



First Capital House Building Cost Index

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Our credibility as asset managers is tightly governed by the Namibia Financial Institutions Supervisory Authority (NAMFISA). We are a Namibian based investment team and focus exclusively on the Namibian market and we add value to portfolios through offering specialized Namibian mandates.

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Acronyms

bp	: Basis Points (1 percentage point=100 basis Points)
Cm	: Centimetres
CPI	: Consumer Price Index
FC	: First Capital
IMF	: International Monetary Fund
Kg	: Kilogram
L	: Litres
MPC	: Monetary Policy committee
P/mt	: Per Metrictonne
m	: Meters
N\$/NAD	: Namibia Dollar
SARB	: South Africa Reserve Bank
USD	: United States Dollar
y/y	: year on year change
ZAR	: South Africa Rand

Note to the reader

We welcome you to our publication of the First Capital (FC) House Building Cost report where we monitor trends of the cost of building a house. This report is one of our contributions to research on issues affecting society and the economy. We recognize that housing provision is fundamental for long-term macroeconomic stability, not only does it provide social and economic benefits for families, but also contributes immensely to economic growth. Through this report we provide more insight into previous trends of prices and the impact of price changes on the cost of building a house. Furthermore, the report analyses factors that influence the cost of building a house. Using current information and other leading indicators, we also present our view on the likely scenarios of costs in the short to medium term. This report is published every quarter. Through this publication we believe every agent of the economy will be informed.

Methodology

This report estimates the building cost over time which includes cost of building materials and labour. Furthermore, the report also estimates the price movement of urban land. The Building Cost Index is derived from weighted prices of building materials and labour including the contractors profit margin. This report highly acknowledges the varying building costs on a house due to size and specifications, hence, for comparison we are using a standard 3 bedroomed residential house structure measuring 76 square metres, with 220mm double bricks external wall, 110cm single bricks internal wall, average wall plate height of 3 metres with ceiling height of 2.7 metres, corrugated/IBR pitched roof. The house under review is colour coated with desert tan colour on the exterior and cream colour for the interior walls. It is also fenced with diamond mesh wire measuring 1.8m high with a 1-piece (1.8m high & 1m wide) and 2 piece (1.8m high & 3m wide) Econo Gates. Prices are collected from six different towns in Namibia (Windhoek, Keetmanshoop, Swakopmund, Ondangwa, Rundu and Katima Mulilo) with a fair geographical representation for the country. Some construction materials covered include super bricks (by quality), sand (for coarse, medium, and fine variants), cement (high and semi strength quality), crushed stones, and various other raw materials, including iron, steel sheets (by dimension), and plumbing materials.

Labour cost is traditionally charged based on the rate per time taken to complete a task. This report recognises the international standard of benchmarking the total cost of labour on a given construction project. According to international benchmark, the cost of labour should not exceed 35 percent of the total cost of building materials. Based on domestic experience, labour costs exceed 35 percent benchmark, hence this report adjusts labour to 40 percent of the total material costs inclusive of the profit margin for a building contractor.

The land cost index is derived from the average unweighted prices of urban land. The standard area of land for price comparison in all towns is 375 square metres. For comparison, the town specific average price of land per square metre is multiplied by the land measuring 375 square metres to derive the cost of land which is used in making comparisons.

SUMMARY

Key Findings

- The building cost index climbed solidly by 6.8 percent in September 2021, the 5-year highest price increase on building materials. This sudden rise in building material prices follows a period of subdued inflation trajectory at the back of the Covid-19 pandemic supply and demand mismatches.
- A broad-based spike in prices of most building materials notably electrical, plumbing, tiling and steel materials was observed in September 2021 with a notable exception of cement prices that remained broadly unchanged due to muted demand pressures.
- Interestingly, the materials that recorded the sharpest price increases are predominantly imported.
- This research interprets this sudden inflationary pattern of predominantly imported materials to be largely due to supply disruptions compounded with rising production costs a trend that is prevailing globally.
- However, for sand prices, the increase is pinned down on the ongoing environmental compliance enforcements which drives suppliers far from their delivery points meaning higher transportation or delivery costs to clients.
- Differences in building materials prices by town are largely explained by unique supply sources, demand and supply factors, the distance to key import entry channels (Southern borders with South Africa and the coastal port of Walvis Bay).
- All things constant, a time series analysis confirms that building materials prices have a pass-through effect to prevailing house prices.
- Signalling the end of monetary policy easing cycle, central banks around the world including that of South Africa which provides policy guidance to Namibia have started hinting on timelines of tapering amid the build-up of inflationary pressures.
- The deteriorating household indebtedness which was amplified by the Covid-19 pandemic amid declining disposable incomes could take time to repair as the recovery remains lacklustre.
- The persisting funding gap for land delivery and housing developments amid waning revenue collections and limited borrowing capacity of most local authorities calls for conventional funding options which capitalises on the broader asset base of these local authorities.
- Mortgage loan quality measured by Non-performing loan ratio of the stock of mortgage loans in the country continues to deteriorate further in 2021 reaching 6.8 percent, a rate above crisis rate of 6 percent. Despite that this ratio is rising at a gradual pace, it should be treated with caution as the metric is compounded by payment holidays which would in any case underestimate the prevailing credit risk of quality of loans. As banks phases out payment holiday offers with time, NPLs will continue to edge up reflecting the prevailing environment.

