

HOUSING INDEX

September 2012

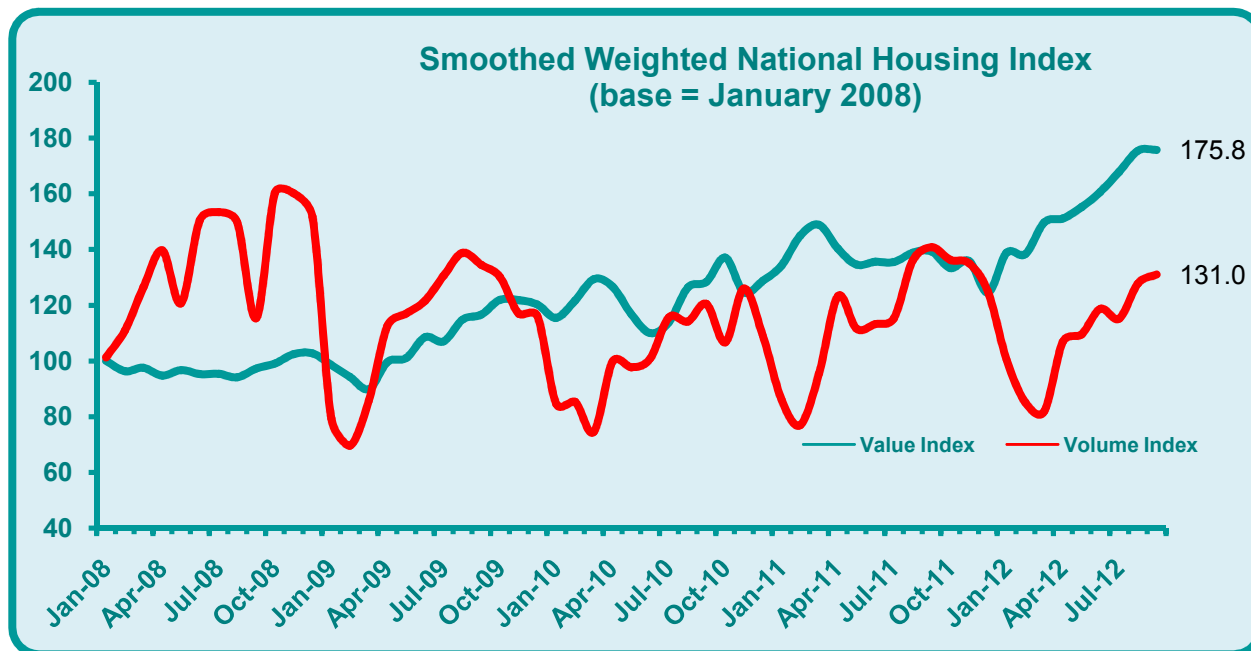
Increasing Volumes and Developer Activity



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Data through September shows that the FNB House Price Index moved sideways, while the volume index continued to recover due to increased supply of middle to high income properties at Omeya, Eisenheim and Okahandja. However, the rate of volume growth slowed in September. Some of the northern towns such as Eenhana, Oshikango, Nkurenkuru, Omaruru, Otavi and Outjo also contributed to the volume growth, with growth rates in excess of 30%. Although land delivery continued to deteriorate, we do suspect that some of these smaller towns are delivering a lot more land which is not financed through mortgages and is therefore not reflected in the index. Developer activity continued to improve, with 488,000 sqm of land mortgaged during September. This, we estimate, has a maximum yield potential of 1,130 housing units and is the fourth consecutive month of above average developer activity. We see this as a leading indicator for improved housing delivery. However, increased housing delivery has been concentrated in the middle to upper price segment which accounts for 7% of the housing backlog. The middle to upper price segments is becoming saturated, with properties taking a lot longer to sell (104 days) and eventually sell below asking price. Therefore supply may begin to shift towards the lower price segment, where the bulk of the demand sits, resulting in a relatively more stable house prices.

