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First National Bank



FNB Residential Property Monthly August 2018

Highlights for the month

- House prices drops 2.8% y/y
 - Luxury -29.4% y/y.
- Volumes accelerated by 27.8%
 - Central 39.8% y/y
 - Northern 34.7% y/y
- Land delivery accelerates by 40.2% y/y
 - Northern 71.2% y/y
 - Coastal 14.0% y/y
 - Central 10.6% y/y
- Further downward pressures expected

Regional Snapshots

Southern:

Average price: N\$752,000 (+7.4% y/y)

Northern:

Average price: N\$833,000 (+3.2% y/y)

Coastal:

Average price: N\$1,128,000 (-10.0% y/y)

Central:

Average price: N\$1,479,000 (-3.7% y/y)



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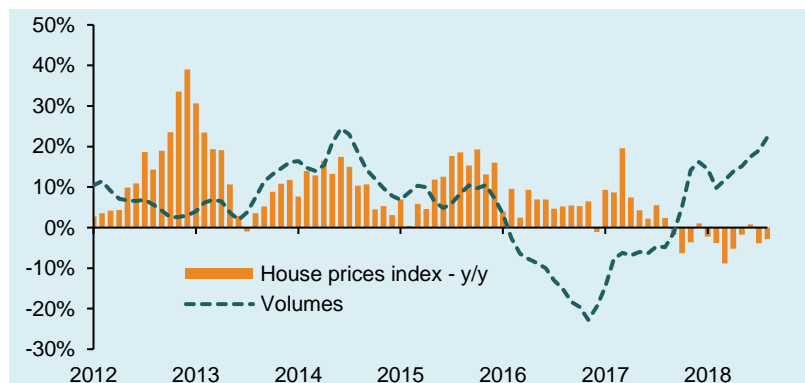
Buyers' market gaining more traction

After enduring some of the highest property price appreciation in the world, the tide has turned, with buyers firmly in the driving seat and dictating terms as increased volumes have provided prospective buyers with much needed options. Resulting in price corrections to 2014 levels in real terms. The latest data shows that the residential property market remained in the red through August, as property prices contracted by 2.9%. This means that property prices have contracted in seven of the first eight months of 2018. The Average property price has now moderated N\$1.177m, from its March 2017 peak of N\$1.246m. Regionally, property prices are falling across the central and coastal regions, with 6.0% and 5.0% price contractions respectively. The price declines remain concentrated in the luxury segment, where prices have plummeted by 29.4% over the past year, which is trickling down into the lower to upper price segments in the form of decelerated price increases.

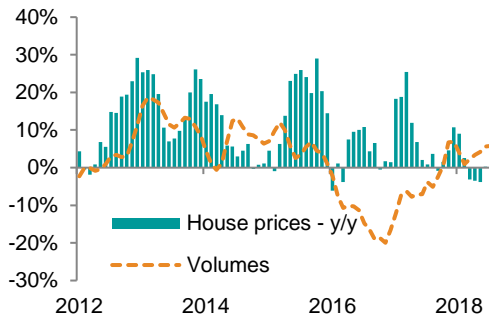
Volumes, on the other hand, have picked up 27.8% year on year, to levels last seen in 2013. This comes off rather robust volume growth in the lower and middle price segments, as local authorities ramp up affordable housing supply in the northern property market, whilst the incidence of distressed sales accelerates in the central market.

Despite the robust volume growth, normalised mortgage advances are down 3.7% due to N\$200m mortgage advance contraction in the luxury segment, on the back of price and volume contraction. Additionally, mortgage advances to the middle and upper price segments are also contracting, due to volume contraction only. Therefore, the mortgage cake is becoming smaller for the increasing number of mortgage financiers, which translates into more competition, which translates into better terms for consumers.

FNB House Price Index

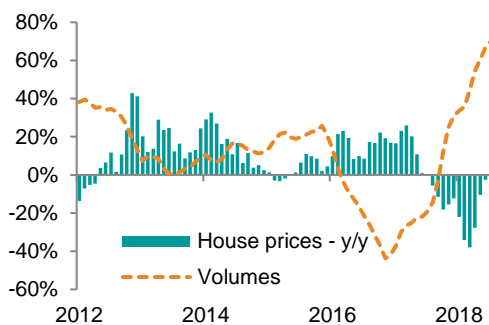


Central



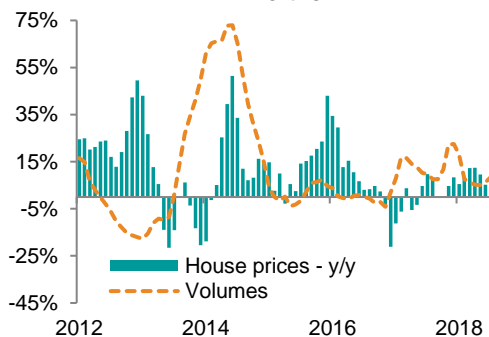
Central property prices contracted by 3.7%, to bring the average price to N\$1.450m, down from the November 2017 peak of N\$1.605m. Slowing property prices in Windhoek continue to drive the trend, with property prices decelerating even further by 2.7% after last month's 1.2% contraction, while both Gobabis and Okahandja continue to post price increases of 12.0% and 10.3% respectively. Although volumes are on the increase, the medium to long term prognosis remains weak based on increasing land delivery numbers, which should result in more options for consumers.

