

Dramatic changes in Nigeria's housing finance sector

There has been a lot of activity in Nigeria's housing finance space over the past year, with numerous efforts targeted at making housing more affordable and tackling the country's estimated 17 million unit housing deficit, by both the private and public sector.

In January 2013, AUHF member Abbey Building Society launched a new mortgage product, the [Abbey Home Account](#), targeted at low income earners. The product intended to simplify homeownership, and is designed to enable all classes of home seekers to access housing. The product, which promotes saving, achieves this through the four different categories in which it is offered. Once a client has saved for 6 months without withdrawal, they then qualify for a mortgage at 19% interest rate, for a 10 year tenor.

Housing delivery has also improved. A 420 unit housing project was embarked on in Igbogbo in February 2013. 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. Developers have been offering houses at reduced prices. Cornerstone Real Estate, in March 2013, offered to cut N12.5 million for the first five patrons in the houses in the second phase of the project.

On the housing finance front, mortgage schemes with repayment periods of up to 25 years have been developed. The 1000 low cost houses at Ijora/Badia in the Apapa/Iganmu Local Council Development Area (LCDA) are to have a payment system of the mortgages that is stretched out for the next 20 to 25 years.

Pension fund operators have also begun exploring ways to use the pension funds to solve housing problems in Nigeria. In August 2013 Nigeria's pension fund operators came up with an initiative on how to fund housing. This will enable Retirement Savings Account holder's to use some of their balance as collateral to secure a mortgage. Affordable housing providers, such as Ecobuild, have been increasingly gaining interest in the Nigerian market.

The AUHF also convened in Nigeria last year, for its first regional seminar in which the [state of Housing Finance](#) in Nigeria was explored. Other presentations from this event are available on the AUHF website.

All this has been a result of housing being prioritised in the Nigerian government's Economic Transformation Agenda. Discussions on plans for the housing sector commenced in 2012 at a presidential retreat, where all housing sector stakeholders convened to discuss issues of titling and land administration, foreclosure policies, access to affordable housing finance and the cost of construction materials among other things. The retreat resulted in a committee on housing finance, which was mandated to take forward the work of developing a facility that would significantly scale up access to mortgages for Nigerians. It is out of this work that the Nigeria Mortgage Refinance Company (NMRC) was born. A major outcome of the presidential retreat was the setting up of a committee on housing finance which was supported by representatives from the states, the World Bank and the IFC.

The retreat was followed by a roundtable on Housing Finance in November 2013 which reviewed and analysed the potential for housing finance in Nigeria and ways to overcome obstacles.

The Nigeria Mortgage Refinance Company (NMRC) was finally established and launched on 16 January 2014. It is a public and private sector lead initiative aimed at lowering the funding cost of mortgages and providing mortgage lending banks with increased access to liquidity and longer term funds in the mortgage market. This will address a key barrier of finance to the development of affordable housing for Nigerians. To kick start this initiative, the Nigerian government successfully negotiated a US\$300 million, zero interest and 40 year tenure loan from the World Bank's International Development Association.

At the launch of the NMRC, the Nigerian president, Goodluck Jonathan, announced that the creation of an enabling environment for primary mortgage banks and other financial institutions to offer real mortgage facilities at affordable rates was a major step for the Nigerian government. He also emphasised that this initiative involved efforts to improve land titling and land registration, speeding up governors' consent and improving foreclosure policies.

The minister of finance Dr Ngozi Okonjo-Iweala, in her [press statement](#) at the launch of the facility, gave a brief history on the NMRC and provided detail how the \$300 million fund would be managed. She reported that \$250 million of the \$300 million fund will be disbursed to the NMRC in instalments as two tier capitals based on performance indicators. A further \$25 million will be used to establish a mortgage guarantee facility for lower income borrowers, and the remaining \$25 million would be used to support the Federal Mortgage Bank to restructure itself in order to strengthen its program on mass housing and also to pass on some of it to microfinance housing finance institutions.



Iweala also announced that the Federal Government was working on a mass housing delivery programme, in partnership with real estate developers and international institutions like the IFC. These mass housing projects would involve rent-to-own schemes which would enable Nigerians to own the houses they live in after 15 to 20 years of paying rent. The government also has plans of creating 200 000 affordable mortgages through this NMRC over the next five years.

The year is off to a good start for not only Nigerians, but other countries on the continent who now have another instrument from which to draw experiences pertaining to housing finance and affordable housing development.

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 or Lorraine Nzimande at lorraine@housingfinanceafrica.org.

AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of now thirty-nine 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



Group: African Union for Housing Finance



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The AUHF Conference Report is available for download: <http://www.auhf.co.za/wp-content/assets/2013-Conference-Report-Final.pdf> Also download the conference presentations and check out the gallery for photos of the event: [http://www.auhf.co.za/conference/mobilising-capital-for-housing-finance/#gallery\[AUHF%20Conference%202013\]/0/](http://www.auhf.co.za/conference/mobilising-capital-for-housing-finance/#gallery[AUHF%20Conference%202013]/0/)

In the news

This month in African housing & finance

West African News

200 000 Affordable mortgages for Nigeria

The Nigerian government will create more than 200 000 affordable mortgages and introduce rent to own options for low income housing over the next five years. This is to be achieved through the new Nigeria Mortgage Refinance

Company which is backed by the World Bank and the International Finance Corporation. Source (1 Jan 2014): [Fremont Tribune](#).

Southern African News

Namibia: Housing for Informal Settlements' Residents a reality

Swakopmund Municipality will, through the government's mass housing project, construct 1000 houses in the DRC informal settlement. The DRC settlement is a sprawling informal settlement which is resident to an estimated 20 000 people. The first phase of the housing project is due to start this year, a N\$26.5 million (US\$ 2.4 million) contract has been awarded to a contractor to install the main water and sewerage systems at the settlement. Source (4 Dec 2013): [All Africa](#).

East African News

Local Materials will deliver affordable housing

A German based company, Strawtec Building Solutions is setting up business in Rwanda. This company manufactures straw board panels which are primary building materials for mass housing and commercial construction projects. This technology is aimed at addressing the challenge of high cost construction whilst also providing extra income for farmers. Source (17 Dec 2013): [All Africa](#).

Member News

CBZ Bank Secures US\$ 8 million Housing Loan

CBZ Bank has secured a US\$8.3 million loan from Shelter Afrique for the development of a low cost housing project valued at US\$13.5 million. The bank intends to develop 1095 high density residential stands. The first phase of the development involves the servicing of stands and the second phase involves the construction of two to four roomed core houses. Prices of the houses will vary depending on size and type, ranging from US\$10 000 to US\$16 000; CBZ Bank will provide mortgage finance to qualifying clients. Source (31 Dec 2013): [All Africa](#).

The African Development Bank to support Africa's Housing SME's through Shelter Afrique

The African Development Bank (AfDB) has approved a US\$20 million to boost the availability of Trade Finance instruments to small and medium enterprises (SMEs) in the real estate and construction sector. The funds are to be channelled through Shelter Afrique. Source (24 Dec 2013): [Moon of the South](#).



UPCOMING EVENTS

- 28 Feb** [The 2nd Hague Housing Conference](#). The Hague, Netherlands.
- 25-28 Feb** [African Ministerial Conference on Housing and Urban Development](#) (AMCHUD). N'Djamena, Chad.
- 3-5 Mar** [Infrastructure Project Financing Africa](#). Cape Town, South Africa.
- 5-6 Mar** [4th Annual Africa Banking & Finance Conference](#). Laico Regency Hotel. Nairobi, Kenya. Discount for AUHF members brings fee to \$500.
- 20-21 Mar** [10th Global Microfinance Forum](#). Vienna, Austria.
- 2-3 Apr** [Township & Urban Development Conference](#). Johannesburg, South Africa.
- 2-4 Apr** [5th Annual Affordable Housing Projects](#). Singapore.
- 5-7 Apr** [World Urban Forum 7](#). Medellin Columbia.
- 26 May - 26 Jun** Developing Social Housing Projects 2014. For details email: ihstudy5@gmail.com
- 27- 28 May** [African Construction Expo](#). Johannesburg, South Africa.
- 16 – 18 Jun** City Development. Cape Town, South Africa. Contact Mavis Yong for details mavisy@marcusevanski.com
- 3-7 Aug** [International Union of Architects World Congress](#). Durban, South Africa.
- 19- 22 Oct** [Planning Africa 2014](#). Durban, South Africa.

Visit <http://www.auhf.co.za/events/> for event details

Members:

Please submit any current news on your organisation, for the Member News section. Please also feel free to submit any content you may find useful for the newsletter.

Any submissions can be sent to Lorraine Nzimande on Lorraine@housingfinanceafrica.org

The Centre for Affordable Housing Finance in Africa has launched a Facebook page:

www.facebook.com/HousingFinanceAfrica

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