

# HOUSING INDEX

March 2014

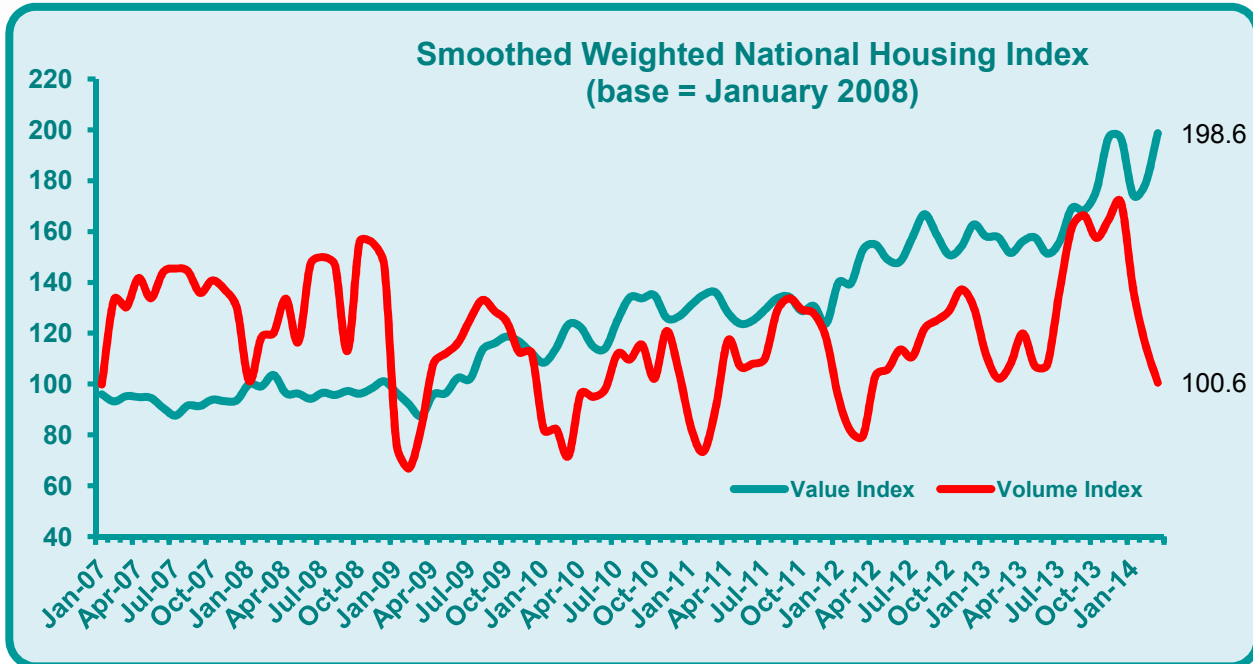


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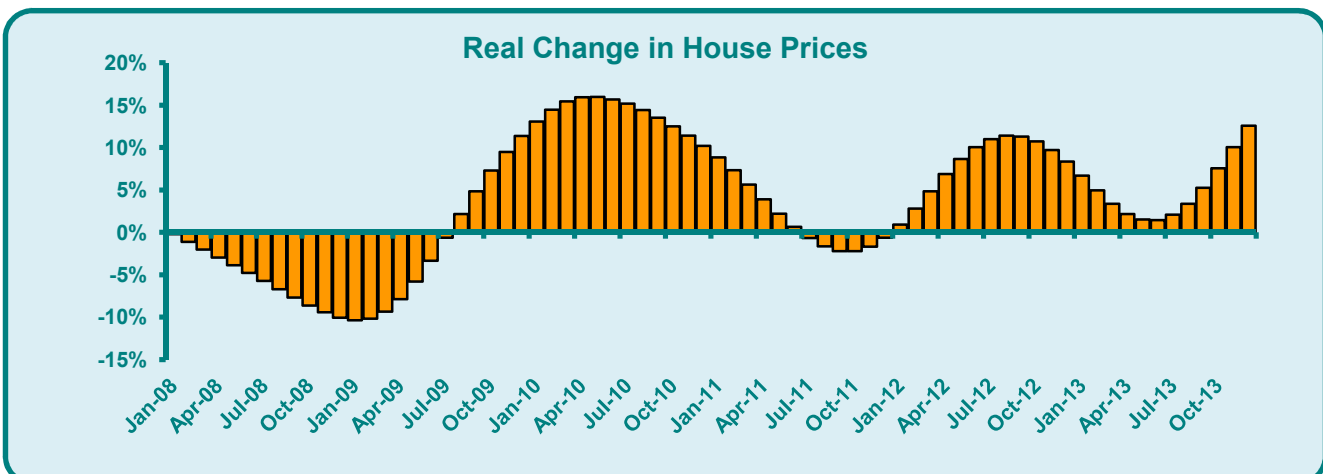
First National Bank

