



CHALLENGES IN FINANCING ALTERNATIVE BUILDING TECHNOLOGIES

AUHF ANNUAL CONFERENCE

PHATISA' PAN AFRICAN HOUSING FUND

18 NOVEMBER 2014

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Agenda

- Phatisa
- Pan African Housing Fund
- Introduction: Factors impacting on adoption of ABT's
- Value chain considerations
- Cost and scale considerations
- Conclusion

Phatisa overview



- African Private Equity Fund Manager
- **Three funds under management, totaling > US\$ 285 million**
 - US\$ 246 million African Agricultural Fund (AAF)
 - **Sub-fund:** US\$ 30 million AAF SME Fund
 - US\$ 41.5 million Pan African Housing Fund (PAHF)
- Offices in South Africa, Kenya, Zambia, Ghana, Mauritius and London.
- International investment partners - comprising US & European Gov'ts and African DFIs.



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PAHF overview



- 10-year closed-end fund
- Five-year commitment period
- Pool of multi-national investors EU and African.
- Middle income housing and aligned commercial developments in six countries in east and southern Africa
- Achieved first close at US\$ 41.5 million



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Investment thesis

- Large-pent up demand for housing with limited supply
- Housing is a high-impact sector, critical to growth, employment and stability in emerging markets
- PAHF is focused on delivering risk capital to the supply side of the housing sector
- Narrow focus on affordable and middle income housing projects and partnering with local commercial developers - 'Development Partners'
- **PAHF deal attributes:**
 - plug into existing urban infrastructure frameworks;
 - building sustainable communities in under-served middle income and affordable residential sectors;
 - avoid or mitigate potential adverse environmental, social and governance risks and impacts of any projects associated with the Fund;
 - maximise potential social benefits accruing from the need for housing in Africa as a vital component to the building of sustainable communities;
 - project durations between three and five years; and
 - phased delivery.



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Alternative building methods: framing the challenge



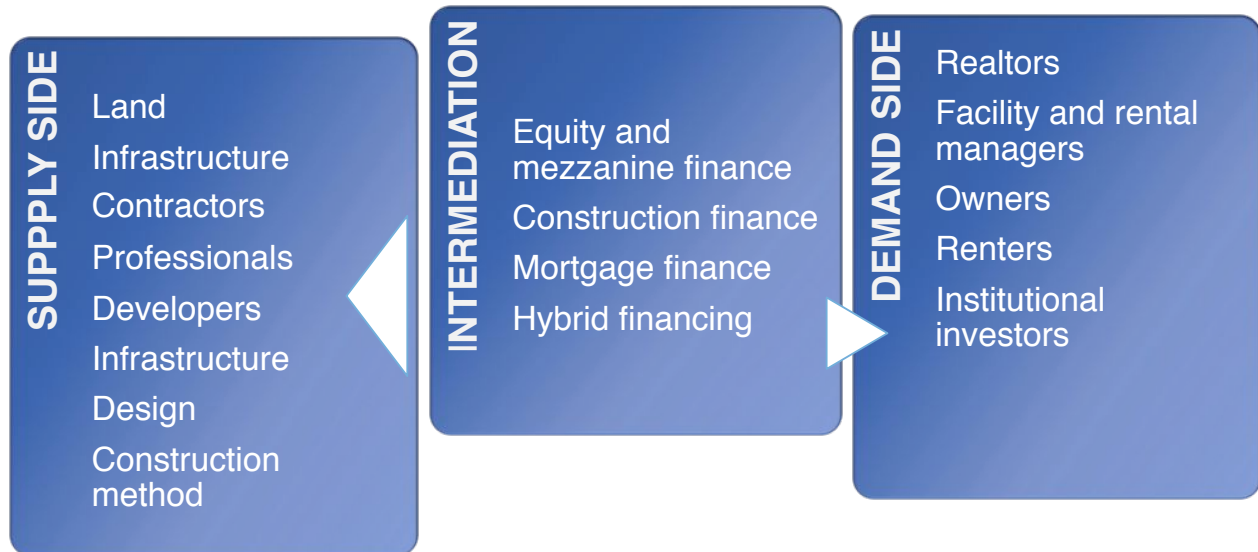
- For each problem, there are usually many possible alternatives
- One option, in each analysis, often the choice, is the do nothing alternative
- The opportunity cost of making one choice over another must also be considered
 - Inertia in construction methods is common but the reasons for this are not well understood
- Non-economic factors are also key, like color, style, public image, legacy, sustainability, etc.

