

HOUSING INDEX

September 2013

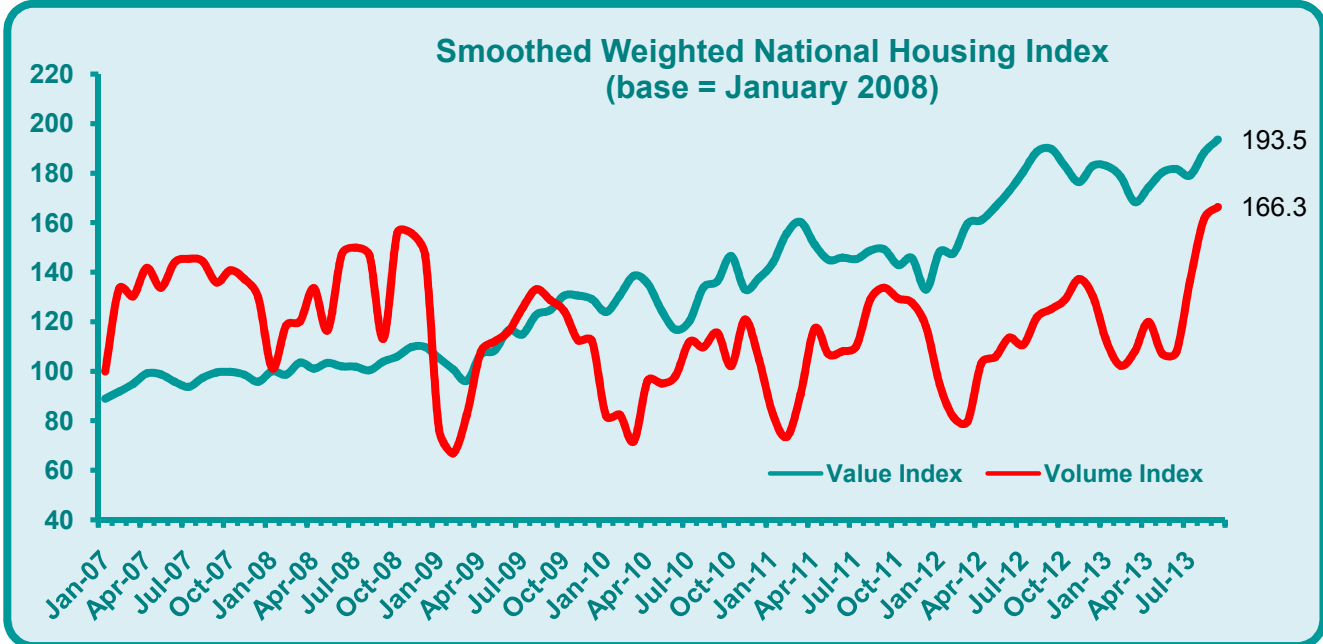
Real House Prices Continue To Fall



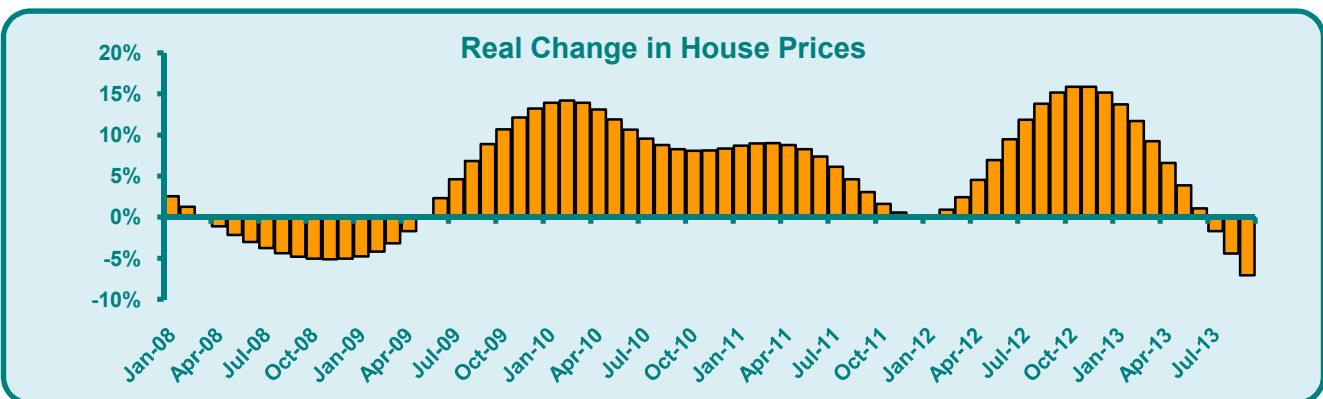
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The FNB House Price Index increased by 2.8% month on month through September, which was just enough to lift the year on year price movements to 2% in nominal terms. However, stripping out inflation shows that house prices continue to fall in real terms and the pace of decline has increased at a faster pace over the past three months. This was mainly due to downward price pressures in the coastal and central markets' middle price segment. A change in the mix of properties trades is contributing to this downward pressure in prices. Specifically, an increased supply in the coastal markets lower prices segment and the northern property markets' middle to upper price segment is exerting downward pressure on overall house prices. Overall volumes continued to grow through