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Addressing the Challenge of Housing Finance in Urban Africa

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Abstract

Housing remains a basic human necessity that people, governments and societies have sought to meet using different methods and approaches over the years. The cost of housing provision has always been quite significant, often representing a person's largest single expenditure throughout life. Across the continent, many initiatives have been pursued to help ensure ample housing supply, with varying degrees of success. This paper therefore explores some of the various housing finance initiatives that have been introduced across many African countries since the colonial era. The study also examines possible solutions to the constraints militating against the funding of mass home ownership in Africa, especially in view of the implications of the continent's fast-rising population and its significant youth bulge. The study further identifies the key drivers of housing finance provision, the thorough understanding of which is central to adequately addressing the continent's considerable housing deficit, which the study also seeks to reasonably estimate. Successfully addressing the challenge of housing finance in urban Africa will firmly and directly contribute towards achieving the following specific Sustainable Development Goals: SDG 1 – No Poverty; SDG 8 – Decent Work & Economic Growth; SDG 9 – Industry, Innovation & Infrastructure; SDG 10 – Reduced Inequalities and SDG 11 – Sustainable Cities & Communities.

Keywords: Affordable Housing Finance; Urbanisation; SDGs; Africa

1. Introduction

The need for shelter is fundamental to all organisms including humans (Yakubu, 1980), who require all sorts of buildings and constructions for the orderly conduct of their daily lives (Onibokun, 1998). People need homes to live in, Governments and firms require office accommodation in order to conduct their activities, manufacturers produce goods in factories just as societies require schools, hospitals, warehousing, hotels, markets and so on. In this paper,

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we will mostly concern ourselves with residential accommodation and ways of ensuring the adequate and sustainable funding of urban home ownership in Africa.

For numerous reasons including the following, housing is crucial in the bid to improve living standards by attaining the above-mentioned specific sustainable development goals:

- provision of shelter for people and populations (SDGs 1 and 11)
- physically accommodating the activities and operations of business organisations and government entities (SDG 9)
- occasioning innovation and the development of related industries (SDGs 8 and 9)
- providing decent work opportunities, reducing poverty and promoting economic growth thus helping to reduce despondency and inequality (SDGs 1, 8 and 10)
- building of new homes to help build sustainable cities and communities (SDG 11)

Equally, it has been noted that

- Housing is also an important sector of the national economies of most African countries just as housing finance remains a cornerstone of the depth of the financial systems and in the development of most advanced and middle-income countries in the World (SDGs 8, 9 and 11).
- The fiscal revenue which directly accrues to Governments in form of property taxes, title processing fees, tenement rates, stamp duties, etc., is becoming increasingly important to public budgets across the continent having regard to the currently-rising Debt-to-GDP ratios (SDGs 8 and 9).

Notwithstanding the aforementioned, both private and public housing construction throughputs have failed to keep pace with population growth across much of sub-Saharan Africa partly because housing finance has always remained constrained and suboptimal. The remote and immediate causes of these constraints are explored in this chapter with a view to offering useful and widely acceptable policy recommendations and housing market development initiatives.

Housing finance is a sub-element of the overall banking and finance sector. As such, making housing provision and housing finance attractive begins with the realisation that there are competing demands and alternative investment outlets for private capital. A holistic approach is thus sine qua non to the crafting of workable and sustainable housing finance solutions in Africa's challenging economic environment.

Within the OECD nations, Mortgage-to-GDP ratios routinely exceed 50%, unlike the less than 4% recorded in Ghana, Uganda and Nigeria, for example, as shown in *Figure 1* below. Consequently, developing the domestic mortgage finance, commercial infrastructure and housing construction industries is an obvious imperative for African economies and indeed a no-brainer that will stand each African nation in good stead in the long run not only in terms of delivering homes to the growing army of citizens but also in the strategic pursuit and eventual attainment of the afore identified Sustainable Development Goals.

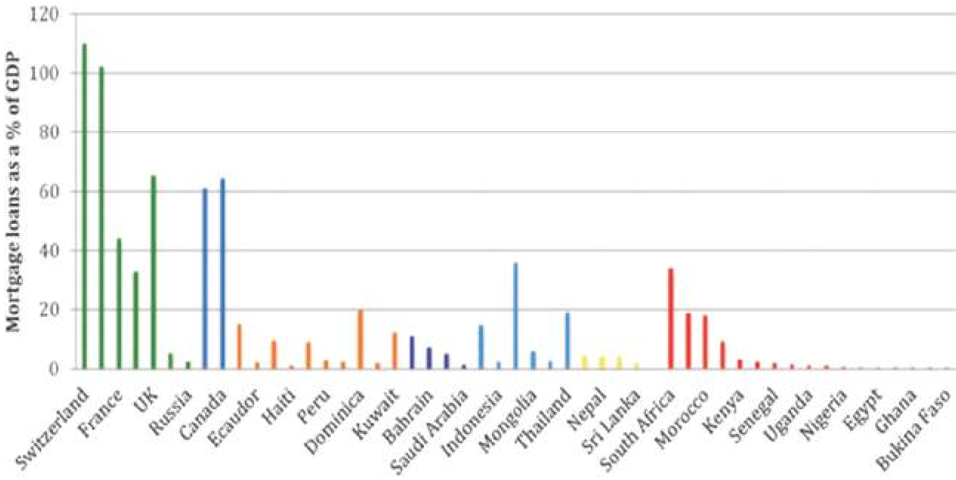

Figure 1: Size of residential mortgage market (*most recent data available*)

Source: World Bank (2015; El-hadj M. Bah, Issa Faye, Zekebweliwai F. Geh's (2018) calculations

2. Methodology

The data employed for this study were sourced from the World Bank Group, the United Nations, books, journal articles, peer-reviewed research, private financial institutions and the author's computations and prior research. Data analysis involved data field editing, tabulation techniques, benchmarking and percentage analysis. The analysis sought to establish and estimate the aggregate supply gap for housing stock within the African continent. Subsequently, remedial strategies, structural imperatives and policy initiatives were analysed with a view to proffering workable and sustainable solutions to the challenge of effectively financing affordable home ownership within urban Africa.

