

HOUSING INDEX

January 2013

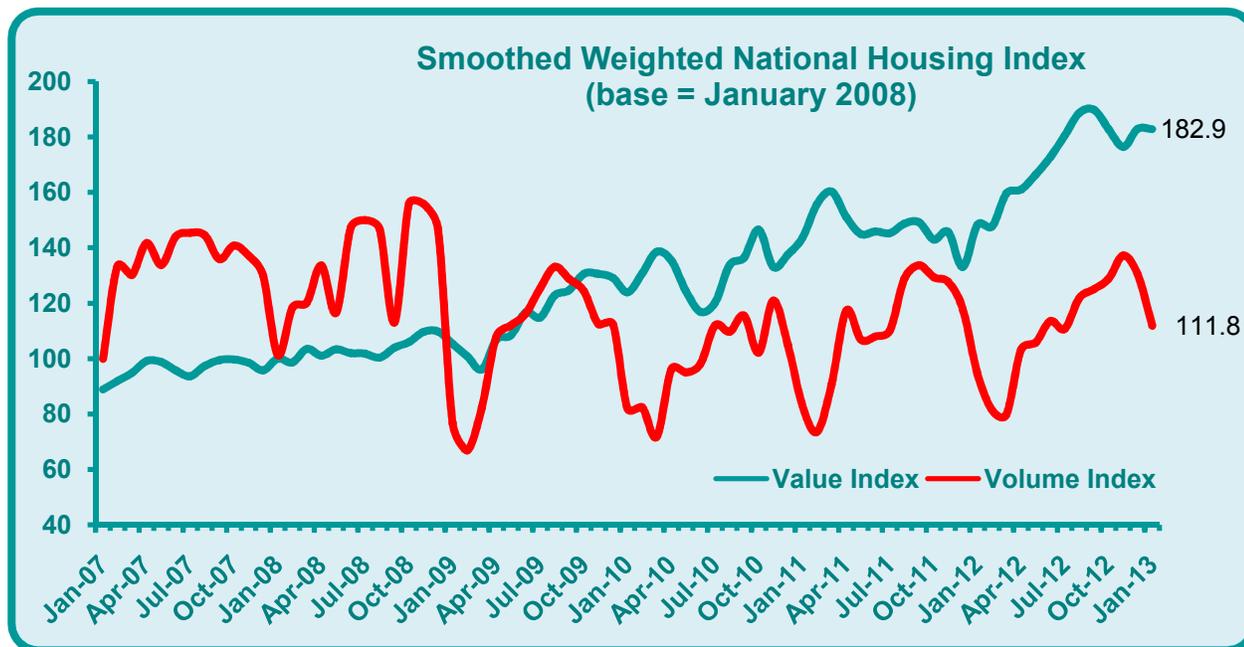
House Prices Move Sideways For Now



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Historically January has always been a weak month, with very few transactions being lodged at the Deeds Office, which was closed for half the month. The few bonds that were registered showed that house prices moved sideways from the previous month. Central property prices continued to recover from their November low, gaining a further 1.4% in value during January due to price movements in the middle price segment. Coastal property prices on the other hand, moved sideways and appear to be bottoming out of their seasonal slump. Northern house prices fell by 2.5% month on month. While house prices in the southern property market fell by a further 14% mainly due to price movements in the middle to upper price segments. Land delivery was minimal as 5 plots were mortgaged through the month, so too developer activity as a total 50,000m² of land was mortgaged by developers with a maximum yield potential for 120 free standing homes.

Median House Prices and month on month % change						
	Small		Medium		Large	
Central	259,610	-8.6%	585,833	5.9%	1,325,357	0.9%
Coastal	271,405	-1.6%	540,333	4.6%	1,291,667	-0.3%
Northern	256,167	3.6%	519,500	0.5%	1,095,945	-4.4%
Southern	248,500	7.9%	536,500	-14.6%	1,089,175	-9.9%

