

Unlocking blended finance in Africa: bridging the gap between investors and developers

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1. Growing investor interest

As self-declared housing enthusiasts, we have been delighted to see affordable housing in Sub-Saharan Africa (SSA) attracting increased institutional investment attention. Growing investor interest isn't just anecdotal. Rather, it is reflected in rising Development Finance Institution (DFI) exposure, the emergence of dedicated housing investment platforms, and expanding disclosed pipelines of projects. The International Finance Corporation (IFC), for example, reports reaching approximately \$0.5bn in housing finance exposure in Africa as of June 2024, signalling sustained capital allocation to the sector. Beyond balance-sheet financing, IFC has also supported the structuring of affordable housing public private partnership (PPP) transactions in Kenya, Togo, Djibouti, and Côte d'Ivoire, illustrating growing institutional engagement across both supply- and finance-side interventions. Other DFIs, including African Development Bank (AfDB) and Agence française de Développement (AFD), have similarly expanded housing-focused initiatives across the region.

Affordable housing is becoming more investable because underlying demand is structural and persistent: rapid urbanization, demographic growth, and formalization pressures are expanding the pool of households seeking formal housing, while governments are increasingly advancing policy reforms and PPP pipelines to crowd in private capital. At the same time, blended finance structures combining concessional capital, credit enhancement, and technical assistance are improving the risk-return profile of projects, making transactions more bankable and scalable for commercial and institutional investors.

Moreover, several sophisticated platforms are helping to give credibility to the sector and demonstrate what investable models can look like. International Housing Solutions (IHS) has raised and deployed multiple private equity funds focused on affordable housing in Southern Africa, proving that institutional capital can be aggregated, deployed at scale, and exited in this segment. Similarly, Acorn Holdings in Kenya has attracted both development finance and capital markets participation for its purpose-built student accommodation (PBSA) platform, including green bond issuances, illustrating how specialized housing platforms can access structured and climate-linked finance. These examples signal to the broader market that affordable housing, when professionally structured and scaled, can meet institutional standards for governance, reporting, and returns.

2. Characterizing the market

As a whole, increased interest in the sector is very positive, and we commend the industry's advancement. Taking a closer look, however, we note localized trends and investment asymmetries indicating that the majority of capital is being directed to specific countries and assets in the region. For example, South Africa continues to absorb a disproportionate share of housing-related investment in Sub-Saharan Africa, reflecting its strong cadastre system, deeper capital markets, stronger developer balance sheets, and more developed mortgage ecosystem. The Centre for Affordable Housing Finance in Africa (CAHF)'s Housing Finance in Africa Yearbook (2024) consistently shows South Africa dominating the region in mortgage depth, capital markets instruments, and institutional housing finance activity, making it structurally more "investment ready" than many frontier

markets. At the same time, developers in these stronger markets often already have access to domestic capital, suggesting that international DFI participation may be catalytic rather than foundational.

Another notable feature of Sub-Saharan Africa's housing sector is the asymmetry between demand-side and supply-side investment. While affordable housing requires large volumes of capital across the entire value chain, most institutional and blended finance has historically flowed to the demand side, particularly mortgage finance and liquidity facilities, rather than to developers building new units. DFI analyses tend to emphasize that housing finance systems in Africa remain shallow, and strengthening long-term mortgage markets has been a primary reform and investment focus. In addition, supply-side investments tend to have a lower quantum than demand-side investments, as they face greater risk and require long-term capital commitments.

Demand side institutional investments, such as mortgage liquidity facilities, lines of credit to housing banks, and investments in housing bond markets, have been crucial to improving access to housing finance in SSA. For instance, AfDB provided a \$300 million line of credit to the Development Bank of Southern Africa (DBSA) for affordable housing projects across South Africa. Similarly, IFC invested \$50 million in a housing finance facility in Nigeria, aimed at increasing mortgage lending and supporting developers. Additionally, the World Bank has committed to \$150 million to improve housing finance through the Kenya Mortgage Refinance Company (KMRC), which helps liquidity for lenders in the Kenyan housing market.

