The Past, Present & Future of Affordable Housing in Africa

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Meet Shelter Afrique

- Shelter Afrique’s current shareholders include 44 African countries, AFDB and Africa-Re.
- Shelter Afrique lends in the following currencies: USD, EUR, Fcfa, KES
Meet the Speaker

Andrew Chimphondah
Managing Director & CEO, Shelter Afrique

- Mr. Chimphondah holds a Masters in Business Administration degree from Durham University in the UK, he is a Chartered Accountant (SA), and is currently researching and writing a PhD dissertation.

- He has over 24 years diverse global experience with start-ups and multinationals ranging from FMCGs, Financial Services and Manufacturing sectors.

- He was headed the Affordable Housing Divisions for Old Mutual Group, National Housing Finance Corporation, ABSA and Standard Bank South Africa as Director, Chief & Managing Executive.
The History of Housing in Africa
The History of Housing in Africa

• Most countries in Africa still have housing policies and land policies that are holdover from the colonial period
• Major Housing initiatives carried out on the continent were by newly independent African Nations
• However the newly independent nations were distracted with quest for control of resources by various groups
• Development was largely ignored in the quest for political consolidation and resource control
• Where there was housing initiatives, most housing was provided for Civil Servant, often the largest pool of workers and votes!
Cross-Section of Housing Policies in Africa
Uganda: Three periods in review

• The first period 1978-1986, hampered by political instability and civil strife. Consequently, low implementation.

• The 1986 saw a more stable and consistent implementation. The goals of housing policy over this period were to provide sufficient residential land and plots in urban areas and to improve access to housing infrastructure and services at affordable standards, including upgrading of slums.

• 1992 was the most comprehensive period for housing policy. The National Shelter Strategy, whose overall objective was to improve housing conditions and ensure adequate shelter for all Ugandans by the year 2000.

• The policy involved the establishment of several housing programmes and projects, and the approach to implementation was an enabling and facilitating one on the part of government.
Cameroon: Three Periods in Review

• First phase (1950 – 1976), government Housing Policy placed emphasis on direct construction of houses by the Government with a view to improving the housing stock and strengthening measures for ensuring decent housing for civil servants and allied workers or provide housing allowance for employees.

• Second period (1977 – 2003/4), with the rapidly accelerating urbanization which was largely unplanned for, and the equally accelerating demographic growth over this period, and drawing from the lessons and outcomes of the 1976 First United Nations Conference on Human Settlements (Habitat 1 or the Vancouver Conference)

• During this period government embarked on strengthening the institutions that underpin the provision of these services – including establishment of such bodies as the Cameroun Housing Society (SIC), the Ministry of Urban and Rural Planning (MAETUR), Credit Foncier du Cameroun (CFC) etc.

• Third period (2003/4 – Date) is devoted to reassessing the Habitat Agenda in the light of the increasing poverty during this period (40% of the population living below income poverty line) and placing more policy emphasis on Economic Growth Strategy and Employment Generation.
Nigeria

Three major housing policy streams or strands were identified over the past 50 years.

• The first stream was from 1982 – about 1990, during which policy focused on addressing the prevailing quantitative housing deficit in the country. Very little was achieved during this period since the political landscape was so inhospitable.

• The second stream of Nigeria National housing policy was from 1991 – 2005, a period that witnessed a very comprehensive and ambitious housing policy, the policy was noted for its decided focus and sweeping reforms on the “housing finance” sector. It sought to rejuvenate and strengthen the Federal Mortgage Bank of Nigeria (FMBN) into a wholesale bank; established Primary Mortgage Institutions/Banks (PMIs) for the much wider scope and coverage of mortgage finance intermedation

• The Third policy strand (2006-Date) has focused on the use of the private sector as the fulcrum of the new policy. It seeks to stimulate large numbers of private sector real estate developers in the development of estates with houses for sale at affordable prices to low and middle income groups in the country.
• **The first generation** of housing policy which was focused on the:
  1. ‘Turn-Key’ and Joint-Venture arrangements and encouragement of the private sector to develop rental housing;
  2. More and easily available housing finance;
  3. Institutional strengthening; (Human Settlements Authority (HAS), Swazi National Housing Board (SNHB), Ministry of Housing & Urban Development (MH&UD), Local Government Councils);
  4. Land reform;
  5. Construction methods, including use of traditional construction materials;
  6. Urbanization and urban structure planning and development

• **The second generation** was succeeded by a New Housing Policy in the year 2000. This later policy, benefiting from the outcome of the Second United Nations Conference on Human Settlements (Habitat II).
• **The Housing Policy objectives were to:**

