

# HOUSING INDEX

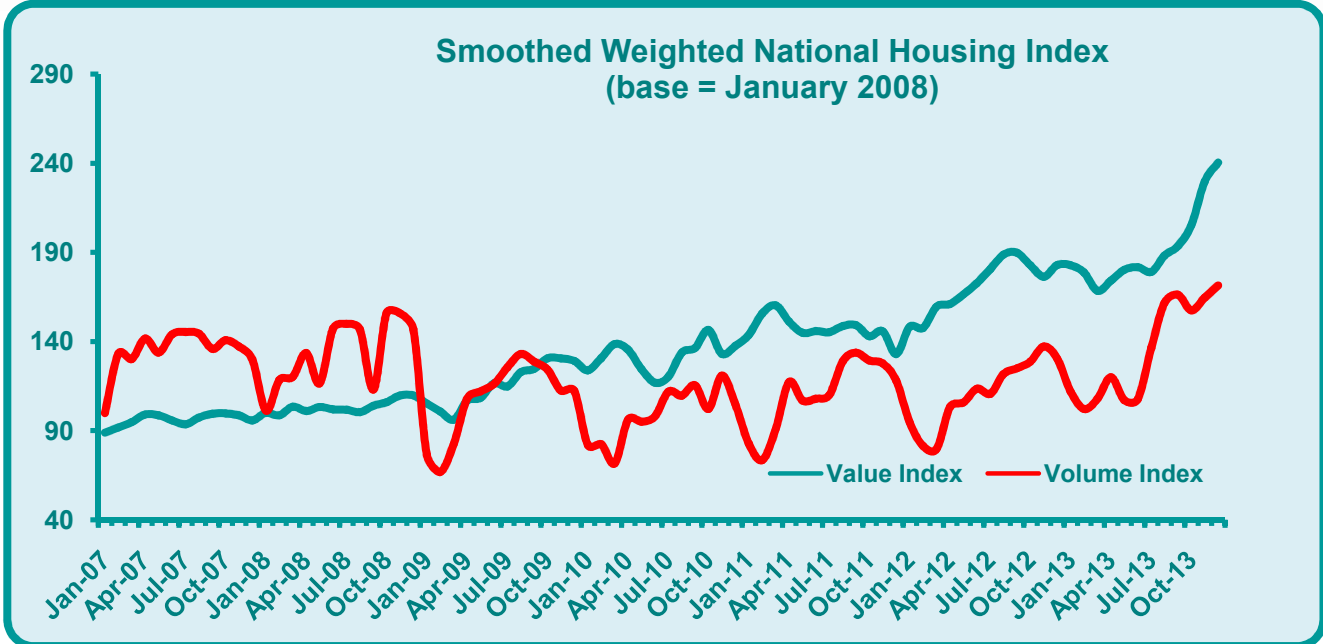
December 2013

House Prices Back On The Increase

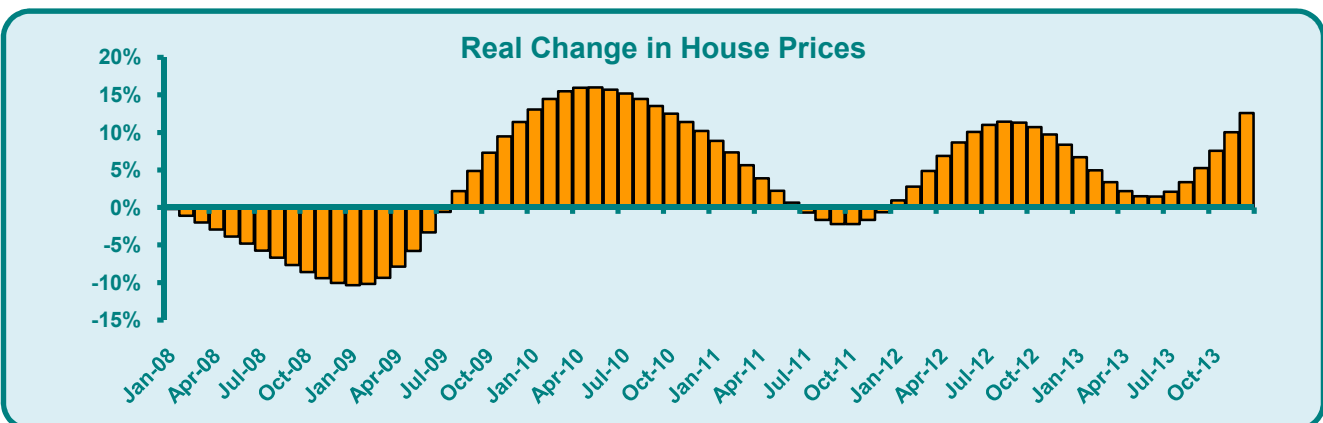


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The FNB House Price Index closed off 2013 on the front foot, increasing by 4.6% during the month to bring the annual increase to a hefty 20.8%. House price inflation was mostly driven by properties in the upper price segment, where property prices increased by 23% year on year, with a median price of N\$1.93m. Property prices in the middle price segment increased by 18% year on year, with a median price of N\$1.1m, while properties prices in the lower price segment increased by 12% year on year, with a median price of N\$481k. Housing supply increased by 33%, with most of the volume growth coming from the lower price