Centre for Affordable Housing Finance in Africa

HOUSING INVESTMENT LANDSCAPES

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

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Centre for Affordable Housing Finance in Africa

Contents

Background

This country report forms part of The Centre for Affordable Housing Finance's Investor Programme which aims to reduce 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 into and analysis of the depth and breadth of investment in Swaziland's housing and housing finance sector. The overall goal of this project is to quantify the breadth of investment activity in 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. To stimulate greater investment in affordable housing and connect investors with potential investments, the report profiles investors and investment instruments with the greatest impact on the housing finance market within the Southern Africa Development Community (SADC).

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 localised construction material industry and innovations in housing finance such as the emergence of Real Estate Investment Trusts (REITs) and mortgage liquidity facilities across Africa. However, the chronic lack of rigorous data on the housing sector financing infrastructure presents a key barrier to this growth. This is particularly true for the housing sector, as stimulating targeted investments relies on highly differentiated data that illustrates market segmentation. In providing market intelligence that makes the case for investment in under-served markets (segmenting and quantifying the demand side, and scoping, understanding, and tracking the supply side) we can support a better policy environment and increased private sector activity in affordable housing markets. In this way, we catalyze 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.

1 Methodology

As the SADC study is the first of its kind, and the first time many of the countries' housing investment markets have been studied systematically, CAHF sought 'best available' information rather than exhaustive market data; the resulting reports have focused on profiling investors and investment instruments with the greatest impact on the housing finance market. As important as the financial estimates, therefore, is the classification of investors, which can be broadly summarized as:

- Development Finance Institutions [DFIs], led by AfDB, as the leading capital providers, usually in the form of debt.
- Country-level pension funds, which target housing production consistent with the income profiles of their members.
- Private investment companies, some of which have partnered with government entities to co-invest in country-specific banks (e.g. Rabobank in Zambia, Capricorn Holdings in Namibia).

The CAHF study defined an investor as a local or foreign entity that makes investments to promote housing and housing finance. More specifically, investors facilitate finance moments along CAHF's housing value chain (Figure 1).

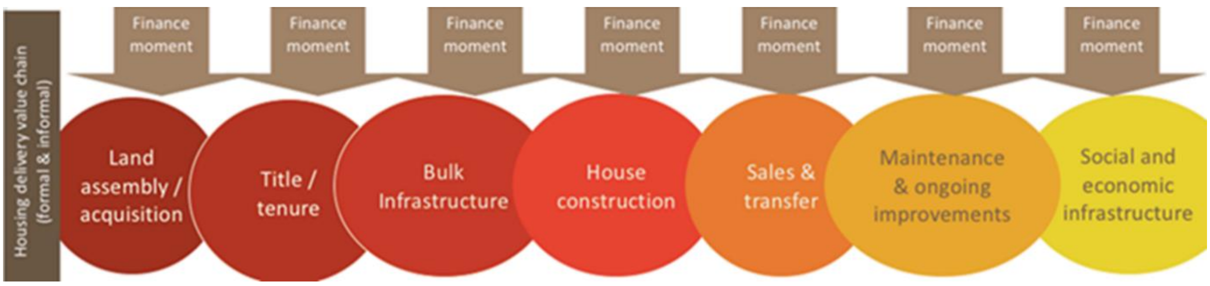


Figure 1: CAHF's Housing Value Chain

An investment could be both monetary, in-kind (such as technical assistance), or a grant. Nearly all investments tracked occurred in the 2008-2018 timeframe, though exceptions were made for especially large or high-impact initiatives from before 2008. Investments were tracked in six different asset allocation strategies, which are typical DFI classifications:

- supporting the financial sector,
- financing SMEs,
- housing finance,
- construction of housing,
- supportive infrastructure investment,
- and slum upgrading.

All information was gathered in an investment tracker using Excel. As part of its commitment to provide market data to stimulate greater investment in affordable housing across Africa, CAHF intends to use the information gathered from its investment landscape study to create a publicly accessible investment tracker platform.

2 Study Parameters

This report covers the Southern African Development Community (SADC), and summarizes key findings and market dynamics detailed in the fourteen individual country reports. SADC is an **inter-governmental organization** headquartered in **Gaborone, Botswana**. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 16 Southern African countries. Member states include: Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe, Malawi, Seychelles, Comoros, and the Democratic Republic of Congo (DRC). The SADC investment landscape study does not include Tanzania and the DRC because these two countries formed part of the Central and East Africa segment of the study.

The main objectives of SADC are to achieve development, peace and security, and economic growth, to alleviate poverty, enhance the standard and quality of life of the people of Southern Africa, and support the socially disadvantaged through regional integration, built on democratic principles and equitable and sustainable development.[1] Unlike the West African Economic and Monetary Union (WAEMU), SADC members do not share a similar currency, but do participate in a free trade area. The bloc has 26 other legally binding protocols, dealing with issues such as Defense, Development, Illicit Drug Trade, and Free Movement of People.

The SADC land area is 554,919 km² and is home to more than 277 million people. GDP growth averaged 2.34 percent in the 2014-2016 period.[2] Looking at average figures for the economic bloc is not hugely revealing, however, as members of SADC are economically very diverse, with a vast range of development levels. By way of example, the Mozambique Human Development Index (HDI) ranks 180 out of 189 countries, making it one of the worst performing countries within the low human development category. The Seychelles, on the other hand, ranks 62 out of 189, making it the best performing African country and placing it in the high human development category.[3]

In terms of nominal GDP, the leading economies in the region are South Africa, Angola, Zambia, Zimbabwe, and Botswana, with 2017 GDPs of $349.30 billion, $124.21 billion, $25.50 billion, $17.49 billion, and $17.17 billion, respectively[4]. On a GDP per capita basis, the top five countries are as follows: Seychelles, Mauritius, Botswana, South Africa, and Namibia.[5]

Again, this report is only indicative and does not give a complete picture of the situation in SADC, but should allow the reader to gain an understanding of the types and levels of investment in the region.

[1] https://www.sadc.int/about-sadc/overview/
[2] https://www.sadc.int/about-sadc/overview/sadc-facts-figures/
[3] UNDP website
[4] World Bank data
[5] IMF country data, 2017

3 Overview of Findings

The study yielded many interesting findings, with several trends emerging from the data. The overall picture is positive: investment in housing is increasing across the region. Growing economies and financial sectors, increased political stability in some countries, and more market data are likely the main drivers of increased private sector investor interest. As illustrated in the graph below, total investment has increased dramatically since the global financial crisis of 2008, reaching approximately USD 893 million in 2016 (Graph 1).

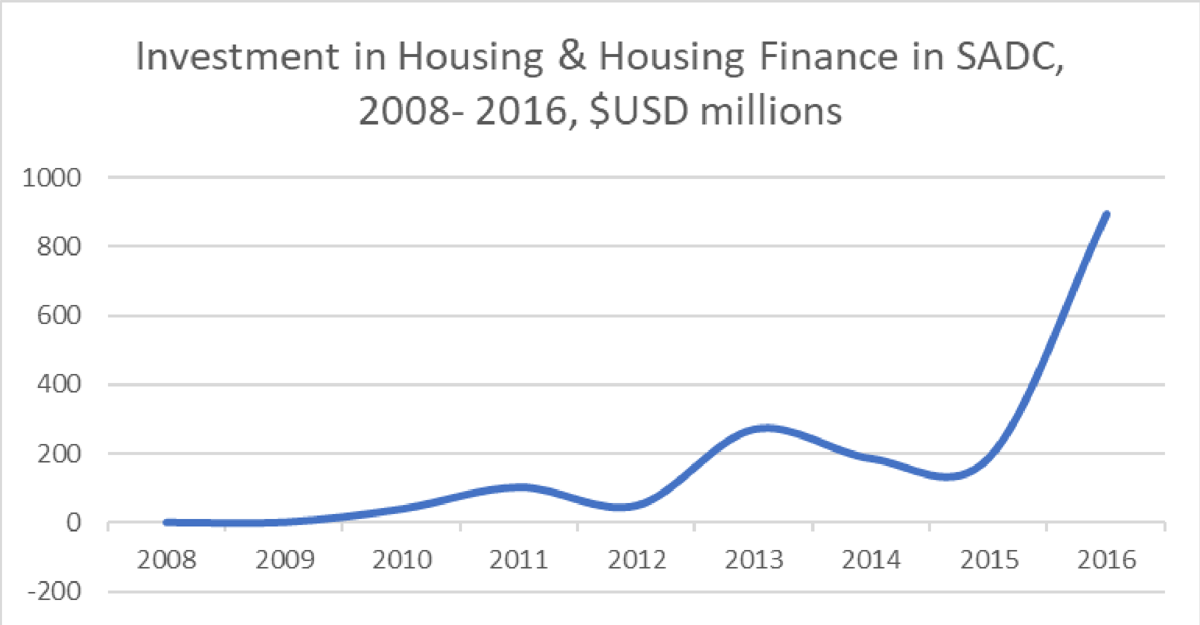


Figure 2: Investment in Housing & Housing Finance in SADC, 2008-2016   Source: CAHF study data, 2018

