Angola

KEY FIGURES

Main Urban Centres	Luanda (capital), Lubango, Benguela, Huambo
Exchange Rate: 1 US$ ***	169.64 Angolan Kwanza (Kz)
Inflation 2014 | 2015 (est.) | 2016 (prov.) | 2017 (prov.) *	7.3 | 10.2 | 14.1 | 14.8
Population^ | Population growth rate (2013)^	25 022 000 | 3.23
Urban population (% of total)^ | Urbanisation rate (% in 2013)^	44.05 | 5.00
GDP per capita (current US$)^ | GDP growth rate (annual %)^	4 102 | 2.9
GDP (Current US$)^	102 643 104 696
GNI per capita, Atlas method (current US$) ^	4 180
Population below national poverty line *	36.6
Unemployment rate (%)*	6.8
Gini co-efficient (year of survey)^^	42.66 (2008)
HDI (Global Ranking)" | HDI (Country Index Score)"	149 | 0.532
Lending Interest Rate^	16.88
Unsecured lending interest rate (housing microloan)	35% /
Mortgage Interest Rate (%) | Mortgage Term (years)#	8 – 18% | 20 years
Down Payment (%)	15%
Credit % of GDP^	27.22
Average Mortgages % of GDP°	...
Estimated number of mortgages	...
Average loan size in US$ (mortgage)	...
Average loan size in US$ (non-mortgage/micro lending)	...
Price To Rent Ratio City Centre** | Outside City Centre**	10.38 | 6.87
Gross Rental Yield City Centre** | Outside of City Centre**	9.64 | 14.57
Construction as a % of GDP	10.40%
Is there a deeds registry? | No. of resid. title deeds in registry	...
Outstanding home loan (% age 15+)##	2.16
What is the cost of standard 50kg bag of cement (in US$)? #	7
What is the price of the cheapest, newly built house by a formal developer or contractor (in US$)? #	200 000
What is the size of this house (in m²)? #	95m²
What is the average rental price for a formal unit (in US$/month)#	1 500
What is the minimum plot size for residential property (in m²)#	25 x 20m²
Ease of doing business rank !	181
Number of procedures to register property !	7
Time (days) to register property !	190
Cost (% of property value) to register property !	2.90

*** Coinmill.com The Currency Converter/CAHF survey data
^ World Bank's World Development Indicators (2015)
* African Economic Outlook
~ World Bank PovcalNet: an online poverty analysis tool, various years
^^ The World Bank's PovCalnet
" UNDP's International Human Development Indicators (2014)
° Various: Badev et al. "Housing Finance Across Countries: New Data and Analysis" – Unpublished paper / Hofinet / World Bank
Global Financial Inclusion Database (FINDEX)
CAHF Annual Survey Data (August 2016)
! World Bank's Doing Business Survey Data (2016)
** Numbeo Online User-Contributed Database
~~ Government of Angola National Census 2014
/ Kixicasa

Overview

During the first decade after the end of the civil war in 2002, the Angolan government managed to transform its war-torn economy into the fifth biggest in Africa. Growth was mainly fuelled by a doubling of oil production, turning Angola into Sub-Saharan Africa's second largest oil producer after Nigeria. Oil revenues and oil-backed loans allowed for large-scale state investments in the construction and rehabilitation of public infrastructures, as well as the implementation of an ambitious housing programme to meet the country's massive housing deficit in a context of rapid urbanisation.

While the housing programme so far has contributed to an increase of the country's housing stock through the state-led construction of new towns or centralidades, it has failed to create an enabling environment for housing development by the private sector, cooperatives and citizens more generally. A lack of security of tenure, infrastructure provision, affordable housing finance and the enforcement and regulation of existing housing legislation makes formal housing development expensive and limited to high-end housing. State subsidised housing development and financing in turn has mainly benefitted the urban middle class and public servants. For the majority of Angolans, informal and incremental self-built housing remains the predominant method of housing development.

