

# HOUSING INDEX

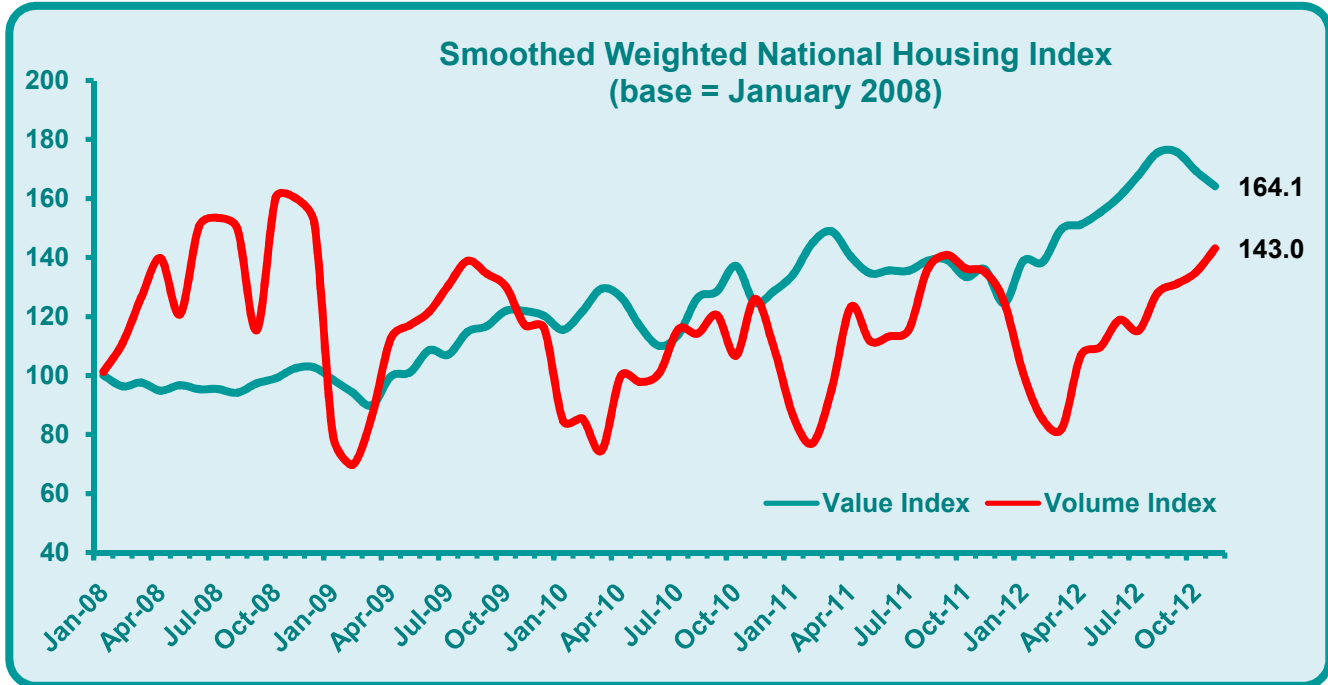
November 2012

**New Housing Supply Soften House Prices**



**FNB**  
First National Bank

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Data through November shows that the FNB House Price Index fell by a further 5.2 basis points as the number of properties traded during the month continued to increase. A number of new developments pushed up the volume index and introduced new and cheaper housing stock in the market. The volume growth was spurred on by new housing developments in Okahandja, Walvis Bay and Windhoek. More importantly, volumes continue to recover in the lower price segment which struggled with structural supply throughout 2011. For the first time in a very long time the central market is trading more properties than the monthly average back in 2007 and it is this supply which is lowering house prices for the moment. However, there is very little evidence of sustained volume growth over the short term to contain house prices for much longer and therefore house prices are expected to rebound once this flurry of new affordable housing subsides. Furthermore the average age of buyers is relatively high at 41 years and thus shows that first time buyers are few and far between. Although there was very little short term relief, developer activity is likely to chip away at the excess demand over the medium to long term.