**Supply Continues to Weaken**

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House prices were back on the increase through March after volumes continued to weaken. Over the past two months, volumes have decreased by 71 index points and thus indicating a marked slowdown in mortgage transactions. This has translated in mortgage bonds contracting from 419 transactions in November 2013 to 290 transactions in March. Most of this weakness came from the central and coastal markets where transactions volumes have come under pressure. These two markets have seen substantial increase in property prices over the past year, with property prices up 35 and 61 percent respectively and averaging N\$869k in the central market and N\$791k in the coastal market. Further survey results for the first quarter indicate that willing and able buyers are dwindling as buyers struggle to afford properties at current market prices. Ninety stands were mortgaged during the month, with 13 mortgaged in the central property market, 30 mortgaged in the coastal property market, 27 mortgaged in the northern property market and the remainder in the southern property markets. Developers mortgaged a further 357,700m<sup>2</sup> of land mortgaged during March, with a maximum yield potential for 835 free standing homes.

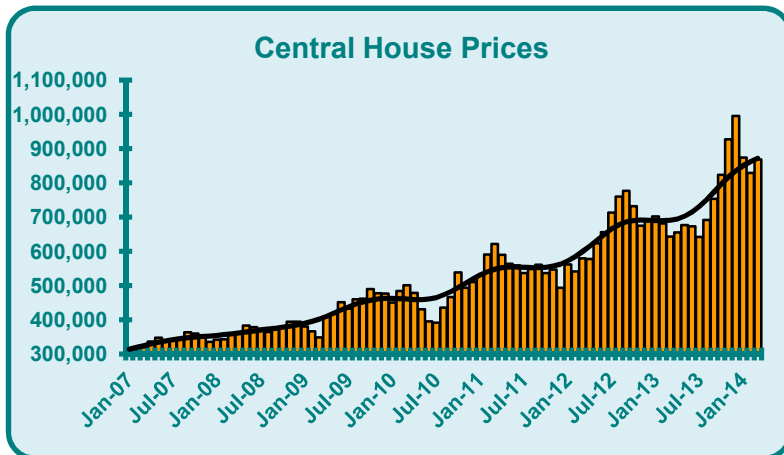


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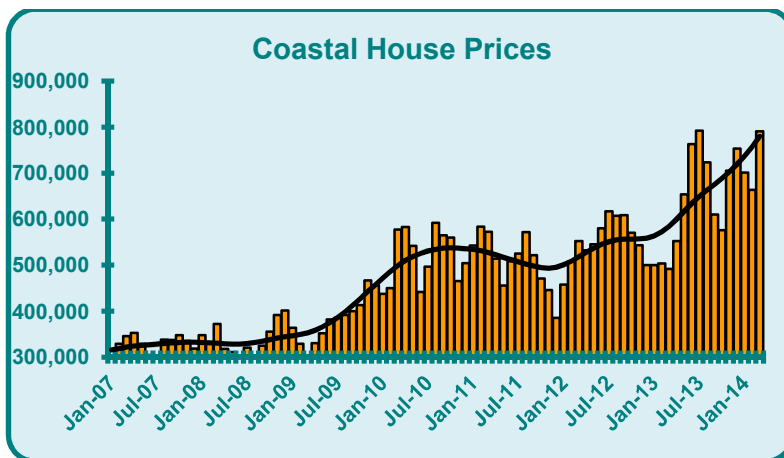
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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only,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

