



# **NHFC Presentation to GPF Property Entrepreneur Seminar**

**04 June 2014**

# OUTLINE

- ▶ Environmental Context
- ▶ Affordable Housing Market
- ▶ Affordable Housing Defined
- ▶ SA Affordable Housing Financial Model
- ▶ Role of Government
- ▶ About the NHFC
- ▶ NHFC-GPF EEEPF
- ▶ Challenges & NHFC's Responses
- ▶ Draft MTSF 2015-2019 – Housing Opportunities
- ▶ Conclusion

# ENVIRONMENTAL CONTEXT

- ▶ Subdued Growth – SARB lowered GDP growth forecast from 3% to 2,1%;
- ▶ On-going labour disputes;
- ▶ Unemployment at 25,2%;

BUT

- ▶ R1,1 trillion budget tabled by Finance Minister to support Government Programmes in 2014/15 – a major factor in stimulating growth;
- ▶ R35 billion allocation for Human Settlements (HSDG & USDG) up 19% from 2013/2014.

# ENVIRONMENTAL CONTEXT contd.

- ▶ New FSC commitments by Banks – R44 billion (incl. Affordable Housing finance) over 5 years;
- ▶ Ruling Party Manifesto envisages creation of 1 million housing opportunities in 5 years ending 2019;
- ▶ Major focus on developing mining town infrastructure and housing

# AFFORDABLE HOUSING MARKET

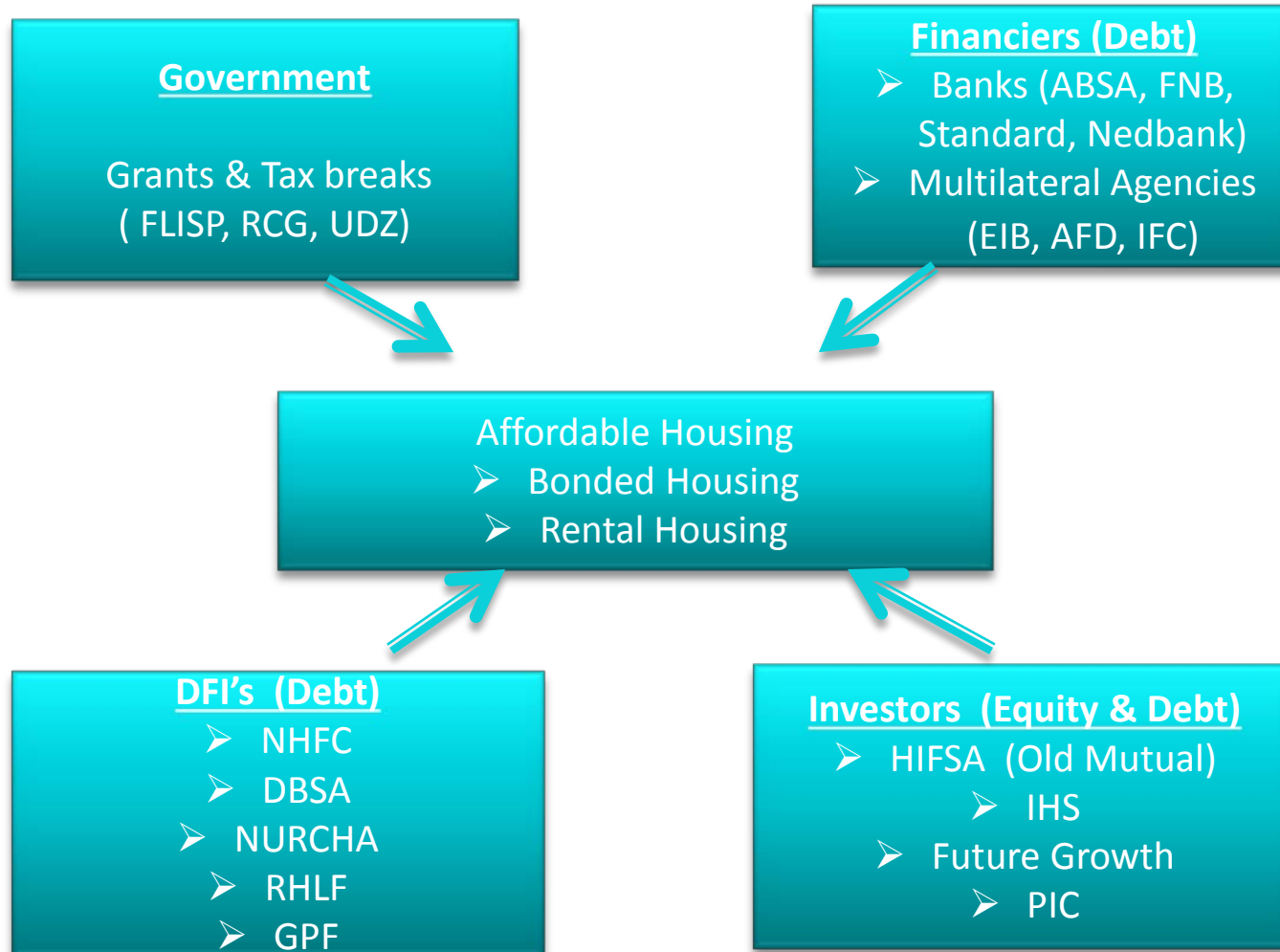
- ▶ Urban Housing demand around 1 million units;
- ▶ Current delivery at 20 000 units per annum;
- ▶ High levels of indebtedness in target market (20,26 million credit active customers and only 51,9% were classified in good standing – NCR);
- ▶ Historical low appetite for mortgage lending to Affordable Market by Big 4 Banks;
- ▶ Shortage of Affordable Housing stock; Affordable markets outperforming 'normal' market;
- ▶ Rental market continues to provide growth opportunities due to demand for housing close to amenities and work.

