



# First Capital House Building Cost Index

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Knowledge | Creativity | Solutions



**FIRST CAPITAL**  
NAMIBIA

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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.

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### Acronyms

<b>bp</b>	: Basis Points (1 percentage point=100 basis Points)
<b>Cm</b>	: Centimetres
<b>FC</b>	: First Capital
<b>HPP2</b>	: Second Harambee Prosperity Plan
<b>IMF</b>	: International Monetary Fund
<b>Kg</b>	: Kilogram
<b>L</b>	: Litres
<b>MPC</b>	: Monetary Policy committee
<b>P/mt</b>	: Per Metrictonne
<b>m</b>	: Meters
<b>N\$/NAD</b>	: Namibia Dollar
<b>SARB</b>	: South Africa Reserve Bank
<b>USD</b>	: United States Dollar
<b>y/y</b>	: year on year change
<b>ZAR</b>	: 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

- After setting in a mild negative price growth territory since June 2020, the Building Cost Index growth somewhat turned positive to 0.3 percent in March 2021(y/Y) albeit still exhibiting the absence of inflation in building materials.
- A 12-month trend review on price changes of building materials items indicates a broad-based steady prices trend, a sign attributed to be due to muted demand pressure for building materials.
- Cement prices remained subdued largely reflecting prevailing market forces conditions. Reduced government spending on capital projects compounded by weak private sector investment remains key factor on demand for cement amid elevated supply capacity.
- There are no major differences in the cost of building materials by town. However, slight differences are noted with Swakopmund and Ondangwa offering cheapest building materials.
- Serviced land price remain cheaper in Keetmanshoop while in Windhoek's middle income suburb (Khomasdal, Rocky credit, Dorado park), the same area of serviced land sells at a price 11 times higher than it could cost in Keetmanshoop.
- All things constant, a time series analysis confirms that the trend in building materials explains the trend in house prices.
- Over the course of 2020 household continued to take up debt despite the decline in disposal incomes. The rate of household debt accumulation amid elevated job losses and deteriorating incomes suggests households partly sought credit to cover for lost incomes.
- Housing related budgetary allocations remain low to make a dent to the high housing backlog estimated at 300 000, amid low private sector investment appetite to develop informal settlements. Considering its steady yearly growth, narrowing the current housing gap trend remains a mammoth task even in the case of current policy targets.
- Despite that NPL ratio has stabilised albeit still above the crisis alarm level, interpreting the number should be treated with caution as the print is compounded by payment holidays which would in any situation underestimate the prevailing credit risk of the loan book. As banks phases out payment holiday offers, NPLs could edge up reflecting the prevailing environment.

### Outlook

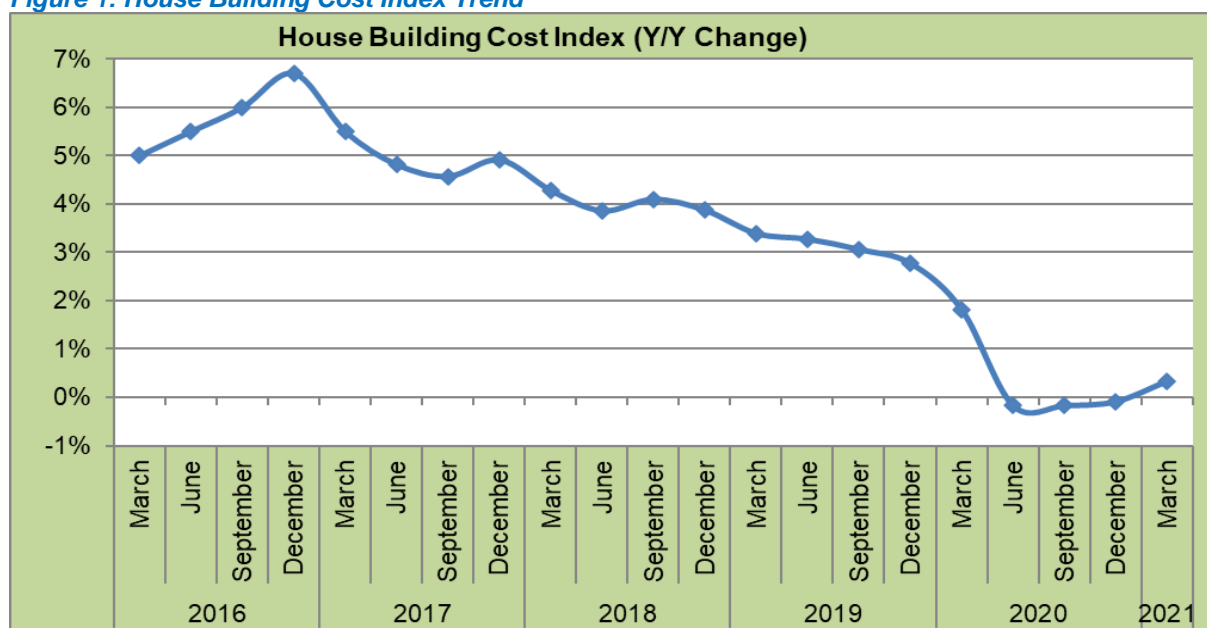
- In line with the general CPI trend developments, the Building Cost index is expected to drift up in the second and third quarter readings largely reflecting the low base effect due to low prices experienced a year ago before stabilising thereafter.
- Interest rates are expected to remain at current low levels for the course of 2021 to allow a longer trend of data points to rule out the transitory factor in inflation numbers before hiking rates seen to start in 2022.
- Going forward household debt is likely to continue mounting further in 2021 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.
- In the absence of demand pressures amid the low levels of investments by both private sector and government prices of key building materials like cement will remain depressed.
- Furthermore, the net effect of a strong domestic currency outlook, low commodity prices and transport cost (induced by low oil price) will be the downside factor for building materials prices.