The latest drop in global oil prices in 2014 has led to a slump in GDP growth (three percent in 2015, down from 23.4 percent in 2007), soaring inflation (reaching 29.2 percent in May 2016) and a depreciation of the country's currency, the kwanza (over 40 percent against the US dollar between September 2014 and May 2016) have forced the government to make reforms to keep the economy afloat.

In response to the economic crisis the National Bank of Angola (BNA) raised its benchmark interest rate seven times between October 2014 and March 2016, from 8.75 percent to 14 percent. The Angolan government also adopted restrictions for access to foreign exchange, with higher priority for imports of food and medicine, and inputs for agriculture, industry and the oil sector, while prioritising banking supervision and private sector development. If accompanied by the appropriate reforms to regulate land tenure, these measures could represent an important contribution to unlocking the country's housing market.

Access to finance

Angola's post-war economic boom has resulted in the rapid growth of the country's financial sector. This growth is almost exclusively concentrated in banking, with the Angolan banking sector now being the third largest in Sub-Saharan Africa after Nigeria and South Africa.

As of March 2016, there were 29 commercial banks authorised to operate in the country by the National Bank of Angola (BNA). However, levels of financial inclusion in Angola remain low. According to the World Bank, in 2014 only 29.3 percent of Angolans above the age of 15 have a bank account at a formal financial institution. This percentage is even lower in rural areas, where only 18.8 percent of adults hold an account, as well as amongst the poorest 40 percent of the population, of whom only 12.9 percent holds an account.

The BNA has made a concerted effort to increase the use of banking services in recent years. In the past, commercial banks were restricted to the few who could meet the deposit requirement of about US$200 to open an account. In 2011, the BNA launched the Bankita programme in partnership with most of the commercial banks that operate in Angola in an effort to improve access to banking services amongst low income households. This matched savings programme offers people the possibility to open a bank account with only Kz100 (about US$0,60 at the 2016 exchange rate). However, data on the holders of Bankita bank accounts indicate that their use is limited to urban, male and formally employed individuals.

The post-war construction boom has resulted in a growing interest in the mortgage market and most large banks now offer loans for housing. The Angolan Investment Bank (BAI), for example, offers terms of up to 20 years and financing up to 85 percent of the value of the property. Interest rates for mortgages generally vary between eight and 14 percent, but in response to the crisis in 2015 some banks increased their rates to 18 percent. Other banks finance house acquisitions as unsecured consumer loans. These products typically have much higher interest rates, reaching up to 24 percent for loans in the national currency, and shorter repayment periods of around 36 months. In practice, the lack of instruments to gauge the creditworthiness of prospective borrowers due to the lack of credit information and a national identification system means that collateral is required for nearly all loans. In 2016, BAI reported to have a portfolio with approximately 36 000 million kwanza (about US$212 million) in default or a six percent default rate. The progressive use of an Information and Credit Risk Centre (CIRC) created by the BNA is expected to help banks improve their risk analysis.

Nevertheless, the absence of a functioning property registration system remains an obstacle and rejection rates of loan applications are high. As a result, only 7.6 percent of housing credit held by households came from banks in 2009, with the rest obtained from family and friends, savings and employers. In 2011, only 2.2 percent of Angolans above the age of 15 had outstanding mortgage at a financial institution, according to the World Bank.

Data on the aggregated number of mortgages in Angola are not registered and the lack of available information about the real estate sector is seen by stakeholders as one of the fundamental obstacles to the development of this sector.

New legislation has been adopted in order to encourage commercial financial institutions to provide credit for the construction or purchase of a house (Presidential Decree 259/11 of 2011). This is done by providing subsidies to banks to reduce interest rates and by providing financial guarantees to reduce risk. However, no information is available on the extent to which banks have been making use of this facility.

Angola's non-bank financial sector remains small, with the combined assets of insurance, pension funds and microcredit institutions being equivalent to only two percent of GDP. Nevertheless, the number of non-banking institutions has increased significantly over the past years.

