Winter 2018

IUHF
www.housingfinance.org

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. XXXIII No. 2

➔ **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)

Contents:

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

All I want for Christmas is certainty

↳ By Andrew Heywood

"It puts the uncertainty behind us. It commits Britain to Europe; it commits us to playing an active, constructive and enthusiastic role in it." How things have changed since UK Home Secretary Roy Jenkins uttered these words in 1975 to celebrate the two-to-one vote in favour of staying in the European Economic Community – the predecessor of the EU. In 2019 Brexit looms – or does it?

"Constructive and enthusiastic" are not words that presently spring to mind when contemplating the UK's unravelling relationship to the EU, indeed "divided and despairing" might be more apt. On 11th December Prime Minister Theresa May was belatedly forced to recognise the near-certainty of defeat in the House of Commons and delay the crucial vote to accept the withdrawal agreement painstakingly (and painfully) negotiated with EU leaders over many months. Within 24 hours she was subject to a vote of no confidence demanded by members of her own party. In the event, she won the vote but with over a third of her MP's voting against her.

The UK now faces a situation in which it has a divided governing party led by a Prime Minister who cannot command the support of a large proportion of that party. There is currently no obvious alternative government and no scheduled election until 2022. Worse still there is no UK Brexit strategy which can command a majority in Parliament or, probably the support of a majority of the British people.

Uncertainty is now the name of the game. Business leaders and employees, including those in the financial sector, vainly hope for some credible way out of a mess that makes constructive forward planning almost impossible, while the clock ticks toward 29th March when the UK is due to leave the EU. From a UK perspective at least, this new issue of Housing Finance International makes for welcome relief; however serious the situation across the globe, the articles have a positive and constructive focus; we deal in solutions as well as problems. If, in spite of everything, you do still fancy reading something about Brexit, then Mark Weinrich tackles the potential impact on financial services in his Europe article.

France has had its share of political turmoil over recent weeks. In this context our first full-length article by Jean-Pierre Schaefer is relevant. In an in-depth study, Schaefer shows that although the social rented sector has been growing rapidly, it is now at something of a turning point. He focusses on recent policy changes in respect of social housing in France and on the need to resolve severe financial strains caused by a desire to reduce public expenditure and a shift from supply-side grants to demand-side subsidy in the form of personal income support. Schaefer shows how it is becoming increasingly urgent to find a way of financing social housing that allows it to continue to provide secure homes for the poorest households in France.

Even before the 2010 earthquake, Haiti was estimated to have a shortage of housing of around 500,000 units in a country with a population of only 10 million. The earthquake destroyed a further 180,000 housing units. In their article in this issue Olivia Caldwell and Claude Clodomir focus on the demand and supply value chains which underpin the housing market. They analyse the structural weaknesses, which include an under-developed residential mortgage sector which currently focusses on the high-end of the housing market. This provides the context for their description of the approach and impact of the USAID-backed HOME initiative, which aims to work with developers and financial institutions to increase the development of affordable homes.

We are pleased to publish an article by Davina Wood of the Affordable Housing Institute which presents the outputs from the important Centre for Affordable housing finance [CAHF] study of the Southern Africa Development Community's [SADC] investment landscape. Focussing on the 16 SADC countries, Wood provides a valuable analysis to trends in housing investment including allocation across countries as well as offering a taxonomy of investors themselves by identifying the top investors and examining the different classes of investor including development finance institutions, governments and pension funds. The article contains a particularly interesting section on the level and distribution of housing and other social investment by China across the SADC countries.

Our next article makes a strong contrast with the previous articles in this issue, which focus on the affordable end of the housing market. Based on recent research by Savills, the real estate advisor, Paul Tostevin's article is entitled *The international market for second homes: global trends in ownership and renting*. In the wake of the Global Financial Crisis [GFC], the second homes market has revived but is changing. Tostevin shows how the desire to achieve rental returns has now overtaken holiday usage as the main motivation for purchase. In a low-yield environment, additional homeowners are seeking an adequate return from short-lets and holiday homes. The article also explores who buys second homes, where they buy, the types of properties purchased and how those purchases are funded.

Our final article is a report by Alix Goldstein on the European Federation for Living [EFL] Autumn Conference in Milan. The conference covered a range of topics including affordability, urban transformation and city renewal and development and innovation in the construction industry. The report makes for interesting and worthwhile reading.

Brexit may be in a mess, and uncertainty may be the order of the day, but one thing is certain; this issue of HFI is "active, constructive and enthusiastic" to quote Roy Jenkins again. It only remains to wish all our readers all the best for the New Year.

Contributors' biographies

Olivia Caldwell is a Principal at the Affordable Housing Institute where she has been advising the Haiti HOME program for the last three years. Olivia also supports housing development efforts in Sub-Saharan Africa and the South Pacific.

Claude Clodomir is the Chief of Party of the Haiti Home Ownership and Mortgage Expansion Program (HOME), a $7 million affordable housing investment program funded by USAID and implemented by the World Council of Credit Unions.

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.

Alix Goldstein is the General Consultant at the European Federation for Living [EFL] and the owner and principle of Goldstein Consulting. She completed her Master's degree in Urban Geography at the University of Amsterdam and was an organizer of the 2017 International Social Housing Festival. Alix has a background in social justice work and believes strongly in the right to affordable housing.

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*

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.

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*

Kecia Rust is the Executive Director of the Centre for Affordable Housing Finance in Africa, and manages the Secretariat of the African Union for Housing Finance. She is a housing policy specialist and is particularly interested in access to housing finance and the functioning of affordable property markets. Kecia holds a Masters of Management degree (1998), earned from the Graduate School of Public and Development Management, University of the Witwatersrand. She lives in Johannesburg, South Africa.

Jean-Pierre Schaefer, 67, is graduated from Ecole Centrale Lille and holds Master's degrees in Economic Science (Lille) and Urban Planning (Sc Po-PARIS). Expert on housing economics, he has been member of the board of directors of housing companies and in charge of Economic Studies at Caisse des Dépôts. He is vice President of Soliha Yvelines Essonne and teaches at CNAM ICH Bordeaux.

Paul Tostevin is an Associate Director of Savills World Research, based in London. He researches global real estate markets and the forces that shape them. His areas of specialism include world cities, prime residential, second home markets, and the role of cities in the global tech sector. Paul also undertakes consultancy for clients with interest in global real estate markets.

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.

Davina Wood is a Principal at the Affordable Housing Institute, specializing in African housing finance. She has ten years of experience in the financial sector, having worked for JPMorgan and as a consultant for the World Bank and the Centre for Affordable Housing Finance in Africa. Davina holds an MIA from Columbia University and a BS from Georgetown University.

Africa: the Abidjan Declaration

↳ **By the African Union for Housing Finance**

Introduction

The African Union for Housing Finance held its 34th Conference and Annual General Meeting in Abidjan, Cote D'Ivoire, from the 23rd to the 25th of October 2018. Co-hosted by its members, the International Finance Corporation (IFC), and the Caisse Régionale De Refinancement Hypothécaire (CRRH-UEMOA), and with the support of its partners Making Finance Work for Africa (MFWA), the African Development Bank (AfDB), and the Centre for Affordable Housing Finance in Africa, the meeting attracted 192 delegates from 13 industry categories across 30 countries. The conference theme, **'Building Africa's Housing Financing Chain'** focused on the key issues, opportunities and innovations along the housing financing value chain, and how these could be leveraged to support the affordable housing sector. Presentations are available on the AUHF website: www.auhf.co.za. The following declaration was a key output from the conference.

DECLARATION OF THE MEMBERS OF THE AFRICAN UNION FOR HOUSING FINANCE [AUHF] FOLLOWING THE ANNUAL GENERAL MEETING HELD IN ABIDJAN, COTE D'IVOIRE ON 25 OCTOBER 2018

We, the members of the African Union for Housing Finance, having met with colleagues from the public and private sectors from twenty-nine countries over three days and having held our 34th Annual General Meeting in Abidjan, Cote D'Ivoire on 25 October 2018, express our commitment to **promoting the development of housing finance across the African continent**.

We note:

1. **A growing, urbanizing, young population**; of which 60% are under the age of 25. It is estimated that half of global population growth between now and 2050 will occur in Africa, with an estimated additional 1.3 billion people. At the same time, growing rates of urbanization are shifting the population of the continent from one that has been predominantly rural to one that is increasingly urban. It is expected that by 2035, about half of Africa's population will be living in urban areas.

2. An environment marked by **stark mismatches between housing demand and supply in the affordable housing submarkets**, which manifest in housing backlogs that force the majority of low and middle income dwellers into substandard and informal dwelling conditions; but which also offers insights into innovation as low and middle income residents seek to meet their own housing needs independently outside of the traditional housing delivery channels, and through incremental housing construction.

3. An **increased presence and interest of global and local investors in the region**, who, constrained by lack of transparent, clear and actionable information, limit their presence in the housing sector and where present, concentrate on the high- and middle-income submarkets.

While appreciating:

1. The critical function played by housing in the economy, as its own sector and through its contribution to social and economic growth and development of primary, secondary and tertiary sectors; and the opportunities presented by this fact;

2. The inherent opportunities emerging through innovations in technology, communication and financing and payment systems and their potential for revolutionizing the affordable housing sector;

3. The interrelated nature of key issues and challenges facing the housing supply and demand ecosystems and the integral role of finance in unlocking opportunities along the affordable housing value chain;

And acknowledging:

1. A global agreement to pursue a shared prosperity and decent work for all within a context marked by global partnership and solidarity as articulated in the Addis Ababa Action Agreement (AAAA);

2. The Africa Youth Charter adoption in the Executive Council Decision of the Banjul Summit 2006 which set aside Africa Youth Day to promote the increased recognition of youth as key agents for social change, economic growth and sustainable development in all areas of African Society. This presents an opportunity to harness and channel youth motivation, energy and creativity towards solving Africa's growing housing challenge;

3. A continued commitment from the global community and our individual governments to address the challenges of inequality and climate change by creating conditions for sustainable, inclusive and sustained economic growth as laid out in the Sustainable Development Goals [SDG] and the New Urban Agenda [NUA];

4. Continent-wide and specific national commitments to drive Africa's transformation through industrialization, integration, and the delivery of an improved quality of life as outlined in the Africa Development Bank's 10-year strategy [TYS];

5. A growing and stated commitment by individual governments as laid out in their respective legislative and policy documents;

6. A growing acknowledgement of the expanding role of governments from simply acting as providers of affordable housing into catalytic players that enable market development, driving innovation and investment that champion the poor;

We understand:

1. The critical role of the finance value chain in enabling effective housing markets across the continent.

2. The interdependent nature of challenges affecting the housing finance ecosystems at both the supply and end-user levels, whereby constraints at one step in the housing and

housing finance value chain have implications both upstream and downstream.

3. The limited capacity of local authorities to deliver the bulk infrastructure services required to support greenfields housing development, and the need to find innovative finance mechanisms that support infrastructure investment without undermining household affordability.

4. How the lack of, or poor, information can negatively impact decisions by investors or lenders to participate in the housing finance market, which subsequently impede developers from accessing needed finance. Without finance, developers are unable to establish the track record of credit and project delivery which in turn is required to attract finance and operate at scale.

5. Housing affordability, which is ultimately a function of household income, the price of the house and the funding terms, is thus limited by low wages, high unemployment, a largely excluded informal population, and challenging macro-economic conditions, in particular low economic growth, high inflation, and high borrowing rates in many African countries.

6. How, in many African countries, the cost of capital and long-term finance is impacted by high policy interest rates, high maturity premiums, high credit risk premiums and limited utilisation of collateral value, increasing the cost of capital for lenders and borrowers and thus impeding the affordability of housing. As a result, long term capital to support housing investment is insufficient and expensive, contributing to the high cost of mortgage lending and compromising the development of effective mortgage markets which themselves would support large-scale delivery of affordable housing.

7. The impact of the regulatory and legislative environment--including requirements of Basel II and III, and the IFSR 9 accounting standards, which carry implications for governance, management and risk for lenders and impact upon tenor of funding.

8. How mortgage markets are out of reach for the majority of Africans for whom low incomes, lack of awareness and financial literacy, and the absence of finance products designed to meet their realities and needs, means that households – on the whole – must adopt innovative, incremental and long-term cash-based strategies to address their housing needs themselves.

9. The opportunity to be found in the growing population of urban and rural, young people, sustaining their livelihoods in new ways that are often unfamiliar to the structure of our financial products and services, and of harnessing the energy, and innovative potential of youth in Africa not just for contributing to housing labour, but also developing solutions for meeting their own housing needs

10. The availability of data on supply and demand for housing in some African countries is itself a serious impediment to market growth and constrains housing investment and policy making. More accurate and transparent data serves as market infrastructure and improves decision-making, enables market segmentation and facilitates risk management.

11. These realities contain both obstacles and opportunities. We understand that these can be effectively overcome through cooperative efforts of both public and private role players, working with innovation, collaboration and political will. In addition, we recognise the ingenuity and perseverance of households in the implementation of their own, independent housing strategies.

We call on governments at the regional, national, state or provincial, and local levels to actively support the vision for adequate, decent and affordable housing for all across our continent, by undertaking to do the following:

1. To assert the **critical role that macro-economic policy and financial regulation** play in realising effective housing markets. Measures that reduce policy interest rates, lower maturity premiums and credit risk premiums, and leverage the utilization of collateral value will all stimulate investment and the availability of affordable housing finance. They are fundamentally driven by macro-economic policy and should be a priority of Central Banks.

2. To institute measures that **stimulate the attention of long-term finance** (pension funds, institutional investors, etc.) on affordable housing as an investment target.

3. To use **incentives to encourage innovation** in both mortgage and non-mortgage lending for housing that explicitly targets lower income earners including youth and women in the affordable housing sector.

4. To **strengthen property and collateral registration and foreclosure mechanisms**, improving transaction timeframes, and to ensure the transparency of the collateral registry through free access to record-level data. We recommend the automation of deeds registries.

5. To insist, through regulation, on **credit information-sharing** and the development of an effective and comprehensive credit reference system that covers all financially active consumers and stimulates market transparency.

6. To facilitate through **public education**, knowledge on different options of access to adequate, decent and affordable housing for different populations including low income, youth and women.

7. **Address risk and uncertainty in the housing delivery value chain**. These are key factors contributing to the high cost of housing and the reticence of investors to fully commit to this segment of the economy. Governments at all spheres of operation can impact significantly on both of these factors by formally adopting policy and promulgating clear legislation for the housing sector, while also developing and implementing protocols that establish clear timeframes for the delivery of administrative approvals or the implementation of other regulations. Focused attention to the time it takes to deliver and achieve approvals, and the trust necessary for the system to work, is a key contribution that government can make to engaging the housing value chain for growth.

We also encourage/invite/urge international development finance institutions and other development agencies specifically, to:

1. **Target affordable housing with capital that is patient** with time, target and capacity, promoting blended finance arrangements that manage risk sustainably, and explicitly pursue innovation that shifts investor focus towards affordable housing.

2. **Provide targeted technical assistance:** operational development and support towards effective public-private partnerships, as well as the development of viable social enterprises and commercial undertakings that explicitly target affordable housing.

3. Engage with and develop financing **interventions for the full housing delivery value chain**, providing support for sector development and promoting effective linkages between public, private and NGO

sectors along each link in the chain from land through to infrastructure, housing construction, and financing.

4. Invest in **strong data and market analytics systems**, active market tracking and longitudinal analyses that support a growing understanding of the housing financing dependencies, and which track market growth and progress.

5. Recognise and support in their broader efforts, **a diversity of housing financing mechanisms** not limited to mortgage finance for end users but also including housing micro finance, rent-to-own schemes, homeownership savings plans, homeowner led construction and other end user finance products, the critical need for construction finance, affordability supports and risk management interventions, and capital market development in support of affordable housing.

6. To support efforts to integrate the growing and expanding youthful population of Africa in the affordable housing discourse as a way to breaking the generational housing challenges in Africa.

We commit ourselves:

1. As an African Union for Housing Finance, to:

a) actively engage governments and regional bodies in the pursuit of policy, regulatory, and other interventions that support the growth of affordable housing markets;

b) promote best practice in the affordable housing industry across Africa including youth and gender sensitive practices;

c) understand and communicate the key issues facing practitioners and our members in the housing sector in Africa;

d) enable our members to respond to the challenges and opportunities within the contexts of their businesses, supporting better engagement between the public and the private sectors;

e) promote and drive effective professional development among our members through the provision of training and capacity building opportunities; and

f) provide our members with opportunities to network with one another, share information and build capacity towards improved housing finance systems in Africa, through the delivery of conferences, seminars, workshops, member exchanges and other mechanisms.

2. As individual organisations involved in the financing and delivery of housing across Africa, to:

a) actively seek projects and investments, and to develop products and services, that **respond to the breadth and diversity of demand** at the base of the income pyramid, prioritising affordability in our efforts, including leveraging emerging green and energy efficient systems to enhance affordability;

b) develop products and services that engage with the **particular needs and capacities of youth and women**, recognising also the important opportunity that the housing sector itself may offer for their professional development as participants in the housing sector, for example, as small-scale landlords, contractors or labourers;

c) think more carefully about **risk and how we price for this** in the microfinance and mortgage sectors, engaging in our pricing and underwriting mechanisms with the characteristics of low-income households, youth and women, how they earn their income and how they manage their housing investments;

d) uphold **ethical business practices**, championing sustainable impact together with financial return. In the delivery of products and services to our clients we are committed to sound and effective consumer education to support their sustainable entry into the property market;

e) work effectively in the development of **strategic partnerships** with each other, our governments, and the wider housing sector in our cities, countries and regions; and

f) **tracking these commitments** with clearly defined key performance indicators, to which we will each contribute, and will report back on these at our next AGM.

Conclusion

The AUHF is keen to engage with respective governments at the regional, national and sub-national level on both macro and micro-economic issues, including interest rates, tax and monetary policy, and housing and land policies as they influence the growth and performance of housing markets.

The AUHF and its members look forward to working with governments and other stakeholders, in their respective cities, countries, and across the continent, in driving investments in Africa's housing sector so that it contributes substantially to Africa's growth agenda.

Signed on 31 October 2018

AUHF Board of Directors:

Joseph Chikolwa, MD Zambia National Building Society (Chairperson)

Andrew Chimphondah, CEO Shelter Afrique (Vice Chairperson)

Cas Coovadia, MD Banking Association of South Africa (Treasurer)

Chii Akporji, Executive Director, Nigeria Mortgage Refinance Company (Secretary)*

Mehluli Mpofu, Deputy Managing Director for Central Africa Building Society (CABS)

Mfundo Mabaso, Growth Head, FNB Home Finance, FirstRand Bank Limited

Oscar Mgaya, CEO Tanzania Mortgage Refinance Company

Christian Agossa, Director General Caisse Régionale de Refinancement Hypothécaire de l'UEMOA, CRRH-UEMOA

On behalf of the following active members of the AUHF:

1. Botswana Building Society
2. Botswana Housing Corporation
3. Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA)

* Chii Akporji resigned from the AUHF Board in December 2018.