3. Data Presentation and Discussion

An important index of the level of a country's economic and human development is the percentage of home ownership, besides the quality and affordability of those homes. In developed economies more households own homes than those that do not. As such, home ownership consistently exceeds 50% as against the reality in urban Africa where the majority of urban residents reside in rented dwellings that are often within informal settlements with scant security of tenor and/or primary infrastructure. While reliable data on comparative home ownership rates in Africa are often hard to come by, home ownership is nevertheless often more widespread in rural areas/communities because of the relative affordability of the housing types and building materials involved as well as easier access to communal and hereditary land. Rental housing is thus more prevalent within urban areas owing to the influx of migrant workers and higher home ownership costs. Consequently, even where people may nominally be residing in their own (*non-rental*) urban or semi-rural accommodation, in reality many Africans live in slum dwellings that are often on the fringes of metropolises, with severe space deficit conditions and the absence of property rights and enabling infrastructure.

Recent research (World Bank Group, 2015) shows the overwhelming importance of one's location to access to socioeconomic opportunities, economic productivity and household income. The United Nations (UN) Annual World Urbanization Prospects is an annual publication that seeks to provide a better understanding of global demographic and urbanisation trends. Figures 2 - 4 shown hereunder were obtained from the 2018 edition in order to vividly underscore the need to address the challenge of home ownership in Urban Africa in terms of observable trends in population and rural-urban migration within the African continent over a 48-year time span (from 1970 to 2018).

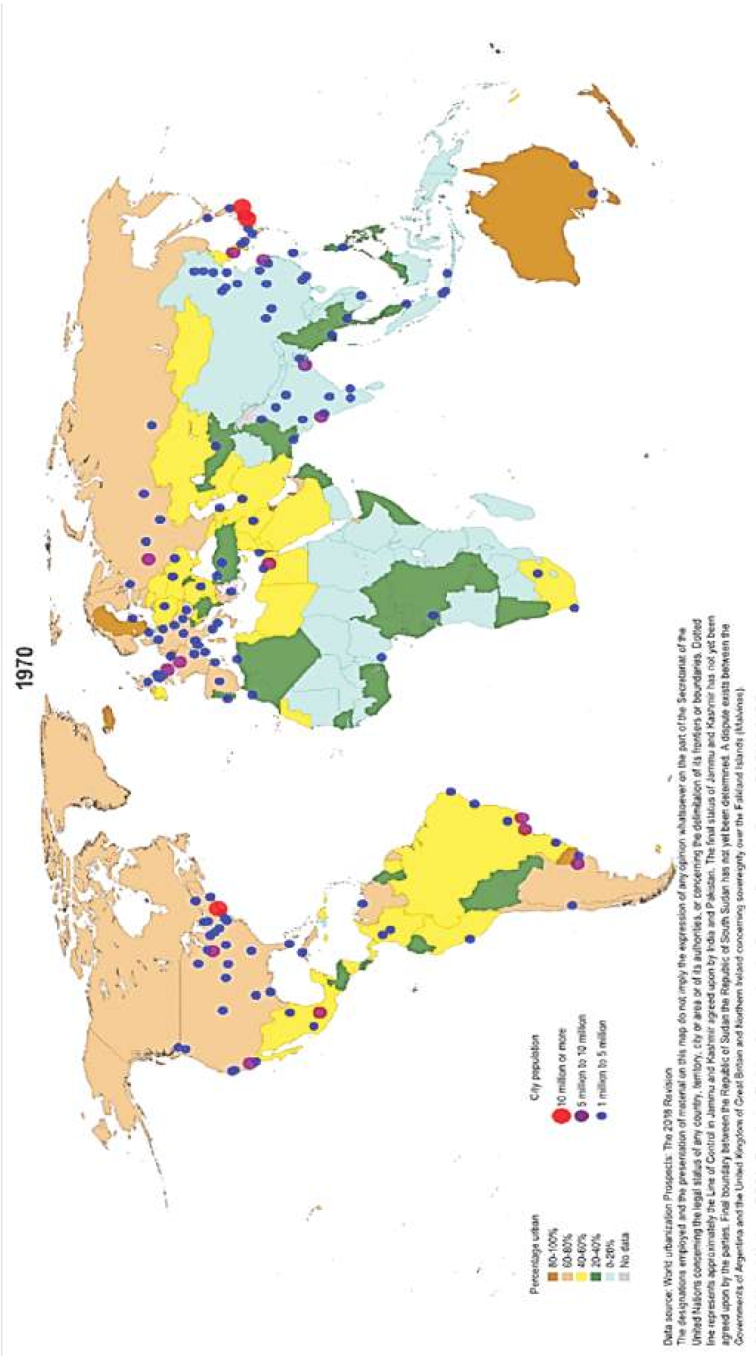

Figure 2: Global Urban Demography in 1970

For instance, as depicted with blue dots in these UN World Urbanization Prospects 2018 of the United Nations Population Department (UNDP) (2018) report time-series graphical information; only eight African cities had more than one million inhabitants in 1970 compared to 23 in 1990 and 54 in 2018. This trend is projected to continue apace in the coming decades.

