

Housing Demand Signals Recovery

This report covers the developments in the national housing price index for March 2009. The data is based on bonds registered at the Deeds Office. We exclude bonds smaller than N\$100,000 and further bonds, which do not reflect the 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. We use weighted indices to counter disparities between areas.

FNB National Housing Index

Year on year median house prices across the country fell by 17% from N\$350k to N\$290k in March 2009. This effectively dropped the FNB House Price Index by 6.5 basis points. We find that the house prices are falling across all house

sizes but are more pronounced for small and large houses. Small house prices fell by 12.5%, medium by 5.9% and large houses by 13.6%. Brand new low cost housing is pulling down median house prices in the small house segment, while over supply is hurting the medium to large house segment. The decline in the national house price index lifted the housing demand index by 2 basis points, with 280 houses registered at the Deeds Office in March. The number of small and large houses registered at the Deeds Office increased by 21.1 and 26.9 percent respectively, while the number of medium houses dropped 8.3% on an annualized basis.

Housing Price Index

The house price index for the central part (Windhoek and Okahandja) of Namibia fell 6.7 basis points. This was the result of a 13% price decrease in small and large houses as

Table 1: Weighted National Housing Index (base = January 2008)

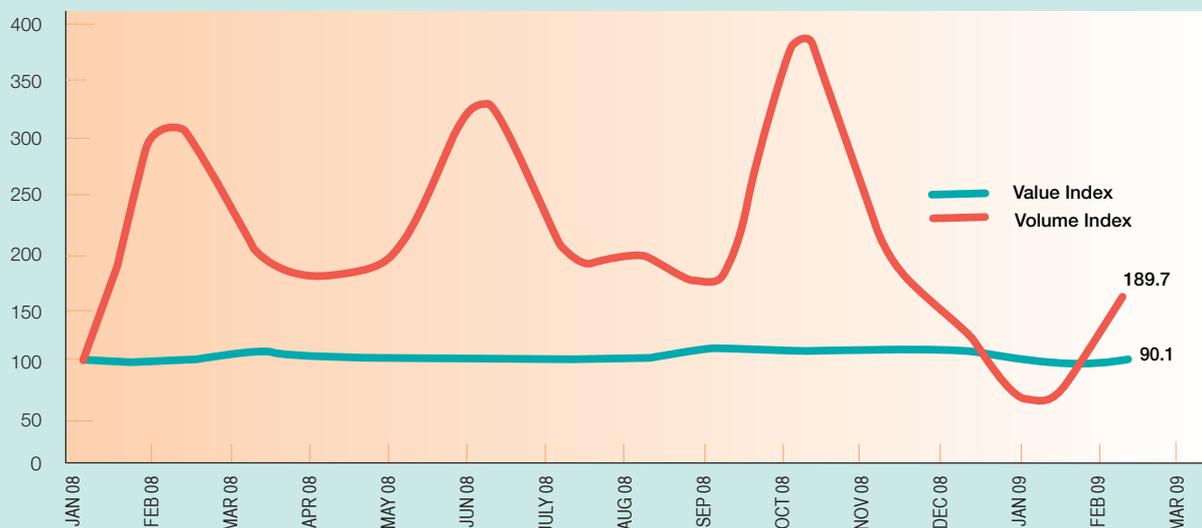
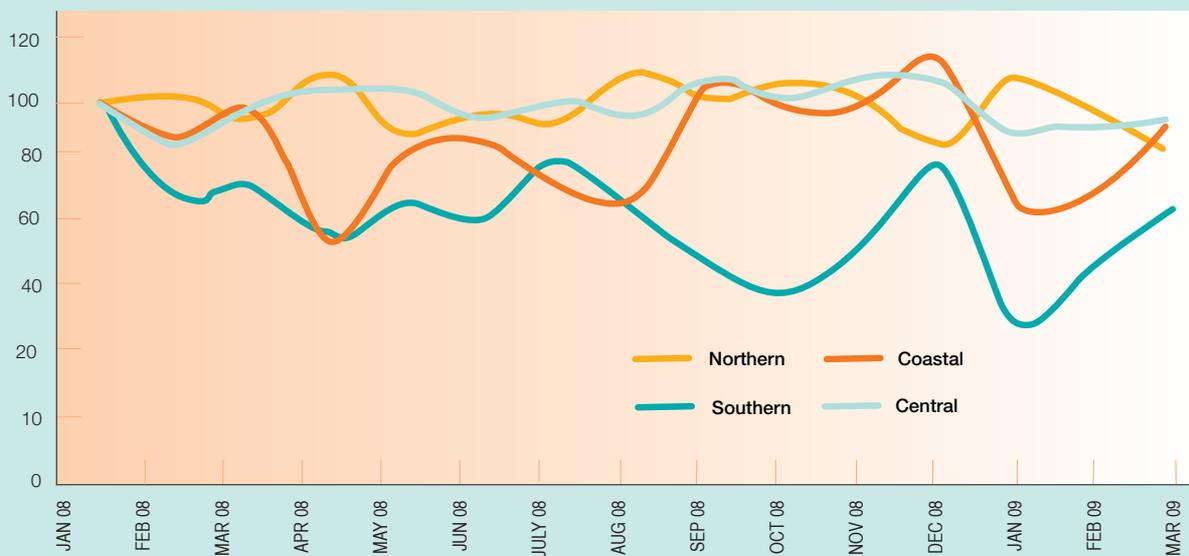


