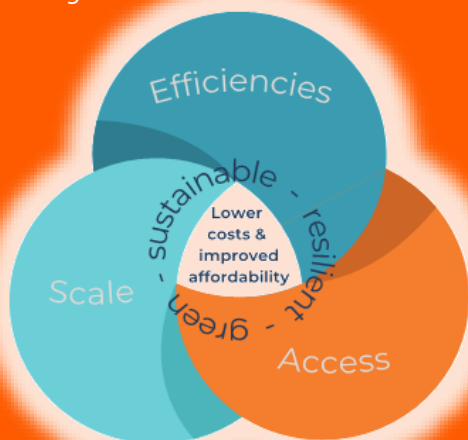


ii2i in PropTech

insights in2 innovation

Across Africa, PropTech companies are shifting and simplifying how we buy, sell, and manage properties. Many of these companies are still in their start-up phase, working towards the application of technology in favour of some change in along the housing value chain. All are looking for capital to support their growth. Their increasing prominence notwithstanding, there remains limited awareness and information regarding the detail of their operations, the problems they solve, and the opportunities they offer.

New technological applications in the property, finance, construction, and urban management sectors can change not only what and how we deliver and manage affordable housing, but also how we think about it and what we can contemplate achieving.



Efficiencies: PropTech offers the opportunity to change the structure of supply chains, breaking them down and reconfiguring them in more efficient ways

Access: PropTech in finance can broaden the market, making products and services more accessible to a wider array of people, with better pricing, more appropriate payment terms, and more intelligent risk management interventions.

Scale: PropTech not only enables economies of scale, but also of process. This allows for smaller players to participate and provides opportunities for increased collaboration and product innovation.



Cutstruct

CutStruct is a digital construction marketplace in Nigeria that connects construction material vendors with buyers, enabling efficient sourcing and streamlined procurement processes

Website: <https://www.cutstruct.com/>

LinkedIn Page: <https://ng.linkedin.com/company/cutstruct-technology-limited>

Instagram: <https://www.instagram.com/cutstructtech/>

Twitter: <https://twitter.com/CutStruct>



Date founded: 2022



Founders:

John Oameni (Co-Founder and CEO)

Modele Ajayi-Bembe (Co-Founder)



Country of operation: Nigeria



PropTech category:

Digital Innovation



Housing value chain category:

Construction and Building Materials



Funding round: Pre-Seed & Seed



Amount Raised: US\$600 000

The Cutstruct platform enables users to discover and monitor price trends, access the marketplace for retail and bulk procurement, and monitor details of all procurement transactions for all projects in one unified dashboard. Through Cutstruct's platform, users can access and acquire construction materials at affordable prices and have these materials delivered to the construction site of their choice.

the interview

John Oameni
Chief Executive Officer of CutStruct

Can you give a quick overview of your organization and the impact you believe it is having? What do you do and what problem are you solving? How did you start? Where do you operate?

John's professional venture into real estate began as a real estate agent. This led him to stumble into interior design and subsequently construction renovation, notably collaborating with a prominent developer in Lagos. Spanning about 10 years, this period exposed John to challenges and inefficiencies hampering the construction process. Notably, this included the difficulties in sourcing affordable building materials, lack of data generated through the construction material procurement process to enable data driven decision making and leakages in the construction process contributing to a significant proportion of construction projects in Nigeria running over project. This realization in addition to the question of affordability, led to a market research initiative in 2019 that sparked the inception of Cutstruct.

*"So we started Cutstruct to cut costs in construction to get it to be more affordable. That's even where we coined the name from, **so Cutstruct is cutting costs in construction with the use of technology**. The idea was to see what processes in the spectrum that we could automate to make them more seamless and efficient. We did a bit around procurement, inventory management and project monitoring. But at the point where we started raising venture capital, we sat down with our investors and said, we'll focus on one. So, when we looked at the spectrum in Nigeria, 80% of construction costs misattributed to materials. And so, we decided to focus on that. So, we've built a marketplace, where we connect buyers of construction materials to vetted sellers and we help them do effective transactions."*

According to John, Cutstruct is solving the problem of inefficient resource allocation. He noted that accounting for leakages in the deployment of funds by developers is one of the main challenges faced by affordable housing investors. Another constraint is the timeliness in procuring construction materials which has a bearing on the impact of inflation on a project.

"And so, we realize that doing transactions on the Cutstruct platform, you can monitor that. And you can control that. Because first of all, you know, it's real time data from the platform. And then also, you know, there's that sense of oversight."



How have you financed your business so far? What are your aspirations for capital?

John began Cutstruct with self-funding, starting out with the profits made from his construction business. To date, CutStruct has raised about US\$860,000, including US\$ 120 000 more recently from TechStars Accelerator Programme.

