



*FINANCING RENTAL
HOUSING IN SOUTH
AFRICAN CITIES*



werment



Business History



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TUHF formed in June 2003 as:

1. A Rental Housing Financing Specialist
 - Joint venture between NHFC, ICHUT, Nurcha and SHF
 - Shorebank Chicago's lending experience
2. Set up as:
 - A National Urban Regeneration Fund,
 - A Commercial property financier:- i.e. finance against property (rental) cash flows
3. TUHF restructured to private company
 - 1st September 2009
 - Shareholders:- TUHF 21 and NHFC
 - Principal sponsor :- The NHFC
 - All requirements completed.

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Who is TUHF?



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1. A Specialised Financier:
 - 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 branch offices in Durban & PE.
5. Now loans amounting to R1.228 billion,
 - Pipeline R244 million.

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Role of Inner Cities in 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

3. Amenities pressure

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Role of Inner Cities



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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)

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Policy and legal framework

1. Legal framework in state of Flux
 - Blue Moonlight Properties
 - Angus Mansions
2. Rental Housing Act Amendment Bill
 - Very good for tenants rights
 - An appalling piece of legislation for housing investment/delivery
3. Equity requirements of Constitution
 - Private landlords made responsible for tenant's personal circumstances

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Policy and legal framework

- Blue M case: Metro ordered to compensate Landlord
- Metro does not dispute State responsibility but argues constitutional competency (flux)
- 4. Constitutional Property Rights
 - Landlord responsible for utility consumption (indivisibility)
 - No termination in event of non payment
- 5. PIE Act
 - Not the problem it is often purported to be
- 6. The investment tenant rights balance
 - Increasingly anti-investment,
 - Increasingly uncertain adjudication

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Stimulus of Urban Regeneration

1. Nature of Urban Decline
 - Not classic urban decline
 - Very vibrant, bustling economy
 - Crime, grime and degradation caused by capital flight
2. Market Failure
 - Utility and tax arrears and rates clearance
 - Slum lording and cost externalisation
3. Government Failure
 - Building Control and Health and Safety
 - Zoning and plan approval
 - Urban management breakdown

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Stimulus of Urban Regeneration

4. City Strategies

- Remarkably little public investment
- Identify areas and causes of failure
- Ensure predictable environment e.g. plan approval, clearance, etc.
- Get utility charges right
- Powerful incentives such as building allocation, arrears write offs etc.
- Public investment has powerful multiplier effect (JDA =28X)

5. Economic Realities of Incentives

- It's the Rules that count
- Metro and Province DoH (accreditation)
- Constitutional Competency

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Rental as Tenure Form



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1. USA Experience

- George Bush Senior: 63% home ownership
- Clinton kept policy- growing sub prime book
- George Bush Junior: Peaked at 69%
- Then:-"the mother of all crashes"
- All "gains" lost

2. Europe

- Rental a very important tenure form
- In excess of 40% of households

3. South Africa

- 19% very low, significant scope for investment
- Flexibility and mobility
- "Newly weds and nearly deads"

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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”

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Retail Financial Services Company



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1. Commercial Property Finance specialising in Affordable Rental Housing and Inner Cities.
2. Supplementary Products
 - Bridging finance
 - Construction Finance
 - Instalment Sale Products (Cooperatives and other higher risk investments)
 - Equity for emerging entrepreneurs
3. Professional Staff skilled in
 - Commercial Property Finance
 - Loan Cycle Management
 - Financial Management and Administration
 - Inner city property markets
 - Property management, construction etc.
 - National Housing Policy & Development

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Retail Financial Services Company



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4. Developed lending approach
 - Relationship with Shorebank
 - Commercial property divisions of Banks
 - Experience over eight years
 - Customer input (focus groups, surveys etc.)
5. Differentiated lending practice
 - Defined lending area (market knowledge, coverage, networked, confident)
 - Professionally qualified, experienced LO's
 - Speak to borrowers in any language at any level,
 - Formal portfolio management,
 - Proactive default management with quick client interaction,

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Differentiated Lending Practice

1. TUHF approach to investment
 - Make markets- target defined geographic area and introduce liquidity
 - High density building stock
 - Cooperate with city investment programs
2. Retail mortgage financier
 - Buy finance wholesale and retail
 - Strive for 3.5% net margin plus fees
 - Niche not boutique:- Scale is important
3. Commercial objectives:
 - Comparable ROE,
 - Medium term book of R5 billion
 - National footprint

