



INTERNATIONAL UNION FOR HOUSING FINANCE FACT SHEET

> JAMAICA

Member Contributor: Jamaica National Building Society

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1. DEMOGRAPHIC OVERVIEW

Jamaica has a population of 2.7 million inhabitants, which has grown at an average rate of 0.42% over the last five years. The largest age group is that of those aged between 20 and 44 years (39.8%), closely followed by those under 20 (36.5%). The smallest age group is composed of people aged over 65, which represents only 8.5% of the total population.

2. MACROECONOMIC BACKGROUND

Jamaica saw positive economic growth between 2005 and 2007, with an average per year real GDP growth rate of 1.7%. However, the global financial crisis in late 2007 drove the economy into recession with a negative growth rate being witnessed from 2008 onwards. The unemployment rate, which had been following a decreasing trend between 2005 and 2007, started to increase again in 2008, reaching a slightly higher level in 2009 (11.4%) than that experienced in 2005 (11.2%). Although the rate of inflation over the past five years has been zigzagging from higher to lower positive values, in 2009 it decreased 39.3% to 10.2%. However, the crisis does not seem to have affected the average earning of employees, with the average wage continuing its growth trend of recent years reaching JMD 836,000¹ (EUR €6,775).

The service sector is the main driver of Jamaica's economy accounting for 64.7% of the country's GDP and 64% of the labour force. Although tourism, which represents approximately 20% of the country's GDP, increased by 4% in 2009, the revenues it generates have actually decreased over the same period due to the discounts offered in order to keep tourism active during the crisis. Nevertheless, the main problem that Jamaica faces is its extremely large debt to GDP ratio, the fourth largest in terms of per capita burden, which is mainly the result of the bailouts given to the country's financial sector in the mid and late 1990s. This large debt led Jamaica to sign, in February 2010, a USD \$1.27 billion (EUR €910.5 million) agreement with the International Monetary Fund in order to obtain support for its balance of payments.

3. HOUSING MARKET

3.1. Housing Supply

There are 723,000 dwellings² in Jamaica that accommodate its 748,000 households. The number of housing starts and completions has varied over the last five years being at their two highest levels in 2005 (4,121) and in 2008 (5,273). Nevertheless, housing starts and completions have decreased since then, by approximately 48.3% and 17.5% respectively, in line with the negative growth of fixed investment in housing in 2008 and 2009.

¹ The average earning of employees is based on an average weekly income of JMD 16,083 (EUR €130).

² These figures are based on the latest population Census in 2001.

3.2. Housing Tenure

According to 2007 data, a little more than half of the dwellings in Jamaica are owner occupied (59.8%) and those which are not owner occupied are mainly rented from private landlords (20.7%). This means that rentals from government or social landlords are not very significant, although the first draft of the National Housing Policy, which targets squatter regularisation and titling programmes, was recently submitted and a developer's incentive programme has been set up in order to tackle social and affordable housing issues.

4. RESIDENTIAL MORTGAGE MARKET

4.1. Lending

Residential mortgage lending is undertaken in Jamaica by Building Societies, Government Agencies such as the National Housing Trust (NHT) or the National Housing Development Corporation (NHDC), Credit Unions, Insurance Companies and Commercial Banks. All of them offer both variable and initially fixed rate mortgage loans.

Currently, the gross residential mortgage debt to GDP ratio is 1.86%, the total number of loans is 6.5 million³ and the average weighted loan rate by commercial banks is 16.19%. The average loan to value ratio is 70%, the average loan to income multiple is just 0.17 and the average term of a mortgage loan is twenty years.

4.2. Funding

The residential mortgage market in Jamaica is funded for different institutions by different means, but the main ones are the following: saving deposits, statutory contributions – as is the case for the NHT – and / or funds raised on the market – equity, etc.

5. GOVERNMENT HOUSING POLICIES

The property tax in Jamaica is as follows: the flat rate which is applicable to unimproved values up to JMD 300,000 is JMD 1,000 (EUR €2,430 and €8.1 respectively). For unimproved values exceeding JMD 300,000, a rate of JMD 1,000 applies to the first JMD 300,000 and for every dollar thereafter it is 0.75%.

With regards to affordable housing policies, a contributor who is unable to afford the downpayment on a home can enter a three-year lease arrangement for a trust property facilitated by the National Housing Trust (NHT). The lease payments during that period go towards the downpayment.

Finally, in terms of new legislation, the New National Building Code was introduced in October 2009 and there are incoming Amendments to the Rent Restriction Act in 2010.

6. REFERENCES AND DATA SOURCES

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7. HOUSING FINANCE INTERNATIONAL ARTICLE ON JAMAICA

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