4 Investor Profiles

The investment landscape in SADC includes both local and foreign institutional investors. Below is a description of the two categories of investors, including their institutional type, sources of capital, and other parameters that define their investment model.

4.1 Leading Investors

The region's leading investors, measured by capital deployed in the 2008- 2017 time period, are presented in Table 1 below. This information is not exhaustive. The committed funds of many private equity deals, for example, are not disclosed to the public, and therefore could not be captured by the study. And in many countries, limited information is publicly available. It therefore should be understood as representative of broader market trends.

	Name	Investor Category	Approx Investments Made 2008-17, $USD millions	Typical Instrument
1	AfDB	DFI	1,280	Debt
2	Government Employees Pension Fund, SA	Pension Fund	792	Debt
3	EIB	DFI	791	Debt
4	OPIC	DFI	759	Debt
5	Rabobank	Bank	632	Equity
6	CITIC	Private Company	607	Equity
7	IFC	DFI	528	Debt & Equity
8	Henan Guoju	Private Company	456	Equity
9	Sinomach	Private Company	420	Debt
10	Capricorn Investment Holdings	Publicly Listed Company	400	Equity
11	Zambian Government	Government	365	Equity
12	China EXIM Bank	Bank	328	Debt
13	Government Institutions Pension Fund, Namibia	Pension Fund	256	Equity
14	World Bank/ IDA	DFI	195	Debt
15	National Housing Finance Corporation NHFC, SA	Government	181	Equity
	Total		**7,991**	

Table 1: Largest Investors in Housing and Housing Finance in SADC Source: CAHF study data, 2018

The largest investors in the region measured by capital deployed over the past ten years include DFIs (AfDB, EIB, OPIC, IFC, World Bank), government agencies (Zambia, South Africa), pension funds (South Africa, Namibia), Chinese companies (CITIC, Henan Guoji, Sinomach), and banks (Rabobank, China EXIM Bank). The African Development Bank [AfD]) is by far the largest investor at around USD 1.3 billion. Typical of large DFIs, AfDB usually lends rather than invests equity.

Two private sector investments merit mention: Rabobank and Capricorn Investment Holdings. In 2007, Rabobank bought a 45.59% stake in Zambia National Commercial Bank. The Zambian government also owns a considerable share in the bank. While this is not the only new bank in Africa, or the only bank to recently receive large capital injections, it is notable for the size of the transaction. Capricorn Investment Holdings is part of a financial services group, and owns a 40.7% stake in Namibia's Bank Windhoek.

An interesting and encouraging finding is the high level of involvement of pension funds in the region, notably in South Africa. In addition, Chinese entities figure prominently on the list. Both of these trends will be explored further in the report.

4.2 Country Allocation

Levels of investment vary widely from country to country, which is to be expected from a region as economically diverse as SADC. The data displays significant market concentration; the top five investment destinations represent 90.3 percent of total investment. South Africa alone receives over a quarter of investments. This is not surprising, as it has the deepest capital markets within the region, and research has shown that deeper capital markets – as opposed to more developed banking sectors – are related to higher levels of investment in housing and housing finance.[6]

Interestingly, the data shows that Zambia is also receiving almost a quarter of investments in the region. This could be owing to the high level of long-term funding from foreign institutional investors (over $15bn), in particular from Chinese entities ($12.3bn), both state-backed ($2bn) and private ($10.3bn), since 2012[7].

Mozambique is also a popular destination, although appetite for the country seems to have abated since the country's most recent crisis in 2015. As a post-conflict country with an oil economy, Angola also receives a high level of investment in its finance and housing industries.

[6] "Housing Finance and Inclusive Growth in Africa," World Bank, 2015
[7] AEI China Global Investment Tracker – data compiled by The American Enterprise Institute and The Heritage Foundation.

	Country	Amount, $USD millions	Percentage
1	RSA	2,349	25.65%
2	Zambia	2,153	23.51%
3	Mozambique	1,615	17.64%
4	Angola	1,077	11.76%
5	Namibia	1,072	11.70%
6	Mauritius	191	2.09%
7	Botswana	191	2.08%
8	Zimbabwe	178	1.94%
9	Madagascar	167	1.82%
10	Malawi	50	0.55%
11	Lesotho	43	0.47%
12	Kingdom of Swaziland	31	0.34%
13	Seychelles	30	0.33%
14	Comoros	10	0.11%
	TOTAL	**9,156**	**100%**

Table 2: SADC Investment in Housing Country Distribution, $USD Millions and %age Source: CAHF study data, 2018

4.3 Local Institutional Investors

Local Institutions that invest in housing and housing finance in the region include pension funds, REITs, private equity, and government bodies.

Pension Funds

Research has shown that there is a positive correlation between the level of development of housing markets and the participation of pension fund investment in real estate. Encouragingly, this was demonstrated by the CAHF data as well, with South Africa leading the way in pension fund activity in housing. Property is a natural fit for long term pension fund assets, as there is a tenor match between the two.

An important caveat to bear in mind is that most data on pension fund investments does not distinguish between different types of property investment classes. Residential and commercial are simply grouped into one. It is likely that the majority of capital is invested in the commercial real estate sector, where there is more liquidity and greater investment opportunities. Housing is an inherently riskier asset class and a low level of market information makes it difficult for investors to project returns, thus deterring targeted investments.

No data was available on Angola's pension fund investment profile, but it is likely that some of the assets are invested in property. As of 2016, the country's pension fund sector represents 2.39 percent of GDP, which is relatively high for the region. It is comprised of eight investment companies that manage 36 pension funds with combined total assets of AOA$310 billion ($1.27 billion USD), and approximately 36 thousand contributors[8].

Similarly, we know that Mauritius' national pension fund is involved in the housing sector and that it lends money to the Mauritius Housing Company (MHC), but exactly how much is unknown.

