

# **African Union for Housing Finance**

## **29<sup>th</sup> Annual Conference**

### **“Mobilising Capital for Housing Finance”**

**Locating Housing Finance in Investor Agendas**

**Richard Tait**

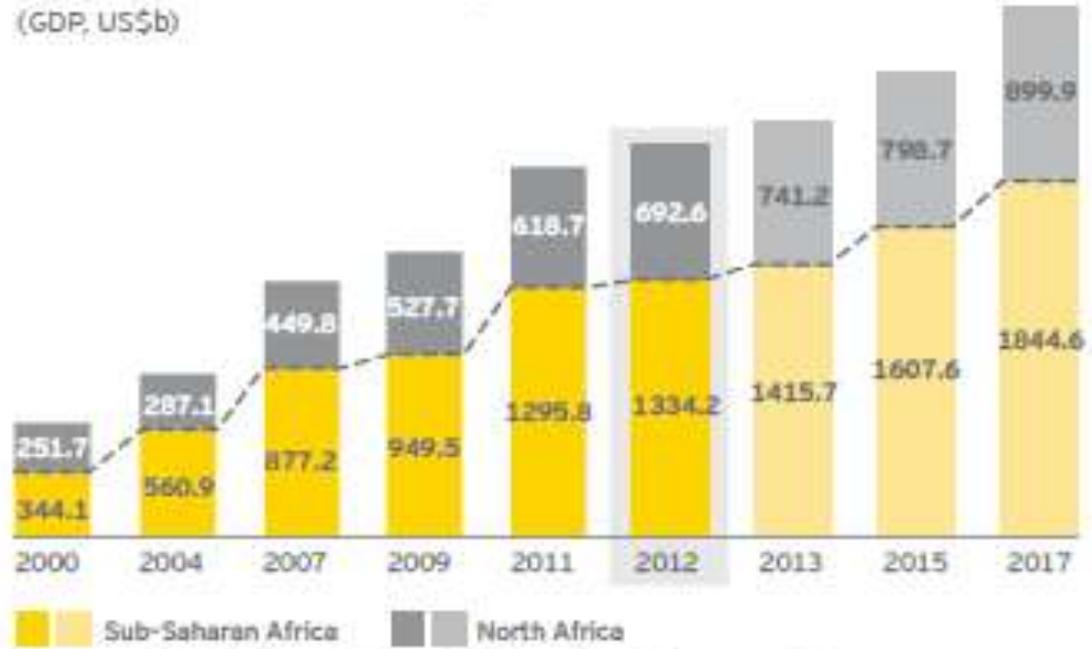
**11<sup>th</sup> September 2013**

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# Africa's growth story is now consensus



**Africa's economic output**  
(GDP, US\$b)



Sources: IMF World Economic Outlook Database; Ernst & Young analysis.

**\$2 trillion**

Africa's 2012 GDP, same as Russia or Brazil

**\$2.6 trillion**

Africa's collective GDP in 2020

**\$1.4 trillion**

Africa's consumer spending in 2020

Source: McKinsey

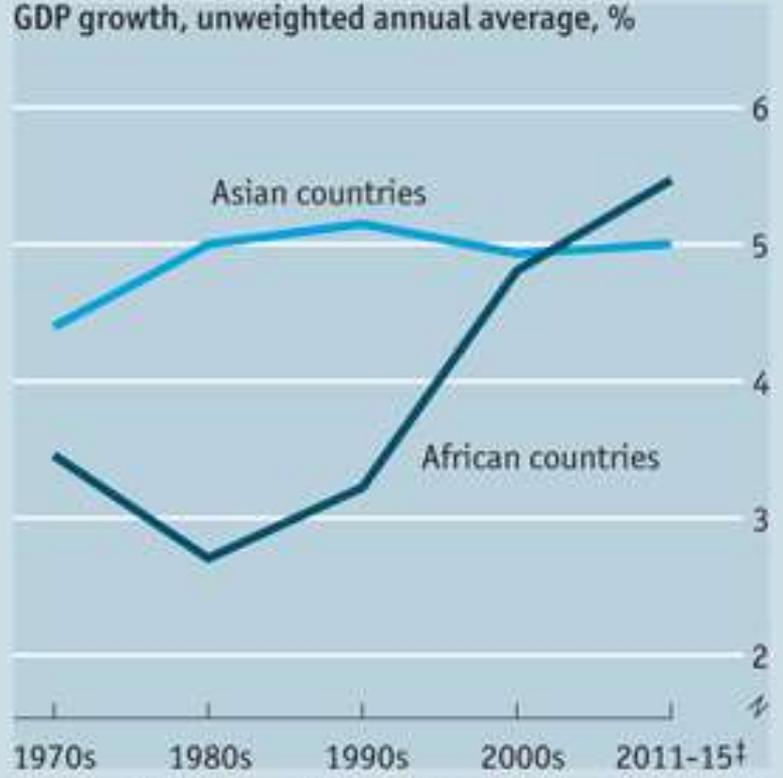
	Multiple since 2002	CAGR 2002-12	CAGR 2007-12
Sub-Saharan Africa	x3.8	14.2%	8.7%
North Africa	x3	11.6%	9.0%
Africa	x3.5	13.3%	8.8%

