



FNB
First National Bank



FNB Residential Property Report

September 2019

Key Highlights

- House Price Index records historic low of -5.1%
- Central prices enter positive territory – recorded at 3.8%
- Northern volumes reverse upward trend – slower growth of 28.8% y/y recorded
- National average property price at N\$ 1 120 805

Regional snapshots

Central:	N\$1 466 000	(3.8%)
Coastal:	N\$1 041 000	(-5.4%)
Northern:	N\$825 000	(-4.6%)
Southern:	N\$925 000	(15.3%)

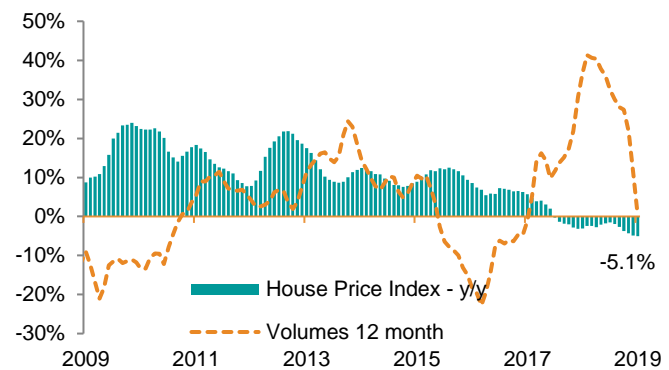
FNB Housing Segments

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)

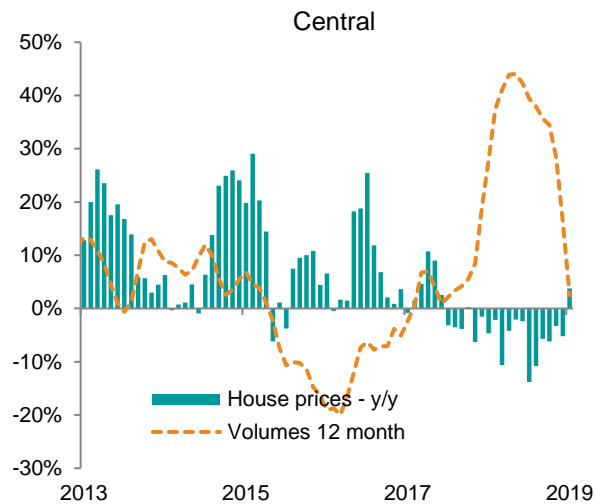


Third quarter property prices show deeper contraction

Against a backdrop of a distressed economy, the FNB House Price Index plunged further into negative territory at the end of September 2019, reaching a historic low of -5.1% y/y compared to -2.0% recorded over the same period last year. The deeper contraction in the third quarter reflects elevated demand side risks emanating from subdued household income and confidence. While positive price growth was recorded in the Central and Southern regions, further gains were capped by contractions observed in the Coastal and Northern regions. The average price for a house at the end of September was N\$1 120 805.

The volume index recorded growth of 0.2% y/y at the end of September 2019. The small segment recorded growth of 10.3% y/y but this was almost entirely offset by contractions in the medium, large and luxury segments of 27.2% y/y, 38.9% y/y and 58.3% y/y respectively. Furthermore, the small segment made up 83% of all housing transactions, followed by the medium segment which made up 15%, the large segment which made up 2% and the luxury segment which made up 0.4% of all transactions. This confirms our earlier view that demand has shifted to and will remain concentrated in the small segment.

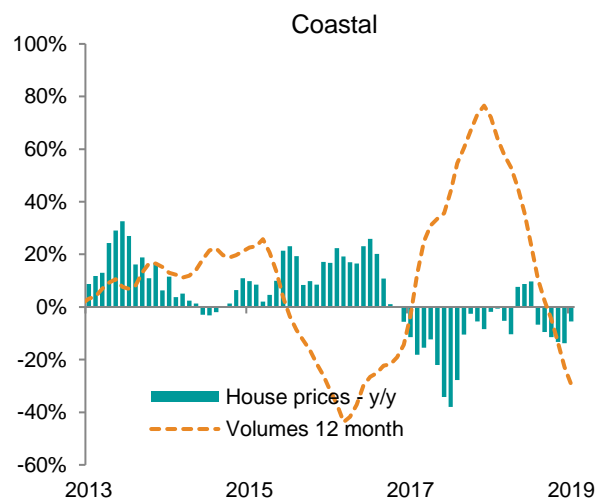
Figure 2: Central property prices enter positive territory after a 17-month contraction



