FINANCING HOUSING IN AFRICA

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In this edition

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AFRICAN UNION FOR HOUSING FINANCE

The AUHF is an association of thirty-six 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 some sixteen countries across the continent of Africa. See www.auhf.co.za

AUHF ANNUAL CONFERENCE AND AGM: We've set the date! Please join us in Dar es Salaam, Tanzania, from 8-10 October 2012. More details to follow soon.

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… and join the AUHF Group now on LinkedIn

South African Housing Market: focus on affordable housing

There have been many developments in the South African Housing market since the beginning of this year. South Africa's housing sector is broadly defined in three sectors: about 60% of the population are eligible for a government-subsidised house (although there is a long waiting list); about 15-20% can afford to meet their housing needs independently without support from government; and the remaining 20-25% fall in the space between, earning too much to qualify for a housng subsidy and too little to afford the cheapest newly built house. This middle market has recently been termed the "gap" or "affordable housing" market, and has become a serious concern for government as it strives to meet its constitutional obligation for everyone to have access to adequate housing on a progressive basis. As is the case in other countries throughout Africa, South Africa is challenged in realising affordable housing for its residents.

An announcement made by the President in his February State of the Nation Address introduced a new housing subsidy to address the needs of the "gap" market. This new subsidy is part of a triad of interventions which also include a tax incentive to build less expensive housing, and a mortgage guarantee instrument targeted at the lower-income market. Government's intention with these three interventions is to stimulate the construction of houses costing less than R300 000 (about $37 500), and to encourage greater mortgage lending in the affordable housing market segment.

These interventions are well-timed, coming into play just as South Africa emerges from the effects of the global economic crisis. To this end, the private sector has been poised to respond positively. During April, the news highlighted some innovation in the country's affordable housing sector. Nedbank, for example, entered into an agreement with Central Property Development Johannesburg (Pty) Ltd to fund an affordable rental housing development in Midrand, Johannesburg. Further, a 49% increase in rand value on home loan approvals, and a significant increase in bond applications was reported by OOBA- one of South Africa's leading bond originators.

The Department of Trade and Industry in South Africa has just released the draft Codes of Good Practice on Broad-Based Black Economic Empowerment, which, among targets for the composition of ownership and management of South African financial institutions, include targets for empowerment financing. The earlier rendition of the Financial Sector Charter in South Africa (which went from 2004-2008) realised considerable investment in affordable housing and much greater access to housing finance among households in the 'gap' market. It is hoped that this new Code, once implemented, will have a similar effect.

Macro-economic factors have created another opportunity for buyers in the affordable housing market, with prices lower than in earlier yearss. ABSA Bank suggests that these developments may result in changes in property buying trends which will subsequently impact market activity, price trends in the various segments of the market and the demand for mortgage finance.

Evenso, affordability constraints are real and South Africans are still heavily indebted. A report from real estate players SEEFF Properties and RE/MAX has revealed that one third of South African mortgage holders cannot afford their monthly mortgage repayments. The report suggests that with current escalating living costs, defaults are likely to persist. It is also believed that the housing market will not recover until the banks' non-performing mortgage debts are cleared. And although most banks have reduced their non-performing loan books, the default rates remain high. Not all of this is necessarily in the affordable housing market, however. Research undertaken for FinMark Trust's Centre for Affordable Housing Finance in Africa is suggesting that mortgage loans issued to affordable market clients perform marginally better than the market as a whole. This research should be made public within the next month.

