

FNB Residential

Property Report



Fourth Quarter 2020

KEY HIGHLIGHTS

- The House Price Index grew by 3.5% from the fourth quarter of 2019 to the fourth quarter of 2020
- National weighted average house price ended the year at N\$1 240 943
- Average age for home buyers has declined from 51 years in 2010 to 39 years in 2020
- Women are relatively gaining prominence in both the first and second -time buyer segments

REGIONAL SNAPSHOTS (3MA)

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House Prices	Central	N\$1 567 000	▲	3.1% y/y
	Coastal	N\$1 248 000	▲	10.6% y/y
	Northern	N\$820 000	▼	-1.6% y/y
	Southern	N\$926 000	▲	20.4% y/y
Land Prices / Square Metre	Central	N\$900	▼	-5.3% y/y
	Coastal	N\$690	▲	40.0% y/y
	Northern	N\$793	▼	-69.8% y/y
	Southern	N\$551	▼	-41.5% y/y

FNB HOUSING SEGMENTS

Small	N\$0.5mn to N\$1.5mn
Medium	N\$1.5mn to N\$3.5mn
Large	N\$3.5mn to N\$6.5mn
Luxury	N\$6.5mn and higher

Frans Uusiku

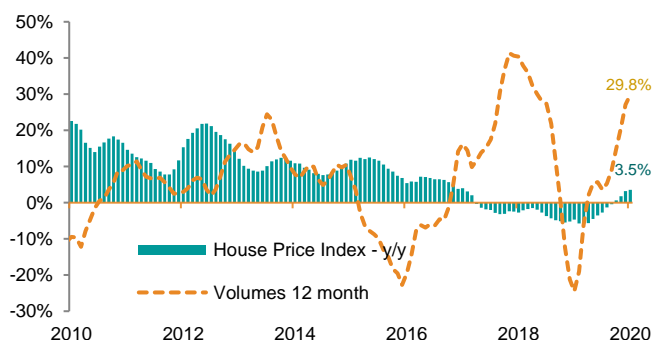
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Figure 1: FNB House Price Index (Prices and Volumes)

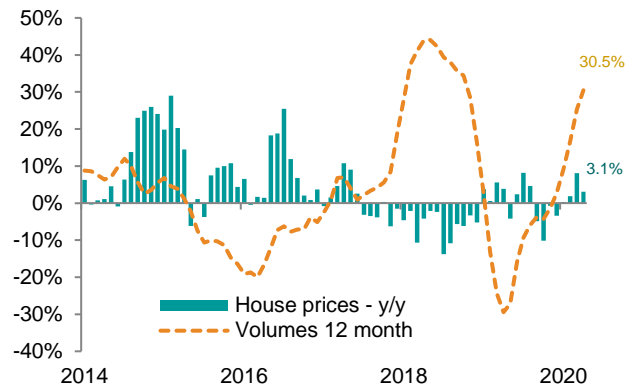


Fourth quarter FNB HPI shows sustained growth in house prices

The FNB House Price Index posted an annual growth of 3.5% y/y at the end of 2020 compared to -4.7% y/y recorded over the same period in 2019. The housing market is surely making a much more pronounced recovery than most other segments of the economy. This points to the resilience of the housing market and economic importance of housing in general. The national weighted average house price ended the year at N\$1 240 943 compared to N\$1 154 468 recorded in 2019.

The review of Namibia's property market over the last decade brings to the fore key observations around inclusivity of the middle-income class, gender, property portfolio mix, and affordability. Firstly, the average age for home buyers has declined from 51 years old in 2010 to 39 years old in 2020. Secondly, women are increasing their participation in the housing market across all property portfolios. For example, women accounted for 34% of all properties purchased in 2020 as first-time buyers compared to 33% recorded in 2019. Within the second-time buyer segment, women accounted for 29% of total properties purchased in 2020 compared to 22% recorded in 2019. Although men continue to dominate the home buying market with market penetration of 38% recorded in 2020, this nonetheless, reflects a decline of one percentage point from the 39% registered in the prior year. Similarly, the joint bond segment has seen a decline in the share of transactional volumes from 31% in 2019 to 29% in 2020. Lastly, affordability continues to be concentrated within the small housing segment despite reflecting a slight decrease in the share of volumes traded from 82% in 2019 to 81% in 2020. The medium housing segment is the only segment that saw an improvement in the share of volumes traded from 15% in 2019 to 17% in 2020. This could be ascribed to sales of high valued properties at prices below valuation, and further justifies the sustained growth in house prices under a tough economic environment.

