



Family Homes Funds Limited

Strategic Plan 2021 – 2024

Changing Lives

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
ERGP	Economic Recovery and Growth Plan
FHFL	Family Homes Funds Limited
ISPO	Irrevocable Standing Payment Order
MMC	Modern Methods of Construction
NSIA	Nigeria Sovereign Investment Authority
PwC	PricewaterhouseCoopers
SIP	Social Investment Programme

STRATEGIC PLAN 2021-2024

1.0 FOREWARD

Now more than ever before, there is a growing need to impact the quality of lives of Nigerians, particularly the poor and vulnerable. Having a decent home is a recognised step towards providing necessary comfort and security for Nigerians on low income. The current reality for most Nigerians on low to middle income is an incredibly difficult access to a decent home they can afford.

Family Homes Funds Limited is committed to providing families with homes and leveraging the potential of the housing sector to create decent jobs. The 2021 – 2024 strategic plan sets out our ambition for putting 300,000 families in homes and creating 900,000 direct and indirect jobs in the process.

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Since commencement of effective operations in 2019, when the current Board was inaugurated, we have taken some significant steps towards this goal. As at December 2020, we have been responsible for creating 9,775 new homes which have now either been completed or due for completion shortly. In addition, we have created over 20,300 new direct jobs through the projects we financed.

This Strategy document builds on this strong foundation and provides a roadmap for our activities over the next 3 years with a clear focus on growth, financial sustainability and best in class operational effectiveness as our Strategic Goals. Through commitment to partnerships, our skilled and hardworking team, and the support of our shareholders especially the Federal Ministry of Finance, we will drive initiatives that provide lasting solutions for the provision of home ownerships for Nigerians on low income.

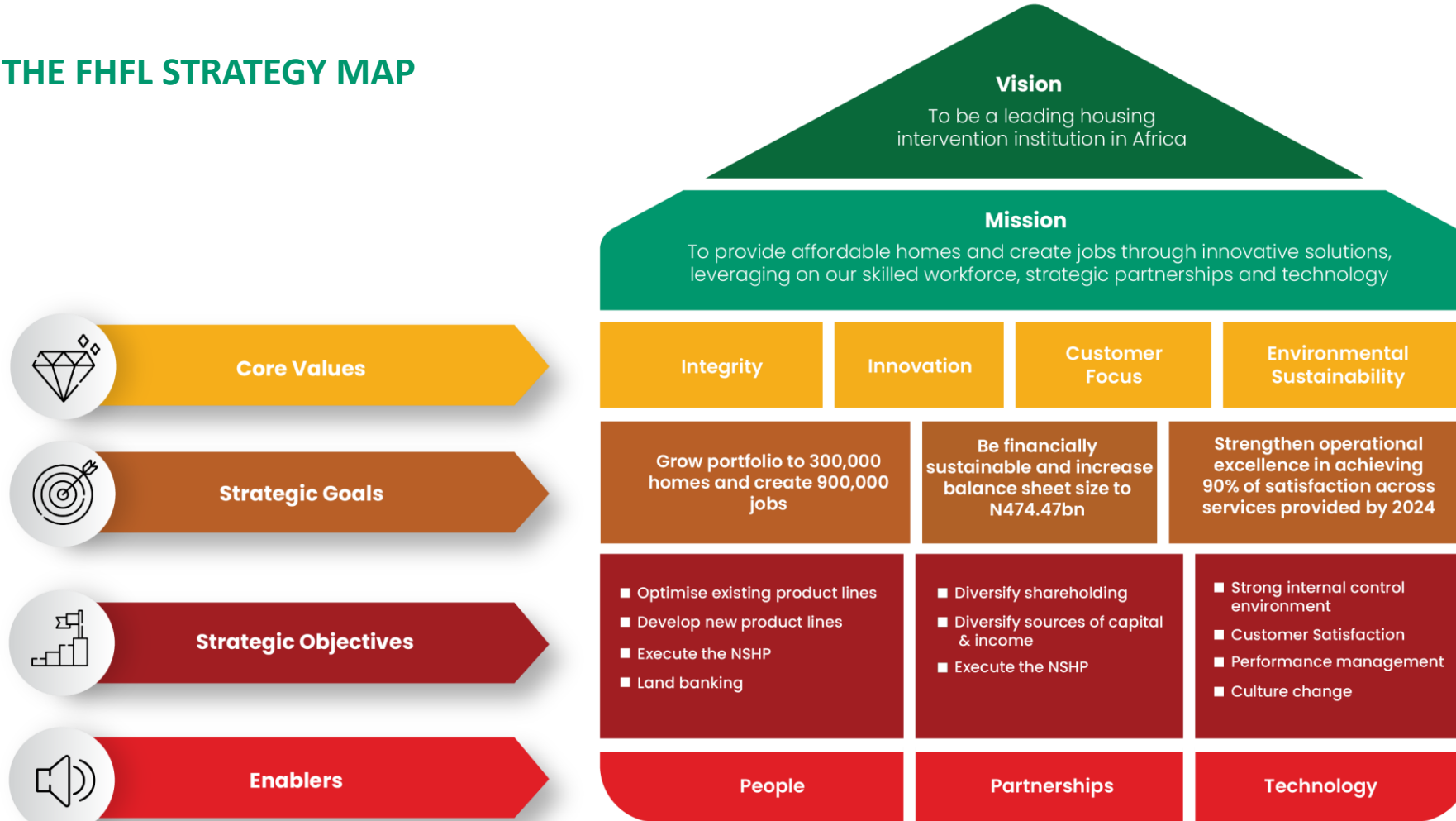
Thank you.

Mr. Suleiman Barau (OON, fcib, fnim)

Chairman

STRATEGIC PLAN 2021-2024

2.0 THE FHFL STRATEGY MAP



3.0 INTRODUCTION

A key priority of the Federal Government of Nigeria (FGN) is to improve the quality of lives of Nigerians, particularly the poor and vulnerable. To this end, the FGN under the Nigeria Economic Recovery and Growth Plan, 2017-2020 (ERGP), committed to Investing in People, and has embarked on several programmes that cater to the needs of the underserved under the Social Intervention Programme (SIP).

The ERGP identifies housing as a key focus for achieving this objective. The short-term successor plan, the 2020 Economic Sustainability Plan reinforces this commitment by providing for a mass housing programme as one of the primary programmes for economic growth and job creation, both necessary for reflating the economy after the Covid-19 pandemic.

