

Innovative Financing for Affordable Housing Under Renewed Hope Agenda

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Outline

- Opening Thoughts: Affordable Housing Finance
 - Key Issues
- Setting the Context
 - Renewed Hope Housing Program
 - Case For Effective Funding Strategy
- Where is the Money? Looking at the Right Direction?
 - Real Estate/GDP/Pension Assets
- Financing: Traditional Vs Innovative
 - Strategies and Options
- Home Ownership Finance:
 - Issues, Options, Opportunities
- The Future is Now: Advanced Modelling, AI, etc
- Closing Thoughts.



Affordable Housing Finance – Key Issues.

- **Huge Affordable Housing Gap Exists - Special medium to long term financing required.**
- Typical Gestation period: 12 – 48 months
- Special consideration on Pricing – inflation, competitive returns?
- Suitability of Market Solutions
 - Rising Construction Costs
 - High Finance Cost
 - Limited Funding Sources.
- Accessing large scale capital depends on creation of suitable asset classes
- Stiffer Competition from alternative asset classes - other financial assets, Cryptos
- Successful financing solution must address the supply and demand elements of the housing value chain.
- Traditional financing methods – Incapable of bridging the gap.



Affordable Housing Finance – Key Issues



Investment Capital is rational –
predictable direction drivers

Yield – Return

Liquidity – Exit

Size – Scalability

Legal/Regulatory Framework

Governance/Transparency

Dispute Resolution Mechanisms



Market driven financing
strategies incapable of driving
affordable housing development.

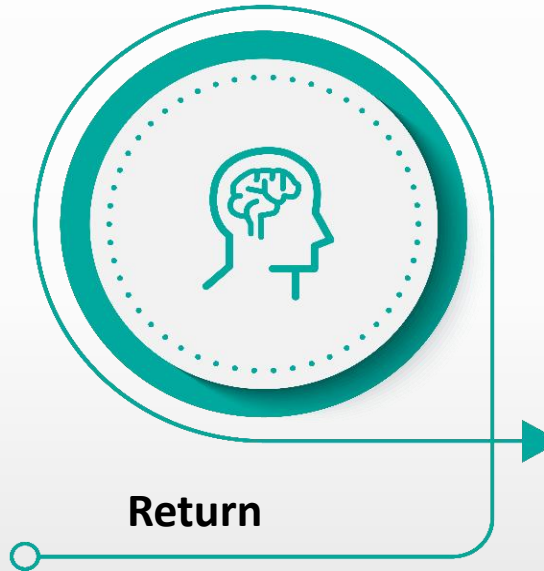
Long Term Capital for Housing... Somewhat Challenging.

The 3 BIG 'R's



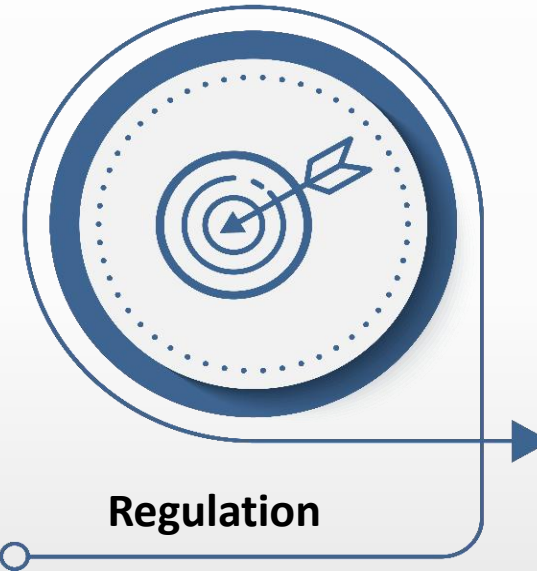
Risk

- ❖ Development Risk
- ❖ Uncertainty of title
- ❖ Delayed/Non Completion
- ❖ Market-related issues
- ❖ Macro volatilities



Return

- ❖ How competitive – vis a vis cost of funds and inflation.
- ❖ Other Asset Classes - Crypto Currency, etc.



