



FNB Residential Rental Report

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Frans Uusiku

Market Research Manager

Frans.Uusiku@fnbnamibia.com.na
Tel: +264 61 299 8675
Cell: +264 81 223 5743

Key Highlights

- The 12-month average rental index growth posted a contraction of 0.7% at the end of 2021- a significant improvement from a contraction of 2.1% recorded a year earlier.
- The national weighted average rent ended the year at N\$6,728 from N\$6,747 a year ago.
- The more than 3-bedrooms segment has kept the growth momentum upbeat across the market, with the 12-month average rent recorded at N\$18 747, up by 9.7% a year ago.
- The multi-family market continues to gain superiority as the cost-of-living increases.
- The deposit to rent ratio deteriorated to record lows of 3.6%.
- Rental yields moderated upwards to 6.8% from 6.7% at the end of the prior quarter.

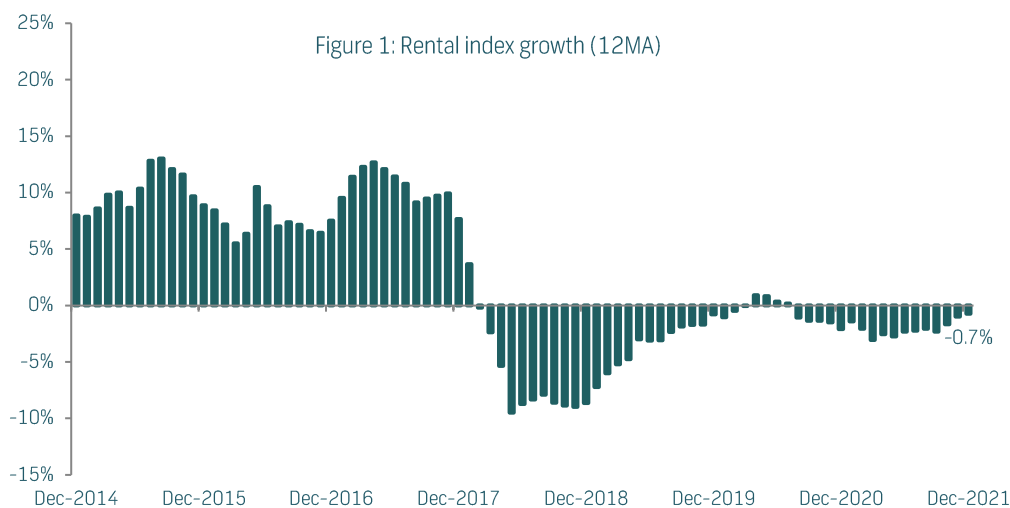


FNB'S RENTAL INDEX SEGMENTS (12MA)

1-bedroom	N\$3 656	-0.4% y/y
2-bedroom	N\$6 424	-6.7% y/y
3-bedroom	N\$9 689	-0.4% y/y
More than 3 bedrooms	N\$18 787	9.7% y/y



Rental index growth



Rental index growth on a monumental comeback

As the impact of Covid-19 continues to cool-off, combined with the re-opening of most economies, rental growth in Namibia is yet again back on its upward trajectory, recording smaller contractions over time. This points to a gradual easing of the tight market conditions that have characterized the rental market over the past year-and-a-half.

At the end of 2021, the 12-month average rental index growth posted a contraction of 0.7%. This represents a significant improvement when compared to a contraction of 2.1% recorded a year earlier. In dollar terms, the national weighted average rent came in at N\$6,728 at the end of 2021 from N\$6,747 a year ago. The more than 3-bedrooms segment has consistently kept the rental growth momentum upbeat relative to other segments, with the 12-month average rent recorded at N\$18 747 in December 2021. This reflects a staggering year-on-year rental growth of 9.7% and continues to reaffirm the growing relevance of the multi-family market as housing affordability issues linger. The emerging recovery in overall rental growth is also evident within the one-bedroom and the three-bedroom segments, as the decline in rents continue to soften. In effect, rental growth in these segments contracted by a same magnitude of 0.4% y/y, bringing the respective 12-month average rents to N\$3 646 and N\$9 689.

