

OCTOBER 2020

IMPACT REPORT BRIEFING



**KEY FINDINGS ON
QUALITY OF LIFE IN REALL'S
AFFORDABLE HOMES**

EXECUTIVE SUMMARY

“THIS HOUSE WAS VITAL IN MY SUCCESS. NOW ... I’M A CITIZEN OF THIS CITY. MY FIRST PRIORITY USED TO BE TO EARN ENOUGH MONEY TO BUY A HOUSE, BUT NOW MY DREAMS HAVE BEEN CHANGED.”

KUNJANI – FEMALE HOMEOWNER, POKHARA, NEPAL

At least 1.2 billion people worldwide live in substandard housing, and this challenge is escalating quickly in the context of explosive urban growth. There is an urgent need to mobilise investment and deliver housing at scale for people on low incomes, especially in rapidly urbanising Africa and Asia.

As a market leader with over 30 years’ experience in the international affordable housing sector, Reall knows that quality housing has cross-cutting positive benefits on the lives of families and communities living on low incomes, contributing to 16 out of 17 of the UN Sustainable Development Goals. In this report, Reall presents the key findings of an ambitious impact evaluation of housing projects in four of our priority countries – India, Kenya, Nepal, and Pakistan.

Through 1,259 household surveys, along with extensive focus groups, interviews and site visits, Reall has generated substantive evidence about its housing investments, partners, and clients. Much of this information captures the profound positive impact of commercially viable housing on the health, wellbeing, and opportunities of

people in the bottom 40% of the income pyramid. Using a mixed qualitative and quantitative ‘Quality of Life Index’ to assess this data, we demonstrate increased quality of life of between 21% and 34% for Reall homeowners across the surveyed countries. These impacts are especially radical for women and girls.

This data and information is essential to better understand customers on low incomes, prove the positive developmental impact of housing, and highlight key learnings for Reall and the wider sector to address challenges and improve effectiveness.

Through this evidence, Reall contributes new knowledge and catalyses stakeholders to unlock affordable housing solutions at scale in emerging economies.

When we create vibrant communities people want to live in, growing markets that businesses want to operate in, and profitable platforms investors want to invest in, we also help create a more secure and just world for us all.

KEY DATA

1

ENVIRONMENTALLY AND COMMERCIALY VIABLE AFFORDABLE HOUSING MODELS SUBSTANTIALLY IMPROVE THE LIVES OF PEOPLE ON LOW INCOMES

2

QUALITY OF LIFE IMPROVES CONSIDERABLY (28%) AFTER MOVING INTO A NEW HOME

3

ALL HOMES HAVE DECENT WATER ACCESS WITH A 65% INCREASE IN HOUSEHOLDS WITH PIPED, IN-HOME CLEAN WATER

4

ALL HOMES HAVE DECENT SANITATION WITH A 71% INCREASE IN HOUSEHOLDS WITH PIPED, IN-HOME CLEAN SANITATION

5

82% OF HOMEOWNERS CONSIDER THEIR HOUSING FINANCE REPAYMENTS TO BE AFFORDABLE – PROVING THE CAPACITY OF CUSTOMERS ON LOW INCOMES TO REPAY LOANS, ACCESS IMPROVED SERVICES, AND CREATE AN OWNED ASSET THAT RADICALLY CHANGES THEIR LIFE CHANCES

6

WOMEN AND GIRLS EXPERIENCE THE GREATEST TRANSFORMATIONAL HOUSING IMPACTS, SIGNIFICANTLY IMPROVING THEIR HEALTH, PRIVACY, SAFETY, OPPORTUNITIES, AND LIFE CHANCES

REALL & AFFORDABLE HOUSING

THE GLOBAL HOUSING CHALLENGE

At least 1.2 billion people worldwide live in substandard housing, often lacking access to basic services and infrastructure. This challenge is escalating quickly, and 300 million new homes will be required by 2030 to bridge the global deficit – with 90% of this need concentrated in Africa and Asia. Reall calculates this will require a global investment of \$17 trillion to deliver, representing a huge untapped market for the private sector.

While the challenge is vast, the opportunity is enormous.

Delivering quality, serviced, affordable housing at scale in Africa and Asia will unleash transformative outcomes for millions of people in the lower end of the income pyramid. Simultaneously, investment in affordable housing catalyses economic growth, financial inclusion, urban resilience, and climate change mitigation.

In the context of the Covid-19 pandemic and economic contraction, the centrality of housing to sustainable development has never been more evident.

INTRODUCING REALL

Reall is an innovator and investor in affordable housing for people living on low incomes in urban Africa and Asia. With UK government (FCDO, formerly DFID) and Swedish government (Sida) support, Reall is building the affordable homes movement for the bottom 40% of the income pyramid through commercially viable and climate-smart \$10K homes. With over 30 years' experience in the sector, Reall operates in 14 countries and has identified six priority geographies where efforts will be concentrated – India, Kenya, Nepal, Nigeria, Pakistan, and Uganda.

Reall and its network of in-country partners specialise in affordable housing and end-user financing solutions, while also tackling systemic political, regulatory, and financial barriers through strategic brokering interventions. Since 2000, Reall has invested \$68 million in affordable housing projects in urban Africa and Asia. This has housed over 100,000 people and created 80,000 new jobs. Reall has recently spearheaded a holistic strategy in priority countries, leveraging partnerships and innovations to crowd in new actors and transform markets. This will improve the lives of 100 million people in urban Africa and Asia by 2030.

IMPACT EVALUATION

To prove that affordable housing for the bottom 40% is a viable solution and investable proposition, Reall documents the socio-economic impact of home ownership for people living on low incomes. Towards this goal, Reall led an impact study across four priority countries (India, Kenya, Nepal, Pakistan) in 2019-20. This focused attention on 1259 homeowners and their families in Reall-supported affordable housing developments, collecting quantitative and qualitative data through questionnaire surveys, focus group discussions, key informant interviews, client interviews, and project site visits. A baseline was established through homeowners recollecting their previous socio-economic circumstances, and how these have changed since moving into their new homes.

This research has produced a compelling body of evidence for the sustainable impact of affordable housing for people living on low incomes. Across the four countries, Reall's impact data repeatedly demonstrates transformative impacts on quality of life, health, opportunities, access to clean water and sanitation, and gender equality. The most significant findings from across the four countries are presented in this report, as a call to action for increased investment in affordable housing in Africa and Asia. Further evidence and findings from this will be published by Reall in order to mobilise resources and catalyse markets.

