

HOUSING INDEX

June 2012

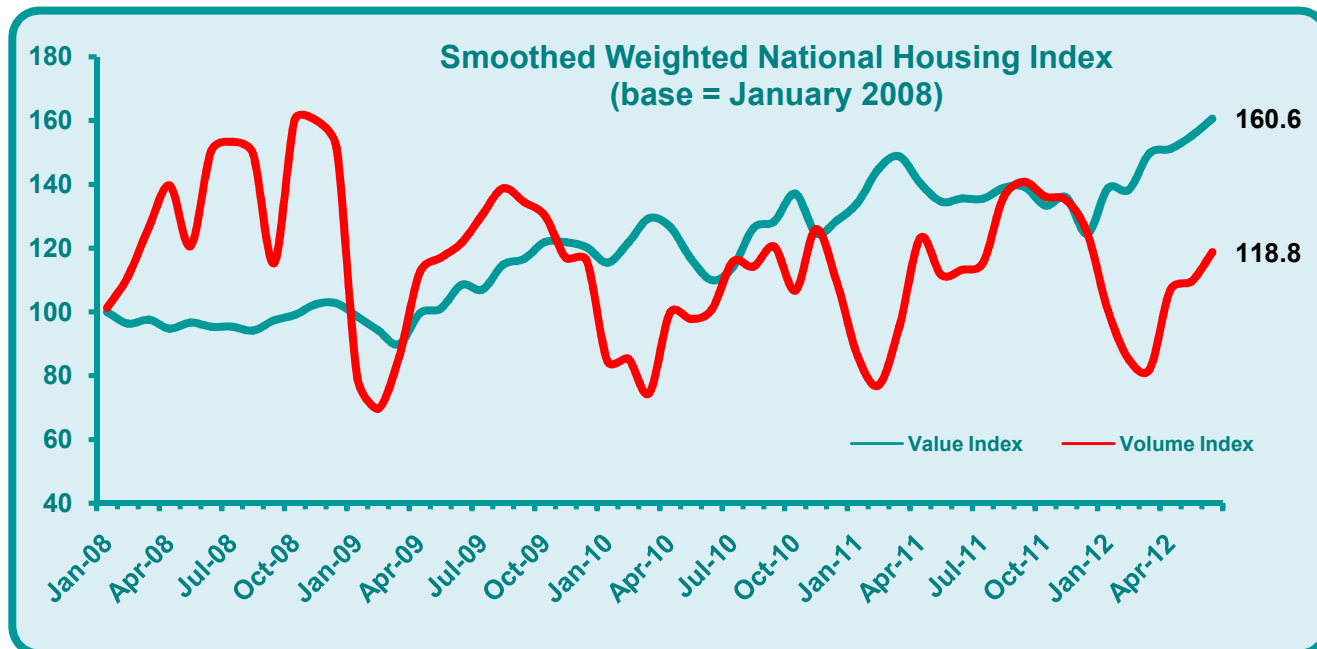
House Price Increase Despite Increasing Volumes



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The FNB House Price Index increased by 5 basis points through June to 155 basis points. Year on year, the house price index grew 19% as local housing prices continued to show strong growth. The rising house prices are not however underpinned by higher income levels as the latest GDP figures show that economic output grew by 8.9% y/y and it is highly unlikely that wages are growing at a significantly higher rate. Therefore house prices continued to increase at a faster rate than economic growth and thus the market may be running out of runway as fewer people can afford properties at these price levels. Volumes did however increase, particularly in the middle to upper price segments. This is largely due to increased construction activity across the country, which grew by 11%. This growth was limited to the middle to upper price segments as the economy battles to construct affordable housing under N\$400,000. The demand for housing is so high that a newly constructed house is unlikely to remain under the N\$400,000 price tag, resulting in widespread deposit requirements by sellers over and above market valuation. This is pushing first time buyers out of the market and their, resulting in fewer buyers in their twenties (13%). There is however some glimmer of hope as land delivery has begun to increase along with increased developer activity. Developers mortgaged 159,000m² of land during June, capable of yielding a maximum of 420 houses.

