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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 or Lorraine Nzimande at 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

We are pleased to welcome 3 new members:

- ✓ **Govan Mbeki Housing Company (GMHC)** : is a non-profit social housing institution. GMHC caters for the needs of the low to middle income earners residing in the Govan Mbeki Municipality, South Africa.
- ✓ **Vantage Affordable Housing Company**: provides micro credit and promotes affordable, safe and decent housing opportunities for low and moderate income earners in Zimbabwe.
- ✓ **Mbombela Housing Association**: are specialists in affordable housing provision in South Africa.

REMINDER: Please don't forget to register for the AUHF-Bank of Tanzania Conference in Dar.

twitter



@AUHF_Housing now has 44 followers!

LinkedIn

Group: African Union for Housing Finance



A monthly newsletter of the African Union for Housing Finance

Thinking about Chinese investment in Africa

As the China-Africa discourse intensifies across the globe, the Mazingira Institute, Centre for African Studies, Peking University and Development Workshop, supported by the Bill and Melinda Gates Foundation, co-organised a workshop on pro-poor urban development in China and Africa. The workshop took place from 30 July to 1 August 2012 in Nairobi, Kenya.

The objective of the workshop was to bring together Chinese and African experts and thinkers to deliberate on how urbanisation is affecting the poor. The idea came from interactions and observations between practitioners in Angola and China over the past two years, as both countries have urban growth rates among the fastest in the world.

Not enough is known about the African environment by Chinese academia, policy makers and urban development specialists; the need for comprehensive and participatory urban planning jointly with African counterparts was therefore recognised. The workshop aimed to share experiences and best practices in pro-poor urban development in both China and Africa, focusing on Chinese involvement in African urbanization. It aimed to promote concrete and actionable ideas for pilot projects to enhance the pro-poor impact of external Chinese investments in Africa.

The presentations and discussions at the workshop were centered on the following themes: China's involvement in Africa's urban development; Financing and social housing; Urban land, services and infrastructure and; Participatory urban planning. A report on the proceedings sets out the discussions held under the four themes and sets out the key issues that were drawn from the discussions. What emerged from the first theme, on China's involvement in African urban development were the new strategic partnerships around support for infrastructure, agriculture, manufacturing and small-medium scale enterprise (SMEs) development which China is developing. Data on the impacts of the Chinese trade and investment in Africa were also presented and critically analysed, responding to the challenge of how to establish an effective measurement system.

A presentation by Dr Shelly Mao Xiaojing from the Chinese Ministry of Commerce highlighted that China's investment in, and aid to Africa started in 1956. By the end of 2010, China had offered aid to 51 countries, completed 933 development projects, dispatched 18 000 medical workers and 353 young volunteers, provided training to 32 350 Africans, and discharged 320 debts worth 19 billion Yuan for 35 of the most indebted, least-developed nations. Dr Zhao Changhui, the Chief Country Risk Analyst from China's export import bank, China Eximbank, added that investment in housing and urban development was a serious priority for both the Chinese government and Chinese companies.

For more information or to access the workshop report, please contact Kecia Rust on kecia@housingfinanceafrica.org





In the news

This month in African housing finance

Housing delivery

SA's Housing Minister calls for debate on state construction

South Africa's Human Settlements Minister, Tokyo Sexwale, has reported that the R50 billion cost incurred by the state in rectifying inferior quality subsidy housing construction is forcing the government to consider the establishment a state owned construction company. The minister said that government teams would be sent to observe state-owned construction companies around the world, including Brazil. He clarified that the company would not necessarily be 100% government controlled, but possibly 50% or 20%. The key issue, he said, was that government had to ensure there was no more shoddy construction. Source (3 August 2012): [Business Report](#).

