



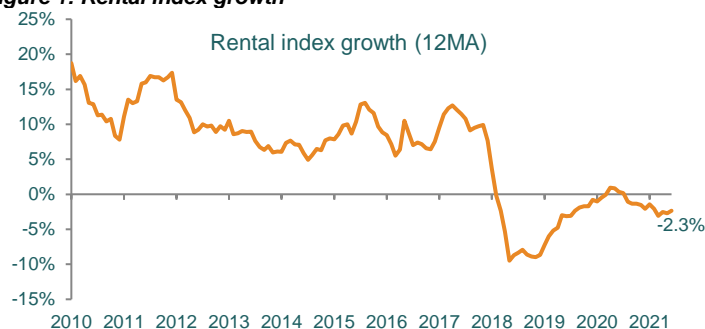
Second Quarter 2021

HIGHLIGHTS

- The national weighted average rent has returned to its pre-Covid-19 levels of N\$6991, reaching N\$7 003 at the end of June 2021.
- The 1-bedroom and more-than-3-bedrooms segments recorded rental growth of 2.2% and 2.9% y/y to N\$3 634 and N\$18 129, respectively.
- The deposit to rent ratio worsened further to record lows of 4.3% at the end of June 2021 from 5.8% in June 2020.
- Rent Control Bill set for tabling in parliament in December 2021.

FNB'S RENTAL INDEX SEGMENTS (12MA)			
1-bedroom	N\$3 624	▲	2.2% y/y
2-bedroom	N\$6 612	▼	-5.8% y/y
3-bedroom	N\$9 615	▼	-4.2% y/y
More than 3 bedrooms	N\$18 129	▲	2.9% y/y

Figure 1: Rental index growth



Second quarter 2021 FNB rental index show signs of recovery

Demand fundamentals around the residential rental market which have largely been permeated by the Covid-19 pandemic appear to have started to cool-off. **The FNB Residential Rental Index posted an annual contraction of 2.3% at the end of June 2021 from the -3.7% recorded at the end of the preceding quarter.** The national weighted average rent has returned to its pre-Covid-19 levels of N\$6 991, coming in at N\$7 003 at the end of June 2021 from N\$6 886 and N\$7 022 recorded in March 2021 and June 2020, respectively. The moderate improvement in the rental index highlights a gradual recovery in rental occupancy rates and economic activity in general. Rental growth was specifically evident within the 1-bedroom and more-than-3-bedrooms segments, which grew by 2.2% and 2.9% y/y to N\$3 634 and N\$18 129 respectively. On the other hand, the 2-bedroom and 3-bedroom segments continue to suffer from a large supply overhang, resulting in rental contractions of 5.8% and 4.2% y/y to N\$6 612 and N\$9 615 at the end of June 2021, respectively. For context, the 2-bedroom accounted for the highest share of overall rental listings of 46% in the second quarter, followed by the 1-bedroom (32%), 3-bedroom (17%) and the more-than-3-bedrooms (5%).

From a regional perspective, green shoots in rental growth were mostly observed across the northern towns, such as Rundu (52.6% y/y), Ongwediva (18.0% y/y) and Oshakati (1.3% y/y). Rehoboth also saw an annual rental growth of 23.7%. In effect, Rehoboth has consistently maintained a positive growth trajectory in rent prices. This is not surprising given the perceived high rental occupancy in that jurisdiction. The worst declines in rent prices were recorded in towns that are mostly dominated by the leisure market. These include Swakopmund (-30.8% y/y), Arandis (-28.9% y/y), and Walvis Bay (-16.8% y/y). Furthermore, Okahandja recorded rental contraction of 23.1% followed by Gobabis and Windhoek with -14.2% and -2.1% y/y, respectively.

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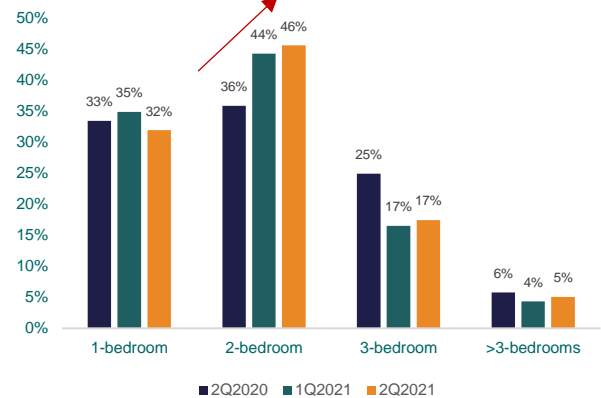
Rental breakdown

The total amount of rental transactions recorded for the second quarter of 2021 contracted by 27.6% q/q and 27.9% y/y, reaching a record low of 2 024 units. The 2-bedroom segment continues to dominate the rental unit mix. This is expected as this segment is generally cost-effective for tenants and ideal for most demographics. However, the 2-bedroom tenant base also tends to be transient, thus creating a high tenant turnover. As housing affordability remains an issue, it is with no doubt evident that Namibia is increasingly becoming a renter nation.

Figure 2: Rental growth by segment (12MA)



Figure 3: Share of rental listing per segment



Deposit to rent ratio

Overall deposits charged by landlords contracted by 22.8% y/y at the end of June 2021 compared to a contraction of 30.6% y/y recorded in June 2020. The 2-bedroom segment recorded the deepest contraction of 24.2% y/y in deposit charged, further pointing to the issue of supply overhang in that space. The 3-bedroom unit on the other hand recorded the lowest contraction in rental deposit of 8.9% y/y, implying that scope for negotiating a reduced rental deposit is relatively slim. Most notably, the deposit-to-rent ratio decelerated further to record lows of 4.3% at the end of the review period compared to the 5.8% recorded a year earlier.

