

# HOUSING INDEX

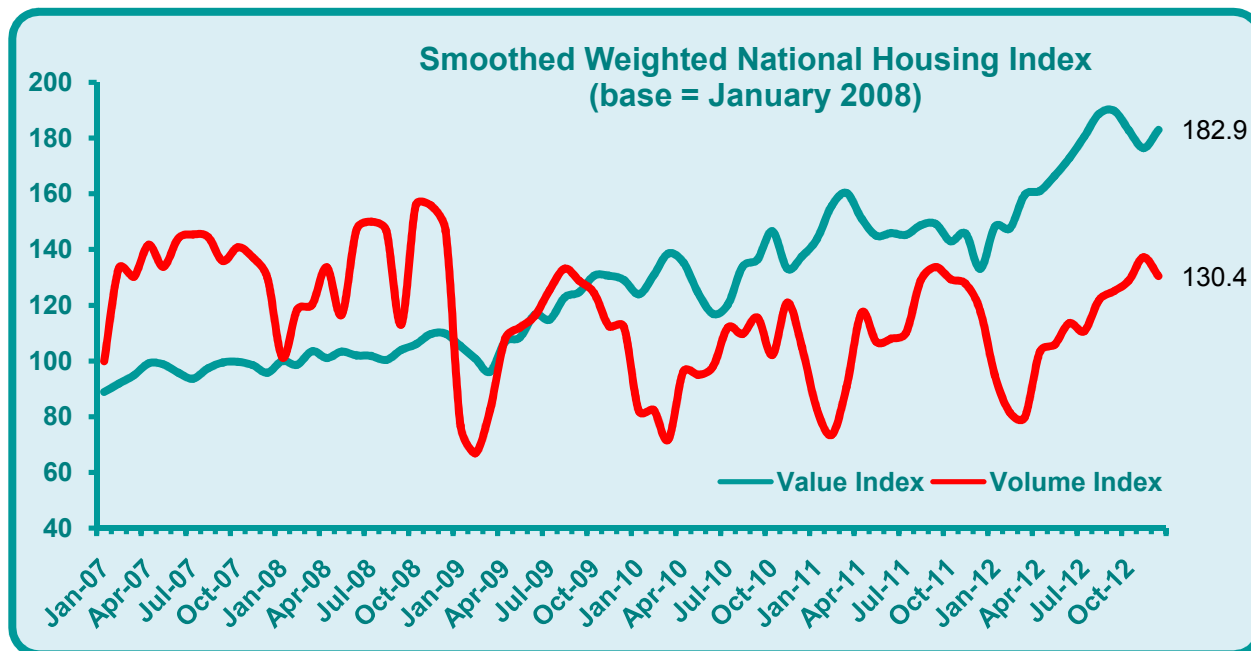
December 2012

Namibia Records 4<sup>th</sup> Highest House Price Growth in 2012



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Data through December shows that the FNB House Price Index increased by 3.8% from the previous month after two months of falling house prices. For 2012, house prices rose 25.3% from 2011 in local currency. But when compared to the Knight Frank Global House Price Index, Namibia has the fourth highest annual increase in house prices after house prices have been converted to US Dollars. Interestingly enough, the upward price pressures came from some of the smaller towns such as Omaruru, Oshikango, Grootfontein and Luderitz. Higher disposable income during 2012 supported price movements as household disposable incomes grew by 19% year on year. Volumes slowed down during December on account of the construction holiday. But the impact of the construction holiday was smaller than expected. New housing stock continued to flow into the market, particularly in Okahandja, Walvis Bay and Windhoek, while land delivery weakened across the country. TIPEG's impact on the property market remains minimal as the economy continues to battle perennial supply shortages of serviced land. Developer activity was back on the increase as 780,300m<sup>2</sup> of land was mortgaged with a maximum yield potential of 1,800 free standing houses, which brings the annual total to 9,900 possible homes for 2012.