Supply side institutional investments are more difficult to track as they are often smaller and

¹ Peer reviewed by Larry English

Table 1: Examples of DFIs investment in SSA housing developers, 2019 to 2025²

DFI	Number of investments	Locations	Developers	Investments	DFI Commitment
British International Investment (BII)	3	Kenya, South Africa	Mi Vida (Actis), Divercity	Local currency loan and equity	From 10.35 to 24.15 million USD
Deutsche Investitions- und Entwicklungsgesellschaft (DEG)	1	South Africa	Balwin	Local currency loan	15 million EUR
International Finance Corporation (IFC)	7	South Africa (3), Côte d'Ivoire (1), Kenya (2), Nigeria (1), Rwanda (2)	Balwin, Addoha, Eris, Centum, Private developers' consortium (Rwanda), Alleyroads, CITIC Construction	Loan (5), equity (1), investment platform (1)	10 to 52 million USD (300 million for the investment platform)
Shelter Afrique Development Bank	4	Nigeria, Morocco, Senegal, Côte d'Ivoire, Kenya	Mixta Real Estate (2), Teyliom, Acorn	Loan (3), equity (1)	11.6 to 19.5 million USD
US Development Finance Corporation (DFC)	1	Kenya	Acorn	Loan	180 million USD
Proparco	1	South Africa	Respublica	Equity	35 million USD

Source: AHI research, 2025 and 2026

not publicly disclosed. In the table below, we present 16 transactions directly supporting developers in SSA from 2019 to 2025. We note that six transactions were in South Africa, followed by five in Kenya. We also observe recurring and repeat investments into a handful of larger private housing developers such as Balwin, Divercity, Mixta Africa and Acorn. With the exception of Acorn, most of these transactions were loans with ticket sizes below \$50million USD.

From a high-level assessment, it is likely that investment in the supply side is limited because affordable housing development faces structural constraints such as high construction costs, limited serviced land, weak developer balance sheets, long project cycles, and regulatory risk, which make transactions harder to structure and scale, particularly for commercial investors. As a result, despite enormous need for new housing units, capital has tended to concentrate on expanding purchasing power and financial intermediation, while large-scale, patient equity and development finance for housing production remains comparatively constrained.

Nevertheless, the housing crisis in Africa will not be solved by a one-sided approach, and the need for increased capital deployment toward the supply side to scale up housing construction is great enough to merit a close analysis of why investments are rare, and what could potentially be done to unlock the market. This paper sets out to do just that.

3. Our experience in Sub-Saharan Africa

The Affordable Housing Institute (AHI) has held a unique position in understanding the evolution of affordable housing investment across Sub-Saharan Africa. By engaging with various segments of the value chain, including governments, DFIs, financial institutions, developers, and impact investors, we have supported housing ecosystem diagnostics, policy reforms, pipeline development, and capital-stack structuring in over 35 countries across the region. In recent years, our work has shifted from primarily market research and feasibility studies to more hands-on investment scoping and transaction structuring, reflecting the sector's transition from conceptual exploration to execution-focused capital deployment.

Many of AHI's projects involve investment scoping and transaction structuring, providing strategic guidance to DFIs and other impact investors on housing-sector intervention and investment opportunities. In 2025, our team conducted an investor landscape and scoping exercise for Proparco across five African countries (Kenya, South Africa, Morocco, Côte d'Ivoire, and Senegal), analyzing constraints faced by private developers and identifying opportunities to expand debt financing. This work included macro-market assessments, developer profiling, benchmarking DFI involvement, and identifying investment opportunities, alongside supporting a client in Senegal in structuring an affordable housing

finance transaction. In Guinea, AHI developed a screening framework to help IFC identify promising investment candidates to promote affordable housing delivery. Additionally, AHI has advised IFC in Kenya and Rwanda on structuring affordable housing Public-Private Partnerships (PPPs), focusing on designing economically and financially viable models that maintain affordability for target households.

We have undertaken similar work focused on demand-side investments. Through several scoping exercises conducted for IFC and CRRH-WAEMU, we assessed opportunities for these institutions to work more closely with housing microfinance institutions and expand access to housing finance. These initiatives aim to support homeownership, home improvement, and small-scale rental housing solutions for low-income households and forcibly displaced persons (FDPs) across West and East Africa.

The remit for these projects has been challenging, as striking the right balance between demonstrating market potential and meeting DFIs' stringent investment requirements is no small feat. In many markets, the criteria for what constitutes a robust affordable housing investment remain evolving and context-specific. To address this, we developed our own screening and scoring methodology to provide a structured and objective approach to evaluating opportunities. This framework allows us to systematically assess projects against key financial, operational, and affordability criteria, ensuring that recommended investments have

² It is possible that the volume of supply-side transactions is actually higher, as lots of transactions are not in the public realm.

a credible pathway to expanding the supply of affordable housing.

