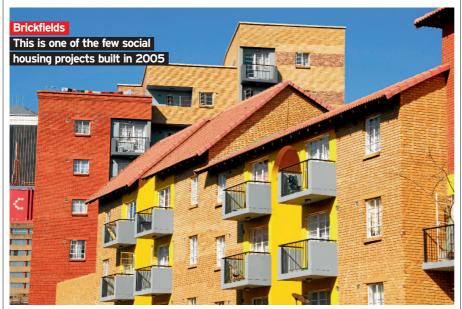
FM CORPORATE REPORT

GAUTENG PARTNERSHIP FUND





Muvevi says the residential rentals sector in the affordable housing market offers good returns of between 8.5% and 9% per unit after tax — assuming conservative gearing and taking moderate capital growth into account.

In terms of investment guidelines, the GPF funds projects with a minimum of 15 units and cashflow positives. The project needs to be close to amenities, areas of employment, shops and public transport. The loan-to-value for the projects should be below 100%. Financing terms are flexible and the interest rate pricing is linked to the three-month Jibar (Johannesburg Interbank Agreed Rate).

The repayment terms of the loans are between 15 and 20 years, depending on the company's BEE status. The GPF funds be-

tween 20% and 30% of project costs. However, there is a cap of maximum exposure per company, and it can only fund up to 10% of the capital held, which translates to R48m.

"We want to encourage ownership of the housing problem by different stakeholders — businesses and employers — so that it becomes shared in terms of how we find solutions to it. As GPF we want to talk to different types of partners, especially corporate, to be able to find solutions to our housing problem," says Muvevi.

"The GPF would like to explore new funding approaches to housing solutions with various partners, so that we are not limited to traditional banks. So, we are open to suggestions on possible solutions on the housing finance challenge.

"We play a catalytic role in stimulating certain areas in the Johannesburg CBD, Jabulani and Kempton Park. With the cooperation and support of the City of Tshwane and its players we are also going to play a similar role in that area."

On a project-by-project basis, the GPF also assists rental housing entities to acquire finance at the most favourable terms. The aim is to promote affordable, quality accommodation that is well managed for the target market.

To determine the effectiveness of its products, the GPF performs annual reviews. In addition, it continually develops products that are aimed at addressing the housing market's funding challenges.

Some of the products include the Social Housing Fund, which was developed for social housing institutions that require an equity-type injection into their projects. The equity enhances the debt-to-equity ratio for projects to enable lenders to finance on favourable terms.

However, the institutions must demonstrate to the GPF that they have the technical resource capacity to successfully complete a project and efficiently manage the property thereafter.

The GPF does its homework by collecting comparative information from other rental-housing developments in the area and on their vacancies and bad debt.

Another important aspect of the rental housing market is the management of the finished projects. Therefore, the appointment of a property management company, with a good track record, is another funding requirement.

The types of projects that are often funded are typically inner-city refurbishments or residential buildings. Other projects that get funded are those that entail the conversion of offices to residential units and greenfield developments for affordable housing.

"We as the GPF know and understand the quantum of the housing need and the challenges associated with housing. So we decided to broaden the ownership of the problem in terms of finding sustainable solutions. Apart from funding partnerships that we are seeking, we also would like to initiate dialogue with the private sector (developers, investors, funders, corporates) with a view to seeking viable housing solutions.

"We would also like to encourage investors to visit our website (www.gpf.org.za) to find out more about how they can get involved and be part of this drive to find affordable solutions to the housing challenge," says Muvevi.

Corporate Report written by Dieketseng Maleke Advertising executive: Crescentia Sigola