Median House Prices and month on month % change						
	Small		Medium		Large	
Central	292,438	0.2%	538,633	-4.3%	1,300,833	-1.8%
Coastal	259,167	-6.9%	543,333	-1.2%	1,386,667	0.0%
Northern	258,335	-5.6%	473,500	4.1%	1,149,500	-0.4%
Southern	204,667	-11.9%	548,833	-5.2%	1,072,733	8.9%

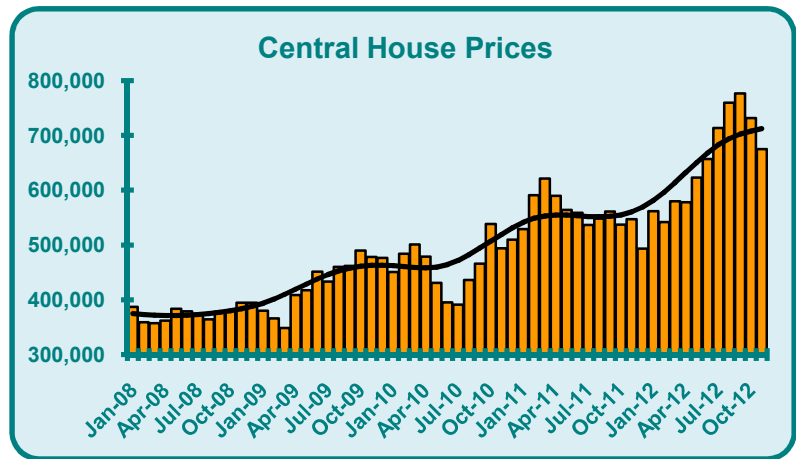
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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only,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

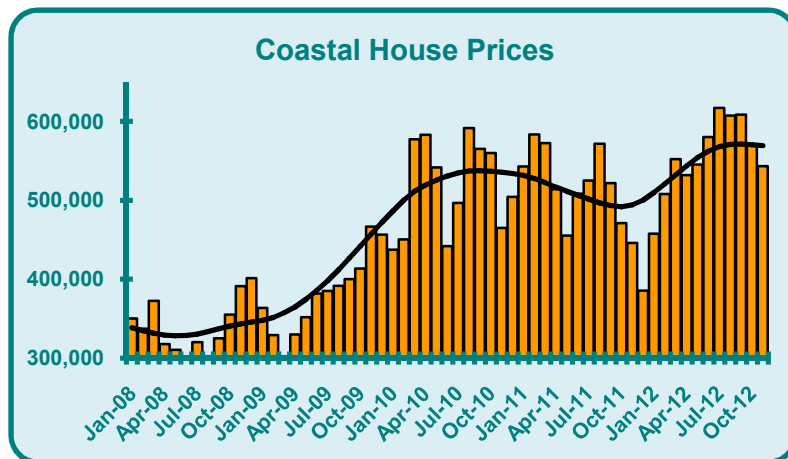
## House Prices

Central property prices continued to fall during November. This time round, house prices fell by 8% month on month. NHE was largely responsible for the decline in house prices as they added new housing stock to the lower end of the middle price segment. This introduces a downward bias to the median house prices. Historically, the central market has battled with supply, and for the second time in the past 4 years, the volume index has breached the 100 basis point mark. For the first time in a very long time the central market is trading more properties, particularly in the lower to middle price segments and it is this supply



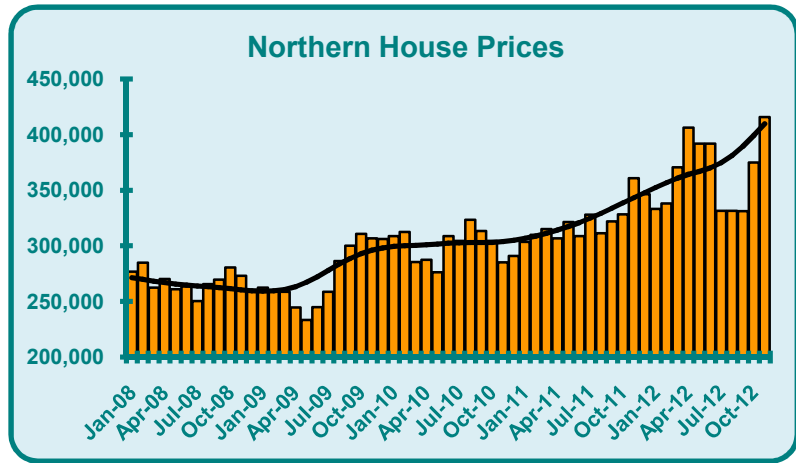
which is stabilising house prices for the moment. The result is that Windhoek and Okahandja property prices are not increasing as fast as they did at the beginning of 2012, while Gobabis property prices are falling. Therefore the strong upward price pressures that were prevalent in the central property market during the third quarter, weakened even further during November. Land delivery remained flat with 4 vacant stands mortgaged through the month, which is really inconsequential for a market with a population of 365,000 people. Therefore medium term volume growth prospects for the central market remain weak, with limited support from developers as a mere 4,200m<sup>2</sup> of land was mortgaged during the month, capable of yielding 10 free standing homes.

