

HOUSING INDEX

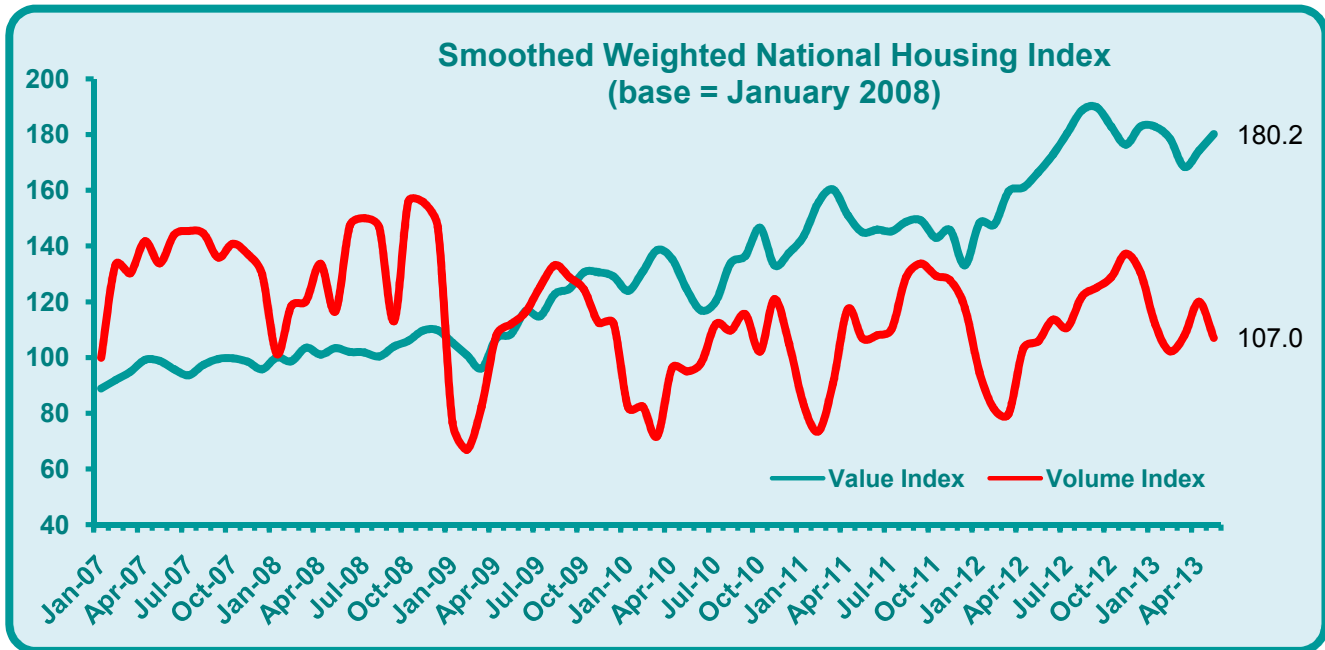
May 2013

Decelerating Real House Prices

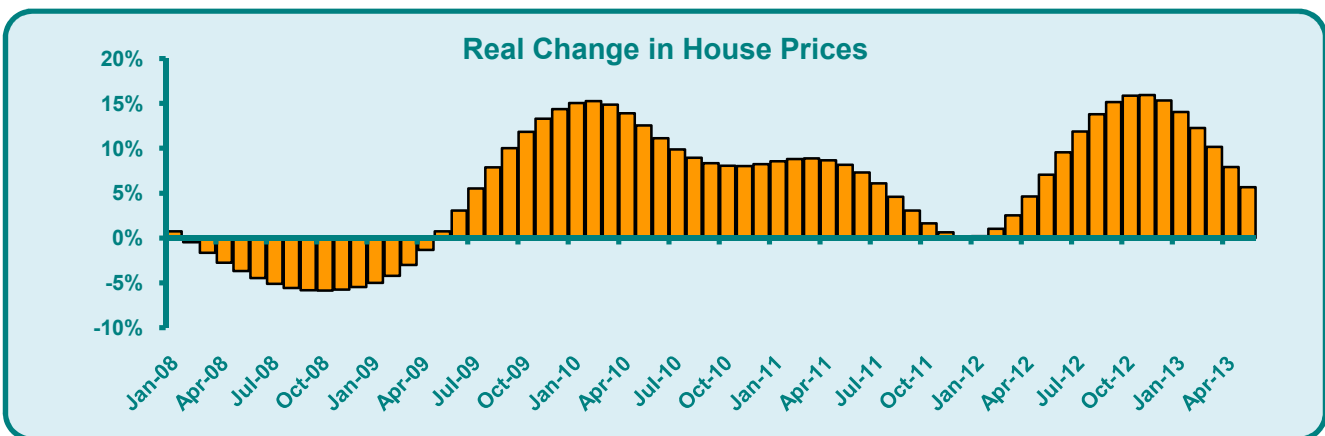


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The FNB House Price Index regained some lost ground through May as the index increased by 3.4% month on month. Overall house prices moved upwards mainly because of increased demand for large coastal homes that are in the expensive price range. The number of large coastal home shot up by 86% from the same period last year and it is this shift that led median house prices to increase during May. However, real house prices continued to increase at a much slower pace than they did last year. Overall volumes increased by 1.2% year on year, despite the substantial surge in large coastal properties traded during the month. Over the shorter term, volumes contracted by 