

# HOUSING INDEX

August 2012

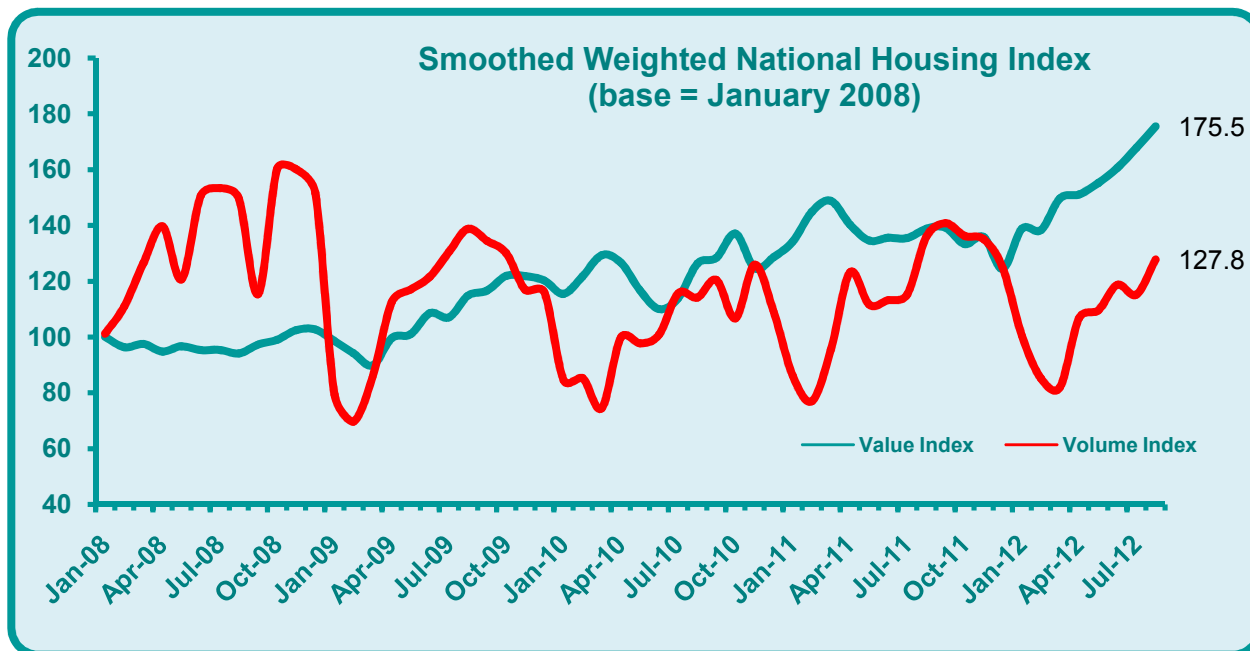
**House Prices Accelerate to Record High**



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Data through August shows that the FNB House Price Index registered its highest growth in 5 years, to end the month at 176 basis points. Therefore house prices in Namibia have increased by 20% since the beginning of 2012. Price movements in the central and coastal markets were largely responsible for the accelerating house prices as an increased supply of new properties in the middle to upper price segment pushed up overall prices. The value index rose by 7.6 basis point through August, but because it came off a relatively low base, it was unable to minimise house price inflation. Eisenheim, Omeya and The Dunes in Swakopmund were the most notable drivers of volume growth. All of these properties fall into the upper price segment and this has skewed the housing mix. It is this shift in the property mix that is escalating house prices so dramatically and thus suggesting that the upper market segment has got a new momentum from all the high end development taking place. Although NHE was more prevalent in the market, their volumes were overshadowed by the high end private developments. Overall land delivery flattened out as increased land delivery in the coastal market was cancelled out by the lower land delivery in the northern market. Developers continued to mortgage new land at an increasing rate with 174,000sqm mortgaged. This, we estimate, has a maximum yield potential of 460 houses. August was the third consecutive month of above average developer activity, which we see as a leading indicator for improved housing delivery.

