

## 29<sup>th</sup> Annual Conference: Mobilising Capital for Housing Finance

11-13 September 2013 - Sugar Beach Resort, Flic 'n Flac, Mauritius

### CONFERENCE REPORT

Across Africa, housing finance systems are developing in scale and diversity, creating opportunities for investors and practitioners, and promoting a new category for economic growth. The potential demand for housing is substantial. UN Habitat reports that 46 African cities are now larger than one million people, and 17 of the world's 100 fastest growing cities are in Africa. These new urban residents all need housing, and as economies and incomes grow, there is a real business proposition in responding to this demand. Is the investment community ready to support this growth?

This year's AUHF conference addressed a key challenge faced by housing lenders across the continent: raising enough capital to meet the growing demand for housing finance. Hosted by AUHF-member, the Mauritius Housing Company, the AUHF conference presented a wide range of topics under the theme "**Mobilising Capital for Housing Finance**".

The conference was held at the Sugar Beach Resort in Flic 'n Flac, Mauritius, from 11-13 September 2013. It included presentations, panel discussions, and a site visit, and attracted over 110 delegates from businesses and governments across 23 countries in Africa, Asia and Europe. This report summarises the three days.

The African Union for Housing Finance was established as a member-based body of housing lenders and practitioners in 1984. Comprising 39 members from 17 countries in Africa, the AUHF seeks to support its members in promoting a housing finance agenda in Africa.

The main event of the AUHF is its annual Conference and AGM, held in the last quarter of each year in a different country where one of the members plays the host. Throughout the course of the year, members receive a monthly newsletter. In addition, members are invited to participate in local conferences or workshops, and courses. The AUHF also commissions research - at the moment we collaborate with FinMark Trust's Centre for Affordable Housing Finance in Africa. For more information visit [www.auhf.co.za](http://www.auhf.co.za)



#### Day 1

The moderator of the conference was Ms Moheene Napaul, from the Aquarius Learning Centre.

#### Welcome from the Mauritius Housing Company

Opening the meeting, the chairman of the Mauritius Housing Company (MHC), Dr Mahmad Aniff Kodabaccus, welcomed the delegation. He noted that this conference had come to Mauritius on the year that MHC was also celebrating its 50<sup>th</sup> anniversary. He highlighted MHC's success in housing more than 100 000 families since its establishment.

Dr Kodabaccus set the scene for the conference, noting that a major constraint in the mortgage sector is the lack of funding available to meet the growing demand for housing finance. This must be overcome, as housing was integral to economic development whilst also being part of the social welfare sector.

AUHF chairperson, Mr Colin Chimutsa, also welcomed delegates.

The Financial Secretary in the Mauritian government, Mr Ali Mansoor, gave the opening address. Mr Mansoor emphasised the need for creative solutions in the housing finance sector, and argued that a good idea with clear objectives, outcomes and reasonable cost, never goes unfunded. He drew on the example of the reform programmes that have been put in place in Mauritius and noted how these had resulted in a 34% increase in spending authority given by the ministry of finance.



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Mr Mansoor emphasised that effective government is about partnerships with the private sector. He highlighted the role that the Mauritius Housing Company (MHC) has played in the development of government policy. Mr Mansoor sketched the facilitative role government

can play unlocking the housing development process through the creation of an enabling environment for the private sector. This would include land rights, protection of property, provision of bulk infrastructure, and the development of appropriate underwriting mechanisms to address affordability and access.

## Keynote address



The keynote address was delivered by Richard Tait, managing director of Afrasia corporate Finance. Mr Tait referred to Africa's growth story and the challenges and opportunities it presented. Legal rights and the long approval processes of investors were among the challenges he raised. He highlighted opportunities

that exist in making alternative building materials more available, and in the potential of covered bonds. Tait estimated that if 20 million households in Sub Saharan Africa might afford at least a \$50 000 mortgage, this could suggest a market potential of \$1 trillion. Clearly, there is room for growth in Africa's mortgage markets.

## Session 1: A new landscape of housing finance investors

Mr Yandraduth Googoolye, the first deputy governor of the Bank of Mauritius presented on the role of central banks in encouraging investment in housing. He noted the safety and soundness of the Mauritius housing finance system, which grew the mortgage market from 7% in 2008 to 12.99% in the first quarter of 2013.

Mr Manilall Seetohull, AUHF Board member and CEO of the Mauritius Housing Company (MHC) reported on how MHC has extended the reach of housing finance downmarket.

## Panel Discussion: a new landscape of housing finance investors

These presentations were followed by a panel discussion comprising three panellists: Mr Alassane Ba, CEO of Shelter Afrique; Mr Rob Wesselo, of International Housing Solutions (IHS) and Mr Ashraf Esmael, CEO of Bramer Bank Mauritius.



Mr Esmael highlighted the challenge of urbanisation and the need for supply side interventions. He noted that the prudential regulations that the Mauritius Central Bank wanted to introduce, could lead to an imbalance between demand and supply.

