



Terms of Reference

Desktop study:

The landscape of investment in affordable housing and housing finance across Central and East Africa

Proposals due by 12 noon (SAST), 01 March 2017, by email to Kgomotso Tolamo

For more information, contact Kgomotso Tolamo
kgomotso@housingfinanceafrica.org
landline +27 (0) 11 447 9581 (ext 103)

1. Introduction

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

CAHF's work covers four main areas: (1) understanding housing markets, (2) monitoring housing sector performance, (3) exploring innovation in housing finance, and (4) supporting housing finance market development. As part of this approach, CAHF regularly undertakes and commissions research; **develops market intelligence on country and regional housing markets**; hosts forums, strategy discussions, and workshops; and participates in local and international conferences and debates on housing finance.

Since its formation, CAHF has come to be known as the most comprehensive and up to date source of information on housing finance in Africa. Its research and other material is regularly used by investors, lenders, pension funds, and other financiers; legal practitioners, researchers and academics; policy makers and other housing finance practitioners to scope and pursue the opportunities for extending access to housing finance across Africa. As a thought leader in the sector, CAHF is a respected advocate for financial inclusion in housing finance in Africa. Our work is available on our website: www.housingfinanceafrica.org. CAHF is also the Secretariat to the African Union for Housing Finance – see www.auhf.co.za.

The Centre wishes to appoint a consultant (or a consortium of consultants/consultancy) to undertake a desktop study which will identify the breadth of investment activity with respect to housing and housing finance across Central and East Africa, and establish a mechanism to track this on an ongoing basis. This project aims to collect data that has possibly never been collected before, and thus we anticipate that it will highlight data gaps and opportunities. Consultants are invited to submit proposals to undertake the study – proposals are due no later than Wednesday, 01 March 2017. An appointment will be made by Wednesday, 08 March 2017.

With the data collected from this project, CAHF intends to develop an ongoing database which it may later produce in an online digital dashboard, similar to others we have developed: the Housing and Construction in Africa [dashboard](#); and Calculating Mortgage and Housing Affordability in Africa [dashboard](#). This dashboard, setting out the "Landscape of Investment in Africa", will ultimately highlight investment in housing, investors and housing developments across the continent. Furthermore, we seek a report outlining the current issues, trends, opportunities and challenges in the residential real estate sector in Central and East Africa, with specific attention to investment in affordable housing and housing financing.

2. Project Background and Objectives

Investor¹ interest in the potential of African real estate has grown substantially in the past ten years. Driven, in part, by new market opportunities created by economic growth, a rising urban middle and lower middle class and increasing developments and construction material manufacturing activity, as well as (possibly) an interest in investment diversification opportunities, investors are looking for

¹ Investors are considered to be those who (i) may seek to make investments in or (ii) undertake housing or housing finance initiatives in the SADC region (and wider). In this regard, an "investor" may be a construction company, developer, building material supplier (Comment: Does building material supplier really qualify as "investors?"), commercial bank, micro lender, insurance company, pension fund, private equity fund, mezzanine or debt fund, development finance institution investor, lender or guarantor, public sector investor, lender or guarantor, etc. – that is, any public or private organisation making an investment in the delivery any part of the housing value chain. Their investments might be in for-profit or not-for-profit initiatives, and they themselves may have a variety of expectations on return, from market rate investors to impact investors looking for double bottom line returns to social investors.

specific initiatives on which to place their bets. The number of developers (and consequently developments) is rapidly increasing. While this activity continues to be better articulated and understood, information on the approaches and initiatives in place is somewhat arbitrary, and lacks a focus on the residential property market. In part, it looks like the data does not exist, or that it is not collected in a way that differentiates the sector in which we have a particular interest.

Resources such as Ernest and Young's [Africa Attractiveness Program](#), McKinsey & Company's Lions on the move [theme](#), [PWC's Real Estate Building the Future of Africa](#), the Global Impact Invest Network's focus on investment on Africa, and other similar publications, highlight increasing focus on the investment opportunities available in the continent. However, none of these resources documenting investment give specific attention to housing and housing related activities. As investors struggle to assess market risk and opportunity with precision, they shift their sights to more easily dimensioned and quantified investments—such as energy, telecommunications, retail or commercial ventures—or price for the inability to fully review and dimension risk, ultimately narrowing the affordability of the housing output. Better data, that is collected and stored more efficiently, would make the housing and housing finance markets in Africa work better for all market participants, including the poor.

