



# First Capital Building Cost Index

June 2023

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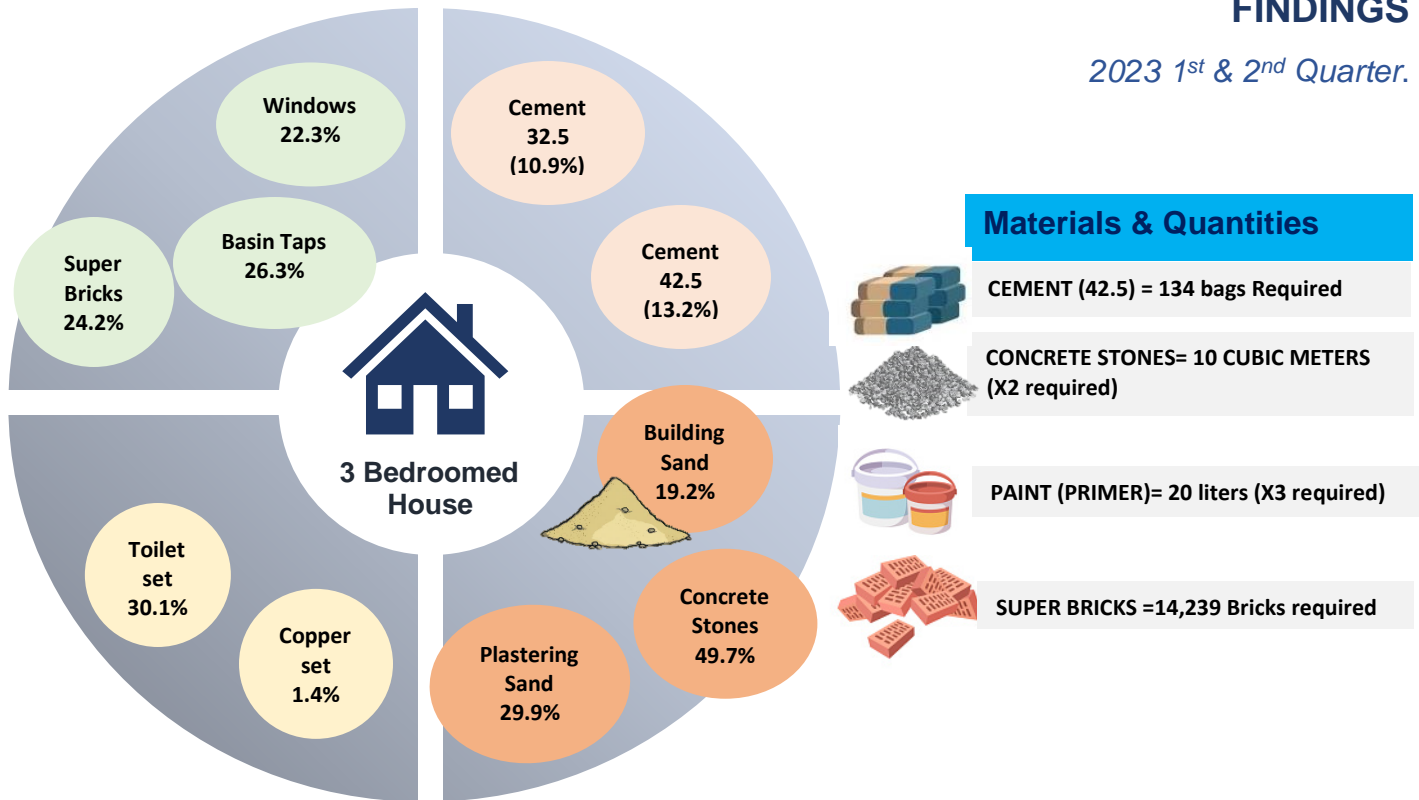


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NAMIBIA

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# BUILDING COST REPORT MAIN FINDINGS

2023 1<sup>st</sup> & 2<sup>nd</sup> Quarter.



## SUMMARY AND OUTLOOK FOR BUILDING MATERIALS

- The First Capital Building Cost Index reached 135 in June 2023, a marked increase from the previous year's index of 131 during the same month. This trend reflects a 3% increase in building costs during the second quarter of 2023 compared to the same period in 2022.
- Among construction materials, those for doors and windows experienced the most significant annual surge of 39%. Paint supplies followed at 17%, while roofing and ceiling materials and brickwork supplies each rose by 22% and 21% respectively. Foundation and structural components also increased by 21% over the year. Plumbing supplies saw a smaller increase of 6%, while electrical and tiling materials rose by 8% and 18%, respectively.
- The inflationary pressures that have been accumulating since the first quarter of 2022 are primarily attributed to the depreciation of the Namibian dollar against major trading currencies, coupled with high energy prices.

## AVERAGE PRICE OF MATERIALS 1st QUARTER OF 2023

CEMENT N\$116.80

SAND N\$3,099.10

GRAVEL N\$ 3,900.50

BRICK N\$ 4.00

TILES N\$ 299.50

PAINT N\$ 1,403.21

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## About Us

First Capital Namibia is a premier financial services company specializing in treasury and asset (investment) management services. Founded in August 2009, we are deeply rooted in the Namibian capital market and offer an extensive understanding of its landscape. This in-depth knowledge allows us to expertly manage Namibian assets across various spectrums including cash management, equity, fixed income, specialist mortgage, and property mandates. Our wide range of clientele includes private investors, pension funds, public (government) sector entities, and charities. We pride ourselves on offering personalized financial solutions designed to meet the diverse needs of our clients.

As a financial institution, our operations are stringently regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA), ensuring our credibility as competent asset managers. Our team, based entirely in Namibia, exclusively focuses on the Namibian market, enabling us to add significant value to portfolios through our specialized Namibian mandates. At First Capital Namibia, we strive to provide exceptional financial services that drive sustainable growth and prosperity for our clients.

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## Note to the Reader

This biannual report offers an in-depth analysis of the trends in building materials prices and the impact of these changes on the cost of constructing a house in Namibia. By leveraging current information and leading indicators, we provide our perspective on the likely cost scenarios in the short to medium term. We believe that this publication will offer valuable insights to policymakers, contractors, mortgage lenders, investors, and citizens.

## Methodology

The analysis in this report covers building cost estimations over time, including the cost of building materials, labor, and urban land price movements. We have used a standard 3-bedroom residential house structure as a basis for comparison. The Building Cost Index is derived from the weighted prices of building materials and labor, factoring in the contractors' profit margin.

The house structure used in our report measures 76 square meters and features specific architectural and design elements for consistency in our comparisons. Prices are collected from six geographically diverse towns in Namibia to provide a fair representation of the country's construction cost landscape.

Our report covers the costs of various construction materials, from bricks, sand, cement, and crushed stones to other raw materials such as iron, steel sheets, and plumbing materials.

Labour costs, traditionally charged based on the time taken to complete a task, are factored into our cost calculations. In line with international standards, labour costs should not exceed 35% of the total cost of building materials. However, given our domestic experience where labour costs often exceed this benchmark, we have adjusted the labour cost to 40% of the total material costs, inclusive of the building contractor's profit margin.

Lastly, the Land Cost Index is derived from the average unweighted prices of urban land. For the purpose of comparison, we have used a standard land area of 375 square meters across all towns. To derive the land cost for comparison, we have multiplied the town-specific average price of land per square meter by this standard land area.