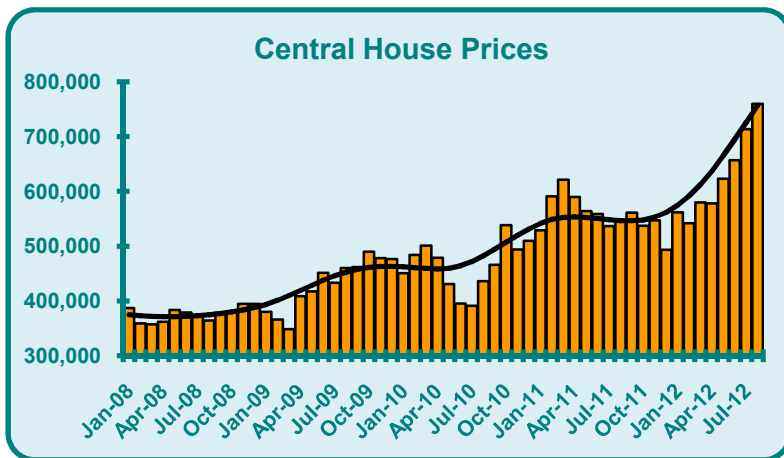
Median House Prices and month on month change						
	Small		Medium		Large	
Central	268,267	-0.3%	570,000	1.2%	1,282,500	0.4%
Coastal	290,493	4.0%	563,667	1.6%	1,316,667	10.3%
Northern	230,405	8.7%	508,333	-2.6%	1,083,333	-0.5%
Southern	217,300	11.1%	582,833	7.4%	933,000	0.0%

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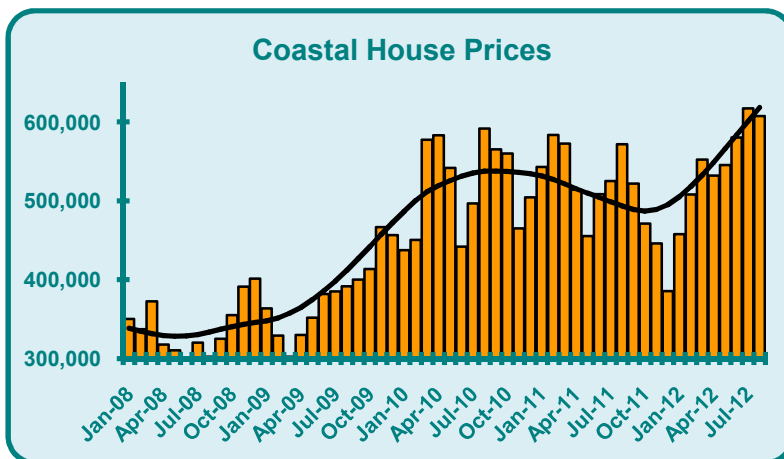
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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only,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

