

ISSUE 23: March 2013

## In this edition

Cover story: State of Housing Finance in Africa.....	1
In the news .....	2
AUHF member profile: First National Bank South Africa.....	3
Player in focus: Cornerstone Real Estate Limited .....	4
Graph of the month: Data from African MFI's.....	5
Upcoming events .....	5

*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 [kecia@housingfinanceafrica.org](mailto:kecia@housingfinanceafrica.org) or Lorraine Nzimande at [lorraine@housingfinanceafrica.org](mailto:lorraine@housingfinanceafrica.org).*

### AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of thirty-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 sixteen countries across the continent of Africa. See [www.auhf.co.za](http://www.auhf.co.za)

twitter



@AUHF\_Housing



Group: African Union for  
Housing Finance

## The State of Housing Finance in Africa

In last month's issue of Financing Housing in Africa, we highlighted the state of housing microfinance in Africa. In this issue, we are looking at the bigger picture; the state of housing finance on the continent. These themes provide a broad overview on the state of housing finance and housing microfinance in Africa. The AUHF regional seminar on the 4<sup>th</sup> of April 2013 in Lagos looks into Housing Finance in West Africa, and this will be covered in the next issue of Financing Housing in Africa.

Housing Finance in Africa presents new opportunities and new challenges.

### Investment in Housing

In January of this year, JP Morgan released a report on impact investments "Perspectives on Progress: The Impact Investor Survey" (reviewed in the January issue of this newsletter). Partnering with the Global Impact Investing Network, the authors review impact investors' perceptions on the state of the investment market and the performance of their portfolios. Ninety-nine investors were surveyed, of which a third highlighted Sub-Saharan Africa as their investment focus. Forty-four percent of respondents confirmed an investment focus in housing. Among those focused on emerging markets, 43 percent include housing in their targets, and just over half said they focused on financial services and/or on microfinance. Unfortunately the data isn't segmented by region and investment focus together and specific details on those investors interested in housing in Sub-Saharan Africa are not available. The report explicitly notes the paucity of data on impact investing – and yet interest in this market is bound to promote better information systems into the future.

Still, we are seeing this growing interest directly: In October, our Kenyan member Housing Finance Ltd successfully floated a bond. Raising \$61.07 million to fund Housing Finance Limited's expansion, the 7-year bond was oversubscribed. Shelter Afrique, also an AUHF member, has supported the establishment of the Pan African Housing Fund, managed by equity fund manager Phatisa. This fund successfully closed at US\$41.5 million in late 2012, with operations commencing in January 2013. The main investors in the PAHF are European Development Finance Institutions, African Banks, and Insurance Companies. Phatisa has developed a pipeline of affordable and middle-income residential developments and mixed use projects, where both residential and commercial are combined. Initial target countries include Kenya, Zambia, Rwanda, Mozambique, Tanzania and Uganda.

According to the East African Development Bank, the housing sector requires at least US\$2,5 billion per annum for investment in Africa. This is a demand that is increasingly being recognised as an opportunity by investors. CBZ Holdings Limited (an AUHF member) is also currently exploring investment partnerships for their mortgage finance programme.

### A growing focus on affordable and middle class housing

Some of the news have shown increasing attention to the scale delivery of housing for the middle class. In Nigeria, regular reports on the growth of and potential for the



mortgage market are perhaps instigated by the effort to create a mortgage liquidity facility. The story of the so-called ghost town in Kilamba, 20 km outside of Luanda, Angola, highlights the dangers of embarking on a massive housing development without having considered local affordability. While the Angolan government reduced the prices of the flats, the new prices are still high, ranging from \$70 000 - \$190 000. One wonders if the Angolan financial system has the capacity to provide the 22 000 mortgages that could be potentially demanded by buyers wishing to finance their housing purchase in the Kilamba development. In South Africa, the focus on the so-called “gap market” was again noted by the President in his State of the Nation Address, and policy measures to support such attention were highlighted by the Finance Minister in his Budget Speech.