4. CBZ Bank Limited, Zimbabwe
5. Central Africa Building Society, Zimbabwe
6. Federal Mortgage Bank of Nigeria
7. FNB Home Finance, FirstRand Bank Ltd
8. Gauteng Partnership Fund, South Africa
9. Habitat for Humanity International
10. Haggai Mortgage Bank, Nigeria
11. Home Finance Company of The Gambia
12. Home Finance Guarantors Africa Reinsurance Limited
13. Housing Finance Bank Uganda Ltd
14. iBuild Global
15. International Finance Corporation
16. National Housing Finance Corporation, South Africa
17. Nigeria Mortgage Refinance Company
18. NMB Bank Limited, Zimbabwe
19. NMB Plc Tanzania
20. Select Advisors Limited
21. Shelter Afrique
22. Swaziland Building Society
23. Swaziland National Housing Board
24. Tanzania Mortgage Refinance Company Ltd
25. The Banking Association of South Africa
26. TUHF Limited, South Africa
27. Watumishi Housing Company, Tanzania
28. Zambia National Building Society
29. Zambian Home Loans
30. ZB Bank Limited, Zimbabwe

Asia-Pacific

↳ By Zaigham M. Rizvi

Bangladesh

Ultra-poor families to get two-room flat each

The Daily Observer reported that the government has initiated a project to provide two-room flats for homeless people in urban and coastal areas. Sources in the Planning Ministry said the Government had taken this decision after realizing that the shelterless people were deprived of drainage, sanitation, bathrooms and tube-well facilities due to lack of legal accommodation. This service would be provided under the project called 'National Urban Poverty Reduction' approved at a meeting of the Executive Committee of the National Economic Council. To implement the project the total cost was estimated at Tk 825.12 crore (I US$ equals BDT 84, One Crore equals 10 million). Of them, about Tk 128.18 crore was planned to be given from the government's fund while the rest of Tk 697.94 crore would come as project assistance from donor organizations like DFID and UNDP.

The project will be implemented by the local government in four city corporations and the municipalities of 36 districts under eight divisions. The project will be completed by December 31, 2023. One of the objectives of the project is to decrease the number of climate change victims especially those who live in the coastal areas of Bangladesh.

Projects of Habitat for Humanity to fight poverty in Bangladesh

Habitat for Humanity has been working on projects to fight housing poverty in Bangladesh by building decent homes and repairing or renovating the existing houses. Recent projects include improvements in the Beguntila slum in Dhaka through the provision of clean water supply, improved toilets, communal bath houses and training in better hygiene. More than two million people in the capital city of Dhaka either live in slums or are without any proper shelter. Urban migration is mainly due to better employment opportunities – especially in the ready-made garments sector – as well as better facilities for education and health. The current project aims to build disaster-resilient communities with the capacity to face future disasters in Kaliganj sub-district of Satkhira district of Bangladesh. Communities will receive support to resist the effects of the disaster, develop specific behaviours, strategies and measures to reduce risks as well as skills in the management of basic community structures during disastrous events. Additional funds will be spent on supporting a total of 1,457 economically vulnerable people by improving the resilience of the communities to be better prepared for natural disasters, and by improving the access to Water Sanitation and Hygiene [WaSH] facilities.

Government's initiative for housing in Bangladesh

Housing has long been a vital concern in Bangladesh. The government is focussing on urban housing programs, and it will also be giving attention to a housing development program for villages. The House Building Finance Corporation of Bangladesh [BHBFC] lends money for private as well as public housing. In two major metropolitans of Dhaka and Chittagong urban developments are conducted under the guidance of town planning authorities, which develop land and allocate it for private dwellings and commercial purposes. About 79% of all dwellings were made of straw or bamboo walls, usually with roofs of the same material. About 28.5% of all dwellings were made with mud brick walls, 19.9% were built with wood sheets, and 62.6% had cement walls. The government has so far launched a number of programs to fight poverty and homelessness. The Asrayon ("shelter") Program provided group housing and agricultural plots on government lands for about 50,000 families. The Gahrey Phera ("return home") Programme aimed at helping displaced rural families to find shelter on returning to villages. The Grihayan Tahabil (Housing Fund) was also established through the Bangladesh Bank (the Central Bank) to provide loans to non-government organization who endeavour to build shelters for the urban poor.

Bangladesh makes eco-friendly building materials

Bangladesh makes environment-friendly materials for building multi-storey structures, Daily Prothom Alo reported. These materials are largely earthquake-resistant. Experts say use of these environment-friendly materials will help reduce environmental pollution as well as cut construction costs. The Housing and Building Research Institute [HBRI] of the Housing and Public Works Ministry has been working on the production of environment-friendly building materials for the past three years. HBRI has invented a new type of brick that is portable and cost effective. The bricks are made of a river mud composite and cement. HBRI has also invented specialised floor, roof and wall materials.

Planned housing in rural areas

The Housing and Public Works Minister has stressed the need for taking initiatives to set up planned housing in rural areas, aiming to protect arable land. "It's learnt that at least 235 hectares of cultivable land are being lost every day due to the unplanned housing in rural areas," he said while.

Advocating setting up multi-storey buildings in rural areas to save cultivable land, the Housing Minister said if the trend of land loss continues, it will create an adverse impact on the country's food security.

"So, it'll be wise to go for an alternative housing solution in rural areas."

Speaking as the chief guest, minister Mosharraf said around 72% of the country's population are living in rural areas.

Fiji

Fiji is an archipelago in South Pacific Ocean, in the region of Melanesia, comprising of about 330 small and large islands, out of which approximately 100 are inhabited.

Fiji's total population currently is 912,241 (2017 was 884,887). According to the 2017 census, out of its total population, 191,910 is living in private households and 1,224 institutions.

Urban/rural divide:
- Urban – 55.9%
- Rural – 44.1%

Population growth rate: 0.6%pa

GDP growth rate: 4.2% in 2017

Tourism, Trade and Housing are a source of employment and government revenue. For revenue, Fiji is highly dependent on tourism, sugar processing and housing sector originating from rental housing from tourist resorts.

Fiji has a total housing stock of 193,134 units. With a total population of around 0.9 million and average household size of 4.58 persons, it is claimed that the nation is well-housed and it has no major housing shortage back log. However, it is replete with some housing finance side issues, and the question of making available climate resilient housing stock. Hence, the World Bank Group is engaged with the Government of Fiji in developing the housing sector with the focus on affordable housing, land supply and disaster resilience housing stock.

Many factors affecting affordable housing finance for low and middle-income housing in Fiji are somewhat similar to what could be seen in many other developing countries. However, a few factors are typical to Fiji, due to its socio-cultural scenario.

Factors that are similar to those experienced in many other countries of the region are availability of "serviced land" with transferable titles, rapid urbanization due to economic and social considerations, development of squatter settlements, high construction costs, availability of affordable mortgages and financial inclusion.

In Fiji almost 83-84% of land is owned by native Fijians, called iTaukei Land, which is not easily available for the development of a supply of market-based housing. Another issue is the high cost of construction, as large-scale housing developments are undertaken by foreign developers, who bring skilled imported labor leading to a high cost of construction. Addressing issues of increasing housing supply, availability of native lands, the ownership of which has some characteristics unique only to Fiji and other similar nations in the region, are of utmost importance to the Fijian Government and the World Bank.

There are many state-owned entities, which are directly or indirectly involved in land supply and housing development as well as finance. These may be termed as housing market players. However, many of these have a competing rather than a supportive and complementary role to achieve this goal. Housing and housing finance experts think that all these entities should have a focused and dedicated role in a specific area to play a supportive role for others.

The number of people living in informal settlements in Fiji, more so in cities like Suva, has seen a sharp growth in recent years. Scarce affordable housing supply has pushed even the middle-income and salaried households with no tangible housing alternatives into squatter settlements. Lack of urban planning is a major obstacle in planning of formal land use. This has adversely effected trunk infrastructure provisioning, transformation of "raw land" to "serviced land", affordable housing development, and prevention of new squatter settlements.

In Fiji, officially, the affordability threshold is considered as that of the income tax exemption limit, which previously had been 16,000 Fijian Dollars for a year. In June 2018, this was raised to 30,000 Fijian Dollars. This has resulted in an increase in availing housing finance but the people.

The lowest home price available in the market is un-affordable for 65% of the urban population. Dependence on traditional expensive construction materials, shortage of local skilled labor, and a slow and complex process for issuing construction permits is making housing more unaffordable. Construction standards, codes and permits are quite stringent and need to be rationalized, simplified and made more reflective of the reality of the market.

Cyclones, floods and other sudden-onset disasters can cause severe damage to buildings as well as transport and other infrastructure. Such natural disasters have raised concerns about the safety of houses and the need for disaster resilient housing. The development industry is being required to incorporate enhanced standards to make houses disaster resilient, which would require the people to follow the construction standards of advanced countries like Australia and New Zealand, which result in higher costs of constructions and lower affordability.

The government budget for public housing has been at ~FG$ 25 million for 2016 and 2017 with a plan to increase this to ~FG$ 30 million for the following three-year 2018-20.

India

Latest developments on REITs in India

The Securities and Exchange Board of India [SEBI] has given its approval for the Real Estate Investment Trust [REIT] platform which will help in allowing all kinds of investors to invest in the Indian real estate market. It would create an opportunity worth Rs.1.25 trillion (US$ 19.65 billion) in the Indian market over the years. Indian real estate developers have shifted gear and accepted fresh challenges by keeping in view the requirement for the globalization of real estate building and construction opportunities. The most marked change in the business paradigm has been the shift from family-owned businesses to that of professionally managed corporate ones employing architects and engineers. They are now developing and investing in centralized processes of project management, architectural design and engineering to address the growing needs of managing multiple projects spread over multiple states.

Developments in RERA of India

The Government of India passed the Real Estate Regulation & Development Act [RERA] in 2016, which required registration of all projects with a clear deadline that empowered the buyers to cancel booking and get refunds mandatorily and called for punitive actions for any non-delivery. "RERA has instilled confidence among buyers. A regulation is in place that is making the sector organised. Now projects will have to be completed. All this should result in a more mature real estate market," wrote CBRE's Magazine.

In February 2018, the creation of a National Urban Housing Fund was approved with an outlay of Rs. 60,000 crore (US$ 9.27 billion). Under the Pradhan Mantri Awas Yojana [PMAY] Urban, 6,028,608 houses have been sanctioned up to September 2018.

The Government of India has also taken the initiative for building Smart City Projects, under which it would build 100 smart cities. The state governments would also take part in this plan.

Investments in the real estate sector by NRIs – 137% increase in foreign investments

Non-resident Indians [NRIs] have been a significant segment of investors in the Indian real estate market. NRIs generally buy properties in India for investment purposes or out of an emotional connection with their country and for settling back after their retirement. According to investment experts, India provides lucrative opportunities for international capital. They say, overseas investments surged 137%, from USD 3.2 billion during 2011-13 to USD 7.6 billion during 2014-16, and it is increasing. According to a survey, almost 30% of the total global real estate transactions in India are cross-border.

In order to attract more foreign investment, the Reserve Bank of India has made the rules simple for NRI investments. Real estate transactions fall under the purview of the Foreign Exchange Management Act [FEMA] of that country.

Enhancement of tax surcharge in the Indian state of Maharashtra

The Maharashtra Assembly on November 27 passed by voice vote a bill to levy a 1% surcharge on stamp duty for immovable property in Mumbai to ensure there is sufficient corpus for urban transport projects being undertaken.

As per the provisions of the bill, the additional surcharge will be levied on stamp duty on the instruments of sale, gift and usufructuary mortgages on immovable property in the Brihanmumbai Municipal Corporation [BMC] limits, where vital important urban transport projects are being undertaken.

But many people maintain that, the Government must keep affordable housing exempt from the 1% percent increase in stamp duty. The escalation in the price of houses, due to the increase in tax surcharge, will hamper the purchase decisions of fence sitters who were warming up to the idea of buying a home on the back of stable capital values that have remained unchanged in the past 4- 6 quarters, market observers say.

The Reserve Bank of India [RBI]'s increase of repo rate and its impact on real estate market

The Reserve Bank of India [RBI] was expected to raise the repo rate – or the rate at which the central bank lends to commercial banks – by 25 basis points to 6.75%. The rate increase would work adversely affect the real estate market of India, it is believed.

Housing sector demand in India has slowed in recent years due to affordability issues, policy changes, unsold inventory and the so-called demonetization program, according to Ramesh Nair, CEO and country head at JLL India. It is expected that, if the central bank hikes rates, India's sluggish housing market may deteriorate further.

Pakistan

Providing affordable housing in Pakistan

Provision of affordable Housing is one of the major problems faced by the developing countries around the globe. The problem is not just peculiar to developing countries but is being faced by many of the developed countries too. The reasons are various; high rate of urbanization, changing population demographics that affect the socio-economic structure and the demand and supply of housing units and finances.

As of now Pakistan is facing a shortage of 11-12 million housing units and this deficit is expected to grow by 0.6 million units per annum. The population in Pakistan has been growing at an average rate of 2.4 % since 1998. Today the population stands at 208 million. A steady increase in population means the number of households is also consistently increasing and so is the need for housing units. The average household size in Pakistan is 6.5, which is among the highest in the region and is gradually shrinking, meaning there will be a lower household size that will further enhance the current housing shortage

The incumbent government of Prime Minister of Pakistan Mr. Imran Khan has announced as part of his Party Manifesto a plan for affordable housing for the masses; a top priority on their agenda for development. The Government is making all possible efforts in this direction and has launched the **'Naya Pakistan Housing Project' [NPHP]** which will especially address the needs of the low-income group. The housing agenda targets building five million housing units during the five years term of the present Government. It has also constituted an Apex Committee to devise a workable housing policy with realistic and achievable goals and to help execute the NPHP successfully. However, there are many challenges involved in providing affordable housing units to the people and these need to be addressed carefully in order to make the NPHP a success.

A Road Map for Achieving the Housing Targets:

Based on its three-fold strategy the government plans to achieve its one million housing units target as per the following plan:

LOW INCOME HOUSING

This will cater for three different types.

- **Rural Housing:** Delivering 400000 units a year which is 40% of the total target. The idea is to provide decent housing within a cost of Rs.250000/ per unit and the services of Non-Governmental Organizations [NGOs], Akhuwat and Zarai Taraqiati Bank Ltd [ZTBL] will be utilized for deliverance of these units.
- **Peri-Urban Areas:** this involves improvement of slums and resettlement of squatters where needed. Altogether 200000 units (20%) will be completed under this head. The cost limit will be Rs.1000000/ per unit. Delivery will be channeled through NGOs, Akhuwat, Micro Finance Banks and Specialized Housing Finance Institutions [SHFIs].
- **Urban Areas:** 400000 units will be delivered under this head through the private sector and developers. This is 40% of the total target.

The PM has set up a Housing Task Force to establish an institutional framework which will be primarily responsible for delivering the housing agenda at the Federal and Provincial level. The authority will be called the "Housing Authority". Since land and so the housing is a provincial matter, a similar institutional framework is also being established at the provincial level. Other measures being taken are the setting up of a Real Estate Regulatory Authority [RERA], Land Bank alongside strengthening of the legal framework like foreclosure law, tenancy law etc. Some other measures to address the issues of the supply-side as well as the finance – side are also being taken by the State and the concerned agencies. A follow-up on this impressive and ambitious program will be presented in the next issue of the Journal.

Papua New Guinea [PNG]

Papua New Guinea is one of the least urbanized countries in the world and its capital, Port Moresby, has significant amounts of unused land. The shortage of land leads to limited supply of formal housing on the market, which pushed housing prices far out of reach for the majority of households, who live in the city's growing housing settlements . According to the National Capital District [NCD] over 45% of the 700,000 people in the area live in informal settlements without security of tenure or access to basic infrastructure, such as water, sanitation and power.

With the rural-to-urban migration and high population growth rates, informal settlements in PNG are growing faster in major metropolitans, whereas housing supply is very short and the cost is high, leading to the growth of squatter settlements. An analysis of the housing ecosystem in PNG shows that the major hurdles lie on the supply side of the housing value chain where over 90% of land in the country is under customary tenure. Restricted supply of land in PNG is a challenge similar to the situation in Fiji, where about 83% of the land is Native/Customary Land, and presents a challenge on how to unlock this vast potential of Customary Land for the supply of housing.

Transforming customary land into freehold land can be very difficult despite Government attempts to secure the process. In order to register land, all members of a clan must first agree to form an incorporated land group [ILG]. Associated with the challenge of making customary land available for housing, there is a challenge of providing trunk infrastructure so as to make these parcels of land habitable. Here again situation in PNG is quite similar to that in Fiji.

In PNG, on the demand side of the housing value chain, mortgage rates are low, and tenors are long thanks to the Bank of the South Pacific [BSP] and Government First Home Ownership Scheme [FHOS]. However, mortgages are only available to households working in the formal sector, thus excluding the majority of the population which has informal sources of income. The financial sector needs to evolve customized income assessment techniques for assessment of informal sources of income, clubbing of income while determining mortgage eligibility.

Empowerment of women empowerment in PNG

Referring to the empowerment of women, as long as banks continue to require formal employment as a precondition to accessing a mortgage, women will remain disproportionally excluded. Although microfinance institutions are active in Papua New Guinea and target women, few offer housing products which will enable women to purchase a home as these products require long-term funding. On the demand side, the mortgage market seems to be well-developed but currently only targets households working in the formal economy.

The BSP subsidized mortgage is a great step forward and expanded affordability for many first-time homeowners, however demand is still constrained by the high prices on the supply side. Employers and pension funds offer various schemes to help households afford the staggeringly high rents and housing prices in Port Moresby. There are no housing finance products for large informal economy of the country, as banks do not underwrite informal households. Microfinance institutions, savings and loan societies also do not have the long-term liquidity needed to offer targeted housing products. Though the bank system appears to have enough liquidity to absorb upcoming demand, new products need to be developed in order to enable informal household to access housing finance.

In PNG, a pilot housing PPP settlement could be implemented in the short-term. However, a number of regulatory hurdles need to be addressed in order to implement housing PPPs at scale. These constraints include lack of a national housing policy with a clear vision and goals, lack of unified legislation to promote housing development and the limited capacity within the institutions mandated to promote affordable housing.

Thailand

Bangkok housing market continues robust growth

Bangkok's residential property sector continues growing robustly with new registered units jumping 11.7% this year. The Real Estate Information Center [REIC] indicates that the market's growth was buoyant because of an expanding economy and state investment in infrastructure. Acting REIC director-general, Vichai Viratkapan, said the residential sector's growth was primarily due to "positive signs in economic growth, exports and tourism". Dr Vichai expects that new home loans in 2018 will grow Bt. 367 billion ($US 11.4 billion). In the first half of 2018, transfers of all residential units in Greater Bangkok totaled 91,966 units (Bt 256.78 billion baht or $US8 billion), up 33% and 40% from the same period last year. Most units were priced between Bt2 million and Bt 3 million ($US 62,500 and $US 93,750).

Central Bank applies new prudential LTV regulations

To address rising bad property loans, the Bank of Thailand has announced new prudential loan-to-value housing loan regulations effective April 1, 2019. Loan to value ratios for all home purchase above Bt10 million ($US 312,500) will be affected by the new regulations. All loans in excess of Bt.10 million must now not exceed maximum low-to-value value ratios. All first-time buyers of homes priced at less than Bt.10 million will be exempt from the new rules. Purchasers of multiple homes will only be able to receive loans of between 70 and 80% of collateral value under the new regulations. The Bank of Thailand said the new regulations will help lower the demand for housing and allow more people to access housing at more affordable prices. These new regulations will also help raise Thai financial institution loan approval standards and help prevent a future systemic real estate sector crisis.

