



FNB Residential Property Monthly

April, 2017

Highlights for the month

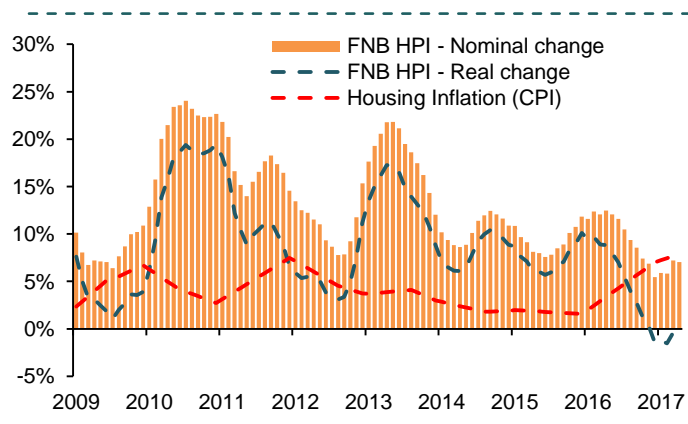
- HPI decelerates to 7.0 percent nominal and down 0.8 percent in real terms.
- The coastal area recorded highest price growth of 17.1 percent increase over the past 12 months
- Housing market activity deteriorating, properties now spending more than 25 weeks on the market.
- Property prices to decelerate further during the course of the year.

Average HPI deteriorating in real terms

Persistently weak economic growth, rising unemployment and weak household disposable income growth, have begun to weaken property prices in Namibia. For the month of April, the average annual rate of growth has fallen to 7.0% in nominal terms, despite the very strong prices growth in the Coastal and Southern regions. When adjusted for inflation and according to new methodologies¹, the real house prices fell marginally by 0.8% and have been negative month to month since December 2016. Across the country we find 16 towns with positive growth, while the list of towns with negative growth is increasing against a backdrop of persistently weak economic data.

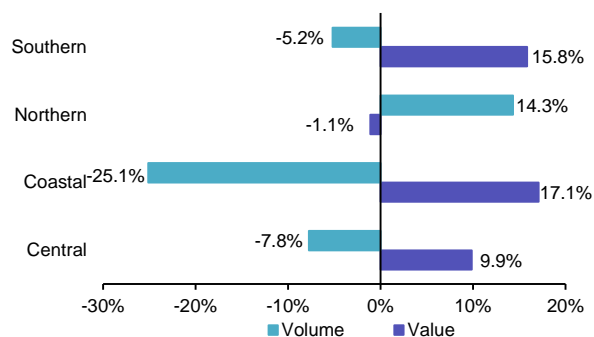
While subdued wage growth has likely contributed to the weakening of property prices, there is a general feeling of uncertainty concerning the performance of the market in terms of estate agent perceptions - suggesting that other macro measures from political and economic instability and solid supply additions of mainly apartments are compounding the headwinds in the domestic property market.

Figure 1: HPI is lagging inflation, registering negative real growth



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1. Switch from Median to Average method, and rebased to 2016 average prices for houses sized small to large

Figure 2: Regional changes

Table 1: Price movements by towns

Town	Mean Price (N\$)	% change (12m Avg.)
Mariental	589 000	53.0%
Luderitz	612 000	47.6%
Eenhana	743 000	43.2%
Katima Mulilo	754 000	34.8%
Oshikuku	560 000	29.4%
Okahao	595 000	28.3%
Swakopmund	1 568 000	25.1%
Outapi	749 000	24.1%
Walvis Bay	1 428 000	19.3%
Gobabis	620 000	16.7%
Tsumeb	1 295 000	13.2%
Omuthiya	595 000	12.7%
Ondangwa	944 000	11.1%
Arandis	588 000	10.6%
Windhoek	1 636 000	10.0%
Okahandja	848 000	-1.8%
Henties Bay	1 224 000	-3.3%
Grootfontein	799 000	-4.6%
Otavi	561 000	-5.2%
Ongwediva	843 000	-5.3%
Otjiwarongo	1 003 000	-6.1%
Outjo	581 000	-6.2%
Keetmanshoop	860 000	-6.5%
Rundu	791 000	-18.3%
Oshakati	753 000	-29.6%
Namibia	1 240 000	7.0%