Median House Prices and month on month % change						
	Small		Medium		Large	
Central	292,438	0.2%	538,633	-4.3%	1,300,833	-1.8%
Coastal	259,167	-6.9%	543,333	-1.2%	1,386,667	0.0%
Northern	258,335	-5.6%	473,500	4.1%	1,149,500	-0.4%
Southern	204,667	-11.9%	548,833	-5.2%	1,072,733	8.9%

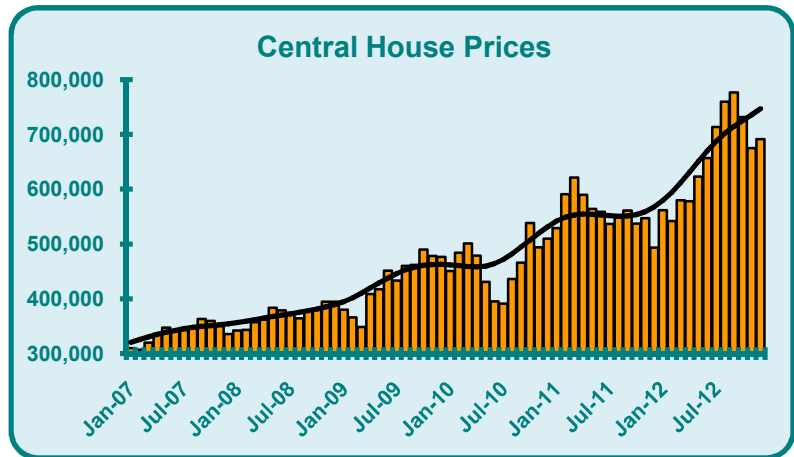
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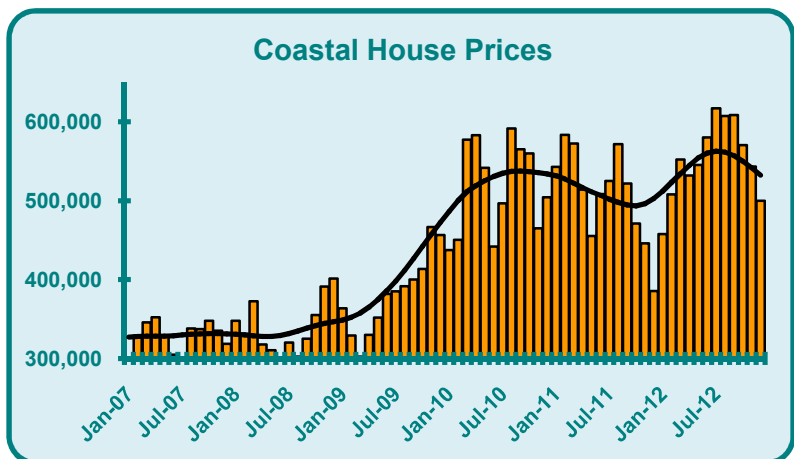
**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable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

## House Prices

Central property prices recovered mildly from the previous month but are quite some distance from the September peak of N\$776k. NHE new housing supply remains responsible for this state of affairs as they continued to supply new housing stock into the lower end of the middle price segment. This maintained the downward bias to the median house prices. The new housing stock was able to maintain the volume index above the 100 basis mark for the fourth consecutive month, but the volume index is weakening. For 2012 Windhoek property median prices rose 23% year on year, Okahandja property prices rose 31% year on year, while Gobabis property prices fell 3% year on year. Land delivery declined to 3 vacant stands mortgaged through the month at an average price of N\$149/m<sup>2</sup> which is 15% higher than the November average. Therefore medium term volume growth prospects for the central market remain weak, with 42 vacant stands mortgaged during 2012. Developer activity was more encouraging, with 151,500m<sup>2</sup> of land mortgaged during the month with a maximum yield potential of 350 free standing homes.

