

A close-up photograph of a young child with dark skin and short hair, smiling warmly. The child is wearing a light pink shirt. The background is slightly blurred, showing a rural environment with wooden structures and other people in the distance.

State of Housing Microfinance In Africa

1 Urbanis Africa Experience

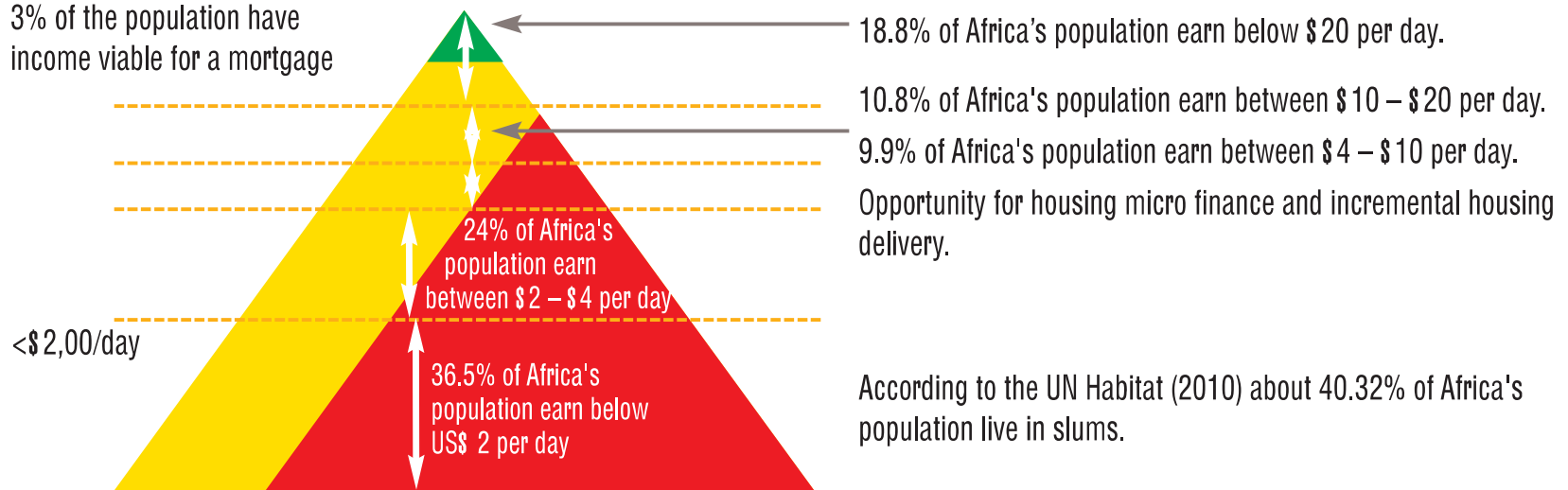
Urbanis delivered 330 houses and is yet to finalize of end user financing. Housing Microfinance is key to growth of Affordable housing in Africa.



2 Opportunities in HMF

Affordable housing is a \$30 billion market in Africa. The size of the market commands a huge potential for housing related Microfinance services.

According to the World Bank, 3% of the population have income viable for a mortgage



