FINANCING RENTAL HOUSING IN SOUTH AFRICAN CITIES

werment

TUHF
TRUST FOR URBAN HOUSING FINANCE

Who is TUHF?

1. A Specialised Commercial Property Financing Company focusing on:
   - Inner Cities
   - Rental Housing
2. A "good business, doing good";
3. Our development objectives are:
   - Urban Regeneration,
   - Low to Moderate Income Housing,
   - BEE Business Development
4. Currently in Joburg, Tshwane and Ethekwini

Business History

1. Launched in June 2003,
   - Fund R21 million,
2. Now loans amounting to R1.120 billion,
   - Pipeline R236 million.
3. Set up as National Regeneration Fund;
   - Principle Sponsor is NHFC,
   - Commercial Banks and Asset Mangers,
   - DFI’s including DBSA and NHFC.

Urban Decline in South Africa

1. Causes of Urban Decline
   - Planning decisions
   - Public sector decisions (e.g. City moving to Braamfontein)
   - Poor urban management
   - Rapid racial transition and capital flight,
   - Worldwide trend away from cities,
2. Nature of Urban Decline
   - Not classic urban decline
   - Very vibrant, bustling economy
   - Crime, grime and degradation caused by capital flight
   - Those who left aren't coming back, those who stayed, aren't leaving

Urban Regeneration

1. Important Considerations
   - Public Infrastructure
   - Urban management
   - Transport, Enforcement, Cleanliness
2. Urban Development Strategy
   - Common vision
   - Economic Functionality
   - Spatial Planning
3. Urban Development Frameworks
   - Subordinate to Strategy
   - Different UDF or UD plans for specific areas
4. Examples:
   - Joburg 2030, Itrump

www.tuhf.co.za

Joburg's Experience

1. Some causes and effects
   - Culmination of bad planning decisions
   - Late 1980's to middle 1990's, absence of urban management
   - Rapid racial transition accompanied by white and capital flight
   - Inner city de-facto a dormitory for the poor
   - Late 1990's, substantial institutional restructuring
   - Much City wide development planning
   - Real urban growth in early 2000's

Joburg's Experience

2. Infrastructure Development
   - Remarkably little public investment
   - Very targeted transport infrastructure
   - Signature projects like Mandela Bridge
   - Public space development
   - Targeted at urban development zones
   - Public investment has powerful multiplier effect (JDA =28X)
3. Complimentary Public actions
   - Ensure predictable environment e.g. plan approval, clearance, etc.
   - Get utility charges right
   - Powerful incentives such as building allocation, arrears write offs etc.

Urban Management

1. Identify causes of Market Failure
   - Utility and tax arrears and rates clearance
   - Slum lording and cost externalisation
2. Identify areas of Government Failure
   - Building Control and Health and Safety
   - Zoning and plan approval
   - By law enforcement (trading, litter etc.)
   - Health and Hygiene

www.tuhf.co.za

Urban Management

3. Public sector backed initiatives
   - The Better Buildings Program
   - 11 Urban Development Zones (Newtown, Constitution Hill, Fashion District etc.)
4. Economic Realities of Incentives
   - It's the Rules that count
   - Metro and Province DoH (accreditation)
   - Constitutional Competency

Inner City Housing

1. Spatial Dislocation
   - SA loves large projects but:
   - 250 X 20 units = 1 X 5000 units
   - Less likely to reinforce apartheid planning,
   - Transactions costs per project lower
2. Economies of Scale
   - Densification opportunity
   - Use existing public services (roads, sewerage, storm water, elect etc.
   - Use existing public capacity

Role of Inner Cities

4. Huge demand to live in cities
   - Variety of reasons but transport, time, family independence opportunity reasons
   - No structural vacancies in TUHF areas
5. Local Economic Development
   - Regeneration improves fiscal base
   - Entrepreneurial opportunities (Landlords)
   - Land Reform in the urban sense
   - Cost effective as relatively little public support
6. Densification
   - State of the art of conversions (office, light industrial, hotels and hospitals
   - Planning restrictions (Parking, zoning etc)

Target Market

1. Low to moderate income housing
   - R1000 to R3500 per unit/month
   - Depends on product
   - Unit rent not a good proxy of affordability
   - Slum Lords fill affordability gap
2. Private vs social housing
   - Rents and service often similar
   - Participative management main difference,
3. Gentrification
   - No doubt huge increases in rents over last few years
   - Require consistency of city strategy
   - Plight of poor very real challenges
   - Some “rising tide all boats effects”

Role of Inner Cities

4. Huge demand to live in cities
   - Variety of reasons but transport, time, family independence opportunity reasons
   - No structural vacancies in TUHF areas
5. Opportunity for Local Economic Development
   - Regeneration improves fiscal base
   - Entrepreneurial opportunities (Landlords)
   - Land Reform in the urban sense
   - Cost effective as relatively little public support
6. Densification
   - State of the art of conversions (office, light industrial, hotels and hospitals
   - Planning restrictions (Parking, zoning etc)

