

FNB Residential

Property Report



First Quarter 2021

KEY HIGHLIGHTS

- The House Price Index surged to 7.2% in the first quarter of 2021 from -5.6% in the first quarter of 2020.
- National weighted average house price came in at N\$1 176 882 at the end of March 2021 from N\$1 038 577 a year earlier.
- The northern region is the only region that delivered a double-digit index growth in house price of 23.0% y/y at the end of March 2021.
- Repeat buyers dominate the medium to higher-end market segment by 74% in 1Q2021.

REGIONAL SNAPSHOTS (3MA)

House Prices	Central	N\$1 417 000	▲	4.7% y/y
	Coastal	N\$1 179 000	▲	5.4% y/y
	Northern	N\$921 000	▲	23.0% y/y
	Southern	N\$866 000	▲	6.8% y/y
Land Prices / Square Meter	Central	N\$765	▼	-4.1% y/y
	Coastal	N\$680	▼	-5.7% y/y
	Northern	N\$865	▼	-5.7% y/y
	Southern	N\$474	▲	39.9% 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

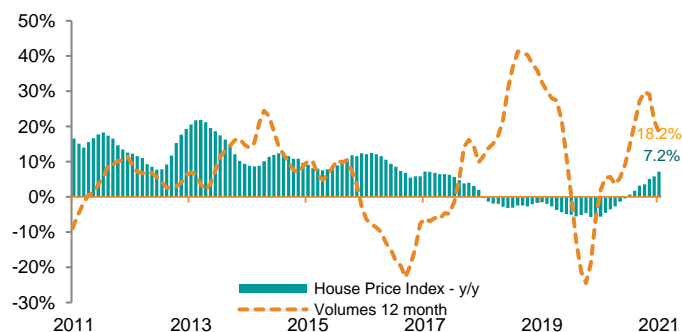
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Figure 1: FNB House Price Index (Prices and Volumes)

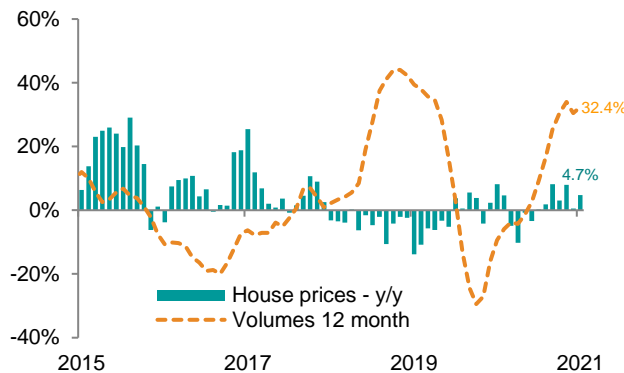


First quarter 2021 FNB HPI shows growth in mortgage sales within the medium to higher- end market

Housing markets across most advanced and emerging economies have remained buoyant, despite the marked slowdown in global economic activity. Similarly, home buying activity in the domestic economy has continued to rally although the uptake in mortgages is relatively tilted towards the medium to higher – end of the market. The rebound in house price growth seen since the end of 2020 has thus been driven by these segments. **The latest readings of the FNB House Price Index show an annual growth of 7.2% y/y** at the end of March 2021 compared to -5.6% y/y recorded over the same period in 2020. This is the highest growth figure recorded since October 2016 and points to the pass-through effects of monetary policy easing that started in Mid-2019. The national weighted average house price is now recorded at N\$1 176 882 from N\$1 038 577 in March 2020.

Admittedly, the low interest rate environment has provided a considerable financial relief to households during these challenging times, particularly with regard to debt servicing. However, housing affordability within the small housing segment remains constrained due to limited stock and slow pace of land delivery. In effect, overall growth in land delivery slowed to 4.4% y/y at the end of March 2021 from 85.5% y/y seen in March 2020. On the other hand, we believe the accommodative monetary policy and struggling rental market has created a window of opportunity for property investors to capitalise on distressed sales. Anecdotally, the widely accepted view within the real estate industry suggests that properties have reduced in value by up to 20% depending on property value, with the higher-end asset class devaluing the greatest. As such, home buying activity in the medium to higher- end of the market has been largely characterised by repeat buyers, accounting for 74% of mortgage sales in the first quarter of 2021. This is congruent with the regulatory rule on loan-to-price ratio, and secondly; most of these property investors are likely to have greater access to savings to fund the required down payment.

