

HOUSING INDEX

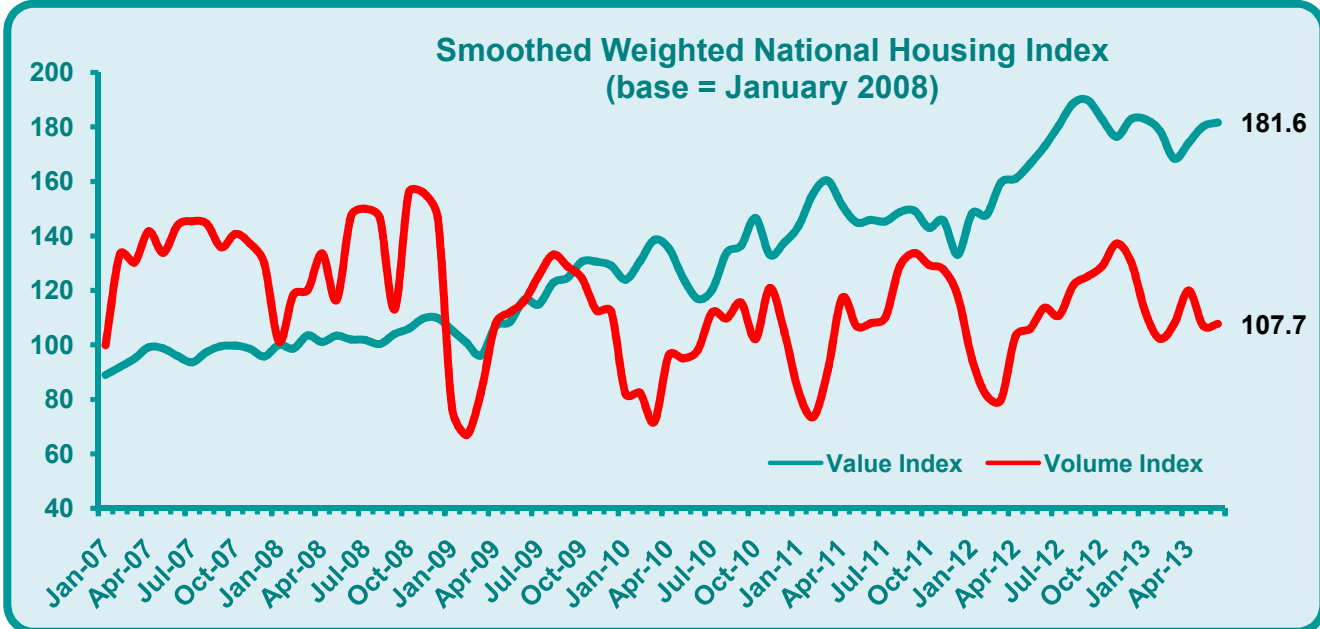
June 2013

Real House Prices Contract For The First Time Since 2009

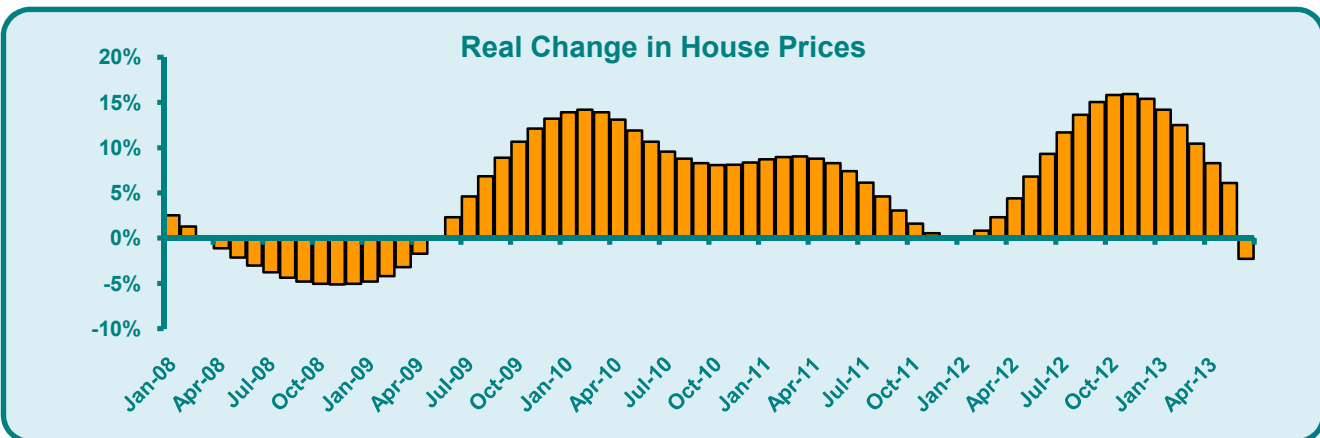


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Although the FNB House Price Index increased by 1% month on month, it contracted by 1.4% year on year in nominal terms. Stripping out inflation shows that real house prices have been decelerating during 2013 and for the first time since March 2009, monitored house prices have contracted on a year on year basis as shown in the graph below. This was mainly due to house prices contracting in the central and northern property markets by 1 and 7 percent respectively. For the central markets property prices contracted in the lower price segment, while for the northern market, house prices contracted significantly across all price segments. Declining house prices in the northern