

# FINANCING HOUSING IN AFRICA



ISSUE 17: AUGUST 2012

## In this edition

Cover story: AUHF BoT Conference .....	1
In the news .....	1-2
AUHF member profile: Housing Finance Bank Uganda.....	3
Player in focus: The Affordable Housing Company.....	4
Graph of the month: Property registration & Home Loan penetration.....	5
Upcoming events .....	5

*FINANCING HOUSING in Africa is a monthly publication of the African Union for Housing Finance for its members. Please submit material for inclusion to Kecia Rust, at [auhf.kecia@iafrica.com](mailto:auhf.kecia@iafrica.com) or Lorraine Nzimande at [lorraine@housingfinanceafrica.org](mailto:lorraine@housingfinanceafrica.org).*

### 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](http://www.auhf.co.za)



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[@AUHF\\_Housing](https://twitter.com/AUHF_Housing)



Group: African Union for Housing Finance

## AUHF BoT Conference!

Planning for the Annual AUHF conference, scheduled to take place from 8-10 October 2012 at the Bank of Tanzania Conference Centre in Dar es Salaam, is underway! The conference, themed: *Growing Housing Opportunities in Africa- Encouraging Investment/ Growing the Market* is to explore the opportunities and challenges of housing development and investment on the African continent.

The first day will focus on ways to encourage investor interest, through the development of sustainable investment models, the collection of data and the development of lender track records. The focus of the second day is on growing the market through the development of niche market interventions and products that meet the breadth of the housing need.

There will be a showcase of successful housing initiatives ranging in the following categories: A Comprehensive Housing Development; Environmentally Sustainable Housing; Rental and Student Housing; Alternative Local Building Materials; PPPs for low-income housing; Integrating subsidised and market housing; Housing Microfinance

Innovation in housing finance; Guarantees to enable access to mortgage finance and others. **Applications for a showcasing space are soon to be open.**

There will also be exhibition space provided for those who are interested in exhibiting their work, and there will be a site visit to various housing developments within Dar es Salaam on the afternoon of the 10<sup>th</sup> October.

This conference will enable delegates to define their own role in growing housing opportunities in Africa. Whether delegates are government officials, investors, developers, lenders or members of civil society, the conference will offer each participant useful insights and evidence for promoting housing in their own local contexts.

This conference is to be held in collaboration with the Bank of Tanzania's Housing Finance Programme and with the assistance of AUHF Member: Tanzania Mortgage Refinance Company.

**Please register! We look forward to seeing you there!**

## In the news

This month in African housing finance

### Housing delivery

#### Ambitious housing delivery programme transforms

##### Ethiopian cities

In 2006, the Ethiopian government launched the Integrated Housing Development Programme (IHDP) in response to a severe backlog in housing supply in Ethiopia, in which 70% of the population lived in slum conditions. Supported by the Cities Alliance, the programme is part of a broader urban development effort to deliver affordable housing to the poor and middle income residents and to create jobs. The programme has been implemented in 56 towns across the country, with 208 000 housing units delivered to date. Ethiopia joined Cities Alliance in 2006 and has renewed its commitment for another 5 years. Source (9 July 2012): [Cities Alliance](#).

#### South Africa's first time home buying market strengthens

According to the latest statistics released by bond originator, Ooba; June was the 14<sup>th</sup> consecutive month of positive year on year property price growth for first time buyers and, the eighth consecutive month Ooba has recorded an increase in residential property prices. Saul Geffen, CEO of Ooba stated that the increase indicates a sustained demand for property, which is translating into the higher prices. He said that for the month of June, 52% of their total intake of home loan applications was from first time buyers which increased by 3.8% year on year. This indicates a continued appetite in the sector, underpinned by improved access to finance. Source (12 July 2012): [Property 24](#).

#### Namibian gov't urged to up provision of urban housing

A committee on human resources, social and community development, compiled a report which was tabled in parliament that urged government to encourage employers to provide housing and



## ISSUE 17: AUGUST 2012

transport subsidies to their workers. The committee suggested that government embark on a large-scale programme to deliver housing in towns to reduce the housing backlog. The committee consulted various government and other institutions and concluded that the housing backlog is due to: a lack of serviced land, the high cost of building materials, a limited capacity of local authorities to implement government's programmes, and high unemployment. More access to financing for low income groups through a home loan guarantee trust, savings schemes, and the introduction of a 'rent to buy' policy were among the solutions suggested by the committee, to deal with the backlog. Source (17 July 2012): [All Africa](#).

