

# HOUSING INDEX

February 2013

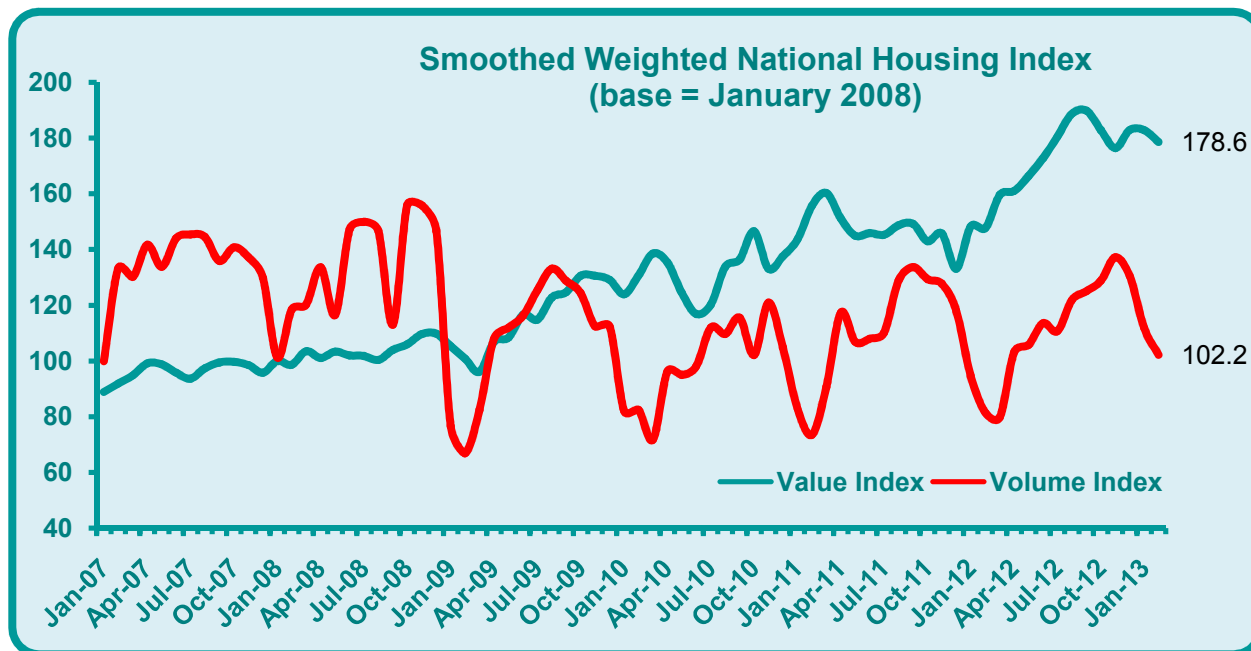
**House Prices Remain Stubbornly High**



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The FNB House Price Index fell by 2.5% in February, but house prices still remain 21% higher than the same period last year. This figure is somewhat lower than the annualised growth for 2012 which stood at 25% and thus indicates that house prices are decelerating for now. Property prices grew fastest in the lower price segments, while contracting in the upper price segment. Although the volume index continued to fall on a month to month basis, this was to be expected given historical trends, the annualised figures show that volumes have surpassed the February levels seen over the past 4 years and may be indicative of a recovery in volumes. The central and coastal property markets were largely responsible for the increased volume growth. Volume growth in the upper price segment drove the trend in the central market, while volume growth in the middle price range drove the trend at the coast. Land delivery remained weak as 17 stands were mortgaged through the month, while developers mortgaged 94,200m<sup>2</sup> during February with a maximum yield potential of 220 free standing homes.

Median House Prices and month on month % change						
	Small		Medium		Large	
Central	283,172	9.1%	583,333	-0.4%	1,391,857	5.0%
Coastal	287,238	5.8%	547,000	1.2%	1,302,667	0.9%
Northern	296,167	15.6%	505,500	-2.7%	1,016,778	-7.2%
Southern	269,500	8.5%	551,967	2.9%	930,000	-14.6%

