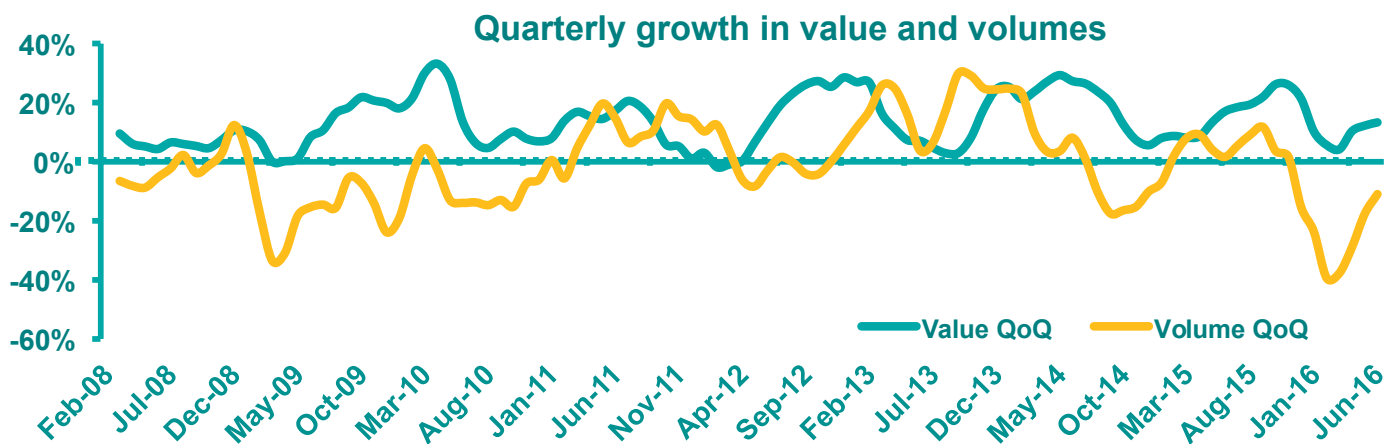




HOUSING INDEX



2Q2016 recorded a slight increase in house price growth while volume growth remained muted across the country. The FNB National Price Index grew by 13.34% q-o-q, in line with our long term view for the year. The improvements in the Index are mainly seasonal as historic data suggest that property prices generally increase in the second and third quarter of any given year.

Despite the price growth, the overall trend for the first half of the year points towards a softening of housing demand as consumers remain jittery about participating in the property market, and as overall economic growth begins to tighten. The Volume Index growth, which came in 10.95% lower q-o-q, indicates a weakening consumptive base as rising inflation, rising interest rates and slow income growth impacts spending.

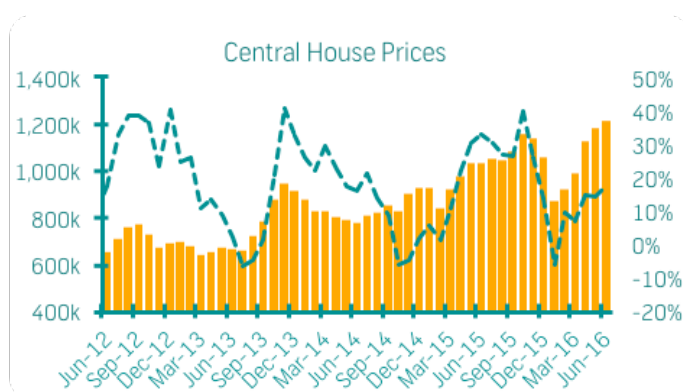


Supply restrictions, however, continue to inhibit price movement which remains elevated across the country. This is corroborated by the latest housing data which reveals that central Namibia prices have tripled since 2Q2010 while prices along the coastal towns and in northern Namibia have doubled over the same period. On an annual basis, however, the median price printed at N\$850k, 6% higher than prices in 2015. The slower growth rate has been expected as property starts selling below or at valuation in the country.