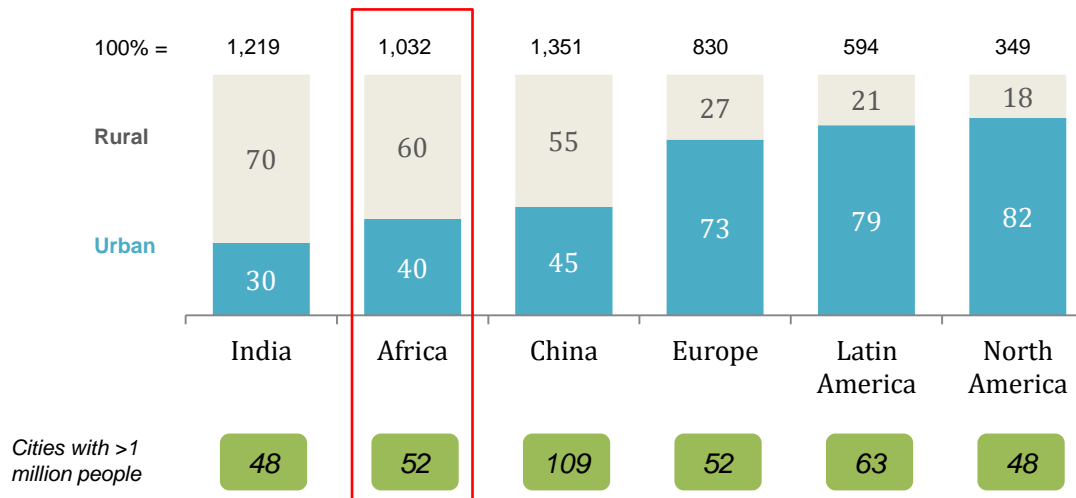
According to the UN Habitat (2010) about 40.32% of Africa's population live in slums.

Source: AfDB (2011)

3 Rapid Urban population growth

Africa is almost as urbanized as China and has as many cities of 1 million people as Europe. As a result 60% of Africa's urban population lives in inadequate housing.

Share of rural vs. urban population by region, 2010 (%. Million)



