

HOUSING INDEX

October 2012

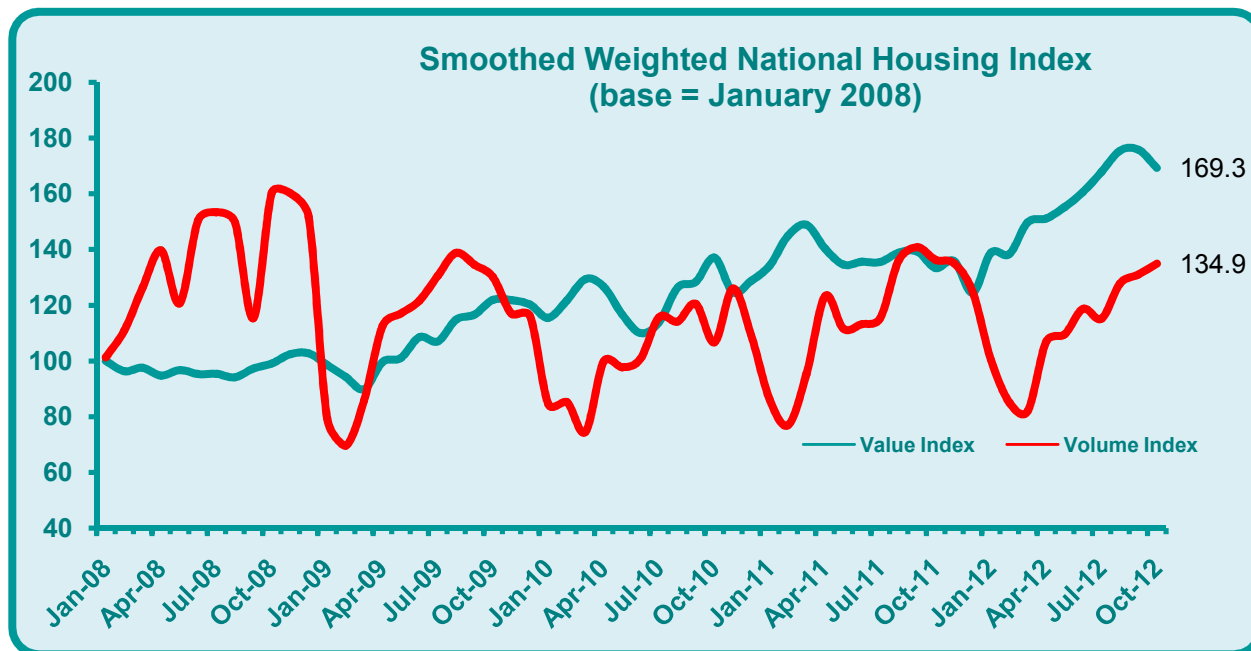
Volumes Continue to Rise



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how can we help you?



Data through October shows that the FNB House Price Index fell by 6.5 basis points on the back of sustained volume growth. The volume index is approaching one of its highest levels since Sep 2011. Volume growth came from the middle price segment across all housing markets in Namibia. However, growth fatigue is setting into the upper price segments where annualised volume growth rates decelerated during the third quarter and are now flat in October. A survey of estate agents shows that properties take over 100 days to sell. Supply has begun shifting towards the middle to lower price segments, where NHE delivered new housing stock in Otjomuise and Kuisebmond, which lowered the median house price for October. But, one month does not cause a trend and therefore increased supply of new housing stock in the middle to lower price segments over a few more months is required to sustain the decline in the median house prices. Unfortunately there was very little evidence of increased affordable housing supply in the near term and thus the October house prices were merely a temporary relief. However, developer activity should increase supply in the medium term in the middle to lower price segments. Developers continued to mortgage more and more land for the fifth consecutive month, with 815,000m² of mortgaged during October. This, we estimate has a maximum yield potential of 1,900 housing units, which is a meaningful chunk from the housing backlog if sustained over the coming months.

