



How can the Private Sector contribute to Affordable Housing

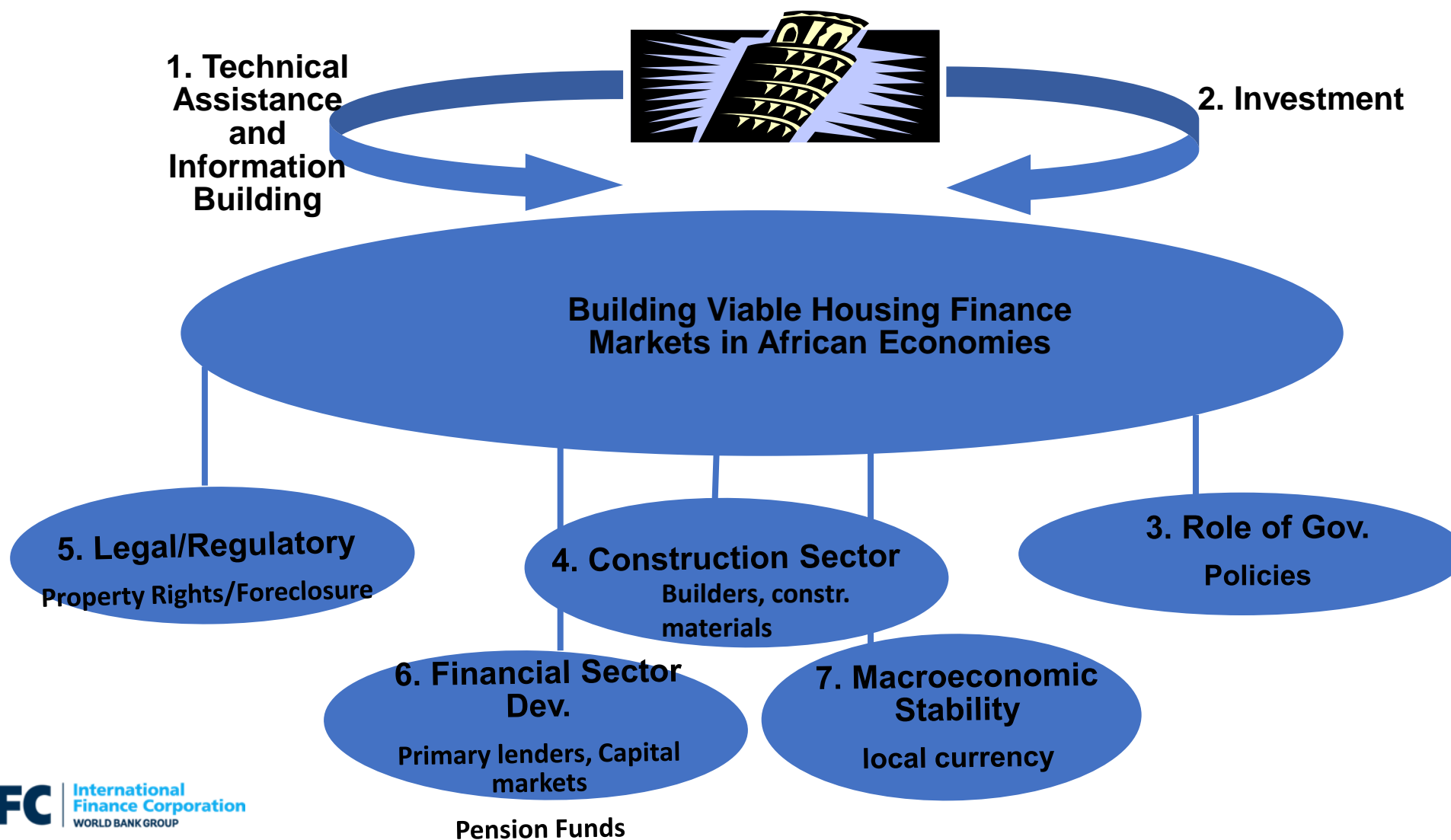
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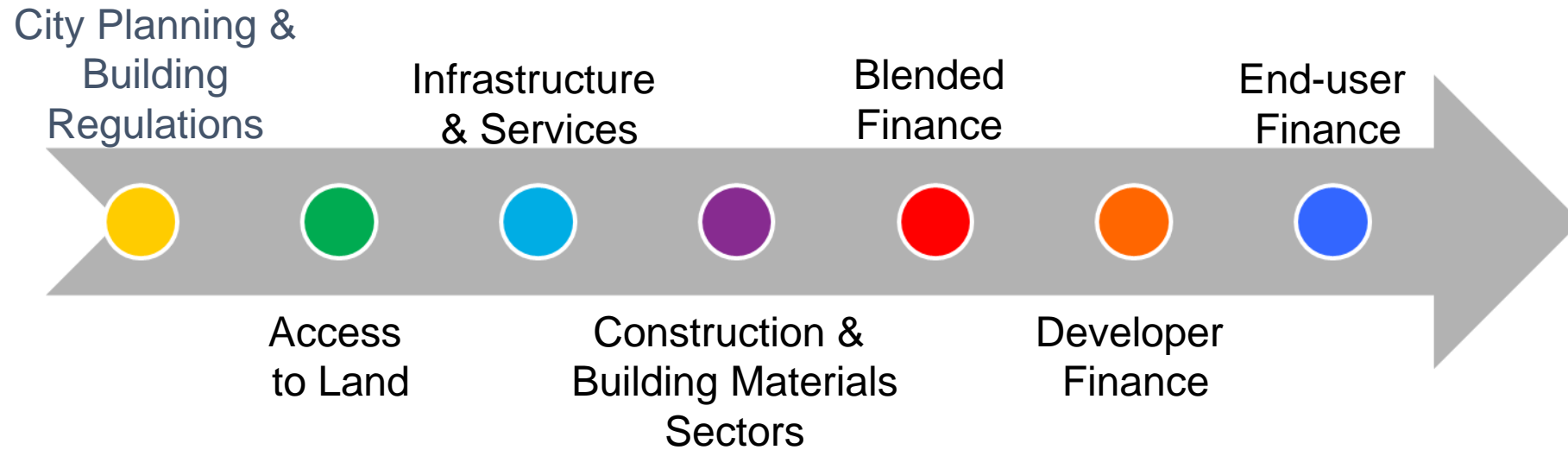
Africa's Real Estate Ecosystem: challenges and opportunities

