AFRICAN UNION FOR HOUSING FINANCE

FINANCING HOUSING IN AFRICA

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Regional Seminar Report

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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

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SAVE THE DATE!
Mobilising Capital for Housing Finance
AUHF Annual Conference and AGM
11-13 September 2013, Mauritius.
More details soon!

1st AUHF Regional Seminar in Nigeria

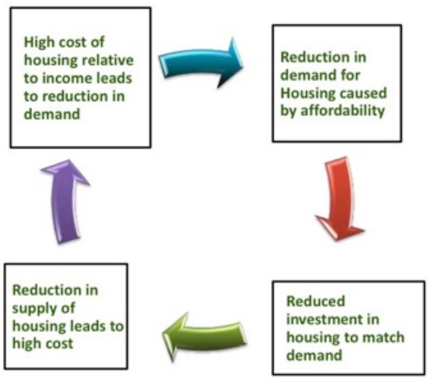
The AUHF held its first regional seminar in Lagos, Nigeria, on 4 April 2013. Co-hosted by Abbey Building Society, the seminar welcomed 62 delegates from the public, private and NGO sectors to discuss the state of housing finance in Nigeria. A full agenda gave rise to lively debate as delegates considered the perspectives of lenders, developers and the government in realising affordable housing in Nigeria. Mr Akeem Akinfenwa, Head of Strategy and Product Development at Abbey Building Society was the Master of Ceremonies for the day.

AUHF Chairman, Mr Colin Chimutsa, opened the meeting and gave a presentation on the AUHF and its activities. Mrs Rose Okwechime, CEO of Abbey Building Society welcomed delegates to the meeting and expressed Abbey's commitment to the development of Nigeria's mortgage market. With a customer base in excess of 50,000; a mortgage portfolio of over N8 billion (just over US$50 million); and a balance sheet in excess of N14 billion (just over US$88 million); Abbey has been working for 21 years to provide quality, affordable housing to its customers. She said that Abbey's 14-year membership of the AUHF had been beneficial to the company, and she urged delegates to also join so that together they could build a formidable West African contingent to the continental body.

Mr Kayode Omotosho, Executive Secretary of the Mortgage Bankers Association of Nigeria (MBAN) described the history of the policy and regulatory environment for mortgages in Nigeria. The launch of the "Revised Guidelines for Primary Mortgage Banks" in November 2011 represented a significant step forward. A remaining constraint to the industry, however, was the lack of appropriate foreclosure legislation and procedures – this was an issue also raised later by Mr Sonnie Ayere, MD/CEO of Dunn Loren Merrifield and the seconded head of the Mortgage Refinance Company that was under establishment. Mr Omotosho said that the MBAN was working on uniform mortgage underwriting standards to assist Nigerians in better understanding mortgage application procedures. He said that mortgage default insurance that provided a bridge of support to enable a non-performing loan to cure was also under consideration. The MBAN had clear goals for the development of Nigeria's mortgage market over the next five years: (1) to grow the mortgage market ten-fold, from its current size of 20 000 mortgages, to 200 000 mortgages; (2) for the mortgage to GDP ratio to grow to at least 15% (the World Bank's figure for Nigeria's mortgage to GDP ratio in 2008 was 0.39%); and (3) to deepen the mortgage culture in Nigeria so that the instrument became a more regular mechanism for financing housing.

Brig Gen PMO Reis (rtd), the President of First World Communities Ltd., offered a developer's perspective on the state of housing finance in Nigeria. General Reis argued that the affordability gap was the single most important challenge to housing in Africa – the gap between what consumers could afford and the cost of housing. With ninety percent of Nigeria's economy in the informal sector, even formal workers augmented their income with informal sector work. Accessing the affordability capacity and potential of the informal sector was therefore a critical opportunity for the housing finance sector. Nigeria's housing need was estimated at over 15 million, comprising over 200 000 teachers, 250 000 police personnel, 500 000 public servants at state and federal levels, 500 000 students, 200 000 military personnel, and millions in the informal sector. The National Housing Policy of 1991 included a federal government target to deliver 8 million houses by the year 2000 and at least 700 000 houses per annum. This target has not been met, and General Reis argued that this was because the delivery process was illogically structured. Government should not take on the responsibility of housing construction, but should rather work in partnership with financiers and developers to ensure that housing goals were met by everyone working in the area of their core business: government as the regulator, financiers as the funder, and developers as the builders. His presentation highlighted a number of developments that were never filled, or which had fallen into neglected, largely because of the inappropriate allocation of roles, responsibilities and accountability across the parties.

