First Capital
House Building Cost Index

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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.

Table of Contents

List of Figures

List of tables

Acronyms

bp	**:** Basis Points (1 percentage point=100 basis Points)
Cm	**:** Centimetres
CMA	**:** Common Monetary area
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
NSA	**:** Namibia Statistics Agency
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.

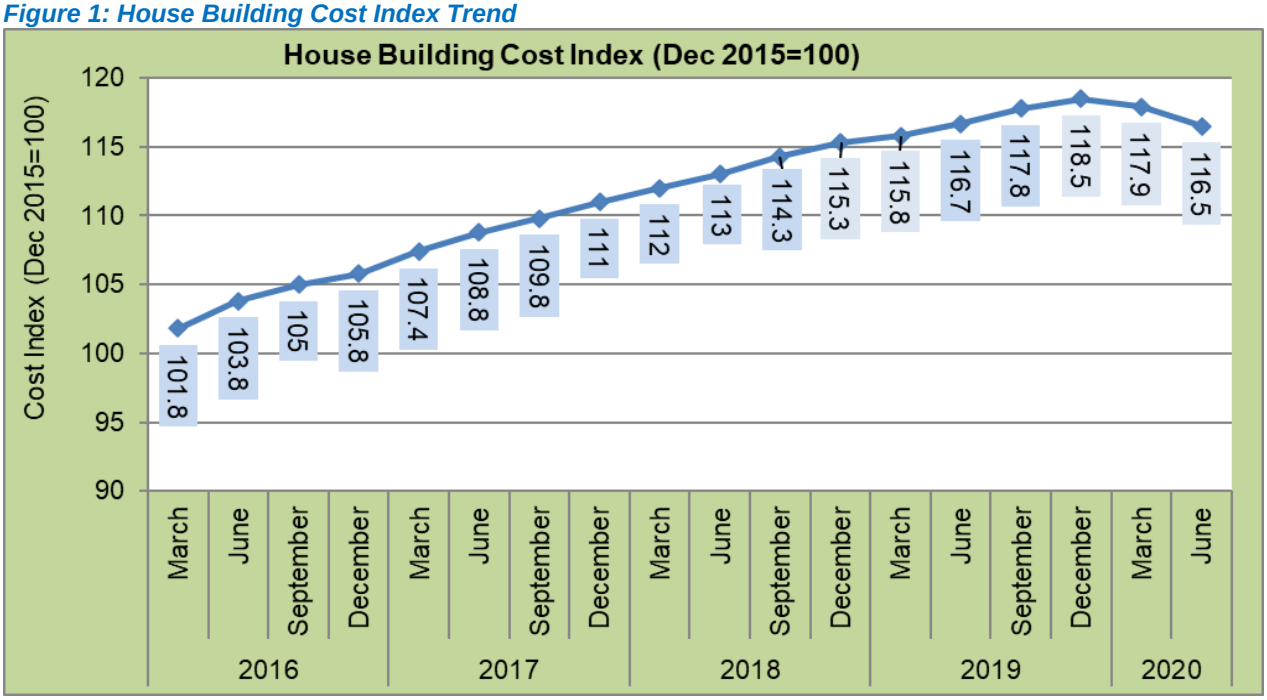
The land cost index is derived from the average unweighted prices of urban land. The standard area of land for price comparison in all towns is 375 square metres. For comparison, the town specific average price of land per square metre is multiplied by the land measuring 375 square metres to derive the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

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. For the first time in history of this publication, the annual change of the cost index slipped in negative territory, by broad definition a deflationary trend. The index fell slightly to 116.5 in June 2020 compared to 116.7 index print in June 2019, representing a marginal decline of 0.2 percent in the cost of building a house. This further marks the sixth consecutive slowdown in the growth of the price index. Items that posted deflationary price trends in June 2020 (y/y) have a combined weight of one-third percent on the cost of building materials for a standard house, amongst them are cement and bricks.

Figure 1: House Building Cost Index Trend



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: Both Semi (32.5) and high (42.5) strength cement recorded price declines of 1.8 and 2.2 percent respectively in June 2020 compared to June 2019. This marks a fourth year of supressed cement prices which was initially triggered-by the decline in demand due to the slowdown in construction activities amid the prolonged recessionary environment and in 2020 further compounded by the impact of Covid-19 pandemic. On the supply side, the total domestic production capacity of cement

remains elevated at 2.2 million tons per annum vs domestic demand at 600,000 tons of cement per annum. With the market that has high production capacity amid the prolonged weak demand, we hold a view that prices will remain depressed in the second half of 2020. Given the current limited space for government to increase its capital spending amid the increased need for social spending in the midst of the Covid-19 pandemic, as well as the declining trend of private sector investment, we hold the view that the construction industry demand will remain weak and prices could remain subdued in the medium term.

