

## First time buyers rattle Index

This report covers the developments in the national housing index for April 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

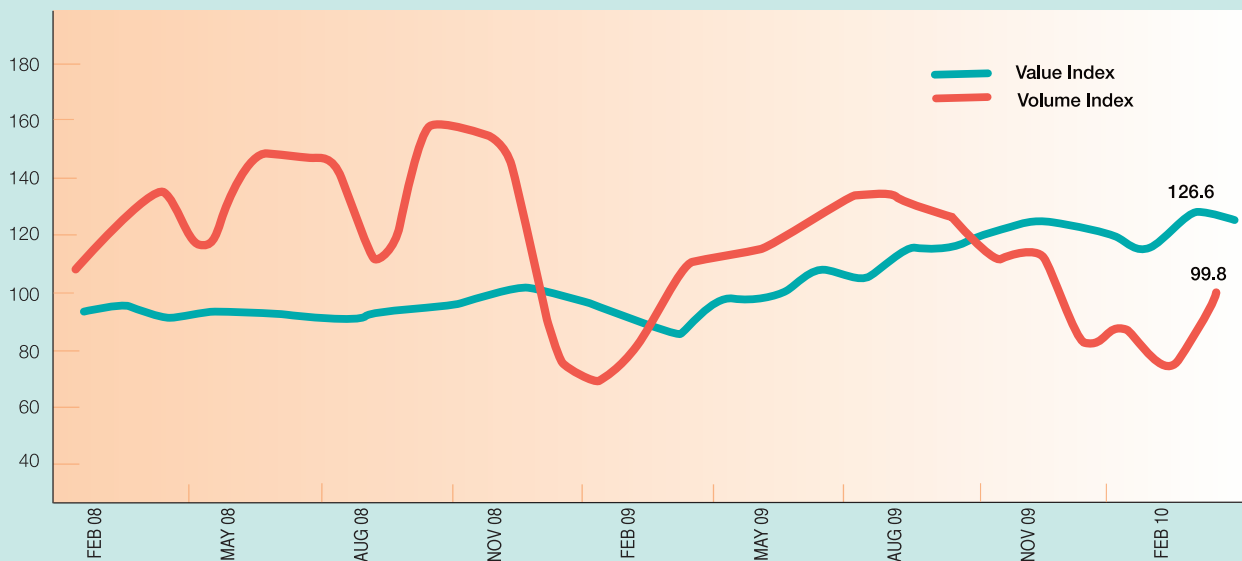
The FNB house price index moderated somewhat in April due to an unexpected increase in the number of small houses traded during the month under review. We expected volumes in the small to medium house segment to slow further a month before the implementation of the new

transfer duties. Buyers will save up to N\$21,000 in transfer duties on a N\$400,000 property. However, the April FNB housing index data shows that the registration of properties in this price segment increased ahead of the effective date of the reduced duties. Of course, the lagged registration of properties does play a role, but it was the increase in housing supply that pushed up the FNB house volume index to 99.8 basis points in April.

