

A look into housing finance in Africa

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AFRICAN UNION FOR  
HOUSING FINANCE

Newsletter

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## FINANCING HOUSING IN AFRICA

ISSUE 54

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### The role of Government is crucial in making Housing Markets efficient

[“Housing: Enabling Markets to Work”](#) by Stephen K. Mayo was published by the World Bank in 1993 as an influential report on housing policy. The report documented the importance of housing in the economy and provided governments with guidelines on how best to design policy and leverage their resources to create efficient housing markets. This strategy called for the use of seven enabling instruments to make housing affordable for the low to moderate income households, through the formal housing market. These include three instruments for the stimulation of housing demand: access to credit, tenure security and targeted subsidies. Additionally, three instruments that facilitated housing supply: provision of infrastructure and basic services, reorganising the construction industry, and regularising land and housing development. The seventh instrument called for the development of an appropriate institutional framework which managed the housing sector in a manner that ensured provision of affordable housing for all through the markets.

Now 24 years later, the lessons in Mayo’s paper still ring true, and increasingly, practitioners note that we need both government and the private sector to make the housing markets work. One of the important components in the effective operation of housing markets is an efficient housing finance system that caters for all income groups, of which a section in the *Enabling Markets to Work* report is dedicated to it.

More recently, in 2016, the [Independent Evaluation Group](#) (IEG), part of the World Bank Group, did a [study on housing finance](#) globally, and they identified some constraints on both demand and supply side which require governments’ intervention. IEG identified the following constraints:

- a. **Demand-side** – Informal and irregular income, the cost of finance, and high taxes and down payment requirements are major constraints to affordability. IEG argues that some of the interventions to address these demand-side constraints can be through the provision of subsidies, guarantee schemes, subsidised financing, and reducing the risks of mortgage lending.
- b. **Supply side** – high land costs, high operation costs, difficulty in assessing incomes, validity of title documents, and lack of access to long-term local currency funding. To address these issues, IEG makes a number of recommendations, including; public sector attention to improving land-use regulations, delivering infrastructure, collecting taxes and fees, as well as access to titled land. While they suggest that the private sector can address construction costs, and improve housing financing products through better demand-side targeting and improved efficiencies for dealing with a lower income market segment.

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We are seeing some governments engage in these issues. In Kenya, the [Business Daily reported](#) that the government has tried to apply solutions that might facilitate housing supply, through tax incentives for developers who build at least 400 affordable residential units. In Uganda, the National Housing Policy recognises the need for investment in planned human settlements, and has engaged with the co-operative movement to explore potential opportunities for collaboration.<sup>[1]</sup> The government in the Kingdom of Morocco has taken a different approach, offering the informally employed earners with irregular incomes and low-income households a housing loan guarantee, so they can access formal housing finance. CAHF recently published a case study on Morocco's housing loan guarantee, which is called [FOGARIM](#) and administered by the government agency, *Caisse Centrale de Garantie* (CCG). Through this innovative guarantee mechanism, the Moroccan government has been able to expand housing finance to a large number of low-income households.

The rationale for stimulating local housing markets is clear; according to the [International Finance Corporation \(IFC\)](#), an AUHF member, for every house built in emerging markets, [five jobs are created](#). The [African Union for Housing Finance](#) (AUHF), as an association committed to promoting housing finance on the African continent, hosts [conferences](#) to deliberate and exchange challenges, ideas, and solutions with experts, from various government institutions, private and third sectors from across the African continent and internationally. Therefore practitioners and experts in housing across Africa are engaging with these issues, and working with relevant stakeholders to find innovative solutions.

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[1] See more at: <http://allafrica.com/stories/201612150038.html>

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### **Mortgage Market Development and Product Design Workshop “Lending to borrowers with informal incomes”**

The African Union for Housing Finance (AUHF) in partnership with [the Centre for Affordable Housing Finance in Africa](#) (CAHF) and [International Finance Corporation](#) (IFC) will be hosting a 2 day capacity building workshop in:



**In Accra, Ghana on the 16 – 17 March 2017**

The objective of the course is to provide participants with models and tools to assess the challenges for affordable housing programs and to evaluate solutions under the criteria of effectiveness and efficiency. Participants will be exposed to strategic design tools to develop and implement demand oriented mortgage loan products or improve existing mortgage product offerings. Accompanying group exercises and case studies will focus on the current situation in Sub-Saharan Africa.

- **Goal of Day 1** – Analysing situation of a given mortgage market in Africa and learn from other countries;
- **Goal of Day 2** – Discuss solutions for implementation of mortgage loan products in Africa taking into consideration lessons learnt from other countries.