Regulation

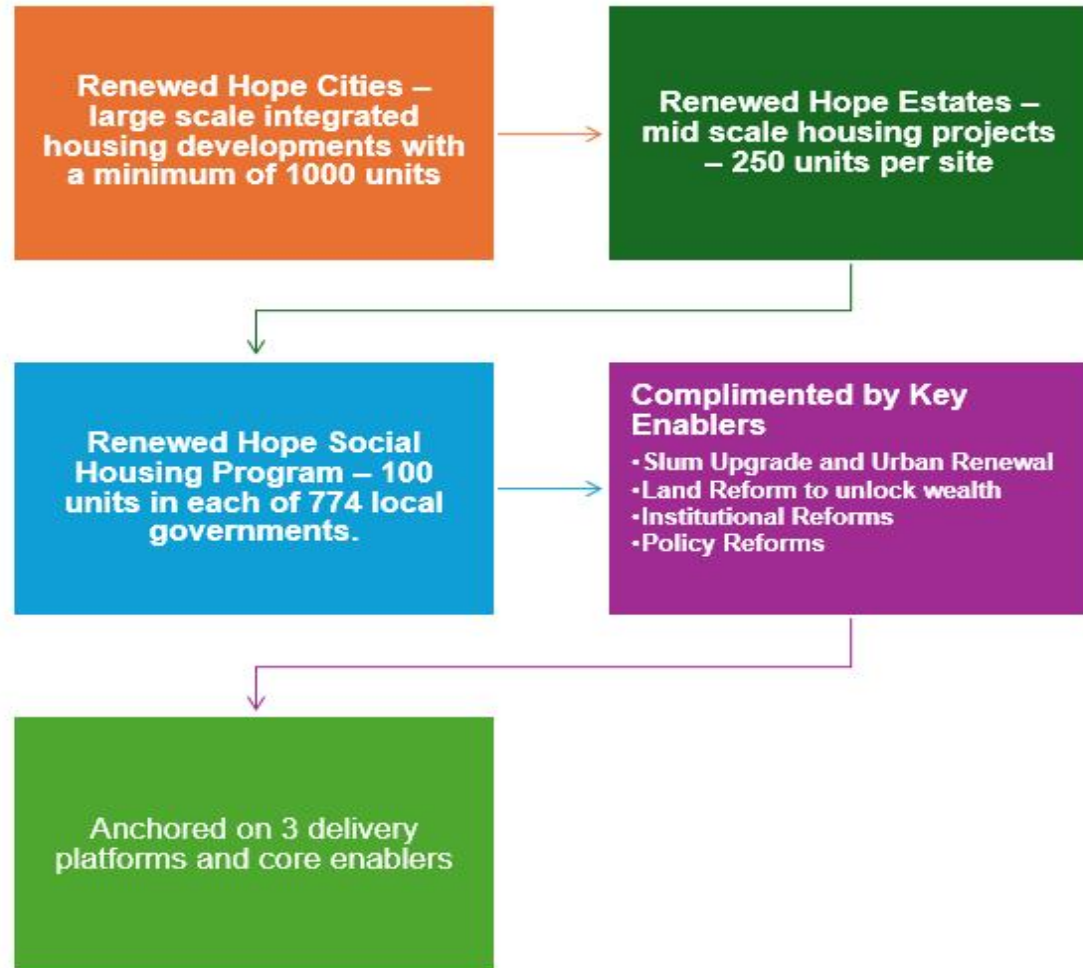
- ❖ Complex
- ❖ Laborious – No special considerations
- ❖ Unending Documentation

Setting the Context.....

Let's remind ourselves!!!

Renewed hope housing program

Overall Objective:
Provide affordable homes for Nigerians across various income segments



Innovative Financial Models....

- **Bridging the gap between housing costs and low to moderate household incomes:**
 - **Supply**
 - Attracting capital flows
 - Reducing financial burdens on developers/investors
 - Enhancing project viability through well thought out strategies and products
 - **Demand**
 - Ensuring that low to moderate families have access to stable housing solutions – not necessarily ownership
 - Fund affordability Gap ...
- **Integrating the two elements critical for success!**

Depth of the market often underestimated

Over-subscription of the first real estate bond in Nigeria by 100% - N30.1B instead of N15B

FGN Series VII Sukuk over-subscribed by 735% - N2.2T instead of N300B.

TajBank N20B Sukuk over-subscribed by 135%. FHFL debut series 1 Bond of N10B was over-subscribed by over 200%



Dearth of Investible Asset Classes

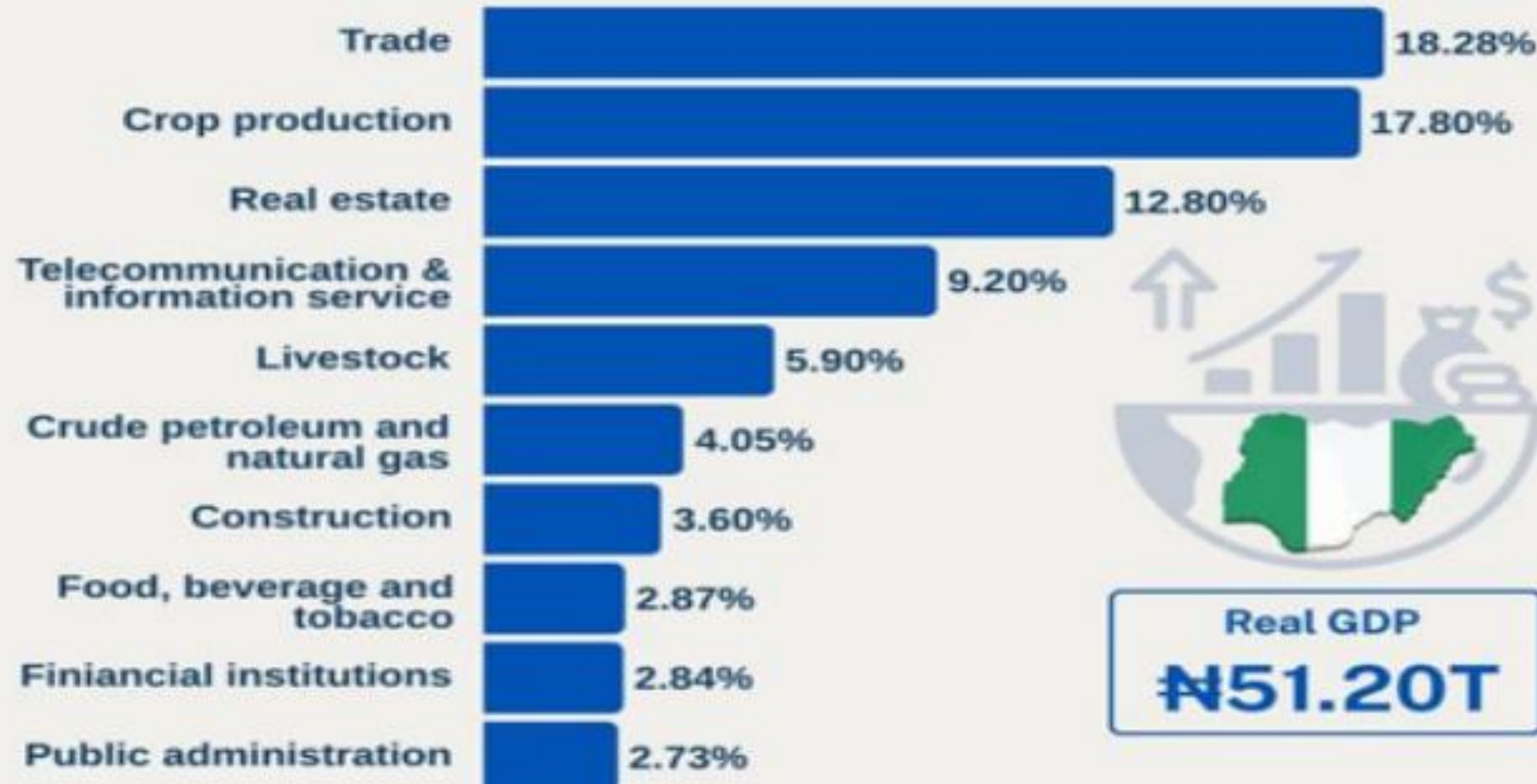
Investor Appetite misdirected to phony investments