## In the news

This month in African housing & finance

### **National Housing Corporation Kenya sets up plant to cheap building material plant**

In its efforts to tackle the challenge of affordable housing in Kenya, the National Housing Corporation planned to unveil a new factory to produce expanded polystyrene panels (EPS). This type of building material is set to overcome the rising construction costs and the expensive cost of finance, which have made housing unaffordable for the majority of low to middle income earners. The factory manager, Andrew Saisi, reported that the advantages of using EPS panels outweighs traditional building materials because they are strong and have resistance against moisture, sunlight, pest and rodent attack. Source (11 February 2013): [All Africa](#).

### **New Housing project in Nigeria's capital city**

As part of an aggressive housing programme, a 420 unit housing project is being embarked on in Igbogbo beside 256 units of flats at the Adeboruwa Estate. The Lagos State government believes that this housing programme will address the accommodation issues of the city, as well as: redistribute its population and impact on the economic, social and traffic conditions. The commissioner for Housing, Mr. Bosun Jeje, reported that the state government is determined to address the existing deficit in housing supply through direct investment and partnership with the private sector. First time

home owners will have preference in this project. Source (12 February 2013): [All Africa](#).

### **Two new satellite towns for Tanzania**

Tanzania's National Housing Corporation (NHC) plans to establish two new satellite cities in Meru and Arusha rural districts where it owns more than 1000 acres of land. Feasibility studies for these cities have already been undertaken. The plan includes the development of 15 000 housing units countrywide, with 70% of these for sale and the remaining 30% to be rented out. NHC director general, Mr. Nehemiah Mchechu, stated that this development is to complement the existing Arusha city which is the capital for the East African Community (EAC). The Minister for Lands, Housing and Human Settlement Development, Dr Anna Tibaijuka, at the inauguration of new residential apartments constructed by the NHC, noted that the Land and Settlement Ministry needs to establish special windows in all banks and other financial institutions in the country, for the provision of that will be providing special home loans to Tanzanians. She further highlighted the purpose and role of the NHC and the Tanzania Housing Bank (THB) in the efforts of housing Tanzanians. She noted that her ministry would resurrect the THB initiative through special loaning windows in existing banks. Source (21 February 2013): [All Africa](#).

### **Nigeria's FCTA to build 1500 houses at Centenary Village**

The Federation Capital Territory (FCT) minister, Senator Bala Mohammed, reported that the FCT administration has earmarked plots of land at the Abuja Centenary Village to build 1500 houses in an effort to upscale its social housing scheme. The land has been opened for full participation by the private sector, consortiums and foreign investors. About thirteen investors are already partnering with the FCT administration to open up 10 new districts by providing infrastructure and recouping their investment from the sales of such land. Source (12 February 2013): [All Africa](#).

### **New Housing Microfinance Fund to invest in Kenya**

A new microfinance fund; New Urban Finance Facility (NUFF) plans to invest \$100 million in housing across Africa and the Middle East. Kenya is among the four African countries targeted by the fund, the others are Ghana, Tanzania and Uganda. The fund is to provide catalytic investments in affordable housing and basic services in African cities. 85% of the fund's investment will be structured through local banks and microfinance institutions and the remaining 15% will be indirect investment through the International Finance Corporation's credit enhancement programme for housing microfinance. Source (13 February 2013): [The Star](#).



### A new raise of hope for the Nigerian Housing Market

Dr. Ngozi Okonja- Iweala, the Nigerian minister of finance delivered a closing keynote address at the recent 17<sup>th</sup> Annual African Business conference themed: Redefining Africa- the emergence of a new African story. Okonja highlighted housing and real estate as having a lot of opportunities. She stressed a lack of mortgage transactions and noted that Nigeria, with its 17 million housing deficit, is working towards creating a housing market. She further stated that the mortgage refinance company would help securitize and refinance mortgages in Nigeria. This Mortgage Refinance Company also plans to address issues of foreclosure and land titling. Source (18 February 2013): [3 Invest Online](#).