GH Bank continues developing digital services in 2019

To stay ahead of intensifying competition in Thailand's home loan market, Government Housing Bank will be focusing on developing more digital services in 2019.

In 2018, the Bank's digital services included digital payments via loan repayment machines; mobile applications that allowed customers to make cash transfers, review balances and loan statements.

During the next two to five years, GH Bank will deliver more digital services through its Bank transformation to digital services plan that will introduce fast-changing technological innovations.

The Bank's business processes will be further aligned with changing customer behaviors. New financial technology will be introduced to improve products and services including helping customers assess housing demand with data analytics.

GH Bank's personnel digital and IT knowledge education programs will help them cope with fast-moving business environments and innovative new digital support services. President Chatchai Sirilai said the Bank will remain focused on assisting as many low-income people as possible to acquire their own homes. "That's the Bank's core mission," he said.

Europe

↳ By Mark Weinrich

At the end of October, the European Banking Authority [EBA] published its annual work programme for 2019, describing the specific activities and tasks of the Authority for the coming year and highlighting the key strategic areas of work from 2019 to 2021.

In 2019, the EBA will focus on

- leading the Basel III implementation in the EU
- understanding risks and opportunities arising from financial innovation
- collecting, disseminating and analysing banking data
- fostering an increase in the loss-absorbing capacity of the EU banking system (MREL), and;
- ensuring a smooth relocation of the EBA to Paris.

In particular the last point represents a significant challenge for the EBA as its staff and business will be affected by this change, which exposes the organisation to a high operational risk. Britain's decision in 2016 to leave the European Union means that the EBA must be re-located to another Member State. Obviously, Brexit has also a big impact on the financial industry. The challenge of restructuring financial institutions operating in the UK and Europe in order to meet the moving target of Brexit is particularly complex and time consuming. If financial institutions are not adequately prepared the potential for disruption poses serious risks to the industry and financial stability.

After months of negotiation, the UK and EU came up with a withdrawal agreement. A separate and much shorter statement on future relations has also been agreed. To buy more time, the two sides have agreed on a 21-month "transition" period to smooth the way to post-Brexit relations. The UK cabinet agreed the text on 14 November, but there have since been a series of Cabinet resignations, including that of Brexit Secretary Dominic Raab. Subsequently, the withdrawal agreement has generated strong opposition within the UK Parliament and the Prime Minister has so far found it impossible to secure parliamentary approval. Without the approval of Parliament the agreement cannot come into force.

Brexit is thus a major and growing source of uncertainty for credit institutions and would be a serious challenge even under more positive circumstances. Credit institutions have to ensure that they have the regulatory permissions needed to operate, check that their complex cross-border contracts are valid and enforceable, review counterparty risk, check data flows and ensure market access arrangements. Over a third of UK financial services firms have confirmed or are considering relocating at least part of their operations, or staff, to remaining Member States of the EU, in order to minimise disruption for customers and their business. Dublin and Frankfurt remain the frontrunners for relocation when it comes to banks, insurers and asset managers as the ideal cities to set up legal and regulatory structures in order to continue doing business across the EU. However, Paris is emerging as a favourite when it comes to trading, which has a bigger impact on the economy due to the job creation and taxes that go with it. However, other cities such as Amsterdam, Luxembourg City, Madrid and Milan have gained traction.

This raises the question whether it is desirable at all to become a global financial centre. High paying jobs and a potentially huge source of income from tax have to be compared with the drawbacks. First, the banking system seems to be particularly vulnerable to systemic risk, having the potential to inflict high social costs to the general public from banking crises. However, there is evidence, that a very large financial sector has also adverse effects on productivity and growth. One reason for that outcome is the distortion of skill allocation, with the financial sector drawing scarce high-level skills away from more productive areas of the economy.

It seems to be the case with finance, as with luxury goods, that you can have too much of a good thing. This assumption appears to be particularly evident for real estate financing. Lending on existing property and land is in comparison to lending to business, unproductive. Only the latter supports capital investment and wages, fueling growth. Increasing lending against property and land above a certain threshold seems not to support private homeownership and affordability but tends to drive up property values instead.

However, the theories on the pros and cons of hosting a major financial centre have not really been put to the test. Brexit could be a perfect opportunity to test these theories.

Latest news on Housing Finance in LAC

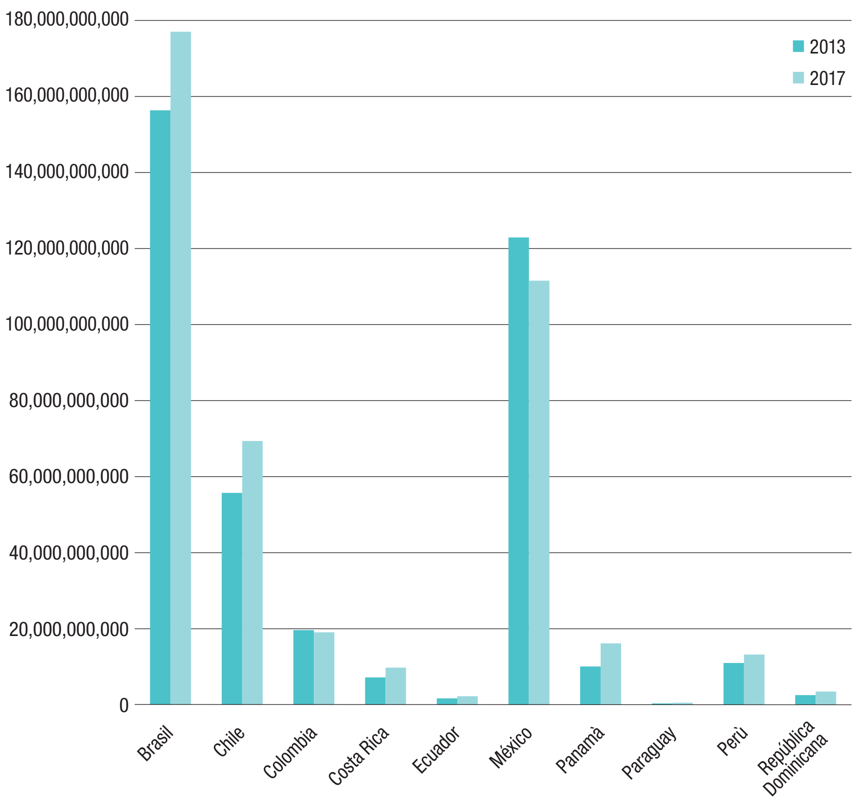
↳ By Claudia Magalhães Eloy

Mortgage portfolios grew in most LAC countries between 2013 and 2017 (in USD), in some cases significantly – in Ecuador, a 30.7% growth, nearly 34% in the Dominican Republic and Costa Rica, 47.3% in Paraguay and 50.5% in Panama. Bigger markets such as Brazil and Chile exhibited smaller, yet positive rates of 16.8% and 23.1%, respectively, while Mexico and Colombia suffered drops of approximately 9% and 0.14%, respectively, according to a recent Uniapravi study[1].

Notwithstanding, the ratio of mortgage credit to GDP is still very low throughout the region, where most countries rate less than 12% and many lower than 5%, with the few exceptions of Panamá, Chile and Costa Rica, with ratios of 26%, 25% and 17%, respectively.

With regard to funding, we have previously talked in this column (Fall issue, 2017) about some of LAC special saving schemes, created around the late 60s to early 70s, to fund housing finance in the region – the Brazilian workers indemnity fund [FGTS]; the Mexican pension fund [Infonavit] and Jamaica´s National Housing Trust [NHT]. They all comprise mandatory long-term savings schemes and are, still today, among the main funding sources in their respective countries. Now, Guatemala´s Instituto de Fomento de Hipotecas Aseguradas [FHA] proposes the creation of Instituto de Ahorro para la Vivienda [AVI], an autonomous and decentralized public institute that will manage an individual capitalization fund which will be mandatory for all private sector workers. It draws inspiration from the Mexican case, as well as Colombia´s Fondo Nacional del Ahorro [FNA].

GRAPH 1 Residential Mortgage Portfolios (USD)



Source of data: Uniapravi, Sept.2018

With a deficit of nearly 2.3 million units (1.5 million qualitative and over 700 thousand quantitative) and a population of 17.2 million, it is estimated today that only 5% of Guatemalans have access to formal housing finance and that the housing industry represents between just 0.6% and 0.8% of the country's GDP. Overall, the mortgage to GDP ratio is less than 1%. Lack of long-term savings is identified as one of the main reasons for this weak performance. A 2017 Central American Business Intelligence [CABI] study calculates a yearly figure of at least 100,000 families from social classes C and D+ who could qualify for a moderate cost housing mortgage. To achieve such volume would indeed be a huge leap from the current 17,000 units produced per year.

With AVI all employers will be obliged to pay 4.165% of each worker's salary (a yearly equivalent to ½ a month's salary) into this new provident fund, coupled with a 2% employee's contribution. Funds can only be withdrawn at retirement (age 65). Employers' monthly contribution of 4.165% of each worker's salary is to be compensated for with fiscal incentives of 8.33% (if the contribution to AVI is increased to 8.33%, employers gain tax relief of 12.495%) and interest accrued on the deposited funds is tax exempt for the employees. Funds will be remunerated at 2.7% yearly[2] and mortgage interest rates are expected to be at 10.5% per year, over 3 b.p. higher than FHA's insured 25-year mortgages (i.r. of 7.2%)[3]. Only those with an AVI savings account will be able to obtain credit. Other main aspects of the proposal are: AVI must operate under the supervision of *Superintendencia de Bancos*, allow for the securitization of mortgages produced and interact with banks through

[1] Cuaderno N° 256, Julio - Septiembre 2018: Financiamiento de la vivienda en países de América Latina. Available at: http://www.uniapravi.org/objetos/publicacion/MjI1/16112018104753.pdf.

[2] During the first 3 years of operation, when AVI is expected to break even. Afterwards it is expected to increase gradually, reaching a 9% i.r.

[3] According to the Instituto Nacional de Estadística [INE] the current rate of inflation is 4.34% (IPC, Oct-2017/2018).

guarantee and co-financing schemes. Yet, unlike Infonavit, AVI will outsource many tasks to existing FHA: developer vetting, building project inspections, buyer qualifying, buying and reselling delinquent homes.

AVI is expected to not only foster savings, estimated at USD$500 million in the first year of operation, but also to expand access by using a differentiated risk analysis and offering special schemes such as zero down-payment loans. Deduction of installments directly from a worker's payroll is the basis for such differentiation from standard bank lending practices, that usually include the requirement for a guarantor (*fiador*) for families with incomes of less than USD$2,000 per month and notably for unsecured loans such as home improvement for properties without formal title. Moreover, AVI will encompass a savings and credit program for informal and self-employed workers. Similar to Colombian FNA's "Ahorro Voluntario Contractual", risk assessment in these cases will be based on savings history.

AVI's bill (*Ley de Reactivación económica y ahorro*) was approved by the committee hearings and now it must go through three debates in Congress before it is voted on. The country's national congress is also currently considering another proposal for a preferential interest rate for social housing, that will allow banks to cut interest rates in half for loans up to USD$70k and then deduct the cost of the subsidy from their income tax returns. Eduardo Tabush[4], FHA's president, is doubtful whether the proposed interest rate subsidy via a tax incentive will have a significant impact: *"Our housing finance problem, which is also an enormous opportunity, requires a more comprehensive solution than simply lowering the interest rate a few points. For starters, Guatemalan banks do not have long-term funds nor are they able to originate the 100,000 housing loans per year the studies show the country needs. To put things in perspective, the largest bank in the country will only originate about 4 thousand housing mortgages this year. AVI, on the other hand is the result of a holistic and earnest investigation of the Guatemalan housing finance market and I am confident that it will tackle the three main parts of a well-thought-out housing finance public policy: funding, origination, and servicing."*

We will keep you updated as AVI progresses…

On a separate note, it is worth catching up on news regarding covered bond [CB] issuances in the region. In the Summer, 2017 column we discussed the few issuances in LAC, Chile and Panamá (both in 2013), when Brazil[5] was about to conclude its regulatory framework for CBs. As S&P had predicted, there have been no more CBs issued in Chile or Panama with Santander and Global Bank remaining the sole issuers in each case. Meanwhile there are strong expectations with regard to issuances in Brazil, where Santander has just inaugurated a 1st issuance, which is quite small (only USD $ 6 million), but which is likely to be followed by larger ones (of around USD $100 million). Itaú, a private national bank came next with an issuance of USD $300 million[6] signaling what could be a promising start for this new funding instrument, especially as a strategy for smaller banks that do not have access to the savings and loans system [SBPE] or to FGTS. However, CBs issued directly by local financial institutions are neither CRR nor UCITS compliant, as both frameworks require the issuer to be based in the EU. Thus, they do not benefit from the lower risk weighting for EU bank treasuries, a problem also faced by the above-mentioned countries. Moreover, the Brazilian legislation has not yet included prudential incentives for the purchase of CBs by other local financial institutions, although The Central Bank has promised to establish said incentives, in compliance with international standards.

The 2018 ECBC Fact book[7] attributes the lack of CB activity in Chile to the fact that "the more relevant Chilean issuers already have the maximum credit risk rating (AAA), and therefore the double recourse guarantee provided by the *Bonos Hipotecarios* is currently not as valuable to potential investors, specifically for banks, given that it does not provide an advantage in terms of capital consumption compared to standard corporate bonds". Brazil's larger banks, all participants in the savings and loans system, who at the same time hold by far the greater part of the market share of the housing mortgage portfolio, may face a similar problem, thus restricting the overall volume of issuances and market development.

The ECBC harmonization initiative under the European Covered Bond Label should help newly complying jurisdictions outside Europe to attract foreign investors and develop their CB markets, all depending on termination of the ECB purchase program, the development of the American CB market and uncertainties surrounding Brexit.

[4] The author would like to thank Eduardo Tabush for all the material provided regarding AVI, as well as his valuable comments.

[5] In Brazil, covered bonds are named Letra Imobiliária Garantida.

[6] 3 year term coupons, with yelds of 96% of the reference rate, tax exempt, directed to local high income individual investors.

[7] https://hypo.org/app/uploads/sites/3/2018/08/ECBC-Fact-Book-2018-final.pdf

Higher interest rates and the looming end of the second real estate double bubble

↳ By Alex J. Pollock

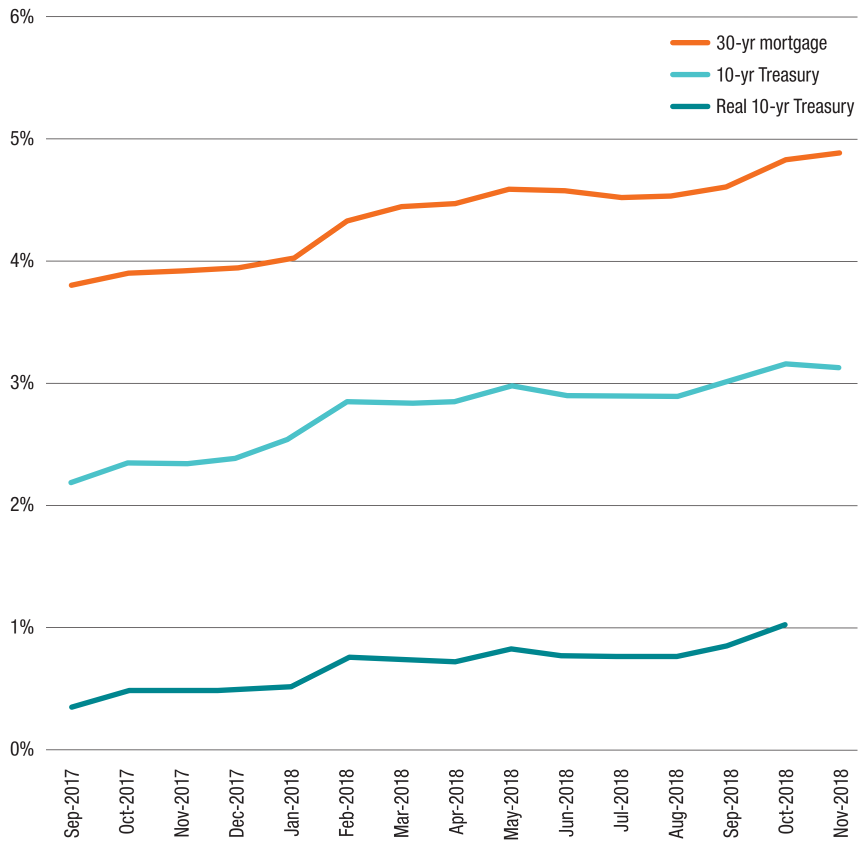
At this point, the most important thing about U.S. housing finance is that long-term interest rates are rising. The rate on 30-year fixed rate mortgages, the benchmark U.S. mortgage instrument, have since September 2017 gone from less than 4% to close to 5%. This is in line with the rise in 10-year U.S. Treasury note yields from something over 2% to more than 3%. The massive manipulation of long-term interest rates by the Federal Reserve is belatedly winding down, step by step. The house price inflation the Fed thereby promoted also must inevitably end.

The real (inflation-adjusted) interest rate on the 10-year Treasury note has gone from about 0.4% to just over 1%. These rate movements from extraordinarily low levels to somewhat higher levels are shown in Graph 1.

A more normal real yield for the 10-year Treasury note might be about 2%, which would suggest with 2% inflation, a 10-year Treasury rate of 4% and a mortgage rate of 6%. That would have serious downward implications for the elevated level of U.S. house prices, which already stress buyers' affordability.

GRAPH 1 30-year mortgage vs. 10-year Treasury rates

MONTHLY AVERAGE, SEPT.2017 – NOV. 2018



Sources: Freddie Mac, Department of the Treasury

As an example, suppose a buyer could just afford a typical monthly mortgage payment required to buy a typical $250,000 house with a 90% mortgage of $225,000, if the interest rate is 4%. If the interest rate goes up to 6%, the same payment can service a mortgage of only $180,000, or a house price of $200,000. A 2% rise in the interest rate reduces the price of the house the buyer can afford by 25%. (Of course, from 4% to 6% is a 50% increase in the interest to be paid.) Such math may well be working in the U.S. in the coming year.

Alan Greenspan, the famous Chairman of the Federal Reserve from 1987 to 2006, made these apt comments in response to a question at an American Enterprise Institute conference I moderated in February of this year:

"The real issue is that real long-term interest rates are exceptionally low. I'd argue that there's both a stock bubble and a bond market bubble. And the bond market bubble is essentially the determining force. Real interest rates are at the lowest levels of extremity. If you're at your lowest levels, there's only one direction you can go. The stock market cannot go up, irrespective of the cash flow and everything else, if real long-term interest rates are rising." [excerpts, ellipses deleted]

This certainly seems right, and Greenspan could have added a real estate bubble, as well. In fact, the U.S. once again has a double bubble in real estate – for both houses and commercial real estate have experienced another unsustainable asset price inflation.

The basic financial math of rising interest rates of course applies to commercial real estate, as well as houses, bonds and stocks.

