



# FNB Residential Rental Report

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## Key Highlights

- The 12-month average rental index growth has remained flat at -2.3% from the last quarter, which is still worst than the -1.3% seen in September of last year.
- The national weighted average rent came in at N\$6,790 at the end of September 2021 from N\$7,061 a year ago.
- Windhoek is the biggest market for residential rental properties, accounting for 92.0% of rental listings on year-to-date basis.
- Easing competition pressure within the single-family rental market, as the 2-bedroom and 1-bedroom segments records the largest rental contractions of 1.5% and 1.1% y/y, respectively.
- Affordability remains an issue, with the rent-to-income ratio estimated at 39%.

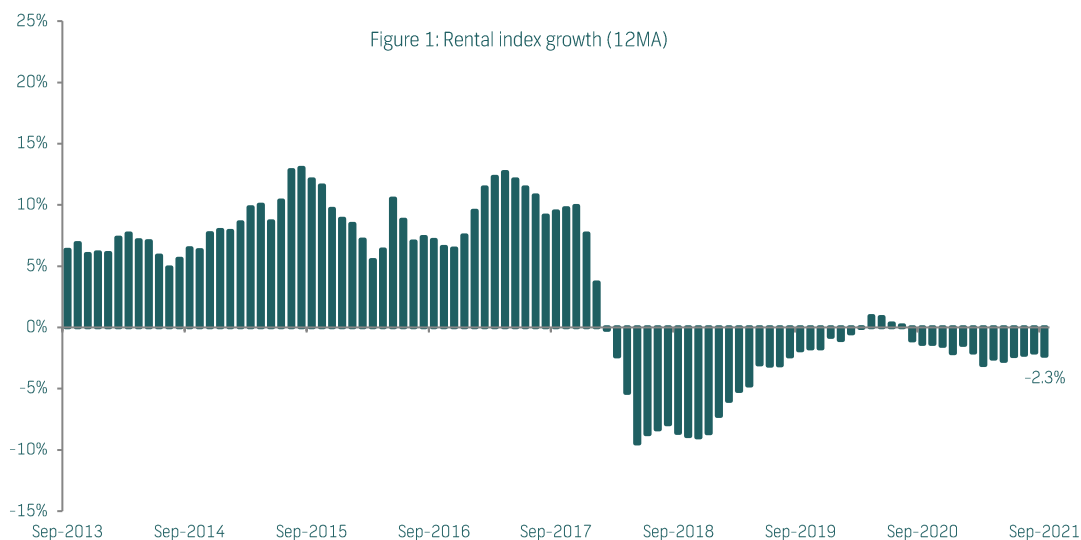


## FNB'S RENTAL INDEX SEGMENTS (12MA)

1-bedroom	N\$3 582	-1.1% y/y
2-bedroom	N\$6 512	-1.5% y/y
3-bedroom	N\$9 603	-0.1% y/y
More than 3 bedrooms	N\$17 987	-0.8% y/y



## Rental index growth



### Rental index growth flatlined

Although rental markets across most advanced economies are on a path of recovery due to the resumption of “normal life”, improved pace of Covid-19 vaccination and job growth, these dynamics remain far-fetched in the Namibian market context. More specifically, demand fundamentals remain relatively weak in the local economy. This is evident in the FNB Residential Rental Index, which has retained a 12-month average contraction of 2.3% at the end of September 2021 from the preceding quarter, which is still worse than the -1.3% seen in September of last year.

Meanwhile, the national weighted average rent came in at N\$6,790 at the end of September 2021 from N\$7,061 a year ago. The continued deterioration of the residential rental market also appears to highlight easing competition pressure within the single-family market due to limited inventory of affordable housing. This is particularly true for the central region. Most notably, the 2-bedroom and 1-bedroom segments recorded the largest rental contraction of 1.5% and 1.1% y/y, to N\$6,512 and N\$3,583, respectively.

A closer look at the central region shows that Windhoek is the biggest residential rental market, accounting for 92.0% of rental listings year-to-date.

