

HOUSING INDEX

April 2013

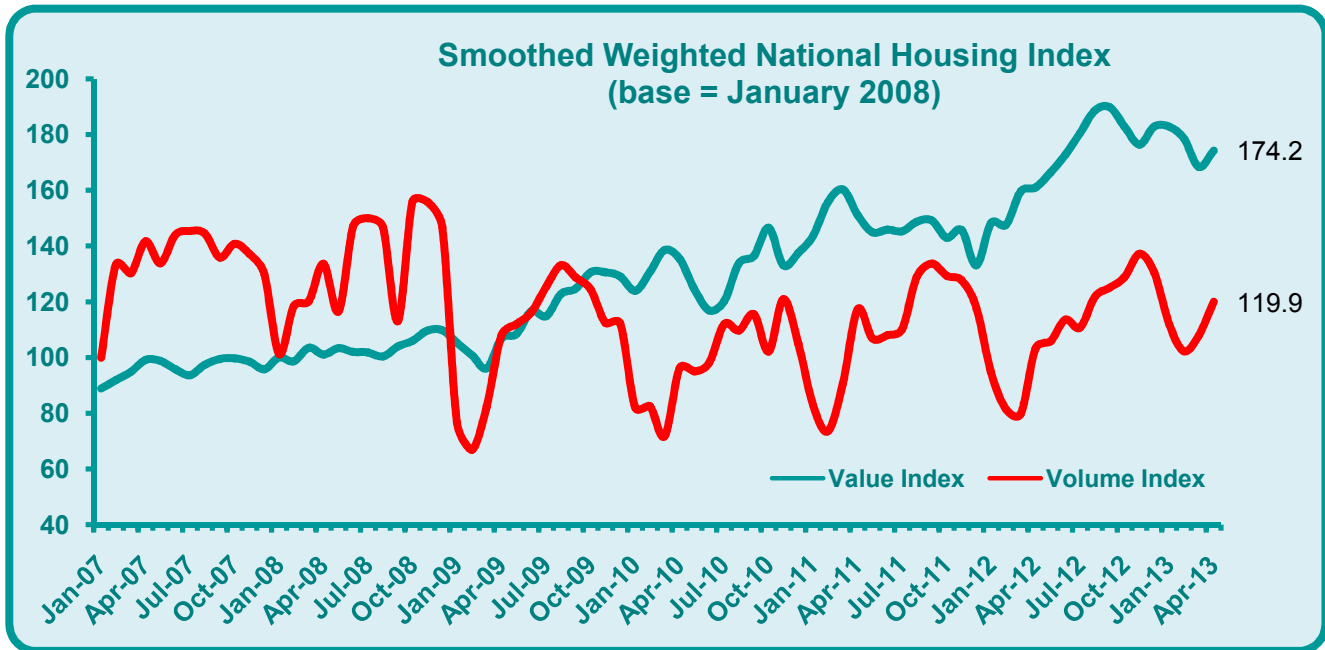
Moderating House Prices



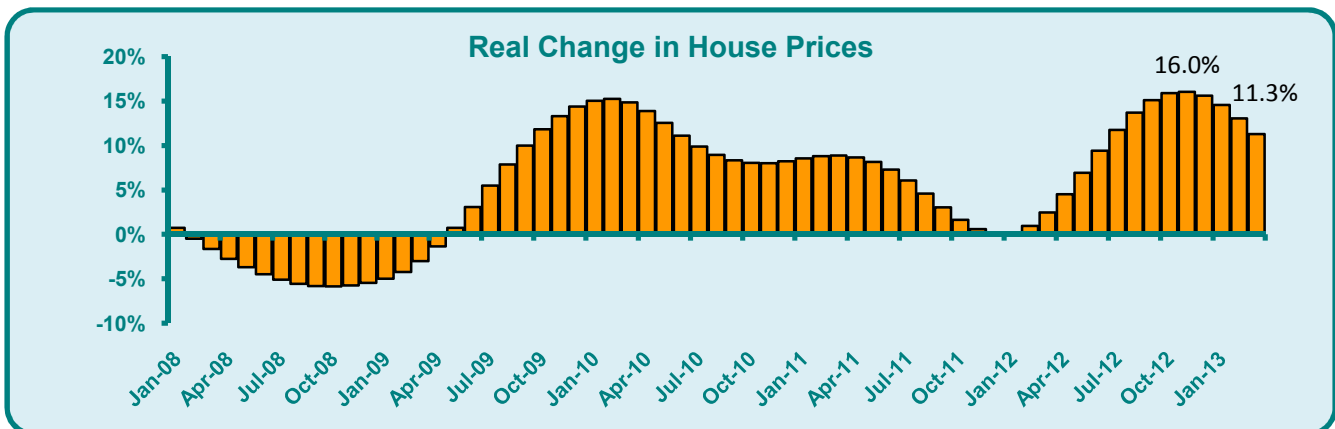
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The FNB House Price Index regained some lost ground as the index increased by 3.5% through April. However, the price index remains 8% lower than its September 2012 peak, and this has decelerated the annualised house price movement to 8.2% year on year growth from last year December's 25% increase. There was a fair amount of downward price pressure in the lower price segments across the whole country, while house prices in the upper price segment are accelerating at a much slower pace than they did in 2012 and therefore the general trend shows that house prices continue to moderate. This was coupled with an overall increase in housing volumes, where house volumes grew by 11.2% month on month and 16% year on year. Land