

THE HOUSING DELIVERY & FINANCE CHAIN IS ONLY AS STRONG AS ITS WEAKEST LINK

At a conference of African housing finance practitioners held in Cape Town in August, the Global Product Lead of the IFC Housing Finance Advisory Services Group, Friedemann Roy, described a series of obstacles to housing finance in Africa.

- **Land regulation, infrastructure, and property markets** are challenges in many African countries. Giving Ghana as an example, Roy said overlapping statutory and customary land tenure systems undermine the use of land as security in the housing lending process.
- **Housing policy is in development or doesn't exist** in many countries. With no coherent strategy, competencies relating to housing and housing finance are scattered across ministries and institutions.
- **Capacity shortages and inadequate municipal budgets** are a prevalent feature. In addition, building materials are largely imported. This has placed a burden on developers to undertake and finance infrastructure as part of housing development costs.
- The **absence of a vibrant construction industry** has had an impact on housing supply.
- All these factors together have made lenders reluctant to put up **construction finance**. The result is a vicious cycle in which the finance needed to grow the sector is unavailable due to the incapacity of the sector, which is in turn constrained by the lack of finance.
- The **affordability of housing finance** was another factor highlighted by Roy, who said short-term deposits create a funding mismatch and the capital market structure in most countries does not allow for the issuance of covered mortgage bonds. State-owned lenders undermine private sector options and ultimately contribute to escalating finance costs.

GM of Mortgage and Consumer Banking at **HFC Bank in Ghana**, and Vice Chairman of the African Union for Housing Finance, Charles Bonsu described the indexed mortgage model. Only available in Ghana, the interest rate is indexed to inflation, while the monthly instalment amount is linked to a wage index. To date more than 10 000 home loans have been originated using this method and 80% were paid off before maturity date.

Roland Igbinoba, MD and CEO of the FHA Mortgage Bank of Nigeria presented an intervention that is part of the Nigerian Central Bank's mortgage banking sector reform programme. Components of the programme are: the reform of and support for primary mortgage banks; the development of an institutional framework with standardised mortgage underwriting procedures, capacity building and professional development, and the promotion of mortgage insurance; and the development of a secondary mortgage market, through the establishment of the NMRC, and the reform of the Federal Mortgage Bank of Nigeria as a secondary market operator.

Cas Coovadia, MD of the **Banking Association of South Africa** and Treasurer of the African Union for Housing Finance noted that most effective interventions across the continent involve some form of public-private partnership and asked delegates to consider how productive relationships can be facilitated. He said investor confidence depends on established track records, clear and positive investment performance, and access to local markets and asked: How do we realise these conditions?

Coovadia stressed that the housing delivery and finance chain is only as strong as its weakest link. He ended his presentation with the question: How do we as African housing practitioners address the gaps?

* DON'T FORGET *

AUHF 30TH Anniversary Conference and AGM

17-19 November 2014 in Cape Town, South Africa

Excellent line-up of speakers and broad array of delegates from the financing and housing delivery sectors. Also, an exhibition focusing on Alternative Building Technologies for affordable housing. **To register or explore exhibition opportunities, visit <http://www.sbs.co.za/auhf2014>**

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.

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

Linked in Group: African Union for Housing Finance

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In the news

This month in African housing & finance

Southern African News

South Africa's impressive housing subsidy has had considerable success in the delivery of about 3 million units since 1994. However, South Africa's successes have also caused another set of problems some of which include that the state cannot provide free housing indefinitely. This year's national elections saw the revival of the state's commitment towards eradicating the country's now 2.5 million housing backlog, after which it aims to terminate the subsidy. With this mammoth task, the state simultaneously plans to tackle the issue of title deeds. In the first round of subsidies, South Africa built about 3 million houses and it was discovered that more than 1 million beneficiaries do not have a title deed. The causes for this have been due to issues relating to the processes of township establishment and subsidy payments to developers, which changed from being developer driven to municipalities having to issue the deeds. [1 August, [Mail & Guardian](#)]

The government of **Zimbabwe** issued a statement urging all housing cooperatives to submit audited financial statements within six months. This comes after the government found that some of the cooperatives were not within the law when it came to issues of accountability and mismanagement. It was found that some cooperatives had doubled the allocation of stands, expelling members without following laid-down procedures and not carrying any development over long periods. [7 August, [All Africa](#)]

