

Charting a path to greater impact

Exploring investable opportunities across the affordable housing value chain



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Affordable housing is becoming increasingly relevant for impact investors looking to generate both financial returns and social impact aligned with the Sustainable Development Goals, or SDGs. Access to safe, clean and affordable housing serves a wide range of basic human needs and is crucial to the well-being and prosperity of society. While housing is explicitly articulated in SDG 11,

its transversal nature makes it a key component of sustainable development across at least 13 of the 17 goals.

In the current pandemic context, improving and extending access to adequate homes and basic sanitation can prevent rapid transmission of diseases by improving hygiene measures and reducing overcrowding. Affordable housing is also the center point of a gender-responsive climate action agenda. For women, who will face greater burdens from the effects of climate change, owning a home can lead to more economic resilience by providing them with an asset that increases their financial safety and allows for income-generating opportunities. Climate-resilient construction can further improve the structural security of a home while reducing negative environmental impacts through more efficient water and energy use.

With 3 billion people projected to be in need of adequate and affordable housing by 2030,²⁰ government and nonprofit spending alone will not meet the needs of a growing urban population increasingly at risk from the effects of climate change. Thankfully, new models led by private enterprises across the affordable housing supply chain are also emerging in many developing countries to close the housing gap. These often comprise sustainable businesses seeking private financing rather than grant funding to scale their operations, providing new opportunities for impact investors.

The MicroBuild Fund has already paved the way for increased engagement of private investors in affordable housing, generating a solid investment

track record for housing microfinance as an asset class and crowding in nearly five times more capital to financial institutions providing housing-related loans. Through a blended finance model, combining a guarantee and technical assistance in addition to investment capital, the fund has impacted over 1 million individuals, generated steady financial returns, and most importantly, demonstrated the viability of housing microfinance. However, the business case for housing microfinance needs to extend wider and deeper. This includes increasing exposure to additional countries in sub-Saharan Africa, providing loans with longer tenor, and working with a wider range of financial institutions.

Attractive partnership opportunities exist across the affordable housing value chain beyond financial institutions. To meet the huge deficit in the supply of affordable, newly built homes (both for purchase and rental), international development funds now are partnering with local developers, providing them with the technical and operational capacity to deliver high-quality affordable housing projects. Both at the developer and development fund levels, there is a large need for equity financing, particularly in the early stages of project development. Small and medium-sized enterprises and startups working in the affordable housing supply chain – such as materials, platforms; last-mile renewable energy; or water, sanitation and hygiene appliances – are also struggling to access seed and growth capital to scale and to test innovative solutions.

Although there is increasing interest and financing deployed toward affordable housing, current investors lack specific focus on affordable housing as a sector. Investors recognize the social impact and diversification opportunities as strong motivators to invest in the sector, but one key bottleneck is access to a pipeline of investable opportunities. Hence, Habitat for Humanity is uniquely positioned to leverage its sector expertise and reputation, localized presence across the globe, and network of investors and supporters to continue to build awareness of affordable housing as a sector for impact investment.



A feasibility study for a follow-on fund to MicroBuild was recently completed by iGravity. As both an investor and market builder, we recommend Habitat for Humanity continue to develop new investment vehicles mobilizing financing in the affordable housing sector, covering the aforementioned gaps in housing microfinance, and building the case for investment in affordable housing development and small to medium enterprises across the supply chain. ■