STRATEGIC PLAN 2021-2024

The 2021 – 2024 Family Homes Funds Limited Strategic Plan is the organisation’s first articulated strategy, covering FHFL’s corporate goals and strategies to achieve them over the next three years. FHFL aims to play a key role in improving the living standards of Nigerians on low income by constructing decent homes, providing home ownership financing solutions and creating new jobs.

The Strategic Plan highlights the organisation’s vision, mission and values, and an evolution of the creation of the organisation. It sets out the Company’s 3 Strategic Goals and the priority activities for achieving this. The strategic document provides for an effective monitoring and evaluation system to be put in place to ensure that we are reaching our goals, and to evolve new strategies if needed.

VISION, MISSION AND VALUES

4.0 VISION, MISSION AND VALUES

The vision of the Family Homes Funds Limited (FHFL) is to be a leading social housing intervention institution in Africa.

To do this, **our mission** is to provide affordable homes and create jobs, through innovative solutions, leveraging our skilled workforce, strategic partnerships, and technology.

FHFL is committed to four core values:

1. **Integrity:** Always doing the right thing and adhering to consistent standards and procedures in all areas of conducting business.
2. **Innovation:** Encouraging creativity and idea generation, having a willingness to try new things and push the boundaries of the norm.
3. **Customer Focus:** Ensuring we maximize value, treat with respect, deliver the highest level of service, and carry out business in the best interest of all external and internal customers (including shareholders, homeowners, employees, suppliers, strategic partners, and host communities).
4. **Environmental Sustainability:** Ensuring business operations are environmentally friendly and guided by sustainability principles.

ORGANISATIONAL STRUCTURE

5.0 ORGANISATIONAL STRUCTURE

FHFL is a private limited liability company incorporated in September 2016 with seed money from the Ministry of Finance Incorporated and NSIA Property Investment. The Government upon inception committed N500bn to the organisation, with FHFL expected to raise additional capital needed to finance the housing programme.

Strategic direction and leadership are provided by a Board of Directors with an experienced Chairman. Day-to-day management is delegated to a Managing Director / Chief Executive Officer (MD/CEO), supported by an Executive Management Team.

An overview of the Company's Organisational Structure is illustrated in **Appendix A**.

NIGERIA'S HOUSING MARKET OVERVIEW

6.0 NIGERIA'S HOUSING MARKET OVERVIEW

Nigeria is a rapidly urbanizing country with a large population of about 201 million as at 2019. It is projected to be the 3rd most populous nation by 2050. As population increases, so does the need for adequate housing. Various sources have put the national housing deficit at between 17 and 22 million. PricewaterhouseCoopers (PWC) estimates that the total supply of housing in Nigeria at the end of 2019 was est. 42 million units but 75% of this housing stock was sub-standard. These houses are considered sub-standard based on the United Nation's eight criteria for permanent human occupation – Habitability, Safety and Security, Comfort, Sanitation, Accessibility, Infrastructure, Social Amenities and Social-Cultural Adequacy.

The availability of and accessibility to adequate housing is a national challenge, particularly acute for Nigeria's low-income population. In 2019, 40.1% of the population was considered poor; having to allocate scarce resources between critical needs such as food and shelter. Over the years, the Government has tried different initiatives to address the housing problem. However, the plethora of challenges faced by those who supply and demand these homes, persevere in hindering these efforts.

STRATEGIC PLAN 2021-2024

On the supply side, key challenges include the increasing cost of construction and high cost of capital for building projects. Material and labour costs, for instance make up to 65% of total construction costs. An independent market survey showed that material and labour costs for a standard 2-bedroom home increased by as much as 85% over the past 5 years. Similarly, accessible interest rates for development are high, ranging from 18% to 25%. There are also difficulties in land acquisition, securing tenure and a general distrust of the land administration process.

In addition, the prohibitive cost of providing infrastructure in existing and upcoming settlements is one most developers are unable to bear, making settlements with inadequate infrastructure the norm. In 2019 for example, 57m and 130m Nigerians lacked access to safe water and adequate sanitation, respectively. There is also the added challenge of developers being unwilling to invest in low-income settlements due to perceived low profits and uncertainty around the offtake capacity. Consequently, financial interventions that provide agreeable interest rates for developers and other incentives for building for the low-income population is needed.

STRATEGIC PLAN 2021-2024

On the demand side, low-income levels and increasing inflation have reduced the ability of many Nigerians to afford decent homes, while the housing industry has limited financing options for home ownership. Over the past 5 years, over 80% of Nigerian households have been affected with their annual purchasing power becoming less than N1.1m. Over the past 5 years, over 80% of Nigerian households have been affected with their annual purchasing power becoming less than N1.1m. Concurrently, the mortgage industry is underdeveloped. In 2018, under 4,000 mortgages were given while mortgage interest rate averaged 19.5% over the past 20 years. This was higher than other African economies like South Africa (10%), Kenya (13%) and Ethiopia (16%).

In the absence of a functional mortgage system, rental housing is often the only affordable housing option for most low/middle income urban dwellers. Unfortunately, in most cases, these are provided informally, to very poor standards with limited or no protection for the beneficiaries. Family Homes Fund's experience over the past few years has shown that more needs to be done to provide decent homes for Nigerians on low income, as well as expand the financing options for them to offtake these homes.

FHFL'S CORPORATE STRATEGY 2021-2024

STRATEGIC PLAN 2021-2024

7.0 FHFL'S CORPORATE STRATEGY 2021-2024

7.1 DEVELOPING THE STRATEGY

The 2021 – 2024 Strategy is the first comprehensive strategy for FHFL. It was developed in an inclusive manner and draws upon:

- a) The aspiration of the key stakeholders, particularly the Federal Government for a bold and ambitious large scale affordable housing programme.
- b) Strategic direction by the Board of Directors through a strategy retreat facilitated by Ernst and Young in December 2020.
- c) Discussions with and among current FHFL staff on: what more FHFL should be doing, given our current operations? How should we be doing what we are already doing? What shouldn't we be doing?
- d) Learnings from our on-going projects in Delta, Kaduna, Kano, Nasarawa, and Ogun. We specifically considered what worked well, what did not work and what changes needed to be made to our approach.
- e) Discussions with potential beneficiaries on their views concerning home ownership and mortgages.
- f) Discussions with developers and project managers currently working with us.
- g) Input from industry experts.

