

# HOUSING INDEX

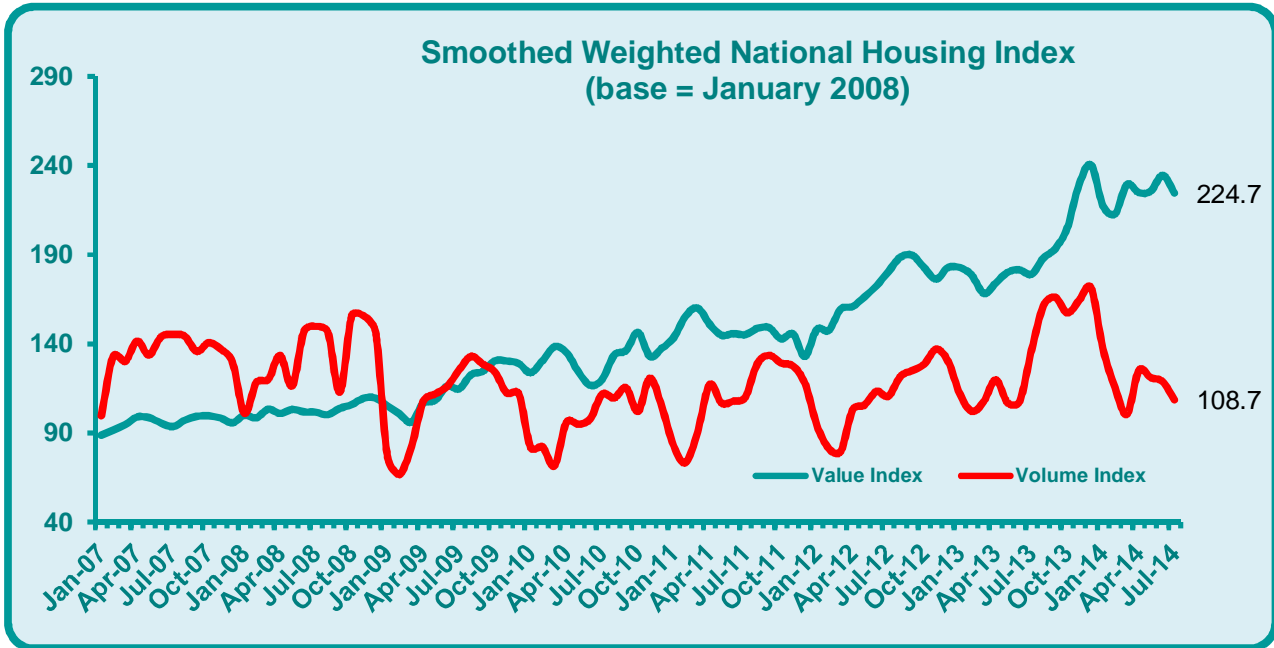
July 2014

*Housing Supply Remains Stubbornly Low*

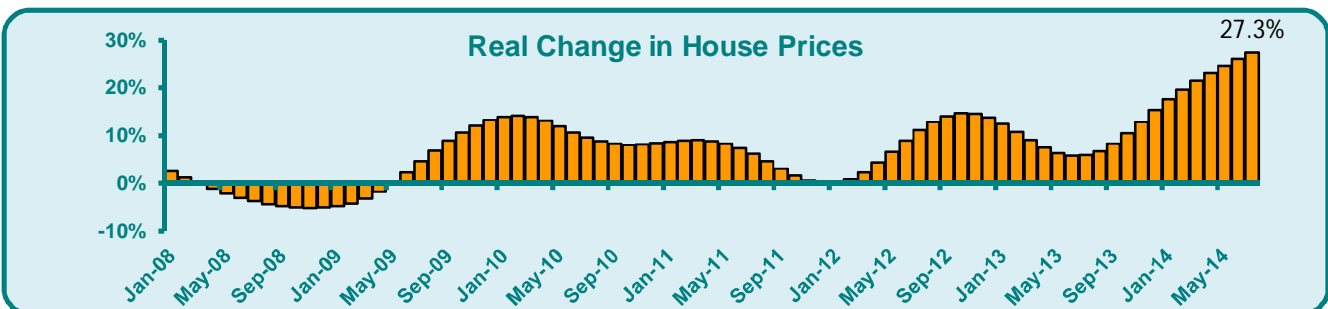


**FNB**  
First National Bank

how can we help you?