Outlook

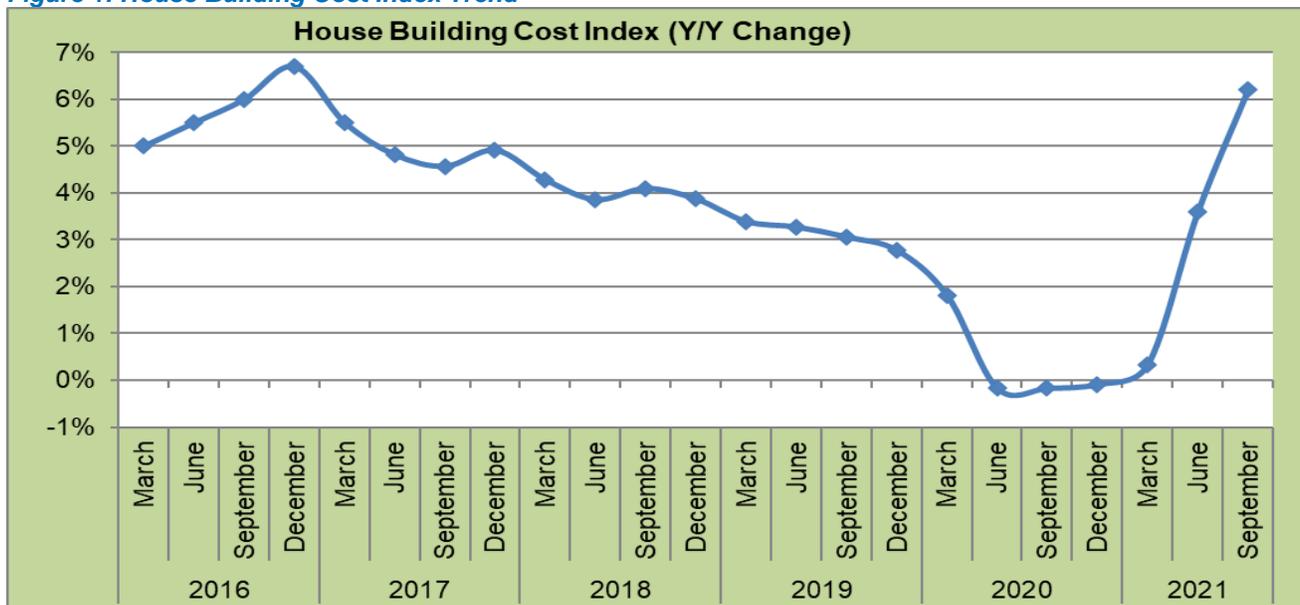
- The Building Cost index is expected to edge up largely due to rising prices of input materials and intermediate goods as well as the pandemic induced supply disruptions. The low base setting created last year will equally contribute to the rising inflation readings going through 2022.
- Cement prices are expected to remain subdued largely due to muted demand pressures.
- Ongoing environmental enforcement measures on sand mining will drive sand prices up largely reflecting resultant supply disruptions and an added layer on transportation cost as suppliers are pushed far from their delivery points.
- Interest rates are expected to remain at current low levels through to 2022 to allow a longer trend of data points to rule out the transitory factor in inflation numbers before hiking rates seen to start in the second half of 2022.
- Going forward household debt is likely to continue mounting further through 2022 facilitated by accommodative monetary policy environment. As the economic recovery holds pace, lost jobs in the labour market would gradually be regained with disposable incomes improving thereby keeping the default risks at bay.
- Overall, our outlook reflects the following developments: The risks to the domestic currency outlook that could emanate from policy tightening in advanced economies, rising input costs, demand and supply mismatches, increasing transport cost (induced by rising oil price) and domestic policy adjustments.

1. DOMESTIC BUILDING MATERIALS PRICE TRENDS

1.1. House Building Cost Index

The First Capital House Building Cost Index is derived from the cost of building a standard 3 bedroomed house. The building cost index climbed solidly by 6.8 percent in September 2021, the 5-year highest price increase on building materials. This sudden rise in building material prices follows a period of subdued inflation trajectory at the back of the Covid-19 pandemic supply and demand mismatches. A broad-based surge in prices of most building materials notably electrical, plumbing and tilling materials was observed in September 2021 with a notable exception of cement prices that remained unchanged due to muted demand pressures. Interestingly, the materials that recorded the sharpest price increases are predominantly imported. This research interprets this sudden inflationary pattern of predominantly imported materials to be largely due to supply disruptions compounded with rising production costs a trend that is prevailing globally. However, for sand prices, the increase is pinned down on the ongoing environmental compliance enforcements which drives suppliers far from their delivery points meaning higher transportation or delivery costs to clients.

