



FNB RESIDENTIAL Property Report

Third
Quarter
2021

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Key Highlights

- The House Price Index hit a 5-year double-digit growth record of 10.9% y/y in September 2021, up from 2.0% y/y in September 2020.
- The national weighted average house price came in at N\$1 224,083 compared to N\$ 1 204 691 seen a year earlier.
- The 12-month average volume index growth for the northern region slows to 5.3% in September 2021 from 32.7% in September 2020.
- The luxury housing segment is the only segment that recorded a contraction in house prices of 3.2% y/y during the third quarter.

REGIONAL SNAPSHOTS (3MA)

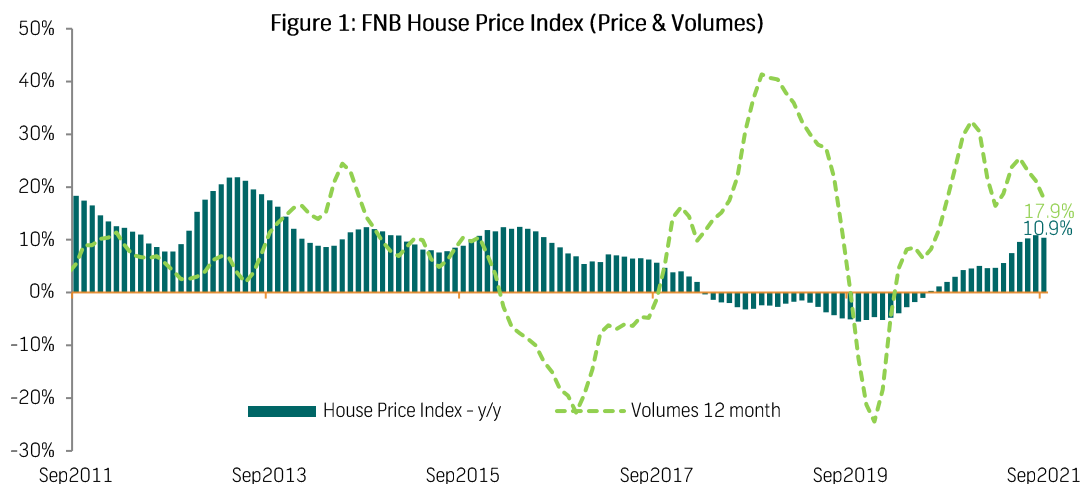
| | | | |
|------------------------------|----------|--------------|-----------|
| House Prices | Central | N\$1 502 000 | 5.8%y/y |
| | Coastal | N\$1 321 000 | 15.0%y/y |
| | Northern | N\$867 000 | -15.7%y/y |
| | Southern | N\$786 000 | -30.4%y/y |
| Land Prices/ Square Metre | Central | N\$823 | 53.6%y/y |
| | Coastal | N\$466 | 25.1%y/y |
| | Northern | N\$731 | -4.9%y/y |
| | Southern | N\$2 142 | 312.3%y/y |

FNB HOUSING SEGMENTS (3MA)

| | | | |
|--------|---------------------|---------------|----------|
| Small | N\$0.5mn-N\$1.5mn | N\$860 000 | 5.3% y/y |
| Medium | N\$1.5mn-N\$3.5mn | N\$2 112 000 | 4.5%y/y |
| Large | N\$3.5mn-N\$6.5mn | N\$4 392 000 | 8.3%y/y |
| Luxury | N\$6.5mn and higher | N\$14 598 000 | -3.2%y/y |



Overall Residential Property Index



FNB House Price Index records double-digit growth for the first time since 2016

Since the second quarter of 2020, the FNB House Price Index has delivered steady growth, marking a **5-year double-digit growth record of 10.9% y/y** in September 2021, up from 2.0% y/y in the same period of 2020. As a result, the national weighted average house price came in at **N\$1 224,083, compared to N\$1 204 691** seen a year earlier. The performance of the housing market continues to be underpinned by supply side factors such as shortage of affordable properties coupled with fierce competition amongst banks in keeping mortgage rates as low as possible. Young professionals continue to play an important role in driving sales activity in the lower end of the market - especially in the central region, while the large to higher end of the market is innately dominated by the buy-to-let investors.