Regional Prices

Coastal

The index values by region show that the coastal property prices have been and continue to be leading performers, now trading at an average price of N\$1,475,000. Swakopmund remains the most dynamic coastal town, up 25.1%, with Walvis Bay not too far behind with 19.3%. The growth in coastal property prices is off the back of dismal volume growth, down 25%. The dominance of the middle and upper ends of the market has resulted in the value index rising substantially as the property mix has changed. Therefore a closer look at the price segments reveals that prices in the middle to upper price segments moving up.

Northern

Northern property prices have contracted to N\$799,000 through April. With property prices in seven of the region's major towns contracting, we expect the northern property prices to remain in the red or even retreat deeper into the red. Sluggish rentals, coupled with new residential construction activity are the most striking trends, which increases expectations of further downwards price pressures. Hence we see the 14.3% volume growth momentum going forward.

Southern

Like the coastal region, southern property prices saw a double-digits growth to N\$670,000 in the twelve months to April. Mariental and Luderitz drove prices upwards, while Keetmanshoop prices contracted by 6.7%, and they have been in the red since January 2017. These figures are based on very thin trading volumes and should always be interpreted with caution. The persistently thin volumes contracted even further during the month, thereby raising the need to proceed with extra caution.

Central

House prices in the central area increased by 9.9% in April, up from 9.5% in the previous month, setting the

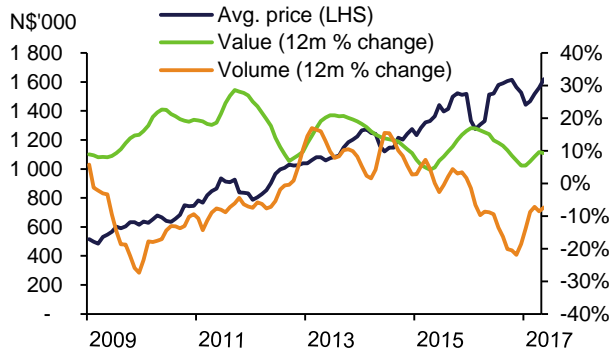
average price at N\$1,545,000. Given the current economic outlook (unless otherwise), the trend is expected to reverse in the coming months as prices return to the long term downward trajectory evident since 2011 but less likely to contract. Volumes in the region contracted marginally, indicative of depressed market conditions. Trading activity remains particularly weak and especially for the high income properties. Not only is the trading activity slow, properties are spending more time on the market and in some cases as much as 25 weeks.

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Figure 3: Price movements for Windhoek



A closer look at Capital city prices

Evidently, the search for secure neighbourhoods with adequate amenities influenced significantly the price dynamics in the capital. High income suburbs such as Klein Windhoek, Academia and Olympia are currently enduring negative price growth, while Ausblick, Eros, Finkenstein and Kleine Kuppe are enjoying abnormally high price appreciation. This divergent trend is typical of a market in transition. Given the negative economic data, we do expect the high income suburbs to trend downwards with more consistency. The middle income

suburbs are a bit more consistent, with prices increasing in the double digit range, with the exception of Academia (-21.6%) and Hochland Park (5.7%). The decline in Academia is ascribed to the land that was auctioned in 2014 and as such should not be mistaken for weakening underlying fundamentals. Low income suburbs showed very divergent trends as well with prices increasing by as much as 24.1% in Okuryangava, while falling by as much as 4.5% in Wanaheda. During economic downturns, we generally see property prices in the lower income segments strengthening as households downsize, resulting in higher demand for low income suburbs.

