

EVALUATING THE NAMIBIAN HOUSING MARKET: OPPORTUNITIES AND CONSTRAINTS

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TABLE OF CONTENTS

Introduction	4
Salient Features of the Namibian Housing Market	5
Housing Shortage: Demand and Supply Analysis	9
Programs to enhance access to housing	9
Determinants of house prices	14
Conclusions and Recommendations	20
References	24

ABSTRACT

There is a consensus on the existence of a housing problem in Namibia. By 2007, the housing backlog was estimated to be 80,000 households and indications are that this figure has since increased. This is despite various interventions and programs implemented by central government to enhance access to housing. The objective of this paper was to decompose the hypothesis of access to housing in Namibia by looking at the performance of the various programmes developed to improve the housing stance and the factors driving house prices. Although the housing programs have made progress with regards to housing provision, there remains room for improvement. The paper also found that high house prices has resulted in unaffordability of housing by middle, low and ultra-low households, thereby further amplifying the housing shortage. Accordingly, the study suggested ways in which access to housing can be enhanced especially among low and ultra low income groups.

INTRODUCTION

Provision of affordable housing is one of the key challenges facing policy makers in Namibia. By 2007, the country faced a backlog of 80,000 households in dire need of housing. There are reasons to believe that this figure has increased since then as manifested in the growing number of informal settlements on the outskirts of most towns in the country. The main factor contributing to the housing shortage is the inadequate housing supply which failed to keep up with growing demand over the years. The housing shortfall is further amplified by the prevailing high unemployment rates, rising house prices and the growing trend of urbanization in the country, amongst others.

The available literature indicates mounting pressure on housing delivery in various developing countries. At the same time, there are indications in the literature that public sector initiatives have failed to improve housing delivery to low income communities owing to bottlenecks in policy design as well as implementation. A similar trend has been observed in Namibia, where access to housing remains a matter of concern, despite various government efforts through national programs and strategies to address it. Residential property is perceived as wealth or a measure of the quality of life, however, the majority of the Namibian population (70 percent) cannot access formal housing. With that in mind, it is essential to adopt relevant policy measures to accelerate housing provision in the country both as a social and economic imperative.

The objective of this paper is to review access to housing in Namibia by analysing housing delivery under the various government and NGOs initiatives. Further, the paper looks at the underlying causes of the observed increase in house prices in the country. Accordingly, the study suggests ways in which access to housing can be enhanced among low and ultra low income groups. The structure of the paper is laid out as follows: subsequent to this introductory section, Section 2 provides an overview of the current stance of the housing market in Namibia, while Section 3 analyses the issue of access to affordable housing and the final section rounds up the discussions by drawing conclusions and making the necessary policy recommendations.

SALIENT FEATURES OF THE NAMIBIAN HOUSING MARKET

The residential housing market in Namibia is characterised by fundamental imbalances in terms of demand and supply dynamics. The demand for housing has been rising at a fast pace, while supply has not been growing at the same rate. This situation has resulted in high house prices, raising the question whether these prolonged price increases will be sustainable and affordable over the long-run (Fig.1). In light of this, households in the low and ultra-low income brackets have experienced difficulties in accessing formal housing. As Table 1 below shows, the housing backlog in these income groups is high and continues to increase.

Table 1: Housing backlog

Income bracket	Backlog
N\$10,500+	706
N\$4,601 – N\$10,500	4,201
N\$1,501 – N\$4,600	29,554
N\$0 – N\$1,500	27,249

Source: Kalili, Andongo & Larson (2008)

The number of people living in improvised houses¹ or informal settlements is also on the increase. For instance, whilst in 1993/94 only 10 percent of the population lived in informal settlements, by 2003/04, this had increased to 17 percent with 27 percent of those being in urban areas (NHIES, 1993/94 & 2003/04). The survey also revealed that affordability plays a critical role in determining access to housing. For instance, an analysis of dwelling type and main source of income reveals that many people who depend on insecure sources of income such as drought and in-kind contributions, remittances/grants and informal business income mainly live in improvised houses. On the other hand, 88.3 percent of those who derive their incomes from commercial farming and 60.3 percent of salaries and wages earners live in modern houses. These two income categories have the highest share of the income per capita in Namibia.

Focusing on housing finance, roughly 70 percent of the Namibian population cannot access collateralized home loan facilities available in the financial markets (National Housing Policy, 2009). The main reason for this high exclusion is because delivery of mortgage products requires titled land which is obtained at a price. Also the majority of the Namibian

¹ An improvised house is an independent makeshift shelter or structure built from waste materials and without a predetermined plan for the purpose of habitation by a household.

population reside on untitled communal land in the rural areas. The mortgage finance market which caters for the urban populace is composed of commercial banks (middle and high income), National Housing Enterprise and the Build Together programme (middle and low income), while the Shack Dwellers Federation focuses on the ultra low income households². The annual growth in the value of mortgage credit extended by commercial banks averaged 17.0 percent, with the stock level moving from N\$1.8 billion at the end of 2000 to roughly N\$20.5 billion by the end of 2010 (Fig.2). The value of the total mortgage loans extended as a ratio of the total loans of commercial bank increased from 30.1 percent in 2001 to 52.3 percent in 2010. These developments reflect the growing importance of the property market on the balance sheets of commercial banks and the increasing exposure of the banking sector to the mortgage market.