segment where volumes rose 40% 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 lower price segment have shot up by 160% over the past year. 48 stands were mortgaged during the month, with 18 mortgaged in the central property market and 11 mortgaged in both the northern and coastal property markets. Developer activity ended 2013 on a strong note with 620,000m<sup>2</sup> of land mortgaged during December. This level of developer activity has a maximum yield potential for 1,450 free standing homes, bringing total developer activity for 2013 to 12,650 free standing homes.



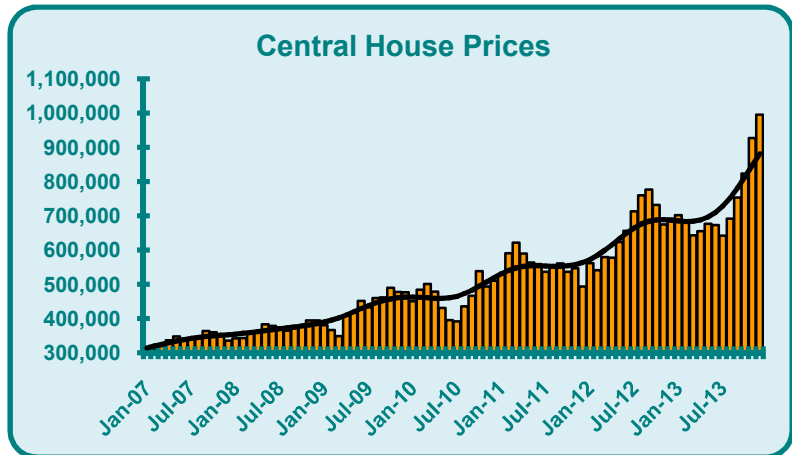
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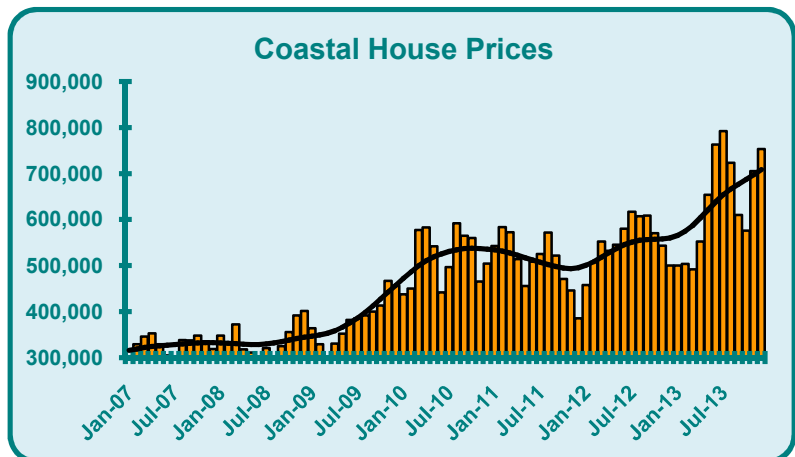
**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable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

