

# GSB course tackles the African housing finance problem

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*UCT, the Wharton Business School and the Centre for Affordable Housing Finance (CAHF) looks at what is needed to help millions of Africans finance their own home.*

While Africa's housing backlog can rightly be called a crisis, it is not an unsolvable one - according to Robert McGaffin, convener of an executive education short course at the UCT Graduate School of Business (GSB) on housing finance in sub-Saharan Africa.

"The chronic backlog of affordable housing in Sub-Saharan Africa offers governments and funding institutions huge growth opportunities - if they are able to think a bit differently and better understand the context in which they are operating," says McGaffin.

Millions of people throughout sub-Saharan Africa are unable to find affordable, adequate housing. For example, the 2013 Africa Housing Finance in Africa Year Book produced by the CAHF estimates that the housing shortage in Nigeria, Africa's most populous nation, is between 14 and 17 million. Affordability is a big problem - with most people unable to qualify for loans or afford the high interest rates offered by banks.

"We have had strong economic growth in Africa over recent years and on the back of that, a rapid rate of urbanisation. The housing supply has simply not kept up. The big question is how do you get a maximum supply of new housing onto the market that is also affordable?" says McGaffin.

Two interventions are required to achieve this aim. The first is that the constraints to delivering housing such as land availability and onerous standards need to be addressed. Secondly, housing finance systems need to be developed further to increase the buying power of households. With respect to this, the Housing Finance Course for Sub-Saharan Africa was developed two years ago to highlight the issues and solutions to providing housing finance in the area. The course is a partnership between UCT, The Wharton Business School and the Centre for Affordable Housing. The course looks at housing finance in a multi-pronged manner, including how products should be structured to meet household needs, the preconditions that need to be put in place to roll out such products and the business models that need to be designed so that these products can be delivered viably at scale.

Importantly, the course recognises that no single product is the silver bullet to solving the housing problem and that while each product has its role to play in supplying housing in Africa, each has its limitations as well. "For example, mortgage-based systems require regular household incomes and land registration systems to be in place. While these are less of a constraint for housing micro-finance systems, the cost of finance is a lot higher," says McGaffin.

The Housing Finance in Sub-Saharan Africa course shows participants the key issues to consider around housing finance in Africa, including the different contexts within emerging market economies, how to design different housing finance products and the business models needed to provide such products in an effective, viable and responsible manner.

Director of the UCT Graduate School of Business, Professor Walter Baets comments that the GSB is well placed to offer the course given its expertise in emerging market thinking and investment in new ways to solve social and environmental issues in Africa.

"Housing plays a crucial role in a well-balanced society," says Baets. "It creates employment during the development phases and also improves quality of life, social standing, health, financial position, security, social cohesion and access to education."

"In many countries, affordable housing is the only game in town from a property point of view, and governments, investors and institutions that can provide housing finance products that match household profiles in a financially viable manner will be putting themselves ahead of the game," concludes McGaffin.

For more information about the UCT Graduate School of Business's Housing Finance in Sub-Saharan Africa course please contact Celeste Wilson on 021 406 1238.

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