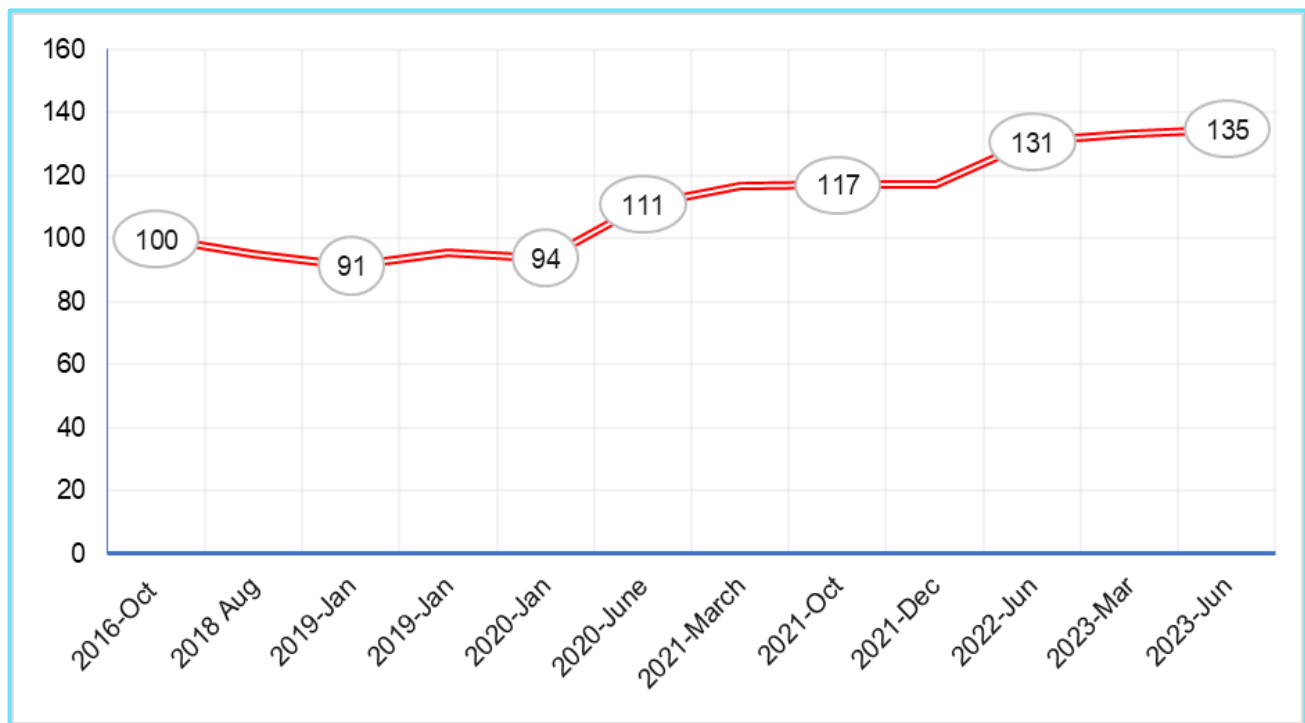
Through this comprehensive and detailed methodology, we aim to provide the most accurate and informative insights into the building cost landscape in Namibia.

## 1. DOMESTIC BUILDING MATERIALS PRICE TRENDS

### 1.1. House Building Cost Index

The First Capital Building Cost Index, which evaluates the average cost of constructing a three-bedroom house in Namibia, utilizes price data for building materials from six locations: Windhoek, Ondangwa, Swakopmund, Keetmanshoop, Rundu, and Katima Mulilo. The total cost of materials for October 2016 serves as the base period for calculating this index. In June 2023, the index reached 135, in contrast to an index of 131 recorded in June 2022. This increase implies that the cost to construct a house during the second quarter of 2023 was 3% higher than the corresponding period in 2022. This price rise was primarily driven by notable increments in the costs of certain building materials. Super bricks saw a rise of 24%, cement 42.5 increased by 13.2%, building sand went up by 19.2%, and electrical cables experienced a rise of 10.1%, among other materials.

Figure 1: First Capital Building cost index



Source: First Capital Research

## 2. SUB-COMPONENTS PRICE ANALYSIS

### 2.1. Building Materials Price Analysis

The largest component of a home's construction cost in Namibia is building materials, accounting for 60% of the total expenditure. The following analysis provides a detailed examination of these costs.





### *2.1.1. Building Materials for a Standard 3-Bedroom Residential House in Namibia*

The table below lists the materials needed to construct a standard three-bedroom house in Namibia. The average unit prices for these materials, sourced from Windhoek, Keetmanshoop, Swakopmund, Ondangwa, Rundu, and Katima Mulilo, are used as a representative cost for constructing such a house in any part of the country. The materials are organized in the table by category. The first section presents materials needed for brickwork, followed by roofing and ceiling materials. Subsequent sections detail the materials for doors and windows, plumbing, electrical, tiling, and fencing. The last section includes contingency materials. See table 1 below for a comprehensive overview.



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

Brick work Materials( Foundation & Structure)	Quantity	Average price Q4	December 2022 bill	Average price Q1 2023	March 2023 Bill	Average price Q2 2023	June 2023 Bill
<b>Brick work Materials( Foundation &amp; Structure)</b>			<b>123,392.84</b>		<b>124,869.16</b>		<b>126,738.08</b>
Super Bricks 7mpa	14,239.00	4.10	55,532.10	3.98	56,671.22	4.00	56,956.00
Cement 42.5 (50KG)	134.00	115.10	15,423.40	116.80	15,651.20	117.80	15,785.20
Cement 32.5 (50KG)	130.00	110.00	14,300.00	110.00	14,300.00	112.00	14,560.00
Building Sand (10 Cubic meters)	4.00	3,100.90	12,403.60	3,099.10	12,396.40	3,100.99	12,403.96
Plastering Sand (10 Cubic meters)	2.00	3,100.90	6,201.80	3,099.10	6,198.20	3,100.99	6,201.98
Concrete stones 19mm (10 Cubic meters)	2.00	3,900.50	7,801.00	3,900.50	7,801.00	3,905.50	7,811.00
Brick force (150*15*9") Rolls	30.00	22.00	660.00	23.00	690.00	60.00	1,800.00
Brick force (75*15*4.5") Rolls	10.00	27.00	270.00	35.00	350.00	40.00	400.00
Damp Proof Course,DPC (225mm*40m*250µm) Rolls	2.00	150.00	300.00	150.00	300.00	150.00	300.00
Damp Proof Course,DPC (110mm*40m*250µm) Rolls	2.00	75.18	150.36	75.18	150.36	75.18	150.36
Ant Poisoning, Astor Termite Control (5 L)	1.00	2,250.58	2,250.58	2,260.58	2,260.58	2,260.58	2,260.58
Others		8,100.00	8,100.00	8,100.00	8,100.20	8,100.00	8,109.00
<b>Roof &amp; Ceiling materials</b>			<b>36,166.21</b>		<b>37,703.92</b>		<b>37,844.92</b>
IBR Galvanised Roofing Sheet Z275 (0.47mm*4.5m)	28.00	440.00	12,320.00	490.99	13,747.72	495.99	13,887.72
Galvanised Fascia	1.00	150.00	150.00	259.99	259.99	260.99	260.99
Rafters, Timbers(38mm*114mm*6.6m)	28.00	190.20	5,325.60	190.20	5,325.60	190.20	5,325.60
Purlin, Timber(50mm*76mm*6.6m)	20.00	199.95	3,999.00	199.95	3,999.00	199.95	3,999.00
Rhinoboard Ceiling (6.4*2,700*1,200mm)	20.00	146.06	2,921.23	146.06	2,921.23	146.06	2,921.23
Branding (38mm*50mm*6.6m)	60.00	91.97	5,518.20	91.97	5,518.20	91.97	5,518.20
Cornice (75mm*3m)	20.00	80.80	1,616.00	80.80	1,616.00	80.80	1,616.00
Rain water Goods: Galvanized Gutters	4.00	260.00	1,040.00	260.00	1,040.00	260.00	1,040.00
Down Pipes	4.00	178.82	715.28	178.82	715.28	178.82	715.28
Others (roofing screws, bidders etc.)	1.00	2,560.90	2,560.90	2,560.90	2,560.90	2,560.90	2,560.90
<b>Doors &amp; Windows materials</b>			<b>17,539.51</b>		<b>17,582.51</b>		<b>17,582.51</b>
Outside Doors (Wooden Pinedouble Weather board)	2.00	1,415.39	2,830.77	1,415.39	2,830.77	1,415.39	2,830.77
Inside Doors (Wooden medium Consult)	4.00	515.13	2,060.51	515.13	2,060.51	515.13	2,060.51
Outside Door Frames (813mm*2,032mm*230mm*1mm)	2.00	862.03	1,724.06	862.03	1,724.06	862.03	1,724.06
Inside Door Frames (813mm*2,032mm*115mm*0.6mm)	4.00	380.49	1,521.94	380.49	1,521.94	380.49	1,521.94
Outside Steel Buglar Doors	2.00	817.94	1,635.88	817.94	1,635.88	817.94	1,635.88
Steel Window Frames ND11w1800xh1500 (Sitting room)	1.00	770.95	770.95	770.95	770.95	770.95	770.95
Steel Window Frames ND4w1500xh1200 (Bedrooms)	3.00	340.64	1,021.91	340.64	1,021.91	340.64	1,021.91
Steel Window Frames NE2w1200xh600 (Bathroom)	1.00	390.50	390.50	390.50	390.50	390.50	390.50
Steel Window Frames NC1 w900xh900 (Kitchen)	1.00	325.80	325.80	325.80	325.80	325.80	325.80
Windows	1.00	2,623.10	2,623.10	2,660.10	2,660.10	2,660.10	2,660.10
Others (Concrete Lintels, Curtain Rails, Window buglars, Door handle sets e.t.c)	1.00	2,634.09	2,634.09	2,640.09	2,640.09	2,640.09	2,640.09
<b>Plumbing materials</b>			<b>17,534.33</b>		<b>17,582.15</b>		<b>17,605.63</b>
Kitchen Sink (1200mm*480mm drop in)	1.00	1,032.06	1,032.06	1,040.99	1,040.99	1,046.99	1,046.99
Basin waste Union (1.25*32mm)	2.00	279.99	559.98	279.99	559.98	280.99	561.98
Kitchen Tap set	1.00	604.90	604.90	610.90	610.90	614.90	614.90
Basin white flair (470mm)	1.00	264.50	264.50	264.50	264.50	264.99	264.99
Basin taps	2.00	351.90	703.80	351.90	703.80	353.90	707.80
Shower components( Shower head, Arm, Trap & 2 Taps)	1.00	660.40	660.40	665.99	665.99	670.99	670.99
Toilet set (765mm)	1.00	1,200.69	1,200.69	1,209.99	1,209.99	1,209.99	1,209.99
Sewer pipes set (underground pipe) (6mm)	6.00	1,269.00	7,614.00	1,269.00	7,614.00	1,269.00	7,614.00
Copper pipe set	1.00	553.00	553.00	559.00	559.00	560.99	560.99
Others	2.00	2,170.50	4,341.00	2,176.50	4,353.00	2,176.50	4,353.00
<b>Electrical materials</b>			<b>13,516.24</b>		<b>14,532.24</b>		<b>14,601.30</b>
Electrical Cables	1.00	10,910.00	10,910.00	11,910.00	11,910.00	11,990.99	11,990.99
Light Switch(X2 Double & X4 Single Light Switch)	1.00	154.30	154.30	154.30	154.30	154.30	154.30
Electrical Plug Sockets(X2 Double & X3 Single sockets)	1.00	688.56	688.56	688.56	688.56	688.56	696.56
Light Bulbs & Lamps(X6 Bulbs & X6 Lamps)	1.00	388.04	388.04	390.04	390.04	365.99	365.99
Distribution Board (DB), 12 Mode Flush	1.00	530.25	530.25	530.25	530.25	530.99	530.99
PVC Pipes	1.00	452.58	452.58	459.58	459.58	462.58	462.58
Others	1.00	392.52	392.52	399.52	399.52	399.90	399.90
<b>Tiling materials</b>			<b>28,310.57</b>		<b>28,265.57</b>		<b>29,060.17</b>
Floor tiles, Ivory Nano 2nd Grade (600*600mm)	50.00	290.50	14,525.00	290.50	14,525.00	299.50	14,975.00
Wall tiles, Mosaic Matt (48*48mm)	60.00	120.60	7,236.00	120.60	7,236.00	124.99	7,499.40
Tile Adhesive [glue], (20kg)	30.00	55.65	1,669.50	55.65	1,669.50	55.99	1,679.70
Tile Grout (20Kg)	3.00	-	810.07	270.02	810.07	272.02	816.07
Others	1.00	4,025.00	4,070.00	4,025.00	4,025.00	4,090.00	4,090.00
<b>Painting materials</b>			<b>9,066.69</b>		<b>9,881.55</b>		<b>9,897.17</b>
Primer Paint (20L)	3.00	605.04	1,815.11	909.99	2,729.97	912.99	2,738.97
Colour Coat Paint (20L) [Creme colour for Interior]	3.00	1,403.21	4,209.62	1,403.21	4,209.62	1,403.21	4,209.62
Colour Coat Paint (20L) [Desert tan colour for Exterior]	2.00	240.68	481.36	240.68	481.36	240.99	481.98
Other	1.00	2,560.60	2,560.60	2,460.60	2,460.60	2,466.60	2,466.60
<b>Fencing materials</b>			<b>16,550.10</b>		<b>16,599.55</b>		<b>16,784.95</b>
Diamond Mesh Wire Fence rolls (1.8m high & 25m Long)	15.00	799.56	11,993.40	799.99	11,999.85	810.99	12,164.85
Econo Gate, 1 Piece (1.8m high & 1m wide)	1.00	767.05	767.05	770.05	770.05	787.05	787.05
Econo Gate, 2 Piece (1.8m high & 3m wide)	1.00	2,089.55	2,089.55	2,099.55	2,099.55	2,099.55	2,102.95
Others	1.00	1,700.10	1,700.10	1,730.10	1,730.10	1,740.10	1,730.10
<b>Contingency materials (Nails, screws, e.t.c)</b>			<b>36,650.90</b>		<b>37,750.90</b>		<b>37,750.90</b>
<b>Total</b>			<b>298,727.38</b>		<b>304,767.55</b>		<b>307,865.63</b>