[8] Agência Angolana de Regulação e Supervisão de Seguros (ARSEG), 2018

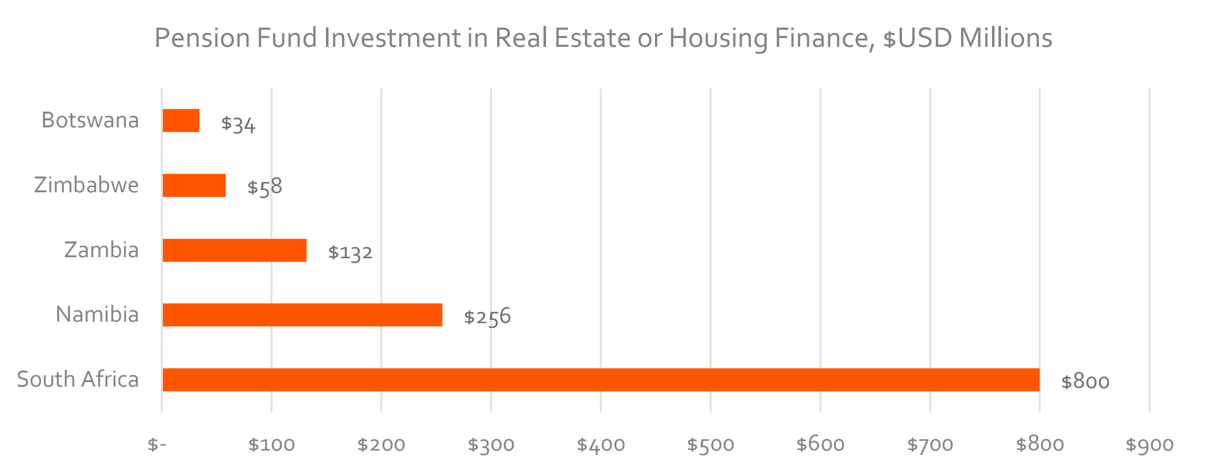


Figure 3: Pension Fund Investment Source: CAHF study data, 2018

South Africa

Pension funds play a significant role in the South African financial sector, providing crucial long-term financing to the economy through direct and indirect investments in domestic businesses.

As of March 2017, the sector consists of 5,119 registered funds with a combined asset value of over R 4 trillion (approximately USD309.8 billion USD) and over 16.5 million members.[9]

Despite housing and infrastructure arguably being a good fit for the longer-term liability profile of pension funds, only 0.7 percent of assets were invested in property in 2014, equivalent to USD2.1 billion[10]. Although the percentage is low when compared to some other SADC countries (Zambia's main pension scheme, for example, has 22 percent of its assets invested in property[11]), the nominal figure places South Africa at the top of the list regionally.

Pension Fund Case Study

Africa's largest pension fund is **South Africa's Government Employees Pension Fund** (GEPF), which had an investment portfolio of ZAR 1.67trn (USD 124 billion) at 31 March 2017, while accumulated funds and reserves grew at 10.2 percent a year for the last decade, according to the fund's latest annual report. It has more than 1.2 million active members.

GEPF is the largest single local institutional investor in housing in South Africa. The fund has backed 646 housing projects and in 2016 it invested R 10.5 billion (USD 778 million) into mortgage finance provider SA Home Loans [SAHL]. The deal aims to provide government employees and qualifying members of the public with end-user home finance and development finance for approved affordable housing projects. Of the investment, R 5 billion was for public service employees and R 2 billion had been set aside for affordable housing end-user financing. Another R 2 billion would enable SAHL to extend home loans to qualifying home loan applicants, while the remaining R 1.5 billion would fund affordable housing developers. SAHL has three shareholders: Standard Bank Group Limited (50 percent), the Public Investment Corporation (authorized representative of GEPF) (25 percent) and Bolatja Hlogo Consortium (25 percent).

Sources: GEPF 2017 Annual Report

Fin24. SA's biggest pension fund invests R10.5bn in SA Home Loans. 13 July 2016. https://www.fin24.com/Companies/Property/sas-biggest-pension-fund-invests-r105bn-in-sa-home-loans-20160713

[9] Financial Services Board Annual Report (2017).
[10] "Africa Asset Management 2020," PWC report (2014), pg 25. http://www.amafrica2020.com/amafrica2020/docs/am-africa-2020.pdf
[11] Zambia Pensions and Insurance Authority, Annual Report 2015

Namibia

Approximately 2.1 percent of Namibian pension fund assets are invested in property, equivalent to USD 246million.[12]

Zambia

Zambia's 2015 Pensions and Insurance Authority annual report shows 22 percent of pension assets are directly invested in property, equivalent to ZMK1.32bn (USD132m), nearly double the 2012 level[13]. It is unclear whether this is commercial or residential. Several funds are invested in REIZ, a listed property development company that is now beginning to develop residential.

Zimbabwe

Zimbabwe's National Pension Scheme, operated by the National Social Security Authority (NSSA), has a large number of investment properties[14], but almost all of these are commercial properties. Furthermore, the residential properties that are in the portfolio are luxury high-end accommodations, such as Ballantyne Park in North Harare. The NSSA does hold equity stakes in two of the three biggest mortgage lenders in the country, however, as well as a USD47m holding in FBC Bank and an USD11m (16%) holding in the country's largest bank by assets, CBZ Bank. The government also has a 16 percent stake in CBZ Bank.

A prime example of pension funds investing in residential markets is the NSSA's establishment of the National Building Society in May 2016, to "facilitate and contribute to housing delivery, to provide affordable housing finance to the general public", among other aims. It was established through a shareholding of the NSSA Pension & Other Benefits Scheme (60%) and the NSSA Accident Prevention & Workers Compensation Scheme (40%). It had grown its mortgage book to USD40m by December 2017, more than doubling the end of 2016 figure. The National Building Society aims to reduce the estimated 1.3m housing backlog (0.5m of which are in Harare)[1] in Zimbabwe by providing 100,000 new housing units over the 5-year period to 2021.[1]

Botswana

Botswana's Non-Bank Financial Institutions Regulatory Authority reports that 0.49 percent of retirement funds' investment assets are in property, equivalent to BWP371m (USD34.9 million).[15]

4.4 Government Investment

Housing is a priority for governments across the region and governments are often the largest direct investors. Most countries have a national housing agency, whose mission is to increase the supply of affordable housing, either directly through subsidised provision, or indirectly through investment promotion activities. Several examples are highlighted below. Countries with institutional frameworks in place, but nevertheless very low levels of investment, include Mozambique and Madagascar.

South Africa

The investment landscape in affordable housing in South Africa is largely driven by the Government, primarily because the South African constitution mandates the government to deliver adequate shelter to the previously disadvantaged.

In 2014/15 it was estimated that government investment into the property market had reached ZAR 300 billion. This is on the backdrop of a residential market, in the same year, with a total worth of around ZAR3 trillion.[16] About a third of the total residential property market is estimated to be government sponsored homes. Between 1994 and 2015, an estimated 4.3 million households have benefited from the delivery of 2.8 million government subsidised houses.[17]

[12] Namibia Financial Institutions Supervisory Authority, Annual Report 2017
[13] Zambia Pensions and Insurance Authority Annual Report, 2015
[14] NSSA 2016 annual report, pp.58.
[15] Non-Bank Financial Institutions Regulatory Authority, 2017 Annual Report
[16] The Property Sector Charter Council Report, 2015
[17] CAHF Yearbook, 2017

Angola

The Angolan government has been particularly busy in the housing sphere. In 2014, the Ministry of Urbanism and Housing's data showed that almost 152,000 units had been delivered with financing from the state budget, mainly in newly developed towns called centralidades.[18]

Angola benefits from its vast oil reserves, which allows it to raise money on international capital markets. In 2011, the National Urbanism and Housing Programme (PNHU) had funding of USD4 billion, over half of which (USD 2.5 billion) was obtained through a Chinese credit line. The remaining balance was funded by a USD1 billion Israeli credit line and a USD500 million state budget allocation.[19]

Zimbabwe

The Infrastructure Development Bank of Zimbabwe (IDBZ) is a state-owned bank and is engaged in housing projects. The IDBZ has issued 5-year Housing Bonds to mobilise capital for its latest housing projects, with the USD 14.9m Kariba Housing Bond fully subscribed, as well as interest in the USD12.2m Sumben Housing Bond, which is a 5-year variable rate bond paying an 8.5 percent coupon in the first two years and 9.5 percent for the remaining three years.[20]

Zambia

The largest provider of local financing in Zambia is the government. It holds a 25% stake in Zambia National Commercial Bank (Zanaco), worth $347m. It also recapitalized the Zambia National Building Society in 2014, the country's dominant building society mortgage lender, to the tune of ZMK174m ($18m) for the purpose of doubling their mortgage portfolio[21].