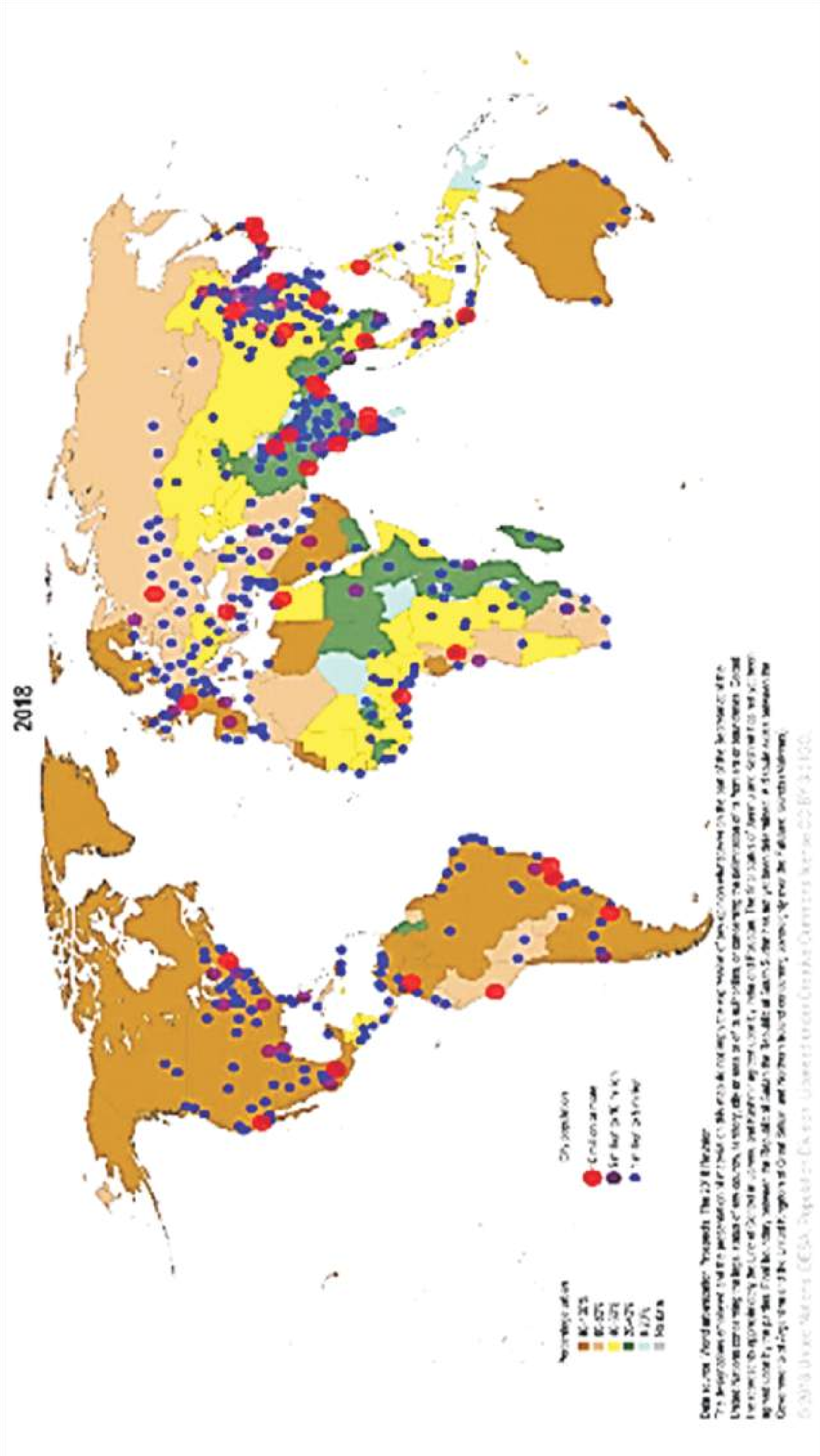

Figure 3: Global Urban Demography in 1990

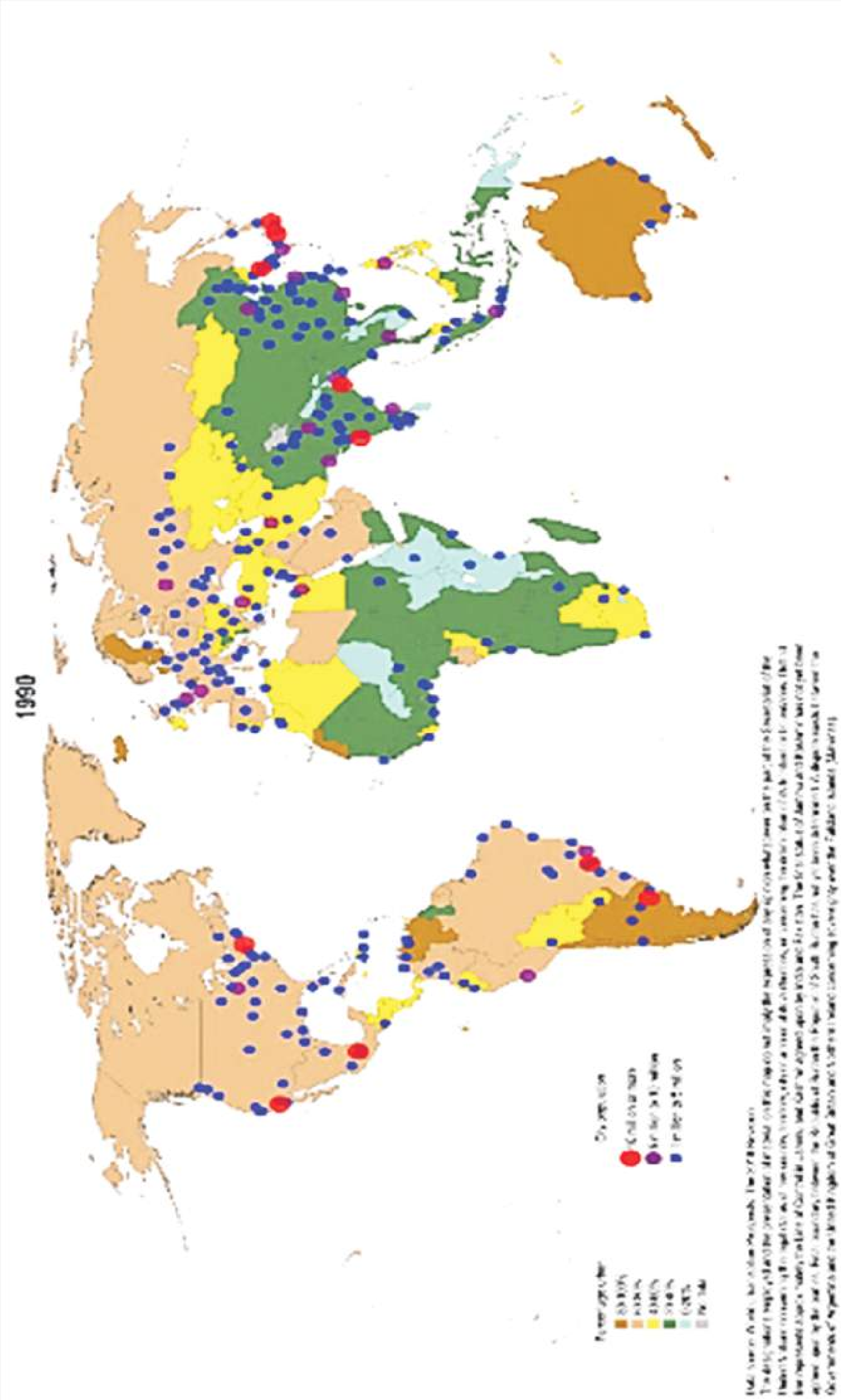

Figure 4: Global Urban Demography in 2018
Source: UN World Urbanization Prospects 2018

