



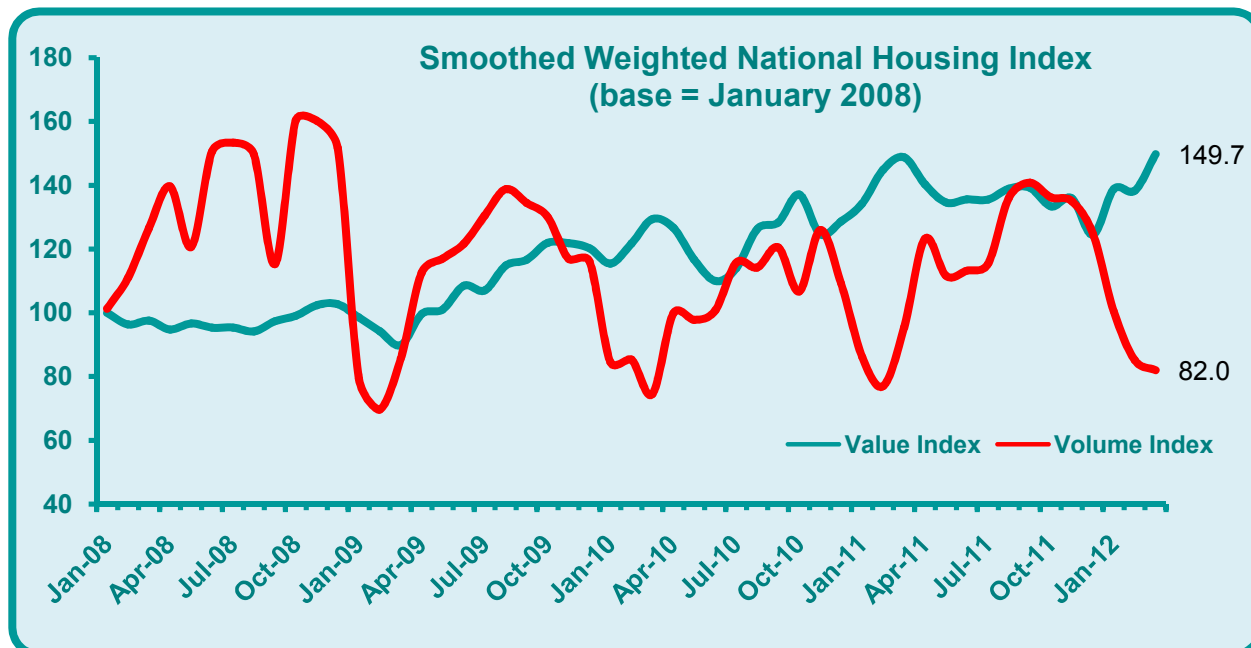
FNB
First National Bank

HOUSING INDEX

March 2012

House Prices Rising Again on Thin Volumes

how can we help you?



The FNB House Price Index accelerated by 8% month on month to 150 basis points, however it grew 0.6% year on year and hence back to where it was a year ago. There were strong price increases in many of the northern towns such as Katima Mulilo, Grootfontein, Otjiwarongo, Oshikango, and Oshikuku, but at the same time property prices in Windhoek have weakened by 2% in 2012. Overall volumes remained very weak through March and were down 4% month on month and down 14% year on year. Numerous properties in the upper price segment were withdrawn from the market after spending several months on the market without a sale, which implies that demand is weakening in the upper price segment at the current market price. Bond registrations for Elissenheim and Omeya are in full swing and these are expected to support volumes for the remainder of the year. Land delivery fell to a new low with a mere 21 stands bonded through March.

