



First Capital Building Cost Index

December 2022

Contributors

Patrick Simasiku

Clarinda Kavezuva

Achiles Shifidi

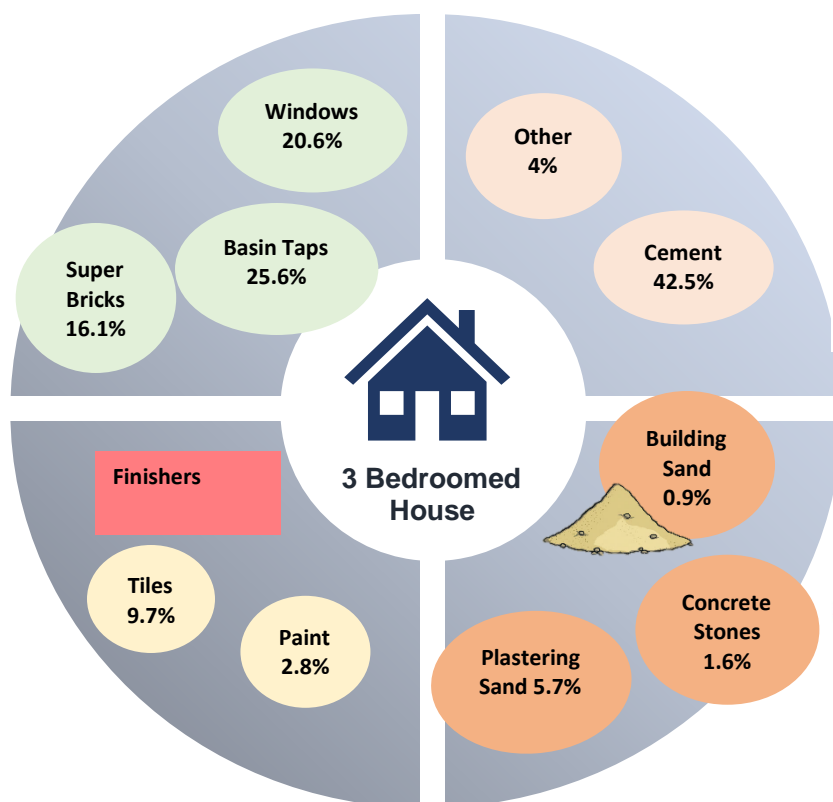


FIRST CAPITAL
NAMIBIA

Knowledge | Creativity | Solutions

BUILDING COST REPORT MAIN FINDINGS

2022 3rd & 4th Quarter.



Materials & Quantities



CEMENT (42.5) = 134 bags Required



CONCRETE STONES= 10 CUBIC METERS (X2 required)



PAINT (PRIMER)= 20 liters (X3 required)



SUPER BRICKS =14,239 Bricks required

SUMMARY AND OUTLOOK FOR BUILDING MATERIALS

- The index rose by 8.43% (Y/Y) during the last quarter of 2022 in comparison to a year-on-year change of 6.8% during the same period in 2021. On a quarterly basis, the index was 0.03% higher than the previous quarter.
- Brickwork materials accounted for 41% of the total cost of building materials followed by Electrical materials (13%), Roof and ceiling (12%), tilling materials (9%) and plumbing materials 6 % (See table 2).
- The price of a super brick was 4 percent higher year on year. Price changes of bricks reflect the price of sand and cement which are used as inputs to make them. A 50 KG of 42.5 cement was 4 percent more in comparison the same period the previous year. Meanwhile, building sand, concrete stones and a 50 Kg of 32.5 cement were 14, 33 and 9 percent more in comparison to the same period in 2021.
- Prices for building materials are expected to stabilize during the first quarter of 2023 owing to improved oil production, lower oil prices and improved economic conditions.

AVERAGE PRICE OF MATERIALS 4TH QUARTER OF 2022

CEMENT N\$110.80

SAND N\$3,100.90

GRAVEL N\$ 3,900.90

BRICK N\$ 3.90

TILES N\$ 290.50

PAINT N\$ 1,403.21

Disclaimer

This document is issued by First Capital Namibia. While all reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. Opinions, projections, and estimates are subject to change without notice. This document is for information purposes only. It does not constitute any offer, recommendation, or solicitation to any person to enter any transaction or adopt any hedging, trading, or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. The contents of this document are not made about the specific investment objectives, financial situation, or the needs of any person.

About Us

First Capital Namibia is a financial services company specialized in providing treasury and asset (investment) management services. Established in August 2009, First Capital have in-depth, personal knowledge of the Namibian capital markets and the resulting insight enables us to manage Namibian assets across different spectrum including cash management, equity, fixed income, specialist agriculture and property mandates. We are licensed to manage money for private investors, pension funds, insurance groups, public (government) sector, and charities.

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.



Contents

Disclaimer	3
About Us	4
1. DOMESTIC BUILDING MATERIALS PRICE TRENDS.....	1
1.1. House Building Cost Index.....	1
2. SUB-COMPONENTS PRICE ANALYSIS.....	1
2.1. Building Materials Price Analysis	1
2.1.1. Building Material bill on a standard 3-bedroom residential house in Namibia.....	1
2.1.2 Contribution of price of materials by category to the total cost of building a 3 bedroomed house.....	4
2.1.3 Prices of materials by category (Third versus Fourth Quarter 2022)	4
2.1.3 Price indices of selected products	5
2.1.4 Transport inflation.....	6
2.2. Building Materials cost by town	7
2.2. Cost of Land	8
2.2.1. The Price of Land by Town and Price changes over time	8
3. TOTAL COST OF BUILDING A STANDARD 3-BEDROOM HOUSE	9
4. PRIVATE SECTOR CREDIT ANALYSIS	9
4.2.1 Lending rate and household debt	11
4.2.2 Lending rate and Credit extension to businesses	12
5. MONETARY POLICY	13
5.3 Interest rates outlook for 2023	14
6. RECENT DEVELOPMENTS AND THEIR IMPACT ON THE HOUSING MARKET	14
6.1. Windhoek Council's Affordable Housing Project.....	14
6.2 Windhoek Waterfront Development - Goreangab	15
6.3. Ongos valley project.....	17
7. FACTORS INFLUENCING THE OUTLOOK FOR BUILDING MATERIALS	18
7.1 Exchange rate developments	18
7.2 Petrol and diesel prices and furniture removal and transport of goods	18

NOTE TO THE READER

This report provides an insight into the trend of prices of building materials and the impact of price changes on the cost of building a house in the country. Using current information and other leading indicators, we 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, policy makers, contractors, mortgage lenders, investors and citizens will be highly 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.

