



REGIONAL DEVELOPMENTS IN HOUSING FINANCE IN AFRICA

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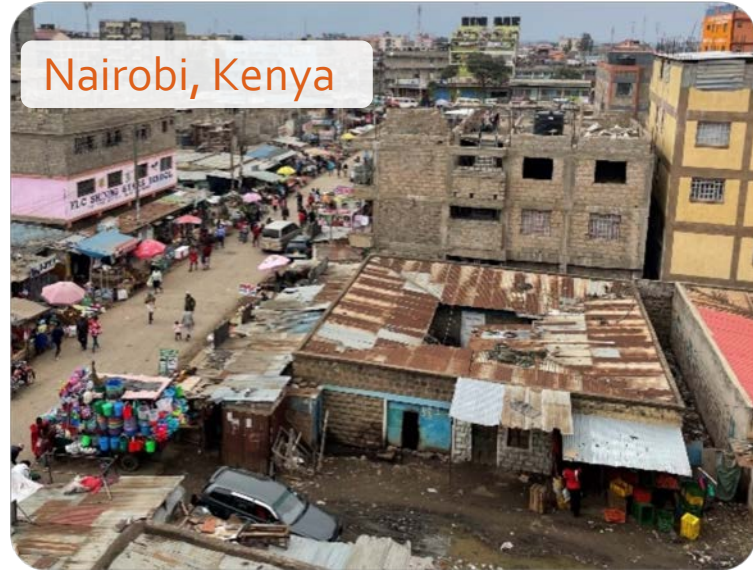
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Cities are built the way they are financed — Bertrand Renaud, 1984

and are being built, every day, across Africa, by households and builders that conventional lenders don't recognise and that their loan products don't target. How can we change this dynamic?

Nairobi, Kenya



Financial markets play a critical role in shaping patterns and creating opportunities for housing investment, enabling access to affordable housing and explicitly improving household living conditions. Housing-targeted finance products engage with the housing delivery and home improvement process, stimulating demand and enabling supply. At the same time, the housing sector creates opportunities for financial intermediation all the way up the finance value chain, strengthening the financial sector and enabling financial sector stability. **When financial markets don't work for housing, the whole economy suffers as poor living environments make for poor working and earning environments.**