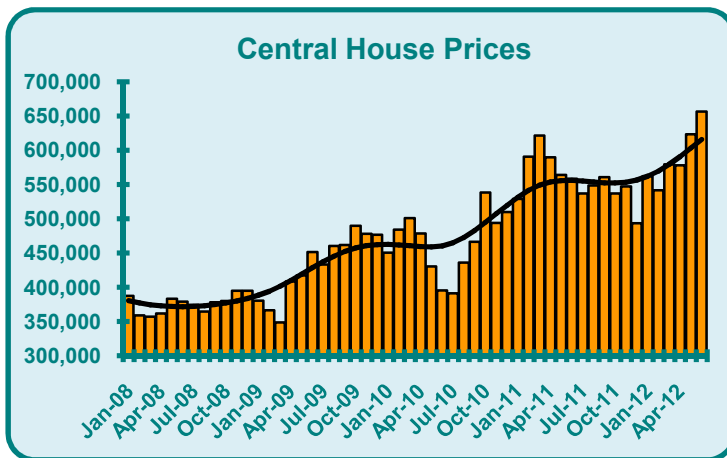
Median House Prices and month on month change						
	Small		Medium		Large	
Central	275,831	2.8%	547,833	-0.8%	1,286,833	-1.4%
Coastal	279,910	-4.4%	549,833	0.7%	1,193,333	-7.7%
Northern	238,518	2.9%	544,143	2.5%	1,171,667	-2.8%
Southern	234,833	-6.3%	595,800	-0.3%	933,000	-27.5%

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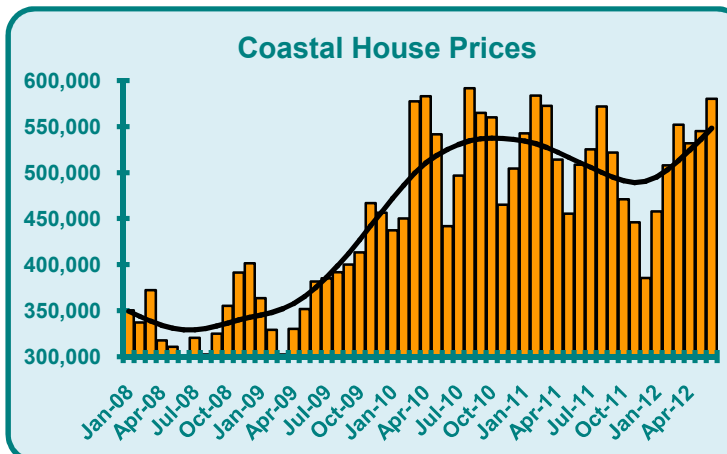
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Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does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

House Prices



and upper price segment increased 23 and 14% respectively on an annualised basis. Volumes were boosted by strong construction growth in the middle to upper price segment. Land delivery in the central market fell to 2 stands mortgaged and is still a far cry from the 300 stands required each month to house the central market's population growth. The few stands mortgaged did however sell at N\$245/m², which was 61% more expensive than the May average. There was however increased developer activity, with 63,600m² of land mortgaged, which could deliver a maximum of 170 free standing homes. Land from last years' Kleine Kuppe auction is not coming through at the Deeds Office as a mere 34 of 234 ervens have been bonded to date. We therefore suspect that as many as one third will be returned to the seller, which is hardly surprising given the record prices paid for the land and the strict deposit requirements on undeveloped land.