Successfully implementing customised and effective housing policies will therefore result in far-reaching positive consequences in the lives and livelihoods of residents in the majority of Africa's fast-growing cities.

Adequately addressing—especially by financing—the fast-expanding housing deficits within the urbanised parts of most African countries is equally essential to improving human development indices and reversing the worrying trends of homelessness, inner-city violence, rising crime, urban decay and youth unemployment across Africa. This is because ensuring ample and sustainable supply of affordable housing finance at scale will ultimately lead to a radical expansion of the opportunity space available to the working-age population within the semi-rural and urban areas in Africa. Consequently, this will bring about new jobs, new homes and new communities as well as sustained positive economic effects.

Table 1: Housing Backlog and Urbanisation in Africa

Housing Backlog and Urbanisation in Africa				
S/N	**Country**	**Housing Backlog**	**Urbanisation Rate (%), 2000–2015**	**Urban Share 2015 (%)**
1	Algeria	1,200,000	2.76	70.7
2	Angola	1,900,000	5.34	44
3	Benin	50,000	3.9	44
4	Botswana	0	1.56	57.4
5	Burkina Faso	100,000	6.33	29.9
6	Burundi	30,000	5.75	12.1
7	Cabo Verde	82,000	2.29	65.5
8	Cameroon	1,200,000	3.74	54.4
9	Central African Republic	1,000,000	2.26	40
10	Chad	200,000	3.54	22.5
11	Congo	140,000	3.4	65.4
12	Cote d'Ivoire	600,000	3.31	54.2
13	Democratic Republic of the Congo	3,000,000	4.05	42.5
14	Egypt	3,500,000	1.7	43.1
15	Ethiopia	1,000,000	4.55	19.5
16	Gabon	200,000	2.94	87.2
17	Ghana	1,700,000	3.78	54
18	Guinea	140,000	3.51	37.2
19	Kenya	2,000,000	4.36	25.6
20	Liberia	200,000	3.72	49.7
21	Libya	350,000	1.52	78.6
22	Madagascar	2,000,000	4.6	35.1
23	Malawi	100,000	3.55	16.3
24	Mali	400,000	5.35	39.9
25	Mauritania	50,000	4.03	59.9
26	Mauritius	20,000	-0.11	39.7
27	Morocco	600,000	1.92	60.2

28	Mozambique	2,000,000	3.31	32.2
29	Namibia	80,000	3.98	46.7
30	Niger	100,000	4.72	18.7
31	Nigeria	17,000,000	4.78	47.8
32	Rwanda	109,000	7	28.8
33	Senegal	125,000	3.32	43.7
34	Sierra Leone	166,000	3.58	39.9
35	South Africa	2,300,000	2.04	64.8
36	Swaziland	20,000	0.85	21.3
37	Tanzania	3,000,000	5.19	31.6
38	Togo	250,000	3.88	40
39	Tunisia	0	1.43	66.8
	Aggregate	46,912,000		
	Average	1,202,872	3.53	44.38

Source: El-hadj M. Bah et al, (2018) - *Housing Market Dynamics in Africa*, Figure 3.2, p. 61; Author's Computations

Conversely, where housing supply is constrained, human and economic capacity will be underutilised leading to tensions, crime and violence—frequently in Malthusian proportions. Therefore, each nation ought to take housing finance as a national development priority because of its correlation to per capita GDP, as well as due to the correlation between per capita GDP and human development indicators, given the trajectory of global demographics and the profound implications of these demographic and urbanisation trends for Africa and its inhabitants.

3.1 Key Drivers of Demand Growth for Affordable Housing in Africa

- ***Population Growth***

The preponderance of younger age-segments in Africa's population means that more people are now entering into childbearing ages than at any time in the history of the continent. In Nigeria, for instance, over two-thirds of the population are younger than the age of 30. The growth in urban population and the derived demand for affordable housing in Africa are therefore a cause for concern not just in absolute terms but also in terms of the compounding nature of the growth rate, as the UN World Urbanization Prospects 2018 graphical data have shown. It is worth noting that the United Nations Human Settlements Programme (UN-Habitat, 2018) stipulates that affordable housing should not cost more than 30% of annual household income.

- ***Urbanisation***

The impact of climate change, communal violence, insecurity and poverty in rural Africa eventually translates into rural-urban migration, which as been accelerating at a pace of 40,000 rural migrants per day across Africa (IFC, 2014). Rural-urban migration has long outpaced the increase in urban housing supply, thus exacerbating the supply shortfall. As shown below, the global population has progressively become more urban over the past 60 years. Africa is urbanising at a rate (computed above) of round 3.53%, in contrast to a global average of 1.63% (WHO, 2015), and this phenomenon and situation "will lead the world's urban growth in the coming decades (World Bank, 2015).

