Agenda

- Phatisa
- Pan African Housing Fund
- Introduction: Factors impacting on adoption of ABT’s
- Value chain considerations
- Cost and scale considerations
- Conclusion
Phatisa overview

• African Private Equity Fund Manager
• **Three funds under management, totaling > US$ 285 million**
  • US$ 246 million African Agricultural Fund (AAF)
  • **Sub-fund:** US$ 30 million AAF SME Fund
  • US$ 41.5 million Pan African Housing Fund (PAHF)
• International investment partners - comprising US & European Gov'ts and African DFIs.

PAHF overview

• 10-year closed-end fund
• Five-year commitment period
• Pool of multi-national investors EU and African.
• Middle income housing and aligned commercial developments in six countries in east and southern Africa
• Achieved first close at US$ 41.5 million
Investment thesis

- Large-pent up demand for housing with limited supply
- Housing is a high-impact sector, critical to growth, employment and stability in emerging markets
- PAHF is focused on delivering risk capital to the supply side of the housing sector
- Narrow focus on affordable and middle income housing projects and partnering with local commercial developers - ‘Development Partners’

- **PAHF deal attributes:**
  - plug into existing urban infrastructure frameworks;
  - building sustainable communities in under-served middle income and affordable residential sectors;
  - avoid or mitigate potential adverse environmental, social and governance risks and impacts of any projects associated with the Fund;
  - maximise potential social benefits accruing from the need for housing in Africa as a vital component to the building of sustainable communities;
  - project durations between three and five years; and
  - phased delivery.

Alternative building methods: framing the challenge

- For each problem, there are usually many possible alternatives
- One option, in each analysis, often the choice, is the do nothing alternative
- The opportunity cost of making one choice over another must also be considered
  - Inertia in construction methods is common but the reasons for this are not well understood
  - Non-economic factors are also key, like color, style, public image, legacy, sustainability, etc.

INERTIA - IMPETUS
Value chain considerations

SUPPLY SIDE
- Land
- Infrastructure
- Contractors
- Professionals
- Developers
- Infrastructure
- Design
- Construction method

INTERMEDIATION
- Equity and mezzanine finance
- Construction finance
- Mortgage finance
- Hybrid financing

DEMAND SIDE
- Realtors
- Facility and rental managers
- Owners
- Renters
- Institutional investors

Factors impacting on adoption of ABTs

- Consumer/end user attitudes and aspirations
- Innovation in materials/sustainability
- Lender acceptance of ABT standards
- Design standardisation
- Procurement
- Scale and industrialisation of construction methods
- Productivity
Construction costs

Source: McKinsey GI Report: Affordable Housing September 2014

Construction costs (cont.)

To build affordable housing, construction costs would need to fall by about a third in advanced economies and by up to half in developing ones.

Construction cost vs. target cost, by housing type and city $ per square meter

Source: McKinsey GI Report: Affordable Housing September 2014
Conclusion

- Consumer adoption
- Sustainable design and production methods
- Incentive financing
- Scale
- Infrastructure and access
DevEq = PAT * $x + \dot{i}^2$

**Capacity to build**

> 2,500 units

**Providing a home to**

> 13,300 people

**Number of jobs created**

> 14,000

**Positively affecting**

> 100,000

---

**Industry awards**

2014 *PRIVATE EQUITY AFRICA* Special Recognition Frontier Investments - FES, Malawi

2013 *Africa investor* Investment and Business Leader Awards, Leadership in Sustainable Investment in Africa - shortlisted

2013 *Africa AM* Performance Awards, Private Equity Fund of the Year - shortlisted

2013 *Africa investor* Investment and Business Leadership Awards, Private Equity Deal of the Year

2013 *PRIVATE EQUITY AFRICA* Special Recognition for Innovative Sector Strategy in Agriculture

2013 *PRIVATE EQUITY AFRICA* Private Equity House of the Year - shortlisted

2012 *Africa investor* Agribusiness Fund of the Year

2012 *Africa investor* Investment Climate Initiative of the Year

2012 *Africa investor* Agribusiness Investment Initiative of the Year
Jan van der Merwe  
**Fund Partner - PAHF**  
Email: janvandermervre@phatisa.com  
Telephone: +27 (0) 11 463 1920

A PROUD MEMBER

[Logos of EAVCA, EMPEA, GIIN, and SAVCA]

www.phatisa.com

© Phatisa 2014
Confidentiality, ownership and disclaimer

All information, techniques, ideas and this presentation are strictly confidential, proprietary to Phatisa and Phatisa Property Fund Managers are being supplied to you solely for your information and may not be used, reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part, for any purpose without the express permission of Phatisa. This presentation remains the property of Phatisa and should be returned or destroyed in the event that there is no further interest herein. By accepting this presentation the addressee both understands and accepts this confidentiality and ownership.

This document does not constitute or form any part of any offer or invitation or other solicitation or recommendation to purchase any securities. No reliance may be placed for any purpose whatsoever on the information, representations or undertakings contained in this presentation, and no liability is accepted for any such information, representations or opinions.

This document has not been approved by any competent supervisory authority in any jurisdiction. Neither Phatisa nor any other person makes any guarantee, representation or warranty, express or implied, as to the accuracy, completeness or fairness of the information and/or opinions contained in this document, nor does Phatisa nor any other person accept any responsibility or liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.