- Macroeconomic challenges in Africa's Powerhouses
 - Challenging economies: Weakening macroeconomic fundamentals, volatile oil prices and downward pressure on local currency
- Increased sector competitiveness given new entrants and recapitalization of incumbents.
 - Commercial and high-end residential saturated in many markets
 - Still building.....
- Difficult operating environment due to inadequate infrastructure
- **Scarcity of long term financing.**
- **Concentrated corporate credit portfolio with high NPL ratios**
- **Predominance of alternative/informal financing models**

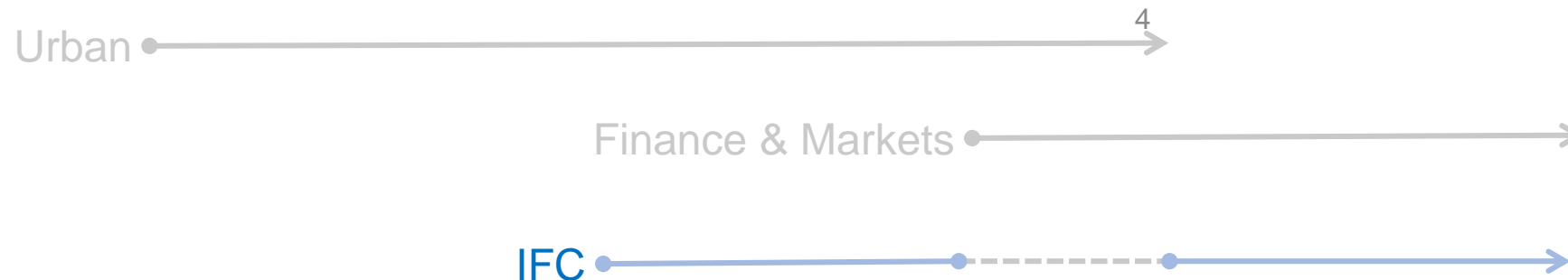
Affordable Housing Finance Ecosystem



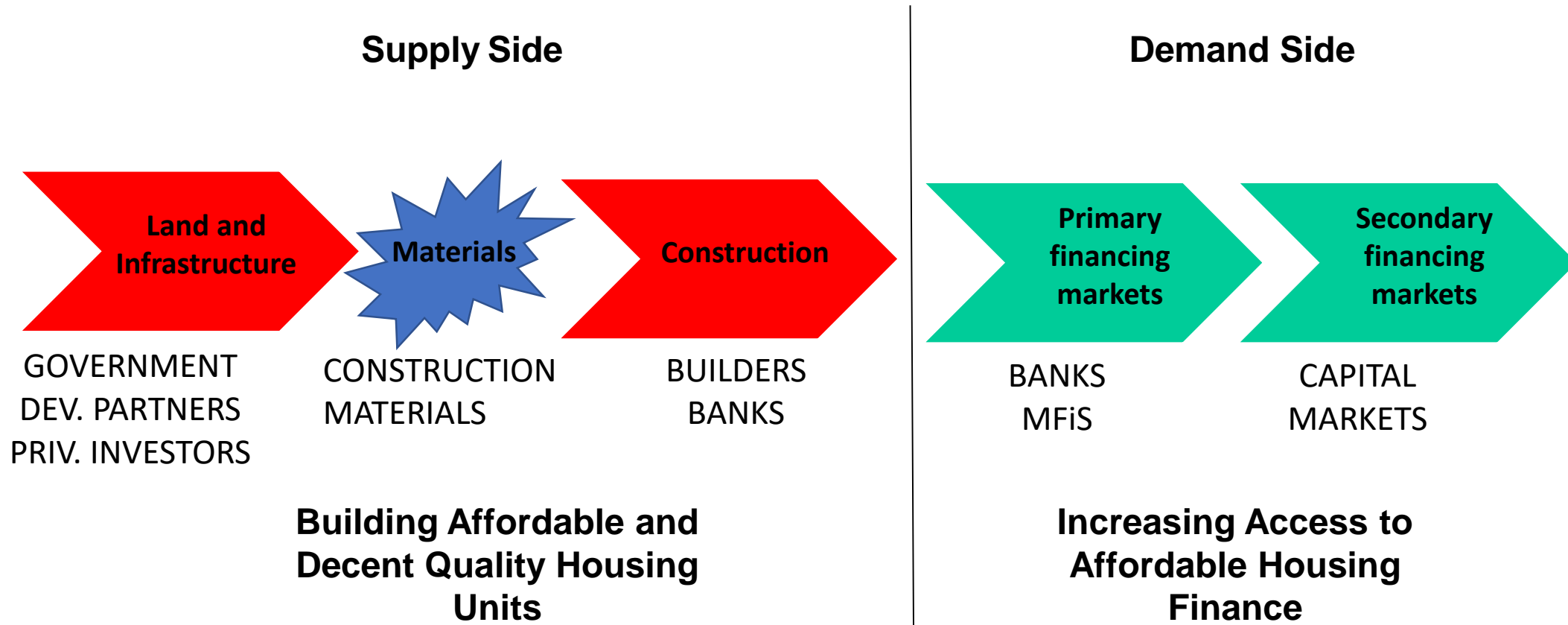
Opportunities across the affordable housing value-chain