House prices increased by 26% year on year to bring the FNB House Price Index to 224.7 index points through July as house prices continue to increase at a much faster pace than the long term trend over the past seven years. However, there has been a deceleration in property prices over the nearer term, with property prices falling 4% month on month. Although this provided very little price relief, the rest of the property market has begun to track property prices in Windhoek, which have been under price pressure for most parts of 2014. The median house price for July was N\$700k, with property prices averaging N\$511k in the lower price segment, N\$1,213k in the middle price segment and N\$1,977k in the upper price segment. Property prices in the upper price segment continued to decelerate over the past 5 months, which has begun to spread to the middle price segment. Volumes continued to struggle, falling by 20% year on year and 9% month on month. Although July saw volume weakness across all markets, it was the upper price segment that was hardest hit as volumes fell by 22% year on year. Land delivery remained weakened to 49 stands mortgaged through July at an average price of N\$379/m<sup>2</sup>, which was 4% higher than the same period last year. A further 208, 000m<sup>2</sup> of land was mortgaged by developers, with a maximum potential for 485 free standing homes, which brings the cumulative house delivery potential to 8,435 freestanding homes for 2014. However, developer activity has not filtered meaningfully into the new housing supply numbers as overall volumes continue to trend downwards.

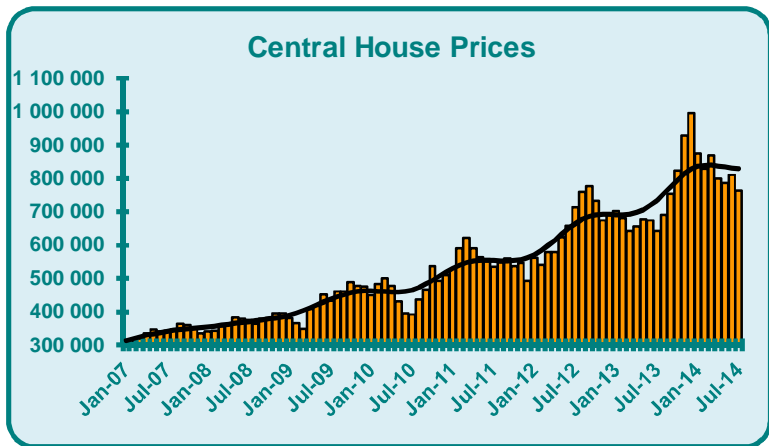


**Published by:** FNB Namibia **Address:** First City Centre, Levinson Arcade, Windhoek

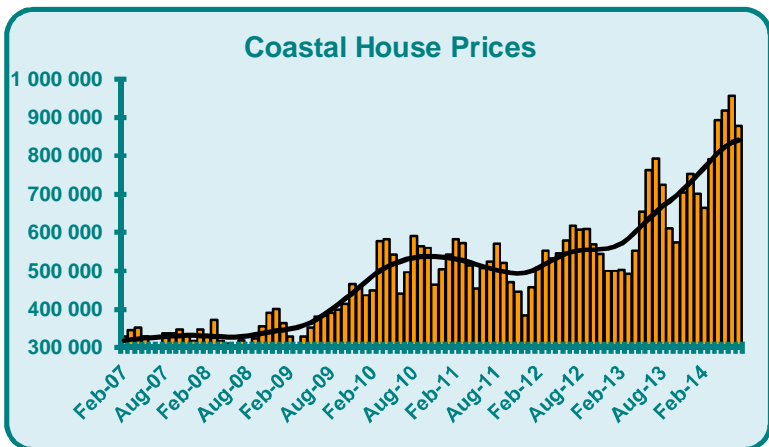
**Authored by:** Namene Kalili Tel: +264 61 2992725 Fax: +264 61 225994

