

GPF PRODUCT RANGE

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GPF PRODUCT RANGE

Financial product	Purpose
Rental Housing Fund	To enhance the viability of investment into affordable housing by rental developers/ entrepreneurs.
Entrepreneur Empowerment Property Fund Programme	This is an incubator programme designed to enable sustainable entrance of HDI owned companies in the affordable rental property market. (The programme is limited to prospective participants invited on public tender annually).
Social Housing Fund	To enhance the viability of investment into affordable housing by Social Housing Institutions. This is linked to government institutional subsidy funding.
Student Housing Fund (New)	To enhance the viability of investment into affordable housing by rental developers/ entrepreneurs.
Strategic Partnership Projects	To share financial risks with financial institutions for affordable housing projects.
Facilitation of Mixed Income Housing Developments (New)	To develop optimal funding structure and raise appropriate funding for human settlements projects.

RENTAL HOUSING FUND

- Provides equity funding that enhances the debt to equity ratio of projects to leverage private sector funding at favourable terms
- Targeted at property developers with a recognised legal form that aims to provide affordable housing accommodation to households with income bracket of below R15000
- Project funding for green and brown fields developments
- Project should have a minimum of 15 units
- Funding commitment can be up to 35% of project cost depending on BEE status
- Projects with total loan exposure of R15 million are funded 100%
- Minimum pricing is based on 3-month JIBAR plus a margin
- Loan term: 15-20 years
- LTV: less than 100%
- Equity contribution, can be up to 10% for established companies and less than 10% for non established companies
- security: Second Mortgage Bond, Cession on sale proceeds, Sureties



SOCIAL HOUSING FUND

- Provides equity funding that enhances the debt to equity ratio of projects to leverage private sector funding at favourable terms
- Targeted at Social Housing companies that are accredited with SHRA for the provision of social housing units for households with income bracket of below R7500 in designated restructuring zones.
- Projects are highly subsidised with the capital grants and the institutional subsidies
- Project funding for green and brown fields developments
- Project should have a minimum of 100 units
- Funding commitment can be up to 35% of project cost
- Minimum pricing is based on 3-month JIBAR
- Loan term: 15-20 years
- LTV: less than 100%
- security: Second Mortgage Bond, Cession on sale proceeds



SOCIAL HOUSING CONT..

Cost per unit breakdown

Cost of unit	R322 000
Equity	<u>R 00 000</u>
	R322 000
Restructuring Capital Grant	<u>R127 000</u>
	R195 000
Institutional Subsidy	<u>R 96 000</u>
	R99 000
GPF Funding 30%	<u>R 96 600</u>
	R 2 400
Other funding	R 2 400

Entrepreneur Empowerment Property Fund Programme (EPPFP)

- The Entrepreneur Empowerment Property Fund Programme (EPPFP) was established to focus exclusively on promoting HDI participation in the affordable rental property market.
- The EPPFP aims to assist HDI participants overcome some of the challenges and constraints to entry by providing capacity assistance.
- Companies with 100% BEE ownership



EETF-Capacity program

Capacity building and mentorship program will include the following:

- Training programs on property investment and management.
- Professional opinion on the project (feasibility) prior to purchase of property
- Assistance with project feasibility modeling
- Project reports - by building professionals
- Packaging projects for funding by the Senior funder i.e. NHFC.

Interest Free Loan

- The funding aims to assist companies with professional fees and contingencies, subject to a secured project by a company.
- The loan is repayable, with flexible terms depending on the financial feasibility of the project.

WHO ARE WE TARGETING

- Companies with 100% BEE ownership
- Unencumbered and available equity of a minimum of R450 000
- At least one shareholder that is full time on the business venture
- Able to demonstrate practical skills of developing a business case for a rental housing project

EVALUATION CRITERIA

Item	Activities	Weight
1	BEE	20%
2	Equity contribution	20%
3	Institution / Company information	2.5%
4	Market analysis	7.5%
5	Risk Analysis	7.5%
6	Project analysis	20%
7	Management	7.5%
8	Property Management	5%
9	Project Location (<i>outside Johannesburg metro</i>)	10%
	Total	100%