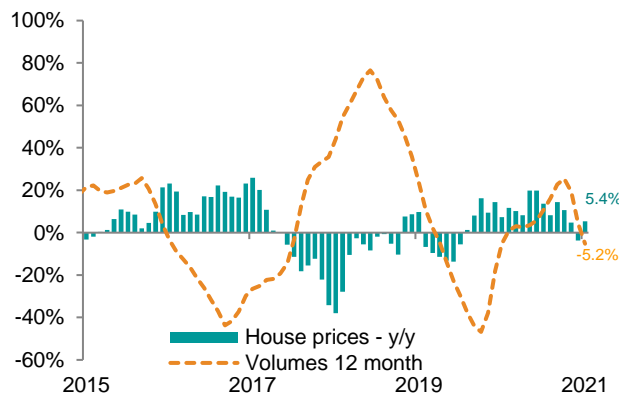
Figure 2: Central Property Price and Volume Index



The central residential property price index posted growth of 4.7%/y/y compared to 8.2% y/y recorded over the same period of 2020. On average, a house in the central region is now priced at N\$1 417 000. The surge in central house prices was mainly driven by Windhoek and Gobabis, which showed annual growth rates of 1.1% and 7.0%, respectively. Conversely, Okahandja was the worst performer, with an annual contraction in house price of 6.5% at the end of March 2021. These dynamics appear to highlight the ongoing developments of affordable housing in Osona Village.

Demand for housing in the central region remain strong as reflected by the volume index growth of 32.4% y/y at the end of March 2021 compared to -9.4% y/y recorded in the corresponding period of 2020. The City of Windhoek alone is estimated to have about 55,000 individuals on the waiting list. Meanwhile, the large and luxury housing segments have been relatively active in this region since the beginning of 2020 and are thus largely responsible for the overall surge in volumes growth. These segments recorded the volume index growth of 59.5% and 87.9% y/y, respectively.

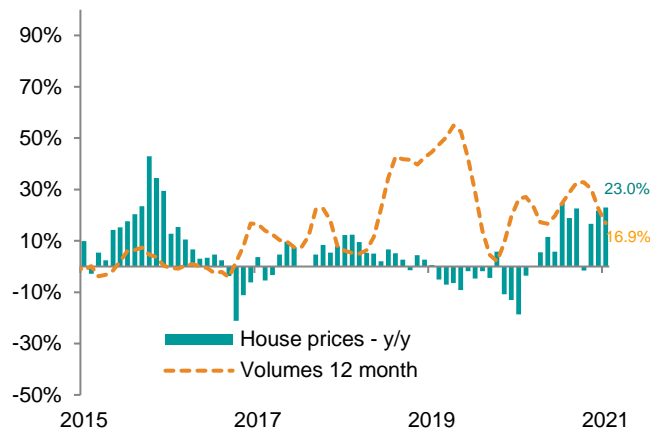
Figure 3: Coastal Property Price and Volume Index



Home buying activity in the coastal region has generally trended downwards since the beginning of 2020. We attribute this development to widespread affordability issues and secondly, the adverse economic impact of the pandemic due to a relatively large exposure of the coastal economy to the tourism industry. As a result, the **coastal residential property price index** growth slowed to 5.4% y/y at the end of March 2021, from 7.4% y/y recorded a year earlier, while the volume index growth dropped from -5.1% to -5.2% over the corresponding periods. The coastal region is the worst performer in relation to other jurisdictions and points to a diminishing purchasing power of the coastal economy, in our view. On average, the average house in the coastal region is now priced at N\$1 179 000. Overall, the medium and large housing segments continue to dominate home sales in this region, showing volume index growth of 59.5% and 87.9% y/y at the end of March 2020, respectively. This reflects a substantial improvement when compared to 25.6% and -26.8% y/y realized in March 2020.