**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.

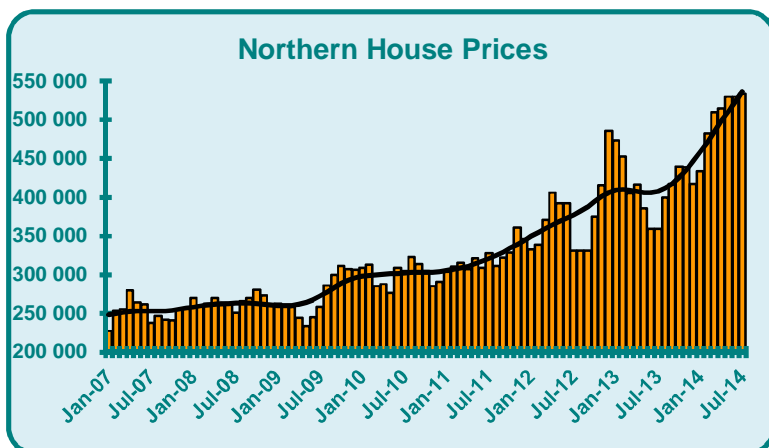
Central property prices increased by 19% year on year to N\$763k. Although property prices continued to increase, the rate of increase is falling on the back of downward price pressure in the upper price segment, which have fallen by 8% year on year. The year to date data would suggest that the downward price pressures were in Windhoek, where prices have fallen by 9%, whilst rising 2 and 24 percent in Gobabis and Okahandja. Okahandja property prices decelerated to N\$674k, which is not too far away from Windhoek's average price of N\$888k. Volumes fell by 13% year on year on the back of weaker supply in the upper price segment. Although the supply in the lower to middle price segment continued to increase, it was not enough to offset the supply weakness in the upper price segment. Land delivery increased to 22 stands at N\$459/m<sup>2</sup>, with prices down 3% year on year. Land delivery remained well below market demand. Developers mortgaged a further 120,800m<sup>2</sup> of land with a maximum yield potential for 281 free standing homes.



Although coastal property prices increased by 10% year on year to a median price of N\$878k, they did however fall by 8% from the previous month and thereby started their seasonal slump a month before expected as property prices averaged N\$878k through the month. Properties in the upper price segment continued to move slowly as volumes fell 23% year on year and therefore signalling the start of the coastal markets seasonal slump one month earlier than expected. However, there is still high demand in the middle price segment, where volumes have increased by 133%, while prices remained buoyant at N\$1,230k. Property prices in the lower price segment averaged N\$544k after increasing 22% year on year, but these prices too have begun to decelerate in the near term, shedding 2% from the previous month. The year to date data indicates that the downward price pressure is in the tourist town of Swakopmund, where property prices have fallen by 3%, while Walvis Bay property prices have increased by 46% and Henties Bay property prices have increased by 8%. Land delivery remained weak as 14 vacant stands mortgaged at an average price of N\$283/m<sup>2</sup>, which was 7% lower than a year ago. Developers mortgaged a further 22,700m<sup>2</sup> of land with a maximum yield potential for 52 free standing homes.