# Significant growth rates in many countries...

**World's ten fastest-growing economies\***  
Annual average GDP growth, %

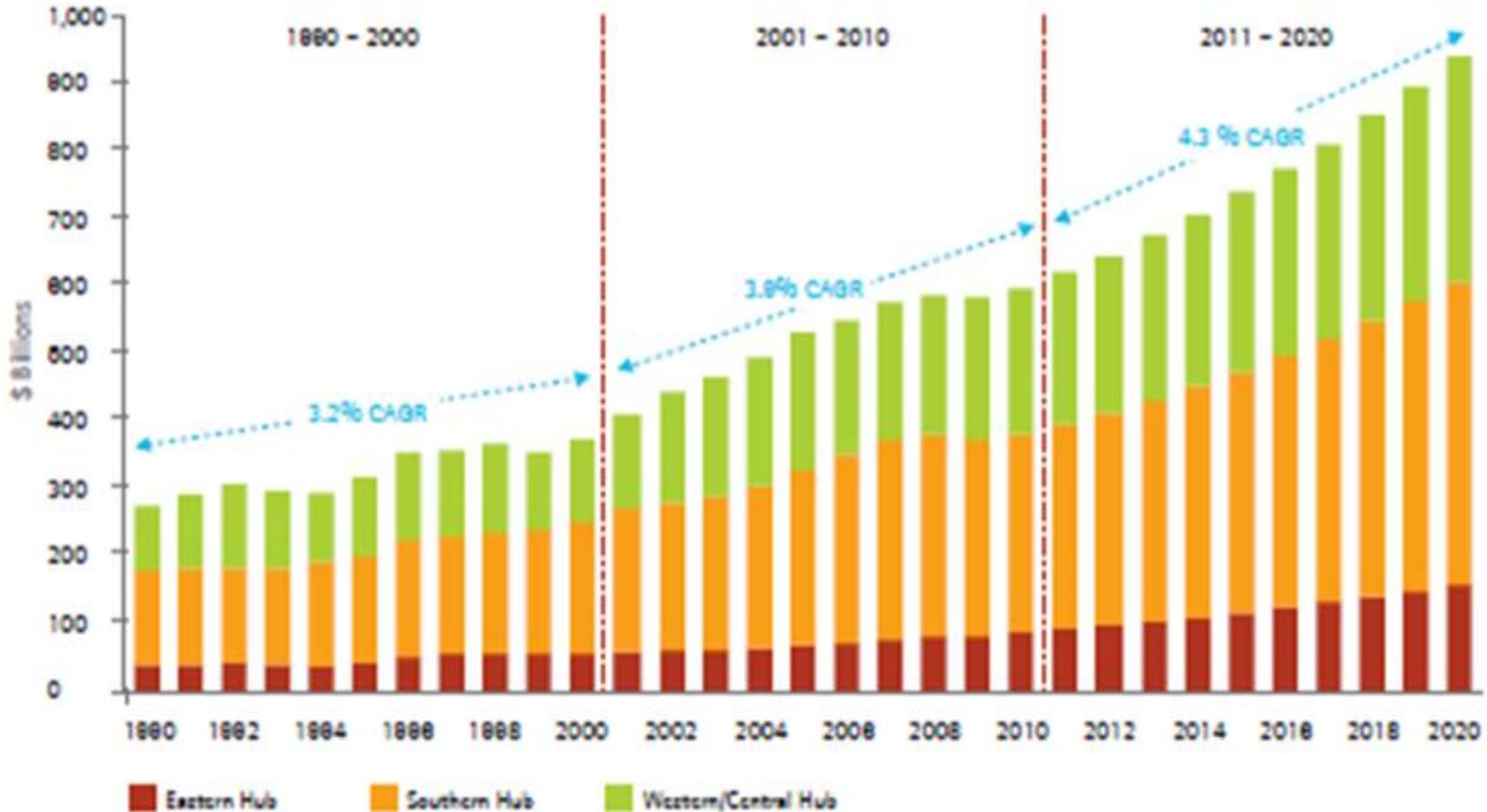
2001-2010†		2011-2015‡	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Sources: *The Economist*; IMF



