

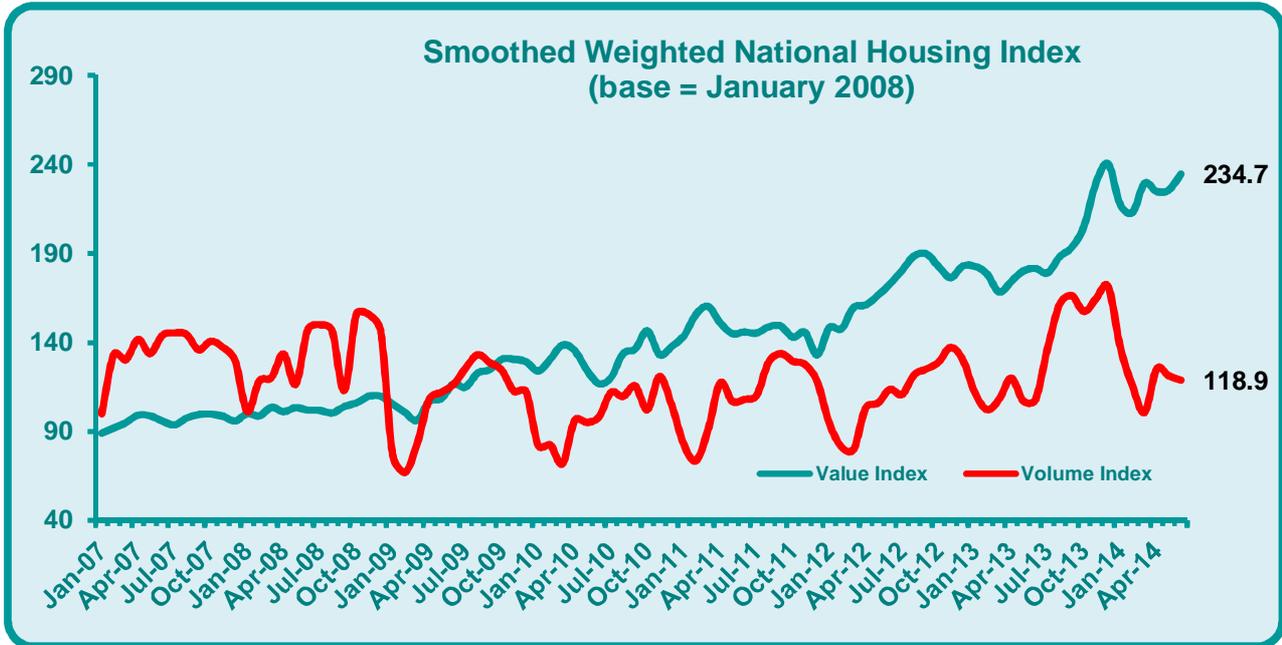
# HOUSING INDEX

June 2014

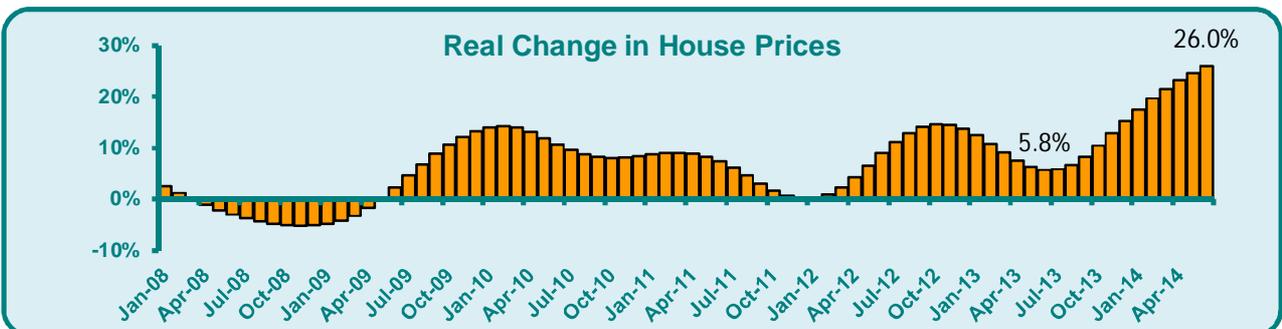
**Namibia Records 2<sup>nd</sup> Highest House Price Growth in the World**



how can we help you?