September up 3% from the previous month and up 33% year on year. The northern property market experienced record volume growth, with volumes up 90% year on year, making it the second largest property market in the country by volume. Further analysis shows that volumes in the northern property markets middle price segment have shot up by 304% over the past year, while the volume of entry level coastal homes have shot up by 82%. However, land delivery across the country weakened as only 14 stands were mortgaged through the month. A further 44,320m² of land was mortgaged by developers with a maximum yield potential for 105 free standing homes, up from 50 free standing homes the previous month.



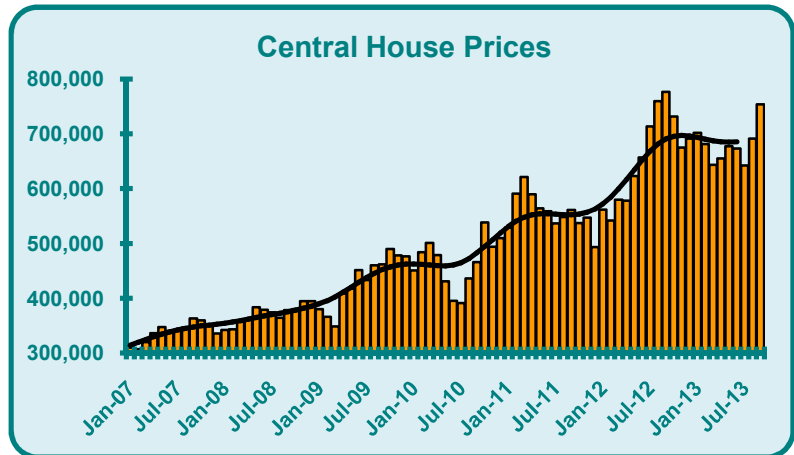
Published by: FNB Namibia **Address:** First City Centre, Levinson Arcade, Windhoek

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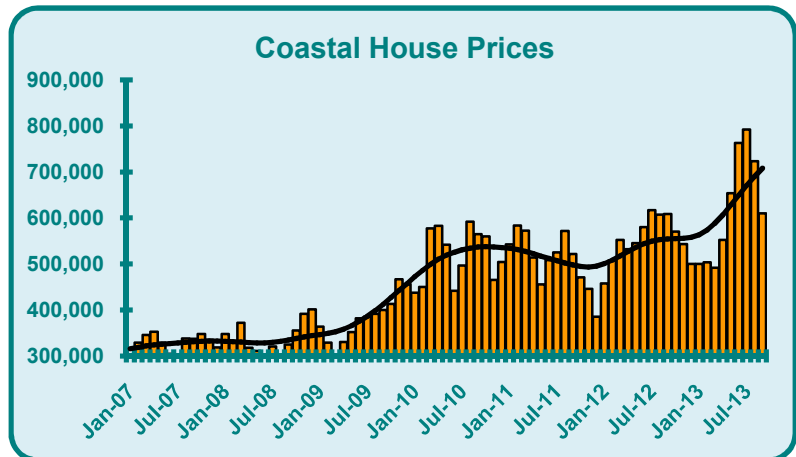
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices

