



FNB Residential Property Monthly

December, 2017

Highlights for the month

- House price inflation eased to 4.0%, down from 5.4% in 2016
- Volumes up 16.2%, the highest in over three years
- Central property prices up 8.7%, well within the 7% - 10% range that prevailed since February
- Weak price growth in Katima Mulilo, Ongwediva and Rundu offsets growth in the north
- More properties selling below asking price according to estate agents

Regional Snapshots

Southern:

Average price: N\$831,000 (+5.4%)

Northern:

Average price: N\$799,000 (+1.0%)

Coastal:

Average price: N\$1,082,000 (+2.9%)

Central:

Average price: N\$1,528,000 (+8.7%)



Josephat Nambashu - Analyst
JNambashu@fnbnamibia.com.na
 +264 61 299 8496

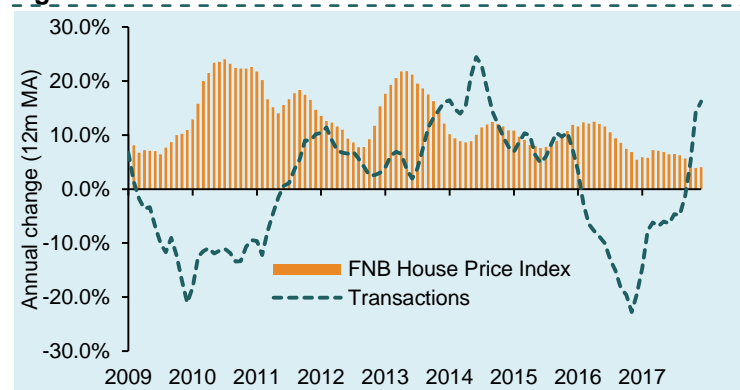
Resilient house prices rise by a modest 4.0% in 2017

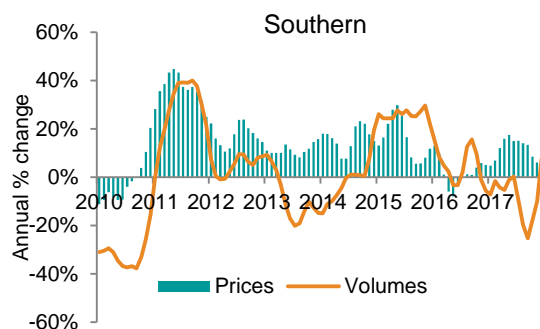
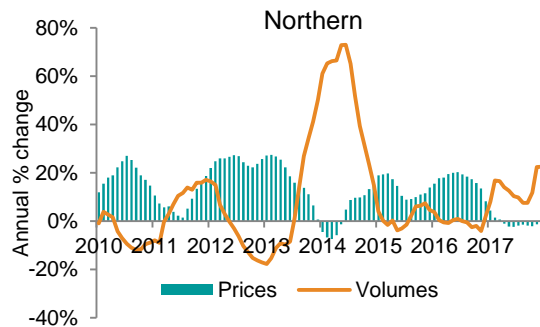
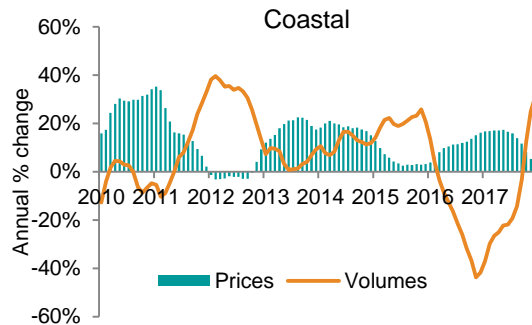
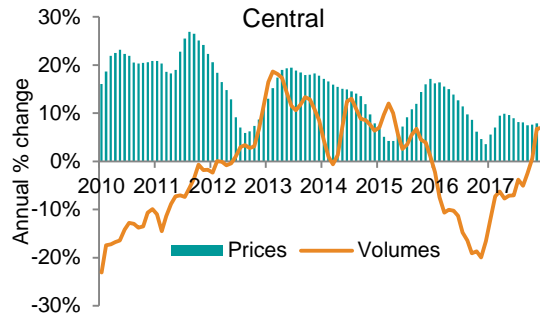
House prices increased by a modest 4.0% through 2017. Whilst the headline rate is still positive, momentum now looks weaker due to the downwardly growth rates recorded in the second half of the year. This was triggered by mounting pressure on household incomes, which exerted an increasing drag on consumer confidence. The average property price increased to N\$1.1 million in December, slightly higher than this time last year.