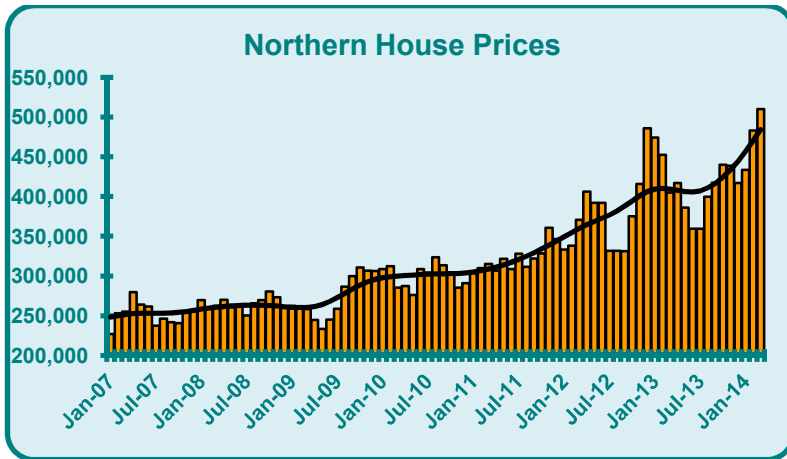
## House Prices



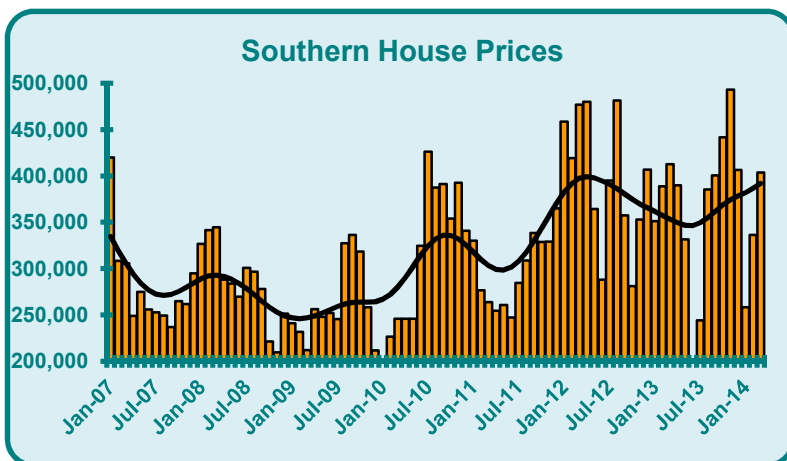
Central property prices increased by 35% year on year to close the month at median price of N\$869k. Most of the upward price pressure came from the upper price segment, where property prices increased by 35% year on year, while volumes in the upper price segment declined by 10%. Property prices in the middle price segment increased by 11% to end the month at an average price of N\$1,221k. Despite this relatively high price tag, overall volumes grew by 41% year on year. House prices in the lower price segment averaged N\$603k, up 12% year on year. Year to date data shows that Okahandja prices drove central house prices up the most, registering 22% year to date price increases, while property prices in Gobabis rose by 2%, while contracting by 4% in Windhoek. On an annualised basis, volumes decreased by 13% in the central market on account of lower supply in the lower and upper price segments, where volumes fell by 18 and 10 percent. Furthermore, land delivery weakened to 13 vacant stands mortgaged in the central property market, with land prices averaging N\$551/m<sup>2</sup>, down 2% year on year. Developers mortgaged a further 307,800m<sup>2</sup> of land with a maximum development potential for 720 free standing homes.



Coastal property prices increased by 61% year on year to end the month at a median price of N\$791k. The upward price pressure came from the lower to upper price segments, where property prices increased by 21 and 24 percent. The overall growth was aggravated by a change in the housing mix, after volumes fell by 25% in the lower price segment, whilst increasing by 74% in the middle price segment. This effectively shifted the median price to the right and thus causing abnormally high price movements. Small coastal house prices averaged N\$489k, medium coastal house prices averaged N\$1,295k, while large coastal home prices average N\$1,888k. Year to date data shows that property prices at the coast rose the fastest in Walvis Bay (38%) followed by Swakopmund (21%), while Henties Bay property prices rose by 6%. Volumes contracted by 8% year on year through the month under review on account of fewer properties mortgaged in the lower price segment. In the lower price segment, volumes fell by 25% year on year, while rising by 74% in the middle price segment and moving sideways in the upper price segment. This changed the marketing mix significantly and thus had an inflationary effect on the median house prices. Land delivery increased with 30 vacant stands mortgaged at an average price of N\$119/m<sup>2</sup>, which was 63% lower than a year ago. Developers mortgaged a further 49,986m<sup>2</sup> of land with a maximum yield potential for 116 free standing homes.



Northern property prices increased by 26% year on year to N\$510k and extend its steep growth trajectory to seven consecutive months. Most of the growth continued to be driven by properties in the upper price segment, which have increased by 64% year on year and averaged N\$3,075k in March and with volumes up 75% year on year. Not only are property prices increasing rapidly, there does not appear to be a shortage of willing and able buyers at these elevated price levels. The year to date data shows that Omaruru and Oshakati were largely responsible for these high price movements with property prices up 143 and 186 percent respectively. Oshakati property prices remained elevated for the second consecutive month with an average price of N\$1,200k. Year to date property prices contracted in Eenhana, Grootfontein, Okahao, Oshikango, Usakos and Otjiwarongo. The northern property market continued to enjoy robust volume growth, with volumes up 19% year on year, but this figures has been decelerating over the past 4 months and across all price segments. Land delivery declined marginally with 27 vacant stands mortgaged at an average price of N\$250/m<sup>2</sup>, which was 22% higher than the same period last year. Developers mortgaged a further 4,780m<sup>2</sup> of land during March, with a maximum yield potential for 11 free standing homes.



