Centre for Affordable Housing Finance in Africa

Housing Investment Landscapes

Angola

January 2019

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Centre for Affordable Housing Finance in Africa

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1 Background

This country report forms part of The Centre for Affordable Housing Finance's Investor Programme which aims at reducing key information asymmetries about 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 Angola's housing and housing finance sector. The overall goal of this project is to quantify investment activity in housing and housing finance across Africa, and to set up 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 the emergence of real estate investment trusts (REITs) and mortgage liquidity facilities (MLFs) across Africa.

However, a chronic lack of rigorous data on financial infrastructure investment 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 supplying 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 and 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, and poor uptake of new residential developments.

2 Executive Summary

Angola is one of the fastest urbanising countries in Africa, putting extreme pressure on the need for housing in urban areas. Its housing deficit was estimated at more than one million units in 2010 and demand was expected to grow considerably.[1] Angola's housing crisis must also be understood in the context of a country whose 27-year civil war, which ended in 2002, left its infrastructure in tatters.

Most investment in housing in Angola has been by way of the government, which has funded an ambitious post-war housing program thanks to its vast oil reserves. The country's petroleum sector accounts for nearly 45% of GDP[2] and has helped it to obtain various oil-backed loans from international lenders, especially China.

The scale of Angola's state-led urban planning projects, including infrastructure provision, is remarkable. In 2014, the data from the Ministry of Urbanism and Housing showed that almost 152 000 units had been delivered with financing from the state budget, mainly in newly developed towns called

[1] Finmark Trust (2010). Access to housing finance in Africa: Exploring the issues No. 11. Pg 21
[2] OPEC (2016). Angola Facts and Figures. www.opec.org

centralidades.[3] Each centralidade provides housing for about 2 000 families, housing usually intended for civil servants and middle-income clients.[4] Around the capital city of Luanda alone, five new cities are in various phases of construction: Kilamba Kiaxi, Cacuaco, Zango, Km 44 and Capari. The master plan for Kilamba Kiaxi includes homes for 200 000 inhabitants and the budget is reportedly US$3.5 billion, financed by a Chinese government credit line and built by a state-owned Chinese contractor[5]. Indeed, many government-funded, large-scale housing projects are contracted out to Chinese state-owned companies and Chinese subcontractors. China has also been the country's largest source of finance for housing construction.

While the level of development is impressive when compared to regional counterparts, the lack of private sector involvement in the industry is notable. Due to Angola's command economy history and ongoing oil production, private real-estate investors and companies building housing usually look to financing from the state rather than financial markets to access funding. This has resulted in little need to develop other housing finance products to fund housing delivery. Rather than develop mortgage-based products, banks financed social housing projects when they were guaranteed by the government.

Government housing schemes are unaffordable for low income households. Apartments in the Kilamba Kiaxi project, for example, are marketed from US$84 thousand, when the country's GDP per capita on a PPP basis was barely US$6 thousand in 2016. Using CAHF's online affordability calculator, only 2.2 percent of the population would be able to afford an US$84 thousand house. As a result, most Angolans still build their own housing, raising money from family members, employers, or their own savings. Land for housing is frequently sourced on the informal property market and without a clear title, which disqualifies the home builder from receiving a mortgage.[6]

3 Profiles of investors

The investment landscape in Angola constitutes 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.

3.1 Local institutional investors

Capital markets

The Angolan government has successfully raised money on international capital markets, the proceeds of which have been used to fund infrastructure and housing projects. The US$1.5 billion 20-year Eurobond Angola introduced in 2015 has been the best performing of all emerging-market bonds this year, with a 2.02% return.

Angola's new President, João Lourenço, is focused on increasing foreign direct investment (FDI) and diversifying the economy to lessen reliance on the oil sector. He initiated a series of devaluations that have brought the Kwanza closer to market value and decreased currency risk for bondholders. To bolster its foreign reserves, the country is reportedly planning to issue at least US$2 billion of new

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[3] CAHF (2016). Angola's Housing Sectors: Understanding Market Dynamics, Performance, and Opportunities.
[4] Republic of Angola National Habitat Committee (2016). Angola Habitat III Report. Pg 69
[5] Macau Daily Times (2011). Outside Angola's chaotic capital, Chinese workers build new city.
[6] CAHF (2016). Angola Housing Sectors.

debt in 2018. An increase in oil prices as well as a commitment from the International Monetary Fund (IMF) to provide non-financial support for Angola's economic reforms are expected to buoy investor interest.

Angola's country risk was last rated in April 2018, when Moody's assigned B3 and Fitch assigned B. Both rating agencies forecast a stable outlook for the country, which is beneficial for attracting foreign investment.

Bodiva

Angola's Debt and Stock Exchange, known as Bodiva, started operating in 2015. It has 16 listed companies, none of which are involved in construction or real estate. They are all banks or financial service companies (some of which do offer housing finance products), with a total value of US$14.8 billion.[7] Bodiva traded US$2.16 billion of debt securities in 2017, up 46% from the previous year. It has yet to trade equities.