delivery remained weak and thus did not contribute much to the rising housing supply volume. However, developer activity accelerated to 2.3 million square meters of land with a maximum yield potential for 5,400 free standing homes. This would bring the cumulative yield potential to 6,740 free standing homes for the first four months of 2013 and should sustain volume growth over the next year or two.



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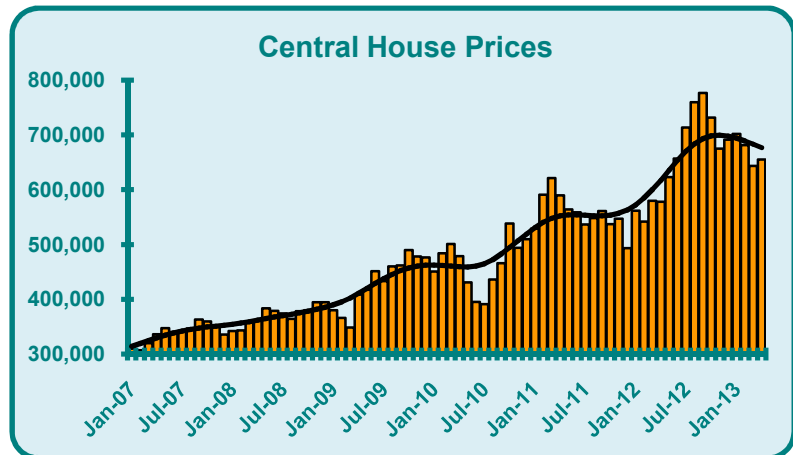
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

Median House Prices and month on month % change

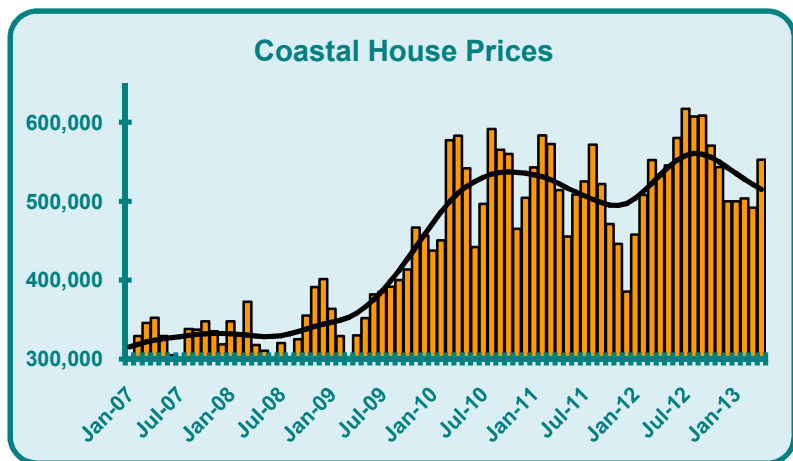
	Small		Medium		Large	
Central	N\$ 266,000	-3.6%	N\$ 571,667	-1.7%	N\$ 1,392,333	0.2%
Coastal	N\$ 261,448	-4.5%	N\$ 563,333	1.7%	N\$ 1,364,333	2.5%
Northern	N\$ 283,973	-3.7%	N\$ 492,833	0.2%	N\$ 945,833	0.7%
Southern	N\$ 193,127	-19.4%	N\$ 602,300	11.9%	N\$ 1,122,500	-3.4%