### Ghana: Constructing new settlements

The Ghanaian government is placing renewed attention on tackling the housing deficit in the country: emphasising private sector investment, better urban planning and more low-cost homes. The deputy minister of Water Resources, Works and Housing (MWWH), stated on the 20<sup>th</sup> of June, at the launch of the Ghana Housing profile, that the government aimed to increase private sector participation in housing construction through land allocations and low interest loans in conjunction with AUHF-member Shelter Afrique. He stated that such efforts should ease impediments to private investment in less expensive homes. Renaissance Group- a leading independent investment bank has offered its vote of confidence in the Ghanaian housing market through its investment in two projects worth \$600 million, launched on 7 July 2012 by the vice president, John Dramani Mahama. These projects encompass the construction of two new cities; one in greater Accra and the other in the Western region with target populations of 88,000 and 90,000 respectively. While Renaissance is providing the financial resources, local chiefs are providing the land; as Ghana's complex land ownership situation can make life difficult for investors. Renaissance has stated that it has a deal with a company that can provide 15 year mortgages for GHS18,000 (\$10 000). Source (30 July 2012): [Oxford Business Report](#).

### South Africa's rural area housing challenges

Speaking at the handover of 49 houses at Mantheding - a village outside Polokwane in Limpopo Province - the Human Settlements Minister stated that the provision of bulk infrastructure is one of the main challenges in delivering houses in rural areas. The minister argued that it was necessary for government departments to pull resources together to ensure that sustainable human settlements become a permanent feature of the country's rural landscape. He stressed that human settlements were not only about the provision of houses, but also about economic opportunities, access to schools, clinics, and recreational facilities among other things. Source (31 July 2012): [Property 24](#).

### US\$5 million Housing Scheme Launched in Zimbabwe

Harare City Council recently launched a US\$5 million programme to build 480 housing units in Dzivaresekwa for the people who were affected by Operation Murambatsvina. The project is an arrangement between the council, the Peoples' Dialogue on Shelter and the Homeless People's Federation of Zimbabwe. Construction of the houses has already begun, people are allocated 180m<sup>2</sup> to 200m<sup>2</sup> stands on which they will be assisted to build one roomed structures

which they can extend later. The first occupants are expected to move in by September. Source (23 July 2012): [All Africa](#).

## Housing Finance

### Shelter Afrique finances Kenya's low cost housing market with \$500 000

AUHF-member Shelter Afrique, has extended a \$482 000 loan to a housing microfinance institution, Makao Mashinani. Makao Mashinani is a local housing microfinance company that seeks to provide innovative housing finance solutions to serve the low income segment. Makao Mashinani is to use the loan facility acquired from Shelter Afrique, to scale up social housing finance for the low income population living in slums and informal settlements in Kenya. It is reported that Makao Mashinani Ltd will lend the funds to an estimated 2000 low income earners who want to construct low cost houses. It is reported that Kenya has an annual demand of 250 000 housing units and supply of only 60 000, such a loan for assistance in low cost housing construction is therefore, a useful endeavour. Source (20 July 2012): [Ventures](#). **Correction: in the last newsletter, we mistakenly reported that the Shelter-Afrrique loan was for \$47 600 – this was incorrect. The loan to Makao Mashinani is \$482 000 as reported here. We regret the error.**

## Innovation in Housing

### South Africa: Pre-fab housing could help speed up delivery

ArcelorMittal Construction SA, a unit of steel-maker ArcelorMittal, is hoping to soon receive official notification from the Council for Scientific and Industrial Research (CSIR) that its pre-fabricated technology has been approved in SA. It is reported that the steel-frame and panel-board designs as opposed to bricks and mortar, would allow the government to rapidly erect insulated and fire-proof dwellings certified to international standards, while creating jobs. ArcelorMittal has already built demonstration home in KwaZulu-Natal and Thierry Poitel- MD of ArcelorMittal construction SA- claims that prefabricated buildings could help alleviate housing pressures on the state. Source (25 July 2012): [Business Day](#).

