

Housing Index

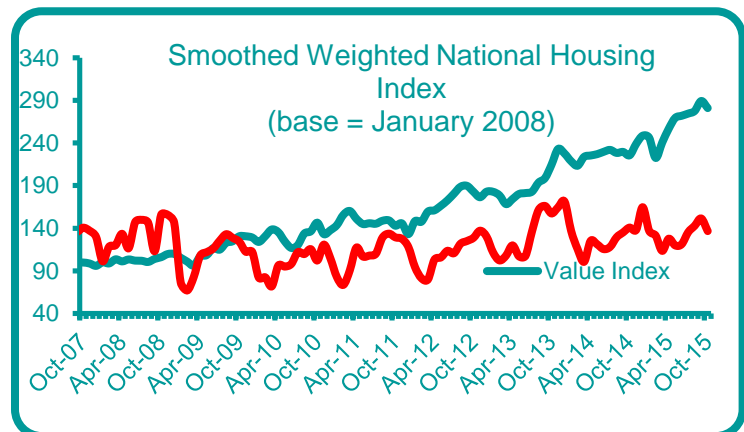
Monthly update 2015



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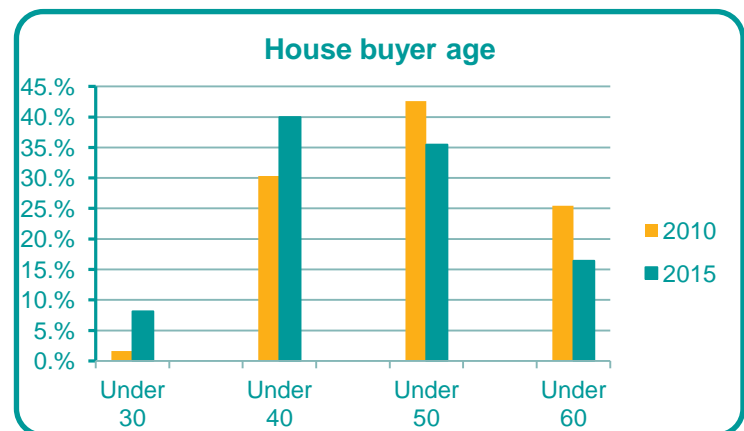
how can we help you? 

The FNB volume and value index retreated in the eve of the fourth quarter 2015 as the housing market eased across the country. The Deeds office recorded a 40% drop in transactions y-o-y due to a slowdown in purchases in the Northern and Central towns. Transaction growth at the Coast remains steady at 10%y-o-y supported by development in Swakopmund while in the South, transactions at Luderitz doubled due to low cost developments in Luderitz's Benguela area. These transactions, combined with developments at the coast, pulled the median house price down to 694K.



From 2010 to 2015

Namibia's housing market has changed considerably over the past five years. Volume growth has increased by 30.5% while prices have grown by an estimated 87.8% across the board. The rate of supply may need to triple to help ease price growth. GDP per capita and recent labour force surveys have suggested that disposable income has increased by 8% annually across the different economic sectors suggesting higher incomes for consumers. This is further corroborated by the age of buyers for both cars and houses which seems to have dropped with 40% of market owners under the age of 40 while five years ago the market was supported by individuals between the age of 40 and 50.



City centre changes its landscape

Focussing on Windhoek, we find that the areas in demand have also changed. There has been a 63% increase in demand in areas like Academia while in Cimbebasia demand has dropped by 50%. Eros, Hochland Park, Dorado Park and even Rocky Crest are areas where demand has dropped by 55%, 41%, 23% and 27% respectively. However we find that most consumers have opted to live in Khomasdal, Omeya, Eliseinheim and Okurayangava. The preference in choice of living seems to be a pricing matter (these areas are either cheaper or offer more value per sqm) more than anything supported with evidence from the growth across different sectors. Average volume growth in the lower segment has increased from -13% to 20% while in the upper segment it has dropped from 21% to -15%. Property between N\$1mn and N\$2mn is where the main growth averaged 47% year on year.

Time to consider moving

The process of decentralization has been more than wanting. There still exists a large migration from either

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smaller towns to the city or rural areas to the city. Predominantly, this has created property hotspots within an area like Windhoek. There exists a case however that individuals should consider relocation to other towns based on the median property price and their proximity to most services that are available in some select few towns. Arguably, these areas need to offer the same type of competitive employment opportunities such that the migrants standard of living does not deteriorate. Up North, Ongwediva and Rundu are towns that are fast growing but still offer reasonably prices for property. Median price in Ongwediva is hovering in the N\$500k mark while in Rundu it edges towards N\$650k. Gaining popularity are the coastal towns as well. In Walvis Bay, the median price is N\$725K for stand sizes up to 400sqms. Several areas in Swakopmund reflect median price of N\$900K but stand sizes are as large as 586 sqms. New homebuyers must consider these towns as well before completely discrediting the housing market

Who is really struggling?

Fortunately, current banking data suggest that most arrears are still within the unsecured spending areas. Non-performing loans within the housing market are still quite low and additionally slowed down towards the end of last year. However, the age group seems to be under pressure are those between 30 and 40. NPLs seem to be highest in this age group. Volume wise, most struggling consumers are from Khomasdal and Katutura but are ironically office-based workers or semi-professionals. Young professionals could potentially struggle if drastic and difficult decisions aren't made to contain spending.

