GCR RATINGS

GCR Namibia Corporate Sector Risk Scores
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Related criteria and research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Corporate Entities, May 2019
Criteria for Rating Real Estate Investment Trusts and Other Commercial Property Companies, May 2019
GCR's Country Risk Score Report, January 2020
GCR Ratings Scales, Symbols & Definitions, May 2019

The GCR Namibian Corporate Sector Risk Assessment

GCR utilises the sector risk score in conjunction with the country risk score, to determine the operating environment risk score for each individual sector within the Namibian operating environment. The sector risk scores are intended to provide users with an overview of the major factors that impact GCR's assessment of the relative risk of each sector in the local economy. The following list covers GCR's corporate rating universe in Namibia currently, but additional sector risk scores will be introduced as necessary.

GCR will continue to monitor trends in the sectors contained in this publication and will update sector risk scores as the underlying factors shift.

Namibian Corporate Sector Risk Scores

Property, Sector Risk Score 5.0

The Namibian Property sector risk score balances below average cyclicality and relatively sound returns against the adverse impact of structural and economic limitations National Government has been grappling with for a number of years. The increasingly fragile operating climate has reduced demand for new developments, while rentals and lease tenors have come under increasing pressure. Subdued business confidence has also seen tenants scale back their space requirements. Vacancies have therefore also picked up, as availability of rental stock in key nodes rises, while viability constraints facing many entities in the SMME sector will impact collections and recoveries.

Counterbalancing this somewhat is the much slower pace of new developments compared to regional counterparts such as South Africa and Kenya, which should help to support more resilience in commercial property values when compared to residential assets. Access to capital and liquidity are viewed to be reasonable, although somewhat restricted by the illiquid capital markets, and banks' more cautious approach to managing their property exposures going forward. Looking ahead, we expect established players to continue to leverage first mover advantages, especially entrenched relationships with financial institutions and land held in the country's restricted to development areas to grow and/or diversify their investments. There are likely, however, to be more distressed or heavily discounted disposals in certain segments, especially residential and industrial. Overall, margin progression is expected to be constrained by higher municipal rates, as well as sustained pressure on consumers and business, which will be exacerbated by the COVID-19 related slowdown and/or disruptions.