11% from the previous month, a trend that is particularly pronounced in the upper price segment and suggests that this segment is due for a correction. Developer activity decelerated to 10,000 square meters of land mortgaged and a maximum yield potential for 23 free standing homes. This would bring the cumulative yield potential to 6,763 free standing homes for the first five months of 2013.



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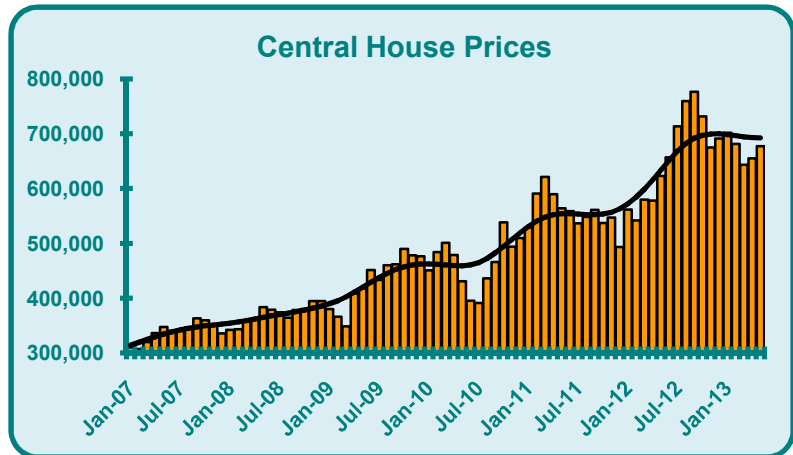
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

Median House Prices and month on month % change

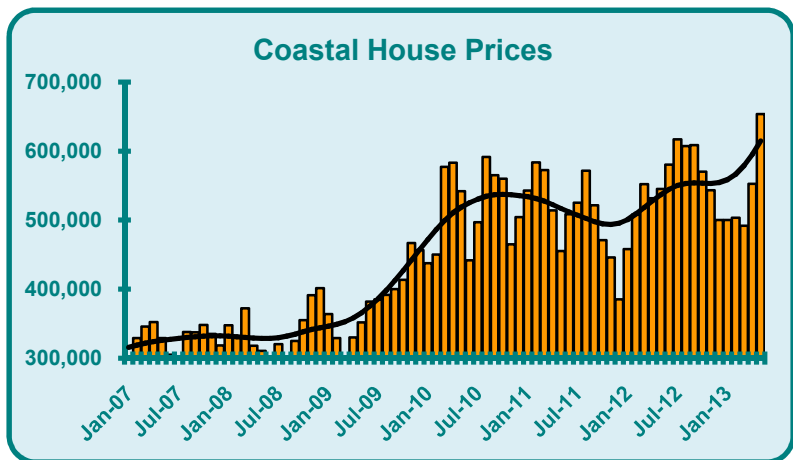
	Small		Medium		Large	
Central	252,100	-5.2%	597,717	4.6%	1,392,333	-2.2%
Coastal	267,148	2.2%	548,333	-2.7%	1,364,333	-3.7%
Northern	267,113	-5.9%	479,667	-2.7%	945,833	-2.9%
Southern	133,127	-31.1%	626,000	3.9%	1,122,500	0.0%

