

# BUILDING THE AFFORDABLE HOMES MOVEMENT IN AFRICA AND ASIA



**SUMMARY REPORT OF  
PHASE 2B OF THE CLIFF  
PROGRAMME**



**2014-2020**



**REALL IS AN INVESTOR AND INNOVATOR IN CLIMATE-SMART AFFORDABLE HOUSING IN URBAN AFRICA AND ASIA.**

# ABOUT REALL

**WE ARE BUILDING A CLIMATE-SMART AFFORDABLE HOUSING MOVEMENT THAT WILL IMPROVE THE LIVES OF 100 MILLION PEOPLE IN URBAN AFRICA AND ASIA BY 2030**

**REALL'S FOOTPRINT  
2014 - 2020**



PRIORITY COUNTRIES  
 NON PRIORITY COUNTRIES

# EXECUTIVE SUMMARY

**CLIMATE-SMART  
AFFORDABLE  
HOUSING  
IMPACTS ON 16  
OUT OF THE 17  
SUSTAINABLE  
DEVELOPMENT  
GOALS**



The world is urbanising at an unprecedented rate. By 2050 almost 70% of the world's population will live in urban areas, a growth of 2.5 billion people. Close to 90% of this increase is taking place in Asia and Africa. Urbanisation is fuelling a growing global housing and climate crisis and treads a heavy carbon footprint. The construction sector is a leading global contributor to greenhouse gases, accounting for almost 40% of the world's total CO2 emissions. With at least 1.2 billion people currently residing in substandard housing, a further 300 million new homes will be needed by 2030.

While the challenge is vast, the opportunity is equally enormous. Quality, serviced, climate-smart affordable housing has broad-based positive effects, impacting on 16 out of the 17 Sustainable Development Goals, and promoting social and economic prosperity for people living on low incomes, especially women and girls. A climate-smart home with essential services is foundational for economic and social development and for building resilient families, communities and cities.

**To meet this rising urban crisis, a UK £71M affordable housing programme was launched by Reall from 2014.** Co-financed by the UK government's Foreign Commonwealth and Development Office (FCDO) and the Swedish

International Development Cooperation Agency (Sida), the programme has catalysed market oriented affordable housing solutions for people in the bottom 40% of the income pyramid in urban Africa and Asia.

By building partnerships with in-country property developers and financiers, Reall has demonstrated the long-term commercial viability of affordable housing, whilst reducing urban poverty. Capitalising on the successes and lessons from the previous seven years, Reall is evolving further to scale up its provision of affordable housing – resolving market bottlenecks through innovation and collaboration and proving the investable proposition of climate-smart affordable homes.

This opportunity is even more pressing in the current social-economic climate – affordable housing will be essential in the recovery response to Covid-19, boosting prosperity, creating an intergenerational asset, generating jobs and transforming infrastructure markets.

With Sida's continued support, Reall is now building on the hugely important successes and learning from the 2014-2020 period. This was made possible through the pioneering finance provided jointly by the UK and Swedish governments.

## KEY DATA & SUCCESSES

**1 PROVIDED A HOME FOR APPROXIMATELY 60K PEOPLE**



**2 CREATED 60K NEW JOBS**



**3 UNLOCKED AFFORDABLE HOUSING FINANCE FOR 41K CLIENTS**



**4 STRENGTHENED STRATEGIC RELATIONSHIPS IN 15 COUNTRIES**



# OUR APPROACH

## BUILDER & BROKER

### BUILD and BROKER

Reall defines its strategic approach in terms of two key ambitions:

- **Build:** a building programme that demonstrates the commercial viability of affordable housing, connecting with clients, the private sector, governments and developers to take it to scale, including pioneering the US \$10K house.
- **Broker:** a market transformation programme, brokering strategic interventions that transform markets for people in the bottom 40%, enabling 10 million people to have an affordable home.

### STRENGTHENING the CAPACITY of PARTNERS

Reall's in-country African and Asian implementing partners are essential to delivering commercially viable solutions for people in the bottom 40% of the income pyramid.

