

30th International Union of Housing Finance (IUHF) World Congress

Regional Developments in Housing Finance and the Economy

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Introduction

- **Africa is a continent of 54 countries**
- **Very diverse, with countries boasting advanced transport, IT and other infrastructure, while others are still very undeveloped or under-developed**
- **Many say Africa poised to benefit from 4th industrial revolution because of fewer legacy issues and can thus leap-frog. Use of mobile `phones increased by 344% between 2007/16**
- **Housing markets reflect diversity of continent, with a sophisticated market in South Africa, but very undeveloped markets in other parts of continent.**
- **Will give broad overview of housing market and dynamics in time available.**
- **Research undertaken by Centre for Affordable Housing (CAHF) – Secretariat for AUHF**

Key Economic Data

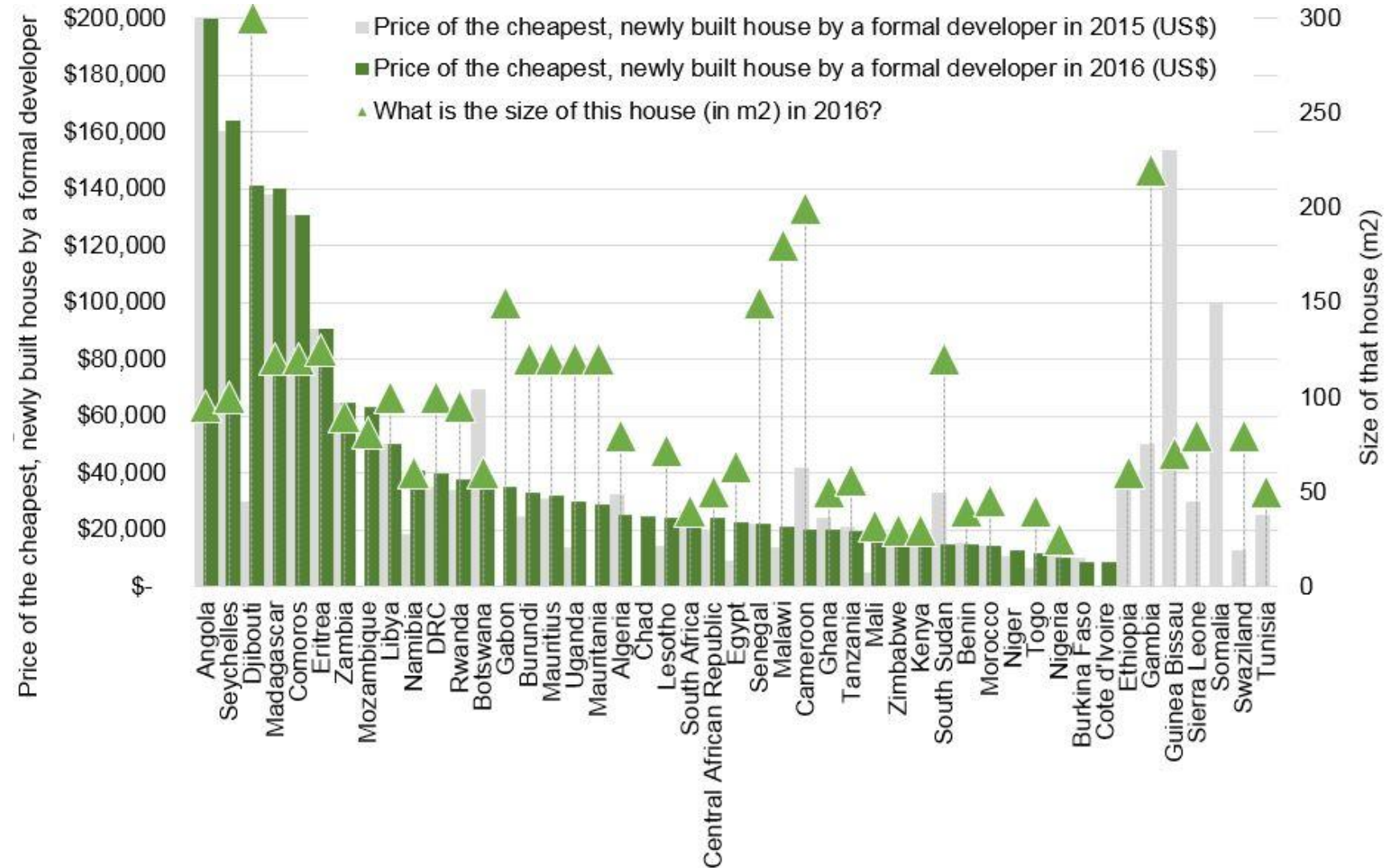
- **Africa boasts three of the top ten growing economies in the world in 2016**
- **GDP reflects diversity of continent and different levels of development**
 - Nigeria \$569 billion
 - South Africa \$353 billion
 - Gambia \$1,041 billion
- **2nd fastest growing FDI destination by capital in the world**
- **Population of 1.216 billion**
 - 200 million youth, expected to double by 2045
- **On course to be an economy of \$3 trillion by 2020**