Figure 1: House Building Cost Index Trend



Source: First Capital Research

2. SUB-COMPONENTS PRICE ANALYSIS

2.1. Building Materials Price Analysis

Building materials cost accounts for the highest share in the total cost of building a house. On average building materials account for more than 60 percent of the total cost for building a new residential house. The following section analyses trends of prices for building materials.

2.1.1. Trend review and Outlook on Building Materials

Cement prices Analysis: Cement prices remained flat posting a mild growth of 1 percent in September 2021 (Y/Y). After nearly half a decade long freefall trend of cement prices, the year-to-date data suggests the setting in of a somewhat lacklustre positive price growth which could persist for the foreseeable future provided demand push factors of cement remain weak. Government's capital project spending remains a key factor in the demand for cement given their high cement consumption intensity and private investments crowd-in effect. The 2021/22 government budget with a 14 percent cut on capital spending would mean weak demand and by extension prices for cement during the same period taking into account the compounded effect of weak private sector investment trend.

Super bricks: Price of super bricks were 4.5 percent up in September 2021 compared to September 2020. The price changes of bricks largely reflect the average trend of sand and cement prices the key input components for producing bricks. Among the material inputs for super bricks, sand prices went up by 8.6 percent, while cement prices remained steady with a marginal growth of 1 percent. The average fuel cost a proxy indicator of transport inflation have started to firm up. Equally so, transport services inflation from the NCPI is exhibiting a similar trend. Going forward inflationary risks for bricks remain tilted to the upside largely due to expected inflationary pressures on sand and transportation prices that could persist.

Sand: The price of sand increased by 8.5 and 8.5 percent (Year on Year) for building and plastering sand respectively in September 2021 (y/y). The September 2021 sand price inflation increased largely due to enforcement of sand mining regulations which continue to trigger supply chain disruptions. However, the current environmental enforcement measures pushing sand mining activities further away from end-user supply points mean transport cost is now key factor on end user sand prices. With the recent fuel price increases, the possibility of seeing a pass-through effect in terms of increased sand price inflation cannot be entirely ruled out.

Electrical goods: In September 2021 the prices of electrical goods were 8.7 percent higher compared to September 2020. These materials are predominantly imported, and their domestic prices get the cue from a combination of both domestic and international factors. Of recent, production costs have edged up mainly due to a combination of firming commodity and raw materials prices and rising labour costs. Sharp price increases were further observed on plumbing and tiling materials that equally import dominated. Going forward the stronger outlook of commodity prices amid the ongoing recovery pose upside inflationary risk on these materials.

For detailed building material prices and annual changes, refer to *table 1* below. Overall, prices of building materials were 6.4 percent higher in September 2021 compared to September 2020.

