



First Quarter 2021

HIGHLIGHTS

- The national weighted average rent came in at N\$6 686 at the end of March 2021 from N\$7 465 in March 2020.
- The More-than-3 bedrooms unit is the only segment that showed growth in rent prices - recorded at 0.3% y/y to N\$17 169.
- The deposit to rent ratio decreased further to 4.6% at the end of March 2021 from 5.8% in March 2020.
- Annual average rental yields slowed to 7.1% at the end of March 2021 from 7.9% a year ago.

FNB'S RENTAL INDEX SEGMENTS (12MA)			
1-bedroom	N\$3641	▼	-0.8% y/y
2-bedroom	N\$6 687	▼	-2.8% y/y
3-bedroom	N\$9 636	▼	-1.0% y/y
More than 3 bedrooms	N\$17 169	▲	0.3% y/y

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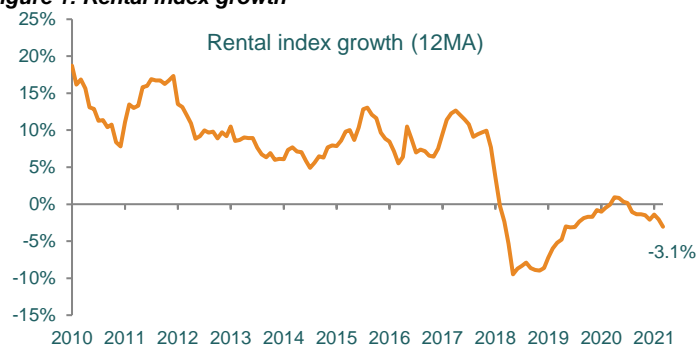
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Figure 1: Rental index growth



Rent prices stumble into negative territory

The FNB Residential Rental Index posted an annual contraction of 3.1% at the end of March 2021, from 0.0% a year earlier. This brings the national weighted average rent to N\$6 686 from N\$7 465 recorded in March 2020. The 1-bedroom, 2-bedroom and 3-bedroom segments saw annual rental contractions of 0.8%, 2.8% and 1.0%, reaching N\$3,641, N\$6 687 and N\$9 636, respectively. The only segment that showed annual growth in rent prices is the more-than-3-bedrooms unit which registered growth of 0.3% to N\$17 169. These patterns highlight the widespread affordability issues amongst tenants and increased demand for multi-family renting units to support affordability in these economically challenging times.

Indeed, the incoming economic data for the first quarter of 2021 mirrors the deteriorating state of the rental market, with GDP growth recorded at -6.5% from -2.5% in the corresponding quarter of 2020. Suffice to say, a derailed economic recovery, which appears to have been prolonged by the third wave of COVID-19, and low vaccination rate is poised keep the rental market in a "coma" on the back of muted demand. This would have far-reaching implications for the stability of the financial sector, with potential unfavorable consequences such as depressed property sales. While we do not believe we have effectively reached that state yet, some signs are emerging. For instance, the real estate and profession activities is amongst the five sectors that carried through the economy in the first quarter of 2021, realizing growth of 4.6%/y/y. This is further supported by a considerable growth in home sales seen over the reviewed period. Looking at the regions, Walvis Bay continue to top the list in terms of annual rental contractions with -44.4%, followed by Oshakati (-33.9%), Swakopmund (-28.4%), Ondangwa (-20.7%), Okahandja (-14.4%), Gobabis (-14.2%) and Windhoek (-3.5%). Conversely, rent in Tsumeb, Rundu and Ongwediva grew by 35.8%, 31.0% and 20.2% y/y, respectively. These robust growth figures point to a high vacancy rate in the middle market segment across these jurisdictions as affordability issues linger.

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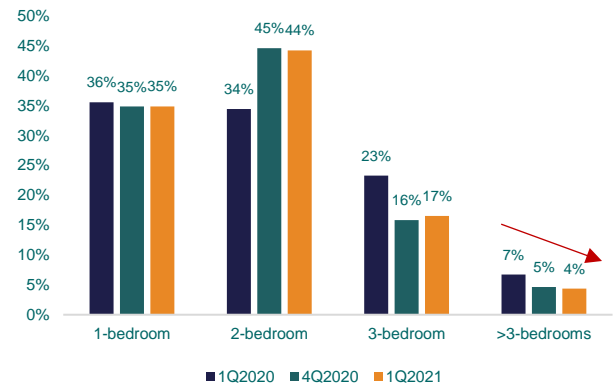
Rental breakdown

The total amount of rental activity recorded for the first quarter of 2021 contracted by 3% q/q and by 55% y/y to 2795. While there is no definite trend observed across the 1 to 3-bedroom segments, a persistent decrease in the relative share of rental listings within the more-than 3-bedrooms segment is notable from 7% in 1Q2020 to 4% in 1Q2021. This highlights a relatively low turnover rate within this segment and increased demand for multi-family rental units to support affordability.

