



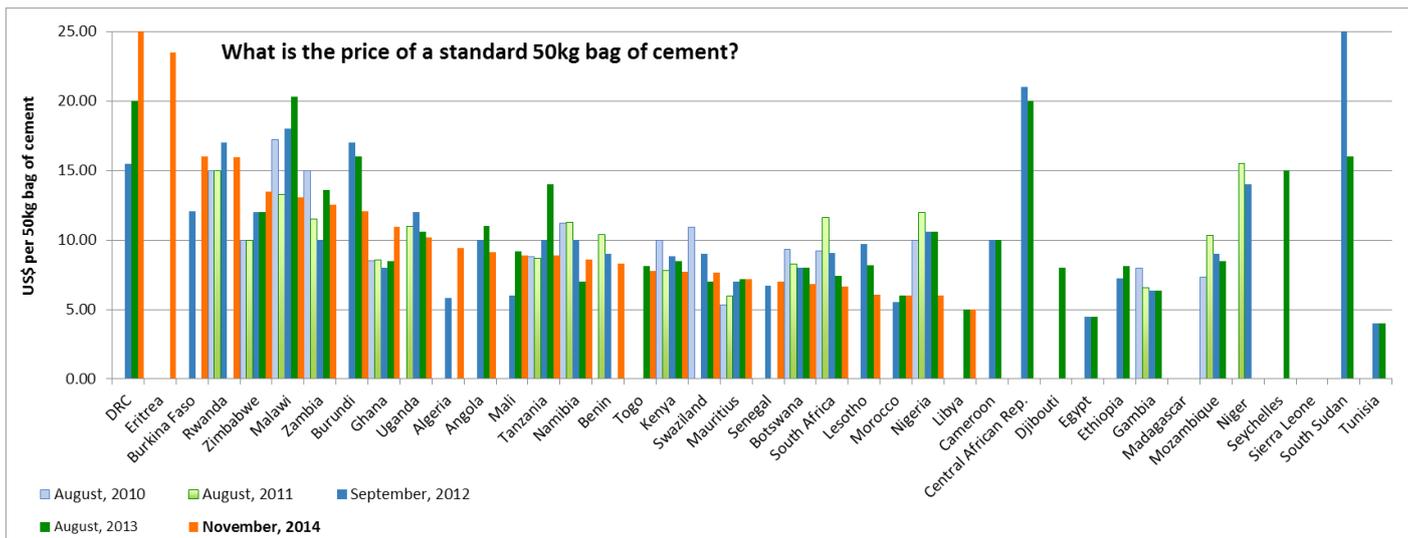
CEMENT: CONSTRUCTING AFRICA

Africa, now the fastest growing market for cement in the world, seems to be undergoing radical change in how its buildings are constructed—whether its self-build housing or large-scale infrastructure projects, cement is increasingly the key construction material. This change has occurred across the world, where cement use has increased at a greater rate (by a factor 25 from 1950 to 2010) than any other material. China has been the predominant driver of this growth—it increased its production of cement from 800 million tonnes in 2009 to 2.9 billion tonnes in 2012. Though only 75% of this is used and the Chinese government has started to curb production, China’s cement use is truly staggering: in three years, between 2011 and 2013, it used 140% of the cement that United States used over the one hundred years of the 20th Century, between 1900 and 1999. In Africa, like in China, the increased use of cement is the result of rapid urbanisation, which requires new infrastructure and new housing.

And while part of this increased demand for cement has been met by imports (which increased by, on average, 14% a year between 2000 and 2013), it has also resulted in significant investment in new cement manufacturing plants across the continent. Not only is the number of these new plants—that are being planned, are under construction or have recently started operations—illustrative of the demand for cement, so is their capacity. Where before a cement plant would have an annual output of hundreds of thousands of metric tonnes of cement, many of these new plants have a capacity in the millions of tonnes.