Since 2014 Reall's network has expanded from 9 to 18 partnerships across 15 countries. In this timeframe Reall has also supported its partners to become "investment ready" to allow for the delivery of affordable housing at scale.

At the end of 2020, 16 of these partners had built relationships within the private and public sectors to affect in-country policy environments and develop affordable mortgage products. Over the course of the programme, Reall's assistance has allowed the majority of these partners to develop their technical capacity and expand their services, and at least half are now able to finance their own operating costs.

In a number of partnerships, mortgage repayments from clients have been recycled into new housing projects. In this way, Reall has been able to expand its capacity and scale up. From the total programme funding of £71 million, the value of funds that could be redeployed from previous projects in Jan 2019 was over £30 million. **By the end of 2020 and with additional funding from Sida, this value was estimated at £43 million**, demonstrating the catalytic investable proposition of affordable homes.

### INVESTMENT to DEVELOP MARKETS

By filling a gap in the affordable housing market and mobilising external investment, partners have delivered houses at a lower cost in comparison to established developers, providing homes that are **genuinely affordable for people in the bottom 40% of the income pyramid**, often reaching even lower income segments. In turn, this has drawn mortgage providers down market to offer housing finance that is affordable for the bottom 40%. Examples of this can be seen in Nepal, Pakistan and Mozambique.

As affordable housing delivery scales up, so does the capacity of local housing supply chains. This reduces the cost of materials, increases the quality of services, and catalyses wider economic growth and job creation. The delivery of homes provides a demonstrator effect, signalling the opportunities available within the affordable housing market to the private sector, banks and governments.

### INCLUSIVE DEVELOPMENT

The programme has worked to improve housing access and property rights for marginalised groups. Reall's partners have directly worked with members of community cooperatives that are led by and comprised of women. Various projects utilise ability-inclusive designs, including accessible external areas and ground floor sleeping and bathroom facilities. Examples include:

- All 154 housing units in Burkina Faso are disability inclusive
- 70% of Kuyasa's (South Africa) loan portfolio has been weighted towards women and the elderly
- The programme actively promotes female homeownership in overwhelmingly patriarchal contexts. Reall has committed for a minimum of 20% of the title deeds of homes sold to be in women's names or joint ownership by 2023



# OUR APPROACH



## EVIDENCE FOR FACILITATING MARKET CHANGE

This housing programme has helped establish **Reall as a market innovator and thought leader in the affordable housing space.** Functioning housing markets are key to serving people living on low incomes at scale. To achieve greater impact, Reall directed funding into piloting innovative and commercially viable housing models which can be replicated and scaled by others.

Reall has forged partnerships with private sector housing developers to build a high-impact pipeline of investable, climate-smart affordable housing solutions, with 20,000 new homes planned for development with these partners and by crowding in other actors and resources, by 2025. These new partnerships are diverse, pioneering and commercially focused, whilst committed to social and environmental impact.

## NOTABLE PROGRAMME SUCCESSES

### PARTNERS

The Centre for Affordable Housing in Africa (CAHF) recognised the Millard Fuller Foundation (MFF), Reall's partner in Nigeria, for pioneering **the most affordable, privately developed home for sale in Africa in 2019 and 2020**, available for under US \$10K.

Pakistan partner, the Ansaar Management Company's (AMC) Faisalabad 1 project provided **the first ever commercially available affordable homes to Pakistanis living on low incomes.** The homes cost around US \$8,000 with average monthly mortgage payments of US \$75. This is affordable for the bottom 30% of earners locally. AMC has also developed a first of its kind female rental accommodation in the city centre of Lahore, ensuring safe living conditions for female students and workers in the bottom 40% of the income pyramid.

The National Cooperative Housing Union (NACHU) in Kenya, has **recycled over US \$2.5 million, reinvesting Reall funding to scale up housing provision for people living on low incomes.** By providing home loans to households, NACHU has enabled access to quality housing assets for almost 2,000 households.

