



FNB
First National Bank



FNB Residential Property Monthly July, 2018

Highlights for the month

- House prices drop 4.1% y/y
 - Luxury -64.6% yoy.
 - Upper -6.1% mom.
- Volumes accelerated to 17.9%
 - Lower 28.8%
 - Coastal 32.7%
- Land delivery remains elevated
- Further downward pressures expected

Regional Snapshots

Southern:

Average price: N\$643,000 (-6.2% y/y)

Northern:

Average price: N\$862,000 (+4.8% y/y)

Coastal:

Average price: N\$1,098,000 (-5.6% y/y)

Central:

Average price: N\$1,274,000 (-6.6% y/y)

House prices remain under pressure on the back of falling housing demand

The residential property market continued to struggle, after July sales indicated that property prices contracted by 4.1%. This means that property prices have contracted in six of the first seven months of 2018, to bring the average property price to N\$1.29m in July. Price pressures were felt mostly at the top end of the market, after the luxury price segment was decimated by 9 consecutive quarters of economic decline. Prices for luxury properties contracted by 64.6% yoy in July, and with limited demand at N\$10.229m (down from N\$18.298m in Dec 2017), we believe there is still more pain to come. As the luxury segment re-prices, this downward price pressure has begun to trickle down to the upper price segment, where we are starting to see more and deeper month on month price contractions, as prices slumped to N\$3.625m in July.

On a more positive note, property prices in the middle to lower price segment drifted 3.1% and 5.3% higher on an annualised basis, supported by robust volume growth in the lower price segment, as government ramps up affordable housing delivery. Consequently, overall volumes have increased by 17.9% yoy, on the back of robust volume growth in the lower price segment, where volumes increased by 28.8% yoy. Volume growth was concentrated in the coastal market, where the supply of mass housing units drove volumes higher. As for the rest of the market, volumes contracted by 3.1% and 40% in the middle and upper price segments, whilst drying up completely in the luxury segment. The higher volume growth was sufficient to drive up overall mortgage advances, but this is only limited to the lower price segment.

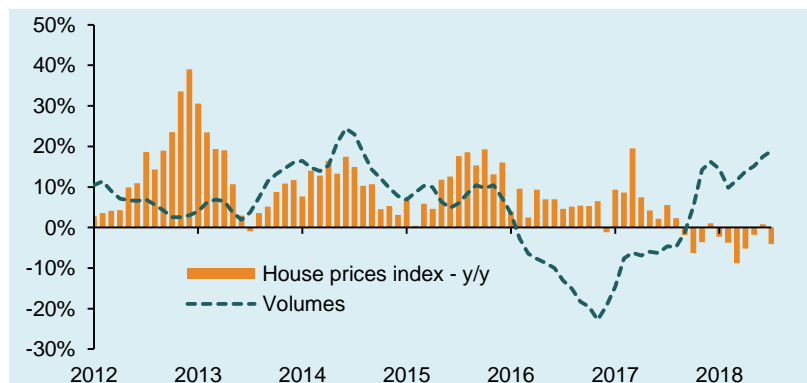


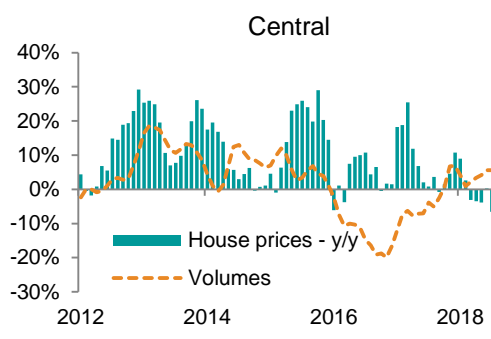
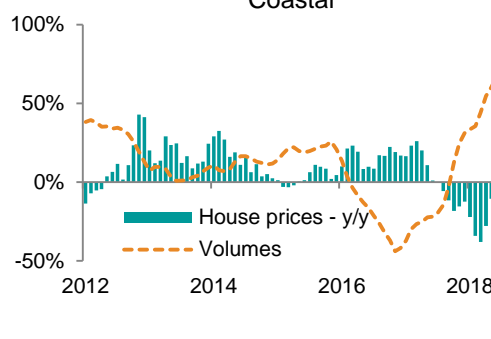
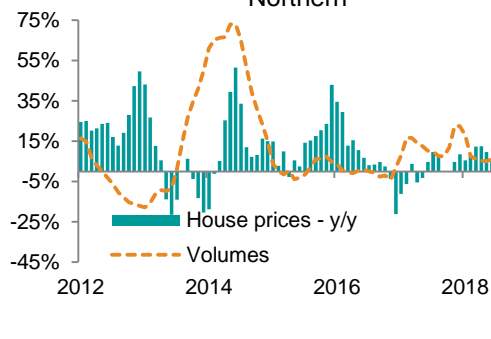
Namene Kalili: Group Economist