CENTRAL PROPERTY PRICES REGAIN TRACTION

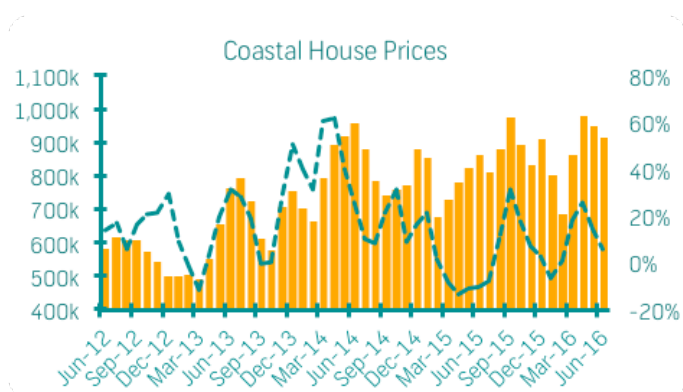
At the end of June, prices in central Namibia increased by 15.63% q-o-q while volumes declined by 7.38% q-o-q. The overall median price for the region edged higher to N\$1.3mn, supported by rising prices in Okahandja and Windhoek.

In Windhoek, prices increased by 20.73% q-o-q thus raising the median price to N\$1.36mn. The suburbs with the fastest growth in prices are Wanaheda, Elisenheim and Academia, growing by 23%, 16% and 14% respectively. Okahandja and Gobabis, however, recorded a slower growth rate of 6.09% and 3.45% q-o-q respectively. Currently, median price of property in Gobabis is N\$1.07mn, while in Okahandja it stands at N\$873k. Overall demand seems to be concentrated in the medium segment of the market where volumes have increased by 46.32% q-o-q. The upper market however continues to weaken, with volumes declining by 54% since the second quarter of 2015.



COASTAL PROPERTY – VOLUMES REMAIN POOR

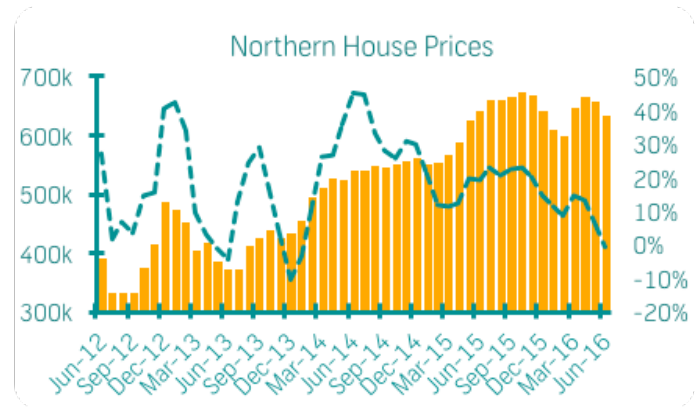
Coastal volume growth remains in negative territory at -36.68% as transaction demand weakens in all segments of the market. Median prices across the three towns were N\$1.25mn in Swakopmund, N\$841k in Walvis Bay, and N\$1.1mn in Henties Bay during the second quarter of the year. Prices in Swakopmund have increased substantially, growing by 42.26% q-o-q as compared to Walvis Bay where prices have grown at a much slower rate of 3.36% q-o-q. In Swakopmund, the price growth emanates mainly from Extension 10, Extension 15 and the Rossmund area where property prices increased substantially since last year, thus pushing the overall median prices higher.