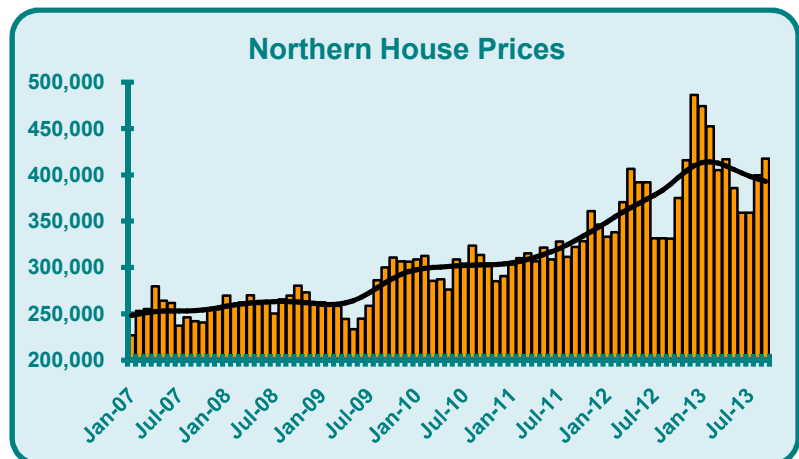
Central property prices increased by 9% month on month, but remained 3% below last year's levels in nominal terms. Over the past year, house prices in the middle price segment have contracted by 7.4% and hence have been responsible for the negative year on year price movement for September. As for the lower and upper price segment, prices have increased by 1.7 and 6.2 percent respectively. The year to date data shows that house prices in Windhoek have risen by 13%, Okahandja house prices have risen by 6% while contracting by 9% in Gobabis. On the volume front, there was a 13.8% year on year increase in the number of properties mortgaged in the central property market. This was largely due to increased number of existing properties in the upper price segment, with volumes up 27.4% year on year in a price segment we believe to be saturated. Land delivery remained disappointing in the central area, with a solitary stand mortgaged through the month for N\$194/m², which was 65% higher than the August average. Developers mortgaged 19,500m² of land during the month, with a maximum yield potential for 45 free standing homes.



Coastal property prices fell by 15.7% month on month as the coastal property prices began their seasonal dip. Here, property prices in the middle to upper price segment contracted by 2.2 and 3.1 percent respectively. However, on an annualised basis house prices at the coast moved sideways and thus illustrating the seasonality of coastal house prices. Coastal house prices contracted by 6.3% in the middle price segment after volumes increased by 81.8% year on year, while property prices in the lower and upper price segments, increased by 5.4 and 6.4 percent respectively. The year to date data shows that Walvis Bay property prices have increased by 12%, Swakopmund property prices have increased by 7%, while Henties Bay property prices contracted by 4%. Land delivery weakened at the coast with 10 stands mortgaged for an average price of N\$62/m², which was 30% lower than the August average. About 17,500m² of land was mortgaged by developers at the coast with a maximum yield potential for 41 free standing homes.