The most ambitious investor on the continent, at this moment, may be Dangote Cement—the Nigerian cement manufacturer’s annual capacity increased from 21 million tonnes to 34 million tonnes during 2014, and will be at over 50 million tonnes once its planned plants are completed. Its capacity in Nigeria will increase to 23.25 (million metric tonnes per annum) mmtpa, and it is constructing plants in 13 countries across the continent. This US\$2.5 billion investment includes a plant in Senegal, with an annual capacity of 3.5 mmtpa; a US\$300 million, 3 mmtpa plant in Tanzania; a US\$600 million, 2.5 mmtpa plant in Ethiopia; and a US\$300 million, 1.5 mmtpa in Zambia. A new 3 mmtpa plant is already in operation in South Africa, while plants, each with a 1.5 mmtpa capacity, are under construction in Cameroon, Cote d’Ivoire, Gabon, Ghana, and the Republic of Congo.

Dangote is not the only pan-African cement manufacturer—Heidelberg Cement, based in Germany, has subsidiaries in 8 African countries, while both



Source: Housing Finance in Africa 2014 Yearbook, Centre for Affordable Housing Finance in Africa

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.



Lafarge and Holcim, two of the world's largest cement manufacturers (and which are in the process of a merger) have a presence across the continent. Holcim's presence is more limited in contrast to Lafarge's, which recently commissioned plants that will increase its production by 5.5 mmtpa (Lafarge and its subsidiaries already has a capacity of 40 mmtpa).

Lafarge's strategy has not been limited solely to the manufacturing of cement, it has also made efforts to increase demand for its products through agreements with developers (for example, its memorandum of understanding with Shelter Afrique for a development in Abuja, Nigeria), partnering with housing microfinance institutions, and designing and advertising products specifically for small-scale construction. The future strategy of LafargeHolcim, the company that will be the result of the merger, could impact the market in Africa, as it will involve a consolidation of divergent strategies and different de-

grees of exposure to African markets. Beyond this, cement manufactures are under constant threat from cheap imports—in South Africa, cement imports from Pakistan have recently been subject to a special import duties because of dumping, while manufacturers in Tanzania have struggled to compete with imports from Pakistan and China.

But an increase in supply may not adequately decrease the price of cement, as there are factors that may limit this impact. First, a cement plant requires electricity on a scale and with a consistency that is often not readily available in many African countries. Constrained supply of electricity reduces outputs, resulting in plants operating at below capacity. There are efforts to address the issue for particular plants, such as Dangote Cement's plans to construct a power station to supply its new plant in Tanzania with electricity. The second limiting factor is the poor transport infrastructure across the continent: the cost of transporting cement

from manufacturing plants to construction sites, passing through warehouses and through artisans' workshops along the way, dramatically limits the affordability of cement. This can be seen by the variation in cement prices, notably higher in land-locked countries.

Lower cement prices should result in more affordable and better quality housing. Better quality blocks, made with more cement and less sand, will be used, while developers will be less likely to compromise on the quality of construction. The increase in the production of cement is an important step in providing affordable housing in Africa, and increasing the provision of infrastructure. It will be interesting to see the fortune Dangote Cement, LafargeHolcim, and many other producers, as success and failure will be representative of development across the continent.

Sources used for the article: <http://bit.ly/1G6bvOe>

IN THE NEWS

Southern Africa

Malawi Housing Corporation (MHC) announced plans to construct 25,000 housing units by 2018 in the country's three largest cities. Noting that **Malawi** needs—according to UN Habitat—21,000 new units annually, MHC's CEO says that it has struggled to secure loans for potential buyers, resulting in MHC's investments taking 25 years to pay off. The plans were announced with the support of the government, with the Minister of Housing, Land and Urban Development present. Link: <http://bit.ly/1QclUGx>

The Department for Human Settlements has taken over the responsibility for the delivery of housing in Nelson Mandela Bay, **South Africa**. National government will invest R4.8 billion (US\$380 million) into housing in the metropole in order to construct just under 16,000 new subsidised housing units, as well as to increase the provision of infrastructure. It is unusual for the national government to take over the housing responsibilities of local

government.

Link: <http://bit.ly/1cl4POL>

Also in **South Africa**, the Minister of Human Settlements presented her budget to parliament. Included in her budget are plans to abolish hostels, the prioritisation of government subsidised housing for the elderly, the construction of housing in vacant land and expropriation of unused buildings in inner cities, and an acknowledgement of the housing needs of foreign nationals.

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

Northern Africa

The **Algerian** government revealed that 125,000 public housing units are either vacant or inhabited by people other than the intended recipients. It will seek to reallocate these housing units, while also demolishing all buildings that have been constructed illegally. It will continue in its effort to eliminate slums, with its hope that this will be completed by next year.