## House Prices

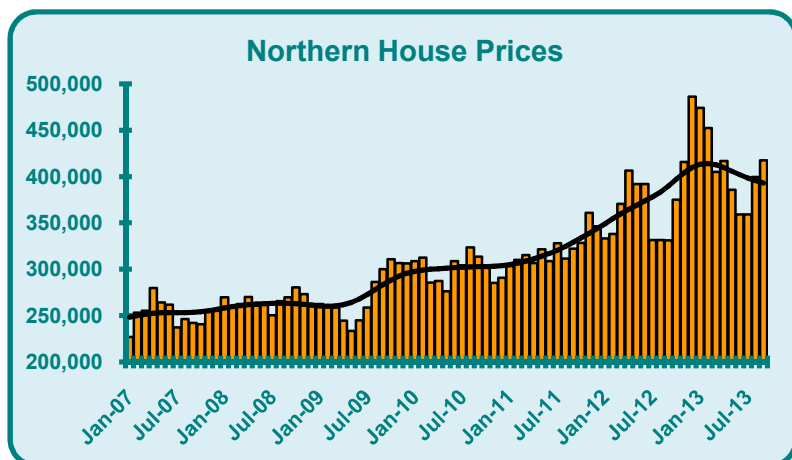
Central property prices increased by 7% month on month, to bring the year on year change to 44% and end the year at a median price of N\$995k. A breakdown of the price segment shows that property prices in the middle to upper price segments increased by 27% and 24% respectively, while property prices in the lower price segment increased by 20% year on year. Therefore, the 44% increase in central property prices was a combination of increasing house prices and a change in the marketing mix towards properties in the middle and upper price segments. The year to date data shows that house prices in Windhoek have risen by 18%, and by 11% in Okahandja, while Gobabis property prices have risen by 15%. On the volume front, there was a 19% 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 middle to upper price segment, with volumes up 22 and 27 percent respectively. Land delivery increased to 18 stands mortgaged an average of N\$491/m<sup>2</sup>. Developers mortgaged a further 445,200m<sup>2</sup> of land during the month, with a maximum yield potential for 1,000 free standing homes.



Coastal property prices increased by 7% month on month or 51% year on year, with a median price of N\$752k. This was due to price increases in the lower price segment where house prices increased by 31% year on year. Property prices in the lower to upper price segment increased by 15 and 12 percent, respectively. The year to date data shows that Walvis Bay property prices have increased by 28%, Swakopmund property prices have increased by 10%, while Henties Bay property prices contracted by 1%. Volumes in the middle to upper price segments grew by 36 and 30 percent respectively. Therefore the 51% increase in the median price was a result of increasing property prices and strong volume growth in the middle to upper price segments. Land delivery weakened at the coast with 11 stands mortgaged for an average price of N\$384/m<sup>2</sup>. A further 337,900m<sup>2</sup> of land was mortgaged by developers at the coast with a maximum yield potential for 790 free standing homes.