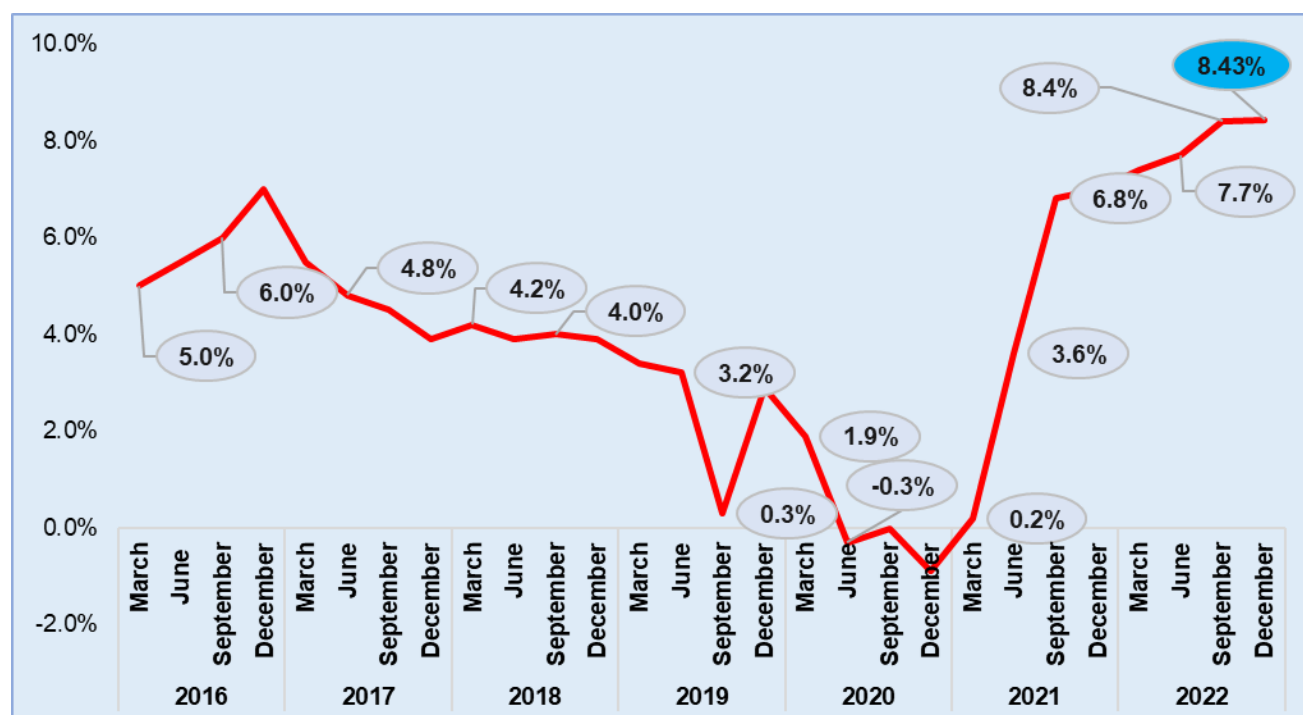
The land cost index is derived from the average unweighted prices of urban land. The standard area of land for price comparison in all towns is 375 square metres. For comparison, the town specific average price of land per square metre is multiplied by the land measuring 375 square metres to derive the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

1. DOMESTIC BUILDING MATERIALS PRICE TRENDS

1.1. House Building Cost Index

The First Capital Building Cost Index measures the average cost for building a three bedroomed house in Namibia. The index is based on an analysis of prices of building materials in Windhoek, Ondangwa, Swakopmund, Keetmanshoop, Rundu and Katima Mulilo. The index is presented in figure1 below. The index rose by 8.43% (Y/Y) during the last quarter of 2022 in comparison to a year-on-year change of 6.8% during the same period in 2021. On a quarterly basis, the index rose by 0.03% during the fourth quarter of 2022 in comparison to the third quarter. This was largely driven by prices of super bricks, 32.5 cement, plastering sand and concrete stones whose prices rose by 4%, 8%,12%, and 25% in comparison to the previous quarter.

Figure 1: First Capital Building cost index (Year on year change)



Source: First Capital Research

2. SUB-COMPONENTS PRICE ANALYSIS

2.1. Building Materials Price Analysis

Building materials make up the largest portion of the cost of building a house in Namibia. As a result, they account for 60% of the total cost of building a standard three-bedroomed house. The cost of these materials is analyzed thoroughly in greater detail below.

2.1.1. Building Materials for a standard 3-bedroom residential house in Namibia

The table below presents materials required to build a three bedroomed house in Namibia. This report uses the averages unit prices of materials in Windhoek, Keetmanshoop, Swakopmund, Ondangwa, Rundu and Katima Mulilo as a proxy of the cost of building a three bedroomed house anywhere in the country. These

are shown in the table below arranged as follows: firstly, the table presents materials required for brick work followed by roof and ceiling materials in the second category. These are then followed by doors and materials used for windows, plumbing materials, electrical materials, tiling materials, fencing materials and contingency materials in the third, fourth, fifth, sixth, seventh, eighth and ninth categories respectively (See table 1 below).

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

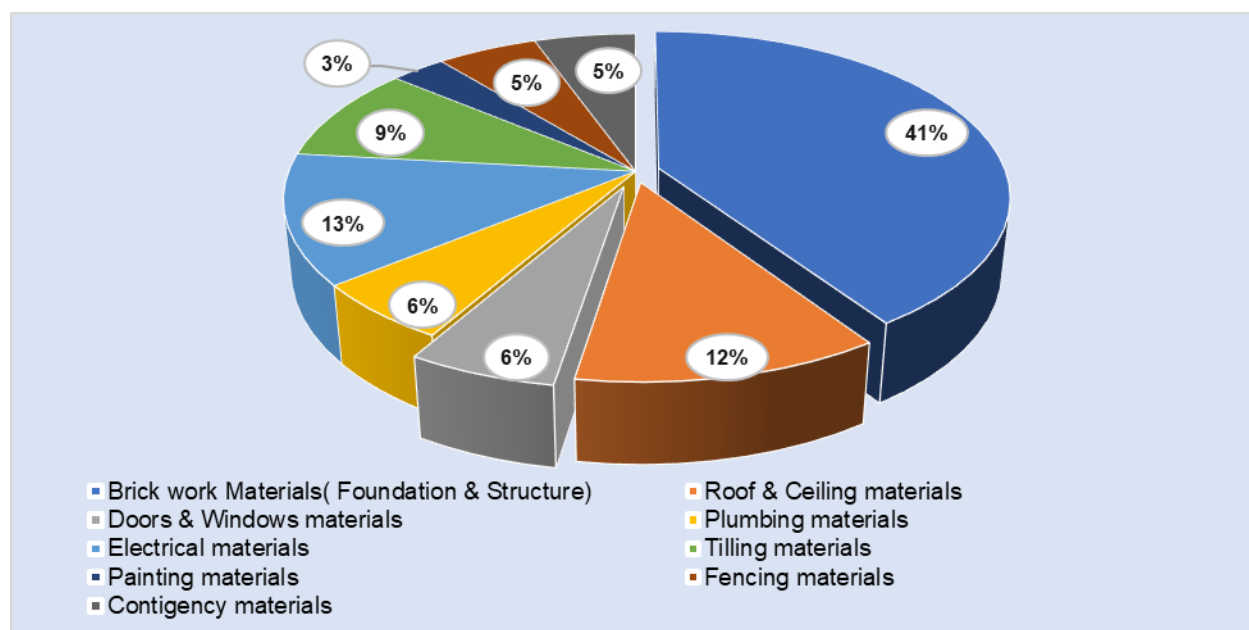
Brick work Materials(Foundation & Structure)	Quantity	Average price Q4	Dcember 2022 bill
Brick work Materials(Foundation & Structure)			123,392.84
Super Bricks 7mpa	14,239.00	3.90	55,532.10
Cement 42.5 (50KG)	134.00	115.10	15,423.40
Cement 32.5 (50KG)	130.00	110.00	14,300.00
Building Sand (10 Cubic meters)	4.00	3,100.90	12,403.60
Plastering Sand (10 Cubic meters)	2.00	3,100.90	6,201.80
Concrete stones 19mm (10 Cubic meters)	2.00	3,900.50	7,801.00
Brick force (150*15*9") Rolls	30.00	22.00	660.00
Brick force (75*15*4.5") Rolls	10.00	27.00	270.00
Damp Proof Course,DPC (225mm*40m*250µm) Rolls	2.00	150.00	300.00
Damp Proof Course,DPC (110mm*40m*250µm) Rolls	2.00	75.18	150.36
Ant Poisoning, Astor Termite Control (5 L)	1.00	2,250.58	2,250.58
Others		8,100.00	8,100.00
Roof & Ceiling materials			36,166.21
IBR Galvanised Roofing Sheet Z275 (0.47mm*4.5m)	28.00	440.00	12,320.00
Galvanised Fascia	1.00	150.00	150.00
Rafters, Timbers(38mm*114mm*6.6m)	28.00	190.20	5,325.60
Purlin, Timber(50mm*76mm*6.6m)	20.00	199.95	3,999.00
Rhinoboard Ceiling (6.4*2,700*1,200mm)	20.00	146.06	2,921.23
Branding (38mm*50mm*6.6m)	60.00	91.97	5,518.20
Cornice (75mm*3m)	20.00	80.80	1,616.00
Rain water Goods: Galvanized Gutters	4.00	260.00	1,040.00
Down Pipes	4.00	178.82	715.28
Others (roofing screws, bidders etc.)	1.00	2,560.90	2,560.90
Doors & Windows materials			17,539.51
Outside Doors (Wooden Pinedouble Weather board)	2.00	1,415.39	2,830.77
Inside Doors (Wooden medium Consult)	4.00	515.13	2,060.51
Outside Door Frames (813mm*2,032mm*230mm*1mm)	2.00	862.03	1,724.06
Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	4.00	380.49	1,521.94
Outside Steel Buglar Doors	2.00	817.94	1,635.88
Steel Window Frames ND11w1800xh1500 (Sitting room)	1.00	770.95	770.95
Steel Window Frames ND4w1500xh1200 (Bedrooms)	3.00	340.64	1,021.91
Steel Window Frames NE2w1200xh600 (Bathroom)	1.00	390.50	390.50
Steel Window Frames NC1 w900xh900 (Kitchen)	1.00	325.80	325.80
Windows	1.00	2,623.10	2,623.10
Others (Concrete Lintels, Curtain Rails, Window buglars, D	1.00	2,634.09	2,634.09
Plumbing materials			17,534.33
Kitchen Sink (1200mm*480mm drop in)	1.00	1,032.06	1,032.06
Basin waste Union (1.25*32mm)	2.00	279.99	559.98
Kitchen Tap set	1.00	604.90	604.90
Basin white flair (470mm)	1.00	264.50	264.50
Basin taps	2.00	351.90	703.80
Shower components(Shower head, Arm, Trap & 2 Taps)	1.00	660.40	660.40
Toilet set (765mm)	1.00	1,200.69	1,200.69
Sewer pipes set (underground pipe) (6mm)	6.00	1,269.00	7,614.00
Copper pipe set	1.00	553.00	553.00
Others	2.00	2,170.50	4,341.00
Electrical materials			38,481.29
Electrical Cables	1.00	10,910.00	10,910.00
Light Switch(X2 Double & X4 Single Light Switch)	1.00	15,430.00	15,430.00
Electrical Plug Sockets(X2 Double & X3 Single sockets)	1.00	6,885.55	6,885.55
Light Bulbs & Lamps(X6 Bulbs & X6 Lamps)	1.00	3,880.40	3,880.40
Distribution Board (DB), 12 Mode Flush	1.00	530.25	530.25
PVC Pipes	1.00	452.58	452.58
Others	1.00	392.52	392.52
Tilling materials			28,310.57
Floor tiles, Ivory Nano 2nd Grade (600*600mm)	50.00	290.50	14,525.00
Wall tiles, Mosaic Matt (48*48mm)	60.00	120.60	7,236.00
Tile Adhesive [glue],(20kg)	30.00	55.65	1,669.50
Tile Grout (20Kg)	3.00	270.02	810.07
Others	1.00	4,025.00	4,070.00
Painting materials			9,066.69
Primer Paint (20L)	3.00	605.04	1,815.11
Colour Coat Paint (20L) [Creame colour for Interior]	3.00	1,403.21	4,209.62
Colour Coat Paint (20L) [Desert tan colour for Exterior]	2.00	240.68	481.36
Other	1.00	2,560.60	2,560.60
Fencing materials			16,550.10
Diamond Mash Wire Fence rolls (1.8m high & 25m Long)	15.00	799.56	11,993.40
Econo Gate, 1 Piece (1.8m high & 1m wide)	1.00	767.05	767.05
Econo Gate, 2 Piece (1.8m high & 3m wide)	1.00	2,089.55	2,089.55
Others	1.00	1,700.10	1,700.10
Contingency materials			16,650.90
Nails, screws, e.t.c	1.00	16,650.90	16,650.90
Total			303,692.43