Table 2: Housing Price Index



the mix of houses changed, while house prices for medium sized properties moved sideways. The latter change is mainly on account of the municipal land auction in November. Small houses now cost N\$238k, medium houses N\$500k and large houses N\$1,084k. The annualized median house price index for the coast fell by 4.6 basis points, driven by large coastal homes which fell 9.5%, while small and medium houses appreciated 2 and 5.4 percent respectively. Small houses now cost N\$244k, medium houses N\$580k and large houses N\$860k. The houses price index for the north fell by 7.5 basis points as small and medium houses shed 12.6 and 25.8 percent, respectively. Small northern homes now cost N\$205k, medium houses N\$445k and large houses N\$800k. Despite house numbers being very thin in the south, the house price index shed 8 basis points. Small and medium

houses shed 32 and 13.7 percent respectively, with small, medium and large houses now costing N\$189k, N\$490k and N\$1,160k, respectively.

Housing Volume Index

For the duration of March 280 houses were registered at the Deeds Office. There was increased demand for housing on the back of falling interest rates. Therefore, the house volume index in the central parts surged 26.2 basis points due to increased demand for all types of properties. However, the demand for larger properties only increased by 5%, whereas smaller, medium and larger houses, surged by 19.4 and 22.9 percent. The housing index at the coast fell by 165 basis points primarily due to small and medium size housing, for which demand fell 43.6 and 66.7 percent,

