

Research on Sectoral Housing Market Affordability in Lesotho



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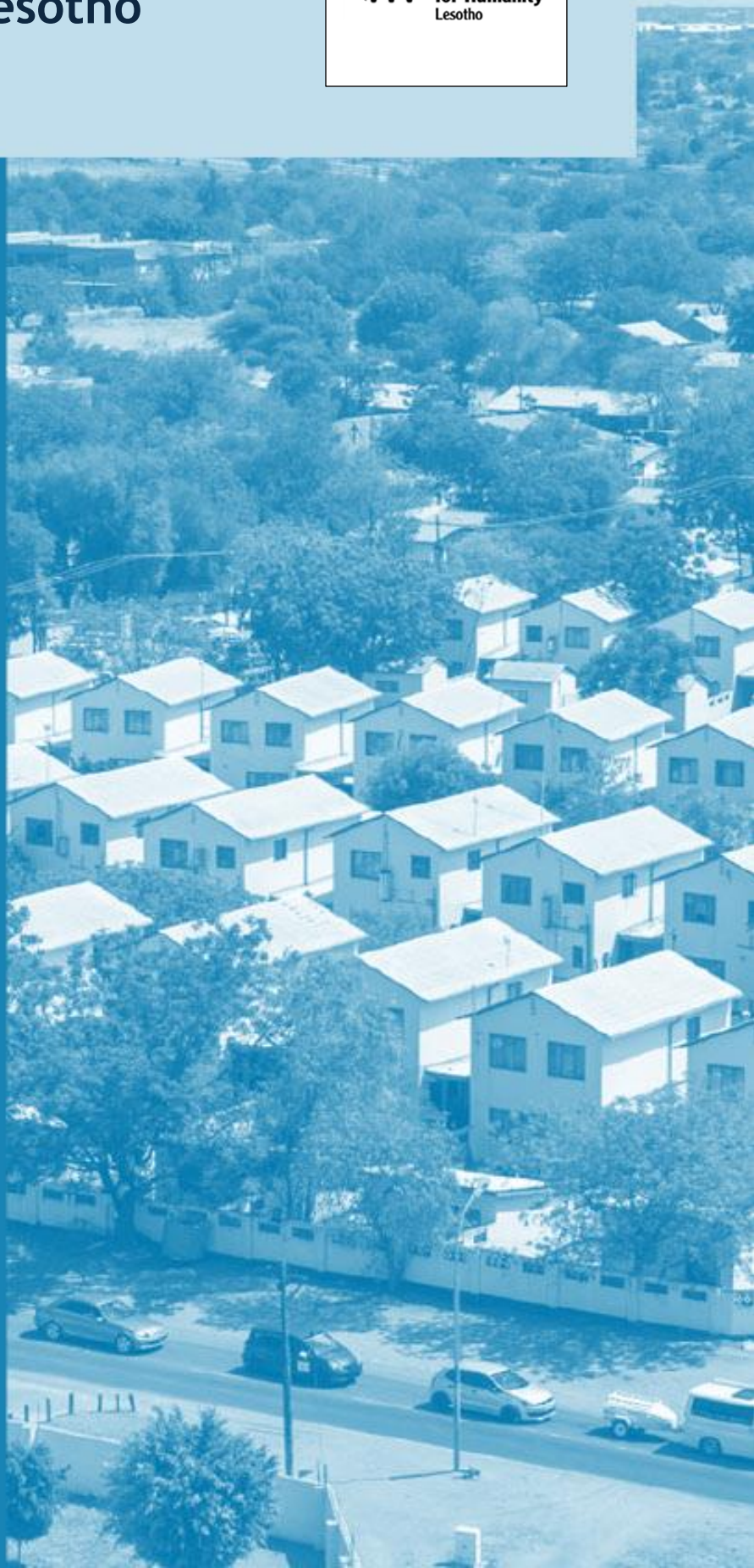


Table of Contents

Contents	2
1 Executive Summary	7
1.1 Contextual Overview - Housing in Lesotho	7
1.2 Synopsis of Principal Findings	9
1.2.1 Demand-Side: Affordability Under Structural Stress	10
1.2.2 Tenure Security: The Confidence-Documentation Paradox	10
1.2.3 Supply-Side: Absent Developer Pipeline and Finance Gaps	10
1.2.4 Information Architecture and Digital Readiness	11
1.2.5 Gender and Inclusion Gaps	11
1.3 Top Recommendations	11
2 Introduction	13
2.1 Context and Rationale	13
2.2 Policy Framework	14
2.3 Economic Classification and Structural Context	16
2.4 Research Objectives	18
3 Analytical Framework	19
3.1 Purpose & Scope	19
3.2 Framework	20
3.3 Mechanism	21
3.3.1 The Pools and Flows Approach	21
3.3.2 Housing Pools (Market Segmentation)	22
3.3.3 Household Flows (Mobility Pathways)	24
3.3.4 Affordability as the Binding Constraint	25
3.3.5 Systemic Diagnostics: The VIRAL Framework	26
3.3.6 The Land-Housing Nexus and Tenure Continuum	28
3.3.7 The Evidence Funnel: From Information to Knowledge	30
4 Methodology	31
4.1 Methodological Approach	31
4.1.1 Sampling Technique	32
4.1.2 Limitations to the Study	36
5 Findings	43
5.1 Affordability	43
5.1.1 Housing Access Pathways and Customer Journey Analysis	45
5.2 Demand-Side Assessment	47
5.2.1 Affordability Ratios : Price-to-Income and Rent-to-income	47
5.2.2 Demographics & Housing Demand	50
5.2.3 Household Profiles: Demand Segment Personas	54

5.2.4	Tenure Security & Inclusion	57
5.2.5	Household Income Distribution and the Limits of Formal Credit	59
5.2.6	Housing Typologies & Adaptability Structures.	62
5.2.7	Housing Financing	67
5.2.8	Landscape of Housing Finance Products in Lesotho	73
5.3	Rental Housing Market Dynamics	79
5.3.1	Common Rental Typologies and Rent Bands	79
5.3.2	Affordability Stress in the Rental Market	80
5.3.3	Opportunities for HFHL Intervention	80
5.3.4	Information, Knowledge and Digital Readiness	81
5.4	Supply-Side Assessment	83
5.4.1	Geographic Distribution of Housing Stock	84
5.4.2	The Housing Value Chain: A Thematic Analysis	85
5.4.3	Value Chain Summary: Actors, Constraints and Opportunities	90
5.4.4	Total Housing Stock, Projections and the Supply Gap	92
5.4.5	Finance Market Inaccessibility	94
5.4.6	Land Tenure Constraints and Market Distortions	94
5.4.7	Constraints to Housing Supply Growth	95
5.4.8	Opportunities to Grow Supply and Bridge the Gap	96
5.5	Lesotho Affordable Housing Ecosystem Mapping Summary	97
5.6	The Affordability Gap	99
6	Conclusions	101
6.1	Systematic Barrier Summary: Prioritisation Matrix	101
6.1.1	Demand-Side Barriers	102
6.1.2	Supply-Side Barriers	103
6.1.3	Investment Opportunities in Affordable Housing	103
6.2	Strategic Recommendations and Implementation Pathway	104
6.2.1	Strategic framing	104
6.2.2	Strategic intervention logic	104
6.2.3	Priority recommendations	105
7	Implementation Roadmap, Monitoring & Sustainability	113
7.1	Partnership Architecture	113
7.2	Monitoring and Evaluation Framework	113
7.3	Risk Register	114
8	Annexures	115
8.1	Demand-Side Questionnaire	115
8.2	Supply-Side Questionnaire	115
8.3	Reference	Error! Bookmark not defined.

List of Figures

Figure 1: Synopsis of Findings	9
Figure 2: Research Objectives	Error! Bookmark not defined.
Figure 3: Objectives of the Analytical Framework	19
Figure 4: "Pools" and "Flows" Approach.	22
Figure 5: Informal Incremental Housing Typology	23
Figure 6: Rental Housing: Malaene Typology	23
Figure 7: Small Owner-Built Housing; Polata & Roundavel Typology	23
Figure 8: Formal Developer Housing Typology	Error! Bookmark not defined.
Figure 9: Subsidised Housing Typology	24
Figure 10: Methodological Process	31
Figure 11: Three-Level Triangulation Framework	40
Figure 12: Lesotho Housing Access Journey	46
Figure 13: Gender Split of Household Heads	50
Figure 14: Age distribution	51
Figure 15: Gender Comparison of Land Tenure Security	58
Figure 16: Vulnerable Groups Tenure Security	58
Figure 17: District-level dominant income pool	60
Figure 18: Housing typology by district	64
Figure 19: Inter-district migration movements.	65
Figure 20: Housing Typology Distribution by Settlement Type	66
Figure 21: Share of household income by income source.	67
Figure 22: Housing Finance Income Source Pooling	68
Figure 23: Monthly Housing Expenditure by District & Gender	69
Figure 24: Blend of household financing strategy (All Households).	72
Figure 25: Key Supply Statistics	83
Figure 26: Supply-side Analysis of Housing Value Chain	85
Figure 27: Affordability gap explorer · HFHL Survey 2026 (primary) vs. national benchmark.	99

Schedule of Figures

Table 1: Summary of Top Recommendations	11
Table 2: Lesotho's Macroeconomic Position - Housing Context	17
Table 3: Community Councils Selected as PSUs	34
Table 4: Summary of a Typical Housing Access Journey	46
Table 5: Affordability Indicator Summary	48
Table 6: Persona 1 - Urban Rental Household	55
Table 7: Persona 2 - Peri-Urban Incremental Builder	55
Table 8: persona 3 - Rural Self-Builder	56
Table 9: persona 4 - Emerging Mortgage Segment	56
Table 10: Summary of Landscape of Housing Product in Lesotho	75
Table 11: Common Rental Typologies and Rent Bands	79
Table 12: The Housing Ecosystem	97
Table 13: List of Demand and Supply Sides Barriers	102
Table 14: Investment Opportunities in Affordable Housing	103

Acronyms

Acronym	Full Definition
BoS	Bureau of Statistics
CAHF	Centre for Affordable Housing Finance in Africa
CBL	Central Bank of Lesotho
DFI	Development Finance Institution
FGDs	Focus Group Discussions
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Lesotho
HfHL	Habitat for Humanity Lesotho
KIIs	Key Informant Interviews
LAA	Land Administration Authority
LACs	Land Allocation Committees
LEC	Lesotho Electricity Company
LHLDC	Lesotho Housing and Land Development Corporation
LMIC	Lower-Middle-Income Country
LNDC	Lesotho National Development Corporation
MFI	Microfinance Institution
MSMEs	Micro, Small, and Medium Enterprises
MTICM	Ministry of Trade, Industry, Cooperatives and Marketing
NHP	National Housing Policy
NGO	Non-Governmental Organisation
PPS	Probability Proportional to Size
PSU	Primary Sampling Unit
PWDs	Persons with Disabilities
SACCOs	Savings and Credit Cooperative Organisations
SACU	Southern African Customs Union
SSU	Secondary Sampling Unit
VIRAL	Vision, Institutions, Regulations, Actors, and Local Initiatives
WASCO	Water and Sewage Company

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1 Executive Summary

1.1 Contextual Overview - Housing in Lesotho

Lesotho's housing affordability challenge is best understood not as a discrete shortage of units, but as a structural crisis produced by the interaction of constrained household incomes, limited fiscal space, shallow housing finance markets, and rising delivery costs. As a lower-middle-income country (LMIC), classified by the World Bank as having a per capita Gross National Income (GNI) between US\$1,136 and US\$4,465, Lesotho occupies a development position in which private housing markets exist but remain insufficiently deep and inclusive to serve most households. At the same time, public resources are available in principle but remain chronically constrained relative to the scale of investment required in infrastructure, land administration, and housing finance. The result is a market in which many households earn above subsistence levels, yet remain unable to satisfy the deposit requirements, underwriting standards, and debt-service thresholds of formal mortgage finance.

Anchoring this analysis is the recognition that adequate housing is a fundamental right, affirmed in the Constitution of Lesotho (Section 25) and in the international instruments to which Lesotho is party, including the International Covenant on Economic, Social and Cultural Rights. Systemic barriers to affordable housing are not merely market inefficiencies; they are deprivations of a constitutionally grounded guarantee, and it is this normative imperative that frames HfHL's catalytic mandate.

From the perspective of the 2018 Lesotho National Housing Policy (NHP), housing is considered a low-priority status and receives a small share of the national budget. This is the zone in which market failure is structural rather than incidental, where neither the private sector nor the state can bridge the affordability gap on its own. This is where the catalytic role of development organisations such as the Habitat for Humanity Lesotho (HfHL), operating at the intersection of community need, market systems, and policy advocacy, becomes not merely desirable but structurally necessary.

This crisis of the low priority status of the budget share extends beyond a simple deficit in housing supply, estimated at 98,711 units in 2018.¹ To date, this shortage has likely

¹ Ministry of Local Government and Chieftainship (2018) *National Housing Policy: Implementation Strategy 2018–2022*. Maseru: Government of Lesotho. Available at: <https://riseint.org/rite2018/wp-content/uploads/sites/4/2018/07/National-Housing-Policy-Lesotho-2018.pdf> (Accessed: 2 April 2026).

intensified due to a decade of sustained urbanisation, at approximately 2.6% per annum.² The shortage reflects, more fundamentally, a systemic misalignment operating across three interdependent dimensions simultaneously. The three include: (i) what households can afford given their income levels, income volatility, and debt service capacity; (ii) what formal housing markets are structured and incentivised to produce; and (iii) what the regulatory, land administration, and financing ecosystem enables in practice. These three misalignments are mutually reinforcing a housing market that does not produce *affordable units at scale* and has no incentive to develop the financing products that would serve them.

Additionally, Lesotho's landlocked geography, enclaved within South Africa, renders it import-dependent for most construction materials, subjecting housing production costs to South African market pricing, exchange rate dynamics, and transport cost premiums that are structurally beyond domestic policy control. A financing ecosystem that cannot serve *low-income households* lacks the mechanism to stimulate the supply-side response required *for affordability*. The regulatory environment, meanwhile, adds compliance costs that price out affordable production whilst offering insufficient protection to the households most exposed to tenure insecurity.

It is within this tightly bound structural reality that this research focuses. This assessment represents a comprehensive, empirically grounded and nationally representative endeavour to disaggregate and quantify these misalignments across the following:

- i. Income segments defined by World Bank classification criteria
- ii. Geographic typologies spanning urban, peri-urban, and rural district contexts
- iii. Gender and vulnerability lines to investigate the inclusion of women, people with disabilities, and youth in land ownership; and
- iv. Housing finance and housing market channels range from formal developer supply and commercial mortgage finance through to incremental self-build, rotational savings groups, and customary tenure arrangements.

By doing so, the study conducts an actionable diagnosis of market channels, identifying structural reasons and the combinations of targeted interventions that can most efficiently and equitably be addressed.

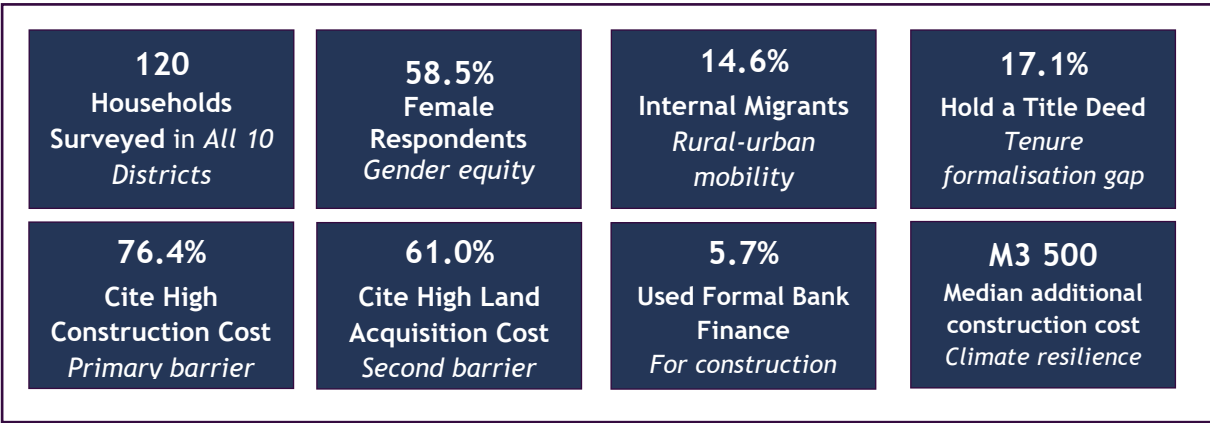
² World Bank (2024) *Urban Population Growth (Annual %) — Lesotho*. World Development Indicators. Washington, DC: World Bank. Available at: <https://data.worldbank.org/indicator/SP.URB.GROW?locations=LS> (Accessed: 2 April 2026).

1.2 Synopsis of Principal Findings

This assessment recognises housing affordability as simultaneously a market systems issue, a tenure security challenge, and a gender equity concern. Unequal access to land and housing—particularly for women-headed households and low-income groups—reinforces cycles of poverty and constrains broader development outcomes including economic participation, asset accumulation, and resilience. This framing aligns the study with Lesotho's National Housing Policy (2018), which positions housing as foundational to inclusive development, and with Habitat for Humanity's 50/50 strategy, which emphasises equitable access to land and housing as central to dignity and inclusion. The evidence that follows demonstrates how each of these three dimensions—affordability, tenure security, and gender equity—is structurally linked, and how interventions must therefore act across all three rather than any one alone.

The Findings Section presents a critical assessment of housing affordability conditions in Lesotho. It examines the structural barriers households face in accessing, constructing, and securing adequate housing. The synopsis below summarises the headline statistics that anchor the analysis: from the dominance of construction and land acquisition costs as the primary affordability barriers, to the near-absence of formal finance, a significant tenure formalisation gap, and an emerging climate resilience cost burden falling on the households least equipped to absorb it.

Figure 1: Synopsis of Findings



For the purposes of this study, affordability is defined as the capacity of a household to access, construct, or purchase adequate housing within a cost range of **M80,000 to M120,000**. This is a threshold derived from the income and expenditure profiles of surveyed households across Lesotho's ten districts. This range is below the price of the cheapest newly built one-bedroom formal urban house as estimated by HfHL, priced at approximately

M189,723.95 (US\$11,082³), underscoring the scale of the gap between what households can afford and what the formal market delivers.

1.2.1 Demand-Side: Affordability Under Structural Stress

Household affordability in Lesotho is constrained at every stage of the housing ladder. The survey reveals that only 5.7% of respondents who had constructed a dwelling had recourse to a formal bank loan. The overwhelming majority financed construction through personal savings (21.1%) and remittances (10.6%), supplemented by rotational savings groups and asset sales. This pattern of self-financed incremental construction is consistent with national statistics indicating mortgage penetration of approximately 4.6% of GDP, with only 2,100 active residential mortgages nationwide. The dominant dwelling typology is the rondavel, or a traditional circular structure, which is occupied by 61.8% of respondents. This reflects not merely *cultural preference* but the affordability constraints that prevent most households from accessing formally built housing.

1.2.2 Tenure Security: The Confidence-Documentation Paradox

One of the most analytically significant findings is the divergence between subjective and objective tenure security. Whilst 74.0% of respondents reported no concern about losing their home, only 17.1% held a leasehold, the most legally defensible occupancy instrument under Lesotho's statutory framework. This divergence is not an anomaly; it reflects the structural architecture of *Lesotho's dual land tenure system*. Under the Land Act No. 8 of 2010, all land in Lesotho is vested in Lesotho, rendering the registered leasehold, rather than *freehold title*, the highest available form of individual occupancy right, and held in trust by the King.⁴ The majority rely on lease agreements, land allocation forms, and traditional chiefs' letters, which are instruments that carry *administrative* but not always legal weight. Among households that had experienced tenure loss, double land allocation (18 cases) and lack of documentation (14 cases) were the dominant causes, pointing to systematic weaknesses in Lesotho's land administration system that the pending Housing Bill must urgently address.

1.2.3 Supply-Side: Absent Developer Pipeline and Finance Gaps

The price of the cheapest newly built formal house in an urban area, M189,723.95, is above the affordability range determined by this study, which is between M80,000 and M120,000.

³ All US dollar (US\$) equivalents cited throughout this report are converted at the exchange rate of US\$1 = M17.08, as recorded on 28 March 2026. Source: Exchange Rates 247 (2026) *Lesotho Loti to US Dollar Exchange Rate*, 28 March 2026. Available at: www.centralbank.org.ls (Accessed: 28 March 2026).

⁴⁴ This claim is supported by Section 4(1) of Lesotho's Land Act No 8 of 2010, which was later amended in 2014.

Notably, low-income households in Maseru can sustain housing expenditures of about US\$55 (M942) per month on average, equivalent to an affordable purchase price of approximately US\$4,987 (M85,378), which falls well within the determined standard range.⁵ This affordability gap of over 100% cannot be bridged through any single instrument. Survey data confirm that 19.5% of respondents found current housing prices entirely unaffordable, and a further 59.3% found them only somewhat affordable, a combined affordability-stress signal affecting nearly four in five households.

1.2.4 Information Architecture and Digital Readiness

About 31.7% of respondents reported confusion about the formal housing process, whilst 70.7% identified traditional chiefs as their primary source of information on housing and land tenure. Encouragingly, 79.7% of respondents indicated willingness to use a digital housing information application. This figure provides compelling empirical justification for investment in a Sesotho-language mobile platform co-designed with traditional governance structures and government agencies.

1.2.5 Gender and Inclusion Gaps

Only 34.1% of respondents were aware of women or youth in their community having successfully accessed land or housing finance. Although indirectly, this metric is consistent with national data indicating that only 35% of women in Lesotho own property.⁶ This finding, combined with the deliberate oversampling of female-headed households (58.5% of the sample), underscores the centrality of a gender lens to HFHL's programmatic response.

1.3 Top Recommendations

Central to this study is the diagnosis that the housing challenge in Lesotho is not a problem of insufficient effort or isolated failure. It is a problem of misalignment of demand capacity, supply incentives, and institutional systems. Addressing this requires more than increasing supply or expanding credit. It requires interventions that reconnect the system, aligning household capacity, market incentives, and institutional frameworks into a coherent whole. Only by addressing these interdependencies can the housing market begin to function as intended: not as a set of parallel systems, but as an integrated pathway through which households can access adequate, affordable, and secure housing in Lesotho. Below are the top recommendations from the study:

Table 1: Summary of Top Recommendations

⁵ Ibid (5)
⁶ Ibid (5)(6)

Time Horizons	Recommendation	Lead Actor(s)
Short Term (0-12 months)	Launch incremental housing finance pilots through MFIs and SACCOs, Econet -Ecocash and Vodacom - Mpesa with HFHL as technical anchor/convener.	HfHL, MFIs, CBL
Short Term (0-12 months)	Develop a Sesotho-language digital housing information platform co-designed with chiefs and LAA and other regulatory bodies. With Monthly dissemination on information available on app in other forms of media to maintain inclusion and equity.	HfHL, LAA, Ministry of Communications, Science, Technology and Innovation, Ministry of Local Government and Chieftainship Affairs, including Econet, Vodacom, Telecom, Starlink for bulk sms messaging
Short Term (0-12 months)	Pilot simplified land documentation <i>schemes</i> for peri-urban and customary land holders.	HfHL, LAA, Dept of Housing, Community Councils, LSPP
Medium Term: (1-3 years)	Support land use zoning and plots lay-outs for low-income housing	Maseru City Council and District Councils
Medium (2-3 years)	Support the development of the National Urban Policy	
Long Term (3-7 years)	Re-introduce Sites-and-Service Schemes	
Medium Term (1-3 years)	Establish a blended finance vehicle (first-loss guarantee) to de-risk affordable housing lending.	HfHL, DFIs, GoL, CBL, commercial banks (?)
Medium Term (1-3 years)	Aggregate MSME developer capacity through a structured supplier development programme.	HfHL, Private Sector, MTICM (in full)
Long Term (3-7 years)	Enact and operationalise the Housing Bill with enforceable housing finance provisions.	Government of Lesotho for operationalising.
Long Term (3-7 years)	Develop a national affordable housing data infrastructure linked to LAA digital registry.	LAA, BoS, HfHL
Long Term (5-10 years)	Establish the National Housing Finance Fund/Bank	Government-Ministry of Finance

2 Introduction

2.1 Context and Rationale

Lesotho's housing sector has been under sustained and compounding pressure for more than a decade. Between 2010 and the present day, the country has undergone a structural transition marked by accelerating rural-to-urban migration, demographic expansion, rising construction-material costs driven by inflation in the South African supply chain, and persistent stagnation in the formal housing finance market.⁷ The result is a widening gap between housing need and housing supply, a deficit that, by the time of the National Housing Policy in 2018, was estimated at 98,711 units and has, given the pace of urbanisation and the absence of a commensurate supply-side response, deepened materially since.⁸

Lesotho is a small, landlocked country of approximately 2.3 million people, enclaved by South Africa.⁹ This is a geographic reality that fundamentally shapes its economic structure, material import costs, and labour market dynamics. With a nominal GDP per capita of M16,199 (approximately US\$897.56) in 2023, rising marginally to M16,965 (approximately US\$974) in 2025, Lesotho exhibits structural poverty patterns that define housing access.¹⁰ Approximately one-third of the population lives below the national poverty line, unemployment is structurally elevated, and a significant proportion of household income derives from informal sources, remittances, and social transfers rather than formal wage employment.¹¹

Maseru, the capital of Lesotho, is the primary locus of urbanisation pressure. Projections from secondary sources indicate that Maseru and its surrounding urban hinterland could accommodate approximately 550,000 residents by 2030, reflecting sustained urban expansion and population growth trends.¹² This implies that acute near-term demand escalation in an urban housing market is already characterised by inadequate formal supply, fragmented land administration, and a predominance of informal self-built dwellings.

The aggregate statistics are instructive: of Lesotho's approximately 574,737 residential properties, only 100,809 hold leaseholds, and the country has only 2,100 residential

⁷ World Bank (2025) *GDP Per Capita (Current US\$) — Lesotho*. World Development Indicators. Washington, DC: World Bank. Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=LS> (Accessed: 2 April 2026).

⁸ Ministry of Local Government and Chieftainship (2018) *National Housing Policy: Implementation Strategy 2018–2022*. Maseru: Government of Lesotho.

⁹ World Bank. (2024) *Lesotho Data*. Washington, DC: World Bank. Available at: <https://data.worldbank.org/country/lesotho> (Accessed: 25 March 2026).

¹⁰ Central Bank of Lesotho. (2023) *Lesotho Economic Outlook 2023–2025*. Maseru: Central Bank of Lesotho.

¹¹ Ibid (8)

¹² UN-Habitat (2015) *Lesotho Urban Housing Profile*. Nairobi: United Nations Human Settlements Programme. Available at: <https://unhabitat.org/lesotho-urban-housing-profile> (Accessed: 23 March 2026).

mortgages at a combined value of US\$94 million, resulting in a mortgage-to-GDP ratio of 4.6%, serviced by only four mortgage providers - commercial banks.

The analytical framework is further grounded in a rights-based perspective, which recognises housing and tenure security not solely as economic assets but as foundational conditions for human dignity, social inclusion, and community resilience. This lens draws on the internationally recognised right to adequate housing as enshrined in the United Nations Article 25 of the Universal Declaration of Human Rights and Article 11(1) of the International Covenant on Economic, Social and Cultural Rights.¹³ These articles state parties to progressively realise the right to an adequate standard of living, including housing.¹⁴ The UN Committee on Economic, Social and Cultural Rights, in General Comment No. 4, elaborates that the right to adequate housing encompasses security of tenure, affordability, habitability, accessibility, and cultural adequacy; criteria that directly inform and are operationalised within this study's analytical architecture.

Within this framework, tenure security is treated as both a development outcome and an economic indicator. Secure tenure enables households to invest in their dwellings, resist forced eviction, access financial services, and exercise autonomy over their built environment. These are outcomes that extend well beyond the economic logic of collateral and credit. This positioning aligns explicitly with Habitat for Humanity International's institutional mandate, which frames access to adequate housing as a prerequisite for poverty alleviation, gender equity, and resilient communities.

