



## FNB Residential Property Monthly March, 2018

### Highlights for the month

- House prices fell by 8.8% in March to average N\$1,136,030
  - Volumes accelerated to 11.7% over the year
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- House prices fell for the ninth straight month in the coastal market
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- In contrast, Outapi, Luderitz and Otjiwarongo record robust price inflation off low base

#### Regional Snapshots

##### Southern:

Average price: N\$815,000 (+33.8% y/y)

##### Northern:

Average price: N\$916,000 (+12.3% y/y)

##### Coastal:

Average price: N\$951,000 (-38.0% y/y)

##### Central:

Average price: N\$1,451,000 (-3.1% y/y)

### House prices fall again in March

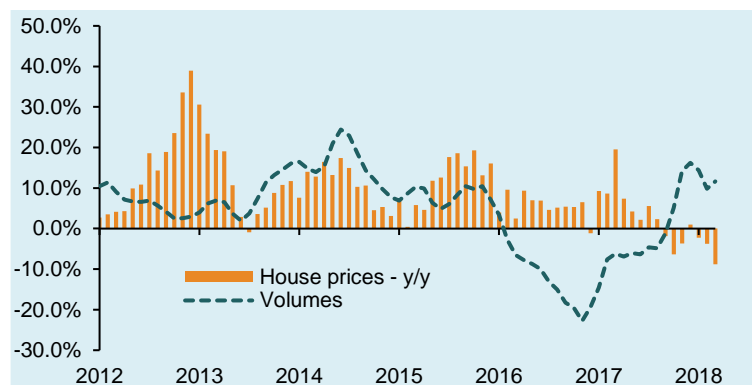
House prices contracted for a third straight month in March by 8.8% y/y, the sixth contraction in the last seven months. The decline meant the price of the average home was cut by N\$109,941 from what it was this time last year to N\$1,136,030. When disaggregated, property prices in the middle price segment stagnated, while property prices in the upper price segment contracted by 3.0% y/y. Conversely, property prices in the lower price segment increased modestly by 3.4% y/y. Additionally, year to date data shows property prices across 14 towns, including the capital Windhoek, contracted. Volumes however increased 11.7%, driven primarily by the new affordable housing supply and improved land delivery. Volumes in the lower price segment have consequently risen by 17.9%, while land delivery has increased by 58.0%, bringing partial relief to those in the housing backlog. Both the middle and upper price segment recorded volume increases as well, albeit minimal. However, transactions in the luxury housing segment have dried up, with only one transaction registered in the past four months.

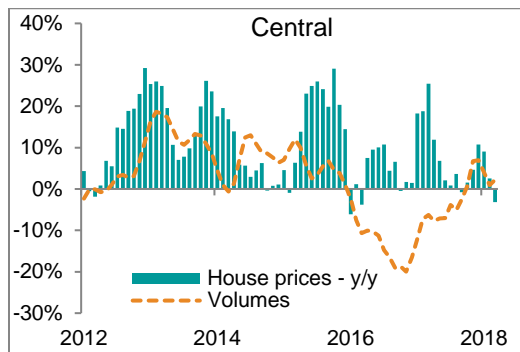
Given the likelihood of more affordable housing stock entering the market and the delayed reaction to the economic downturn, we expect property prices to retreat even further and remain under pressure for longer - allowing the market to correct after decades of exuberant house price inflation. Sellers seem to remain denial on pricing shifts, as 91% of homes sold in the period, sold for below asking price, which points to overly optimistic prices in an ultra-cautious buyers' market.