About the TechStars Toronto Accelerator Programme

TechStars Accelerator is a three-month programme for early-stage companies. The programme connects early-stage companies to a network of successful mentors and partners – providing access to funding and support for entrepreneurs. With 3700 graduate companies and 4300+ active members, TechStars operates globally with over 23 accelerators, spanning from Toronto to London to Lagos, catering to a wide range of vertical and non-vertical areas of focus. CutStruct has been selected for the 2023 Techstars Toronto summer cohort.

the interview

Pre Seed-Round: During this stage, CutStruct set out to test and finetune the organization's development strategy. "We started out trying to do so many things. So, in the process, we tested all the different aspects and decided to focus on materials." This included building a Minimum Viable Product platform, onboarding first users, and running successful transactions. During a 6–7-month period in 2023, Cutstruct processed about US\$ 1 million in Gross Merchandise Value (total amount of transactions completed on the platform.) John highlights that this has enabled the fine tuning of the platform to make sure that it fits the product market.

Seed Round: John believes that targeted affiliations and partnerships with organisations in the built environment would increase their visibility and provide validation to potential investors.

"Investors want to put money in a place they believe they will get returns. It's not about who they like or who they don't like. So us being able to, you know, provide that awareness for the business, it's important. I think the other thing that is important is incubating the ideas."

John feels that the real estate industry is not as open to incubation which does not give startups enough opportunity to fine-tune ideas. He concludes that an intervention in this space would hugely benefit proptech startups.

Can PropTech work in the affordable housing market or is it better suited elsewhere in real estate? What are the issues that are influencing your answer?

"PropTech impacts the whole housing value chain."

Pre-Construction: Delays in land transactions and approvals, and poorly trusted deeds registry undermine affordability and investment in the housing sector. John highlights that Proptech is important during preconstruction (land titling, registration and approvals).

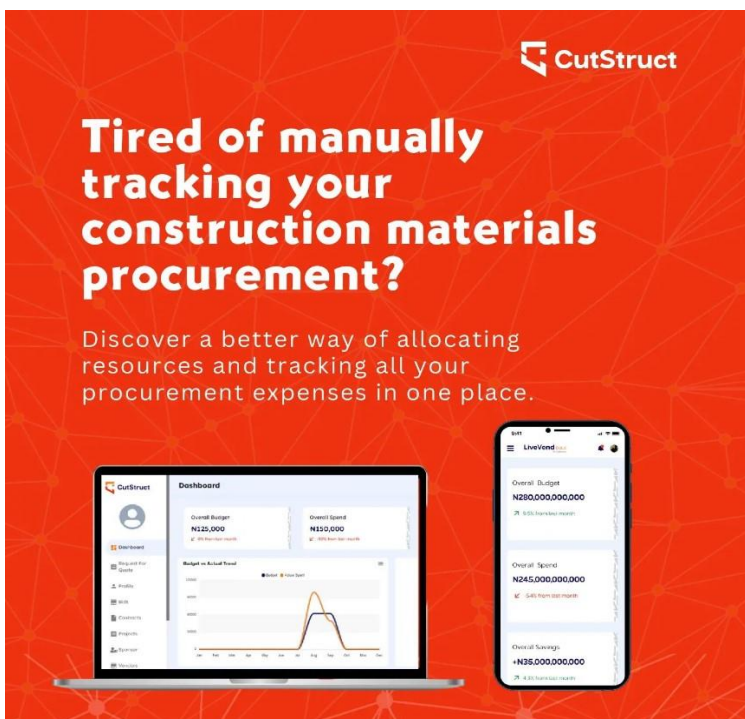
"If we're able to support the prop tech companies that are focused on pre-construction, overtime we will see the impact of making affordable housing possible. More players are able to support the government in creating an enabling environment that promotes secure access to land documentation and approvals and improves time and cost efficiencies."

Construction: John notes that "as long as there is 30% cost going to inefficiency. It makes it almost impossible for you to have affordable housing." He elaborates that critical issues in reducing time and cost inefficiencies relate to how we find skilled workers and whether we are able to aggregate demand for and purchase building materials at cheaper or discounted prices. He notes Laborhack and Cutstruct as examples of proptech solutions in Nigeria tackling these issues :

- [Laborhack](#)'s digital platform provides access to a pool of trained, tested, and vetted skilled workers available on demand for construction projects.
- Cutstruct's digital platform seeks to improve affordability by aggregating players buying building materials so that they can access or negotiate at better pricing.

Post construction: He explains that proptech startups in this space are making products and services more accessible.

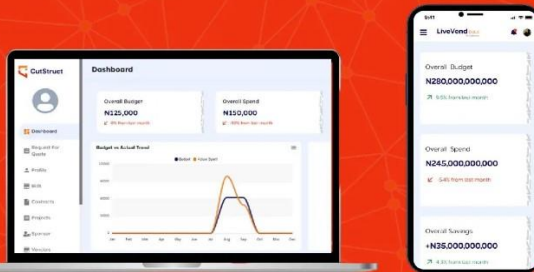
John concludes that there are technological solutions across the value chain, that can positively impact affordable housing. He posits that a collaborative and team effort is required to reap the rewards of leveraging technology.



CutStruct

Tired of manually tracking your construction materials procurement?