Banks are raising a significant amount of money on Bodiva, a portion of which is likely funding home lending activities. The three banks with the highest volume of trading activity include Banco de Fomento Angola (BFA, the country's development bank), Standard Bank, and Banco Angolano de Investimento (BAI). All these financial institutions offer mortgage products. BFA traded US$1.6 billion of securities in 2017 and Standard Bank traded US$1.375 billion. BAI had the third largest amount of trades at US$443 million.

Figure 1: Banks' Trading Activity on the Angola's Debt and Stock Exchange in 2017

[7] Bodiva website, 2018. http://www.bodiva.ao/ 2018

Asset Management

Angola's Asset Management industry is nascent but expected to grow. The Angolan government introduced legislation to allow real estate investment trusts only in 2007; this was updated in 2013. The industry is overseen by the Angolan Capital Market Commission.

Angola has five registered fund management companies and 12 registered funds, many of which are real estate funds. Due to the asset's risk profile, most real estate funds are not invested in affordable housing but rather in commercial property.

Case Study: Odell Global Investors

Odell Global Investors (Sociedade Gestora de Organismos de Investimento Colectivo, S. A.) is an Angolan non-banking financial institution based in Luanda. It is one of the pioneers of asset management in Angola and one of the main market players in investment funds.

It has seven funds under management. Of these, two are mutual funds (Odell Liquidez and Odell Protecção), one Private Equity fund (Odell Agribusiness Angola) and four approved real-estate funds (Odell Retail & Logistics, Gama, Home, and Building).

Odell Liquidez is a money market fund invested in short-term assets, while Odell Protecção aims to provide investors with a currency hedge through purchases of US$-indexed government bonds. Odell Agribusiness Angola is an alternative investments vehicle. Odell Retail & Logistics is a five-year, US$82 million fund. Its yield strategy is to invest in low-risk commercial property, such as retail and office space for banks and supermarkets. Gama, Home, and Building, are three real-estate development project-specific funds.

Pension Funds

Angola's pension fund sector has been maturing over the past 10 years but there is still plenty of room for growth. Pension funds could play a significant role in the Angolan financial sector, with the ability to supply crucial long-term financing to the economy through direct and indirect investments in domestic businesses.

As of 2016, the country's pension fund sector represents 2.39 percent of GDP. It is made up of eight investment companies that manage 36 pension funds with combined total assets of Kz310 billion (US$1 billion[8]), and approximately 36 000 contributors. The country has both open and closed pension funds, but most are closed funds, due to the lack of developed capital markets.

The largest fund by net assets and members is Sonangol Vida, a state-owned company that oversees oil and natural gas production. It has 9 300 contributors and a net worth of Kz159 billion (US$512 million).[9] The sector is monitored by ARSEG (Agência Angolana de Regulação e Supervisão de Seguros). The table below illustrates the upward trend of assets under management by Angola's pension funds; this growth has been steady since 2008.

[8] At an exchange rate of US$1 = Kz310,44 at 29 November 2018

[9] Agência Angolana de Regulação e Supervisão de Seguros, "Evolução do mercado de fundos de pensoes 2014-2016," 2018.

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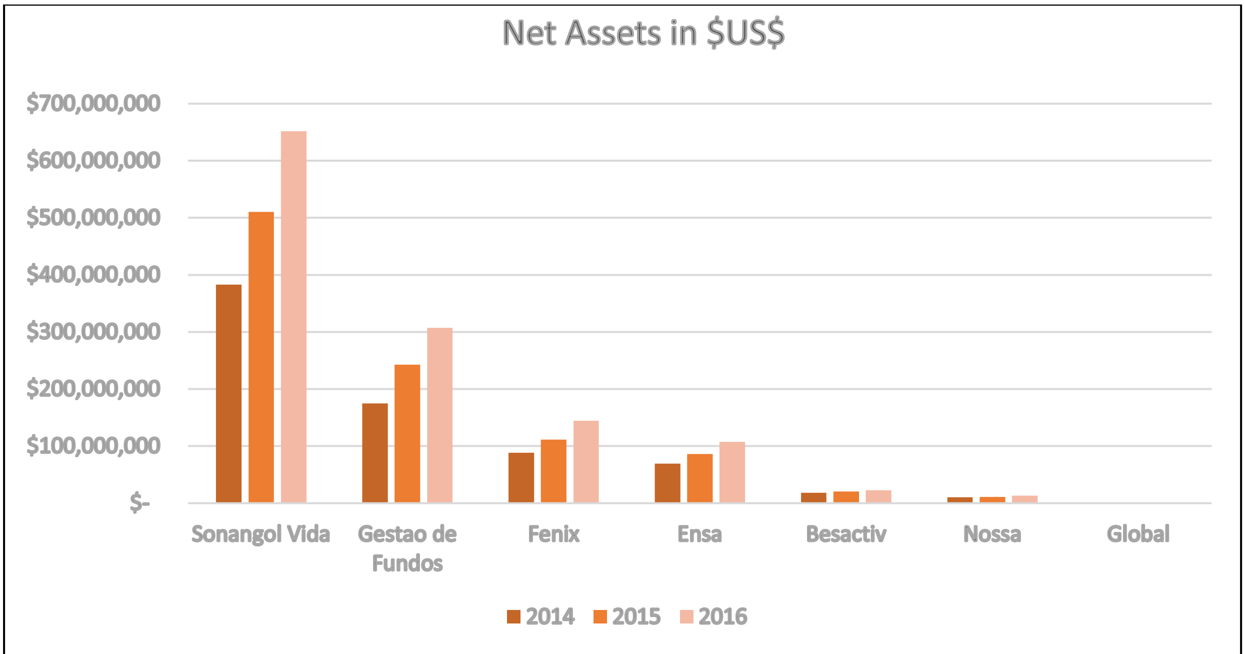
Figure 2 Growth of Angola's Pension Fund Assets Under Management



