

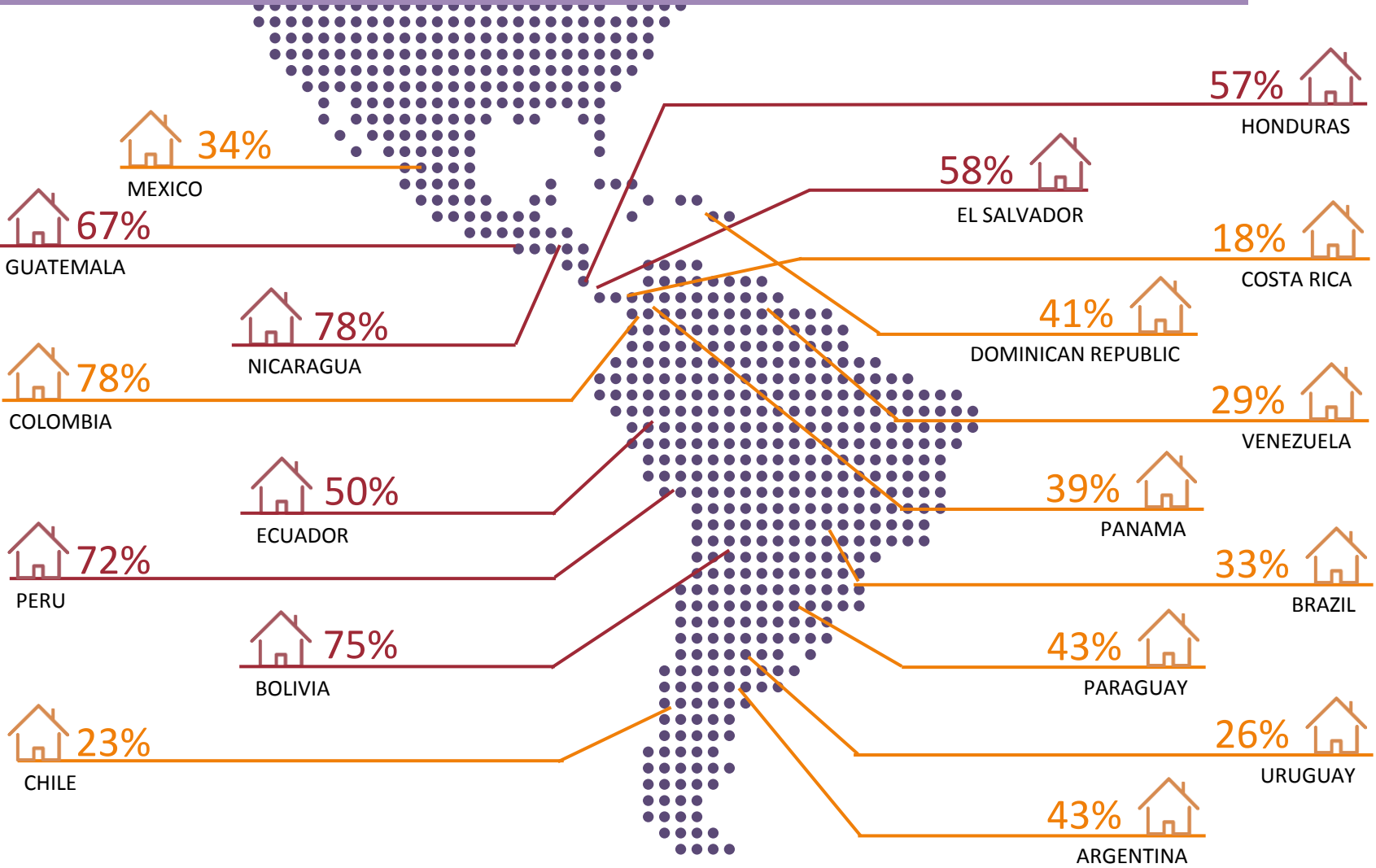
# Housing markets in Latin America & the Caribbean: Challenge or opportunity?