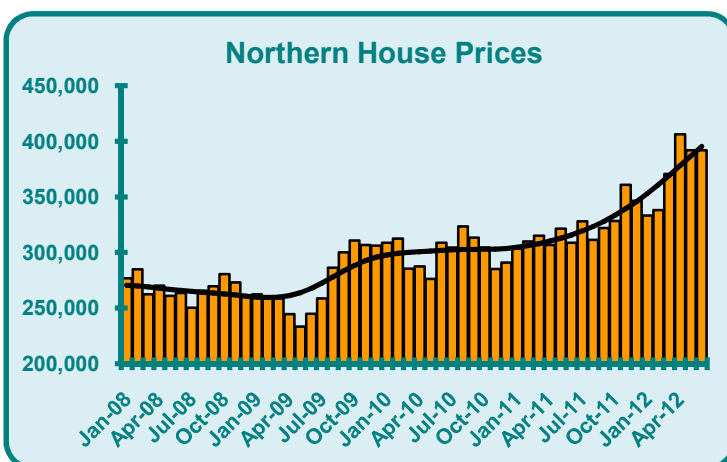


Central property prices increased a further 5% month on month after an 8% month on month increase in May. This accelerated the year on year growth of central house prices from 11% in May to 18% in June. Therefore house prices have now increased to N\$660,000 on average from its January low point of N\$562,000. The year to date data shows that house prices in Gobabis and Okahandja continued to grow by 18% and 31%, respectively. House prices in Windhoek rose by 5%, having been slightly negative to flat over the first 5 months of 2012. Volumes in the lower price segment remained weak and are down 7% month on month and down 13% year on year. Volumes in the middle

and upper price segment increased 23 and 14% respectively on an annualised basis. Volumes were boosted by strong construction growth in the middle to upper price segment. Land delivery in the central market fell to 2 stands mortgaged and is still a far cry from the 300 stands required each month to house the central market's population growth. The few stands mortgaged did however sell at N\$245/m², which was 61% more expensive than the May average. There was however increased developer activity, with 63,600m² of land mortgaged, which could deliver a maximum of 170 free standing homes. Land from last years' Kleine Kuppe auction is not coming through at the Deeds Office as a mere 34 of 234 ervens have been bonded to date. We therefore suspect that as many as one third will be returned to the seller, which is hardly surprising given the record prices paid for the land and the strict deposit requirements on undeveloped land.

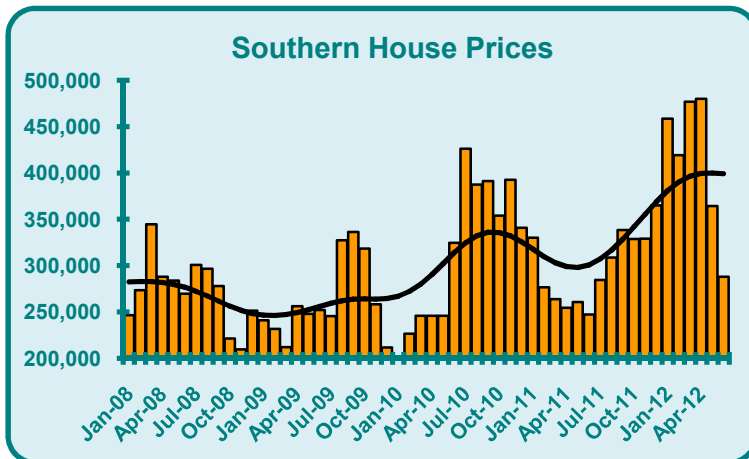
Coastal house prices increased by 7% month on month and are now up 14% year on year. House prices are expected to continue increasing over the next two months given the seasonal trend at the coast. The upward price pressure came from the lower price segments, where prices rose 14% year on year. Year to date data shows that Henties Bay prices are up 17% from last year's average, while Swakopmund property prices rose 16% and Walvis Bay rose 1% year to date. The price growth at the coast was underpinned by seasonal volume growth in both the middle and upper price segments. Although the coastal market remains saturated with

undeveloped stands, land delivery increased for the second consecutive month. 19 stands were mortgaged at an average price N\$80/m², which is 40% cheaper than the May average. Increased land delivery is still expected later in the year, which should add to the stock of undeveloped land and ease the demand for housing at the coast. Increased developer activity at the coast saw in 11,700m² land mortgaged for the first time, which could deliver 30 free standing homes.



