



Centre for Affordable
Housing Finance
in Africa

Aggregating opportunity in affordable housing in Nigeria

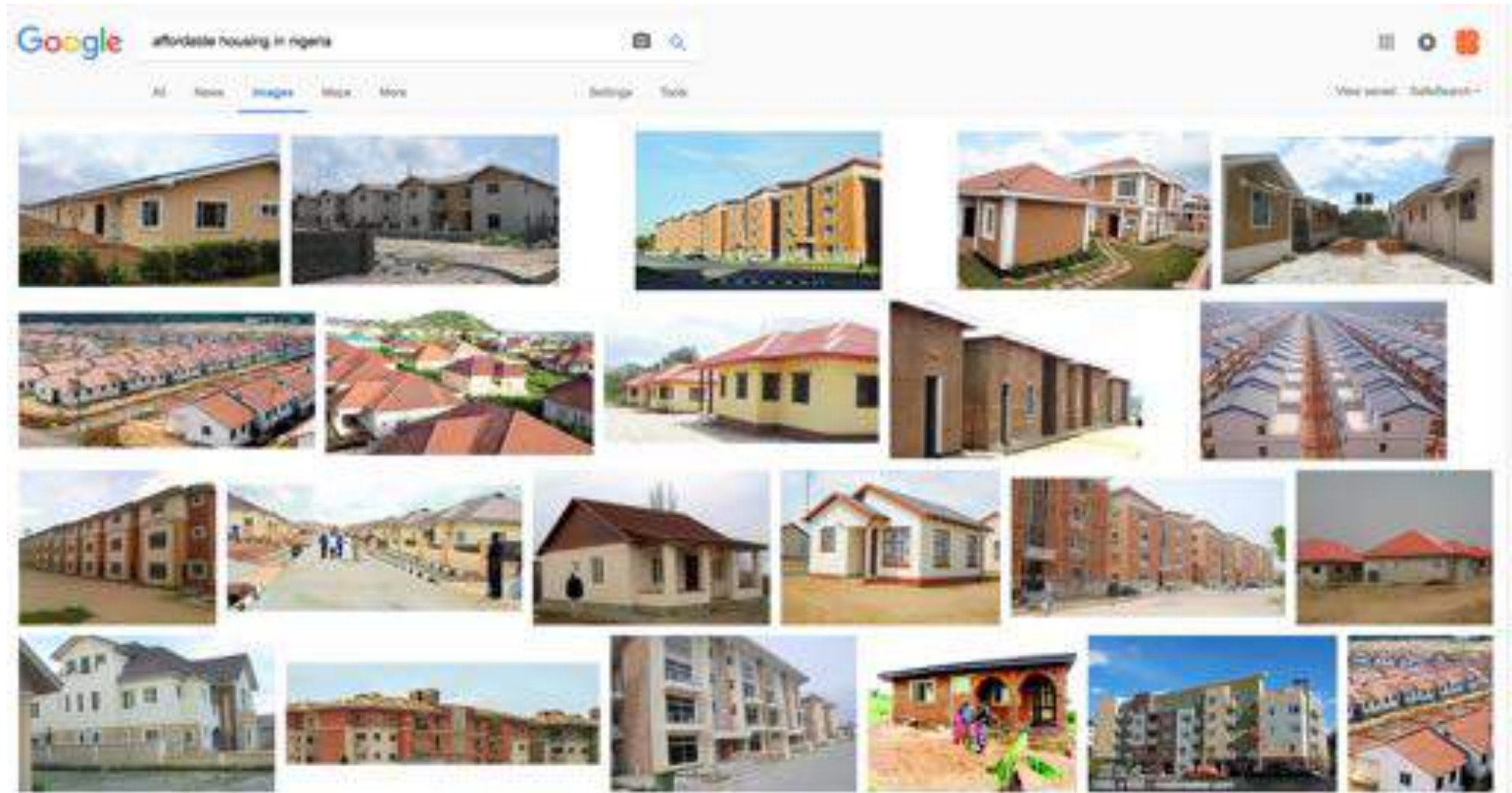
Kecia Rust

Solving Nigeria's Housing
Challenge through Innovative
Finance & Infrastructure Solutions

