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This is the first edition of the African Union for Housing Finance (AUHF)'s monthly newsletter. The newsletter will provide a brief overview of developments in Africa's housing finance sector, with a special focus on countries from which it has members. Each edition will include a profile of an AUHF member, and focus on another organization not currently a member of the AUHF. Please submit material for inclusion to Kecia Rust, at auhf.kecia@iafrica.com

AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of twenty-seven 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

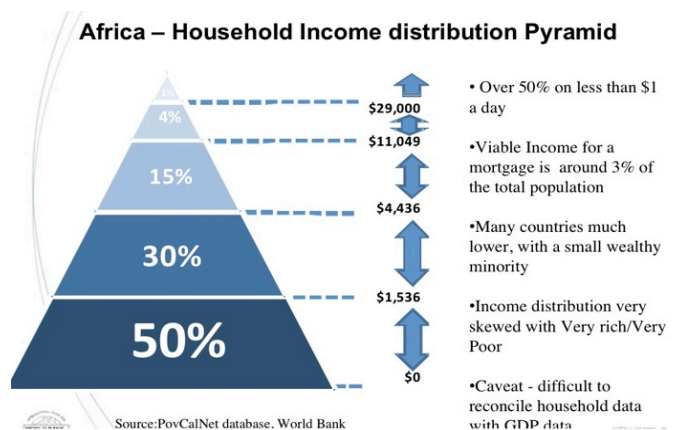
AUHF Annual Training, Conference & AGM

From 21-23 September 2010 in Gaborone, Botswana, the African Union for Housing Finance held its 25th annual conference and AGM. Seventy-three delegates and speakers from ten countries took part. Through the conference theme "Building towards a boom: African housing finance markets in 2010" delegates considered the state of play in Africa's housing finance markets and the role of the AUHF in supporting industry growth.

UNHabitat kindly sponsored the first day of the conference. Three presentations, outlining the housing sector framework, housing finance systems and instruments, and mechanisms to extend access to housing finance through housing

microfinance, covered the bulk of the day, with lively engagement from the floor. This was followed by a discussion in plenary on current approaches and challenges as experienced by the participants.

In the course of the second day, delegates considered the state of housing finance in Africa in the current context, post the global economic crisis, and the role that the AUHF could play in supporting its members to participate effectively in the growth of the sector. Participants noted the opportunities in Africa: general political stability, on-going economic reform and growth, and economic resilience in the face of the global financial crisis. Mr Simon Walley, of the World Bank, highlighted the particular challenge of affordability, noting that only about 3% of Africa's population had incomes sufficient to sustain mortgage finance.



Mr Motswaiso, Chairman of the AUHF, added a range of other challenges facing housing finance lenders. The meeting agreed that the AUHF has an important role to play assisting housing finance practitioners address these challenges, while also articulating regional experiences in the global sphere, and promoting responsible lending standards. As thought leader, the AUHF should assist its members to lobby and influence government policy and action. Towards this, the dissemination of appropriate data in support of informed, evidence-based policy making was important.

A new Executive Committee of the AUHF was elected at the AUHF's Annual General Meeting on the final day. The Exco for the 2010/2011 year are as follows: Mr R Motswaiso – Botswana (re-elected as Chairperson); Mr C Coovadia – South Africa (re-elected as 1st Vice Chairperson); Mr GJ Dladla – South Africa (elected as 2nd Vice Chairperson); Mr C Chimutsa – Zimbabwe; Mr V Hailulu – Namibia; Mr M Seetohul – Mauritius; Mr E Graham – The Gambia; Mrs E Matenge-Sebesho – South Africa; Mr A Akuffo – Ghana (in absentia).

To access the full AUHF Conference Report as well as presentations from the Conference, please go to http://www.auhf.co.za/Training_Programs.htm



In the news

This month in African housing finance

Possible Future Housing Microfinance Product in Tanzania

Pride Tanzania is floating a bond on the stock exchange for TzSh 14.5 billion (US\$ 9.7 million) to support its current microfinance activities as well as possibly, a housing microfinance product.

Source: [All Africa](#)¹ 18/10/2010

Old Mutual Investment Group and National Housing Enterprise in Namibia plan 200 houses

The planned project should address 10% of the NHE's waiting list of 2000 applicants. Worth N\$35 million (about US\$ 5 million), the loan was provided through Old Mutual Group's infrastructure development fund (known as the MIDINA Fund) an unlisted pooled portfolio that provides debt finance to local authorities, parastatals and third-party empowerment entities.

Source: [All Africa](#)² 27/10/2010

PPP for housing in Zambia

A public private partnership to build 12,000 houses across Zambia (including 6,000 low-cost houses, 4,500 targeted at middle-income earners, and 1,500 houses for high-income earners) was announced at the Affordable Housing and Development in Zambia conference. Deputy Minister for Finance and National Planning, Chileshe Kapwepwe said she hoped this first phase would stimulate other players to participate in the market.