Source: First Capital Research

2.1.2 Contribution of price of materials by category to the total cost of building a 3 bedroomed house

Materials used for the foundation and structure of a house are required in greater proportions in comparison to other materials. Thus, changes in the prices of these materials significantly influence the total cost of materials. Subsequently, brick work materials accounted for 41% of the total cost of building materials followed by Electrical materials (13%), materials required for roof and ceiling (12%), tilling materials (9%) and then plumbing materials 6 % (figure 2).

Figure 2: Cost of materials by category

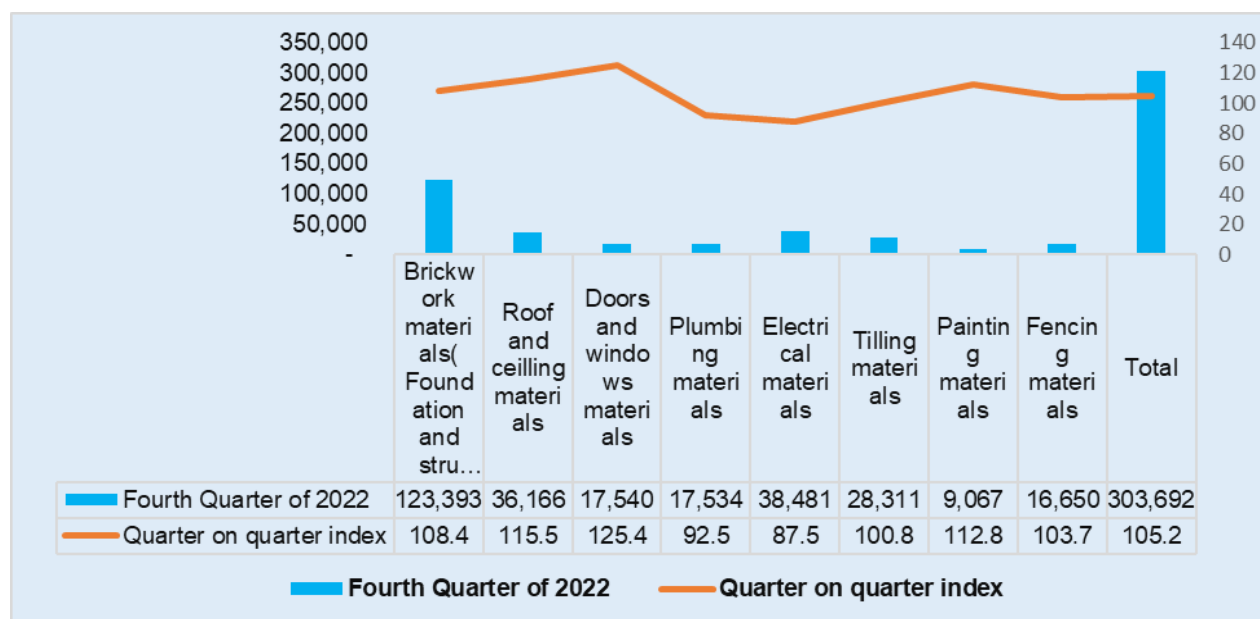


Source: First Capital Research

2.1.3 Prices of materials by category (Third versus Fourth Quarter 2022)

Plumbing materials are predominantly imported from other countries mainly the republic of South Africa. Their prices are to a large extent influenced by external factors such as exchange rates, fuel prices as well as prevailing economic and political conditions in foreign markets. During the fourth quarter of 2022, the Namibian dollar appreciated against the US dollar, a major trading currency on international markets. Shortly after this, the index for plumbing materials fell to 92.5 (q/q) while the index for electrical goods fell to 87.5. On the Contrary, the price index for brickwork materials, roof and ceiling, doors and windows, and tilling materials, in the last quarter of 2022 were 8.4%, 15.5%, 25.4% and 0.8 % higher than the previous quarter (figure 3).

Figure 3: Fourth quarter price index of materials by category



Source: FC research

2.1.3 Price indices of selected products

During the fourth quarter of 2022, the price of a super brick was 4 percent higher year on year. Price changes of bricks reflect the price of sand and cement which are used as inputs to make them. A 50 KG of 42.5 cement was 4 percent more in comparison the same period the previous year. At the same time, consumers paid 14%, 33% and 9% more for building sand, concrete stones, and a 50 Kg of 32.5 cement during the last quarter of 2022 than they paid in 2021.

Similarly, noticeable price increases were recorded on various materials such as shower components (12%), steel window frames for the bedroom (2.4%), sewer pipes (0.7%), toilet sets (12%) and the distribution board 12 mode flush (1.3%). On the other hand, prices for steel window frames (sitting room side), and outside burglar steel doors remained unchanged while the price of steel window frames for the bathroom fell by 2 %.