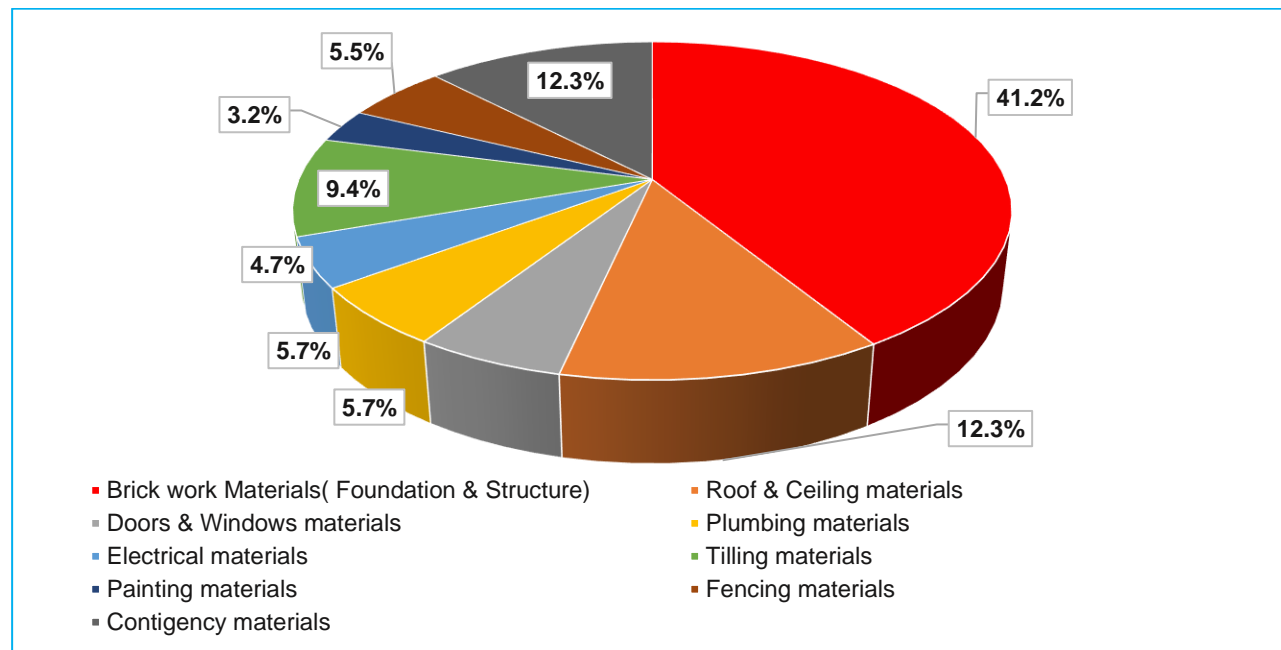
Source: First Capital Research

### 2.1.2. Contribution of Material Prices by Category to the Total Cost of Building a 3-Bedroom House

Materials for the foundation and structure of a house are used in larger quantities compared to other components, hence, even minor price fluctuations in these materials can significantly affect the total building cost. Consequently, brickwork materials form the largest portion of the total building material cost, accounting for 41.2%.

Roofing and ceiling materials follow at 12.3%, with tiling materials making up 9.4% of the total cost. The cost of painting materials contributes the least to the total cost, amounting to just 3.2%. Fencing and plumbing materials account for a slightly higher proportion, at 5.5% and 5.7% respectively, as shown in figure 2.

Figure 2: contribution of materials to the total cost of materials by category



Source: First Capital Research

### 2.1.3. Year-on-Year Percentage Price Changes by Category

On an annual basis, the cost of materials needed for doors and windows experienced the most substantial increase, rising by 39%. This was followed by painting materials, which went up by 17%. The cost of materials for roofing and ceilings, as well as brickwork, both saw a 22% and 21% increase respectively, while the costs associated with the foundation and structure also rose by 21%. Meanwhile, the cost of plumbing materials only

saw a minor hike of 6%. Electrical and tiling material costs increased at a moderate pace, with hikes of 8% and 18% respectively (see table 2).