From a segment perspective, the large housing segment recorded the highest quarterly growth of 8.3% y/y in prices, compared to a contraction of 9.2% y/y recorded this time last year. On a quarterly basis, an average house in the large segment is now estimated to be selling at N\$4 392 000 based on incoming sales data. As the case has been elsewhere, the added boost in sales activity in this segment may appear to suggest increased competition for high valued properties by those with adequate access to funding.

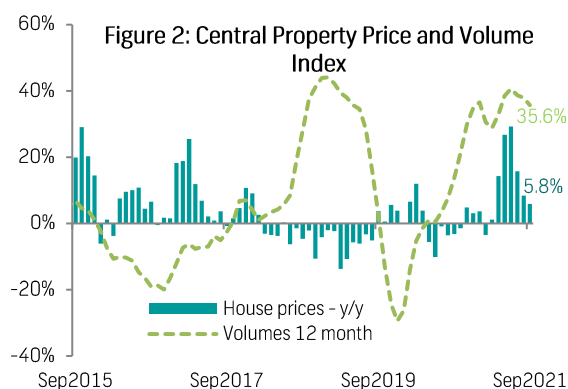
On the other hand, the small housing segment landed the second highest position in terms of quarterly house price growth of 5.3% y/y. In contrast, the luxury segment recorded a contraction in quarterly house prices of 3.2% y/y, which could be attributed to the inherent affordability issues.

The elevated house price index growth was, therefore, foreseeable given the notable upsurge in residential mortgage loans, showing an average year-on-year growth of 4.6% on a year-to-date basis, compared to a 3.5% realized over the corresponding period of 2020. This is also the highest average growth level seen since 2017 at the beginning of the monetary policy easing cycle. Although most pundits expect interest rates hiking cycle to resume heading into 2022 - with the South African Reserve Bank starting-off with a 25basis points in November 2021, the Bank of Namibia has nonetheless decided to keep its repo rate unchanged at 3.75% at the recent Monetary Policy Committee meeting of the 8th December 2021. We view this as a welcome development to support the slow economic recovery in the midst of a sprawling out pandemic.





Central Region



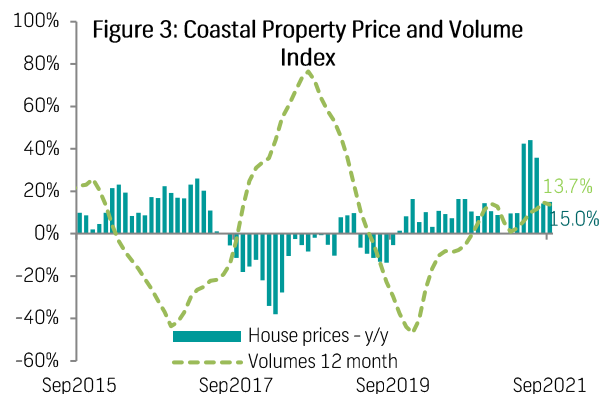
The central region remains by far the strongest performer in terms of volumes traded, with the 12-month average volume index growth recorded at 35.6% at the end of September 2021. This highlights an improvement in the delivery of affordable housing and the increased participation of first-time buyers in the small housing segment. In contrast, the central house price index landed lower at 5.8% y/y in September 2021, from the recent peak of 29.3% y/y in June 2021, but higher than -3.2% y/y recorded a year earlier. The elevated sales activity in the central region also appear to be consistent with incoming industry data, with the NSA Building Plans Completed Index of September 2021 showing the total value of Windhoek building plans approved of N\$124.6 million in September 2021 compared to N\$116.9 million a year earlier. The year-on-year improvement in the housing pipeline is reflective of stable supply and demand fundamentals in the central property market.



The 3-month average house price in the central region grew by 5.8% y/y and contracted by 7.8% q/q to N\$1 502 000 at the end of September 2021.



Coastal Region



On the other hand, housing market dynamics in the coastal region appear to have stabilized somewhat, with the rebound in sales activity tilted towards the medium housing segment. In effect, the medium housing segment recorded a 12-month average growth of 764.6% in volumes traded at the end of September 2021, reflecting a considerable improvement from 69.7% and -55.4% in the corresponding periods of 2020 and 2019, respectively. This may suggest the revival of the coastal market as a sought-after jurisdiction for second homes and short-term leisure facilities. This is more so given that the in-bound tourism industry is still reeling from the impact of the ongoing global pandemic. Overall, the 12-month average coastal volume index soared to 13.7% in September 2021 from -0.7% a year ago. Alongside, the coastal house price index printed a moderate growth of 13.7% y/y, up from 9.8% and -0.7% in June 2021 and September 2020, respectively.