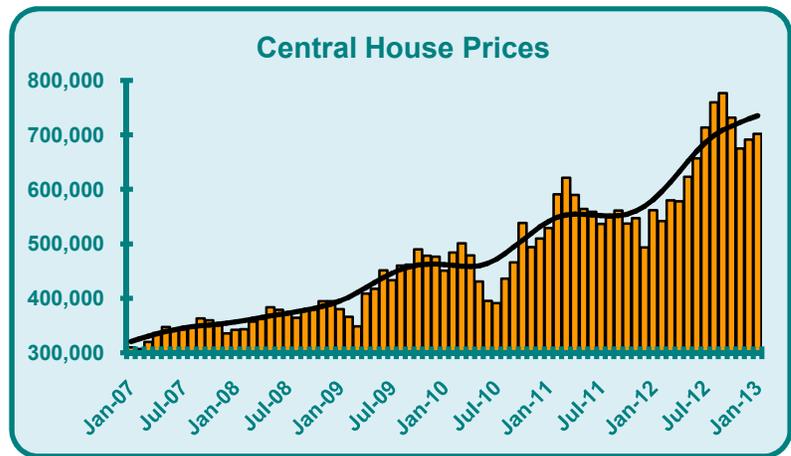
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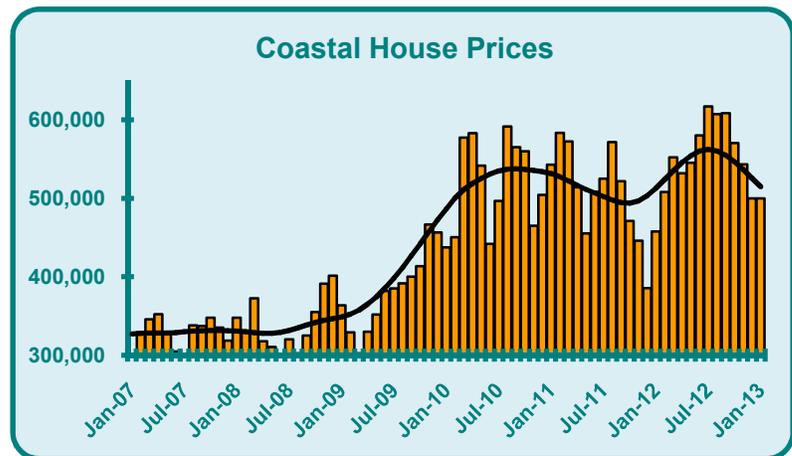
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices

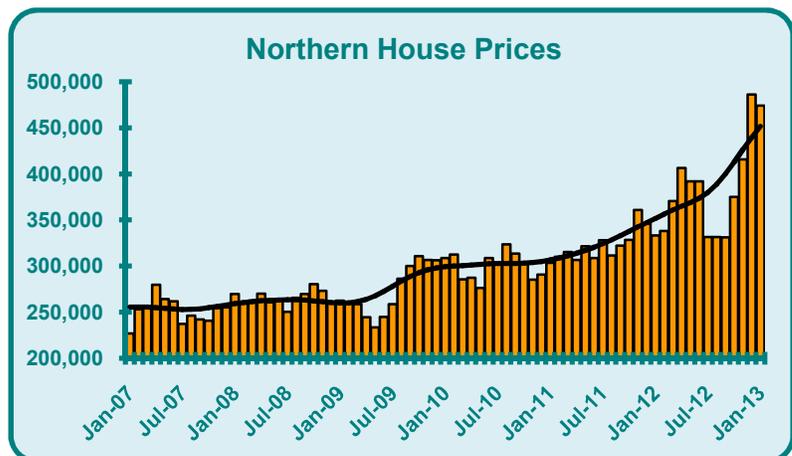
Central property prices continued to recover from their November low gaining a further 1.4% in value during January. Smaller property prices fell by 9% month on month, while medium to large sized property prices increased by 6 and 1 percent, respectively. The upward price movement was due to property prices rising 6% month on month in Okahandja, while Windhoek property prices remained unchanged. Volumes were particularly weak in the central market with very few new houses completed due to the construction holidays. There were no new stands that were mortgaged during the month and thus medium term volume growth prospects for the central market remain weak. Developers activity was more encouraging, with 17,500m² of land mortgaged during the month with a maximum yield potential of 40 free standing homes, but still below market demand.