***Super bricks**:* Price of super bricks fell by 5 percent in June 2020 compared to June 2019 *(See table 1)*. The price of bricks is influenced largely by the price of cement, sand and transportation costs. Among the material inputs for super bricks, sand prices went up by 4 percent, while cement prices declined by 2 percent. The average fuel cost a proxy indicator of transport inflation was down by 24 percent(y/y). Throughout 2020, we do not expect major price shocks of bricks, broadly in line with the price outlook on input materials compounded by weak demand.

***Sand**:* The price of sand increased by 4.1 and 3.9 percent (Year on Year) for building and plastering sand respectively in June 2020 (y/y). The June 2020 sand price inflation confirms our January 2020 publication baseline projections that prices are stabilizing to their historical trend after the record inflation peak of 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 indicates that the effect of the regulation enforcement on sand mining was short-lived and the price growth trajectory is now returning to its long-run trend.

***Electrical goods**:* In June 2020 the prices of electrical goods were 1.4 percent higher compared to June 2019 *(See table 1)*. 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. At present, the upside risk due to weak exchange rate is largely offset by weak commodity price outlook as futures prices suggest that prices could further remain weak in the medium term on the backdrop of weak global demand in line with the subdued global growth prospects. Throughout 2020, we expect domestic prices of electrical building materials to remain stable, amid the balanced upside and downside risks to prices.