As of March 2016, Angola counted one financial leasing company, 66 exchange bureaus (eight are authorised to do remittance transfers), 10 microfinance institutions (MFIs), two credit cooperatives and seven money transfer companies.

The number of MFIs registered with the BNA rose from three in 2014 to 10 in 2016, following the adoption of new legislation on credit cooperatives and micro-credit companies (Presidential Decree22/11 and 28/11 of 2011). However, the numbers available on the penetration rate of MFIs indicates that this remains low, with little more than 30 000 active clients. Of the MFIs currently registered with the BNA, only KixiCredito and Novo Banco Angola report to MIX Market, an online source of microfinance performance data and analysis. Most micro financiers in Angola are financial banks; in 2007 BAI moved into microfinance by acquiring Novo Banco Angola.

KixiCredito is the largest non-bank microfinancier, launched by local non-governmental organisation (NGO) Development Workshop Angola. In 2015, KixiCredito had a gross loan portfolio of US$45 million, with loans to over 25 000 borrowers. In addition to microfinance for small business, it also offers a housing microfinance product known as KixiCasa. This was developed on the realisation that more than 30 percent of business loans were being diverted for housing purposes. The product enables groups of between three and five people to access 36-month loans from US$1 000 to US$10 000. In 2012, Homeless International (now Reall) gave Development Workshop access to its CLIFF line of financing for a new social housing project in Huambo province. End-user finance for incremental housing is being provided by KixiCasa. These loans have put the construction of a 3 – 4 bedroom house with a total cost of up to US$30 000 in different loan cycles within reach of low income households.

The social security system in Angola covers less than 10 percent of the economically active. There are some special pension funds set up for war veterans and oil sector workers, and there is scope for harnessing these resources for housing. Plans to set up a stock market have been underway since before the end of the war. Government bonds started to be sold to investors in December 2014 and in November 2015 Angola sold its first Eurobond, raising US$1.5 billion to support long-term economic development. A new Securities Code (Law 22/15 of 2015, replacing Law 22/05 of 2005) completes Angola's basic legal framework of the securities and derivatives market. It is meant to improve transparency and security for investors in the capital market and brings Angola's Capital Markets Commission closer to becoming a full member to the International Organisation of Securities Commissions (IOSCO). In April 2016, Banco BIC Angola became the 15th member of the Angola Debt and Securities Exchange (Bodiva). However, longstanding plans for equity trading so far have not materialised.