House Prices

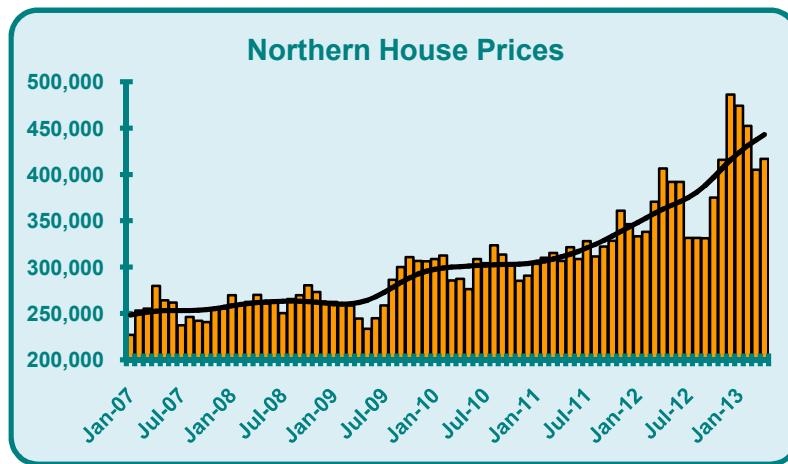
Central property prices increased by 1.8% month on month and thus decelerated the annualised growth rate from 25% in March to 13% in April. The general price trend remains negative with median house price in the central property market down from N\$800k in July 2012 to N\$730k. The downward price pressure stemmed from the lower price segment, where property prices fell by 3.3% year on year. The year to date figures shows that house prices contracted in Windhoek, Gobabis and Okahandja. It is worthwhile to note that volumes have increased by 6% month on month and were up by 1% from the same period last year, particularly in the lower and upper price segments. Land delivery remains of concern in the central market and for the month of April, no vacant land was mortgaged by individuals nor developers. Therefore the cumulative developer activity for the central market remained at 306,280m² of land with a maximum yield potential of 720 free standing houses. This is an improvement from previous years activity.



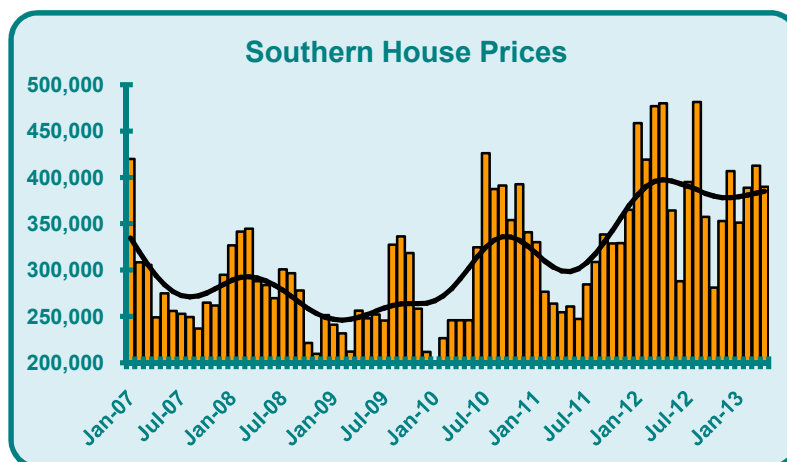
Coastal property prices were back on the front foot, increasing by 12.3% month on month to bring the annualised growth in coastal property prices to 3.9%. House price growth stemmed from properties in the upper price segment which grew by 5.4% over the past year, while property prices in the lower price segments contracted by 11.4% year on year. Year to date data shows that Henties Bay property prices have fallen by 4%, Walvis Bay property prices have fallen by 3%, while Swakopmund property prices have increased by 9% and thus largely responsible for the rising house prices at the coast. The coastal market continued to enjoy substantial volume growth, and April was no different with volumes accelerating to 66% year on year growth. Land delivery weakened as a mere 6 stands were mortgaged with an average price of N\$174/m², which was 37% higher than the March average. However, developer activity picked up as 2.3 million square meters of land were mortgaged through the month, with a maximum yield potential for 5,400 free standing homes, which is 20% of the current households in the coastal market.