In response to this issue, the Democratic Alliance (DA) - has submitted parliamentary questions to the minister to reveal the names of the contractors who have produced houses of inferior quality. The DA has stated that contractors who build faulty houses should be blacklisted to ensure that no more public money is wasted. They further accused the minister of trying to shift the blame of the bad state of subsidised houses to the service providers and away from his department. They said that the minister ignores the fact that, the service providers are contracted by his department and should be held accountable by it. The DA also said that the minister failed to mention the failure of the National Home Builders Registration Council (NHBRC) - which is an entity within the Human Settlements department responsible for protecting consumers from unscrupulous contractors, blacklisting all those who deliver sub-standard housing. The DA challenged the minister to clear the housing system of bad contractors. Source (3 August 2012): [Politics Web](#).

South Africa: Gauteng Affordable Homes launched

Acutts Motlekar is geared up to accelerate the delivery of affordable housing in South Africa in a bid to broaden home ownership and wealth development. Acutts Motlekar is a joint venture between Acutts Property Group and African investment holding company Motlekar Holdings in conjunction with construction company, Group Five. R5 billion will be spent by the consortium into affordable housing projects nationally. The venture aims to build a total of 18,000 housing units annually; it currently has the capacity to deliver 100 houses a day. These units are targeted towards first time home buyers and middle income earners to secure bonds of between R450,000 and R850,000. The initial project, Crystal Park, in Benoni was launched in May and comprises 4 250 units. The next phase of the project is planned for Midrand in Gauteng. Each suburb is planned to have a range of between 600 and 5 000 houses. The developments are to have a streamlined credit approval and bond calculation system on-site to assist potential buyers. Acutt says the banks would typically grant bonds, but the joint venture had also made a deal with Old Mutual via its Development Impact Funds,

specialist financial services company Mettle and specialist home loan group Integer. Acutt believes that the association between themselves and Motlekar will drive and transform the South African affordable housing property sector. (7 August 2012): [Property 24](#).

SA President launches Kanana Park Housing Project

The South African president, Jacob Zuma, handed keys over to beneficiaries of more than 200 fully furnished, two bedroom houses in Kanana Park. Those benefitting from the new houses include people who were found living in un-habitable conditions when the president visited Sweetwaters and Thulamntwana in 2010. It is following that visit that the Gauteng Provincial Government and the City of Johannesburg began developing the Kanana Park Housing project which will incorporate the Sweetwaters and Thulamntwana settlements and, two smaller informal settlements. The project is to comprise of 3 101 houses: 1 793 government subsidized housing units, 756 social rental units and, 552 bonded units. Parks, sports grounds, schools, a clinic and commercial and light industrial sites are being planned for the area. (10 August 2012): [All Africa](#).

US\$345m investment goes into Angola construction sector

Angola has secured 16 investment contracts worth a total of US\$345 million through Angola's National Agency for Private Investment (ANIP). These contracts were signed in a period of 6 weeks, from 1 July to 16 August. The investments are mainly in the construction sector with China heading up the list of top investors in the country followed by Portugal, Spain and Italy. The first contract was signed with a Spanish- owned construction company Mussonde Commercial which focuses on building social housing. (20 August 2012): [Macauhub](#).

Other

Land & Finance challenge African housing industry

A two day international workshop held in Accra, Ghana, has identified land topography, financial, and land inaccessibility as major challenges in the housing industry in Africa. The deputy minister of Water Resources, Works and Housing- Ms Hanna Louisa Bisiw- said that the main developmental constraints in Africa are the high population and urban growth rates, environmental degradation and natural disasters. All of these constraints, either directly or indirectly affect housing conditions. She highlighted that more than 70% of Africa's urban population live in slums. This workshop was attended by about 50 participants from 8 African countries including: Ghana, Kenya, Malawi, Uganda, Namibia, Tanzania and South Africa. It offered a series of regional, national, and international training events on sustainable solutions to the challenges faced by local authorities. (22 August 2012): [Ghana News Agency](#).





AUHF Member Profile: National Housing Corporation- Tanzania



Mr Nehemiah Mchechu, Director General of National Housing Corporation, is the NHC's representative to the AUHF.

