



TUHF - Trust for Urban Housing Finance
African Rental Housing Conference **Oct 2014**
Paul Jackson, TUHF CEO

 TUHF Group of Companies

 @TUHFpty

 TUHF

Introduction

Specialists in:

- Independent commercial property finance
- Affordable rental housing in inner cities facing urban decline
- Landlords engaged in profitable rental housing businesses:
 - Small 2 flat (starter clients)
 - Large 2800 flats properties
- Loan book of R2 billion

TUHF Video



Changing Lives,



One person at a time



Regenerating the cities, one building at a time



About TUHF

One stop finance shop for:

- Mortgage Finance – up to R30m per deal
 - Family Housing
 - Student Acc.
- Bridging Finance
- Construction Finance
- Equity Partnership

Offices in:

Gauteng

Eastern Cape

KwaZulu Natal

The Case for Inner Cities

- Multi-sector Economies
- Urbanisation trend
- Existing Infrastructure & Services
- Technology trend
- Energy price trend
- Important nodes for LED

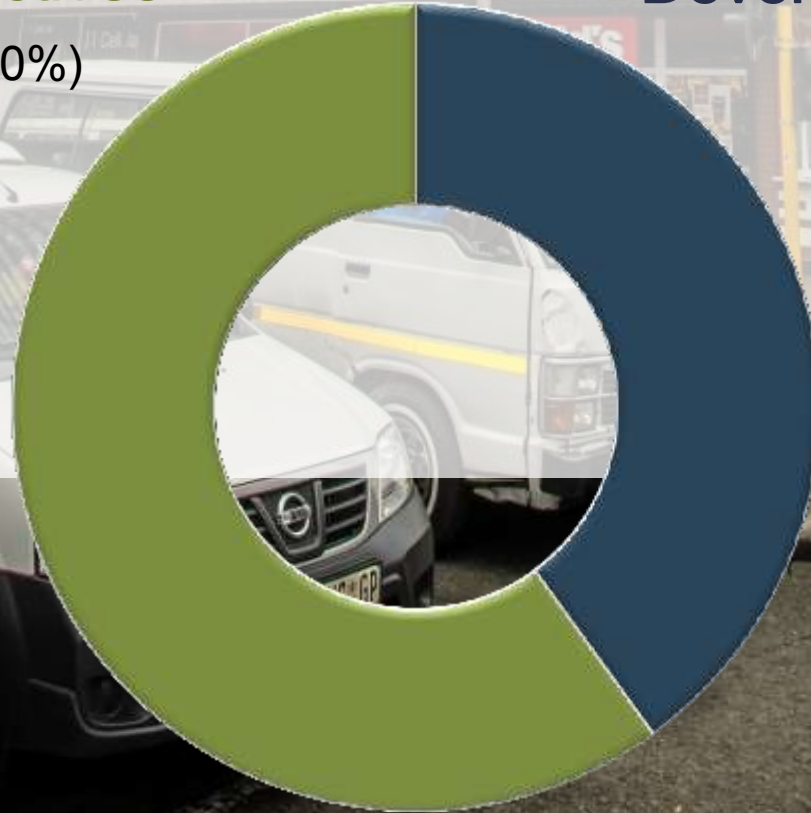
A Good Business Doing Good

Commercial Objectives

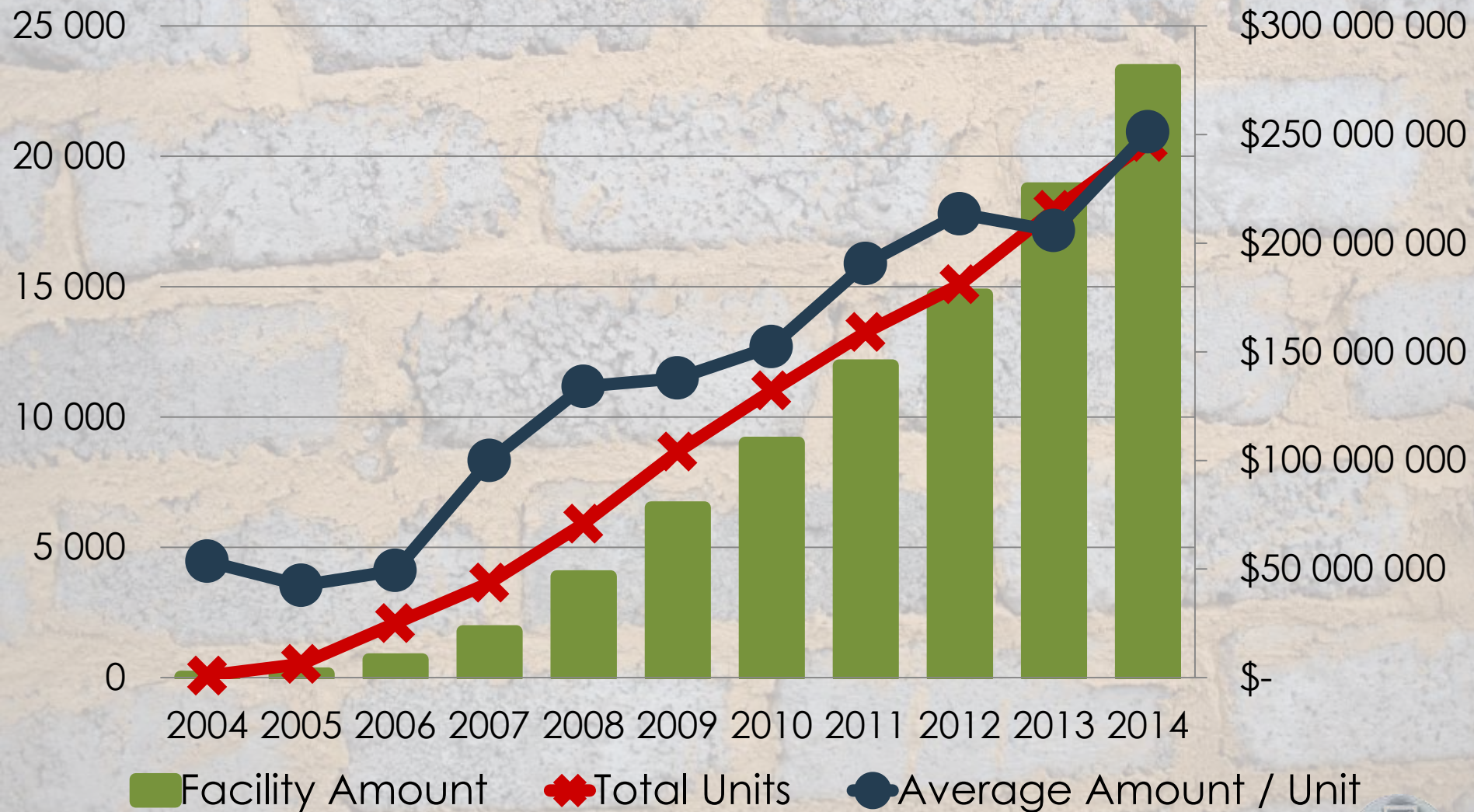
- Primary Objective (60%)
- Profit Optimizer
- Mortgage Finance