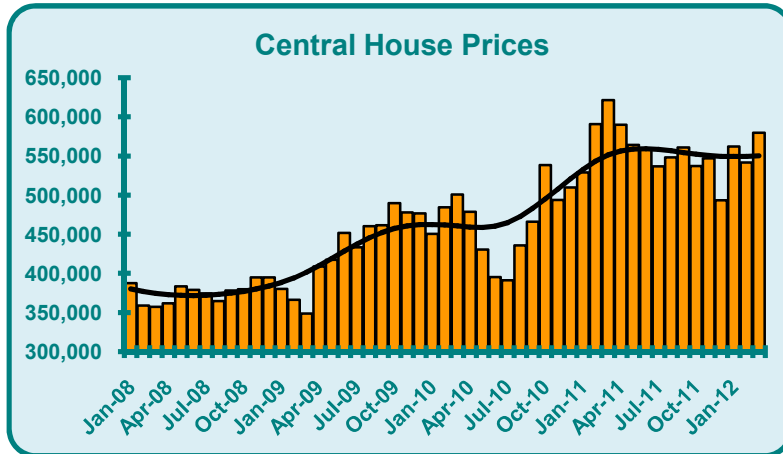
Median House Prices and month on month change						
	Small		Medium		Large	
Central	261,667	2.2%	541,900	1.9%	1,290,000	3.6%
Coastal	277,371	-0.8%	573,333	0.6%	1,042,167	-6.5%
Northern	245,833	-1.3%	507,167	-2.4%	1,334,600	10.3%
Southern	316,783	0.1%	515,000	4.3%	1,350,000	-6.9%

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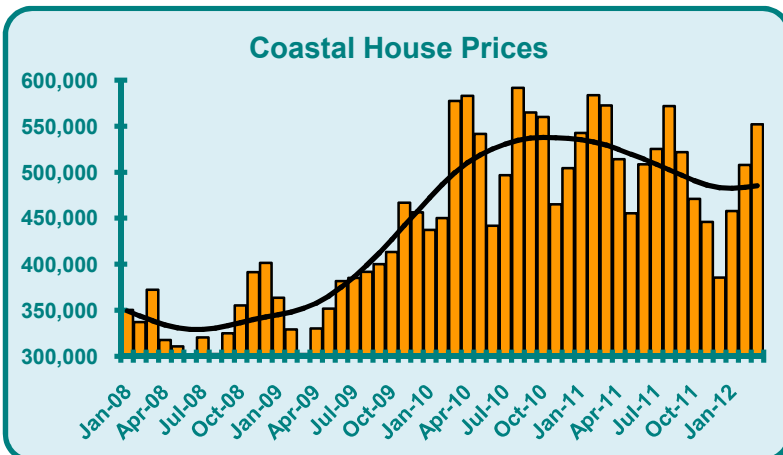
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices



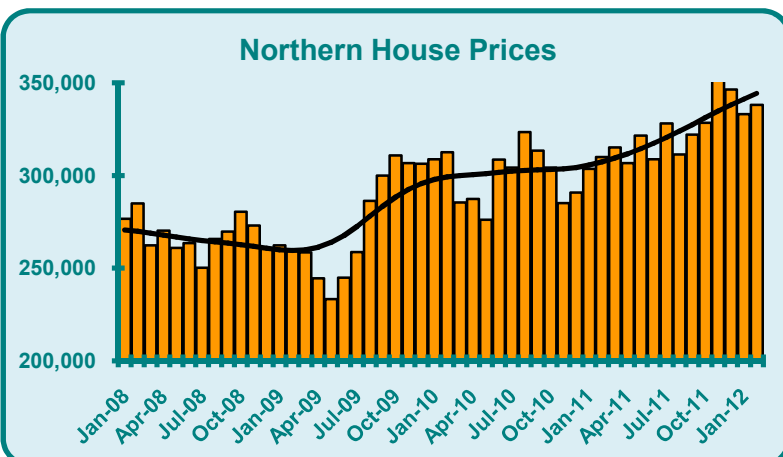
Central property prices rose 7% month on month but are down 7% on an annualised basis. Over the past year, house prices have remained relatively flat in the central region. The entry of Elissenheim and Omeya properties coincided with Windhoek's property prices slowing down by 2%. Despite increased supply in Okahandja, property prices have soared 41% over the first 3 months of 2012 as rising demand pushed up house prices in Okahandja. Gobabis was not too far behind and house prices have already risen by 25% in 2012, but it remains a very volatile market where house prices can

change direction very quickly. Land delivery increased moderately but remains weak with 4 stands mortgaged and thus is a far cry from the 300 stands required each month to house the central market's population growth. At N\$152 per sqm, land was 20% cheaper than the February average. It is good to note that ground work has started to address land delivery in Windhoek. We should see some of these stands coming to the market around mid 2013.