Table 2: Price indices of selected products

	Price Index	Change in Index(Q/Q)
Super Bricks 7mpa	104.3	4%
Cement 42.5 (50KG)	103.9	4%
Cement 32.5 (50KG)	108.9	9%
Building Sand (10 Cubic meters)	113.8	14%
Plastering Sand (10 Cubic meters)	113.8	14%
Concrete stones 19mm (10 Cubic meters)	132.6	33%
Damp Proof Course,DPC (110mm*40m*250µm) Rolls	106.6	7%
Ant Poisoning, Astor Termite Control (5 L)	101.7	2%
Galvanised Fascia	105.5	5%
Rafters, Timbers(38mm*114mm*6.6m)	102.2	2%
Cornice (75mm*3m)	103.6	4%
Shower components(Shower head, Arm, Trap & 2 Taps)	110.1	10%
Toilet set (765mm)	112.3	12%
Sewer pipes set (underground pipe) (6mm)	100.7	1%
Inside Doors (Wooden medium Consult)	101.0	1%
Outside Door Frames (813mm*2,032mm*230mm*1mm)	100.1	0%
Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	101.6	2%
Outside Steel Buglar Doors	100.0	0%
Steel Window Frames ND11w1800xh1500 (Sitting room)	100.0	0%
Steel Window Frames ND4w1500xh1200 (Bedrooms)	102.4	2%
Steel Window Frames NE2w1200xh600 (Bathroom)	98.2	-2%
Steel Window Frames NC1 w900xh900 (Kitchen)	101.8	2%
Shower components(Shower head, Arm, Trap & 2 Taps)	110.1	10%
Toilet set (765mm)	112.3	12%
Sewer pipes set (underground pipe) (6mm)	100.7	1%
Distribution Board (DB), 12 Mode Flush	101.3	1%

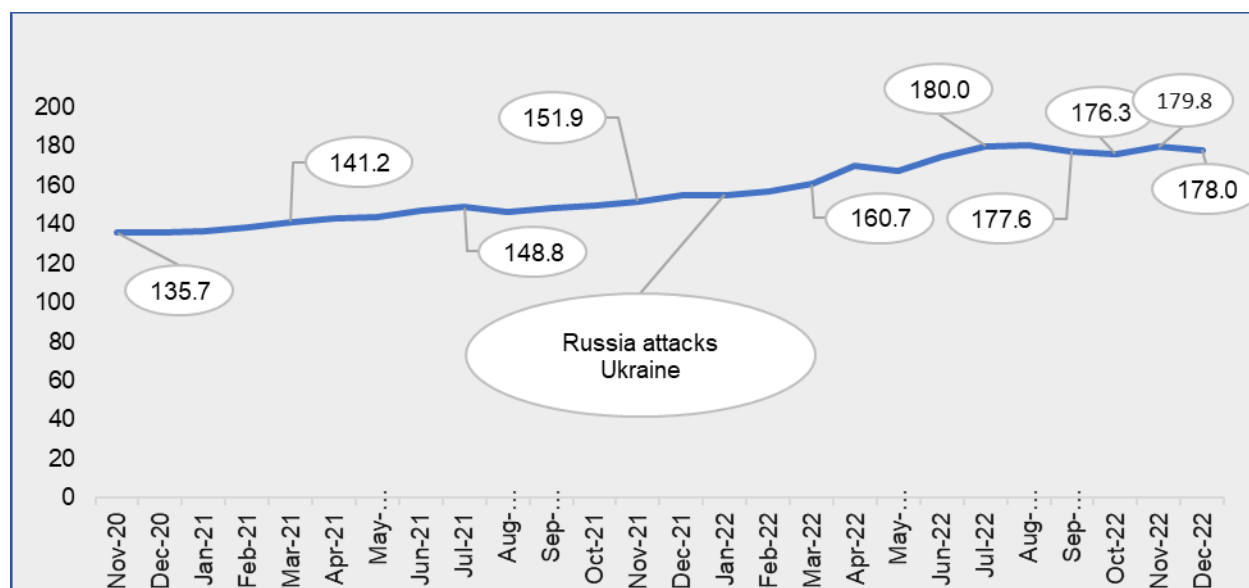
Source: First Capital Research

2.1.4 Transport inflation

The cost of transport continued to put pressure on prices of various commodities in the country during the third and Last quarter of 2022. During the last quarter, the transport index rose by 4% in November to 179.8 before falling by 3% in December (figure 4). According to data from the Bank of Namibia, the USD/NAD exchange rate averaged N\$18.12 per USD in October and N\$ 17.28 per USD in December

2022. Thus, Namibian dollar appreciated by 5 percent between October and December 2022 which significantly reducing the cost of fuel and the transport index.

Figure 4: Transport index

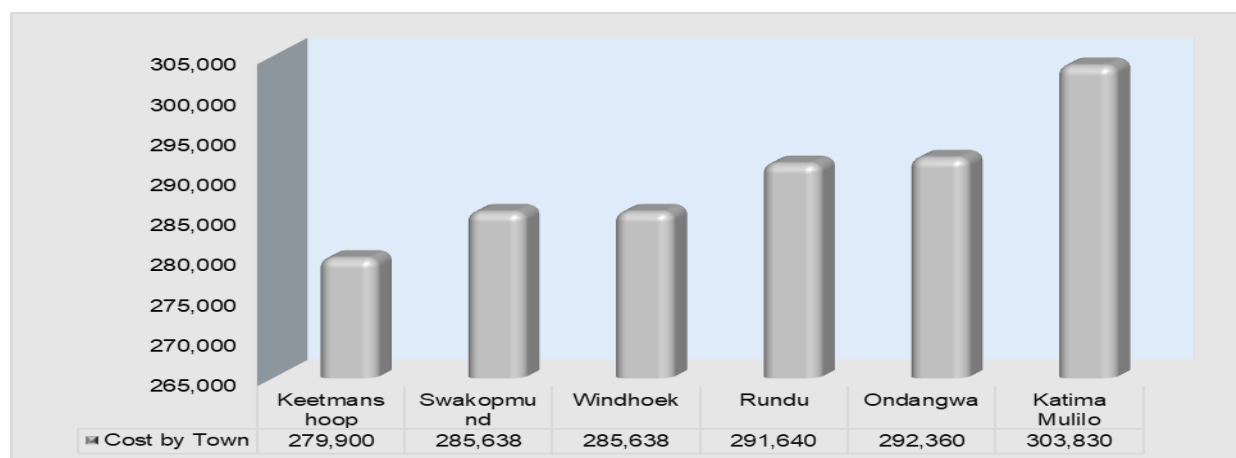


Source: NSA

2.2. Building Materials cost by town

Figure 5 below, shows a comparison of the cost of building materials in the six major towns. The cost of Building materials remains high in northern parts of the country in comparison to other parts of the country. The bill of quantities for building materials of a 3-bedroomed standard house using December 2022 prices recorded a combined average of N\$303,830 in Katima Mulilo, N\$292,360 in Ondangwa and N\$291,640 in Rundu. Similar materials cost N\$290,800 in Windhoek, N\$285,638 and N\$279,900 in Swakopmund and Keetmanshoop respectively (figure 5). This report attributes the differences in the cost of building materials in these towns to the cost of transport from the harbor or the main supplier of materials. Evidently, building materials in Swakopmund and Keetmanshoop cost less in comparison to the central and northern areas due to their proximity to the harbor since these materials are predominately transported by sea.