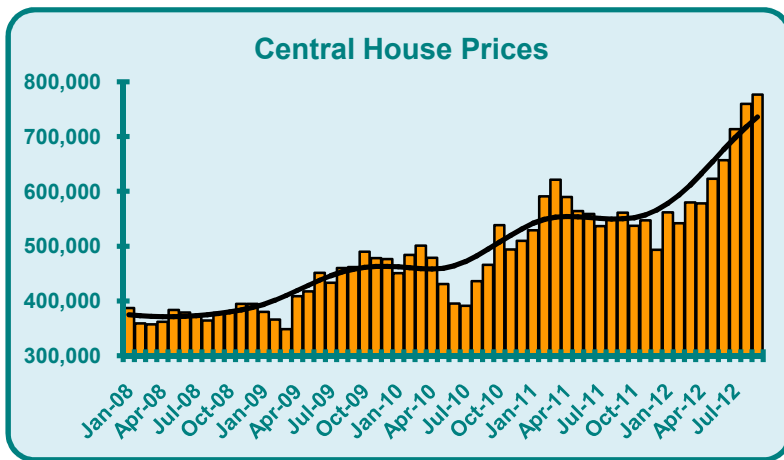
Median House Prices and month on month % change						
	Small		Medium		Large	
Central	274,167	2.2%	582,667	2.2%	1,282,500	0.0%
Coastal	275,250	-5.2%	576,667	2.3%	1,316,667	0.0%
Northern	243,738	5.8%	465,000	-8.5%	1,137,000	5.0%
Southern	198,967	-8.4%	505,500	-13.3%	800,000	-14.3%

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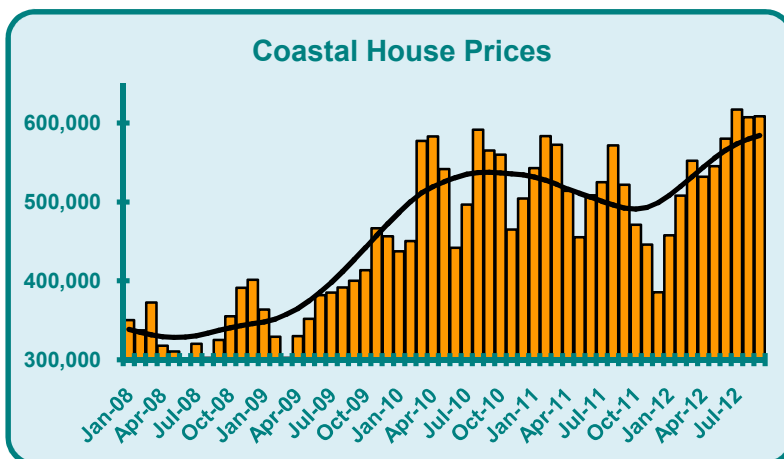
Authored by: Namene Kalili Tel: +264 61 2992725 Fax: +264 61 225994

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

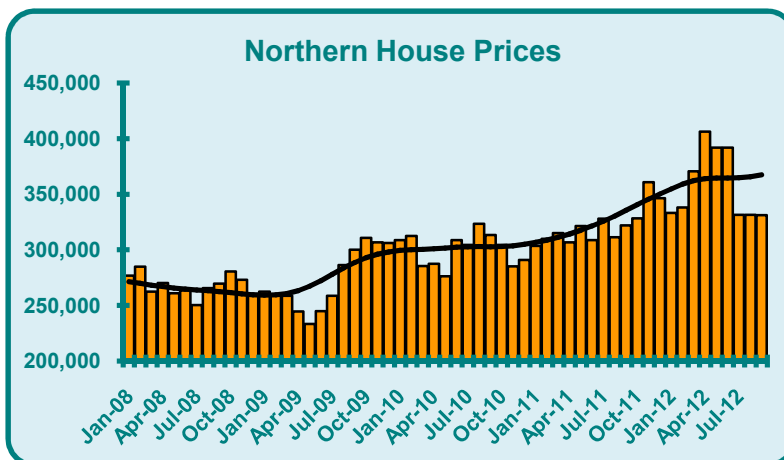


Central property prices continued to rise as house prices increased by a further 2.2% month on month and thus house prices have escalated by 38% over the past 12 months. The year to date data shows that house prices increased in Windhoek, where prices were virtually flat in the first two quarters and are suddenly up by 18% year to date. House prices continued to increase on the back of volume growth in the upper price segment (Elisenheim and Omeya developments). But at the same time, volumes in the lower price segment continued to fall, down 7% month on month and 36% year on year as the central market battles to deliver new housing stock in this price segment. Land delivery did not improve and remained weak with 3 stands mortgaged at N\$139/m², which was 29% lower than the August average. Furthermore there was no developer activity in the central market, yet another indicator pointing towards supply constraints.



