



# Webinar

## Introduction to the Housing Finance Course for Sub-Saharan Africa

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Marja Hoek-Smit

comments by Rob McGaffin & Francois Viruly

# Motivation for the HFSSA Course

- Urgent need to scale up supply of affordable housing and improvement of existing housing in SSA
- Requires expansion and deepening of housing finance systems “no end-user or developer finance –no construction!!”
- Course sharply focused on how policy incentives and private sector innovations can unleash power of financial institutions to expand their housing finance offerings
- Many relevant international examples to proof this can be done

# Core Messages of this “Teaser” Workshop

1. Housing offers a significant opportunity in **post-covid, longer term economic recovery**
2. Fiscal challenges force a rethink on policy incentives – **leveraging private housing resources** is critical for success
3. Directed to underserved part of housing market
4. Requires efficient Land/infrastructure, Finance and Housing systems
5. Cost of neglecting housing unacceptably high!
6. Social and economic benefits huge!

# Some Important Facts about the Housing and Building Construction Sectors

# Housing Sector Major Contributor to GDP and Economy More Broadly

- Housing is 10 to 30% of consumption; long term
- Gross fixed capital formation (investment) 4.5 to > 9.4 percent of GDP in past 45 years in OECD countries
- Large part of household wealth (50 to 90 %); savings
- Housing sector creates domestic jobs; 5 to 10% in building industry + spill-over in other sectors (1.4 to 2.3)
- Resource for local government revenue (property taxation)
- Social impacts through improved housing conditions -- community health, labor productivity, children's education

# Example: Housing's Contribution to GDP

## US National Income Account –2019

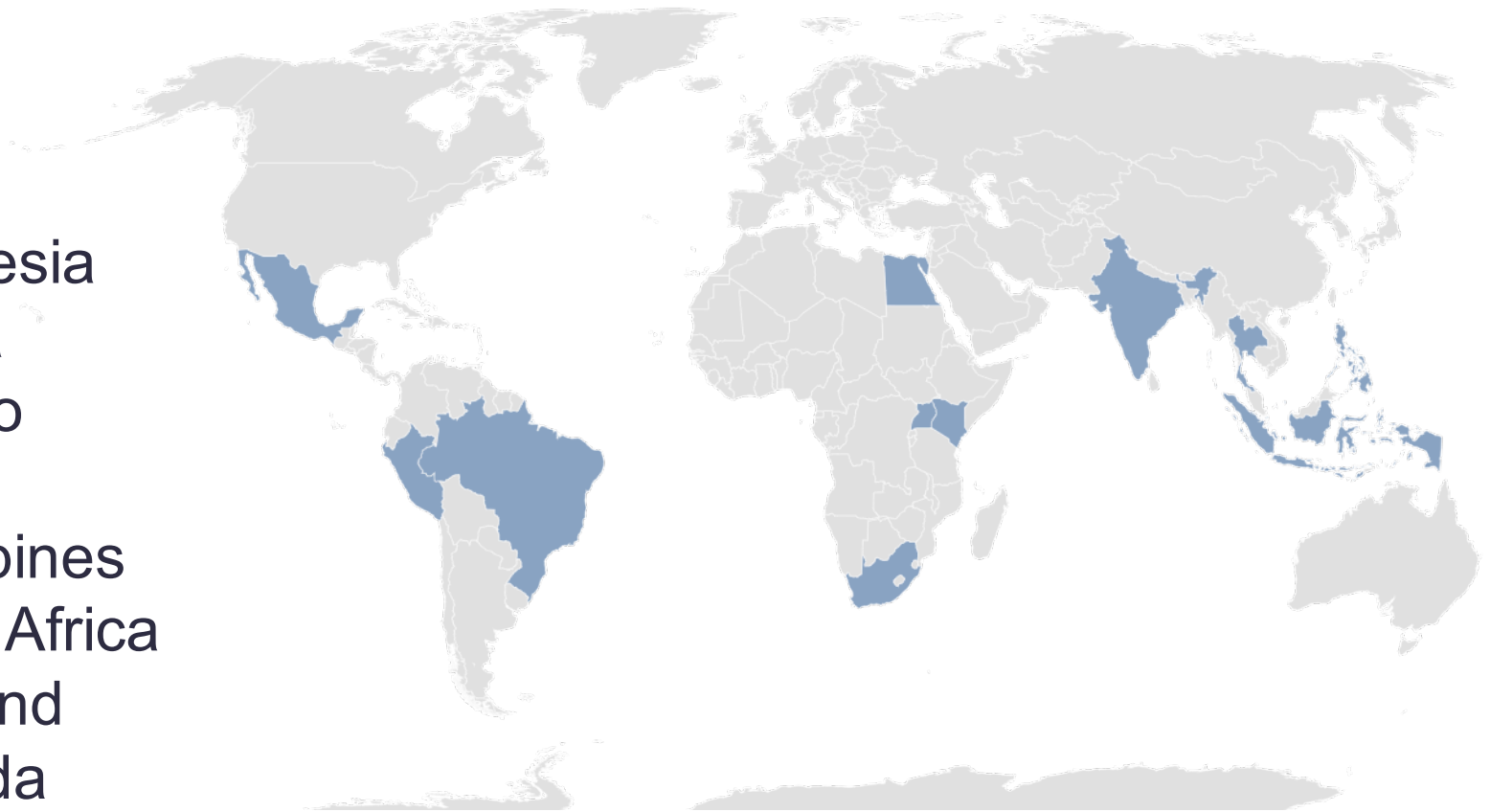
	US \$ billion	% of GDP	US\$/person
Gross Domestic Product	21,433	100	65,305
<b>Consumption</b>			
Housing Services	2,331	10.9	7,101
Rental amount, Imputed rent of owner-occupied housing			
Household Operation	969	4.5	2,953
Electricity, gas, furnishing, maintenance, other			
<b>Investment</b>			
Residential Structures-single family;-multifamily;-other	801	3.7	2,442
<b>Total of Housing Related Entries</b>	<b>4,101</b>	<b>19.1</b>	<b>12,496</b>

