

# HOUSING INDEX

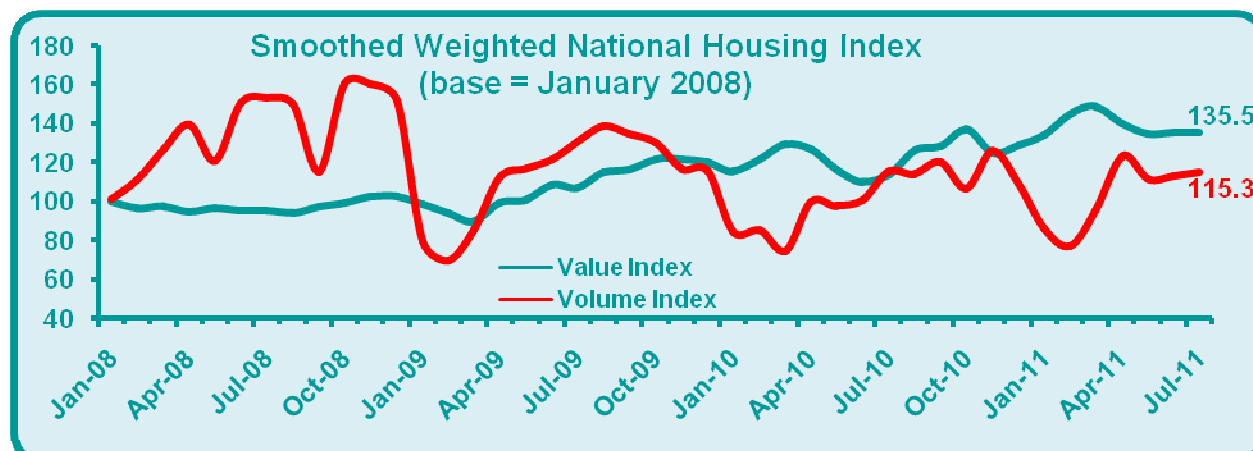
July 2011



**FNB**  
First National Bank

## House Prices Slow Down For Now

how can we help you?



The FNB House Price Index moved sideways, but remains 19% higher than a year ago, while housing inflation as measured by the National Planning Commission came in at 8.1% and therefore house prices in appreciated by 11% in real terms. Volumes improved slightly to 115.3 basis points due to very strong volume growth in the upper price segment. Land delivery continued to improve, with a very strong coastal bias. 58 new properties mortgaged through the month as land delivery recovered to early 2008 levels. However, land delivery remained dismal in the central market, which is the lowest in 4 years.

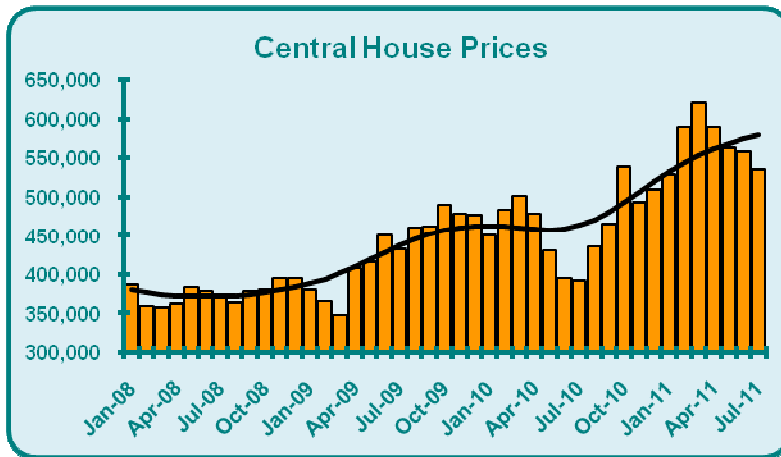
Median House Prices						
	Lower		Middle		Upper	
Central	276,000	4.7%	497,500	-2.4%	1,372,000	-2.7%
Coastal	220,907	-10.4%	560,500	0.3%	1,175,730	-0.5%
Northern	267,667	0.9%	490,000	0.9%	1,395,833	4.3%
Southern	247,333	2.0%	480,000	-4.0%	892,000	-1.4%

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**Authored by:** Namene Kalili Tel: +264 61 2992725 Fax: +264 61 225994