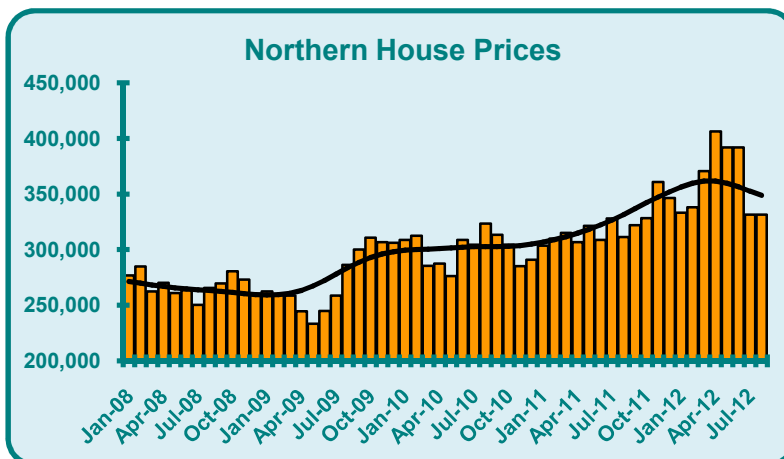
## House Prices



Central property prices continued to rise as house prices increased by a further 6.5% month on month. This has accelerated the year on year growth of central house prices to 39% in August. This is the longest and steepest price escalation in the central market since the beginning of this index. Consumers have noticed the escalating house prices and are jumping into the housing market to cash in on these paper fortunes and it is this flood of new money that is driving house prices to elevated levels. The year to date data shows that house prices are increasing in Windhoek, which was virtually flat all year long and is suddenly up by 15% year to date. Okahandja lost some growth momentum during August, although prices have risen by 28% year to date, prices did grow at a slower pace than previous months. Overall volumes were up slightly in the lower price segment, but were completely overshadowed by the increased volumes in the upper price segment which grew 9% month on month and 30% year on year. This is due to Elisenheim, Omeya and other property developments in Windhoek, While Okahandja sustained the volumes in the middle price segment. Central land delivery remained weak with 3 stands mortgaged at N\$196/m<sup>2</sup>, which was 26% higher than the July average. Developer activity was also on the increase, with 100,000m<sup>2</sup> of land mortgaged, which could deliver a maximum of 270 free standing homes.



Coastal house prices peaked in July and have begun their seasonal decline in August as they fell 2% month on month. Year to date data shows that Henties Bay prices are up 13% year to date and are responsible for the downward price pressure at the coast. Swakopmund property prices rose 16% year to date due to the increase in the number of properties in the middle price segment, which includes the 30 odd stands from Swakopmund's Dunes Estate, which fell into the middle price segment because of the lower loan to value ratios on these vacant stands. Walvis Bay property price rose 8% year to date after being flat all year long. Increasing rental demand is the most like culprit for the resurgent property prices at the harbour town. Although the coastal market remains saturated with undeveloped stands, land delivery remained high. 16 stands were mortgaged for an average price of N\$73/m<sup>2</sup>, which was 7% lower than the July average.



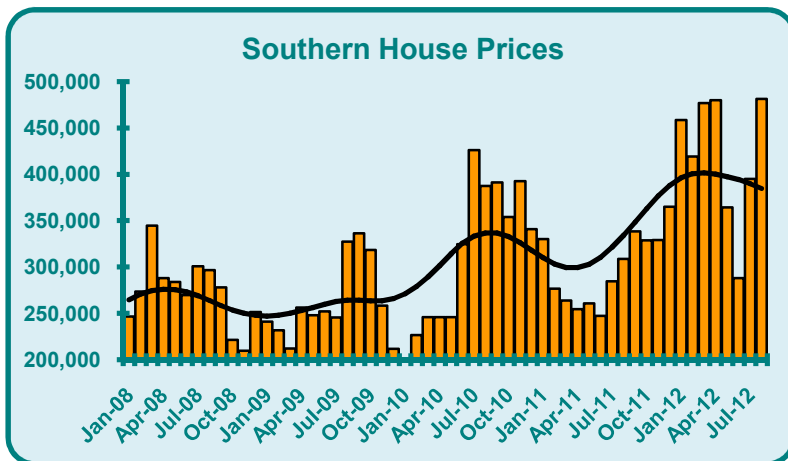
Month on month, northern house prices were flat in August, but were up 6.5 year on year. House prices were flat on the back of strong volume growth as more developments materialised in the northern market. Eenhana was at the forefront of the volume growth as affordable land filtered into the index in the form of completed middle to upper housing units. Katima Mulilo was another notable contributor. Year to date data shows that house prices in Katima Mulilo, Otavi, Okahao and Oshakati fell 15%, 18%, 21 and 26% respectively. House prices in other northern towns like Grootfontein, Omaruru, Ondangwa, Omuthiya, Oshikango, Otjiwarongo, Outjo and Outapi enjoyed strong value growth stemming largely from new houses in the middle to upper price segments. This further supports the notion that

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housing demand continues to shifting towards the middle and upper price segments. Land delivery did however slow down to 6 stands mortgaged during August at an average price of N\$71/m<sup>2</sup> which was 47% lower than the July average. Higher land delivery numbers are expected. 30,000m<sup>2</sup> of land was sold to developers in the northern market, with a potential to yield 80 free standing homes.