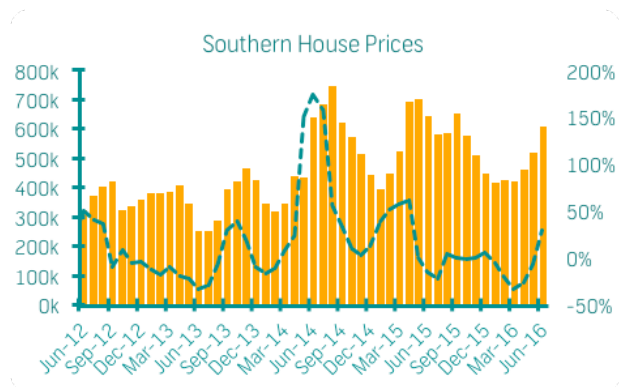
NORTHERN PROPERTY PRICES TRACK INFLATION

Prices up north grew by 8.98% at the end of the second quarter, a lower growth rate as compared to 2Q2015tt which stood at 21.37%. Volumes grew by 22.81% q-o-q, reinforcing the North as the fastest growing housing market in Namibia. Specifically, volumes in Grootfontein increased 16.67%, while in Ongwediva and Oshakati, volumes have doubled over the past year. Median prices across Oshakati, Ongwediva and Rundu were recorded as N\$544k, N\$823k and N\$689k respectively. The prices however have dropped in Oshakati by 21.30%, but in Rundu and Ongwediva prices have increased by 12.55% and 14.35% compared to last year. The northern market remains more affordable in comparison to the central and coastal region, while land delivery has accelerated in response to rising demand. The volume growth in these towns is therefore expected to continue and, invariably, prices will be consistent with inflation as low cost housing supply builds momentum.