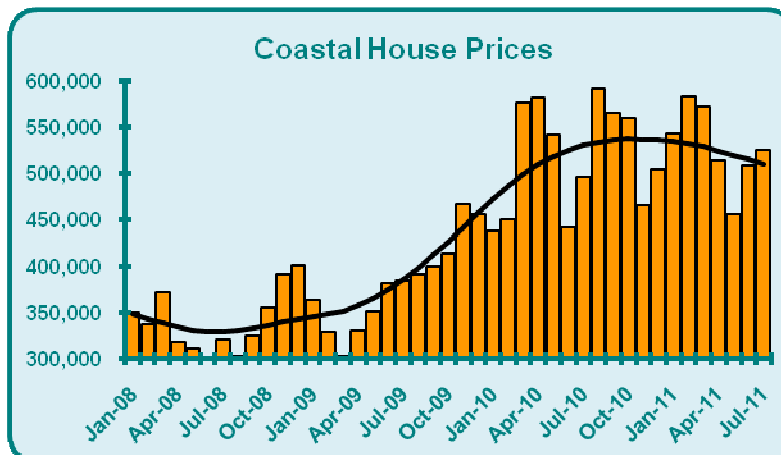
**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable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

## House Prices



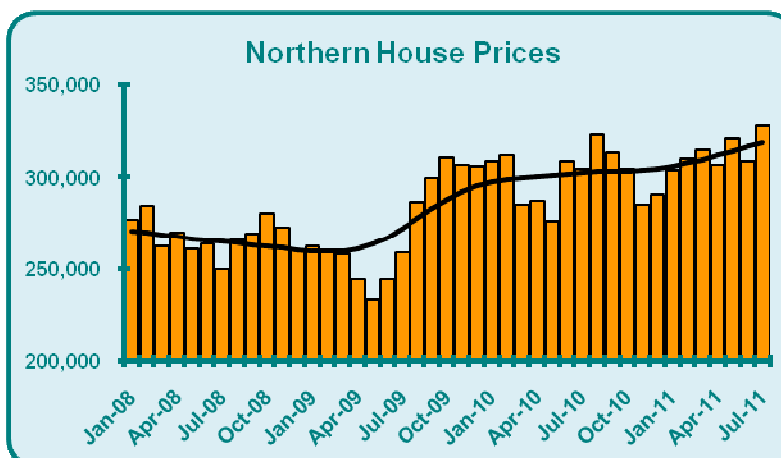
Central house prices continued to fall during July due to the supply dynamics pushing down house prices in the middle price segment. At N\$498k, prices in the middle price segment are down 9% year on year and are at their lowest levels in the past three years. With that said, the middle price segment has enjoyed the strong volume growth, with volumes up 11% year on year due to a surge in new housing stock in Okahandja. Property prices in the upper price segment are up 19% year on year, which is about 11% in real terms, while their volumes are up 20%. Prices

in the lower price segment fell 4% year on year, even though volumes continued to fall in excess of 40%. With the exception of Okahandja, the supply of properties in the lower price segment remained very weak, with little to no land delivery in this price segment to reverse the trend in the short to medium term. Land delivery weakened to a four year low and although the respective land prices fell 20% to N\$241 per sqm, it's is very high for a piece of land in Okuryangava.



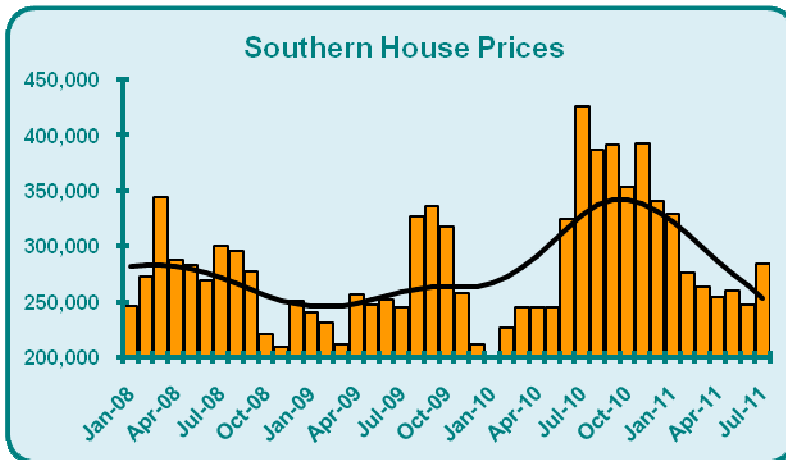
Coastal property prices increased by 3% from the previous month and are now up 5% from July last year. Coastal house prices were driven by properties in the middle price segment, where prices climbed 8.1% year on year in nominal terms. There was a strong influx of young buyers in Swakopmund, which consequently slashed average age of buyers from 45 to 31 years of age over the past 12 months for the middle price segment. prices in the lower price segment were down 9% year on year, while their respective volumes rose 21%

year on year. Property prices in the upper price segment were down 2.1% year on year in nominal terms and although volumes were up 33% year on year, available housing stock is quickly drying up as the summer holidays approach. Therefore prices large coastal homes are expected to increase over the coming months. Land delivery continued to increase and at an average price N\$118 per sqm, coastal land prices moved sideways.



