

## **US fund poised to invest in South African Property**

A U.S.-based private equity fund plans on doubling its investments in South Africa by year-end as it seeks investment opportunities across Africa during a global economic downturn.

International Housing Solutions (IHS) is a private sector fund targeting lower to middle-income earners and doesn't partner with government except in certain projects.

The fund shares in the profits of housing projects by giving money directly to private developers, allowing them access to bigger bank loans at reduced borrowing costs.

Millions of Africans live in shanty towns not only because they are poor, but also due to a lack of affordable alternatives.

South Africa offers some of the better prospects to specialist housing funds because millions of poor people live in tin and iron shacks in townships lacking proper medical care, sewage, schools and jobs.

Active in South Africa since 2006, IHS has injected 500 million rand to build affordable houses and hopes to invest in other African countries. Affordable housing projects could offer big profits.

"International investors, who are under-exposed here, are very attracted to the opportunities that affordable housing in Africa presents," Soula Proxenos, the IHS managing partner, told Reuters in an interview on Monday.

"We hope to find projects in Africa, mostly in South Africa, where we will invest in excess of 1.5 billion rand in the next 18 to 24 months ... and we intend launching a successor fund that will be pan-African, in the region of about \$400 million," said Proxenos.

The property market in South Africa, gripped by its first recession since 1992, has shrunk after a recent boom period.

It shrivelled further as local banks tightened credit lines, scaring off potential buyers, despite reduced prices.

Housing has also become a volatile political issue in Africa's biggest economy.

Investors are watching as a surge of community protests pressure President Jacob Zuma, elected with strong leftist support, to ramp up access to housing, electricity and water. The government is struggling to overcome a housing backlog estimated at 2.2 million homes.

Learning from the crash in the U.S. housing market, Proxenos said rentals were an important tenure option that had been ignored in the local market.

"Certainly we are finding that the demand for this type of offering is extremely robust and we will focus on this segment of the market," she said.

A 1.7 billion rand South African "Workforce Housing Fund", raised by a consortium of silent north American investors and the Development Bank of Southern Africa, was launched in September last year.

It was providing some 16,500 new and refurbished homes to be sold or rented, said Proxenos.

She said demand for good housing close to work remained strong, as less than 20,000 new units come onto the market each year in response to a need estimated in excess of 675,000 units.

"The fund has a 10-year investment term and the investors are anticipating a mid-20s internal rate of return, a very attractive return in a market that has this level of social and political stability," Proxenos said.