State of Housing Markets

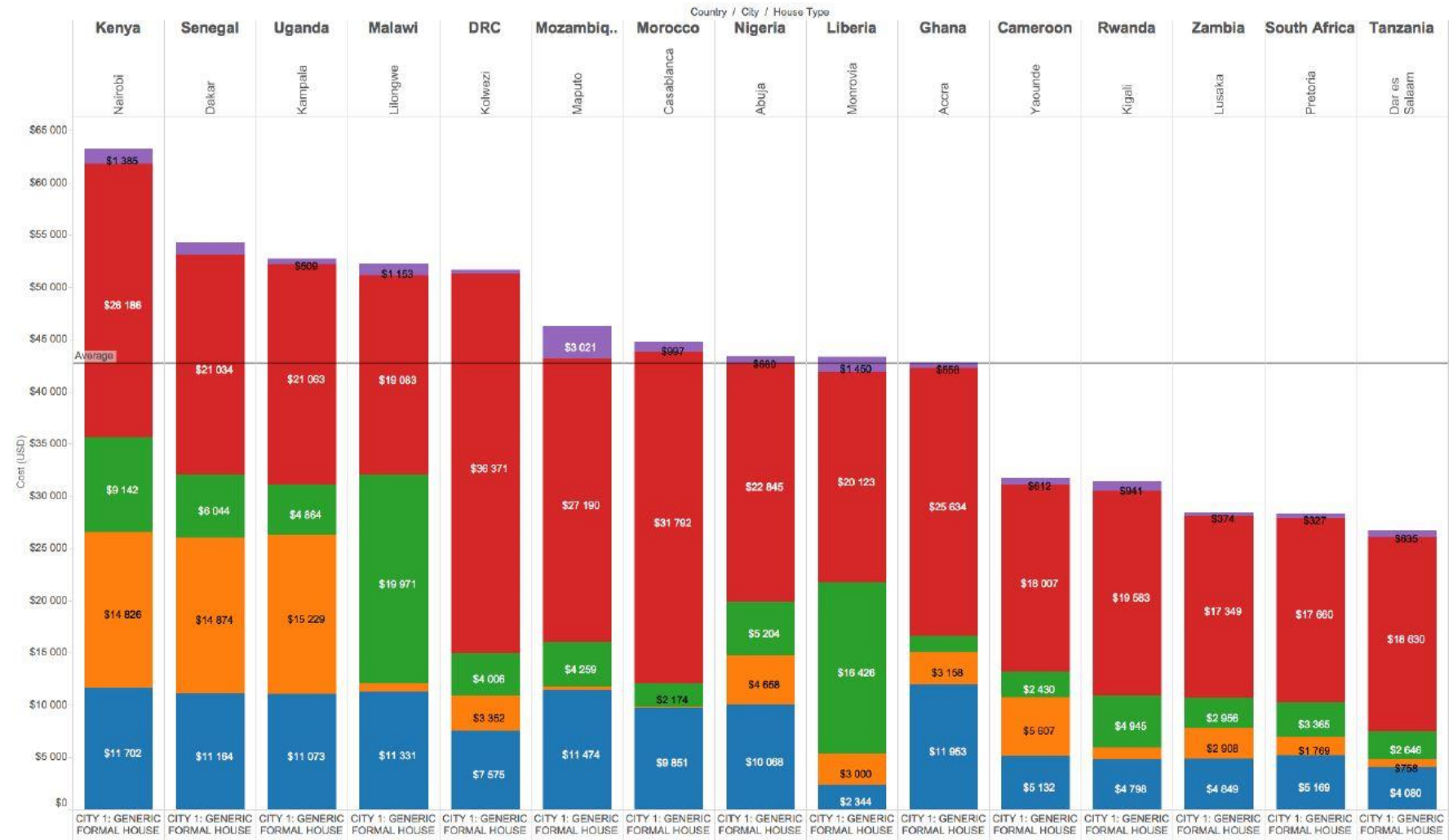
- **Initially surveyed in-country experts to determine price of cheapest newly built house and size of house.**
 - This produced a wide variation of prices
 - 120 sq. meter house in Uganda cost \$30 000, while a 200 sq. meter house in Cameroon cost \$20 000

- **They then built a “Big Mac Index” for housing**
 - Designed a typical entry-level house, a Bill of Quantities and asked Quantity Surveyors to prepare quotations for the spec
 - Found price of standard house ranged from just under \$30 000 in Dar es Salaam to just over \$60 000 in Nairobi

State of Housing Markets - cont.