Coastal property prices continued to weaken during November, monitored prices are down a further 5 from the previous month. House prices fell or moved sideways across all price segments on the back of strong volume growth, particularly in the lower price segment where prices fell almost 7% month on month. NHE's Kuisebmond development continued to shift the median price down, by increasing the supply of affordable housing stock. This was evident in Walvis Bay, where year to date median house prices fell to N\$402k. Henties Bay property prices also decelerated due to market

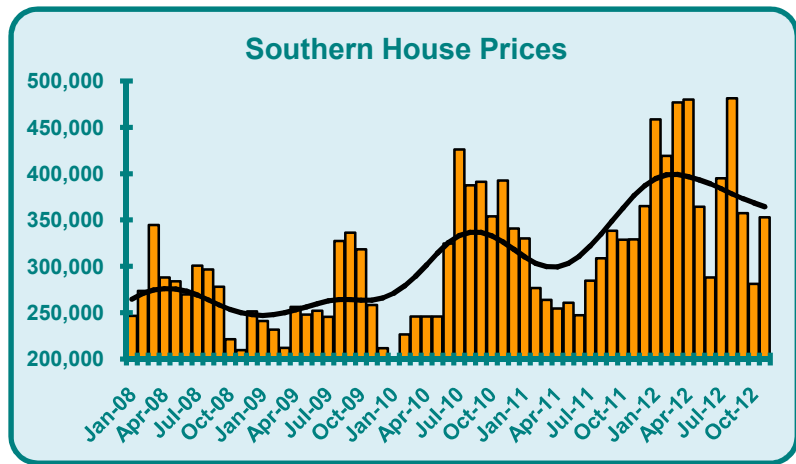


saturation in the middle to upper price segments and with more in the pipeline price have nowhere to go but down. Swakopmund median property prices increased on the back of increased supply of properties in the upper price segment, which is rather surprising at this time of the year. The coastal property price cycle suggests that property prices may continue weakening until February and therefore expect Swakopmund and Henties Bay property prices converge to the national median price. Overall trading activity is up with the volume index well over the 200 basis points mark. The coastal market has also enjoyed the highest volume growth over the past 5 years. But, land delivery has certainly weakened during 2012, suggesting that the market may suffer from an excess availability of vacant stands. A mere 9 vacant stands were mortgaged during November, while land prices remained relatively flat at N\$93/m<sup>2</sup>. Although there were no new properties mortgaged by developers during November, developer activity over the first 11 months of 2012 far exceed the whole of 2011 which should sustain future volume growth in the medium to long term.

Northern house prices increased by 26% month on month, but was merely statistical as none of the price segments recorded significant price movements and therefore volume growth in the upper price segment was responsible for the price increase. Volumes in the middle to upper price segment increased 21 and 27 percent, respectively. Oshakati and Ondangwa were largely responsible for the volume growth. Price dynamics in the northern property market is attracting younger buyers, ±35 years where the national average is 41. Volumes do not look like slowing down as developers mortgaged additional 27,000m<sup>2</sup> of land, with a maximum yield potential for 63 free standing homes to add to the possible 520 from October. This provides medium term volume growth potential, which is keeping land prices in the north relatively flat at N\$63/m<sup>2</sup>.



House prices in the southern property market increased by 26% to bring the index back to the same level it was in September. Mariental and Keetmanshoop property were thus responsible for the rebound, as median prices increased by 13% and. Property prices in Luderitz continue to decelerate from 100% year to date growth in September to 75% year to date growth. Aranos property prices also remained on the back foot, while contributed to the decline. House prices in this market are erratic due to the limited data points or transactions.



