www.housingfinance.org

Spring 2018

HOUSING FINANCE INTERNATIONAL

The Quarterly Journal of the International Union for Housing Finance

International Union for Housing Finance

Housing Finance International

Housing Finance International is published four times a year by the International Union for Housing Finance (IUHF). The views expressed by authors are their own and do not necessarily represent those of the Editor or of the International Union.

ISSN: 2078-6328
Vol. XXXII No. 3

Contents:

➔ **Subscriptions:**
Individual Regular Annual Rate €135;
Individual Three-Year Discounted Rate €360.
Institutional Regular Annual Rate €155;
Institutional Three-Year Discounted Rate €420.

For further details, please contact Mark Weinrich (weinrich@housingfinance.org)

International Union for Housing Finance
Rue Jacques de Lalaing 28, B 1040-Brussels - Belgium
Tel: +32 2 231 03 71
Fax: +32 2 230 82 45
www.housingfinance.org
Secretary General: Mark Weinrich

Editor's introduction
Taking business decisions for political reasons?

It was striking to note that in February 2018, the Australian Treasurer, Scott Morrison, pronounced that months of successive falls in the Sydney housing market which followed an earlier prolonged downturn in Perth, were a sign that Australia had been able to achieve a "soft landing" in the housing market.[1] It is clear that this assessment has not been accepted by a number of housing market analysts. However, the reason that this was so striking is that we have heard this comforting phrase (or phrases very like it) before; in the run-up to the Global Financial Crisis.

Within a month of the above pronouncement it was reported that UK housing associations were ramping up their development of affordable housing at a time when it is becoming clear to many that the UK housing market is reaching the top of its cycle, with London house prices already falling and signs of weakness in other markets[2].

Government inevitably has influence, even when it does not have power. No one wants to be branded as irresponsible or as acting contrary to the national interest. When governments choose to dispense largesse to the private sector in the form of grants, tax incentives or the like then that influence is strengthened.

Affordable housing is a case in point. Many housing markets exhibited affordability problems for middle and lower earners even before the Global Financial Crisis [GFC]. Following the GFC, years of austerity in public finances have exacerbated problems in a number of markets including the UK. In such circumstances provision of affordable housing is seen as desirable by voters and of course by governments who also want the maximum delivery for any subsidy they provide.

As housing markets reach the top of their cycles these pressures inevitably grow. In an ideal world government and the private sector organisations (private developers and housing associations) that increasingly provide affordable housing would exercise countervailing restraint. After all, government does not want the unpleasant consequences of a glut of unsold homes and developers do not want to find themselves over extended as prices fall and demand dries up. Sadly, of course, the picture is never so simple. Politicians wish to be able to report on a successful stewardship and to promote the "feel good factor" amongst potential voters about future prospects. Developers (and mortgage lenders) have their own issues. Firstly, no-one wishes to be the bearer of bad news. In a results-driven environment, it is seldom popular to urge caution and to propose restraining measures that will inevitably hit sales, financial returns and bonuses relative to those previously predicted.

In these circumstances the temptation on all sides is to minimise the risks. In 2006 and 2007 as a number of housing markets, including that of the UK, looked increasingly over-heated, the phrase "soft landing" crept in on the lips of politicians and industry pundits. In the UK at least, this proved to be a euphemism for serious downturn. Failure to make what was fast becoming a common-sense prediction about that downturn, arguably led to lack of preparedness and ultimately increased panic which exacerbated the downturn itself. Housing associations were encouraged to increase their investment in new development at a point where the more far-sighted commercial developers were cutting back. The result was a major backlog of unsold affordable homes and a number of housing associations being quietly bailed out by the government's affordable housing quango.

This is not to predict a generalised financial crisis along the lines of the GFC anytime soon. Nevertheless, the re-emergence of an old phrase like "soft landing" in circumstances where many would consider it controversial reminds us of an important question; have governments and housing providers learned the lessons of the past, or do we risk another round of key business decisions being taken for political reasons at some time in the future?

Problems of affordability and inadequate housing supply are a significant theme in this issue of HFI. Our first main article focusses on the troubled country of Zimbabwe. Following the replacement of former President Robert Mugabe by Emmerson Mnangagwa, Aqualine Suliali provides a compelling analysis of the political, economic and housing situation facing the new government and makes an informed provisional assessment of how that government is addressing the issues facing the country going forward.

Africa is also the subject of our second main article. In his article *Taxation of affordable housing in Africa*, James Mutero seeks to establish appropriate principles for the application of taxation to incentivise the enhancement of affordable housing supply. In doing so he draws on examples from across the continent and analyses the effectiveness of various approaches taken to date. This is a valuable contribution to an important topic which does not always receive the in-depth analysis it deserves.

India continues to strive to solve its housing supply shortage, which dwarfs that of many other countries in terms of sheer scale. In an important article Peter Scheibstock uses the New Urban Agenda of the United Nations to contextualise his analysis of the sustainability of national housing programmes in India. Such programmes have been criticised as being successful in boosting overall housing supply and promoting economic growth but being less successful in reaching their target groups and avoiding damaging ecological consequences. Mr Scheibstock takes the current national housing programme *Pradhan Mantri Awas Yojana* (Housing for All) as a case study.

It has been estimated that the proportion of the global population who are urban dwellers will rise to 61% by 2030. The number of people living in slums is predicted to reach 1 billion by 2020. These stark figures provide the backdrop for an interesting analysis in Zaigham Mahmood Rizvi's article, focussing on the challenges to building adequate housing and sustainable housing communities with particular reference to the Asia-Pacific region.

As Karly Greene and Heather Porter point out in their article *A Place Apart? Trends and challenges in the Northern Ireland housing market*, there is no such thing as a homogenous UK housing market. This fascinating article draws on a wealth of data to offer an incisive overview of what is the smallest market out of the four countries of the UK in terms of population. Greene and Porter show the development of that market, focusing strongly on the crash in house prices which accompanied the GFC and the period of consolidation since then.

Andrew Heywood

[1] Australian Finance Review 5th February 2018.

[2] Inside Housing 7th March 2018

Contributors' biographies

Claudia Magalhães Eloy is a consultant on housing finance and subsidy policy in Brazil, who currently works for FIPE [Fundação Instituto de Pesquisas Econômicas] and has worked for the World Bank [TA] and for the Brazilian Ministry of Cities and Companhia de Desenvolvimento Urbano e Habitacional of São Paulo [CDHU]. Claudia has also participated in the development of the National Housing Plan, in the analysis of the Housing Finance System. She holds a PHD in Urban Planning at the University of São Paulo [USP], a Master in City Planning at the University of Pennsylvania, a Master in Public Administration at Bahia's Federal University [UFBA] and a BA in Architecture and Urban Planning [UFBA], with a specialization in Real Estate Finance at the Brazilian Economists Order [OEB]. She also attended Wharton's International Housing Finance Program.

Karly Greene, as Head of the Housing Executive's Research and Equality Unit, has responsibility for delivery of the organisation's Research and Intelligence Programme, which aims to continually inform planning and housing policy. Karly joined NIHE in 2017 and has a background in research, consulting and analytics spanning over a decade working with organisations across the private, public and voluntary sectors.

Andrew Heywood is an independent consultant specialising in research and analysis of housing and mortgage markets, regulation and policy with both a UK and international focus. He is a visiting fellow of the Cambridge Centre for Housing and Planning Research [CCHPR] and a research fellow with the Smith Institute. He is also Editor of the journal Housing Finance International. Andrew writes for a number of publications on housing and lending issues and publishes reports commissioned by a wide range of clients.
EMAIL: *a.heywood53@btinternet.com*

James Mutero obtained his doctorate degree in 1992 from the University of Cambridge where his research focused on housing economics. During the last 20 years, as a consultant, Dr Mutero has acquired wide international experience, advising governments in Africa on housing finance and urban development.

Alex J. Pollock is a distinguished senior fellow at the R Street Institute in Washington DC. He was President and CEO of the Federal Home Loan Bank of Chicago 1991-2004, and President of the International Union for Housing Finance 1999-2001.

Heather Porter has worked in the Housing Executive's Research Unit for over a decade. She has had responsibility for the content of the *Housing Research Bulletin*, is co-author of the *Housing Market Review & Perspectives* document and produces twice-yearly *Insight* publications showcasing relevant key housing related research and policy updates. She holds postgraduate diplomas in both housing and social research methods.

Zaigham M. Rizvi is currently serving as Secretary General of the Asia-Pacific Union of Housing Finance and is an expert consultant on housing and housing finance to international agencies including the World Bank/IFC. He is a career development finance banker with extensive experience in the field of housing and housing finance spread over more than 25 countries in Africa, the Middle-East, South-Asia, East-Asia and the Pacific. He has a passion for low-cost affordable housing for economically weaker sections of society, with a regional focus on Asia-Pacific and MENA.
EMAIL: *zaigham2r@yahoo.com*

Peter Scheibstock received his BSc and MSc degrees in architecture from Vienna University of Technology. His main areas of research interest are housing and urban development policy with a focus on emerging and developing economies. He gained substantial expertise in these fields through projects in LAC and South Asia.

Aqualine Suliali is the Director of GAP Solutions a Johannesburg-based pan-African consulting firm with a network of experienced consultants, researchers, and communicators who provide clients with flexible, high quality services and outputs. The consulting firm is working across multiple sectors including working with those deeply engaged in affordable housing.

Mark Weinrich holds graduate degrees in political science and economics from the University of Freiburg, Germany. He is the General Secretary of the International Union for Housing Finance and the manager for international public affairs at the Association of Private German Bausparkassen.

Asia-Pacific Union for Housing Finance

↳ By Zaigham M. Rizvi

Bangladesh

Bangladesh, with a population of 166 million, and population growth rate of 1.03%, is already faced with a housing backlog of around 6 million units[1]. During the last decade, the housing shortage, particularly the urban housing shortage, in Bangladesh has been variedly estimated to be somewhere between 4.5 million to 6 million units. IFC, however, estimates that in next five years Bangladesh may need 8.5 million units of houses to overcome the backlog and shortage. As the land in Bangladesh is scarce, a large section of people lives on the lakes, called the "Boat People". Grameen Shakti, the solar solutions provider to low income segments is very active in addressing electricity poverty of these "Boat People" who are off-grid.

Bangladesh is the 8th largest country in terms of population, with a population density of 1,278 Persons/Sq. KM, while Dhaka city is 28,500 Persons/Sq. KM. Most of this housing backlog is for low-income segments of the population. The housing backlog is assuming an alarming scale in major metropolitan areas like Dhaka and Chittagong[2].

Massive urbanization is making the major contribution to the already existing massive housing shortage in these metropolitan areas. The urbanization process in the country is as yet unsaturated, and rapid urban growth will continue in the coming decades. The population growth rate of Dhaka city is 4.65% against 1.48% of the national growth rate as per the Bangladesh Bureau of Statistics [BBS]. Dhaka, being a megacity, is the most urbanized area by virtue of its agglomerated economy, which provides diverse opportunities and hence attracts most of the rural out-migrants. Dhaka, one of the most densely populated cities in the world, has severe housing conditions, with a population density of 28,500 persons/Sq.KM. The average dwelling size is 4.9 persons per household.

Dhaka is now experiencing unprecedented growth, accommodating more than 600,000 persons per year. It means that every year more than 120,000 household units are required to house the added population in Dhaka. In this situation, the supply of housing in the city is only around 25,000 units in the private sector, and the government contribution is almost negligible. Dhaka City is set to grow from a population of 18.9 million in 2011 to a projected 27.4 million by 2030, with an implied growth rate of 4.3%. While other cities will also grow, their proportion of the total urban population is expected to decline or remain static. (Present Condition and Future Prospects of Real Estate in Bangladesh, by Muhammad Ariful Islam, Dy. GM Sheltech PVT. Ltd Nov 2017)

Over 85% of all rural, and over 70% of urban dwelling units in Bangladesh fall under inadequate / deficient categories, which signifies the scale of housing need in the form of housing upgrades, improvements or new construction. Bangladesh will need to construct approximately 6 million new houses in the next five years to overcome the existing shortage in urban areas and meet the future demands of housing (World Bank/IFC Report 2016). Most of the need is concentrated in the lower and lower-middle income groups. Against this demand, REHAB (Real Estate and Housing Association of Bangladesh) estimates that currently around 25,000 units are supplied each year, of which its member developers are supplying around 15,000 units.

On the supply side, the real estate sector in Bangladesh is still recovering from the setback it suffered in 2011-2012. Private developers only cater for the upper and upper-middle income groups, while the middle and low-income segments are still largely untapped. The development of affordable housing is in a very nascent stage, with volumes of barely 2% of all newly constructed apartments. (World Bank/IFC Report 2016: Barriers constraining the low and middle-income housing finance market in Bangladesh, Author of this Report: Harish S. Khare Advisory Support: Ananya Wahid Kader)

Meanwhile, the rapid speed with which urbanization is going on, is raising challenges for the urban managers to meet the increasing housing needs. Between 1997 and 2014, urban population increased by 60.43%. The Dhaka City Mayor once said that rapid urbanization coupled with wrong planning and shortage of land had posed a major challenge for building a healthy and safe housing system in Dhaka and other cities. The Housing Minister said the number of slums was growing in the cities, the NHA would have to build an additional 10,000 houses outside the city areas to cope with the ever-deteriorating situation.

Cambodia: addressing the challenge of affordable housing

Cambodia is a relatively small country in South Asia, with a tumultuous history. The population stands at about 16 million (2016), GDP per capita at USD1300 (2016) and life expectancy is about 70 years. Phnom Penh is the capital, thus being the nucleus of housing and housing finance matters in the country. The rate of urbanization is approximately 8% (rural-urban migrants comprise about 25% of the population), with most of the migrants aged 15-25 years. Asian Development Bank [ADB] estimates at least 44% of Cambodians will be concentrated in these urban areas. Of these people, a large majority is in the category of low and middle class, with a minimum salary of less than USD200 (2017); The United Nations Development Program [UNDP] estimates that 13.5% of Cambodians still live below the poverty line.

---

[1] http://www.thedailystar.net/business/housing-shortage-urban-poor-challenge-sdg-brac-1476895

[2] Source: Daily Star, Bangladesh – http://www.thedailystar.net/business/housing-shortage-urban-poor-challenge-sdg-brac-1476895
Centre for Urban & Community Studies, Canada – http://www.urbancentre.utoronto.ca/pdfs/housingconference/Nawaz_Right_to_Shelter.pdf
HOFINET, USA – http://www.hofinet.org/countries/description.aspx?regionID=7&id=15
Citiscope, USA – http://citiscope.org/habitatIII/news/2015/11/dhaka-habitat-iii-forum-confronts-staggering-population-forecast
IFC – https://www.ifc.org/wps/wcm/connect/ca4a1326-a425-464b-aa13-33fc44659498/Barriers-Constraining-the-Low-and-Middle-Income-Housing-Finance-Market-in-Bangladesh.pdf?MOD=AJPERES

For a kingdom that has found peace about two decades ago, the Government's National Housing Policy [NHP] is a very positive step, giving the financial and construction sectors impetus and room to work in affordable housing. Existing partnerships with the Ministry of Land Management, Urban Planning and Construction [MLMUPC] would not have been possible or efficacious without this direction.

Investment in the construction sector has grown remarkably; more than 2,600 projects approved by the Ministry (the Cambodia Daily, 2017), reaching USD8.5 billion of investment values in 2016, which is almost a 160% Y-o-Y increase from 2015 approved by the Ministry (The Cambodia Daily, 2017). However, 2017 as a whole has seen a shift in demand – from luxury residential and commercial development – towards housing that is more affordable for the local market. But, a report from VTrust 2017 revealed that no developer builds houses that cost less than USD25,000 in Cambodia; developers currently supply housing that is priced between USD30,000 and USD60,000 (The Housing Market and Outlook Report 2017).

Cambodia's first attempt at social housing – the Bassac River Front project – was short-lived, due to internal conflict in the mid-70s and an increasing population has left earlier social housing facilities dilapidated. A recent study conducted by the Ministry of Land Management, Urban Planning and Construction [MLMUPC] revealed nearly 27% of homes in rural areas still use temporary walls and roughly 83% have temporary floors. As Kif Nguyen, National Director of Habitat for Humanity Cambodia [HFHC] stresses, "…about 2 million houses in Cambodia do not meet minimum quality standards when it comes to design, durability, access to water/sanitation and also land tenure. Substandard housing is one of the key bottlenecks to inclusive, sustainable development across the nation…."

According to the NHP, by 2030, Cambodia's population would require an extra 1.1 million houses to meet the-then demand, but HFHC estimates this figure might be more than ten times higher; the organization observed that, roughly 20% of the population lives in slums, facing impending threats of eviction. And yet the value of property and land in Cambodia's commercial centers only continues to skyrocket. The Policy and Ministry work with other departments, financial institutions and developers to make housing finance a real option – both culturally and financially – for the masses. Some measures taken up are lower interest rates, negotiable spreads, cross-selling financial products, incentives on tax and import duties on construction materials and technology, price regulation and "endorsing" developer-driven housing projects.

In the past year, several developers have stepped in. For instance, WorldBridge Land recently broke ground on a USD100 million low-income housing development on the city's southern fringes, together with Singapore-based construction company Straits Construction Group, after signing a memorandum of understanding [MoU] on affordable housing with the Government. The homes will cost USD20,000 - USD25,000, initially aimed at low-income civil servants such as soldiers, teachers and police but would be opened up to "all families earning less than $500 a month". Another example is CamHomes, a real estate agency set up by Singaporean developer HLH Group, which unveiled plans for its D'Seaview mixed-development project. And, in Phnom Penh's Chamkarmon district, the proposed Sino Plaza – a luxury condo and retail development by Cambodia Natural Lucky Real Estate – will reportedly sell 10% of its units below the market rate using a "non-open market" ballot system. Open to families who earn less than $2,000 a month, entry into the ballot would need to be supported by a family income statement and a pre-approved bank loan, the company stated in its self-published report on affordable housing. However, an emerging younger, qualified population believe the policy should encourage rehabilitation projects as well.

Cambodia has 36 commercial banks and 11 specialized banks, according to the National Bank of Cambodia. Although not all of them offer home loans, the large number of banks that do, are lowering their rates to attract more homebuyers; indeed, there is a growing need for financial products that match the term and usage of housing finance clients.

The roots of housing loans in Cambodia can be traced back to 1997, when ACLEDA Bank – a microfinance institution [MFI] – offered forms of housing finance. In 2004, Canadia Bank was followed by other banks, who introduced housing loans. These comprise 3-10% of the total loan portfolio of the larger banks, and non-performing loans [NPLs] are generally low for this product. Some banks even have technical staff to support customers in their construction and energy needs and offer incentives on such solar power equipment. Housing loans are available to Cambodians for purchases of houses, condominiums, and flats. Some banks will only lend on a property in which the borrower will reside i.e., owner living. In other words, the bank will not finance property speculation, but there are solutions that seem to finance speculation as well. Housing loan rates in the country hover around 8%, with a declining trend, to encourage borrowing for home ownership in what is a primarily cash-driven economy.

Cambodia is finding and exploring itself in many ways. Its government is using Singapore as its model for addressing an impending housing crisis and has taken progressive measures to ameliorate issues.

There will always be a market for upscale condominiums, but it should be noted that, at some level, the word "luxury" applies to the house that has sturdy walls, a good paint job and no leaky roofs. This is true for a growing segment of the population that will rest the fortunes of their generations to come on a single home. Policy makers, regulators, developers and financial institutions would need to impact society at a cultural level for these initiatives to reap their true benefit. A younger population looking to start their lives in well-designed affordable housing communities that can be financed amiably and paid back within a decade is a promising start.

Pakistan: housing finance in Pakistan

The housing finance sector kept its growth momentum during the year with the outstanding amount of housing finance increasing by 15.5% to Rs 75.9 billion as at end June 2017 from Rs 65.7 billion the previous year. The mortgage to GDP ratio in Pakistan is around 0.5%, which is very low when compared with other regional countries. Considering the low penetration of banks and Financial Institutions [FIs] in the national housing finance market, the SBP has been making concerted efforts to help develop the sector through policy, regulatory and promotional initiatives. The following major initiatives were taken during the year to promote housing finance in Pakistan.

- **Pakistan Mortgage Refinance Company [PMRC]:** Availability of long-term liquidity is an emerging issue in the housing finance sector. The establishment of PMRC), which is functional now, will provide long term funding to banks and financial institutions against their housing finance portfolio. This would address the major issue hindering the growth of the primary mortgage market in the country. The PMRC would serve as a secured source of long-term funding at attractive rates for banks and housing finance companies [HFCs]. PMRC was incorporated with SECP in 2015 and its Board was also constituted. Further, the Federal Government and banks are injecting the committed equity.

- **Amendments in Housing Finance Prudential Regulations:** To strengthen the existing regulatory framework for housing finance, market consultation was carried out and based on the stakeholder feedback; the housing-specific Prudential Regulations have been revised to facilitate the growth of the sector.

- **Consumer Awareness Programs:** Broadening Access to Financial Services 49 Consumer Awareness Sessions on Housing Finance for the general public through continued efforts of SBP, most of the financial institutions, commercial and HBFC, are now offering housing finance products. Furthermore, the declining interest rate in Pakistan has also enhanced the affordability of mortgages.

Affordable housing for industrial workers of Sitara Industries, Pakistan:
Ansaar Management Company [AMC], the only private sector affordable housing developer in Pakistan has recently signed a groundbreaking deal with one of the largest industrial groups in Pakistan, Sitara Chemicals Industry Limited [SCIL] at Faisalabad, Punjab. This may very well be the first time that a private sector developer has partnered with an industrial unit to provide affordable housing for the laboring classes of our society. According to Mr. Jawad Aslam CEO of AMC, the recently signed deal will lay the groundwork for a model that could be replicated by many others in the sector.

Under the brand name of Safiya Homes, AMC is selling high-quality homes on 800 square foot developed plots with covered areas of 400 to 600 square feet having a lounge, kitchen, 2 bedrooms and a bathroom for USD 15,000 per unit. AMC's target market was white and grey collar workers. A locally contextualized homeowners association, ultimately managed by the low-income communities themselves, manages the developments.

Each development provides all basic amenities to its residents including parks, schools, health facilities, community centers, commercial areas, water purification plants – as well as sweepers, gardeners, security personnel and more – all for under USD 5 per month. Currently AMC is on track to provide 6000 such units to the lower income segments in Pakistan.

Sitara Group is considered a pioneer and trailblazer in the industry. Its provision of housing to its employees is a commendable initiative. SCIL entering into this agreement has set a precedent that other industry leaders have already started to explore. The CEO of SCIL said that 'some of our employees have spent generations of sweat and blood in making SCIL what it is today…. and it is only befitting that we give back to these same families to show our commitment and appreciation to them and their families'.

The initial roll out of the project will entail over 200 homes and it is expected that this number will triple in the coming year as the project expands.

Malaysia: Cagamas: a 30-year journey of housing the nation

Established in 1986, Cagamas has evolved from its first mandate as the national mortgage corporation to promote the broader spread of home ownership and act as the catalyst for growth of the secondary mortgage market as well as the fixed income market.

Cagamas also acts as a conduit to reduce systemic risk in the financial sector and functions as an intermediary in the Malaysian financial system between primary lenders and investors of long term funds, as well as facilitating policy formulation and working closely with the Central Bank of Malaysia.

For instance, during the 1997/98 Asian Financial Crisis and 2007/08 Global Financial Crisis, Cagamas helped sustain the domestic financial system by continuing to supply liquidity and interest rate management tools to mortgage originators, in particular the banking institutions. These were evidenced by the largest annual issuances by the company during the crisis.

Role in promoting home ownership

Cagamas has indirectly contributed to the accessibility of financing/borrowing for housing by providing competitive, liquidity funding to financial institutions for financing of home mortgages. As at-end December 2017, Cagamas had cumulatively refinanced housing loans in the secondary market worth up to RM142 billion, or about 1.9 million homes.

As one of the strategic directions for the company, Cagamas consistently plays a significant role in government-initiated housing programmes. For instance, it will continue to participate in the My First Housing Scheme [SRP] and Youth Housing Scheme [SPB], the two schemes initiated by the Malaysian Government and launched in 2011 and 2015 respectively. Its sister company Cagamas SRP Bhd, provides the mortgage guarantee facility for these programmes that allow young individuals or households to obtain 100% financing, enabling them to own their first home without the need to make the 10% down payment. As at 31 December 2017, Cagamas SRP has provided guarantees for housing loans totaling RM2.1 billion, enabling 9,840 individuals/households to own their first homes.

Cagamas' parent company, Cagamas Holdings Bhd, in July 2017 organised a "Dialogue on Sustainable Development of Affordable Housing" aimed at creating a platform for an exchange of views by industry experts to deliberate on issues relating to affordable housing both locally and internationally. Arising from the dialogue, Cagamas is further exploring opportunities to assist the Government in the field of affordable housing.

Role in the development of corporate bonds and the Sukuk market

Currently Cagamas is the second largest issuer of bonds and sukuk after the government. It is the largest non-government issuer of debt in Malaysia and pioneered the Islamic capital market which serves as a role model for other Islamic countries. Cagamas continues to maintain its strong credit ratings of A3 by Moody's and AAA by RAM Rating Services and the Malaysian Rating Corporation, because of the company's track record of strong capitalisation, robust asset quality, stable profitability, prudent risk management and sound corporate governance. As at 31 December 2017, the cumulative amount of bonds and sukuk issued by Cagamas group of companies stood at RM312.1 billion.

Over the years, Cagamas has developed various bond structures (conventional and Islamic) to meet the demands of a broad spectrum of investors. In 2014, Cagamas successfully entered the international capital markets via the establishment of the US$5billion Conventional and Sukuk Multi-Currency Euro Medium Term Note Programme [EMTN] following which the company had successfully raised competitive funding via issuances in offshore Renminbi, Hong Kong dollars, US dollars, Australian dollars and Singapore dollar bonds under its conventional and sukuk programmes. Since the establishment of the EMTN Programmes, to date Cagamas has successfully concluded 18 foreign currency issuances amounting to ringgit equivalent of RM8.9 billion.

Moving forward

Cagamas is in a strong position to continue to transform itself to meet the challenges ahead, including proactively identifying opportunities, provide innovative solutions and develop more diverse financial products to meet investors' demands and be an active partner to the financial institutions to build breadth and depth to the financial market and system in Malaysia.

Among other things, Cagamas will continue to focus on developing risk and capital management solutions to assist financial institutions, especially in the light of Basel III and MFRS 9; enhancing product offerings to financial institutions to further spur the growth of SME and infrastructure sectors; and cooperating with secondary mortgage corporations in the region via the Asian Secondary Mortgage Market Association.

Cagamas will also explore regional opportunities to replicate its business model in South-East Asia as well as complementing Malaysian financial institutions as they expand abroad and intensify their efforts to diversify their geographic and institutional pool of investors.

Thailand

Thai Treasury Department releases land for subsidized low-income housing

As part of the Thai government's Pracha Rat subsidized low-income housing program the Thai Treasury Department announced plans to provide land in nine areas throughout Thailand for about 2,000 homes.

The homes will be located in Udon Thani, Chiang Mai, Chiang Rai, Khon Kaen, Lampang, Prachuap Khiri Khan, Chon Buri and Nakhon Phanom.

Amornrat Klamplob, the department's deputy director-general told the Bangkok Post, the Treasury is drafting low-cost housing projects' terms of reference and each designated area will have 70% developed into residential areas, and 30% of the remaining area allocated for commercial use.

The department will charge the winning developers twice its assistance fee, which is Bt 1 per square was per month for residential areas and 1% on the return on assets for commercial areas, she said.

Ms Amornrat said the 11.4 million government welfare and subsidy programs recipients will receive first priority for leasing the planned housing projects. Any remaining units will be offered to applicants earning less than Bt35,000 ($US1,129) per month.

With unit selling prices ranging from Bt350,000 to Bt700,000 ($US11,290 to $US22,580) new home buyers will pay monthly mortgages as low as Bt2,000 ($US64) per month. These homes can only be transferred to heirs. Developers must develop commercial areas to fund common area maintenance costs.

Thai Cabinet backs $US 129 million for subsidized housing

The Thai Cabinet recently approved Bt 4 billion ($US129 million) for low-income subsidized housing. This new program will allow the private sector to form joint ventures with the government to develop the projects. Under the Cabinet announcement, the $US 40 billion Social Security Fund will be also permitted to invest up to Bt5 billion ($US 161 million) in the program's funding. This new program is the popular Pracha Rat (People's State) housing program's second phase.

Nathporn Chatusripitak, a spokesman for Deputy Prime Minister Somkid Jatusripitak, told the Bangkok Post that the Bt4 billion ($US129 million) will be provided by the Government Savings Bank [GSB] and Government Housing Bank [GH Bank].

Development financing will also be available for developers at 3% interest for the first three years and at the minimum lending rate [MLR) minus 1% for the fourth to fifth year. Home purchasers will receive loans with 2.75% interest from year one to year four and MLR-0.75% from the fifth to the 30th year. For borrowers earning less than Bt35,000 ($US1,129) per month interest payable will be MLR-1%.

Homes under the new subsidized program will range from Bt350,000-700,000 ($US11,290 and Bt22,580). The new homes will be developed on leased land from the Treasury Department. Projects will be developed in nine areas throughout the country. The Thai Finance Ministry reported that as of December 18, 2017, the GSB and GH Bank had approved development financing of Bt258 million ($US8 million) to three developers and housing loan financing Bt16 billion ($US 516 million to 19,875 loan applicants for the Pracha Rat housing program's first phase.

Government Housing Bank expects further 6% loan growth in 2018 from previously announced targets

The GH Bank recently announced expected loan growth of 6% over its previously projected target established for 2018. Thailand's sustained economic recovery and government policies to encourage home ownership are expected to boost demand for mortgages. Chatchai Sirilai, GH Bank's president said the Bank now expects to issue new loans of Bt 189 billion ($US6.1 billion) this year (earlier 2018 target Bt 178.2 billion ($US5.75 billion)). The Bank, he said, would keep lending rates low until at least the end of the second quarter. Many economists have forecasted that the Thai economy will expand by about 4% in 2018.

Chatchai told The Nation that he expected commercial banks to begin offering more housing loans because of rising economic growth. GH Bank continues today as Thailand's largest individual home mortgage lender with a market share of about 28%. In 2017, new lending at GH Bank rose 17% year on year to Bt 196.8 billion ($US6.35 billion). At the end of 2017, GH Bank had outstanding loans of Bt 1.1 trillion ($US 35.5 billion). "Government policies to help more consumers own homes will also contribute to a rise in loan values this year", Chatchai said.