Conclusion

Evidently, the data suggest that a massive supply of low cost housing over consecutive months would re-price the market downwards, improving affordability across the country. Managing the demand tactics will only mask the problem temporarily but won't resolve the problem. The interest rate environment in Namibia is bound to change drastically over the course of 2016 and that will not bode favourably with the already indebted consumer. To put it in context a 0.75% increase in interest rates would change an individual's monthly payment for their house by approximately N\$518 on a N\$1mn dollar bond. Irrespective of inflation and general economic slowdown expectations for 2016, consumers will face headwinds on the back on the rise cost of servicing their debt. Potentially, 2016 could see a period of softening house prices within the middle income section and further growth in volumes across the lower end. Rental incomes could growth aggressively as landlords try to shift the burden of rising interest rates on the consumers. Tentative forecasts place volume growth at 12% and price growth at 17% for 2016.

Methodology

This report covers the developments in the national housing market, based on bonds registered for natural persons at the Deeds Office. The median is used as the central measure of tendency and has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 (2007 prices) and further mortgage bonds are excluded because they may not reflect the true cost of housing and as such may distort the index. Of course, it must be remembered that this index reflects the median price of properties that were traded over this period. This limitation of not being able to get to average prices about the stock of housing is a perennial challenge for housing indices.

Below are the annual median house prices for the major towns in Namibia. The change in prices has been compared for the past 5 and 3 years. The year to date (YTD) value has been inserted give a possible indication for 2015 numbers.

Town	Year							Relative Change		
	2009	2010	2011	2012	2013	2014	YTD	5 Years	3 Years	1 Year
Arandis	175,000	300,000	300,000	300,000	300,000	505,000	602,000	68.7%	100.7%	19.2%
Arandis	175,000	300,000	300,000	300,000	300,000	505,000	506,577	68.7%	68.9%	0.3%
Eenhana	208,323	202,162	322,190	388,500	462,000	527,500	572,000	182.9%	47.2%	8.4%
Gobabis	320,988	383,000	481,500	608,500	620,000	630,200	700,000	82.8%	15.0%	11.1%
Grootfontein	315,000	280,000	308,900	500,000	455,000	530,000	483,500	72.7%	-3.3%	-8.8%
Henties Bay	500,000	563,500	687,500	780,000	837,000	870,000	1,037,445	84.1%	33.0%	19.2%
Katima Mulilo	240,000	286,000	275,000	326,350	430,000	528,750	550,000	92.3%	68.5%	4.0%
Keetmanshoop	271,500	334,650	407,000	450,000	421,000	495,000	698,750	108.8%	55.3%	41.2%
Luderitz	231,000	432,000	280,000	398,500	413,800	397,300	449,658	4.1%	12.8%	13.2%
Mariental	302,500	350,000	400,000	461,200	418,500	550,000	650,000	85.7%	40.9%	18.2%
Okahandja	290,000	355,000	366,900	471,500	543,000	687,000	774,300	118.1%	64.2%	12.7%
Okahao	302,000	262,250	373,200	295,000	412,000	484,000	430,000	64.0%	45.8%	-11.2%
Omaruru	555,000	775,000	650,000	650,800	480,000	800,000	675,000	-12.9%	3.7%	-15.6%
Omuthiya		349,600	331,500	343,000	402,000	531,500	575,000	64.5%	67.6%	8.2%
Ondangwa	234,000	258,300	373,500	512,350	482,500	570,500	674,500	161.1%	31.6%	18.2%
Ongwediva	341,500	442,500	431,000	505,240	412,000	506,500	710,020	60.5%	40.5%	40.2%
Oshakati	310,000	486,300	475,000	416,000	420,000	964,100	646,000	32.8%	55.3%	-33.0%
Oshikango	340,000	450,000	268,300	421,500	578,000	1,063,000	646,000	43.6%	53.3%	-39.2%
Oshikuku	294,000	375,000	311,500	363,000	380,000	466,000	537,400	43.3%	48.0%	15.3%
Otavi		350,000	477,000	475,000	473,700	690,000	504,500	44.1%	6.2%	-26.9%
Otjiwarongo	322,170	377,500	447,000	592,500	678,928	735,081	661,500	75.2%	11.6%	-10.0%
Outapi	235,600	223,350	296,000	371,000	422,400	530,000	533,000	138.6%	43.7%	0.6%
Outjo	410,000	378,000	400,000	470,000	527,000	613,388	760,000	101.1%	61.7%	23.9%
Rundu	210,000	280,000	320,700	331,000	401,000	553,230	607,400	116.9%	83.5%	9.8%
Swakopmund	469,500	612,000	580,500	700,000	787,500	750,000	745,000	21.7%	6.4%	-0.7%
Tsumeb	341,000	360,000	470,000	505,550	661,500	722,500	549,000	52.5%	8.6%	-24.0%
Usakos	160,000	180,000	206,000	206,000	430,000	423,000	656,500	264.7%	218.7%	55.2%
Walvis Bay	380,000	489,350	415,000	450,000	617,500	800,000	737,000	50.6%	63.8%	-7.9%
Windhoek	472,000	544,000	682,500	800,000	980,000	910,000	950,000	74.6%	18.8%	4.4%
Namibia	381,000	450,000	480,000	609,750	640,000	700,000	868,000	92.9%	42.4%	24.0%

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