The National Housing Corporation (NHC) was originally established under Act of the Tanzanian Parliament No. 45 of 1962. In line with the public sector reforms, NHC was reconstituted under the Act of Parliament No.2 of 1990. This reconstitution involved the dissolution of the Register of Buildings

(RoB) and entrusting its assets to the new NHC. The RoB was established under Act of Parliament No. 13 of 1971 to manage the acquired buildings. Act of Parliament No.2 of 1990 was amended under Miscellaneous Act No. 2 of 2005 in order to enable the NHC to participate competitively in the real estate market.

The object of establishing the NHC was to provide adequate housing to the majority of urban dwellers, particularly the citizens of African decent who faced problems of poverty and unhealthy living environments. NHC's role, therefore, became one of **'providing and facilitating the provision of housing and other buildings for the use by members of the public.'**

In the context of this role, Act No.2 of 1990 bestowed upon NHC a number of functions that include the following:

- Constructing houses and other buildings for sale
- Constructing buildings as part of approved schemes
- Providing or facilitating the provision of building materials
- Conducting the business of estate management in respect of own properties and any others on approved terms
- Conducting business of building contractor, planner and consultant

Past Performance

Between 1962 and 1975, the NHC managed to construct a total of 14,462 low and medium cost houses in most of the urban centres of mainland Tanzania. These houses were constructed under the slum clearance, tenant purchase (TP) and rental schemes. The schemes were financed through government subsidies; loans from the Permanent Housing Finance Company (PHFC) and its successor Tanzania Housing Bank (THB); donor funds from the Federal Republic of German (FRG); and own funds.

The performance of NHC started to taper during the mid-1970s following the economic crisis that was caused by the 1973 oil price hikes. Between 1976 and 1989, the Corporation constructed a paltry 1,664 housing units. Both the diminished Government ability to provide subsidies and the macroeconomic frame woes exerted a



serious negative impact on NHC's performance. By 1982, the Corporation had been compelled to shift its business philosophy towards construction of houses for outright sale rather than rental and TP schemes.

Asset Base

The 1990 reconstitution was aimed at revitalizing the Corporation to enable it play a more significant role in the real estate industry under the adopted market settings. The Corporation was thus effectively waned from government subsidies. However, the high performance of the 1960's and early 1970's was not to be repeated. Between 1990 and 2010, the NHC managed to construct about 2,000 housing units. These houses were constructed under a number of schemes that included construction of houses for outright sale, public-private partnership (PPP) and development of commercial rental properties. The absence of a formal mortgage system and low income levels among most of the house seekers had taken a toll on NHC's performance.

In 1990, the new NHC inherited a total of 26 705 commercial and residential rental units. This stock declined as follows: in 1990 5,689 units were transferred to the Local Governments; in 1993 4666 non-performing rental houses were sold off and over 120 buildings were demolished to pave way for redevelopment projects. Currently, the NHC's stock comprises 2389 buildings which hold 17111 rental units, valued at US\$1.1 billion. These properties are mainly located in prime areas of major urban centres.

New Strategic Direction

In March 2010, the Government appointed Mr. Nehemiah Kyando Mchechu as the new Director General of NHC. Mr. Mchechu, with an accomplished experience in the banking industry, was to bring to NHC his youthful vigour and private sector business philosophy. Under his leadership, the NHC was able to develop a new five year strategic plan for the period of 2010/11 – 2014/15. The salient features of this plan are as follows:

Vision: To be a leading real estate development and management firm.

Mission: To provide and facilitate the provision of quality housing and other buildings to use by the general public while operating on sound commercial principles.

NHC has six Strategic Goals:

1. **To become a leading real estate developer** by constructing a minimum of 15 000 units (including 5000 affordable houses) for both sale (70%) and rental (30%) purposes; assuming the role of a master developer; and mobilizing investment funds amounting to US\$1.0,
2. **To become an efficient real estate manager** by among other, evolving into the most reputable real estate management firm; ensuring fair value of HNC assets; and undertaking value for money maintenance of properties



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3. **To strengthen the operational capacity and control mechanisms** by enhancing operational efficiency and compliance as well as establishing risk management system.
4. **To optimally deploy the human resources base** by effectively utilizing human resources; building corporate capacity and enhancing staff health care.
5. **To review and improve contracts with clients and the legal environment** by streamlining existing contracts; fast tracking amendments of NHC Act No. of 1990; preparing pertinent regulations; and minimizing disputes.
6. **To boost the corporate image** by restoring corporate image to the public and developing a corporate social responsibility strategy, that focuses on youth development and the consequential synergies.

