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By **Andrew Jones** and **Donovan Storey**. Dr Jones is Research and Policy Manager at Reall, while Storey is Head of Global Policy and Influence.

# Innovative, climate-smart housing is commercially viable

**A**frica is undergoing rapid economic and structural transformation driven by an urban revolution and a rapidly growing middle class. Yet this potential cannot be realised without solutions to the continent's lack of affordable housing and accessible finance. Reall, an innovator and investor in affordable housing, is pioneering quality urban homes for Africans on low incomes in a way that is commercially viable, climate-smart and inclusive.

The continent is experiencing one of the most profound demographic transformations in history. The population of Sub-Saharan Africa has doubled since the 1990s and is continuing to grow exponentially. This populace is also increasingly urban rather than rural.

With two-thirds of all growth expected to take place in urban areas, the continent is expected to add a staggering 950m new urban dwellers by 2050. By that time over 100 African cities will be home to more than one million people, also giving birth to several megacities.

These explosive changes are fostering a new Africa: young, modern, digital and urban. Much has been written on Africa's ascendancy, yet realising economic transformation will not be possible without substantial and far-reaching investments into the region's underdeveloped and inadequate infrastructure. This includes an urgent need for improved, resilient and affordable housing for burgeoning urban populations.

Housing poverty is endemic across many African cities. While urbanisation is a key driver of economic growth, it has often outpaced the capacity of national and municipal governments to manage it.

This has contributed to sprawl, a lack of housing options and infrastructure,

and given rise to overcrowded slums such as those found in Accra, Cape Town, Dar es Salaam, Kampala, Kinshasa, Lagos, and Nairobi.

Without new impetus and innovations, poor urban planning and inadequate investment will severely constrain Africa's transformation and the development dividends derived from urbanisation.

Sub-Saharan Africa's housing deficit is currently estimated at 60m homes and rising. This will require investment of at least \$600bn, well beyond the capacity of public funds alone.

**Delivering housing at scale boosts macroeconomic growth, job creation, financial inclusion, climate resilience and social cohesion.**

Such a gap drives up housing prices beyond the reach of many, while increasing the costs of entering the informal housing sector. There is an urgent need for change.

While the challenge is vast, so too are the opportunities. Quality affordable housing with secure tenure, clean water and sanitation is a catalyst for meeting the health and wellbeing of lower-income groups.

Delivering housing at scale boosts macroeconomic growth, job creation, financial inclusion, climate resilience, and social cohesion. Affordable housing is the doorway to answering 16 of the 17 Sustainable Development Goals. In light of Covid-19, the link between housing and healthcare has never been more apparent.

## **Commercially viable housing solutions**

Affordable housing in Africa is a unique opportunity for investment in

an uncrowded \$17trn market. Private capital has been slow due to the perceived risks and market barriers. New approaches are needed to unlock investments and generate evidence that affordable housing is both an impactful and commercially viable proposition.

It is this vision of kick-starting markets that motivates Reall, an innovator and investor in affordable housing in urban Africa and Asia. With over 30 years' experience in the sector, Reall's priority focus is in Kenya, Nigeria, Uganda, India and Pakistan – with a wider footprint that includes Angola, Ghana, Mozambique, and Zimbabwe. Reall exclusively targets people in the bottom 40% of the income pyramid, where the need is greatest and the housing deficit is most acute.

Reall catalyses finance from the Swedish and UK governments to support credible African partners with potential for scale and replication, investing \$40m into African affordable housing developers over the last decade.

This has created 20,000 jobs and housed 16,000 people. Reall partners with local entrepreneurs to develop and deliver housing solutions and unlock capital markets.

Reall pioneers the \$10K house, providing families on low incomes with quality homes at an affordable price. These homes come with secure tenure, clean water and services.

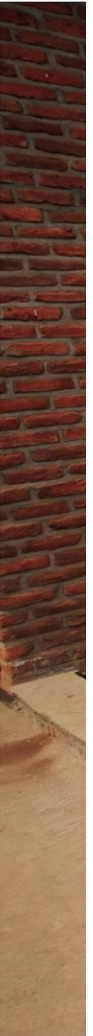
The Centre for Affordable Housing Finance recently reported that Reall's partner in Nigeria, the Millard Fuller Foundation, built the most affordable homes in Africa, sold by a private developer for only \$8,000. Reall is disrupting the market, proving it is possible and crowding in developers to take to scale.

## **Climate-smart housing**

The African urban housing crisis cannot be seen in isolation from the wider threat of climate change. Africa's fastest-growing cities are on the frontline of extreme climate change – experiencing escalating damage to assets and infrastructure. Targeted resilience building for the poor is an economic, social, and environmental imperative.

Recognising these challenges, Reall is investing in climate-smart and disaster-resilient housing which remain affordable. Reall's Mozambican developer partner, Casa Real, demonstrated the value of this approach in 2019, when Cyclone Idai struck the city of Beira. While 90% of Beira's houses were totally or partially destroyed, Casa Real's homes in the city withstood the cyclone with minimal damage.

Secure land and quality construction





*Construction worker Annie Msukwa in front of a row of houses she and her team built in Malawi, a project Reall helped facilitate*

materials were key to ensuring this resilience, without affecting affordability for Casa Real's target middle-income and low-income clients. Many Reall partners throughout Africa are pioneering innovations in sustainable building materials, renewable energy solutions and green construction technologies to improve resilience, reduce emissions and accelerate change.

**Financial innovation**

While large-scale capital is required to meet the African housing challenge, the problem is not solely one of providing housing. A significant blockage is the lack of housing finance for people on low incomes, who have been systematically misunderstood or excluded by mainstream mortgage lenders.

This problem is more acute for people working in the informal sector, who tend to have irregular

employment patterns and lack official documentation and credit histories.

Reall and its partners emphasise innovative solutions that can unlock the flow of affordable housing finance to underserved segments. In Mozambique, Casa Real is co-producing a new mortgage product with Absa Bank targeted at middle-income and lower-income clients.

In Pakistan, Reall's developer partner, Ansaar Management Company, has brokered a similar arrangement with a semi-state-owned financial institution. Both of these are revolutionary in their respective contexts, paving the way for other developers and financiers to follow.

Reall is also supporting its Indian IT partner Syntellect to develop cutting-edge software, RightProfile, that financial institutions can use to assess the long-term mortgage lending potential of people in informal employment.

This derisking solution opens up a massive, previously excluded client segment. RightProfile has demonstrated effectiveness and impact in India, and Reall and Syntellect share a vision to adapt RightProfile to Sub-Saharan Africa – beginning with the fintech-savvy Kenyan and Nigerian markets.

The affordable urban housing gap is a systemic issue that must be resolved for the continent to transition from outdated post-colonial urban planning and housing towards new financial modalities and infrastructure. Reall has proved that decent homes can be built at a cost that is genuinely attainable for people on low incomes whilst being commercially viable for developers and investors.

Affordable, climate-smart housing is a unique opportunity to drive inclusive and resilient urban growth, build back better from Covid-19, and improve the lives of millions of Africans.