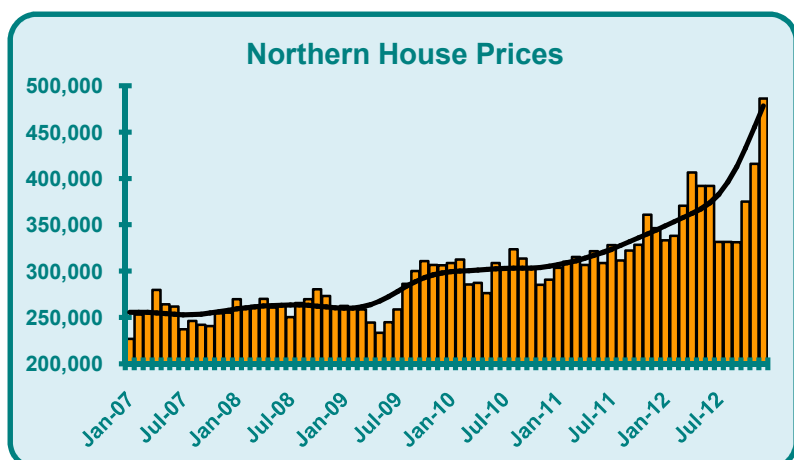


Coastal property prices weakened even further during December, monitored prices fell a further 8% from the previous month. The rate at which they are falling is much faster than expected, due to an increased supply of new affordable housing stock. Housing supply at the coast has remained elevated for past 9 months and particularly in the lower and upper price segment. It is this strong supply which is aggravating the fall in coastal property prices. The coastal property price cycle suggests that property prices may continue weakening until February. For 2012, house prices in Swakopmund rose 17%, while Walvis Bay and Henties Bay property prices rose 8%,



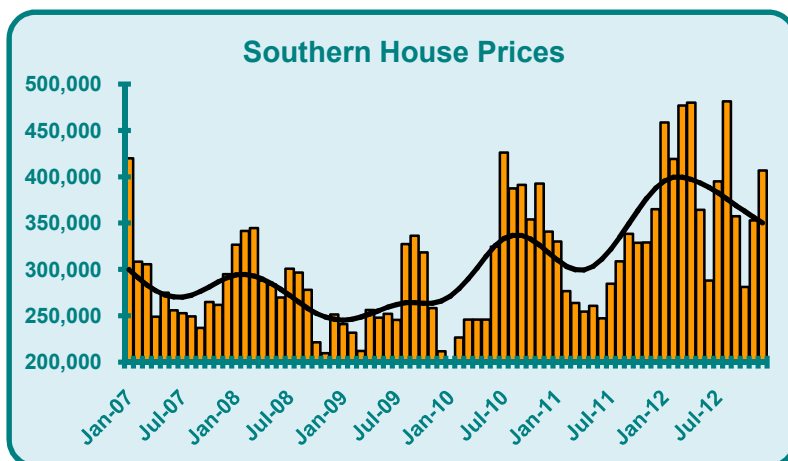
all of which are facing downward price pressure and remain below the national average growth rate for 2012. Coastal land delivery weakened, with a mere 7 vacant stands mortgaged during December, while land prices remained relatively flat at N\$93/m<sup>2</sup>. Developer activity was also somewhat subdued as 15,330m<sup>2</sup> of land was mortgaged for the first time, with a maximum yield potential of 35 homes.

Northern house prices increased by 17% month on month, mainly due to strong price movements in the middle price segment. With that said volumes in the upper price segment remain highly elevated and are up 117%, which is further increasing the price movements in the northern property market. Strong upward price pressures were prevalent in Eenhana, Grootfontein, Omaruru, Oshikango and Otjiwarongo. Volumes do not look like slowing down as developers mortgaged additional 613,300m<sup>2</sup> of land, with a maximum yield potential for 1,400 free standing homes. This provides strong medium term



volume growth potential, which is keeping land prices in the north relatively flat at N\$66/m<sup>2</sup>.

House prices in the southern property market increased by a further 15%. This was evident across all price segments. Strong upwards price pressures was evident in Luderitz, where property prices rose 85% from the 2011 median, but with that said the Luderitz growth rate has decelerated over the past 4 months. Price movements in Mariental and Keetmanshoop were moderate to flat, while Aranos house price continue to battle, falling 33% during 2012. House prices in this market are erratic due to the limited data points or transactions.