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

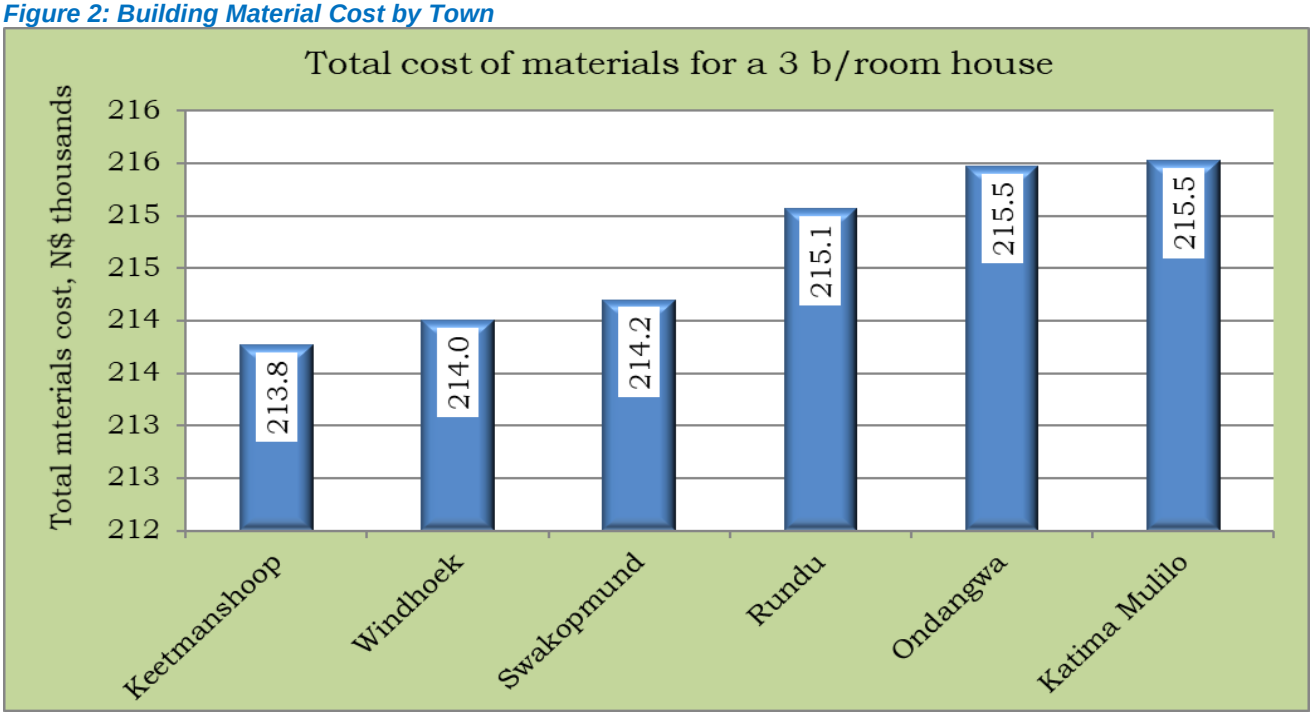
NO	ITEM	Total Quantity Required	Unit Price, N$	June 2019, Bill of Quantity,	June 2020, Bill of Quantity,	June 2020 y/y increase
1	***Brick work Materials(Foundation & Structure)***			***90,887***	***88,775***	***-2.3%***
	Super Bricks 7mpa	14,239	2.85	42,700	40,581	-5.0%
	Cement 42.5 (50KG)	134	99.91	13,690	13,388	-2.2%
	Cement 32.5 (50KG)	130	95.05	12,585	12,357	-1.8%
	Building Sand (10 Cubic meters)	4	2,205.00	8,475	8,820	4.1%
	Plastering Sand (10 Cubic meters)	2	2,125.21	4,090	4,250	3.9%
	Concrete stones 19mm (10 Cubic meters)	2	2,228.40	4,510	4,457	-1.2%
	Brick force (150*15*9") Rolls	30	18.10	524	543	3.6%
	Brick force (75*15*4.5") Rolls	10	18.56	180	186	3.1%
	Damp Proof Course,DPC (225mm*40m*250µm) Rolls	2	116.35	228	233	2.1%
	Damp Proof Course,DPC (110mm*40m*250µm) Rolls	2	50.85	99	102	2.7%
	Ant Poisoning, Astor Termite Control (5 L)	1	1,600.00	1,566	1,600	2.2%
	Others			2,240	2,259	0.8%
2	***Roof & Ceiling materials***			***28,060***	***28,563***	***1.8%***
	IBR Galvanised Roofing Sheet Z275 (0.47mm*4.5m)	28	357.00	9,743	9,996	2.6%
	Galvanised Fascia	1	122.82	121	123	1.9%
	Rafters, Timbers(38mm*114mm*6.6m)	28	153.40	4,267	4,295	0.7%
	Purlin, Timber(50mm*76mm*6.6m)	20	143.50	2,865	2,870	0.2%
	Rhinoboard Ceiling (6.4*2,700*1,200mm)	20	154.20	3,026	3,084	1.9%
	Brandering (38mm*50mm*6.6m)	60	64.00	3,772	3,840	1.8%
	Cornice (75mm*3m)	20	40.33	803	807	0.5%
	Rain water Goods: Galvanized Gutters	4	255.00	990	1,020	3.0%
	Down Pipes	4	163.00	636	652	2.6%
	Others (Roofing Screws, Binders e.t.c.)			1,837	1,876	2.1%
3	***Doors & Windows materials***			***13,653***	***13,860***	***1.5%***
	Outside Doors (Wooden Pinedouble Weather board)	2	999.20	1,961	1,998	1.9%
	Inside Doors (Wooden medium Consult)	4	435.15	1,702	1,741	2.3%
	Outside Door Frames (813mm*2,032mm*230mm*1mm)	2	499.00	980	998	1.8%
	Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	4	254.25	1,000	1,017	1.7%
	Outside Steel Buglar Doors	2	639.99	1,253	1,280	2.2%
	Steel Window Frames ND11w1800xh1500 (Sitting room)	1	665.90	651	666	2.3%
	Steel Window Frames ND4w1500xh1200 (Bedrooms)	3	248.75	741	746	0.8%
	Steel Window Frames NE2w1200xh600 (Bathroom)	1	257.50	251	258	2.6%