We congratulate the winners of the AREHF Academy Awards! Special congratulations to AUHF members Housing Finance Kenya and HFC Bank (Ghana) Limited. For more information on the winners visit www.arehfacademy.org

In the news

This month in African housing finance

Housing delivery

South Africa: Housing opportunity in downtown Joburg

Renney Plitt, a property developer who runs Afhco (Affordable Housing Company - a company that buys empty buildings and converts them into flats) sees opportunity in Johannesburg's inner city abandoned buildings. Many of the buildings in the inner city, which have been abandoned and occupied by squatters and have no water or electricity, are now being regenerated. Plitt sees this as new housing for South Africa's burgeoning middle class. Afhco has already transformed a complex into a block of flats with a supermarket and playground. Plitt says that a quality lifestyle at an affordable price is offered to the emerging middle class through the conversions of derelict buildings into modern and well designed rental apartments. Source (1 April 2012): Business Report

First Home Estate (FHE) launch in Nigeria

SSA Realties, a property development company, together with First Bank of Nigeria PLC, Resort Savings and Loans PLC and the National Housing Fund has launched First Home Estate (FHE). FHE is an initiative towards addressing the housing deficit in Nigeria, designed to assist upwardly mobile workers obtain homes of their own. SSA Realties, through FHE, is focused on simplifying most of the processes required to properly and safely acquire land. As part of this initiative, First Bank now has two types of mortgage plans: individual and partnership, allowing for flexibility in repayment. Source (5 April 2012): The Nation

South Africa: Nedbank in the affordable housing market

Nedbank has entered into an agreement with Central Property Development Johannesburg (Pty) Ltd, a subsidiary of Cosmopolitan group (a housing developer). This partnership is to fund a rental housing development in Clayville in the Midrand area of Johannesburg. The development is aimed at addressing the needs of those who earn too much to qualify for a subsidy house and too little to qualify for a mortgage for the cheapest newly built house (the GAP market). Nedbank is to inject R100 million (about US$125 000) into the development, which is to take place over a period of 12 months. Source (11 April 2012): SA commercial property news

Nigeria's cement shortage may stall projects

Regardless of increased cement production in Nigeria reaching 30 million tonnes, a cement shortage is likely to stall 2000 ongoing projects across the state. The governor has, therefore, urged the federal government to look into a policy framework that will match demand with supply whilst protecting the interests of the local producers of cement. The root cause of the issue has been linked to the policy which seeks to protect the local market. A news report cited: distributors greed, logistics, energy costs, high tax/ levy, a supply gap and panic buying as responsible for high cement prices in the past. The current shortfall has been attributed to transport costs. Transport prices have increased as a result of the high cost of diesel, and this has had a major impact on cement prices. Source (10 April 2012): 3Invest Online

Nigeria's high land prices on the agenda

It is reported that the promises of governments to deliver affordable housing in Nigeria may just be talk if the mortgage sector of the economy is not rescued. A one day seminar titled 'Mortgage finance and the Nigerian property market- challenges and opportunities was organized by the International Real Estate Federation (FIABCI), Nigeria chapter and was held in Lagos. Amongst the issues that emerged out of the discussions was the design mismatch (building out of the lifestyle of the market), which contributes to high building costs and subsequently, rents and sales. The president of FIABCI Nigeria, emphasized the importance of a strong mortgage sector particularly in the context that only a small proportion of the population can afford housing within their income. The discussion was emphatic about the mortgage market and its effects to housing delivery, with mentions of public private partnerships and other efforts that have been made in addressing the housing shortage in the country. Source (23 April 2012): 3 Invest Online

Housing Finance

Kenyan property developers & buyers face crisis

It has become difficult for property buyers in Kenya to access funding in the midst of the interest rate hikes. Fuelled by a growing middle class, the Kenyan housing sector has been one of the fastest growing over the last decade. Interest rate hikes, have subsequently hit hardest on the middle income market. There are now less buyers and people are moving to the rental market, raising the prices of this market by 4.4 percent. Housing Finance, a listed specialised mortgage lender, said that it expected interest rates to start easing from the second quarter of this year. Kenya has a large housing deficit with an annual demand of 250 000 units against a supply of 60 000 units. Source (11 April 2012): Reuters Africa