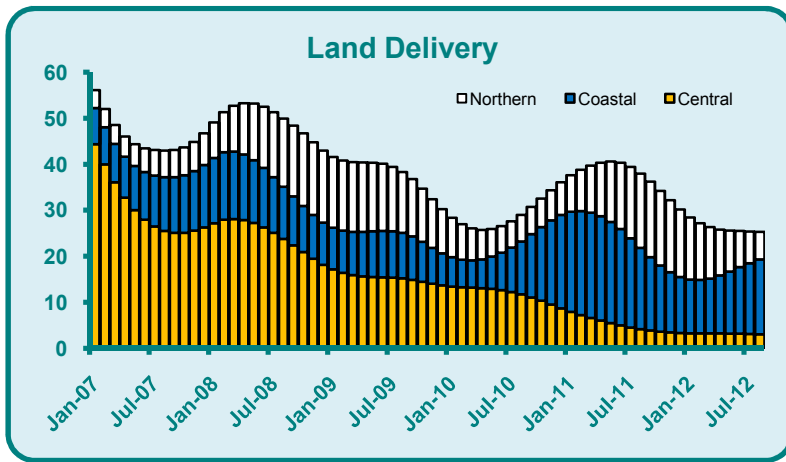


House prices in the southern property market remain as erratic as ever due to the very small sample size. However, house prices rose 23% month on month and are up 55% year on year. Luderitz and Mariental continued to post strong growth, but with that said, Mariental property prices have begun to lose some growth momentum of late. The upward price pressure was also concentrated in the middle to upper price segments, while there is some volume growth in the middle price segment.

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 2012 YTD year.

Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
Aranos	220,000	360,000	306,000	577,500	450,000	395,000	80%	29%	-12%
Eenhana	204,900	202,000	196,647	190,000	297,000	360,000	64%	71%	21%
Gobabis	222,700	240,000	315,375	306,000	450,000	530,000	138%	68%	18%
Grootfontein	176,500	290,500	240,000	221,143	297,500	475,000	197%	119%	60%
Henties Bay	502,000	500,000	427,013	520,000	668,500	752,500	56%	84%	13%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	211,785	34%	53%	-15%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	350,000	33%	38%	-1%
Luderitz	165,700	218,000	190,036	300,000	191,821	386,850	133%	104%	102%
Mariental	396,000	294,200	265,000	290,000	395,000	477,400	36%	103%	21%
Okahandja	252,100	250,000	265,500	347,000	360,000	460,500	87%	78%	28%
Okahao	230,000	258,500	302,000	262,250	371,400	295,000	74%	32%	-21%
Omaruru	397,200	420,000	450,000	300,000	161,482	515,000	31%	16%	219%
Omuhiya				299,200	331,500	414,000			25%
Ondangwa	225,000	280,000	230,500	249,050	337,500	479,100	138%	133%	42%
Ongwediva	297,000	288,000	337,000	437,400	417,800	370,000	25%	10%	-11%
Oshakati	193,785	216,000	300,000	480,575	351,500	259,675	24%	-20%	-26%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	373,000	-66%	0%	39%
Oshikuku	255,500	255,500	294,000	375,000	311,500	355,000	39%	21%	14%
Otavi	320,000	202,000	202,000	350,000	388,500	320,000	0%	58%	-18%
Otjiwarongo	344,000	308,000	300,000	352,800	398,000	525,000	45%	67%	32%
Outapi	229,000	237,050	235,300	216,519	294,000	372,000	62%	58%	27%
Outjo	294,000	350,000	410,000	378,000	396,500	501,500	37%	-2%	26%
Rundu	165,922	269,000	182,391	264,000	293,320	287,615	84%	68%	-2%
Swakopmund	477,805	380,000	468,000	600,000	568,000	657,000	38%	41%	16%
Tsumeb	300,000	300,000	322,075	350,000	430,000	475,000	61%	49%	10%
Usakos	171,000	348,000	160,000	160,000	206,000	203,500	19%	27%	-1%
Walvis Bay	303,000	296,900	325,000	431,000	370,000	400,000	24%	15%	8%
Windhoek	375,000	386,000	453,300	500,000	610,000	700,000	71%	41%	15%
<b>Namibia</b>	<b>354,000</b>	<b>335,000</b>	<b>355,000</b>	<b>402,000</b>	<b>435,000</b>	<b>524,000</b>	<b>48%</b>	<b>48%</b>	<b>20%</b>