Source: [How we made it in Africa](#)³ 13/11/2010

Norwegian Investment Fund to enhance low cost Housing in Namibia

The Norwegian Investment Fund for Developing countries (NORFUND) with partnership with DFCU Bank and Akright Projects Limited are set to build low cost houses making use of prefabricated technology. The \$10 million dollar project hopes to construct up to 2000 low cost houses, and the pilot programme starts in January 2011 with a plan for 15 houses. The DFCU Bank plans to give 80% of the cost of the property in the form of loans. The project is aimed at low and middle income earners.

Source: [Busiweek](#)⁴ 03/12/2010

Increase in affordable housing finance in South Africa

According to affordable housing developer, International Housing Solutions, there has been a definite positive response to the demand for affordable housing finance in the country. Banks have now introduced products that

provide 100 per cent financing for households earning between R 3500 and R 15000 (US\$ 500- US\$ 2142) commonly referred to as the affordable housing sector in this country.

Source: [Fin24](#)⁵ 01/10/2010

Mortgage markets in Kenya and Uganda

The Housing Finance Bank in Uganda launched two new mortgage products: a construction mortgage and commercial mortgage financing. The financing, estimated to be over US\$ 100 billion (US\$45m), is intended to assist property developers put up commercial and residential properties for sale, by financing as much as 70 per cent of the project cost. These products follow on from the Housing Finance Bank's issued bond worth US\$ 30 billion (US\$15m) which was oversubscribed.

In Kenya, according to data released by Central Bank of Kenya in June 2010, real estate loan growth outpaced that of credit to businesses and households in the year to June, emerging as a new driver to the banking sector's profitability. This greater mortgage activity however has not been equaled by greater delivery of housing to lower income earners who cannot reach these housing finance products

New Source: [All Africa](#)⁶ 25/10/2010

Kenyan Banks increase lending to the real estate sector

A new act in Kenya that now allows banks to lend up to 40% (an increase from 25%) of their deposits to housing and commercial property builders has been a motivation for banks to increase their lending to the sector. The new act also allows banks to lend up to 70% of customer deposits to property developers with the authorization of the Central Bank. This new act will grant smaller banks in Kenya the opportunity to enter the mortgage market.

Source: [Business Daily Africa](#)⁷ 07/01/2011

Seven African countries among the world's ten fastest growing economies projected for 2011-2015

This is according to forecasts by the International Monetary Fund, reported in The Economist. With growth rates all above 6%, the seven are: Ethiopia (8.1% annual average GDP growth projected for 2011-2015), Mozambique (7.7%), Tanzania (7.2%), Congo (7%), Ghana (7%), Zambia (6.9%), and Nigeria (6.8%). According to the Economist, sub-Saharan Africa's real GDP growth rate over the past decade averaged at 5.7%, almost double the 2.4% growth over the previous two decades. The Economist also predicts that over the next five years, African economies are likely to outpace those in Asia.

Source: [Zambia Weekly](#) 14/01/11



The Botswana Housing Corporation is a parastatal, wholly owned by the Government of the Republic of Botswana. BHC was formed in 1970, under an Act of Parliament and its operations started in 1972. The mandate of the BHC is three-fold:

(a) To provide for the housing, office and other building needs of the Government and Local Authorities

(b) To provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph (a)

(c) To undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

Upon its formation in 1972, the Corporation inherited 1,571 houses from the Government of Botswana at a cost of P6.5M. As at the end of March 2009, the Corporation had a total portfolio of 10,360 units with an estimated value of over P1 billion. The portfolio includes flats, townhouses and a mix of high, medium and low cost houses. The majority of the units are found in the cities of Gaborone and Francistown, and average vacancy rates for 2008/09 were below 1%.

In addition to holding houses for rental, the Corporation previously sold some of its houses by way of installment schemes, namely Tenant Purchase Scheme and Step Ownership Scheme. These schemes are however becoming smaller and smaller portions of the corporation's income.



An example of a housing typology offered by the BHC

More recently, the organisation embarked on an aggressive campaign of outright sales, selling its first units under Sectional Title in June 2007. For this, external financiers provide funding to

AUHF Member Profile: Botswana Housing Corporation

the housing purchaser. As an indicator of this shift in activities, in 2008, the corporation's proceeds from sales of investment properties increased 37 per cent, from P118,740 to P163,634. This also saw the gains from such sales go up by 28 per cent. This in contrast to a fall in rental, tenant purchase scheme, and step ownership incomes over the same period. In April 2010, BHC announced the sale of 134 sectional title units for sitting tenants in Gaborone and Francistown, and that a further 228 units would be available in November 2010.



Reginald Motswaiso, the CEO of the Botswana Housing Corporation, is BHC's representative to the AUHF. Reginald was elected for a second term as AUHF Chairperson at the AUHF's AGM in September 2010.

