



ISSUE 4: APRIL 2011

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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-one 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

The AUHF welcomes its newest member! The **Tanzania Mortgage Refinance Company** joined the AUHF in April 2011, with its CEO, Mr Rished Bade, as its representative. We look forward to meeting Mr Bade and his colleagues, and formally welcoming the TMRC into our grouping at the AGM in Mpumalanga, South Africa, from 6-9 September 2011.

CALCULATING ACCESS TO HOUSING FINANCE IN MALAWI

In March, FinMark Trust hosted a FinScope Workshop entitled “From data to action” in Johannesburg, South Africa. FinScope is a nationally representative study of consumers’ perceptions on financial services and issues, which creates insight to how consumers source their income and manage their financial lives. FinScope explores consumers’ usage of informal as well as formal products, and builds a picture of the role that the informal sector can play in the financial markets of developing sector, while also providing insights to enable formal sector product development. The survey has been

conducted in fifteen countries across Africa. The purpose of the workshop was to bring together financial sector participants to consider the use of FinScope and other information in the development of inclusive financial systems in Africa.

The morning of the second day of the workshop focused on housing finance. Illana Melzer, a consultant at Eighty20, presented the access frontier methodology as a tool by which FinScope (and other) data could provide insights into how many and which consumers can access housing finance products. Melzer used 2008 FinScope data from Malawi as an example to explore access to housing finance in that country.

According to FinScope Malawi (2008), 83% of household heads say they own their dwellings and 27% say they own more than one dwelling or property. Melzer noted that this was not necessarily reflective of legal tenure: respondents were only asked to say whether they owned their dwellings, and not to prove this legally. Using this data, as well as data on house type and building materials, Finscope makes it possible to assess how many dwellings might be mortgage-able (i.e. permanent dwellings in urban areas). According to the survey, only 8% of all dwellings in Malawi are in mortgage-able property. Of these, 38% are owned.

Other questions in the survey provide information on poverty and deprivation, which offers an indication of loan repayment capacity. According to FinScope:

- 35% of household heads were regularly (always or often) unable to assist those who depended upon them financially in the 12 months before the 2008 survey
- 32% always or often had no cash in the home at all
- 19% went regularly without a pair of shoes; and 11% went regularly without a blanket
- 13% went regularly without medicine or medical treatment; and 21% went regularly without one meal in a day

The FinScope survey also highlights key differences in income sources between urban and rural areas. In urban areas, 45% of household heads rely on wages or a salary as their largest source of income. In rural areas, 58% are primarily dependent on income from farming, and only 9% receive wages or a salary as their largest source of income. Thirty percent of urban households generate their income from their own business – in rural areas, the figure is only 10%.

The access frontier methodology allows analysts to segment the market into those who are too poor to access a housing loan now or any time into the future (known as the Market Redistribution Zone), those whose access is currently constrained by factors that could be overcome by better product design, targeting, etc., (known as the Market development zone); and those who can access the product but who, for some reason, have not yet chosen to do so (known as the market enablement zone) and finally, those who already have the product. By segmenting the market in this way, housing finance practitioners can have a better sense of the shape of their target market. Using FinScope data, Melzer segmented Malawi’s population as follows:

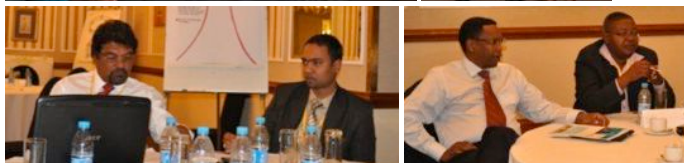
- Current mortgage market: 14 158 household heads said they have a mortgage
- Market redistribution zone (too poor to access): 620 889 households
- Market development zone (suggesting the need for product development): 2 277 935 households who are either not banked, whose income is too low for current house prices, who have no



liquid savings, who have an irregular income, or who don't understand the term "loan"

- Market enablement zone (suggesting a target for marketing): 73 072 including households who said they would not use their land or dwelling as security.

Though the Finscope data is based on perceptions, it provides an important indication of how Malawi's financial services sector responds to demand. FinScope data can be used to influence both policy and product design.



Representatives from AUHF Members CBZ Bank Home Loans (Zimbabwe), Botswana Housing Corporation, the Mauritius Housing Company Ltd, Banking Association of South Africa, and new member, Tanzania Mortgage Refinance Company participated in the workshop.