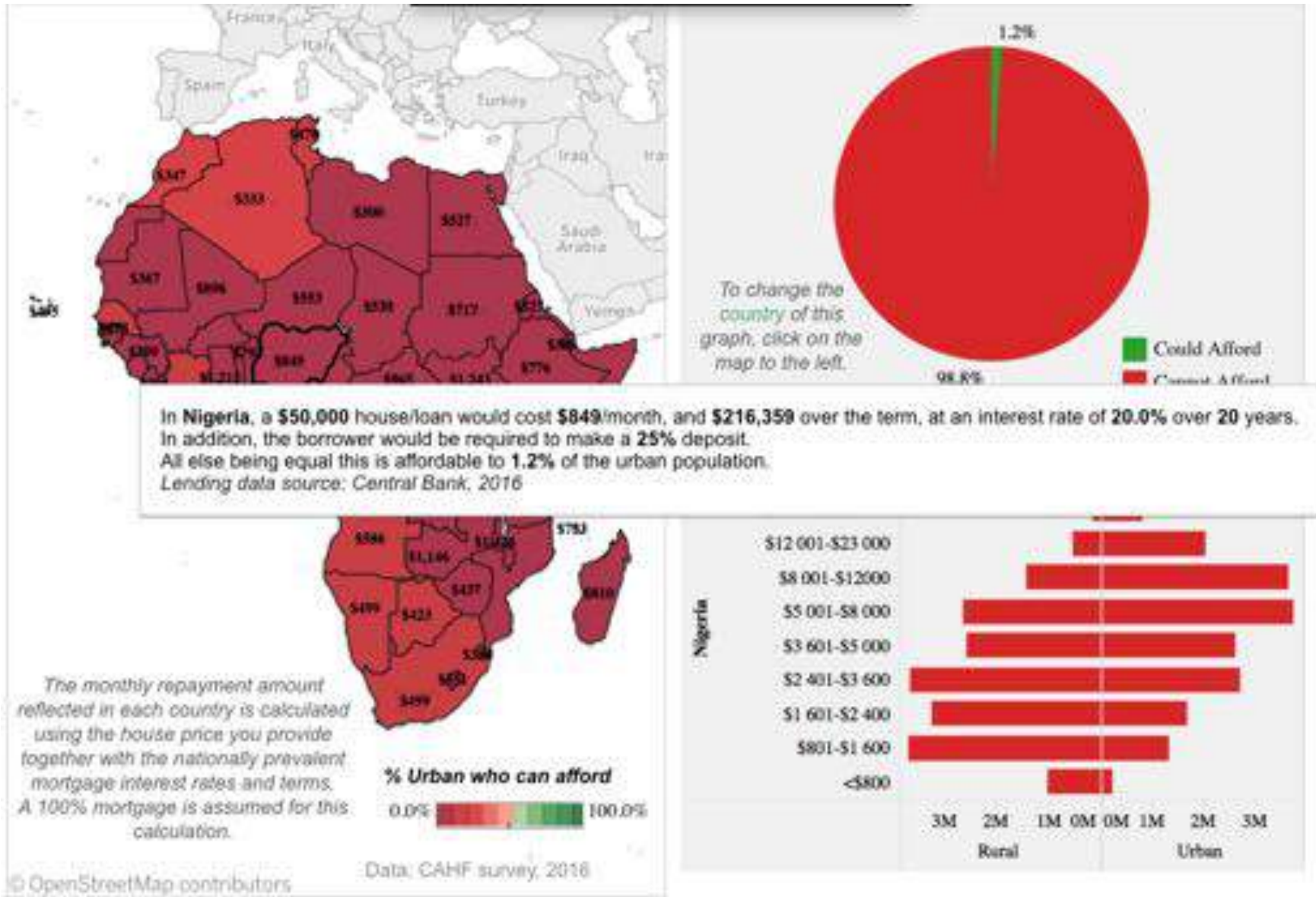
17-19 July 2017
Abuja, Nigeria



What is affordable housing in Nigeria?



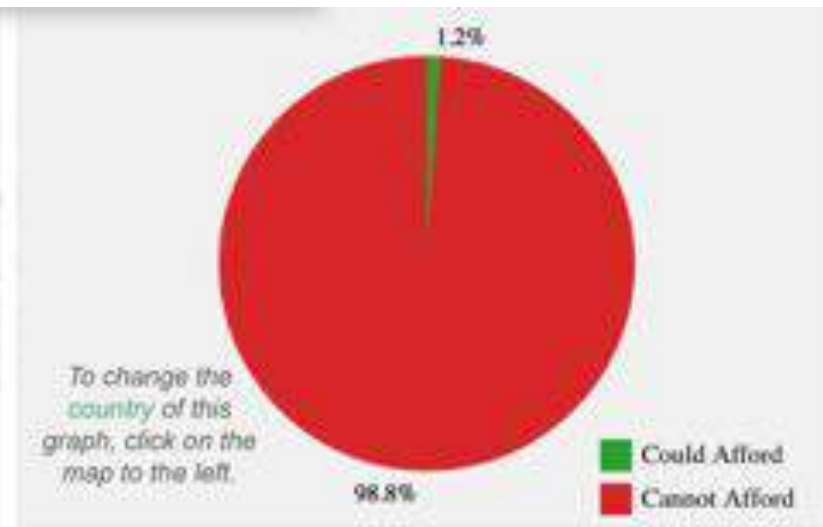
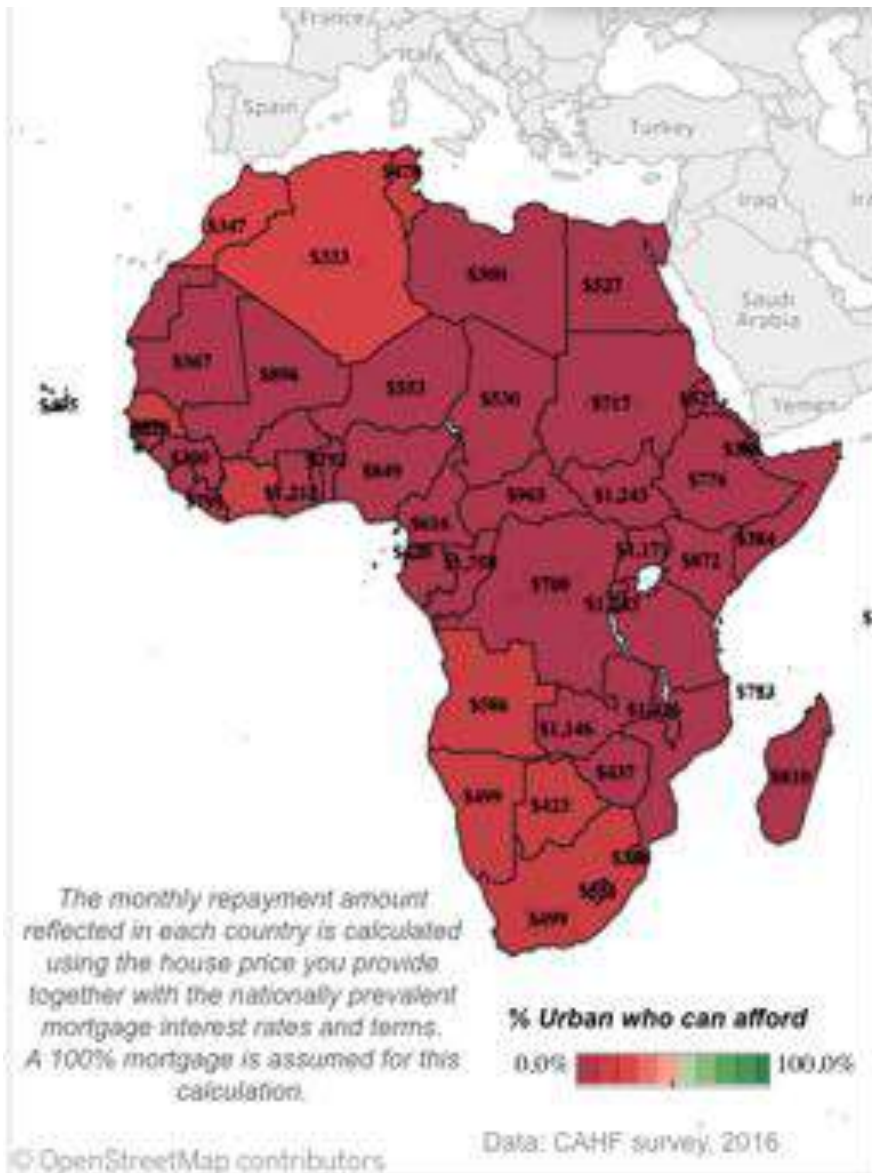
What can the average Nigerian afford?



