

FNB HOUSING INDEX

Report for Quarter 3, 2006

Introduction

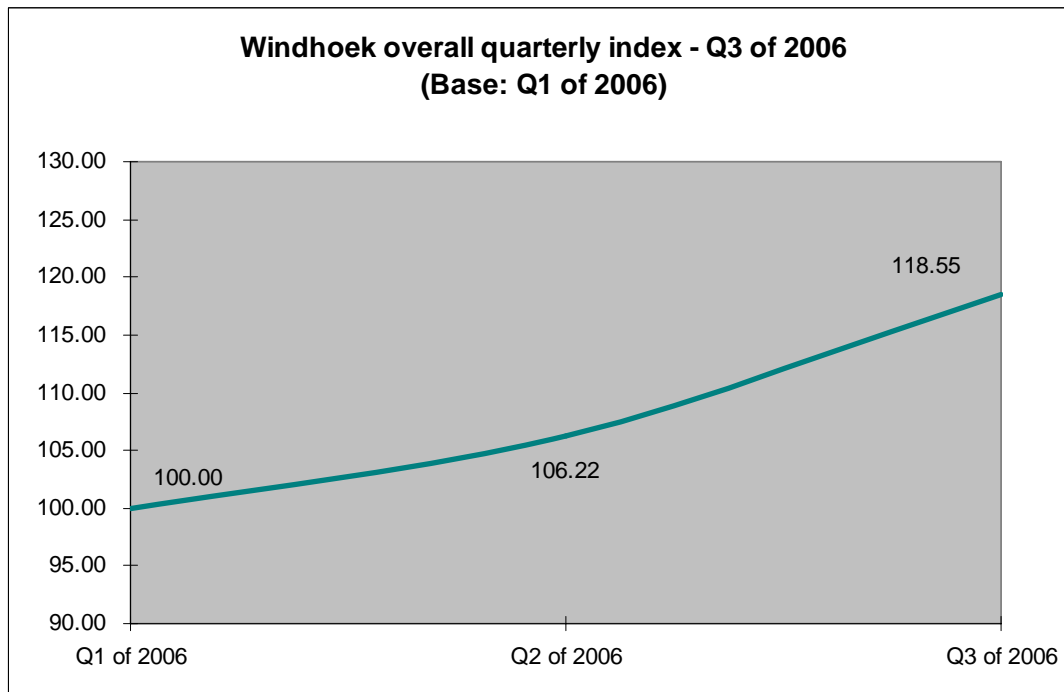
This quarter marks the introduction of a new base period which is Quarter 1 of 2006 of the FNB Quarterly Housing Index. This means that Quarter 2 and Quarter 3 of 2006 were benchmarked against Quarter 1 of 2006.

The resetting of the base period was as a result of the inclusion of five additional suburbs/areas as reflected in the previous report for Quarter 2, 2006. As a reminder, the additional suburbs/areas are Auasblick, Brakwater, Goreangab, Okuryangava and Wanaheda.

The Windhoek overall quarterly index shows a relatively slow increase of 11.6%, a situation that is in line with the economic fundamentals such as rising interest rates and a lower increase in the demand for home loan credit of 3.6% (June to August 2006) compared to an increase of 5.9% in the previous quarter (March to May 2006).

This quarter's index showed relatively small increases or decreases in all the suburbs except for Brakwater, Academia, Eros Park and Hochland Park where moderate to high increases were recorded. These minimal changes are in line with the prevailing high interest rates. The relatively high increase in the suburb indices of Academia, Eros Park and Hochland Park could be ascribed to a high demand for properties in these areas.

Figure 1: Windhoek Index



Source: FNB Namibia Valuation data

Brakwater recorded an extraordinary high quarterly increase of 72% from Quarter 2. As alluded in the previous report (Report for Quarter 2, 2006), this exceptional increase was due to the fact that the previously undeveloped land is now being developed and this increase is now reflected in the index. This increase is likely to continue as long as the empty plots there continue to be developed.