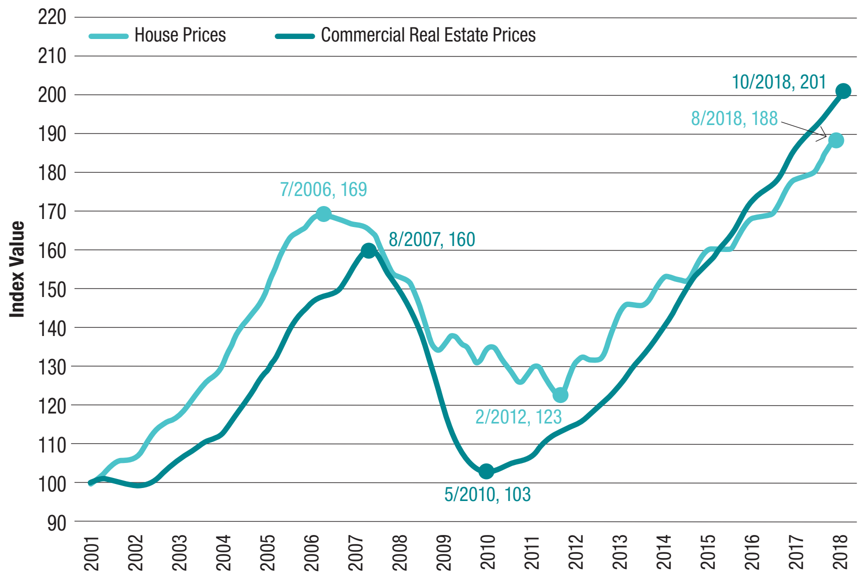
As long-term interest rates rise, the discount rate to determine the present value of a commercial property rises, its present value falls and its price falls ceteris paribus.

There have been remarkable swings in both U.S. house prices and commercial real estate prices in the eventful 21st century so far. It is clear that what is usually called the "housing bubble" of the 2000s, was in fact a double bubble. Then there was a double price collapse, and after that, a second double bubble in the 2010s.

In the first double price collapse, average U.S. house prices fell by 27% and commercial real estate prices by 36%. House prices bottomed in 2012 and have since risen 54%, to a new all-time high. Commercial real estate prices bottomed in 2010, and since have gone up 95%, and have also surpassed their former bubble peak. All this is shown in Chart 2.

GRAPH 2 A Second Double Bubble

U.S. RESIDENTIAL AND COMMERCIAL PROPERTY PRICE INDICES 2001-2018 (2001=100)

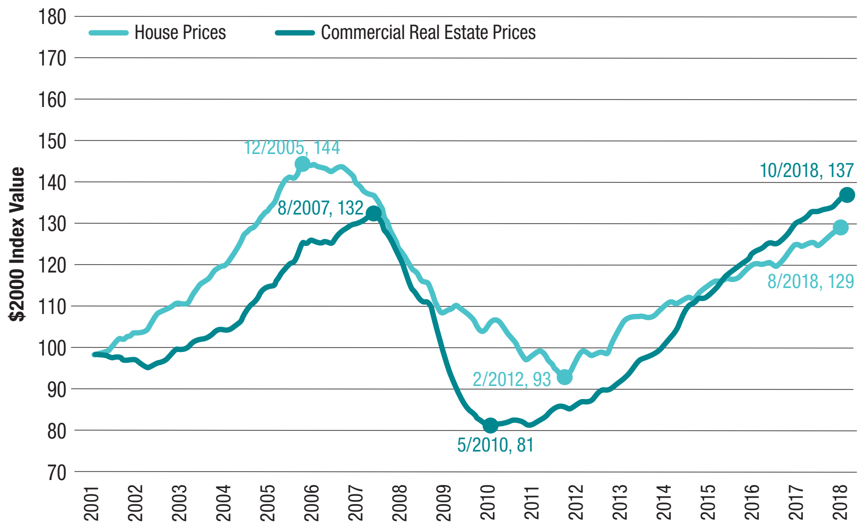


Source: S&P/Case-Shiller U.S. National Home Price Index; RCA CPPI National All-Property Price Index

Graph 3 shows the price history adjusted for inflation. We find that average commercial real estate prices in real terms are now over their previous bubble peak, exceeding it by 3%. House prices in real terms have not reached their former peak, but are as high as in September 2004, when the first bubble was well advanced.

GRAPH 3 The Double Bubble, Inflation-Adjusted

U.S. RESIDENTIAL AND COMMERCIAL PROPERTY PRICE INDICES IN 2000 DOLLARS, 2001-2018



Source: S&P/Case-Shiller U.S. National Home Price Index; RCA CPPI National All-Property Price Index

What is happening as interest rates rise? House sales have been slowing this year. "The fundamentals of the hottest housing markets around the country have been weakening for months, with declining sales and rising inventories," the financial letter Wolf Street observes. Under the title, "Alarm Sounds for Home Sales," the Wall Street Journal quotes a Texas housing consultant's view that "We have this huge affordability crisis. With mortgage rates going higher, we're hitting a ceiling." Yes, and how about 6% mortgages? "6% is likely the pain-threshold for the housing market," Wolf Street plausibly opines. "6% will block enough potential buyers from buying at current prices."

A further element in U.S. housing finance is weakened credit standards from the dominating government mortgage agencies, implemented as house prices have escalated. As Edward Pinto, head of the AEI Center on Housing Markets and Finance, recently wrote, "The house price boom has been driven by two punchbowls: the Fed's accommodative monetary policy, now being slowly withdrawn, and easy first-time buyer credit made available by federal agencies, which continues unabated." With a serious fall in house prices, these lowered credit standards will, as after every boom, prove painful.

For the 5,339 U.S. banks with total assets of $10 billion or less, real estate loans are 75% of their total loans. These banks are essentially real estate banks. For the entire U.S. banking system, real estate loans are 49% of all loans. Thus, the whole banking system is concentrated in real estate risk. The real estate prices against which these loans are made are key to the performance of the banking system. We will see what happens if they again fall sharply.

The end of the second real estate double bubble is looming. But how will it end? The Federal Reserve is hoping that the asset price inflation it previously stoked can transition to a soft landing. Maybe it will, but if we get a hard landing, it wouldn't be the first time. Will the renewed double bubble end with a bang or a whimper? That is the question.

2018, a turning point for social housing policy in France

↳ By Jean-Pierre Schaefer

1. A high level of production of new housing

According to international comparisons, France has an unusually large housing stock and has the highest level of new production of dwellings, absolute and in proportion to the population, in the European Union [EU] (Pittini 2017). The production of new housing is considered as the main way of meeting housing needs. It is a key economic activity which relies only partly on government decisions. It is often considered as a counter-cyclical tool to boost the economy and as a shock absorber during a crisis. The private sector benefits from public initiatives and most political parties consider housing as a fundamental need which must enjoy some form of public support.

French policy for housing has relied for many years on the three pillars, home ownership, social rental housing and the private rental sector (Burckel 2018). Public funding combines personal support, supply subsidies and tax rebates. Overall outcomes should be assessed over the long term, in terms of improvement in the quality and quantity of housing in many regions. The positive outcomes are less apparent in the capital region (Carli 2012) while very low-income groups face poor housing conditions (FAP 2018).

Each sector of the housing market should be analyzed in relation to the two other sectors. In the housing stock the dominant sector is owner occupation (58% of total stock), the social rental housing is one sixth (17%) and the balance is provided by the private rental sector (Gouiffes 2017). New construction consists of 25% social rental housing, 55% of owner occupation with the balance in the private rental sector (Roussez 2017).

1.1. Home ownership, a regular and strong growth

Various home ownership schemes have been developed, starting in the 50's with public grants provided through a specialized bank. Any bank can now provide a special "loan at zero cost" [PTZ] for first time buyers. Interest on the loans is paid from the government's budget. The loan is only 20 to 40% of the total cost of the dwelling, the main loan being a commercial loan. Conditions attached to the PTZ vary according to the income of the buyer. The mechanism is quite simple; the changes over the last twenty years have related to the parameters like the loan to value, the income threshold, maximum prices according to each regional price index and the use of the loan for new or existing housing.

Subsidized home ownership includes some other loans [PAS, PC] close to the market rate of interest. What are more important for the development of home ownership are insurance schemes and collateral provided at very low cost by a special Fund [SGFGAS] or by various non-profit bodies. The main point is to reduce cost for the buyer and provide insurance in case of any accident during the term of the loan (health, unemployment, divorce etc.).

The outcome over the long term has been a fairly-regular growth in the number of home owners. Since 1963 their number has tripled, reaching 16 million in 2015 (58% of households). PTZ opens the door of homeownership to low- and middle-income households. For the last 15 years a yearly average of 80,000 PTZ loans have been granted for new construction.

The objective of secure home ownership is a major consideration in the French mechanism for homeownership (subsidized or not). Loans are only granted according to the capacity of the households to repay the loan. The monthly repayment divided by income should be lower than 30%. Most problems arising in many countries are linked to overburdened households and negative equity, which have not been common in France (Vorms 2016). Low-cost loans to first-time buyers have had a very low rate of default, including during the financial crisis.

Other mechanisms have been developed, including a "rent to buy" [PSLA] scheme. This enables the buyer to stay up to five years as a tenant before buying. In case of financial problems, the buyer could again become a tenant. this scheme has been developed under the umbrella of social housing organizations. Starting as a niche market, the scheme reached 10,000 homes sold (2017) and could be improved.

Each year 450,000 tenants are moving from social rental housing (turnover of 10%). One fourth of them leave for home ownership, either in new or in existing homes. Social organizations sell directly or through specialized subsidiaries from 10,000 up to 15,000 new dwellings each year.

Subsidized home ownership [PTZ] is not very costly to government (€ 748 M 2013) and has a very strong leverage effect for low- and middle-income households. The cost for the public budget is much lower than the VAT and other taxes paid by home buyers. The scheme has been extended until 2022 but with rules restricting it to some urban locations.

On the other hand, personal support used to be granted to low-income home buyers (AL then APL since 1977). Half a million home buyers receive € 0.9 billion. The basic idea was that personal support should be neutral as far as tenures are concerned. It was given to low-income tenants and to home-owners. Since 2018, for budgetary reasons, this personal support has no longer been granted to new home buyers.

As usual for any change in rules, it will need some time to assess its impact. It might lead a reduction in the number of low-income home buyers close of the threshold of 30% (monthly repayment divided by income). A €150 drop in the income (average monthly support) means that prospective buyers need to earn €450 more. Some of them will remain tenants. As tenants (either private or social sector), they are entitled to the personal support. It is not clear whether it will be a good deal for public funds.

Another effect might be that home builders reduce their prices. A drop of €150 in income for the buyers is equal to a drop of €30,000 of purchasing power. to reduce their prices, house builders could reduce the size of the plot (for houses), reduce the floor area of the dwelling and build in more remote places.

An impact assessment will be useful to measure the losses and gains for the housing market, for home buyers and for the public finances.

1.2. A strong growth of the social rental sector

Since 2003, the growth of the social rental sector [HLM] has been strong. The rate of production has doubled and has reached 100,000 homes per year, plus new places in homes for the elderly or disabled. After deduction of sales to tenants (8,000 per year) and demolitions (8,000 to 12,000 per year) the social housing stock has increased at an average of 80,000 units per year. Social rental housing is one fourth of new construction, a figure which is rare in the EU. Total social rental housing includes 4.7 M dwellings.

This growth successfully withstood the global finance crisis (2008). During the last 15 years production has increased steadily despite the large increase in construction and land costs.

This achievement was made possible thanks to a specialized finance circuit. It uses a share of "regulated" private savings. These instant access savings ("livret A") are managed without any fees or taxes and are limited to a maximum of €22,000 per person. The savings are guaranteed against any loss and the interest rate is adjusted halfway between the market rate and inflation. The present financial situation brings the interest rate down to 0.75%. With a total of €238 billion (end 2017), these savings make up less than 6% of private savings in France (€238 billion / €4460 billion). The funds are centralized by a special financial body which oversees the public interest [CDC]. They are lent to social housing companies on very long terms (40 to 50 years) at rates below market rate (Scanlon 2014).

Total loans to social housing companies have reached €14 billion per year. The outstanding debt of social organizations is over €150 billion. The Finance Ministry acts as counter-guarantee of the financial liquidity, as these are demand savings. The State budget receives 0.2% fees (€700 M in 2016). Social rental housing is financed through private funding and brings funds to Government's budget.

Financing a social rental dwelling involves a loan of up to 75% (1.35% in 2018) with a long term (40 to 50 years) and 15% of the equity is provided by the social housing company. The balance (10%) is provided from public funds (government, local authorities) and the employer's fund "Action Logement".

The proportion of public funds for financing social rental housing looks rather low. But the complete finance plan, considered over the long term, includes some other grant and advantages. The construction enjoys a low VAT rate (10% instead of normal rate 20%). Land tax is not paid for 25 years. The low interest rate could be calculated as offering an advantage of 100 bp below a market loan. Loan collateral is guaranteed by local authorities. In case a guarantee for this project was denied by the local authority, a guarantee would be paid at a special institution (CGLLS).

These various public subsidies and advantages constitute for social housing construction a total saving of 26% compared with similar private construction. Some of the subsidies are real budgetary expenses like the public grants and the land tax rebate. The lower rate of VAT is a fiscal loss, theoretical as it supposes that a private developer would build the same construction under the same conditions. It is a fiscal loss only because the building is being built. No construction no fiscal loss (-10%), and no fiscal gain (+10%) either. The low rate of interest is provided thanks to private funds and there is no public cost involved. The guarantee provided by the local authorities entails no cost for them.

The following example presents the details of the financing for a standard social rental dwelling in a large French town (a case in the Paris Region there would need to be some changes in the value). "free" advantages (Schaefer 2015).

The financial and technical mechanism seems reliable as it has worked for half a century, for the last 15 years at very high levels. But it has now reached its financial limits. In addition to a low level of public support, it needs a growing share of equity provided by the social housing organizations. Another key point is the role of personal support to tenants which doesn't

Financing a standard social rental dwelling in France (large town)		visible costs	
Total cost (including VAT 10% €12 727)	140,000€	construction cost paid by the social organization	76.0%
Grants	10,000€	public budget expenses	5.4%
of which Govenement grant	*1,000€*		0.5%
of which Local authority grant	*6,000 €*		3.3%
of which Employers' Fund grant	*3,000€*		1.6%
Low cost loan (1.35%, 40 years)	105,000€	private funds	57.0%
Social housing organization equity	25,000€	private funds	13.6%
			0.0%
		"invisible" savings	0.0%
Low VAT rate 10% instead of 20%	12,727€	fiscal loss	6.9%
Land tax rebate for 25 years	15,500€	fiscal loss	8.4%
Low cost loan saving compared with market loan	13,900€	no cost for public budget	7.5%
Free collateral guaranteed by local authority	2,100€	no cost for public budget	1.1%
Total econometric savings for social housing compared to private construction	44,227€		24.0%
Total econometric cost including "invisible savings"	184,227€		100.0%

Social rent level maximum 2018

		ZONE I *Paris Region*	ZONE I BIS *Grand Paris*	ZONE II *Large cities*		ZONE III *others*
"Low rent social"	PLA-I	5.7€/m²	6.0 €/m²	5.0 €/m²		4.6 €/m²
"standard rent" social	PLUS	6.4€/m²	6.8 €/m²	5.6 €/m²		5.2 €/m²
		ZONE A *Paris Région*	ZONE A BIS *Grand Paris*	ZONE B1 *Large cities*	ZONE B2 *Middle size cities*	ZONE C *others*
"upper standard" social	PLS	10.2€/m²	13.2€/m²	8.7€/m²	8.4€/m²	7.8€/m²

This maximum rent per m² is settled by the Ministry of housing and used by the social housing organizations for calculating the financial balance of a new rental housing development

appear in this finance circuit. And this financially strong long-term model might be at a turning point (Driant 2011).

1.3. Personal support to tenants, an important element in the financial balance of the social housing sector

The above-mentioned scheme enables development of a home rented at € 6/m². Statutory social rents in 2018 range from € 5.2 to € 6.4€/m² for a new standard social dwelling. In the existing stock, a standard flat of 70 m² is rented at € 340 /month in a building built before 1977 and € 430 in a building built after 1977.

The social housing organization must find, for each construction type, the right balance between its revenues, the rents and the costs. Expenses include instalments of the loan (half of the costs), real estate management, maintenance and land tax.

After the redemption of the loan, the building has a positive cash flow and redeems the equity paid for its construction. These funds are used for building new housing. As it is a 40-year cycle (duration of the loan), a large housing stock on which loans have been fully amortized is needed for providing enough equity for continuous growth. This model is based on a long-term balance (Halbert 2016).

The social housing organizations don't receive grants or subsidies for operating costs apart from a rebate on commercial company tax [IS]. They are exempted from IS due to their social mission as they are established as not-for-profit companies. This exemption is worth € 1 billion a year, 5% of their annual turnover.

Half of the tenants (2,4M) receive personal support amounting to a total of € 8 billion, one third of total rents plus charges. From a macro-economic point of view, it is a demand-side type of support. But altogether it could be considered that public funds contribute one third of the financial costs of the social rental sector.

Before 1977, personal support was lower, and public grants were higher. It is now considered that the social rental sector should cover a growing share of its costs; grants and subsidies have been decreased and personal support increased. The same amount of personal support (€ 8 billion) is paid to tenants in the private rental sector, and more than €1 billion to people in homes for the elderly and hostels.

With more and more low-income tenants, the need for personal support has increased beyond the expectations of the Ministry of Finance. And this Ministry wants things to change. A new step has been taken with the reduction of demand side subsidies.

1.4. Decreasing social rents paid by the tenants should help to reduce the government budget of personal support payments to the same tenants

The € 18 billion budget for personal support is one of the main public costs (Roussez 2017). It is classified in the budget for housing, as it is targeted on housing, but various experts would classify it as belonging to the social budget.

In order to reduce the Government budgetary deficit, the budget for 2018 obliges social organizations to reduce the rents for low income households [RLS]. This rent reduction should reach € 0.8 billion for 2018 and € 1.5 billion in 2020. It applies to households receiving personal aid [APL]. The reduction in rent will trigger a reduction in personal support. This decision, which concerns only the social rental sector, should be neutral for the households; the decrease of rent will be equal to the decrease in personal support.

Social rental organizations are reviewing all their financial forecasts with annual revenue decreasing between 4% and 7%. The poorer the tenants, the bigger will be the impact for the social housing organization. A financial plan of action linked with a special guarantee fund [CGLLS] has been agreed to help social companies which will face financial difficulties through this reduction.

The social housing organizations (gathered in their umbrella union USH) used to free up on average from € 1.7 up to € 2.2 billion per annum as equity. These funds enabled them to invest in 100 000 homes per year. Social housing organizations are compelled to house the poorer households, keep a certain level of "social mix" and be financially self-sufficient (Driant 2017). Will the social housing organizations be obliged to slow down their production, reduce maintenance expenses or find new a source of equity? Probably they will include all these three actions in their strategy.

1.5. A change to the fundamentals of the social housing model

Social housing finance is based on an economic rent providing financial viability over 40 years for each building. The size of the organizations enables generation of enough cash through efficiencies and economies of scale.

Is the reduction of income by 4 to 7% a major challenge for the social housing sector? Does it change its fundamentals? For a couple of years social organizations will face many different technical pressures on their finance leading to "silent in-depth changes of the finance model" (Driant 2011). It is highly probable that their rate of construction will slow down. Nevertheless, it will probably remain one of the highest in the EU. Criticisms of the social housing sector made by the Ministry of Finance or the Court of Audit (Cour des Comptes) are based on the need to improve management and "make more with less money". They don't question the social mission of social rental organizations and their role as part of the social safety net against social inequalities in a developed economy (Gimat 2018).