CEBEX – Loss of N1.3T, MBA Forex, Racketerly, etc

Where is the Money?
Looking at the right direction?

Nigeria's real GDP

Trade and agriculture led Nigeria's ₦51.2 trillion economy in Q2 2025, as oil's share remained modest



Real Estate + Construction accounts for 16.4% of Nigeria's GDP.

Where is the Money? Summary of Pension Fund Assets – August, 2025

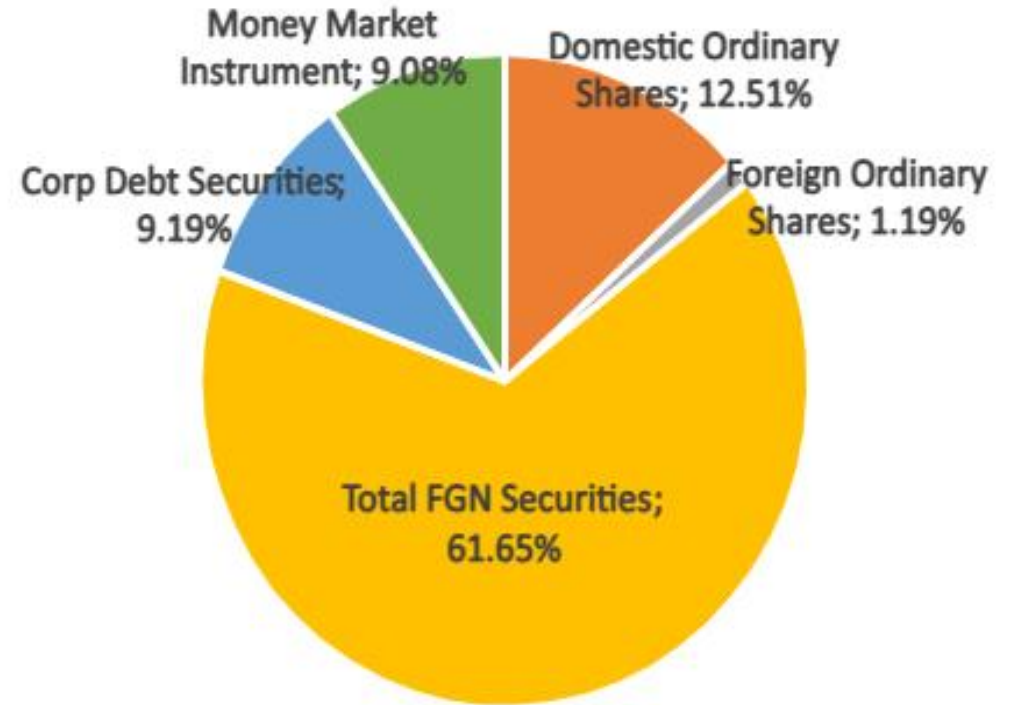
UNAUDITED REPORT ON PENSION FUNDS INDUSTRY PORTFOLIO FOR THE PERIOD ENDED 31 AUGUST 2025										
APPROVED EXISTING SCHEMES, CLOSED PENSION FUND ADMINISTRATORS AND RSA FUNDS (INCLUDING UNREMITTED CONTRIBUTIONS @CBN & LEGACY FUNDS)										
ASSET CLASSES	EXISTING SCHEMES	CPFAs	FUND I	FUND II	FUND III	FUND IV	FUND V	FUND VI	FUND VI RETIREE	TOTAL PENSION FUND ASSETS
	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million	N 'Million
DOMESTIC ORDINARY SHARES	299,877.80	91,564.39	96,021.28	2,399,096.09	621,623.62	79,452.59	13.56	19,452.18	271.00	3,607,372.51
FOREIGN ORDINARY SHARES	0.00	277,390.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	277,390.65
TOTAL FGN SECURITIES	1,979,003.55	1,235,958.14	207,200.84	6,253,120.51	4,730,188.82	1,315,099.42	830.40	92,016.60	11,186.93	15,824,605.20
* FED. GOVT BONDS (HTM)	972,808.48	627,579.56	175,294.53	5,802,843.33	4,418,939.00	1,215,469.21	655.70	64,363.02	6,508.87	13,284,461.69
* FED. GOVT BONDS (AFS)	818,653.17	593,193.07	20,444.56	222,201.13	128,138.32	22,643.76	49.35	4,809.79	326.74	1,810,459.88
* TREASURY BILLS	168,452.66	14,727.31	10,391.55	181,179.90	148,974.66	67,174.32	110.43	8,600.29	1,704.06	601,315.17
* AGENCY BONDS (NMRC)	1,103.64	458.20	17.99	4,809.99	359.43	72.50	0.00	0.00	0.00	6,821.75
* SUKUK BONDS (HTM)	13,258.62	0.00	889.99	36,875.43	25,375.28	8,288.20	4.57	13,612.66	2,584.19	100,888.95
* SUKUK BONDS (AFS)	1,638.95	0.00	8.60	3,125.52	2,538.32	157.25	0.00	630.84	63.08	8,162.56
* GREEN BONDS	3,088.04	0.00	153.62	2,085.21	5,863.80	1,294.18	10.35	0.00	0.00	12,495.20
STATE GOVT SECURITIES	30,692.19	6,936.34	2,646.58	95,504.99	79,875.62	20,426.95	1.04	1,420.00	247.34	237,751.05
CORP. DEBT SECURITIES	156,672.28	756,672.12	24,895.32	672,369.83	472,071.13	148,916.47	56.54	2,954.07	295.25	2,234,903.01
* CORPORATE BONDS (HTM)	133,531.58	13,844.77	23,779.03	628,848.43	449,669.52	140,014.03	56.54	2,844.33	295.25	1,392,883.48
* CORPORATE BONDS (AFS)	17,843.13	740,587.82	140.19	28,157.20	11,863.82	5,218.17	0.00	0.00	0.00	803,810.34
