

FNB Residential

Property Report



Second Quarter 2020

KEY HIGHLIGHTS

- House Price Index was down 2.7% from the second quarter of 2019 to the second quarter of 2020
- National weighted average house price is now recorded at N\$ 1 044 956
- Northern region is the only region with positive volume index growth – recorded at 16.5% y/y
- Overall pace of land delivery improved by 23.1% y/y from -22.0% y/y recorded a year ago

REGIONAL SNAPSHOTS

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House Prices	Central	N\$1 253 000	▼	-10.8% y/y
	Coastal	N\$1 107 000	▲	8.0% y/y
	Northern	N\$871 000	▲	6.0% y/y
	Southern	N\$717 000	▼	-13.8% y/y
Land Prices / Square Metre	Central	N\$957	▲	14.2% y/y
	Coastal	N\$859	▲	1.3% y/y
	Northern	N\$805	▼	-3.2% y/y
	Southern	N\$523	▼	-0.1% 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

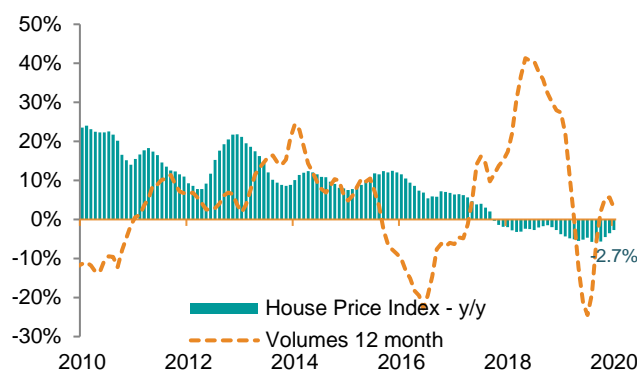
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Figure 1: FNB House Price Index (Prices and Volumes)

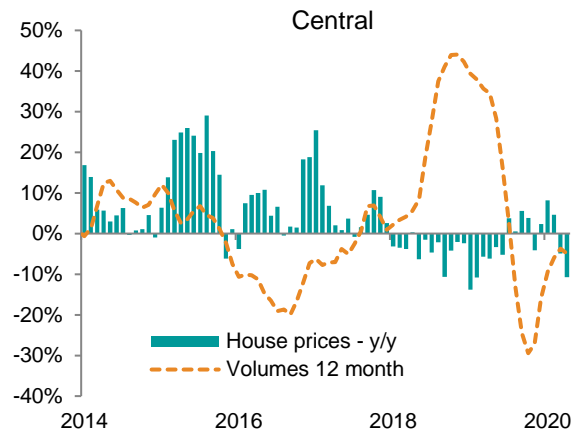


Second quarter house prices soften

The FNB House Price Index posted a contraction of 2.7% y/y at the end of June 2020, compared to contractions of 5.6% and 3.7% y/y recorded at the end of March 2020 and June 2019 respectively. This brings the national weighted average house price to N\$1 044 956 as at June 2020. House price gains were notable in the Coastal and Northern regions, registering growth of 8.0% and 6.0% y/y respectively. Meanwhile, double digit contractions in house prices of 10.8% and 13.8% y/y were recorded in the central and southern regions due to affordability issues. As a result, the elevated demand for land in the central region led to a 12-month average price growth of 14.2% per square metre at the end of June 2020, compared to a contraction of 13.0% y/y recorded over the same period of 2019. This can be ascribed to high bid prices offered for the purchase of land mainly by private developers (Appendix B).

Although market sentiments may appear to point to further declines in house prices due to expected distressed sales, we nonetheless believe that the downward trend has seemingly reached its pinnacle for two reasons. First, house prices have only registered an annual compounded growth of 6% since 2009, which is lower than the 9% growth observed in mortgages over the same period. Second, there is a 91% positive correlation between house prices and mortgages since 2009. This could imply that house price appreciation realised since the 2008 global financial crisis was associated with a corresponding growth in mortgages. Therefore, from a seller's perspective, trading activity below the prevailing average price levels may prove difficult due to high level of indebtedness.