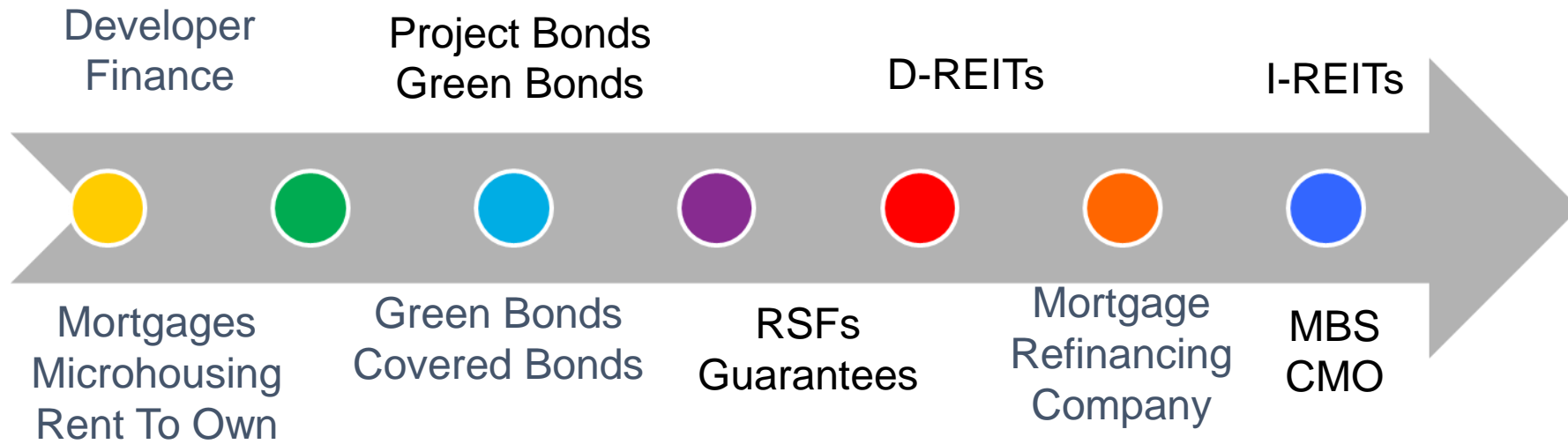
Investment Opportunities exist at every node of the value-chain



The Housing Value Chain



Opportunities for Financial Institutions and Capital Markets



Investment Opportunities exist at every node of the value-chain

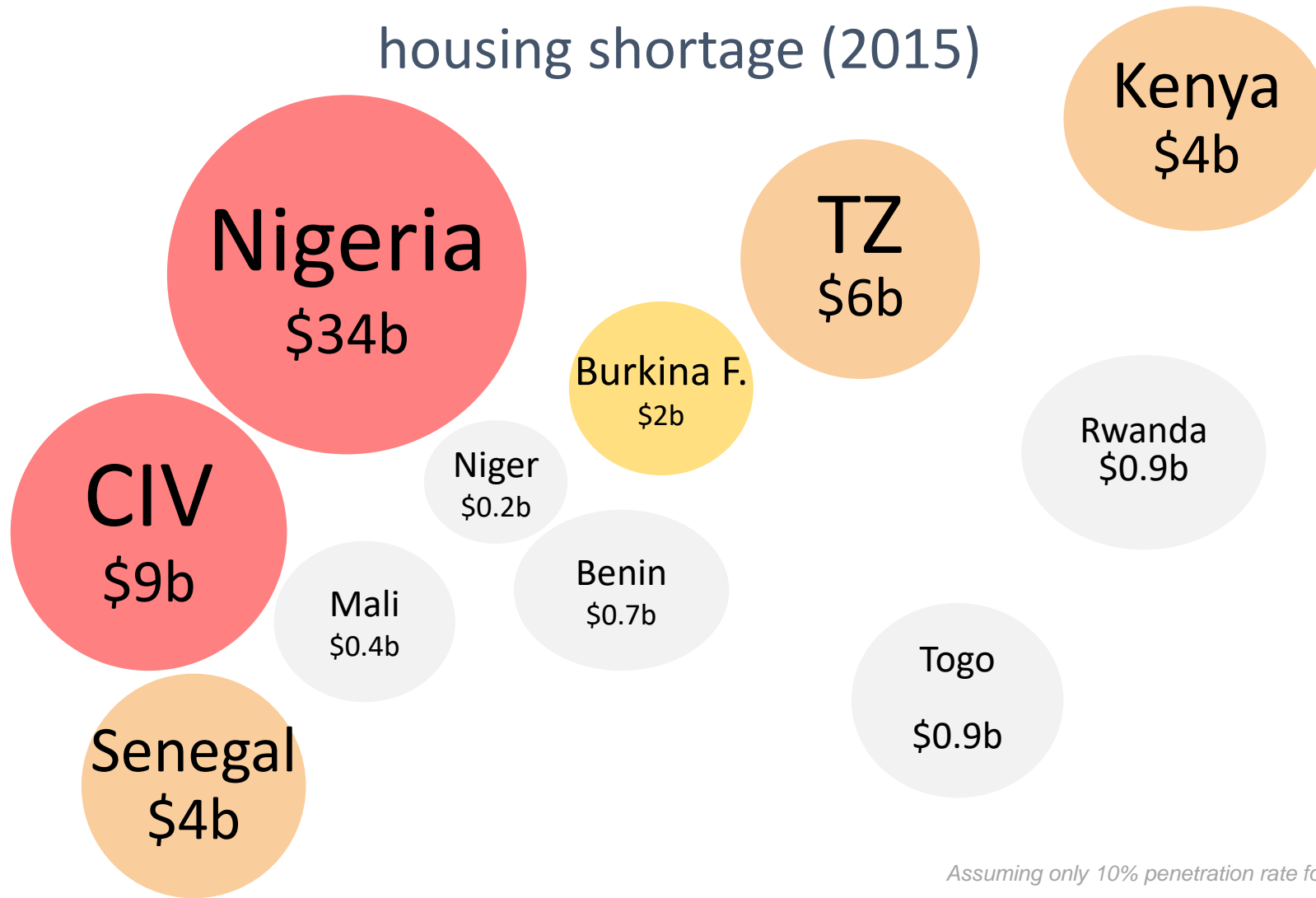
Affordable Housing is a Global Economic Opportunity