property market were further aggravated by declining volumes in the upper price segment while increasing in the middle to lower price segments and therefore there was a shift in the marketing mix towards smaller, less expensive properties. Overall volumes climbed 8% year on year, with reasonable volume growth across all property markets except the central property market, which contracted by 17% and battled with thin volumes across all price segments. Land delivery continued to improve as 40 vacant stands were mortgaged, while 22,200m² of land was mortgaged by developers with a maximum yield potential for 50 free standing homes, up from 23 free standing homes the previous month but still relatively low.



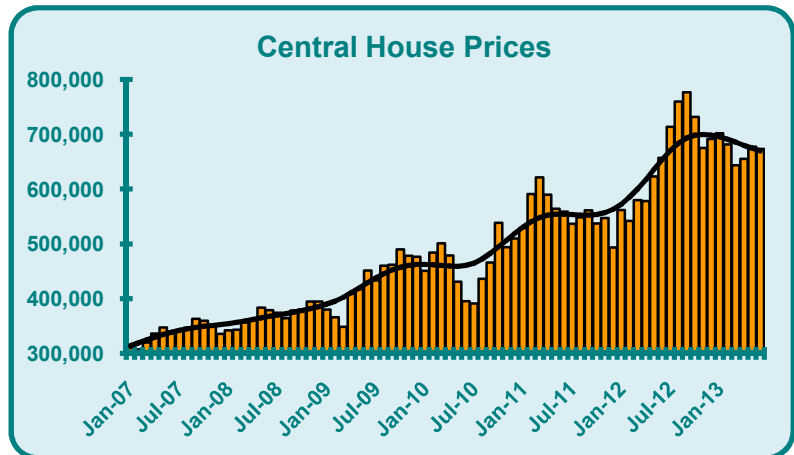
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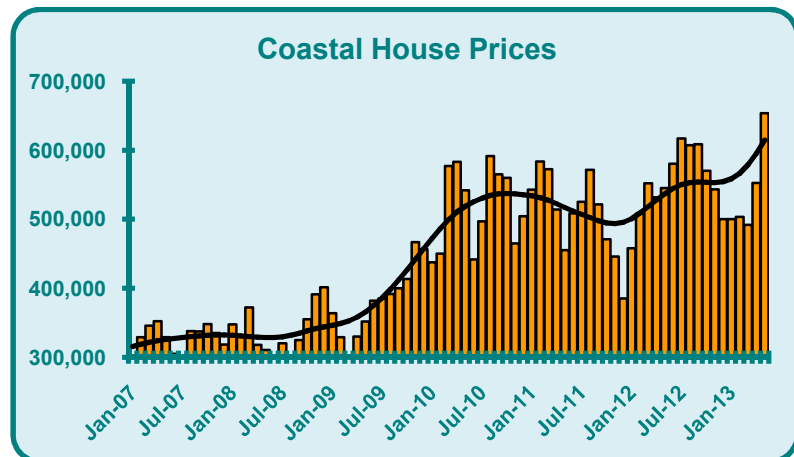
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices

