

# FNB Residential

## Property Report



## Second Quarter 2021

### KEY HIGHLIGHTS

- The House Price Index is up by 9.6% at the end of June 2021 from -1.0% recorded a year ago.
- The national weighted average house price came in much stronger at N\$1 286 908, compared to N\$1 042 852 seen in a prior year.
- Sales of homes between N\$500k and N\$1.5m soared by 17% y/y at the end of June 2021 from a contraction of 15% y/y recorded a year earlier.
- The three-month average house prices within the medium and large housing segments dropped by 0.7% and 4.1% y/y respectively.

REGIONAL SNAPSHOTS (3MA)			
House Prices	Central	N\$1 630 000	29.3% y/y ▲
	Coastal	N\$1 583 000	44.0% y/y ▲
	Northern	N\$876 000	1.0% y/y ▲
	Southern	N\$826 000	5.1% y/y ▲
Land Prices / Square Metre	Central	N\$621	-34.0% y/y ▼
	Coastal	N\$353	-58.6% y/y ▼
	Northern	N\$983	22.6% y/y ▲
	Southern	N\$1040	98.7% y/y ▲

FNB HOUSING SEGMENTS (3MA)			
Small	N\$0.5mn - N\$1.5mn	N\$865 000	7.1% y/y ▲
Medium	N\$1.5mn - N\$3.5mn	N\$2 146 000	-0.7% y/y ▼
Large	N\$3.5mn - N\$6.5mn	N\$4 045 000	-4.1% y/y ▼
Luxury	N\$6.5mn and higher	N\$17 028 000	95.3% y/y ▲

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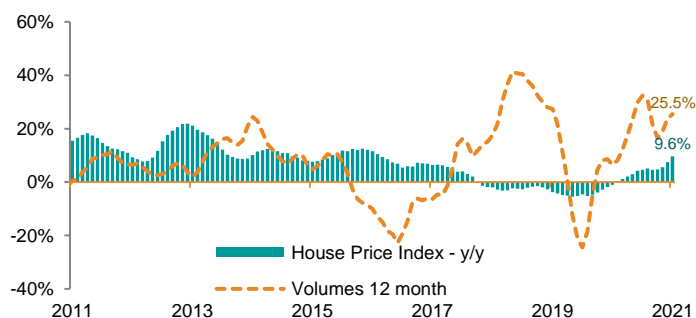
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Figure 1: FNB House Price Index (Prices and Volumes)

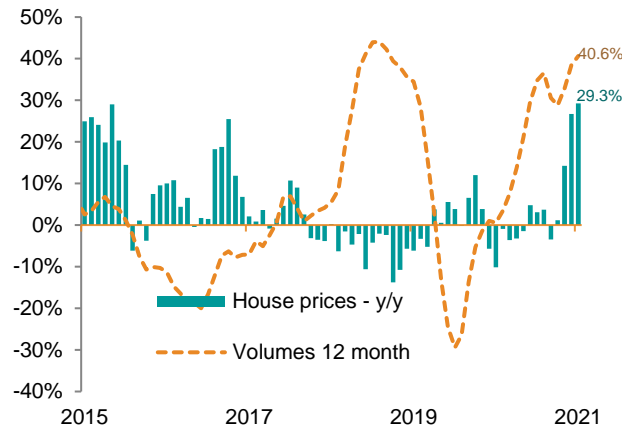


### Rebound in real estate activity points to a buyers' market

Record-low mortgage rates and shortage of inventory are keeping the Namibian housing market strong, with pent-up demand building up in almost every region of the country. **The FNB House Price Index is up by 9.6% y/y at the end of June 2021, following a contraction of 1.0% y/y over the same period in 2020.** Consequently, the national weighted average house price came in much stronger at N\$1 286 908, compared to N\$1 042 852 seen in a prior year. These trends mirror the considerable increase in mortgage sales across the board – with a relatively high growth impact coming through from the medium and large housing segments. This also reinforces the narrative that Namibia is currently in a buyers' market, making it a good time to invest in a property or a dream home. On a three-months basis, the medium and large housing segments contracted by 0.7% and 4.1% y/y to N\$2 146 000 and N\$4 045 000 at the end of June 2021, respectively. These dynamics reflect the emergence of cyclical forces such as distressed property sales induced by weak economic conditions and affordability issues. Indeed, sales of homes within the medium and large housing segments soared by 34.9% and 53.4% y/y over the review period compared to contractions of 20.5% and 1.7% recorded a year earlier. On a more positive front, green shoots in house price growth were observed within the small and luxury segments, registering growth of 7.1% and 95.3% y/y, respectively. This points to the resilience of these segments from a demand and affordability perspective. Suffice to say, a house in the small segment tend to sell quick, averaging about 1-4 months in the market, if reasonably priced.

