

# Editor's Introduction

↳ By Friedemann Roy

It is my pleasure to present you the Summer 2010 edition. It is the last edition in which I assume the function of the editor. I would like to take the opportunity to thank you for your interest in the journal. I also would like to thank all contributors for the articles, as well as the experiences and insights they shared with us in their work.

The last years have been a fantastic journey through the economic cycles of the housing finance markets. Our contributors helped us to better understand the booms and busts of these cycles and their repercussions on individual housing finance systems as well as national and regional markets. We also learnt about new innovations in housing finance and how they aim to address affordability constraints in housing and housing finance.

I would like to introduce to you the new editor, who already helped to prepare this edition. He will resume full responsibilities for the future editions: Andrew Heywood is a consultant specialising in housing and mortgage markets, regulation, governance and European issues with significant clients in the housing and mortgage sectors. In his former role as Deputy Head of Policy at the Council of Mortgage Lenders (CML), Andrew had specific responsibility for lending for social and affordable housing, for low-cost home ownership products as well as for the private rental sector. In his free time, he is a keen jazz saxophonist and leads his own quintet *Afinado*. I would like to wish Andrew all the best for his new position and I hope he will enjoy the work as I did.

Our first article is presented by Bertrand Renaud and deals with Dubai's Real Estate Boom and Bust during the years 2002 – 2008. During this period, Dubai experienced a massive real estate boom and bust. As a rapidly growing open economy located in a strategic region of the world, Dubai emerged as one of the most visible global cities and found ready access to finance during the global credit boom. Real estate projects exceptional in nature and scale shaped the image of the emirate around the world. However, this growth was not a mere desert mirage. He discusses the factors behind this remarkable transformation of a sleepy fishing village into a global city in a time span of about five decades and how the global credit boom contributed to Dubai's massive real estate boom. In addition, he discusses how Dubai is now

adjusting to the real estate bust triggered by the global financial and economic crisis. He believes that Dubai and the other emirates of the UAE are today at an inflexion point in their growth strategy. Therefore, he analyses the responses to the crisis triggered by the Dubai World debt standstill announcement of November 2009 and the actions being taken to strengthen the Dubai economy and the financial system of the entire UAE federation in a far more risky and uncertain global environment.

In our second article, Claudia Magalhaes Eloy takes a perceptive look at Brazil's housing finance system. She points to the rapid growth in the provision of mortgage finance since the 1980's but also draws attention to the fact that as a percentage of GDP, mortgage credit is still only half the 10% average for developing countries. Ms Eloy highlights changes to the housing finance system and identifies key challenges and limits on the speed of future growth, including the limited role so far played by securitisation in mortgage funding. She also examines the impact of the banking crisis and recently emerging trends in housing finance.

The positive and negative links between the capacity of developers to increase new housing supply and the growth in mortgage credit is not always made explicitly. Timothy Olugbenga Nubi, who is the author of our third article, focuses on Nigeria in making these connections. As in Brazil, the development of mortgage credit is an ongoing issue and mortgage credit as a percentage of GDP stands at just 1%. Mr Nubi identifies the problem of new housing supply capacity as a key factor in the emergence of the Nigerian mortgage market and as a problem in itself. He uses the results of his own survey of housing developers to highlight the lack of capacity of the industry and the preponderance of small firms (judged by the standards of the developed world). Mr Nubi points to the key factors underpinning this situation and in particular to the problems faced by developers in gaining access to adequate levels of finance, and discusses the reasons behind what appears to be a major limiting factor on development.

The Northern Ireland housing market is the focus of our fourth article. It is in many ways unique, influenced as it is by both the UK and Irish markets. It is the only region of the UK with a land border on the Euro zone. Joe Frey and Paddy Gray use their deep knowledge of Northern Ireland and its

housing market to provide a detailed analysis of the key drivers and trends, drawing on recent research by the Northern Ireland Housing Executive, the strategic housing authority in Northern Ireland and the main social landlord. Frey and Gray analyse the spectacular boom and bust in the Northern Ireland market since 2000, touch on future prospects and contrast this experience with that in the Republic of Ireland and with the rest of the UK.

In our fifth article Richard Ronald examines housing policy in East Asia. He identifies the East Asian economic crisis of 1997 - 1998 as a turning point in Government economic and housing policy in the way it undermined the reliance of policy makers on raising home ownership to further growth and to promote social stability. Drawing on the experience of Hong Kong, Singapore, Japan, South Korea, China and Taiwan, Mr Ronald analyses the often contradictory pressures on Governments in relation to a range of policy imperatives including the extension of home ownership, affordability, pension provision and housing key workers. His article also assesses the recent impact of the banking crisis and economic downturn of 2008 - 2009 on housing policy in the region.

Our last contributor in this edition is Rob Thomas. Mortgage funding in the UK is the focus in the first of two articles by Mr. Thomas, looking at the impact of the financial crisis on funding markets. He examines the rise in wholesale funding in the UK since the 1980's and identifies the very rapid rise in the volume of securitization in the period 2000 - 2007. He assesses the structural vulnerabilities of the UK in relation to wholesale funding, including the lack of an adequate UK-based pool of investors. After looking at the key elements and effects of the government response to the banking crisis, Mr Thomas examines the consequences of the crisis for the mortgage market in the UK, which has been unable to restore retail lending volumes. He then goes on to assess the outlook for 2010 - 2015 and the prospects for a return to normality.

I hope you will enjoy reading these articles. Please do not hesitate to come up with your comments to stimulate a wider debate which will allow for a broader exchange of ideas and concepts. They are more than welcome!

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<sup>1</sup> The Findings, interpretations, statements and conclusions expressed herein are those of the editor alone and do not necessarily reflect the views of the International Bank for Reconstruction and Development/The World Bank and its affiliated organisations,

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