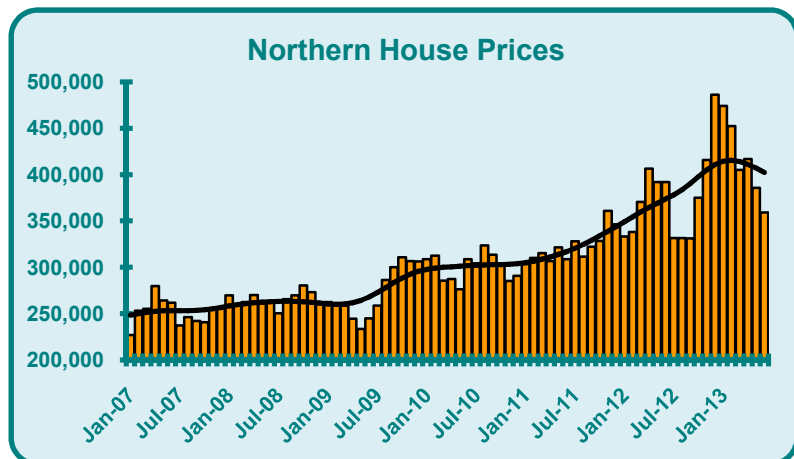
Central property prices fell by half a percentage point month on month to bring the annualised growth rate to 2.5% from last month's 12.1%. The general price trend has returned to negative territory on the back of weaker house prices in the lower price segment, where house prices contracted by 5.9% year on year. Downward price pressures have also begun to surface in the middle to upper price segments over the past month, where house prices contracted respectively by 0.8 and 1.3 percent month on month. The year to date data shows that house prices in Okahandja are down 8%, Windhoek property prices are down 3%, while Gobabis property prices are flat. The central market continues to struggle with volumes, which were down by 17% year on year. The lower price segment was the hardest hit, as volumes fell by 27% year on year, followed by the upper price segment which was down by 17% year on year. Unfortunately land delivery continued to disappoint, with one vacant stand mortgaged through the month. Developers did not mortgage any new land in the central market.



Coastal property prices continued to increase strongly through June, growing by 31% year on year and by 16% from the previous months. Property prices in the upper price segment rose by 18% year on year while property prices in the middle price segment increased by 5% year on year. This suggests that the 31% year on year increase was partly caused by rising property prices in the middle to upper price segments and partly by a shift in the property mix. In this regard, we find that volumes have shot up by 34% year on year and by 4% from the previous month. Volume growth in the upper price segment has begun to decelerate as the coastal market moves closer to its peak month in August. Year to date data shows that Walvis Bay property prices were up 13%, Swakopmund 20% and Henties Bay 24%. Coastal property prices are very seasonal and this is the peak season for coastal properties and therefore the price increases and the magnitude thereof are hardly surprising. 16 ervens were mortgaged for the very first time at the coast with an average price of N\$120/m², which was 3% lower than the May average. About 5,600m² of land was mortgaged by developers at the coast with a maximum yield potential for 13 free standing homes.

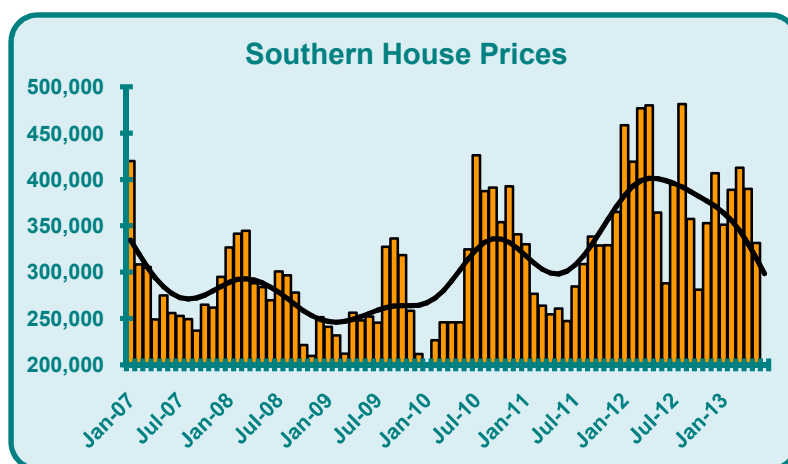


Northern property prices continued on a downward trend, shedding a further 7% of their value from the previous month and therefore northern property prices were down 8% year on year. Property prices in the middle to upper price segments have fallen by 19% year on year with downward price pressure still persisting in the middle price segment over the shorter term. This was due to new housing supply in middle price segment where volumes grew by 22% year on year. New housing supply has helped push up overall volume growth by 6% year on year and 36% month on month. Most of the shorter term growth impetus came from the lower price



segment where volumes grew by 50% month on month due to the supply of new NHE houses on the market. A total of 22 ervens were mortgaged during the month at an average price of N\$53 per square meter which was 15% higher than the previous month's average. About 16,500m² of land was mortgaged by developers with a maximum yield potential for 38 free standing homes.

