



FNB
First National Bank



FNB Residential Property Report

March 2019

Key Highlights

- House Price Index down to -1.0% y/y
- Volume index continues to decelerate – recorded at 31.6% y/y at end of March
- Coastal property prices enter positive territory for the first time in 5 quarters
- Transaction volumes in the North remain robust
- National average property prices at N\$1.1 million

Regional snapshots

South:	N\$896 000	(+14.5%)
North:	N\$919 000	(+4.6%)
Coast:	N\$ 1 036 000	(-4.0%)
Central:	N\$ 1 332 000	(-3.6%)

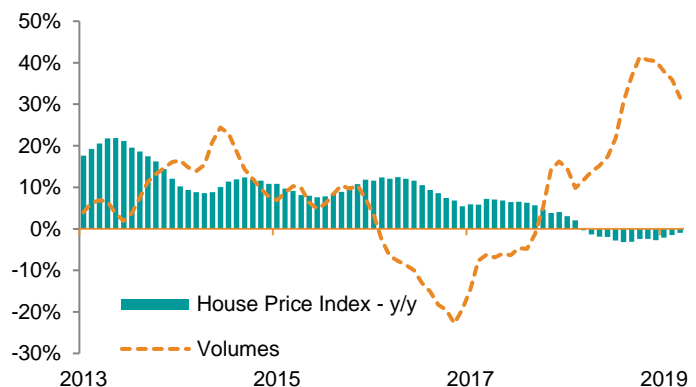
FNB Housing Segments

Small	: N\$0.5mn to N\$1.5mn
Medium	: N\$1.5mn to N\$3.4mn
Large	: N\$3.4mn to N\$6.5mn
Luxury	: N\$6.5mn and higher



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

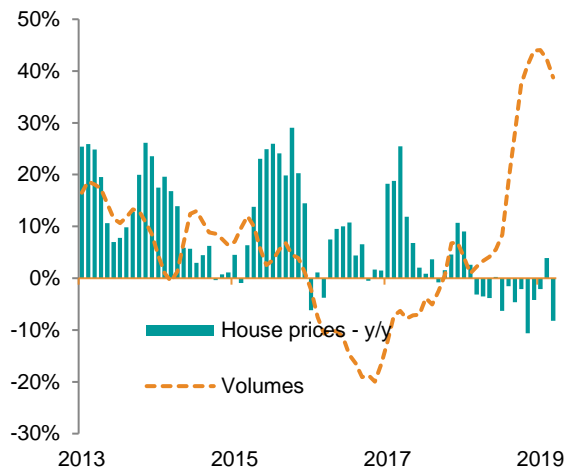


Annual property prices growth remains subdued

Since contracting for the first time in 2018 since 1996, the first quarter of 2019 saw residential property prices continuing the same trend. The FNB House Price Index recorded a contraction of 1.0% at the end of March 2019 compared to a contraction of 0.3% over the same period last year. The contraction is driven by significant Central price decreases. Overall, the property market remains lacklustre, as the price index continues to hover in a negative territory. We attribute this to the prevailing recessionary environment, which has kept demand muted subsequently lowering prices. Meanwhile, the volume index has improved significantly to 31.6% y/y compared to 11.7% y/y over the same period last year. Ordinarily, negative property price growth translates to shifts in housing market dynamics as the trend bodes favourably for buyers. Furthermore, the landings of property following the completion of several mass housing projects across the country have contributed to increased transaction volumes.

Transactions remain concentrated in the small housing segment where transaction volumes have picked up by 43% y/y. This is to be expected given construction under mass housing was concentrated in this segment. The large housing segment is the worst performer in terms of transactions this quarter, with volumes posting returns of -25% y/y. Upward price pressures exist in the medium, large and luxury segments, while prices in the small segment remain mute.

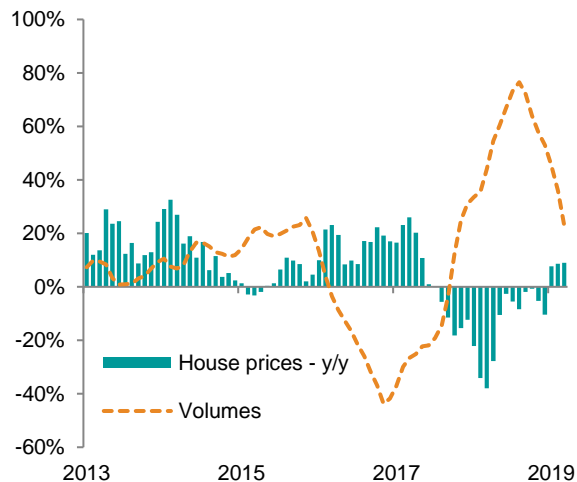
Figure 2: Central volumes improve significantly



Transaction volumes in the Central region have accelerated significantly. The volume index was up to 38.7% y/y at the end of March 2019 compared to 2.2% y/y over the same period in the preceding year. This index has been climbing steadily throughout 2018, reaching an all-time peak of 44% y/y at the beginning of the first quarter of 2019.

