

HOUSING INDEX

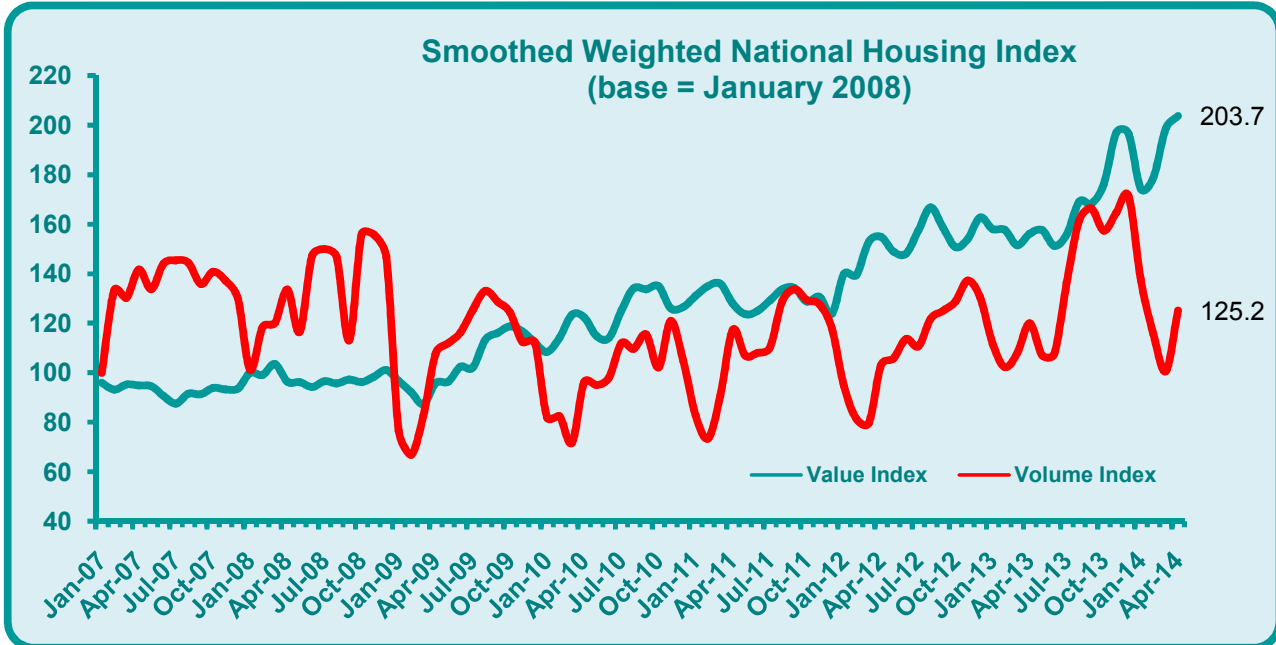
April 2014



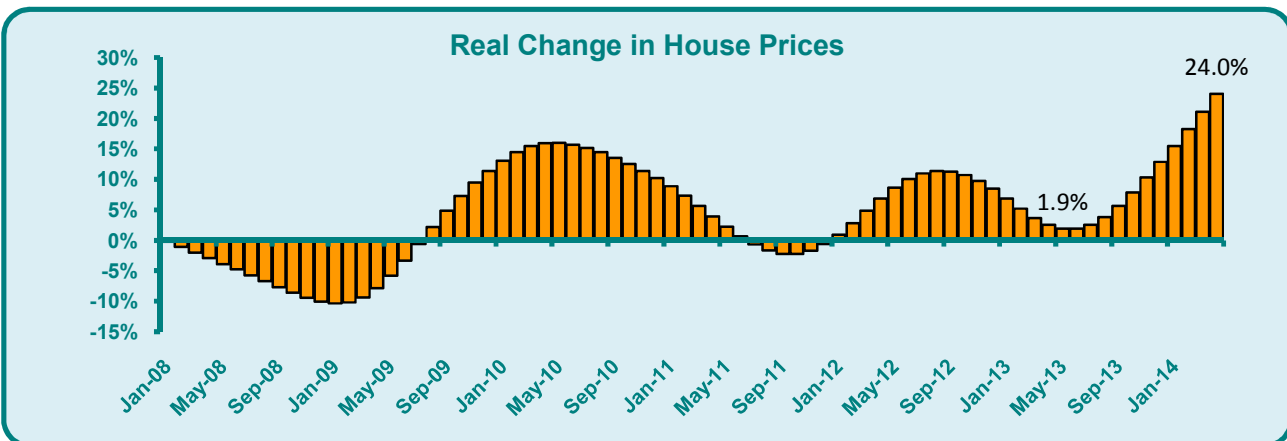
FNB
First National Bank

Supply Remains Weak

how can we help you?