One of AHI's most innovative initiatives to date is the Chrysalis Housing Impact Accelerator Program (Chrysalis), a high-impact program modelled after successful tech accelerators but focused on affordable housing. Chrysalis equips emerging housing developers with training, coaching, and investor-readiness preparation, connecting them to the tools, networks, and sources of capital needed to scale sustainable housing solutions. The program is designed to bridge the gap between impact-driven housing enterprises and institutional investors seeking scalable, investable opportunities.

Our first cohort brought together asset-rich but liquidity-constrained emerging developers from East Africa, including Kenya, Uganda, Malawi, Mozambique, and Zambia. Through Chrysalis, we have gained first-hand insight into the operational, financial, and structural challenges faced by small- and medium-scale developers, as well as the types of financing and support required for them to grow sustainably and scale their housing delivery.

4. The reality on the ground

As we've worked with developers and assessed markets and opportunities across the region, we have observed a clear trend emerging on the supply side in recent years: investors tend to favour larger, regionally established developers and are more inclined to invest in markets perceived as lower risk.

The projects we support tend to involve:

- (1) Developers with prior experience working with DFIs;
- (2) Large to medium sized, well-established developers with strong track records in the residential sector;
- (3) Adherence to green, sustainability, and affordability standards (measured using tools like IFC EDGE or PILLAR); and
- (4) Multi-project platforms in countries such as South Africa and Kenya, where governance standards are clearer, government commitments are more durable, pipelines are more visible, and transaction sizes meet institutional thresholds.

In frontier markets, investors typically look for developers with a proven track record in neighbouring countries that are looking to expand regionally, as this helps reduce perceived execution and governance risks. Smaller affordable housing developers in emerging or frontier markets, who often rely on local debt

and grant funding, are often disregarded by DFIs. Moreover, repeated investments concentrated on the "usual suspects" tend to crowd out other opportunities, which, over time, could hinder market expansion, competition, and sustainable growth.

It is clear to us that a critical challenge in scaling affordable housing investment is the structural misalignment between investors and developers. Investors (particularly DFIs and institutional lenders) tend to prioritize project-level transactions that minimize collateral risk, favour senior secured debt positions, and deploy relatively large ticket sizes (often USD 10 million or more) with defined exit pathways, frequently denominated in hard currency. Developers, by contrast, typically need early-stage equity or quasi-equity to build balance sheets, grow pipelines, and establish track records before they can prudently absorb additional leverage. They also tend to require smaller ticket sizes (often below USD 10 million), flexible capital structures, and local-currency financing aligned with domestic revenue streams.

We have found that this misalignment manifests in several recurring gaps:

- (1) **Absence of foundational equity:** developers require foundational, patient equity to scale operations and de-risk their businesses before they can responsibly take on senior debt, yet most institutional capital is structured as debt.
- (2) **Currency and pricing constraints:** DFI capital is frequently hard-currency denominated, exposing developers to FX risk that is costly and operationally burdensome to hedge; in deeper markets such as South Africa, well-priced local debt can outcompete DFI offerings, while in shallower markets, FX debt remains unattractive relative to alternative financing mechanisms such as off-plan sales or installment-based buyer finance.
- (3) **Ticket sizes:** Developers are interested in relatively small ticket sizes (\$10 million USD and under), while institutional investors are keen to deploy larger amounts of capital per transaction. This rules out the small to medium-sized developers- who are often the companies that need capital the most- as target investees and reinforces the need for graduated access to capital.
- (4) **A tendency toward one-off, secured project financing rather than long-term capitalization of companies:**

Investors often favour ring-fenced, asset-backed project financing because it is perceived as less risky and easier to structure than investing at the company level. However, emerging housing markets require sustained capitalization of developers themselves so they can build project pipelines, professionalize operations, and crowd in follow-on investment. In practice, investors frequently prioritize financing projects linked to institutions that are already financially sustainable rather than supporting companies in establishing the governance frameworks, performance systems, and operational capacity needed to reach sustainability. As a result, transactions remain episodic rather than catalytic, limiting both systemic impact and the development of strong supply-side institutions.

Looking more broadly at investment in the housing sector, we often observe the absence of a clear market-maker. Key stakeholders, including governments, DFIs, impact investors, private-sector actors, and civil society, frequently look to one another to catalyze the development of supply-side institutions, yet in practice leadership is often diffuse and no single actor steps forward to drive the process.