## 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. After setting in a mild negative price growth territory since June 2020, the index growth somewhat turned positive to 0.3 percent in March 2021(y/Y) albeit still exhibiting the absence of inflation in building materials. Subdued cement and brick prices inflation continued to weigh in on the trend of the building materials price index. A 12-month trend review on price changes of building materials items indicates a broad-based steady prices trend, a sign this research interprets to be due to muted demand pressures for building materials.

**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 0.3 percent in March 2021(Y/Y). After nearly half a decade long freefall trend of cement prices, the recent 12-month data suggests the setting in of a somewhat lacklustre positive price growth which could persist for the rest of the year given the absence of demand push factors of cement. Government's capital project spending remains a key factor in the demand for cement given their high cement consumption intensity. The recently tabled 2021/22 budgeted 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 0.4 percent up in March 2021 compared to March 2020. The trend of brick prices continues to track that of cement, sand and transportation costs which are key components in the value chain of bricks. Among the material inputs for super bricks, sand prices went up by 3.6 percent, while cement prices remained steady with a marginal growth of 0.3 percent. The average fuel cost a proxy indicator of transport inflation still remains low year on year even after the March 2021 increase of 80 cents a liter. Equally so, transport services inflation from the NCPI also remains in negative territory. Throughout the year 2021, we do not expect major price shocks of bricks, broadly in line with the price outlook on input materials compounded by weak demand albeit recent increases in the price of fuel.

**Sand:** The price of sand increased by 3.6 and 3.3 percent (Year on Year) for building and plastering sand respectively in March 2021 (y/y). The March 2021 sand price inflation further extended the normalisation of sand price inflation from the 2019 record highs peaking at 45 percent in the first quarter of 2019 when the enforcement of sand mining regulations triggered supply chain disruptions. The subsequent stabilisation of sand prices further indicates that the effect of the regulation enforcement on sand mining was short-lived and the price growth trajectory is now set to its long-run trend. However, the current environmental enforcement measures pushing sand mining activities further away from end-user supply points mean transport cost is now key factor in 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 March 2021 the prices of electrical goods were 1.2 percent higher compared to March 2020. Given that Namibia imports most of electrical building materials, the local exchange rate will be key to the price outlook. Furthermore, international prices of base metals which are production inputs for most electrical building materials will equally influence the outlook on prices of finished electrical building materials. After a weak start in January 2021, the Namibian dollar staged a bit comeback in February through to March 2021 against a basket of major currencies with the real effective exchange rate index tracking a similar trend. Commodity prices continue to rise on account of firming demand from the economic recovery underway in advanced economies most notably in China and the USA. Going forward, the local currency is premised to benefit from the rise in commodity prices and the impact of negative real interest rates in advanced economies on respective currencies. In 2021, we expect domestic prices of electrical building materials to steadily rise amid risks tilted to the upside.

For detailed building material prices and annual changes, refer to *table 1* below. Overall, prices of building materials were 0.2 percent lower in June 2020 compared to June 2019.