Figure 4: Annual average price change (by growth)

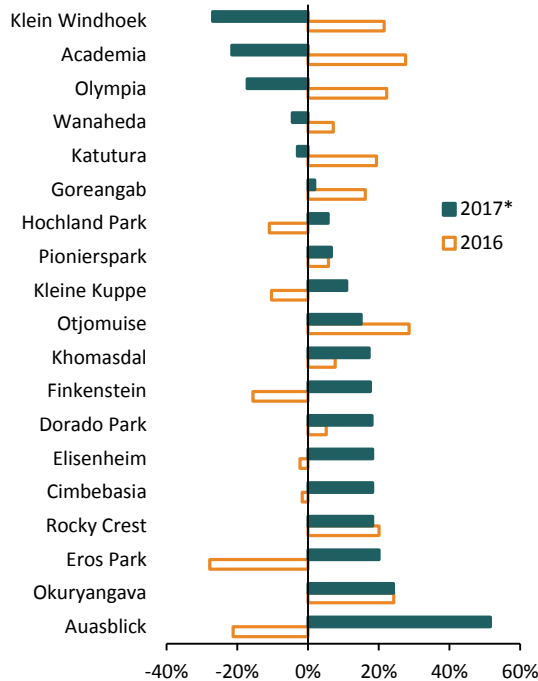


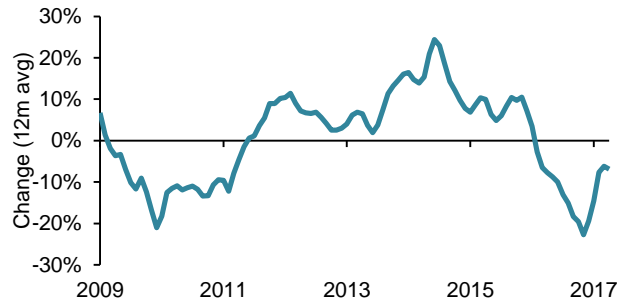
Table 2: 2017 YTD average price (by price)

Town	YTD Average price	YTD % change
Auasblick	4 000 000	51.6%
Eros Park	3 291 000	20.1%
Klein Windhoek	2 600 000	-27.0%
Olympia	2 483 000	-17.2%
Pionierspark	2 479 000	6.6%
Kleine Kuppe	2 466 000	10.9%
Finkenstein	2 178 000	17.6%
Elisenheim	1 965 000	18.2%
Hochland Park	1 875 000	5.7%
Academia	1 874 000	-21.6%
Cimbebasia	1 653 000	18.2%
Rocky Crest	1 573 000	18.3%
Dorado Park	1 570 000	18.0%
Khomasdal	1 329 000	17.3%
Otjomuise	1 216 000	15.0%
Okuryangava	968 000	24.1%
Katutura	843 000	-3.0%
Wanaheda	834 000	-4.5%
Goreangab	820 000	1.9%

Declining sales volumes

Other than house prices, we can comfortably say that the current economic growth is reflected in every other national economic indicator, and the housing market activity is no different. For April, housing volumes were down by 6.9%, and although recovering from the November low, the rising unemployment along with disposable income pressures do not give us much comfort in continued recovery. Our Estate Agent Survey suggests that trading activity across the market is deteriorating and that properties are spending as much as 25 weeks on the market and particularly in the high income space. With residential construction activity expected to remain subdued, transactions may deteriorate even further, while properties spend even longer time on the market before being sold. We do however expect volumes to grow from strength to strength in the northern property market, but this will certainly not be sufficient to stop the decline from the rest of the market.

Figure 5: Volume Index



Conclusion

After averaging 10.0% increase during the 2016 year, we expect growth to decelerate for the remainder of 2017. This view is supported by the weak economic data and the persistently low volume data in the housing market and therefore we expect the HPI to average 6.2% this year. During the course of the year, we also expect coastal property prices to show some signs of weakness on the back of the dismal uranium price, coupled with increased land delivery. Increased housing supply will continue to put downward pressure on northern property prices. With mortgage extension decelerating, housing demand may become less buoyant and therefore supporting lower HPI of 6.2%. The only variable supporting property prices is the massive housing backlog, but its influence is also waning on the back of rising job insecurity.