More frequent are questions about the role of social housing for the homeless and the very low-income groups. Following European typology (Ghekière 2008), social rental housing in France follows the "generalist tradition", housing all households who cannot find a solution within the housing market, which includes mobile workers. The employer's fund ("Action Logement") uses each year a contribution paid by private enterprises for housing their employees. Half of this € 3.5 billion fund is targeted towards the social rental sector. The employer's fund is the main shareholder of half of social housing companies (1 million homes). Therefore, a share of social housing is traditionally devoted to low- and middle-income employees.

Advocates of the homeless and very low-income groups point out that social rental housing should not refuse to allocate a home to very poor households (FAP 2018). The question is to know who is going to pay the rent. Should the rent be calculated according to the income of the households, with a 25% rent to income ratio? For very low-income households (part-time employee earning € 700/month) only a very low rent could be paid (€ 175 or € 2.5/m²). This is far below the economic rent which is close to € 6/m². How could the financial viability of housing organisations be guaranteed for the long term if the revenue depends on the income of the tenants? National solidarity is obviously needed, which was found with personal support. But personal support is in the hot seat at the present time.

An approach to social mixing, using the diversity of the social rental housing, could be that of increasing the rent of wealthier groups. A supplement of rent [SLS] is paid by households whose incomes are above the income thresholds for allocation of a social home. But they are very scarce (less than €100M/ year) as there are less and less middle-income households in the social sector.

An increase of social rent is possible only if the quality of the housing or the attractiveness of its location is high. It is possible in some special market areas as the Paris Region, it is more difficult in most places. And the global trend for the last twenty years shows an increasing number of very low- and low-income tenants occupying the social housing stock. As mentioned regarding owner-occupation, middle income groups enjoy opportunities to leave the rental sector.

There is a real debate about the need for a social mix. But the question is no longer how to mix "rich" and "poor" tenants, but more to mix "very poor" and "poor" in a social rental sector which is more and more social (Gimat 2018). Less and less financial resources will be found in the pockets of the tenants. If national solidarity (public funds) decreases, what will be the way and means for housing the poorest?

1.6. Could a "re-engineering" of the housing organizations create value?

With an average size of more than 8000 homes per organization (totaling 4,5M homes) the 229 social housing companies and 257 social housing Municipal Offices have a greater capacity compared with foreign examples.

Social housing bodies have been regularly engaged in merging. Now one third of the social housing stock belongs to 47 organizations, each of them managing more than 20 000 homes.

The question of economy of scale in the real estate industry, as far as social housing is concerned, is much discussed. Management costs seem to increase slightly in organisations with more than 12.000 dwellings (DGALN 2015). These costs vary according to the distribution of the real estate assets in different areas. In addition to merging, many social bodies are also members of groups or networks of companies which provide them with common resources. Social organizations may have specialized subsidiaries for home ownership, for housing management, for specialized housing etc.

A law under discussion (September 2018) would regulate the minimum size of housing organizations (10,000, 12,000 or 15,000 dwellings). The real question at stake regarding the "right" size is linked to the governance of each organization. The Government believes that there should be only one social housing office per "département" (district) and/or one for each large urban area (EPCI inter-municipality structure).

Another strong spur for the reorganization of the social sector is the pooling of cash management. Financial consolidation could ease the financial constraints on equities for new developments.

Will the tenant enjoy better services within a bigger landlord, or will the decision-making center be more remote? Will the outsourcing services, in a context of growing need of social care, bring savings, or lower the quality of daily management? Local managers feel very strongly the stress of poorer households who feel the impact of unemployment, family and psychological problems. Housing the poor and low-income households is at the core of social housing activity. The question at stake is to know to what degree each social organization will be able to play its role, in connection with other social partners at national and local level. Each social organization must specify its commitments and its strategic development in two documents the "Social utility contract" [CUS] and the "Strategic asset plan" [PSP] for the next five years (USH 2018). Such comprehensive documents must get approval from the Government and from local authorities.

1.7. Social sector organizations looking desperately for equities

The reduction in resources opens the search for new funds. Some equities in the balance sheet will be lent by CDC, the main banking institution of the social sector and by the employers 'fund "Action logement". But it won't be enough for the social organizations to be financially self-supporting.

The Ministry of Finance, for years, has considered that selling 40,000 dwellings a year (0.8% of the stock) should bring enough cash (€ 3.5 billion) for building 100, 000 dwellings. Its assumption is that selling one dwelling should provide enough cash, after redemption of the loan (if any), for investing in two or three new units. This ratio, the Ministry believes, should guarantee that the social housing sector will continue to grow, with new units, of better quality in better locations. This optimistic view has its defenders, advocates of a dynamic management of the social housing stock.

Anyhow the value of each unit is equal to the discounted cash flow of its future rents. There is no magical value added, except in certain markets where capital values are higher. The social organization loses an asset and its future rents but enjoys a bonanza which could help it to wait for better days.

In France there is "no right to buy" for the tenants, the social housing organizations have "a right to sell" housing older than 10 years after approval by local authorities. Selling social housing is a quite ordinary part of the management of their housing stock (USH 2018), the question is the rhythm and the methods of selling. 8000 units sold (2015) brought back € 0.7 billion to the sellers, 3% of the total income of social organizations. To achieve 8,000 sales a year, 60,000 dwellings must be put on the market. Managing programs which will mix for years tenants and owner occupiers needs professional skills, different from the usual social housing management skills. Of a sample of 5770 social dwellings sold, 40% were houses, a product which is easier to sell than flats.

According to USH, doubling the annual number of sales might be possible, reaching € 1.5 billion a year. But there is a gap between the macroeconomic calculations and the micro economic situations.

The Employer's Fund (Action Logement) is establishing a special purpose vehicle which could organize buying and selling. Its main task would be to quickly provide funds to social organizations, as selling is a slow process. They plan to buy and resell 15,000 dwellings within three years (60% in the Paris Region, 40% in the rest of France) with € 1 billion of equities and €3 billion loans.

The sale of social housing on a wider scale should be approached following three main criteria (USH 2017):

- Selling social dwelling should not be conceived according to a neo Thatcherite strategy, they should be focused on the redevelopment of social rental housing. Selling massive amounts of stock to private companies as in some German towns is considered to be a mistake by many partners. Sales should be made to private households. An assessment of the sale policy based on observation is considered to be necessary by the" Conseil social HLM" (USH 2018).

- The buyers, whether sitting tenants or not, should be aware that they will be liable for charges and taxes. As most of the sales are likely to take place in multifamily buildings, the new condominium should not be sold leaving outstanding payments for water or lift maintenance. Preliminary information to be given to buyers about the real cost of buying (condominium charges, taxes) is essential, and the housing organization should stay in charge of the condominium management for a while.

- The local authorities must give approval for the sale. By law, 2000 local authorities in large urban areas are required to have a proportion of 25% (or 20%) of social rental housing in the total housing stock. If they don't' comply, they must set out a plan for reaching this rate within a certain number of years. If they remain reluctant to comply with this obligation, they are fined. The choice of selling social housing will be carefully monitored especially in communes where the supply of social rental housing is low. Some adjustments are possible, as each dwelling sold could be considered for a while as "social" from a statistical point of view. Another question arises in agglomeration where the rate of social housing could be calculated either at the level of each municipality or if a "pooling" could be achieved between communes. This should be tackled within the framework of a comprehensive social housing policy at the level of an agglomeration.

Anyhow, selling more existing social dwellings in some places for building even more new social dwellings in attractive areas is not an easy task from the financial and social point of view for the housing organisations.

1.8. Development of private rental investment

Since 1984, fiscal schemes have helped private households to invest in new private rental housing. By following various rules on rents and social occupation, for a duration of 6 to 18 years, investors enjoy fiscal rebates. In the latest version, the tax rebate has increased to 18% of the investment, spread over four years. Each fiscal scheme was more or less popular according to the size of the fiscal carrot.

Regularly criticized, the fiscal scheme managed to survive many governments. As this scheme used private initiatives (both developers and buyers are private) and was managed through the fiscal scheme, it is not easy to assess from the housing policy point of view. The main criticism is based on the difficulty of focusing investment on markets in need. In tight markets the land is expensive, and the yield is lower. Average rental return on the investment is close to 3.5%, while capital gains might change from one market to another.

More than 1.3 M housing units have been built over 30 years with this scheme (Guerrini 2017). For the private developer's federation [FPI] the share of buy-for-rent could go from one third up to two thirds of their sales (FPI 2018). Variations relate to changes in the attractiveness of the fiscal scheme.

The impact of this new production varies according to the local markets. In some places lower rents have been measured in middle size towns. The low cost of land and construction enabled a high rate of return, despite low rents. Some landlords have been complaining that new products were unfair competitors for their own older properties (of lower quality). This could be considered as a success from the public interest point of view if they were obliged to improve their products or to decrease the rents.

On the other hand, in tight markets, such supply had no noticeable effects. A rent of € 17/m^2 (Grand Paris area) set a limit of price of € 5000/m^2 for claiming a gross rate of return of 4%. It is not easy to use such tools in a such very tight market, where other rents are skyrocketing. Conversely a rent of € 10/m^2 is attractive for a private investor in a "balanced market" (middle size town) with a selling price of € 3000/m^2.

The main criticism of the scheme is its fiscal cost. Such cost is not easy to calculate, even after reading carefully the proceedings of the French Courts of Audit (Cour des Comptes 2018). The annual cost is linked to each generation of investors. And fiscal impact varies according to the rate of income tax for each investor. Advocates of the scheme consider that by and large it doesn't cost much more than the VAT and various taxes paid by the investor. And in the end, there is a new home on the market, at an affordable rent for nine years or more.

The Government is committed to this fiscal scheme until 2022. It would be interesting to compare the gains and losses of such a scheme with the situation in countries where nothing exists for attracting investors and where the need for a good supply of private rental is regularly put forward (Blanco 2014).

2. Housing policy and the existing stock

2.1. Personal support, a major economic and political concern

As mentioned above, personal support (€ 18 billion) plays a major role in lowering the cost of housing for many households (6M) both in the private sector and in the social sector (Menanteau 2018). It has been suppressed for first time home buyers and is decreasing in the social sector.

Does personal support have an inflationary effect on rents? Despite some econometric researches, it is not easy to measure this effect and the conclusions are not clear. Personal support was created in 1948 in order to launch large scale improvement in the private housing stock. This brought higher rents, and better quality. It was quite useful in the post-WWII context with a very low standard across the housing stock. Nowadays the quality effect is difficult to assess. The quality of housing is guaranteed through law and regulation (thermal insulation, soundproofing…) and goes much beyond the basic comfort of the 60's. Measuring the quality effect is important to assess at which point discrepancies in rents have an inflationary effect linked with personal support.

An important political debate refers to the 800 000 students enjoying personal support. So far, the Government has not changed the rule regarding this important budgetary item (€ 1.5 billion). A general decrease of €5 in all personal support during the autumn of 2017 obliged the government to recognize that anything linked to the decrease of personal support is sensitive but reducing a € 19 billion spending commitment is a major issue for the Government. The decrease of personal support in the social rental sector is an initial experiment with political effects on low income tenants in spite of the fact that their rents are supposed to decrease at the same time. It was an unfortunate message sent to low and middle income groups, which was added to various social complaints strongly voiced during the serious demonstrations of December 2018.

3. Solutions to the housing debate will be found at the local level

This paper tries to bring together some elements about the trends of housing policies in France, from a national and macro-economic perspective. The main debate at the present time is about the reduction of public funding while keeping a high level of production. Beyond the achievements or the failures mentioned for the housing policies, it should be stressed that the right answers should be found on a local basis. Meanwhile reducing public expenses is a concern for local authorities as well, which will be obliged, if they finance housing, to reduce expenses in other fields.

Debates about housing affordability for newcomers are often related to the situation in the capital region. This area is the main focus of attention for the Government and the main stakeholders plus for the media. The capital region (one fifth of France) has both high prices and high rents, together with both social groups with high economic power, and very low-income groups, illustrated by the high number of legal demands for housing according to the "DALO" (enforceable right to housing adopted in 2007 (HCLPD 2017).

In some other areas facing economic downturn, the main concerns are to keep a minimum level of attractiveness or to organize down-sizing, including with housing improvements.

Between these two situations many towns and regions enjoy "well balanced markets" with a strong supply, good affordability of homes either for home occupation or private or social renting. In many regions, local housing policies, using the national financing tools mentioned here, have been quite efficient in facilitating very attractive housing including social rental housing (KfW 2018). Managed with a long-term perspective, notwithstanding local political changes, local housing policies represent the right approach to achieving a proper answer to housing need. From Rennes to Bordeaux, or from Lille to Strasbourg, many markets might be considered as well balanced. Of course, all these markets might have differences with some metropolitan areas having a higher growth rate than others.

4. Conclusion: a turning point for housing policy, especially social housing, which could be managed thanks to the resilience of the housing partners

The economic model for social housing was organized from a long-term perspective and offered a permanent social status and security of tenure to tenants. It might switch to a short-term outlook, with a management focused on increasing turnover of both housing stock and tenants. Such a trend could be considered as a turning point for social housing in France, notwithstanding the fact that the importance of the social rental housing social role is still proclaimed by nearly all policy-makers and by political parties.

The situation of housing supply and demand is sharply different between the capital region and the rest of the country. Any changes in the legal and financial framework for housing policies should try to maintain the efficiency provided by the local housing policies. Local authorities have heavy financial constraints. But they still have significant power to monitor and boost housing activity, thanks to their technical capacity to coordinate local housing policies. Greater efficiency by each actor, whether in relation to owner occupation, private rental or the social rental sector can be achieved if local housing policies provide good planning and a good framework for economic and social action. They can ensure a regular and better housing supply to meet the needs of their inhabitants. This is true for France; it might be true for other countries. But inhabitants must see and feel in the short term the outcomes of a long-term policy. This is not an easy task for the public authorities.

Bibliography

Blanco A et al (2014) "Busco casa en arriendo" Banco Interamericano de Desarrollo, 2014

Burckel D et al (2018) "Management de l'immobilier" p 86 Vuibert 2018 478p

Carli P, Le Bras H (2012) p 100 "Crise des liens, crise des lieux" Editions de l'Aube 2012 191p.

Cour des Comptes (2018) "Les dépenses fiscales en faveur de l'investissement locatif des ménages" référé Cour des Comptes 17 janvier 2018

DGALN (2017) "Bilan 2015 du logement aidé" Ministère du Logement 2017

HCLPD (2017) "Mise en œuvre du DALO" Haut comité pour le logement des personnes défavorisées Ministère du Logement DGALN DHUP 2017

Driant J-C (2011) "Les mutations en sourdine du financement du logement social" in "Regards croisés sur l'économie" p 187 vol 9 2011

Driant J-C (2017) "Réformes du logement sous l'ére Macron" Métropolitiques 9 novembre 2017

FAP (2018) "28e rapport sur l'état du mal logement en France" Fondation Abbé Pierre 2018

FPI (2018) "Observatoire de l'immobilier de la FPI" Fédération des promoteurs immobiliers 2018

Ghekière L (2008) "Développement du logement social dans l'Union" p 21-34 in "Politique du logement" Questions sociales 2008

Gimat M, Halbert L "le logement social contraint à la rentabilité" Métropolitiques 12 juillet 2018

Gouiffes P-F (2017) p 207 "Le logement en France" Economica 2017

Guerrini S, Martiny P (2017) "Bilan des aides à l'investissement locatif des ménages" p10 la Revue foncière n°16 mars 2017

Halbert L et al (2016) "Mutations du financement de la production du logement social" Caisse des Dépôts 2016

KfW (2018) "Die Spitze der Bewegung : Sonderpreis Ausland Habitat 76" Bauen +Wohnen KfW Mai 2018

Menanteau M. (2018) "Le taux d'effort des ménages pour se loger" Observateur de l'immobilier du Crédit Foncier n°95 décembre 2017

Pittini A et al (2017) "The state of housing in the Union" Housing Europe October 2017

Roussez V, Lefranc S (2017) p 40 "Comptes du logement 2017" SDES, MEEM juillet 2018

Scanlon K et al (2014) p 131 "Social housing in Europe" Wiley Blackwell 2014

Schaefer J-P (2015) "Aides et financement des projets de logement" p137 Editions du Moniteur 2015

USH (2018) "Avis du Conseil social sur la vente HLM" Union sociale pour l'habitat 2017

Vorms B, Tutin Ch (2016) in Lunde J, Whitehead Ch "Milestone in European housing finance" Wiley Blackwell January 2016

Haiti HOME: Catalyzing Haiti's affordable housing market

By Olivia Caldwell and Claude Clodomir

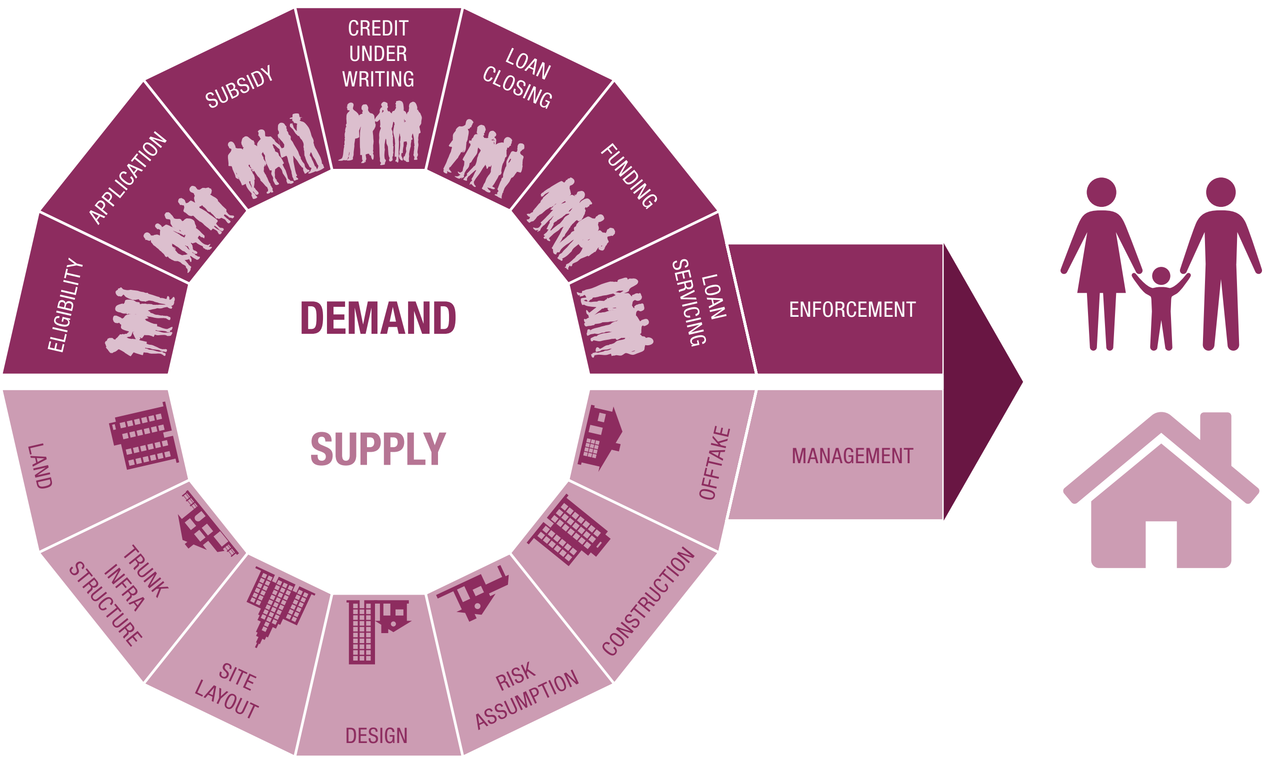
1. Introduction

Haiti suffers from an acute housing shortage, a high population growth rate, and rapid urban expansion. The pre-earthquake (2010) housing shortage was estimated at 500,000 units for a population of only 10 million people. The World Bank estimated that roughly 70% of Port-au-Prince's pre-earthquake population lived in informal settlements. These neighborhoods lacked access to basic services and are often located in high-risk zones. Since the 2010 earthquake over 1.5 million people have been displaced and 180,000 additional housing units have been destroyed. Despite numerous donor interventions to rebuild Haiti's housing stock, a great majority of urban residents still live in precarious shelters and continue to be vulnerable to climate and seismic hazards.