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 23.0% y/y at the end of March 2021 compared to a contraction of 32.1% y/y recorded during the same period of 2020. The relatively mild contraction in rental deposit on the year-on-year basis highlights the low base effect from the first quarter of 2020 when the economy went into the first phase of COVID-19 lockdown. Overall, a significant reduction in deposit payable of 60% is notable within the more-than-3-bedrooms segment compared to a reduction of 30% realized a year earlier. This state of affairs is reflected in a continued deceleration of the deposit to rent ratio, reaching 4.6% at the end of March 2021 from 5.8% in March 2020. Looking ahead, competition for high quality tenants is a theme that we believe will continue to shape the outlook of the rental property market for as long as the economy remain in a recessionary state.

Figure 4: Deposit to rent ratio

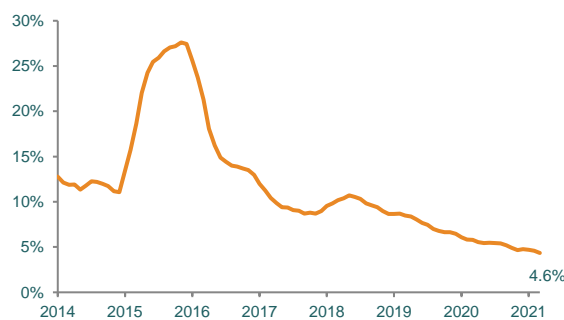
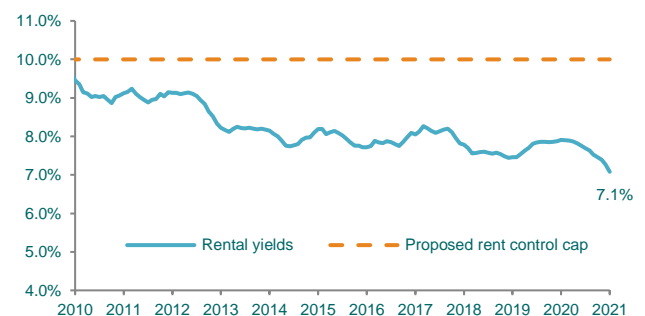


Figure 5: Rental yields



Rental yields

The yields on residential investment property have declined considerably as rental growth fails to keep up with rising housing prices, especially in the medium to low housing market. At the end of March 2021, the return on an investment property was measured at 7.1%, reflecting a 0.8 percentage point decline from the preceding period. Although we still view the current rental yields as indicative of a stable residential property market, the attractiveness of the residential property as an asset class would continue to depend on how soon the economy would return on its sustainable growth path.

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Conclusion

The rental market is an increasingly important pillar for the Namibia property market. However, given the ailing economy and sluggish demand, rent prices are likely to remain muted for the long haul. Meanwhile, the emergence of multifamily and vacation rental markets is seen to be gaining prominence particularly in the coastal and central towns.

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	1Q2020	4Q2020	1Q2021	Q/Q	Y/Y
Arandis	4,500	-	-	-	-
Gobabis	6,000	5,450	5,150	-5.5%	-14.2%
Henties Bay	5,500	-	-	-	-
Karibib	-	-	-	-	-
Katima Mulilo	5,500	-	-	-	-
Keetmanshoop	4,500	-	-	-	-
Kransneus	-	15,000	-	-	-
Okahandja	5,200	4,900	4,450	-9.2%	14.4%
Omuthiya	1,500	-	-	-	-
Ondangwa	4,100	3,000	3,250	8.3%	-20.7%
Ongwediva	4,950	5,700	5,950	4.4%	20.2%
Oshakati	4,700	3,250	3,150	-3.1%	-33.0%
Oshikango	6,500	-	-	-	-
Oshikuku	-	-	-	-	-
Otjiwarongo	5,100	-	-	-	-
Outapi	-	2,700	3,600	33.3%	-
Rehoboth	3,850	3,800	3,850	1.3%	0.0%
Rundu	4,200	3,350	5,500	64.2%	31.0%
Swakopmund	8,100	6,750	5,800	-14.1%	-28.4%
Tsumeb	4,050	5,500	5,500	0.0%	35.8%
Usakos	-	-	-	-	-
Walvis Bay	8,300	4,800	4,650	-3.1%	-44.0%
Windhoek	7,150	7,000	6,900	-1.4%	-3.5%

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