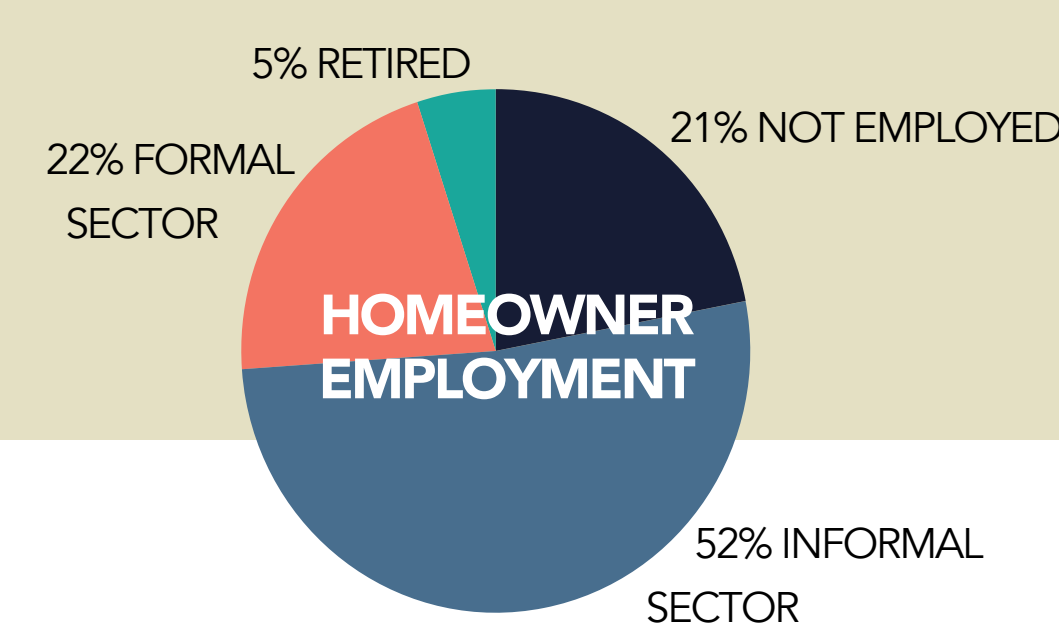
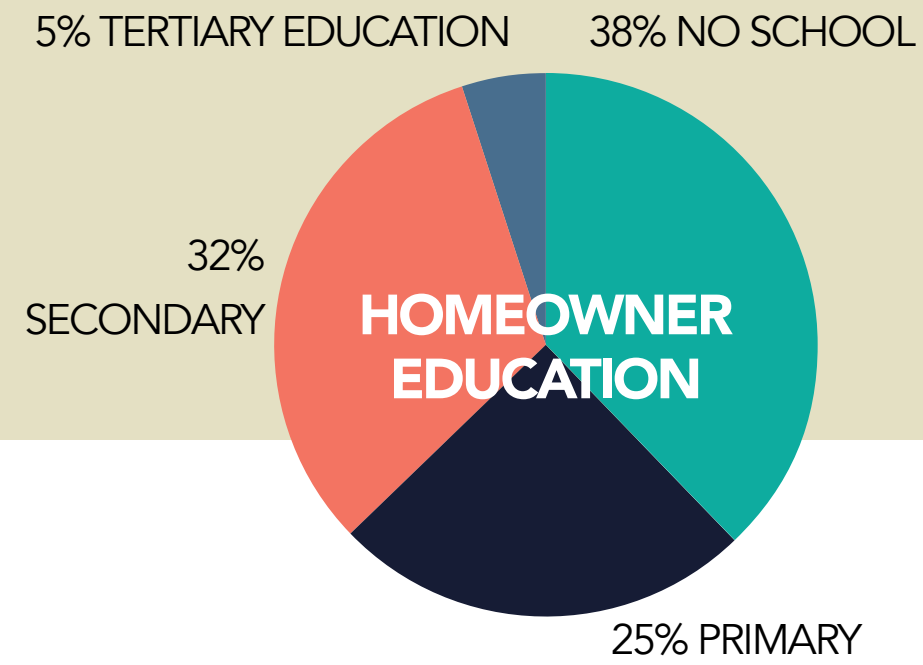
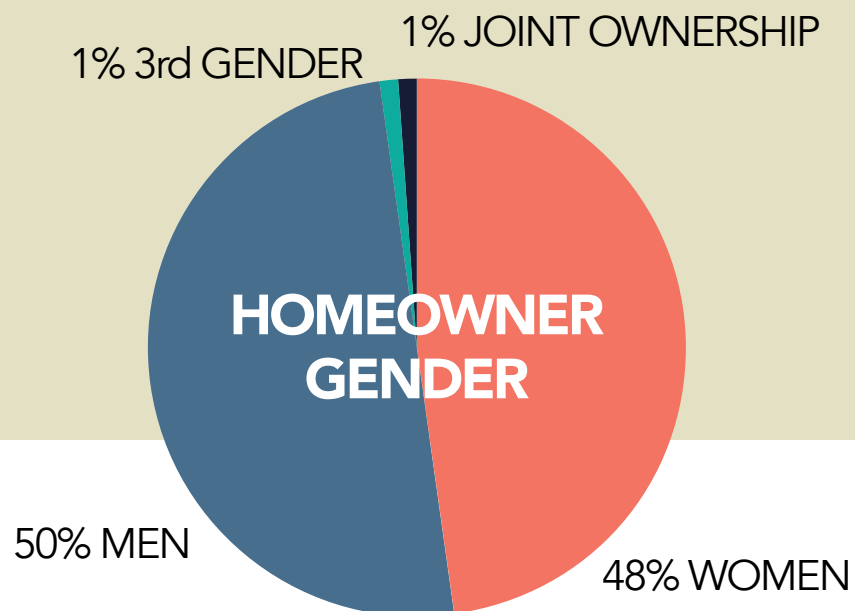
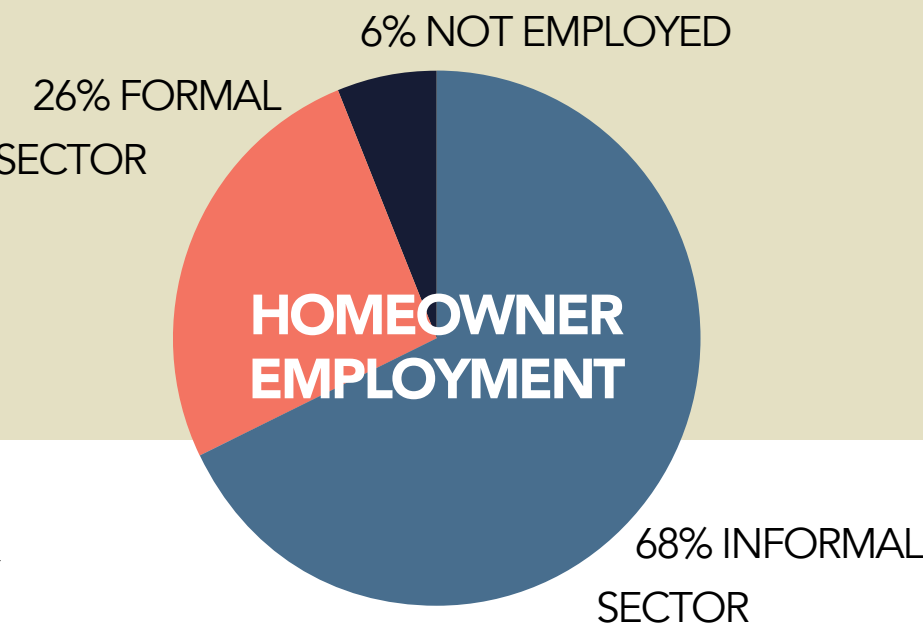
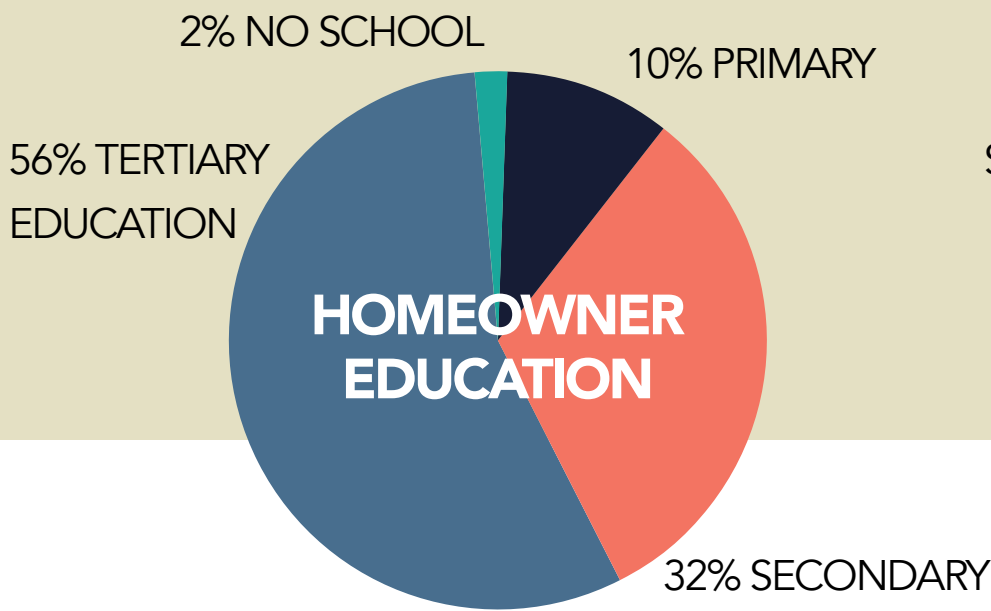
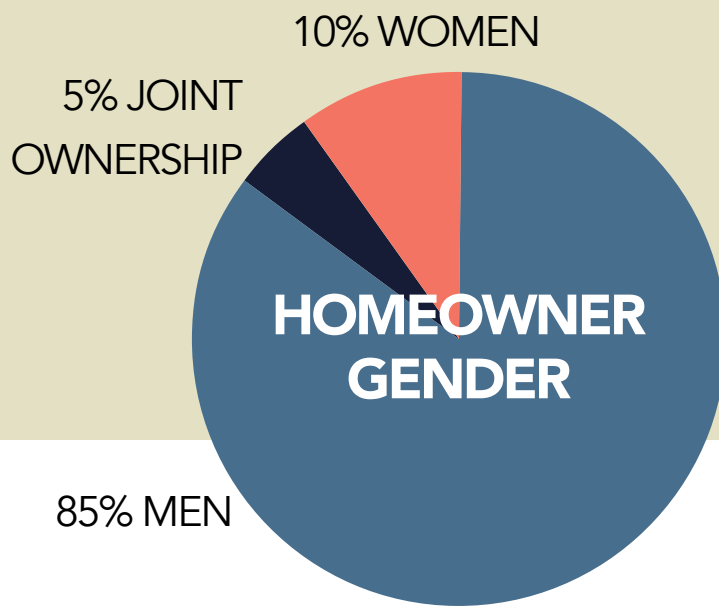
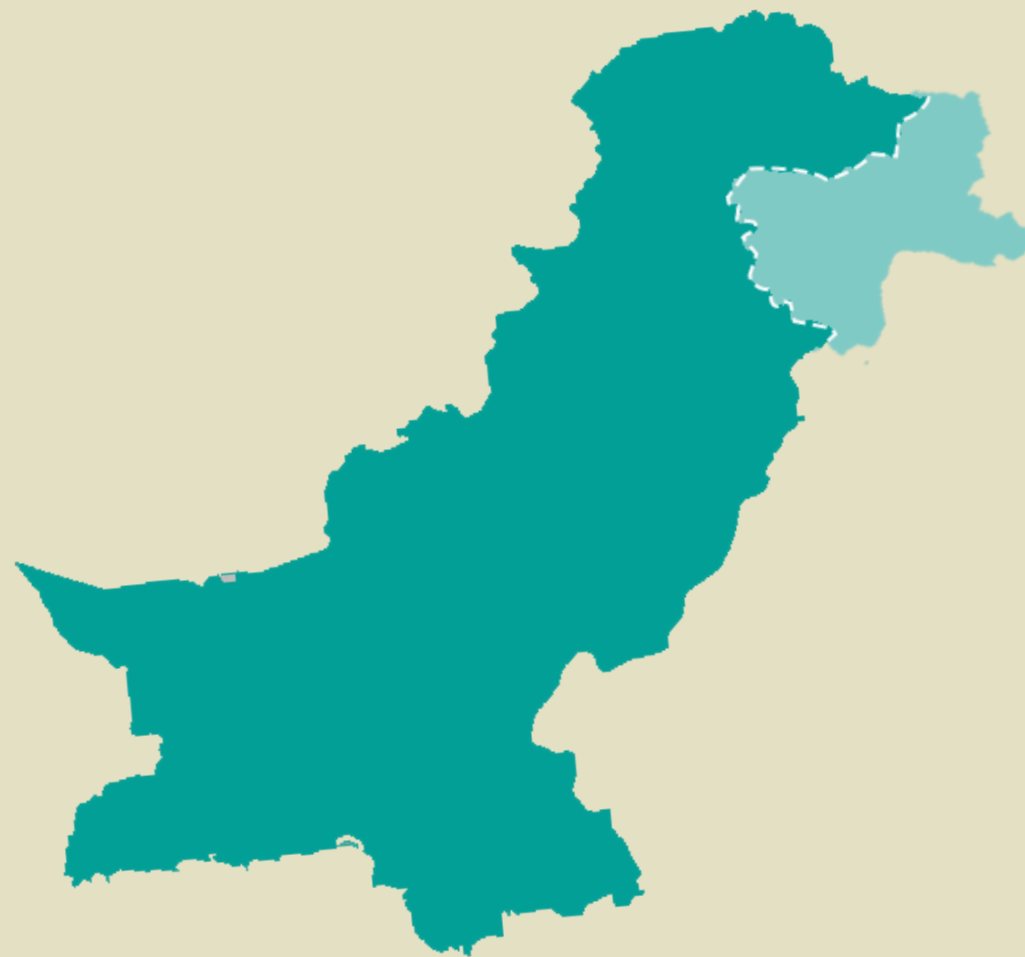