Botswana

The government-owned Botswana Housing Corporation (BHC), established in 1971, is the primary housing developer in Botswana. Historically it provided for the housing needs of government, local authorities, and the general public, by providing housing for rental, although in recent years it has also been offering houses for sale. By 2010, BHC has delivered 17,000 houses.[22] The BHC's current strategy is to deliver an average of 1,500 social housing projects and 1,800 commercial housing projects per annum.[23]

4.5 Foreign Institutional Investors

Foreign Institutional Investment in the region is largely dominated by DFI investments.

DFI Investment

Development Finance Institutions are very active in the region and are frequently the largest foreign investors in each country. The typical DFI product is debt, either in the form of market rate loans or lines of credit. This makes sense given the back-end funding structure of DFIs, and their risk appetite.

DFI Investors with the highest level of investment in housing and housing finance are illustrated in the table below. As previously mentioned, AfDB is the largest single investor, followed by EIB, OPIC, IFC and the World Bank. We see that there is a fairly even divide between African based institutions (32%), US based (37%), and European/ UK institutions (31%), with the US-based DFIs investing a slightly larger portion.

[18] Angola's Housing Sectors: Understanding Market Dynamics, Performance, and Opportunities, CAHF, 2016
[19] Habitat III Angola Country Report, 2016
[20] https://www.pressreader.com/zimbabwe/the-sunday-mail-zimbabwe/20171119/282226601022418
[21] http://www.times.co.zm/?p=6294
[22] "Housing Finance: The Case of Botswana," Berge and Jing, Stockholm School of Economics, 2011
[23] http://www.mmegi.bw/index.php?aid=71846&dir=2017/september/20

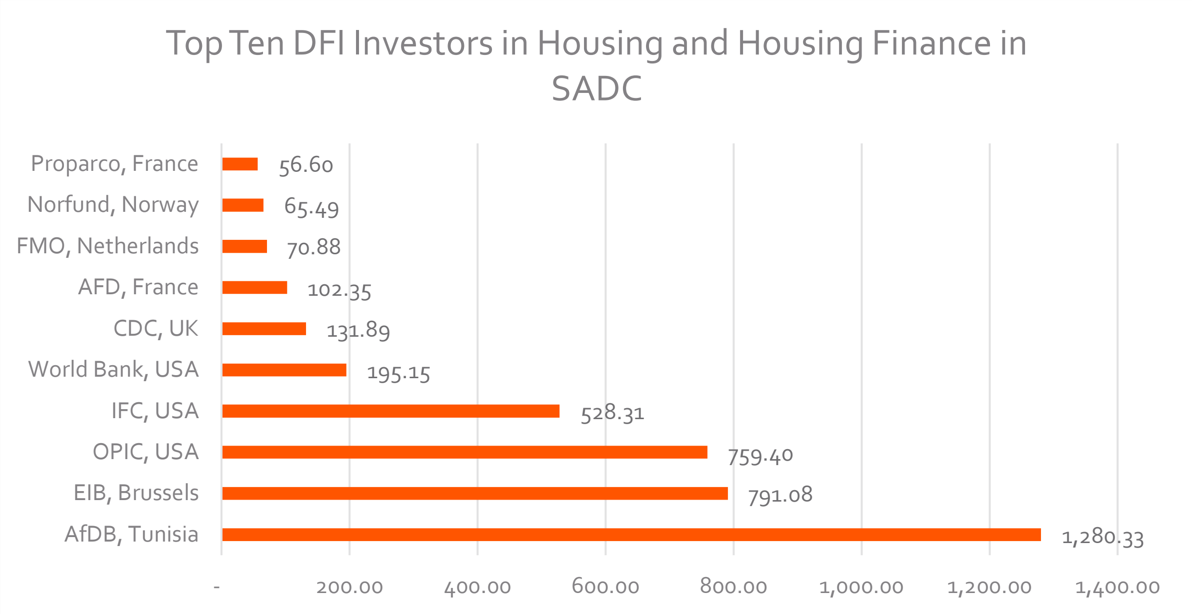


Figure 4: Top Ten DFI Investors Source: CAHF study data, 2018

Chinese Investment

Chinese companies, both state-owned and private, are a frequent sight on the investment landscape in SADC. From 2000 to 2017, the Chinese government, banks and contractors extended nearly USD60.5 billion in loans to SADC governments and their state-owned enterprises.[24] Their presence is more strongly felt in some countries than others, such as Angola.

Chinese loan finance is varied. Some government loans qualify as "official development aid." But other Chinese loans are export credits, suppliers' credits, or commercial, and not concessional in nature. Specific projects are highlighted in this section, and information obtained from various databases is summarized in the table below.

	Chinese Loans to SADC, 2000- 2017	$USD Millions	Chinese Loans to Housing & Other Social Infrastructure Sectors
1	Angola	42,845	2,511
2	Zambia	6,377	154
3	South Africa	3,784	-
4	Mozambique	2,289	70
5	Zimbabwe	2,214	-
6	Botswana	931	57
7	Namibia	729	-
8	Mauritius	492	20
9	Madagascar	435	56
10	Malawi	262	160
11	Lesotho	56	-
12	Comoros	39	-
13	Seychelles	34	21
14	Swaziland	-	-
	Total	**60,488**	**3,049**

Figure 5: Chinese Investment in SADC Source: SAIS China-Africa Loan Database, 2017

Most Chinese funds go towards transport (31% of loans), power (24%), and mining (15%). Only a very small fraction (3.45%) are earmarked for housing, which is tracked in SAIS' broader category of "Other Social." This

[24] SAIS China-Africa Research Initiative, 2017

category includes social infrastructure, such as social housing, stadiums, libraries, conference and convention centers, youth centers, and gyms. As shown in the table above, about USD 3 billion was invested in "Other Social" between 2000 and 2016.

Angola

Angola is the top recipient of Chinese loans, with USD 42.8 billion disbursed over 17 years. The CITIC Group, a wholly owned state enterprise of the Government of China, has been a key player in Angola's housing market and is the 7th largest single investor in the SADC region.[25] It built the new centralidade Kilamba- a USD3.5 billion project including homes for 200,000 inhabitants- as well as several other large towns.

IFC and CITIC Platform

In 2015, the IFC and CITIC Group jointly funded a USD300 million platform to facilitate the development of affordable housing in Sub-Saharan Africa. The IFC made an initial equity contribution of USD60 million, making it a 20% shareholder. The IFC and CITICC also announced plans to mobilise another USD300 million in a debt facility to provide debt funding directly at the individual project level. The platform will partner with local housing developers and provide long-term capital to develop 30,000 homes by 2020. As of October 2018, both parties were still reviewing projects in the pipeline and no investments have been made to date.

Chinese Investor Profile

Chinese loans to Africa are largely extended by two main capital providers: The Export-Import Bank of China (Eximbank) a state-owned enterprise, representing 67% of all loans issued, and the China Development Bank (CDB), also state-owned, at 13%. The balance of loans, or 20%, comes from commercial Chinese banks and contractors.

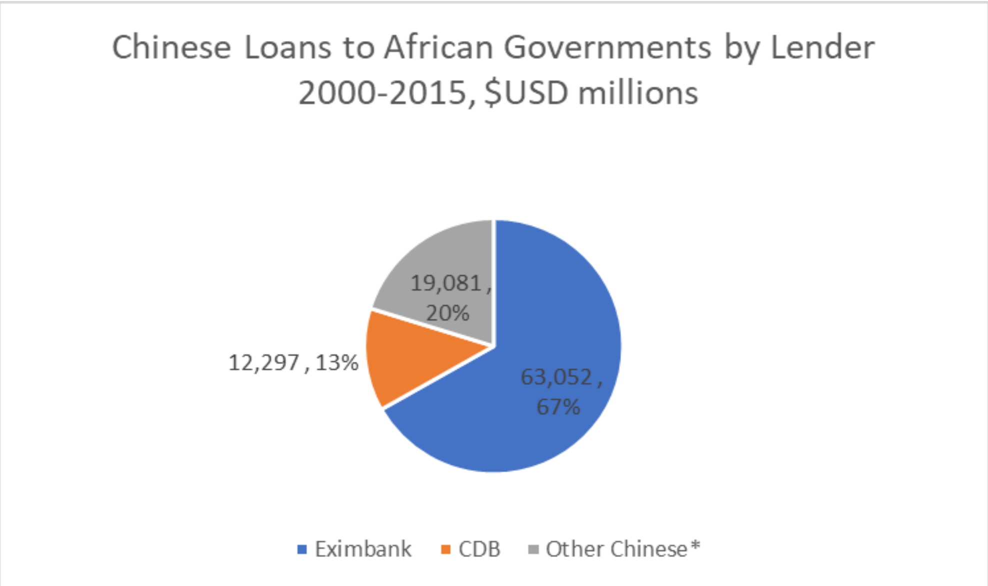


Figure 6: Source: SAIS China-Africa Loan Database, 2017

5 Investment Activity in Housing

This section explores the nature of investments in housing and housing finance in the region, comparing levels of investment in the 14 different countries, and examines investment tools used as well as sectoral allocations.