Investment begets investment, and understanding the landscape of investment assists market stakeholders in both the private, public and development finance sectors focus their strategies further. In the current environment, there is very little information on investment activities and trends. Specific gaps include (but are not necessarily limited to):

- **Market overview data** on who is investing in which parts of the housing delivery and financing value chains, for which types of residential real estate, in which countries or regions, targeting which submarkets, and with how much money or with which sorts of interventions. Quantification of volume and amounts being invested in each country in affordable² housing and finance.
- **Market performance data**, segmented by target market, housing type or investment intervention, geography, etc.
- **Competitive market horizon**: the size, financial capacity, geographic reach and market share of participants in the housing sector and in the housing finance (mortgage, home equity, personal loan, consumer loan, microfinance and housing microfinance) sectors. What are their investment objectives?

Simply: we do not have a list of investors engaging or interested in the affordable housing and housing financing, and their investments. Such a list – a “landscape of investments”, stratified in various ways (investor type, investment target, etc.) – would be incredibly useful as it would give us an indication of the current status of housing investment and access to capital, the challenges and opportunities that investors and projects face as they seek one another, the players involved, and the gaps in approach. This would enable us to better understand how support greater investment in affordable housing, and to connect investors with potential investments. This is the focus of the study, which we expect to then extend to other regions across Africa.

The objective of this project is to

- Develop methodologies to track and quantify the landscape of housing investment across Central and East Africa, in order to establish a baseline and track investment going forward, noting gaps in existing market information and recommending ways to overcome these;
- Identify, quantify and analyse the performance of investments in housing and housing finance across Central and East Africa, in their diversity, breadth and depth, considering as well which countries or regions, market segments, etc., have been prioritised by investors, and why;
- Create a database that appropriately disaggregates the housing investment market, that will act as a baseline for future tracking and analysis;
- Analyse the data and

² Actual affordability is the relationship between the cost of housing (a mortgage bond [with a mortgage equal to 25% - 30% of the borrower's income, over 20 years, with 5% of the sale price paid as down payment, and the specific country's average interest rate] payment or rent) and the income of the tenant or owner.

- Outline and explore the specific challenges faced by the sector;
- Speculate on the prospects for increased investment in affordable housing and housing finance across Central and East Africa;
- Set an agenda for further work in supporting increased investment in affordable housing and housing finance across Central and East Africa.

This is the first effort in what is anticipated to be an annual monitoring process, which will ultimately lead to comparable market data highlighting investment in the housing and housing finance sectors across Central and East Africa. To this end, **the exercise should consider the cost and feasibility of a longitudinal approach, to support enhanced investment of all types, prioritising affordable housing and housing finance in this region.** Critically, this data should not only be investor led, supporting existing investment expectations, but should also offer insights that would lead investors to consider new or increased scope and scale of investments in affordable housing and housing finance opportunities, especially those which will reach lower income earners.

3. Project Scope

The focus of this exercise is on the Central and East African region – broadly, with specific attention to key countries as identified in the course of the research. The project essentially involves three components:

1. **A scoping exercise, determining the breadth and depth of investors, investments and investment opportunity in housing and housing finance across the Central and East African region. In this, we are interested in:**
 - Who is investing in which parts of the housing delivery and financing value chains;
 - The nature and quantum of investments – in detail;
 - The structure of investments and who participates – the full investment chain;
 - The performance of investments; and
 - The focus of investments, investor priorities, etc.
2. **Defining and establishing data sources for the measurement and tracking of housing investment across Central and East Africa on an ongoing basis. This will include:**
 - Identifying datasets and data sources for scoping and tracking investment across Central and East Africa on an ongoing basis and on the basis of the framework set out above;
 - Proposing a methodology to collect these data;
 - Identifying data gaps in terms of the framework set out in above; and
 - Proposing methods for resolving these gaps in the long term.
3. **Analysing the data and exploring key issues. This will include:**
 - Identifying key issues constraining and/or supporting market growth;
 - Considering any gaps in the investment landscape given the nature of housing need and demand in the region; and
 - Highlighting any policy issues.

Importantly, the scope includes suggestions for further research projects and possible interventions to support increased investment in affordable housing and housing finance across the Central and East African region.

