



FNB Residential Property Monthly January, 2018

Highlights for the month

- House price inflation lifted **3.1%** in January
- Average house prices now **NAD1,108,000**
- Regional growths show divergence: steady central growth, coastal prices falling off dizzy heights whilst northern picking up growth pace
- Luderitz tops the league with house price growth at 16.9%, while Katima Mulilo remained at the bottom at -14.9%
- Sales completed up **14.4%**, their second highest in two years.

Regional Snapshots

Southern:

Average price: NAD785,000 (+5.2%)

Northern:

Average price: NAD811,000 (+2.4%)

Coastal:

Average price: NAD988,000 (-0.3%)

Central:

Average price: NAD1,476,000 (+7.9%)



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

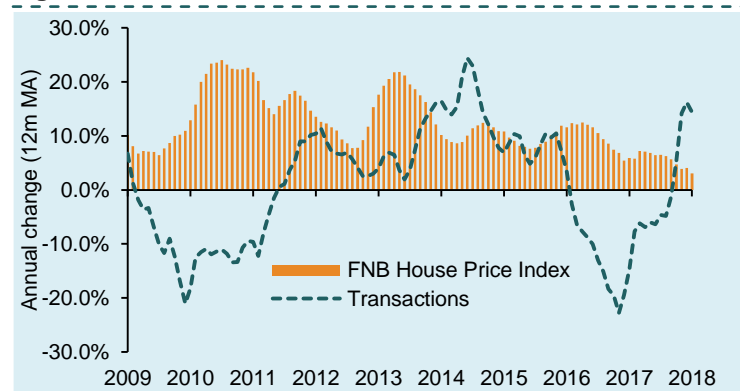
House prices lifted 3.1% in January 2018

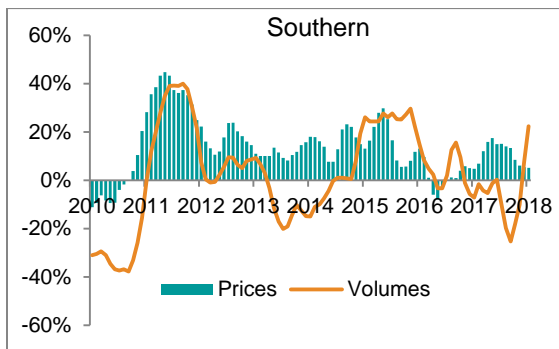
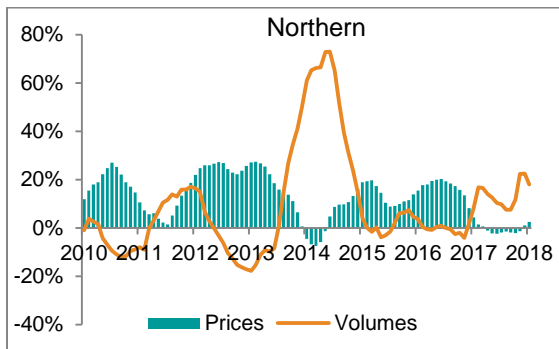
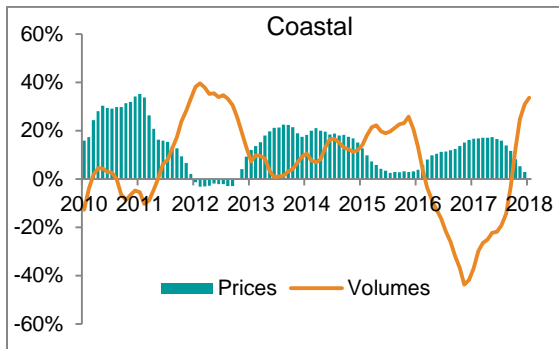
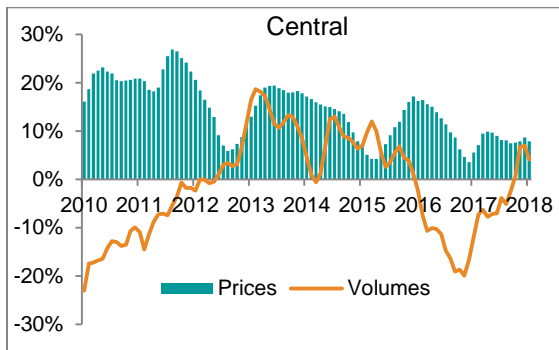
House price growth has slowed to 3.1% through January, continuing the trend of subdued increases that have characterised much of 2017 and pose risks to house price contractions in 2018. This trend continues to indicate that the weaker economic background is still affecting the housing market, as household incomes remained under severe pressure. Historically, the market has seen large increases in price (2010: 22.6%) and as such there is a stronger brake on prices as a result of weaker affordability. January figures recorded the average house price in the country starting the year at NAD1.11 million.