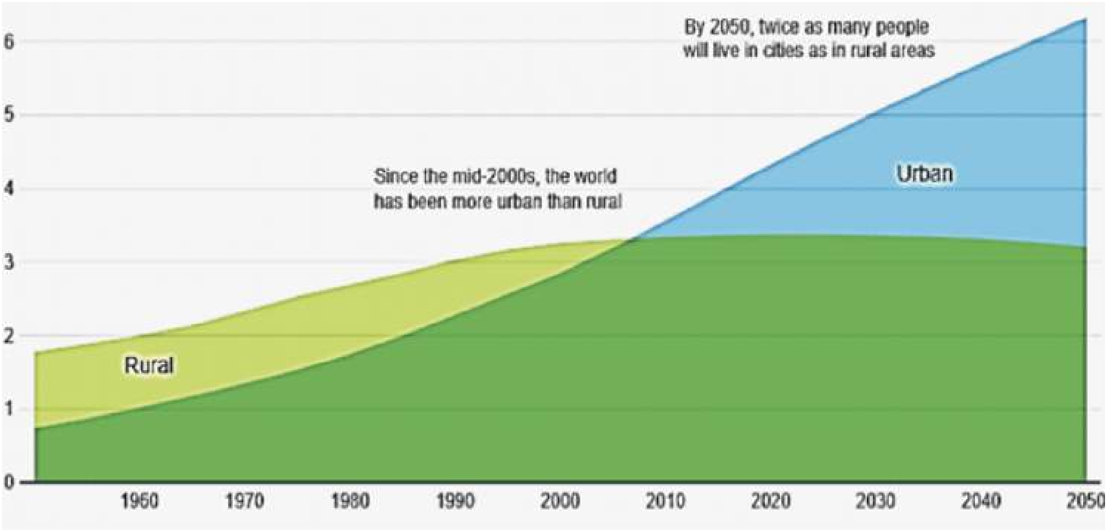

Figure 5: *Global trend in urban and rural population (billions)*

Source: UN World Urbanization Prospects 2018

- ***Globalisation and Economic Integration***

Economies are getting increasingly integrated both domestically and externally. his has caused factors of production such as labour, entrepreneurship and capital to become even more highly mobile, with significant implications for the demand and supply patterns for housing in urban centres and key economic hubs across Africa.

- ***Store of Wealth***

Unlike cash or even bank deposit, landed property generally provides a viable and natural hedge against domestic price inflation because house prices (and rent) typically trend upwards over time, specially in Africa, given the reality of limited supply. This creates a perfect incentive for households and institutions to acquire real-state as sets as a viable store of value (Poole, 2003 Alhashimi & Dwyer, 2004), especially in view of rampant domestic inflation in many African economies, which are often commodity-dependent and the value of whose domestic currencies are highly susceptible to fluctuations in global commodity prices.

- ***Government Policy***

Public policy and development initiatives continue to impact on economic conditions as well as on the dynamics of housing demand and supply (Giussani & Hadjimatheou, 1991), for instance, through the creation of new states, free trade zones, capital cities ad large-scale infrastructure projects such as dams, railroads, airports and seaports. These long-tem public investments often influence and induce changes in housing demand within urban and rural locations across the continent. Government's policy initiatives and deliberate housing-related investments therefore also play an important role as well as exercise an interesting dynamic, in the development and depth of housing markets and housing finance cross Africa.

4. Selected African Housing Programmes and Home Finance Initiatives

In pre-colonial times, housing construction was mostly done by communal effort. Colonial intervention in Africa thereafter necessitated the construction of stately colonial homes and neighbourhoods (for officials and the merchant class), as well as quarters and barracks for civil servants and armed troops respectively. As mineral wealth was discovered and maritime routes developed, settlements also sprang up in the mining locations and harbours where trade proliferated. As such, the urban areas of Africa have continued to be a magnet for migrants and young people, thus creating unceasing demand for housing and social infrastructure, the absence of which causes the rise of slums and observable urban decay.

Over time, the different tiers of post-colonial government in Africa, as well as the private sector, have variously undertaken housing intervention and commercial housing supply. One major criticism of many government-led housing schemes however is that they are often situated in locations that are far from the urban centres[1] and/or the main lines of transport where economic and educational opportunities are limited or even non-existent. Research shows that location is crucial to access to socioeconomic opportunities, economic productivity and household income. Therefore, owing to the key role that location plays in access to social amenities and economic opportunities, it is necessary to stress the need for socioeconomic inclusiveness in the design and implementation of housing policy, with a view to preventing the rise of deprived housing estates, delinquency and 'food deserts' in the foreseeable future. Notable examples of public housing initiatives pursued in Africa are highlighted below.

There was the extensive housing estate construction pursued by former Governor Lateef Jakande in Lagos, as well as the Federal Government-built FESTAC and Satellite Towns in Lagos and Abuja, Nigeria's new Federal Capital Territory. While public housing in Nigeria probably began with the provision of staff quarters and barracks for colonial employees and service personnel respectively, the establishment of the Nigerian Building Society (NBS) in 1956 marked the advent of a formal housing finance sector in the country.

In Nigeria today a secondary mortgage lender—the Nigerian Mortgage Refinance Corporation (NMRC) now exists, as does the Federal Mortgage Bank, the Federal Housing Authority, as well as Mortgage Banks and Housing Corporations owned by sub-national entities. Most nations within the West African Economic and Monetary Union (Union Economique et Monetaire Ouest Africaine [UEMOA])—a regional organisation of eight West African countries consisting of Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo—have also launched national mortgage banks in order to drive affordable home finance and ensure widespread home ownership within their domestic populations. They have of course achieved varying levels of operational success.

Table 2: National Mortgage Banks in UEMOA Countries

UEMOA-Country National Mortgage Bank		Established in
1	Banque de l'Habitat du Senegal	1979
2	Banque de l'Habitat de Cote d'Ivoire	1994
3	Banque de l'Habitat du Mali	199
4	Banque de l'Habitat du Benin	2003
5	Banque de l'Habitat du Burkina Faso	2005
6	Banque de l'Habitat du Niger	2010

[1] Often due to prohibitive land acquisition costs and sometimes due to political considerations

In Johannesburg, the South West Township (SOWETO), along with other townships built by the erstwhile apartheid regime in South Africa, was the initial, albeit perverse, appearance of a public housing programme within the country. Subsequently, in the new democratic dispensation in South Africa, the Reconstruction & Development Programme (RDP) and the Breaking New Grounds Policy have however transferred over 2.975 million 40m2 houses to low-income households in South Africa free of charge. Additionally, three state-sponsored housing financiers were eventually merged into the Human Settlements Development Bank,[2] which is expected to place more emphasis on addressing the economic viability of housing settlements and addressing the spatial divisions that have endured as a legacy of the apartheid policy.