# AFFORDABLE HOUSING DEFINED

- ▶ **Definition : *By household Income***
- ▶ Not exceeding R15 000 (NHFC & Human Settlements)
- ▶ Not exceeding R18 600 (FSC)
  
- ▶ ***By Property Value***

Not exceeding R600k

# SOUTH AFRICAN AFFORDABLE HOUSING FINANCE MODEL



# WHY SHOULD GOVERNMENT BE CONCERNED ABOUT AFFORDABLE HOUSING

- ▶ While some people's housing needs are catered for by the Private Sector, ***the vast majority of South Africans still rely on some form of Government assistance to access affordable, appropriate and secure housing;***
- ▶ Government assistance is justified on the following grounds:
  - To achieve progressively the requirement of Sec 26 of the Constitution in enabling the right of citizens to adequate housing;
  - To arrest the inefficiencies & inequalities of settlement patterns resulting from Apartheid spatial legacy that are deeply entrenched and thereby reduce high costs to households;



# WHY SHOULD GOVERNMENT BE CONCERNED ABOUT AFFORDABLE HOUSING contd.

- ▶ The housing market is riddled with examples of conventional market failures;
- ▶ Housing is a critical determinant of ***households' well-being, labour market efficiency and social cohesion***

# HOW GOVERNMENT FINANCES HOUSING

- ▶ Direct investment into Human Settlements e.g. USDG and HSDG budgets for 2014-15 = R39 billion for, among others:
  - ▶ Affordable Housing - FLISP
  - ▶ Rental and Social Housing – Restructuring Capital Grant (RCG) and Institutional Subsidy
  - ▶ Free Housing (RDP) – Individual Subsidies
  - ▶ Human Settlements Infrastructure – Urban Settlement Development Grant (USDG), Municipal Infrastructure Grant (MIG)

# HOW GOVERNMENT FINANCES HOUSING contd.

- ▶ **Revenue foregone** : Tax Incentives for Investors & developers:
  - Urban development Zone (UDZ) Tax is the best kept tax break secrets of the S A Property sector, especially in the Inner City, contributing to Urban Regeneration;
  - Transfer Duty Exemption = 0 for all houses priced < R600 000.
  - Loans through DFIs (DBSA, NHFC, NURCHA & Provincial initiatives such as GPF)

# OTHER GOVERNMENT INTERVENTIONS

- ▶ Key Housing Policy & Regulatory frameworks to enable delivery:-
  - Availability of well-located land (preferably Serviced) – HDA Mandate);
  - Addressing Infrastructure backlog;
  - Facilitating the shortening of Housing Pre-development and development time-frames such as:
    - Township establishment
    - EIAs
    - Rate Clearance Certificate, etc.
  - Some Municipalities provide 30 year leased land to SHIs for Social Housing at a nominal lease.