Property prices, on the other hand, posted a contraction of 8.2% y/y, with the average house price in the Central region now at N\$1.33mn compared to N\$1.46mn at the end of December 2018. The average house prices in Windhoek, Okahandja and Gobabis are now at N\$1 586 492, N\$908 116 and N\$1 046 000 respectively. Given increased transaction volumes in the region, we attribute slowing prices to a weakening domestic economy which puts buyers in a strong position to negotiate purchase prices.

Figure 3: Expansion in Coastal prices for the first time since 2017Q3

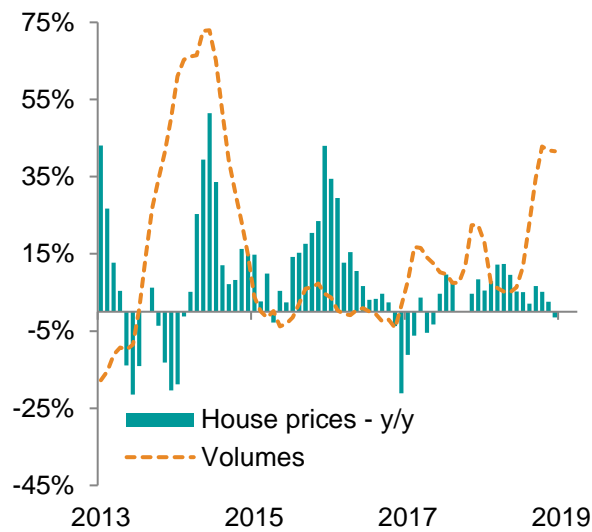


Coastal property prices expanded by 8.9% y/y at the end of March, a significant rebound from a severe contraction of 38.0% y/y in the previous year. This expansion brings the average property price to N\$1.04mn compared to N\$951K at the end of March. This is the first-time property price growth in the region has entered positive territory since 2017Q3. Robust growth of prices in Swakopmund of 17.49% y/y is the driving force behind this acceleration. Property prices in Walvis Bay and Henties Bay contracted by 25% y/y and 53% y/y respectively.

Meanwhile, transaction volumes have continued declining from a peak of 76.5% y/y in the third quarter of 2018, reaching a new low of 22.7% y/y at the end of March 2019. In the same period last year, the Coastal volume index stood at 44.2% y/y. This downturn in volumes emanates from slowing activity in the small segment. We have noted, however, that sales activity in the large segment has improved significantly, with an increase of 38.1% y/y at the end of March 2019 compared to a contraction of -10.5% y/y at the end of March 2018.

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Figure 4: Downward pressure on Northern prices

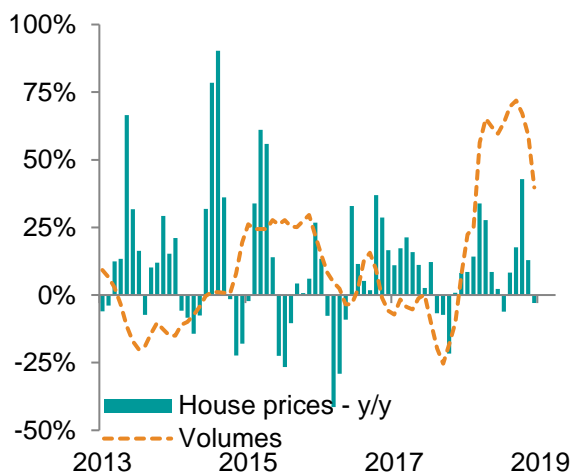


Northern property prices are still growing albeit at a slower rate. Price growth is down to 0.3% y/y at the end of March 2019 compared to the March 2018 figure of 12.3% y/y. The average price of a property in this region now stands at N\$919K.

There is increased demand for residential property in the North - volumes have continued to climb, improving from 6.2% y/y in March 2018 to 43.4% y/y at the end of March 2019. Growth across all four segments is in positive territory, with the small and medium segment continuing to accelerate at rates of 39.0% and 25.5% respectively, while the large and luxury segments are growing at 19.6% and 2.2% respectively.