House prices increased by 2.6% month on month to bring the FNB House Price Index to 203.7 index points through April and thus house price in Namibia have doubled since January 2007, while housing supply has increased by a mere 25% over the same period. For the month of April, house price rose 31% from the same time last year as house price increased from N\$573k to the current level of N\$742k. Therefore households need to earn at least N\$23,000 per month to afford an average house in a country where the average household earns N\$7,500 per month. Therefore buyers continue to struggle to afford properties at these prices. Property prices were aggravated by supply imbalances, whereby properties in the lower price segment remained in short supply, while over supplied in the upper price segments. Although land delivery is on the increase, up to 100 units through April, it remains well below household growth rates and therefore lags behind housing demand growth. A further 641,700m² of land was mortgaged by developers, with a maximum potential for 1,500 homes, which would bring the cumulative house delivery potential to 6,800 freestanding homes for 2014. But unfortunately this increased land delivery is not filtering into the new housing supply numbers fast enough to have a meaningful impact on new housing delivery.



Published by: FNB Namibia **Address:** First City Centre, Levinson Arcade, Windhoek

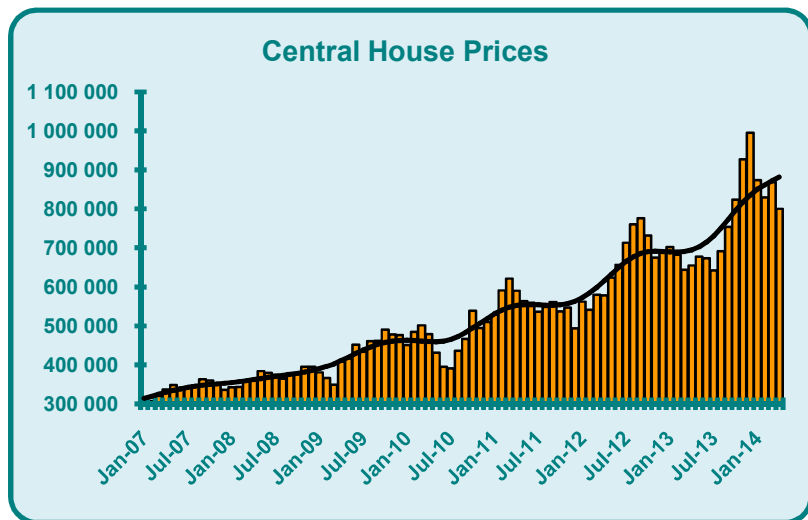
Authored by: Namene Kalili Tel: +264 61 2992725 Fax: +264 61 225994

Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to all circumstances.

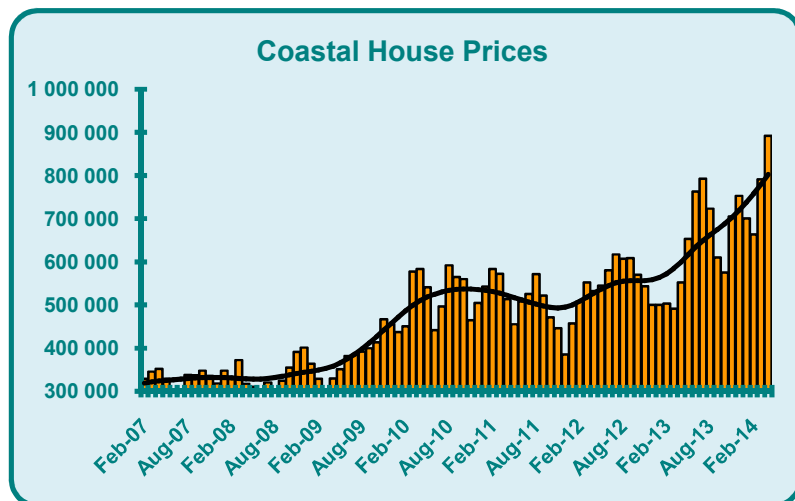
House Prices

Central property prices increased by 22% year on year to close the month at median price of N\$800k. The upward price pressure came from the middle to upper price segments, where property prices increased by 18 and 31 percent. Therefore properties in the middle price segment averaged N\$1.3m, while properties in the upper price segment averaged N\$2.6m. However, data over the past 3 months does suggest that house prices are cooling down in the central property market after peaking in December when properties averaged N\$995k. Year to date data shows that Okahandja prices continued to increase rapidly, up 22% year to date,

