

Case study: Inhamizua affordable housing project

In 2018-19, FOUNT supported the Dutch Government through an assignment on structuring end-user finance (=mortgages) for the Inhamizua affordable housing project in Beira, Mozambique. The below excerpts from a press release in November 2019 give more background to this project, the parties involved, and its key results.

Introduction

In March 2019 cyclone Idai hit the city of Beira and destroyed approximately 70% of its houses. Nearly 8 months later, the first Mozambican families received the keys to their new houses in the Inhamizua community in the city of Beira. For the first time ever, low to middle income Mozambicans will be getting access to housing via a range of private sector financed housing finance schemes that are new to the Mozambican housing market. With the partnerships in place both for construction and end-user financing, many more families will obtain access to homes in the months to come. The Inhamizua affordable housing project is developing homes for 200 families and its approach can be accelerated and replicated throughout Mozambique.

Casa Real (project developer)

The houses in Inhamizua are developed by Casa Real, a Mozambican affordable housing company offering quality homes at a price affordable by lower income Mozambicans. Such houses were previously only available to the rich elite. Casa Real offers a range of incremental homes, where clients with lower incomes can buy a fully serviced starter home, currently priced at \$10,000, which they can further develop and adapt over time as needs and incomes change.

Reall (project financier)

Casa Real's key investor is Reall, a UK-based investor and innovator in affordable homes across Africa and Asia. Reall Director of Investment and Operations, Mr. Patrick Domingos-Tembwa said: "We are delighted to have invested in this program. We are committed to this city, especially after the cyclone hit. We believe in Casa Real's housing model helping families on low incomes get a safe and decent home."

Beira Municipal Council (key partner)

Casa Real started working in Mozambique following an invitation from Beira Municipal Council (CMB). The close partnership with CMB has resulted in provision of suitable land, prioritization in accessing services, assistance with planning and other forms of support in producing affordable housing for the city's population. Casa Real expect to enter into similar partnerships with other cities once it expands across Mozambique.

FOUNT (advisor)

In order to maximize access to these homes, Casa Real has stimulated banks (supported by FOUNT) to start providing mortgages to lower income earners. Mortgage financing in general is poorly developed in Mozambique, with a total mortgage book of only 0.91% of GDP, and with mortgages loans only accounting for 2.42% of total banks' assets, which is very low (source: CAHF 2018 yearbook).

In the current Mozambican housing market there is a negative vicious cycle including a shortage of project capital, unsuccessful small-scale initiatives, unavailable or expensive (construction) resources, poor institutional support (infrastructure, property titles), mismatch between end user preferences and housing supply, and lack of end-user finance, which in turn limits the offtake of projects, causing project financiers to further step back, and so on. The high local interest rate (Mozambican prime lending rate currently (Nov 2019) at 18.3%) further complicates matters.

Key support to reverse the downward vicious cycle in Mozambique's affordable housing sector was given by the Government of the Netherlands, whereby consultants from Dutch impact advisory firm FOUNT designed end user finance solutions and presented Beira's pipeline of affordable housing projects to nine Mozambican banks, through separate meetings and a round table discussion at the Dutch Embassy, as well as follow up meetings and discussions.

ABSA Bank (mortgage provider)

The first bank to actively enter this market has been ABSA Mozambique who is expected to sign the first mortgages ('end-user finance') with buyers of Casa Real's homes in November. Historically, mortgages have only been available to high income individuals with monthly incomes over 45,000 MZN (\$750) but now ABSA bank has been prepared to reduce their entry levels to just 15,000 MZN (\$250) which opens up the sector to the lower income population. This commitment was formalized in a 5-year MoU between ABSA and Casa Real signed in September 2019, whereby the bank will fund end-user financing for Casa Real's increasing affordable housing production with a range of sale prices between MT621,544 (US\$ 10,000) to MT3.1 million (US\$50,000).

The Dutch government (key partner)

The Dutch Ambassador for Mozambique, Mrs. Henny de Vries, said: "We are pleased that our long-standing partnership with Beira Municipality creates the confidence for private sector parties like Casa Real and ABSA bank to step in. The Dutch input for stimulating Mozambican banks to start financing mortgages for common Mozambicans will transform the lives of many lower income people."

Subsequent plans

The Inhamizua affordable housing project is an example of how CMB stimulates market-based solutions to make housing viable for the working poor and the youth in the city. CMB wants to enable the construction of 25,000 houses in the medium to longer term for lower income groups in the city. The Beira Master Plan 2035 provides the spatial vision for that to happen. The Maraza neighbourhood has been indicated as the area for the development of a whole new residential neighbourhood of 400 hectares. A pilot of 4 hectares and 125 housing plots ready for construction (with energy, water, sewerage, road services available) is being implemented. A special focus is on the provision of affordable housing to address the city's pro-poor development policies.