Table 1: Building Material bill on a standard 3-bedroom residential house

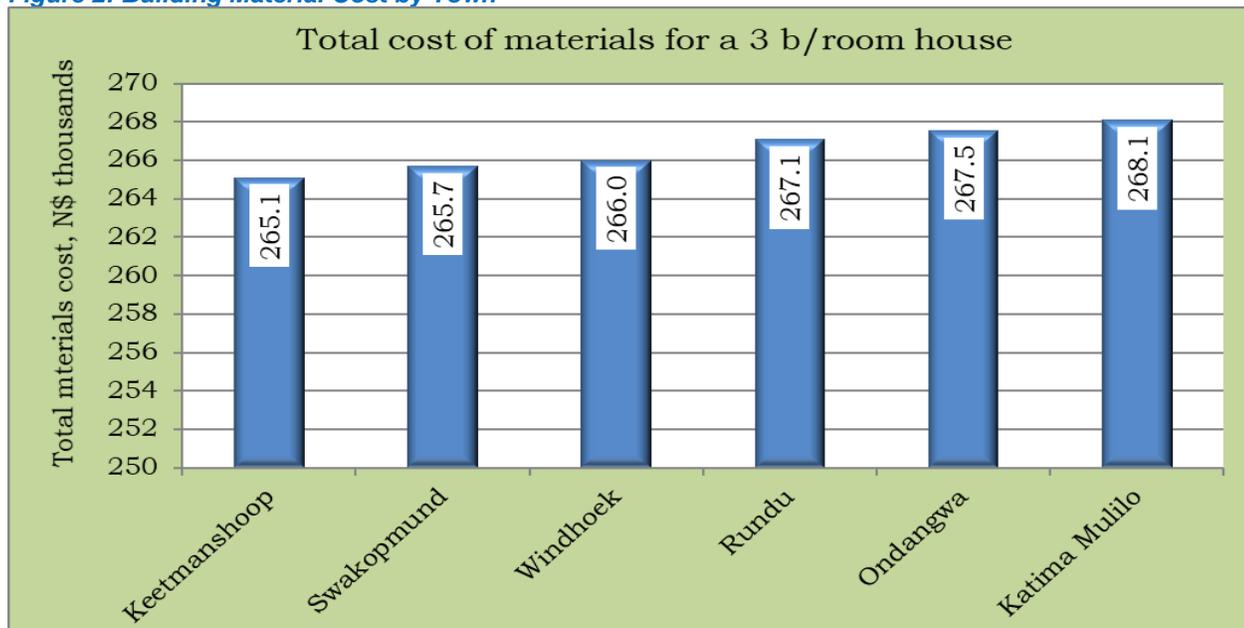
NO	ITEM	Total Quantity Required	Unit Price, N\$	Bill of Quantity, N\$
1	Brick work Materials(Foundation & Structure)			102,432
	Super Bricks 7mpa	14,239	3.34	47,558
	Cement 42.5 (50KG)	134	104.85	14,050
	Cement 32.5 (50KG)	130	99.65	12,955
	Building Sand (10 Cubic meters)	4	2,485.00	9,940
	Plastering Sand (10 Cubic meters)	2	2,325.00	4,650
	Concrete stones 19mm (10 Cubic meters)	2	2,332.95	4,666
	Brick force (150*15*9") Rolls	30	18.95	569
	Brick force (75*15*4.5") Rolls	10	19.50	195
	Damp Proof Course,DPC (225mm*40m*250µm) Rolls	2	120.90	242
	Damp Proof Course,DPC (110mm*40m*250µm) Rolls	2	52.95	106
	Ant Poisoning, Astor Termite Control (5 L)	1	1,751.90	1,752
	Others			5,750
2	Roof & Ceiling materials			32,135
	IBR Galvanised Roofing Sheet Z275 (0.47mm*4.5m)	28	372.00	10,416
	Galvanised Fascia	1	128.15	128
	Rafters, Timbers(38mm*114mm*6.6m)	28	159.30	4,460
	Purlin, Timber(50mm*76mm*6.6m)	20	150.00	3,000
	Rhinoboard Ceiling (6.4*2,700*1,200mm)	20	163.90	3,278
	Branding (38mm*50mm*6.6m)	60	69.00	4,140
	Cornice (75mm*3m)	20	41.90	838
	Rain water Goods: Galvanized Gutters	4	267.70	1,071
	Down Pipes	4	170.95	684
	Others (Roofing Screws, Binders e.t.c.)			4,120
3	Doors & Windows materials			15,344
	Outside Doors (Wooden Pinedouble Weather board)	2	1,045.00	2,090
	Inside Doors (Wooden medium Consult)	4	459.00	1,836
	Outside Door Frames (813mm*2,032mm*230mm*1mm)	2	528.50	1,057
	Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	4	268.20	1,073
	Outside Steel Buglar Doors	2	664.00	1,328
	Steel Window Frames ND11w1800xh1500 (Sitting room)	1	727.00	727
	Steel Window Frames ND4w1500xh1200 (Bedrooms)	3	270.95	813
	Steel Window Frames NE2w1200xh600 (Bathroom)	1	275.80	276
	Steel Window Frames NC1 w900xh900 (Kitchen)	1	275.00	275
	Windows			2,790
	Others (Concrete Lintels, Curtain Rails, Window buglars, Door handle sets e.t.c)			3,080
4	Plumbing materials			9,807
	Kitchen Sink (1200mm*480mm drop in)	1	1,030.00	1,030
	Basin waste Union (1.25*32mm)	2	395.90	792
	Kitchen Tap set	1	535.50	536
	Basin white flair (470mm)	1	299.00	299
	Basin taps	2	315.00	630
	Shower components(Shower head, Arm, Trap & 2 Taps)		645.95	646
	Toilet set (765mm)	1	1,050.00	1,050
	Sewer pipes set			1,395
	Copper pipes set			830
	Others			2,600
	BIC			22,590
	Buid in cupboards Kitchen	1		6,780
	Buid in cupboards *3 Bedrooms			12,410
	Other			3,400
5	Electrical materials			14,403
	Electrical Cables			5,463
	Light Switch(X2 Double & X4 Single Light Switch)			337
	Electrical Plug Sockets(X2 Double & X3 Single sockets)		492.95	493
	Light Bulbs & Lamps(X6 Bulbs & X6 Lamps)		375.50	376
	Distribution Board (DB), 12 Mode Flush	1	270.15	270
	PVC Pipes			4,198
	Others			3,267
6	Tilling materials			23,647
	Floor tiles, Ivory Nano 2nd Grade (600*600mm)	50	221.90	11,095
	Wall tiles, Mosaic Matt (48*48mm)	60	112.00	6,720
	Tile Adhesive [glue],(20kg)	30	55.99	1,680
	Tile Grout (20Kg)	3	217.55	653
	Others			3,500
7	Painting materials			11,755
	Primer Paint (20L)	3	639.00	1,917
	Colour Coat Paint (20L) [Creame colour for Interior]	3	1,329.95	3,990
	Colour Coat Paint (20L) [Desert tan colour for Exterior]	2	1,361.50	2,723
	Other materials			3,125
8	Fencing materials			17,011
	Diamond Mash Wire Fence rolls (1.8m high & 25m Long)	15	765.00	11,475
	Econo Gate, 1 Piece (1.8m high & 1m wide)	1	729.70	730
	Econo Gate, 2 Piece (1.8m high & 3m wide)	1	2,106.00	2,106
	Others			2,700
9	Contingency materials			17,925
	Nails, screws, e.t.c			17,925
	Total materials			267,050

