

## VOLUMES ARE INCREASING

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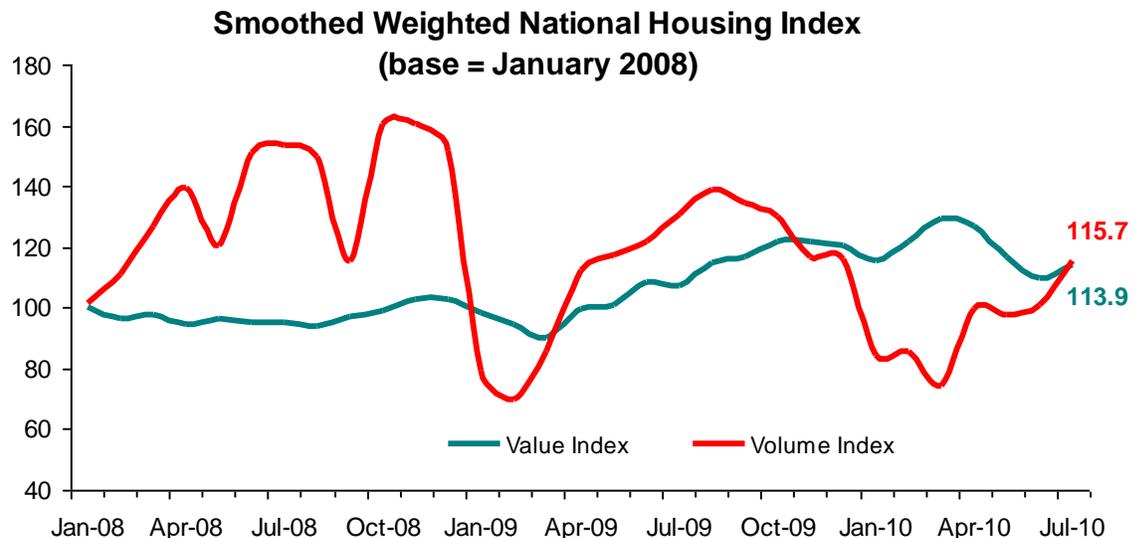
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**Methodology**  
The FNB House Price Index is based on the median house price from Deeds Office data.

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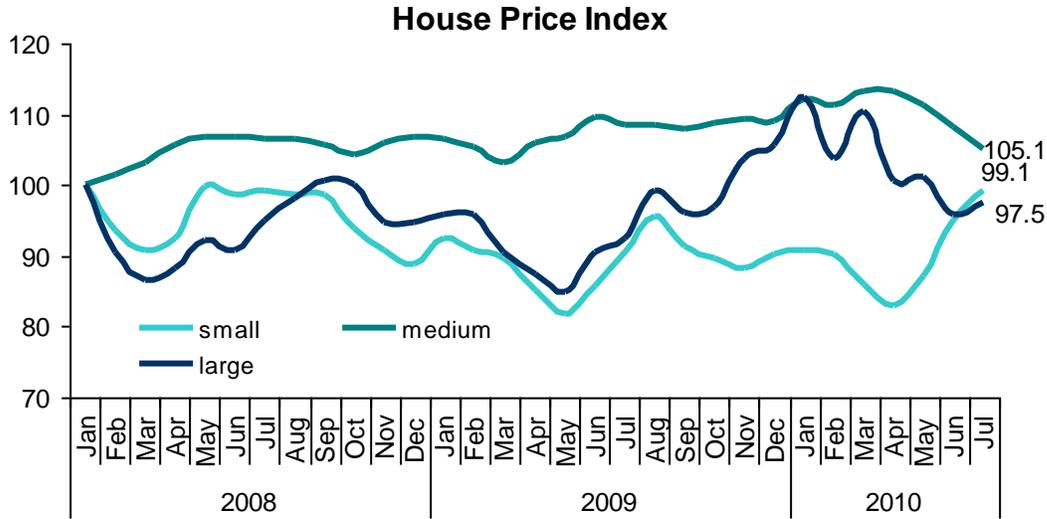
This report covers the developments in the national housing index for July 2010. The data is based on bonds registered for natural persons at the Deeds Office. Data has been smoothed using a 3-month moving average and weighted. Bonds smaller than N\$100,000 and further mortgage bonds are excluded because 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 3.9 basis points to end the month at 113.9 basis points. And although the price index continues to grow, the volume index showed promising signs of recovery. The volume index climbed 14.9 basis points to 115.7 basis points in total, thereby exceeding the price index for the first time since October 2009. On an annualised basis, the FNB house price index is up 1.3% due to increased low cost housing supply, while the volume index remains depressed (down 17.1%) on an annualised basis. On a month on month basis, the volume increases look encouraging along with a significant increase in developer activity.