*Table 2: Year on year price percentage price changes by category*

<b>Brick work Materials( Foundation &amp; Structure)</b>	<b>21%</b>
<b>Roof &amp; Ceiling materials</b>	<b>22%</b>
<b>Doors &amp; Windows materials</b>	<b>39%</b>
<b>Plumbing materials</b>	<b>6%</b>
<b>Electrical materials</b>	<b>8%</b>
<b>Tiling materials</b>	<b>18%</b>
<b>Painting materials</b>	<b>23%</b>
<b>Fencing materials</b>	<b>17%</b>

*Source: FC research*

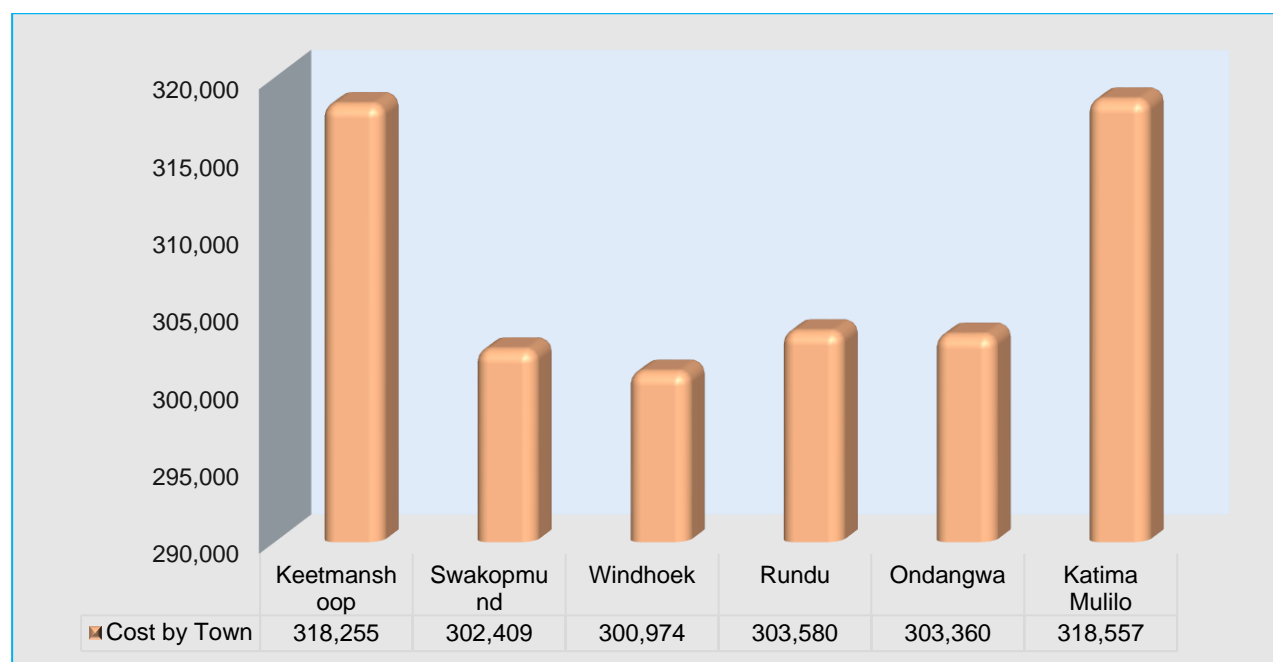
## 2.2. Building Materials Cost by Town

Figure 3 below provides a comparative analysis of the cost of building materials across six different towns in Namibia. It is noticeable that building materials tend to be more expensive in the northern regions of the country when compared to other areas.

The bill of quantities for a standard 3-bedroom house, using the prices as of June 2023, shows an average combined cost of N\$ 318,557 in Katima Mulilo, N\$ 303,360 in Ondangwa, and N\$ 303,580 in Rundu. The same materials cost N\$ 300,974 in Windhoek, N\$ 302,409 in Swakopmund, and N\$ 318,255 in Keetmanshoop (refer to figure 3).

These variations in the cost of building materials across towns can be attributed to the cost of transportation from the harbor or from their main suppliers. Notably, the cost of building materials in Swakopmund and Keetmanshoop is typically lower compared to the central and northern areas due to their closer proximity to the harbor, as these materials are predominantly transported by sea.

Figure 3: Cost of materials for a three-bedroom house (N\$)



Source: FC Research

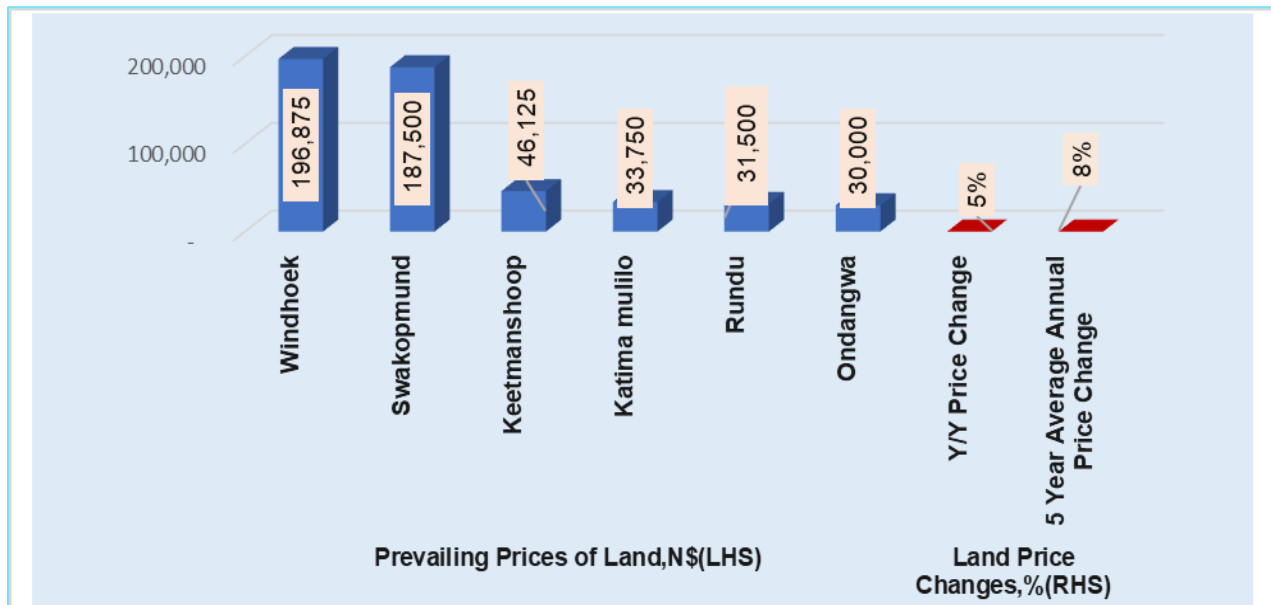
## 2.3. Cost of Land

### 2.3.1. The Price of Land by Town and Price Changes Over Time

Figure 4, as shown below, presents the average prices of serviced land obtained from recent transactions involving local authorities and the overall annual price changes. The price for a standard plot of land (or erf) of 375 square meters intended for a three-bedroom house is calculated by multiplying the price per square meter of serviced land in each town.

The highest cost for a standard plot is found in Windhoek, at N\$196,875, followed by Swakopmund (N\$187,500), Keetmanshoop (N\$46,125), Katima Mulilo (N\$33,750), Rundu (N\$31,500), and finally Ondangwa, where the cost stands at N\$30,000. See Figure 4 for a detailed comparison.

Figure 4: Average price of land for a 375 square metre plot from Local Authorities