Source: First Capital Research

2.1.2. Building Materials cost by town

Figure 2 below, shows a comparison of the cost of building materials in the six major towns. The cost of Building materials remains higher in northern parts of the country relative to central and southern parts. The bill of quantity for building materials on a 3-bedroomed standard house using September 2021 prices recorded a combined average of N\$267,545 in Katima Mulilo, Ondangwa and Rundu while the same materials averaged N\$265,595 in Keetmanshoop, Windhoek and Swakopmund representing a variance of N\$ 1,950 in the cost of building materials within these two geographic locations. The total cost of building materials in Keetmanshoop is N\$2,950 less than the cost of identical materials in Katima Mulilo. The differences in building materials cost by town reflects varying prices due to supply sources that are largely unique to every town. The price increase of building materials was lower in Swakopmund and Keetmanshoop relative to central and northern parts of the country a trend that reflects the impact of transport costs on geographic areas distant from major imports entry points (Southern borders with South Africa and the coastal port of Walvis Bay).

Figure 2: Building Material Cost by Town



Source: First Capital Research

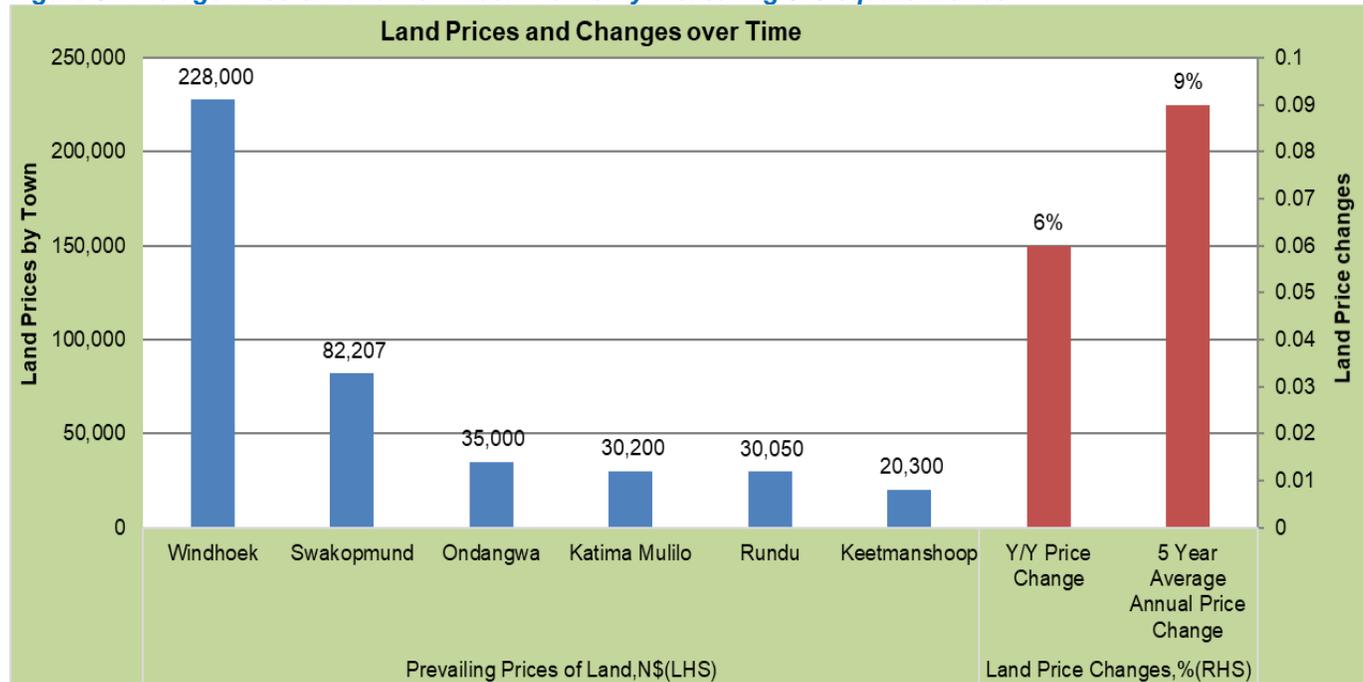
2.2. Cost of Land

2.2.1. The Price of Land by Town and Price changes over time

Figure 3 below indicates, the average prices of serviced land collected from recent transactions of local authorities with residents and the overall annual price changes. For comparison, the price per square meter of serviced land for each town is multiplied by the standard erven size of 375 square meters which this research finds an ideal area for a standard urban residential erven. Amongst the towns presented below, the cost of serviced land for an erven measuring 375 square meters is highest in Windhoek and cheapest in Keetmanshoop costing N\$20,300 followed by Rundu costing N\$30,050. The same size of land would cost N\$228,000 in a middle-class location of Khomasdal in Windhoek making it the most expensive, followed by Swakopmund costing N\$82,207.