Property development activities are expected to pick up in this region owing to the Oshakati Town Council's plans to drastically reduce the number of informal settlements in the region by providing more formal housing.

Figure 5: Southern prices rebound while volumes contract

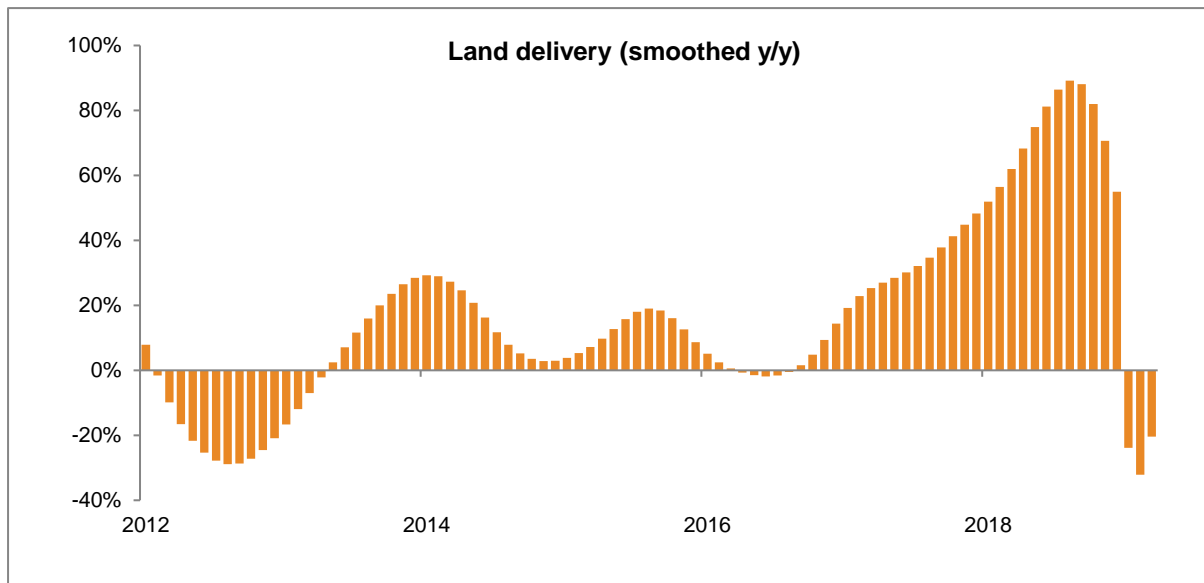


Southern property price movements remain volatile. After posting growth of 33.8% y/y at the end of March 2018, property prices have recorded slower growth of 9.9% y/y at the end of March 2019. This translates to an average price of N\$896K for a property in the South compared to N\$815K in the same period last year.

The South is the only region in which the volume index was negative at the end of March 2019, recorded at -4.5% y/y. This is a considerable contraction compared to an expansion of 56.4% y/y in the previous year. It is important to note that transaction volumes in this region remain extremely low with few properties changing hands. Most activity in the South remains in the small segment, with little to no transactions in the medium to luxury segments.

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Land Delivery



While 2018 saw considerable increases in land delivery, this trend has begun to reverse in the first quarter of 2019. Land delivery entered negative terrain, resting at -20.4% at the end of March 2019. Over the same period last year, this figure stood at 62%. This decline is attributed to weak land delivery across all four regions in the country which are all in negative territory and most pronounced in the Southern and Coastal regions. We expect land delivery to improve this year due to the increase in the budget allocation to the Ministry of Urban and Rural Development to be used for the servicing of land and for the provision of water, electricity and sanitation services. This is likely to ease pressures on land prices which have historically been persistently high.

Conclusion

Property prices remain under pressure in all regions across the country except for Coastal prices which have seen a significant uptick. Volumes have accelerated in the Northern and Central regions, possibly due to the completion and availability of housing units constructed under the mass housing project. Moving forward, we expect prices to remain subdued and volumes to tick up as more serviced land becomes available.

We anticipate most activity to be concentrated in the small segment as bank financing becomes readily available to low and medium-income earners for the construction and purchase of PolyCare houses. These houses, which are constructed using alternative sustainable materials, can be built within 10 working days at a much cheaper price. The National Housing Enterprise (NHE) has earmarked funds for the construction and upgrading of houses in informal settlements which will start in the Central region and later be rolled out to the rest of the country. In addition, the Oshakati Town Council intends to significantly reduce the number of informal settlements in that area with funds allocated to the servicing of land. Similarly, the formalisation of the DRC informal settlement is expected to commence this year. Thus, prices in this segment are expected to taper as more low-cost urban housing become readily available.