House Prices

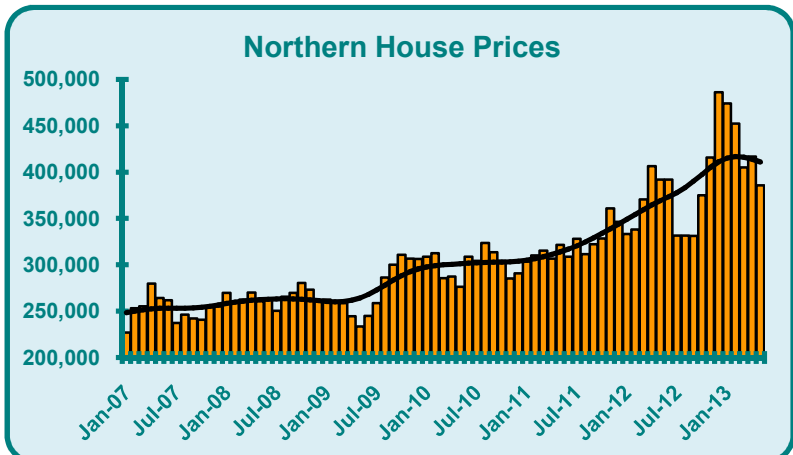
Central property prices increased by 8.7% month on month to bring the annualised growth rate to 12.1%. The general price trend appears to have bottomed out for now at a median house price of N\$692k. The lower price segment continued to experience downward price pressure, where property prices fell by 6.1% year on year, while mild positive price gains have started creeping back into the upper price segment. The year to date figures shows that house prices contracted in Windhoek, Gobabis and Okahandja. It is worthwhile to note that volumes have contracted by 10.4% month on month and were down by 11.6% from the same period last year. Supply was particularly thin in the lower price segments, where volumes contracted by 24% from the previous month. Land delivery improved as 8 stands were mortgaged at an average price of N\$167/m². Furthermore, 10,000m² of land was mortgaged for the first time by developers, with a maximum yield potential for 23 free standing homes. Therefore the cumulative developer activity for the central market stands at 307,380m² of land with a maximum yield potential of 717 free standing houses – a definite improvement from the prior year.



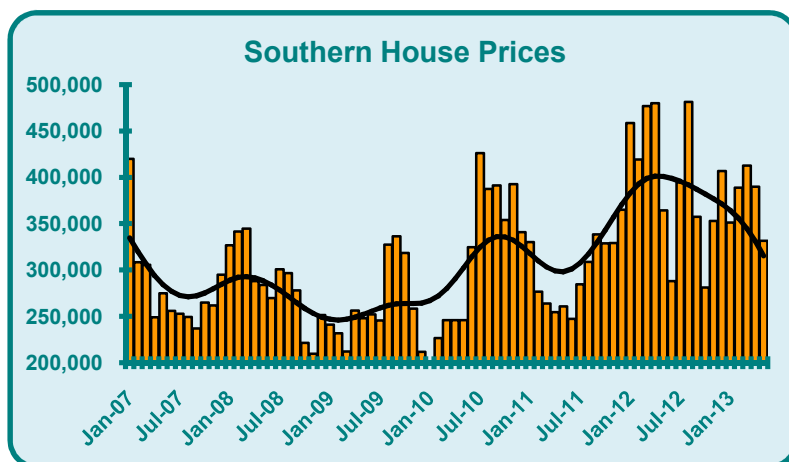
Coastal property prices were back on their seasonal upswing with house prices shooting up by 15.7% from the previous month or 30.2% year on year. Although these are huge numbers, they were caused by a change in the housing mix as volumes in the upper price segment increased by 86.1% year on year. Year to date data shows that Walvis Bay property prices were up 6%, Swakopmund 27% and Henties Bay 24%. Land delivery at the coast increased as 17 ervens were mortgaged for the very first time at an average price of N\$124 per square meter, which was 29% lower than the April average. There was no new developer activity at the coast.