SOURCE: United Nations; McKinsey Global Institute

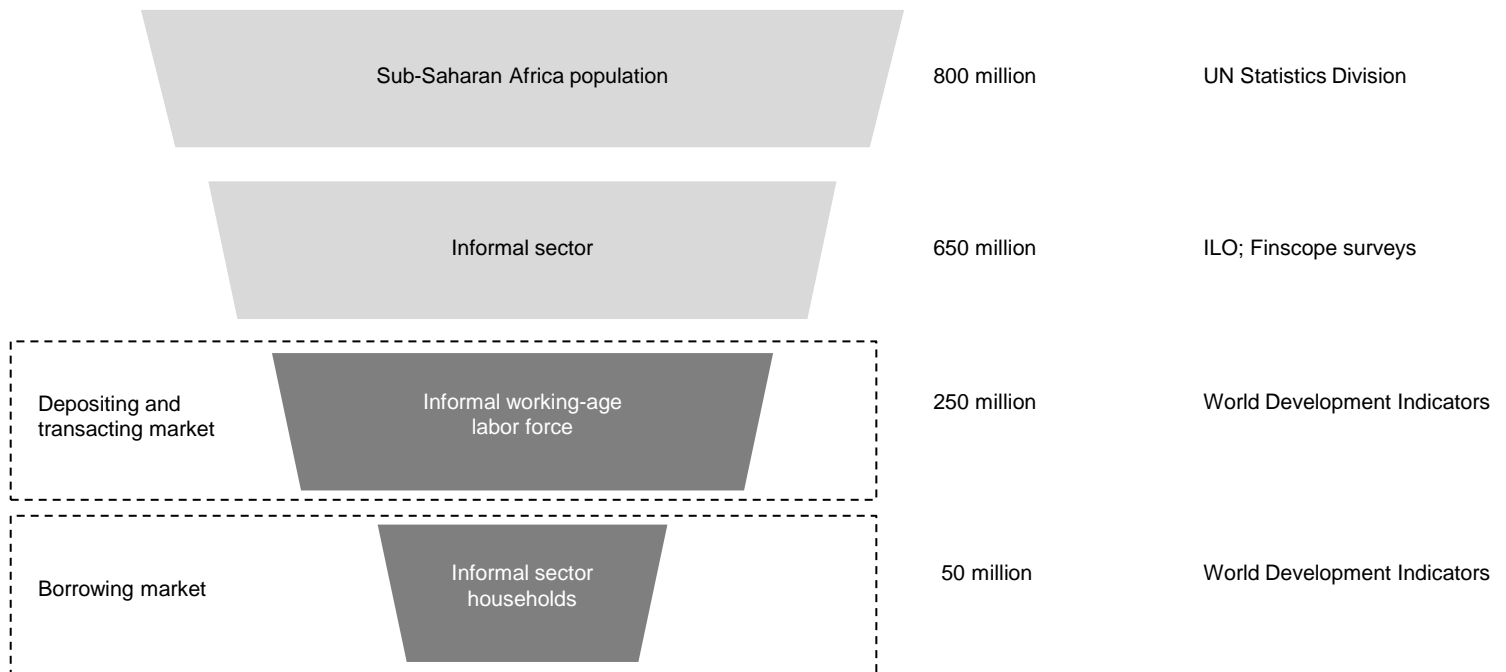
4 Demand Supply Gap is 1 to 10

Africa is plagued with a chronic inability to meet the widening gap between housing demand and supply for low income groups. The gap is approaching 10 to 1.

Region	Demand	Supply
Sub-Saharan Africa	<ul style="list-style-type: none">32 million households in Sub-Saharan Africa are considered inadequate.Under current urbanisation rates , an additional 14 million housing units per annum are required	<ul style="list-style-type: none">308 million people; 191 million of which live in inadequate housing.
Kenya	<ul style="list-style-type: none">60% of households are considered 'inadequate' housing and are located in slums.150,000 units are required per year	<ul style="list-style-type: none">Less than 30 000 units per yearThe annual deficit is thus more than 120,000 housing units per year
Ghana	<ul style="list-style-type: none">Ghana's annual demand for housing currently stands at 120,000 housing units per annum	<ul style="list-style-type: none">Current housing supply provides 42,000 units per annum which is only 35% of the demand
Nigeria	<ul style="list-style-type: none">33.6 million Nigerians living in urban areas (46% of the urban population) are considered to be living in inadequate housing	<ul style="list-style-type: none">The annual deficit is 16 million units720,000 units need to be created annually to meet the demandCurrent supply is however meeting only 3% of this demand
Tanzania	<ul style="list-style-type: none">80% of the entire population is living in unplanned, informal settlements with poor shelter and few basic services	<ul style="list-style-type: none">The housing deficit in urban areas is estimated at 1.2 million units.

5 Informal Sector is 80% of home buyers

The overwhelming number of home buyers are from the informal sector and do not qualify for formal mortgages. HMF is the only option for most Africa potential home buyers.