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

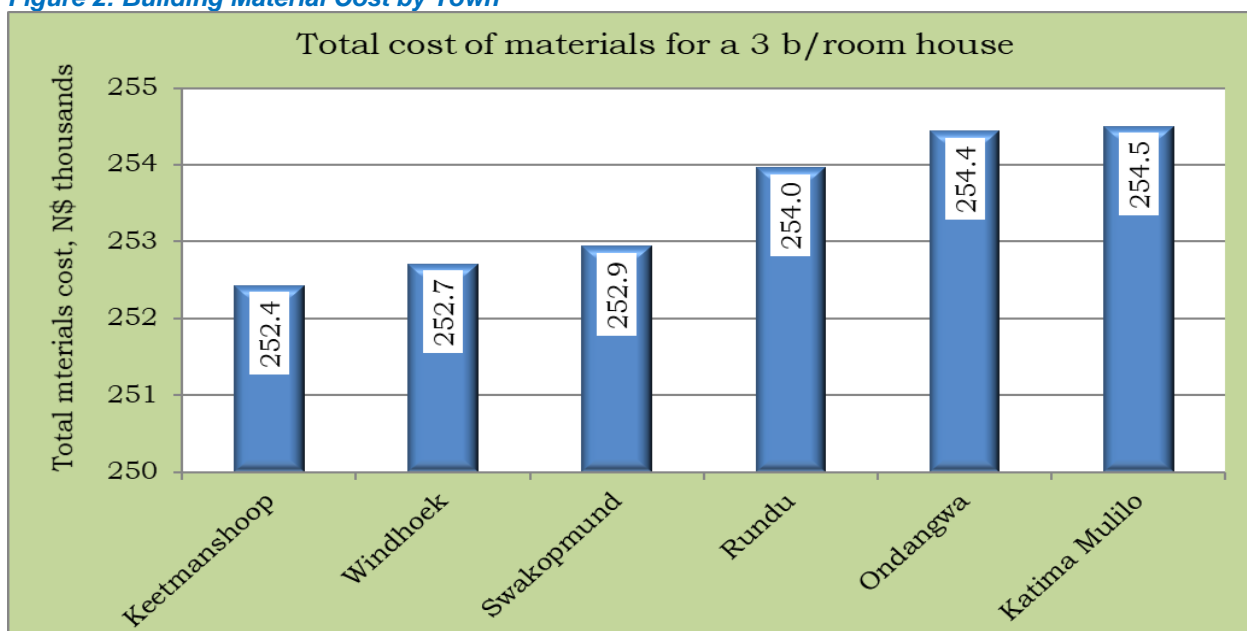
NO	ITEM	Total Quantity Required	Unit Price, N\$	Mar 2021, Bill of Quantity, N\$
1	<b>Brick work Materials( Foundation &amp; Structure)</b>			<b>98,376</b>
	Super Bricks 7mpa	14,239	3.20	45,565
	Cement 42.5 (50KG)	134	103.75	13,903
	Cement 32.5 (50KG)	130	98.50	12,805
	Building Sand (10 Cubic meters)	4	2,290.00	9,160
	Plastering Sand (10 Cubic meters)	2	2,139.99	4,280
	Concrete stones 19mm (10 Cubic meters)	2	2,235.40	4,471
	Brick force (150*15*9") Rolls	30	18.25	548
	Brick force (75*15*4.5") Rolls	10	18.80	188
	Damp Proof Course,DPC (225mm*40m*250µm) Rolls	2	117.50	235
	Damp Proof Course,DPC (110mm*40m*250µm) Rolls	2	50.99	102
	Ant Poisoning, Astor Termite Control (5 L)	1	1,620.00	1,620
	Others			5,500
2	<b>Roof &amp; Ceiling materials</b>			<b>30,729</b>
	IBR Galvanised Roofing Sheet Z275 (0.47mm*4.5m)	28	359.00	10,052
	Galvanised Fascia	1	122.80	123
	Rafters, Timbers(38mm*114mm*6.6m)	28	153.45	4,297
	Purlin, Timber(50mm*76mm*6.6m)	20	145.00	2,900
	Rhinoboard Ceiling (6.4*2,700*1,200mm)	20	155.20	3,104
	Branding (38mm*50mm*6.6m)	60	64.50	3,870
	Cornice (75mm*3m)	20	40.30	806
	Rain water Goods: Galvanized Gutters	4	255.00	1,020
	Down Pipes	4	164.50	658
	Others (Roofing Screws, Binders e.t.c.)			3,900
3	<b>Doors &amp; Windows materials</b>			<b>14,536</b>
	Outside Doors (Wooden Pinedouble Weather board)	2	999.00	1,998
	Inside Doors (Wooden medium Consult)	4	439.00	1,756
	Outside Door Frames (813mm*2,032mm*230mm*1mm)	2	500.50	1,001
	Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	4	255.20	1,021
	Outside Steel Buglar Doors	2	639.95	1,280
	Steel Window Frames ND11w1800xh1500 (Sitting room)	1	667.00	667
	Steel Window Frames ND4w1500xh1200 (Bedrooms)	3	248.99	747
	Steel Window Frames NE2w1200xh600 (Bathroom)	1	257.90	258
	Steel Window Frames NC1 w900xh900 (Kitchen)	1	258.00	258
	Windows			2,650
	Others (Concrete Lintels, Curtain Rails, Window buglars, Door handle sets e.t.c)			2,900
4	<b>Plumbing materials</b>			<b>9,074</b>
	Kitchen Sink (1200mm*480mm drop in)	1	945.00	945
	Basin waste Union (1.25*32mm)	2	362.90	726
	Kitchen Tap set	1	505.50	506
	Basin white flair (470mm)	1	280.00	280
	Basin taps	2	290.00	580
	Shower components( Shower head, Arm, Trap & 2 Taps)		605.95	606
	Toilet set (765mm)	1	965.00	965
	Sewer pipes set			1,297
	Copper pipes set			770
	Others			2,400
	<b>BIC</b>			<b>21,600</b>
	Buid in cupboards Kitchen	1		6,500
	Buid in cupboards *3 Bedrooms			11,900
	Other			3,200
5	<b>Electrical materials</b>			<b>13,247</b>
	Electrical Cables			5,030
	Light Switch(X2 Double & X4 Single Light Switch)			317
	Electrical Plug Sockets(X2 Double & X3 Single sockets)		462.95	463
	Light Bulbs & Lamps(X6 Bulbs & X6 Lamps)		352.50	353
	Distribution Board (DB), 12 Mode Flush	1	254.75	255
	PVC Pipes			3,890
	Others			2,940
6	<b>Tilling materials</b>			<b>21,988</b>
	Floor tiles, Ivory Nano 2nd Grade (600*600mm)	50	204.90	10,245
	Wall tiles, Mosaic Matt (48*48mm)	60	103.35	6,201
	Tile Adhesive [glue],(20kg)	30	53.15	1,595
	Tile Grout (20Kg)	3	209.25	628
	Others			3,320
7	<b>Painting materials</b>			<b>11,105</b>
	Primer Paint (20L)	3	603.00	1,809
	Colour Coat Paint (20L) [Creame colour for Interior]	3	1,265.99	3,798
	Colour Coat Paint (20L) [Desert tan colour for Exterior]	2	1,298.80	2,598
	Other materials			2,900
8	<b>Fencing materials</b>			<b>16,037</b>
	Diamond Mash Wire Fence rolls (1.8m high & 25m Long)	15	719.90	10,799
	Econo Gate, 1 Piece (1.8m high & 1m wide)	1	693.50	694
	Econo Gate, 2 Piece (1.8m high & 3m wide)	1	1,995.00	1,995
	Others			2,550
9	<b>Contigency materials</b>			<b>16,650</b>
	Nails, screws, e.t.c			16,650
<b>Total materials</b>				<b>253,342</b>