5. How to bridge the gap?

Bridging the misalignment between developers and investors requires adjustments on both sides. The gap is not simply financial; it is also structural, institutional, and often cultural. Developers and investors operate under different constraints, time horizons, and accountability frameworks. Narrowing this divide requires greater mutual understanding, better sequencing of capital, and more deliberate structuring of risk. If done well, this alignment can unlock more blended finance and enable affordable housing to scale beyond isolated transactions into sustainable market systems.

The recommendations outlined below are structured around the perspectives of three key stakeholder groups. We recognize, however, that translating these ideas into practice can be challenging. Many of the structural constraints discussed above are deeply embedded in institutional mandates, risk frameworks, and market realities. As such, the recommendations should be understood as part of a medium-term vision for how the sector could evolve, rather than as immediate or easily implementable solutions.

5.1 Developers

From a developer's perspective, attracting institutional capital requires anticipating investor expectations early in the company's growth trajectory. Investor-readiness does not begin at the moment of transaction, it begins with how a company is structured, governed, and capitalized from inception. More specifically, developers can:

- **Recognize investor diversity:** Different investors—DFIs, impact funds, commercial banks, pension funds—have distinct mandates, return thresholds, reporting obligations, and risk appetites. Tailoring engagement to the right capital partner is critical.
- **Internalize financial and technical thresholds:** Understand minimum ticket sizes, leverage ratios, governance requirements, ESG standards, and exit expectations. Structuring opportunities to meet these thresholds increases investability.
- **Map and mitigate perceived risks:** Proactively identify how investors view construction risk, absorption risk, FX exposure, regulatory uncertainty, and execution capacity—and structure mitigation pathways (e.g., guarantees, phased development, pre-sales strategies).
- **Differentiate housing from infrastructure:** Housing carries demand and sales-velocity risk, unlike infrastructure with contracted offtake. Developers must communicate clearly how underwriting assumptions reflect local market realities.
- **Anticipate compliance requirements:** Establish strong governance systems, financial controls, transparent reporting, and ESG compliance frameworks from the outset. Institutional due diligence is rigorous and resource-intensive.
- **Adopt a long-term mindset:** Building an investable housing platform is a multi-year journey. Developers often juggle multiple business lines; professionalizing housing operations and achieving investor readiness requires patience and sequencing.

5.2 Investors

Investors, for their part, must also adapt if they aim to catalyze systemic change rather than finance isolated projects. Affordable housing markets in Africa are still emerging and capital structures that work in mature

markets will require modification. Specifically, investors can:

- **Shift toward company rather than project-level investments:** Rather than financing one-off projects, consider capitalizing developer platforms to build pipelines, strengthen balance sheets, and address ticket-size mismatches.
- **Deepen sector understanding:** Affordable housing differs materially from infrastructure. Underwriting must reflect local income dynamics, informal demand patterns, sales velocity, and regulatory complexity. This requires bespoke structuring and flexibility.
- **Strengthen local market analysis:** Offtake risk is often difficult to prove with formal data. Investors may need alternative demand validation approaches, including phased development or blended capital buffers.
- **Provide technical assistance and capacity building:** Upstream support—governance strengthening, financial system improvements, ESG compliance—can materially improve developer bankability and long-term sustainability.
- **Consider alternative capital structures:**
 - Invest through aggregators or specialized platforms that diversify risk across portfolios.
 - Deploy subordinated debt or mezzanine tranches to de-risk senior lenders and crowd in local banks.
 - Support rental and REIT structures where ownership-based models face absorption constraints.
- **Mobilize credit enhancement mechanisms:** Leverage guarantees and risk-sharing facilities (e.g., GuarantCo, EU-backed instruments, Dhamana) to reduce cost of capital and unlock private participation.
- **Strengthen risk intermediation:** Use aggregation vehicles and layered capital stacks to isolate construction, absorption, and default risks. Creating structured cascades of capital suited to context improves scalability.
- **Keep structures pragmatic:** Overly complex financial engineering can deter local partners and delay execution. Simplicity, clarity of roles, and realistic timelines increase the likelihood of implementation and replication.

Ultimately, bridging the gap requires shared accountability. Developers must professionalize and scale responsibly; investors must calibrate instruments to market realities. Where both sides adjust, blended finance can move from one-off transactions to durable market transformation.