Southern property prices fell by 37% year on year or by 45% from the previous month. House prices in the south fell across all price segments, with properties in the lower price segment shedding 20% of their value over the past year. But at the same time volumes in the lower price segment have shot up by 43% albeit from a very low base – 5 houses in total. Therefore declining house prices were aggravated by the increase in the number of lower priced properties sold. The year to date data shows that house prices were under pressure in Luderitz and Mariental. But caution must be exercised when looking at these numbers as the volumes are very thin!

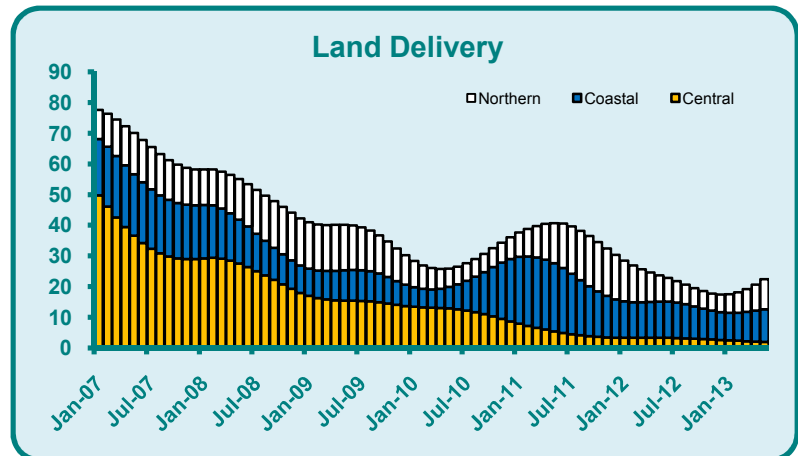


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

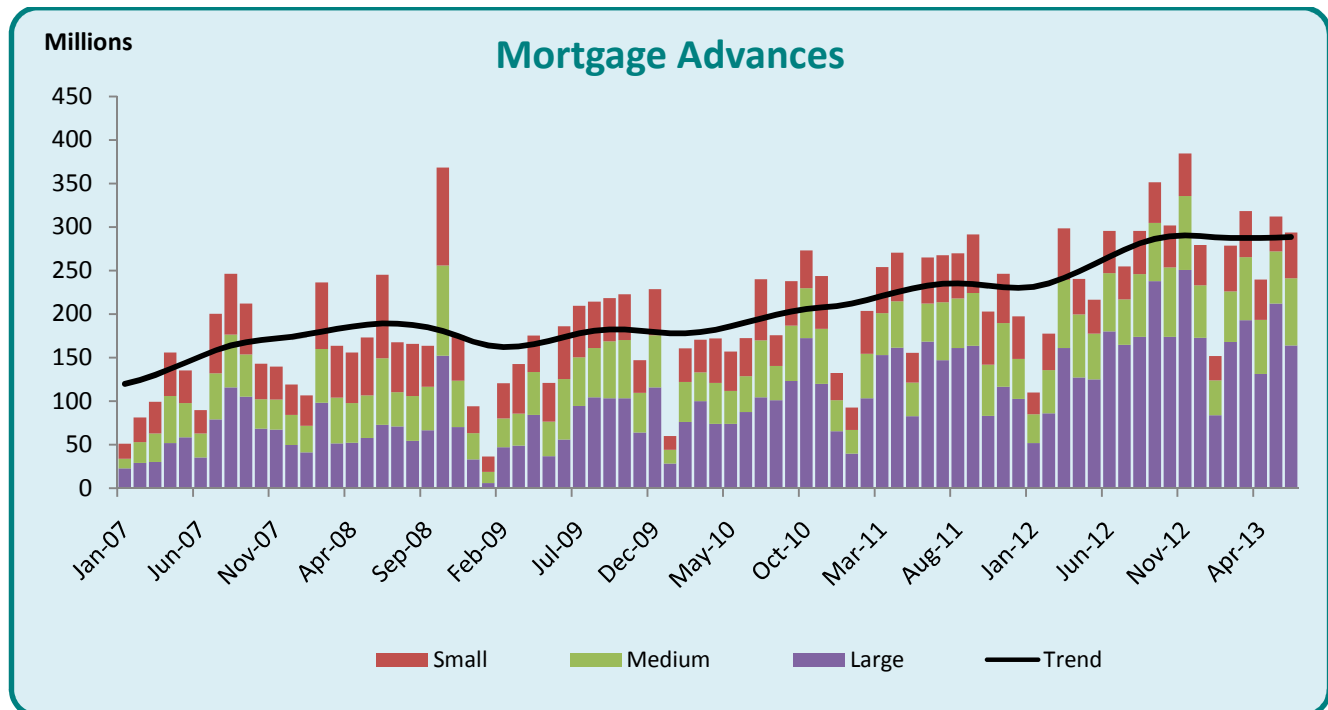
Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	YTD
Arandis	254,000	150,000	300,000	153,000	154,000	190,000	-25%	-37%	23%
Aranos	360,000	306,000	577,500	450,000	300,000	378,000	5%	-35%	26%
Eenhana	202,000	196,647	190,000	297,000	371,000	451,000	123%	137%	22%
Gobabis	240,000	315,375	306,000	450,000	435,000	398,500	66%	30%	-8%
Grootfontein	290,500	240,000	221,143	297,500	460,000	225,000	-23%	2%	-51%
Henties Bay	500,000	427,013	520,000	668,500	720,000	891,000	78%	71%	24%
Katima Mulilo	176,000	200,000	280,750	249,000	201,855	318,000	81%	13%	58%
Keetmanshoop	300,000	256,000	268,250	352,500	352,000	388,000	29%	45%	10%
Luderitz	218,000	190,036	300,000	191,821	355,000	327,100	50%	9%	-8%
Mariental	294,200	265,000	290,000	395,000	438,500	337,000	15%	16%	-23%
Okahandja	250,000	265,500	347,000	360,000	470,000	469,000	88%	35%	0%
Okahao	258,500	302,000	262,250	371,400	290,000	173,430	-33%	-34%	-40%
Omaruru	420,000	450,000	300,000	161,482	537,500	276,500	-34%	-8%	-49%
Omuthiya			299,200	331,500	343,000				
Ondangwa	280,000	230,500	249,050	337,500	412,000	425,000	52%	71%	3%
Ongwediva	288,000	337,000	437,400	417,800	398,000	405,500	41%	-7%	2%