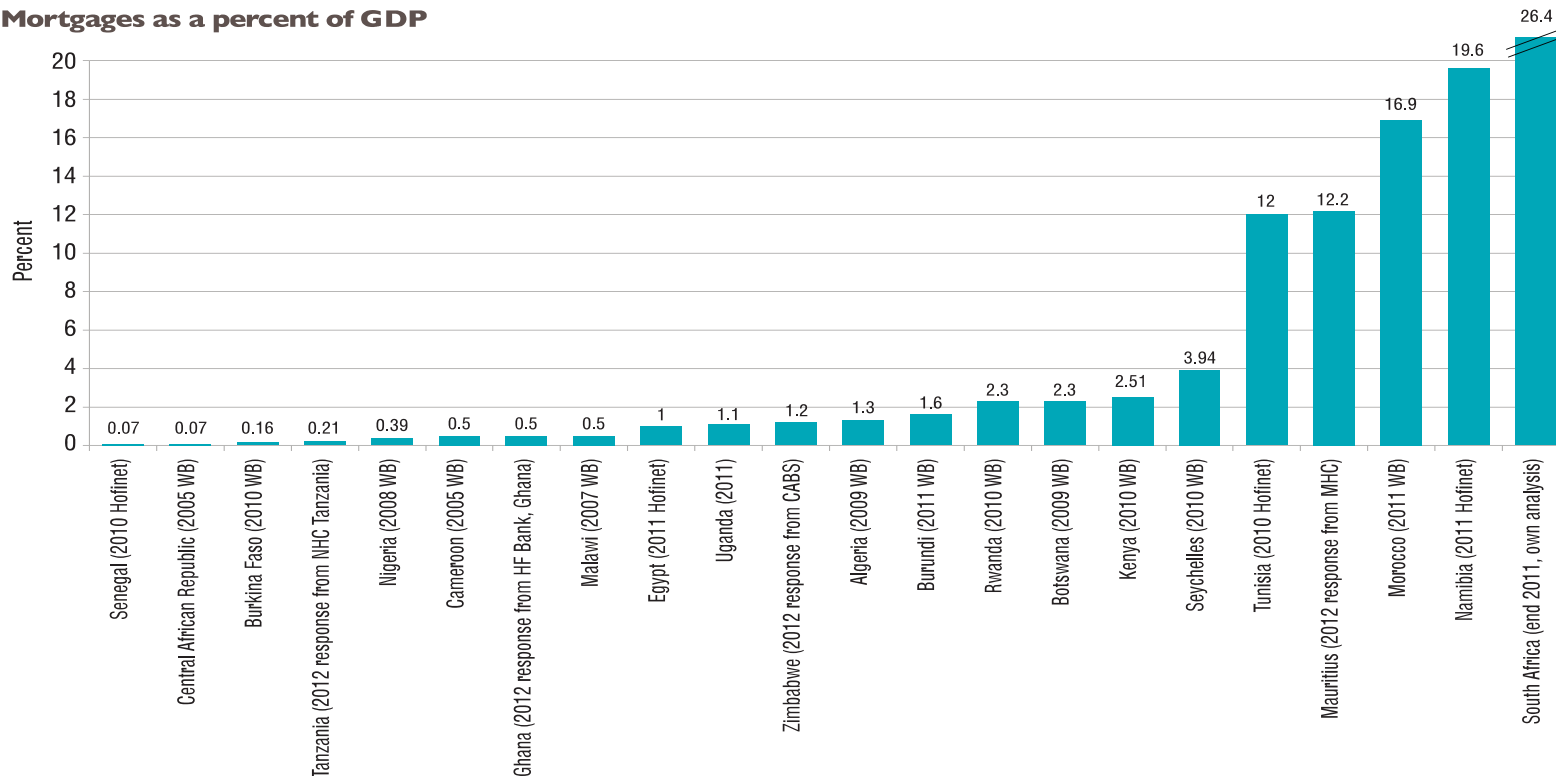


Source: 'Dr. Sher Verick, "The Impact of Globalization on the Informal Sector in Africa"'

6 Lack of financing is the culprit

The affordable housing industry in Africa has been held back by the lack of mortgage facilities. With a few notable exceptions, mortgages represent less than 10% of GDP.

