



**HOUSING FINANCE FORUM:
Uganda, July 11-12, 2018**

SEGMENT LEVERS



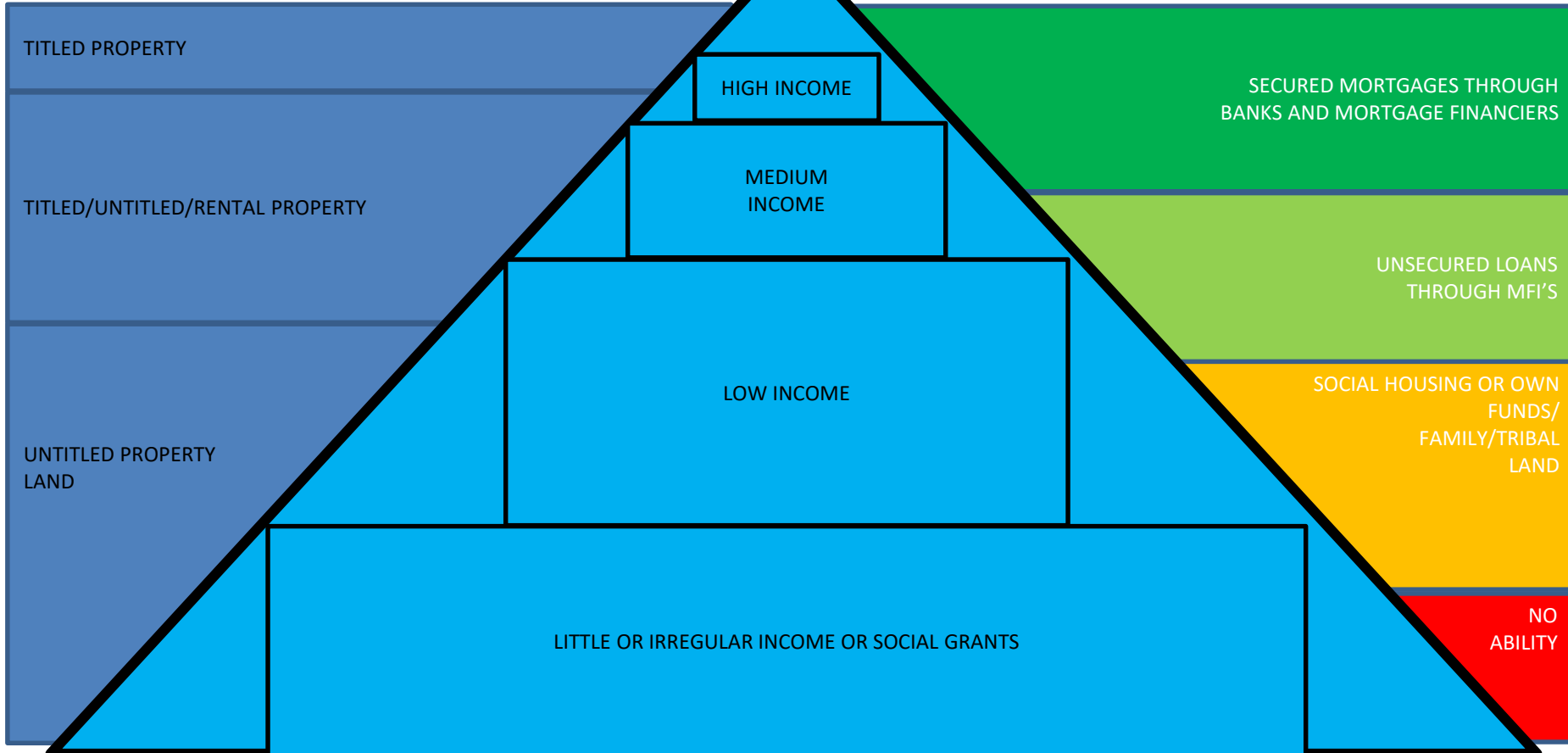
Wayne Faulds: CEO Select Africa



MISMATCH IN ACCESS TO LAND/HOUSING AND ACCESS TO FUNDING FOR HOUSING

PROPERTY
OPTIONS

FUNDING
OPTIONS



WHO IS SELECT?

- Select is an MFI which has been operational in Sub-Saharan Africa for the last 18 years
- We first entered the housing MFI market after conducting research on the use of our microloans and thus becoming aware of the incredible demand that existed
- Housing initiatives underway at the moment
 - MALAWI – already providing *incremental housing finance* with construction technical assistance from HfH, for the past 6 years
 - LESOTHO – about to launch an *incremental housing finance* product with construction technical assistance from HfH, for the past 2 years
 - SWAZILAND – construction already underway on mid-range estate development. This is aimed at enhancing our property development expertise (in a lower risk environment), which once honed, will be directed at low cost housing developments in various jurisdictions (i.e. *absorbing/acquiring more parts of the housing value chain*).
- Use of Select housing microloans at the moment;
 - Home improvements – between 73% and 84% of all housing microloans, the bulk being roofing, flooring and finishes (plastering/painting)
- Notable exceptions to this are;
 - Purchase of land – between 3% and 7% only
 - Plumbing and electricity - 2% only



SEGMENT LEVERS USED/APPLIED BY SELECT TO EXPAND ACCESS TO AFFORDABLE HOUSING PRODUCTS

- NOT USING PROPERTY AS COLLATERAL
 - The bulk of our target market has access to land but this is generally untitled/tribal land
 - Despite working in the urban environments, people prefer to build in their rural homesteads
 - This provides far more flexibility in use of loan proceeds
- SOCIAL CAPITAL AND COMMERCIAL CAPITAL ARE NOT MUTUALLY EXCLUSIVE
 - These can potentially be “blended” to provide a cheaper finance solution (currently under investigation)
 - Where social capital is not readily available, seek alliances with like minded social partners and leverage their offering(s) in a JV or collaborative effort E.G. HfH
- ADJUST LOAN SIZE, STRUCTURE AND FORMAT TO MEET AFFORDABILITY CRITERIA
 - Most lower income clients cannot afford the home they desire or can afford based on their income
 - Smaller incremental loans, with fewer restrictions, allows progressive acquisition within earning means
- ABSORB/ACQUIRE OTHER PARTS OF THE VALUE CHAIN
 - Select is currently developing its property development arm to better equip ourselves to in future, deliver low cost housing developments to the required price, scale and format
- CONVERTING RENTAL SPEND TO OWNERSHIP SPEND
 - The challenges of the “change over “ period
 - Reducing/deferring/eliminating the initial costs of ownership
 - Rent to own (currently under consideration)
- HOW LOW CAN YOU GO?
 - There is a cut-off point where it become commercially unviable



CLOSING COMMENTS

- *SELECT, like many other MFI's, is still a work in progress in terms of Housing Micro Finance*
- *There are still significant barriers to access that need to be worked on*
- *Going it alone is much more difficult than Collaborations. In this regard, setting up working groups consisting of Government policy makers, financiers (retail, wholesale and development), social housing organisations, building contractors etc. with a common agenda and desired outcome, will be desirable (there is a lot of individual talk and initiatives, but little evidence of collaborative efforts)*
- *This market is bigger than any individual company or group of companies can handle, so competitors could actually work together and potentially syndicate.*

