

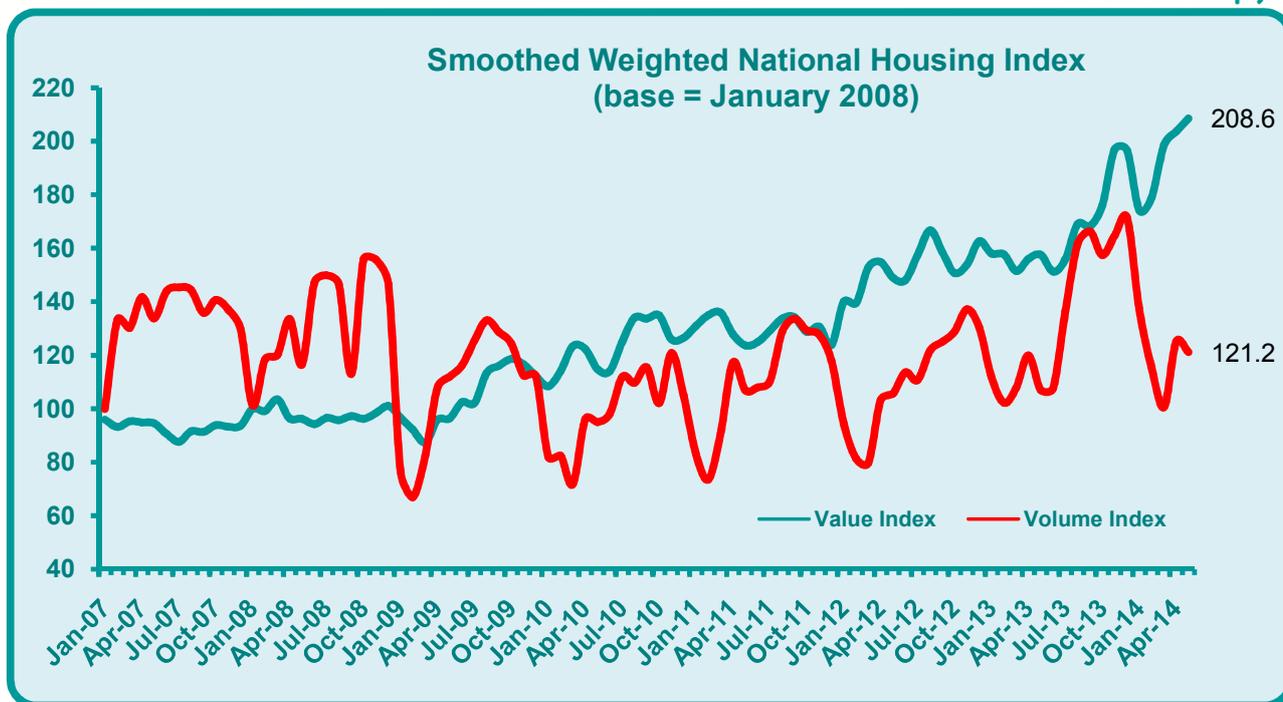
HOUSING INDEX

May 2014

Shift in housing mix towards middle price segment



how can we help you?