Mortgages as a percent of GDP



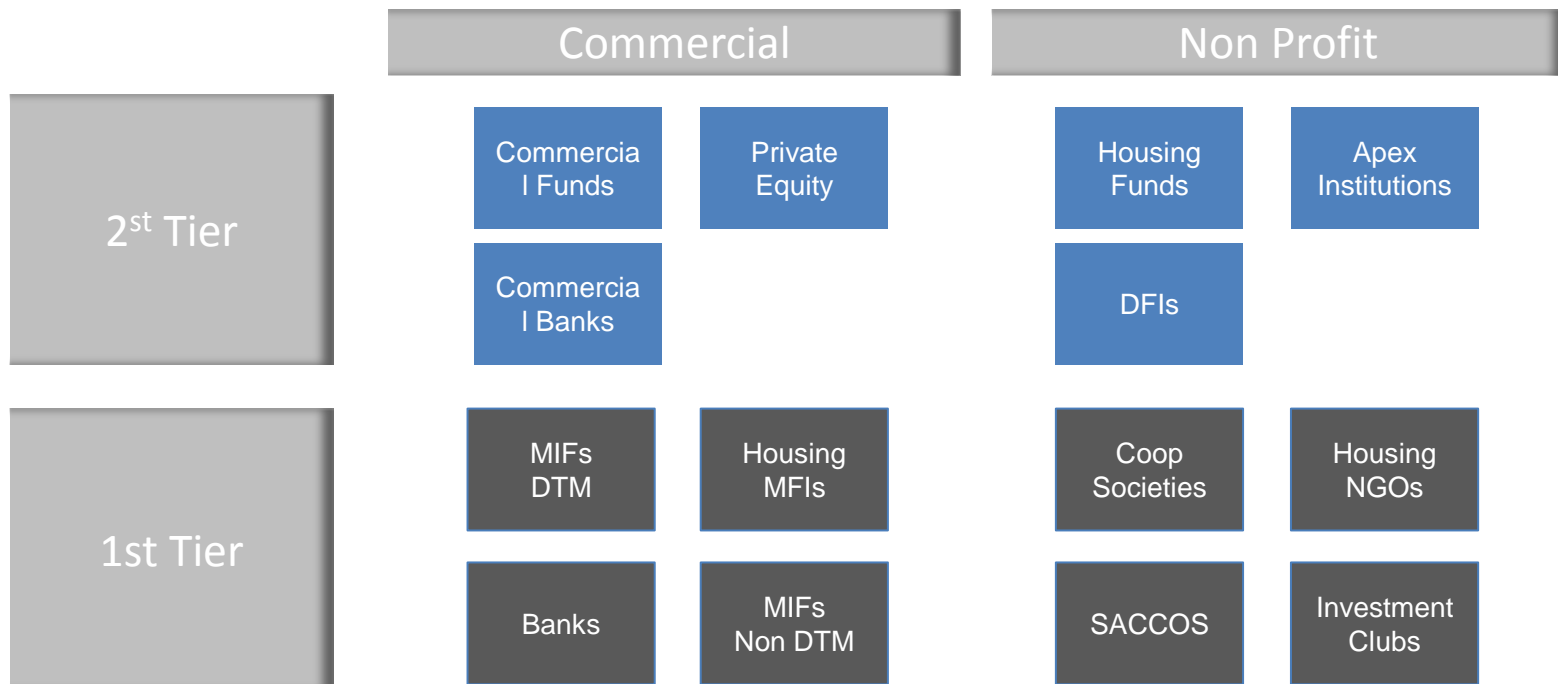
7 HMF expanding product offering

Product offering is focused on the end of the Value chain and does not include small contractors, suppliers and developers. A more holistic approach is needed.

Product	Amounts	Features	Examples
Home Improvement	Between \$1,000 and \$15,000	3 – 5 years unsecured loan toward additions to the house. Flexible payment terms	Select Africa – Procredit – Akiba Bank
Micro Mortgage	From \$571 to \$57,000	Up to 10 years. Requires proof of salary or regular income. Pension savings more and more used as collateral.	U Bank, National Building Society Zambia
Microfinance Loan applied toward a housing project	From \$500 to \$10,000	Up to 2 years. Usually collateralized	Most Microfinance Banks

