

November 2020



**Policy Lab 3:
Private Sector Investment in
Affordable Rental Housing**

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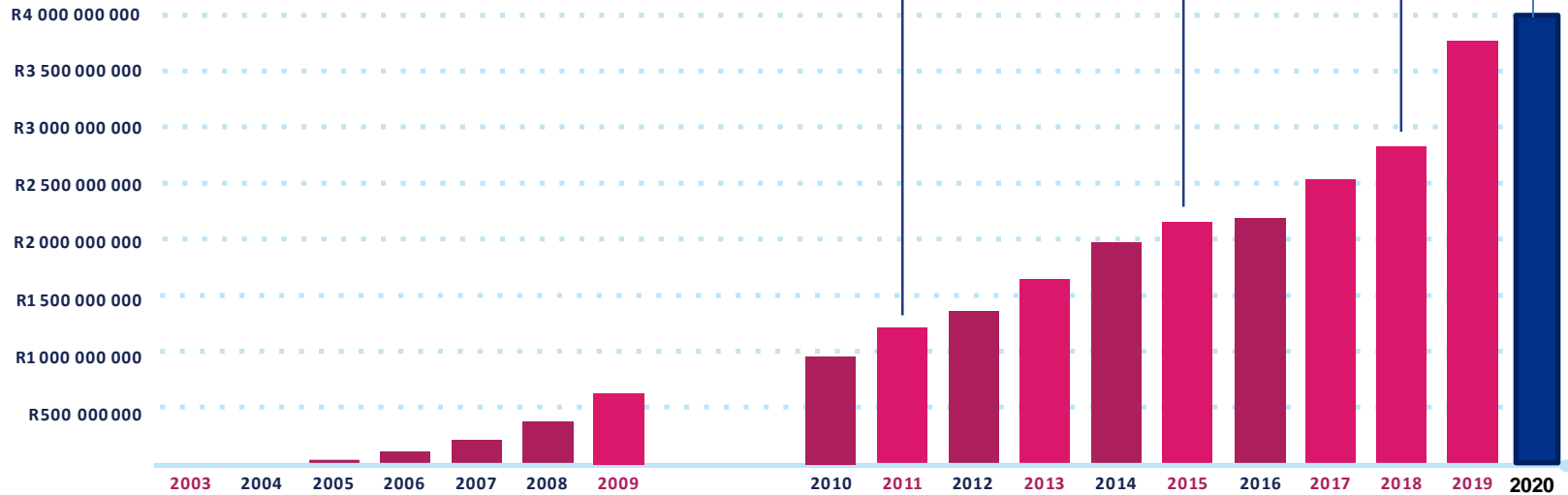
Where others see decline, we see investment opportunities

086 000 TUHF (8843) • www.tuhf.co.za

TUHF's Milestones

17 years of growth

Our loan book



2020 DMTN successfully refinanced until 2024
R3.7 billion loan book

2011

- Eastern Cape offices opened
- TUHF receives the Business Award in the Investing in the Future and Drivers of Change Awards

2015

- TUHF Pty Limited converts to a public company, TUHF Limited
- Western Cape and Free State offices opened

2018

Successfully lists oversubscribed securitisation on Johannesburg Stock Exchange welcoming two new funders

2003

Founded in Braamfontein, Johannesburg

2009

- TUHF Non-Profit Company converted to private company, TUHF Pty Limited
- KwaZulu-Natal offices opened

2013

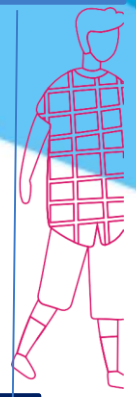
TUHF is awarded Mortgage Bank of the Year by the African Banker Awards

2017

TUHF successfully lists a Domestic Medium Term Note on the Johannesburg Stock Exchange

2019

DMTN successfully refinanced and concluded a R700 million Standard Bank Warehouse facility



Snapshot of Outcomes of TUHF's Approach to Date:

TUHF is a Development Financier and a Leading **provider of residential commercial property finance** in **South Africa's** inner-cities.



