

Housing Index

Fourth quarter 2016

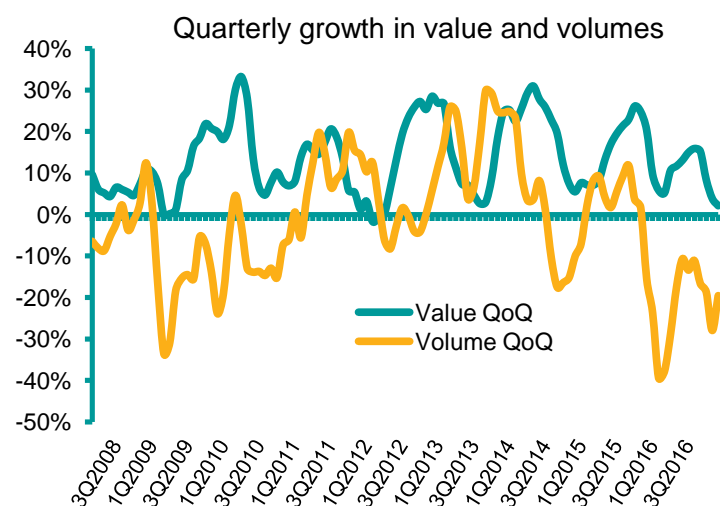


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Highlights:

- House price decelerates down to 2% q-o-q,
- Demand shifting towards the lower and middle price segment,
- Slowing economy influences the overall volumes traded,
- House prices to grow moderately in 2017.



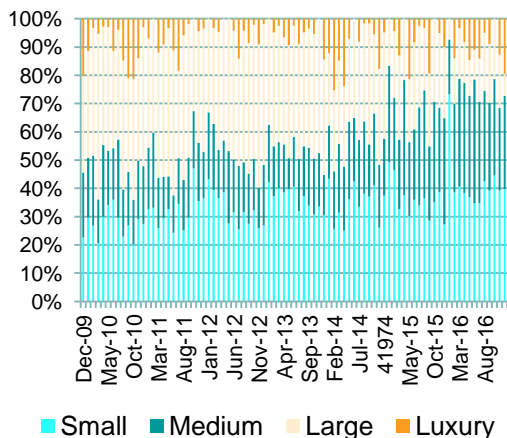
The FNB Value Index recorded its lowest level since 2Q2013 after quarterly growth tapered down to 2% during 4Q2016. Historically, the Index tends to retreat during the fourth quarter, as the prices would normalize for that given year and as volumes decline. However, the sharp downturn in the Index seems to be reflected by a slower growth rate (6% y-o-y) in the median price across major towns.

The overall median price recorded was N\$850K, still relatively high considering the gross earnings of the individual would have to be over N\$25K per month to afford this type of bond, whilst the average monthly income in Namibia is estimated to be N\$6.6K per month, based on the latest labor force survey (LFS, 2014). The Volume Index, which continues to remain volatile, trends in negative territory thus coming in at -19% during the same period.



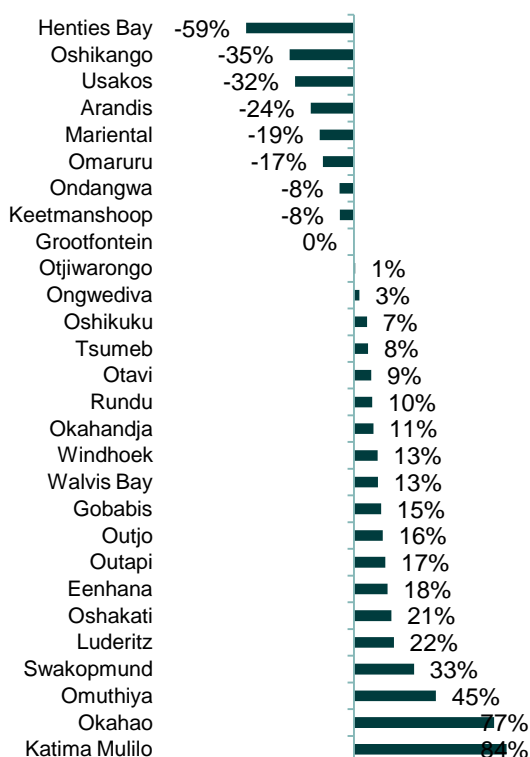
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Percentage breakdown of housing transactions based on market segmentation