The housing shortage is both quantitative and qualitative. Formally titled housing remains rare and the average price of a formal house in Port au Prince is around USD 300,000, far out of reach for the majority of the population and new units are critically needed to bridge the quantitate deficit. At the same time, home improvement loans are necessary to eradicate the qualitative housing shortage and increase urban resilience. Despite this great need, Haiti's housing market is underdeveloped and is currently unable to meet the country's growing housing demand because it is critically constrained by major hurdles on both the supply and demand sides of the housing value chain.

2. Haiti's housing value chain faces many hurdles

Although numerous interventions tried to rebuild Port au Prince after the earthquake, few took a holistic approach by focusing on the market's enabling environment. Most donors sought to engage directly in reconstruction without seeking to tackle the housing market's underlying structural issues. A successful housing ecosystem only emerges when the demand and supply value chains, each with eight interlinked steps, operate effectively and at scale. Unfortunately,



Haiti's housing market is stunted by weak links on both sides of its housing value chain.

The supply side of the housing value chain looks at the physical production of homes. Here, the first major issue is land tenure. Over 90% of land transactions in Haiti happen on the informal market. Haiti's courts are filled with land disputes and many investors shy away from developing real estate in such contentious circumstances. Furthermore, land in Port au Prince is very expensive and the small amount of land available for development is subject to land-use economics under which more profitable assets are prioritized. While hotels and luxury apartments have sprouted around the capital, affordable housing developments remain nonexistent. Mitigating high land costs through greater density and verticality is currently impossible because Haiti's condominium law remains unapplied and misunderstood, meaning no one in Port au Prince formally owns an apartment. To make matters worse, construction costs in Haiti are substantially higher than most other countries; materials need to be imported, are subject to custom duties, and transport complications. Despite attempts to bring innovative construction technologies to Haiti (notoriously showcased at the Zoranje housing expo after the earthquake), these techniques have had limited success in reducing construction costs and most households still prefer to live in brick and mortar houses. Given all these restraints, developers have been shy of entering the seemingly high risk and low reward affordable housing market.

2.1. Demand side constraints

The demand side represents people's ability to borrow money in order to finance the purchase of a new home or repair an existing home. The housing finance sector in Haiti is very weak and the country has fewer than 1,000 outstanding mortgages. Few households in Haiti are eligible for mortgage financing either because they earn too little or their revenue stems from informal employment, which is difficult to underwrite. Haiti's per capita income is estimated at USD 250, less than one tenth of the Latin American average, and almost 90% percent of workers are employed in the informal economy and are ineligible for formal bank financing. The Government of Haiti launched the Kay Pam program after the earthquake to offer long term funding (30 years) at fixed rates (8%) to first time homeowners, but the program has struggled to take off due to the limited amount of supply and lack of qualifying households. Banks refuse to go down-market due to the perceived risk of lending to lower middle-class households.

Despite these many hurdles, Haiti is home to a growing middle-class whose housing needs are not being addressed. This middle class presents a significant opportunity for developers and financial institutions interested in broadening their market and willing to overcome their perception of risk.

3. About Haiti HOME

In 2015, the United States Agency for International Development [USAID] developed and funded the Haiti Home Ownership and Mortgage Expansion [HOME] program to specifically address these issues and strengthen the country's housing value chain. The program is implemented by the World Council of Credit Unions [WOCCU] in partnership with the Affordable Housing Institute [AHI].

The HOME program seeks to catalyze the affordable housing market in Haiti by working with local private sector developers and financial institutions. HOME uses a mix of pay-for-performance incentives and technical assistance to push companies outside of their comfort zones and go down-market. The technical assistance supports them in going down-market, while the financial incentives encourages them to lead the way and reward them for their efforts. HOME has adopted a value chain approach and works simultaneously with developers and financial institutions in order to ensure that both the hurdles on the supply and demand are being addressed. By doing so, HOME is focusing on creating an enabling environment under which a housing market can be catalyzed.

In adopting a value chain approach, it was important for the HOME team to first understand the target market and the price points they can afford. The program ensures that developers are producing houses at these price points and encouraging financial institutions to work with vulnerable households that are credit worthy. The value chain becomes functional once a household can access finance to buy an affordable and safe home. After three years, ten companies have stepped up to the challenge, over 300 houses are in the process of being built and hundreds of families have benefited from a housing repair loan. The housing market has begun to budge.

4. Interventions on the supply side

Instead of engaging in housing development directly like other donors had previously done, HOME invited local developers and landowners to present their projects. By working directly with the Haitian private sector, HOME has avoided some of the pitfalls that have frustrated so many international organizations. Haitian companies are more familiar with the country's land issues, know which land is under dispute, and are able to navigate the complex land registration system. Once a project has been presented, Haiti HOME designs a carefully calibrated pay-for-performance incentive agenda in order to encourage developers to lower their prices, use green building techniques, and adopt international best standards in the development process. HOME accompanies each developer from site planning to the sale of the houses and provides assistance each step of the way.

The method of combining incentives with technical assistance has proven effective. When developers know they can make more money by building smaller and more affordable units, that's what they do. The incentives encourage developers away from luxury real estate and get them to focus on the affordable housing sector. In order to ensure that the houses go to the right people, HOME has applied income-qualifying criteria, which target a broad spectrum of the Haitian middle class. The criteria are carefully calibrated in order to ensure that developers do find a market for their homes while enabling previously excluded households to buy one.

Haiti is also extremely vulnerable to natural hazards. With more than 90% of the population at risk of earthquakes and hurricanes, the provision of financeable, formal affordable housing increases resilience as well as spurs on economic growth. Building according to high seismic standards is crucial to the sustainable development of the country. Investing in good construction is much more cost effective than building back afterwards. In order to ensure that homes are built according to standards, HOME only works with reputable construction companies and ensures that all housing structural plans are properly certified by engineering firms.

To help Haiti's notoriously bad environment, HOME is teaching developers about the benefits, both environmental and economic, of going green. HOME is working with the International Finance Corporation's green certification tool for emerging markets, EDGE, a very effective and user-friendly application. HOME's incentives encourage developers to adopt green building practices when they were previously reluctant to do so. Affordable additions to houses are encouraged, such as adding solar panels, collecting rainwater, or reducing the ratio of windows to walls. So far three projects have received EDGE certification and another two are under review.

Chabuma

Villa Flora housing project in Port au Prince, developed by Chabuma and supported by Haiti HOME.

Haiti HOME has been working with Chabuma throughout its transformation from a local Haitian building supply company into a housing developer. Patrick Brun, Chabuma's CEO, had noticed that many of his customers were engaging in auto-construction and he began looking into the state of the affordable housing market in Haiti. Once he determined that there were no developers building affordable housing, he quickly realized the size of the opportunity. Chabuma partnered with HOME in order to better understand the market and get technical assistance as well as financial support in developing their first housing projects.

Today the company has developed two housing projects and is in the process of developing its third and most ambitious project. All of these projects have received support from Haiti HOME. In a country that lacks residential developers, and those few that do exist focus on small, high-end markets, this represents a big step in increasing accessibility of homeownership for lower-income Haitians. These integrated developments target the working middle class that currently has limited to no access to mortgages and offer an alternative to lower-income households within the informal sector with household incomes ranging from USD 500/month to USD 4,400/month.

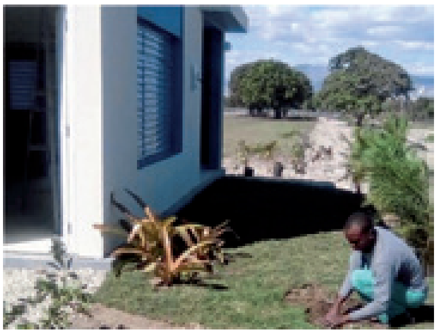
Chabuma's first development, Corlette, is located in downtown Port-au-Prince and includes 37 units targeting the capital's middle class. The units are all EDGE certified and priced around USD 100,000 for each unit, remarkably affordable given the price of similar houses in the neighborhood (around USD 500,000). In order to receive the pay-for-performance assistance, Chabuma has had to sell the houses to income-qualifying households through a mortgage. This ensures that the subsidy is well directed.

Chabuma's second development is aimed at lower-income Haitian households with price points under USD 20,000. These houses are affordable enough that they can be purchased through a local credit union, making them available to informally employed workers. This is an important development as informal workers do not have access to mortgages and need to seek finance from credit unions or microfinance institutions. Despite being very affordable, these houses are also green certified and achieve high levels of water and energy efficiency through very cost-effective mechanisms.

Finally, Chabuma has recently broken ground on their third and most ambitious housing development in the Port au Prince area. Village Dominique is based in Santo 3 and is composed of both a commercial and residential community. The community will be home to 37 middle-income households. Each home will be sold for USD 50,000 to USD 75,000, far below Port au Prince's average market price.

In developing this third project, Mr. Bun is seeking to achieve a more ambitious goal and disrupt the Haitian housing market. Beyond providing affordable housing, Chabuma wants to be the first developer in the history of the country to sell individual condominiums. The lack of clarity on procedures to sell condominiums in Haiti is a major impediment to building vertically, optimizing land use and building affordable housing. This is largely caused by the fact that laws related to these matters are relatively new (2012) and complex. Mr. Brun, supported by Haiti HOME, will seek to overcome this legal hurdle and be the first developer to sell affordable, green, and vertical apartments in Haiti.

Panamera and Tecina



HOME began collaboration with Tecina S.A. in 2016, supporting the company in developing a business plan, facilitating meetings with commercial banks, and providing funding for a market study to assess the commercial feasibility of constructing the Noailles development. In 2018, less than two years later, the housing development officially launched and the sale of homes to the public commenced. The development, located in Village Noailles, in the town of Croix des-Bouquets, extends over 3.5 hectares, providing 75 single-family housing units. The Noailles development aims to address a chronic need for modern and affordable housing in Haiti that is accessible to the Haitian working middle class that currently has limited to no access to mortgages. To maximize the commercial impact of the project and capture different aspects of unmet market demand, Tecina seeks to create a mixed-income community. The sales strategy focuses on low-to-middle income households, government employees, and employer-sponsored housing. Pricing reflects the different units with 44% of the units priced at USD 72,000, 47% at USD 102,000 and nine percent at USD 131,000. They are conveniently located 15 minutes from the Port-Au-Prince international airport and 35 minutes from the border with the Dominican Republic.

The project's successes have created momentum in the market as developers are starting to see the market potential for the Haitian middle-class and HOME has recently started working with Panemara, another local developer, on a similar site. The high-risk perception of this market segment has been shattered and many private sector companies now see the potential for profits. As NGOs continue to leave Haiti and the expat community is dwindling down, so is the demand for luxury housing.

All of these developers have started from scratch but are in the process of changing the Haitian housing market. Since the program began, two housing developments have been completed and three are currently in construction with a total private capital commitment of over USD 20 million. The housing prices range from USD 19,000 to USD 140,000, well below the Port au Prince average for formal housing. The market now has a few nascent developers who understand the business case for affordable housing and are eager to expand their operations. In fact, two of Haiti HOME's partner developers have committed to continue investing in the sector after the program ends.

5. Interventions on the demand side

In order to ensure developers can sell the houses and households can access financing, HOME is working on the demand side with microfinance institutions, credit unions, and banks. By providing a mix of technical assistance and financial incentives, HOME is seeking to increase access to housing finance for both formal and informal households following two strategies:

1) Encouraging banks to offer mortgages down-market for formally built houses

2) Supporting credit unions in developing home improvement products and small mortgages for the informal sector

Both of these strategies are crucial to support a large portion of the Haitian population. Most families will not be able to afford even the cheapest formally built home and need to have access to home improvement finance instead. Well-designed housing microcredits can support lower-income households in undertaking important home improvements which will contribute to their wellbeing. Making these loans available is part of HOME's holistic approach of addressing Haiti's quantitative and qualitative housing shortage.

HOME is working hand in hand with Haiti's main banks in order to support them in going down-market and offering smaller loan amounts. Before HOME's intervention, individual mortgages averaged around USD 200,000. Banks blamed the large mortgage sizes on the lack of affordable housing being supplied by the market. By connecting banks to developers, HOME was able to quickly build the banks' appetites for smaller mortgages closer to USD 70,000. Furthermore, HOME started offering down payment assistance to income-qualifying households to make sure they could meet the banks' 20% down payment requirements. Since the beginning of HOME's activities, the mortgage market has more than doubled in volume while making smaller and smaller loans.

Simultaneously, HOME is working with credit unions in order to ensure that informal households also have access to housing finance. Credit unions have been especially enthusiastic and have doubled their housing loan portfolios. HOME is currently working with two major credit unions: Kotelam and Socolavim.

HOME's original partnership with Kotelam, one of the country's largest credit unions, targeted a 75% boost in Kotelam's housing loan portfolio, and today the portfolio is up 191%. The HOME Program achieved this growth by streamlining Kotelam's credit underwriting procedures, training credit agents on monitoring and supervising home construction, and providing training on product marketing and market segmentation and research. Kotelam's performance drastically exceeded the conditions for the payment of incentives under the HOME Program. Kotelam mobilized over USD 1.8 million in private capital in return for only USD 150,000 in incentives, with a leverage effect of 1 to 9. This growth was achieved without exposing the credit union to additional risk. In fact, Kotelam reduced its portfolio at risk at 30 days (PAR30) by 1.5%, while growing its housing portfolio by an astounding 191% within nine months.

However, Kotelam did not stop there. The credit union broke new ground, when its Board of Directors announced the strategic decision to launch a long-term mortgage product, formalizing the housing product. Kotelam will create mortgages in previously untapped areas and will bring new innovative players into the mortgage space, offering a new solution for low income clients, typically ignored by commercial banks when it comes to long term financing.

Non-bank financial institutions (credit unions and MFIs) have been limited to offering unsecured, short-term, high interest rate housing micro-loans at rates upwards of 24% per year. This option is severely limiting given that clients take costly, successive short-term loans to complete a home over the long term. Kotelam's new mortgage product is extended to 10 years and fixed at a 12% interest rate.

HOME is also working with Socolavim, a credit union located in Saint Marc, not far from Port au Prince. HOME set up a growth plan with Socolavim to disperse 185 housing loans. The cooperative exceeded its original targets by more than 20% and disbursed 224 home improvement loans. The total amount disbursed during this period was USD 1.8 million approximately, of which 25% were delivered to female members. The average housing loan size was USD 7.4 thousand. This partnership increased the housing portfolio from USD 1 million to 2 million representing a 100% growth rate for only USD 60,000 in incentives. with a healthy housing portfolio at risk (PAR) over 30 days of only 5%. As of December, 85% of Socolavim's members with housing loans were concentrated in monthly income brackets of USD 150 to USD 1,500. The current housing portfolio shows that housing loans up to USD 7,500 represent 83% of the portfolio. Access improved because products are aligned to member needs and capacities through an efficient credit process and technical assistance that guides low to medium-income households in decision-making.

Today, Haiti HOME is working with three financial institutions and has mobilized over USD 7 million of private capital with only USD 240,000 in incentives, a leverage effect of 30 to 1. Over 750 new housing loans have been issued under the HOME program. These new loans have enabled developers to find a source of offtake for their completed housing units and for low-income households to improve their homes. Through these interventions both the supply and demand sides of the housing value chain are being reinforced and the market is delivering housing to previously unserved populations.

6. What's next?

With two more years of operations left, the HOME team hopes to achieve long-lasting results in the Haitian housing ecosystem as well as inspire other underdeveloped housing markets in adopting similar mechanisms.

Locally the HOME team wants to ensure that, when the project ends, the Haitian private sector continues to engage in affordable housing development. Going beyond our current activities, we wish to also encourage foreign investors from DFIs or the Haitian diaspora to come and invest in the market. As developers build larger and larger housing sites, the risk of each project will be better understood, and investors will grasp the size of the opportunity in Haiti.

Financial institutions need to continue their efforts in expanding their mortgage portfolios and offer smaller and smaller loans. Hopefully credit unions will be able to access long-term financing to roll out their micro-mortgages at scale. With banks seeking to go down-market and credit unions simultaneously seeking to go up-market, the housing finance gap should close.

At the international level, there are numerous countries with stunted housing markets that struggle from similar issues, notably in Sub-Saharan Africa. The Democratic Republic of the Congo, Liberia, and Sierra Leone are examples of countries facing land tenure issues, poor infrastructure, expensive construction materials, and an almost non-existent mortgage market. The Haiti HOME program could be replicated with local actors in order to implement best practices and catalyze the local affordable housing market. Funds need to be deployed strategically at the local level in order to push the private sector outside of their comfort zones and into new market segments. Of course, major structural barriers will still need to be addressed in Haiti and elsewhere before a truly functioning housing market can occur. In the meantime, however, the HOME model can be replicated and support willing institutions in order to generate momentum and bring about lasting change.

The Southern African Development Community's housing investment landscape: Major players and trends

By Davina Wood

1. Background on CAHF and the study

Launched in 2014 as an offshoot of Finmark Trust, the Centre for Affordable Housing Finance in Africa [CAHF] is an independent think tank with the mission of making Africa's housing finance markets work for greater supply and increased affordability. Its work includes knowledge production, advocacy, and market development. Much of CAHF's research is published and freely available, and its annual yearbook, Housing Finance in Africa, now in its ninth edition, covers 54 African countries across five regions.

As the SADC study was the first of its kind, and the first time many of the countries' housing investment markets had been studied systematically, CAHF sought 'best available' information rather than exhaustive market data; the resulting reports focused on profiling investors and investment instruments with the greatest impact on the housing finance market. As important as the financial estimates, therefore, is the taxonomy of investors, which can be broadly summarized as:

- Development Finance Institutions [DFIs], led by AfDB, as the leading capital providers, usually in the form of debt.
- Country-level pension funds, which target housing production consistent with the income profiles of their members.
- Private investment companies, some of which have partnered with government entities to co-invest in country-specific banks (e.g. Rabobank in Zambia, Capricorn Holdings in Namibia).

