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FINANCING AFFORDABLE HOUSING IN SUB-SAHARAN AFRICA
- AN INVESTOR’S PERSPECTIVE

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Affordable Housing in Sub-Saharan Africa:

- What are the opportunities for Investors?
- What options (vehicles) for Investment are available?
- What is required to increase capital inflow to this asset class?
ABOUT SHELTER AFRIQUE

- **Pan-African Housing Finance** Institution established by the AfDB and African Governments to finance affordable housing;
- Only **specialist** Housing Finance Institution on the Continent;
- Share Capital: USD300m;
- Expects to approve about **USD1bn** in affordable housing supply chain over the next 5 years;
- **Key Products**: Project Finance, Line of Credits, Equity Investment and Trade Finance;
- **Moody’s Baa** - stable rating (2012)
- Based in Nairobi, Kenya but with presence in **25 African Countries**.
What we see - Broad overview of experience of Investment in The Market:

- Market Potential: **Opportunities** and Vehicles for investment;

- **Examples** of what we and some other investors are doing;

- **What needs to happen** to open the floodgates of Capital inflow;
Opportunities

- Huge Market Potential – up to USD500bn of investment requirement for new housing supply;
- Exploding Demand - for end user finance from a rapid urbanising population;
- Encouraging Reforms in Regulatory and other enabling environment issues supportive of Institutional Investment;
- Increasingly positive outlook of the market – a number of investors have (and are) doing well.
Challenges

- Lack of Data/Information to support investment decisions;
- Market Structure pre-dominantly informal and low income which is quite challenging and requires new approaches;
- Socio Political Contexts have not been stable for long enough;
- Limited (though Improving) Capital Market capacity.
- Fledgling Supply Capacity – only a small number of strong developers due to limited access to equity.
THE STRATEGIC FOCUS FOR INCREASING SUPPLY OF CAPITAL

- PROJECT FINANCE
  - Effective Demand
  - Effective Supply
- END USER FINANCE
  - Long/Medium Term Finance
- BANKS/HFI/HMFI
  - Short Term Dev Finance
- CAPITAL MARKETS/INST INVESTORS
  - Access to Capital Market Funds

THE WEAK LINK
BRIDGING THE WEAK LINK

- Dialogue with the Capital Market is critical….educate and inform;
- Focus on Rating – it’s the language the Capital Market understand!
- Adequate Returns are important but not totally critical – increasing value on developmental impact;
- Capacity Building – Stronger Players including Developers, PMIs with strong corporate governance;
- Lets have some successful pilots!
- Institutional and Regulatory Reforms
Initiative: PAN AFRICAN HOUSING FUND

Type of Investment: Private Equity Fund

Fund Objective: The objective of the fund sponsored by Shelter Afrique is to stimulate supply of affordable housing by facilitating equity investment in selected projects. A second objective is to create a rated vehicle to access capital.

Fund Size: USD60m (first close in Q2/2012)

Initial group of investors are the “converted”. The big challenge for the Fund is to demonstrate that it can successfully navigate the opportunities and challenges in this market to achieve target return to investors then….to the yet unconverted.
Since 2005, Shelter Afrique has successfully maintained a bond issuance programme to raise capital for housing investment. Transactions include:

- **About 20bn CFAF** raised from the UEOMA zone Capital Market to finance activities in French West Africa;

- **10bn Ksh** bond issue on the Nairobi Stock Exchange since 2005;

- Future issues proposed on the Johannesburg, Lagos Markets to access capital;
CRRH is a Secondary Mortgage Institution with a share capital of about FCFA3 billion. Shareholding structure include financial institutions as BOAD, BIDC, SHELTER-AFRIQUE and commercial banks operating in UEMOA;

The core function of CRRH to provide long term funds to PML, at better rates and under better terms and conditions than PMLs might be able to obtain if acting alone;

CRRH will mobilize resources from the financial market through bonds issue.

SHAF has invested FCFA500million for 10% of the capital, considered a strategic investment with an expected return of 15-20% by 2016. Exit secured by a put option to the sponsor BOAD.
We know Sub-Saharan housing finance requirements are enormous and the ONLY way to bridging them is through ACTIVE contribution of the Capital Markets.

However, the Capital Market needs to be:

**INFORMED** – about the potentials of this asset class, reforms, success stories;

**ASSURED** – through consistence follow-through of ongoing reforms, investment in capacity and dialogue;

**ENABLED** - through improvements to the regulatory environment and issuance processes, tax regimes, licensing framework etc.

Thank You.