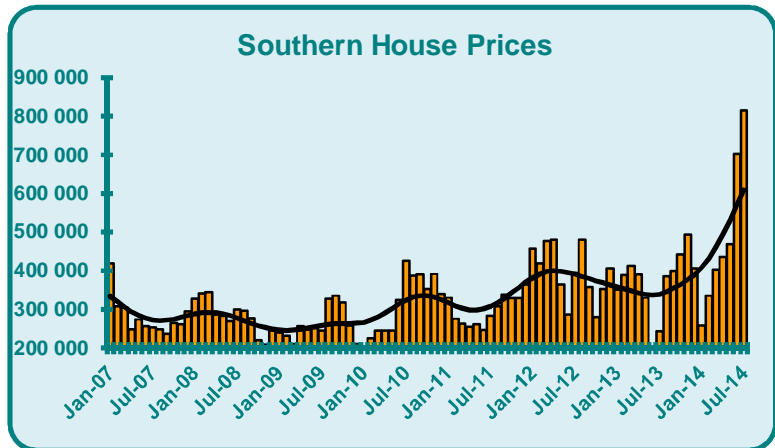


Northern property prices increased by 25% year on year to end the month at a median price of N\$534k on the back of very high price increases in the upper price segment. Property prices in the upper price segment soured by 40% year on year and thus averaging N\$2,404k, but this was on the back of significantly lower volumes which have been declining over the past 4 months and possibly indicative of fading demand. Properties in the middle price segment remained in demand, with volumes up 100% while prices were up 14% at a median price of N\$1,146k. Property prices in the lower price segment increased by 19% year on year to N\$500k on the back of lower volumes which contracted by

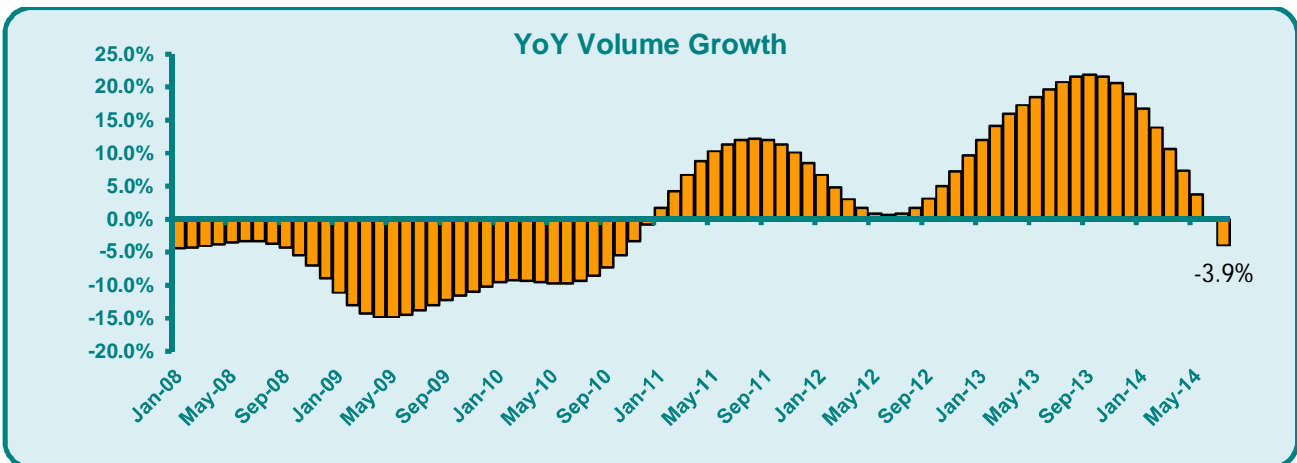


14% year on year. The year to date data also shows inflationary pressures in the northern property is fading with fewer towns posting price growth in excess of 20%, while Oshikango posted negative price growth. However, volumes fell by 34% year on year due to supply weakness in the lower and upper price segments. Land delivery fell to 11 stands mortgaged at an average price of N\$420/m<sup>2</sup>, which was 10% more expensive than the same period last year. Developers mortgaged a further 61,600m<sup>2</sup> of land with a maximum yield potential for 140 free standing homes.

Southern property prices increased by 234% year on year to end the month at a median price of N\$814k, but with 4 properties traded in the month, one can't read too much into this figure. The year to date data suggests strong price increases across all southern towns, with property prices up 23% in Aranos, 25% in Keetmanshoop, 37% in Luderitz and 31% in Mariental. This can be ascribed to the weakening supply in the southern market, where the already weak supply has fallen by 31% over the past year.



The graph below shows that volumes continued to trend downwards through 2014. Volumes contracted by 4% due to country wide volume weakness in the upper 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 2014 YTD year.