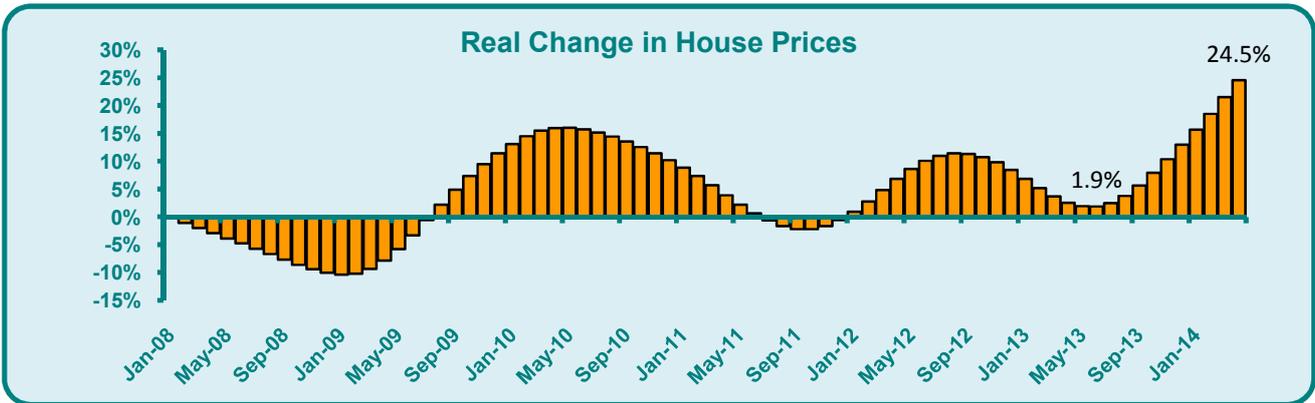


House prices increased by 2.4% month on month to bring the FNB House Price Index to 208.6 index points through May, with property prices mainly driven by properties in the upper price segment. A small property thus cost N\$500k down from N\$537k in May, while a medium sized property cost N\$1,229k down from N\$1,255k in May and a large property costs N\$2,058k down from N\$2,248k in the previous month. Therefore the 2.4% increase was due to a shift in the housing mix which was heavily weighted towards properties in the middle price segment. In terms of affordability at the current interest rate, households need to earn N\$13,500 to afford a small house, N\$33,200 for a medium sized house and N\$55,500 for a large house. We are also beginning to see volumes clawing back some lost ground, up 13% year on year at a time when volumes are expected to be seasonally weak. Volume growth was driven by properties in the middle price segment and although indicative of shifting supply to the middle price segment, this does have inflationary effect on overall house prices. Land delivery weakened to 53 stands mortgaged through May. Land was 109% more expensive and averaged N\$122k for a 300m² stand and therefore likely to add inflationary price pressure to new housing delivery further on down the line. A further 97,200m² of land was mortgaged by developers, with a maximum potential for 230 free standing homes. This brings the cumulative house delivery potential to 7,030 freestanding homes for 2014, however, developer activity has not filtered into the new housing supply numbers fast enough to have a meaningful impact on new housing delivery.

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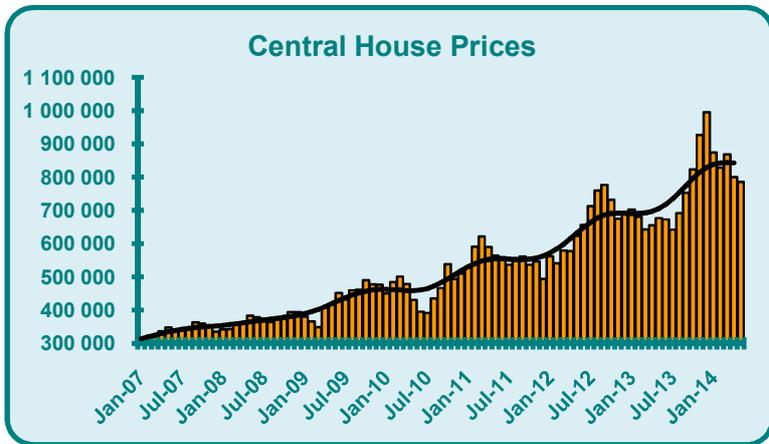
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Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does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



House Prices

Central property prices increased by 16% year on year to close the month at median price of N\$787k. However, the annualised growth rate is decelerating after peaking in March at 35% year on year growth; it's now down to 16% as month to month property prices have fallen by 10% over the previous two months. Most of the short term price pressure came from the middle price segment, where property prices fell by 6% month on month to end the month at a median price of N\$1,252k. This price segment has enjoyed robust volume growth, with volumes up 140% year on year and thus hinting that supply shifted to the middle price segment.