5.3 Government

The public sector also plays a decisive role in determining whether affordable housing markets mature or stall. In many Sub-Saharan African contexts, governments have historically acted as direct providers of housing. However, scaling affordable housing sustainably requires a shift toward becoming market enablers, creating the regulatory, financial, and institutional conditions that allow private capital to participate at scale. When governments provide predictability, credibility, and targeted risk-sharing, they materially improve the risk-adjusted return profile for investors.

Specifically, the public sector can:

- **Shift from direct supplier to market enabler:** Focus on unlocking land, streamlining the construction permitting process, improving urban planning systems, and facilitating infrastructure provision rather than solely delivering units directly.
- **Absorb systemic and early-stage risks:** Take on risks that private actors cannot efficiently bear, such as land assembly, trunk infrastructure, regulatory reform, or targeted subsidies, to crowd in private capital.
- **Honor commitments and ensure policy consistency:** Deliver on PPP agreements, subsidy disbursements, and regulatory undertakings. Policy reversals and payment delays materially increase perceived risk and cost of capital.
- **Strengthen transparency and governance systems:** Improve cadastre systems, land titling processes, procurement transparency, and dispute resolution mechanisms. Investors prioritize jurisdictions with enforceable contracts and predictable processes.
- **Build credible regulatory frameworks:** Establish clear housing standards, mortgage foreclosure frameworks, rental regulations, and REIT or capital market rules that support long-term investment.
- **Deploy targeted credit enhancement tools:** Use guarantees, viability gap funding, and structured subsidy mechanisms to reduce risk without distorting markets.

Governments that position themselves as reliable partners can catalyse private participation, reduce financing costs, and help transform affordable housing from a policy aspiration into a functioning asset class.

6. Looking forward

If current trends persist, we believe the affordable housing investment landscape in Sub-Saharan Africa is likely to evolve unevenly. Based on what we have seen across markets, capital will continue to flow, but selectively, and scaling will depend on which actors are best positioned to align with institutional requirements. In our view, the next phase of market development will reward platform maturity, aggregation, and risk intermediation, while smaller and earlier-stage actors will need to pursue hybrid strategies to remain competitive.

Based on our experience advising across the region, we believe medium- to large-sized regional developers will continue to attract institutional capital in the near term. These firms tend to offer diversified pipelines, professional governance structures, audited financials, and demonstrated execution capacity across multiple projects or markets. They understand local demand dynamics, are comfortable managing development and absorption risks, and can present proof of concept through completed units and repayment performance. From an investor's perspective, this reduces

perceived execution risk and supports larger ticket deployments aligned with mandate requirements.

We also expect that developers operating in lower-risk or more mature markets will remain more competitive for blended finance. In our observation, markets with stronger legal systems, clearer land administration frameworks, deeper mortgage ecosystems, and more predictable public sector commitments continue to absorb a disproportionate share of capital.

For smaller and emerging developers, we believe more creative capital blending will remain essential. In the short term, these developers are likely to rely on combinations of commercial capital and more concessional sources, such as angel investors, grants, philanthropic capital, high-net-worth individuals (HNWIs), or catalytic first-loss capital, to build track records and strengthen balance sheets. Even so-called impact capital is rarely fully concessional and often maintains commercial return expectations. As a result, smaller developers will need to continue strengthening governance, reporting, pipeline visibility, and risk mitigation practices in order to become institutional-ready.

We also see a strong opportunity for housing-focused aggregator funds (or platform market-making). In our view, one of the most persistent structural constraints is the mismatch between institutional investors'

preference for large deployments and the fragmented, smaller-scale nature of most viable housing projects. Aggregation vehicles, such as funds or platforms that pool smaller developer opportunities, can diversify risk across geographies and projects, standardize due diligence, and create sufficient scale to attract institutional capital. These vehicles can also deploy layered capital structures (equity, mezzanine, and senior debt) to crowd in commercial lenders while absorbing early-stage risk or to segment finance along the development process (project definition, planning and design, construction) relative to the project timeline, outputs, risks and costs.

Finally, we believe risk intermediation will become increasingly important. The next phase of capital mobilization is likely to depend less on isolated project finance and more on structured vehicles that isolate construction, absorption, and currency risks. Aggregators and specialized intermediaries can play a critical role in translating local developer pipelines into investable portfolios.

Looking ahead, we believe the opportunity is not simply to increase capital flows, but to improve how capital is structured and deployed. If aggregation, platform-level investment, and targeted credit enhancement mechanisms expand, affordable housing in Africa has the potential to move from one-off, transaction-driven activity toward sustained asset-class formation.