House prices increased by 29% year on year to bring the FNB House Price Index to 234.7 index points through June as house prices continue to increase in 2014 at a much faster pace than the long term trend over the past seven years. Despite various policy interventions to increase new housing supply, volumes continue to trend downwards as fewer properties are traded from month to month and demand for properties continues to increase. It is this increased disparity between supply and demand that is driving house prices upwards so much so that Namibia had the second highest house price increase in the world after Dubai. At a median price of N\$774k, households must earn at least N\$23k per month to afford an average property. This is almost three times the average household income for urban households in Namibia. Based on our calculations, the income requirement for the lower price segment came in at N\$15k per month. Less than 10% of the households in the country can afford a property in the lower price segment. Land delivery remained weak at 61 stands mortgaged through June, with the trend beginning to point downwards. Land prices were 23% higher and averaged N\$140k for a 410m<sup>2</sup> stand. A further 393, 800m<sup>2</sup> of land was mortgaged by developers, with a maximum potential for 920 free standing homes, which brings the cumulative house delivery potential to 7,950 freestanding homes for 2014. However, developer activity has not filtered meaningfully into the new housing supply numbers as overall volumes continue to trend downwards.



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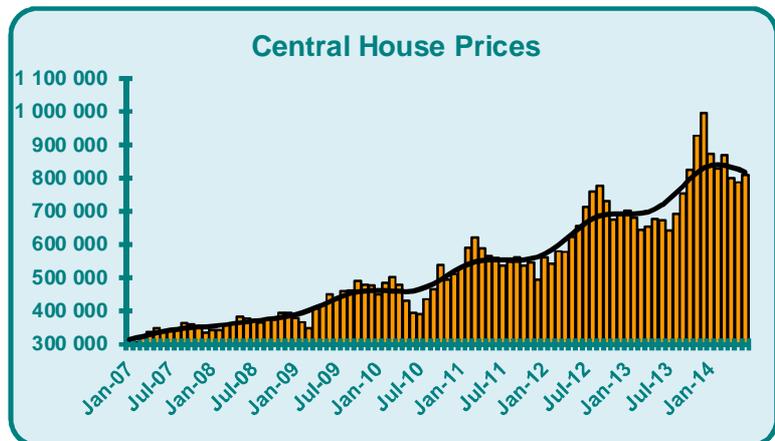
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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only,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

## House Prices

Central property prices increased by 20% year on year to N\$810k, with most of the upward price pressure coming from the upper price segment, where property prices rose by 32% year on year to N\$2,333k per unit. Property prices in the lower to middle price segment also increased, but at more modest rates of between 4 and 14 percent year on year on account of higher supply. Volumes increased by 47 and 86 percent, respectively in the lower and middle price segment due to an increase in new house construction during June. Despite the increase in volumes, prices continued to increase, indicative of the excess demand in the market. The year to date data

indicates that house prices in Windhoek are under mounting price pressure as property prices in the capital have fallen by 13% in 2014, a trend that is evident in Dorado Park, CBD, Pioneers Park and Academia. At a median price of N\$850k, Windhoek no longer has the highest median price in the country. Okahandja property prices continued to march upwards, where property prices have increased by 26% in the year to date, while Gobabis property prices moved sideways. Land delivery weakened even further to 12 stands, with land prices remaining upwardly sticky N\$672/m<sup>2</sup> or N\$198k for a 295m<sup>2</sup> stand. Developers mortgaged a further 12,800m<sup>2</sup> of land with a maximum yield potential for 30 free standing homes and therefore very little short term supply relief in the central property market.