Input from these various sources enabled an analysis that helped clarified what we needed to do.

7.2 FHFL AND OUR BUSINESS ENVIRONMENT

Challenges, opportunities, and threats in our business environment relative to FHFL's strengths and weaknesses are summarised below:

What **Challenges** do we aim to address?

- The shortage of decent housing in Nigeria for those on low income and the vulnerable.
- The inability of low-income earners to afford decent homes even when they are available.

What **Opportunities** do we see?

- Huge demand for social housing given Nigeria's growing population, rapid urbanization and decreasing purchasing power.
- Demonstrated need for affordable end user financing options to purchase homes.

STRATEGIC PLAN 2021-2024

- Ability to utilise our position as a publicly backed organization to:
 - Gain access to funding from Development Finance Institutions (DFIs); and
 - Support developers in easing the challenges associated with land acquisition and registration.
- Opportunities to utilize emerging technologies in developing housing units.
- Current political commitment to the provision of affordable homes at scale.
- The job creating potential of the construction industry.

What are the **Threats** to our work?

- Economic realities such as rising inflation, exchange rate fluctuations and reduced purchasing power negatively impacting on the housing market.
- High costs of construction which can limit delivery of FHFL's target for affordable housing.
- Weak regulatory environment.
- Political instability or insurgencies in certain parts of the country.

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What **Strengths** can we leverage?

- Our foundation as a finance institution with fund-raising capabilities.
- A driven, competent, qualified, and committed board and management team capable of delivering on its mandate.
- Our public backing which facilitates smooth partnerships with other development partners.
- Our constant developing of innovative solutions to deliver on decent and affordable homes for our target market.

What **Weaknesses** can undermine our efforts?

- Limited access to financing.
- Weak internal controls, risk management and business continuity.
- Bureaucratic operating structure and slow internal processes.
- Absence of a clear marketing strategy to dispose of initial housing projects.
- Poor information / education on home ownership solutions.

STRATEGIC PLAN 2021-2024

The above realities of the business environment in which we work relative to our own strengths and weaknesses imply that:

- Our goals must be ambitious to make an impact on the huge housing deficit.
- Our strategy must proffer a holistic solution that addresses both demand and supply side challenges.
- We must develop innovative solutions and partnerships to deliver on our goals.

In response to these, the Family Homes Funds Strategic Goals for 2021- 2024 are articulated below.

STRATEGIC PLAN 2021-2024

7.3 STRATEGIC GOALS 2021 - 2024

Over the years covered by this Strategic Plan, the Company will focus on 3 Strategic Goals:

Strategic Goal 1 – Growth

We aim to have made significant progress towards the Fund's Target of 500,000 homes by delivering at least 300,000 homes and creating 900,000 jobs.

Strategic Goal 2 – Financial Sustainability

We aim to strengthen the Fund's balance sheet and profitability to ensure we have adequate capital to implement an aggressive growth. By December 2024, we aim to have grown the profit after tax to N28.73bn and the balance sheet size to N474.47bn.

STRATEGIC PLAN 2021-2024

Strategic Goal 3 – Operational Excellence

We will place significant emphasis on improving our operational effectiveness and efficiency in achieving 90% of satisfaction across services provided by 2024. This will be measured by clear indicators including turnaround times on key business processes, customer satisfaction, project delivery etc.

The following sections detail our approach to delivering on each of the Strategic Goals.

STRATEGIC GOAL 1: GROWTH

8.0 STRATEGIC GOAL 1: GROWTH

There is an urgent need to accelerate the supply of homes which are affordable to people on low / medium income. It is also a key expectation of our shareholders. In that regard, we aim to have provided affordable homes to at least 300,000 families across the 36 States of the Federation and the Federal Capital Territory. Consequently, we will have facilitated the creation of up to 900,000 direct and indirect jobs.

We will achieve this goal by adopting the following core strategies:

8.1 OPTIMISE EXISTING PRODUCT LINES

We will optimise existing product lines, especially the Affordable Housing Fund (Construction Finance Facility) to accelerate the development of new homes. Key initiatives we will execute include:

- a) **Partnerships with state governments** – we will deepen existing financing arrangements with State Governments as key partners providing financing for large scale social housing programmes secured by Irrevocable Standing Payment Order (ISPOs) or similar instruments.
- b) **Partnerships with organised housing societies / cooperatives** – we will develop innovative partnership with Co-Operatives and Housing Societies towards enabling medium sized housing schemes for their members.

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- a) **Large Scale Developers / Framework Partners** – we will identify and develop delivery and financing partnerships with large scale developers with capacity to develop and co-finance large scale projects.
- b) **Provision of Guarantee Facility** – we will explore an extension of the Affordable Housing Fund to provide guarantees for third party financing to stretch our capital further.
- c) **Develop Mixed income Communities** – we will work towards increasing the number of homes we build by adopting mixed income communities' approach on new projects with a target mix of 70:30 in favour of lower income affordable homes versus higher income homes.

8.2 DEVELOP NEW PRODUCT LINES

We will develop and implement additional housing finance options to grow the loan book and facilitate the development of new homes. Key initiatives we will execute include:

- a) **Development and Implementation of an Incremental Housing Programme** – We will roll out incremental housing schemes which will facilitate reach to lower income groups and more homes per Naira invested.

STRATEGIC PLAN 2021-2024

- b) Completing the development of and Implementing the Rental Housing Fund** – Rental housing provides a useful stepping-stone to home ownership for people in the informal sector especially those on low income. During the strategy plan years 2021-2024, we will work with partners to develop and implement a large-scale rental housing programme.
- c) Students and Young People’s Housing** – Young people under the age of 35 form an increasingly large proportion of the population in our urban areas. In most cases, their housing needs (often small units) are unmet by developers, but this represents a strong growth opportunity for FHFL. We will develop and implement a Students and Young Peoples Housing Programme with the objective of achieving up to 15,250 new units by 2024.
- d) Implement the Home Loans Assistance Programme** – Execute a close on the Home Loans Assistance Programme under development with the African Development Bank (AfDB) and the International Finance Corporation (IFC) towards enabling offtake of decent homes by low-income earners.

