

A US\$300 MILLION PLATFORM FOR HOUSING IN AFRICA

CITIC Construction was behind one of the largest housing developments in sub-Saharan Africa: a satellite town of 20,000 housing units, worth US\$4 billion, in Luanda, for the Angolan government. It took CITIC just four years to construct this—a remarkable achievement considering the absence of housing value chains in Angola. To complete the development, CITIC needed to—among many other initiatives—found farms to feed its workers, open a school to train labourers and even establish a paint manufacturing plant. Though there were criticisms of the development—its cost, its location, its intended market—CITIC fulfilled its part of the contract in an incredibly challenging context.

CITIC Construction's capacity for large-scale projects in Africa is impressive, especially given the voracious demand for housing delivery across the continent, and the restricted domestic capacity to build at the rate required. In recognition of this, the International Finance Corporation (IFC), an AUHF member, has entered into a partnership with CITIC to establish a US\$300 million development platform to construct 30,000 housing units in sub-Saharan Africa. The platform, named CITICC (Africa) Holding Limited, will pro-

vide long-term financing for large-scale developments—between 2,000 and 5,000 units each—across sub-Saharan Africa. Initially restricted to Kenya, Rwanda and Nigeria, future developments will extend into other housing markets.

The satellite town constructed by CITIC, Kilamba Kiayi, is now a municipality of Luanda, with facilities ranging from roads, schools and power stations. It increased the supply of housing for middle-income households in a market that suffers from extremely constricted supply. Though the project has been completed, the hope is that the supply chains created through its construction will allow for further developments in Angola—sixty-percent of the labourers used in Kilamba Kiayi were Angolan; 111 local building material factories were established in Angola to enable the development. CITIC's success in developing local industry seems to be a key motive behind the IFC's agreement. This is suggested in the IFC's press release about the platform, claiming that it foresees the creation of 5 permanent jobs per a housing unit, or 150,000 permanent jobs in total (though CITIC estimates 10 permanent jobs per a housing unit). These jobs will most likely be in the construction sector, as all of CITICC

(Africa)'s future projects will be through partnerships with local firms, which will create local housing value chains.

CITICC (Africa) hopefully signifies that IFC's involvement in housing is growing—its investments in housing, to date, have only amounted to US\$3 billion, compared to US\$22 billion in all sectors in 2014 alone. This is while CITIC, which is part of the US\$760 billion CITIC Group conglomerate, continues to see Africa as an important market: already over 70 percent of its income originates on continent. Africa is in desperate need for investment in affordable housing on this scale. It both increase the supply of affordable housing and creates value chains that decrease the cost of construction and increase the scope for potential developments. The housing shortages on the continent are well-known, and the resale and self-build markets are not able to meet the demand for housing alone. A burgeoning population, with a rapid urbanization rate, demands urgent and innovative progress in the sector. It will be interesting to see how CITICC (Africa) changes the market, and how this affects AUHF members and their continual efforts to increase the provision of affordable housing and affordable housing finance across the continent.

IN THE NEWS

EASTERN AFRICA

The Central Bank of Kenya released housing data for 2014. The data shows

that the average size of a home loan is now KES7.5 million (US\$75,000), up from KES6.9 million (US\$69,000) in 2013. There were 22,013 mortgages in the country in 2014, up from 19,879 a

year earlier and 18,587 in 2012. The average interest rate decreased from 2013 to 2014, from 16.37 percent to 15.8 percent.

link: <http://bit.ly/1vQLiQ>

AFRICAN UNION FOR HOUSING FINANCE

This is the monthly newsletter for AUHF. 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. AUHF is a non-governmental association and has a presence in sixteen countries across Africa.

In last month's issue, we looked at how the growth of the cement industry across the continent is gradually lowering the price of cement. But in **Kenya**, the weakening Shilling has increased the price of equipment and inputs, forcing National Cement to consider increasing the price of its cement. According to the article, the price of cement will increase 10% a bag, from its current range of KES660-700 per a 50kg bag.
[link: http://bit.ly/1QTc42T](http://bit.ly/1QTc42T)

NORTHERN AFRICA

Nine foreign companies, which were pre-selected by **Algerian** government, will establish prefabricated housing plants. The companies responded to an international call for submissions of interest, and must form joint ventures with local firms in order to undertake the construction and management of the plants, which will largely be automated.
[link: http://bit.ly/1KviEzL](http://bit.ly/1KviEzL)

SOUTHERN AFRICA

The municipality of eThekweni, in **South Africa**, claimed that it alone cannot meet the demand for low-cost housing. The municipality claimed this in court, as it argued that it was not its responsibility to provide accommodation to 200 tenants evicted by their landlord. eThekweni has a housing backlog 450,000, while the municipality can only construct 9,000 units a year.
[link: http://bit.ly/1RUclZc](http://bit.ly/1RUclZc)

The shares of a **South African** developer of low-cost housing shares has been the best



Source: Calgro M3 Holdings Ltd.

performing on the Johannesburg Stock Exchange over the last five years. Calgro M3 Holdings Ltd. has a project pipeline worth R19 billion (\$1.6 billion) and expects strong growth until, at least, 2018. The company has benefitted from construction of government-subsidised housing and increased access to mortgage in the affordable market, and that it operates in a 'huge' market with little competition.
[link: http://bloom.bg/1gcYTcL](http://bloom.bg/1gcYTcL)