The average house prices as a ratio of GDP has been rising at a steep rate, except for the slight dip during the financial crisis of 2007-2009 (Fig.3). Nevertheless, the upward trend observed earlier continued after the crises, partly fuelled by the favourable credit conditions to help stimulate the economy. This is evident towards the end of 2008, when an accommodative monetary policy was employed (Fig.3). The average house prices have been increasing, even in the periods of brief monetary policy tightening. Moreover, house prices have by far outpaced annual inflation, which remained within single digits. The average rate of inflation observed over the sample period was 7.1 percent, while house prices increased by 14.9 percent (Fig.4). The rate of house price growth has, however, moderated towards the end of the sample period.

² The operations of the NHE, BTP and Shack Dwellers Federations are discussed in Section V.

Figure 1: FNB Average House Prices

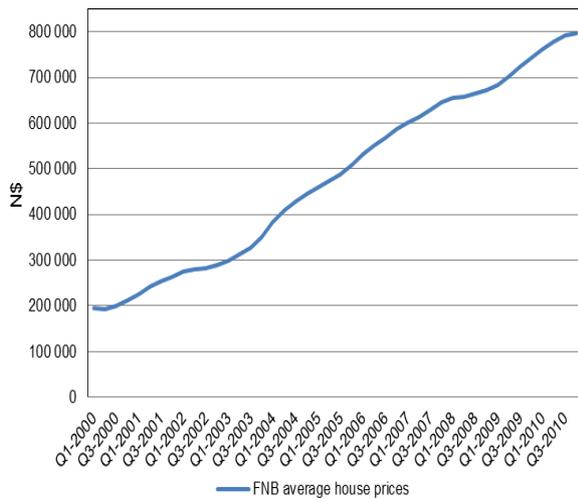


Figure 2: Mortgage loans

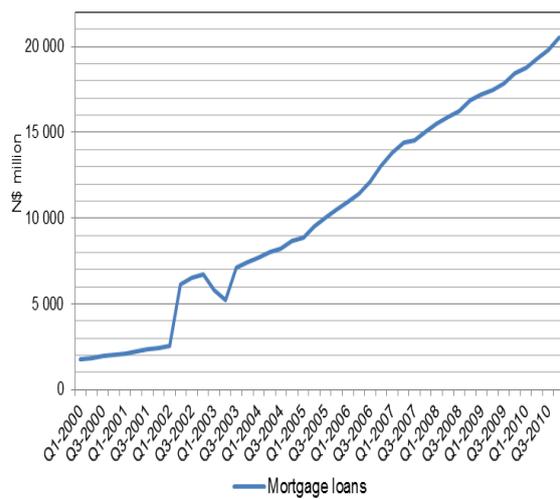


Figure 3: Average House Price to GDP

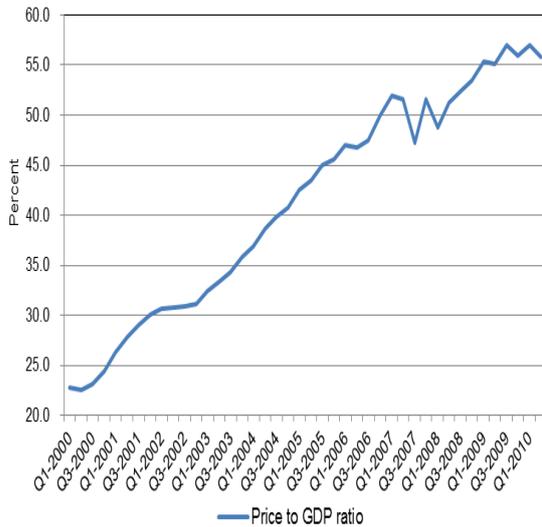
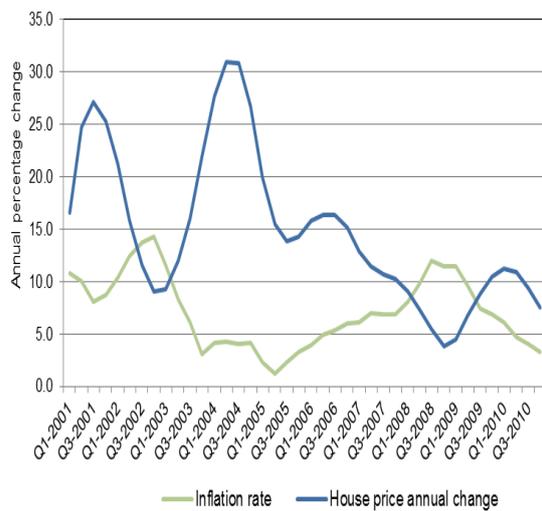


Figure 4: Inflation rate vs. House price growth



Source: BoN, CBS, FNB

These developments took place in a market that is governed by an array of legal instruments that facilitates housing finance and provision in Namibia (see summary in Table 2). Prominent amongst them are the National Housing Policy which outlines the agenda for directing resources towards providing affordable sustainable human settlements, particularly to low and ultra low income group. Meanwhile, the National Housing Development Act of 2000 provides for the establishment of Government structures at the national and regional level to facilitate access to housing. Furthermore, the National Housing Enterprise Act focuses on the provision of housing to households in middle and low income brackets, while

the Local Authorities Act confer powers to local governments to avail affordable serviced land for construction of such dwellings. Despite all these efforts there still remains a sizeable housing shortfall in Namibia and the paper therefore aims to explore the perceptions of the various stakeholders in the housing markets to establish the precise root cause of the demand-supply gap in the housing market.