Though average growth of land prices have declined from the 5-year average of 9 percent to 6 percent Year-to-date, land still remains axobinantly elevated especially in Windhoek and costal towns. High prices of land in Windhoek and coastal towns can be explained by the higher demand as opposed to the supply of land in these towns. Other than land being costly in these towns, the rising supply deficit in land servicing and delivery continues to put pressure on prices. However, this research concludes that other than the mismatch between demand and supply of land, inefficiencies in servicing of land as well as speculative motives among private developers equally contributes to high urban land prices.

Figure 3: Average Price of Land from Local Authority measuring 375 square metres



Source: First Capital Research

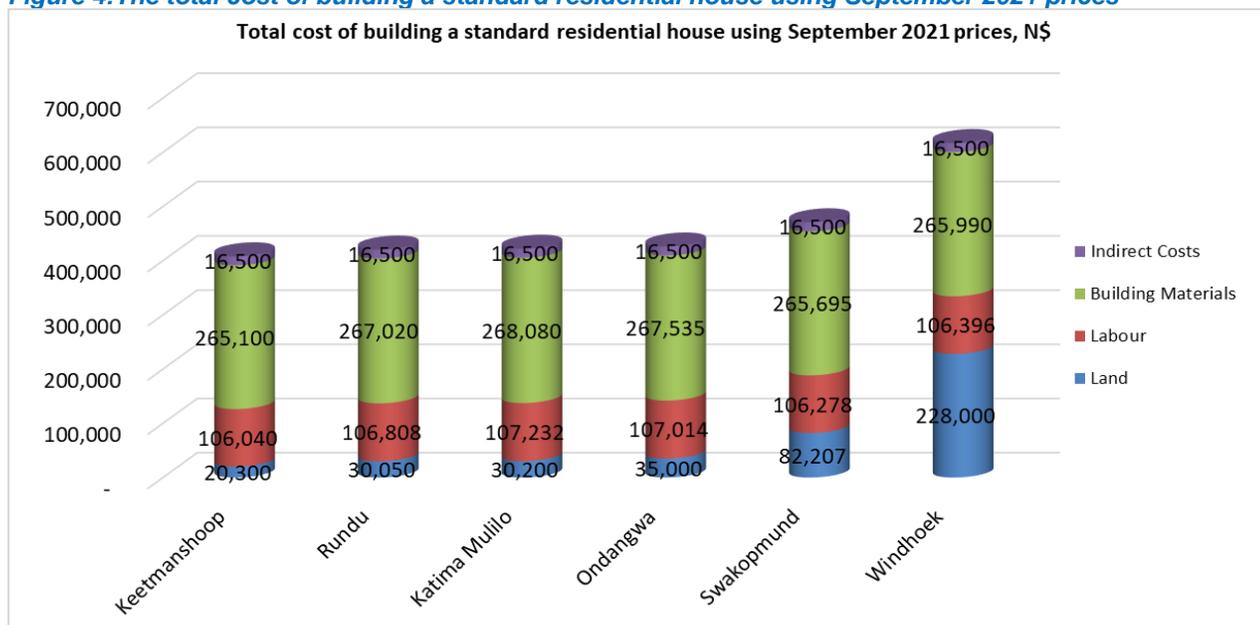
2.3. Labour Cost

Labour cost is traditionally charged based on the rate per time taken to complete a task. In this report we however recognise and complement that framework with an international standard of benchmarking the total cost of labour on a given construction project. According to international benchmark, the total cost of labour should not exceed 35 percent of the total cost of materials. Based on domestic experience, labour costs exceed 35 percent benchmark, hence this report adjusts labour to 40 percent of the total material costs inclusive of the profit margin for a building contractor. Using the model of a 3-bedroom standard house as presented in this report, with an average bill of quantity of N\$267,002 using September 2021 prices, labour is estimated to cost N\$106,801. This report recognizes that labour cost in some towns like Windhoek could slightly be expensive due to extra workload in excavation of rock surface ground to make foundation for construction as compared to soft surface for foundation excavation in other towns.

3. TOTAL COST OF BUILDING A STANDARD 3-BEDROOM HOUSE

Using September 2021 prices, construction of a standard three-bedroom house should cost on average N\$616,886 in Windhoek, while in Keetmanshoop it could cost N\$407,940 due to varying land prices (see figure 4 below). Land measuring 375 square meters in Windhoek's Khomasdal suburb (considered a middle-income suburb) costs 11 times more than the price of land in Keetmanshoop's middle income suburb. Taking into consideration all costs involved in the house construction value chain, land accounts for 5 percent of total cost in Keetmanshoop while in Windhoek it accounts for 38 percent. Building materials remain the most significant cost component in the house construction value chain on average accounting for 63 percent of total cost in Keetmanshoop, Rundu, Katima Mulilo and Ondangwa.