SURVEYED COUNTRIES & PARTNERS

PAKISTAN

Housing in Pakistan is unaffordable for the majority of the population, reflected in a national housing deficit of at least 10 million homes. Almost half of all urban dwellers live in informal settlements. The current government has pledged to facilitate construction of millions of low-income housing units and promotes investment in housing as a means to generate jobs and stimulate economic growth. Mobilising investment and resolving market bottlenecks will unleash huge developmental and commercial opportunity in Pakistan. A priority country, Reall has operated in Pakistan since 1992 and undertaken more commercial strategies since 2014.

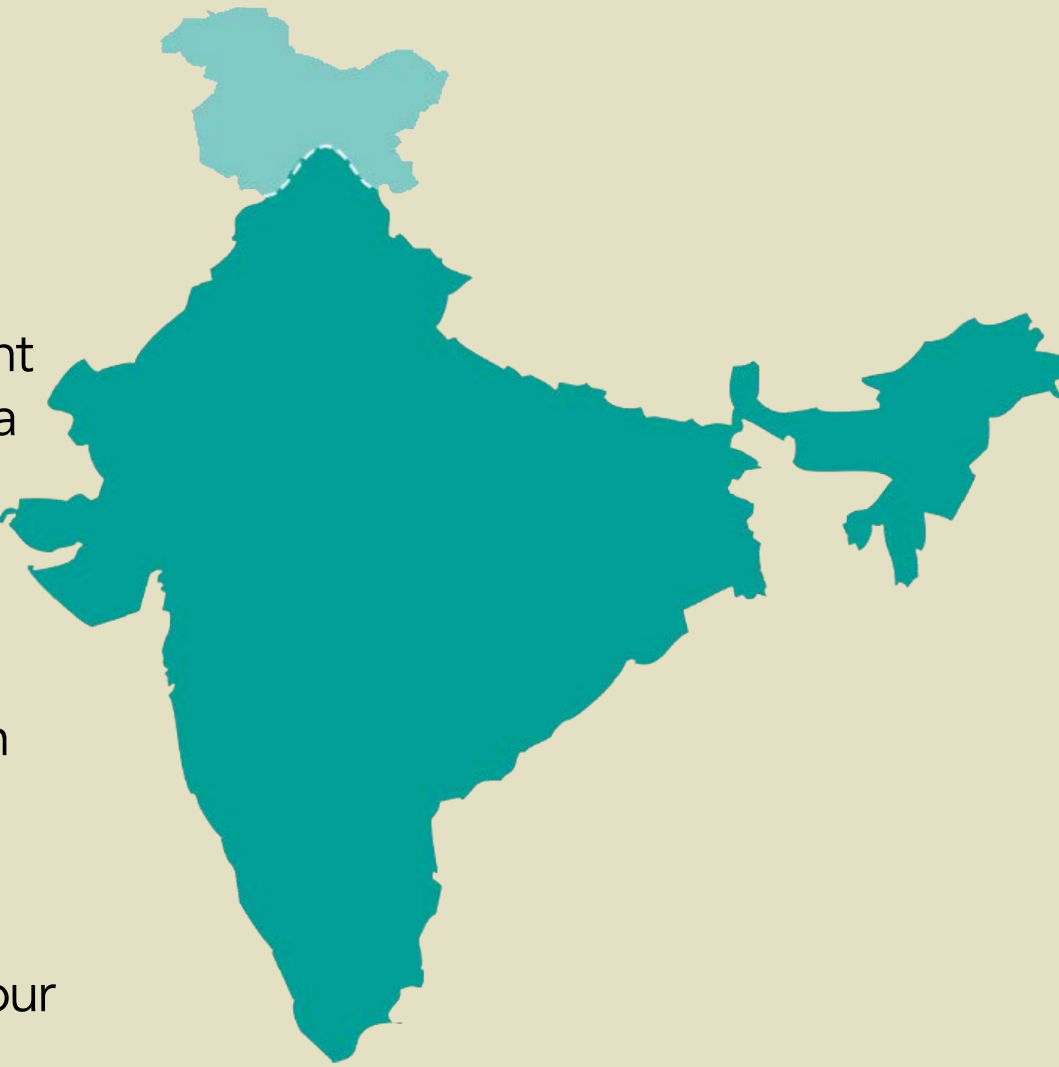
In Pakistan, Reall has partnered with the Ansaar Management Company (AMC) since 2014. A social enterprise operating within several large cities, AMC develops mixed-tenure housing to be sold on the open market with the aim of building safe and sustainable communities. With investment from Reall of over \$11.5 million to date, AMC has constructed over 650 houses and plots with over 3,000 more awaiting development. AMC has also pioneered commercial bank mortgages for low-income customers. This Impact Study examined an AMC affordable housing community in Faisalabad District, surveying 81 households.