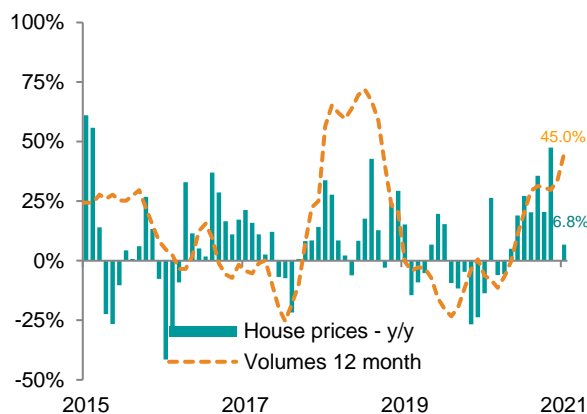
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Figure 4: Northern Property Price and Volume Index



The northern residential property price index surged to 23.0% y/y in March 2021 compared to a contraction of 18.7% seen over the same period of 2020. This is the only region that has managed to deliver a double-digit growth figure on a consistent basis. We view this as indicative of a stable residential property market, and further demonstrating a firm alignment of supply and demand forces with respect to housing. On average, a house in the northern region was priced at N\$921,000 at the end of March 2021 compared to N\$747 000 realised in March 2020. Although the volume index growth has somewhat moderated downwards to 16.9% y/y at the end of March 2021, the demand fundamentals remain relatively strong by historic standards.

Figure 5: Southern Property Price and Volume Index

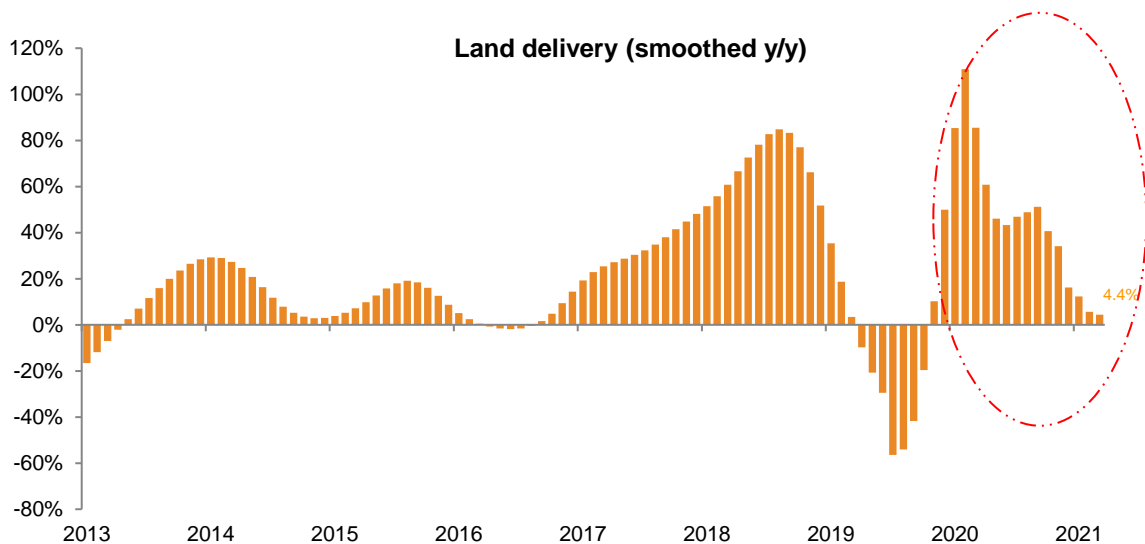


The southern residential property price index posted growth of 6.8% y/y in March 2021 compared to a contraction of 13.6% recorded in March 2020. On average, a house in the southern region was priced at N\$866 000 in March 2021 compared to N\$811 000 recorded in March 2020. Although the first quarter reflects some scant home sales figures, the volume index growth continues to point on the upside (45.0% y/y), suggesting for a more sustained demand for housing in the short-to-medium term. Indeed, the southern region recorded the highest growth of 11.9%y/y in March 2021 with respect to land delivery. This is not surprising given that residential land in the southern region was found to be far more affordable compared to the rest of the regions, with the average land price of N\$474 /m2 recorded at the end of March 2021.

