

AUHF ANNUAL CONFERENCE AND AGM

The AUHF Annual Conference is fast approaching. Hopefully all our members have registered, and are encouraging non-member to attend or exhibit. This year's conference features keynote addresses from the African Development Bank (AfDB) and the African Union's Housing and Urban Development Coordinating Unit, presentations from several AUHF members, as well as non-members. Making Finance Work for Africa (MFW4A) Housing Finance Donors Working Group (HFDWG)—AfDB, Desjar-

AUHF 2015 31ST ANNUAL CONFERENCE & EXHIBITION
Safari Hotel & Conference Centre, Windhoek, Namibia
MAKING HOUSING FINANCE MARKETS WORK IN AFRICA

26 - 28 October 2015

*Presented by: African Union for Housing Finance in association with SBS Conferences
Hosted by: National Housing Enterprise, Namibia.*

dins International, European Investment Bank, French Development Agency, UN Habitat, World Bank and others—will host a special networking session to connect investors and developers. And the conference will feed into the Habitat III (the United

Nations Conference on Housing and Sustainable Urban Development, which takes place every 20 years) dialogue process. The product of the conference will be the Windhoek Declaration, outlining the private sector's agenda for housing finance in Africa.

A DIFFERENT APPROACH TO RENTAL HOUSING

In the late 1970s, the middle class and businesses fled Johannesburg's densely populated inner city. Concurrently, and continuing today, there was an influx of low-income households drawn by the well-located affordable housing left behind. The resulting decline was aided by the red-lining of the inner city by the main banks, depriving investors of the financing required to maintain and purchase the existing buildings—many buildings fell into disrepair because of the absence of investment. It was with this backdrop that the Trust for Urban Housing Finance (TUHF) was established. With financing from fellow African Union for Housing Finance (AUHF) member, the National Housing Finance Corporation (NHFC), TUHF started to provide mortgage finance to developers to purchase and refurbish existing, or construct new, buildings for affordable renting. TUHF's growth has been remarkable in this niche market: from the initial R10 million (US\$750 000) loan from NHFC to a loan book worth over R2 billion (US\$150 million) in just over a decade, in the process financing over 20 000 rental units across South Africa's inner cities.

TUHF was able to pioneer a financing model that worked in a complex, variegated environment. By adopting a version of the Shorebank model—lending only to companies and individuals with knowledge of the area, who will interact with their tenants and will provide affordable rental accommodation—TUHF managed to navigate an overcrowded inner city blotted by empty shops, abandoned and hijacked buildings, decayed infrastructure, opportunistic landlords, and a breakdown of law and order. It transformed from a non-profit company to a profitable commercial entity, offering competitive returns and sourcing capital on the open market, while regenerating the area. This transition happened without TUHF shifting its focus away from the affordable market, important considering South Africa's limited supply of affordable units. As TUHF aims to provide an interest rate not more than one percent higher than others in the industry, it is its expertise and knowledge about financing and managing rental property in the area that draws clients. It provides this interest rate even though only 20 percent of its clients are

established entrepreneurs—40 percent are starter entrepreneurs, the other 40 percent emerging entrepreneurs.

TUHF now operates in six cities across South Africa, expanding to match the deep demand for rental accommodation across the country. The same demand exists across urban Africa, as owning and financing a house is not viable for many households. Inadequate, informal and inconsistent income excludes many households from mortgages. Unaffordable housing—which was explored in the previous issue of Financing Housing in Africa—excludes many more. And, as Africa undergoes rapid urbanisation, a few of the minority of households that can access a mortgage may prefer the mobility and flexibility of rental over the extended commitment that ownership entails. These factors, according to Shelter Afrique, makes investment in rental a necessity if there is to be adequate, decent and affordable accommodation in African cities. Shelter Afrique has attempted to make rental the preeminent solution to Africa's housing crises, high-

AFRICAN UNION FOR HOUSING FINANCE

This is the monthly newsletter for AUHF. AUHF is an association of forty-eight 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.

lighting the opportunities and challenges of the market—most recently by hosting a symposium in Ghana in June. It has argued that homeownership has been given preference in policy, to the detriment of rental markets. This has crowded out investment in rental accommodation and done little to increase the supply of adequate and affordable housing.

