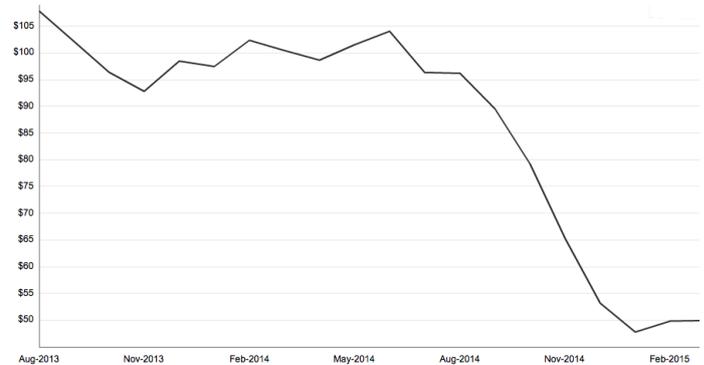




## ECONOMIC INSTABILITY IN NIGERIA

It has been a tough 2015 for the Nigerian economy. First, there has been a sustained and drastic decrease in the price of oil. Because of the increased supply of oil, with new sources loosening OPEC's control of the market, predictions are that the low prices are set to remain for a prolonged period. This impacts on Nigeria's economy, which depends heavily on the export of oil: oil generates more than 90% of Nigeria's foreign exchange earnings and 70% of the Nigerian government's budget. Second, the government has been unable to contain the growing threat of Boko Haram. Though Boko Haram operates in the northern Nigeria, away from the key economic locations, its insurgency is felt across the whole economy. Third, the insurgency has resulted in national elections being delayed from 14 February until 28 March. Because of the uncertainty surrounding the outcome of the elections, exacerbated by the delay, investors are wary of committing themselves in the markets.

This has resulted a terrible chain of events for the economy and its housing finance market. The drop in oil prices and the political uncertainty resulted in a sharp devaluation of the Naira. The weaker Naira increases the price of imports of building materials, on which the sector depends. The increase in prices places pressure on incomes, which decreases the money available for housing by households. The Central Bank of Nigeria increased the benchmark interest rate to 13% in order to combat these inflationary effects, which decreases the amount of money available for housing investments and increases the price of financing housing projects. The loss of value on the Nigerian Stock Exchange, which crashed earlier in the year, also decreases money available for investments. Experts predict that government will increase taxes to make up for the loss



Oil's precipitous decline. Source: Macrotrends

of revenue, possibly allowing them to proceed with their housing projects.

But, just as with the global recession, Nigeria's housing finance markets will survive these pressures. Nigeria's finance and housing sectors have developed over recent years; increasingly stable because of stronger regulations and new sources of funding. The devaluation of the Naira may lead to new inflows of capital, as seen with the just announced memorandum of understanding between the US-based investment firm Cantor Fitzgerald and the Nigerian Mortgage Refinance Company (NMRC), which is worth \$1 billion (about N200 billion). In the everyday operations of individual firms, it is important to remember that housing markets are subject to larger economic forces that cannot always be foreseen, economic stability is of the utmost importance and that a well-resourced firm can take advantage of potential turmoil. Nigeria's economy should eventually bounce back; the elections results will provide investors with political certainty and the low oil prices should encourage the diversification of the economy.

## IN THE NEWS

### Eastern Africa

In **Kenya**, the Kenya Bankers Association (KBA) launched its Housing Price Index. The Index takes account qualitative and quantitative characteristics of houses, providing an interesting breakdown of the variables influencing housing prices. It shows large fluctuations each quarter, but mild variation annually. The first issue of the Housing



Price Index can be found here.

<http://www.cnbcfrica.com/news/east-africa/2015/02/13/kba-launch-housing-index/>

### 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 mobilization of finances for the development of shelter and housing on the African continent. The AUHF is a non-governmental association and has its presence in sixteen countries across Africa.



Also, **Kenya**, Barclays opened a mortgage centre established to encourage homebuyers to use its mortgage facilities. The centre is based in Nairobi; customers will be informed within 24 hours whether they qualify for the mortgage, and can contact the centre through video calls. As part of the launch, Barclays is offering a discounted interest rate of 11.9% on mortgages, which will be available for two months.

<http://www.the-star.co.ke/news/barclays-unveils-mortgage-centre-woo-homebuyers#sthash.beNmYfdt.dpuf>

## Northern Africa

The Ministry of Housing in **Egypt**, announced a new EGP 150 billion (US\$ 19,66 billion) housing development on the outskirts of Cairo. The development will be 10,000 acres and will start with the Egyptian government selling parcels of land to developers. This is part of new strategy of public-private partnerships that the government is pursuing in order to increase the supply of housing and the development of new cities.

<http://www.dailynewsegypt.com/2015/02/22/housing-ministry-proposes-egp-150bn-project-economic-summit/>



The envisioned new city in Egypt. Source: Guardian

## Southern Africa

Arrowhead raised R600 million (US\$51 million) to purchase residential properties in Gauteng Province, **South Africa**. Arrowhead's portfolio is expected to have the value of R1,7 billion (US\$146 million) by April. The portfolio is made up predominantly of apartment blocks and mixed townhouse complexes, with rentals ranging from R800 (US\$70) to R10000 (US\$860) a month. Arrowhead aims to list the first residential-only property fund on the Johannesburg Stock Exchange during the year.

<http://www.bdlive.co.za/business/property/2015/02/20/arrowhead-plans-to-list-new-fund>

Gauteng Province, in **South Africa**, announced plans to start three new cities. The three cities—numbering 20000, 30000 and 50000 units per settlement, respectively—will be established as the government attempts to encourage larger metropolitan regions over dispersed settlements.