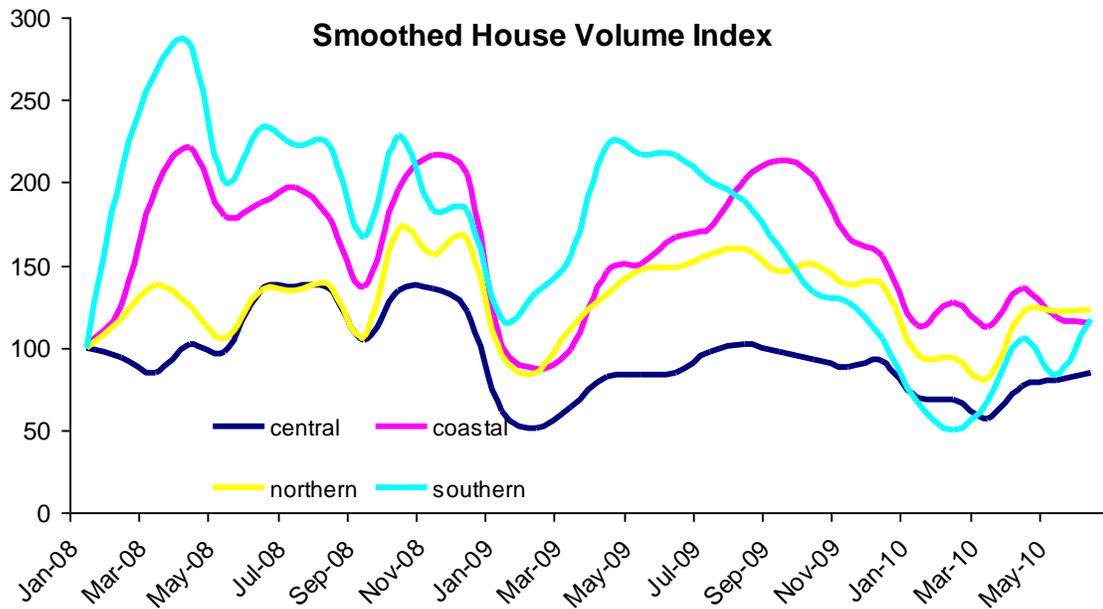




#### House Price Index

On an annualised basis house prices have increased 6.4% year on year. We find that small house prices have increased 9.5%, with most of the price improvements coming from small central homes. Small price segment house prices ranged from N\$224k to N\$286k with an average of N\$256k, up from N\$246k in the previous month. The shorter term trend is one of decelerating price movements, where month on month prices for small house have decelerated to 4.2% month on month as small house volumes increased. As for medium price segment, year on year prices have declined by 3.2%. Month on month data suggest that the declines are moderating although price pressures persist in the coastal areas. Medium house prices ranged from N\$515k to N\$567k with an average of N\$525k, down from N\$540k in the previous month. Large house prices have increased 5.4% year on year, growth figures in this price segment are trending downwards. This is due to significant downward price pressures in the central, northern and southern markets. Large coastal homes were the only ones which registered positive price movements in the large house price segment. Large house prices ranged from N\$840k to N\$1,201k with an average of N\$1,200k, up from N\$1.18m in the previous month.

Median House Prices			
	Small	Medium	Large
Central	286,000	547,233	1,155,233
Coastal	243,100	518,500	1,200,667
Northern	223,667	515,210	993,767
Southern	224,117	567,000	840,000