Source: Agência Angolana de Regulação e Supervisão de Seguros, 2018

Information on individual investment portfolios is unavailable, and news of housing-related activity is limited to that the Police Pension Scheme's (CPPN) plans to build 11 000 homes for its members.[10] The latest information published by ARSEG on the overall sector's investment portfolios dates from 2013. Data from the period 2011-2013 shows that funds were diversifying their portfolios, moving away from a large concentration in bank deposits to increased investment in fixed income securities and real estate.

Table 1 Pension Fund Sector Investment Portfolio by Asset Class

Asset Class	2011	2012	2013
Deposits	79%	76%	60%
Real Estate	9%	8%	13%
Shares	2%	2%	1%
Bonds	9%	14%	26%

Angola has a particularly young demographic pyramid: only 4.1% of the population is aged 60 or over.[11] Pension funds will therefore likely play a key role in the Angolan economy going forward, with contributions outpacing pensions paid.

The government is aware of the value of pension funds as both a savings mobiliser and a source of long-term funding and has begun to consider ways to support them. A working group has been assigned to review the framework of the insurance and pension funds sector to bring the law in line

[10] Angola Press Agency (2016). CPPPN will build more residences for members. Accessed at: http://www.angop.ao/angola/pt_pt/noticias/politica/2016/5/23/CPPPN-vai-construir-mais-residencias-para-associados,6a52e703-3229-4b06-adb3-e08f2ecfaa8a.html
[11] Pension Watch, Angola Country Fact File, http://www.pension-watch.net/country-fact-file/angola/ , 2018

with the current state of development of the economy and financial system, according to a government decision reported by the Angolan press. The group is coordinated by the chairman of the board of directors and technicians of ARSEG and includes Finance Ministry officials.[12]

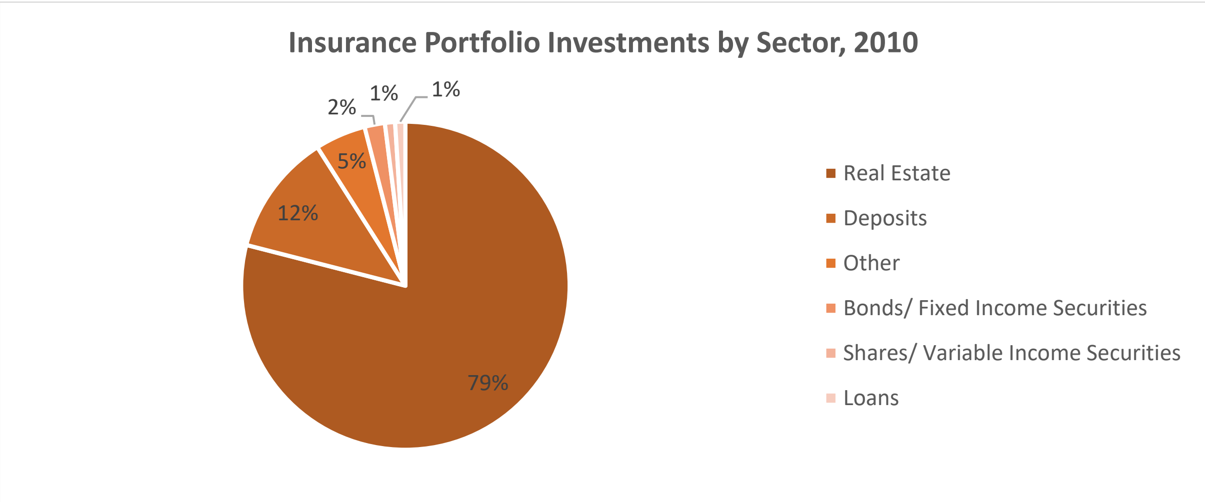
As it stands, the Angolan fiscal system does not outline a specific legal focus on pension funds, and they receive the general corporate tax treatment. This could be constraining growth and it is likely that more specific legislation will be drafted to promote pension fund activity.