Source: [OECD \(2020\)](#)

# Habitat for Humanity Study 2020 to Assess Contribution of Housing Sector To GDP in Emerging Market Countries

11 countries: System of National Accounts Figures

Brazil  
Egypt  
India  
Indonesia  
Kenya  
Mexico  
Peru  
Philippines  
South Africa  
Thailand  
Uganda



# Findings: Housing's Contribution to GDP in Emerging Markets is High; But Poor Data

- Housing **investments**: 2% - 7% of GDP
- Housing services/**consumption**: 7% - 19% of GDP

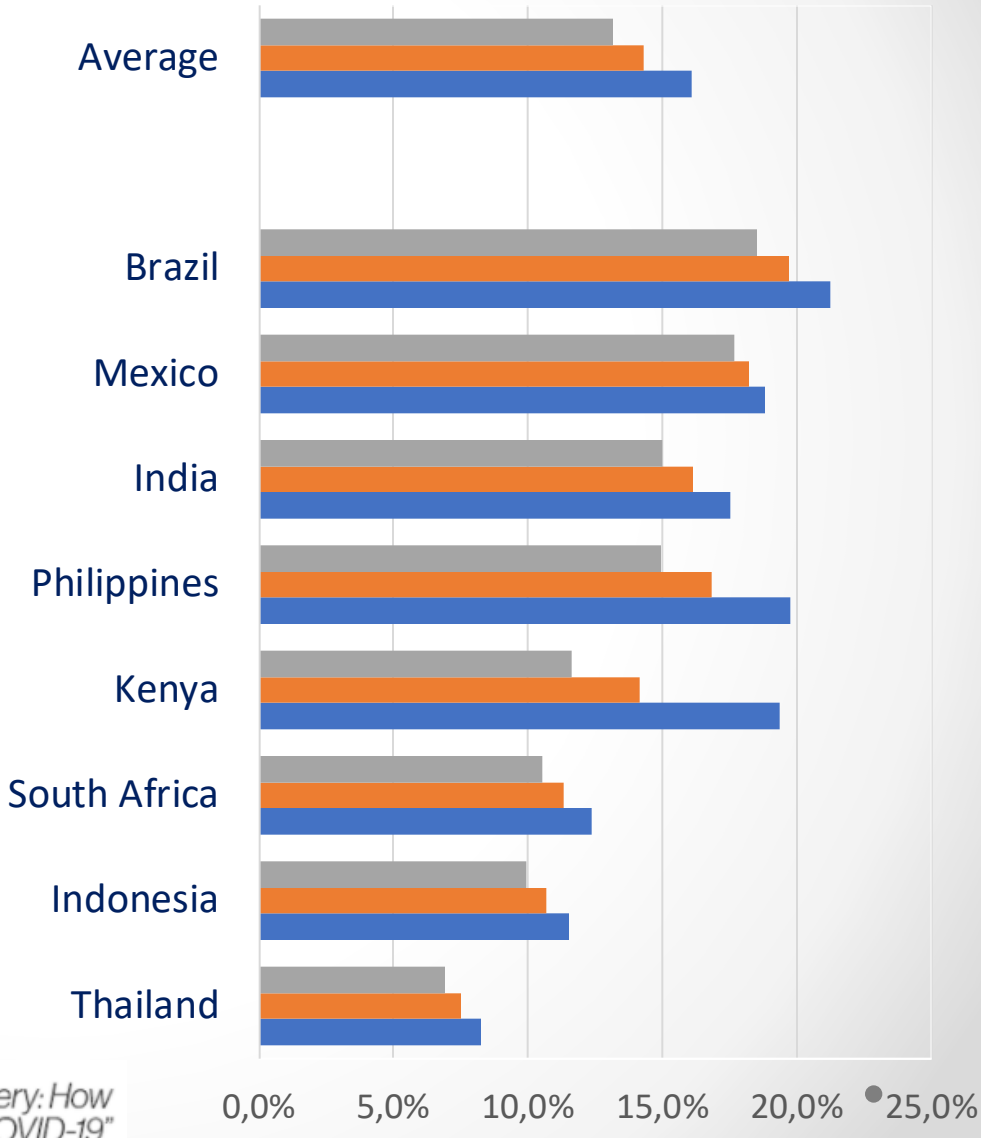
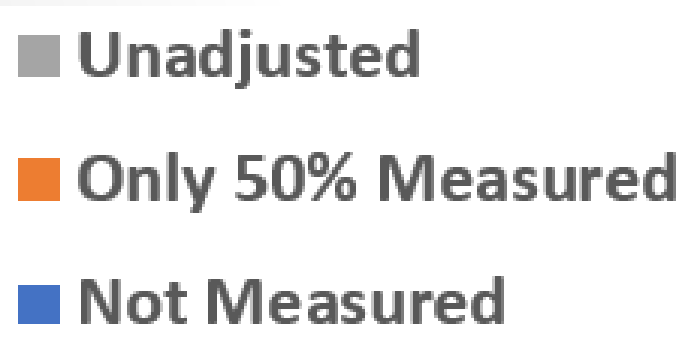
Missing:

- **Informal housing**, home improvements and housing **consumption by owners** likely undercounted in national accounts.
- Informal housing alone, could contribute an additional 1.5% to 3% to GDP on average