Building on an Memorandum of Understanding (MoU established in 2019, Beira-based partner Casa Real successfully **facilitated the first ever mortgage available for people living on low incomes in Mozambique**, when only 600 mortgages are in existence throughout the whole country. This was achieved in partnership with Absa Bank.

### REALL

**Raising sector standards:** The final stages of this programme focused on establishing Reall as a market innovator and thought leader. This required a rapid scale-up of best practice professionalisation and growth, evidenced by the implementation of rigorous governance systems and responsible exit plans in selected countries. Reall focused on partnering with private sector housing developers with proven track records and significant potential for scale, and built a high-impact pipeline of investable, climate-smart affordable housing that deliver a triple bottom line for profit, for people, and the planet.

**Scaling up ambition and impact:** In 2020 Reall launched its Corporate Strategy, providing a blueprint for impacting 10 million people by 2025, defining Build and Broker ambitions, and committing to building climate smart. In 2020 Reall also selected priority regions of strategic focus— India and Pakistan in Asia, and Kenya, Uganda and Nigeria in Africa. Five Country Strategies have subsequently been developed, that situate Reall's investments and interventions within rigorous market analysis and provide overarching strategic direction.

**Sector influence and thought leadership:** Reall established a strategic presence at the 2020 World Urban Forum and building on this, is preparing to showcase the unique offer of climate-smart affordable homes at COP26 Climate Conference in 2021. In 2020 Reall launched its cutting-edge and open-source Data Dashboard, which showcases over 120 Reall-funded affordable housing projects and is continually evolving into a sector-leading data and evidence hub on affordable housing markets. There is no equivalent resource that gathers such extensive affordable housing data in a single platform.

**Next phases of funding:** Reall has secured further investment from the Swedish International Development Agency (Sida) to 2023.

Building on the successes of 2014-2020, from 2021 Reall is seeking to attract US \$25 million in senior debt investment. This investment will build 4,400 climate smart affordable homes and create 22,000 new jobs across priority geographies in Africa and Asia. Reall will provide US \$5 million of interest free funding to act as 'first loss guarantee' to support the investment.

# THE IMPACT

## URBAN POVERTY REDUCTION

Approximately **12,000 affordable homes** were delivered for the **bottom 40% of the income pyramid** throughout **15 countries**. This has benefited approximately **60,000 people** in total, allowing them to leave informal settlements and intergenerational poverty behind.

In 2019-2020 Reall carried out a rigorous Impact Study of its housing investments across four geographies. The study found that **quality of life improved considerably for low-income occupants after moving into a new home** in four focus countries (India, Nepal, Pakistan, Kenya). Acquiring transgenerational housing assets was found to have transformative impacts on the lives of occupants and

their families, improving the health and wellbeing of residents, while acting as a doorway to 16 of 17 SDGs.

## ECONOMIC and SOCIAL DEVELOPMENT

Reall has successfully **stimulated the creation of approximately 60,000 new jobs** within housing construction and supply chains. UN research also indicates that investment in affordable housing also has a significant economic multiplier effect of between two and three in most emerging economies, driving economic growth at the national level.

Reall's partners have also **boosted the inclusion of women in the construction sector**. In Malawi, female contractors were employed to construct affordable housing. New

partners BuildX (through sister company BuildHer) in Kenya and Smart Havens in Uganda specifically provide training for women in construction.

## DEEPENED MARKET UNDERSTANDING

By investing in and piloting innovative models and developing indicators to track market change, Reall has deepened the evidence base around the affordable housing sector in Africa and Asia.

This is essential to proving commercial viability and improving wider sector understanding of the risks and opportunities of delivering affordable housing. In 2020 Reall launched its interactive open-source **data dashboard** to communicate these learnings more effectively.

## FINANCIAL SECTOR DEEPENING

This funding has facilitated **unprecedented access to affordable housing finance for over 41,000 clients**.

Housing finance plays an important role in asset creation, stimulating demand and facilitating construction. Reall has pioneered innovative new approaches to de-risking lending in several countries, paving the way for replication. **82% of Reall's homeowners surveyed in Reall's 2019/20 Impact Study consider their housing finance repayments to be affordable** – proving the commercial viability of affordable mortgages and the capacity of clients on low incomes to repay these loans.