Northern property prices continued on a downward trend, shedding 3.4% of their value from the previous month or 4.9% from the same period last year. Northern house prices fell between 3 and 6 percent from the previous month across all price segments. The year to date data shows that falling median prices were somewhat limited to Oshakati, Omaruru, Otavi and Grootfontein. A total of 8 ervens were mortgaged during the month at an average price of N\$46 per square meter along with zero developer activity.



Southern property prices remained as volatile as always, due to very thin volumes. Monitored house prices fell by 45.2% month on month due to a combination of downward price movements in the lower price segment, where price fell by 31% and a shift in the supply mix towards more low income properties. Over the past year, house prices in the south have fallen by 4.3%, with the year to date suggesting that house prices are under pressure in Luderitz and Mariental. But caution must be exercised when looking at these numbers as the volumes are very thin!

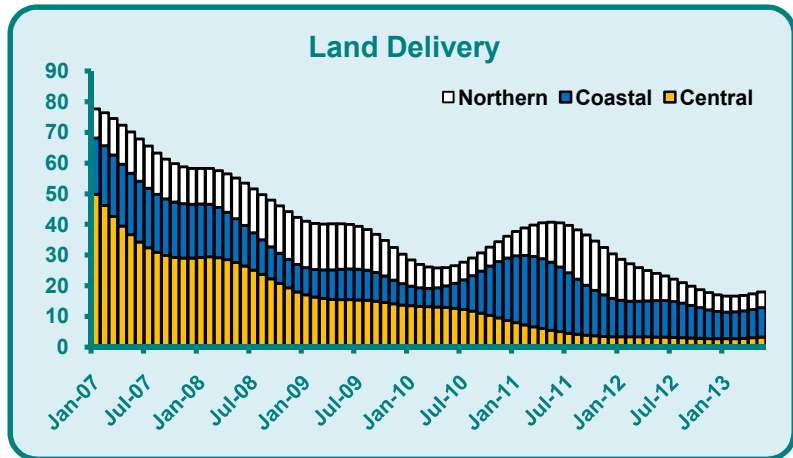


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

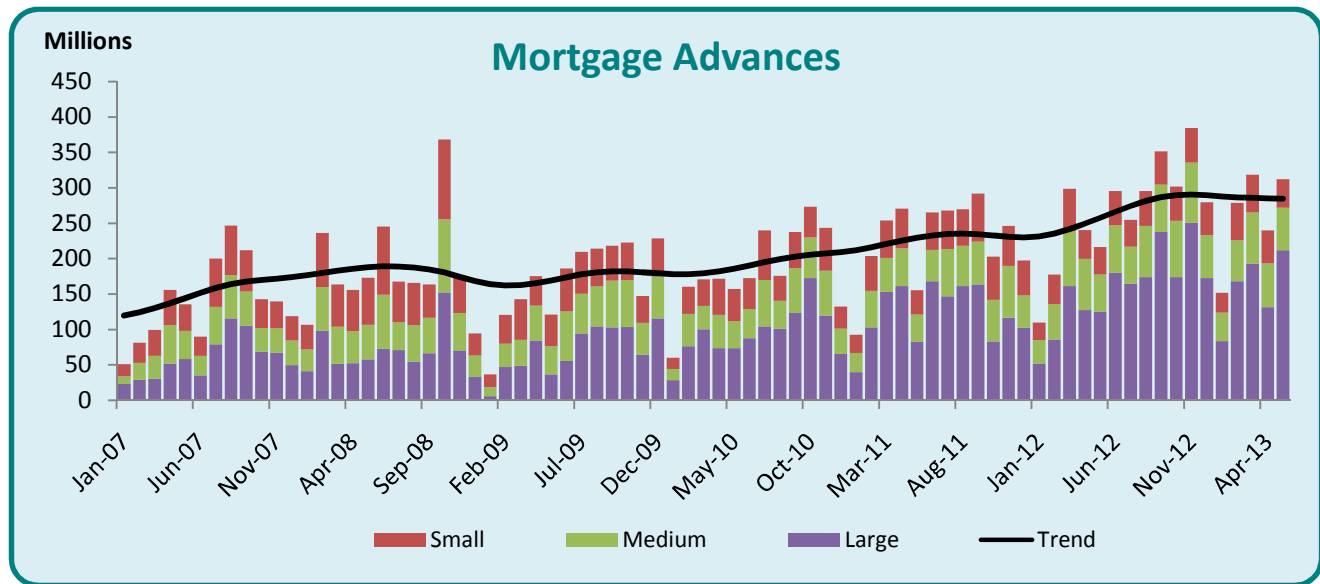
Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	YTD
Arandis	254,000	150,000	300,000	153,000	154,000	190,000	-25%	-37%	23%
Aranos	360,000	306,000	577,500	450,000	300,000	387,750	8%	-33%	29%
Eenhana	202,000	196,647	190,000	297,000	371,000	451,000	123%	137%	22%
