

INVESTMENT

More than aspirations

International Housing Solutions (IHS) Workforce Housing Fund is the vehicle that will deliver on IHS's SA aspirations.

Sam Mkorosi, investment director at IHS, says that the fund will total an impressive US\$270m, which has been raised through local and international investors. "This is leveraged equity."

Anyone would agree that current economic conditions are not optimal, especially when it comes to convincing investors to part with millions.

"The subprime crisis in the US has scared investors. Though we are not in the subprime market, and the SA environment is protected by regulation and legislation such as the National Credit Act, many investors still consider affordable housing a risky option," Moko-

rosi says. The slowdown of the SA housing market, coupled with the turbulence of the European and US financial markets, has made it even more difficult to raise capital, he says.

He says that the fund got its start in 2006, through the Overseas Private Investment Corp (Opic), a US government development agency that invests capital (raised in US markets) in developing nations with the aim of encouraging further private-sector investment.

In 2006, IHS won one of three tenders awarded by Opic for new funds in developing countries — and thus was born the SA Workforce Housing Fund.

As anchor investors, Opic has allocated \$80m to the fund. The remaining funds have been granted by two North American in-

stitutional investors. About \$30m has been invested by the Development Bank of Southern Africa (DBSA), the fund's first SA partner. Citigroup has indicated its commitment to invest.

How did IHS successfully attract the interest of these investors, even in tough economic times? "Opic and our North American investors were excited by the potential of the African continent," Mkorosi says.

From an industry perspective, like most developing nations, SA's affordable housing space is characterised by excess demand and a shortage of supply.

Mkorosi admits that IHS was a "brand new" company at the time of winning Opic's tender, but that doesn't mean it lacked skill or expertise.

"Most of our senior managers have worked in the affordable housing



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