Northern house prices were flat in June on monthly basis, but were up 27% year on year. There was downward price pressure in the lower and upper price segments, where house prices fell 4 and 3 percent respectively on a monthly comparison. Year to date data shows that house prices in Omuthiya, Ongwediva and Oshakati fell 6, 8 and 28% respectively. House prices in other northern towns like Eenhana, Grootfontein, Katima Mulilo, Omaruru, Ondangwa, Oshikango, Oshikuku, Otjiwarongo, Outapi and Tsumeb enjoyed strong value growth. Overall volumes fell 7% year on year due to the 31% decline in the lower price segment, while volumes in the middle and

upper price segments increased by 62% and 36% respectively. Demand for housing in the northern market may be shifting towards the middle and upper price segments, given that house prices and volumes in the lower price segment contracted in a market which is well supplied with undeveloped land. Land delivery increased to 8 stands mortgaged during June at an average price of N\$41/m² down 27% from the May average. A lot more northern properties were sold but not financed through home loans, as towns like Eenhana sold 49 residential ervens in March for an average of N\$33/m². These were not reflected in our data as they have not been bonded, as the values were low enough to finance from savings and short term credit (personal loans and overdrafts). We therefore suspect that there are a lot more affordable being sold on this basis in the northern property market, than what the Deeds data would suggest. 83,500m² of land was sold to developers in the northern market, with a potential to yield 220 free standing homes.

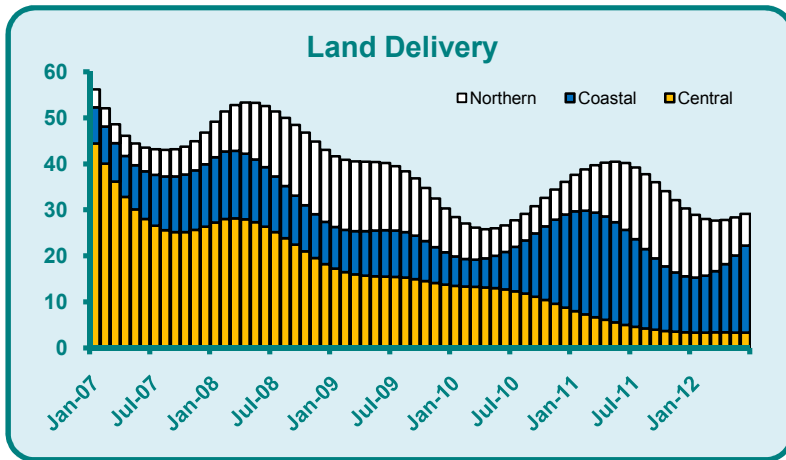


House prices in the southern property market fell 24% month on month, but are up 40% year on year. The strong year on year growth is mainly due to price movements in Luderitz and Mariental, where house prices have increased by 102 and 61 percent respectively. The upward price pressure was also concentrated in the middle to upper price segments, while house prices in the lower price segment are also on the increase, but at a much lower rate. Once again we must warn that this is on the back of very low volumes and these numbers should be consumed with caution.

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	336,054	64%	71%	13%
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	525,000	197%	119%	76%
Henties Bay	502,000	500,000	427,013	520,000	668,500	785,000	56%	84%	17%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	306,450	34%	53%	23%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	352,000	33%	38%	0%
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	538,700	36%	103%	36%
Okahandja	252,100	250,000	265,500	347,000	360,000	472,000	87%	78%	31%
Okahao	230,000	258,500	302,000	262,250	371,400	400,000	74%	32%	8%
Omaruru	397,200	420,000	450,000	300,000	161,482	520,000	31%	16%	222%
Omuthiya				299,200	331,500	359,000			8%
Ondangwa	225,000	280,000	230,500	249,050	337,500	536,400	138%	133%	59%
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	240,000	24%	-20%	-32%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	339,250	-66%	0%	26%
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	500,000	45%	67%	26%
Outapi	229,000	237,050	235,300	216,519	294,000	371,000	62%	58%	26%
Outjo	294,000	350,000	410,000	378,000	396,500	403,000	37%	-2%	2%
Rundu	165,922	269,000	182,391	264,000	293,320	306,000	84%	68%	4%
Swakopmund	477,805	380,000	468,000	600,000	568,000	660,000	38%	41%	16%
Tsumeb	300,000	300,000	322,075	350,000	430,000	481,500	61%	49%	12%
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	374,500	24%	15%	1%
Windhoek	375,000	386,000	453,300	500,000	610,000	640,000	71%	41%	5%