	Steel Window Frames NC1 w900xh900 (Kitchen)	1	258.10	256	258	0.9%
	Windows			2,475	2,499	1.0%
	Others (Concrete Lintels, Curtain Rails, Window buglars, Door handle sets e.t.c)			2,385	2,399	0.6%
4	***Plumbing materials***			***8,975***	***9,057***	***0.9%***
	Kitchen Sink (1200mm*480mm drop in)	1	918.50	901	919	1.9%
	Basin waste Union (1.25*32mm)	2	362.99	717	726	1.2%
	Kitchen Tap set	1	504.99	501	505	0.8%
	Basin white flair (470mm)	1	279.00	273	279	2.2%
	Basin taps	2	288.24	569	576	1.3%
	Shower components(Shower head, Arm, Trap & 2 Taps)		605.88	597	606	1.5%
	Toilet set (765mm)	1	960.01	947	960	1.4%
	Sewer pipes set			1,286	1,295	0.7%
	Copper pipes set			768	771	0.3%
	Others			2,415	2,420	0.2%
5	***Electrical materials***			***12,103***	***12,269***	***1.4%***
	Electrical Cables			4,924	5,001	1.6%
	Light Switch(X2 Double & X4 Single Light Switch)			309	316	2.2%
	Electrical Plug Sockets(X2 Double & X3 Single sockets)		460.00	455	460	1.0%
	Light Bulbs & Lamps(X6 Bulbs & X6 Lamps)		350.50	340	351	3.1%
	Distribution Board (DB), 12 Mode Flush	1	253.90	251	254	1.2%
	PVC Pipes			3,752	3,788	1.0%
	Others			2,072	2,099	1.3%
6	***Tilling materials***			***19,900***	***20,196***	***1.5%***
	Floor tiles, Ivory Nano 2nd Grade (600*600mm)	50	201.50	9,939	10,075	1.4%
	Wall tiles, Mosaic Matt (48*48mm)	60	102.90	6,062	6,174	1.8%
	Tile Adhesive [glue],(20kg)	30	52.99	1,580	1,590	0.6%
	Tile Grout (20Kg)	3	209.00	609	627	3.0%
	Others			1,709	1,730	1.2%
7	***Painting materials***			***10,218***	***10,419***	***2.0%***
	Primer Paint (20L)	3	599.00	1,744	1,797	3.0%
	Colour Coat Paint (20L) [Creame colour for Interior]	3	1,265.20	3,743	3,796	1.4%
	Colour Coat Paint (20L) [Desert tan colour for Exterior]	2	1,298.40	2,561	2,597	1.4%
	Other materials			2,170	2,230	2.7%
8	***Fencing materials***			***14,275***	***14,402***	***0.9%***
	Diamond Mash Wire Fence rolls (1.8m high & 25m Long)	15	715.86	10,661	10,738	0.7%
	Econo Gate, 1 Piece (1.8m high & 1m wide)	1	685.00	676	685	1.3%
	Econo Gate, 2 Piece (1.8m high & 3m wide)	1	1,895.00	1,879	1,895	0.9%
	Others			1,060	1,084	2.3%
9	***Contigency materials***			***16,470***	***16,650***	***1.1%***
	Nails, screws, e.t.c			16,470	16,650	1.1%
Total materials				**214,542**	**214,190**	***-0.2%***