Asia-Pacific region special supplement

Affordable housing in India

While most sectors in India have real potential, infrastructure is particularly compelling. This is because of the massive need for infrastructural development in the country, as India continues to march ahead on the road of fast paced economic growth. When these high levels of economic activity are combined with other factors like rapid urbanization, rising disposable incomes, and an enormous population base eager to improve their lifestyle, the need for housing becomes inevitable.

Urbanisation and the ever-growing demand for housing have become a familiar feature of

Indian society. As per the 2011 census data, India's urban population increased at a compound annual growth rate [CAGR] of 2.8% over 2001-11, resulting in an increase in the urbanisation rate from 27.8% to 31.2% during the same period. Increasing population and rapid urbanization resulted in a significant shortage of housing across cities in India. In this context, the central and state governments acknowledged the importance of accommodating the growing population with acceptable standards of living, and announced many policies, schemes and regulations to achieve the mammoth goal of providing "Housing for All" by 2022.

INDIA: A MARKET WITH GREAT POTENTIAL

The Indian middle class is expected to reach 41% of population by 2025, while consumption expenditure will increase to INR 230 Trillion (US$ 3.6 Trillion) by 2020.

Investment of INR 65 Trillion (US$ 1.02 Trillion) will be required in infrastructure in the Twelfth Five Year Plan (2012-17): 50% from private sector (Source: Planning Commission of India).

THE HOUSING SECTOR IN INDIA: AN OVERVIEW

The housing sector is an important contributor to the economy. It is the second-largest source of livelihood after agriculture. It is perceived as the third most impactful industry in terms of its effects on other industries, as it directly affects over 250 ancillary industries such as cement, steel, transport, construction, paint, brick, building materials, and consumer durables. It is expected to soon overtake other industrial sectors in terms of GDP contribution. Unlike many developed countries, which face ageing populations and rising dependency ratios, India is experiencing a demographic dividend where the average age (life expectancy) of the population is 67 years. The demographics is heavily skewed towards younger people with 600 million people younger than 24 years. These factors combined, with an increasing preference for nuclear families, an increase in the number of double-income families and rising incomes will lead to an increase in demand for housing in India.

AFFORDABLE HOUSING: DEFINITION

Affordable housing refers to housing units that are affordable by that section of society whose income is below the median household income. Although different countries have distinct definitions for affordable housing, they are largely the same, i.e. affordable housing should address the housing needs of the lower or middle-income households. Affordable houses, as per RNCOS comprise houses for Economically Weaker Sections (EWS), Lower Income Groups (LIG) and Middle-Income Groups (MIG).

KEY FACTS ABOUT THE AFFORDABLE HOUSING SECTOR IN INDIA

Buyers from the low- and mid-income groups working in manufacturing units, educational institutions, public sector units, information technology hubs and banking & financial services sectors are driving the demand for affordable housing which is most prominent in the cities of Bengaluru, Noida, Pune and Gurgaon. However, the increase in demand is also leading to a rise in prices of affordable units, with cities such as Bengaluru, Hyderabad and Pune seeing the highest upwards movement. The demand for affordable housing could gain further momentum in the medium term on the back of several incentives announced in the Union Budget 2017-18.

The maximum demand for housing in India has always been and continues to be in the affordable segment where property prices range from INR 1.5 million to INR 5-6 million, while a huge number of ready-to-move projects in cities like Mumbai are priced upwards of INR 10 million.

The attractiveness of an affordable housing location hinges on its proximity to economic hubs and city centres. These projects should be in close proximity to major business hubs.

AFFORDABLE HOUSING: DEMAND

The increasing population and rapid urbanization has resulted in a significant shortage of housing across cities in India. Therefore, the main concern is a huge shortage of supply in this segment.

The shortage of urban houses stood at 18.8 million units in 2012 and it is expected to grow at a CAGR of 6.6% for 10 years till 2022. This shortage will increase to an estimated 34.1 million units by 2022, mainly on the back of the demand-supply gap and rising levels of income among the working class seeking to purchase houses. The increasing urban population is leading to a large demand-supply gap, which in turn leads to an increase in the housing shortage. The rising income level of the working class is one of the other factors that are further driving the demand for affordable housing particularly in Tier I and Tier II cities. Besides, the migration of working class people from rural to urban areas is also generating the demand for affordable housing.

PRIVATE PARTICIPATION IN AFFORDABLE HOUSING

Affordable housing is still in its nascent stage in India. Many reputed private players are entering this segment to diversify their portfolios and to cover the risk, as sales of high-end residential/luxury homes are slowing. The economics of scale, first-mover advantages, existence of a huge buyer base and also lucrative incentives announced by the Union Government are encouraging private participation, including the entry of reputable developers. There are numerous developers that have recognized the opportunity and are active in this segment. These include TATA Housing, Godrej Properties, Mahindra Lifespaces, Shapoorji Pallonji, VBHC, HDIL etc. The sector is receiving funding from prominent lending houses, including HDFC, IFC, Standard Chartered, Motilal Oswal etc. As a result, many end-users in the low-income bracket have realized their dream of owning a home. The announcement of the affordable housing sector being given infrastructure status is likely to provide the necessary impetus for the developer community and affordable housing-focused private equity and real estate fun.

OPPORTUNITY ANALYSIS FOR PRIVATE DEVELOPERS

The socio-economical changes in Indian society are compelling young people to move out from their homes and get jobs in the metropolitan areas in order to maintain a better standard of living. The rising per-capita income and increasing rate of urbanization have also played a significant role in increasing the trend of nuclear families in the country.

Rajasthan and Karnataka are the two states witnessing the highest CAGRs in GSDP per capita, thereby having a positive impact on the state income.

An even distribution of income is required to increase the affordability of households throughout the state. Considering these factors, Haryana, with the highest NSDP per capita, portrays greater affordability than other counterparts.

Maharashtra has the maximum number of LIG households and hence a large potential. It is followed by Karnataka and Gujarat. Analysing various socio-economic factors, Maharashtra, Rajasthan and Karnataka have generated the maximum demand for affordable housing in 2015. However, with the upcoming market trends, improved investment scenario, better funding options and government initiatives to support this sector, Haryana and Karnataka are expected to exhibit maximum growth in the coming years.

POLICY FRAMEWORK AND REGULATIONS FOR AFFORDABLE HOUSING: CENTRAL GOVERNMENT

Affordable Housing has been a focus for the government over the past few years. The Central Government has been coming out with housing policies from time to time, with the aim of generating a favourable environment for the development of affordable housing in India.

The latest of these policies is "Housing for all by 2022". The policy which was announced by the Central Government on 17 June 2015. Under this policy, the state governments/union territories have been inter alia encouraged to promote:

(i) construction of affordable housing for the lower income groups and economically weaker sections of society through public private partnerships

(ii) credit linked interest subsidies which make taking housing loans a viable option for the economically weaker sections of society, and;

(iii) slum rehabilitation and redevelopment through private developers etc.

The Central Government has also formulated a Model State Affordable Housing Policy for Urban Areas to aid the States in the creation of their respective policies to implement the "Housing for all by 2022" policy.

POLICY BOOST & INCENTIVES

The government has introduced a range of incentives including tax and excise duty exemptions in order to boost supply under new programmes:

- Profit exemption to boost supply
  - → 100% deduction for profits in a housing project for flats of sizes up to
- 30 sq. (carpet area) in municipal limits of Chennai, Delhi, Kolkata and Mumbai
- 60 sq.M (carpet area) in peripheral areas of metros and other cities (Period of completion of project for claiming deduction under this section is five years)
- Interest deduction to attract first-time home buyers
  - → Additional interest deduction of Rs. 50,000 per annum for loans up to INR 3.5 million sanctioned in 2016-17 for first-time home buyers, where cost of the property does not exceed INR 5 million
- Measures relating to "Housing for All" (Pradhan Mantri Awas Yojana)
  - → Increase in allocation for PMAY (rural) from INR 150 billion to INR 230 billion
  - → Target to complete 1 Crore houses by 2019
  - → Tenure of loans under the Credit Linked Subsidy Scheme of Pradhan Mantri Awas Yojana [PMAY] increased to 20 years from the existing 15 years
- Change in base year and holding period
  - → Reduction in holding period from 36 months to 24 months to qualify as long-term capital asset
  - → Change in base year for indexation from 1981 to 2001 for all classes of assets including immovable property
- Infrastructure status to affordable housing
  - → Easier lending norms, opening of the ECB route, taxation benefits and greater corporate governance in affordable housing segment
- Excise duty exemption for developer
  - → Excise duty exemption, currently available to concrete mix manufactured at site for use in construction work, will be extended to ready-mix concrete as well.
- Tax incentives
  - → Exemption from service tax on construction of affordable houses of sizes up to 60 sq. M. under any scheme of the Centre or State Governments, including PPP schemes
  - → Constructed buildings which are stock-in-trade, tax on notional rental income will apply after 1 year of the end of the year in which completion certificate is received
  - → Increased focus on road infrastructure, upgrade of highways, action plan for revival of unserved and underserved airports with an aim to improve the connectivity and basic quality of life in various key localities that are pertinent for affordable housing projects
  - → Government focus on digitization of land records in rural areas is another initiative to simplify the land acquisition

Although the Government of India has taken many steps in the right direction, there are areas for improvement to transform the sector canvas to a vibrant and delivery-oriented landscape. It is imperative that both public and private sector come together and drive innovations in order to develop viable habitats and vibrant communities.

INDUSTRY ACTION POINTS

Industry needs to take on board a number of action points if ambitions for affordable housing are to be fully realised.

- Introduce new construction technologies and green materials for speedy and affordable construction
- Increase reach among the right segment through micro-mortgage financing mechanisms and self-help groups
- Promote flexible paying mechanisms based on variable income flows to increase demand
- Launch attractive schemes for slum redevelopment and rehabilitation
- Streamline land records
- Include mass housing zones in City Development Plans [CDPs]
- Provision of single-window clearance for smaller projects

With the Real Estate Regulation Act [RERA] coming into full force, we believe affordable¬ housing will pave the way for the revival of real estate in India.

PROVIDED BY RNCOS BUSINESS CONSULTANCY SERVICES

Europe: trends in house prices and construction

By Mark Weinrich

My previous column on the European real estate market dates back to Autumn 2016, stating that the recovery of the European real estate markets which began in 2015 had gained momentum. The growth rates of house prices in the European Union have further consolidated. Across the European Union, house prices rose by 4.6% in the third quarter of 2017 compared with the same quarter of the previous year. This is the same annual rate of change as for the last quarter of 2016.[1] Although all countries despite Italy reported growing annual house prices in the third quarter of 2017, the aggregate figures mask considerable differences in the dynamics of growth at the country level. The highest annual increases in house prices were recorded in Czech Republic (+12.3%), Ireland (+12.0%), Portugal (+10.4%), Hungary and the Netherlands (both +10.2%). The most subdued house price developments were reported in Italy (-0.9), Cyprus (+0.6), Finland (+1.4%) and Norway (+2.8).

With economic growth in the European Union picking up and the continued ultra-low interest rates environment, it is no real surprise that property prices are on the rise. For some markets this has raised the question whether they have hit already peak prices – and what the other side of the curve looks like. In the column from autumn 2016, the example was raised of Sweden, with its notoriously hot housing market when on June 1 2016 new rules forcing Swedes to pay off mortgages faster were introduced. Without it being clear whether the new rules are wholly or partly responsible, the rise in Swedish house prices has fallen by half since Summer 2016, although the increase was still well above the European average (annual price increase in the third quarter of 2017: 7.5%). However, the Eurostat data ends where the story starts to become interesting. Prices fell 7.8% in the three months to December 2017, the steepest decline since late 2008, according to data from the Valueguard-KTH Housing Index, HOX Sweden.[2] On an annual basis prices were down 2.5%. It is not yet clear whether this is the beginning of a sharper market correction. There are signs that the Swedish market is already starting to stabilize: While on an annual basis house prices were down by 2.2% in January 2018, they rose by 3.4% in January compared to December 2017. It will be interesting to follow the further development.

The momentum of stable house price growth in Europe is mirrored by a Europe-wide upswing in the construction industry.[3] Construction volume in the Euroconstruct area[4] grew by 3.5% in 2017. This is not only the strongest growth since 2006, but it is also the first time that growth has been reported in all 19 countries of the Euroconstruct network. This synchronized European growth probably rests to a large extent on the zero-interest rate policy of the European Central Bank but also on robust economic development, the investment backlog in several countries, immigration and the better use of European funding programs. The main driver of growth was residential construction. The number of completed dwellings in the Euroconstruct area was 1.6 million units which is still far below the peak value of the year 2007 with 2.59 million units, but never before in almost 30 years has the previous year's result been exceeded as strongly as in 2017, namely by 167,000 units or almost 12%.

However, the Euroconstruct network predicts flatter growth for the construction sector in the coming years. It is predicted that construction volume in the Euroconstruct area will grow by 2.7% in 2018, by 2.1% in 2019 and only by 1.1% in 2020. It is expected that the growth rates for both residential construction and non-residential construction will slow considerably, while civil engineering will take over the role of the market driver in the medium term.

Forecasting the trends in house prices and construction volumes in Europe is and always has been a complex task; in particular, as the markets in Europe usually do not move in unison. The current situation of (almost) all European countries following the same trend is quite unique and the result of some quite powerful Europe-wide macro effects and developments. Given the current situation it is quite safe to predict continued though flattening growth at a European level for the next three years.

1 All data on house prices are from Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_price_statistics_-_house_price_index

2 http://www.valueguard.se/en/index_en

3 http://www.euroconstruct.org/ec/press/pr2017_84

4 Countries which belong to the Euroconstruct network are France, Germany, Italy, Spain, United Kingdom, Denmark, Finland, Ireland, Norway, Sweden, Austria, Belgium, Netherlands, Portugal, Switzerland, Czech Republic, Hungary Poland, and Slovak Republic.

Latin America and Caribbean: politics, economics and housing finance prospects

By Claudia Magalhães Eloy

Most Latin American economies are on the rebound, buoyed by higher and stable commodity prices and improving global growth. Overall growth in the region, estimated at 0.9% in 2017, is expected to reach 2% in 2018 and 2.6% in 2019[1]. This optimism leads to investors leaning towards local debt over developed market counterparts.

Yet, uncertainty seems to increase as presidential elections approach across many of the region's economies – Costa Rica, Paraguay, Colombia, Mexico, Brazil, Cuba (though an indirect one) and Venezuela (!?)[2]. Also worth mentioning are the political crises in Peru (that has just been through an unsuccessful impeachment process) and Honduras where the opposition is asking for the annulment of its recent presidential election result. Outcomes, as always, alter expectations regarding reinforcing fiscal reforms and attracting investment to boost economic activity. This consequently reshapes the appetite of the global investment community for the region's sovereign credit as well as other investment options, notably where housing finance is concerned, securities and bonds backed by mortgages. Amidst all this what can be expected for the region's housing finance systems during 2018? This column briefly analyses four countries.

In Colombia, the region's 4th largest economy, political and economic stability, have attracted foreign direct investment: a flow of over USD 41.5 billion between 2014 and 2016[3]. The 2016 economic deceleration seems to have been brought to a halt by an inflexion point in the third quarter of 2017, according to a BBVA report[4]. A slow recovery is expected with a GDP growth of 1.5% in 2017 (it grew by 1.2% in the first half of last year). Yet, the recent tax reform, the peace process with FARC[5] and a still unpredictable election (scheduled for next May) should all, though in different ways, affect future outcomes. In the housing sector, mortgage credit had been showing remarkable growth, notably since 2011, at an average real rate of 13%, decreasing to 6.8% in 2016[6] during an overall credit growth deceleration. According to an IMF study[7], Colombian house prices (for both new and existing homes) have increased significantly between 2005 and 2016: "in the main three cities of Colombia (Bogota, Cali, and Medellin), house prices rose by around 110% in real terms from 2005 to mid-2016". Construction activity has grown from 4% in 2000 to 9.7% of GDP in 2015, but the construction licenses index shows a decline in 2016, alongside reduced economic activity. This study concluded that risks from the housing market seemed contained mainly due to the slowdown in economic activity and an improved regulatory framework set out after the 1999 financial crisis[8]. A pick up in real estate projects is expected with the implementation of the mortgage rate subsidy program, estimated to invest USD 420 million to reduce interest rates on around 77,000 mortgages[9]. The lowering of interest rates throughout 2017 by the Colombian Central Bank (4.5% since Jan/2018) coupled with good economic prospects, retained interest of banks in the residential mortgage business[10] and the increased demand supported by the recent expansion of government housing programs tend to favor the growth of housing finance in the country.

Brazil, where a very unpopular short-term president has been unable to achieve reform of the pension system, still shows, just 7 months before elections, a murky scenario as to who might stand a good chance of winning. Meanwhile the economy gets on the road to recovery fostered by historic low inflation and interest rates (2.86% and 6.5%, respectively). In the housing sector, as the overall economy picks up: the construction industry gross product growth rate which was 5% negative last year, is expected to zero this year; the stock of unsold new homes is decreasing and housing credit is slowly recuperating after 3 years of sharp decline (a fall of 60%[11]). Still some issues remain. The main housing bank, Caixa (67% of market share) has not yet solved its shortage of Tier 1 capital in order to comply with Basel III[12]. Also, the Central Bank and its "Agenda Mais[13]" have signaled an end to earmarking regulation on its savings and loans system, which may sound like "a long awaited improvement" but will turn out to be disastrous if, or rather when, the market rate starts rising again, even if it never rebounds to 2016's 14% or 2005's 19%[14]. According to updated market estimates, the reference rate will have already risen to 8.5% from 2019 on. Thus, long-term stabilization at lower real interest rates is needed to promote further advances. Last, but not least, the first issuance of covered bonds (named LIG), though small (BRL 50 million), will inaugurate this recently regulated funding instrument. According to Assolini[15], so far, it is hard to predict the demand for those bonds, but financial institutions are interested in their issuance in order to prepare for future high housing demand.

[1] World Bank. Global Economic Prospects: Latin America and the Caribbean. Jan, 2018.

[2] It was first brought back from Dec/18 to Apr/18 and subsequently postponed to May/18, this poll is under suspicion of fraud and international criticism and is being boycotted by opposing parties. A boycott which has recently been abandoned by one opponent's (Falcón) candidacy announcement.

[3] According to Portal Santander, Colombia

[4] https://www.bbvaresearch.com/wp-content/uploads/2017/10/3_The_Economy_2017.pdf

[5] Fuerzas Armadas Revolucionareas de Colombia

[6] http://unassumingeconomist.com/2017/06/colombias-housing-market/

[7] Housing Finance and Real Estate Markets in Colombia. IMF Working Paper 17/190, August, 2017

[8] The LTV is limited to 70% (except for Social Interest Housing, when it rises to 80%). Also, now most mortgages are fixed rate.

[9] According to financecolombia.com, a reduction of 5 pp in the VIP category, 4 pp for social interest groups (VIS). Mortgage rates at Bancolombia were down to 9.7% per year in the second semester of 2017.

[10] https://oxfordbusinessgroup.com/overview/high-rise-key-segments-expanding-despite-difficult-economic-climate-0

[11] www.abecip.org.br

[12] In January 2018, for the first time its volume of new housing credit concessions was surpassed by two other banks (Bradesco and Santander).

[13] Plus Agenda

[14] The savings and loans system (SBPE) functions (both on the funding and financing sides) with below Market and quasi fixed rates (thanks to the small fluctuation of its indexation to the TR, which is not a price index).

[15] Alexandre Assolini, from PMKA. Interview on 3/2/2018

Venezuela stands on the edge of an unthinkable tragedy, with an inflation rate of over 700%[16] per year and 87% of the population below the poverty line[17]. According to the UN Human Rights Commission "lack of food and essential medicines, a shortage of goods including those for personal hygiene, power cuts, and dire housing and living conditions are worsening by the day putting many lives at risk". According to Leilani Farha "individuals and families have been forcibly evicted from their homes with excessive use of force and rendered homeless". It is worth mentioning that in the mid-2000s the country`s banking sector was still trying to recover from the 1990´s crisis, when a number of banks were taken over by the government. Now, as the national currency becomes worthless, no one knows how much can be withdrawn, as the banking authority does not report the allowed monthly limits per customer. In such a social and economic morass, not to mention legal uncertainty and lack of credible statistics it is impossible to predict what will happen to the remains of its government centered housing finance system[18].

In Argentina, the region's current pick of the bunch, government recently announced a labor reform plan and passed a comprehensive tax reform law, as part of a free-market reform agenda, right after conquering a legislative poll victory last October. The economy is expected to become more broad-based and grow at a somewhat faster pace in the coming years[19], despite persistent, slowly declining inflation (≈25% in 2017) which will keep interest rates high. Long-term finance is almost non-existent. According to the World Bank[20], since the 2001 financial crisis, rapid inflation and prohibition of indexation (back in 2004 and recently revived) has deterred the supply of mortgages and mortgage providers[21] bringing the outstanding level of residential mortgages down to barely 0.4% of GDP in 2016. Subsequently, housing prices steadily increased, lending rates rose to over 20% per year and housing supply narrowed at the high end of the market, resulting in the reduction of housing construction to below the 5% of GDP and the deterioration of the housing deficit. The new "Solucion Casa Propria Program" stimulates credit by granting upfront subsidies to first time homebuyers who contract mortgages, targeting households with incomes up to 4 times the minimum wage (USD 2,000). Although the qualifying criteria result in drastic cuts to the number of eligible applicants, there is strong demand, but success depends on actual availability of bank lending. Yet, the World Bank alerts that as lower income families gain access to housing loans, a responsive supply of housing will be important to mitigate the risk of price increases, as well as appropriate funding and tools to allow for sound mortgage market growth. Argentina`s recently improved sovereign credit ratings may contribute to good prospects.

Watch this space…

[16] Local opposition argues inflation has reached 2.600%, diverging from IMF estimates.

[17] https://www1.folha.uol.com.br/mundo/2018/02/pobreza-atinge-87-da-populacao-da-venezuela-em-2017-diz-estudo.shtml

[18] Venezuela's housing finance system is composed of the National Housing Fund and the Housing Guarantee Fund all administered by the National Savings and Loan Bank and regulated by the National Council on Housing. Funding for the Mortgage Banks and Savings & Loan Institutions comes from private deposits (remunerated at below market rates) and loans from the National Savings and Loan Bank and the Housing Savings Fund. Loan eligibility requires a 12 monthly payment to the Housing Savings Fund and a down payment of at least 3% of the total loan amount.

[19] Some say at 3% in 2018 and 3.2% in 2019 (https://www.focus-economics.com/countries/argentina), others at around 1.7% (https://tradingeconomics.com/argentina/forecast).

[20] Argentina: developing deep and sustainable housing finance markets. The World Bank Group. June 2017

[21] In 2015, basically only three banks, all State-linked, were effectively offering housing loans: Banco Hipotecario, Banco de la Nacion, and Banco Ciudad (Buenos Aires).

Real estate debt, the Devil and U.S. national banks

By Alex J. Pollock

Housing finance, as we all know, is lending on fundamentally illiquid assets, taking risk on their prices, which are subject to boom and bust cycles, and doing so on a highly leveraged basis for both the borrowers and the lenders. Naturally this business of ours gets us periodically into severe problems, as has been experienced in numerous countries over time.

Adair Turner, the former chairman of the British Financial Services Authority, goes further. In his provocative book, *Between Debt and the Devil* (2016), he puts the principal culpability for financial crises – and thus the identity of the Devil – on real estate lending.

He points out that banks in recent decades have changed from being primarily lenders to commerce and industry, to being primarily real estate lenders. In the U.S., this fundamental shift in bank credit toward concentration in real estate dates from the 1970s.

Lord Turner writes:

> *"In 2007, banks in most countries had turned primarily into real estate lenders."*
>
> *"Before the mid-twentieth century, banks in several advanced countries were restricted or at least discouraged from entering real estate lending markets."*
>
> *"Lending against real estate… generates self-reinforcing cycles of credit supply, credit demand, and asset prices." (The interaction of real estate prices and lending is without question a key risk dynamic.)*
>
> *"At the very core of financial instability in modern economies thus lies an interface between an infinite capacity [to inflate mortgage credit] and an inelastic constraint [real estate]."*
>
> *Thus, the conclusion: real estate finance and mortgages "are not just part of the story of financial instability in modern economies, they are its very essence."*

Quite an indictment. If it is not the whole truth, it has at least an important element of truth.

In this context, we should consider the instructive history of the laws governing real estate lending by U.S. national banks. These are the banks chartered by the U.S. Government and regulated by the Comptroller of the Currency in Washington DC, as opposed to the banks chartered by individual states of the United States. Both exist, but before the American Civil War of 1861-65, all banks were state banks. There are now 943 national banks in the U.S. with aggregate assets of $11 trillion, and 4,075 state-chartered banks with assets of $5 trillion.

National banks make a good study in real estate lending because we can go right back to their creation by the National Currency Acts of 1863 and 1864, later re-named the National Banking Act.

The authors of the original National Banking Act took an unfavorable view of having real estate loans and real estate risk included in the assets of the new national banks, the liabilities of which were going to form the nation's new currency. They addressed their concern in a simple way: the new national banks were prohibited from making any real estate loans at all!

This seems amazing now, when national banks have $2.5 trillion of real estate loans, or 43% of all their loans. On top of that, they own $1.3 trillion of securities based on real estate (mortgage-backed securities), which represent 58% of their bond portfolios. (For state banks, real estate loans are 57% of total loans and mortgage backed securities are 55% of their total bonds.)

The prohibition of real estate loans for national banks lasted about 50 years, until 1913. Although the sponsors of the National Banking Act had intended for national banks completely to replace the state banks, instead the state banks survived and then multiplied, and the national banks felt the competitive pressure.

The first statutory permission for national banks to expand into real estate came as part of the Federal Reserve Act of 1913. This allowed national banks to make real estate loans on farm land only. (In those days, half the population of the U.S. was rural. Congress would expand agricultural lending further with the creation of the Federal Farm Credit System in 1916.) But loans from national banks were limited by the law to 50% of the farm property's appraised value – very conservative, we would say.

The 1913 Act included another basic financial constraint: that real estate loans had to be explicitly tied to more stable bank funding. So, at that point, total real estate loans were limited to a maximum of 33% of a national bank's savings deposits. The idea was that deposits payable on demand should not be invested in real estate financing. The same idea was shown in traditional mortgage lending theory with what used to be called the "special circuit" for funding housing finance. This meant using more stable savings accounts, often in earlier days viewed as "shares," a kind of equity, and not as deposits – the point being to match more appropriate funding to longer-term residential mortgages. Today we pursue the same goal by the creation of mortgage-backed securities or covered bonds.

An additional limitation of the law was that real estate loans were limited to 25% of a national bank's capital. In contrast, for national banks as a whole today, they represent 256% of the tangible capital. For state banks, this ratio is 359%.

The limitation to farm real estate for national banks lasted only to 1916, when the law was changed to allow loans on non-farm real estate, but with a maximum maturity of one year. In 1927, this was expanded to five years on improved urban real estate, with the loan still limited to 50% of appraised value.

Vast defaults and losses on real estate lending marked the Great Depression of the early 1930s. Jesse Jones, the head of the Reconstruction Finance Corporation, memorably described "the remains of the banks which had become entangled in the financing of real estate promotions and died of exposure to optimism."

However, in following decades the long-term trend for more expansive real estate lending laws continued apace. Allowable loan-to-value ratios increased to two-thirds, in some cases to 90%, maximum maturities were increased to 30 years, and the limit on total real estate loans to 70% and then 100% of time and savings deposits. In 1974, unimproved land was added as acceptable collateral for national banks. In 1982, the final step in statutory evolution was taken: all statutory real estate lending ratios and formulas were removed by the Garn-St. Germain Act of that year. The 1980s and early 1990a featured euphoric real estate credit expansions and then multiple real estate busts.

In 1994, pursuing further expansion of real estate credit, the administration of President Clinton adopted a political real estate lending campaign: the "National Homeownership Strategy." The idea was to promote so-called "creative financing" – in other words, the U.S. government was pushing for low and no-down payment mortgages and other risky and low-quality loans. The authors of the National Banking Act would have been appalled by this project. They would have accurately forecasted its disastrous outcome, which arrived in due course as a contributor to the Great Housing Bust and panics of 2007-08.

That, of course, was the crisis which gave rise to Lord Turner's book, its diagnosis so unflattering to real estate lending, and to his key prescription:

> *"To achieve a less credit-intensive and more stable economy, we must therefore deliberately manage and constrain lending against real estate assets."*

In this context, "we" means the government, which must, on Lord Turner's view, *constrain* real estate lending, not promote it.

Representatives of housing finance like us may or may not agree that this is the right answer, but we can observe that it is consistent with the statutory limitations on real estate lending provided in the National Banking Act as originally designed and during its first century.

"Open for business": unlocking housing investment in Zimbabwe

By Aqualine Suliali

1. Introduction

After 37 years of rule, Emmerson Mnangagwa succeeded former President Robert Mugabe in a controversial transfer marked with both hope and fear. The new President is said to have ushered in confidence and promises of a new dispensation described by Patrick Chinamasa, the Finance Minister as the "new economic order" – demonstrating he means business. Mnangagwa immediately set a tone and advised that he would not tolerate a business-as-usual approach and in particular, promised to address rampant corruption endemic in public and private institutions.

We are fast approaching the end of the President's first 100-days in office where emphasis has been placed on how well he would meet the promises he made to the nation and to the international community regarding economic productivity, service delivery and meaningful engagement with international bodies. The ministry responsible for housing was tasked to produce strategic plans of action and implementation with clearly defined deliverables within the said period to quantify the President's commitment to the policy shift. Delivering on these promises also critically weighs on his chances of securing a win in the elections which he also promised to hold without delay in a free and fair environment this year. General consensus has it that he has sufficient motivation to deliver on matters of policy and economic security even if only for the sake of polishing up his tarnished image associated with his somewhat feared persona, based on his *nom de guerre*, *'Ngwena'* (*crocodile*) and dubious reputation ahead of the elections.

With a young, increasingly urban population and abundant natural resources, Zimbabwe seems to have all the ingredients necessary for huge growth. Nevertheless, in 2009, a number of multinationals left, discouraged by the government's very controversial Indigenisation Act that effectively meant that all foreign businesses were required to cede 51% ownership to a Zimbabwean. Widespread corruption, deteriorating infrastructure, an unpredictable consumer market and a multi-currency regime caused the economy to suffer an unprecedented deflation; industries continued to shut down and international manufacturing concerns left the country. To a considerable extent, these problems were attributed not only to the Zimbabwe African National Union Patriotic Front [ZANU-PF] ruling party, but specifically to Mugabe, leader of the party.