Although northern property prices are down 14% from the December peak, the overall price trend remains positive, with house prices increasing by 2.9% in the month. Longer term price movements are also positive and are up 2.6% from the same period last year. Housing supply increased by 16 to 20 percent in the month in the lower to middle price segments. The year to date data shows that 11 out of 17 northern towns posted positive price growth despite the strong volume growth during April. Land delivery remained subdued with 4 stands mortgaged at an average price of N\$131/m² - zero developer activity was registered for the month.



Southern property prices remained volatile due to very thin volumes as house prices fell by 5.5% month on month to bring the year on year price growth to -18.8%. Data further shows that properties in the lower price segment came under downward price pressure and were largely responsible for the overall decline in southern property prices. Luderitz property prices remained 21% below the 2012 median, Keetmanshoop property prices rose 13% year to date, while Mariental property prices fell by 23%. 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.

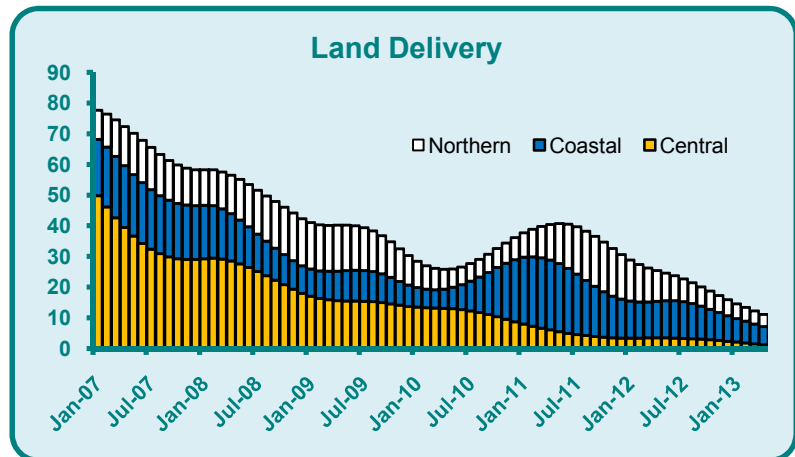
Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	YTD
Arandis	254,000	150,000	300,000	153,000	154,000	190,000	-25%	-37%	23%
Aranos	360,000	306,000	577,500	450,000	300,000	387,750	8%	-33%	29%
Eenhana	202,000	196,647	190,000	297,000	371,000	440,000	118%	132%	19%
Gobabis	240,000	315,375	306,000	450,000	435,000	398,500	66%	30%	-8%
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	692,000	38%	33%	-4%
Katima Mulilo	176,000	200,000	280,750	249,000	201,855	320,000	82%	14%	59%
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	279,000	28%	-7%	-21%
Mariental	294,200	265,000	290,000	395,000	438,500	337,000	15%	16%	-23%
Okahandja	250,000	265,500	347,000	360,000	470,000	456,500	83%	32%	-3%
Okahao	258,500	302,000	262,250	371,400	290,000				
Omaruru	420,000	450,000	300,000	161,482	537,500	324,000	-23%	8%	-40%
Omuthiya			299,200	331,500	343,000				
Ondangwa	280,000	230,500	249,050	337,500	412,000	500,000	79%	101%	21%
Ongwediva	288,000	337,000	437,400	417,800	398,000	409,500	42%	-6%	3%
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			