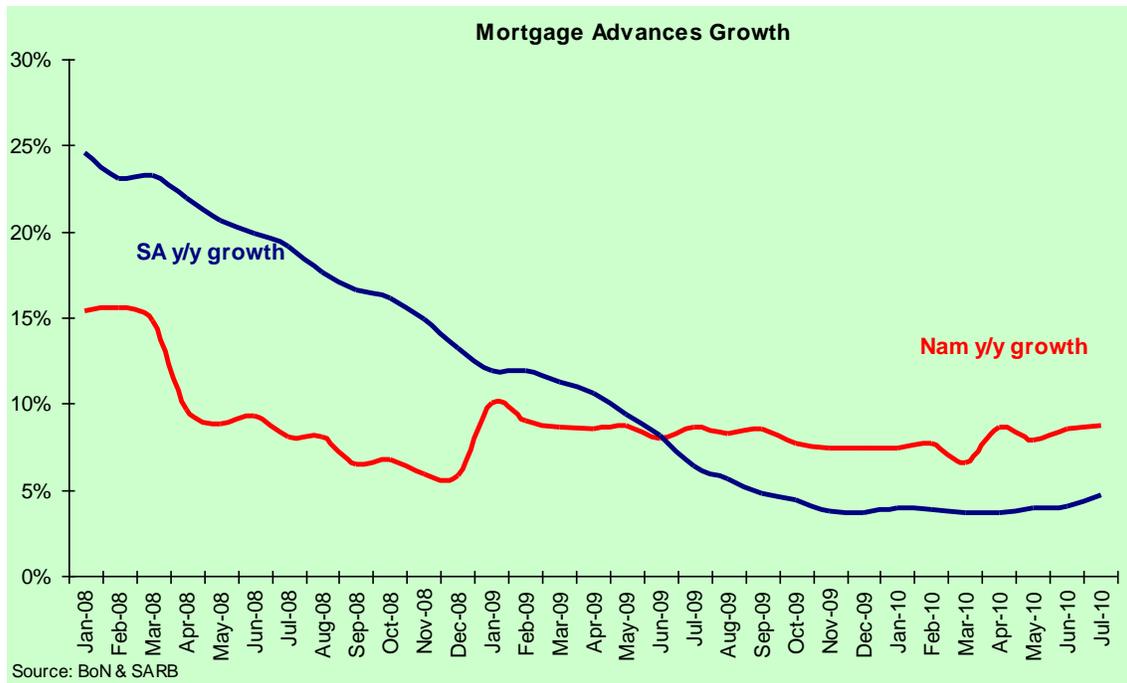


### Housing Volume Index

335 properties were registered at the Deeds office during July up from 223 in June 2010, which reduces the year on year deficit from 17% decline in June to 11% decline in July. Generally 60% of the transaction volumes occur in the second half of the year. To this end we find a 15% month on month increase in volumes for July. There was double digit volume growth in the coastal, northern and southern property markets on a month on month basis, while the central area came in at a 9% monthly growth. Coastal volumes were driven by houses in the small and large house price segments in Walvisbay. Northern volumes were driven by houses in the small price segment in Ongwediva, Oshakati and Outapi, while houses in the medium price segment in Luderitz drove volumes in the south. Central volumes were driven by houses in the medium to large price segments in Windhoek. Admittedly, 70% of these properties are re-sales as apposed to the 30% new builds, resulting in limited expansion in the local housing market. The number of bonded erven did however double month on month, but these are excluded from the FNB Housing Index, but will filter though in the next three to six months.

There was a significant increase in the number of married couples buying homes in July, with their numbers having doubled month on month, with an average age of 43 (3 years older than the June average). There was also a 35% increase in the number of single males who bought homes with an average age of 35, two years older than the June average. While the number of single females moved sideways, with a slightly younger age profile averaging 36 years, down from 37 years in June.

Developer activity in the mortgage space has also increased with 14 property deals were concluded by developers, covering 111,357sqm (53,282sqm in June). Surprisingly, the majority were in Walvisbay, where 58,577sqm of land fell into the hands of developers, followed by Gobabis with 18,443sqm. Windhoek comes in third, with 11,350sqm land, which include 46 sectional titles. This may be indicative of a shift in the property market from Windhoek to the rest of the country and more so to the harbour towns. Last month developer activity was highest in Luderitz but has now shifted in favour of Walvisbay – very much a coastal bias. Additional mortgage was registered covering 20 sectional titles in Swakopmund.



### Mortgage Advances

Mortgage advances to individuals grew by 8.7% year on year, pushing the year to date average from 7.8% in June to 7.9 in July. Therefore mortgage advance growth continued to improve over the past four months. At the same time mortgage advances to businesses have increased 22% year on year, in line with increased developer activity alluded to earlier. We see similar trend in South Africa, where mortgage advance growth to individuals increased 4.6% in July from 4.1% in June, thus pushing the year to date average from 3.9% to 4.0%.

### Conclusion

We maintain our bullish outlook on the volume index for the third quarter as some of the new developments materialise. Volume increases are expected particularly in the small price segment which should bring back young first time buyers 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. We see the increase in developer activity as 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.