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FINANCING HOUSING in Africa is a monthly publication of the African Union for Housing Finance for its members. Please submit material for inclusion to Kecia Rust, at auhf.kecia@iafrica.com

AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of thirty-four mortgage banks, building societies, housing corporations and other entities involved in the mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has its presence in some fifteen countries across the continent of Africa. See www.auhf.co.za

CONSIDERING TITLE DEEDS

Research launched this month by the FinMark Trust, in South Africa, shows the importance of title deeds in supporting the functioning of vibrant property markets. The study, undertaken with the support of Urban LandMark, the National Department of Human Settlements, the Western Cape Provincial Department of Human Settlements, the South African Cities Network, and the FB Heron Foundation, considered the asset performance of government subsidised stock in South Africa.

In 1994, South Africa embarked on a highly ambitious housing initiative, promising to build one million houses for a target market that comprised about 84% of its population at the time, within a five year period. By 2009, the Department of Human Settlements in South Africa reported that it had subsidised the development of approximately 2,94 million housing units and serviced sites. These have been delivered through a variety of subsidy mechanisms. Qualifying beneficiaries generally received a small house on a serviced stand, for free. The Housing Subsidy Assets study involved an analysis of how subsidised properties were trading formally on the Deeds Registry, and then a series of household interviews with a small sample of respondents from three settlements.

The study found that by September 2010, 1,44 million government subsidised properties were formally registered on the Deeds Registry. These comprise just under one quarter of

all residential properties on the South African Deeds Registry – a significant proportion.

Of course, if 1,44 million title deeds were registered by September 2010, this implies that at least another million or so of the 2,94 million properties delivered or under construction by that date were not formally registered. The delay in the titling process, and how to rectify this shortcoming of the South African housing programme, is something that must be considered by policy makers. The immediate consequences, however, are not insubstantial.

The obvious value of a title deed is that it protects rights to a property and records changes in ownership. Title deeds also provide individuals with an address, recognizing the owner as being part of the municipality and enabling the owner to secure loans and to pass the house on to family members when they die. The failure to provide title deeds to subsidy beneficiaries means that they are being denied a critical point of entry into the formal property market. Further, not having a registered title means that beneficiaries are not able to sell their houses using the Deeds Registry system (which requires the seller to have a title deed). The research suggests that this may be one of the causes of the informal transactions occurring in South Africa, which anecdotal evidence suggests is substantial.

The research points to the role of home ownership in giving homeowners access to the wider economy. Respondents to the qualitative survey said that the title deed was even relevant when they sought unsecured, housing microfinance. Lenders were much happier to engage in a credit relationship when they knew that the borrower was a property owner.

A further, related issue raised by research commissioned by Urban LandMark, sets out the challenges in the current titling systems which are, in many cases, inaccessible to low income earners wishing to transact. High rates of informal transactions, undertaken often because the formal process is difficult, can undermine the integrity of a deeds registry and ultimately, access to housing finance by “owners” without property titles. The process by which title gets registered must be accessible; not only to the wealthy that employ estate agents and other market facilitators, but also to low income earners who are trying to navigate the process on their own.

To access the reports visit the FinMark Trust website:
<http://www.housingfinanceafrica.org/projects/rdp-assets-study/>

We wish all our readers the very best over the festive season – good times with family, and rest to rejuvenate for the new year. FinMark Trust’s offices will be closed from the 15th of December 2011. The next newsletter, *Financing Housing in Africa*, will be published in the middle of January, as a double “December / January” issue.





In the news

This month in African housing finance

Housing delivery

Namibian Housing Scheme Gets Go Ahead

The trustees of Namibia's Government Institutions Pensions Fund (GIPF) have finalized the amendment of the fund's rule to pave the way for a members' housing scheme. The fund is currently engaging commercial banks to finalise agreements on the proposed scheme. GIPF is expected to stand as a guarantor for housing loans to commercial banks. Source: [MENAFN News](#)

Ghanaian Vice President launches low cost housing programme

Ghanaian Vice President, John Mahama, recently launched the first programme of the Savannah Acceleration Development Authority – a recently launched poverty reduction programme. This project involves the construction of low cost houses using local materials and new technology. The project is in collaboration with the United Nations Development Programme (UNDP), which has committed over half a million dollars to the project, while SADA provided GHC 2.5 million (USD 1.5 million). Source: [Ghana News Agency](#)