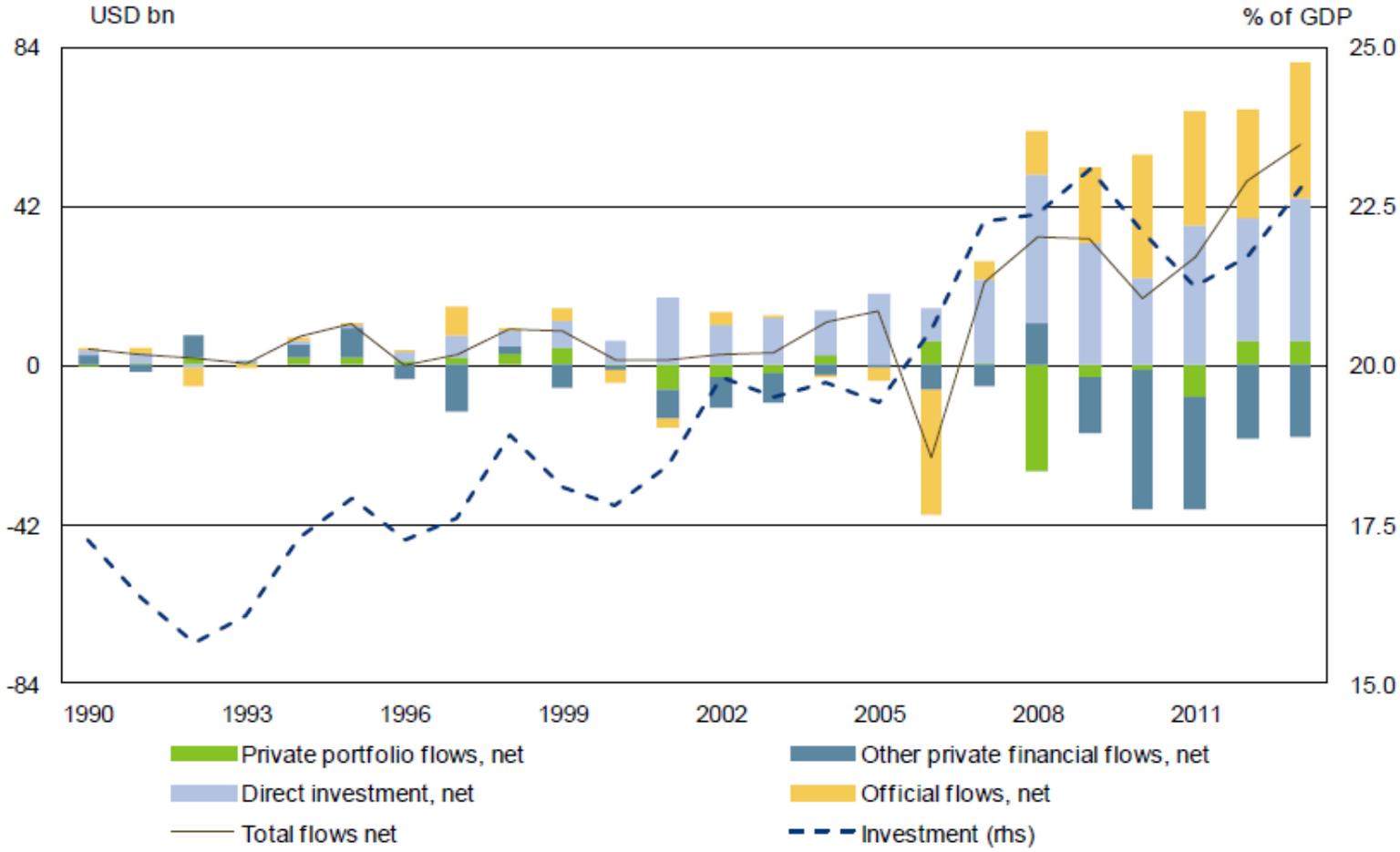
\*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

...are driving SSA consumer expenditure



\*Historic / Forecast - US\$ mn - Constant 2010 Prices - Fixed 2010 Exchange Rates  
Source: Euromonitor 2011