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 June 2020 prices recorded a combined average of N$215,355 in Katima Mulilo, Ondangwa and Rundu while the same materials averaged N$213,992 in Keetmanshoop, Windhoek and Swakopmund representing a variance of N$ 1,363 in the cost of building materials within these two geographic locations. The total cost of building materials in Keetmanshoop is N$1,753 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



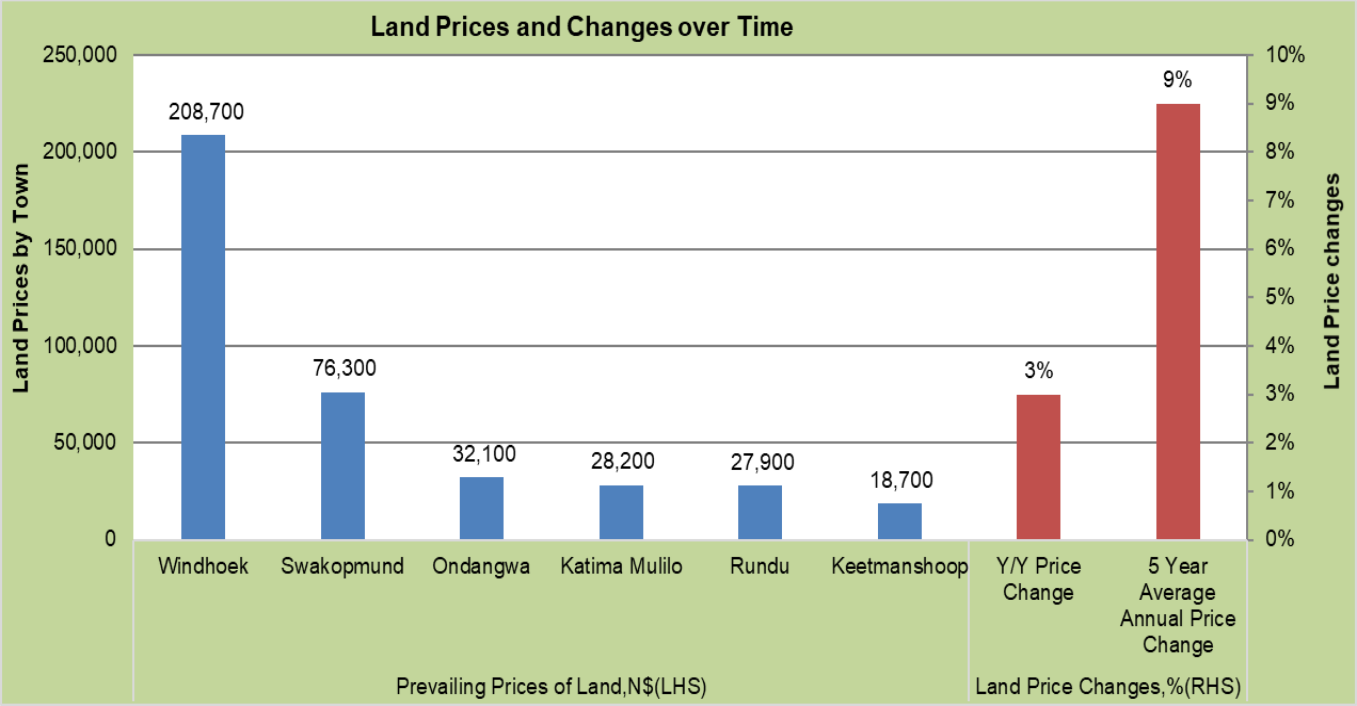
2.2. Cost of Land

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$18,700 followed by Rundu costing N$27,900. The same size of land would cost N$208,700 in a middle-class location of Khomasdal in Windhoek making it the most expensive, followed by Swakopmund costing N$76,300.

Though average growth of land prices have declined from the 5-year average of 9 percent to 3 perecent Year-to-date, land still remains axobinantly eleveted 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

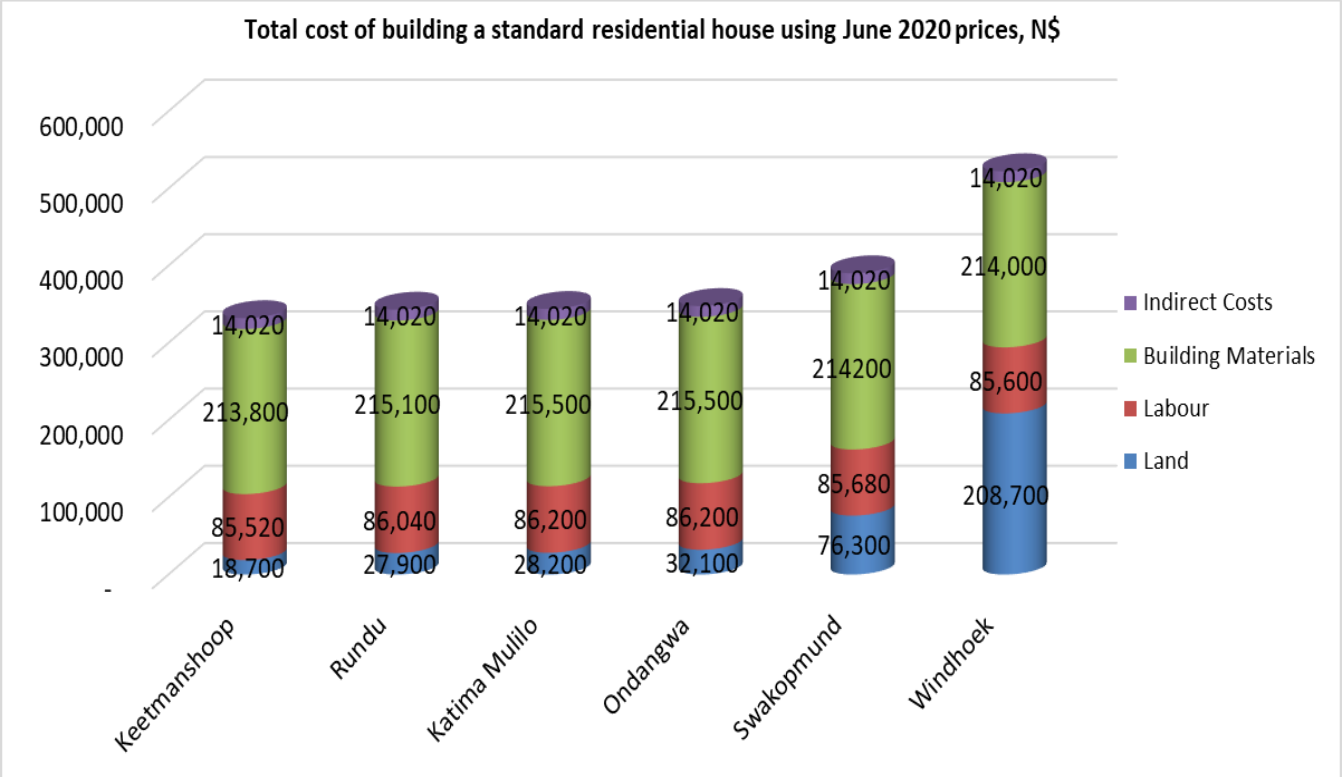
2.3. Labour Cost

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$214,190 using June 2020 prices, labour is estimated to cost N$85,676. 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 June 2020 prices, construction of a standard three-bedroom house will cost on average N$522,320 in Windhoek, while in Keetmanshoop it will cost N$332,040 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 6 percent of total cost in Keetmanshoop while in Windhoek it accounts for 40 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 2019 prices



