

# HOUSING INDEX

January 2014

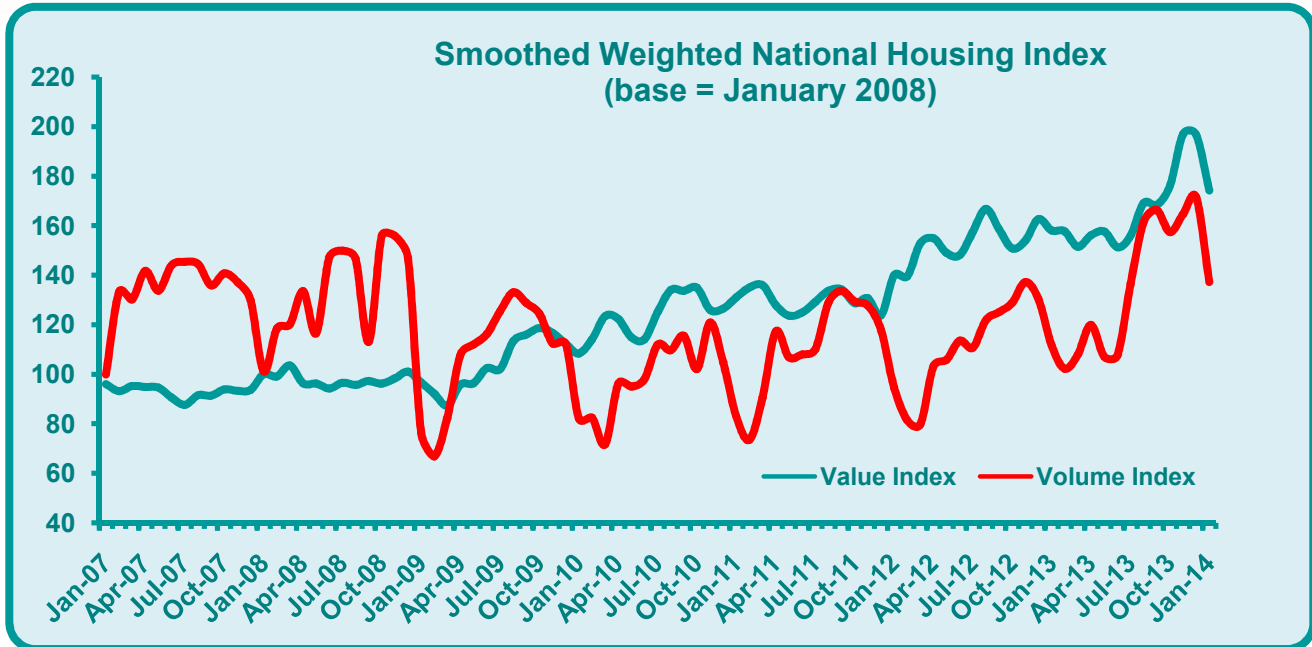
*Rising Volumes Decelerate House Prices For Now*