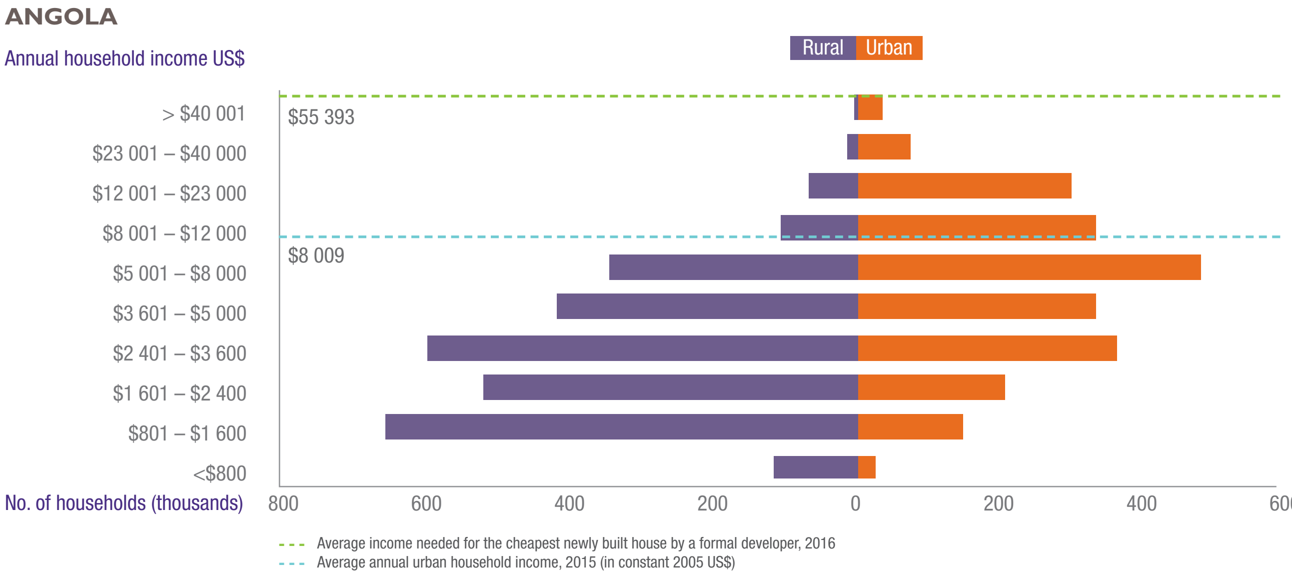
Affordability

The Angolan population is young; almost half are under the age of 15. The average Angolan household consists of five members. A government household survey conducted in 2008 – 2009 calculates average income per person at about US$90 a month, but this is almost double in urban areas than in rural areas: US$110 against US$60. The minimum wage in Angola is about US$150 and the average monthly salary is estimated to be approximately US$500, but skilled private sector employees generally earn over 20 times more than those in the lowest income bracket. For (expatriate) oil company employees, this income is even higher with employers generally picking up the bill for accommodation.

The demand for high-end, quality housing in secure developments, with the reliable provision of utilities, and the substantial budgets of oil companies means that rental and sale prices in Luanda have become among the most expensive in the world. Prices have dropped somewhat since the latest economic downturn, as well as the completion of state housing projects. Nevertheless, the focus of formal commercial developers remains on the higher income category. In this market, in 2015 a new two-bedroom apartment of about 180 m² in downtown Luanda reaches US$7 500 a m² and US$4 500 for an existing two-bedroom apartment or US$810 000 a unit, while a three bedroom house of about 190 m² in a residential compound in the suburb of Luanda Sul costs US$950 000 per unit or US$5 000 m². The cheapest commercial properties are found in Camama, an hour's drive from central Luanda, where there are limited asphalted roads and poor electricity supplies. There, a two-bedroom apartment costs approximately US$200 000, compared to US$450 000 in Maianga, an inner-city district.

There are government schemes aimed at making housing more affordable. In 2009, the Angolan government created a Housing Development Fund (FFH) (Decree 54/09 of 2009) to support the financing of social housing for low income households. However, so far the portfolio of the FFH is limited to the provision of subsidised loans for public servants in state housing projects, such as the new city of Kilamba. Loans are extended for 30 years with a three percent interest rate. To facilitate access to other prospective inhabitants, in 2013 the government launched subsidised rent-to-buy schemes through SONIP, the real estate arm of the national oil company, to those in the possession of a formal job, a national identity card and a tax payer card.

Apartments in these projects were initially priced between US$125 000 and US$200 000 a unit. These schemes reduced apartment prices to US$80 000 for a three bedroom apartment through twenty-year mortgages with a three percent interest rate and monthly payments of US$390. This brought ownership within the reach of early career professionals and mid-level civil servants earning over US$1 500 a month. However, government housing projects are still unaffordable



for low income households. Moreover, housing schemes do not address the costs of living in these housing projects, which are mostly located on the city periphery. A lack of public transport means that many residents rely on costly private transport.

Housing supply

By the end of the war, the housing stock in Luanda, home to over a third of the country's population, largely consisted of a deteriorated urban core dating from colonial times surrounded by large sprawling slums.