Figure 4: The total cost of building a standard residential house using September 2021 prices



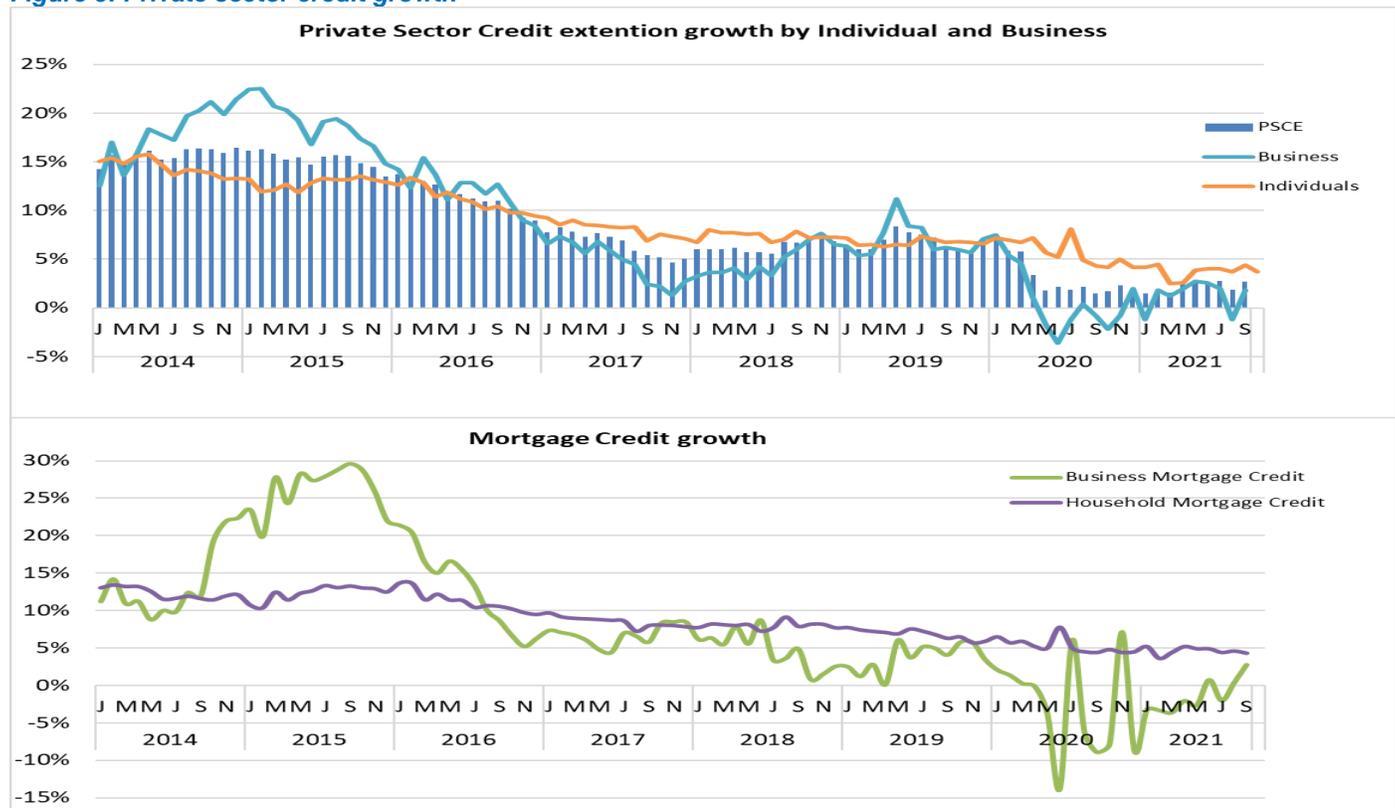
Source: First Capital Research

4. MORTGAGE CREDIT ANALYSIS

After a Covid-19 induced sharp decline in April and May last year, the growth of credit extended to private sector (both businesses and households) have since remained steady averaging 1.9 percent since May 2020. At this trend, the rate of growth remains fairly low compared to pre-pandemic levels where the growth averaged 5.8 percent over a 24-months period to February 2020. The distinct of pre and post pandemic trends suggest that the effect of the pandemic still holds hence the historically low credit growth. A trend analysis of Mortgage credit shows that mortgage credit growth towards households is steadily declining albeit still strong, a sustained trend that is traced beyond the pre-pandemic period while that of corporate mortgages points to recovery over the past 10 months. The steady decline of household mortgage credit growth could be compounded by low property valuations and low borrowing costs. Furthermore, the high indebtedness of households and deteriorating affordability in the advent of worsening disposable incomes could equally explain this trend while the recovery of corporate mortgage credit since January 2021 signals a comeback of corporate investments in the property market after a period of

balance sheet repair and in response to somewhat lacklustre housing market recovery.

Figure 5: Private sector credit growth



Source: BoN

5. MONETARY POLICY

Monetary policy remains highly accommodative at the present historically low policy rates with almost no scope of further easing. Central banks around the world including that of South Africa which provides policy guidance to Namibia are contemplating the timelines of tapering amid the build-up of inflationary pressures. Despite the sustained inflationary pressures, it is expected interest rates would be maintained at current low levels in the medium term to allow a longer trend of data points to rule out the transitory factor in inflation numbers before hiking rates.