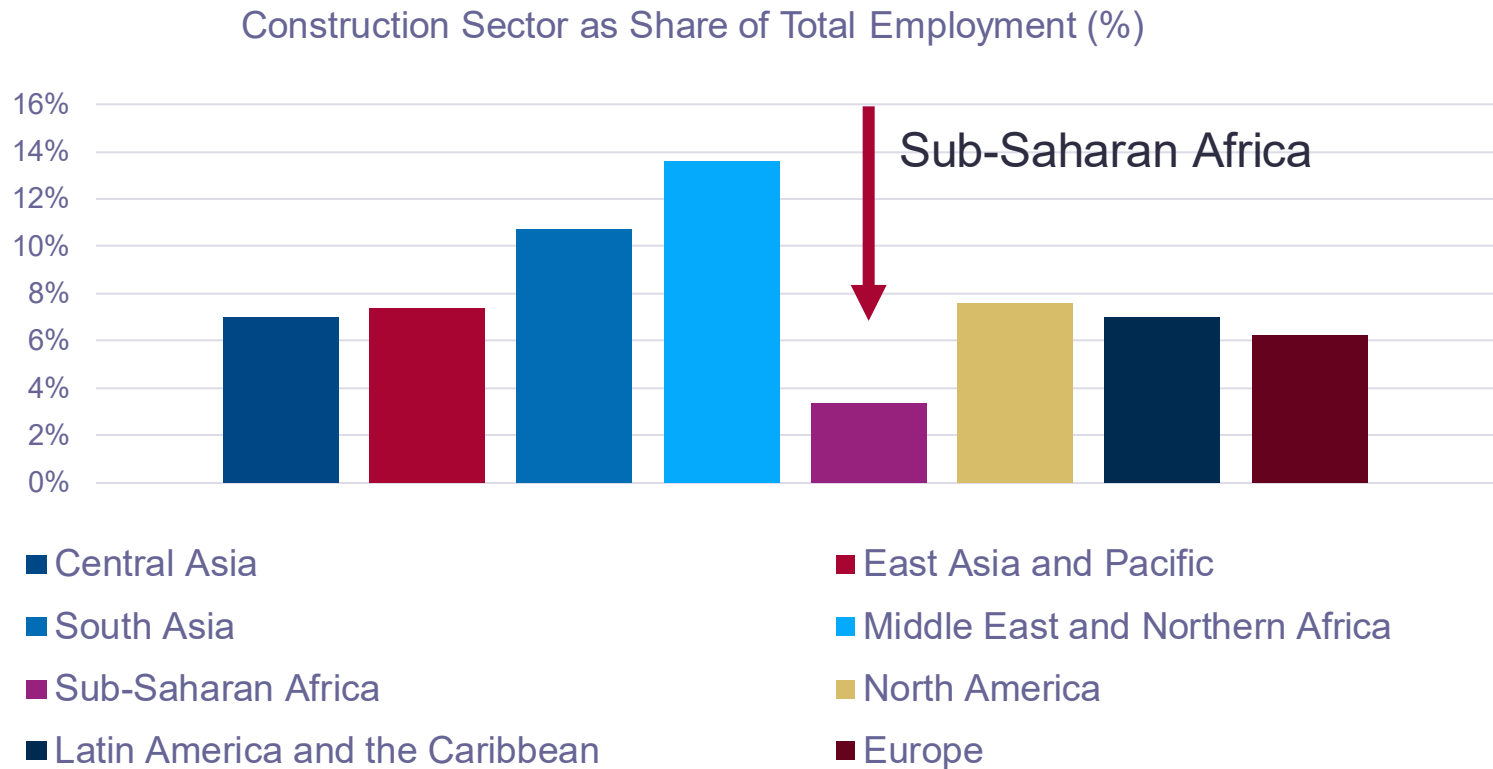
# Total contribution of housing to GDP >14% to >16% in survey countries if Informal Housing is Included

Estimates with and w/o informal housing adjustment



Source: Habitat for Humanity report: "Cornerstone of Recovery: How Housing Can Help Emerging Market Economies Rebound from COVID-19"