Table 2: Policies and regulations on the Namibian housing market

INSTRUMENT	MAIN OBJECTIVE
National Policy on Housing of 1991 (revised in 2009)	– Guides the actions of various stakeholders with regard to the development, provision and financing of housing
National Housing Development Act of 2000	– Establish a National Advisory Committee on housing; a housing revolving fund and decentralised Build Together Programme
Local Authorities Act of 1992	– Provides powers to the local Authorities to engage in housing schemes which include providing loans and availing affordable serviced land and establish a housing fund.
National Housing Enterprise Act of 1993	– Provides for the establishment of the National Housing Enterprise to provide housing financing to middle and low income groups
Pension Fund Act of 1956	– Makes provision for registered pension funds to be used as a guarantee
Namibia Estate Agents Act of 1976	– The Act provides for the establishment of a board, whose main responsibility is that of maintaining and promoting the integrity of estate agents.

HOUSING SHORTAGE: DEMAND AND SUPPLY ANALYSIS

The increase in residential property prices and the supply shortage over the past decade have set the stage for various spin-off effects within the Namibian housing market. Key amongst these ripple effects is the resultant social exclusion of low income households from migrating into the formal housing market. Indeed, the Namibia National Housing Policy (2009) posits that approximately 70 percent of the Namibian population cannot access urban freehold land due to, amongst others, limited disposable income, poverty and exclusion from conventional home loans facilities. This section of the paper aims at decomposing the hypothesis of access to housing in Namibia by looking at the various programmes developed to improve the housing stance and the factors driving house prices.

PROGRAMS TO ENHANCE ACCESS TO HOUSING

To improve access to housing, the government undertook multiple actions which encompass various legal instruments, housing finances schemes and housing construction programmes. These efforts mainly focus on enhancing access to housing among middle, low and ultra low income groups whilst housing to middle and high income groups is mainly financed through commercial banks. Property and/or land prices are determined by market forces through the 'willing buyer/willing seller principle'. In addition to policies and programmes, the Government also avails funding from the central budget to speed up land and housing delivery in the country. This section of the paper zooms into the operations of the various social housing programs.

a) Build Together Programme (BTP)

The BTP is the key programme through which the Government deliver housing to low and ultra low income groups in Namibia. This programme is implemented at the regional and local authorities' level as four sub-programmes (see Table C in the Appendix) which disburse loans for building new houses and/or upgrading existing homes. The loan values range from N\$3,000 to N\$40,000 with a repayment period capped at 20 years and is geared towards individuals earning less than N\$3,000 a month. The interest charged on these loans varies between 4 percent and 7 percent subject to the length of the repayment period. Nonetheless, due to an increase in the cost of building materials, the loan amounts have become insufficient for housing construction and therefore needs to be revised upwards to suit prevailing market conditions. To that effect, the Ministry of Regional, Local Government and Housing is reviewing the BTP loan amounts to address this challenge.

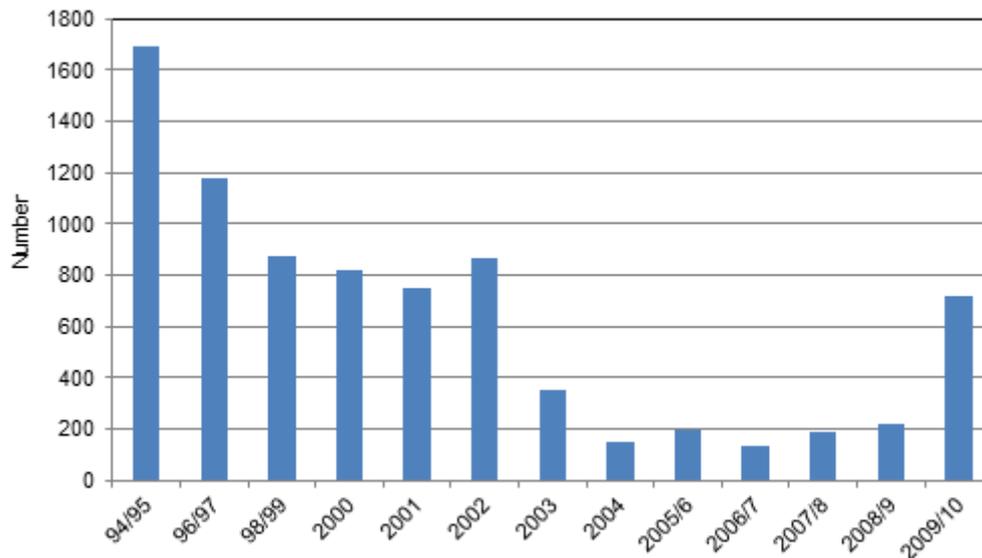
The study found that between the fiscal years 1998/99 – 2007/08, 10,479 houses were constructed under the BTP, inclusive of renovations and upgrading of informal settlements. Meanwhile, an additional 2,500 houses were constructed during the 2007/08³ - 2009/10 fiscal years versus an MTEF target of 4,600, i.e., a 54 percent realisation rate. These figures add up to a delivery rate of approximately 1,500 houses per annum. Despite the strides made by the BTP, the housing market still faces a backlog of around 80,000 houses since 2007. Considering population demographics, the backlog figure is less likely to remain static, thus there is a need for pragmatic actions to speed-up the housing delivery process in the country. A set of challenges needs to be overcome and that includes, amongst others, land servicing, rising cost of building materials, incapacity at some regional and local authorities and budget constraints.

