downturn as less stands were availed to the market as compared to last year. The dip was felt across all the regions, declining by 34% quarter on quarter. The freeze on government expenditure, coupled with other restrictions to develop, such as water constraints, could have led to slower market delivery.

CONCLUSION

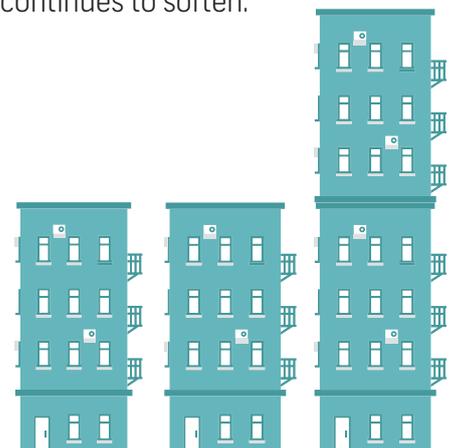
We remain cautiously bearish about the property market, despite the price recovery during the third quarter. The limited supply around stand-alone units has kept the prices elevated across most regions despite demand waning. We anticipate further weakness in demand in central Namibia, but improvements across the northern and coastal towns.

Fundamentally, the consumer's prospects remain daunting as they wrestle with higher inflationary environment and a rising interest rate cycle.

Wage growth remains low as business tries to contain costs within constrained economic backdrop. Most developers in the central area have stated weaker demand caused by both tighter credit control conditions from financiers and a cautious view from consumers.

In the affordable income space, where demand is slated to be the highest, securing financing for the alternative building methods is pivotal in ensuring absorption into the property market. These structures, once accredited for durability and tested for structural integrity, will add substantial supply to the market and would potentially cause prices to deflate further.

Looking forward, we estimate house price growth will taper down to 10% at the end of 2016 with potential upper bound at 13%. The 12 month cumulative growth in volumes remains negative at -20% which poses downside risks to overall market demand which continues to soften.





Below are the annual median house prices for the major towns in Namibia. The change in prices has been compared for the past 5 and 3 years. The year to date (YTD) value has been inserted to give a possible indication for 2016 numbers.

Town	Year						Relative Change			
	2010	2011	2012	2013	2014	2015YTD	5 Years	3 Years	1 Year	
Arandis	300,000	300,000	300,000	300,000	505,000	602,000	530,400	76.80%	76.80%	-11.89%
Eenhana	202,162	322,190	388,500	462,000	527,500	600,000	738,700	129.27%	59.89%	23.12%
Gobabis	383,000	481,500	608,500	620,000	630,200	783,500	990,000	105.61%	59.68%	26.36%
Grootfontein	280,000	308,900	500,000	455,000	530,000	597,000	617,250	99.82%	35.66%	3.39%
Henties Bay	563,500	687,500	780,000	837,000	870,000	1,037,445	1,224,000	78.04%	46.24%	17.98%
Katima Mulilo	286,000	275,000	326,350	430,000	528,750	543,000	655,000	138.18%	52.33%	20.63%
Keetmanshoop	334,650	407,000	450,000	421,000	495,000	698,750	611,700	50.29%	45.30%	-12.46%
Luderitz	432,000	280,000	398,500	413,800	397,300	446,990	507,500	81.25%	22.64%	13.54%
Mariental	350,000	400,000	461,200	418,500	550,000	600,000	752,000	88.00%	79.69%	25.33%
Okahandja	355,000	366,900	471,500	543,000	687,000	790,000	929,375	153.30%	71.16%	17.64%
Okahao	262,250	373,200	295,000	412,000	484,000	447,500	542,500	45.36%	31.67%	21.23%
Omaruru	775,000	650,000	650,800	480,000	800,000	737,500	925,000	42.31%	92.71%	25.42%
Omuthiya	349,600	331,500	343,000	402,000	531,500	575,000	624,500	88.39%	55.35%	8.61%
Ondangwa	258,300	373,500	512,350	482,500	570,500	683,805	757,643	102.85%	57.02%	10.80%
Ongwediva	442,500	431,000	505,240	412,000	506,500	720,040	826,800	91.83%	100.68%	14.83%
Oshakati	486,300	475,000	416,000	420,000	964,100	686,000	644,700	35.73%	53.50%	-6.02%
Oshikango	450,000	268,300	421,500	578,000	1,063,000	900,000	425,000	58.40%	-26.47%	-52.78%
Oshikuku	375,000	311,500	363,000	380,000	466,000	550,000	564,000	81.06%	48.42%	2.55%
Otavi	350,000	477,000	475,000	473,700	690,000	475,000	556,900	16.75%	17.56%	17.24%
Otjiwarongo	377,500	447,000	592,500	678,928	735,081	750,000	852,000	90.60%	25.49%	13.60%
Outapi	223,350	296,000	371,000	422,400	530,000	535,000	654,840	121.23%	55.03%	22.40%
Outjo	378,000	400,000	470,000	527,000	613,388	760,000	900,000	125.00%	70.78%	18.42%
Rundu	280,000	320,700	331,000	401,000	553,230	614,800	732,000	128.25%	82.54%	19.06%
Swakopmund	612,000	580,500	700,000	787,500	750,000	875,800	1,190,000	105.00%	51.11%	35.88%
Tsumeb	360,000	470,000	505,550	661,500	722,500	847,500	975,000	107.45%	47.39%	15.04%
Usakos	180,000	206,000	206,000	430,000	423,000	656,500	415,000	101.46%	-3.49%	-36.79%



METHODOLOGY

This report covers the developments in the national housing market, based on bonds registered for natural persons at the Deeds Office. The median is used as the central measure of tendency and has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 (2007 prices) and further mortgage bonds are excluded because they may not reflect the true cost of housing and as such may distort the index. Of course, it must be remembered that this index reflects the median price of properties that were traded over this period. This limitation of not being able to get to average prices about the stock of housing is a perennial challenge for housing indices

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