Median House Prices and month on month % change						
	Small		Medium		Large	
Central	274,167	2.2%	582,667	2.2%	1,282,500	0.0%
Coastal	275,250	-5.2%	576,667	2.3%	1,316,667	0.0%
Northern	243,738	5.8%	465,000	-8.5%	1,137,000	5.0%
Southern	198,967	-8.4%	505,500	-13.3%	800,000	-14.3%

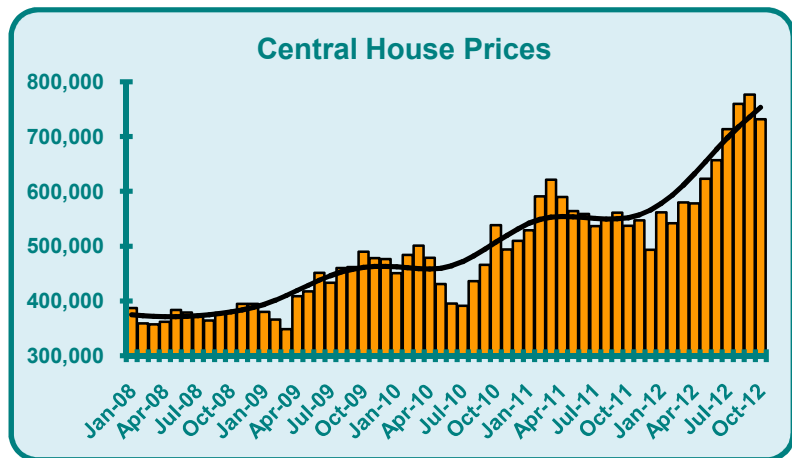
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Authored by: Namene Kalili Tel: +264 61 2992725 Fax: +264 61 225994

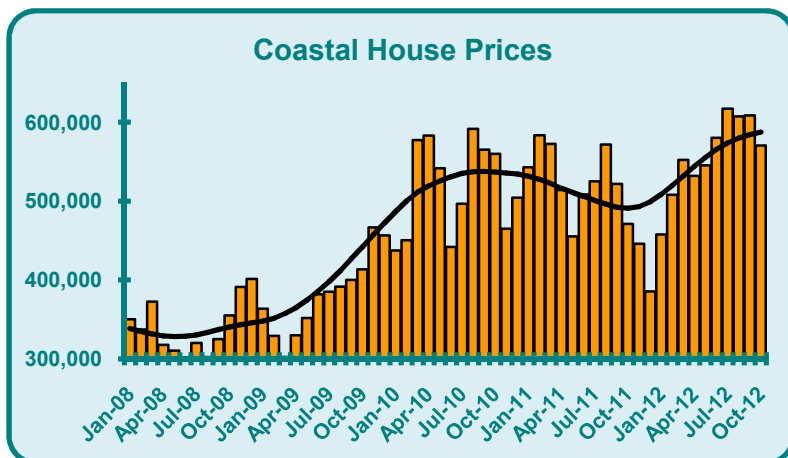
Methodology: The FNB House Price Index is based on the median house price from Deeds Office data. **Disclaimer:** The information in this publication is derived from sources which are regarded as accurate and reliable, is of general nature only, does not constitute advice and may not be applicable to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

House Prices

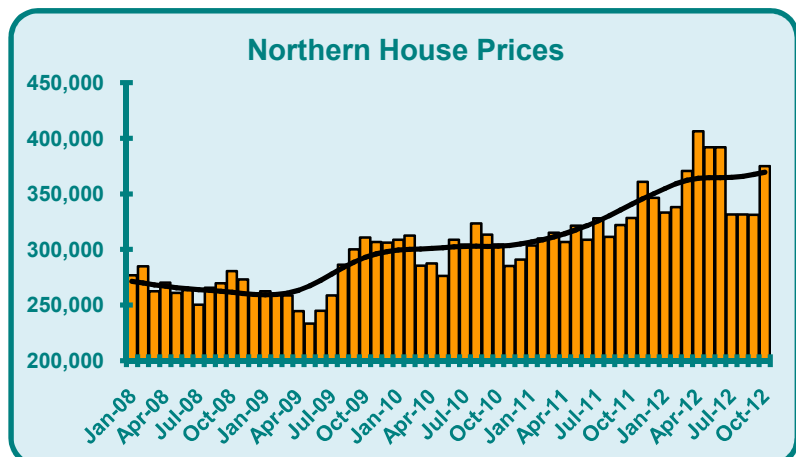
Central property prices fell for the first time in 7 months. The decline in house prices is the result of NHE Otjomuise development which added 9% to total volumes traded in the central market and thus reduced the median house price. Year to date, house prices in Windhoek continue to increase, but at a slower pace than the third quarter. Okahandja property prices have risen 28% year to date and Gobabis price are up 18% year to date. Therefore the strong upward prices pressures that were prevalent in the central property market during the third quarter, weakened during October. Land delivery remained weak with 3 stands mortgaged at N\$207/m², which was 49% higher than the September average. Developers mortgaged 41,000m² of land with a maximum yield potential for 95 homes in Okahandja.