Development Objectives

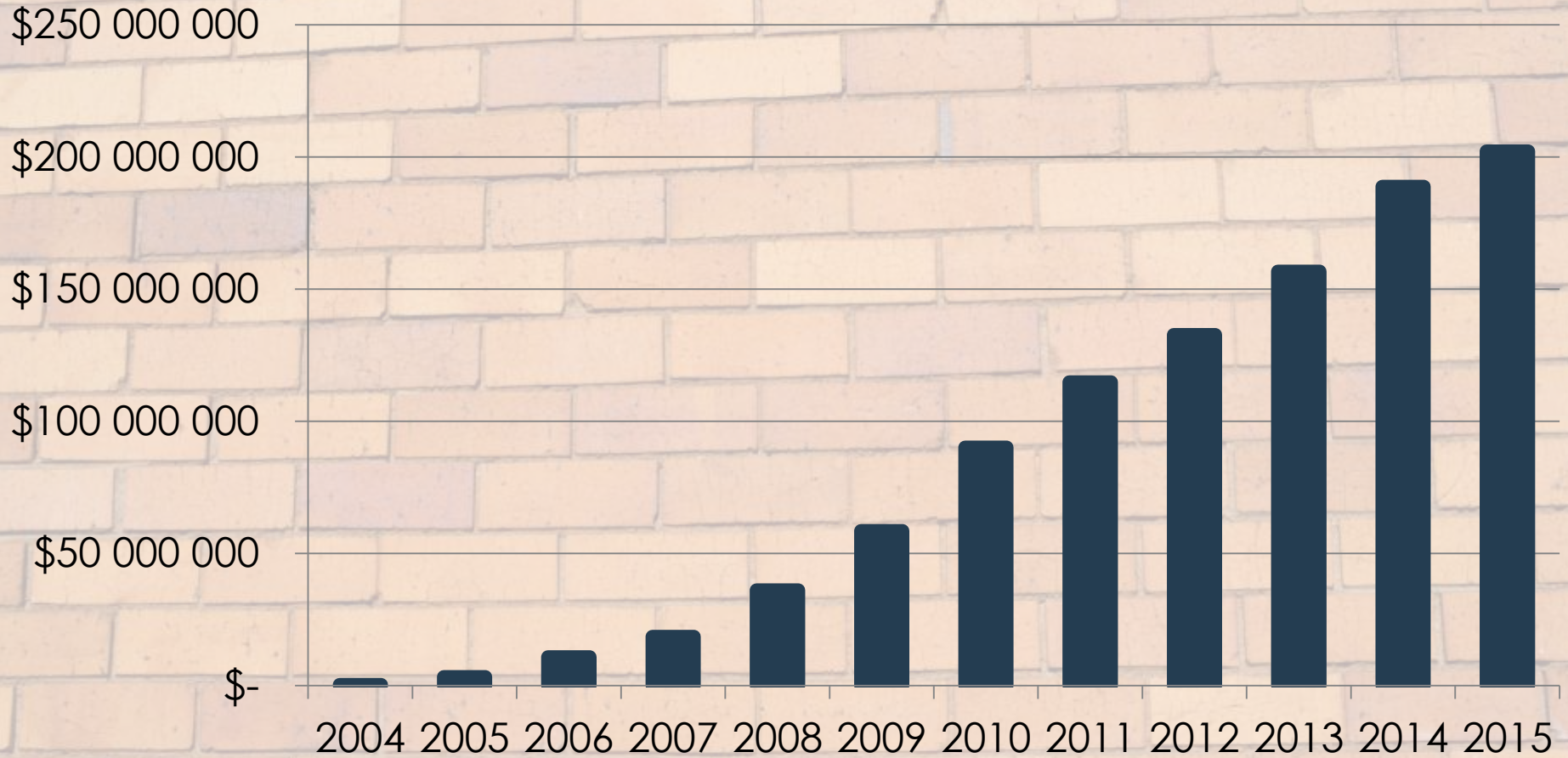
- Urban regeneration
- Low income housing
- Access to finance
- Black economic empowerment



TUHF's Growth (USD)



Loan Book Growth (USD)



Product Design

Housing as a Product

Design Product to Meet a Demand:

- Price
- Location
- Functionality
- Size
- Services

Inner City Demand

Risks and Requirements

- Yield
- Debt Cover Ratio
- Loan to Value
- Debt Asset Ratio



Sourcing Finance

Three pillars of TUHF's debt capital strategy

DFI's catalytic
role

Local
Asset
Managers

Commercial
Banks

Partnerships



Terms

- Loan to Value at 80%
- Debt Cover Ratio at 1.3
- Cap rate on average of 13%
- 15 years at Prime plus 3.5 to 5%
- Mortgage bond, personal surety, rental cession etc.