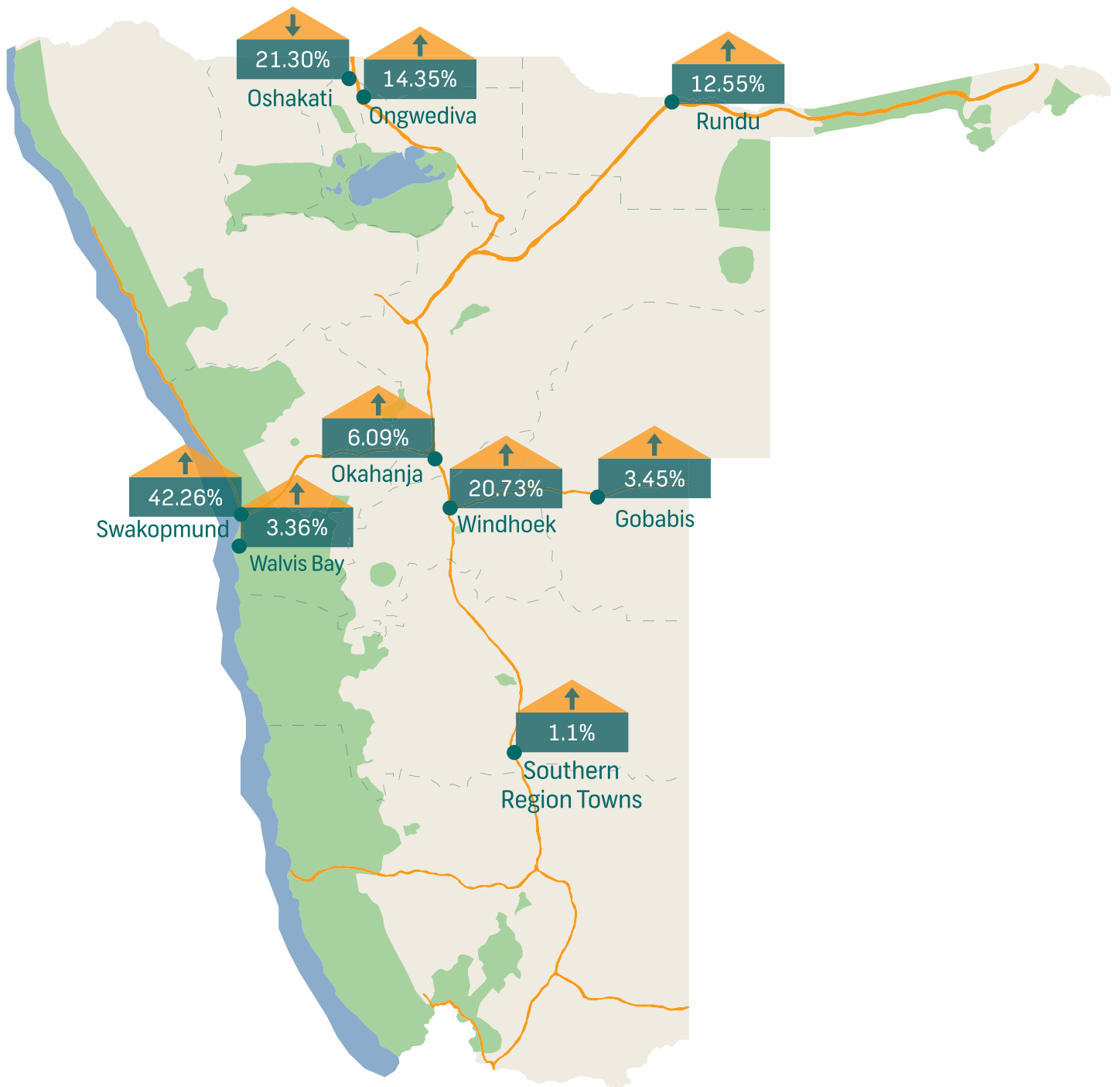
SOUTHERN PROPERTY – DECLINING LAND PRICES

Few residential properties changed hands in the southern parts of the country. However, the few that did trade during the second quarter of the year suggest volume growth declining by 16.67% q-o-q. Consequently, the median price increased to N\$755k for the quarter, about 1.1% higher than the second quarter of 2015.





PROPERTY PRICE GROWTH ACROSS NAMIBIA





KNIGHT FRANK GLOBAL HOUSE PRICE INDEX

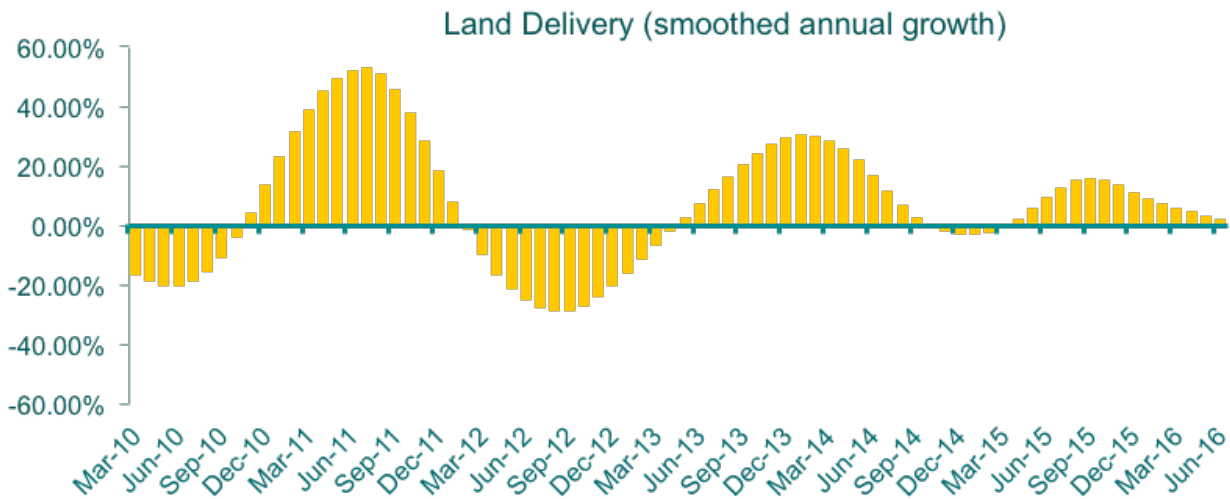
The latest report from the Knight Frank House Price Index revealed that property price growth across the world has started to cool with increasing economic and political uncertainty creeping in. According to the 1Q2016 report, the 12 month cumulative growth rate in the Housing Index increased to 3.4% at the end of March. Major concerns seem to stem from political uncertainty in Europe and America, while economic slowdown is the main culprit for lacklustre performance among most emerging market states.

The high growth housing markets include Turkey, Sweden and New Zealand with growth rates well above 10%, while Ukraine, Taiwan and Greece are all experiencing a drop in the property prices. Comparatively, Namibia's first quarter data would rank it 6th in the world, with index growth recorded at 9.32%.