In the first post-war years, a number of government housing projects were developed for low income households as well as public servants. These include projects such as Zango, Panguila and Nova Vida in Luanda. However, rapid urbanisation meant that these projects contributed little to overcome the housing deficit, estimated at just below two million units in 2012, with as much as 90.9% of the urban population reported living in inappropriate conditions with limited access to sanitation, water and electricity.

In the run-up to the country's first post-war elections in 2008, the government announced a plan to build 1 million houses by 2012. Accompanied by the slogan 'My Dream, My Home' (Meu Sonho, Minha Casa), this plan was formally adopted in 2009 as the National Urbanism and Housing Programme (Resolution 20/09 of 2009).

Under this programme, the public sector was meant to deliver about 11 percent or 115 000 units, the private sector 12 percent or 120 000 units, housing co-operatives eight percent or 80 000 units, while more than 68 percent or 685 000 units were to be delivered through the provision of serviced and legalised plots of land for self-help building.

The implementation of the housing programme is still on-going and the timeframe has been extended to 2017. The most successful element of the programme has been the delivery of state-built housing, with almost 152 000 units having been delivered with financing from the state budget. This includes the construction of new urban centres such as the 'new city' of Kilamba, as well as the centralidades of Sequele (formerly known as Cacuaco), Capari, Km 44 and Condomínio Vida Pacífica (Zango), all financed by oil backed credit lines and built by Chinese companies in the outskirts of the capital of Luanda. Outside of Luanda, several other Chinese-built new cities are under construction. By 2017, the government aims to deliver a total of 213 000 houses and 14 new centralities across the country.

The role of the private sector in the housing programme has been limited due to high material as well as administrative costs of construction, the lack of a unified, functioning and up to date property registration system and legal guarantees to allow banks to recover assets on defaulted housing loans. As a result, the role of the private sector has been mainly that of constructor and/or manager of state-financed projects or of developing high-end housing.

In spite of the identification of housing cooperatives as one of the key actors responsible for housing delivery, legislation to regulate the activities of cooperatives was only adopted in 2015 (Law 23/15 of 2015). To date, there is only one active housing cooperative in Angola which has experienced difficulties with regard to infrastructure provision, land titling, default in payments by members and reduced interest since the completion of state housing projects. So far, it has built 3 000 out of 15 000 originally planned units.

Although state-led self-help building was meant to be the largest component of housing delivery under the government's housing programme it has received the least resources. Plots and building material have been distributed on an ad-hoc basis, mainly to accommodate resettled people, but little substantial progress has been made in terms of large scale land allotment and titling, infrastructure provision or housing finance for low income households. Hence, self-help building continues to mainly take place informally.

The domestic construction and the local construction material sectors remain underdeveloped. As a result, foreign firms and imported building materials predominate which makes construction very expensive. There has been some progress regarding local cement production, as a ban on imports and new cement factories reduced prices from over US$20 in 2007 to about US$7 in 2015. However, the economic crisis has pushed up prices in the informal market and brought down sales from 5.9Mt and 5.2Mt in 2014 and 2015 respectively to an expected 3.8Mt in 2016.

Property markets

Angola's formal property market is still in its infancy, with most properties being bought new or off plan and little turnover of real estate. Although the state owns all the land, most people access land informally with less than 10 percent of land parcels outside the urban core of Luanda having legal titles and only a few thousand properties out of Luanda's one-million formal dwellings being fully registered. This significantly limits the extent to which the government is able to collect land and property taxes.

Angola has made efforts to reform the administrative processes for registering and transferring property through the creation of a Guiché Único (Presidential Decree 52/11 of 2011) in 2011, a one stop shop for property registration, while new laws on notaries and realtors (Law 8/11 of 2011 and Law 14/12 of 2012) have liberalised the property market, allowing for the private exercise of this profession alongside state officials. A new law on urban property tax (Law 18/11 of 2011) reduced the cost of transferring property from 10 percent to two percent, eliminating them altogether for low cost housing. Stamp duties have been reduced from 0.3 percent to 0.5 percent, tax on housing credit from 0.3 percent to 0.1 percent, and land registry fees have been reduced by half. As a result, the cost of transferring property was reduced from 11.5 percent of the property value in 2005 to 2.9 percent in 2015. However, it still takes 190 days to register commercial property.