The Third Housing Strategy of Sudan similarly delivered over 300,000 site-and-service plots between 1959 and 2005, while Algeria's Ministry of Housing and Settlements (MoHS) reportedly delivers over 165,000 new housing units very year. In Mali the Mali Mortgage Guarantee Fund (Fonds de Garantie Hypothecaire du Mali or FGHM) provides mortgage guarantees and social housing guarantees, making it easier to obtain mortgage approvals and thus helping to increase the domestic home ownership rate. In post-civil war Liberia, the government established the Liberian Bank for Development and Investment, which offers subsidised mortgages that complement the government-subsidised homes that the National Housing Authority manages. The MAD[3] 250,000, which supplies over 45,000 new housing units annually and the FVIT Housing Programmes[4] in the North African Kingdom of Morocco, are similarly notable examples of public initiatives geared at ensuring mass home ownership within the continent.

However, the observable housing deficits prevalent across Africa continue to indicate that these policy initiatives have not delivered on their objectives partly because of weak implementation but also perhaps because of a lack of in-depth understanding of the fundamentals and complexities involved.

5. Understanding the Key Drivers of Housing Finance and Real Estate Investment

Investment and lending decisions are often influenced by primary motivations, prevalent conditions and causative factors that often determine which markets, sectors, countries, borrowers and institutions attract funding and which ones do not. People and institutions make mortgage credit and property investment decisions based on certain important considerations, whether consciously or subconsciously. Some of the key drivers of real estate investment and the provision of financing for real estate and housing are now discussed hereunder:

5.1 Comparative Economic Returns

Apart from safety of investment, the motivation for competitive return on investment ranks high on the hierarchy of considerations for any investor or lender in any sector and any economy. Landlords are motivated to earn continuous rental income, hence their investing in tenantable residential, commercial and industrial accommodations. This rent has to be comparable to the yield on other comparative investments such as bonds, stocks and fixed deposits, otherwise the

[2] National Housing Finance Corporation (NHFC), Rural Housing Loan Fund (RHLF) and the National Urban Reconstruction and Housing Agency (NURCHA)

[3] Moroccan Dirham (MAD)

[4] Faible Valeur Immobiliere Totale (FVIT) or "Low Real Estate Value - a smaller social housing initiative which nonetheless increased national housing supply by over 28,500 units between 2008 and 2017

quantum of new build may be insufficient to meet available demand. Consequently, a housing boom and eventual supply glut may ensue when and where rent is high because high rent usually induces increased supply—often up to the point of oversupply, which ultimately causes rent cuts and price competition. Similarly, in low-rent neighbourhoods both housing investment and economic activity may remain suboptimal for sustained periods.

Similarly, mortgage lending and investment in real estate products such as Real Estate Investment Trusts (REITs) and Mortgage-Backed Securities (MBS) are motivated by the prospect of superior investment returns. Where returns are predictable and competitive, investment will be buoyant as against a situation when return on investment (ROI) is either trending lower or inferior to the yield(s) obtainable from alternative investment outlets. In the United States of America, for example, MBS issuers such as Fannie Mae, Ginnie Mae, and Freddie Mac guarantee against homeowner default risk. In the case of Ginnie Mae, this guarantee is backed with the full faith and credit of the US Federal Government, thus not only assuring investors of commensurate risk-weighted returns but also of the safety of their investment capital.

5.2 Liquidity

Liquidity refers to the ease of converting an asset or investment to cash as and when necessary. In countries with deeper financial systems and secondary mortgage lenders, real estate assets and instruments are much more liquid than in developing African countries, for instance, where lenders have to hold mortgage risk assets to maturity and sellers face the risk of diminution or outright illiquidity whenever they desire to sell, except in countries were secondary mortgage lenders are starting to emerge, such as Nigeria, Tunisia, and South Africa. It is therefore the norm that where the risk of illiquidity (whether of real estate investment instruments or of the houses themselves) is high or the process of titling is cumbersome, housing finance and real-estate investment flows will usually be suboptimal.

5.3 Policy Stimuli

When government desires to encourage investment in particular sectors of the economy, measures and policies are often introduced to ensure that both private and public capital gets sufficiently deployed in order to give impetus to the policy pivot and to help deliver the desired outcomes. In the United Kingdom, for instance, the Help-to-Buy[5] scheme has led to a significant increase in new house build (Trotman, 2013), as both house builders and first-time buyers have eagerly taken advantage of the policy stimulus.

Similarly, the introduction of any of the following policy stimuli, especially in large property markets, often encourages increased investment from domestic households and foreign buyers as well as investors:

- waiver of, or reduction in, stamp duty and other transfer charge.
- elimination of, or reduction in, capital gains tax.
- income tax relief for housing construction and mortgage expenses.
- streamlining of title processing procedures.

[5] Which provides mortgage guarantees and/or 20% - 40% interest-free equity loans for first time home buyers

easier access to land ownership and legal occupancy as witnessed in, and encouraged by, various legislations in South Africa such as Prevention of Illegal Eviction from Unlawful Occupation of Land Act (1999), the Interim Protection against Land Rights (1996) and the Housing Consumer Protection Measures Act (1999).

Government-led initiatives such as affordable home finance and loan guarantee schemes as currently being implemented in Mali by FGHM, for instance.

creation and/or encouragement of secondary mortgage lenders, deeper capital markets and derivative instruments such as REITs and MBSs.

improved public access to social housing schemes and new town developments.

supply-side interventions such as Estate Development Loans and interest rebates for commercial housing construction as witnessed in Senegal and Tunisia.

residency visa schemes tied to home ownership.

reduction in the cost of title registration.

The list is by no means exhaustive. Suffice to say that where incentives are plenty and capital is welcome, private capital will always flow. As it is often said, "Capital is a nomad that goes where it is most welcome.