According to the Local Government and National Housing Minister, July Moyo, under Mnangagwa, productivity has become the new order of business at all levels. The recently appointed Moyo proclaimed, "Productivity across all sectors must be religiously encouraged not only at a national level, but at a disaggregated ward, district and provincial level. I urge us all to think, sleep, dream and walk productivity".[1] With that in mind, Moyo said he was focusing on service delivery issues as he could not "pinpoint an area where service delivery was functioning properly". The ministers' 100-day plans have not been made public, making it difficult to gauge progress.

The injunction and intentions expressed above confirm that the platform has been established for inclusive growth on the back of an estimated improvement in the macro-economic environment, increased political resolve to eradicate corruption and support from the government as articulated in the national budget. These dynamics are anticipated to unlock long-term investment funding, advance project delivery and permit the government to increase housing development in the Zimbabwean economy.

2. Zimbabwe's political and economic vital signs at a glance

One of the chief threats to Zimbabwe's overall political stability was permanency at the top of the ruling ZANU-PF, which appears to have been tackled, since Mugabe, the long-standing President, lost power in a peaceful transition in November 2017.

Mnangagwa has guaranteed a more reformist approach to governing, including the repeal of the country's contentious 2007 Indigenisation Act, which restricted foreign corporate ownership to 49%. At the 2018 World Economic Forum in Davos, Switzerland, he indicated that such regulation would in future apply solely to the platinum and diamonds mining sector.[2] However, it remains to be seen whether the new administration is genuinely committed to reform; in the short term, policymakers will continue to focus on short-term measures to address the country's economic collapse.

Once a thriving economy of the Sub-Sahara, Zimbabwe fell far below other countries in the region over the past 18 years with respect to infrastructure, economic performance and technology as well as just about every other economic driver. A protracted internal deterioration in the form of corruption, inconsistent fiscal policies as well as prohibitive and sometimes ambiguous pieces of legislature precipitated the more devastating consequence of the country's isolation from international economic blocs through targeted sanctions and bans mainly from the West.

This was followed by a terminal tailspin in economic and diplomatic forums. Consequently, Zimbabwe's currency recorded the highest rate of inflation in history. Several key factors contributed to this devastating outcome. Some

[1] https://www.theindependent.co.zw/2017/12/15/ministers-sweat-100-day-assignments/, accessed on January 15 2018.

[2] https://www.youtube.com/watch?v=8bM2TL6GNtw, accessed on January 26 2018.

economists suggest that a payout, following a decision to compensate former liberation war fighters (amounts were as high as 50 000 Zimbabwean dollars), was the point at which the economy took its hardest knock.

The chaotic and at times brutal land redistribution programme further isolated Zimbabwe from the international community. Large tracts of land were awarded to inexperienced individuals on a partisan bias while experienced farmers were readily taken up by neighbouring countries. Zimbabwe soon faced perennial food insecurity, an exodus of business, and massive downscaling and shutting down of major industry, contributing to the unemployment rate that has dangled around the 90% mark for over a decade. All this was happening at the same time as several politicians were living in 'obscene opulence'. Ignatius Chombo, for one, held several ministerial posts in Mugabe's government, including Minister of Local Government and Housing, an office which he used to accumulate vast tracts of land parcels illegally for himself; he compounded his crime by later sub-dividing and selling the land as residential stands.[3]

To avoid a run-off after the 2009 elections, ZANU-PF and MDC formed the Government of National Unity [GNU] The GNU provided the economy a brief respite where a resolution was made to adopt the US dollar as its primary currency together with the South African Rand, the Botswana Pula and Chinese Yen in a multi-currency regime that removed a local currency until such time when economic fundamentals were restored. International re-engagement also brought along with it some positive outcomes in various forms of investment. According to Steve H. Hanke, a Professor of Applied Economics at the Johns Hopkins University, inflation was recorded officially around 89.7 sextillion[4] percent in 2008; it dropped to levels of deflation of around -9.7% by 2009[5]. The GNU was finally dissolved in 2013 during elections which the opposition MDC (which had since splintered into four separate formations) lost to ZANU-PF. From 2013 to 2017, Zimbabwe was governed with the highest priority placed on politics rather than business. The multi-currency regime remained in place and the economy continued in a state of deflation.

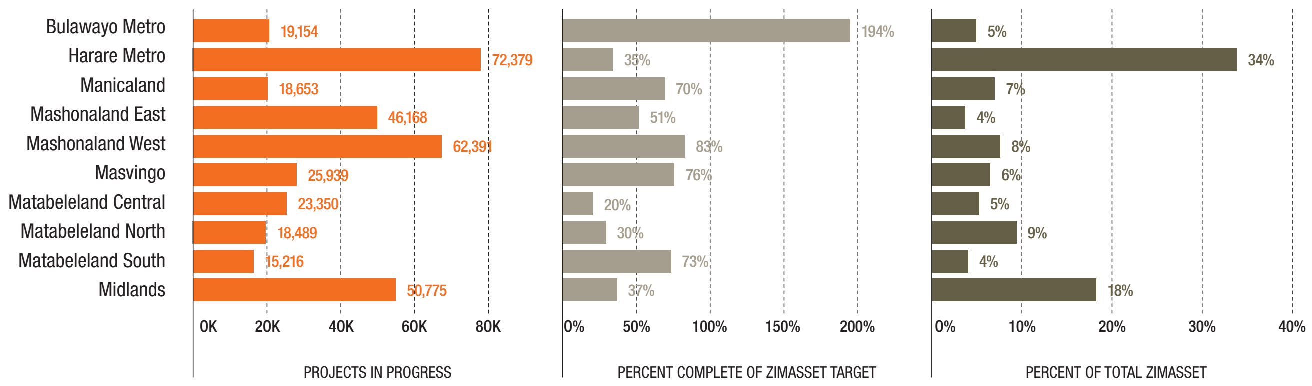
Under Mnangagwa's new dispensation, light has appeared at the end of the tunnel of economic turmoil. Clearance of external debt arrears under the Lima Debt Clearance Strategy and reengagement with multilateral financial institutions is now top of government's agenda; and government has also committed to allocating more resources towards developmental projects and building the capacity of critical public institutions such the Urban Development Corporation [UDC], People Own Savings Bank [POSB], the National Building Society [NBS], Infrastructure Development Bank of Zimbabwe [IDBZ] and others.

As part of its campaign, the ruling party, ZANU-PF drafted the Zimbabwe Agenda for Socio-Economic Transformation [ZIMASSET] document as its manifesto. The document articulated means by which the government sought to turn around the economy by identifying and targeting key sectors via which they would address the ballooning unemployment figures and address the critical housing shortage in the country. The government articulated the target to build 313 368 houses by 2018 **(Figure 1 – ZIMASSET project status)**. Since the ZIMASSET, the financial sector has been called upon to serve the growing financial needs of the public sector. The government's reliance on the financial sector and the expectation to supplement these revenue shortfalls (primarily domestic savings) have had serious repercussions on financial intermediaries. The new government has pledged to address all these issues starting with the 100-day plans. These ambitious intentions are slated to continue past the 100 days as solutions are pegged to be long term.

3. Housing finance in Zimbabwe: beacon of hope

Although there are apparent challenges in the operating environment, the Zimbabwean financial sector is still regarded as both well developed and sophisticated. As at 31 December 2017, there were 20 operational banking institutions including the Central Bank, one merchant bank, four building societies (the country's major source of housing finance) and one savings bank **(Table 1 – List of Banks and government shareholding).**[6] Four deposit-taking microfinance institutions have also joined the housing finance industry, providing more flexible requirements than the traditional banks but with higher interest rates and shorter tenures.

FIGURE 1 ZIMAsset Project Status by province and percent complete, December 2017



Source of data: GAP Solutions using data from the Department of National Housing and Social Amenities.

[3] https://citizen.co.za/news/news-africa/1733903/zims-most-corrupt-official-reportedly-found-with-r140m-cash-owned-100-properties/, accessed on January 4 2018.

[4] As a result of hyperinflation, the names for large numbers such as sextillion were used by economists to describe what we laymen might not comprehend if ascribed in a scientific context such as $1000 \times 1000^6 = 10^{21}$.

[5] https://www.forbes.com/sites/stevehanke/2017/10/28/zimbabwe-hyperinflates-again-entering-the-record-books-for-a-second-time-in-less-than-a-decade, accessed on January 20 2018.

[6] Dr.J.P. Mangudya, Governor, Reserve Bank of Zimbabwe, 2018 MONETARY POLICY STATEMENT.

TABLE 1 List of banks and government shareholding

ZIMBABWE FINANCIAL SECTOR SUMMARY

INSTITUTION	NAME OF INSTITUTION	PERCENT GOVERNMENT OWNERSHIP	CORE CAPITAL AS AT 31 DEC 2017 (US $ MILLION)	NUMBER OF BRANCHES
Building Societies	CABS	0,00%	US $127,75	54
	FBC Building Society	0,00%	US $47,48	6
	National Building Society (NBS)	100,00%	US $43,84	2
	ZBS	0,00%	US $18,38	19
Commercial Banks	Agribank	100,00%	US $55,54	45
	BancABC Ltd	0,00%	US $75,96	27
	Barclays Bank	0,00%	US $79,22	28
	CBZ Bank Ltd	16,01%	US $218,41	66
	Ecobank	0,00%	US $73,95	13
	FBC Bank	0,00%	US $70,37	17
	MBCA Bank Ltd	0,00%	US $54,52	8
	Metbank	0,00%	US $44,99	8
	NMB Bank Ltd	0,00%	US $61,31	13
	Stanbic Bank Ltd	0,00%	US $135,52	20
	Standard Charted	0,00%	US $71,34	21
	Steward Bank	0,00%	US $71,91	9
	ZB Bank	0,00%	US $65,16	47
Development Institutions	Infrastructure Development Bank of Zimbabwe	87,20%		2
	Small Medium Enterprise Development Corporation (SMEDCO)	100,00%		6
Merchant Banks	Tetrad Investment Bank Ltd	0,00%		5
Savings Bank	Peoples Own Savings Bank	100,00%	US $53,83	34

Source: Created by GAP Solutions using data from the RBZ.

Currently, the housing finance market can be segmented into two groups with respect to housing: bonded and non-bonded. Bonded transactions to purchase housing for all market segments from low, middle and upper-income families are obtainable from financial institutions, including the building societies while access to serviced land for incremental building of homes is provided to lower income families principally through government channels. Non-bonded transactions are more prevalent in the upper-income families with purchases, primarily in the high-income suburbs. The RBZ Quarterly-Economic Review indicated that as of the end of the third quarter, the four building societies' collective loan portfolio was valued of US$412 million.[7]

Underpinning these positive trends are government investments into the housing sector, which increased through the National Social Security Authority [NSSA], a government pension fund. NSSA's housing investment mandate is to invest in housing development through acquisition of land for housing development, servicing of stands, or financing construction of superstructures through building societies. To this end, NSSA created the National Building Society [NBS] in 2016 to provide mortgages for low-income families. As of 2017, NBS had the lowest interest rate of 9.5% with the longest tenure of up to 25 years[8]. The NBS's traditional mortgage requires the property as surety and its building loan is only offered for serviced stands to build a habitable structure. In partnership with the Infrastructure Development Bank of Zimbabwe [IDBZ], NBS has created a value chain which enables partners and other stakeholders to become instrumental in this mortgage scheme, thereby improving the frameworks within which housing can develop.

Shelter Afrique [SHAF] has also been a big player in the Zimbabwe housing sector. By 2015, SHAF (which has 44 member states, including Zimbabwe) had funded at least seven projects, thereby adding more than US$37million to Zimbabwean finance institutions even though the government's share capital was 0%. In 2017, the government paid its $2.45 million shareholding subscription and has a 3% share capital in SHAF. Zimbabwe currently holds the position of Chair of the Assembly until 2019 with the permanent secretary holding the position of alternate board member.

The most significant housing project was launched by the Central African Building Society [CABS] in Budiriro, Harare, where 20 000 low cost houses were constructed to cater for the low-income demographic. However, according to Peter Moyo, councilor for Rugare, the average cost of the CABS Budiriro houses of nearly $20 000 per unit was not accessible to the low-income earners (earning a maximum of $750 per month).[9] To validate this comment, only 800 units of the 2 879 core houses completed under this programme have been taken up, even after the initial deposit requirement by the bank was slashed by over 50%.

A key driver to economic growth is credit creation which in itself is a result of low non-performing loans [NPLs]. NPLs are declining, reaching a new low of 7.08% in December 2017 from a 2014 high of 20.45%. Dr. Mangudya, Governor of the Reserve Bank of Zimbabwe [RBZ], attributed this decline to the inverse correlation with the apex bank's policies, particularly those pushing for enhanced credit management systems, collection efforts as well as disposal of qualifying NPLs to the Zimbabwe Asset Management Company [ZAMCO].[10]

7 Reserve Bank of Zimbabwe, Quarterly-Economic-Review-September 2017.

8 http://nbs.co.zw/personal/mortgage-loans.

9 https://www.herald.co.zw/homeseekers-shun-cabs-project, accessed on January, 12 2018.

10 Dr. J.P. Mangudya, Governor, Reserve Bank of Zimbabwe, 2018 MONETARY POLICY STATEMENT.

The central banks' focus on establishment of credit reference systems, collateral registries, insolvency and debt resolution frameworks will certainly add impetus to the efficient operations of financial markets. The creation of the credit infrastructure is expected to reduce the cost of credit and the level of information asymmetry, thereby lowering the cost of doing business and thus unlocking the potential of businesses to borrow, invest and grow. The positive effects attributed to ZAMCO are also expected to cascade through to lowering lending rates which, according to the Economist Intelligence Unit, were estimated at about 18% for 2017 and projected to increase to 25.5% in 2022[11]. According to Allan Kundu, Associate Consultant to the Centre for Affordable housing and Finance in Africa [CAHF], high lending rates "will lead to housing finance becoming increasingly expensive: hence less borrowing, less housing development start-ups, and probably an increase in slum dwelling and wide-spread incremental construction. This implies that high interest rates considerably discourage housing supply."[12]

Zimbabwe's mortgage industry is greatly impeded by the elevated levels of unemployment and/or informal income of most of the Zimbabwean population. These factors preclude many people in this bracket from eligibility for mortgages; for those who are employed, the sluggish economy coupled with the high interest rates, are inhibiting factors as most do not earn nearly enough to qualify for what are considered low-income mortgages. The nature of employment in Zimbabwe for a clear majority is intermittent; few employers are willing or able to guarantee mortgages, over and above the prescribed consistent employment and income they already provide.

In a promising development to broaden the mortgage base, some banks providing mortgage financing (these include CABS, CBZ, FBC Bank, ZB, Building Society, the People's Own Savings Bank [POSB], Stanbic Bank and Barclays) have developed options by which applicants in the informal sector can be considered for mortgages. CBZ offers a product known as the CashPlus Account that includes the CashPlus Housing account, specifically targeting applicants in the informal sector[13]. This CBZ account allows clients to save money towards home financing. The saved amount is then matched by the bank. Repayment is pegged over a term of between two and 10 years. Additionally, some microfinance institutions, including Homelink (which requires collateral) and Untu, provide loan products for new home seekers and other products for home improvements. Microfinance loans run over a shorter term in comparison to banks.

However, lending in the banking sector remains short term as the rate of demand deposits rose before and after the introduction of bond notes. Limited availability of affordable long-term finance impacts negatively on the ability of mortgage lenders to provide affordable mortgages; as such, lenders pass high borrowing cost to customers. To counter liquidity shortages and to move Zimbabwe towards a cashless society, government has encouraged the banks to continue to reduce transactional fees for debit card usage. As Zimbabwe's savings are far below SADC trends, this should highlight to the government a need to do more than targeting a decrease in banking charges so as to drive confidence in the banking system.

In summary, Zimbabwe has seen an increase in access and affordability of housing finance. Although credit risk is considered by housing finance lenders, the interest rates for most borrowers remain unchanged at 8-16% per annum for regular borrowers, 0-6% per annum for prime borrowers with low credit risk, and 10-18% per annum for borrowers with high credit risk.

4. Current housing investment models

Current housing finance models seem to have a bias towards high-income earners and some housing finance players seek to redress this anomaly through innovative means to include low-income earners, who constitute the bulk of the 1.3 million housing backlog. Building societies sometimes collaborate with employers for loans that can be acquired at subsidised rates. Yet another innovation is to create partnerships between banks which bring the finance, and city authorities or councils which can provide the land to the banks, acting as developers, at a cheaper cost under an agreement where profits of the developed houses will be split between the councils and the banks.

This model was used by CABS to fund the Budiriro housing project (discussed in brief above). Using this model, land was acquired far below market rate; however, houses remain steeply priced despite the fact that the land agreement is supposed to reduce cost to the end user. This model is also being employed by POSB which raised a $5million mortgage facility in 2017 targeting low-income borrowers. The bank has been offered land banks across the county by government which they plan to target to employers willing to pay deposits on behalf of their employees. Austen Ratsauka, the Mortgage and Property Development Manager for POSB said their mortgage interest rate was between 10% and 12% with a tenure of up to 15 years[14]. POSB claims the rental market in Zimbabwe is not desirable as research has shown that people prefer to own.

With a population experiencing 80% unemployment **(Figure 2 – demographics)** and standard housing units costing $18,000, one does, however, wonder if it is logical to provide homeownership options to the masses when, according to Golden Sibanda, Senior Property Reporter for the Herald, "most city dwellers live in rented houses and apartments or undesignated areas without basic infrastructure, which exposes them to the risk of diseases such as cholera" across the country. To aspire to be a homeowner is noble; however, the economies of the country dictate otherwise (Table 4). The basis for mortgage financing is long-term savings; this is proving to be a challenge for the Zimbabwean market due to lack of confidence in the financial sector, coupled with punitive charges and extremely low interest rates on deposits. Domestic savings rates only account for 11% of GDP and continue to decline, indicating a huge savings gap.

Thus, multi-family rental housing built correctly could be a better solution to the housing backlog which the Real Estate Institute of Zimbabwe claims would require up to 20 years to clear. In 2017, the banking sector funded a total of 5,700 units valued at $172.08 million. The Central Banks' 2018 data reveals that an estimated $338.7 million will be advanced through mortgages for construction of approximately 11,538 houses in low, medium and high-density areas. When considering that the estimated backlog is 1.3 million and the city of Harare requires about 500,000 units, these numbers will barely make a ripple. In the case of the cities, with high percentages of lodgers **(Table 2 – Tenure Status)** and existing issues of land barons who have

---

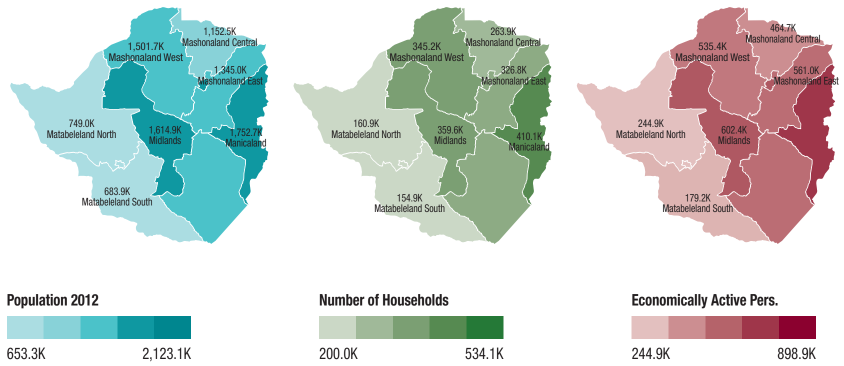
[11] The Economist Intelligence Unit Data by Country, Zimbabwe, accessed via Baker Library on January 30, 2018.

[12] http://housingfinanceafrica.org/a-view-on-how-housing-finance-is-affected-by-the-central-banks-monetary-policy-actions/ accessed on January 19 2018.

[13] https://www.cbzbank.co.zw/retail-banking/cashplus-accounts, accessed on January 25 2018.

[14] Mr. Austen Ratsauka, February 23 2018

FIGURE 2 Demographics



Source: Created by GAP Solutions using 2012 Census Data and ZIMSTAT data

ZIMBABWE’S HOUSING INDICATORS

Outstanding Units	231,925
Total Housing Units to Date	52,827
Projects In Progress	352,514
Percent Complete Of Target	67%
Population	13,061,239
Number of Households	3,059,016
Average Household size	4.3
Tenure Type: Owner/Purchaser	60.2%
Tenure Type: Tenant	2.8%
Tenure Type: Lodger	17.1%
Economically Active Persons	5,120,540

Source: GAP Solutions using data from 2012 Census, ZIMSTAT and Department of National Housing and Social Amenities.

TABLE 2 Tenure status

PERCENT DISTRIBUTION OF HOUSEHOLDS BY PROVINCE AND TENURE STATUS, ZIMBABWE 2012 CENSUS

PROVINCE	NUMBER OF HOUSEHOLDS	OWNER/PURCHASER	LODGER	TENANT	TIED ACCOMODATION
Bulawayo Metro	165,345	39%	38.5%	9.2%	6%
Harare Metro	534,106	29%	47.9%	5.7%	9%
Manicaland	410,082	73%	10.3%	1.5%	10%
Mashonaland East	326,825	67%	11.0%	1.8%	14%
Mashonaland West	345,223	53%	16.2%	1.1%	18%
Masvingo	338,153	73%	8.3%	1.0%	12%
Matebeleland Central	263,923	65%	6.7%	1.3%	20%
Matebeleland North	160,912	70%	6.3%	1.6%	13%
Mashonaland South	154,875	66%	10.0%	1.7%	13%
Midlands	359,572	67%	15.4%	2.0%	8%

Source: http://www.zimstat.co.zw/statistical-databases

parceled out state land and swindled desperate home seekers, there is a good case for multi-family rental housing for vertical expansion rather than the current horizontal expansion model. This remains a work in progress. The City of Bulawayo and FBC Bank were in negotiations to explore such an arrangement as part of efforts to ease the national housing backlog; however, the City refused the Bank’s proposal.

5. Governments’ interventions in housing finance

The Reserve Bank Governor, Dr. J.P. Mangudya states that the “provision of housing is regarded as a critical pillar in the infrastructure ecosystem” of Zimbabwe. The Reserve Bank’s monetary policy statement urges banks to come up with innovative affordable mortgage funding models to meet the increasing housing demand. Mangudya acknowledges that demand far outstrips supply and expects the banking sector to bridge the gap with mortgage facilities for housing units targeted to low-income households. To this end, the Infrastructural Development Bank of Zimbabwe [IDBZ] is also advocating financing of housing infrastructure-related projects as part of economic recovery. IDBZ chief executive, Thomas Zondo Sakala[15], states that “in the housing sector, the bank has been actively involved in the servicing of stands in partnership with local authorities and private players”. IDBZ engages institutional investors, chiefly those that administer long-term savings, to capitalize infrastructure projects as a way of harmonizing financial return with socio-economic impact. Notwithstanding local challenges, IDBZ was able to build on its successful issuance of the 2015 Housing Bond to mobilize a significant amount of funds for implementation of housing projects. IDBZ continues to receive subscriptions to these bonds under private placement. Sakala has renewed confidence following the change in government and the new mantra, “We are open for business”. To this end, he believes that as the macro environment stabilises and the culture of long-term savings returns, the bank will fast-track bond issuances to access funds from both domestic and foreign financiers for building its capital base and to scale up the financing of developmental projects. Once the barriers obstructing the stream of foreign capital into the country are tackled and the country is on a viable growth trajectory, there is also the prospect for the bank to issue debt instruments in the international markets. This will help marshal both long-term and suitably prized capital appropriate for infrastructure. With Mnangagwa’s huge infrastructure agenda, IDBZ hopes to see its capital grow to US$1 billion in the short to medium term.

[15] Mr. Thomas Zondo Sakala, January 8 2018

Further evidence of the government's commitment to housing was made in the national budget speech presented by the Finance Minister Patrick Chinamasa who acknowledged that government needed to prioritise housing and allocated $182 million towards housing intervention strategies. This funding will be coupled with provision of low-cost serviced stands from the IDBZ and the Urban Development Corporation[16]. Yet, when considering that in 2017, banks managed to provide mortgages to only 5 700 units for $172.08 million, the amount allocated by the minister suggests that perhaps housing is being paid lip service and is not necessarily a top priority, as all the reports indicated.

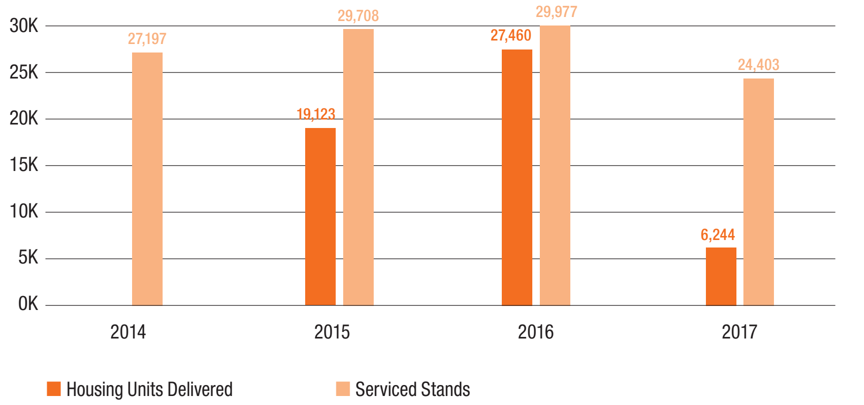
At the Zanu-PF Extraordinary Congress held in December 2017, Mnangagwa promised that by the time of going to elections in 2018, he would have delivered 400 000 houses throughout the country for low-income earners[17]. With that promise, he also stated that housing settlements would be properly planned to include the provision of the requisite development infrastructure. This does not seem to fit with the allocated budgets as well as there is no definitive plan in the election time frame laid out on how this might be accomplished. With the previous ZIMASSET commitment to build 313 368 houses by 2018 still in arrears, this is a very aggressive number **(Figure 3 – Housing delivery to date)**. The President needs more than a 100-day plan to apply a concrete strategy to ensure that these figures are realistic for Minister Moyo to deliver.

To reduce the national housing backlog, the government undertook to provide state land to local authorities to enable them to offer affordable schemes to the general population. Moreover, government has come up with a non-monetary benefit for civil servants, with the state offering stands to public servants for development of their own houses in the location and residential area of preference. Beneficiaries will be expected to contribute towards the cost of land and servicing, with deductions being made through the Salary Services Bureau. Intrinsic value of land is pegged at US$4 per square metre and US$1 for administration costs, hence a minimum monthly deduction of around US$50 will be dedicated towards servicing costs of the land[18].

The mobilisation of domestic resources which can be channeled to housing credit is the key to a viable housing development program. To enable the housing funds to maintain their value, government's loans for low-cost housing should reflect an interest rate closely in line with the rate of inflation so as not to devalue the funds.

FIGURE 3 Housing delivery to date

ZIMASSET HOUSING UNITS AND SERVICED STANDS DELIVERED 2014-2017



Source: GAP Solutions with data from the National Department of Housing and Social Amenities

6. New housing finance models

In January 2018, Shelter Zimbabwe cited one of its projects in Rockview Park, close to Harare as one of the initiatives geared towards meeting the ZIMASSET housing targets. Under the project, Shelter Zimbabwe constructs cluster homes on areas of land between 3500 and 7000 square metres, with the smallest area capable of accommodating six clusters, each constituting three bedrooms, a kitchen, lounge, dining room and a bathroom[19]. A report suggests that housing cooperatives in Zimbabwe have managed to construct over 96 000 housing units between 2010 and 2015[20]. Shelter Zimbabwe has appealed to government to target access to more land and continues to develop cluster houses to service the ZIMASSET targets as well as assisting in the national housing backlog.

These initiatives have been welcomed to reduce the country's housing backlog which continues to proliferate due to an increase of rural to urban migration volumes as well as city-to-city migration due to the search for employment opportunities.

However, over and above the allocation of land for building houses, Zimbabwe faces several challenges and some of them stem from the fact that the current infrastructure has been put under immense pressure due to the ballooning population. Additionally, there are other complementary services which are needed, including civil engineering, road works, water and sewer reticulation; the various municipalities have been struggling with service provision in these areas.

With all these historical challenges, Tendai Karonga, The Commissioner of the Insurance and Pension Commission noted that the introduction of Real Estate Investment Trusts [REITs] would be a worthwhile opportunity for local and international investors to explore as a means of addressing challenges in the housing sector as well as attaining a competitive Return on Investment[21]. This positive highlight has been welcomed in a sector that painted an overall view of doom and gloom.

Perhaps the formation of a secondary mortgage market system to produce further housing funds can be explored with the government potentially advocating that the building societies raise funds through the sale of the societies mortgage portfolio. The hypothetical for raising new funds for housing through the sale and purchase of existing mortgages might be restricted by the high demand for housing finance. Since current housing finance institutions struggle to serve the needs of all Zimbabweans, tangible programs should be introduced by the government, where

16 Hon P.A. Chinamasa, 2017 Budget Statement, December 8 2017.

17 https://bulawayo24.com/index-id-news-sc-national-byo-125061.html, accessed on January 5, 20.

18 http://www.parlzim.gov.zw/component/k2/download/1869_5c0ad78056fe08cbcc32288060bfde0e

19 https://www.herald.co.zw/were-developing-cluster-homes-per-order-shelter-zim/, accessed on January 18 2018

20 http://www.chronicle.co.zw/property-developer-issues-title-deeds/, accessed on January 20, 2018

21 http://allafrica.com/stories/201710030141.htmln accessed on January 5 2018

public and private partnerships can be used to address the myriad of Zimbabwe's housing finance issues.

7. Financial sector trends

By 2017, Zimbabwe had managed to successfully clear some arrears to various international finance institutions, including the World Bank, the African Development Bank [AfDB] and the European Investment Bank [EIB]. Zimbabwe was then removed from the International Monetary Fund remedial measures list after over 16 years of fighting for inclusion in the global economy. However, following the deflation era, Zimbabwe began facing liquidity challenges. Upon securing a $200 million loan facility from the Afrexim Bank[22], the Reserve Bank of Zimbabwe [RBZ] introduced a pseudo currency that was meant to address both the liquidity crisis as well as plug externalization as it can only be legal tender inside Zimbabwean borders. The currency, dubbed the Bond Note, was meant to trade at par (1:1 convertibility) with the US Dollar. In practice, this was unsuccessful as Zimbabwe remains a gross importer of raw materials due to the near-absence of an "agro-based value chain to supply raw material that the country can produce locally[23]. The demand for US dollars by retailers and other traders led to a premium being charged for transactions using bond dollars. This also led to the resurgence of a black market as well as a three-tier pricing system for US dollars, Bond Notes and Point of Sale/Mobile money payments. As at December 2017, the inflation rate had again rose to 9.7% from deflation before the bond notes were introduced. As gauged by the so-called Old Mutual Implied Rate (**Figure 4 – Parallel market exchange rate**) – which measures the gap between the prices of Old Mutual shares on the Zimbabwe Stock Exchange and the share prices in Johannesburg or London – the Zimbabwean currency has depreciated by some 60% since mid-2016[24]. In the parallel market, one US dollar note trades at 160 cents. A similar 40% discount applies to balances locked in the banks, which means that a person with access to dollars can buy products at some outlets for 40-50% below the shelf price. Alternatively, the dollars can be sold for a 60% premium in bond notes.