# OTHER GOVT. INTERVENTIONS contd.

- ▶ Government. can also influence housing outcomes by changing the **risk-return** profile for **potential private investors** through ...
  - Fiscal
  - Regulatory; or
  - Incentives

# ABOUT THE NHFC

- ▶ The then National Department of Housing established the National Housing Financing Finance Corporation Ltd (NHFC) as a Development Finance Institution (DFI) in 1996 with the principle mandate of **broadening and deepening access to affordable housing finance for low to middle income households.**



# NHFC PRODUCTS

## 1. Social Housing Rental Finance

- For Social Housing Institutions (SHIs) which are ***not for profit***;
- Restructuring Capital Grants (RCG) to the projects are allocated by Social Housing Regulatory Authority (SHRA);
- Top-up subsidy allocated by Provincial Government;
- NHFC provides long term loans (up to 20 years) to project for balance of funding required to implement project. In instances GPF also co-funds projects in Gauteng Province;
- Multinational DFIs such as DIGH also provide debt financing;
- Target market – households earning between R3500 and R7500 per month.

# NHFC PRODUCTS contd.

## 2. Private Landlord Finance

- Subsidies not available for Private Property investors but UDZ tax incentives in the inner city is applicable;
- Secured loans with terms not exceeding 15 years;
- Here too in some instances projects are co-financed with GPF.

## 3. Non-Bank Retail Finance Intermediaries (RFIs)

- ▶ Loans to non-banking retail intermediaries, who on-lend secured and unsecured home loans to households in the NHFC target market.
- ▶ Investment in and debt finance to TUHF to facilitate Innercity Affordable rental accommodation



# PERFORMANCE HIGHLIGHTS 2013-14

- ▶ Achieved disbursements of R674m, highest yet since incorporation;
- ▶ R2.2bn leveraged from others;
- ▶ 22 500 housing opportunities created and the creation of 22 118 jobs;
- ▶ A robust approvals pipeline of R1.3bn;



