

# 30th International Union of Housing Finance (IUHF) World Congress

Regional Developments in Housing Finance and the Economy

**Cas Coovadia** 



#### **Table of Contents**

- Introduction
- Key Economic Data
- State of Housing Markets
- Affordability
- Development of Housing Markets
- Challenges
- Conclusion



#### **Introduction**

- Africa is a continent of 54 countries
- Very diverse, with countries boasting advanced transport, IT and other infrastructure, while others are still very undeveloped or under-developed
- Many say Africa poised to benefit from 4<sup>th</sup> industrial revolution because of fewer legacy issues and can thus leap-frog. Use of mobile 'phones increased by 344% between 2007/16
- Housing markets reflect diversity of continent, with a sophisticated market in South Africa, but very undeveloped markets in other parts of continent.
- Will give broad overview of housing market and dynamics in time available.
- Research undertaken by Centre for Affordable Housing (CAHF) Secretariat for AUHF



#### **Key Economic Data**

- Africa boasts three of the top ten growing economies in the world in 2016
- GDP reflects diversity of continent and different levels of development

Nigeria \$569 billion

South Africa \$353 billion

• Gambia \$1,041 billion

- 2nd fastest growing FDI destination by capital in the world
- Population of 1.216 billion
  - 200 million youth, expected to double by 2045
- On course to be an economy of \$3 trillion by 2020

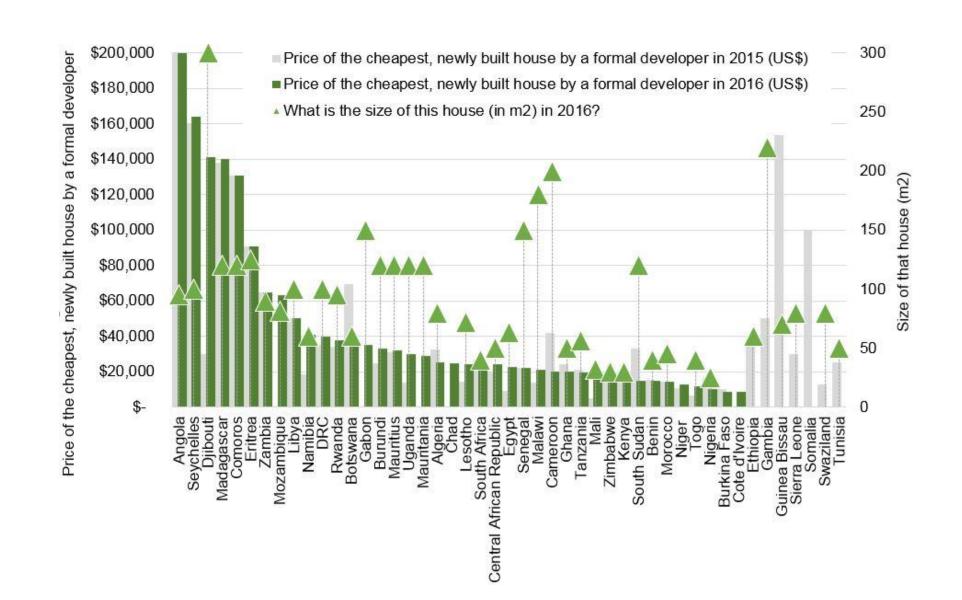


## **State of Housing Markets**

- Initially surveyed in-country experts to determine price of cheapest newly built house and size of house.
  - This produced a wide variation of prices
    - 120 sq. meter house in Uganda cost \$30 000, while a 200 sq. meter house in Cameroon cost \$20 000
- They then built a "Big Mac Index" for housing
  - Designed a typical entry-level house, a Bill of Quantities and asked Quantity Surveyors to prepare quotations for the spec
    - Found price of standard house ranged from just under \$30 000 in Dar es Salaam to just over \$60 000 in Nairobi



