Unlocking Blended Finance

Overlooked opportunities and adjacencies

Affordable Housing Institute

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How do we impact Housing Ecosystems?



International Development Consulting

Strategic Growth Advisory

Expert Valuation

Executive Education

Chrysalis Housing Impact Accelerator

Quick Focus on AHI's Chrysalis Housing Impact Accelerator



Examples of Recent Relevant Consulting Work

- Supply side **investment scoping** in Guinea
- **Market research** for large scale demand-side financing entity in WAEMU
- **Investment scoping** for a DFI in Kenya, South Africa, Senegal and Morocco
- **Transaction advisory** work on PPP projects in Kenya, Vanuatu etc.

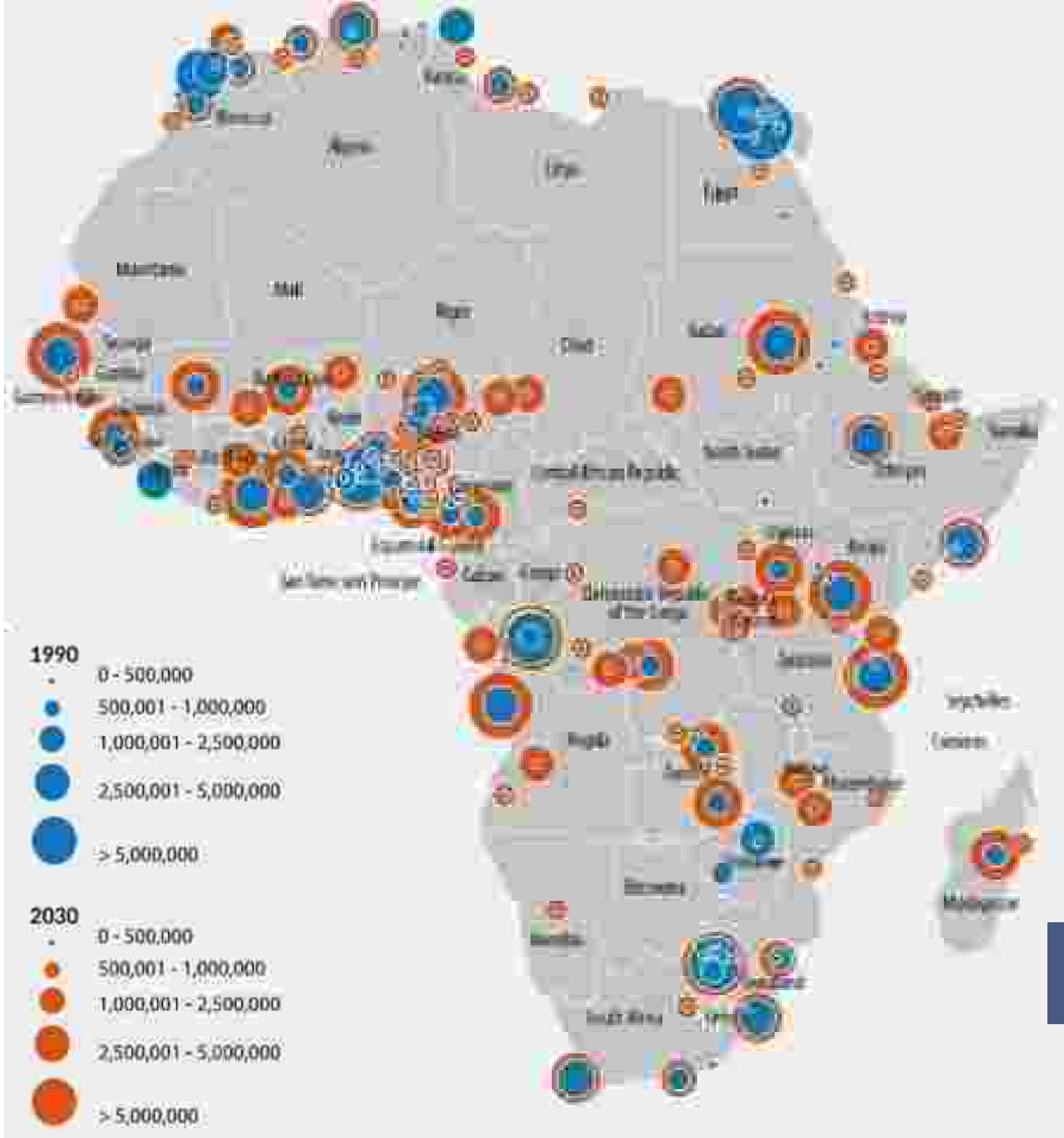






The Good News

- Affordable housing as an asset class is gaining attention
- Success stories like IHS are credentialing the sector
- Novel initiatives like Acorn are in the spotlight
- Our business has shifted to include more investment scoping



