



## Fourth Quarter 2020

### HIGHLIGHTS

- The national weighted average rent came in at N\$6 747 at the end of December 2020 from N\$6 991 in December 2019.
- The 1-bedroom unit is the only segment that spurred growth in rent prices - recorded at 4.9% y/y to N\$3 670.
- The deposit to rent ratio decreased further to 4.8% at the end of December 2020 from 6.5% in December 2019.
- Annual average rental yields slowed to 7.6% at the end of December 2020 from 7.9% a year ago.

FNB'S RENTAL INDEX SEGMENTS			
1-bedroom	N\$3670	▲	4.9% y/y
2-bedroom	N\$6 882	▼	-2.3% y/y
3-bedroom	N\$9 728	▼	-5.0% y/y
More than 3 bedrooms	N\$17 121	▼	-3.4% y/y

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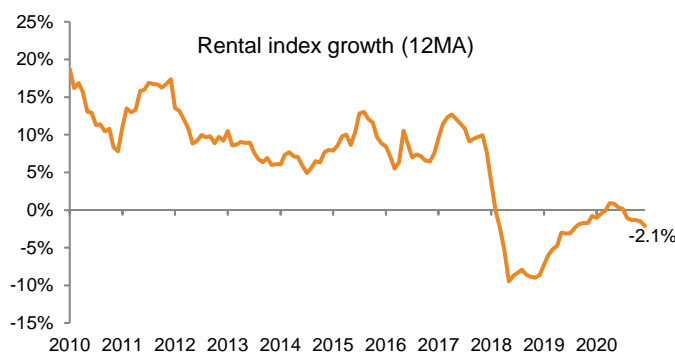
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Figure 1: Rental index growth



### Rent prices slip further into negative territory

The FNB Residential Rental Index posted an annual contraction of 2.1% at the end of December 2020, from -0.8% recorded in December 2019. This brings the national weighted average rent to N\$6 747 at the end of December 2020, compared to N\$6 991 recorded over the same period in 2019. The rent price for a 1-bedroom unit has averaged N\$3,670 on an annual basis and spurred growth of 4.9%/y/y from -6.5% y/y recorded a year ago. Affordability within the 2-bedroom, 3-bedroom and more-than-3-bedrooms units, on the other hand, continues to be on an uphill path, with annual rent prices recording contractions of 2.3%, 5.0% and 3.4% y/y to N\$6 882, N\$9 728 and N\$17 121, respectively.

We view the prevailing fundamentals in the rental market to be permeated by 3 key themes. Firstly, the deteriorating demand for higher-priced properties means that landlords are seemingly left with little choice but to curb their expectations when setting their asking price. Secondly, many short-term and leisure rental properties moved onto the long-term rental market in 2020, after a sharp decline in tourism activity potentially due to COVID-19 induced travel restrictions. Lastly, we are also starting to see a growing interest amongst tenants choosing to take advantage of lower interest rates to buy houses, whilst some are opting to move in with families, mainly due to job losses and/or reduced income. This exit of tenants from the rental market means an additional oversupply of rental properties to the already overstocked pool, thereby exerting further downward pressure on the rental price. Looking at the regions, Walvis Bay continues to bear the brunt of rental contractions, recorded at -42.2% y/y followed by Oshakati (-30.9 y/y), Ondangwa (26.8% y/y), Rundu (-20.2%), Swakopmund (-16.7% y/y), Okahandja (-5.8% y/y) and Windhoek (-2.1% y/y). Conversely, Tsumeb recorded the highest growth in rent prices of 35.8%/y/y followed by Ongwediva with 15.2% y/y over the review period.

**Published by:** FNB Namibia **Address:** @Parkside, 130 Independence Avenue, Windhoek

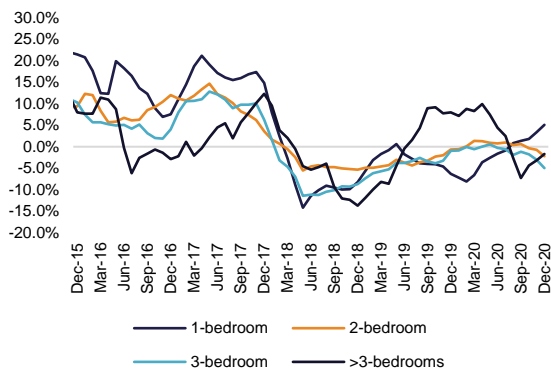
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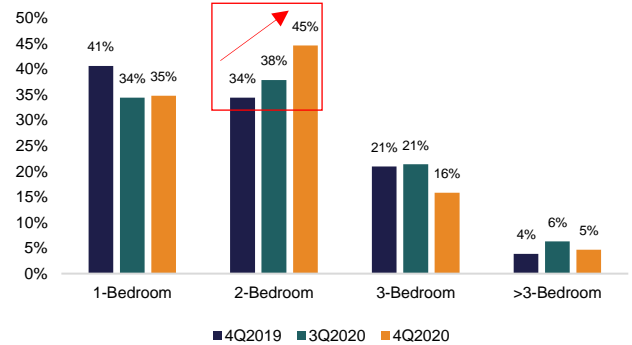
## Rental breakdown