At these levels, time will tell if the housing market remains resilient, but the increase in January is still seen as positive news in relation to the stagnant economic growth. While price gains are decelerating, volumes are holding up. Over the year, completed sales were up 14.4% nationally and up in all four regions for the second time since December 2015. This robust volume growth was on the back of increased supply of new housing stock at more affordable pricing, particularly at the coast where prices have started to contract.

While agents reported a market weakening as at the 4th quarter survey of last year, we believe that since then sentiment in the country has improved considerably following certain leading economic indicators pointing up. This along with shortage of homes for sale in some part of the country is likely to support house prices. Our core view implies a sub-par growth of around 5% by the end of 2018.

Figure 1: FNB House Price Index





Central property prices: Central's average house price increased 7.9% over 12 months to NAD1.48 million, kept up by high price inflation in the lower-income segments. Across the region, Windhoek is up 7.1% annually to set the average of a bonded property at NAD1.55 million with sentiment still pointing towards a market weakening, however, steady. Within the capital's inner suburbs, prices are falling in Klein Windhoek, Olympia and Academia – signs that the high income segments are feeling the heat. We believe that the central prime market is currently suffering from both the economic recession experienced in 2017 and also a minor market correction, following historically high rates of price growth resulting in affordability ceilings being met. Gobabis prices moved sideways, but at NAD1.53 million, have an average price only a little below the capital's average. Nevertheless, sales indicate momentum might be returning to the market. All in all, the number of sales drifted 4.1% annually, still indicating improved activities in the lower income bands.

Coastal property prices: The fall in average prices of 0.3% annually at coastal is the first seen since October 2010. Prices in the region are now, rather surprisingly, NAD988,000 on average. In contrast to the trend seen for much of the past three years, latest data indicates that property price momentum was weakest in the tourism-dependent Henties Bay and Swakopmund markets where prices are either falling or stagnant. Overall, completed sales are on the rise, up 33.6% to the detriment of the average selling price.

Northern property prices: Growth in northern part of the country is picking up, coming in at 2.4% annually off low base. But even with this growth, prices in the region remain below NAD1 million, though, at NAD811,000 on average. Here, it is Ondangwa (9.8%), Grootfontein (8.9%) and Oshakati (8.8%) that lead the table. Otjiwarongo also saw strong growth (up 7.9% but on slim transaction volumes), while other key population centres of Katima Mulilo, Ongwediva and Rundu are still recording falls in average prices. One notable trend was a significant increase of mortgage advances in the region. Around 23% of total advances in January fall into this market. When it comes to transactions, sales were up 18.0% over the year, reflecting the significant increase in activity.

Southern property prices: Growth in this thin and very volatile southern market was little unchanged at 5.2% in January, 0.2ppt lower than the last month's figure. With price correction setting in, growths in Mariental slowed to 16.3% from the dizzy heights of 26.2% last month, while Keetmanshoop averaged 6.2% over the last twelve months. Also speaking to this slowdown is the robust volume growth of 22.3% - the highest reading in over two years. As a norm, it is greatly advised to always treat these price movements with utmost caution.