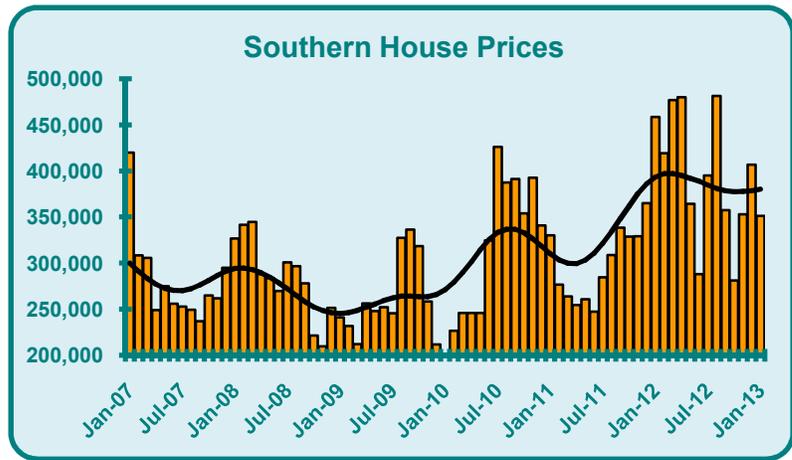
Coastal property prices moved sideways after falling over the previous four months. Monitored house prices fell in the lower and upper price, while property prices in the middle price segment rose by 5% month on month. Thus far into the year, Walvis Bay property prices rose by 1%, Swakopmund property prices moved sideways, while Henties Bay property prices fell 40% year to date. Henties Bay property prices were largely influenced by increased availability of undeveloped land which skewed the index. Five new stands were mortgaged at the coast with an average price of N\$70/m², which was 22% lower than the December average. Developer activity was minimal at the coast.



Northern house prices fell by 2.5% month on month due to weaker property prices in the upper price segment, while property prices in the lower to middle price segment improved moderately. Ondangwa, Oshakati, Otjiwarongo and Outapi property prices were responsible for the general decline in property prices in the northern property market, while Katima Mulilo, Omaruru, Ongwediva and Outjo property prices increased during the first month of 2013. Land delivery was insignificant, while developer activity decreased to 32,100m² of land mortgaged for the first time, with a maximum yield potential for 75 free standing homes. Although this provides moderate medium term volume growth potential, this market remains undersupplied.



House prices in the southern property market fell by 14% mainly due to price movements in the middle to upper price segments. Luderitz property prices have fallen by 21% from the 2012 high, while Keetmanshoop property prices increased by 16%. We must point out that these figures are based on very thin volumes and are most likely to stabilise as the sample size increases during the year.

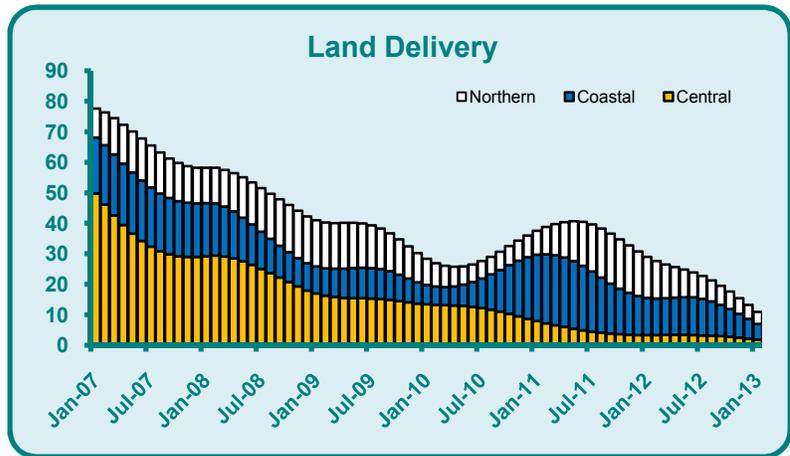


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2012 YTD year.

