

FSD Africa invests £1.6 million in African housing finance

NAIROBI, 22nd June 2018. Financial Sector Deepening Africa (FSD Africa) is pleased to announce that it is to acquire a 25% shareholding in Sofala Capital Pty Limited (Sofala), a housing finance catalyst based in Cape Town, South Africa. The £1.6 million investment will help Sofala scale up its provision of construction mortgages in both Zambia and South Africa.

The commitment to Sofala is part of FSD Africa's on-going work to support the expansion of accessible housing finance across sub-Saharan Africa. The commitment includes a £850,000 equity investment, which will be reinvested in Sofala's two operating businesses, Zambian Home Loans Limited (ZHL) and iBuild Home Loans Pty Limited (iBuild Home Loans), thus strengthening their balance sheets and enabling them to achieve scale. In addition, FSD Africa will make available a US\$500,000 credit line to ZHL to allow it to offer a new product for dollar-earners in Zambia, as well as diaspora Zambians looking to invest in their home country.

FSD Africa is also extending £400,000 in grant finance to Sofala, of which £250,000 is returnable under certain circumstances.

Mark Napier, Director of FSD Africa said: *"Housing plays a critical role in economic development, beyond providing shelter, privacy and physical security for home occupiers. Sofala has demonstrated a strong commitment towards innovation in housing finance. If we are to unlock the economic and social potential that well-functioning housing markets can deliver, it is essential that we support innovative thinking in this area".*

Michael Waller, Sofala's Managing Director, said: *"We are delighted to welcome FSD Africa as a shareholder in Sofala. The investment, structured flexibly as a mix of equity, loan capital and grant finance, is transformative for Sofala and positions Zambian Home Loans and iBuild Home Loans for significant growth".*

Sofala's business in Zambia is ZHL, which it started in 2014 and in which it retains a 30% shareholding. ZHL's majority shareholder is AfricanLife Financial Services Limited, Zambia's largest private asset management company. ZHL provides building mortgages for owner-managed construction projects. Building one's own home, step by step, is hugely popular and often a necessity across Africa including in Zambia, and yet banks almost never lend against partially-built properties. ZHL's product thus addresses a significant unmet need.

In South Africa, Sofala operates through iBuild Home Loans which provides mortgage loans to low income homeowners looking to extend their properties to create rooms that can be made available for rent. iBuild Home Loans' target customers are owners of Reconstruction & Development Programme (RDP) houses and the majority of loans to date have been to people who live in townships in the Cape Flats. The South African government has delivered some 3 million houses under the RDP since that programme started in 1994. Sofala owns 50% of iBuild Home Loans alongside private investors.

Sofala is also actively exploring the feasibility of leveraging its existing assets and market knowledge to establish a pan-African housing finance holding company for which it would seek substantial institutional capital. FSD Africa is providing a returnable grant to Sofala to help it achieve this goal.

FSD Africa, which will be represented on the Board of Sofala following completion of the investment, believes that its support for Sofala will generate important economic and social impacts, crowding local currency investment into ZHL and iBuild SA, creating and sustaining jobs through construction projects and making available decent accommodation, including for low income tenants.

About FSD Africa

FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by UK aid from the UK Government.

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About Sofala Capital

Sofala Capital believes that Africa's housing challenges present unique opportunities for well-structured, niche financial services. Based in South Africa, the company seeds and builds credit businesses involved in the housing value chain throughout Africa. It prioritises housing finance businesses that are secured, scalable across multiple countries, that have a strong focus on collections, and that typically operate in sectors that are underserved by banks.

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