Appendix: Yearly average house price by towns

Town	2013	2014	2015	2016	2017	2018	1Yr %Δ	3Yr %Δ	5Yr %Δ
Arandis	299 000	494 000	456 000	532 000	640 000	640 000	0.0%	40.4%	114.0%
Eenhana	532 000	553 000	700 000	798 000	770 000	770 000	0.0%	10.0%	44.7%
Gobabis	699 000	839 000	889 000	1 119 000	908 000	908 000	0.0%	2.1%	29.9%
Grootfontein	559 000	647 000	736 000	645 000	812 000	690 000	-15.0%	-6.3%	23.4%
Helao Nafidi	575 000	909 000	1 002 000	425 000	607 000	1 080 000	77.9%	7.8%	87.8%
Henties Bay	851 000	929 000	1 115 000	1 103 000	1 190 000	1 190 000	0.0%	6.7%	39.8%
Katima Mulilo	595 000	737 000	791 000	893 000	673 000	673 000	0.0%	-14.9%	13.1%
Keetmanshoop	504 000	610 000	863 000	632 000	686 000	766 500	11.7%	-11.2%	52.1%
Luderitz	527 000	509 000	584 000	829 000	811 000	811 000	0.0%	38.9%	53.9%
Mariental	518 000	685 000	736 000	913 000	1 336 000	548 000	-59.0%	-25.5%	5.8%
Okahandja	624 000	820 000	922 000	856 000	937 000	809 617	-13.6%	-12.2%	29.7%
Okahao	466 000	492 000	491 000	611 000	568 000	568 000	0.0%	15.7%	21.9%
Omaruru	562 000	954 000	767 000	1 092 000	1 111 000	1 111 000	0.0%	44.9%	97.7%
Omuthiya	482 000	540 000	612 000	640 000	750 000	773 800	3.2%	26.4%	60.5%
Ondangwa	551 000	683 000	720 000	836 000	910 000	713 600	-21.6%	-0.9%	29.5%
Ongwediva	585 000	755 000	1 009 000	944 000	951 000	951 000	0.0%	-5.7%	62.6%
Oshakati	572 000	1 163 000	974 000	679 000	785 000	662 633	-15.6%	-32.0%	15.8%
Oshikuku	533 000	569 000	580 000	634 000	635 000	668 250	5.2%	15.2%	25.4%
Otavi	533 000	611 000	531 000	560 000	647 000	647 000	0.0%	21.8%	21.4%
Otjiwarongo	803 000	825 000	967 000	1 021 000	1 069 000	1 088 300	1.8%	12.5%	35.5%
Outapi	456 000	553 000	579 000	785 000	738 000	862 000	16.8%	48.9%	89.0%
Outjo	755 000	739 000	925 000	928 000	809 000	809 000	0.0%	-12.5%	7.2%
Ruacana	707 000	855 000	898 000	968 000	875 000	875 000	0.0%	-2.6%	23.8%
Rundu	468 000	630 000	684 000	780 000	727 000	727 000	0.0%	6.3%	55.3%
Swakopmund	1 019 000	993 000	1 096 000	1 334 000	1 348 000	1 047 729	-22.3%	-4.4%	2.8%
Tsumeb	741 000	750 000	966 000	1 162 000	1 222 000	1 072 500	-12.2%	11.0%	44.7%
Usakos	715 000	427 000	657 000	445 000	617 000	617 000	0.0%	-6.1%	-13.7%
Walvis Bay	854 000	1 042 000	992 000	1 156 000	1 079 000	667 299	-38.2%	-32.7%	-21.9%
Windhoek	1 152 000	1 209 000	1 440 000	1 514 000	1 614 000	1 478 550	-8.4%	2.7%	28.3%
Namibia	895 000	972 000	1 110 000	1 151 000	1 187 000	1 055 712	-11.1%	-4.9%	18.0%

Conclusion

From an average house price growth rate of 4.0% last year, we project the 2018 average to shift a little higher to nearer to 5%. This is not a major improvement, but it stems from expectations of marginal economic growth improvement in 2018, from an estimated xx% last year to xx% this year. Recent price developments are still showing that falls are concentrated at the high end of the market, even from a global perspective. Despite regional divergence, affordability issues continue to play a key role in explaining these price movements especially in those areas where house prices are most stretched.

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.