Maputo, Mozambique



Democratic Republic of the Congo

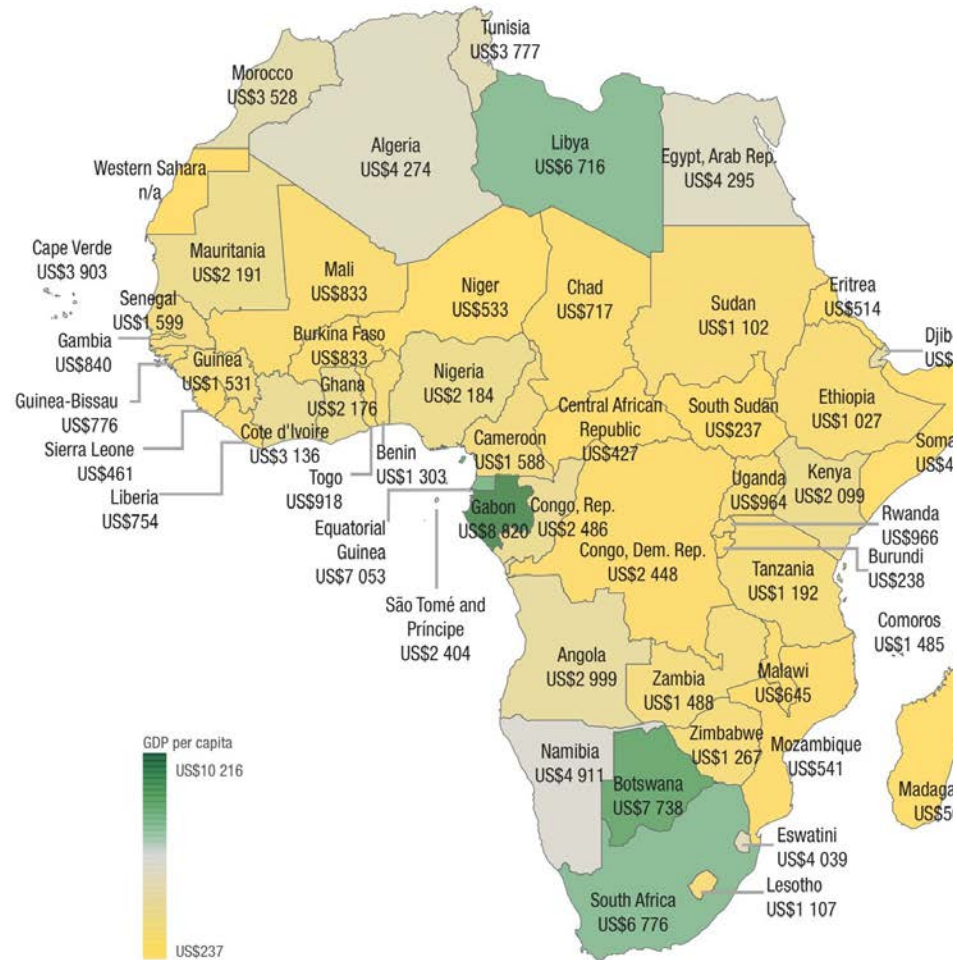


Abidjan, Côte d'Ivoire

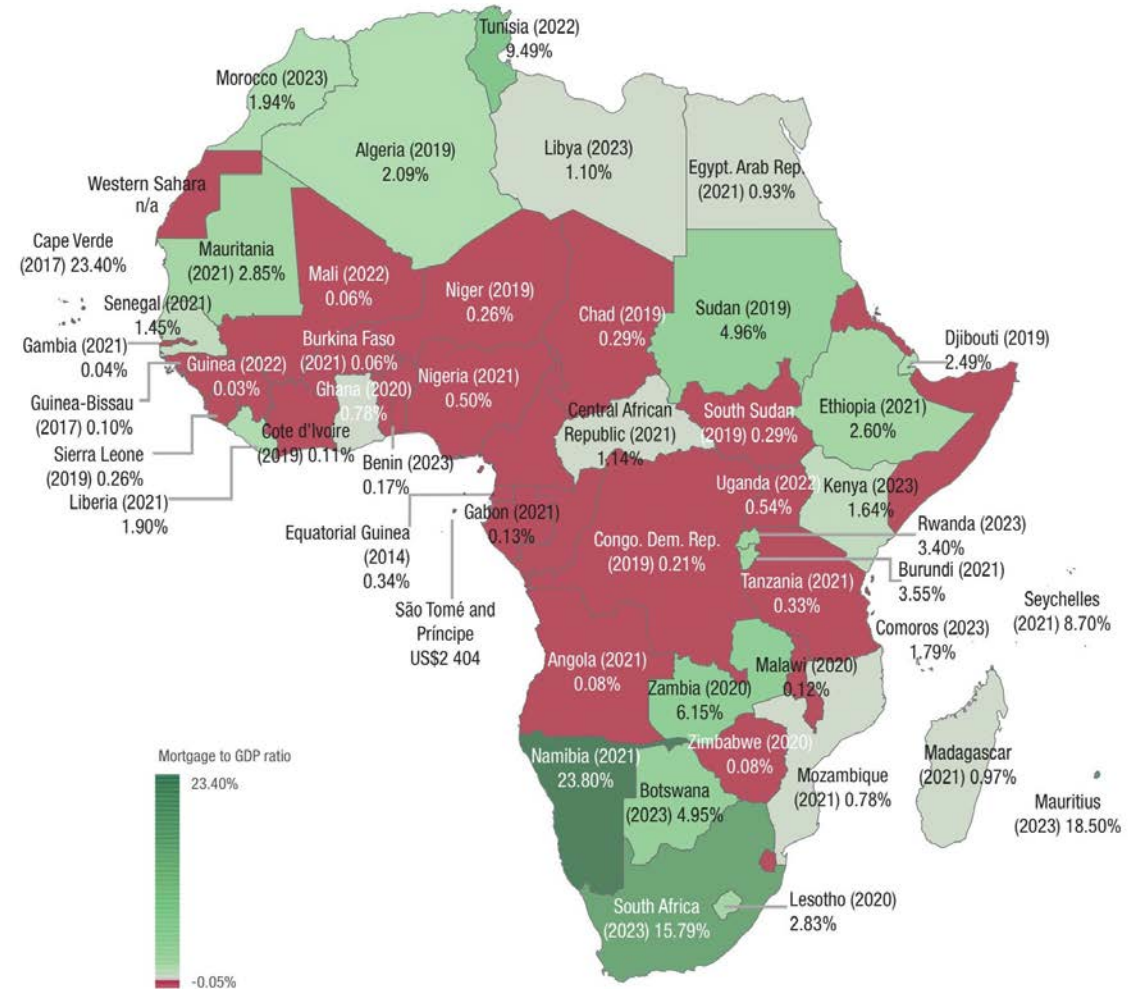


African lenders face particular challenges: incomes are low, irregular and informal; and most potential borrowers are first time home owners. Formal title is not always available. Most housing is built incrementally, by households themselves. Mortgage finance is not the way households finance their homes

GDP PER CAPITA US\$ (2022)