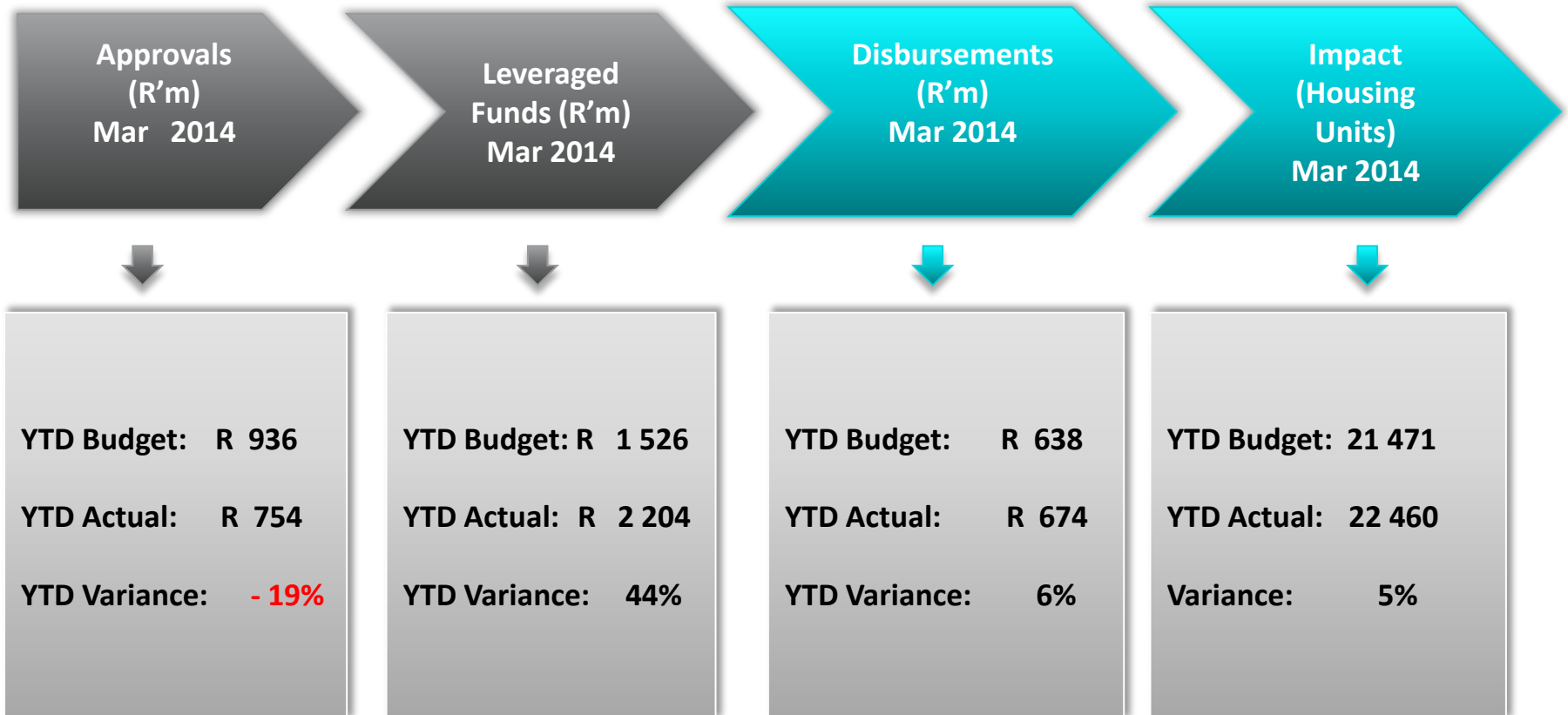
# IMPACT

## 2013-14 Financial Year








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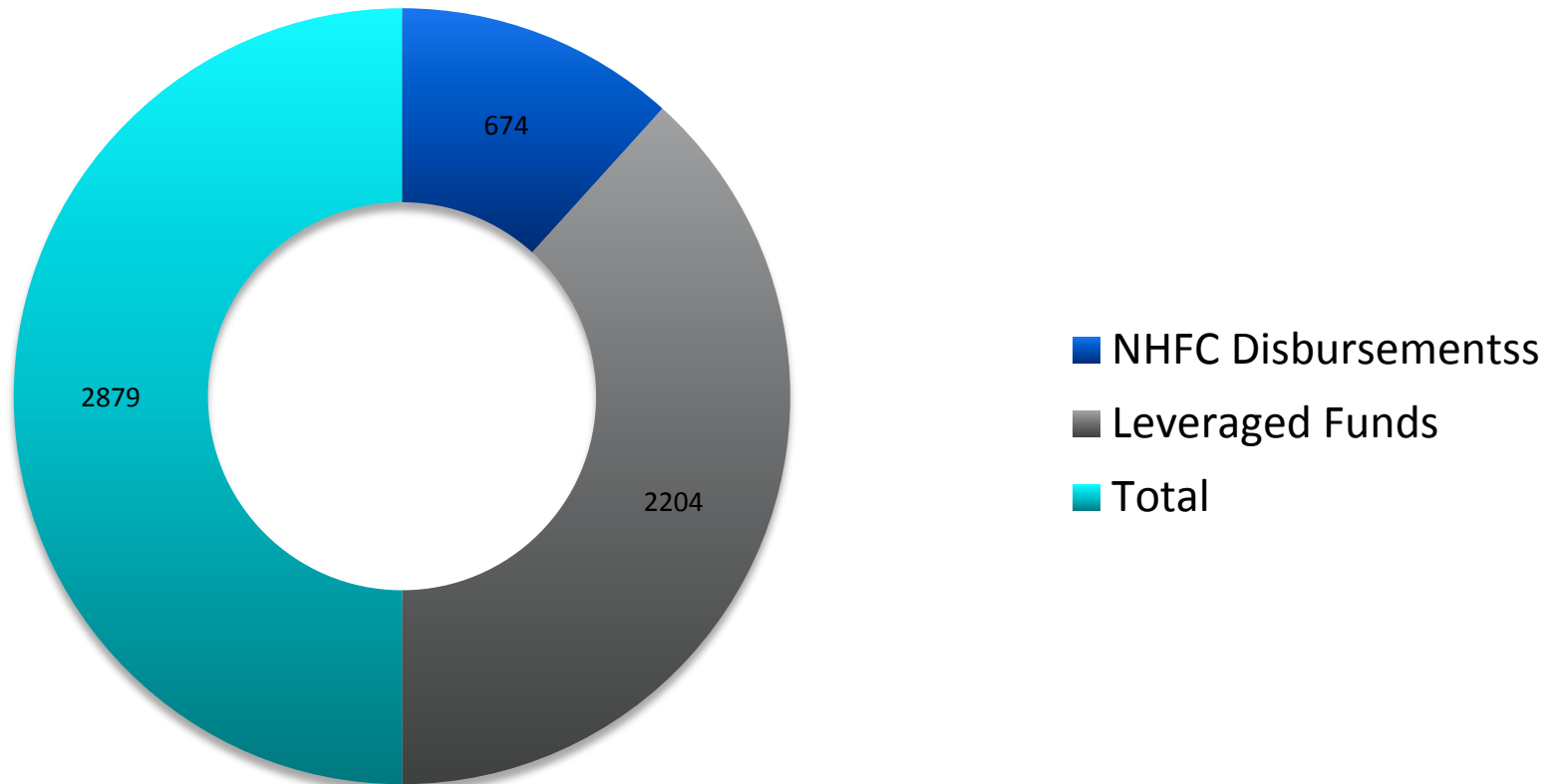
# KEY BUSINESS PERFORMANCE INDICATORS