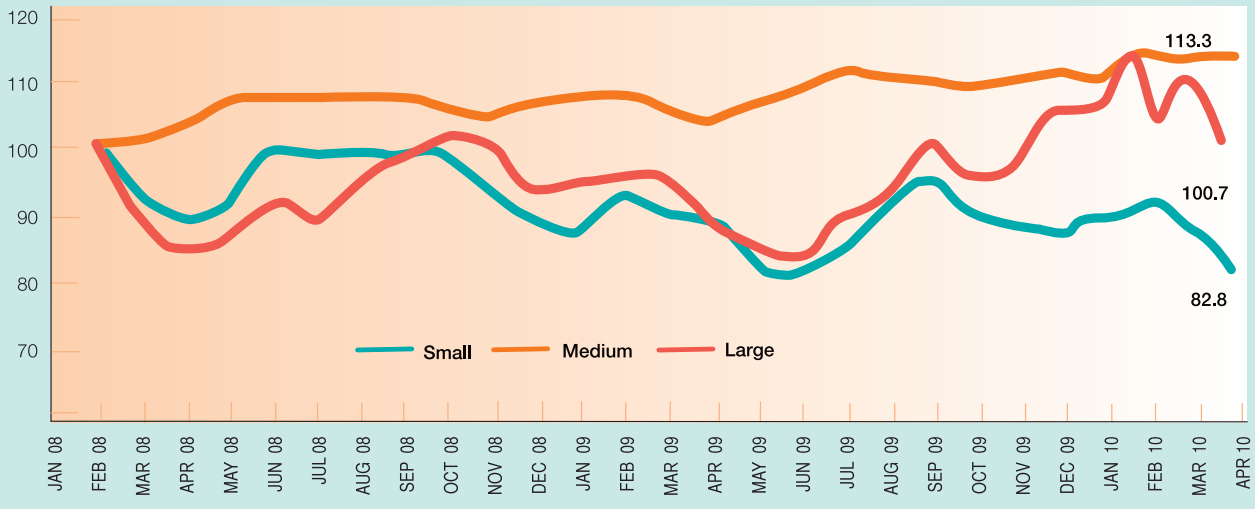
### Housing Price Index

Month on month, the FNB house price index moderated to 126.6 basis points in April, but up 27.1% year on year. The breakdown by size reveals that small house prices were under moderate price pressure in April with the release of new housing stock into the market and therefore the small house price index shed 2.7% year on year. The central area was mostly responsible for price declines in this price segment. Buyers were mainly young single persons, with prices ranging from N\$244k to N\$252k. Prices of medium sized houses

Table 1: Smoothed Weighted National Housing Index (base = January 2008)



**Table 2: Housing Price Index**



climbed 6.8% year on year, with a similar growth trend across all areas. Medium sized house prices ranged from N\$509k to N\$ 536k, with buyers mainly middle aged males and married couples. House prices in the large house segment decelerated 15% year on year down from 22% in March. This is attributable to more stable prices at the coast, where we reported significant increases in average prices. This month average property prices at the coast returned to normal, thus relieving some of

the upward price pressures, but we still find large coastal property prices escalating by 46% per annum as opposed to 54% in March. Price escalations in the central areas were a bit more moderate in April coming in at 18% year on year, while prices were down 34% and 29% respectively for large northern and southern homes. Large house prices ranged from N\$1,093k to N\$1,148k. As can be expected, buyers were mainly older married couples and middle aged males.

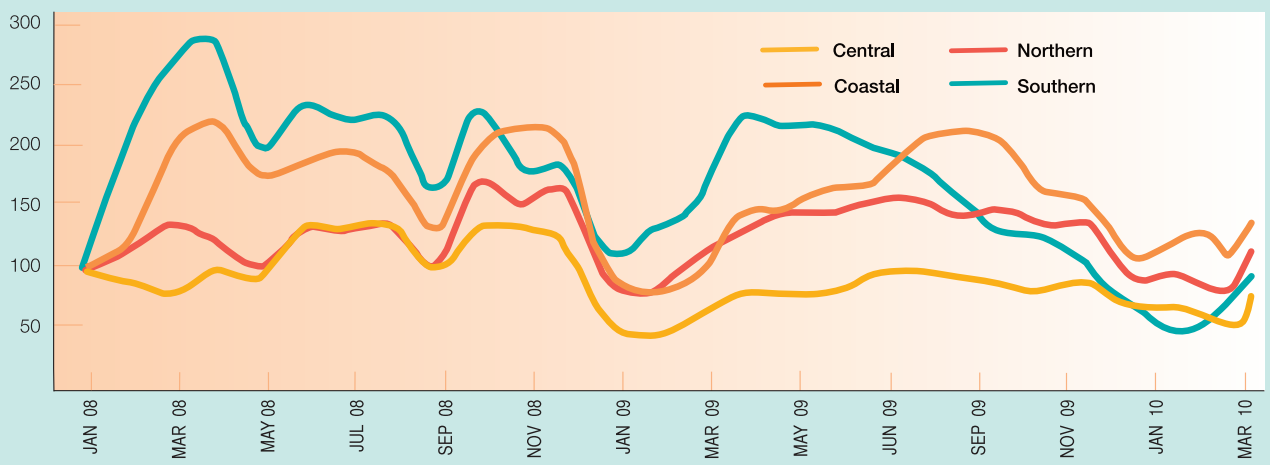
**April 2010 Median House Prices**

	Small	Medium	Large
<b>Central</b>	247,848	536,149	1,147,889
<b>Coastal</b>	251,841	518,315	1,130,611
<b>Northern</b>	246,987	511,833	1,109,333
<b>Southern</b>	244,299	508,722	1,092,500