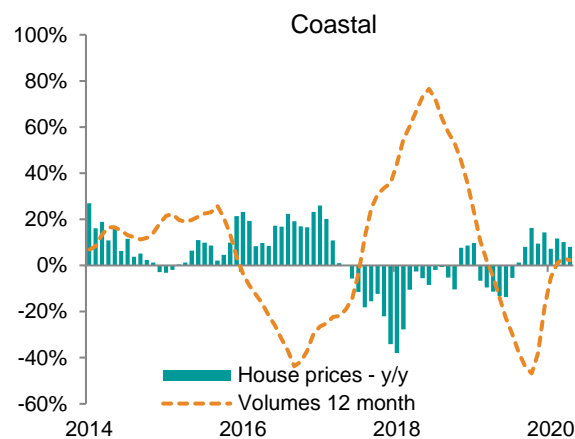
Figure 2: Central property prices contracted



Central residential property prices contracted by 10.8% y/y at the end of June 2020 compared to a contraction of 6.1% y/y recorded over the same period of 2019. On average, a house in the central region is now priced at N\$1 253 000. On a 12-month moving average, a house in Windhoek is now priced at N\$1 188 000, having contracted by 2.8% q/q and grown by 8.4% y/y. Conversely, Okahandja and Gobabis recorded annual contractions in house prices of 3.7% and 11.5% y/y, settling at N\$764 000 and N\$670 000 respectively at the end of June 2020.

Meanwhile, volumes traded in the central region remain low with the volume index growth recorded at -4.9% y/y as at June 2020 from 34.5%/y/y registered over the corresponding period of 2019. The medium housing segment continues to be responsible for most of the trading activity in the central region, recording a volume index growth of 14.2% y/y compared to a growth of 7.5%/y/y recorded in June 2019. This could be attributed to houses in the higher-end market segment (large to luxury) selling at prices below valuation due to affordability issues. Notably so, the market for the smaller housing segment is seen to be dissipating in the central region especially amongst old establishments as evidenced by a continued contraction in the volume index of 8.0% y/y as at June 2020 compared to average annual growth of 40% y/y seen in the last two years. Suffice to say, the revival of the small housing market in this region would largely be dependent on the extent of land delivery and construction of new residential developments.

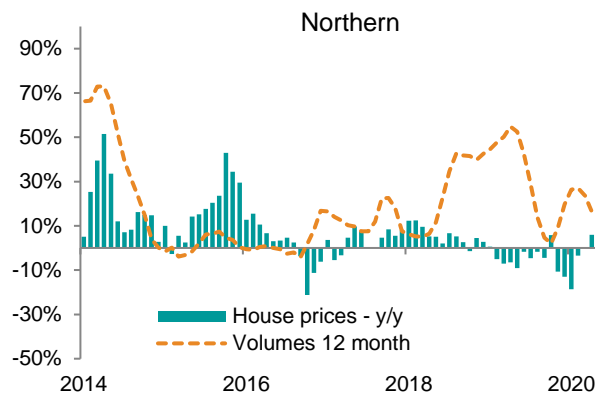
Figure 3: Coastal property prices improves further



House prices in the coastal region have remained buoyant, recording price growth of 8.0% y/y at the end of June 2020 compared to a contraction of 11.7% y/y recorded a year ago. The average house price in the coastal region is now recorded at N\$1 107 000. Walvis Bay and Henties Bay have consistently sustained price growth in this region. In effect, house prices in Walvis Bay and Henties grew by 6.5% and 6.0% y/y to N\$742 000 and N\$776 000 as at June 2020, respectively. On the flipside, selling a house in Swakopmund has proven difficult in recent times due to economic hardship. This is particularly true for the mining and construction sectors which have traditionally been the key engine of the housing market in this region. Consequently, about 90% of houses sold over the last 12 months have been concentrated in the small housing segment – resulting in house price contraction of 10.4% y/y to N\$720 000 as at June 2020.