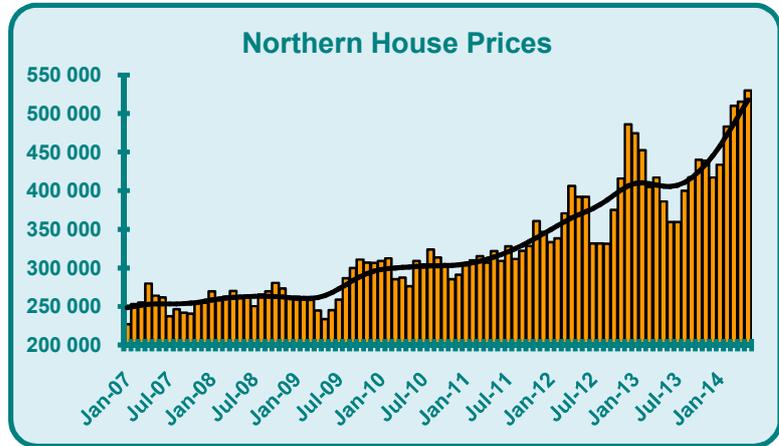
However, upward price pressure persisted in the upper price segment, where property prices rose by 37% year on year to end the month at a median price of N\$2,532k. Furthermore property prices continued to accelerate in Okahandja, up 26% year to date. Gobabis property prices increased by a modest 2% year to date, while Windhoek property prices remained under increased price pressure, down 11% year to date. Overall volumes increased by 23% year on year after rather weak first quarter. Volumes rose 140% year on year in the middle price segment and 45% in the lower price segment. Land delivery weakened slightly to 18 stands, but at hefty price tag of N\$621/m² or N\$186k for a 300m² stand, it's bound to add more upward price pressure on new housing delivery. There was very little developer activity to supplement the housing supply and land delivery during the month under review.

Coastal property prices increased by 41% year on year to end the month at a median price of N\$920k. The property prices are decelerating over the near term as the market approaches its seasonal price peak in August and mostly affected properties in middle and upper price segments, where property prices increased by 17 and 28 percent to end the month at a median price of N\$1,293k for a property in the middle price segment and N\$2,225k for a property in the upper price segment. Property prices in the lower price segment moved by a modest 4% year on year. Year to date data shows that property prices at the coast continued to rise particularly in Walvis Bay where property prices were 48% higher year to date, 19% higher in Swakopmund and 16% higher in Henties Bay. Volumes increased by 7% year on year despite a 145% increase in the middle

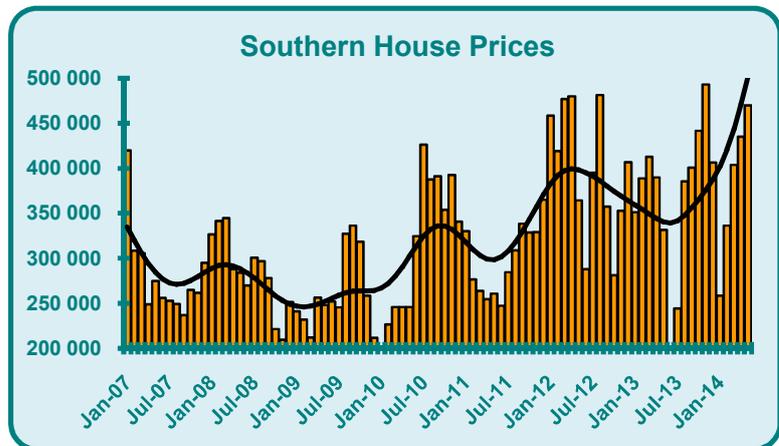


price segment, which came off a low base. Land delivery decreased to 26 vacant stands mortgaged. Coastal land prices averaged N\$139/m², which was 13% higher than a year ago and relatively affordable at N\$42k per stand. Developers mortgaged a further 74,300m² of land with a maximum yield potential for 173 free standing homes.