<http://www.eprop.co.za/commercial-property-news/item/16833-gauteng-government-plans-to-build-three-new-cities.html>

## Western Africa

The government of Lagos State, **Nigeria** has slashed real estate taxes. Land tax charges were reduced from 13% to 3%, consent fees from 6% to 1.5%, capital gains tax from 2% to 0.5%, stamp duty 2% to 0.5%, and registration fees from 3% to 0.5%. The reduction in taxes is meant to encourage the registration of transactions with the government, increasing the revenue received by government. Lagos State relies on taxes from land for 20% of its revenue, more so than other Nigerian states.

<http://businessdayonline.com/2015/01/analysts-see-investment-growth-increased-real-estate-revenue-in-lagos-land-tax-cut#.VL8jTkfF-Sq>

## Member News

Lagos State is collaborating with **First World Communities** in order to construct 10,000 housing units. The development takes the form of a lease-to-own scheme; occupants will gain ownership of the houses after 15 years. The first phase of the scheme comprises of 280 two-bedroom semi-detached bungalows and 180 semi-detached three-bedroom apartments. The targets of the development are low- and middle-income households.

<http://www.punchng.com/news/lagos-partners-firm-to-build-10000-homes/>

**Housing Finance Kenya** secured a KES 1.8 billion (US\$20 million) loan to extend its mortgage facilities. The loan, from London-based Ghana International Bank Plc, will help Housing Finance Kenya meet increased demand for low- and middle-income mortgages.

<http://www.the-star.co.ke/news/housing-finance-gets-sh18-billion-meet-demand-loans#sthash.ccB2YHAK.dpuf>

**National Housing Corporation Tanzania** formed, with six other funds, a scheme to finance the construction of low- and middle-income housing units. The agreement is expected to be worth TZS 358 billion (US\$200 million) in 5 years time, and has been titled the Watumishi Housing Company Real Estate Investment Trust. The Trust will eventually be listed on the Dar Es Salaam Stock Exchange, providing investors with the chance to invest in the affordable housing market.

<http://www.dailynews.co.tz/index.php/biz/41727-pension-funds-nhc-team-up-in-358bn-real-estate-development-deal>

**Shelter Afrique** signed a Memorandum of Understanding (MoU) with Lafarge Africa Plc. The MoU, which is for an initial period of 4 years, covers cement and concrete products, as well as best construction technologies and micro-finance. The MoU will commence with a development near Abuja, and was agreed upon with aim of constructing affordable housing.

<http://thenationonlineng.net/new/lafarge-shelter-afrique-partner-affordable-housing/>



## EVENTS (see our events page for more information)

- **24 – 25 March 2015:** Africa GRI, Hyatt Regency, Johannesburg, South Africa.
- **15 – 17 April 2015:** 6th Annual Affordable Housing Projects, Singapore. **AUHF members get a 10% discount.**
- **15 – 16th April 2015.** Annual East Africa Property Investment (EAPI) Summit. Nairobi, Kenya.
- **13 – 14 May 2015:** Housing for Africa Conference and Expo, Sandton, South Africa.
- **19 – 20 May 2015:** 5th Annual Africa Banking & Finance Conference. **AUHF members get a 50% discount!** For info contact Ruth: abfc@aidembs.com
- **17 – 19 June 2015:** Marcus Evans 2nd Annual City Development Conference, Cape Town, South Africa.
- **5 – 10 July 2015:** Micro, SME & Housing Finance Summer Academy, Frankfurt School of Finance and Management. **AUHF members receive a 450 EUR discount!**
- **29 – 31 July 2015.** 2nd Annual Affordable Housing Africa, 2 in African Pride 15 on Orange Hotel, Cape Town, South Africa.
- **2 – 4 September 2015:** 29th IUHF World Congress in Rio de Janeiro, Brazil.

## LATEST TWEETS



**AUHF** @AUHF\_Housing 19h  
Africa now the world's largest cement market  
[businessdayonline.com/2015/03/dangot](http://businessdayonline.com/2015/03/dangot)  
...  
Details



**AUHF** @AUHF\_Housing 4d  
Nigerian Mortgage Refinancing Company signs MoU with Cantor Fitzgerald, worth US\$1 billion  
[vanguardngr.com/2015/03/nmrc-u...](http://vanguardngr.com/2015/03/nmrc-u...)  
Details



**TUHF** @TUHFpty 26d  
Using the Internet of Everything to build Africa's smart cities of the future  
[buff.ly/185BAGY](http://buff.ly/185BAGY)  
Details



**CCTV Africa** @cctvnewsafrica 17d  
WB approves 60 million USD to finance affordable housing in Tanzania -  
[buff.ly/17CR0Zt](http://buff.ly/17CR0Zt)  
Details

AUHF retweeted



**3INVESTONLINE** @3INVEST 21d  
The sliding in the price of oil is better for us in real estate. People will have to look away from oil & gas into other areas -  
[@Erejuwa](https://twitter.com/Erejuwa)  
Details



**AUHF** @AUHF\_Housing 24d  
News: Barclays launch a special mortgage centre, and for two months will offer a discounted interest rate.  
[the-star.co.ke/news/barclays-...](http://the-star.co.ke/news/barclays-...)  
Details

AUHF retweeted



**3INVESTONLINE** @3INVEST 25d  
Anxiety as mortgage bank faces liquidity crisis [is.gd/tphGkq](http://is.gd/tphGkq) #realestate  
Details



**AUHF** @AUHF\_Housing 25d  
Over 70% of Kenyans finance their homes through personal savings.  
  
The article:  
[standardmedia.co.ke/business/artic...](http://standardmedia.co.ke/business/artic...)  
Details