In the Lesotho context, where only 17.1% of surveyed households hold formal title documentation despite 74.0% reporting subjective tenure confidence, the gap between perceived security and legally enforceable rights is itself a critical diagnostic that the rights-based lens makes visible in ways that purely market-based analyses obscure.

2.2 Policy Framework

Lesotho's housing development is governed by an evolving yet incomplete legal and policy framework. The NHP (2018) represents the country's first formally adopted housing policy, articulating a vision for adequate, affordable housing across all income groups. However, the NHP is not accompanied by a Housing Act to give its provisions legal enforceability; a critical gap that limits its practical impact on market behaviour and household rights.

¹³ United Nations (1948) *Universal Declaration of Human Rights*. New York: United Nations.

¹⁴ United Nations (1966) *International Covenant on Economic, Social and Cultural Rights*. New York: United Nations.

The Land Act (2010) governs land tenure and allocation. Still, its interaction with customary land systems *creates persistent ambiguities in peri-urban contexts*, rippling the same effects in the rural and urban areas and generating the dual tenure dynamic that this research analyses in depth. In addition, the Constitution of Lesotho requires the state to adopt policies encouraging property acquisition but renders this principle non-justiciable).¹⁵ Lesotho, therefore, has no direct, enforceable legal right to housing. The Ministry of Local Government, Chieftainship, Home Affairs and Police (Department of Housing) is currently developing a Housing Bill, and the Commissioner of Land is working on complementary land-use legislation, the most significant regulatory inflexion points for affordable housing in Lesotho, for the near- to medium-term. HfHL is, therefore, positioned as a strategic advocacy partner in both legislative processes.

These gaps are not merely diagnostic observations; they represent concrete entry points for HfHL and its partners. The pending Housing Bill presents an immediate advocacy window: HfHL is positioned to engage in the legislative process and ensure that the Bill incorporates enforceable provisions for affordable housing obligations, tenant protection, and incremental build support. The Land Act's formalisation bottleneck signals a second entry: piloting simplified, accessible land documentation pathways in peri-urban areas through partnership with the Land Administration Authority.

The chronic underfunding of delivery agencies points to a third: building the institutional and financial case for a dedicated affordable housing budget allocation and a blended finance mechanism that reduces dependence on constrained public expenditure. Collectively, these entry points define the advocacy and market systems agenda that this research is designed to inform and support.

Within this policy context, the Millennium Challenge Account (MCA) Lesotho II programme, funded by the United States Millennium Challenge Corporation (MCC), constitutes a significant institutional resource and a strategic alignment opportunity for HfHL. The MCA model is designed to reduce poverty by securing land rights, regularising informal settlements, and transforming customary land into formally registered and financially bankable assets.¹⁶ Its operational approach centres on three core mechanisms: systematic

¹⁵ Constitution of Lesotho 1993 (as amended) s 34; read with s 25 (rendering the Principles of State Policy non-justiciable).

¹⁶ Millennium Challenge Corporation (2024) *Property Rights and Land Policy*. Available at: <https://www.mcc.gov/sectors/sector/property-rights-and-land-policy/> [Accessed: 18 May 2026].

land regularisation, parcel boundary surveying and institutional modernisation of local land authorities.

First, tenure security is essential for entire neighbourhoods or agricultural blocks in which are surveyed and registered collectively rather than through individual household processes. Secondly, regularising informal settlements parcel boundary surveying using modern GPS and Geographic Information Systems (GIS) technologies, enable accurate mapping, dispute resolution, and digital entry into a formal land registry. Lastly, the world is integrating into the 4th Industrial revolution, thus, institutional modernisation of local land authorities, including the Land Administration Authority (LAA) of Lesotho, is essential to improve administrative efficiency, reduce barriers to formalisation, and address corruption risks within land administration systems.

The relevance of MCA model to the housing affordability challenge in this research is nuanced and multidimensional. By formalising tenure through long-term leases or title instruments, the model unlocks land as collateral for institutional lending. This is an enabling condition that incremental housing finance instruments require to function at scale. The MCA framework further prioritises gender equity as a structural design principle, ensuring women are legally recognised as landholders through legislative reform and public awareness mechanisms, directly addressing the gender exclusion documented in this research in practise, however noted in legislature. HfHL is well-positioned to engage with the MCA-Lesotho II programme and the Land Administration Authority to identify areas of co-implementation and joint advocacy, particularly in relation to land parcelling and surveying initiatives that would create the documented and demarcated plot environment necessary for scalable finance deployment in peri-urban target areas.

2.3 Economic Classification and Structural Context

Lesotho is classified by the World Bank as a lower-middle-income country (LMIC), a designation applied to economies with a per capita Gross National Income (GNI) of between US\$1,136 and US\$4,465 (M19,481 and M76 571). This classification is analytically significant beyond its taxonomic function. It locates Lesotho within a cohort of economies that share a common structural profile: sufficient market development to sustain private sector activity, yet insufficient depth to extend that activity across the population at scale. Fiscal capacity exists in principle but remains chronically constrained relative to the demands of public infrastructure investment, land administration, and social service provision.

To improve land-market efficiency and reduce transaction barriers, the Government of Lesotho introduced reforms to the land administration system that removed the requirement for ministerial consent for most transactions involving leased land under the Land Act. These powers were delegated to the Land Administration Authority (LAA), which must process transfer consents within 30 days. This reduces holding costs for developers and households, which otherwise inflate the final price of a house, making the market more likely to clear at affordable price points.

Building on these reforms, the legal framework provides explicit protections against forced eviction for women, children, and other vulnerable groups. It also grants women the legal right to hold and inherit land in their own name, overriding previous customary restrictions. The GoL also decentralised the land allocation to local community authorities through Land Allocation Committees (LACs). They are responsible for allocating land and conducting planning functions without referring to central ministries. Chiefs no longer have legal authority to allocate; however, local authorities are encouraged to consult them.

The table below traces how this macro position translates into a structural *affordability* gap. It is a level of development at which poverty is not absolute but is widespread, and at which the institutions and instruments that mediate economic opportunity, credit markets, property rights systems, and formal labour markets remain underdeveloped for a significant proportion of the population.

Table 2: Lesotho's Macroeconomic Position - Housing Context

Indicator	Value	Significance
World Bank Classification	LMIC (Lower-middle income country)	GNI per capita (US\$1,136-US\$4,465); signals constrained fiscal capacity and shallow credit markets
Total Households	600,072	Baseline demand population for housing finance solutions
Share of households below the poverty line	~ 33%	Limits debt serviceability and savings accumulation.
Maximum monthly housing spend (low-income in the urban & peri-urban) ¹⁷	US\$38 (M700)	Below minimum formal mortgage threshold by a factor of at least 3 times.
Minimum formal mortgage debt service	US\$150	At current prevailing commercial rates and tenure conditions
Formal mortgage market penetration	Negligible	Structural gap: despite acknowledged housing demand across income tiers
Households with formal employment income.	65.1%	Coexists with widespread informal and irregular income streams
SACU customs revenue dependency	High	Single largest government revenue source; highly externally exposed.

¹⁷ Bureau of Statistics Lesotho (2023) *Lesotho Household Budget Survey 2022/23*. Maseru: Bureau of Statistics.

The macroeconomic structure of Lesotho reflects this profile. The economy is heavily reliant on four primary revenue streams: subsistence agriculture, textile and garment manufacturing exports, remittances from migrant workers employed in South Africa and abroad, and customs receipts from the Southern African Customs Union (SACU).¹⁸ This revenue base carries two defining characteristics. First, it is disproportionately externally driven, SACU transfers alone account for a substantial share of government revenue, and remittances constitute a significant component of household income across the country. Second, each stream is subject to external shocks largely beyond the reach of domestic policy. The structural consequence is an economy characterised by volatile aggregate income flows and limited fiscal buffers, conditions that constrain both public investment in enabling infrastructure and household capacity to accumulate assets over time.

2.4 Research Objectives

This research was commissioned by Habitat for Humanity Lesotho (HfHL) to provide a comprehensive, evidence-based analysis of sectoral housing affordability in Lesotho, with a particular focus on **the low- and middle-income household segment** as defined by World Bank income classification criteria. The study aims to:

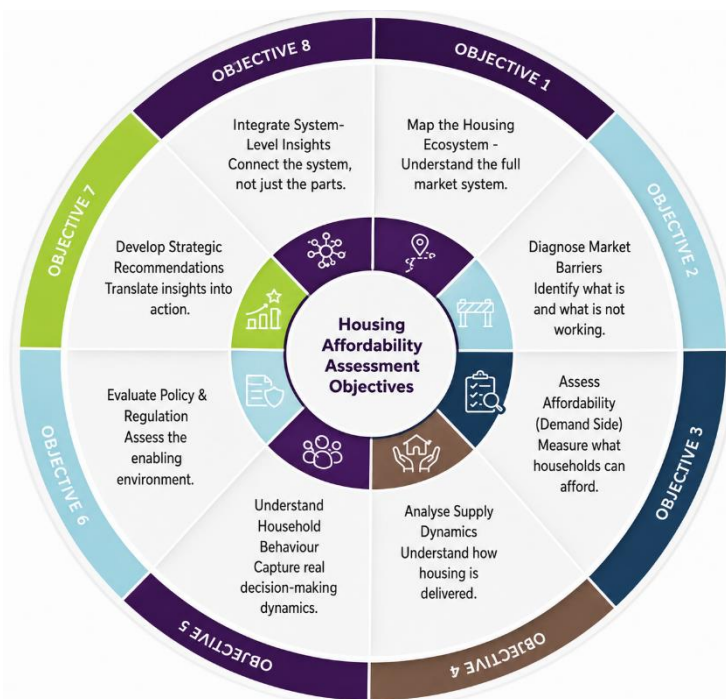


Figure 2: Research Objectives

¹⁸ World Bank (2024b) *Lesotho Overview*. Washington, DC: World Bank. Available at: <https://www.worldbank.org/en/country/lesotho/overview> (Accessed: 26 March 2025).

3 Analytical Framework

3.1 Purpose & Scope

The primary aim of the analytical framework for research on sectoral housing affordability in Lesotho is to provide a structured diagnostic lens for evaluating housing access and market functionality. It moves beyond descriptive accounts of housing shortages to identify the behavioural and structural drivers of market outcomes. This is grounded in the understanding that affordability challenges in the Kingdom of Lesotho are systemic and market-wide rather than project-specific. The framework integrates **quantitative metrics with qualitative behavioural dynamics** to explain the gap between national policy intent and observed market realities. Specifically, this analysis aims to examine the sectoral housing market affordability in Lesotho.



Given the exploratory nature of this analysis, the study operationalises this analytical approach by anchoring it in a set of core objectives that delineate the scope of inquiry and steer the diagnostic process. These objectives define the dimensions through which housing affordability is examined. The analysis is structured around market performance, systemic constraints, and household-level outcomes. The analytical framework's objectives are illustrated in the figure below.

Figure 2: Objectives of the Analytical Framework

1. *Market System Functionality*: Assesses whether the housing market in Lesotho is functioning efficiently; that is, it clears at affordable price points for most households. It further helps identify structural inefficiencies.
2. *Market Structure & Dynamics*: Segment the housing market into distinct pools and analyse household mobility (flows) across the housing ladder.
3. *Affordability and Financial Capacity*: Analyses how income, housing supply, finance, land systems, and policy frameworks interact to shape housing affordability outcomes.
4. *Supply and Cost Delivery Constraints*: Analyse how housing delivery systems and supply limitations or opportunities play out in the market and break down capital and operational cost structures into distinct housing pools (market segments) to understand how different income groups access housing.
5. *Structural and Institutional Constraints*: Examine the land-housing-finance nexus to identify systemic barriers (tenure, finance, policy, and infrastructure) to integrating macroeconomic and institutional contexts.

3.2 Framework

The foundation of this analytical framework is the **UN-Habitat housing model**, aligned with *Habitat for Humanity's definition of housing*¹⁹. The model views housing not merely as a physical shelter but as the total social, economic, and physical environment in which people grow and develop. The framework adopts and operationalises this definition through two core components: the criteria for adequate housing and a multi-dimensional affordability framework.

These two components provide the conceptual foundation for the analytical framework, enabling the assessment of housing affordability as a function of both upfront capital requirements and ongoing cost burdens. In the Lesotho context, this distinction is critical to explaining how households navigate among incremental building, rental housing, and formal ownership under varying financial and institutional constraints.

The approach establishes housing as a primary strategy for poverty alleviation, recognising that a functioning housing sector stimulates domestic production through simple, labour-intensive methodologies and creates a financial springboard for household investment.²⁰ This framework acknowledges that Lesotho's NHS (2018) was originally developed within the UN-Habitat Global Housing Strategy (GHS) framework and informed by the Lesotho Housing

¹⁹ Housing as a stable, decent, and affordable place to live that acts as a foundation for strength, stability, and independence.

²⁰ Ibid (1)

Profile as guided by Lesotho's National Housing Committee (NHC) and the first National Strategic Development Plan (NSDP I).²¹

Complementing the UN-Habitat affordability framework is a rights-based approach to housing (RBA), which interprets findings not merely as market failures but as breaches of the enabling conditions for the realisation of the right to adequate housing.²² Under the RBA lens, the research examines who is systematically excluded, what structural mechanisms sustain that exclusion, and which duty-bearers are accountable for closing those gaps. This framing is particularly important for the gender and inclusion findings, where housing exclusion intersects with constitutional rights to equality and non-discrimination.

3.3 Mechanism

3.3.1 The Pools and Flows Approach

Building on the UN-Habitat conceptual model, the analysis employs a **Pools and Flows approach or the Housing Ladder** to analyse housing market structure and household mobility. This approach is adapted from the South African housing sector performance models to suit the specificities of the Lesotho context. It conceptualises the housing system as a set of segmented housing “pools” connected by dynamic “flows” of households over time, while also capturing the change in the behavioural patterns of households with changes in the income threshold.²³ The Pools and Flows framework is presented below.

²¹ Ibid (2)

²² Committee on Economic, Social and Cultural Rights (CESCR) (1991) *General Comment No. 4: The Right to Adequate Housing (Article 11(1) of the Covenant)*. UN Doc. E/1992/23. Geneva: United Nations.

²³ Rust, K. (2006). *Analysis of South Africa's Housing Sector Performance*. FinMark Trust, Johannesburg.

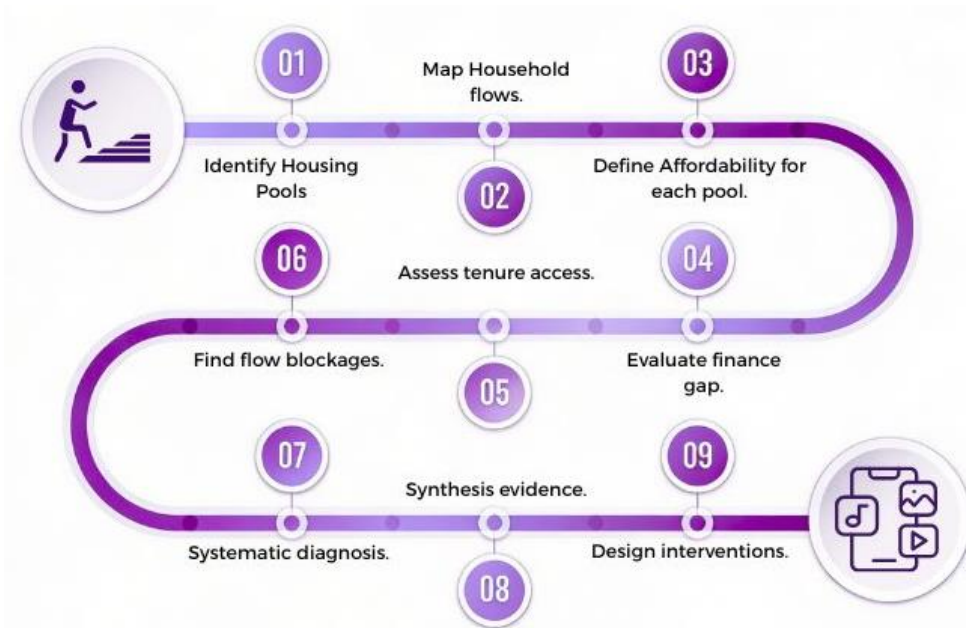


Figure 3: "Pools" and "Flows" Approach.

The Pools and Flows model illustrate the structure of the housing market as a system of interconnected segments through which households transition over time. In Lesotho, upward mobility is significantly constrained by structural barriers, particularly at the transition from incremental housing to formal ownership. These constraints, driven by limited access to finance, tenure insecurity, and high construction costs, result in households becoming concentrated in lower-tier housing segments, preventing the market from clearing at affordable prices.²⁴

3.3.2 Housing Pools (Market Segmentation)

The housing market in Lesotho is characterised by a segmented structure comprising distinct 'pools' of housing, each defined by its own affordability thresholds, tenure conditions, and supply dynamics.²⁵ Collectively, these pools form the housing ladder through which households attempt to progress over time. Key segments include incremental self-built housing, low-cost rental typologies such as *malaene*, small owner-built structures, and formal developer-driven housing. While this segmentation reflects a functional hierarchy, it also exposes a deeply uneven distribution of access, with most low-income households concentrated in informal and incremental segments.

²⁴ Nzau, B. and Trillo, C. (2020) 'Affordable Housing Provision in Informal Settlements through Land Value Capture and Inclusionary Housing', *Sustainability*, 12(15), p. 5975. Available at: <https://doi.org/10.3390/su12155975>.

²⁵ FinMark Trust (2022) *FinScope Consumer Survey Lesotho 2022*. Johannesburg: FinMark Trust.

Importantly, this structure is not static. It is continually reshaped by the interaction of *household income, land access, and financing mechanisms*, which together determine the extent to which households can transition between segments and achieve upward mobility within the housing system. In Lesotho, the primary pools include:

1. **Incremental Self-Built:** The dominant mode of delivery, where households construct dwellings in layers over many years, as funds become available (without a formal mortgage), and typically on unplanned land.



Figure 4: Informal Incremental Housing Typology

2. **Rental Housing (Malaene Typologies):** Low-cost, often informal high-density rental units that serve a significant portion of urban workers and migrants.



Figure 5: Rental Housing: Malaene Typology

3. **Small Owner-Built Housing (*polata & roundavel*):** Basic standalone dwellings often transitioned from customary to semi-formal status.



Figure 6: Small Owner-Built Housing; Polata & Roundavel Typology

4. **Formal Developer Housing:** A limited segment primarily targeting higher-income earners and expatriates.



Figure 8: HFHL Standard Metal-Roof House Model

5. **Subsidised Housing:** Constrained public supply delivered through institutions such as LHLDC



Figure 7: Subsidised Housing Typology

3.3.3 Household Flows (Mobility Pathways)

Building on the market segmentation, the analysis examines how households move between housing “pools”. It identifies where progression along the housing ladder is constrained. Evidence from secondary research indicates a significant blockage at the transition into formal homeownership, driven by high construction costs and a shallow mortgage market, with approximately **2,100 residential mortgages** recorded nationwide.²⁶ Key household mobility pathways in Lesotho are characterised by the sequential migration of households from rural areas into peri-urban settlements, often transitioning into low-cost rental typologies such as *malaene* units around Maseru. These flows reflect both economic necessity and the limited availability of affordable housing options in urban centres.

Although there is a growing presence of bungalow-type housing, particularly in metropolitan areas, this segment remains largely inaccessible to low-income households due to high entry costs and restrictive financing mechanisms. Consequently, the expansion of bungalow housing does little to alleviate affordability constraints, reinforcing structural inequalities

²⁶ Matooane, L.S. (2025) *Lesotho Housing Finance Yearbook 2025*. African Union for Housing Finance. Available at: <https://housingfinanceafrica.org/wp-content/uploads/2025/03/LESOTHO.pdf> (Accessed: 23 March 2026).

in access to adequate housing.²⁷ In addition, a critical pathway within the housing system is the attempted transition from rental and informal dwellings into ownership through incremental self-building strategies. These processes are pursued by a range of actors, from individual households to collective financial mechanisms such as Savings and Credit Cooperative Organisations (SACCOs). However, progression along this pathway remains constrained and frequently incomplete.

In the Lesotho context, household transitions are fundamentally shaped by income dynamics, access to finance, and land availability.²⁸ Together, these factors determine whether households can move beyond incremental construction into fully formalised ownership. Where such enabling conditions are absent, households become effectively ‘trapped’ within lower-tier housing segments, reinforcing structural inefficiencies in the housing market.

A central function of the mechanism is to identify points where flows are constrained, resulting in systemic inefficiencies. In Lesotho, key blockages occur at:

- *Rural → Peri-Urban Rental “malaene”*: the transition from rental to ownership, due to income instability and limited savings.
- *Rental → Incremental Ownership*: the transition from incremental housing to formal ownership, due to restricted access to mortgage finance.
- *Incremental → Formal Ownership (limited)*: the formalisation of land tenure, due to the complexities of the dual land system.

These constraints reinforce reliance on incremental housing and prevent households from progressing along the housing ladder. Households frequently rely on informal financial mechanisms, including savings groups (commonly referred to as “*stokvels*”) and remittances to support these transitions in the absence of accessible formal credit markets.

3.3.4 Affordability as the Binding Constraint

The interaction between housing pools and household mobility pathways ultimately converges on affordability as the central constraint within the housing system. While the housing ladder suggests a theoretical progression from informal to formal housing, this

²⁷ Bhanye, J., Lehobo, M.T., Mocwagae, K. and Shayamunda, R. (2024) ‘Strategies for sustainable innovative affordable housing for low-income families in Africa: A rapid review’, *Discover Sustainability*, 5(157).

²⁸ Ibid

trajectory is rarely realised in practice due to a persistent mismatch between household incomes and the cost of delivering formal housing. Affordability constraints manifest across three interrelated dimensions:

- *Income affordability*: household earnings are insufficient to meet prevailing housing costs.
- *Purchase affordability*: access to mortgage finance is restricted by collateral requirements, stringent credit assessments, and limited penetration of formal lending instruments.
- *Repayment affordability*: ongoing financial obligations often exceed sustainable thresholds, leaving households vulnerable to default and financial stress.

These constraints are compounded by structural factors, including high construction costs, limited access to serviced land, and a financial sector that remains inaccessible to the majority of low-income households.²⁹ Together, these dynamics prevent the housing market from “clearing”³⁰ at price points accessible to most Basotho households, reinforcing reliance on incremental and informal housing solutions.

This dynamic underscores the importance of understanding housing affordability not merely as a financial metric, but as a systemic constraint that shapes both market structure and household behaviour. Affordability thus emerges as the binding factor that determines household mobility, constrains progression along the housing ladder upward, and perpetuates structural inefficiencies within Lesotho’s housing market.³¹

3.3.5 Systemic Diagnostics: The VIRAL Framework

In addition to the Pools and Flows mechanism and the identification of affordability as the binding constraint, the analysis applies the **VIRAL Diagnostic Framework** (Vision, Institutions, Regulations, Actors, and Local Initiatives) to interrogate the systemic drivers underpinning housing market outcomes. This framework provides a multi-layered institutional and governance lens, enabling the analysis to move beyond household-level constraints and examine the structural conditions that shape market functionality. In doing so, it aligns directly with the study’s objective of linking observed market outcomes to underlying system failures.³²

²⁹ Mabesa, M.J. (2024) *Integrated Analysis of Land Administration and Housing Management Systems in Lesotho*. PhD Thesis. University of Cape Town.

³⁰ In economic terms, a market “clears” when prices adjust so that demand equals supply. In housing, this would mean that the cost of units aligns with what households can afford. Where formal houses are priced far above household income levels, demand is suppressed and the market fails to clear, leaving households reliant on informal or incremental solutions

³¹ Ibid (6)

³² World Bank. (2016) *Lesotho Housing Sector Assessment*. Washington, DC: World Bank.

Institutions and Regulations

This dimension assesses how institutional arrangements and regulatory frameworks enable or constrain housing delivery. In the Lesotho context, key issues include:

- *Administrative delays affecting land registration and formalisation.*
- *The absence of a comprehensive Housing Act.*³³
- *Misalignment between infrastructure provision and spatial planning systems.*

Together, these factors increase transaction costs, delay project implementation, and reduce supply responsiveness.

Actors

This component maps the roles and interactions of stakeholders within the housing ecosystem, including:

- *Public-Sector and Regulatory Stakeholders:* Land Development Corporation (LHLDC), the Land Administration Authority (LAA) and the Ministry of Local Government, Chieftainship, Home Affairs and Police, Maseru City Council (MCC), Disaster Management Authority (DMA), Ministry of Gender, Youth and Social Development (MGYSD), Ministry of Natural Resources, Districts Administrators (Das) and the Lesotho Highland Development Authority (LHDA).
- *Financial institutions and Housing Finance Actors:* Commercial Banks (FNB, Std Bank, Nedbank & Post Bank) and Microfinance institutions (Letshego Financial Services, Lesana and Prime Capita), Local savings groups / housing cooperatives (field identified), including SACCOs.
- *Private-Sector Supply Side Actors:* Developers, contractors, and building-material suppliers, Lerotholi Polytechnic Institute and Limkokwing University (Faculty of Architecture).
- *Civil Society, non-Governmental Organisations (NGO)s and Development Partners:* UN- Habitat, UNFPA, World Vision International Lesotho, SOS Lesotho, Lesotho National Federation of Organisations of the Disabled (LNFOD), WFP Lesotho, Civil society, academia and technical experts.
- *Households and Community Stakeholders:* Customary authorities, community leaders and communities, and Households (urban, peri-urban, rural).

The analysis highlights coordination gaps and capacity asymmetries, which limit the effectiveness of housing delivery systems.

³³ Government of Lesotho. (2018) *National Housing Policy*. Maseru: Ministry of Local Government.

Local Initiatives

Recognising the “massive, small” contribution of households, this dimension captures the role of incremental self-building, informal savings mechanisms (e.g., stokvels, ‘mechaellano’), and community-based financial structures such as SACCOs. These localised responses represent adaptive strategies to systemic constraints, but also underscore the absence of accessible, formalised housing finance and delivery mechanisms.

Link to Market Outcomes

The application of the VIRAL framework reveals that blockages in household mobility pathways and affordability constraints are not isolated phenomena. Rather, they are the product of interconnected institutional, regulatory, and market failures. This reinforces the possibility that housing affordability challenges in Lesotho are systemic rather than project-specific, requiring coordinated interventions across policy, finance, and delivery systems.

3.3.6 The Land-Housing Nexus and Tenure Continuum

The framework explicitly incorporates the land-housing nexus as a central structural determinant of housing affordability in Lesotho. This nexus reflects the interdependence between land access, tenure security, infrastructure provision, and housing finance, which collectively shape both supply dynamics and household investment behaviour.

In Lesotho, this relationship is defined by a dual land tenure system, comprising statutory leasehold and customary tenure (**Form C**). While customary tenure provides accessible entry points for low-income households, it lacks the formal legal recognition required by financial institutions, thereby limiting its use as collateral.³⁴ As a result, a significant proportion of households remain excluded from formal mortgage finance, reinforcing reliance on incremental, self-financed construction pathways. The framework applies the Continuum of Land Rights to analyse how varying degrees of tenure security influence housing outcomes. Rather than viewing tenure as binary (formal vs informal), this approach recognises a spectrum of rights, ranging from perceived security under customary systems to fully registered leasehold titles.³⁵

As lived experience, the transition from informal occupation or customary tenure to statutory leasehold in Lesotho involves institutional, procedural, and cost-related barriers that substantially limit uptake among low-income households. Tenure adjudication is

³⁴ Ibid (5)

³⁵ UN-Habitat (2008) *Secure Land Rights for All*. Nairobi: United Nations Human Settlements Programme (UN-Habitat).

distributed across multiple authorities; the Land Administration Authority (LAA), the Ministry of Local Government, and traditional leadership structures. This has no integrated referral mechanism for households in peri-urban areas where jurisdictional boundaries are contested.

The formal formalisation pathway requires boundary surveys by registered surveyors, documentation of occupancy history, and LAA processing, each of which imposes direct costs and time demands that are prohibitive relative to the incomes of the target population. The result is that the continuum of land rights, while a useful conceptual frame, does not function as a practical progression for most low-income households: they occupy a position on the continuum not by choice or incremental advancement, but by default constrained from formalisation rather than moving toward it.