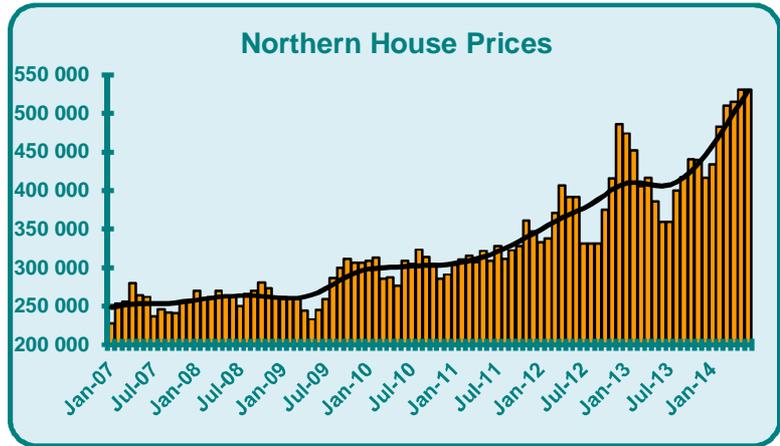


Coastal property prices increased by 25% year on year to a median price of N\$956k and although property prices continue to increase, near term data shows that this price growth is tapering as the market moves towards its August peak. Coastal property prices tend to track the tourism season and hence coastal property price growth was concentrated in the upper price segment, where property prices increased by 28% year on year to end the month at a median price of N\$2,223k. Property prices in the middle price segment remained on the upward trajectory increasing by 12% year on year to N\$1,200k while property prices in the lower price segment increased by a modest 5% year on year to N\$542k. Year to date data shows that Walvis Bay property prices have risen by 46% year to date and decelerating. Swakopmund property prices have risen by 16% year to date and decelerating and Henties Bay property prices have increased by 8% and decelerating. Volumes were up 19% at the cost on account of very strong volume growth in the middle price segment. Land delivery decreased to 15 vacant stands mortgaged at an average price of N\$144/m<sup>2</sup>, which was 15% higher than a year ago. Developers mortgaged a further 103,650m<sup>2</sup> of land with a maximum yield potential for 240 free standing homes.



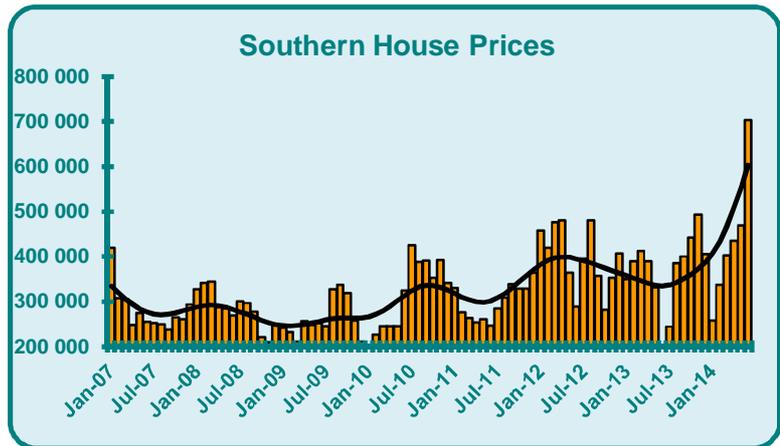
Year to date data shows that Walvis Bay property prices have risen by 46% year to date and decelerating. Swakopmund property prices have risen by 16% year to date and decelerating and Henties Bay property prices have increased by 8% and decelerating. Volumes were up 19% at the cost on account of very strong volume growth in the middle price segment. Land delivery decreased to 15 vacant stands mortgaged at an average price of N\$144/m<sup>2</sup>, which was 15% higher than a year ago. Developers mortgaged a further 103,650m<sup>2</sup> of land with a maximum yield potential for 240 free standing homes.