This, nonetheless, reflects a marginal decrease from 92.4% and 95.0% in 2020 and 2019, respectively – which in our view explains the rising prominence of the coastal and northern regions as potential jurisdictions for holiday homes. The 12-month average rent in Windhoek contracted by 5.0% y/y and 2.2% q/q to N\$6,700 at the end of September 2021. Even so, this remains the smallest contraction observed in rents across the towns under review. However, some suburbs in Windhoek have seen real pressure on the supply of rental properties, especially during the pandemic. This could be due to the emergence of semigration or some households opting to work from other towns as organisations adopt flexible working arrangements.

The top five suburbs with the largest rental contractions are Auasblick (-64.2% to N\$12,011), Windhoek West (-20.9% y/y to N\$5,376), Katutura (-19.5% y/y to N\$3,296), Ludwigsdorf (-14.2% y/y to N\$12,595), and Hochland Park (-13.0% y/y to N\$6,644). On the other hand, the top five suburbs with the highest rental growth are Windhoek North (18.9% y/y to N\$6,706), Olympia (17.1% y/y to N\$14,286), Klein Kuppe (16.2% y/y to N\$11,471), Klein Windhoek (9.0% y/y to N\$12,270) and Elisenheim (3.4% y/y to N\$7,878). Given the estimated average net monthly salary of N\$17,400 in Namibia, rent affordability remains an issue on the back of subdued labor market, with rent-to-income ratio estimated at 39%.

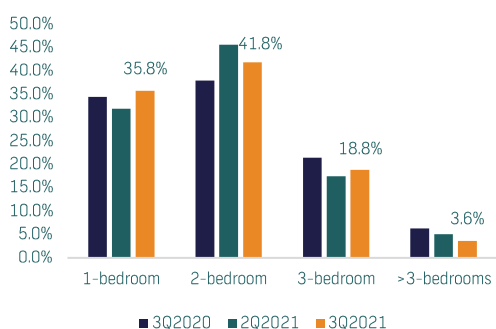






## Rentalbreakdown

Figure 2: Share of Rental Listings Per Segment



The total amount of rental listings recorded for the third quarter of 2021 grew by 62.6% q/q and contracted by 34.9%y/y to 3,392 units. This could highlight the gradual opening of the economy and employees returning to workplace. As a result, overall rental demand is expected to improve. Khomasdal continues to dominate rental openings in the market, accounting for 11.2% of rental listings in the third quarter of 2021 compared to 10.9% recorded in the corresponding quarter of 2020. This was followed by Windhoek Central (10.4%), Otjomuise (9.5%), Pioneerspark (9.2%), Rocky Crest (6.5%), Windhoek West (5.6%), Kleine Kuppe (3.6%), and Windhoek North (2.8%), to mention just a few.

Although the structure of the Namibian residential rental market is inherently characterized by the single-family market, the multi-family rental units are increasingly gaining traction due to worsening affordability levels. As such, the 3-bedroom and the more-than 3-bedrooms segments saw the smallest contractions in rents of 0.1% and 0.8% y/y to N\$9603 and N\$17,987, respectively.

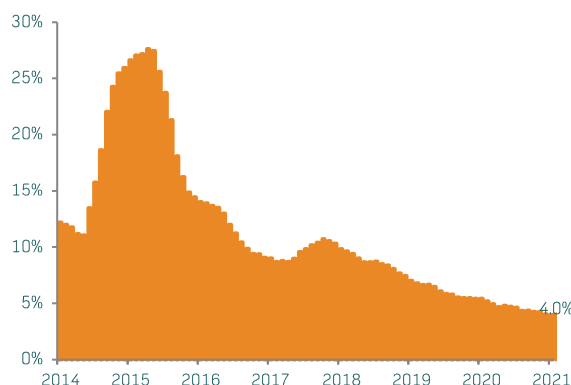


Easing competition pressure within the single-family rental market

## Deposit to rent ratio

Overall, deposits charged by landlords contracted by 26.1% y/y at the end of September 2021 compared to a contraction 23.8% y/y a year ago. The more-than 3 bedrooms segment recorded the deepest contraction of 34.0% y/y in deposit charged, followed by the 3-bedroom, 1-bedroom and 2-bedroom segments, with -29.8%, -20.8% and -18.7%, respectively. The relatively small contraction in deposit charged within the 2-bedroom segment highlights the broader significance of this market from a demand perspective. Overall, the deposit-to-rent ratio decelerated further to new record lows of 4.0% at the end of September 2021 compared to 5.8% recorded a year earlier.

