A HOME
FOR
HUMAN
POTENTIAL

Reall

30 Years of Affordable Housing Investment

Case Studies from Reall's Portfolio

REALL'S MODEL

Across Africa and Asia, affordable housing markets are broken. Lack of investment, poorly targeted policy environments and an absence of housing developers and end user finance providers serving the lower end of the market has resulted in **extreme housing deficits.**

This absence of safe, secure, resilient housing severely impacts health, education, poverty and financial security.

Partnering with developers, end user finance providers and specialist research institutions, Reall works to drive innovation through **demonstration projects**, leverage these to **collect evidence**, and **advocate for market change.**

OUR IMPACT

In 30+ years, more than 3.5M people reached through Reall's projects.

More than **72M** invested in **167** projects

More than **730K** people living on low incomes empowered to improve, develop or own their own home

More than **1.1M** people benefiting from improved sanitation

1.3M people gaining security from threat of eviction

Reall works across Africa and Asia, with a priority focus on **five markets**.

reall.net

INNOVATION IN FINANCE, GENDER AND CLIMATE

Transferable Development Rights, Mumbai – **2,370 homes**

Bank Guarantees for Incremental Building, Nepal – **1,484 homes**

1989 | 2000 | 2010 | 2020 | Future

Innovating in green and gender, Nairobi – **137 homes**

Reall's greenest homes, Karachi – **19 homes**

A journey covering:

- Evolution of approaches, reacting to learnings, partnerships and funding.
- Differences in country contexts and government support.
- Role of policy to unlock finance.

TRANSFERABLE DEVELOPMENT RIGHTS, MUMBAI – 1998 TO 2015 APPROX.

SPARC and SSNS/Nirman

- Reall's longest partnership, jointly delivered over **6,500** homes.
- Construction through sister company, SSNS/Nirman.
- Strong **community-led, participatory approach**, focused on slum dwellers and the lowest income households.
- Seeks to improve lives of people living in sub-standard conditions while demonstrating successful delivery models that **encourage others into the market.**

The Model – Finance

- Indian government sets official restrictions on height and proportion of plot that buildings can occupy through the Floor Space Index (ratio of built-up area to size of plot.
- The Slum Rehabilitation Act (SRA) of Mumbai encouraged participation in rehabilitation projects by providing market-based incentives to landowners and developers, and additional incentives to NGOs.
- The developers of the project are given incentives in two forms: increased FSI in the form of additional development rights, and Transferable Development Rights (TDR).
- ADR must be used on-site until FSI of 2.5 is reached, but following this, can be sold and transferred to another site outside of Central Mumbai.
- Left over space on site can also be sold or developed for other purposes.
- Rights worth approx. $50/ft^2$ in 2018.
- Reall grant funding enabled, and was combined with, bank loans and lines of credit to build projects, which TDR payments then repaid.

TRANSFERABLE DEVELOPMENT RIGHTS, MUMBAI

Oshiwara 1

Initiated: 2004
836 homes
Cost: $3m
Recovered to date: $3.1m

Oshiwara 2

Initiated: 2004
1,036 homes
Cost: $6.7m
Recovered to date: $4.8m

Rajiv Indira

Initiated: 1998
157 homes
Cost: $2.2m
Recovered to date: $2.7m

Jolly Board

Initiated: 2005
106 homes
Cost: $0.6m
Recovered to date: $0.7m

Milan Nagar

Initiated: 2001
88 homes
Cost: $0.6m
Recovered to date: $1.4m

Bharat Janta

Initiated: 2003
147 homes
Cost: $1.1m
Recovered to date: $1.1m

2,370 HOMES BUILT, $15.7M INVESTED ($5M REALL), $16.0M RECOVERED TO DATE

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RAJIV INDIRA

Background

- Funded in 1998 to improve housing for slum dwellers in Dharavi, one of world's largest slums.
- 157 apartments constructed, each of 225ft^2 plus mezzanine.
- In-situ replacement of previous densely packed slum housing for no cost to residents
- Working in partnership with residents, building consensus, enabling effective input into design.
- All residents eligible so long as they could demonstrate occupancy from at least 2000.
- $2.2m invested in project ($360k fresh, $650k revolved funds from Reall) with $2.7m recovered from TDR sales to date.