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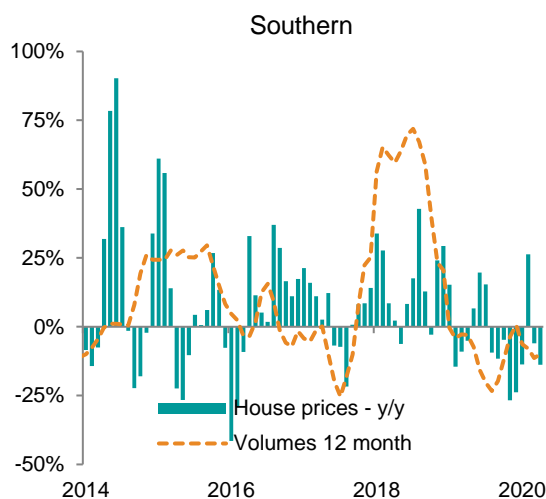
Figure 4: Northern transaction volume sustains growth



Northern house prices have rebounded from a 28-months long negative growth territory, posting growth of 6.0%y/y as at June 2020. The average house price in the northern region is now at N\$871 000. The improvement in trading activity was more evident in Katima Mulilo, Rundu, Ondangwa and Oshikuku which spurred growth in house prices of 60.5%, 7.9%, 7.1% and 7.1% y/y respectively.

Demand for housing in the northern region remain highly elevated with the volume index printing annual growth of 16.5% y/y at the end of June 2020. This continues to be the only region that has recorded growth in respect of volumes traded since mid-2019, because of the inherent dominance of the small housing segment. In essence, the housing market recorded an annual growth in volumes traded of 26.2% y/y at the end of June 2020 compared to 18.7% y/y recorded over the same period of 2019. On the contrary, trading activity in the medium, large and luxury housing segments remain scant in the northern region as evidenced by continued contractions in volumes traded of 22.1%, 9.7% and 50.0% y/y respectively.

Figure 5: Southern region remain in negative territory

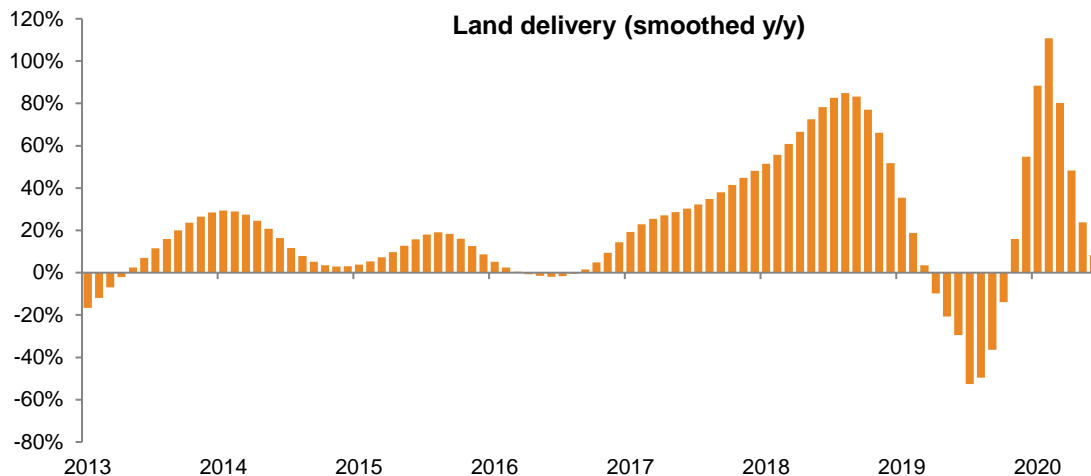


The southern region represents a very small fraction of the housing market, accounting for only 2% of overall transactional volumes since July 2019. House prices in the southern region contracted by 13.8% y/y at the end of June 2020 compared to a contraction of 5.1% y/y recorded a year ago. The average house price in the southern region is now recorded at N\$ 717 000 as at June 2020. Looking ahead, we retain our view that the property market in the southern region is poised for advancement considering the notable acceleration of land delivery and decentralization of training programmes by UNAM and NIMT in the region.