At these levels, the housing market remains resilient, in relation to the weak economic backdrop, where the economy continued to shed jobs and disposable income remained weak, to say the least. While price gains are decelerating, the volumes have accelerated. December is typically a weak month for home sales, but 2017 December saw all regions register robust volume growth for the first time in two years. Overall, transactions were up 16.2%, most likely boosted by increased supply of new housing stock at more affordable pricing. The FNB Estate Agent Survey reveals improved trading activity levels and rising discounts, even though distressed sales picked up.

How well the housing market performs in 2018 will be determined by economic fundamentals. Whilst we expect growth to lift moderately, job losses to normalise and interests rates to remain as accommodative as possible, we are, however, of the opinion that the market could see stable or moderate improvement in house price movements through 2018. Our core view is for house price to grow by 5% - 6%, with downside risks in the wake of last year's recession.

Figure 1: FNB House Price Index





Central property prices: Central's average house price increased by 8.7% through the year to N\$1.5 million, well within the 7% - 10% range that prevailed throughout the year. In the capital, house price inflation index was up 7.7%, more evidence of a weakening property market. Here, we see either price growth diminishing or contracting in the upper segments while the opposite is happening in the low income segments as the market's dynamics shift. Transactions in the capital were up 10.3% over the year. We believe, however, that property price growth still lags disposable income growth and as such, we expect prices to weaken during the first half of 2018, particularly at the higher end of the property ladder. Elsewhere, Okahandja price developments gained some lost momentum in the second half of the year to end 2017 14.0% higher. With new affordable housing units entering this market in 2017, sales were up by as much as 12.1%. Meanwhile, Gobabis property contracted off a high base set in 2016. All in all, volumes rose 6.9% indicative of improved activity levels in the region, particularly in the lower to middle price bands.

Coastal property prices: Coastal property price growth converged to 2.9% to set the average house price at N\$1.1 million. This property market follows the domestic tourism market and as the tourism season winds down, prices normalise in line with our expectations. According to the FNB estate agency survey, both buy to let and foreign buying have tapered, with both Walvis Bay and Swakopmund property price growths decelerating to 9.8% and 5.6%, respectively. Both these two coastal giants saw volumes rising by more than 30%, on the back of mass housing and aggressive land delivery.

Northern property prices: House price inflation in north posted a lowly 1.0% increase over the year, with the average price now N\$799,000. Ondangwa property prices increased by a respectable 11.9%, while Grootfontein, Oshikuku, Otjiwarongo and Oshakati property prices increased by 3% – 7% through 2017. House prices fell across Katima Mulilo (-18.4%), Ongwediva (-15.1%) and Rundu (-9.9%) – as supply increased in these three markets to the detriment of the average selling price. A total of N\$1.5bn mortgages was extended to northern towns in 2017, with Tsumeb leading the pack (N\$237m) followed by Ondangwa (N\$234m) and Eenhana (N\$227m). These three towns have muscled their way into the top six mortgage markets in Namibia.

Southern property prices: Like the coastal, southern house price converged to more realistic levels of 5.4% at the end of the year, speaking to the tumultuous 2017 beset by economic frailties. Mariental, however, posted the highest price growth (+29.0%), followed by Keetmanshoop with 2.0% price growth. Volumes were up 7.5% in the south through December, but still remains a small base and as such it is greatly advised to always treat these price movements with utmost caution as the price movements are extremely volatile.