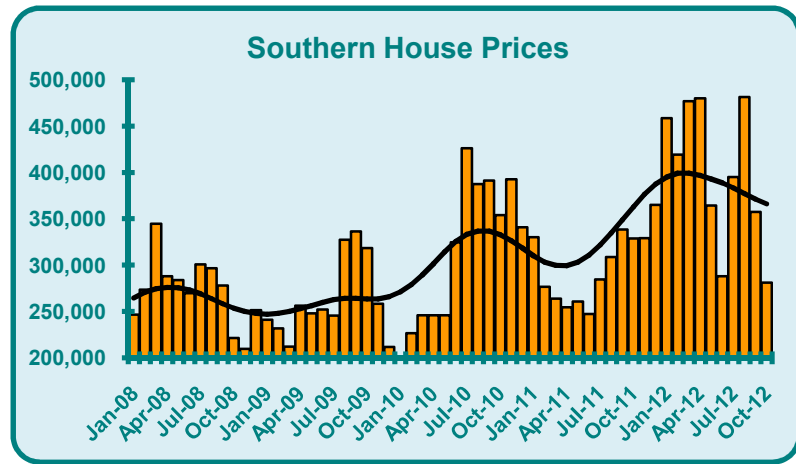
Coastal property prices usually slump during the third and fourth quarters and therefore the 6.3% month on month decline during October was hardly surprising, with increased housing delivery contributing to the decline. NHE's Kuisebmond development pushed up month on month volumes by 4% along with a 5% decline in the median house prices in the middle price segment. This was particularly evident in Walvis Bay where property prices remain well below the national average at N\$410,000. Year on year data shows that Henties Bay property prices have increased by 17% and Swakopmund property prices have increased by 16% year to date. Both towns have some of the highest median property prices in the country. Coastal property price cycle suggests that property prices may continue weakening until February and therefore expect Swakopmund and Henties Bay property prices to come a lot closer to the national median price. Land delivery remained flat with land prices falling 25% month on month to N\$91/m². Developer activity increased to 550,000m² of land mortgaged with a yield potential of 1,280 housing units in Walvis Bay which is almost 9% of the current housing stock at the harbour town. This is further evidence that Walvis Bay property prices will remain stable for quite some time.



Northern house prices increased by 13.2 month on month. This was due to an increase in the house prices in the lower price segment on the back of weak volumes. Volumes continued to increase in the middle to upper price segments, while the respective house prices fell. Year to date shows that Eenhana, Grootfontein, Keetmanshoop, Omaruru, Ondangwa, Oshikango and Otjiwarongo were responsible for the rising house prices in the northern property market. Developers remain very active in the northern property market. In October, developer mortgaged a total of 224,000m² of land, with a yield potential for 520 housing units.



House prices in the southern property market fell for the second consecutive month, this time by 21%. House prices in this market are erratic due to the limited data points or transactions. Property prices fell in Luderitz, where the year to date growth figure was over 100% last month and is now down to 85%. Aranos property prices also contributed to the decline, while Keetmanshoop property prices remained flat.