Blue financial services is to offer housing loans in Africa

Blue Financial Services, a microfinance institution with presence in 12 African countries is to focus on housing and educational loans, which will be available shortly, with an average loan value for housing of R200 000. The Company CEO, Johan Meiring explained that this move to providing secured loans is not so much motivated by profit, but rather an initiative to drive development. He stated that, you cannot have communities without housing or families without houses. Blue's growth strategy, presented by Meiring, highlights expansions into Africa. Source (17 April 2012): Business live

NEWS FROM OTHER ASSOCIATIONS

UK's NewBuy Scheme

The UK Council of Mortgage lenders and the Home Builders Federation (HBF) have developed a new-build indemnity scheme which is to increase house building and decrease the risk of lending on newly built properties. This development is in response to the decreasing numbers of properties being built in the UK, emanating from the global financial crisis. It is reported that between 2007 and 2010, the number of properties being built annually, halved from 224 000 to 134 000. The UK government, therefore, also decided to incorporate this newly-developed scheme in its housing strategy and thereby introduced a government guarantee to the scheme, which is named 'NewBuy'. The scheme was launched on the 12th of March with three UK lenders and ten builders participating.

The scheme is open to all newly built property with a maximum limit of GBP 500 000 and those buying within this scheme can take out a

mortgage between 90% and 95% of the value of the property. The scheme operates under the following rules: builders pay 3.5% of the sale price into the indemnity fund of each property sold and, the government provides additional security in the form of a 5.5% guarantee. In this way, should a property be repossessed and the lender cannot recover any shortfall from the borrower, it will recover up to 95% of its loss from the builder's fund. Should the builders fund be exhausted, the government guarantee will then take effect. Any money remaining in the builders fund after seven years is to be returned to the construction firm. The NewBuy scheme is intended to boost housing supply and improve access to mortgages for those who can afford repayments but do not have large savings. This kind of development has also been looked into in other countries: in South Africa, for example the country's Department of Human Settlements has reported on the creation of a Mortgage Default Insurance Fund, to improve access to housing and mortgage financing.
See EMF Newsletter or visit EMF website www.hypo.org

Housing Finance Kenya's Frank Ireri celebrates the AREHF Award for Best Real Estate Lending Institution in Africa.

HFC Bank (Ghana) Limited won the AREHF Award for Best Real Estate Mortgage Provider in Africa

Report review: Community Land Trusts

As contributory to the Global Urban Economic Dialogue Series, UN Habitat recently released a report on Community Land Trusts. The global urban economic dialogue series offers a deeper understanding of the wide range of urban economic development and human settlements development issues.

The report begins with a background on community land trusts, covering the concept and its history. It then sets out their formations, structure, operations, management, and financing. Providing an overview of the incentives that can be offered to forming community land trusts, the report explores the contribution these structures can make towards the delivery of affordable housing and community development. Finally case studies of community land trusts are presented, sampling successful Community Land Trusts in communities in America, and offering lessons and conclusions.

A Community Land Trust (CLT) is a form of common land ownership whereby land is held in trust for the community, serving the common good. In this way, the community collectively owns the CLT. Individuals in the community then have defined rights to use and enjoy specific portions of that land. The CLT concept emphasizes that every individual should be entitled to a fair share of the return on land and its resources – that land itself should not be commoditised, and only the improvements (housing and other facilities) upon it should have value that can be realised on an individual basis. Its purpose is therefore to extend access to land and housing to those who are otherwise denied access; to increase community control of neighbourhood resources; to empower residents through involvement and participation; and to permanently preserve the affordability of housing by taking rising land costs out of the equation. Individuals are acknowledged as the owners of top structures, and the community broadly is acknowledged as the owner of the land.

In investigating the contributions of the CLT's to housing affordability in America, the report provides an overview of US federal housing policy. In the United States, CLT's are the only affordable housing strategy that retains subsidies for the benefit of ongoing generations of eligible households, and results in long term stewardship of neighbourhoods. It is illustrated that the growth of the CLT movement has paralleled the trend away from public housing projects and to allocating federal housing funds for local programmes. In this way, policy, therefore became more useful and assisted the growth of CLT's.