WESTERN AFRICA

An article, published in the *Business and Financial Times*, in **Ghana**, demonstrated how the depreciation of the Cedi has resulted in the marked decrease in the affordability of mortgages. The Cedi has depreciated by 40 percent in the last 17 months, according to *BFT*, resulting in households having to earn between GH8,000 to GH9,000 to qualify for a mortgage worth US\$84,000, compared to between GH4,000 to GH5,000 just over a year ago. Beyond the impact on mortgage affordability, the strengthening of the dollar, and the devaluation of currencies across Africa, increases the cost of new housing. The article mentions that the inflationary pressures extend to imported construction materials, such as 'iron rods, tiles, and finishing materials.'
[link: http://bit.ly/1HzKun6](http://bit.ly/1HzKun6)

In May, in **Ghana**, three cement manufacturers established the Ghana Cement Manufacturers Association (GCMA). The three companies—GHACEM Limited, Diamond Cement Ghana Limited and Savannah Diamond Company Limited—established GCMA to protect the interests of the sector; the association is open to all local manufacturers in the industry.
[link: http://bit.ly/1JnubKi](http://bit.ly/1JnubKi)

In **Nigeria**, UNICEM, a Lafarge subsidiary, has partnered with LAPO, a microfinance bank, to launch 'Easy Home,' a housing microfinance programme. The programme is for households that build or renovate a home, requires no collateral, offers reasonable interest rates and technical expertise. The programme is being financed through a N1 billion (US\$5 million) long-term credit line from the French Development Agency (AFD) and Lafarge.
[link: http://bit.ly/1JBWgL7](http://bit.ly/1JBWgL7)

The Federal Mortgage Bank of **Nigeria**

(FMNB) has started offering renovation loans. Contributors to the National Housing Fund can access up to N1 million (US\$5,000) to upgrade or expand their homes, at an interest rate of 8 percent.
[link: http://bit.ly/1C2UQtB](http://bit.ly/1C2UQtB)

Sierra Leone Housing Corporation (SLHC) will perform a customer perception survey, gaining insights into housing problems in the country. New management at SLHC aim to revive the company, which struggled to operate under challenging conditions in the past.
[link: http://oran.ge/1C2U5jQ](http://oran.ge/1C2U5jQ)

MEMBER NEWS

The **Nigerian Mortgage Refinance Company** (NMRC) intends to raise, what will eventually be, N440 billion (US\$2.2 billion) through the sale of bonds. The sale, which will initially be worth N10 billion (US\$50 million), has been undertaken with aim to increase access to housing finance, and will be underwritten by the Nigeria government. The NMRC believes that the absence of legislation around foreclosure is preventing the development of the mortgage market.
[link: http://bit.ly/1C2MMc0](http://bit.ly/1C2MMc0)

The managing director of **Shelter Afrique**, James Mugerwa, published an opinion piece on *CNN* expounding the need for urgent action to provide young Africans with housing. Mugerwa argues that rental housing should feature more prominently as a solution to Africa's housing crises, as should new building technologies and efforts to create efficient value chains.
[link: http://cnn.it/1CNrqKE](http://cnn.it/1CNrqKE)

Shelter Afrique has dedicated US\$44 million for housing developments in Ghana. Approved projects include three developments of around 5,000 units each, all taking the form of private-public partnerships.
[link: http://bit.ly/1FVIUWg](http://bit.ly/1FVIUWg)

The **Swaziland Building Society** raised E2.5 million (US\$200,000) by encouraging its shareholders to increase their savings in the Society. Prizes were offered, as part of a promotion, to shareholders who increased their savings above particular amounts.
[link: http://bit.ly/1T8ljdr](http://bit.ly/1T8ljdr)

The CEO of the **Trust for Urban Housing Finance** (TUHF), Paul Jackson, claimed that the organisation's successful lending was the result of hands-on landlords.

In the interview, Jackson said TUHF requires landlords to either work or live in the area, and that it has financed 20,000 housing units since its inception, many of

which are located in areas red-lined by the banks.

link: <http://bit.ly/1R7xV6Q>

EVENTS

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|-------------|--|----------------|---|
| 02 - 03 Jul | Housing Finance Bank Uganda Conference 2015, Kampala, Uganda. | 29 - 30 Sep | Real Estate UNITE, Lagos, Nigeria. |
| 05 - 10 Jul | Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management. AUHF members receive a 450 EUR discount! | 05 - 10 Oct | Housing Finance Course for Sub-Saharan Africa, University of Cape Town. AUHF members receive a 10% discount! |
| 29 - 31 Jul | 2nd Annual Affordable Housing Africa, Cape Town, South Africa. AUHF members receive a 10% discount! | 26 - 28 Oct | AUHF Annual Conference, Windhoek, Namibia. |
| 25 - 26 Aug | African Property Investment (API) Summit, Johannesburg, South Africa. | 26 - 28 Oct | Housing Egypt 2015, Cairo, Egypt. AUHF members receive a 15% discount! |
| 01 - 02 Sep | Infrastructure Africa, Johannesburg, 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. |
| 02 - 04 Sep | 29th IUHF World Congress, Rio de Janeiro, Brazil. | | |

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