

## Signs of Recovery in the Residential Market

### Introducing New Index

The ultimate objective of the FNB housing index is to provide an indicative overview of what is currently taking place in the housing market, hence the changes in the methodology to better reflect developments in the local housing market. Crucially, we have recently revised the methodology for compiling the FNB housing index in line with market developments. The new index is based on bonds registered with the Deeds Office. Furthermore, because of the positively skewed distribution of house prices we have chosen to use the median price, and not average prices. The median is less sensitive to extreme values and this makes it an ideal measure of central tendency for highly skewed distribution, as is the case presently. The median is the middle price,

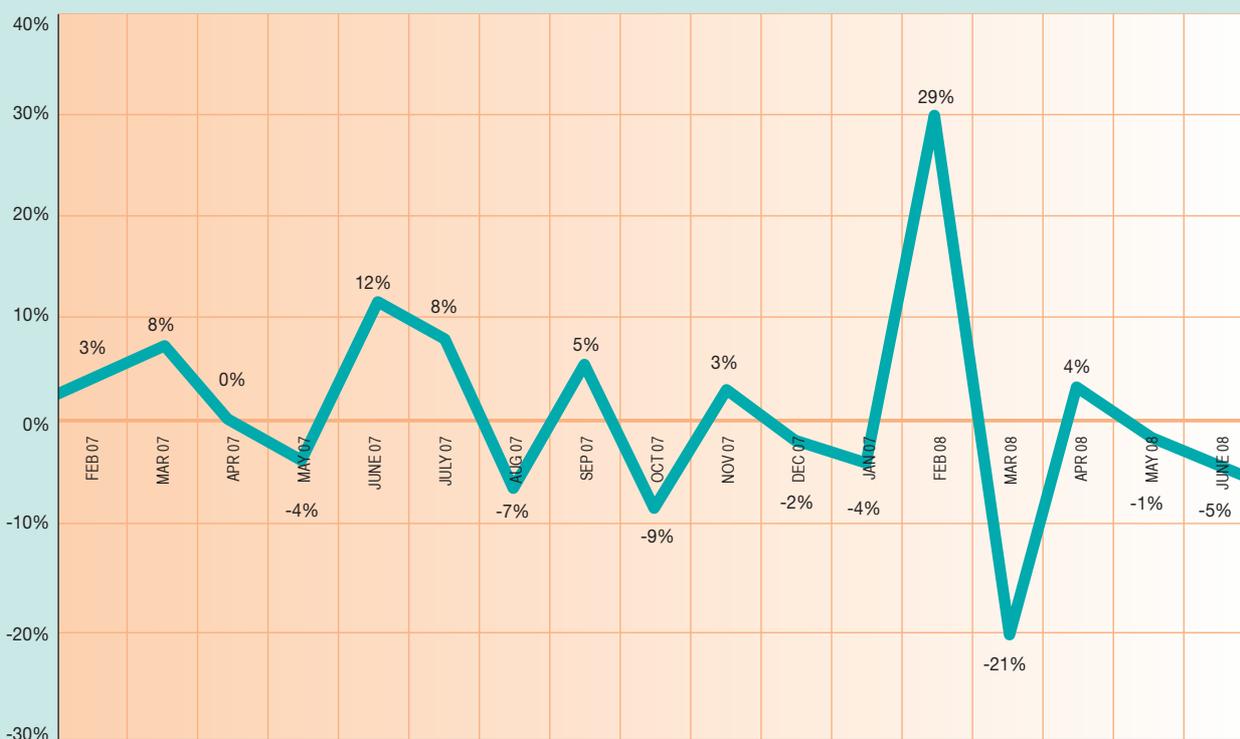
where half of the houses are cheaper and the other half more expensive. Only first time bonds are considered for this index. Furthermore, the new index excludes all transactions below N\$100,000.

Figure 1 confirms that the median house prices have slowed in Windhoek, although they remain quite volatile. Between May and June 2008, median house prices for Windhoek are down by 5%. The quarterly index bears this trend out as well (see Figure 2).

### House Price Inflation Slows

Figures 1 & 2 shows that median house prices have started to slow since the beginning of 2008. In fact, the average median house prices are currently only 8% higher than they were in the

Figure 1: Developments in the median house prices for Windhoek (m-o-m growth)



Source: Deeds Office, FNB Namibia Research

Figure 2: Windhoek Quarterly House Price Index

(Base: Q1 of 2007)



Source: Deeds Office, FNB Namibia Research

first quarter of 2007, compared to the 20% growth relative to base quarter experienced during the first quarter of this year. This suggests that house price inflation is slowing in the second quarter of 2008. However, the tendency for house prices to go up and down suggests that there is a great deal of volatility in the distribution of the type and prices of houses for which bonds were registered at the Deeds Office.

