

HOUSING INDEX

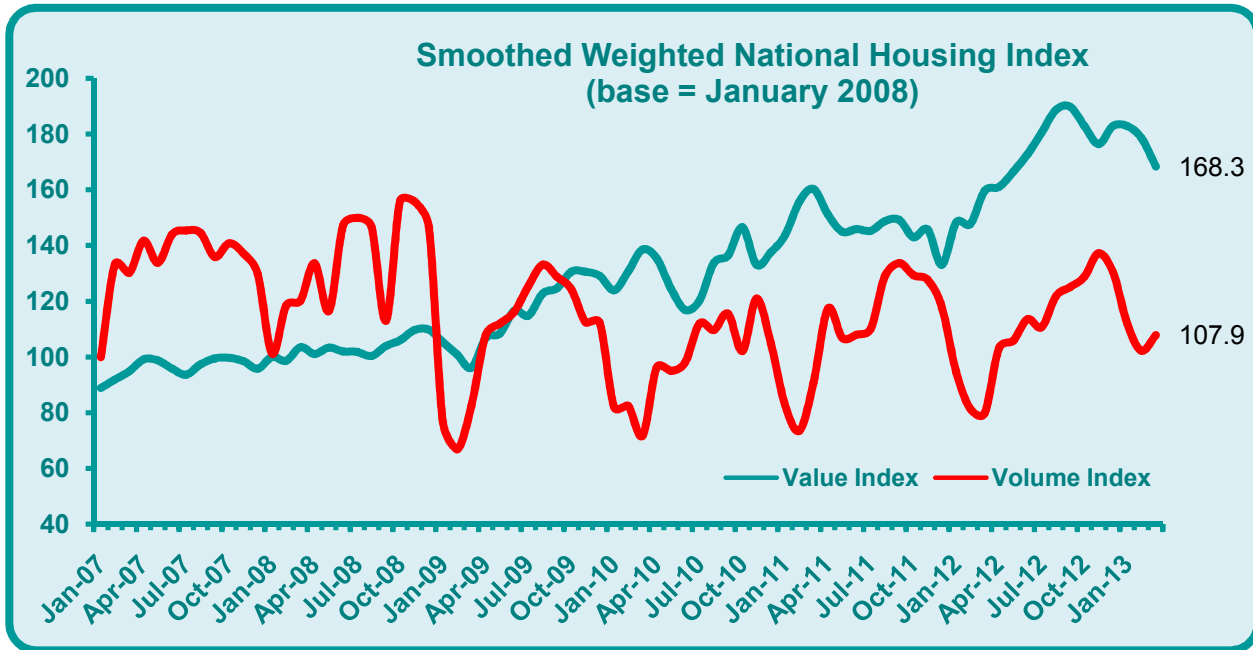
March 2013

House Prices Slow Down in March



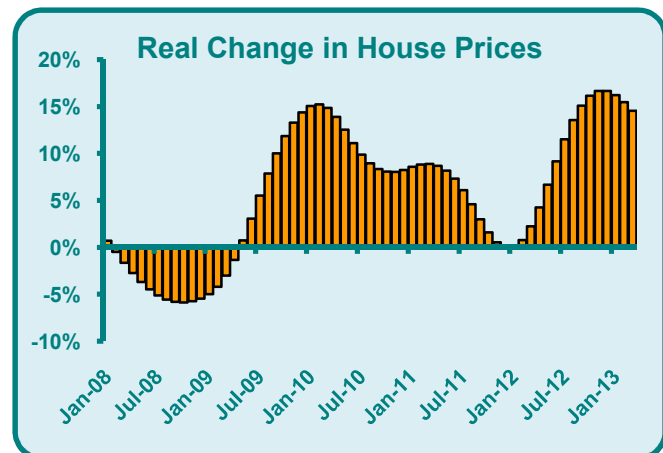
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The FNB House Price Index fell by 5.7% month on month and therefore house prices have remained under pressure since peaking in September last year. This was evident across most property markets, with the exception of the southern property market. However, these are merely short term price movements and the annualised price movements paint a different picture. On an annualised basis, house prices have merely decelerated and when inflation is stripped out, real house prices increased by 14.5% year on year. This is lower than the 19% recorded in December and the 15% last month. Therefore the latest figures merely indicate that real house prices are increasing at a slower pace than previous months and are a long way from deflating as the graph below would indicate. The last time real house prices deflated was 2008 - 2009, when the economy had double digit inflation.