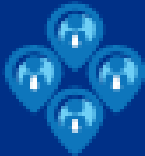
43 911
units financed



679
buildings



17 Years
in operation



5 Offices
in SA



131
suburbs



400
borrowers

R 3.8 Billion
Current Book

R 6.2 Billion
Financed since Inception

**58% of new
loans to PDI's**
Urban Land Reform

TUHF achieves **commercially competitive returns** for shareholders
with significant **development impact**

TUHF's Key Beliefs

AFFORDABLE HOUSING AS AN ECONOMIC GOOD

- Affordable housing sector as a driver of economic prosperity in SA
- Affordable rental housing is part of the REAL economy promoting Local Economic Development
- Housing must be Demand Led.

TUHF believes in housing as an economic asset:

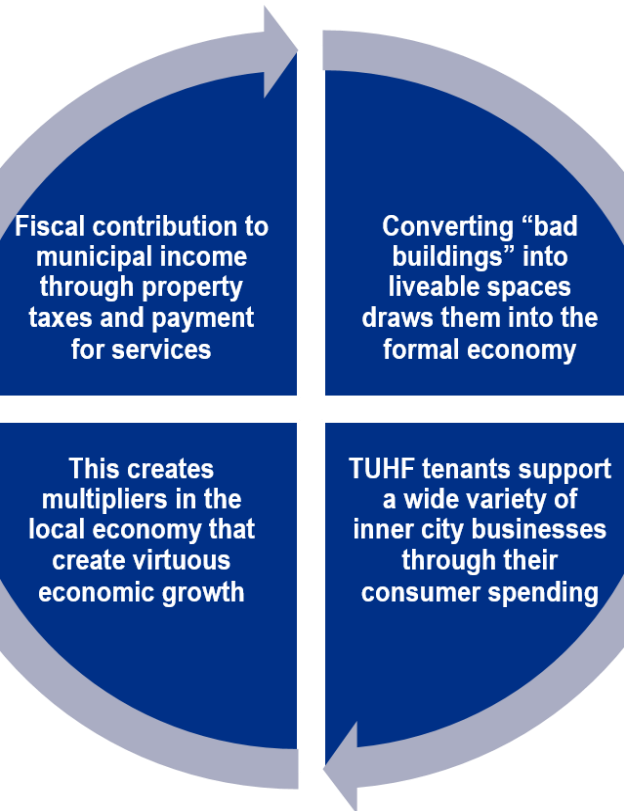
- Economic growth; Smart Cities, Urban Densification and real economy impact
- SMME development & economic multipliers
- Job creation; materials, construction, maintenance, security, home based enterprises
- Sustainable development; access to local economies, amenity, infrastructure
- Positive Fiscal Impact

Affordable rental housing; first step up the housing ladder



TUHF Impact

INCLUSIVE GROWTH & TRANSFORMATION



ENTREPRENEURIAL GROWTH

- SME development with a housing outcome
- Culture that is supportive of SME's
- Access is KEY; to finance – any language, any level
- Training & mentoring clients every step of the way

LOCAL ECONOMIC DEVELOPMENT

- Agglomeration economies: influx of talent & increased diversity
- Stimulates local Economic and Social Development
- Inclusive Economic Growth happens LOCALLY

JOB CREATION & SKILLS DEVELOPMENT

- During construction
- Economic Multipliers:- Forward and Backward Linkages

URBAN REGENERATION & DENSIFICATION

- Finance Repurposing and New Build in Inner Cities
- Precincts where neighbourhoods regenerated
- USE Lazy Infrastructure - existing Physical, Social and Administrative infrastructure