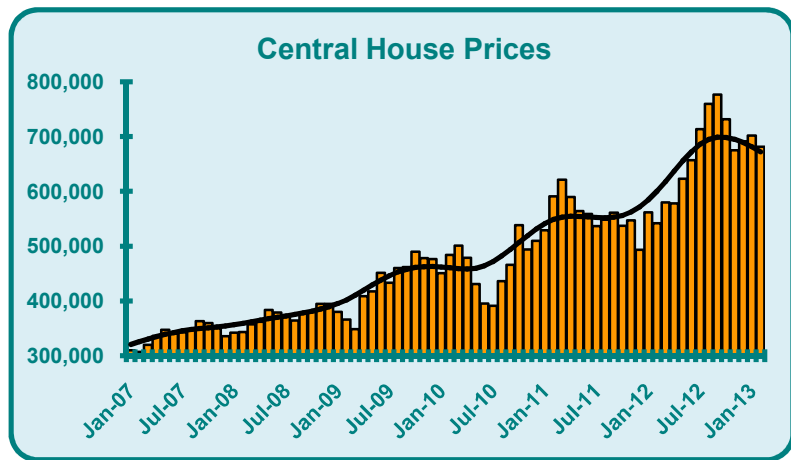
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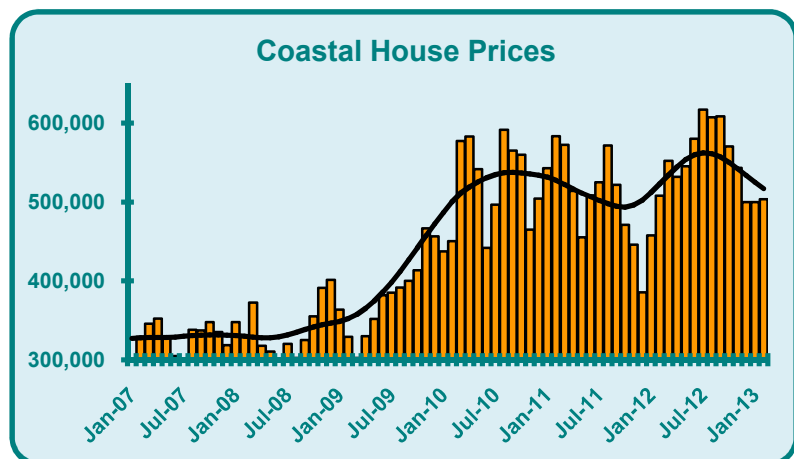
**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable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

## House Prices

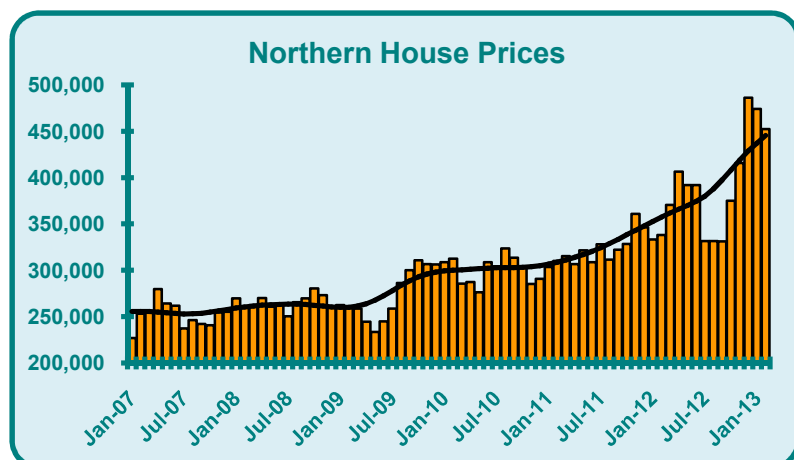
Central property prices remained 25% higher than the same period last year hovering around the N\$690k mark. For February house prices declined by 3% from the previous month due to a shift in the housing mix, where volumes fell in the middle to upper price segments, while increasing in the lower price segment. The increased volumes in the lower price segment can be attributed to NHE's return to the market after an extended construction holiday, supplying new houses in Windhoek's Otjomuise neighbourhood. Therefore house prices in the central market fell because NHE supplied more properties in the lower price segment. The year to date data shows that Okahandja property prices have increased by 6%, Gobabis property prices have increased by 1%, while Windhoek property prices have remained unchanged from last year's annualised median price. Two new stands were mortgaged during the month at an average price of N\$322/m<sup>2</sup>. This was 116% higher than the November average, while developers activity slowed down to 8,400m<sup>2</sup> of land mortgaged during the month with a maximum yield potential of 20 free standing homes.



Although coastal property prices increased by 1% month on month, prices are pretty much at the same level they were a year ago, hovering around the N\$550k range. Coastal property prices have begun recovering from their seasonal dip, with improved house prices across all price segments and particularly in the lower price segments. Year to date data shows that Henties Bay property prices have fallen by 40% due to increased supply of undeveloped land, Walvis Bay property prices have remained unchanged from last year's median, while Swakopmund property prices have increased by 1%. At the same time, volumes have increased by 41% over the past year, which is resulting in the relatively stable house prices at the coast. The coastal market has long been the largest supplier of undeveloped land and once again land delivery has begun to increase with 10 stands mortgaged through the month with an average price of N\$120/m<sup>2</sup>, which was 71% higher than the January average. Developers at the coast are still not back from their extended construction holiday as there were no new acquisitions by developers at the coast during February.