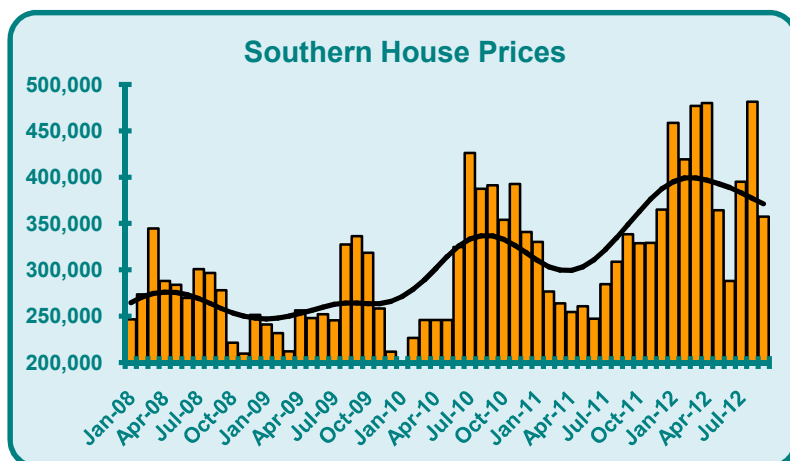
Coastal house prices moved sideways at a time when they were expected to continue their seasonal decline. Year to date data shows that Henties Bay prices are up 17%, Swakopmund 16% and Walvisbay 9%, all of which are under the national average. The coastal market is enjoying volume growth from new housing stock on the market, particularly in the lower price segment, which is helping to moderate house prices. Although land delivery remained flat, land prices increased to N\$121/sqm which was 66% higher than the August average. Developer activity continued to improve with 300,000sqm of land mortgaged with a yield potential of

700 housing units.



Month on month, northern house prices continued to move sideways, while the annualised growth rate continued to dwindle, down to 3% year on year from 7% the previous month. House prices continue to weaken despite a 33% decline in volumes over the past 12 months. The dwindling volumes may be indicative of saturated middle price segments, where both price and volume have fallen significantly over the past 12 months. There were however some towns with strong volume growth, such as Eenhana, Oshikango, Nkurenkuru, Omaruru, Otavi and Outjo with growth rates in excess of

30%. Although insignificant in the overall index, these are emerging property markets. These were mostly new developments in the middle to upper price segment. Land delivery estimates do not do this market much justice as many transactions are not mortgaged because of the small transaction values, but these transactions do eventually filter into the index as new builds, which is evident over the past months. Land of 186,000m² of land was mortgaged by developers in the northern market, with a yield potential for 430 free standing homes.