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Business Niche



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1) Company Business Niche

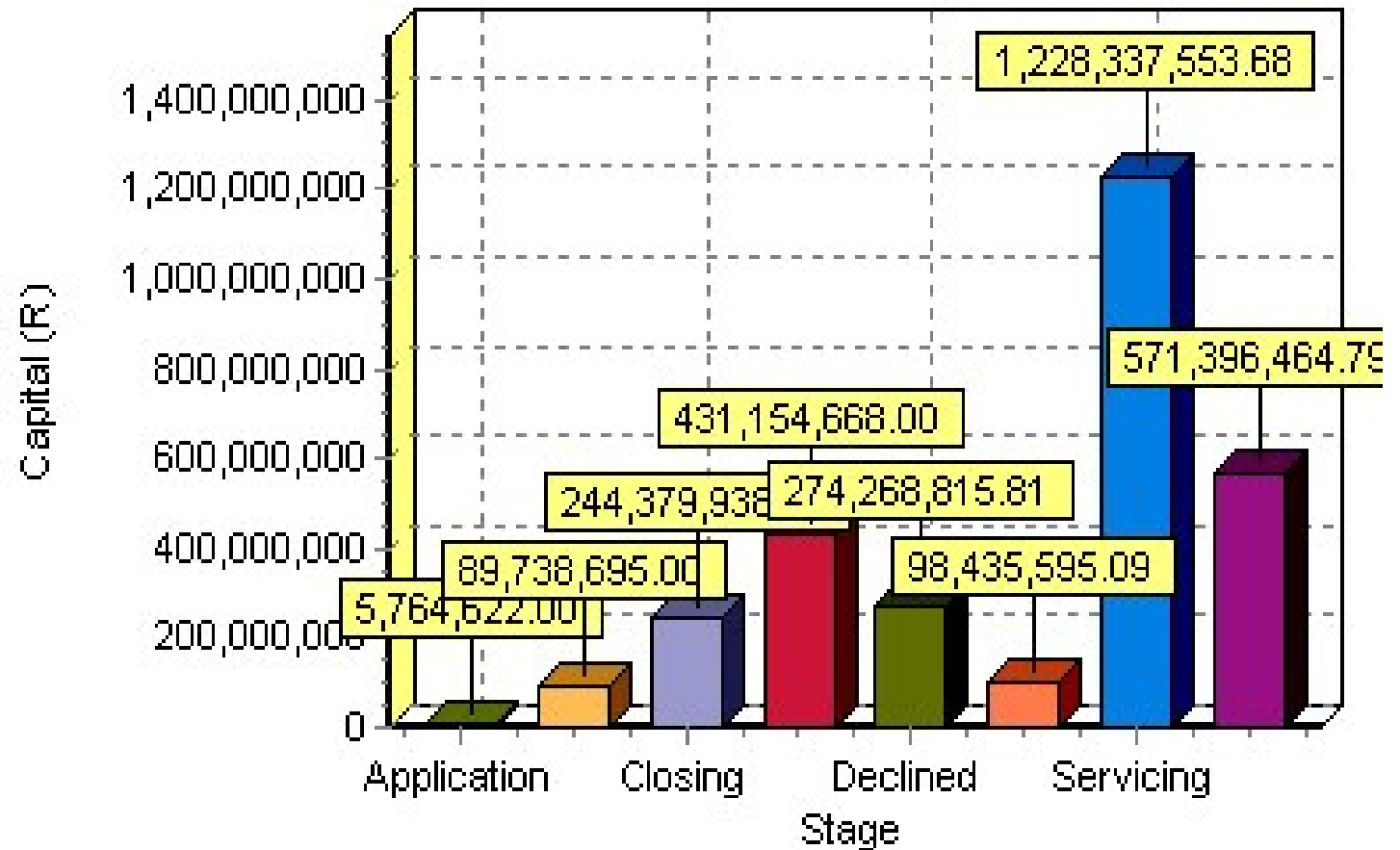
- Red lined areas mainly inner city areas
- Loan size between Home Loans and Commercial Property (R2m to R20m)
- Low to moderate income rental housing markets
- Existing housing and commercial stock
- Lending in defined geographic areas