Rank	Country	12-month	6-month	3-month	Rank	Country	12-month	6-month	3-month
1	Turkey	15.30%	6.10%	2.40%	29	India	3.90%	2.10%	0.60%
2	Sweden	12.90%	5.10%	2.50%	30	South Korea	3.80%	1.10%	0.20%
3	New Zealand	11.00%	3.40%	-1.10%	31	Chile	3.70%	-3.40%	-0.90%
4	Lithuania	10.50%	10.40%	8.90%	32	Portugal	3.70%	0.90%	-0.20%
5	Malta**	9.90%	8.40%	2.30%	33	Romania	3.60%	0.60%	1.80%
6	Australia	8.70%	2.20%	0.20%	34	China	3.10%	2.20%	1.60%
7	Mexico	8.10%	2.30%	2.70%	35	Spain	2.40%	1.10%	0.20%
8	Israel	7.90%	3.30%	2.40%	36	Jersey	2.20%	0.10%	-1.00%
9	Austria	7.60%	4.20%	2.90%	37	Russia	1.50%	3.20%	3.60%
10	Ireland	7.40%	1.50%	-0.10%	38	Belgium	1.40%	2.80%	1.40%
11	Canada	7.00%	1.50%	1.30%	39	Switzerland	1.30%	0.80%	0.10%
12	Colombia	6.90%	3.00%	1.50%	40	Finland	1.10%	-2.80%	0.10%
13	South Africa	6.80%	4.00%	2.20%	41	Slovakia	1.00%	0.70%	0.50%
14	Iceland	6.70%	4.50%	1.90%	42	Estonia	0.80%	3.70%	0.30%
15	Poland	6.40%	5.50%	6.40%	43	France	0.50%	-1.10%	-0.20%
16	Denmark	6.20%	-0.10%	0.10%	44	Brazil	-0.20%	-0.60%	-0.20%
17	Malaysia	5.80%	1.80%	-0.80%	45	Japan	-0.30%	-0.20%	-0.20%
18	Germany	5.40%	3.20%	2.20%	46	Slovenia	-0.80%	-4.00%	-1.20%
19	United Kingdom	5.30%	3.10%	1.60%	47	Italy	-0.90%	0.00%	-0.20%
20	Latvia	5.20%	3.50%	2.70%	48	Morocco	-1.10%	-3.00%	-1.20%
21	United States	5.20%	0.90%	0.90%	49	Cyprus	-1.90%	-0.40%	0.00%
22	Luxembourg	5.10%	4.00%	3.20%	50	Croatia	-2.10%	0.80%	0.10%
23	Norway	4.60%	1.70%	3.80%	51	Singapore	-3.10%	-0.80%	-0.60%
24	Czech Republic	4.50%	2.30%	1.10%	52	Hong Kong	-5.00%	-10.00%	-6.40%
25	Netherlands	4.30%	1.90%	1.90%	53	Greece	-5.40%	-1.30%	-0.30%
26	Hungary	4.30%	-7.10%	-8.00%	54	Taiwan	-6.00%	-3.90%	-2.30%
27	Indonesia	4.20%	1.70%	1.00%	55	Ukraine	-10.50%	-5.50%	-2.80%
28	Bulgaria	4.00%	2.60%	3.10%					



LAND DELIVERY RECOVERS



On a quarterly basis, land delivery has edged 2.08% higher than 2Q2015. Although the trend has been declining, it is bottoming out and pipeline business suggests that land delivery will turn the corner and begin to increase as more stands go on offer under the mass land servicing and PPP campaign, and particularly in the northern and coastal areas.

CONCLUSION

The property market is expected to undergo structural changes over the next few periods as demand-side pressures ease and as supply gradually gains traction. The decelerating disposable income growth the potential impact of any implementation of rent control are bound to reduce overall demand in both the investment and buy-to-live/let segments. However, changes in the regulatory environment merely address the symptoms of a much bigger problem, namely the structural supply challenges. In the short run, consumers are facing tighter monetary conditions with rising inflation and higher interest rates. The expectation of sluggish wage growth for the remainder of the year will further exacerbate affordability issues. Compound these issues with the increase in cost of home ownership via rising property rates & taxes and higher utility tariffs, consumers delaying purchase decisions becomes expected. However, with the drought increasing risks for developers and the long term implications thereof, we have seen a slowdown in overall housing construction. In this regard we have seen new house builds fall 21.73% over the first six months to a mere 65 houses completed in Windhoek. Despite the slowdown in new house builds, we revise our year end growth projection downwards to 10% from 13%. Data from the third quarter will be pivotal in cementing this view, as coastal properties begin to seasonally moderate and a host of cost-effective houses from NHE and the mass housing program drive down prices, albeit temporarily. Saturation in the upper price segment, along with a general slowdown in the middle price segment, will begin to drive developers towards the affordable lower price segment in 2017 and beyond. A rebalancing of the supply mix towards the less profitable segments will squeeze inefficient developers out of business as developer margins compress and volumes accelerate.