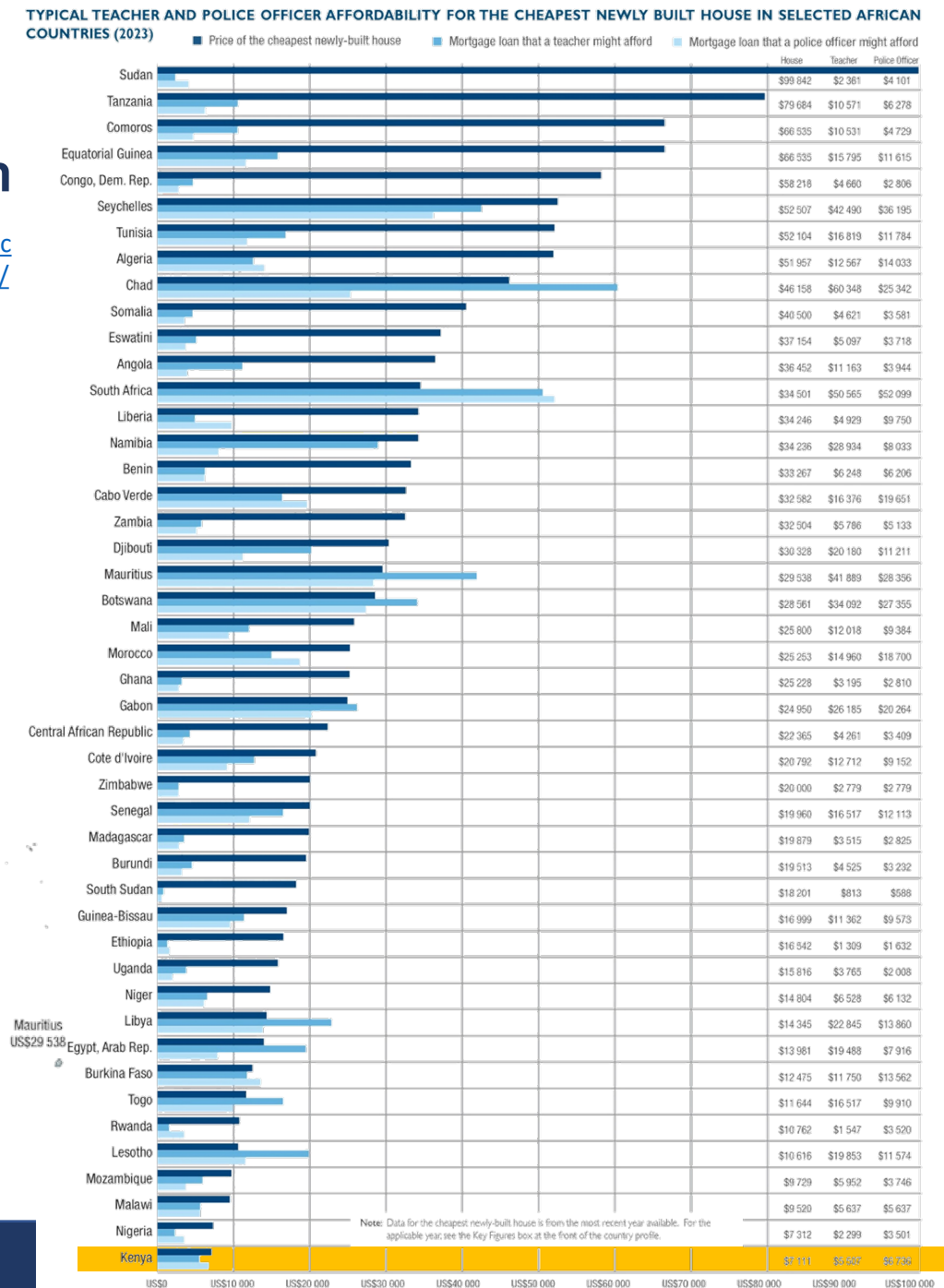