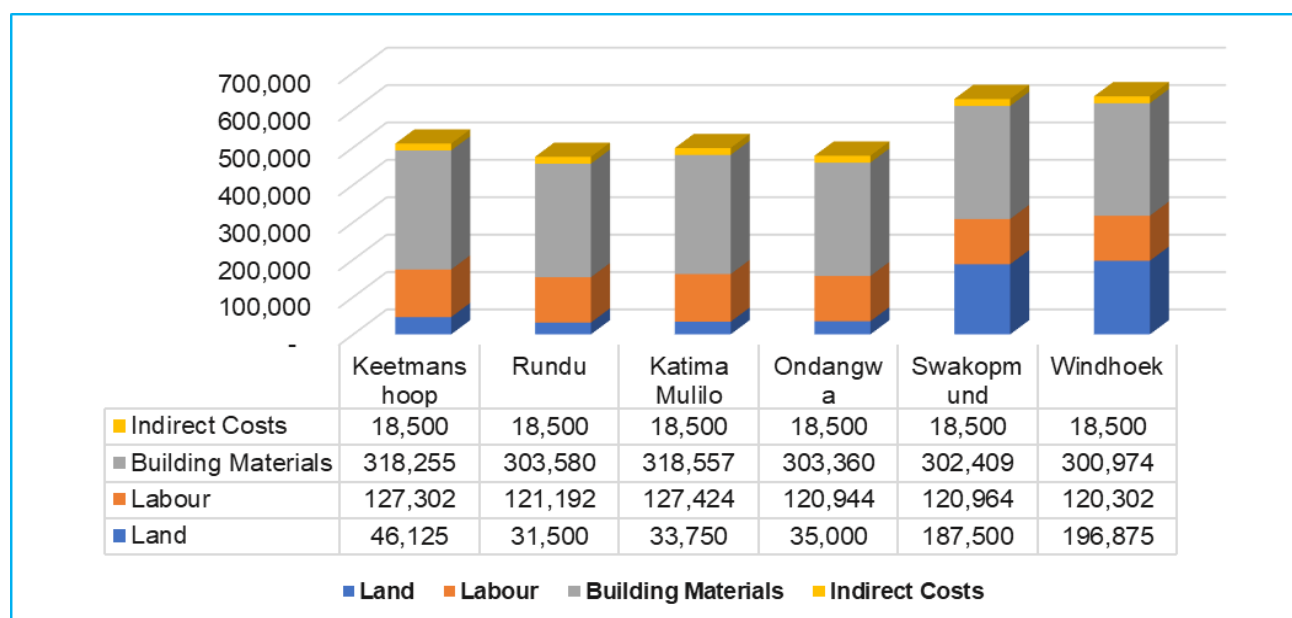


Source: First Capital Research

### 3. Total Cost of Building a Standard 3-Bedroom House

According to the prices of June 2023, constructing a standard three-bedroom house in Namibia costs N\$510,182 in Keetmanshoop, N\$498,231 in Katima Mulilo, and N\$477,804 in Ondangwa. However, this report reveals that the cost of constructing a house is highest in Windhoek, at N\$636,651, followed by Swakopmund with a cost of N\$629,373. This is largely attributed to the higher land prices in these towns, as illustrated in figure 5.

Figure 5: The Total cost of building a standard residential house using June 2023



Source: First Capital Research

## 4. Factors Influencing the Price of Building Materials

### 4.1 Exporters of Materials Needed for Cement Manufacture in Namibia

Cement production in Namibia typically requires the following materials:

- 1. Limestone:** This sedimentary rock is the primary raw material for cement production. Rich in calcium carbonate, limestone is quarried and crushed into smaller pieces, serving as a calcium source during the cement manufacturing process.
- 2. Clay or Shale:** These materials, containing silica, alumina, and other minerals, are also integral to cement production. They are generally blended with limestone in the right proportions to achieve the desired chemical composition for the cement.
- 3. Gypsum:** Used as a regulating agent, gypsum controls the setting time of cement, preventing premature hardening. By enhancing the workability and strength development of cement, gypsum plays a significant role in the production process.
- 4. Additives:** To modify cement properties or improve its performance, various additives may be included in the production process. These could be materials like fly ash, slag, silica fume, or natural pozzolans, which improve the cement's strength, durability, and workability.

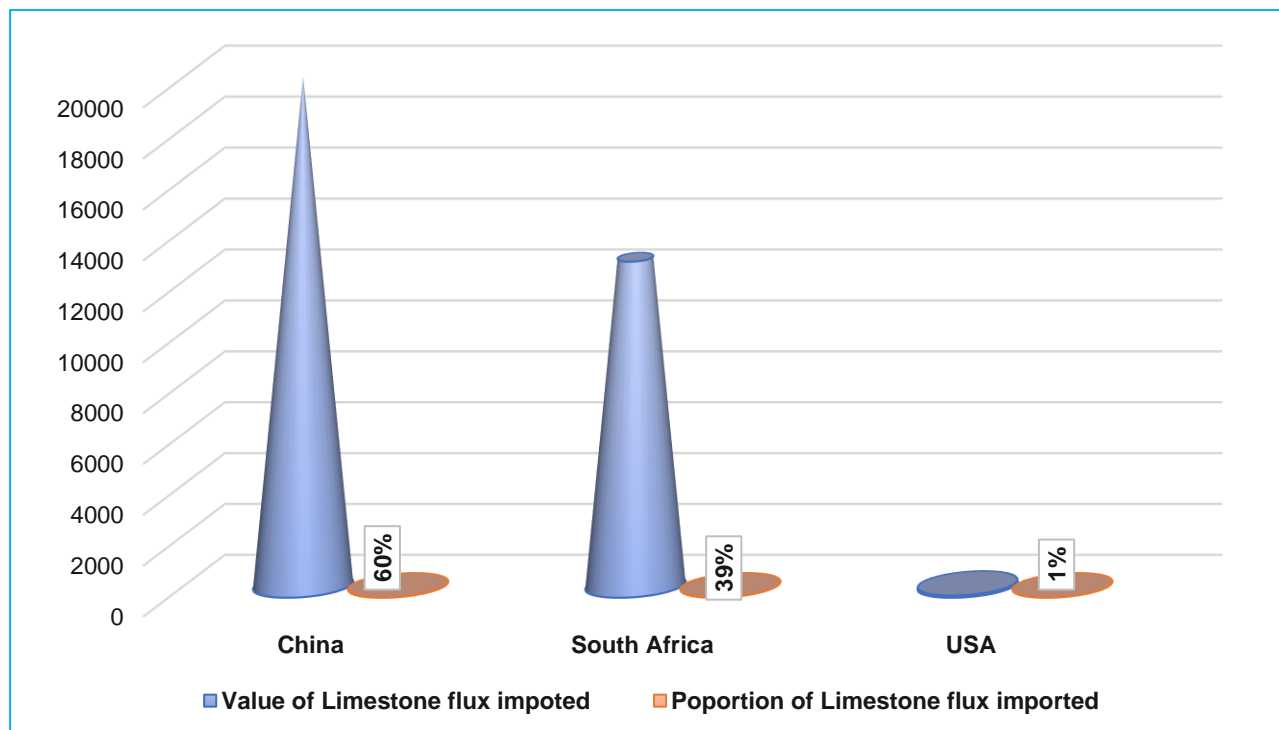
- 5. Fuel:** The cement production process requires substantial heat, typically generated by burning fossil fuels. The fuels commonly used in cement production include coal, petroleum coke, or alternative fuels such as biomass or waste materials.

#### 4.1.1. Limestone Flux

Namibia imports a significant proportion of its limestone flux, a type of limestone or other calcareous stone used in the manufacture of lime or cement. As Figure 6 below demonstrates, in 2022, Namibia sourced the majority of its limestone flux from China (60%), followed by South Africa (39%) and the USA (1%).

Such heavy reliance on imports makes the cost of cement production in Namibia vulnerable to external shocks. These shocks could include changes in exchange rates or supply and demand fluctuations in international markets, which directly impact the cost of limestone flux, and hence the price of building materials (see Figure 6).

Figure 6: Import sources of Limestone Flux in Namibia, 2022



Source: *Trendeconomy.com*



#### 4.1.2. Gypsum

Namibia does not have significant gypsum deposits and, as a result, primarily relies on gypsum imports. The country imports a considerable amount of gypsum from its neighbor, South Africa, which boasts extensive gypsum reserves and acts as a major supplier to various countries in the region.

In 2022, Namibia sourced 95.1% of its gypsum imports from South Africa. Other countries, such as India, the United Kingdom, and China, accounted for 1.9%, 1.8%, and 0.7% of the gypsum imports respectively. Meanwhile, imports from Ghana, Germany, and Mauritius were relatively minimal, accounting for 0.001%, 0.03%, and 0.6% respectively (table 3).

*Table 3: Imports of Gypsum to Namibia, 2022*

	Value imported(USD)	Proportion imported
South Africa	492,000	95.1%
India	9,620	1.9%
United Kingdom	9,440	1.8%
China	3,390	0.7%
Mauritius	2,860	0.6%
German	138	0.03%
Ghana	6	0.001%

