PRESS ANNOUNCEMENT

BRIDGING THE HOUSING GAP FOR MIDDLE TO LOW INCOME EARNERS

In the last 10 years Zambia has enjoyed relatively stable economic growth, with a real GDP growth (2005 – 2013) of > 6% year-on-year; the country achieved relative macro-economic stability and in 2011 was reclassified by the World Bank as a middle-income country. Investor confidence has been high, as evidenced in the successful issue of two Euro bonds, and a burgeoning mining industry. In September 2012, Zambia launched its first US$ 750 million, 10-year Eurobond – the most successful bond launched in sub-Saharan Africa with bids more than 15 times the amount on offer – followed in 2014 by the launch of another 10-year US bond of US$ 1 billion.

UN-Habitat expects that Zambia will be 50% urbanised by 2030, according to research released in November 2014 by the Centre for Affordable Housing Finance in Africa (CAHF). The Zambian government is supportive of improving access to adequate housing for its citizens; this is clearly articulated in the Sixth National Development Plan (SNDP 2011 – 2015).

For most Zambians, the transition to the middle income bracket begins with achieving a higher-education qualification, which in turn allows them to secure permanent employment and earn a stable income. The next step is finding suitable housing, with the question being to rent or buy a home. However, purchasing a home can be quite daunting for new buyers. Research by FinScope indicated that only 37.3% of Zambian adults are financially served, leaving 62.7% of adults financially excluded (i.e. using no financial products – formal or informal – to manage their financial lives). The most significant difference between rural and urban usage of financial products lies in the use of bank products – bank product penetration being more than twice as high among urban adults compared to rural adults.

FinScope found that more people save informally (17%), compared to those who save through formal channels (10%). The extent and use of housing finance is even more limited. The leading factor is not the only barrier to entry: availability of affordable housing to cater for the growing demand is limited. Most homes on the market are either too expensive for this income bracket, or have stringent requirements which are almost impossible for new buyers to meet.

People either opt to buy land and build over a long period, or rent for years while investigating a long-term solution. The majority view mortgages from financial institutions – whether commercial banks or building societies – as complex and extremely costly due to high interest rates, deposit requirements, collateral requirements and the lengthy paperwork process. These factors are among the challenges potential homeowners experience. This crisis is set to continue if affordable residential properties are not developed at a rapid rate to cater for the increasing demand.

The solution to the ongoing crisis is to engage local developers who can build houses targeted at middle-low income earners and introduce easier purchasing processes. However, the challenge for developers is the lack of funds to execute these new developments, which is where private equity firms such as Phatisa come into play.

The Pan African Housing Fund (PAHF), managed by Phatisa, is a private equity fund dedicated to housing development in Africa. It provides risk capital to local developers in East and southern Africa who have a track record of successfully building residential developments in their local market. The Fund targets investment opportunities in Zambia, Mozambique, Kenya, Uganda, Rwanda and Tanzania.

'We are committed to partnering with local developers to build affordable homes for middle-income earners. The need to improve the supply of affordable housing in Africa is long overdue. Everyone deserves decent, good-quality homes and this is what we aim to provide. The Fund ultimately seeks to provide occupants with an opportunity to advance their lives and wellbeing,' says Jan van der Merwe, Phatisa Fund Partner for PAHF.

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Phatisa is an African private equity fund manager, operating across sub-Saharan Africa, with offices in Mauritius, South Africa, Zambia, Kenya, and Ghana, as well as London. The firm has two sector-specific funds under management, totalling more than US$ 285 million, focused on food and affordable housing. Phatisa comprises a team with a significant track record of managing private equity funds and businesses throughout the continent. Phatisa's African Agriculture Fund has committed investments in excess of US$ 123 million, from Sierra Leone in West Africa to Mauritius, East Africa and 12 other countries in between. This reflects a total of eight portfolio companies across diverse sectors: primary farming, palm oil, processing, inputs, mechanisation, fertiliser, protein production and FMCG beverages. Phatisa also introduced an eastern and southern African investment initiative in response to the ever-increasing housing shortage – the Pan African Housing Fund (PAHF). The US$ 41.95 million Fund commenced operations during Q1 2013 and has concluded three investments to date. At the heart of Phatisa is development equity, as embodied in the unique formula of **DevEq = PAT *** $x + i^2$ **™**; a balanced blend of private equity and development finance – striving to build sustainable assets on the ground; ensuring best possible returns for investors, including the community in which these operate. **www.phatisa.com**