General Reis described what he called the vicious cycle of affordable housing delivery:



To address the constraints in the cycle, he proposed an "affordability gap finance" model, which involved a shared-equity approach in which the government would take an equity investment in target market housing, through the establishment of a "Gap Fund". Buyers would then have to seek finance only for part of the property price (their equity portion). When they wanted to sell their homes, they would realise equity on the portion that they had held, and the government would be reimbursed for its equity portion. This would then go back to the Gap Fund, which would then finance the next transactions. In addition, the Gap Fund would finance land and infrastructure for affordable housing. The Gap Fund would be funded by pension funds and insurance companies, unclaimed dividends, government grants and possibly a government bond. The availability of construction finance and a fund to support buyer affordability would stimulate housing supply in the market, which would then help to reduce housing costs and improve affordability.

A panel discussion on housing microfinance was held between Mr Roland Igbinoba of Pison Housing Company, Ms Jumoke Akinwunmi of Alithea Capital, Mr Okpokor Ezewu of the Central Bank of Nigeria, and Ms Kecia Rust of the AUHF. Ms Rust provided an overview of the housing microfinance product and noted its importance for addressing the needs of low income earners who could not afford mortgage finance. Housing microfinance was useful in financing an incremental housing delivery process. Mr Igbinoba argued that about 30% of the Nigerian population earned so little that they could not afford to pay for their housing – this market needed support from the state. The next 50% of the population did have some affordability, though not enough for existing housing products available on the market. Including teachers, civil servants and so on, this segment of the market could afford to pay something for their housing – housing microfinance was especially suited for this market.

Ms Akinwunmi described the experiences of Alitheia Capital, an impact investment firm focused on the housing, energy and small business microlending sector. She said that Alitheia had identified housing as a niche market when they noticed that many of their customers conducted their businesses from home, and diverted their business loans to improve the quality of their homes. Alitheia saw that there was a huge need for housing microfinance as a specialist product line. Alitheia then raised funding from an international Development Finance Institution, to establish a specialist housing microfinance fund. However, the funding from the DFI was conditional on local financing also being raised. Because housing microfinance was such a new area, local Nigerian investors were wary, and ultimately the DFI's funding was lost because local capital could not be raised.

Mr Ezewu of the Other Financial Institutions Supervision Department, Central Bank of Nigeria, agreed that government should consider how it could support fund raising for a housing microfinance sector. He said that there was a role for a collateral registry, to mainstream the housing microfinance sector by making the risks tangible. Discussion on the matter then considered whether there was capacity support for the development of a housing microfinance sector in Nigeria. The World Bank's Housing Finance Programme for Nigeria had a fund for housing microfinance, of which some would go towards sector capacity building.

Following lunch, Roland Igbinoba gave a short presentation on the African Real Estate and Housing Finance (AREHF) Academy. An initiative currently focused on the West African region, the Academy has three main objectives: (1) to showcase Africa's housing sector in an effort to mobilise investment; (2) to improve skills and development expertise of housing practitioners across Africa; and (3) to discover and celebrate excellence in Africa's housing sector through the AREHF Academy Awards. AREHF's flagship programme is an annual, 5-day training programme that takes place in Ghana.

Mrs Omotayo Gbajiamila, Director of Mortgages at the Ministry of Housing for Lagos State, spoke about the Ministry's plans to stimulate housing construction for the affordable target market in Lagos State. In terms of the arrangement, Lagos State would provide the land and infrastructure for free or a very limited charge, for developers to build target market houses. Once the houses were completed and confirmed to comply with the rules and regulations of the programme, the Ministry would buy all the units from the developer, taking away the marketing risk. The units would then be offered to first time home buyers through the Lagos State Home Ownership Mortgage Scheme, which offered a 6 percent interest rate on a 70 percent loan to value mortgage over ten to twenty years. This would be managed by the Lagos Mortgage Board.