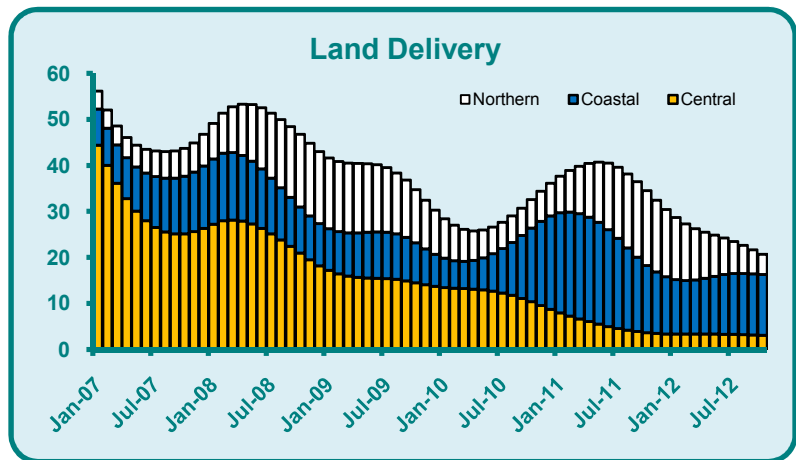


Below are the annual median house prices for the major towns in Namibia and the percentage change in prices over the past 5 years, 3 years and 2012 YTD year.

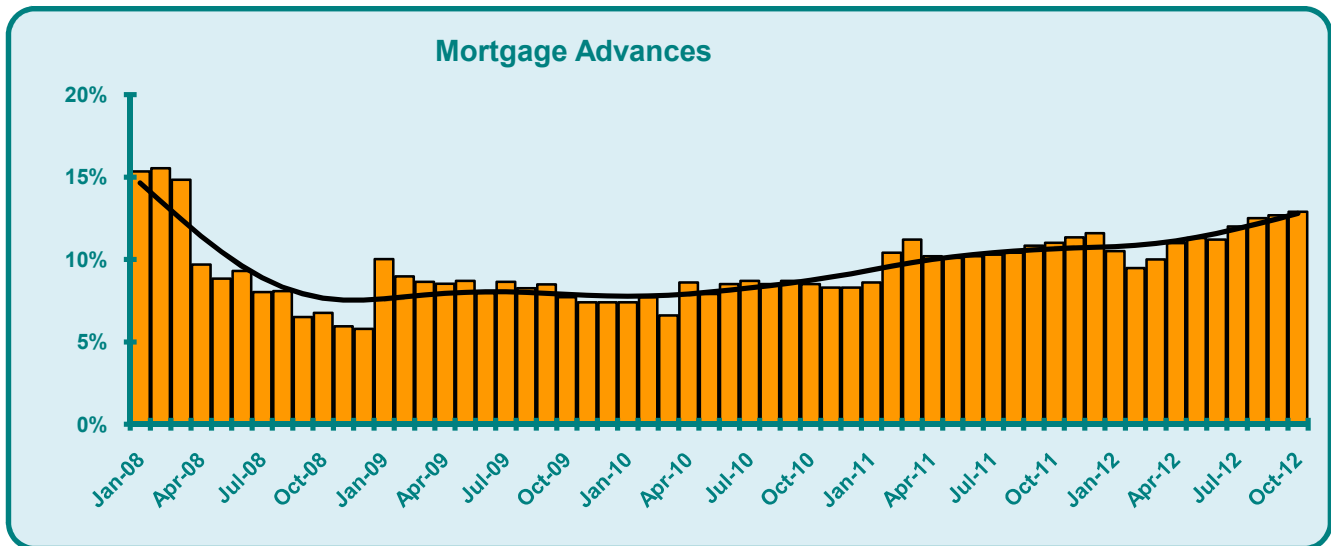
Median House Prices in Namibia									
	Year						Relative Change		
	2007	2008	2009	2010	2011	2012	5 Years	3 Years	YTD
Aranos	220,000	360,000	306,000	577,500	450,000	395,000	80%	29%	-12%
Eenhana	204,900	202,000	196,647	190,000	297,000	360,000	76%	83%	21%
Gobabis	222,700	240,000	315,375	306,000	450,000	530,000	138%	68%	18%
Grootfontein	176,500	290,500	240,000	221,143	297,500	500,000	183%	108%	68%
Henties Bay	502,000	500,000	427,013	520,000	668,500	782,500	56%	83%	17%
Katima Mulilo	229,000	176,000	200,000	280,750	249,000	200,000	-13%	0%	-20%
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	355,000	114%	87%	85%
Mariental	396,000	294,200	265,000	290,000	395,000	538,700	36%	103%	36%
Okahandja	252,100	250,000	265,500	347,000	360,000	461,000	83%	74%	28%
Okahao	230,000	258,500	302,000	262,250	371,400	290,000	26%	-4%	-22%
Omaruru	397,200	420,000	450,000	300,000	161,482	510,000	28%	13%	216%
Omuthiya				299,200	331,500	343,000			3%
Ondangwa	225,000	280,000	230,500	249,050	337,500	410,000	82%	78%	21%
Ongwediva	297,000	288,000	337,000	437,400	417,800	375,000	26%	11%	-10%
Oshakati	193,785	216,000	300,000	480,575	351,500	300,000	55%	0%	-15%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	386,500	-61%	14%	44%
Oshikuku	255,500	255,500	294,000	375,000	311,500	355,000	39%	21%	14%
Otavi	320,000	202,000	202,000	350,000	388,500	320,000	0%	58%	-18%
Otjiwarongo	344,000	308,000	300,000	352,800	398,000	527,500	53%	76%	33%
Outapi	229,000	237,050	235,300	216,519	294,000	351,000	53%	49%	19%
Outjo	294,000	350,000	410,000	378,000	396,500	436,500	48%	6%	10%
Rundu	165,922	269,000	182,391	264,000	293,320	289,000	74%	58%	-1%
Swakopmund	477,805	380,000	468,000	600,000	568,000	661,500	38%	41%	16%
Tsumeb	300,000	300,000	322,075	350,000	430,000	475,000	58%	47%	10%
Usakos	171,000	348,000	160,000	160,000	206,000	203,500	19%	27%	-1%
Walvis Bay	303,000	296,900	325,000	431,000	370,000	410,000	35%	26%	11%
Windhoek	375,000	386,000	453,300	500,000	610,000	720,000	92%	59%	18%
Namibia	354,000	335,000	355,000	402,000	435,000	530,000	50%	49%	22%