The report concludes that the Community Land Trust movement in the US and now also in Great Britain is a successful and necessary initiative to providing secure, affordable land tenure and housing for the growing world population. Some of the trends outlined as pointing to the importance of the Community Land Trust as an alternative land ownership and housing model in the US and worldwide are the growing urban populations and the issue of average incomes failing to keep pace with average house prices. It is further concluded that CLT's represent grassroot interests and complement the work of community development organisations. It is suggested that the CLT model has the potential to spread to the global south and other nations to offer secure tenure of land and housing for the growing rural and urban populations.

Community Land Trusts have been tested in some African countries, for example in Voi, Kenya. In the early 1990's a local government urban management project called Small Towns Development Project (STDP) began to look into informal settlement upgrading projects, mainly concerned with the financial implications of informal settlements. As informal settlements are un-regularised and titles not issued, local authorities are unable to expropriate property taxes. It is on this basis that the STDP first began to consider informal settlements upgrading. The STDP began to consider alternatives to individual leasehold title as a means to address the land tenure issue. In 1991, an idea was introduced to use the American Land Trust model as a form of tenure to providing access to land in low income urban areas in Kenya.

To Access the report go visit:
http://www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=3265 To read on the Community Land Trust in Kenya:
http://urpl.wisc.edu/people/jacobs/jacobs%20publications/Bassett%20%26%20Jacobs%20-%201997%20-%20CLT%20in%20Kenya%20-%20Land%20Use%20Policy.pdf

AUHF Member Profile:

Housing Finance Company of The Gambia

Mr. Omar A. Sarr, General Manager, is the Home Finance Company of the Gambia Limited's representative to the AUHF.

The Gambia, Home Finance company (HFC) is a mortgage firm that offers home loans to individuals to purchase individual properties. HFC offers low rate financing and flexible interest rates.

Home Finance Company of the Gambia Limited was incorporated in 2001. To start the company, HFC Ghana provided Technical Assistance to the newly formed company by way of human resource and technology developments. HFC currently has two shareholders: Social Security and Housing Finance Corporation who own 90% of the shares and Trust Bank Limited which owns 10%. Presently the book size of the company stands at D35 764,528.00 the equivalent of US$1.2million.

HFC offers the following Mortgage products: Home Purchase, Home Completion, Home Improvement and, Home Equity. These products are available to applicants with verifiable and sustainable income to repay the loans within the specified period.

Home Purchase

This is a mortgage financing product which assists buyers to purchase residential properties on the market. Qualifiers for the loans may be resident or non-resident Gambians or corporate customers. It is a flexible product which can be personalised to meet the client's requirements; it offers a maximum repayment term of 15 years for resident Gambians and 10 years for non-resident Gambians. The corporate loans repayment period, ranges from 5 to 7 years.

The amount of the loan offered is not to exceed 70% of the value of the house and, the maximum loan offered for a corporate request is 15% of the net worth of the entity or as determined by the HFC from time to time. Additional amounts required in excess of the approved loan must be contributed by the applicant or covered through a joint financing arrangement.

Home Completion

Home completion loans are designed to assist clients finance the construction of their unfinished houses. The Home completion loans also may not exceed 70% of the total cost of construction of the house or a maximum amount of US$50 000.

Home Improvement

The home improvement loan offers financing to applicants for the purposes of home improvements such as renovations and extensions to homes. This loan may not exceed 50% of the total cost of the improvements or a maximum of US$50 000.

Home Equity

The Home equity loan is a form of equity release in which HFC refinances a client's house in an effort to help them realise the equity accumulated in the house in order to increase the client's purchasing power. The HFC offers a loan to the equivalent of the equity vested in the client's property. Where borrowers have existing loans on their properties, HFC would seek to consolidate the loans with the expected credit advance where possible to become the first lien holder.

Additionally the HFC offers construction finance and corporate loans. The construction of the Head Quarters of the Institute of Human Rights and Development in Africa, based in The Gambia, was financed by HFC.