## Land

### Accessing land and improving lives in Zambia and Malawi

Homeless International has recently launched a project in Zambia and Malawi, targeted at tackling issues of land, housing, water and sanitation. The 4-year project focuses on providing affordable finance for networks of the urban poor. Homeless International has reported that this project has helped communities in Zambia and Malawi to work together through local federation networks to secure land for over 14,000 people. It is further reported that 140 families have already constructed houses on the newly acquired land and are now able to plan decent water and sanitation facilities in their communities. Repayments for the loans will be ploughed back into a central, revolving fund which will enable the disbursement of further loans to other slum dwellers to build their homes in areas that are legal and planned. Source (30 July 2012): [Homeless International](#).



## AUHF Member Profile: Housing Finance Bank Uganda



David Dansor Ninyikiriza is Housing Finance Bank Uganda's representative to the AUHF.

Housing Finance Bank Uganda (HFC) was incorporated as a company in 1967. The bank is owned by the National Housing and Construction Corporation- a parastatal involved in real estate business, the National Social Security Fund (NSSF) and, the Government of Uganda; with 5%, 50% and 45% shareholding respectively. The bank has five branches in Kampala, and a further three elsewhere.

The bank is committed to maintaining its profitability and improving the delivery of shelter by availing mortgage loan facilities. Today, Housing Finance Bank is the leading mortgage lender in Uganda, with a market share of 90%. It has recorded steady growth in deposits, mortgage assets and shareholder equity. The Bank's public deposits increased steadily over the six years from Shs. 20.2 billion in 2003 to Ushs. 78.3 billion in 2008, while its total mortgage asset stood at Ushs 149.9 billion as at end of 2008 (more recent data not available on the website).

*"We are committed to provide Ugandans with a path to a home of their own through our flexible savings and mortgage schemes".*

### Products & Services

HFC Bank offers a variety of mortgage products, as well as personal and business banking products.

The mortgage products can be used for the purchasing, construction, extension and renovation or improvement of residential properties. In all cases, the borrower must have a savings account with Housing Finance Bank Uganda, with a minimum balance equivalent to one instalment of their loan repayment, before they qualify. Applicants can be Ugandan residents or non-resident. Residents may be individuals, companies, and joint applicants such as couples and or employees of corporate organisations. For joint applicants, joint incomes or cash flows are considered and the property title is registered jointly. For employees, a Corporate Staff Mortgage is available.

### Home Mortgage Loan

This is a loan for the purchase or construction of a single residential unit, it may also be used to refinance a loan taken for these purposes. Loans are also given to individuals who would like to purchase a plot of land. The maximum plot size is one acre. Plots must be located in urban areas and with valid land titles. The minimum loan size is Uganda Shs. 5 million, depending on the property location and value. The loan available cannot exceed 70% of the property value for residential units in Kampala, 60% for urban plots and 50% for residential units in other towns. The loan tenor is 20 years, at an interest rate of 16%. For urban plots, the



loan tenor is 5 years. The bank allows up to 35% of income to be dedicated towards the payment of the loan. Application fees are set at 0,25% of the loan amount.

The loan facility / commitment fees are set at 1.25% of the loan amount.

### Construction Finance

The construction finance facility is designed to assist property developers construct commercial or residential properties for sale. The bank finances up to 70% of the entire project cost, over a 3 year loan term (inclusive of a one-year grace period). The minimum loan size is Ushs 500m or its equivalent in US Dollars. The loan is available both in Uganda Shillings and US Dollars and can only be accessed by registered companies. On housing construction financed by the bank, it will also finance the end user buyers by up to 90% of the open market value as per the Bank's valuation report, and these buyers will not be charged Valuation Costs. In this way, the bank is supporting greater affordability of the finished product.

### Commercial multi-units Purchase / Construction

This loan product is given to individuals or legal entities for the purchase or construction of two or more residential properties, such as a block of flats, semi-detached houses or maisonettes, etc.

### Equity Release Loan

The Equity Release Loan is a facility extended against equity in a property to enable the borrower to purchase other assets, to build a second dwelling elsewhere, to use as working capital, and so on. The refinanced property must be either a residential house or multi-unit dwelling, and must be in a good state of repair. As with the home mortgage loan, the borrower can be self-employed and may also be a non-resident, living in the diaspora.