# Investment spend is supported by capital flows..

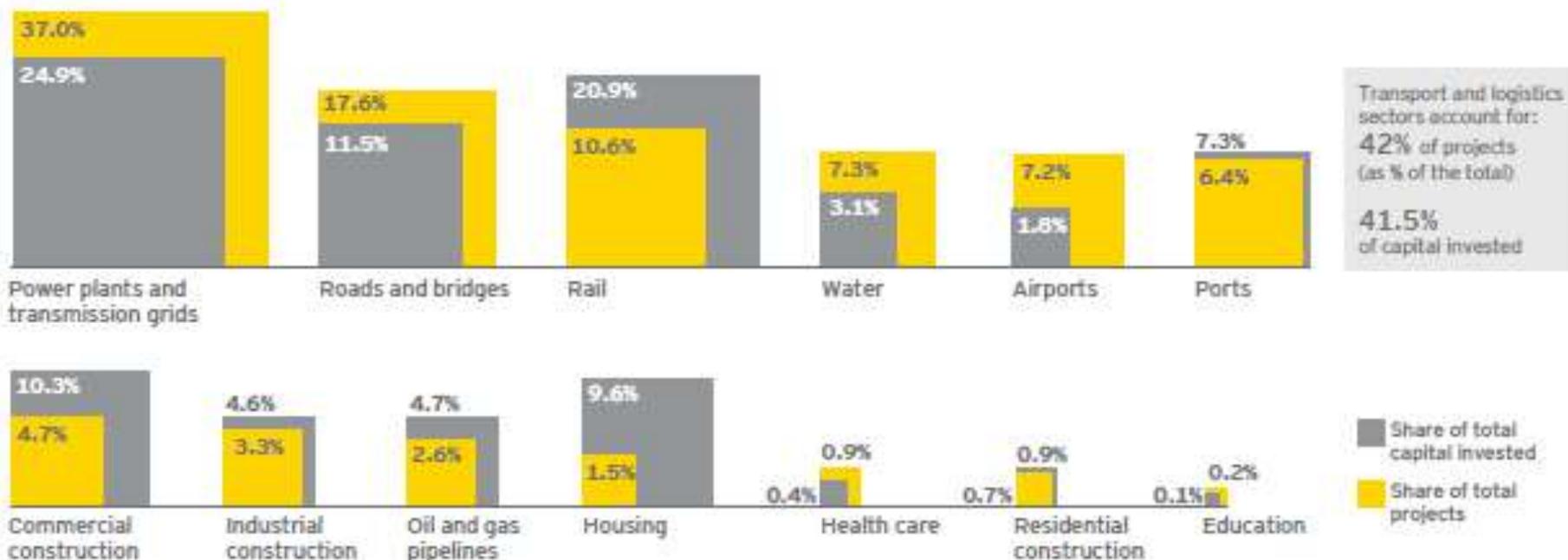


Source: Central banks, IMF, Standard Bank Research

...but housing still lags other infrastructure \$\$\$

## Africa's infrastructure projects up to February 2013

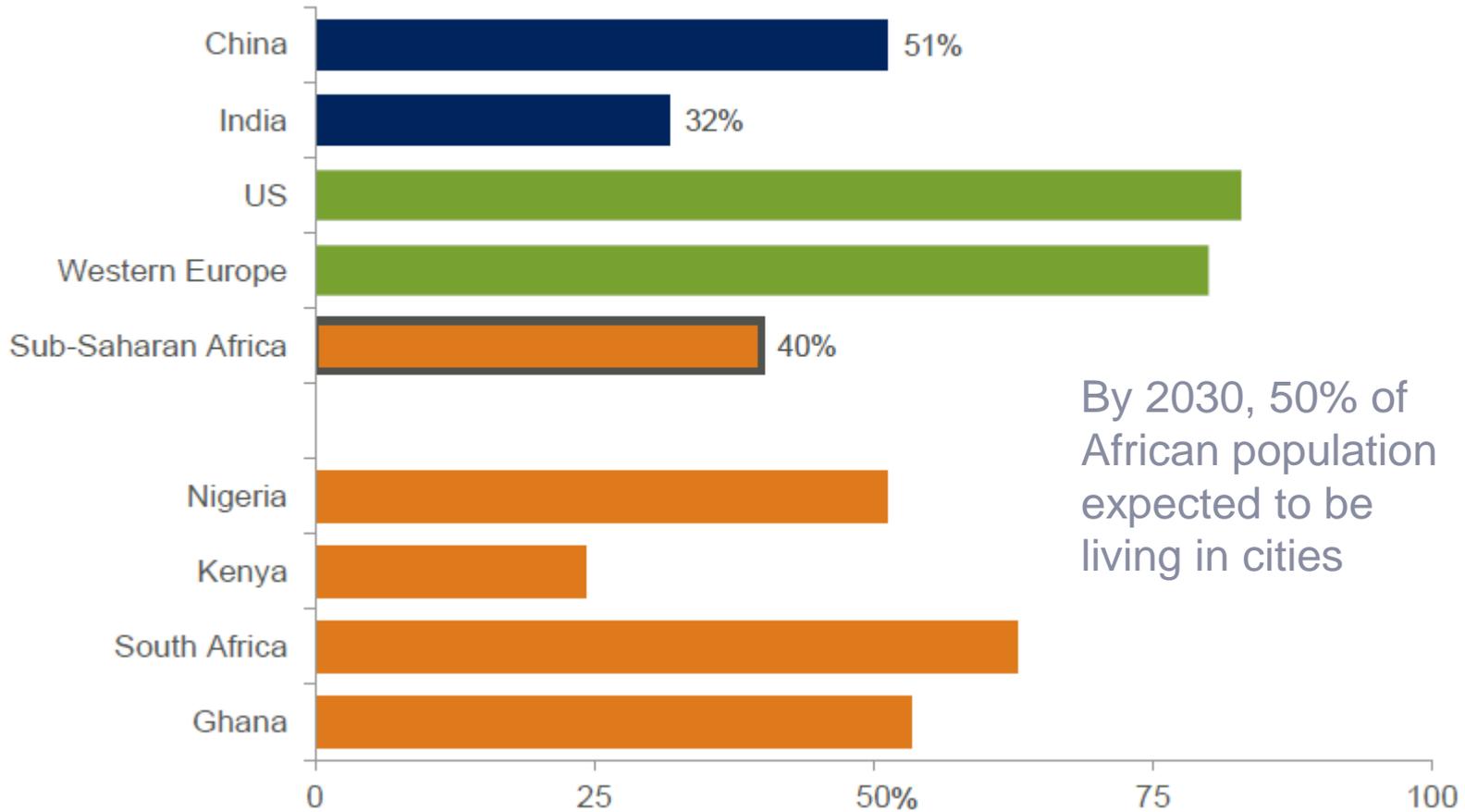
% share of total number of projects and capital invested - by different sector activity (ranked by most projects)



Source: Africa Project Access, Business Monitor International; Ernst & Young analysis.