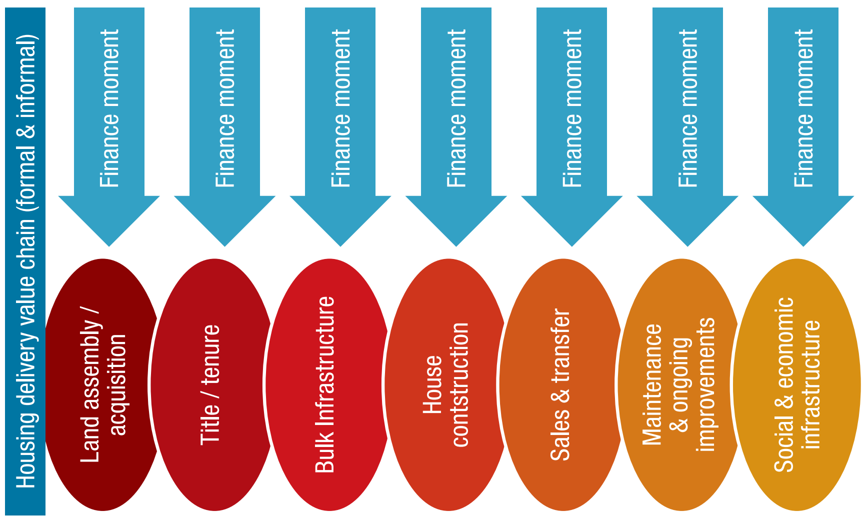
As part of its commitment to provide market data to stimulate greater investment in affordable housing across Africa, CAHF intends to use the information gathered from its investment landscape study to create a publicly accessible investment tracker platform.

2. Study parameters

SADC is an inter-governmental organization headquartered in Gaborone, Botswana. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 16 Southern African countries. The main objectives of SADC are to achieve peace, security, equitable and sustainable social and economic development, and to support the socially disadvantaged through regional integration (SADC website, 2018). The bloc has 26 legally binding protocols, dealing with issues such as defense, development, illicit drug trade, and the free movement of people. Although not an economic union such as the West African Economic and Monetary Union [WAEMU], which uses a common currency and has one common regional central bank, SADC members are economically and monetarily independent while participating among themselves in a free-trade area.

The CAHF study defined an investor as a local or foreign entity that makes investments to promote housing and housing finance. More specifically, investors facilitate finance moments along CAHF's housing value chain (Figure 1).

FIGURE 1 CAHF's Housing Value Chain



An investment could be both monetary, in-kind (such as technical assistance), or a grant. Nearly all investments tracked occurred in the 2008-2018 timeframe, though exceptions were made for especially large or high-impact initiatives from before 2008. Investments were tracked in six different asset allocation strategies, which are typical DFI classifications:

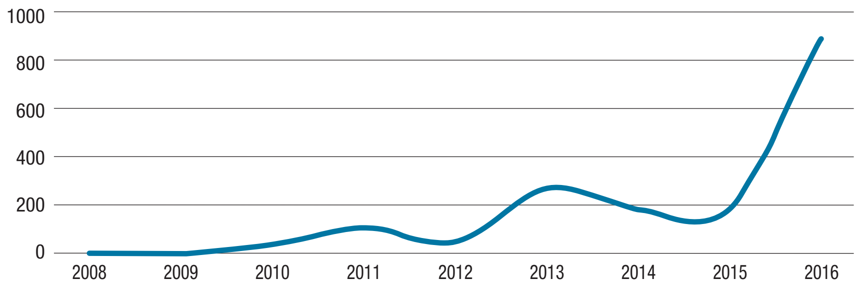
- supporting the financial sector,
- financing SMEs,
- housing finance,
- construction of housing,
- supportive infrastructure investment,
- and slum upgrading.

3. Overview of findings

The study yielded many interesting findings, with several trends emerging from the data. The overall picture is positive: investment in housing is increasing across the region. Growing economies and financial sectors, increased political stability in some countries, and more market data are likely the main drivers of increased private sector investor interest. As illustrated in the graph below, total investment has increased dramatically since the global financial crisis of 2008, reaching approximately USD 893 million in 2016 (Graph 1).

GRAPH 1 Investment in SADC

INVESTMENT IN HOUSING & HOUSING FINANCE IN SADC, 2008-2016, $USD MILLIONS



Source: CAHF study data, 2018

4. Country allocation

Levels of investment vary widely from country to country, which is to be expected from a region as economically diverse as SADC. For example, annual GDP per capita ranges from as high as USD 15,504 in the Seychelles to USD 416 in Mozambique (World Bank, 2017). In terms of nominal GDP, the leading economies in the region are South Africa, Angola, Zambia, Zimbabwe, and Botswana, with 2017 GDPs of USD 349.30 billion, USD 124.21 billion, USD 25.50 billion, USD 17.49 billion, and USD 17.17 billion, respectively (World Bank, 2017).

The data displays significant market concentration; the top five investment destinations represent 90.4% of total investment. South Africa alone receives over a quarter of investments. This is not surprising, as it has the deepest capital markets within the region, and research has shown that deeper capital markets – as opposed to more developed banking sectors – are related to higher levels of investment in housing and housing finance ("Housing Finance and Inclusive Growth in Africa," World Bank, 2015).

Interestingly, the data shows that Zambia is also receiving a little less than a quarter of investments in the region. This could be because of the high level of long-term funding from foreign institutional investors (over USD 15 billion), particularly from state-backed and private Chinese entities. Since 2012, Chinese entities have invested USD 12.3 billion in Zambia (USD 2 billion from state-backed organizations, and USD 10.3 billion from private corporations, AEI China Global Investment Tracker). Mozambique is also a popular destination, although investor appetite seems to have abated since the country's most recent crisis in 2015. As a post-conflict country with an oil economy, Angola also receives a high level of investment in its finance and housing industries.

5. Investors

The largest investors in the region measured by capital deployed over the past ten years include DFIs (AfDB, EIB, OPIC, IFC, World Bank), government agencies (Zambia, South Africa), pension funds (South Africa, Namibia), Chinese companies (CITIC, Henan Guoji, Sinomach), and banks (Rabobank, China EXIM Bank). The African Development Bank [AfD]) is by far the largest investor at around USD 1.3 billion. Typical of large DFIs, AfDB usually lends rather than invests equity.

Two private sector investments merit mention: Rabobank and Capricorn Investment Holdings. In 2007, Rabobank bought a 45.59% stake

TABLE 1 SADC investment in housing country distribution, $USD millions and %age

COUNTRY	AMOUNT	PERCENTAGE
South Africa	2,474	26.66%
Zambia	2,153	23.20%
Mozambique	1,615	17.40%
Angola	1,077	11.60%
Namibia	1,072	11.55%
Mauritius	191	2.06%
Botswana	191	2.06%
Zimbabwe	178	1.92%
Madagascar	167	1.80%
Malawi	50	0.54%
Lesotho	43	0.46%
Kingdom of Swaz	31	0.33%
Seychelles	30	0.33%
Comoros	10	0.11%
Total	**9,281**	**100%**

Source: CAHF study data, 2018

in Zambia National Commercial Bank. The Zambian government also owns a considerable share in the bank. While this is not the only new bank in Africa, or the only bank to recently receive large capital injections, it is notable for the size of the transaction. Capricorn Investment Holdings is part of a financial services group, and owns a 40.7% stake in Namibia's Bank Windhoek.

6. DFI investment

Development Finance Institutions are very active in the region and are frequently the largest foreign investors in each country. The typical DFI product is debt, either in the form of market rate loans or lines of credit. This makes sense given the back-end funding structure of DFIs, and their risk appetite.

As previously mentioned, AfDB is the largest single investor, followed by EIB, OPIC, IFC and the World Bank. SADC data shows a fairly even distribution across African based institutions (31%), US based institutions (39%), and European institutions (30%).

The largest international DFI investment which was specifically housing related was the European Investment Bank's [EIB] USD 178 million loan to three different financial intermediaries for the funding of affordable and social housing projects and associated urban infrastructure, including social amenities, throughout South Africa. Underwritten in 2013, the loan was disbursed to intermediaries including the Development Bank of Southern Africa, The National Housing Finance Corporation, Nedbank and Standard Bank. Information such as the term of the loan and the project's impact was not available. The EIB has also separately extended a USD 55.8 million loan to the National Housing Finance Corporation in South Africa.

7. Government

Housing is a priority for governments across the region and governments are often the largest direct investors. Most countries have a national housing agency whose mission is to increase the supply of affordable housing, either directly through subsidized provision, or indirectly through promoting investment. Several examples are highlighted below. Countries with institutional frameworks in place, but nevertheless very low levels of investment, include Mozambique and Madagascar.

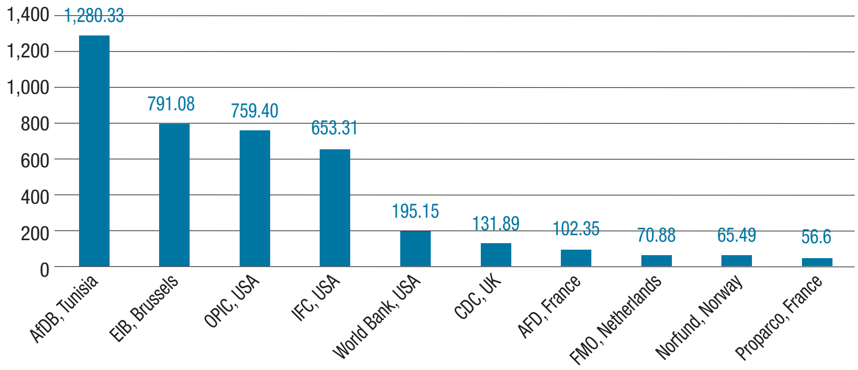
TABLE 2 Top 15 investors in housing and housing finance

NAME	INVESTOR CATEGORY	APPROX INVESTMENTS MADE 2008-17, USD	TYPICAL INSTRUMENT
AfDb	DFI	1,280.33	Debt
Government Employees Pension Fund, South Africa	Pension Fund	792	Debt
EIB	DFI	791	Debt
OPIC	DFI	759	Debt
IFC	DFI	653	Debt & Equity
Radobank	Band	632	Equity
CITIC	Private Company	607	Equity
Henan Guoju	Private Company	456	Equity
Sinomach	Private Company	420	Debt
Capricorn Investment Holdings	Publicly Listed Company	400	Equity
Zambian Government	Government	365	Equity
China EXI Bank	Bank	328	Debt
Government Institutions Pendion Fund, Namibia	Pension fund	256	Equity
World Bank/ IDA	DFI	195	Debt
National Housing Finance Corporation, South Africa	Government	181	Equity
Total		**8,116**	

Source: CAHF study data, 2018

GRAPH 2 Top ten DFI investors

TOP TEN DFI INVESTORS IN HOUSING AND HOUSING FINANCE IN SADC, $USD MILLIONS



Source: CAHF Study Data, 2018

7.1 South Africa

The investment landscape in affordable housing in South Africa is largely driven by the Government, primarily because the South African constitution mandates the government to deliver adequate shelter to the previously disadvantaged.

In 2014 and 2015 it was estimated that government investment into the property market had reached ZAR 300 billion. This is on the backdrop of a residential market, in the same year, with a total worth of around ZAR 3 trillion.[1] About a third of the total residential property market is estimated to be government sponsored homes. Between 1994 and

[1] The Property Sector Charter Council Report, 2015.

2015, an estimated 4.3 million households benefited from the delivery of 2.8 million government subsidised houses.[2]

7.2. Angola

The Angolan government has been particularly busy in the housing sphere. In 2014, the Ministry of Urbanism and Housing's data showed that almost 152,000 units were delivered with financing from the state budget, mainly in newly developed towns called *centralidades*.[3]

Angola benefits from its vast oil reserves, which allows it to raise money on international capital markets. In 2011, the National Urbanism and Housing Program [PNHU] had USD 4 billion of funding, over half of which (USD 2.5 billion) was obtained through a Chinese credit line. The remaining balance was funded by a USD 1 billion Israeli credit line and a USD 500 million state budget allocation.[4]

7.3. Zimbabwe

The Infrastructure Development Bank of Zimbabwe [IDBZ] is a state-owned bank engaged in housing projects. The IDBZ has issued five-year housing bonds to mobilize capital for its latest housing projects. The USD 14.9 million Kariba Housing Bond is fully subscribed, and there is interest in the USD 12.2 million Sumben Housing Bond, which is a 5-year variable rate bond paying an 8.5% coupon in the first two years and 9.5% for the remaining three years.[5]

7.4. Zambia

The largest provider of local financing in Zambia is the government. It holds a 25% stake in Zambia National Commercial Bank (Zanaco), worth USD 347 million. It also recapitalized the Zambia National Building Society in 2014, the country's dominant building society mortgage lender, to the tune of ZMK 174 million (USD 18 million) to double its mortgage portfolio.[6]

7.5. Botswana

The government-owned Botswana Housing Corporation [BHC], established in 1971, is the primary housing developer in Botswana. Historically, it provided for the housing needs of government, local authorities, and the general public, by providing housing for rental, although in recent years it has also offered houses for sale. By 2010, BHC had reportedly delivered 17,000 houses.[7] The BHC's current strategy is to deliver an average of 1,500 social housing projects and 1,800 commercial housing projects per annum.[8]

8. Pension funds

Research has shown that there is a positive correlation between the level of development of housing markets and the participation of pension fund investment in real estate. This was demonstrated by the CAHF data as well, with South Africa leading the way in pension fund activity in housing. Property is a natural fit for long term pension fund assets, as there is a tenor match between the two.

An important caveat to bear in mind is that most data on pension fund investments does not distinguish between different types of property investment classes. Residential and commercial are simply grouped into one. It is likely that the majority of capital is invested in the commercial real estate sector, where there is more liquidity and greater investment opportunities. Housing is an inherently riskier asset class and a low level of market information makes it difficult for investors to project returns, thus deterring targeted investments.

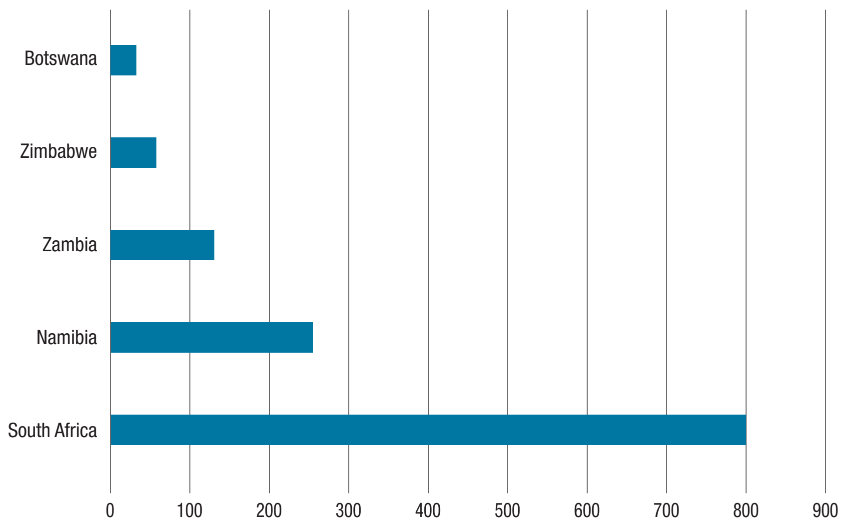
Data was also unavailable on Angola's pension fund investment profile, but it is likely that some of the assets are invested in property. As of 2016, the country's pension fund sector represents 2.39% of GDP, which is relatively high for the region. It is comprised of eight investment companies that manage 36 pension funds with combined total assets of Kz 310 billion (USD 1.27 billion), and approximately 36,000 contributors (ARSEG, 2018).

Similarly, we know that Mauritius' national pension fund is involved in the housing sector and that it lends money to the Mauritius Housing Company [MHC], but exactly how much is unknown.

Approximately 0.7% of South Africa's pension fund assets were invested in property in 2014, equivalent to USD 2.1 billion (Price Waterhouse Cooper, 2014). Although the percentage is low when compared to some other SADC countries (Zambia's main pension scheme, for example, has 22% of its assets invested in property[9]), the nominal figure places South Africa at the top of the list regionally.

GRAPH 3 Pension fund investment

SADC PENSION FUND INVESTMENT IN REAL ESTATE OR HOUSING FINANCE, $USD MILLIONS



Source: CAHF Study Data, 2018

[2] CAHF Yearbook, 2017

[3] Angola's Housing Sectors: Understanding Market Dynamics, Performance, and Opportunities, CAHF, 2016.

[4] Habitat III Angola Country Report, 2016.

[5] https://www.pressreader.com/zimbabwe/the-sunday-mail-zimbabwe/20171119/282226601022418.

[6] http://www.times.co.zm/?p=6294

[7] "Housing Finance: The Case of Botswana," Berge and Jing, Stockholm School of Economics, 2011.

[8] http://www.mmegi.bw/index.php?aid=71846&dir=2017/september/20

[9] Zambia Pensions and Insurance Authority, Annual Report 2015.

Africa's largest pension fund is South Africa's Government Employees Pension Fund [GEPF], which had an investment portfolio of ZAR 1.67 trn (USD 124 billion) at 31 March 2017, while accumulated funds and reserves grew at 10.2% a year for the last decade, according to the fund's latest annual report. It has more than 1.2 million active members.

GEPF is the largest single local institutional investor in housing in South Africa. The fund has backed 646 housing projects and in 2016 it invested R 10.5 billion (USD 778 million) into mortgage finance provider SA Home Loans [SAHL]. The deal aims to provide government employees and qualifying members of the public with end-user home finance and development finance for approved affordable housing projects. Of the investment, R 5 billion was for public service employees and R 2 billion had been set aside for affordable housing end-user financing. Another R 2 billion would enable SAHL to extend home loans to qualifying home loan applicants, while the remaining R 1.5 billion would fund affordable housing developers. SAHL has three shareholders: Standard Bank Group Limited (50%), the Public Investment Corporation (authorized representative of GEPF) (25%) and Bolatja Hlogo Consortium (25%).

Pension fund case study

Approximately 2.1% of Namibian pension fund assets are invested in property, equivalent to USD 246 million.[10] Zambia's 2015 Pensions and Insurance Authority annual report shows 22% of pension assets are directly invested in property, equivalent to ZMK 1.32 billion (USD 132 million), nearly double the 2012 level. It is unclear whether this is commercial or residential. Several funds are invested in REIZ, a listed property development company that is now beginning to develop residential.

Zimbabwe's National Pension Scheme, operated by the National Social Security Authority [NSSA], has a large number of investment properties,[11] but almost all of these are commercial properties. Furthermore, the residential properties that are in the portfolio are luxury high-end accommodations, such as Ballantyne Park in North Harare. The NSSA does, however, hold equity stakes in two of the three biggest mortgage lenders in the country.

A prime example of pension funds investing in residential markets is the NSSA's establishment of the National Building Society in May 2016 to "facilitate and contribute to housing delivery, to provide affordable housing finance to the general public," among other aims. It was established through a shareholding of the NSSA Pension & Other Benefits Scheme (60%) and the NSSA Accident Prevention & Workers Compensation Scheme (40%). It had grown its mortgage book to USD 40 million by December 2017, more than doubling the end of 2016 figure. The National Building Society aims to reduce the estimated 1.3 million housing backlog (500,000 of which are in Harare) in Zimbabwe by providing 100,000 new housing units over the five year period to 2021.

9. Chinese investment

Chinese companies, both state-owned and private, are a frequent sight on the investment landscape in SADC. From 2000 to 2017, the Chinese government, banks and contractors extended nearly USD 60.5 billion in loans to SADC governments and their state-owned enterprises.[12]

Most Chinese funds go towards transport (31% of loans), power (24%), and mining (15%). Only a very small fraction (3.45%) are earmarked for housing, which is tracked in SAIS' broader category of "Other Social." This category includes social infrastructure, such as social housing, stadiums, libraries, conference and convention centers, youth centers, and gyms. As shown in the table below, about USD 3 billion was invested in "Other Social" between 2000 and 2016.