**Housing Volume Index**

For April, 247 properties were registered at the Deeds Office. All indices showed some degree of improvement on a month on month basis, but the longer term trend remains negative, where volumes are down 7% in central area, 7.2% at the coast, 8.2% in the north and 53% in the south on a year on year basis. In the central area, supply side constraints are dampening transactions in the small and medium sized houses, where volumes are down 18% to 12% respectively. There are some green shoots however, in the form of large central and

**Table 3: Smoothed Housing Volume Index**



coastal homes, which are up 75% and 177% respectively. Increased transactions at the top end of the market, could be indicative of early signs of recovery in the housing market and renewed confidence in the housing market.

### Mortgage Advances

After months of horizontal movement, Namibian mortgage advances accelerated to 8.6% year on year, thus suggesting the markets reaction to lower interest rates 16 months after the first interest rate cut in December 2008. With transaction volumes on the decline our data suggests that the increase in mortgage advances is primarily due to property price escalations. Meaning that over the past year fewer mortgages were registered, but at a higher price and this resulted in the improved mortgage advances in April. There has however been 15% increase in volume in the secondary bond market that has helped fuel mortgage advances, but their contribution to overall mortgage advances have dissipated with recessionary pressure. City of Windhoek data further suggests that secondary mortgage advances are possibly being used for non structural improvements (painting, tiling, millwork, etc) to homes as structural work completed in Windhoek has been on a steep downwards spiral all year. Interestingly 88% of the mortgages registered at the Deeds Office in April 2010, were financed by the banking sector. The remaining 12% were financed by municipalities, private individuals, NHE, Agribank, etc, up

from 5% April 2009. This leads us to believe that the number of mortgages and players in the mortgage market is growing faster than previously suspected.