Figure 3: Deposit to rent ratio



Deposit-to-rent ratio reached new record lows of 4.0%

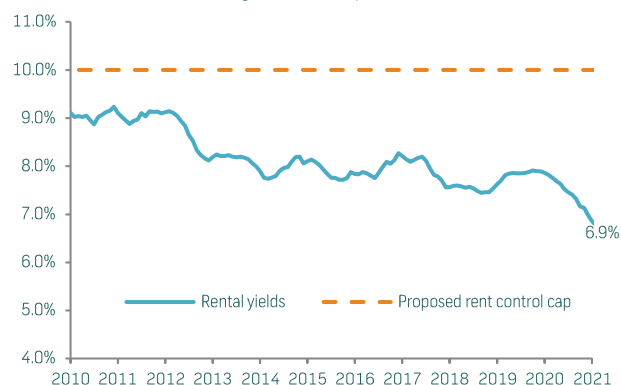




## Rental yields

The question around whether the property market is still regarded as a secure investment class under the current economic conditions has been a recurring theme. This is indeed expected as rental yields have been on the downward trend since the beginning of 2020, reaching 6.9% in September 2021. While it should be noted that one asset class should not be seen as a replacement for, or as an alternative to another, rental yields in Namibia are still competitive by regional comparison and are 3.3 percentage points higher than the prevailing inflation in Namibia. Meanwhile, the Rent Control Bill is expected to be submitted to Cabinet in December 2021 for subsequent tabling in Parliament.

Figure 4: Rental yields



## Conclusion

The recovery of the residential rental market appears to have flatlined, with the sector now characterised by weak demand, increased vacancies and negative rental growth across the board. Cyclical forces such as weak demand fundamentals are believed to be at the center of these dynamics. According to the second quarterly report by the Ministry of Labour, Industrial Relations and Employment Creation for 2021, the industry is still seized with the unpleasant number of retrenchment. During the said Quarter, the Ministry received notices of intent to dismiss a total of 881 employees by 117 employers. This reflects an increase of 58% and 55% q/q in respect of employees and employers, respectively.







## Appendix A: Annual Average Rent

(12M MOVING AVERAGE, N\$)



TOWNS	3Q2020	2Q2021	3Q2021	Q/Q Growth	Y/Y Growth
Arandis	4,500	3,200	3,000	-6.3%	-33.3%
Gobabis	5,650	5,150	-	-	-
Henties Bay	-	-	4,000	-	-
Karibib	-	-	-	-	-
Katima Mulilo	-	-	-	-	-
Keetmanshoop	-	-	4,300	-	-
Kransneus	15,000	-	-	-	-
Okahandja	5,200	4,150	4,100	-1.2%	-21.2%
Omuthiya	-	-	2,800	-	-
Ondangwa	3,100	2,750	2,650	-3.6%	-14.5%
Ongwediva	5,500	5,900	5,200	-11.9%	-5.5%
Oshakati	3,850	4,050	4,050	0.0%	5.2%
Oshikango	-	-	-	-	-
Oshikuku	-	-	-	-	-
Otjiwarongo	-	-	-	-	-
Outapi	2,700	-	-	-	-
Rehoboth	3,750	4,700	4,650	-1.1%	24.0%
Rundu	3,700	5,800	5,500	-5.2%	48.6%
Swakopmund	7,600	5,400	5,250	-2.8%	-30.9%
Tsumeb	6,000	-	-	-	-
Usakos	-	-	-	-	-
Walvis Bay	4,450	4,450	4,800	7.9%	7.9%
Windhoek	7,050	6,850	6,700	-2.2%	-5.0%





# 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.