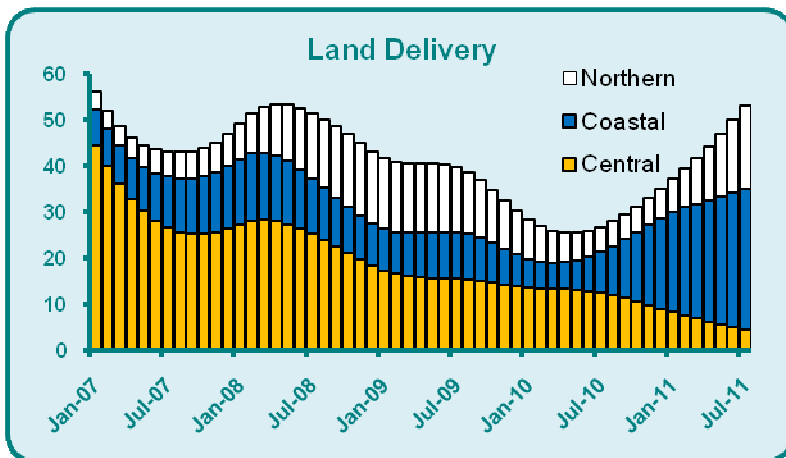
Northern property prices climbed 6% month on month bringing the annualised growth to 7%. Distribution was skewed towards the upper end of the price scale and hence prices in the upper price segment rose 40% in value even though volumes were down 48%. Volumes in the lower price segment continued to strengthen and were up 20% year on year while prices increased 20%. Demand for properties in the lower price segment remained high especially newly proclaimed towns like Okahao, Omuthiya and Oshikuku. Property prices in the middle price segment

were down 5%, while volumes grew 80% over the past year. Land delivery remained strong while land prices averaged N\$10 per sqm as Otjiwarongo's benevolent land delivery program rolled into its second month.



Demand for property in the southern market remained sluggish, declining through July. Although prices were up 15% month on month, on an annualised basis prices are down 33%. The improvement in the monthly numbers was due to strong volume increase in the middle price segment which accounted for half of the 12 properties traded in the southern market.

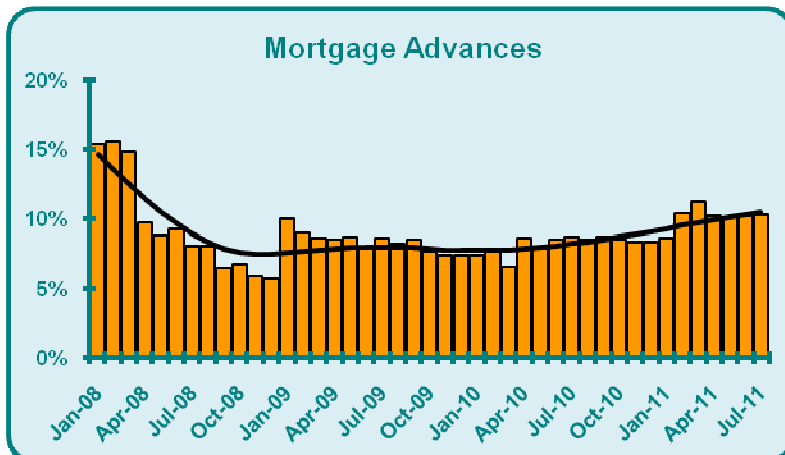
### Land Delivery



Land delivery continued to increase through July. On an annualised basis land delivery in the northern and coastal property markets, grew by 235 and 242 percent respectively with land prices ranging from N\$10 per sqm to N\$118. These lower prices attracted younger buyers to the coastal market, where the average age of the land buyers fell to 37 years compared to 49 years for buyers in the central market. As for the central market, land delivery deteriorated 65% over the past 12 months. At N\$241 per sqm, the few central plots

mortgaged where however 20% cheaper month on month, but then again this was for land in Okuryangava which is a quarter of the land prices from the Kleine Kuppe auction. National land delivery needs to increase fivefold just to catch up with urban population growth. The current trend does suggest that land delivery may accelerate to 750 ervens per annum over the next 12 months as apposed to the 470 over the past 12 months.