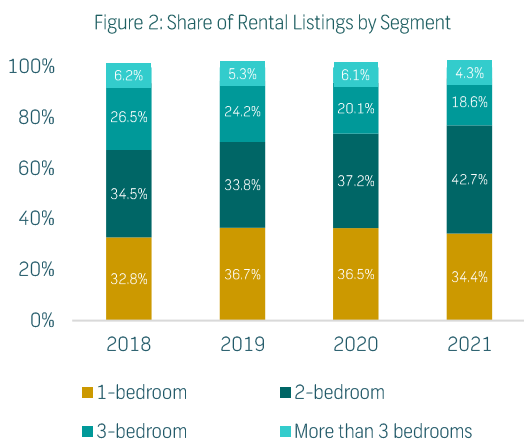
The only segment which appears to have lagged the rental growth frontier is the two-bedroom segment which posted a 12-month average rent of N\$6 424 over the same period. This reflects a year-on-year contraction of 6.7%, compared to a contraction of 2.3% realized over the same period of 2020. The suppressed rent growth within the two-bedroom segment is unsurprising given the inherent higher inventories and the resultant risk of tenants having greater bargaining power over landlords.

Indeed, the stability of the housing market continues to define a highpoint of the Namibian rental market. However, with the current housing supply falling short of the demand gap due to high cost of land servicing that is further aggravated by constrained government spending, there is considerable scope for investors to deliver the “rent to own” housing options across the regions at various price points. This is poised to move the needle in addressing the housing backlog. Looking at the regions, green shoots are emerging but remain limited to a few towns. The best performing towns in terms of rental growth are Rundu (70.1% y/y), Rehoboth (19.7% y/y), and Ongwediva (3.5% y/y). At the opposite end are Tsumeb (-45.5% y/y), Swakopmund (-28.1% y/y), Ondangwa (-26.7% y/y), Okahandja (-18.4% y/y), Walvis Bay (-16.8%) and Windhoek (-4.2% y/y). The lag could be attributed to the large concentration of financial sector workers that are more likely to continue working on a hybrid or fully remote schedule.





Rental breakdown



Residential rental listings declined significantly by 32.7% y/y in 2021 to about 10,782 units. This was the lowest level observed since 2018 and points to a rapid absorption rate as tenants take advantage of reduced rents. However, the two-bedroom units accounted for a higher proportion of rental listings of 42.8% in 2021, up from 37.2% in 2020. Conversely, the proportionate share of rental listing for the more than 3 bedrooms segment dropped by 2.2 percentage points to 4.3% in 2021. This is indicative of shrinking rental opportunities for this market due to lower inventory and a general shift in preference towards bigger rental space.

Meanwhile, fundamentals within the single-family market appear to have stabilized somewhat in the past two years with the share of rental listings hovering around 34.4% in 2021, slightly lower than the 36.5% and 36.7% recorded in 2020 and 2019, respectively.

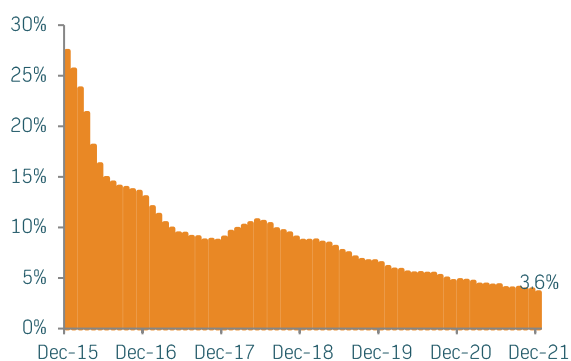


Multi-family market gaining superiority as the cost-of-living increases

Deposit to rent ratio

On a 12-month rolling basis, overall deposits charged by landlords contracted by 21.8% at the end of 2021 compared to a contraction 27.0% a year ago. The more than 3 bedrooms segment recorded the deepest 12-month average contraction of 26.3% in deposit charged, followed by the 2-bedroom, 1-bedroom and 3-bedroom segments, with -24.0%, -18.6% and -7.4%, respectively. As a result of these developments, the deposit-to-rent ratio continue to print lower readings of 3.6% at the end of 2021. This represents a new record low and highlights a systemic affordability issue across the Namibian economy.