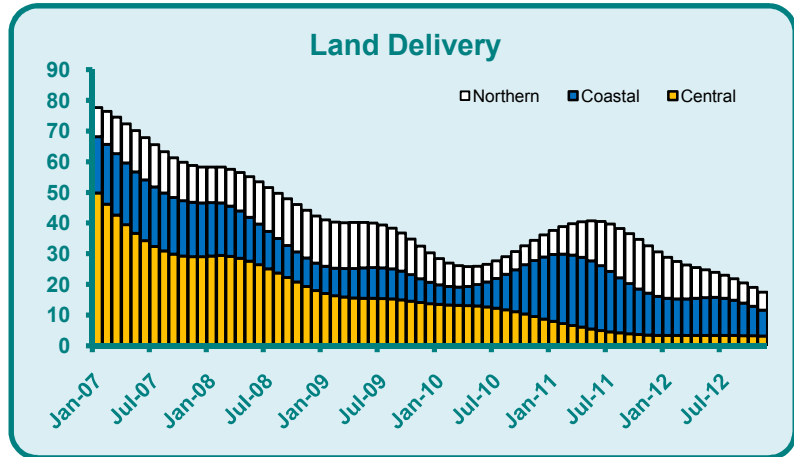


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2012 YTD year. Based on this data, Namibia would rank fourth in the world with the highest property price increases after Hong Kong, Dubai and Brazil when benchmarked against the Frank Knight Global House Price Index.