* CORPORATE INFRASTRUCTURE BONDS	5,297.57	2,239.53	976.10	15,364.20	10,537.79	3,684.27	0.00	109.74	0.00	38,209.19
* CORPORATE GREEN BONDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MONEY MKT INSTR.	354,433.17	70,538.69	29,615.13	911,478.99	677,186.14	300,355.99	447.93	54,468.26	6,485.32	2,405,009.62
FIXED DEPOSIT/ BANK ACCEPTANCE	252,406.68	18,343.74	25,281.86	739,058.82	550,441.29	231,327.47	404.74	49,775.20	5,519.90	1,872,559.70
COMMERCIAL PAPERS	68,649.19	1,017.69	4,257.41	163,397.89	126,331.15	68,949.61	43.19	4,693.06	965.42	438,304.61
FOREIGN MONEY MKT INSTR.	33,377.30	51,177.27	75.86	9,022.28	413.70	78.91	0.00	0.00	0.00	94,145.32
MUTUAL FUNDS	7,989.18	4,843.05	9,185.73	123,580.53	71,953.10	5,697.62	0.00	3,067.75	174.96	226,491.93
OPEN/CLOSE FUNDS	5,030.64	2,972.97	8,532.33	77,059.60	48,286.94	2,495.67	0.00	2,603.30	144.00	147,125.44
REITs	2,958.54	1,870.09	653.40	46,520.94	23,666.16	3,201.95	0.00	464.45	30.96	79,366.48
SUPRA-NATIONAL BONDS	2,184.29	0.00	83.86	14,180.43	4,379.63	770.06	0.00	18.77	0.94	21,617.98
INFRASTRUCTURE FUNDS	25,202.00	14,555.70	10,397.32	191,182.85	0.00	0.00	0.00	154.49	0.00	241,492.36
REAL ESTATE	98,271.21	156,331.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	254,602.44
PRIVATE EQUITIES	21,641.00	82,364.65	4,100.00	165,162.86	0.00	0.00	0.00	0.00	0.00	273,268.50
CASH & OTHER ASSETS	134,059.13	14,116.63	5,007.87	78,861.62	28,226.26	21,683.57	232.81	7,682.62	947.60	290,818.11
CURRENT NET ASSET VALUE	3,110,025.81	2,711,271.59	389,153.93	10,904,538.69	6,685,504.31	1,892,402.68	1,582.29	181,234.75	19,609.34	25,895,323.38
PREVIOUS NET ASSET VALUE	3,120,210.95	2,719,375.47	371,583.52	10,902,485.94	6,628,547.96	1,870,329.07	1,532.17	167,266.95	16,115.34	25,797,447.36
GROWTH/DIMINUTION	-10,185.14	-8,103.88	17,570.41	2,052.75	56,956.36	22,073.60	50.12	13,967.80	3,494.00	97,876.02
RSA Membership as at August 2025 - 10,882,661										

Government's Overreaching Position...

- Government tends to crowd out other investors/issuers.
- Investment in Real Estate, REITS and Infrastructure is insignificant.
- In spite of the fact that real estate is now the third largest contributor to GDP @ 12.8%.

etrics

Nigeria's Pension Fund Assets Breakdown - June 2025



Traditional Financing Options?

Debt/Quasi Debt

- **Mezzanine's**
- **Equity linked instruments: Convertibles, warrants**
- **Project JVs**
- **Cooperative Funding**

Equity

- Special Placing / Private Investors
- Private Equity Firms
- International Investors