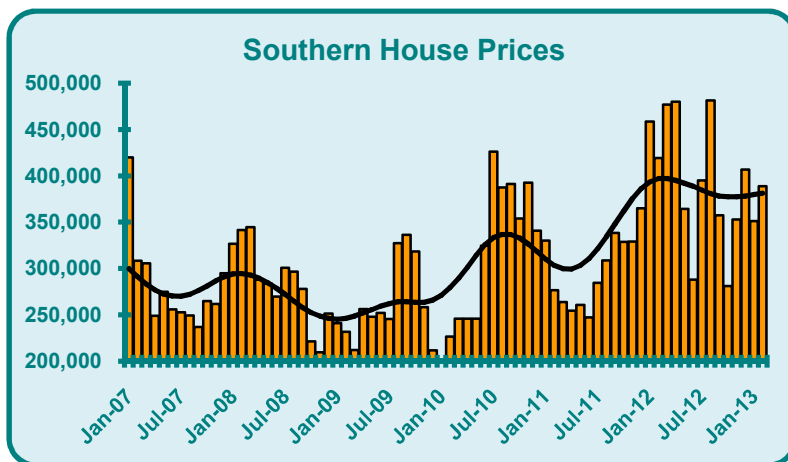


Northern house prices fell by a further 4.6% month on month to bring the year to date decline to 7.1%. The downward price pressure came from the middle to upper price segments that experienced price compression, where house prices fell 3 and 7 percent respectively. Despite these declines, northern property prices still remain 11% higher than they were a year ago. The year to date figures show that property prices in Ondangwa, Oshakati, Otjiwarongo and Outapi were responsible for the decline in house prices despite property price increases in Rundu, Outjo, Ongwediva and Omaruru. Land delivery



remained subdued with 2 stands mortgaged at an average price of N\$103/m<sup>2</sup>, which was 57% higher than the January average. Developer mortgaged 85,800m<sup>2</sup> of land, with a maximum yield potential for 200 free standing homes. Therefore the lion's share of developers' activity was in the northern property market, particularly in Outjo, Grootfontein and Otjiwarongo.

House prices remained volatile due to very thin volumes as house prices increased by 10.8% month on month. This helped reduce the year on year decline in southern house prices from -14% last month to -2.3% in February. Data further shows that properties in the upper price segment remained under price pressure, while property prices in the lower to middle price brackets are on the increase. Luderitz property prices remained 21% below the 2012 median, Keetmanshoop property prices accelerated to 26% year to date growth, while Mariental property prices increased by 1%.

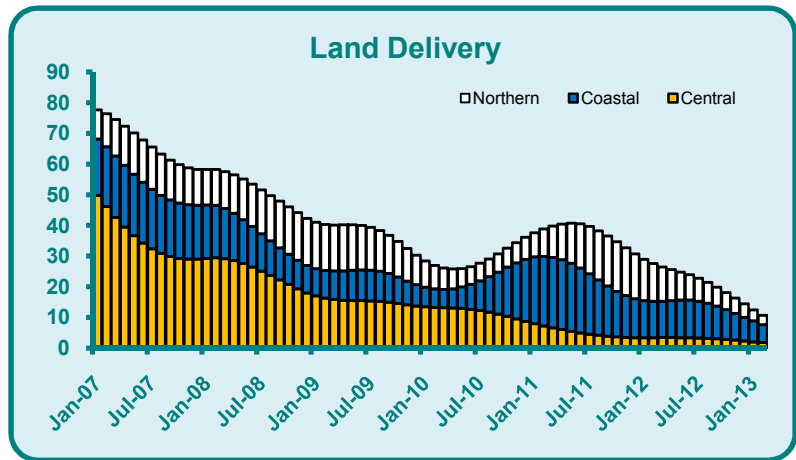


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2013 YTD year.