Mr Ba presented the experiences of Shelter Afrique, a Pan-African finance institution collectively owned by 44 African countries. He argued that equity is one of the key challenges for developers. Shelter Afrique offered a range of financial products to address the constraints that developers face in the delivery of affordable housing. To support its work, Shelter Afrique has been a recurrent issuer in African capital markets since 2000. He further argued that the housing sector and the capital market sector have to work together where every country's housing sector has access to the capital market. Challenges lay with the supply side, and with the government policy side. Mr Ba proposed that the AUHF lobby country leaders to put the right policies in place and get the right resources to implement these policies.

Mr Ba summed his argument in the following points:

- Effective housing markets depend on good economic growth, declining interest rates and growing disposable income
- Titling is critical

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- There are many solutions to making housing more affordable, new technology offers an opportunity in this space
- Government has a big role to play in the social housing space, because the market cannot supply social housing.

The next panellist, Mr Wesselo, argued that investment in South Africa is focused on the non-residential market, and therefore, raising capital for the residential market is difficult. He stated that residential investment yields are not yet measured in South Africa. He then made a case for better data collection to illustrate track records especially with respect to the rental housing market. This lack of data and monitoring was one of the reasons why the rental housing market was not institutionalised in Africa. He emphasised the need for institutional capital to come into the housing market and bridge the gap, however track records need to be built to prove to investors that they can invest in the medium term.

Following the panel discussion, delegates raised the following points:

- Advocating for more appropriate regulatory environments and frameworks
- A need to acknowledge and accommodate the different land management and titling systems in Africa
- The need for knowledge sharing across the industry
- The need to highlight continental best practice, and to find a way to communicate in a standardised way, the differences between African countries
- The impact of local government capacity constraints, which add significantly to development costs

After lunch, the delegates reconvened to continue discussion on the topic of the new landscape of housing finance investors.

### **Panel Discussion: Donor perspectives on housing finance investment in Africa**

This panel discussion comprised panellists from the Making Finance Work for Africa (MFW4A) Donor Working Group on Housing Finance.



Stefan Nalletamby introduced the MFW4A Housing Finance working group, and described its formation and objectives. He was followed by Isadora Bigourdan from AfD. She presented on AfD's experience on working in Africa, and highlighted in particular, their funding of a microloan product in Nigeria, working with Lafarge. Ms Bigourdan also provided a brief on the next edition of Private Sector & Development Finance journal, which she indicated would be focusing on housing finance.

Britt Gwinner, Housing Finance Programme Manager for the IFC, explained that the IFC is working to bring international developers to partner with local developers to provide technical know-how on larger scale housing production. He also mentioned housing microfinance as being a priority area. The organisation also seeks to partner with building material suppliers.

Francois St Pierre, a director at Desjardins Internationale Development (DID), described DID's operations in Zambia, Tanzania and Uganda. Highlighting that the majority of people across Africa were unbanked, he argued that housing microfinance (HMF) was an important intervention. Although HMF lending is a challenge, he said, DID's experience showed that it was doable. He argued for the need to partner with MFI's rather than waiting for banks to go down-market.

This panel discussion then considered the role an organisation like the AUHF could play in this sphere; to which the following suggestions emerged:

- The AUHF could play a big role in communicating the needs of the housing finance sector to leaders,
- It could source and collate information and support for local organisations in different countries.



Delegates took a break for tea after which they reconvened for the last session of the day.



### Session 2: Finance for Scale- gearing up capital towards replicable investments

The two presentations in this session looked into how investment capital should be structured along the housing value chain.



Charlene Lea and Michael Berry from Home Finance Guarantors Africa / Home Loan Guarantee Company, explained that HFGA was developing a programme to provide interest-free finance to developers for the purchase and installation of bulk infrastructure (roads, water and sewer lines, electricity, etc). The proposed model would manage the value chain, from bulk infrastructure to end-user finance for the affordable housing market. By acting as a catalyst to bring the various sectors of the housing delivery process together (a classic hub and spokes model) and by providing the deposit-replacement guarantee, this project will unlock the value potential in the housing chain.

Paul Jackson from the Trust for Urban Housing Finance (TUHF) in South Africa presented on TUHF's experience in raising capital for an inner city mortgage company promoting rental housing.

Jackson argued that access to capital is TUHF's major constraint. He argues for the need for good data collection and dissemination, targeted information campaigns and good track records.

The first day was closed by Mr Cas Coovadia, with a summary of the key issues that were raised:

- Urbanisation is relentless and therefore the demand, supply equation will worsen
- Partnerships are crucial
- Construction costs need to be addressed in order to deal with the affordability issue
- Global regulations and their impact on the market need to be considered
- An integrated approach is needed, but this must take into cognisance the varied conditions and environments
- The lack of long term funding needs to be addressed
- Government intervention in the housing market is needed
- There is a need for ratings and objective measures of the market
- There is a need for knowledge sharing and best practice.

## Day 2

Ms Moheene Napaul welcomed the delegates to the second day of the conference.