Although, it is still early to conclude, Figure 3 suggest that the house price deceleration has been supportive of increased demand for housing, with indications that this had a positive knock-on effect on demand as the number of properties (bonds)

registered at the Deeds Office went up by 55% relative to the base quarter. It seems that volumes are reacting positively to price changes although it is still early to confirm a trend.

### Residential Mortgage Advances

Bank of Namibia data show that the deceleration of residential mortgage advances growth continues with an annualized growth rate of 6.1% (y/y) by end of June 2008. However, the good news is that residential advances are starting to accelerate with a growth of 1.2% between May 08 and June 08, up from a monthly growth rate of 1% between April and May.

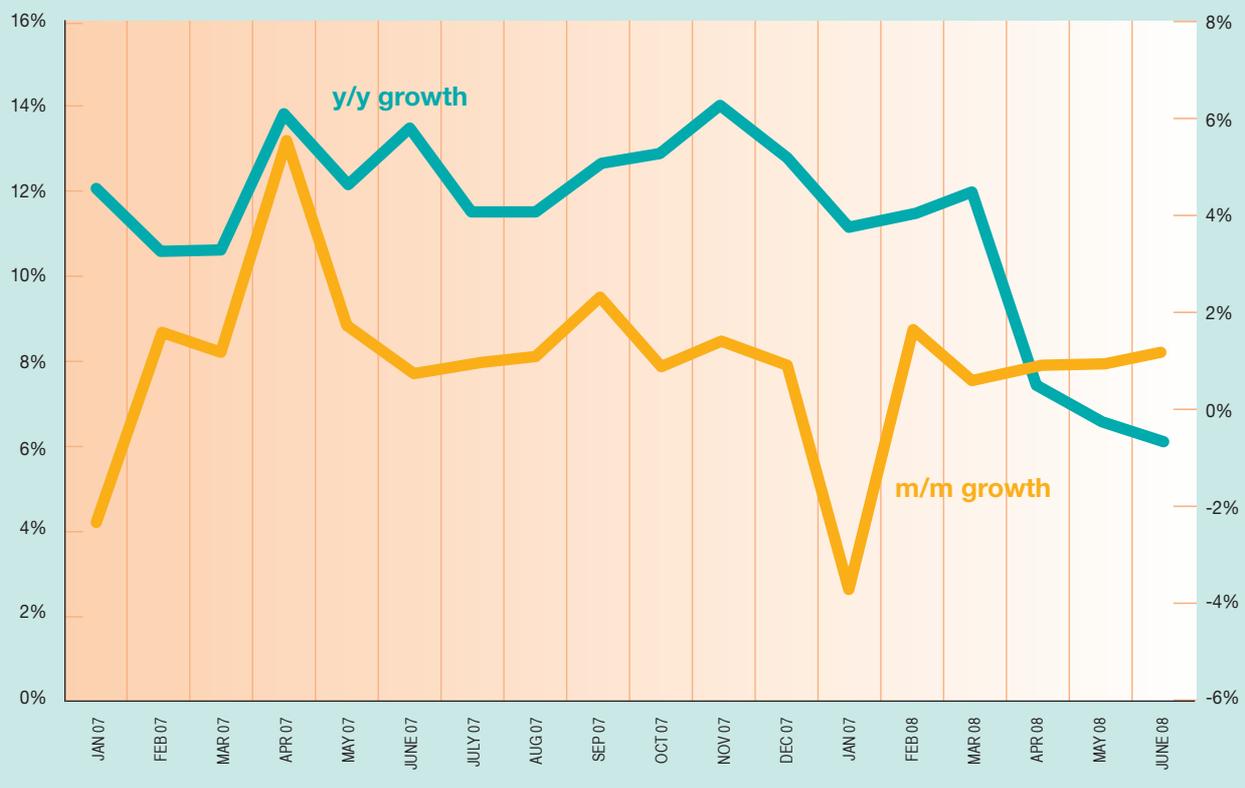
Figure 3: Windhoek Quarterly House Volume Index

(Base: Q1 of 2007)



Source: Deeds Office, FNB Namibia Research

Figure 4: Mortgage Advances Growth



Source: Bank of Namibia

### Conclusion

As stated above, we have introduced a new residential property price index based on the median price methodology. The new index is not directly comparable to the old index given changes in the data as well as the methodology. The previous index was based on FNB Valuations, whereas this index is based on the total industry bond data as captured at the Deeds Office. The new index signal that there are signs that a recovery may be underway in the local housing market as median house prices have started to decline with a positive knock-on effect on demand as shown by the volume index.



### FNB Housing Index - Second Quarter 2008

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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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