



SHELTER AFRIQUE

Financing Affordable Housing for Africa

ASO HOUSING CONFERENCE + EXHIBITION

ABUJA, APRIL 2013

DELIVERY OF 500,000 HOUSING UNITS BY 2016

FACILITATING EFFECTIVE DEMAND THROUGH DEVELOPMENT OF THE MORTGAGE MARKET

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Discussion

- **The Mortgage Market – Realities and Context.**
- **Facilitating Availability – Who does What?**
- **Targeting Limited Resources – The Middle Income Market.**
- **Consumer Education as a key tool for Market Development.**
- **Securing the Supply Chain**



The Mortgage Market

- **Gross Loan Portfolio : US\$250m (est. 50,000 accounts) : 2011**
- **About USD\$5bn required annually to support 500,000 unit program.**
- **Est. 3% of Loan Advances by Deposit Money Banks to Real Estate/Constr. Sector : 2011**
- **Est. 68% of deposit maturities less than 12months;**
- **Up to 78% of sampled survey do not have confidence in the market.**
- **Affordability: 83% population earn below US\$60/mth. Market for who?**



Facilitating the Mortgage Market



- Leadership + Strategy + Plan;
- Partnership ;
- How do we get Mainstream Banks to the market?
- Since only the banks can't meet demand for resources, how do we attract other capital?



3 Low Hanging Fruits for Government



**WANT FREEDOM FROM
GOVERNMENT?
Go live in
SOMALIA!**

User: FicoShay

- There needs to be an overall plan for the development of the mortgage market and someone must have ownership for this plan.
- Bespoke arrangements for registration and foreclosure (outside the Land Use Decree?)
- Consideration should be given to a mortgage insurance scheme.



Private Sector



- Origination Standards;
- Corporate Governance;
- Insurance Products;
- Secondary market development.



DFIs



- **Technical Assistance**
- **Long Term Finance/Line of Credit**



Targeting Resources

- **There is NOT enough to go round!**
- **Mortgage product is NOT an appropriate home financing for everyone. Less than 3% of the population can afford a market priced mortgage;**
- **The argument for targeting middle class**
 - Key driver for economic development
 - Sufficiently big market /effective Demand



Securing Supply Lines

- **The Law of Demand and Supply applies!**
- **Higher development costs lead to higher mortgage costs**
- **Housing Supply hugely inefficient**
 - Less than 5% of annual supply from the formal sector
 - Average cost of construction is 3x costs in India
 - poor cost/quality predictability. SHAF portfolio @ 0%. 45% > 260 days late;
- **Inefficiency means higher risks leading to higher costs;**
- **Presidential Housing Initiative – a Supply Primer**



Consumer Education



- Critical for Success – moral and business sense;
- Direct Link to quality of portfolio;
- Direct link to increased deposits;
- Studies show that it makes a difference;
- Who's responsibility



Closing Thoughts

Do not establish a state housing bank. This sounds good but in practice is likely to be a mechanism by which loans are made to better off people with the benefit of state subsidies in an inefficient way.

Do not subsidise interest rates – Its not sustainable and distorts the market;

Do everything possible to get the right macroeconomic and regulatory conditions - in particular inflation and interest rates, land registration, foreclosure etc.

Stimulate the collection of data on the housing market.

THANK YOU



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