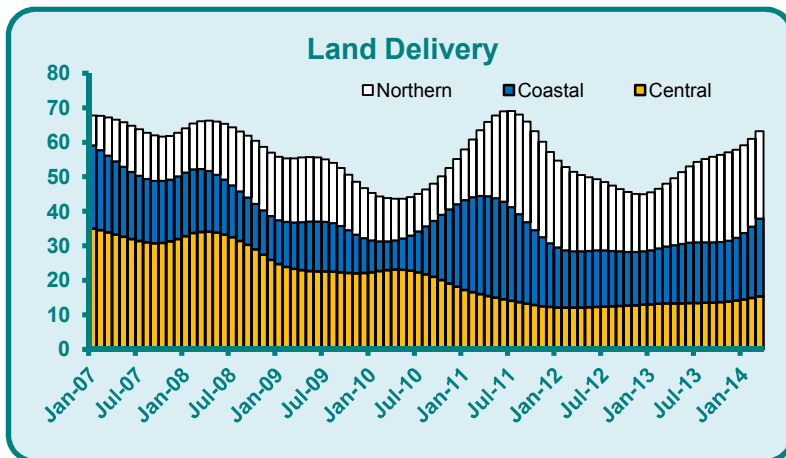
Southern property prices fell by 2% year on year to end the month at a median price of N\$404k. This was due to downward price pressure in the lower price segment as no properties were mortgaged in the middle to upper price segment during March. The year to date data shows that Keetmanshoop property prices rose by 7%, Luderitz property prices rose by 9%, while Mariental property prices rose by 15%. Although overall volumes grew by 17% year on year, caution must be exercised as the volumes are very thin and thus have high margins of error.

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
<b>Arandis</b>	175 000	300 000		300 000	300 000	300,000	71%		0%
<b>Aranos</b>	510 000	577 500	450 000	475 000	500 000	800,000	57%	78%	60%
<b>Eenhana</b>	208 323	202 162	322 190	388 500	462 000	360,000	73%	12%	-22%
<b>Gobabis</b>	320 988	383 000	481 500	608 500	620 000	630,000	96%	31%	2%
<b>Grootfontein</b>	315 000	280 000	308 900	500 000	455 000	428,150	36%	39%	-6%