With the dollar shortage persisting, depreciation is set to continue, although the risk that the government will decide to cease using the dollar and make bond notes the officially recognised currency has receded somewhat.

The above context is necessary to understand not only where Zimbabwe needs to go, but also underscores the specific internal and external economic and diplomatic hurdles that the nation has to overcome to reinstate a semblance of normalcy on the global forum. These factors have all been interlinked and to a considerable extent, have been the basis of the investment matrix. It is impossible to analyse the housing sector in isolation from the factors that form the bulk of the problems the sector encounters in addition to the industry-specific challenges. Even if Zimbabwe's new President does manage to secure a financial bailout for Zimbabwe in 2018/19, he still must develop a strategy for leaving the dollar, and there is little sign that he (or indeed the donor community) has one. All of which suggests that Zimbabwe's liquidity and broader economic crisis will persist for some time.

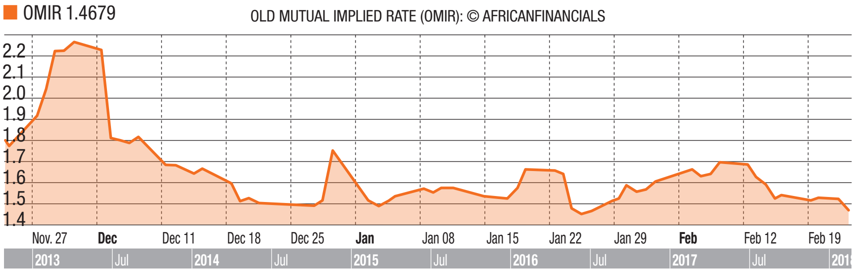
8. Conclusion

Since November 2017, many political analysts including UK-based Lawyer, Alex Magaisa, have consistently used the term 'fluid' in describing the still unfolding political dispensation which bears heavily on the economy. Early indications suggest that by and large Mnangagwa is breaking away from the previous government's stance by reengagement with the international community; a free and fair election; compensation of white farmers; commitment to revitalising the economy; addressing corruption and civil sector reforms

However, the political climate continues to bear heavily on the Zimbabwean economy. The fact that most financial players as well as foreign investors have chosen caution and are opting to wait until after the election outcome to make any commitments may have also affected the rate at which the new Mnangagwa government has succeeded or failed in delivering on his promises. In a recent speech, he commented that his administration had managed to attract US$ 3 billion within three months, including a National Railways of Zimbabwe [NRZ] capacity building initiative that attracted about $400 million from Zimbabweans living and working outside of the country[25]. The efforts to resuscitate the NRZ is perceived as having a positive downward trickle in the economy. NRZ used to be the employer of choice and was the largest supplier of housing across the country. With the current recapitalization scheme, it is yet to be seen if NRZ will once again invest heavily in housing. According to Donovan Chimhandamba, Executive Chairman of DIDG, the firm responsible for the recapitalization, their efforts will be phased out with priorities placed on capacity building and then other areas as projects evolve[26].

Predictably, the euphoria that engulfed the nation at the fall of Mugabe has since quieted as we approach the end of Mnangagwa's first 100 days in office. It has given way to a more pragmatic engagement by various stakeholders on a wide array of deliverables including economic targets, human rights issues and the very persistent and contentious issue around the Gukurahundi (Matebeleland) atrocities in which Mnangagwa himself is considered a chief architect. His refusal to engage on the topic has lost him much of the goodwill he gained in the initial unfolding of the new political climate. He has since established the National Peace and Reconciliation Commission headed by one of his two vice presidents, Kembo Mohandi. However, this overture has been deemed underwhelming by many people, particularly those who were affected in the early 1980's.

FIGURE 4 Parallel market exchange rate, Old Mutual Implied Rate [OMIR]



Source: https://omir.today accessed on February 25, 2018

[22] https://www.herald.co.zw/afreximbank-to-bailout-zim/

[23] http://www.chronicle.co.zw/manufacturing-volumes-up/ accessed on March 6 2018.

[24] https://omir.today

[25] https://news.pindula.co.zw/2018/02/08/zim-secures-3-billion-foreign-direct-investment-7-weeks-claims-mnangagwa/, accessed on February 10 2018

[26] Mr. Chimandamba, Chairman of DIDG, February 22 2018

Among the toughest issues that blemish his dispensation with the disillusioned masses is the fact that he also hand-picked Retired Army General, Constantino Chiwenga, as his deputy. This move did not support his claim of moving forward in an inclusive manner or his claim to establish a meritocracy. Chiwenga's appointment is widely considered as a payback favour for the military intervention to oust Mugabe on his behalf.

While the general tone has shifted from that of euphoria to a pragmatic one, the general sentiment is that Mnangagwa is still enjoying support. The engagement that his tenure has sparked has so far been centered on practical issues without undue attacks on his personality; his popularity and support are now inextricably tied to his performance and delivery. While his rhetoric afforded him an opportunity for a fair chance at running the country, results will anchor him from this point onwards. However, the further into his administration we go, the more is left to be desired. The MnangagwaMeter[27], a website set up to measure the overall delivery on his promises pegged against 183 promises in the public domain, showed that only 43 have been reported as achieved; indications are that 71 are in progress, 65 have not started or have been neglected while four of the 183 have already been broken. The promise for 400 000 houses and the engagement with IDBZ, UDC and local authorities in identifying land, servicing and developing land for residential accommodation and the establishment of onsite and offsite infrastructure are amongst those indicated as not yet started on the MnangagwaMeter.

However, while the economy has given itself freely to political whim, the underlying investment opportunities remain favourable in the medium to long term, notwithstanding the political trajectory. One such signal of business making a way through the murky political waters is Africa's richest man, Aliko Dangote, who shows renewed interest to invest in Zimbabwe after Mugabe's departure. Mr. Dangote and his team made an initial visit to Zimbabwe in 2015 where a commitment was made to invest in various economic sectors; chief among them was a mooted $400 million cement plant that was slated to produce 1.5 million tonnes annually, thereby doubling the country's output at the time. Recent revelations detail how the project had stagnated following the Mogul's refusal to give in to demands for bribes by ministers in Mugabe's cabinet[28]. A representative of his companies indicated that the billionaire will be back in Zimbabwe to resume setting up in a huge show of confidence in Mnangagwa's government and the economy, particularly the housing and construction sector. The trickle-down effect of the emergence of such a major player in the cement manufacturing industry is bound to yield positive results to the overall housing sector. The advent of competition will likely push cement prices downwards, which may marginally reduce the cost of housing; perhaps the mortgage financing industry will revise their terms, including interest rates and minimum requirements.

The demand for housing is also likely to rise with the stabilising of the economy.

A large contingent of expats is likely to heed the President's call to come back home and apply their skills towards the rebuilding of the economy. While many housing development projects focus on low income housing, the marketing to expats in the diaspora presents a new opportunity for middle-class housing developments, targeting Zimbabwean professionals who either wish to return to Zimbabwe or are seeking investment opportunities, as well as foreign nationals who either buy or rent houses while they pursue various business enterprises.

[27] https://mnangagwameter.polimeter.org accessed on February 26 2018

[28] Aliko Dangote speech at Siyalima Primary School in Guruve, aired at 6:00pm on Star FM Radio, 7 February 2018

Taxation of affordable housing in Africa

By James Mutero

1. Introduction

Taxation enables governments to raise revenue to finance public goods and services such as infrastructure, public health, basic education and defence[1]. In addition, it provides governments with policy tools to influence the behaviour of economic agents and to redistribute income on a socially acceptable basis[2]. Housing taxes are a part of this wider system of taxation.

Taxes on housing can have a major impact on housing supply and demand and, as a result, on affordability. They have a direct impact on demand by making various cost components more expensive and others less so. Taxation also indirectly impacts on demand: it can stimulate investment in housing and boost supply and, in that way, temper housing prices and raise demand. It can also make investment in non-residential real estate more attractive, at the expense of investment in housing, thus suppressing housing supply and raising prices.

Affordability in African countries can be gauged by the proportion of urban households that can afford the cheapest newly built house by a formal developer. Examples of countries where this proportion is tiny are South Sudan (0.1%), Burundi (0.7%), Eritrea (0.8%) and Uganda (3.5%). A number of other countries have moderate affordability levels such as South Africa (35.8%), Ethiopia (35.9%), Botswana (39.8%), Namibia (44.5%) and Gabon (46.2%). The best performers include Algeria (81.3%), Egypt (83.9%), Morocco (90.8%) and Cote d'Ivoire (96.0%)[3]. What is less clear, because of the lack of systematic data across countries, is the overall quantitative impact of taxation on housing prices and rents.

The rest of the paper is organized as follows: Section 2 provides an overview of taxation and sets out the main economic and fiscal objectives of tax systems as well as the criteria for evaluating them. Section 3 puts forward a taxonomy of housing taxes, based on public finance, and examines their impacts with a focus on the costs of provision, investment, and affordability. The section also reviews the unintended consequences of taxation on housing. Section 4 pulls together the main areas that warrant reform while Section 5 concludes the paper.

2. Taxation: an overview

Taxation systems vary widely across countries and generally reflect the broad political and economic policies of each jurisdiction. In general, their design is guided by criteria set out in Mirrlees et al. (2011), namely:

- *Economic efficiency*, which requires that revenue be raised in a manner that does not cause distortions in the economy, for instance by altering the behaviour of economic agents in a way that deters economic growth and investment;
- *Administrative efficiency*, which seeks to simplify tax administration and minimize compliance costs;
- *Equity*, which distinguishes two concepts: Horizontal equity which requires similar tax treatment for people in similar economic circumstances; and vertical equity which seeks to ensure progressivity[4] by ensuring that people in different economic circumstances are treated differently; and,
- *Revenue buoyancy*, which gauges how tax revenues respond to economic growth with the main concern of ensuring government's ability to raise revenue during all phases of the business cycle.

3. A taxonomy of housing taxes and their impact

Taxes on housing can be classified into the following broad categories:

- Direct taxation of housing-related income (taxation of both corporate profits and personal income);
- Indirect taxation of housing-related goods and services consumed by both firms and households; and
- Taxation of wealth held in the form of real estate, commonly referred to as property taxes or property rates.

3.1. Direct taxation of housing income

Housing generates income for individuals and companies when it is either let or sold. Other housing-related income comes from investments in asset-backed securities issued by property companies or from units sold by real estate investment trusts [REITs]. Income from all of these sources is usually taxed. As for owner-occupied housing, an economic case can be made for taxing the imputed rent equivalent to the housing services that the owner enjoys[5]. However, it could be argued that since property taxation is found in practically all African countries, taxing imputed rent would be tantamount to double taxation.

3.1.1. TAX RELIEFS

Tax authorities grant reliefs on direct taxes to temper the impact of housing taxation. In particular, these reliefs seek to reduce the tax

[1] The OECD defines a tax as a "compulsory unrequited payment to the government" See: http://www.oecd.org/ctp/glossaryoftaxterms.htm. Property tax, in contrast, can be viewed as a benefit charge linked to the use of publicly provided services. See, for instance, Franzsen, R. and McCluskey, W. (eds.) (2017), p. 30.

[2] Alley and Bentley (2005).

[3] Centre for Affordable Housing Finance in Africa (CAHF) (2016).

[4] A tax is progressive if the proportion of income that goes to tax rises with income.

[5] An owner occupier is both an investor and a consumer. The imputed rent is equivalent to the rent the property would attract in the market – it is a measure of the value of the owner-occupier's housing consumption.

burden on lower-income households, and thus raise affordability. Another goal is to influence investor behaviour with the aim of stimulating more investment in housing.

For individuals, examples of these reliefs include:

- Tax free rental income if it falls below a given threshold. In Kenya, for instance, the 2016/17 National Budget introduced a minimum taxable threshold of KES 12,000 (US$ 120) per month for the entire residential rent received by a landlord[6];
- Mortgage interest relief whereby the interest on a mortgage loan for an owner-occupied house (typically the primary house) is deducted, within limits, from taxable personal income. For instance, Cape Verde and Kenya allow deduction from taxable income of interest on mortgage loans[7], with Kenya allowing a deduction of up to KES 300,000 (US$ 3,000) per year[8].

As for corporates, an example is tax relief for developers of affordable housing whether for rental or sale. In Kenya, the corporate tax for private housing developers has been reduced from 30% to 15% if they build 100 low cost houses annually[9]. This requirement was initially set at 1,000 units, later lowered to 400 units, but both of these production levels proved unrealistic as there were hardly any developers with the ability to achieve them.

3.1.2. IMPACTS OF DIRECT TAXES

Direct taxation of income from housing reduces profits and the rate of return on investment. If higher returns are available in the rest of the property market, as a result of preferential tax treatment, then investment in housing could fall and constrain supply. This outcome would likely be an unintended consequence of tax policy. The end result, in the longer term, would be higher housing prices and rents, and reduced affordability. This outcome would be particularly adverse for low-income households as it would compel them to adjust their housing consumption by living in lower-standard but more affordable housing.

Direct taxes on housing income, if levied to favour one market segment over another, could also influence the types of housing delivered. Thus, if tax breaks favoured low-income housing, then investors would find this type of housing more attractive if its risk-adjusted returns were higher. Equally, if taxes were to be skewed in favour of owner-occupation, individuals could opt to own than to rent, an outcome that might not have been intended by taxing authorities.

Table 1 sets out the respective taxes and reliefs across countries, for both individuals and companies.

Table 1 Direct taxes on housing income and their impact on affordable housing

TAXES AND TAX-RELATED RELIEFS	IMPACT ON AFFORDABLE HOUSING
Personal income tax on residential rent. ▪ *Ethiopia: No tax is due if the total monthly income from rent is less than Birr 7,200 (US$ 330) (2016 data)[10];* ▪ *Kenya: From January 2017, no tax for combined monthly rental income below KES 12,000 (US$ 120)[11]; otherwise a 10% withholding tax on rent;* ▪ *Rwanda: No tax for combined monthly rental income below Rwf 180,000 (US$ 216); 20% tax for rent income from Rwf 180,000 to 1 million (US$ 216 – 1,200)[12]; otherwise 30% above Rwf 1 million (US$ 1,200);* ▪ *Zambia: 10% withholding tax on rent[13].*	These tax reliefs would only improve affordability if the subsidy is shared between landlords and tenants.
Corporate tax on rental income and developer income of traditional property companies i.e. developers and property-owning companies ▪ *Kenya: Lower corporate taxes for developers of low- cost houses subject to price and quantity criteria. Private developers of at least 100 low-cost dwellings per year had their corporate taxes reduced from 30% to 15%[14]; and a similar tax reduction for savings and credit cooperatives (SACCOs) with an output of 100 houses per year. No definition of low-cost housing has been given in the law.*	Properly designed reliefs to developers of affordable housing could raise affordability as they would help expand supply and, in that way, suppress increases in rents and prices (in real terms).
Corporate Tax: Residential REITs. REITs only found in a few countries: 1 in Ghana, 1 in Kenya (commercial REIT), 1 in Morocco (commercial REIT), 4 in Nigeria, 30 in South Africa, and 1 in Tanzania[15]. ▪ *No or only minimal corporate tax, unlike for traditional property-owning companies, but to qualify, a high proportion of profits must be distributed to investors. So far, this relief is only available in Kenya and South Africa although in Nigeria income from corporate bonds (and government securities) is deducted ahead of computing income tax[16];* ▪ *Exemption from capital gains tax (most countries);* ▪ *Exemption from transfer taxes (most countries) or concessions exist.*	Corporate tax reliefs could have a beneficial impact on affordability as they might stimulate supply by enabling REITs to attract more savings from investors.
Mortgage interest relief granted to individual owner-occupiers ▪ *Cape Verde and Kenya allow deduction from taxable income of interest on mortgage loans[17]* ▪ *Kenya: Qualifying mortgage interest deduction raised from KES 150,000 (US$ 1,500) to KES 300,000 (US$ 3,000) per year with effect from January 2017[18]. This relief is now also available to those who obtain housing loans from SACCOs, previously not the case[19].*	Tax relief improves affordability somewhat and thus encourages home ownership. Tax authorities, for instance in Kenya, impose a threshold on the allowable interest deduction to temper its regressivity.
Waiver of withholding tax, or offer of other tax relief, on mortgage-backed securities or corporate bonds issued by mortgage refinancing companies. ▪ *Nigeria: no withholding tax on mortgage-backed securities alongside bonds and other asset-backed securities[20].*	Access by primary mortgage lenders to more competitively priced term loans from mortgage refinancing companies enables them to increase loan tenors and reduce their lending interest rates, thus improving affordability.

[6] PricewaterhouseCoopers (2016).

[7] CAHF *op. cit.*

[8] Knight Frank (2016).

[9] Cytonn Real Estate (2017).

[10] http://www.2merkato.com/articles/tax/1003-rental-income-tax-in-ethiopia. The US$ equivalent is for 2016.

[11] PricewaterhouseCoopers (2016).

[12] Survey data.

[13] Survey data.

[14] Cytonn Real Estate *op. cit.*

[15] Rebel Group (2017).

[16] Rebel Group *ibid.*

[17] CAHF *op. cit.*

[18] Knight Frank (2016).

[19] https://saccoreview.co.ke/2017/02/14/big-win-for-sacco-members-in-tax-relief/

[20] Rebel Group *op. cit.*

3.2. Indirect taxation of housing

National governments levy indirect taxes on a wide variety of housing-related inputs. These taxes are set as a percentage of value (ad valorem) and they include value added tax [VAT], sales tax and import duty. VAT is a tax on the value added at each stage of production and is "collected in small chunks from each link in the supply chain. VAT charged on sales to registered traders who sell on an item or use it in production can be reclaimed by the purchaser. Only VAT on retail sales cannot be reclaimed"[21]. Sales tax is levied on final consumption without "dividing liability across the supply chain"[22]. Import duty, as its name implies, is levied on goods brought into a country by importers. With reference to housing, indirect taxes are typically imposed on building materials, plant and equipment, building contracts, professional services and financial transactions.

3.2.1. TAX RELIEFS

Reliefs are granted by tax authorities to meet a variety of objectives. In some cases, they are meant to reduce the costs of inputs such as building materials and thus improve affordability. In other cases, reliefs are granted to help deepen the capital market. In Nigeria, for instance, dividends of publicly traded REIT units are exempt from sales tax and VAT.

3.2.2. IMPACTS OF INDIRECT TAXES

Indirect taxes on housing goods and services raise the cost of housing delivery and thus directly reduce affordability. These taxes could also impact on affordability in other ways. For instance, a tax on building materials imports is likely to be used as a fiscal tool to stimulate the production of local building materials. However, in the absence of other factors that might support the growth of the building materials industry, this policy has the unintended consequence of making houses more expensive. This is so because in a housing market with limited competition, developers can continue to bring in building materials and price for the import tax in their housing. This puts developer-driven housing out of reach of the majority, who might then have to use poor quality building materials. Conversely, even where import taxes on building materials are abolished, there is no guarantee that developers in non-competitive markets will pass on this relief to house buyers.

Affordability could also be affected through indirect channels. By raising costs, indirect taxes could lead to lower profitability, and thus result in reduced housing investment and supply. Moreover, in markets with a limited supply of developer finance, higher costs of delivery could also rule out large projects that benefit from economies of scale. This would adversely affect affordability.

Table 2 lists the main indirect taxes on housing and related tax reliefs, and their implications for affordability. As in the previous table, country examples of indirect taxation have been highlighted.

3.3. Property Taxation

Taxes on property are defined as those "payable on the use, ownership, or transfer of wealth"[33]. Owners of housing and other types of real estate pay property taxes which are more often than not levied by sub-national governments. The two broad tax categories are:

- Recurrent taxes based on the value of immovable property whether land or buildings or both; and,
- Non-recurrent taxes that are levied upon property sale, gifting or inheritance. These

Table 2 Indirect Taxes and their Impact on Affordable Housing

TAXES AND TAX-RELATED RELIEFS	IMPACT ON AFFORDABLE HOUSING
Sales tax on building materials, plant and equipment, and securities. ▪ *Nigeria: dividends of publicly traded REIT units exempt from sales tax[23].*	Adverse impact on low-income builders since this is typically a uniform percentage on goods and services procured, irrespective of the income of the buyer. This means that for the same spend on similar building materials, a poor household would pay the same tax as a rich household.
VAT: On property sales, building materials, plant and equipment, professional fees (land surveying, architectural and engineering fees, property management fees), and financial securities. ▪ *Zambia: 16% VAT on home sales. Delays of 6-12 months in getting refunds[24];* ▪ *Ethiopia: exemption in respect of sale or rent of a dwelling which has been used for 2 years[25];* ▪ *Ghana: abolition in 2015 of 5% VAT on property sales, previously 17.5%.* ▪ *South Africa: government subsidised housing is exempted from VAT (14%).* ▪ *Kenya: exemption of purchase of REIT units and Asset Backed Securities from VAT[26].* ▪ *Nigeria: dividends of publicly traded REIT units exempt from VAT[27].*	Adverse impact for low-income builders since this is typically a uniform percentage on goods and services procured, irrespective of the income of the buyer.
Import Duty on building materials, plant and equipment. ▪ *Democratic Republic of the Congo: lifted import taxes on cement[28].* ▪ *Ethiopia: import duty on housing inputs increased by 3% over the last 5 years[29];* ▪ *Malawi: over the last 5 years, import duties on housing inputs reduced by more than 30%[30];* ▪ *Rwanda: no tax on raw materials, 10% on intermediate materials, and 25% on finished materials[31];* ▪ *Zambia: Import duties are very high, at 25%, for building materials imported from outside the Southern African Development Community; and duty has increased by 5% over the last 5 years[32]*	Adverse impact for low-income builders since this tax raises the cost of construction.

[21] Mirrlees et al. *op. cit.*
[22] Mirrlees et al. *ibid.*
[23] Rebel Group *op. cit.*
[24] Survey data.
[25] http://www.ethiopianlaw.com/blog/181-vat-exempted-items-in-ethiopia Information is for 2010.
[26] PwC (2017)
[27] Rebel Group *op. cit.*
[28] CAHF *op. cit.*
[29] Survey data.
[30] Survey data.
[31] Survey data.
[32] Survey data.
[33] IMF (2014). Cited in Franzsen and McCluskey *op. cit.*

include stamp duty, capital gains tax, gift taxes, and death and inheritance taxes.

The main bases distinguished in Franzsen and McCluskey (2017, 6) are:

- An area-based tax which is used where insufficient market data exists to implement a value-based system (Country examples: Burundi, Democratic Republic of Congo, Sudan, Tanzania)[34]; and,
- A value-based tax, with value classified into the following categories:
  - → Annual rental values – this is the basis of the property tax, with the taxable value based on the estimated annual rental value of the property (Country examples: Egypt, Ghana, Uganda);
  - → Unimproved site value which describes the tax base of a land-only tax (Country examples: Central African Republic, Cote d'Ivoire, Kenya, Namibia);
  - → Capital improved value, which is the market value of property, that is, the value of land plus all improvements as a single tax object (Country example: South Africa); and,
  - → Other variants whereby the tax is based either solely on the improved value of buildings or on the separate values of land and improvements.

Property taxation is found in all African countries with the exception of Burkina Faso and Seychelles, and in some countries it is provided for in the constitution as a source of revenue for sub-national governments[35]. The implications of property taxes for affordable housing are set out in Table 3.

3.3.1. TAX RELIEFS

To promote affordability, Franzsen and McCluskey (2017, 17) point out that "African countries provide extensive tax holidays for newly developed or renovated residential properties". They add that reliefs vary in length: five to 10 years in Angola; five years in Benin if the property is not used for commercial purposes; five years in Equatorial Guinea, Madagascar and Morocco; three years in Gabon; and two years in Niger. An additional policy is to waive taxation for residential properties whose value falls below a defined threshold. Countries with such a threshold include Egypt, Morocco and South Africa.

3.3.2. IMPACTS OF PROPERTY TAXES

Table 3 lists the main property taxes and related tax reliefs, and their implications for affordability. These taxes are generally progressive since property owners in developing country cities generally have higher incomes than renters. Property taxes also influence locational choices by developers and households who, for instance, might opt for land parcels just outside city boundaries, if these are charged lower property taxes or are exempted altogether. High transfer taxes, in particular, discourage land transactions and the development of land markets. This type of tax also suppresses house trading, especially for lower-income households who have limited access to loans and who thus find it difficult to pay the tax. In this way, mobility within the housing market is reduced.

Table 3 Property Taxes and their Impact on Affordable Housing

TAXES AND TAX-RELATED RELIEFS[36]	IMPACT ON AFFORDABLE HOUSING
Area-based property tax (Burundi, Democratic Republic of the Congo and Sudan)	Tax is regressive if the same amount is charged for all properties that are the same size. But this tax is commonly adjusted for such attributes as location and use, making it more equitable.
Property tax based on annual rental value of improvements (Algeria, Cote d'Ivoire, Egypt, Ghana, Sierra Leone, Mali, Mauritania, Morocco, Niger and Uganda).	Tax is progressive since owners of property are generally in higher income bands.
Property tax (based on unimproved land value) (Kenya, Namibia)	Tax is progressive since owner-occupiers of housing are generally in higher income bands.
Property tax (based on capital improved value i.e. capital value of land and improvements (South Africa)	Tax is progressive since owner-occupiers of housing are generally in higher income bands.
Property Tax based on improvement value of buildings only i.e. land not included (Ghana, Mozambique and Tanzania)	Tax is progressive since owner-occupiers of housing are generally in higher income bands.
Property tax based on separate value of land and improvements (Namibia, Swaziland)	Tax is progressive since owner-occupiers of housing are generally in higher income bands.
Capital gains tax (on sale of property or mortgage-backed securities) ▪ *Kenya: 5% tax on capital gain but the tax is waived where the transfer is between family members or between a wholly-owned family company and a family member;* ▪ *In South Africa, no CGT if the property value of the primary residence is lower than ZAR 2 million (US$ 152,010). For higher priced properties, there is an exemption from CGT of ZAR 2 million (US$ 152,010).*	Likely to be progressive since house owners and investors tend to be in higher income groups. Exemption of CGT improves affordability.
Property Transfer Taxes[37] ▪ *Ranges from 1% to 13% in Anglophone Africa: 1% in Uganda and as high as 10% in Lesotho and a maximum of 13% in South Africa, where a sliding scale is used. In Francophone Africa, examples are: 3% in Burundi, 5% in Guinea, 6% in Togo, and 7% in Mali.*	Adverse impact on affordability if transfer tax is high and the closing costs of the transferee are not financed; regressive if differential rates not applied based on property value.

4. Potential areas of housing taxation reform

Housing developers and other stakeholders have historically lobbied governments, including ministries of finance, to grant various tax reliefs for housing. Country examples where this has occurred include Ethiopia, Kenya, Malawi, Rwanda and Zambia. Requests to governments have typically asked for reliefs on import duty and VAT on construction materials, on capital gains tax and on stamp duty. The limited data available point to a chequered record of success, suggesting that ministries of finance have generally been reluctant to grant such reliefs. In view of this, housing stakeholders will need to craft well-argued cases that do not work against the objectives of the wider taxation systems. In particular, it will be necessary to clearly demonstrate

[34] Some towns in Tanzania also use a value-based taxation in addition.

[35] Franzsen and McCluskey *op. cit.*

[36] The property tax information in this column is based on Franzsen and McCluskey *op. cit.*

[37] Levied as a transfer tax in some countries and as stamp duty in others. In yet other cases both taxes are levied – see Franzsen and McCluskey *op. cit.*

that: (a) the economic and social benefits of granting tax reliefs for affordable housing outweigh the revenue forgone by government; (b) the proposed reforms support equity; (c) the reliefs sought promote tax neutrality which requires that similar economic activities be treated in similar ways; and (d) the proposed reforms are simple and easy to administer so that they do not impose high compliance costs.

Reforms that seek to influence affordability, by levying lower taxes in order to reduce housing costs, will need to take account of the ratio of tax revenue to the gross domestic product [GDP]. This is an important consideration since Africa needs to raise its tax revenue-to-GDP ratio which is low, at 18%[38], compared to the average of around 25% for OECD[39] countries. Policies that aim to reduce housing taxes, without substantially increasing housing supply and thus expanding the tax base, will likely not be supported by fiscal authorities. Moreover, since the tax revenue-to-GDP ratio varies so widely, from 28% in Lesotho to 5% in Nigeria[40], it is safe to assume that the potency of tax as a policy tool also varies from country to country.

Reforms will also need to take account of the wide variation in the relative size, by revenue outcome, of different taxes in each country. For instance, while the share of VAT in GDP is higher than 10% in some countries (Lesotho, Senegal, and South Africa), it is a mere 1% in Nigeria[41]. Correspondingly, it is reasonable to assume that VAT would be a more effective fiscal tool in these high VAT countries than in Nigeria. But the nature of a tax, irrespective of its importance as a revenue source, also matters. Stamp duty is a good example since it is a relatively minor source of revenue but with important implications for housing market transactions. This tax is paid upon the transfer of real property and acts as a significant financial burden, especially for low-income households because of their limited savings and poor access to loans. As a result, it suppresses house trading and thus reduces mobility within the housing market. There is a good case, therefore, for exempting affordable housing from this type of tax as in South Africa where properties with a value below ZAR 900,000 (US$ 67,470) do not attract a transfer tax.

Yet another important consideration is the degree of informality of the economy. This is because households and small enterprises in the informal sector are inherently difficult to tax. Countries with a large informal sector, whose output is typically not reflected in GDP, also tend to have a low per capita income. For the sample of 21 African Tax Outlook [ATO] countries, evidence shows that, on the whole, those with a high GDP per capita also have a high tax revenue per capita. In the richer countries, therefore, taxation can be used more effectively to influence the housing market than in poorer jurisdictions.

In the absence of a comprehensive review of tax systems in African countries, it is not easy to determine which specific taxes should be reformed. However, going by some of the design criteria for taxation systems, it is possible to propose the types of tax that merit reform. These include: (a) regressive taxes; (b) taxes that have unintended consequences; (c) taxes with high compliance costs; and (d) poorly designed taxes.