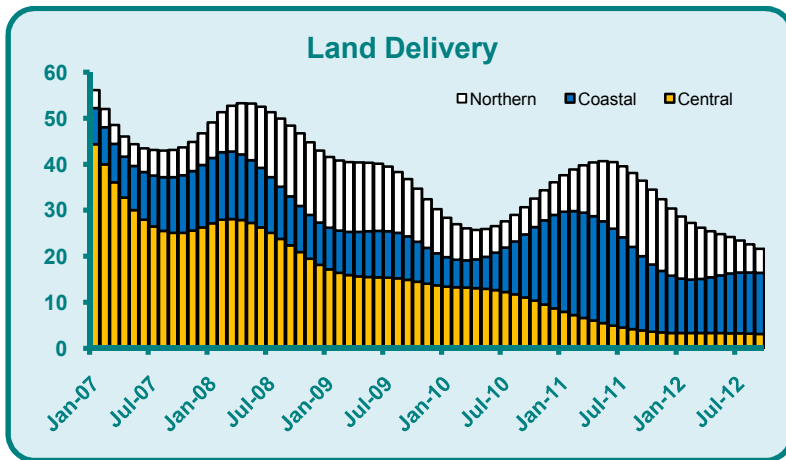


House prices in the southern property market remain as erratic as ever due to the very few data points or transactions. House prices fell 26% month on month. Property prices fell across all price segments, probably due to volume growth in the lower price segment along with falling house prices in the upper price segment, thus shifting the median price downwards. This was driven by new houses in Keetmanshoop where prices fell 2% year to date on the back of strong volume growth in 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 2012 YTD 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	395,000	80%	29%	-12%
Eenhana	204,900	202,000	196,647	190,000	297,000	360,500	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	201,855	-12%	1%	-19%
Keetmanshoop	265,000	300,000	256,000	268,250	352,500	345,000	30%	35%	-2%
Luderitz	165,700	218,000	190,036	300,000	191,821	385,000	132%	103%	101%
Mariental	396,000	294,200	265,000	290,000	395,000	477,400	21%	80%	21%
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	295,000	28%	-2%	-21%
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	479,100	113%	108%	42%
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	300,000	55%	0%	-15%
Oshikango	1,000,000	1,000,000	340,000	450,000	268,300	373,000	-63%	10%	39%
Oshikuku	255,500	255,500	294,000	375,000	311,500	352,500	38%	20%	13%
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	512,500	49%	71%	29%
Outapi	229,000	237,050	235,300	216,519	294,000	361,000	58%	53%	23%
Outjo	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	278,000	68%	52%	-5%
Swakopmund	477,805	380,000	468,000	600,000	568,000	660,000	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	405,000	34%	25%	9%
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%

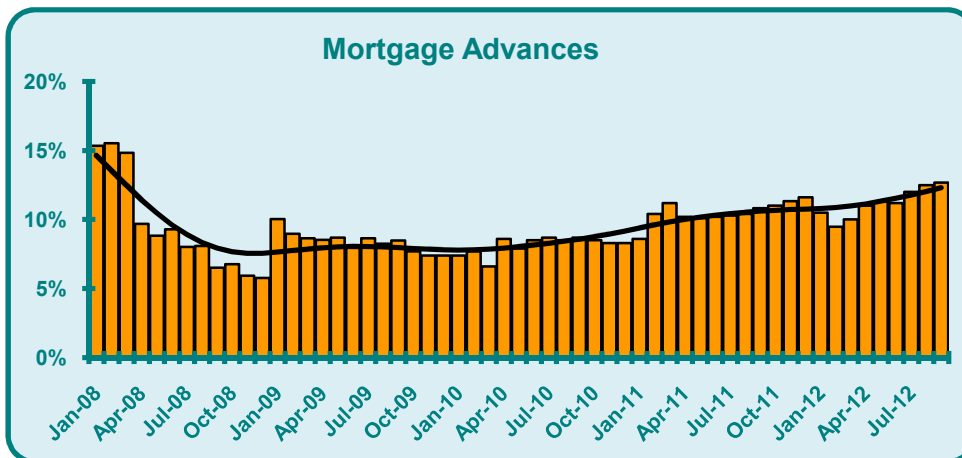
Land Delivery



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 September with the coastal market responsible for the bulk of the mortgaged stands. At the coast 13 stands were mortgaged for an average price of N\$121/m². Central land delivery remained weak with 3 stands mortgaged at N\$139/m². Land delivery in the northern market decreased marginally to 5 stands mortgaged. Stronger land deliver numbers are expected going forward, particularly in the northern and coastal markets.

Developers activity accelerated to 488,000m² of land mortgaged, with a maximum yield potential of 1,130 free standing houses across the country. This adds up to a possible 6,200 new housing units for the first 9 months of 2012 and is enough to clear the housing backlog in the middle to upper price segments. As the middle to upper price segments become saturated with new houses, properties are taking a lot longer to sell (104 days) and are selling 5% below asking price. Therefore developer activity will eventually shift to the lower price segment, where the bulk of the housing demand lies, properties sell a lot faster and at which point we expect house prices to stabilise.