In the Central part of the country, property prices showed positive growth for the first time since February 2018. The price growth at the end of September was recorded at 3.8% y/y compared to a contraction of 4.7% recorded over the same period last year. A house in the Central region is now priced at N\$1 466 000. Across major municipalities the average price of a town at the end of September was N\$637K in Gobabis, N\$745K in Okahandja, and N\$ 1.2 million in Windhoek.

The Central Volume Index was recorded at 2.5% y/y at the end of September 2019. While the medium, large and luxury segments showed transaction volume contractions of 17.8% y/y, 40.8% y/y and 38.2% y/y respectively, overall positive volume growth was sustained by the small segment which grew by 20.8% y/y in line with positive growth in the small segment observed at the national level.

Figure 3: Coastal property prices weakest performer

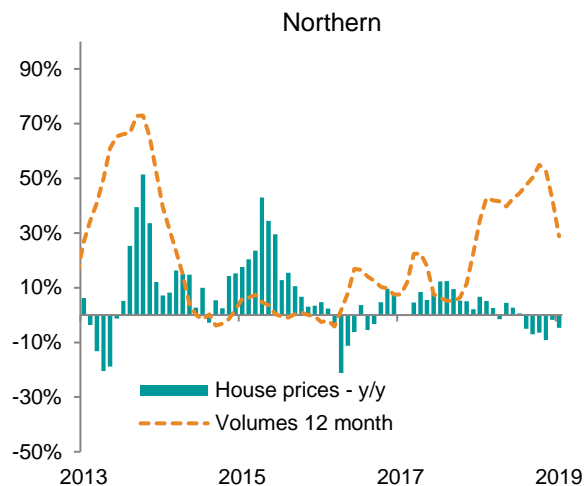


The Coastal region once again recorded the poorest price growth with prices in this region contracting by 5.4% y/y compared to a contraction of 1.9% y/y over the same period last year. The average house price in the Coastal region is now N\$1 041 000. Swakopmund had the highest average house price at N\$ 889K followed by Walvis Bay at N\$ 832K and Henties Bay at N\$ 572K.

In addition to poor price growth, demand in the Coast is waning with the Coastal Volume Index at the lowest it has been since 2017 - recorded at -29.6% y/y. This poor growth is on the back of contractions in the small, medium and large segment of 21.5% y/y, 55.4% y/y and 9.0% y/y respectively. Furthermore, the Coastal region recorded no transactions in the luxury segment during the period under review.

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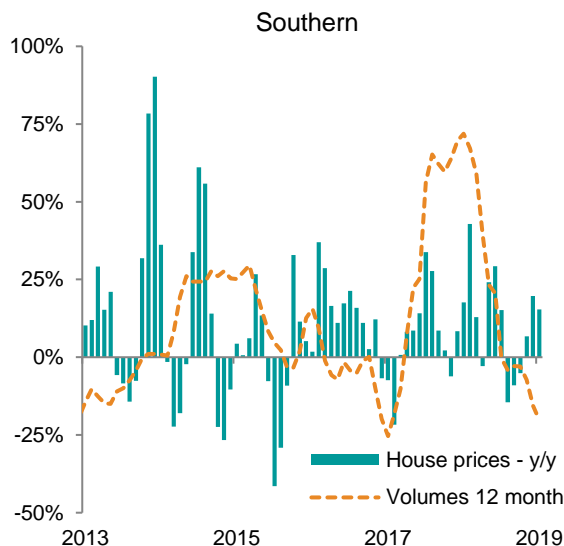
Figure 4: Northern transaction volume growth reverses upward trend



After entering negative territory in April this year, Northern prices have continued to remain weak with a contraction of 4.6% recorded at the end of September 2019 compared to the growth of 6.7% y/y recorded over the same period last year. The average house price in the Northern regions is now at N\$825K. When disaggregating by town, the average price for a house in Ongwediva now stands at N\$853K, while a house in Ondangwa is priced at N\$1.03 million and a house in Oshakati is priced at N\$589K.