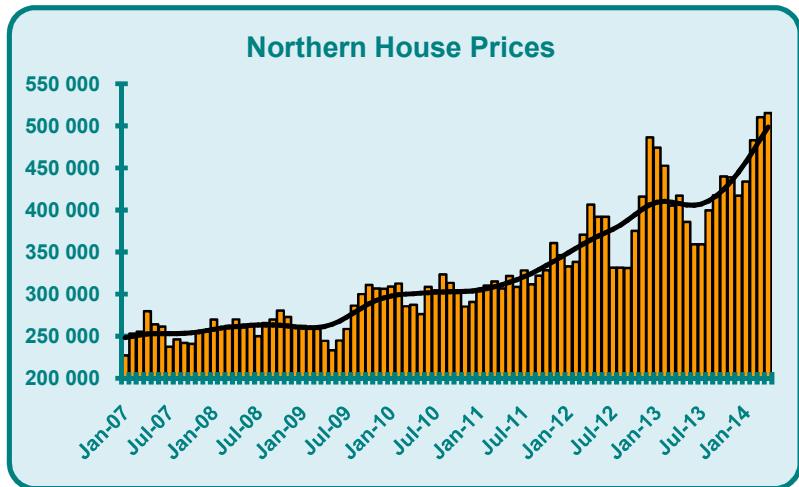
while Gobabis property prices increased by 2%. Windhoek property prices remained under increased price pressure, down 7% year to date after peaking in December 2014. Overall volumes increased by 14% year on year after rather weak February and March numbers, where volumes in the middle price segment grew by 90% year on year and thus drove the volume growth. Land delivery increased to 20 vacant stands mortgaged, with land prices averaging N\$492/m². Developers mortgaged a further 76,000m² of land with a maximum development potential for 180 free standing homes. Despite all this land delivery, building completion numbers remain bleak with a mere 6 houses completed in Windhoek during April.



Coastal property prices increased by 62% year on year to end the month at a median price of N\$893k. Coastal properties were over N\$100,000 more expensive than the previous month. This was due to a huge volume increase in the middle price segment, while volumes contracted in the lower price segment. This effectively shifted the median price to the right causing this 62% year on year increase. Stripping out the volume effect results in an increase of 13.5% year on year which was evenly spread across all price segments. Small coastal house prices averaged N\$503k, medium coastal house prices averaged N\$1,215k, while large coastal home prices average N\$2,026k. Year to date data shows that property prices at the coast continued to rise, with median house prices up 39% in Walvis Bay, 24% in Swakopmund and 7% in Henties Bay. Volumes contracted by 3% year on year on account of fewer properties mortgaged in the lower price segment, whereby volumes fell by 11% year on year, while rising by 118% in the middle price segment and moving sideways in the upper price segment. This changed the marketing mix significantly and thus had an inflationary effect on the median house prices. Land delivery increased to 41 vacant stands mortgaged at an average price of N\$349/m², which was 5% higher than a year ago. Developers mortgaged a further 538,400m² of land with a maximum yield potential for 1,260 free standing homes.