Investment Policy

The NHC also introduces a new win-win investment policy that seeks to attract private partners in its investment ventures. This strategic partnership policy is based on the following investment models:

- Land as equity contribution (LEC) model in ventures involving development of prime commercial and residential rental properties
- Land and finance contribution (LFEC) model in ventures also involving development of prime commercial and mixed-use rental properties.
- Revenue sharing model (RSM) in ventures involving development of residential properties for sale.

Project Approaches

- **Urban redevelopment:** This approach involves the redevelopment of plots hosting buildings whose values are no longer in conformity with the high values of the Central Business District (CBD) land. Such buildings are pulled down and replaced with bigger high-rise ones.
- **Urban Renewal:** This approach involves the redevelopment of unplanned/ squatter areas that accommodate over 70% of the urban population in Tanzania. The idea is to construct high-rise buildings in place of the poor and unhealthy structures. The approach is participatory as stakeholders are involved at all levels. These stakeholders include, property owners, local communities, Local Governments and Centre Government.
- **Development of Satellite Cities:** This approach involves the acquisition of new land and constructing self-contained mini-cities through a master develop concept.

Recent Achievements

During the past two years, NHC has experienced tremendous achievements. The Corporation has been able to raise the endemically low rent rates of its properties from an average of 30% of the market rates, to 60%. The ultimate goal is to reach an average of 85% of the market rates by June, 2015. Equally, it has succeeded in increasing the annual rent collections from 85% in 2012 to around 100% currently. The Corporation also has been able to complete the restructuring, rightsizing, training and recruitment of staff. Further, the Corporation was able to increase

efficiency in its delivery system by putting in place control and compliance mechanisms aimed at safeguarding its assets as well as redressing the legal frame and contracts. Finally, NHC's construction unit has been upgraded from Contractor Class 2 to Class 1.

As regards to property development, the NHC started with the procurement of land in various urban areas of Tanzania in its quest to establish a formidable land bank. Presently, it has already finalised the acquisition of 1 372.1 acres. Part of this land (i.e 862.2 acres) located in Arusha will be pivotal towards executing the master developer role. Also the Corporation is in the process of acquiring extra 26,887.9 acres in different parts of Tanzania.

Besides these efforts, the NHC also completed the preparation of several projects consisting of 9000 residential and commercial units. During the financial year 2011/12, the Corporation started the implementation of seven (7) projects consisting of 737 housing units that are located in various areas of the country. These areas include, Arusha, Dodoma, Dar es Salaam and Morogoro. The said projects are at different levels of execution. During 2012/13 the Corporation is expecting to complete the above projects and has already embarked on the implementation of 38 new ones consisting of 4140 housing units as well as 14 commercial projects.

In financing the foregoing projects, the NHC secured the Government permission to borrow a total of TZS300 billion (US\$190.5 million). So far, the NHC has entered into agreements with eight local banks for loans amounting to TZS165.4 billion (US\$105 million). The Corporation has already drawn-down an amount of TZS 68.5 billion (US\$ 42.5 million) to finance the ongoing projects.



Mind Palace in Dar es Salaam: One of NHC's Ongoing Projects.

The Corporation is also playing an important role in ensuring that the mortgage system in Tanzania works. In October, 2011, the NHC signed agreements with nine banks that are committed to provide mortgage loans to buyers of its houses. As an extra security to both the lender and borrower, under these agreements, the NHC agreed to buy back properties whose borrowers are unable to complete loan repayments.