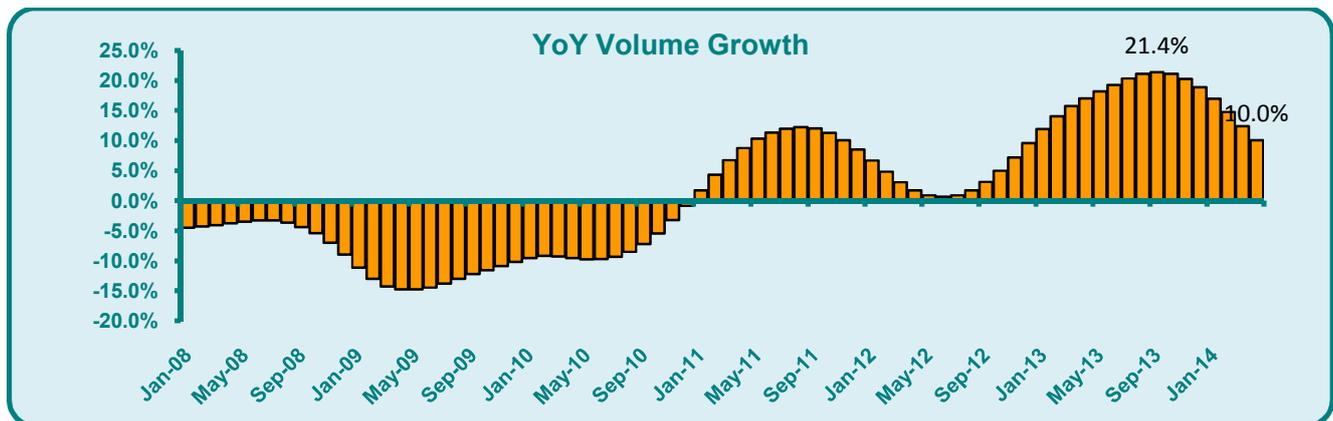
Northern property prices increased by 37% year on year to end the month at a median price of N\$530k. Most of the growth was in the lower to middle price segments where properties averaged N\$536k for a property in the lower price segment and N\$1,100k for a property in the middle price segment. Property prices in the upper price segment finally moderated to N\$1.9m after hovering around the N\$3m mark for the past three months. The year to date data shows that Omaruru, Katima Mulilo, Oshakati and Ongwediva posted the highest price increases, while Oshikango was the only town that posted negative price movement. Volumes rose 20% on the back of stronger supply in the middle to upper price segments. Volumes increased by 113% in the middle price segment and even at N\$1.9m there was still demand for high income properties in the north, with volumes up 73% year on year. However, both of these were off low bases. Land delivery decreased to 8 vacant stands mortgaged at an average price of N\$392/m², which was 161% higher than the same period last year and at this price, land delivery is more likely to increase upward price pressure on new housing delivery. There was no new developer activity for the month.



Southern property prices increased by 42% year on year to end the month at a median price of N\$470k on account of increased property prices in Aranos where property prices rose by 60%, while increasing by 14 and 16 percent in Mariental and Keetmanshoop. Property prices continued to contract in Luderitz, down 9%. Volumes remained 21% lower than the same period last year, with all transactions falling within the lower price segment. But caution must be exercised as the volumes are very thin and thus have high margins of error.



The graph below shows that volumes continued to trend downwards through 2014, decelerating to 10% after peaking at 21% year on year growth back in September 2013 due to relative supply weakness in the lower price segment which is struggling to step up to the rising demand for affordable housing stock.

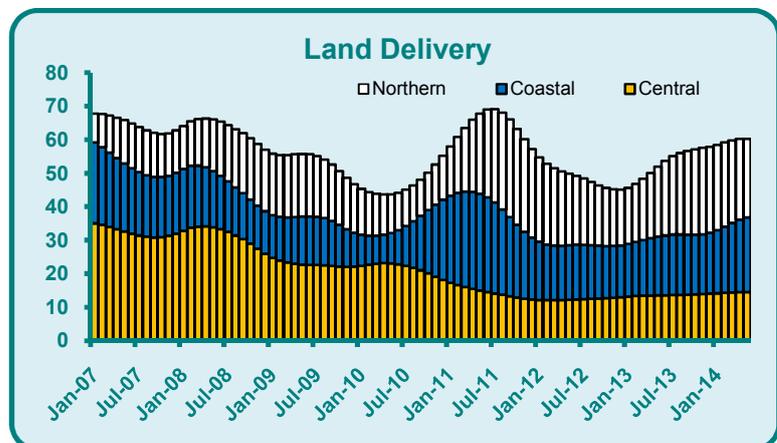


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2014 YTD year.

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	381 000	450 000	480 000	609 750	640 000	720,000	89%	50%	13%