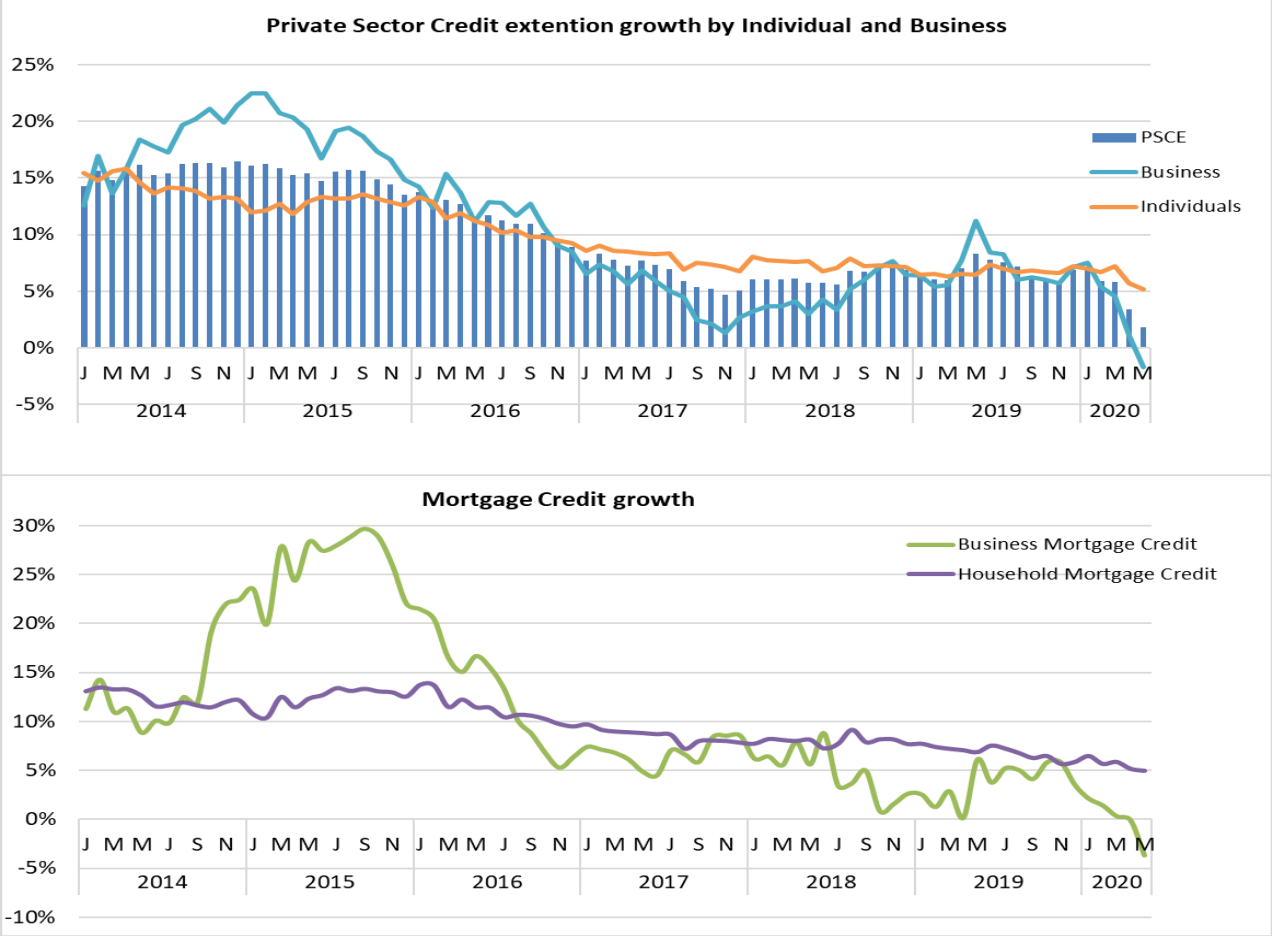
Source: First Capital Research

4. MORTGAGE CREDIT ANALYSIS

The growth of credit extended to private sector (both businesses and households) has recorded a continuous declining trend in the first five months of 2020. however, the declining trend in credit growth extended to business turns out to be steeper relative to that of households. Equally so, even with mortgage credit, it shows that business mortgage credit growth has fallen sharply than that of household mortgage credit. Despite the low interest rate environment, this trend suggests that businesses remain cautious in taking up loans amid uncertainty surrounding the economic trajectory

compounded further by Covid-19 pandemic uncertainty. However, the resilience of mortgage credit extended to households during this recessionary cycle suggest that this period is viewed a perfect opportunity for many to participate in the housing market as prices slows.

