Burkina Faso

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KEY FIGURES

Main urban centres	Ouagadougou
Exchange rate: 1 US$ = [a] 1 July 2019	580.15 CFA Franc (XOF)
1 PPP$ = [b]	205.73 CFA Franc (XOF)
Inflation 2018 [c] | Inflation 2019 [c]	2.0 | 2.0
Population [b]	19 751 535
Population growth rate [b] | Urbanisation rate [b]	2.8% | 5.0%
Percentage of the total population below National Poverty Line (2017) [d]	40.1%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	6.3%
Proportion of the adult population that borrowed formally (2017) [b]	9.1%
GDP (Current US$) (2018) [b]	US$14 442 million
GDP growth rate annual [b]	6.5%
GDP per capita (Current US$) (2018) [b]	US$731
Gini co-efficient (2014) [b]	35.30
HDI global ranking (2017)[d] | HD country index score (2017) [d]	183 | 0.423
Lending interest rate (2017) [b]	5.1%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding (2018) [f]	974
Value of residential mortgages outstanding (US$)	n/a
Number of mortgage providers [f] | Prevailing mortgage rate	15 | n/a
Average mortgage term in years | Downpayment	15.0% | n/a
Ratio of mortgages to GDP	n/a
What form is the deeds registry? [e]	Paper
Total number of residential properties with a title deed (2015) [g]	720
Number of houses completed	n/a
Number of formal private developers/contractors	n/a
Number of formal estate agents	n/a
Cost of a standard 50kg bag of cement	6 000 XOF (US$10.34)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) [h]	18 000 000 XOF
Size of cheapest, newly built house by a formal developer or contractor in an urban area [i]	300 m²
Average rental price for this unit in an urban area (local currency units) [j]	25 000 XOF
Number of microfinance loans outstanding	n/a
Number of microfinance providers [f]	69
Number of housing construction loans outstanding	n/a
Number of providers of construction finance [f]	15
World Bank Ease of Doing Business Rank [e]	151
Number of procedures to register property [e]	4
Time (in days) from application to completion for residential units in the main urban city	n/a

NB: Figures are for 2019 unless stated otherwise.

[a] Coinmill
[b] World Bank World Development Indicators
[c] IMF World Economic Outlook Database
[d] UNDP: Human Development Reports
[e] World Bank Doing Business 2018
[f] Central Bank of West African
[g] Zoom sur le Foncie Magazine
[h] MondesAffaires.com
[i] Expat.com

Overview

Burkina Faso is a low income nation of 20.4 million people and a member of both the West African Economic and Monetary Union (WAEMU) and the Economic Community for West African States (ECOWAS).[1] Formerly known as the Republic of Upper Volta, Burkina Faso has known very little peace, dating back to the government of President Blaise Compaoré who ruled the country with an iron-fist for 27 years before being overthrown in October 2014 by a popular resistance.[2] Roch Marc Christian Kaboré was elected as President in November 2015.

However, security has continued to deteriorate as non-identified armed groups and terrorists stage regular attacks on armed forces and the local population. The ongoing conflict has already killed more than 500 people,[3] forcing schools to close[4] and generating an unprecedented humanitarian crisis, as well as high levels of food insecurity and malnutrition.[5]

The economy in this cotton-producing nation grew at an estimated seven percent in 2018, compared with 6.7 percent in 2017. Key contributors to the growth were food agriculture (up 14.2 percent in 2018), the extractive industry (20.5 percent) and cotton ginning (eight percent). The economy is projected to grow by six percent in 2019 and 5.9 percent in 2020, driven mainly by cotton ginning, cash crop farming, and financial services.[6] Inflation, which increased to an estimated 1.4 percent in 2018 on the back of higher food prices, was expected to stay below two percent and therefore not exceed WAEMU's three percent threshold.

Rural exodus due to armed conflict and persistent poverty has seen the urbanisation rate reach one of the highest on the continent (5.29 percent between 2015 and 2020),[7] worsening an already severe housing crisis in the capital Ouagadougou (or Ouaga) and second-largest city, Bobo-Dioulasso.

