



Centre for Affordable  
Housing Finance  
in Africa

## **TERMS OF REFERENCE**

THE OPPORTUNITY FOR RESIDENTIAL REITS IN  
MOROCCO, GHANA, NIGERIA, KENYA,  
RWANDA, TANZANIA, UGANDA AND ZAMBIA

Proposals due by 12 noon (SAST), 31 May 2019 by email to Pamela Lulama Nqini  
[pamela@housingfinanceafrica.org](mailto:pamela@housingfinanceafrica.org)

## About the Centre for Affordable Housing Finance in Africa

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. It grew out of the housing finance theme of the FinMark Trust, where its research and advocacy programme began in 2003. 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 marketplace to enable stakeholders in the public and private sectors to make policy and investment decisions in favour of improved access to affordable housing. CAHF's work covers four main areas;

- (1) understanding housing markets,
- (2) exploring innovation in housing finance,
- (3) monitoring housing sector performance and
- (4) supporting housing finance market development.

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](http://www.housingfinanceafrica.org). CAHF is also secretariat to the African Union for Housing Finance – see [www.auhf.co.za](http://www.auhf.co.za)

**CAHF wishes to appoint a service provider to undertake a study to explore the potential for the development of a residential REITs market in Africa, with a focus on eight countries: Morocco, Ghana, Nigeria, Kenya, Rwanda, Tanzania, Uganda and Zambia . This study will form part of our 'Capital Markets and Funding' programme, and will contribute to CAHF 's broader programme of work.**

### Project Background

There is growing recognition and acknowledgment by various governments of the need for the development of capital markets, as a mechanism to facilitate economic growth and to finance the development of key priority sectors. For example, the national country visions of Kenya, Zambia, Rwanda and Nigeria all highlight capital market development as a key goal.<sup>1</sup> In many of those same reports, further emphasis on the importance of effective land use management and urban development, and on the need for focused attention on affordable housing delivery is notable.

A 2017 CAHF study on Residential REITs study sought to determine the potential of the REITs model to increase investment in, and access to affordable housing in Africa. The study concluded with an identification of the preconditions for the effective development of a residential REITs market. These preconditions included the existence of appropriate and efficient institutional structures, clear legislation and regulation, efficient administrative processes, effective deeds registries, accurate property valuations, and market transparency.<sup>2</sup>

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<sup>1</sup> African Union (AU) , Agenda 2063, Kenya Vision 2030 <http://vision2030.go.ke/project/deepening-of-capital-markets/>, Zambia Vision 2030 <http://unpan1.un.org/intradoc/groups/public/documents/cpsi/unpan040333.pdf> , Rwanda Vision 2020 <https://www.sida.se/globalassets/global/countries-and-regions/africa/rwanda/d402331a.pdf> and Nigeria (FSS2020) <https://www.fss2020.gov.ng/about-2/>

<sup>2</sup> Residential Real Estate Investment Trusts (REITs) and their Potential to Increase Investment in and Access to Affordable Housing in Africa <http://housingfinanceafrica.org/app/uploads/CAHF-Real-Estate-Investment-Trusts-Study-2017.02.pdf>

The study identified five countries - South Africa (44 REITs), Kenya (1 REIT), Ghana (1 REIT), Tanzania (1 REIT), and Nigeria( 4 REITs), in which a REITs framework existed as an available instrument for capital market finance raising. Among the 51 REITs identified, however, only eleven included residential real estate among their portfolios.<sup>3</sup> One of the reasons behind this was the very limited scale of housing delivery in the countries studied. In none of countries studied outside South Africa were there sufficient housing units being developed to warrant a REITs structure, whether for development or income.

The housing investment market has been changing, however, and it is worth exploring again if the preconditions for a functioning residential REITs market are improving, and where. CAHF has recently undertaken a review of the housing investment landscape, in a series of country and regional reports that have identified increasing investor interest in the affordable housing sector. Eight countries stand out as being particularly active, with institutional investors, concessional funders and international lenders and other capital providers targeting affordable housing<sup>4</sup>, while the conduciveness of the value chain to such investment appears to be improving. CAHF would like to explore whether in these cases, might the residential REIT market offer an opportunity to move the sector along in the right direction?