Appendix: Yearly average house price by towns

Town	2012	2013	2014	2015	2016	2017	1Yr %Δ	3Yr %Δ	5Yr %Δ
Mariental	550 000	518 000	685 000	736 000	913 000	1 336 000	46.3%	95.0%	142.9%
Helao Nafidi	670 000	575 000	909 000	1 002 000	425 000	607 000	42.8%	-33.2%	-9.4%
Usakos	715 000	715 000	427 000	657 000	445 000	617 000	38.7%	44.5%	-13.7%
Grootfontein	746 000	559 000	647 000	736 000	645 000	812 000	25.9%	25.5%	8.8%
Arandis	300 000	299 000	494 000	456 000	532 000	640 000	20.3%	29.6%	113.3%
Omuthiya	413 000	482 000	540 000	612 000	640 000	750 000	17.2%	38.9%	81.6%
Oshakati	720 000	572 000	1 163 000	974 000	679 000	785 000	15.6%	-32.5%	9.0%
Otavi	818 000	533 000	611 000	531 000	560 000	647 000	15.5%	5.9%	-20.9%
Okahandja	553 000	624 000	820 000	922 000	856 000	937 000	9.5%	14.3%	69.4%
Ondangwa	752 000	551 000	683 000	720 000	836 000	910 000	8.9%	33.2%	21.0%
Keetmanshoop	524 000	504 000	610 000	863 000	632 000	686 000	8.5%	12.5%	30.9%
Henties Bay	889 000	851 000	929 000	1 115 000	1 103 000	1 190 000	7.9%	28.1%	33.9%
Windhoek	982 000	1 152 000	1 209 000	1 440 000	1 514 000	1 614 000	6.6%	33.5%	64.4%
Tsumeb	620 000	741 000	750 000	966 000	1 162 000	1 222 000	5.2%	62.9%	97.1%
Otjiwarongo	785 000	803 000	825 000	967 000	1 021 000	1 069 000	4.7%	29.6%	36.2%
Omaruru	678 000	562 000	954 000	767 000	1 092 000	1 111 000	1.7%	16.5%	63.9%
Swakopmund	938 000	1 019 000	993 000	1 096 000	1 334 000	1 348 000	1.0%	35.8%	43.7%
Ongwediva	587 000	585 000	755 000	1 009 000	944 000	951 000	0.7%	26.0%	62.0%
Oshikuku	430 000	533 000	569 000	580 000	634 000	635 000	0.2%	11.6%	47.7%
Luderitz	466 000	527 000	509 000	584 000	829 000	811 000	-2.2%	59.3%	74.0%
Eenhana	445 000	532 000	553 000	700 000	798 000	770 000	-3.5%	39.2%	73.0%
Outapi	564 000	456 000	553 000	579 000	785 000	738 000	-6.0%	33.5%	30.9%
Walvis Bay	629 000	854 000	1 042 000	992 000	1 156 000	1 079 000	-6.7%	3.6%	71.5%
Rundu	501 000	468 000	630 000	684 000	780 000	727 000	-6.8%	15.4%	45.1%
Okahao	562 000	466 000	492 000	491 000	611 000	568 000	-7.0%	15.4%	1.1%
Ruacana	665 000	707 000	855 000	898 000	968 000	875 000	-9.6%	2.3%	31.6%
Outjo	716 000	755 000	739 000	925 000	928 000	809 000	-12.8%	9.5%	13.0%
Gobabis	647 000	699 000	839 000	889 000	1 119 000	908 000	-18.9%	8.2%	40.3%
Katima Mulilo	444 000	595 000	737 000	791 000	893 000	673 000	-24.6%	-8.7%	51.6%
Namibia	815 000	895 000	972 000	1 110 000	1 151 000	1 187 000	3.1%	22.1%	45.6%

Conclusion

While moderate economic growth in 2018 is expected, a forecast of 1.3% real GDP growth for 2018 is not any significant additional support for the housing market. Therefore, household incomes will remain under pressure and thus consumer and business confidence will remain low weak. This will transpire into waning housing demand in the middle to upper price segments. From recent price developments, it is clear that size matters. Smaller will be better as it has been towards the end of 2017, as many aging homeowners downscale and distressed sales fuel smaller property demand. Hopefully mass housing will lift housing supply to the lower end and help manage segment price inflation. Rising housing demand in the lower price segment will regrettably not offset the waning demand in the middle to upper price segments and as such the housing market as a whole will remain depressed to an average house price growth rate of about 5.4% in 2018. Although macro fundamentals suggest property prices should contract at this stage of the economic cycle, the sheer size of the housing backlog, will likely keep overall property prices in the black.

Published by: FNB Namibia **Address:** @Parkside, 130 Independence Avenue, Windhoek

Authored by: Josephat Nambashu Tel: +264 61 299 8496

Disclaimer: The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by FNB Namibia Holdings Limited and / or the authors of the material.

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 using existing data, to filter out as much noise as possible. Cash transactions are too, excluded due to a lack of data. Sectional bonds have been included into the housing 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 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.

Published by: FNB Namibia **Address:** @Parkside, 130 Independence Avenue, Windhoek

Authored by: Josephat Nambashu Tel: +264 61 299 8496

Disclaimer: The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by FNB Namibia Holdings Limited and / or the authors of the material.