Notwithstanding the unstable security and severe humanitarian situation, the government continues to implement its post-Compaoré flagship reconstruction programme, the 2016-2020 National Economic and Social Development Plan (NESDP), which aims to improve the quality of life by providing access to a water supply, sanitation and quality energy supplies. Through the NESDP, 40 000 housing units are being built in 351 municipalities, including Ouagadougou and Bobo, at an estimated cost of CFA348.5 billion (nearly US$580.8 million).[8]

Access to finance

In terms of financial inclusion, Burkina Faso ranks fifth in the WAEMU zone behind Benin, Senegal, Togo and Cote d'Ivoire, with an index of 0.351.[9] Informal financial channels, including the decentralised financial systems (DFS), are the most important means of saving and borrowing in the country. There were nearly two million customers affiliated to 68 DFS as of 31 December 2018, with a total deposit of CFA201 million (nearly US$345 000), and total credit granted was CFA 168.3 million (nearly US$290 000).[10]

Furthermore, there are national funds (known in French as "Fonds nationaux de financement") which fight poverty and underdevelopment by intervening through direct and indirect financing, including loans, guarantees, training, subsidies, bonus funds, equity investments (acquisitions of shares, bonds and shares). The country's 19 national funds granted credit of CFA86.745 billion (nearly US$150 million) between 2012 and 2016, according to a recent report.[11]

The Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) estimated that 15 commercial banks and four credit institutions (établissements financiers) were operating in Burkina Faso as of 30 June 2019.[12]

Housing loans are available in the country. Société Générale Burkina Faso, a subsidiary of France-based Société Générale, grants loans of between CFA5 million (US$8 528) and CFA500 million (US$852 800). The terms of payment depends on the amount of the loan, but it can vary from five to 25 years, with an interest rate of 10 percent and administrative fees of CFA30 000 (US$ 50).

Coris Bank International has a product called "Coris Bayiri", designed specifically for Burkinabè living outside of the country. Its main characteristics include a benefit of four percent per annum on all savings, regular contributions over a period of four years, and a credit rate at seven percent excluding taxes per year over a period of five to 10 years. The loan granted equal to 2.5 times the amount of savings collected over four years and may serve as a guarantee for the granting of a bank loan.[13]

Banque de l'Habitat du Burkina Faso (BHBF) was founded by the state in July 2005 to deal with the issue of housing finance. BHBF was privatised in October 2018 and renamed International Business Bank (IB Bank).

Affordability

Agriculture and animal husbandry provide nearly 80 percent of the country's total jobs.[14] However, with an unemployment rate of 6.1 percent,[15] and a monthly minimum wage of CFA34 664 (US$58),[16] poverty persists and is estimated at 40 percent of the population. This impacts negatively on the housing market, as buying a plot or a piece of land in formal, decent neighbourhoods is a privilege only the lucky few can afford. The other alternative is to live in informal areas known in French as "quartier non-lotis", where water and electricity are scarce and sanitation inadequate. In these areas, the prices are affordable because plots bought are small even if the price per m² remains high because of the high demand for this type of land.[17]

Land prices continue to rise in Burkina Faso. Land that cost CFA4 million (nearly US$6 666) some years ago, now trades at nearly CFA10 million (US$16 666).[18]

The armed conflict also appears to have worsened the situation of many rural Burkinabe, destroying their livelihoods and forcing them to leave their homelands for the uncharted territories of the urban areas. In response, the government in June 2019 extended its Programme d'urgence pour le Sahel (PUS-BF) 2019-2021 to 77 new municipalities facing terrorist attacks, bringing the total to 106 areas affected by violent extremism being serviced by this programme. The programme, in which the state has invested nearly CFA81.5 billion (nearly US$136 million) in 2017 and CFA98.5 billion (US$164.3 million) in 2018, aims to improve security conditions and reduce the vulnerability of the population. It will be implemented in four phases: first prioritising social emergencies, then strengthening of the presence of the state, followed by responding to security challenges, and last, laying the foundation for resilience.[19]

The programme has already delivered the construction of maternity units, clinics, health and social promotion centers, generic essential drug depots, incinerators and latrine blocks. Schools (pre-school, primary, post-primary, high school) have been built, as well as offices housing units for teachers, shops, boreholes and food acquisition for school canteens.

Many people on the ground have publicly said that they would not be able to afford to own the 40 000 housing units currently being built by the government. The marketing of the houses is being done by subscription through a request sent to the Centre de Gestion des Cités (CEGECI), a state-controlled real estate development company. A committee at CEGECI analyses the application. If the application is successful, the beneficiary will be asked to pay a contribution of 10 percent of the total amount for social housing and 30 percent for the economic one. The remainder is to be paid by a mortgage. Challenges of the process include lack of water and electricity and the lack of funds.[20]

Availability of data on housing finance

Unlike English-speaking countries such as South Africa, Kenya, Tanzania, Namibia and Nigeria where newspapers report extensively on the country's housing and real estate sector, in most Francophone countries the media does not cover this. It is difficult to have a comprehensive analysis of these countries' property markets. Information is generally less available to journalists, researchers and consultants on where the sector is headed, and how it is doing or what is inhibiting it from developing, or what are its prospects for the future. Data is scarce, and when it is available, it is either outdated or subjective, and not always reliable. International organisations also do not have all the sectors' data all the time. There is no centralised structure that collects information and statistics of the housing sector and feeds it to the media, researchers and consultants working in this field. It is therefore difficult to get figures, for instance of the number of mortgages granted, how many real estate agencies operate in the country, the price of a square meter for building, selling and renting, in the cities or rural areas, as well as other data.