Overall rental advertisement volumes contracted by 43% q/q and by 29% y/y to 2878 units in the fourth quarter of 2020. Of interest to note is the persistent increase in the relative share of advertisement volumes for the 2-bedroom segment to 45% in 4Q2020 from 38% in the prior quarter and 34% in the corresponding quarter of 2019 (Figure 3). This trend mirrors the notion that more and more tenants in the middle age group appear to be exiting the rental market due to preference to acquire own property on the one end and due to affordability issues on the other end. This explains the high tenancy turnover and a relative high frequency of rental openings in the 2-bdroom segment. As a result, rent prices across the multi-bedroom segments continues to trend in the negative growth territory (Figure 2)

**Figure 2: Rental growth by segment (12MA)**



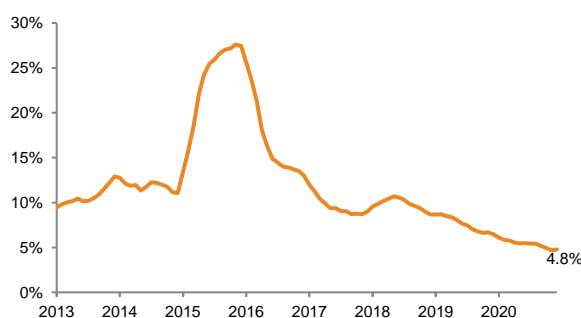
**Figure 3: Share of advertisement volumes per segment**



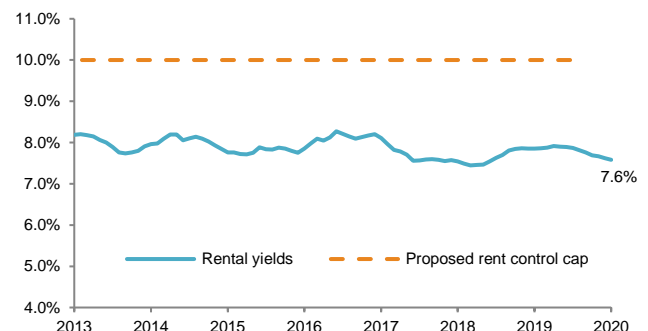
## Deposit to rent ratio

Overall deposits charged by landlords contracted by 27.0% y/y at the end of December 2020 compared to a contraction of 28.4% y/y recorded during the same period of 2019. This was more evident in the more-than-3-bedroom and 2-bedroom segments which recorded contractions of 52.3% and 31.8% y/y respectively. This could be explained by a continuous decline in the availability of quality tenants, which potentially increases the tenants' negotiating power. Consequently, the deposit to rent ratio decreased further to 4.8% at the end of December 2020 from 6.5% in December 2019.

**Figure 4: Deposit to rent ratio**



**Figure 5: Rental yields**



## Rental yields

Rental yields refer to what the landlord expect as return on an investment property before maintenance fees, tax and other costs are deducted. The 12-month average rental yields declined by 0.3 percentage points to 7.6% at the end of December 2020 from 7.9% recorded over the corresponding period of 2019. With the average inflation rate for 2020 recorded at 2.2%, the rental yields of 7.6% remains a prudent parameter for the long-term financial stability of the Namibian rental market. Whilst the expected promulgation of the Rent Control Bill by 2021 as outlined in the Harambee Prosperity Plan II is a welcomed development especially when viewed from a long-term perspective, this is nonetheless poised to keep the already depressed rent prices at bay.

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## Conclusion

Affordability remains an important consideration for consumers in general, but more specifically amongst tenants. We expect rental growth to remain muted for some time especially across the multi-bedroom segments. The high rental turnover is expected to be a recurrent theme in the wake of weak economic conditions and dominant supplies of rental properties in the market. Furthermore, whilst the expected promulgation of the Rent Control Bill by 2021 as outlined in the Harambee Prosperity Plan II is a welcomed development particularly when viewed from a long-term perspective, this is nonetheless poised to keep the already depressed rent prices at bay.

## 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	4Q2019	3Q2020	4Q2020	Q/Q	Y/Y
Arandis	4,500	4,500	-	-	-
Gobabis	6,000	5,650	5,450	-3.5%	-
Henties Bay	5,500	-	-	-	-
Karibib	-	-	-	-	-
Katima Mulilo	5,500	-	-	-	-
Keetmanshoop	4,500	-	-	-	-
Kransneus	-	15,000	15,000	0.0%	-
Okahandja	5,200	5,200	4,900	-5.8%	5.8%
Omuthiya	1,500	-	-	-	-
Ondangwa	4,100	3,100	3,000	-3.2%	-26.8%
Ongwediva	4,950	5,500	5,700	3.6%	15.2%
Oshakati	4,700	3,850	3,250	-15.6%	-30.9%
Oshikango	6,500	-	-	-	-
Oshikuku	-	-	-	-	-
Otjiwarongo	5,100	-	-	-	-
Outapi	-	2,700	2,700	0.0%	-
Rehoboth	3,850	3,750	3,800	1.3%	-1.3%
Rundu	4,200	3,700	3,350	-9.5%	-20.2%
Swakopmund	8,100	7,600	6,750	-11.2%	-16.7%
Tsumeb	4,050	6,000	5,500	-8.3%	35.8%
Usakos	-	-	-	-	-
Walvis Bay	8,300	4,450	4,800	7.9%	-42.2%
Windhoek	7,150	7,050	7,000	-0.7%	-2.1%

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