The decelerating house prices were underpinned by robust volume growth over the past 9 months. For the month of March, volumes rose by 25% year on year. This is by far the highest volume growth in the housing market since the beginning of 2008, but we must remember this is off a very low base, after volumes contracted from 2008 to 2010. Therefore volumes remain well below the levels measured during 2008 to 2010, but at least there is recovery. The volume growth remained highly concentrated in the middle to upper price segments. For the first time in a very long time, new housing supply contributed to the volume growth. In the Windhoek market, new houses accounted for 44% of the volumes sold, up from a mere 3% a year ago. Since land delivery has been



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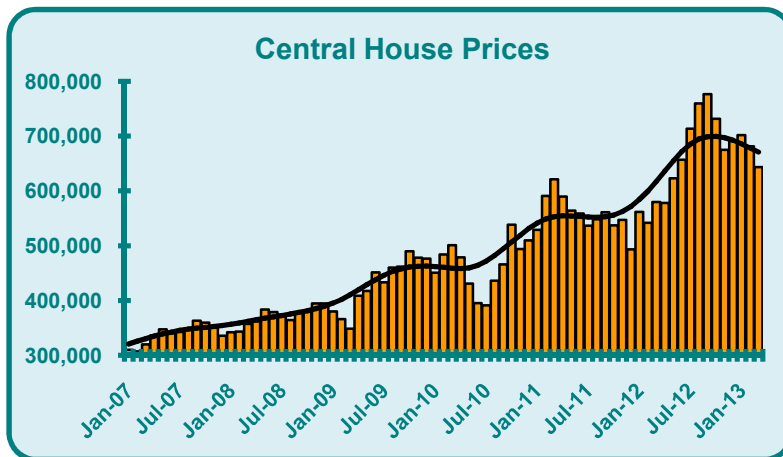
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

weakening over the years, we suspect that increased developer activity last year, which had the potential to yield 9,900 free standing homes, has begun to translate into new housing delivery in 2013. In March, developers mortgaged a further 454,000m² of land with a maximum yield potential for 1,000 free standing homes.

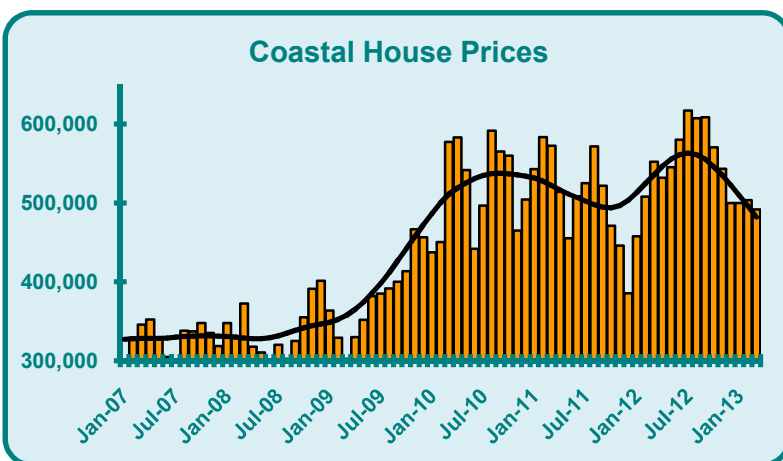
| Median House Prices and month on month % change | | | | | | |
|---|---------|--------|---------|-------|-----------|-------|
| | Small | | Medium | | Large | |
| Central | 275,838 | -2.6% | 581,667 | -0.3% | 1,390,190 | -0.1% |
| Coastal | 273,853 | -4.7% | 553,667 | 1.2% | 1,331,000 | 2.2% |
| Northern | 294,833 | -0.5% | 491,833 | -2.7% | 939,278 | -7.6% |
| Southern | 239,667 | -11.1% | 538,300 | -2.5% | 1,162,500 | 25.0% |