## Land Delivery



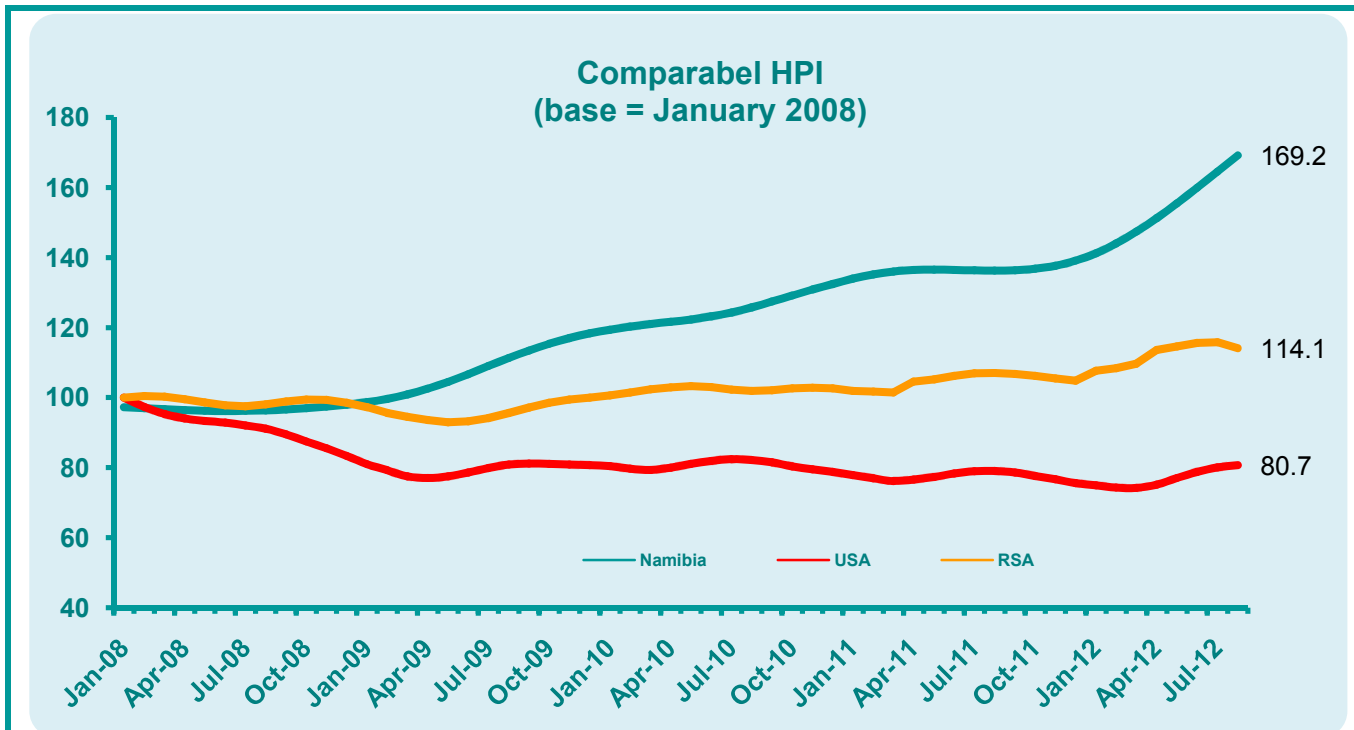
Land delivery continued to move sideways as volumes weakened in the northern market, while increasing in the coastal market. A total of 30 stands were mortgaged during August. The coastal market continued to supply the most stands mortgaged. At the coast 16 stands sold for an average price of N\$73/m<sup>2</sup>. Central land delivery remained weak with 3 stands mortgaged at N\$196/m<sup>2</sup>. Land delivery in the northern market decreased marginally to 6 stands mortgaged. Stronger land deliver numbers are expected going forward, particularly in the northern and coastal markets. Developers

