

IMPACT INVESTING: A CATALYST FOR HOUSING FINANCE?

As housing backlogs continue to increase exponentially across the continent, the need for investment is becoming increasingly urgent. In this regard, housing—particularly for those who cannot afford to access it without some form of assistance—is slowly moving away from being seen as merely an act of philanthropy, and is beginning to be perceived as a credible investment sector. Yet, housing for the poor continues to be a social good. Jed Emerson, of Blended Value, asks: How do we begin to think about investing as a form of philanthropy and, the inverse, how do we begin to think about philanthropy as an investment that will yield financial return? With Blended Value, Emerson proposes a single act that will drive both efforts forward: impact investing.

Impact investing involves investments made into companies, organisations and funds with the intention of generating a positive social and environmental impact alongside financial return; these investments are made across asset classes, sectors and regions. And it has the potential to unlock significant sums of private investment capital to complement public resources and philanthropy in addressing global challenges, according to the Global Impact Investing Network

(GIIN). Because of its diversity, impact investment is difficult to fully quantify. However, GIIN members' aggregate assets suggest that the market is substantial, and has significant potential for growth (see Figure 1).

GIIN recently published two reports (in partnership with Dalberg Global Development Advisors and Open Capital Advisors, respectively) titled, *The Landscape for Impact Investing in West Africa* and *The Landscape for Impact Investing in East Africa*. These reports interrogate the supply of impact investing capital, demand for impact investing capital and the ecosystem for impact investing on a regional and country basis, while the highest degree of attention is given to those countries with the most active impact investment markets. On a regional basis, the reports consider the historical and political contexts, economic performance and structure, investment climate and drivers of foreign direct investment, interest rates and inflation and, finally, the ease of doing business.

The West Africa report includes regional findings for five countries, as well as dedicated chapters covering Ghana, Nigeria and Senegal; the East Africa report also includes a regional over-

view and detailed chapters on specific countries such as Ethiopia, Kenya, Rwanda, Tanzania and Uganda. In addition, it highlights that, in East Africa, development finance institutions (DFIs) have deployed almost US\$ 8 billion in impact capital to date, and that non-DFI impact investors have also invested over US\$ 1.4 billion in more than 550 deals.

The impact investing industry in West Africa is small but growing; GIIN reports that there are forty active impact investors in the region, including 13 DFIs and 27 other investors. Direct investment by 11 of the DFIs and 26 of the non-DFIs totalled US\$ 6.8 billion between 2005 and mid-2015. Although this is small relative to East Africa, which received US\$ 9.3 billion over the same period, despite the region's gross domestic product (GDP) being less than half that of West Africa. In West Africa, DFIs have deployed 97 percent of the total impact investing capital, while growing their investments at an annual compound growth rate of 18 percent, i.e. from US\$ 190 million in 2005 to US\$ 852 million in 2014. Understandably, more than half (54 percent) of all impact capital deployed in the region was in Nigeria and Ghana. Capital deployed by both DFIs and non-DFIs is spread across several sectors. It appears that deals specific to housing were few, and only by non-DFIs.

As mentioned above, the East African impact investing market is gaining strong momentum; 155 impact investors have made investments in this region, including 20 DFIs and 135 other impact investors. The non-DFI impact investors have disbursed US\$ 1.4 billion through more than 550 investments in East Africa, while the 20 DFIs have disbursed US\$ 7.9 billion directly into East African enterprises and a further US\$ 700 mil-



Figure 1: How big is the impact investment market?

Source: Global Investing Network

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.

lion into impact investment funds. Interestingly, almost half of all noted non-DFI impact capital has been deployed to Kenya—more than US\$ 650 million of a total US\$ 1.4 billion. Kenya has received more than double the impact capital deployed in Uganda, which is the next highest amount of impact capital deployed in East Africa. DFI investment was predominantly in the energy and financial services sectors, with the construc-

tion sector receiving one of the fewest number of deals and smallest amount in terms of direct capital investment. As with DFIs, non-DFIs also focused their attention on the financial services sector, with considerable investment also disbursed to the agriculture sector.

As impact investing gains momentum in both West and East Africa, it will be interesting to see

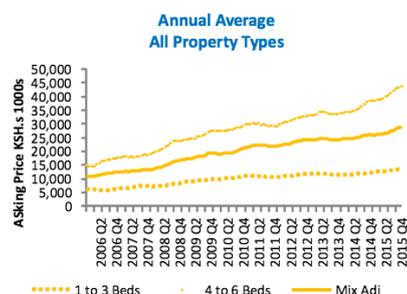
whether the strong interest in the financial services sector by DFIs will trickle down to investment in housing. Perhaps, understanding the logic behind non-DFI investment in the housing sector could begin to reveal the reasons behind the lack of investment in this sector by DFIs, and harness more impact investments for residential housing.