Housing supply

Rural dwellers fleeing the war in the countryside continue to arrive in the Ouagadougou, sheltering in schools due to the lack of accommodation.[21] At least 20 670 of the 40 000 planned housing units will be built in Ouaga. Bobo-Dioulasso is also struggling to cope with the influx of people. Informal settlements have sprung all over the place, as people desperately look for a safe place to stay. Illegal occupation of land is common, prompting the government to evict squatters by force and demolish their makeshift houses.

On 5 April 2019 frustration with the housing crisis in Ouaga made informal settlements residents take to the streets to protest against the lack of housing, calling on the government to give each household a piece of land or a plot.[22]

On 22 March 2019, 60 new owners out of over 500 beneficiaries received the keys to their new houses in Bassinko, in the outskirts of Ouagadougou. Built in a plot of 204m² each, they have a living room, two bedrooms, a kitchen, and an internal shower. Beneficiaries paid CFA7.5 million (US$12 755.25) for a house.[23]

Banfora, a town located 85km southwest of Bobo, has 300 houses planned through a one-year project overseen by real estate company Barro Boubacar (EBB Immo), in collaboration with the Banque de l'Union-Burkina Faso. The houses will be rented to people for CFA40 000 (US$67) for a period of 20 years.[24]

Construction of other housing units is also set to start in the city of Tenkodogo (Central East region) in December 2019. The Cité de la Diaspora has 1 000 units planned, targeted at the Burkinabe living abroad. Houses will be of type F3, F4 and F5. The plots will range from 330m² for F3 and F4 to 450m² for F5. The government, which said it would not be able to supply every Burkinabe with a plot,[25] has hinted at constructing a set of buildings to house the poor, known in French as Habitation à Loyer Modéré. Though land seems to be posing problems, overall at least 4 000 units were ready by 8 May 2019. Finally, the programme will encourage homeowners to self-build because almost 30 percent of the 400 000 plots in Ouagadougou are not developed.

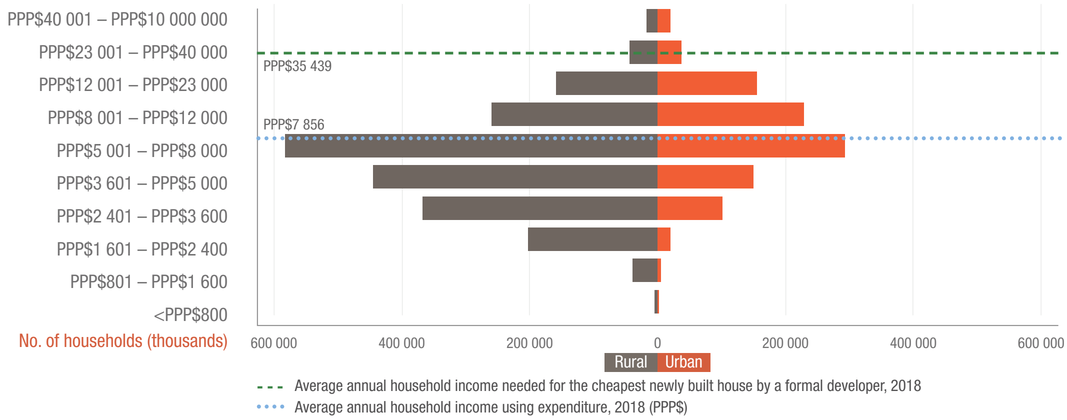
Property markets

There is no reliable data that analyses thoroughly the state of the residential market in Burkina Faso. It has been like this every year. However, it would appear that real estate companies and promoters continue to dominate the Burkina Faso property market. They supply plots, houses and apartments for sale and for rent to the highest bidder by twisting and turning prices as they see fit. Therefore, they have become the targets of the media,[26] ordinary citizens and housing protestors,[27] who blame them for the worsening housing crisis.

Those who buy property in Burkina Faso have to go through a lengthy, complicated process to get it registered. Registering property takes four procedures and 67 days (the average is 53.9 days in Sub-Sahara Africa and 20.1 days in OECD high income countries). Registration costs 12 percent of the

BURKINA FASO

Annual income profile for rural and urban households based on consumption (PPP$)



Population:	19 751 535
Urbanisation rate:	4.98%
Cost of cheapest newly built house:	18 000 000 XOF PPP$87 493
Urban households that could afford this house with finance:	2.01%
1 PPP$:	205.73 CFA franc

Source https://www.cgidd.com/C-GIDD, 2019

property value (the average is 7.6 percent in Sub-Saharan Africa and 4.2 percent in OECD high income countries). Quality of land administration index is 11.5 (8.8 in Sub-Saharan Africa and 23.0 in OECD high income countries). Burkina Faso has been ranked 151 in the ease of doing business in 2019 by the World Bank.