Shelter Afrique envisions large-scale greenfield developments to supply the requisite rental units, according to the discussion documents published as outputs from its conferences. And constructing on scale will be one part of the solution. But addressing the housing shortage requires a range of different approaches. As can unlocking the equity that is the existing housing of Africa's cities, many of which are largely informal. By approaching complex realities on a case-by-case basis, TUHF has successfully established a viable business model that could be adapted for elsewhere.

This approach may provide solutions to some of the intractable issues of land titling, parochial politics and the difficulty evicting non-paying clients that arise when managing brownfield developments in African cities. By dealing with these complexities with through contextually embedded knowledge and expertise, TUHF exists as a commercially viable mortgage-provider in an environment that conventional banking practices were not able to account for.

TUHF is now the largest lender in its niche market in South Africa. And it is planning an expansion into another rental market that suffers from a lack of affordable financing: backyarding. In South Africa, it is relatively common practice for a household to construct 'backyard' rooms on their property to rent out. This practice, most eminent in Chile and South Africa, is a product of formal housing policy—government's provision of free-standing housing to cash poor households incentivised the construction

of rooms for rental income. TUHF will soon pilot a new mortgage product for these households, in an attempt to increase the supply of units. A household would mortgage their property at a risk premium interest rate for up to ten years. The financing will be used to construct rental units of a decent standard (many existing backyard units are not, as they are constructed out of zinc and wood). Community-based loan officers will assist the clients, maintaining TUHF's focus on local landlords who interact with their tenants. TUHF is adapting its successful model, from the dense, multi-story buildings of the inner city to suburban form of South Africa's townships. It will be interesting to see the outcomes of TUHF's pilot, as it may eventually provide an approach that can be used across the continent, allowing local households to unlock the equity of their housing while simultaneously increasing the supply of affordable housing.

AUHF BOARD MEMBERS CAS COOVADIA AND OSCAR MGAYA ELECTED TO THE EXECUTIVE COMMITTEE OF THE IUHF

Cas Coovadia, Managing Director of the Banking Association South Africa, and Oscar Mgaya, CEO of Tanzania Mortgage Refinance Company Limited (TMRC), have

been elected to the executive committee of the International Union for Housing Finance (IUHF). This was announced on 2 September 2015, in Rio de Janeiro, Brazil, during

the 29th meeting of the IUHF World Congress. Mr. Coovadia and Mr. Mgaya are the only two members from Africa on the 11 member executive committee.

IN THE NEWS

EASTERN AFRICA

Kenya is in the process of appointing a contractor to develop 10,000 housing units for civil servants. The contractor, who will only be appointed after approval by cabinet, will design, fund and construct the housing units, while government will provide the land. Repayments for the majority of mortgages are expected to be between KSh 2 000 and KSh 4 000 (US\$ 20 – US\$ 40). The mortgages should be repaid over 18 years, with the value of the houses ambitiously expected to be as low as KSh 800 000 (US\$ 7 700).

link: <http://bit.ly/1fV5Qyc>

Also in Kenya, and also in the same price range, Kenya Projects has developed two-bedroom housing units for as low as KSh

800 000 (US\$ 7 700). The developer had experience selling bedsitters for KSh 400 000, and, because of demand, decided to undertake this development of two bedroom units. So far, Kenya Projects sold 25 units at the price point, using interlocking bricks, even though there were issues about the perception of durability by potential customers. By switching to quarry blocks, and placating customers, the cost of the housing went up to between KSh 2 and KSh 3 million (US\$ 19 000 and US\$ 28 500). Kenya Projects was able to sell the units for KSh 800 000 by making no profit on the sale.