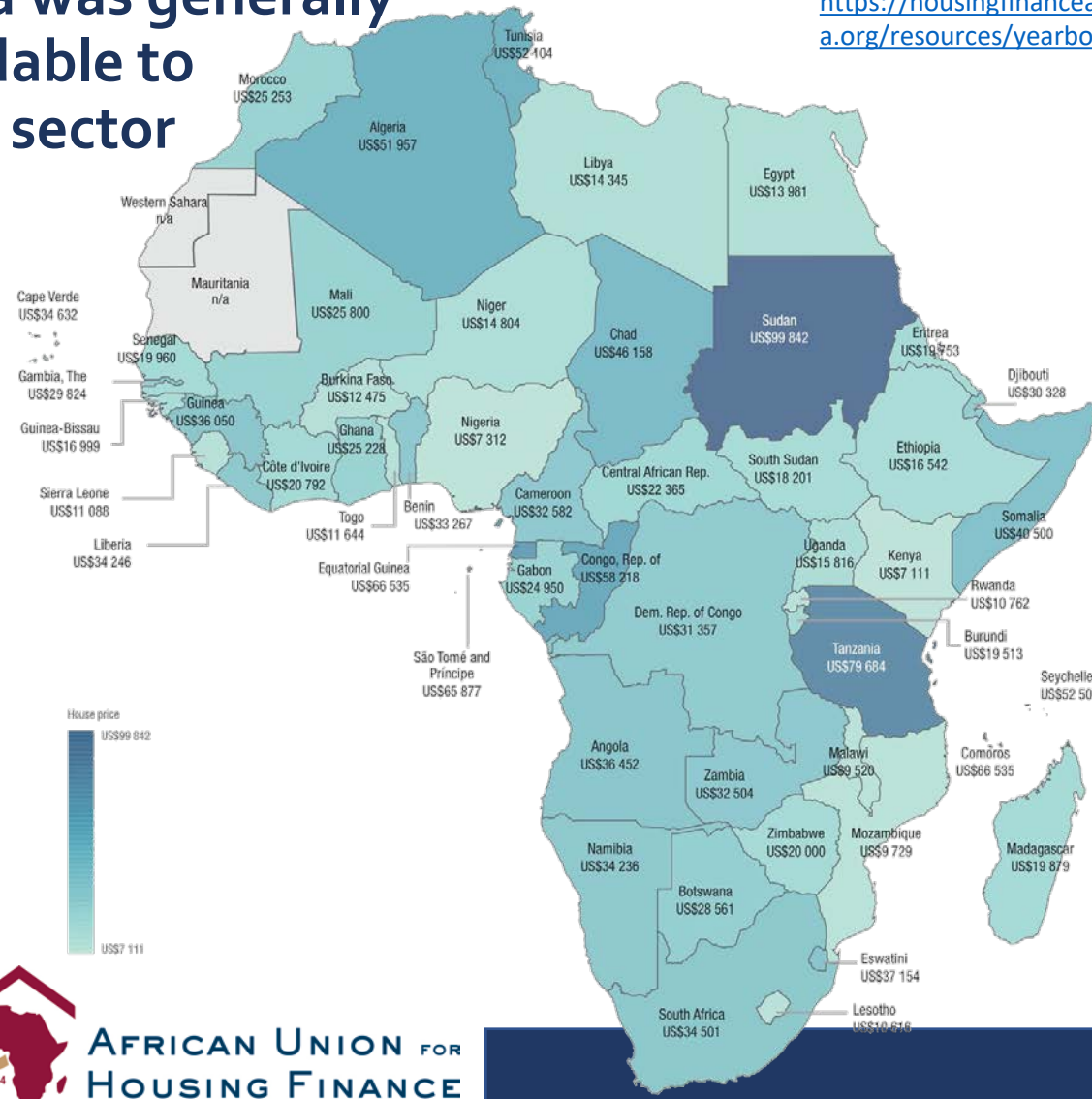