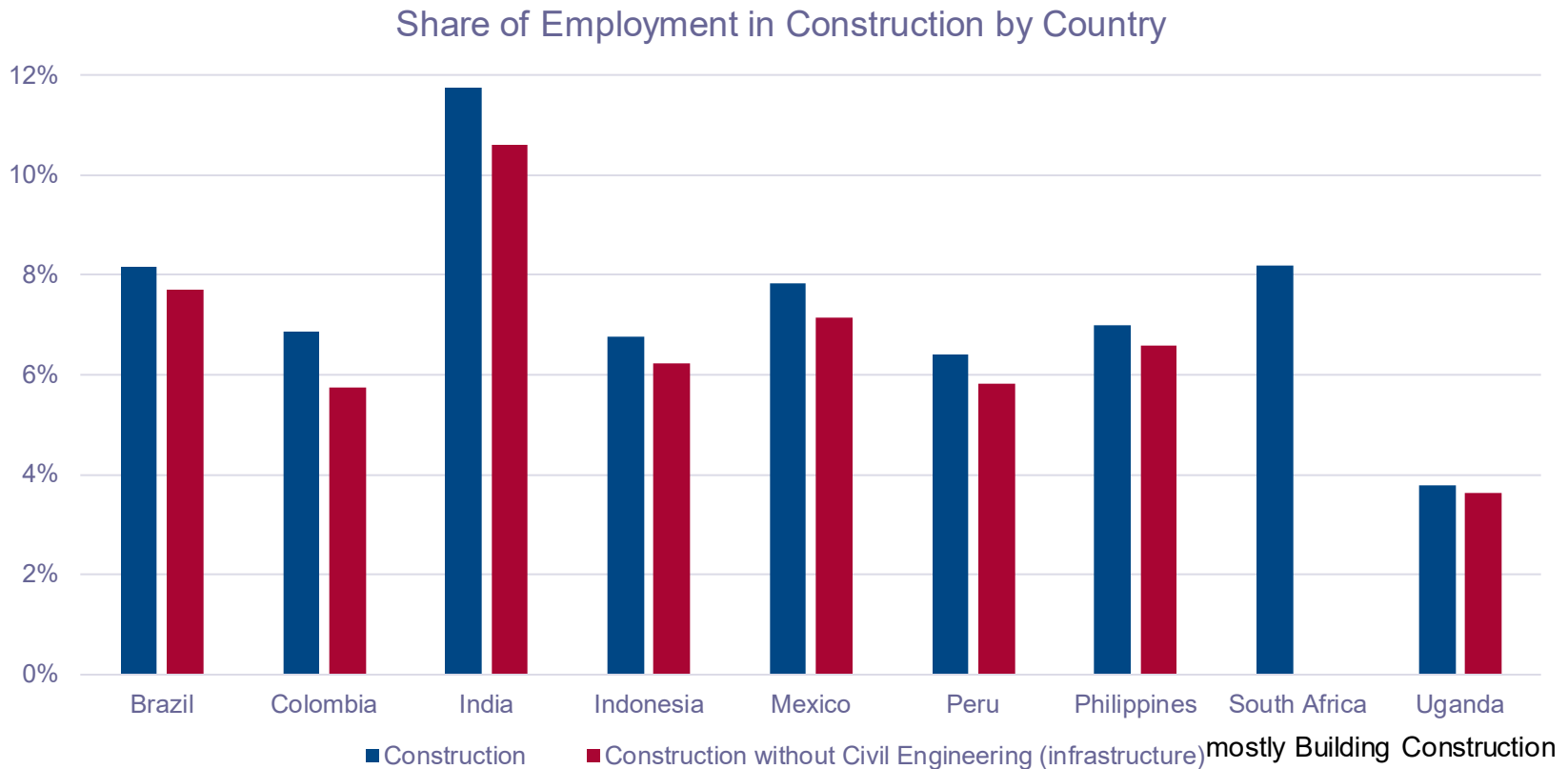
# Construction Sector Is Large Share of Total Employment



Source: ILO, Most Recent Employment by Economic Activity Data for All Available Countries. World