Oshakati	216,000	300,000	480,575	351,500	385,000	352,605	63%	-27%	-8%
Oshikango	1,000,000	340,000	450,000	268,300	386,500	422,100	-58%	-6%	9%
Oshikuku	255,500	294,000	375,000	311,500	359,000	370,000	45%	-1%	3%
Otavi	202,000	202,000	350,000	388,500	320,000	285,000	41%	-19%	-11%
Otjiwarongo	308,000	300,000	352,800	398,000	544,000	630,000	105%	79%	16%
Outapi	237,050	235,300	216,519	294,000	366,000	400,000	69%	85%	9%
Outjo	350,000	410,000	378,000	396,500	403,000	450,000	29%	19%	12%
Rundu	269,000	182,391	264,000	293,320	278,000	358,000	33%	36%	29%
Swakopmund	380,000	468,000	600,000	568,000	664,000	800,000	111%	33%	20%
Tsumeb	300,000	322,075	350,000	430,000	496,500	496,000	65%	42%	0%
Usakos	348,000	160,000	160,000	206,000	203,500	1,075,000	209%	572%	428%
Walvis Bay	296,900	325,000	431,000	370,000	400,000	450,000	52%	4%	13%
Windhoek	386,000	453,300	500,000	610,000	750,000	730,000	89%	46%	-3%
Namibia	335,000	355,000	402,000	435,000	545,000	514,670	54%	28%	-6%

Land Delivery

Land delivery continued to increase through June, with a total of 40 ervens mortgaged during the months. This was due to increased land delivery in the northern property market, where 22 new stands were mortgaged at an average price of N\$53/m². Land delivery deteriorated in the central property market with one erf mortgaged at N\$153/m². The coastal market had a marginal decline in land delivery numbers with 16 ervens mortgaged at an average price of N\$120/m². Developer activity improved from the previous month, but still remains depressed with a total of 22,200m² of land mortgaged with a maximum yield potential for 50 free standing homes. Therefore developer activity remained low for the second consecutive month and well below population growth, which is not of immediate concern right now since the year to date figure is still higher than the previous years comparable number.