If you interested, kindly contact the AUHF Coordinator: [auhf@housingfinanceafrica.org](mailto:auhf@housingfinanceafrica.org)

*\*\*Please note these workshops will be **free for all paid up AUHF Members** and **USD \$250 for non-Members**.*

*\*\*Due to the intensity of the session, we can only accommodate **30 people** and it will be based on **first come first serve basis**.*

## EVENTS

- 13 – 15 March 2017 | [3rd Annual City Development Conference 2017](#) | Cape Town, South Africa  
 16 – 17 March, 2017 | [13th Annual Global Microfinance Forum 2017](#) | Prague, Czech Republic | **20% discounts for AUHF Members**
- 23 – 24 May 2017 | [African Construction and Totally Concrete Expo](#) | Gallagher Convention Centre, Johannesburg, South Africa
- 3 – 6 April 2017 | [8th Affordable Housing 2017 – Marcus Evans Event](#) | Singapore | **10% discount AUHF members**
- 5 – 6 April 2017 | [East Africa Property Investment Summit 2017](#) | Nairobi, Kenya | **20% discount AUHF members**
- 8 - 9 April 2017 | [The Property Buyer Show](#) | Cape Town, South Africa
- 30 - 31 May 2017 | [GRI Africa Summit](#) | Johannesburg, South Africa | **10% discount AUHF members**
- 31 May – 01 June 2017 | Africa Construction Summit 2017 | Munich, Germany | **20% discount AUHF members**
- 24 – 25 August | [Africa Property Investment Summit 2017](#) | Johannesburg, South Africa | **20% discount AUHF members**

[\\*Let us know of any events not listed above](#)

[\\*Click here for our updated events page](#)

## IN THE NEWS

### MEMBER NEWS

**Shelter Afrique**, Africa's housing development finance institution, has launched a design competition for eco-friendly and affordable housing concepts. The initial step for the competition is inviting design proposals for a 45sq.m house that can be completed at a cost of no more than US\$ 5000 excluding the cost of

### EASTERN AFRICA

In **Tanzania**, the government is set to establish a special register for real estate properties in the country to facilitate collection of various fees and transfers of ownership. This will be done as per the Real Estate Development Bill (still to be passed as law). Real property owners would be obliged to register their houses and other

land and bulk infrastructure. Read more at: <http://bit.ly/2jFDVpF>.

**Central Africa Building Society (CABS)** has acquired land in Bulawayo's suburbs — Nkulumane and Pumula South — for the purposes of developing affordable housing units as part of their housing delivery thrust. The land will be subdivided and sold as serviced stands in Bulawayo. Under this scheme, qualifying buyers will have access to mortgage finance from the institution to build their dream homes. Read more at: <http://bit.ly/2jxfrhH>.

The **Federal Mortgage Bank of Nigeria (FMBN)**, **Shelter Afrique**, and Real Estate Developers Association of Nigeria (REDAN) have signed a tripartite Memorandum of Understanding for Shelter Afrique to provide US\$ 2 billion construction finance towards housing provision in Nigeria. Read more at: <http://bit.ly/2jZIkWL>

#### ACROSS AFRICA

Finnish private equity fund and financial services group Taaleri Plc plans to invest US\$ 100 million in East and South African real estate projects. Taaleri is in partnership with the Kenyan local private equity firm called Cytonn Investments. Current Kenyan market driven by healthy fundamentals. The Real Estate Investment Trust (REITs) regulations serve the market well and are well structured by the regulator, Capital Markets Authority. Read more at: <http://bit.ly/2j4dpl>.

#### SOUTHERN AFRICA

The government of **Zambia** has embarked on a programme to address the national housing deficit, which currently stands at 1.5 million units, through the public private partnership (PPP) model. It has received more than US\$ 4 billion in pledges from prospective investors seeking to partner for infrastructure and housing developments. Read more at: <http://bit.ly/2jGZf0R>.

buildings in the registry. Read more at: <http://bit.ly/2k0nNlV>.

Developers of single-bedroom houses in **Kenya** have seen greater returns in past two years than those with two-bedroom flats and three-bedroom maisonettes, as the average cost of the small units crossed the KSh 4 000 (US\$ 38) mark for the first time. Rent for a one-room house on average rose to KSh 4 032 (US\$ 38.3) in October, from KSh 3 589 (US\$ 34.1) in the same month of 2014 – representing a jump of 12.3 per cent in last two years, data received from Kenya National Bureau of Statistics (KNBS) shows. Read more at: <http://bit.ly/2jsxeK7>

#### WESTERN AFRICA

The **Nigeria** Institute of Architects (NIA) has put forward a new social housing model contributory scheme, which would provide an increased flow of revolving housing for low income earners and the informal sector. Read more at: <http://bit.ly/2juSkXS>.

In **Ghana**, the housing backlog is estimated to be 1.7 million housing units and is projected to climb to two million by 2018. Addressing this will require introduction of pragmatic and deliberate policies, and private sector participation, to increase supply. It is estimated that US\$ 34 billion might be required to address the shortfall. Read more at: <http://bit.ly/2jFaBzk>

#### NORTHERN AFRICA

The prices of building materials in **Egypt** have increased since the Central Bank of Egypt floated the pound, in attempt to stabilise exchange rates as part of a broader structural and financial reforms program in November 2016. This decline in the Egyptian pound has led to some construction material prices increasing by nearly a 100 percent. Read more at: <http://bit.ly/2jA0lYU>

This is the monthly newsletter for African Union for Housing Finance.  
The AUHF is a non-governmental association of 58 members from 16 countries across the African continent. Members include commercial and mortgage banks, building societies, microfinance banks/institutions, housing development corporations, and other institutions involved in the mobilisation of funds for shelter and delivery of affordable housing across the African sector.

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African Union for Housing Finance  
PO Box 72624, Parkview,  
South Africa, 2122

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