

HOUSING INDEX

May 2012

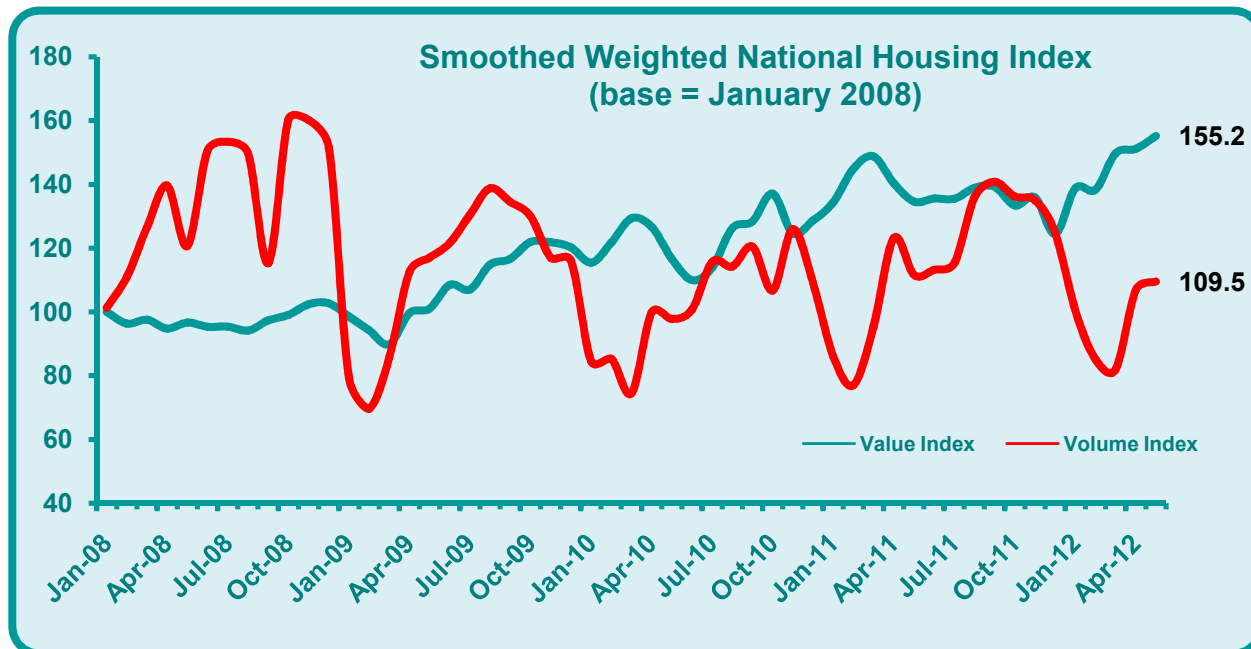
Volatile Volume Index Battles to Find Direction



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The FNB House Price Index increased by 4 basis points through May to 155 basis points. Year on year, the index grew 15% on the back of rather average volumes. Overall the housing market enjoyed double digit value growth over the past year, with the northern property market enjoying the highest annualised growth. However, downward price pressure continued to persist in the upper price segment, where house prices fell 6.5%. Declines were particularly pronounced in the northern property market where large house prices fell 14% year on year. Volumes in the upper price segment increased by 20% after construction activity grew by 22% in the first quarter. 95% of building plans completed fell within the upper price segment and therefore resulting in lower prices within the segment. As for the rest of the market, volumes have fallen 2% year on year as the economy battles to supply affordable housing stock. Volumes in the lower price segment have fallen 14% year on year. There is however some glimmer of hope as the low point in land delivery seems to have bottomed out and is on the increase. But land prices continued to drift upwards because land supply remained well below demand growth.