Coastal

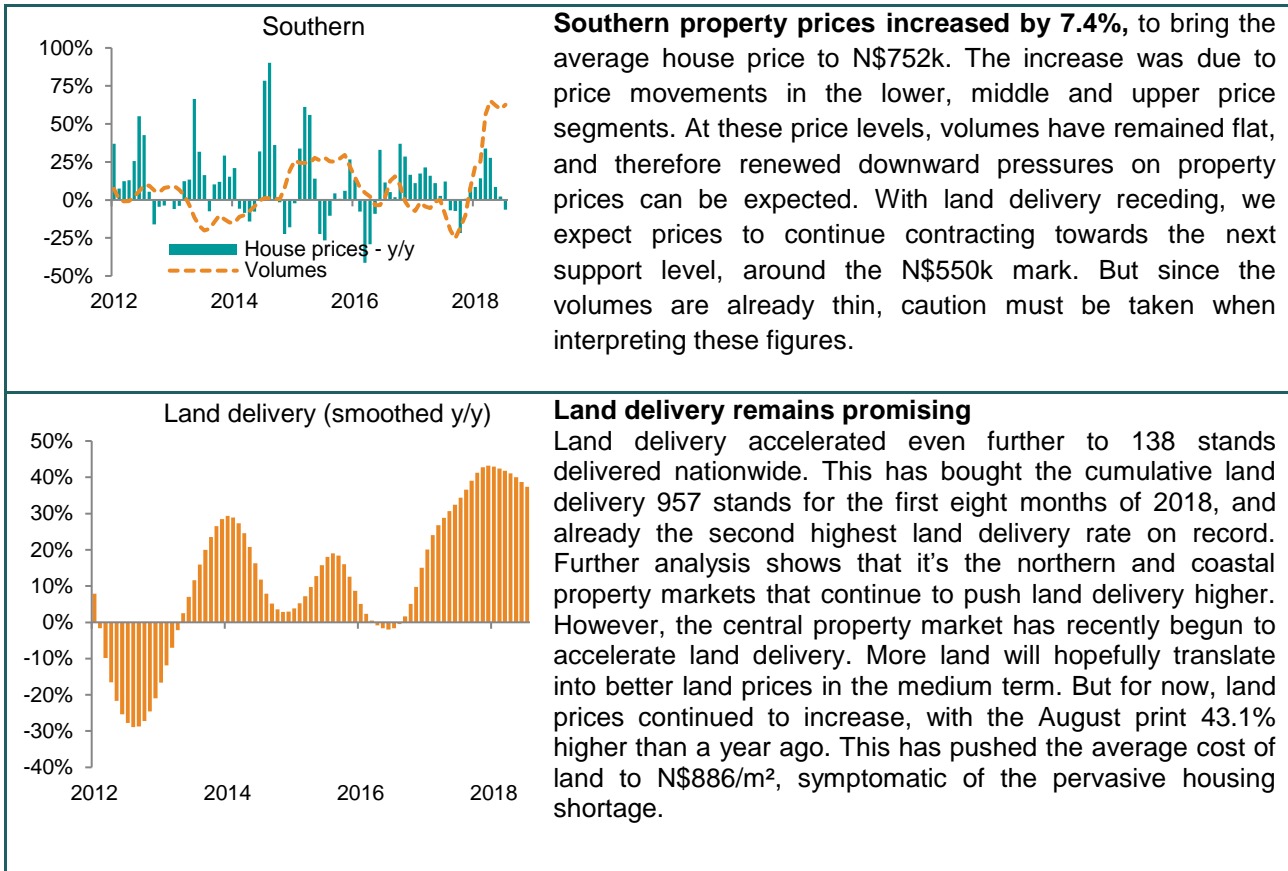


Coastal property prices contracted for the 14th consecutive month, this time by 10.0%, to bring the average house price to N\$1.128m. Price pressures were scattered around the lower, upper and luxury price segments. The price pressures were associated with higher supply volumes, which pushed down property prices in a market, where relative demand was weakened by uncertainties in the uranium, fishing and tourism sectors. With more affordable land in the pipeline, coastal property prices have nowhere to go but down, however, price resistance is not too far away, around the N\$1.051m level.