Insurance Market

The Angolan Insurance market has been growing and developing since its liberalisation in 2000. The overall size of the portfolio was Kz102 billion (US$329 million) in 2016.

A report published by KPMG in 2012 showed that the sector is heavily invested in real estate, probably because of limited capital market investment options.

Figure 3: Insurance Portfolio Investments by Sector, 2010



Source: KPMG report, 2012

Government Investment

Housing has been a priority development issue in Angola since the end of the war in 2002. In 2008 the National Urbanism and Housing Programme (PNHU) was announced, which aimed to build one million units before 2015, mostly through public-private partnerships. Several corollary institutions were created to support the programme.

In 2011, the PNHU had funding of US$4 billion, made up of a US$2.5 billion Chinese credit line, a US$ 1 billion Israeli credit line and an allocation of US$500 million from the Angolan state budget.[13] The amount budgeted for housing varies annually, depending on the price of oil, but is considerable when compared to other Sub-Saharan countries.

[12] Macahub (2018). Angolan government reviews insurance and pension fund legislationAccessed at: https://macauhub.com.mo/2018/04/10/pt-governo-de-angola-reve-legislacao-do-sector-dos-seguros-e-fundos-de-pensoes/

[13] "Republic of Angola National Habitat Committee (2016)".

The government created a Housing Development Fund in 2009 to support financing social housing for low income households. The government initially committed US$50 billion to the fund, to be expended over 40 years (US$12.5 billion a year, or equivalent to a quarter of the 2008 State budget).[14] Despite its mandate to serve all sectors of the economy and citizens, the fund has primarily been used to finance state-built developments and subsidised housing loans have primarily been extended to civil servants.

More recently, the Angolan government created a state-owned land management company called the Empresa Gestora de Terrenos Infra-estruturados (EGTI) in 2015. The public company was initially funded with Kz2 billion ($6.4 million) raised via treasury bonds in national currency.

A strategic plan for EGTI, created by Deloitte, was published in March 2017 and covered the period 2016 to 2020. The proforma financial statements included land valued at US$632 million, consisting of plots in Kilamba and another centralidade called Camama. Project budgets were projected at US$551 million and US$17 million, respectively, and together the two projects contain 1 126 individual lots for sale. The EGTI plans to target domestic and international investors and announced that it expected to raise over US$800 million through sales over the next 10 years.[15]

3.2 Foreign Institutional Investors

Much of Angola's post-war regeneration has been funded by oil-backed loans sourced on international capital markets. The country has also often hired foreign construction companies to build large infrastructure and housing projects, and many subcontractors on national projects are foreign as well.

Chinese Investment

China is Angola's largest trading partner; in 2016, trade between the two countries was worth US$15.6 billion and between 2011 and 2016, China invested over US$7.8 billion in Angolan real estate (see table 2).[16] In 2011, around 50 Chinese state-owned enterprises and 400 small-to-medium enterprises were working on housing projects in Angola.[17]

Table 2 Chinese Investment in Angola's Construction and Real Estate Sectors

Chinese Entity	Year	Quantity in US millions	Transaction Party	Subsector
China Railway Engineering	2008	$100	NA	Construction
China Railway Engineering	2011	$1,140	NA	Construction
China Railway Engineering	2016	$130	NA	Construction
CITIC	2008	$2,940	NA	Construction
CITIC	2011	$1,470	NA	Construction
Dreal Group	2011	$1,190	Mar Grandioso	Real Estate
Dreal Group	2013	$600	NA	Real Estate

[14] Finmark Trust, "ACCESS TO HOUSING FINANCE IN AFRICA: EXPLORING THE ISSUES: Angola," (2010)
[15] Macauhub (2017). State company announces plots of land for sale in Angola. Accessed at: https://macauhub.com.mo/2017/12/07/pt-empresa-estatal-anuncia-lotes-de-terreno-para-comercializacao-em-angola/
[16] The American Enterprise Institute (AEI) and the Heritage Foundation (2017). The *China Global Investment Tracker* (CGIT)
[17] Alves, A and Benazeraf, D (2014). SAIIA Policy Briefing No 88, April 2014. Oil for Housing: Chinese built new towns in Angola

Sinoma	2011	$260	Palanca Cimentos	Construction
Total		$7,830		

Source: China Global Investment Tracker, Data compiled by The American Enterprise Institute and The Heritage Foundation, 2016

The CITIC Group, a wholly owned state enterprise of the Government of China, has been a key player in Angola's housing market. It built Kilamba as well as several other large towns. In 2015, the IFC and CITIC Group funded a US$300 million platform to facilitate the development of affordable housing in Sub-Saharan Africa. The IFC made an initial equity contribution of US$60 million, making it a 20% shareholder. The IFC and CITICC also announced plans to mobilise another US$300 million in a debt facility to provide debt funding directly at the individual project level. The platform will partner with local housing developers and supply long-term capital to develop 30 000 homes by 2020.

