Stocktaking of the housing sector in Sub-Saharan Africa

CHALLENGES AND OPPORTUNITIES
AGENDA

» Why housing matters

» Housing in Africa: key facts

» Housing in Africa: trend-drivers

» Recommendations for an inclusive housing sector
WHY HOUSING MATTERS
Effective housing delivery:

- Reduces poverty
- Creates household wealth
- Contributes to national economic growth
HOUSING IN AFRICA

key facts
METHODOLOGY

Macro studies of comparative trends
- Per-capita GDP growth and housing sector investment (country accounts)
- Household expenditure on housing (harmonized household survey)

Desk review of current research and databases

Three country case studies
- Primary data collection by global experts and local consultants
- Nigeria, Cameroon, Ethiopia
Africa is the only region in the world in which the slum population is projected to grow.


Estimated urban population living in slums, 1990-2030
Africa is the most rapidly urbanizing region in the world...

But investments in housing have not kept up with urbanization and growth.

Africa suffers a chronic housing challenge, manifest in overcrowded, poor-quality and poorly situated dwellings and persistent low levels of investment.

Thinking about this in terms of quantitative “backlogs” is of limited value in analysis and policy-making.
Rapid urban growth + low incomes + high costs = extensive informal housing for the foreseeable future

Typically formal housing costs 3x to 5x average annual incomes...

In Africa, it costs 14x to 17x


STOCKTAKING OF THE HOUSING SECTOR IN SUB-SAHARAN AFRICA
Challenges and Opportunities
HOUSING IN AFRICA
trend-drivers
Africa is urbanizing rapidly, but late and at low incomes.
Land tenure, management and administration systems drive up costs and disincentivize investment in housing stock.

In Cameroon, 70% of urban land is held without title.

In SSA only 10% of total land is registered.

The average cost to register property in SSA is 8.3% of the total value, the highest in the world.
Infrastructure coverage is low, and declining as urban populations grow.
The formal construction industry is inefficient and costly, relative to other regions.

Low-cost formal housing averages:
- $700/m² in SSA
- $350/m² in India
- $250/m² in China

A bag of cement in Nigeria costs twice that in the USA.

A warehouse building permit is 4x costlier in SSA than the OECD. Second only to South Asia.
And government subsidies for housing have done little to promote wide-scale access.
Formal housing finance products are not available to most SSA urban households

On average, estimates indicate that only 3% of households are eligible obtained loans for a formal financial institution.
Tenure and income characteristics influence housing finance and construction options

- Most people have informal income sources and/or informal tenure
- Limits collateralization for mortgage

Matrix of housing finance and construction based on tenure and income status

<table>
<thead>
<tr>
<th>Formal tenure</th>
<th>Informal tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal income</strong></td>
<td><strong>Developers</strong>&lt;br&gt;<strong>Mortgages</strong></td>
</tr>
<tr>
<td><strong>Informal income</strong></td>
<td><strong>Contractors</strong>&lt;br&gt;- Non-Bank Financial Institutions&lt;br&gt;- Housing MFIs</td>
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</tbody>
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Few people have mortgages

- High interest rates (~20 percent)
- Banks lack long term deposits

In Uganda, the least expensive mortgage required a minimum monthly salary of $400 which disqualified 99 percent of the population.
Microfinance loans are smaller and not securitized.

Availability of microfinance for home improvement is growing, but rates are well below other regions.

Microfinance markets vary widely from country to country:
- Kenya has 4 times as many MFIs as South Africa, but half as much as the country’s total lending portfolio.

### Active Borrowers and Gross Loan Portfolio for MFIs, by region, 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Active Borrowers</th>
<th>Gross Loan Portfolio (US$)</th>
<th>Average amount loaned per borrower (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>4.5 million</td>
<td>7 billion</td>
<td>1,555</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>12.7 million</td>
<td>9.9 billion</td>
<td>780</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>2.7 million</td>
<td>12 billion</td>
<td>4,444</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>16.2 million</td>
<td>34.1 billion</td>
<td>2,105</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>1.6 million</td>
<td>1.1 billion</td>
<td>688</td>
</tr>
<tr>
<td>South Asia</td>
<td>47.3 million</td>
<td>8.5 billion</td>
<td>180</td>
</tr>
</tbody>
</table>
RECOMMENDATIONS

targeted interventions for an inclusive housing sector
Complementary interventions across the value chain, which address distinct needs of different income groups.