Bank Regional Classification.

# Building Construction Is One of the Largest Employment Sectors

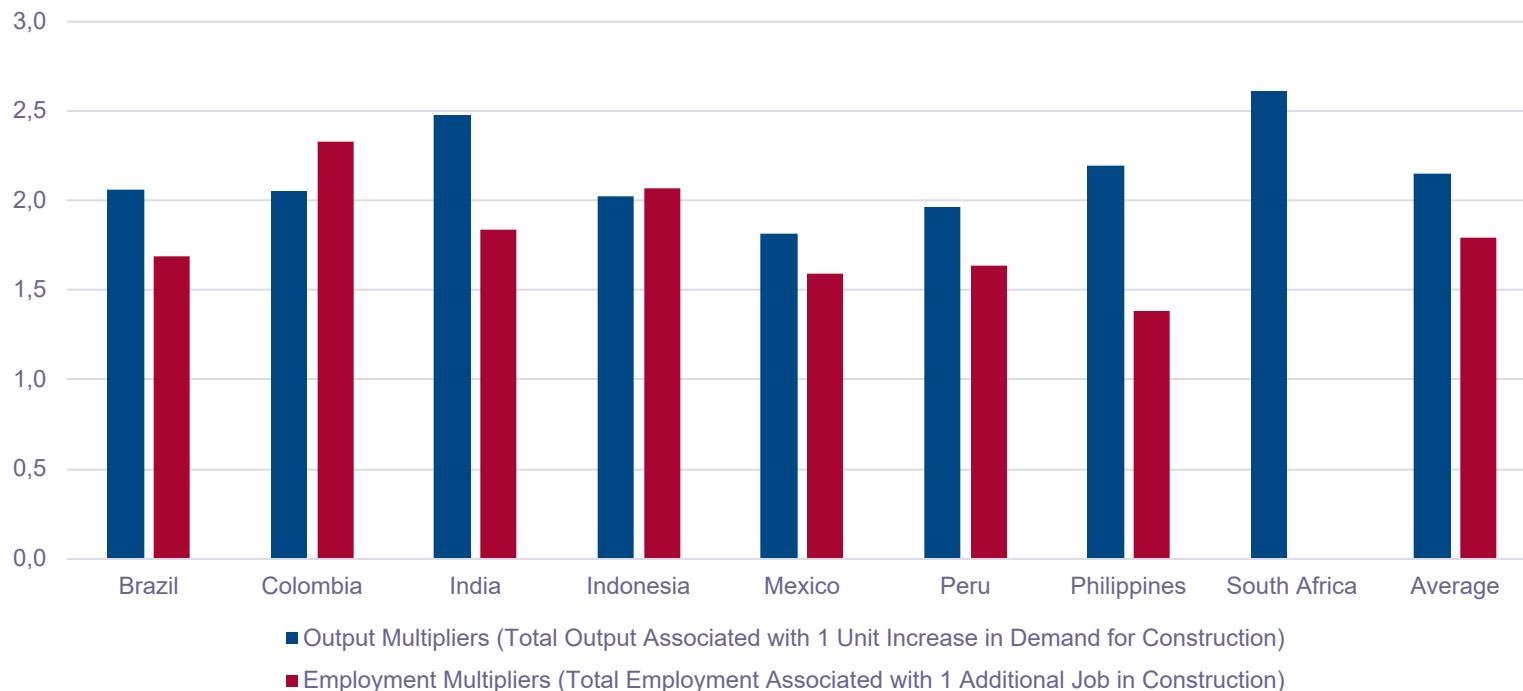
- Absorbs Unskilled Labor at Relatively High Wages