Source: McKinsey Analysis

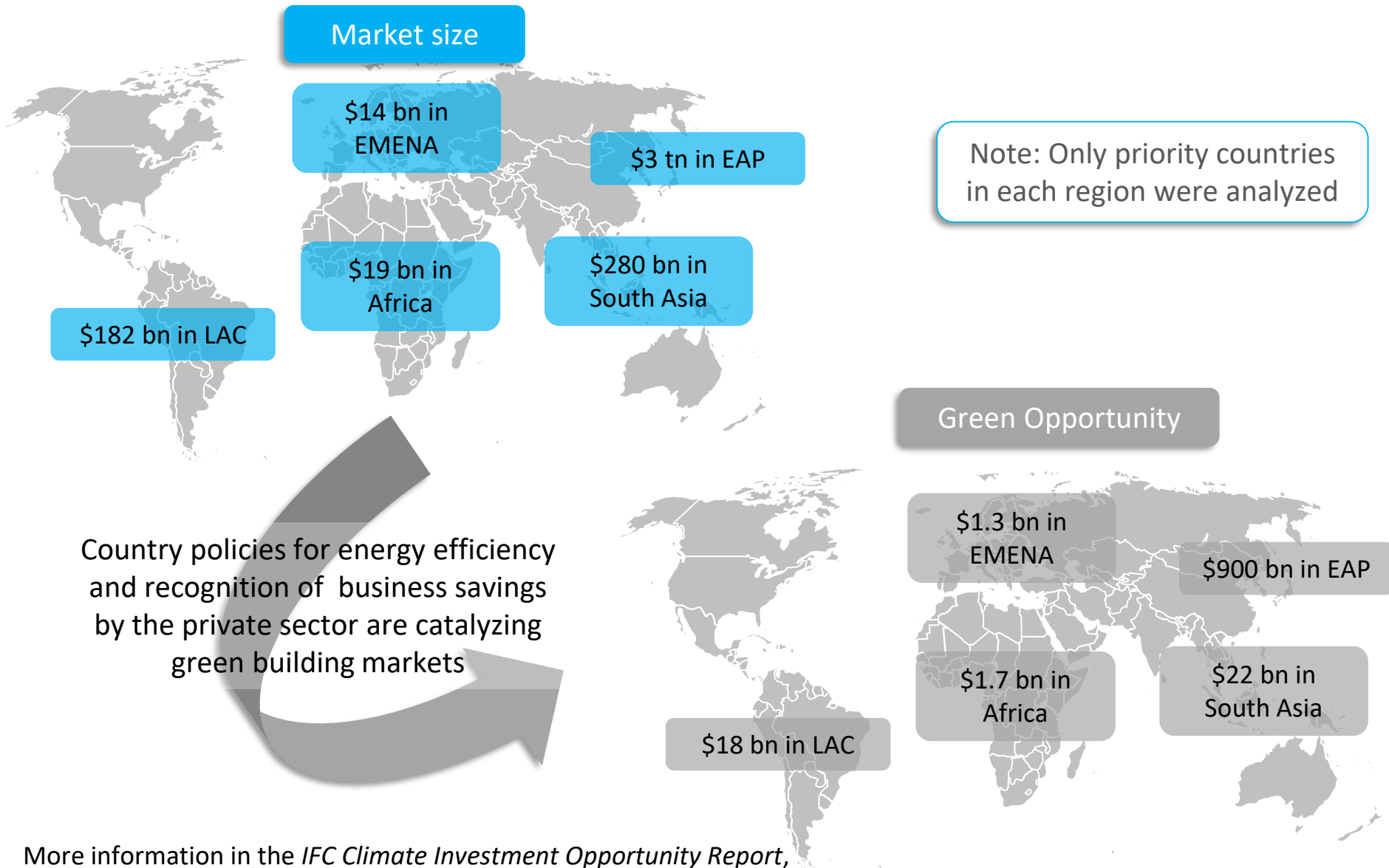
SSA Africa Affordable housing: challenges and opportunities

SSA Value of accumulated affordable housing shortage (2015)



Top Sub-Saharan Africa account for ~3.4 million units, representing a potential formal market over USD\$60 billion