b) National Housing Enterprise (NHE)

The NHE is dedicated towards availing housing finance and constructing houses for individuals in the low and middle income brackets. The loans disbursed by NHE vary within a ceiling of N\$550,000 and are expended as various finance products (see summary in Table D in the Appendix). The repayment period ranges between 20 - 30 years at prime minus one percent rate of interest. Since inception in 1993 until 2010, the NHE has so far delivered over 8,000 houses. The delivery rate was higher in the early 1990's as the institution developed 625 houses per annum between 1993 and 1999 but has since declined (Kalili *et al.*, 2008). Housing delivery declined from 816 houses per annum in 2000 to 216 houses in 2008/9 before picking up to 719 houses during the 2009/10 financial year (Figure 5). The decline could be ascribed to lack of financing and an increase in costs of building materials. The delivery rate falls short of the annual target of 1,200 houses that is required from NHE to meet the requirements of Vision 2030.

³ These findings should be treated with caution as there are gaps in the data.

Figure 5: Housing delivery under the NHE



Source: NHE

Challenges such as shortage of serviced land and the lengthy process of acquiring virgin land for servicing continue to hamper the operations of NHE. Land acquisition involves obtaining vacant land from the local authorities, transfer the title deed into NHE's name by the Deeds Office, subdivision of land by a town planner, approval of layout by the local authority, Namibia Planning Advisory Board (NAMPAB) and the Township Board, assigning of coordinates by quantity surveyors, registration by the surveyor general and thereafter procurement of engineering professional services for land servicing. This process can take as long as four years and costly due to administrative fees and professional charges. Approving bodies such as NAMPAB and the Township Board do not sit frequently and that further lengthens the approval period.

In addition, the institution is faced with a refinancing challenge as they strive to provide house loans at below market rates. Since its inception, excluding the initial capitalization, NHE has not received financial support from the Namibian government. However, going forward, the Central Government recently pumped N\$85 million for the 2011/12 – 2012/13 fiscal years into NHE. This is a welcome development but is just a slice of the needed finances, as far as speeding up of housing delivery is concerned. For instance, NHE embarked on a project of developing 200 houses on unserviced land in Windhoek which cost N\$35 million. At that rate, the N\$85 million capital injection can only construct approximately 485 houses, well short of the 1,200 houses per annum target. According to NHE, meeting that annual target will require financial resources in the region of N\$500 million per annum.

Going forward, the NHE is envisaged to receive a capital injection of N\$1.0 billion under the Targeted Intervention Program for Employment and Growth (TIPEG) dispensation. Out of that amount, N\$131 million is earmarked for land servicing while N\$898 million will be geared towards construction of low income housing. The housing and sanitation program under TIPEG is expected to result in the clearing of 3,980 new serviced plots and construction of 4,521 new low cost houses.

c) Shack Dwellers Federation of Namibia (SDFN)

The SDFN is a non-governmental saving organisation comprising of 620 housing groups, which assists its members to obtain land and infrastructure for housing purposes. The SDFN provide members with loans ranging from a minimum of N\$8,000 to N\$26,000, with the main determining factor of the loan value being the ability to repay the loan. The loans are repayable within a period of 11 years at an interest rate of 0.5 percent per month. However, in order to qualify for a loan, a member is expected to provide an advance payment equivalent to 5 percent of the required loan amount. After the land is purchased by the SDFN, the individual members are collectively involved in clearing the land and also undertake other manual labour during the construction phase. The Namibia Action Housing Group (NHAG)⁴ estimates that this helps to reduce construction costs by as much as N\$705 per square meter.

The SDFN solicit funding from its savings schemes, the central Government, local private companies and international donors. During the fiscal years 2007/8 and 2009/10, the Government has allocated a total of N\$3.9 million to the federation which steered the construction of 150 houses. Furthermore, additional funding to the tune of N\$8.5 million has been allocated under the 2010/11 – 2012/13 MTEF, which is envisaged to result in the construction of 215 houses. From the individual saving groups, the federation has solicited as much as N\$7.7 million between 1998 and July 2010. In aggregate, between 1994 and 2010, the SDFN has managed to construct 3,015 houses. The house delivery rate was very slow during the earlier years due to the limited funds, however, the financial boost from central government has improved the capacity of the federation to acquire land and construct houses. During the year 2010 alone, the SDFN managed to deliver 592 houses to its members. While noting the success achieved by the federation in providing homes to its members, there are several challenges that hinder their activities. Notable amongst them is the unavailability of developable land, which is further compounded by the slow process of