House Prices

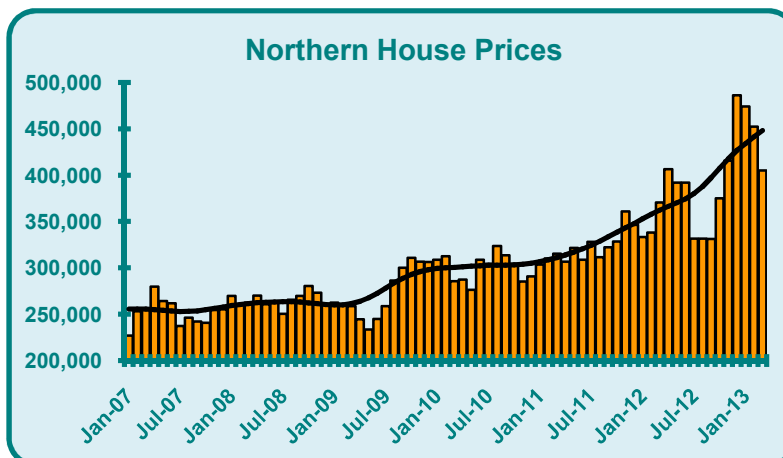
Central property prices fell by 5.6% month on month, thus reducing the annualised price movements to 11%. Price movements were weak across all price segment, while the YTD figures suggest that house prices are under pressure in Windhoek, Okahandja and Gobabis. Based on the construction figures available for the Windhoek market, new house delivery increased dramatically from a mere 3% to 44% over the past year. It is this increased supply of new housing stock that deflated house prices in the capital. Overall volumes in the central property market have increased by 16% year on year, but this did not stop developers from bonding a further 292,000m² of land with a maximum yield potential for 680 free standing homes, most of which are in Okahandja. Land delivery remained weak with three vacant stands mortgaged at an average price of N\$191/m².



Coastal property prices fell by 2.3% month on month at a time when property prices were expected to be seasonally strong. This has deflated coastal property prices by 10.9% year on year or N\$492k on average. The YTD data suggests that coastal house prices deflated in Walvis Bay, Swakopmund and Henties Bay and more pronounced at the lower end of the property price segment. The 119% volume growth underpinned the lower property prices at the coast. Developers kept up this growth momentum by mortgaging a further 130,000m² of land with a maximum yield potential for 300 free standing homes, while 9 vacant stands were mortgaged at an average price of N\$127m².

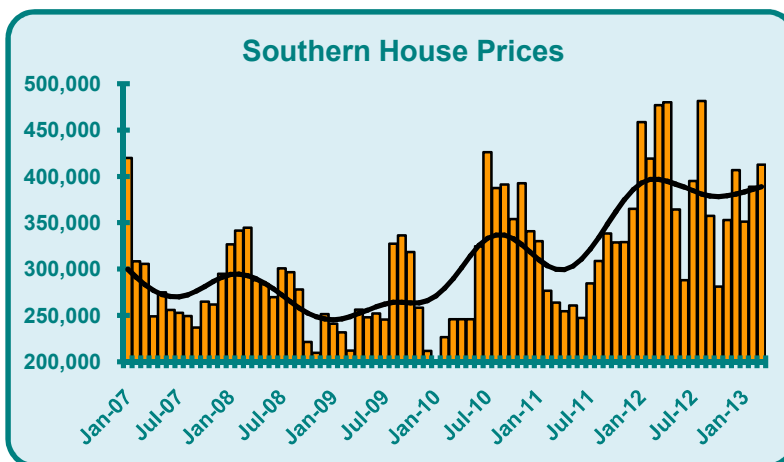


For the month of March, property prices fell by 10.5% from the previous month in the northern property market. This was the third consecutive month of weakening property prices, which were down 9.3% year on year. Year on year, property prices fell in the middle to upper price segment. The year to date data shows that property prices in Grootfontein, Omaruru, Oshakati, Outapi and Outjo deflated. There was a slow down in developer activity in the northern property market, with 7,000m² of



land mortgaged with a maximum yield potential for 15 free standing homes, while 9 vacant stands were mortgaged at an average price of N\$25m².