In the panel discussion that followed, Mr Maurice Sekholi from Abbey Building Society argued that the approach by Lagos State was helpful but insufficient. A public-private-partnership needed to address more than just the marketing risk – political risk also needed attention. Mr Odusolun, the MD of Legacy Housing agreed. It was not enough for government to provide the land in a PPP. Beyond this, in order for the deal to work on a commercial basis, support in terms of infrastructure, tax rebates, or other concessions were also needed to ensure a viable development. General Reis, from First World Communities added that the essence of a good PPP was that each party – the government, the developer, and the lender – played to their strengths, acting with accountability and realising their own objectives through the effort. A transparent arrangement, with every component clearly accounted for, was the only way to hold all parties accountable to the overall objective. The discussion then turned to housing affordability for Nigeria's majority. It was agreed that this required a multi-faceted response – from targeted housing finance arrangements through to reducing the cost of funds, and so on. The opportunities to be found in the capital markets with the development of Real Estate Investment Trusts (REITs) were also considered.

Nigeria's plans to establish a mortgage refinance company were then presented by Mr Sonnie Ayere, the MD of Dunn Loren Merrifield. Mr Ayere had been seconded as the task manager of the mortgage refinance initiative, to the Federal Ministry of Finance (FMOF). He explained that the FMOF had initiated a Housing Finance Programme that would consist of a private sector led and managed mortgage liquidity facility. The Mortgage Refinance Company would be set up as a PPP arrangement, a secondary market institution providing long term funds to mortgage lenders. It would issue long-term bonds in the Nigerian financial market and then channel the proceeds to member institutions at a competitive rate. He expected that the company would be in place by the end of the year, and that the initial goal of the system would be to see the delivery of up to 75 000 houses per annum. A major challenge for the initiative, however, was the poor foreclosure procedure in existence in Nigeria. In order for the Mortgage Refinance Company to work, it was critical that there was recourse against non-payment. Mr Ayere therefore proposed the establishment of a foreclosure company that had the right to foreclose on an asset. Further, tighter management of non-performing loans was also critical. The Mortgage Refinance Company initiative would address all of the limitations in Nigeria's current mortgage market. Mr Ayere expected that once the various stumbling blocks were resolved, the market would grow exponentially. It was noted that this would put additional pressure on the housing supply side, and could also cause property price appreciation if demand exceeded supply.

After a long day of impressive presentations and stimulating debate, the sessions came to an end. Mr Madu Hamman, Executive Director of Abbey Building Society, thanked all for attending. Mr Charles Bonsu, AUHF Vice Chairman invited all delegates to join the AUHF and to also plan to attend the AUHF Annual Conference, scheduled from 11-13 September 2013, this year in Mauritius.

In the news

This month in African housing & finance

Zimbabwe's CBZH to increase Mortgage lending

CBZ Holdings is responding to the increasing housing demand in Zimbabwe by increasing its mortgage lending and then tenure of repayment. Mortgage loan tenors will be increased to 5-10 years from the current 2-5 years. An additional US$20 million is to be loaned out in order to increase the value and number of advances to customers. CBZ recognizes that sustainable mortgage lending does not function on short repayment periods where customers have to roll over their loans. Source (8 March 2013): All Africa.

Zimbabwe's Urban Housing Crisis

The shortage of affordable housing in Zimbabwe is increasing; with an approximate 1.25 million people on the government's national housing waiting list. This is a result of the increasing urbanization rates in the country, with many young people in the countryside completing their secondary education migrating to urban areas to secure better employment opportunities. The government's slum clearance programme in 2005 which made over 700 000 people homeless has also worsened the housing crisis in the country. Although US$25 million was invested in housing development, by the housing ministry in 2012, it is reported that $176.5 million is required annually to address Zimbabwe's public housing backlog by 2015. Source (8 March 2013): All Africa.