Gobabis	240,000	315,375	306,000	450,000	435,000	378,500	58%	24%	-13%
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	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	397,500	33%	48%	13%
Luderitz	218,000	190,036	300,000	191,821	355,000	303,050	39%	1%	-15%
Mariental	294,200	265,000	290,000	395,000	438,500	308,500	5%	6%	-30%
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	303,000	-28%	1%	-44%
Omuthiya			299,200	331,500	343,000				
Ondangwa	280,000	230,500	249,050	337,500	412,000	423,000	51%	70%	3%
Ongwediva	288,000	337,000	437,400	417,800	398,000	403,500	40%	-8%	1%
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	336,800	25%	28%	21%
Swakopmund	380,000	468,000	600,000	568,000	664,000	841,500	121%	40%	27%
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	426,000	43%	-1%	6%
Windhoek	386,000	453,300	500,000	610,000	750,000	738,300	91%	48%	-2%
Namibia	335,000	355,000	402,000	435,000	545,000	520,000	55%	29%	-5%

Land Delivery

Overall land delivery began to improve for the first time since April 2011 with 33 ervens mortgaged for the very first time at an average price of N\$124 per square meter. The coastal market supplied 17 ervens, while the central and northern property markets supplied 8 ervens each. Developer activity decelerated to 10,000 square meters of land mortgaged and a maximum yield potential for 23 free standing homes. This would bring the cumulative yield potential to 6,763 free standing homes for the first five months of 2013.