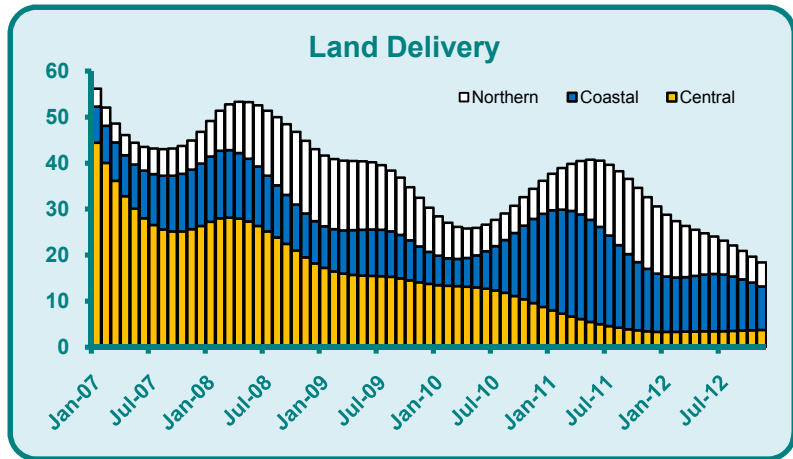
Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2012 YTD year.

Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
<b>Aranos</b>	220,000	360,000	306,000	577,500	450,000	300,000	36%	-2%	-33%
<b>Eenhana</b>	204,900	202,000	196,647	190,000	297,000	360,500	76%	83%	21%
<b>Gobabis</b>	222,700	240,000	315,375	306,000	450,000	435,000	95%	38%	-3%
<b>Grootfontein</b>	176,500	290,500	240,000	221,143	297,500	450,000	155%	88%	51%
<b>Henties Bay</b>	502,000	500,000	427,013	520,000	668,500	758,500	51%	78%	13%
<b>Katima Mulilo</b>	229,000	176,000	200,000	280,750	249,000	200,000	-13%	0%	-20%
<b>Keetmanshoop</b>	265,000	300,000	256,000	268,250	352,500	400,000	51%	56%	13%
<b>Luderitz</b>	165,700	218,000	190,036	300,000	191,821	335,000	102%	76%	75%
<b>Mariental</b>	396,000	294,200	265,000	290,000	395,000	445,000	12%	68%	13%
<b>Okahandja</b>	252,100	250,000	265,500	347,000	360,000	465,000	84%	75%	29%
<b>Okahao</b>	230,000	258,500	302,000	262,250	371,400	285,000	24%	-6%	-23%
<b>Omaruru</b>	397,200	420,000	450,000	300,000	161,482	515,000	30%	14%	219%
<b>Omuthiya</b>				299,200	331,500	343,000			3%
<b>Ondangwa</b>	225,000	280,000	230,500	249,050	337,500	429,900	91%	87%	27%
<b>Ongwediva</b>	297,000	288,000	337,000	437,400	417,800	387,500	30%	15%	-7%
<b>Oshakati</b>	193,785	216,000	300,000	480,575	351,500	385,000	99%	28%	10%
<b>Oshikango</b>	1,000,000	1,000,000	340,000	450,000	268,300	386,500	-61%	14%	44%
<b>Oshikuku</b>	255,500	255,500	294,000	375,000	311,500	359,000	41%	22%	15%
<b>Otavi</b>	320,000	202,000	202,000	350,000	388,500	320,000	0%	58%	-18%
<b>Otjivarongo</b>	344,000	308,000	300,000	352,800	398,000	531,000	54%	77%	33%