Table 1: House Valuations index per suburb (Windhoek)

Suburbs Indices				
	Quarter 1 of 2006	Quarter 2 of 2006	Quarter 3 of 2006	Percentage change:
WINDHOEK OVERALL	100.00	106.22	118.55	11.60%
Academia	100.00	109.50	132.50	21.01%
Auasblick	100.00	110.65	109.91	-0.67%
Brakwater	100.00	85.90	147.72	71.98%
Cimbembasia	100.00	111.74	111.79	0.04%
Dorado Park	100.00	96.88	97.41	0.54%
Eros Park	100.00	125.53	151.83	20.95%
Goreangab	100.00	99.71	116.56	16.90%
Hochland Park	100.00	110.21	132.30	20.04%
Katutura	100.00	99.67	107.64	7.99%
Khomasdal	100.00	100.42	103.66	3.22%
Klein Windhoek & Ludgwigsdorf	100.00	104.90	110.05	4.90%
Kleine Kuppe	100.00	101.48	99.52	-1.93%
Okuryangava	100.00	100.22	116.33	16.07%
Olympia	100.00	98.70	99.07	0.38%
Otjomuise	100.00	101.96	103.04	1.06%
Pioneers Park	100.00	102.27	111.24	8.77%
Rocky Crest	100.00	100.55	108.06	7.47%
Suiderhof	100.00	119.56	102.87	-13.96%
Wanaheda	100.00	100.78	100.83	0.05%
Windhoek Central	100.00	101.06	112.20	11.02%

Source: FNB Namibia Valuation data

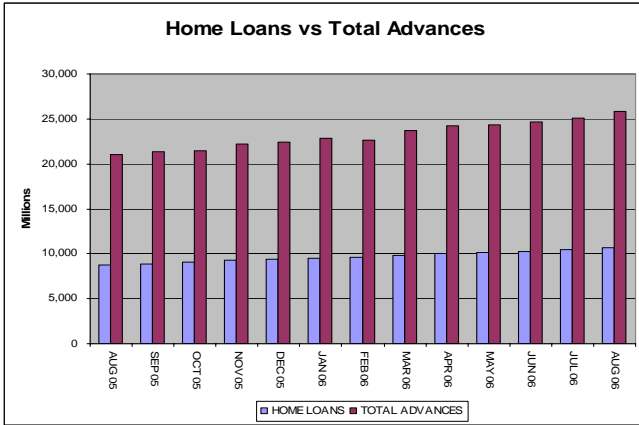
The main reason for the relatively high decline in Suiderhof was the exceptionally high increase from Quarter 1 to Quarter 2 in the valuations of the main buildings while the land valuations, the other component that makes up the total valuations, remained stable. This implies that certain residential properties valuated in Suiderhof during Quarter 3 underwent either a face lift or additions were made to them.

Valuation activities in Okuryangava during this quarter occurred more in the upper market of the area registering 38% of valuations of more than N\$ 200 000 as compared to only 16% of valuations more than N\$ 200 000 during Quarter 2 and hence the reason for the relatively higher increase in its suburb index. For the first time in the year 2006, Goreangab had valuations of more than N\$ 200 000 in Quarter 3 and hence a quarterly increase of 16.9% in its suburb index.

Credit Growth to Residential Property Market (National)

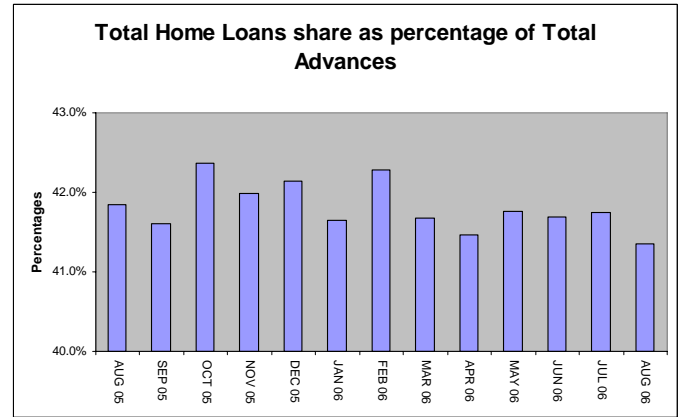
The Namibian year-on-year demand for home loan credit increased with 21.5% for the year ending August 2006 from N\$ 8.782 billion to N\$ 10.673 billion. The quarterly increase (from June 2006 to August 2006) was 3.6% or N\$ 374 million.

