

Housing crisis in Africa as economy grows, cities overcrowded

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Africa's economy is rising, creating jobs in cities, driving people from rural to urban areas, helping to grow its middle class but creating a serious housing crisis on the continent, which is now the world's highest urbanised region. According to a study conducted by FinScope and presented at the African Union for Housing Finance conference it was found that the continent is in serious need of housing finance.

The FinScope study, which uses Tanzania, Botswana, Zambia and Malawi as case studies, found similar patterns in these countries, where most of households live in inadequate dwellings they built themselves.

At least 86% and 69% of people in Zambia and Botswana, respectively, live in inadequate dwellings, while 80% of Tanzanians live in that type of housing. The number of people living in inadequate dwellings in Malawi is even worse, reaching 90%. South Africa accounts for between 50 and 60% of those.

Very few households appear to have housing loans, Illana Melzer, of Eighty20 Consulting, told delegates today at the FNB Learning Centre in Sandton, Johannesburg. However, she said, many people in those countries would prefer to get a loan to improve or build their houses, rather than purchase new ones. But, despite the FinScope study showing that huge opportunities exist for banks (rental and purchase), there are several challenges to consider before embarking in these markets.

People face multiple constraints

Melzer said people face multiple constraints to get that loan, citing the following factors, which she described as access barriers:

- Affordability
- Regular income
- Age
- Awareness
- Lack of proper documentation
- Savings
- Banking status

Unpacking the affordability issue, she said 62% of people in Botswana cannot afford the 50 000 pula loan size (US\$48 000) imposed by First National Bank, while 95% in Malawi cannot afford the 1.2 million kwacha (US\$24 000) loan size from Standard Bank.

In Zambia 97% of people say the 80 million kwacha (US\$16 100) loan size imposed by Barclays Bank is just too deep for their pockets, while in Tanzania, Azania Bank wants to loan potential customers a housing bond of up to 5 million shillings (US\$ 3 087), which 74% said they cannot afford.

Affordability is a challenge

The Centre for Affordable Housing Finance in Africa (CAHF) said in its 2011 September Yearbook that affordability is a critical challenge, as current markets are structured to deliver housing that is too expensive for the population.

"A new house delivered is not necessarily an end product. The use of micro loans for housing is becoming prevalent, and an incremental housing process that proceeds in line with a household's affordability becomes possible," CAHF, a division of FinMark Trust, added.

Regarding the documentation, the FinScope study found that in Botswana, a country where urban people drive flashy cars but live in inadequate houses, 16% of people do not have a proper ID card.

The process is also complicated in Tanzania, where 9% of people do not have a voters' card, according to the study. As for banking status, 44%, 80% and 78% in Botswana, Malawi and Zambia, respectively, are not banked.

South Africa, which seems to have a more developed mortgage market, has over 1.8 million residential mortgages, though an analysis found that around 75% in the target market do not have access to mortgages.

Despite the housing finance market in Africa being small and presenting what seems like insurmountable challenges, Melzer remained optimistic, saying that there is scope for growth.

"The finance solution must align the housing solution, and there is also a need for more conversations, analysis and experimentation," Melzer concluded.

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Issa Sikiti da Silva is a winner of the 2010 SADC Media Awards (print category). He freelances for various media outlets, local and foreign, and has travelled extensively across Africa. His work has been published both in French and English. He used to contribute to Bizcommunity.com as a senior news writer.

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