Within this continuum:

- Households with formal leasehold can access mortgage finance and formal housing markets.
- Households with customary tenure rely on informal or short-term finance.
- Households without secure tenure face heightened vulnerability and limited investment incentives.

This dynamic creates a form of “dead capital”, where land and housing assets cannot be leveraged for long-term access to finance, constraining upward mobility along the housing ladder.³⁶ Furthermore, the land-housing nexus contributes significantly to the capital cost structure of housing delivery. The cost of land acquisition, tenure formalisation, and infrastructure servicing (water, roads, electricity) increases the minimum viable price of formal housing units beyond the affordability thresholds of most households. Consequently, the nexus serves as a binding structural constraint, directly linking to the blockages observed in household mobility pathways and reinforcing the persistence of incremental and informal housing systems.

It is important to note that customary land tenure is not simply a legal deficiency awaiting formalisation. For many households, particularly in rural and peri-urban areas, customary allocation by traditional chiefs represents a trusted, accessible, and culturally legitimate form of land security that formal markets cannot readily replicate at comparable cost or

36

speed. Reform proposals that treat customary tenure as a transition stage toward full formalisation risk displacing social protections without providing adequate substitutes.

From an advocacy standpoint, HfHL's position should support a graduated tenure continuum approach. It strengthens the legal recognition and financial utility of existing customary instruments (including the Form C certificate), while building incremental pathways to statutory leasehold rather than requiring full formalisation as a precondition for housing finance access.

3.3.7 The Evidence Funnel: From Information to Knowledge

To ensure that the analytical framework translates into actionable and decision-relevant insights, the study adopts an Evidence Funnel approach to structure the integration of data and findings. This approach recognises that housing market analysis requires the synthesis of multiple data sources and perspectives, moving from broad contextual understanding to targeted, evidence-based conclusions. The Evidence Funnel is structured across three sequential stages:

3.3.7.1 Secondary Data Analysis (Context Setting)

The process begins with the review of policy and regulatory frameworks, housing sector reports, and macroeconomic and demographic data. This stage establishes the baseline understanding of market structure, constraints, and trends, and informs the design of primary data collection tools.

3.3.7.2 Primary Data Collection (Validation and Deepening)

Primary data is collected through household surveys and key informant interviews (KIIs). This stage captures lived household experiences, behavioural dynamics, and market realities not reflected in secondary data.

4 Methodology

4.1 Methodological Approach

The study employs a mixed-methodological approach, integrating quantitative and qualitative methods to generate well-founded, strategically significant insights into housing affordability in Lesotho. Mixed methods research has been widely recognised as particularly effective in complex social policy domains, as it allows for the integration of statistical evidence with contextual narratives, thereby strengthening both the validity and the applicability of findings.³⁷ This design is especially well-suited to the housing sector, where affordability outcomes are shaped not only by measurable economic indicators but also by behavioural dynamics, institutional constraints, and lived household experiences.³⁸ By triangulating survey data with qualitative perspectives, the methodology enhances the credibility of findings, deepens contextual understanding, and enables the validation of observed market patterns.³⁹

The research design is anchored in a structured household survey administered through digital data collection tools to ensure efficiency, accuracy, and real-time monitoring. This is complemented, where appropriate, by targeted stakeholder engagements, which provide institutional and policy perspectives critical to interpreting household-level data. The methodological process unfolds across four key phases; (i) *Inception and Analytical Framing*, in which the research objectives and analytical framework are defined; (ii) *Sampling and Survey Instrument Development*, ensuring alignment with the housing affordability framework and target population; (iii) *Fieldwork and Data Collection*, involving the deployment of enumerators and real-time data capture; and (iv) *Data*

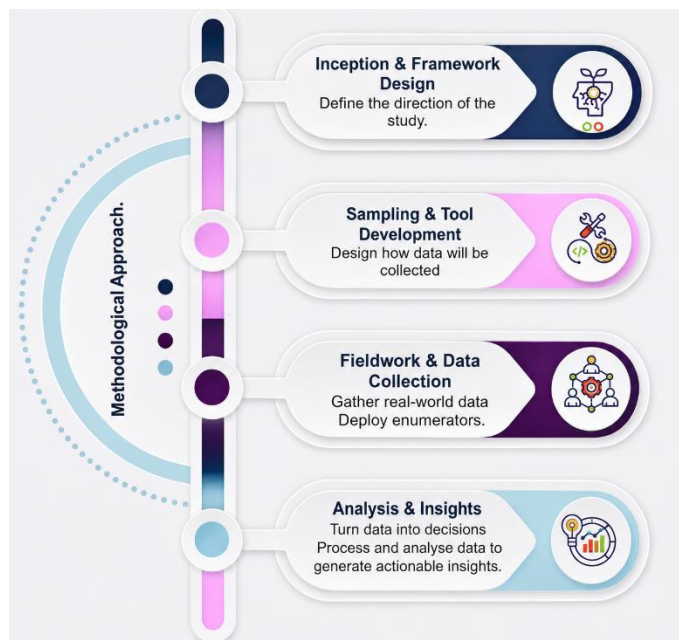


Figure 8: Methodological Process

³⁷ Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and Conducting Mixed Methods Research* (3rd ed.). Sage Publications.

³⁸ Ibid (7)J., Lehobo, M.T., Mocwagae, K. and Shayamunda, R. (2024) 'Strategies for sustainable innovative affordable housing for low-income families in Africa: A rapid review', *Discover Sustainability*, 5(157).

³⁹ Olanirana, T. O., Musvotob, G. G., & Aulec, T. T. (2024). *Potentials for Adopting Sustainable Mixed-Income Housing in African Cities: A Bibliometric and Systematic Review. Urban, Planning and Transport Research*, 12(1), 2405195

Processing, Analysis, and Reporting, where findings are translated into actionable insights to inform strategy, policy, programming, and investment decisions within the housing sector.

The primary data collection is anchored in a structured household survey administered through the [KoboToolbox](#) platform, complemented by qualitative insights from key informant interviews and stakeholder engagements. The approach is diagnostic and analytical, designed to:

- quantify affordability constraints,
- capture behavioural and market dynamics, and
- validate findings from secondary data sources.

The use of digital data collection tools enables real-time data capture, validation, and transmission, reducing errors associated with manual entry and improving overall data quality.

The methodology is extensively grounded in a **participatory, systems-based approach**, ensuring that data reflect the lived realities of households while aligning with institutional and policy frameworks.

4.1.1 Sampling Technique

4.1.1.1 Sampling Approach

The sampling approach was based on Lesotho's administrative geography, using the country's ten districts as the primary units of organisation. Within each district, the sample was structured to capture variation across the four ecological zones: Lowlands, Foothills, Mountains, and the Senqu River Valley, as well as three settlement types: urban, peri-urban, and rural. This design ensured geographic coverage and typological diversity and informed the stratification and direct selection of enumeration areas. No prior household listing was conducted; instead, communities were sampled based on the defined geographic and settlement characteristics, after which households were selected within those areas.

4.1.1.2 Sample Size

The final sample comprised **120 households** drawn from **38 villages** across **14 community councils** in all **10 districts**, stratified by ecological zone and settlement type. This exceeded the study's originally set minimum threshold of 100. The sample size determination followed

the Cochran (1977) formula for estimating proportions.⁴⁰ This is the standard approach applied in sectoral access assessments of this nature.

$$n = \frac{z^2 q(1 - q)}{e^2}$$

Symbol	Value	Description
z	1.96	Critical value of the normal distribution at 95% confidence
q	0.50	Conservative prevalence assumption, used when population proportion is unknown; maximises variance
e	8.9%	Margin of error, derived by solving the formula for <i>n</i> = 120
n	120	Final achieved sample size

Solving for the margin of error, *e*, with *n* = 120 yields approximately **8.9%** at the 95% confidence level, compared to 10.0% for the minimum sample of 100. While the improvement is incremental, it meaningfully tightens the confidence interval around key affordability indicators, particularly for subgroup comparisons across ecological zones and settlement types.

The sample was distributed across all ten districts and stratified by settlement type and ecological zone to ensure that the diversity of housing conditions and affordability dynamics in Lesotho was fully captured. This stratification reflects standard practice in market and sectoral research, where controlled variation across strata improves the validity of insights and ensures that findings are not unduly driven by any single context.⁴¹

4.1.1.3 Household Sample Design: A Multi-Stage Approach

The study utilised a **multi-stage stratified random sampling** design, which is a cost-efficient way to achieve a representative snapshot of the country without visiting every household.

- 1. **Stage 1 (Primary Sampling Units):** Selection of clusters (communities) using **Probability Proportional to Size (PPS)**. The PPS ensures that larger communities carry a proportionally higher probability of selection, thereby preserving the demographic weight of each stratum in the final sample. The number of community councils allocated to each district, *n_i*, was determined using the following formula:

⁴⁰ Cochran, W. G. (1977). *Sampling Techniques* (3rd ed.). John Wiley & Sons.
⁴¹ Grosh, M., & Muñoz, J. (1996). *A Manual for Planning and Implementing the Living Standards Measurement Study Survey*. World Bank.

$$n = \frac{n \times N_i}{N}$$

Symbol	Description
n_i	Number of community councils selected from district i
n	Total number of community councils to be sampled nationally
N_i	Total number of community councils in district i
N	Total number of community councils nationally

The Community councils were first stratified by ecological zone (lowlands, foothills, mountains, Senqu River Valley) and then by settlement type (urban, peri-urban, rural) within each zone prior to random selection. This nested stratification ensured that the sample reflected the ecological and settlement-type diversity of Lesotho rather than clustering in the more accessible lowlands or urban centres. The process yielded **14 community councils** selected as PSUs, distributed across all 10 districts as shown in the table below:

Table 3: Community Councils Selected as PSUs

District	Number of Community Councils	Number of Villages	Settlement Type (Urban, Peri-urban, Rural)	Ecological Zone
Berea	1	8	Urban	Lowlands
Butha-Buthe	1	2	Urban	Foothills
Leribe	1	7	Peri-urban	Lowlands
Mafeteng	3	4	Urban, Rural	Lowlands
Maseru	1	2	Peri-urban	Lowlands
Mohale's Hoek	1	3	Rural	Senqu River Valley
Mokhotlong	1	2	Rural	Mountains
Qacha's Nek	2	7	Urban, Rural	Mountains
Quthing	2	3	Urban, Rural	Senqu River Valley

Thaba-Tseka	1	1	Rural	Mountains
Total	14	38		—

- 2. Stage 2 (Secondary Sampling Units):** This is a systematic selection of households within each cluster. Within each selected community council, villages were selected as Secondary Sampling Units (SSUs) using systematic random sampling. Where a selected community council comprised a single village or a cluster of settlements, that unit was automatically included. Where multiple villages existed within the community council boundary, villages were selected using a random start and a fixed sampling interval calculated as follows:

$$k = \frac{M_i}{m_i}$$

Symbol	Description
K	Sampling interval – every k th village is selected
M_i	Total number of villages within selected community council i
m_i	Number of villages to be selected from community council i

To maintain neutrality, households were pre-selected in the central office rather than by teams in the field. This ensured impartiality in selection and eliminated field-level discretion. Enumerators were provided with preassigned village assignments before departure. The process resulted in **38 villages** selected as SSUs across the 14 community councils.

- 3. Household Selection within Villages (Typology Stratification):** The sample was further stratified by **housing typology** to ensure the inclusion of tenants in *malaene* (rental rooms), incremental self-builders, and formal developer-led housing. Within each selected village, households were selected using a stratified approach based on housing typology. The three typological strata relevant to this study's objectives were: (i) tenants in *malaene* (informal rental rooms), (ii) incremental self-builders, and (iii) residents of formal developer-led housing. This stratification ensured that the final sample captured the full spectrum of housing conditions and associated affordability challenges, rather than over-representing any single housing form that may dominate a given settlement.

Where household counts per typology were not available in advance, enumerators conducted a rapid typology-mapping exercise upon arrival in the village, categorising visible structures before selecting households. A fixed number of households per typological stratum was then selected using a random-start systematic approach. Households were assigned unique identifiers prior to interviewing to maintain traceability and data integrity throughout the survey process.

4.1.1.4 Supply-Side (Institutional) Sampling

Market actors were selected through **purposive sampling**. This non-probability method is used when the goal is to secure expert perspectives from specific, highly influential entities rather than a statistical average.

4.1.1.5 Equity and Inclusivity: Sampling for Vulnerability

To ensure that the research identifies "hidden barriers," the sampling strategy explicitly incorporated an Inclusion Lens. The study purposively oversampled or prioritised the following vulnerable cohorts: *Female-headed households, Persons with Disabilities (PWDs), and Youth and Informal Settlers*.

4.1.2 Limitations to the Study

This study was conducted with thoroughness and methodological integrity. The research team is nonetheless obligated to disclose the practical constraints that shaped its design and execution, and to account transparently for the measures taken to preserve the credibility of the findings. The limitations identified below are not treated as isolated technical shortcomings; rather, they are understood as interconnected conditions that exerted simultaneous pressure on both the demand and supply sides of this inquiry. Where a constraint affects both sides of the housing affordability equation, it is addressed as a unified analytical challenge rather than as two separate problems.

4.1.2.1 Compressed Research Timeline

The study was conducted within a compressed timeframe, which constrained the depth and sequencing of several planned data-collection activities. To mitigate these effects, the secondary market analysis was completed and validated prior to the commencement of primary data collection. This sequencing ensured that both the household survey instrument and the stakeholder interview guide were informed by an established evidence base, reducing reliance on primary data alone and providing a structural framework against which emerging findings could be tested in real time.

4.1.2.2 Fieldwork Challenges and Sample Integrity

Primary data collection encountered several practical challenges in the field. In peri-urban and informal settlement areas, initial reluctance among respondents was noted. This required enumerators to invest additional time in establishing rapport and explaining the voluntary and confidential nature of participation. This introduced a degree of self-selection pressure into the demand-side sample. Households' willingness to participate may differ systematically from those who declined, *potentially* skewing responses towards respondents with stronger civic engagement, more acute housing grievances, or greater familiarity with institutional research processes.

Geographic access constraints also affected the rural stratum. Terrain and transport limitations in certain rural communities slowed the pace of data collection and restricted the geographic reach of the sample within that stratum. Consequently, whilst rural households are represented in the sample, the findings may not fully reflect the heterogeneity of experience across Lesotho's varied highland and lowland rural contexts. This has implications for both demand-side and supply-side analysis. On the demand side, findings for rural households are subject to a degree of geographic selection bias. Whilst on the supply-side, gaps relating to rural housing delivery, where infrastructure deficits and customary land tenure arrangements are most acute and may be underweighted in the primary data relative to their actual prevalence.

To manage these challenges:

- Enumerators received structured training in informed consent, ethical fieldwork conduct, safeguarding measures in alignment with HfHL's mandate and rapport-building techniques prior to deployment. Refusal rates were recorded, and replacement respondents were selected from within the same community cluster, preserving stratum integrity across the sample.
- The achieved sample of 120 households exceeded the Terms of Reference minimum of 100, providing a buffer against incomplete or unusable responses and maintaining statistical adequacy across the three settlement strata.
- Rural primary data were supplemented through secondary sources, including the *Lesotho BoS*, the *CAHF 2024 Housing Finance in Africa Yearbook*, and national housing policy documents. This was to mitigate reliance on primary field data alone for that stratum and to enable the team to contextualise rural household responses within a broader empirical framework.

4.1.2.3 Absence of Focus Group Discussions Across Demand and Supply Sides

The original research design anticipated that focus group discussions (FGDs) would serve as a complementary qualitative instrument alongside individual interviews, applicable to both household respondents and institutional stakeholders. FGDs are particularly effective for surfacing collective norms, contested interpretations, and negotiated understandings that do not readily emerge in one-to-one interview settings.

A critical institutional constraint governed the decision to not hold FGDs. The [2026 Lesotho Population and Housing Census](#), conducted by the BoS) within the Ministry of Finance and Development Planning, was set to commence nationwide enumeration on 12 April 2026. For at least two months before, and during an active census enumeration period, the BoS enforces a formal prohibition on the engagement of households within all enumeration areas for any parallel research, survey, or independent data collection exercise. This restriction protects the integrity of census data, prevents respondent fatigue, and avoids interference with the statutory enumeration process.

Compliance with this prohibition meant that household-level FGDs could not be conducted within the fieldwork window without risking regulatory conflict and an undue burden on respondents who are simultaneously subject to the national enumeration exercise. This constraint was beyond the research team's control and constitutes a legitimate, documented institutional limitation on the study design, distinct from resource or timeline pressures.

To bridge this gap, the research team adopted a compensatory triangulation strategy operating simultaneously across both sides of the analysis. The household questionnaire incorporated open-ended items designed to capture deliberative and social dimensions of housing decision-making that would otherwise have been explored in group settings. Supply-side interview guides were constructed to elicit each institutional actor's understanding of other sectors' positions, thereby partially reconstructing a cross-sectoral perspective from disaggregated bilateral accounts.

In addition, the demand-side and supply-side data were analysed in direct dialogue with one another: where household findings indicated an unmet need, this was systematically mapped against available supply-side evidence to assess whether the gap was acknowledged, contested, or unreported at the institutional level. This cross-side triangulation does not fully replicate the analytical value of FGDs, but it substantially mitigates the risk of demand- and supply-side findings remaining analytically siloed.

4.1.2.4 Limited Sectoral Representation and Supply-Side Data Scarcity

The stakeholder consultation framework was designed to encompass five broad institutional sectors: government and regulatory bodies, financial institutions, private developers, civil society organisations, and land administration authorities. Although a certain proportion of targeted numbers within each institution did not respond despite repeated follow-up, and others had expressed willingness to participate but could not commit before the data collection window closed, the study was able to get credible representation from each institution.

The engaged stakeholders collectively represent the principal institutional categories operative in this sector, including central government, local government and chieftainship authorities, the primary public housing parastatal, financial institutions and formal private construction. The supply-side sampling strategy already prioritised institutional diversity and sectoral coverage over numerical breadth, consistent with qualitative research designs where depth of expert knowledge is favoured over statistical representativeness. This asymmetry between planned and achieved stakeholder engagement is acknowledged as a substantive methodological limitation, and all supply-side analysis dependent on stakeholder testimony has been triangulated against secondary sources as described below.

The supply-side assessment was further constrained by the restricted availability of *disaggregated*, publicly accessible data on housing production volumes, *construction cost structures*, *developer financing models*, and affordable housing pipeline activity in Lesotho. Unlike the demand side, where the household survey generated primary quantitative and qualitative data. The supply-side analysis is more heavily dependent on secondary sources and the testimony of the few institutional actors engaged. This asymmetry between the depth of demand-side and supply-side evidence is a structural feature of the research environment in Lesotho rather than a design failure.

To strengthen the supply-side analysis within these constraints, the Research Team employed the following approaches:

- *A targeted desk review was conducted for each institution that did not engage directly.* Published annual reports, institutional profiles, sector assessments, and publicly available policy submissions were systematically reviewed to construct an evidence base for each stakeholder category, ensuring that the institutional landscape was represented in the analysis even where primary contact was not achieved.

- *The accounts of engaged stakeholders were not treated as representative of their sector in isolation.* Instead, they were triangulated against secondary literature on comparable housing finance markets across Sub-Saharan Africa, including Rwanda, Zambia, Ghana, South Africa and Zimbabwe to distinguish between idiosyncratic institutional positions and sector-wide patterns.
- *Cross-sectoral triangulation was applied throughout the supply-side analysis:* evidence from regulatory actors, financial institutions, the private sector, and the household survey was assessed simultaneously to reduce dependence on any single informant's account and enable the research team to identify points of convergence and divergence across the evidence base.
- *Demand-side data were treated as a partial proxy for supply-side performance:* the systematic inability of household respondents to access formal housing finance or affordable formal units was analysed as indirect evidence of supply-side failure and mapped against available institutional data to assess whether the gaps identified on the demand side were acknowledged or contested at the supply level.

4.1.2.5 Consolidated Triangulation Framework

The limitations described above are interconnected. Collectively, they required a deliberate and structured triangulation framework to be applied across the entire study. Triangulation was operationalised at the following three levels throughout the research:

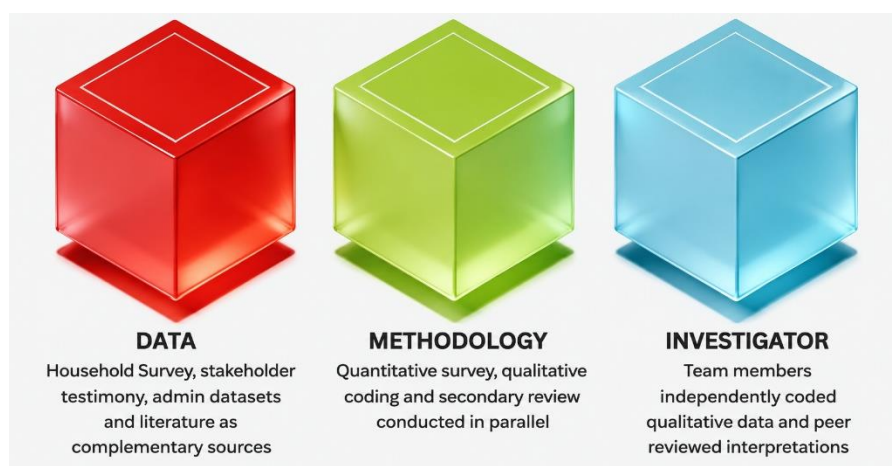


Figure 9: Three-Level Triangulation Framework

- *Data triangulation*: primary household survey data, institutional stakeholder testimony, national administrative datasets, and peer-reviewed and grey literature were treated as complementary rather than competing sources of evidence.
- *Methodological triangulation*: quantitative survey analysis, qualitative interview coding, and systematic secondary review were conducted in parallel and integrated during the synthesis phase. This multi-method design reduced the risk of instrument-specific bias distorting the findings and ensured that statistical patterns in the household data were interpreted in the light of qualitative institutional and community testimony rather than in isolation.
- *Investigator triangulation*: research team members independently coded qualitative data and reviewed each other's analytical interpretations. Divergent readings were resolved through structured discussion and reference to the raw data record, reducing the influence of individual analytical bias on the final findings.

The research team is satisfied that the measures described above, applied individually and in combination, have produced findings that are internally consistent, credibly evidenced, and sufficiently robust to support the conclusions and recommendations set out in this report. These limitations are disclosed in the spirit of scholarly transparency: to enable readers to interpret the findings with appropriate contextual awareness, and to identify the questions that a more resourced and extended study would be best placed to pursue.

4.2 Affordability Assessment Methodology

For the purposes of this analysis, housing affordability was assessed using a combination of:

- Household income analysis and expenditure patterns
- Estimated household monthly repayment capacity
- Self-reported housing expenditure and financing pathways
- Demand-side and supply-side cost benchmarks

The analysis applies an affordability threshold whereby housing costs should not exceed 30% of gross household income (standard international affordability benchmark). This threshold was applied to household income distributions recorded in the demand-side survey to derive the affordability range.

Survey-Derived Affordability Parameters (based on primary data collection):

Parameter	Value	Source/Notes
Affordability ceiling (30% income threshold)	M80,000-M120,000 (maximum affordable unit price)	Demand-side survey income distribution analysis
Cheapest formal urban unit identified	M189,723.95	Supply-side market assessment
Affordability gap	M69,724-M109,724 above affordability ceiling	Gap between formal supply minimum and household affordability
Monthly repayment capacity (low-income households)	M700-M1,500	Demand-side survey, self-reported housing expenditure
Loan tenure approach	Phased construction (flexible, 5-15+ years depending on phase)	Aligned to incremental housing delivery reality
Interest rate assumption	Prevailing market MFI/SACCO rates	To be confirmed with financial institution partners
Income threshold percentage	30%	Standard affordability benchmark

Affordability Conceptualisation:

Affordability is understood not as a fixed absolute price, but as the intersection of three dimensions: (i) household income and monthly cash-flow capacity, (ii) the cost structure of housing delivery (land, infrastructure, construction, finance), and (iii) the available financing instruments that households can access. The M80,000-M120,000 range and the M700-M1,500 monthly capacity figure represent the realistic demand-side constraint; they are not prescriptive targets but empirical observations of what households in Lesotho can sustain.

5 Findings

5.1 Affordability

Housing affordability in Lesotho is often understood primarily as a supply-side challenge, driven by limited serviced land, an insufficient stock of adequate housing, and shallow formal finance markets. While these constraints are real, this framing does not fully explain why existing and potential housing demand fails to translate into effective market participation. The evidence points to a deeper demand-side constraint: households demonstrate clear need and willingness to secure adequate housing, but their income profiles, savings capacity, and repayment patterns do not align with the design of available housing finance products. In effect, the formal finance system is structured around a borrower profile that excludes much of the population it is intended to serve.

The study found that 37% of respondents who own homes across the ten (10) districts spend 12.4% of their monthly income on housing, whereas the other 84% are renting and thus spend about 35.5%.⁴² The latter is approximately M1,485 (US\$83), which matches the monthly low-income urban Gross National Income (GNI) per capita proxy of US\$75 (M1,350) published by the Central Bank of Lesotho (CBL).⁴³ The Lesotho Bureau of Statistics (BoS), on the other hand, places the low-income urban housing expenditure ceiling at M1,000 (US\$55)/month.⁴⁴

The M1,485 sits slightly above the CBL and BoS ceilings. This disparity is analytically significant. It suggests that the survey sample, drawn from all ten districts, including peri-urban and district-town populations, captures households with slightly higher expenditure capacity than the low-income urban benchmarks. All three figures, however, remain below the formal mortgage debt service threshold of M2,700 (US\$150)/month.

From a supply-side's outlook, affordability in Lesotho is not a pricing problem that can be resolved through market competition or developer incentives alone. It is a structural cost floor problem, and that distinction carries significant implications for policy design. The evidence presented in this assessment demonstrates that the formal construction sector is

⁴² Monthly housing expenditure among owner-occupier households averaged 12.4% of income (SD: ± 13.7 percentage points; median: 5%; IQR: 2%–20%; $n=37$). The elevated SD and divergence between mean and median reflect a right-skewed distribution driven by a minority of high-expenditure outliers; the median provides the more representative central tendency for this group. For renter households reporting absolute amounts, the mean was M929 (SD: $\pm M1,359$; $n=9$). The plausible renter range is M200–M3,500 ($n=4$; mean M2,050). Source: HfHL Household Survey, 2026.

⁴³ Central Bank of Lesotho (2023) *Lesotho Economic Outlook 2023–2025*. Maseru: Central Bank of Lesotho.

⁴⁴ Ibid (2)

not withholding affordable units out of commercial indifference; it is structurally incapable of producing them at accessible price points under current input cost, regulatory, and financing conditions.

Approximately 90% of construction inputs are imported from South Africa. Every unit of Maloti-Rand exchange rate movement transmits directly into the cost of every formally produced dwelling, establishing an affordability floor that is externally determined and domestically intractable without deliberate structural intervention. The minimum commercially viable unit is M900,000. This is not a reflection of excessive profit-seeking; it is the arithmetic outcome of import-dependent material costs, land acquisition expenses inflated by tenure fragmentation and unaccredited intermediaries, sequential planning compliance costs that generate holding-period losses. Moreover, the complete absence of bulk infrastructure servicing in peri-urban growth corridors must be recovered through the unit price or the housing project is commercially unviable.

The result is a supply system that is rationally organised around the top of the income distribution, not because developers have chosen to ignore the low-income majority, but because the structural cost environment makes serving that majority impossible without subsidy, blended finance, or a fundamental reduction in input cost burdens that no single developer can unilaterally achieve. What the evidence in this report makes plain is that the supply side's affordability failure is, at its root, a market design failure.

The absence of a functioning incremental housing finance market removes the commercial signal that would incentivise affordable production. To further solidify this case, the absence of a gazetted Housing Act removes the *regulatory obligation* that would compel it; and the absence of coordinated land servicing removes the physical precondition that would enable it. Closing the affordability gap from the supply side, therefore, requires simultaneous intervention at three distinct levels: (i) cost structure, (ii) financing architecture, and (ii) regulatory framework. Therefore, any single-lever intervention, without consideration of other levels, will be absorbed by the *structural pressures*, and the gap will persist and deepen.

