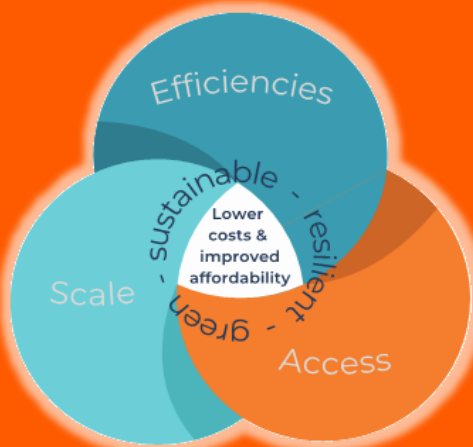


ii2i in PropTech

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.

hodhi

Hodhi Inc is an investment platform that aims to “unlock the financial power of the home.”

Website: <https://www.hodhi.net/>

LinkedIn Page: <https://www.linkedin.com/company/hodhi-inc>

Instagram: <https://www.instagram.com/hodhi254/>

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



Date founded: 2022



Founders:

**Mao Mukuria (Co-Founder) and
Graeme Reid (Co-Founder)**



Country of operation: Kenya



**PropTech category:
Contech and Fintech**



**Housing value chain category:
Construction Finance**



Funding round: Pre-Seed



Amount Raised: Undisclosed

Through Hodhi's flagship product “Affordable Key to Real Estate” (AKRE), individuals access an affordable and secure investment product backed by real estate and sovereign securities. An AKRE is a digital asset representing the financial returns from a tokenised property that has been re-invested in sovereign securities.

Hodhi's AKREs make it possible for anyone to invest because the tokenized approach enables any investment size, no matter the price of the property. Whether the investor is a “mama mbogas” (vegetable vendor), or a pension fund, a co-operative society or a savings group (known as 'chamas' in Kenya), AKREs are targeted at investors who are looking for a secure and affordable investment product, that allows for a one-time investment. AKREs grow at a rate higher than most secure investment products, while giving an opportunity to save and access affordable credit.

Source: Mao Mukuria, Co Founder of Hodhi Inc.

the interview

Mao Mukuria
Co-Founder of Hodhi Inc.



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? Where do you operate?

With operations in Kenya, Hodhi is responding to estate and problems in the affordable housing space. Rapid urbanisation and Africa's burgeoning young population necessitate the need for affordable housing delivery. Low- and middle-income individuals often face obstacles in accessing affordable and secure investment options, and credit. Traditional investment products, like mortgages and savings plans, often require long-term commitments that can be vulnerable to global external shocks such as the COVID-19 pandemic. Attracting investment into affordable housing is challenging due to perceived lower returns than realized in traditional real estate investments.

Hodhi aims to address these challenges by **"unlocking the financial power of the home."** Hodhi's flagship product, the AKRE (Affordable Key to Real Estate) enables to affordably and securely invest in real estate, and get a high return (at an average of 19% per annum) from a combination of asset appreciation, rental income and interest from sovereign securities. The AKRE also finances the development of affordable rental accommodations in urban areas. AKREs can also be used as collateral to access credit to either invest in education, start a business or save money to incrementally build or buy their own home.

How does it work?

- Hodhi secures an income generating property asset, for example, a block of 200 apartment units.
- Hodhi tokenizes this asset into AKREs and offers them to investors at a price of 50 Kenyan shillings per AKRE. This allows investors big and small, to buy what they can afford.
- These AKREs then grow in value over time without requiring any further investment. The rental income from these apartments is re-invested in sovereign securities, that further enhance the yield, allowing the AKRE investment to grow from its initial value of 50 to 100 to 150 to 300.
- This allows AKRE holders to save, without the need to put in more money.
- It also allows them to access credit by using these AKREs as collateral.
- Similar to shares traded on the securities exchange, AKRE holders can easily liquidate their investment, unlocking liquidity in the real estate investment.
- Simply put, an AKRE is a share in the financial benefits of real estate, that is not exposed to the fluctuating price of other securities, and grows upwards at all times.

- An AKRE is a digital asset, backed by real estate and sovereign securities, that grows in value over time and whose value is based on the value of the underlying asset, rental income and interest from sovereign securities.

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

So far, we have bootstrapped the business. This has allowed us to invest in some real estate and test out our theory. Our current AKREs are oversubscribed showing demand for the product.

We have engaged with multiple investors and partners who have shown interest, especially Pension Funds and SACCOs, who see Hodhi's AKREs as a secure alternative to their current portfolio, reducing their exposure to fixed assets, giving their members access to affordable credit and as a tool to develop affordable real estate options for their members and the general public.

the interview

We are currently raising USD 1.5 million that will allow us to scale and reach profitability with our operations in Kenya, before expanding to other African cities.

From your experience, how can we tackle the fundraising issues?

The main challenge around funding comes from access to the right funders. The business might be sound and profitable but finding the right partner who understands and is interested in both technology and affordable housing remains the main challenge. Conferences like AUHF&ISSMA's joint conference helps bring the right people to the table, giving companies like Hodhi the opportunity to directly engage with the right stakeholders.

What are some of the lessons learnt and challenges experienced in raising funding?

The main lesson we've learned is you have to talk to the right people. You may pitch to a real estate investor who doesn't have an interest in technology, or a tech investor who doesn't have an interest in real estate, and get rejected. The main challenge would be finding an investor interested in both tech and real estate who sees the benefit of investing in a model that combines technology, capital markets and affordable housing.

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?

Using Hodhi's model, financing for the development of affordable housing is easily unlocked from members of the public, who are hungry for secure investments. An example of this is when Safaricom did its IPO, they raised KES 236 billion, from a KES 50 billion ask. This shows a huge appetite for investment products, as well as ready capital from the public.

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

A major issue around proptech is understanding how technology is a solution for real world problems, especially around affordable housing. The current solution of a developer getting credit from a bank, selling units off plan to individuals, and using those combined funds to develop, is unsustainable.

Educating stakeholders on the benefits of proptech, will address the main issues around financing the development of affordable housing.

How can we 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?

A good solution would be a combination of education and engagement. All stakeholders need to understand what the other party's needs, benefits and motivations are. Tech builders need to be educated on what real estate developers, government, investors and home owners need. The same goes for government to understand the uses of technology in addressing issues around affordable housing and creating policies friendly to tech firms solving this problem. This, combined with opportunities for all these parties to engage with each other, will go a long way in bridging the gap

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?

In 5 years, Hodhi aims to have financed through the sale of AKREs the delivery of a minimum of 3500 new affordable rental housing units in Nairobi Kenya, providing affordable rental accommodation to individuals and families across the city; providing more than 3 million people with an affordable and secure investment; and more than 13 billion shillings in affordable credit to members of the public and co-operative societies.

The main challenges around this would be educating stakeholders, property developers, government, credit providers and the public, on the benefits of the AKRE.

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 market place 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 program 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](#)



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