If the investment we are seeing has the potential to reach the housing delivery scale that a REITs market would ideally require in order to function, a phasing-in approach for residential REITs may no longer be needed: the time might be now. We understand that the conventional approach would be to first invest in the retail/commercial/industrial markets to get local markets familiar with the REITs instrument, and only then grow into the more complex affordable housing sector. Given that housing delivery may well be underway in these countries, however, is it not possible that residential REITs can be part of the REITs development process immediately, and not only a second or later phase? And if this is the case, shall we then not proceed with targeted capital market development that is specific to affordable housing, developing appropriate and specific methodologies on “how to de-risk in these markets” in this immediate phase of capital markets development? This is what we we want the study to explore.

### **Project Scope:**

**The overall purpose of the study is to explore the opportunities for the development of Residential REITs in Africa, with a focus on eight countries: Morocco, Ghana, Nigeria, Kenya, Rwanda, Tanzania, Uganda and Zambia. The study will do this by:**

- Determining **market readiness** to support the emergence of affordable housing REITs – providing the minimum requirements for the issuance of REITs and ongoing compliance obligations of the regulatory framework ;
- Identifying **market enablers and barriers** for the growth of REITs, including but not limited to an assessment of the fiscal environment required to facilitate the issuance of REITs, investor appetite and issuer awareness and education and costs of issuance

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<sup>3</sup> CAHF REITs Dashboard <http://housingfinanceafrica.org/dashboards/residential-real-estate-investment-trusts-in-africa-findings-in-5-countries/>

<sup>4</sup> For example, see the affordable housing focus now promoted by the International Development Association (IDA) Replenishment 18 <https://ida.worldbank.org/replenishments/ida18-replenishment/ida18-private-sector-window>

- Defining the housing supply context and identifying affordable housing development value chain barriers and opportunities including an analysis of land registration system challenges, enforcement of property rights, land use policies, and scalability of property development projects.
- Scoping existing interventions by capital markets (if any) to develop affordable housing as a sector in terms of other instruments.
- Analysing existing REITs portfolios – portfolio mix, market capitalisation, distribution mandate, observation and indications of a growing exposure and recognition of housing in the portfolio.
- Reviewing the performance of REITs (in terms of dividend returns, trading yields, etc) in markets where REITs have been issued as well as the frequency of periodic financial reporting required by the regulator in these markets

### **Project Deliverable**

#### **Three deliverables are expected:**

1. The final report to real estate investors, developers, fund managers, institutional investors (including pension funds), regulators, policy makers and the broader financial and property markets with property focus. The report should focus on all the seven areas indicated in the **project scope**.
2. A database of existing REITs portfolios providing information of – portfolio mix (commercial, industrial, residential), market capitalisation, distribution mandate .
3. A presentation of the work in a public forum and/or through a webinar. The time necessary for such presentation should be accommodated in this proposal; disbursements and out of pocket expenses such as travel and accommodation will be costed separately as the opportunity arises.

**NB:** The report and presentation must adhere to CAHF's Style Sheet, containing full citations and references as and where necessary. The database will need to adhere to CAHF's Data Protocol on tidy data.

#### **Contents of the Proposal:**

1. A proposal responding to the ToR
2. Financial proposal and costs estimate, indicating the basis of calculation of fees.
3. Statement of qualifications of firm(s) as relevant to the project.
4. Name and CV of staff members responsible (i) for overseeing the work; (ii) for undertaking the work.
5. 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.

6. Familiarity with the Centre for Affordable Housing Finance in Africa's work is important. See [www.housingfinanceafrica.org](http://www.housingfinanceafrica.org).

### **Project Evaluation**

#### **Proposals will be assessed according to:**

1. Relevant, demonstrated competence of firm in undertaking multi-country research projects: 20 percent.
2. Demonstrated expertise of key individuals to be involved in this project including ability to access data in relevant languages: 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.

### **Guidelines for Bidders**

The 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. "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.

4. "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.
5. "Affirmative action scorecard"- This applies to South African firms within the framework of our Black Economic Empowerment legislation, and includes ownership, management, and staff development.
6. "Fee basis" – value for money, as well as absolute cost, will be taken into account.

**Submission of Proposals:**

Proposals and any queries should be submitted to Ms Pamela Lulama Nqini, [pamela@housingfinanceafrica.org](mailto:pamela@housingfinanceafrica.org). The deadline for submission is the 31 May 2019