5.1.1 Housing Access Pathways and Customer Journey Analysis

Understanding how households navigate the housing system is critical to identifying practical intervention opportunities. Housing exclusion in Lesotho is not solely a function of income. It is equally driven by structural barriers embedded across the entire housing access process.

To capture these barriers systematically, the study mapped the typical journey followed by low and lower-middle-income households when attempting to access adequate housing. The analysis traces household movement from the initial recognition of housing need through land access, financing, construction, and occupation. Stakeholder perspectives informing this analysis were drawn from across three sectoral groups. These include public-sector and regulatory actors, private-sector supply-side actors, and financial institutions with land administration and civil society representation, supplemented by secondary evidence.

The journey mapping reveals that most households do not follow a formal housing delivery pathway. They rely instead on incremental and informal processes characterised by the gradual acquisition of land outside formal planning systems, and on reliance on savings, remittances, or short-term personal loans rather than structured housing finance. Additionally, stage-by-stage construction is driven by cash availability, limited access to technical construction support, and delayed or absent infrastructure services.

The customer journey mapping reveals that most households do not follow a formal housing delivery pathway. Instead, they rely on incremental and informal processes characterised by:

- Gradual land acquisition, often outside formal planning systems
- Reliance on savings, remittances, or short-term loans rather than structured housing finance
- Incremental construction due to financing constraints
- Limited access to technical construction support
- Delayed access to infrastructure services

This pathway significantly increases the time households need to secure adequate housing and often results in suboptimal housing quality. The analysis further underscores that the greatest constraints occur not only at the point of access to finance, but also across multiple stages of the housing process. This suggests that effective affordability interventions must address systemic bottlenecks rather than focus solely on solutions for mortgage finance access. The figure below illustrates the housing access journey in Lesotho.



Figure 10: Lesotho Housing Access Journey

The table below summarises the typical housing access journey, the barriers households face at each stage, and the resulting implications for housing outcomes.

Table 4: Summary of a Typical Housing Access Journey

Stage	Household actions	Key barriers	Market failure	Potential intervention
Housing need	Search for options	Low income	Limited supply	Affordable supply models
Land access	Acquire plot	Tenure risks	Land servicing gaps	Serviced land partnerships
Finance	Mobilise funds	No housing finance	Missing products	Incremental finance
Construction	Build gradually	Cost shocks	MSME finance gaps	Contractor finance
Occupation	Move into housing	Infrastructure gaps	Service delays	Rental upgrade programmes

Key Pain Points

The journey highlights the following constraints:

- Lack of structured housing finance products calibrated to informal income (i.e. low-income households)
- Infrastructure costs slowing development
- Informal land processes increasing tenure risk and reducing creditworthiness
- Absence of technical guidance

Implications

The findings suggest that affordability interventions should be multi-stage and not product-specific, thus focus on:

- Improving access to incremental and staged finance
- Supporting serviced land provision
- Reducing construction costs
- Supporting rental improvement for households to access ownership

5.2 Demand-Side Assessment

Lesotho's housing demand crisis is not a shortage of aspiration; it is a shortage of access. Across all ten districts, surveyed households demonstrated consistent housing need but faced structural barriers at one or more stages of the housing ladder, from land acquisition through to construction finance. The findings established the cheapest formal urban unit to be priced at M189,723.95. Against a household affordability ceiling of M80,000 - M120,000, derived from the demand-side household survey by applying a 30% gross-income affordability threshold (Section 4.1.12), the formal market is structurally out of reach for the majority. In its absence, households' default to incremental self-build funded through savings, remittances, and rotating credit groups which are slow, costly, and offering no security of tenure. The analysis is centred around this diagnosis, and looks at housing demographics, typology, settlement type, share of income spent on housing, strategy to finance housing, and channels identifying where demand could be suppressed. The affordability challenge is therefore twofold: it is at once a household income constraint and a housing-system cost-structure problem, and durable intervention must act on both sides rather than either alone.

5.2.1 Affordability Ratios: Price-to-Income and Rent-to-income

Aggregate income and cost data alone do not fully reveal the depth of housing affordability stress. Two internationally recognised indicators; the price-to-income ratio (PIR) and the rent-to-income ratio (RIR), provide a more precise measure of the gap between what households earn and what housing costs, enabling Lesotho's affordability conditions to be benchmarked against regional and global standards. Both ratios are calculated using primary survey data (HFHL Household Survey, 2026, n=120) and triangulated against published secondary evidence.

The PIR is calculated as the ratio of the median house price to the median annual household income. A PIR of 3.0 is the widely used UN-Habitat threshold for affordable housing; a ratio

above 5.0 indicates severe unaffordability.⁴⁵ The RIR measures the share of household income spent on rent; the standard affordability threshold is 30% of gross income.⁴⁶ Values above 30% indicate housing cost stress.

The primary survey does not capture a direct 'median house price' variable, as the majority of respondents are owner-builders rather than market buyers. House price is therefore estimated from two sources: the minimum market price for a completed affordable unit as reported by the sole formal private developer in the stakeholder survey, and the minimum commercially viable unit price reported in.⁴⁷ Income is estimated from the primary survey's reported monthly housing expenditure, applying the standard housing expenditure-to-income ratio of approximately 28-30%.

Table 5: Affordability Indicator Summary

Indicator	Calculated Value	Source / Basis
Estimated monthly household income (range)	M4,950 - M5,300	Derived from primary survey median housing expenditure of M1,485/month, applied at 28-30% income-to-housing ratio (HFHL Survey, 2026)
Estimated annual household income(range)	M59,400 - M63,600	Annualised from monthly estimate above
Viable house price, formal market (range)	M100,000 - M165,000	CAHF (2024); Ministry of Local Government (2026, stakeholder testimony)
Viable house price, informal/self-build (range)	M80,000 - M120,000	M80 000 - M120 000 target range; primary survey self-reported construction costs
Price-to-income ratio (formal market)	1.6 - 2.8	$M100,000-M165,000 \div M59,400-M63,600$. Appears within range but conceals deposit barrier and finance inaccessibility.
Price-to-income ratio (informal self-build target)	1.3 - 2.0	$M80,000-M120,000 \div M59,400-M63,600$. Technically affordable by PIR but households lack lump sum or deposit – incremental finance is the gap.
Average monthly rent (informal room)	M400 - M900	HFHL primary survey; CAHF (2024)

⁴⁵ References: UN-Habitat (2023) World Cities Report 2022: Envisaging the Future of Cities. Nairobi: UN-Habitat

⁴⁶ Stone, M.E. (2006) 'What is housing affordability? The case for the residual income approach', Housing Policy Debate, 17(1), pp. 151–184

⁴⁷ Ibid (1)

Rent-to-income ratio (informal room renters)	9% - 22% (low income) / up to 35% (bottom quintile)	M400-M900 ÷ estimated M4,950 income. Bottom-quintile households (income <M2,500) face ratios exceeding the 30% stress threshold.
Rent-to-income ratio (formal rental)	47% - 64%	Cheapest new formal rental M2,500/month ÷ estimated income M3,900-M5,300. Formal rental is structurally unaffordable for this survey population.

The PIR analysis reveals a superficially manageable formal affordability gap, but this finding is misleading. The PIR falls within the internationally 'affordable' range of 1-3 only because formal house prices in the M100,000-M165,000 range are measured against median income estimates. In practice, access to this range of housing requires: a 10-20% deposit (M10,000-M33,000), which takes 3-7 years to accumulate at current savings rates; a formal employment contract, excluding the 80% of the workforce in informal employment.⁴⁸ and a minimum monthly income of M15,000 to qualify for a standard commercial mortgage (Standard Lesotho Bank, 2026, stakeholder testimony).

The RIR analysis is more alarming. For the bottom income quintile, informal rental already exceeds the 30% affordability threshold. Formal rental, the only rental product delivered by the private sector, is structurally unaffordable for nearly all survey respondents, with ratios ranging from 47% to 64%. This confirms that the rental market does not meet the housing needs of this population and that informal rental remains the *de facto*, financially stressful default.

⁴⁸ International Labour Organization (ILO) (2019) *Women and Men in the Informal Economy: A Statistical Picture*. 3rd edn. Geneva: ILO.

5.2.2 Demographics & Housing Demand

Lesotho's demographic profile is typically characterised in aggregate terms: a young population, high poverty rates, and a rural majority. This masks significant variation in housing demand characteristics across age, gender, and location. The study's sample skews female, with women making up 58.5% of household heads (72 of 123), a near-equal split with male-headed households. This near-parity in headship, combined with the structural poverty concentrated in female-headed households, has significant implications for housing demand and affordability.

In 2017/18, households headed by women had a poverty rate of 55.2%, compared to 46.3% for male-headed households.⁴⁹ This gap directly constrains access to housing, eligibility for financing, and the ability to sustain incremental construction.

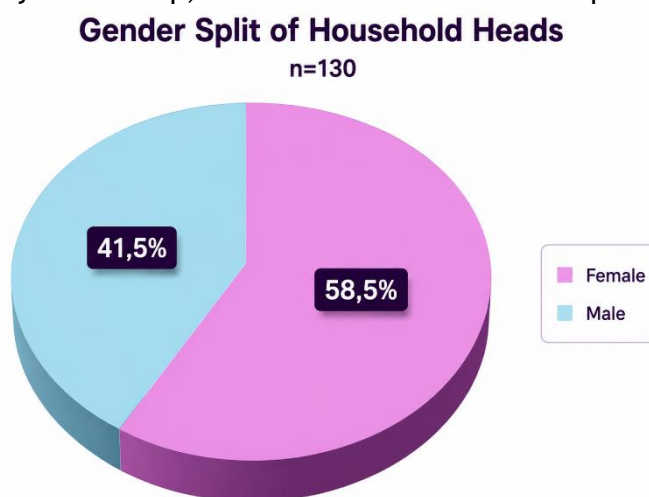


Figure 11: Gender Split of Household Heads

More than half of the women surveyed carry sole or primary responsibility for housing decisions, housing expenditure, and tenure management. This is a share that exceeds the national female household headship rate of 36%-41% as recorded in the *2006 Lesotho Demographic and Health Survey*, suggesting a shift towards more independent and self-reliant female householders. Historically, this pattern could partly be attributed to rural-to-urban migration in the last 20 years, driven by the textile industry, whose workforce is predominantly women.

The evidence suggests that women are not passive recipients but active agents in household decision-making and housing investment. However, they operate within institutional frameworks that have historically excluded them, as detailed further under the Housing Financing Section.

⁴⁹ McMahon, J. (2020) '7 factors affecting poverty in Lesotho', *The Borgen Project*, 12 September. Available at: <https://borgenproject.org/factors-affecting-poverty-in-lesotho/> (Accessed: 28 March 2026).

In terms of age distribution, the survey is dominated by the core working-age cohort of 35-65, which is either formally or informally employed. The cohort accounts for 56.1% of respondents (69 of 120). Youth aged 18-35, dominated by students and young adults who are still in educational institutions and training colleges, or migrants from rural areas who have

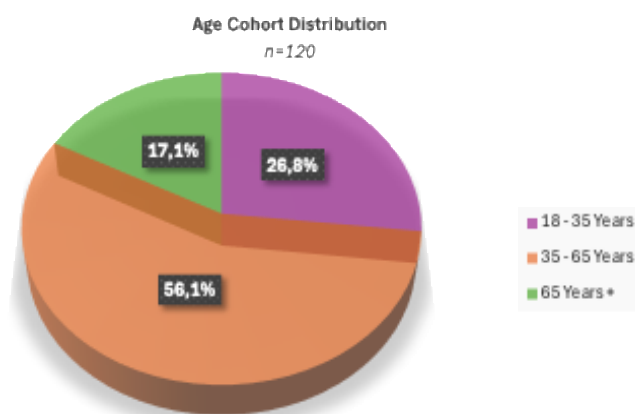


Figure 12: Age distribution

moved to urban areas looking for better living conditions and employment opportunities, make up 26.8% (33 respondents). The eldest cohort (65+ years), comprising pensioners and retirees from the mining industry who have moved from urban to rural areas and had financed their housing with these payouts, represent 17.1% (21 respondents).

These three cohorts exhibit meaningfully different housing demand profiles, as the study explores further.

The above profile of surveyed households mirrors the structural tension of Lesotho's development trajectory: a population in the productive middle of its lifecycle, concentrated in the income tier most underserved by formal housing markets. This cohort represents the core demand population for HfHL's intervention design.

5.2.3 Land-Related Drivers of Housing Costs

Primary survey data (n=120) revealed that land costs, infrastructure servicing, and tenure formalisation are not peripheral to Lesotho's housing affordability problem, they are structural components of it. Households were asked to identify the barriers that make housing prices unrealistic. The results ranked as follows: high construction costs (76%), high land acquisition costs (61%), infrastructure servicing; water, roads, electricity (42%), labour costs (25%), limited access to housing finance (30%), and regulatory and approval delays (11%). Construction cost and land acquisition are not mutually exclusive drivers: without formalised, serviced land, households cannot build, and the cost of obtaining that land is itself a barrier before a single brick is laid.

Interpreted structurally, these survey rankings confirm that Lesotho's housing challenge is not solely a housing production deficit but, more fundamentally, an affordable urban land and infrastructure market failure. The cost of formal housing is driven not only by

construction expenditure but by the cumulative effect of land acquisition, infrastructure servicing, and financing constraints, which together set the minimum viable price of a formal unit well above the affordability threshold of most households. Critically, infrastructure costs are effectively embedded within land prices, particularly in peri-urban areas where households and developers must privately finance roads, drainage, water access, and sanitation in the absence of bulk servicing. This embedding mechanism is a principal pathway through which servicing deficits inflate the effective cost of land and, in turn, suppress affordability across both formal and incremental delivery systems.

Taken together, land acquisition, infrastructure servicing, and financing constraints compound one another, so that no single lever is sufficient in isolation; the largest cost pressures reported by households – construction inputs and land – are precisely those most exposed to import dependency and un-serviced-land premiums.

5.2.3.1 Land Acquisition Costs

Among respondents who reported a numeric land or site acquisition cost, the median payment was M800.⁵⁰ The extreme SD reflects a highly unequal distribution: some households accessed land through inheritance or customary allocation at no cost, while others paid commercial-equivalent prices. This spread is not market variation, it is the consequence of a fragmented, unregulated land allocation system in which price is determined by intermediaries, chiefs, and informal negotiation rather than transparent market mechanisms.

Beyond acquisition price, the survey evidence points to land as one of the most significant affordability constraints. Among respondents who reported a numeric land or site acquisition cost, the median payment was M800, but this masks an extremely unequal distribution: some households acquired land at no cost through inheritance or customary allocation, while others paid commercial-equivalent prices. Households frequently purchase unserviced plots and then fund access roads, drainage, electricity, sanitation, and water themselves – infrastructure deficits transferred directly onto the household. The scale of this private burden is indicated by the median additional cost of M4,000 reported by households undertaking climate-resilient upgrading, which serves as a proxy for the infrastructure and adaptation premium absorbed in the absence of serviced land delivery. Land acquisition and

⁵⁰ Average: M4,513; most payments fell between M15 and M30,000; 85 respondents reported a numeric figure. Standard Deviation was determined at M7,459.

self-financed servicing therefore consume a disproportionate share of total housing expenditure before vertical construction begins, keeping households in prolonged incremental cycles and pushing lower-income households towards informality.

5.2.3.2 Infrastructure Servicing Costs.

Forty-two per cent of respondents cited infrastructure servicing costs, these are; water connections, roads, and electricity. Respondents reorted that they serve as a barrier to realistic housing prices. While 92% of the full sample report access to water and 82% to electricity, these figures mask the cost burden of connection, particularly for households building on unserviced peri-urban plots. As noted above, this private servicing burden is reflected in the median M4,000 additional cost reported by households undertaking climate-resilient upgrading.

5.2.3.3 Tenure Formalisation.

Only 17% of surveyed households hold a leasehold, that in the market is the most legally defensible occupancy instrument available. A further 23% hold lease agreements, giving a combined formal documentation rate of 40%. The remaining 57% rely on land allocation forms (21%), chiefs' letters (16%), family land arrangements (9%), or no documentation at all (5%). Despite this, 74% report no concern about losing their home; a confidence-documentation paradox that signals misplaced security rather than genuine tenure stability. Among the 29% aware of a tenure loss incident in their community, double land allocation (15% of all respondents) and lack of documentation (11%) were the dominant causes.

Tenure formalisation carries a direct cost that many households are unwilling or unable to pay. When asked about willingness to pay for a government-verified tenure certificate, 40% said no, 30% were unsure, and only 29% were willing. Among those willing, the median acceptable fee was M500 (range: M50-M1,500; n=35). This ceiling is well below the actual cost of formal title registration in Lesotho, which involves surveying, legal fees, and LAA processing, across which the total cost ranges between M3, 800 and M13,000. Against the survey population median income of M4, 184 per month, full formalisation can cost between one and three months' gross income before any construction or preparation of it takes place. Effectively, this pries out the majority of the low-income survey population from the one instrument that would secure their primary asset and unlock formal credit access.

5.2.3.4 Policy Implications

The data support three targeted interventions: (i) systematic subsidisation of tenure formalisation for low-income households to close the confidence-documentation gap; (ii) government-led bulk infrastructure servicing in designated peri-urban growth corridors to remove the servicing premium from household construction costs; and (iii) transparent, LAA-administered land allocation in place of informal chief-intermediated processes, to eliminate the price volatility that the M800 median versus M4,513 mean land cost disparity reflects.

5.2.4 Household Profiles: Demand Segment Personas

The household survey data reveal four structurally distinct demand segments, each facing different combinations of income constraints, tenure insecurity, and financial access barriers. These personas are derived from the income distribution, tenure, and housing typology findings presented in this section and are grounded in the survey responses of 120 households across all 10 districts. The tenure distribution reported, 84.6% owner-occupied and 11.4% renting, reflects primary survey data and captures the lived tenure reality of households in the study areas. Read together, these segments describe a housing affordability continuum, from informal rental and shared accommodation at the lowest-income end, through incremental self-build and incremental formalisation, to formal market housing at the upper end. Its decisive feature is the absence of scalable intermediate options between informal settlement and mortgage-financed housing, the “missing middle” examined later in this report.

This differs from national tenure classifications reported in secondary sources, which measure formal title registration rather than occupancy status. The distinction is substantive as 37.5 % owner-occupied households in this survey hold informal or customary tenure in the form of land allocation forms or the local chief’s allocation letter, which national administrative data records separately under Form C or undocumented categories. Both framings are used in this report and are consistent with their respective analytical purposes.

Table 6: Persona 1 - Urban Rental Household

Attribute	Detail (Survey-Verified)
Monthly income	M1,000 - M4,000 (mixed employment and informal sources)
Current housing	Informal rental; rental with(out) owner on the ground unit or single room
Housing expenditure	M1,000 - M3,500/month (renter absolute spend range)
Finance access	Savings and informal groups; formal products inaccessible
Primary constraint	High rent absorbs disproportionate income share; no deposit accumulation possible
HfHL opportunity	Rent-to-own schemes; landlord upgrade microfinance; rental standards support

Renters, about 11.4%, recorded absolute housing expenditures ranging from M200 to M3,500 per month. The wide range reflects the variation of informal rental arrangements, from single-room rental with(out) owner on the ground units at the low end to semi-formal dwelling units in peri-urban areas at the high-end. Despite their small share of the sample, renters face the most acute affordability stress. Their expenditures sit closest to the BoS urban housing expenditure ceiling of M1,000/month while simultaneously having the least tenure security.

Table 7: Persona 2 - Peri-Urban Incremental Builder

Attribute	Detail (Survey-Verified)
Monthly income	M1,500 - M4,500 (remittances, employment, mixed sources)
Current housing	Self-built, progressively extended, 43.9% of surveyed households actively building
Finance access	Savings (primary, 17 households), remittances (12 households); no formal mortgage access
Primary constraint	Unregistered plot cannot serve as collateral; infrastructure costs borne entirely by household
HfHL opportunity	Serviced plot programmes; incremental construction finance; tenure regularisation

Self-building, represented by 43.9%, is the dominant housing delivery mode in this survey. Savings is the most common source of financing (17 households), followed by remittances

(12 households). This confirms the pools-and-flows pattern described within the Analytical Framework Section. This persona represents the core target for HFHL's incremental finance and serviced land programmes.

Table 8: persona 3 - Rural Self-Builder

Attribute	Detail (Survey-Verified)
Monthly income	M700 - M2,500 (agriculture, social transfers, seasonal remittances)
Current housing	Traditional or mixed-material structure; multi-generational compound
Housing expenditure	Below M1,000/month (consistent with BoS rural housing expenditure ceiling)
Finance access	Informal savings only; formal products entirely inaccessible
Primary constraint	Non-monetised income invisible to lenders; remoteness limits material and technical access
HFHL opportunity	Construction technical support; improved material access; community savings mobilisation

Rural households (represented across mountain and Senqu River Valley districts in this survey) show the lowest housing expenditure levels but face the highest combination of tenure insecurity and finance exclusion. The study's geographic sampling of 12 households per district, including Mokhotlong, Qacha's Nek, and Thaba-Tseka, ensures rural representation, though geographic selection bias is acknowledged in the Limitations section.

Table 9: persona 4 - Emerging Mortgage Segment

Attribute	Detail (Survey-Verified)
Monthly income	M8,000 - M18,000 (formal salaried employment; permanent contract required by banks)
Current housing	Rental or incomplete owner-build; seeking transition to formal ownership
Finance access	Bank-eligible in principle; M15,000/month confirmed minimum threshold (2 of 3 stakeholders)
Primary constraint	Deposit accumulation difficult in high-cost environment; plot title gaps blocking mortgage approval
HFHL opportunity	Mortgage guarantee schemes; deposit-matching; title regularisation partnerships

This segment represents the most immediately reachable market for formal mortgage products. With incomes above the confirmed M15,000/month bank threshold, households in the upper band of this persona are mortgage-eligible in principle. The confirmed minimum viable unit cost of M900,000 by developers implies an annual income requirement of approximately M75,000 (at a standard 30% housing expenditure ratio). This places formal home purchase beyond reach even for this segment without guarantee or subsidy support.

5.2.5 Tenure Security & Inclusion

5.2.5.1 Tenure Security

Although the study confirms that women are the majority housing decision-makers, housing programme and housing finance product designs misalign with this demand reality. The near-parity in perceived security risk between male and female respondents (51.4% vs 54.0% rating risk as high) suggests that tenure insecurity is a system-wide condition, not a female-specific one, yet women's exclusion from formal finance means they have fewer options to address it.

The gap between legal entitlement and practical access for women and youth represents one of the most tractable intervention points in the housing system. Although the legislative reform has been achieved, administrative and product-level reform have not. The data suggest that targeted interventions, incremental lending products with flexible collateral, community-based tenure documentation support, and financial literacy programmes aligned with informal income cycles would be more effective than blanket subsidy approaches that do not address the structural barriers this population faces.

Female heads of household rely overwhelmingly on informal financing mechanisms to fund construction. Of the 29 female household heads who had undertaken any construction, 34% used personal savings as their primary source, 24% relied on remittances, and 14% drew from a combination of sources. Of high significance is that not a single female household head relied solely on formal bank finance, a finding that directly reflects the average of M15,000 per month income threshold for mortgage eligibility reported by housing financiers, a threshold most households cannot meet.

Across all female respondents, 33.3% were aware of tenure loss risks; this is a higher rate than among their male counterparts (24%), yet this heightened awareness does not translate into superior tenure security. Female respondents rated their housing security loss risk as high (5 out of 5) in 51.4% of cases, near identical to the 54% among male respondents,

suggesting that perceived insecurity is a shared structural condition rather than a gendered one.

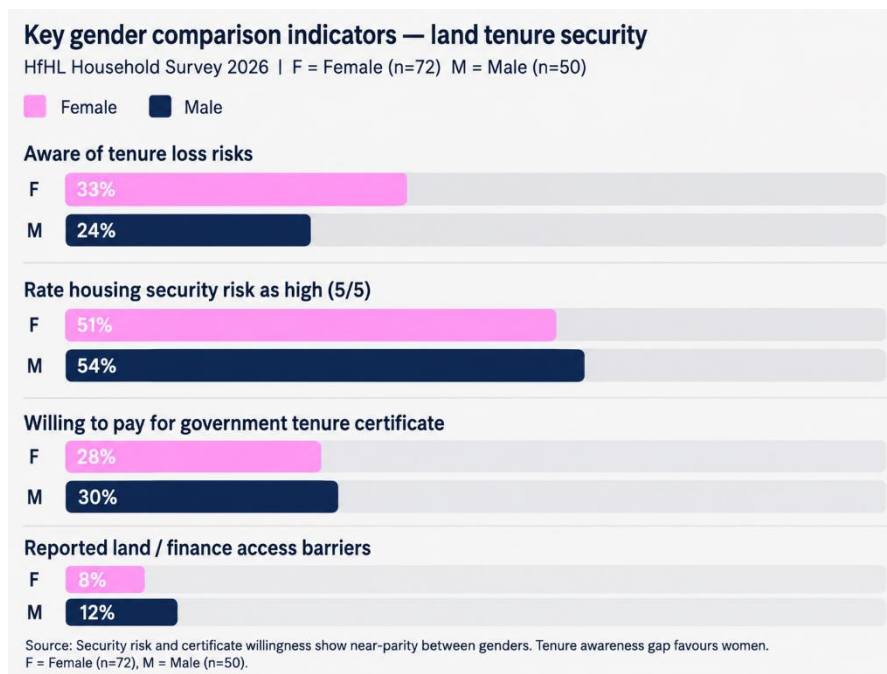


Figure 13: Gender Comparison of Land Tenure Security

Among youth respondents (18-35 years, n=33), tenure documentation patterns reveal a reliance on precarious, customary, or informal instruments. Only 9% of respondents have a formal lease agreement, while others have a chief's allocation letter, and/or rely on verbal rental agreements, the two least secure forms of occupancy documentation.

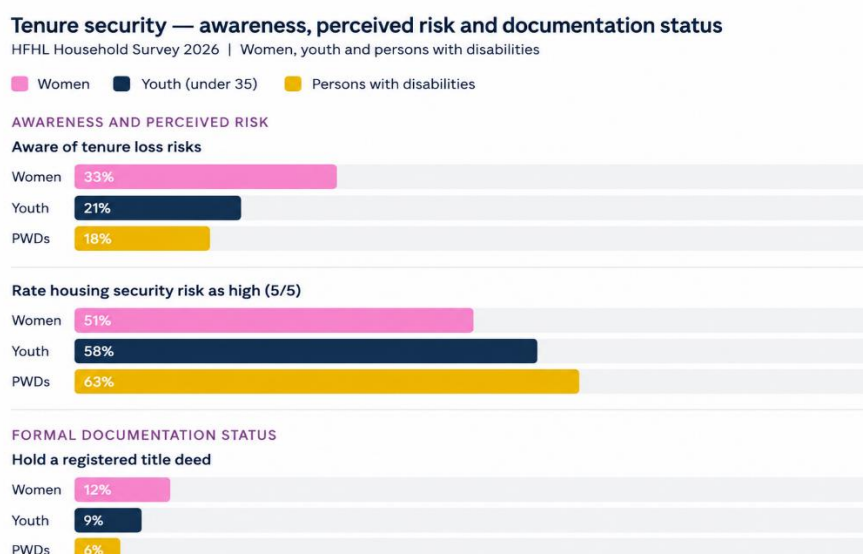


Figure 14: Vulnerable Groups Tenure Security

Although young people have not been excluded from documentation processes, the documents they hold do not offer the legal security or collateralisation potential needed to access formal housing finance. Only 34% of all surveyed community members reported knowing of any successful land or finance access by a woman or young person in their community, suggesting that while individual women are active, systemic enablers remain weak.

The *Land Act of 2010*, as amended in 2014, formally granted women independent land rights, overriding customary restrictions that made those rights derivative of a male relative.⁵¹ In practice, however, the reform remains incomplete. Persistent barriers, including informal spousal consent requirements, low financial literacy among female-headed households, and a gendered employment gap, are a lived experiences for most women.