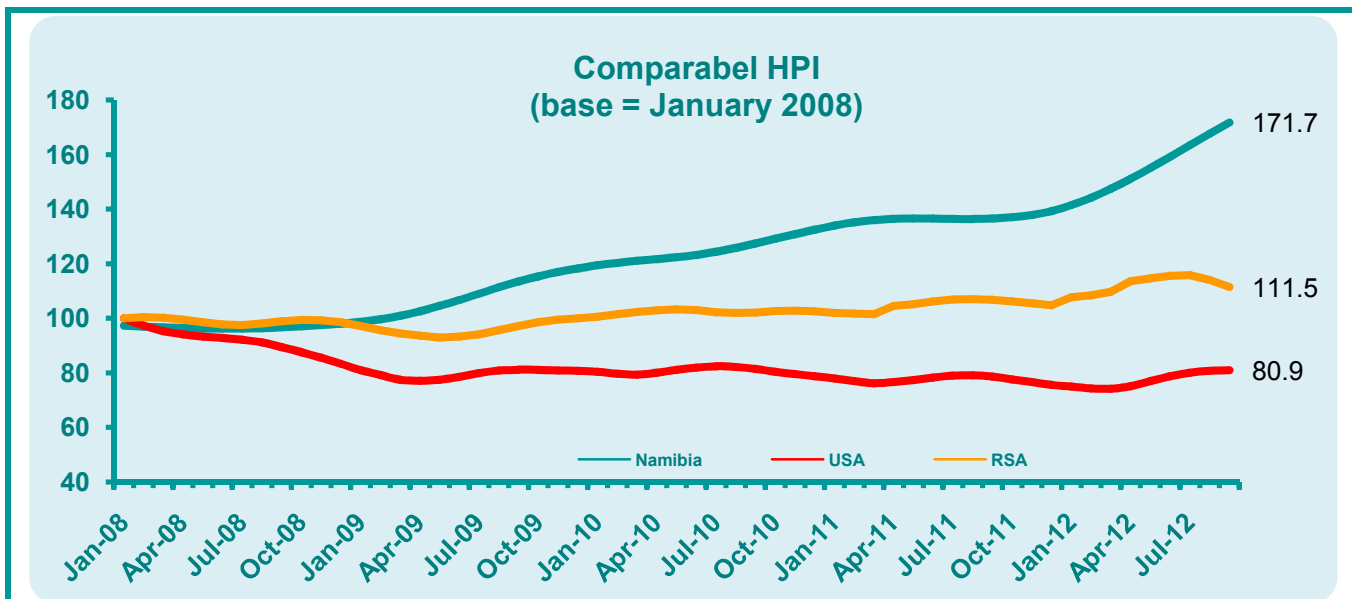
Mortgage advances



Annualised growth in mortgages increased to 12.7% y/y during September. Windhoek property prices were largely responsible for the increasing mortgage advances as property price rose 18% year to date along with a slight increase in volumes. Further growth came from Okahandja and Henties Bay, which are the fastest growing mortgage markets. Further

mortgages and mortgages over properties in the lower price segment declined 43% and 31% respectively, while mortgage advances over properties in the middle and upper price segment rose 10% and 45% respectively.

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 Namibian property prices continue to outpace other comparable indices. The persistent structural supply shortages is responsible for the long run house price increases along with the relative low cost of finance. The SA HPI showed a further slowing in its year-on-year growth through September. The further slowing in the y/y growth rate is more or less in line with expectations, as increasing evidence of a 'soft patch' in both the global and domestic economy. But leading indicators show that near term market conditions may improve, as the time properties spend on the market has decreased along with the number of properties selling below the asking price. House prices continued climbing across the US marking the sixth consecutive month of increasing house prices. It is safe to say that the US property market is recovering as house prices have recovered to 2003 levels, but prices are expected to come under pressure during the fourth quarter as the market moves into a seasonally weak part of the year.

Conclusion

House prices continue to remain at elevated levels simply because the market is unable to supply enough properties in the lower price segment. There are only so many houses that can be supplied to the middle to upper price segment and we believe we are approaching that point as properties are taking a lot longer to sell and buyers are able to negotiate on price. As returns begin to decline in the upper price segments, supply will eventually shift to the lower price segment where properties sell much faster and are more likely to sell above the asking price because the demand in this segment is higher. This should result in house prices correcting themselves and affordability creeping back into the market. But given short run supply inelasticity of housing supply, this transition could take up to three years to materialise.

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.