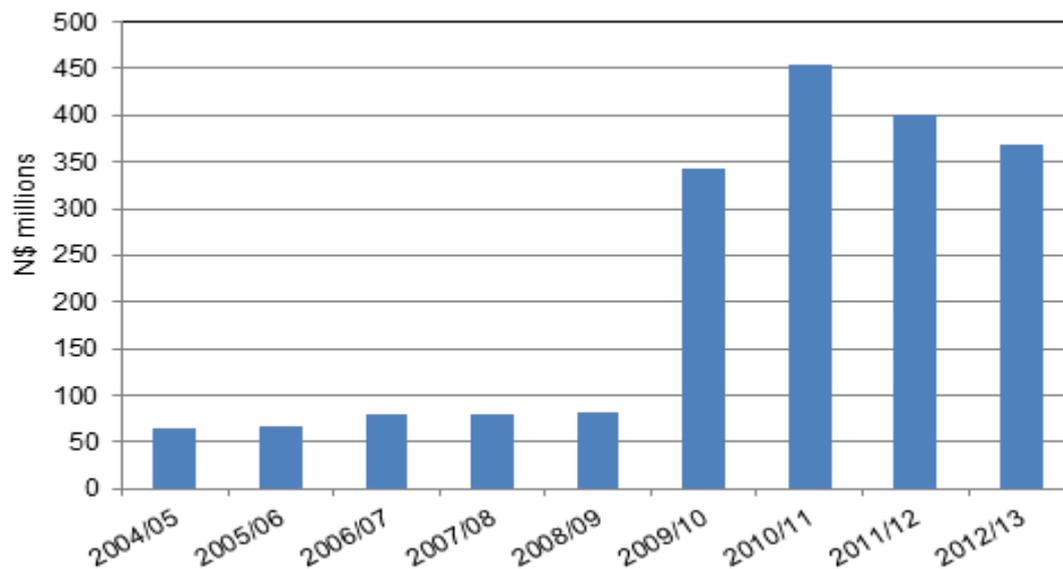
⁴ An organisation providing technical and administration support to the SDFN.

land delivery and a lengthy land registration process. Another challenge cited is the increase in the cost of building materials, which erodes the purchasing power of loan values.

d) Central Government Initiatives

Although access to housing continues to be a challenge in the country, central Government has responded to the situation in various ways. The noticeable response came in the form of a substantial increase in funds allocated for the purpose of housing and land provision (Figure 6). From 2009/10, the Government increased its funding from approximately N\$81 million to more than N\$300 million per annum. These increases include the recapitalisation of NHE to the tune of N\$85 million for the financial years 2010/11 – 2012/13, which is envisaged to result in the construction of 8,000 houses by the year 2012. Furthermore, a portion of the funds were geared towards infrastructure development, of which N\$300 million is earmarked for informal settlements upgrading in the low income residential areas of Windhoek. Allocations to the BTP, single quarters transformation and administration costs are also contained therein. To curb the cost of rising building materials, the government also invested resources into the Habitat Centre which conducts research on the development of alternative building materials. Although the budgetary allocations to the housing sector are commendable, more still needs to be done to improve the rate of housing delivery, as the country still faces a backlog of 80,000 households.

Figure 6: Government expenditure on housing and infrastructure development



Source: MTEF

DETERMINANTS OF HOUSE PRICES

With the understanding that there is a demand-supply gap in the Namibian housing market as evidenced in the preceding section, the authors gathered views from various stakeholders in the housing markets to establish the factors that accounts for the observed rapid increase in housing prices. Although the interviews were Windhoek-based, the information obtain applies to other urban areas in the country as well. A summary of the responses is outlined below.

a) Demand factors

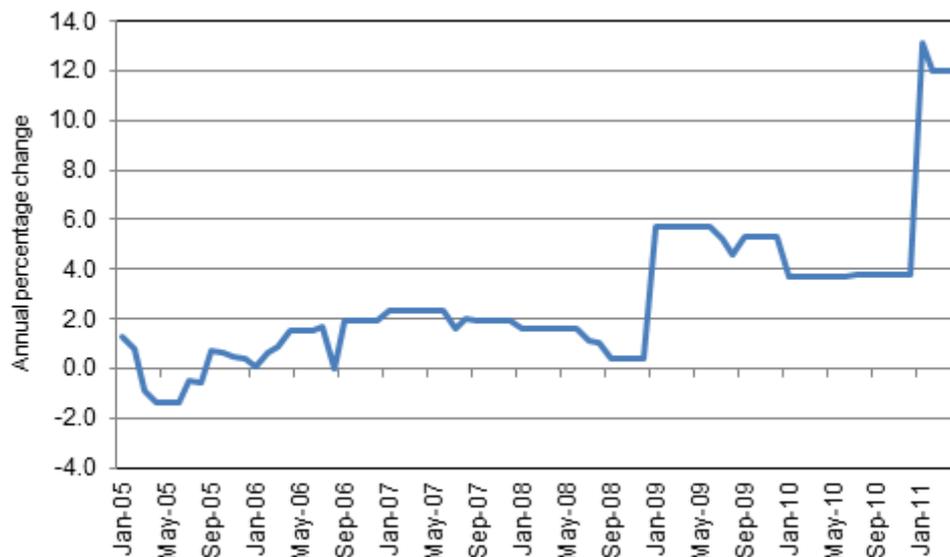
An overwhelming majority of the stakeholders interviewed for this study maintain that demand for housing in urban areas has increased exponentially during the past two decades there by outpacing supply. In addition to demographic adjustments in terms of the urban-bound versus the rural populace, the demand for housing is also fuelled by speculative activities and the increased volume of foreign cash-buyers.