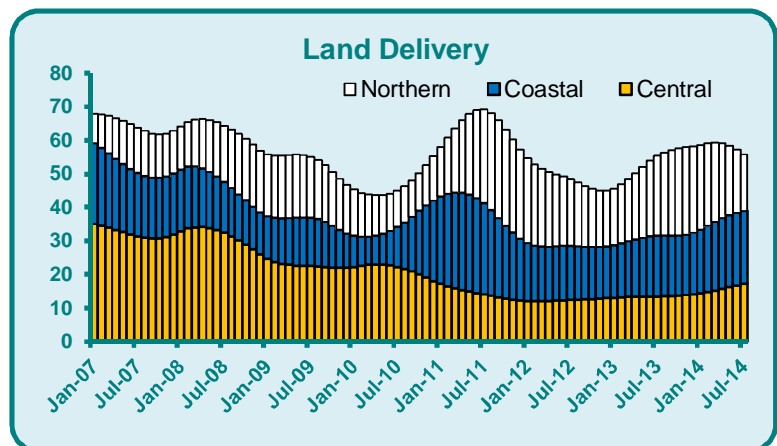
Median House Prices in Namibia									
	Year						Relative Change		
	2009	2010	2011	2012	2013	2014	5 Years	3 Years	1 Year
Arandis	175 000	300 000		300 000	300 000	543,300	210%		81%
Aranos	510 000	577 500	450 000	475 000	500 000	615,000	21%	37%	23%
Eenhana	208 323	202 162	322 190	388 500	462 000	483,000	132%	50%	5%
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	500,000	59%	62%	10%
Henties Bay	500 000	563 500	687 500	780 000	837 000	900,000	80%	31%	8%
Katima Mulilo	240 000	286 000	275 000	326 350	430 000	530,000	121%	93%	23%
Keetmans	271 500	334 650	407 000	450 000	421 000	525,000	93%	29%	25%
Luderitz	231 000	432 000	280 000	398 500	413 800	567,500	146%	103%	37%

Mariental	302 500	350 000	400 000	461 200	418 500	550,000	82%	38%	31%
Okahandja	290 000	355 000	366 900	471 500	543 000	673,500	132%	84%	24%
Okahao	302 000	262 250	373 200	295 000	412 000	470,000	56%	26%	14%
Omaruru	555 000	775 000	650 000	650 800	480 000	915,000	65%	41%	91%
Omuthiya		349 600	331 500	343 000	402 000	533,000		61%	33%
Ondangwa	234 000	258 300	373 500	512 350	482 500	587,000	151%	57%	22%
Ongwediva	341 500	442 500	431 000	505 240	412 000	489,600	43%	14%	19%
Oshakati	310 000	486 300	475 000	416 000	420 000	824,600	166%	74%	96%
Oshikango	340 000	450 000	268 300	421 500	578 000	563,000	66%	110%	-3%
Oshikuku	294 000	375 000	311 500	363 000	380 000	453,500	54%	46%	19%
Otavi		350 000	477 000	475 000	473 700				
Otjivarongo	322 170	377 500	447 000	592 500	678 928	770,000	139%	72%	13%
Outapi	235 600	223 350	296 000	371 000	422 400	530,000	125%	79%	25%
Outjo	410 000	378 000	400 000	470 000	527 000	647,500	58%	62%	23%
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	763,000	63%	31%	-3%
Tsumeb	341 000	360 000	470 000	505 550	661 500	722,500	112%	54%	9%
Usakos	160 000	180 000	206 000		430 000	436,000	173%	112%	1%
Walvis Bay	380 000	489 350	415 000	450 000	617 500	900,000	137%	117%	46%
Windhoek	472 000	544 000	682 500	800 000	980 000	887,500	88%	30%	-9%
<b>Namibia</b>	<b>381 000</b>	<b>450 000</b>	<b>480 000</b>	<b>609 750</b>	<b>640 000</b>	<b>709,749</b>	<b>86%</b>	<b>48%</b>	<b>11%</b>