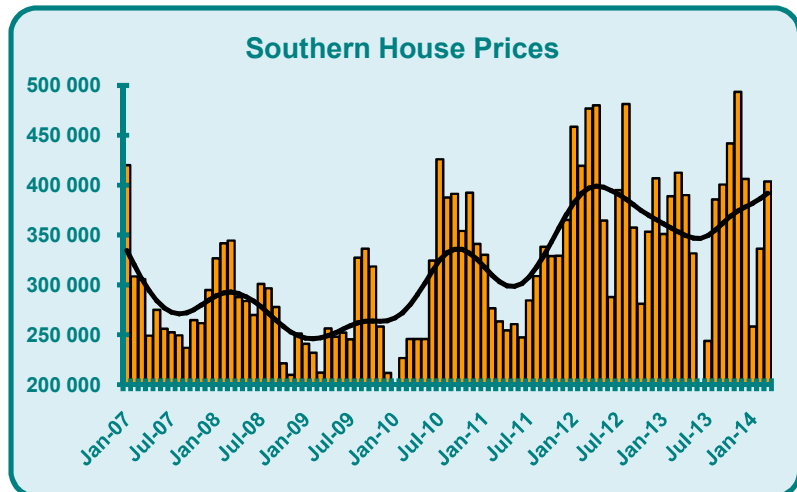


Northern property prices increased by 24% year on year to N\$515k and thereby extend its steep growth trajectory to eight consecutive months. Most of the growth came from the middle price segment, where property prices increased by 19% year on year. Although house prices in the upper price segment decreased by 5%, this coincided with a 100% increase in volumes and therefore indicating that there is still demand for high income properties even at an average price of N2.8m. The year to date data shows that Eenhana, Grootfontein, Katima Mulilo, Ongwediva, Oshakati and Outjo have some of the highest increases in

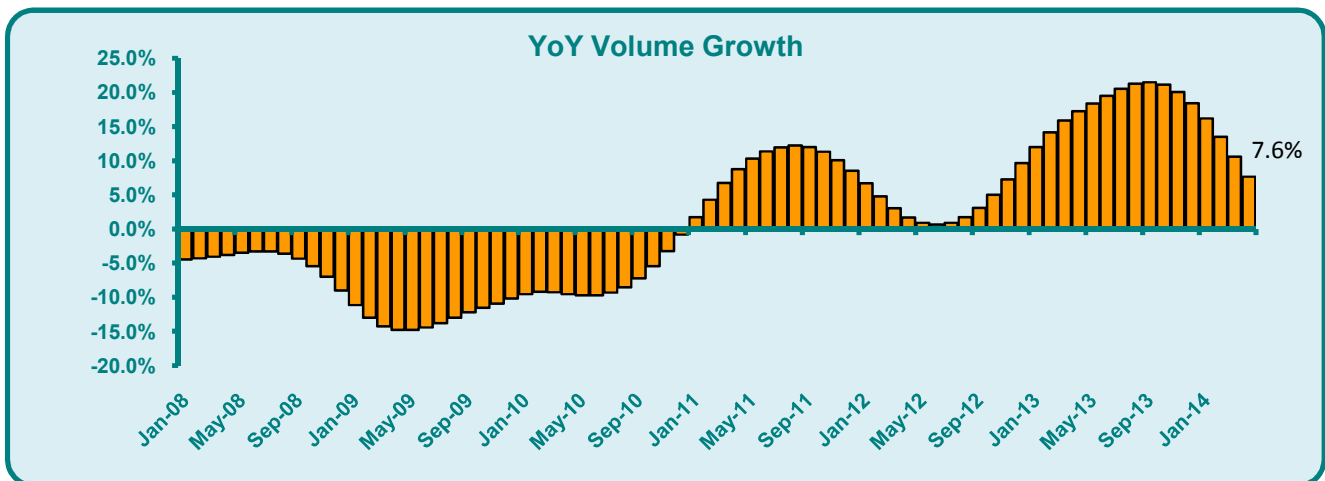


house prices in the northern property market as well as the rest of the country, with property prices increasing in excess of 41% year to date. Oshakati property prices remained elevated for the third consecutive month at an average price of N\$1,200k. Volumes contracted by 3% year on year, stemming from supply weakness in the lower price segment. Land delivery increased to 38 vacant stands mortgaged at an average price of N\$418/m², which was 28% higher than the same period last year. Developers mortgaged a further 27,300m² of land, with a maximum yield potential for 64 free standing homes.

Southern property prices increased by 12% year on year to end the month at a median price of N\$435k. This was due to increasing property prices in Keetmanshoop and Mariental, where property prices rose by 6% and 14%, whilst contracting by 9% in Luderitz. Volumes were down 21% in the southern property market. But caution must be exercised as the volumes are very thin and thus have high margins of error.



The graph below shows that despite the very high developer activity across the country, volumes continue to trend downwards through 2014, down to 8% annualised growth off a very low base.

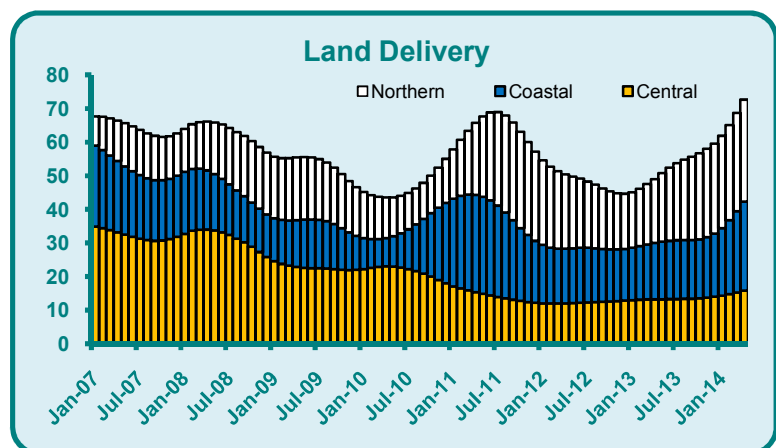


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2014 YTD year.