[25] SAIS China-Africa Loan Database, 2017, and CAHF commissioned investment tracker, 2018

5.1 Investment Instrument Used

As shown in the figure below, the investments tracked reflect a nearly even divide between debt and equity instruments.

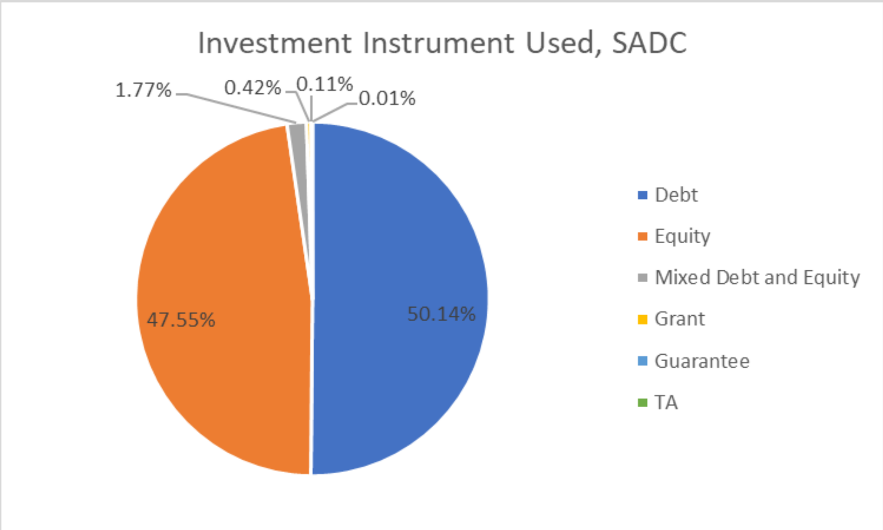
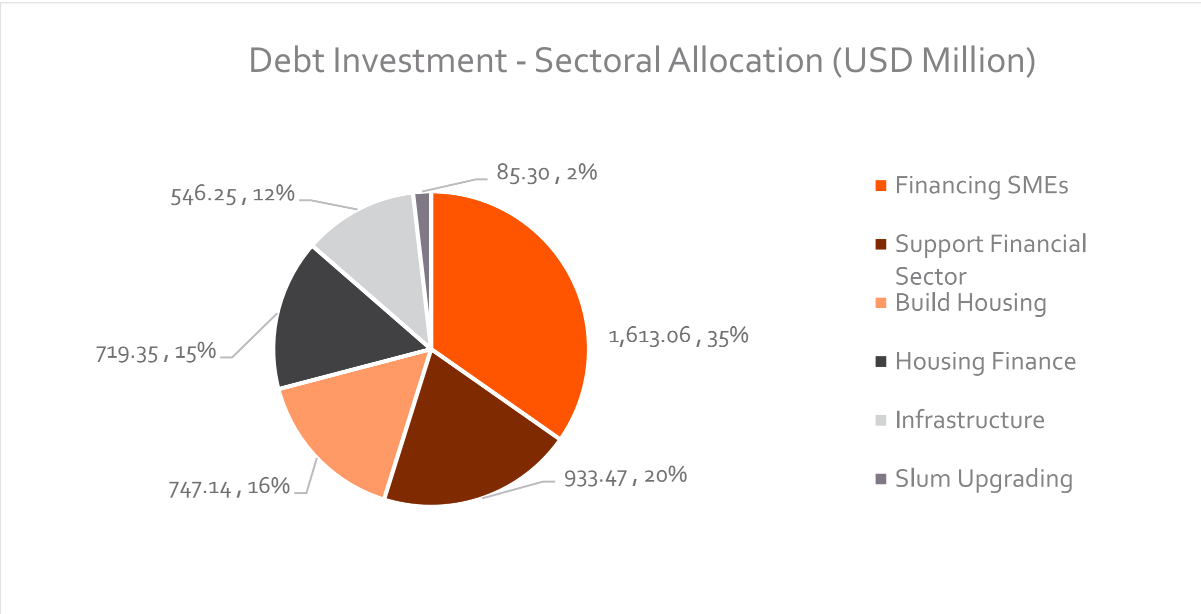


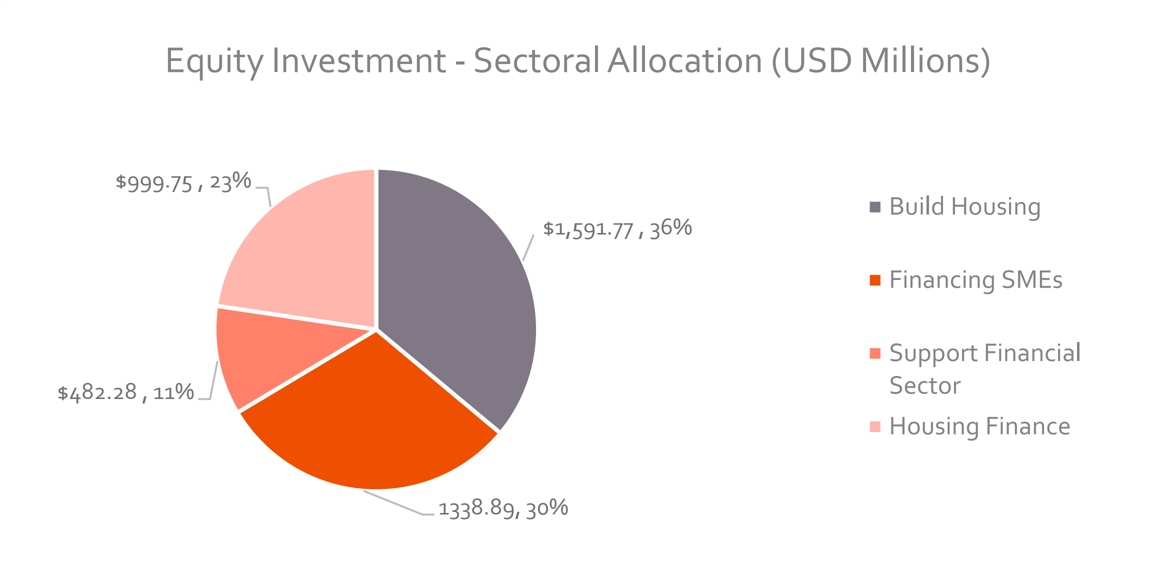
Figure 7: Source: CAHF study data, 2018

5.2 Sectoral Allocation, by Instrument Used

Over 35% of debt investments have gone towards financing SMEs, usually via a loan or line of credit extended to a financial institution. Supporting the financial sector (20%) is a broader category in which SMEs are not the specific target of the investment. These two loan purposes were tracked in the study as they are related to housing delivery and finance. Almost all DFI investments are debt funded.



Approximately 36% of equity investments were used to build housing. Large scale equity investments often include the founding or purchase of banks, or the funding of very large construction projects. Similar to the debt investment profile, we observed that housing finance does receive some recognition as an investment option with a 23% representation, but not as much as the greater financial sector. This is to be expected because it is a narrower mandate.