# Urbanisation is increasing rapidly...

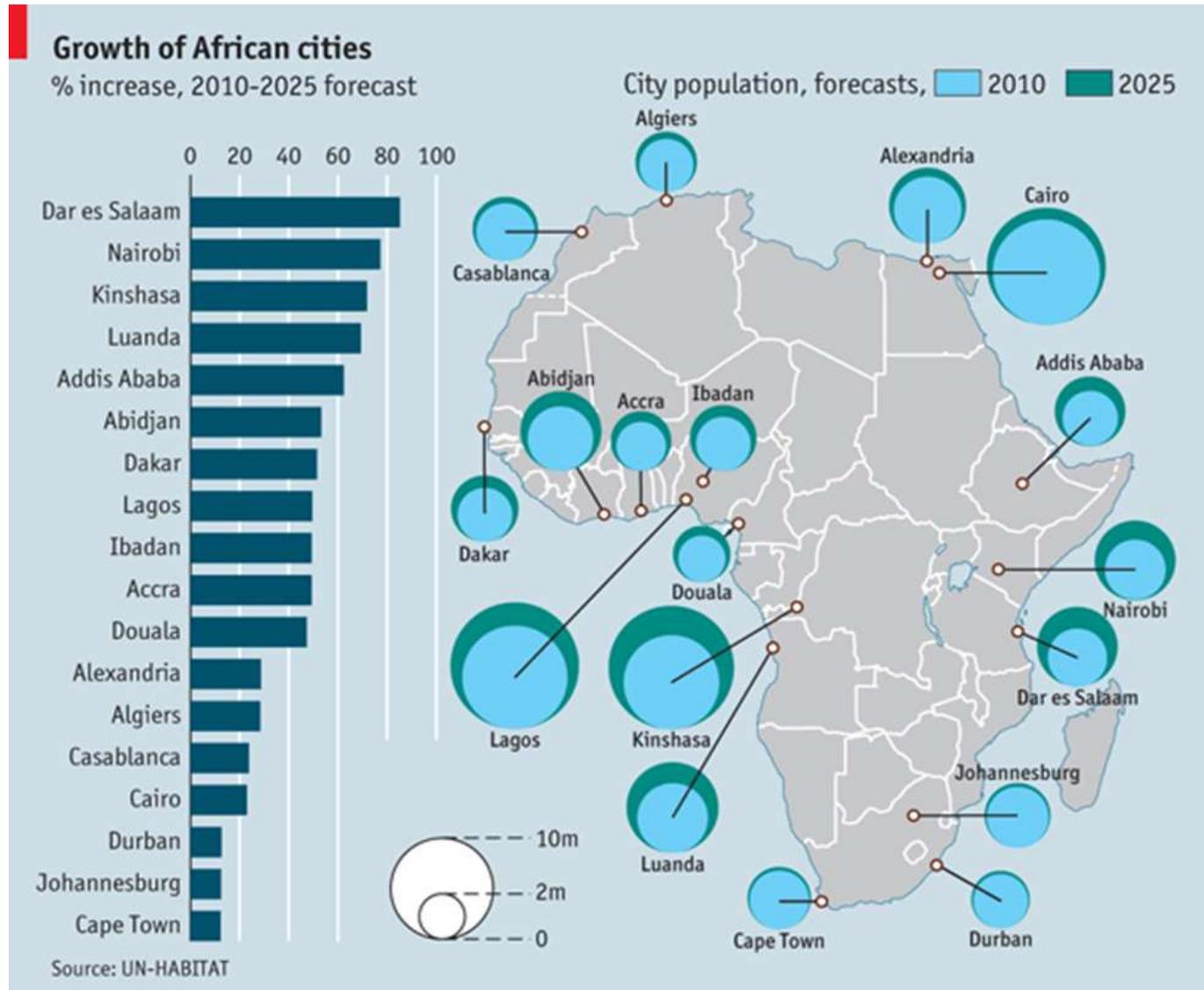
Share of the population living in cities  
in %, 2013



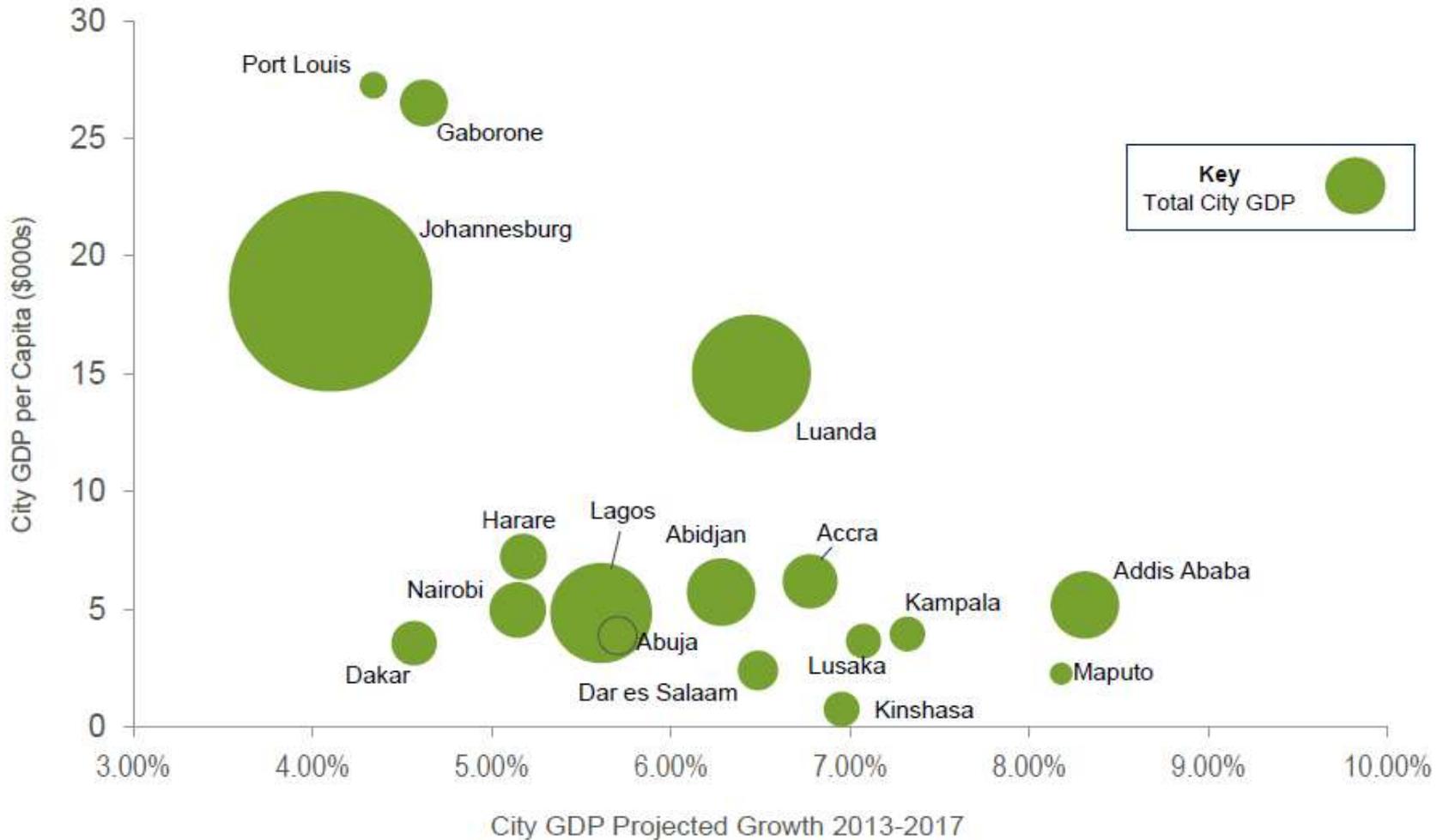
By 2030, 50% of African population expected to be living in cities