The Challenge

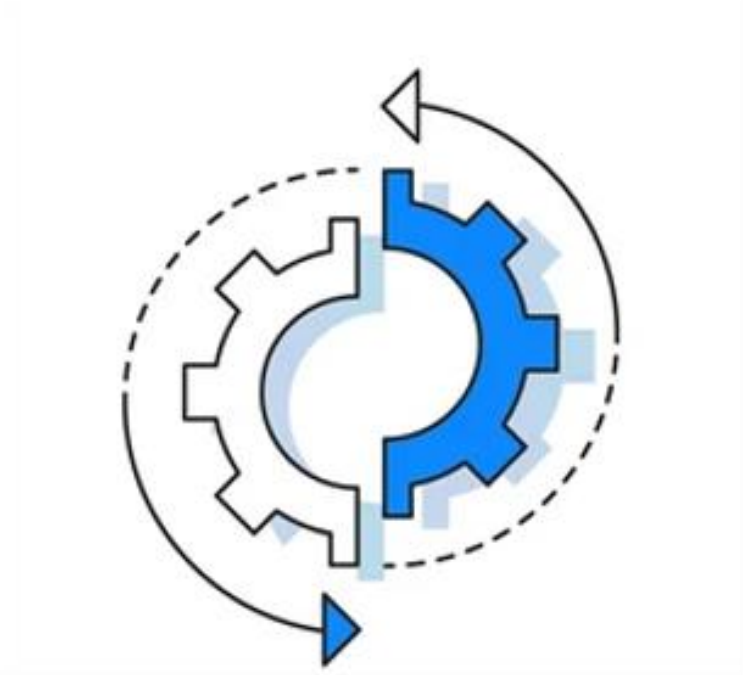
- Affordable housing markets require enormous amounts of capital on both supply and demand sides of the value chain
- Demand side is more likely to be recipient of blended finance, especially from DFIs
- But channeling capital into the supply side has proven to be challenging…
- **Why don’t investors and developers do more business together?**



Investors and Developers Want Different Things

Investors

- Looking to invest at a project level, due to collateral constraints
- Low risk appetite: debt only
- Large ticket size
- FX-denominated loan



Developers

- Can (easily) obtain local debt, looking for platform-level capital
- Equity (unsecured) positions
- Small ticket size
- Local currency

Three Principal Points of Misalignment

Debt / Equity

Developers want equity and competitive debt

DFIs offer debt and require clear exit strategies

Large versus small ticket size

‘Chicken and egg’ dilemma: need equity first to grow and access debt

FX / Local Currency

Local debt is in local currency, easier to obtain and service

FX debt is expensive, and handling associated risks is a burden for developers

Expensive debt subject to FX risk doesn’t compete

Project / Platform

Secured project-level capital that doesn’t require an exit strategy

Platform capital more impactful acting as a trigger for longer term growth

One-shot support over sustainable/systemic changes

How to Bridge the Gap?

Developers and government perspective

Understand investors

Understand the financial and technical requirements from an investor standpoint.

Understand the perceived risks from an investor perspective and finding mitigation pathways.

Anticipate compliance

Implement best practices in good governance and financial systems from inception

Be prepared for the due diligence

Play the long game

It can take a long time to scale, be patient and stay focused on core business

Government institutions take a long time to get off the ground

Public sector

Shift mindset from direct supply to market enabler

Take the risks that individual developers or investors cannot

Make good on commitments, put transparent systems in place





How to Bridge the Gap?

Investor perspective

Understand the industry, know the market

Affordable housing investments are different from infrastructure transactions

Underwriting will depart from previous criteria, will require understanding of local market dynamics. More bespoke structuring and agility.

Technical assistance and capacity building

Support local developers with strengthening internal systems, compliance with international standards and reporting

Improved governance

Upstream investment, long term outlook

Consider alternative products & structures

Invest in platforms/ entities who can do the due diligence and understand markets, spread the risk. Allows for larger ticket size.