■ Small ■ Medium ■ Large ■ Luxury

Annual growth across main towns



Market segments

Overall, the market seems concentrated in the small to medium segment where property is valued between N\$400K to approximately N\$2.6mn. These two segments constituted 70% of the total volumes across the country as seen in the adjacent graph. Volume trends upwards (16%q-o-q) in these segments as the prices remain within the affordability band of most.

Within the luxury segment (property deals over N\$6.5mn), isolated transactions took place at the coastal town and in central Namibia which pushed the median price in the segment to N\$16mn. Growth in this segment tends to be volatile as it is dependent on movements of a few expensive transactions and therefore may not be indicative of overall market strength or weakness. Within, the large segment (property deals between N\$2.7mn and N\$6.5mn) price growth tapered to 14%q-o-q during the fourth quarter with prices leveling at N\$3.4mn. The appetite for large houses continues to decline with volumes down to -47% during 4Q2016.

Central property

In the central part of the country, the median prices in the large segment recorded N\$3.5mn. In the medium segment, house price printed at N\$1.65mn, 6% higher than the same period last year. The small segment saw prices adjusting by 25% to N\$845k further proof that market activity is concentrated in this segment. The central house price index however, has already dipped into negative territory (-3%) for the quarter suggesting that relative to the prior year growth, prices have started to weaken. Across the major municipalities, Windhoek, Okahandja and Gobabis, registered significantly lower price growth than the five-year average after prices averaged N\$900k in Gobabis, N\$1,300k in Windhoek and N\$874k in Okahandja.

Coastal towns

Property prices at the coast continued to enjoy robust price growth after prices soared 19.16% quarter on quarter. However, volumes remained weak contracting by 36% in the final quarter. Price growth has been substantially poor in areas such as Henties Bay; however, this has been overshadowed by higher prices in Swakopmund and at Walvis Bay. Median price, as at December 2016, was N\$1mn in Swakopmund and N\$790k in Henties Bay and Walvis Bay.

Northern towns

Volume growth across most northern towns contracted -4% q-o-q, while price growth in the area remained flat. Price deflation in certain towns was balanced by price growth in others. The main towns of price growth remain in Katima Mulilo, Omuthiya, Oshakati and Eenhana. More specifically, property prices in Katima soared 84% to N\$997k during 2016, to bring the five-year increase to a whopping 253%. Okahao also enjoyed robust price increase of 77%, culminating in a median price of N\$791k for 2016. These towns are still anticipated to show strong property performance despite an overall slowdown in the market.

Southern towns

Despite the thin volumes, property prices declined during the fourth quarter and for 2016. On an annualized basis, prices in Mariental and Keetmanshoop contracted by 19% and 8% respectively, while Luderitz was the outlier after its prices soared 22% off a low base. With property prices averaging N\$645k in Keetmanshoop, N\$545k in Luderitz and N\$488k in Mariental, the southern towns display the lowest median prices across the country.

