

RECOVERING HOUSE PRICES

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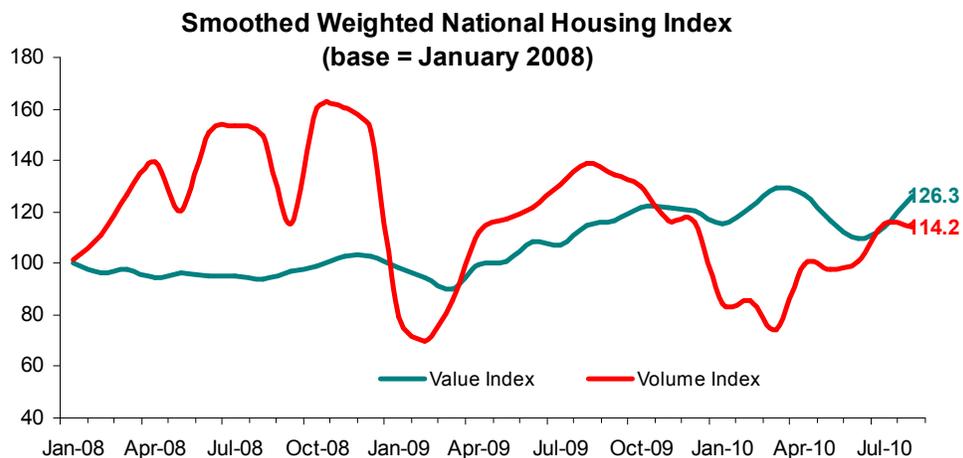
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Methodology
The FNB House Price Index is based on the median house price from Deeds Office data.

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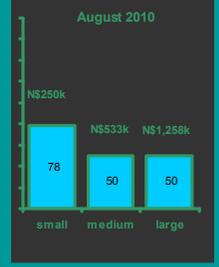
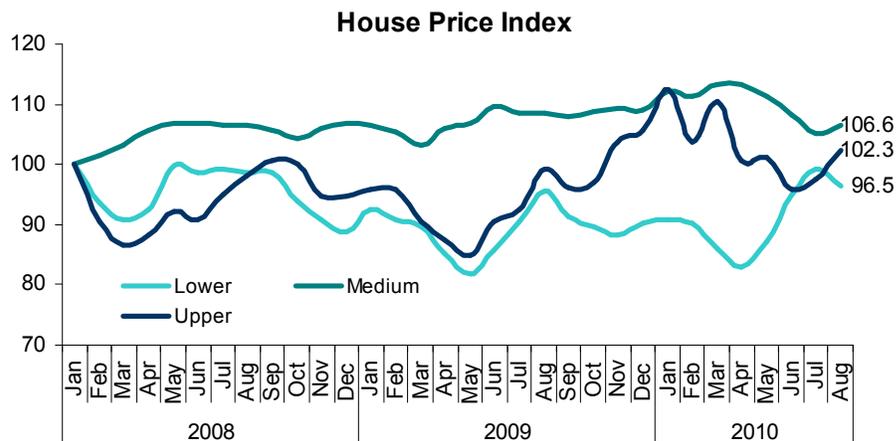
This report covers the developments in the national housing index for August 2010. The data is based on bonds registered for natural persons at the Deeds Office. Data has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 and further mortgage bonds are excluded because 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.

FNB National Housing Index



The FNB House Price Index gained 12.4 basis points to end the month at 126.3 basis points. This brings the year on year increases to 11.5 basis points or 10% nominal growth. This growth came at the expense of volumes, where the FNB Volume Index fell 1.5 basis points month on month and 24.6 basis points on an annualised basis. Volumes were particularly thin in the lower price segments, where a mere 78 properties were registered at the Deeds Office as apposed to 172 in July.