Namibia approves 2 new Low-Income Housing solutions

In 2012 the City of Windhoek called on low cost housing developers to present the city with their low cost housing solutions. This was in response to the challenge of providing affordable housing for low income residents in eight different areas of the city. Companies were allocated plots to put up their demo houses and these were inspected with regard to municipal building regulations and quality assurance. Two company's demo houses have been recommended for the final assessment. Source (8 March 2013): All Africa.

Housing crisis in Namibia reaches crisis point

Speaking at a consultative workshop for the development of a five year sectoral and annual sectoral execution plan of the National Development Plan, the Minister of Regional and Local Government, Housing and Rural Development, Major Gerneral Charles Namoloh highlighted the critical shortage of affordable housing in Namibia. The minister emphasized that this the shortage of affordable housing has become a socio-economic crisis. He noted that the largest backlog is among the lowest income earners. He highlighted that the country's Build Together Programme focuses on people earning less than N$3000 and the National Housing Enterprise provides houses for people earning above N$5000. He further noted that the various procedures applicable in the process of acquiring property in Namibia result in escalated property prices. The minister called for collaboration in this area of solving housing issues. Issues deliberated at the workshop included: the acquisition of land, financing and servicing of land, an enabling environment, and alternative and affordable building technologies. Source (19 March 2013): All Africa.

Angola's middle class clamors for housing

Angola's so-called "ghost town" in Kilamba, is being populated. After the Angolan government decided to cut the prices of apartments in five suburbs of Luanda; from US$200 000 to US$190 000 for bigger apartments and from $125 000 to $70 000 for smaller apartments, middle class Angolans are queuing for application spots. Source (12 March 2013): Bloomberg.

Mortgage Finance in Uganda is slow

According to the executive Director of Shelter and Settlement alternatives, Ms Dorothy Baziwe, the poor economic performance of Uganda in the last two years hinders the acquisition of housing through mortgages. The country's residential real estate sector is in a state of decline due to expensive and unaffordable mortgage financing. The issue of high interest rates charged on mortgages as a result of the economic crisis has lead to most Ugandans borrowing money and constructing their own houses. Centenary Bank, however, offerS mortgages even to the low income Ugandans, under the 'Cent Mortgages' campaign, as long as they are working. This is medium to long term housing mortgage product targeting government civil servants, economically active rural and urban low to middle income earners, for the purpose of financing housing needs through purchase, complete or incremental construction. Source (18 March 2013): All Africa.

AUHF Member Profile: Swaziland National Housing Board

The Swaziland National Housing Board (SNHB) was established in 1988 under the National Housing Board Act No. 3 of 1988. Formerly known as the Industrial Housing Company, SNHB is a category A Public Enterprise which reports to government via the Ministry of Housing and Urban Development. The mandate of SNHB is to provide affordable housing. SNHB undertakes the following activities: Acquiring property; Construction and; Carrying out of housing schemes. SNHB therefore delivers affordable housing solutions to lower and middle income earners.

It is also mandated by the National Housing Board Act to provide housing loan finance to Swazis wishing to develop properties. As part of this mandate, SNHB is looking into the resources and processes that would enable it to provide property financing.

To date, SNHB has provided over a thousand rental units at affordable local rates within the densely populated urban areas and has handed over numerous plots on title deed land, for development by Swazi Citizens. SNHB has also made houses available for ownership by locals, which has ensured easier access to property ownership through the SNHB township developments.

SNHB's vision is to be the regional leader in the development of human settlements.

SNHB has two portfolios: leasing and sales.

Leasing

The SNHB has a residential portfolio in Mbabane (Swaziland's capital city) and Matsapha, and comprises 1075 units. Their commercial portfolio comprises of one commercial centre in Matsapha and 11 commercial properties in Mbabane.

Mbabane Residential Portfolio

Since the inception of the Mbabane portfolio, SNHB has developed over 460 residential units, which are fully let out to locals, most of whom work within the urban perimeters of Mbabane. The variant stages of development have resulted in units spread across Mbabane suburbs and its townships. Rental fees for the units range from US$102.14 to US$325.92 per month and they consist of mainly two bedroom flats.