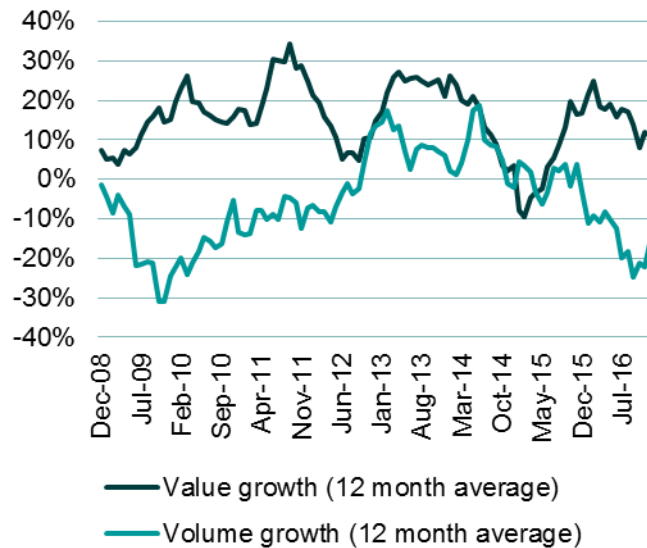
Windhoek area over the past year

Compared to 2015, volumes are down 21% across all of Windhoek’s main suburbs, however, Finkenstein and Eisenheim still recorded growth rates of 9% and 400% respectively. Prices are however up by 11%, supported higher house inflation in Otjomuise, Hakahana and Wanehda. Eros, Ausblick and Hochland Park prices declined -28%, -18% and -12% respectively. This further cements the view that prices in the high end have started declining and are selling below valuation according to our latest Estate Agent Survey.

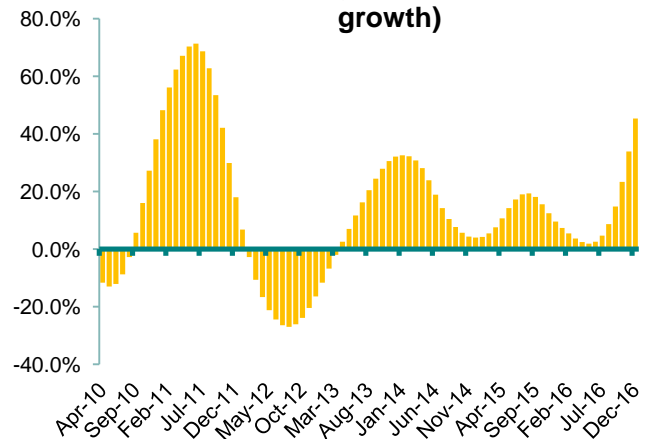
Land delivery looks promising

Land delivery accelerated during the latter part of the year as new stands came on stream. The additional stands emanated from northern towns mainly in the areas of Otjiwarongo, Grootfontein and Rundu. The average size of the stands stood at 665 square meters mainly because of larger stand sizes recorded in the Rundu area. In the central parts of the country, land delivery edged higher growing by 4% year on year.

Windhoek price and volume growth



Land Delivery (smoothed annual growth)



Below are the annual median house prices for the major towns in Namibia over the past 7 years