STRATEGIC PLAN 2021-2024

8.3 EXECUTE THE NATIONAL SOCIAL HOUSING PROGRAMME

We will leverage on the opportunity offered by the National Housing Social Programme to achieve our Strategic Growth objective. When fully implemented, the Programme can contribute 300,000 units towards, and thus surpass our core objective of providing 300,000 homes during the plan period.

8.4 LANDBANKING

We will dedicate resources towards the assembly of a good quality land bank to feed the affordable housing programme. We aim to have landbanked up to 4,000ha by December 2024. To achieve this, we will:

- a) **Partner with State governments and other agencies to access land** for affordable housing development.

STRATEGIC GOAL 2: ACHIEVE FINANCIAL SUSTAINABILITY

STRATEGIC PLAN 2021-2024

9.0 STRATEGIC GOAL 2: ACHIEVE FINANCIAL SUSTAINABILITY

Financial Sustainability is critical to achieving our strategic goals. During the plan period, the Company will take decisive steps towards strengthening its financials evidenced by an Investment grade rating (Moody's or Equivalent).

We will achieve this goal by adopting the following core strategies:

9.1 DIVERSIFYING SHAREHOLDING

We will work towards diversifying the Company's shareholding through partnerships with potential investors particularly Development Finance Institutions and increasing called and paid-up capital to N20bn (2020: N1m).

STRATEGIC PLAN 2021-2024

9.2 DIVERSIFYING SOURCES OF CAPITAL AND INCOME

We will diversify the sources of income, including:

- a) **Decisive focus towards positioning the Company to raise financing from the capital market** at competitive costs. During the plan period we aim to raise up to N30bn from the Capital Market.
- b) **Growing non-interest revenue** – We aim to diversify and grow revenue from non-interest-based activities, particularly fees. Our target is to increase non-interest income to N2bn (2020:127m) by the end of the plan year.
- c) **Developing grant sourcing expertise** especially specialised grants such as carbon and impact grants.
- d) **Joint Venture Investments** – We will explore profitable joint venture opportunities with stable revenue base with reputable partners, particularly for our rental housing and students housing portfolios.

9.3 COST EFFICIENCY

We will make concerted effort to ensure cost efficiency, working towards an average cost to income ratio of 55% (2021: 43%) during the strategy period.

STRATEGIC OBJECTIVE 3: OPERATIONAL EXCELLENCE

10.0 STRATEGIC OBJECTIVE 3: OPERATIONAL EXCELLENCE

Achieving operational excellence is key to attaining our vision of being a leading social housing financing institution in Africa. During the strategy period, we will take major steps towards achieving a reputation as an innovative and high performing business.

To achieve this goal, we will take the following actions:

10.1 STRONG INTERNAL CONTROL ENVIRONMENT

We will ensure that adequate internal controls are in place as part of a wider Enterprise Risk Management Framework. This includes a full scope review of internal controls in relation to existing and future business. The review will identify the key/critical controls, identify whether the controls and procedures are adequate, identify whether the controls and procedures are working, and identify any gaps and actions towards plugging these.

STRATEGIC PLAN 2021-2024

Alongside the review we will:

- a) **Improve leadership and support for enterprise risk management** in the Company. All Senior Managers will be required to provide consistent and visible leadership in terms of how they expect staff to behave and respond when dealing with risk and uncertainty.
- b) **Embed enterprise risk awareness** and the management of financial, credit, legal, operational, reputational, and other risk in the organizational culture. To meet this standard, the Company will establish an Enterprise Risk Committee, headed by the Head of Risk Management to lead a quarterly review of enterprise risk.
- c) **Establish key risk indicators (KRIs) and tolerance levels for critical risks.** These will be given high visibility in internal communications as part of building a risk aware culture.
- d) We will ensure that staff are equipped with the right skills and supported to manage risk well. All staff putting together business cases and managing projects will undergo mandatory, continuous risk management trainings.

STRATEGIC PLAN 2021-2024

10.2 CUSTOMER SATISFACTION

A reliable measure of the quality of our operations is the achieved level of customer satisfaction. To ensure that we consistently improve our processes, we will:

- a) **Launch a customer interview program in January 2022**, where a cross-section of customers and partners qualitatively discuss their overall perceptions concerning the ease of doing business with FHFL, including turnaround times, team communications and potential workflow improvements.
- b) **Use customer feedback to recommend improvements in our processes** and programs. The feedback collected will be used to provide information about how our processes can better align with customer expectations.

10.3 PERFORMANCE MANAGEMENT

Operational excellence is enhanced by a performance management system that sets and tracks performance. To ensure operational excellence, we will:

- a) **Develop and implement a performance management system** which supports staff in meeting agreed targets and holds each one accountable to them, by January 2022.

STRATEGIC PLAN 2021-2024

10.4 CULTURE CHANGE

To improve our operational excellence, we will pay particular attention to improving organizational culture. We will embark on a programme that improves staff commitment to the organisation's plans, engagement, performance and creates positive shared values. To achieve this, we will:

- a) **Develop and implement an Organisational Culture Change Plan** that captures desired values and objectives and integrates it into the organisation's processes and day to day activities.
- b) **Embark on a Change Management Process** to ensure awareness of, compliance to, and accountability for the new corporate culture.

PRODUCTS AND SERVICES

11.0 PRODUCTS AND SERVICES

The following section provides a more detailed outline and assessment of the key products we propose to offer our partners during the plan period:

11.1 AFFORDABLE HOUSING FUND

The Affordable Housing Fund provides advisory services and financing for large scale Public-Private Partnership (PPP) affordable housing, incremental housing, and related infrastructure projects.

11.1.1 Description

Although there is scanty reliable data, there is overwhelming evidence of the need for decent quality housing affordable for Nigerians on low to medium income. The need for security that comes from home ownership coupled with limited long-term financing options also leads to most individuals building their own homes incrementally, as funds become available to them.

STRATEGIC PLAN 2021-2024

Increasingly, meeting the need for decent quality housing is a priority for many state governments alongside an appreciation of the contribution that a large-scale housing construction programme can make towards economic development. However, the delivery of successful affordable housing projects is often frustrated by access to suitably priced financing and capacity.

We aim to be the market leader in meeting this need by:

- a. Offering Technical and Transaction advisory services** to public and private sector partners to ensure that projects are adequately prepared for financing. We will provide support in developing project concepts, feasibility studies, transaction, and financing structures etc. for a fee.
- b. Provide Debt Financing and where necessary equity investment** into affordable housing projects including Family Housing, Site and Service Schemes, Incremental Housing Schemes etc. We will also provide guarantees where it is appropriate to do so.

