

https://dspace.org/

Factors influencing access to finance for real estate transactions in Sub-Saharan Africa (a lender's perspective)

Katabua, Patrick T

2016
http://hdl.handle.net/10539/20011

Downloaded from a DSpace repository. https://dspace.org/

UNIVERSITY OF THE WITWATERSRANDFACULTY OF ENGINEERING AND THE BUILT ENVIRONMENTDEPARTMENT OF CONSTRUCTION ECONOMICS AND MANAGEMENT

PROPERTY RESEARCH SURVEY
Factors influencing access to finance for real estate transactions in Sub Saharan Africa (A lender's perspective)

Researcher: Patrick T. KATABUA
Supervisor: Professor Francois VIRULY

We have an academic questionnaire we would like you to partake in, and it should take no more than 15 minutes to complete. Please return completed questionnaires to Patrick T. Katabua anytime before Friday 10th of April 2009. (Completed surveys may be sent electronically be clicking the "Submit by email" button on the last page).

Responses will be treated as confidential and are for inclusion in an academic Research Report as partial fulfilment for a M.Sc. (Building) from the University of the Witwatersrand, Johannesburg.

The exploratory research study is entitled "Factors influencing access to finance for real estate transactions in Sub Saharan Africa (A lender's perspective) ". The investigation into the central research problem is guided by a primary research question: *What are the factors that can facilitate access to finance for property transactions in Sub Saharan Africa?"* The objective of the research is to establish and assess the critical factors and dynamics influencing the feasibility studies / evaluations for financing of property transactions. A secondary objective would be to assess the challenges, risks and mitigants when doing business in Africa.

Your assistance in this survey is greatly appreciated, thanks in advance for your cooperation. We offer to send you a summary of results if you wish to receive it. Please do contact the researcher if you require further information or clarifications.
Yours sincerely,

Patrick T. KATABUA
(Researcher)
C: +27 82 467 7897
T:
F:
E:

Prof. Francois VIRULY
(Supervisor)
T: +27 11 770 8265
F: +27 86 512 1946

SECTION A: DEMOGRAPHICS

This section of the questionnaire refers to background information

1. In which country do you provide your service expertise?

○ South Africa	○ Botswana	○ Namibia
○ Swaziland	○ Lesotho	○ Zambia
○ Malawi	○ Ghana	○ Nigeria
○ Kenya	○ Tanzania	○ Uganda
○ Mauritius	○ Various countries	○ Other, please specify

2. How long have you been involved in property financing?

○ < 1 Year	○ 1 - 3 Years	○ 3 - 5 Years
○ 5 - 10 Years	○ > 10 Years	

3. Which segment best describes your function in the business model?

○ Front Line / Deal Making	○ Credit / Risk /Valuations	○ Legal & Support Services
○ Management / Advisory	○ Other, Please specify	

SECTION B: FACTOR RATING

This section focuses on the factors and dynamics identified thus far, as most influencing property financing

1. When assessing a property finance lead / proposal, how important are the following factors to you? Please rate their importance on a scale of 1 to 10
(Where 1 = totally unimportant, and 10 = most important, score points may be repeated)

TYPE OF ASSET CLASS	☐
CLIENT RELATIONSHIPS WITH THE BANK	☐
PRICING (Interest rates, fees)	☐
PROPERTY LOCATION	☐
LENDER'S R.O.E.	☐
CLIENT RISK GRADING	☐
SECURITIES / COLLATERAL PROVIDED BY BORROWER	☐
PROJECTED PROJECT CASHFLOW (LTV/LTC, DSCR/ICR)	☐
NATURE OF THE BUSINESS OF THE BORROWER	☐

2. Are there any other influencing factors to consider when evaluating a property proposal? Please comment below:

SECTION C: FACTOR ASSESSMENT

1. The following statements relate to some of the factors identified as being most influential in property financing

To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where, 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

	1	2	3	4	5
Client Relationship					
1. It is critical for a client to have an existing relationship with the financier when providing finance	○	○	○	○	○
2. An existing client relationship does not facilitate the sanctioning of transactions	○	○	○	○	○
3. Clients usually pull the relationship card in order to fast-track their projects	○	○	○	○	○
4. Other, specify	○	○	○	○	○
Nature of business					
1. There is greater appetite for property clients, rather than general clients seeking property finance	○	○	○	○	○
2. Clients from the property industry usually request more credit modifications than other type of clients seeking property finance	○	○	○	○	○
3. Clients who specialise in property investments / developments always meet the bank's financing terms and conditions punctually	○	○	○	○	○
4. Other, specify	○	○	○	○	○