Matsapha Residential Portfolio

The Matsapha developments are situated in the urban industrial area of Matsapha, which is located between the country's major towns of Mbabane and Manzini. It is the largest estate and it also consists of a commercial portfolio; it has 580 units overall. The developments consist of two bedroom flats which are offered at a monthly rental of US$102 and US$188.20.

Sales

The sales portfolio consists of properties developed for sale by SNHB and developments in which SNHB acts as an agent for the sale of government properties. There are currenty three sales portfolios: Woodlands, Nkhanini and Thembelisha.

Woodlands

The Woodlands development is approximately nine hectares in size and is located in Mbabane adjacent to Mbengweni and Thembelihle. It is a 5-minute drive from the city centre, and has a high school and industrial area nearby. A shopping complex is also planned for the development.

Nkhanini

The Nkhanini development has 440 fully served plots ideal for both residential and commercial development, the plot sizes range from 346m^2 to 1 410m^2. The development is situated 3Km from Nhlangano Town Centre, the fourth largest town in Swaziland.

Thembelisha

Thembelisha Estate has plot sizes ranging from 1 416m^2 to 2 631m^2 which are best suited for exclusive upmarket residential purposes.

Swaziland National Housing Board
Mr Mduduzi Dlamini is the AUHF representative
Tel: 26824045610
Web: www.snhb.co.sz

Player in focus: First World Communities

First World Communities Limited (FWC) is a Lagos based Private Limited Liability Development Company providing affordable housing to people on low to medium income across Nigeria and West Africa. The company was incorporated in 2008 by the founders of the highly successful Co-operative Villas, Badore, Lagos - a community of about 750 homes; and the Nigerian army Housing Scheme, which are both considered as pace setters in Nigeria. Although a new organisation, its history and heritage dates back well beyond that to the late 1980s when its predecessor organisations began to develop housing estates across Nigeria.

Since 2008, FWC have developed a significant project pipeline with the potential to become one of largest providers of affordable housing in West Africa, primarily on the back of a large Public Private Partnership (PPP) with the Lagos State Government for the delivery of 10,000 homes in the three Senatorial Zones in the state.

***VISION:** "... To be the largest provider of affordable homes, with associated infrastructure and services in West Africa".*

***MISSION:** "... To provide people with affordable housing experience in attractive and safe communities, as a contribution to wealth creation and socio - economic development".*

DEVELOPMENTS

First World Communities has developments that cater to a wide range of housing needs; from single storey low cost houses for first time buyers to semi detached town houses for larger families.

CHOIS Gardens, Abijo GRA, Lekki Peninsula, Lagos: Co-operative **H**omes **O**wnership **I**ncentive **S**cheme (**CHOIS**) is an initiative by Lagos State Government in providing housing for "Lagosians". One of the projects site is at Abijo G.R.A, off Lekki-Epe Express Way, Abijo, Lagos - Five minutes' drive from Lagos Business School (LBS). The estate is close to major shopping destinations; easy reach of recreational facilities, educational institutions and hospitals. Lekki-Epe Expressway and other adjoining roads are easily accessible. Lekki Free Trade Zone, Lagos dry port, proposed International Airport, Lakowe Golf course e.t.c are not far off from the estate. This development is designed to be a high quality family oriented community of homes comprising 3bed apartments and 4bed semi-detached homes. Each home has ample living spaces with a safe and secure gated neighbourhood with provision for children's play areas and parks. The development has convenient access to a wide range of services and amenities, including a proposed business and leisure park, schools and Atlantic beach.

CHOIS City, Agbowa- Ikosi, Lagos: CHOIS City, Agbowa is a new 1,000 home garden community developed in partnership with the Lagos State Government under the Lagos **C**o-operative **H**ome **O**wnership **I**ncentive **S**cheme (CHOIS). The Estate is located between sub-urban town of Agbowa-Ikosi and Itoikin, north of the Lagos Lagoon. The Development has easy access to Lagos Island via Epe; fifteen minutes to Ikorodu and under an hour to Lekki by car; forty minutes to Victoria Island through ferry. On completion of ongoing Waterway Transport Services on the Lagoon, virtually every part of Lagos will be accessible within one hour by ferry. It comprises of 2 and 3 bed bungalows, each with its own plot offering privacy and ownership set around communal courtyards with allocated parking and secured access.