Figure 5: Cost of materials for a three bed roomed house(N\$)



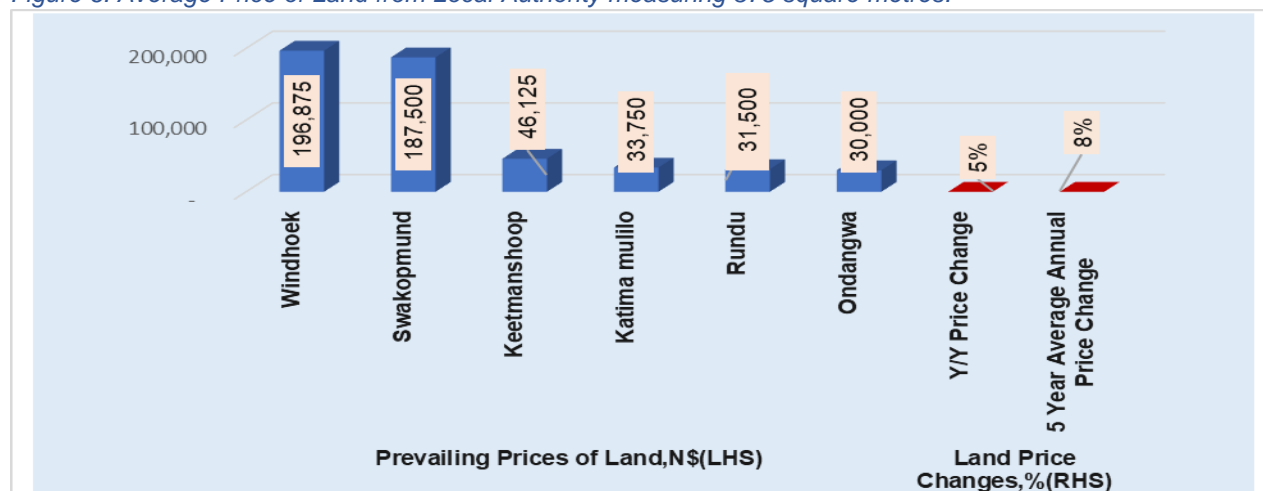
Source: FC Research

2.2. Cost of Land

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

Figure 6 below indicates, the average prices of serviced land collected from recent transactions of local authorities as well as the overall annual price changes. This is derived by multiplying the price per square meter of serviced land in each town by the standard erven size of 375 square meters. The cost of a standard erf for a three bed roomed house is the highest in Windhoek, followed by Swakopmund, Keetmanshoop, Katima Mulilo, Rundu and then Ondangwa at N\$196,875, N\$187,500, N\$46,125, N\$33,750, N\$31,500, and N\$30,000 respectively (figure 6).

Figure 6: Average Price of Land from Local Authority measuring 375 square metres.

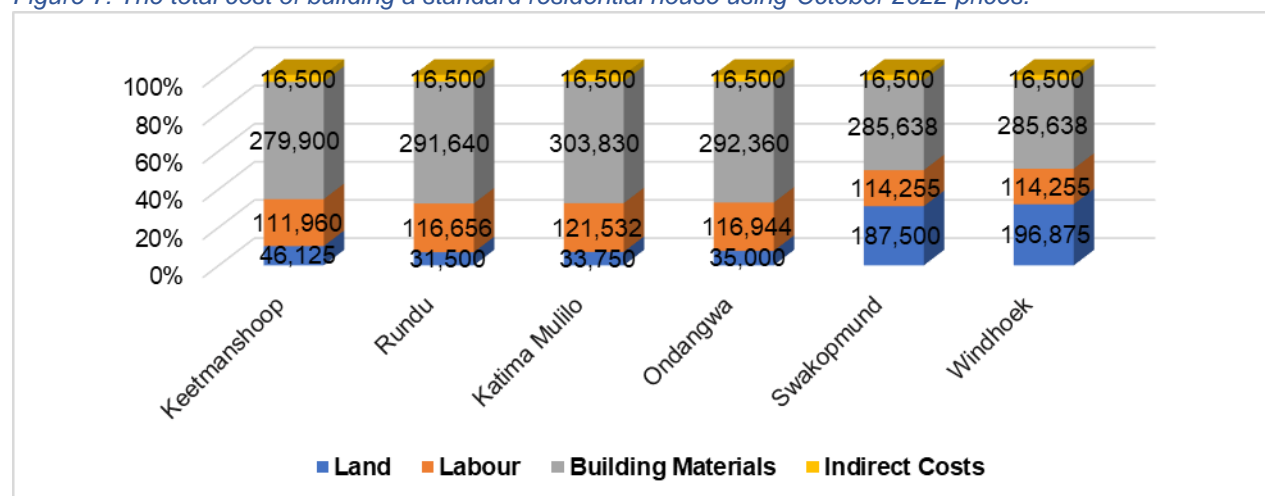


Source: First Capital Research

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

Using December 2022 prices, building a standard three bedroomed house in Namibia costs N\$454,485 in Keetmanshoop, 475,612 in Katima Mulilo and N\$ 460,804 in Ondangwa. This publication shows that the cost of building a house in the country is the highest in Windhoek (N\$613,2680) and then Swakopmund (N\$603,893) due to the high cost of land and contractors in these towns (figure 7).

Figure 7: The total cost of building a standard residential house using October 2022 prices.



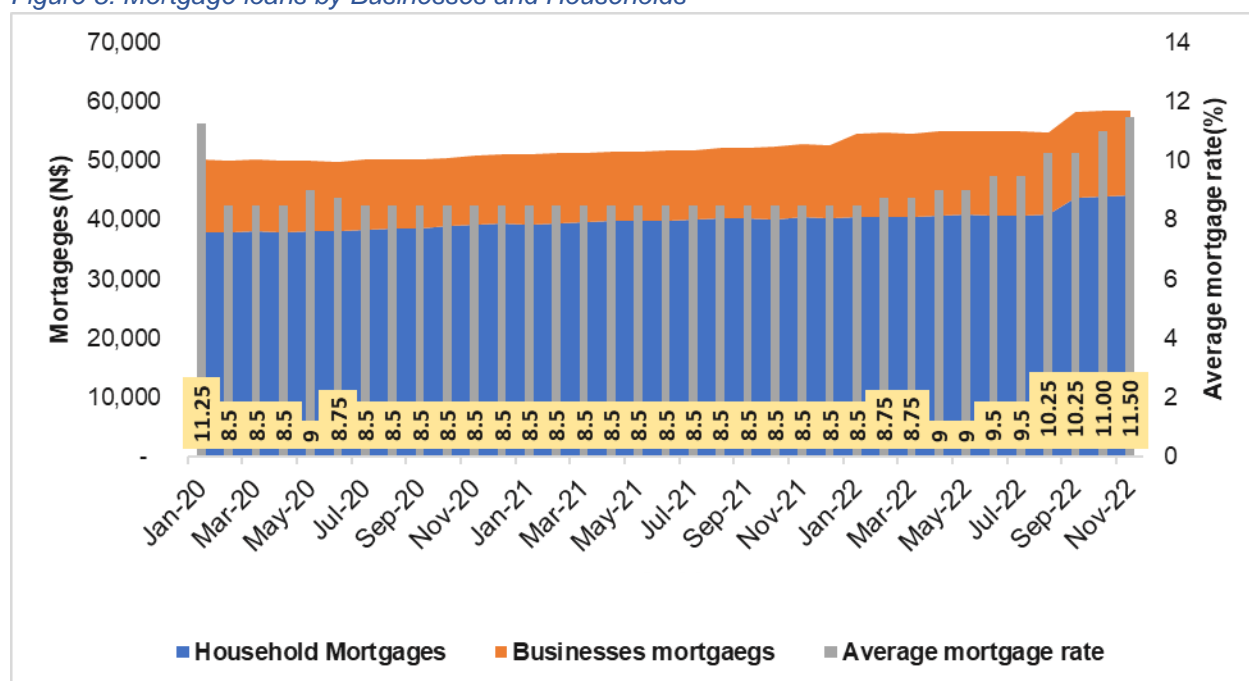
Source: First Capital Research

4. PRIVATE SECTOR CREDIT ANALYSIS

4.1. Mortgage credit extension to households and businesses

An analysis of private credit extension revealed that mortgage credit to businesses fluctuates more than that to households. This means that businesses are more responsive to changes in interest rates than households. Mortgage credit extended to households was 16.6% higher (y/y) in November 2022 contrast to an annual increase of 5.8% during the same period in 2021. At the same time, mortgage credit by households increased by 9.1% in November 2022 compared to an increase of 3.2% in 2021 on an annual basis. In November 2022, the average mortgage rate was 35% higher when compared to the same period in 2021 (from 8.5% in 2021 to 11.50% in 2022) (figure 8).