Nigeria's REDAN expects 400,000 housing units for 2011

The Real Estate Developers Association of Nigeria (REDAN) recently announced that its members expect to have a total of 400,000 housing units by the end of the year. According to the association's president, a total of 80,802 housing units were built last year. He attributed the significant increase in building activity to the government's decision to use housing delivery as a way of providing dividends of democracy to the citizens. Source: [The Nation](#)

Finance

Zimbabwe in Talks with Foreign Mortgage Lender

According to the Zimbabwean Finance Minister, Tendai Biti, Zimbabwe is in talks with a foreign financial institution to provide a mortgage facility for millions of homebuyers shut out by local banks. In unveiling his 2012 budget, he also stated that the absence of both public and private sector financial capacity to service adequate land for housing development has underpinned the current housing backlog. Source: [New Zimbabwe](#)

Equity Bank Kenya launches new mortgage product

Equity Bank Kenya is known to have built a successful business by mainly focusing on the lower income population. The bank recently launched a product that will provide an opportunity for salaried Kenyans with a monthly income of at least Ksh.20,000 (US\$207) to own a home. This new product has been introduced through a partnership with steel company Mabati Rolling Mills (MRM). The mortgage product designed to facilitate the construction of low-cost housing units using pre-fabricated steel structures manufactured by MRM. Source: [How We Made It in Africa](#)

FNB ventures into the Zambian Home Loan Market

The First National Bank's Zambian unit recently announced its entry into the Zambia housing market. The bank stated that their's is the the first product in Zambia to allow homebuyers to get an upfront bond. The launch of the home loan product is part of a strategy by the bank to expand in Zambia after plans to acquire a rival were recently scuttled by the new government. Source: [Lusaka Times](#)

Tanzania's Bank of Africa to launch mortgage financing for home service

Tanzania's Bank of Africa recently launched its mortgage product called Bank of Africa Home Finance; primarily a long term facility to help borrowers purchase, improve, complete or release equity investments on their new/existing homes. Three forms of home financing will be on offer: home purchase loan, home equity loan and home improvement loan. Source: [The Citizen](#)

Housing Market

South African Housing Market Still in the Doldrums says Bank

According to Absa, a South African bank, many consumers are still battling with impaired credit records, negatively affecting their ability to take up credit. Housing finance activity is yet to impress even though lending rates have been sitting at a more than 30 years' low over the past 12 months – reflecting the extent of the financial burden faced by many South African consumers. This statement was based on Absa's third quarter housing market report. Absa is the largest mortgage financier in the country. Source: [The New Age](#)

Report review: Makazi Bora: Two Years of Piloting Housing Microfinance in Tanzania

In 2009 Habitat for Humanity started a housing microfinance programme called *MAKAZI BORA* (in Kiswahili meaning 'better housing'), with the aim of establishing an effective housing microfinance product and methodology that would contribute to the growth of the practice in the region. They have now produced a report which covers the first two years of operation.

The *MAKAZI BORA* housing microfinance program was designed specifically for its local setting in Dar es Salaam; Tanzania's largest city. It targets low income households who build their homes incrementally. For the financial year ending June 2011, *MAKAZI BORA* disbursed a total of 848 loans, with an average loan size of \$542.09, and 621 active clients. This makes *MAKAZI BORA* Tanzania's leading housing microfinance program in terms of number of loans disbursed. The program is still very much "work in progress" but offers some useful lessons. Being under-capitalized and still having some basic management issues, *MAKAZI BORA* has yet to achieve its goal of demonstrating the commercial viability of housing microfinance. After two years, however, it does show evidence of the ambitious promise. This report highlights some key features of the program, its clients, and the progress from July 2009 to June 2011.

This report is a significant addition to the body of knowledge regarding housing microfinance. It can be applied as a case study of the implementation of housing microfinance, and is also layered with theories on housing and housing finance. The report also provides insight into the Tanzanian market and how Habitat for Humanity adapted the HMF practice to the market. The report ends with the lesson learned. It will be a very useful resource for all housing microfinance practitioners.