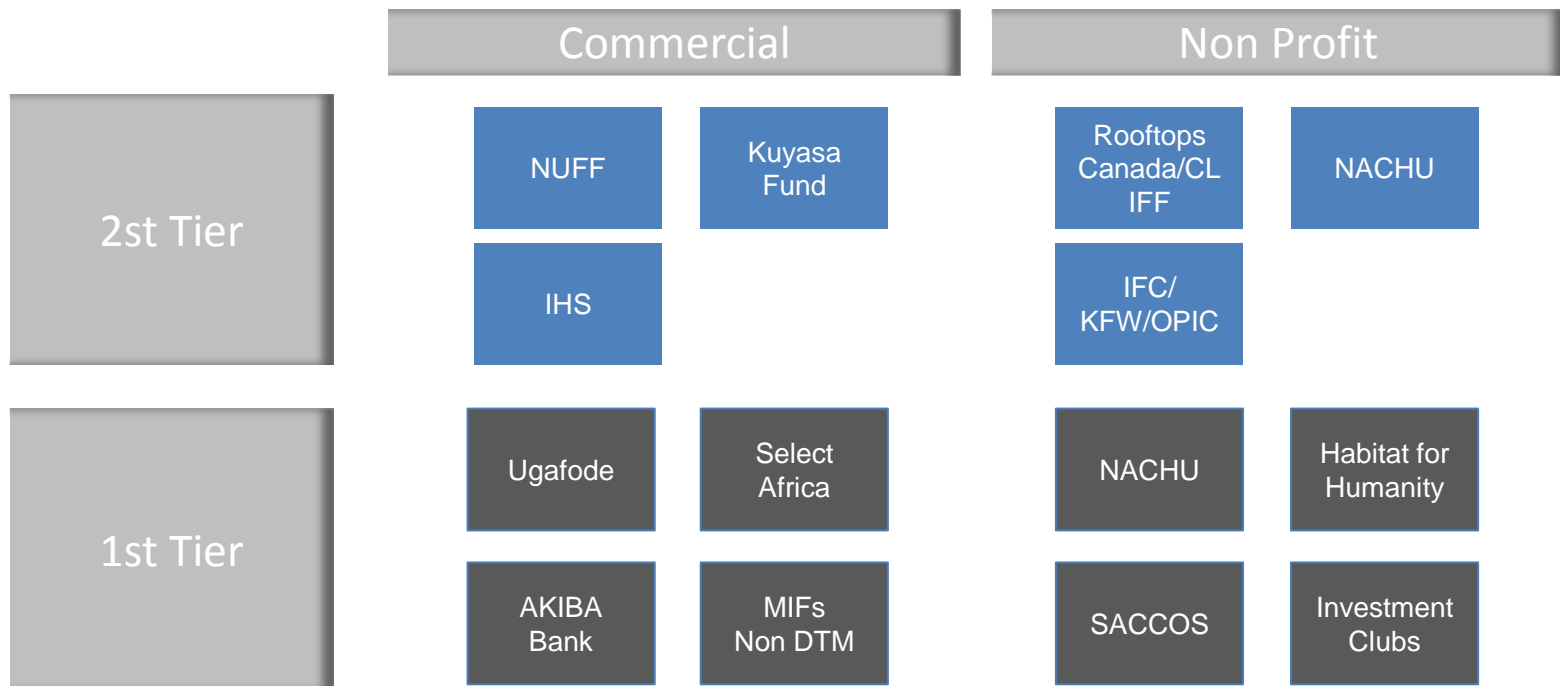
8 Four key players drive change

Private 2nd tier institution and missing in the list of players. Real scale will not be achieved unless a stable source of long term commercial capital is available.