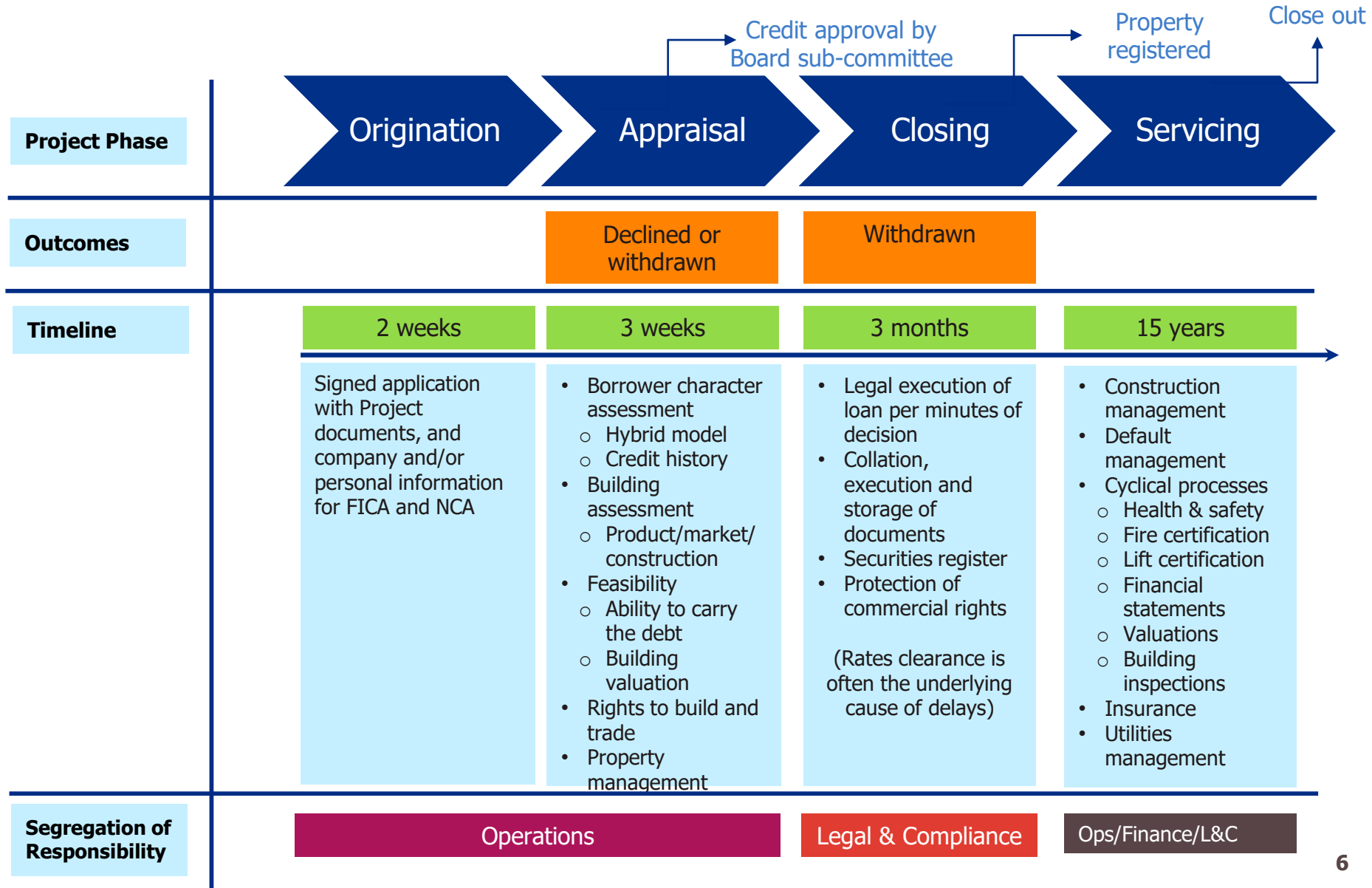
FISCAL IMPACT for LOCAL GOVERNMENT

- Increasing Inner City property values
- Increased & compliant utilities & rates base
- Allows Government to focus on productive infrastructure investment

URBAN LAND REFORM

- Empowerment Finance Model – Intuthuko Equity Fund
- Inclusion changes ownership.

Credit Overview Our Loan Cycle



TUHF Capital Funding Progress Importance of Patient Capital

Early sources of capital: local DFIs (NHFC, DBSA, CUP-IUP)



Built mortgage track record + 5 years



Impact Investors: Futuregrowth & SBSA



Strategic Shareholders; GEPF, OMIACSA



Commercial funding: DMTN, SBSA Warehouse, Securitisation



Bilateral pipeline funding: SEFA, PIC, EPF

FOR PROFIT!