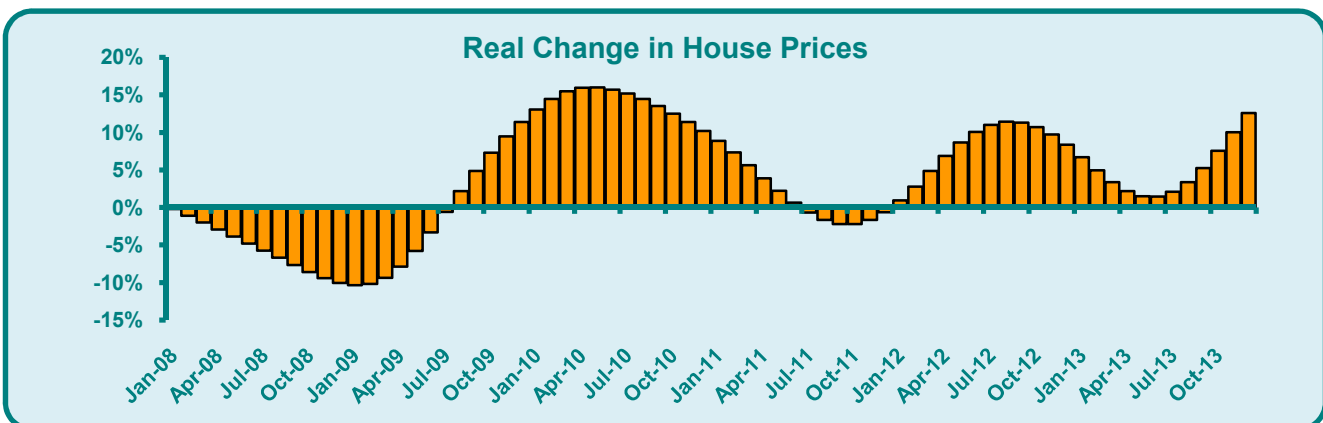
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Although the FNB House Price Index fell dramatically on a month on month basis through January, the decline was merely seasonal as fewer properties were sold during January. The year on year figures strips out the seasonal fluctuation and reflect a 10% year on year increase in local property prices. The upward price pressure came from the middle to lower price segments, where property prices increased by 18 and 23 percent respectively. On average, consumers paid N\$480k for entry level property, N\$1,130k for a property in the middle price segment and N\$2,071k for a property in the upper price segment. Therefore property prices continue to increase, albeit at a lower pace than in December 2013. This deceleration was largely on account of increased number of lower income properties that were sold during the month, where volumes in the lower price segment increased by 39% year on year and which has pushed up volume growth to 23% year on year. This is the highest level of housing supply for the month of January in the index's seven year history and is 40% higher than the January average for the past 7 years. Eighteen stands were mortgaged during the month, with 7 mortgaged in the central property market, 8 mortgaged in the northern property market and the remainder in the coastal and southern property markets. Developers mortgaged a further 378,000m<sup>2</sup> of land mortgaged during January, with a maximum yield potential for 880 free standing homes.



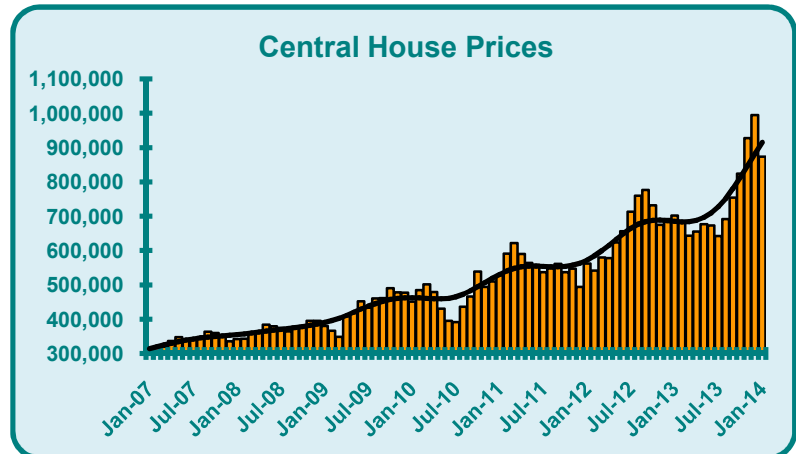
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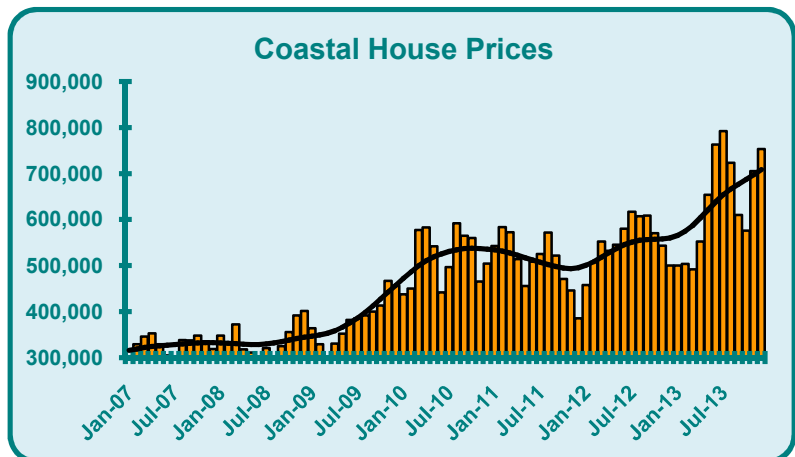
**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable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