The urbanisation trend observed since the 1990s is one of the key factors that had an incremental effect on the demand for housing, especially in Windhoek. The majority of the population migrate to urban areas on the premise of accessing better living conditions and employment opportunities. Data from the City of Windhoek shows that the city's population has been growing by 4.5 percent every year between 1995 and 2006. This effectively translates into a growth rate of roughly 54.8 percent over that period. A good fraction of these migrants into the city form part of the low skilled portion of the labour force, so that if they do secure employment they most likely join the low income household pool. As alluded to earlier, it is indeed this segment of the population that cannot access the formal housing market. Thus, the mounting urban population is further crippling the ability of the local authorities to provide adequate housing to residents amongst which housing supply is already in acute shortage.

In addition to the already buoyant demand, further strain is introduced by high income earners buying residential properties for investment purposes. Such speculative buyers were lured to the market by the sustained appreciation of house prices over the years, which guarantees a positive return from such an investment. These massive investments for gains had been partly contributing to the steep rise in house prices. Furthermore, the monthly income accruing to investors in the form of rentals has also increased over the years. Rental inflation data from the Central Bureau of Statistics (CBS), as shown in Figure 7 below, indicates that rental costs which were rising by less than 2 percent during much of the last

half of the 2000s has since picked up to over 12 percent in 2011. The continuous rise in rental payments also partially induce individuals to rather buy properties instead of leasing and that further fuels housing demand.

Figure 7: Rental inflation



Source: CBS

There has also been an increasing trend of foreign acquisition of properties in Namibia over the years. Since the domestic residential market essentially follows a free market system, the assertion is that foreigners with superior buying power have an advantage when it comes to property acquisition. Any seller will seek to maximise his/her profits by transacting with a party who offers the highest price and/or able to transact on a cash basis. And since there effectively is no ceiling on the mark-up from property sales, the seller can bid as high as possible. This elevation of prices has hindered first-time buyers and low income residents with little savings from acquiring houses. This practise has helped drive up prices especially in the coastal town of Swakopmund where beach front holiday homes are in high demand.

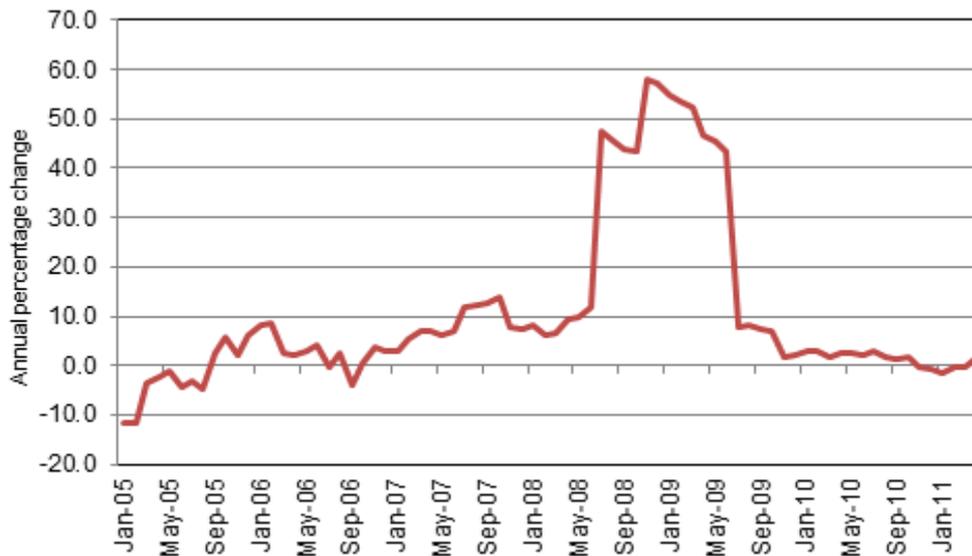
b)Supply factors

The supply of affordable housing to low and middle income households in Namibia has not been rising fast enough to meet the housing demand profile. The land delivery process is hindered by unavailability of serviced land, while the rising cost of building materials further contributes to increasing the cost of constructing housing settlements.

A recurring aspect from discussions with stakeholders in the housing market is that the supply of serviced land, in Windhoek especially, is lagging behind demand. As a result, agents are forced to scabble for property developments on a limited space of land which had a significant bearing on the prices of existing houses. The main point of argument from the side of the local authorities is that it is expensive to service land especially in the mountainous regions. For one, the land surveying and planning expertise required is in limited supply in the country hence it is costly to employ them. Moreover, most of the land surrounding the municipal areas is privately owned and acquiring it will require enormous capital investments; while local authorities are constrained of resources at the moment to afford such costly exercises. Currently, the City of Windhoek (as well as all other 1st tier municipalities in the country) does not receive any financial support from the central government to improve the land delivery process. The process of acquiring virgin land in order to service and develop it is also cumbersome and lengthy, taking as long as 4 years to get approval from the relevant authorities.