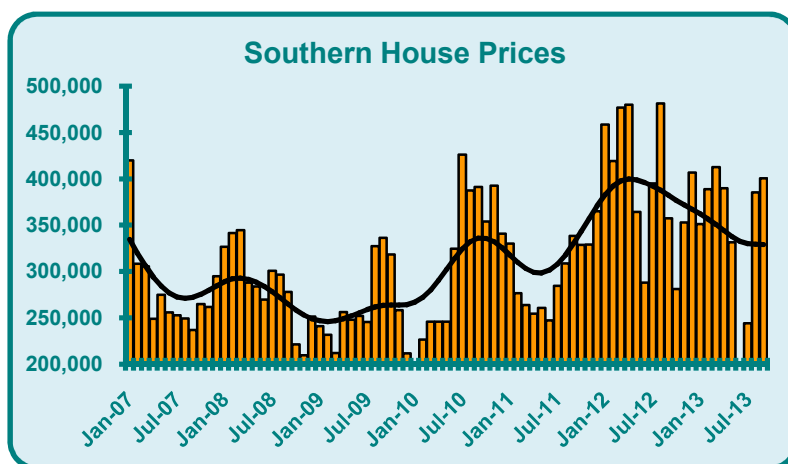


Northern property prices rose 4.5% month on month, with property prices in the middle and upper price segments rising by 2.1 and 5.9 percent respectively. This brought the year on year price movement to 26.1% on the back of the 20.1% price growth in the upper price segments as well as 304.3% volume increase in the middle price segment. Therefore the annualised price movement in the northern market was the result of double digit price inflation in the upper price segment coupled with strong volume growth in the middle price segment. Year to date trends show that house prices in Eenhana, Katima Mulilo, Rundu, Omuthiya, Ondangwa and Otavi



have increased steadily, Grootfontein, Okahao, Oshakati, Oshikango and Oshikuku property prices have contracted since the beginning of 2013. Land delivery weakened in the northern property market as 2 stands were mortgaged in the northern property market for N\$64/m², which was 19% higher than the August average. Developers mortgaged 7,300m² of land with a maximum yield potential for 17 free standing homes.

Southern property prices increased by 3.9% month on month or 12.0% year on year. Southern property prices were driven upwards by properties in the upper price segment, where price rose by 26.6% year on year. House prices in the lower price segment moved sideways, while contracting by 6.4% in the lower price segment. Year to date data shows that house prices in Aranos and Keetmanshoop are on the increase, while house prices contracted in Mariental and Luderitz. But caution must be exercised when looking at these numbers as the volumes are very thin and thus may distort longer term trends.