**QUALITY OF LIFE IMPROVED CONSIDERABLY AFTER MOVING INTO A NEW HOME**

# INNOVATING TO UNLOCK FINANCE

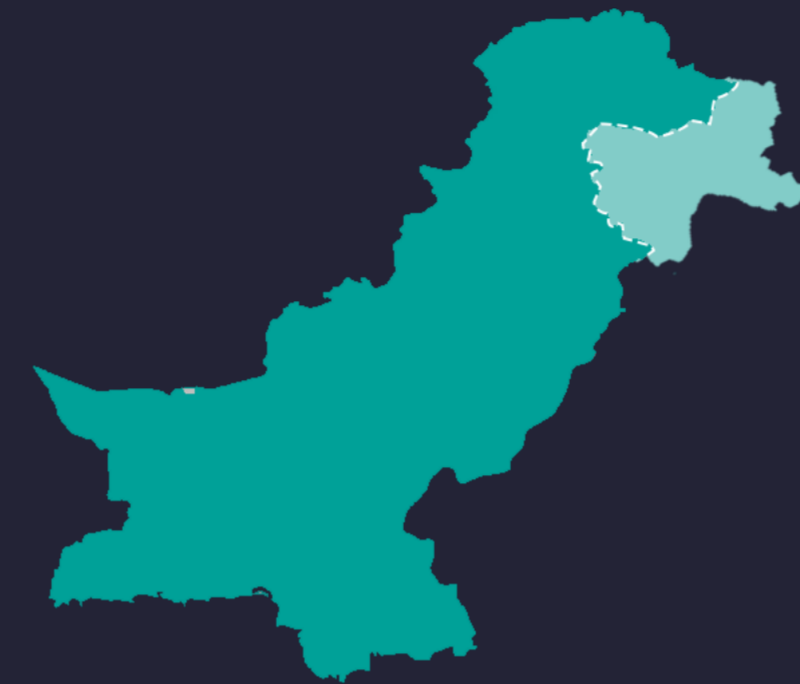


## INDIA

Reall's India partner Syntellect (a FinTech start-up based in Mumbai) has developed a cutting-edge software platform that can accurately assess the creditworthiness of informal sector customers for commercial mortgage finance.

## NEPAL

Partners Sewa and Lumanti in Nepal provided banks with guarantees against losses on loans to facilitate access to affordable housing finance. Guarantees were originally offered at 50% of the total loan cost, but this has reduced to just 10%, due to the now established trust in the ability of people on low incomes to repay.