MARSHALLTOWN LOFTS

TUHF
TRUST FOR URBAN HOUSING FINANCE

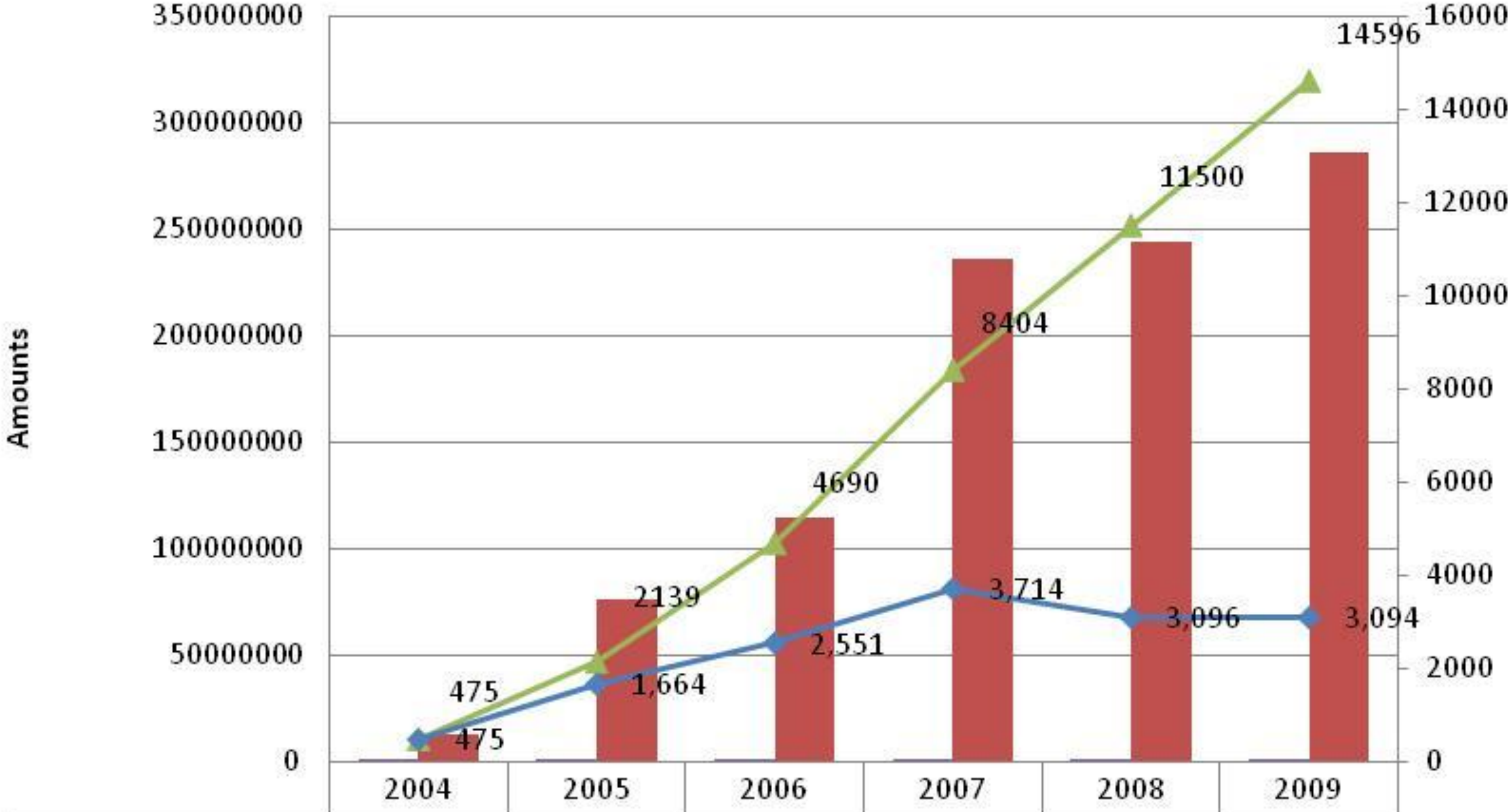
www.tuhf.co.za

72 DERBY - SARALEON

TUHF

EKUPHUMULENI

Units per Year



	2004	2005	2006	2007	2008	2009
Avg Loan/Amount	26815	45945	44873	63608	78879	92461
Facility Amounts	12,737,348	76,452,476	114,471,086	236,238,388	244,208,058	286,073,487
Cumulative Units	475	2139	4690	8404	11500	14596
Units	475	1,664	2,551	3,714	3,096	3,094

Business Niche

1) Company Business Niche
   - Red lined areas mainly inner city areas
   - Loan size between Home Loans and Commercial Property (R2m to R20m)
   - Low to moderate income rental housing markets
   - Existing housing and commercial stock
   - Lending in defined geographic areas

www.tuhf.co.za

Independent Financial Services Company

1. Commercial Property Financier specialising in Affordable Rental Housing and Inner Cities.
2. Related Products
   - Bridging finance and equity products
   - Construction Finance
   - Instalment Sale Products (Cooperatives and other higher risk investments)
3. Professional Staff skilled in
   - Commercial Property Finance and financial services
   - Inner city property markets
   - Property management, construction etc.
   - National Housing Policy & Housing Development
   - All loan officers are graduate professionals

Independent Financial Services Company

4. Developed lending approach
   - Experience over six years
   - Customer input (focus groups, surveys etc.)
5. Retail mortgage financier
   - Buy finance wholesale and retail
   - Strive for 3.5% net margin plus fees
   - Niche not boutique:- Scale is important
6. Commercial objectives:
   - Comparable ROE,
   - Medium term book of R5 billion
   - National footprint.

TUHF
TRUST FOR URBAN HOUSING FINANCE
www.tuhf.co.za

Contact TUHF at:

011 2761440

031 306 5036

Fax

011 3391784

Paul Jackson

082 387 8360

www.tuhf.co.za