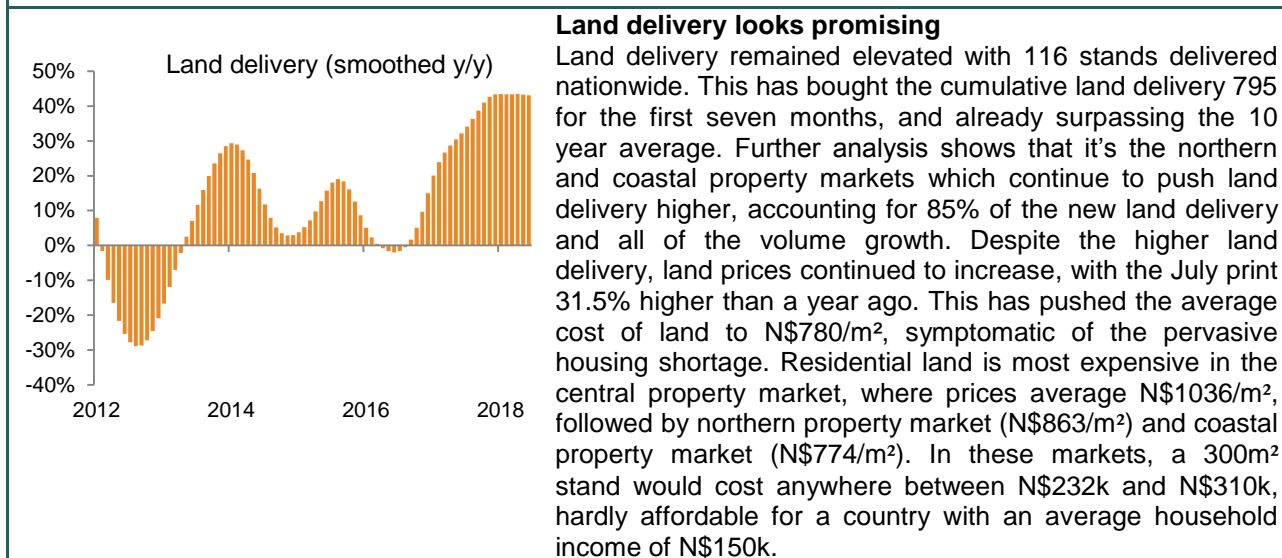
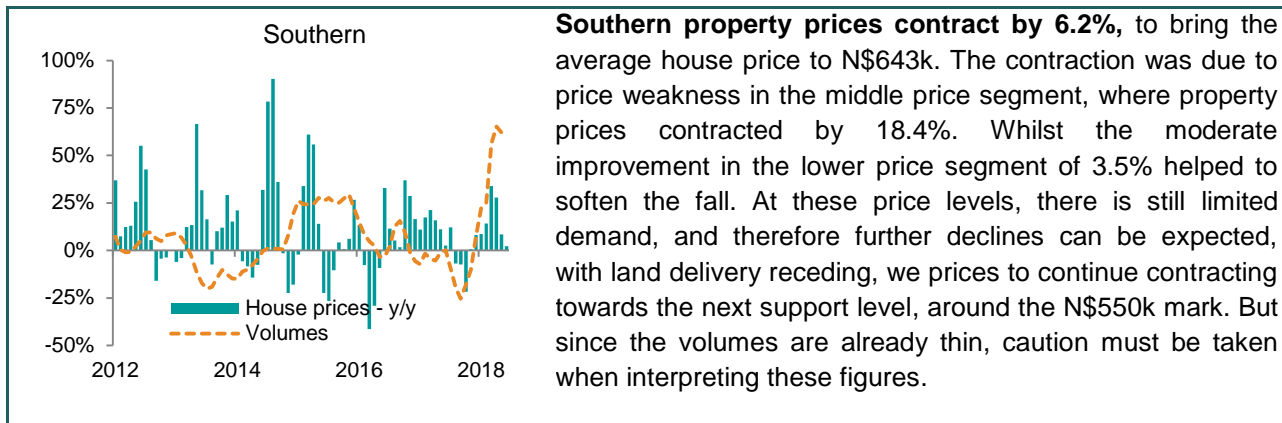
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FNB House Price Index



 <p>Central</p>	<p>Central property prices contracted by 6.6%, to bring the average price to N\$1.274m, down from the November 2017 peak of N\$1.605m. The downward price pressure came from the luxury segment, where prices contracted by 13.1%. The middle price segment experience mild contraction of 0.2%. The downward price pressures are most evident in Windhoek, where year to date, property prices have contracted by 1.2%, while both Gobabis and Okahandja continue to post price increases of 12.0% and 10.3% respectively. Although volumes are on the increase, the medium to long term prognosis remains weak based on the dismal land delivery numbers.</p>
 <p>Coastal</p>	<p>Coastal property prices contracted by 5.6%, to bring the average house price to N\$1.098m. Price pressures could be felt across most price segments, with the luxury segment down 4.9%, upper price segment down 5.8% and the lower price segment down 4.7%, while the middle price segment somehow escaped the pressures, and posted 8.3% price growth. In Swakopmund and Walvis Bay, house prices fell by 12.0% and 6.3% respectively while Henties Bay bucked the trend with 6.5% house price growth. Mass housing and the aggressive land delivery continue to push prices lower as volumes soared 32.7% and climbing. With more affordable land in the pipeline, coastal property prices have nowhere to go but down, with price resistance expected around the N\$1.051 level.</p>
 <p>Northern</p>	<p>Northern property prices increased by 4.8%, to bring the average house price to N\$862k, and thus maintaining the upward trend. While property prices in the middle segment rose 19.4%, they had some support from both the lower and upper price segment, where prices rose 4.4% and 7.8% respectively. 9 out of 17 towns enjoyed higher property prices, and since volumes continue to increase (16.4% yoy), there is still demand to support further price increases as land delivery tapers. Therefore price may drift higher, with the next resistance level expected around the N\$940k mark.</p>