11.1.2 Market Assessment

To meet current housing need, about 700,000 new homes need to be produced each year primarily in the urban area. Most of these need to be affordable to people on low to medium income. Current output is estimated to be less than 100,000 homes/annum indicating significant market need. Where supply exists, it is largely targeted at high-income earners, with low-income earners being unable to afford houses categorised as low-income. One result of the failures of the formal housing market is that people are forced to build for themselves. A recent PwC study showed that of people surveyed who owned their own homes, 45.5% of these did so by building incrementally.

Whereas most states have indicated an intention to deliver significant numbers of new affordable homes, it is estimated that less than 10% of projected units are delivered. The primary reasons are a lack of early technical advisory and support in preparing the project for bankability and eventually lack of access to development financing.

STRATEGIC PLAN 2021-2024

These gaps provide a viable opportunity for a sustainable business for the Family Homes Funds. We estimate that there is a lending opportunity in excess of N50bn/annum.

11.1.3 Competitive assessment

The primary competition for providing technical assistance and advisory for private and public sector partners are the large accounting and advisory firms, especially the Big 4 who have a strong presence in the market based on their reputation and existing relationships. More recently, private Capital Advisory firms are also increasingly providing services to Government and private sector sponsors.

We enjoy strong competitive advantage relative to these in at least three respects:

- a) Our in-depth sector experience;
- b) Combined Technical Knowledge (we employ a team of experienced engineers, architects, cost consultants etc.) and Investment Analysis capability in-house; and
- c) We can provide early-stage catalyst investment which is often critical for success. The competition is not able to provide any financing.

STRATEGIC PLAN 2021-2024

In respect of financing for affordable housing, the primary competition is the Federal Mortgage Bank although in the future, competition may be expected from Commercial Banks. To effectively compete we will need to:

- a) Develop and maintain efficient processes to ensure that we can deliver services that meet customer expectation; and
- b) Maintain price competitiveness in our lending rates.

11.2 HOME LOANS ASSISTANCE FUND

The Home Loans Assistance Fund provides long-term financing for low-income Nigerians to purchase their homes with affordable interest rates and favourable time scales.

11.2.1 Description

Many Nigerians aspire to own their own homes. However, with the mortgage market being underdeveloped, formal financing options to fund the purchase of their homes are limited.

STRATEGIC PLAN 2021-2024

In Nigeria, the mortgage to Gross Domestic Product (GDP) ratio is less than 1%. This is minute compared to other countries like South Africa, the United States of America, and the United Kingdom, where the mortgage to GDP ratios are 30%, 60% and 70% respectively. There is also a general lack of trust in the mortgage market with many Nigerians reluctant to borrow money, even where the option is available.

Nigerian households on low income are disproportionately affected, and many are forced to rent or suffer poor housing conditions and a lack of security. Some face volatile living arrangements, where they are forced to move at the whim of a landlord which can disrupt their employment prospects and the education of their children.

STRATEGIC PLAN 2021-2024

The inability of many Nigerians to buy their own homes could be due to insufficient savings and inability to buy. Others are unable to meet the bank's requirements as to certainty or proof of income to access a Mortgage. In addition, high interest rates on Mortgages make the monthly costs of repayment too expensive. The CBN reports that as of 2019, non-performing mortgage loans were as high as 59.69%. This could partly be attributable to the high interest rate (as high as 27% in some cases), and the equity requirement of 30%.

We aim to contribute to meeting this need by:

- a. **Providing Long Term Line of finance** to prospective low to middle income home earners to purchase homes and/or build incrementally.
- b. **Coordinating and partnering with financial institutions** including the Nigeria Mortgage Refinance Company, African Development Bank, and National Commercial Banks to expand funding available for home loans assistance and gain more favourable terms.
- c. **Promoting customer education** on the mortgage market and how it can be accessed to finance the purchase of homes.

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11.2.2 Market Assessment

A recent market survey by PwC shows that most Nigerians seek to own their homes. The survey revealed that 4 out of 10 households in Nigeria own their own accommodation. For those that did not own their home, 98% of them would prefer to own their homes and build their homes over time.

Table 1: Home Purchase Options

S/N	Home Purchase Option	%
1.	Paid in full (incremental build)	45.5%
2.	Inheritance	23.9%
3.	Purchased off-plan	11.3%
4.	Cooperative	7.5%
5.	Mortgage finance	6.9%
6.	Government scheme	4.9%
	Total	100%

For the 40% who owned homes, the survey revealed (see table below) that the largest percentage (45.5%) paid in full while building incrementally, but only 6.9% accessed mortgage financing. The survey reveals the overwhelming absence of affordable mortgages to acquire homes, resulting in the need for households to purchase their land and build incrementally as funds become available.

Source: PwC Independent Market Survey

FHFL's market intervention is to partner with public and private sector sponsors to expand the funds available for loans assistance at favourable market rates.

11.2.3 Competitive assessment

Nigeria's home loans assistance space comprises of primary and secondary mortgage banks, deposit banks, and cooperatives which provide financial support to households and interested entities for home leases or acquisitions over time. The Primary Mortgage Institutions and Deposit Money Banks are designed to provide mortgages. In 2020, there were 35 registered mortgage providers in the country. However, short to medium term loans are provided at interest rates ranging from 20% - 27% per annum. The National Housing Fund loan provided by the Federal Mortgage Bank of Nigeria (FMBN) gives interest rates at 6%, making it the lowest.

Another key player in the mortgage industry is the Nigeria Mortgage Refinance Company which refinances mortgage portfolios of other primary mortgage institutions and commercial banks.

We enjoy strong advantage with regards to the competition in several ways:

- a. Access to long term financing at low interest rates to invest in a home loans assistance programme; and
- b. Ability to coordinate and partner with existing finance institutions to provide affordable interest rates for potential buyers over a long period of time.

11.3 RENTAL HOUSING FUND

The Rental Housing Fund provides financing and facilitates the promotion of institutional capacity for the development and management of large-scale social housing rental schemes.

11.3.1 Description

According to a Shelter Afrique commissioned study, there is the critical need for a formal rental housing market in Nigeria and Africa at large. Rapid urbanization (est. 51% live in urban areas now) is escalating the demand for more formal housing options to be made available to support an increasingly mobile population. There is particular need for varied rental housing types like smaller residential units and basic housing apartments for low- and middle- income Nigerians including young families and the working class.