4.1. Regressive taxes

The starting point would be to understand why tax design has allowed specific taxes to be regressive. As pointed out in the literature[42], not every tax needs to be progressive as long as the whole tax system, supported by social spending by government, achieves progressivity. The underlying reasoning is that different taxes are meant to achieve different ends. For instance, a regressive tax that is highly buoyant, such as VAT, generates substantial revenue for social spending and other purposes and, in that way, enables government to counter its potential regressivity.

In the housing sector, it might be useful to re-examine the interest deduction granted to mortgagors, a relief that exists in a number of countries. First, this relief is enjoyed by higher income households as they are able to qualify for home loans. Second, no equivalent relief is available to tenants, a group that constitutes the bulk of low-income housing consumers in many cities. To establish parity with mortgagors there seems to be a case for a direct subsidy to low-income tenants However, such a subsidy would likely not be effective for two reasons. First, it would be difficult to administer as most countries have limited capacity for means testing of households to ensure eligibility[43]. Second, experience shows that landlords would likely take this subsidy into account in their pricing and raise rents. This would be a feasible strategy in the short term since the supply of housing is highly inelastic. Granting a tax deduction on the rent paid would also not be a viable alternative since the majority of households in African cities are poor and generally do not pay income taxes. In view of these difficulties, there seems to be a case, on equity grounds, of phasing out the subsidy granted to mortgagors.

4.2. Taxes with unintended consequences

There are taxes that do not accord similar treatment to similar economic activities, resulting in negative unintended consequences. These taxes are not neutral and they create perverse incentives that could undermine investments that would otherwise be desirable. South Africa is a case in point. Government subsidised housing is exempted from VAT (14%) and while this, in principle, is an effective way of redistribution, it has the unintended consequence of making privately delivered and financed housing more expensive by comparison. To ensure tax neutrality, there is an argument that all affordable housing be exempted from VAT. The challenge in the short-term, however, is how to ensure that this benefit is passed on to the buyer and not simply enjoyed as a bonus by the developer. In the longer-term, on the other hand, this constraint could be loosened if private developers expanded the supply of affordable housing in response to such a tax incentive.

Another example, drawn from Kenya, is that property rates have lost their neutrality. Residential property rates in the 1980s were less than a half of those levied on commercial and industrial properties but, by 1997, these taxes had converged. In effect, this means that residential property, including affordable housing, has lost out over the years relative to these other types of real estate. In contrast, property rates for residential property are lower in South Africa than for commercial and industrial property.

It behoves tax authorities to determine whether the unintended consequences of the non-neutral taxes referred to here were anticipated. If not, there would be a strong case for reform in line with the observation in Mirrlees et al. (2011, 30) that "there is sense in demanding

[38] This is the average for the 21 countries in the African Tax Administration Forum: Botswana, Benin, Burundi, Cameroon, Gambia, Kenya, Lesotho, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. The average masks wide variations in country ratios, for instance 28% in Lesotho, but only 5% in Nigeria. Source: African Tax Outlook 2017. See: https://www.ataftax.org/en/component/jdownloads/send/30-ato-publications/30-2nd-publication-english-2017?option=com_jdownloads.

[39] Organization for Economic Cooperation and Development.

[40] Data are for 2015. The low figure for Nigeria is explained by several factors: only federal taxes have been taken into account; historically, the country has had high non-tax revenue from oil and has, therefore been able to keep tax rates low; recently, tax revenue has been impacted by political and economic constraints.

[41] African Tax Administration Forum (2017).

[42] Mirrlees et al., for instance

[43] Still, countries implementing financial transfer programmes, as part of social safety nets, might have the capacity to phase in this type of subsidy.

a high standard of proof that divergences from uniform treatment are worthwhile".

4.3. Taxes with high compliance costs

The African Tax Outlook argues that lowering VAT thresholds, ostensibly to broaden the tax base, might actually reduce VAT revenue. This is because the cost of ensuring compliance with this tax by firms with a small annual turnover would likely be higher than the revenue collected. There would be additional economic costs as well since businesses that previously fell outside this tax net would incur VAT-related administrative costs. The ATO adds that on these grounds, many developing countries have raised their VAT thresholds. In the circumstance, there seems to be a good case for exempting small-scale producers of affordable housing from VAT.

4.4. Poorly designed taxes

Poorly designed taxes are unlikely to achieve their objectives and will require reform. A good example is the corporate tax rebate offered to housing developers in Kenya whereby a private developer who builds at least 100 affordable residential units in a year qualifies for a reduction of corporate tax from 30% to 15%. This tax relief is considered impractical by developers and is not working well. Indeed, there are only a few developers with the capacity to meet the required output per year. Second, no definition of "affordable housing" has been provided by the authorities, an omission which is likely to hinder the processing of applications by developers for this tax relief. The difficulties surrounding the implementation of this relief point to the lack of adequate stakeholder consultation prior to its introduction.

5. Conclusion

This paper has sought to:

(a) develop a housing taxation framework and a taxonomy of housing taxes, and;

(b) identify how the current taxation regimes in different African countries impact on housing affordability.

The paper examined the purpose of taxation in an economy and the design criteria for tax systems. It then proposed a taxonomy based on the broad classification of taxes in public finance. This formed the basis for setting out taxes and related reliefs in three broad categories:

- direct taxation of housing-related income (taxation of both corporate profits and personal income);
- indirect taxation of housing-related goods and services consumed by both firms and households, and;
- taxation of wealth held in the form of real estate, commonly referred to as property taxes or property rates.

In each case, information was provided, including several country examples, on a wide variety of housing taxes and reliefs to illustrate their likely impact on housing investment, cost and affordability. Finally, the paper argued that tax reforms proposed by housing authorities should demonstrate that:

(a) the economic and social benefits of granting tax reliefs for affordable housing outweigh the revenue forgone by government;

(b) the proposed reforms support equity;

(c) the reliefs sought promote tax neutrality which requires that similar economic activities be treated in similar ways, and;

(d) the proposed reforms are simple and easy to administer so that they do not entail high compliance costs.

In this regard, the paper put forward the types of tax that merit reform.

References

African Tax Administration Forum (2017) "African Tax Outlook 2017". Available at: https://www.ataftax.org/en/component/jdownloads/send/30-ato-publications/30-2nd-publication-english-2017?option=com_jdownloads

Alley, C. and Bentley D. (2005) "A Remodeling of Adam Smith's Tax Principles". Available at: http://epublications.bond.edu.au/cgi/viewcontent.cgi?article=1044&context=law_pubs

Centre for Affordable Housing Finance in Africa (2016). *Housing Finance in Africa: A Review of Some of Africa's Housing Finance Markets*. 2016 Yearbook. Available at: http://housingfinanceafrica.org/app/uploads/CAHF_Housing-Finance-in-Africa-Yearbook-2016.09.pdf

Centre for Affordable Housing Finance in Africa (2016). "Financing Infrastructure for Housing Developments: Case Studies from Sub-Saharan Africa". Available at: http://housingfinanceafrica.org/app/uploads/CAHF-Case-Study-4_Infrastructure-Financing.pdf

Cytonn Real Estate (2017) "Nairobi Metropolitan Residential Report 2017" Available at: https://www.cytonn.com/uploads/downloads/residential-research-report-vf.pdf

Franzsen, R. and McCluskey, W. (eds.) (2017). *Property Tax in Africa. Status, Challenges, and Prospects*. Lincoln Institute of Land Policy, Cambridge, Massachusetts. Available at: https://www.lincolninst.edu/publications/books/property-tax-africa

IMF (2014) *Government Statistics Manual*. Washington, DC.

Knight Frank (2016) "Kenya: Market Update – Second Half of 2016". Available at: https://kfcontent.blob.core.windows.net/research/1245/documents/en/kenya-market-update-2nd-half-2016-4599.pdf

Mirrlees, J. et al. (2011) *Tax by Design*. Oxford University Press. Available at: https://www.ifs.org.uk/docs/taxbydesign.pdf

PwC (2017) "Balancing Act: Kenya's 2017/18 National Budget. PwC Insight and Analysis". Available at: https://www.pwc.com/ke/en/assets/pdf/budget-bulletin-2017.pdf

Rebel Group (2017) "Residential REITs and their Potential to Increase Investment in and Access to Affordable Housing in Africa". Main Report prepared for CAHF. Available at: https://housingfinanceafrica.org/app/uploads/CAHF_ToR-REITS_March-2016.pdf?x77297

Housing for all: assessing sustainability factors of national housing programmes in India

By Peter Scheibstock

1. Introduction[1]

Since 2007, people living in cities have outnumbered those living in rural areas worldwide (United Nations et al., 2015). The international community acknowledges urbanisation as one of the most significant challenges of the 21st century, which is also reflected in the New Urban Agenda [NUA], the most influential document guiding international urban policy, recently adopted by the United Nations [UN], declaring that continuing urbanisation *"poses massive sustainability challenges in terms of housing, infrastructure, basic services, food security, health, education, decent jobs, safety, and natural resources"* (United Nations, 2016a).

With continuous urban growth, for governments around the globe, supply of adequate housing for their citizens is therefore a serious challenge, especially in dense urban environments with a scarcity of vacant land. However, increasing the housing stock for the urban poor is not a new phenomenon. Since the 1950s, international policy particularly in regard of housing provision in low-income countries has transitioned through three main periods:

(i) direct housing provision,

(ii) in-situ upgrading and site-and-service schemes, and

(iii) the enabling markets approach, with governments not acting as a distributor but as a facilitator of housing.

However, the sustainability of interventions in the housing sector through large-scale national programmes has been questioned, especially in terms of their contribution to economic, social and environmental sustainability. On the one hand, national housing programmes often appear to improve housing supply, alongside boosting the economy of a country through the construction of a large number of dwelling units in a short time span. On the other hand, the socio-economic situation of the target group is not necessarily improved, and ecological systems could be severely affected through irresponsible planning and construction processes.

This study addresses such sustainability challenges in national housing programmes. As a case study, India's current national housing programme, Housing for All (Urban) – Pradhan Mantri Awas Yojana (PMAY) is scrutinised. An analysis framework based on the indicator set developed by Frank (2008) is updated, implications of the NUA are added, and made suitable for the context of the case study. 36 indicators are grouped in the aforementioned four spheres of sustainability, economic (e.g. Macroeconomic Environment and Government Finance), socio-economic (e.g. Decision-Making by Beneficiaries, Informal Land-Titling), physical/environmental (e.g. High Quality of Constructed Units, Energy-Efficient Materials and Design) and institutional (e.g. Political Backing, Involvement of different stakeholders, Rapid Processing).

2. Sustainability and sustainable urban development

To discuss sustainability in the context of housing, first, definitions of 'sustainability' and 'sustainable development' are given. Both terms have found their way into everyday debates in policies, programmes and politics. Mitlin and Satterthwaite point out that *"the disagreements surface as there are so many interpretations as to what is 'development' and how it should be achieved, what constitutes adequate attention to environmental aspects and what is to be 'sustained' by sustainable development"* (1996, p. 23). While definitions that are too general could render it ineffective, interpretations that are too precise could narrow its scope. Thus, limitations concerning 'sustainability' and 'sustainable development' need to be clearly defined and agreed upon by stakeholders for every specific context, to make progress valuable, measurable and visible.

The origin of the academic debate about 'sustainability' can be dated back to the publication *The Limits to Growth* by Meadows et al. from 1972 (Wheeler, 1998). The authors for the first time linked 'sustainability' to the environmental context, by pointing out that preserving a balanced environment and securing it for future generations needs to follow a holistic paradigm change in humanity's attitude towards resource use on Earth, before irrevocable damage is done (Meadows et al., 1972).

Nonetheless, it was not until 1987 that the report of the *World Commission on Environment and Development* [WCED] also known as the *Brundtland Commission*, provided today's widely used definition, as follows: *"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."* (WCED, 1987, p. 41)

The Brundtland Report led to a broader notion of the interconnections between the environment and economic growth and further fuelled the international debate about sustainability

[1] This article is based on the authors Master's thesis *research "Sustainability Factors in National Housing Programmes for the Urban Poor in the Case of India"*. Numbers reflecting the progress of the PMAY programme have been updated. Interviews were conducted with experts familiar with the Indian housing context, names are known to the author.

and sustainable development in particular (Wheeler, 1998).

In general, 'sustainable development' is a process that can only be followed through a holistic approach, building connections between the most common three spheres of sustainability: environmental, economic and social. These three interdependent sectors are often depicted as the three main pillars of sustainability, sometimes also as a triangle or a Venn-diagram (Vos, 2007). The scope of the three sectors is often broadened by an additional sphere representing institutional, governance and political sustainability, to encompass structural processes in administration and policy (O'Connor, 2006; Winston & E. Pareja, 2008).

3. Concept of sustainability in housing provision

Housing influences many spheres of sustainable development environmentally, economically, socially, and culturally (Chiu, 2003). Additionally, sustainable housing itself requires sustainable institutions, politics and finance (Frank, 2008). Housing also enables socio-economic progress within a society and forms an important pillar of a country's economy, while on the other hand being resource- and energy intensive (Chiu, 2003). Sustainable housing and policy are therefore a vital part of sustainable (urban) development, with both being interdependent to each other (Tosics, 2004; Winston & E. Pareja, 2008).

UN-Habitat emphasizes that *"housing is where successive generations find shelter to keep healthy, develop, socialize, be educated and prepare for fulfilling adult lives"* and that it *"speaks to every dimension of personal human development"* (UN-Habitat, 2016, p. 52). However, for the last two decades, housing policy was of minor significance in international and national development agendas. In many cases, it was primarily considered as an opportunity for capital investment, rather than an essential part of socio-economic life, also influenced by the concept of the 'enabling approach' (UN-Habitat, 2016).

Many debates about sustainability in the context of housing consider mainly environmental sustainability, especially in high- and middle-income countries. In reference to Frank (2008), this study, perceives sustainable housing provision with a focus on socio-economic aspects interlinked with policy, governance and institutional sustainability. At the same time, it considers environmental and physical aspects of the built environment, necessary to achieve sustainable housing provision for the urban poor on the long-term. Housing is not only considered as an option for shelter, but as a factor integrating several aspects for human development including possibilities for employment and promotion of local economies.

4. Sustainable housing in the New Urban Agenda

The NUA reflects the ambitions of the UN member states towards sustainable urban development by translating targets of the UN Sustainable Development Goal 11 [SDG], the so-called 'Cities' goal, and other SDGs with connection to the urban context into elaborated commitments and actions for policymakers and planners. The NUA aims to guide nations, federal states, municipalities, institutions, scholars, NGOs and other stakeholders in their decision-making process. The document is non-binding, therefore nations not adhering to the principles are not sanctioned, which could possibly impede the NUA's implementation into national urban policy (Amann & Jurasszovich, 2017).

As mentioned above, many national governments did not regard housing as a priority in urban development policy in the last two decades. Therefore, UN-Habitat aimed to put *"Housing at the Centre of the New Urban Agenda"* (UN-Habitat, 2015) and furthermore strives to *"integrate housing into national urban policies and into UN-Habitat's strategic thinking on planned urbanization [sic!]"* (UN-Habitat, 2016, p. 65), while local policies should regard the housing challenge *"within appropriate urban planning and as part of the development of cities and people"* (ibid.).

5. Housing provision by national governments

Even though the global proportion of slum dwellers decreased from 46.2% in 1990 to 29.7% in 2014, their absolute number increased from an estimated 689 million in 1990 to 863 million in 2014 (United Nations, 2015b). The increase in the number of slum dwellers results from continuing urban to rural migration, natural population increase, and a lack of efficient housing and land management policies. Lack of strong policy frameworks combined with low per capita incomes, makes the formal housing market still inaccessible to huge proportions of the population, especially in low-income countries (Bredenoord et al., 2014). Lower-income groups therefore often need to rely on supply of housing provision or financial support by the government, or, if possible, to adhere to self-help-housing, which for many remains the only, and also preferred, option for shelter.

If the formal private market remains inaccessible to citizens, governments need to take action to supply shelter for the respective income groups. However, governments have limited options to increase housing provision. On the one hand, governments have to improve informal settlements that are already established. On the other hand, governments need to enable the supply of new dwelling units, to face the growing demand for housing, especially in urban areas.

6. Rental housing

Due to many national programmes and policies focusing on homeownership, since the 1950s, globally, the share of renters has significantly decreased (Gilbert, 2014). Factors such as growth of the private mortgage sector, tax incentives by governments, increased mobility of dwellers and high construction activity at the urban fringes, made the ownership sector more attractive for dwellers. Some countries adopted rent regulation laws, often leading to landlords becoming reluctant to invest in rental housing, and the private construction sector to rely more on investments in housing meant for owner-occupation (Gilbert, 2014). This tendency in preference of homeownership in the last 50 years led UN-Habitat calling private renting 'the neglected sector' (UN-Habitat, 2003, p. 1).

Despite those tendencies of national policy promoting homeownership, estimates show that today, there are about 1.2 billion tenants, and that around a third of all urban dwellers are renting their homes. Especially in low-income countries experiencing fast urban growth, the proportion of tenants appears to rise (Gilbert, 2016). For many of those newly moving to cities from rural areas, formal, and especially informal renting is often the only affordable or available option for shelter.

In fast urbanising low-income countries, both, a homeownership sector as well as a rental sector is necessary to tackle the housing crisis and provide substantial shelter options for the poor. While homeownership clearly has its benefits when formally titled and used as a financial asset as a first step out of poverty, not every city dweller needs to own a house, especially new arrivals, due to the mobility, and financial independence that comes along with renting along with better affordability. As with homeownership, a major role is attached to the private sector in the rental housing sector, for whom governments need to create incentives and a regulative environment to produce rental housing that is safe, adequate and affordable for the tenants, as well as profitable and economically sustainable for the landlords.

7. Housing finance

While the 'enabling approach' opened up finance opportunities for middle- and higher-income groups, for many low-income dwellers, formal housing finance such as mortgage finance of finance institutions is still difficult to acquire. This can be traced back to the low and unstable incomes of the households, whereas formal loans require monthly, steady repayments, at often high and therefore unaffordable rates. Also, many private finance institutions are not that interested in lending to low-income dwellers, who require small loans which offer low returns, but still have high administrative cost for the lending institution (Ferguson, 1999). Others rely on savings of friends and family, informal moneylenders or sweat-equity of individuals or communities (ibid.).

However, since the last two decades, other sources for self-build have slowly emerged in some countries. Apart from micro-finance institutions (MFIs), they include *"pawnshops, savings and credit associations, pension accounts, credit cards, consumer credit from building materials manufacturers/retails and commercial banks for the purchase of building materials"* (Ferguson et al., 2014). Some governments try to boost the small-scale mortgage market by providing loans at subsidized interest-rates (idib.).

8. Case study: housing in urban India

Future urban growth is predicted to occur predominantly in African and Asian countries (United Nations et al., 2014). India is projected to overtake China in terms of urban population growth up to 40 per cent or 600 million citizens by 2031 and become the largest contributor of urban citizens worldwide by 2050 (Ahluwalia et al., 2014). In 2011, throughout India, about 31% or 377,1 million people were living in urban areas, growing at a slow but constant rate of 3.4% in the last decade (Government of India, 2011). Already today, in many Indian towns and cities urban public service delivery and access to adequate housing is stressed. Inadequate housing conditions, insufficient infrastructure and insecure tenure are considered to cause an increase of unhealthy living conditions and also a decline in economic productivity (Government of India, 2013).

To ameliorate housing conditions for the urban poor, since independence from the British Empire in 1947, the Government of India's [GoI] Five Year Plans [FYP] included several programmes targeting the low-income urban housing sector (Ahluwalia et al., 2014). Following this tradition of low-income housing provision by the government, the current Prime Minister Narendra Modi announced the PMAY programme to eradicate the housing shortfall of around 20 million units for all Indian citizens until 2022.

However, preceding housing programmes in India have had mixed results. Many programmes were facing challenges during their implementation. Despite promoting an integrated approach, including in-situ upgrading of existing settlements or planned, participatory resettlements, evictions and forced resettlements in many cases have still been common practice. Additionally, planned and approved projects were often not completed, and occupation rates remained low, even if units were finished. The latter often resulted from relocations of dwellers to the outskirts of cities. Even if the quality of the new housing units was much higher than of their previous, makeshift homes, many dwellers were reluctant to part with their former livelihoods (Parekh, 2014). Additionally, lack of infrastructure on new sites, paired with poor connectivity to former workplaces and lack of alternative employment possibilities could lead to even further impoverishment through displacement (Patel, S. & Mandhyan, 2014).

With continuing urbanisation, challenges for the provision of basic infrastructure services and shortage of formal housing are growing too. In 2012, an estimated number of 18.78 million housing units were lacking (MoHUPA, 2011), indicating that around 28% of all urban households did not have access to a decent house. With around 96% or 17.96 million units, the lower income groups[2] were the most affected (Government of India, 2011; MoHUPA, 2011).

Although the number of newly constructed housing units in India is growing in absolute terms, the housing shortage is not decreasing. This derives from newly created housing stock often being unsuitable and not affordable for those households lacking shelter. The target group in need of housing is therefore not catered for by supply created on the open market (Tiwari & Rao, J., 2016, p. 9). The growing number of currently about 20 million housing units in urban areas lying vacant, including the results of speculative investment or houses lacking proper infrastructure, reflects this tendency (Gopalan & Venkataraman, 2015; KPMG, 2014; Kumar, 2016).

9. Housing for All (Urban) – Pradhan Mantri Awas Yojana

The PMAY[3] mission aims to decrease India's housing shortage in urban areas by constructing solid and permanent housing units including water, sanitation and 24-hour electricity for all Indian citizens in statutory towns[4] by 2022. The programme is structured in three supply- and one demand oriented :

- In Situ Slum Redevelopment [ISSR]: existing slums are improved on the original location, with households moving to transit homes during the construction period,
- Credit Linked Subsidy [CLSS]: aiming to make low-interest loans accessible for housing construction and improvement to low-income households,
- Affordable Housing in Partnership [AHP]: aiming at public-private partnerships in housing construction for low-income groups,
- Beneficiary Led Construction [BLC]: targeting households for new, individual housing construction or improvement of existing buildings.

Since PMAY rolled out in June 2015, around 2,3 million houses have been identified for construction or improvement, around one million housing units were approved for construction and roughly 160 000 units finished by July 2017 (MoHUPA, 2017b). The rather slow implementation of the programme and release of funds compared with the initial goal of constructing about 3 million units per year shows that in the second year since the scheme's rollout, the pace of implementation needs to be fastened to achieve the proclaimed objective.

Per dwelling unit, GoI contributes a sum between 100 000 INR (1560 USD) up to 150 000 INR (2340 USD), which in general takes up a rather small proportion of the construction cost of a single unit. Without land acquisition and establishment of infrastructure, the construction cost for a low-income dwelling roughly ranges from 18 000 to 20 000 INR (228 – 309 USD) per sq. m. (Interview A, 2017). PMAY supports

[2] In India, the technical terms used to classify lower income groups through income ranges are the Low Income Group [LIG] and the Economically Weaker Section [EWS]. In this article, low-income group in the Indian context refers to both, LIG and EWS.

[3] Pradhan Mantri Awas Yojana translates into „The Prime Minister's Housing Scheme".

[4] Statutory Towns are those urban areas with a "municipality, corporation, cantonment board or notified town area committee" (Government of India, 2011, p. 1).

houses of around 30 sq. m., therefore, GoI's contribution would cover less than a fifth of the total cost, still excluding price of construction land. The remaining share needs to be allocated by state governments or cities, investments of private developers or by beneficiaries' contributions. This might explain the reluctance of some state governments to participate deliberately in rolling out the PMAY programme (Shaw, 2017).

The design of the ISSR component and the paradigm of 'using land as a resource' to make slum-upgrading projects financially viable derives from Mumbai's Slum Rehabilitation Scheme [SRS], introduced in the 1990s. Existing slums are redeveloped with the participation of a private developer, who is offered the land free of charge, and in turn required to include dwellings for former slum dwellers in the new, often high-rise redevelopments. SRS is considered *"a win-win situation for all stakeholders"* (Shaw, 2017, p. 14) and today is the standard slum improvement approach used in Mumbai, applied on private as well as land owned by the government.

For Mumbai's SRS and also the ISSR vertical under PMAY, slum settlements considered for redevelopments need to be located on land of very high value. Only then, private developers are able to participate in the bidding process, due to them relying on profits made with the free-market dwellings sold on the free market. Those profits made have to cost-cover the other units given out free of charge to the former slum dwellers, and furthermore guarantee a profit margin for the developer (Interview B, 2017).

Through construction of multilevel buildings, large parts of the former densely populated, primarily horizontally constructed areas are cleared and could be used to install public infrastructure such as open spaces, parks, and widening of streets, that was not available before. However, as shown in projects of the SRS scheme, the newly acquired area is usually used as construction land for further developments with high densities only, prioritizing the developers' over the dwellers' interest (Interview A, 2017). The severe increase of population density, without catering for accessible and adequate recreational spaces, increases the possibly of reducing the quality of life of both new, and old residents (Patel, S. B., 2016).

ISSR completely redevelops a slum, without taking into account existing buildings, that probably are already solidly constructed. Many slum dwellers residing in slum settlements for the long term, transformed their former makeshift houses into solid constructions (Interview D, 2017). Those settlements would only require upgrading, but, according to the programme guidelines, would be completely redeveloped with higher densities instead. There are no tailored instruments for different forms of slums included in the programme.

The CLSS vertical provides loans that directly flow to the beneficiary's bank account. In general, this form of direct provision of small loans to the beneficiary is considered as a component with very high potential, and it is noteworthy that a government-programme like PMAY included a component with subsidized loans (S. Watson, 2016). While MFIs for housing finance are already established in India, other formal lending institutions are lacking behind. The component could further promote the concept and raise awareness concerning loans to low-income groups, and influence growth of the sector.

CLSS as well as BLC promote the incremental construction of a house by beneficiaries themselves. However, it remains a matter of interpretation and implementation at state level, to what extent the beneficiaries are given liberties in those process, and how the construction process is technically supported by the local governments. With some banks in CLSS insisting on provision of documents or proof of land ownership or similar, formal official documents such as tax returns to give out loans to beneficiaries and with many of the target group failing to produce those, there is still room to improve the accessibility of the CLSS instrument.

However, while CLSS supports the incremental extension and construction of a house (MoHUPA, 2016f, §5.3), it does not subsidize the purchase of a serviced or non-serviced piece of land, which has been proved successful in the past (Patel, S. B., 2016). Beneficiaries therefore already need to possess such a piece of land. The focus of CLSS lies on providing a solid shelter structure rather than integrating holistic improvement of physical and social infrastructure at the same time (Patel, S. B., 2016).

The AHP vertical promotes inclusion of low-income dwelling units within a housing project, and to integrate people with different socio-economic backgrounds in the same neighbourhood. Different income groups do not necessarily have to occupy dwellings in the same building, but could also be integrated in other houses on the same project site. This could be beneficial for low- and higher income groups, also fostering local economic activity (Interview A, 2017). The AHP vertical could be regarded as first steps towards inclusionary zoning. However, while a minimum of 35% of low-income units is defined within the AHP guidelines, no fixed upper ceiling is specified within a project. This again could lead to ghettoisation and segregation of the dwellers from other income groups (Patel, S. B., 2016).

The BLC vertical envisages providing dwellers with grants of 150 000 INR directly, however, the guidelines at national level are not completely clear upon its implementation on state and local level and how the funding is routed to the respective beneficiary households. Hence, state governments have to consider in what way the subsidy reaches the respective beneficiary, whether through a direct lump-sum payment under provision of project plans to the household, or a payment to the respective municipality, providing assistance in construction or improvement of the beneficiary's house.

However, the BLC component also shows strong contradictions within PMAY's framework. While the programme envisages housing provision for those who do not own a house by themselves, the BLC component requires proof that the respective household formally possesses a piece of suitable land (or a house, if housing improvement is sought), which could prove difficult for the respective target group living on informal or illegally acclaimed land. With about 1/10 of all urban dwellers living in some form of rented accommodation, ownership of a parcel of land open for construction is often out of reach for a large number of citizens (Interview B, 2017).

Concerning rental housing, PMAY does not include a vertical respecting the growing number of migrants coming to cities seeking for this form of accommodation. For those migrating to cities not able to afford formal housing, still, the only possible option is to seek housing in the informal market, which often results in settling down in slums. Except for the AHP component, PMAY focuses on households already living in cities, in substandard livelihoods or dwellings. While reducing the current number of slum dwellers and those living in sub-standard housing through PMAY, the number could grow further, with continuing migration and lack of formal, affordable rental housing options provided. While private initiatives for middle-class working migrants emerge (The Economist, 2017) and a Rental Housing Policy is in the making (MoHUPA, 2016a), however, so far, rental housing is not given sufficient importance at national level yet.

PMAY does not include funding for community and social infrastructure in the programme, and only provides a budget for the construction of a house, assuming that such infrastructure facilities are already in close vicinity of the construction site. Currently, unlike preceding programmes targeting urban poverty, GoI's urban missions do not include a vertical targeting the improvement of the socio-economic background of low-income dwellers.

New construction technology focusing on concrete and steel-frame-construction is considered to be an important driver of the programme, speeding up the construction process while reducing costs and environmental impacts (Rao, P., 2015; The Hindu, 2016). Initially, concrete and steel-frame materials might have higher cost of between 15 to 20% compared with construction through traditional methods (Interview C, 2017). However, they are providing better structural safety in disaster prone areas, and through increased durability, decrease maintenance costs for beneficiaries over the long-term to a greater extent than traditional brickwork (Interview B, 2017). Nonetheless, there is still scope for additional research on countering rising material and construction costs via innovative assembly technologies, and while international expertise is widely available on the topic, increased research on the topic would be necessary at local level (Interview C, 2017).

10. Economic sustainability

The PMAY programme is embedded within relatively good political and macroeconomic preconditions to achieve its goals over the long term, assuming the present and subsequent government at national level continues its focus on housing provision for the urban poor (see Figure 1). India's national economy is expected to continue to grow, with rising incomes and purchasing power of its citizens. GoI continues with its focus on the urban missions, including promotion of the affordable housing sector in general, as reflected in recent budget speeches

Figure 1 Economic Sustainability Indicators

ID	INDICATOR NAME	INDICATOR MET
A1	Macroeconomic Environment	●
A2	Governmental Funding	●
A3	Contribution of Beneficiaries	●
A4	Accessibility of Loan Finanace	●
A5	Low Proportion of Subsidies	●
A6	Subsidies Routed Directly o Beneficiaries	●
A7	Cost Efficient Construction	●
A8	Low Costs for Construction Land	●

during 2017. Notwithstanding, the total budget outlay for PMAY and the proportion of subsidies per housing unit of GoI remain relatively low. With state governments having a lot of decision-making power in the implementation of urban policy, they could be reluctant to carry on with PMAY due to political reasons, or due to changing priorities within a state's budget over long-term. To secure a programme's implementation over a longer period of time, however, a programme not relying on central subsidies could also be beneficial, due to changing political actors and agendas, if other self-sustaining mechanisms including private players and other stakeholders are successfully be integrated in a programme. While PMAY aims for that, so far, the sector seems reluctant to participate.