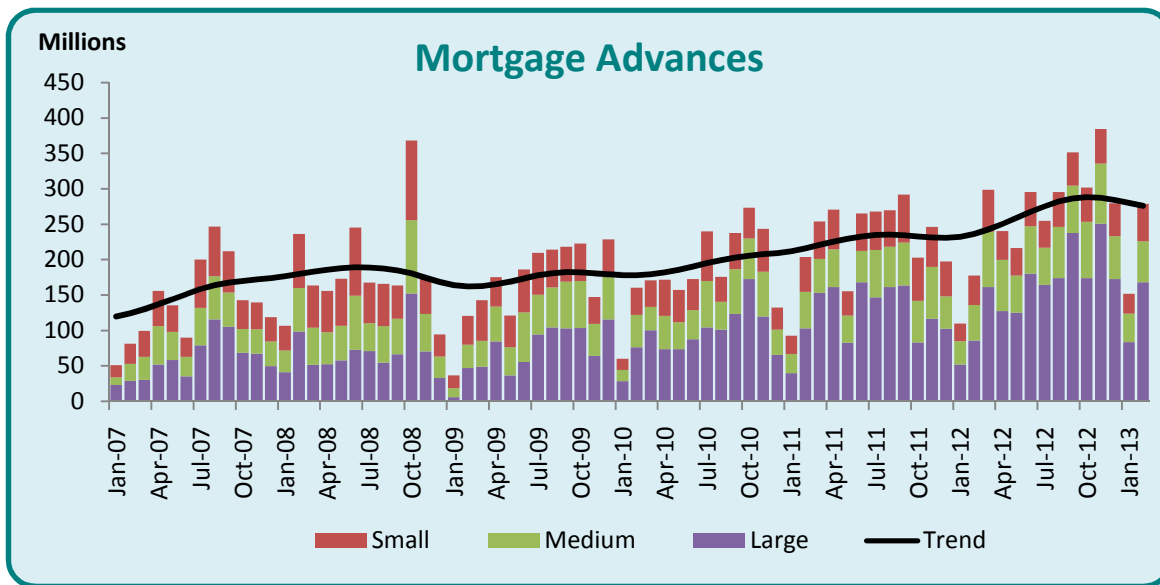
Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	YTD
Aranos	360,000	306,000	577,500	450,000	300,000				
Eenhana	202,000	196,647	190,000	297,000	371,000				
Gobabis	240,000	315,375	306,000	450,000	435,000	437,500	82%	43%	1%
Grootfontein	290,500	240,000	221,143	297,500	460,000				
Henties Bay	500,000	427,013	520,000	668,500	720,000	433,500	-13%	-17%	-40%
Katima Mulilo	176,000	200,000	280,750	249,000	201,855	318,000	81%	13%	58%
Keetmanshoop	300,000	256,000	268,250	352,500	352,000	445,000	48%	66%	26%
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	445,000	51%	53%	1%
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				
Omaruru	420,000	450,000	300,000	161,482	537,500	955,000	127%	218%	78%
Omuthiya			299,200	331,500	343,000				
Ondangwa	280,000	230,500	249,050	337,500	412,000	313,608	12%	26%	-24%
Ongwediva	288,000	337,000	437,400	417,800	398,000	592,150	106%	35%	49%
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				
Oshikuku	255,500	294,000	375,000	311,500	359,000				
Otavi	202,000	202,000	350,000	388,500	320,000				
Otjiwarongo	308,000	300,000	352,800	398,000	544,000	426,000	38%	21%	-22%
Outapi	237,050	235,300	216,519	294,000	366,000	208,000	-12%	-4%	-43%
Outjo	350,000	410,000	378,000	396,500	403,000	800,000	129%	112%	99%
Rundu	269,000	182,391	264,000	293,320	278,000	300,000	12%	14%	8%
Swakopmund	380,000	468,000	600,000	568,000	664,000	667,500	76%	11%	1%
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				
Walvis Bay	296,900	325,000	431,000	370,000	400,000	400,000	35%	-7%	0%
Windhoek	386,000	453,300	500,000	610,000	750,000	750,000	94%	50%	0%
<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

Overall land delivery continued to weaken, but at a slower pace than observed over previous months. A total of 17 vacant stands were mortgaged during the month at an average price of N\$118/m<sup>2</sup>, which was 81% lower than the January average. Once again the coastal property market was the leading supplier with 10 stands mortgaged at an average price of N\$120/m<sup>2</sup>, which was 71% higher than the January average. The southern property market supplied the second most stands, where 3 stands were mortgaged for an average price of N\$132/m<sup>2</sup>. Land delivery in the central and northern property markets remained subdued with 2 stands mortgaged at an average price of N\$322/m<sup>2</sup> and N\$103/m<sup>2</sup> respectively. Developer activity increased to 94,200m<sup>2</sup> of land mortgaged through the month with a maximum yield potential for 220 free standing homes. These figures are clearly not sufficient to meet the growing demand for modern housing as land supply remains 80% below demand.