5.4 Availability of Infrastructure

The availability of primary infrastructure such as roads, drainage and electrification, as well as of economic infrastructure such as sea and airports and industrial estates, is often a key practical consideration in decisions such as where to live, build or buy a home. In much of urban Africa, the few residential districts with anywhere near fully-built infrastructure are either the erstwhile European quarters or the post-colonial capital cities where the government bureaucracy and the diplomatic community reside.

An emerging trend perhaps portends the future direction: New, though highly-priced, housing districts are being developed that enjoy above-average levels of public infrastructure and are usually accessible only to the middle-class and upper echelons of the local domestic society. Such districts may be privately developed, e.g., Katampe District in Abuja, or publicly constructed, e.g., Lekki Phase I and Lekki Phase II in Lagos—both in Nigeria. The availability of good infrastructure, as well as the concentration of high-income households, makes such locations attractive to home buyers, estate developers and realty investors.

5.5 Level of Financial System Development

As earlier noted, where the domestic financial system is well developed and secondary mortgage lenders exist, investment flows and aggregate credit in housing and real estate will be optimal and less constrained, as experienced by countries with less advanced financial services sectors. Bist (2018) demonstrated the correlation between the levels of a country's financial system and the people's standard of living. Even within the same country, the city that houses the bulk or hub of the nation's financial sector is often more prosperous, with the per capita income being higher than the national average. Accordingly house prices may usually be higher in such cities than the median within the country. In developed banking markets such as Hong Kong or the United Kingdom, mortgages represent over a quarter (25%) of most banks' loan book and of the banking sector's aggregate credit volume. However, in underdeveloped banking societies banks will rather hold short-maturity instruments such as treasury bills and invoice lending, as in the case of Nigeria.

5.6 Macroeconomic Conditions

People have rational priorities, hence will usually only consider financing a permanent home if income is buoyant or rental cost exceeds comparable mortgage repayment obligations. Regardless of the level of financial system development, subsisting macroeconomic conditions and outlook influence all capital asset and long-term investment decisions such as home building, taking a mortgage loan, funding construction and/or renovation. As observed recently in Nigeria in 2016 and 2017, asset prices usually plummet during an economic recession, eventually having an effect on the trend of house prices. Conversely, the value of real estate markedly increases during periods of sustained high GDP-growth, often well in excess of applicable construction costs.

5.7 Speculation

Home ownership is often glamourised and landlords are highly respected in rental-dominated urban African housing markets. Therefore, as is the case globally, both private buyers and institutional investors hold property assets such as houses, land and commercial property for speculative purposes with the express intention of resale. Sometimes, people also hold real estate investments because of the dual potential for capital appreciation and on-going rental income. Therefore, speculative motivations will always inspire people and institutions to hold land, real-estate investments and/or borrow or lend for such purposes.

6. How Addressing the Constraints to Mass Home Ownership and Housing Finance Aids the Attainment of Specific Sustainable Development Goals in Urban Africa

Naturally, diagnosis ought to precede prognosis. Therefore, it is necessary to first identify the existing constraints to housing supply in Africa with a view to properly addressing them—and prior to tackling the issue of housing finance. While circumstances and conditions vary considerably across Africa, the most common and principal constraints (both remote and immediate) include the following:

land tenure and title processing.

inadequate built-up infrastructure.

importation of building materials.

dearth of skilled personnel.

product mismatch.

high cost of finished housing units.

exorbitant finance cost and underdeveloped mortgage sectors.

inadequate or non-existent public housing.

Addressing these challenges successfully will likely bring about direct positive payoffs in the bid to attain the Sustainable Development Goals in urban Africa, viz:

Affordable Housing Finance and Sustainable Development Goals

When houses are built: families get decent accommodation; workers get employed and paid; suppliers get patronised and their sales turnover increases; service providers such as valuers, estate agents, solicitors, etc., also get rewarded for their respective roles and participation within the value chain.

All of these activities help to create economic opportunities and household income, thus sustainably addressing poverty.

As mentioned earlier, housing and construction are labour-intensive endeavours that require the hiring of qualified people and doing business with input suppliers.

The multiplier effect of housing activity, including housing finance, is positive for job creation, aggregate employment and sustainable GDP growth.

How modern a country has become is often observable from the skyline as well as the beauty and functionality of the cityscape of its metropolises and suburbia.

Housing is a complex and composite activity and the more houses and urban infrastructure that get built, the more a country's housing sector' manpower pool, raw material production capabilities and building construction industries become more adept, advanced and competitive.

Enhancing access to affordable mortgage finance and public housing will help reduce poverty and create avenues for the building of sustainable wealth. This is because home ownership is a principal cornerstone of household wealth and the building of homeowner equity and intergenerational wealth.

The development and deepening of housing finance and home construction will help provide both jobs and homes and contribute towards mitigating the ill-effects of rural migration within urban Africa.

A well-developed domestic housing and housing finance industry will eventually help address unstructured urban sprawl and slum settlements not only by providing acquisition, construction and renovation finance for housing but also by ensuring and enforcing higher levels of quality and operating standards pursuant to loan covenants as well as mortgage underwriting requirements and mortgage refinancing standards.

Consequently, housing provision is clearly an important composite socioeconomic activity that reduces poverty (SDG 1), provides decent work opportunities and promotes economic growth (SDG 8) while helping to foster the attainment of other Sustainable Development Goals (SDGs) in many other ways. The following points are also worth noting:

The processes involved in increasing the supply of urban housing stock in Africa (at scale) augur well for the promotion and advancement of Industry, Innovation and Infrastructure (SDG 9).

Getting more people in Africa on the "housing ladder through enabling policy initiatives and innovative market practices will therefore help build household wealth, enhance human living standards and thus Reduce Poverty (SDG 1) and Reduce Inequalities (SDG 10)

Consequently, successfully addressing the challenge of housing finance in urban Africa will help build Sustainable Cities and Communities (SDG 11).