MORTGAGE TO GDP



The formal market is not delivering to the population. Across Africa in each country, in 2023, the cheapest house, built by a formal developer in an urban area was generally not affordable to key public sector workers – even in Kenya

<https://housingfinanceafrica.org/resources/yearbook/>

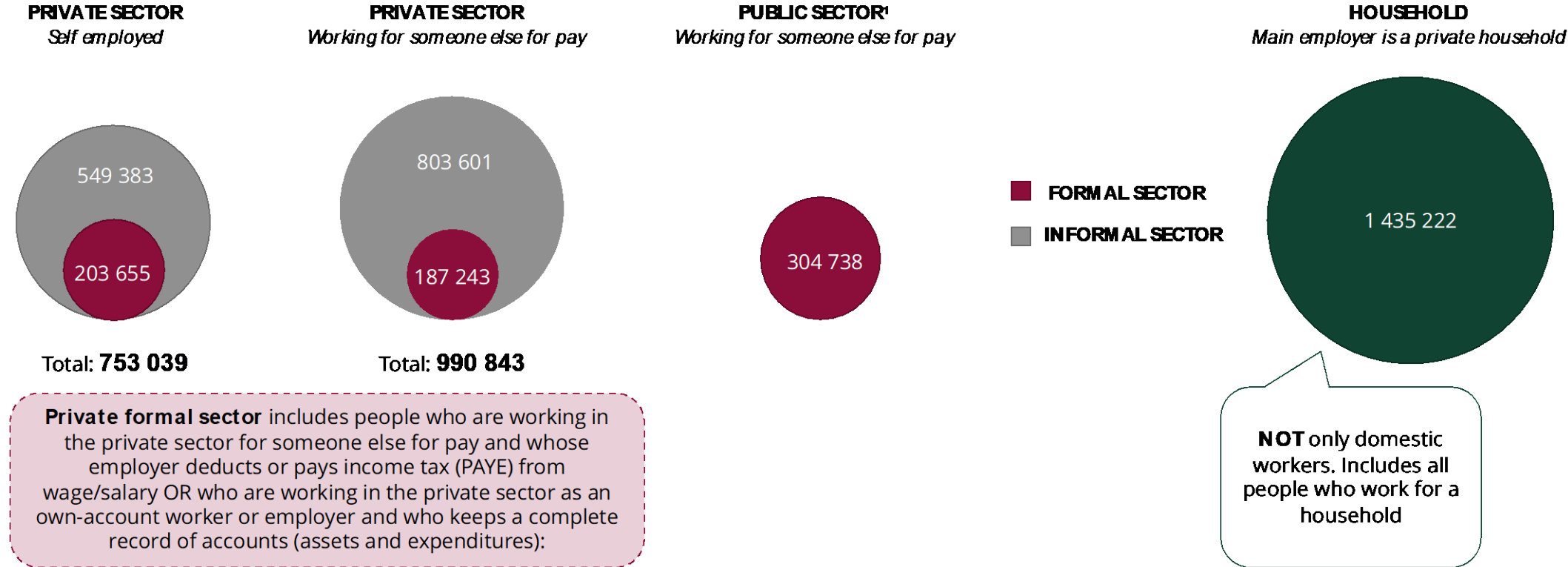




As mortgage lenders, we require evidence of income. But this is typically only available for those in formal employment – for example, in Uganda:



EMPLOYMENT IN UGANDA (3.48 million earners)



Of the almost 4 million earners in Uganda, less than 25% are in the formal sector. Most private sector workers are in the informal sector. Even more workers are simply employed by a private household.

¹Including apprentices and those working for someone else for pay. All people employed in the public sector are assumed to be in the formal sector. Source: Uganda National Panel Survey (2019/20). Question used in the UNPS: Section 8, Q22: "In this (main) job/business that [NAME] had during the last 7 days, was [NAME]...?", Q35: "Is [NAME]'s employer/business (at [NAME]'s main job)?"

Note: Self employed includes own account workers and employers. There are just 38 000 employers. The vast majority are own account workers

...and then the situation changes so rapidly, that survey data cannot be sufficient for shaping understanding










“It should however, be noted that 80 percent of those in self-employment in 2013/14 were still self-employed, 10 percent were no longer working in 2018/19 and 10 percent joined paid employment during the same period. In addition, 65 percent of the persons in paid employment during in 2013/14 were still in paid employment in 2018/19, 29 percent became self-employed and six percent were no longer working.