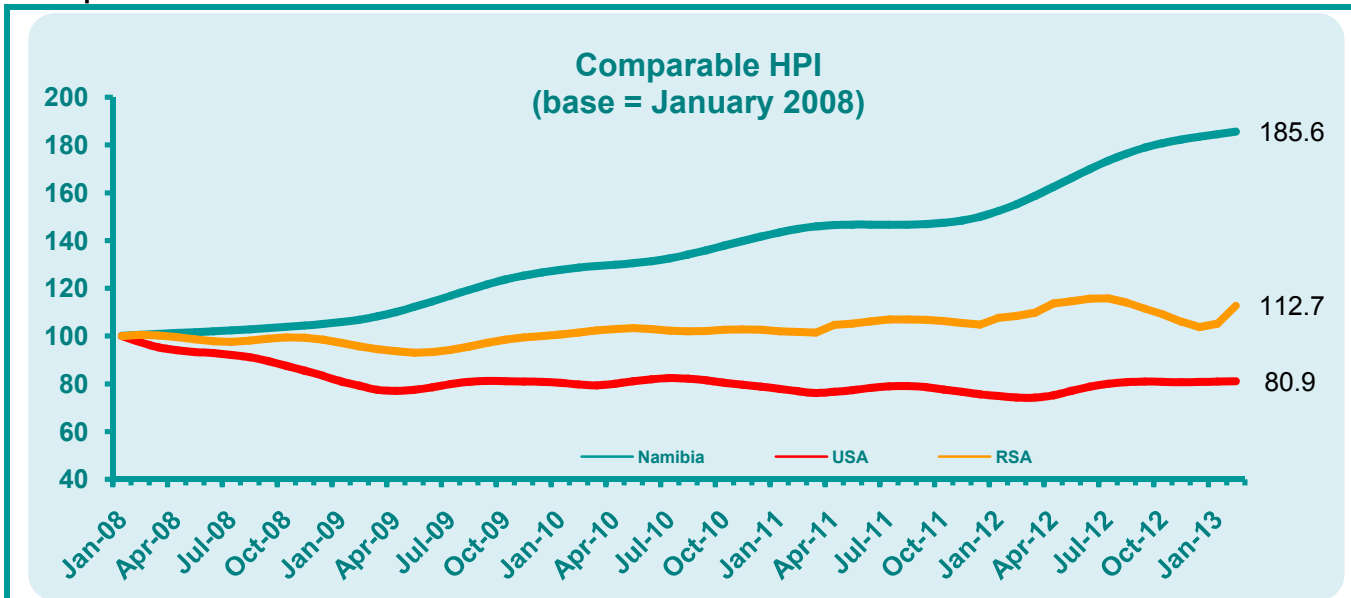


## Mortgage advances



According to Bank of Namibia data, mortgage advances grew by 14.3% year on year. This was brought about by properties in the upper price segment, where volumes have increased in excess of 76% over the past 12 months. Mortgage advance growth to the middle to lower price segment was below market average due to a combination of low volume growth or low price growth. Therefore relatively less mortgages flowed to the middle to lower price segments. The majority of mortgages were advanced over properties in Windhoek (56%), followed by Swakopmund and Walvis Bay (11%).

## 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 price index increased by 19.5% year on year. The local market remains 80% undersupplied and it is this supply imbalance which is behind the rising house prices. Furthermore, the limited housing supply has been in the upper price segment which is also shifting the supply mix in favour of more expensive properties. These two factors have largely been responsible for Namibia's abnormal house price movements through the financial crisis. The SA HPI showed continued to decelerate to 2.6% growth year on year. This was less than inflation rate and therefore South African house prices are declining in real terms. The slowing growth in SA house prices reflects the slower economic growth during the 2nd half of the year. Despite some recent mixed economic reports, housing continues to be one of the brighter spots in US economy. House prices increased by 9.6% in the 12 months ending in February 2013. Home prices continue to show solid increases and recorded their highest annual growth rates since May 2006.

## Conclusion

February saw volumes recover to November 2012 levels and although there are strong indications of stronger volume growth through 2013, it is doubtful that the volumes will be sufficient to meet market demand. According to our calculations the market is undersupplied by 80%. It is this supply imbalance, along with a shift in housing mix, in favour of more expensive properties, that is currently driving the trend in local house prices. There is very little evidence that this will change during 2013 as new housing supply would need to grow fivefold to reach equilibrium. Based on current land delivery rates and developer activity, we do not foresee such a strong growth in housing supply and therefore house prices are expected to remain stubbornly high for 2013.

## 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.