

FIRST CLOSE – IHS FUND II
MAJOR INVESTMENTS FLOW INTO AFFORDABLE HOUSING FUND
10 September 2014

Investors are lining up for a share of sub-Saharan Africa's booming affordable housing market, with global private equity investor, International Housing Solutions' second fund attracting an impressive R1.5-billion.

IHS announced the first close of Fund II. Investors include the National Housing Finance Corporation (NHFC), the World Bank's International Finance Corporation (IFC) WBD Investment Holdings Pty Ltd, Global Environmental Facility and the Eskom Pension and Provident Fund. The Overseas Private Investment Corporation, a first fund investor is also investing in IHS's Fund II.

The launch of Fund II followed the strong risk-adjusted returns achieved for the investors in its first fund, the R1.8-billion SA Workforce Housing fund, which pioneered the development of large-scale stock in the affordable housing sector in SA.

The SAWHF provided financing for over 28 000 housing units with a combined total value of more than R8.6 billion. IHS was also able to track and quantify the very positive social impact of the investment on the lives of people living in the developments which it funded.

Soula Proxenos, Managing Partner of IHS, says the strong returns achieved with IHS's first fund: The SA Workforce Housing Fund (SAWHF) provided clear proof that middle and low income housing is a sound investment and a strong base for ongoing inflows into the sector.

"There has been a great deal of interest in this historically under-focused asset class from both South African and international investors. Our investors are particularly attracted to this asset class as they want to achieve superior returns and help improve the social circumstances and make a significant positive impact on the lives of thousands of people.

"With our second fund, our strategy remains the same," Proxenos explains. "Because of urbanization and the growth of the middle class in Africa, the need for housing across the continent vastly outstrips supply, especially in the category of affordable housing.

"In countries with a functioning mortgage market, that need translates into market demand. IHS specializes in sourcing and managing housing investments to fill this gap. The housing is targeted primarily at lower- and middle-income households.

"Our investments in Fund II will remain primarily in the form of equity in the development of new single-family homes, multi-family (rental) and student housing."

Proxenos further announced that Fund II will consist of two sleeves: one of which will invest 100% in the Republic of South Africa, and one of which will invest 100% in other target sub-Saharan African countries.

"Demand outstrips supply in many markets in Africa, and where the right conditions exist, the sub-Saharan sleeve of Fund II will invest in some of these markets. Our main focus will remain South Africa, but the sub-Saharan sleeve will start to proactively source deals in Ghana, Zambia, Botswana, Namibia, and Mauritius," she says.

“There are many great opportunities for affordable housing investments across Africa, and we’re optimistic that Fund II will deliver the same positive returns for investors, as our first fund, the SAWHF did.

“We look forward to extending the successes of our first fund in Fund II and are confident we will raise more than R3 billion (US\$300 million) for the new fund,” says Proxenos.