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Land Delivery

Accessibility and affordability of residential land remain a recurrent issue and an important policy imperative of the Namibian government. Overall land delivery grew by 23.1% y/y over the second quarter of 2020 compared to a contraction of 22.0% y/y recorded over the same period of 2019. Effectively, the northern and coastal regions accounted for an equal share (35%) of total land delivered over the reviewed period, followed by the southern region (19%) and the central region (11%).



We view the observed variations in the extent of land delivered across the regions as indicative of demand dynamics and affordability of land in the respective regions. The fact that the central region accounted for the smaller share of overall land delivered despite its relative larger population is, therefore, not surprising given that it recorded the highest average land price per square metre of N\$957 as at June 2020 (Appendix B). In a different but related track, the NSA Building Plans Completed Index for June 2020 which track changes in the nominal value of building plans completed reported Windhoek with an index growth of 600% y/y. According to the report, this was attributed to new developments taking place in suburbs of Otjomuise, Khomasdal and most importantly the conversion of Elisenheim farm into a residential area. In addition, Ongwediva recorded an index growth of 146% y/y while Swakopmund and Walvis Bay recorded contractions of 36% and 26% y/y at the end of June 2020 respectively. Whilst the report only covers four jurisdictions, we believe that it serves as an important leading indicator for the outlook of the property market and construction sector at large in the respective areas.

Conclusion

Broadly so, we believe that the attractiveness of the residential property market as an asset class will be dependent on the extent of economic recovery and subsequent revival of the rental market. In the meantime, we see accessibility and affordability of housing to be highly concentrated within the small housing segment particularly in the northern and southern regions. Looking ahead, immediate pockets of growth are likely to be realized through addition of new developments that respond to evolving levels of household incomes along with fast-tracking the pace of affordable land delivery.

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

TOWNS	2Q2019	1Q2020	2Q2020	Q/Q Growth	Y/Y Growth		
Arandis	500 000	507 000	478 000	-5.7%	▼	-4.4%	▼
Eenhana	783 000	690 000	745 000	8.0%	▲	-4.9%	▼
Gobabis	757 000	613 000	670 000	9.3%	▲	-11.5%	▼
Grootfontein	579 000	606 000	631 000	4.1%	▲	9.0%	▲
Katima Mulilo	526 000	851 000	844 000	-0.8%	▼	60.5%	▲
Keetmanshoop	493 000	483 000	458 000	-5.2%	▼	-7.1%	▼
Arandis	500 000	507 000	478 000	-5.7%	▼	-4.4%	▼
Eenhana	783 000	690 000	745 000	8.0%	▲	-4.9%	▼
Gobabis	757 000	613 000	670 000	9.3%	▲	-11.5%	▼
Grootfontein	579 000	606 000	631 000	4.1%	▲	9.0%	▲
Helao Nafidi	407 000	-	869 000	-	■	113.5%	▲
Henties Bay	732 000	836 000	776 000	-7.2%	▼	6.0%	▲
Katima Mulilo	526 000	851 000	844 000	-0.8%	▼	60.5%	▲
Keetmanshoop	493 000	483 000	458 000	-5.2%	▼	-7.1%	▼
Luderitz	493 000	409 000	313 000	-23.5%	▼	-36.5%	▼
Mariental	731 000	686 000	588 000	-14.3%	▼	-19.6%	▼
Okahandja	793 000	806 000	764 000	-5.2%	▼	-3.7%	▼
Okahao	690 000	839 000	802 000	-4.4%	▼	16.2%	▼
Omaruru	519 000	517 000	541 000	4.6%	▼	4.2%	▼
Omuthiya	931 000	708 000	711 000	0.4%	▲	-23.6%	▼
Ondangwa	720 000	771 000	771 000	0.0%	■	7.1%	▲
Ongwediva	791 000	768 000	717 000	-6.6%	▼	-9.4%	▼
Oshakati	660 000	662 000	667 000	0.8%	▲	1.1%	▲
Oshikuku	604 000	635 000	647 000	1.9%	▲	7.1%	▲
Otavi	441 000	485 000	524 000	8.0%	▲	18.8%	▲
Otjiwarongo	622 000	726 000	678 000	-6.6%	▼	9.0%	▲
Outapi	639 000	649 000	650 000	0.2%	▲	1.7%	▲
Outjo	485 000	759 000	765 000	0.8%	▲	57.7%	▲
Ruacana	518 000	554 000	521 000	-6.0%	▼	0.6%	▲
Rundu	646 000	682 000	697 000	2.2%	▲	7.9%	▲
Swakopmund	807 000	776 000	720 000	-7.2%	▼	-10.8%	▼
Tsumeb	800 000	944 000	1 001 000	6.0%	▲	25.1%	▲
Usakos	1 146 000	462 000	563 000	21.9%	▲	-50.9%	▼
Walvis Bay	697 000	734 000	742 000	1.1%	▲	6.5%	▲
Windhoek	1 096 000	1 222 000	1 188 000	-2.8%	▼	8.4%	▲
NAMIBIA	1 066 908	1 038 577	1 044 956	0.6%	▲	-2.1%	▼