APPENDIX: Yearly Average values for main towns

Town	2012	2013	2014	2015	2016	2017*	5Yr %Δ	3Yr %Δ	1Yr %Δ
Arandis	300 000	299 000	494 000	456 000	532 000	569 000	89.7%	15.2%	7.0%
Eenhana	445 000	532 000	553 000	700 000	798 000	795 000	78.7%	43.8%	-0.4%
Gobabis	647 000	699 000	839 000	889 000	1 119 000	782 000	20.9%	-6.8%	-30.1%
Grootfontein	746 000	559 000	647 000	736 000	645 000	777 000	4.2%	20.1%	20.5%
Helao Nafidi	670 000	575 000	909 000	1 002 000	425 000	425 000	-36.6%	-53.2%	0.0%
Henties Bay	889 000	851 000	929 000	1 115 000	1 103 000	1 107 000	24.5%	19.2%	0.4%
Katima Mulilo	444 000	595 000	737 000	791 000	893 000	712 000	60.4%	-3.4%	-20.3%
Keetmanshoop	524 000	504 000	610 000	863 000	632 000	868 000	65.6%	42.3%	37.3%
Luderitz	466 000	527 000	509 000	584 000	829 000	612 000	31.3%	20.2%	-26.2%
Mariental	550 000	518 000	685 000	736 000	913 000	1 499 000	172.5%	118.8%	64.2%
Okahandja	553 000	624 000	820 000	922 000	856 000	877 000	58.6%	7.0%	2.5%
Okahao	562 000	466 000	492 000	491 000	611 000	542 000	-3.6%	10.2%	-11.3%
Omaruru	678 000	562 000	954 000	767 000	1 092 000	1 092 000	61.1%	14.5%	0.0%
Omuthiya	413 000	482 000	540 000	612 000	640 000	755 000	82.8%	39.8%	18.0%
Ondangwa	752 000	551 000	683 000	720 000	836 000	958 000	27.4%	40.3%	14.6%
Ongwediva	587 000	585 000	755 000	1 009 000	944 000	1 038 000	76.8%	37.5%	10.0%
Oshakati	720 000	572 000	1 163 000	974 000	679 000	776 000	7.8%	-33.3%	14.3%
Oshikuku	430 000	533 000	569 000	580 000	634 000	565 000	31.4%	-0.7%	-10.9%
Otavi	818 000	533 000	611 000	531 000	560 000	638 000	-22.0%	4.4%	13.9%
Otjiwarongo	785 000	803 000	825 000	967 000	1 021 000	1 088 000	38.6%	31.9%	6.6%
Outapi	564 000	456 000	553 000	579 000	785 000	758 000	34.4%	37.1%	-3.4%
Outjo	716 000	755 000	739 000	925 000	928 000	677 000	-5.4%	-8.4%	-27.0%
Rundu	501 000	468 000	630 000	684 000	780 000	755 000	50.7%	19.8%	-3.2%
Swakopmund	938 000	1 019 000	993 000	1 096 000	1 334 000	1 412 000	50.5%	42.2%	5.8%
Tsumeb	620 000	741 000	750 000	966 000	1 162 000	1 220 000	96.8%	62.7%	5.0%
Usakos	206 000	316 000	427 000	657 000	445 000	630 000	205.8%	47.5%	41.6%
Walvis Bay	629 000	854 000	1 042 000	992 000	1 156 000	1 322 000	110.2%	26.9%	14.4%
Windhoek	982 000	1 152 000	1 209 000	1 440 000	1 514 000	1 595 000	62.4%	31.9%	5.4%
Total	815 000	895 000	972 000	1 110 000	1 151 000	1 242 000	52.4%	27.8%	7.9%

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 100,000m² 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 where possible using existing data. Cash transactions are, too, excluded due to a lack of data. Sectional bonds will be included into the housing index in due course to provide a comparable sectional property index.

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 value. These values are aggregated by way of the average value as the central measure of tendency to resist the fluctuation between different prices. Average house prices are smoothed using a three month moving average, with the national value computed as a weighted average of regional prices. Whilst the information provided has been obtained from source believed to be reliable, the values quoted are indicative only and past performance should not be taken as a guarantee of future performance.

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