5.3 Investment Portfolio

The table summarizes key investment findings from the investment tracker. It focuses on housing-related investments and highlights the largest investments over the past ten years in the SADC region. The transactions total of $2.5 billion USD.

Investor Name	Investor Type	Location of Investment	Description	Amount, $USD million	Year First Investment
Shelter Afrique	Private Company	Namibia	Loan to National Housing Enterprise to build housing	6.85	NA
Seychelles Commercial Bank	Bank	Seychelles	Loan to Seychelles Housing Finance Company	10.40	NA
EIB	DFI	South Africa	Loan to South Africa's National Housing Finance Corporation	55.80	NA
ICBC Bank	Bank	Zambia	Loan to Development Bank of Zambia to construct 2,000 homes for Zambian military personnel	157.00	NA
AfDB	DFI	Zambia	Loan Zambian National Building Society to support mortgage lending	20.80	2018
EIB	DFI	Botswana & Namibia	Equity investment in International Housing Solutions fund for affordable and energy-efficient housing projects in Namibia and Botswana	11.20	2017
AfDB	DFI	Namibia	Loan to Development Bank of Namibia to fund infrastructure projects	450.00	2017
Government Employees Pension Fund, South Africa	Pension Fund	South Africa	Equity Investment in SA Home Loans, mortgage provider	792.00	2016
CDC	DFI	Zambia	Loan to develop 210 affordable housing units in phases	20.00	2016
OPIC	DFI	Zimbabwe	Loan to African Mortgage Company to fund home loans	19.50	2016
Eastern and Southern African Trade and Development Bank	Bank	Zimbabwe	Loan to Central Africa Building Society	8.30	2016
IFC	Equity	Angola	The IFC and CITIC Group co-funded a $300M USD platform to facilitate the development of affordable housing in sub-Saharan Africa. The IFC's equity contribution made it a 20% shareholder.	60.00	2015
Eskom Pension and Provident Fund	Pension Fund	South Africa	Equity Investment in I.H.S.' South Africa Workforce Fund	8.00	2015
Global Evironment Facility	NGO	South Africa	Grant to IHS Fund II	10.00	2015
IFC	DFI	South Africa	Equity investment in IHS Fund II	25.00	2015
KFW	DFI	South Africa	Equity investmetn in IHS Fund II	5.00	2015
OPIC	DFI	South Africa	Loan Guaranty for IHS Fund II	80.00	2015
UN Habitat	DFI	Mauritius	Technical Assistance for Slum Upgrading Program	0.13	2014
Municipal Mortgage & Equity, LLC	Private Equity	South Africa	Private Equity investment in I.H.S.' South Africa Workforce Fund	95.00	2014
OPIC	DFI	South Africa	Loan Guaranty for I.H.S.' South Africa Workforce Fund	80.00	2014
Vital Capital Fund	Impact Investor	Angola	Equity investment in Kora Housing, development company that plans to build 34k units total in 14 projects	92.00	2013
EIB	DFI	South Africa	Loan made to various financial intermediaries to fund affordable housing projects (Development Bank of Southern Africa, NHFC, Nedbank, Standard Bank)	177.70	2013
IFC	DFI	Botswana	Loan to Botswana Building Society	40.00	2012
Shelter Afrique	Private Company	Mozambique	Loan co-financing the development of 150 bungalows and related infrastructure in Djuba area, Matola	8.50	2012
AFD	DFI	Madagascar	Two loans for slum upgrading programs in Antananrio	85.30	2011
World Bank/ Cities Alliance	DFI/ NGO	Malawi	Technical Assistance for Slum Upgrading Program	0.43	2011
Agence Francaise de Developpement	DFI	South Africa	Loan to South Africa's National Housing Finance Corporation	16.30	2011
FMO	DFI	South Africa	Loan to Norplats Properties to finance home loans for Norplats employees	6.40	2011
World Bank	DFI	Swaziland	Loan to Ministry of Housing and Urban Development	26.90	2011
Shelter Afrique	Private Company	Zimbabwe	Four separate loans (2 LOCs) to support housing finance or construction	31.00	2011
Shelter Afrique	Private Company	Madagascar	Loan co-financing mixed use develpoment including 29 units	4.30	2010
World Bank	DFI	Mozambique	Two Municipal Development projects in Maputo, with combined budget of $80M. Services and Housing for the Poor represents portion of budget.	11.10	2010
National Pension Scheme Authority, NAPSA Zambia	Pension Fund	Zambia	Equity investment to fund construction of 438 housing units, called Kalulushi Housing Project	28.70	2010
UN Habitat	DFI	Malawi	Technical Assistance for Slum Upgrading Program	0.25	2009
Old Mutual Capital Holdings	Pension Fund	South Africa	Equity investment in Housing Investment Partners (HIP), a mortgage financier that targets households that would normally be turned away from conventional lenders	43.00	2007
KFW	DFI	South Africa	Grant to help establish the Rural Home Loan Fund	12.30	1995
TOTAL				**2,499.16**	

6 Impact of Investment on SADC's Housing Market

6.1 Access to Formal Housing Finance

Generally speaking, there is a positive correlation between access to finance and the level of housing loans in a country. The table below does not take gender into account; when just the male population is considered, the percentage of outstanding housing loans tends to increase. Several countries are highlighted in the section below.

Country	Outstanding housing loan (% age 15+)	Account (% age 15+)
Mauritius, 2017	13%	80%
Botswana, 2014	10%	52%
Namibia, 2017	9%	81%
Mozambique, 2017	8%	42%
Zambia, 2017	8%	36%
RSA, 2017	6%	69%
Malawi, 2017	6%	34%
Lesotho, 2017	4%	46%
Zimbabwe, 2017	4%	55%
Angola, 2014	2%	29%
Madagascar, 2017	2%	18%
Comoros, 2011	NA	22%
Kingdom of Swaziland	NA	29%
Seychelles	NA	NA
SADC Average	**5.7%**	**50.0%**

Table 3 Source: Findex 2017 Survey:

Mauritius

Mauritius is a middle-income Indian Ocean island nation. It has been emerging as an international financial center since the early 1990s, and is the easiest place to do business in Africa. It is a favored country for structuring cross-border investments into Asia and Africa, and particularly into India and China.[26]

Mauritius has the highest level of mortgage penetration in SADC, with an estimated 13% of the population having a home loan. Its housing market is characterized by a high degree of ownership. According to Statistics Mauritius, in 2012, the majority of households (92.7 percent) owned their dwellings or were supplied free by parents or relatives.[27]

Botswana

An estimated 10% of the Botswanan population holds a home loan, ranking it second in SADC in terms of mortgage penetration. Botswana gained independence from the British Commonwealth in 1966 and since then has maintained a stable representative democracy. It is now an upper-middle income country. Its total population is about 2 million people, making it one of the most sparsely populated countries in the world.[28] Within SADC, it ranks second behind Mauritius in the World Bank's ease of doing business index, and like Mauritius, it does not have housing deficit as there are more dwellings than households[29].

Its mortgage penetration rate of 10% is high for the region, but low when compared to more developed economies.[30] In 2017, the Central Bank reported that Botswana's Mortgage to GDP ratio (including statutory banks) was 7.5 percent.31

[26] CAHF Yearbook, 2017
[27] Ibid
[28] "Housing Finance: The Case of Botswana," Berge and Jing, Stockholm School of Economics, 2011
[29] World Bank, 2018
[30] Global Findex Database, 2014
[31] Bank of Botswana Banking Supervision Annual Report, 2017

Namibia

In 2017, 81 percent of Namibians aged over 15 held a bank account[32], one of the highest figures in the continent and well above the SADC average of 50 percent. In addition, 9 percent of the population aged above 15 have an outstanding home loan (SADC – 5.7 percent), rising to 13 percent when just looking at the male population (SADC – 7 percent). Namibia's total mortgage loan book was reported at $3.2 billion USD in 2017, representing a mortgage to GDP ratio of 24 percent.[33]

Mozambique

Access to finance in Mozambique is limited; over 90% of the population does not have a bank account and only 3% of the population has access to credit. The country's mortgage loan to GDP ratio as reported by the Central Bank was nominal at 0.91% at year-end 2014 and is not expected to have increased significantly since then.[34] The Finscope survey results, however, indicate a mortgage penetration rate of 8%, placing it within the more developed mortgage markets in SADC. This figure seems overly optimistic and does not square with other research findings or data points, therefore the consultant is hesitant to rely on it.