Figure 8: Mortgage loans by Businesses and Households

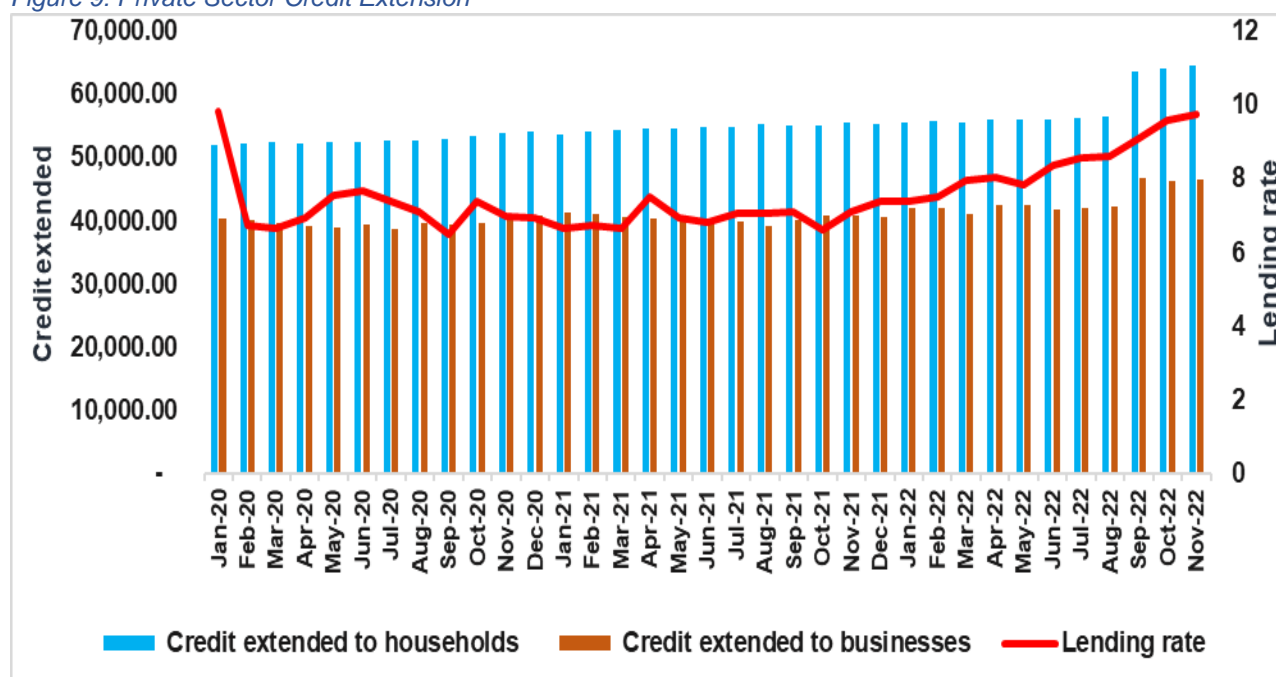


Source: BoN

4.2. Private Sector Credit Extension

Figure 9 below depicts the credit extended to households and businesses as well as the monthly weighted average of the lending rate. Credit extended to businesses improved by 13.0% (y/y) in November 2022 compared to an improvement of 0.02% the previous year (figure 8). In the same way, credit extended to households increased by 16.5% in November 2022 (y/y) in comparison to an improvement of 2.9% (y/y) during the same period the previous year. Retrospectively, recent data contradicts mainstream economic theory. It shows that even though high interest rates increase the cost of borrowing, economic agents are not discouraged from borrowing. This calls for the need to assess the association of interest rates and credit extension to households and businesses using econometric means (see 4.2.1 and 4.2.2).

Figure 9: Private Sector Credit Extension



Source: BoN

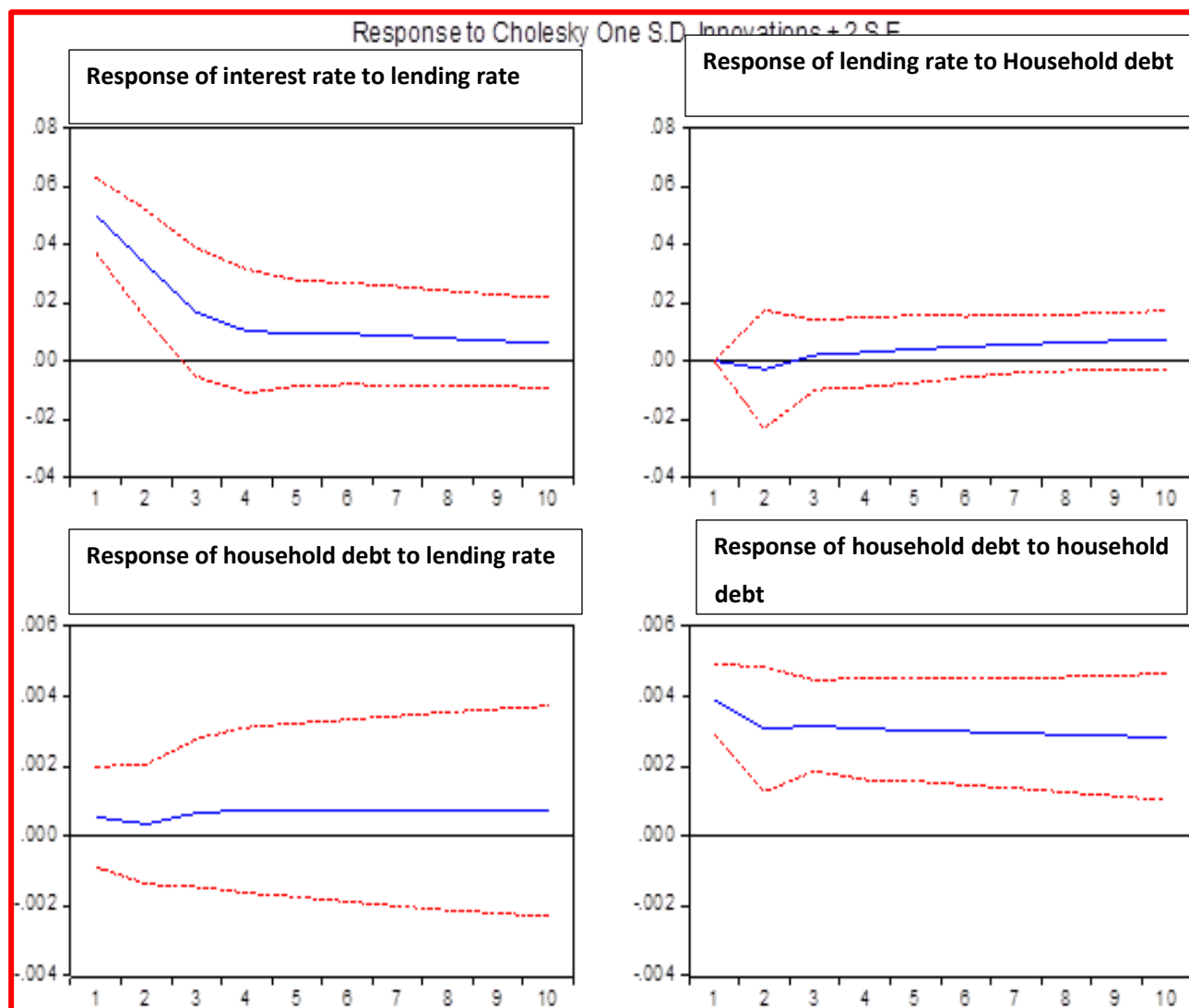
4.2.1 Lending rate and household debt

In addition to the above, this report uses Eviews9 to assess the behavior of credit extension to businesses and households to changes in interest rates. The results are presented in figure 10 and figure 11 below.

Response of interest rate to Household debt: On figure 10, the second graph assessed the impact of a standard deviation shock to household debt on the lending rate while the third looks at the response of household debt to a standard shock to the lending rate. An impulse or standard deviation shock to household debt leads to a slight fall of the lending rate until the second month. This is followed by an increase in the lending rate before stabilizing in the third month.