In turn, the initial lack of government-subsidies and therefore financial resources, with high cost of suitable land could result in bottlenecks in land provision and hamper the beginning of the implementation process. With the cost of land being disproportionately high and an important constraint on the process, lowering the construction cost of the house structure could hardly compensate the additional cost.

The CLSS component is trying to make small housing loans accessible to the lowest income groups. While some MFIs are already targeting lower-income groups, they have often not been taken into consideration by other formal lending institutions. Nonetheless, in CLSS to gain access to a subsidized loan, proof of regular income is necessary, which could be a serious constraint for many low-income dwellers with often unsteady monthly wages.

11. Socio-economic sustainability

PMAY follows an inclusive approach targeting vulnerable groups and women and opens up potential for individual construction by beneficiaries via the CLSS and BLC component (see Figure 2). Concerning the built environment, however, PMAY is supporting the construction of a house only, without consideration of infrastructure. For measurements in physical infrastructure like construction of open and green spaces, access to mobility, etc., other sources of funding need to be accessed. Furthermore, social infrastructure targeted at amelioration of the socio-economic background of dwellers and concerned with public and open spaces or community centres, is not addressed in the programme.

Only those dwellers living in a notified slum are reflected in the ISSR component. Others living in similar informal conditions, not listed as a notified slum in the preceding surveys, are therefore omitted from the scheme. Dwellers living in slum settlements, but failing to produce proof of their eligibility for a new house, are likely to get evicted. Homelessness is also not addressed.

Figure 2 Socia- Economic Sustainability Indicators

ID	INDICATOR NAME	INDICATOR MET
B1	Decision-Making by Beneficiaries	●
B2	Inclusion of Vulnerable Groups	●
B3	Empowerment of Women	●
B4	Amelioration of Socio-Economic Background	●
B5	Low Recurring Cost	●
B6	Establishment of Local Employment Opportunities	●
B7	Proximity to Former Places of Employment	●
B8	Broad Range of Eligibility Criteria	●
B9	Informal Land Titling	●
B10	Developments for Mixed-Income Levels	●
B11	Variety of Tenure Options	●

PMAY aims to increase homeownership as an asset for low-income groups, and does not reflect rental, cooperative or community housing in any of the components. Young, small or single households migrating to cities, often temporarily, would be particularly in need of such flexible, low-cost housing options. In PMAY, only those residing in a city since a designated cut-off date, are considered. Additionally, beneficiaries of the programme are not allowed to own a house anywhere else in India, a constraint for many migrants possibly owning a house in rural areas.

12. Physical/Environmental Sustainability

PMAY aims to promote construction of a large number of adequate and affordable dwelling units to address the rising housing shortage and to improve the quality of housing for low-income citizens in all states throughout India (see Figure 3). It envisages utilisation of high-quality and energy efficient construction materials and methods, focusing on prefabrication, assembled by professionals, with inclusion of the local workforce in the construction process not considered a priority.

Figure 3 Physical/Environmental Sustainability Indicators

ID	INDICATOR NAME	INDICATOR MET
C1	High Quantity of Constructed Units	⚫
C2	High Quality of Constructed Units	🔵
C3	Energy Efficient Materials and Design	🔵
C4	Assistance in Self-Help Construction	🟠
C5	Mixed-Use Developments	⚫
C6	Centrally Located Settlements	⚫
C7	Compact Settlements	🔵
C8	Provision of Social and Physical Infrastructure	🟠
C9	Public and Open Spaces	🟠

Concerning resettlements, ISSR does not envisage them, specifically aiming at improvement of slum settlements on-site. In redevelopment of slums, centrally located, compact settlements at high-densities are therefore fostered. Due to relaxed density norms in the AHP vertical, private developers might opt for multi-story buildings to make their projects financially viable. While this supports compact settlement planning, the rehabilitation process from horizontal neighbourhoods to high-rise buildings needs to be closely monitored and regulated by the authorities. PMAY does not encourage mixed-use developments, which would further stimulate compact city design, and does not offer clear guidelines on the provision of green, public and open spaces in the vicinity of housing developments.

13. Institutional sustainability

The implementation of PMAY is politically strongly supported under the current government of Prime Minister Modi and the Ministry of Housing and Urban Poverty Alleviation (see Figure 4). However, the success of the programme relies heavily on support provided at state and ULB level. Apart from the public sector, the private construction and finance sector is needed and therefore encouraged to participate in the implementation of the scheme. While private developers are still reluctant to participate, several private financial institutions are already embedded in the process as PLIs giving out loans to beneficiaries. On the ground level, participation of NGOs and community organisations would be essential to increase success of the housing programme over the long term, but is not enforced by the programme guielines. Another constraint in implementation of preceding housing programmes, is the long processing time, increasing cost through stalled developments. This is reflected in PMAYs precondition that single-window approaches to cut down the number of processes needed until a project is approved.

Figure 4 Institutional Sustainability Indicators

ID	INDICATOR NAME	INDICATOR MET
D1	Political Backing	🔵
D2	Involvement of Private Developers	⚫
D3	Involvement of Private Finance Sector	🔵
D4	Low Involvement of International Donor Agencies	🔵
D5	Involvement of NGOs	🟠
D6	Involvement of Community Organisations	⚫
D7	Implementation at Local Level	⚫
D8	Rapid Processing	⚫

14. Conclusion

The holistic concept of sustainability is highly applicable not only for matters of urban development, but equally in respect of housing provision for low-income groups. Despite the broad scope of the concept and being debated and defined over several decades, it has not ceased to have relevance today. The current implementation process of SDG 11 and the NUA exemplifies that the principle will continue to guide the development discourse on several levels in low- and higher income countries for future decades.

GoI, and many other governments in developing and emerging economies were, and still do not have the capacity to stem housing shortages. There is a need for active participation by all three major stakeholders – the government, the private sector, and the affected citizens – to achieve sustainable, adequate and affordable housing. Efforts by national governments to incentivise the low-income housing sector for private developers have mostly failed so far. National governments are required to again intervene directly in the housing sector for the benefit of the bottom of the income pyramid. However, they must take into account lessons learned from the previous decades.

Analysis of PMAY through sustainability indicators shows that the programme has a lot of potential, but, like preceding programmes, could face constraints in its implementation. While the programme is supported at Prime Ministerial level, it might not reach down to the state and local level, with large parts of the administrative and financial burden transferring down as well, without an increase in capacity at sub-national level. Although participation of the private sector is envisaged and is being presented as a major opportunity for private developers to enter the affordable housing market, the present incentives seem not to have motivated private stakeholders enough yet to get into the sector. There has been criticism that provision of free housing units to dwellers distorts demand, with many regarding their claim to a free housing unit as a personal right, hindering other models of housing provision, where contributions by beneficiaries are required. Therefore, the introduction of a loan finance component via the government could be considered a breakthrough, encouraging low-income dwellers to improve their houses themselves, creating a sense of ownership and responsibility.

The lack of a rental housing component in PMAY missed a chance to kick-start the evolution of a vibrant rental-housing sector, accompanied by proper legislation, that renders investment in the sector also attractive for private developers. A rental housing component included within PMAY could have been a pioneer for the policy and would probably have led to up-scaling of existing small initiatives.

Despite the rhetoric in urban development in India about include poor urban dwellers in decision making processes, especially in new housing developments involving resettlements, the PMAY programme does not include compulsory measures to promote the involvement of affected citizens in its guidelines. Anyway, PMAY does not envisage large-scale resettlements due to its rehabilitation component. In turn, even small-scale uprootings of dwellers from mostly horizontal settlements transitioning in highly dense, vertical settlements, imply new living conditions and again create completely new (vertical) neighbourhoods. Again, community groups and NGOs working together with the developers and ULBs should closely accompany this process to avoid tensions between dwellers and authorities, and to ensure a streamlined process for their transition into their new homes.

In PMAY, GoI is trying to lower the cost of construction via research on new technology. However, with research carried out in parallel to the programme's implementation, the impact of this research on current developments remains questionable, as is the impact on the energy efficiency of the constructed dwellings. In general, housing construction on greenfield sites is accompanied by strong ecological impacts including greenhouse gas emissions. Therefore, efforts towards higher density of development under PMAY not only favour the financial viability of projects, but at the same time, decrease the ecological footprint over the long-term via compact settlement structures and subsequent reduction of transport distances.

The analysis showed that the PMAY programme has high capabilities for providing the urban poor with adequate shelter. The programme already reflects certain aspects of the NUA, and is moving towards fulfilling the SDGs goal 11 of making 'cities and human settlements inclusive, safe, resilient and sustainable'.

Nevertheless, there is room for enhancement, particularly in

(i) streamlining of participation and decision-making of affected dwellers,

(ii) effectively including a rental housing component and thus reflecting rural-urban migration in the programme,

(iii) further acknowledgement of dwellers without formal land title,

(iv) intensify incentives for the private sector and strengthening concepts of inclusionary zoning,

(v) fostering mixed-use developments and facilitate non-polluting commercial activities within settlements, and

(vi) incorporate recreational zones, including open, public and green spaces within the guidelines.

References

Ahluwalia, I. J., Kanbur, R. & Mohanty, P. K. (2014) Challenges of Urbanisation in India: An Overview. In: *Urbanisation in India: Challenges, Opportunities and the Way Forward*. New Delhi: SAGE Publications India, pp. 1–28.

Amann, W. & Jurasszovich, S. (2017) Habitat III – A Critical Review of the New Urban Agenda. *Housing Finance International – The Quarterly Journal of the International Union for Housing Finance*, (Spring 2017), pp. 35–39.

Batra, L. (2009) *A Review of Urbanisation and Urban Policy in Post-Independent India* [Online]. CSLG/WP/12. New Delhi: Centre for the Study of Law and Governance, Jawaharlala Nehru University, New Delhi. Available from: http://www.jnu.ac.in/cslg/workingPaper/12-A%20Review%20of%20Urban%20(Lalit%20Batra).pdf [Accessed 19 January 2017].

Bredenoord, J., Lindert, P. V. & Smets, P. (2014) Introduction: Governance, Sustainability and Affordability of Low-Income Housing. In: Bredenoord, J., Lindert, P. V. & Smets, P. ed., *Affordable Housing in the Urban Global South: Seeking Sustainable Solutions*. Abingdon, Oxon ; New York, NY: Routledge, pp. 2–14.

Chiu, R. L. H. (2003) Social Sustainability, Sustainable Development and Housing Development: The Experience of Hong Kong. In: Forrest, R. & Lee, J. ed., *Housing and Social Change: East-West Perspectives*. London: Routledge, pp. 221–240.

Choguill, C. L. (2007) The Search for Policies to Support Sustainable Housing. *Habitat International*, 31 (1) March, pp. 143–149.

Ferguson, B. (1999) Micro-Finance of Housing: A Key to Housing the Low or Moderate-Income Majority? *Environment and Urbanization*, 11 (1), pp. 185–200.

Ferguson, B., Smets, P. & Mason, D. (2014) The New Political Economy of Affordable Housing Finance and Urban Development. In: Bredenoord, Jan, Lindert, P. V. & Smets, P. ed., *Affordable Housing in the Urban Global South: Seeking Sustainable Solutions*. Routledge, pp. 40–54.

Frank, D. (2008) *Sustainable Housing Finance for Low-Income Groups: A Comparative Study*. Baden-Baden: Nomos Publishers.

Gilbert, A. (2007) The Return of the Slum: Does Language Matter? *International Journal of Urban and Regional Research*, 31 (4) December, pp. 697–713.

Gilbert, A. (2014) Renting a Home: The Need for a Policy Response. In: *Affordable Housing in the Urban Global South: Seeking Sustainable Solutions*. pp. 87–101.

Gilbert, A. (2016) Rental Housing: The International Experience. *Habitat International*, 54 May, pp. 173–181.

Gnaneshwar, V. (1995) Urban Policies in India - Paradoxes and Predicaments. *Habitat International*, 19 (3), pp. 293–316.

Gopalan, K. & Venkataraman, M. (2015) Affordable Housing: Policy and Practice in India. *IIMB Management Review*, 27 (2) June, pp. 129–140.

Government of India (2011) Census India 2011: Executive Summary [Online]. Available from: http://www.censusindia.gov.in/2011census/PCA/PCA_Highlights/pca_highlights_file/India/4Executive_Summary.pdf [Accessed 18 April 2016].

Government of India (2013) *State of Slums in India – A Statistical Compendium 2013* [Online]. Available from: http://www.nbo.nic.in/Images/PDF/Slums_in_India_Compendium_English_Version.pdf [Accessed 18 April 2016].

KPMG (2014) *Decoding Housing for All by 2022 – India's Commitment to Inclusive, Sustainable, and Affordable Development* [Online]. KPMG. Available from: https://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/Decoding-Housing-for-all-2022.pdf [Accessed 27 April 2016].

Kumar, A. (2016) India's Residential Rental Housing. *Economic & Political Weekly*, LI (24), pp. 112–120.

Meadows, D. H. & Club of Rome eds. (1972) *The Limits to Growth; a Report for the Club of Rome's Project on the Predicament of Mankind*. New York: Universe Books.

Mitlin, D. & Satterthwaite, D. (1996) Sustainability, the Environment and Urbanization. In: Pugh, C. ed., *Sustainability, the Environment and Urbanization*. Earthscan, pp. 23–62.

MoHUPA (2011) *Report Of The Technical Group On Urban Housing Shortage (TG-12) (2012-17)* [Online]. New Delhi. Available from: http://www.nbo.nic.in/Images/PDF/urban-housing-shortage.pdf [Accessed 18 April 2016].

MoHUPA (2016a) *Annual Report 2015-2016* [Online]. New Delhi: Ministry of Housing and Urban Poverty Alleviation. Available from: http://mhupa.gov.in/writereaddata/ANNUAL%20REPORT%20ENGLISH%202015-16$2016Jul22142029.pdf [Accessed 7 March 2017].

MoHUPA (2016b) Pradhan Mantri Awas Yojana – Housing for All (Urban). Scheme Guidelines, 2016 Revision [Online]. New Delhi: Government of India. Available from: http://mhupa.gov.in/writereaddata/HFA_guidelines_March2016-English.pdf [Accessed 9 February 2017].

MoHUPA (2017) *Pradhan Mantri Awas Yojana (Urban) – Housing for All (HFA). State Wise Progress (Including RAY & CLSS Component)* [Online]. New Delhi: Ministry of Housing and Urban Poverty Alleviation. Available from: http://mhupa.gov.in/writereaddata/PMAY_%20Progress.pdf [Accessed 28 August 2017].

O'Connor, M. (2006) The "Four Spheres" Framework for Sustainability. *Ecological Complexity*, 3 (4) December, pp. 285–292.

Parekh, D. (2014) Affordable Housing in Urban India. In: Ahluwalia, I. J., Kanbur, R. & Mohanty, P. K. ed., *Urbanisation in India: Challenges,* *Opportunities and the Way Forward*. New Delhi: SAGE Publications India, pp. 296–318.

Patel, S. (2017) Indian Urban Housing Policy and PMAY.

Patel, S. B. (2016) Housing for All by 2022 – Assignment Delivered, Accountability Nil. *Economic & Political Weekly*, 51 (10) March, pp. 38–43.

Patel, S. & Mandhyan, R. (2014) Impoverishment Assessment of Slum Dwellers after Off-Site and on-Site Resettlement: A Case of Indore. *Commonwealth Journal of Local Governance* [Online], (15). Available from: http://epress-dev.lib.uts.edu.au/journals/index.php/cjlg/article/view/4065 [Accessed 26 April 2016].

Rao, P. (2015) Housing For All: How Do We Do It ? *The Indian Express* [Online], 21 March. Available from: http://indianexpress.com/article/india/india-others/housing-for-all-how-do-we-do-it/ [Accessed 17 February 2017].

Shaw, A. (2017) The Challenges of Urbanization in India: Towards a More Humane Urbanism [Online]. Santiniketan, West Bengal, India. Available from: https://ncgg-new.princeton.edu/file/306/download?token=1LG6PWuO [Accessed 13 February 2017].

Smith, R. & Narayanamurthy, S. (2008) Prefabrication in Developing Countries: A Case Study of India [Online]. In: *Without A Hitch: New Directions in Prefabrication Architecture, 2008*. UMass, Utah, pp. 48–53. Available from: http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1006&context=wood [Accessed 17 February 2017].

The Economist (2017) India's Hostels for the Upwardly Mobile. *The Economist* [Online], 23 February. Available from: http://www.economist.com/news/business/21717429-road-indian-prosperity-paved-cheap-and-cheerful-hostels-indias-hostels [Accessed 27 February 2017].

The Hindu (2016) Need to Adopt Prefab Tech to Provide Housing for All: Naidu. *The Hindu* [Online], 1 November. Available from: http://www.thehindu.com/news/cities/Delhi/Need-to-adopt-prefab-tech-to-provide-housing-for-all-Naidu/article15471250.ece [Accessed 17 February 2017].

Tiwari, P. & Rao, J. (2016) Housing Markets and Housing Policies in India. *ADBI Working Paper 565* [Online]. Available from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2767342 [Accessed 21 June 2016].

Tosics, I. (2004) European Urban Development: Sustainability and the Role of Housing. *Journal of Housing and the Built Environment*, 19 (1), pp. 67–90.

UN-Habitat (2003) *Rental Housing: An Essential Option for the Urban Poor in Developing Countries*. Nairobi: United Nations Human Settlements Programme.

UN-Habitat (2015) *Housing at the Centre of the New Urban Agenda* [Online]. Nairobi. Available from: http://unhabitat.org/wpdm-package/housing-at-the-centre-of-the-new-urban-agenda/?wpdmdl=116750 [Accessed 9 November 2016].

UN-Habitat (2016) *Urbanization and Development - Emerging Futures. World Cities Report 2016* [Online]. Nairobi: UN-HABITAT. Available from: http://wcr.unhabitat.org/wp-content/uploads/sites/16/2016/05/WCR-%20Full-Report-2016.pdf [Accessed 16 December 2016].

United Nations (2015) *The Millennium Development Goals Report 2015* [Online]. New York: United Nations. Available from: http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf [Accessed 23 September 2016].

United Nations (2016) New Urban Agenda - Draft Outcome Document for Adoption in Quito, October 2016 [Online]. Available from: https://www2.habitat3.org/bitcache/97ced11dcecef85d41f74043195e5472836f6291?vid=588897&disposition=inline&op=view [Accessed 27 October 2016].

United Nations, Department of Economic and Social Affairs & Population Division (2014) *World Urbanization Prospects: The 2014 Revision : Highlights*.

United Nations, Department of Economic and Social Affairs & Population Division (2015) *World Population Prospects: The 2015 Revision, Key Findings and Advance Tables* [Online]. ESA/P/WP.241. Available from: https://esa.un.org/unpd/wpp/Publications/Files/Key_Findings_WPP_2015.pdf [Accessed 29 August 2016].

Vos, R. O. (2007) Defining Sustainability: A Conceptual Orientation. *Journal of Chemical Technology & Biotechnology*, 82 (4) April, pp. 334–339.

Watson, S. (2016) *Without Resourcing India's 'Housing for All' Closer to No Housing at All* [Online]. cogitASIA CSIS Asia Policy Blog. Available from: http://cogitasia.com/without-resourcing-indias-housing-for-all-closer-to-no-housing-at-all/ [Accessed 26 April 2016].

WCED (1987) *Report of the World Commission on Environment and Development: Our Common Future* [Online]. Available from: http://www.ask-force.org/web/Sustainability/Brundtland-Our-Common-Future-1987-2008.pdf [Accessed 21 September 2016].

Wheeler, S. (1998) Planning Sustainable and Livable Cities. *The city reader*, 2, pp. 434–445.

Winston, N. & E. Pareja, M. (2008) Sustainable Housing in the Urban Context: International Sustainable Development Indicator Sets and Housing. *Social Indicators Research*, 87 (2) June, pp. 211–221.

Urbanization, slum growth and the challenges posed by a low-income habitat

By Zaigham Mahmood Rizvi

1. Population growth and urban living

The world's biggest concern is the burden of ever increasing population. With around 7.5 billion people presently on the face of the earth, the habitable land on the globe is already over populated and density is increasing in terms of Persons/Sq.KM. This burden of population, among many other things, is greatly disturbing the people's right to live respectfully and in a decent habitat. Among the basic social needs i.e., food, clothing and shelter, having shelter is one of the three most basic requirements of the people.

Meeting the basic social needs, food, clothing and shelter is a primary responsibility of the state. However, they may not be sufficiently met for the economically weaker segments of society, for whom nature is providing food and clothing to a great extent. But there are issues in housing, in relation to providing shelter for the people, more so for low-income segments and the groups at the bottom-of-the-pyramid. The availability of homes is not in the hand of nature; it is the role and responsibility of the people, the society and the state. At the rate at which the world population is growing, the supply and availability of housing is not matching the pace of demand. There are basically two reasons for the increase in housing need and the multiplication of the problems relating to housing: firstly, the increase in population in geometric multiplication, and secondly the rapid migration of great numbers from rural areas to urban areas to pursue various economic objectives; the phenomenon commonly known as urbanization. Overall population growth and rapid urbanization are reasons why numbers of homes are not increasing in the same ratio as the growing need for minimum to reasonable standard housing.

Coming back to the issue of the population, as stated earlier, the present population of the world is estimated at 7.5 billion, which is expected to be hovering around 10 billion by 2050. Worldwide, some 830 million people live in urban slums, and by 2020 it is estimated that the world's slum population will exceed 1 billion (one out of seven people on the globe). Slum dwellers grew from 777 million to 830 million during 2000-2010. It may, however, be mentioned here that, in the wake of the efforts to realize Millennium Development Goals [MDG] goals, 227 million people have so far moved out of slums.

The global proportion of urban dwellers in 2010 was 51%, which will reach 61% by 2030, which in turn means that three out of four would be urban dwellers by 2050. Major metropolitan areas in developing countries are expected to absorb 95% per cent of urban growth in the next two decades, increasing the slum population by nearly 500 million between now and 2020. Because of this unstoppable urban growth, globally more than a billion plus people would live in slums – that is, one out of seven people would be living in slums by that time. Unless urgent initiatives are taken, 1.4 billion people will live in slums by 2020. Cities account for some 70% of global GDP and city slums are often economically vibrant; around 85% of all new employment opportunities in the world occur in the informal economy burgeoning in slum areas (case of Dharavi, the Mumbai Slum)[1].

A neighborhood walk: *A young girl strolls along a leaky water pipe through Dharavi's industrial district*

Eking Out a Living: *The chance to earn a few dollars a day and save for family and future draws laborers from across India to Dharavi, where off the books, largely unregulated industries annually churn out some 500 million dollars' worth of goods. In the Kalyanwadi tanning district, workers handle dry cowhides that will end up as purses and jackets stitched with fake designer labels. Often the work is dirty and punishing.*

Bowled Over: *A potter's son surveys a yard paved with drying clay bowls, the traditional work of the Kumbhar caste, who set up their communal clay pits and kilns in the 1930s. The Kumbhars fear that any slum renewal will shrink their space or force them to relocate.*

Dirty Laundry: *At a laundry pool grimy with sewer runoff. Laborers from the state of Andhra Pradesh make clothing at ten cents per piece.*

[1] Source: Homeless International http://www.homeless-international.org/About-Slums

Presently, in Asian countries like India and Pakistan nearly one third of the population lives in urban areas (rural/urban divide), that require much better amenities and facilities from the already over-stretched infrastructure of those cities, which deprives them of a respectable living. By 2030, this population will be 60% of total population. Half of this urban population is compelled to live in poor conditions, in non-decent housing and slums. The rural areas and smaller towns in most of countries in Asia are not well equipped with social infrastructure like health and education, physical infrastructure like roads and transport, communication infrastructure and above all availability of any meaningful economic activities for economic empowerment of the habitat.

Factors contributing to urban migration are, greater economic growth, socio-economic disparity between smaller towns and metropolitans, rising income levels, employment opportunities, workers migration to urban areas for better work opportunities, the occupational shift from agriculture to manufacturing and services, changing attitudes towards consumption and better life style, changing family culture and shrinking of household size etc. The fact remains that almost half of the world's population lives on less than $2.50 a day, and four out of five people earn below $10 a day. The World needs 4,000 houses an hour to keep up with incremental demand due to population growth (UN-Habitat). Whereas supply does not match this due to the lack or deficiency of rural housing policies, and this problem is adding fuel to the fire. There is no denying the fact that adequate housing is vital to the health of the world's economies, and better community living. If we are to succeed in our fight against poverty, we must support the expansion of housing both as policy and as practice for socio-economic empowerment.

2. Population and housing challenges: Asia-Pacific Region

This region represents more than a quarter of the world's population, and half of the poor on the planet. The Asia-Pacific region, including China, represents half of the world's total population. But this region is still among the lowest in terms of the level of mortgage finance. The average Mortgage Debt to GDP Ratio is 3.3. The region is faced with a massive housing shortage; India alone faces an urban housing shortage of 18 million, down from 27 million in early 1990s. Pakistan is stated to have an overall housing backlog of 11-12 million, with an urban housing backlog at 4 million. Nearly the entire urban shortage is in the low-income category.

A glimpse of the density of selected regions as measured by persons per room is as follows:

India/Pakistan	3.5
EU	1.1
USA	0.5

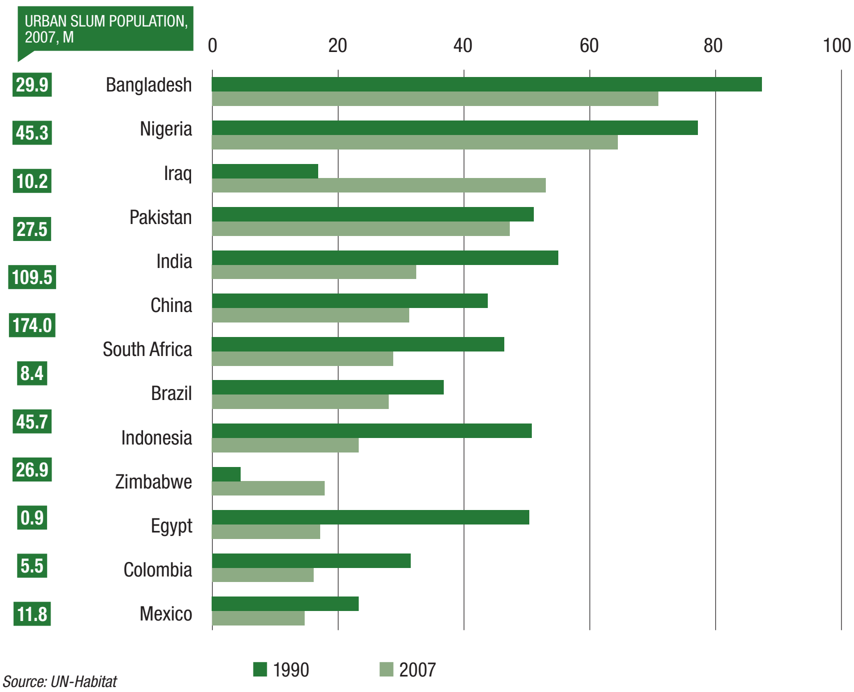
Within a national or regional average there may be wide variations in density, with some areas having much higher density than the average. A visit to the slums would indeed substantiate this view.

3. Causes of the growth of slums

The rapid increase in urban areas and urban populations coerces the less privileged people to arrange for an unplanned habitat, as the increase in planned housing does not always keep pace with the increase and influx of population in the urban areas. At the same time, the existing habitable structures may also be going through depletion for various reasons, whereas most assessments of the housing backlog and incremental demand do not even account for the housing stock going out of service due to depletion over longer periods. For example, in the case of Pakistan, if we consider depletion of stock considering the useful life of a housing unit as 100 years, the incremental demand due to depletion of the existing stock will move up by 0.2 million i.e., from 0.7 to 0.9 million units, whereas against this the overall yearly housing supply is assessed at 0.3 million only. At the same time, a cultural and demographic phenomenon might also be at work to force the household size to shrink, thus increasing housing demand further for the same population. Household size in India is taken as 5.5 persons per household, whereas in Pakistan it is considered to be 6.6. In Pakistan as well, the household size is bound to go down, thus increasing the housing demand even for the same size of population. In Afghanistan, with a household size of 8 plus, and a dominant culture of extended families living under one roof, the situation may be even more alarming. This may be because of enhanced affluence, increased income and improved social and cultural requirements. The culture of extended families is shrinking in the region. Due to the absence of urban planning, linked with housing issues and massive urbanization, the cities are growing in circles around circles within the existing cities, rather than developing new cities and satellite towns. This result is densification, habitat congestion and increase in slums.

Slums prevalence, a global perspective: The chart below shows that, though slums prevalence has improved in some countries in 2007 as compared the situation prevailing in 1990, yet in some other countries, particularly in war ravaged ones like Iraq, the situation has even worsened.

Figure 1 Percentage of urban population living in slums in some selected countries in 2007 vis-a-viz 1990



Source: UN-Habitat

4. Why slums prevail and expand

Land prices and higher rental rates normally attract economically weaker segments to settle in suburbs/illegal habitats which have no civic amenities, transport facilities, and utilities etc. People from the low-income segment also generally prefer to live close to their place of work, which results in the emergence of illegal habitats/slums. They normally prefer to move to slums in inner circles of cities, which provide all these amenities, thus leading to the growth of slums in inner cities. From a wider perspective, it has also been seen that, failure of city planners and developers in redefining city limits (Zoning Limits) with progressive Master Plans (urban/rural re-zoning) is also a driving factor for the emergence of slums. Lack of integrated housing or its absence and inadequate levels of urban development are also an important factor in the proliferation of slums. Urban planners need to take innovative approaches in urban planning to address issues of rapid urbanization, remove or at least minimize housing shortage backlog and address the relationship between housing costs and household incomes to promote improved affordability.

Urban planners and developers also need to address the issue of densification of city habitation in circles within the center of the city or where the amenities and better commuting systems are already in existence. The solution would lie in facilitating serviced land availability, more efficient use of the available land, re-zoning of available land, and more importantly, developing sufficient and efficient city commuting systems (Smart Habitat), so that people can easily commute between their residence and work place.