For more information, visit www.hfhtanzania.org/makazibora.html. The report can be downloaded from <http://www.housingfinanceafrica.org/document/two-years-in-piloting-housing-microfinance-in-tanzania/>



AUHF Member Profile:

Housing Finance Kenya

Housing Finance is one of the leading mortgage finance institutions in Kenya. The vision of the company is to be the leading provider of integrated solutions for the acquisition, development and improvement of property in Kenya. Housing Finance was incorporated on 8th November 1965 as per the Banking Act, under the name the Housing Finance Company of Kenya. The company's founding shareholders were the Commonwealth Development Corporation (CDC) and the Kenyan Government. In March 2002, the company rebranded changing its name from Housing Finance Company of Kenya to its current name, Housing Finance. Today, Housing Finance provides integrated financial solutions with a focus on both commercial and residential property.



Mr Frank Ireri is the Managing Director of Housing Finance and his organisation's representative to the AUHF.

As at June 2011, Housing Finance had a customer base of 45 000 people, and 4658 mortgage loans in 2011. Total assets at June 2011 were Kshs 30.84 billion, and the company had a deposit base of Kshs 17.43 billion and a loan portfolio of Kshs 21.53 billion. In 2010, Housing Finance's pre-tax profit grew to Kshs 561million (USD 6.3 million), a 60% increase on the previous year which was reported as Kshs 351 million (USD 3.9million). The company has been growing quickly: mortgage sales grew from Kshs 9.8bn (USD 109.2 million) in 2009 to Kshs 10.7bn (USD 119.2 million), while disbursements grew by 41% from Kshs 6.3bn (USD 70.2 million) to Kshs 8.9bn (USD 99.2 million). The value of the company's loan book grew from Kshs 14.5bn (USD 161 million) to Kshs 19.5bn (USD 217.3 million). Mortgage interest income increased by 43% from Kshs 1.5bn (USD 16.7 million) to Kshs 2.2bn (USD 24.5 million). The company successfully raised Kshs 7 bn (USD 78 million) from the bond market to fund its business growth. The bond was oversubscribed by 41% from the original target of Kshs 5 bn (USD 55.7 million). This was the first tranche of a Kshs 10 bn bond (USD 111.4 million) offer.

Housing Finance also signed up several strategic partnerships. These included an MOU with Shelter Afrique for co-financing of large projects, as well as partnerships with ZAP (Zain Kenya's mobile money service) for money transfer services and Nairobi Water and Sewerage Services for bill payments in its branches. The company also launched a joint product with Aon and British American Insurance on an all risks insurance policy for construction projects known as Aon Wrap.

PRODUCTS AND SERVICES

Housing Finance has a wide range of innovative products, all designed to facilitate the housing process. Offering both project and end user finance products, savings products, transactional products and mortgage finance, the company's niche market approach maintains a focus on finance for housing.

Savings, Transactional & Investment: Housing Finance offers an array of savings products, from tied savings accounts through to transactional savings accounts and investments. Savings products are developed for specific niche markets including students. The Apex account is designed for institutional savers who want to put some funds away each month, but also need access to these funds. One of the bank's foremost investment products is its Housing Development Bond. This account allows a fixed amount of money to be saved over a period of time. The account holder declares the amount to be saved as a lump sum which is then fixed for an agreed period. It is designed for the individual saver who will not need to access the funds for the duration of the savings plan. Other investment products include the fixed term deposit as well as the Hybrid fixed term deposit.

Mortgages: Housing Finance has a range of mortgage products available, and recently launched the Housing Finance 3Plan Mortgage Concept. The initiative was driven by the need to make loans more affordable to customers while also ensuring that the pricing recognized the difference between short term and long term loans. The 3Plan Mortgage Concepts are:

- **Startup Plan** - loan term of over 12 years and up to 20 years. This loan is normally attractive to young career persons who are taking their first mortgage. The interest rate charged on this Startup Plan product is Base plus 3.25% p.a.
- **House Plan** - loan term of over 5 years and up to 12 years. This is usually suited to people who are able to make a larger monthly installment and borrow for a shorter time, keeping the overall interest cost over the period lower. The interest rate charged on this House Plan product is Base plus 3% p.a.
- **Ace Plan** - loan term of up to 5 years. This attracts people who have either saved a substantial amount towards the price of the house, or who feel that a short-term product suits their debt profile. The Ace Plan product charges the lowest rate of interest, Base plus 2.5% p.a.