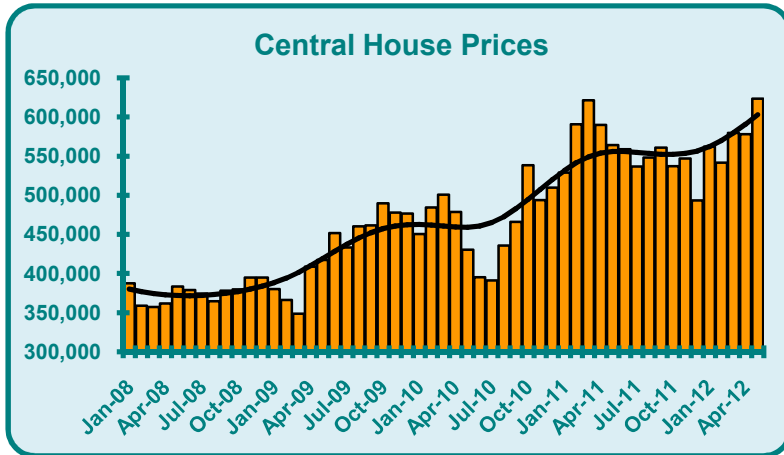
Median House Prices and month on month change						
	Small		Medium		Large	
Central	268,398	-2.4%	552,167	2.6%	1,305,167	2.4%
Coastal	292,667	-0.8%	546,167	-3.9%	1,293,333	-0.1%
Northern	231,851	-4.1%	530,810	2.7%	1,205,000	-3.3%
Southern	250,667	6.6%	597,732	-5.6%	1,286,602	-2.4%

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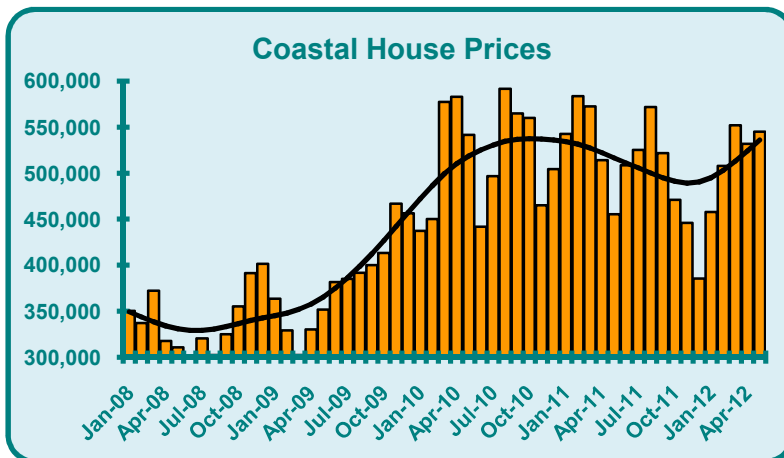
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Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does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

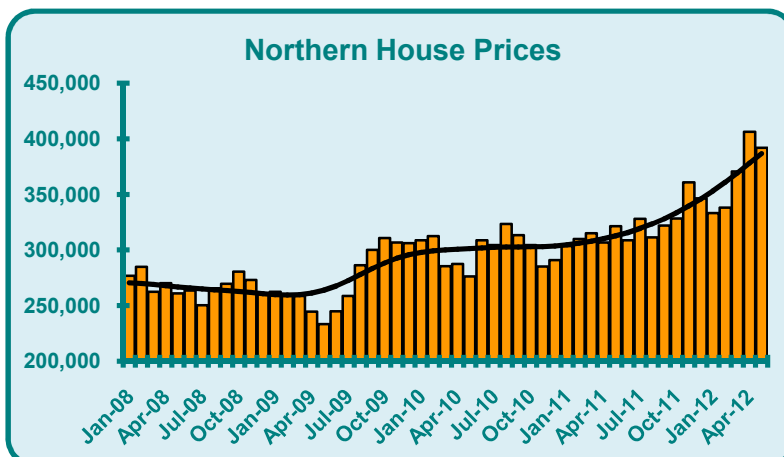
House Prices



Central property prices jumped 8% month on month and are now up 11% on an annualised basis. Therefore property prices in the central market have begun to rise once again, after remaining relatively stable over the past 12 months. The year to date data shows that house prices in Gobabis and Okahandja continue to grow by 18% and 31% respectively, while house prices in Windhoek remained flat. Volumes in the lower price segment continued to weaken and are down 9% month on month and down 13% year on year. Volumes in the middle and upper price segment are on the increase and are up 20 and 10% respectively, on an annualised basis. Land delivery in the central market remained weak with 4 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\$152/m², which was 22% cheaper than the April average. There was however increased developer activity in Windhoek, with 12,300m² of land mortgaged for the first time.