Median House Prices in Namibia									
	Year						Relative Change		
	2009	2010	2011	2012	2013	2014	5 Years	3 Years	1 Year
Arandis	175 000	300 000		300 000	300 000	300,000	71%		0%
Aranos	510 000	577 500	450 000	475 000	500 000	800,000	57%	78%	60%
Eenhana	208 323	202 162	322 190	388 500	462 000	871,955	319%	171%	89%
Gobabis	320 988	383 000	481 500	608 500	620 000	630,000	96%	31%	2%
Grootfontein	315 000	280 000	308 900	500 000	455 000	705,000	124%	128%	55%
Henties Bay	500 000	563 500	687 500	780 000	837 000	895,000	79%	30%	7%
Katima Mulilo	240 000	286 000	275 000	326 350	430 000	834,840	248%	204%	94%
Keetmans	271 500	334 650	407 000	450 000	421 000	447,500	65%	10%	6%
Luderitz	231 000	432 000	280 000	398 500	413 800	375,000	62%	34%	-9%
Mariental	302 500	350 000	400 000	461 200	418 500	475,000	57%	19%	14%
Okahandja	290 000	355 000	366 900	471 500	543 000	665,000	129%	81%	22%
Okahao	302 000	262 250	373 200	295 000	412 000	412,000	36%	10%	0%
Omaruru	555 000	775 000	650 000	650 800	480 000	480,000	-14%	-26%	0%
Omuthiya		349 600	331 500	343 000	402 000	402,000		21%	0%
Ondangwa	234 000	258 300	373 500	512 350	482 500	545,000	133%	46%	13%
Ongwediva	341 500	442 500	431 000	505 240	412 000	581,000	70%	35%	41%
Oshakati	310 000	486 300	475 000	416 000	420 000	1,200,000	287%	153%	186%
Oshikango	340 000	450 000	268 300	421 500	578 000	578,000	70%	115%	0%
Oshikuku	294 000	375 000	311 500	363 000	380 000	380,000	29%	22%	0%
Otavi		350 000	477 000	475 000	473 700	473,700		-1%	0%
Otjiwarongo	322 170	377 500	447 000	592 500	678 928	675,081	110%	51%	-1%
Outapi	235 600	223 350	296 000	371 000	422 400	505,000	114%	71%	20%
Outjo	410 000	378 000	400 000	470 000	527 000	792,500	93%	98%	50%
Rundu	210 000	280 000	320 700	331 000	401 000	520,827	148%	62%	30%
Swakopmund	469 500	612 000	580 500	700 000	787 500	980,000	109%	69%	24%
Tsumeb	341 000	360 000	470 000	505 550	661 500	720,000	111%	53%	9%
Usakos	160 000	180 000	206 000		430 000	430,000	169%	109%	0%
Walvis Bay	380 000	489 350	415 000	450 000	617 500	860,000	126%	107%	39%
Windhoek	472 000	544 000	682 500	800 000	980 000	915,500	94%	34%	-7%
Namibia	381 000	450 000	480 000	609 750	640 000	720,000	89%	50%	13%