Northern property prices increased by 28% year on year to end the month at a median price of N\$530k on account of strong price movement in the lower price segment. Overall price movements were further aggravated by a shift in volumes to the middle and upper price segment adding further inflationary price pressure in the northern property market. House prices averaged N\$2,100k in the upper price segment, N\$1,146k in the middle price segment and N\$503k in the lower price segment. The year to date data also shows widespread inflationary pressures in the northern property market with 11 out of 17 northern towns posting price growth

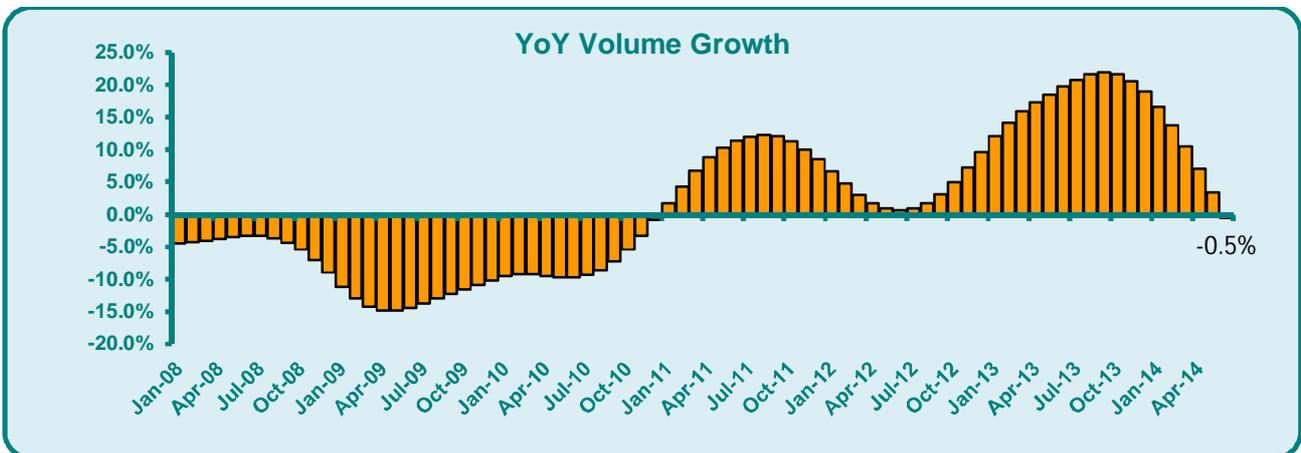


in excess of 20% while the remainder posted single digit price growth through June. However there were fewer properties sold during the month, down 17% year on year due to supply weakness in the lower price segment. This was partially offset by increased land delivery where 28 vacant stands mortgaged at a reasonably affordable average price of N\$152m<sup>2</sup>, which was 31% cheaper than the same period last year. Land delivery was even more encouraging with developers mortgaging 317,400m<sup>2</sup> of land with a maximum yield potential for 740 free standing homes.

Southern property prices increased by 287% year on year to end the month at a median price of N\$702k, but with 5 properties traded in the month, one should not read too much into this figure. The year to date data suggests significant price increases across all southern towns, with property prices up 23% in Aranos, 22% in Keetmanshoop, 37% in Luderitz and 30% in Mariental. This can be ascribed to the weakening supply in the southern market, where the already weak supply has fallen by 48% over the past year, which we suspect is due to increased land delivery, which as increased by 36% over the same period and pushed down land prices by 31%.



The graph below shows that volumes continued to trend downwards through 2014. Volumes contracted for the first time since December 2010. This was mainly due to short term volume weakness in the middle to upper price segments.

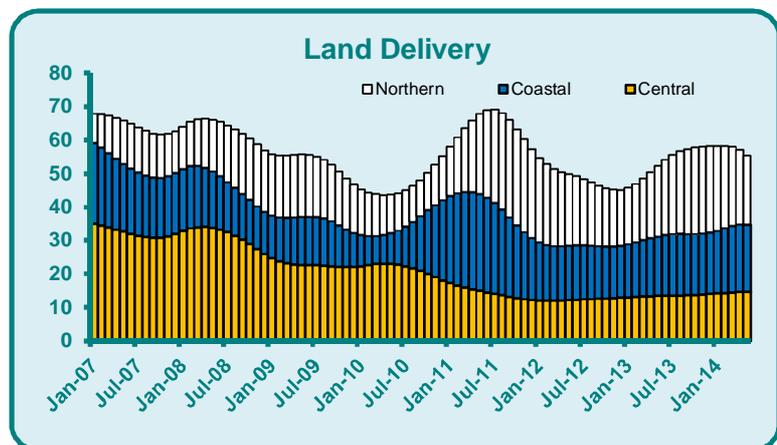


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2014 YTD year.