Source: UN, World Bank, Jones Lang LaSalle

... driving rapid growth in key centres...

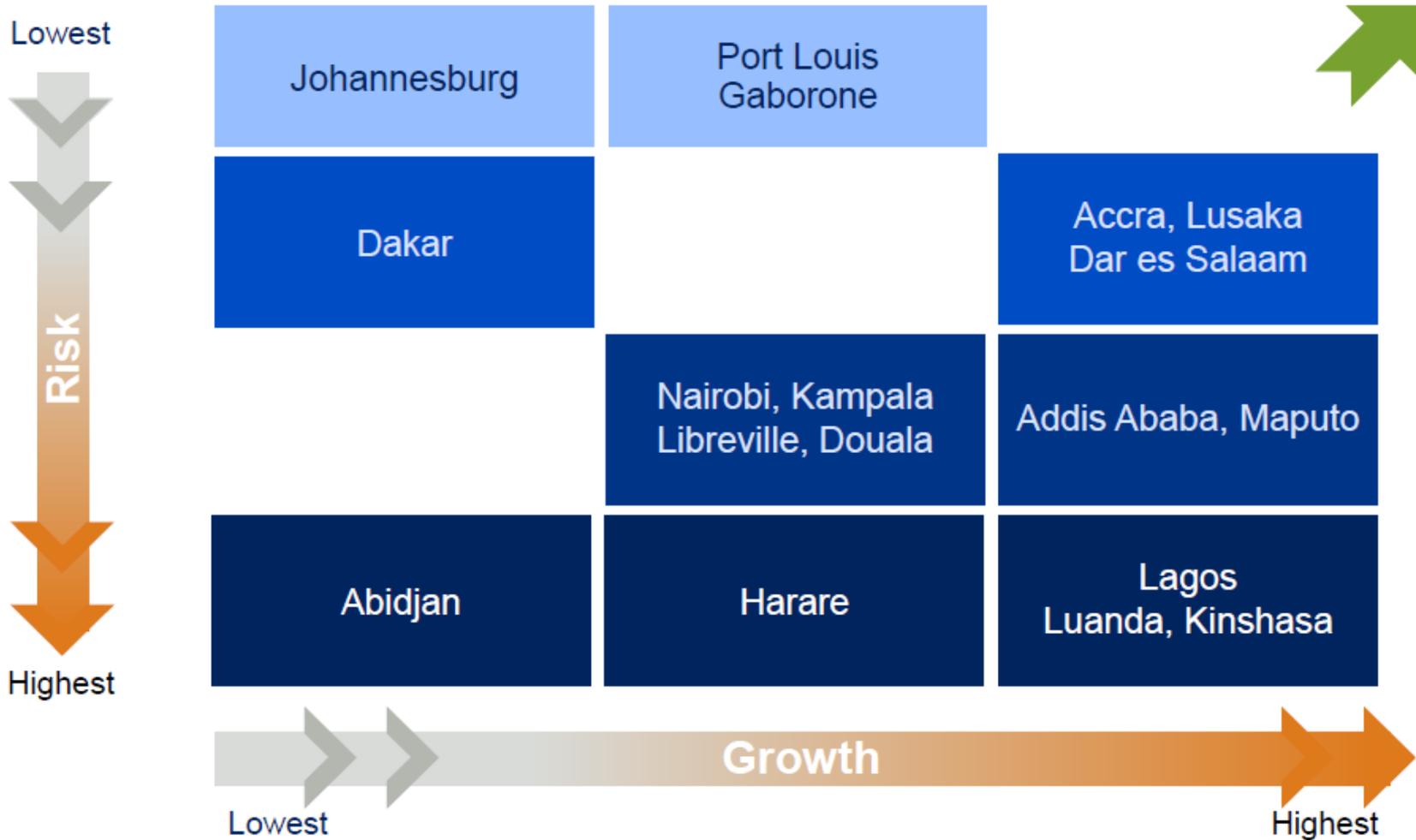


...but few cities combine wealth and growth...