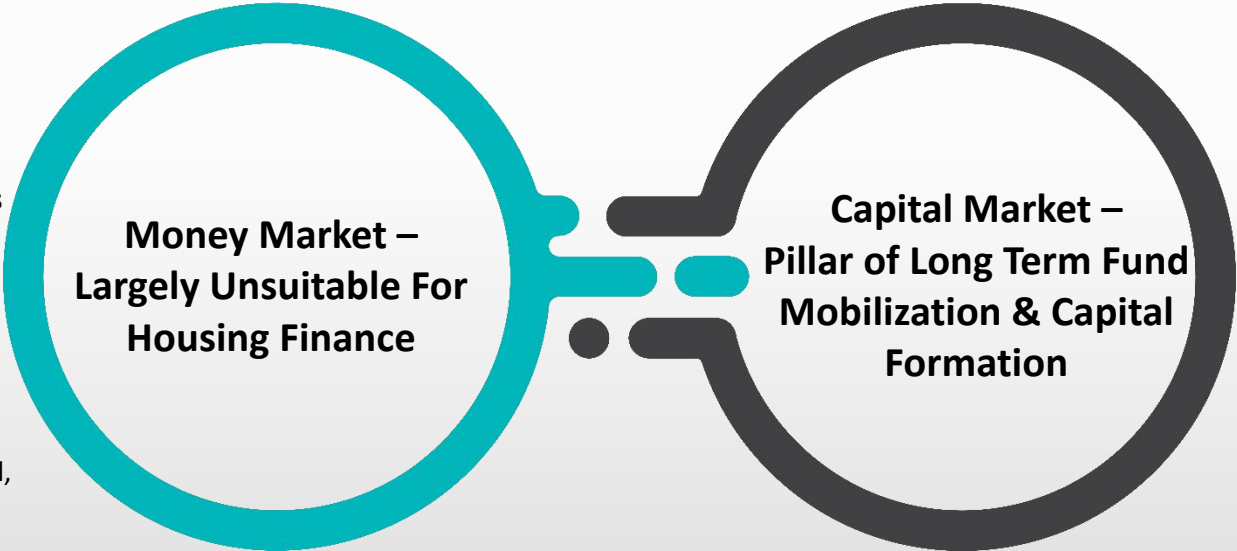
Debt

- Bank Financing - Construction loan, Corporate Loans, Overdraft Facilities
- Debt Capital Market Solutions – Corporate Bonds, Commercial Papers, Mortgage Back Securities, Sukuk, etc

Capital Mobilization: Money or Capital Market?



- ❖ Short Tenures - Incompatible with Project Duration
- ❖ Usually High Interest Rates - Negative Yields?
- ❖ Securitization
 - ❖ Complex, Cumbersome. Expensive
- ❖ Susceptibility to Macro-Volatilities
 - ❖ Rates Increase, Loan Recall, etc.



- ❖ Guaranteed Source of Funds at a fixed price
- ❖ Access to a much Larger Pool of Investors
- ❖ Creative Financial Instruments and Asset Classes
- ❖ Funding through Capital Market
 - ❖ Enables Assets/Liability Matching

Innovative Affordable Housing Finance Solutions...



Reasonably Priced – Lower interest rates –
Subsidies/Incentives



Longer Repayment terms – reduced monthly costs



Government Support and guarantees.



Flexible eligibility and repayment structures



Size – Easily Scalable
Lower Down Payment Requirements...



Digital – Tech Driven

Innovative Financing Strategies



Tax Credits – Low Income Housing Tax Credit – for investors who fund affordable housing making the project viable.



Government Backed Financing Programs – funding mechanisms that reduce financial risk and enhance project feasibility.



Government Sponsored Enterprises – Family Homes Fund, FMBN, MREIF providing liquidity and financing access for low income home buyers.



Opportunity Zones – financial benefits to developers in designated economically distressed areas – capital gains deferrals, etc



Density Bonuses – allows developers to build additional market rate units beyond standard zoning limits.

Innovative Financing Options....

Direct Project based Investments

- ❖ Private Equity/Angel Investors: 3 - 4 years
- ❖ Long term Investors – Institutional Investors and Pension Funds: 7 – 10 years+
- ❖ Supplier/Contractor Financing

Crowd Funding

- ❖ Operating framework defined by an agreement between the SPV and the investors – stating their rights, responsibilities and expected returns.
- ❖ Equity – Linked Notes
- ❖ Private Placements, etc.

Debt Funding

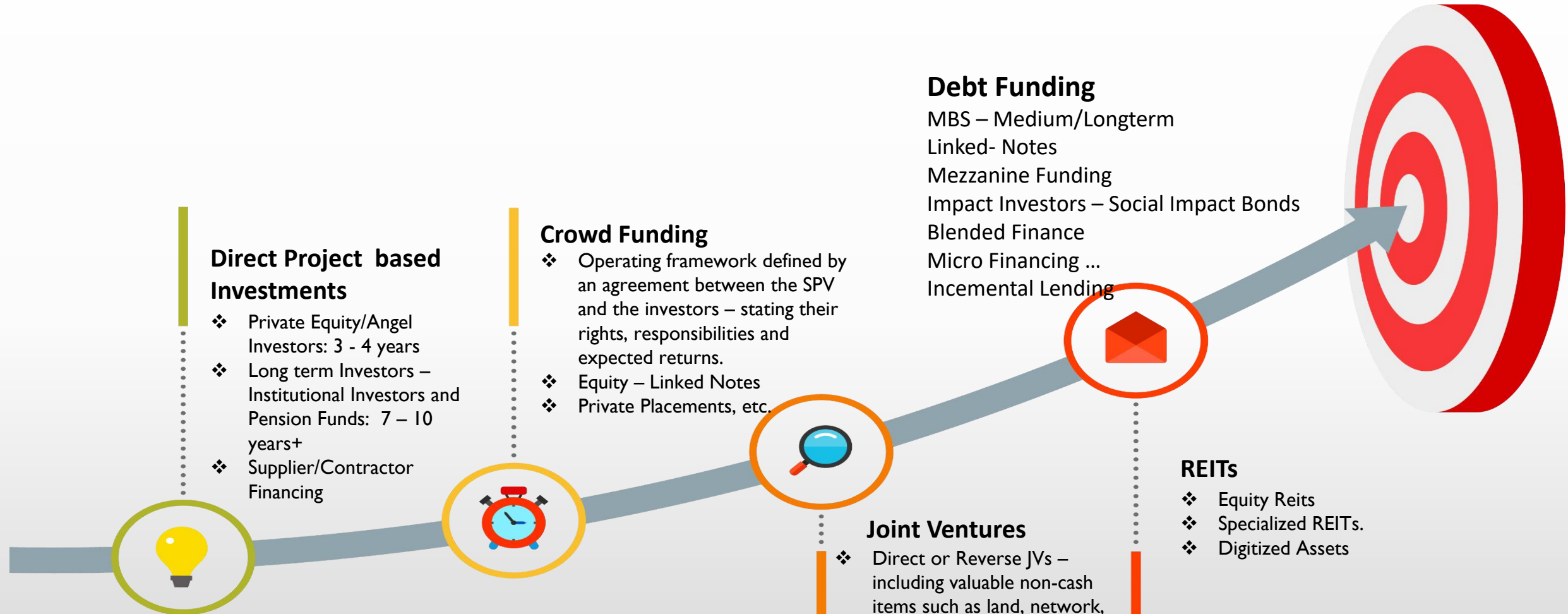
- MBS – Medium/Longterm
- Linked- Notes
- Mezzanine Funding
- Impact Investors – Social Impact Bonds
- Blended Finance
- Micro Financing ...
- Incremental Lending