Construction Finance: Housing Finance has an accumulated expert experience spanning over 40 years in construction/project finance with an emphasis in multi-unit housing developments. An in-house expert team works closely with the established professionals in the design and construction industry in developing investor's concepts into viable projects, with personalized service to meet a wide range of unique client needs.

Products and services offered single dwelling, multi development, and property improvements loans. Loan terms vary .

Kenyans in Diaspora

Housing Finance recently launched its Cross Over Savings Account as a way to attract Kenyans living outside the country to own a home in Kenya. The products provides their customers up to 100% mortgage financing and up to 25% discount on commitment fees.

Frank Ireri gave an excellent presentation on Housing Finance Kenya at the AUHF Conference – visit http://www.auhf.co.za/09-2011/1/6SEPT_12_Frank%20Ireri.pdf

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Player in focus: Old Mutual Housing Impact Fund

In October 2011, Old Mutual Investment Group launched the Housing Impact Fund for South Africa (HIFSA) - a "Development Impact Fund" which seeks to provide commercially viable investments into the low-income housing sector while enabling investors to achieve targeted investment points as defined in the Financial Sector Charter. HIFSA invests primarily in housing and housing-related assets within South Africa, and aims to achieve the maximum risk-adjusted return possible from this asset class. The fund invests in all aspects of the housing value chain, from the physical development of housing through to mortgage and incremental housing finance.

HIFSA is managed by the Development Impact Funds Team within OMIGSA Alternative Investments on behalf of private investors. The Development Impact Funds Team was founded to provide investors with commercially viable low-income investments to satisfy the investment criteria of the Financial Sector Charter. The Development Impact Funds Team manages in excess of R13bn (USD 1.5 bn) across the Development Impact Funds, and to date has originated approved deals of R9.6bn (USD 1.14 bn) of which committed funds amount to R6.8bn (USD 807.7 million).

The fund takes a comprehensive approach to addressing the unique housing needs of South Africa by identifying areas of the housing market which would benefit from scale intervention. HIFSA utilises an active asset management approach in the selection, acquisition and origination of low-income housing related assets. Investments are structured as long-term strategic partnerships with carefully selected counterparties in order to achieve large-scale impact with positive developmental outcomes.

The Development Impact Team originates and manages assets on behalf of HIFSA. The majority of investments is originated in-house and is actively overseen and monitored over the term of the investment. The portfolio is thus positioned to make complex investments requiring bespoke agreements and active management of transactions and cash flows. Participants in the fund include Old Mutual Life Assurance Company of South Africa, Development Bank of South Africa, Government Employees Pension Fund and Eskom Pension & Provident Fund

HIFSA invests in all forms of housing related investments, including physical development, ownership of rental stock and end-user finance. HIFSA investments comprise of commercially viable low-income investments targeting households earning less than R15 000 pm (USD 1781).

Investments are made in debt instruments underpinned by property assets, residential assets or loan obligations with repayments that are passed through to the investor. Investments take place through Special Purpose Vehicles (SPVs) to maximise profit and isolate specific risks.

The fund is 100% invested in South Africa with a minimum of 80% to be invested in housing and housing-related assets, and 20% which may be invested in non-housing assets. In the housing-related assets, at least 60% is invested to benefit households with incomes of less than R15 000 pm (USD 1781); the remainder may be invested at household income levels less than R30 000 pm (USD 3562). Furthermore, of the 80% invested in housing related assets, 67.5% is invested in Greenfield's development and rental stock while 32.5% is invested in end-user finance for the purposes of affordable housing.

Old Mutual is currently exploring the possibility of establishing a similar impact fund for housing in Africa. This effort is still in the conceptual phase, but aims to be catalytic in developing a low income market in select countries.

Current projects

Some investments by the Housing Impact Fund for South Africa to date include:

Mettle Property Solutions: An OMIGSA joint venture with Mettle Property Solutions, this project involves the construction of multiple housing projects across South Africa. Currently there are eight projects underway involving over 11,000 new houses. For example, the Karino Lifestyle Housing project in Nelspruit, Mpumalanga, initially aims to build 1,350 housing units at a cost of R450m. The total value of the development over a six-year period is estimated at R1.55bn (USD 184 million), representing a considerable financial injection into the greater Nelspruit economy..