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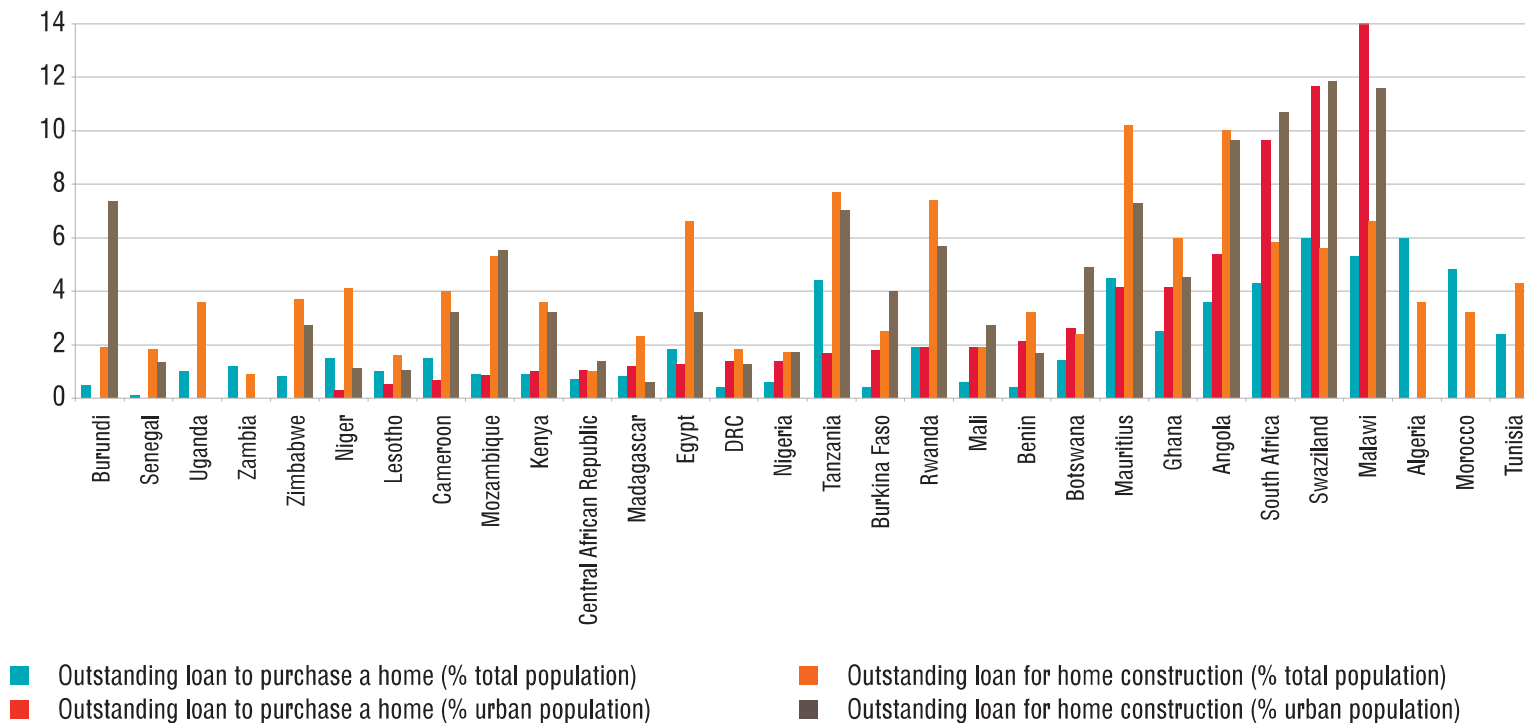
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9 Encouraging HMF performance

The level of HMF loans compared to other MF products is low. The performance of key players is mixed at best. The opportunities still lie ahead

Global Findex data on housing lending (2011)



Source: Deminguc-Kunt, Asli and Klapper, Leora (2012). Measuring Financial Inclusion: The Global Findex. World Bank Policy Research WP 6025

10 Major HMF challenges

Many challenges related to the broader value chain affect the HMF industry

Overall Environment

- Inappropriate government policies
- Political & regulatory barriers
- **Lack of replicable, scalable models**
- Poor understanding of HMF

Finance

- **Wholesale**
Need for appropriate guarantee mechanisms: to extend access, deal with currency risk, and facilitate wholesale lending, etc.
- **Retail**
High interest rates; insufficient providers: limited availability of end user credit especially for the very poor.