To what extent do you agree with each of the following statements?
Please indicate your answer using the following 5-point scale where,
1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

	1	2	3	4	5
Security / Collateral					
1. Provided that adequate security is obtained, a transaction yielding low returns for the financier may still be financed	○	○	○	○	○
2. The bank will finance a property transaction in any location subject to suitable securities being granted	○	○	○	○	○
3. The securities requested, is not dependant on the transaction's probability of default	○	○	○	○	○
4. Securities provided by the client is the most important factor when assessing feasibility of a transaction	○	○	○	○	○
5. Collateral requested by the financier may not be amended / reduced even if the transaction demonstrates a strong cash flow	○	○	○	○	○
6. Clients who have demonstrated a proven track record may be allowed to amended / reduce some of the securities normally called for	○	○	○	○	○
7. Other, specify _____	○	○	○	○	○
Location					
1. Some proposals may never enter formal evaluation procedures due to their location	○	○	○	○	○
2. Blue-chip tenanted properties in poor locations, would not be financed by the bank	○	○	○	○	○
3. Concentration risk of the bank's property financing in a specific area is not a problem, provided that each property produces great returns for the bank	○	○	○	○	○
4. Other, specify _____	○	○	○	○	○
Type of asset class					
1. The funding appetite for different asset classes is the same	○	○	○	○	○
2. Asset class does influence the pricing charged on a transaction	○	○	○	○	○
4. Specialised properties may not be financed, regardless of their lease and tenancy profile	○	○	○	○	○
5. Other, specify _____	○	○	○	○	○

To what extent do you agree with each of the following statements?
Please indicate your answer using the following 5-point scale where,
1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

	1	2	3	4	5
Cash flow					
1. It is not possible to provide 100 % LTC / LTV for property transactions	○	○	○	○	○
2. Initial project DSCR & ICR may be below the norm, provided that client demonstrates serviceability from other sources	○	○	○	○	○
3. The LTV / LTC can easily be amended provided that the lender's expected ROE is met	○	○	○	○	○
4. Pre-sales & Pre-lets do not test the market's acceptability of a particular development	○	○	○	○	○
5. Other, specify _____	○	○	○	○	○
Lender's ROE					
1. The bank's expected minimum ROE is the same across all type of assets	○	○	○	○	○
2. The expected minimum ROE varies depending on the geographical location of the asset	○	○	○	○	○
3. A proposal may still be financed even if expected ROE is not met	○	○	○	○	○
4. Other, specify _____	○	○	○	○	○
Pricing					
1. Client relationship does not plays a role in determining the pricing of a transaction	○	○	○	○	○
2. The quality (style, age, tenancy) of the asset plays a role in the pricing charged	○	○	○	○	○
3. Pricing may be reduced for clients with proven track record	○	○	○	○	○
4. Other, specify _____	○	○	○	○	○
Risk Grading					
1. Proposals may not be declined purely based on their risk grading	○	○	○	○	○
2. Higher transaction pricing may compensate for high risk grading	○	○	○	○	○
3. The risk grading is a fair representation of a client's probability of default	○	○	○	○	○
4. Provided that adequate security is obtained, proposals with high risk grading may still be financed	○	○	○	○	○
5. Other, specify _____	○	○	○	○	○

SECTION D: GENERAL QUESTIONS RELATING TO THE BUSINESS OPERATION

The following questions are aimed to bring out any further construct which may be of beneficial substance to the research

1. What are the major challenges that you are faced with when financing property transactions?

2. What are the main potential risks when financing property transactions in your region(s)?

3. Can the above risk(s) be mitigated? If so, kindly elaborate

4. In your opinion, is doing business in rest of Africa more risky that doing business in RSA? Kindly elaborate

5. Lastly, give an example of the dynamics a deal should have in order for it to be a "perfect transaction" (What does a "sweet deal" look like?)

We appreciate the time you took to complete this questionnaire, please include any additional comments you may have regarding the factors & dynamics influencing property financing:

Would you like to obtain a summary of the results of this survey?

○ Yes ○ No

If yes, kindly provide your contact details below.

Name (Optional)

Email Address:

OR Fax Number:

Submit by Email

Mr . Patrick T. KATABUA
(Researcher)

C: +27 82 467 7897
T:
F:
E:

Prof. Francois VIRULY
(Supervisor)

UNIVERSITY OF THE WITWATERSRAND, FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT,

DEPARTMENT OF CONSTRUCTION ECONOMICS AND MANAGEMENT