"This project acted as a catalyst. People are now giving more importance to education, health, hygiene. There is a change in their economic wellbeing, and they are moving from lower to middle class."

Impact

Successes:

- Effectively **full cost recovery.**
- **In-situ**, meaning no change to jobs, schools, community spaces.
- Providing **significantly improved housing** at **no cost** for **low-income slum dwellers.**

Challenges:

- In-situ building requires **relocation of residents** to new site for up to 4 years.
- Extremely **slow bureaucratic process** to receive and sell TDR certificates.
- **Significant community engagement** required to build consensus and trust.
- Required **grant financing** or highly patient local capital.

Bank Guarantees for Incremental Building, Nepal – 2012 Onwards

Lumanti and Sewa

- Lumanti is an NGO established in 1994 to **alleviate poverty through providing safe, secure housing.**
- Sewa formed from Lumanti, as a housing developer serving lower income households.

The Model - Finance

- Banks in Nepal have a legal obligation to lend to low-income groups, but perceived risks in doing so mean that most choose to pay a fine instead.
- Lumanti/Sewa partners with mainstream banks to make finance more affordable, providing loan guarantee funding to reduce lending risk.
- Initially, Lumanti/Sewa and municipality jointly select qualifying homeowners, with emphasis on poor and vulnerable households that can demonstrate the ability to repay. Repayment issues resulted in assessments being undertaken directly by banks instead.
- Banks provide loans of NPR 400,000 ($3k) over 7 years at a subsidized interest rates of 4-8%, well below 12% average.
- Loans support basic housing construction on occupants' land.
- Initially 80% guarantees but have gradually reduced to 20%, deposited in a high interest account.
- Guarantees deposited in a high interest account with the bank, offsetting any small losses and meaning that $1.3m grant funding by Reall has maintained its value and continued to revolve.

BANK GUARANTEES FOR INCREMENTAL SELF BUILD, NEPAL

Pokhara Lekhnath

Initiated: 2012, Laxmi and Kamana Bikash Banks
749 homes
Guarantee: $1.1m
Unlocked: $2.2m

Kohalpur

Initiated: 2016, Laxmi Bank
247 homes
Guarantee: $100k
Unlocked: $740k

Tansen

Initiated: 2012, Laxmi Bank
200 homes
Guarantee: $230k
Unlocked: $600k

Shuklagandaki

Initiated: 2018, Kamana Sewa Development Bank
31 homes
Guarantee: $38k
Unlocked: $90k

Kathmandu

Initiated: 2018, Vibor Development Bank
35 new homes
Guarantee: $90k
Unlocked: $110k

Biratnagar

Initiated: 2014, NMB Bank
222 homes
Guarantee: $120k
Unlocked: $670k

1,484 HOMES BUILT, $1.3M GUARANTEE FACILITY, $4.5M IN UNLOCKED LOANS

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POKHARA LEKHNATH

Background

- Initiated in 2012, operating across multiple individual projects in Nepal's second city and providing 749 homes to date.
- Initially using fresh grant funding from Reall, followed by revolved funds from repaid loan guarantees, with **$1.1m of guarantees unlocking $2.2m of loans**.
- Loans through Laxmi Bank and Kamana Bikash Bank.
- Following 2015 earthquakes, work has focused on post-quake reconstruction, and Lumanti have supported clients to access reconstruction grants on top of these loans.

"This house was vital to my success. I would not have such high expectations of myself without this project. My dreams have changed."

Impact

Successes:

- Effectively **full cost recovery** with a stable guarantee fund and potential for profit
- Reaching **low-income** households
- Progress in **reducing guarantees,** though not removing them
- Clear building of community, upgrading and expanding homes and transforming people's lives

Challenges:

- **Complexity of accessing loans from banks**, due to increased bank focus on assessing credit risk
- In the words of a bank representative: **"We will probably not see a time when we would lend independently of Lumanti"**.
- Over time, the required guarantee has reduced from 80% to 50%, but banks still do not see low-income clients as good business and there is enormous inertia preventing change.