Mortgage advances



According to Bank of Namibia data, net mortgage advances grew by 14% year on year through June with N\$288m mortgages extended to consumers. A breakdown of the Deeds data shows that gross mortgage advance was fueled by mortgages extended to the lower and middle price segments where mortgage advances grew by 8% and 16% respectively. Mortgages to the upper price segment contracted by 9% and therefore accounted for 55% of the total mortgages extended during the month as opposed to 67% during May. Therefore the concentration of mortgages in the upper price segment has normalized around the three year mean.

Knight Frank Global House Price Index

Rank	Country	12 month	6 month	3 month	Rank	Country	12 month	6 month	3 month
1	Dubai	21.70%	14.70%	5.00%	22	Australia	5.10%	3.20%	2.40%
2	Hong Kong	19.10%	6.70%	1.40%	23	Slovenia	5.00%	3.40%	4.40%
3	Taiwan	15.40%	11.90%	7.40%	24	Switzerland	4.90%	1.40%	0.30%
4	China	14.80%	10.70%	0.00%	25	Iceland	4.90%	3.40%	3.40%
5	Colombia	12.70%	7.20%	2.40%	26	Singapore	4.50%	2.20%	1.50%
6	Turkey	12.20%	5.90%	3.80%	27	Luxembourg	4.10%	3.80%	3.20%
7	Indonesia	12.10%	7.10%	2.20%	28	Mexico	3.90%	3.10%	2.30%
8	Estonia	11.90%	8.70%	5.20%	29	Finland	3.30%	2.30%	1.40%
9	Brazil	11.90%	5.80%	3.00%	30	Sweden	3.00%	1.50%	1.50%
10	Ukraine	10.90%	4.00%	2.30%	31	Belgium	2.20%	0.30%	-0.10%
11	South Africa	10.80%	4.30%	1.80%	32	Canada	1.80%	2.30%	2.40%
12	United States	10.20%	8.30%	7.10%	33	United Kingdom	1.40%	2.70%	2.60%
13	Austria	8.50%	0.40%	-0.30%	34	Ireland	1.20%	-0.30%	2.30%
14	New Zealand	8.40%	4.60%	1.50%	35	Latvia	1.00%	1.00%	1.00%
15	Russia	6.40%	2.40%	1.10%	36	Slovakia	0.20%	-1.40%	-0.80%
16	Israel	6.40%	3.50%	-1.30%	37	Morocco	0.00%	-1.00%	-1.20%
17	Malaysia	6.00%	0.30%	-2.60%	38	Czech Republic	-0.30%	0.00%	0.30%
18	India	5.90%	-0.10%	-1.70%	39	Malta	-0.70%	0.60%	1.50%
19	Germany	5.40%	4.30%	4.60%	40	Namibia	-0.94%	-9.48%	2.64%
20	Norway	5.40%	5.60%	2.60%	41	Romania	-0.90%	4.10%	4.30%
21	Denmark	5.40%	3.10%	0.80%	42	France	-1.40%	-2.20%	-0.80%

Source: Knight Frank Global House Price Index

According to the Knight Frank Global House Price Index, house prices around the world rose by 2.4% in the second quarter of 2013. The index generally points to an improving global housing market, particularly in the European markets, which have been under strain since 2010, but have begun recovering of late. Dubai still tops the list at 22% year on year growth followed by Hong Kong. Following the similar methodology would rank Namibia 40th on the Knight Frank list with -0.94% year on year growth. This shows that house prices have declined considerably during the second quarter and the lower ranking was due to the high base effects, whereas most housing markets across the globe are recovering from property market busts and hence have low bases from which growth is calculated from. Namibian property market on the other hand never went through a bust and although local property prices are elevated, second quarter data shows some sign of downwards price pressure.

Conclusion

The local housing market remained under pressure as prices deflated during the second quarter, with real house prices contracting in June for the first time since March 2009. This was mainly due to house price movement in the central and northern property markets and although the coastal market has shown most growth during the second quarter, property prices at the coast generally peak in August and begin to drop-off from September to March. Therefore house prices are expected to contract over the second half of this year as well. According to views from the estate agents, houses sold 4% below asking price in the third quarter - which is further evidence of downward price pressures building in the local housing market.

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.