It also came to light that the rising costs of building materials contributed to the observed appreciation in house prices. The aggregate cost of constructing a house comprises of the profit margin accruing to a contractor, employee wages and material costs. These factors have risen over the years and this is argued to have contributed to the appreciation observed in house prices. The absence of a construction index in the country makes it hard to ascertain the validity of this assertion. The prices of conventional building materials such as cement had escalated between 2008 and 2009 when construction activities in Angola and South Africa were at peak in preparation for the football tournaments. The effect of these activities has since subsided. As Figure 8 illustrates, inflation in the sub-category of regular maintenance and repair of dwellings, a proxy series from the Namibian Consumer Price Index (NCPI) in which the price of cement is captured, had risen above 50 percent but had since fallen to less than 2 percent since 2010. This slowdown has, however, not filtered through to house prices implying that there are other principal determinants of house prices over and above building material costs.

Figure 8: Material cost inflation



Source: CBS

c) Other factors

The various procedures applicable in the process of acquiring a property in Namibia are also argued to have a bearing on the increasing property prices. There is also a perception that stakeholders such as property valuers, developers and real estate agents unnecessarily inflate house prices to reek in maximum profits based on the knowledge that there exists excess demand in the market and they are guaranteed to secure a purchaser for every property with an on-sale tag. Further, extra legal fees charged by lawyers for handling property transfers further helps to drive house prices out of reach of low-income households in particular.

Auctions, the main technique used by the local authorities to dispose off land, are yet another factor contributing to the rising property prices. The auction procedure is used by commercial banks to recover their cost in the event of defaults on mortgage loans, while the City of Windhoek auctions off new ervens on serviced land to recoup the cost of land clearing and servicing. The starting price is set based on the property valuation in case of the former, whereas for the latter it is determined by the cost of servicing per square meter. Depending on the financial standing of the bidders, the end sale price could increase as much as four folds of the initial price. As a result of this highest bidder arrangement, low-income households find it extremely hard to compete and hence to access land in Windhoek and other metropolitan areas which rely on the auction procedure.

The fact that entrants for auctions are not properly filtered to balance the playing field does not help the situation. At some auctions, first-time buyers are forced to compete for ervens with wealthy property developers. This procedure effectively guarantees access for high income households while shutting the door for those in the low income brackets. To make it worse, the municipality specifies the time period within which the house must be constructed and they further require that the final structure erected must be valued at between two and four times the initial cost of acquiring the erven. This requirement puts further financial pressure on prospective house owners, some of whom already struggle to finance the erven alone. There have been reported cases of people defaulting on erven payments and thus end up unable to complete the house construction which evidences the stated point.

From the perspective of the City of Windhoek, however, the auctions are warranted as it is a fair method of distributing land in the presence of buoyant demand. In addition, this procedure reeks in profits that the municipality diverts towards funding new capital projects and also cross-subsidising municipal services in low income areas. To enhance access to land by first-time buyers, the municipality recently introduced the offer-to-purchase procedure which allows first-time buyers to bid for vacant plots amongst one another. In contrast to normal auctions where the highest bidder is considered, through this method the going price is determined as the average of the bid prices.

Another key factor having an incremental impact on the final prices of residential properties is the valuers who are tasked with determining the worth of an already standing structure. Theoretically, the value of an existing property can be gauged using two valuation methods, namely, the replacement cost method and the comparable method. The replacement cost method of estimating the market value of a unique property looks at estimating the current cost of reproduction or replacement of such an asset. The comparable method, on the other hand, estimates the value of a house by comparing it to the going prices of similar establishments in similar locations while compensating for physical deterioration and all relevant forms of obsolescence.

The understanding gathered from interviews with various stakeholders is that there are no homogeneous valuation standards to which all property valuers in the country adhere to. As a result, these methods are not applied appropriately and depreciations of properties to account for loss of value overtime are not done in accordance with recognised standards. What's more, values of property are highly influenced by additions and renovations which

induce homeowners to make alterations to their properties in order to fetch higher prices. Further, the valuers practising in the Namibian housing market are not accredited to undertake property valuations since there is no institute and/or a legal requirement to ascertain their certification and credibility. Not all is lost, however, as the Valuer's bill which is currently being drafted hopes to address these shortcomings.

The role property developers play in the housing market is yet another factor cited to be fuelling house prices. Real estate developers serve as middleman in the housing market, mainly involved in the purchase of virgin land from local authorities and ultimately developing it into ready-for-sale housing units. Their incremental effect on house prices arises from the observation that the constructed houses are sold-off at exponentially inflated prices than is necessary to recoup the total investment injected into the project plus a healthy profit margin. The market also holds the view that developers engage in speculative activities by hoarding unserviced land for a rather extended period of time while waiting for house prices to appreciate somewhat and ensure hefty profits from their investments. Moreover, there are no restrictions on the purchase of land, especially in terms of the number of plots purchased. Given the above, developers could form oligopolistic behaviours and put further upward pressures on final residential property prices.

Finally, there are additional transfer costs incurred during the process of acquiring a property which further inflate house prices. At the moment, regulations require that each property transfer transaction be handled by an attorney. The reasoning behind that assertion is that attorney should serve as a middle-man to maintain confidentiality, reduce conflicts and eliminate the cost to the state in event of disputes. In the end, these attorney paper handling fees adds up to the final price of the house and they are in no way minimal. Nonetheless, plans are underway to relook at that practise when the amendments to the Deeds Office Act of 1937 are effected.