Source: IHS Global Insight, Jones Lang LaSalle 2013

# ... posing a challenging risk/reward matrix



Risk: Ibrahim Index of African Governance; Growth: GDP Change 2011-13, IHS Global Insight  
 Source: Jones Lang LaSalle, 2013

# Critical success factors for housing

1. Clarity of legal rights
2. Infrastructure and political support
3. Partnerships
4. Affordability of formal housing
5. Financial innovation

# Success factor – clarity of legal rights

## Legal rights have 3 key components:

- ownership, security and marketability
- property as collateral - access to credit
- tenancy rights

## Planning guidelines

- integrated urban plans
- include social amenities such as shops, schools, churches, etc.

## Security rights and efficient judicial process

- balance lenders' rights with individual constitutional rights
- avoid “unwritten rules” and opaque decision-making

# Success factor – government support

- **Acceptance of private sector role - national and local government levels**
- **Common goal across ministries, state institutions and municipal bodies**
  - primary role is to provide enabling environment to private sector developers
  - secondary role is to provide infrastructure (water, power, sewage reticulation, transport links)
- **Legislative innovation and budgetary support**
  - pension backed-lending
  - allocation of state-owned land to integrated urban planners
  - tax incentives (e.g. interest exemption for infrastructure bonds or low income housing tax credit)
  - risk sharing (e.g. first loss position, capital grant, interest rate subsidy)

# Success factor - partnerships

## ■ Government

- legal framework and regulatory oversight
- infrastructure (and land) provision

## ■ Financial institutions

- development capital (debt, mezzanine finance or equity)
- risk mitigation products
- end user finance

## ■ DFIs

- development capital (debt or equity)
- technical assistance
- risk sharing mechanisms

## ■ Sponsors

- entrepreneurial flair
- risk taking
- developmental bias (social entrepreneurship)

# Success factor – affordability through innovative technology

## Benefits of Light Gauge Steel Framing:

- termite free, corrosion resistant and fire resistant
- steel spans greater distances than timber due to high strength/weight ratio.
- larger open spaces and increased design flexibility.
- suitable for residential and commercial buildings
- suitable for traditional to ultra-modern designs
- product range from low cost to luxury.
- better thermal and sound insulation than conventional bricks and mortar
- significantly quicker construction time, with high local labour content

Source: Sequoia Steel (Zimbabwe)

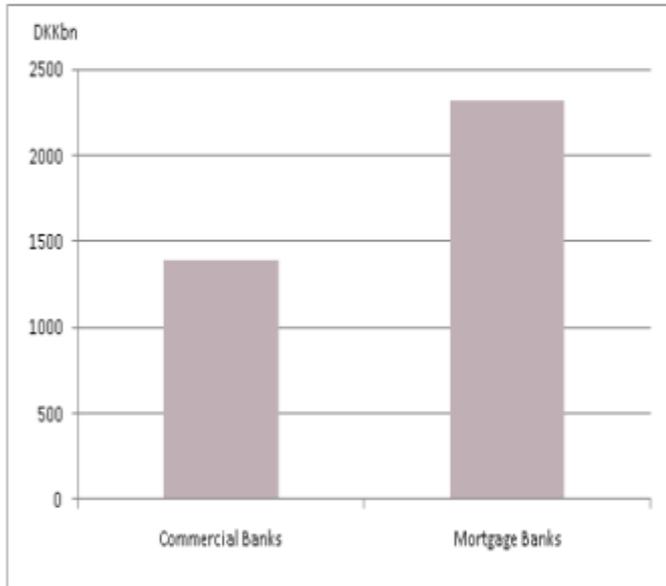
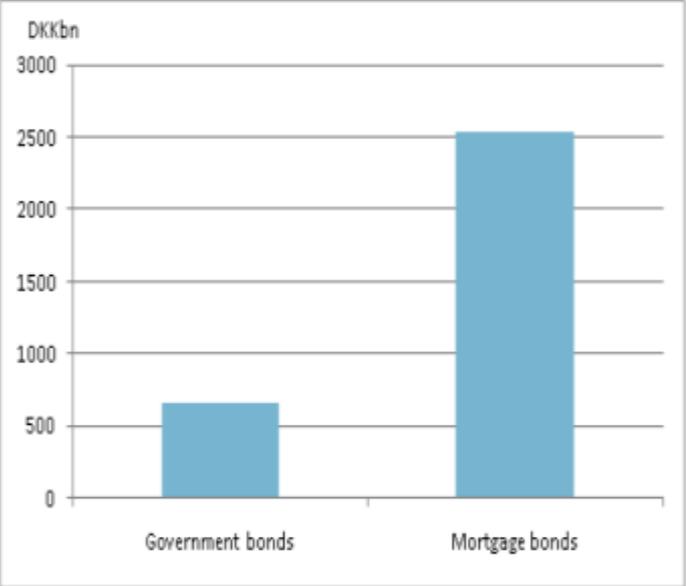