Response of household debt to lending rate: The third figure below shows that, a standard deviation shock or impulse to the lending rate slightly reduces credit extended to household up to the second month when households begin to borrow more. This continues until the middle of the third month when borrowing by households stabilizes. Impulse response functions further show that household debt does not return to normal after a shock, this suggests that households are more responsive to interest rates.

Figure 10: Household debt and interest rates



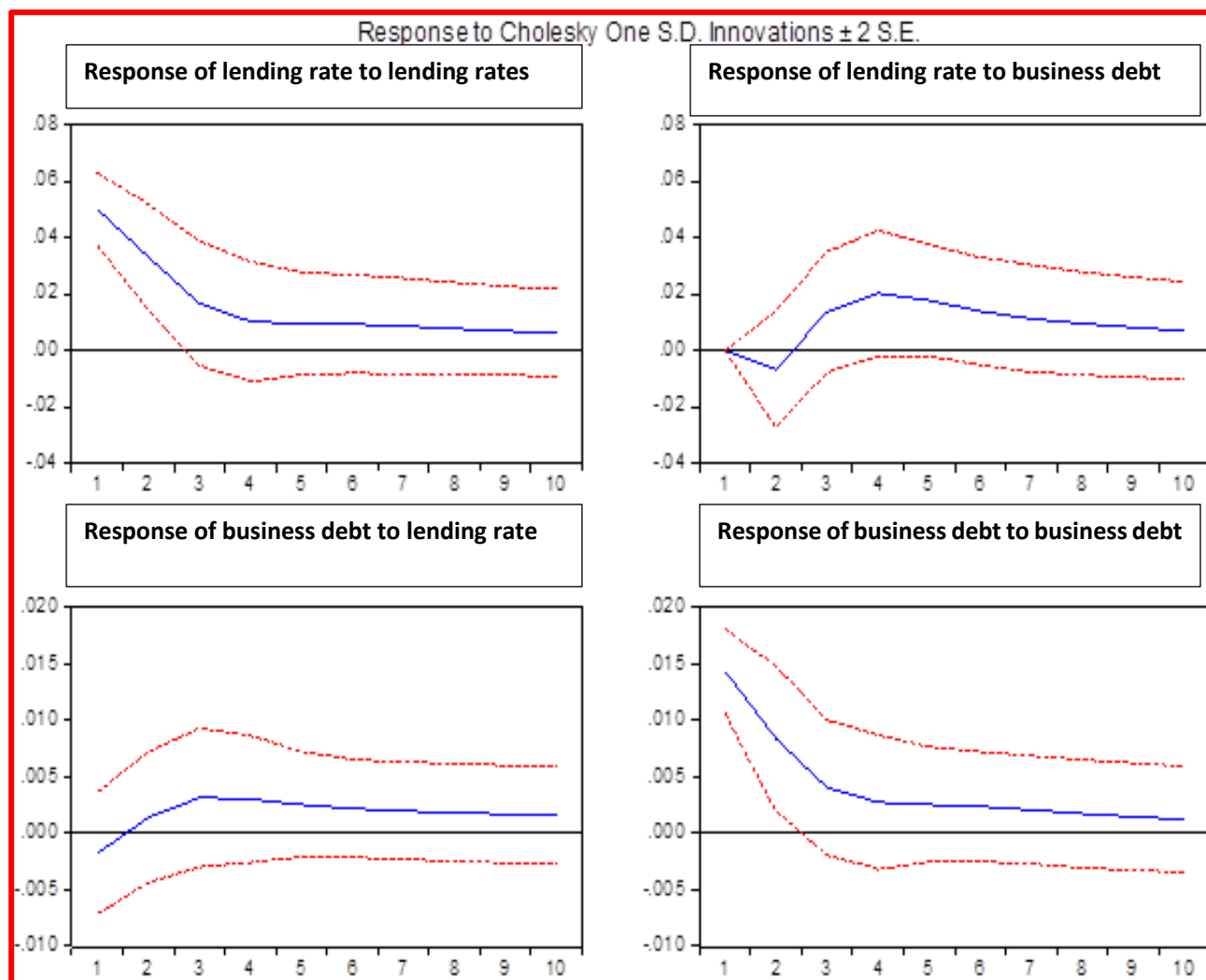
Source: FC research computation using evIEWS9

4.2.2 Lending rate and Credit extension to businesses

Response the lending rate to business debt: According to impulse response functions below, a standard deviation shock on credit extended to businesses causes an instant fall of the lending rate until the second month. The lending rate then rises from the second month until the fourth month when it starts falling slightly.

Response of business debt to lending rate: We have proved econometrically using impulse response functions that a shock to the lending rate leads to an instant increase in credit extended to businesses. This is so until the third month, refer to the third figure below.

Figure 11: Response of household and business debt to lending rate



Source: FC research computation using eviews 9

5. MONETARY POLICY

5.1. Monetary Policy developments during the third quarter of 2022

On the 24th and 25th of October 2022, the monetary policy committee of the Bank of Namibia met for its bi-monthly meetings and decided to increase the repo rate by 75 basis points to 6.25 percent. Simultaneously, the prime lending rate increased by the same proportion from 8.5 percent to 9.25 percent. This increased the cost of borrowing for consumers borrowing to buy houses, cars or pay for emergencies.

5.2. Monetary Policy developments during the fourth quarter of 2022

On the 28th and 29th of November 2022, the Monetary Policy Committee (MPC) of the Bank of Namibia held its bi-monthly meeting to decide on the appropriate monetary policy stance for the next two months. They decided to increase the repo rate by 50 basis points following an increase of 75 basis points on the 25 of October 2022. Inevitably, all other interest rates in the economy increased by the same percentage. For instance, the prime lending rate rose from 9.25 to 9.75 instantly.

5.3 Interest rates outlook for 2023

Inflation data received during the last quarter of 2022 show that inflation rate in Namibia fell from 7.0 to 6.9 percent between November and December 2022. A noticeable fall was also observed from 7.1 to 7.0 between September and October 2022. However, it would take substantially more evidence of progress to be certain that inflation is on a sustained downward path. Therefore, a restrictive policy stance would need to be maintained by the bank of Namibia during the first quarter until data provided confidence that inflation in the country is on a sustained downward path to the bank's target rate of between 3 to 6 percent. We, therefore, expect the bank of Namibia to continue raising the repo rate, leading to higher interest rates in the economy during the first quarter of 2023. The Bank of Namibia will hold its first MPC meeting for the year on the 15th of February 2023.

6. RECENT DEVELOPMENTS AND THEIR IMPACT ON THE HOUSING MARKET

6.1. Windhoek Council's Affordable Housing Project

The supply of houses looks promising for middle class residents in the capital over the medium to long term due to an increase in construction activities. Amongst others, The Windhoek City Council has set aside N\$22 million to start a council-funded affordable housing project (figure 12). Under this project, the city of Windhoek plans to build 1,200 houses over the next four years. Construction of these houses will be divided between the city of Windhoek (600) and the National Housing Enterprise (600 houses). This program is a part of the affordable housing project which was approved by the council in 2019. The project consists of four programs, mainly: the informal settlement upgrade program, the council housing program, the employer/ employee housing program as well as the rent to own and rent housing program. The Ministry of Urban and Rural Development will subsidize the land to make these houses affordable for residents, especially those classified to fall in the category of ultralow level. 346 houses have been constructed thus far (8 of the houses were constructed at the corner of Florence Nightingale and Visarend streets in Khomasdal), as a result the city of

Windhoek has provided shelter to more than 1,500 residents. During the construction of 346 affordable houses under the informal settlement upgrading affordable housing pilot project, the council, in partnership with the Ministry of Urban and Rural Development, the Khomas Regional Council, and the National Housing Enterprise, created 4 500 employment opportunities for the residents of Windhoek at a cost of N\$56 million.

Below is an overview of the types of houses being constructed under the Windhoek Council's Affordable Housing Project.