Urban Space Housing: This housing development initiative together with Renprop and Probuild involves eight different projects which will deliver over 25,000 new housing units in planned urban environments. The projects are spread around the country in areas such as Kimberley, Bloemfontein, Middelburg, Pretoria, Randfontein and West Rand.

Real People Urban Properties: This portfolio of buildings offers rental accommodation, and units are sectionalized for sale. The venture comprises 2,400 units.

Rand Leases: This joint venture with Rand Leases involves seven separate projects totalling some 12,283 new housing units in locations like West Rand, Krugersdorp, Germiston and Alberton.

South Point: This project provides rental accommodation to students primarily from disadvantaged backgrounds in such locations as Braamfontein, Pretoria, Cape Town, Durban and Bloemfontein. It entails the purchase and renovation of buildings into suitable student accommodation, which is then rented out on short 10-month leases. Already, some R680m has been allocated involving more than 12 buildings and catering for approximately 4,000 students.

About Old Mutual Investment Group: With R460bn (USD 54.6bn) in assets under management, OMIGSA is South Africa's largest asset manager. The group offers clients investment solutions across every asset class and risk profile, from traditional equity and bond investments to infrastructure, SRI and private equity assets, among others. OMIGSA is part of Old Mutual plc, a leading international long-term savings, protection and investment company with over 53,500 employees worldwide providing life assurance, asset management, banking and general insurance in 34 countries (Africa, Europe, the Americas and Asia). For more information, visit: <http://www.oldmutual.co.za/about-us/sustainability-report/investing-responsibly/housing-impact-fund.aspx>



Graph of the month

A report available on the IFC website outlines current investment practitioner views of sustainable investment in private equity and asset management in South Africa, Nigeria, and Kenya. The report argues that investor interest in Africa is on the increase. Investment choices in sub-Saharan Africa, as shown below, remain driven by attractive risk-adjusted returns. This was true for virtually all private equity investors, asset owners and asset managers interviewed. Interesting, is the relative importance of data on good performance, as a factor influencing investment choices. This points to the critical need for tracking data and developing indicators and benchmarks. The report notes “investment data is patchy for most of Sub-Saharan Africa. But as investment activity increases, more data is being made available.” The report also notes that housing is among the top three sustainable investment opportunities on the continent, together with healthcare and infrastructure. For the housing finance sector to compete in this landscape, a focus on better data – the identification of appropriate data points and the ongoing and consistent collection of data that investors trust – will be key. This could be an important role for the AUHF to play in the future. Access the report from: [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_Si-SubSaharanAfrica/\\$FILE/IFC_Sustainable_Investment_in_Sub-Saharan_Africa.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_Si-SubSaharanAfrica/$FILE/IFC_Sustainable_Investment_in_Sub-Saharan_Africa.pdf)

UPCOMING EVENTS

TRAINING / COURSES

Housing Finance in a Changing Environment; 4-14 June 2012, Pennsylvania, Philadelphia. For more information: www.ihfp.wharton.upenn.edu

CONFERENCES / WORKSHOPS

International Conference on Growth with Stability in Affordable Housing Markets 29 January – 1 February 2012, New Delhi, India. Hosted by the Asia Pacific Union for Housing Finance. Visit: www.apuhf.info

Urban & Housing Development Global Conference 15 – 17 February 2012, Cape Town, South Africa. Visit: www.urbanhousingdevelopment-lse.com

Affordable Housing South Africa 2012 27 February – 1 March, Johannesburg, South Africa. Visit: www.iqpc.com

Urbanisation in Africa: Investing in new cities. 4-5 March 2012, Cote d’ Azur, France. Visit: www.loucasteou.com/academy

2nd Annual Africa Banking & Finance Conference; 6-7 March 2012; Crown Plaza Hotel, Nairobi, Kenya. Visit: www.aidembs.com

Financing Low –Cost Housing Africa 28-29 March 2012, Nairobi, Kenya. Visit <http://lowcosthousing-africa.com>

IMPORTANCE OF SELECTED FACTORS IN CHOOSING WHETHER TO INVEST IN SUB-SAHARAN AFRICA

Ranking results identified as “very important” on 4-grade scale
[frequency ranking from 8 options; n=48 PE investors + 44 asset owners and asset managers]