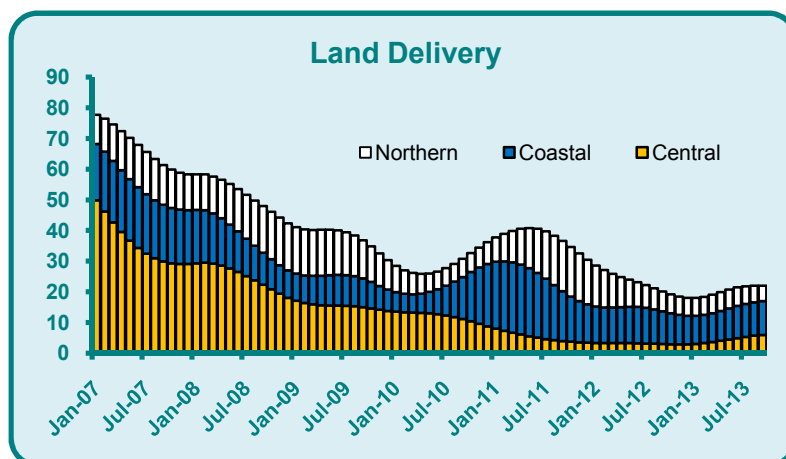


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

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	237,500	-6%	-21%	54%
Aranos	360,000	306,000	577,500	450,000	300,000	439,000	22%	-24%	46%
Eenhana	202,000	196,647	190,000	297,000	371,000	427,500	112%	125%	15%
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	315,900	9%	43%	-31%
Henties Bay	500,000	427,013	520,000	668,500	720,000	692,000	38%	33%	-4%
Katima Mulilo	176,000	200,000	280,750	249,000	201,855	359,000	104%	28%	78%
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	279,000	28%	-7%	-21%
Mariental	294,200	265,000	290,000	395,000	438,500	365,000	24%	26%	-17%
Okahandja	250,000	265,500	347,000	360,000	470,000	500,000	100%	44%	6%
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	409,600		37%	19%
Ondangwa	280,000	230,500	249,050	337,500	412,000	465,748	66%	87%	13%
Ongwediva	288,000	337,000	437,400	417,800	398,000	419,000	45%	-4%	5%
Oshakati	216,000	300,000	480,575	351,500	385,000	383,000	77%	-20%	-1%
Oshikango	1,000,000	340,000	450,000	268,300	386,500	374,050	-63%	-17%	-3%
Oshikuku	255,500	294,000	375,000	311,500	359,000	245,000	-4%	-35%	-32%
Otavi	202,000	202,000	350,000	388,500	320,000	370,000	83%	6%	16%
Otjiwarongo	308,000	300,000	352,800	398,000	544,000	585,000	90%	66%	8%
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	364,000	35%	38%	31%
Swakopmund	380,000	468,000	600,000	568,000	664,000	712,500	88%	19%	7%
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	430,000	24%	169%	111%
Walvis Bay	296,900	325,000	431,000	370,000	400,000	447,000	51%	4%	12%
Windhoek	386,000	453,300	500,000	610,000	750,000	845,000	119%	69%	13%
Namibia	335,000	355,000	402,000	435,000	545,000	535,000	60%	33%	-2%

Land Delivery

Land delivery continued to move sideways at very low levels which do not support population growth as a mere 14 stands were mortgaged through the month at an average price of N\$70/m². Land delivery was weak as usual for the central property market where one stand was mortgaged for N\$194/m², while 10 stands were mortgaged at the coast for N\$62/m² and 2 stands were mortgaged in the northern property market for N\$64/m². Developers mortgaged a further 44, 320m² of land through the month, with a maximum yield potential for 68 freestanding homes. That is a cumulative 6,886 free standing homes for 2013 to date and is 184% higher than the same period last year, which suggests increased developer activity for the first 9 months of in 2013.



Mortgage advances

According to Bank of Namibia data, net mortgage advances grew by 13.1% year on year through September with N\$249m worth of mortgages extended to consumers. A breakdown of the Deeds data shows that gross mortgage advance was fueled by mortgages extended to properties in the middle price segment. Mortgage advances in the middle price segment accelerated by 40.3% year on year. Mortgages to the lower price segment increased by 16.9% on account of rising volumes traded and house prices in the lower price segment. Mortgages extended to the upper price segment grew by 11% year on year, however, 63.7% of all mortgages were extended to the upper price segment and thus concentration of mortgages remain stubbornly high in the upper price segment.