The presentations from the FinScope workshop are available at www.finmark.org.za. The access frontier for housing finance in Malawi is available on <http://www.tinyurl.com/3tzqm9n>. Information about FinScope can be found on www.finscope.co.za.

In the news

This month in African housing finance

Housing delivery

Shelter Afrique lends Sh560 Million in Kenya

The Kenya Medical Association (KMA) Cooperative Limited is set to receive a loan of KSh560 million from Shelter Afrique for its KSh 2.2 billion housing project. The project will involve the development of 157 units in Nairobi. The cooperative was formed to aid KMA members to access affordable housing by mobilizing their resources and channelling them to buying land and developing houses.

Source: <http://allafrica.com/stories/201104070146.html>

Nigerian Federal Government to develop 36 new cities

The Federal Government of Nigeria has planned to develop 36 well planned cities to decongest various overcrowded cities in Nigeria. The new housing plan also includes recovery of contributions to the National Housing Fund and product design strategies that would increase access to housing finance and home ownership across the country. Source: <http://allafrica.com/stories/201103310183.html>

Housing Markets

Houses Too Expensive For Citizens in Tanzania & Kenya

House prices in Tanzania are out of reach even for the middle class. According to UK-based Global Property Guide, new housing in Dar es Salaam costs \$700/m², while a rented dwelling would cost in the order of \$500 per month. This puts homeownership out of reach of the vast majority – GPG estimates that housing in Tanzania costs 134 times an average annual, middle class income. In Kenya, the situation is worse with the m² cost as high as \$1 293 and monthly rental at 148 times an average annual, middle class income. In both cases, high costs are due to backlogs in infrastructure, and regulatory requirements that make construction especially expensive. Low levels of supply also spur price appreciation. In Tanzania, an estimated 6000 – 8000 units are built annually for the middle and upper income markets. In Kenya, total supply capacity is estimated at 50 000 units per annum – a fifth of the estimated annual demand of 250 000 units. This also means that dwellings targeted at lower income earners gets bought up by those able to bid higher prices.

Source: <http://allafrica.com/stories/201104140593.html>

South Africa's House Market Struggling Due to Debt

The South African housing market is reportedly struggling amidst a record low interest rate. Excessive debt has been cited as the main reason for such uneasiness in the market. Property indices from two major banks in the country, FNB and ABSA show that there has been a dive in housing prices in certain segments over the last quarter. This reported indebtedness is said to restricts potential homeowners' access to finance. Source: <http://www.fin24.com/Money/Money-Clinic/House-market-struggling-due-to-debt-20110410>

Source: <http://www.fin24.com/Money/Money-Clinic/House-market-struggling-due-to-debt-20110410>

Finance

Remittances Help in Buying Land, Houses in Africa

A study undertaken by the World Bank, entitled "Leveraging Migration for Africa: Remittances, Skills and Investments" surveyed households in Senegal, Burkina Faso, Nigeria, Uganda, Kenya and South Africa. They survey found that Kenyan households invest 55.3% of remittances received from outside of Africa and 47% of those received from other African countries in land purchases, building houses, businesses, agricultural and other investments. Investment in housing and the purchase in land is stronger where few other assets are reliable stores of value, and may be the first stage of a broader investment relationship between migrants and their countries of origin. By 2010, remittance inflows to Africa reached nearly \$40 billion, equivalent to 2.6% of Africa's GDP in 2009. Developments in money transfer and branchless banking technologies have contributed to a 4-fold growth since 1990. Source: <http://allafrica.com/stories/201104070154.html>

Source: <http://allafrica.com/stories/201104070154.html>

World Bank Loans Kenya CB Sh8.8bn for Mortgage Lending

The World Bank is set to grant Kenya Commercial Bank a loan of USD 105 million to support its regional mortgage business. The grant is expected to provide the bank with significant long-term financing support of its strategic objectives. This grant comes at a time when the bank sought to address an asset liability mismatch that has seen the lender rely on short term financing, mainly current account deposits, to finance long term mortgage loans. Source: <http://www.businessdailyafrica.com/World+Bank+loans+KCB+Sh88bn+for+mortgage+lending/-/539552/1146830/-/h6p83/-/>

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BDC Develops A Property Fund For Botswana