Joint Ventures

- ❖ Direct or Reverse JVs – including valuable non-cash items such as land, network, fees, building materials, etc
- ❖ Cooperative backed Off plan Financing.
- ❖ Public Private Partnerships

REITs

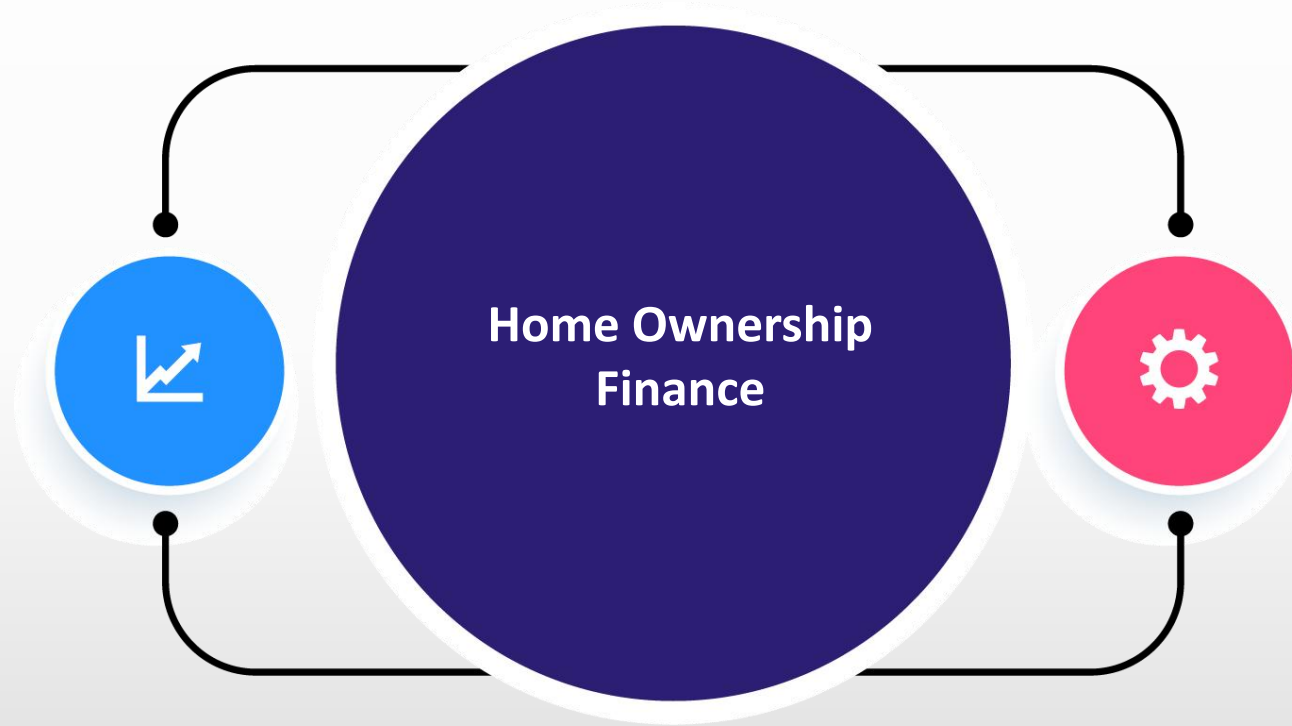
- ❖ Equity Reits
- ❖ Specialized REITs.
- ❖ Digitized Assets



Home Ownership Finance ... Issues and Options

Issues

- ❖ Availability..
- ❖ Cost – Inflation, Exchange rate, Supply chain issues.
- ❖ Financing Process – Perfection. Title Uncertainty.
- ❖ Income levels, unemployment.



Options

- ❖ Self Financing
 - ❖ Cash Purchase
 - ❖ Offtake- Installment payments
- ❖ Bank Assisted
 - ❖ Commercial Loans
 - ❖ Mortgages - NHF and PMBs.
- ❖ Developers' Financing

Home Ownership Finance - Opportunities

- ❖ **An Effective Mortgage System**
- ❖ <0.6% of the GDP
- ❖ <1% Total Bank Assets
- ❖ (Compare S.A – 23%, Tunisia – 10.6%. Advanced Economies >50%.
- ❖ **MREIF – 1000 mortgages in 6 months.**
- ❖ **Pension Reform – RSA availability may enhance growth**

- ❖ Co- Ownership
- ❖ Co-operative Financing
- ❖ Invest –to-Home Ownership.