Source: ILO, 2015 Data (except 2017 for Uganda and 2018 for India). 2020 Q1 Quarterly Labor Force Survey for South Africa. Quoted from draft HfH study on employment in housing sector

# Output & Employment Multipliers of Construction Sector are High Relative to Other Sectors

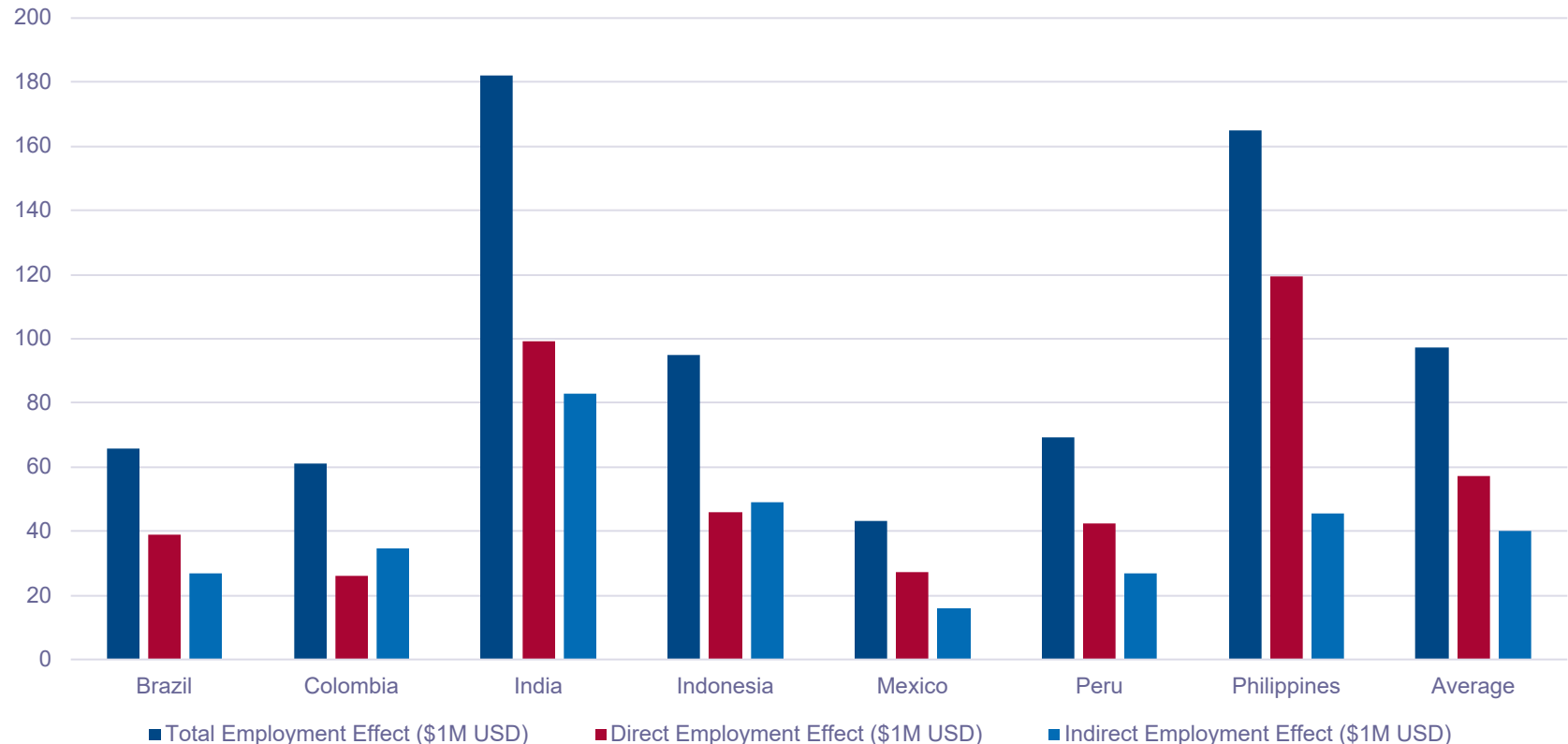
Construction Sector  
Output and Employment Multipliers