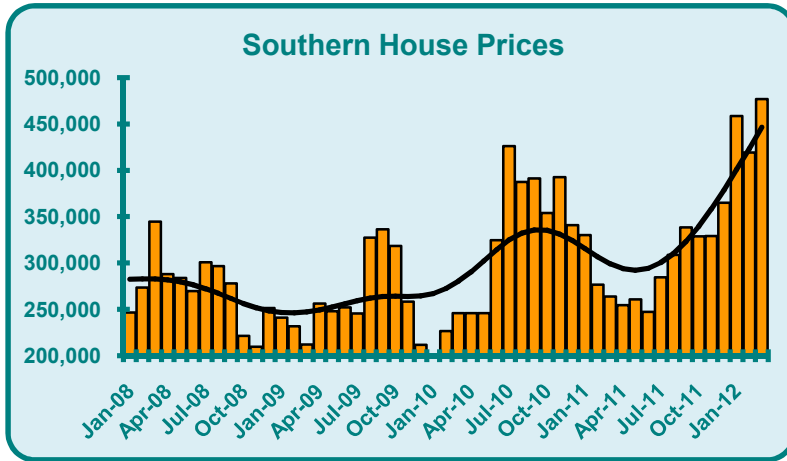
Coastal property prices continued to improve from their December low, with a further 9% month on month increase but down 4% year on year, keeping in mind that they were down by as much as 24% year on year in December. Coastal house prices generally increase during the second quarter and peak in July, but this year the price increases have started a month earlier than expected. This is due to price increases in Henties Bay, where property prices rose 18% in the year. Both Swakopmund and Walvis Bay experienced negative price growth, with house prices down 3 and 4 percent respectively. Large

coastal house prices shot up 22% month on month after capitulating in 2011, but volumes remain very thin – volumes are down 41% year on year. It would appear that there are very few takers in the upper price segment, which is also saturated with undeveloped stands for sale. Coastal land delivery deteriorated to a dismal 4 stands after averaging 19 stands per month for 2011. Land price increased by 20% to N\$189 per sqm from the February average. We still expect a surge in land delivery later in the year.



Northern property prices continued on an upward trajectory, climbing a further 10% in March and raising the year on year growth figure up to 18%. House prices in Omaruru and Grootfontein have risen 102 and 76 percent respectively, while Otjiwarongo, Okahao, Oshikango and Oshikuku have all posted double digit growth figures. Price movements in the market were driven by the middle price segment, where house prices increased 4% month on month and 6% year on year. House prices in the lower price segment continued to fall, largely due to above average land delivery rates, where 13 stands were mortgaged during March at an

average price of N\$33 per sqm, down 47% from the February average.

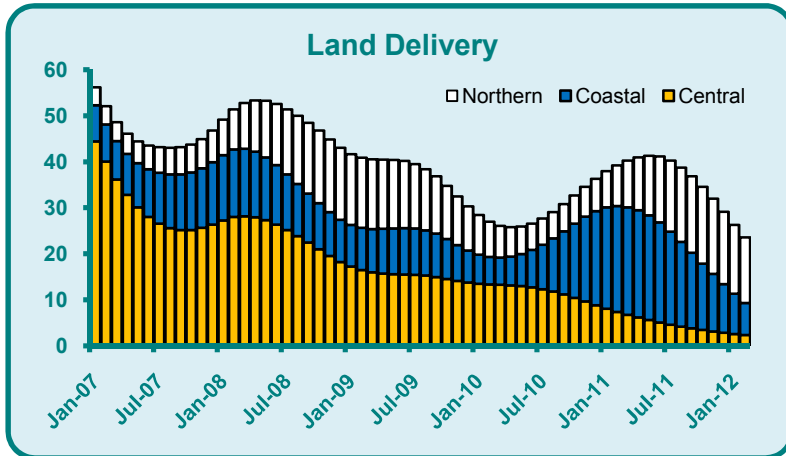


House prices in the southern property market continued to increase dramatically. House prices in Luderitz and Mariental rose 108 and 61 percent respectively, while those in Keetmanshoop were flat. But once again we must warn that this is on the back of very low volumes.

Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5years, 3years and 1 year.