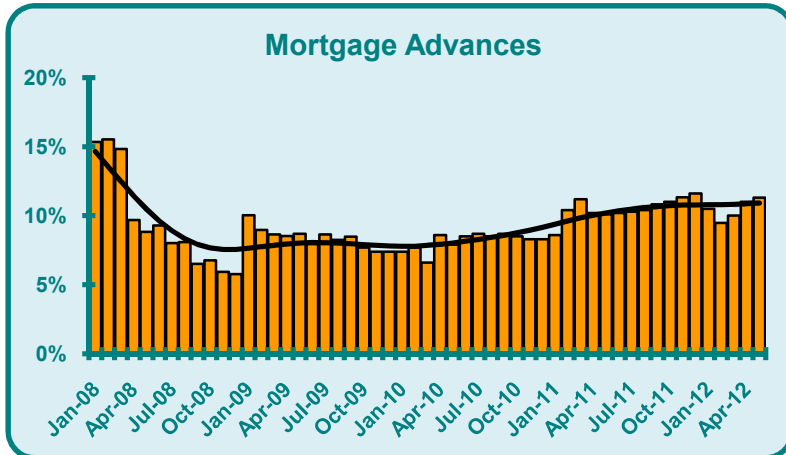
Land Delivery



Land delivery appears to have bottomed out in April and is back on the increase. A total of 29 stands were mortgaged through June from an April low of 27. More than half of the stands mortgaged in June were at the coast, where land delivery continued to improve with 19 stands mortgaged, with an average price of N\$80/m². Central land delivery remained weak with 2 stands mortgaged at N\$245/m² and falls way short of demand. Land delivery in the northern market increased marginally to 7 stands mortgaged during June at an average price of N\$41/m². For 2012, an estimated 750 new stands are still

expected, increasing to 5,000 in 2013. Only in 2013 will land delivery begin to chip away at the current housing backlog which stands at 105,000 houses and increases by 310 housing units each month. Developer activity increased to 159,000m² of land mortgaged during June and capable of yielding a maximum of 420 houses. Although it is still early days, this could prove to be the beginning of improved housing delivery going forward.