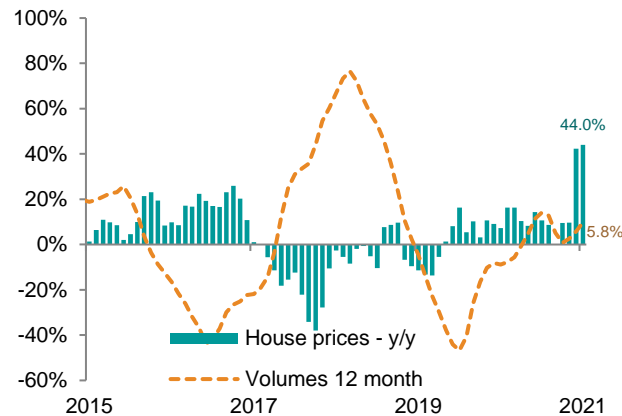
The review of trading activity in the second quarter also paints an uprise of the affordable housing market or selling of houses that are priced below N\$500 000. Although this market has been dormant in the recent past, the stark reality is that it represents a beacon of hope for the masses in Namibia, as far as accessible housing is concerned. The northern and central regions were responsible for most of the deals concluded in this segment, accounting for 38% and 37%, respectively.

**Figure 2: Central Property Price and Volume Index**



The central residential property price index edged up significantly to 29.3% in June 2021 compared to a contraction of 10.2% recorded a year ago. This is the highest growth level reached since July 2011. The sudden upsurge in central property prices is further justified by the corresponding levels of volumes traded, with the volume index growth printing 40.6%/y/y at the end of the review period. From a segment perspective, the luxury market recorded the highest volume growth figure of 58.3%/y/y followed by the large, small, and medium segments with growth of 52.6%, 41.8% and 37.2% y/y, respectively. In our view, these demand dynamics are indicative that the buyers' market has really taken centre stage as distress sales continue to cripple the upper market. This presents an opportunity to those with adequate access to reserves and financing. Overall, the average selling house in the central region is now recorded at N\$1 630 000 compared to N\$1 261 000 a year ago. Looking ahead, demand in this region is expected to remain shored up, considering the ongoing property developments in Windhoek, such as the Ongos Valley, Goreangab and the Informal Sector Upgrading Project - to mention, but a few.

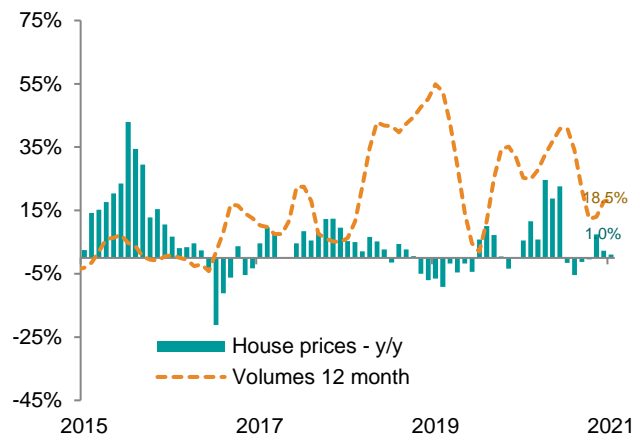
**Figure 3: Coastal Property Price and Volume Index**



The coastal residential property price index reached a 10-year record high of 44.0%/y/y at the end of June 2021. This came as no surprise as home sales numbers within the medium segment have returned to its pre-pandemic levels. The segment registered a staggering volume growth of 55.2% on an annual basis compared to a contraction of 19.3%/y/y realized at the end of June 2020. While these developments appear to point at forced property sales as sellers wait longer to find buyers in this segment, it could also mean that more sellers are now willing to list their properties or allow strangers to enter their homes as the level of Covid-19 infections and stay-at-home orders ceases. On average, a house in the coastal region is now priced at N\$1 583 000 compared to N\$1 099 000 recorded a year ago. We also view the market for holiday houses to be gaining momentum now, more than ever, as many organisations adopt flexible or remote working arrangements. The coastal property market is thus poised for growth in a short - medium term.