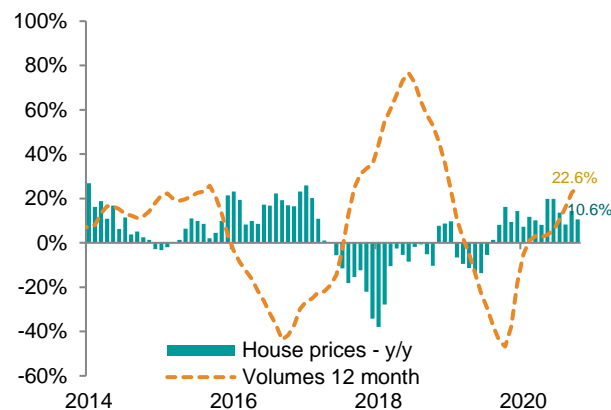
Figure 2: Central Property Price and Volume Index



The Central Residential Property Price Index ended the year at 3.1% y/y compared to 3.8% y/y recorded over the same period of 2019. On average, a house in the central region is now priced at N\$1 567 000. A closer look at the town level shows that the annual average house price in Windhoek came in at N\$1 132 000 at the end of December 2020, showing a quarter-on-quarter growth of 3.9% and year-on-year contraction of 2.1%. On the other end, Okahandja and Gobabis recorded annual contractions in house prices of 7.0% and 3.1% y/y over the same period to N\$774 000 and N\$677 000, respectively.

The volumes index for the central region edged up by 30.5% y/y at the end of December 2020 compared to -29.4% y/y recorded over the corresponding period of 2019. The sudden rebound in volumes traded in the central region was mainly driven by the medium and large housing segments which spurred growth of 52.6% and 71.3% y/y, respectively, compared to contractions of 40.0% and 26.9% y/y seen in the prior period.

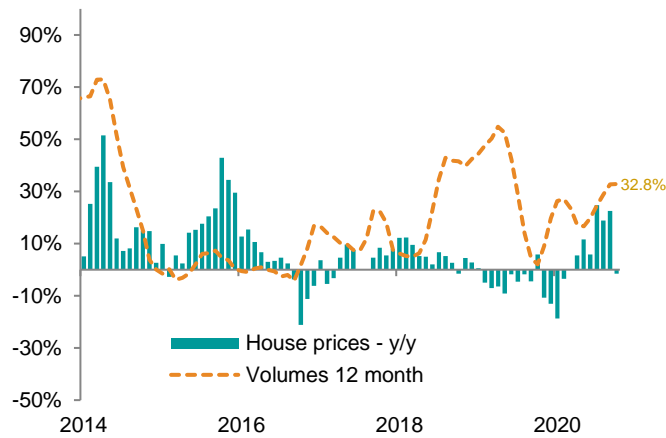
Figure 3: Coastal Property Price and Volume Index



The Coastal Residential Property Price Index posted growth of 10.6% y/y at the end of 2020 compared to 5.2% y/y realized a year ago. This brings the average house price in the coastal region to N\$1 248 000 at the end of 2020 and reflects the growing dominance of the medium and large housing segments which registered volume index growth of 92.2% and 43.2% y/y, respectively. We are however starting to observe a diminishing relevance of the market for second-time buyers in the coastal region, which has historically accounted for about 17% of all property purchases in the region - often for investment purposes. In fact, the transactional volumes for second-time buyers contracted by 76% in 2020 compared to a contraction of 43% recorded in 2019. This changing investment landscape appears to highlight the heightened level of pessimism around the market for second-time buyers, as COVID-19 takes a toll on the economy combined with the struggling rental market, to mention just a few.

