

EXPANDING ACCESS TO AFFORDABLE HOUSING: HABITAT FOR HUMANITY'S SHELTER REPORT 2014

Africa's housing shortage is overwhelming. According to Habitat for Humanity's *Shelter Report 2014*, 'the deficit of affordable units in Zambia has reached 1.3 million; in Angola it was estimated at 700,000 in 2000; and Ethiopia experiences a supply gap of between 73,000 and 151,000 units annually. ... Morocco's government estimates its supply gap at 1 million units, and in Egypt, Cairo alone will require at least 2 million new units to satisfy demand by 2020.' The high urbanisation rate constantly drives up demand, while both governments and the market have failed to sufficiently increase supply. What can be done to increase access and affordability of housing in Africa? Habitat for Humanity believes that housing microfinance is a key instrument to providing affordable housing in Africa.

While mortgage markets are developing on the continent, this form of housing finance will remain inaccessible

to a majority of households, who earn too little or too informally to meet the requirements set by lenders. Formal financial services are only available to those with higher incomes and who can provide proof of land titling for collateral; informal loans they can access tend to carry excessively high costs. As a result, according to the *Shelter Report*, 50% – 90% of households in the developing world engage in incremental construction. Because finished houses are too expensive, floors are paved bit by bit, roofs constantly repaired and additional rooms gradually constructed—houses are improved over time. These households build step-by-step, accumulating building materials or savings until they have enough to upgrade their housing.

Some access traditional microfinance to finance this incremental way of construction, rather than microfinance products that are designed for hous-

ing. Habitat for Humanity argues that as a sub-set of microfinance, housing microfinance is a particular product, with different uses and different risks. The risks differ because the loan is for productive purposes, building the asset wealth of the household, while housing microfinance loans have longer terms and are of larger in size. The *Shelter Report* carries a number of recommendations for financial institutions that are involved in the market. These include the recommendation that institutions should see financing the expansion, renovation and repair of housing as a better alternative to financing a whole house purchase. This reduces the costs to households, making payment terms more affordable and thereby reducing the rate of non-performing loans. Additionally, financial institutions should ensure that loan amounts are small enough to remain affordable, consider other means of proving security of tenure beyond formal land titling, create products that require savings before disbursement to reduce risk, allow flexible lengths to ensure repayment, and consider extending loans to small groups and communities. Lastly, and most importantly, Habitat for Humanity strongly advocates for financial institutions to provide housing support services to increase the quality and reduce the cost of construction.

There is an enormous market that is not saturated by financial institutions. As Africa continues along its trajectory of economic growth, more and



AFRICAN UNION FOR HOUSING FINANCE

This is the monthly newsletter for the AUHF. The AUHF is an association of thirty-nine mortgage banks, building societies, housing corporations and other entities involved in the mobilisation of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has a presence in sixteen countries across Africa.



more households are in a position to access housing finance. Expanding into the lower reaches of the market through sophisticated housing microfinance products diversifies lending opportunities and expands the market for lenders. Though there is volatility, and some uncertainty, in terms of the economic prospects of individual countries, it is apparent that Africa's economic growth prospects are strong, and that its markets are growing in size. By developing housing microfinance products now, and investing heavily in them, finance institutions will not only aid economic growth but also secure their long-term market positions.

Habitat for Humanity actively supports institutions that are involved in housing microfinance. Among its projects is the [MicroBuild Fund](#), a \$100 million fund that supplies debt capital to institutions that provide housing microfinance. As of 2014, it the Fund had provided debt capital to institutions in Ghana, Kenya and Uganda, as well as nine other countries in the rest of the world. The Fund aims to demonstrate the viability of housing microfinance, provide a long-term source of capital for lenders, and create data that contributes to refining housing microfinance models. Administered by third-party social investment fund manager, Triple Jump,

the Fund provides loans of between US\$500,000 to US\$5 million. Beyond the MicroBuild Fund, Habitat for Humanity supports housing microfinance institutions through its [Centre for Innovation in Shelter and Housing Finance](#). The Centre provides technical assistance for the development, implementation and management of housing microfinance products. It helps new firms enter the market and established firms expand and refine their housing microfinance products. Habitat for Humanity's is a member of the AUHF. Contact [Ezekiel Esipisu](#), Habitat's representative to the AUHF, for more information on the organisation's many initiatives.

IN THE NEWS

Eastern Africa

The Egyptian construction firm, Arab Contractors, is exploring the possibility constructing two developments in **Ethiopia**, which would require the company to invest US\$111 million. One of the potential developments is the construction of affordable housing in Addis Ababa, consisting of seven-, nine- and 12-story buildings. According to Arab Contractors, last year it invested US\$30 million in Ethiopia, part of over US\$2 billion across Africa.

Link: <http://bit.ly/1FxLONM>

In Nairobi, **Kenya**, the construction of new roads has opened up new land for development. These roads have cut commuting times, making undesirable areas now viable for developers because of reduced commuting. This has resulted in drastic increases in the price of land in some areas; the article reports that in some areas land prices have increased by over 300% because of new roads. In anticipation of the completion of the Outer Ring



Road, around Nairobi, developers have already started construction on land, trying to capture the value of the increase in land prices.