Figure 12: overview of houses for the Windhoek Council's Affordable Housing Project



Source: Windhoek observer

6.2 Windhoek Waterfront Development - Goreangab

Another important project in Windhoek is the Windhoek waterfront development. This development build 300 free standing houses in Windhoek with an average erf size of 300 square meters each as well as semidetached houses depending on the needs of clients. 31 houses from the project were completed and occupied in 2022 and 14 are currently under construction. See figure for an overview of the Windhoek Waterfront Development once complete.

Figure 13: An overview of Windhoek waterfront



Source: Windhoek Waterfront Development

The project is constructing houses for middle income residents, whose cost is N\$ 950,000 for 2 bedroomed houses to N\$1,200 000 for three bedroomed houses. All two bedroomed houses are semidetached while the 3 bedroomed houses are standalone homes. Figure 14 below presents an overview of the types of houses being constructed at the Windhoek waterfront development.

Figure 13: An overview of houses at the Windhoek waterfront development



Source: Windhoek Waterfront Development

6.3. Ongos valley project

The Ongos valley project has thus far completed 400 units, comprising of flats, town houses and free-standing houses. This project is expected to significantly increase the supply of houses in the medium to long term and will change the face of Windhoek's residential landscape over the next 20 years. Water and electricity will be prepaid; therefore, households would pay as they use. Most notably, the Ongos Valley project website shows that 5,000 houses are expected to be complete in 5 years and 28,000 should be complete in 20 years to come. In addition, more than 20 schools, several malls, and service stations, as well as other institutions and businesses will be constructed. It costs N\$312,000 for a one bedrooomed apprtment, N\$804,000 for a free standing 2 bedrooomed sectional title and N\$1,044,000 for a freestanding 4 bedrooomed sectional title. Below is an overview of the types of properties at Ongos valley.

Figure 14: Overview of types of properties for Ongos Valley



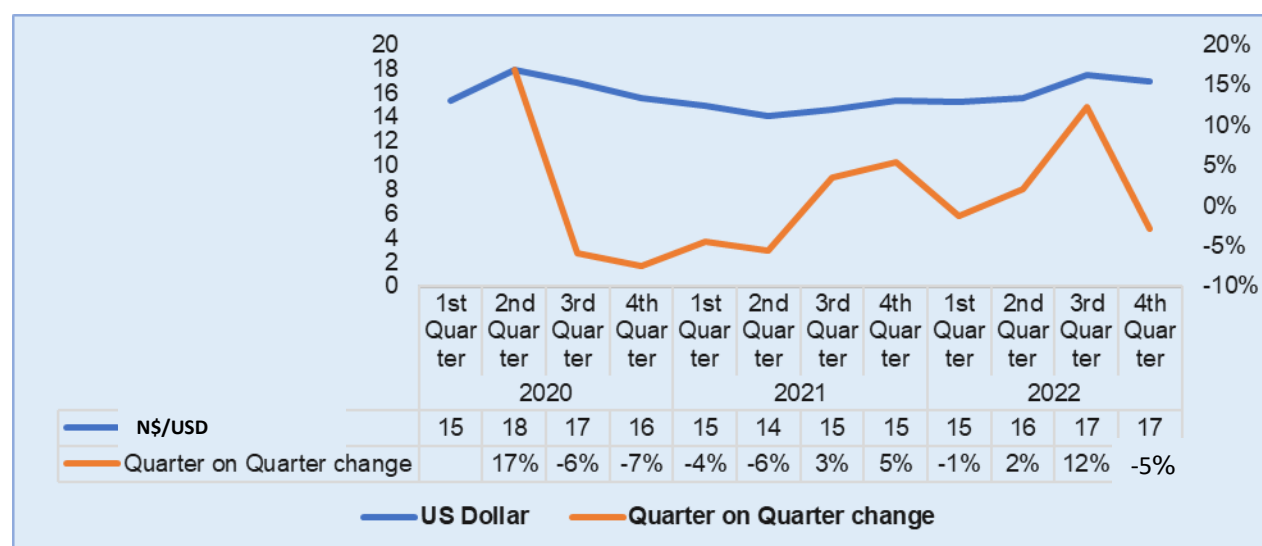
Source: Ongos valley

7. FACTORS INFLUENCING THE OUTLOOK FOR BUILDING MATERIALS

7.1 Exchange rate developments

The NAD exchange rate to the USD is a critical factor to the outlook of building materials since Namibia imports most of its building materials from China, South Africa, USA, and Europe. The USD is the widely used currency on international markets. It therefore has a significant impact on the value of exports and imports. An appreciation makes imports relatively cheap and exports expensive. Recent currency developments show that the USD lost 3% of its value against the Namibia Dollar during the last quarter of 2022 (see figure 15 below). In foreign exchange markets, increased concerns about the potential for highly elevated US interest rates spurred a decline in the foreign exchange value of the US dollar.

Figure 15: NAD/USD exchange rate

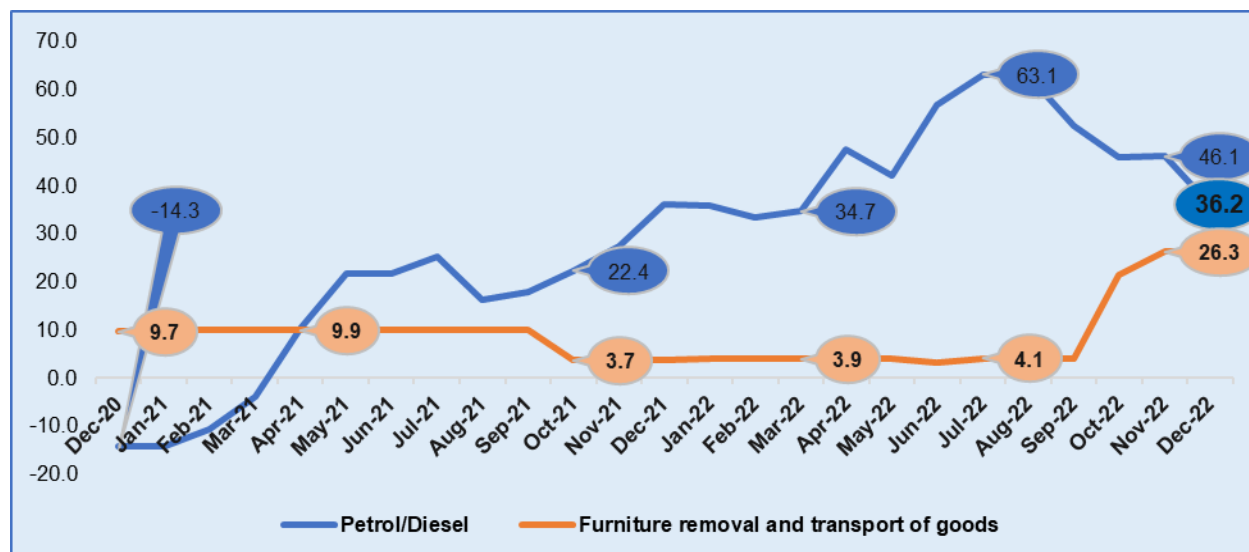


Source: BoN

7.2 Petrol and diesel prices and furniture removal and transport of goods

The ever-growing fears of a global economic recession led to a significant dip in oil prices, which will greatly contribute to making fuel prices more affordable in many markets across the world. The latest calculations by the ministry of mines and energy revealed that unleaded petrol 95 averaged USD 88.072 per barrel in December 2022 compared to USD104.383 per barrel at the end of November 2022 (figure 16). Similarly, the price of diesel fell by USD 18 per barrel during the same period to an averaged an average of USD 111.240 per barrel during December 2022. These price decreases as well as the appreciation of the Namibian dollar against the USD improved petrol and diesel prices for consumers in Namibia. Going forward, prices are expected to continue falling owing to an expected increase in oil production by OPEC during the first quarter of 2023.

Figure 16: Petrol and diesel prices and furniture removal and transport of goods



Source: NSA

8. Conclusion

In conclusion, the price pressures on building materials remain elevated due to a combination of rising input and transportation costs as increased demand. The choice by consumers is limited as both inflationary pressures are getting more pronounced locally and internationally. An upward price trend is observed on building materials and expected during the first quarter of 2023. 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. The Bank of Namibia is expected to raise the repo rate at its first MPC meeting on the 15th of February 2023.