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Land Delivery

Overall growth in land sales has continued to disappoint on the downside, reaching an annual growth of 4.4% at the end of March 2021 from 85.5% recorded a year earlier. The worst performers in this regard were the central and southern regions, which registered contractions of 36.18% and 23.6% y/y, respectively. On the upside, the coastal and northern regions showed growth in land sales of 11.9% and 1.1% y/y, respectively. The marked improvement in land delivery witnessed in the northern region is consistent with the relatively high home sales within the small housing segment.



Conclusion

As the remote working culture continues to evolve along with the growing relevance of digitalization, people, particularly non-client facing officials, will likely be freed to some extent from being office bound. This means that many towns and suburbs will become viable as places of residence for homeowners. The manifestation of semigration seems to be gaining some traction in the northern region particularly in Ondangwa, Oshakati and Rundu, just to mention a few. These are some of the towns where relatively high sales figures were recorded in the recent past. We continue to reiterate the need to accelerate the delivery of serviced land given that about 70% of the Namibian workforce can only afford a house that is priced below N\$1.5m. This justifies the need for additional stock.

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

TOWNS	1Q2020	4Q2020	1Q2021	Q/Q Growth	Y/Y Growth
Arandis	490,000	825,000	840,000	1.8% 	71.4% 
Eenhana	689,000	778,000	800,000	2.8% 	16.1% 
Gobabis	613,000	665,000	656,000	-1.4% 	7.0% 
Grootfontein	602,000	1,042,000	1,038,000	-0.4% 	72.4% 
Helao Nafidi	-	856,000	856,000	0.0% 	-
Henties Bay	836,000	847,000	872,000	3.0% 	4.3% 
Karasburg	628,000	373,000	543,000	45.6% 	-13.5% 
Karibib	482,000	559,000	634,000	13.4% 	31.5% 
Katima Mulilo	851,000	844,000	613,000	-27.4% 	-28.0% 
Keetmanshoop	483,000	326,000	357,000	9.5% 	-26.1% 
Khorixas	346,000	567,000	524,000	-7.6% 	51.4% 
Luderitz	412,000	326,000	327,000	0.3% 	-20.6% 
Mariental	686,000	727,000	656,000	-9.8% 	-4.4% 
Nkurenkuru	532,000	556,000	572,000	2.9% 	7.5% 
Okahandja	806,000	734,000	754,000	2.7% 	-6.5% 
Okahao	839,000	686,000	713,000	3.7% 	-15.0% 
Omaruru	517,000	611,000	577,000	-5.6% 	11.6% 
Omuhiya	708,000	826,000	793,000	-4.0% 	12.0% 
Ondangwa	771,000	737,000	721,000	-2.2% 	-6.5% 
Ongwediva	768,000	684,000	709,000	3.7% 	-7.7% 
Opuwo	534,000	527,000	1,164,000	120.9% 	118.0% 
Oranjemund	386,000	416,000	414,000	-0.5% 	7.3% 
Oshakati	662,000	644,000	658,000	2.2% 	-0.6% 
Oshikuku	635,000	710,000	726,000	2.3% 	14.3% 
Otavi	485,000	546,000	988,000	81.9% 	103.7% 
Otjiwarongo	726,000	667,000	646,000	-3.1% 	-11.0% 
Outapi	649,000	647,000	732,000	13.1% 	12.8% 
Outjo	759,000	657,000	576,000	-12.3% 	-24.1% 
Ruacana	554,000	524,000	548,000	4.6% 	-1.1% 
Rundu	682,000	694,000	733,000	5.6% 	7.5% 
Swakopmund	776,000	693,000	663,000	-4.3% 	-14.6% 
Tsumeb	944,000	892,000	831,000	-6.8% 	-12.0% 
Usakos	462,000	1,396,000	1,672,000	19.8% 	261.9% 
Walvis Bay	734,000	734,000	786,000	7.1% 	7.1% 
Windhoek	1,222,000	1,223,000	1,236,000	1.1% 	1.2% 

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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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