INDIA

India has made significant progress towards eradicating extreme poverty. However, many Indians still live below the poverty line, and substandard housing is a significant root cause of urban inequality. The Indian government has pledged to provide housing to all citizens by 2022 and is actively promoting private sector delivery. Yet the housing deficit remains substantial (40 million homes), and more must be done to deliver at scale and across different regions. As a priority country, Reall has been operating in India since 1992 and undertaking a more commercial approach since 2000.

Reall has partnered in India with SPARC Samudaya Nirman Sahayak (SSNS) since the early 2000s. SSNS is the construction arm of the Society for the Promotion of Area Resource Centres (SPARC), an NGO focused on housing and infrastructure issues relating to the urban poor. Reall and SSNS have completed over 6,600 new homes for poor Indian households, leveraging government subsidies and schemes to recoup significant funds from state actors (\$24.5 million from an initial investment of \$6.3 million). This recycles capital and accelerates delivery at scale, demonstrating a commercial opportunity. Reall's Impact Study examined four SSNS projects in Mumbai and Pune, surveying 616 households.



SURVEYED COUNTRIES & PARTNERS

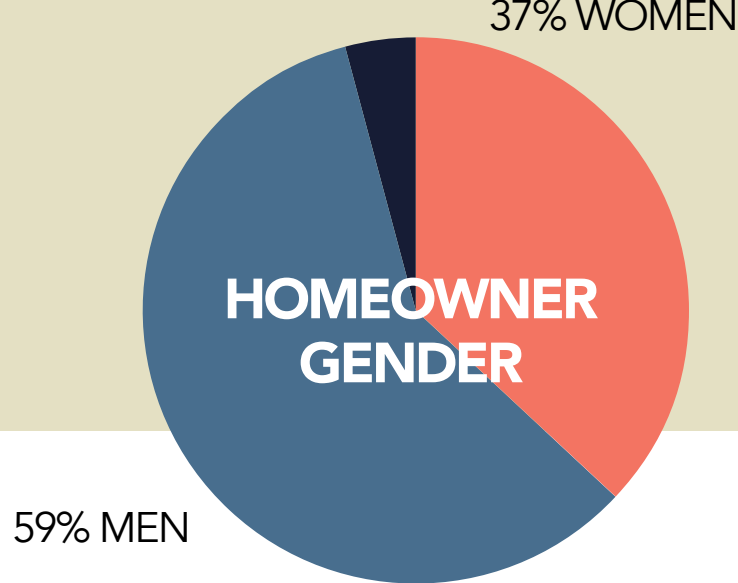
KENYA



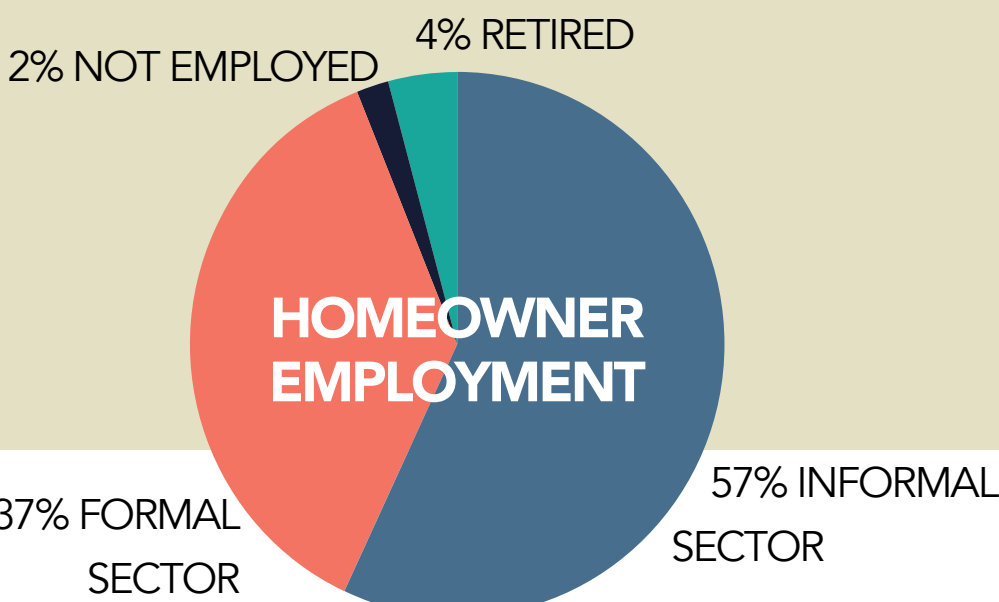
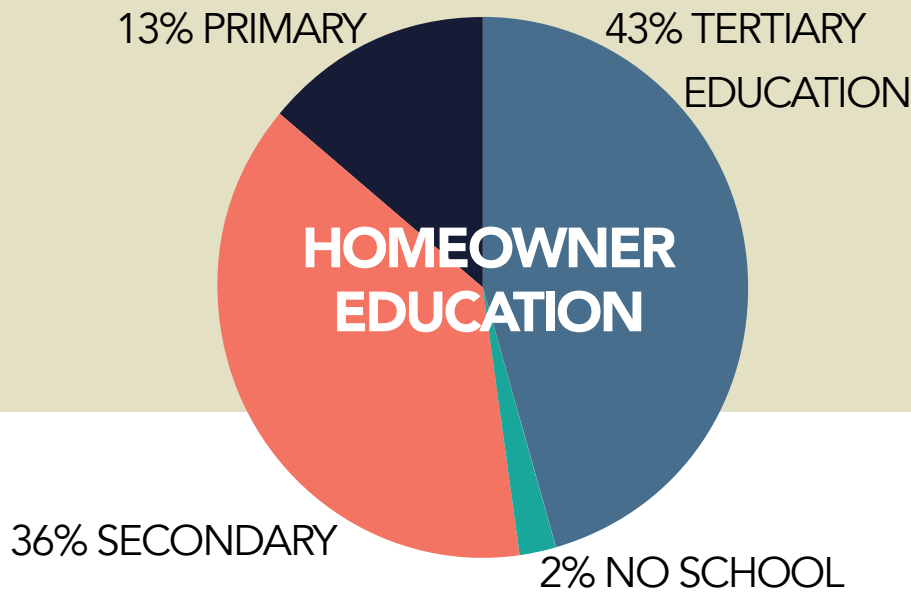
Like many Sub-Saharan African countries, demand for housing consistently outstrips supply in Kenya. This has contributed to a national housing deficit of at least 2 million units. The Kenyan government has recognised affordable housing as one of its ‘Big Four’ development priorities, implementing reforms and incentives to foster a more conducive construction environment. Increased collaboration and evidence are now needed to narrow the affordability gap and incentivise investors and developers. A priority country, Reall has been operating in Kenya since 1991 and pursuing a more commercial strategy since 2005.

Reall has invested almost \$15 million to date for affordable housing in Kenya. Of this over \$3 million is recycled funds, demonstrating commercial viability. The majority of this engagement has been in partnership with the National Cooperative Housing Union (NACHU). An umbrella organisation for Kenyan co-operatives, NACHU improves housing conditions for low income communities throughout the country. NACHU has completed over 1,800 homes with Reall support, housing 7,000 people and creating over 9,500 jobs. This Impact Study explored seven NACHU projects in Nairobi County, Kajiado County, and Machakos County. In total, 174 households were surveyed.