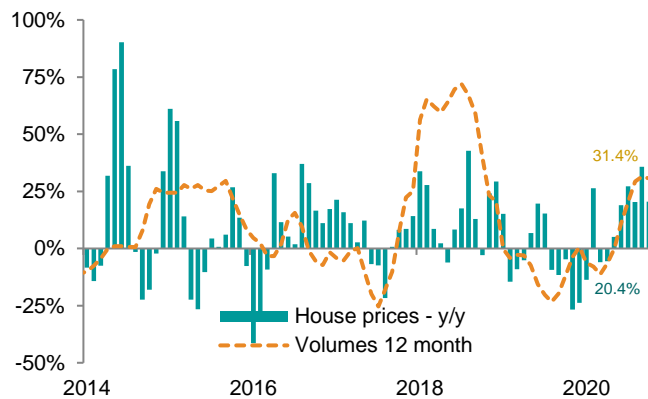
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Figure 4: Northern Property Price and Volume Index



The Northern Residential Property Price Index took a dip of -1.6% y/y in December 2020 compared to a growth of 5.8% seen over the same period of 2019. This brings the average house price in the northern region to N\$820 000 at the end of 2020 from N\$833 000 in 2019. The contraction of 1.6% was unsurprising given the that most business activity had slowed during the period heading into the festive season. We thus continue to paint a positive picture for the northern region on account of affordable land delivery combined with the increasing demand for affordable housing particularly within the middle-income class. In effect, the volume index growth in the northern region has outperformed the rest of the regions, reaching an annual growth of 32.8% y/y at the end of 2020. Looking at the major towns, an average house in Oshakati, Ongwediva, Ondangwa and Rundu is now priced at N\$642 000, N\$706 000, N\$739 000 and N\$695 000, respectively.

Figure 5: Southern Property Price and Volume Index

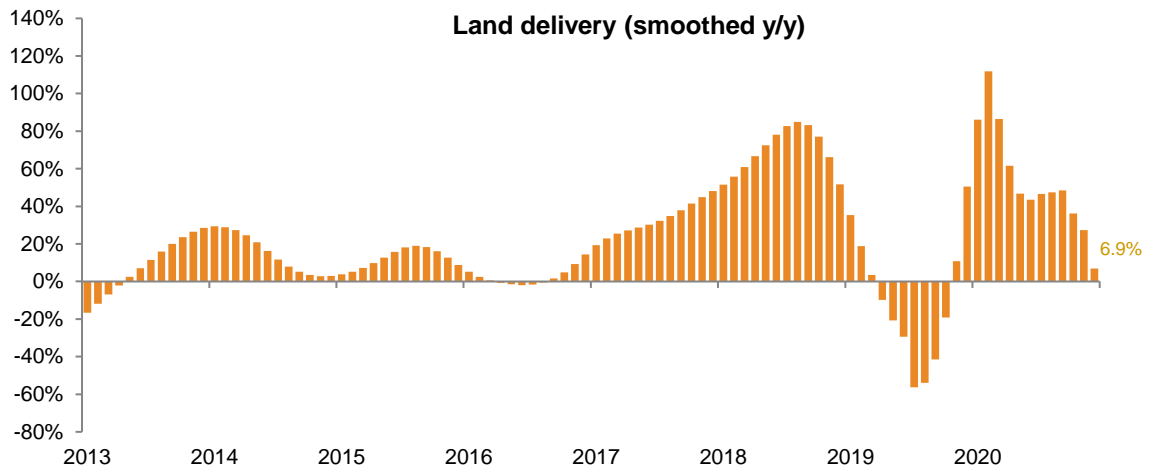


The Southern Residential Property Price Index posted growth of 20.4% y/y in December 2020 compared to a contraction of 4.7% recorded in December 2019. This brings the average house price in the southern region to N\$926 000 from N\$714 000 in 2019. Of interest to highlight is the fact that; for the first time since 2015, men have been overtaken by women in terms of volumes traded in 2020 with 34% and 30% of transaction volumes recorded in favour of women and men, respectively. Furthermore, the percentage share of joint bonds registered in this region has trended downwards from 68% in 2011 to 37% in 2020. These changing dynamics in terms of property ownership could imply that most property developments in this region are mainly destined for investment purposes rather than for family related reasons.