National Housing Corporation Tanzania

Mr Nehemiah Kyando Mchechu is the AUHF Representative
Tel: 255 22 285 1590 / 1135
Email: dg@nhctz.com
Web: www.nhctz.com
Facebook: www.facebook.com/nhctz



Player in focus: Real Estate Developers Association of Nigeria

Real Estate Developers Association of Nigeria is a private sector agency recognised by the Nigerian government and approved by the Federal Mortgage Bank of Nigeria (FMBN) to facilitate the delivery of affordable mass housing for Nigerians.

The Association was formed about a decade ago and has gained increased credibility and prestige with over 1 500 members. It is the first point of reference for both private and public institutions, international partners and, investors who wish to draw up a housing programme or participate in or participate in housing development in Nigeria.

REDAN is a membership association; membership is by application and is open only to corporate entities. The applicant must be an estate development company, or involved in business related to the housing industry or commercial real estate development including: building of residential, commercial or industrial structures. Membership with REDAN is, therefore, open to: Limited Liability Companies, Registered Societies, Partnerships and, Parastatals of State or Federal Governments who engage in real estate development.

With a vision 'to be Nigeria's most influential and credible voice in the real estate development and investment industry, a notable force in influencing industry policies and practices; with strong local and international recognition in all issues affecting the Nigeria real estate sector'

REDAN believes that it is capable of serving as an effective pressure group that will:

- Drive through legislation aimed at enhancing the enabling environment for mass housing provision at the National Assembly;
- Contribute to and reshape the housing finance policies of the Central Bank of Nigeria (FMBN), primary mortgage and commercial banks;
- Expedite the much needed reform in the mortgage finance sector and;
- Promote the business interests of its members

REDAN collaborates and cooperates with all complementary institutions and organisations in the Housing and Real Estate Development industry. It works in closely with the Federal Ministry of Lands, Housing and Urban Development which has a fully functional desk assigned for REDAN activities. The Association also strives to play an active role in the promotion of research for the development of building materials and systems, as well as standard setting for the industry.

REDAN's mission is to effectively represent the members to achieve their corporate objectives to efficiently carry on their business as agents of development by ensuring public appreciation of the importance of REDAN, and effort it is making to meet the housing needs of Nigerians. Ensuring balanced national legislative, regulatory and fiscal policy to provide the enabling framework and environment for effective housing delivery.

Its strategy is to provide a forum for all real estate developers to collaborate for the common good of Nigeria. REDAN cooperates with all tiers of government in Nigeria and all their agencies and parastatals connected with land administration, planning, infrastructure development, housing provision and administration.

REDAN is currently striving to expand Nigeria's secondary mortgage market through the national capital market and foreign sources to ensure steady and hitch free financing towards the actualization of mass housing delivery for Nigerians.

Real Estate Development Association of Nigeria
www.redan.org.ng

Report Review: Building Bridges- Ernst & Young's 2012 Attractiveness Survey, Africa

Ernst & Young, a global leader in assurance, tax and advisory services, launched their second edition of the Africa Attractiveness Survey. The survey investigates the attractiveness of the African continent to investment, particularly Foreign Direct Investment (FDI), by highlighting the latest Foreign Direct Investment trends and the region's growth potential. The inaugural attractiveness survey was launched in 2011 and revealed growth and progress on the African continent. The second edition builds on the theme of the growth of the African continent, while emphasising the need to turn around perceptions that exist in the international community, among many potential investors who are not yet doing business on the continent. The report also highlights two other factors that contribute to sustainable economic growth on the continent: regional integration, and reducing the infrastructure deficit. Turning around perceptions, accelerating regional integration and reducing the infrastructure deficit are explored in detail in the report as being the key challenges that need to be met in order to unlock Africa's potential.

The key findings of the survey reveal the following:

- The number of Foreign Direct Investment (FDI) projects in Africa grew 27% from 2010 to 2011, and have grown at a compound rate of close to 20% since 2007.
- Despite this growth, there remain lingering negative perceptions of the continent — but only among those who are not yet doing business in Africa.
- The story of Africa's progress, not just in economic but also in socio-political terms, needs to be told more confidently and consistently.
- This broad-based progress is underscored by a substantial shift in mindset and activities among Africans themselves, with increasing self-confidence and continued strong growth in intra-African FDI (which has expanded by 42% since 2007).
- Regional integration is critical to accelerated and sustainable growth. Creating larger markets with greater critical mass will not only enhance the African investment proposition, it is also



the only way for Africa to compete effectively in the global economy.