## **State of Housing Markets - cont.**

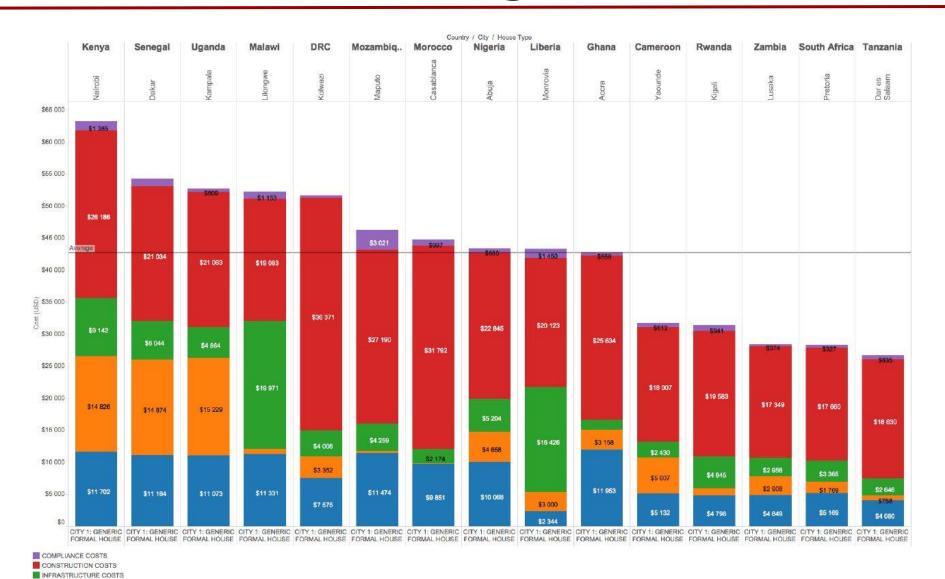




LAND COSTS

OTHER DEVELOPMENT COSTS

## **State of Housing Markets - cont.**





## **Affordability**

- A critical issue in many, if not all, African countries is that of the ability of the general populace to afford to build or own a house.
- The prices generated by CAHF through its research are by no means affordable to the majority of the population, in fact, only a minority can afford these, with affordability varying in different countries.
- A \$20 000 housing loan is affordable to
  - 55% of urban households in Namibia
  - 3.8% in Kenya
  - 0.5% in Mozambique
- Reasons for lack of affordability include construction costs, interest rate differentials, mortgage terms.



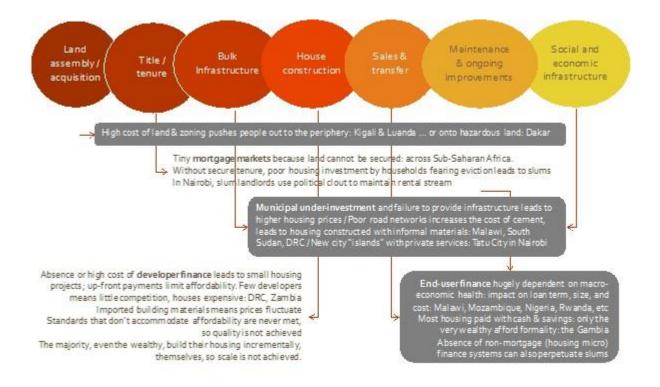
## **Housing Markets**

- While SA has about 1.79 million mortgages with an average size of \$62 986,
  Mozambique and Cameroon have no mortgage markets.
- There are a number of reasons for underdeveloped housing finance markets in most countries
  - Overall macroeconomic environment and implications for cost of capital
  - Supply side issues, including construction costs, policy environment
  - Investment capital, construction capital, end user finance and other facilitative interventions not prevalent in most countries outside of SA
- World Bank is working on introduction of mortgage liquidity facilities in Egypt, Tanzania, Nigeria and other countries in West and East Africa.
- SA government has capital subsidies and other interventions.



#### Challenges

Challenges exist along entire housing value chain.





#### Conclusion

- Housing finance making good progress across continent, but significant challenges remain.
- Macroeconomic issues a critical inhibiting factor.
- Policy environment not conducive in many countries.
- Affordability a critical issue because macroeconomic conditions have exacerbated poverty, unemployment and inequality.
- AUHF, with 56 members from 16 countries, playing a vital role in policy influence, research, development of financial instruments, training and business to business facilitation in housing.