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 March 2021 prices recorded a combined average of N\$254,302 in Katima Mulilo, Ondangwa and Rundu while the same materials averaged N\$252,692 in Keetmanshoop, Windhoek and Swakopmund representing a variance of N\$ 1,610 in the cost of building materials within these two geographic locations. The total cost of building materials in Keetmanshoop is N\$2,069 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. For example, sand, stones, bricks and roofing material prices differ by town.

Figure 2: Building Material Cost by Town



Source: First Capital Research

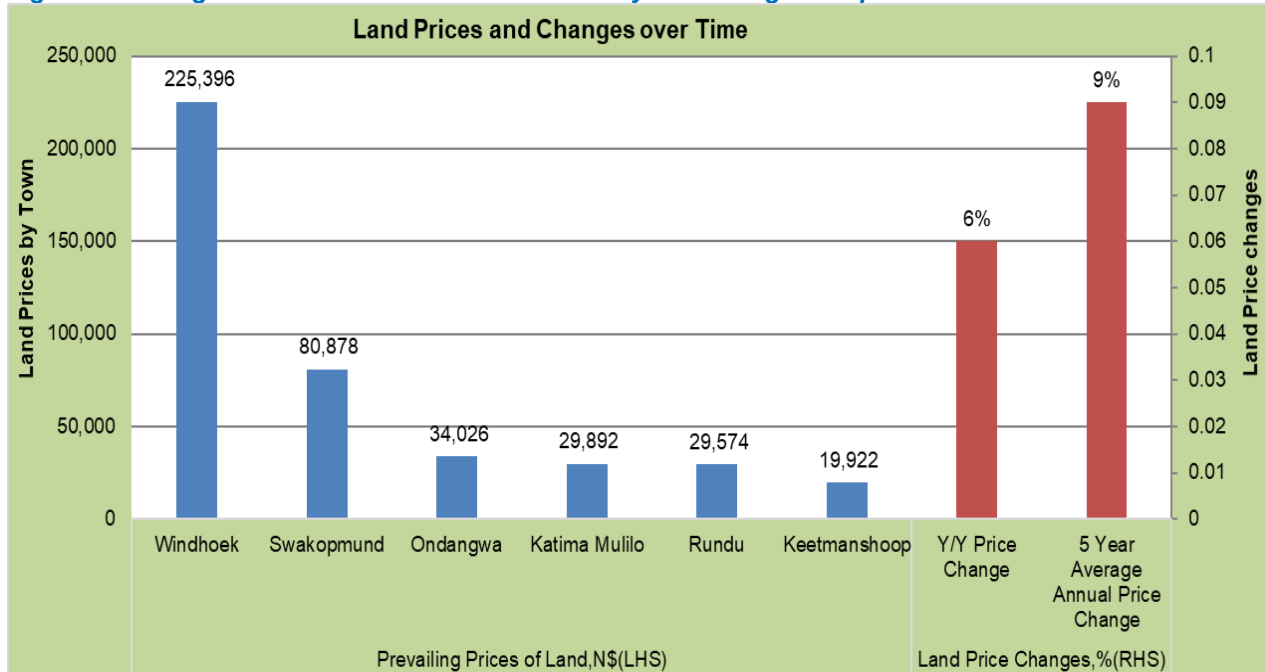
## 2.2. Cost of Land

### 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\$19,922 followed by Rundu costing N\$29,574. The same size of land would cost N\$225,396 in a middle-class location of Khomasdal in Windhoek making it the most expensive, followed by Swakopmund costing N\$80,878.