Development vs. Long Term Finance

Development Finance

- Construction
- Procurement
- Payment certification

Long Term Finance

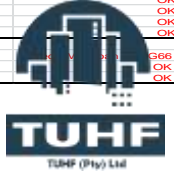
- 15 Years
- Construction and procurement included in full term
- Activated upon completion of construction

Issues, Constraints & Opportunities

- Price – everything rests on this
- Positive cash flow from day 1
- ROI must exceed interest rate
- Don't get too big for your boots
- Do your homework and walk the streets
- Patience
- Local government is your biggest constraint (compliance and zoning)
- Taking the risk is your biggest step (Analysis Paralysis)
- Owning 1 building does not make you Donald Trump

Project Feasibility

TUHF Project Feasibility		Master Version: 2.4c (07/03/11)		Client: Mr X		Finance Type: 1. Normal TUHF Loan	
Date of Feasibility: FINANCIAL FEASIBILITY		Current Date: 30-Sep-14		Project: 123 Inner City Place			
4	Residential Units:	M ²	No:	Monthly Rent	Levies	Annual Income	Subsidy
5	Rooflop Rooms	0	0	R -	-	-	0
6	Other Rooms	0	0	R -	-	-	0
7	Bachelors/bedits	0	0	R -	-	-	0
8	One Bedroom	60	225	R 4 300	500	12 960 000	0
9	Two Bedrooms	0	0	R -	-	-	0
10	Three Bedrooms	0	0	R -	-	-	0
11	Four Bedrooms	0	0	R -	-	-	0
12	Perthouse	0	0	R -	-	-	0
13	Total Residential Units		225			12 960 000	
14	Parking		166	R 350		697 200	
15	Commercial Units:						
16	Net Commercial Income		R 54.14	M ² 7.250		302 225	
17	Total project income after vacancies					3 626 700	
18	Annual Residential Expenditure					17 577 900	
19	Operating Income/ Project Marginal Contribution					3 048 457	
20	FSC Adherence	Target % & Rent	80%	3 798		14 529 443	
21		Actual %	0%				
22							
24	Application of funds						
25	Purchase Price	R 104 964 p.u.	R 23 616 800	R 23 616 800			
26	Tier Duty/VAT, Conveyancing & Legal		R 116 600	R 116 600			
27	Raising Fee		R 1 011 029	R 1 011 029			
28	Capitalised Interest		R 4 818 027	R 4 818 027			
29	Total Costs to be Funded		R 35 000 000	R 35 000 000			
30	Total Cost		R 64 562 456	R 64 562 456			
31	Source of Funds						
32	Current Approved TUHF Loan						
33	Equity (commission portion)	R 13 000 000					
34	Subsidy/Grants						
35	N/A						
36	TUHF Loan						
37	Loan 2						
38	Loan 3						
39	Total Financing						
40							
41	Loan terms box						
42	TUHF Loan	Annual	Months p.a.	Monthly			
43	Interest	12.500%	12	1.04167%			
44	Period	15	12	168			
45	Additional Interest Margin During Return	1%		0.0833%			
46	Loan 2						
47	Interest	11.0%	12	0.91667%			
48	Period	10	12	120			
49	Loan 3						
50							
51							
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Financing Rental Housing

- Sufficient margin to justify risk
- Low risk due to fixed assets
- Comprehensive specialised market knowledge
- Operational capacity should be in line with market knowledge and experience
- Long term investment
- Strong character based assessment models
- Credit scoring

Thank you



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 TUHF Group of Companies

 @TUHFpty

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