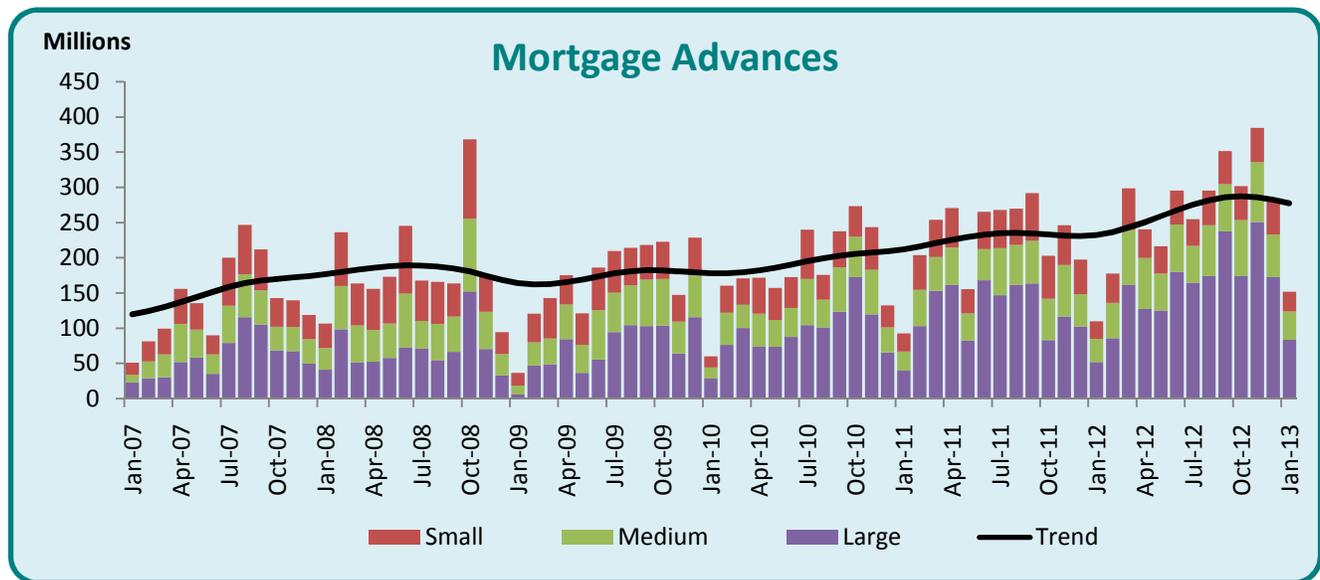
Median House Prices in Namibia									
	Year						Relative Change		
	2008	2009	2010	2011	2012	2013	5 Years	3 Years	YTD
Aranos	360,000	306,000	577,500	450,000	300,000				
Eenhana	202,000	196,647	190,000	297,000	371,000				
Gobabis	240,000	315,375	306,000	450,000	435,000	437,500	82%	43%	1%
Grootfontein	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%
Namibia	335,000	355,000	402,000	435,000	545,000	552,000	65%	37%	1%

Land Delivery

Overall land delivery continued to weaken as expected for the first month of the year. A total of 5 vacant stands were mortgaged during the month at an average price of N\$65/m², which was 7% lower than the December average. Developer activity decreased to 50,000m² of land mortgaged through the month with a maximum yield potential for 120 free standing homes. Therefore the economy was only able to supply 125 new stands in January. Given the population, the economy should produce 1,200 new stands each month just to sustain the population growth and according to available statistics, the economy was only able to supply 10.4% of the land required to sustain population delivery is far behind the required demand.