HOMEOWNER GENDER



HOMEOWNER EDUCATION



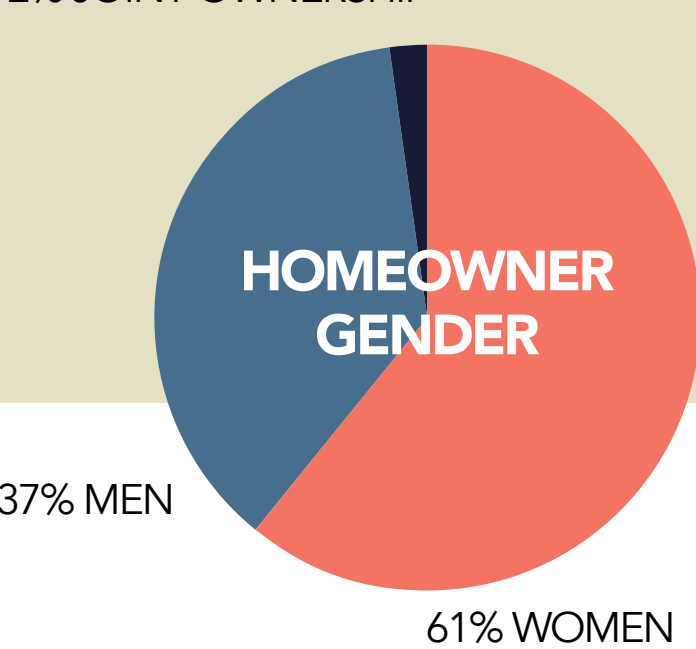
NEPAL



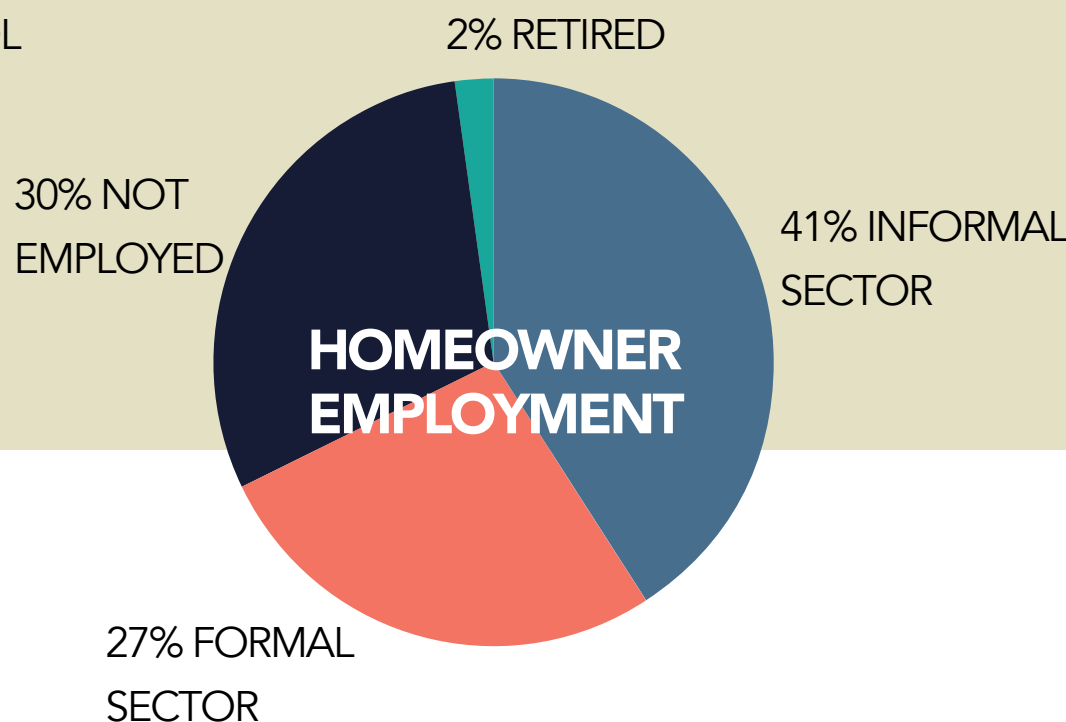
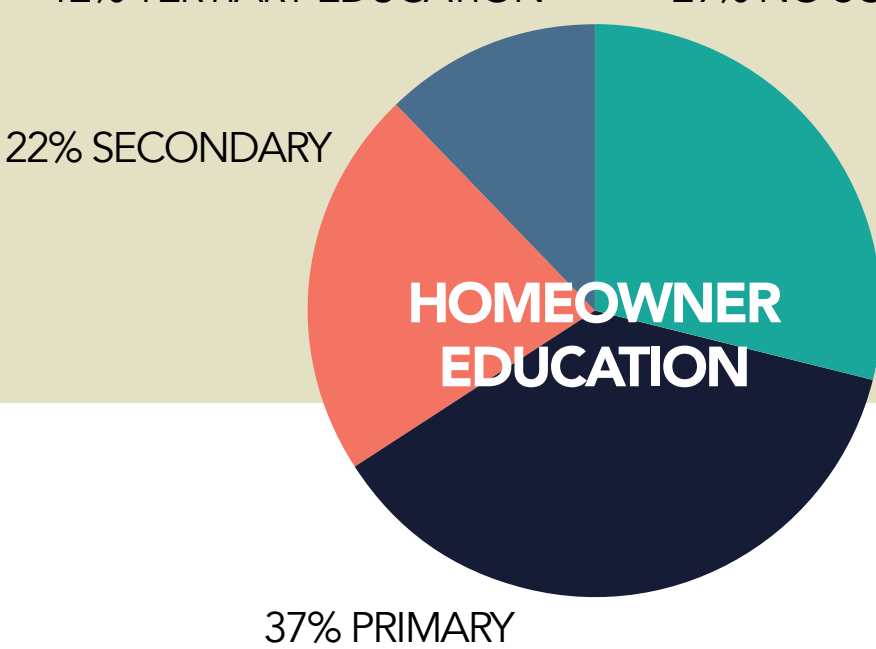
A significant proportion of Nepal’s population lives in substandard housing, worsened by the 2015 earthquake which destroyed 700,000 homes. While the Nepali government has gradually reduced the proportion of the population living in slums, the national housing challenge remains significant. Less than 40% of all homes in Nepal are regarded as structurally safe, and in an uncrowded market there is deep potential for innovative affordable housing solutions. As a priority country, Reall has operated in Nepal since 2011.

In Nepal, Reall has primarily partnered with Lumanti – an NGO established to alleviate poverty through improving shelter. Lumanti has pursued a holistic approach that includes housing construction, slum upgrading, savings and credits, water and sanitation, research, and advocacy. Reall has established a revolving loan fund with Lumanti, successfully recycling over \$2.5 million to date. This has delivered over 2,000 homes and housed over 11,000 people. Lumanti has also made significant breakthroughs in mobilising commercial bank finance for low-income housing. This Impact Study project investigated six Lumanti projects in Kathmandu Valley and Pokhara Metropolis, surveying 388 households.

HOMEOWNER GENDER



HOMEOWNER EDUCATION





QUALITY OF LIFE

“HERE THE ENVIRONMENT IS VERY SAFE AND CALM... I’M VERY HAPPY HERE, SO IS MY HUSBAND AND CHILDREN.”

**BUSHRA ZULFIQAR—
HOMEMAKER, FAISALABAD,
PAKISTAN**

To document the impact of affordable housing, Reall has surveyed 1,259 homeowners living on low incomes across 17 project locations in India, Kenya, Nepal, and Pakistan. This survey posed 11 wellbeing indicator questions, to gauge impact on:

- Overall life satisfaction
- Standard of living
- Health
- Quality of sleep
- Opportunities and achievements
- Personal relationships
- Safety and security
- Community cohesion
- Quality of local environment
- Job satisfaction
- Longer-term life prospects

Collecting this evidence produced 230 different sets of data, with almost 300,000 data points. The findings of this are profound in all four countries. Significant improvements were captured across all 11 wellbeing indicators, demonstrating a better quality of life for the overwhelming majority of households. This is compelling evidence for the direct, cross-cutting socio-economic impact of improved housing in urban Africa and Asia.