# Success factor - financial innovation

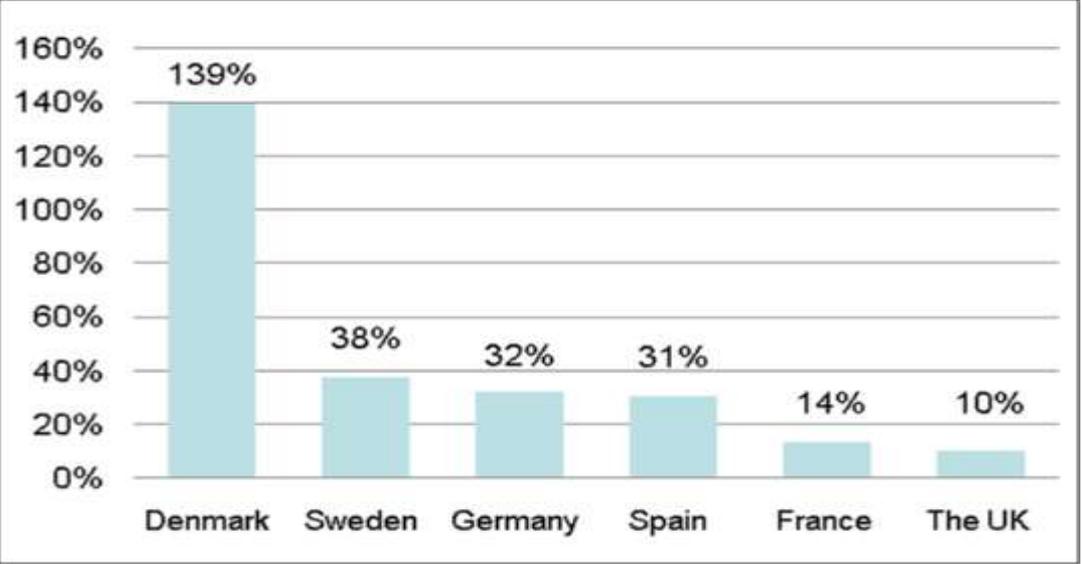
Issuer		S&P/Moody's/Fitch	Size	Year
Congo	REPCON 3% 30-JUN-2029	-/-	USD500m	2007
Gabon	GABON 8.2% 12-DEC-2017	BB-/BB-	USD1bn	2007
Ghana	GHANA 8.5% 04-OCT-2017	B-/B+	USD750m	2007
Cote d'Ivoire	IVYCST 2.5% 31-DEC-2032	-/-	USD2.3bn	2010
Seychelles	SEYCHE 3% 01-JAN-2026	-/B	USD170m	2010
Namibia	REP NAM 5.5% 03-NOV-2021	-/Baa3/BBB-	USD500m	2011
Nigeria	NGERIA 6.75% 28-JAN-2021	B+/-/BB-	USD500m	2011
Senegal	SENEGL 8.75% 13-MAY-2021	B+/B1/-	USD500m	2011
Angola	ANGOL 7% 16-AUG-2019	BB-/Ba3/-	USD1bn	2012
Zambia	ZAMBIN 5.375% 20-SEP-2022	B+/-/B+	USD750m	2012
Tanzania	TANZ FRN FEB-2020	-/-	USD600m	2013
Rwanda	RWANDA 5.625% 2-MAY-2023	B-/B	USD400m	2013

Source: Bloomberg, Standard Bank

# Case Study: Danish mortgage bond market



Outstanding Covered Bonds as Share of GDP (2008)



Source: ECBC, 2008

# Case Study: Zimbabwe Home Loans



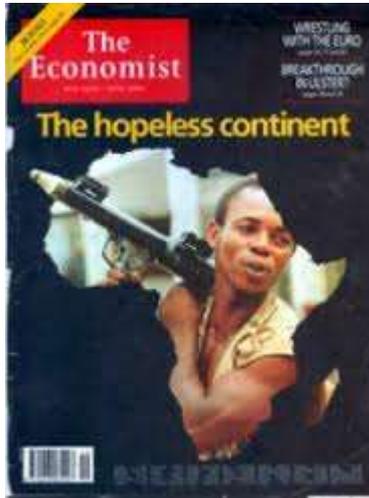
- Holistic developer coordinated Finance and Construction
- Access to large parcels of land – under Development Agreements with city/ county governments
- Developer In charge of overall development master planning
- Local Authorities willing to innovate around approvals and inspection processes
- Construction and take out financiers worked hand in hand
- Systematic and standardized Buyer Screening and approval (outsourced to banks according to preset credit criteria)
- Systematic “assembly line” conveyancing and security registration processes – coordinated by developer
- Scale purchasing and construction – standardization
- Scale buyer identification and screening (from municipal waiting lists)



**Kuwadzana IV - 4,200 houses delivered in under 36 months**

Source: Sequoia Steel (Zimbabwe)

# Conclusion



May 2000



December 2011



November 2012

## Residential development will go hand-in-hand with urbanisation and industrialisation

- London's population rose from 1m to 6m between 1800 and 1900
- Total private wealth of British households is \$15tr, of which \$5.5tr is property
- 25% of US GDP growth has been driven by housing since WWII
- 20 million SSA households can afford \$50k mortgages: **Potentially a \$1 trillion market**

Source: CSAE Oxford University, US Treasury