For the resettlement and rehabilitation of existing slum areas, the planning and development of new neighborhood/satellite towns equipped with physical, social infrastructure, transport etc. is needed. To make all this possible, proper and purpose-built platforms should be made available for coordination and wisdom sharing between urban planners, housing ministries, regulatory agencies, developers and academia. The business model of public-private partnership may be most viable for the implementation of self-sustainable plans and projects. The Indian State of Rajasthan offers 5 different PPP-Models to address the challenge of low-income affordable housing. More success stories and business models are available in countries of the region and around the globe.

Slum prevalence in different countries of Asia:

COUNTRY NAMES	SLUMS/POPULATION IN SLUMS
Afghanistan	80% of Kabul's population (2.44 million) lives in slums and/or in damaged/destroyed houses.
Bangladesh	2,100 slums. In Dhaka alone, 2 million people live either in slums or are without any proper shelter.
India	52,000 slums provide housing to 8 million people (about 14% of the total urban population).
Pakistan	Karachi alone has about 600 to 800 slums sheltering 7.6 million people (1 million plus households) out of the total around 18 million population of the city.
Sri Lanka	A considerable share of the population of Sri Lanka lives in plantations, slums or shanties.
Mongolia	51% of the population resides in temporary 'ger' dwellings.
Indonesia	17.2 million Families live in approximately 10,000 slum areas.

5. Housing shortage and urban planning

Urban planners need to address the above challenge, which is growing gradually to alarming levels, in a more scientific, professional academic and comprehensive manner. Some of the key considerations are:

- Innovative approaches in urban planning to address issues of rapid urbanization, housing backlog and cost/income affordability.
- Regulations on densification: Inner city expanding in circles around circles results in further densification. Issues of rezoning, development of "Serviced Land" etc.
- Alternative options to act against slums prevalence, expansion, and inefficient use of land.
- Resettlement and Rehabilitation Projects
- Plan and develop new neighborhood/satellite towns equipped with physical, social infrastructure, transport etc.
- Platform for on-going coordination and wisdom sharing between urban planners, housing ministry, developers and academia
- Business model of Public-Private Partnership for viable, self-sustainable plans and projects
- Integrate role of Academia, Research Centers etc.

6. Self-sustained and sustainable housing communities

As already stated earlier, slums can be found in almost all the developing countries, and this presents a big challenge to governments and city planners. Some works are being sporadically done and some are still at the academic stage. This paper is an effort to provide some food for thought and some way to get the issues resolved on the ground through slums upgradation, rehabilitation and resettlement of projects/programs. Firstly, there is the need to provide housing to the existing slum dwellers that is adequate for decent living through slums improvement, rehabilitation and resettlement programs. Secondly there is the need to prevent the sprouting of new occurrences through integrating urbanization, urban planning and housing programs. Slum dwellers are, therefore, need to be provided with sustainable housing solutions in self-sustaining living communities, which would be equipped with the following:

- Social Infrastructure:
- Health, Education, Community participation
- Physical Infrastructure:
- Internal: Roads, Electricity, Sewerage, Water, and Playground
- External: Roads, Communication, Transport
- Economic Infrastructure: Commercial opportunities.
- Location: maximum one hour commuting time to job
- Energy efficient affordable housing
- If off-grid, then equip communities with alternate energy sources

Affordable housing should be more than just a roof over someone's head – it creates solutions that help residents and strengthen communities.

Self-sustaining communities: developing slums into decent habitats

THE CASE OF THE COMMUNITY ORGANIZATION DEVELOPMENT INSTITUTE (CODI) OF THAILAND

- CODI was established in 2000.
- It is a public-sector organization having flexibility in organizational management.
- The main objective is to strenghten poor community organizations and Community Welfare.
- It undertakes city-wide slum upgrading ("Baan Mankong").

- It also undertakes poverty alleviation (Supporting communities in savings, credits, loans and community development planning, etc.).
- It assists in setting up of Community Organization Councils throughout the country.
- It promotes natural resource management, sustainable agriculture, solving??? land and housing disputes.
- The aim is to make people, not CODI, the owners and key actors of the process
- It coordinates with govt. agencies, NGOs and other civic groups
- To promote community-based savings and make use finance as a tool for development

7. Supply-side challenges of low income housing [LIH]

Primary challenge on low-income housing emerges from its supply-side. Unless the stakeholders sit on a common platform and set out the issues which are main impediments to ensuring large scale supply of LIH on a viable and sustainable manner, the shortage of supply will push the housing prices to levels of non-affordability for economically weaker segments of the society [EWS]. Some of the issues and possible answers are:

- **ISSUE:** Supply of serviced land at affordable price: Availability of well-connected affordable land remains the main concern in major metropolitans/cities of Asia. Affordable land is often not well connected to transportation and other public services.

  ANSWER: External Infrastructure support, in terms of physical and social infrastructure, to be a part of affordable supply of "serviced land" by the state.

- **ISSUE:** Rising Construction Costs: According to developers across cities in India, their construction cost on yearly basis has increased by 15-20%. LIH is a 'low-margin' business, so not attractive, more so in case of delays.

  ANSWER: Fiscal support in terms of waiver of sales tax, import duties, and other levies.

- **ISSUE:** Lengthy and Complex Approval Process: This impacts construction timelines, project IRR, pricing. The approval fees/costs further add to the unit price.

  ANSWER: Simplified approval procedures, online status, monitoring, waiver or discount of approval fees etc.

- **ISSUE:** Developer /Construction finance from financial institutions and capital markets is not easily accessible due to absence of developer finance regulations in most of the countries. Developers fund the projects through short term in-house funding or through customer finance.

  ANSWER: The Central Banks and Securities Commission/Boards to play a proactive role in facilitating market-based supply of Long Term Funding for the developers.

- **ISSUE:** Absence of or insufficient Fiscal Support to LIH projects.

  ANSWER: Business Models of indirect Cross-Subsidies and direct Smart Subsidies to LIH/EWS projects will provide fiscal incentives to developers

- **ISSUE:** Absence of or insufficient Regulatory Support to LIH/BoP Segments.

  ANSWER: Regulatory incentives in terms of FARs, and wherever permissible, relaxation in Building Codes etc. without compromising on strength and quality parameters.

In terms of external infrastructure: Governments need to ensure that undeveloped land for LIH Projects is supported by way of external infrastructure in terms of roads, transport, communication etc., as well as provision of health and education- From "Raw Land' to "Serviced Land" At the initial stage of LIH Project, public transport must also be provided.

Non-availability of Low-Cost Construction Technologies is a problem. The Developers should be provided with facilities and supported to import and indigenize Low-Cost Construction Technologies for manufacturing scale production. The Government should also promote indigenized development and production of Low-Cost construction materials and regulate standardization of CMIs for use in LIH Projects.

The development projects and the developers are of small size, thus denying the benefits of economies of scales, and use of proven low-cost construction technologies. Manufacturing scale provides economies of scale.

Electricity Poverty in Off-Grid and Under-Served Habitats are common issues in most of the areas of the world under our discussion. Use of renewable energy options, primarily solar energy can make an important contribution in mitigating the prevailing conditions there. The intelligent use of (International Finance Corporation)-IFC's Lighting Global Program using solar lights, solar fans and community based solar water pumps is already playing an effective role in this regard.

8. Demand-side challenge of LIH

Housing affordability from the aspect of affordable mortgages for different income levels and income patterns is determined by some of the following factors:

- Mismatch of Monthly Mortgage versus Income Affordability: At lower income levels, propensity to save is low and fragile.
- Income assessment issues, informal income, issue of family versus individual income etc.
- Income sustainability for long term remains an issue, while longer tenors are needed to make mortgages affordable.
- Poor prefer FRMs, the Lenders prefer ARMs.
- Long term liquidity/Funding challenges.
- Issues of title verification, lien registration costs/fees, lengthy and complex foreclosure process.
- Cost efficient loan delivery and servicing.
- Awareness on mortgage programs and fiscal/regulatory provisions.
- Specialized HFCs are needed to finance Low-Income Segment.
- Commercial banks [CBs] prefer middle and high-income market- low-income housing finance by CBs be placed under priority lending regulations.
- Housing Microfinance Institutions for BoP/EWSs.
- Ensure outreach and financial inclusion to low-income segments, through innovative channels like Physical Branches, Virtual Branches, Service Agents, Housing Finance Service on Wheels etc.
- Customers' lack of awareness on affordability, payment terms, registration & clearance of titles, and available fiscal/regulatory support.
- Delay in home delivery leads to simultaneous payment of rent and EMI.
- Provide interest rate subsidy to low-income customers.
- Waive or subsidize levies like VAT, Stamp Duty and Registration Fees for low-income customers.

9. Conclusion

Affordable housing is a major challenge in all developing countries. Developed countries are no exception. The primary issue in addressing the challenge is the supply of affordable and habitable land (serviced land). For a decent habitat, the land must be equipped with basic social and physical infrastructure. The areas/locations available for new affordable and self-contained communities, ironically, are either un-electrified or under-electrified, the solution for this problem lies in the provision of alternate energy sources like solar, wind, biomass etc. Out of these, solar is the most appropriate option, since it can be provided on a very small scale in the form of solar lanterns, solar home solutions, solar water pumps, etc.

There is a tremendous need for wisdom and sharing of experience at regional and global level for the prevention and eradication of slums, which is extremely challenging due to the huge volume of slums prevailing around the world. Extensive engagement by housing stakeholders with wisdom sharing platforms like the International Union for Housing Finance [IUHF], African Union for Housing Finance [AUHF] and Asia-Pacific Union for Housing Finance [APUHF] can make a genuine difference.

A place apart? Trends and challenges in the Northern Ireland housing market

By Karly Greene and Heather Porter

1. Introduction

If proof were needed that there is no such thing as a homogenous 'UK housing market', it is only necessary to look to the events of the last decade in Northern Ireland, where socio-economic and political developments have interacted to create a number of challenges for households and policy-makers alike that are unique among the UK nations. Here we consider the complex set of issues facing the region's housing sector – which include the overhang of the house price boom (and subsequent bust) of a decade ago, the political deadlock in the region's devolved administration, Brexit, and Northern Ireland-specific out-workings of the UK-wide welfare reform agenda – and what these mean for the availability and provision of affordable housing in the immediate future.

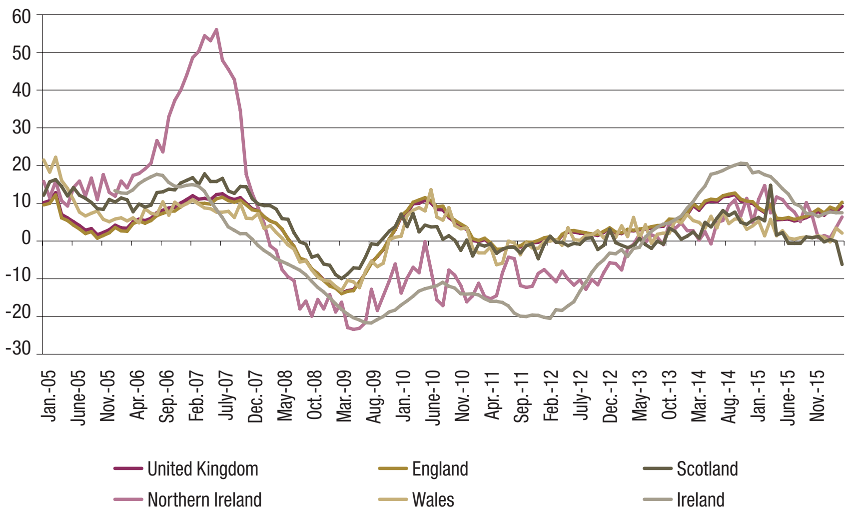
2. Recap: Boom, bust and gradual recovery

Northern Ireland has traditionally been one of the cheapest regions of the UK in which to purchase a home; for many years house prices were insulated from normal cycles of growth and contraction by a combination of factors, not the least of which was the ongoing conflict in the region. Until after the turn of the new millennium, the general trend was for steady but unspectacular house price growth, broadly in line with Northern Ireland's relatively low wage structure and the overall rate of inflation. However, the years leading up to 2007 saw an unprecedented boom in prices, which resulted in Northern Ireland briefly becoming the third most expensive region of the UK in which to buy a home. This price inflation was the result of both generic and Northern Ireland-specific factors including: income growth; financial drivers such as mortgage rates and loan facilities; perceived returns on residential investment (and an associated upsurge in buy-to-let investment); specific features of the Northern Ireland planning system; cross-border influences from the Republic of Ireland; and the longer term dividend effects on the housing market and economic confidence from the peace process (NIHE, 2007).

However, with the onset of the global financial crisis, Northern Ireland's housing boom came to an abrupt end; in 2008 the volume of open market transactions was more than 60% lower than in 2006, and the peak-to-trough price correction between the third quarter of 2007 and the equivalent quarter in 2013 was around fifty per cent. Figure 1 illustrates both the magnitude of change in house prices in Northern Ireland before and following the global financial crisis, and the extent to which the degree of change in the region diverged from other parts of the UK and the rest of the island of Ireland. While the spike in house price growth in Northern Ireland was not replicated elsewhere, it is interesting to note that the extent and duration of house price decline in the region following the global financial crisis appear more in line with the trends in the Republic of Ireland than other UK regions. Although there was some evidence of cross-border investment in housing during the property boom, it is more likely that the similarity in patterns reflects the fact that both Northern Ireland's housing market and the whole Irish economy experienced dramatic downturns at the same time rather than the result of strong inter-connection between housing markets in the two jurisdictions.

In more recent years, the rate of activity in the housing market has re-aligned with pre-crash trends and house prices in the region have returned to a more sustainable pattern of low growth, with prices at a level much more in keeping with the region's economic fundamentals and wage levels.[1] The most recent data

FIGURE 1 Percentage change on a year earlier – average house prices in UK, England, Scotland, Wales. Northern Ireland and Ireland



Sources: Department for Communities and Local Government (data series now discontinued); Central Statistics Office

[1] The most recent Northern Ireland Annual Survey of Hours and Earnings (ASHE) (NISRA, 2017a) showed that in April 2017 median gross weekly earnings for full-time employees were £501. Although this was the first time this indicator had exceeded £500, Northern Ireland earnings remained the third lowest of the 12 UK regions, with median gross weekly earnings in the region equating to 91% of the UK average, and the 2017 figure for Northern Ireland represented a 1.0% decrease over the year, when adjusted for inflation.

indicate that the average price of houses sold during Q3, 2017 was around £160,800 (Ulster University, 2017), and that around one quarter of properties sold were priced at £100,000 or below; Northern Ireland is once again one of the more affordable regions in the UK for first time buyers to purchase a home.

This is borne out by lending data, which show that loans to first-time buyers have accounted for around three fifths of all loans for home purchases each year since 2012 (the equivalent figure in 2007 was around one third), and by an affordability analysis carried out for the Housing Executive by Ulster University. This affordability index takes account of key variables including income, house prices, mortgage term, mortgage interest rate and loan to value ratio, and also seeks to reflect the need for access to larger deposits in a changed lending environment, by bringing together two related measures:

- A repayment affordability index, which uses the concept of an 'affordable limit' to capture the ratio of the maximum allowable loan to income and assumes that the maximum proportion of monthly income that can be dedicated to mortgage repayment is 35%; and
- An access deposit gap, which measures the level of deposit required using the first quartile (25th percentile) house price, and overall net (disposable) income. This is used to calculate a savings ratio to determine the length of time it would take to amass a deposit, based on market prices and median income.

The latest analysis (NIHE, 2017a) examined the trends for 2016 and presented a mixed picture. Marginal interest rate decreases in the first-time buyer lending environment had resulted in a slight increase in the maximum ability to borrow, which helped improve first-time buyer repayment affordability in most regional sub-markets between 2015 and 2016. However, both the amount of disposable income required as a deposit and the length of time required to save the necessary amount increased between 2014 and 2016. Overall, on the basis of deposit indicators, affordability worsened in Northern Ireland between 2015 and 2016.

While the house price correction over the last decade was necessary, and particularly welcome for prospective first-time buyers, the impacts and repercussions of the anomalous housing market conditions in the run-up to 2007 are still evident. Lasting impacts include a legacy of high levels of debt and negative equity for a cohort of households who purchased at the height of the housing market and changes in the tenure distribution of the housing stock.

3. Lasting legacies (1): negative equity and housing debt

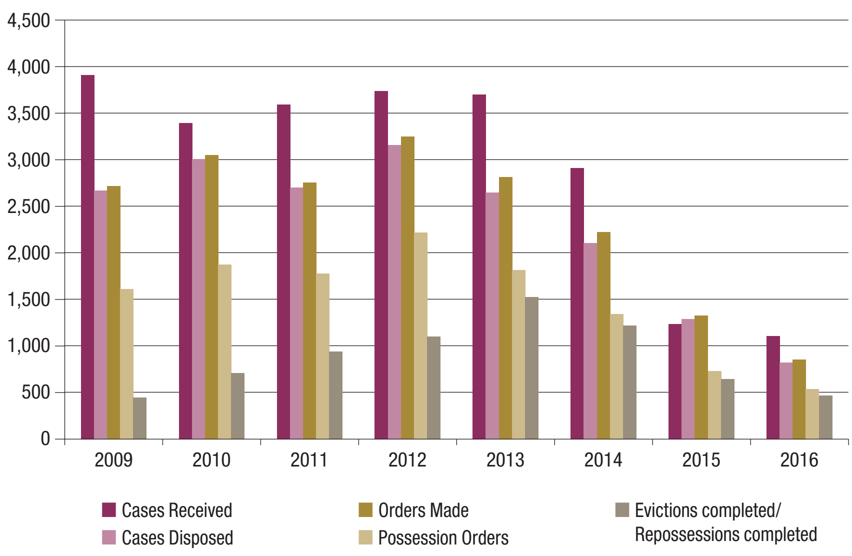
Evidence collected by the Housing Repossessions Task Force, which was set up by the Department for Social Development[2], indicated that in 2014 more than one third of households with mortgages in Northern Ireland had low or negative equity, with the proportion rising to 41% among borrowers with mortgages advanced since 2005; by way of comparison, the equivalent rates for the latter group in London and the north of England were one per cent and 16% respectively (DSD, 2015). In addition, the Task Force found that 'the large level of arrears and debt overhang in Northern Ireland posed a risk to the *sustainability of households' financial position, the functionality of the housing market and the durability of economic expansion'* (DSD, 2014, emphasis added). Updated figures reported by CML in 2017 suggested that the number of borrowers in negative equity had declined to 25,000 by mid-2016, although this was still the equivalent of 10% of all regulated mortgages in Northern Ireland, with an average shortfall of £32,000.

While the number of repossessions completed peaked in 2013 (Figure 2)[3], there remain concerns about the extent to which low income home owners with mortgages are vulnerable to changes in income and interest rates and the situation of 'mortgage prisoners', who are unable to switch mortgage products due to negative equity and/or no longer qualifying for a loan under new mortgage regulation (Wallace et al, 2017). In addition, there is a dearth of information on both the number and repayment plans of households with interest only mortgages, for whom a spike in the number of term expiries looms in 2022.

4. Lasting legacies (2): changing tenure structures

Successive Northern Ireland House Condition Surveys have documented the changing tenure distribution of Northern Ireland's housing stock over several decades. After steady growth since the early 1970s, the rate of owner occupation peaked in the early years of the new millennium

FIGURE 2 Mortgages – Actions for possession in Northern Ireland, 2009-2016



Sources: Northern Ireland Courts & Tribunals Service/NISRA

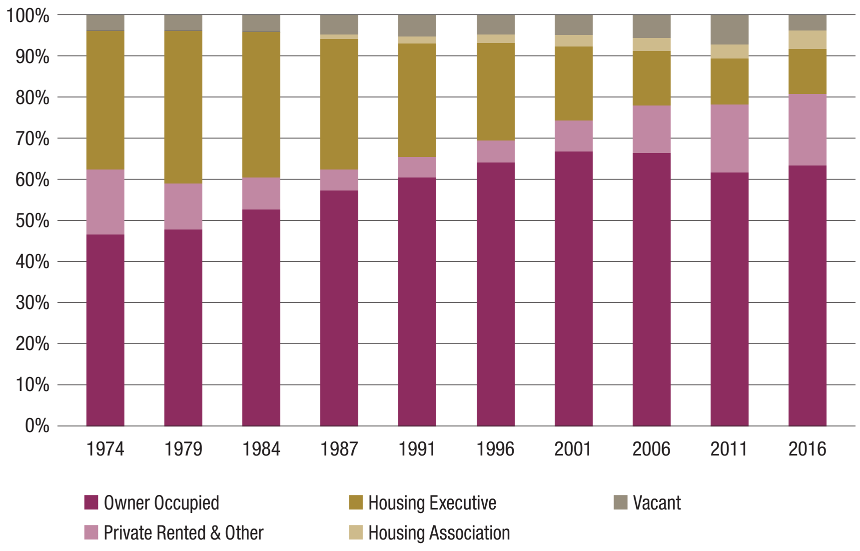
[2] The Northern Ireland Executive's Department for Social Development (DSD) had strategic responsibility for urban regeneration, community and voluntary sector development, social legislation, housing, social security benefits, pensions and child support. In May 2016, as part of the 'Fresh Start' Agreement between the political parties in Northern Ireland, Northern Ireland's government departments were restructured and the functions of the DSD were amalgamated with work streams from a number of other departments into the new Department for Communities, which has a wider remit, including housing.

[3] In cases where the owner (defendant/respondent) defaults on their mortgage payments, the lender (claimant/plaintiff) initiates legal proceedings for an order of possession of the property. Most actions begin with the issue of originating proceedings by the claimant against the defendant. A variety of orders can be made, including a possession order. Not all writs and originating summonses lead to eviction or (re)possession, and even where an order for eviction is issued the parties can still negotiate a compromise to prevent eviction. In circumstances in which the defendant refuses to either engage with the plaintiff or leave the property, the plaintiff may enforce the order through the Enforcement of Judgments Office (EJO).

before falling slightly, so that by 2016 the overall rate was back in line with the proportion in 1996. However, as Figure 3 illustrates, the last two decades have seen substantial change in the tenure balance of the rest of the stock. A trend that replicates patterns across the British Isles has been the substantial growth in Northern Ireland's private rented sector, both in absolute terms and as a proportion of the housing stock; the number of privately rented dwellings increased by 68% between 2006 and 2016, and by 175% between 2001 and 2016, mainly due to a surge in buy-to-let investment as house prices increased in the early 2000s. Meanwhile, over the two decades from 1996, the proportion of stock that was socially rented fell from around one quarter (26%) to 15%. As the chart shows, the Housing Executive stock, in particular, has been in consistent proportionate (and numerical) decline due to the combined effects of the House Sales Scheme (by October 2017, the Housing Executive had sold 120,000 dwellings) and the transfer of responsibility for the construction of all new social housing to the housing associations from the late 1990s. What is not obvious from the chart is the substantial decrease in new housing supply between 2011 and 2016 – when the overall stock increased by around 20,000 dwellings to 780,000 – compared with the five-year period from 2006, during which the estimated total stock grew by 55,000. At around 6,500, the number of new dwelling completions in 2016 (DoF, 2017) was around 20% higher than in each of the previous five years, and was more in line with the most recent Northern Ireland Housing Growth Indicators[4] (DfI, 2016), which were formulated using 2012-based household projections and indicated a need for between 5,500 and 7,200 new homes per annum across all tenures until 2025. It is worth noting that a significant proportion of the overall number of completions (peaking at almost one third in 2013/14) has been accounted for by social housing; the power-sharing Government has thus far retained a strong capital commitment to housing and the five-year draft Programme for Government outcome over the period from 2016 to 2021 is for the provision of 9,600 new social dwellings.

The current structural context therefore demonstrates both similarities to and differences from the picture in other UK regions. While the pattern of house price change in the early 'noughties' in Northern Ireland was out of keeping both with historic trends in the region and events in other parts of the UK and Ireland and has left a greater legacy of uncertainty for some existing home owners, the overall changes in tenure distribution are in line with patterns across the British Isles. As well as these structural issues, a number of other inter-related policy and circumstantial factors have implications for the housing market, affordability and the provision of affordable housing in the region.

FIGURE 3 Northern Ireland housing stock by tenure (%), 1974-2016



Source: Northern Ireland House Condition Survey, 1974-2016

We turn now to consider what 'affordable housing' means in the Northern Ireland context, before outlining four key challenges that are likely to impact on future outcomes: the reclassification of housing associations into the public sector, the political impasse in Northern Ireland, Brexit and welfare reform.

5. Affordable housing in Northern Ireland

McCord and McGreal (2016) have noted that affordability is an ambiguous concept, and that there is limited consensus on what housing affordability means. The final report of the *Review into Affordable Housing* (DSD, 2007) noted that 'in terms of ability to pay, housing costs should not exceed 35% of gross household income', and this threshold was adopted by Ulster University in creating an index to monitor first time buyer affordability in Northern Ireland. In practice, however, when used in the Northern Ireland policy context, the term 'affordable housing' has referred to two specific segments of the housing market (DSD, 2015b):

- **Social rented housing** provided at an affordable rent by a registered housing association (or the Housing Executive); and
- **Intermediate housing** provided on a shared ownership basis through a registered housing association (e.g. the Co-Ownership Housing Association), helping households who can afford a small mortgage but cannot afford to buy a property outright.

5.1. Social and intermediate housing demand and supply

With the exception of accommodation let on a temporary basis, all housing owned by the Housing Executive and participating housing associations is allocated through the *Housing Selection Scheme*. Applicants are assessed and registered on the Common Waiting List with a number of 'points' according to their individual housing need under four categories (intimidation; insecurity of tenure; housing conditions; and health/social wellbeing). Applicants with 30 or more points are considered to be in 'Housing Stress'. Where the applicant meets certain criteria, including being homeless or threatened with homelessness, they are entitled to full housing duty and referred to as a 'Full Duty Applicant' (FDA). As a general rule, each dwelling that becomes available for letting is offered to the applicant with the highest

[4] Housing Growth Indicators provide an estimate of future housing need in Northern Ireland and are used to designate housing land as part of the local development planning process. The most recent, 2012-based indicators were published in 2016.

points. Figure 4 shows trends in the number of waiting list applicants, allocations, and households/applicants awarded FDA status. Although there has been a slight downward trend in the overall waiting list, both the number of homeless applicants and the number of applicants in housing stress have increased since 2014.

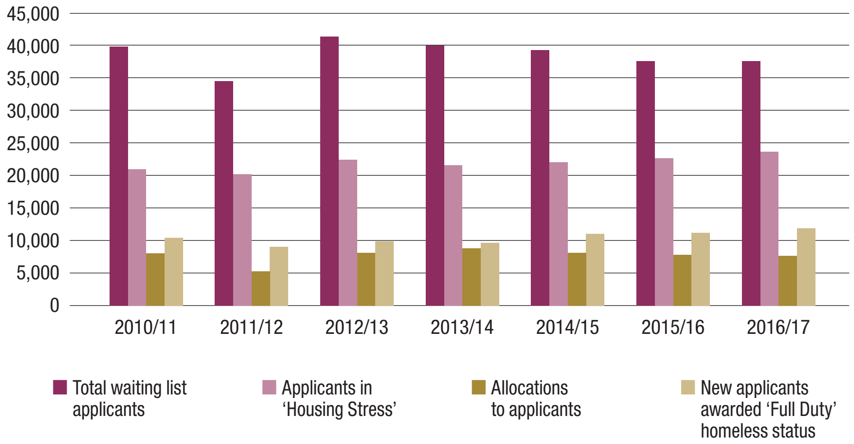
The Northern Ireland Co-Ownership Housing Association (generally known simply as Co-Ownership) was established in 1978 and is the principal 'do-it-yourself' shared ownership scheme for Northern Ireland. By March 2017, 26,600 households had purchased homes through Co-Ownership since the scheme was established, of which almost 18,400 had 'staircased' out to become full owners. Although Co-Ownership had historically been funded by Housing Association Grant and the association's own recycled resources, the association has increasingly drawn on private finance. In 2015/16, for the first time, purchases enabled through the Scheme were facilitated by a mix of Housing Association Grant (£8 million) and Financial Transactions Capital (£25 million). FTC was introduced in 2012-13 by the UK Government as an additional type of capital funding to stimulate private sector investment in infrastructure projects, and is expected to form an increasing part of the Northern Ireland Executive's capital budget in future. Using FTC, Northern Ireland Departments may advance a loan or take an equity stake in a capital project delivered by the private or third sector, with the funds used to invest in related infrastructure. Although FTC is repayable to the Treasury, Departments do not have to repay the full amount initially allocated. It has been used to help stimulate the housing market and housing supply through initiatives including the Empty Homes Scheme, and a total of £95 million of FTC loan funding was secured for Co-Ownership for the period between 2015/16 and 2018/19. In conjunction with private funding, this was expected to help the Scheme deliver more than 2,600 affordable homes over the period.

5.2. Social and intermediate housing providers: private or public?

Around 70% of self-contained social rented housing is owned and managed by the Housing Executive, with the remaining 30% owned and managed by 20 registered housing associations. The number of associations has reduced over the last decade, following a number of mergers which have created larger landlords with increased capacity to access private finance for provision of new social housing (housing association grant currently covers around 50% of the cost of developing a new home). The 2015/16 Global Accounts compiled by PwC for the Northern Ireland Federation of Housing Associations (NIFHA) indicated that:

- at £283 million, housing association turnover was up 10% on the previous year;
- the associations' asset base was worth an estimated £3.3 billion; and
- the housing association sector had drawn on a cumulative total of £769 million in private finance.

FIGURE 4 The waiting list, allocations and 'Full Duty' homelessness in Northern Ireland, 2011-2017



Source: Housing Executive

In contrast to the housing associations (including Co-Ownership), which had been treated as private bodies whose incomes, expenditures and debts did not appear on the national 'balance sheet', the Housing Executive's classification as a quasi-public corporation (landlord functions) and non-departmental public body (for 'regional' functions including Supporting People, homelessness and strategic planning) has meant that it has not been permitted to borrow, as debt accrued by public corporations adds to the UK government's measure of public sector debt. Particularly in recent years, with a reduction in the level of capital receipts from house sales, this has posed significant challenges for the organisation, and the funding gap to meet the estimated requirement of more than £6.7 billion over 30 years to improve the Housing Executive's ageing stock has been one of the key drivers behind the Social Housing Reform Programme[5]. The announcement by the Office for National Statistics in September 2016 that Registered Social Housing Providers (specifically housing associations, including Co-Ownership) in Northern Ireland were also to be reclassified to the public sector and designated as public non-financial corporations was therefore a cause for some concern. The decision was based on the judgement that housing associations should be considered as institutional units, and that a number of legislative provisions giving the Northern Ireland Executive consent and management powers over the associations meant that they were subject to public sector control. The key implications of this decision were that:

a) borrowing by the housing associations, although sourced privately, would be deemed as public expenditure, and would have to be covered in full by the Northern Ireland Executive, effectively halving the number of new homes that could be built each year; and

b) having lost its status as an independent body, Co-Ownership would no longer be able to draw on Financial Transactions Capital, an increasingly important source of funding.