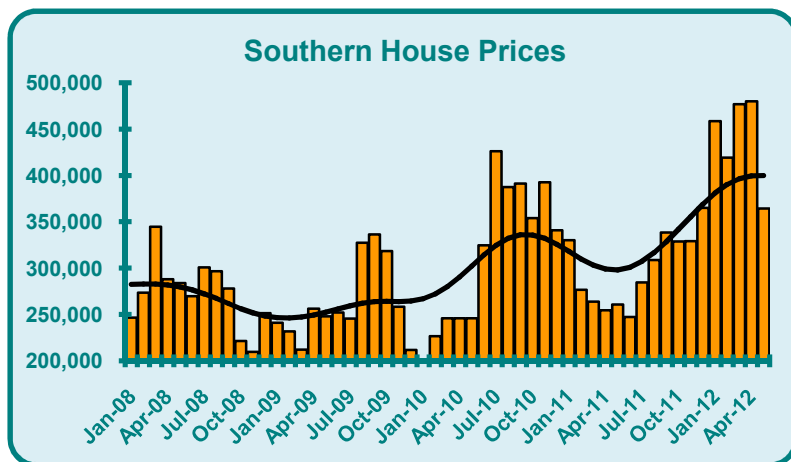


Coastal house prices increased by 3% month on month and are now up 20% year on year as the coastal market moves into its peak season. It would appear that the upward price pressure came from the lower and upper price segments, where prices rose 13% and 7% respectively. Year to date data shows that Henties Bay prices are up 18% from last year's average, while Swakopmund property prices rose 10% and Walvis Bay rose 1% year to date. Property prices in Walvis Bay emerged from the red for the first time in 2012. Although the coastal market remains saturated with undeveloped stands, land delivery has begun to increase once again. 17 stands were mortgaged at an average price N\$133/m², which is 80% more expensive than the April 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.



Northern house prices fell 3.5% month on month and thus reducing the year on year change to 22% growth. Downward price pressures came from the lower and upper price segments, where house prices fell 4 and 3 percent respectively from month to month. 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 Grootfontein, Katima Mulilo, Omaruru, Ondangwa, Oshikango, Oshikuku, Otjiwarongo, Outapi and Tsumeb enjoyed strong 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. This supports our view that 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 7 stands mortgaged during May at an average price of N\$56/m² down 58% from the April average.

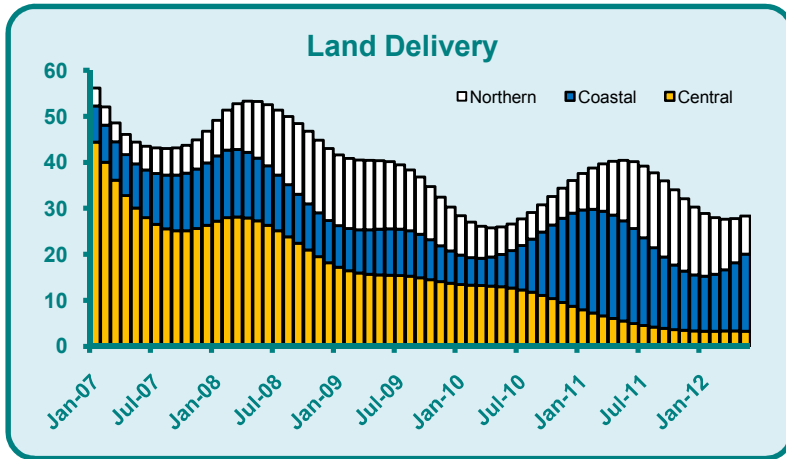


House prices in the southern property market fell 24% month on month, but are up 40% year on year. The strong year on year growth is mainly due to price movements in Luderitz and Mariental, where house prices have increased by 102 and 61 percent respectively. The upward price pressure was also concentrated 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 5years, 3years and 2012 YTD year.