Figure 4: Deposit to rent ratio

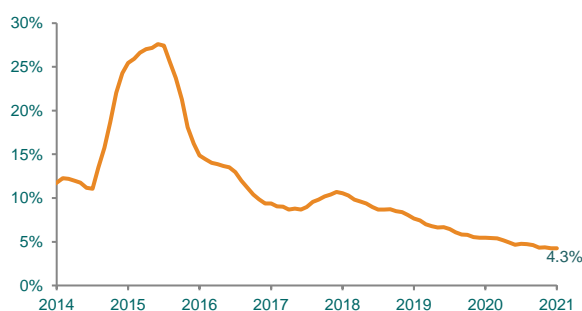
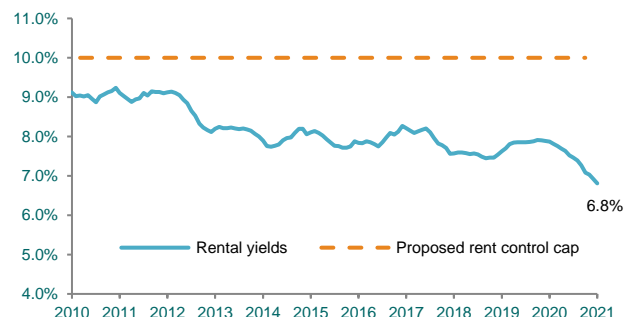


Figure 5: Rental yields



Rental yields

Annual average rental yields slowed to 6.8% at the end of June 2021 from 7.9% a year ago. The much-anticipated implementation of the Rent Control Bill has been on the table for quite some time despite being finalized in 2018. Once promulgated into law, it intends to regulate the letting and hiring of non-commercial properties in areas where rent boards have been established. According to the Harambee Prosperity Plan report for the first quarter, the Rent Control Bill should be submitted before parliament for debate and subsequent promulgation by December 2021.

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Conclusion

Although the rental index is starting to show some signs of recovery from the Covid-19 associated economic impact, we are not out of the woods yet. The country needs to vaccinate many people and as quickly as possible to avoid further Covid-19 waves from damaging the economy and consequently the rental market. As of 8 September, about 329 000 Namibians have received Covid-19 doses and only 116 000 are fully vaccinated which translates to about 4.6% of the population. This is far below the 60% herd immunity target set by the government. The implementation of the Rent Control Bill also presents downside risks to affordability for tenants. Given that the ceiling is set at 10% and the market determined rental yields are at 6.8%, this gives room for landlords to push prices higher, thus putting the tenants under pressure.

Methodology

The rental index is based on average advertised prices in the residential property market across the country. These advertised prices are restricted to those advertised across print media – specifically the Namibian and Republikien. To ensure consistency, continuity and representativeness, the above-named databases were found to provide a realistic picture of asking price within the rental data. Other newspaper outlets were eliminated based on frequency on rental ads on their platforms. Subsequently, the data should be interpreted within these bounds and is therefore subject to the frequency and relevance of rental ads across these platforms.

Rental ad data is collected daily but aggregated and averaged monthly. The average figures are further weighted depending on the number of rooms available in an establishment. One and two-bedroom properties are given higher weights within the index versus three-bedroom properties. Furthermore, rental yield figures are calculated based on the average rent advertised and the average bonded property prices in the same area (bond property figures are sourced from FNBs Housing index data).

Notably, the FNB Rental Index differs starkly with the methodology utilized to calculate rental inflation as produced by the Namibia Statistics Agency. Therefore, the two data sources are not comparable with NSA data capturing actual rent versus FNB Rental index capturing advertised rent. These differences in methodology explain the subsequent differences observed between the two indices.

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APPENDIX A: AVERAGE RENT (N\$) (12MA)

TOWNS	2Q2020	1Q2021	2Q2021	Q/Q	Y/Y
Arandis	4,500	-	3,200	-	-28.9% ▼
Gobabis	6,000	5,150	5,150	0.0% ▲	-14.2% ▼
Henties Bay	5,500	-	-	-	-
Karibib	-	-	-	-	-
Katima Mulilo	5,500	-	-	-	-
Keetmanshoop	-	-	-	-	-
Kransneus	15,000	-	-	-	-
Okahandja	5,400	4,450	4,150	-6.7% ▼	-23.1% ▼
Omuthiya	-	-	-	-	-
Ondangwa	3,450	3,250	3,750	-15.4% ▼	-20.3% ▼
Ongwediva	5,000	5,950	5,900	-0.8% ▼	18.0% ▲
Oshakati	4,000	3,150	4,050	28.6% ▲	1.3% ▲
Oshikango	-	-	-	-	-
Oshikuku	-	-	-	-	-
Otjiwarongo	-	-	-	-	-
Outapi	2,700	3,600	-	-	-
Rehoboth	3,800	3,850	4,700	22.1% ▲	23.7% ▲
Rundu	3,800	5,500	5,800	5.5% ▲	52.6% ▲
Swakopmund	7,800	5,800	5,400	-6.9% ▲	-30.8% ▼
Tsumeb	6,000	5,500	-	-	-
Usakos	-	-	-	-	-
Walvis Bay	5,350	4,650	4,450	-4.3% ▼	-16.8% ▼
Windhoek	7,000	6,900	6,850	-0.7% ▼	-2.1% ▼

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