The Northern Volume Index which has been showing robust growth over the course of the year seems to have reversed its upward trend, with slower growth of 28.8% y/y recorded at the end of September. This was driven by slower growth in the small segment which is now at 30.9% y/y and contractions in the medium and luxury segments of 14.5% y/y and 34.4% y/y respectively. The large segment was the only segment in which higher positive growth of 50.8% y/y was observed.

Figure 5: Southern prices and volumes contract

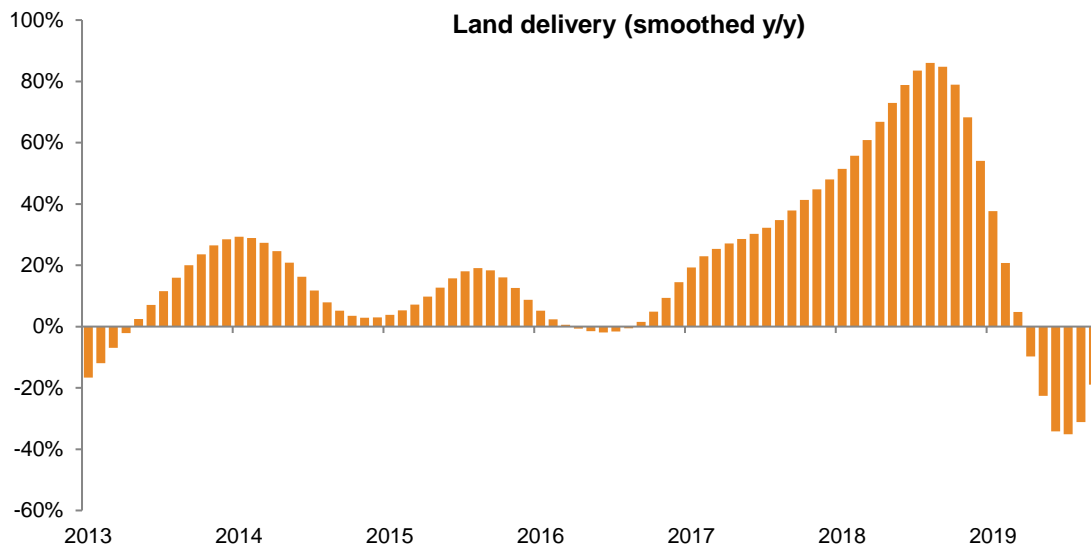


Prices in the Southern region grew by 15.3% y/y at the end of September 2019. The average house price in the Southern region is now N\$925 000.

The Southern Volume Index now stands at -20.3%, driven by a contraction in the small segment of 16.1% and no transactions in the large and luxury segments. While growth in the medium segment of 10% was observed, this was not enough to counteract the overall contraction. The Southern region remains characterised by thin trading volumes with this region accounting for only 3% of total transactions over the period under review. The price and volume dynamics should therefore be interpreted within this context.

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Land Delivery



The pace of land delivery remains a perennial problem across all four regions despite an increase in the budget allocated to Ministry of Urban and Rural Development for the servicing of land and provision of water, electricity and sanitation services. At the national level, delivery remains in contraction, recording -19.0% y/y at the end of September 2019. Although demand side factors rather than supply side factors are currently dictating movements in house prices, land delivery is an important element in solving the pervasive housing delivery deficit experienced in Namibia.

Conclusion

Demand side factors have been dominating the property market over the course of the year, with anaemic demand keeping property market activity subdued. Property price growth and transaction volume growth have come under immense pressure in a macroeconomic environment characterised by weak consumer spending and consumer uncertainty. In addition to poor price growth, sellers have had to drop their asking prices by 22% before securing a sale and a single property remains on the market for an average of 8 months before it is sold. These dynamics have kept growth in house prices at bay.