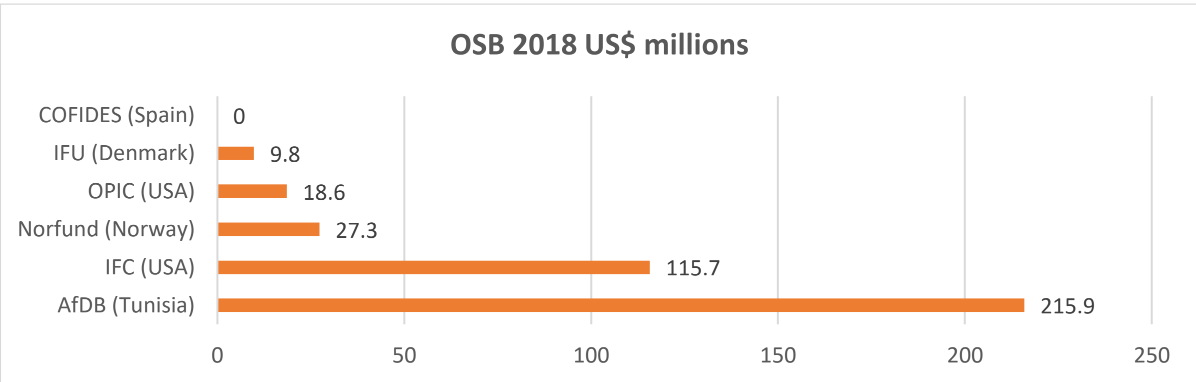
In 2013, a US$1 billion fund called the China-Portuguese-Speaking Countries Cooperation and Development Fund was created by the Development Bank of China and the Macao Industrial and Commercial Development Fund to support development projects and investment in Mainland China and Portuguese-speaking countries[18]. The fund has so far invested in three projects worth US$35 million in Angola, Brazil, and Mozambique.

Development Finance Institution Investment

According to the World Bank's Development Indicators Database, Angola received US$206 million of development aid in 2016, most of which was earmarked to support its economic infrastructure.

DFIs have collectively mobilised over US$330 million for housing and the financial sector programmes, as displayed in Figure 4.

Figure 4 Foreign Institutional Investment in Housing & Finance



Source: DFI annual reports

Private Equity

Private equity investment in Angola, especially in housing, has been limited. Angola Capital Partners is the manager of the first private equity fund in Angola, the Fundo de Investimento Privado Angola (FIPA), which raised US$28 million in its first round in 2010. The fund supplies capital to SMEs in Angola, especially those outside the oil and gas industries. Its investment strategy is to provide up to

[18] China-Africa Development Fund website (n.d.). Accessed at: http://www.cadfund.com/en/NewsInfo.aspx?NId=80

US$8 million per investment via equity, or other long-term financing instruments, to SMEs. Funds can be used for, among others, expansion projects, management buyouts, management buy-in, privatisations and start-up investments.

FIPA now has US$39 million of committed capital, a maturity life of 10 years and 2010 as its vintage year (the year in which the first tranche of investment capital is delivered to a project or company). Its investors include Banco Angolano de Investimentos, Norfund, European Investment Bank, Spanish Ministry of Foreign Affairs and Cooperation, Investment Fund for Developing Countries, and Atlántico. FIPA's investors are also invited to co-invest in selected deals. Norfund alone has invested over US$37 million of equity in FIPA.

Another, more housing-specific, private equity investment is that of Vital Capital Partners US$92 million equity investment in Kora Housing, a public private partnership (PPP) project with the goal of building 40 000 units affordable to the middle class.[19] Vital Capital Partners is a US$350 million fund dedicated to double-bottom line investing in Sub-Saharan Africa. It has offices in Cyprus, Ghana, and Angola and to date has made 10 investments in the region.

