

HOUSING INDEX

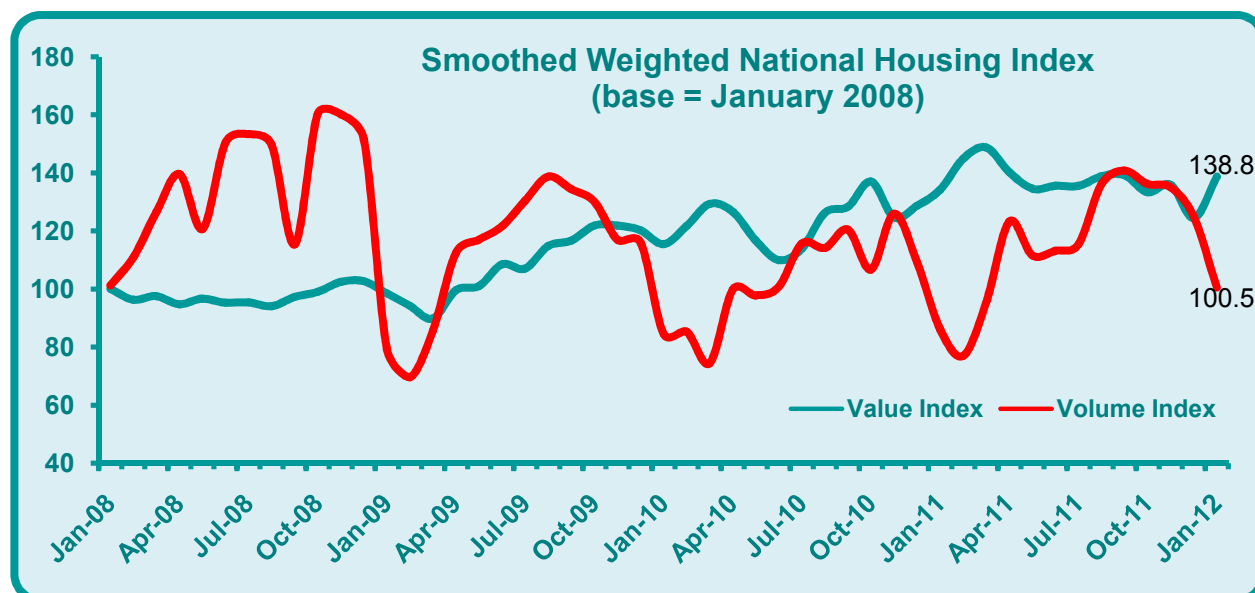
January 2012



FNB
First National Bank

House Prices up 12% MoM

how can we help you?



The FNB House Price Index increased by 12% in January, but this recovery was however statistical as house prices actually fell across all house sizes and the 12% increase is the result of a shift in the housing mix as proportionally more houses were sold in the upper price segments during January. Over the past 12 months, nominal house prices are up 3.4%, which translates to a decline of 2% in real terms if housing inflation is stripped out. Overall, volumes remained weak due to Windhoek's structural supply shortages in the lower price segment. The rest of the country is enjoying somewhat of a housing boom, with annualised volume growth in excess of 60%.

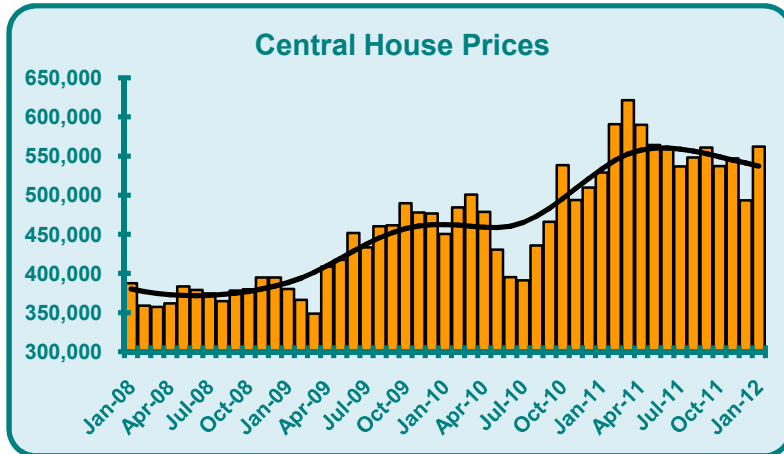
Median House Prices						
	Small		Medium		Large	
Central	256,000	-5.7%	531,833	3.9%	1,245,000	2.9%
Coastal	279,548	-1.6%	570,000	4.0%	1,114,167	-6.3%
Northern	249,167	-2.4%	519,500	5.8%	1,209,600	5.7%
Southern	316,617	19.8%	493,833	-1.1%	1,450,000	-1.7%