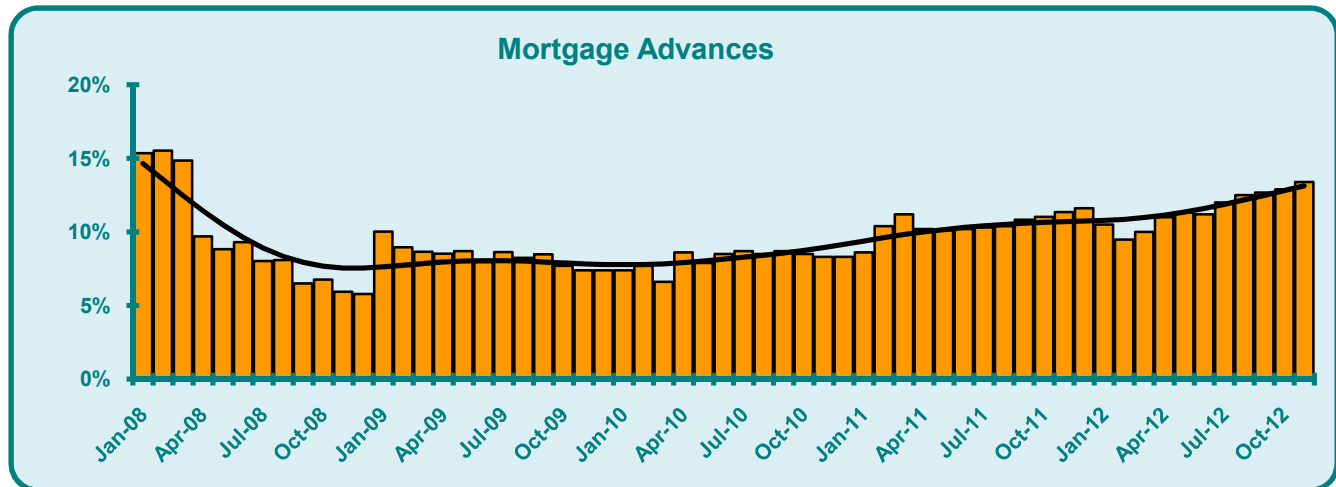
<b>Outapi</b>	229,000	237,050	235,300	216,519	294,000	366,000	60%	56%	24%
<b>Outjo</b>	294,000	350,000	410,000	378,000	396,500	403,000	37%	-2%	2%
<b>Rundu</b>	165,922	269,000	182,391	264,000	293,320	278,000	68%	52%	-5%
<b>Swakopmund</b>	477,805	380,000	468,000	600,000	568,000	663,000	39%	42%	17%
<b>Tsumeb</b>	300,000	300,000	322,075	350,000	430,000	488,000	63%	52%	13%
<b>Usakos</b>	171,000	348,000	160,000	160,000	206,000	203,500	19%	27%	-1%
<b>Walvis Bay</b>	303,000	296,900	325,000	431,000	370,000	402,464	33%	24%	9%
<b>Windhoek</b>	375,000	386,000	453,300	500,000	610,000	731,000	95%	61%	20%
<b>Namibia</b>	<b>354,000</b>	<b>335,000</b>	<b>355,000</b>	<b>402,000</b>	<b>435,000</b>	<b>530,000</b>	<b>50%</b>	<b>49%</b>	<b>22%</b>

### Land Delivery

Overall land delivery weakened due to supply weakness in the northern and coastal property markets – since May 2011. A total of 18 stands were mortgaged during October. The coastal market remains the largest supplier of vacant stands, but of late land delivery has begun to improve in the northern market. At the coast 9 stands were mortgaged for an average price of N\$93/m<sup>2</sup>, which was 2.2% more expensive than the October average. Central land delivery remained flat with 4 vacant stands mortgaged at an average price of N\$129/m<sup>2</sup> which is 38% cheaper than the October average. Land delivery in the northern market increased to 5 stands mortgaged at an unchanged average price of N\$63/m<sup>2</sup>. Developers activity slowed down to 27,300m<sup>2</sup> of land mortgaged, with a maximum yield potential of 1,900 free standing houses across the country. This adds up to a possible 8,100 new housing units for the first 10 months of 2012.