4. Methodology

It is expected that the research methodology will be outlined in the proposals submitted in response to this terms of reference, and that the final methodology will be determined in consultation with the appointed consultant. It is foreseen that the research will involve:

- A comprehensive literature and document review, revealing what research and information exists, what the research lacks, and to understand current investment trends (we expect that the service provider will review a wide array of literature, including the media, company annual reports, analyst reports, research papers, conference presentations, and so on – whatever will demonstrate an affordable housing investment angle);
- Interviews with key stakeholders, specifically chosen for their insight into the market and their knowledge of the sector.
- Development of a conceptual framework for defining the affordable³ housing investment sector, and methodologies for the quantification and tracking of this sector and its activities on an ongoing basis;
- Collection, aggregation and creation of a useable database;
- Analysis of the data; and
- Presentation of a short report.

Other research methods may also be considered.

5. Deliverables

Key deliverables for this project are detailed below⁴:

1. An inception report, that covers:

- 1.1. An overview of key issues that the study should tackle; and
- 1.2. Detailed work plan and proposed methodology, including identification of stakeholders for interviewing, and initial data template, to respond to the objectives of the research.

2. Conceptual framework, that includes

- 2.1. Key issues arising from the literature and document review
- 2.2. Anticipated structure of the Investment Landscape database including key fields for inclusion and framework for segmenting the investment sector

The approach and data template should be presented in a format ready for analysis and enabling comparisons by various factors. It should provide fields for key indicators and relevant data needed to monitor and report on investment in housing and housing finance across Central and East Africa and specific countries of interest within the region. The format and methodology should allow for the database to be updated annually with ease. **It should be user-friendly and submitted in both MS Word and MS Excel format, where applicable.**

3. Completed Investment Landscape database(s):

Database(s) of investors and their current objectives, investments, practitioners involved, and in-country contacts; and of investments, including investment performance and structures. The categorisation of investors and investments, and the structure of how the landscape of investment in housing will be quantified will be clarified in the first phase of the research. We are expecting databases that answer the breadth of questions: who, what, where, how and when. This

³ This will be relative to each country, based on average incomes, target house prices and interest rates, and will use CAHF's country specific affordability graphs as a starting point. Note page 14 of CAHF's 2016 **Yearbook**: <http://bit.ly/zjY7kud>

⁴ All work, written or otherwise, submitted by the successful service provider is expected to be the result of his/her own work. The Centre for Affordable Housing Finance in Africa views acts of copyright infringement and plagiarism as a serious offence.

effort is to create the baseline which CAHF will then continue to collect on an annual basis.

The database(s) should be logical, user friendly and straightforward to update, and submitted in MS Excel format.

4. Draft and Final Reports:

The emphasis of the study is on the development of a database. In addition, the consultant is required to prepare a short report that sets out their findings regarding the overall investment landscape in the region, highlighting key social, political and economic and other issues as they relate to investment drivers and restrictors, ease of doing business, constraints and opportunities to investment, and the policy environment directly related to investment in the affordable housing sector. This report is intended to assist in clarifying why investment is high in some areas and low in others, and what interventions might be developed. The database (above) will highlight the scope of the investment market, whereas the report will provide context. In addition, the second part of this report should include an assessment of the current investment climate for the housing and housing finance sectors in the region and specific countries of interest. **The report should be written in English and submitted in MS Word format, in accordance with the CAHF style sheet.**

5. Brief project review:

This report should provide feedback to CAHF on the opportunities, difficulties and constraints in delivering a project of this nature. It should communicate where data was difficult to access and how this could be addressed in future. **The report should be written in English and submitted in MS Word format, also in accordance with CAHF's style sheet.**

6. Additional Deliverables:

- An overview PowerPoint presentation highlighting key findings;
- List of stakeholders contacted during the process of the research, with contact details; and
- Any additional data collected during the research process, beyond that included in the database.

6. Project Milestones

Proposals for the project should be submitted electronically by 12 noon on **Wednesday, 01 March 2017**. Electronic proposals are required and should cover the consultant's interpretation of and approach to the brief. Proposals should not be longer than five pages, plus CVs and company documents if these are not already held by CAHF.