Northern



Northern property prices increased by 3.2%, to bring the average house price to N\$833k, and thus maintaining the steady house price deceleration. With volumes still on the increase, prices are expected to turn negative in the fourth quarter, with the next resistance levels around the N\$750k mark. While property prices in the lower to upper price segments are still in the black, it's the sharp price contractions in the luxury segments that are dragging down the regional average. The price movements within this market continues to widen, ranging from -24.2% in Omaruru to 49.0% in Rundu. At this stage half the towns are in the black and the other half is in the red.



Conclusion

With economic growth stagnating, consumer confidence waning, rising interest rates, rising home ownership costs and the economy still shedding jobs, the stage is set for lower housing demand, at a time when land delivery and housing supply is on the increase. Therefore, we expect the market to become oversupplied with properties, providing various purchase opportunities for first time property owners. Under these conditions, the few buyers that are available will be in the driving seat, dictating terms, and resulting in further price corrections.

We therefore expect house prices to shed 5.8% of their value in 2018, and to start seeing some price resistance in 2019, as housing becomes increasingly affordable to more buyers. This will reduce the price contraction through 2019 to 1.2%, before turning positive in 2020, at which stage we believe property prices will have corrected and thus maintain inflation related price increases going forward.

APPENDIX: YEARLY AVERAGE HOUSE PRICES

Town	2014	2015	2016	2017	2018	YTD	3Yr	5Yr
Arandis	494 000	456 000	532 000	640 000	947 000	2.9%	107.7%	216.7%
Eenhana	553 000	700 000	798 000	770 000	883 000	-4.5%	26.1%	66.0%
Gobabis	839 000	889 000	1 119 000	908 000	1 999 000	21.2%	124.9%	186.0%
Grootfontein	647 000	736 000	645 000	812 000	767 000	-12.1%	4.2%	37.2%
Helao Nafidi	909 000	1 002 000	425 000	607 000	607 000	0.0%	-39.4%	5.6%
Henties Bay	929 000	1 115 000	1 103 000	1 190 000	1 141 000	13.4%	2.3%	34.1%

Katima Mulilo	737 000	791 000	893 000	673 000	864 000	112.7%	9.2%	45.2%
Keetmanshoop	610 000	863 000	632 000	686 000	897 000	24.3%	3.9%	78.0%
Luderitz	509 000	584 000	829 000	811 000	869 000	-7.4%	48.8%	64.9%
Mariental	685 000	736 000	913 000	1 336 000	773 000	-30.5%	5.0%	49.2%
Okahandja	820 000	922 000	856 000	937 000	923 000	9.1%	0.1%	47.9%
Okahao	492 000	491 000	611 000	568 000	787 000	27.3%	60.3%	68.9%
Omaruru	954 000	767 000	1 092 000	1 111 000	840 000	-24.4%	9.5%	49.5%
Omuthiya	540 000	612 000	640 000	750 000	1 637 000	31.2%	167.5%	239.6%
Ondangwa	683 000	720 000	836 000	910 000	938 000	-6.0%	30.3%	70.2%
Ongwediva	755 000	1 009 000	944 000	951 000	1 150 000	8.0%	14.0%	96.6%
Oshakati	1 163 000	974 000	679 000	785 000	771 000	4.4%	-20.8%	34.8%
Oshikuku	569 000	580 000	634 000	635 000	719 000	18.6%	24.0%	34.9%
Otavi	611 000	531 000	560 000	647 000	517 000	7.5%	-2.6%	-3.0%
Otjiwarongo	825 000	967 000	1 021 000	1 069 000	1 062 000	-8.7%	9.8%	32.3%
Outapi	553 000	579 000	785 000	738 000	1 215 000	34.0%	109.8%	166.4%
Outjo	739 000	925 000	928 000	809 000	540 000	-12.4%	-41.6%	-28.5%
Ruacana	855 000	898 000	968 000	875 000	789 000	-23.9%	-12.1%	11.6%
Rundu	630 000	684 000	780 000	727 000	739 000	49.0%	8.0%	57.9%
Swakopmund	993 000	1 096 000	1 334 000	1 348 000	1 161 000	-6.6%	5.9%	13.9%
Tsumeb	750 000	966 000	1 162 000	1 222 000	1 089 000	-15.9%	12.7%	47.0%
Usakos	427 000	657 000	445 000	617 000	660 000	-2.8%	0.5%	-7.7%
Walvis Bay	1 042 000	992 000	1 156 000	1 079 000	916 000	-11.3%	-7.7%	7.3%
Windhoek	1 209 000	1 440 000	1 514 000	1 614 000	1 556 000	-2.7%	8.1%	35.1%
Namibia	972 000	1 110 000	1 151 000	1 187 000	1 159 000	1.0%	4.4%	29.5%

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.