



# FNB Rent Price Index Report Third Quarter 2023

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## Key Highlights

- The 12-month average rental index growth stood at 4.7% in Q3-2023 from 5.8% in Q2-2023 and 0.1% in Q3-2022.
- The national weighted average rent eased slightly to N\$7 177 in Q3-2023 from N\$7 190 in Q2-2023 and N\$6 893 in Q3-2022.
- Rental growth continues to be supported by the more than three bedrooms segment registering a 12-month average growth of 9.2% to N\$22 703.
- Rental yields remain unchanged at 7.0% in Q3-2023, equivalent to the rental yields in both Q2-2023 and Q3-2023.
- Rent yields beat inflation, which stood at 6.2% on a 12-month rolling average basis in Q3-2023.

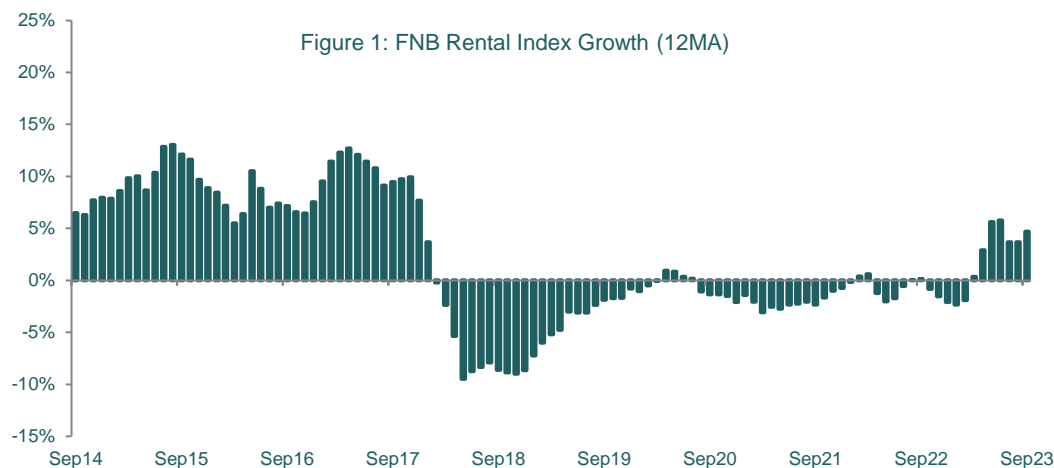


## FNB'S RENTAL INDEX SEGMENTS (12MA)

1-bedroom	N\$3 483	-4.6% y/y
2-bedroom	N\$5 443	-9.0% y/y
3-bedroom	N\$9 907	4.0% y/y
More than 3 bedrooms	N\$22 703	9.2% y/y



## Rental index growth



### Rental Index remains resilient amidst a constrained consumer environment

After moving out of contractionary territory in March 2023, the FNB Rent Price Index remained positive for two consecutive quarters, reaching a 12-month average of 4.7% in Q3-2023 from 5.8% in Q2-2023 and 0.1% in Q3-2022. The average rent price on a 12-month rolling basis stands at N\$7 177.

When considering bedroom size, the three-bedroom and more than three-bedroom segments grew by 4.0% and 9.2% respectively, while the one and two-bedroom segments contracted by 4.6% and 9.0% during Q3-2023. Average rent prices are N\$3 483, N\$5 443, N\$9 907 and N\$22 703 for the one, two, three and more than three-bedroom segments respectively.

The growth in the average deposit charged has also been remarkably resilient during 2023, and stood at 14.8% in Q3-2023, compared to 15.1% in Q2-2023 and 3.6% in Q3-2022.

The resilience of the rental market is a surprising outcome, given the high price and elevated interest rate environment during this period. Interest rates increased by a cumulative 400bps during the period in review, while the 12-month inflation rate stood at 6.2%.

A constrained macroeconomic environment would ordinarily limit price growth as landlords struggle to pass on rental increases to existing tenants amid deteriorating affordability. Additionally, in this scenario, landlords would be willing to bargain lower rental prices and deposits with prospective tenants.

A potential explanation for this conundrum is that individuals are delaying purchasing property and choosing to rent for longer given the elevated interest rate environment and affordability constraints. The significant decline in house price transaction volumes (-27.7% in Q3-2023) corroborates this view. These dynamics may explain why the resilience is mostly observed in the three-bedroom and more than three-bedroom segments, rather than in the lower bedroom segments.

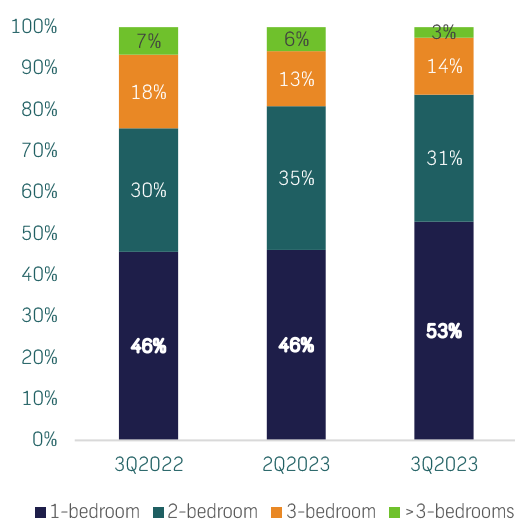
Moving forward, we expect the rental market to remain fairly stable as inflation starts to moderate and the repo rate remains at its peak of 7.75% with a shallow cutting cycle through to 2026. We also take note of the adjustments in the loan-to-value ratios which became effective on 31 October 2023, which might incentivize investments in residential property, thereby increasing the supply of rental property.