### Uganda's cement cost to decrease

Two new cement manufacturers were set up in Uganda in 2012. One is in Moroto and is expected to produce 1 million metric tonnes of cement annually. The other is being set up in the eastern Uganda district on Budaka. There are already two existing cement factories in eastern and western Uganda. The construction and housing sector, therefore, predict that cement prices will go down significantly should the new plants start producing cement as expected. This can be achieved if the shilling remains strong against the dollar, because cement companies import some of their raw materials from abroad. Member states in the East African Community (EAC), such as Kenya, are also increasing cement production. Source (19 February 2013): [All Africa](#).

### Tanzania's pension fund members to get affordable housing loans

Tanzania's Public Service Pensions Fund has completed a pilot project to construct 491 houses for its employees through a loan scheme. The houses are built on the outskirts of the city, at the Buyani area. The houses are part of a pilot project which aims to build 641 houses in five regions. PSPF members who have contributed for five years can buy the houses through a loan scheme with an interest of 12% over a 20- 25 period. Source (25 February 2013): [Daily News](#).

## Select's Lulala Housing purpose loan

Select Africa Limited is a retail financial services group established in 1999. The group focuses primarily on the extension of retail unsecured, incremental housing microfinance, education loans and consumer finance to the non-banked or under banked market. Select's vision is to focus on servicing the un-banked or entry level retail credit market which is often overlooked by the formal banking sector as the clients are deemed too small, risky and unprofitable.

Select Africa has five development finance operations: Select Management services in Swaziland, Select Financial Services Limited in Malawi, Select Management Services Limited in Kenya, Select Advisors Limited in South African and, Select Africa Finance Limited in Mauritius.

In Swaziland Select was established in 1999 and has become the dominant micro lender in the market by both brand and market share. Select currently has 5 branches in Swaziland. In 2008, an independent survey of Select's Swaziland operation revealed that 38% of Select's loans were being used for housing linked purposes. This is for items such as roof repairs, plastering, painting, extensions and the incremental construction of new homes. Based on these findings, Select then began to create a **housing product**. It successfully offered its first Housing Microfinance loan product in Swaziland in 2009.

The most recent housing loan product offered by Select is Lulala. This is a housing purpose loan offered to customers who would like to upgrade their existing homes or start building a new home incrementally. The loan range is from about US\$320 to US\$10 782, with a repayment period of 12 to 60 months. This is not enough to buy a house, however, for low income earners; it is enough to build a house incrementally.

The loan is accessible within 12 hours of application at any Select branch.

[www.selectafrica.net](http://www.selectafrica.net)



## AUHF Member Profile: First National Bank SA

FirstRand Limited is the second largest financial institution in South Africa providing banking and insurance products and services to retail, commercial, corporate and public sector customers. FNB has been and is still firmly influenced by the needs of the people they serve. The FNB logo, with the Acacia tree, is a representation of the bank's history, with roots deeply rooted in South Africa.

A great development in FNB's history took place in 1998, when the financial services interests of Rand Merchant Bank Holdings and Anglo American were merged to form FirstRand Limited. During this process, FNB was listed on the Johannesburg Stock Exchange on 22 May 1998 to become a wholly-owned subsidiary of FirstRand Limited which was listed on the JSE on 25 May 1998. The banking interests of FirstRand merged into a single entity to form FirstRand Bank on 30 June 1999. FNB, WesBank and RMB now trade as divisions of FirstRand Bank. FNB also has presence in the following African countries: Botswana, Lesotho, Namibia, Swaziland, Tanzania and Zambia.

### Home Loan products

FNB offers home loan products at an 8.5% interest Rate with terms of up to 30 years. The following loan products are offered: Traditional Home Loan, Foreign Choice, Smart Bond and Islamic Finance Residential Property Offering. FNB also offers building loans.

#### Traditional Home Loan

The traditional home loan is designed for prospective homeowners who have sufficient cash with which to pay a deposit and the upfront registration and transfer costs. Financing is offered for up to 80% of the purchase price. The following options are featured offers of this loan: **Flexi Option, Re-advance, Future Use, Further Loan and, Quick sell properties.**

The **Flexi Option** is a 24 hour access point to surplus funds. This is a helpful financial management option available on a home loan, which provides easy access to surplus funds. Interest on the outstanding balance is calculated daily and capitalized monthly.