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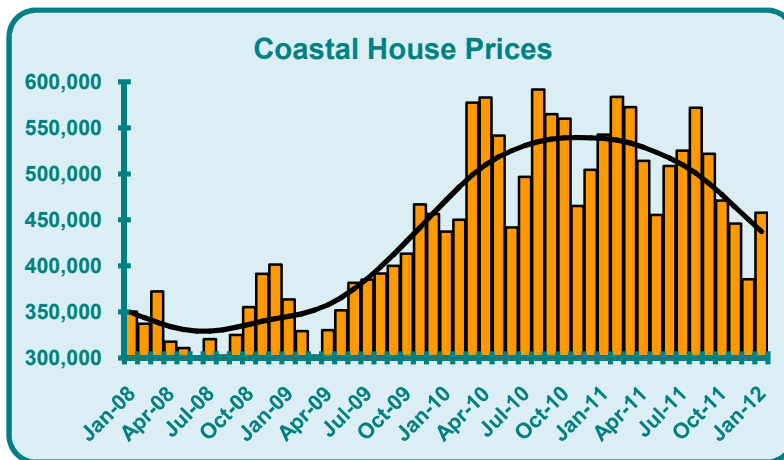
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices



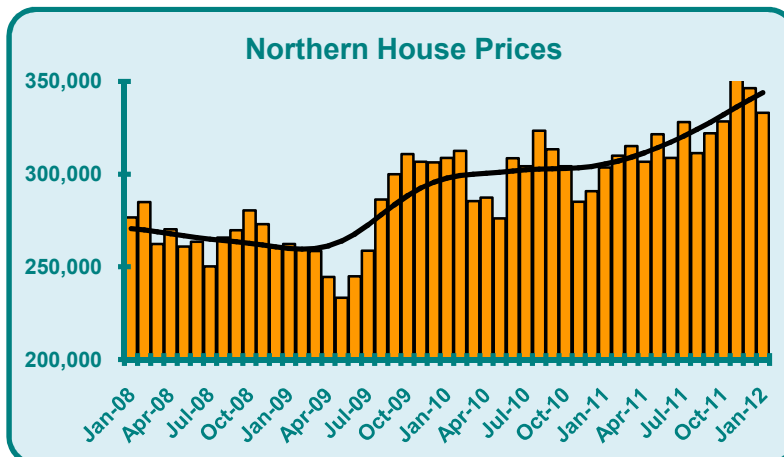
Central property prices increased by 14% month on month and central house prices are now 6% higher than the same period last year (1% in real terms). These price increases are however reflective of a structural shortage in the low to middle price segments, resulting in the central property mix becoming highly skewed towards upper price segment properties. A break down of the respective price segment shows that house prices are down 6 to 12 percent nominally across all price segments. At the same time, volumes have weakened over the past year,

particularly in the lower to middle price segments, while volumes in the upper price segment have increased by 17%. Properties in the upper price segment have accumulated to 130 on the market and with 28 mortgaged in January, these properties would clear in 5 months. Land delivery continued to deteriorate to a solitary stand, which cost N\$285 per sqm and was 34% more expensive than December's average.