## House Prices

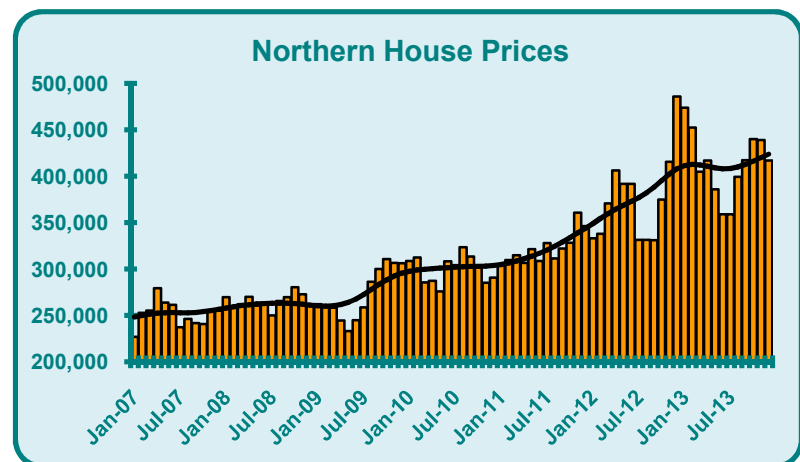
Central property prices fell by 13% month on month in January due to seasonality. However, year on year house prices rose by 25% to close the month at median price of N\$874k. The upward price pressure came from all price segments in the central property market, where property prices in the lower price segment increased by 16% year on year, while house prices in the middle to upper segment increased by 18 and 27 percent, respectively. Although these are relatively high increases, they are significantly lower than the December figures where the overall price increase averaged 44% year on year. We do not attach much significance to the seasonal variation, however. The year to date data shows that Windhoek property prices are up 53%, while rising 35 and 20 percent in Gobabis and Okahandja respectively. On an annualised basis, volumes climbed 6% in the central market, with most of the growth emanating from the lower and upper price segments, where volumes grew by 6% in the lower price segment and 9% in the upper price segment. Land delivery weakened as 7 vacant stands were mortgaged in the central property market at an average price of N\$497/m<sup>2</sup>, down 14% from the same period last year, while developers did not mortgage any land during the month.



Coastal property prices increased by 40% year on year to end the month at a median price of N\$701k. This was due to price increases in the middle price segment where house prices increased by 25% year on year, while property prices in the lower and upper price segment increased by 16 and 12 percent, respectively. The year to date data shows that Walvis Bay property prices have decreased by 13%, Swakopmund property prices have increased by 71%, while Henties Bay property prices contracted remained flat. Volumes rose by 12% year on year in the coastal market. This was largely driven by properties in the middle to upper price segments, where volumes increased by 31 and 39 percent respectively. Land delivery at the coast weakened to 2 vacant stands mortgaged at an average price of N\$197/m<sup>2</sup>, which was 61% lower than a year ago. Developers did not mortgage any land during January.