Land

- Inability of the poor to access serviced land
- In situ land servicing
- Security of tenure
- Bulk and connector infrastructure

Challenges

Borrowers

- Borrower education and consumer/investor financial literacy
- Unstable incomes requires tailored collection methods
- Limited affordability and lack of collateral
- Lack off housing support services to support sound housing development

HMFI Capacity

- Technical assistance required in a wide range of areas
- Development and cost of appropriate, effective technology
- Limitations with data collection, management, analysis mechanisms and MIS systems
- **Limited ability to articulate and support the finance/ housing link**
- Chicken-and-egg challenge of scale: limitations with operational systems, capital and human resources

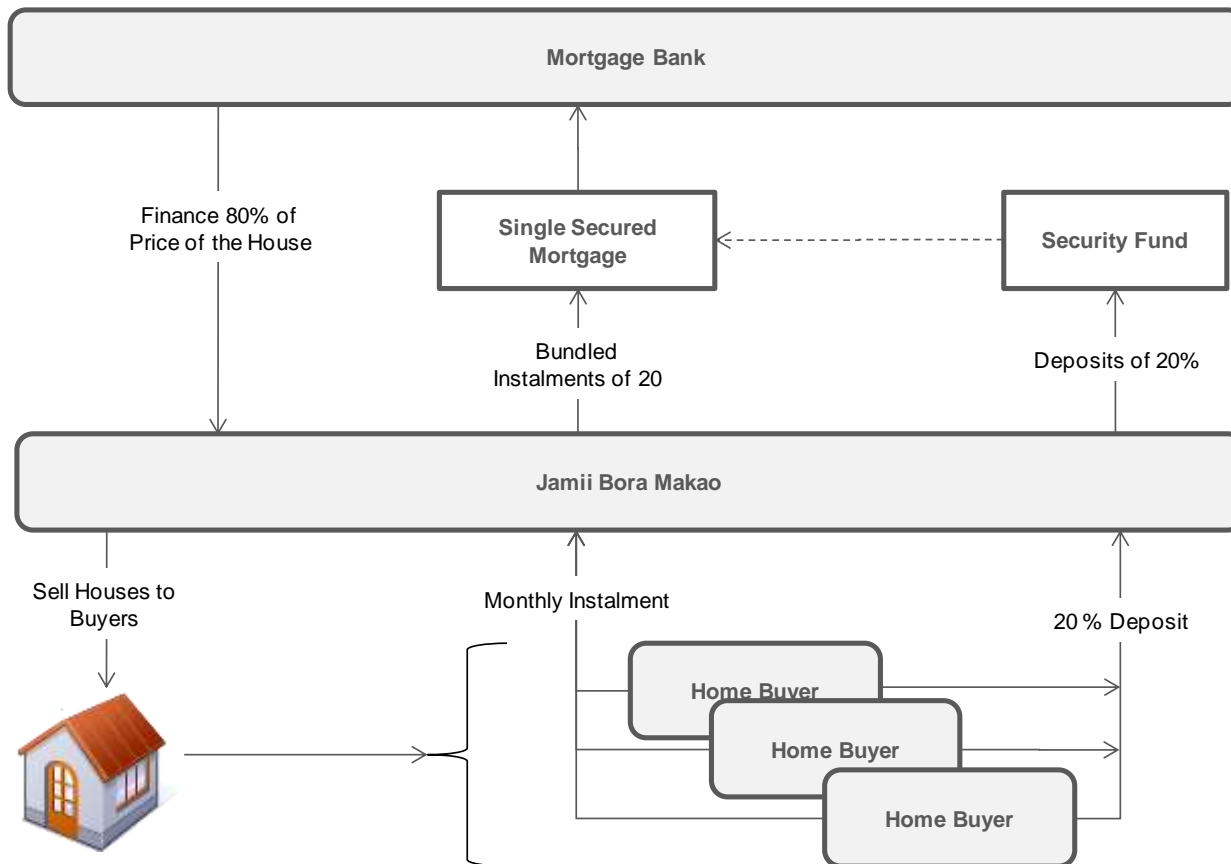
11 Innovation is the way forward

The way forward is to intervene in the value chain by financing contractors, suppliers as well as end users. An integrated approach will reduce risk and improve revenue generation.



12 Innovation is the way forward

Urbanis is exploring ways to bring conventional Banks into the Micro lending business through securitization.





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