The property price to income ratio is Burkina Faso is 284.69, mortgage as percentage of income is 2.547 percent and the loan affordability index is 0.04. Price to rent ratio in the city centre is 353.32 and price to rent ratio outside of centre is 23.74. The gross rental yield in the city centre is 28 percent and the gross rental yield outside of centre is 4.21 percent. The figures are compiled by Numbeo.[28]

Land prices are volatile and depend on one real estate or owner to the other. The lack of information is also problematic. However, in the rural areas, it is possible to pay only US$44 per hectare to the peasant who "owns" the land. But as ultimately the land belongs to the state, expenses associated with taxes to the government, taxes and fees to municipal experts (environmental, architectural), and other "unofficial" municipal fees can lead to the buyer paying between US$5 000 and US$6 000 for the hectare purchased for US$44. At the opposite end of the market, there are three expensive areas in the capital Ouagadougou: Zone du Bois, ZACA and Ouaga 2000. In these areas an average price of empty land is CFA100 000 (US$167) per square metre, and if a duplex is built on it, the price per square metre raises to CFA500 000 (US$834). These are average prices coming from a global study on land price based on thousands of prices given by real estate companies, done in November 2017.[29]

The rental housing market remains chaotic and expensive for the average Burkinabe despite legislation adopted by the Transitional National Council of Burkina Faso on 22 December 2015 and adopted by the cabinet three years later, but which still has to be promulgated and gazetted, and therefore become the legal basis of the rental housing sector.

Policy and regulation

In Burkina Faso, the constitution enshrines the right to housing in article 18. The Act No 034-2012/AN of 2 July 2012 repealed all previous contrary provisions, in particular the Act No 014/96/ADP of 23 May 1996 on the agrarian and land reorganisation in Burkina Faso.[30] The law determines, on one hand, the status of land in the national land area, the general principles governing the planning and sustainable development of the territory, the management of land resources and other natural resources, and the regulation of real estate; and on the other hand, the framework of an agrarian policy.

It includes 358 articles divided into nine titles, notably the general provisions (Title I); national land area (Title II); spatial planning and sustainable development (Title III); national land management (Title IV); regulation of real property rights (Title V); national lands located abroad and lands of diplomatic and consular missions, international governmental and non-governmental institutions in Burkina Faso (Title VI); evaluation of land and estate transactions (Title VII); offenses and sanctions (Title VIII); transitional and final provisions (Title IX).

Also, on 22 December 2015, the Transitional National Council (interim Parliament after the fall of the Compaoré regime) voted a law to regulate private rent called Loi No-103-2015/CNT portant bail d'habitation privé au Burkina Faso. In Section 6 of the law, the rent price is set according to the rental value capped at seven percent of the cost of construction of the premises. The government in 2018 stated that the process of implementing this legislation could take months because it must be inclusive and participatory so that all stakeholders (donors, civil society organisations, tenants and technical structures) could contribute their views.

Opportunities

The real estate sector is struggling to develop. It needs to be organised at all levels: promoters, administration, and financial partners. Funding is also badly needed.[31] Some industry players believe that housing prices would not have been high if the sector was not paying taxes or custom duties and have pleaded for fiscal exemption. The high price of building materials, insufficient funding and low purchasing power hinder the development of real estate activity in Burkina Faso. The mortgage market remains unreachable, especially for the poorest segments of the population who are most in need. The conditions under which the banks grant mortgage loans limit the demand. Loan opportunities do not reach the neediest. Those who are eligible find the interest rates too high.[32]

There are also several opportunities in the rental sector market, where the government seems to be the biggest client, investing large sums of money in real estate rental to house its offices, housing and stores.

However, an attempt to control the price of the rent through the still to be enacted Act No 103-2015 /CNT of 22 December 2015 will send a wrong message to potential investors, according to an expert. Real estate companies will invest less and there will not be enough supply as existing companies will turn away from the business and potential investors will not be incentivised. Pressure of demand combined with the lack of supply will again drive up prices and the country will be caught in another vicious cycle. In contrast, rent price freedom will ensure market supply by preserving entrepreneurs' incentives to invest and produce. Competition will eventually bring down prices and thus safeguard the purchasing power of tenants.[33] Furthermore, internal and external migration could represent an instrument for housing opportunities in a country like Burkina Faso, where people living in conflict zones and rural impoverished areas are constantly moving to the cities in search of peace and jobs.

Websites

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