

‘AFFORDABLE’ HOUSING

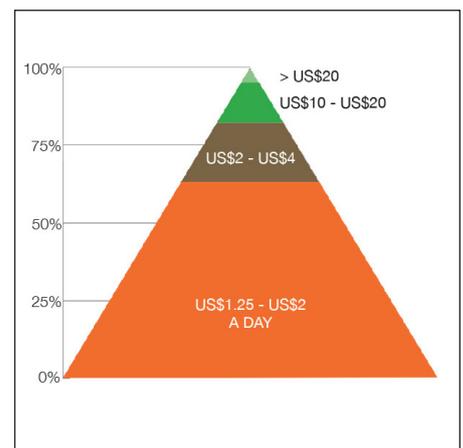
With the cheapest house being sold, initially, for US\$120 000, the apartments of Kilamba Kiaxi, the 20,000 unit housing development in Angola profiled in the last edition of Housing Finance Africa, struggled to sell. This was even with an interest rate of 3 percent for mortgages—artificially low because of government subsidies. To increase demand, the prices of the cheapest units were brought down to US\$84 200. For Luanda, this was considered relatively affordable; it’s a city where formal housing is outrageously expensive: the city has consistently been ranked as the most expensive city in the world for expats to live in, by Mercer’s Cost of Living survey. Despite all the worthwhile outcomes of Kilamba Kiaxi—importantly developing housing value chains that barely existed before—its high costs highlight the challenges that the US\$300 million platform, CITICC Africa, created by the International Finance Corporation and CITIC Engineering, the developers of Kilamba Kiaxi, will face in developing 30,000 housing units that are actually affordable.

The question of affordability continues to be pressing across the continent, as expensive new developments provide little, if any, respite from the housing crises that beset much of the continent. Rwanda’s capital, Kigali, is struggling with its own issues of affordability. An article published recently by Al Jazeera America looks at Vision City, a development by the China Civil Engineering Construction Corporation and financed by the Rwanda Social Security Board (RSSB), which ostensibly provides a needed new supply of housing to the market. However,

units, that are part of Phase 1, will start at, an unaffordable, 124 million francs (US\$170 000). This is not the only development financed by RSSB: another planned development will start at a significantly lower 25 million francs (US\$35 000), for a three bedroom apartment. Though this continues to be out of reach for the average Rwandan (Rwanda has a per capita income of US\$633 in 2014), it signifies progress—a Centre for Affordable Housing Finance for Africa survey had the cheapest newly built house by a formal developer at US\$74 000 in 2012.

Judging from reports in the press, most developments across the continent target upper income households. It is clear that this market has not yet been sated, and that developers view it as a less risky proposition than developing units for low income households. The question is how can developments move down market, as low as US\$15 000 or even US\$10 000 a unit, considering the high cost of land, construction materials and financing. And, whether the availability of financing itself an issue?

Vision City, at 4 500 units, will eventually be one of the largest residential developments in East Africa. Though the development does provide housing, should a government agency finance a development where the lowest cost units are US\$172 000, in a city where two-thirds of the potential demand, according to the Al Jazeera article, will come from households earning less than 200 000 francs (US\$275) a month? Referring to the high quality finishes, the article quotes a Chinese site manager,



The Centre for Affordable Housing Finance in Africa’s affordability triangle for Rwanda shows that the formal housing market will only meet the housing needs of less than one percent of households. Though, as housing becomes more affordable, a further four percent of households can also be served by this market. But 63 percent of households earn between US\$1.25 and US\$2 a day. These households will require some affordability support, and should be the target of state initiatives alongside private sector offerings.

working on the project, as saying, “It’s almost like we’re using Rwandan franc notes and stacking them one by one.”

The overwhelming challenge of housing, not only on this continent but across the world, requires the development of truly affordable housing on scale. With developers and financiers willing to be creative, to understand risk differently and to deliberately target lower income households, the hope is that developments, perhaps arising from the CITICC Africa platform, will eventually end up being truly affordable on a continent that desperately needs more affordable housing.

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.

HABITAT III: SETTING THE AFFORDABLE HOUSING AGENDA

'Affordable housing is inadequate and adequate housing is unaffordable.'
-Housing Issue Paper, Habitat III

Habitat III's aim is no less ambitious than setting the urban agenda for the next 20 years. This bi-decennial conference—the United Nations' Conference on Housing and Sustainable Urban Development—brings together various stakeholders to create common understandings on the issues caused by the world's rapid urbanisation. In October 2016, following the conferences held in 1976 and 1996, the third conference, Habitat III, will be held in Quito, Ecuador. And, with housing being such an integral component of urbanisation, the agenda that it will set will play an important part in determining the opportunities of organisations involved in housing finance. This is especially the case for Africa—its particularly rapid urbanisation means that its human settlements are increasingly open to change.