*Source: Trendeconomy.com*

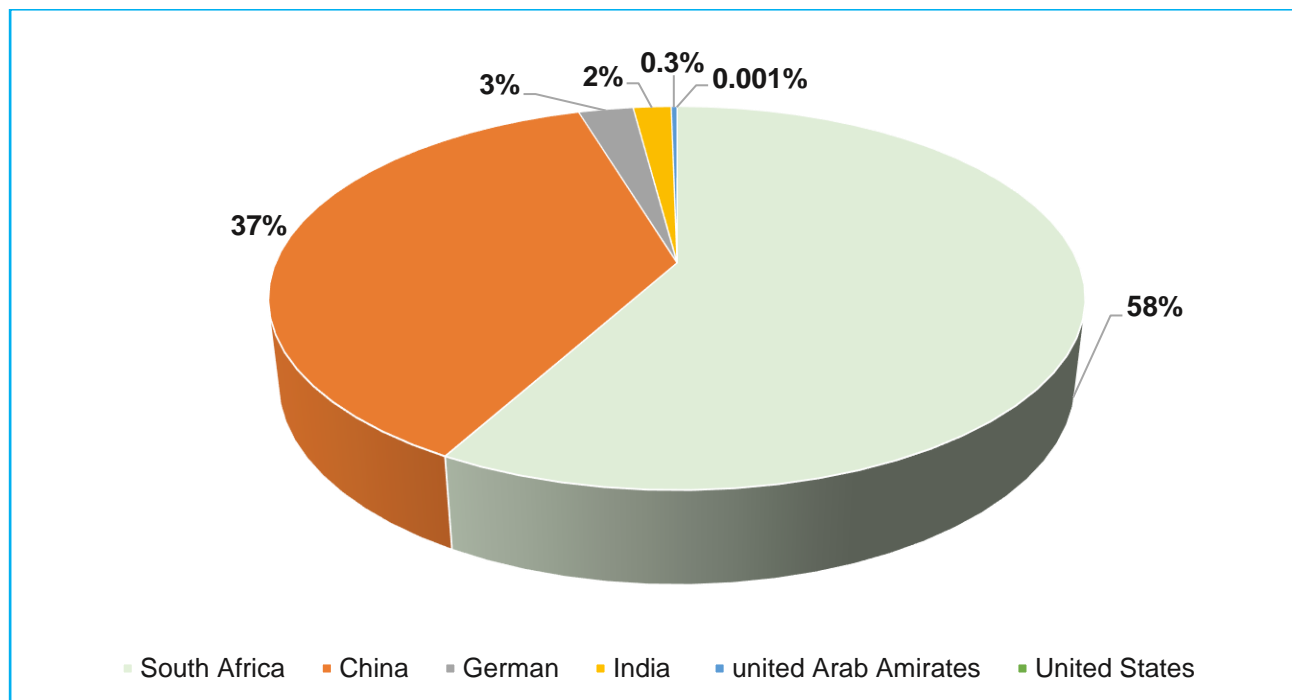
#### 4.2. Exporters of Electrical and Electronic Equipment to Namibia

In 2022, South Africa was the primary source of Namibia's imports of electronic and electrical equipment, accounting for 58% of the total. China followed with a significant share of 37%, while Germany and India provided 3% and 2%, respectively.

In nominal terms, the value of electrical and electronic equipment imported from South Africa amounted to US\$ 187.62 million. China, Germany, and India followed with total values of US\$ 120.6 million, US\$ 8.37 million, and US\$ 5.8 million, respectively. Meanwhile, the value of such imports from the United Arab Emirates totaled US\$ 899.22 thousand.

These import sources influence the cost of electrical and electronic equipment used in building construction in Namibia, and ultimately, the overall cost of building a house.

Figure 7: Import sources of electrical and electronic equipment to Namibia, 2022



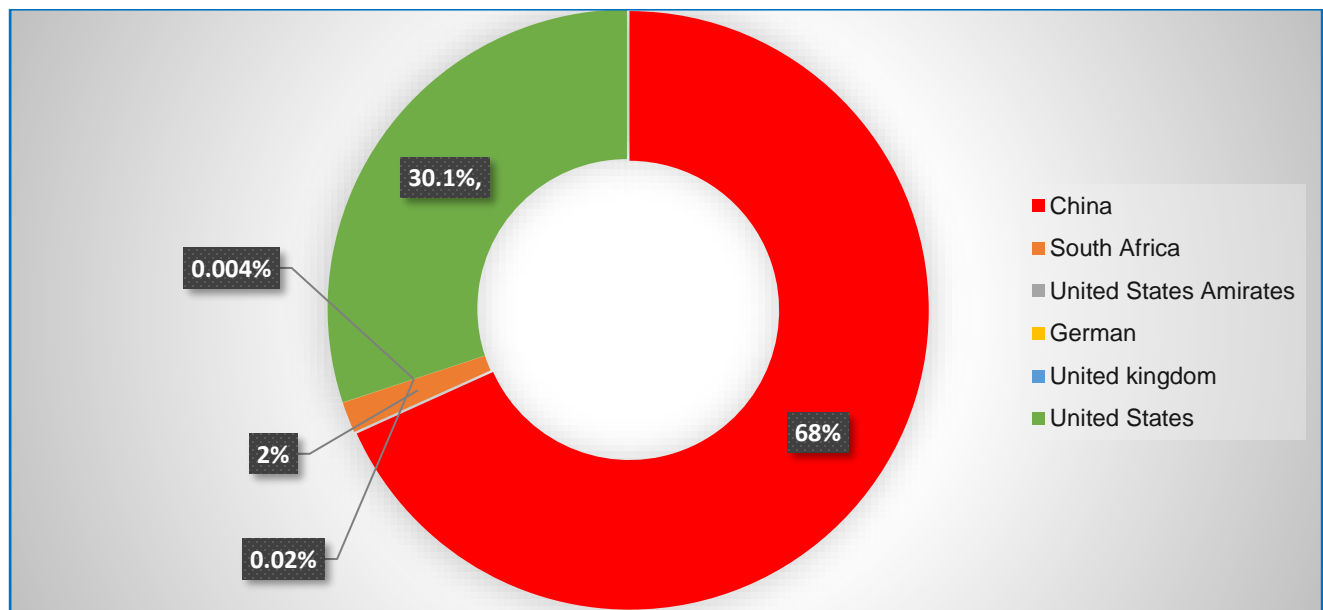
Source: United Nations COMTRADE database on international trade

#### 4.3. Sources of Plumbing Materials

Namibia relies heavily on imports for its plumbing materials, as it does not produce these materials locally in quantities sufficient to meet domestic demand. Plumbing materials including pipes, fittings, fixtures, and related components are predominantly imported from overseas.

In 2022, a significant amount (68%) of Namibia's plumbing materials were imported from China, while the United States provided 30.1%, and South Africa supplied 2% (see Figure 8). This import dependency makes the prices of these materials on the local market susceptible to external shocks. These shocks could include exchange rate fluctuations, inflation in these source countries, changes in international trade policies, or geopolitical tensions.

Figure 8: Sources of plumbing materials imported to Namibia, 2022



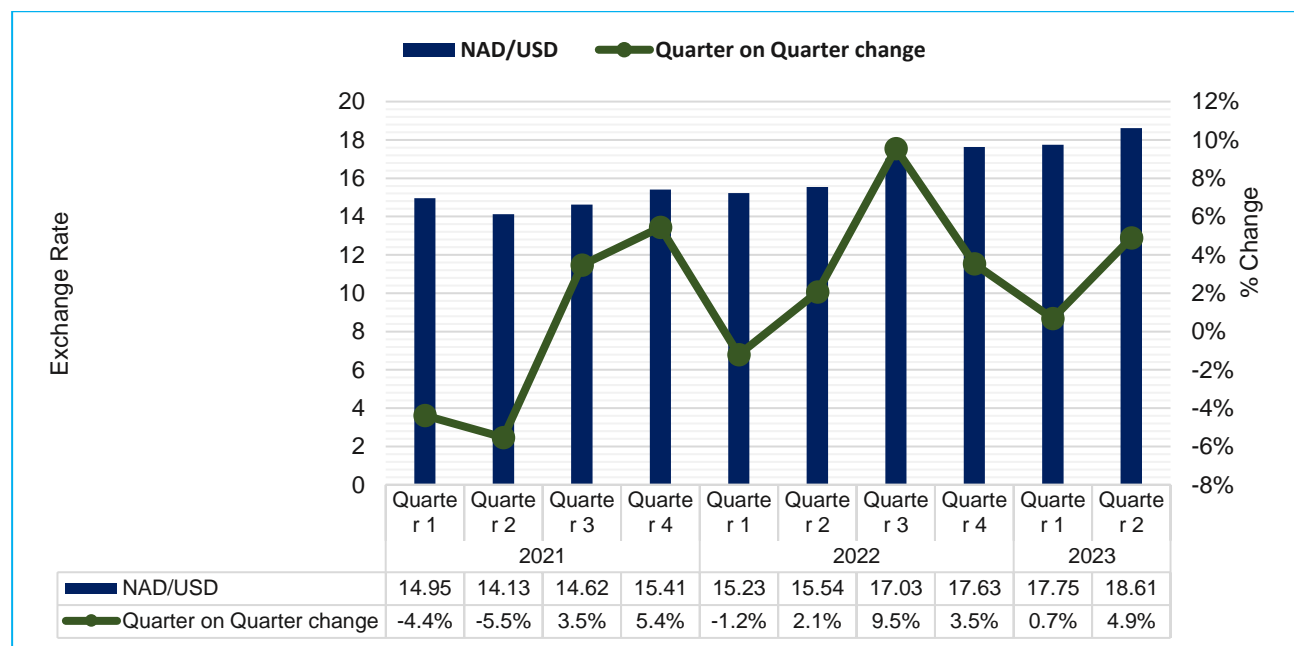
Source: United Nations COMTRADE database on international trade

#### 4.4 Exchange rate developments

Exchange rate developments significantly influence the cost of building materials in Namibia, as the nation imports a significant proportion of these goods. When the Namibian dollar depreciates against the currencies of the countries from which these materials are imported, the local cost of the materials escalates.