INERTIA - IMPETUS



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Value chain considerations



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Factors impacting on adoption of ABTs

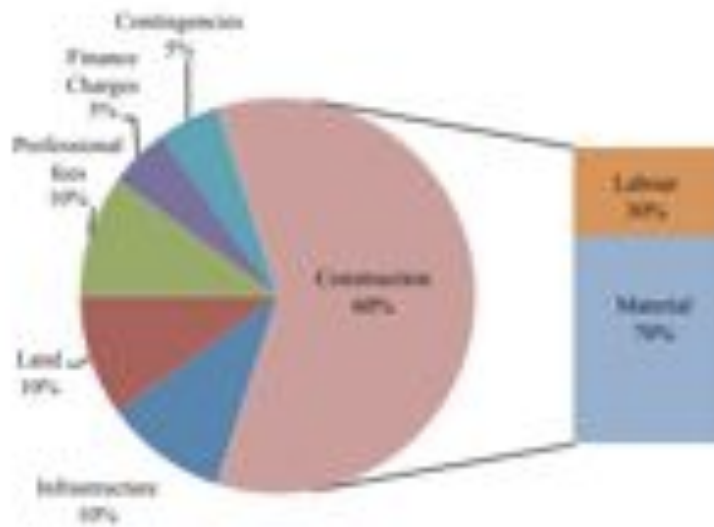


- Consumer/end user attitudes and aspirations
- Innovation in materials/sustainability
- Lender acceptance of ABT standards
- Design standardisation
- Procurement
- Scale and industrialisation of construction methods
- Productivity



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Construction costs



Source: AIGB Informal Survey of Developers 2012; Shelter Afrique Information to the Authors 2012.



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Construction costs (cont.)

To build affordable housing, construction costs would need to fall by about a third in advanced economies and by up to half in developing ones

Construction cost¹ vs. target cost,² by housing type and city²
 \$ per square meter



Source: McKinsey GI Report: Affordable Housing September 2014



Conclusion



- Consumer adoption
- Sustainable design and production methods
- Incentive financing
- Scale
- Infrastructure and access



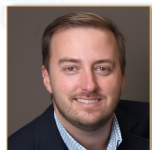
The Phatisa property team



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General Counsel



Okomboli Ong'ong'a
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Pan African Housing Fund



$$\text{DevEq} = \text{PAT} * x + i^2 \text{ } ^{\text{TM}}$$

Capacity to build

> 2,500 units

Providing a home to

> 13,300 people

Number of jobs created

> 14,000 

Positively affecting

> 100,000



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Industry awards

2014 *PRIVATE EQUITY AFRICA* Special Recognition Frontier Investments - FES, Malawi

2013 *Africa investor* Investment and Business Leader Awards, Leadership in Sustainable Investment in Africa - shortlisted

2013 *Africa AM* Performance Awards, Private Equity Fund of the Year - shortlisted

2013 *Africa investor* Investment and Business Leadership Awards, Private Equity Deal of the Year

2013 *PRIVATE EQUITY AFRICA* Special Recognition for Innovative Sector Strategy in Agriculture

2013 *PRIVATE EQUITY AFRICA* Private Equity House of the Year - shortlisted

2012 *Africa investor* Agribusiness Fund of the Year

2012 *Africa investor* Investment Climate Initiative of the Year

2012 *Africa investor* Agribusiness Investment Initiative of the Year



PRIVATE EQUITY | AFRICA

 **africaninvestor**



AFRICAAM
ASSET MANAGEMENT

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