



Practical Affordable Housing Delivery & Urban Development Strategies in the COVID 19 era in Africa

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The COVID 19 pandemic has impacted significantly on key fundamentals across the African continent

As at January 2020, World bank estimated regional growth in Africa for 2020 to be about 2.9%. Today, economic activity is expected to contract sharply by 2.8%



Health crisis due to diminished access



Rising unemployment due to job losses from shutdown



Rising food prices

\$37bn-\$79bn
Potential output losses in 2020 due to COVID 19 in Sub-Saharan Africa



Some fiscal measures implemented by African countries in the aftermath of COVID 19

Côte d'Ivoire	An emergency response plan of CFAF 96 billion (or 0.3% of GDP) & package of CFAF 820 billion (2.3% GDP) of economic measures
Egypt	Stimulus policies in the USD 6.4 billion package (EGP 100 billion, 2% GDP)
Ethiopia	A COVID-19 Multi-Sectoral Preparedness and Response Plan of USD 1.64 billion (about 1.6% GDP).
Morocco	A special fund of about 2.7% of GDP
Nigeria	A COVID-19 intervention fund of N500 billion (USD 1.4 billion) & stimulus package of 2.3trn (USD6.4 billion)
Senegal	An emergency fund of up to CFAF 1 000 billion (7% of GDP)



Significant increase in population living below the poverty line



Increase in the infrastructure gap



Business productivity losses



Decline in household incomes

As recession looms, governments across the continent recognised the need to take proactive measures to counteract the COVID 19 impact on their economies

In spite of the shocks experienced in the housing sector due to COVID 19, sentiments still remain optimistic in the short to medium term

Demand Side Shocks

- Decline in effective demand for homes
- Shrinking opportunities for affordable mortgage
- Stress on household income for basic necessities

Supply Side Shocks

- Constrained access to long-term funding
- Delays in delivery due to lockdown closure
- Further expected decline in public sector infrastructure investments
- Erosion in corporate profits



The Silver Lining

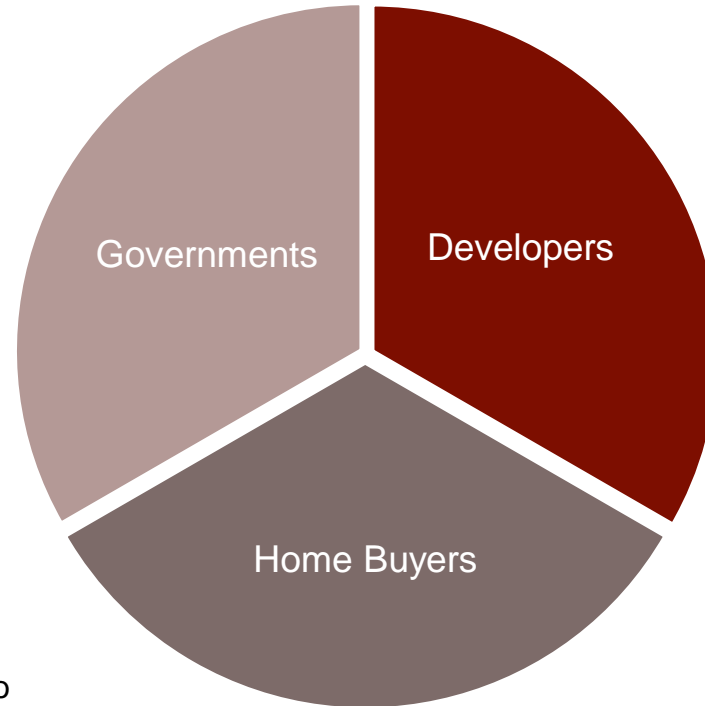
- Housing is still viewed as the best means of retaining capital in uncertain times
- Need for housing still remains high – Africa's 51m housing deficit is not going anywhere
- Affordable housing continues to attract interest as most people want the security of owning property as comfort for the future
- Recent numbers after the easing of lockdown in key countries already show timid signs of recovery
- Housing development still remains a significant employer of labour and a driver of economic empowerment



The current situation offers a unique opportunity for key players within the housing value chain to align interests into a workable strategy for mutual success

- Reduce unemployment
- Stimulate economic activities
- Increase investment in infrastructure development
- Drive local production
- Address housing gaps