# IMPACT PERFORMANCE ANALYSIS

<i>Disbursements</i>		<i>Target exceeded on the back of a strong approvals pipeline of R1.2bn.</i>
<i>Leveraged Funds</i>		<i>Target exceeded</i>
<i>Housing Impact</i>		<i>Targeted exceeded by an large through leveraged funding impact.</i>
<i>Jobs Created</i>		<i>22 118 jobs created and therefore target exceeded by 508%</i>
<i>Women Entrepreneurs (BEE)</i>		<i>This target has not been achieved due to the limited extent of women owned companies in the market.</i>

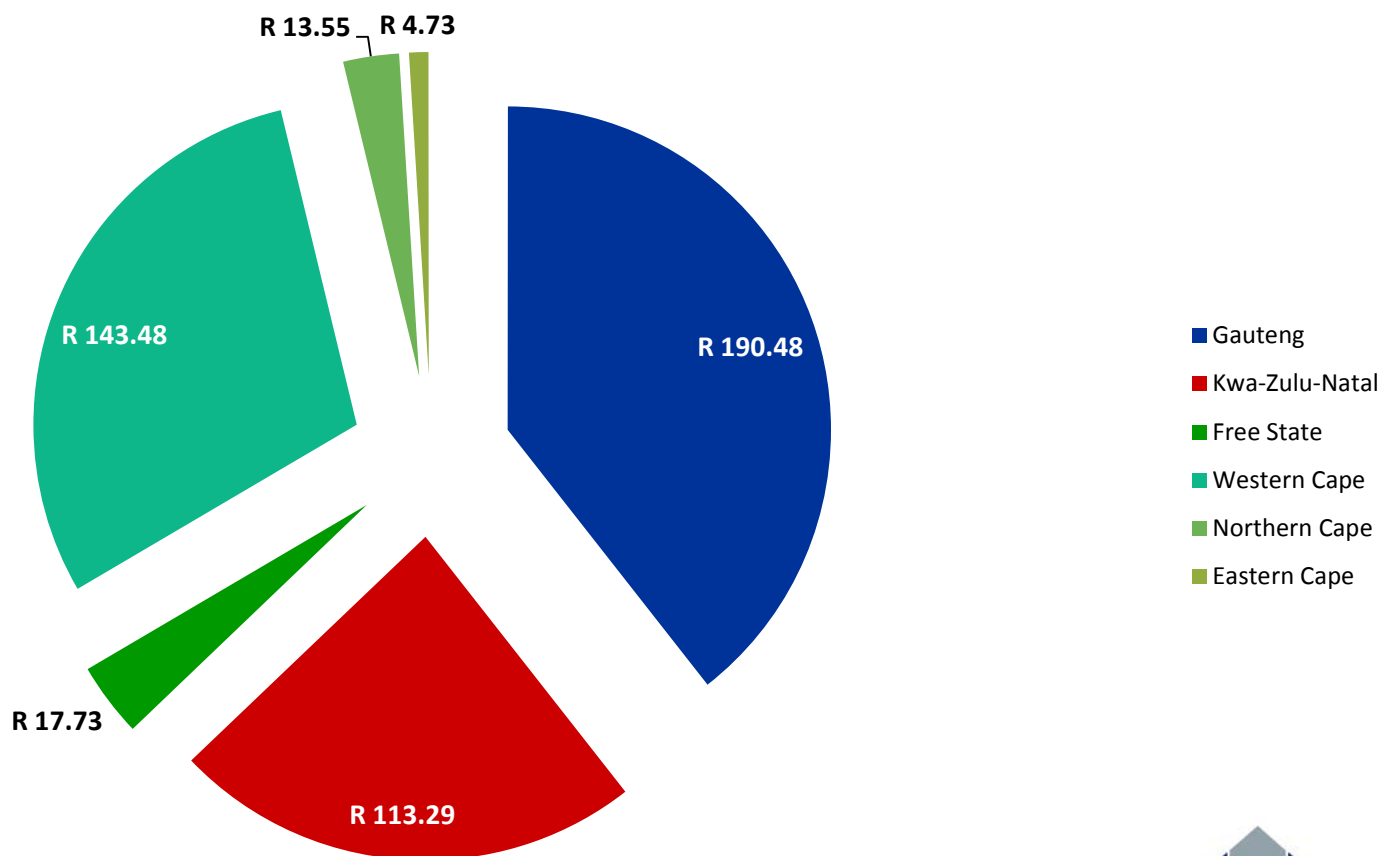
# DISBURSED & LEVERAGED FUNDS (R MILLION) FROM APRIL 2013 TO 31 MARCH 2014



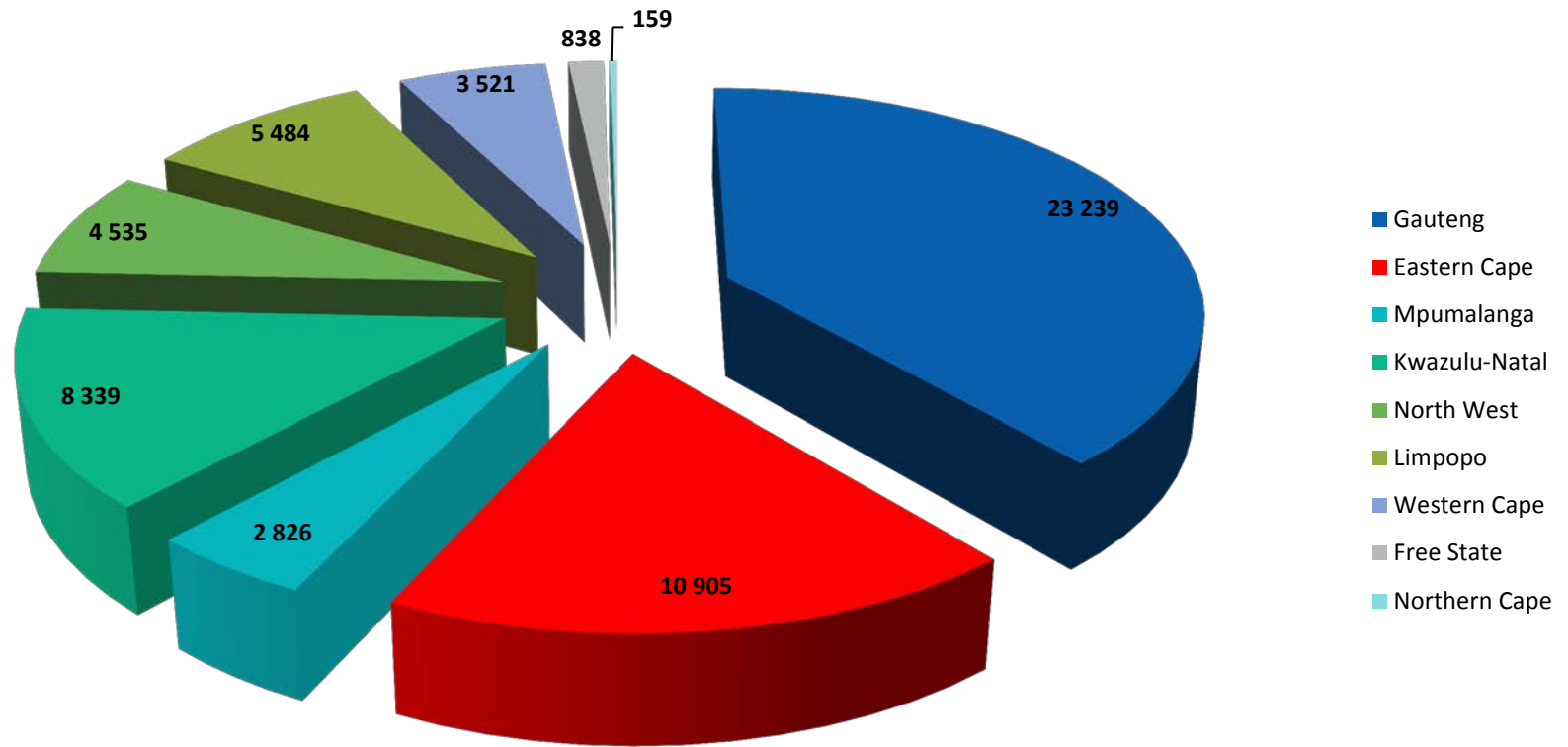
R1 disbursed by NHFC leverages  
R3.27 into the sector.

