

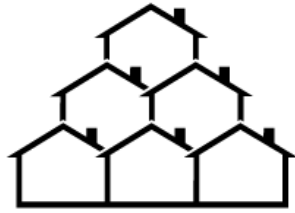
Affordable Housing Institute

Funding initiatives to achieve the delivery of 500,000 housing units by 2016

**Presented at the
3rd ASO HOUSING CONFERENCE and
EXHIBITION ABUJA, 11th APRIL
2013**

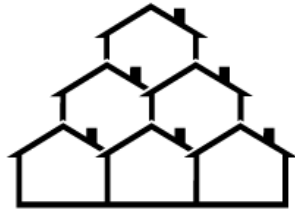
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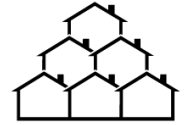
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1. AHI: who we are and what we do

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Affordable Housing Institute:

Who we are, what we do



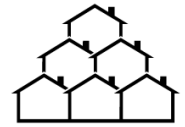
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- Non-profit (US §501c3) pro-poor consulting and research firm
 - Boston, MA, USA: work worldwide, mainly global south
 - “Developing successful affordable housing financial ecosystems worldwide”
- Consulting
 - “Pro-bono/ low-bono investment banker”
 - Financial product design/ program design
 - Program development:
 - Market principles + government aid = affordability
- Research
 - Develop, explore, test, refute what we believe
 - Mexico City: Formalizing informal land
 - Istanbul: Urban regeneration to reduce disaster risk
- 2x grants from Bill & Melinda Gates Foundation
 - Develop theory of change and impact
 - Create AHI Capital Gateway, a ‘HALF impact lender/ investor’



David Smith, AHI

Affordable Housing Institute: What we believe



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- 1. Housing is the key to improving cities**
 - Improve housing and cities improve
 - Fail to improve housing and cities worsen
- 2. Mission Entrepreneurial Entities (MEEs) are key to improving housing**
- 3. Scalable finance is key to MEE growth**
- 4. Municipalities are the right level of government to 'own' slum upgrading**

Mission Entrepreneurial Entities



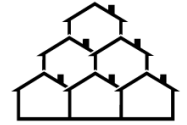
Essential Actors in Affordable Housing Delivery

Raymond Christman, Atlanta, GA
Gaynor Asquith, arc³, Manchester, UK
David Smith, AHI, Boston, MA



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Structure of this presentation

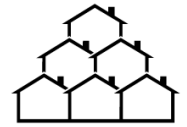


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Funding initiatives to achieve the delivery of 500,000 housing units by 2016:

1. Viability and relevance of Microfinance and Housing Microfinance in Nigeria
2. Capacity of domestic pools of funding
- 3.. Availability of availability of international sources of funding
4. Affordable funding cost
5. Role and responsibility of government
6. Role and responsibility of the private
7. Role and responsibility of development finance agencies

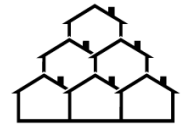
The case for Microfinance and Housing Microfinance in Nigeria



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In Nigeria:

- The % of formal to informal financial services provided is about 35 to 65 of the economically active population
- Mortgage debt to GDP is about 0.5%
- There are 127 homes per 1,000 inhabitants
- There are 7.9 people per an available home
- Poverty rate 60.9%
- 80% of population earn less than \$60/mon
- Savings rate 3%
- 90% of houses are built informally



Capacity of domestic pools of funding

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- A. Identify the Target population
 - Low income, middle income or high income

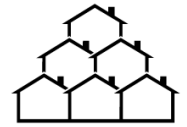
- B. Cost of land
 - Do we want to build in the city or at the periphery

- C. Decide Price point (N5M, or \$32,000)
 - 30-40 % of monthly income for rent or mortgage payment

- D. Multiply estimated price point by 500,000 units
 - $N5,000,000 \times 500,000 = N2,500,000,000,000$, 2.5 Trillion Naira
 - $\$32,000 \times 500,000 = \$16,000,000,000$, 16 Billion US Dollars

Can we RAISE this AMOUNT locally by 2016 ??

Availability of international Market sources of funding



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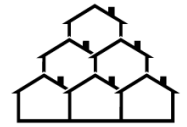
- . Shelter Afrique (60% of development cost)
- . OPIC
- . COFACE

Leverage AHI's expertise for Fund Raising

1. Business Plan writing
2. Financial Modeling

STX Ghana story, didn't happen

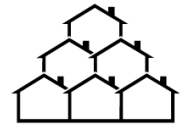
Abandoned government project at Asokore Mampong, Ghana



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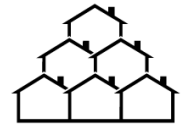
Suspended Affordable housing Project at Iriebe in Port Harcourt



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Role and responsibility of government



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- **Government should lend directly to customers**
- **South Africa: NHFC**

- **Government should provide incentives like tax exemptions and tax credits**
- **US: Down payment assistance**

- **Government should subsidizes private developers**
- **Mexico: subdivisions**
- **India: RAY, JNNURM**

- **Government should provide Mortgage insurance for originators**
- **Fannie Mae/ Freddie Mac**

Role and responsibility of the private



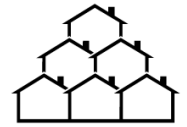
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1. Offer below market rate loans to customers
2. Offer Housing Microfinance products
3. Offer tailored mortgage underwriting conditions

Stake holders

- Commercial Banks
- Non-Bank financial institutions
- Credit unions
- Building Societies
- Cooperatives
- Housing Microfinance institutions
- NGOs/Foundations

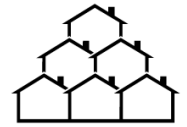
Role and responsibility of development finance agencies



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1. Loans and
 2. Guarantees to investors and entrepreneurs
 3. Equity participation
- FMO Netherlands
 - CDC Briton
 - PROPARCO France
 - DEG Germany
 - OPIC USA
 - ADB ASIAN DEVELOPMENT BANK
 - IADB INTER-AMERICAN DEVELOPMENT BANK
 - EIB EUROPEAN INVESTMENT BANK
 - EBRD EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Cost of capital for Affordable Housing



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- Fixed
- Variable