



THE DEMOCRATIC REPUBLIC OF CONGO LANDSCAPE OF INVESTMENT

BACKGROUND

This country report forms part of The Centre for Affordable Housing Finance's Investor Programme which aims at addressing key information asymmetries on who, why and how investments are made in the African housing sector. With the intention of identifying and championing increased investment in affordable housing, the report includes insights and analysis into the depth and breadth of investment in the Democratic Republic of Congo's housing and housing finance sector. The overall goal of this project is to quantify the breadth of investment activity with respect to housing and housing finance across Africa, and to establish a mechanism to track this on an ongoing basis. This project has collected data and highlights gaps and opportunities in the investment landscape. With the aim of stimulating greater investment in affordable housing and connecting investors with potential investments, the report profiles investors and investment instruments with the greatest impact on the housing finance market within the Democratic Republic of Congo.

Growing financial sector experience and increasingly sophisticated financial instruments are driving Investor interest in African real estate. This includes new market opportunities related to a rising urban middle class, an increasingly localized construction material industry and innovations in housing finance such the emergence of Real Estate Investment Trusts and mortgage liquidity facilities across Africa.

However, a key barrier to this growth remains the chronic lack of rigorous data on the breadth and character of financial infrastructure investment. This is particularly true for the housing sector as stimulating targeted investments requires highly differentiated data that illustrates market segmentation. In providing market intelligence that makes the case for investment in underserved markets (segmenting and quantifying the demand side; and scoping, understanding and tracking the supply side), we can support a better policy environment & increased private sector activity in affordable housing markets. In this way, we catalyse scale interventions.

Without this data, targeted interventions become challenging and result in unresponsive housing finance packages, the high occurrence of Non-performing loans (NPLs) and poor uptake of new residential developments.

The Centre for Affordable Housing Finance in Africa (CAHF) is a not-for-profit company with a vision for an enabled affordable housing finance system in countries throughout Africa, where governments, business, and advocates work together to provide a wide range of housing options accessible to all. CAHF's mission is to make Africa's housing finance markets work, with special attention on access to housing finance for the poor. We pursue this mission through the dissemination of research and market intelligence, supporting cross-sector collaborations and a market-based approach. The overall goal of our work is to see an increase of investment in affordable housing and housing finance throughout Africa: more players and better products, with a specific focus on the poor.

PROFILES OF INVESTORS

Unlike Ethiopia and Sudan, the investment landscape in the DRC has substantially huge investments that have implicitly contributed to development of the housing and housing finance sector, than those that have had a direct impact on the sector.

The Government, through a US\$ 758 million grant from Chinese Govt., is the biggest implicit investor in the country's housing and housing finance sector. The Chinese grant is financing a 20 year concessional agreement that provides it with timber harvesting rights with special consideration for Chinese companies to undertake infrastructure development projects, which have, undeniably had an indirect impact on the housing and housing sector.

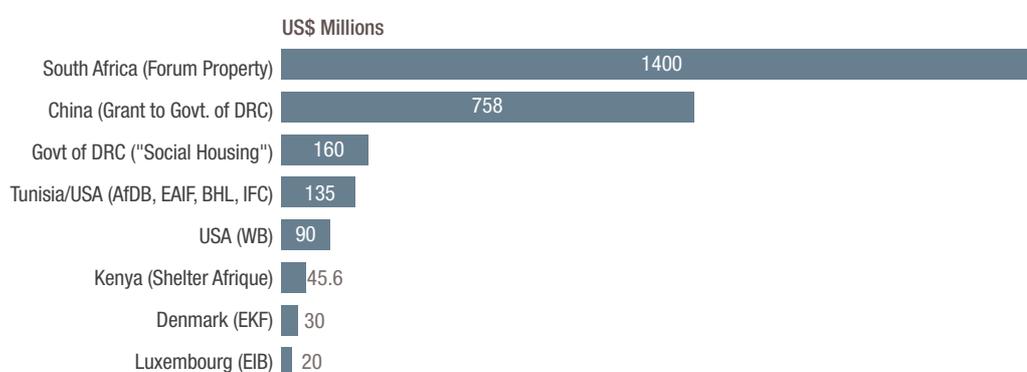
South African Private Developer (Forum Properties) is the other indirect investor in the housing sector, with less than 50 percent of its US\$ 1.4 billion Launo City mixed development Project in Lubumbashi, invested in residential housing apartments/units.

Relatedly, in 2013, the Africa Development Bank, in partnership with IFC and other players, invested (US\$135mn) at 8 percent interest in the largest cement manufacturing plant in DRC (Nyumba Ya AKiba project) that added 1.18mn tonnes of cement to the market at a total project cost of US\$270mn.

Shelter Afrique, has targeted specific investments in the housing and housing finance sector. The Pan African Bank provided on-lending finances to Rawbank (US\$10.6m) and to construction firms with housing projects worth (US\$35m). EIB is the investor, availing a US\$ 20 million line of credit to Equity Group. The World Bank invested US\$ 90 million, through the Government.