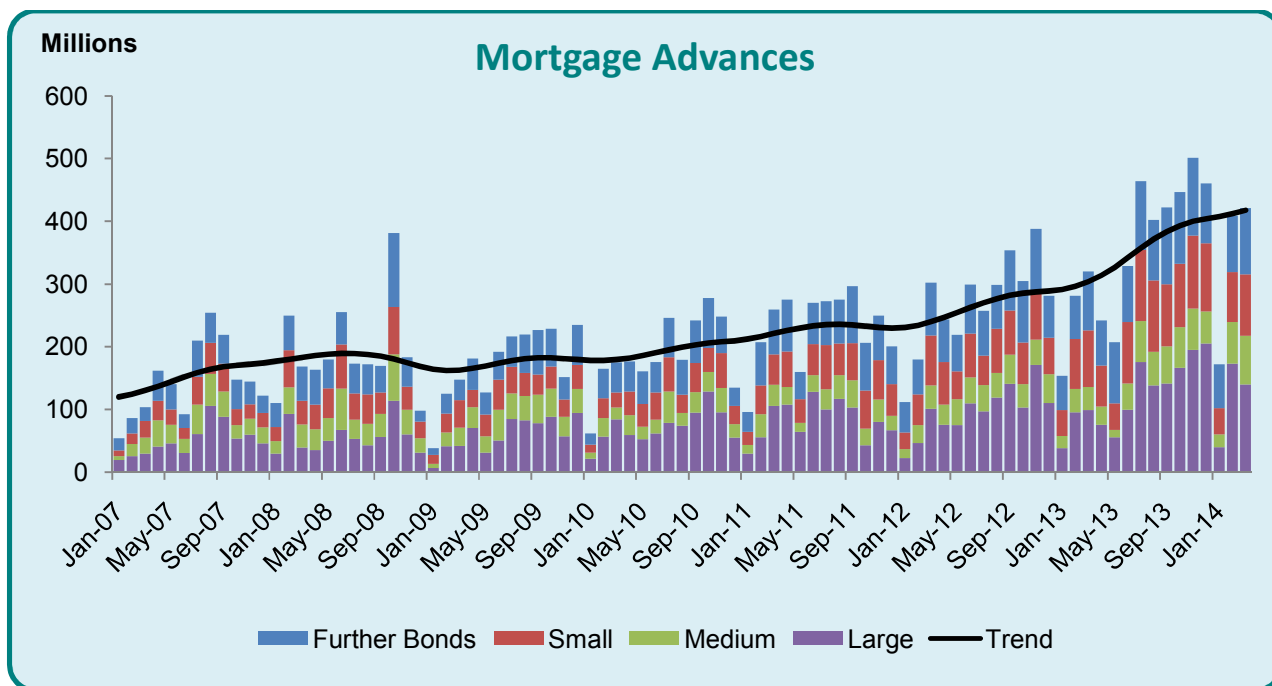
Land Delivery

Land delivery continued to improve through April, with 100 stands mortgaged through the month at an average price of N\$384/m². Although land prices have increased by 64% year on year, this is by far the highest land delivery rate we have seen since August 2011. Even though land prices are increasing rapidly, there is still high demand for undeveloped land in the country. Twenty vacant stands were mortgaged in the central property market at an average price of N\$492/m², which is 7% higher than the same period last year. Forty one vacant stands were mortgaged in the coastal market at an average price of N\$349/m², which was 5% higher than the same period last year. Thirty-eight vacant stands were mortgaged in the northern property market at an



average price of N\$418/m², which was 28% higher than the same period last year. While a solitary stands was mortgaged in the southern property market for N\$147/m². A total of 641,700m² of land was mortgaged by developers, with a maximum yield potential for 1,500 homes. This would bring the cumulative potential to 6,800 freestanding homes for 2014, but unfortunately this land is not filtering into the new housing supply numbers for 2014.

Mortgage advances



According to Bank of Namibia data, net mortgage advances grew by 13.2% year on year through April, which amounted to N\$246m worth of residential mortgages extended to consumers during the month. Mortgage advance growth was driven by properties in the middle to upper price segments, which accounted for 60% of the total advances. Advances to further bonds also continued to increase and now account for 22% of total mortgages. Therefore advances were more evenly spread across all price segments through April.

Conclusion

House prices continued to increase on the back of weak supply. The economy continues to struggle to supply enough new houses for the growing urban population. Therefore demand continues to outstrip supply resulting in increasing property prices. There has been however an increase in land delivery, but at 100 stands, it is hardly sufficient to house the growing urban population. Developer activity on the other hand is encouraging, but this is not translating in a substantial increase in the new housing supply. And as long as housing remains in short supply and the housing backlog continues to increase, we expect consumers to remain desperate for housing and in so doing continue to push up property prices even higher. But we remain confident that volumes will recover during the second and third quarters, but not enough to limit price movements to single digit growth for 2014.

Methodology

This report covers the developments in the national housing market, based on bonds registered for natural persons at the Deeds Office. The median is used as the central measure of tendency and has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 and further mortgage bonds are excluded because they may not reflect the true cost of housing and as such may distort the index. Of course, it must be remembered that this index reflects the median price of properties that were traded over this period. This limitation of not being able to get to average prices about the stock of housing is a perennial challenge for housing indices.