Table 3: Housing Volume Index

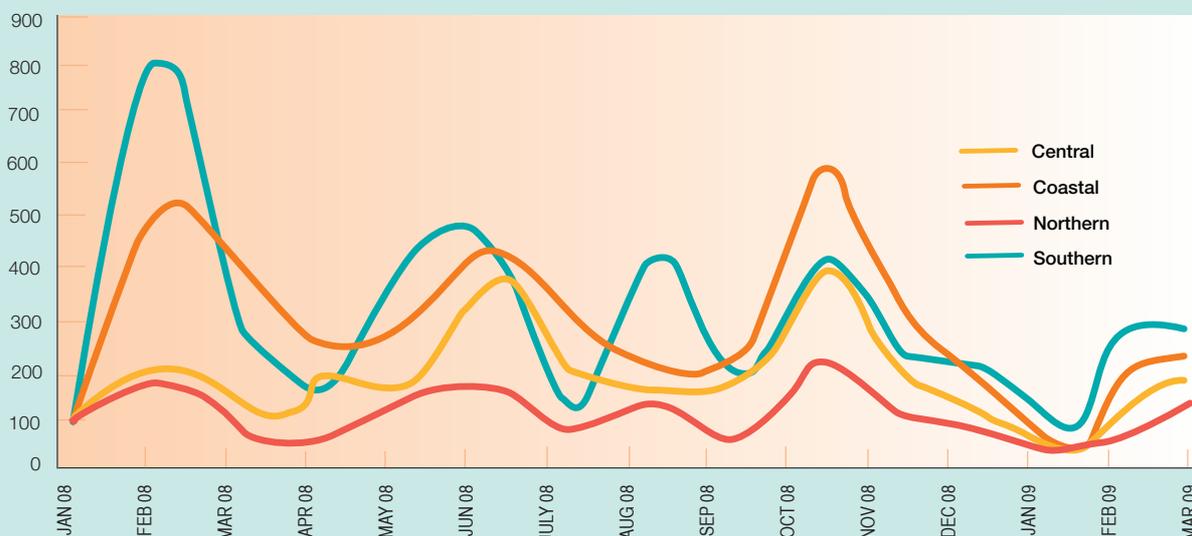
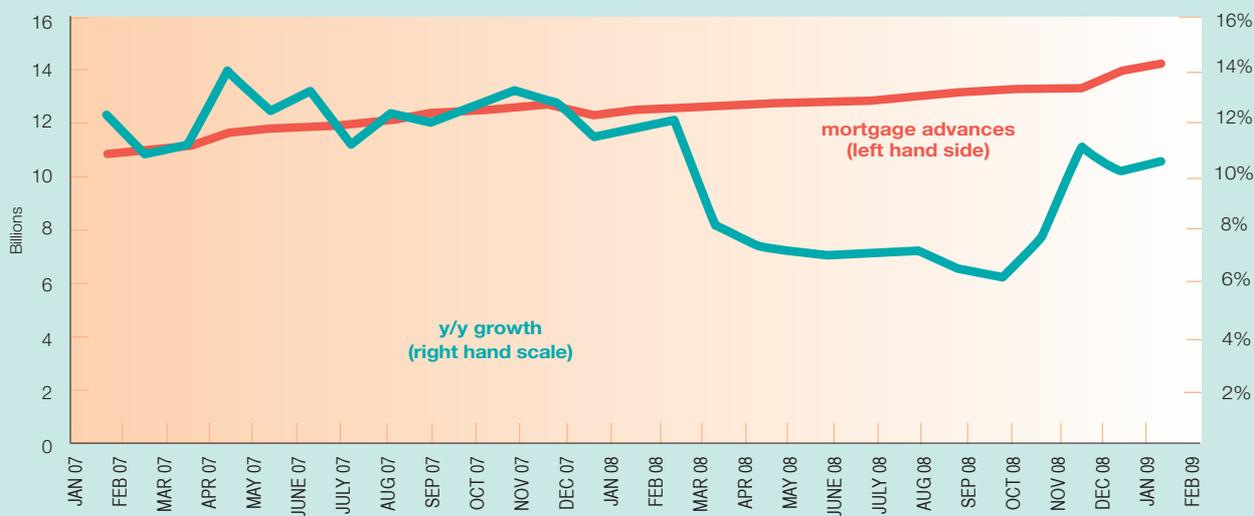


Table 4: Mortgage Advances Growth



Source: Bank of Namibia

respectively. Demand for large coastal homes did however increase 28.6% year on year. The housing volume index in the north surged 88.5 basis points as the number of small and medium houses increased by 129%. This was due to the introduction of brand new affordable housing stock. We find that the demand for medium houses surged 37.5%. Housing demand in the south moved sideways, as demand for small houses fell 20% and demand for medium houses increased 50%.

Residential Mortgage Advances

On an annualized basis, mortgage advances growth appears to be recovering from its 2008 slump, growing by 10.3% to N\$14.6bn in March. The prevailing interest rate regime has started to stimulate consumer appetite for mortgages, unlike SA where mortgage advances continue to decline.

Conclusion

Going forward, we expect the FNB house price index to stabilise at levels that are conducive for good volume growth across all price segments. The introduction of brand new low cost housing will provide welcome relief to first time home owners in the small house segment and with more

houses due for delivery we expect median house prices in the segment to come down to N\$195k as the supply price mix adjust with a downward bias. This trend might put downward pressure on medium houses. Stabilizing house prices along with the lower interest rates are exciting buyers and increasing demand. With an estimated 1,500 properties on the market we expect this buyers market to prevail for three to four months. Thereafter we foresee demand outstripping supply as the year progresses and the economy recovers with greater stability in the FNB house price index.



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Methodology: The FNB House Price Index is based on the median house price from Deeds Office data.

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