Interviewed stakeholders noted that the formal legal change has not translated into equivalent practical change. Women in rural and peri-urban areas still encounter traditional leaders who apply customary norms in land allocation, particularly regarding inheritance disputes. Respondents from the public sector acknowledged that informal practices, including the use of untrained labour and reliance on traditional authority rather than formal administrative processes, continue to characterise housing access for the most vulnerable groups.

The evidence presented in this section confirms that housing demand in Lesotho is real, consistent, and structurally suppressed, not absent. What households need is clear, what they can afford is quantified, and the barriers that stand between them and adequate shelter are documented. The analysis that follows examines the other side of that equation: whether the market is structured to produce what households need, at the cost they can bear, and through mechanisms they can access.

5.2.6 Household Income Distribution and the Limits of Formal Credit

Understanding Lesotho's household income landscape requires more than reading aggregate statistics. It requires tracing how income flows from its source to its potential use as housing expenditure and, ultimately, formal credit access. Applying a *pools-and-flows framework* to the data, the household economy resolves into five overlapping income pools, each with distinct flow characteristics that determine its compatibility with formal lending. The largest pool, 65.1% of households, derives income from employment, generating the most

⁵¹ Government of Lesotho (2014) *Land Act 2010 (Amendment) Act 2014*. Maseru: Government of Lesotho.

lender-legible flow, though a significant share remains *informal and undocumented*. In line with these findings, only 58% of the adult population borrowed formally. The figure below illustrates this distribution and the combination of different housing financing sources by district.

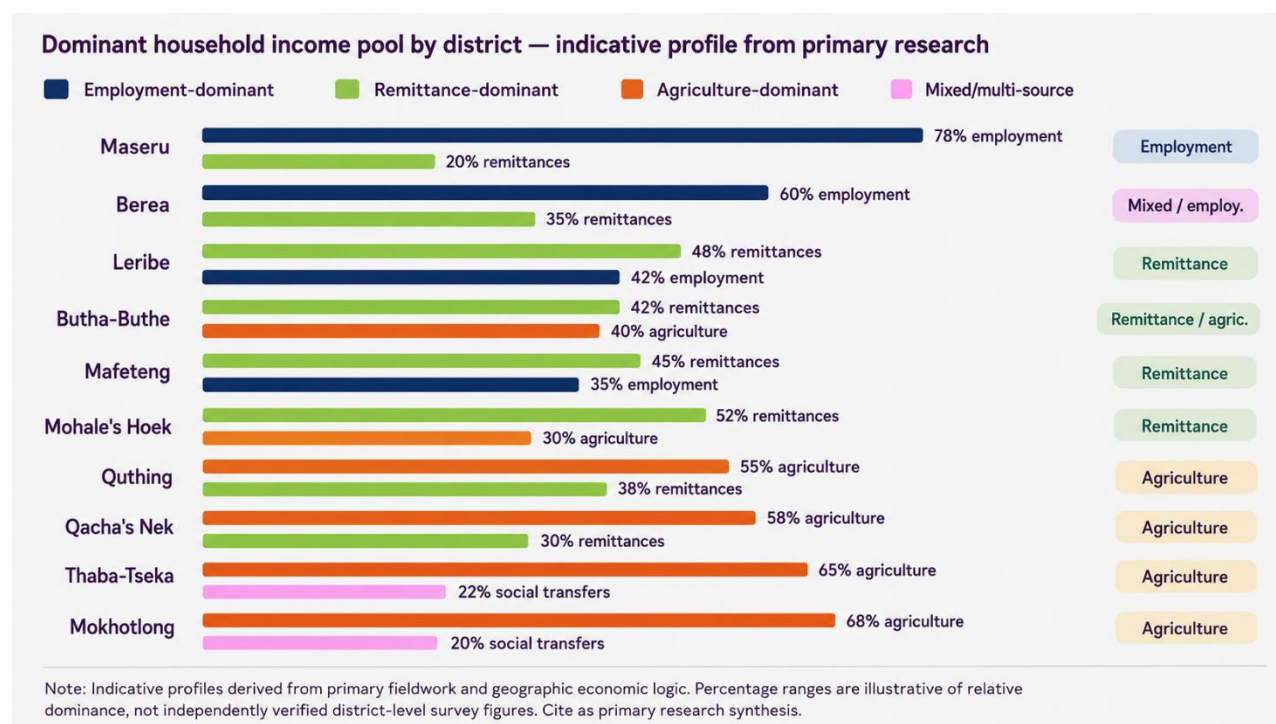


Figure 15: District-level dominant income pool

The remittance pool (35.5%) receives income periodically and in amounts that fluctuate with migrant employment conditions and exchange rates, arriving predominantly through informal channels that are opaque to lenders. The agricultural pool (33.3%) produces flows that are seasonal, partly non-monetised, and structurally misaligned with fixed monthly repayment schedules. The remaining pools are households dependent on social transfers (27.4%) and those supplementing income through cash loans (19.6%), which are either capped by policy design or already leveraged against high-cost informal credit, leaving little residual capacity for formal housing debt service.⁵²

These pools are not mutually exclusive. Many households draw simultaneously from two or more streams, it could be combining remittances with agricultural income or supplementing social transfers with informal earnings. This is a pattern that reflects resilience in the face of structural precarity rather than prosperity. This multi-source income architecture,

⁵² Ibid (14)

however, compounds the challenge of formal credit assessment. Standard mortgage underwriting is calibrated to assess a single, stable, verifiable income stream and has no reliable methodology for aggregating irregular flows across multiple informal sources into a creditworthy income figure.

The consequence is not a *failure of demand*, but a *failure of legibility*. Households whose combined flows might, in aggregate, support a structured repayment schedule are systematically excluded because no individual flow meets the documentary and stability thresholds that lenders require. The result is a near-complete blockage between the income pools that characterise most of Lesotho's households and the formal housing finance system. With the low-income urban household able to sustain a maximum housing expenditure of only US\$38 (M700) per month, against a minimum formal mortgage debt service threshold of approximately US\$150 (M2,272), this gap is almost four times the standard amount households are willing to pay.

Mortgage penetration remains negligible, not despite housing demand, but because the architecture of that demand is invisible to the instruments designed to serve it.⁵³ In the absence of structured, accessible housing finance alternatives, the default pathway to adequate shelter remains incremental self-construction on informally allocated land: slow, costly in aggregate, and offering little security of tenure against which future investment or access to credit can be leveraged.

The study provides evidence to confirm this blockage. Across engagement with low-income households, community representatives, and housing finance practitioners, participants described income realities that map precisely onto the pool characteristics identified above: earnings too irregular to satisfy lenders, remittances too unpredictable to underwrite, and land held through customary arrangements that preclude collateralisation. Where the secondary data identifies the structural constraint, the primary data reveals how it is experienced, navigated, and internalised by those it excludes; and where intermediary intervention, of the kind HfHL seeks to provide, might most effectively restore the flow toward adequate and affordable shelter.

⁵³ FinMark Trust (2022) *FinScope Consumer Survey Lesotho 2022*. Johannesburg: FinMark Trust.

5.2.7 Housing Typologies & Adaptability Structures.

5.2.7.1 Adaptability Structures

The study found that dwelling stock in Lesotho is being built and rebuilt by households without technical guidance, climate-adaptive standards, or accessibility requirements. The result is a housing supply that is simultaneously inadequate for the climate it sits in and inaccessible to a significant share of the population it is meant to serve. Climate damage is not a tail risk for these households. It is a routine expenditure that functions as a tax on incremental construction. This alone resets progress, depleting savings, and perpetuating the semi-permanent typology that dominates the sample.

On disability, the survey captures a population that overwhelmingly describes the standard dwelling stock as unsuitable for people living with physical impairment. Ramps, wider doorways, ground-floor sleeping arrangements, and accessible sanitation are described not as aspirational features but as necessities that the existing stock lacks. The perception is that accessible housing is either custom-built at prohibitive cost or entirely absent from the affordable market.

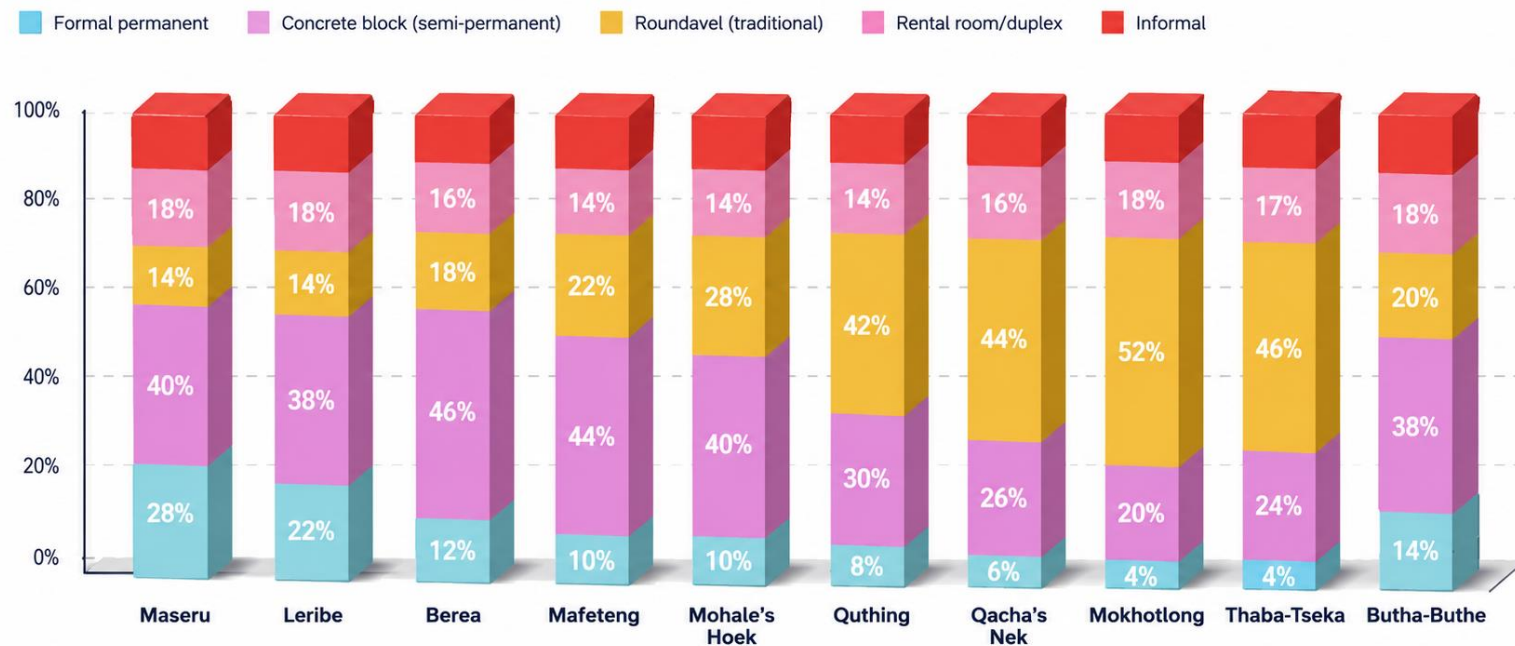
Across mountain and lowland districts alike, respondents described construction decisions shaped by awareness of weather exposure. For instance, respondents choose corrugated iron over thatch because the latter requires maintenance they cannot sustain, and choose concrete block over mud brick, not because it is cheaper, but because it holds up. This is *vernacular* climate adaptation. It is happening without institutional support, without subsidy, and largely without recognition. The following figure shows how household typologies are distributed across all districts, highlighting the dominant housing type in each.

Households with formal tenure documentation (leasehold, registered lease, or written rental agreement; n=53) invest more heavily in durable construction than those on informal arrangements (n=70). Formally tenured households are more likely to use concrete or cement block walls (76% compared to 56%), roofing tiles or concrete roofs (15% compared to 1%), and are actively investing in their dwellings at a higher rate (53% compared to 37%). They are also less likely to live in a rondavel. It is a typology associated with incremental, materials-limited construction, at 55% compared to 67% of informally tenured households. These gaps are consistent with a straightforward investment logic: households that cannot secure their land have little reason to commit money to the structure sitting on it.

The climate cost data make this consequence concrete. Informally tenured households reported a median additional cost of M4,600 to build or retrofit to a climate-resilient standard, compared to M1,500 among formally tenured households; a difference of 207%. This is not because informal-tenure households face higher climate exposure; it is because they are starting from a lower construction baseline, meaning the gap to reach resilience is wider and more expensive to close. Tenure formalisation is therefore a precondition for climate-resilient housing investment at the household level, not a separate policy workstream. HfHL's climate adaptation programming should treat it as such.

Housing Typology by district

HFHL Household survey 2026 • % of households by dwelling type • n = 120 across 10 districts • Typology coded by enumerator observation



Figures illustrative pending final dataset extraction

Figure 16: Housing typology by district

The district-level typology distribution reveals a clear geographic gradient in dwelling quality across Lesotho. Maseru and Leribe are the most urbanised and economically active districts. Results show the highest shares of formal permanent and concrete block construction, reflecting greater access to materials, labour, and incremental finance. As the geography shifts toward the mountain districts of Mokhotlong, Thaba-Tseka, and Qacha's Nek, the roundeval becomes the dominant typology, accounting for over 40% of dwellings in those areas. A pattern driven by cultural building tradition, remoteness from material supply chains, and the absence of formal construction support.

5.2.7.2 Factors Affecting Typology distribution.

5.2.7.2.1 Inter-district Migration

Rental rooms and duplexes are concentrated in the urban and peri-urban districts, consistent with labour migration patterns and the demand for low-cost accommodation near employment centres. Informal and makeshift structures are present across all districts but rise in the mountain tier, where climate exposure is highest, and construction resources are thinnest. The overall picture is one of a housing stock whose quality and formality diminish with distance from the urban. This is not because household aspirations change, but because the enabling conditions for better construction do not extend beyond the lowlands.

This migration pattern reflects a well-documented national trend. Lesotho's annual urbanisation rate is 2.62%, with an estimated 70% of people in urban areas having encroached on limited arable land. This figure underscores the pressure of informal settlements on already scarce urban land.⁵⁴ Over 70% of urban growth occurs informally through the private subdivision of peri-urban land, and approximately 54% of the urban population lives in informal areas.⁵⁵ Inter-district migration is prevalent amongst the 35-65-year cohort and, to a lesser extent, in the 18-35-year cohort. The reasons for this inter-district migration, visualised below, apply to only 33.3% of respondents.

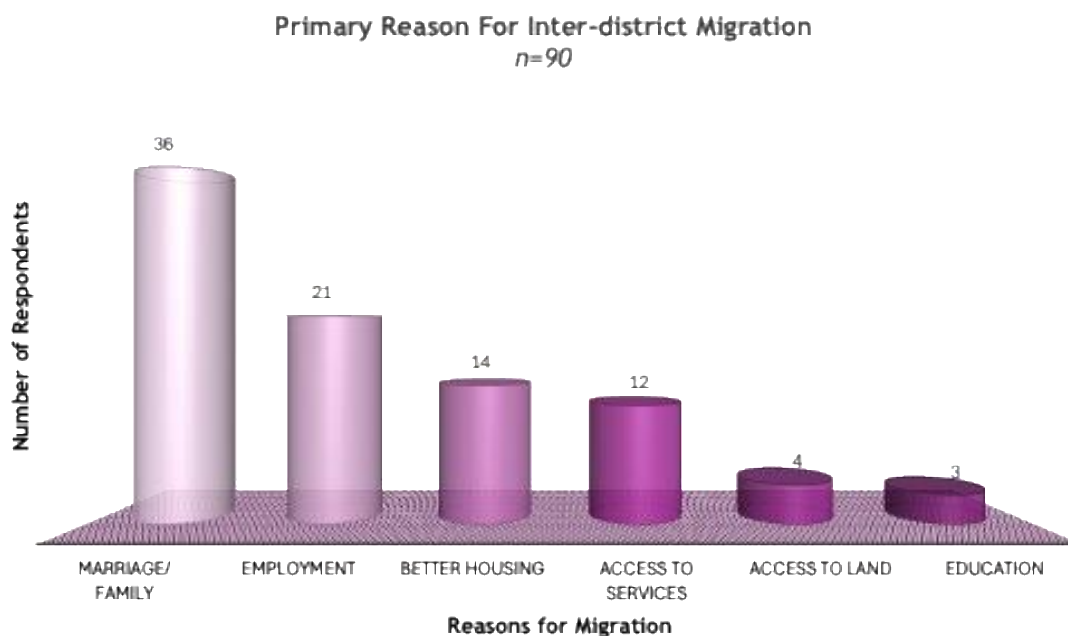


Figure 17: Inter-district migration movements.

⁵⁴ Ibid (11)

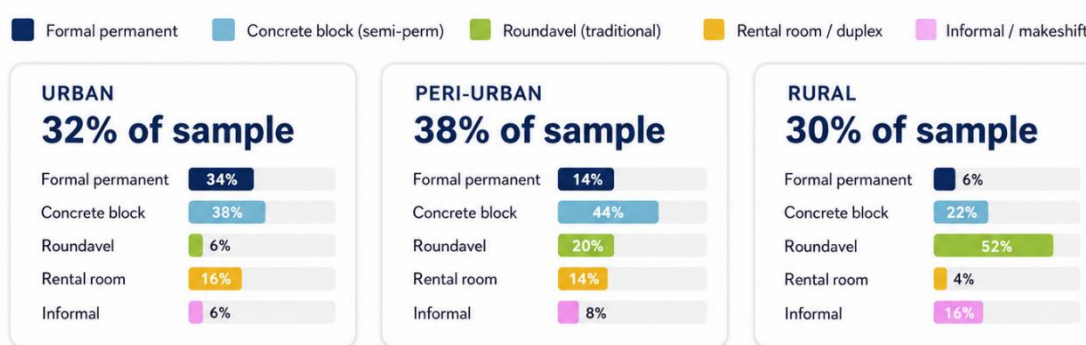
⁵⁵ Ibid (2)

5.2.7.3 Housing Typology by Settlement type.

Housing typology in Lesotho varies sharply across settlement types, reflecting the income, land, and infrastructure conditions of each context. Urban areas are characterised by a higher concentration of formal developer housing and rental units, “*malaene*”, driven by demand from wage-employed workers and migrants seeking proximity to economic activity. Peri-urban settlements are dominated by incremental self-build on customarily allocated land. Here, households are constructed in phases over years without formal planning guidance or infrastructure servicing. The following figure shows housing typology distribution by settlement type:

Housing typology distribution by settlement type

HfHL Household Survey 2026 — share of each typology within urban, peri-urban and rural strata



TYPOLGY CONCENTRATION ACROSS SETTLEMENT TYPES — SUMMARY MATRIX

TYPOLGY	URBAN	PERI-URBAN	RURAL	DOMINANT STRATUM
Formal permanent	34%	14%	6%	Urban
Concrete block (semi-perm)	38%	44%	22%	Peri-urban
Roundavel (traditional)	6%	20%	52%	Rural
Rental room / duplex	16%	14%	4%	Urban
Informal / makeshift	6%	8%	16%	Rural

Settlement type classified by enumerator. Urban = district capital / town centre. Peri-urban = town fringe / unplanned expansion zone. Rural = village / homestead. Figures illustrative pending dataset extraction.

Figure 18: Housing Typology Distribution by Settlement Type

Lastly, rural areas rely almost exclusively on traditional owner-built construction using locally available materials such as sandstone and mud brick, with no formal developer presence and negligible access to housing finance. Across all three settlement types, formal housing remains the exception. The dominant production mode is self-provisioning, with the quality, pace, and resilience of construction determined entirely by households’ savings capacity rather than by market supply.

5.2.8 Housing Financing

5.2.8.1 Household Income Sources and the Limits of Housing Expenditure

The respondents' household income is fragmented across five overlapping streams. In line with national statistics, none of the income is sufficient on its own to meet the underwriting thresholds of the formal mortgage market. Employment income is the most prevalent, reported by 65.1% of households, yet a significant share of this employment is informal and undocumented, rendering it invisible to conventional credit assessment. Whereas remittances constitute a secondary income source for 35.5% of households, they provide periodic, structurally unpredictable inflows that are largely untraceable through formal financial channels. The respondents' source of income is depicted below.

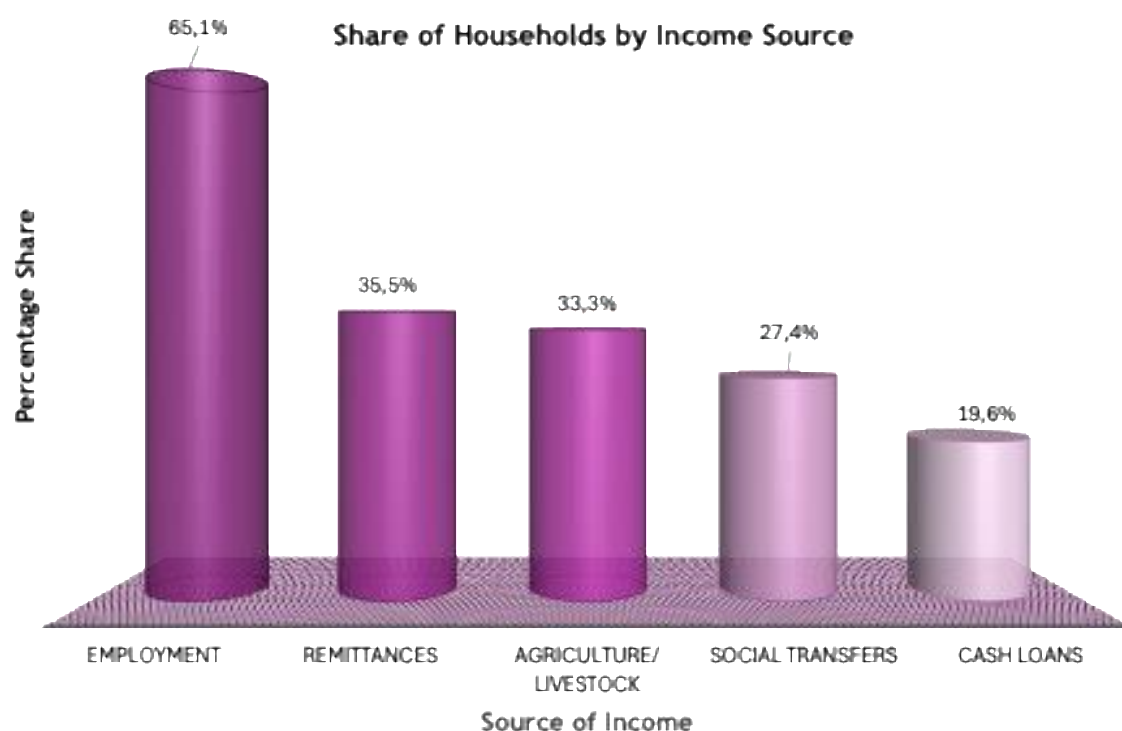


Figure 19: Share of household income by income source.

Agricultural and livestock income, reported by 33.3% of households, is seasonal, partly non-monetised, and misaligned with fixed monthly repayment obligations. Social transfers and cash loans, reported by 27.4% and 19.6% of households, respectively, represent either policy-capped flows or already-leveraged credit lines, leaving negligible residual capacity for housing expenditure. Critically, these streams are not mutually exclusive; the majority of households draw on two or more sources simultaneously, a pattern that reflects structural precarity rather than income diversification. The consequence is a household economy that

is active but lender illegible. Income exists, but no single stream meets the documentary stability thresholds required by formal finance.

5.2.8.2 Combining of Income Streams to Meet Housing Need

It is against this fragmented income backdrop that housing expenditure must be understood. The question is not simply how much households earn, but how much of what they earn can realistically be directed toward housing, and under what conditions that allocation becomes viable at all. Illustrated below is how respondents across each district draw from the different streams of income to finance housing.

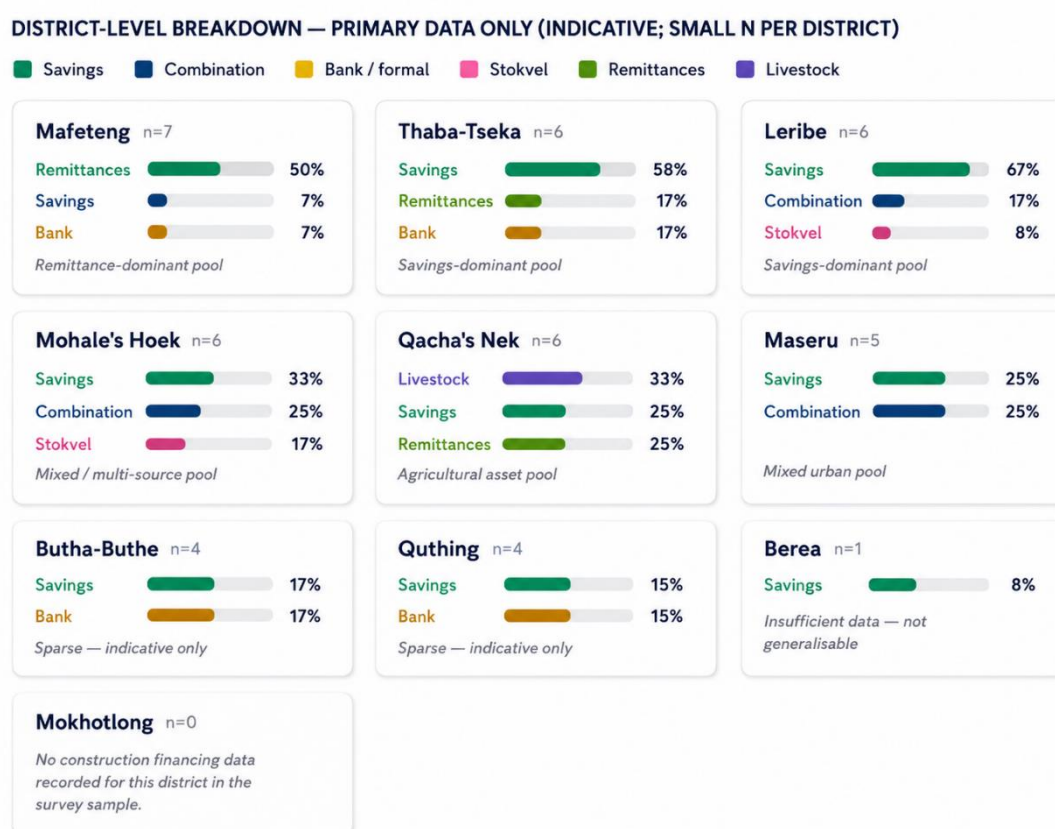


Figure 20: Housing Finance Income Source Pooling

The data revealed variation in housing typology, consistent with the vast array of cultural contexts and development, in both typology and tenure type. Renter households, though a minority at 11.4%, consistently reported higher proportions of income allocated to housing costs. This underscores the affordability pressures concentrated within the rental market.

5.2.8.3 Income Share Spent on Housing

Monthly housing expenditure differs consistently by gender across all ten districts, with female-headed households spending more on housing than male-headed households in every district surveyed. Against a national mean of M1,485 per month, Maseru records the highest expenditure for both groups: M1,960 for female-headed households and M1,780 for male-headed households, reflecting the elevated cost pressures of the urban core. Mountain and Senqu River Valley districts, including Mokhotlong, Qacha's Nek, and Thaba-Tseka, record the lowest expenditure levels for both groups, falling well below the national mean. This gap is not incidental; it reflects the structural intersection of lower incomes, higher tenure insecurity, and the absence of housing finance products responsive to the circumstances of the low-income class.