6. HOUSEHOLD INDEBTEDNESS

The deteriorating household indebtedness which was amplified by the Covid-19 pandemic amid declining disposable incomes could take time to repair as the recovery remains lacklustre. Most notably in 2020 debt with households went up by 4.5 percent while disposal incomes declined by 1.7 percent. Going forward household debt is likely to continue mounting further through 2022 facilitated by accommodative monetary policy environment. As the economic recovery holds pace, lost jobs in the labour market would gradually be regained with disposable incomes improving thereby keeping the default risks at bay.

7. RECENT DEVELOPMENTS AND THEIR IMPACT ON THE HOUSING MARKET

Local Authorities Budgets 2021/22

From the analysis of local authority budgets, budgetary allocations for land servicing and housing remain low relative to previous years. The scope to increase spending on housing remains limited partly due to reduced revenue collections of these local authorities compounded by their notably reduced capacity to borrow. Added to this is the limited fiscal space by the central government to fund local authority developments. These factors are expected to undermine the effort to deliver on housing and urban land development. The persisting funding gap for land delivery and housing developments amid waning revenue collections and limited borrowing capacity of most local authorities calls for conventional funding options which capitalises on the broader asset base of these local authorities.

Credit extension for mortgage loans

A trend analysis of Mortgage credit shows that mortgage credit growth towards households is steadily declining albeit still strong, a sustained trend that is traced beyond the pre-pandemic period while that of corporate mortgages points to recovery over the past 10 months. The steady decline of household mortgage credit growth could be compounded by low property valuations and low borrowing costs. Furthermore, the high indebtedness of households and deteriorating affordability in the advent of worsening disposable incomes could equally explain this trend while the recovery of corporate mortgage credit since January 2021 signals a comeback of corporate investments in the property market after a period of balance sheet repair and in response to somewhat lacklustre housing market recovery.

Mortgage Credit risk for Banks

Mortgage loan quality measured by Non-performing loan ratio of the stock of mortgage loans in the country continues to deteriorate further in 2021 reaching 6.8 percent, a rate above crisis rate of 6 percent. Despite that this ratio is rising at a gradual pace, it should be treated with caution as the metric is compounded by payment holidays which would in any case underestimate the prevailing credit risk of quality of loans. As banks phases out payment holiday offers with time, NPLs will continue to edge up reflecting the prevailing environment.

8. FACTORS SHAPING BUILDING MATERIALS PRICE OUTLOOK

The cost of Inputs for production of building materials: The price outlook for inputs of building materials has tilted to the upside as broad-based inflationary pressures gathers pace. Rising cost of inputs will always transmit through to higher retail prices in building materials. Equally so, the ongoing recovery in commodity metal prices like Aluminium, Copper, Steel and Zinc which are key inputs to the manufacturing of electrical and metal building materials could add another layer on building material prices. Both IMF and World Bank projects metals commodity prices would recover.

Transport costs: Transport costs are mainly influenced by fuel prices and distance to the intended destination. Namibia imports all its fuel requirement. As a net importer of fuel, Namibian fuel pump prices are subjected to fuel import cost (influenced by oil price and the exchange rate to the USD). Recently pump prices have been rising and the transport inflation component in the NCPI have went up a situation that would have far reaching effect on the cost of building materials.

Currency exchange rate developments: The NAD exchange rate to the USD (widely used currency in international trade transactions) will be another key factor to the outlook of a significant share of building materials that we import mostly from China, the USA and Europe. Recent currency developments indicates a steady appreciation of the local currency on account of the weak USD, recovering commodity prices and risk appetite among investors. However, risks that could offset this exchange rate rally are building on the back of uncertainty towards the future course of the virus and exchange rate adjustments due to policy tightening in the US and other advanced economies.

Demand and Supply trends: Netting out the effect of low base effects, the construction sector's GDP numbers suggest that the sector is still in the slowdown. Since domestic production of cement is linked to demand, the continuous declining trend of cement output since 2016 further confirms that demand has been slowing down. Since 2016, Ohorongo cement output has continuously been declining after reaching a peak of 796,055 tons of cement in 2015. At present, domestic production capacity remain disproportionately higher than demand (production capacity of 2.2 million tons per annum versus demand of less than 600,000 tons per annum). Given a combination of the competition in supply of cement and weak demand we hold a view that prices will remain subdued in the medium term.

9. CONCLUSION

The outlook on building material prices have materially changed of recent. Risks are tilted to the upside given a combination of rising input costs and transportation costs. The choice by consumers is limited as both inflationary pressures are getting more pronounced both locally and internationally. In the exception of cement prices, a synchronised upward price trend is observed on building materials. Given the dismal economic outlook, demand for cement is expected to remain weak at the time when production capacity remains elevated, implying that prices will remain subdued in the medium term. Land prices remain persistently high, which continues to be a limiting factor in acquiring residential properties especially in central and coastal parts of the country. Monetary policy remain highly accommodative and expected to extend current low levels of interest rates in the medium term as more data points are allowed for central banks to rule out transitory element in current inflationary pressures. Since January 2021 mortgage credit to businesses have started to recover while credit extended to individuals have continue to show a long-term steady decline suggesting effect of household deteriorating affordability.



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