Town	Year							Relative Change		
	2010	2011	2012	2013	2014	2015	2016	5 Years	3 Years	1 Year
Arandis	300,000	300,000	300,000	300,000	505,000	602,000	459,500	53.17%	53.17%	-23.67%
Eenhana	202,162	322,190	388,500	462,000	527,500	600,000	710,100	120.40%	53.70%	18.35%
Gobabis	383,000	481,500	608,500	620,000	630,200	783,500	900,000	86.92%	45.16%	14.87%
Grootfontein	280,000	308,900	500,000	455,000	530,000	597,000	595,000	92.62%	30.77%	-0.34%
Henties Bay	563,500	687,500	780,000	837,000	870,000	1,037,445	425,000	-38.18%	-49.22%	-59.03%
Katima Mulilo	286,000	275,000	326,350	430,000	528,750	543,000	997,084	262.58%	131.88%	83.63%
Keetmanshoop	334,650	407,000	450,000	421,000	495,000	698,750	645,000	58.48%	53.21%	-7.69%
Luderitz	432,000	280,000	398,500	413,800	397,300	446,990	545,000	94.64%	31.71%	21.93%
Mariental	350,000	400,000	461,200	418,500	550,000	600,000	487,500	21.88%	16.49%	-18.75%
Okahandja	355,000	366,900	471,500	543,000	687,000	790,000	874,000	138.21%	60.96%	10.63%
Okahao	262,250	373,200	295,000	412,000	484,000	447,500	790,834	111.91%	91.95%	76.72%
Omaruru	775,000	650,000	650,800	480,000	800,000	737,500	612,000	-5.85%	27.50%	-17.02%
Omuthiya	349,600	331,500	343,000	402,000	531,500	575,000	833,333	151.38%	107.30%	44.93%
Ondangwa	258,300	373,500	512,350	482,500	570,500	683,805	630,000	68.67%	30.57%	-7.87%
Ongwediva	442,500	431,000	505,240	412,000	506,500	720,040	742,073	72.17%	80.11%	3.06%
Oshakati	486,300	475,000	416,000	420,000	964,100	686,000	826,800	74.06%	96.86%	20.52%
Oshikango	450,000	268,300	421,500	578,000	1,063,000	900,000	583,854	117.61%	1.01%	-35.13%
Oshikuku	375,000	311,500	363,000	380,000	466,000	550,000	590,000	89.41%	55.26%	7.27%
Otavi	350,000	477,000	475,000	473,700	690,000	475,000	520,000	9.01%	9.77%	9.47%
Otjiwarongo	377,500	447,000	592,500	678,928	735,081	750,000	755,000	68.90%	11.20%	0.67%
Outapi	223,350	296,000	371,000	422,400	530,000	535,000	627,084	111.85%	48.46%	17.21%
Outjo	378,000	400,000	470,000	527,000	613,388	760,000	880,000	120.00%	66.98%	15.79%
Rundu	280,000	320,700	331,000	401,000	553,230	614,800	676,292	110.88%	68.65%	10.00%
Swakopmund	612,000	580,500	700,000	787,500	750,000	875,800	1,164,167	100.55%	47.83%	32.93%
Tsumeb	360,000	470,000	505,550	661,500	722,500	847,500	913,100	94.28%	38.03%	7.74%
Usakos	180,000	206,000	206,000	430,000	423,000	656,500	445,000	116.02%	3.49%	-32.22%
Walvis Bay	489,350	415,000	450,000	617,500	800,000	795,500	900,000	116.87%	45.75%	13.14%
Windhoek	544,000	682,500	800,000	980,000	910,000	1,150,000	1,300,000	90.48%	32.65%	13.04%
Namibia	450,000	480,000	609,750	640,000	700,000	800,000	850,000	77%	33%	6%

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Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to all circumstances.

Conclusion

While the coastal region continues to still shows strong property price growth, central Namibia prices have eased for detached property as increased supply of sectional titles meet a weakened demand environment according to the latest estate agent survey. Accordingly, properties remain unsold for an average of 19 weeks.

The housing market continues to show signs of correction as the latest overall growth rate aligned more with headline inflation other than its usual trends. Looking forward, house prices are expected to remain depressed as the economy gradually recovers from fiscal consolidation, rising interest rates, high inflation and rising unemployment.

The higher loan to value requirements for secondary properties placed by Bank of Namibia, and the evidenced pressures faced by the current interest rate environment, will further reduce activity in the property market. Recently adjusted property rates and taxes will increase ownership costs in an environment where inflation has accelerated above 8% and expected to remain upwardly sticky for most parts on 2017. Therefore, we expect more properties to sell below valuation and a continuation of price weakness as witnessed in the fourth quarter of 2016.

Therefore, property price inflation in 2017 is expected to trend below the past 5-year average across most of the country. With poor levels of affordability coupled with a brittle economic environment, we anticipate growth to be down to 4%- 5% at the end of 2017. The ongoing discussion regarding capping rental property prices (although still premature) could further pose downside risks to property price growth. If the legislation makes it unattractive for homeowners to rent out their property by regulating the rent charged, the market would invariably restructure with property purchasing prices trending downwards as demand for new property will dwindle.

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 three-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.