BUILDINGS ARE A \$3.6 TRILLION MARKET IN COUNTRIES ANALYZED BY IFC, WHERE GREEN CAN CAPTURE \$1 TRILLION BY 2020



Green bonds - Explosive market growth

The big numbers

92% - growth on 2015 making 2016 the most prolific year to date

USD11.8bn - November issuance, the largest month on record

24 - number of countries with green bond issuers

27% - proportion of Chinese issuers

241 - number of labelled green bonds issued (median size USD133.7m)

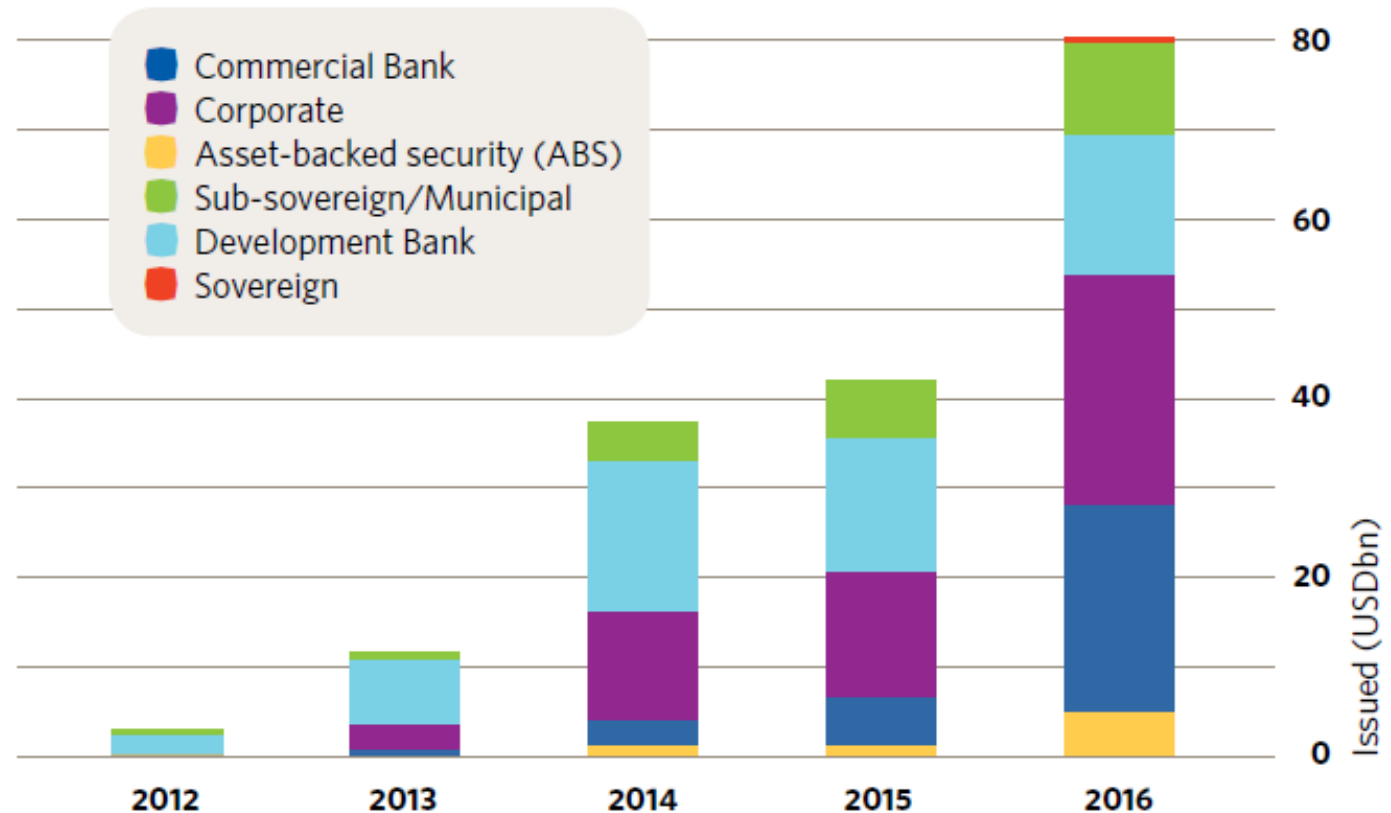
>90 - number of new issuers

>50 - number of repeat issuers

USD4.3bn - largest single green bond ever issued from the Bank of Communications (China)