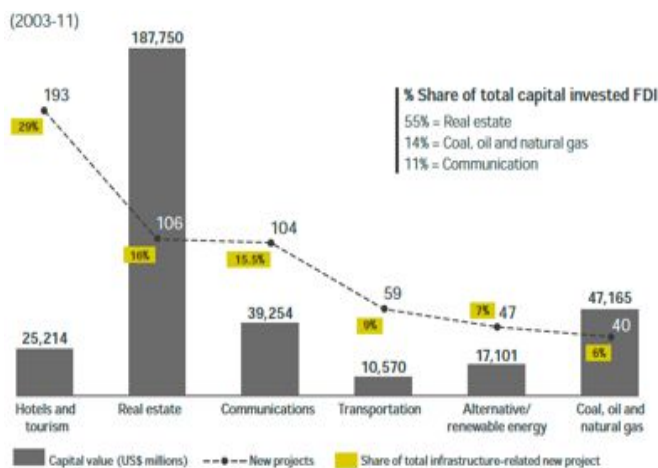
- Bridging the infrastructure gap will be a key enabler of regional integration, growth and development. It also remains a key challenge and opportunity for investors.

The report leans on the idea that progress in the 3 key challenge areas discussed, will drive Foreign Direct Investment (FDI), sustainable economic growth and, human development.

To access the full report, visit:

<http://www.ey.com/ZA/en/Issues/Business-environment/2012-Africa-attractiveness-survey>.

Graph of the Month



Source: fDI Intelligence, data as of 3 February 2012; Ernst & Young.

Infrastructure-related investment by top sector engagement

This graph is taken from the Ernst & Young's 2012 African attractiveness survey- Building Bridges. It is one of a series of graphs illustrating infrastructure funding in Africa. It is estimated that 40% of Foreign Direct Investment (FDI) capital invested into the continent since 2003, has been into infrastructure related projects, although there has been a steep decline in projects and capital invested since 2008.

This specific graph represents infrastructure- related investment by top sector investment and reveals that Real Estate has the highest capital value of US\$187 750 million in investments, followed by the Coal, Oil and Natural Gas Sector with a capital value of US\$ 47 165 million. This translates into a 55% share of total capital invested FDI into the real estate sector and 14% into the Coal, oil and natural gas sector. New Projects, however, have been largely concentrated in the Hotels and Tourism sector, followed by the real estate sector. This indicates a growth in Hotels and Tourism and a lag in the Real Estate. **Source: Ernst & Young's 2012 attractiveness survey- Africa.**

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

16-19

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

17- 21

Sustainable Human(e) Settlements Conference. Johannesburg, South Africa. Visit: www.shsconference.co.za for more details

19-20

Investment & Innovation in Microfinance Summit. Accra, Ghana. Visit: www.microfinance-africa.com or call **+44 203 141 8700**

OCT

8-10

AUHF Annual Conference & AGM! Dar es Salaam, Tanzania. More information coming soon!

15- 17

Urban Development and Housing. New Delhi Hotel, India. For more information email RhubiniA@marcusevansuk.com See full brochure: http://www.marcusevansassets.com/doc/pdfs/Ep_19196.pdf

18-19

AFD- NASHO Greening of Social Housing Seminar. Johannesburg, South Africa. Details to follow.

NOV

14- 15

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

22-23

Africa Urban Infrastructure & Real Estate Summit. Cape Town, South Africa. For more detail visit http://www.ic-events.net/africa_urbaninfrastructure/

20-23

Housing Microfinance Workshop – Lagos, Nigeria. **Discount for AUHF members!** Email: ahb.hmfworkshop-africa2012@anthillbees.com

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Nairobi Property Summit- Developing a World Class City. Nairobi, Kenya. Register online @ <http://www.nairobipropertysummit.com/form/3-registration-form.html>