The **Re-Advance facility** allows the client to withdraw funds from their existing bond. It enables access to the funds that



make up the difference between the original registered home loan amount and the outstanding balance. This option is simpler than registering an additional bond and the funds are readily available.

The **Future Use** option is a progressive home loan solution that allows one to register a bond greater than the home loan amount required by a client, creating a surplus amount that is accessible at a later stage.

A **Further Loan** is an additional loan that can be applied for and registered in addition to an existing home loan.

A client receives a 50% discount on transfer fees and 50% off bond registration fees with **Quick sell private sale properties.** No transfer duties are payable on Quick Sell repossessed properties.

#### Foreign Choice

Foreign Choice is a product for non-residents and foreign nationals who want to purchase residential property in South Africa. It is also offered to South Africans who are working and living abroad, wanting to buy property in South Africa. Non residents have to finance up to 50% of the purchase value of the property.

#### Smart Bond

The Smart Bond is a home loan product offered to people earning a monthly household income of up to R25 000. It is a 100% bond with an option of a five year fixed interest rate. It also offers the opportunity to access additional funds through a Smart Bond Re-Advance or Further loan.

FNB also offers a free comprehensive home ownership programme for first time home buyers. Individual pricing determines the clients qualifying interest rate.

### First National Bank

Mr Marius Marais is the AUHF representative

Tel: 27 12 683 6746/13

Fax: 27 12 388 2174

Web: [www.fnb.co.za](http://www.fnb.co.za)



## Player in focus: Cornerstone Real Estate Limited

Cornerstone Real Estate Limited, formerly known as Cornerstone Construction Limited, is a successful real estate company in Nigeria. It was incorporated as a limited liability company to engage in Building and Civil Engineering contracting, Estate Development and Project Management. Cornerstone is committed to ensuring that Nigerians live an accomplished life through the provision of affordable houses at reduced rates and without compromising quality. Part of Cornerstone's mission is to create value to the society and return profit to its stakeholders.

Cornerstone has, since its inception, handled several construction works for private and corporate clientele across the country under three schemes: the Housing Estate Scheme, Corporate Staff Housing Estate Scheme and Private Sector Services.

### Housing Estate Scheme

The Housing Estate Scheme is committed to the development and construction of Housing Estate services in Lagos.

### Corporate Staff Housing Estate Scheme

The corporate Staff Housing Estate Scheme is a scheme targeted at constructing houses for companies' members of staff on turnkey basis. This scheme is set to meet the specific needs of each organization. The benefit of this scheme is that there is a group price, which is cheaper than the regular prices.

### Private Sector Services

Private Sector Services involves customized delivery of housing schemes for individuals and families, in any part of the country, at competitive price and quality.

It is reported that Cornerstone is the first privately owned construction company to embark on an affordable housing delivery scheme, which resulted in the construction of mini condominium flats for outright sale to the general public in 1991.

Cornerstone Real estate has won a number of awards, the most recent being, the Nigerian Institute of Building (NIOB) Annual Best Construction Company Award in 2005.

Cornerstone Real Estate was of mention in recent news, when it cut prices by N12.5million (about US\$79) for the first five patrons of their Oregun housing project. The price cut was in an effort to make the housing more affordable.

## UPCOMING EVENTS

### CONFERENCES / WORKSHOPS / COURSES

2013

\*Click on event for the link\*

#### APRIL

**4** **AUHF Regional Seminar. [Housing Finance in West Africa.](#)** Lagos, Nigeria.

**8-13** **SAVEACT & VSL ASSOCIATES. [Savings Groups: Programme design & implementation management.](#)** Pietermaritzburg, South Africa.

**10-13** **ASIA PACIFIC UNION FOR HOUSING FINANCE & NATIONAL HOUSING BANK CONFERENCE. [Housing: An Engine for Inclusive Growth.](#)** New Delhi, India.

**15-16** **[IQPC Housing Development Summit.](#)** Muscat, Oman.

**15-19** **SAVEACT & VSL ASSOCIATES. [Savings Groups: Management Information systems.](#)** Pietermaritzburg, South Africa.