Median House Prices in Namibia									
	Year						Relative Change		
	2009	2010	2011	2012	2013	2014	5 Years	3 Years	1 Year
Arandis	175 000	300 000		300 000	300 000	300,000	71%		0%
Aranos	510 000	577 500	450 000	475 000	500 000	800,000	57%	78%	60%
Eenhana	208 323	202 162	322 190	388 500	462 000	478,000	129%	48%	3%
Gobabis	320 988	383 000	481 500	608 500	620 000	630,000	96%	31%	2%
Grootfontein	315 000	280 000	308 900	500 000	455 000	500,000	59%	62%	10%
Henties Bay	500 000	563 500	687 500	780 000	837 000	975,000	95%	42%	16%
Katima Mulilo	240 000	286 000	275 000	326 350	430 000	834,840	248%	204%	94%
Keetmans	271 500	334 650	407 000	450 000	421 000	490,000	80%	20%	16%
Luderitz	231 000	432 000	280 000	398 500	413 800	375,000	62%	34%	-9%
Mariental	302 500	350 000	400 000	461 200	418 500	475,000	57%	19%	14%
Okahandja	290 000	355 000	366 900	471 500	543 000	685,000	136%	87%	26%
Okahao	302 000	262 250	373 200	295 000	412 000	458,000	52%	23%	11%
Omaruru	555 000	775 000	650 000	650 800	480 000	1,165,000	110%	79%	143%
Omuthiya		349 600	331 500	343 000	402 000	493,000		49%	23%
Ondangwa	234 000	258 300	373 500	512 350	482 500	550,510	135%	47%	14%
Ongwediva	341 500	442 500	431 000	505 240	412 000	547,000	60%	27%	33%
Oshakati	310 000	486 300	475 000	416 000	420 000	621,000	100%	31%	48%
Oshikango	340 000	450 000	268 300	421 500	578 000	563,000	66%	110%	-3%
Oshikuku	294 000	375 000	311 500	363 000	380 000	470,000	60%	51%	24%
Otavi		350 000	477 000	475 000	473 700				
Otjiwarongo	322 170	377 500	447 000	592 500	678 928	720,081	124%	61%	6%
Outapi	235 600	223 350	296 000	371 000	422 400	530,000	125%	79%	25%
Outjo	410 000	378 000	400 000	470 000	527 000	792,500	93%	98%	50%
Rundu	210 000	280 000	320 700	331 000	401 000	534,653	155%	67%	33%
Swakopmund	469 500	612 000	580 500	700 000	787 500	935,000	99%	61%	19%
Tsumeb	341 000	360 000	470 000	505 550	661 500	720,000	111%	53%	9%
Usakos	160 000	180 000	206 000		430 000	360,000	125%	75%	-16%
Walvis Bay	380 000	489 350	415 000	450 000	617 500	912,500	140%	120%	48%
Windhoek	472 000	544 000	682 500	800 000	980 000	875,000	85%	28%	-11%
Namibia	<b>381 000</b>	<b>450 000</b>	<b>480 000</b>	<b>609 750</b>	<b>640 000</b>	<b>720,000</b>	<b>89%</b>	<b>50%</b>	<b>13%</b>