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Business progress

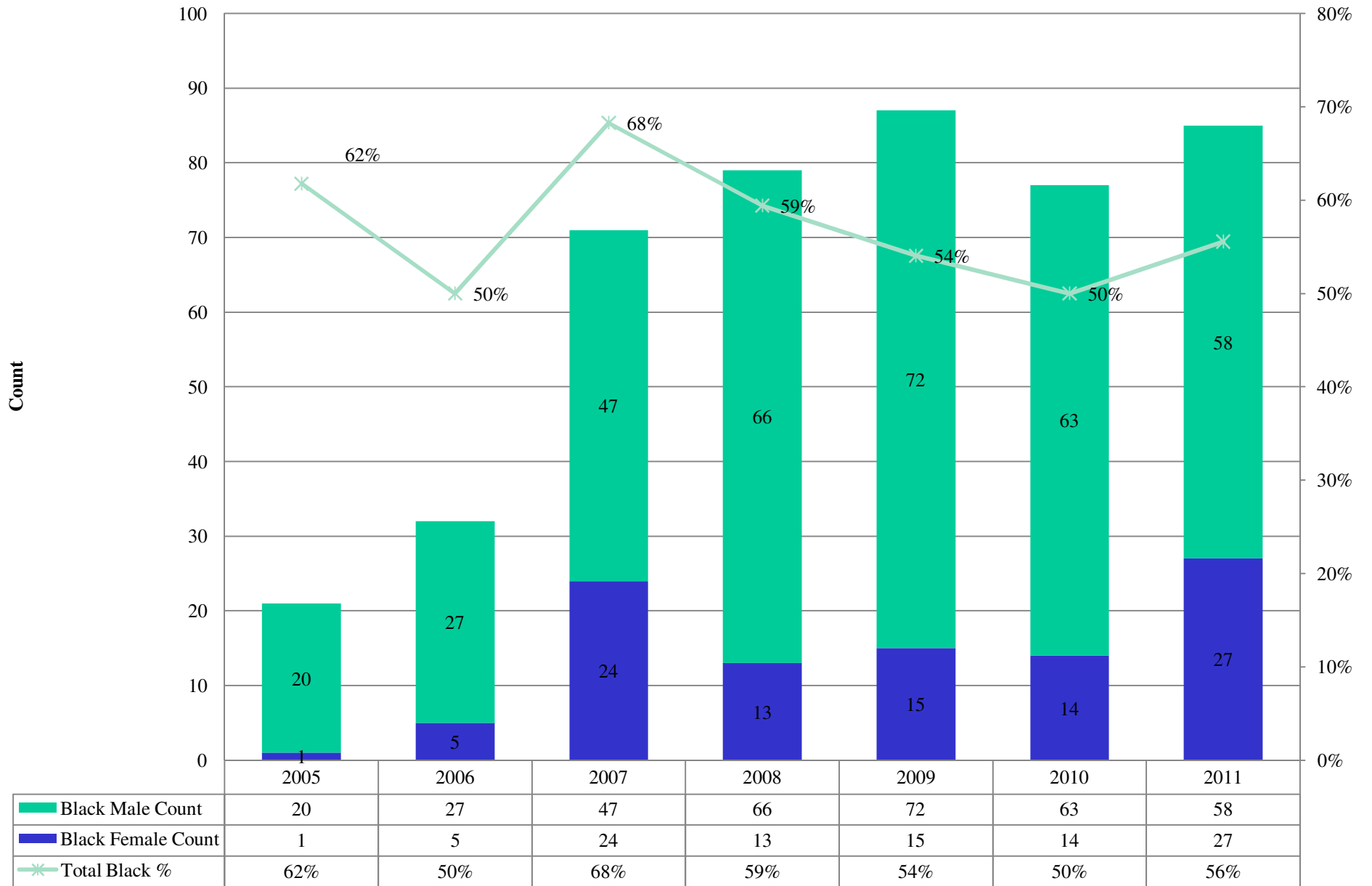


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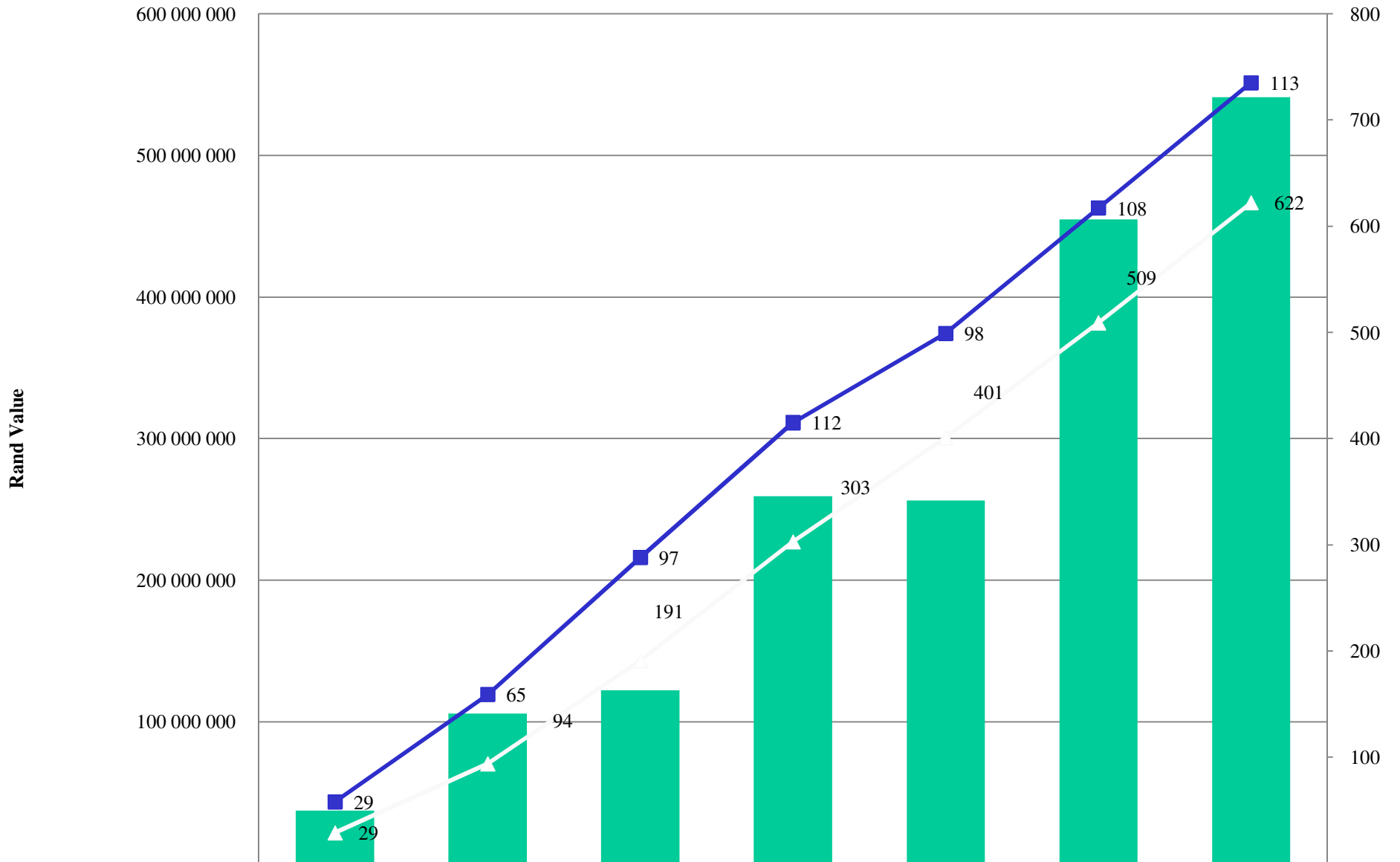


5,764,622.00 Application	89,738,695.00 Appraisal
244,379,938.00 Closing	431,154,668.00 Complete
274,268,815.81 Declined	98,435,595.09 Pending
1,228,337,553.68 Servicing	571,396,464.79 WithDrawn