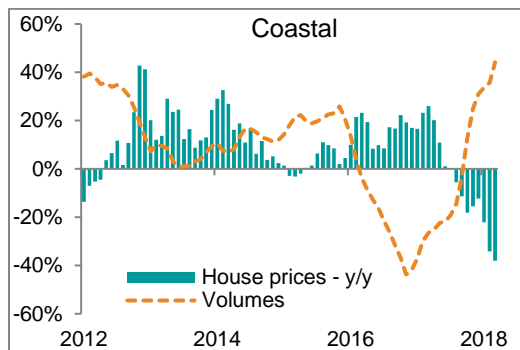
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### FNB House Price Index

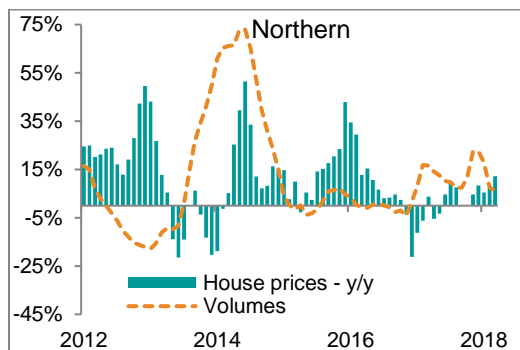




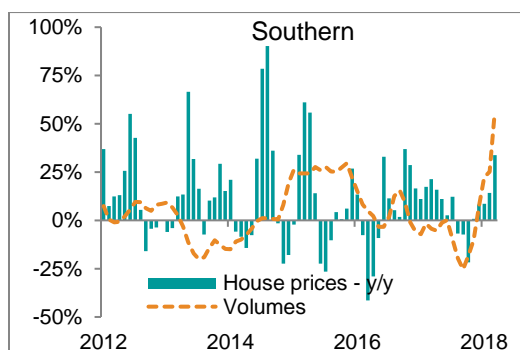
**Central:** As anticipated, central property prices contracted by 3.1%, following price weaknesses in the upper segments where property prices fell by 4.1% y/y. In the capital, property prices fell for the second time in twelve months, albeit by a modest 0.6% y/y, whilst Okahandja prices contracted by as much as 13.7% y/y. Volumes increased by 2.2%, driven primarily by increased affordable housing supply in Windhoek and Okahandja.



**Coastal:** The coastal property prices fell for the ninth month in a row - this time by 38.0% y/y – as changes in the housing mix comes into play. Here, sales are increasingly concentrated in the lower segments (84% of total volumes), bringing the overall average price down. Consistent with this development, property prices fell by 33.4% y/y in Swakopmund and by 40.3% y/y in Walvis Bay. Given the strong mass housing and aggressive land delivery at the coast, price weakness has begun to trickle down to the middle and lower property prices segments, where 13.8% y/y and 14.8% y/y contractions were recorded respectively. Additionally, volumes shot up by 44.2% through March, with most of the supply coming through the middle and lower price segments. Demand in the upper and luxury segments has stagnated under the current economic backdrop. FNB's Estate Agent Survey reported properties spending about 24 weeks on the market at the coast whilst the agents' affordability perception index ticked up, in that income levels are "far" behind house price levels.



**Northern:** In contrast, the northern property price inflation is picking up after months of negative price growth. Property prices in this region increased by 12.3% y/y, their highest in almost two years. This was driven primarily by properties in the lower to middle price segments, which have begun to record positive growth, while the upper price segment remains in decline. Meanwhile, house prices are still falling in Katima Mulilo (-21.4% y/y) and Rundu (-3.7% y/y) on the back of increased supply in these markets. Mortgage extended to the northern region increased by more than 36% in the last twelve months to N\$1.49 billion, retaining its second largest mortgage market status.



**Southern:** The southern market is persistently volatile, and as such should be interpreted with caution. In March property prices rose by 33.8% y/y, after decreasing by more than 21% just five months ago. Volumes were up by as much as 65% through March, but with a small base, the volatility remains high.

## Conclusion

House price growth has diminished and the recent developments suggest that we are set to face price correction as affordable property supply increases at a time where subdued economic activity persists and labour uncertainty is high. These factors have curtailed housing demand, and with mortgage advances growing at a paltry 8.1%, property prices can only contract. Furthermore, with more serviced land entering the market, the price pressures will only intensify. It is for these reasons; we have revised our house price expectations to reflect a market correction after decades of robust house price appreciation. Although our econometric models do suggest a modest recovery in 2018, the housing market will take a bit longer to recover. Nothing economically looks very strong, just mildly better than where we come from, and as such, house prices are expected to contract even further through 2018. Current forecast points towards price contractions of 5.8% for 2018 as a whole, easing to 1.2% in 2019.