<http://www.housingfinanceafrica.org/calculating-mortgage-and-housing-affordability-in-africa/>



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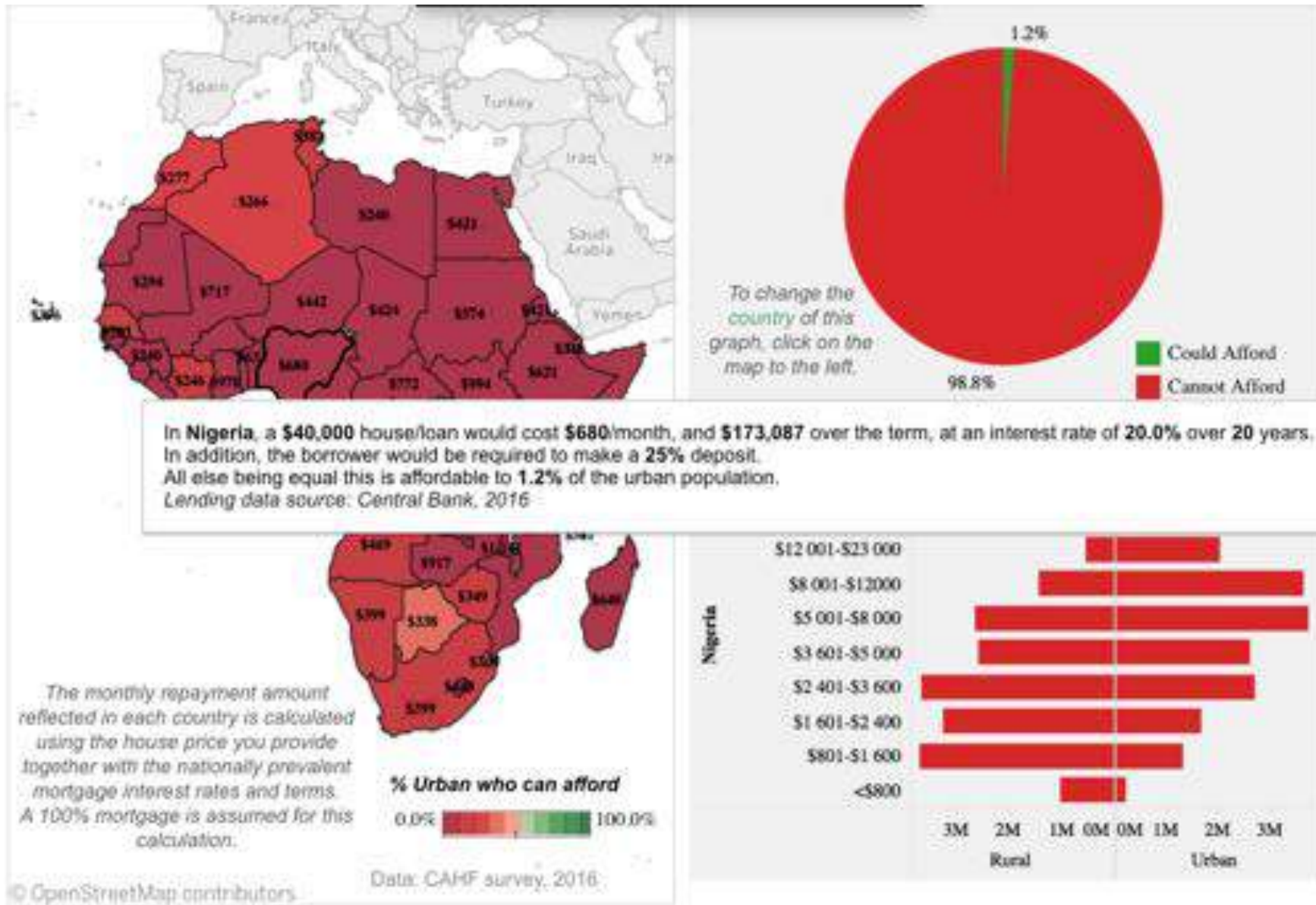
What is the annual income distribution of households in Nigeria?