STUDENT ACCOMODATION

- Sub-sector of rental housing
- Students compete for rental accommodation with GPF's target market
- Demand for student accommodation outstrips supply (i.e 70000 shortage of beds in Pretoria)
- Slum lords challenges
- Facilitate well managed and quality accommodation to students
- Partnerships with the stakeholders in the sector i.e universities, developers and other funders
- Should be in close proximity to the targeted tertiary institution, should be safe, clean, well controlled and provide affordable student accommodation.
- Minimum equity contribution 10%
- Loan term: 15-20 years
- Funding commitment up to 35%
- LTV: less than 100%
- Pricing: Min 3-month Jibar Plus 2%
- Security: Mortgage bond, cession of rental income, Sureties



GPF INVESTMENT PROCESS

Project Investment Process

Deal origination

- New business development
- Client relationship management
- Deal flow management

Project Assessment

- Investment evaluation
- Viability & Feasibility analysis
- Technical assessment
- Investment criteria
- Credit analysis

Risk Management & Controls

- Credit risk pricing
- Liquidity risk
- Concentration risk
- Other risks

Investment Administration

- Reporting on Investments
- Investment monitoring
- Contract monitoring

Board Investment Committee – meets every fortnight or adhoc
Board of Trustees – meets every 6 weeks

GPF INVESTMENT CRITERIA

Mandate fit – the affordable housing project should cater for households with income <R15 000

Strategic fit – does the project fit or contribute to GPF strategic direction

Policy fit – maximum 35% contribution by GPF and balance from a senior funder

Alignment to government planning or funded projects – i.e. IDP's and urban renewal initiatives.

Socio economic development – does the project have developmental impact

- Job creation
- Poverty alleviation
- Increase procurement of goods & services for SMME's

Technical aspects – design, costs etc.

Financial Sustainability – cashflows, financial ratios etc.

TYPICAL PROJECT FUNDING STRUCTURE EXAMPLE

Project located in Kempton park Erf 223, land zoned residential 4 and can yield 35 housing units.

Project Cost

Item	Rand
Land	1,000,000.00
Construction Cost	10,000,000.00
Professional Fees	1,500,000.00
Contingencies	500,000.00
Other	1,000,000.00
Sub-total	14,000,000.00
VAT	1,960,000.00
Total Project Cost	15,960,000.00

Funding Structure

Item	Rand	% Fundin g
Equity Contribution	1,596,000.00	10%
GPF Debt	3,192,000.00	20%
Senior Debt	11,172,000.00	70%
Total	15,960,000.00	100%

Financial Ratios

IRR on Cash flow after tax for 20 years		9%
NPV on Cash flow after tax at WACC of: 5%		R 19,000,000
	ROI on Op's surplus	ROI on EAIT
Return on Total investment year 3	10%	7%
Return on Total investment year 5	13%	8%
Debt Cover ratio year 3		1.3
Debt Cover ratio year 5		1.4
Debt equity ratio		90%
Loan to value ratio		80%
Cost : income ratio		25%

STRATEGIC PARTNERSHIP PROJECTS

- Partnerships with financial institutions to share risks and provide affordable housing accommodation
- Intuthoko fund
 - partnership with TUHF to provide small scale housing in the inner cities
- TUHF Bridge facility
 - provides bridge finance to enable quick response to property financing (rates clearance costs, purchase of property)



SMALL SCALE LANDLORDS (INTUTHUKO FUND)

In partnership with TUHF on a R10million GPF contribution, 66 HDI participants and over 800 units.

The aim is to assist them to become small scale land lords to own units in a building or even grow to own buildings. Success stories:

Client: Josephine Tshaboeng

Initial occupation: domestic worker and shop assistant

Project: Harmonie Girls

Location: Johannesburg

Units: 56

GPF loan: R192,000

TUHF loan: R7,300,000



Client: Nqobile Khumalo

Initial occupation: building maintenance (plumbing skills)

Project: Sonskyn Boys and 72 Derby

Location: Johannesburg

Units: 55

GPF: R700,000

TUHF: R4,600,000



GPF PROJECTS FUNDED EXAMPLES



Social Housing Fund

Client
Madulammoho Housing Association

Project Location
Roodepoort

No. of Units
286



EPPFP

Client
Tsebo Consumables

Project Location
Kempton Park

No. of Units
22



Rental Housing Fund

Client
Highlands Urban Living

Project Location
New Doornfontein

No. of Units
135

Client: Yeast City Housing

Project : Tau Village

Location: Pretoria

Units: 109



Client: Madulamoho Housing Association

Project: SOWETO, Jabulani Views

Units: 300