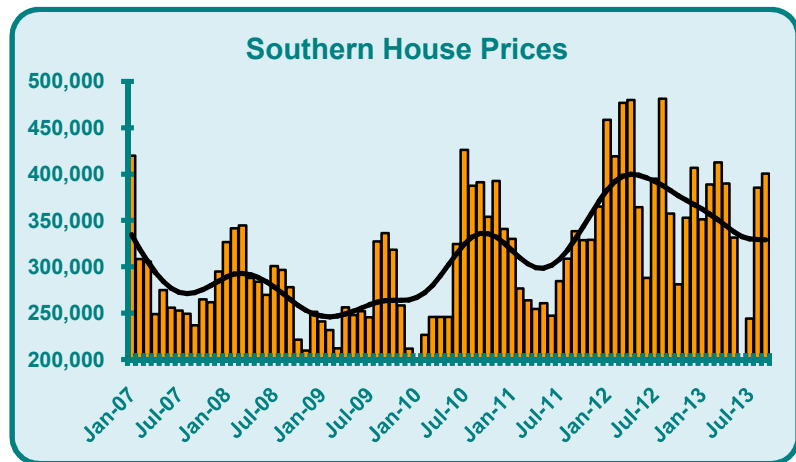


Northern property prices fell by 5% month on month and 14% year on year. This was the result of falling house prices in the upper price segments, where house prices fell by 18% year on year to a median price of N\$2.1m. The northern property market has enjoyed robust volume growth with volumes up 96% year on year. This volume growth came from the lower price segments, where volumes rose 160% year on year. Year to date trends show that house prices in Eenhana, Katima Mulilo, Oshikango, Otavi and Rundu had double digit price growth, while property prices contracted in Grootfontein, Okahao,



Omaruru and Oshikuku. Land delivery wakened in the northern property market as 11 stands were mortgaged in the northern property market for N\$328/m<sup>2</sup>, while developers mortgaged a further 20,200m<sup>2</sup> of land with a maximum yield potential for 45 free standing homes.

Southern property prices fell by 18% month on month, but remain at the same level they were a year ago. There is some degree of downward pressure in the lower to middle price segment, while property prices in the upper price segment have increased. Even though volumes remained very thin in this market, they fell even further during the month, particularly in the lower to middle price segments. 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 as the volumes are very thin and thus have high margins of error.