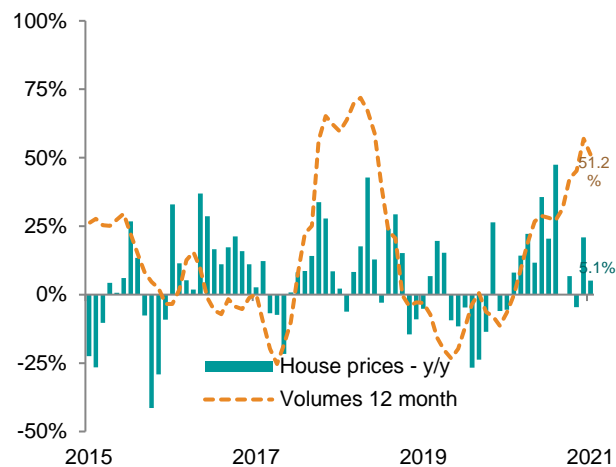
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**Figure 4: Northern Property Price and Volume Index**



The northern residential property price index recorded a moderate growth of 1.0%/y/y in June 2021, reflecting a decrease of 7.1 percentage points from the previous year. Despite a marked slowdown in the price index growth, the volume index growth remains fairly above its long-term average, coming in at 18.5%/y/y in June 2021. This reflects a continued dominance of the small housing segment and emerging pockets of growth from within the below-small housing segment. In essence, the market for below-small-housing which refers to houses priced below N\$500 000 has been inactive for quite some time, owing to low levels of inventory – yet a greater proportion of housing affordability in Namibia lies in this segment. It therefore follows that an investment into this segment holds significant potential to put a dent on the looming housing backlog that is estimated at about 300 000. Overall, an average house in the northern region is now priced at N\$876 000, which is slightly higher than the N\$867 000 recorded in June 2020.

**Figure 5: Southern Property Price and Volume Index**

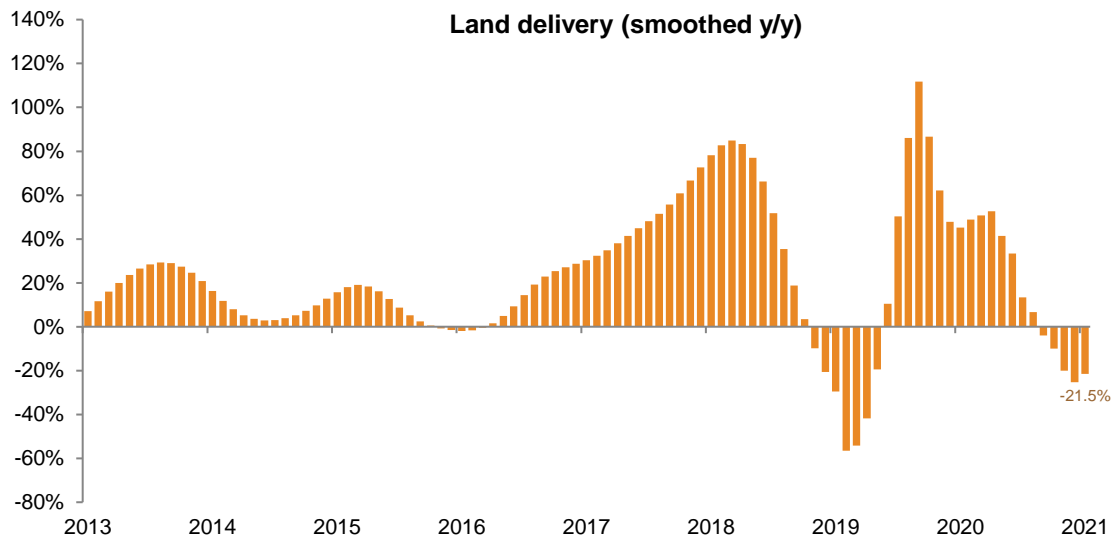


The southern residential property price index on the other hand has fared well in the recent past, recording growth of 5.1%/y/y in June 2021 compared to a contraction of 5.5% seen in June 2020. This is, indeed, not surprising as demand fundamentals in the region appear to be relatively strong by historic standards. This is evidenced by a budding volume index growth of 51.2% in June 2021, which is also the highest growth level achieved across the other jurisdictions. Also key to highlight is the fact that the second quarter printed the highest volume index growth in nearly 3 years, with the most recent peak of 71.9%/y/y recorded in September 2018 at the height of the implementation of the mass housing program. The southern region continues to be carried through by the small housing segment, which registered a volume index growth of 39.3%/y/y in June compared to a contraction of 9.4% in June 2020. On average, a house in the coastal region is now priced at N\$826 000, representing a significant increase of 5.1% on an annual basis.