Home Finance Company of the Gambia Limited
2nd Floor Trust Bank Building, Westfield Junction, P.O.Box SK/2362, SerreKunda, Tel:(220) 4376375 / 4376376 – Fax:(220) 4398349 Website: www.hfc.gm

Player in focus: Blue Rose Limited

Blue Rose Limited is an affordable Real Estate Developer with its head offices in Accra, Ghana. The company was incorporated in 1989 as a sole proprietorship founded by CEO Mr Eric Ebo Acquah,under the name Blue Rose Florist. Its main line of business was landscaping and horticulture, however the company was re-incorporated to include real estate development as Mr Acquah saw a great need within the housing market for affordable and quality housing. Blue Rose Limited is a wholly Ghanaian owned company registered with the Register General's department. The company is a member of Ghana Real Estate Developers Association (GREDA), the Ghana Chamber of Commerce (GCC) and the Association of Ghana Industries (AGI).

Blue Rose Limited aims to produce competitive quality and affordable housing facilities that meet national as well as international standards and has a vision:

"To be a leader in the provision of quality and affordable houses in the country"

Blue Rose Limited offers building, construction and, horticulture services. In its various developments, Blue Rose promotes the delivery of sustainable human settlements, comprising residential as well as commercial and recreational property.

Building and construction

The building and construction industry is an important driver of the Ghanaian economy. The industry comprises the construction of residential buildings, non residential buildings and engineering construction. Blue Rose Limited is focused on building quality and affordable residential facilities of the average income earners. The houses built by Blue Rose Ltd include standard houses and executive houses. The standard houses comprise: one- and two-bedroom semi-detached houses; two-bedroom terrace houses and; three-bedroom detached houses. Executive houses have three bedrooms.

Blue Rose Limited's recent project, Blue Gate, consists of two- and three-bedroom detached houses. Other ongoing projects include: Blue Rose City, Blue Ridge and Blue Hills. About fifty semi-detached houses have been constructed in the Blue Rose City project, with more houses of different varieties still to be constructed. The Blue Ridge project consists of thirty, two- and three-bedroom executive houses in a gated community. Finally Blue Hills has over twenty houses built, these include two and three bedroom detached houses and two half decks, deluxe houses. The company also has over one hundred houses located at different locations within Kasoa and its surrounds.

Blue Rose Limited also provides facilities such as sporting complexes, shops, supermarkets and pharmacies. One of the sporting complexes within the Blue Rose Limited Developments comprises of, a gym, a barbering salon and a restaurant. There is also a guest-house located within one of the developments. The company also offers six months maintenance services on structural defects.

Terms of Payment

Blue Rose Limited offers two payment options: cash payments and mortgage financing which may be through: the HFC Bank, Ghana Home Loans, Fidelity Bank, Stanbic Bank and any other mortgage providers. The prices of Blue Rose housing units start as low as US$ 10 000.

AREHF Awards!

At the recent Africa Real Estate and Housing Finance (AREHF) awards held in Nairobi, Kenya, targeted at recognizing and appreciating Africa's real estate and housing finance players, Blue Rose Limited received an award. The company was recognized as the best low income or affordable residential developer in Africa. The award recognized particularly, the Blue Rose City project. Blue Rose has also received other awards: in 2010 they won the residential developer of the year for mass housing at the Ghana Property Awards.

Alassane Ba, MD Shelter Afrique, presenting the award for the best low-income development to Blue Rose Limited, Ghana.

Blue Rose had a turnover of approximately US$10 000 000 during the period 2009 to 2011 which makes it one of the most successful low cost housing developers in Africa.