  1. Improve access to land with secure tenure for those households seeking to house themselves.
  2. Support the development of a property market through access to finance and appropriate building and planning processes and regulations.
  3. Identify and safeguard the rights of both landlords and tenants in the rental market.
  4. Ensure that delivery of services is financially sustainable for the service provider and affordable to the household.
  5. Use construction methods and local building materials that reduce the cost of housing and promote employment creation.
  6. Use formal and informal economic activities on a plot and in the vicinity to improve household incomes and affordability standing.
What History teaches us

1. Most policies had an exclusive urban focus, and non-consideration of the rural areas.
2. Housing problems will not be solved by government throwing money at the problem
3. Housing itself is a political affair and is susceptible to political changes
4. Government is not equipped to provide housing on its own
5. Tweaking housing policy without addressing land policy will not yield maximum results
Where we are now
• The New Urban Agenda (NUA) was adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in Quito, Ecuador, on 20 October 2016.

• The NUA represents a shared vision for a better and more sustainable future. If well-planned and well-managed, urbanization can be a powerful tool for sustainable development for both developing and developed countries.

• Housing and slums upgrading are considered pivot pillars of the NUA, as the agenda aims to position housing delivery at the centre of national and local urban agendas;

  ➢ As such having a paradigm shift from basically providing housing to a more structured, strategic and holistic framework for housing delivery which incorporates the objectives of achieving a sustainable and inclusive human settlements in terms of effective urban planning practice and consideration for human rights.
What does the Market look like?

The African Housing Finance Market has the following identifiers:

• Housing Finance in Africa remains critically inaccessible for most people.
• Inaccessibility is defined by high interest rates and short loan tenors that make it untenable for mortgage seekers.
• Financial Institutions, Microfinance Banks and Commercial Banks find it difficult to raise cheap funds for long-term commitments like construction.
• The sector of the economy most in need of housing finance are unbanked.
• Property rights and security which are needed for a thriving housing finance industry are sorely lacking in Africa.
Background

- Most construction companies and developers in Africa are keen on the high-middle income housing market, leaving the low-income critically underserved and underfinanced.
- Governments are still in the process of digitising and legitimising land records and registration.
- Government policy itself is yet to catch up with the needs for Housing Finance.
By the Numbers

90% of Africans cannot afford to buy a house or qualify for a mortgage.

3 billion people in the developing world will require housing by 2030.

62% Sub-Saharan African currently lives in what can only be described as Slum Dwellings.

USD 2.5Bn is the minimum investment amount required by the Housing Industry annually.
$97 Billion
The combined value of the housing shortage of Africa’s first and second largest economy, Nigeria and South Africa respectively

> 2 billion
new urban residents are created annually with an annual increment of 35.1 million households

> 40%
of Africa’s population are living in urban areas now

51%
of urban dwellers live in slum accommodation
66402 mortgage applications were made in 2015 in Nigeria to the Nigerian Mortgage Refinancing Company, just 0.039% of the entire population.

55% ($261 M) of the mortgage industry’s 94 billion naira of loans last year were classified as non-performing, according to Nigeria’s Deposit Insurance Corp.

24,085 mortgages loans were marked as active in Kenya in 2017, just 0.06 of the population.
Reawakening of Housing Initiatives on the Continent

- **Kenya**
  - Big Four Agenda

- **Nigeria**
  - 1 Billion Dollar, World Bank Supported affordable housing fund

- **Tanzania**
  - Tanzania Refinance Mortgage Company

- **Central African Republic**
  - Signed a MoU for the delivery of 2000 affordable houses

- **Rwanda**
  - Recently launched Rugarama, 3000 affordable units
The Future of Housing
Things to Consider

Need for a Multi-Sectoral Housing Finance Strategy

• Ensuring effective Legal and Regulatory Framework

• Expanding Mortgage Finance
  ➢ Designing appropriate mortgage finance products

• Enhancing access to capital markets

• Need for alternative housing finance products such as medium-term non-mortgage finance instruments, mini-mortgages, micro-finance for housing

• Enhancing affordable private rental housing
Things to Consider

Block Chain Technology

- The current state of property agreements have a lot of moving parts and middlemen. A transaction using a smart contract is completed entirely between the buyer and the seller (or renter and landlord) and has no human interaction.

- Transactions can be done in far less time with far less chance of fraud. The seller includes all of the details of the property and the buyer puts all of their necessary information on a 100% encrypted and secure block.

- If all property title was decentralized on the blockchain, an immense amount of time and money would be saved and, potentially, it could eliminate the need for title insurance altogether.

- It could also be possible to add information about construction, damages and improvements to the title, almost like Carfax for homes. This will help make it so that people truly know what they are buying.
THANK YOU