State of Housing Markets - cont.



- COMPLIANCE COSTS
- CONSTRUCTION COSTS
- INFRASTRUCTURE COSTS
- LAND COSTS
- OTHER DEVELOPMENT COSTS

Affordability

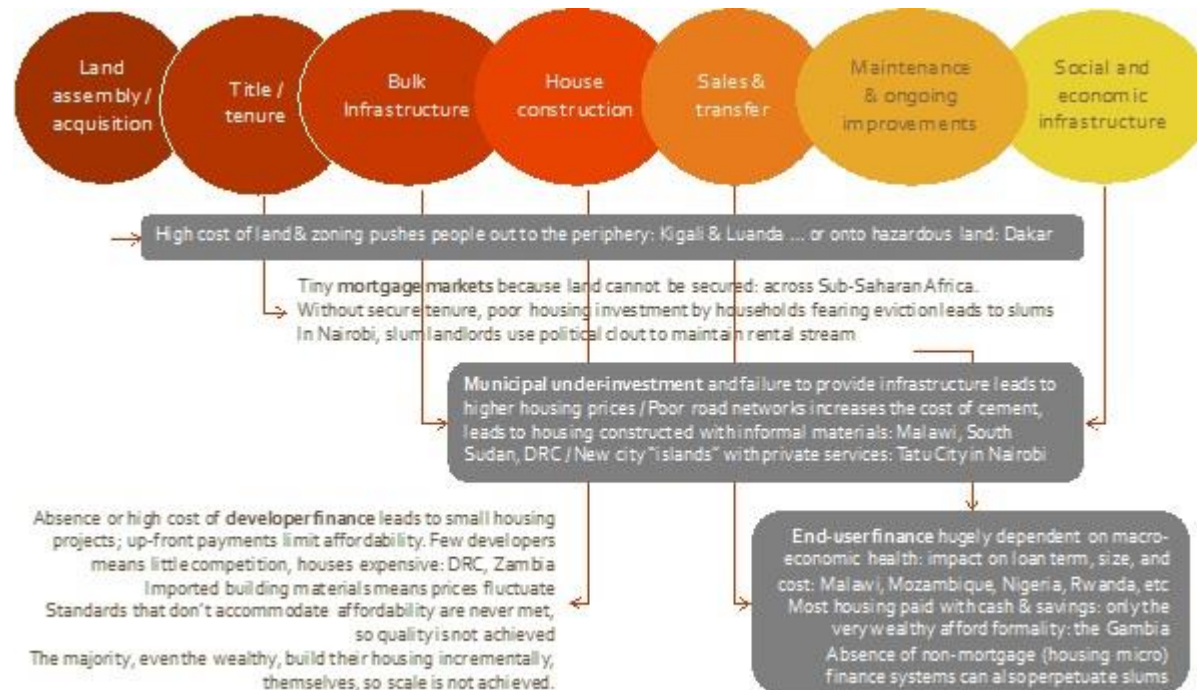
- **A critical issue in many, if not all, African countries is that of the ability of the general populace to afford to build or own a house.**
- **The prices generated by CAHF through its research are by no means affordable to the majority of the population, in fact, only a minority can afford these, with affordability varying in different countries.**
- **A \$20 000 housing loan is affordable to**
 - 55% of urban households in Namibia
 - 3.8% in Kenya
 - 0.5% in Mozambique
- **Reasons for lack of affordability include construction costs, interest rate differentials, mortgage terms.**

Housing Markets

- **While SA has about 1.79 million mortgages with an average size of \$62 986, Mozambique and Cameroon have no mortgage markets.**
- **There are a number of reasons for underdeveloped housing finance markets in most countries**
 - Overall macroeconomic environment and implications for cost of capital
 - Supply side issues, including construction costs, policy environment
 - Investment capital, construction capital, end user finance and other facilitative interventions not prevalent in most countries outside of SA
- **World Bank is working on introduction of mortgage liquidity facilities in Egypt, Tanzania, Nigeria and other countries in West and East Africa.**
- **SA government has capital subsidies and other interventions.**

Challenges

- Challenges exist along entire housing value chain.



Conclusion

- **Housing finance making good progress across continent, but significant challenges remain.**
- **Macroeconomic issues a critical inhibiting factor.**
- **Policy environment not conducive in many countries.**
- **Affordability a critical issue because macroeconomic conditions have exacerbated poverty, unemployment and inequality.**
- **AUHF, with 56 members from 16 countries, playing a vital role in policy influence, research, development of financial instruments, training and business to business facilitation in housing.**