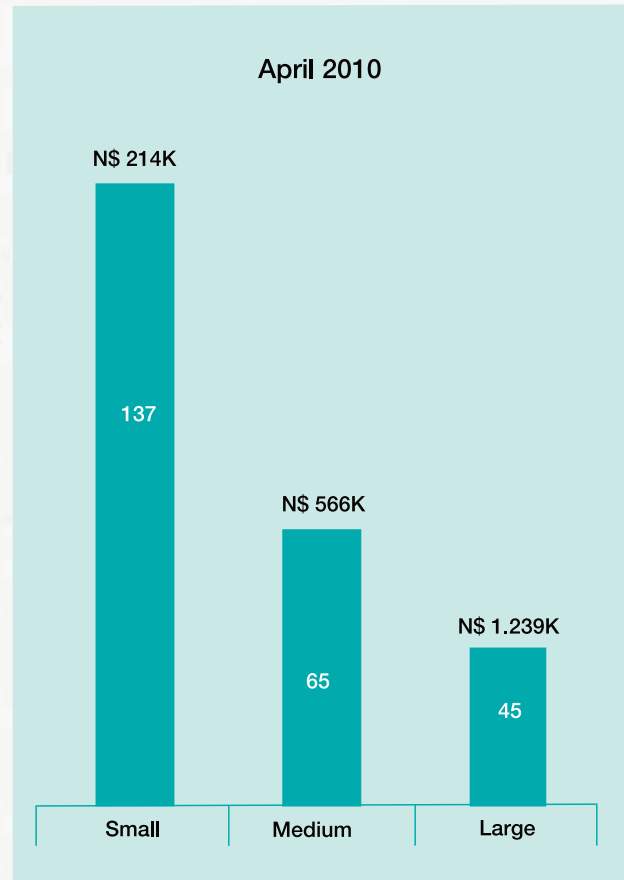
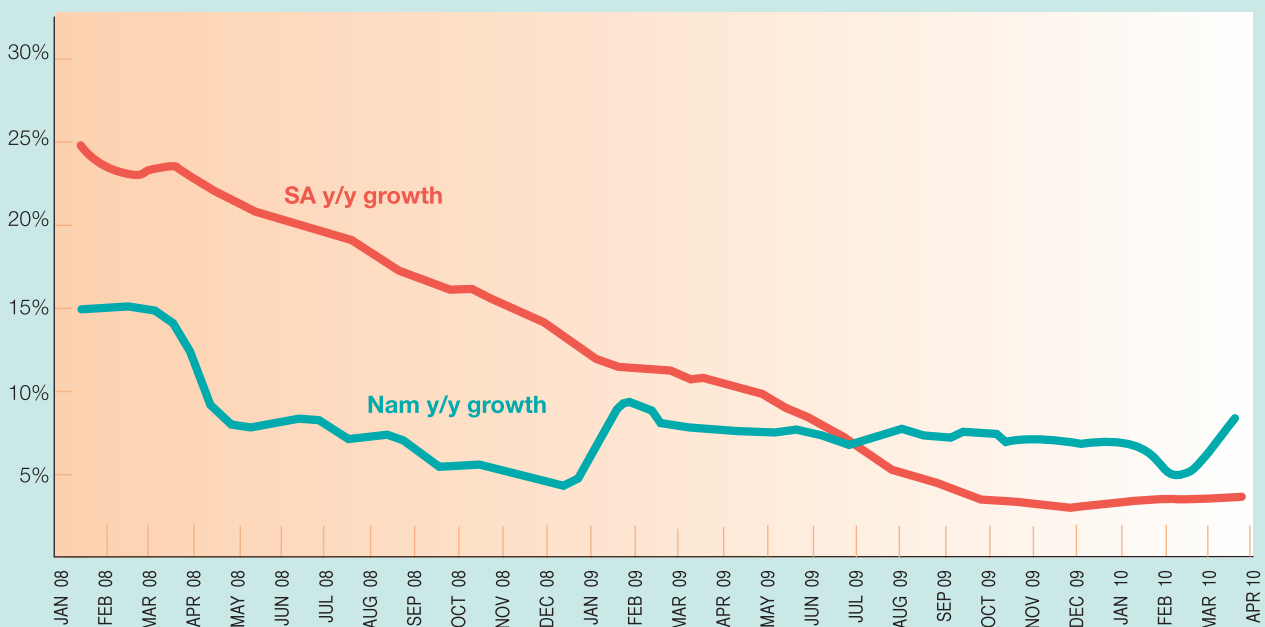


Table 4: Mortgage Advances Growth



Source: BoN & SA RB

## Conclusion

We remain bullish on the volume index in May with the implementation of the new transfer duties as more properties will be registered in the names of natural persons as opposed to CC's. CC registration for May have fallen 32% already and we expect to see these numbers reflected in the volume index in May. Developer activity was limited in April with only one major transaction covering 24,000m<sup>2</sup> in Windhoek's Pioneers Park suburb. Construction started on this development and we expect to see these figures filtering through approximately within three months. The next land auction in Windhoek is scheduled for 23 July, but we don't expect the 200 properties (mostly Auasblick) up for grabs to be reflected in our housing index over the next year as these are mainly reserved pending bank guarantees, which in our experience take longer than one year to mortgage. There are however longer term plans to alleviate land price pressure in Namibia for smaller houses, which include private sales to individuals as opposed to auctions and at substantially higher volumes. Otherwise, the FNB national house price index is expected to remain under some pressure from the new transfer duties and cyclical increase in low cost housing delivery (which is expected to continue for the next three to six months). Therefore volumes are expected to increase and prices remain flat.

## FNB Housing Index - April 2010

**Published by:** FNB Namibia

**Address:** First City Centre, Levinson Arcade, Windhoek

**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.