House prices in the southern property market remained volatile due to very thin volumes. Month on month, house prices increased by 6.1% and thus the southern property market was the only property market to show positive growth in house prices during March. But with that said, house prices were 14% lower than the same period last year, with property prices deflating in Aranos, Luderitz and Mariental. Developer activity increased as 19,000m² of land was mortgaged during the month with a maximum yield potential for 40 free standing homes.

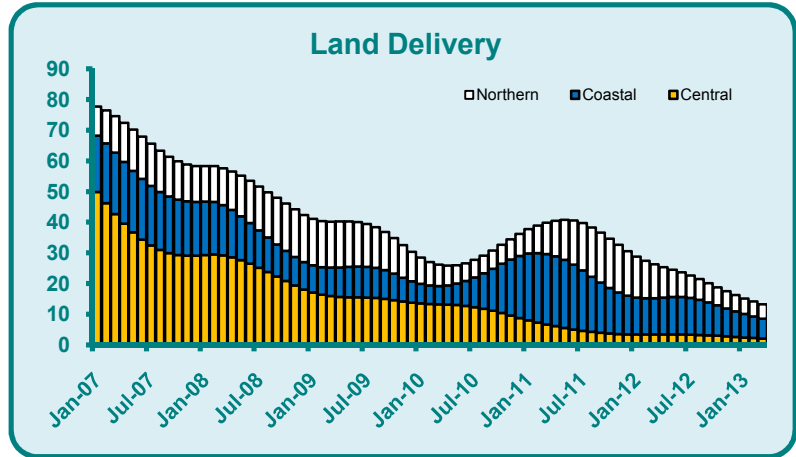


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

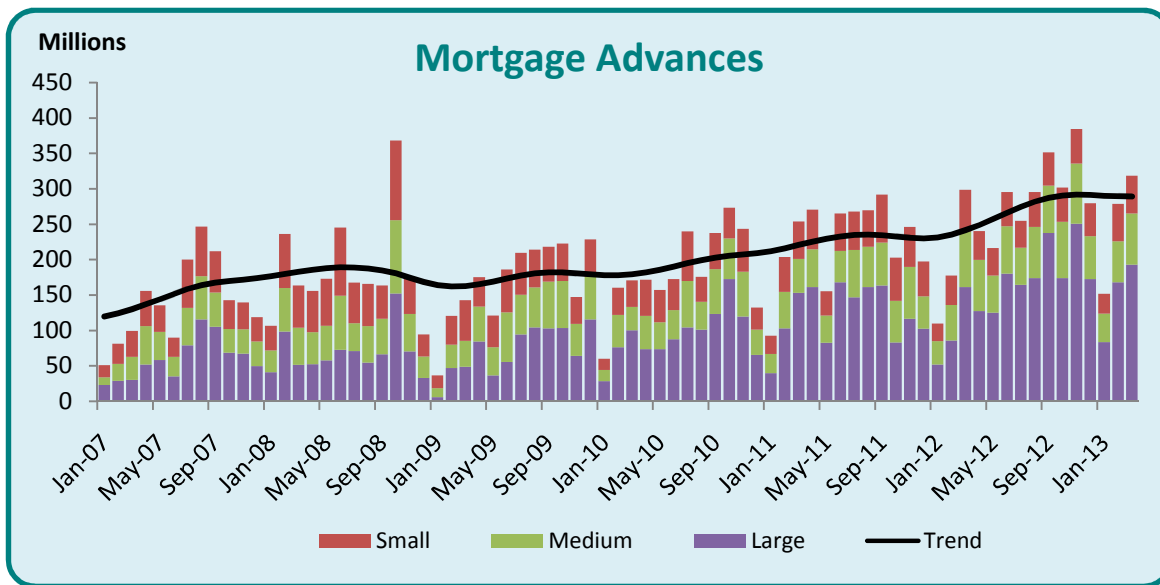
| Median House Prices in Namibia | | | | | | | | | |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|------------|------------|
| | Year | | | | | | Relative Change | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 5 Years | 3 Years | YTD |
| Aranos | 360,000 | 306,000 | 577,500 | 450,000 | 300,000 | 155,500 | -57% | -73% | -48% |
| 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 | 397,000 | 65% | 30% | -9% |
| Grootfontein | 290,500 | 240,000 | 221,143 | 297,500 | 460,000 | 262,500 | -10% | 19% | -43% |
| Henties Bay | 500,000 | 427,013 | 520,000 | 668,500 | 720,000 | 666,000 | 33% | 28% | -8% |
| Katima Mulilo | 176,000 | 200,000 | 280,750 | 249,000 | 201,855 | 319,000 | 81% | 14% | 58% |
| Keetmanshoop | 300,000 | 256,000 | 268,250 | 352,500 | 352,000 | 412,500 | 38% | 54% | 17% |
| Luderitz | 218,000 | 190,036 | 300,000 | 191,821 | 355,000 | 339,500 | 56% | 13% | -4% |