remained active, mortgaging 174,000m<sup>2</sup> of land mortgaged, with a maximum yield potential of 420 free standing houses across the country. This is the third consecutive month of above average developer activity and we see this as a leading indicator for increased housing deliver. The only question is how fast this land can be turned into housing.

## Mortgage advances

Annualised growth in mortgage advances accelerated to 12.5% y/y during August. This is the fastest rate of growth since April 2008. It is the increased housing delivery in the central and coastal markets that is accelerating the growth in mortgage advances. Mortgages in the northern property market were slightly down due to the NHE and Eenhana properties that were less than the market average. Middle price segment mortgages grew by 27% year on year as both volumes (The Dunes Estate) and values of these properties enjoyed positive growth over the past 12 months. Upper price segment mortgages grew by 7% year on year due to bonds new houses built at Elisenheim and Omeya. As for the lower price segment, mortgages remained weak, symptomatic of an economy battling to supply new housing stock to this segment. Mortgage advances for further bonds and bonds under N\$100k contracted by a further 40% for the 10<sup>th</sup> consecutive month and it would therefore appear that further bonds do not play a major role in structural renovation work.

## Comparable HPI



Source: FNB SA & S&P

Stripping out housing inflation and smoothing the FNB House Price Index (HPI) using the Hodrick-Prescott smoothing function, produces an index comparable to RSA and USA. The comparable index shows that the Namibian property prices continue to outpace other comparable indices, resulting in a widening gap. This gap illustrates the perennial structural supply shortages and an economy that struggles to supply affordable housing units for the majority of the population. The SA HPI showed a further slowing in its year-on-year growth through August. Valuers' perceptions of the SA housing market suggest that the market remains over supplied and real house price decline remain a strong possibility, particularly with the SARB reporting mediocre income data, which should dampen demand even further. House prices continued climbing across the US. Single family housing starts were up 43% year on year; existing and new home sales are also up, while the inventory of homes for sale continued to drop. With consumer mortgage default rates reaching new lows, the US housing market is beginning to optimistic.

### Conclusion

Although volumes are recovering, their pace of recovery is too slow and the recovery is too concentrated in the middle to upper price segments to have an impact on the overall housing prices. In fact the new housing delivery is aggravating house price inflation as it currently stands. Developers do however provide some glimmer of hope in the form of 460 possible houses. Namibia currently bonds 240 properties each month and therefore the possibility of 460 houses in one month is significant in curbing the rampant house price inflation, but more importantly this new housing stock should be targeted for the lower price segment, before house prices will correct themselves. But this is unlikely given the high demand for housing and the profit motive of the private sector. Therefore TIIEG needs to be a lot more visible on the ground to correct the supply imbalances which is currently disadvantaging households wanting to buy property in the lower price segment.

### 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.