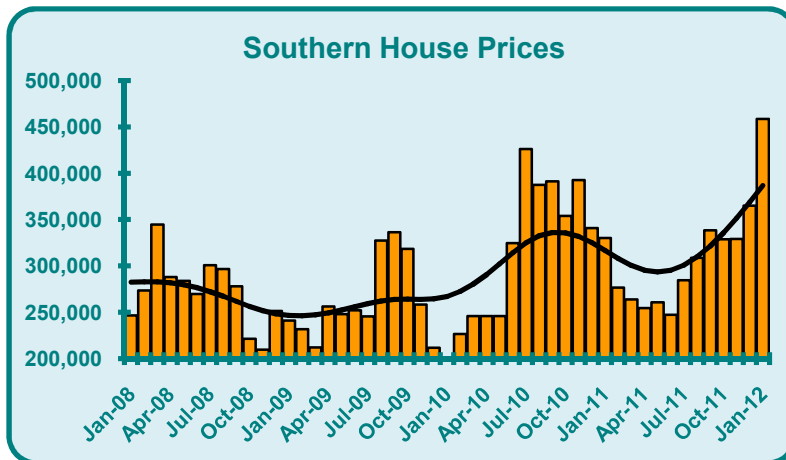
Coastal property prices increased by 19% month on month. On an annualised basis growth is actually negative (-16%). Disaggregated house price by price segments points towards a 2% decline for the coastal market. Large coastal property prices continue to struggle and were down 6% from the previous month, thus reinforcing our earlier suspicions that this particular market segment remains oversupplied. Property prices in the middle price segment moved sideways, while house prices in the lower price segment increased by 9%. On average coastal volumes are

up 64% year on year, with strong volume growth in the lower price segment, which is enjoying an 104% annualised growth. Coastal land delivery decelerated to 7 stands after averaging 19 stands per month for 2011. Coastal land price fell 56% to N\$74 per sqm, from the December average and this we believe is a result of the market being saturated with undeveloped land, while demand has weakened given the uncertainties in the uranium industry, which started the coastal property boom in the first place.



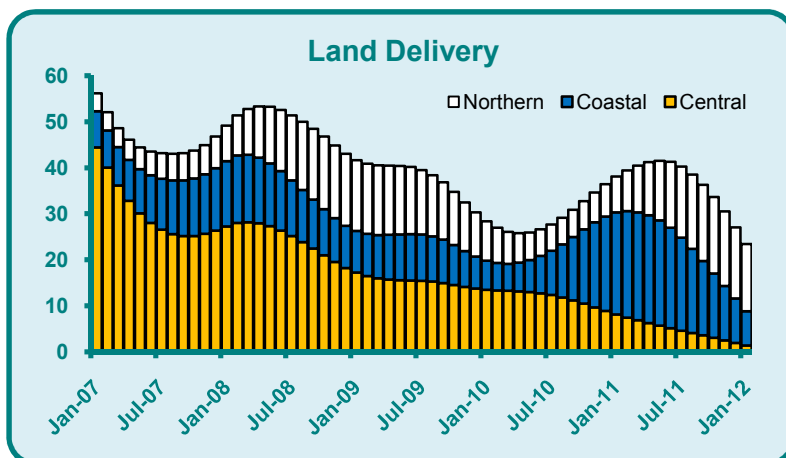
Northern property prices fell by 4% month on month, but remain 10% higher than the same period last year. The longer term trend remains positive. Properties in the lower price segment were 2% compared to the previous month, while properties in the middle to upper price segments were up 5%. The northern property market is however enjoying a 49% annualised volume growth, and while land delivery was up 66%, land prices are also on the increase, up by 41% to N\$52 per sqm. There is very high demand for small vacant land in the

northern market. Unlike most parts of the country, the N\$16,000 price tag for a vacant erf is affordable as these are financed at 5% interest, which is N\$106 in monthly repayments. Stand sizes have also become 20% smaller and thus more appealing to the lower income segments because it's a smaller capital outlay, rates and taxes are lower, less wasted space and less land to fence off all lead to cheaper housing costs.



House prices in the southern property market continued to increase, but volumes remain thin. Southern house prices are on the increase and were up 26% from the previous month and 40% from the same period last year. Once again a change in the property mix is behind this growth. Property volumes in the small price segment have fallen significantly, while those in the upper price segment have increased as volumes were limited to Luderitz, which is generally more expensive than Keetmanshoop and Mariental.