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APPENDIX B: ANNUAL AVERAGE LAND PRICES PER SQUARE METRE (12M MOVING AVERAGE, N\$)

TOWNS	2Q2019	1Q2020	2Q2020	Q/Q Growth		Y/Y Growth	
Arandis	1 092	1 126	994	-11.8%	▼	-9.0%	▼
Eenhana	1 358	1 604	1 535	-4.3%	▼	13.1%	▲
Gobabis	1 241	922	906	-1.8%	▼	-27.0%	▼
Grootfontein	1 055	1 049	1 154	10.0%	▲	9.4%	▲
Hentiesbaai	1 189	1 176	1 070	-9.0%	▼	-10.1%	▼
Karibib	1 061	928	951	2.4%	▲	-10.4%	▼
Katima Mulilo	1 188	1 790	1 532	-14.4%	▼	29.0%	▲
Keetmanshoop	686	769	737	-4.2%	▼	7.4%	▲
Khorixas	543	600	683	13.9%	▲	25.8%	▲
Luderitz	808	719	757	5.3%	▲	-6.2%	▼
Mariental	654	449	362	-19.4%	▼	-44.6%	▼
Nkurenkuru	1 079	879	881	0.2%	▲	-18.3%	▼
Okahandja	1 338	1 759	1707	-2.9%	▼	27.7%	▲
Okahao	1 534	1 802	1 773	-1.6%	▼	15.6%	▲
Okakarara	359	670	670	0.0%	■	86.5%	▲
Omuthiya	978	1 295	1 228	-5.1%	▼	25.6%	▲
Ondangwa	1 327	1 298	1 316	1.4%	▲	-0.8%	▼
Ongwediva	1 470	1 557	1 465	-5.9%	▼	-0.3%	▼
Opuwo	941	737	671	-8.9%	▼	-28.7%	▼
Oranjemund	-	389	468	20.1%	▲	-	■
Oshakati	1 319	1 382	1 358	-1.8%	▼	2.9%	▲
Oshikuku	986	1 101	1 080	-1.9%	▼	9.5%	▲
Otavi	969	545	511	-6.3%	▼	-47.3%	▼
Otjiwarongo	1 317	1 094	979	-10.6%	▼	-25.7%	▼
Outapi	1 454	1 291	1 380	7.0%	▲	-5.0%	▼
Outjo	409	555	585	5.4%	▲	42.9%	▲
Ruacana	2 435	1 946	789	-59.4%	▼	-67.6%	▼
Rundu	1 193	1 207	1 263	4.7%	▲	5.9%	▲
Swakopmund	1 678	493	453	-8.2%	▼	-73.0%	▼
Tsumeb	-	1 004	1 028	2.4%	▲	-	■
Usakos	-	665	708	6.4%	▲	-	■
Walvis Bay	1 589	1 591	1 680	5.6%	▲	5.7%	▲
Windhoek	2 577	2 674	2 656	-0.7%	▼	3.0%	▲

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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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