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

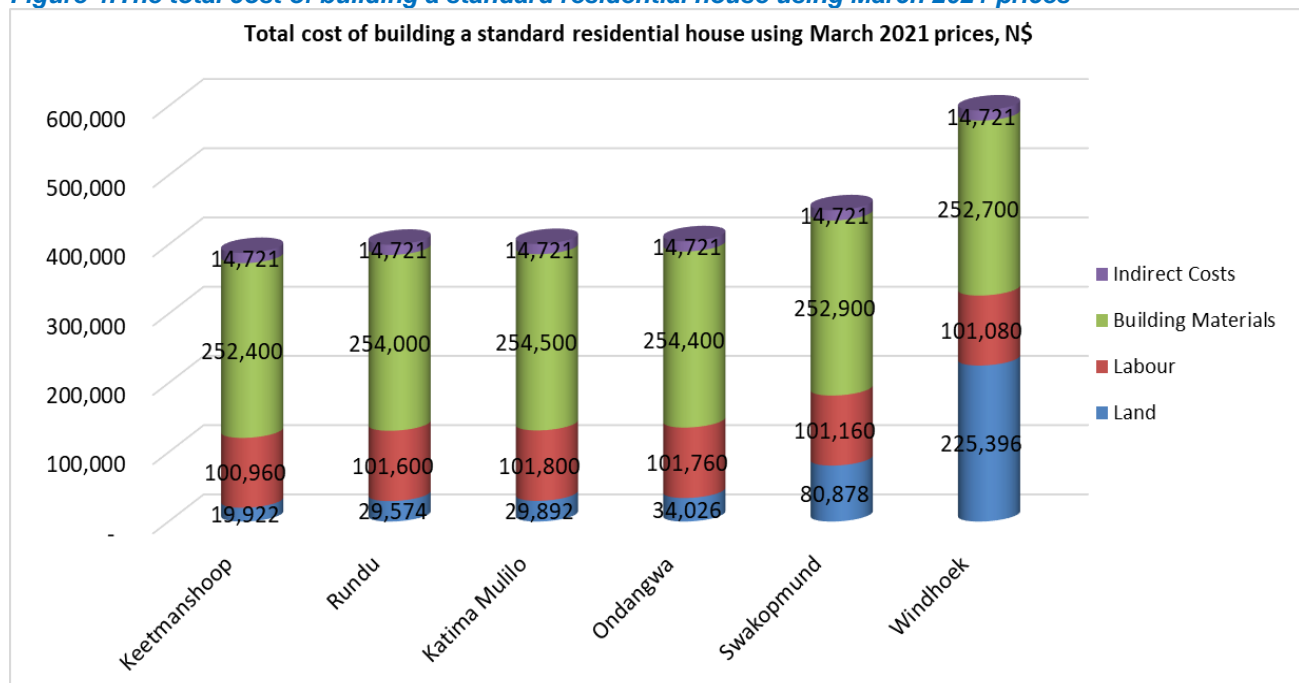
### 2.3. Labour Cost

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\$253,342 using March 2021 prices, labour is estimated to cost N\$101,336. 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 March 2021 prices, construction of a standard three-bedroom house will cost on average N\$593,897 in Windhoek, while in Keetmanshoop it will cost N\$388,003 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 March 2021 prices**