Land Delivery

Overall land delivery weakened due to supply weakness in the northern and central property markets – since May 2011. A total of 20 stands were mortgaged during October. Once again the coastal market was responsible for the bulk of the mortgaged stands. At the coast 13 stands were mortgaged for an average price of N\$91/m². Central land delivery remained weak with 3 stands mortgaged and the price escalated to N\$207/m². Land delivery in the northern market decreased marginally to 4 stands mortgaged at an average price of N\$63/m². There is very little evidence of TIIPEG land delivery in the economy thus far, but we are likely to see those fruits over the next three years. Developers activity accelerated to 815,000m² of land mortgaged, with a maximum yield potential of 1,900 free standing houses across the country. This adds up to a possible 8,100 new housing units for the first 10 months of 2012.

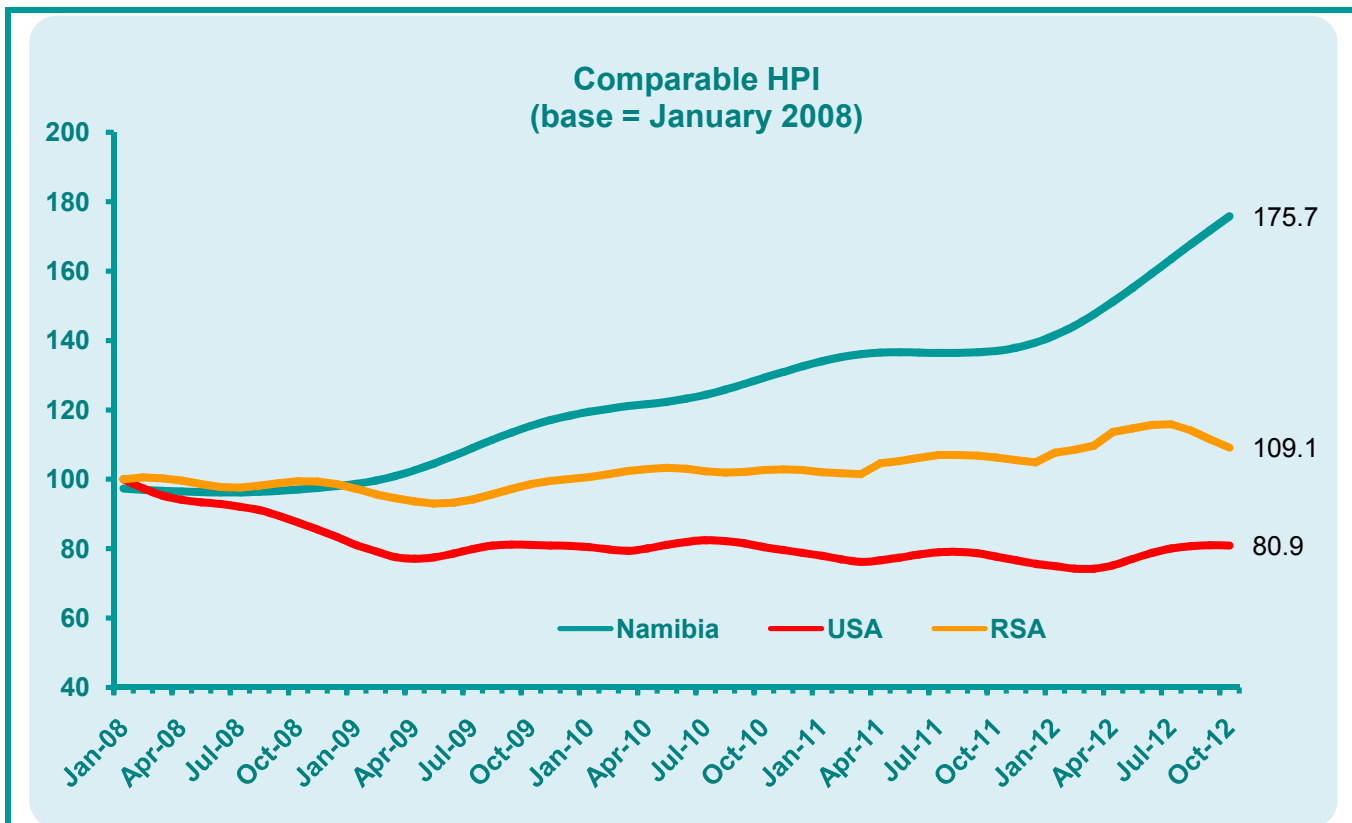


Mortgage advances



Annualised growth in mortgages increased to 12.9% y/y during October. Mortgage advances grew 35% and 109% respectively in the middle to upper price segments. While mortgages to the lower price segment contracted by 20% -- this was largely due to the limited supply of housing stock in this segment. Other mortgages remained insignificant because of weak land delivery. Keetmanshoop, Gobabis, Tsumeb, Henties Bay, Otjiwarongo, Okahandja, Swakopmund and Windhoek all had above average mortgage growth rates. There were some northern towns that are battling to attract mortgages at the same rate they did a year ago. Ongwediva, Katima Mulilo, Outapi and Oshakati are good examples in this regard. But, these towns have strong supply of new housing stock, which leads us to suspect that these properties are financed with mortgages registered over Windhoek properties. According to estate agents, pure cash transactions are drying up.

Comparable HPI



Source: FNB SA & S&P

Stripping out housing inflation and 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 October decline had no impact on the smoothed house prices as local property prices continue to grow at a faster rate than the comparable indices. Structural supply shortages lie at the heart of the rising house prices and although there is very little short term relief, developer activity is on the increase and is likely to chip away at the excess demand over the medium to long term. The SA HPI showed further moderation and is the 7th consecutive month of tapering growth. The SA market remains oversupplied and households highly indebted and in light of the 50 basis point reduction in interest rate, households are likely to spend more cautiously going forward. House prices continued climbing across the US, marking the seventh consecutive month of increasing house prices. The US housing recovery is gathering strength and the industry accounted for 10% of the third quarter GDP growth at a time when seasonal weakness was anticipated.

Conclusion

Volumes continue to grow in the local market due to various new developments taking place across the country. This is positive for the housing market as it closes the gap between demand and supply in a market which has been undersupplied for quite some time and this is already shifting the median house price downwards. Unfortunately there is very little evidence to suggest that this will develop into a trend, since land delivery remains very weak. Over the medium to longer term however, developer activity looks very promising and the October figure could deliver as many as 1,900 new homes. Therefore volumes should increase consistently in the medium term and have a stabilising effect on house prices.

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.