The much anticipated social housing project (also called the Cite' Kin Oasis) of 1 000 social houses in Kinshasa/Bandalungwa, was launched by the Central Government in 2013/14, after several postponements, dating back to 2008, because of a lack of funds. To date, readily available literature indicates that fewer than 200 units have been delivered, and yet, the project had been planned for 3 years, at a cost of US\$ 160 million.

Institutional Investor, Location and Total Asset Allocation to Housing Investments in DRC (2000 - 2017)



Source: Institutional Investors' Annual Reports (2000 – 2020)

Investment Activity in DRC's Housing Industry

This section analyses the different investment tools targeting the housing and housing finance sector in DRC, their investment horizon and the period of investment.

Investment Tools (Top Performing)

The top performing investment tool is property (delivery of housing units/apartments). Property stands out, in response to Government efforts (with support from foreign investors) to address the acute housing deficit, particularly among the urban populations in the cities of Kinshasa and Lubumbashi. However, the price of units (above US\$ 25,000) is well above the affordability scale for a typical working lower middle income household in Kinshasa (about US\$ 500).

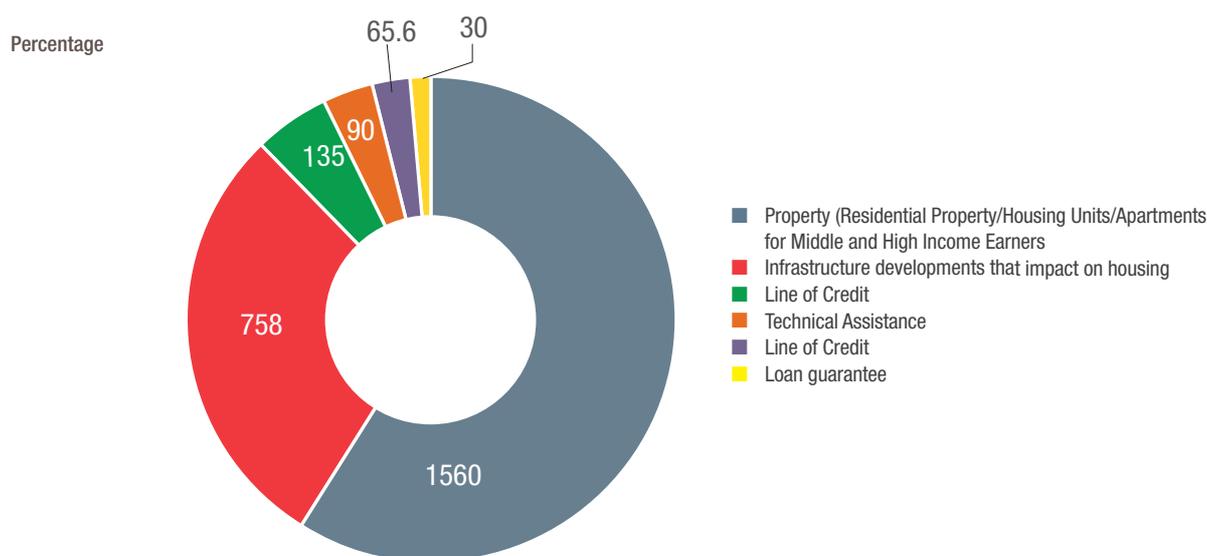
In addition to developments by South African Forum Properties and Government's "Social Housing Project", the NGO L'Action pour la Solidarité et le Développement (ASODEV) has constructed 3,080 houses in Kinshasa. The project, called La Cité de la Paix Cardinal

Etsou, under the Un Toit pour Chacun program, was funded by Shelter Afrique, with support from the International Centre for Business Opportunities. House prices ranged from US\$28,000 to US\$80,000 payable in a period of 5 years. The base price of US\$28,000 payable in 5 years has an inherent limitation in terms of affordability for the low income earners like the civil servants whose monthly income (US\$500).

Another ambitious residential property (housing) development project, initiated by the China Machinery and Equipment Import and Export Corporation (CMEC), was meant to commence in 2015. The project had planned to deliver 2.5 million housing units to residents of Kinshasa and other towns of DRC. However, there is no evidence the project was embarked upon. The project cost was estimated at about US\$30billion. At completion, the project would accommodate 2.5 million households representing 63.4 percent of the housing deficit. The cost at which the houses would be delivered would be high (above US\$ 30,000 after factoring in a margin of US\$ 18,000 per house, on the cost of delivery), well above affordability scale for the majority (65 percent) of the population in Kinshasa.

The other investment tools include loan guarantees, infrastructural developments that have a direct impact on housing investments, and lines of credit. As highlighted above, Shelter Afrique, provided credit (for on-lending) to Rawbank (US\$10.6m) and to construction firms with housing projects worth (US\$35m). The funds, at 6 percent interest for a tenure of 8 years, enabled the bank set up its first real estate credit offer for the country's emerging middle class at 16 percent interest rates for home construction mortgages. The Line of credit was used for on-lending mortgage loans for: Houses acquisition; Individual houses construction /renovation /refurbishment and also to shore up Raw Banks capacity for mortgage lending. The World Bank was the biggest institutional investor in Technical Assistance for Urban Development.