1st - Poland became the first issuer of a sovereign green bond

The green bond market 2012-2016

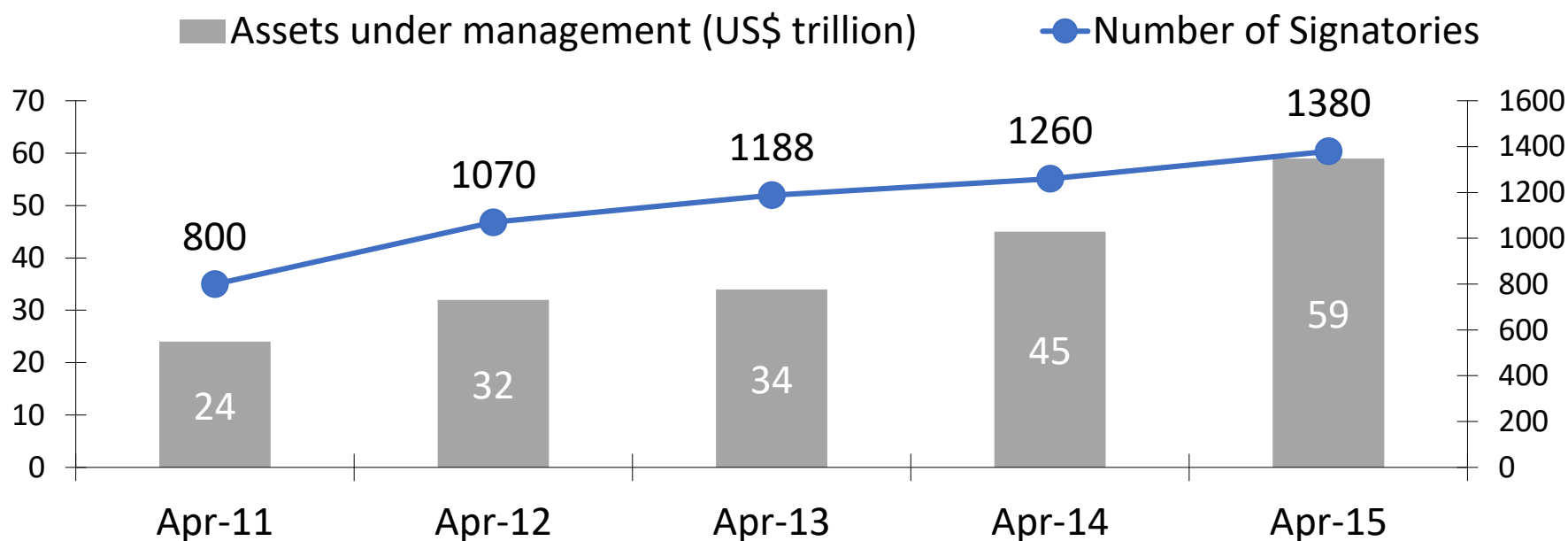


Source: Climate Bonds Initiative
<https://www.climatebonds.net/files/files/2016%20GB%20Market%20Roundup.pdf>

After the paris climate agreement, green is a premium

As volume of green investors increases, Green Bond Investor Premium has increased

Principles of Responsible Investment



Source: PRI

Case Study:

- TSKB Bond in May 2016 was 14 times oversubscribed
- Pricing tightened 62 basis points, 40 attributed to green



IFC has led over \$2 billion in green building investments – including almost \$500 million through other banks

CASE STUDY:

PUNJAB NATIONAL BANK HFL

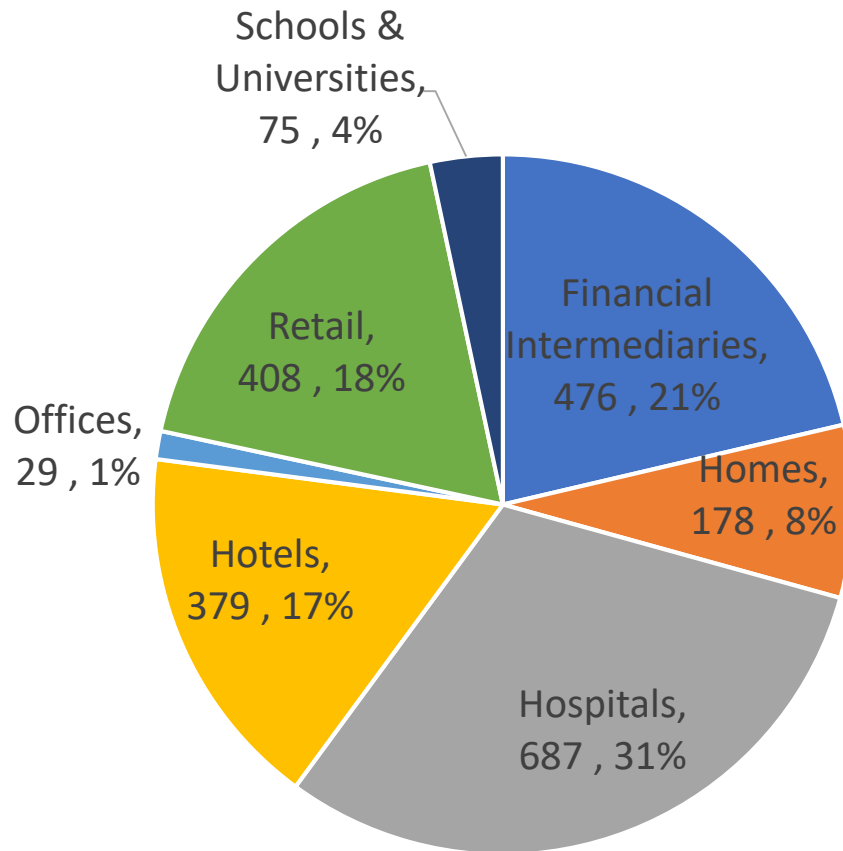
\$75 million non-convertible debenture (bond) for investment in green home construction

EDGE benefits to the bank:

- Brand enhancement pre-IPO
- Access to new clients
- Increased green deal flow with opportunity to cross sell EDGE construction finance to EDGE mortgage finance

What IFC provided:

- IFC helped the bank **assess market potential**
- IFC helped the bank **pitch to existing clients about going green**
- IFC introduced the bank to **new clients**, often the best, forward-thinking developers
- IFC provided half-day **training** to bank staff on green asset management:
 - criteria for use of proceeds; funds management; reporting.