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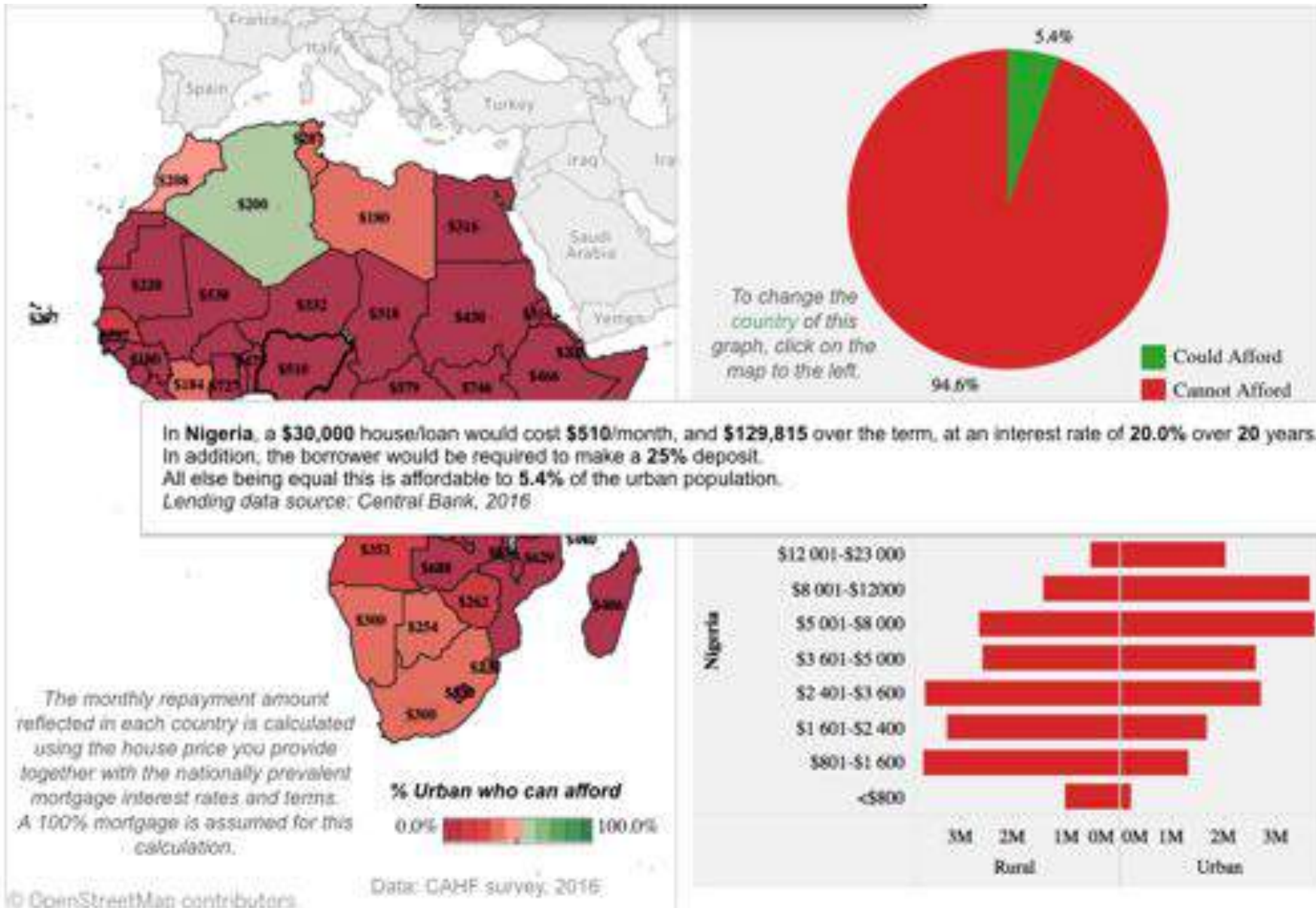
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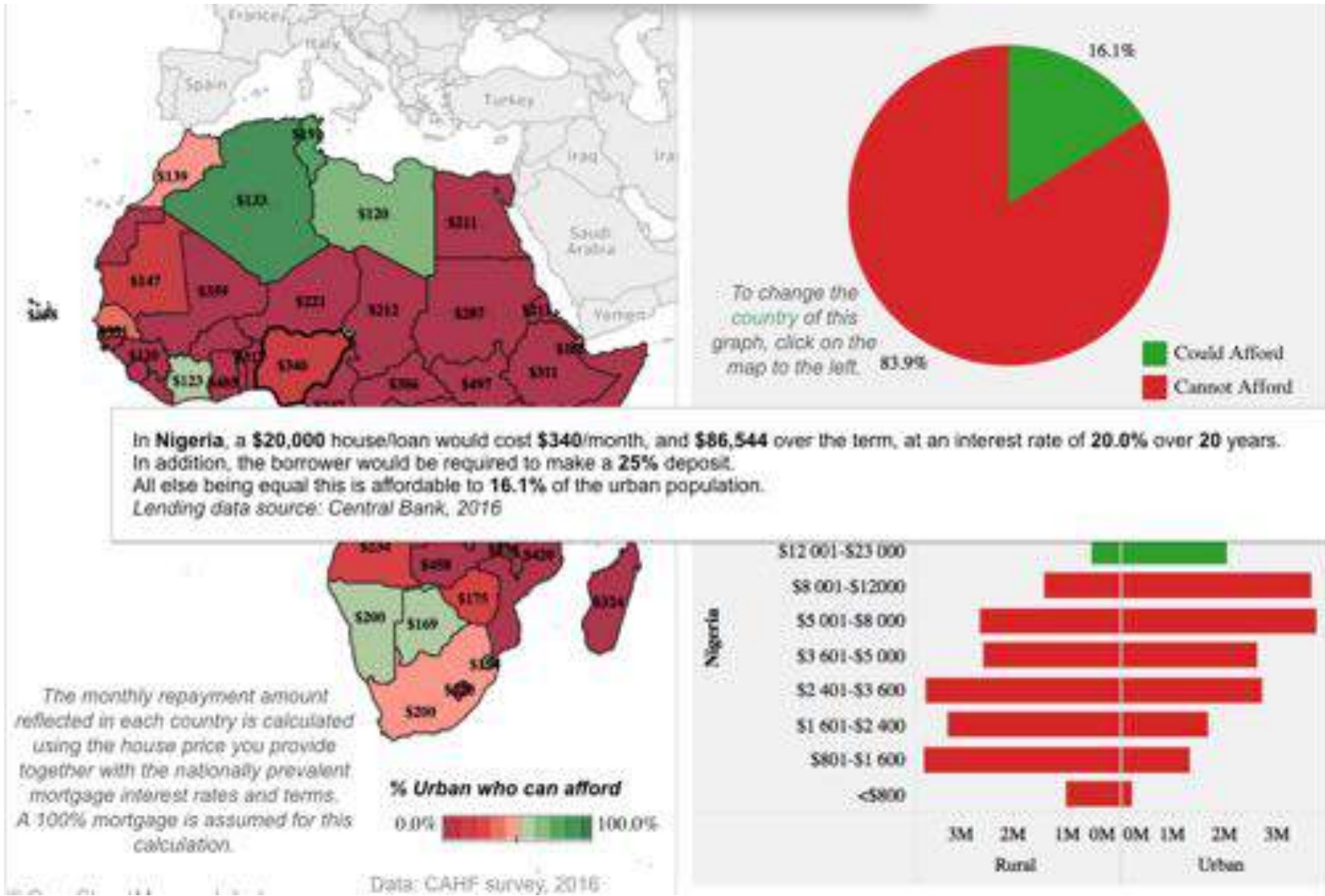
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