Top Investment Tools for Housing



Source: Annual Reports of Institutional Investors

Investment Activity, Horizon and Period (Timeframe)

In the period 2000 – 2017, the average horizon, for top performing investment tools targeting the EAC housing and housing finance sector, was about 10 years (with a grace period of 1 to 2 years). The horizon, matches the average tenor for housing finance products on the market. The only challenge, is that the institutions providing long-term funds are few, for reasons below.

Investor, Investment Asset, Investment Tool, Activity, Horizon and Period

Investor	Funds and Intermediary	Investment Tool	Horizon	Period
Forum Properties (South Africa)	US\$1.4 billion	Financing the Construction of Luano city - a mixed-used development project	10 Years	2014 – 2024
Chinese Govt.	US\$758 million via DRC Govt	Construction of infrastructure	20 years	2008 – 2028
Govt. of DRC	US\$ 160 million	Construction of 1000 social houses	10 years	2014 – 2025
EIB	€20 via Equity Group Holding Limited and Procredit DRC	Credit line to Working capital of SMEs	20 years	2005 – 2025
WB	US\$90m via DRC Govt	Technical Assistance - Urban development Project	20 years	2005 – 2025
Shelter Afrique	US\$10.6m via Rawbank	Line of credit to launch mortgage product	8 years	2008 – 2017
AfDB, EAI, BHL, IFC	US\$135m via Lucky Cement Ltd and Group Rawji	Nyumba Ya AKiba project – a Greenfield cement manufacturing plant	10 years	2008 – 2018
EKF	US\$30m via AfDB	Loan guarantee of part of AfDB loan to Nyumba Ya AKiba project	10 years	2005 - 2015

Source: compiled by Consultant from various online sources

Impact of Investments in DRC's Housing Industry

The Breadth and Depth of Housing and Housing Finance Products

DRC has a housing deficit of about 4 million units, while the annual housing requirement is close to 250,000 units. The housing requirement in Kinshasa alone, is estimated at about 140,000 units annually. Although the demand for affordable housing is evidently high, the few past and ongoing housing projects are skewed towards the needs of middle-income and wealthy individuals. These individuals earn above US\$ 1,000, and constitute less than 10 percent of the population).

From the table below, the property developers were only able to reduce the annual housing requirement by about 2,500 units, in the period 2014 to 2017, maintaining the annual housing requirement at above 400,000 units.

Annual Housing Requirement in DRC

Property Developers	Units delivered in Year/s			
	2014	2015	2016	2016
Forum Properties	100 units	100 units	200 units	200 units
Govt. Social Houses	-	100	100	200
CMEC	-	-	-	-
ASODEV	-	100 units	150 units	200 units
HARKWOOD PROPERTIES	-	-	-	300 units
DEVIMCO	-	30 units	50 units	10 units
JAMBO SPRL	-	30 units	50 units	10 units
IMMO-SERKAS	-	15 units	20 units	-
GRANDES CONSTRUCTION DU CONGO	-	20 units	10 units	-
GROUPE LEDYA	-	20 units	10 units	20 units
IMMOBAJE	-	10 units	30 units	20 units
GOMBE KINSHASA APARTMENTS	-	-	10 units	-
BUILDING BLOC- BUILDING BLOC PROJECT	-	55 units	50 units	20 units
IMD	-	70 units	60 units	-
SIMKHA	-	10 units	30units	10 units
Total	100 units	560 units	770 units	2,430

Source: Consultant's mini-survey of Property Developers in DRC

Challenges to Deepening the Investment Landscape in DRC

There is no stock market or debt capital market. Most of the private commercial bank's products are designed for established business entities such as mining companies. Nonetheless, steps taken to liberalize the insurance sector – formerly dominated by the national insurance company – SONAS, could help un-lock some long-term funds for housing.

DRC has no functional corporate debt market and as such the fixed income market is restricted to short-term government issued treasury bills with maturities up to 28 days, which are dematerialized and freely tradable through commercial banks. Access to the primary market is restricted to commercial banks holding securities accounts with the Central Bank and all investors, including institutional and retail investors, must submit bids through banks. Commercial banks, which dominate the investor base, can also trade Treasury bills on the secondary market, but must display bid and ask prices for which they agree to conduct transactions. There is no derivatives market present in the DRC.

The country has a limited number of developers (less than 20), all of whom deliver middle and high-end properties (above US\$ 20,000). Institutions providing mortgage finance are fewer than 10, and significantly constrained by a lack of long-term finance to offer the mortgages at modest terms. Mortgages are as dear as 16 percent, for an average tenor of 5 years. Presently, close to 80% of the housing developments were/are self-built, with distinctly poor features, not compliant to local master plans and municipal construction standards.