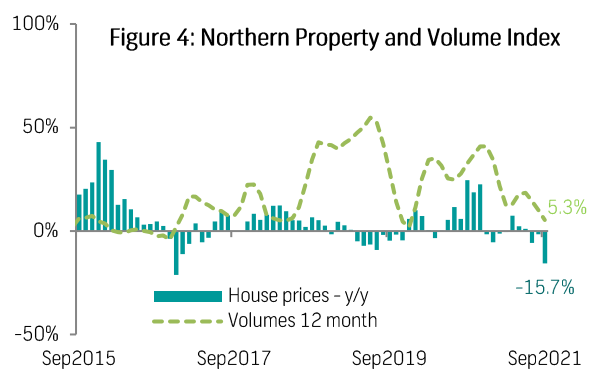


The 3-month average house price in the coastal region grew by 15.0% y/y and contracted by 16.6% q/q to N\$1 321 000 at the end of September 2021.





Northern Region



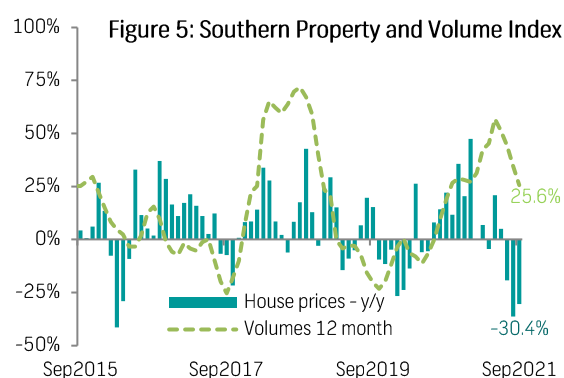
The northern residential price index was down by 15.7% y/y in September 2021. This was the largest contraction recorded since April 2018 and points to weak sales activity recorded in the region. Furthermore, the lower than the market expected through-put of residential plots may have also contributed to the current market dynamics. In effect, sales of residential plots in the northern region contracted by 56.8% y/y in September 2021. This was the second largest contraction after a contraction of 86.8% y/y recorded for the southern region. Similarly, the northern volume index has fallen off the clip, with the 12-month average growth settling at 5.3% at the end of September 2021, compared to 18.5% at the end of the prior quarter and 32.7% a year earlier.



The 3-month average house price in the northern region contracted by 15.7% y/y and 1.0% q/q to N\$867 000 at the end of September 2021.



Southern Region



The southern region continues to lag the rest of Namibia with respect to house price growth. The southern house price index recorded a contraction of 30.4% y/y in September 2021 compared to a growth of 22.2% y/y in the corresponding period of 2020. However, even with the quarterly average house price of N\$786 000, affordability remains relatively an issue by regional comparison due to the dominance of a “gig” economy – characterized by short-term employment contracts. This is particularly the case for Aussenkehr where a great majority of residents are employed as seasonal workers at farms. To put it into perspective, Aussenkehr alone has an estimated population of about 28,000 of which about 70% of that is bankable or regarded as part of the working population. Sales of affordable housing in the southern region is thus expected to be constrained by a relatively high cost of land servicing.



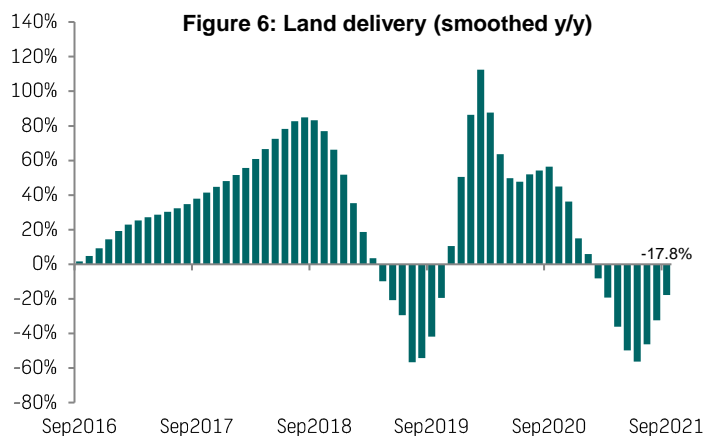
The 3-month average house price in the southern region contracted by 30.4% y/y and 4.8% q/q to N\$786 000 at the end of September 2021.