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East African News

In **Tanzania**, **Watumishi Housing Company** (a real estate developer and fund management company) is set to construct 50,000 housing units through which civil servants countrywide will be able to access through a low-interest mortgage. The construction of the houses

will be in partnership with government that is set to release US\$48.24m for the first phase. The reason that civil servants are targeted is because they are at times stationed at different regions of the country and finding accommodation has been difficult. These public servants will access the mortgage over a 25-year period with zero deposit. [6 August, [Concrete tv](#)]

West African News

Ghana's housing rental problems are a serious hindrance to those that want decent affordable housing. In most cases finding a vacant house is a difficult task, added to that is the fact that the house in most cases would be in a derelict state. Due to the high demand for accommodation, that very house would be rented out at exorbitant amounts, with most property owners wanting upfront payment for at least the next two years. While this is not unheard of in many developing countries, it remains a major challenge to those that need to access affordable housing. In Ghana, estate agents charge a 10 percent fee to those that want to view the vacant property. The housing problem is more desperate within cities such as in Accra. Ghana's economy is one of the fastest growing economies in Africa and with that means that the middle class is rising too. Developers have been focusing on the higher end of the market as that is more lucrative. One of the main issues for developers not going into the middle region has been due to land and material constraints. Eighty percent of building materials in Ghana are imported and suitable land is expensive. However, the most overarching constraint has been cited as the unwillingness of lenders to invest within the housing market. [10 August, [Global Justice](#)]

North African News

In **Morocco**, the government is incentivising real estate developers and contractors to address the housing shortages. Around US\$ 8.3 billion has been invested therefore making it clear about government's commitment towards housing. The government plans to build 170,000 new units each year. In 2013 the sector only managed to build 136,147 units. Morocco has range of mortgage products, mortgage loans to households make up 17% of GDP. Lending for housing to individuals has been increasing at 11% per annum. [20 August, [Zawya](#)]



The International Scene

African Union of Housing Finance members made their presence felt at the **International Union of Housing Finance's 100th anniversary conference** held in Munich, Germany from 11-14 September 2014. AUHF representatives at the conference included Board Members: Mr Colin Chimutsa (Chairman), Mr Cas Coovadia (Treasurer), and Mr Manilall Seetohul. The conference offered practitioners an opportunity to reflect on lessons learned in the evolution of housing markets around the globe. These lessons will be particularly useful in the African context, when the AUHF celebrates its own anniversary, next month. A more detailed report on the IUHF conference will be included in the next edition of the newsletter.

UPCOMING EVENTS

- **13-14 October 2014:** Africa Property Investment Summit, Sandton, South Africa
- **13-15 October 2014: Africa Rental Housing Conference, Nairobi, Kenya**
<http://www.rentalhousingconference.com/index.php/event-program>
- **16-17 October: Annual national Human Settlement Indaba, Sandton Convention Centre, Sandton, South Africa**
- **19-22 October 2014: Planning Africa 2014:** International Convention Centre (ICC), Durban, South Africa.

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For more information contact Kecia Rust at
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Visit <http://www.auhf.co.za/events/> for event details

RECENT TWEETS



AUHF@AUHF_Housing: A review of building trends in South African cities, paints a desperate picture of urban housing.
<http://goo.gl/gGRsUr>



AUHF@AUHF_Housing: #CCI and Tanzania Federation of the Urban Poor use mapping for city slum profiles:
[http://urb.im/cities?tid_cities\[\]=56 ...](http://urb.im/cities?tid_cities[]=56...)



AUHF@AUHF_Housing: Why Is There Not Enough Affordable Rental or Social Housing for the Poor In South Africa's Cities?
[http://sacsis.org.za/site/article/1996/print ... #affordablehousing](http://sacsis.org.za/site/article/1996/print...#affordablehousing)



AUHF@AUHF_Housing: Paying attention to the need for good data! Morocco Launches Housing Survey, focus on need of the poor <http://allafrica.com/c/-5GBBF> via @allafrica



AUHF@AUHF_Housing: Housing bubble in #Kenya not likely to happen despite the high prices paid, for houses which are targeted at the middle-income earners.