## Rentalbreakdown

Figure 2: Share of Rental Listings by Segment



Residential rental listings have totaled 1 725 units in the third quarter of 2023, from 2 143 listings in Q2-2023 and 1 684 in Q3-2023. The 1-bedroom segment continues to take up the lion's share of residential rental listings at 53% while the 2-bedroom, 3-bedroom and more than 3-bedroom segments shares sit at 31%, 14% and 3% respectively.



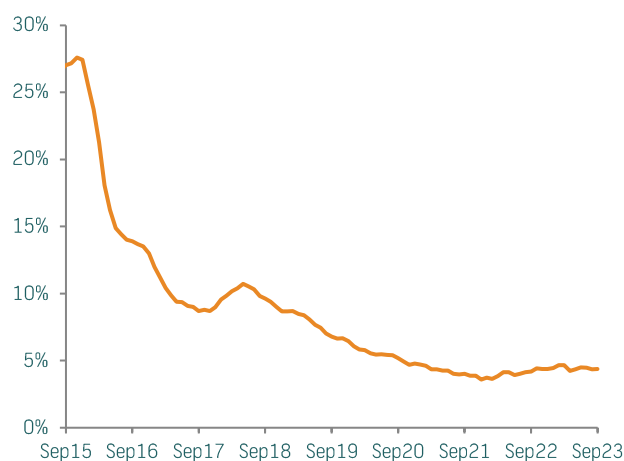
Residential rental listings remain concentrated in the 1-bedroom segment

## Deposit to rent ratio

Overall rental deposit growth remained strong at 14.8% in Q3-2023 from 15.1% in Q2-2023 and 3.6% in Q3-2022. Deposit growth was observed across all segments except the more than three-bedroom segment. Rental deposit requirements are still a voluntary practice in Namibia, therefore, the rental deposit growth further reiterates the resilience in the rental market.

Given the deposit growth observed in Q3-2023 the 12-month average deposit-to-rent ratio remained relatively unchanged at 4.4% compared to 4.2% over the same period in the year prior. The extent of the growth in the ratio was moderated by the concurrent increase in rent prices.

Figure 3: Deposit to rent ratio



Deposit-to-rent ratio remains fairly stable at 7.0%



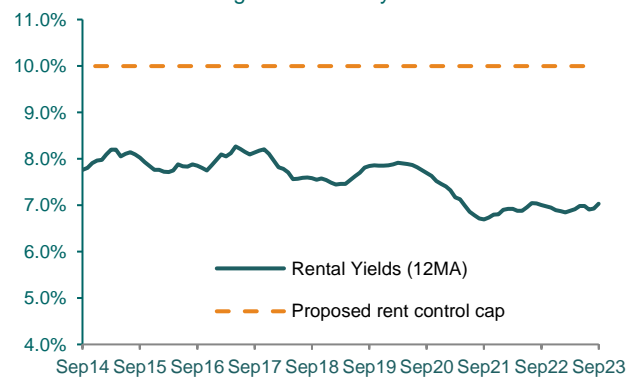




## Rentalyields

The gross rental return on a residential property for Q3-2023 was estimated at 7.0% on a 12-month rolling basis, unchanged from both the previous quarter and the previous year. Rental yields are a proxy for the return-on-investment landlords receive from renting out their properties. Rental yields during Q3-2023 beat inflation, which stood at 6.2% over the same period. This translates to a real return of 0.8% on rental properties.

Figure 4: Rental yields



## Conclusion

The rental market has defied the weak consumer environment, remaining resilient during the first three quarters of 2023. Inflation is expected to moderate over the course of the next two years and generally interest rates are expected to have peaked in 2023, with the cutting cycle to begin in the latter part of 2024. We expect the rental market to remain stable as these dynamics play out. Furthermore, the decision by individuals to delay the purchasing of properties and rent for longer will continue to support the rental market.





# METHODOLOGY

The rental index is based on average advertised prices in the residential property market across the country. These advertised prices are restricted to those advertised across print media – specifically the Namibian and Republiken. To ensure consistency, continuity and representativeness, the above-named databases were found to provide a realistic picture of asking price within the rental data. Other newspaper outlets were eliminated based on frequency on rental ads on their platforms. Subsequently, the data should be interpreted within these bounds and is therefore subject to the frequency and relevance of rental ads across these platforms.

Rental ad data is collected daily but aggregated and averaged monthly. The average figures are further weighted depending on the number of rooms available in an establishment. One and two-bedroom properties are given higher weights within the index versus three-bedroom properties. Furthermore, rental yield figures are calculated based on the average rent advertised and the average bonded property prices in the same area (bond property figures are sourced from FNBs Housing index data).

Notably, the FNB Rental Index differs starkly with the methodology utilised to calculate rental inflation as produced by the Namibia Statistics Agency. Therefore, the two data sources are not comparable with NSA data capturing actual rent versus FNB Rental index capturing advertised rent. These differences in methodology explain the subsequent differences observed between the two indices.