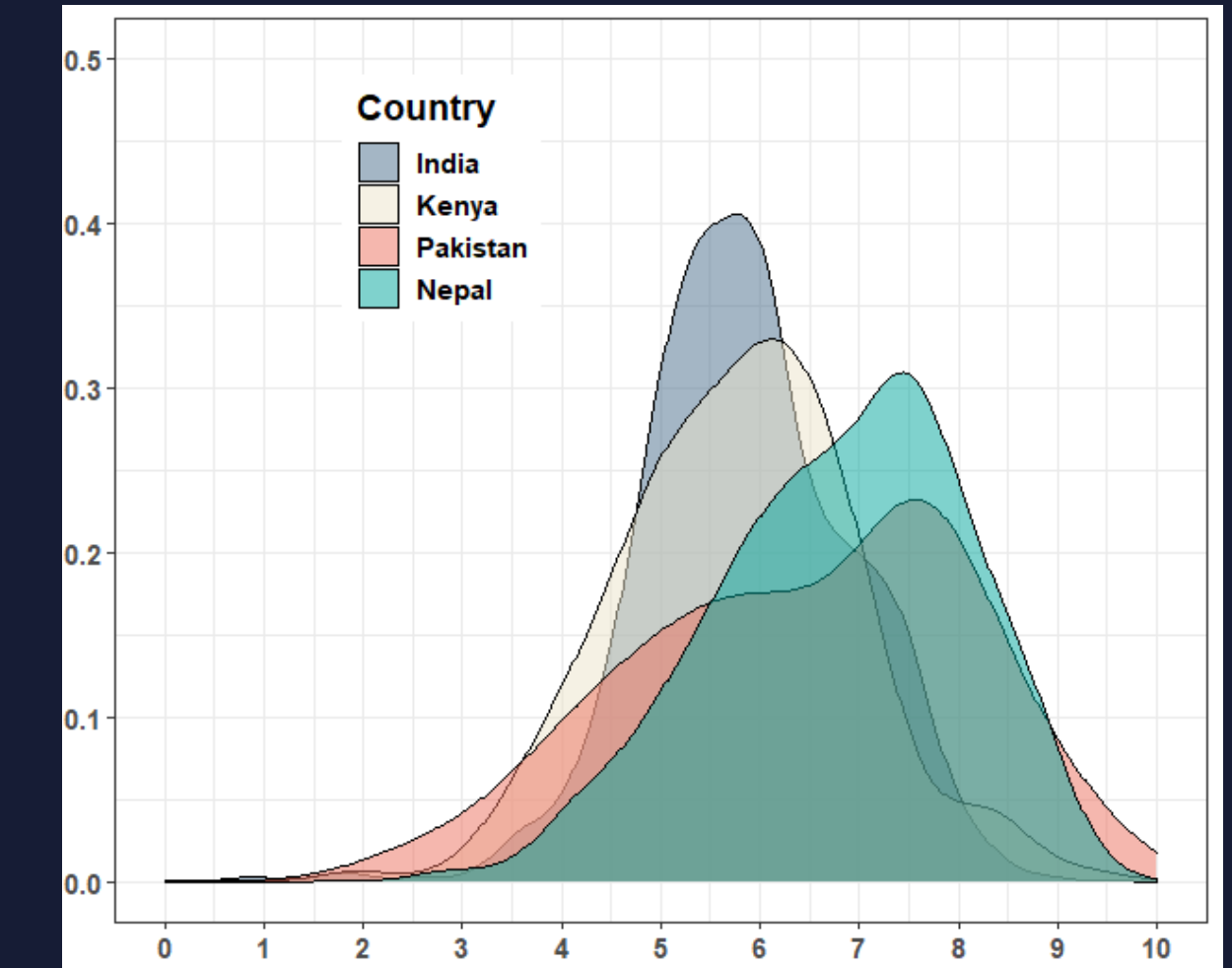
The homes developed by Reall partners are consistently high quality, and the majority of surveyed individuals and families had never previously imagined they could own a permanent home. For many, homeownership has elevated their standing within the wider community, boosting their confidence and self-esteem and opening up a new area of opportunities for a more dignified life. These are essential foundations to catalyse further impacts in health, education, employment, incomes, and equality.

Utilising this wide-ranging body of data, Reall has produced a mixed quantitative and qualitative ‘Quality of Life Index’ to quantify results and enable cross-country comparison. In addition to the above wellbeing indicators, this Index also includes data on incomes and housing affordability, crowding, access to water and sanitation, and access to school and services.

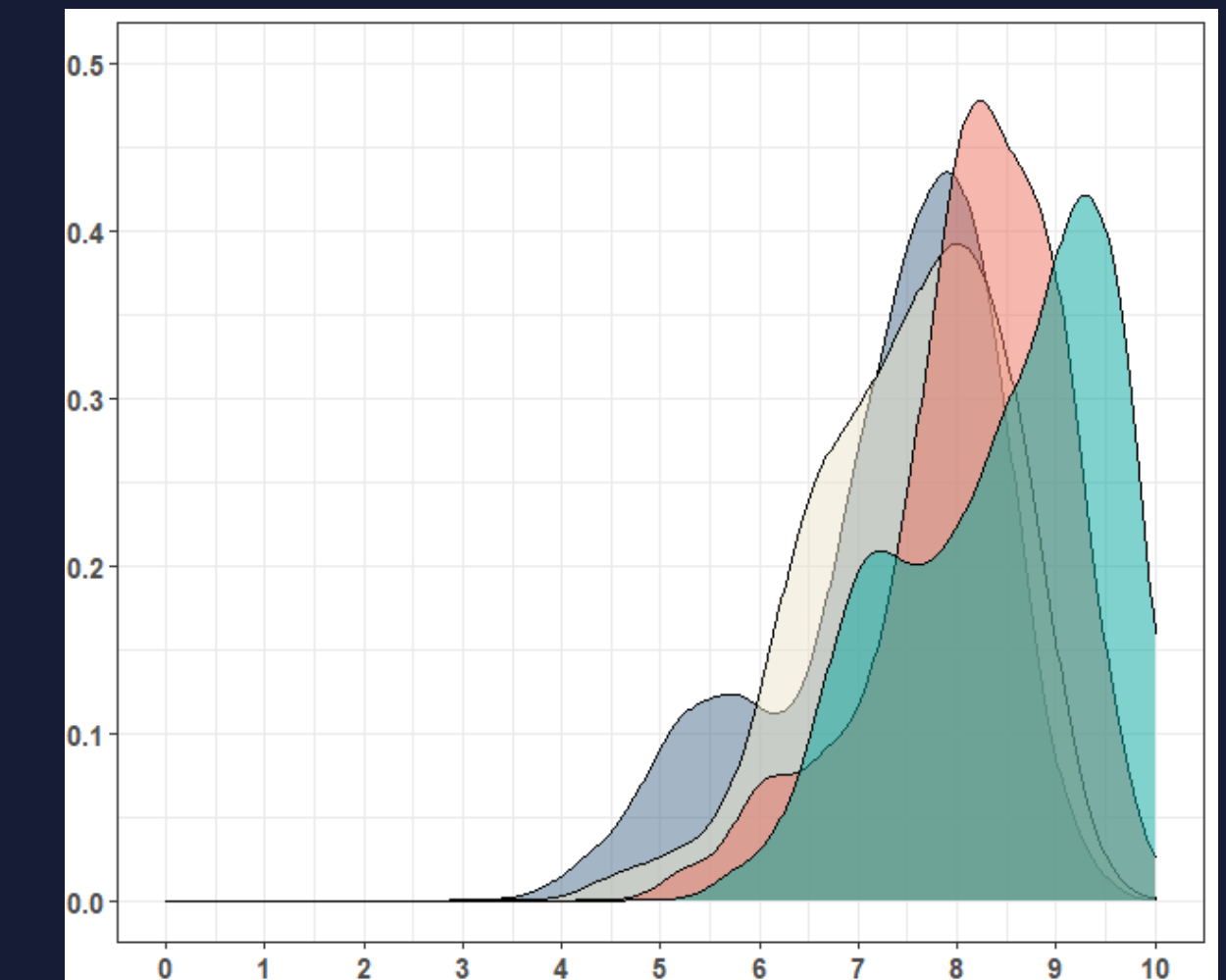
As the accompanying visuals illustrate, reported quality of life increased on average by 21% in Nepal; 23% in Pakistan; 32% in India; and 34% in Kenya. This represents an average 28% increase in reported quality of life scores for occupants across all four countries, as a direct result of new housing. This research has also illuminated key learnings to further enhance quality of life, such as improving community engagement before and after project delivery and focusing more on client livelihoods.