#### MAY

**29-31** **[Mixed Use Developments.](#)** Johannesburg, South Africa.

#### JUNE

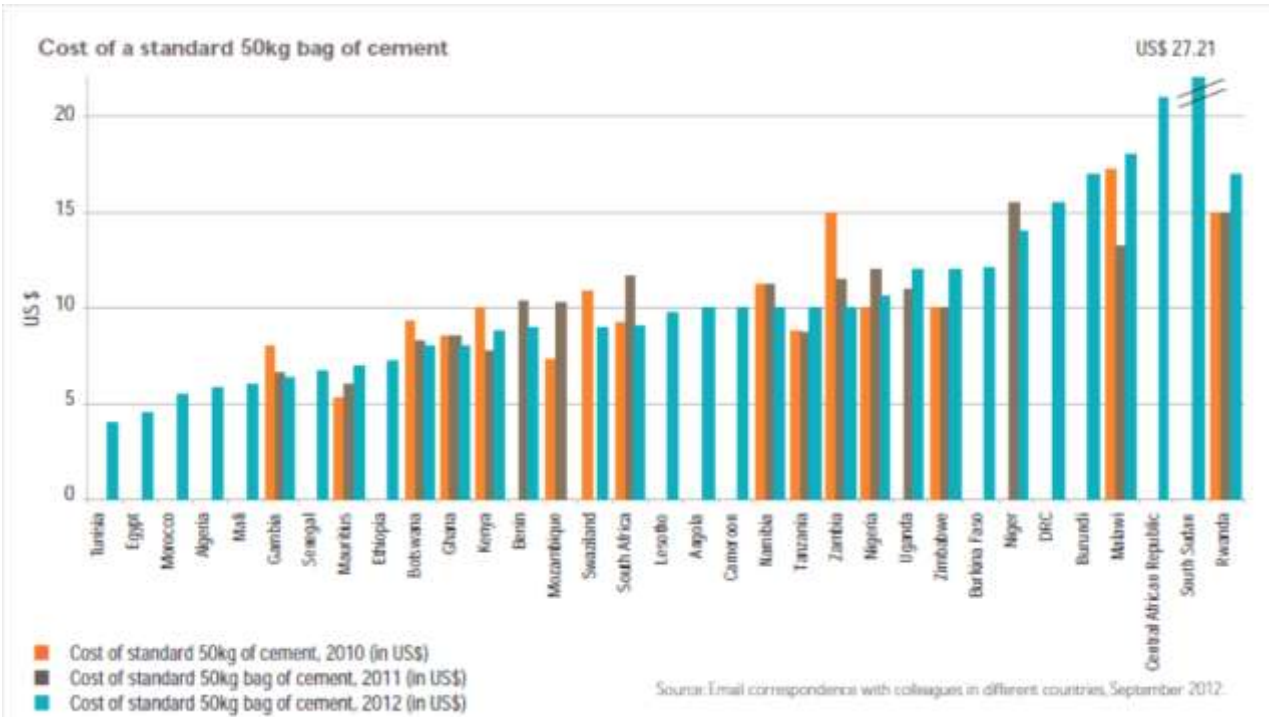
**5-7** **INTERNATIONAL UNION FOR HOUSING FINANCE WORLD CONGRESS. [Sound Housing Finance Around the World.](#)** Vienna, Austria. *E200 discount for AUHF members!*

#### AUGUST

**13-15** **[6<sup>th</sup> African Microfinance Conference.](#)** Durban, South Africa.



## Graph of the Month: Data from African MFI's



Construction costs are a key factor to housing affordability. The graph above shows the cost of a standard 50kg bag of cement across a couple of African countries. While in countries like Mauritius, Tanzania, Malawi, Rwanda and Uganda, the price of cement increased over the past three years, it decreased in many others. This may be as a result of an increasing number of cement manufacturers on the continent. A recent news report has indicated a potential increase of cement production in Uganda and in the East African Community (EAC) at large, with two new cement manufacturers being established in Uganda. Tunisia appears to have the lowest cement price and South Sudan the highest at US\$ 27.21. The average price of cement across the specified countries is about US\$10 a bag.

Source: [2012 Housing Finance Yearbook](#)