Below are the annual median house prices for the major towns in Namibia. The change in prices has been compared for the past 5 and 3 years. The year to date (YTD) value has been inserted to give a possible indication for 2016 numbers.

Town	Year						Relative Change			
	2010	2011	2012	2013	2014	2015	YTD	5 Years	3 Years	1 Year
Arandis	300,000	300,000	300,000	300,000	505,000	602,000	746,000	148.67%	148.67%	23.92%
Eenhana	202,162	322,190	388,500	462,000	527,500	600,000	732,350	127.30%	58.52%	22.06%
Gobabis	383,000	481,500	608,500	620,000	630,200	783,500	922,500	91.59%	48.79%	17.74%
Grootfontein	280,000	308,900	500,000	455,000	530,000	597,000	620,000	100.71%	36.26%	3.85%
Henties Bay	563,500	687,500	780,000	837,000	870,000	1,037,445	1,136,000	65.24%	35.72%	9.50%
Katima Mulilo	286,000	275,000	326,350	430,000	528,750	543,000	708,500	157.64%	64.77%	30.48%
Keetmanshoop	334,650	407,000	450,000	421,000	495,000	698,750	700,000	71.99%	66.27%	0.18%
Luderitz	432,000	280,000	398,500	413,800	397,300	446,990	430,000	53.57%	3.91%	-3.80%
Mariental	350,000	400,000	461,200	418,500	550,000	600,000	550,000	37.50%	31.42%	-8.33%
Okahandja	355,000	366,900	471,500	543,000	687,000	790,000	765,000	108.50%	40.88%	-3.16%
Okahao	262,250	373,200	295,000	412,000	484,000	447,500	532,730	42.75%	29.30%	19.05%
Omaruru	775,000	650,000	650,800	480,000	800,000	737,500	1,300,000	100.00%	170.83%	76.27%
Omuthiya	349,600	331,500	343,000	402,000	531,500	575,000	550,000	65.91%	36.82%	-4.35%
Ondangwa	258,300	373,500	512,350	482,500	570,500	683,805	721,330	93.13%	49.50%	5.49%
Ongwediva	442,500	431,000	505,240	412,000	506,500	720,040	823,600	91.09%	99.90%	14.38%
Oshakati	486,300	475,000	416,000	420,000	964,100	686,000	539,900	13.66%	28.55%	-21.30%
Oshikango	450,000	268,300	421,500	578,000	1,063,000	900,000	425,000	58.40%	-26.47%	-52.78%
Oshikuku	375,000	311,500	363,000	380,000	466,000	550,000	503,520	61.64%	32.51%	-8.45%
Otavi	350,000	477,000	475,000	473,700	690,000	475,000	557,000	16.77%	17.58%	17.26%
Otjiwarongo	377,500	447,000	592,500	678,928	735,081	750,000	689,993	54.36%	1.63%	-8.00%
Outapi	223,350	296,000	371,000	422,400	530,000	535,000	547,500	84.97%	29.62%	2.34%
Outjo	378,000	400,000	470,000	527,000	613,388	760,000	622,500	55.63%	18.12%	-18.09%
Rundu	280,000	320,700	331,000	401,000	553,230	614,800	689,500	115.00%	71.95%	12.15%
Swakopmund	612,000	580,500	700,000	787,500	750,000	875,800	1,112,000	91.56%	41.21%	26.97%
Tsumeb	360,000	470,000	505,550	661,500	722,500	847,500	900,000	91.49%	36.05%	6.19%
Usakos	180,000	206,000	206,000	430,000	423,000	656,500	415,000	101.46%	-3.49%	-36.79%
Walvis Bay	489,350	415,000	450,000	617,500	800,000	795,500	857,000	106.51%	38.79%	7.73%
Windhoek	544,000	682,500	800,000	980,000	910,000	1,150,000	1,300,000	90.48%	32.65%	13.04%
Namibia	450,000	480,000	609,750	640,000	700,000	800,000	850,000	77%	33%	6%



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 (2007 prices) 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. Stock of housing has been challenged with immeasurable median prices; resulting in a perennial problem for housing indices.

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