7. Recommendations and Conclusion

Housing is fundamental to meaningful human existence and attainment of the ambitious Sustainable Development Goals (SDGs). However, urban home ownership is increasingly only affordable to those on the higher rungs of the income ladder in many sub-Saharan African countries despite the demographic trajectory of most of these nations. This chapter has therefore been a pragmatic attempt to address that specific problem by discussing the remote and immediate causes of the low rates of adult home ownership and housing deficits in urban sub-Saharan Africa. The chapter now offers a useful toolbox from which each national economy, via its policymakers and market practitioners, can pick and choose the tools and techniques most suitable to its unique circumstances.

7.1 Recommendations

Sustainable housing provision requires financing (Kim, 1997; Quigley, 2000; Warnock & Warnock, 2008) both for construction and infrastructure as well as for mortgage finance and home improvement/expansion. Consolidating on recommendations earlier made herein, various useful measures and policies are hereunder highlighted that policymakers and industry participants can adopt and customise towards sustainably availing families and citizens of adequate housing finance within Africa's fast-growing urban spaces.

Sovereigns should deploy their creditworthiness, especially in domestic bond markets, to underwrite targeted initiatives such as mortgage refinance, public housing, mortgage guarantees and subsidised mortgages, etc., in view of the positive multiplier effects and the development implications. Development planners in each nation must specify bold budgetary targets for public housing and related infrastructure in order to complement the commercial housing industry and help bridge the national housing deficit.

Secondary mortgage lenders and mortgage guarantee schemes should equally be used to boost lending capacity and access to mortgages as well as making mortgage interest expense tax-deductible, a situation that will, in turn, make home loans more affordable. A wide variety of pre-approved prototype architectural designs can be made publicly available to reduce the pre-development cycle and costs as well as bureaucratic approval procedures. In addition, ancillary fees and hourly charge-out rates for building professionals ought to be better regulated and made tier-based in order to standardise typical Bills of Quantities (BoQs). The introduction of fiscal incentives for the construction and financing of low-income housing should be pursued with forthrightness and urgency, especially within sub-Saharan Africa where housing deficits are more prevalent. The popularisation of housing micro-credit and housing cooperatives and the financing of incremental construction also remain critical and integral to aggregate supply growth in Africa.

Furthermore, ensuring a healthy mix and balance of income segments in urban planning, zoning and the issuance of building permits based on demographic trends and research data will also augur well for SDGs in Africa, especially when implemented along with other proactive policies such as extensive and widespread vocational training to increase and enhance locally available home-building capacity. Ultimately the promotion and enhancement of indigenous building technologies, especially by employing the use of policy incentives and off-take agreements to enhance in-country production of as many building materials and construction inputs as possible, remains an imperative for African countries. In broad terms, cheaper building materials technology should be encouraged and popularised to radically reduce construction cost and Bills of Quantities (BoQs) in order to deliver more homes and value for money.

In the interim, however, the phased elimination or reduction of import duties on critical inputs not produced domestically is recommended in order to reduce the cost and selling prices of built homes. Private capital should also be incentivised and deployed to develop infrastructure and new town developments. District infrastructure can additionally be financed with (accumulated) property taxes, land acquisition and title transfer revenue, as well as government bonds. In consequence, various grades of district infrastructure may be constructed to cater for diverse budgets and end-user income segments. Ease of access to public lands for structured home developments should be improved. The power for granting title should also be expeditiously devolved and the procedures for title processing simplified towards ensuring that the cost of title processing is universally affordable within the nation-states comprising the African Union, with regard to the worrying phenomena of housing deficits and rising homelessness in urban Africa.

Other recommendations include the need for freehold titles to be more widely available and leasehold titles to be as long-tenured as possible. The waiver of, or reduction in, stamp duty and other transfer charges will equally help moderate home acquisition cost(s) as will the outright elimination of, or reduction in, capital gains tax where possible.

On the supply side, also useful would be income tax relief for housing construction and mortgage expenses, the streamlining of title processing procedures and the provision of estate development loans and interest rebates for commercial housing construction. Equally useful would be mortgage guarantee schemes and the emergence and development of secondary mortgage lenders, who help primary mortgage institutions to originate far more home loans via the purchase of standardised existing mortgages, thus allowing primary lenders to replenish their capital more quickly by not needing to hold mortgage debt to maturity. The financing of secondary mortgage lenders via the capital market, through the issuance of mortgage-backed securities such as the NMRC 13.8% 15 March 2033 bond in Nigeria, also plays an important and sustainable mediation function between otherwise illiquid mortgage lending portfolios and the institutional investment capital within each economy, which ultimately provides Decent Work Opportunities and promotes Economic Growth (SDG 8) while aiding Industry, Innovation and Infrastructure (SDG 9).

It is also crucial to have improved public access to social housing schemes and new town developments in order to Reduce Poverty (SDG 1) and Inequalities (SDG 10) within urban African societies, since not everyone will be able to get on the housing ladder on strict commercial terms.

7.2 Conclusion

The room for innovation is unlimited and individual necessities will further create opportunities for unique solutions to national housing deficits within respective nation-states on the continent. However, this cornucopia of ideas and initiatives will prove useful only in view of the long-term objectives and the likely consequences of further inaction.

Ultimately getting more people in Africa on the "housing ladder through enabling policy initiatives and innovative market practices will help build household wealth, enhance human living standards and thus Reduce Inequalities (SDG 10). The processes involved in increasing the supply of urban housing stock in Africa at scale augur well for the promotion and advancement of Industry, Innovation and Infrastructure (SDG 9) because the building of one house typically creates up to five permanent jobs in aggregate macroeconomic terms.

Consequently, successfully addressing the challenge of Housing Finance in urban Africa will help build Sustainable Cities and Communities (SDG 11). It is now becoming increasingly apparent that housing provision is clearly an important composite socioeconomic activity that Reduces Poverty (SDG 1), provides Decent Work Opportunities and promotes Economic Growth (SDG 8)

This chapter has thus identified the key constraints to the growth of affordable housing finance in Africa as well as proffered a pragmatic policy toolbox and housing finance market development initiatives that lend themselves well to successfully addressing the dual challenge of sustainable housing provision and affordable housing finance in urban Africa – since around 40,000 rural migrants (IFC, 2014) arrive at the urban areas every day across the continent.

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