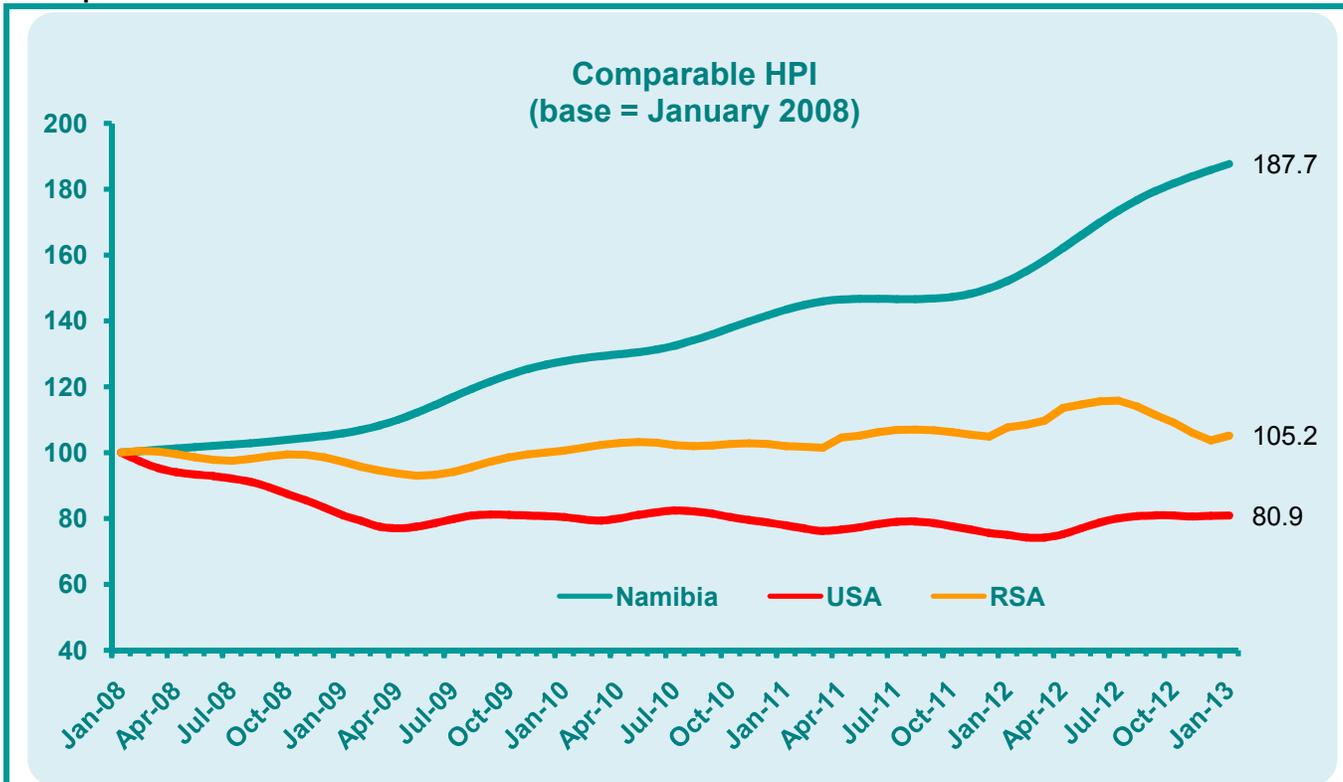


Mortgage advances



After strong mortgage growth during 2012, mortgages advances tapered during December and January and thus changing the trajectory of the trend. This is mainly seasonal and the year on year growth data shows that mortgage advances grew by 13.1% from roughly the same figure in December. While mortgage advances moved sideways for in the lower price segment, it's the middle to upper price segments that are driving the growth in mortgage advances due to substantial annualized volume growth in these segments.

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 continues to diverge from the South African and US indices. The main difference has been the structural supply shortages of vacant land that have left the local housing market undersupplied, coupled with rising disposable incomes that are driving the local house prices upwards. Although there was some month on month price growth in the SA HPI, the trend is pointing downwards on year on year basis. This was driven by volume growth in the lower end of the market as tough economic conditions drove consumers in search for affordability in the absence of any new stimulus. That is not entirely unexpected as economic growth deteriorated in South Africa during the 2nd half of 2012. In the US, house prices increased by 8.1% in the 12 months ending in January 2013 and have thus accelerated to their highest levels since 2006. Economic data continues to support the housing recovery, with single-family home building permits and housing starts posting double-digit increases, while steady employment and low borrowing costs pushed up housing demand.

Conclusion

December and January are seasonally weak trading months for the local housing market and therefore volumes were always expected to weaken through both months. But it must be said that volumes did not weaken as much as expected. House prices remain elevated in January increasing by 1% from the 2012 average. With the central property prices recovering after a mild dip and coastal property prices bottoming out, house prices should continue increasing during 2013 but at a slightly slower pace than last year, given the weak land delivery 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.