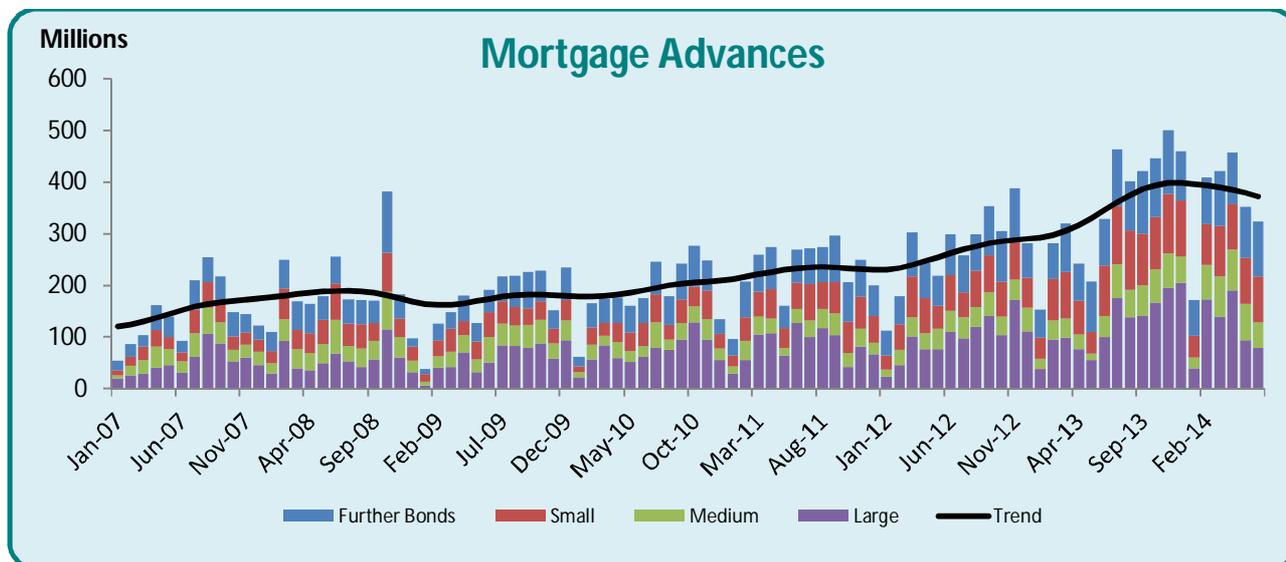
### Land Delivery

Despite TIPEEG and the Mass Housing Project, land delivery struggled to find directions, with the near term data pointing towards waning land delivery. A total of 61 stands were mortgaged through June and although an improvement from the May figure, it was not enough to house the growing population and thus adding inflationary pressure to land prices which were 23% higher at N\$340/m<sup>2</sup>. This was evident in the central property market, where 12 stands were mortgaged at an average price of N\$640/m<sup>2</sup> and thus representing a 53% year on year increase in land prices in the central area. Coastal land prices were a lot more affordable at



N\$144/m<sup>2</sup> along with a 15% year on year price increase. Northern land prices contracted by 53% year on year to N\$152/m<sup>2</sup>, due to increased land delivery and encouraging developer activity. A further 393, 800m<sup>2</sup> of land was mortgaged by developers, with a maximum potential for 920 free standing homes

### Mortgage advances



According to Bank of Namibia data, net mortgage advances decelerated to 11.6% year on year through June. This brings the total mortgage book to N\$25.4bn for private households. Most of this growth was in the form of further mortgaged bonds that accounted for almost one third of all mortgages advanced during June, followed by properties in the middle price segment, which grew by 22% year on year on account of increased volumes and to a lesser extent the higher house prices within the middle price segment. Mortgage advances to the upper price segment fell by 22% and thus accounted for 24% of total mortgages after accounting for as much as 41% of total mortgages back in April. This decline was under pinned by falling property prices in the northern markets upper price segment and falling house volumes in the coastal markets upper price segment.