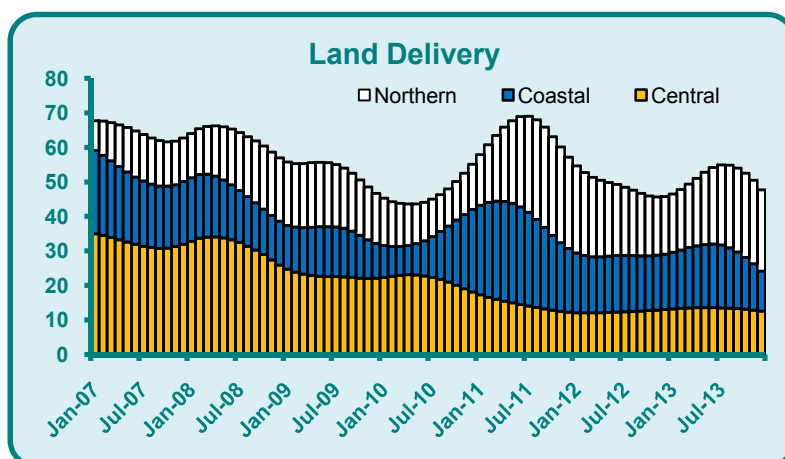


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	1 Year
Arandis	254,000	150,000	300,000	153,000	154,000	230,000	-9%	-23%	49%
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	450,000	123%	137%	21%
Gobabis	240,000	315,375	306,000	450,000	435,000	500,000	108%	63%	15%
Grootfontein	290,500	240,000	221,143	297,500	460,000	375,000	29%	70%	-18%
Henties Bay	500,000	427,013	520,000	668,500	720,000	710,000	42%	37%	-1%
Katima Mulilo	176,000	200,000	280,750	249,000	201,855	323,500	84%	15%	60%
Keetmanshoop	300,000	256,000	268,250	352,500	352,000	373,500	25%	39%	6%
Luderitz	218,000	190,036	300,000	191,821	355,000	224,762	3%	-25%	-37%
Mariental	294,200	265,000	290,000	395,000	438,500	360,000	22%	24%	-18%
Okahandja	250,000	265,500	347,000	360,000	470,000	524,000	110%	51%	11%
Okahao	258,500	302,000	262,250	371,400	290,000	244,305	-5%	-7%	-16%
Omaruru	420,000	450,000	300,000	161,482	537,500	303,000	-28%	1%	-44%
Omuthiya			299,200	331,500	343,000	402,000	#DIV/0!	34%	17%
Ondangwa	280,000	230,500	249,050	337,500	412,000	466,000	66%	87%	13%
Ongwediva	288,000	337,000	437,400	417,800	398,000	405,000	41%	-7%	2%
Oshakati	216,000	300,000	480,575	351,500	385,000	395,000	83%	-18%	3%
Oshikango	1,000,000	340,000	450,000	268,300	386,500	578,000	-42%	28%	50%
Oshikuku	255,500	294,000	375,000	311,500	359,000	302,500	18%	-19%	-16%
Otavi	202,000	202,000	350,000	388,500	320,000	455,000	125%	30%	42%
Otjiwarongo	308,000	300,000	352,800	398,000	544,000	570,000	85%	62%	5%
Outapi	237,050	235,300	216,519	294,000	366,000	420,900	78%	94%	15%
Outjo	350,000	410,000	378,000	396,500	403,000	497,000	42%	31%	23%
Rundu	269,000	182,391	264,000	293,320	278,000	401,000	49%	52%	44%
Swakopmund	380,000	468,000	600,000	568,000	664,000	730,000	92%	22%	10%
Tsumeb	300,000	322,075	350,000	430,000	496,500	500,000	67%	43%	1%
Usakos	348,000	160,000	160,000	206,000	203,500	410,000	18%	156%	101%
Walvis Bay	296,900	325,000	431,000	370,000	400,000	510,000	72%	18%	28%
Windhoek	386,000	453,300	500,000	610,000	750,000	887,500	130%	78%	18%
<b>Namibia</b>	<b>335,000</b>	<b>355,000</b>	<b>402,000</b>	<b>435,000</b>	<b>545,000</b>	<b>552,000</b>	<b>65%</b>	<b>37%</b>	<b>1%</b>

## Land Delivery

Land delivery continued to weaken with 48 stands mortgaged through the month at an average price of N\$389/m<sup>2</sup>. These levels of land delivery fall below demand and hence the increasing price of serviced land. The central property market mortgaged the most land, with 18 stands mortgaged, but also has the most expensive land at an average of N\$491/m<sup>2</sup>. 11 stands were mortgaged at the coasts at an average price of N\$384/m<sup>2</sup>, while 11 stands were mortgaged in the northern property market at N\$328/m<sup>2</sup>. Developers mortgaged a further 620,000m<sup>2</sup> of land through the month, with a maximum yield potential for 1,450 freestanding homes. That is a cumulative 12,650 free standing homes for 2013 to date and is 76% higher than 2012.



## Mortgage advances

According to Bank of Namibia data, net mortgage advances grew by 13% year on year through December with N\$374m 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 lower and upper price segments, whereby mortgage advances increased by 87 and 86% respectively. There was also strong growth amongst further mortgage bonds, which totaled N\$95million for December. Although 45% of the mortgages were registered over properties in the upper price segment, it is not alarmingly high.