Temple Courts, Ikoyi Lagos: Temple Court is a townhouse apartment complex being developed in Ikoyi, Lagos Island. The development offers a range of facilities, including a swimming pool and gymnastics. The development is to commence 2013.

PURCHASE OPTIONS

First World Communities tries to ensure the affordability of their developments through the provision of a range of purchase options to buyers and thus offers mainly the following options: Outright Purchase, Rent to Buy, Deferred Payment and National Housing Fund (NHF) options.

Outright Purchase Option: Homes can be purchased out rightly with a mortgage from any financial institution including: Aso Savings & Loans, Abbey Building Society, Stanbic IBTC, First Bank of Nigeria (FBN), Diamond bank etc. Subscribers will normally be required to have a minimum of 30% deposit as equity to qualify. A list of their mortgage partners and full qualification criteria is available from FWC's Sales Advisers.

Rent to Buy Option: This is an arrangement where customer rents the apartment for ten (10) years with the option of buying at the end of the rental period. 5% of the property value is required to be paid before the rent starts. The customer has the option of buying the property at the end of the initial five (5) years at an agreed price. The period could be extended for another five years if the property has not been fully paid for. The customer pays rent while staying in the apartment for the period involved.

Deferred Payment Option: This is a payment option that gives buyers the opportunity of spreading payment over two to three years after an initial contribution of 20%. This eases the cash flow of the buyers and aids affordability.

National Housing Fund (NHF) LOAN: NHF Loan is a government mortgage scheme established by Act 3 of 1992 which allows its contributors to access facilities for acqusition of houses for residential purpose at below market interest rate:

- A contributor is eligible to apply after contributing to the National Housing Fund for a minimum period of 6 months while his monthly contributions remain continuous.
- Applicants save minimum of 10% of the cost of the property to be acquired while the balance shall be financed through NHF loan.
- Applicant shall apply for the loan through Primary Mortgage Bank to the Federal Mortgage Bank of Nigeria (FMBN).

First World Communities **www.firstworld-communities.com**

Graph of the Month: Price & size of entry level housing in Africa

This graph compares the price of the cheapest newly built house by a formal developer across some African countries over two years (2011 and 2012). This data was collected by the Centre for Affordable Housing Finance in Africa, through an email survey of practitioners in 35 countries. As such, the data is indicative only.

Mali has the cheapest newly built house, at less than US$10 000 for a house just a little larger 25m^2 in size. Niger appears to offer a very large house of about 200m^2 for $11 000 in 2012 which decreased from the previous year. The price of the cheapest newly built house, decreased from 2011 to 2012 in Tanzania, Benin, Nigeria, South Africa and Zambia, while it increased dramatically in the Gambia. The Gambia offers the largest house, about 225m^2, priced at US$90 000 in 2012, from US$ 30 000 in 2011. Generally, entry-level housing seems to be between $15 000- $40 000. The Democratic Republic of Congo has the most expensive entry-level house, at $220 000, possibly because there are still very limited delivery efforts. At such prices for entry-level housing, there very evidently remains a lot of room for innovation in making housing more accessible to low income populations. Source: 2012 Housing Finance Yearbook

UPCOMING EVENTS

CONFERENCES / WORKSHOPS / COURSES

2013

Click on event for the link

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!*

JULY

7-12 **Micro & SME Banking Summer Academy**. Frankfurt am Main, Germany.

14-19 **Sustainable Energy Finance Summer Academy**. Frankfurt am Main, Germany.

21-26 **Housing Finance Summer Academy.** Frankfurt am Main, Germany. **EUR 300 DISCOUNT for AUHF members!**

AUGUST

13- 15 **6th African Microfinance Conference**. Durban, South Africa.

SEPTEMBER

11-13 **AUHF Annual Conference & AGM. Moblising Capital for Housing Finance, Mauritius.**