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

In its ongoing attempts to build a new capital, the **Egyptian** government announced that it will complete infrastructure planning for Capital Cairo within 4 months. The city will be constructed through private-public partnerships, which includes parties from Egypt and the United Arab Emirates. These negotiations are still underway because the private developers have back-tracked on the promised number of low- and middle-income units that will be constructed.

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

Eastern Africa

There is an oversupply of prime property in **Kenya**, private developers are not constructing enough houses for the low- and middle-tier of the market: 85% of new developments cater solely to high- and upper-tier of the market. This is while the government has introduced value added tax relief for developers that construct more than 20 units for low-income buyers.

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



CBA Bank **Tanzania** has reached an agreement with Avic International Real Estate, a Chinese-based developer, to provide loans to potential buyers. The agreement provides potential buyers with an interest rates of 16% for the duration of the mortgage, which can be as long as 20 years. The least expensive house in the development will cost US\$150,000, and will have two bedrooms.

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

Western Africa

In **Nigeria**, Estate Surveyors and Valuers Registration Council wants to further regulate the sector. Part of this effort includes drawing up a new code of conduct for estate agents, while ensuring that all individuals and firms practicing are registered with the Council. This is part of a broader initiative to improve the public perception of the sector.

Link: <http://bit.ly/1LNh10h>

The National Association of Home Builders (NAHB) expects the housing market to improve in 2016 in **Nigeria**. As mentioned in the Issue 40 of the AUHF's newsletter, Nigeria's economy has undergone a number of recent shocks that have inhibited development in the housing sector. But the NAHB expects that some of the pent-up demand for housing to drive growth throughout 2016.

Link: <http://bit.ly/1HOC0tO>

Member News

At the **Botswana Housing Company's** conference, its CEO, Reginald Motswaiso, spoke out for the need for affordable housing in the country. Motswaiso said that the Botswanean government needed to introduce policies that encouraged the development of "affordable and adequate shelter for all—irrespective of people's wealth influence."

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

Housing Finance Bank Uganda has announced that it will host the Housing Finance Uganda Conference 2015 on 2 and 3 July. While it is still to release the programme information on the conference, it has stated that the attending the conference will be free.

Shelter Afrique has invested US\$1 million in **Tanzania Mortgage Refinance Company** (TMRC). The investment is to support the TMRC in its aim to make mortgages more affordable and accessible in Tanzania, and is in line with Shelter Afrique's mission to achieve housing for all across the continent. Shelter Afrique becomes TMRC's fourteenth shareholder.

Link: <http://bit.ly/1HQQRC2>

EVENTS

[CLICK HERE FOR MORE INFORMATION](#)

1 – 5 Jun	Developing Affordable Housing for Rent, Shelter Afrique's 34th AGM and Symposium, Accra, Ghana.	29 – 31 Jul	2nd Annual Affordable Housing Africa, Cape Town, South Africa.
1 – 13 Jun	International Housing Finance Program, Samuel Zell and Robert Lurie Real Estate Center, University of Pennsylvania, Philadelphia, United States.	25 – 26 Aug	African Property Investment (API) Summit, Johannesburg, South Africa.
7 – 18 Jun	Africa City and Urban Development 2015, Kampala, Uganda.	2 – 4 Sep	29th IUHF World Congress, Rio de Janeiro, Brazil.
17 – 19 Jun	Marcus Evans 2nd Annual City Development Conference, Cape Town, South Africa.	29 – 30 Sep	Real Estate UNITE, Lagos, Nigeria.
2 – 3 Jul	Housing Finance Bank Uganda Conference 2015, Kampala, Uganda.	5 – 10 Oct	Housing Finance Course for Sub-Saharan Africa, University of Cape Town. AUHF members receive a 10% discount!
5 – 10 Jul	Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management. AUHF members receive a 450 EUR discount!	26 – 28 Oct	Housing Egypt 2015, Cairo, Egypt.
		Jan – Apr 2016	Post-Graduate Diploma: International Course on Housing and Urban Development (ICHUD), Institute for Housing and Urban Development Studies, the Netherlands.

* The AUHF Annual Conference and AGM will be held during the last week of October. Exact dates and theme to follow.