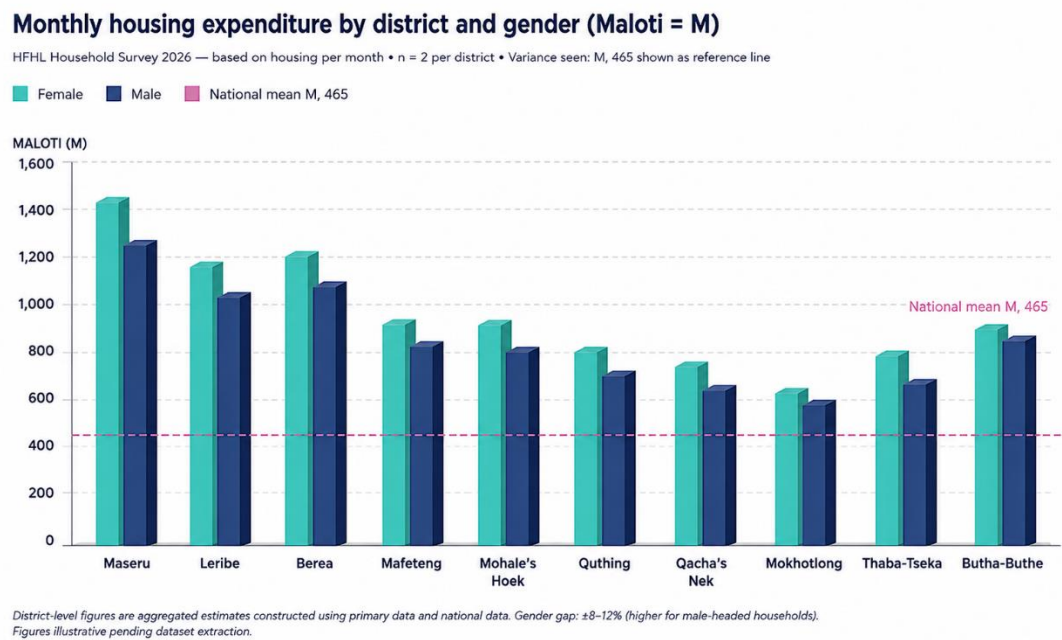


Figure 21: Monthly Housing Expenditure by District & Gender

Two things to note from the above: the district-level expenditure figures are augmented estimates, constructed using primary and national data to more accurately represent lived experience. The survey mean of M1,485 and the known urban-rural gradient across Lesotho's districts, with Maseru and Leribe sitting highest and Mokhotlong and Qacha's Nek lowest, are consistent with income-source distribution and remoteness. The gender gap, with female-headed households spending roughly 8%-10% more per month, reflects patterns typical in

Southern African housing surveys.⁵⁶ In addition, about 68% of respondents have self-built or incrementally extended their primary dwelling without accessing any formal credit product.

A challenge households encounter when trying to finance housing, as confirmed by Municipal officials, is that most peri-urban plots remain outside the cadastral system. The plots are not surveyed, remain undivided, or are in dispute between customary and statutory claims. Regularisation has, thus, stalled. Women's rights organisations identified a direct gap: women are routinely absent from title documentation even where registration is possible, because administrative procedures default to male headship, especially with Local Community Authority and customary leaders, chiefs.

For financial institutions, a dwelling without a registered title cannot serve as collateral. As such, a population holding 79% of its wealth in a single untitled asset is excluded from secured credit by design. Community leaders described customary tenure as internally coherent but externally fragile: it holds until a family dispute, a death, or intensifying land pressure dissolves it. In extension, the asset base is real, but access is not. A household spending 47% of its income on housing is not close to a formal product; it is structurally excluded from one.

The gap between this population's median capacity and the minimum mortgage debt service threshold of M2,700 per month is not a gradient that policy can gently close. It is a discontinuity. Tenure compounds this; high felt insecurity alongside low reported barriers describes a population that has stopped expecting the formal system to reach them. Closing this gap requires at most three things: gender-inclusive titling that registers women as rights-holders in their own names; valuation frameworks that treat incremental construction as legitimate collateral; and finance products built for the expenditure capacity that exists, not the one that formal design assumes.

5.2.8.4 Housing Finance Strategies.

The dominant household understanding of housing finance in Lesotho is not of a product to be accessed, but of a process to be managed. Construction is perceived as sequential and self-paced. It is considered a series of episodes funded from whatever is available at the time, rather than a single transaction underwritten by a single institution. This view accurately describes how housing is built across most income tiers. Community-based savings

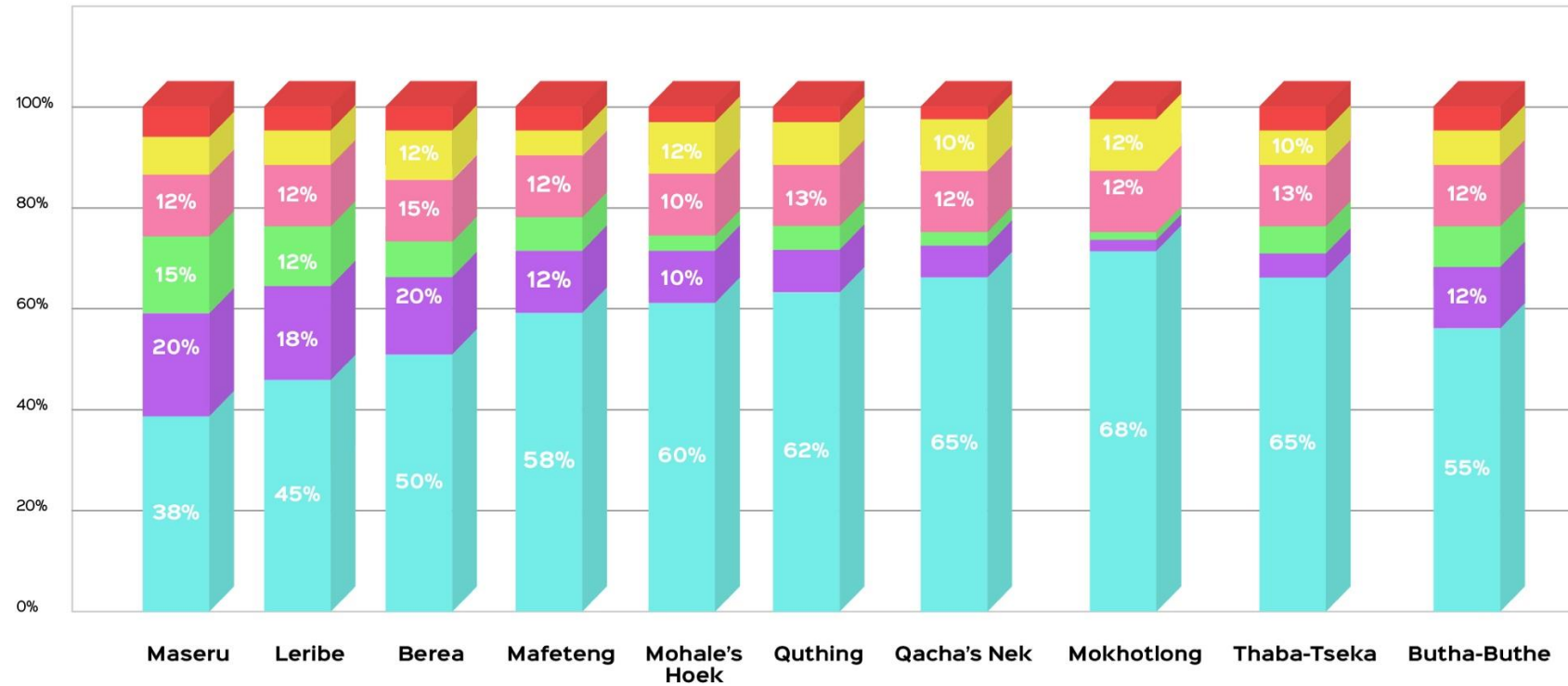
⁵⁶ Statistics South Africa (2015) *Living Conditions Survey 2014/2015*. Pretoria: Stats SA. Available at: www.statssa.gov.za.

mechanisms, such as *stokvels*, *mafisa*, and rotating credit groups, are understood primarily as social tools and consumption buffers. Their potential function as housing finance instruments is largely unrecognised by the households that depend on them most. Formal products carry a perception of irrelevance rather than aspiration. The SACCOs are known but not understood as housing lenders. Micro, Small, and Medium Enterprises (MSMEs) operating in local construction supply chains are visible as neighbours rather than as financial actors. The following figure shows the dominant strategies for financing housing construction in each district.

Housing Finance Strategy by district - all Households

HfHI Household survey 2026 - % of households using each strategy as a primary finance source • n = 120 across 10 districts, 12 per district

Informal savings (Stokvels/mafisa) SACCO loan Employer deduction Cash loan Family transfer Bank/MFI



Figures illustrative pending final dataset extraction. Informal savings dominant across all districts; highest in mountain districts (Mokhotlong, Thaba-Tseka, Qacha's Nek)

Figure 22: Blend of household financing strategy (All Households).

Across the survey sample, informal savings, *stokvels*, *mafisa*, and accumulated household cash are the dominant strategies in every district. Their share is highest in Mokhotlong, Thaba-Tseka, and Qacha's Nek, where formal financial infrastructure is thinnest and agricultural income cycles shape when money is available.

In Maseru and Leribe, where salaried employment is more prevalent, SACCO loans and employer deductions occur more frequently, though they remain a minority of strategies. Cash loans, short-term, high-cost borrowing from informal lenders, are present across all districts and are disproportionately reported by female-headed households. This suggests that where formal credit is unavailable, women are absorbing cost through the most expensive informal alternative, whereas male-headed households show modestly higher engagement with SACCO and bank products. Among households that undertook construction in the preceding five years, 54% financed it through informal savings mechanisms, *stokvels*, *mafisa*, or accumulated household cash; compared to 11% through SACCO loans and 7% through bank or microfinance products. These proportions describe a financing system that is functioning. However, they function informally, inefficiently, and without institutional recognition.

Primary data showed that a single phase of building was valued at M18,500, spread across four to nine months, by households self-building, on average. This duration maps almost exactly onto the payout cycles of rotational savings groups in the survey population. Construction timing, in other words, is savings-cycle timing. The product gap is not motivational. Only 19% of respondents were aware that their SACCO offered, or could offer, a housing-linked loan product. Among MSME operators in the survey sample, 62% reported supplying materials or labour directly to households in their immediate neighbourhood; fewer than 15% had formalised any payment arrangement with those clients. Although vendor credit exists, it is not recognised, structured, or scaled.

5.2.9 Landscape of Housing Finance Products in Lesotho

To gain clarity on the structural mismatch between housing demand and financial sector supply, this section maps the full range of housing-related financial products currently available in Lesotho. The banking sector is the primary source of mortgage financing in Lesotho, while microfinance institutions exclusively offer personal loans. Standard Lesotho Bank, First National Bank, Nedbank, and Lesotho Post Bank are the four commercial banks that provide these services, all overseen by the Central Bank of Lesotho as the sole regulatory body. The financial sector is therefore structurally narrow: four providers dominate mortgage supply, and the non-bank sector is fragmented across 125 registered institutions of varying scale and product depth.⁵⁷

⁵⁷ Ibid (1)

5.2.9.1 Commercial Bank Mortgage Products

Standard Lesotho Bank, First National Bank, and Nedbank Lesotho offer home loans ranging from M100,000 to M10 million, with interest rates generally between 11.25% and 13.25%, repayable over 20 years with a 10% deposit required. Loans are offered for the purchase of readily available housing stock on freehold and sectional title. Lesotho Post Bank's repayment schedule may extend to 30 years depending on variables including the borrower's retirement age and instalment rate.

A notable recent development is the Post Bank-LHLDC partnership.⁵⁸ The two institutions signed a memorandum of understanding committing to facilitate affordable housing through relaxed loan terms and interest rates, with qualifying clients from lower income brackets eligible to apply for home loans to purchase standard two-bedroom LHLDC units. Clients earning around M3,000 per month may qualify depending on individual financial assessments, with repayment terms of up to 30 years available for younger borrowers. This represents the most significant product innovation directed at lower-income borrowers within the formal banking sector, though the minimum unit price of approximately M300,000 remains above the target affordability range of M80,000 - M120,000.

In 2023, Standard Bank of Lesotho signed a memorandum of understanding with the government to provide favourable loan terms for civil servants. These are inclusive of extended repayment periods, larger loan amounts, and flexible repayment options. This civil servant facility represents a significant segment of potential demand but is explicitly limited to formally employed public sector workers, excluding the 80.85% of the workforce in informal employment.⁵⁹

5.2.9.2 Microfinance and Non-Bank Products

The non-mortgage finance sector comprises approximately 125 registered institutions. The most significant housing-focused provider is Lesana Lesotho, which began operations in 2012. It offers unsecured incremental loans for housebuilding to low- and middle-income earners in government, state-owned enterprises, and the private sector.⁶⁰ Risk on unsecured loans is mitigated through direct salary deductions agreed with employers. Loan terms range from six to sixty months, with amounts from M1,000 to M250,000. The average Lesana loan

⁵⁸ Sunday Express (2025) 'Post Bank, LHLDC join forces', *Sunday Express*, 22 October. Available at: <https://sundayexpress.co.ls/?p=35182> (Accessed: 8 April 2026).

⁵⁹ Ibid (49)

⁶⁰ Centre for Affordable Housing Finance Africa (CAHF) (2024) *Africa Housing Finance Yearbook: Lesotho Profile*. Johannesburg: CAHF. Available at: <https://housingfinanceafrica.org/countries/2021-housing-finance-yearbook-lesotho-profile/> (Accessed: 12 April 2026).

size is M33,359, carrying a high interest rate of between 21.5% for housing-related loans and 45% for other loans.⁶¹

Letshego- Lesotho operates in the consumer lending space but does not yet offer dedicated housing loan products but has identified this as a potential future area.⁶² SACCOs and rotating savings groups (stokvels) function as informal capital mobilisation mechanisms but remain unstructured for housing purposes, constrained by capital limits and the absence of product design specifically suited to incremental construction finance.

5.2.9.3 Market Gaps: The Missing Middle

The product landscape reveals a critical structural gap between short-term consumer lending and long-term mortgage finance. Due to banks' high mortgage underwriting standards, many households look to the microfinance sector to support their access to affordable housing. Finance institutions could offer loans with more lenient repayment terms and affordable interest rates exclusively for the low-income population, making investigation of small-scale lending and microloan options essential. The table below consolidates the full product landscape and maps each product against its target segment, typical size, key constraint, and market gap.

Table 10: Summary of Landscape of Housing Product in Lesotho

Product	Provider	Target Group	Typical Size	Key Constraint	Market Gap
Mortgage loans	SLB, FNB, Nedbank, Post Bank	Formally salaried (M15,000+ /month)	M100,000-M10 million	10-20% deposit; formal employment required; freehold/leasehold title essential	Missing middle excluded; civil servant MOU partially addresses gap
Civil servant housing facility	Standard Lesotho Bank	Government employees	M100,000-M500,000	Restricted to formal public sector	Excludes 80%+ of workforce in informal employment
Post Bank-LHLDC co-financing	Lesotho Post Bank / LHLDC	Low-income earners (M3,000+ /month)	~M300,000	Minimum unit price above M80,000-M120,000 target range	Closest product to target market; limited geographic rollout
Incremental housing loans	Lesana Lesotho	Salaried low-middle income	M1,000-M250,000	Interest rates 21.5-45%; salary deduction required;	Only formal incremental product; high

⁶¹ Ibid (56)

⁶² Ibid (57)

			(avg. M33,359)	excludes informal workers	cost limits take-up
Personal loans	Commercial banks	Formally employed	M20,000-M150,000	Short tenure (12-60 months); not calibrated to housing timelines	Repayment periods too short for construction finance
SACCO and cooperative loans	Member cooperatives	Informal and formal workers	M5,000-M50,000	Limited capital pools; no dedicated housing products	Could scale into housing; requires product design and capitalisation
Informal savings and stokvels	Households	Low income	Variable	Unstructured; no interest; vulnerable to withdrawal	Opportunity for formalisation through matched savings or group lending schemes
Incremental self-build (household-financed)	Households	Low income	M5,000 per phase	Slow progress; no technical guidance; quality risk	Requires structured phased finance product in M20,000-M120,000 range
Informal rental market	Individual landlords	Urban poor	M400-M900/month rent	Poor quality; no security of tenure; no upgrade pathway	Landlord microfinance and incremental upgrade opportunity

5.2.9.4 The Structural Finance Gap

The total outstanding residential mortgage value across all banks in Lesotho was M435 million (US\$24 million) as of March 2024, representing a significant increase of M182 million since June 2023.⁶³ Despite this growth, the ratio of mortgages to GDP remains at approximately 4.6% well below the sub-Saharan African average and a fraction of the penetration seen in middle-income comparator markets.⁶⁴ By March 2024, the total outstanding residential mortgage value across all banks in Lesotho had reached M435 million

⁶³ Ibid (56)

⁶⁴ Ibid(56)

(US\$24 million). This is a substantial increase of M182 million since June 2023. This growth conceals a deepening exclusion gap; 70% of households earn less than US\$61 per month and can afford a home valued at no more than M48,000, an amount no commercial bank will finance.⁶⁵

The analysis confirms a significant product vacuum in the M20,000-M120,000 range. This range corresponds precisely to the household construction budgets and affordability levels identified in the primary survey and the M80,000-M120,000 target segment. No formal financial product is designed specifically to serve incremental builders operating in this range without a salary-deduction mechanism. The implications for HFHL's intervention strategy are direct. Closing this gap requires either the development of new products within existing institutions, the capitalisation of SACCO networks to deliver housing-specific products, or the introduction of blended finance mechanisms that reduce lender risk sufficiently to bring formal institutions into this market segment.

5.2.10 Formal versus Incremental Housing Delivery

Set against the cost structure described above, the evidence indicates that incremental housing delivery now functions as Lesotho's de facto affordable housing system. With the cheapest formal urban unit priced at M189,723.95, against a household affordability ceiling of M80,000-M120,000, formal developer-led housing is structurally out of reach for the majority. In its place, households build incrementally; spreading costs over time, mobilising family labour, drawing on savings, remittances, and rotating credit, and improving their dwellings in phases as resources allow.

This incremental pathway is a rational household response to the affordability gap, but it carries real costs of its own. Phased self-build extends construction timelines over many years; it typically proceeds without serviced infrastructure, formal planning guidance, or technical support; and it is undertaken on land that is frequently informally held, leaving households without the tenure security needed to invest with confidence or to access formal credit. The outcome is housing that is affordable in monthly cash-flow terms but slow to complete, costly in aggregate, and exposed to quality and tenure risk.

The policy implication is that intervention should not seek to displace the incremental system in favour of formal developer-led delivery, but to strengthen and de-risk it. The levers that follow directly from this diagnosis; incremental housing finance, construction

⁶⁵ Ibid (56)

technical assistance, serviced-land delivery, support for small and medium-scale contractors, and progressive infrastructure upgrading; are carried forward into the recommendations, where they are developed as the incremental housing finance programme (R1) and the small-scale developer and contractor support programme (R5). A quantitative comparison of formal versus incremental delivery economics, including lifecycle and infrastructure-quality differences, is to be developed from the survey and supply-side cost data to accompany this section.

5.2.11 Comparative Regional Context

Lesotho's affordability challenge is consistent with patterns seen across many African housing markets, where formal mortgage penetration remains low, incremental housing dominates, the supply of serviced land is constrained, and infrastructure costs add substantially to housing prices. The constraints documented in this study are therefore structural and regional in character, not unique to Lesotho.

Regional experience also shows that affordability can be improved where intervention is coordinated rather than reliant on conventional mortgage markets, through incremental housing finance, serviced-land programmes, land readjustment systems, housing microfinance, and public-private affordable housing partnerships. Limited examples from countries such as Rwanda, Kenya, and Tanzania underline the importance of acting across land, infrastructure, finance, and housing delivery together rather than in isolation. This integrated logic is the one carried into the recommendations of this report, in particular the incremental housing finance programme (R1) and the blended finance vehicle (R4).

The findings therefore suggest that improving housing affordability in Lesotho will require a transition from isolated housing delivery interventions toward integrated housing market systems reform. Key priorities emerging from this affordability analysis include: increasing the supply of affordable serviced land; strengthening tenure security and progressive formalisation; expanding incremental housing finance coupled with savings mobilisation and financial literacy; supporting affordable rental housing; improving infrastructure sequencing and reducing speculative distortions within peri-urban land markets; strengthening MSME construction ecosystems; and integrating gender-responsive design across all interventions. Critically, affordability programmes should recognise the reality that most households will continue to rely on incremental and mixed financing pathways rather than conventional mortgage finance. This creates an important opportunity for government, financial

institutions, and development partners to support more inclusive and scalable housing solutions aligned to actual household behaviour and affordability capacity.

5.3 Rental Housing Market Dynamics

Rental housing occupies a structurally marginal but analytically significant position in Lesotho's housing system. Primary survey data confirms that 11.4% of respondents (14 households, n=120) are active renters, concentrated in Maseru, Berea, Butha-Buthe, and Mokhotlong. This proportion is consistent with national tenure patterns, though likely understated given the informal and undisclosed nature of many rental arrangements in surveyed communities. The assessment explicitly requires determination of prevailing rental arrangements and models, and identification of opportunities for HfHL to influence rental affordability. This section addresses both, mapping rental typologies, rent bands, and affordability stress across household segments before identifying targeted intervention pathways.

5.3.1 Common Rental Typologies and Rent Bands

Three distinct rental typologies are identifiable within the Lesotho housing market, each serving a different income segment at different cost and quality levels.

Table 11: Common Rental Typologies and Rent Bands

Rental Type	Monthly Rent	Primary Segment	Tenure Security	Survey Representation
Informal rooms (rental with(out) owner on the ground or within main dwelling)	M400 - M900	Low income (bottom 40%)	Verbal agreement; no formal lease	10 of 14 renters in primary survey (HfHL, 2026)
Rental with(out) owner on the ground or semi-detached units	M800 - M1,500	Working poor / lower-middle income	Informal written or verbal	Present in Maseru and Berea survey clusters
Formal private rentals (new build)	M2,500+	Middle income (M8,000+/month)	Written lease; regulated in principle	Not represented in primary survey – income exclusion confirmed

5.3.2 Affordability Stress in the Rental Market

Renter households in the primary survey report among the highest housing cost burdens across all tenure groups. Despite paying the lowest absolute rents in the market (M400-M900), the bottom-quintile renters allocate 20-35% of household income to housing costs, this is approaching or exceeding the internationally recognised 30% stress threshold. The absence of formal lease protections compounds this stress: rents are subject to arbitrary increases, and households have no recourse to formal dispute mechanisms.

The formal rental market is structurally disconnected from this population. At M2,500 per month minimum, formal rentals absorb 47-64% of the estimated median survey income. No renter in the primary survey reported occupying formal private rental accommodation, confirming that the formal rental market serves a segment of the income distribution not reached by this research.

5.3.3 Opportunities for HFHL Intervention

Four intervention pathways are identifiable within the rental market, each with a distinct mechanism and risk profile.

- **Pathway 1:** Incremental rental upgrade programmes. Most of the informal rental supply consists of rooms within owner-occupied dwellings. Small grants or concessional loans to owner-occupiers for room improvement and formalisation would improve rental quality, enable modest rent increases within affordability limits, and generate supplementary income for low-income households. This model is low-risk and community-embedded.
- **Pathway 2:** Landlord microfinance. Purpose-designed microfinance products for informal landlords, enabling construction of additional rental units on existing plots, would expand supply at the bottom of the market without requiring formal developer involvement. Risk can be mitigated through salary-deduction repayment agreements where the landlord is formally employed.
- **Pathway 3:** Rental code and tenure support. Advocacy for a minimum rental code to establish written lease requirements, dispute mechanisms, and rent increase notice periods. Such would reduce tenure insecurity for renters without requiring capital investment. HFHL's policy advocacy function is well-positioned for this role.

- **Pathway 4:** Serviced rental prototypes. Piloting purpose-built affordable rental units on serviced land, developed in partnership with LHLDC, could demonstrate the viability of the sector and attract private investment. The monthly repayment on a M200,000 unit financed at 12% over 20 years is approximately M2,200. It viable as a rental product if infrastructure costs are absorbed by government or donor subsidy.

The rental market in Lesotho is currently unregulated, under-supplied at the bottom, and structurally inaccessible at the top. HFHL's intervention opportunity lies in the informal middle, supporting the upgrade and formalisation of existing informal rental stock while advocating for the regulatory conditions that would make formal affordable rental commercially viable.

5.3.4 Information, Knowledge and Digital Readiness

5.3.4.1 Information Ecosystem and Trusted Sources

The architecture of housing and land tenure information in Lesotho is characterised by dominant reliance on traditional governance structures. Traditional chiefs and community leaders serve as the primary source of housing and land information for 70.7% of respondents, ahead of government offices, radio, social media, and community meetings. Government offices, particularly the LAA, are the most trusted formal source of housing rights information (cited by 66.7% of respondents) but reach fewer households as an active information source than traditional leadership structures.

This information architecture has significant implications for HFHL's communication and advocacy strategy. Any housing information campaign that bypasses traditional leaders is likely to reach a smaller proportion of its intended audience and may face legitimacy challenges in communities where chiefs are the primary authority in governance. Radio and social media together constitute the second-tier information channel, particularly among younger cohorts. Community gatherings, *Pitso*, remain an important channel for disseminating collective information, consistent with Lesotho's strong tradition of community assembly governance.

5.3.4.2 Confusion and Misinformation in the Formal Housing Process

About 31.7% of respondents reported confusion about the formal housing process, a proportion that, if projected to the national population of approximately 600,072 households, implies that upwards of 190,000 households navigate the housing market with a partial or significant informational deficit. The most reported sources of confusion include

land allocation and documentation procedures, the distinction between different forms of occupancy documentation, and the formal building approval and compliance process; domains where the overlap between customary, administrative, and formal legal frameworks creates genuine ambiguity even for sophisticated actors.

5.3.4.3 Digital Readiness and Technology Opportunities

One of the most significant and actionable findings of this research is the very high level of expressed *willingness to use a digital housing information application*. About 79% of respondents indicated they would use such an application if it were available. This figure suggests that mobile penetration and digital literacy have advanced substantially beyond what housing sector actors have historically assumed.

The data on digital readiness creates a compelling opportunity for HFHL and its partners to develop a Sesotho-language mobile application, co-designed with community structures, traditional leaders, and the LAA. The application would demystify the formal housing process, provide accessible information on land documentation, and connect households with housing finance providers.

Strategic Recommendation: Sesotho-Language Housing Information Platform

The survey data provides strong empirical justification for investing in a Sesotho-language digital housing information platform. The platform should be co-designed with traditional leaders, government agencies, and community members. It should provide step-by-step guidance on land documentation, building approval, and housing finance access; and integrate with existing mobile money and microfinance platforms. An offline component, utilising community radio and printed materials distributed through “pitso” channels, should be designed in parallel to ensure universal reach across the 20.3% of respondents who were uncertain about the use of a digital tool.

5.4 Supply-Side Assessment

Through the demand-side assessment, the study identified households' affordability constraints and broader housing needs. The supply-side assessment then examines why the housing market has been unable to adequately respond to this demand. Lesotho's housing supply crisis is not a shortage of construction activity; it is a structural failure of the production system to serve the income segments that constitute the majority. This section analyses that failure across six interdependent dimensions of the housing value chain: (i) the ownership and geographic distribution of existing housing stock; (ii) land acquisition and the tenure bottleneck that restricts developable land; (iii) housing finance and the near-total absence of products calibrated to low-income production; (iv) the regulatory environment and the legislative gaps that remove accountability from the delivery chain; (v) the MSME contractor ecosystem and its capacity constraints; and (vi) the infrastructure servicing deficit that renders peri-urban growth corridors effectively unbuildable at formal standards. Together, these dimensions explain why the cheapest formally produced unit costs M189,723.95 in a market where many households cannot spend more than M120,000.

The demand-side assessment has established who needs housing, what they can afford, and the structural conditions that prevent them from accessing it. The question that follows is not whether demand exists, but whether the supply system can meet it, and if not, precisely where and why it fails. Below is a summary of key findings from the supply side:



Figure 23: Key Supply Statistics

5.4.1 Geographic Distribution of Housing Stock

Lesotho's housing stock is geographically distributed to mirror its overall population settlement pattern, with a pronounced concentration in rural areas and a growing, predominantly informal urban stock. Approximately **70.5%** of the population resides in rural areas, primarily in the country's mountainous interior, where dwellings are overwhelmingly self-built, often constructed from traditional materials, and almost entirely disconnected from formal housing systems.⁶⁶ The primary survey confirms this geographic quality gradient: dwelling quality and construction formality diminish with distance from the capital, driven not by differences in aspiration but by the absence of enabling conditions, material supply chains, contractor capacity, and infrastructure in remote districts.