## PAKISTAN

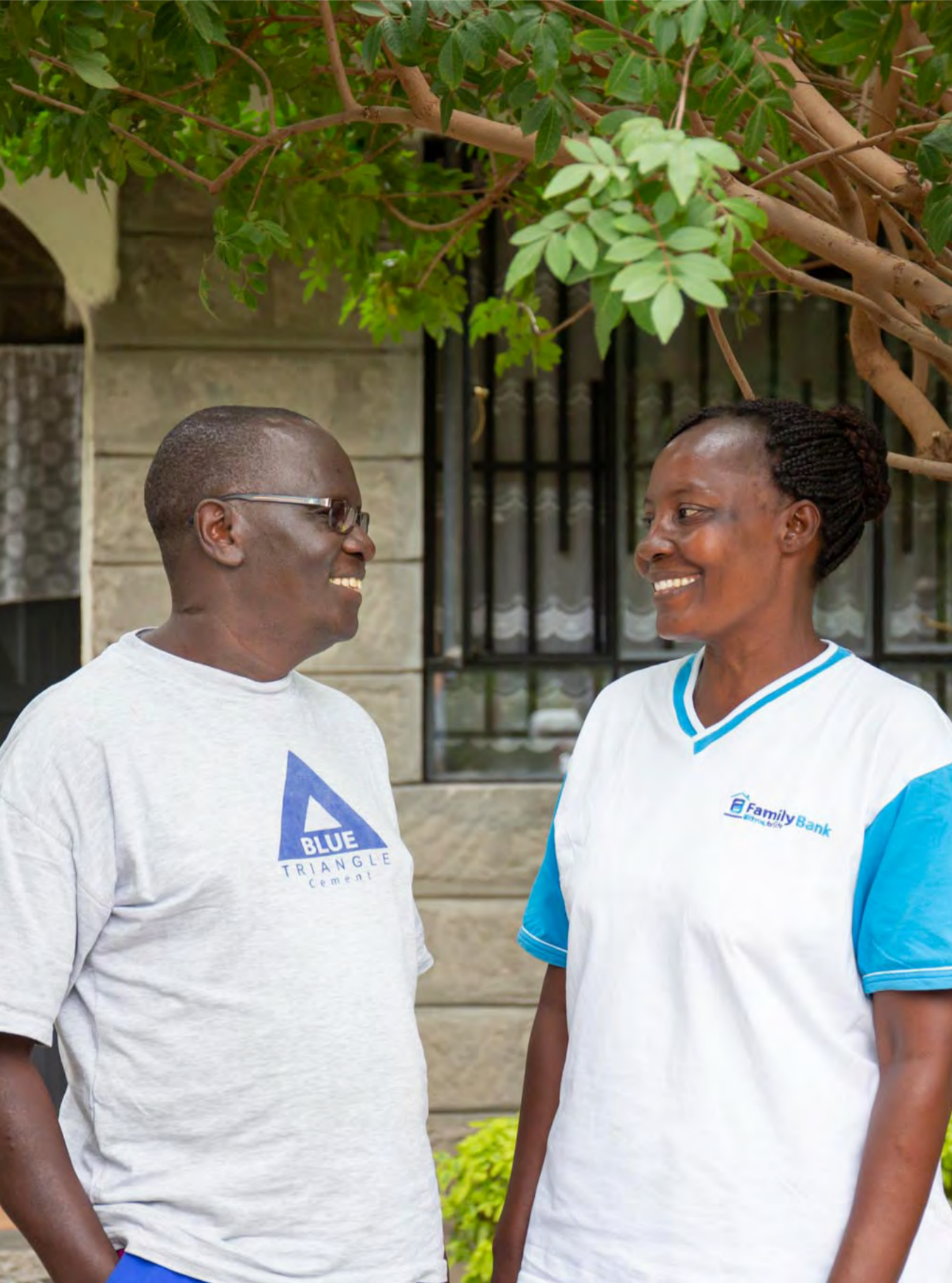
Ansaar Management Company (AMC), in partnership with the House Building Finance Company (HBFC), launched an affordable mortgage product for customers living on low incomes, representing a landmark first move downmarket by a mainstream finance institution in Pakistan.

## MOZAMBIQUE

Casa Real negotiated with the bank ABSA Mozambique (formerly Barclays) to launch a new mortgage product targeted at customers with monthly incomes lower than US \$ 240. Prior to this, only 600 mortgages were in existence throughout the whole of Mozambique.



# KEY LEARNINGS



## EMBRACING LEARNING

With the rapid pace of urban population growth and the increasing magnitude of housing deficits in Africa and Asia, proof of the sustainable impact and commercial viability of climate-smart affordable housing must be leveraged to forge pathways to scale. **Reall has embraced its learnings from 2014-2020 and has developed and strengthened systems to be investment ready**, to take affordable homes interventions to scale in 2021 and beyond.

## FINANCIAL INCLUSION

Financial innovation and de-risking continue to prove essential to widening access to housing finance for people living on low incomes and the informal sector. Commercial lenders must be nudged 'downmarket' through exposure to evidence of low-income people's long-term lending prospects. This presents an enormous untapped opportunity for FinTech innovators and alternative credit scoring systems to improve risk modelling and equip lenders with the tools to accurately assess the creditworthiness of informal customers.