The BHC builds just under 1,000 houses per year across the country. In 2010, they have their sights on about 1,400 from four projects, and in terms of the National Development Plan 10, construction of 29,000 houses is targeted for the next seven years.

The Corporation also constructs infrastructure and housing for the Government of Botswana and other institutions on an agency basis, charging a fee for the technical and financial expertise applied to these projects. Recent clients include the Ministry of Lands & Housing, as well as the Botswana Defence Force.

The corporation has been registering surpluses, pointing at its relative good financial health despite the challenging economic conditions. For the 2007/08 financial year, the Corporation recorded a surplus of P97.7million. This was down from a surplus of P98.0 million of the previous year.

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Player in focus: Shelter Afrique



Shelter Afrique is a pan-African housing finance and development institution established in 1982 by African governments, the African Development Bank, the Commonwealth Development Corporation Group (now known as “ACTIS”) and the African Reinsurance Corporation. Formed to address the need for sustainable housing delivery systems in Africa, its shareholders include 42 African countries and a number of institutions. **Shelter Afrique assists mostly private and public sector institutions in Africa identify, finance and implement housing projects.**

As of 2008, Shelter Afrique had 23 projects underway in 10 countries for a total loan value of US\$ 54.29 million. Currently 37 projects are underway. The majority of these loans are for residential housing projects – the construction of apartments and houses. Commercial lending constitutes a smaller proportion of its lending portfolio, and even smaller is sites and services schemes lending, for planning, sub-dividing and servicing urban land with essential infrastructure. One project in Nigeria provides a line of credit to the EIB Building Society Ltd., for the provision of mortgage loans.

Shelter Afrique receives applications for housing or shelter-related projects and evaluates these against a range of criteria. There should be a well-researched and documented project proposal and feasibility study report, and the promoter or implementing agency must possess the requisite competence and experience. Shelter-Afrique does not finance more than 60 per cent of the total project cost or commit to more than 10 per cent of its equity, whichever is less, in any single project. The developer must have already expended on or be prepared to invest capital of not less than 30 per cent of the total cost of the project.

In the recent past, Shelter Afrique’s profitability has been hampered by the economic slowdown in most member states as a consequence of the global economic recession. Thus net profit declined by 37 per cent in 2008. The company has also been subject to significant currency pressure as a result of losses sustained by the CFAF and the Kenya shilling, its two major operating currencies, given its financial reporting currency is the US dollar.

Shelter Afrique offers debt, line of credit, equity and quasi equity, short-term facilities and trade finance, as well as technical assistance. Its operational programmes include

- Residential real estate
- Commercial real estate
- Land and infrastructure development
- Mortgage finance, including securitisation
- Contractor support services
- Trade financing for building material procurement
- Social housing

Some current projects...

Benin: GBB Housing Project (Phase II): development of 225 housing units of different types and related infrastructure services.

Burundi: Kizingwe Phase 1: Servicing of 170 plots and installation of infrastructure services at Kizingwe, Bujumbura, Burundi.

Central African Republic: Construction of 43 apartments.

Democratic Republic of Congo: various projects to construct apartments and houses for rent and for sale.

Djibouti: Wadajir II Housing Project: 32 housing units for outright sale.

The Gambia: Brusubi Housing Project – Kombo North: installation of infrastructure services to 138 residential plots and construction of 100 housing units (3-4 bedroom).

Guinea: Construction of a 7-storey complex at Kaloum.

Kenya: various projects to construct apartments and houses for sale.

Madagascar: Construction of 104 low and middle income houses in three cities.

Malawi: MHC Lilongwe Site and service projects: servicing of 100 medium density and 242 high density residential plots.

Mali: Servicing of 221 plots and construction of 94 housing units.

Mauritania: development of 15 housing units and related infrastructure.

Nigeria: various projects to construct houses and apartments, service stands, and provide a line of credit for mortgage loans.

Senegal: various projects to construct houses and apartments, including related infrastructure

Uganda: various projects to develop apartments, including related infrastructure.

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⁴ <http://www.busiweek.com/10/page.php?aid=1641&caid>
⁵ <http://www.fin24.com/Money/Property/Boom-time-for-affordable-housing-20101001>
⁶ <http://allafrica.com/stories/201010261060.htm>
⁷ <http://www.businessdailyafrica.com/> Author: Moses Michira

Graph of the month

In the following graph, interest rates were sourced primarily from Central Bank websites, or from the Housing Finance in Africa 2010 Yearbook. The prime lending rate is the rate that banks lend to their prime customers – and is usually equated with the mortgage rate in a country. In Ghana, however, where the prime rate is 26.7%, Ghana Home Loans offers its customers mortgages at 13.5%. Prime is below 10% only in 3 countries: Mauritius, Namibia and South Africa. The Central Bank Rate is the rate at which the Central Bank lends to commercial banks. In Mozambique this is the “standard deposit facility”; in Nigeria it is the “monetary policy rate”, in South Africa and Mauritius it is the “repo rate”, and in Zambia it is the “overnight lending facility”. Please contact us if you would like to offer insights regarding the data below.