**Upper Income**
- Formal construction affordable

**Middle Income**
- Formal finance
- MFIs

**Lower Income**
- No housing finance

**Cross-cutting areas:**
- Land administration
- Planning & building standards
- Construction sector & materials
- Rental markets

**Expanding access to finance:**
- Liquidity & long-term capital
- Regulatory framework for lending
- Underwriting

**Upgrading informality:**
- Basic infrastructure
- Incremental & self-construction
- Leverage existing savings
Meeting housing needs in Sub-Saharan Africa will require working across the housing value chain:

» targeted interventions at weak points
» addressing informality
» leveraging the private sector

Supply
- Strengthen land management
- Improve planning & regulations
- Upgrade informal settlements & invest in infrastructure
- Strengthen construction sector
- Reduce material costs

Demand
- Develop regulatory framework for banks
- Increase access to long-term capital
- Promote access to financial services
- Create alternative ways to assess credit
- Support MFIs, other non-bank lending

Inclusive housing sector
Informality represents a spectrum of shelter locations, conditions, and tenure statuses.

Governments need to direct policy and resources at assisting households move incrementally up the housing quality spectrum.

Leverage the private sector to expand finance models that are customized to this market condition.
Identify and target specific bottlenecks in the housing value chain—either on the supply side or the demand side.

Improve planning & building regulations

» Strengthen public land administration
» Improve city planning institutions
» Adapt land use and zoning regulations
» Incentivize density and infill

Recent successes

RWANDA  Comprehensive land tenure reform  Issued land titles with photomapping technology
TANZANIA  Surveyed all communal lands, registered 60% so far, at a cost of $500 per village
ETHIOPIA  Is building an urban legal cadaster in Addis Ababa which will eventually cover the entire country
KENYA  Streamlined land administration processes  Reduced VAT on land
LESOTHO  Introduced land administration authority  Reduced wait times and improved application turnaround
GHANA  Computerized land records  Cut time to register property from 169 days to 34
UGANDA  Reduced property registration times from 227 days to 48
Upgrade existing informal housing

» Extend basic infrastructure
» Provide tenure security to promote investment
» Support incremental and self-build upgrading

Recent successes

NAMIBIA Incremental tenure and community upgrading
SENEGAL Conversion of temporary occupancy permits to permanent title deeds
KENYA LESOTHO TENZANIA Tenure regularization through bulk surveying and land use planning
MAURITANIA Provided serviced plots less than 1km from original house with community infrastructure and microcredit support
Strengthen the construction sector

» Adopt performance-based construction standards

» Develop an increasingly skilled labor force

» Promote use of cheap local materials

South Africa: industrial construction techniques

• Plastic formwork to cast uniform walls and floor slabs
• Reusable up to 50 times
• Reduces costs for production time transportation
Expand housing finance down market

» Facilitate the development of the financial sector to expand access to formal mortgage products

» Support development of non-mortgage lending products for informal or irregular incomes

» Leverage remittances and community-based lending

CONCLUSION

Work incrementally across the value chain and leverage the private sector to provide housing solutions at all income levels.

The 2015 National Housing Policy takes a broad view of housing provision and tenure type:

» Collaboration across ministries and engagement with the private sector

» Subsidies allocated through verifiable income data and detailed demand analyses

» Social housing provision directed at specific groups

» Dedicated fund for bundled infrastructure investment

» Zoning code incentives for density

» Assistance for the construction sector through workforce development and materials suppliers

» Alternative strategies for housing finance products

Rwanda: developing an inclusive housing market

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Thank you!