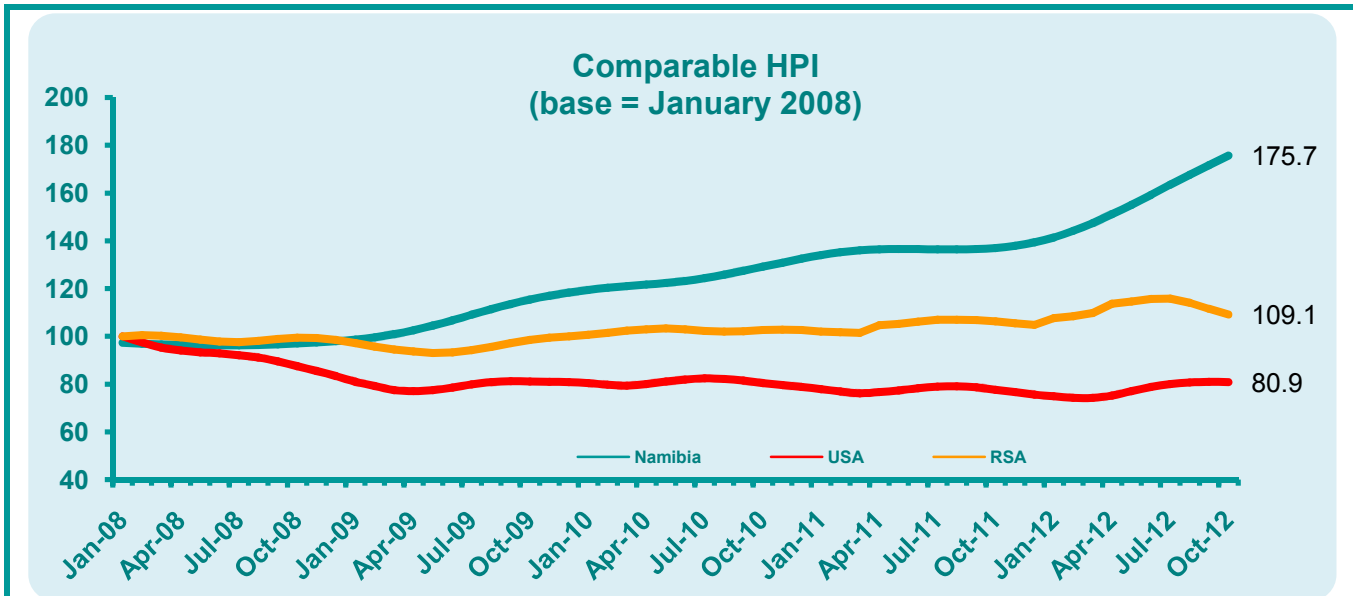


### Mortgage advances



Mortgage advances grew by 13.4% year on year or by N\$349m during November. 16% of the mortgages were registered over properties in the lower price segment, 24% over properties in the middle price segment and 59% over properties in the upper price segment. Windhoek remains a major mortgage market accounting for 56% of the mortgages and therefore Windhoek property market had a significant bearing on overall mortgage growth. By our estimates, mortgages increased by 21% in Windhoek and these were mainly registered over properties in the upper price segment. But there are towns that have posted strong mortgage growth and these include Okahandja (52% yoy growth), Eenhana (77%), Tsumeb (38%) and Gobabis (34%). Meanwhile mortgages advances are declining in Walvis Bay, Oshakati and Rundu.

### 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 October and November declines had no impact on the smoothed house prices as local property prices continue to grow at a faster rate than comparable indices. Structural supply shortages of vacant land and rising household incomes lie at the heart of the rising house prices. Although there is very little short term relief, developer activity is on the increase and is likely to chip away at the excess demand over the medium to long term. The SA HPI showed further moderation for the 8th consecutive month. At this stage, economic indicators make it difficult to see much improvement in housing market conditions, and in the absence of any new stimulus, price growth continues decelerate to low rates. In the US, house prices continued climbing, despite increased trading volumes. House sales rose for both new and existing home sales. Existing home sales rose to 5 million units, the highest level since November 2009, while new home sales rose to 398,000 housing units, the highest since June 2010. The volume growth is adding to economic growth and increasing income and fuelling housing demand which ultimately pushes up house prices, at a time when house prices are supposed to be seasonally weak.

### Conclusion

Volumes growth in the local market in general and the lower price segment in particular is driving down house prices for now. We see this as a temporary correction as land delivery is not high enough to continue driving down house price. Furthermore, 19% of the price weakness emanates from the coastal markets seasonal cycle which should turn three months down the line. Unfortunately there is very little evidence to suggest that supply will continue to increase over the short term and the economy has a massive housing demand that is rooted in structural supply weakness of vacant land. Therefore housing demand will remain high for quite some time and high demand causes high prices. But with that said, the medium to long term prospects are a lot more promising given the general increase in developer activity during 2012.

### 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.