Conclusion

With economic growth stagnating, consumer confidence waning, increased affordable housing delivery, increased land delivery, rising interest rates, rising home ownership costs and the economy still shedding jobs, the stage is set for lower housing demand. We remain particularly concerned about price developments in the luxury price segment, where properties are selling well below valuations, and we would even argue below replacement costs. With these price pressures trickling down to the upper price segment, property is no longer the standout investment asset class it used to be. Additionally, the negative wealth effects amongst high net worth individuals, will prolong the economic recovery as the top 5% income earners account for 36% of National consumption, and as long as they are not spending, the Namibian economy will not grow and housing demand will remain weak.

We therefore expect house prices to shed 5.8% of their value in 2018, and to start seeing some price resistance in 2019, as housing becomes increasingly affordable to a select few. This will reduce the price contraction through 2019 to 1.2%, before turning positive in 2020, at which stage we believe property prices will have corrected and thus maintain inflation related price increases going forward.

APPENDIX: YEARLY AVERAGE HOUSE PRICES

Town	2014	2015	2016	2017	2018	YTD	3Yr	5Yr
Arandis	494 000	456 000	532 000	640 000	947 000	48.0%	107.7%	216.7%

Eenhana	553 000	700 000	798 000	770 000	883 000	14.7%	26.1%	66.0%
Gobabis	839 000	889 000	1 119 000	908 000	1 999 000	120.2%	124.9%	186.0%
Grootfontein	647 000	736 000	645 000	812 000	767 000	-5.5%	4.2%	37.2%
Helao Nafidi	909 000	1 002 000	425 000	607 000	607 000	0.0%	-39.4%	5.6%
Henties Bay	929 000	1 115 000	1 103 000	1 190 000	1 141 000	-4.1%	2.3%	34.1%
Katima Mulilo	737 000	791 000	893 000	673 000	864 000	28.4%	9.2%	45.2%
Keetmanshoop	610 000	863 000	632 000	686 000	897 000	30.8%	3.9%	78.0%
Luderitz	509 000	584 000	829 000	811 000	869 000	7.2%	48.8%	64.9%
Mariental	685 000	736 000	913 000	1 336 000	773 000	-42.1%	5.0%	49.2%
Okahandja	820 000	922 000	856 000	937 000	923 000	-1.5%	0.1%	47.9%
Okahao	492 000	491 000	611 000	568 000	787 000	38.6%	60.3%	68.9%
Omaruru	954 000	767 000	1 092 000	1 111 000	840 000	-24.4%	9.5%	49.5%
Omuthiya	540 000	612 000	640 000	750 000	1 637 000	118.3%	167.5%	239.6%
Ondangwa	683 000	720 000	836 000	910 000	938 000	3.1%	30.3%	70.2%
Ongwediva	755 000	1 009 000	944 000	951 000	1 150 000	20.9%	14.0%	96.6%
Oshakati	1 163 000	974 000	679 000	785 000	771 000	-1.8%	-20.8%	34.8%
Oshikuku	569 000	580 000	634 000	635 000	719 000	13.2%	24.0%	34.9%
Otavi	611 000	531 000	560 000	647 000	517 000	-20.1%	-2.6%	-3.0%
Otjiwarongo	825 000	967 000	1 021 000	1 069 000	1 062 000	-0.7%	9.8%	32.3%
Outapi	553 000	579 000	785 000	738 000	1 215 000	64.6%	109.8%	166.4%
Outjo	739 000	925 000	928 000	809 000	540 000	-33.3%	-41.6%	-28.5%
Ruacana	855 000	898 000	968 000	875 000	789 000	-9.8%	-12.1%	11.6%
Rundu	630 000	684 000	780 000	727 000	739 000	1.7%	8.0%	57.9%
Swakopmund	993 000	1 096 000	1 334 000	1 348 000	1 161 000	-13.9%	5.9%	13.9%
Tsumeb	750 000	966 000	1 162 000	1 222 000	1 089 000	-10.9%	12.7%	47.0%
Usakos	427 000	657 000	445 000	617 000	660 000	7.0%	0.5%	-7.7%
Walvis Bay	1 042 000	992 000	1 156 000	1 079 000	916 000	-15.1%	-7.7%	7.3%
Windhoek	1 209 000	1 440 000	1 514 000	1 614 000	1 556 000	-3.6%	8.1%	35.1%
Namibia	972 000	1 110 000	1 151 000	1 187 000	1 159 000	-2.4%	4.4%	29.5%

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 excluded 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.

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