**Uniapravi**  
UNION INTERAMERICANA PARA LA VIVIENDA

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# 58 MILLION OR 40% OF FAMILIES IN THE REGION NEED A HOUSE






 % of total families

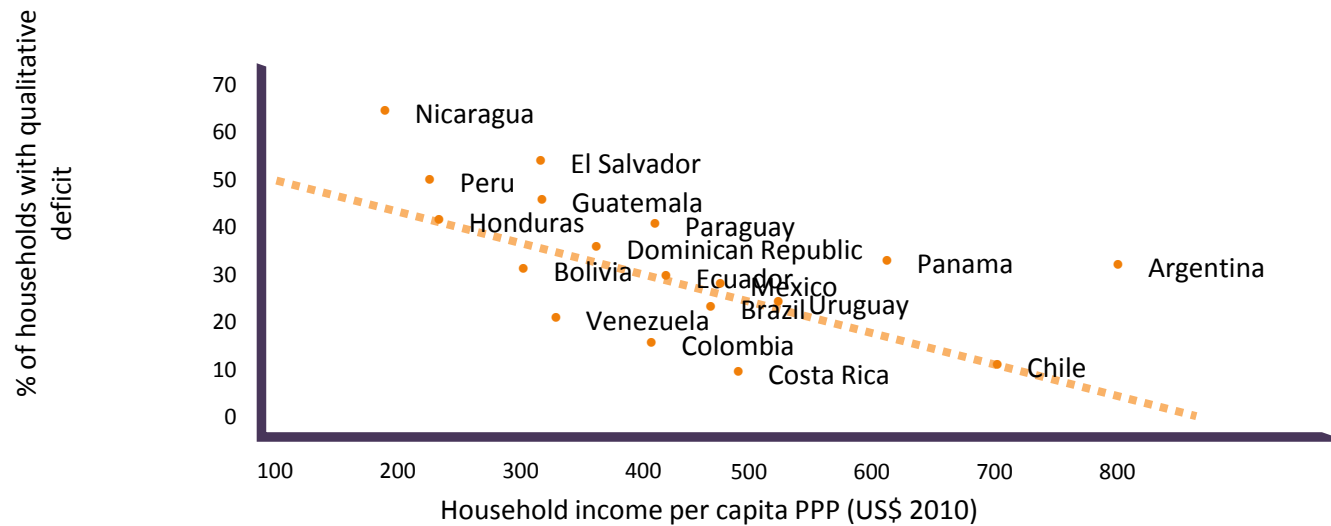
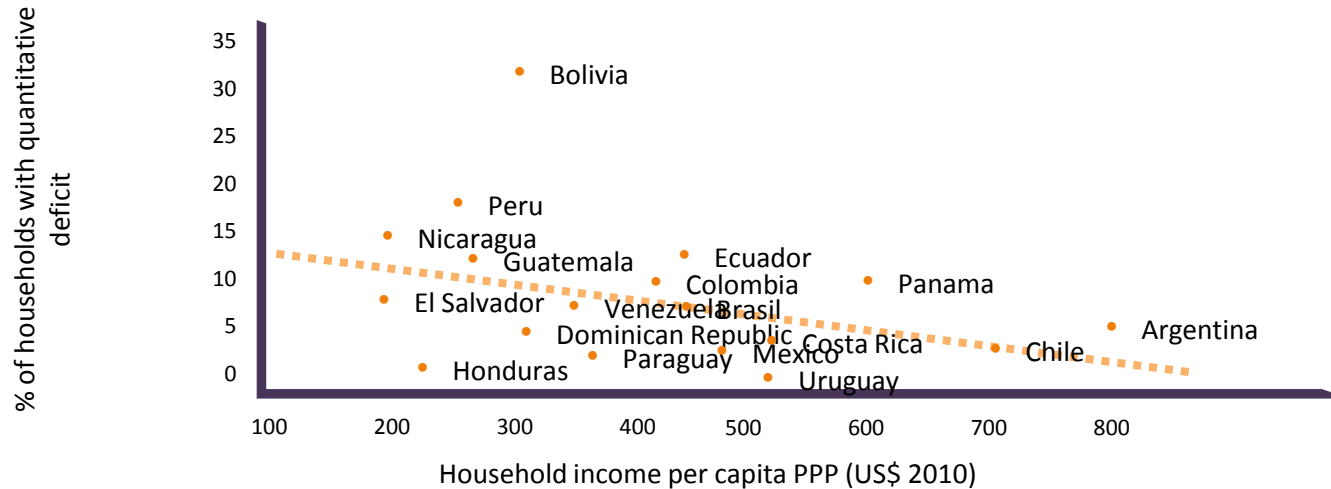
César Patricio Boullion "Room for development: Housing markets in Latin America and the Caribbean." Inter-American Development Bank, 2012.

“Closing the region’s current housing gap will require an investment of at least US\$310 billion, or 7.8% of the region’s GDP. Future investments will reach at least US\$70 billion each year.”