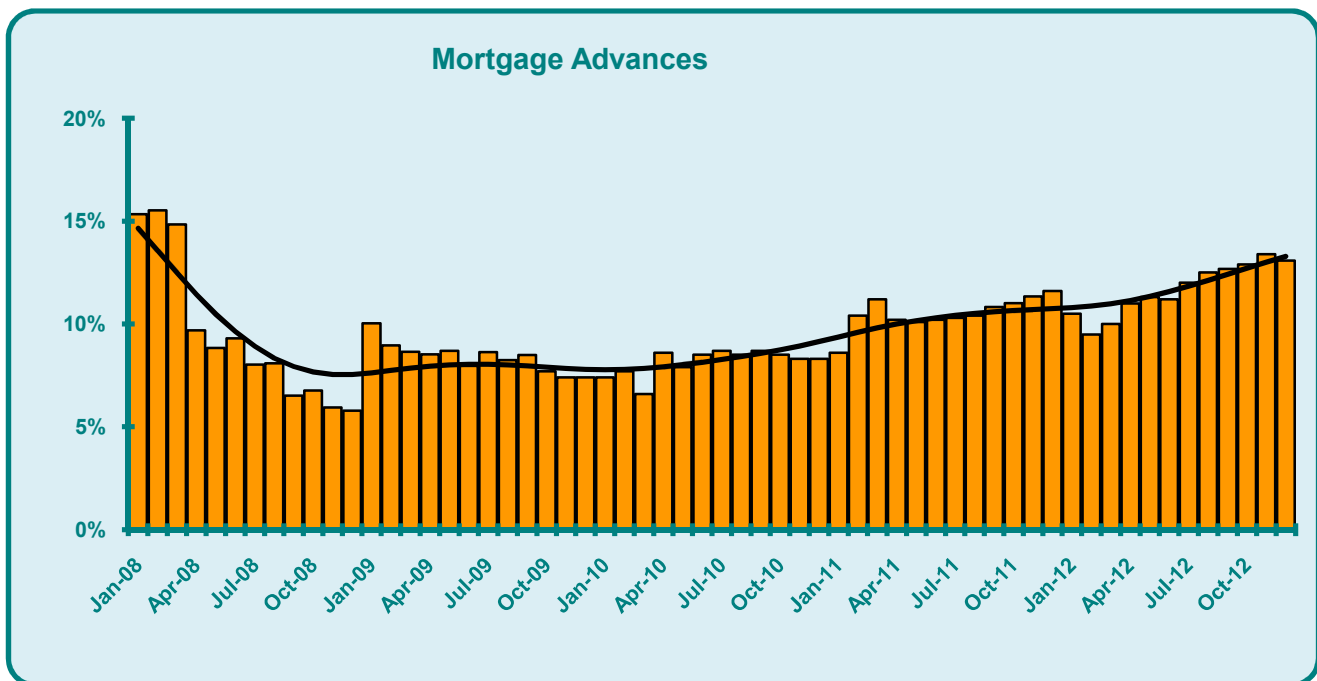
Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
<b>Aranos</b>	220,000	360,000	306,000	577,500	450,000	300000	36%	-2%	-33%
<b>Eenhana</b>	204,900	202,000	196,647	190,000	297,000	371000	81%	89%	25%
<b>Gobabis</b>	222,700	240,000	315,375	306,000	450,000	435000	95%	38%	-3%
<b>Grootfontein</b>	176,500	290,500	240,000	221,143	297,500	460000	161%	92%	55%
<b>Henties Bay</b>	502,000	500,000	427,013	520,000	668,500	720000	43%	69%	8%
<b>Katima Mulilo</b>	229,000	176,000	200,000	280,750	249,000	201855	-12%	1%	-19%
<b>Keetmanshoop</b>	265,000	300,000	256,000	268,250	352,500	352000	33%	38%	0%
<b>Luderitz</b>	165,700	218,000	190,036	300,000	191,821	355000	114%	87%	85%
<b>Mariental</b>	396,000	294,200	265,000	290,000	395,000	438500	11%	65%	11%
<b>Okahandja</b>	252,100	250,000	265,500	347,000	360,000	470000	86%	77%	31%
<b>Okahao</b>	230,000	258,500	302,000	262,250	371,400	290000	26%	-4%	-22%
<b>Omaruru</b>	397,200	420,000	450,000	300,000	161,482	537500	35%	19%	233%
<b>Omuthiya</b>				299,200	331,500	343000			3%
<b>Ondangwa</b>	225,000	280,000	230,500	249,050	337,500	412000	83%	79%	22%
<b>Ongwediva</b>	297,000	288,000	337,000	437,400	417,800	398000	34%	18%	-5%
<b>Oshakati</b>	193,785	216,000	300,000	480,575	351,500	385000	99%	28%	10%
<b>Oshikango</b>	1,000,000	1,000,000	340,000	450,000	268,300	386500	-61%	14%	44%
<b>Oshikuku</b>	255,500	255,500	294,000	375,000	311,500	359000	41%	22%	15%
<b>Otavi</b>	320,000	202,000	202,000	350,000	388,500	320000	0%	58%	-18%
<b>Otjiwarongo</b>	344,000	308,000	300,000	352,800	398,000	544000	58%	81%	37%
<b>Outapi</b>	229,000	237,050	235,300	216,519	294,000	366000	60%	56%	24%
<b>Outjo</b>	294,000	350,000	410,000	378,000	396,500	403000	37%	-2%	2%
<b>Rundu</b>	165,922	269,000	182,391	264,000	293,320	278000	68%	52%	-5%
<b>Swakopmund</b>	477,805	380,000	468,000	600,000	568,000	664000	39%	42%	17%
<b>Tsumeb</b>	300,000	300,000	322,075	350,000	430,000	496500	66%	54%	15%
<b>Usakos</b>	171,000	348,000	160,000	160,000	206,000	203500	19%	27%	-1%
<b>Walvis Bay</b>	303,000	296,900	325,000	431,000	370,000	400000	32%	23%	8%
<b>Windhoek</b>	375,000	386,000	453,300	500,000	610,000	750000	100%	65%	23%
<b>Namibia</b>	<b>354,000</b>	<b>335,000</b>	<b>355,000</b>	<b>402,000</b>	<b>435,000</b>	<b>545000</b>	<b>54%</b>	<b>54%</b>	<b>25.3%</b>

## Land Delivery

Overall land delivery weakened due to supply weakness across all property markets. TIPEEG was unable to raise land delivery levels during 2012 and its impact on the property market remains minimal as the economy continues to battle with supply of serviced land. A mere 16 stands were mortgaged during December. At the coast 7 stands mortgaged at an unchanged average price of N\$93/m<sup>2</sup>, while 3 vacant stands mortgaged in the central property market at an average price of N\$149/m<sup>2</sup> which is 15% higher than the November average. Land delivery in the northern market increased to 6 stands mortgaged at an average price of N\$67/m<sup>2</sup>, which was 6% higher than the November average. Developer activity was back on the increase as 780,300m<sup>2</sup> of land was mortgaged for the first time during December. This has a maximum yield potential of 1,800 free standing houses across the country, which brings the annual total to 9,900 possible homes for 2012 and equivalent of 9% of the housing backlog should these properties materialise a few years down the line.



