We design, build and sell what people can afford.

_Casa Real_

**Beneficiaries:** The targeted households have a monthly income of 200 to 700 EUR. The ambition is to be able to reach households with incomes of up to 150 EUR in the future.

**Financial Partner:** Reall, investor with over 30 years of experience in urban development and affordable housing particularly in Africa and Asia delivering innovative models of access to housing.

**Technical Partner and Main Investor:** Casa Real, social enterprise created in 2017 in Mozambique with the mission of guaranteeing access to decent and affordable housing (partner of Reall), involved in the design, construction and promotion of housing.

**Public Partner:** Municipality of Beira (CMB) with provision of land, prioritization of access to services, planning assistance and other forms of support.

**International Partner:** Government of the Netherlands, a long-time partner of the Municipality of Beira, engaged in the creation of a master plan and in advocacy with banks.

**Advisor:** Fount, a Dutch impact investment and advisory firm, supported the design of mortgage finance for middle and low income people.

**Lender:** Absa Bank (Barclays Mozambique), first bank to enter the market and offer financial products tailored to buyers of Casa Real homes. This commitment was formalized in a five-year memorandum of understanding between Absa and Casa Real.
The innovative partnerships made it possible to carry out a pilot project of 10 houses in Beira, between:

- the social enterprise Casa Real, acting as a real estate developer, and a commercial bank (Absa) for the development of financial products (mortgage loans) suitable for low and middle income households;
- local authorities who facilitate access to land without costs, as well as financing and technical support from Reall without raising housing prices.

Reall has invested in Casa Real, allowing it to have the necessary capital for construction. The investment is made in 2 phases:

1. A loan in local currency to finance housing construction and promotion granted by Reall to Casa Real with interest rates that are lower than the usual market rates. The first repayment deadline is up to 12 months after the end of the housing project, to allow Casa Real to sell or rent the housing and thus renew the available capital.

2. A mortgage loan from Absa Bank, financing 95% of the sale price at an interest rate of 18.5%. Previously, mortgage loans were only available to people with monthly incomes above 45,000 MZN (612 EUR). Through this collaboration, the Absa bank reduced its entry level requirements to 15,000 MZN (204 EUR), thus opening up the possibility for households employed in the informal sector to access loans to acquire housing where the selling price is between 62,154 MZN (8,165 EUR) and 3.1 million MZN (40,825 EUR). Although this rate remains high for low-income people, it is considerably lower than the usual rates (25 to 30%). Other mechanisms, such as cash payment and hire-purchase, have been put in place to reduce entry barriers.

### INHAMIZUA - MOZAMBIQUE

**FUNCTIONING**

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**Grant (REALL)**

- Phase 1: 169,025 EUR
- Phase 2: 215,576 EUR
- TOTAL: 384,600 EUR

**Mortgage loan (Absa Bank)**

95% of the sale price at an interest rate of 18.5%
**CLASSIC REQUIREMENTS** | **REQUIREMENTS OF CASA REAL**
---|---
**LOWEST MORTGAGE VALUE** | 48,990 EUR – 73,485 EUR | 8,165 EUR – 40,825 EUR
**MONTHLY INCOME** | 612 EUR | 204 EUR
**CONTRIBUTION** | 20% | 5%
**INTEREST RATE** | 25-30% | 18.5%
**INSURANCE PAYMENT** | annually | monthly
**PROPERTY EVALUATION** | Housing evaluation | An evaluation of the type of accommodation (Casa Real has 5) valid for two years, which reduces the cost for the purchaser.

Source: CAHF, Case study series 17, August 2020

**ACHIEVEMENTS**

**PHASE 1** - Inhamizua is Casa Real’s first housing project. Casa Real offers homes starting at EUR 8,165, as well as a range of Casa Maior homes that are sold for profit to allow for cross subsidies. The first houses were occupied by low-income families who bought a house through employer-guaranteed mortgages or a hire-purchase program.

**PHASE 2** - This project aims to consolidate the initial investment, increasing the level of delivery by Casa Real and the approval of mortgage loans through an ongoing agreement with the Absa bank. A hire-purchase model allows the participant to charge rent up to 57 EUR per month for 3-5 years to give new owners time to build up a credit rating to access housing finance. For each rental year, they benefit from a reduction in the sale price (25%), which makes housing more affordable.

For phase 2, of the 50 houses, 29 are financed by Reall, and the remaining 21 will be built using revolving funds (cross-subsidies). Of the Reall-funded units, 15 will be sold on the open market to subsidize costs, and 14 will be allocated as affordable units for low-income customers.