# PROVINCIAL PROJECT DISBURSEMENTS FOOTPRINT

## NHFC Disbursements (R'million) by Province YTD Q4



# WHOLESALE DISBURSEMENTS (R'000) PER PROVINCE



# NEW NHFC PROGRAMMES



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# OTHER PROGRAMMES

## FLISP (NHFC IMPLEMENTATION ONLY)

- ▶ A total of 927 subsidy approvals totalling R40 million for the year.
- ▶ Disbursements to the value of R9.4 million were achieved.
- ▶ Banks committed bond finance of R59 million.
- ▶ Review of the performance of the programme underway as well as NHFC participation going forward due to under recovery of operational costs.

## MORTGAGE DEFAULT INSURANCE PROGRAMME (MDIC)

- ▶ National Treasury and NDoHS are considering aspects such as Policy Framework, Institutional arrangements, Shareholding and funding of MDIC .
- ▶ NHFC will make a decision on the way forward at the end of June 2014, informed by Shareholder and National Treasury decision.



# NHFC-GPF EMERGING ENTREPRENEUR EMPOWERMENT PROPERTY FUND (EEEEPF)

- ▶ Pilot Phase R230 million:
  - NHFC – R130 million
  - GPF – R100 million

Both facilities fully committed to first time affordable housing entrepreneur landlords and funds are currently being drawn – down in accordance with progress of construction of the units.

- ▶ NHFC is negotiating with Shareholder for further funding for a further tranche of R100 million. As these initiatives are interest-rate sensitive NHFC cannot use loan funding from its funders but requires cheaper funding from its Shareholder.

# CHALLENGES & NHFC's RESPONSE



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# CHALLENGES IN AFFORDABLE HOUSING INDUSTRY

- ▶ Sustainability of non-repayable Subsidy Model – lower productive, taxpaying base vs larger Social grants and Subsidy base.
- ▶ Budget constraints in the fiscus – NHFC has to borrow funds – impacts on costs to the Affordable Housing Market.
- ▶ High property prices in the inner-city and in urban areas makes provision of Affordable rental challenging.
- ▶ Inflation- rising costs of materials and utilities
- ▶ Rental boycotts and building hijackings
- ▶ Industrial action – Platinum-Belt strikes
- ▶ Other Socio-economic factors – high unemployment, over-indebtedness a phenomenon of the market (Micro loans – ABIL)
- ▶ Green building costs vs conventional building costs.

# HOW NHFC IS TRYING TO ADDRESS SOME OF THE CHALLENGES

- ▶ Exploring ways of recycling subsidies;
- ▶ Continuous engagement with shareholder to try to balance shareholder contribution with debt-funding
- ▶ Partnering with other Affordable Housing role players to bring down cost of funding as well as cost of delivering affordable units.
- ▶ Supporting clients involved in rent boycotts/hijacking.
- ▶ Implementing Green building codes for clients.
- ▶ Working with institutions such as GPF and TUHF to bring more women entrepreneurs on board.



# CONCLUSION

**THANK YOU**

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