## APPENDIX: YEARLY AVERAGE HOUSE PRICES

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Town	2013	2014	2015	2016	2017	2018	YTDr	3Yr	5Yr
Arandis	299 000	494 000	456 000	532 000	640 000	947 000	48.0%	107.7%	216.7%
Eenhana	532 000	553 000	700 000	798 000	770 000	883 000	14.7%	26.1%	66.0%
Gobabis	699 000	839 000	889 000	1 119 000	908 000	1 999 000	120.2%	124.9%	186.0%
Grootfontein	559 000	647 000	736 000	645 000	812 000	767 000	-5.5%	4.2%	37.2%
Helao Nafidi	575 000	909 000	1 002 000	425 000	607 000	607 000	0.0%	-39.4%	5.6%
Henties Bay	851 000	929 000	1 115 000	1 103 000	1 190 000	1 141 000	-4.1%	2.3%	34.1%
Katima Mulilo	595 000	737 000	791 000	893 000	673 000	864 000	28.4%	9.2%	45.2%
Keetmanshoop	504 000	610 000	863 000	632 000	686 000	897 000	30.8%	3.9%	78.0%
Luderitz	527 000	509 000	584 000	829 000	811 000	869 000	7.2%	48.8%	64.9%
Mariental	518 000	685 000	736 000	913 000	1 336 000	773 000	-42.1%	5.0%	49.2%
Okahandja	624 000	820 000	922 000	856 000	937 000	923 000	-1.5%	0.1%	47.9%
Okahao	466 000	492 000	491 000	611 000	568 000	787 000	38.6%	60.3%	68.9%
Omaruru	562 000	954 000	767 000	1 092 000	1 111 000	840 000	-24.4%	9.5%	49.5%
Omuthiya	482 000	540 000	612 000	640 000	750 000	1 637 000	118.3%	167.5%	239.6%
Ondangwa	551 000	683 000	720 000	836 000	910 000	938 000	3.1%	30.3%	70.2%
Ongwediva	585 000	755 000	1 009 000	944 000	951 000	1 150 000	20.9%	14.0%	96.6%
Oshakati	572 000	1 163 000	974 000	679 000	785 000	771 000	-1.8%	-20.8%	34.8%
Oshikuku	533 000	569 000	580 000	634 000	635 000	719 000	13.2%	24.0%	34.9%
Otavi	533 000	611 000	531 000	560 000	647 000	517 000	-20.1%	-2.6%	-3.0%
Otjiwarongo	803 000	825 000	967 000	1 021 000	1 069 000	1 062 000	-0.7%	9.8%	32.3%
Outapi	456 000	553 000	579 000	785 000	738 000	1 215 000	64.6%	109.8%	166.4%
Outjo	755 000	739 000	925 000	928 000	809 000	540 000	-33.3%	-41.6%	-28.5%
Ruacana	707 000	855 000	898 000	968 000	875 000	789 000	-9.8%	-12.1%	11.6%
Rundu	468 000	630 000	684 000	780 000	727 000	739 000	1.7%	8.0%	57.9%
Swakopmund	1 019 000	993 000	1 096 000	1 334 000	1 348 000	1 161 000	-13.9%	5.9%	13.9%
Tsumeb	741 000	750 000	966 000	1 162 000	1 222 000	1 089 000	-10.9%	12.7%	47.0%
Usakos	715 000	427 000	657 000	445 000	617 000	660 000	7.0%	0.5%	-7.7%
Walvis Bay	854 000	1 042 000	992 000	1 156 000	1 079 000	916 000	-15.1%	-7.7%	7.3%
Windhoek	1 152 000	1 209 000	1 440 000	1 514 000	1 614 000	1 556 000	-3.6%	8.1%	35.1%
<b>Namibia</b>	<b>895 000</b>	<b>972 000</b>	<b>1 110 000</b>	<b>1 151 000</b>	<b>1 187 000</b>	<b>1 159 000</b>	<b>-2.4%</b>	<b>4.4%</b>	<b>29.5%</b>

## 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 100,000m<sup>2</sup> 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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