House Price Index

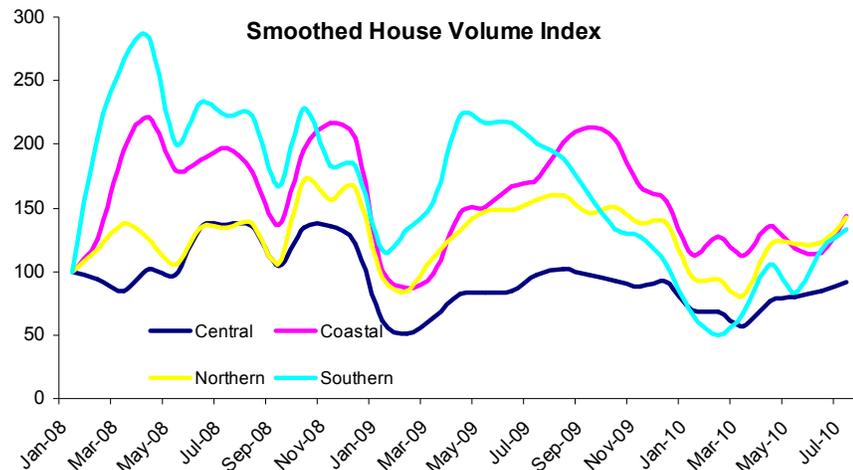


On an annualised basis median house prices have increased 10% year on year. We find that median house prices in the lower price segment have increased 0.9%, with most of the median price improvements coming from houses in the lower price segment in the central and coastal areas, while median house prices in the northern and southern lower price segment declined 3 – 21 percent annually. Median house prices in the lower price segment ranged from N\$171k to N\$270k with an average of N\$250k, down from N\$256k in the previous month. Therefore median prices in this segment are trending downwards in the shorter term. Month on month, median prices for houses in the lower price segment have decelerated to minus 5.6%. As for houses in the medium price segment, median prices have declined 1.9% year on year, while month on month data suggest that the declines continue to moderate. Median house prices in the medium price segment ranged from N\$541k to N\$550k with an average of N\$533k. Median prices for property in the upper price segment have increased by 2.9% year on year, with price movements in this price segment trending downwards in the shorter term, due to significant downward price pressures in the central area. Median prices for house in the upper price segment across the rest of the country moved into positive growth in August. Overall, median house prices in the upper price segment ranged from N\$840k to N\$1,261k with an average of N\$1,258k due to strong bias towards the top end of the prices segment.

Median House Prices			
	Lower	Medium	Upper
Central	270,000	540,833	1,261,900
Coastal	241,600	545,167	1,180,000
Northern	250,900	549,698	926,667
Southern	171,062	543,000	840,000

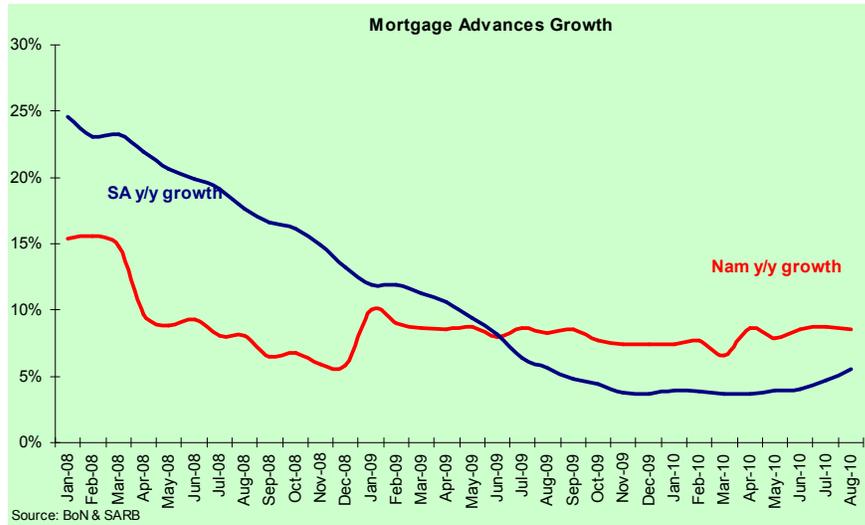
Housing Volume Index

The FNB Volume Index is battling to find meaningful direction. Total properties registered came in at 247 properties as apposed to 335 properties during the previous month. Therefore the volume index is down 24.6% on an annualised basis, due to limited trading in the small



and medium price segments. Small priced house volumes are down 23 percent, with volumes drying up in the southern, coastal and northern towns. No where was this more evident than in Keetmanshoop for the south, Walvisbay and Swakopmund at the coasts and Katima, Grootfontein and Outapi in the north. 21% fewer medium priced houses were traded during August. Year on year costal volumes for medium priced homes are up 31% due to increased trade in Swakopmund, as for the rest of the country, volumes were down, especially in central and the south, where volumes are down 36 and 29 percent respectively. We find substantial decrease in medium priced house volumes in Windhoek for central and in Luderitz for the south. Volumes in the large hose price segment continued to grow, this time by 6.6% year on year. This has shifted the property mix more towards the higher end of the property scale, with large house priced houses accounting for 22% of all properties as apposed to 20% in July. Central registered 30% year on year growth in this segment while the north registered volume growth in excess of 600%, due to strong volume growth for large priced homes in Oshakati.

Mortgage Advances



Mortgage advances to individuals decelerated to 8.5% year on year, pushing the year to date average from 7.9% in July to 8.0 in August. Although mortgage advances are trending upwards, it is at a slower pace. To this end we find strong growth in the lower, medium and upper price segment. The deceleration in mortgage advances is in the secondary bonds and bonds under N\$100,000 space. Here we find older married couples are shying away from secondary bonds and bonds under N\$100,000.

The average age of the buyers has declined from 41 years to 39 years year to a year, meaning that buyers are getting younger. There are also fewer married couples in the housing market, which seems to be the longer term trend, with more single male or female buyers in the market.

Developer activity in the mortgage space decreased with 7 property deals concluded by developers, covering 57,975sqm (111,357sqm in July). All but one of these bonds were secondary bonds, which indicates that six developments are nearing completion. The majority were in Windhoek, where 36,135sqm of land fell into the hands of developers, followed by Walvisbay with 10,824sqm.

Conclusion

We maintain our bullish outlook on the volume index for the third and fourth quarter as some of the new developments materialise. Volume increases are expected particularly in the lower price segment which should entice first time buyers back to the property market. Because of prevalent even supply bottleneck demand is still expected to exceed supply for the medium to long term. Therefore the FNB House Price Index shall tick upwards for the remainder of the year, but troughs are expected as increased low cost housing delivery occasionally drags down the price index. Current developer activity is further indication towards increased housing delivery over the next 12 months, which should translate into increased housing supply and more stable house prices in the medium to large price segments going forward.