

## Volumes Continue To Disappoint

This report covers the developments in the national housing index for October 2010. The data is based on bonds registered for natural persons at the Deeds Office. Data 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.

### FNB National Housing Index

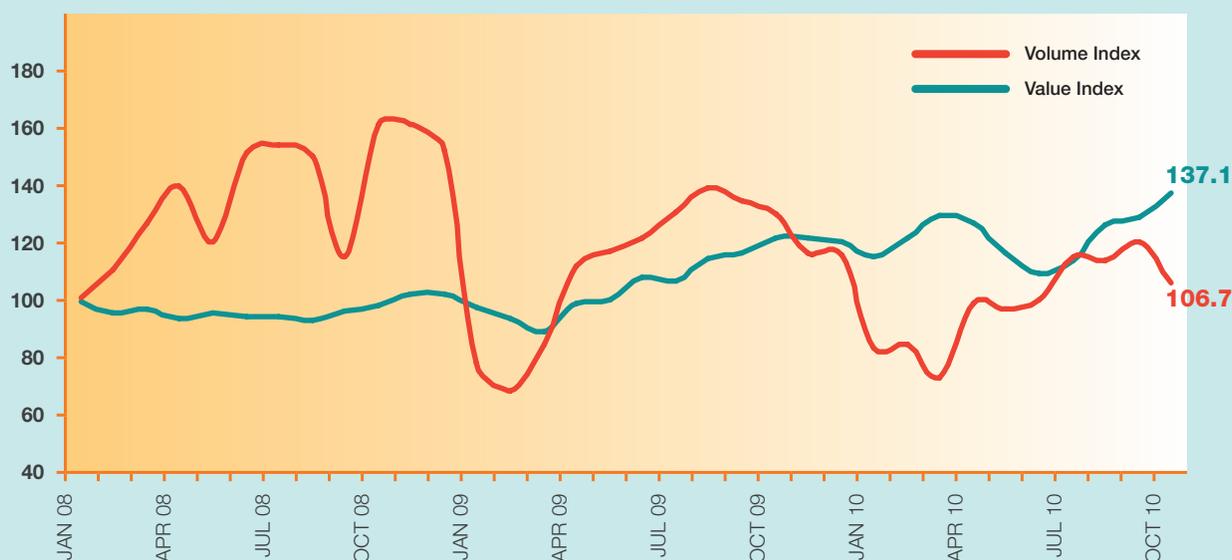
The gap between the FNB House Price Index and House Volume Index continued to grow in October, with the House Volume Index falling 13.8 basis points, while the House Price Index climbed 8.7

basis points. Insufficient supply of new housing stock continues to plague the housing market resulting in escalating house prices. On an annualised basis, the House Price Index is up 12.4%, while the House Volume Index is down 17.9% and perhaps prospective buyers are not so willing to purchase at these price levels and are therefore staying put and upgrading existing properties as reflected in the robust growth in further mortgage advances.

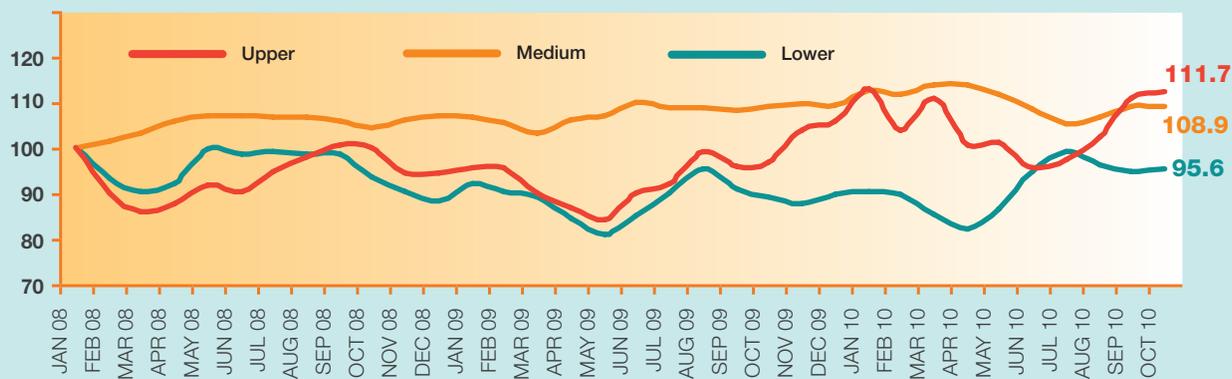
### House Price Index

The increasing FNB House Price Index climbed 8.7 basis points in October, with most of the upward price pressure coming from the upper price segment, where properties cost over N\$800,000 and above. A trend towards pricier properties on smaller ervens is beginning to emerge in the upper price segment. Here prices were up 1.2% month on month or 15.1% year on year, due to price escalations in the northern and southern Namibia. In the south, the median house price index for the upper price segment was up 185.7% due to one transaction of N\$2.4m, which is by no means a fair representation of the said housing market. Northern median house price index for the upper price segment rose 8.8% month on month with upward price pressure emanating from Katima

