

Africa: Namibian house price inflation tops global rankings

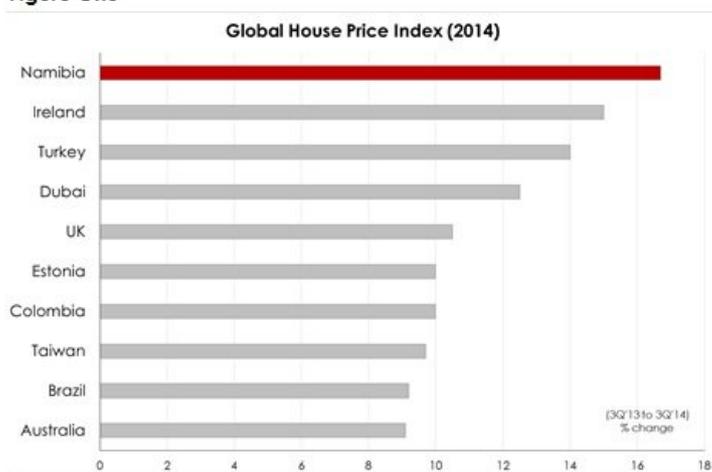
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Government and private developers are struggling to provide adequate housing for Namibia's growing urban population, pricing the majority of Namibians out of the formal housing market.

"Namibia registered the world's highest house price inflation in 2014."

Namibia was ranked as the country with the world's highest house price inflation last year, according to research by FNB Namibia. Despite being one of the least populated countries in the world, Namibian house prices rose by an estimated 16.7% last year, as government and private developers struggled to supply sufficient new housing stock for the growing urban population.

Figure One



SOURCE: FNB Namibia and Knight Frank Global House Price Index

A R45 billion state housing project was launched in 2013 with the aim of building 180 000 houses by 2030. However, the project has had limited impact on house prices as implementation continues to be delayed. As a result, government housing remains scarce. While the state has introduced several policy interventions aimed at increasing housing supply, and private sector developers are also building, this has done little to ease the housing backlog.

Developers complain that the slow supply of serviced land to the market is hampering the provision of new housing stock. While land delivery is on the increase, it remains well below household growth rates and thus lags behind housing demand growth. The high cost of building materials and onerous state regulations further hinder the provision of affordable new housing units.

Above average economic growth, robust consumer demand and stronger mining exports have boosted household incomes and thus exert upward pressure on prices. With just 38% of the Namibian population urbanised in 2013, the influx of people to the urban centres is likely to continue further fuelling housing demand. The current housing backlog is estimated at around 150 000 units.

While the volume of available housing units is gradually increasing, it remains well below pre-financial crisis levels and is certainly not sufficient to meet buoyant demand. Furthermore, much of the volume growth that is recorded tends to be concentrated in sparsely populated markets, while the populous regions have suffered sluggish volume growth.

Soaring property prices have resulted in a marked deterioration in affordability. With a median house price of R774 000, Namibian households must earn at least R23 000 a month to afford an average property. Yet this is almost three times the average household income for the urban population. It is estimated that less than 10% of households in Namibia can afford a property in the lower priced segment. Young professionals and new graduates are particularly hard hit. While government housing is scarce, private developments are aimed at the upper end of the market, forcing less affluent professionals out of the formal housing market and into informal settlements.

Legislation in Namibia prohibits the selling or letting out of a property to foreign nationals without proof of residency status. When residency status is granted, then foreign citizens of Namibia are regarded as having equal status when it comes to the purchase and ownership of property. The exception, however, is agricultural land. Namibian legislation prohibits ownership of agricultural land to foreigners.