4 Housing Investment Activity

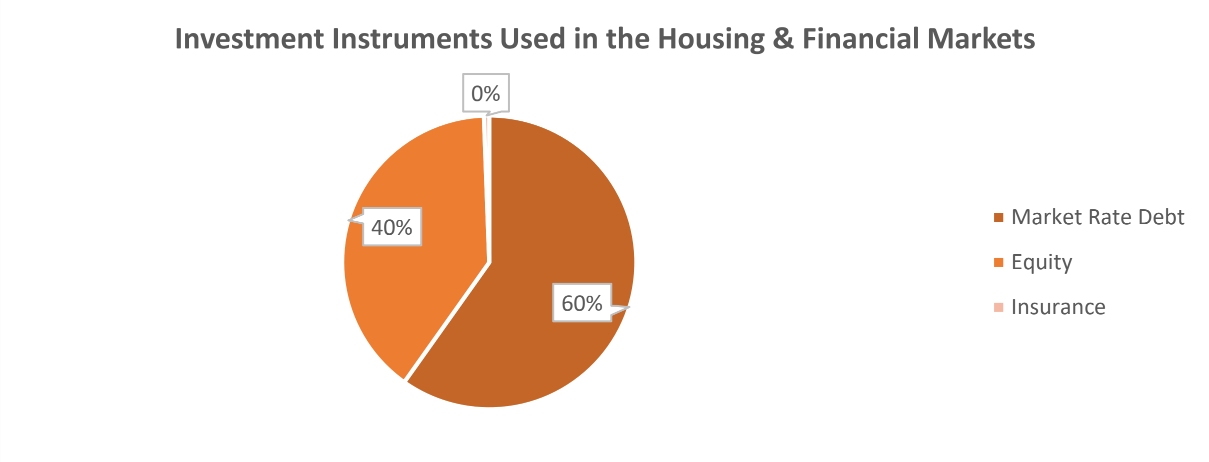
4.1 Top Performing Investment Tools

As Figure 5 below shows, the leading investment product for international investors in Angola has been lines of credit, which is typical of large multinational development institutions operating in high-risk markets.

The equity investments consisted of money invested in Angola Capital Partners (total of US$30.5 million), US$60 million that the IFC put towards a joint investment platform with the Chinese firm CITIC, and US$92 million invested locally by Vital Capital Fund, the aforementioned US$350 million private equity fund that makes impact investments in Sub-Saharan Africa. Vital Capital Fund invested in Kora Housing, a PPP agreement with the Angolan Government for the construction of 40 000 affordable housing units in six different provinces.[20] The project is aimed at developing both integrated, affordable communities for the emerging Angolan middle class as well as providing underlying national infrastructure and community facilities.

[19] Vital Capital Fund website (n.d). Accessed at: http://www.vital-capital.com/kora-housing/
[20] Ibid.

Figure 5 Top Performing Investment Tools in Angola's Housing and Finance Sectors



Source: CAHF Research

4.2 Investment portfolio

Table 3 summarises the investment portfolio, investment activity/tool, and date of investment committed by institutional investors in Angola's housing and housing finance sectors.

Table 3 Institutional Investor Investment Portfolio

Investor Name	Allocation to Housing or Finance (US$)	Investment Activity	Year investment made	Investment Timeframe
Angola Capital Partners	$39M	Private equity fund that provides risk capital to SMEs, including a local building supply manufacturer	2009	NA
Norfund	$27.3M	Equity investment in private equity fund that provides capital to local SMEs	2009, 2016	5-year horizon
IFU	$9.8M	Equity investment in private equity fund that provides capital to local SMEs	2009	5-year horizon
OPIC	$18.6M	Two investments: insurance and loan to local concrete manufacturer, loan to bank to support SME lending	2009, 2010	NA
IFC	$115.7M	Debt and equity to Banks and an MFI to support SME lending, loan to cement manufacturer, equity to create an investment platform with Chinese contractor	2004, 2009, 2015, 2016	Time horizons of either 5 or 10 years
Triodos Sustainable	NA	Debt of an undisclosed amount to KixiCredito, an MFI that offers housing loans and finances SMEs	2011	NA

Investor Name	Allocation to Housing or Finance (US$)	Investment Activity	Year investment made	Investment Timeframe
Finance Foundation				
Community-Led Infrastructure Finance Facility (CLIFF)	NA	CLIFF provided debt financing to HabiTerra, an organisation that provides land management and housing services	2013	NA
Vital Capital Fund	$92M	Private equity investment in affordable housing developer	2013	Unclear if exit has occurred
REALL	NA	Impact Investor that extended loan of an undisclosed amount to KixiCredito, a local MFI that offers housing loans and finances SMEs. Also funded HabiTerra	2014	NA
AfDB	$215.9M	Two investments: line of credit to state-owned savings and credit bank (BPC) to support SME lending, loan to government to support financial sector	2017, 2010	10-year horizon

Source: CAHF Research

5 The Breadth and Depth of Housing and Housing Finance Products

5.1 Access to Mortgage Finance

Low income households cannot afford government housing schemes. As a result, most Angolans still build their own housing, raising money from family members, employers, or using their own savings. Land for housing is often sourced on the informal property market and without a clear title, which disqualifies the home builder from receiving a mortgage.[21] According to Central Bank data, banks reject up to 86% of housing loan applications.[22] Mortgage penetration rates are thus low, with just 2% of the population having an outstanding home loan in 2014.[23]

5.2 Key players and market size

Banks

Angola's 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, little credit, as noted above, is devoted to home loans. Commercial banks rarely extend housing loans due to weak land legislation, the inability of using guarantees tied to land tenure, and an inability to take repossession of property.

According to the Centre for Affordable Housing Finance in Africa (CAHF), average mortgage interest rates were 10 percent in 2016, over a term of 20 years, which is low compared to other African countries.[24]

The National Bank of Angola reported that lending for housing reached $2.3 billion (Kz714-billion) in August 2010, but more recent research, as shown in the table below, indicates that the size of the market is more than US$13 billion.[25] This is in line with the overall growth of the Angolan economy in the past eight years.