Recently, the Namibian dollar has shown a depreciation trend against the United States dollar. During the second quarter of 2023, the Namibian dollar depreciated by 4.9% against the USD (as seen in figure 9). This development has increased the prices of building materials, making construction projects more expensive in the country.

Figure 9: Exchange rate developments



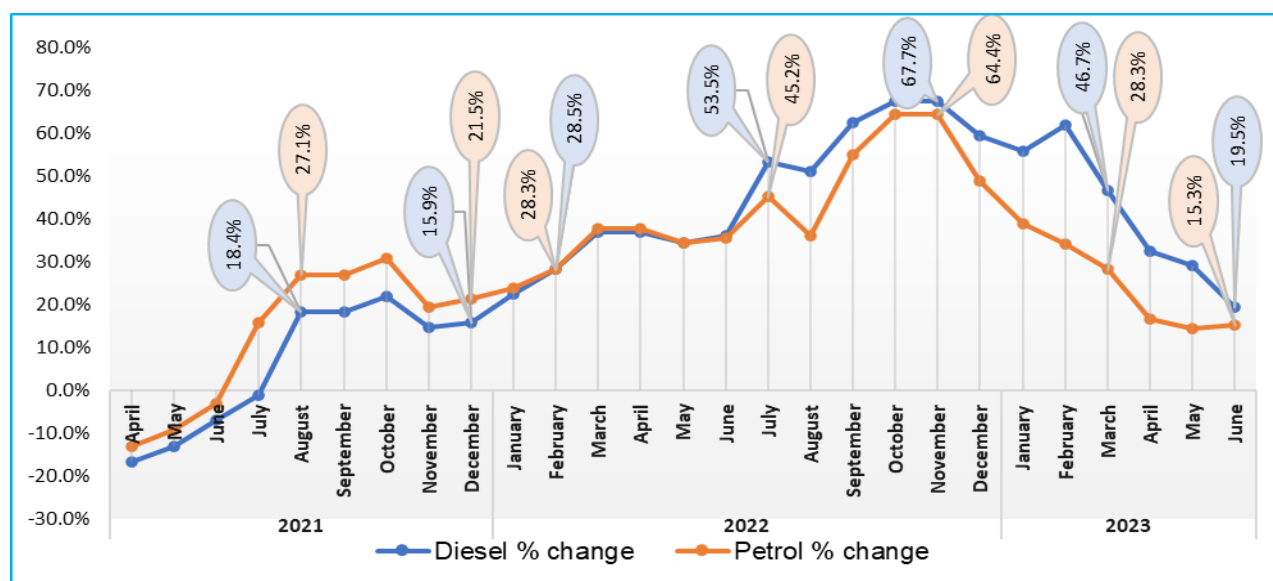
Source: Bank of Namibia

#### 4.5 Prices of Petrol and Diesel

Given the large distances between population centers and the long transport routes in Namibia, the cost of fuel plays a crucial role in the overall cost of building materials. Fuel is not just used in transporting these materials, but it is also a significant input in the manufacturing of many building materials.

Recent developments indicate that the prices of petrol and diesel have fallen, which eases the burden of transport costs and reduces the cost of production. In June 2023, the price of petrol was 15.3% higher year-over-year, while the price of diesel increased by 19.5% compared to the same period last year. Although these figures still represent an increase in fuel prices, it is a significant improvement compared to the situation in previous months, which will ultimately contribute to a decrease in the overall cost of building materials (see figure 10).

Figure 10: Prices of petrol and diesel



Source: Ministry of Mines and Energy

## 5. Private Sector Credit Analysis

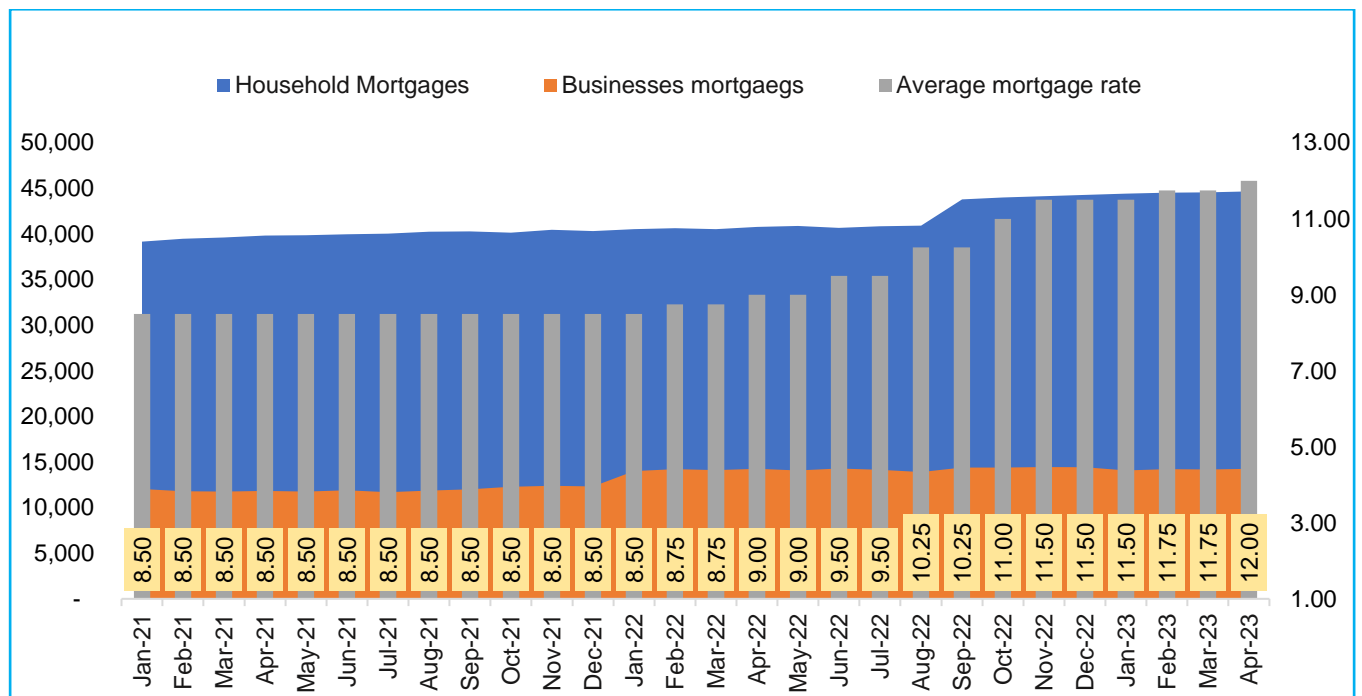
### 5.1 Mortgage Credit Extended to Households and Businesses

Despite the backdrop of high-interest rates, mortgage credit extended to both households and businesses has continued to exhibit steady growth. An examination of mortgage data reveals that the business sector's mortgage credit tends to fluctuate more than that of households, suggesting that businesses factor in the cost of borrowing (i.e., interest rates) more when deciding to secure a mortgage compared to households.

As of April 2023, mortgage credit extended to households was 9.5% higher year-on-year (y/y), marking a 2.4% decrease when compared to the same period in 2022. On a month-to-month basis, a significant increase of 0.7% was noted in April 2023 in comparison to March 2023. Conversely, the annual rate of mortgage credit extended to businesses decreased by 0.1% in April 2023, a stark contrast to the 20.5% increase recorded in April 2022 (see figure 11).

This data further illustrates that households account for the majority of mortgage credit. However, growth in mortgage credit extended to businesses has been stunted since January 2023, underscoring the impact of interest rates on business borrowing habits.

Figure 11: Trends in mortgage credit extended to households and businesses.



