

# A roof overhead - building a secure future for Africa

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*Innovation and collaboration are needed to provide more, cheap, sustainable housing and stop the crippling backlog in Africa from getting worse*

Runaway housing prices and unsophisticated mortgage systems are hampering efforts across Africa to house its people: a situation that experts say is preventing many countries from reaping the social and economic benefits that housing security provides. Going beyond a roof overhead, housing creates employment during the development phases, and improves quality of life, social standing, health, financial position, security, social cohesion and access to education.

The ABSA housing index, shows that in South Africa the average price of small houses have risen from R660 953 in the first quarter of 2011 to R777 343 in the fourth quarter of 2012. In the affordable segment, the price rose from R292 790 in 2009 to R345 388 in 2012. In both cases, there has been a 17% increase. In Kenya, prices increased by roughly 76% between 2008 and 2012.

According to Allan Kundu at the University of Witwatersrand, such numbers are common across the continent. He says that the concern is two-fold: the fact that housing is central to economies as capital assets contributing to "production, savings, consumption, household income, employment, growth of other markets, social welfare, diversification and investment, and meeting a basic need"; and that "the high prices are likely to condemn many people to perpetual squalid living conditions because of the lack of affordability for the majority of citizens".

In trying to address this concern, economies are working to provide housing but in Africa a massive backlog exists, which Marja Hoek-Smit, director of the Housing Finance programme for Sub-Saharan Africa at the UCT Graduate School of Business and researcher in urban mass-housing at St. Catherine College, Oxford, says has to be prevented from growing.

"The first step must be to prevent further backlogs and the spread of informal and squatter areas," she says. "This is far from where we are now. We have to think of measures we have to instate to get massive housing going for at least 70% of the population."

To do this, Hoek-Smit says, innovative housing products that take the local social, economic and institutional contexts into account and that are also sound from a business funding, operational and risk management perspective must be developed.

"The focus is on getting the private and public sectors to create as much new housing as possible to house new household formation," she says. "And, this cannot be done by only building in the upper, upper-middle income levels in the hopes that housing will filter down to low income levels."

For all it to happen, Hoek-Smit says, there is a need for finance at many different levels. Her main focus in her work at St. Catherine's College is to understand the work and need of equity investors and how they may be enticed to come into investing in African housing; to look at those institutions that provide construction debt loans to developers and what they require to go to scale and minimise risk; to consider rental housing - an area non-existent in Africa presently, looking at who is going to provide rental investors with rental debt, longer term debt, and not just construction debt; and then understanding how mortgage lending can be expanded rapidly to ensure that developers have the clients that have the mortgage to buy the developed stock.

According to Kecia Rust, coordinator of FinMark Trust's Centre for Affordable Housing Finance in Africa, the mortgage market in Africa is tiny but that means there is a lot of space for growth. The African Development Bank also estimates that

20% of the African population earns more than \$20 a day, which is promising if mortgage systems become sufficiently sophisticated to make it more affordable for Africans to own their own home.

Rust says that one very interesting option emerging in Africa is housing microfinance.

"We work closely with micro-lenders to see how we can expand their scope so that we can have finance for low income folk," she says. "There is a need for non-collateralised loans from a variety of schemes to give people that do not have the steady income, employment security, and tenure security needed to secure a loan in the mortgage market access to finance for incremental building and home-improvement."

She says that micro-lenders are increasingly coming to market but there needs to be regulatory support to take their investments to scale.

"The really important thing here is we need cheaper houses, and we need government, lenders and developers to start having the necessary conversations across the continent to find a way to build cheaper houses in a sustainable way."

Rust says that there is a major need for people in private housing finance institutions, government finance and housing agencies, academic and international development institutions from both emerging market and established economies to understand all the key issues and concepts in housing finance with respect to different contexts, the design of different housing products available and the business models needed to provide such products effectively and sustainably.

"We need to help people in this sector understand the full implications of the innovation taking place in housing finance, and provide them with the insight needed to ensure that creative and sustainable solutions are implemented perfectly in the Sub-Saharan African context," says Hoek-Smit. "If the system is to be sophisticated enough to eradicate housing problems, then everyone involved, from lenders to developers and even sales, need to be on the same page."

Affordable housing is more than just providing a basic need to the poor, it is about creating a sustainable society that nurtures the growth and development of its people, where the quality of life and access to those things that improve lives is improved, where the population, rather than getting by, actually flourishes

*The Housing Finance programme for Sub-Saharan Africa at the UCT Graduate School of Business will be running from 7 to 12 October this year. For more information please contact Celeste Wilson on 021 406 1238 or send an email to [celeste.wilson@gsb.uct.ac.za](mailto:celeste.wilson@gsb.uct.ac.za).*

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