The Botswana Development Corporation is in the process of setting up a property fund which would consist of class of investible assets for citizens and fund managers. This initiative would be achieved through a consolidation of properties from the industrial, commercial and the hospitality sector which will form part of the fund. This initiative is in accordance of the corporation's divestment policy, and the process is said to be finalized by the end of the year. Source: http://gazettebw.com/index.php?option=com_content&view=article&id=9094:bdc-develops-a-property-fund-for-batswana-&catid=13:business&Itemid=2

FMBN takes a new direction in Nigeria

The Federal Mortgage Bank of Nigeria (FMBN) has undergone a series of restructuring in the past year which has seen it transform into a Federal Government Sponsored Enterprise. This would see the organization expand its functions from being an institution that provides funds for Primary Mortgage Institutions (PMIs) for lending to social housing needs, to one that lends under the National Housing Fund (NHF). The bank is also set to raise its capital base to N100 billion, followed by yearly capital injection of N250 billion over two years from 2012 to 2013. This new direction would empower the bank to function as a government institution aimed at making profits. Source: <http://www.thenationonline.net/2011/index.php/business/3297-fmbn-plans-n350b-capital-base.html>

Land

Uncoordinated Land Policies Bane of Housing Delivery in Nigeria

The theme of the annual Lagos Housing Fair this year is "Access to Land and Housing Delivery". Chairman of the organizing committee, Mr Moses Ogunleye said that the Land Use Act, promulgated in 1978, should be amended to address the bureaucratic bottlenecks and high costs involved in accessing title for property development. Source: <http://www.vanguardngr.com/2011/04/%E2%80%98uncoordinated-land-policies-bane-of-housing-delivery%E2%80%99/>



Report back: IHFP – Housing Finance Workshop in Sub-Saharan Africa

From 11-16 April 2011, the Wharton School's Housing Finance Workshop for Sub-Saharan Africa, sponsored by the World Bank, the FinMark Trust and the AUHF, was held at the Kenya School of Monetary Studies in Nairobi, Kenya. The workshop attracted a diverse group of 62 professionals from 8 countries in Africa, as well as from Peru and Sweden. Over the course of six days, participants learned about housing and land markets, housing policy, various housing finance mechanisms (including mortgage and non-mortgage products). Lectures addressed the business of housing finance, funding the mortgage portfolio, profitability and risk, housing microfinance, and how to extend housing finance down market, including the role that government should play. On the last day, participants were hosted by Suraya Properties on a site visit to two of their developments in Nairobi.

The International Housing Finance Programme (IHFP) has been run for 25 years under the direction of its founder Dr. Marja Hoek-Smit, had a mixture of viewpoints both from academics and practitioners from the field of practice. The one-week Africa course is a shortened and Africa-focused version of the two week course, which is offered annually, at the Wharton School's home at the University of Pennsylvania, in the United States. With both courses, participants receive a memory stick of reading material and a full course pack of lecture notes.

The next IHFP course takes place at the Wharton School of Business in Philadelphia, USA between the 6-16 June 2011. It is hoped the next IHFP Workshop for Sub-Saharan Africa will take place in late 2011. For more information, visit www.ihfp.wharton.upenn.edu





AUHF Member Profile:

National Housing Enterprise



The National Housing Enterprise (NHE) is a state owned enterprise operating in Namibia, established in 1993 by the National Housing Enterprise Act. The objective of the NHE as defined in terms of Clause 3 of the NHE Act is: "The financing of housing for inhabitants of Namibia and generally providing for the housing needs of such inhabitants". With a focus on low-income, affordable housing, NHE's mission is to "provide and finance affordable, quality and adequate housing, thereby contributing to Namibia's socio-economic development and creating a stable, progressive human habitat." The organization's vision is to be the leading national agency in the provision of housing in Namibia.

Housing products

The NHE acts as a lending institution as well as a developer. All units constructed by NHE are sold to clients financed with an NHE loan. NHE provides housing loans to different income categories, based on market related interest rates. NHE also conducts programmes in training small builders with regard to managerial and technical skills in the building industry.

NHE's housing projects offer a tailor-made service in which clients are involved in decisions about the finishes of their homes in accordance with their needs and affordability. A basic core house consists of one or two rooms, plus an enclosed bathroom and including a geyser and ceiling. These houses are intended to form the core of a larger house for easier extension at a later stage. Some of these houses are built with no internal walls except for the bathroom, while the internal walls of others are built only to door height. NHE provides upgrade loans to owners to these houses to improve and to extend them. NHE also builds conventional houses – two or three bedrooms with a kitchen, bathroom and lounge, targeted at higher income earners.