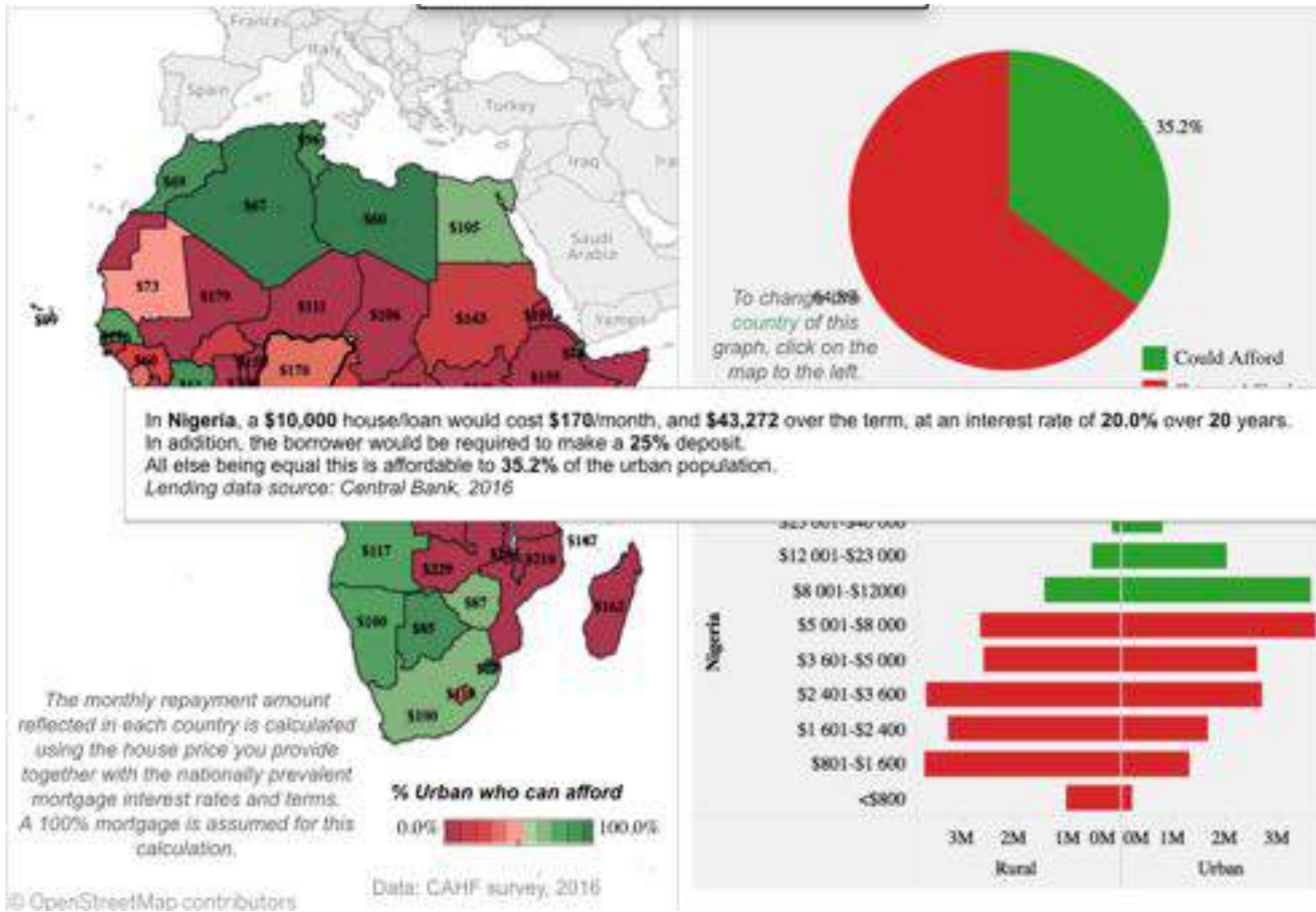
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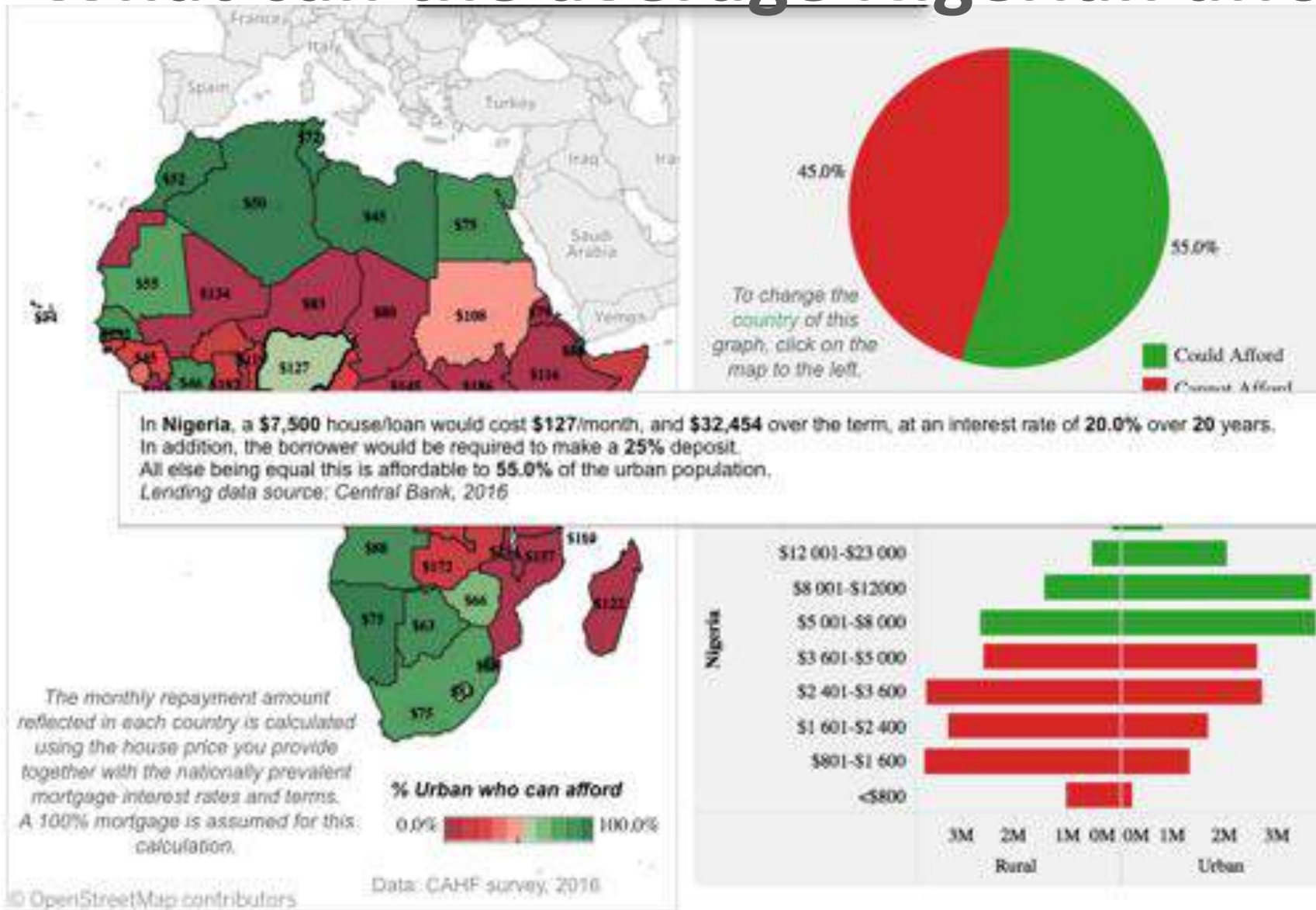
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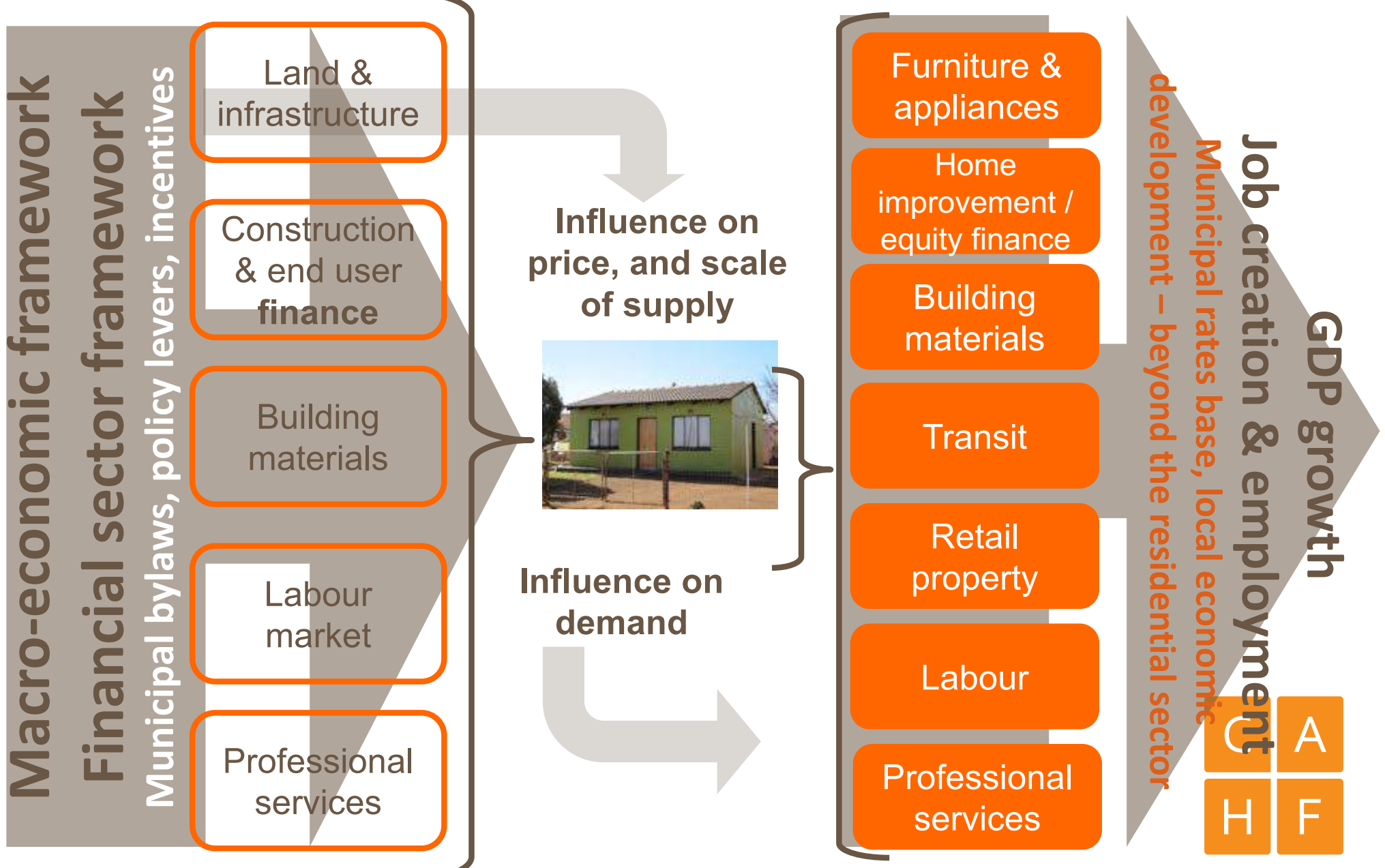
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Can developments of N2,4 million housing units be built and financed at scale?
 What would it look like for Nigeria to build 100 000 units at N2,4m per annum, doubling the current rate of delivery?