Figure 2: Home Loans and Total Advances



Source: Namibian Commercial banks data

Figure 3: Home Loans share as percentage of Total Advances



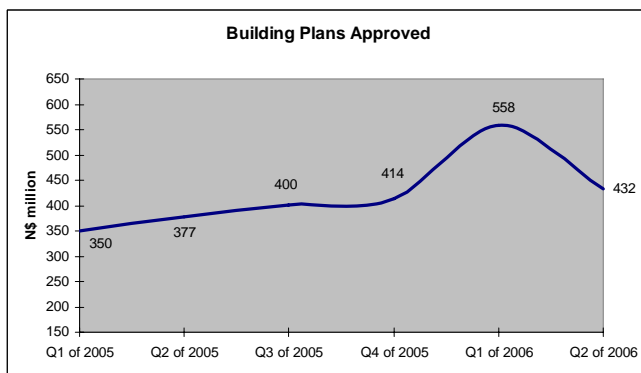
Source: Namibian Commercial banks data

Although **Total Advances** show a positive trend, the share of the Total Home Loans as a percentage of Total Advances shows a slight reduction and reached the lowest level since August 2005. One possible interpretation of this situation is that customers take out more debt for other needs than for home loans. The other possibility is that, since the Total Advances figures recorded by the Namibian commercial banks are reported on an aggregate level and not on sector level (Private- and Public sector), it could be that credit to government has increased while the home loans credit to the private sector has remained relatively constant and hence the reason for the declining Total Home Loans share as a percentage of Total Advances.

Building Plans Approved and Completed (Residential & Commercial: National)

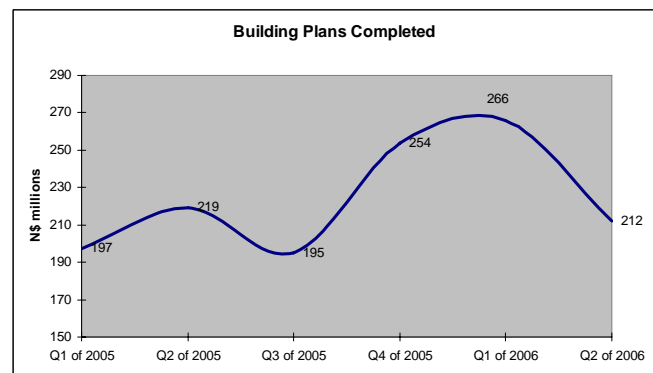
The decline from Quarter 1 to Quarter 2 in the Building Plans Approved as well as Building Plans Completed is in line with the decline of the Housing Index during the same period.

Figure 4: Building Plans Approved



Source: National Planning Commission

Figure 5: Building Plans Completed



Source: National Planning Commission

Unfortunately, at the time of publishing this report, the National Planning Commission did not have Quarter 3 figures available. However, it is most likely that this decreasing trend in the Building Plans could continue during Quarter 3 of 2006 due to real and anticipated interest rate hikes.

Approvals:

The decline in the number of Building Plans Approved is equivalent to 29% or N\$ 558 million in Quarter 1 to N\$ 432 million in Quarter 2 of 2006. The massive drop in the value of the Approved Business Plans from Quarter 1 to Quarter 2 was caused by a 64% quarterly decline in the Additions & Alterations plans. In addition, the value of the Commercial Building Plans also decreased from Quarter 1 to Quarter 2 with more than 25%.

Completions:

Building Plans Completed also showed a large quarterly decline of 20%. As with the approvals, this decline is mainly a result of a decline in the Additions & Alterations to properties which recorded a drop of more than 70% quarter-on-quarter.

This large decline could also be evidence of declining disposable income because the Building Plans Completed reflects the actual building work executed.