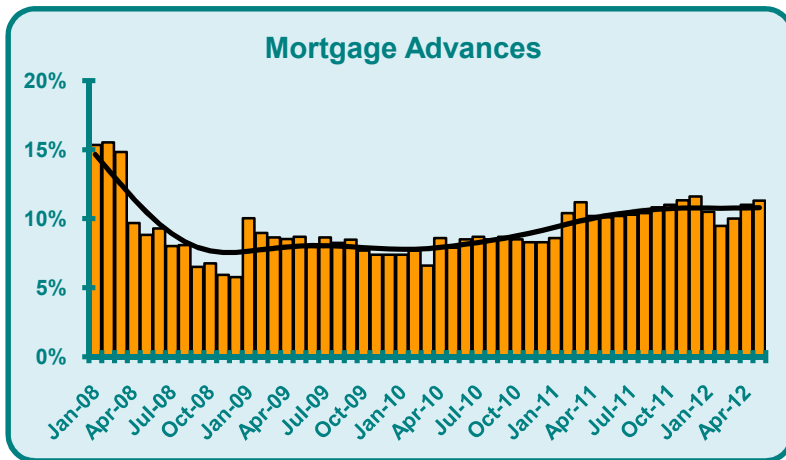
Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
Aranos	220,000	360,000	306,000	577,500	450,000	140,000	-36%	-54%	-69%
Eenhana	204,900	202,000	196,647	190,000	297,000	335,000	63%	70%	13%
Gobabis	222,700	240,000	315,375	306,000	450,000	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	787,500	57%	84%	18%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	316,300	38%	58%	27%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	342,500	29%	34%	-3%
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	637,500	61%	141%	61%
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	432,500	88%	43%	16%
Omaruru	397,200	420,000	450,000	300,000	161,482	585,400	47%	30%	263%
Omuthiya				299,200	331,500	313,000			-6%
Ondangwa	225,000	280,000	230,500	249,050	337,500	551,795	145%	139%	63%
Ongwediva	297,000	288,000	337,000	437,400	417,800	385,000	30%	14%	-8%
Oshakati	193,785	216,000	300,000	480,575	351,500	252,500	30%	-16%	-28%
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	359,000	41%	22%	15%
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	351,000	53%	49%	19%
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	300,000	81%	64%	2%
Swakopmund	477,805	380,000	468,000	600,000	568,000	627,000	31%	34%	10%
Tsumeb	300,000	300,000	322,075	350,000	430,000	475,000	58%	47%	10%
Usakos	171,000	348,000	160,000	160,000	206,000	200,000	17%	25%	-3%
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	610,000	63%	35%	0%

Land Delivery



of N\$56/m². For 2012, an estimated 750 new stands are 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.