Smoothed Weighted Housing Index (base - January 2008)



### Housing Price Index



Mulilo, Otjiwarongo and Outapi. House prices for the upper price segment ranged from N\$950k to N\$2,400k. As for the lower and medium house price segments, price indices were stable during the month under review. Median house price index for the lower price segment was slowed by properties in Windhoek, where the price index fell 11.5% in the lower price segment. This was rather surprising, as volumes were disappointing and NHE was inactive in Windhoek during October in terms of bond registrations. The decline was due to smaller houses on smaller ervens being registered during the month, particularly in Katutura, Otjomuise, Okuryangava and Wanaheda. House prices in the lower price segment ranged from N\$232k to N\$275k, which is the lowest median price we have seen for central Namibia since January 2008. There has been a definite increase in the number of affordable ervens in Windhoek during 2010. House price index in the medium price segment moved sideways, with small price escalations in the central and southern parts of the country cancelled out by price decreases at the coast. House prices in the medium price segment ranged from N\$520k to N\$566k.

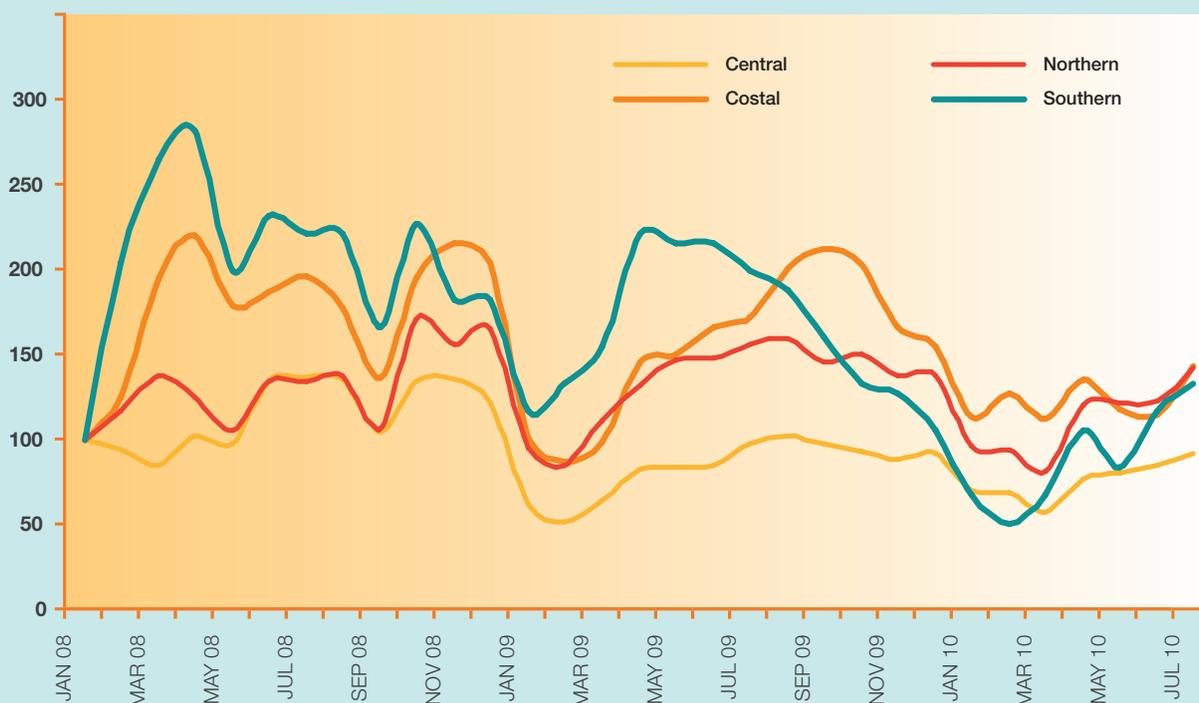
### Median House Prices

	Lower	Medium	Upper
Central	231,667	535,667	1,386,667
Coastal	275,000	556,667	1,296,878
Northern	261,450	520,314	950,000
Southern	248,278	565,833	2,400,000