Figure 3: Deposit to rent ratio



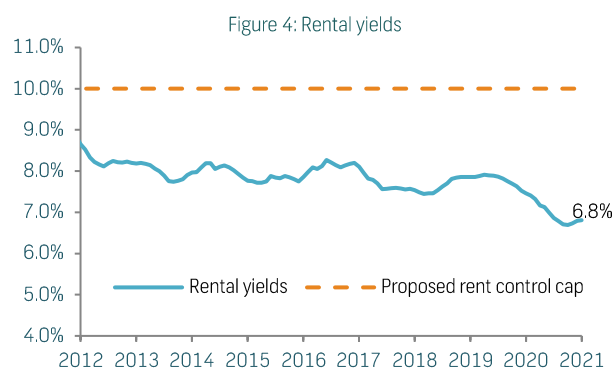
Deposit-to-rent ratio deteriorates further to 3.6%





Rental yields

Since mid-2020, rental yields have seen a consistent decline. This occurred in tandem with the outbreak of Covid-19 pandemic, which resulted in business closures and widespread job losses. However, as vaccines become widely available, most businesses have returned to business-as-usual, creating a renewed momentum around increased households' mobility and demand for residential space. Consequently, rental yields moderated upwards to 6.8% at the end of 2021 from 6.7% recorded at the end of the prior quarter. The rebound in rental yields appears to paint a bullish outlook for the rental market, which is also consistent with the positive economic outlook as projected by various local research houses.



Conclusion

After a year-and-half of consistent declines in the rental index growth, the rental market appears to be improving due to cooling negotiability, and tenants seeking out for larger apartments. We believe stock expansion within the multi-family rental market will be a big factor in the recovery process. The year ahead will be an important test for the Namibian rental market to see whether the same factors that have driven the recovery will continue to fuel the market, if new ones would emerge, or if the frenzy of activity will finally stabilize. The key possible headwinds, however, are likely to revolve around elevated inflation, interest rates and a new wave of COVID-19 cases. These are likely to affect rent affordability and subsequently the pace of recovery.





Appendix A: Annual Average Rent

(12M MOVING AVERAGE, N\$)



TOWNS	3Q2020	2Q2021	3Q2021	Q/Q Growth	Y/Y Growth
Arandis	-	3,000	3,000	0.0%	-
Gobabis	5,450	2,000	-	-	-
Henties Bay	-	4,000	4,000	0.0%	-
Karibib	-	-	-	-	-
Katima Mulilo	-	-	-	-	-
Keetmanshoop	-	4,300	4,300	0.0%	-
Kransneus	15,000	-	-	-	-
Okahandja	4,900	4,100	4,000	-2.4%	-18.4%
Omuthiya	-	2,800	2,800	0.0%	-
Ondangwa	3,000	2,650	2,200	-17.0%	-26.7%
Ongwediva	5,700	5,200	5,900	-13.5%	3.5%
Oshakati	3,250	4,050	-	-	-
Oshikango	-	-	-	-	-
Oshikuku	-	-	-	-	-
Otjiwarongo	-	-	-	-	-
Outapi	2,700	-	-	-	-
Rehoboth	3,800	4,650	4,550	-2.2%	19.7%
Rundu	3,350	5,500	5,700	3.6%	70.1%
Swakopmund	6,750	5,250	4,850	-7.6%	-28.1%
Tsumeb	5,500	-	3,000	-	-45.5%
Usakos	-	-	-	-	-
Walvis Bay	5,350	4,800	4,450	-7.3%	-16.8%
Windhoek	7,100	6,700	6,800	1.5%	-4.2%





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.