

ASO HOUSING CONFERENCE + EXHIBITION

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FACILITITATING 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?



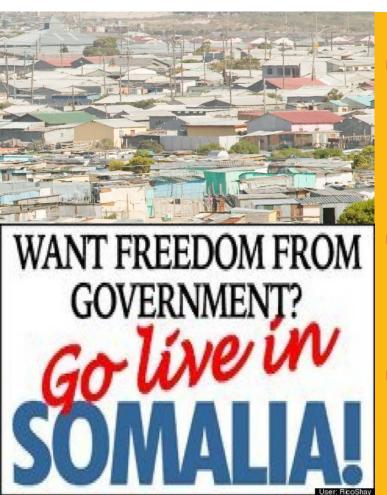
Facilitating the Mortgage Market



- 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



- 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.