Land Delivery

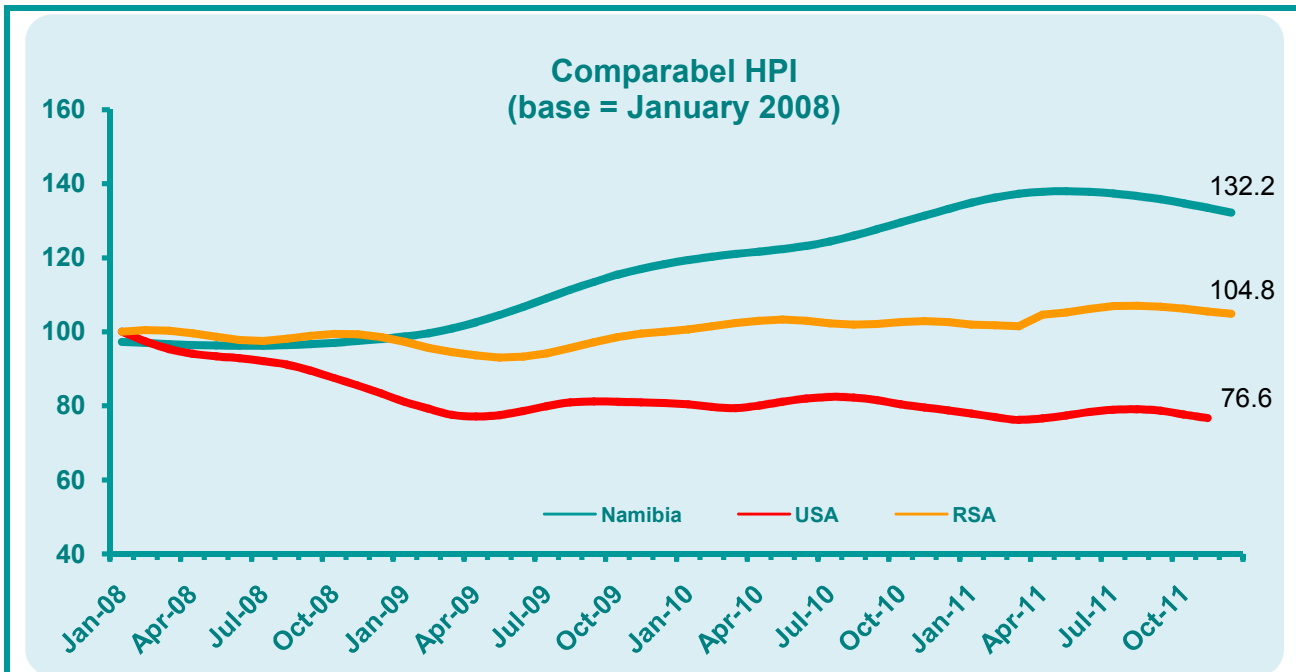


Land delivery continued to slow through January. Coastal land delivery appears to have lost momentum as the coastal market remains saturated with undeveloped land. There is however increased land delivery in the northern property market along with rising land prices. Average land prices increased in the northern markets by 41% and by 34% for the central property market, while falling by 56% in the coastal property market. For 2012, an estimated 750 new stands are expected compared to 460 stands in 2011.

Mortgage advances

Mortgage advances decelerated to 10.5% during January. Deeds data shows that first bonds in the middle to upper price segments drove mortgage credit growth, while credit advances for entry level housing continued to deteriorate as there is simply insufficient entry level housing stock on the market. Overall mortgage credit growth is forecasted at 12% for 2012.

Comparable HPI



Source: FNB SA & S&P

Smoothing the FNB House Price Index (HPI) using the HP smoothing function produces an index comparable to RSA and USA. The comparable index suggests that the Namibian property prices continue to fall, albeit at a slower rate. We suspect that there is an over supply in the upper price segment and properties are beginning to pile up and hence sellers have begun dropping their prices to conclude sales. The SA HPI increased in January, after better than expected Q4 GDP numbers and a decline in new builds. First time buyers are increasing in numbers along with accumulated savings for deposits. The US housing market got off to a rocky start, with house prices down 4% and despite some positive economic indicators, average home prices across the United States are back to the levels they were nearly a decade ago – in early 2003.

Conclusion

Overall property prices increased due to changes in the property mix. Disaggregated prices by price segment shows that properties across all price segments continue to fall. Volume growth outside Windhoek remains robust, but Windhoek's structural supply shortages is dragging down the national average to 2008 levels. There is however, evidence that building activity is on the increase early into 2012. Therefore we should see new housing stock into the middle price segment. New builds are likely to reduce house price inflation from 11.5% in 2011 to 7.5% in 2012. We remain bullish on volume growth, where new land delivery is expected to increase by 63%, particularly if TIPEEG housing and sanitation projects kick-off as expected. Construction activity at Ellisenheim and Omeya developments are expected to drive up new builds by 12%, while NHE is expected to add a further 20% to the 2012 numbers.

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.