All numbers in million USD, includes IFC's own account and core mobilization (syndicated loans and PPPs)

EMPLOYEE HOUSING SCHEME

Benefits to Employer

- Employees quality of life and overall morale is improved with better quality homes
- Avoid erection of slums around the city
- Development of the city with a commercial area

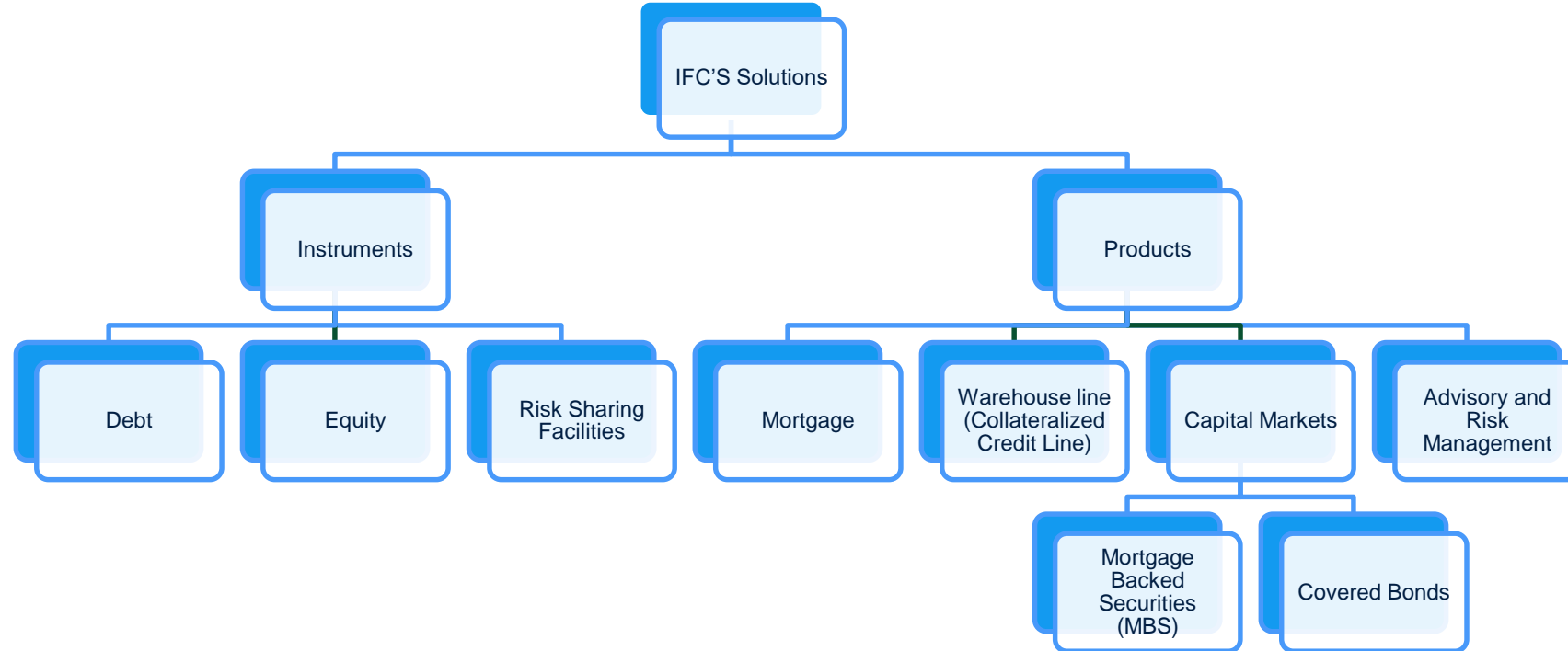
Housing Developer Financing and MSMEs technical support

- Employer to provide equity and/or first loss guarantee to the development project or banks' financing developers
- IFC to provide RSF (Risk Sharing Facility) to Banks
- IFC to put in place and monitor local content framework during construction phase

Buyer Mortgage Financing and banks technical support

- IFC to provide lines of credit to Banks for mortgage financing for Employer's staff
- Employer to provide direct deduction of mortgage payments from employees' payroll
- IFC to build Banks' capacity in mortgage processing and risk management

FORTY YEARS OF INNOVATIVE PRODUCTS



- **Capital markets pioneer:** Colombia, South Africa, Panama, UAE, Brazil, Mexico, Korea
- **Mortgage liquidity facilities:** Egypt, West Africa, PMRC, TMRC, KMRC
- **Housing microfinance:** Egypt, India, Afghanistan, Haiti, Indonesia
- **Green housing:** India, South Africa, Turkey
- **Best practices standard setting:** Credit underwriting, process optimization, digital solutions in >15 countries

Example of how IFC helped lenders to grow in a sustainable and profitable manner



- India



How to lend to these people and make a profit?