Loans Approved by Race per Year

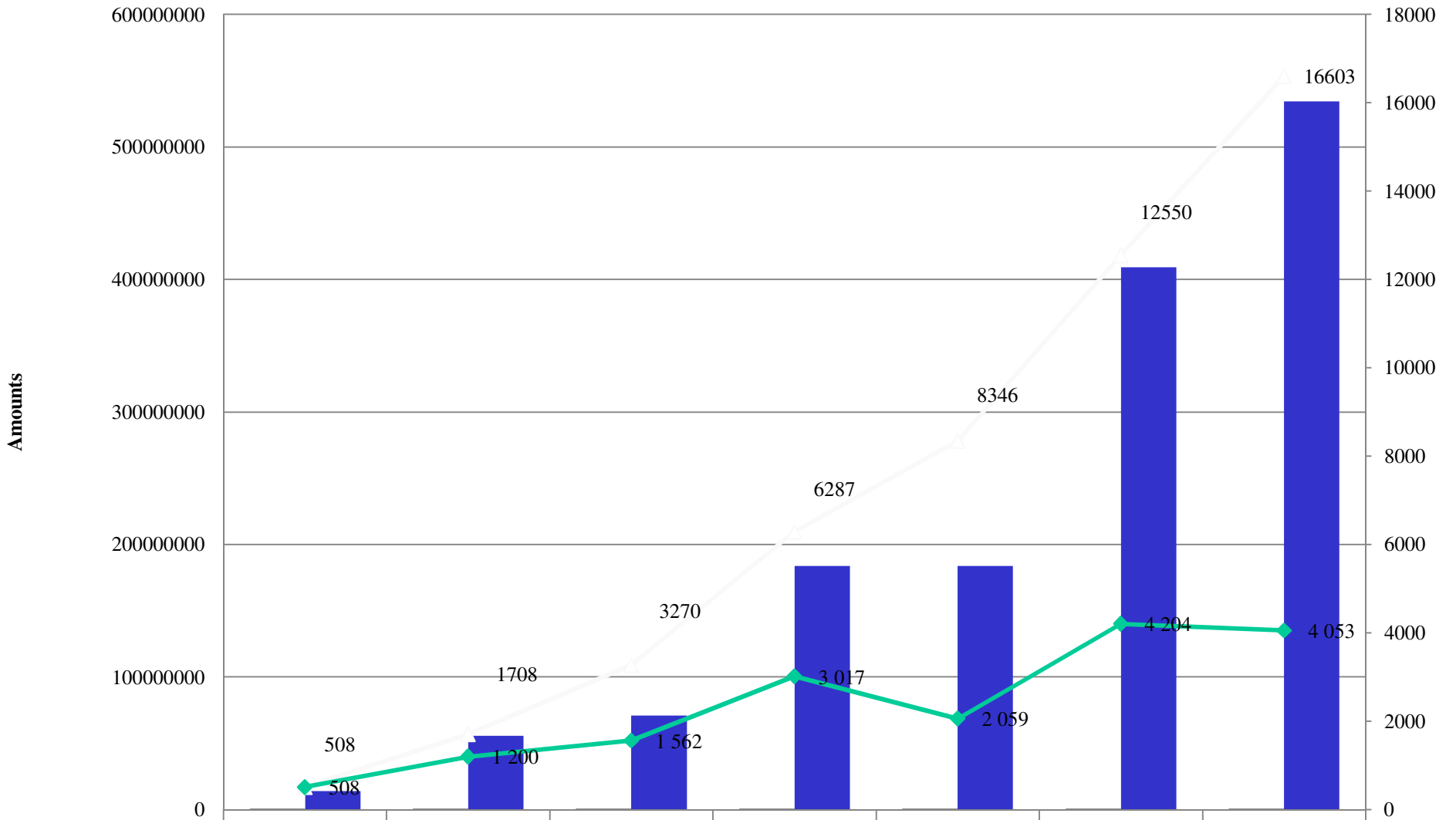


Approvals per Year



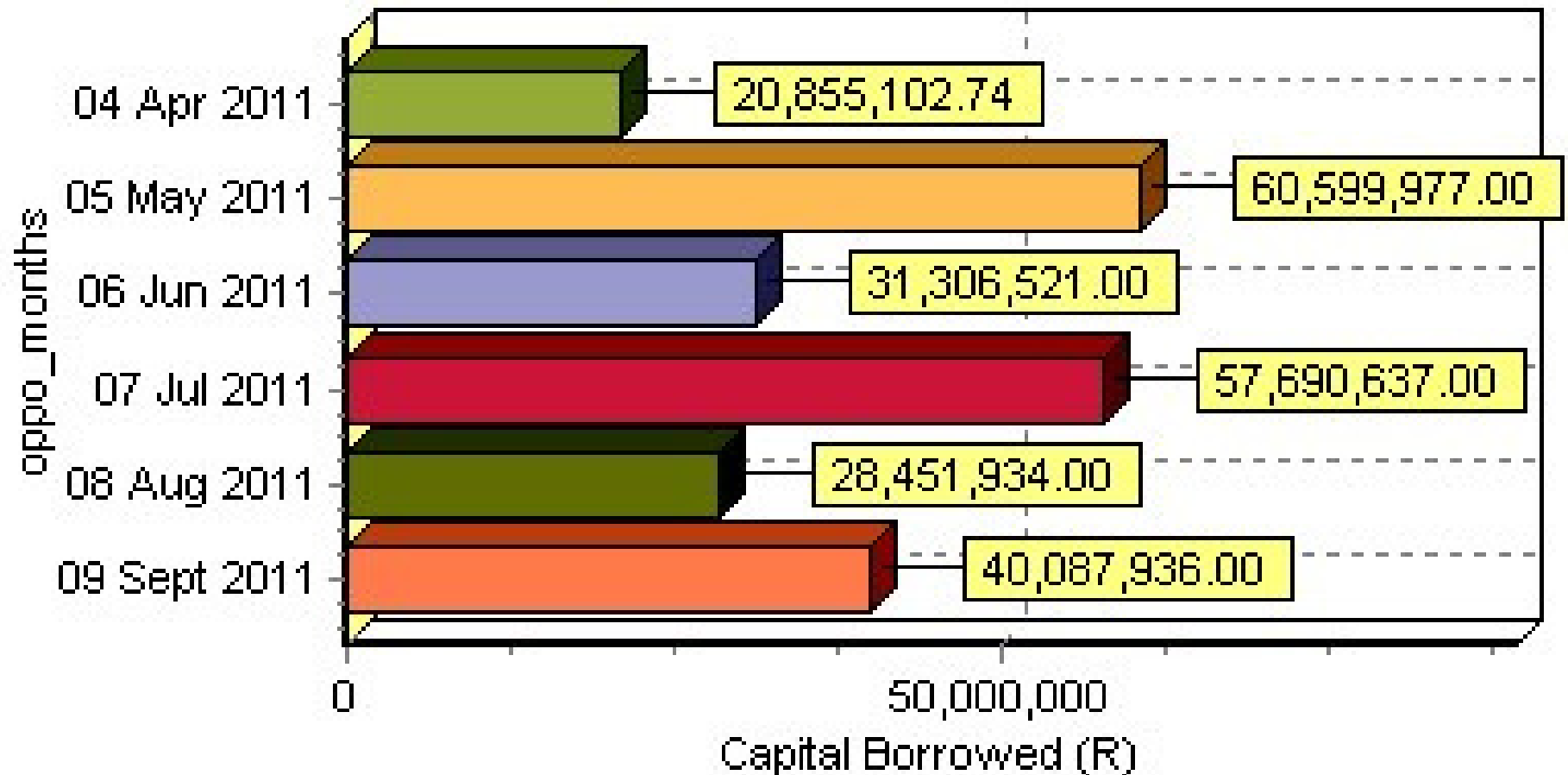
Loan Values	37 380 296	105 858 435	122 277 721	259 456 786	256 390 580	454 664 401	541 056 364
Loan Counts	29	65	97	112	98	108	113
Cumulative Loan Count	29	94	191	303	401	509	622

Units per Year



Avg Loan/Amount	27419	46318	45357	60872	89327	97280	131831
Facility Amounts	13 928 892	55 581 535	70 847 330	183 650 743	183 923 620	408 963 135	534 311 351
Cumulative Units	508	1708	3270	6287	8346	12550	16603
Units	508	1 200	1 562	3 017	2 059	4 204	4 053

Approvals for 2012 Financial Year



20,855,102.74	04 Apr 2011	60,599,977.00	05 May 2011
31,306,521.00	06 Jun 2011	57,690,637.00	07 Jul 2011
28,451,934.00	08 Aug 2011	40,087,936.00	09 Sept 2011



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Contact TUHF at:

011 276-1440

031 306-5036

041 582-1450

Paul Jackson

082 387 8360

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