Table 4 Banks' total credit portfolio and mortgage exposure

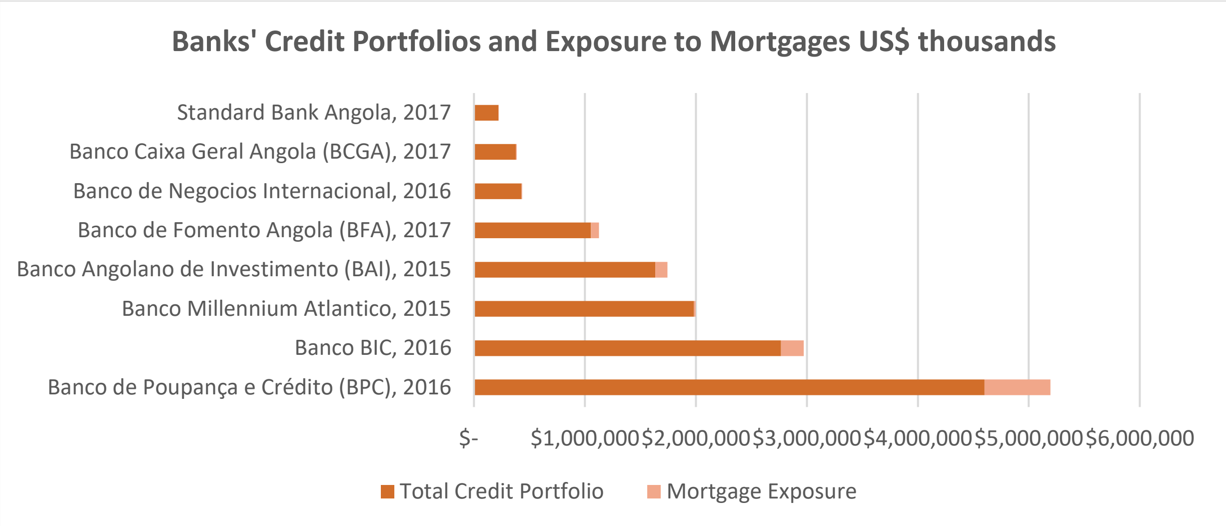
Bank and Reporting Year	Total Credit Portfolio US$	Mortgage Exposure US$	Percentage
Banco de Poupança e Credito (BPC), 2016	4 600 653 453	593 900 313	13.0%
Banco BIC, 2016	2 767 000 000	206 000 000	7.5%
Banco Millennium Atlantico, 2015	1 981 593 945	14 336 962	1.0%
Banco Angolano de Investimento (BAI), 2015	1 633 883 418	109 555 885	6.7%
Banco de Fomento Angola (BFA), 2017	1 053 443 785	73 609 367	7,0%
Banco de Negocios International, 2016	429 152 146	5 209 288	1.0%
Banco Caixa Geral Angola (BCGA), 2017	375 803 749	10 105 112	3.0%
Standard Bank Angola, 2017	220 267 000	4 032 443	1.8%
Total	**13 061 797 496**	**1 016 749 370**	

Sources: Banks' annual reports, years stated in table

[21] CAHF (2016). Angola Housing Sector Study.
[22] Cain, A (2017). Page 12.
[23] Findex Survey, (2014).
[24] CAHF (2017). CAHF Yearbook. Page 16.
[25] Making Finance Work for Africa, 2011

Despite low uptake, most large banks in Angola do offer housing products. The largest lenders are Banco de Poupança e Crédito (BPC), Banco Internacional de Credito (BIC), and Banco Angolano de Investimento (BAI). BPC is a state-owned savings and credit bank. In addition to mortgages, it also offers loans for housing rehabilitation or repair work. All the banks' credit portfolios contracted in 2017, owing to a weakened macroeconomic environment.

Figure 6 Banks' Total Credit Portfolios and Mortgage Credit



Source: Bank Annual Reports, years as indicated in table.

Microfinance

Angola's non-bank financial sector is small. The combined assets of insurance, pension funds and microcredit institutions equal 2 percent of GDP.[26] The country's largest MFI is KixiCredito, which offers a housing product known as KixiCasa. It employs a group loan structure, extending 36 month loans of between US$1,000 and US$5,000 for incremental and upgradeable housing. KixiCredito has more than 25 000 clients and lent $45 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 US$5 million loan from the IFC in 2015.