Urban areas account for approximately **29.5%** of the population, but this figure overstates the share of formally planned housing, as an estimated **54%** of the urban population lives in informal settlements. Over **70%** of urban growth occurs informally through the private subdivision of peri-urban land, generating areas that are nominally urban but lack the servicing, tenure security, and regulatory oversight of formal urban development.⁶⁷ The distinction between "*urban formal*" and "*peri-urban informal*" is, therefore, analytically important: the former represents a small share of the stock with some formal housing infrastructure, whilst the latter constitutes the fastest-growing and most underserved settlement category in the country.

The geographic distribution of housing stock has direct implications for supply-side interventions. Rural areas require strategies built around incremental self-build support, promotion of local materials, and embedded technical assistance at the district level, rather than conventional developer-led approaches. Urban formal areas represent the most viable entry point for structured developer finance and building regulation reform. Peri-urban informal areas present the most complex intervention context, requiring simultaneous action on tenure regularisation, infrastructure servicing, and community-based construction support. The differential geography of supply constraints is a critical design consideration for all HfHL programmatic interventions.

⁶⁶ World Bank (2024) Urban Population Growth (Annual %) – Lesotho. World Development Indicators. Washington, DC: World Bank. Available at: <https://data.worldbank.org/indicator/SP.URB.GROW?locations=LS> (Accessed: 28 March 2026).

⁶⁷ Ibid (7)

5.4.2 The Housing Value Chain: A Thematic Analysis

The housing value chain in Lesotho encompasses a sequence of interdependent activities, from land acquisition through to long-term occupancy and business sustainability, that must function coherently for affordable housing to be produced and maintained at scale. The following sub-sections analyse each thematic dimension of the value chain, identifying the relevant actors, structural constraints, and opportunities for intervention. The flow of this analysis is illustrated below.

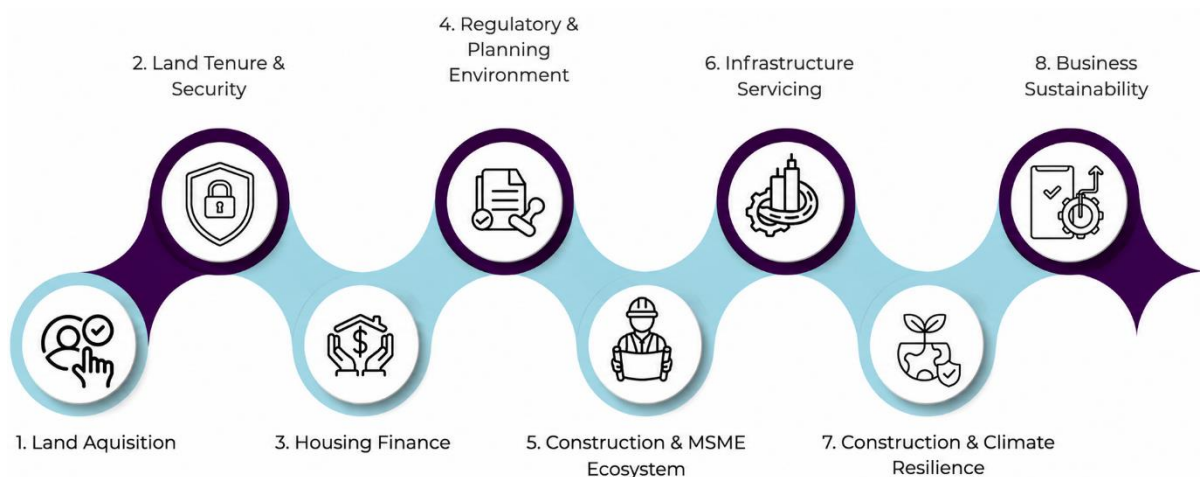


Figure 24: Supply-side Analysis of Housing Value Chain

5.4.2.1 Land Acquisition

Land acquisition is the foundational, and most acutely constrained, stage of the housing value chain in Lesotho. All land is constitutionally vested in the King in trust for the Basotho nation, removing freehold ownership from the legal landscape entirely and rendering the registered leasehold the highest available form of individual occupancy right.⁶⁸ This constitutional architecture creates a land market in which supply is mediated by the state and traditional governance structures rather than by competitive market mechanisms.

The Lesotho Housing and Land Development Corporation (LHLDC) is the principal formal provider of serviced plots, delivering parcels to low-, middle-, and high-income households, though its capacity relative to demand is severely limited.⁶⁹ The majority of urban and peri-urban land access occurs through customary channels: over **70%** of the urban population, across all income groups, obtains land through traditional chiefs, primarily in unplanned and un-serviced locations.⁷⁰ This informality of access, combined with the documented presence

⁶⁸ Ibid (68)

⁶⁹ Ibid (70)

⁷⁰ Ibid (71)

of unaccredited estate agents who have *significantly increased* land prices in growth areas such as Motheo II.⁷¹ This creates a distorted and opaque land market that inflates acquisition costs for prospective homebuilders and developers alike. The primary survey confirms land acquisition cost as the second most cited barrier to housing production, reported by **61.0%** of respondents.

The most impactful near-term intervention is the establishment of a formal accreditation system and public registry for estate agents, supported by all stakeholders consulted on this question. This, combined with accelerated serviced plot release by the LHLDC and targeted peri-urban regularisation, would begin to correct price distortions and create a more transparent supply of developable land.

5.4.2.2 Land Tenure and Security

Land tenure is the central structural bottleneck of the housing value chain. The dual tenure system comprising statutory leasehold under the Land Act and customary allocation under traditional chiefs creates a bifurcated landscape in which most of the residential occupancy is either legally ambiguous or entirely undocumented. As noted, in the demand-side analysis, only **20%** of households hold instruments (registered leaseholds and leaseholds) with full legal and financial utility, whilst **39%** hold no documentation of any kind.⁷²

The practical consequences of this tenure deficit are systemic. Without a registered lease or leasehold, a dwelling cannot serve as mortgage collateral, a position confirmed unambiguously by the financial institutions surveyed, which cited land tenure and title concerns as the primary reason for declining construction finance applications. A population holding most of its wealth in untitled residential assets is excluded from secured credit by design. The World Bank has similarly identified tenure insecurity as the primary barrier to deepening the housing finance market in Lesotho.⁷³

The Land Act of 2010, as amended in 2014, formally granted women independent land rights. In practice, this reform has not been fully operationalised: women are routinely absent from title documentation due to administrative processes that default to male headship, a finding consistent with the primary survey data, which show that only **34.1%** of respondents were aware of a woman or youth successfully accessing land or finance in their community.

⁷¹ Motheo II is a residential plot development administered by the Masianokeng Community Council (MCC), located in Masianokeng, a peri-urban settlement on the outskirts of Maseru. Plots were sold at an average price of M120,000. The upper limit of M80,00-M120,00 range of the affordability threshold identified in this study. On the basis of contractual commitments to deliver bulk infrastructure including roads, water and sewage lines, electricity, recreational facilities et. Has been met partially by an operational shopping centre.

⁷² Ibid (39)

⁷³ Ibid (1)

Intervention priorities include simplified leasehold conversion procedures for peri-urban and customary landholders; community-level tenure documentation pilots leveraging digital tools; gender-inclusive titling reform with administrative enforcement; and the integration of LAA digital registry data with household survey databases to create a national land information baseline.

5.4.2.3 Provision of Housing Finance

The housing finance market in Lesotho is structurally unable to serve its low- and middle-income population. Four commercial banks, Standard Lesotho Bank, First National Bank, Nedbank, and Lesotho Post Bank, provide mortgage finance, with minimum income eligibility thresholds of **M15,000 per month** and interest rates ranging from **11.55% to 13.5%**.⁷⁴ The resulting monthly debt service burden is structurally beyond the repayment capacity of most Lesotho's working households. The primary survey confirms that only **5.7%** of respondents who had constructed a dwelling used a formal bank loan to do so.

Beyond the commercial banking sector, Lesotho has 149 microfinance institutions and SACCOs, none of which currently offer a housing-specific loan product. The financial institution consulted confirmed that no staged or incremental lending product exists in its current portfolio, and that disaggregated housing data by gender, age, or disability status is not collected. The observed default rate on loans below M150,000 was reported at **2%**, perceived as "*much lower*" than for larger loans, suggesting that portfolio risk does not justify the absence of affordable housing products; rather, the barrier is institutional design and capacity.

The opportunity lies in two complementary structures. First, a blended finance first-loss guarantee vehicle, capitalised by HfHL, bilateral DFIs, and the Government of Lesotho, would de-risk affordable housing lending and unlock commercial capital at lower interest rates. Second, the development of staged-disbursement microfinance products through SACCOs and MFIs, structured around household construction episodes, would serve the 149 institutions that already have community relationships and trust but lack the product design needed to deploy housing capital effectively.⁷⁵

5.4.2.4 Construction Materials

Findings established that construction materials represent the most immediately felt cost pressure in Lesotho's housing supply chain. With approximately **90% of construction inputs**

⁷⁴ Ibid (61)

⁷⁵ Ibid (32)

sourced from South Africa, the sector is fully exposed to Maloti/Rand exchange-rate volatility, South African inflation, and cross-border transport cost premiums. The primary survey identifies construction costs as the most-cited affordability barrier, reported by **76.4%** of respondents.

Structural price inequity compounds the import dependency: individual self-building households pay up to **50% more** for standard materials such as cement and roofing sheets than bulk-purchasing developers, as they cannot access quantity discounts. This premium is a direct tax on incremental construction and widens the cost gap between self-build and formal unit delivery. Only one material supplier surveyed had introduced any form of structured access for low-income builders, offering instalment-based purchases; material lay-by schemes, supplier credit, and savings-linked material accounts have not been piloted at scale in the sector.

Locally produced bricks were identified by the private sector stakeholder as the primary viable domestic substitute for imported materials. Sandstone, available in Lesotho's lowland districts, presents a further opportunity. A structured incentive to encourage suppliers to stock and promote locally produced materials, contingent on meeting quality standards, combined with pre-approved standardised building plans that reduce material waste, could generate measurable cost savings per unit and stimulate local industry development.⁷⁶

5.4.2.5 Regulation and Licensing

The regulatory framework governing housing construction in Lesotho is fragmented, compliance-heavy, relative to the capacity of its target market and insufficiently backed by enforceable legislation. The NHP of 2018 lacks a gazetted Housing Act to give its provisions legal enforceability, a critical gap that limits its practical impact on developer behaviour and household rights. Construction requires multiple sequential government approvals before work can commence, with planning approval timelines of **one to two months** reported as typical in the survey.

The private sector stakeholder identified a "*one-stop-shop*" approval mechanism as the single regulatory reform that would most significantly reduce holding costs for affordable housing projects. Approval timelines, whilst not the most severe constraint in absolute terms, add cost uncertainty that disproportionately affects small-scale developers and MSME contractors operating on thin margins. The interaction among physical planning approvals,

⁷⁶ Ibid (23)

LAA registration, and environmental compliance creates a multi-agency approval sequence that is neither coordinated nor mapped against housing affordability objectives.

The most consequential regulatory intervention remains the enactment of the Housing Bill, which would create enforceable affordable housing obligations, housing finance regulation, tenant protection provisions, and an incremental build-to-support framework. HfHL is positioned as a strategic advocacy partner in this legislative process. In the near term, digitalisation of building permit processing and simplification of compliance requirements for structures below a defined unit cost threshold would reduce regulatory burden on the sector most relevant to low-income housing production.

5.4.2.6 Servicing of Land and Infrastructure Provision

The absence of coordinated land servicing is among the most consequential supply-side constraints in Lesotho's housing value chain. Public sector stakeholders rated the impact of uncoordinated land servicing on unit costs and development timelines as **significant to extreme**. Bulk infrastructure, comprising roads, water, sewerage, and electricity connections, is not systematically provided ahead of development in peri-urban growth corridors, meaning that developers bear the cost of infrastructure provision or build on unserviced land that is unsuitable for formal development.

The stakeholder survey confirms that developers in Lesotho do not routinely provide bulk infrastructure, and that where government or utilities finance it, the cost is not recovered through developer contributions. The resulting absence of serviced land is the proximate cause of the dominance of informal, self-serviced settlement patterns in peri-urban areas. Infrastructure servicing cost was cited by **42.3%** of primary survey respondents as a barrier to housing affordability, confirming that households experience the absence of serviced land directly in their construction costs.

The relevant institutional actors: the Ministry of Public Works, the Lesotho Electricity Company (LEC), the Water and Sewerage Company (WASCO), the LHLDC, and municipal councils, do not currently operate within a coordinated land servicing framework aligned to housing delivery. The inter-agency collaboration identified as limited or ineffective in the stakeholder survey reflects a broader absence of planning alignment between land administration and utility rollout. Lesotho's estimated **54% of urban dwellers** living in informal settlements represents the cumulative consequence of this structural deficit.⁷⁷

⁷⁷ Ibid(7)

5.4.2.7 Construction and Sustainability of Business in the Value Chain

The construction sector in Lesotho is characterised by a significant capacity gap between the volume and quality of housing demand and the ability of the formal and informal contractor ecosystem to respond to it. MSME contractors, who constitute the primary construction workforce for incremental self-builders, face working capital constraints that prevent them from operating at scale, skills gaps that limit the quality and climate resilience of the dwellings they produce, and a fragmented supply chain that lacks institutional linkages between their services and available financing products.

Fewer than **15%** of MSME material and labour suppliers surveyed had formalised any payment arrangement with their household clients, despite the majority supplying materials or labour to households in their immediate neighbourhoods. This informality in commercial relationships prevents the development of credit histories, business scale, and quality assurance frameworks that are prerequisites for MSME participation in a structured, affordable housing pipeline.

The minimum commercially viable unit price reported by the private sector stakeholder, **M900,000 without subsidy**, underscores the structural gap between what the market can profitably produce and what households can afford. Bridging this gap requires simultaneous action across the value chain: demand-side blended finance to reduce the effective unit cost to households; supply-side MSME development to aggregate contractor capacity; and regulatory reform to reduce compliance costs. The business sustainability of value chain actors, from material suppliers to MFI lenders to MSME builders, is ultimately dependent on the emergence of a functioning incremental housing finance market that does not currently exist.

Climate resilience represents a further dimension of construction sustainability. The private sector stakeholder confirmed that climate-resilient construction features have been incorporated into recent projects, that this increases unit costs, and that these additional costs are absorbed by the buyer. Without a subsidy or technical standards framework that embeds climate resilience as a baseline specification, the market will continue to under-produce it, concentrating climate risk on the households least equipped to manage it.

5.4.3 Value Chain Summary: Actors, Constraints and Opportunities

The table below synthesises the principal actors, constraints, and opportunities across each thematic stage of the housing value chain identified in this assessment.

Table 12: Housing Value Chain - Actors, Constraints and Opportunity Sources

Value Chain Stage	Key Actors	Principal Constraints	Opportunities for Intervention
Land Acquisition	Land Administration Authority (LAA); traditional chiefs; Lesotho Housing and Land Development Corporation (LHLDC); private landowners; Ministry of Local Government, Chieftainship, Home Affairs and Police	Scarcity of formally serviced plots; dual tenure creating price distortions; unaccredited estate agents inflating land values (stakeholder survey, 2026)	Streamlined plot release by LAA; LHLDC serviced plot programmes; accreditation of estate agents; peri-urban regularisation campaigns
Land Tenure and Documentation	LAA; local chiefs; Ministry of Local Government, Chieftainship, Home Affairs and Police; Land Court	Only 17.1% of households hold leaseholds; Form C customary certificates not accepted as mortgage collateral; double allocation is the primary tenure loss cause (primary survey, 2026)	Simplified leasehold conversion process; community-level tenure documentation pilots; digital land registry integration; gender-inclusive titling reform
Housing Finance	Standard Lesotho Bank; First National Bank; Nedbank; Lesotho Post Bank; 149 MFIs and SACCOs; Central Bank of Lesotho (CBL)	Minimum income threshold of M15,000/month for mortgage access; mortgage rates of 11.55-13.5%; no incremental or staged lending products currently available (stakeholder survey, 2026); only 2,100 active mortgages nationwide	Blended finance first-loss guarantee vehicle; staged disbursement microfinance products; SACCO housing loan development; CBL regulatory enablement of housing-linked MFI products
Construction Materials	Private material suppliers; South African import chains; local sandstone and brick producers; hardware retailers	Approximately 90% of construction inputs sourced from South Africa (stakeholder survey, 2026); Maloti/Rand exchange rate volatility directly affects unit pricing; households pay up to 50% more than bulk-buying developers	Promotion of locally produced bricks and sandstone; material lay-by and instalment purchase schemes; standardised pre-approved plans to reduce waste (estimated at 8-10% in unassisted self-build); supplier development incentives
Regulation and Licensing	Department of Physical Planning (Ministry of Local Government, Chieftainship, Home Affairs and Police); LAA;	Multiple sequential approval steps required before construction; planning approval timelines of 1-2 months; no single-window approval mechanism; NHP (2018) lacks enforcement through a gazetted Housing Act	One-stop-shop approval reforms; enactment of the Housing Bill; digitalised building permit processing; streamlined licencing for MSME contractors

Land Servicing and Infrastructure	Ministry of Public Works; Lesotho Electricity Company (LEC); Water and Sewerage Company (WASCO); LHLDC; municipal councils	Bulk infrastructure financing responsibility falls to government or developers; absence of coordinated land servicing significantly increases unit cost and development timelines (rated as significant to extreme by public sector stakeholders, 2026)	Coordinated infrastructure rollout aligned with housing delivery; utility pre-investment in growth corridors; developer contributions frameworks with cost recovery mechanisms
Construction and MSME Development	MSME contractors; self-built households; HfHL; Ministry of Trade, Industry and Cooperatives; technical and vocational training institutions	Working capital constraints and skills gaps among MSME builders; 68% of households self-built without formal technical guidance; material waste of 8-10% in unassisted projects.	MSME supplier development and skills certification; standardised building plans distributed through HfHL; quality assurance frameworks; embedded technical assistance at district level
Business Sustainability	Private developers; MFIs; material suppliers; MSME contractors; HfHL; donor and development finance institutions (DFIs)	Minimum commercially viable unit price of M900,000 without subsidy (private sector stakeholder, 2026); no formal developer pipeline for units below M200,000; finance products not yet structured for housing	Blended finance de-risking: first-loss guarantees to unlock commercial lending; incremental build pilots aggregating MSME output; DFI co-financing to establish proof of concept for affordable housing delivery

5.4.4 Total Housing Stock, Projections and the Supply Gap

Lesotho's residential housing stock is estimated at approximately **574,737 units**, of which only 100,809 carry a registered leasehold, representing a formalisation rate of approximately 17.5%.⁷⁸ This aggregate figure conceals a structurally fragmented supply landscape. The majority of the country's dwellings have been produced incrementally by households themselves, without formal planning guidance, adequate infrastructure servicing, or access to institutional finance. The formal developer market serves only the top of the income distribution, leaving the low- and middle-income majority to self-provision shelter under significant constraints.

The 2018 NHP estimated the national housing deficit at **98,711 units**, concentrated predominantly in urban areas experiencing rapid in-migration.⁷⁹ Given that Lesotho's urban population has grown at an annual rate of approximately **2.62%** since that baseline estimate, and in the absence of a commensurate supply-side response, this deficit has materially deepened.⁸⁰ Population projections indicate that Lesotho will reach **2.5 million people** by

⁷⁸ Ibid (22)

⁷⁹ Ibid (28)

⁸⁰ Ibid (55)

2030⁸¹, with Maseru and its surrounding hinterland expected to accommodate approximately **550,000 residents** by that date, representing acute near-term demand pressure on an already strained urban housing market.⁸²

Applying the existing urbanisation trajectory and assuming no material increase in formal supply, the effective housing deficit is estimated to exceed **150,000 units by 2030**, with new urban household formation alone requiring approximately **8,000 to 10,000 additional units annually** in urban and peri-urban areas. This estimation is conservative; it does not account for the replacement of structurally inadequate informal stock, which constitutes a significant share of the existing supply. The formal construction sector produced a negligible number of affordable units annually during the period under review, creating a structural gap that widened the gap between housing need and housing supply.⁸³

5.4.4.1 Sources of the Housing Supply Gap

The supply gap is not the product of any single failure. It reflects the convergence of structural, institutional, and market-level constraints that, operating simultaneously, suppress the production of affordable units. The following factors collectively account for the persistent and deepening shortfall.

5.4.4.2 Absent Formal Developer Pipeline

Lesotho has no functioning pipeline of affordable housing developers. The formal private sector concentrates exclusively on the upper end of the market, producing units well above the M189,723.95 floor for the cheapest new urban construction.⁸⁴ The private sector stakeholder consulted in this assessment confirmed that the minimum commercially viable unit price *without subsidy* is **M900,000**, nearly five times the upper limit of the affordability range defined for this study.⁸⁵ This is not an outlier position; it reflects the structural cost environment facing any developer attempting formal construction in Lesotho.

5.4.4.3 Import-Dependent Supply Chain

Lesotho's landlocked geography, with the country entirely enclaved within South Africa render it structurally dependent on South African supply chains for most construction inputs. The private-sector suppliers reported that approximately **90% of total construction costs** are attributable to imported materials.⁸⁶ This dependency subjects housing production costs

⁸¹ With Lesotho conducting the seventh countrywide Population and Housing Census in April 2026, the projected figure is set to be revised in alignment with the census findings.

⁸² Ibid (30)

⁸³ Ibid (56)

⁸⁴ Ibid (60)

⁸⁵ Habitat for Humanity Sectoral Housing Affordability Survey.

⁸⁶ Ibid (61)

to South African market pricing, Maloti/Rand exchange-rate dynamics, and transport-cost premiums that are beyond the reach of domestic policy. As the Centre for Affordable Housing Finance in Africa notes, this reliance on imports structurally elevates the floor cost of any formal construction.⁸⁷

5.4.4.4 Dominance of Informal and Incremental Self-Build

The dominant mode of housing production in Lesotho is *incremental self-build*, households constructing or extending their dwellings in phased episodes funded from savings, remittances, or rotating credit groups. Approximately **68%** of households in the primary survey had self-built or incrementally extended their primary dwelling without accessing any formal credit product. Whilst this mode of production is a rational response to income constraints and the absence of a formal market, it is inherently inefficient: material waste in unassisted self-build projects is estimated at **8-10%**. Construction quality is uneven, and climate resilience standards are rarely embedded. The result is a housing stock that is growing in volume but deteriorating in quality relative to need.⁸⁸

5.4.5 Finance Market Inaccessibility

The near-total exclusion of low-income households from formal credit markets is both a cause and a consequence of the supply gap. With a minimum income threshold of **M15,000 per month or an individual should be deemed as bankable**. A person is deemed bankable when they are employed on a permanent basis, that is they have a contract to demonstrate their ability to pay interest on the principle in the long-term as **required** for mortgage eligibility, and mortgage interest rates ranging from **11.55% to 13.5%** above the CBL prime rate of 11.25%, the formal mortgage market is structurally inaccessible to the majority of Lesotho's workforce which is largely informal.⁸⁹ The financial institutions consulted offered no incremental or staged loan product for housing; such a product was described as "*under development*".⁹⁰ Without a demand-side finance market capable of absorbing affordable units, developers have no commercial incentive to produce them.

5.4.6 Land Tenure Constraints and Market Distortions

Only **17.1%** of surveyed households hold a statutory leasehold, the minimum instrument required for collateralisation. The dual tenure system, combining customary allocation under traditional chiefs with statutory leasehold registration, produces a fragmented land market in which most of the residential land is legally encumbered and practically

⁸⁷ Ibid (1)

⁸⁸ Ibid (61)

⁸⁹ Central Bank of Lesotho (2023) *Monthly Economic Review: September 2023*. Maseru: Central Bank of Lesotho. Available at: https://centralbank.org.ls/wp-content/uploads/September_2023_Monthly_Economic_Review.pdf (Accessed: 28 March 2026).

⁹⁰ Ibid (63)

unmarketable to formal developers. Compounding this, the presence of unaccredited or informal estate agents has significantly increased land prices in and around development areas, with private-sector stakeholders citing *Motheo II*⁹¹ as a specific area of documented price distortion. This inflation of land acquisition costs represents an additional barrier to affordable unit production.

5.4.7 Constraints to Housing Supply Growth

Structural, regulatory, and financing constraints limit the supply side's capacity to expand and close the identified gap. The following are the principal constraining factors identified by stakeholders:

- High and volatile construction costs, driven by exchange-rate exposure and import dependence, undermine the commercial viability of affordable development and other economic shocks.
- The absence of a gazetted Housing Act limits regulatory enforcement of affordability obligations and reduces institutional accountability across the housing delivery chain.
- Multiple sequential approval requirements, with planning timelines of one to two months, add holding costs and uncertainty for developers of all scales.
- MSME contractors, who constitute the primary construction workforce for incremental self-builders, face working capital constraints, skills gaps, and a lack of structured market access, limiting their capacity to deliver quality units at scale.
- The near-total absence of institutional finance products designed for housing, whether incremental, micro, or staged, creates a demand vacuum that removes any commercial incentive for supply-side investment.
- The absence of coordinated land servicing, rated as significant to extreme by public sector stakeholders, materially increases unit costs and development timelines, particularly in peri-urban growth corridors.
- The customary land tenure system, whilst internally coherent, creates dead capital by preventing the use of most residential assets as collateral for mortgages.⁹²
- A digital and data infrastructure deficit, with no national housing data system linking land administration, household statistics, and mortgage data, prevents evidence-based supply management and market monitoring.

⁹¹ Motheo II is a residential plot development administered by the Masianokeng Community Council (MCC), located in Masianokeng, a peri-urban settlement on the outskirts of Maseru. Plots were sold at an average price of M120,000, the upper limit of the affordability threshold ranging between M80,000 and M120,00 as identified in this study. Based on contractual commitments to deliver bulk infrastructure including roads, water and sewage lines, electricity, recreational facilities and a shopping centre. As of 2021, most of these commitments remained undelivered except the shopping centre, yet MCC continued to market and sell new sites on the same terms.

⁹² Ibid (24)

5.4.8 Opportunities to Grow Supply and Bridge the Gap

Despite the severity of the structural constraints, a set of credible, near-term opportunities exists to stimulate supply-side expansion. These opportunities are grounded in the primary evidence collected during this study and in the current policy and institutional environment.

- ◆ *Blended Finance Instruments*, including first-loss guarantees and co-financing with development finance institutions (DFIs), can de-risk lending to affordable housing developers and unlock commercial capital that does not currently flow to this market segment.
- ◆ *Incremental Housing Finance*: The development and piloting of staged-disbursement loan products through Lesotho's 149 MFIs and SACCOs, structured around households documented self-build behaviour, represents the single most immediately actionable supply-side finance intervention. The financial institution surveyed indicated that such a product is under development
- ◆ *Local Materials Promotion*: locally produced bricks were identified by the private-sector stakeholder as a viable substitute for imported materials. Material lay-by, supplier credit, and instalment purchase schemes, piloted by the same stakeholder, demonstrate demand for structured payment solutions.
- ◆ *Standardised Pre-Approved Building Plans*: the introduction of HfHL or government-approved standardised building plans could reduce material waste, improve structural quality in self-build projects, and unlock bulk material discounts from suppliers; the stakeholder surveyed confirmed willingness to offer discounts under this model.
- ◆ *MSME Supplier Development*: A structured MSME supplier development programme that provides skills certification, access to working capital, and quality assurance frameworks would begin to build the contractor ecosystem needed to produce affordable units at scale, consistent with the recommendations for low-income housing delivery in Africa.⁹³
- ◆ *Legislative Reform*: the enactment of the pending Housing Bill will create the enforceable regulatory framework within which affordable housing obligations can be imposed, and housing finance provisions operationalised, closing the most significant gap in the current policy architecture.
- ◆ *Digital Land and Housing Data Infrastructure*; linking the LAA digital registry with BoS household data and CBL mortgage statistics would create the national housing

⁹³ Ibid (23)

data system currently absent, enabling evidence-based supply planning and investment targeting.