Halina, engineer, \$500 per month



Olivia, food trader, \$380 per month



Bina & Shyam Devi

LAUNDRY BUSINESS

Monthly Household Income: US\$ 220

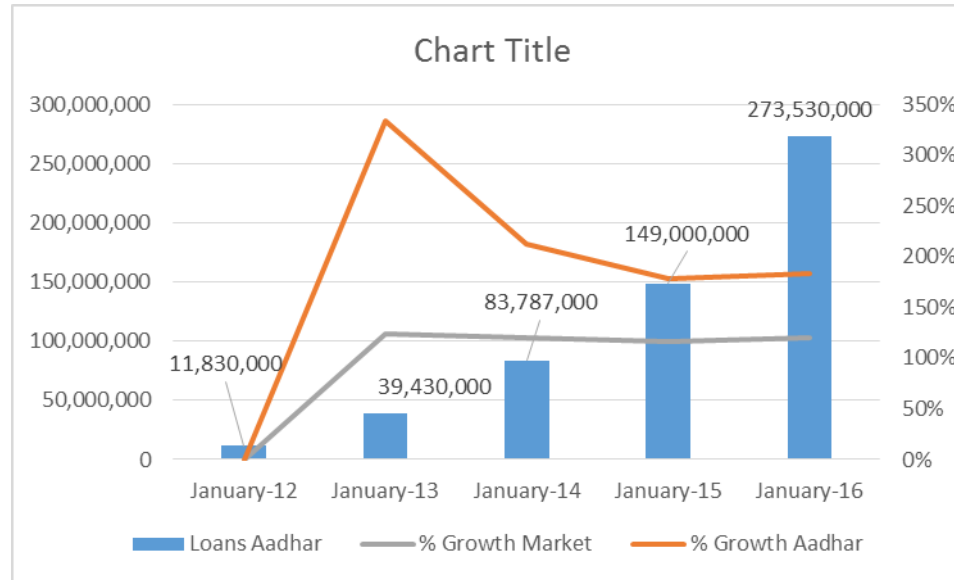
Aadhar Housing Finance Company, India. A leader in advancing access to affordable housing



Source: Aadhar

- Aadhar Housing Finance Ltd. is specialized housing finance lender
- Focus on customers with low salaries or self-employed with informal incomes
- Focus on business operations in poorer states of India

Aadhar has outperformed market since start of its business operations in 2010 due to specialization on affordable segment and rigorous underwriting and servicing process



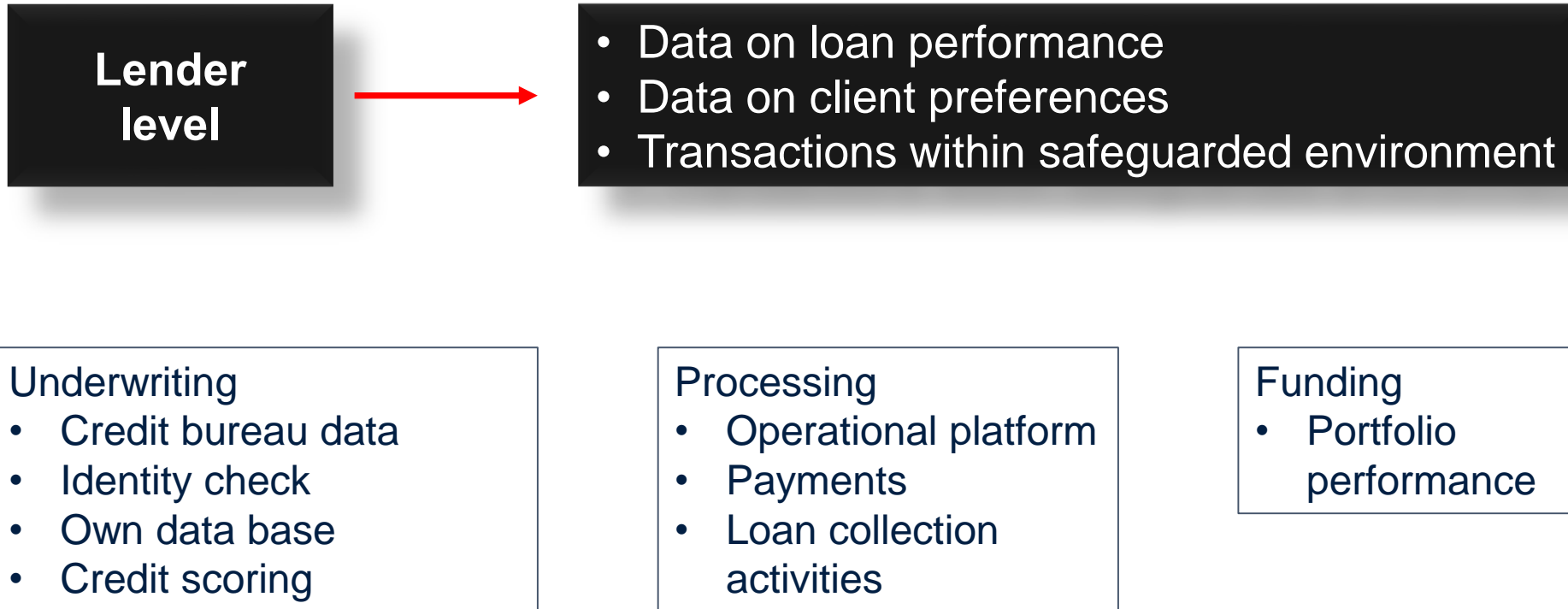
	Aadhar	Market
CAGR	184%	120%
ROE	15%	21%
Gross NPA	0.50%	0.73%

Performance comparison FY 2016

- Aadhar operates in 13 states and serves about 29,000 customers
- Loan portfolio outstanding (03/2016): \$273.5m
- Average loan size is \$13,380
- Customers earn between \$900 - \$3,600 annually.

THE FUTURE

How can technology help advance development of HF markets?
(II)



JOIN OUR GROWING GREEN BUILDING NETWORK



Development Banks



Banks
in developing countries



Real estate funds



Developers



Others

Conclusion: Affordable Housing in Africa is the future of investments !



Source: Charlottine's Pics

DO WELL WHILE DOING GOOD !

- Current conditions in many emerging markets create unrivalled opportunities
- Sector is good for households, construction industry, financial sector and economy
- Housing finance is a long-term commitment & enabling environment is key
- Critical is the mix of investment and advisory services to achieve sustainable operations and increase affordability

THANK YOU!
IFC Housing Finance / Investing For Impact!

Affordable Housing Weapons of Mass Construction!



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