### Agency mortgages

Housing Finance Bank has an interesting product directed at employer housing. In this case, the bank acts as an agent of an institution in respect to funding, administration and monitoring of mortgages for a company's employees. The company provides funds to the employees through Housing Finance Bank. In the past, the bank has financed the sale of properties by government under the Pool House Scheme. The terms and conditions depend on an agreement reached between the company and Housing Finance Bank.

### Commercial mortgages

A mortgage is also available for the purchase or construction of business/ commercial property, such as offices, retail stores or shops, hostels, guest houses, schools, industrial properties or other income-generating properties.

### Housing Finance Bank Uganda

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# Player in focus: The Affordable Housing Company



The Affordable Housing Company (Afhco group) was founded in 1996 and is a leading investor, developer and manager of affordable housing and commercial property in Johannesburg's inner city.



The Group owns 62 buildings in the Johannesburg inner city, including residential rental apartments and 300 000m<sup>2</sup> of retail, commercial and light industrial space. The group has delivered over 5500 affordable housing units, with a further 1000 residential units under development for 2012. This will bring the total residential rental portfolio close to 5000 units with a total value of approximately R1.6 billion. Afhco has been instrumental in upgrading and converting derelict high rise buildings in the city.

Afhco Group is the leader in driving the creation of improvement districts within the inner-city, addressing social and schooling issues as well as lobbying the City Council to assist with public space upgrades. Its key strategy has been the upliftment of precincts and communities around its buildings in order to make previous no-go areas into sought-after residential nodes. This strategy has resulted in a general rehabilitation of the inner-city with Council and growing competition playing a key role.

The Afhco Group has 3 divisions: Afhco Holdings, Afhco Property Holdings and Afhco Construction Management.

## Afhco Holdings

Afhco Holdings (Pty) Ltd, was created in 1996. The company can offer residential rental units at an affordable price to the emerging middle class (people earning R3500 to R10 000) by converting derelict buildings into modern and well designed rental apartments. These rental apartments include kitchens with built-in cookers, attractive finishes, full bathrooms, DSTV access, telephones, internet access, finger print access and 24 hour security.

## Afhco Property Management

Afhco Property Management (Pty) Ltd was established in 1998, registered with the Estate Agency Affairs Board, and is responsible for the management of all Afhco's properties, including residential, commercial, retail and light industrial. The company now also

manages properties on behalf of third parties and is looking forward to growing their client base further.

Afhco Property Management has achieved a level of less than 1% vacancy on residential units and a bad debt ratio of below 0.5%. The company ensures affordable, safe and well maintained accommodation in an environment where tenants can feel proud of their homes. Afhco Property Management achieves this through ongoing communication with the tenant base, the strict enforcement of building rules, the prevention of overcrowding and noise pollution and, through effective building maintenance.

## Afhco Construction Management

Afhco Construction Management is an in-house construction company which is responsible for Afhco's building and research applications. It was created as a result of a shortage of specialists in the field due to large developmental projects such as the Gautrain and The 2010 Fifa World Cup and, the need to create cost effective solutions for grand scale building operations. The Company currently employs approximately 20 employees and around 250 people are indirectly employed through contractors on site.

Afhco Construction Management has produced in excess of 3500 apartments in the Johannesburg CBD in the past five years, at approximately R150 million. The Company is currently in the process of rolling out a further 700 new apartments, expected to be completed by mid-2012. In addition, there are also two commercial shopping centres under development by the company, at a cost of around R50 million.

### News from the Afhco Group: Newgate gets underway!

The latest building conversion by the Afhco Group is called Newgate. The new, affordable housing project is a joint venture with Standard Bank. Both Standard Bank and Afhco each own 50% of the building and project. This is an R80 million project, located between Jeppe and Bree Streets, opposite Ntengi Mpliliso Metro Mall, in the Johannesburg CBD.

Newgate will provide 215 furnished bachelor and one-bedroom affordable rental units for the R3500 - R10 000 income group. This target market is largely referred to as the gap market- those who neither qualify for subsidised housing nor for entry level home ownership.