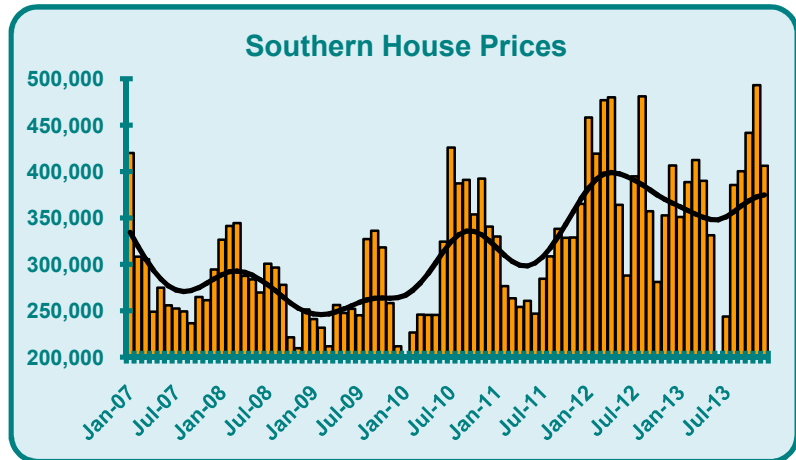
Northern property prices fell by 9% year on year on account of weaker property prices in the upper price segment, where property prices fell by 7% year on year. This market continued to enjoy robust volume growth, with volumes up 98% year on year, which has helped reduce house prices in the northern property market. Year to date shows that Tsumeb, Rundu, Outapi, Otjowarongo, Ondangwa and Ongwediva property prices are on the increase, while Omuthiya property prices declined through January. The northern property market continued to enjoy robust volume growth as volume growth accelerated to 98% year on year. Almost all of the volume growth



came from the lower price segment where volumes grew by 186% year on year. Land delivery wakened in the northern property market as 8 vacant stands were mortgaged in the northern property market at an average price of N\$321/m<sup>2</sup>, which is 24% higher than the same period last year. However, developer mortgaged 378,000m<sup>2</sup> of land mortgaged during January, with a maximum yield potential for 880 free standing homes, which should support future supply.

Southern property prices fell by 26% year on year, which translated into 16% lower prices in the lower price segment as the only price segment that recorded any transactions. The year to date figures show that Keetmanshoop property prices rose by 7%, while property prices in Mariental rose by 15%. Overall volumes fell by 3% year on year. But caution must be exercised as the volumes are very thin and thus have high margins of error.

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 2013 YTD year.