### Knight Frank Global House Price Index

Rank	Country	12 month	6 month	3 month	Rank	Country	12 month	6 month	3 month
1	Dubai	24.0%	7.4%	3.9%	29	Mexico	3.4%	2.4%	0.7%
2	<b>Namibia</b>	<b>16.0%</b>	<b>-0.5%</b>	<b>-3.3%</b>	30	Russia	3.2%	1.4%	2.0%
3	Turkey	14.0%	7.9%	4.7%	31	Hong Kong	2.5%	0.9%	1.3%
4	Ireland	12.5%	5.4%	6.8%	32	Denmark	2.3%	0.6%	0.3%
5	Colombia	12.3%	6.3%	4.6%	33	Netherlands	2.3%	1.1%	0.9%
6	United Kingdom	11.6%	5.8%	2.9%	34	Czech Republic	1.5%	0.7%	1.1%
7	Brazil <sup>1</sup>	10.8%	4.0%	1.8%	35	South Korea	1.5%	0.9%	0.3%
8	Australia	10.1%	3.4%	1.8%	36	Switzerland	1.5%	-0.3%	0.7%
9	Estonia	9.9%	4.4%	-0.5%	37	Norway	1.4%	6.1%	3.8%
10	Iceland	8.4%	3.2%	2.1%	38	Morocco	0.4%	-0.4%	-1.9%
11	Israel	8.2%	5.4%	2.5%	39	Bulgaria	0.3%	0.6%	0.3%
12	Malaysia <sup>2</sup>	8.0%	0.9%	0.3%	40	Germany	0.2%	1.6%	1.6%
13	Indonesia	7.4%	3.2%	1.7%	41	Belgium	0.0%	-1.3%	0.2%
14	Taiwan	6.9%	3.9%	2.4%	42	Portugal	-0.8%	-0.8%	1.3%
15	Poland	6.8%	-2.1%	0.3%	43	Japan	-1.1%	-0.5%	0.0%
16	Malta	6.8%	5.7%	1.8%	44	Slovak Republic	-1.5%	-0.3%	-0.8%
17	South Africa	6.7%	3.4%	0.5%	45	France	-1.6%	-2.1%	-1.0%
18	Sweden	6.6%	4.1%	2.5%	46	Finland	-2.1%	0.7%	0.0%
19	Lithuania	6.4%	16.7%	8.7%	47	Hungary	-2.4%	-1.6%	-1.0%
20	United States	6.2%	4.3%	3.1%	48	Singapore	-2.4%	-2.1%	-0.8%

21	New Zealand	6.2%	1.7%	-1.3%	49	Croatia	-2.9%	-2.2%	0.6%
22	Latvia	6.0%	3.9%	1.4%	50	Romania	-3.3%	-0.1%	0.6%
23	Austria	4.8%	4.2%	2.3%	51	Spain	-3.5%	-2.2%	-0.5%
24	Jersey	4.8%	6.4%	4.6%	52	Italy	-4.6%	-2.5%	-0.7%
25	Canada	4.4%	2.9%	2.2%	53	Slovenia	-7.4%	-4.8%	-3.1%
26	Luxembourg	4.3%	2.7%	0.0%	54	Greece	-7.9%	-3.1%	-1.4%
27	China	4.3%	0.4%	-0.6%	55	Cyprus	-9.2%	-4.6%	-2.0%
28	India	3.8%	4.5%	2.1%					

The Knight Frank Global House Price Index shows that global property prices slowed down from 7.1% in the first quarter to 5.2% in the second quarter. Therefore global house prices continued to trend upwards for 41 of the 55 countries recording flat or rising house prices. Dubai tops the annual rankings for the fifth consecutive quarter, recording annual price growth of 24%. Namibia slots in second place with annual price growth of 16% on account of poor housing supply which plummeted in 2008 and has battled to find traction despite numerous government interventions to increase new housing supply in the world second least populated country. The rate of growth in the US slowed in the second quarter as the stimulus used to aid the economic recovery post 2007/8 was withdrawn. Although European countries continue to languish at the bottom of the rankings, their price declines have moved from double digit territory while some countries have separated from the bottom of the rankings and have moved to the top.

## Conclusion

House prices continued to increase while volumes continued to decline. Municipal construction data continued to disappoint particularly with regards to new houses completed. This persistent supply shortage is pushing up local property prices to the second highest price increases in the world. Further supply weakness is expected as the coastal market moves into its seasonal dip. However, developer activity was encouraging during June and hopefully this will translate into increased land delivery in the medium term. But for now, the market remains grossly under supplied and therefore house prices are expected to continue on the upward trajectory and end the year  $\pm 15\%$  higher than the same period last year on the back of above average economic growth, robust consumer demand and stronger mining exports to boost household incomes.

## 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.