Land Delivery

Provision of land for affordable housing is an ongoing policy challenge. According to the National Planning Commission, the housing sector in Namibia could be segmented into three broad categories, namely: Ultra Low and Low-income earners; Middle income earners; and Upper class. The latter is not experiencing problems in acquiring houses because they are capable of providing collateral or have the means to purchase houses. The middle-income earners are in three subcategories namely, the low, lower middle and upper middle. The low and the lower middle-income earners, earning between N\$ 100 and less than N\$ 5000 per month are the ones who are the hardest hit by housing shortages and makes up about 60% of the overall workforce. Meanwhile, sales of residential land contracted by 17.8% y/y in September 2021 compared to a growth of 56.4% y/y recorded a year earlier.



Conclusion

The Namibian housing market appears to be at an inflection point, where pent-up demand and low interest rates are expected to keep sales activity at elevated levels as the economy continues to recover. On the downside, however, economic confidence may also be dented by the emergence of the new Omicron virus variant, though it remains far too early to speculate on any long-term impact, given insufficient data at this stage.





Appendix A: Annual Average House Prices (12M MOVING AVERAGE, N\$)



| TOWNS | 3Q2020 | 2Q2021 | 3Q2021 | Q/QGrowth | Y/Y Growth |
|---------------|-----------|-----------|-----------|-----------|------------|
| Arandis | 432,000 | - | - | - | - |
| Eenhana | 762,000 | 738,000 | 744,000 | 0.8% | -2.4% |
| Gobabis | 668,000 | 731,000 | 725,000 | -0.8% | 8.5% |
| Grootfontein | 1,044,000 | 1,016,000 | 621,000 | -38.9% | -40.5% |
| Helao Nafidi | 858,000 | 760,000 | 698,000 | -8.2% | -18.6% |
| Henties Bay | 821,000 | 1,506,000 | 1,730,000 | 14.9% | 110.7% |
| Katima Mulilo | 879,000 | 689,000 | 634,000 | -8.0% | -27.9% |
| Keetmanshoop | 383,000 | 402,000 | 436,000 | 8.5% | 13.8% |
| Luderitz | 315,000 | 377,000 | 437,000 | 15.9% | 38.7% |
| Mariental | 729,000 | 612,000 | 578,000 | -5.6% | -20.7% |
| Okahandja | 765,000 | 843,000 | 868,000 | 3.0% | 13.5% |
| Okahao | 708,000 | 764,000 | 850,000 | 11.3% | 20.1% |
| Omaruru | 623,000 | 617,000 | 541,000 | -12.3% | -13.2% |
| Omuthiya | 789,000 | 763,000 | 759,000 | -0.5% | -3.8% |
| Ondangwa | 748,000 | 747,000 | 737,000 | -1.3% | -1.5% |
| Ongwediva | 714,000 | 734,000 | 758,000 | 3.3% | 6.2% |
| Oshakati | 653,000 | 663,000 | 685,000 | 3.3% | 4.9% |
| Oshikuku | 723,000 | 727,000 | 751,000 | 3.3% | 3.9% |
| Otavi | 582,000 | 1,044,000 | 1,000,000 | -4.2% | 71.8% |
| Otjiwarongo | 672,000 | 772,000 | 785,000 | 1.7% | 16.8% |
| Outapi | 676,000 | 742,000 | 728,000 | -1.9% | 7.7% |
| Outjo | 930,000 | 603,000 | 681,000 | 12.9% | -26.8% |
| Ruacana | 460,000 | 607,000 | 580,000 | -4.4% | 26.1% |
| Rundu | 693,000 | 734,000 | 762,000 | 3.8% | 10.0% |
| Swakopmund | 719,000 | 729,000 | 737,000 | 1.1% | 2.5% |
| Tsumeb | 964,000 | 769,000 | 805,000 | 4.7% | -16.5% |
| Usakos | 972,000 | 1,056,000 | 792,000 | -25.0% | -18.5% |
| Walvis Bay | 720,000 | 834,000 | 908,000 | 8.9% | 26.1% |
| Windhoek | 1,180,000 | 1,310,000 | 1,331,000 | 1.6% | 12.8% |





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.

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.