# DE FACTO BARRIERS HAVE ENCOURAGED LOW PRIVATE INVESTMENT IN THE AFFORDABLE HOUSING SECTOR OF LATIN AMERICA AND THE CARIBBEAN (LAC)

Main barriers	Description
 <p data-bbox="349 458 653 639">Housing price vs level of income</p>	<p data-bbox="736 501 1665 536">70% of households earn \$272 of monthly per capita income</p> <p data-bbox="736 539 1665 579">Cheapest housing prices range from US\$11,000 – US\$54,000</p>
 <p data-bbox="349 758 653 939">Increasing housing costs</p>	<p data-bbox="736 762 1665 798">High land and construction costs</p> <p data-bbox="736 801 1665 836">Undeveloped home builders</p> <p data-bbox="736 853 1665 889">Red tape</p> <p data-bbox="736 892 1665 925">Corruption</p>
 <p data-bbox="349 1058 653 1239">Lack of access to mortgage credit</p>	<p data-bbox="736 1058 1665 1093">Undocumented and fluctuating revenue streams (informality)</p> <p data-bbox="736 1096 1665 1132">Lack of formal credit histories</p> <p data-bbox="736 1135 1665 1170">Weak legal framework</p> <p data-bbox="736 1173 1665 1209">High lending risk = high interest rates</p> <p data-bbox="736 1212 1665 1250">Low access to financial services</p>