Knight Frank Global House Price Index

Rank	Country	12 month	6 month	3 month	Rank	Country	12 month	6 month	3 month
1	Dubai	28.5%	11.8%	4.5%	29	Norway	2.9%	0.8%	-1.8%
2	China	21.6%	9.7%	5.5%	30	Canada	2.7%	3.8%	1.4%
3	Hong Kong	16.1%	3.4%	1.8%	31	Belgium	2.2%	0.3%	-0.1%
4	Taiwan	15.4%	11.9%	7.4%	32	Latvia	2.0%	1.8%	0.8%
5	Indonesia	13.5%	4.5%	2.3%	33	Lithuania	1.3%	5.3%	0.0%
6	Turkey	12.5%	7.7%	3.8%	34	Czech Republic	1.2%	1.0%	0.7%
7	Brazil	11.9%	6.1%	3.0%	35	Malta	1.1%	0.0%	-1.5%
8	Colombia	11.8%	5.9%	2.7%	36	Finland	1.1%	1.1%	-0.2%
9	Germany	11.2%	9.8%	4.9%	37	Morocco	0.5%	-0.3%	0.7%
10	United States	11.2%	10.5%	3.2%	38	Jersey	0.3%	-0.5%	3.4%
11	Ukraine	10.9%	4.0%	2.3%	39	Romania	-0.2%	4.3%	0.0%
12	Malaysia	10.2%	5.1%	1.3%	40	Slovenia	-0.3%	4.5%	0.1%
13	South Africa	8.6%	3.1%	1.4%	41	South Korea	-0.7%	0.4%	0.1%
14	Estonia	8.4%	4.5%	-0.6%	42	Poland	-0.9%	-0.3%	0.8%
15	Australia	7.6%	4.6%	1.9%	43	France	-1.1%	-0.3%	0.7%
16	Denmark	7.4%	4.8%	3.3%	44	New Zealand	-1.1%	-0.3%	0.7%
17	Israel	7.4%	2.2%	2.4%	45	Portugal	-1.5%	3.4%	0.0%
18	Iceland	6.0%	5.2%	1.8%	46	Slovakia	-1.6%	-1.6%	-0.8%
19	India	5.9%	-0.1%	-1.7%	47	Bulgaria	-1.8%	-0.2%	-0.1%
20	Russia	5.2%	2.4%	1.3%	48	Japan	-2.2%	-1.0%	-0.5%
21	Austria	5.0%	3.5%	1.6%	49	Netherlands	-4.5%	-1.6%	0.4%
22	Luxembourg	4.9%	4.5%	1.2%	50	Italy	-5.1%	-3.1%	-1.6%
23	Singapore	4.6%	2.0%	0.6%	51	Hungary	-5.6%	-3.0%	-2.2%

24	Mexico	4.4%	3.2%	0.9%	52	Cyprus	-5.9%	-4.1%	-2.5%
25	United Kingdom	4.3%	4.8%	2.2%	53	Namibia	-6.9%	5.6%	1.9%
26	Ireland	3.6%	6.4%	4.0%	54	Greece	-9.1%	-3.3%	-1.0%
27	Switzerland	3.2%	1.2%	0.8%	55	Spain	-12.0%	-7.3%	-0.8%
28	Sweden	3.2%	3.2%	1.6%	56	Croatia	-19.7%	-13.7%	-6.5%

Source: Knight Frank Global House Price Index and own calculations

According to the Knight Frank Global House Price Index, international property prices increased by 4.6% in the third quarter, with 69% of the monitored housing markets recording positive house price movements and therefore suggesting that global house price markets continued to gain traction during the third quarter on the back of UK and US house market recovery and double digit price growth in key Asian markets. Back home, Namibia continued to slip down the global rankings from 40th in the second quarter to 53rd in the third. Local house price contracted by 6.9% on the back of high base effects, keeping in mind Namibia property prices spiked towards the end of 2012, where the country had the 4th highest house price inflation in the world. Since then house prices have contracted over the past year. With European economies dominating the bottom half of the global house price rankings, it is hardly surprising that the FNB Estate Agent Survey shows that the proportion of European buyers continued to increase during the second quarter. South African house prices on the other hand performed a lot better than Namibia, which explains why the FNB Estate Agents Survey shows that the proportion of South African buyers contracted during the third quarter.

Conclusion

The local housing market remained under pressure as prices deflated during the third quarter, with real house prices contracting though the quarter. This was mainly due to house prices contracting the central and coastal property markets' middle price segment on the back of increased supply of housing units in the coastal property markets lower price segment and the northern property markets middle price segment. This is in line with our earlier forecasts which based on the upper price segment being saturated and hence supply was expected to move down the property ladder to the middle price segment and hence the lower house prices. We expect house prices to contract during the fourth quarter as supply in the middle price segment continues to improve and speculative buying diminishes as short term returns contract.

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.