New laws for rentals and the transfer of housing have also been adopted in order to make investment in rental housing more attractive and offer more protection for tenants. This includes a new urban rental law (Law 26/15 of 2015), approved in October 2015, which requires that rental payments be in the country's currency instead of US dollars and that down payments should be limited to a maximum of 6 months. Before, it was common for landlords to demand down payments of two years.

Obtaining the official permits and licences necessary to operate in Angola remains costly and time-consuming. For instance, construction permits now take on average 203 days to obtain (down from 348 days in 2013). It takes 1 296 days (an increase from 1 011 days in 2013) to resolve a contract dispute, and the average cost of doing so is equal to 44.4 percent of the value of the claim. At 185th of 189 countries in 2016, this makes Angola rank among the worst in the world for ease of contract enforcement. A general legal framework for faster, non-judicial arbitration of disputes, the Voluntary Arbitration Law of 2003, has yet to be fully implemented. Moreover, legislation that would allow banks to repossess property in case of non-payment is yet to be adopted. According to the Angolan Association of Real Estate Professionals (APIMA), it takes three years for banks to confiscate mortgaged real-estate.

Policy and regulation

In post-war years, the Angolan government has adopted an extensive legal and institutional framework to regulate the land, housing and financial sector. This includes the adoption of a new land law (Law 9/04 of 2004), which establishes the different types of land rights that can be granted by the state and stipulates that informally occupied land needs to be regularised within three years after the approval of the law (a deadline that has since then been extended and expired in 2010). A territorial planning law (Law 3/04 of 2004) calls for the creation of national, provincial and municipal development plans to allow for more orderly planning. An official housing policy (Resolution 60/06 of 2006) guarantees the universal right to housing. A framework law for housing (Law 3/07 of 2007) defines the different instruments that are to be used to guarantee this right, such as the creation of a system of credit for housing. This law represents the statutory basis for the Housing Development Fund (FFH).

The Angolan government has also created a Ministry of Urbanism and Housing, a National Housing Institute (INH) (Decree 12/04 of 2004) and a Ministry of Construction, which in addition to local governments, are expected to contribute to fulfilling the government's policy objectives.

However, in practice state institutions are weak and the enforcement of policy and legislation is wanting, especially in the area of land tenure (Law 9/04 of 2004). Many different actors are involved in granting property rights and there is no unified land registry. Moreover, by-laws regulating and simplifying the legalisation of land in the large informal settlements around Angola's major cities have not yet been published. The government is currently reviewing existing legislation on land and property through the consultation of stakeholders such as the Angolan Association of Real Estate Professionals (APIMA) in order to fast track land and property regularisation.

Opportunities

Although subsidised state-led housing construction remains a government priority, budget constraints resulting from the global economic downturn will limit the extent to which the government will be able to continue to invest its own resources in housing development. To mobilise financing for the continuation of the government's housing programme, the state has created a Housing Development Assets Fund (FADEH) - Presidential Decree 168/15 of 2015. Such initiatives, as well as incentives for public private partnerships and the creation of a task force to improve the participation of the private sector in the implementation of the National Urbanism and Housing Programme signal opportunities for residential financiers and developers along the housing supply chain. Prospective legal reforms in the area of land and property should facilitate private sector investment, as well as generate tax revenues which can be allocated to further develop the housing sector.

So far the lower income segment of the population has been virtually untouched by housing finance and development initiatives, in spite of the existence of a Housing Development Fund and a legislative regime which regulates cooperatives and micro-finance institutions. Moreover, most initiatives have been limited to the country's capital and main urban areas. Best practices developed by established players such as KixiCrédito offer opportunities to be built on and further expanded.

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