There have been a number of meetings and discussions to prepare for the conference: the preparation that goes into a conference that will only occur again in 20 years requires such. Out of this preparation, Habitat III released an issue paper on housing, one of 22 thematic papers. The paper's main concern is with the provision of adequate housing, noting that key problem preventing many from accessing this is affordability. That 'affordable housing is inadequate and adequate housing is unaffordable' is not contested by anyone, nor is the fact that millions of households cannot afford decent housing, and millions more are financially stretched by the burden housing places on their income. The paper goes on to argue that, even as this dynamic continues, housing lending has moved away from poor: for example, low-income housing was only 10% of the World Bank's shelter lending since the mid-1990s, compared to the 90% of the lending it was in 70s

and 80s.

This is where the AUHF members can play a role. The issue paper on housing calls for the prioritisation of housing for low-income households, for more affordable housing finance, more lending for affordable housing developments and more innovative financial products for this market. Institutions involved in providing housing finance across the continent, including AUHF members, are important stakeholders when it comes to shaping cities. At the same time, other urban issues, such as security of tenure, the provision of infrastructure and town planning, affect housing finance institutions. The mutually constitutive process between urbanisation and housing finance needs to be emphasised and argued if the vision of affordable and adequate housing is to be achieved.

IN THE NEWS

EASTERN AFRICA

In an effort to address the country's housing shortage, the **Ethiopian** government plans to construct approximately 750 000 houses through its Growth and Transformation Plan II (GTP). Of the 750 000 houses, 174 000, 12 000 and 70 000 houses will be constructed by cooperative associations, private and real estate developers respectively. The Ministry Policy and Programme Head, Mohammedzein Kedir, noted the following in the GTP I performance report, the government planned to construct 150 000 houses and engage with 4000 enterprises in Addis Ababa. Government already have constructed 166 000 houses, engaged with 11 691 enterprises and created 846 000 job opportunities in the construction of the said houses.

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

In **Kenya**, Safaricom Staff Pension

Scheme announced plans for a KES3.4 billion (US\$33 million) real estate development. The mixed-use development will be called Crystal Springs, and will be constructed over 20.5 acres of land. There will be 270 three and four bedroom units, as well as a hospital, mall and commercial real estate. All the residential units will be sold, though Safaricom plans to rent out the commercial space.

link: <http://bit.ly/1JQh3NJ>

WESTERN AFRICA

Nigerian real estate stakeholders have identified trapped funds in the sector as a tool to significantly decrease the country's housing deficit. Mr Wale Alaka, a mortgage banker, indicated that the estimated N2 trillion (US\$100 billion), which is believed to be trapped in the sector,

is capable of reducing the housing deficit by over 50 percent. Nigeria's housing deficit is currently estimated to be 17 million housing units. In an effort to further direct investment towards housing, the real estate stakeholders have also advocated for increased foreign and local investment in property through self-invested personal pension (SIPP)—highlighting that by investing in property one can gain rental income and still gain capital growth.

link: <http://bit.ly/1M8TuiS>

SOUTHERN AFRICA

In **Harare, Zimbabwe**, authorities planned to undertake a programme to demolish illegal structures. The local council said that owners of the illegal structures would

be responsible for reimbursing the city costs associated with the demolitions. There are 19 illegal settlements that are being targeted, with 25 houses in Warren Park and Westlea already demolished. All households are given a 48 hour warning to remove the structures.

link: <http://bit.ly/1Mdv35g>

Housing Investment Partners (HiP), in **South Africa**, received R1.125 billion (US\$88 million) in funding from National Housing Finance Corporation (NHFC), Old Mutual and Future Growth. HiP offers mortgages with low interest rates (as low as 4.5 percent), and ties a household's mortgage repayments to increases

in income. HiP targets the low to middle income market, financing houses worth between R200 000 (US\$16 000) and R650 000 (US\$50 000).

link: <http://bit.ly/1MQDKT3>

MEMBER NEWS

CABS has reduced the deposits required for Budiriro development from a minimum of US\$5 800 to US\$2 200. The hope is that this will increase demand for

the units, which are available with either two or four bedrooms. CABS has also introduced 20 year mortgages for buyers of any of the 3 000 units, where before mortgages were limited to 10 years.

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

Shelter Afrique has committed N2 billion (US\$10 million) for the development of housing for public servants in Ogun State, Nigeria. The low cost units will be constructed by Ogun State Housing Corporation (OGSHC), and are only available to public servants who contribute to the National Housing Scheme.

link: <http://bit.ly/1W4ui1B>

EVENTS

25 - 26 Aug	African Property Investment (API) Summit, Johannesburg, South Africa. Use API 10% for a 10% discount.	26 - 28 Oct	AUHF Annual Conference, Windhoek, Namibia.
01 - 02 Sep	Infrastructure Africa, Johannesburg, South Africa. AUHF members receive a 5% discount.	26 - 28 Oct	Housing Egypt 2015, Cairo, Egypt. AUHF members receive a 15% discount.
02 - 04 Sep	29th IUHF World Congress, Rio de Janeiro, Brazil.	Jan - Apr 2016	Post-Graduate Diploma: International Course on Housing and Urban Development (ICHUD), Institute for Housing and Urban Development Studies, the Netherlands.
29 - 30 Sep	Real Estate UNITE, Lagos, Nigeria.		
05 - 10 Oct	Housing Finance Course for Sub-Saharan Africa, University of Cape Town. AUHF members receive a 10% discount!		

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