Oshikuku	255,500	294,000	375,000	311,500	359,000	380,000	49%	1%	6%
Otavi	202,000	202,000	350,000	388,500	320,000	412,500	104%	18%	29%
Otjiwarongo	308,000	300,000	352,800	398,000	544,000	722,000	134%	105%	33%
Outapi	237,050	235,300	216,519	294,000	366,000	375,500	58%	73%	3%
Outjo	350,000	410,000	378,000	396,500	403,000	440,000	26%	16%	9%
Rundu	269,000	182,391	264,000	293,320	278,000	311,155	16%	18%	12%
Swakopmund	380,000	468,000	600,000	568,000	664,000	725,000	91%	21%	9%
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	389,200	31%	-10%	-3%
Windhoek	386,000	453,300	500,000	610,000	750,000	729,000	89%	46%	-3%
Namibia	335,000	355,000	402,000	435,000	545,000	550,000	64%	37%	1%

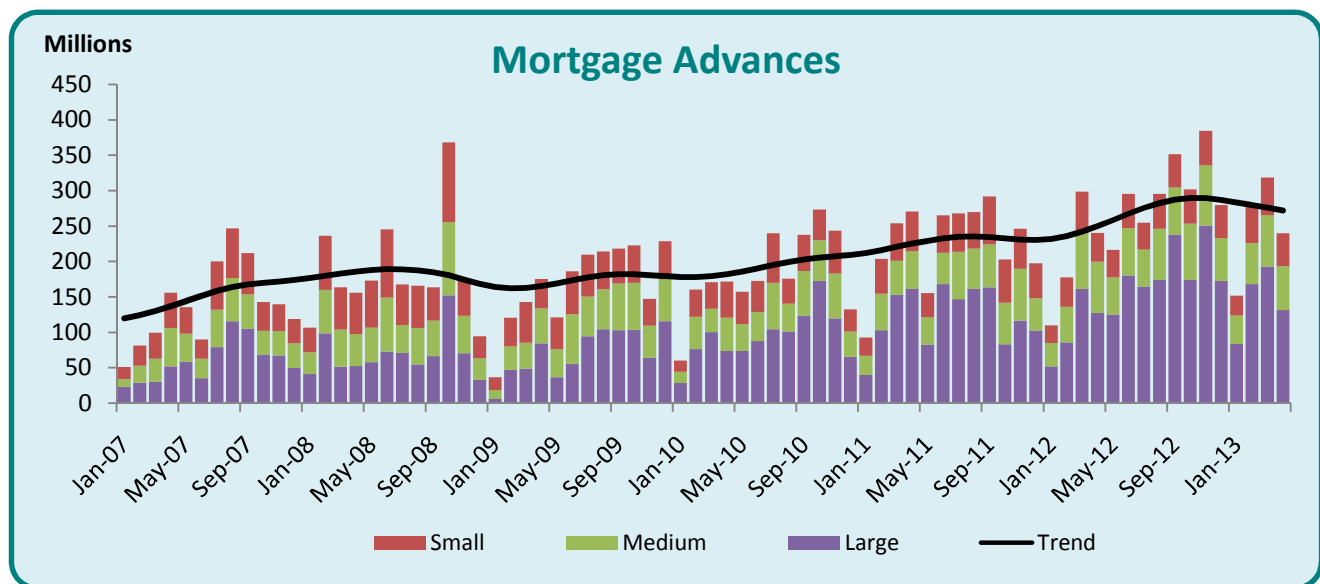
Land Delivery

Overall land delivery continued to weaken. A total of 13 vacant stands were mortgaged during the month at an average price of N\$157/m², which was 41% higher than the March average. Once again the coastal property market was the leading supplier with 6 stands mortgaged at an average price of N\$174/m², which was 37% higher than the March average. The northern property market supplied the second most stands, where 4 stands were mortgaged for an average price of N\$131/m². Land delivery in the central property markets remained subdued with 0 stands mortgaged.

Developer activity increased to 2.3 million square metres of land mortgaged through the month with a maximum yield potential for 5,400 free standing homes. Land delivery was limited to the coastal market though, where this would increase the current housing stock by 20% if developed.