28% IMPROVEMENT IN REPORTED QUALITY OF LIFE AFTER MOVING INTO A NEW HOME

REPORTED CHANGE IN QUALITY OF LIFE



BASELINE



PRESENT

WATER, SANITATION & HEALTH

The health status of households is linked to the quality of water, sanitation, and hygiene (WASH) facilities. Reall provides access to water and sanitation as a minimum requirement for all housing investments, and strives to embed sustainable and affordable WASH systems within every home we deliver. This is essential, as in-home clean water services are important for promoting positive health outcomes while safeguarding against Covid-19.

Through this Impact Study, Reall has captured extensive information on the quality and affordability of WASH for occupants and how these compare to previous conditions. Across all four countries, homeownership has impacted significantly on the quality and affordability of available services.

This has been especially transformative for households in India and Kenya, as many occupants previously lived in very poor housing conditions with limited access to clean systems. Many focus group participants agreed that their families' health had improved significantly (especially for women and girls), largely due to improved water and sanitation.

INDIA

- 87% surveyed homeowners have in-home piped water. This represents a 61% increase
- 83% of surveyed homeowners have in-home sanitation. This represents a 177% increase

KENYA

- 65% of surveyed homeowners have in-home piped water. This represents a 110% increase
- 84% of surveyed homeowners have in-home sanitation. This represents an 83% increase

NEPAL

- 60% of surveyed homeowners have in-home piped water. This represents a 28% increase
- 68% of surveyed homeowners have in-home sanitation. This represents a 17% increase

PAKISTAN

- 100% of surveyed homeowners have in-home piped water. This represents a 61% increase
- 100% of surveyed homeowners have in-home sanitation. This represents a 7% increase

"MY SON WAS ALWAYS SICK [AND] THERE WAS DIRT AND SEWAGE EVERYWHERE... OUR CHILDREN'S HEALTH HAS IMPROVED NOW... I KNOW MY CHILDREN ARE SAFE."

**FEMALE FOCUS GROUP PARTICIPANT-
KAJIADO COUNTY, KENYA**



65% INCREASE IN HOUSEHOLDS WITH PIPED, IN-HOME CLEAN WATER

GENDER & INCLUSION



**“AFTER THE
MOVE ALL THE
NEGATIVES
WERE
CHANGED
INTO
POSITIVES.”**

**LAXMI NAIDU – COMMUNITY
MEMBER, MILAN NAGAR, INDIA**

Women are vulnerable to inadequate housing, especially single women, women with children, women with disabilities and illnesses, migrant women, and women from minority communities. Reall recognises that access to housing for women means much more than a structure to inhabit. Through the Impact Study work, Reall has evidenced the impact of affordable housing on women and girls:

- Across all countries and projects, women have experienced the most transformational housing impacts
- Women articulated how their new homes had improved the quality of their lives and freed up valuable time to focus on family and business
- Improved privacy was a significant benefit. Many more women and girls can now bathe in the privacy of their own homes and sleep in different rooms from their children

- Many women had previously taken hours each day to collect water. The provision of in-home piped clean water has transformed this situation

- Safety and security have improved significantly. Those that had previously lived in slums spoke of endemic insecurity, particularly for women and young girls after dark

- Reall's partner in Nepal (Lumanti) has placed women at the forefront of their housing development in Nepal, as reflected in 61% of surveyed homeowners in Nepal being female

This evidence is a powerful argument for affordable, serviced housing as a vehicle for transformational impacts on gender equality and opportunities. Decent affordable housing drives economic growth, creates jobs, and improves the wellbeing of women and their families.

BUSHRA'S STORY

**FROM A LIFE LIVING IN
PRECARIOUS RENTAL
PROPERTIES TO
REALISING HER DREAM
OF OWNING HER OWN
HOME.**



Bushra, a mother with four children, previously lived in rented accommodation within Faisalabad city. The house was located on a busy highway. She feared for her safety and felt unable to leave the house without her husband.

Bushra spent most of her time on her own in the house and suffered from severe loneliness. Bushra also worried for her children. They were forced to travel long distances to reach any park that the children could play in.

In 2016, AMC came to the area to market their new housing development 'Safiya Homes'. After visiting the site, the family made the decision to purchase.

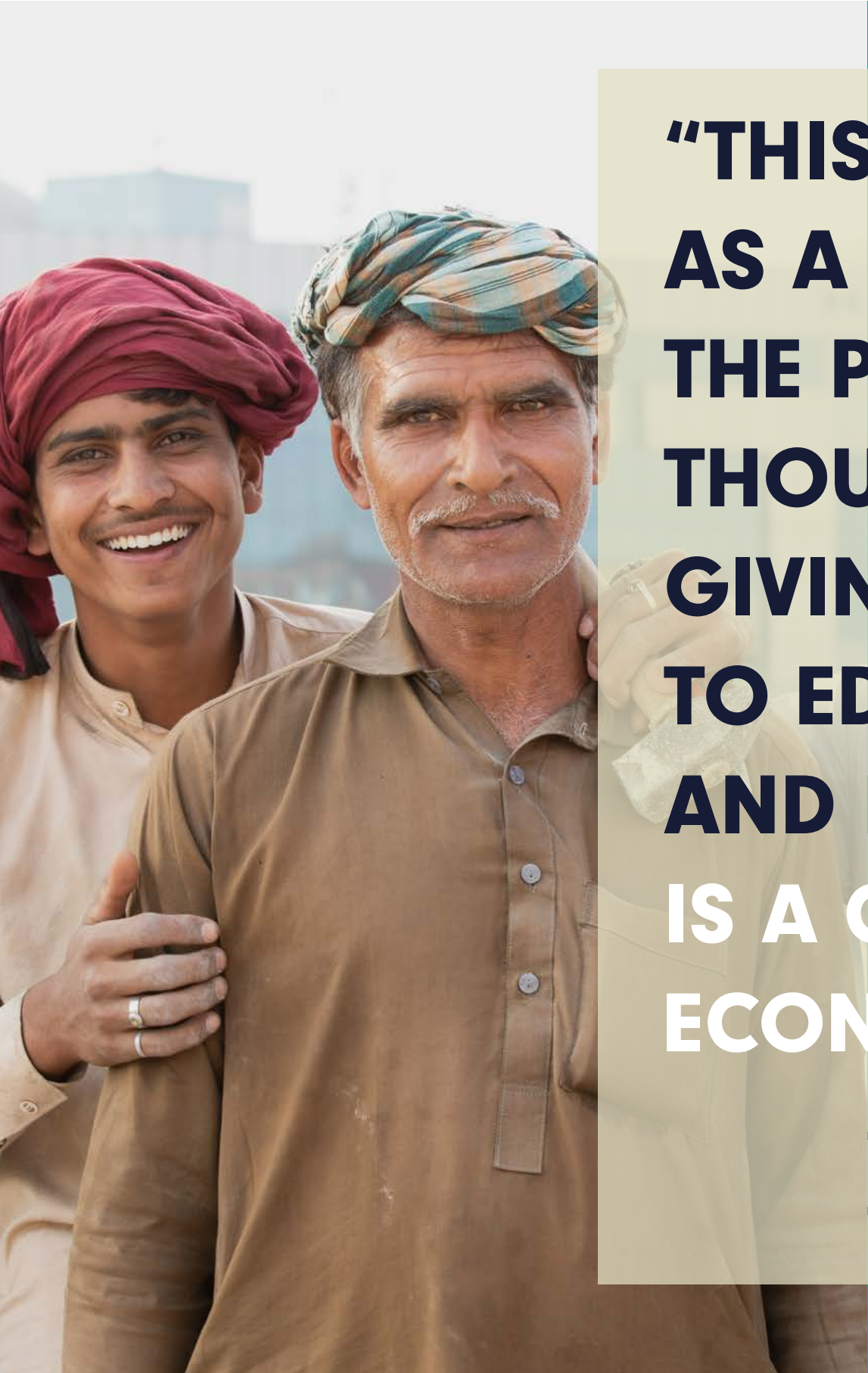
The new house transformed Bushra's life. The estate where they now live is safe with a friendly community. She is now comfortable with leaving the house on her own and has made many friends.