Decent housing for university students is also in high demand. Recent market studies show that while enrolment in tertiary institutions is increasing at an average of 12% per annum, the provision of purpose-built students' accommodation remains relatively fixed and limited, with existing supply levels only able to meet 30% of demand. There is also a gap in institutional capacity to support the rental housing market.

STRATEGIC PLAN 2021-2024

Our Product envisions the establishment of Special Purpose Vehicles (SPVs) comprised of both public and private sector sponsors. These SPVs will acquire, own, and manage affordable rental or rent to own housing in mixed income communities.

We aim to be the market leader in meeting this need by establishing SPVs with Housing Corporations to promote rental housing projects. **Our role in the SPV would be to:**

- a. **Provide business development services** including developing project concepts, feasibility studies, regulatory frameworks, capital raising, training and development.
- b. **Provide Long Term lines of Credit to finance acquisitions** with repayments from the rental income stream.

11.3.2 Market Assessment

A study by the African Union for Housing Finance (AUHF) noted that in 2019, more than 50% of the Nigerian urban population lived in rented rather than owned accommodation. Another report estimates that this figure was as high as 85% over ten years ago.

The AUHF report further estimated that more than one million new housing opportunities will be needed each year in urban areas alone to accommodate the growing urban population and the reduction in household size.

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Most of the accommodation provided for rental housing, particularly for those on low income are available informally, lack adequate infrastructure, and are built to very poor standards. Potential renters also pay up to a year's rent up front, as well as other agency fees before they can inhabit the homes.

Many students without access to on-campus purpose-built housing have to do with sub-optimal off-campus private accommodation. These sub-optimal options are usually owned by informal investors such as civil servants and small business owners and governed by unregulated institutional arrangements.

They are mostly located at long distances from campus with burdensome consequences on time and finances, inadequately fitted and lack consistent supply of basic amenities, and susceptible to security breaches and safety violations.

In addition to the university student population, we have identified three categories of prospective tenants with their income, rental capacity, and product profiles. These are presented in the table below.

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Table 2: Rental Housing Fund Target Market Analysis

Band	Average Monthly Income "N" (\$)	Monthly Rent "N" (\$)	Net Monthly Rent after Provisions "N" (\$)	Target House Purchase Price "N" (\$)	Target House Type	Target Market Details
Band 1	N40,000 (\$108)	N14,263 (\$38.54)	N11,411 (\$30.84)	N1,956,128 (\$5,286)	1 Bedroom Flat/ Bungalow	Single early career starters or lower level experienced individuals
Band 2	N70,000 (\$189)	N24,363 (\$65.84)	N19,490 (\$5.37)	N3,341,300 (\$9,030)	2 Bedroom Flat/ Bungalow	Young family mid-level experienced tenants
Band 3	N110,000 (\$297)	N38,527 (\$104)	N30,956 (\$83.6)	N5,306,614 (\$14,342)	3 Bedroom Flat/ Bungalow	Growing families with no need for space

*Exchange rate at analysis: N370 = \$1

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FHFL's Rental Housing Fund will focus on delivering a portfolio of rental housing assets designed and targeted to meet the locational and pricing requirements of the moderate to low-income segment of the Nigerian population, as well as the student population. We will aim to have a monthly payment plan that is much more flexible and convenient than existing market requirements in addition to providing tenants with an option to buy at any time that they become capable to do so.

To achieve this, we aim to partner with public and private sector sponsors to create and finance large scale rental housing companies that offer good quality and well managed affordable homes. These homes will have strong security of tenure, flexible payment plans and options to buy.

11.3.3 Competitive assessment

Nigeria's rental housing space comprises of large numbers of private individual landlords who own and manage small portfolios of property for rent. There are several National Housing Corporations with rental portfolio which are small. There is increasing competition from international short-term rentals and lease companies like Airbnb although these cater to the higher income and expatriate markets. However, there is hardly any recognized and operational Rental Housing Institution that provides well-structured and formal Rental Housing targeted for the medium to low-income segment in existence throughout the country.

We enjoy strong advantage with regards to the competition in several ways:

- a. Access to long term capital to fund developments and acquisitions. Many existing landlords have limited access to long term financing at affordable rates and often fund initial acquisitions from personal sources;
- b. Ability to invest at scale which can allow us to compete on cost;
- c. Intention to provide good quality homes, with accompanying infrastructure and service; and
- d. Ability to leverage expertise, experience and good will built through overall participation in the housing market to access rental stock on preferential terms.

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11.4 LAND AND INFRASTRUCTURE FUND

The Land and Infrastructure Fund will support the acquisition of a good quality land bank to feed our development programmes. It will also provide financing for last-mile infrastructure for housing developments where necessary.

11.4.1 Description

Land is the foundation of every housing project. However, the process of land availability, accessibility, usage, transferability, and convertibility in Nigeria is rife with challenges. Developers and potential homeowners alike find it increasingly hard to find land that has a clean title, is affordable, and accessible to good infrastructure. The Land Use Act which governs the administration of land has been unable to address these challenges. The requirement for governor's consent on all land related transactions has led to significant administrative bottlenecks and low formalization of land. In 2020, Nigeria ranked 183 out of 190 countries in ease of registering a property. In addition, 15 procedures were needed to gain construction permits. Consequently, stakeholders estimate that up to 97% of land in Nigeria remains unregistered.

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In addition to issues in land administration, there is a significant infrastructure gap around existing and new neighbourhoods. Provision of last-mile infrastructure to residential areas such as pipe borne water, electricity, access roads, sewage facilities etc. by the government have been largely inadequate.

Most private sector developers are unable to bear the cost of providing this infrastructure, and where they do, it leads to an augmentation of the cost of the homes provided. Many low-income Nigerians cannot afford to live in self-serviced residential areas where communal infrastructure is provided at a premium.

We aim to contribute to improving access to titled and affordable quality homes for low-income Nigerians by:

- a. Partnering with State governments and other agencies to access land** for social housing development.
- b. Supporting State governments and private sector developers with financing for last mile infrastructure** to improve the quality of existing or new estates.