Reall's partner Syntellect, an Indian software developer, are demonstrating how FinTech innovation can widen access to housing finance in practice. Their credit assessing platform, RightProfile, has allowed banks to assess 20,000 informal sector clients, of which 14,000 were approved for mortgage finance, providing these customers with formalised finance from which they would otherwise have been excluded. Based on the success of this model, in 2020 Reall established a partnership with Syntellect, collaborating to scale the model into other parts of Africa and Asia.

## A CLIMATE-SMART HOUSING MOVEMENT

A massive volume of housing must be built or renovated in Africa and Asia to accommodate growing urban populations. If this new housing is not climate-smart, it will worsen the climate crisis. While the built environment emits up to 39% of the world's carbon emissions, affordable housing represents a huge opportunity to achieve climate-conscious growth through net zero carbon construction. This will ensure that building the affordable homes movement aligns with the commitments of the Paris Agreement and the 2050 Net Zero Targets.

Reall is leading the climate-smart affordable homes movement in Africa and Asia and has **committed to delivering 20,000 climate-smart affordable homes with funding from Sida and new investors by 2025.**

To do this, Reall is actively mainstreaming climate considerations and practices across our entire operations and partner network. Safe, serviced, quality housing is a central component of building resilience for the most vulnerable communities and cities. In the context of the 3 billion people living in informal housing by 2050, Reall will reduce the embodied emissions of addressing this challenge, incubating climate-smart entrepreneurship. **Reall's climate-smart, affordable homes strategy is a low-carbon, high-resilience solution to the climate crisis, the housing gap, and economic prosperity.**

## MARKET LEVEL MONITORING

Increased measurement and monitoring of the housing sector is key to improve sector understanding of the synergy between regulations, demand, supply constraints and economic outcomes. In 2020, Reall launched its data dashboard, which tracks trends and data points of key market shaping indicators. **This will allow Reall to implement strategic interventions**

**that target market bottlenecks blocking the path to scale, including:**

- Land Scarcity: As Africa and Asia rapidly urbanise, demand for land is increasing. This is compounded by inadequate policies that encourage large plot sizes, resulting in poor urban planning, reduced critical infrastructure, and increase the cost of serviced land. Policy environments must be shifted to harness an urbanisation process that increases the availability of serviced land and brings down sales prices
- Development Costs: Materials represent an estimated 50% of the overall cost of housing construction. Improving efficiency of supply chains and reducing waste can have a positive impact on people, profit and the planet
- Understanding clients living on low incomes: With changing demographics across both Africa and Asia and lasting impacts from the Covid-19 pandemic, further research is required to better understand the customers of Reall's partners. This can facilitate the development of tailored housing finance products for people living on low incomes





**FOR REALL  
IT'S CLEAR  
– CLIMATE  
SMART  
AFFORDABLE  
HOMES  
HOLD THE  
KEY**

# LOOKING FORWARDS

With FCDO and Sida funding, Reall's work between 2014 and 2020 has demonstrated how the affordable housing crisis is one of humanity's greatest opportunities.

Through our Build & Broker approach, Reall has a compelling strategy for scaling up and tackling this global challenge in 2021 and beyond – impacting positively on climate change, economic sustainability and equality in a Decade of Action to deliver the SDGs. Reall is poised to significantly scale up its impact.

Reall has finessed its interventions in Africa and Asia, developing blueprints for strategic market transformation in priority countries. Reall's market engagement and sector influence has also ramped up – showcasing the offer of climate-smart affordable homes at global forums, increasing engagement with governments, and launching our sector-leading data dashboard.

This progress has unlocked access to further funding opportunities, with Sida committing to investing in Reall to at least 2023 and a new investment fund in the pipeline.

For Reall it's clear – climate smart affordable homes hold the key. We know that when we create vibrant communities people want to live in, growing markets that businesses want to operate in, and profitable platforms investors want to invest in, we help create a more secure and just world for us all.



**TO BUILDING  
A MORE  
SECURE AND  
JUST WORLD  
FOR US ALL**

# WITH THANKS



Sida

SWEDISH INTERNATIONAL  
DEVELOPMENT COOPERATION AGENCY



UKaid  
from the British people

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