Although organisations have continued with 'business as usual' since the reclassification announcement, both government and the housing sector have been fully mindful of the need to have housing associations removed from public sector accounting at the earliest opportunity. Having already consulted on a lighter-touch, risk-based regulation framework for social housing organisations (DSD, 2015c), the Department for Communities subsequently undertook a review

[5] The Social Housing Reform Programme was announced by the Minister for Social Development in 2013, to review the effectiveness of social housing delivery structures, including the Housing Executive, housing associations and the Department. For more information see https://www.communities-ni.gov.uk/topics/housing/social-housing-reform-programme

of all relevant legislation and brought forward proposals to address any aspects that might influence the classification of housing associations, in particular, and seek reversal of the ONS reclassification decision. A consultation was carried out (DfC, 2016) and the Department has continued to work on the necessary legislation but, to date, progress has been stymied by the political impasse in Northern Ireland.

6. Collapse of the power-sharing Executive

Following a snap election in March 2017, the two main political parties in Northern Ireland have thus far failed to reach an agreement, leaving the region with no government. While it has been business as usual for most government departments and public sector bodies, progress on various issues – including action to reverse the ONS reclassification decision – has been impeded by the absence of departmental ministers to sign off key decisions. At the time of writing, legislation to reverse similar decisions in England, Scotland and Wales was being progressed through the relevant legislatures, but despite cross-party support, no such legislation had been put forward in Stormont; while civil servants in Northern Ireland have drafted a bill for the reclassification to be reversed, this can only be progressed when (and if) a deal is reached and the activity of the legislative assembly resumes. The only other alternative is the passing of emergency legislation through Westminster. This has already been used to enable rates collection in Northern Ireland and to ratify a budget for the region (Belfast Telegraph, 2017) but, given the political sensitivities around devolution and any suggestion of a return to 'direct rule' by the UK Government, it is unlikely that this provision will be used in anything other than the most pressing cases.

Progress on other housing-related issues has also been affected by the political stalemate. For example, Northern Ireland's dwelling fitness levels improved greatly over the last four decades due to significant investment in both the public and private sector stock. By 2016, only two per cent of dwellings were estimated to be legally unfit for human habitation, rendering the fitness measure much less relevant as a guide to policy development. In order to take account of modern housing standards and enable comparisons with other parts of the UK, the Department for Social Development initiated a review of the housing fitness standard (DSD, 2016), putting forward options such as an enhanced standard, or a move to adopting the Housing Health and Safety Rating System (HHSRS), which takes into consideration risks and hazards as well as physical unfitness. Progress on taking this review forward has been stalled by the absence of a responsible Minister. However, the blockages are not confined only to housing issues; as time goes on, the impact of the decision-making vacuum and the absence of a regional government response from Northern Ireland are also becoming more apparent where 'Brexit' negotiations are concerned.

7. Brexit, Northern Ireland and the housing market: a 'known unknown'

When the UK-wide referendum on EU membership was held in 2016, the majority of voters in Northern Ireland (56%) opted to remain in the EU. As the only part of the UK that shares a land border (totalling some 310 miles) with an EU member state, the region is in a unique position, and at the time of writing, the tensions around Brexit, the geographical and political situation in Northern Ireland and the implications for British/Irish relations were becoming increasingly clear. While the practicalities for trade, day-to-day movement and the implications for cross-border bodies and services that have been developed over the last two decades to meet the needs of largely rural communities north and south of the border have, rightly, featured prominently in thinking about the future, there is growing realisation that the withdrawal of the UK from the EU could have much more far-reaching impacts and even threatens to destabilise the fragile peace in Northern Ireland (Burke, 2017; Goodall, 2017). This creates a difficult, uncertain situation, particularly for border regions, where some initial research has already been undertaken to scope the potential impacts of Brexit. One such study considered the situation in the North West (Derry/Donegal) border region – home to around 350,000 people – which would be one of the few city regions within Europe bisected by an EU/non-EU international frontier (UUEPC & Gallagher, 2017). The study cites telemetric data counting the number of vehicles crossing a given point (in both directions) in an hour, which showed that at three key border crossings in the region there were a total of 326,577 journeys per week, or 46,654 journeys per work day. The figures highlight the extent of cross-border movement on a daily basis and were part of a picture of complex cross-border relationships that existed across trade, retail, commuting, tourism and access to public services, suggesting the need for careful consideration of the ramifications for Northern Ireland.

Similarly, a study carried out for the Irish Central Border Area Network [ICBAN] (Hayward, 2017) sought to give a voice to residents on both sides of the border in this predominantly rural area. Again, there was a strong focus on the movement of people and goods, and the report noted that 'Frontier workers and some businesses are already feeling the effects of Brexit, particularly in the exchange rate. Some respondents have already decided to move to the other side of the border in anticipation of future difficulties in cross-border work' (Hayward, 2017 p13). Although neither of these reports, and little of the analysis to date, has focused specifically on housing, it seems reasonable to assume that the UK's withdrawal from the EU may have some impact on housing markets, at least at a localised level.

Another possible impact for housing, both in Northern Ireland and across the UK, is that of rising material costs within the construction industry. Recent statistics (Department for Business, Energy and Industrial Strategy, 2017) indicated that in September 2017 the 'All Work' construction material price index was up 5.2% compared with a year earlier. This was part of a continuing upward trend since early 2016. Furthermore, in 2016, the UK imported £15,514m worth of construction materials, 62% of which came from EU countries, and exported materials to the value of £6,424m. Accounting for 14% of all construction material exports, the Republic of Ireland was the UK's largest export market in 2016. In this context, it will be crucial to ensure that the future of Northern Ireland and the impacts of a border between the two nations are at the heart of negotiations. In 2016, around nine per cent of workers in the UK construction industry had been born in another EU country (ONS 2016). Free movement of migrant workers has played an important role in tackling the skills shortage within the construction sector and the possibility of future curtailment generates further uncertainty around the costs, timing, quantity and quality of projects.

More broadly, the report for the North West Border Region noted that during both the 2007-2013 and 2014-2020 funding periods, Northern Ireland was the second largest per capita UK regional recipient (behind Wales) of combined monies from the European Regional Development and European Social Funds, receiving more than €338 per head (almost twice the UK average). The EU has been a key source of funding for both infrastructure and social projects in Northern Ireland over a sustained period, much of which has been directed at tackling deprivation and segregation, which tend to be particularly prevalent where there are concentrations of social housing. Finally, the amount of 'imported labour' in Northern Ireland increased substantially between 2001 and 2011, when the Census showed that approximately 81,500 Northern

Ireland residents (4.5%) had been born outside the UK and RoI, around 36,000 of whom had been born in one of the 12 countries that joined the EU after 2004. Research by O'Sullivan et al (2014) indicated that housing demand (particularly for private rented accommodation) from concentrations of migrant workers had helped certain areas avoid the worst of the housing market slump and prevented new developments from being left unfinished or unoccupied. It follows that any large-scale exodus of migrant workers could equally have consequences for housing markets in specific localities in Northern Ireland.

8. Welfare Reform

A further – and arguably more measurable – challenge facing Northern Ireland's housing sector, is that of welfare reform, the collective term for a raft of changes to the benefits system for working age claimants that, as part of wider UK policy, came into effect with the introduction of The Welfare Reform Order (Northern Ireland) 2015 on 10 December 2015. The impacts and outcomes of the changes to the welfare system in Great Britain over the last few years have been well-rehearsed. However, while Northern Ireland has traditionally followed the 'parity principle' and adopted the welfare policies set down for GB by the UK Department for Work and Pensions, a lack of consensus within Northern Ireland's legislative assembly meant that the timing and detail of some of the specific changes diverged from other parts of the UK. To a large extent, this has been beneficial: mitigations secured for Northern Ireland included indefinite direct payment of the housing element of Universal Credit to landlords and provision of funding ('Welfare Supplementary Payment') to protect existing working-age claimants impacted by changes such as the benefit cap and social sector size criteria (often referred to as the *bedroom tax*) until 31 March 2020. However, these concessions have only delayed the inevitable, and there is some concern that they have fostered a false sense of security among claimants, many of whom appear to have given little consideration to welfare reform and how they will deal with reductions in their income when mitigation ends.

The Benefit Cap was introduced in two phases, initially from June 2016, with a further reduction applied in November 2016. Application of the social sector size criteria commenced in Northern Ireland in February 2017, and phased roll-out of Universal Credit began in September 2017. While the costs of these changes are mitigated for most existing claimants, it has been possible to make some estimates of impacts, based on claimant numbers and evidence from other parts of the UK.

8.1. Benefit Cap

Over the period from June 2016 to June 2017, a total of 2,340 households had been subject to the Benefit Cap (DfC, 2017). However, at June 2017 around 700 were no longer capped, while 1,750 were still subject to the cap, all of which were households with children, and 84% of which were single parent families. For the majority of affected households, the cap is applied by reducing the amount of Housing Benefit (or, where applicable, Universal Credit) and the average impact of the benefit cap in NI at June 2017 was a reduction of HB award of £50 per week (albeit that the majority of claimants were receiving mitigation payments as outlined above).

8.2. Bedroom tax

Evidence in GB indicates that after a year of implementation of the bedroom tax (or social sector size criteria) half of the affected tenants were making rent payments in full and two-fifths were making good some part of the shortfall, but one in ten were not making any payments to cover the shortfall. Furthermore, three-fifths had reduced spending on household essentials, while one in four had borrowed money, mainly from friends or family, to help manage the shortfall (Wilcox 2017). Analysis of administrative data helps provide some understanding of the potential impacts bedroom tax may have on both existing and prospective social tenants in Northern Ireland. The majority of both NIHE dwellings (88%; approximately 75,300 units) and self-contained housing association stock (68%; around 25,000 dwellings) have two or more bedrooms; this means that less than one fifth (18%) of the entire self-contained social stock has only one bedroom. However, single (working age) applicants consistently account for almost half (45%) of the waiting list and a similar proportion of allocations each year. There is clearly a mis-match between the type of stock available and that likely to be required by housing applicants, particularly if we assume that a proportion of older applicants will also require only one bedroom; analysis by the Housing Executive indicates that around 34,500 existing social sector claimants would face a reduction in HB for under-occupancy, and it seems inevitable that at least some new working age tenants will face shortfalls between the rent for their home and the amount of benefit received. It is anticipated that single men with access to children are likely to be the most impacted by this policy as a spare bedroom for their child will be considered as under-occupation.

8.3. Universal Credit

Phased roll-out commenced in September 2017, giving policy makers in Northern Ireland an opportunity to learn from research and evidence on the impacts in GB. A key issue is the online application process; in addition to concerns about vulnerable applicants' ability to navigate the system, there were reports of potential problems recognising commonly-used identification documents including Northern Ireland driving licences and Irish passports (BBC, 2017). Digital inclusion is crucial and only 58% of NIHE tenants had access to the internet from home in 2016 (NIHE 2017), compared with around 80% of all households (NISRA, 2017b). One of the biggest concerns from a landlord perspective is the long assessment period and associated impact on household income, which seems likely to result in erratic payments and rent arrears. Another key issue is the impact on young single people and the removal of the automatic entitlement to the housing costs element for 18-21 year olds. Especially if they are living outside the family home, younger single people already face highly disproportionate risks of poverty, and young men under 25 are the group most likely to be destitute in the UK (Wilcox et al 2017).

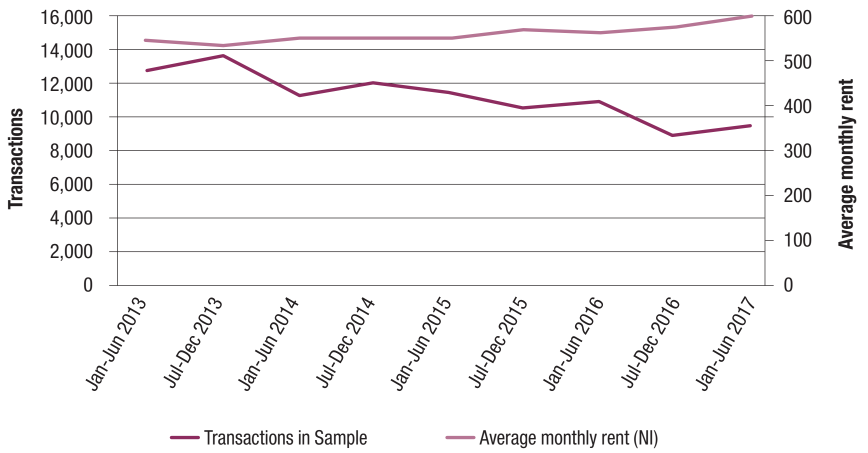
9. The private rented sector, housing need and welfare reform

Rising waiting lists for social housing, affordability issues for first time buyers and the impact of negative equity in the owner-occupied sector have contributed to growing demand for private rented housing across Northern Ireland over the last decade (Gray & McAnulty, 2016). Although in the 1980s and 1990s private renting may have been largely the preserve of students and young professionals, the sector is increasingly home to families with children, who might traditionally have lived in the social sector or bought their own home; the 2011 Census indicated that 39% of private rented households had one or more dependent children (DSD, 2015d). Data collected for the Housing Executive by Ulster University in partnership with PropertyNews.com (Ulster University/NIHE 2014-2017) suggest that there has been a downward drift in the number of rental transactions since 2013, and a gradual upward trend in average monthly rent, from £543 during the first half of 2013 to £595 during the first half of 2017 (Figure 5). The figures point towards a lower level of turnover, in line with the anecdotal evidence that, either through choice or necessity, private renting is becoming a longer term housing option for many households. Furthermore, the number of private tenants receiving Housing Benefit suggests that the sector provides a relatively affordable housing option for a substantial number of lower income households. Administrative data show that more than two fifths (41%) of

Housing Benefit claimants live in the private rented sector (Figure 6) and it has been estimated that more than half of all private tenants receive Housing Benefit (DSD, 2015d).

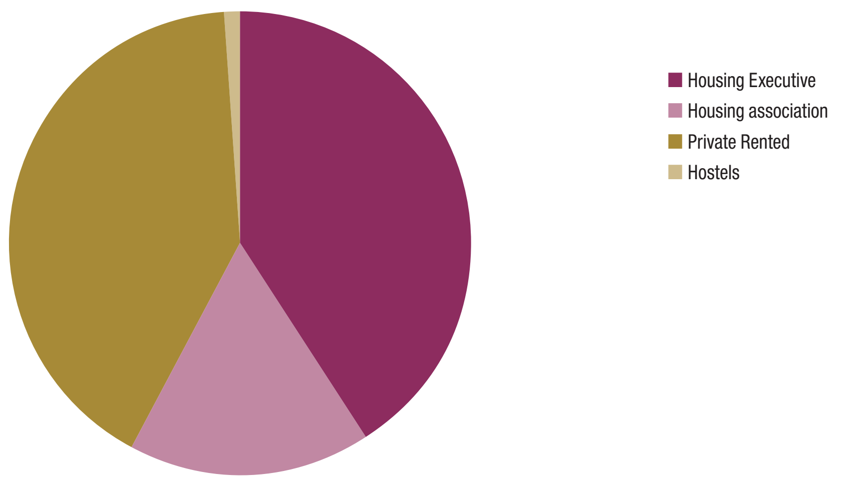
Research carried out in 2009 indicated that the private rented sector in Northern Ireland was a 'cottage industry', with two-thirds of landlords owning five or fewer properties (McAnulty & Gray, 2011). Despite the ongoing growth of the sector, this picture has not changed; figures collated through the Landlord Registration Scheme[6] indicate that in 2017 around 84% of landlords owned only one or two properties (DfC, 2017c). This profile suggests that most are not full-time landlords, and that they are likely to have varying degrees of experience and expertise, as well as various reasons for owning a property that they rent privately. There has therefore been a strong emphasis, through the Housing Strategy for Northern Ireland (DSD, 2015e), on identifying improvements that can make the private rented sector a more attractive housing option by protecting tenants and supporting and appropriately regulating landlords. Given the wider context of tax changes which are set to make small scale rental portfolios less profitable, and the impacts of various strands of welfare reform (including limiting under-35s living in the private rented sector to only the level of Housing Benefit that would cover a single room in a shared house, and the possible accumulation of arrears due to delays in payment of Universal Credit), there are concerns that some landlords might withdraw from the sector, or stop renting to tenants in receipt of benefits. A survey carried out across the UK in 2017 by the Residential Landlords' Association found that 73% of landlords who participated were unwilling to let properties to homeless people and 63% were unwilling to let to tenants receiving Universal Credit (Simcock, 2017). If similar attitudes were adopted in Northern Ireland, the options for many households would be severely restricted.

FIGURE 5 Private Rental Transactions (sample) and average monthly rent, Northern Ireland, 2013-2017



Source: Ulster University/PropertyNews.com/NIHE

FIGURE 6 Housing Benefit claimants by tenure (%), Northern Ireland, March 2016



Source: Housing Executive

There is no doubt that the continuation of direct payment to landlords in Northern Ireland – an important difference from the rest of the UK – has helped sustain the private rented sector at a time when real household incomes are falling (NIHE 2017). However, there is emerging evidence that affordability and tenancy sustainability in the private rented sector are starting to become problematic. In 2016, 80 per cent of LHA rates in Northern Ireland had already fallen below the 30th percentile of local market rents, leaving people to make up the difference and potentially leading to risks of rent arrears, legal action, eviction and homelessness (CIH 2017). This comes at a time when Northern Ireland is moving towards greater use of 'housing solutions', which seeks to reduce incidences of housing crisis and homelessness by taking a person-centred approach, including sign-posting to the private rented sector where appropriate, *and* when the recent consultation on the social housing allocations process (DfC, 2017d) has suggested that the Housing Executive could, where appropriate, meet its homelessness duty by securing suitable accommodation in the private rented sector (rather than only through a social housing allocation, as has been custom and practice in Northern Ireland). Given the continued demand for private rented accommodation and the increased strategic emphasis on using the sector to meet housing need, it has never been more important that the policies influencing the sector are coherent.

10. Conclusion: more questions than answers

In its current state, there is much that is reasonably positive about the state of the housing market in Northern Ireland: house prices have returned to a more realistic level than at the

[6] A mandatory Landlord Registration Scheme was introduced in Northern Ireland in 2014.

height of the boom a decade ago, and are growing at a sustainable rate. There is some evidence of challenges for first-time buyers, particularly where saving an adequate deposit is concerned but, relatively speaking, the region is not suffering an affordability crisis. Similarly, after a sustained period of numerical decline, the overall size of the social sector increased in recent years and the draft Programme for Government retains a commitment to delivery of more new social housing to meet housing need. However, housing stress and homelessness have both risen, and there are still question marks over how the cost of maintaining and improving the Housing Executive's stock can be met in the longer term. If the decision to reclassify housing associations into the public sector cannot be reversed quickly, there are serious implications for the level of new housing supply, and the capacity to help lower income households buy their own homes through Co-Ownership. The substantial private rented sector provides, for the most part, good quality homes for a wide range of households, and there are increasing expectations about the role of this sector in meeting housing need. Yet the sector is disparate and fragmented – owned and managed by something in the region of 50,000 landlords – and will always be susceptible to individual landlord circumstances and investment decisions.

There are therefore ample challenges to address within the housing market, and these are only likely to be compounded by the wider ongoing impacts of the political deadlock, Brexit process, and welfare reform. It is difficult to predict the outcome of any one of these issues, let alone the combined impacts of all three, which is why, more than ever, it is important to continue gathering evidence and carrying out research, to provide early warnings and help inform policy in a changing and uncertain landscape.

References

BBC (22 August 2017) 'Universal credit: ID issues with Irish passport' www.bbc.com/news/uk-northern-ireland-41007211

Belfast Telegraph (21 April 2017) 'Emergency law to collect rates in Northern Ireland published as talks deadline set' www.belfasttelegraph.co.uk/news/northern-ireland/emergency-law-to-collect-rates-in-northern-ireland-published-as-talks-deadline-set-35641656.html

Belfast Telegraph (14 November 2017) 'NI Budget Bill clears final parliamentary hurdle' www.belfasttelegraph.co.uk/news/northern-ireland/ni-budget-bill-clears-final-parliamentary-hurdle-36319826.html

Burke, E. (2017) 'Brexit's threat to Northern Ireland' in *The World Today*, August & September 2017 https://www.chathamhouse.org/system/files/publications/twt/Brexit%27s%20threat%20to%20Northern%20Ireland%20Burke.pdf

Central Statistics Office (2017) Key Table HPM06 Residential Property Price Index by Month, Type of *Residential Property and Statistic* Dublin: Central Statistics Office www.cso.ie/px/pxeirestat/database/eirestat/House%20Prices/House%20Prices_statbank.asp?SP=House%20Prices&Planguage=0

CIH (2017) *Impact of Welfare Changes on rented housing in Northern Ireland*. www.cih.org/resources/PDF/NI%20policy%20docs/Impact%20of%20welfare%20changes%20on%20rented%20housing%20NI.pdf

Council of Mortgage Lenders, CML (2012) *Equity position of borrowers has improved, CML analysis shows* www.cml.org.uk/news/news-and-views/470/

Council of Mortgage Lenders, CML (2017) *Affordability boosts the Northern Ireland market* www.cml.org.uk/news/news-and-views/affordability-boosts-the-northern-ireland-market/

Department for Business, Energy and Industrial Strategy (2017) *Monthly Statistics of Building Materials and Components: Commentary October 2017* www.gov.uk/government/uploads/system/uploads/attachment_data/file/655910/17-cs11-_Construction_Building_Materials_-_Commentary_October_2017.pdf

Department for Communities (2016) *Proposals to seek reversal of the reclassification of registered social housing providers in Northern Ireland* Belfast: DfC

Department for Communities (2017a) *Housing Statistics Bulletin* www.communities-ni.gov.uk/topics/housing-statistics

Department for Communities (2017b) *Benefit Cap Statistics* www.communities-ni.gov.uk/sites/default/files/publications/communities/benefit-cap-statistics-june-2017.pdf

Department for Communities (2017c) *Private Rented Sector in Northern Ireland – Proposals for Change: Consultation Document January 2017* Belfast: DfC

Department for Communities (2017d) *A Fundamental Review of Social Housing Allocations: Consultation on Proposals* Belfast: DfC

Department for Infrastructure (2016) *2012 based Housing Growth Indicators (HGIs) and methodology paper* https://www.infrastructure-ni.gov.uk/publications/2012-based-housing-growth-indicators-hgis-and-methodology-paper

Department for Social Development (2007) *Review into Affordable Housing: Final Report* Belfast: DSD

Department for Social Development (2014) *Repossessions Taskforce Initial Evidence Paper: Negative Equity, Arrears and Possessions in Northern Ireland* Belfast: DSD https://www.communities-ni.gov.uk/sites/default/files/publications/dsd/rtf-initial-evidence-paper.pdf

Department for Social Development (2015a) *Housing Repossessions Task Force Final Report* Belfast: DSD https://www.communities-ni.gov.uk/sites/default/files/publications/dsd/housing-repossessions-taskforce-final-report.pdf

Department for Social Development (2015b) *Developer Contributions for Affordable Housing in Northern Ireland: Report of Study* Belfast: DSD

Department for Social Development (2015c) *Proposals for a new regulatory framework for social housing providers in Northern Ireland* Belfast: DSD https://www.communities-ni.gov.uk/sites/default/files/consultations/dsd/shrp-regulatory-framework-consultation-document_0.pdf

Department for Social Development (2015d) *Review of the Role and Regulation of the Private Rented Sector* Belfast: DSD

Department for Social Development (2015e) *Facing the Future: Housing Strategy for Northern Ireland* Belfast: DSD https://www.communities-ni.gov.uk/publications/facing-future-housing-strategy-northern-ireland

Department for Social Development (2016) *Review of the statutory minimum housing fitness standard for all tenures of dwelling: Discussion Paper* Belfast: DSD www.communities-ni.gov.uk/sites/default/files/publications/communities/review-statutory-minimum-housing-fitness-standard-all-tenures-dwelling.pdf

Department of Finance (2017) *New Dwelling Statistics* https://www.finance-ni.gov.uk/topics/statistics-and-research/new-dwelling-statistics Belfast: DoF

Goodall, L. (2017) 'Ireland: The Brexit riddle Britain forgot' https://news.sky.com/story/amp/ireland-the-brexit-riddle-britain-forgot-11145289

Gray, P. & McAnulty, U. (2016) 'The Private Rented Sector in Northern Ireland' in Shanks, P. and Mullins, D. (eds) (2016) *Housing in Northern Ireland*. Coventry: CIH

Hayward, K (2017) *Bordering on Brexit: Views from Local Communities in the Central Border Region of Ireland/Northern Ireland* Belfast: ICBAN/Queen's University, Belfast www.qub.ac.uk/brexit/Brexitfilestore/Filetoupload,781170,en.pdf

McCord, M. and McGreal, S. (2016) 'Housing Market affordability in Northern Ireland: Developing an index' in Shanks, P. and Mullins, D. (eds) (2016) *Housing in Northern Ireland*. Coventry: CIH

McAnulty U, Gray P (2011) *Living in the Private Rented Sector: Landlord Perspectives Report* Belfast. NIHE.

NIFHA (2016) 'Northern Ireland Housing Associations increase turnover by 10%' www.nifha.org/nifhanews/northern-ireland-housing-associations-increase-turnover-by-10/

NIHE (2007) *The Northern Ireland Housing Market: Drivers and Policies – Final Report* Belfast: NIHE

NIHE (2015) *Northern Ireland Housing Market: Review and Perspectives* 2015-2018. Belfast: NIHE.

NIHE (2017a) *Affordability in the Private Housing Market in Northern Ireland in 2016* Belfast, NIHE www.nihe.gov.uk/affordability_in_the_private_housing_market_2017.pdf

NIHE (2017b) *Northern Ireland: Quarterly House Price Index*. Belfast: NIHE, Ulster University www.nihe.gov.uk/index/corporate/housing_research/corporate-house_price_indices.htm

NIHE (2017c) *House Condition Survey – Preliminary report*. Belfast: NIHE www.nihe.gov.uk/index/corporate/housing_research/house_condition_survey.htm

NIHE (2017d) *Key issues – Housing Benefit* www.nihe.gov.uk/index/about/key_issues/housing_benefit.htm

NIHE (2017e) *Continuous Tenant Omnibus Survey 2016 summary* www.nihe.gov.uk/ctos_2016_summary.pdf

NISRA (2016) *Population Estimates Northern Ireland* www.nisra.gov.uk/news/2016-mid-year-population-estimates-northern-ireland

NISRA (2017a) Northern Ireland Annual Survey of Hours and Earnings

NISRA (2017b) Continuous Household Survey Results www.nisra.gov.uk/publications/chs-results

Office of National Statistics (2016) *International immigration and the labour market* www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016#what-industry-and-occupations-did-non-uk-nationals-work-in

O'Sullivan, T., Young, G., Gibb, K. and Reilly, P. (2014) Migrant Workers & the Housing Market: A report to the Northern Ireland Housing Executive Belfast: NIHE www.nihe.gov.uk/final_migrant_workers_report_jan_2015.pdf

Pattison, B. & Reeve, K. (2017) *Access to Homes for under-35s: The Impact of Welfare Reform on Private Renting* Sheffield: Sheffield Hallam University https://research.rla.org.uk/report/access-homes-under-35s-impact-welfare-reform-renting/

Shanks, P. & Mullins, D. (eds) (2016) *Housing in Northern Ireland* Coventry: CIH

Simcock, T. (2017) *Welfare Reform and Universal Credit: The impact on the private rented sector* Manchester: RLA https://research.rla.org.uk/wp-content/uploads/Welfare-Reform-and-Universal-Credit-The-impact-on-the-private-rented-sector-2017.pdf

Ulster University Economic Policy Centre and Gallagher, M. (2017) *Initial Analysis of the Challenges and Opportunities of Brexit for the Derry City & Strabane and Donegal County Council areas – The North West City Region*. www.derrystrabane.com/getmedia/f1f1bbb6-e336-4acf-9fd9-5e1e171fe43f/Initial-Analysis-of-the-Challenges-and-Opportunities-of-Brexit-for-the-North-West-City-Region-150217.pdf

Ulster University/NIHE (2014a) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jan-Jun 2013* Belfast: NIHE www.nihe.gov.uk/performance_of_the_northern_ireland_private_rental_market_jan-june_2013_published_january_2014.pdf

Ulster University/NIHE (2014b) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jul-Dec 2013* Belfast: NIHE www.nihe.gov.uk/performance_of_the_northern_ireland_private_rental_market_july-december_2013_published_june_2014.pdf

Ulster University/NIHE (2014c) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jan-Jun 2014* Belfast: NIHE www.nihe.gov.uk/performance_of_the_private_rental_market_in_northern_ireland_jan_june_2014.pdf

Ulster University/NIHE (2015a) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jul-Dec 2014* Belfast: NIHE www.nihe.gov.uk/privaterental-reportweb-24april15__2_-2.pdf

Ulster University/NIHE (2015b) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jan-Jun 2015* Belfast: NIHE www.nihe.gov.uk/private_rental_market_jan_june_2015.pdf

Ulster University/NIHE (2016a) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jul-Dec 2015* Belfast: NIHE www.nihe.gov.uk/private_rental_market_july_december_2015.pdf

Ulster University/NIHE (2016b) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jan-Jun 2016* Belfast: NIHE www.nihe.gov.uk/private_rental_market_jan_june_2016.pdf

Ulster University/NIHE (2017a) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jul-Dec 2016* Belfast: NIHE www.nihe.gov.uk/private_rental_market_july_dec_2016.pdf

Ulster University/NIHE (2017b) *Performance of the Private Rental Market in Northern Ireland Summary Research Report Jan-Jun 2017* Belfast: NIHE www.nihe.gov.uk/private_rental_market_january_june_2017.pdf

Wallace, A., Rhodes, D. and Roth, F. (2017) *Home-Owners and Poverty in Northern Ireland* York: JRF

Wallace, A. (2016) *Homeowners and Poverty: A Literature Review – A report for the Joseph Rowntree Foundation* York: University of York www.york.ac.uk/media/chp/Report.pdf

Watts B, Johnsen S, Sosenko F (2015) *Youth homelessness in the UK: A Review for the OVO Foundation*. Edinburgh: Heriot-Watt University. www.ovoenergy.com/binaries/content/assets/documents/pdfs/ovo-foundation/youthhomelessnessbriefing.pdf

Wilcox, S., Perry, J., Stephens, M., & Williams, P (2017) *UK Housing Review*, Coventry: CIH.