Land Delivery

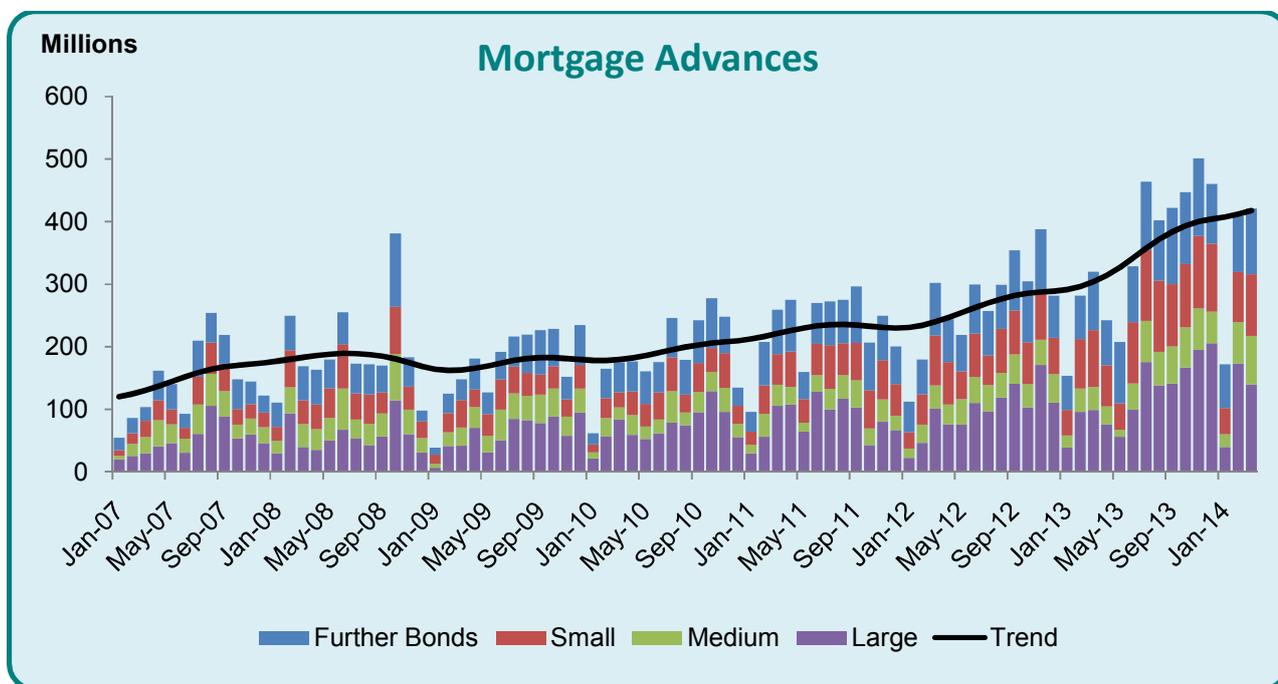
Land delivery fell to 53 stands mortgaged through May at an average price of N\$407/m². Land prices were 109% higher than a year ago. Even though land prices are increasing rapidly, there is still high demand for undeveloped land in the country. Eighteen vacant stands were mortgaged in the central property market at an average price of N\$621/m², which is 80% higher than the same period last year. Twenty-six vacant stands were mortgaged in the coastal market at an average price of N\$139/m², which was 13% higher than the same period last year. Land delivery fell to eight vacant stands were mortgaged in the northern property market at an average price of N\$392/m², which was 161% higher than the same period last year. While a solitary stands was mortgaged in the southern property market for N\$143/m². A total of 97,200m² of land was mortgaged by developers, with a maximum potential for 230 free standing homes. This would bring



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the cumulative potential to 7,030 freestanding homes for 2014, but unfortunately this land is not filtering into the new housing supply numbers for 2014.

Mortgage advances



According to Bank of Namibia data, net mortgage advances decelerated to 12.5% year on year through May, which amounted to N\$101m worth of residential mortgages extended to consumers during the month. The deceleration was on account of a slowdown of mortgages to the upper price segment and further mortgage bonds, while mortgage to the lower and middle price segments continue to recover from last years poor performance. 28% of the total consumer mortgage advances was advanced for further mortgage bonds at the expense of relative advances to the upper price segment which is declining. Advances to the lower price segment continued to recover on the back of stronger volumes.

Conclusion

House prices continued to increase through May and the longer term trend indicates that house prices and house volumes historically move in opposite direction. Although volumes have been increasing the longer term trend shows that they are increasing at a slower pace mainly due to supply weakness in the crucial lower price segment despite huge government investment through TIPEEG and the Mass Housing Project. Therefore our confidence in volumes recover during the second and third quarters has begun to fade and therefore revise our house price inflation upwards to the mid teens by year end on account of structural supply constraints and relatively weak and expensive land delivery. This view is supported by strong growth in the Namibian economy over the forecast horizon given robust domestic demand and stronger mining exports to boost GDP growth and 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.