Figure 5: Headline Credit growth and Mortgage Credit growth



5. MONETARY POLICY

As expected BoN's MPC announced a series of rate cut decisions to support economic activities amid the worst Covid-19 induced global recession in history. This did not come as surprise given the recent prevailing trend of global policy easing, moderating domestic inflation trending at historical low levels (2.1 % in June 2020) with a clear absence of demand pressures on prices and the need to support economic activities. Cumulatively the repo rate was reduced from the June 2019 level of 6.75 to 4 percent in June 2020. By extension, the mortgage lending rate equally reduced from 11.50 percent in June 2019 to 8.75 percent in June 2020. At this rate interest rate remains lowest in history.

What a rate cut mean for mortgage instalments: Cumulatively the rate cuts over the last twelve months, between June 2019 and June 2020 reduces mortgage instalments by 17.1 percent. Instalment will significantly move for consumers with high debt repayment. The table below provide scenarios of savings to be realized on servicing cost for mortgage loans. A mortgage loan with a N$500,000 principle amount will save 17.1 percent or N$914 compared to a year ago. With a higher loan of N$1.1 million households will save N$2,010 in instalments while on a N$2.5 million loan, N$4,568 will be saved.

Table 2: Mortgage Instalments changes due to Interest Rate cuts

Mortgage Loan with the term of 240 months @ Mortgage Lending Rate			
Principle Amount	**Installment in June 2019**	**Current Installment (June 2020)**	**Net Installment change**
N$500,000	N$5,332	N$4,419	↓17.1% (N$914)
N$1,100,000	N$11,731	N$9,721	↓17.1% (N$2,010)
N$2,500,000	N$26,661	N$22,093	↓17.1% (N$4,568)

Source: First Capital Research

Savers will not be losing as is traditionally viewed when interest rates are very low, as is the case at present. Inflation remain lower and the limited signs of demand pressures would mean that inflation will remain at these low levels in the short to medium term thereby still enabling savers to realize positive real returns.

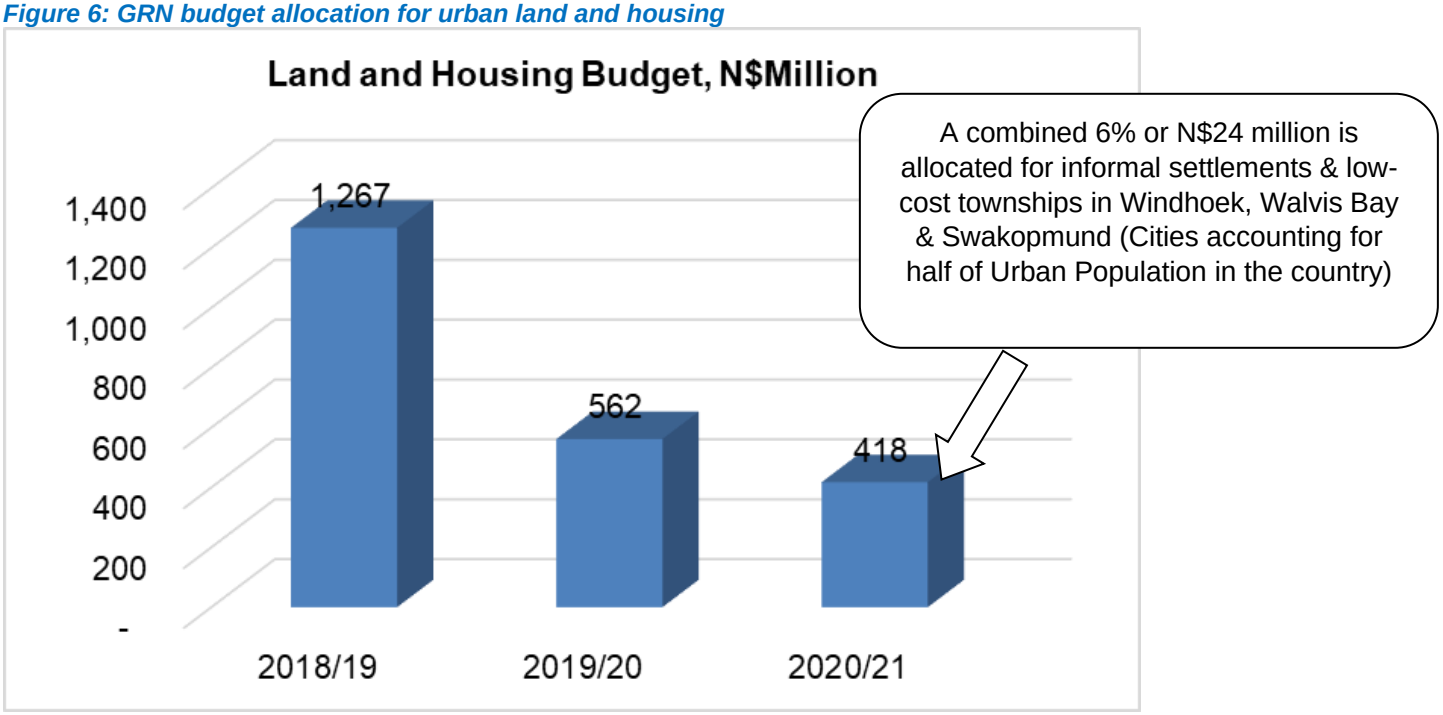
Interest rate outlook: Recent trends in monetary policy direction suggests that this global easing circle could be nearing its end. Given the recent experience of synchronized policy directions across global central banks, it gets likely that domestic interest rates could trough at these low levels as policy directions balances the costs and benefits of further reducing interest rate on various economic players.