Housing has a significant impact on the economy

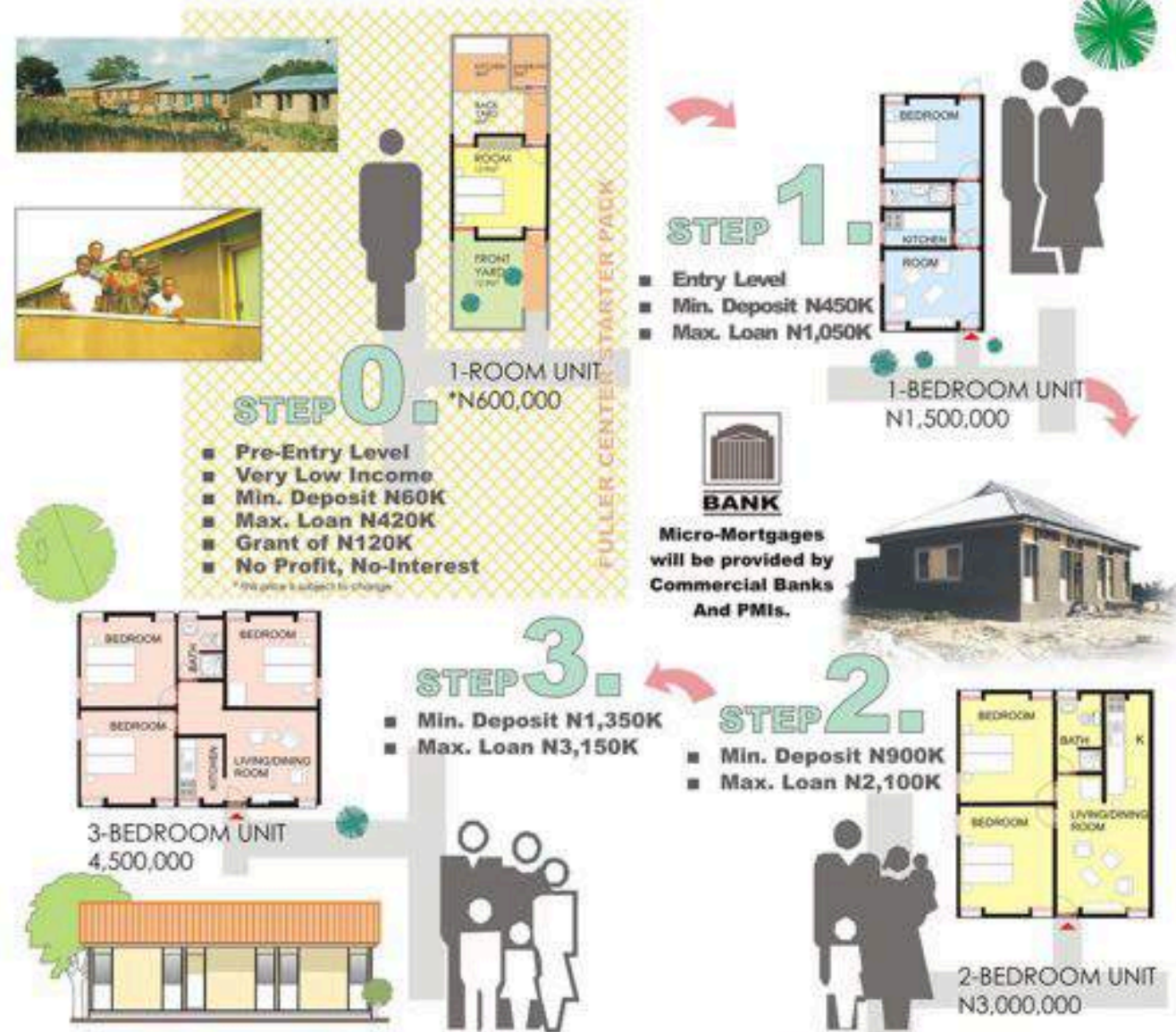
What would it look like for Nigeria to build 100 000 units at N2,4m per annum, doubling the current rate of delivery?



The challenge is the N2,4m house...

How do we make this look less like a small scale, ad hoc intervention and more like a viable approach towards housing the nation?

FULLER INCREMENTAL HOUSING



Investors need access to scale, while household affordability needs costs to be broken down: three approaches towards aggregation of the opportunity

Real Estate Investment Trusts

Investment vehicle that aggregates investments and investors into realisable deals

Co-operatives and SACCOs

Savings vehicles that aggregate household affordability into a viable proposition

Rental

Housing supply approach that aggregates the management & ownership function



Real Estate Investment Trusts (REITs) offer a critical opportunity for financial intermediation – can this extend to affordable housing? 13

What is a REIT?

