

## News release

05 July 2021

### **CDC leads \$36 million investment round into South African affordable housing platform Divercity**

- Investment to fund construction of more than 2,500 new and green affordable residential units in neighbourhoods, expanding housing options close to economic opportunity for low- and middle-income households.
- Transaction also enabled Divercity's acquisition of Ithemba Property, which will enable day to day management of its residential units.
- The commitment is expected to create between 2,000 - 4,000 construction and permanent operational jobs, creating economic opportunities and boosting employment.

CDC Group, the UK's development finance institution (DFI) and one of the largest impact investors in Africa, has announced a USD \$36 million (500 million Rand) commitment to Divercity Urban Property Fund (Divercity), an affordable housing platform focused on the regeneration of South African cities. This investment will fund the construction and management of more than 2,500 new residential units over the next 5 years predominantly in Johannesburg. It will provide quality, affordable and environmentally sustainable housing for low and middle-income households in well-located but underinvested neighbourhoods in major South African cities. This transaction was also funded by South African impact investor Futuregrowth and existing Divercity shareholders.

South Africa faces a housing shortage of ~2.3 million units. A significant majority of its lower-cost housing is built on the urban periphery. This limits residential options for low and middle income households to predominantly informal, congested and low-quality housing on the outskirts of cities. It also impedes access to essential services including schools, healthcare facilities, public transport networks and employment hubs needed for improved social inclusion and living standards.

CDC's capital will enable Divercity to grow its rental housing platform that provides low and middle-income households with safe, inclusive and affordable housing options. Construction of the new residential units will help address the growing housing deficit and issues of spatial segregation in South Africa, meeting the needs of people with limited other housing options available, including women, single parents and young families. Up to 4,000 construction and permanent operational jobs are expected to be created, resulting in new economic opportunities, and boosting employment.

The new units will be constructed to green building standards, demonstrating both CDC and Divercity's commitment to minimising greenhouse gas emissions and supporting climate change mitigation, in alignment with CDC's commitment to invest from a climate lens.

Divercity has also acquired its residential property and asset manager, Ithemba Property, that has a 20-year track record in managing affordable rental housing. Through the creative design and structure of this platform by investors CDC, Ithemba and Atterbury - Divercity will be underpinned by market leading property development and asset management expertise in rental housing which will be a competitive differentiator.

**Samir Abhyankar, Managing Director, Head of Direct Private Equity, CDC Group, commented:** "Cities in Sub-Saharan Africa are experiencing rapid population growth as an increasing shortage of housing units with low income populations being particularly affected. With our re-entry as an equity investor in South Africa we are proud to have partnered with Atterbury and Ithemba to set up Divercity as a leading affordable and sustainable housing platform in South Africa. The investment will help promote inclusive growth and enhance social and economic integration in the country. CDC's patient capital and development expertise can help accelerate growth, improve living conditions and support the livelihoods of low-income and vulnerable households."

With investment in Africa's housing sector constrained, CDC's countercyclical funding can stimulate local housing markets and drive transformative economic, inclusive and sustainable impact in South Africa and other African countries.

**Ilaria Benucci, Head of Construction and Real Estate, CDC Group, said:** "Urban population growth and a challenging macroeconomic environment necessitates patient and long-term investments that will help close the gap between demand and supply in South Africa's housing market. We are delighted that our investment in Divercity will support the developer to deliver rental housing that will meet the housing needs of groups within the low- and middle- income bracket. We are confident CDC's investment will have a demonstration effect on commercial investors, ushering in greater investment into the housing sector."

**Carel Kleynhans, CEO of Divercity, said:** "We are delighted to welcome CDC to the Divercity partnership. I am confident that they will add significant value to the funds' goal of changing the face of affordable rental housing in South Africa and establishing it as an investment grade asset class."

This investment by CDC helps contribute to UN's Sustainable Development Goals (SDG) on decent work and economic growth (SDG 8), on sustainable cities and communities (SDG 11), and combating climate change and its impact (SDG 13).



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### **About CDC**

1. CDC Group is the UK's impact investor with over 70 years of experience of successfully supporting the sustainable, long-term growth of businesses in South Asia and Africa.
2. CDC is a leading player in the fight against climate change and a UK champion of the UN's Sustainable Development Goals – the global blueprint to achieve a better and more sustainable future for us all.
3. The company has investments in over 1,200 businesses in emerging economies and a total portfolio value of \$6.2bn. This year CDC aims to invest up to \$1.75bn in companies in Africa and Asia with a focus on fighting climate change, empowering women and creating new jobs and opportunities for millions of people.
4. CDC is funded by the UK government and all proceeds from its investments are reinvested to improve the lives of millions of people in Africa and South Asia.
5. CDC's expertise makes it the perfect partner for private investors looking to devote capital to making a measurable environmental and social impact in countries most in need of investment.

### **About Diversity:**

Diversity Urban Property Fund is a for-profit property fund setting a new standard for socially responsible, environmentally sustainable and economically productive urban development, while delivering attractive returns for its institutional investors.

Diversity invests in high density urban precincts. These precincts are well located, rich in amenities, and weighted towards affordable rental housing. They offer low and middle income households the opportunity to live in sustainable urban environments, close to where they work and with access to the essential amenities required to get ahead in life. This model starkly contrasts the dominant mode of affordable housing delivery in South Africa, where lower income households are confined to the urban periphery – far from opportunities and essential services.

The existing portfolio of R3bn comprises 6,500 units and 90,000m<sup>2</sup> commercial and retail GLA. Notable assets include Jewel City, a transformative mixed-use housing, education and retail precinct in one of the only pedestrianised nodes of the Johannesburg CBD, and Towers Main, an iconic 30-storey tower comprising 518 apartments and 9,000m<sup>2</sup> of ABSA offices. Pipeline developments comprise a further 4000 apartments, and supportive commercial and retail uses of +-10,000m<sup>2</sup>.

Diversity is a fully internalized property fund. Fund management, asset management and development management are conducted internally. Property management is provided by Ithemba Property Management (<https://www.ithembaproperty.co.za/>), a wholly owned subsidiary of the fund.

Further information is available on Diversity's website: <https://www.divercity.co.za/>.