

FNB Residential

Property Report



Third Quarter 2020

KEY HIGHLIGHTS

- House Price Index grew by 0.7% from the third quarter of 2019 to the third quarter of 2020
- National weighted average house price is now recorded at N\$1 233 106
- Southern region has outperformed the rest with average growth in house price of 27.7% y/y
- Overall growth in land delivery has slowed to 21.3% y/y but remain robust by historic standards

REGIONAL SNAPSHOTS

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House Prices	Central	N\$1 470 000	▲	0.3% y/y
	Coastal	N\$1 183 000	▲	13.6% y/y
	Northern	N\$1 029 000	▲	24.7% y/y
	Southern	N\$1 176 000	▲	27.1% y/y
Land Prices / Square Metre	Central	N\$562	▼	-41.2% y/y
	Coastal	N\$372	▼	-55.2% y/y
	Northern	N\$769	▼	-8.0% y/y
	Southern	N\$520	▲	41.9% y/y

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

Frans Uusiku

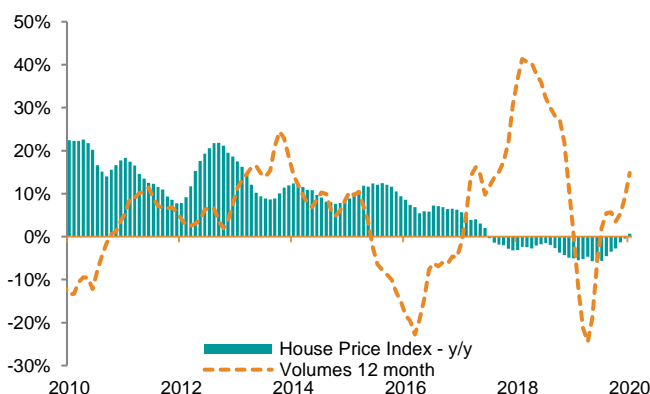
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Figure 1: FNB House Price Index (Prices and Volumes)

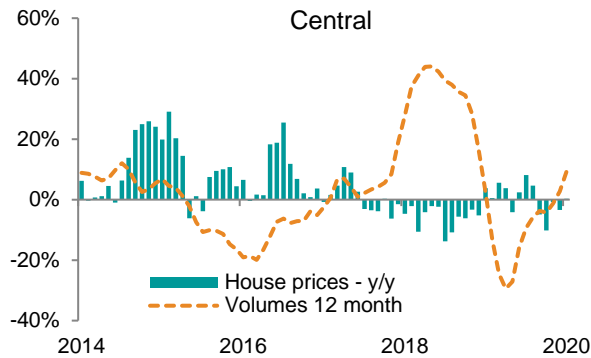


Third quarter FNB HPI shows greenshoots in house prices

The FNB House Price Index recorded a 12-month average growth of 0.7% y/y as at September 2020. This is the first time in nearly three years that the index marks a growth territory. The rebound in house prices further affirms our earlier view, as highlighted in the prior quarterly publication, that house price deceleration has seemingly reached a pinnacle. This brings the national weighted average house price to N\$1 233 106 as at September 2020.

The increase in house prices has been partly fuelled by the completion of new developments in the central area. Moreover, the persistently strong demand for residential land in smaller towns might have also contributed to the sudden rebound in house prices. This is particularly true for the southern and northern regions where land appears to be relatively affordable. As a result of these developments, land prices in the southern region grew by 41.9% y/y as at September 2020 compared to a contraction of 27.3% y/y recorded a year ago. The central, coastal and southern regions on the other end recorded contractions in land prices of 41.2%, 55.2% and 8.0% y/y, respectively over the reviewed period. This is unsurprising, given the overwhelming dominance of first-time buyers in the market. All and above, overall demand for housing remains highly concentrated in the small and medium market segments with growth in volumes traded recorded at 11.6% and 33.4% y/y, respectively.

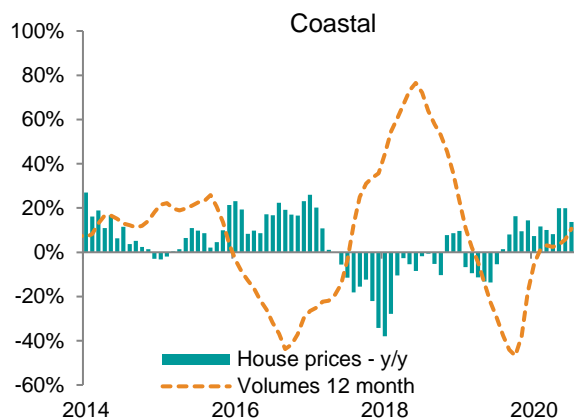
Figure 2: Central property prices strengthens



Central residential property prices grew by 10.8% y/y at the end of September 2020 compared to a contraction of 5.2% y/y recorded over the same period of 2019. On average, a house in the central region is now priced at N\$1 470 000. When looking at major towns, the 12-month average price for a house in Windhoek came in at N\$1 089 000 as at September 2020, having contracted by 8.6% q/q and 4.6% y/y. Similarly, Okahandja and Gobabis recorded annual contractions in house prices of 3.3% and 11.9% y/y as at September 2020 to N\$765 000 and N\$665 000, respectively.