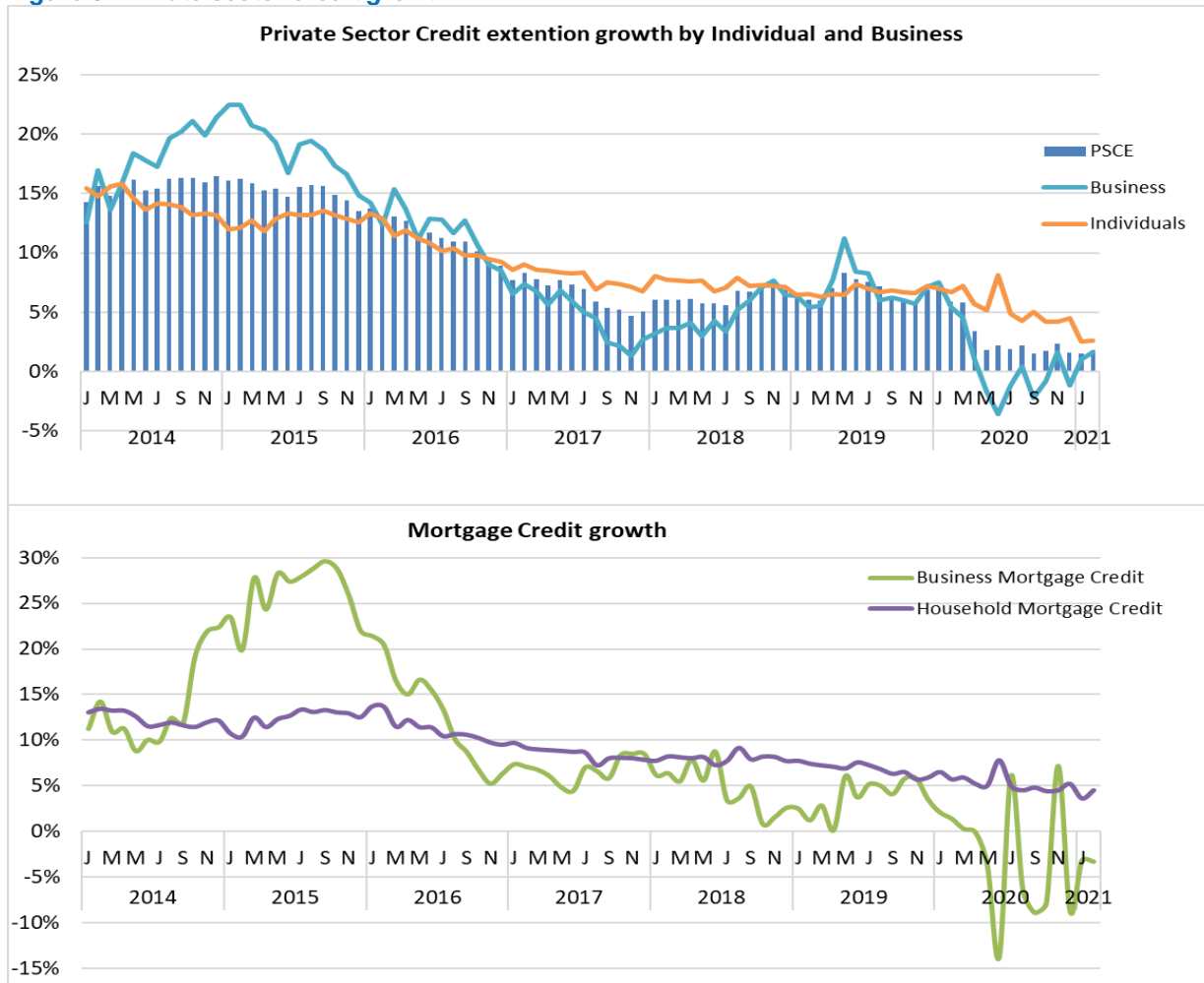


Source: First Capital Research

#### 4. MORTGAGE CREDIT ANALYSIS

After a Covid-19 induced sharp decline in April and May last year, the the growth of credit extended to private sector (both businesses and households) have since remained steady averaging 1.6 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 trend outcomes indicates that the effect of the pandemic still holds hence the historically low credit growth. However, despite this steady low growth in the headline credit to Private sector, business credit growth shows signs of recovering while that of households indicates a declining trend. Mortgage credit growth towards households remains resilient despite the declining trend of overall credit extended to this sector, suggesting that individuals continue to hold a view that this cycle presents a perfect opportunity for many to participate in the housing market as prices remain subdued.

Figure 5: Private sector credit growth



Source: BoN

## 5. MONETARY POLICY

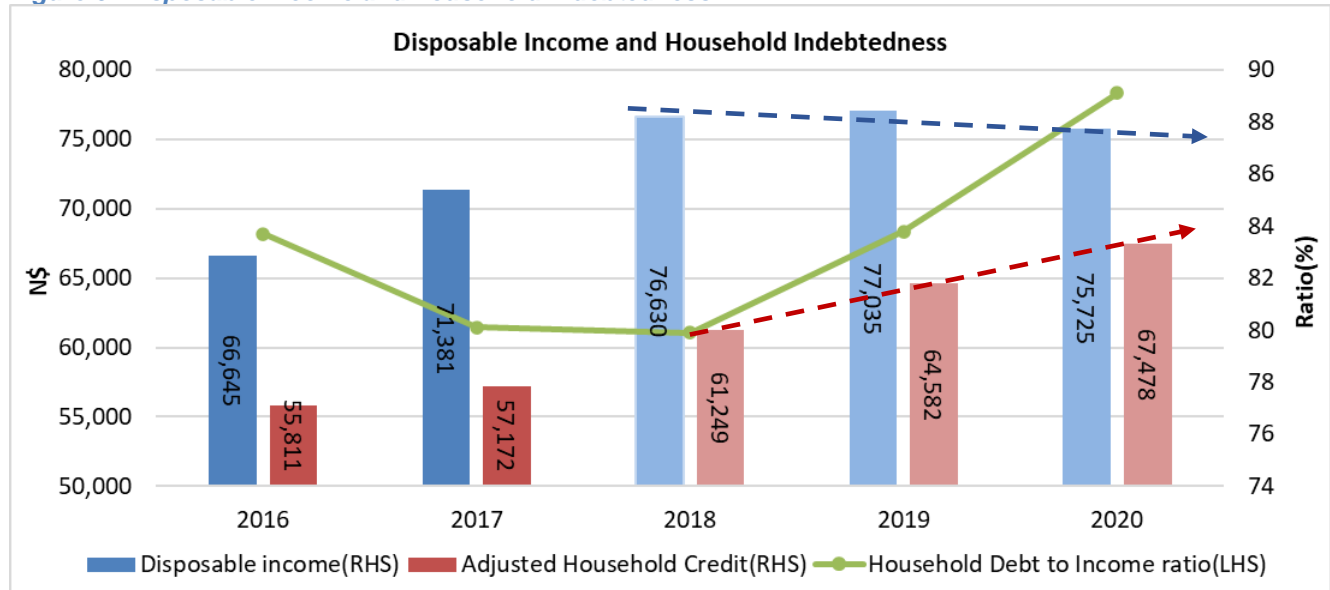
After successive policy rate cuts in 2020, to counter the impact of the pandemic, the scope of cutting further seems to have been reduced for a number of reasons. The end of a global synchronised monetary policy easing cycle have now become more pronounced with some countries hinting the possibility of tapering amid the build-up of economic recovery induced inflation pressures. Going forward, it is expected interest rates would remain at current low levels for the course of 2021 to allow a longer trend of data points to rule out the transitory factor in inflation numbers before hiking rates.

## 6. HOUSEHOLD INDEPTEDNESS

Household indebtedness has deteriorated further in 2020 as more debt was accumulated despite the decline in disposal incomes. The debt with households went up by 4.5 percent while disposal incomes declined by 1.7 percent. The rate of household debt accumulation amid elevated job losses and deteriorating incomes suggests households partly sought credit to cover for lost incomes. Going forward

household debt is likely to continue mounting further in 2021 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.