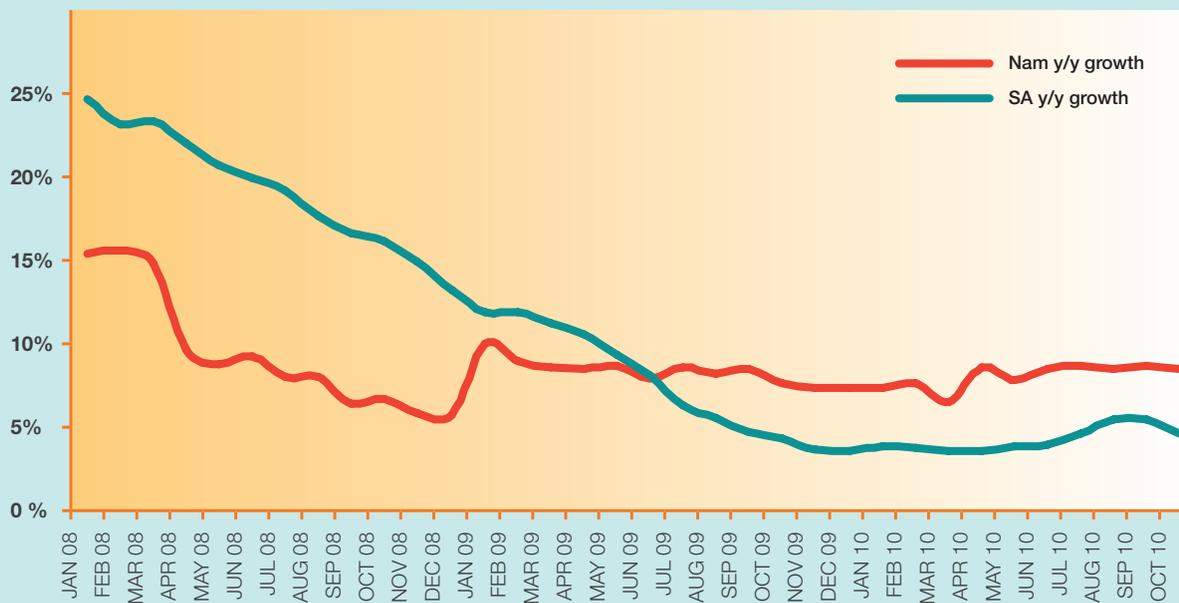
### Housing Volume Index

The FNB Volume Index was back on the downward trajectory in October, with volumes drying up across the country, particularly in the small price segment. Total properties registered came in at 242 properties as apposed to 262 properties during the previous month. Therefore the volume index is down 17.9% on an annualised basis. The volume index was down 17% in central Namibia, due to supply side constraints in the lower and medium price segments. Volumes were down 21% at the coast, with volumes drying up in the lower price segments in Swakopmund. This was due to an increased supply of new ervens in Swakopmund's Mondesa

### Smoothed House Volume Index



## Mortgage Advances Growth



Source: BoN & SARB

neighbourhood, which are excluded from the volume index, while both Walvis Bay and Henties Bay registered increased volumes during the month. Volumes were down 22% in the north, with all price segments registering thin trading volumes. Upper price segment volumes are down 47% year on year, which we ascribe to limited supply given the low prices on offer for this price segment.

### Mortgage Advances

Mortgage advances to individuals decelerated to 8.5% year on year, pushing the year to date average to 8.1% in October. Mortgage advances growth appears to have stabilised. We find that the primary bond market is growing at 7% year on year, with the difference coming from strong growth in the further mortgage market, where growth has accelerated to 20% year on year. This trend was driven by younger couples in the market. The average age of the buyers continues to hover around 39 years old, with more married couples active in the housing market, while the ratio of single men and women is declining.

Developer activity in the mortgage space increased despite only 4 property deals concluded by developers. Total land bought by developers increased to 1.1 million sqm. Of particular interest is the pending development at Brakwater, which may signal further residential developments to the north of Windhoek as is the case with Eisenheim. The latter being sub-divided and serviced at this point. New developments at the coast were subdued during October, with one 5,600 sqm development registered in Swakopmund's Mondesa neighbourhood.

### Conclusion

We believe that the FNB House Price Index was unsustainably high in October due to a shift in volumes towards the upper price segment. As volumes shift back towards the lower price segments, the price index is expected to fall for the remainder of the year and end the year around 118 to 126 basis points which translates to a median price of N\$432k as apposed to the current median of N\$485k. This we believe would stimulate demand going forward, while increased supply of new housing stock materialises in the upper and lower price segment, where the latter remains grossly undersupplied.

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**Methodology:** The FNB House Price Index is based on the median house price from Deeds Office data.

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