– UGANDA NATIONAL PANEL SURVEY 2018/2019, WAVE VII REPORT

Formal, large- and small-scale developers are in the minority. For example, in Rwanda. But we all still see this as an anomaly.

99% of households in Rwanda live in housing that was delivered either by themselves or by small scale suppliers

<https://housingfinanceafrica.org/projects/scoping-rwandas-affordable-housing-sector-and-its-financing/>

SUBSTANDARD / INFORMAL						FORMAL
SUB-MARKET	Homeowner / incremental: rural + peri-urban	Backyard landlord / unplanned settlement : urban	Household Landlord : urban	Employee housing : urban	Small-scale developer : urban	Large-scale developer : urban
						
SURVEY DEFINITION	<ul style="list-style-type: none">Households in rural areasTo identify 'peri-urban', households in urban areas where habitat type is "Isolated rural housing", "Unplanned clustered rural housing", or "Small settlement" have been included	<ul style="list-style-type: none">Households in urban areasLive in "unplanned settlements"OR housing conditions are sub-standard; have a pit latrine without a slab, main source of water is not piped or from a public tap, walls are not cement bricks, oven fired bricks or mud bricks with cement)	<ul style="list-style-type: none">Households in urban areasHousehold income is less than RWF 300,000 per monthOR household income is above RWF 300,000 per month but there is no flush toilet or the walls are not made of oven fired bricks or cement bricks	<ul style="list-style-type: none">Households in urban areasHousing is provided by employer	<i>Small and large scale developers have merged due to their small size and difficulty in splitting them using the survey data</i> <ul style="list-style-type: none">Households in urban areasMust have a flush toiletWalls made of oven fired bricks, cement bricks or ABTsHousehold incomes must be over RWF 300,000 per month	
ESTIMATED HOUSEHOLDS	 ~2.23 million	 ~0.38 million	 ~87,000	~1000	<div>~10,500</div>	
	% OF TOTAL HHs 82%	14%	3%	0.04%	0.4%	
% OF URBAN HHs	9%	72%	17%	0.2%	2%	
					Only 2% of urban households accessed their housing from a formal developer	

In Kenya, 78% of urban households rent their primary dwelling, but only 17% of these live in so-called “formal rental”. The majority rent from individuals. How can lenders enable this activity in support of better quality?

Urban Kenyan renter household segments (number of households; % of urban households)

Segmented based on area type* & housing quality



Segment 1
Informal area, non-durable materials

Segment 2
Informal area, durable materials

Segment 3
Formal area, non-durable materials

Segment 4
Formal area, durable materials, non-flush sanitation

Segment 5
Formal area, durable materials, flush toilet shared

Segment 6
Formal area, durable materials, flush toilet not shared

Source: Census 2019. Note: *Area type defined as formal and informal as per the data provided in the Census 2019

Segment size



227 100

(6%)



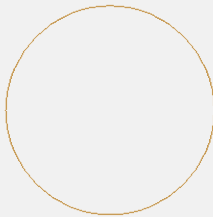
119 450

(3%)



600 470

(16%)



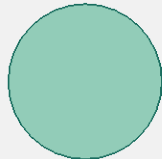
1 145 780

(31%)



945 760

(26%)



628 350

(17%)

Landlord

Private individuals, likely live-in landlords with similar socio-economic background as the tenants

Private individuals, may be live-in or absent landlords, who have access to land through inheritance or marriage, or who are renting out space / dwellings they have in public housing estates

Private individuals or small-scale developers (companies), more likely to be absent landlords – have accessed land through inheritance or marriage, or purchased land and built or renovated an existing building



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<https://housingfinanceafrica.org/documents/positioning-affordable-and-backyard-rental-housing-as-a-key-target-in-kenyas-affordable-housing-programme-draft-findings/>

African housing lenders need to get their heads around these challenges and embrace the opportunities for:

Incomes are low & informal

... new loan products that better accommodate informal earners

Borrowers are new to credit

... new underwriting standards and systems to manage risk

Access to formal title is limited

... non-mortgage credit, recognition of alternative forms of tenure

Most housing is built by households

... new loan products that support quality & enable incremental build

Formal developers lack capacity

... specialist housing construction lending

Governments are cash-strapped

... new PPP arrangements that enable investment & facilitate building

Investors are wary

... targeted data collection and risk management interventions

Some examples from AUHF members: engaging with the demand side

Underwriting for informal incomes and alternative credit scoring

- **Kenya Mortgage Refinance Company** is working with Syntellect in **Kenya** to leverage technology in building predictive models for borrower risk
<https://www.auhf.co.za/kenya-mortgage-refinance-company/>

Installment sale as a risk management mechanism

- **Empowa** is promoting installment sale in **Mozambique** by offering informal borrowers a technology-enabled payment solution
<https://www.auhf.co.za/empowa/>
- **Altair** has been promoting installment sale for years across the continent, most recently in **Nigeria** and **Tanzania** <https://www.auhf.co.za/altair-international/>

Special housing loan for rural borrowers without title

- **First National Bank eSwatini** has developed a product for borrowers with rural / tribal tenure. It functions like a mortgage but applies in areas where there is no legal title. https://www.auhf.co.za/wp-content/uploads/2023/11/Umkhaya_-Lending-without-title-by-Nkosingiphile-Mkhonta.pdf

Loans for incremental housing purposes

- **Zambia National Building Society** is exploring opportunities with **Development Workshop Zambia** to offer loans to households in site & service schemes
<http://www.auhf.co.za/zambia-national-building-society/>
- **Zambian Home Loans** has developed a cashflow disbursement methodology for its mortgages
<http://www.auhf.co.za/zambian-home-loans/>



Some examples from AUHF members: supporting the supply side

Micro mortgages for residential resale

- **First National Bank South Africa** is targeting government subsidized housing as entry level housing supply by offering micro-mortgages (generally between \$10 000 - \$25 000) to borrowers to buy housing on the resale market. FNB has been supporting government in resolving South Africa's title deeds backlog, so that these homes can be eligible for mortgage finance.

<https://www.auhf.co.za/first-national-bank-home-finance/>

Investment in inner city rental conversions and new builds

- **TUHF** in **South Africa** provides commercial mortgages to entrepreneurial, first-time and repeat landlords offering affordable housing by regenerating inner city areas, leveraging the value of existing infrastructure and location in support of affordable housing. See

www.tuhf.co.za

Off-plan mortgage lending

- Unity Homes in **Kenya** has worked with ABSA and the **KMRC** to develop the first off-plan mortgage to borrowers, thereby expanding the eligible pool of home buyers. The arrangement sees Unity offering its existing land equity to ABSA Bank as security against the entire development in which borrowers can then purchase property with ABSA mortgages. These mortgages are supported by the KMRC, thus involve KMRC's concessional interest rate. By making mortgage finance available to buyers wishing to purchase off plan, ABSA Bank is widening the potential target market for Unity, while also widening the scope of households able to conceive of buying a Unity home.

Some examples from AUHF members: enabling working markets

Innovative PPPs

- **TAF Africa Global** in **Sierra Leone** has entered into a 80/20 partnership with the government. TAF will provide 5000 affordable housing units over five years in exchange for land for the entire development. <https://www.auhf.co.za/taf-africa-global-company-limited/>
- **Shelter Afrique** in **Kenya** provided the initial capital to Acorn to support the development of a student housing model that is now attracting private sector investment. <http://www.auhf.co.za/shelter-afrique/>

Data and analysis to support investment decision-making

- **FSD Kenya** has supported CAHF to drive the [Open Access Initiative](#), working with developers to document, analyse and share data on their experiences with affordable housing development. This data is being used to support government in improving the enabling environment for affordable housing. <https://www.auhf.co.za/fsd-kenya/>
- **Center for Affordable Housing Finance in Africa** is the Secretariat to the AUHF. Supported primarily by the French Development Agency and other funders, CAHF builds the information infrastructure to enable investment in affordable housing. www.housingfinanceafrica.org





In 2024,
the AUHF
has
73
members
across
23
countries
in Africa
and
globally



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HOUSING FINANCE

is the Secretariat of the AUHF



Thank you!

Please join us in Zanzibar next month and in Cairo in November

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Many thanks to CAHF for access to data and analysis – CAHF is the Secretariat to the AUHF