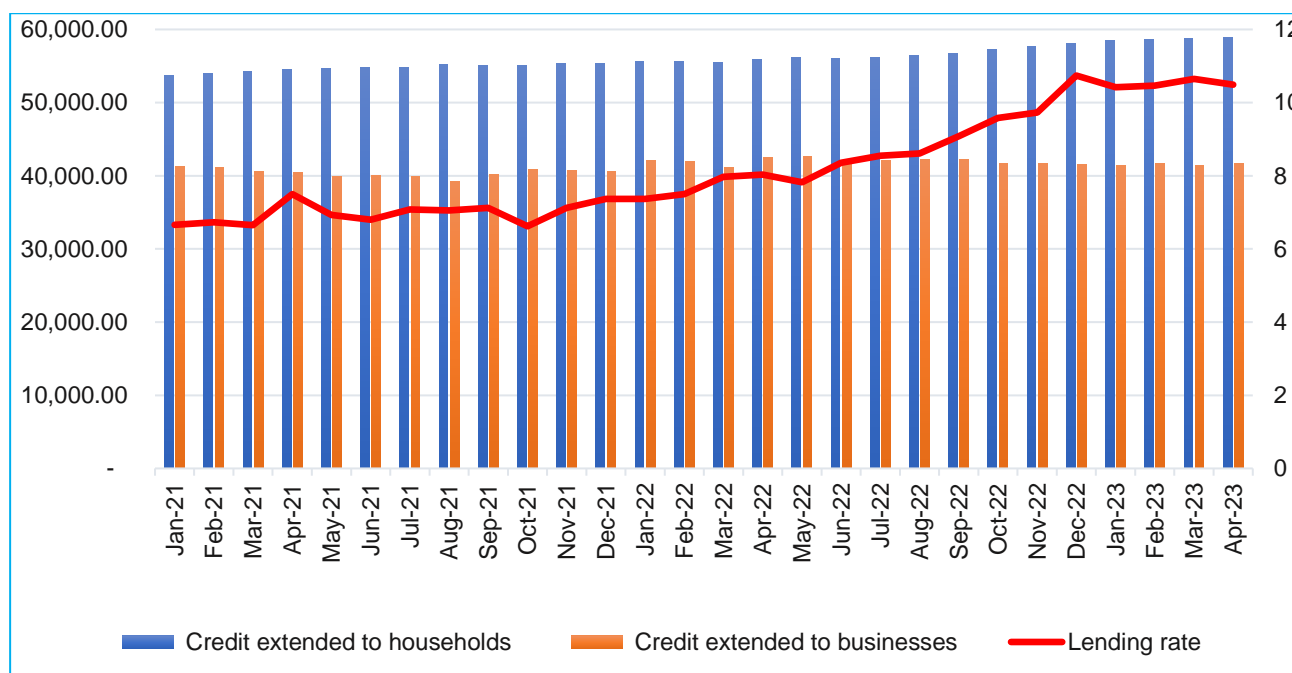
Source: Bank of Namibia

### 5.2 Credit Extension to Businesses and Households

The total credit extended to the private sector has been experiencing slow growth, indicating a lessened amount of credit being extended. Credit extended to businesses saw a decrease of 2% year-on-year (y/y) in April 2023, while experiencing a marginal increase of 0.5% from March 2023.

Conversely, credit extended to households exhibited a growth of 5.3% in April 2023 (y/y), compared to a more modest increase of 2% (y/y) during the same period the previous year. Similarly, the amount of credit extended to households also grew slightly from March to April 2023, by 2.1% month-on-month (m/m) (See figure 12).

Figure 12: Trends in credit extension to businesses and households.



Source: Bank of Namibia

## 6. Monetary Policy

### 6.1 Monetary Policy Developments During the Third Quarter of 2023

During its bi-monthly meetings held on the 12th and 13th of June 2023, the Monetary Policy Committee (MPC) of the Bank of Namibia decided to increase the repo rate by 50 basis points, from 7.25 to 7.75 percent. The prime lending rate saw a parallel increase from 11 percent to 11.50 percent. This shift resulted in a higher cost of borrowing for households looking to purchase houses, vehicles, or secure funds for emergencies.

### 6.2 Monetary Policy Developments During the second quarter of 2023

On the 17th and 18th of April 2023, the MPC convened again for its regular bi-monthly meeting to decide on the appropriate monetary policy stance. Intending to maintain inflation expectations and safeguard the peg arrangement, all while avoiding severe shocks to the domestic economy, the MPC decided to increase the Repo rate by 25 basis points to 7.25 percent. In concert with this, the prime lending rate rose 10.75 to 11.00 percent.

### 6.3 Interest Rates Outlook for the Rest of 2023

As of May 2023, inflation data shows a 6.3% increase in prices when compared to the same period the previous year, marking a 0.2% rise from the previous month. With these rates, inflation continues to exceed the Bank of Namibia's target range of 3-6%. Meanwhile, South Africa's annual inflation rate has further eased to a 13-month low of 6.3% in May 2023, down from 6.8% in April 2023. This brings South Africa's inflation rate closer to the upper limit of the South African Reserve Bank's target range of 3%-6%. Similarly, in the United States, inflation decelerated from 4.9 to 4 percent in May 2023 (y/y).

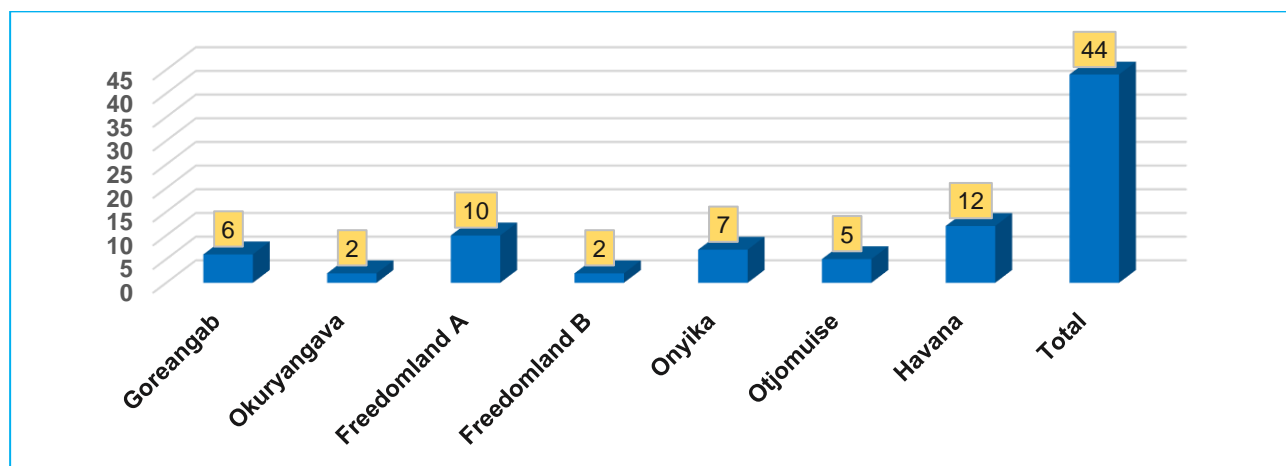
These figures indicate that inflation is gradually responding to restrictive monetary policy, relieving some pressure on policymakers to increase rates (*ceteris paribus*). However, a restrictive policy stance will need to be maintained by the Bank of Namibia during the third and fourth quarters to align its policy rate with that of the South African Reserve Bank, thus preventing capital outflow and maintaining price stability.

## 7. Recent Developments and Their Impact on the Housing Market

### 7.1 Windhoek Informal Settlement Upgrade Program

In 2022, a total of 44 houses were constructed under the Windhoek Informal Settlement Upgrade Program. This includes 10 houses in Freedom Land A, 12 in Havana, 6 in Goreangab, 5 in Ojomuise, and 7 in Onyika. Furthermore, 2 houses were constructed in both Okuryangava and Freedomland B. These houses were built for less than N\$200,000, making them affordable for low-income residents.

Figure 13: Windhoek Informal Settlement Upgrade Program



Source: City of Windhoek



*Figure 14: picture of a house built under the informal settlement upgrade program.*



*Source: <https://economist.com.na>*

## 7.2 Windhoek Waterfront Development - Goreangab

The Windhoek Waterfront Development in Goreangab is another significant project contributing to housing availability in Windhoek. This initiative includes the construction of 300 free-standing houses, each with an average erf size of 300 square meters. The project also features semi-detached houses, which are built according to client's preferences and needs.

In 2022, 31 houses from the project were completed and subsequently occupied. In 2023, an additional 14 houses were completed and are set to be occupied towards the end of the year.

*Figure 15: Windhoek Waterfront Development - Goreangab*



*Source: Windhoek Waterfront Development*

In conclusion, the cost of building materials in Namibia remains under pressure due to the continued depreciation of the Namibian dollar against the US dollar, which makes imports more expensive. Despite these challenges, the overall price environment is expected to stabilize during the third and fourth quarters of 2023. This anticipated stabilization is largely due to the easing of geopolitical tensions in the Republic of South Africa, Namibia's significant trading partner, which is likely to have positive spillover effects on the Namibian exchange rate and hence on the cost of imported building materials.

However, high land prices continue to be a significant constraint for individuals and businesses seeking to acquire residential properties, particularly in the central and coastal regions of the country where demand is high, and supply is limited.

On the monetary policy front, the Bank of Namibia is projected to continue with its contractionary monetary stance, with the Monetary Policy Committee expected to raise the repo rate by 25 basis points in its meeting on the 16th of August 2023. This move is likely to increase the cost of borrowing, potentially affecting the affordability of housing.

Nonetheless, government initiatives like the Windhoek informal settlement upgrade program and other projects like the Windhoek Waterfront Development are expected to ease some of the demand pressure in the housing market by providing more affordable housing options. Overall, a combination of policy measures and market developments will shape the housing market dynamics in Namibia for the rest of 2023.