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Housing market moves to buyers' market - Daniel Kavishe

The recent downturn in the economy has invariably led to a significant structural dip in the construction sector. This is evidenced in the market through lower demand for infrastructure projects and with fewer building plans being approved. The result of the recession, although unknowingly, has further led to a drop in property prices as consumers shy away from participation due to the uncertainty of the current market. Persistently weak economic growth, rising unemployment and weak household disposable income growth, have begun to weaken property prices.

Month on month, property prices have been contracting since December as the sector continues to fumble to generate any meaningful growth. The pressures are highly concentrated in the upper price segments, which remains oversupplied, at a time when demand is retreating. This has led to growth in property prices declining from 24% annual growth in 2014 to the current 6% on an annual basis. Meanwhile, volume of transactions remained negative for the past 17 consecutive months with 95% percent of owners selling their property for less than their initial asking price causing them to either hold on to their properties or settle for a price potentially lower than the property's valuation. There further seems to be a shift in behaviour as property stands spend an average of 25 weeks on the market compared to 17 weeks recorded last year. The recent switch has meant that the market has moved from being a sellers' market to a buyers' market.

Overall activity in the market according to Estate Agency Survey is down 37% annually. Furthermore, most sellers are selling their properties due to either financial stress or for purposes of moving into lower-priced apartments, strong signs that the market is under stress. Although interest rates are unwinding, the expected deleveraging will keep price movements in check, with possible downside risks from the mass housing program, as 1,942 mass housing units are ready for occupation and a further 4,012 currently under construction. Furthermore, the current discussions around the rental market bill can be seen as one of the factors that fewer people are buying property with the intention to let with fears that the property may no longer serve as a strong investment tool compared to other asset classes. The premature implementation of the loan to value restrictions has additionally discouraged several buyers from the market acting as a further catalyst to the slowdown.

The mounting pressures to the property market will therefore serve as a natural correction to the previously buoyant growth in prices. Whilst property prices as expected to remain positive due to the enormous backlog that exists in the market, certain towns and certain segments will definitely experience a drop in the average prices. A more cautious approach is therefore expected from potential buyers and investors.

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