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Land Delivery

The pace of land delivery started off on a strong footing in 2020 with the year-on-year growth of 86.2% recorded in January 2020. However, the momentum around land delivery has since deteriorated towards the end of the year, with only 6.9% y/y growth achieved at the end of December 2020 compared to 50.6% y/y realized over the corresponding period of 2019. Urban land delivery is an important cornerstone in addressing the housing backlog and has been outlined as one of the priority interventions under the Harambe Prosperity Plan II. The Plan promises to deliver 12,000 erven per annum for the next five years, covering Windhoek, Walvis Bay, Otjiwarongo, Gobabis, Enhana, Ongwediva, Ondangwa, Oshakati and Rundu.



















Conclusion

There has been a surprising shift in the Namibia's property market in the recent past, characterised by a relative dominance of women in the industry that has predominantly been dominated by men and joint-bond holders. The medium housing segment or homes priced between N\$1.5m to N\$3.5m is expected to remain relatively attractive in 2021 and beyond, as long as, interest rates remain at current levels. This demand is likely to be supported by numbers of first-time buyers with a long term investment mindset. The acceleration of land servicing requires all-hands-on-deck; a continued political will and smart partnership between the local authorities and financial institutions to give optimal effect to the aspirations of government.

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

TOWNS	4Q2019	3Q2020	4Q2020	Q/Q Growth	Y/Y Growth
Arandis	489 000	432 000	545 000	26.2% 	11.5% 
Eenhana	741 000	763 000	771 000	1.0% 	4.0% 
Gobabis	699 000	668 000	677 000	1.3% 	-3.1% 
Grootfontein	611 000	1 047 000	1 007 000	-3.8% 	64.8% 
Helao Nafidi	407 000	858 000	856 000	-0.2% 	110.3% 
Henties Bay	759 000	821 000	846 000	3.0% 	11.5% 
Katima Mulilo	604 000	879 000	844 000	-4.0% 	39.7% 
Keetmanshoop	550 000	383 000	326 000	-14.9% 	-40.7% 
Luderitz	453 000	315 000	339 000	7.6% 	-25.2% 
Mariental	745 000	729 000	717 000	-1.6% 	-3.8% 
Okahandja	832 000	765 000	774 000	1.2% 	-7.0% 
Okahao	746 000	708 000	678 000	-4.2% 	-9.1% 
Omaruru	518 000	623 000	604 000	-3.0% 	16.6% 
Omuthiya	660 000	789 000	812 000	2.9% 	23.0% 
Ondangwa	762 000	748 000	739 000	-1.2% 	-3.0% 
Ongwediva	789 000	714 000	706 000	-1.1% 	-10.5% 
Oshakati	685 000	654 000	642 000	-1.8% 	-6.3% 
Oshikuku	601 000	723 000	739 000	2.2% 	23.0% 
Otavi	464 000	590 000	518 000	-12.2% 	11.6% 
Otjiwarongo	692 000	674 000	686 000	1.8% 	-0.9% 
Outapi	658 000	676 000	687 000	1.6% 	4.4% 
Outjo	695 000	930 000	715 000	-23.1% 	2.9% 
Ruacana	592 000	460 000	498 000	8.3% 	-15.9% 
Rundu	678 000	693 000	695 000	0.3% 	2.5% 
Swakopmund	780 000	727 000	711 000	-2.2% 	-8.8% 
Tsumeb	924 000	964 000	876 000	-9.1% 	-5.2% 
Usakos	1020 000	972 000	1396 000	43.6% 	36.9% 
Walvis Bay	7400 00	721 000	756 000	4.9% 	2.2% 
Windhoek	1 156 000	1 089 000	1 132 000	3.9% 	-2.1% 

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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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