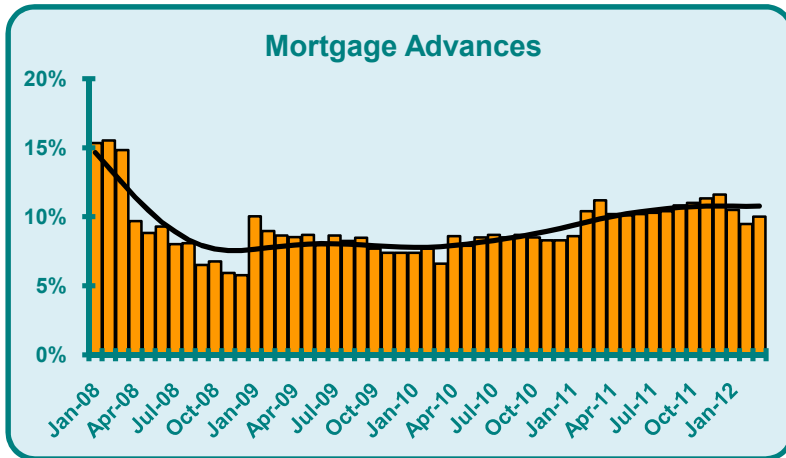
Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	1 Year
Aranos	220,000	360,000	306,000	577,500	450,000	140,000	-36%	-54%	-69%
Eenhana	204,900	202,000	196,647	190,000	297,000	230,000	12%	17%	-23%
Gobabis	222,700	240,000	315,375	306,000	450,000	561,850	152%	78%	25%
Grootfontein	176,500	290,500	240,000	221,143	297,500	525,000	197%	119%	76%
Henties Bay	502,000	500,000	427,013	520,000	668,500	790,000	57%	85%	18%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	324,050	42%	62%	30%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	351,000	32%	37%	0%
Luderitz	165,700	218,000	190,036	300,000	191,821	398,500	140%	110%	108%
Mariental	396,000	294,200	265,000	290,000	395,000	637,500	61%	141%	61%
Okahandja	252,100	250,000	265,500	347,000	360,000	508,000	102%	91%	41%
Okahao	230,000	258,500	302,000	262,250	371,400	432,500	88%	43%	16%
Omaruru	397,200	420,000	450,000	300,000	161,482	355,000	-11%	-21%	120%
Omuthiya				299,200	331,500	343,000			3%
Ondangwa	225,000	280,000	230,500	249,050	337,500	360,500	60%	56%	7%
Ongwediva	297,000	288,000	337,000	437,400	417,800	370,000	25%	10%	-11%
Oshakati	193,785	216,000	300,000	480,575	351,500	240,000	24%	-20%	-32%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	339,250	-66%	0%	26%
Oshikuku	255,500	255,500	294,000	375,000	311,500	363,000	42%	23%	17%
Otavi	320,000	202,000	202,000	350,000	388,500	242,500	-24%	20%	-38%
Otjiwarongo	344,000	308,000	300,000	352,800	398,000	525,000	53%	75%	32%
Otapi	229,000	237,050	235,300	216,519	294,000	256,000	12%	9%	-13%
Otjo	294,000	350,000	410,000	378,000	396,500	403,000	37%	-2%	2%
Rundu	165,922	269,000	182,391	264,000	293,320	238,600	44%	31%	-19%
Swakopmund	477,805	380,000	468,000	600,000	568,000	550,000	15%	18%	-3%
Tsumeb	300,000	300,000	322,075	350,000	430,000	460,000	53%	43%	7%
Jsakos	171,000	348,000	160,000	160,000	206,000	200,000	17%	25%	-3%
Walvis Bay	303,000	296,900	325,000	431,000	370,000	355,600	17%	9%	-4%
Windhoek	375,000	386,000	453,300	500,000	610,000	596,000	59%	31%	-2%

Land Delivery



priced relative to existing housing stock. For 2012, an estimated 750 new stand are expected, increasing to 5,000 in 2013.