Discover a better way of allocating resources and tracking all your procurement expenses in one place.



The advertisement features a red background with a white geometric pattern. At the top right is the CutStruct logo. The main headline is in large, bold, white text. Below it is a sub-headline in smaller white text. At the bottom, there are two screenshots: a laptop displaying a dashboard with a line graph and various data points, and a smartphone displaying a mobile version of the same dashboard with budget and spending information.

the interview

In your opinion, what is needed to support the growth of proptech interventions to address the challenges facing 'affordable housing' in particular?

John identifies 3 key interventions are necessary to support the growth of proptech interventions.

- 1. Incubation:** John opines that an incubation period *"helps startups achieve balance, so that they're not learning balance on costly mistakes."* Appointing companies and individuals with a strong track record to incubate startups is critical. He gives an example of pairing a startup interested in facility management with a leading facility management company to incubate the idea and help them develop product that fits the market. Over the last five years, Cutstruct has benefitted from incubation to support its growth. CutStruct is part of a four month incubation period enabling them to learn how to refine its business model, enhance its products or services, and attract investors.
- 2. Endorsements:** After incubation, John explains that endorsements by accelerator programmes, venture capitalists and research institutes enable startups or early stage companies to *"gain the mileage and recognition needed to gain the trust of potential investors."* He elaborates with an example that Techstars announced its Cutstruct investment to its network of investors and global network partners, and this is expected to strengthen the company's reputation and brand attractiveness. Cutstruct seeks more endorsement in order to raise the funding that it requires to further develop products in the company's roadmap.
- 3. Financial Investment:** John believes that financial investment is critical once early stage companies have been incubated and endorsed for developing an innovative product or solution that enables affordability in the housing value chain. He explains that the capital enables further refinement of ideas and the acquiring of requisite skilled resources to make the company's vision a reality. In addition, access to housing development projects or property portfolios provides new opportunities for early stage companies to experiment with their ideas and showcase their new solutions within controlled 'real world' environments.

John concludes that if these 3 key interventions can be achieved, the next five years will show a huge difference in project success and scaling up what proptech is able to achieve in the affordable housing space.

What are your thoughts on how we can bridge the gap between the different generations of real estate practitioners to collaborate and co-develop solutions that benefit the housing delivery value chain and more specifically, the end-user

Incubation provides a critical opportunity for co-learning between early stage proptech companies and traditional real estate companies. John proposes that **Advocacy** is required to communicate the benefits and value-add of proptech solutions to the housing delivery value chain. John referenced the advantages of proptech solutions amidst ongoing debate around the availability and accuracy of housing sector data in Nigeria. More specifically, that data collection of ongoing housing developments should be done on digital platforms. Digital platforms such as Cutstruct *"collect the data cleanly and in real time reducing chances of human error or manipulation. In addition, data can be downloaded as reports which enable data driven decisions."*

Where do you expect your company to be in 5 years' time - what are the key challenges that you feel you need to overcome to meet your goals?

John highlights that one of the major challenges facing CutStruct is receiving endorsements and breaking through to major organisations. Once CutStruct is universally adopted and endorsed, access to funding becomes easier. With increased funding, CutStruct will be able to source better technologies and attract the best human resources and develop innovative products. In the next five years:

CutStruct aims to become **"a renowned name in West Africa for improving efficiencies through resource allocation for housing and affordable housing in particular."**

Cutstruct's roadmap involves targeting major construction projects and developing solutions that allow platform users to beat the negative effects of inflation. Finally, to also be able to inspire other prop tech solutions to take center stage.

CAHF Interview Series



The Centre for Affordable Housing Finance in Africa (CAHF) has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa's housing finance markets work. CAHF's work extends across the continent, and it is supported by and collaborates with a range of funders and partners.

CAHF brings information to the marketplace to enable stakeholders in the public and private sector to make policy and investment decisions in favour of improved access to affordable housing. Our emphasis is on the role that finance plays in realising this, and we champion market intelligence—data, market analytics and research—to stimulate investor interest and to support better policy.

You can access CAHF's website [here](#). Visit our [project page](#) to learn more about CAHF's work in exploring the current and potential role of PropTech across the housing value chain.

We urge you to also read this blog on [Innovation in affordable housing: Making the pieces fit together](#).

For more information, please contact David Chiwetu: David@housingfinanceafrica.org

Proptech

Proptech 54 is a pre-seed startup accelerator based in Lagos, Nigeria that helps aspiring and solo entrepreneurs, and startups get their initial traction plus funding. At Proptech54, we are excited about the opportunities in the emerging proptech industry in Africa. We are building a community of early stage proptech startups and helping them pilot through our 16 weeks accelerator programme and early stage investments.

Our fulfilment is the human and economic impact that our early stage proptech startups are making across the continent. We are biased towards proptech startups solving solutions related to net zero and the 17 sustainable development goals.

You can access Proptech 54's website [here](#)



This series is being undertaken with support from the French Development Agency (AFD) which provides core funding support to CAHF.