Mortgage advances

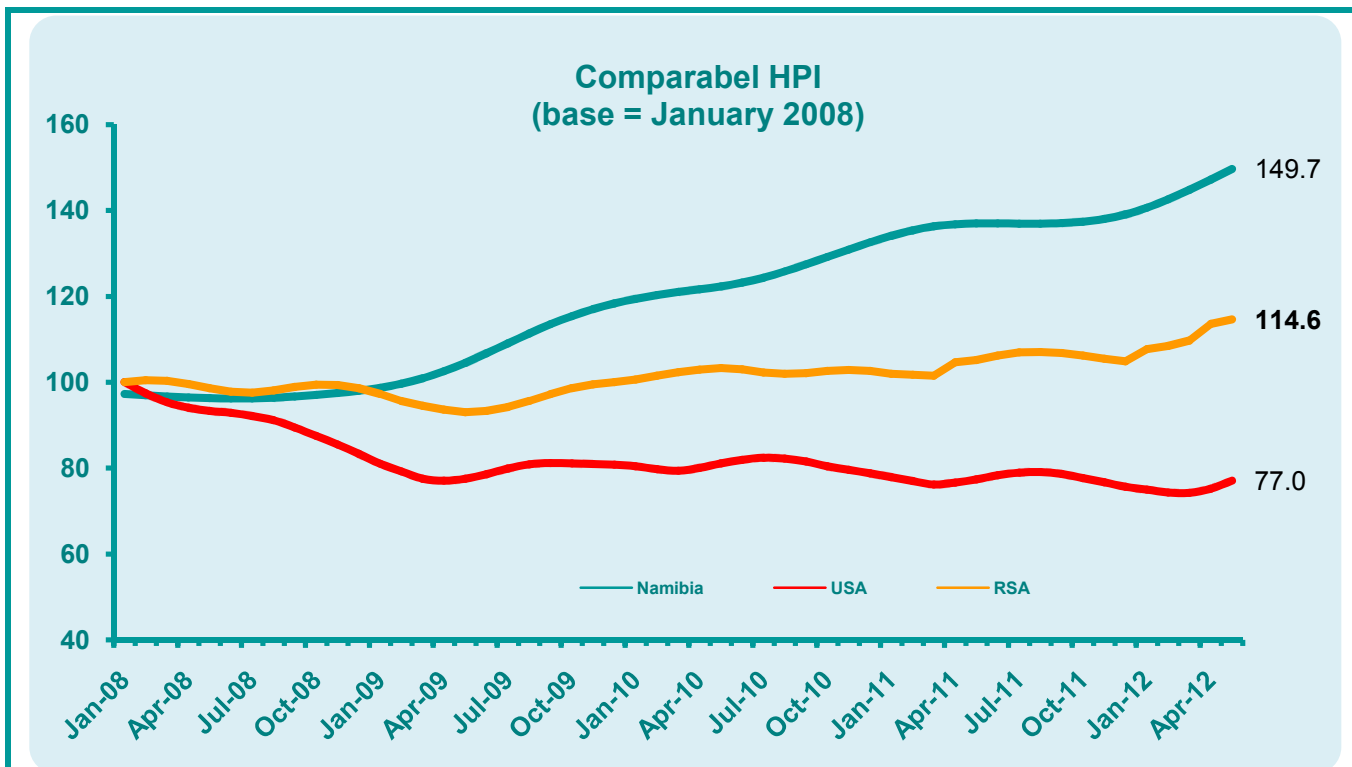


year on year and current data shows that further bonds have been struggling over the past 8 months, but month on month data indicates that this trend is reversing over the shorter term.

Land delivery appears to have bottomed out in April and is back on the increase. A total of 28 stands were mortgaged through the month, with half of these stands coming from the coastal market. Coastal land delivery continued to improve and was the only regional market with substantial volume growth. 16 stands were mortgaged at the coast, with an average price of N\$133/m². Central land delivery remained weak with 4 stands mortgaged at N\$152/m² and falls way short of demand. Land delivery in the northern market increased marginally to 7 stands mortgaged during May at an average price

Mortgage advances growth increased slightly to 11.3% year on year growth which is N\$143m nett growth in mortgages. Deeds data suggests that mortgage advances in the upper price segment grew by 51% year on year, due to increasing volumes in this price segment. Mortgage advances in the middle price segment grew by 37% year on year, due to strong volume growth and a mild increase in house price in this segment. The lower price segment saw mortgage advances grow by 12% year on year. Mortgage advances for further bonds and bonds under N\$100k are down 40%

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 continue to rise at a much faster rate than the SA and USA house prices, with local property price levels 31% higher than South Africa's and 94% higher than the US house price levels. This gap remained unchanged, even though SA HPI accelerated to 9% in May, its highest growth rate since June 2010. The index is, however, starting to lose growth momentum, as observed in the month on month growth rate, which has been declining over the past 4 months. The US housing prices increased 2.2% through May and the market has now had two consecutive months of increasing home prices. However, spring and early summer are seasonally strong buying months and therefore this trend must continue into the fall to have any meaningful impact on US house prices.

Conclusion

Volumes remain highly volatile, fluctuating by 13 basis from one month to the next and therefore the volume index is battling to find direction. The market remains under-supplied resulting in high demand and hence high property prices. The economy did have strong growth in the construction activity in the first and second quarters, but this was mainly in the middle to upper price segments which historically account for 40% of the market. Land delivery remained slow and although there are minor signs of increased land delivery, a few more months of improved land delivery are required to reduce the upward price pressure in the affordable housing sector. But until then, the market will have to contend with increasing house prices.

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.