Source: OECD: Input/Output data by sector, including construction industry (ISIC 41-43). ILO: Employment by Sector, including for Construction Industry (ISIC 41-43). 2015 Data (except 2017 for Uganda and 2018 for India)

# Employment Creation Resulting from 1M USD Additional Construction Output

Employment Effects Associated with \$1M USD Additional Construction Output



Source: OECD: Input/Output data by sector, including construction industry (ISIC 41-43). ILO: Employment by Sector, including for Construction Industry (ISIC 41-43). 2015 Data (except 2017 for Uganda and 2018 for India).



# Rethink on Policy Incentives to Stimulate Housing Sector for the Longer Term

# Long Term Effect of Pandemic on Developing Countries

- **15/09/2021** report from the United Nations Conference on Trade and Development estimates that developing countries will be \$12tn poorer by 2025 than they would have been if the pandemic had not occurred, based on their growth trajectories in 2017-19

# Lessons from Current and Past Stimulus Programs for Housing in EMEs

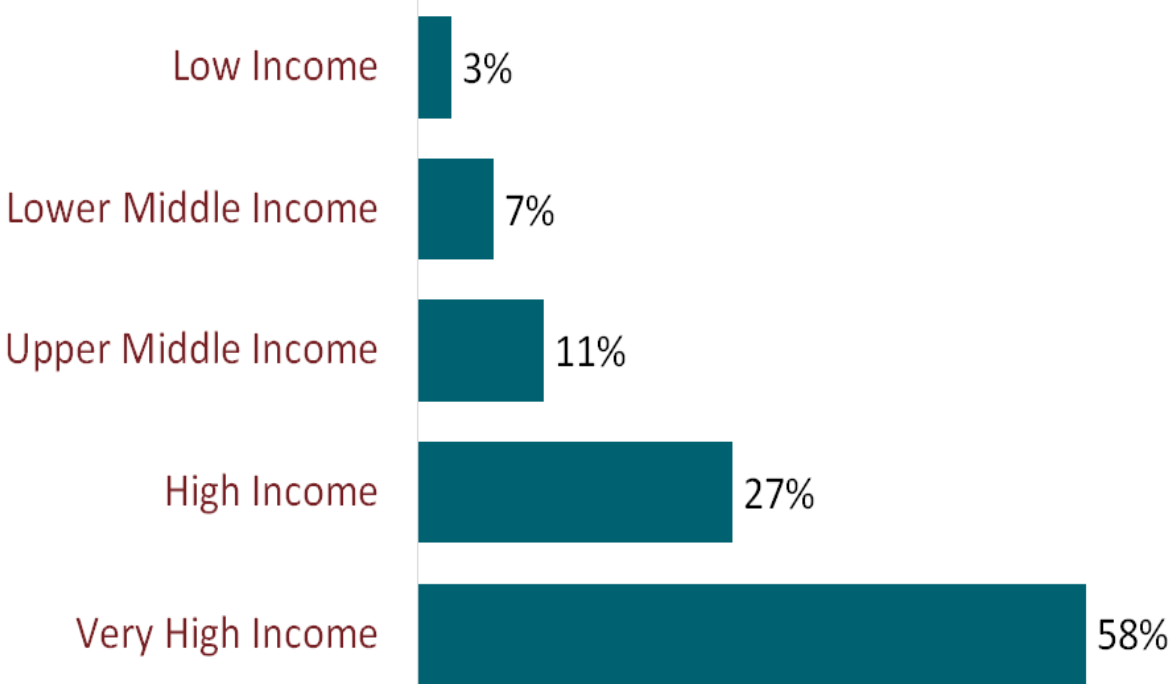
- **Focus on interest rate subsidies** to stimulate mortgage lending in short term –
  - but distortive and regressive for long term mortgage sector development; and fiscally expensive
- **Geared to part of the market that already works well, and is often over-supplied**
  - limited social and economic impact
  - create vacancies, price increases, fin. sector instability
- **If targeted to market frontier, lender constraints and supply side hurdles insufficiently addressed – no longer term efficiency improvements**