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

SOUTHERN AFRICA

A company has claimed that up to 65 percent of home owners in South Africa are mortgage free. Most of these households are either beneficiaries of government's subsidy programme—mortgage free because they did not have to finance the purchase their housing—or older households, between the ages of 50 – 75. The majority of these houses are free-standing units, as 59 percent of sectional titles are mortgaged. The research was published to understand the impact of the upward rate cycle in South Africa.

link: <http://bit.ly/1LUhlz2>

WESTERN AFRICA

In **Cameroon**, Dangote Cement announced plans to increase output of its recently opened plant, from 1.5 million metric tonnes per annum (mmtpa) to 3 mmtpa. President Paul Biya, of Cameroon, inaugurated the plant, which was developed at a cost of US\$ 150 million. To facilitate delivery of the cement from the plant, Dangote imported 220 trucks.

link: <http://bit.ly/1Q8trfW>

In **Liberia**, National Housing Authority (NHA) has started developing houses in an attempt to address the country's housing backlog. The development, Ellen Johnson Housing Estate, will eventually consist of 125 units, 50 of which are near completion. The three bedroom houses will take 10 years to pay off, at an interest rate of eight percent, with a down payment of US\$ 4 000 and the cost of the unit being US\$20 000. NHA has invested in US\$ 4.1 million into the project so far.

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

MEMBER NEWS

The **Botswana Housing Corporation (BHC)** handed over 21 units that were de-

veloped with the Self-Help Housing Agency. The Minister of Lands and Housing was present at the ceremony, as the units make up some the 500 units developed since President Ian Khama came to office. The Botswanan government aims to increase the pace of housing delivery, having recently set aside P 400 million (US\$ 39 million) for the construction of new units.

link: <http://bit.ly/1LL5INn>

CBZ Holdings has invested over US\$ 10 million in two low cost housing developments: US\$ 8.3 million in Gweru and US\$ 2.1 million in Mutare, both in Zimbabwe. Both investments are in high-density suburbs, while future investments are planned for Bulawayo, where discussions to purchase land are in progress, and in Kwekwe, where CBZ are finalising the purchase of 200 stands. In the last financial year, CBZ has improved its cost-to-income and non-performing loan rates, as it looks to invest its newly acquired US\$ 46 million credit facility.

link: <http://bit.ly/1ii2HdG>

The challenge involved in developing the required numbers of sufficiently affordable housing units in Rwanda was reviewed in the last issue of Financing Housing in Africa. To increase the supply of affordable housing, **Development Bank of Rwanda (BRD)** has launched an initiative to provide

financing to investors who invest in affordable housing projects. This will take the form of BRD buying shares in real-estate investment trusts (REITs). They will only invest in companies that float shares freely on the market, and are targeting 2 500 units in the first phase of the initiative.

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

Housing Finance are expanding beyond housing finance, announcing plans to open 40 branches across Kenya. Housing Finance are undertaking this expansion in order to have access to deposits, aiding its expansion by providing access to low cost deposit funding. Housing Finance hired McKinsey to guide the transition, and have stated that no retrenchments will take place through the restructuring. It hopes to have the branches open by 2018.

link: <http://bit.ly/1L54tG4>

The **National Housing Corporation Kenya** are in the process of appointing a consultant who will manage its KSh 5 billion (US\$ 48 million) bond issuance. This issuance is part of a larger KSh 10 billion (US\$95 million) medium-term note programme, which is expected to finance 6 000 units over the next three years, part of a larger strategy to develop 30 000 units by 2017.

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

EVENTS

29 - 30 Sep	Real Estate UNITE, Lagos, Nigeria.	Jan - Apr '16	Post-Graduate Diploma: International Course on Housing and Urban Development (ICHUD), Institute for Housing and Urban Development Studies, the Netherlands.
05 - 10 Oct	Housing Finance Course for Sub-Saharan Africa, University of Cape Town. AUHF members receive a 10% discount!	17 - 18 Feb '16	West Africa GRI 2016, Nigeria.
26 - 28 Oct	AUHF Annual Conference, Windhoek, Namibia. 10% off for AUHF members.	30 - 31 May '16	East Africa GRI 2016, Kenya.
26 - 28 Oct	Housing Egypt 2015, Cairo, Egypt. AUHF members receive a 15% discount.	20 - 21 Oct '16	GRI Africa Summit 2016, South Africa.

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