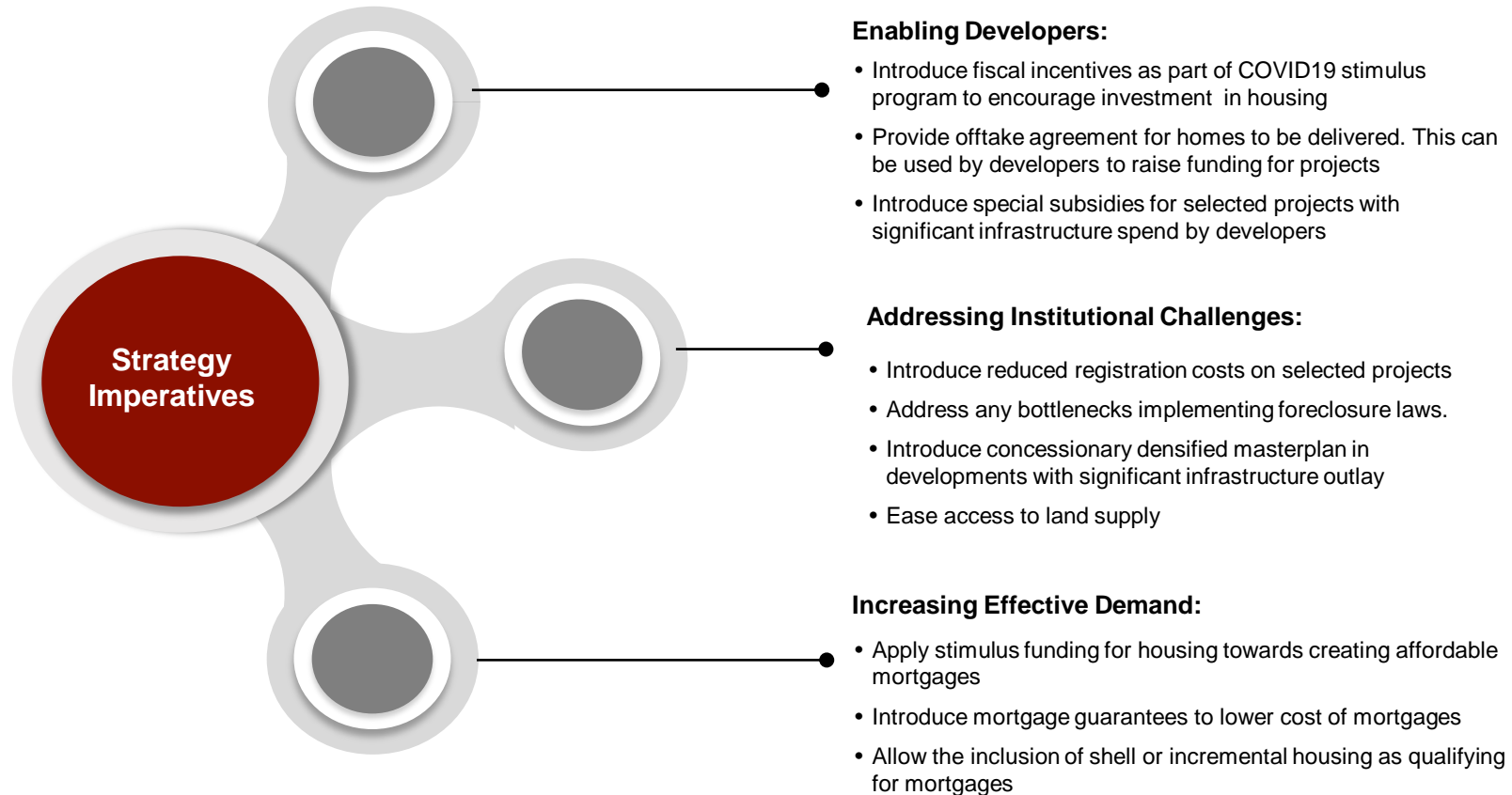
- Own a home.
- Buy a home at the right price supported by affordable mortgage.
- Use the home as a platform to create wealth.



- Access long term capital for development
- Minimize offtake risk
- Optimize development costs

Due to their position, developers would need to play an pivotal role in the articulation of this strategy

The strategy should focus on activating the development of large scale affordable housing projects which create significant multiplier effect



Implementing this strategy will have strong positive effect, stimulating the economy for growth and empowering citizens to access new opportunities

Job Creation:

- Direct Employment for 1.5 persons for every home delivered
- Indirect employment for 12 people for every home delivered



Infrastructure Development:

- Delivery of infrastructure as part of the project.
- This will create attendant increase demand for cement, steel, electrical equipment and other construction materials.



Tax Generation:

- The homes generate long-term tax revenue to government via the payment of annual property taxes after handover.



Implementing this strategy will have strong positive effect, stimulating the economy for growth and empowering citizens to access new opportunities

Improved Living Conditions & Welfare:

- Homes will be delivered within planned estates with communal facilities and supporting infrastructure which improve living conditions and lifestyle.
- Improvement in the living conditions will lead to increase in productivity.



Growth In Mortgage Coverage:

- These homes should create growth in the mortgage industry



Business Empowerment:

- Home owners can use their properties as security to access lines of credit to raise funds to pursue business opportunities.
- Leveraging on these business opportunities will create a new level of growth in the economy.