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Appendix: ANNUAL AVERAGE HOUSE PRICES

Town	2013	2014	2015	2016	2017	2018	2019	YTD %Δ	3Yr %Δ	5Yr %Δ
Arandis	299 000	494 000	456 000	532 000	640 000	664 223	585 225	-11.9%	10.0%	18.5%
Eenhana	532 000	553 000	700 000	798 000	770 000	884 080	676 000	-23.5%	-15.3%	22.2%
Gobabis	699 000	839 000	889 000	1 119 000	908 000	1 041 947	1 046 000	0.4%	-6.5%	24.7%
Grootfontein	559 000	647 000	736 000	645 000	812 000	679 531	928 667	36.7%	44.0%	43.5%
Helao Nafidi	575 000	909 000	1 002 000	425 000	607 000	607 000	-	-	-	-
Henties Bay	851 000	929 000	1 115 000	1 103 000	1 190 000	1 242 714	914 000	-26.5%	-17.1%	-1.6%
Katima Mulilo	595 000	737 000	791 000	893 000	673 000	1 076 965	998 000	-7.3%	11.8%	35.4%
Keetmanshoop	504 000	610 000	863 000	632 000	686 000	819 361	730 227	-10.9%	15.5%	19.7%
Luderitz	527 000	509 000	584 000	829 000	811 000	711 800	922 286	29.6%	11.3%	81.2%
Mariental	518 000	685 000	736 000	913 000	1 336 000	1 041 857	2 500 000	140.0%	173.8%	265.0%
Okahandja	624 000	820 000	922 000	856 000	937 000	976 097	908 116	-7.0%	6.1%	10.7%
Okahao	466 000	492 000	491 000	611 000	568 000	739 952	866 349	17.1%	41.8%	76.1%
Omaruru	562 000	954 000	767 000	1 092 000	1 111 000	737 470	660 924	-10.4%	-39.5%	-30.7%
Omuthiya	482 000	540 000	612 000	640 000	750 000	1 138 340	800 000	-29.7%	25.0%	48.1%
Ondangwa	551 000	683 000	720 000	836 000	910 000	894 783	924 265	3.3%	10.6%	35.3%
Ongwediva	585 000	755 000	1 009 000	944 000	951 000	1 033 958	780 129	-24.5%	-17.4%	3.3%
Oshakati	572 000	1 163 000	974 000	679 000	785 000	791 197	968 110	22.4%	42.6%	-16.8%
Oshikuku	533 000	569 000	580 000	634 000	635 000	750 415	631 233	-15.9%	-0.4%	10.9%
Otavi	533 000	611 000	531 000	560 000	647 000	701 872	-	-	-	-
Otiwarongo	803 000	825 000	967 000	1 021 000	1 069 000	936 829	866 689	-7.5%	-15.1%	5.1%
Outapi	456 000	553 000	579 000	785 000	738 000	983 147	797 017	-18.9%	1.5%	44.1%
Outjo	755 000	739 000	925 000	928 000	809 000	918 706	740 000	-19.5%	-20.3%	0.1%
Ruacana	707 000	855 000	898 000	968 000	875 000	788 945	683 000	-13.4%	-29.4%	-20.1%
Rundu	468 000	630 000	684 000	780 000	727 000	905 202	727 292	-19.7%	-6.8%	15.4%
Swakopmund	1 019 000	993 000	1 096 000	1 334 000	1 348 000	1 224 611	1 065 848	-13.0%	-20.1%	7.3%
Tsumeb	741 000	750 000	966 000	1 162 000	1 222 000	957 641	1 140 302	19.1%	-1.9%	52.0%
Usakos	715 000	427 000	657 000	445 000	617 000	660 000	2 800 000	324.2%	529.2%	555.7%
Walvis Bay	854 000	1 042 000	992 000	1 156 000	1 079 000	954 716	992 887	4.0%	-14.1%	-4.7%
Windhoek	1 152 000	1 209 000	1 440 000	1 514 000	1 614 000	1 542 364	1 586 492	2.9%	4.8%	31.2%
Namibia**	895 000	972 000	1 110 000	1 151 000	1 187 000	1 199 179	1 117 182	-6.8%	-2.9%	14.9%

****Namibia number in above table does not indicate the whole country but rather the average prices across the towns indicated within the table.**

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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