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## Land Delivery

Despite home sales volumes picking up, **sales of residential plots continue to disappoint on the downside, contracting by 21.5%y/y in June 2021** compared to a strong growth of 45.5%y/y recorded over the same period in 2020. The slowdown in land delivery was fairly distributed across the regions with the southern region recording the deepest contraction of 25.4% followed by the coastal, northern, and central regions, with contractions of 24.8%, 22.6% and 1.64% y/y respectively. This highlights the constrained fiscal capacity at local authority levels to finance and subsequently scale-up the delivery of serviced land.



## Conclusion

Although the economy remains in a relatively weak position, the housing market is showing some signs of a return to normal. In fact, buying conditions for houses have improved and are back to where they were about two years ago. However, affordability is expected to remain challenging as the labour market is still reeling from the impact of Covid-19 pandemic. Over time, as the policy momentum on affordable housing continues to gain traction, we expect price pressure to soften as newly completed homes help increase inventories from their current low levels.

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**APPENDIX A: ANNUAL AVERAGE HOUSE PRICES (12M MOVING AVERAGE, N\$)**

TOWNS	2Q2020	1Q2021	2Q2021	Q/Q Growth	Y/Y Growth
Arandis	478,000	-	-	-	-
Eenhana	745,000	800,000	738,000	-7.8%	-0.9%
Gobabis	668,000	656,000	731,000	11.4%	9.4%
Grootfontein	629,000	1,038,000	1,004,000	-3.3%	59.6%
Helao Nafidi	869,000	856,000	760,000	-11.2%	12.5%
Henties Bay	776,000	872,000	1,506,000	72.7%	94.1%
Katima Mulilo	843,000	613,000	691,000	12.7%	18.0%
Keetmanshoop	462,000	357,000	402,000	12.6%	-13.6%
Luderitz	313,000	327,000	407,000	24.5%	30.0%
Mariental	658,000	656,000	612,000	-6.7%	-7.0%
Okahandja	767,000	754,000	843,000	11.8%	9.9%
Okahao	806,000	713,000	765,000	7.3%	-5.1%
Omaruru	558,000	577,000	617,000	6.9%	10.6%
Omuthiya	711,000	793,000	763,000	-3.8%	7.3%
Ondangwa	771,000	721,000	746,000	3.5%	-3.2%
Ongwediva	721,000	709,000	734,000	3.5%	1.8%
Oshakati	665,000	658,000	663,000	0.8%	-0.3%
Oshikuku	648,000	726,000	724,000	-0.3%	11.7%
Otavi	524,000	981,000	1,044,000	6.4%	99.2%
Otjiwarongo	679,000	644,000	772,000	19.9%	13.7%
Outapi	650,000	732,000	742,000	1.6%	4.4%
Outjo	765,000	576,000	603,000	4.7%	-12.2%
Ruacana	521,000	548,000	607,000	10.8%	16.5%
Rundu	692,000	733,000	734,000	0.1%	6.1%
Swakopmund	721,000	655,000	727,000	11.8%	0.8%
Tsumeb	999,000	831,000	769,000	-7.5%	-23.0%
Usakos	563,000	1,672,000	1,056,000	-36.8%	87.6%
Walvis Bay	740,000	786,000	836,000	6.4%	13.0%
Windhoek	1,191,000	1,225,000	1,311,000	7.0%	10.1%

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## **Methodology**

*This report is based on bonds registered in the names of natural persons at the Deeds Office and as such excludes all bonds registered in the names of juristic persons such as Close Corporations, Private Companies and Trusts. Rehoboth properties (Rehoboth has its own Deeds Office), farms, properties over 100,000m<sup>2</sup> and properties in industrial areas, are excluded, as these may not always be residential properties. Outliers below N\$100,000 (2007 prices adjusted annually) are also excluded, along with further bonds (second, third, fourth, etc. bonds over the same properties). Exclusions were rigorously tested using existing data, to filter out as much noise as possible.*

*Bond values are used as a proxy for house prices, since there are no consistent records for house prices in Namibia and therefore prices shown should only be used as a general guide to property values. These values are aggregated by way of the mean value as the central measure of tendency to resist the fluctuation between different prices. Average house prices are smoothed using a twelve- month moving average, with the national value computed as a weighted average of regional prices. Whilst the information provided has been obtained from a credible source, the values quoted are indicative, and past performance should not be taken as a guarantee of future performance.*

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