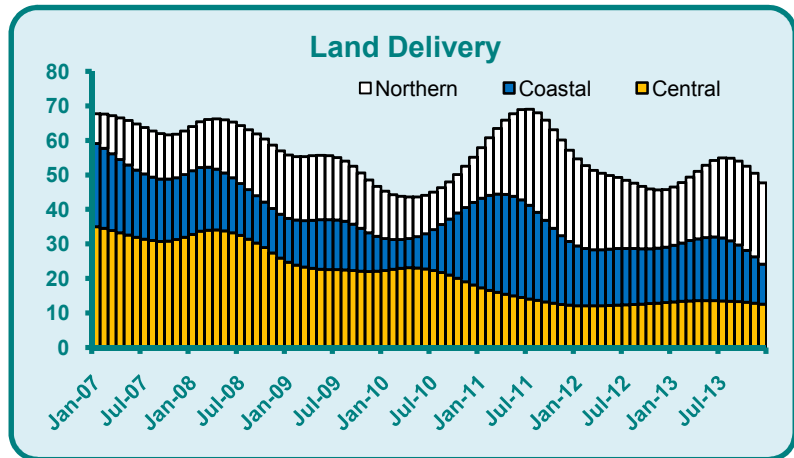


Median House Prices in Namibia									
	Year						Relative Change		
	2009	2010	2011	2012	2013	2014	5 Years	3 Years	1 Year
Arandis	175 000	300 000		300 000	300 000	300 000	71%		0%
Aranos	510 000	577 500	450 000	475 000	500 000	500 000	-2%	11%	0%
Eenhana	208 323	202 162	322 190	388 500	462 000	462 000	122%	43%	0%
Gobabis	320 988	383 000	481 500	608 500	620 000	840 000	162%	74%	35%
Grootfontein	315 000	280 000	308 900	500 000	455 000	455 000	44%	47%	0%
Henties Bay	500 000	563 500	687 500	780 000	837 000	837 000	67%	22%	0%
Katima Mulilo	240 000	286 000	275 000	326 350	430 000	430 000	79%	56%	0%
Keetmans	271 500	334 650	407 000	450 000	421 000	450 000	66%	11%	7%
Luderitz	231 000	432 000	280 000	398 500	413 800	413 800	79%	48%	0%
Mariental	302 500	350 000	400 000	461 200	418 500	480 000	59%	20%	15%
Okahandja	290 000	355 000	366 900	471 500	543 000	650 000	124%	77%	20%
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	380 000		15%	-5%
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	470 000	38%	9%	14%
Oshakati	310 000	486 300	475 000	416 000	420 000	420 000	35%	-12%	0%
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	775 000	141%	73%	14%
Outapi	235 600	223 350	296 000	371 000	422 400	500 000	112%	69%	18%
Outjo	410 000	378 000	400 000	470 000	527 000	527 000	29%	32%	0%
Rundu	210 000	280 000	320 700	331 000	401 000	534 653	155%	67%	33%
Swakopmund	469 500	612 000	580 500	700 000	787 500	1 345 000	186%	132%	71%
Tsumeb	341 000	360 000	470 000	505 550	661 500	1 168 265	243%	149%	77%
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	539 500	42%	30%	-13%
Windhoek	472 000	544 000	682 500	800 000	980 000	1 500 000	218%	120%	53%
<b>Namibia</b>	<b>381 000</b>	<b>450 000</b>	<b>480 000</b>	<b>609 750</b>	<b>640 000</b>	<b>545 367</b>	<b>43%</b>	<b>14%</b>	<b>-15%</b>

## Land Delivery

Land delivery fell by 31% year on year as a mere 18 stands were mortgaged through the month at an average price of N\$394/m<sup>2</sup>. Land delivery remains well below demand and hence fuelling high and rising property prices. Eight vacant stands were mortgaged in the northern property market at an average price of N\$321/m<sup>2</sup>, which is 24% higher than the same period last year. Seven vacant stands were mortgaged in the central property market at an average price of N\$497/m<sup>2</sup>, down 14% from the same period last year. Two vacant stands were mortgaged at the coast at an average price of N\$197/m<sup>2</sup>, which was 61% lower than a year ago.

