

PROPERTY BAROMETER – RAND AREA MAJOR REGION HOUSE PRICE INDICES

While The major coastal regions still show the strongest house price inflation in South Africa, Namibia still tops all of these when viewing the broader Rand Area’s residential markets

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NAMIBIA’S SUPERIOR ECONOMIC GROWTH STILL SHOWS UP IN ITS RELATIVE HOUSE PRICE INFLATION PERFORMANCE

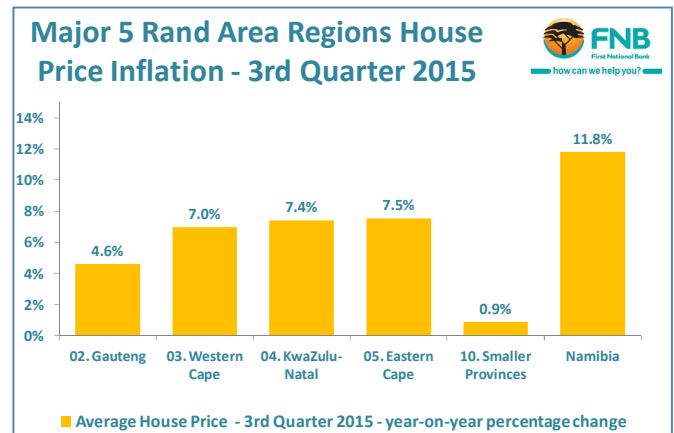
3rd Quarter FNB House Price Indices for the major regions of the Rand Area continue to show Namibia’s supply-constrained residential market outstripping the other major regions by a considerable margin.

The Namibian Average House Price Index recorded 11.8% year-on-year growth for the 3rd quarter of 2015.

From our inaugural FNB Estate Agent Survey for Namibia, run in the same quarter, we learnt that the strong house price growth of recent times is probably largely a Windhoek story, as the nation’s capital continues to experience major land supply constraints, whereas the major coastal Swakopmund/Walvis Bay region appears softer.

However, the story goes further to the residential demand side, and demand growth must surely be stronger in Namibia than that of the major South African regions, given that country’s still-significantly stronger real economic growth rate.

Whereas South African GDP (Gross Domestic Product) growth measured a mere 1.2% year-on-year for the 2nd quarter of 2015, Namibia was still ticking along at a considerably stronger rate of 4.2% in the same quarter.



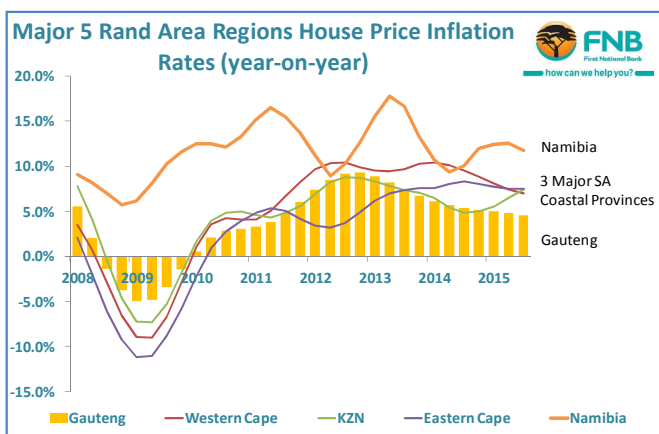
At the other end of the scale, the Rand Region’s largest market, namely that of Gauteng, experienced the lowest 3rd quarter 2015 house price growth of the major regions, to the tune of 4.6%.

In the middle of the regional spectrum, and closely bunched together, we find the 3 major South African Coastal Regions. The Eastern Cape recorded 7.5% year-on-year house price inflation, KZN 7.4% and the Western Cape with 7%.

The gap between the price inflation performances of the major Coastal Regions of SA and that of Gauteng is possibly in part explained by higher residential activity levels along the coast at this stage.

However, it could also be due to more of a residential supply constraint along the coast. Gauteng, being landlocked, arguably has less of a land shortage than major metros along the coast, and indeed recent growth in residential buildings completed in Gauteng has appeared a little stronger in Gauteng than around the major coastal cities.

So, whereas 11% of Gauteng survey respondents in our 3rd quarter Estate Agent Survey pointed to “stock constraints” as a key issue that influences their near term expectations of activity levels, in the major coastal cities this percentage was far higher at 26%.



Namibia, by comparison, was “off the charts”, with 43% of survey respondents citing “stock constraints”.

While stronger house price growth in an area or a region always excites existing homeowners, especially those who hold investment properties, the situation is less exciting for aspirant 1st time buyers looking to get into the market.

This relative affordability of Gauteng is promoted not only by slower house price growth as of late but also by it being the region with the highest per capita income of any region.

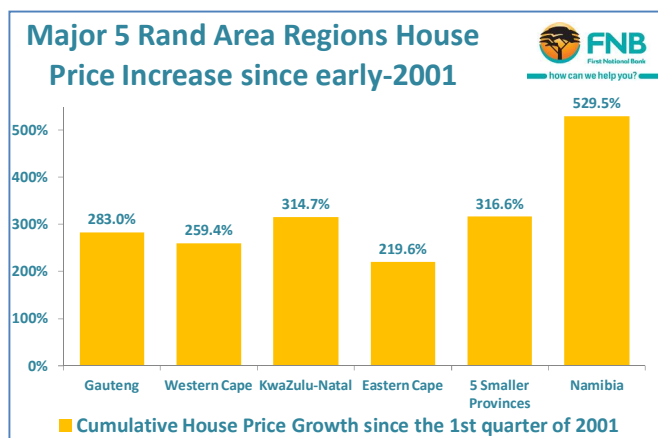
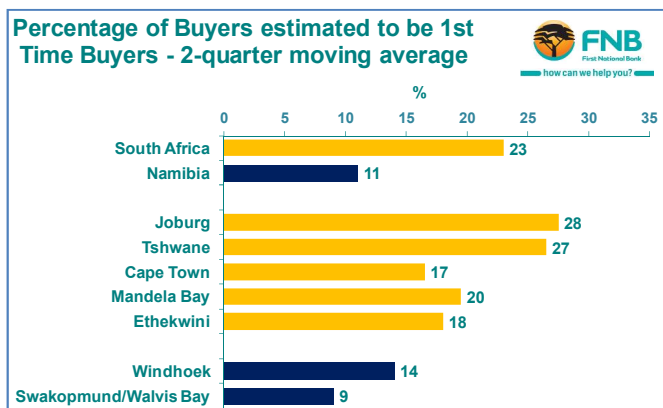
And Gauteng’s relative affordability can arguably be seen in the FNB Estate Agent Survey’s estimated level of 1st time buying. For the 2-quarters up until and including the 3rd quarter of 2015, 1st time buying was estimated to make up a strong 28% of total buying in Joburg and 27% in Tshwane.

By comparison, the 3 SA coastal regions’ percentage of 1st time buyers were significantly lower, Cape Town at 17%, Mandela Bay at 20% and Ethekwini Metro with 18%.

Namibia’s estimated 1st time buyer level was the lowest, recording 11%, arguably a reflection of years of residential land supply constraints, and more rampant house price inflation, compared with South Africa’s major regions (only 1 quarter’s data available for Namibia).

Finally, examining the cumulative average house price growth since the 1st quarter of 2001, a date just before much of the Rand Area’s housing market started its rampant boom period inflation, according to the FNB data Namibia’s cumulative average home price inflation has measured 529.5%.

This dwarfs the South Africa regions’ with KZN having been the next “best” major region with 314.7%, and Gauteng with 283%.



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