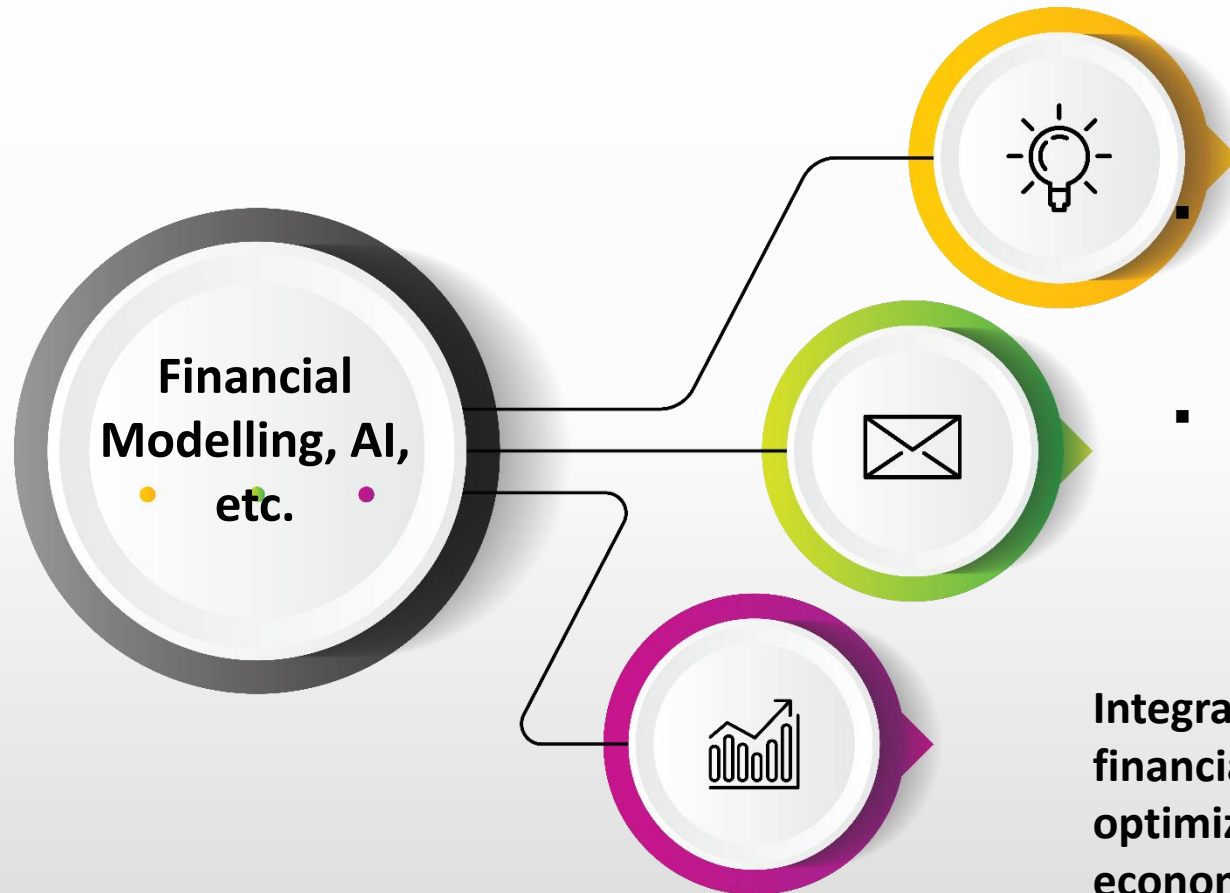


❖ Fractional Ownerships

- ❖ Collaborative Consumption – property split amongst a group of owners
- ❖ Fractional Titles – Buy a part, rent the rest
- ❖ Incremental Loans ..

❖ Rent To Own

- ❖ A hybrid of mortgage and other home ownership options without the disadvantages of both.



Innovative Financial Modelling Techniques Optimizing resource allocation, enhancing risk assessment and improving decision-making

- **Financial Modelling plays a pivotal role in affordable housing development - providing data driven insights that inform policy decisions**
- **Advanced modelling techniques enables stakeholders – govt agencies, private investors and developers to assess various financing structures and project returns**

Integration of AI, machine learning, big data analytics – financial models can now predict market trends, optimize funding allocations and stimulate different economic scenarios to improve decision making.



Thank
you

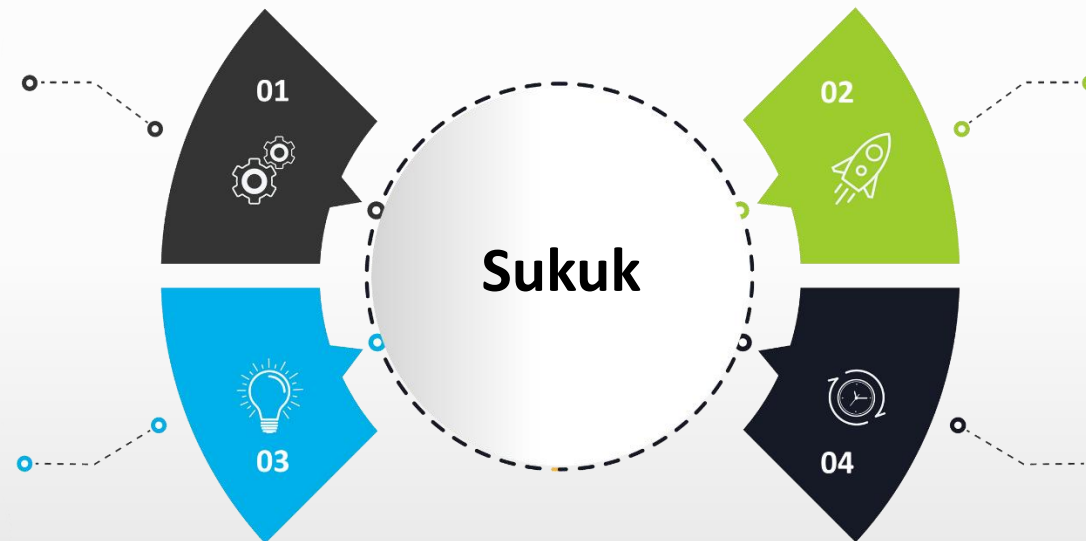
Questions?