Link: <http://bit.ly/1EoJopt>

In **Uganda**, Kampala's city management has proposed the eradication of its slums as a solution to the affordable housing crises in the city. The belief is that Wakiso and Mukono—both on the outskirts of Kampala—would absorb the displaced households. Slum eradication makes available well-placed land for development in a city that has a housing shortage of between 300,000 and 400,000 units.

Link: <http://bit.ly/1DKiJB2>

Southern Africa

In **South Africa**, the City of Cape Town started construction of what will eventually be a development of 2,407 subsidised housing units. The first phase of the Delft Integrated Housing Project will consist of 288 units, all of which will be two-bedroom free-standing and single-bedroom semi-detached and double-storey units. The development will be completed over four phases, the last of which will commence in 2017/2018.

Link: <http://bit.ly/1zoJBdq>

According to FNB's Estate Agent Survey, the buy-to-let market is not

growing, despite a slight overall improvement in the the housing market. Buy-to-let remains 9% of the market in **South Africa**, and is suffering, as with the rest of the market, from constrained consumer spending. According to FNB, this represents the sombre nature of the market, and is unlikely to return to the record levels, of 25%, that it reached in 2004. Though consumer spending is suffering from poor economic growth and increased costs of daily living, 86% of tenants are in good standing with their landlords.

Link: <http://bit.ly/1dsDWck>

Western Africa

The **Ghanaian** government launched the country's new National Housing Policy. The Policy aims to direct both government and private investment in the housing sector, and focuses on the need for affordable housing and encourages sustainable building principles. The Policy also calls for the establishment of a national housing fund to act as a catalyst in the provision of affordable housing, particularly to increase accessibility to financial products, as well as the establishment of a national housing authority to guide the Policy's implementation.

Link: <http://bit.ly/1KtPmaG>



Also in **Ghana**, Group Five Structured Ingenuity, in partnerships with Savannah Accelerated Development Authority, announced plans to develop 1,000 affordable housing units. The plan is to construct the houses in the Northern Region, with the company expects the local government to release land for development. Because of the unreliability of electricity supply, Group Five Structured Ingenuity plans to invest in solar energy for the development. This marks a diversification away from the mining sector in the country for the company.

Link: <http://bit.ly/1HR8bVt>

The **Senegalese** President, Macky Sall, stated that he is committed to

expand access to housing. "All Senegalese should have the opportunity to buy a house. We are working towards establishing ground-breaking financing mechanisms for all to own a house," he said. He claimed to have engaged in formulating new land policies that will increase access to land for real estate developers, and called on the private sector to match the governments effort by developing affordable housing.

Link: <http://oran.ge/1beoZsE>

Member News

The World Bank, with the **IFC**, has advertised two positions within its

Housing Finance division. The advertisements are for a **Senior Housing Finance Specialist** and a **Lead Financial Sector Specialist**, both based in Washington but open to international applicants. The closing date for applications for both positions is 13 May 2015.

Shelter Afrique will be hosting its 34th AGM and Symposium from 1 - 5 June, in Accra, Ghana. The theme for the event is 'developing affordable housing for rent,' while it is being organised in partnership with the Ministry of Water Resources, Works and Housing, Ghana.

Link: <http://bit.ly/1Km4F4J>

EVENTS

[CLICK HERE FOR MORE INFORMATION](#)

5 – 7 May	CORP 2015, 20th International Conference on Urban Planning and Regional Development, Ghent, Belgium.	5 – 10 Jul	Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management. AUHF members receive a 450 EUR discount!
13 – 14 May	Housing for Africa Conference and Expo, Johannesburg, South Africa.	29 – 31 Jul	2nd Annual Affordable Housing Africa, Cape Town, South Africa.
19 – 20 May	5th Annual Africa Banking & Finance Conference, Nairobi, Kenya. AUHF members get a 50% discount! For info contact Ruth: abfc@aidembs.com	25 – 26 Aug	African Property Investment (API) Summit, Johannesburg, South Africa.
1 – 5 Jun	Developing Affordable Housing for Rent, Shelter Afrique's 34th AGM and Symposium, Accra, Ghana.	2 – 4 Sep	29th IUHF World Congress in Rio de Janeiro, Brazil.
1 – 13 Jun	International Housing Finance Program, Samuel Zell and Robert Lurie Real Estate Center, University of Pennsylvania, Philadelphia, United States.	29 – 30 Sep	Real Estate UNITE, Lagos, Nigeria.
7 – 18 Jun	Africa City and Urban Development 2015, Kampala, Uganda.	5 – 10 Oct	Housing Finance Course for Sub-Saharan Africa, University of Cape Town. AUHF members receive a 10% discount!
17 – 19 Jun	Marcus Evans 2nd Annual City Development Conference, Cape Town, South Africa.	Jan – Apr 2016	Post-Graduate Diploma: International Course on Housing and Urban Development (ICHUD), Institute for Housing and Urban Development Studies, the Netherlands.