For more information:
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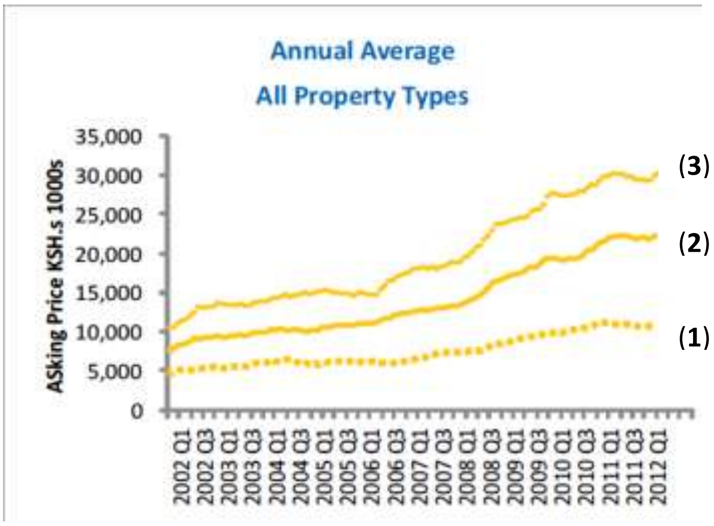
Email: info@blueroselimited.com

Graph of the Month

Hass Consult Property Index Kenya

Hass Consult recently published their 2012 1st quarter Property Index for Kenya, which is an analysis of house prices and rentals. Despite the rise in inflation rates in Kenya during 2011 and the current, extremely high interest rate levels, the results show evidence of a solid housing sales market. Interestingly, the high interest rates have had little impact on house prices, which continue to grow. The impact of the economic environment is, however, felt on the supply side. Subsequently, developers have slowed building, postponed certain project phases or reduced the number of houses they are currently constructing. The effect is also evident in the rentals market where landlords are demanding higher rents across all segments of the market.



LEGEND:

(**1**) avg asking price, 4-6 bedroom property

(**2**) avg asking price, all properties

(**3**) avg asking price, 1-3 bedroom property

The average asking price for a property in December 2000 was Ksh7.1 million (about US$85233.78) and the average value for a property in March 2012 is at about Ksh22.3 million (about US$267706.09). Rentals have also increased dramatically in Kenya– rentals have increased by 4.4% in the last quarter vs. a 2.99% increase in property values for stand-alone houses.

To access the report, visit:
http://hassconsult.co.ke/index.php?option=com_content&view=article&id=479&Itemid=169

UPCOMING EVENTS

AUHF CONFERENCE & AGM: 8-10 OCTOBER 2011, DAR ES SALAAM, TANZANIA: SAVE THE DATE!

TRAINING/ COURSES

JUNE

4- 14 **Housing Finance in a Changing Environment**; Pennsylvania, Philadelphia. For more information: www.ihfp.wharton.upenn.edu

JULY

22- 27 **Housing Finance Summer Academy- EURO 300 DISCOUNT FOR AUHF members!** Visit: www.frankfurt-school.de/summer_academy_2012

CONFERENCES / WORKSHOPS

MAY

8- 9 **Africa Investment and Project Finance Conference;** Nairobi, Kenya. Visit: http://aidembs.com/investproject_conference/

22-23 **Financial Inclusion, Job Creation & Microfinance: Omega's 4th International Microfinance Conference**; IDC Sandton, Johannesburg. For details of participation visit: www.omegainvest.co.za.

30- 31 **Housing finance in emerging markets: providing shelter, creating jobs, fuelling growth;** For more information: email hli4@worldbank.org. OR visit http://go.worldbank.org/RGFKWM1ZF0

JUNE

5-6 **EFMA Mortgage Lending Conference;** Brussels, Belgium. For more information visit: www.efma.com

4 – 16 **International Housing finance programme. 10% DISCOUNT FOR AUHF members!** For more information: email housingfinance@wharton.upenn.edu OR visit www.housingfinance.wharton.upenn.edu

JULY

2-4 **3rd Affordable Housing Global Projects Conference;** Kuala Lumpur, Malaysia.
Visit: http://www.affordablehousing-lse.com/eventdetails.asp?eventid=18757&PageID=520