Non - Interest Finance – Sukuks.

Sukuk is an investment certificate or note that represents the ownership interest of the holder in an asset or pool of assets.

- ❖ With the certificate, the holder becomes a proportionate owner of the underlying asset(s) of the fund and is entitled to receive income from the deployment of the assets.

Income to sukukholders is generated by trading or real investment rather than mere lending and sukuk holders earn profit rather than interest.



Underpinning philosophy is that the holder has an undivided ownership right in an asset or group of assets.

It's a non-interest based financing instrument; but its application is not restricted to Muslims as it conforms to ethical standards and justice.

Asset Unitization - REITS?

REITs are regulated investment vehicle created to own and manage income generating assets over the medium to the long term basis.

**REITS
Or
REICOS?**

REIT constitute a distinctive asset class providing the investor and issuer unique benefits:

- ❖ Capital Mobilization
- ❖ Unlocking Value in Existing Assets
- ❖ Liquidity
- ❖ Tax Treatment
- ❖ Investment Access
- ❖ Market Development

Prospects and Potentials of REITS.



Asset Tokenization – Digital Real Estate

Real estate tokenization converts the value of real estate into a token stored on a blockchain, thereby enabling digital ownership and transfer.

- ❖ The divisible tokens represent a fractional share of ownership in that real estate.

Benefits of Real estate Tokenization

- ❖ Lower barrier to entry – opportunity for small scale investors
- ❖ Liquidity creation
- ❖ Lower transaction costs
- ❖ Access to a wider pool of investors – including international investors.
- ❖ Free Flowing Market
- ❖ Decrease in counterparty risk

Limitations of Tokenization

- ❖ Complex Licensing Requirements
- ❖ Regulatory Issues
- ❖ Tax Complexities

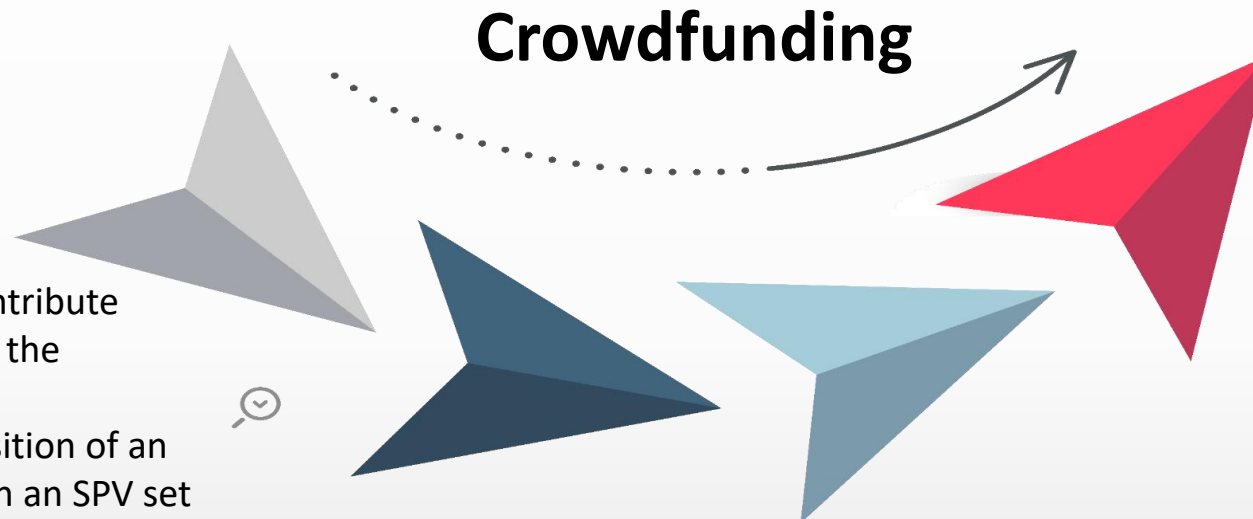
Any Structured financial activity that's been created to ensure a better environmental outcome – World Economic Forum.

- ❖ Emphasis of GF is the environmental element of ESG.



Sustainable Finance focuses on the three pillars of ESG – environmental, social and governance.

Green Finance – tool deployed by banks, other financial institutions and investors to implement ESG strategy in real estate development.



- ❖ Several investors contribute towards a project or the development or the development/acquisition of an asset usually through an SPV set up for that purpose.

- ❖ Framework usually e-enabled facilitating several investors' participation and contributors are allotted proportionate shares in the SPV on a moving basis.

- ❖ In practice, the developer/promoter must have a skin in the game – by owing a percentage of equity in the SPV/SPE

- ❖ Its operating framework is governed by an agreement between the SPV and investors - stating the rights and responsibilities and the expected returns.