The volumes traded in the central region have evaded the negative growth territory with year-on-year growth recorded at 9.2% at the end of September 2020 compared to a growth of 2.5% y/y recorded a year ago. This was driven by improvement in trading activity across all the housing segments. However, the small and medium housing segments remain the core market for this region from the market positioning and affordability point of view.

Figure 3: Coastal property prices remain buoyant

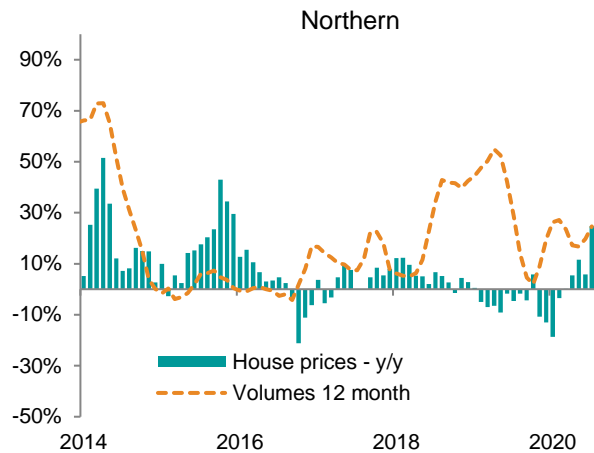


House prices in the coastal region remain unbated high, averaging N\$1 183 000 at the end of September 2020. This reflects a price growth of 13.6% y/y compared to a contraction of 5.4% y/y recorded over the same period of 2019. The small housing segment has been and continues to be a core market for the coastal towns due to the relative dominance of industrial jobs in the region. The medium to higher-end market segments appear to be highly dominated by investment properties often bought by investors who may not necessary regard the coastal towns as their primary place of residence. This leaves a wider affordability gap in the coastal market. In essence, the 12-month average price for a house in Swakopmund, Walvis Bay and Henties Bay is recorded at N\$727 000 N\$721 000 and N\$772 000 at the end of September 2020, respectively (Appendix A).

The coastal volume index posted growth of 10.7% y/y at the end of September 2020. This is a marked improvement when compared to a contraction of -29.4% recorded over the corresponding period of 2019 and points to completion of new developments within the small housing segment.

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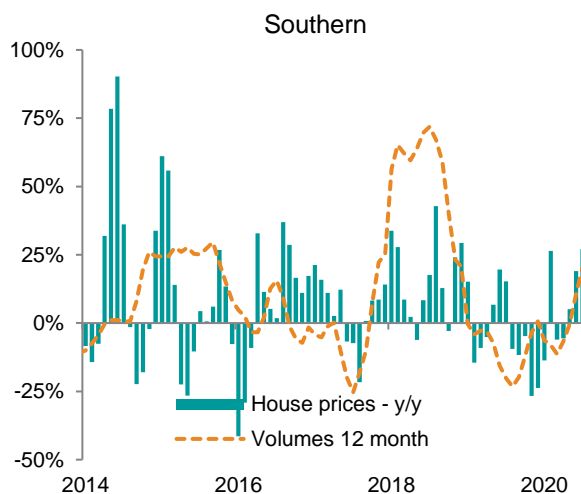
Figure 4: Northern transaction volume sustains growth



Northern house prices remain buoyant, recording a four-year record growth of 24.7% y/y at the end of September 2020. The 12-month average house price in the northern region is now calculated at N\$1 029 000 from N\$871 000 in the last quarter and N\$825 000 recorded in the same period of 2019. This is reflective of an improvement in the delivery of residential land especially in Oshikuku, Outapi, Katima Mulilo and Rundu. In effect, house prices in the aforementioned towns grew by 35.1%, 11.9%, 66.1% and 4.55 y/y, respectively.

The northern volume index grew by 24.6% y/y at the end of September 2020 from 28.8% y/y recorded in the same period of 2019. Overall demand for housing in the northern region continues to outperform the rest on account of land affordability, but also because of the inherent high population density. We expect this trend to increase even further as we anticipate the government to rollout the implementation of the “Upgrading of Informal Settlements” to the rest of the regions.