ModulusTech

Sustainable Living for All

BUILT TO LAST
ELIF SHAFAK
ROBERT B. CALDINI, PH.D.
JOSH KAUFMAN

Reall's Greenest Homes, Karachi – 2021 Onwards

MODULUS TECH | PAKISTAN

9 homes complete

Targeting IFC EDGE Zero-carbon

$13.6K – $21.1K/home

Successes

- **Clear demonstration of potential** to deliver high-performance green housing at low cost in Pakistan.
- Off-grid solution with **renewable energy** and **water purification systems.**
- **Passive cooling** design for a natural drop in indoor temperature of **~6˚C.**

Challenges

- Offtake challenges, with government-backed mortgage subsidies discontinued before. completion, **raising interest rates from 5% to 23%.**
- **Small pilot**, with significant work still required to scale.

ModulusTech

The Millard Fuller Foundation

Building Green Housing Evidence in Nigeria

In collaboration with Reall partner, Millard Fuller Foundation, ModulusTech are building a green demonstration home in Nigeria.

The organisations are:

- Taking the design of a standard MFF home (cheapest in Africa in 2022).
- Building replica in Pakistan using ModulusTech's green materials/tech.
- Shipping the unit to Nigeria.
- Measuring performance compared with standard MFF home, particularly in terms of green performance and cost.

Innovating in Green and Gender, Nairobi – 2020 Onwards

ZIMA HOMES| KENYA

Ongoing construction of 137 homes

Targeting IFC EDGE Advanced

$14K – $29K/home

A gender-focus through all elements of design and construction:

- Zima Homes as a women-led company
- Strong women-focused market research, and focus on delivering a gender-lens design
- Significant proportion of women construction workers through BuildHer, providing quality jobs for low-income women
- Women-focused offtake, with 74% of pre-sales to female/joint ownership (67% to women only, 7% jointly to women and men)

- Project will deliver **137 climate smart, socially impactful homes** with high design standards.
- Selling mainly to small-scale landlord investors, homes will be rented at ~$75 (studio) to ~$170 (2-bed).
- With a strong focus on climate, Zima Homes are pioneering new designs and technologies, including **modular design, pre-fabricated materials, and low-cost solar collectors.**

Successes

- **Innovation** across density, design and materials
- Strong **gender focus** at all levels of project delivery
- Pioneering approach to data sharing and collaboration through **Open Access Initiative**
- Best example of a Reall-funded project being fully leveraged to **demonstrate, evidence and advocate**

Challenges

- **Offtake challenges**, with original mortgage or TPS plans being replaced with small scale landlord investors, reflecting wider market issues

Combining Learnings for the Future

Reall is pioneering a financial instrument,
Green Affordable Housing Finance
that provides an integrated **supply and demand** side solution, supporting local institutions to deliver green, affordable homes.

GREEN AFFORDABLE HOUSING FINANCE

A financial instrument that:

- Learns from the successes of Transferable Development Rights – tapping into **local policy, regulatory approaches** and using **global concessional capital to leverage local finance.**
- Utilises guarantees – following the model utilised in Nepal to partner with mainstream banks to **reduce risk** and **increase lender confidence.**
- Ties finance to climate smart green-certified homes, **incentivising and scaling investment into innovative and inclusive approaches** demonstrated by BuildX and ModulusTech.

Supported by:

The Lab
Driving Sustainable Investment

SDG Impact Finance Initiative

CONVERGENCE
BLENDING GLOBAL FINANCE

The
Lab
Driving Sustainable Investment

Green Affordable Housing Finance: Next Steps

By addressing both supply and demand side barriers Green Affordable Housing Finance will accelerate the development of green, affordable housing finance ecosystems in Africa and Asia that are self-sustaining and locally driven.

To find out more follow the QR Code:

A grant recipient of the **SDG Impact Finance Initiative,** managed by Convergence Blended Finance, Green Affordable Housing Finance is now moving forward to:

- Embed gender in our approach – ensuring equitable access of mortgages for joint and women headed households.
- Feasibility testing of the instruments design.
- Pipeline development: working with partners and financial institutions to develop and prepare affordable green housing and alternative credit assessment projects.

We are actively seeking collaborations with affordable housing developers and local financial institutions in Kenya to support through guarantees and technical assistance under Green Affordable Housing Finance in Kenya.

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Work with us to build a
home for human potential that **doesn't cost the earth.**

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