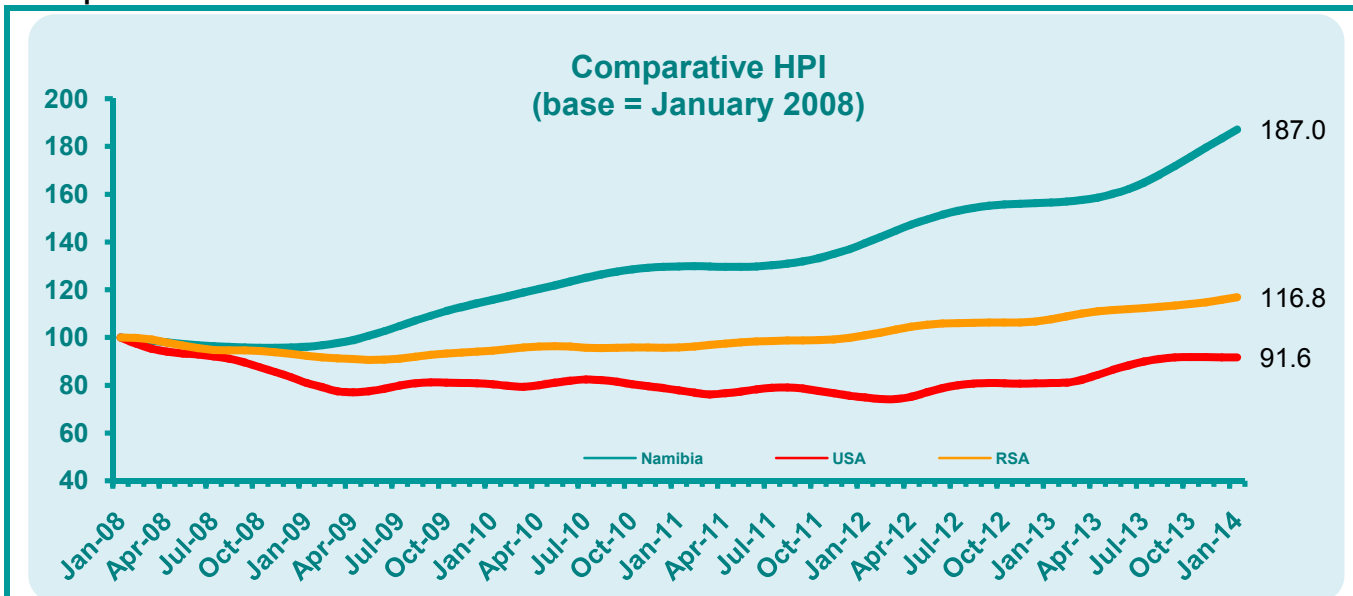
Developer mortgaged 378,000m<sup>2</sup> of land mortgaged during January, with a maximum yield potential for 880 free standing homes, which was all concentrated in the northern property market.



## Mortgage advances

According to Bank of Namibia data, net mortgage advances grew by 13% year on year through January with N\$71m worth of mortgages extended to consumers. A breakdown of the Deeds data shows that gross mortgage advance was fuelled by further mortgages, which grew by 27% year on year, while growth in the lower, middle and upper price segments hovered around 3.5%. Mortgage bonds were evenly spread across the different price segment with the highest concentration amongst further mortgage bonds and accounting for 40% of the total mortgages advances during the month.

## 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 smoothed data shows that Namibian property prices continue to increase at a faster pace than the RSA and USA indices and currently stand at 187 basis points. In essence, local property prices have increased by 87% since January 2008, while comparable figures show that RSA property prices have increased by 17%, while USA property prices have fallen by 8% since January 2008. The local property prices continue to accelerate on the back of very low supply volumes for new houses. 430 new houses were completed in Windhoek for the whole of 2013, in a city that needs 3,500 new houses a month just to keep up with population growth let alone redress the 27,000 housing backlog. This illustrates the acute housing supply in the capital city even though the municipal area has been increased and

can accommodate an additional 1.5 million new houses. According to the FNB SA House Price Index, property prices increased by 7.9% in January at an average price of R924,000. Further market information shows that SA property prices continue to grow below the long term trend due to aggregate supply outstripping aggregate demand. But with this said, there is evidence of mounting residential supply constraints on the horizon and this may well result in stronger house price growth going forward. According to the S&P House Price Index, US property prices increased by 13.2% year on year. Although this is relatively high growth for the US market, data over the past three months suggests that the growth is tapering for now. The market does however expect the US property market to continue but at moderating gains.

## **Conclusion**

House prices continue to increase on the back of low supply of new housing units. This has resulted in local property prices increasing at a much faster rate than the RSA and US property markets and we saw Namibia with the 16<sup>th</sup> highest growth in property prices through 2013. With gross national income up 13% in 2013 and 22% in 2012, it's a simple case of more money chasing too few properties. But with increased levels of developer activity and the mass housing project on the horizon, the supply dynamics are set to change as government intends to roll out five thousand new houses a year over the next two years and thereafter escalating to ten thousand houses per annum. This program should calm down house prices, while increasing employment by 4% and the national wage bill by 7%. Although the 2014 milestone is becoming increasingly ambitious, the mass housing will certainly improve on last year's low supply figures.

## **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.