Structure

- Basic housing facts/projections
  - Household composition
  - New housing demand
  - Modern housing delivery
  - NHE housing delivery
  - Improvised housing
  - Housing distribution
  - Consumers under pressure
  - Mortgage advances
  - Summary

- House Price Index
  - Methodology
  - Trends (Causes)

- Housing Bubbles
  - Jean-Paul Rodrique Model
  - Where we are on the bubble curve
  - Easily misleading conclusions
Changes in Household Composition

People per household

<table>
<thead>
<tr>
<th>Year</th>
<th>People per Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993/1994</td>
<td>5.7</td>
</tr>
<tr>
<td>2003/2004</td>
<td>4.9</td>
</tr>
<tr>
<td>2009/2010</td>
<td>4.7</td>
</tr>
<tr>
<td>2015/2016</td>
<td>4.4</td>
</tr>
</tbody>
</table>
Modern Housing Growing at 4.9%pa

Modern houses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>95,483</td>
<td>138,264</td>
<td>180,833</td>
<td>202,400</td>
</tr>
</tbody>
</table>
Improvised Housing Growing by 14.2%

Shacks

- 1993/1994: 24,483
- 2009/2010: 102,210
- 2015/2016: 140,110
Housing Distribution

- Detached: 29.6%
- Semi detached: 5.6%
- Apartment: 5.5%
- Single quarters: 2.1%
- Traditional: 28.8%
- Improvised: 27.0%
- Other: 1.4%
Consumers under pressure

GNDI slowing consumption growth

Rising inflation

Interest rates may lift further

Rising DTI a concern
Consumers Tapping Into Savings

Graph showing the trend of Savings, Repo, and Deposit over the years 2003 to 2015.
Mortgages

Forecasts

- Gradual decline
- Limited construction
- Rising interest rates
- Rising unemployment
- Business confidence
Summary

- Falling household size
- Rising housing demand
- Weak housing delivery (4.9% pa)
  - NHE
  - Tipeeg
  - Mass housing
  - Harambee prosperity plan
- Rising improvised housing (14.2% pa)
Index Methodology

- Collect from Deeds Office
  - Hard copy
  - Bonds
    - Bonded value
  - Exclusions
    - Further bonds
    - Transactions under N$100k (2007)
    - Cash transactions
    - Sectional bonds
    - Rehoboth transactions
- 60,672 Data points
- Use medians because of high income inequality
- Weight by area (2007)
- Supported by quarterly EAS
Regional Downward Trend

Central Property Market

Coastal Property Market

Northern Property Market

Southern Property Market

Northern House Prices

Coastal House Prices

Central House Prices

Southern House Prices
Jean-Paul Rodrique Bubble Model

Dr. Jean-Paul Rodrigue, Dept. of Economics & Geography, Hofstra University
Where Are We On The Bubble Curve
Easily misleading……

• Household indebtedness
• Slowing economy
  – Fiscal consolidation
  – Commodity prices
• Negative employment growth
• Falling disposable income
  – Negative employment growth
  – 150bps rise in interest rates
  – High interest rates
• Increased supply outstanding
• Change in policy environment
  – BoN deposit requirements on secondary properties
• Poor banking sector liquidity
  – Securitization creeping into the market
  – The last straw in the housing bubble of 2007
The Way Forward

• Densification
• Increase housing delivery
  – Social segment (82,000 units)
    • Inclusionary developments
    • Government subsidies
    • Under the SDFN model
  – Low income segment (42,000 units)
    • Inclusionary development
    • Scaled up SDFN structure
    • 50% Government subsidy on top structure
  – Middle income segment (9,000 units)
    • Core housing
    • 100% commercial basis
• Cost government N$7.9bn to implement