Debt/ quasi equity role: Subordinated debt or mezzanine tranches to de-risk senior lenders + crowd in local private banks

Rental through REITs

Mobilize credit enhancement opportunities

Bring cost of capital down through guarantee mechanisms: GuarantCo, EU Commission, Dhamana

Examples of potential investment opportunities

OPPORTUNITY	MOTIVATION	ILLUSTRATIVE DFI PLAY	DEBT-ONLY ROLE	DEBT/QUASI-EQUITY ROLE	KENYA APPLICATION
Long-tenor local-currency debt gap	Construction loans cost 11-18 % with tenors <5 yrs; Banks finance only ~70 %	Provide 10-15 yr KES facilities, (or credit-enhance bond e.g. Acorn Green bond)	Provide direct senior loans to developers (KES, 10–15 yrs)	Subordinated debt or mezzanine tranches to de-risk senior lenders + crowd in local private banks	Acorn, Centum RE, IHS Kenya, Karibu Homes, Mi Vida, Superior Homes, Zima, Placmakers
Structured Side Car* Vehicle (LP Fund) Under Existing IHS Fund (See notes)	Existing blended equity-debt structures like IHS Fund and Centum's RE platform provide clear exit strategies and risk-sharing with strong governance	DFI creates sidecar vehicle aligned to a main fund (e.g., IHS Kenya Affordable Housing Fund or Centum's REIT pipeline) to target green, housing across SPVs	Provide senior construction debt to SPVs within the fund platform with ringfenced proceeds and milestone-based tranches	Provide subordinated or revenue-linked quasi-equity into SPVs or sidecar fund layer, supporting scale-up while sharing downside risk	IHS Kenya Affordable Housing Fund, Green Housing Partnership, Centum RE (Two Rivers, Vipingo SEZ, Income REIT pipeline)
Existing Structured-finance A/H vehicles	SPVs, D-REITs, I-REITs, guarantees already tested	Anchor investor or guarantor to crowd-in pension funds into blended SPV/D-REIT deals	Senior secured debt with pre-lease covenants	Repayments tied to % of rent collected; can include profit-sharing or soft bullet terms	Centum RE/ Acorn (PBSA/PRS), IHS Kenya,
Untapped Rental Niche	Demand very high yet formal purpose-built rental stock is scarce; yields 5-8 % with upside as KMRC broadens end-user finance	Equity/quasi-equity into rental platforms (student, micro-unit, worker housing) paired with green-retrofit CAPEX	Green-linked loans to housing platforms or ESCOs	Performance-based debt with interest step-downs for achieving EDGE/solar benchmarks	Acorn, IHS Kenya, Zima Homes, Placemakers
KMRC & Secondary finance platform	KMRC on-lends at 5 % enabling 9.5 % retail mortgages and has disbursed KSh 14 bn to date	Tier-2 equity, guarantee KMRC MTN bond series 2025/26, expand to SACCO on-lending	On-lend to KMRC for low-rate mortgage expansion	Subordinated debt to KMRC, helping it issue bonds or grow SACCO outreach	Karibu Homes, Superior Homes, IHS Kenya, Zima Homes, GulfCap, Placemakers
AHP approved projects benefitting from tax & land policy incentives	0 % VAT on inputs, 15 % corporate tax, access to serviced public land, fast-track permitting	Condition financing on developers securing AHP certification	Fixed-rate project finance if developer meets AHP rules	Convertible/revenue-sharing debt to smaller developers who can't meet bank collateral demands	Karibu Homes, Zima Homes, Superior Homes (new AH line), Tsavo, GulfCap
PPP pipeline under 2021 Act	New law allows direct procurement and faster structuring	Technical support & viability-gap funding for mixed-income PPPs (e.g. NHC)	Debt conditional on PPP approvals, milestone-linked drawdowns	Revenue-linked loans tied to occupancy or offtake; enables risk sharing on public projects	NHC/ Centum RE (Two Rivers, Vipingo SEZ),



Looking Forward

- Medium to large sized regional developers are more likely to obtain the capital required to scale as they offer a compelling case for investment
  - They understand markets, are comfortable with risks, have proof of concept, can handle large ticket size
- Smaller developers should continue to focus on blending commercial with purely concessional capital (e.g. angel investors, grants, HNWIs)
- Is there an opportunity for more housing-focused funds?

Thank You

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