- Company or trust that owns and often manages a portfolio of mortgages and / or real estate properties
- Operates in accordance with certain rules and regulations
- Allows investors to invest in portfolios of mortgages or large-scale properties through the purchase of shares.
- The shareholders of a REIT earn a share of the income stream produced by the investment portfolio

What are the distinguishing factors?

- REITs aggregate diverse sources of funding and target them into real estate portfolios that extend beyond the limitations of individual projects.
- REIT regulations and legislation provide for preferential tax treatment and require high rates of profit distribution.
- Together, these unique factors enable REITs to raise finance from investors who otherwise might lack access to – or be reticent to engage in – real estate markets.

<http://housingfinanceafrica.org/projects/residential-real-estate-investment-trusts-africa/>

Key challenges are [1] investor trust in the affordable market and [2] ability to achieve scale delivery.

Who builds this trust?

Are REIT investors patient enough?

Cooperatives and SACCOs amass & coordinate household savings into a viable proposition – **can this grown to scale?**

- Less than 10 % of all housing credit in Kenya comes in the form of mortgages from the banking sector – the remainder of housing finance comes from SACCOs and housing cooperative networks. (Kenya Economic Update, April 2017)

Key challenges are access to the value chain (land, development capacity) and to long term finance. Can the investor sector trust co-op and SACCO capacity?

- Is there a regulatory response?
- What is the institutional response? How do lenders work effectively with cooperatives?
- Do we understand the potential?



Rental improves affordability by aggregating ownership and management costs – **how can the management capacity be grown?**

- **Large scale landlordism**
 - Opportunity for pension funds investment
 - REIT investment target
 - Viability depends on scale
- **Small scale, household landlordism**
 - Backyard rental
 - Urban infill
 - Supported with housing microfinance

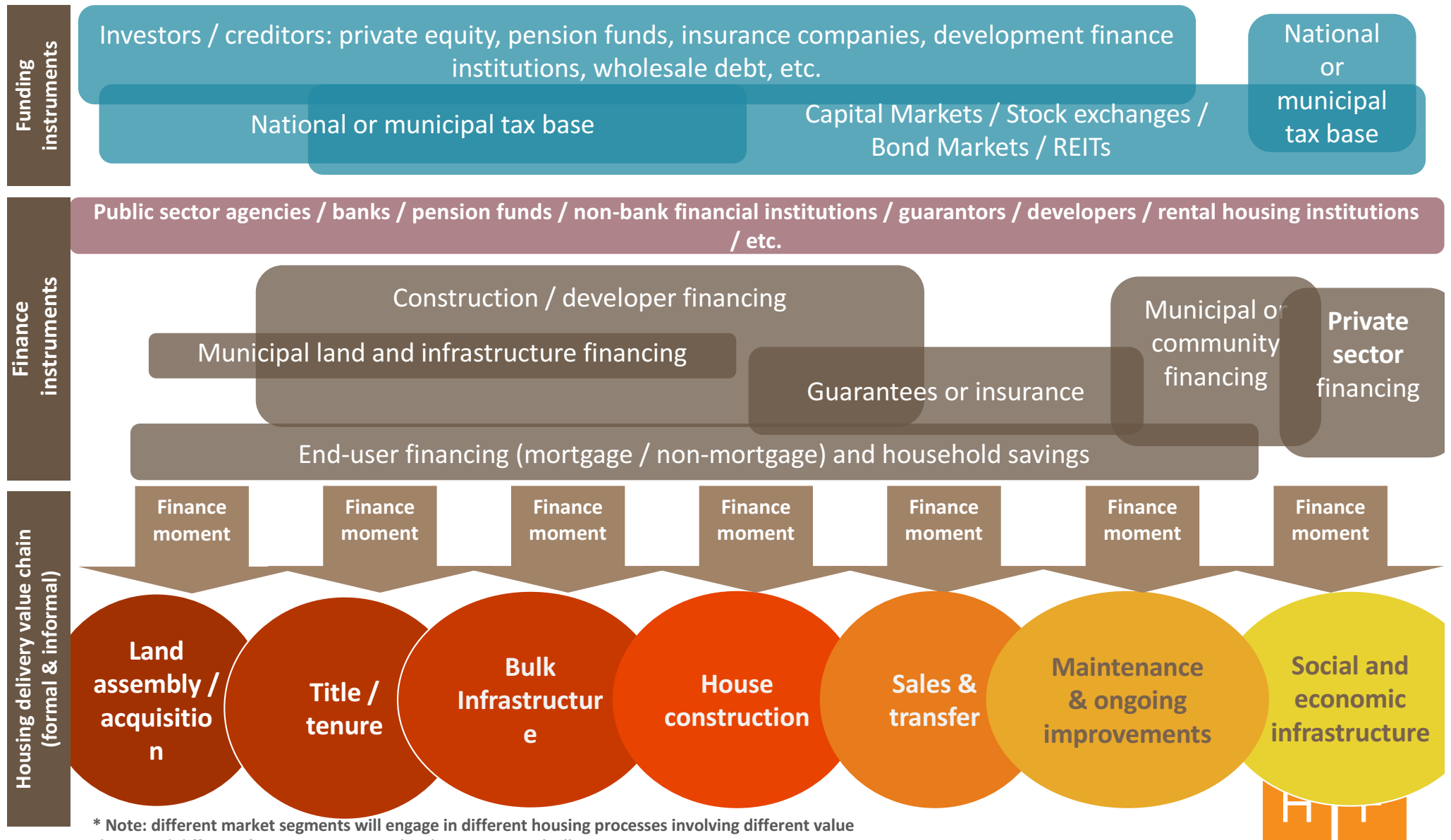
Key challenges are [1] management capacity and [2] scale for viability

Small scale landlords offer a niche opportunity

How do lenders structure their products to meet this diversity



Housing finance is closely connected to the value chain. **How do financiers and investors engage in the value chain effectively, providing the oil to drive the wheels and realise increased scale delivery of affordable housing?**



Thank you!

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