IN THE NEWS

EASTERN AFRICA

For the first time, according to records, the price of residential rental has dropped in Nairobi, Kenya. The Hass Property Index, which has been recording rental prices in the city since 2000, noted a 2.7 percent drop in the average price of rent in the fourth quarter, making the average rent for a one- to three-bedroom apartment on the formal market KSh 71 748 (US\$ 702) a month.

link: <http://bit.ly/23L1u1W>



Source: Hass Property Index

Also in Kenya, the proposed Built Environment Bill will require buildings to be inspected every five years. As concerns over the lack of maintenance and unauthorised extensions of existing buildings increase, the proposed bill, which follows government initiatives to make inspections of new buildings more stringent, will prioritise multi-story commercial and residential rental buildings.

link: <http://bit.ly/1QI8NQQ>

WESTERN AFRICA

To catalyse the housing market, the Cameroonian government is considering tax exemptions

for certain housing transactions. In a proposed finance bill, mortgage repayments and transactions involving social housing would be exempt from value added tax. With a reported backlog of 1.3 million units, and only 20 percent of the hoped for 1 000 units of social housing built over the last five years, the aim is to incentivise the construction of new housing.

link: <http://bit.ly/1K0fEWx>

NORTHERN AFRICA

In Egypt, the Mortgage Finance Fund (MFF) has stated that it will stop considering applications from households whose incomes are below a minimum amount. The Fund is now only accepting applicants who meet requirements for mortgage lending, ruling out the informally employed whose incomes differ month-to-month.

link: <http://bit.ly/1S2BkDK>

SOUTHERN AFRICA

According to First National Bank, Namibian house prices continued with their recent steep increases. House prices have increased by 87.8 percent in five years, partly due to constrained supply. The average house price in the formal market of N\$ 800 000 (US\$ 50 500) remains beyond the reach of most Namibians.

link: <http://oran.ge/1UNtKef>

Properties prices in South Africa continue to grow faster than inflation. According to data from the Deeds Registry, over 51 percent of purchases were by first-time homeowners, while overall

sales of homes increased 9.6 percent from 2014 to 2015. The average selling price in the formal market was just below ZAR 1 million (US\$ 63 000); demand for properties in secure lifestyle estates was particularly strong, with the prices increasing by 11.1% in 2015.

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

MEMBER NEWS

HFC Bank (Ghana) launched seven new deposit products, under the slogan, 'You Deserve More, Make the Switch Now'. The products provide for a variety of saving needs, and include an account which allows households to save towards a mortgage before purchasing a house.

link: <http://bit.ly/1PUo2mA>



Source: HFC Bank (Ghana)

The Ministry of Lands, Housing and Human Settlements Development has spoken out about unsuitable nature of the land set aside by councils for development by the National Housing Corporation Tanzania (NHC). Deputy Minister, Ms Angellina Mabula, stated that this has increased the cost of the housing provided by the NHC, and that better located land would allow the NHC to construct more low cost housing units.

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

EVENTS

17 - 18 Feb	West Africa GRI, Lagos, Nigeria, 15% discount for AUHF members	17 - 18 Jun	International Housing Finance Program: Workshop on Securitization and Mortgage Bonds, Wharton School of Business, University of Pennsylvania, United States
24 - 26 Feb	Habitat III: Africa Regional Meeting, Abuja Nigeria	17 – 22 Jul	Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management, Frankfurt, Germany, €450 discount for AUHF members
17 Mar	SA REIT Association Conference, Johannesburg, South Africa	18 - 19 Aug	Africa Property Investment Week, Johannesburg, South Africa
06 - 07 Apr	East Africa Property Investment Summit, Nairobi, Kenya	14 – 16 Sep	32nd Annual AUHF Conference and AGM, Abuja, Nigeria
06 - 08 Apr	7th Annual Affordable Housing Projects, Singapore	02 - 08 Oct	Housing Finance Course for Sub-Saharan Africa, Graduate School of Business, University of Cape Town, South Africa, AUHF members receive a 10% discount, scholarships available
07 - 09 Apr	Habitat III: Thematic Meeting on Informal Settlements, Johannesburg, South Africa	06 – 07 Oct	3INVEST UNITE Summit, Lagos, Nigeria
13 - 14 Apr	Africa Banking & Finance Conference 2016, Accra, Ghana	17 - 20 Oct	Habitat III, Quito, Ecuador
09 May	Housing for Africa Conference and Expo, Johannesburg, South Africa	20 - 21 Oct	GRI Africa Summit 2016, Johannesburg, South Africa
30 - 31 May	East Africa GRI, Nairobi, Kenya		
06 - 16 Jun	International Housing Finance Program: Improving and Expanding Housing Finance Systems, Wharton School of Business, University of Pennsylvania, United States		

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