<table>
<thead>
<tr>
<th>PHASE 1</th>
<th>PHASE 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 houses sold</td>
<td>18 houses sold</td>
</tr>
<tr>
<td>3 occupied houses</td>
<td>6 houses sold</td>
</tr>
<tr>
<td>10* planned houses</td>
<td>70* planned houses</td>
</tr>
</tbody>
</table>

* Basic grant: 6
  Cross-subsidy: 4

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>PHASE 1</th>
<th>PHASE 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>two phases</td>
<td>21 HOUSES SOLD</td>
<td>9 HOUSES OCCUPIED</td>
</tr>
</tbody>
</table>
Casa Real uses an incremental construction approach, offering different types of housing. The fundamental element of these developments is to build in stages, while ensuring that each stage is completed and habitable, with basic services (including a foundation built for gradual expansion). The housing of Casa Real is adapted to the climatic context having notably withstood proven efficiency in terms of climate resistant construction: all of its houses survived the cyclone in 2019, which damaged 70% of buildings in the city of Beira.

### CASA BASICA

<table>
<thead>
<tr>
<th>Phase</th>
<th>Houses</th>
<th>House size:</th>
<th>Plot size:</th>
<th>1 bedroom</th>
<th>Kitchen</th>
<th>Bathroom</th>
<th>Foundations built with slab for a future extension to T2</th>
<th>Selling price</th>
</tr>
</thead>
<tbody>
<tr>
<td>T0</td>
<td>2 houses</td>
<td>26,86 m²</td>
<td>100 m²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,165 EUR</td>
</tr>
<tr>
<td>Phase 2</td>
<td>0 house</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T1</td>
<td>0 house</td>
<td>46,70 m²</td>
<td>100 m²</td>
<td>1 bedroom</td>
<td>Living room</td>
<td>Bathroom</td>
<td>Kitchen</td>
<td>Can be extended to T2 (100 m²)</td>
</tr>
<tr>
<td>Phase 2</td>
<td>56 houses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T2</td>
<td>4 houses</td>
<td>58 m²</td>
<td>100 m²</td>
<td>2 bedrooms</td>
<td>Living room</td>
<td>Bathroom</td>
<td>Kitchen</td>
<td></td>
</tr>
<tr>
<td>Phase 2</td>
<td>0 house</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CASA MAIOR

<table>
<thead>
<tr>
<th>Phase</th>
<th>Houses</th>
<th>House size:</th>
<th>Plot size:</th>
<th>1 bedroom</th>
<th>Living room</th>
<th>Bathroom</th>
<th>Kitchen</th>
<th>Foundations built with slab for extension to T3</th>
<th>Selling price</th>
</tr>
</thead>
<tbody>
<tr>
<td>T+1</td>
<td>2 houses</td>
<td>56,10 m²</td>
<td>150 m²</td>
<td>1 bedroom</td>
<td>Living room</td>
<td>Bathroom</td>
<td>Kitchen</td>
<td></td>
<td>32,660 EUR</td>
</tr>
<tr>
<td>Phase 2</td>
<td>24 houses</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T+3</td>
<td>2 houses</td>
<td>82 m²</td>
<td>150 m²</td>
<td>3 bedrooms</td>
<td>Living room</td>
<td>Bathroom</td>
<td>Kitchen</td>
<td></td>
<td>40,825 EUR</td>
</tr>
<tr>
<td>Phase 2</td>
<td>0 house</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
LESSONS LEARNED

» The mobilization of technical and financial expertise and the adaptation of the language in order to involve various stakeholders, in particular through the involvement of financial expertise (Fount) and Reall in the project team which enabled Casa Real to engage in a dialogue at a higher level and to position itself as a credible actor. In addition, Casa Real, in association with Reall, have forged a close collaboration with the Dutch government.

» Patient capital investment: Casa Real would not have been able to sustain construction and attendance without constant investment and initial capacity funding from Reall (also funding of technical assistance). Capital investment is essential for any affordable housing business, especially during the early stages of work where the risk of insolvency is high. Organizations such as Reall are essential for incubating projects and are the first to undertake a proof of concept.

» Reducing the cost of land: the local municipality generally requires a standard plot size of 600 m². As part of the partnership with Casa Real, the municipality has approved construction on plots of 100 m² to 150 m². In addition, the land on which the housing operation is located is public, making it possible to forge partnerships with the municipality of Beira and reduce the costs of leaving housing thanks to a real estate lease.

» Compromise and common ground are essential: Casa Real has adopted a mixed income approach, in order to engage with Absa and meet the funding capacities of Reall’s target audience, i.e. populations representing the lower 40% of the income pyramid.

» Mortgage loan: Casa Real has found a banking partner (Absa) to take charge of its houses and release funds after the housing construction phase, thus freeing up capital which can turn faster and be reinvested in the development of new housing.

» A physical proof of concept: Casa Real has tangibly demonstrated its credibility by building quality homes on time and at an affordable cost. At the same time, a rigorous market study provided evidence of growing demand of future buyers and strengthened the confidence of lender-investors.