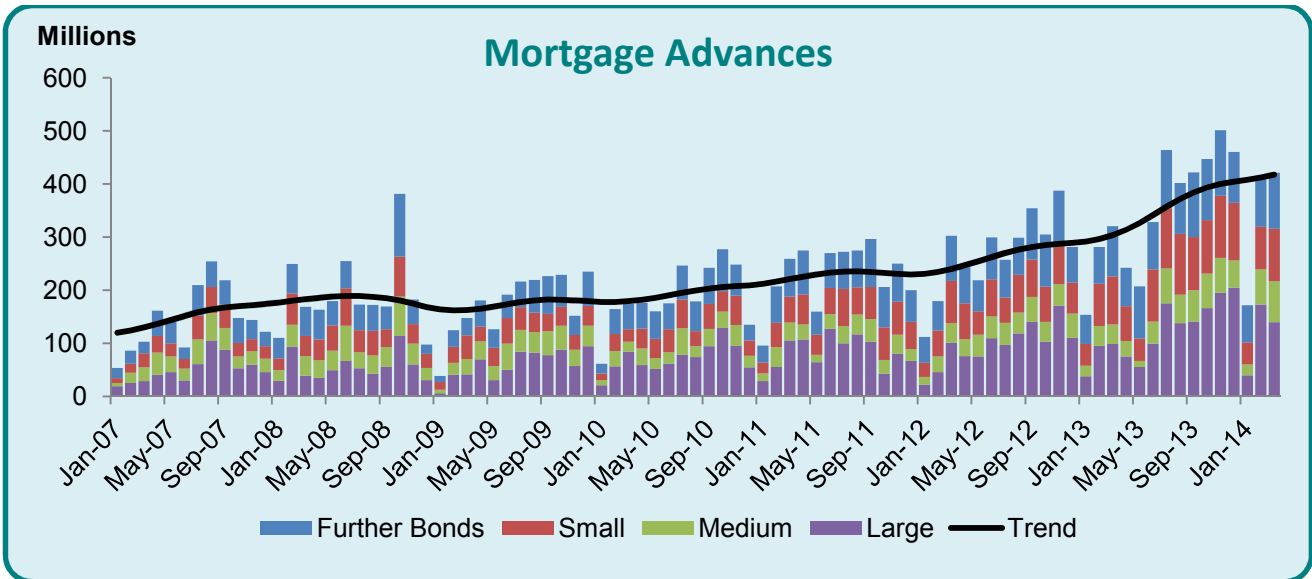
Henties Bay	500 000	563 500	687 500	780 000	837 000	890,000	78%	29%	6%
Katima Mulilo	240 000	286 000	275 000	326 350	430 000	430,000	79%	56%	0%
Keetmans	271 500	334 650	407 000	450 000	421 000	450,000	66%	11%	7%
Luderitz	231 000	432 000	280 000	398 500	413 800	450,000	95%	61%	9%
Mariental	302 500	350 000	400 000	461 200	418 500	480,000	59%	20%	15%
Okahandja	290 000	355 000	366 900	471 500	543 000	660,000	128%	80%	22%
Okahao	302 000	262 250	373 200	295 000	412 000	390,000	29%	5%	-5%
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	433,000		31%	8%
Ondangwa	234 000	258 300	373 500	512 350	482 500	545,000	133%	46%	13%
Ongwediva	341 500	442 500	431 000	505 240	412 000	538,000	58%	25%	31%
Oshakati	310 000	486 300	475 000	416 000	420 000	1,200,000	287%	153%	186%
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	543,500	85%	74%	43%
Otavi		350 000	477 000	475 000	473 700	473,700		-1%	0%
Otjiwarongo	322 170	377 500	447 000	592 500	678 928	600,000	86%	34%	-12%
Outapi	235 600	223 350	296 000	371 000	422 400	500,000	112%	69%	18%
Outjo	410 000	378 000	400 000	470 000	527 000	695,000	70%	74%	32%
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	950,000	102%	64%	21%
Tsumeb	341 000	360 000	470 000	505 550	661 500	800,000	135%	70%	21%
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	850,000	124%	105%	38%
Windhoek	472 000	544 000	682 500	800 000	980 000	940,000	99%	38%	-4%
Namibia	<b>381 000</b>	<b>450 000</b>	<b>480 000</b>	<b>609 750</b>	<b>640 000</b>	<b>700,000</b>	<b>84%</b>	<b>46%</b>	<b>9%</b>

## Land Delivery



Land delivery increased by 27% year on year with strong land delivery observed in the coastal and southern property markets. On average vacant stands cost N\$175/m<sup>2</sup>, which was 40% lower than the same period last year. A total of 30 stands were mortgaged in the coastal market at an average price of N\$119/m<sup>2</sup>. Twenty seven vacant stands were mortgaged in the northern property market at an average price of N\$250/m<sup>2</sup>. Twenty vacant stands were mortgaged in the southern property market at an average price of N\$151/m<sup>2</sup>. The central property market mortgaged the least vacant stands with 13 stands mortgaged at an average price of N\$551/m<sup>2</sup>. Developers mortgaged a further 357,700m<sup>2</sup> of land during March, with a maximum yield potential for 835 free standing homes.

## Mortgage advances



According to Bank of Namibia data, net mortgage advances grew by 13.3% year on year through March, which amounted to N\$195m worth of residential mortgages extended to consumers. A breakdown of the Deeds data shows that gross mortgage advances were fuelled by properties in the middle to upper price segments, where gross mortgage advances grew 175 and 152 percent respectively. This has resulted in 89% of all mortgages being extended to properties in the upper price segment. Mortgages in the lower price segment continue to lag the rest of the market and indicative of relative slow house delivery in this price segment.

### Conclusion

House prices continue to increase on the back of weak supply. Over the past two months, volumes have decreased by 71 index points and thus indicating a marked slowdown in mortgage transactions. Most of this volume weakness was concentrated in the central and coastal markets. At the same time, these two markets have seen substantial increase in property prices over the past year, with property prices up 35 and 61 percent. Survey results from the FNB Estate Agent Survey shows that estate agents ascribe the weak market activity to the high property prices, while buyers struggle to qualify for home loans at the current market prices and coupled with very long property turnaround times (88 days). Although there has been a significant increase in land delivery and developer activity, this has not translated in a corresponding increase in new housing supply for the month of March. Therefore property prices will remain stubbornly high as long as volumes remain weak. But we remain confident that volumes will recover during the second and third quarters, but not enough to limit price movements to single digit growth for 2014.

### 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.