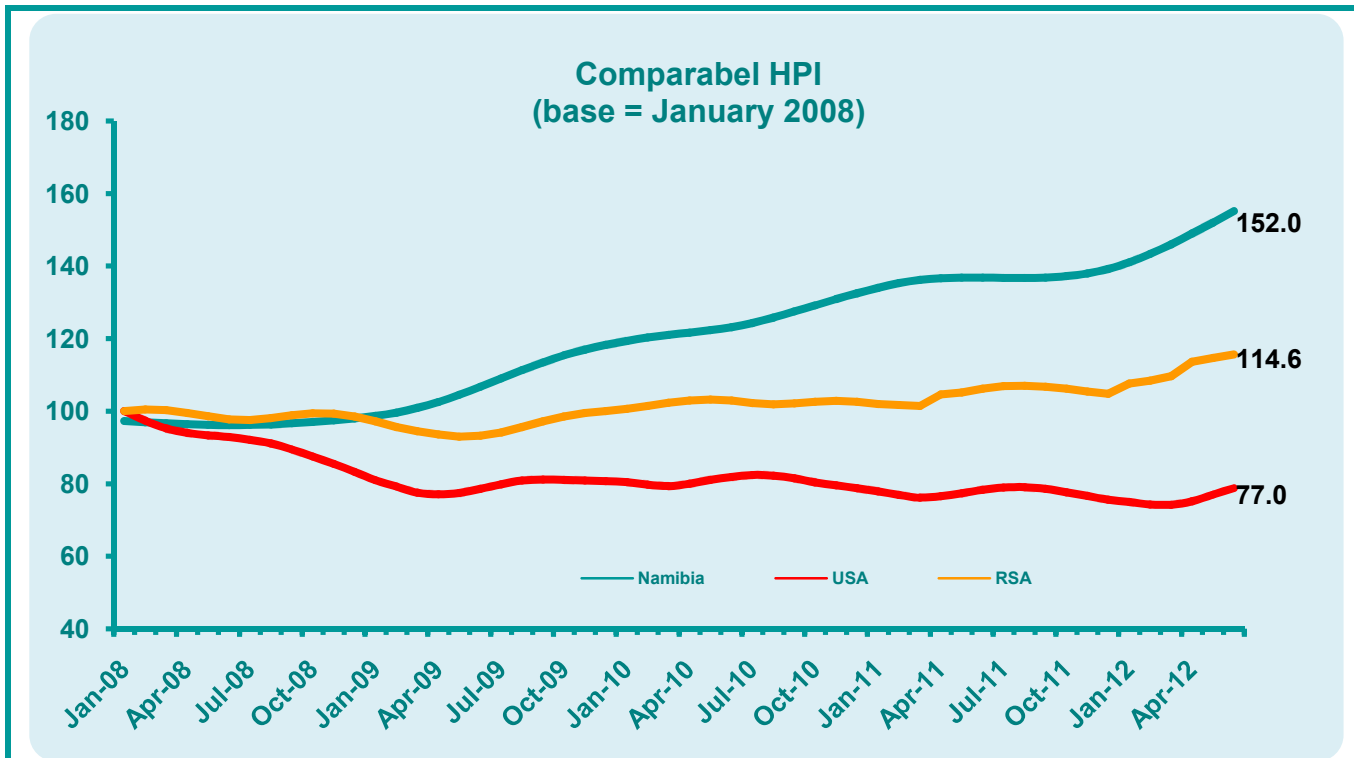
Mortgage advances



Mortgage advances growth decreased slightly to 11.2% year on year growth which is N\$149m net growth in mortgages. Deeds data suggests that mortgage advances growth was mostly driven by properties in the middle price segment and where total mortgage advances grew by 51% year on year as both volumes and values of these properties enjoyed positive growth over the past 12 months. Mortgage advances to the upper price segment grew 7% year on year and significantly lower than the 51% growth measured in May as house values were under pressure in June. As for the lower price segment,

mortgage advance contracted by 8%, which was expected because volume in the lower price segment remain weak and the economy battles to supply new housing stock to this segment. Mortgage advances for further bonds and bonds under N\$100k contracted by a further 26%, which extends its losing streak to 9 consecutive months in the red. This is rather surprising as further bonds account for a fraction of the NS62 million of structural renovation work completed in June, therefore suggesting that renovations were financed with savings or short term credit.

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 rose much faster rate than the SA and USA house prices. Local property price levels 33% higher than South Africa's and 97% higher than the US house price levels. This gap remained increased from the previous months and illustrates the perennial structural supply shortages in the local housing market. unchanged, The SA HPI accelerated to 9% in June, its highest growth rate since June 2010. The recent mild resurgence in year-on-year house price growth comes largely as a result of a late-2011 strengthening in the domestic economy. But SA economic growth is slowing and so too house price appreciation. Therefore smaller increases are expected going forward. The US housing prices increased 3.4% through June and the market has now had three consecutive months of increasing home prices. Distressed selling has declined in the US market and hence prices, while building plans, new house sales and existing house sales are all on the increase. Although this bodes well for the US housing market after six years of declining house prices, this trend must continue into the fall to have any meaningful impact on US house prices.

Conclusion

Volumes remain highly volatile, fluctuating on average by 13 basis from one month to the next. This is largely due to very limited developer activity throughout the year and sluggish land delivery numbers. With the exception of January, developer activity has averaged 26,000m² of land a month (\pm 70 free standing houses). This is clearly this is not sufficient to house the growing urban population and therefore the satisfactory developer activity in June needs to be followed by similar if not larger activity in the coming months for it to have a meaningful impact on the housing supply. Furthermore developer play in the middle to upper price segment and therefore Tiipeg 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. Until land delivery for the lower price segment is increased substantially, house prices will continue to rise unabated.

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.