KixiCredito was created by Development Workshop (DW) Angola, a long-standing non-profit. DW also founded HabiTerra, an organisation that provides land management and housing services. HabiTerra developed a project with KixiCredito in Huambo comprising 600 affordable housing units. The project budget was approximately US$7 million and was partially funded by REAL. It employed a rent-to-buy model, the first of its kind in Angola.[27]

[26] CAHF (2017) CAHF Yearbook.
[27] Angola Press Agency (2017). Huambo: Habi-Terra invests seven million dollars to reduce housing deficit Accessed at: http://m.portalangop.co.ao/angola/pt_pt/noticias/sociedade/2017/9/42/Huambo-Habi-Terra-investe-sete-milhoes-dolares-para-reduzir-defice-habitacional,a2e52cfe-f85d-4846-87b8-06272a4f9ad5.html

HabiTerra's rent-to-buy model allows low income clients to rent a one or two-bedroom house for a maximum of 18 months. During this time, the rental payments act as a deposit and are sufficient to pay off the land and build a successful credit profile with KixiCredito. When the payments towards land purchase have been completed, the house can effectively be sold, and the client will then enter into an agreement for a micro-mortgage on the housing unit. Operating in a context where the lowest cost of a new house built by a formal developer or contractor was Kz6 396 750 (US$25 000) in 2017,[28] in 2013 HabiTerra's house price was typically around Kz2 302 830 (US$9 000).[29]

Cooperatives

Between 2008 and 2016, Angola's broader cooperative sector built 12 608 housing units.[30] Cooperatives typically finance development with a combination of membership payments and bank loans. In 2006, for example, Lar do Patria Housing Cooperative secured a US$5 million (Kz1 552 million) loan from the public bank Banco de Poupança e Credito (BPC). The cooperative has since constructed 5 000 units at an estimated total investment of US$500 million.[31]

6 Housing Output

6.1 Public Sector Provision

The PNHU envisioned the participation of the state, the private sector, cooperatives, and owner-builders, in its 2008 one-million-unit housing programme. with the four stakeholders delivering 11 percent, 12 percent, 8 percent, and 68 percent of the units, respectively.[32] The government exceeded its goal of building 115,000 homes by 2015, delivering 152,000 units across the country. The other sectors did not meet their goals.

[28] CAHF 2017 yearbook
[29] At exchange rates prevailing at the time
[30] Angolan Ministry of Urban Development and Housing (2016) National Report for Habitat III, p. 73.
[31] Cain, A (2017). The Cooperative Housing Sector in Angola, p. 7.
[32] Cain, A (2017) .

Table 5: Examples of State-Built Housing Projects

Project Name	Units
Zango	8,000
Panguila	3,000
Nova Vida	5,000
Kilamba	20,000
Km 44- Bengo	2,248
Dundo	5,000
Quilemba- Huila	8,000
Baia Farta	1,000
Lobito	3,000
Luhongo	2,000
Praia Amélia-Namibe	2,000
5 de Abril	2,000
4 de Abril	1,002
Cidades Horizonte - Various projects planned in 15 different municipalities	40,000
Cacuaco	10,000
Namiba	2,000
Saurimo	5,000
Sequele	10,108
KK 5000	5,000
Vida Pacifica	2,464
Capari- Bengo	4,000
Total	**140,822**

Market uptake of state-built housing has been slow in some projects, notably Kilamba, because units were initially priced above the capacity of the intended end-buyer (low income households), and affordable financing was also unavailable. Ultimately, the state provided direct subsidies to reduce selling prices by 30 to 40 percent and established a parastatal enterprise to provide a rent-to-buy scheme with further subsidised interest rates. The units were largely bought by civil servants, however, not by low income households.

6.2 Private Sector Provision

By 2015, the private sector had delivered 71 246 units, or 60 percent of its target for the PNHU programme. About 45 800 of these homes were built by foreign companies and financed by the state through PPP agreements. Due to Angola's command economy history, private real-estate investors and companies building housing usually look to financing from the state rather than the markets to access funding.

Large real estate developers, such as Mar Grandioso, tend to receive funding from abroad and build high-end housing. Mar Grandioso is 70 percent owned by China's Dreal Group and the remaining 30 percent minority stake is held by local partners. Its two showcase projects are Austin and Rose Garden. These are comprehensive, master-plan projects with residential units built for Angola's affluent households.

7 Challenges and Opportunities

Angola's relatively high GDP per capita of US$3 606 (when compared to the SADC region average of US$1 760) is mainly due to its oil exports.[33] The country's reliance on oil revenue also characterises the country's economy and housing market, which is heavily controlled by the state and marked by strong relations with China.

Angola's exposure to volatility in oil markets has prompted its new president to seek aid from the IMF to attract foreign direct investment in the future. The country's ability to access international capital markets and its nascent but functioning exchange are positive signs for potential investors. Real estate investment opportunities presented by EGTI, the state-owned land management company, might be worth consideration by interested foreign investors.

The enactment of several new laws, including a new Securities Code in 2015, are also steps in the right direction. Ideally sources of investment capital for housing lending will eventually include pension funds and private investment funds. Further land tenure reform and fiscal decentralisation to municipalities would also help to stimulate private sector investment in housing and encourage banks to lend more. Better mortgage legislation could increase private financing for the housing sector and give commercial developers the confidence to move down-market where substantial unmet demand exists.

[33] Trading economics.com and World Bank database