CONCLUSION AND RECOMMENDATIONS

The Namibian housing market is characterised by increasing property prices and a limited capacity to meet the demand for land and housing. These factors have raised concern among policy makers due to the high exclusion of low income households from accessing the formal housing market. The limited access to housing in Namibia at large and Windhoek in particular is of great concern considering that 70 percent of the population cannot access decent residential properties mainly due to issues of affordability. Furthermore, with a backlog of 80,000 the situation is dire and needs radical policy measures to address it. Although central government partnered with private, local and regional institutions, community based organizations and non-governmental organizations in an effort to improve housing delivery; the housing challenge continues to persist nevertheless and the pace of housing delivery in the country leaves much to be desired.

Taking into account the observations mentioned prior, the paper proposes the following policy recommendations in order to avert house price escalation, to improve housing provision and consequently alleviate the prevailing housing shortage.

a) Boosting land supply

The shortage of land for housing development remains a serious impediment that needs to be addressed. The issues pertaining to this challenge includes the costly nature of servicing land plus the cumbersome and lengthy process of acquiring virgin land for servicing. Specific recommendations to address these challenges are as follows:

- There is an urgent need for the central government to significantly boost their financial support to the local authorities and NHE to enhance their capacity to purchase and service land across the country. However, such efforts should be intertwined with strict overview and supervision with clear targets, so that such funds are exclusively directed to the intended course.
- A review of the land acquisition and registration process needs to be conducted in order to streamline these processes for timely land delivery. The NAMPAB and Township Board should be integrated into a single entity and their meetings should be held on a monthly basis. Further, the administrative and professional fees can also be reduced by shortening the layout approval process. For instance, legal and transfer fees can be eliminated by having in-house lawyers within the Deeds Office.
- A longer term solution would be to expedite the process of decentralisation in order to curb the influx of people into Windhoek. In addition, there is a need to explore the

possibility of establishing industrial and commercial hubs countrywide in order to relieve the housing pressure in Windhoek.

- Since financial constraints is the main factor hindering the NHE from accelerating housing supply, a portion of the pension funds and contractual savings, that the country has in excess, can be channelled into housing investments through NHE. However, to minimise possible risks such an exercise must be accompanied by appropriate mitigating procedures such as good governance at NHE.
- Alternatively, NHE and the local authorities can raise additional funds by issuing bonds in the financial markets and/or borrowing from development finance institutions. These actions will require credibility and good credit ratings, which will promote accountability and good governance on their part.

b) Improving access to housing

To improve access of housing to the low-income and middle-income households, several processes need to be reviewed:

- Several auctions by the local authorities have proved that land is auctioned off at artificial prices, which reduce the ability for middle and low income household to access the formal housing market. To that effect, auctioning of land for extraordinary gains should be prohibited as they lead to inflated prices. Alternatively, it should be exclusively limited to high income residential areas. The offer-to-purchase procedure recently adopted for first-time buyers is a step in the right direction.
- The central government should avail more funds towards housing initiatives to address the housing plight of the low-income households.
- The central government should place a moratorium on the purchases of land by non-Namibians until such a point that the current housing backlog is sufficiently addressed.
- To cultivate a culture of renting, local authorities countrywide should consider constructing rental apartments which can be availed to low income households and graduates at subsidised rates.

c) Revising legal instruments and curbing speculations

Several legal instruments need to be introduced to curb the rising house prices in the country. This will reduce speculative activities and standardise valuations in the housing market:

- Restrictions need to be introduced on purchases of second homes in low and middle income areas where residential property prices are souring either through higher taxes or limitations on second or more home ownership. Such a progressive tax system should be subject to the number of houses owned. Moreover, to discourage speculative activities, the treasury would be advised to introduce limited capital gains taxes applicable to second or third residential properties sold within 5 years of purchase.
- Legal requirements should be put in place to prevent first-time buyers from selling properties acquired through the offer-to-purchase scheme within 4 years of acquisition, unless it can be financially proven that such a person cannot afford to service that property. Alternatively, as a form of hindrance to speculative activities, capital gains tax should be applied on properties disposed off within a shorter time frame.
- There is a need to expedite the promulgation of the Valuer's bill to ensure that minimum standards are adhered to. Additional guidelines should be put in place to address variations in price valuations.
- The Deeds Office Act of 1937 should be revised to give an option to prospective property buyers and sellers to transact without requiring the services of an attorney. The Deeds Office should employ legal personnel to handle deeds registrations and transfers. Alternatively, there is a need to investigate the cost-effectiveness of setting up satellite offices countrywide.
- Considering the high property prices, the government should increase the threshold property value amount that qualifies a buyer from transfer duty exemption. This should be waived upwards from the current N\$400,000.

d) Reduction in costs of building materials

- To address concerns regarding rising cost of building materials, the alternative materials proposed by the Habitat Centre should be encouraged subject to standardisations. Subject to quality assurance and safety tests, financial institutions should be encouraged to finance properties constructed with these materials. Further, there is a need to harmonise building standards amongst all stakeholders in

the housing market. This will ease safety concerns of using these materials and change the prevailing negative perceptions regarding their quality. Furthermore, vigorous marketing is necessary to raise awareness and promote their usage amongst communities. It should also be made a requirement for companies tendering for construction of houses from government sponsored projects to make use of local materials.

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