See publication in Housing in Southern Africa  
<http://www.afhco.co.za/wp->

### The Affordable Housing Company

COO: Renney Plit

CEO: Wayne Plit

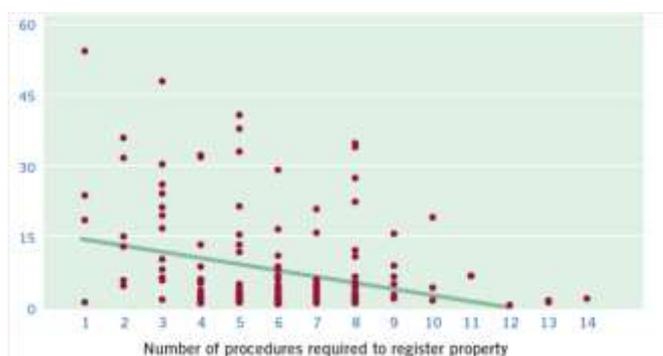
Web: <http://www.afhco.co.za>



## Graph of the Month

### Complexity of Property Registration & Home Loan penetration: GLOBAL FINDEX

The Graph presented below continues on last month's Global Findex Data from the Global Financial Inclusion (Global Findex) database. This graph explores the complexity of property registration and home loan penetration from a sample of 145 economies. The data for property registrations presented is for 2011.



The y axis refers to the percentage of adults with an outstanding loan to purchase a home or apartment, whilst the x axis refers to the number of procedures required to register a property. What the graph, therefore, communicates is that, there are less property registration procedures for those adults with a higher outstanding loan to purchase a home or apartment. As this percentage drops, the number of procedures increases. This means that registering a property becomes more complicated in those economies where a lower percentage of adults have an outstanding loan to purchase a home or apartment. Such economies constitute those adults of lower incomes and generally lower levels of home ownership. This is interesting to note because this means that – as property registration and home loan penetration becomes more complex in the lower income economies- the chances of the adults in those economies of owning a home are diminished. The highlights the importance of innovation in the housing finance sector in order to make home loans more accessible for the lower income populations.

This Findex Note titled: New Data on Borrowing to purchase, renovate, or construct a home, will soon be available on the World Bank Website <http://www.worldbank.org/>.

## UPCOMING EVENTS

### TRAINING/ COURSES

#### OCT

**1-6** **Housing finance Programme for Sub Saharan Africa!** Cape Town, South Africa. **10% DISCOUNT FOR AUHF members!** For more info visit: <http://www.gsb.uct.ac.za/e.asp?c=744>

### CONFERENCES / WORKSHOPS

#### SEPT

**1-7** **World Urban Forum: The Urban Future!** Naples, Italy. Visit [www.unhabitat.org](http://www.unhabitat.org) for more information.

**13-14** **Jumpstarting Real Estate in Nigeria for Global Investment.** Lagos, Nigeria. Visit: <http://3investonline.com/realestateunite/pages.php?page=2>. 20% Early Bird discount till 31 July.

**16-19** **International Housing Conference & Exhibition.** Cape Town, South Africa. Visit: <http://www.sahf.org.za/CONFERENCE.html>.

**19-20** **Investment & Innovation in Microfinance Summit.** Accra, Ghana. Visit: [www.microfinance-africa.com](http://www.microfinance-africa.com) or call +44 203 141 8700

**25-28** **Housing Microfinance Workshop –** Kampala, Uganda. **Discount for AUHF members!** Email: [ahb.hmfworkshop-africa2012@anthillbees.com](mailto:ahb.hmfworkshop-africa2012@anthillbees.com)

#### OCT

**8-10** **AUHF Annual Conference & AGM!** Bank of Tanzania Conference Centre. Dar es Salaam, Tanzania.

**15- 17** **Urban Development and Housing.** Delhi, India. For more information email [RhubiniA@marcusevansuk.com](mailto:RhubiniA@marcusevansuk.com)

#### NOV

**14- 15** **European Mortgage Federation Annual Conference.** Brussels, Belgium. Registrations are now open. Visit: <http://www.hypo.org/Content/Default.asp?PageID=455>

**20-23** **Housing Microfinance Workshop –** Lagos, Nigeria. **Discount for AUHF members!** Email: [ahb.hmfworkshop-africa2012@anthillbees.com](mailto:ahb.hmfworkshop-africa2012@anthillbees.com)

**SAVE the DATE: 5- 7 June 2013**

Sound Housing Finance around the World  
Joint Congress IUHF & EFBS.  
Vienna