Figure 5: Southern property market poised for advancement

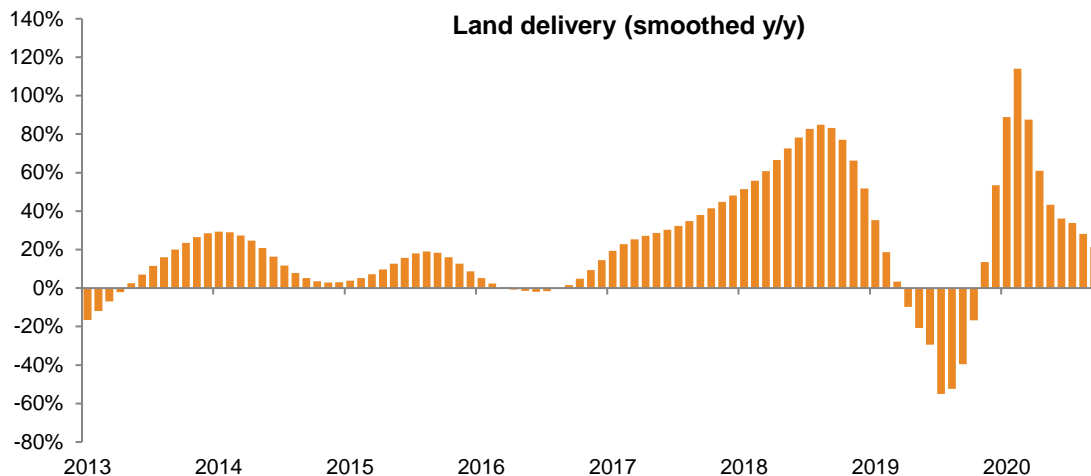


The southern region recorded a significant growth in house prices of 27.1% y/y at the end of September 2020 from 15.3% y/y recorded a year ago. This points to ongoing residential development projects in Mariental. The 12-month average house price in the southern region is now calculated at N\$ 1 176 000 as at September 2020 from N\$ 925 000 recorded over the same period of 2019. It should, however, be noted that the southern region only makes up about 3 percent of overall national transactional volumes, hence the volatility in prices over time. The changes in prices in this region, should therefore be analysed in the context of their longer-term trends rather than focusing on monthly or quarterly movements.

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Land Delivery

As the availability of inventory for affordable houses continue to take a toll on the housing market, accessibility and affordability of land becomes an important force towards market stabilization. Meanwhile, the growth in land delivery has been trending downward since the beginning of 2020, reaching 21.3% y/y at the end of September 2020. This suggests for a renewed political momentum in as far as the acceleration of land serving and delivery is concerned.



Conclusion

The housing market has been much more resilient than what many analysts predicted at the outset of the pandemic. We remain bullish about further growth in house prices on the back of the unabated housing backlog. The change in political leadership at the City of Windhoek is also poised to bring about a renewed momentum towards executing on the promise of accessible and affordable land delivery. This is particularly true for the low and ultra-low-income households. Looking ahead, the current market dynamics will likely continue to be shaped by the desire for more residential outdoor space and by a move to relocate to smaller towns as the culture of remote working gains prominence.

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APPENDIX A: ANNUAL AVERAGE HOUSE PRICES (12M MOVING AVERAGE, N\$)

TOWNS	3Q2019	2Q2020	3Q2020	Q/Q Growth	Y/Y Growth
Arandis	508 000	481 000	462 000	-4.0%	-9.1%
Eenhana	782 000	672 000	740 000	10.1%	-5.4%
Gobabis	755 000	648 000	665 000	2.6%	-11.9%
Grootfontein	583 000	606 000	634 000	4.6%	8.7%
Helao Nafidi	407 000	-	934 000	-	129.5%
Henties Bay	780 000	847 000	772 000	-8.9%	-1.0%
Katima Mulilo	540 000	843 000	897 000	6.4%	66.1%
Keetmanshoop	532 000	464 000	422 000	-9.1%	-20.7%
Mariental	734 000	658 000	729 000	10.8%	-0.7%
Okahandja	791 000	767 000	765 000	-0.3%	-3.3%
Okahao	765 000	806 000	708 000	-12.2%	-7.5%
Omaruru	520 000	558 000	623 000	11.6%	19.8%
Omuthiya	885 000	711 000	789 000	11.0%	-10.8%
Ondangwa	759 000	771 000	748 000	-3.0%	-1.4%
Ongwediva	769 000	721 000	714 000	-1.0%	-7.2%
Oshakati	647 000	665 000	654 000	-1.7%	1.1%
Oshikuku	535 000	648 000	723 000	11.6%	35.1%
Otavi	400 000	524 000	590 000	12.6%	47.5%
Otjiwarongo	663 000	679 000	674 000	-0.7%	1.7%
Outapi	604 000	650 000	676 000	4.0%	11.9%
Outjo	522 000	765 000	930 000	21.6%	78.2%
Ruacana	627 000	521 000	460 000	-11.7%	-26.6%
Rundu	663 000	692 000	693 000	0.1%	4.5%
Swakopmund	769 000	721 000	727 000	0.8%	-5.5%
Tsumeb	821 000	999 000	964 000	-3.5%	17.4%
Usakos	1 146 000	563 000	972 000	72.6%	-15.2%
Walvis Bay	725 000	740 000	721 000	-2.6%	-0.6%
Windhoek	1 142 000	1 191 000	1 089 000	-8.6%	-4.6%

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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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