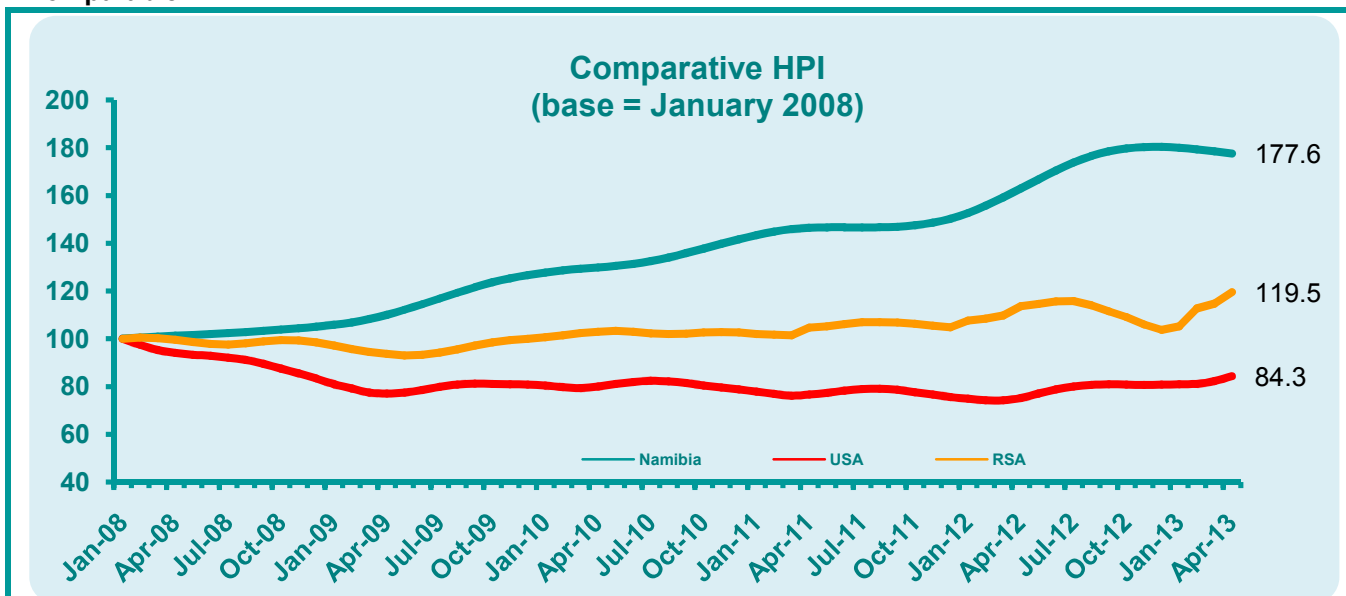
Mortgage advances



According to Bank of Namibia data, net mortgage advances grew by 12.8% year on year through April. BoN data also shows that the growth rate in net mortgage advances slowed down from 14.3% in February to 12.8% in April, despite increases in both house prices and volumes traded. The Deeds data shows that gross mortgage advances fell by 24.3% month on month from N\$320 million to N\$242 million and thus resulting in the deceleration in overall mortgages advanced as reported by the Bank of Namibia. Most notable was the

deceleration of mortgages to properties priced over N\$800k, where annualized mortgage advance growth decelerated from 114% in November 2012 to a mere 3.2% in April or N\$131.3m. This has had a significant impact on total mortgages because advances to the upper price segment accounted for 54% of the total advances for the month of April. Less mortgages flowed to the middle price segment, where mortgage advances contracted by 13.9% to N\$62.2m. Although gross advances to the lower price segment increased by 12.7% year on year, the gross advances for the month remain very lower considering historical levels used to average N\$60m.

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 local house prices continue to decelerate due to downward price pressure in the lower price segments across the country and decelerating house prices in the upper price segment and an overall slowdown in mortgage advances. The SA HPI showed renewed growth acceleration, with the year-on-year house price growth rate at 5.2% due to a noticeable increase in demand for residential property after a period of low, strike-affected, economic growth late in 2012. In the US, the S&P/Case-Schiller Home Price Indices increased by 2.5% month on month and is the highest monthly growth in the index's history and the largest year on year gains in seven years with 12.1% year on year growth, despite rising mortgage rates. 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

Volumes improved further during April and although they remain a long way from the pre-financial crisis levels. Developer activity has picked up and thus future housing supply prospects look favourable. Although the higher housing supply has mostly been concentrated in the upper price segment, more signs of market saturation are appearing in the upper price segments – e.g. mortgage advances decelerating along with moderating house prices. We expect housing delivery to shift towards the middle price segment and thus moderating house prices even further 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.