## Knight Frank Global House Price Index

Rank	Country	12 month	6 month	3 month	Rank	Country	12 month	6 month	3 month
1	Dubai	34.80%	15.30%		29	Latvia	3.00%	2.00%	1.20%
2	China	27.50%	10.80%	5.00%	30	South Africa	2.8%	2.3%	1.40%
3	Taiwan	15.10%	2.90%	2.00%	31	Denmark	2.6%	1.6%	-0.6%
4	Estonia	14.50%	5.30%	6.00%	32	Germany	2.5%	-1.4%	2.1%
5	Turkey	13.80%	5.70%	2.90%	33	Singapore	1.9%	-0.3%	-0.9%
6	Brazil	12.70%	6.60%	3.50%	34	Belgium	1.8%	2.3%	2.1%
7	Indonesia	11.50%	4.10%	1.80%	35	Lithuania	1.8%	-8.9%	-5.4%
8	Colombia	11.50%	5.60%	1.90%	36	Malta	1.1%	0.5%	2.0%
9	United States	11.30%	2.80%	-0.30%	37	Norway	1.0%	-4.4%	-2.6%
10	Poland	10.20%	9.00%	6.40%	38	Romania	0.8%	-3.2%	-2.4%
11	Malaysia	10.10%	5.10%	1.30%	39	Morocco	0.4%	-0.4%	-1.9%
12	Kazakhstan	9.40%	4.80%	3.30%	40	South Korea	0.3%	0.6%	0.50%
13	Australia	9.30%	5.90%	3.40%	41	Portugal	-0.5%	0.0%	0.0%
14	New Zealand	9.20%	4.40%	1.80%	42	Finland	-0.6%	-3.8%	-2.7%
15	Iceland	8.70%	5.10%	3.20%	43	Czech Republic	-0.9%	-0.1%	-0.70%
16	<b>Namibia</b>	<b>8.62%</b>	<b>18.87%</b>	<b>16.67%</b>	44	Bulgaria	-1.2%	-0.2%	-0.1%
17	Israel	8.60%	2.70%	0.70%	45	France	-1.4%	0.1%	-0.7%
18	Hong Kong	7.70%	0.70%	-0.20%	46	Japan	-1.6%	-0.6%	0.0%
19	United Kingdom	7.00%	5.00%	2.70%	47	Slovenia	-2.3%	0.7%	0.1%
20	Ireland	6.40%	6.70%	2.60%	48	Slovakia	-2.6%	-1.3%	-0.4%
21	Luxembourg	5.50%	1.60%	0.40%	49	Jersey	-2.7%	-1.5%	-4.8%
22	Switzerland	4.60%	1.80%	1.20%	50	The Netherlands	-3.7%	1.2%	0.00%
23	Russia	4.20%	1.80%	0.50%	51	Spain	-4.0%	-2.2%	-1.8%
24	Austria	4.10%	0.60%	-0.50%	52	Italy	-5.3%	-1.8%	-1.2%

25	Sweden	4.10%	2.60%	1.10%	53	Cyprus	-7.3%	-4.8%	-2.4%
26	Mexico	4.10%	0.90%	0.10%	54	Hungary	-7.6%	-4.9%	-3.5%
27	Canada	3.80%	1.50%	0.10%	55	Greece	-9.3%	-4.3%	-3.0%
28	India	3.40%	3.40%	2.40%	56	Croatia	-14.4%	-0.8%	0.0%

*Source: Knight Frank Global House Price Index and own calculations*

According to the Knight Frank Global House Price Index, international property prices rose by 8.4% during 2013, which is the highest annual growth rate since the 1995. Dubai, China and Taiwan top the list with the highest property price increases over the fourth quarter of 2013. Although Europe still dominates the bottom of the global listing, the rate of decline is slowing down. Much of the recovery in global house prices has been underpinned by improved employment levels and the continuation of low interest rates. Back home, local house prices rose 17% year on year and thus improving the country's global ranking from 53<sup>rd</sup> in the third quarter to 16<sup>th</sup> in the fourth quarter. Most of the property price inflation took place over the past 3 months, with property prices rising 16.7% quarter on quarter and is the highest quarter on quarter growth in house prices in the world. Namibia also tops the list in house price movements over the past 6 months and therefore suggests that there was strong upward price pressure in the local housing market over the past 6 months.

### **Conclusion**

House prices have begun increasing once again after coming under pressure during the third quarter. Local house price therefore ended 2013 20.8% higher than 2012 in nominal terms that is. In real terms property price rose by 17% year on year. This was largely due to low supply of properties. However, developer activity continued to improve through 2013 and we therefore expect land delivery to increase during 2014, which should decelerate the growth in house prices in the medium term.

### **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.