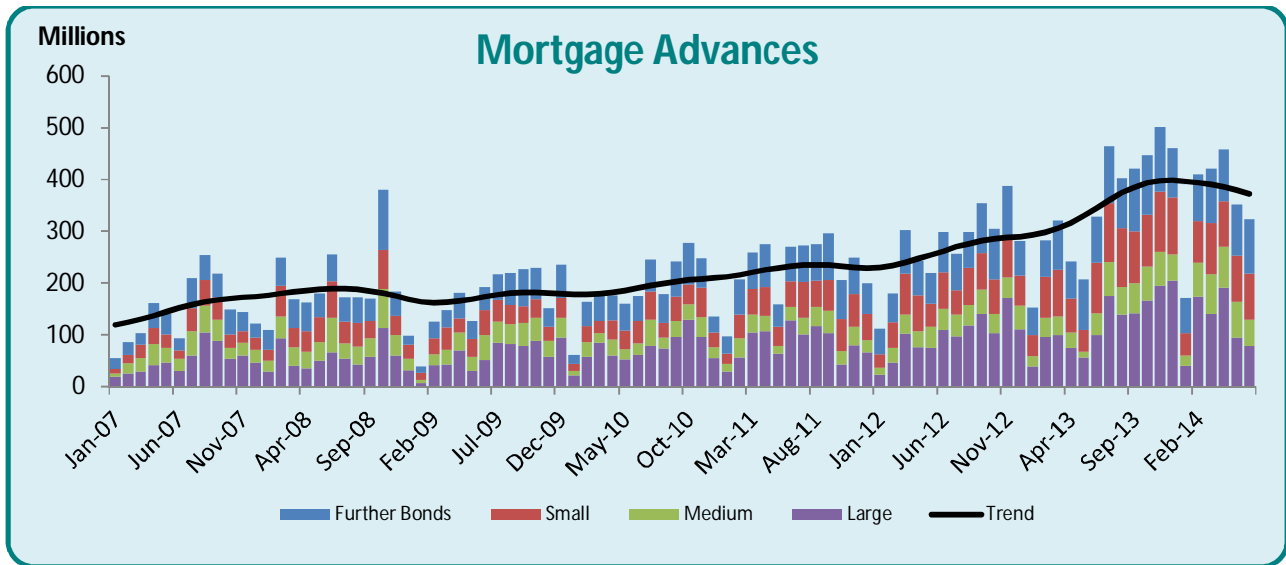
## Land Delivery

Land delivery continued to weaken through July as 49 stands were mortgaged at an average value of N\$395/m<sup>2</sup>. Land delivery was 43% lower than a year ago, where land delivery was particularly weak in the northern property market. Northern land delivery fell to 11 stand mortgaged at an average price of N\$420/m<sup>2</sup>. Coastal land delivery remained weak with 14 vacant stands mortgaged at an average price of N\$283/m<sup>2</sup>, while central land delivery remained weak as 14 vacant stands mortgaged at an average price of N\$459/m<sup>2</sup>. Developers mortgaged a further 393, 800m<sup>2</sup> of land, with a maximum yield potential for 485 free standing homes.

Although the cumulative house delivery potential has increased to 8,435 freestanding homes for 2014, this has not translated meaningfully into the new housing supply numbers as overall volumes continue to trend downwards.



## Mortgage advances



According to Bank of Namibia data, net mortgage advances increased to 11.7% year on year through July to bring the total consumer mortgage book to N\$25.6bn on the back of increased mortgage advances to the middle price segment and to a lesser extent further mortgage bonds. The data shows that mortgage advances to the upper price segment contracted on the back of weaker volumes and thus the high concentration of mortgage advances to this segment has dissipated. At the same time, mortgage advances to the middle price segment increased by 18% year on year, while mortgage advances for further bonds increased by a modest 2%.

## Conclusion

House prices continued to increase in 2014 at a much faster pace than the long term trend over the past seven years. However, there has been a deceleration in property prices over the short term, with property prices falling 4% month on month. Housing supply and land delivery remained particularly weak and therefore housing demand is expected to remain high in the short to medium term, with very little evidence of increased supply in the longer term either. Therefore property prices will remain stubbornly high and end the year  $\pm 15\%$  higher than the same period last year on the back of above average economic growth, robust consumer demand and stronger mining exports to boost household incomes.

## 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.