“A good business doing good”

0% Concessionary Funding

- Operate in the Commercial Property Finance space
- Offer mortgage finance but income & cash-flows derived from the properties

Regulatory Framework

- All TUHF entities are registered with the NCR and subject to quarterly and annual returns
- Lending practice covered under the National Credit Act
- TUHF extends mostly large credit agreements to juristic entities
 - Such transactions fall outside of the National Credit Act in terms of applicability
 - excludes 10% of the book (individuals) in which case NCA applies
- Pricing in terms of interest rates and fee charges for all secured and unsecured lending
- Non-bank financial services provider
 - Not deposit taking
 - Not governed by the Banks Act
 - Not regulated by the SARB in terms of Regulatory Capital
 - Capital is managed through covenants
- TUHF does not fall under the FSB (Conduct Authority)
- Credit extensions fall under the Financial Intelligence Centre (FIC)
 - FICA and KYC checks apply to all credit extension
- TUHF Limited changed its legal status through its MOI to a public company
 - As a debt issuer listed on the JSE, TUHF is required to comply with JSE Debt Listing Requirements

Hollywood Centre Before



Hollywood Centre After



UmaStandi Project

Financing starter & emerging PDI entrepreneurs in Township environments



Mitra Mews - Cape Town

Intuthuko Equity Fund: financing starter & emerging PDI entrepreneurs in inner cities & near city neighbourhoods



TUHF Impact Development

BELIEF IN THE ORDINARY PERSON AND THEIR LOCAL KNOWLEDGE



The most important step & the largest hurdle is the [lack of] belief in the ordinary person

- A comprehensive program, a multi-year program, a properly resourced program of support to SME's
- A phenomenon taking place in our cities
 - Many small and medium sized developments
 - Already underway & gaining momentum
 - Driven by the power of local knowledge.

TUHF's approach

Massive Small to Combat Urban Small

- Housing policy - 4 Million homes
- Changed to human settlements
- Research shows certain level of urban densification for social and economic activity.
- Poverty is likely to be entrenched on the periphery
- Fiscal impact of urban sprawl is Net negative .
- Positive fiscal impact with densification
- Use of existing physical and social infrastructure.
- Inclusive growth through local economic development.



Policy confluence in the housing space: economic, spatial and social integration, concept of efficient cities.

Massive Small

TUHF has developed more units than social housing without R1 subsidy!

Normal commercial finance – no concessions because capital markets and commercial banks want a risk-related return on their money.

Many times larger than **Cosmo City or Savanna City**

Financed conversion of 136 011m² retail space - Bigger than Mall of Africa or Sandton City

Many small projects all in one city =

1. Lower transactions costs
2. Broader based participation/empowerment/urban land reform
3. Increased access for more entrepreneurs



Massive Small: Smart Cities and Urban Densification

We create

MASSIVE

impact through **MANY**

SMALL

changes in every space we operate

To enable **access to finance, grow entrepreneurs** and develop the economy by **stimulating property markets** in areas that require regeneration

Leader in providing **specialised financial services and solutions** to our clients based on our in depth market knowledge, our appetite for risk and our street level approachability.

Our Strategic Imperatives:

- Scale funding to support growth
- Sustainable growth
- Deliver on the Customer Value Proposition
- Execution with disciplined resilience
- Partner for success

Regulatory Environment

Role of the public sector:

Focus on its core responsibilities,

- Urban management
- By-law enforcement
- Enabling development framework
- Infrastructure maintenance
- Affordable service delivery

then GET OUT OF THE WAY!



Private Sector Challenges in the Affordable Rental Sector

Largest risk = dysfunctional local government

- Rising administrative costs
- Anti-investment taxation
- Lack by-law enforcement, anarchy in urban areas
- Business forums
- Xenophobia

- Capital raising constraints
- Lack of empowerment capital

Thank You



TUHF

Social