## Mortgage advances



Mortgage advances grew by 13.1% year on year or by N\$2,449m. This was slightly lower than the November growth rate and mortgage advances may be decelerating on account of lower volume growth. This is particularly evident in further mortgages and the lower price segment where mortgage advances declined by 29 and 6 percent respectively. The middle and upper price segment continue to enjoy 33 to 68 percent mortgage growth rates on the back of strong annualized volume growth. Mortgages in Windhoek grew by 22%, while mortgages in Okahandja grew by 56%. Walvis Bay and Swakopmund mortgagee markets had below average mortgage growth rates of -2 and 11 percent respectively. This was due to the volume growth in the lower price segment and a slowdown in the number of properties trading in the middle to upper. Outjo had very strong mortgage growth in 2012, but off a very low base.

## Knight Frank Global House Price Index 2012

Rank	Country	Annual change	6 month change	3 month change
1	Hong Kong	23.6%	11.2%	6.3%
2	Dubai	19.0%	9.8%	8.9%
3	Brazil	13.7%	5.8%	2.7%
4	<b>Namibia</b>	<b>10.6%</b>	<b>0.8%</b>	<b>-5.7%</b>
5	Turkey	10.5%	3.5%	1.2%
6	Russia	10.2%	3.9%	1.4%
7	Austria	10.1%	0.2%	0.7%
8	Taiwan	9.7%	3.3%	2.0%
9	China	9.3%	3.7%	0.1%
10	India	8.5%	6.0%	5.3%
11	Colombia	8.3%	7.7%	2.3%
12	South Africa	7.4%	6.2%	2.5%
13	United States	7.3%	1.8%	-0.3%
14	Malaysia	7.3%	1.3%	-1.8%
15	Indonesia	7.0%	4.9%	3.8%
16	New Zealand	6.7%	3.6%	2.3%
17	Norway	6.6%	-0.2%	-0.7%
18	Estonia	5.4%	2.9%	0.3%
19	Iceland	4.6%	1.4%	0.7%

Source: Knight Frank Global House Price Index 2012

Hong Kong recoded the highest growth in property prices for 2012, where property prices rose 24% and consequently government has doubled stamp on properties over HK\$2 million in order to cool down house prices. Dubai was in second place, where house prices increased by 19% in 2012. The Dubai property market was back on the front foot after years of stalled developments, which were resurrected in 2012. It is these opulent futuristic new builds which drove house prices in Dubai. When the FNB House Price Index is compared against the Knight Frank Global House Price Index, Namibia is ranked in fourth place, with property prices increasing 11% in US Dollar terms. Local house prices were driven by perennial supply shortages of serviced land, particularly in the crucial lower price segment, while supply in the upper price segment continues to increase. Rising household incomes helped fuel local house price movements, as gross national disposable income rose 19% in nominal terms. Government has since reduced stamp duties and transfer cost thresholds to make housing more affordable for the average Namibian. US property prices grew by 7.3%, the largest annual rise since 2006, but tight lending is still curbing the speed and strength of the recovery in the US housing market. The Eurozone remains in recession and hardly surprising that European countries languish at the bottom of the Knight Frank Global House Price Index. Looking forward, 2013 looks unlikely to deviate significantly from 2012. The mainstream housing markets will depend on economic stimuli, relaxing lending criteria and instilling buyer confidence in the respective housing markets, while Europe remains the main downside risk on global property markets.

### Conclusion

The local housing market continued to battle supply shortages of serviced land throughout 2012. By our estimates, 290 vacant stands were mortgaged during the year, which is hardly sufficient to house a growing population whose disposable income is increasing at double digit growth rates. This has widened the gap between supply and demand and hence the 25% increase in property prices. This is the fourth highest growth rate in property prices recorded for 2012 after Hong Kong, Dubai and Brazil. We do not expect significant shift in supply for 2013 given the weak land delivery numbers and the long turnaround times to service land and therefore new housing supply will remain muted in 2013, while house prices continue to increase. But with that said, the medium to long term prospects are a lot more promising given the general increase in developer activity during 2012, which may materialise into new housing developments in 2014 and beyond.

### 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.