| Mariental | 294,200 | 265,000 | 290,000 | 395,000 | 438,500 | 391,000 | 33% | 35% | -11% |
| Okahandja | 250,000 | 265,500 | 347,000 | 360,000 | 470,000 | 450,000 | 80% | 30% | -4% |
| Okahao | 258,500 | 302,000 | 262,250 | 371,400 | 290,000 | | | | |
| Omaruru | 420,000 | 450,000 | 300,000 | 161,482 | 537,500 | 345,000 | -18% | 15% | -36% |
| Omuthiya | | | 299,200 | 331,500 | 343,000 | | | | |
| Ondangwa | 280,000 | 230,500 | 249,050 | 337,500 | 412,000 | 500,000 | 79% | 101% | 21% |
| Ongwediva | 288,000 | 337,000 | 437,400 | 417,800 | 398,000 | 449,000 | 56% | 3% | 13% |
| Oshakati | 216,000 | 300,000 | 480,575 | 351,500 | 385,000 | 248,803 | 15% | -48% | -35% |
| Oshikango | 1,000,000 | 340,000 | 450,000 | 268,300 | 386,500 | | | | |
| Oshikuku | 255,500 | 294,000 | 375,000 | 311,500 | 359,000 | 383,500 | 50% | 2% | 7% |
| Otavi | 202,000 | 202,000 | 350,000 | 388,500 | 320,000 | 412,500 | 104% | 18% | 29% |
| Otjiwarongo | 308,000 | 300,000 | 352,800 | 398,000 | 544,000 | 744,000 | 142% | 111% | 37% |
| Outapi | 237,050 | 235,300 | 216,519 | 294,000 | 366,000 | 269,500 | 14% | 24% | -26% |
| Outjo | 350,000 | 410,000 | 378,000 | 396,500 | 403,000 | 400,000 | 14% | 6% | -1% |
| Rundu | 269,000 | 182,391 | 264,000 | 293,320 | 278,000 | 300,000 | 12% | 14% | 8% |
| Swakopmund | 380,000 | 468,000 | 600,000 | 568,000 | 664,000 | 650,000 | 71% | 8% | -2% |
| 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 | 330,000 | 11% | -23% | -18% |
| Windhoek | 386,000 | 453,300 | 500,000 | 610,000 | 750,000 | 715,800 | 85% | 43% | -5% |
| Namibia | 335,000 | 355,000 | 402,000 | 435,000 | 545,000 | 511,500 | 53% | 27% | -6% |