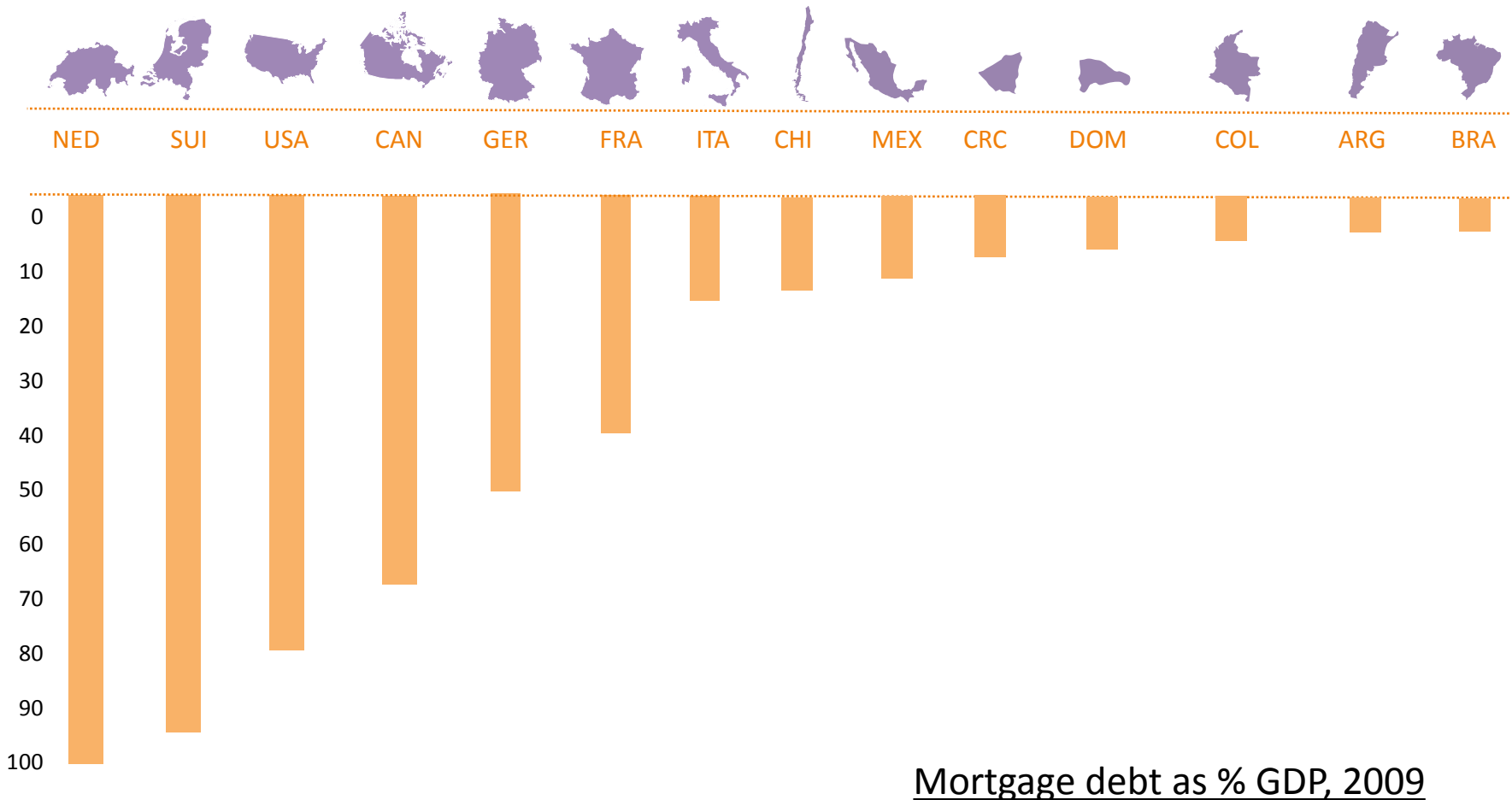
# LOWER PER CAPITA INCOME LEVELS CORRELATE WITH HIGHER HOUSING DEFICITS



# ON AVERAGE, GETTING BUILDING PERMITS COST 19% OF THE ANNUAL PER CAPITA INCOME AND TAKE 227 DAYS



Country	Antigua y Barbuda	Argentina	Belize	Bolivia	Brazil	Chile	Colombia	Costa Rica	Dominica	Ecuador	El Salvador	Granada	Guatemala	Guyana	Haiti	Honduras	Jamaica	Mexico	Nicaragua	Panama	Paraguay	Peru	Dominican Republic	San Cristobal y Nieves	Saint Lucia	Saint Vicent and the Grenadines	Trinidad and Tobago	Uruguay	Venezuela	LAC
Number of required documents	10	25	17	8	14	17	17	10	20	14	16	33	8	19	8	9	14	8	11	16	18	12	9	11	7	8	17	27	10	14
Time (days)	134	365	181	91	249	469	155	79	189	216	128	157	123	202	195	1179	107	145	138	218	128	291	165	139	125	112	297	234	381	227
Total cost (% annual per capita income)	26	182	33	17	96	47	95	484	210	124	269	172	28	638	44	599	291	387	474	537	123	333	13	4	29	6	4	107	345	197

# LATIN AMERICA IS THE REGION THAT REGISTERS THE LOWEST LEVEL OF MORTGAGE DEBT AS A % OF GDP IN THE WORLD



Mortgage debt as % GDP, 2009

# CONDITIONS FAVORING HOUSING FINANCING HELP EXPLAIN LOW LEVELS OF MORTGAGE DEBT AS % GDP

	Advanced economies	Emerging economies	Latin America & the Caribbean	Emerging Asia	East Europe
 <b>Mortgage debt as a % of GDP</b>	61.4	9.4	5.4	12.4	8.3
 <b>Legal rights</b>	7.2	5.5	4	6.3	5.1
 <b>Credit information</b>	5.6	4.5	5.2	4.2	4.8
 <b>Ease of registering property</b>	7.4	6.2	4.4	6.6	7.1
 <b>Inflation volatility</b>	1.14	3.34	4.1	2.3	4.4



# THERE ARE PUBLIC POLICIES TARGETED TO LOW INCOME FAMILIES, BUT REMAIN INSUFFICIENT TO CLOSE THE GAP



## Colombia

- **100% of subsidy** for families in **extreme poverty** (*desplazados*)
- Mortgage payments caps to 30% of income for beneficiaies that have saved for the down-payment
- The program “**Mi Casa Ya!**” assists with lower mortgage payments and the down-payment, and is targeted to low-middle income families



## Brazil

- The program “**Minha Casa minha vida**” offers **discounted mortgage** or **insurance payments** for low-income families



## Mexico

- **Public sector entities (Infonavit and FOVISSSTE)** provide **mortgage loans** to **formal sector workers**
- **Payroll deductions** reduce lending risk, contributing to **lower interest rates**
- A federal subsidy program assists formal workers with **down payments** and co-finances informal workers **self-built homes**
- The **informal sector** is still **underserved**



## Chile

- Has the **lowest housing deficit** in the region
- Comprehensive **national subsidy program** for **home-ownership, improvements or leasing** targeted to low-and medium income population
- **High delinquency rates** in mortgage loans of **Banco Estado**



## Peru

- Has one of the **highest housing deficits** in the region
- “**Mivivienda**” program provides **subsidies** that **incentivize** better saving/credit behaviors for **home-ownership, improvements or leasing**

Housing needs in LAC are compelling. Urban housing is the largest impact investment opportunity in the Base of the Pyramid markets:  
+ US\$31 billion for Mexico, Brazil and Colombia

# IT IS NECESSARY TO REDEFINE LAC'S HOUSING FINANCING BY BECOMING CREDIT RISK INNOVATORS



- Use **new alternative data**
  - It can cut losses in lower income segments 20-25 percent and double application approval rate



- Establish **new partnerships**
  - Banks with retailers, utility or social media companies



- Develop new skills to create **new risk models**

- **Mobile -phone usage patterns**
  - Timing or frequency of calls or text messages indicate job steadiness
  - Pre-paid minute purchase patterns indicate cash-flow

- Utility-bill payment history
- **External data from social media**
- Retailer loyalty cards
- Provide info on income level

- **Advanced analytics skills**
- Increased computing power
- **Heavier investment in data processing** and software

- 360-degree overview of potential creditholders
- Offer the right products
- Help customers make better financial decisions