The move also benefited Bushra's children. Safiya Homes is located close to their school, with a free bus service provided, so Bushra's children have much more free time.

The extra space has allowed Bushra and her husband to spend more free time together and they are able to discuss private matters away from their children. As Bushra describes, "The biggest changes that Safiya Homes has made is in my children and me. We are all much happier living here."

**WOMEN AND GIRLS EXPERIENCED TRANSFORMATIONAL
HOUSING BENEFITS IN ALL COUNTRIES AND PROJECTS**

INCOME & AFFORDABILITY



“THIS PROJECT ACTED AS A CATALYST BETWEEN THE PEOPLE AND THEIR THOUGHTS. THEY ARE NOW GIVING MORE IMPORTANCE TO EDUCATION, HEALTH, AND HYGIENE. THERE IS A CHANGE IN THEIR ECONOMIC WELLBEING.”

THEVAR SUDALAIMANI – YOGA TEACHER, RAJIV INDIRA, INDIA

TARGETING THE BOTTOM 40%

For Reall, it is imperative that all in-country partners develop affordable housing for urban households that fall within the bottom 40% of earners. This strict focus is a recognition of where housing demand is concentrated in Africa and Asia, and the need to demonstrate commercially viable models that are affordable to the majority of people.

Reall uses the Canback Global Income Distribution Database (C-GIDD) to understand household income data for countries at the national, regional and city levels. With this data, Reall can determine what income percentile our partners’ clients tend to fall within. By combining C-GIDD data with additional sources, this research work has shown that the majority of surveyed homeowners were in the bottom 40% of earners at baseline. Enhanced data and improved methodologies will further improve assessment and targeting of the urban poor.

Many surveyed homeowners have experienced a decline in real incomes since moving into new housing. While this is largely due to challenging economic conditions, it can also be attributed to increased distance from jobs and livelihoods. Reall will use this information to strengthen focus on client livelihoods and employment opportunities.

- **India:** the majority of households in all project locations

were in the bottom 40% prior to moving in to Reall housing, with a significant majority in Pune

- **Kenya:** the overwhelming majority of households in all four project locations were in the bottom 40% prior to moving into Reall housing and remain so at the time of study
- **Nepal:** at least 48% of households were in the bottom 40% prior to moving in to Reall housing, with significant variation across project location due to wealthier clients in Pokhara
- **Pakistan:** up to 65% of households were in the bottom 40% prior to moving in to Reall housing

HOUSING AFFORDABILITY

Delivering housing that is truly ‘affordable’ for people in the bottom 40% of the income pyramid is essential to ensure sustainable impact and prove a commercially viable model with a pathway to scale.

This Impact Study has gauged housing affordability for surveyed homeowners using the established Housing Cost Burden (HCB) method. This measures the proportion of household income that is expended on monthly housing finance or rental payments. To be considered affordable,

this must not exceed 40% of total household income. For Reall this does not include India, as projects were offered at no financial cost to homeowners (Mumbai) or costs were absorbed by central and local government (Pune).

This research has demonstrated that monthly housing finance repayments are considered affordable for 82% of surveyed homeowners across 11 projects in Kenya, Nepal, and Pakistan. While these findings are consistently positive, there are notable variations. NACHU’s Three Heights project in Kenya (which features the largest and most expensive NACHU homes included in the study) was only reported to be affordable by 50% of clients. To a significant extent this is due to rapidly rising land and construction costs in Nairobi, but also suggests that decisions on design and costings may not fully meet the affordability requirements of clients. Reall is using these learnings to improve project delivery in the future.

In addition to this quantitative data, focus group discussions revealed that many lower-income earners consider their monthly loan repayment to be ‘affordable’, despite being five or more times larger than previous rental payments. For these clients, the memories of unscrupulous landlords and the prospect of owning a quality housing asset are important drivers not captured in calculations of monthly expenditure.

82% OF HOMEOWNERS CONSIDER THEIR HOUSING FINANCE REPAYMENTS TO BE AFFORDABLE

KEY LEARNINGS & RECOMMENDATIONS

1 FOCUS ON LIVELIHOODS AND SUSTAINABLE COMMUNITIES

Throughout the countries and projects surveyed, it was found that many clients had experienced stagnating or even reduced real incomes. While there are important external causes, primarily more challenging economic conditions for the urban bottom 40%, incomes tended to contract more when clients were relocated to a new area of the city for housing. This is due to reduced proximity to jobs, requiring increasing commuting time and costs, loss of support networks, and increased upheaval. Successful affordable housing developments must consider access to jobs, infrastructure, and social services from the outset to foster sustainable communities.

3 ADDRESS LAND SCARCITY

The cost of land is a significant obstacle to housing affordability for poor urban communities. In this study, Reall's work in Kenya has been particularly impacted by rising land costs next to urban centres. To mitigate this challenge will require innovative solutions to reduce the cost of land and construction. Reall particularly recommends policy and regulatory interventions around official minimum plot sizes, and the development of homes that enable vertical building and densification. AMC homes in Pakistan already allow for vertical incremental building, with positive impacts on affordability and efficiency.

2 IMPROVE HOUSING DEVELOPER SKILLS AND CAPACITY

Small and medium enterprise (SME) housing developers in the African and Asian construction sectors face several constraints and can be inhibited by poor governance structures and limited project management skills. Reall strives to build the capacity of all in-country developers it invests in. This study has highlighted the importance of more effective pre and post project engagement. Affordable housing developers must implement systems to accurately assess the capacity of customers to repay loans, especially informal workers, and ensure qualified homeowners can save sufficient capital to reach their deposit target.

4 UNLOCK END-USER FINANCING

Housing finance plays a vital role in the housing value chain, as a household's decision to acquire a house will be determined by availability and access to finance. End-user financing options are also extremely limited across urban Africa and Asia. The partners evaluated in this Impact Study have all advanced innovative finance solutions, including leveraging government subsidies (India), utilising community savings groups and micro-mortgages (Kenya and Nepal) and brokering commercial mortgages (Pakistan). To deliver affordable end-user financing at scale will require advocacy, quality products, and demonstration of the investable proposition.



ANNEXE

COUNTRY	PROJECT NAME	APPROVAL YEAR	PROJECT LOCATION		HOUSEHOLDS SURVEYED
INDIA	Rajiv Indira	2002	Dharavi, Mumbai		114
	Milan Nagar	2002	Mankhurd, Mumbai		70
	Pune BSUP (Pune 1 & 2)	2003	Yerawada, Shanti Nagar, & other locations, Pune		244
	Hadapsar	2003	Hadapsar, Pune		188
	Sub Total				616
KENYA	Ngasemo	2014	Kisaju, Kajiado		44
	Ngumo Mbega & Mutindwa	2012	Malaa, Machakos		47
	Gitongu Starehe	2013	Malaa, Machakos		55
	Royal 1 & 2	2013 & '15	Malaa, Machakos		16
	Three Heights	2017	Kamulu, Nairobi		12
	Sub Total				174
NEPAL	Machhegaon	2018	Machhegaon, Kathmandu		44
	Thankot	2018	Thankot, Kathmandu		72
	Thecho	2018	Thecho, Kathmandu		25
	Rental 1	2012	Kathmandu		24
	Pokhara Housing 1	2012	Pokhara		72
	Lekhnath	2012 – '19	Lekhnath		151
	Sub Total				388
PAKISTAN	Faisalabad Phase 1	2014	Ada Johal, Faisalabad		81
	Sub Total				81
TOTAL HOUSEHOLDS SURVEYED					1,259