Figure 6: Disposable income and household indebtedness



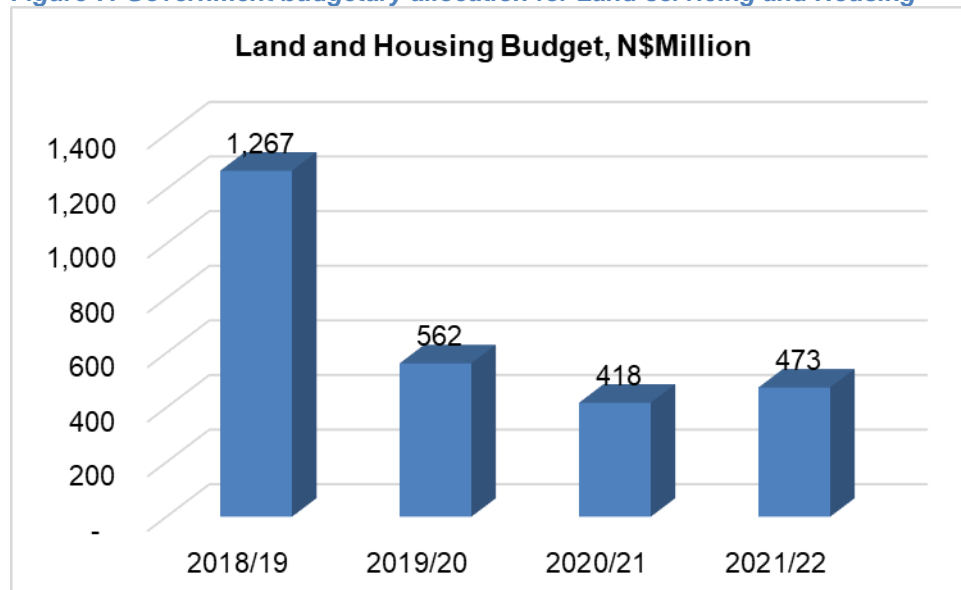
Source: BoN

## 7. RECENT DEVELOPMENTS AND THEIR IMPACT ON THE HOUSING MARKET

### National Budget 2021/22

Relative to previous years budgetary allocations for land servicing and housing remain low. The scope to increase public spending on housing remains limited partly due to pressure to increase social spending and rein in the spending ceiling. This is expected to undermine the effort to deliver on housing and urban land. Given the high housing backlog currently estimated at 300 000, the housing budgetary allocations remain low although useful to make a notable dent in the housing market but its impact could be undermined by low private sector investment appetite to develop informal settlements.

Figure 7: Government budgetary allocation for Land servicing and Housing



Source: MOF, NPC

### Credit extension for mortgage loans

The growth of credit extended for mortgage loans to businesses has broadly remained in negative territory albeit volatile since March 2020 with a -3.6 percent reading in March 2021. However, the growth of mortgage credit to individuals has somewhat remained stable during the same period indicating that they still demand for residential houses. Specifically, given the current housing market conditions it remains clear that households view this period as the best opportunity to get mortgage credit and buy a house.

### Mortgage Credit risk for Banks

Mortgage loan quality measured by Non-performing loan ratio of the stock of mortgage loans in the country deteriorated further breaching the crisis rate of 6 percent. Despite that this ratio has stabilised in the last half of 2020, 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, NPLs could 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 suggests stable prices throughout 2021. Stable cost of inputs is expected to transmit through lower producer prices to retail prices in building materials. Equally so, we hold a view that there will be no price shock on electrical and metal building materials despite recent gains in commodity metal prices like Aluminium, Copper, Steel and Zinc which are key inputs to the manufacturing of electrical and metal building materials. Both IMF and World Bank projects metals commodity prices would stabilize after recent gains. Furthermore, futures commodity prices indicates that prices could still remain subdued in the medium term.

***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). Current projections rule out possibility of significant fuel price increase based on the projected weaker oil prices amid subdued global demand induced by the impact of Covid-19 pandemic.

***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. Most international forecasts projects a lackluster USD outlook which bodes well for local building material prices.

***Demand and Supply trends:*** The construction sector's prolonged GDP contractions is an indication of the slowdown in demand. Since domestic production of cement is linked to demand, the continuous declining trend of cement output since 2016 is a confirmation 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 throughout 2020.

## 9. CONCLUSION

Building material prices are expected to remain steady throughout the remainder of 2021 due to weak demand amid slow recovery. In the exception of sand prices, prices remain flat for most of the 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 for the remainder of the year. Mortgage credit to businesses have significantly declined over the past 12 months, however credit extended to individuals have remained resilient over the same period suggesting that households view this period as the best opportunity to get mortgage credit and buy houses.



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