11.1.2 Market Assessment

The need to improve access to affordable, titled land and good infrastructure for affordable housing is great. An analysis by PwC indicates that dead capital tied up in land, due to its limited earning capabilities as an asset and as a securitized commodity can be up to US\$300 billion. The land formalization process is cumbersome and associated costs could be as high as 15% of the cost of the land. These gaps provide a viable opportunity for Family Homes Funds Limited to work with State Governments to access land in bulk for affordable housing, while providing financing needed for title transference and last-mile infrastructure.

11.1.3 Competitive assessment

Large- and small-scale developers and potential homeowners are the main players securing land with clean titles and accessing infrastructure for their homes. The land acquisition process is associated with huge costs, general distrust in the system, and many are deceived into paying money for land that is not available. Infrastructure provision also ends up being inadequate with relatively huge investments being made to provide these facilities. Not many sources of finance are available to finance these processes, at affordable rates.

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We enjoy strong competitive advantage relative to these in at least three respects:

- a) Our relationship with State governments that allows access to land with clean title;
- b) Our ability to fund projects at scale and reduce overall infrastructure costs; and
- c) Our commitment to facilitating the provision of affordable decent homes and being innovative in identifying and reducing bottlenecks such as with land administration and infrastructure provision in that process.

ENABLERS

12.0 ENABLERS

FHFL's strategic goals are made possible by three enablers: (1) People; (2) Partnerships; and (3) Innovation.

ENABLER 1: People

Having the right people with needed skills is essential to achieving our goals. To attract and retain excellent professionals and experts, we will:

- a. **Develop and implement an Elite Young Professionals Scheme** to attract and develop a pipeline of excellent staff for the organisation.
- b. **Structure competitive remuneration packages** with both financial and non-financial incentives.
- c. **Invest in quality training** that supports staff to grow and excel in their work.

ENABLER 2: Partnerships

We recognize that we cannot achieve our goals on our own. We will:

- a. **Build relationships with third party** organisations to access knowledge, expertise, and resources.
- b. **Foster relationships and encourage goodwill with communities where our projects are located** by providing skills acquisition training and employment opportunities for community residents.

ENABLER 3: Innovation

Innovation will be key to improving efficiency in delivery of our work. We will therefore:

- a. **Leverage emerging modern methods of construction (MMC) in building construction.** MMC is the use of modern building materials such as bricks, blocks, clay, and sand concrete for the construction of homes and associated infrastructure.
- b. **Consider backward integration** by playing in the production value chain. This ensures access to cheaper sources of building materials and improved control of the supply chain. This strategy also results in cost savings, increased revenues, and improved efficiency in planning and execution phase.
- c. **Develop innovative financing structures** through continuous creativity that results in effective financing solutions that would enable the provision of affordable homes to Nigerians on low income.

OPERATIONAL PROJECTIONS

STRATEGIC PLAN 2021-2024

13.0 OPERATIONAL PROJECTIONS

Following from our objectives and strategies, we plan to put 300,000 families into homes and create 900,000 jobs between 2021 and 2024.

Table 3: New Home Starts using our various products / services

S/N	Product / Service	2021 (Actual)	2022	2023	2024	Total
1.	Affordable Housing for Sale	3,260	9,625	12,031	15,039	39,955
2.	Rental Housing	0	1,800	2,250	2,813	6,863
3.	Incremental Housing	0	500	625	781	1,906
4.	Students Housing	0	4,000	5,000	6,250	15,250
5.	Sites and Services	0	4,715	5,894	7,367	17,976
6.	Help-To-Own	0	0	3,362	3,362	6,724
	Sub-Total	3,260	20,640	29,162	35,612	88,674
7.	Social Housing	0	40,000	130,000	130,000	300,000
	Total	3,260	60,640	159,162	165,612	388,674

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Table 4: Jobs to be Created

S/N	Jobs From	Product / Service	2021 (Actual)	2022	2023	2024	Total
1.	Jobs w/o Social Housing	Direct Jobs	6,330	20,640	29,162	35,612	91,744
		Indirect Jobs	12,661	41,280	58,324	71,224	183,489
		Total	18,991	61,920	87,486	106,836	275,233
2.	Jobs from Social Housing	Direct Jobs	0	40,000	130,000	130,000	300,000
		Indirect Jobs	0	80,000	260,000	260,000	600,000
		Total	0	120,000	390,000	390,000	900,000
3.	Jobs with Social Housing	Total	18,991	181,920	477,486	496,836	1,175,233

FINANCIAL PROJECTIONS

STRATEGIC PLAN 2021-2024

14.0 FINANCIAL PROJECTIONS

Table 5: Annual Disbursement Projections (Nm)

S/N	Product / Service	2021 (Actual)	2022	2023	2024	Total
1.	Affordable Housing for Sale	₦1.00 bn	₦53.70 bn	₦83.69 bn	₦75.79 bn	₦214.18 bn
2.	Rental Housing	₦0.00 bn	₦5.40 bn	₦12.83 bn	₦12.23 bn	₦30.46 bn
3.	Incremental Housing	₦0.00 bn	₦0.00 bn	₦0.00 bn	₦0.00 bn	₦0.00 bn
4.	Students Housing	₦0.00 bn	₦7.04 bn	₦11.44 bn	₦13.97 bn	₦32.45 bn
5.	Sites and Services	₦0.00 bn	₦7.07 bn	₦16.80 bn	₦16.02 bn	₦39.89 bn
6.	Help-To-Own	₦0.00 bn	₦0.00 bn	₦7.69 bn	₦10.38 bn	₦18.08 bn
	Sub-Total	₦1.00 bn	₦73.21 bn	₦132.45 bn	₦128.40 bn	₦335.06 bn
7.	Social Housing	₦0.00 bn	₦57.20 bn	₦108.60 bn	₦34.20 bn	₦200.00 bn
	Total	₦1.00 bn	₦130.41 bn	₦241.05 bn	₦162.60 bn	₦535.06 bn

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Table 6: Borrowing / Financing Plan

S/N	Capital Required (Financed By)	2021 (Actual)	2022	2023	2024	Total
1.	CBN Disbursement	₦0.00 bn	₦80.00 bn	₦120.00 bn	₦0.00 bn	₦200.00 bn
2.	FGN Appropriation	₦13.50 bn	₦10.00 bn	₦60.00 bn	₦100.00 bn	₦183.50 bn
3.	Sukuk Bond Issue	₦10.00 bn	₦20.00 bn	₦0.00 bn	₦0.00 bn	₦30.00 bn
4.	Others - DFI / Blended Finance	₦0.00 bn	₦9.65 bn	₦12.30 bn	₦14.35 bn	₦36.30 bn
5.	Others - Repayments (Fees, Interests, Principal, Rentals)	₦0.00 bn	₦16.37 bn	₦27.93 bn	₦52.62 bn	₦96.92 bn
	Total	₦23.50 bn	₦136.02 bn	₦220.23 bn	₦166.97 bn	₦546.72 bn