Zambia

While access to finance in Zambia is certainly not universal, there are signs of improvement. The percentage of the Zambian population aged 15 or above with an outstanding home loan in 2017 was 7.8%, up significantly compared to 2014, where the figure was 4.6%[35]. The percentage for young adults (age 15-24) was 8.1% in 2017, a huge increase on the 1.3% in 2014. This suggests that while housing finance is still restricted to a small fraction of the population, the recent trends are encouraging.

South Africa

Despite developed credit markets, access to mortgage finance is limited in South Africa and mortgages are, for the most, part extended to high income earners. In 2012, only 6 percent of the population had a home loan.[36] The ratio of mortgage debt outstanding to GDP is currently 20 percent.[37]

Of the 153,702 mortgages granted in 2016, the Banking Association reports that just 21,464 (14 percent) were directed at the affordable market of households earning less than ZAR20 800 (US$1, 517) per month. Figures (and thresholds) differ somewhat with data from the National Credit Regulator (which reports 8 895 mortgages extended to individuals earning less than ZAR15 000 (US$1 094 per month), but the point remains that access to mortgage finance is particularly limited for lower-middle class South Africans.

Angola

Angola is interesting to highlight because its banking sector is fairly developed and is the third largest in Sub Saharan Africa behind Nigeria and South Africa. But while credit represents 28.30 percent of GDP, only a reported 2 percent of the population had a home loan outstanding in 2014.[38]

6.2 Key Players in the Mortgage Market

The study found that South African banks tend to dominate the mortgage market in SADC. Standard Bank has an especially large presence. Data was not available for every country, but what was found is summarised below.

- Namibia, the top three mortgage lenders: Bank Windhoek, FNB Namibia, Standard Bank Namibia
- Mozambique, the largest banks: Banco Comercial e de Investimentos (29% market share), Millenium BIM (27%), Standard Bank (19%).

[32] Global Findex Database 2017
[33] Namibia Central Bank 2017 report
[34] Banco de Mocambique, 2014
[35] Global Findex Database 2017
[36] Finscope survey, 2012
[37] https://www.fin24.com/Economy/little-room-for-sas-mortgage-market-to-grow-moodys-20180618
[38] Findex Survey, 2014

- Angola, the top three mortgage lenders: Banco de Poupança e Crédito (BPC), Banco Internacional de Credito (BIC), and Banco Angolano de Investimento (BAI).
- Zimbabwe, leading mortgage providers: Central African Building Society, CBZ Bank, FBC Bank, and National Building Society.
- Zambia, the three largest banks: Stanbic (Zambian subsidiary of Standard Bank), Barclays Zambia, and Standard Chartered Zambia. The Zambian National Building Society is the largest provider of housing finance among the building societies, with a mortgage book of ZMK174m ($17.4m).[39]
- Swaziland, four commercial banks, three of which are subsidiaries of South African banks (First National Bank or FNB, Nedbank and Standard Bank), and one state-owned development bank (Swazi Bank). The South African subsidiary banks control approximately 86 percent of the market.
- Botswana- Five banks continued to dominate the banking sector and accounted for 89.5 percent, 88.5 percent and 88.7 percent of total assets, total deposits and total loans, respectively, in 2017. The three largest banks are all foreign: Barclays, Standard Chartered, and First National.
- South Africa- Four banks, known as the "Big Four," dominate: Absa Bank, First National Bank (FNB), Nedbank and Standard Bank.40
- Malawi, banks that offer mortgage products: National Bank of Malawi, Standard Bank, FDH Bank and New Building Society (NBS).
- Mauritius, the three largest mortgage providers are Mauritius Housing Company, Mauritius Commercial Bank and State Bank of Mauritius.[41]

6.3 Size of Mortgage Market

The mortgage market in 11 of the studied countries totals approximately USD68,855 billion. South Africa is the largest by far, due to the size of its population and mortgage penetration rate. Information was unavailable for Madagascar, Comoros, and Lesotho, however these markets are tiny and therefore are not expected to increase the total figure significantly. [42]

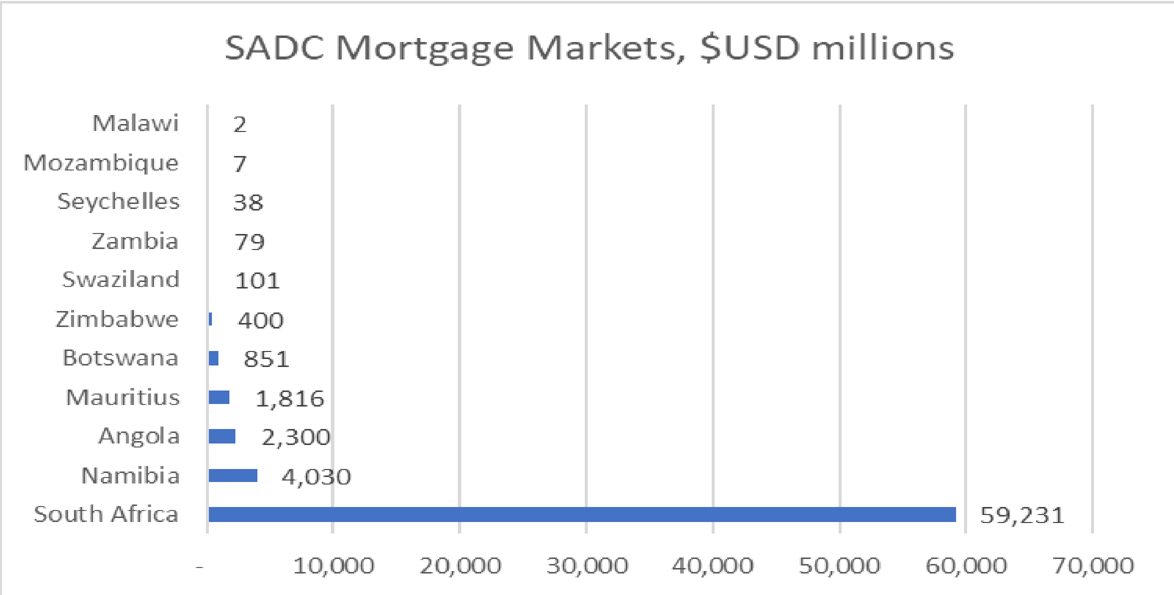


Figure 8: Sources: Central Bank report, HOFINET, World Bank

[39] ZNBS Annual Report 2017
[40] Business case, HSDB, 2018
[41] HOFINET, 2016

6.4 Microfinance

More and more microfinance institutions (MFIs) are entering the housing space. Since 2003, there are reports of a strong upward trend across SADC in the value of microfinance loans disbursed and the number of clients served.

This area merits further research, as it is quickly evolving and growing, but there is little data available at the moment. When MFI lending data is available, it rarely tracks use of funds, making it difficult to quantify the amount of home loans. SACCOs also represent an important source of financial services, with over US$400 million in savings and over US$300 million in loans across the region.[43]

Angola's KixiCredito

Angola's for-profit KixiCredito, which was founded by Development Workshop Angola, is well-known in the region due to the scale of its operations. It offers a housing product known as KixiCasa and has also partnered with HabiTerra, an organization (also founded by Development Workshop Angola) that provides land management and housing services. KixiCredito employs a group loan structure, with small loans of under $10,000 million USD for short 36-month terms for incremental and upgradeable housing. The organization has more than 25,000 clients and lent USD45 million in 2015. KixiCredito has sourced money abroad to expand its operations, including debt from the Triodos Sustainable Finance Foundation and from REALL, as well as a USD 5 million loan from the IFC in 2015.