UPCOMING EVENTS

TRAINING / COURSES

Housing Finance Workshop in Sub Saharan Africa: International Experience and Lessons Learned. Sponsored by: World Bank, IFC, Wharton School (UPenn), FinMark Trust and AUHF. 11-16 April 2011, Nairobi, Kenya. For more information: www.worldbank.org/housingfinance

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

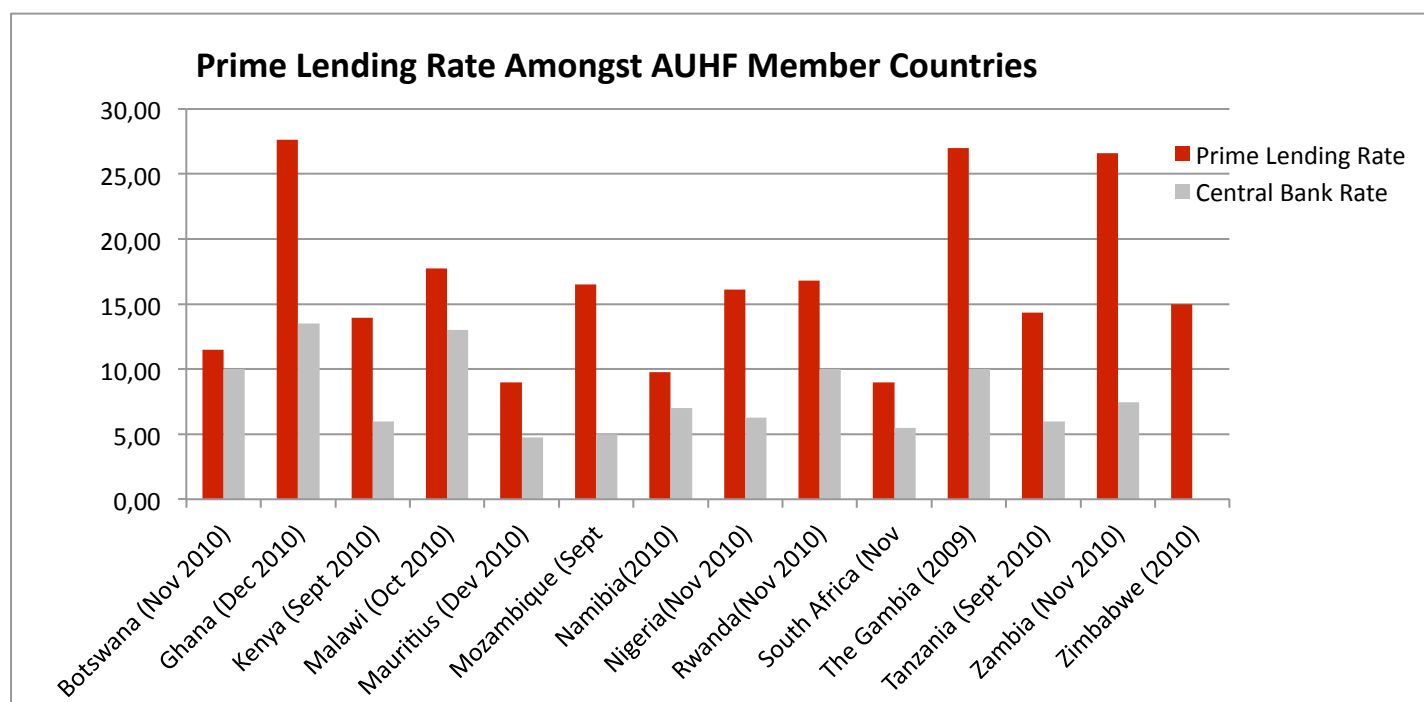
Land Management and Informal Settlement Regularisation Course. Offered by The Institute for Housing and Urban development Studies. 4 July - 29 July 2011. Application Deadline: 1 February 2011. For more information, email Pinki at ihf.study3@gmail.com

CONFERENCES

Affordable Housing Development South Africa 2011: 31 January – 2 February 2011, Sandton Sun Hotel, Johannesburg, South Africa. For more information: www.affordablehousingsa.com

Green Building: Conference and Exhibition. 13-14 July 2011, Sandton International Convention Centre, Johannesburg, South Africa For more information: www.greenbuilding.co.za

Mauritius EcoBuilding Conference and Expo 2011. 17-18 March 2011. For more information: www.ecobuilding.mu



Source: Central Bank websites (* CAHF 2010 Yearbook)