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Table 7: Summary of Financial Position

S/N	Financing Position	2021 (Actual)	2022	2023	2024	Average %
1.	Total Assets (Nm)	₦92.11 bn	₦221.95 bn	₦416.04 bn	₦474.47 bn	81%
2.	Loans Portfolios (Nm)	₦41.07 bn	₦176.66 bn	₦398.27 bn	₦463.66 bn	157%
3.	Shareholders' Equity (Nm)	₦80.02 bn	₦94.44 bn	₦165.04 bn	₦277.23 bn	54%
4.	Liabilities/Debt (Nm)	₦9.77 bn	₦121.42 bn	₦237.84 bn	₦175.53 bn	404%
5.	Net Income (Nm)	₦1.73 bn	₦4.42 bn	₦10.60 bn	₦12.19 bn	104%

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Table 8: Key Financial Ratios

S/N	Financing Ratios	2021 (Actual)	2022	2023	2024	Increment %
1.	Net Interest Margin	63%	58%	57%	52%	-6%
2.	Return on Equity	2%	5%	6%	4%	41%
3.	Return on Assets	2%	2%	3%	3%	12%
4.	Cost to Income Ratio	43%	38%	27%	24%	-18%
5.	Liquidity Ratio (%)	35%	17%	2%	0%	-74%

MONITORING AND EVALUATION

16.0 MONITORING AND EVALUATION

The FHFL's Board of Directors has the primary responsibility of monitoring the strategy. However, successful monitoring and evaluation is a collective responsibility by all stakeholders including Management, Staff and Shareholders. This strategy proposes the utilisation of a Performance Monitoring Framework to inform the Board's oversight of performance. The purpose of the Framework will be to:

- (1) Ensure that proper milestones are set and are achieved as planned.
- (2) Provide regular information on the progress of the goals to all stakeholders.
- (3) Act as an early warning system in cases where targets are not likely to be achieved.
- (4) Ensure the continuous review and sharpening of strategies and assist in the mobilisation of appropriate interventions.

Within 1 month of the approval of the Strategy, the Board will commission a review of the existing Business Performance Framework to ensure it embeds the following core principles:

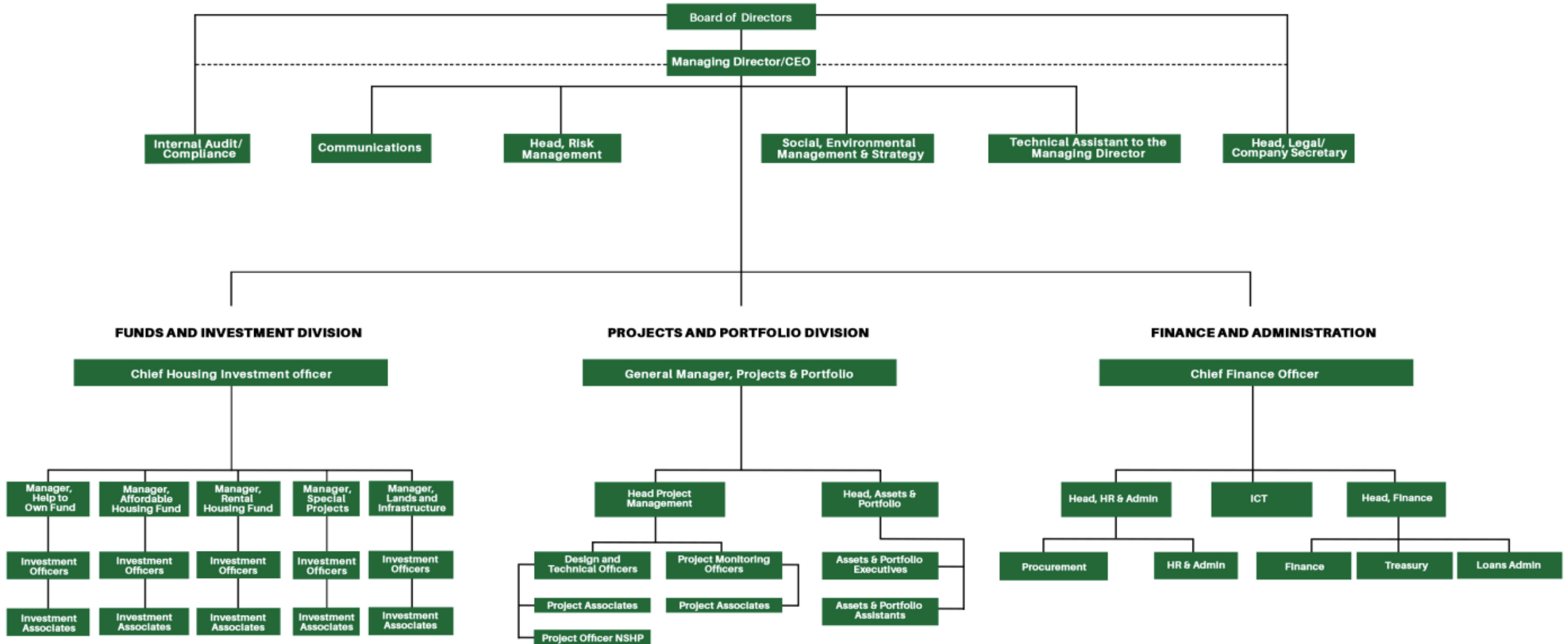
- a) The Board's responsibility for Monitoring and Evaluating the Strategy including the format and processes to be used. This includes a semi-annual strategy forum to evaluate results and impact of the strategy.
- b) An appropriate and clear set of Indicators for tracking performance and impact outcomes.

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- c) Clear Monitoring and Evaluation cycles for each Performance Indicator.
- d) Embedding the strategy in the day-to-day operations by providing for the referencing of key policies as regards the Strategic Goals.
- e) Clear responsibilities for Monitoring and Evaluation at each level of hierarchies within the Company.

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OVERVIEW OF FHFL ORGANOGRAM





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