Loan products

NHE's home loans are available for borrowers to purchase NHE-built houses or houses available on the open market that fall within NHE's target price range. NHE offers a full loan of up to 100% of the product price. Affordability is based on an estimate of 25% of household income plus subsidy, or 20% of



Mr. Vinson Hailulu, CEO of the National Housing Enterprise, is the NHE representative to the African Union for Housing Finance (AUHF). Mr Hailulu is a member of the AUHF Executive Committee.

household income for those without subsidy. Various loan types are offered:

- **Private resale:** this is available when the loan is within the NHE's target price range.
- **Package loan:** targeted at government employees to purchase and upgrade houses offered for sale by government, this loan would pay for the purchase price of the house, transfer and bond registration costs, as well as funds for renovations and/or improvements.
- **Building loans:** targeted at individuals who own a plot and who want to build their own house. NHE requires that the building be constructed with approved

plans by a contractor with appropriate credentials.

- **Upgrade loans:** targeted at individuals who wish to extend their homes.
- **Excess bond:** This product is provided to customers who have been paying for their houses for at least 12 months, and enables them to borrow again the amount that has been repaid, to a maximum of N\$20 000. No registration of a second or further bond is required since the additional loan amount is within the original bond registered.
- **Deposit Accounts:** customers can open an account at NHE to save amounts over a certain period of time until the savings are sufficient to pay for a deposit on a home loan.

Growth

In recent years, NHE has seen impressive growth. Speaking at the launch of houses built in Keetmanshoop, Namibia, CEO Vinson Hailulu reported that NHE's annual investment in housing development had jumped from N\$17 million (about US\$2.5 million) in 2005 to over N\$150 million (about US\$22.26 million) in 2010. In early 2011, NHE signed a loan agreement with Old Mutual Investment Group's infrastructure development fund for about US\$5 million. NHE estimates that about 2 000 households are on the waiting list for its housing.

National Housing Enterprise

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Player in focus: Hofinet

HOFINET | Housing Finance Information Network

The housing finance information network is a “quality-assured web portal that consolidates regularly updated international housing finance knowledge in one central, easily accessible place”. Based in the United States, Hofinet is incorporated as a non-profit organization. It received its initial funding from the Wharton School of the University of Pennsylvania, the International Finance Corporation, the World Bank, and the FMO of the Netherlands. Under the directorship of global housing finance expert, Drs. Marja Hoek-Smit, Hofinet is an impressive resource of data and research on a wide array of housing finance topics globally, available for download free of charge. Visit Hofinet on www.hofinet.org or by email hofinetmail@wharton.upenn.edu.

The website portal has three information channels:

- **Themes** provide information on various housing topics. Some themes are edited by housing finance experts, and provide a space where new research can be publicized and explored.
- **Country pages** provide detailed, consolidated and standardized housing sector and housing finance information.
- Data is available for analysis through the **Research Centre**. Hofinet works closely with local practitioners in its participating countries who provide up to date, highly detailed data on an annual basis. The standardized format that Hofinet provides makes it possible to do cross-country comparisons.

From the website (www.hofinet.org)

Housing finance is a growing concern exacerbated by a lack of information. In emerging market countries, a growing urban middle class exerts increasing political pressures to improve their access to formal sector housing in an environment where the proportion of households in informal and under-serviced areas remains stubbornly stable. There is a critical need to mobilize domestic resources through the scaling-up of housing finance systems. **Expanding housing finance systems** require a dramatic increase in the number of housing finance professionals in a variety of institutions—public, private, non-governmental and academic. These professionals need information, not just on housing markets and finance systems in their own countries, but comparative information across countries.

In countries with highly developed housing finance systems, current practices and policies are being reconsidered. The lack of a cross-country knowledge framework limits the discussion on alternative practices. Few U.S. housing experts know, for example, how European countries fund their mortgages.

International development agencies and consulting firms need cross-country comparable information, over time, on the health and strength of housing finance systems and policies beyond some indicators of size and type of participating institutions. **HOFINET intends to consolidate global housing finance information and knowledge** jointly with its international partners, and to make it widely accessible.