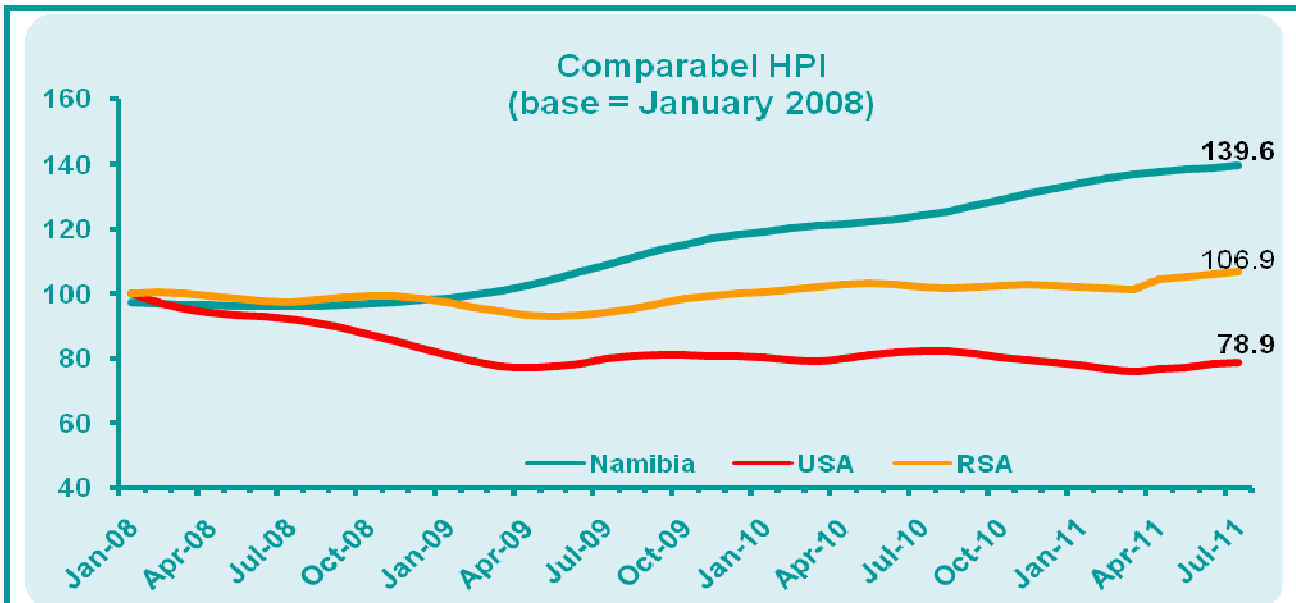
### Mortgage advances



Mortgage advances growth moved up slightly to 10.3% from last month's 10.2%, while the longer term trend remained slightly positive. Deeds data suggest that mortgage advances were driven purely by larger properties, where first mortgage bonds, excluding further mortgage bonds, grew 41% year on year. Total advances for small properties fell 23%, while further mortgage bonds fell 25%. Therefore households were less engaged in renovations during the month under review. SA mortgage advances fell to 2.9% and thus continue to bounce along the bottom as housing demand

continued to weaken and interest rates remain anti speculative.

### 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 continued to increase to 139.6 basis points, but at a slower pace. Therefore the gap between the Namibia HPI and both the SA and US HPI's has begun to shrink. The SA HPI experienced a mild acceleration due to low base effects from a year ago as demand continued to weaken. The US housing market experienced anticipated monthly increases for the fourth consecutive month as measured by the S&P HPI. US housing statistics show that housing starts were down 2% and have hit 30 year lows, while existing-home sales were up 20% and largely responsible for the improvement in the annual rates of change in home prices over the past four months.

### Conclusion

Overall property prices are expected to begin climbing as the market heads into the peak seasons, with monthly growth estimates hovering around 1% for the remainder of the year, before they begin decelerating in 2012. Annualised price growth is expected to accelerate from the current 9.9% to 12% over the next 12 months, which should take the median property price from N\$456k to N\$506k. In real terms, this should translate to a 3.5% price increase over the next 12 months.

### 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.