### Session 3: Understanding (and harnessing) Chinese investment interest

Chinese investment in Africa is increasingly having an impact, and investments in residential development are already demonstrating a track record of opportunity and experience. Liu Haifang, Associate Professor from the University of Peking, moderated a panel of Chinese investors, in which each set out their experiences and expectations for the market.

Allan Cain, of the Development Workshop Angola, introduced the delegates to the [Africa China Urban Initiative](#), and offered a series of comparative statistics illustrating similarities and differences between African and Chinese urban experiences. While both regions had similar growth pathways, China had made much more significant inroads to the reduction of slums than had countries in Africa.



Mike Zhou, from the Chinese Academy of International Trade and Economic Cooperation, presented statistics on the very rapid growth of Chinese investment in African real estate, from an estimated \$500 000 in 2004 to \$83.9 million in 2011. He said that Chinese contractors' turnover in housing in Africa reached US\$40.8 billion in 2012, spread across 53 countries. He made the following recommendations for the AUHF, in terms of attracting investment:

- A standardised approach to protect investors' long term benefits
- Assisting member countries to set up urbanisation plans and,
- A Communication plan between the AUHF and Chinese organisations on outward investment.

Li Fusheng, from China Eximbank, then gave an overview of his bank's involvement in Africa. He said that China Eximbank had financed over 500 projects in Africa, of which many were infrastructure-related. The bank had invested over US\$5.4 billion in housing across the world, of which 40.4% was in Africa. His presentation then went on to describe housing-related investments in the DRC, Botswana, Algeria, Cameroon, the Congo, and Zambia.

Reginald Motswaiso, AUHF Board member and CEO of the Botswana Housing Corporation (BHC), offered a perspective on his company's experience with Chinese investment. He argued that China Eximbank's insistence on entering into an agreement with the government, rather than directly with his company, had affected the affordability of the loan, and caused serious delays in the projects being funded. All of this had increased the costs of the houses being delivered. He said that BHC would prefer a procurement model that was transparent, and direct, between the bank and themselves.

Liu Jianguo, from the China-Africa Development (CAD) fund gave a presentation on the fund's investment in real estate in Africa. Liu Jianguo highlighted three key challenges facing investment in residential property in Africa: [1] the high cost of construction and limited construction capacity; [2] the small size of the mortgage market across the continent; and [3] the significant barriers to development, including land and titling issues, and administrative constraints. He said that the CADFund was keen to invest in PPP models on a co-finance basis with national governments, to promote residential development.

### **Session 4: Mechanisms to channel local capital into housing finance**

Oscar Mgaya, CEO of the Tanzania Mortgage Refinance Company, opened this session with his presentation on the establishment and operations of Tanzania's mortgage refinance company.

This was followed by a presentation from CRRH-UEMOA by Christian Aggossa who briefed the delegates on CRRH's bond issuances. CRRH wants to extend the maturity of its bond in the financial market in order to extend the maturity of loans to borrowers to 15 or 20 years. Aggossa said that land titling was a critical barrier to mortgage lending, and suggested the promotion of mortgage guarantees as a method of bypassing this obstacle.

The final presentation of the session was by Andreas Zehnder, president of the IUHF. Mr Zehnder argued for the use of savings and pension assets for housing purposes, and explained the German Bausparen model, which links savings to a right to a housing loan.

### **Session 5: Getting the data right- using data to lead investor interest**

This session consisted of two presentations. The first presentation was by Joaquim Catinda, CEO of KixiCredito, on KixiCredito's experience in raising funding for housing finance.

The second presentation was the presentation of a Housing Investors dashboard by Kecia Rust from the Centre for Affordable Housing Finance in Africa. This, once again, raised the issue of having a track record and making data and information available for investors to base their investment decisions.

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## Session 6: In- depth case studies

This session stimulated great discussion, following presentations by Alassane Ba and Frank Ileri.

Alassane Ba, CEO of Shelter Afrique, presented on public private partnerships in housing, reflecting on the experience of Shelter Afrique.

Frank Ileri, CEO of Housing Finance Kenya, presented a brief history of Housing Finance Kenya and the company's progress in accessing the capital market. He presented on the bond raised by HF Kenya and the first collateral replacement guarantee mortgage which was launched the week before the conference.

The discussion that followed raised questions on long term finance.

## Session 7: Key Issues for mobilising capital for housing finance

The day was drawn to an end by Raj Dussoye, the CEO of Bank One Mauritius, who presented on Basel 3 and its impact on mortgage finance. Mr Ken Poonoosamy, the MD of the Mauritius board of investment gave a presentation on investment opportunities in Mauritius.



The conference was closed by AUHF Vice Chairman Mr Charles Bonsu. He thanked the MHC for organising a successful conference, and the delegates for their participation.

## Day 3: Site visit

Following the Annual General Meeting of the AUHF on the third day, delegates were given an opportunity to visit three of MHC's housing developments: MHC Cybervillage in Ebene, MHC Project at Vuillemin in Beau Bassin and a National Empowerment Foundation (NEF) project at Gros Cailloux, Petite Riviere.

The projects were examples of housing typologies from low income, social housing to middle income developments.