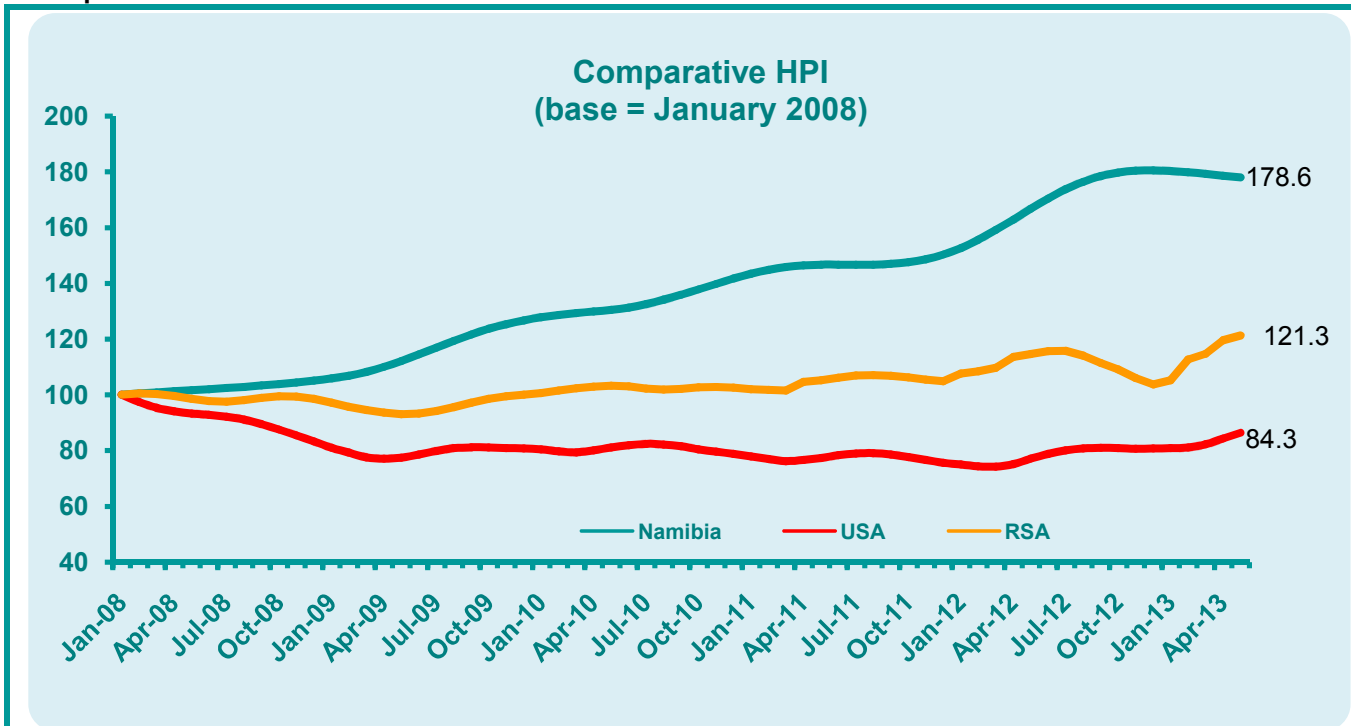


Mortgage advances



According to Bank of Namibia data, net mortgage advances grew by 13.3% year on year through May and thus continued to decelerate from February. The Deeds data shows that gross mortgage advance growth continued to be supported by price and volume growth in the upper price segment where total advances have increased by 70% year on year, while mortgage advances to the middle price segment have increased by 14.3% and 3.8% in the lower price segment. This has resulted in very high concentration of mortgages in the upper price segment with 67 cents in every dollar mortgaged over properties in the upper price segment for the month of May.

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 smoothed data shows that Namibian property prices continue to trend downwards due to the lagged effects of the downwards price movements during the first quarter. More recently, local house prices have started to move upwards over the past two months and this is expected to be reflected in the coming months should house prices continue trending upwards. The SA HPI continued to post impressive price growth with property prices climbing a further 5.8% through May. SA housing market strength was underpinned by residential demand growth as well constrained supply of residential stock on the market. In the US, the S&P/Case-Schiller Home Price Indices increased by 12.2% year on year, thus returning US house prices to 2004 levels and this recovery is expected to continue as US banks begin easing credit restrictions and home owners shift from fixed to adjustable rate loans to cope with the interest rate hiking cycle.

Conclusion

Overall house price moved upwards mainly because of increased demand for large coastal homes. Despite this shift in the marketing mix, house prices continued to increase at a much slower pace than they did last year. This is largely due to increased volumes traded in the year to date. Although volumes hit a bit of a speed bump during May, the increasing trend in volumes is expected to continue in the coming months. Volume growth should start to shift to the middle price segment as we believe that the upper price segment is saturated, which will put downward pressure on median house prices for the remainder of 2013. Furthermore the acceleration in mortgages to the upper price segment does pose concentration risk in the high income segment to the extent that it is significant in terms of the total distribution. Therefore, we expect housing delivery to shift towards the middle price segment and thus moderating house prices over the remainder of the year to single digit growth. This view is based on sustained volume growth, as more serviced land comes onto the market and private developments increase. But it is doubtful that the volumes will be sufficient to meet market demand and therefore house prices though moderating, will remain elevated.

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.