6. RECENT DEVELOPMENTS AND THEIR IMPACT ON THE HOUSING MARKET

Nation Budget 2020/21

the government budget allocation to service land for low income settlements has declined significantly from N$1.3 billion in 2018/19 to N$418 million in the current financial year (2020/21). Of the N$418 million allocated for urban land servicing country wide, a combined 6 percent or N$24 Million was allocated to cater land servicing in three of the country's major towns (Windhoek, Walvis Bay and Swakopmund which accounts for half of the urban population in the country). Specifically, Windhoek will receive N$10 Million while the costal towns, Walvis Bay and Swakopmund will both have N$7 million. Given the high housing backlogs these towns grapples with, these budgetary allocations remain low to make a dent in the housing market amid low private sector investment appetite to develop informal settlements.

Figure 6: GRN budget allocation for urban land and housing



Source: MoF

Joint government stakeholders project to upgrade informal settlement structures

Government has initiated a joint 2-year pilot project between the MURD, City of Windhoek, NHE and Khomas regional Council estimated to cost N$139 million for 1,200 housing units for ultra-low-income earners. At current housing backlog estimated in the range of 100,000 in Windhoek, rising at a rate of 3.5 percent per annum, this project would rarely make a dent in its pilot phase unless scaled up beyond the pilot phase. Put differently, at a rate of 1,200 houses for two years the housing backlog will continue to rise albeit at a slightly reduced rate of 3 percent from 3.5 percent without the project intervention.

Credit extension for mortgage loans

The growth of credit extended for mortgage loans to businesses has been steadily declining dropping from 4 percent in December 2019 to -4 percent in May 2020. However, the growth of mortgage credit to individuals has somewhat stabilized 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 ration of the stock of mortgage loans in the country has deteriorated further. The Bank of Namibia's Quarterly bulletin reported that this ratio averaged 5.2 percent in Q1 of 2020 relative to 3.8 percent in the corresponding quarter of 2019.

7. 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 2020. 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 based on the outlook of a prolonged slow recovery 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 an outlook of slow recovery on metals commodity prices. 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 low 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. On the 30th June 2020, the NAD was 19 percent weaker against the USD compared to the exchange rate a year ago. Most international forecasts suggest a stronger USD outlook which poses upside risks on 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.

8. CONCLUSION

Building material prices are expected to remain muted throughout in the second half of 2020 due to weak demand induced by the impact of Covid-19 pandemic. In the exception of sand prices, there appears to be a broad-based slowdown in prices for most of the building materials. Notably cement and bricks remain deflationary territory. Given the dismal economic outlook amid the Covid-19 induced recession, 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 Windhoek and coastal parts of the country. The cumulative effect of recent monetary policy rate cuts over the past twelve months which resulted in mortgage lending rate falling from 11.50 percent in June 2019 to a record low of 8.75 percent in June 2020 will relief household instalments by 17.1 percent (Y/Y). Mortgage credit to businesses have significantly declined over the past 6 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 a house.

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