Land Delivery

The land delivery graph shows just how land delivery has deteriorated over the years. A total of 23 vacant stands were mortgaged during the month at an average price of N\$111/m². Based on population size, 450 new houses are required monthly across the country and therefore the 23 vacant ervens are grossly insufficient to house a growing population. Once again the coastal property market was the leading supplier with 9 stands mortgaged at an average price of N\$127/m² along with the northern property market supplied also 9 vacant stands but at N\$25/m². Land delivery in the northern property market is back on the increase and at very attractive prices. The central market mortgaged 3 vacant stands at an average price of N\$191/m², which was 40% lower than the February average. Developers mortgaged a further 454,000m² of land with a maximum yield potential for 1,000 free standing homes and is more in line with population growth.



Mortgage advances



According to Bank of Namibia data, mortgage advances grew by 13.5% year on year. This was brought about by properties in the upper price segment, where mortgages have increased by 20% year on year. Mortgage advance growth in the middle to lower price segment has declined by 8 and 10 percent respectively due to low to negative price growth. Therefore relatively less mortgages flowed to the middle and lower price segments. 55% of the mortgages this year were registered over Windhoek properties, followed by Swakopmund with 12% and Walvis Bay with 10%.

Knight Frank Global House Price Index

| Rank | Country | 12-month | 6-month | 3-month |
|------|---------------------|--------------|----------------|----------------|
| 1 | Hong Kong | 28.00% | 12.10% | 5.10% |
| 2 | China | 23.80% | 10.80% | 10.70% |
| 3 | Dubai | 21.10% | 18.90% | 9.20% |
| 4 | Colombia | 16.60% | 5.70% | 4.80% |
| 5 | Brazil ^a | 12.20% | 5.50% | 2.70% |
| 6 | Taiwan | 12.20% | 6.10% | 4.10% |
| 7 | Turkey | 11.50% | 4.40% | 2.10% |
| 8 | South Africa | 11.30% | 4.60% | 1.90% |
| 9 | Indonesia | 11.20% | 8.80% | 4.80% |
| 10 | United States | 10.20% | 0.70% | 1.20% |
| 11 | New Zealand | 8.60% | 5.50% | 3.10% |
| 12 | Russia | 8.50% | 2.80% | 1.30% |
| 13 | India | 8.50% | 6.00% | 5.30% |
| 14 | Austria | 8.50% | 0.40% | -0.30% |
| 15 | Estonia | 7.90% | 3.80% | 3.40% |
| 16 | Israel | 7.90% | 3.30% | 3.00% |
| 17 | Malaysia | 6.00% | 0.30% | -2.60% |
| 18 | Norway | 6.00% | 2.20% | 2.90% |
| 19 | Namibia | 5.60% | -11.80% | -11.80% |
| 20 | Iceland | 4.60% | 0.80% | 0.00% |

Source: Knight Frank Global House Price Index and own calculations

The Knight Frank Global House Price Index rose 6.6% during the first quarter of 2013. While Hong Kong continued to top the list, China is catching up rather quickly as it had the highest growth over the past 3 months. Both countries housing markets flouted a host of measures implemented to curb runaway house prices. The index shows that property prices across the world generally increased, with the exception of Europe. Namibian house prices increased by 2%, according to the Knight Frank methodology. This would place it in 19th position on the list and a significant drop from the 4th position it occupied in the final quarter of 2012 due to local house prices deflating in US Dollar terms over the past 3 months.

Conclusion

Annualised property prices continued to decelerate for the third consecutive month on the back of robust volume growth. Volume growth was fuelled by increased new house delivery thanks to increased developer activity last year. This has decelerated real house price appreciation from 19% in December to 14.5% in March. We expect real house price appreciation to decelerate even further over the remainder of the year on the back of continued volume growth. The lack of housing supply that has dogged the local economy for the past 5 years is adjusting to housing demand which may tame house price inflation for the rest of the year.

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.