It is anticipated that the project will be finalised by 05 June 2017. The following deadlines will apply:

Milestone:	Anticipated deadline:
Appointment of consultant:	Wednesday, 08 March 2017
Initial briefing meeting in Johannesburg, or by skype:	Friday of 10 March 2017
Submission of inception report, outlining conceptual framework, expected data points and sources, an initial list of investors:	Friday, 24 March 2017
Submission of conceptual framework:	Friday, 07 April 2017
Submission of completed, investment landscape database:	Friday, 28 April 2017
Presentation to a small meeting of advisors:	Tuesday, 02 May 2017
Submission of draft report:	Monday, 15 May 2017
Submission of final comments from CAHF:	Monday, 22 May 2017
Submission of final report and brief project review	Monday, 05 June 2017

7. Project Budget Guide

Proposals of up to ZAR 450 000, inclusive of VAT and disbursements, will be considered.

8. Contents of the Proposal

Proposals to undertake this project must include:

- 1 Response to the ToR, demonstrating familiarity with the subject matter, expansion on the proposed methodology and key issues for consideration in the work. An initial recommendation of target countries is also expected. To this end, the consultant should consider the breadth of experiences across the Central and East African region, giving attention to all countries and languages, as feasible.
- 2 A detailed work plan, demonstrating the feasibility of the proposal.
- 3 Statement of qualifications of firm(s) as relevant to the project. Note that capacity to engage also in the data and information on investors operating in Francophone African countries in the region is important.
- 4 Name and CV of staff members responsible (i) for overseeing the work; (ii) for undertaking the work. Some level of local representation in the countries targeted for the study would be preferred. A consortium of consultants is welcomed.
- 5 Fee proposal and costs estimate, indicating the basis of calculation of fees, including cost of travel if necessary.
- 6 Capacity building and black economic empowerment are key objectives of CAHF. In rendering the service the consultant must endeavour to achieve these goals. South African consultants must report on their BEE accreditation. Other capacity building efforts can also be proposed, such as the use of students to support the research process, or workshop methods to engage with a wider stakeholder sector in each country. The focus of such capacity building would be on the use of data to consider and understand the role of housing in national economies. The proposal must comment on the manner in which the consultant intends to give effect to the capacity empowerment objective.
- 7 Familiarity with the Centre for Affordable Housing Finance in Africa's work is important. See www.housingfinanceafrica.org.

9. Project Evaluation

Proposals will be assessed according to:

- 1 Relevant, demonstrated competence of firm in this area: 20 percent.
- 2 Demonstrated expertise of key individuals to be involved in this project: 20 percent.
- 3 Content, quality and originality of proposal, including innovation in and feasibility of approach: 35 percent.
- 4 Affirmative action OR use of local professional capacity and capacity empowerment : 15 percent.
- 5 Financial proposal: 10 percent

The Centre for Affordable Housing Finance in Africa reserves the right to not make an appointment should it not find a suitable service provider.

10. Submission of Proposals

Proposals, and any queries, should be addressed to Ms. Kgomotso Tolamo, kgomotso@housingfinanceafrica.org. The deadline for submission is 12h00, South African Standard

Time, on 01 March 2017. Once the selection process has been completed, CAHF will issue a contract confirming the appointment of the service provider. Only selected consultants will be contacted.

11. Guidance Notes to Bidders

Centre for Affordable Housing Finance in Africa reserves the absolute right to use its discretion in the interpretation of the award criteria. The following notes are intended to provide broad guidance only on how proposals will be evaluated. Bidders may be required to clarify their proposals by way of a telephone call or presentation.

1. "Relevant, demonstrated competence of firm(s) in this area" - you should aim to demonstrate how the firm's collective past experience can be applied (or adapted) to address the specific brief set out in the terms of reference. You are welcome to describe the firm's general experience of financial sector development issues (e.g. in other geographies or topical areas) but the evaluation will focus particularly on the application of that experience for the specific task at hand.
2. "Demonstrated expertise of key individuals to be involved in this project" – the evaluation places considerable emphasis on the role and demonstrated expertise (i.e. track record) of the key individuals to be involved on the project rather than on the expertise of the firm itself.
3. "Use of local professional capacity (consulting, analysis, coordination etc.)" – Centre for Affordable Housing Finance in Africa wishes to ensure that local capacity is used and developed. International firms are therefore encouraged to partner with local organisations.
4. "Content, quality and originality of proposal" – proposals should address the brief set out in the terms of reference in a comprehensive manner. Bidders should aim for innovation as well as professional presentation. Whilst similar, relevant experience in other markets will be an advantage for a bidder, each market is different and so proposals need to reflect the particular characteristics of that market, as well as the challenge set by the terms of reference.
5. "Affirmative action scorecard"- ownership, management, staff development.
6. "Fee basis" – value for money, as well as absolute cost, will be taken into account.