Mortgage advances

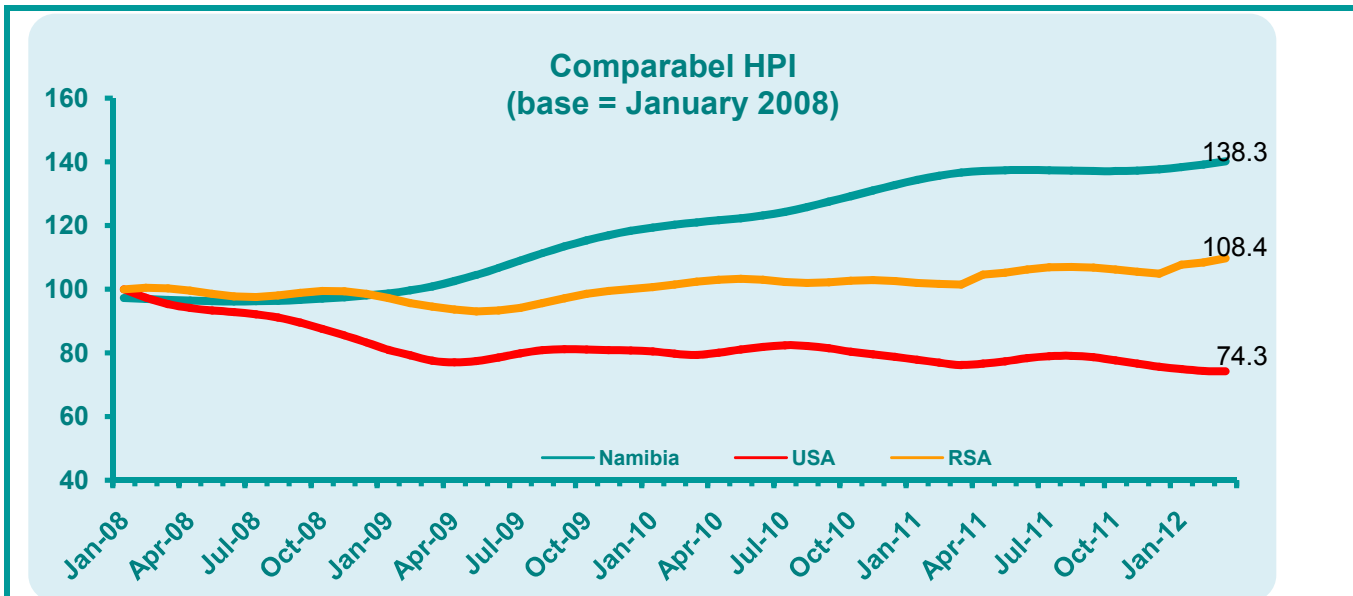


remained relatively weak during 2012, but the March numbers were much higher than previous months.

Land delivery remained weak through March, with a mere 21 stands mortgaged. Coastal land delivery has lost its momentum, but has many stands on the market and even more residential extensions on the way. Central land delivery remained low. There was however increased land delivery in the northern property market, but this was nowhere sufficient to match the demand pipeline based on the size of the housing backlog. Overall, persistent structural supply shortages continued to fuel house prices as the market is starved of new housing stock, which is generally competitively

Mortgage advances growth has flattened out and mortgages advances are still growing consistently by 11% year on year. Unpacking the mortgage advance numbers reveals that there is a huge increase (63%) in mortgages extended for properties in the middle price segment. The small house segment is also enjoying 11% more mortgages extended for houses that fall within this price segment. Mortgages in the upper price segment fell below the market average and hence are responsible for the stagnant overall growth in mortgage advances. Further bonds contracted over the past year and have

Comparable HPI



Source: FNB SA & S&P

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 Namibian property prices have recovered from a few months of negative returns and house prices have begun increasing once again. Local property price levels are thus 30% higher than in South Africa. The SA HPI showed a further increase in March, up 8% year-on-year. This improvement in South African house prices is attributed largely to a better than expected 4th quarter GDP numbers and perceived increased job security. The US housing prices fell a further 2.6% to reach new post housing crisis lows. House prices have not turned, but there are pockets of recovery in the US market where annual rate of return is positive. Broader improvement in more cities is required for many months in succession as the US market enters a high buying period, for these pockets of recovery to have a meaningful impact.

Conclusion

Year on year house prices were flat. However, on a monthly basis, house prices have started increasing once again, with strong price increases in many of the northern towns. Windhoek house prices have weakened over the past five years and so far, property prices are down 2%. The thin volumes suggest that demand is low at the current market prices and consequently properties are spending a lot more time on the market than before. Volumes are however expected to increase over the coming months and yield higher volumes than 2011. Land delivery is expected to remain a challenge and therefore a surge in upgrades and extensions to existing properties is expected for the remainder of 2012.

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.