- A **standardized** set of initial housing market, housing finance and policy measures that is tested internationally and can be expanded and adjusted over time.
- **Housing finance laws and regulations** for each country and pertinent research and consulting reports provided copyright laws allow posting.
- **Short country assessments** that focus on the unique features of each country's system.
- A **data download and analysis** capability to facilitate research.
- Up-to-date international housing sector **scholarship** through theme pages.
- An **ongoing forum** for discussion with international experts.

Hofinet themes

Housing finance and the macro-economy

This theme includes reports and other resources addressing:

- Housing and wealth creation
- Housing supply
- Demand for housing
- Global financial crisis
- Housing market analysis, including housing market and urban development indicators, real estate price indicators, and property price cycles.

A new 2011 paper by Kai Guo and Vahram explores the **Determinants of Bank Credit in Emerging Market economies**. Published by the International Monetary Fund, the paper examines changes in bank credit across a wide range of emerging market economies during the last decade. The paper includes time-series and cross-section information which show that domestic and foreign funding contribute positively and symmetrically to credit growth. To download: <http://hofinet.org/documents/doc.aspx?id=404>

Comparing Finance Systems and Institutions

This theme includes a 2010 paper by Michael Lea, entitled “**Alternative forms of mortgage finance: what can we learn from other countries**”. The paper is published by the Harvard Joint Centre for Housing Studies, National Symposium. To download: <http://hofinet.org/documents/doc.aspx?id=271>

Retail Housing Finance

This theme includes reports and other resources addressing:

- Housing finance products
- Loan origination, servicing foreclosure and forebearance
- Risk management of housing finance institutions
- Mortgage insurance
- Housing finance under Islamic Law
- Housing microfinance

Funding Housing Finance

This theme is edited by Dr Michael Lea who provides a broad background on the subject. The theme includes papers and resources on the secondary market and mortgage bond financing.

Housing Finance Policy

This theme includes papers and other resources addressing:

- Housing finance subsidies
- Slum upgrading
- Rental housing (including rental market regulations and rent control)
- Supervision and regulation of housing finance systems
- Consumer information and protection
- Alternative legal structures for housing finance
- Property rights and registration



Graph of the month

The following graph shows the attitudes of household heads to their land and dwellings in Malawi. FinScope is a nationally representative study of consumers' perceptions on financial services and issues. The graph below highlights perceptions of household heads, segmented by urban vs. rural, and among urban dwellers, those who are presumed eligible for mortgage finance and those who are not. According to FinScope Malawi 2008, the majority of household heads in the country see their land and housing as a social, or family asset – something they would never consider selling. While the proportion of household heads that feel this way is lower in urban areas than in rural areas, the sentiment is nonetheless dominant. This has a particular implication for the demand for mortgage finance in Malawi, and the potential for a vibrant property market in which households trade their housing, using it as a means to generate equity towards future investments, costs of education, or their retirement nest egg. Only 5% of urban household heads that are eligible for mortgage finance would sell their dwelling and land to buy a bigger property and only 9% would use the property as security when borrowing money. It would seem that the greater demand is for home improvement finance, as 19% of urban, mortgage-able households say they have improvement plans. Thirty-seven percent say they would buy more property.

UPCOMING EVENTS

TRAINING / COURSES

Developing Inclusive Financial Systems: The CGAP Course for Funders of Microfinance 6-10 June 2011. Dakar, Senegal. For more information: www.cgap.org

Housing Finance in a Changing Environment 6-16 June 2011. Organised by: International Housing Finance Programme, Wharton School of Business, University of Pennsylvania, Philadelphia, USA. For more information: www.ihfp.wharton.upenn.edu

Making Markets Work 17-29 July 2011, Glasgow, UK. For more information: www.springfieldcentre.com

CONFERENCES / WORKSHOPS

International Housing and Construction Conference: Social housing – The Way Forward? 11-14 September 2011, Southern Sun, Cape Town, South Africa. For more information: www.sahf.org.za

5th African Microfinance Conference 19-22 September 2011, Addis Ababa, Ethiopia www.aemfi-ethiopia.org

12th International Housing and Home Warranty Conference 25-28 September 2011, Cape Town South Africa. For more information: www.nhbrc.org

SAHF Study Tour to Brazil. The Southern African Housing Foundation is planning a study tour in late 2011. Key issues include financial planning for human settlements, provision of social housing, engaging with local authorities, etc. For more information, contact sahousing@shf.org.za

Attitudes towards land and dwellings by household heads in Malawi (Source: FinScope Malawi 2008)