A review of the countries Mixta currently operates show that the situation is gradually improving for housing



Nigeria

- Resumption of economic activities has seen a mild recovery for housing.
- Lowering interest rates have also benefited developers in accessing funding
- Government's Economic Sustainability Plan (ESP) targets the delivery of 300,000 homes over the next 12 months as a platform for creating jobs and stimulating the economy.
- Access to mortgages are also opening up under the National Housing Fund (NHF)



Tunisia

- Recovery has been mild.
- Q2 real estate price index was up by 1.8% YOY
- YOY Q2 prices for apartments increased by 3.7%, homes by 1.9% & residential property by 0.7%
- Whilst as expected, volume of transaction dropped YOY by 49%, sentiments still remain positive as property prices still continue to rise

A review of the countries Mixta currently operates show that the situation is gradually improving for housing (contd.)



Côte d' Ivoire

- The government adopted an emergency response plan of CFAF 96 billion (or 0.3% of GDP). The government announced a package of CFAF 820 billion (2.3% GDP) of economic measures to prop the income of the most vulnerable segments of the population
- In addition, it is also reinforcing the fiscal incentives to companies including developers in order to stimulate activities
- There are still apprehensions on the forthcoming elections



Morocco

- Recovery as a result of the measures put in place to boost the economy.
- Aimed at stimulating demand through various tax and financial incentives, including lower interest rates, reduced registration fees, suspension of the repository, etc.
- Slight increase in real estate loans resulting from reduction of key interest to 1.5%
- Loans to real estate developers increased by 0.4% compared to June 2019.

A review of the countries Mixta currently operates show that the situation is gradually improving for housing (contd.)



Senegal

- The government has set up an emergency fund of up to CFAF 1 000 billion (7% of GDP)
- Activities have resumed in the housing sector and market is gradually picking up

Mixta Project Case Study - Adiva Plain Fields

Delivered over 600 units comprising homes and serviced plots at an estimated project cost of US\$ 16.6 million .

Addressing Supply Challenges

- Utilized local materials and labor without compromising on quality.
- Valued engineered designs to achieve cost objective
- Optimized project funding mix by accessing US\$ 7 million finance from Shelter Afrique. Access to long term capital resulted in:
 - optimal development cost
 - improved project delivery

Affordable Housing Delivery Strategies

- Convenient payment plans to address affordability concerns of buyers
- Housing units delivered as shells with finishing as an option upon handover.
- Optimized masterplan design to minimize future cost of maintaining estate
- Communal facilities and supporting infrastructure to enhance living conditions and lifestyle

Enhancing Effective Demand



Blocks of flats, row houses and bungalow homes

Duplex homes

Mixta's Project Case study - Résidence La Paix I-V

Delivered over 900 units and currently developing a new phase of over 174 units at an estimated project cost of US\$ 5.3 million



Addressing Supply Challenges

- Multi-phase strategy to minimize funding requirements on project
- Book-to-order approach to development to align construction with demand preferences
- Masterplan optimized to meet infrastructure requirements for homes
- Optimize funding mix of new phase through Shelter Afrique financing

Affordable Housing Delivery Strategies

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Enhancing Effective Demand



Demand side

Mixta's Project Case study – Essafia I - VIII

Delivered more than 4,300 housing units and currently developing a new phase of over 350 units in Las Brissas with an estimated cost of US\$ 7.1 million



Addressing Supply Challenges

- Utilized local materials and labor.
- Improved cost efficiency through low interest bank financing
- Inclusion of commercial elements to create live-work-play environment
- Development of facilities like creche, library & mosque to align with government interests in development
- Optimize funding mix of new phase through Shelter Afrique financing

Affordable Housing Delivery Strategies

- Pricing aligned to affordability bands in order to ensure easy access to mortgages.
- Multi-phase strategy to adapt home design to demand preferences.
- Communal facilities and supporting infrastructure designed to address sustainability of the estate.

Enhancing Effective Demand



Demand side

Conclusion

- Though COVID 19 has brought about challenging times for Africa as a whole, there are still opportunities for housing to thrive
- As a significant employer of labour, the focus should be to encourage the development of large scale affordable housing projects
- Unfortunately, some of the challenges brought up by the new normal could constrain the ability of developers to roll out such developments.
- Overcoming these challenges is perhaps less about the issues but rather about the proactivity required.
- Developers will need to take an active role as governments develop fiscal and financial stimulants to restart their economies towards growth as quickly as possible.
- It is important that the stimulants address the demand and supply side of housing concurrently.
- Developers of scale need to demonstrate a willingness to do more, if they intend to play a bigger role and ride the tide in the COVID 19 era in Africa.
- It's time for developers to play the big game.

Thank you