Botswana's Letshego

One company that has made strides in recent years is Letshego Holdings Limited (Letshego). Letshego Holdings Limited ("Letshego") was incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange since 2002. It has a market capitalization of approximately USD500million, placing it in the top 50 listed sub-Sahara African companies (ex-South Africa), with an agenda focused on inclusive finance. Through its eleven country presence across Southern, East and West Africa (Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda), its subsidiaries provide consumer, microfinance and savings solutions to the financially under-served.

Letshego Namibia announced in its 2017 IPO prospectus[44] that it would be piloting affordable housing lending projects. Across the Letshego group, the affordable housing portfolio grew 36 percent in 2017 to USD34million[45]. While the majority of this is in East Africa, its commitment to grow this portfolio combined with the launch of the pilot in Namibia is an encouraging sign for the majority of households who don't have access to traditional credit from the large commercial banks.

Namibia's TrustCo

Trustco Group Holdings (TrustCo) is the leading microfinance company in Namibia, growing its advances to $N1.8billion ($153million) in 2017[46], as well as holding N$1.01billion ($86million) in investment property. This is part funded by shareholder equity and wholesale funding. Beyond the founder's 51percent shareholding, the largest shareholders are Austrian investment management company Ithuba Capital AG (16.9percent, $99m[1]), American-based investors Riskowitz Capital Management (8.5percent, $50million) and Buckley Capital Management (5.4percent, $32million)[47].

In order to grow its advances, Trustco has increased its borrowings to N$1.7billion ($144million), of which N$1.2billion ($102million) is term loans. Much of this borrowing has come from foreign investors, including $42million from the IFC, $40million from UK investor Helios Credit Partners, $9milion from the European Investment Bank, and $7million from NORFUND. Trustco has also raised money from DEG in Germany, Proparco in France, and Blue Orchard Microfinance Fund in Luxembourg, as well as using local credit partners.[48] Trustco is listed on the Namibian Stock Exchange.

43 SADC Microfinance Study, FinMark Trust, 2011
44 https://www.letshego.com/sites/default/files/financial-results/Results%20Presentation%202017%20Half%20Year.pdf
45 Letshego Annual Report 2017, https://www.letshego.com/sites/default/files/financial-results/Letshego_IAR2017.pdf
46 Trustco Group Holdings Annual Report 2017
47 Calculated using Trustco Group Holdings market capitalisation on 04/06/2018
48 Trustco Group Holdings Annual Report 2017

6.5 SADC Housing Deficits

The chart below illustrates estimated deficits in each country, along with respective urbanization rates. South Africa's deficit is the largest nominally, but when compared on a per capita basis is not as extreme because it has the largest population in the region. Angola has the highest urbanization rate and the third highest deficit. We know that there has been a great deal of activity in the housing market in Angola, as the government is responding to the housing crisis it is facing.

Country	Estimated Housing Deficit	Urbanization Rate, 2000-2015
South Africa	2,300,000	2.04%
Mozambique	2,200,000	3.31%
Angola	2,000,000	5.34%
Madagascar	2,000,000	4.60%
Zambia	1,300,000	3.95%
Zimbabwe	1,300,000	0.96%
Kingdom of Swaziland	200,000	0.85%
Namibia	110,000	3.98%
Malawi	100,000	3.55%
Mauritius	20,000	0.00%
Botswana	-	1.56%
Lesotho	NA	NA
Seychelles	NA	NA
Comoros	NA	NA
Total	**11,530,000**	

Table 4: Sources: Central Banks, El-hadj M. Bah et al., Access to Housing Finance in Africa reports, UN Habitat

6.6 Challenges and Opportunities

Nearly every country in SADC is facing a growing backlog of affordable housing, and urbanization rates are expected to continue to put pressure on cities and infrastructure. Large scale, targeted investment in housing and housing finance is thus critical for the region.

To date, the most significant sources of funds have been local governments, DFIs, and Chinese entities (both state and private). Pension funds are also playing a role in more developed markets, such as in South Africa. And while there are some promising signs such as increased government engagement, much still needs to be done.

A common trend in the region is that the government develops houses exclusively for its civil servants, rather than the majority of the population. The Development Bank of Zambia, for example, has recently received funding from the Chinese bank ICBC to construct 2,000 homes for military personnel[49], and it will also soon reportedly be embarking on building 5,000 houses for civil servants. Banks also tend to cater to their own, offering preferential rates to employees. Although exact figures were not obtained, it is quite common that mortgage clients are predominantly bank employees.

Affordability also remains a key issue across SADC, on both the supply and demand side. Housing developers face a myriad of obstacles in developing housing, and have limited ways to fund construction. As a result, they end up catering to the high-end of the market, where margins are better, and most low-income households self-build or rely on the informal sector to meet their housing needs. On the demand side, low income households with informal sources of income cannot obtain or afford a mortgage. Most SADC financial systems are either undeveloped or dominated by commercial banks, which do not cater to the vast majority of the population.

[49] https://af.reuters.com/article/africaTech/idAFKBN17129D-OZATP

Governments needs to continue to make housing a national priority and find ways to incentivize developers to go down-market by preventing or mitigating blockages in the value chain. The goal should be to remove any unnecessarily restrictive or expensive regulation or requirements, so as to increase returns to low cost construction and encourage more private sector participants to enter the market. Preferential tax treatments or import duty waivers (in countries where building inputs are imported) are one way to lower the cost of construction. In addition, title systems and land registries need to be upgraded, so that land supplies can be unlocked, and the market can operate more efficiently. This will also make land-based financing easier. Countries where all land is owned by the government, such as Mozambique and Swaziland, invariably face many challenges regarding access to land.

Banks also need to be encouraged to go down-market, and the MFI sector should be supported as it expands. Government agencies, with the support of DFI investment, should work closely alongside commercial banks to subsidize or develop products that make housing finance more affordable. Some innovative products have emerged in several markets and alternatives to the conventional mortgage offering should continue to be explored.

Studies have shown that the existence of developed capital markets is a determinant in increasing housing finance.[50] The state should also ensure that capital markets are linking long term funds to home lenders, so as to avoid liquidity constraints and to lengthen maturities. Angola in particular has recently recognized the need to make long term sources of capital available to the housing finance system, and is currently reviewing the country's insurance and pension fund framework to align it more closely with economic development goals. As it stands now, the Angolan fiscal system does not provide for pension funds and as such receive the general corporate tax treatment. This could be constraining growth and it is likely that more specific legislation will be drafted to promote pension fund activity.

DFI technical support has been critical in the development of mortgage finance in other African regions. Perhaps the creation of a regional mortgage refinancing facility, similar to the one supported by the IFC and World Bank in the West African Economic and Monetary Union, could be broached.

Better data is also needed in order for investors to understand markets, identify and quantify risk. Government regulatory authorities should make Banks and MFIs report on use of funds, so that more financial information and consumer behavior information is available to the market. Ensuring compliance with credit bureau reporting is also a constructive government activity. Finally, the existence of Investment Promotion Agencies in each SADC country is a step in the right direction, but these agencies should include departments or direct support for real estate investment.

It is difficult to draw conclusions on SADC's housing and housing finance markets as a whole because the individual countries' economies are so different. Similarities can be found, however, in countries with previous connections to the UK, as they are more likely to have Anglo Saxon institutions such as building societies. Lusophone countries, such as Angola and Mozambique, might also be comparable. Promotion and sharing of best practices through cross-country collaboration and engagement within these subsets of countries is important.

The investment landscape in SADC is as complex as it is varied, but the demand for housing and housing finance is enormous, and opportunities abound for investors who are willing to be flexible and adapt to local market conditions.

[50] "Housing Finance and Inclusive Growth in Africa," World Bank, 2015