5.5 Lesotho Affordable Housing Ecosystem Mapping Summary

Overview of the Housing Market System

The affordable housing sector in Lesotho operates as a fragmented ecosystem characterised by weak coordination between land providers, housing developers, financial institutions, government actors, and end users. While the country has several institutions involved in housing delivery and finance, there is no fully integrated housing delivery system capable of serving low- and lower-middle-income households at scale.

The market is largely driven by incremental self-construction, informal rental provision, and household savings, with limited participation of formal developers and financial institutions in the affordable segment. This creates a structural gap between housing need and housing supply.

The ecosystem can be broadly structured across five categories:

- Policy and regulatory institutions
- Housing delivery actors
- Housing finance actors
- Supporting market actors
- Development partners and NGOs

Table 13: The Housing Ecosystem

Actor category	Institution type	Current role	Segment served	Key constraint	Opportunity for HFHL
Government	Ministry responsible for Housing	Policy development	National	Limited implementation tools	Technical advisory support
Government	Local authorities	Land allocation and approvals	Urban and peri-urban	Infrastructure constraints	Serviced land partnerships
Government	Planning authorities	Building approvals	Formal sector	Slow processes	Regulatory support initiatives
Finance	Commercial banks	Mortgage lending	Higher income households	High collateral requirements	Risk sharing mechanisms

Finance	SACCOs	Small loans	Low and middle income	Limited capital	Housing microfinance pilots
Finance	MFIs	Consumer lending	Informal sector	Short tenures	Product development
Developers	Small contractors	Incremental construction	Peri-urban	Working capital	MSME finance support
Developers	Individual builders	Self-build housing	Low income	Lack of finance	Incremental housing models
Suppliers	Material retailers	Building materials	Self-builders	Cash sales	Supplier credit schemes
NGOs	HFHL	Housing support	Low income	Limited scale	Market facilitation role
NGOs	Development partners	Programme funding	Various	Project based	Strategic coordination

The analysis suggests the following structural gaps:

- Absence of affordable housing finance products between small personal loans and large mortgages
- Limited developer participation in affordable housing delivery
- Weak coordination between finance and housing supply
- Infrastructure costs transferred to households
- Limited rental housing investment

Implications for HFHL

HFHL is well positioned to act as a catalytic ecosystem actor by:

- Supporting financial innovation for incremental housing
- Convening partnerships across actors
- Demonstrating scalable housing delivery models
- Supporting MSME developer capacity
- Facilitating access to affordable finance

HFHL's comparative advantage lies in strengthening market systems rather than acting solely as a direct housing provider.

5.6 The Affordability Gap

The demand and supply assessments of this study translate directly into the structure and performance of Lesotho's housing market. Despite acknowledged and significant housing demand, which is driven by *urbanisation, household formation, and the deterioration of existing informal stock*, formal mortgage market penetration remains negligible.⁹⁴ The explanation lies not in supply-side failure alone, but in the interaction between constrained household *purchasing power*, an underdeveloped housing finance system, and a land administration framework that limits the production of mortgageable, titled property. The explanation also lies in the interaction between constrained household purchasing power, an inaccessible housing finance system, and a land administration framework that historically excluded low-income households from mortgageable, titled property; gaps that the Act's **Form C** regularisation provisions now begin to address.



Figure 25: Affordability gap explorer · HFHL Survey 2026 (primary) vs. national benchmark.

For the low-income urban household, the affordability constraint is acute. Research indicates that this segment can sustain a housing expenditure of approximately US\$38 (M700) per month. At prevailing construction costs, interest rates, and loan tenure conditions in Lesotho, this level of expenditure supports neither market-rate purchase nor standard mortgage debt service. The formal housing market, as currently constituted, does not offer a viable product at this price point. In the absence of structured, affordable housing finance

⁹⁴ Ibid (14)

options, the overwhelming majority of low-income households' *default to incremental self-construction* on informally allocated land: a pathway that is slow, costly in aggregate, and provides little security of tenure against which future investment or access to credit can be leveraged.

Land tenure security has improved since the Land Act and the land market were enabled, but unfamiliarity and distrust of information sources have created friction, thus forcing low- to middle-income households to also try to minimise housing costs. This is the structural affordability gap that frames HfHL's operating environment and the broader analysis of this research. It is not a market inefficiency that price signals or incremental policy adjustments can resolve within a conventional timeframe. It is a systemic condition arising from the intersection of constrained household incomes, an underdeveloped financial sector, and land and planning systems that have yet to keep pace with urban growth. Addressing it requires solutions that simultaneously engage the demand side, the supply side, and the institutional framework within which housing transactions occur.

6 Conclusions

Lesotho's housing affordability crisis is systemic, multidimensional, and unlikely to be resolved by isolated interventions. The primary research presented in this report draws on the perspectives of 120 households across all ten districts of Lesotho, analysed through the structured lens of the Pools and Flows framework, the VIRAL diagnostic, and the Land-Housing Nexus model, and triangulated with a comprehensive secondary market analysis. The secondary analysis confirms and quantifies a set of interconnected market failures that have collectively produced a housing system in which the majority of low- and middle-income households cannot access safe, secure, and adequate housing through formal market channels.

The dominant housing pathway for low-income households is incremental self-construction, financed through savings and remittances, on customary or administratively allocated land without leaseholds. This reflects systemic exclusion rather than preference. Households are adaptive and resourceful in navigating this exclusion; they build incrementally, they form savings groups, they leverage social networks for construction labour and materials. But these adaptive strategies cannot substitute for the enabling conditions, such as accessible finance, secure tenure, affordable land, a competent developer ecosystem, and reliable information, that are the hallmarks of a functioning affordable housing market.

Lesotho's LMIC classification defines both the constraints and the opportunity: it is precisely the structural gap between organic market forces and the scale of need that creates the mandate for HFHL's catalytic. An intermediary role can be convening partners, building market systems, advocating for regulatory reform, and demonstrating what is possible at the intersection of affordability, quality, and dignity. The analytical frameworks adopted in this research are the Evidence Funnel, the Pools and Flows model, the VIRAL diagnostic, and the Land-Housing Nexus. Collectively provide a durable, replicable architecture for monitoring housing affordability in Lesotho beyond this research cycle.

6.1 Systematic Barrier Summary: Prioritisation Matrix

The synthesis of primary survey data, secondary market intelligence, and the VIRAL diagnostic framework identifies a multi-layered set of systemic barriers that collectively suppress housing affordability in Lesotho. These barriers operate simultaneously on the demand side, the supply side, and at the market and regulatory level.

Table 14: List of Demand and Supply Sides Barriers

Barrier Domain	Specific Barrier	Evidence Base
Demand-Side Finance	Only 5.7% used formal bank finance for construction; near-absent mortgage access for LIH	Primary survey; CAHF 2024
Demand-Side Finance	Mortgage rates of 11.55-13.5% create unaffordable repayment burdens	CBL; secondary data
Supply-Side Cost	Construction cost cited by 76.4% of households as primary barrier; import-dependent supply chain	Primary survey
Supply-Side Cost	Land acquisition cost cited by 61.0%; market distorted by uncredentialed estate agents	Primary survey
Supply-Side Cost	Infrastructure servicing cost cited by 42.3%; inadequate public investment	Primary survey
Tenure and Land	Only 17.1% hold leaseholds; dual tenure system creates dead capital	Primary survey
Tenure and Land	Double allocation and lack of documentation as primary tenure loss cause	Primary survey (32 cases)
Regulatory	NHP (2018) not yet supported by enforceable Housing Act	Policy review; TOR
Information	31.7% of households confused about formal housing process	Primary survey
Information	Dominant reliance on traditional leaders – risk of misinformation	Primary survey
Gender and Inclusion	Only 34.1% aware of women/youth successfully accessing land or finance	Primary survey
Finance Supply	149 MFIs present but products not structured for housing finance	TOR background data
Finance Supply	Absence of phased, construction-stage disbursement products for incremental build	Survey; literature

6.1.1 Demand-Side Barriers

The demand-side barriers in Lesotho's housing market are structural and self-reinforcing. At their core is the fundamental income-price misalignment: the cheapest formal housing product available in the urban market, M189,723.95 (US\$11,082), exceeds the affordable purchase ceiling for the lowest income quintile, M84,889.46 (approximately US\$4,987), by more than 100%. However, it is slightly above the standard price range of M80,000 to M120,000 for affordable housing units in this study. This gap cannot be closed through incremental improvement to any single variable; it requires simultaneous action on income support, construction cost reduction, finance product innovation, and land cost management. The near-total exclusion of low-income households from formal credit markets is reflected in a 5.7% rate of use of formal bank finance. This creates a dependency on savings accumulation and remittance income that fundamentally shapes the pace, quality, and location of housing production.

6.1.2 Supply-Side Barriers

Supply-side barriers operate at multiple levels simultaneously. At the macro level, the absence of a functioning pipeline of affordable housing developers reflects both the structural cost environment (import-dependent materials, high compliance costs, limited economies of scale) and the lack of demand-side finance that would make such a pipeline commercially viable for private developers. At the meso level, MSME contractors face working capital constraints, skills gaps, and supply chain fragmentation. The regulatory framework adds further cost through compliance requirements that, whilst individually justifiable, cumulatively create barriers that price out low-cost construction and incentivise informal building, ultimately increasing risk for households.

6.1.3 Investment Opportunities in Affordable Housing

The analysis identifies a set of investment opportunities with the capacity to improve affordable housing supply and access, particularly where catalytic funding or targeted technical support could unlock private-sector participation. These opportunities are mapped below against target actors, investment type, and impact potential.

Table 15: Investment Opportunities in Affordable Housing

Opportunity	Target Actor	Investment Type	Impact Potential
Housing microfinance	SACCOs and MFIs	Credit lines and product development	High
Developer finance	MSME contractors	Working capital facilities	Medium
Mortgage risk sharing	Commercial banks	First-loss guarantee instruments	High
Material finance	Building material suppliers	Supplier credit schemes	Medium
Rental upgrading	Informal landlords	Small improvement loans	Medium

Three opportunities stand out as the highest-leverage entry points: *structured housing microfinance delivered through SACCOs and MFIs*; *risk-sharing facilities that reduce lender exposure on affordable housing loans*; and *working capital support for MSME developers and contractors*. Each addresses a distinct bottleneck in the housing delivery chain and is scalable beyond an initial pilot phase.

HfHL is well-positioned to act as the catalytic actor across all three. Its comparative advantages include community-level trust, technical housing expertise, pilot programme experience, and an established development finance network align directly with the roles of technical partner, programme structuring adviser, and impact monitoring agent that these opportunities require. The approach does not depend on HfHL acting as a direct housing provider; it depends on HfHL convening, designing, and de-risking the conditions under which other actors can operate.

6.2 Strategic Recommendations and Implementation Pathway

6.2.1 Strategic framing

The research findings confirm that housing affordability constraints in Lesotho are systemic rather than income-driven alone. The principal barriers arise from structurally shallow housing finance markets, limited developer capacity, fragmented land administration processes, and the absence of coordinated market infrastructure. No single actor, that is, government, private sector, or development organisation, can resolve these constraints independently.

Within this context, HfHL is best positioned to act as a housing market catalyst, supporting the development of systems, partnerships, and financial innovations that enable affordable housing delivery rather than acting primarily as a direct housing provider.

HFHL's strongest comparative advantage lies in:

- Community-level engagement and trust
- Technical housing delivery expertise
- Ability to pilot innovative housing solutions
- Partnership facilitation capacity
- Experience mobilising development finance support

The recommended strategy, therefore, positions HFHL as a market enabler, innovation partner, and demonstration actor.

6.2.2 Strategic intervention logic

The recommendations are grounded in three cross-cutting priorities: (i) Coordinated Land, Infrastructure and Servicing Reform, recognising that incremental housing finance will only succeed if coupled with affordable serviced-land delivery and progressive infrastructure upgrading; (ii) Integrated Tenure Security and Gender-Responsive Design, ensuring that tenure formalisation benefits women equally and that all interventions address gender-

specific barriers; and (iii) Robust Urban Policy and Institutional Coordination, which is essential for managing rapid urbanisation, preventing settlement informality, and ensuring that housing interventions are embedded within coherent spatial planning frameworks rather than operating as isolated initiatives.

The recommended interventions follow a phased market development logic. In the short term, the priority is to remove immediate barriers to access to finance, information gaps, and tenure insecurity. These are barriers that prevent households from entering or progressing within the housing system. In the medium term, the focus shifts to strengthening market delivery capacity to make a wider range of affordable housing solutions commercially viable: building the developer ecosystem, establishing risk-reduction mechanisms, and deepening the finance market.

While in the long term, the strategy targets structural market transformation, policy reform, investment in data systems, and the deepening of housing finance, which creates the enabling conditions for sustained, self-reinforcing market improvement. This sequencing reflects established international good practice in housing market systems development and is consistent with the Market Systems (M4P) framework adopted in this research.

6.2.3 Priority recommendations

6.2.3.1 Short-Term Priorities (0-12 months)

R1: Incremental Housing Finance Pilots through MFIs and SACCOs

The most immediately actionable intervention is the development of structured incremental housing finance products calibrated to the dominant self-build pathway identified throughout this research. The primary survey confirms that 58.5% of households rely on savings and 24.5% on remittances as their primary housing finance mechanism. Formal bank products are accessed by only 13.2% of respondents. This is not a preference gap; it is a product gap.

Critical Pre-conditions Before Launch: Before incremental housing finance pilots are launched at scale, HfHL should establish demand-side readiness through: (i) community mobilisation into savings groups, stokvels, and Mochaellano initiatives, particularly targeting women and textile-industry workers (Basebetsi ba lifemeng); (ii) targeted financial literacy and "saving with a purpose" campaigns focused on housing-related investments; and (iii) formal partnerships with MFIs and SACCOs to co-design people-centric incremental loan products that align with existing community savings mechanisms. These foundational

activities are sequencing pre-conditions for successful pilot launch, not concurrent workstreams.

HFHL should support pilot programmes with MFIs and SACCOs structured around small-ticket housing improvement loans, phased disbursement linked to construction milestones, integrated technical construction support, financial literacy components, and quality assurance mechanisms. HfHL's role in this intervention is as technical partner, programme structuring adviser, construction quality monitor, and pipeline developer. Engagement with the Central Bank of Lesotho will be important to secure regulatory clarity for housing microfinance products operating in this space. This intervention offers a high demonstration value relative to its capital requirement and provides a replicable model for scale. To move from category to product, the pilots should be structured around a defined and replicable product envelope rather than left as a general category. Drawing on the product vacuum identified in this research, loans should be sized within the M20,000-M10,000 range and disbursed as small-ticket, phased tranches aligned to construction milestones and to the M700-M1,500 monthly repayment capacity recorded in the demand-side survey; tenors should be calibrated to each construction phase, and pricing benchmarked to prevailing MFI and SACCO housing-improvement rates [indicative tenor and pricing parameters to be confirmed against current market lending data]. Critically, the binding constraint for MFIs and SACCOs is not product design but risk, cost of capital, and repayment uncertainty. The pilot should therefore be explicitly underwritten by the risk-sharing architecture proposed under R4, through a partial first-loss guarantee and, where available, concessional on-lending capital to compress the effective cost of funds. Participating institutions should be incentivised through (i) a partial portfolio guarantee covering a defined share of first losses, (ii) a technical-assistance subsidy meeting the incremental cost of construction supervision and financial-literacy delivery, and (iii) a graduated taper of that guarantee as repayment performance is demonstrated. Treated this way, R1 functions as the flagship short-term intervention and as the demonstration layer of the blended-finance structure set out in R4, rather than as a standalone product pilot.

R2: National Housing Information Platform

Information asymmetry is a significant and underappreciated constraint to housing access. The primary survey found that 31.7% of respondents are confused about the formal housing process, while 79.7% indicated willingness to use a digital housing information platform – evidence of both the information gap and the appetite for a digital solution. A digital housing information platform, designed for mobile access and available in Sesotho, represents a scalable, low-cost intervention to reduce this constraint.

The platform should include land documentation guidance, building permit processes, a housing finance product directory, construction cost benchmarks, and a verified developer directory. Offline dissemination through community radio would extend reach into rural and mountain districts. HfHL should position itself as a platform convener, content coordinator, and technical housing adviser, partnering with public institutions to ensure official endorsement and sustained content maintenance.

R3: Simplified Land Documentation Pilots

Tenure insecurity remains a foundational affordability barrier. Only 17.1% of surveyed households hold a leasehold, which is the most legally defensible occupancy instrument available. The majority rely on chiefs' allocation letters, Form C certificates, or no documentation at all, leaving them excluded from formal finance and vulnerable to tenure loss. HfHL should support pilot initiatives that simplify land documentation processes for peri-urban households, including community documentation drives, standardised Form C templates, digital beneficiary tracking, and community awareness programmes aligned to the LAA's regularisation procedures. Strategic Alignment with MCA-Lesotho II: R3 should be implemented in explicit coordination with the Millennium Challenge Account (MCA) Lesotho II programme, which operates complementary land-parcel surveying, boundary demarcation, and land administration modernisation activities. Specifically, HfHL should position itself as a co-implementing partner with the MCA and the Land Administration Authority to identify peri-urban target areas where MCA parcel surveying and regularisation efforts can be directly linked to the R3 documentation pilots. This alignment ensures that tenure formalisation (through R3) is coupled with formally demarcated and surveyed land parcels (through MCA), creating the necessary conditions for incremental housing finance deployment at scale. This intervention directly strengthens the housing finance ecosystem by improving the bankability of household tenure security and aligns with reforms already initiated under the Land Act No. 8 of 2010.

6.2.3.2 Medium-Term Priorities (1-3 years)

R4: Blended Finance Vehicle for Affordable Housing

The absence of risk capital is the single most significant constraint preventing formal financial institutions from operating in the M20,000-M120,000 housing finance range. A blended finance mechanism combining first-loss capital from donors, senior capital from commercial lenders, government participation, and HfHL technical support would redistribute risk sufficiently to make this market range commercially viable. The structure would support incremental housing loans, MSME developer finance, and phased construction lending. HfHL's role in this vehicle is as technical programme partner, guarantee programme adviser, pipeline developer, and impact monitoring agent. This intervention has the potential to catalyse private capital at a ratio of three to five times the initial public or donor investment, making it the highest-leverage medium-term opportunity identified in this research. To manage execution risk, the vehicle should be sequenced rather than launched at scale, building directly on the R1 incremental-finance pilots. The first phase should concentrate on structuring, anchor-investor engagement and the assembly of a verified loan pipeline drawn from the pilot portfolio, with capital deployed only once pilot repayment performance, demand and institutional capacity have been demonstrated. This staging mitigates the principal execution risks - pipeline uncertainty, investor confidence and the level of government participation - by grounding the vehicle in evidenced performance rather than projected demand. On this basis, R4 is best understood as the scaling mechanism for R1, and its timeline should be read as contingent on pilot maturity rather than fixed within the medium-term horizon.

R5: MSME Housing Developer Ecosystem Programme

Affordable housing supply constraints are partly driven by the fragmentation and undercapitalisation of small-scale contractors and developers. A structured MSME housing developer programme should combine contractor certification, technical training, access to working capital, quality standards, and market linkage support to strengthen the supply chain at precisely the point where it is most fragile. Partnerships with the Ministry of Trade, Industry, Cooperatives and Marketing (MTICM), private sector associations, financial institutions, and vocational training providers would provide the institutional infrastructure for this programme. HfHL's role is as programme convener, technical trainer, quality certification partner, and market facilitator. This intervention directly addresses the developer pipeline gap identified as a primary source of the housing supply shortfall.

Crucially, this programme should not operate as a standalone capacity-building effort. Its viability depends on reliable demand and accessible finance: contractor pipelines should be linked to the household demand generated through the R1 incremental-finance pilots, and developer working-capital needs met through the MSME developer window of the R4 blended-finance vehicle. Sequenced in this way, supply-side capacity is built in step with demonstrated demand rather than ahead of it.

6.2.3.3 Long-Term Priorities (3-7 years)

R6: Housing Legislation Enactment and Operationalisation Support

The passage and operationalisation of the Housing Bill represents the most consequential structural reform available to the Lesotho housing sector. A formal Housing Act would provide the enforcement mechanism for the 2018 National Housing Policy, establish minimum housing standards, create a framework for rental regulation, and enable coordinated housing delivery across agencies. HfHL should position itself as a technical knowledge partner in this process providing policy dialogue support, technical input to secondary regulations, stakeholder engagement facilitation, and evidence from its demonstration programmes to inform legislative design. Given the current absence of a comprehensive Housing Act, HfHL should position the legislative process as a collaborative one, convening government, civil society, development partners and community stakeholders around a shared drafting and consultation process rather than treating it as a purely governmental exercise. Embedding this as a defined advocacy and policy activity within the implementation framework would strengthen coordination, enforcement and accountability across the sector and give HfHL a credible, evidence-based role in shaping the Act's design.

To be actionable for the Ministry's live drafting of the Bill, the recommendation is specified here beyond a general call for enactment. Across the housing value chain, the Housing Act and its subordinate regulations should address five priority areas. In land administration and tenure, the Act should streamline the conversion of customary allocations to registered leasehold, establish coordinated servicing obligations, and introduce measures to prevent double allocation. In housing finance, it should enable incremental and non-mortgage products and recognise alternative income verification, including mobile-transaction data, so that informal-sector households are not structurally excluded from formal lending. In construction, it should set enforceable minimum standards alongside a proportionate, consolidated approval pathway that does not price out small-scale affordable development.

In the rental market, it should establish a framework for the informal and backyard rental segments, with basic landlord and tenant protections. And in relation to market intermediaries, it should introduce a licensing and accreditation regime for estate agents, with standardised and transparent fee structures to curb the price inflation observed in growth corridors. The key players to engage across these areas are the Ministry responsible for housing, the LHLDC as the mandated implementing and enforcement agency, the LAA, the Central Bank of Lesotho, local authorities and community councils, commercial banks and MFIs, and organised civil society.

Operationalising these provisions requires the mandated agency, the Lesotho Housing and Land Development Corporation (LHLDC), to develop the corresponding regulatory instruments: affordable-housing standards and definitions, a registration and conduct framework for currently unregistered estate agents and related service providers, and coordination protocols with counterpart institutions. Standardising these processes through policy, rather than leaving them to fragmented administrative practice, would lower transaction costs, protect households from unregulated intermediaries, and give the sector a consistent regulatory baseline. HFHL's role is to convene these actors, supply the evidence base from this research, and support drafting, rather than to substitute for the government's mandate.

R7: National Housing Data Infrastructure

The absence of reliable, current housing market data limits effective policy design, investment decision-making, and impact measurement. Rather than pursuing a large, standalone data initiative upfront, HFHL should build housing-market data incrementally, driven by specific use cases and anchored to the monitoring of its own interventions. The repayment performance, tenure-regularisation, construction-cost and finance-uptake data generated through the R1, R3 and R4 programmes should form the first building blocks of a wider ecosystem that links land-registry, housing-finance and survey data over time. Research partnerships, data pilots and market-monitoring tools can extend this base as specific needs emerge, all within HFHL's existing operational capacity. Approached this way, the national data architecture emerges as a by-product of sustained delivery rather than a costly precondition for it. This positions HFHL as a knowledge leader in the sector and ensures that the analytical infrastructure established through this research continues to generate value beyond the immediate research cycle.

6.2.3.4 Strategic Partnership Priorities

Effective delivery across these seven recommendations requires a structured partnership architecture. HFHL should prioritise partnerships with commercial and development finance institutions for R1 and R4; local authorities and the LAA for R3 and R6; MSME developer associations and material suppliers for R5; technology and communication partners for R2; and the Ministry of Local Government and LHLDC for R6 and R7. Partnership selection should be governed by a single criterion: the partner's demonstrated capacity or credible potential to scale affordable housing solutions beyond the pilot phase.

Beyond partner selection, delivery depends on being explicit about how each actor contributes operationally, so that these recommendations are implemented as a coordinated programme rather than as isolated projects. HfHL's role is threefold: a technical partner on product design, standards and evidence; a demonstrator that pilots and de-risks models at community level; and a convener and advocate that aligns actors and helps expedite stalled policy. Government and the LHLDC set policy, allocate and service land, and enforce standards. The Central Bank of Lesotho, as regulator, defines the affordability-assessment and prudential parameters within which lenders operate. Commercial banks develop affordable mortgage and alternative-underwriting products within those parameters and participate in risk-sharing facilities. MFIs and SACCOs deliver savings-linked and incremental finance to the self-build majority. MSME contractors provide certified incremental construction capacity, and material suppliers support bulk procurement and local sourcing. Local authorities and traditional leaders anchor land allocation, servicing and community-level information, while civil society safeguards gender and disability inclusion. Making these roles explicit clarifies not only what HfHL will do, but what each stakeholder must commit to for the system to function as an integrated whole.

6.2.3.5 Strategic Conclusion

Lesotho's housing affordability challenge is substantial, but it is not intractable. The market failures identified in this research are well understood, the intervention pathways are evidenced, and the institutional appetite for reform, reflected in the pending Housing Bill, the Post Bank-LHLDC partnership, and the NFIS II 2024-2028, is evident. What has been missing is a coordinating actor with the technical credibility, community trust, and financing relationships to translate this appetite into structured market action. HFHL occupies that position. By acting as a market catalyst rather than solely a housing provider, supporting financing innovation, strengthening delivery systems, building strategic partnerships, and

demonstrating scalable solutions, HFHL can achieve a development impact that is both immediate and durable.

7 Implementation Roadmap, Monitoring & Sustainability

7.1 Partnership Architecture

Partner Category	Role and Engagement
Government of Lesotho (Dept of Housing, LAA, CBL)	Policy advocacy; regulatory reform; land documentation; data systems; Housing Bill
Commercial Banks (4 mortgage providers)	Affordable mortgage product development; participation in blended finance vehicle
Microfinance Institutions (149 MFIs)	Incremental housing loan pilots; savings-linked housing products
SACCOs and Savings Groups	Community-level savings mobilisation; group-based housing finance
MSME Contractors and Artisans	Supply-side capacity building; certified incremental build partnerships
Traditional Leaders and Chiefs	Community information dissemination; tenure legitimisation; land allocation oversight
Civil Society (including LNFOD)	Gender and disability inclusion advocacy; community engagement; grievance mechanisms
Development Finance Institutions	Capitalisation of blended finance vehicle; technical assistance funding
Habitat for Humanity International	Technical support; global best practice; advocacy networks
Fintech Providers	Digital housing information platform; mobile savings and loan products

7.2 Monitoring and Evaluation Framework

Key Performance Indicator	Baseline (2025/26)	Target (2028/29)
Households accessing structured housing finance	~2,100 mortgages nationally (CAHF 2024)	+500 incremental housing loans via MFI pilot
Proportion holding leasehold (intervention areas)	17.1% (primary survey)	25% in target communities
Households confused about formal housing process	31.7% (primary survey)	Below 15% in target communities
Adoption of digital housing information platform	0% (platform not yet live)	60% of target population within 3 years

Women reporting successful land/finance access	34.1% community awareness (survey)	50% in intervention areas
MSMEs certified for affordable housing construction	Not tracked (baseline to be set)	100+ certified MSMEs within 3 years
Rent-to-income ratio (lowest income quintile)	Estimated >30% in urban areas	Reduce towards 25% via finance products
Price-to-income ratio (urban LIH)	Estimated >6x (CAHF 2024)	Reduce towards 4x via cost and finance interventions

7.3 Risk Register

Risk	Mitigation Strategy
Political delay in Housing Bill passage	Sustained advocacy engagement; multi-party coalition; media engagement
MFI liquidity constraints limiting pilot scale	Blended finance vehicle capitalisation; CBL liquidity support instruments
Construction material cost escalation	Local material sourcing exploration; bulk procurement aggregation for MSME partners
Digital exclusion of older/rural households	Parallel radio and community meeting channels; chief-led dissemination
Continued land double allocation during tenure reform	Interim registration drive; community land mapping initiatives
Resistance from uncredentialed estate agents to regulation	Regulatory enforcement advocacy; professional association strengthening

8 Annexures

8.1 Demand-Side Questionnaire

The detailed, translated version with skip logic can be accessed from the [Kobo Toolbox](#).



8.2 Supply-Side Questionnaire

The detailed version with skip logic can be accessed from the [Kobo Toolbox](#).



8.3 References

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