# Access to Finance is Major Hurdle to Expand Housing Demand and Supply

## Mortgage Markets are Small in EMEs

Mortgage Debt to GDP (current prices) by Country Income Level  
(2015-2017, selected countries)



Source: [www.hofinet.org](http://www.hofinet.org); 111 countries included; Mortgage debt to GDP defined by total amount of home mortgage loans outstanding at the end of year as % of GDP (current); Low to High income categories based on 2017 World Bank classifications; Very high income where GNI per capita > \$30,000 (Atlas method, 2017);

# Rethinking Post-Covid Housing Policies -1

1. Stimulus policies must be inclusive and expand frontier of market – e.g., informally employed, existing housing, rental –
2. Lender constraints must be addressed:
  - Can private sector resources be leveraged? State competition? Need for subsidies? Cap market access?
  - Credit risk – innovative tech tools? need for credit insurance/guarantees?
  - Who bears funding risks - interest rate risk?
  - Can transaction costs be reduced? Taxes, regulatory penalties for risk-taking?
  - Include different types of lenders: Deepen mortgage market and scale up microfinance for housing

# Longer Term Vision: Move towards an Integrated Housing Finance System

- Deepening **Mortgage Markets** for creditworthy households/ small landlords with secure tenure



- Scaling up **Micro-finance for housing**

Integrate these housing finance markets to allow **mobility**—  
Improving **economic status**=== responding to **labor markets**

Micro-finance loans



Mortgage loan

Build credit  
record

# Rethinking Post-Covid Housing Policies -2

## 3. Supply-side incentives must be included –

Stimulating demand through subsidies and finance is not enough....

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- Can serviced land be made available in short/medium term? Use of public land? Community land trusts? Upgrading?
- Are building/planning regulations adequate? Including for green development?
- Is permitting facilitated to avoid delays?
- Can taxes be reduced? Review before subsidies are considered
- Is developer / rental investor finance available?
- Can alternative investment vehicles (e.g., Shelter Equity Fund) support affordable housing?

# Costs and Benefits of Housing Investment Beyond GDP and Employment

# Cost of Neglecting Housing Sector are Unacceptably High!

- 60% of urban African population lives in slums, with deficient services, poor transport; community social & health costs
- City dwellers in Arica pay 55% more for housing, 35% more for food, 42% more for transport than city dwellers in other middle/low income countries (WB 2017)
- **Higher costs of living** for workers – is ultimately born by firms  
--- **Creates non-competitive environment for industrialization**
- => African urban economies mostly limited to **non-tradable goods** – 40 to 70% of firms
- Africa's share in world manufacturing exports is <1%
- **Poor housing/ infrastructure traps cities into low economic growth**



# Social and Economic Benefits of Housing Investments Are Huge!

Benefits well known:

- Community and household health and well-being
- Children's educational attainments
- Household productivity
- Economic growth (GDP)
- Employment generation
- Increased tax base

Etc.

# Focus of the HFSSA Course: how to facilitate housing investment

:How:

- The HFCSSA brings public and private sector housing/finance professional together
- Takes a holistic approach to housing/housing finance
- Focuses on practical and tested solutions, globally
- Encourages knowledge sharing by participants





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Centre for Affordable  
Housing Finance  
in Africa

# Housing Finance Course for Sub-Saharan Africa

Online course

3 – 15 October 2021

## The Critical Need for Housing Finance

For more information on application and registration procedures, please visit our website:

[www.cpd.uct.ac.za](http://www.cpd.uct.ac.za)