A shift in activity towards the small segment has been the dominant theme for the year— further evidence of mounting pressures on household incomes. Although we expect activity to remain robust in the small segment, weak activity in the medium, large and luxury segments are likely to keep a lid on property price and volume growth. We maintain our view that the recent repo rate cut and any future rate cuts will not yield a recovery in the property market as a rebound in the housing market will require a significant shift in macroeconomic fundamentals. Looking forward, we expect downside demand risks to continue to dominate due to the erosion of household spending power. As such, property prices will remain in the red, particularly in the medium to upper end of the market.

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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	832 343	25.3%	56.5%	68.5%
Eenhana	532 000	553 000	700 000	798 000	770 000	884 080	773 653	-12.5%	-3.1%	39.9%
Gobabis	699 000	839 000	889 000	1 119 000	908 000	1 041 947	808 666	-22.4%	-27.7%	-3.6%
Grootfontein	559 000	647 000	736 000	645 000	812 000	679 531	787 356	15.9%	22.1%	21.7%
Helao Nafidi	575 000	909 000	1 002 000	425 000	607 000	607 000		-100.0%	-100.0%	-100.0%
Henties Bay	851 000	929 000	1 115 000	1 103 000	1 190 000	1 242 714	980 292	-21.1%	-11.1%	5.5%
Katima Mulilo	595 000	737 000	791 000	893 000	673 000	1 076 965	865 771	-19.6%	-3.0%	17.5%
Keetmanshoop	504 000	610 000	863 000	632 000	686 000	819 361	806 402	-1.6%	27.6%	32.2%
Luderitz	527 000	509 000	584 000	829 000	811 000	711 800	946 095	32.9%	14.1%	85.9%
Mariental	518 000	685 000	736 000	913 000	1 336 000	1 041 857	1 930 000	85.2%	111.4%	181.8%
Okahandja	624 000	820 000	922 000	856 000	937 000	976 097	868 460	-11.0%	1.5%	5.9%
Okahao	466 000	492 000	491 000	611 000	568 000	739 952	800 591	8.2%	31.0%	62.7%
Omaruru	562 000	954 000	767 000	1 092 000	1 111 000	737 470	630 153	-14.6%	-42.3%	-33.9%
Omuthiya	482 000	540 000	612 000	640 000	750 000	1 138 340	880 779	-22.6%	37.6%	63.1%
Ondangwa	551 000	683 000	720 000	836 000	910 000	894 783	950 397	6.2%	13.7%	39.2%
Ongwediva	585 000	755 000	1 009 000	944 000	951 000	1 033 958	1 079 779	4.4%	14.4%	43.0%
Oshakati	572 000	1 163 000	974 000	679 000	785 000	791 197	816 476	3.2%	20.2%	-29.8%
Oshikuku	533 000	569 000	580 000	634 000	635 000	750 415	719 419	-4.1%	13.5%	26.4%
Otavi	533 000	611 000	531 000	560 000	647 000	701 872	716 894	2.1%	28.0%	17.3%
Otjiwarongo	803 000	825 000	967 000	1 021 000	1 069 000	936 829	859 742	-8.2%	-15.8%	4.2%
Outapi	456 000	553 000	579 000	785 000	738 000	983 147	773 331	-21.3%	-1.5%	39.8%
Outjo	755 000	739 000	925 000	928 000	809 000	918 706	972 000	5.8%	4.7%	31.5%
Ruacana	707 000	855 000	898 000	968 000	875 000	788 945	1 207 635	53.1%	24.8%	41.2%
Rundu	468 000	630 000	684 000	780 000	727 000	905 202	717 667	-20.7%	-8.0%	13.9%
Swakopmund	1 019 000	993 000	1 096 000	1 334 000	1 348 000	1 224 611	1 106 657	-9.6%	-17.0%	11.4%
Tsumeb	741 000	750 000	966 000	1 162 000	1 222 000	957 641	1 151 613	20.3%	-0.9%	53.5%
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	966 393	1.2%	-16.4%	-7.3%
Windhoek	1 152 000	1 209 000	1 440 000	1 514 000	1 614 000	1 542 364	1 611 492	4.5%	6.4%	33.3%
Namibia**	895 000	972 000	1 110 000	1 151 000	1 187 000	1 199 179	1 102 908	-8.0%	-4.2%	13.5%

****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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