Angola is the top recipient of Chinese loans, with USD 2.5 billion disbursed over 16 years. The CITIC Group, a wholly owned state enterprise of the Government of China, has been a key player in Angola's housing market and is the 7th largest single investor in the SADC region.[13] It built the new *centralidade* Kilamba – a USD 3.5 billion project including homes for 200,000 inhabitants – as well as several other large towns in Angola.

In 2015, the IFC and CITIC Group jointly funded a USD 300 million platform to facilitate the development of affordable housing in Sub-Saharan Africa. The IFC made an initial equity contribution of USD 60 million, making it a 20 percent shareholder. The platform will partner with local housing developers and provide long-term capital to develop 30,000 homes by 2020. As of October 2018, both parties were still reviewing projects in the pipeline and no investments have been made to date.

TABLE 3 Chinese investment in SADC

COUNTRY	LOANS TO HOUSING & OTHER SOCIAL INFRASTRUCTURE SECTOR, $USD MILLIONS	%
Angola	2,511	82%
Malawi	160	5%
Zambia	154	5%
Mozambique	70	2%
Botswana	57	2%
Madagascar	56	2%
Seychelles	21	1%
Mauritius	20	1%
South Africa	—	0%
Zimbabwe	—	0%
Namibia	—	0%
Lesotho	—	0%
Comoros	—	0%
Swaziland	—	0%
Total	**3,049**	**100%**

Source: SAIS China-Africa Loan Database, 2017

10 Namibia Financial Institutions Supervisory Authority, Annual Report 2017.

11 NSSA 2016 annual report, pp.58.

12 SAIS China-Africa Research Initiative, 2017.

13 SAIS China-Africa Loan Database, 2017, and CAHF commissioned investment tracker, 2018.

FC-CITIC affordable housing platform

10. Private equity

According to a 2018 report by the Emerging Market Private Equity Association [EMPEA], global private equity firms raised a record USD 3.3 billion in 2015 to invest in African real estate, infrastructure, and other investments. Within the real estate sector, the route to investment is generally via real estate focused funds that deploy capital across a range of markets to contain risk and maximize return value. Very few funds invest in residential assets. Rather, most buy and develop retail, office, and industrial real estate in capital cities.

In 2016, Actis, a London-based investor with a focus on emerging markets, closed its Africa Real Estate Fund with more than USD 500 million, surpassing its USD 400 million target. In 2017, Eris Property Group of South Africa closed a USD 170 million Africa real-estate fund with London-based firm Momentum Global Investment Management (Wall Street Journal, 2018).

Unfortunately, disclosed investment activity has not kept pace with fundraising for the region (EMPEA). Shortly after these commitments were made, many African markets suffered from falling commodity prices, economic slowdowns, and currency volatility which hampered capital deployment.

Although the deal terms of many private equity investments are not publicly disclosed, there have been several noteworthy ones within SADC over the past few years. In 2013, for example, Vital Capital Partners made a USD 92 million equity investment in Angola's Kora Housing, a Public Private Partnership [PPP] project with the Government to construct 40,000 affordable housing units in six different provinces.[14] The project is aimed at the development both of integrated affordable communities for the emerging Angolan middle class as well as providing underlying national infrastructure and community facilities. Vital Capital Partners is a USD 350 million fund dedicated to double bottom line investing in Sub-Saharan Africa. It has offices in Cyprus, Ghana, and Angola and to date has made ten investments in the region.

South Africa's International Housing Solutions [IHS] is perhaps the best-known real estate fund manager focused on the development and management of affordable housing in the region. IHS has about USD 482 million under management in four funds (not including its listed REIT), and has leveraged investment from DFIs, pension funds, and government agencies to develop or manage over 39,000 units in South Africa. The fund manager has raised USD 25 million equity from IFC, combined USD 160 million of debt from OPIC, and USD 5 million of equity from KFW. In addition, South African government agencies have invested as much as USD 40 million.

11. Challenges and opportunities

Nearly every country in SADC is facing a growing backlog of affordable housing, and urbanization rates are expected to continue to put pressure on cities and infrastructure. Large scale, targeted investment in housing and housing finance is critical for SADC.

The study showed that the most significant sources of funds to date have been local governments, DFIs, and Chinese entities (state and private). Pension funds also play a crucial role in more developed markets such as South Africa. And while there are some promising signs such as increased government engagement, much still needs to be done.

A common trend in the region is that the government develops houses exclusively for its civil servants rather than the majority of the population. The Development Bank of Zambia, for example, has recently received funding from the Chinese bank ICBC to construct 2,000 homes for military personnel,[15] and it will also soon reportedly be embarking on building 5,000 houses for civil servants. Banks also tend to cater to their own, offering preferential rates to employees. Although exact figures were not obtained, it is quite common that mortgage clients are predominantly bank employees.

Affordability also remains a key issue across SADC on both the supply and demand side. Housing developers face myriad obstacles in developing housing, and have limited ways to fund construction. As a result, they end up catering to the high-end of the market where margins are better and most low-income households self-build or rely on the informal sector to meet their housing needs. On the demand side, low income households with informal sources of income cannot obtain or afford a mortgage. Most SADC financial systems are either undeveloped or dominated by commercial banks that do not cater to the vast majority of the population.

Governments need to continue to make housing a national priority and find ways to incentivize developers to go down-market. The goal should be to remove any unnecessarily restrictive or expensive regulation or requirements to increase returns on low cost construction and encourage more private sector participation, such as preferential tax treatment or import duty waivers. In addition, title systems and land registries need to be upgraded to unlock land supply, making the market operate more efficiently. This will also make land-based financing easier. Countries where all land is owned by the government, such as Mozambique and Swaziland, invariably face many challenges regarding access to land.

Banks also need to be encouraged to go down-market, and the MFI sector should be supported as it expands. Government agencies, with the support of DFI investment, should work closely alongside commercial banks to subsidize or develop products that make housing finance more affordable. Some innovative products have emerged in several markets and alternatives to the conventional mortgage offering should continue to be explored.

The state should also ensure that capital markets are linking long term funds to home lenders, so as to avoid liquidity constraints and to lengthen maturities. Angola in particular has recently recognized the need to make long term sources of capital available to the housing finance system, and is currently reviewing the country's insurance and pension fund framework to align with economic development goals. As it stands now, the Angolan fiscal system does not provide for pension funds and as such receive the general corporate tax treatment. This could be constraining growth and it is likely that more specific legislation will be drafted to promote pension fund activity.

DFI technical support has been critical in the development of mortgage finance in other African regions. Perhaps the creation of a regional mortgage refinancing facility, similar to the one supported by the IFC and World Bank in the West African Economic and Monetary Union, could be explored.

Better data is also needed in order for investors to understand markets, and identify and quantify risk. Government regulatory authorities should make banks and MFIs report on use of

[14] http://www.vital-capital.com/kora-housing/

[15] https://af.reuters.com/article/africaTech/idAFKBN17129D-OZATP

funds to make financial and consumer behavior data available. Ensuring compliance with credit bureau reporting is also a constructive government activity. Finally, the existence of Investment Promotion Agencies in each SADC country is a step in the right direction, but these agencies should include departments or direct support for real estate investment.

It is difficult to draw conclusions on SADC's housing and housing finance markets as a whole because the individual countries' economies are so different. Similarities can be found, however, in countries with previous connections to the UK, as they are more likely to have Anglo Saxon institutions such as building societies. Lusophone countries, such as Angola and Mozambique, might also be comparable. Promotion and sharing of best practices through cross-country collaboration and engagement within these subsets of countries is important.

The investment landscape in SADC is as complex as it is varied, but the demand for housing and housing finance is enormous, and opportunities abound for investors who are willing to be flexible and adapt to local market conditions.

To access the country and SADC regional reports, please visit CAHF's website: http://housingfinanceafrica.org/projects/landscapes-housing-investment-africa/

The International market for second homes: Global trends in ownership and renting

↳ By Paul Tostevin

1. Introduction

New technology coupled with economic change has altered what is possible for both second home owners and renters. Accommodation can be searched for, let and managed in faster, cheaper and more effective ways. Platforms such as HomeAway are part of this digital revolution.

The availability of digital solutions and the ease of letting property has generated a new breed of second-home owners. Economic change has also made these owners more likely to want an income from their residential assets at home and abroad as well as the lifestyle pleasures of owning an additional home.

In future, more sophisticated and new technologies – and, with them, changing attitudes and practices among holiday makers and tenants – will continue to shake up the hospitality, short let and residential markets. These industries will likely to continue to change and develop as new technology opens up new opportunities and creates a different way of doing things. It is possible that the distinctions between each sector will become increasingly blurred.

This article highlights some of the ways that international second homes have changed over the last decade. It shows what owners have available, what they want in their new purchases, how they finance them and what short-term tenants and holiday makers are looking for. In doing so, it points the way that future trends might lead.

2. The market for additional homes: a decade of change

The credit-fuelled boom of the 2000s saw a rapid expansion in the market for additional homes. Buyers sought capital appreciation as some properties experienced double digit annual price growth.

The credit crunch and the Global Financial Crisis [GFC] of 2007/8 changed all that. Buyers retreated and only the equity-rich were active in the core, prime second homes markets. In countries such as Spain and cities like Miami, where the housing markets had been fuelled by overseas buyers and characterised by rapid building, these markets experienced painful contraction and rapidly falling values.

But recent years have once again seen a shift in fortunes. Every major global economy is now expanding. Buyers are back in most international second homes markets. This time, they are seeking income in a low yield environment, and finding that short let residential property and holiday homes can provide it.

Globally, international tourist arrivals grew by 7% in 2017 to reach a record 1.3 billion. The Mediterranean outperformed all other global regions with tourist growth of 13%. This rise in tourism coincides with the growth of the sharing economy, and the rapid expansion of online marketplaces for short-term rental accommodation. This means a broader, and rapidly changing, demand base for short-lets. It provides additional impetus for those who wish to own second homes or homes abroad.

The investor landscape is evolving too. For the first time, owners' primary motivation for ownership is rental returns which has overtaken holiday usage as the primary driver for a second home purchase. Partly as a consequence of this, along with enabling technology, occupancy rates in additional residential properties are higher than they used to be.

3. The trends shaping the second home market today

The market for second homes expanded rapidly in the early 2000s, fuelled by readily available credit and an expanding tourist sector. Low cost airlines opened up previously unserved regions to buyers, especially the British, who drove the market in those years. When the GFC hit, national housing markets suffered, personal finances were squeezed, and demand for second homes fell.

In recent years growth has resumed, but the sector looks very different to how it did before the GFC. In early 2018 we surveyed[1] second home owners and renters from around the world to understand the latest trends. These are the trends the characterise the second home market today:

3.1. Digital revolution

Online short-let rental services, such as HomeAway, have expanded rapidly and are increasingly competing with the hotel sector. Instant booking, mobile platforms, feedback and rating systems make these services appealing to tech-savvy millennials, time-poor business travellers, and globally mobile students and professionals. This has helped diversify and broaden the demand base beyond the traditional holiday rental market, providing more opportunity for owners to let on a full or part-time basis.

3.2. A source of income

In a low interest rate environment, investors of all types are seeking out income generating assets. Today's second home buyers need properties to work for them financially and, increasingly, to make them a profit. The majority of buyers today purchase their property with

[1] In February and March 2018 Savills World Research surveyed 4,300 property owners who let them on the HomeAway family of websites, from seven major markets (US, UK, France, Spain, Italy, Netherlands and Portugal). A second survey was carried out of 7,700 renters planning their next trip on HomeAway, from the same seven countries. Where applicable, we have benchmarked these findings against the last Savills / HomeAway survey, conducted in 2011.

the intention of renting it out in some form. The number of buyers intending to use their property solely for their own use has fallen from over 90% in 1971 to less than 40% today.

3.3. Demand for market intelligence and new services

Forty five percent of owners want their property to at least earn its keep when they are not using it. These buyers are going to want to know about achievable rates, letting voids and operating costs in advance of purchase. They are also an increasing source of demand for letting and management services (both digital and conventional) as well as on-the-ground hosting/hospitality/housekeeping services.

3.4. Changing finance

Demand for smaller, cheaper properties has grown since 2013 as a wider variety of buyers have returned to the market. Immediately after the GFC, the market retreated to prime, established locations and was led by wealthy, capital-rich individuals with little or no reliance on mortgages or other borrowing. The gradual easing of credit conditions since then has led to a modest resurgence of borrowing but nothing to rival the early noughties.

3.5. Cheaper apartments are on the rise

As lending has opened up again, and at record low rates, the lower tiers of the market are expanding. In 2017 37% of sales were of properties priced under $200,000. Based on our survey sample, the average price of a property purchased last year stood at $291,000, 37% lower than a decade prior. This has gone hand in hand with the expansion of the apartment market, which accounted for 34% of the properties purchased in our sample in 2017, compared to 26% in 2007.

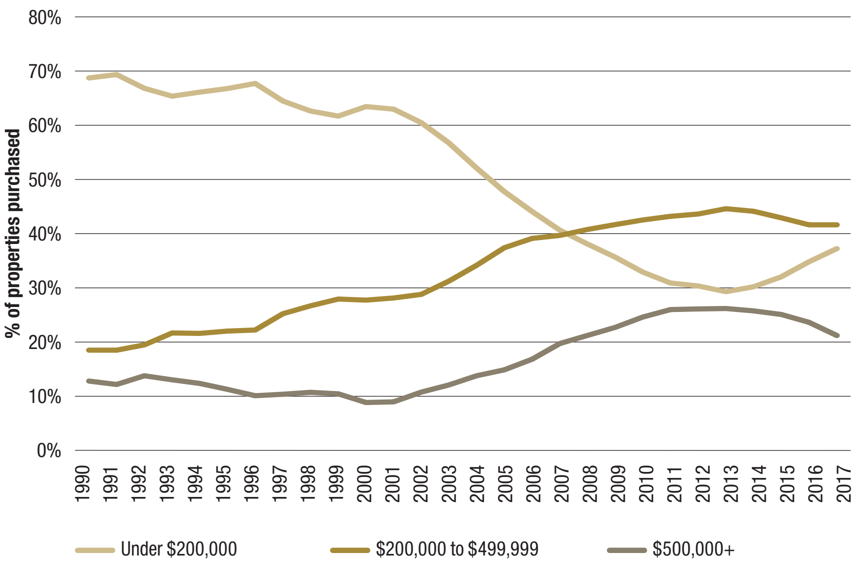
3.6. A global market

British buyers dominated the European second home market in the years preceding the GFC, accounting for 29% of second home buyers in 2007 (based on our sample). Today, a much wider range of nationalities are participating in the global second homes market. In 2017, the British share dropped to 17% of buyers as the demand base diversified. British activity is now back to where it was a decade ago, but other national groups have risen faster. The number of Dutch purchasers has doubled over the same period, for example.

3.7. Air connectivity matters

Air routes continue to have a profound impact on where people want to go and where people want to buy. While the opening up of new routes can have a strong positive impact on local property markets, so too can route closures – or the threat of them. So the fortunes of some second home owners are intimately connected to the fortunes of flight operators. Those on routes served by multiple airlines are probably less exposed.

FIGURE 1 The lower end of the market is expanding: sales of smaller and cheaper properties have grown since 2013



Source: Savills World Research and HomeAway

3.8. Spain is back

Spain has grown in appeal as its housing market recovery continues. It accounted for just over 21% of all sales within Europe last year, up from 2011 a low when its share was just 11%. Back on the radar for many prospective buyers, Spain was cited as the top foreign destination for their next investment by the British, Dutch, Germans, Italians and Portuguese survey respondents, among others.

3.9. Home sweet home

A major trend has been the tendency for buyers to purchase in their home country rather than abroad. This is particularly true of British buyers. In the last three years, some 39% of Brits in our sample brought their short-let property in the UK. Only 14% bought at home in the years preceding the 2007 GFC. We think this is a trend that is likely to continue because properties are easier to visit, manage and service if they are in the same country as the owners who are seeking to maximise income.

4. Purchaser trends

4.1. What are purchaser's priorities when choosing a property?

The availability of broadband is the single most important feature cited by owners when choosing a property. In the digital age, connectivity is key, a factor common across all nationalities and ages (see chart).

The next most important factors are property-specific, such as balconies and terraces and the availability of parking. Proximity to a beach is a must-have for many, as is air conditioning. These are all 'very important' features that might be considered non-negotiable in property searches.

When broadening to 'important' factors, local amenities come into play. Proximity to shops, restaurants, and local cultural attractions all rank highly. Seeking a 'home from home', convenient local amenities and entertainment are highly demanded features in a second home by owners.

Developers of resorts where a proportion of accommodation is targeted at second home owners therefore need to understand the importance of creating (or finding a site in) the right type of location. Mixed use neighbourhoods and a sense of place will have an impact on the saleability of a scheme – even if it isn't a 'must have' from the short-term holiday-makers they usually cater to.

FIGURE 2 Features and amenities sought when buying: top factors deemed ‘Very important’ versus ‘Important’

	All	American	British	Ductch	French	Italian	Spanish	Portuguese	‘Young buyers’ under 44s	Those who brought pre GFC (90-08)	Those who brought post GFC (09-17)
‘VERY IMPORTANT’ FEATURES AND AMENITIES SOUGHT WHEN BUYING											
1	Broadband internet	Broadband internet	Broadband internet	Broadband internet	Balcony/ies and/or terraces	Balcony/ies and/or terraces	Balcony/ies and/or terraces	Broadband internet	Broadband internet	Broadband internet	Broadband internet
2	Balcony/ies and/or terraces	Air conditioning	Allocated parking space/s	Balcony/ies and/or terraces	Broadband internet	Broadband internet	Broadband internet	Balcony/ies and/or terraces	Balcony/ies and/or terraces	Balcony/ies and/or terraces	Balcony/ies and/or terraces
3	Proximity to a beach	Strength of rental market in the area	Balcony/ies and/or terraces	Large Private Garden	Allocated parking space/s	Sea views	Proximity to a beach	Proximity to a beach	Allocated parking space/s	Allocated parking space/s	Air conditioning
‘IMPORTANT’ FEATURES AND AMENITIES SOUGHT WHEN BUYING											
1	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to restaurants and bars	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops	Proximity to supermarkets and/or shops
2	Proximity to restaurants and bars	Proximity to restaurants and bars	Proximity to restaurants and bars	Proximity to supermarkets and/or shops	Proximity to restaurants and bars	Allocated parking space/s	Proximity to restaurants and bars	Proximity to restaurants and bars	Proximity to restaurants and bars	Proximity to restaurants and bars	Proximity to restaurants and bars
3	Proximity to historical and cultural attractions	Strength of rental market in the area	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions	Allocated parking space/s	Proximity to historical and cultural attractions	Proximity to historical and cultural attractions

Source: Savills World Research & HomeAway

The strength of the local rental market is another important factor and reflects current owner emphasis on income. This is particularly the case for American, Dutch and ‘young’ owners (under 44s), and those who bought their property after the GFC. Good, evidence-backed advice on rent levels, voids and running costs will be of increasing importance to buyers.

4.2. Golf’s in a hole

Many purpose-built resorts targeted at second home buyers have a golf course at their heart. Proximity to a golf course (whether on or off site) is a feature in a third of all properties in our sample of owners, but its appeal to buyers appears to be waning.

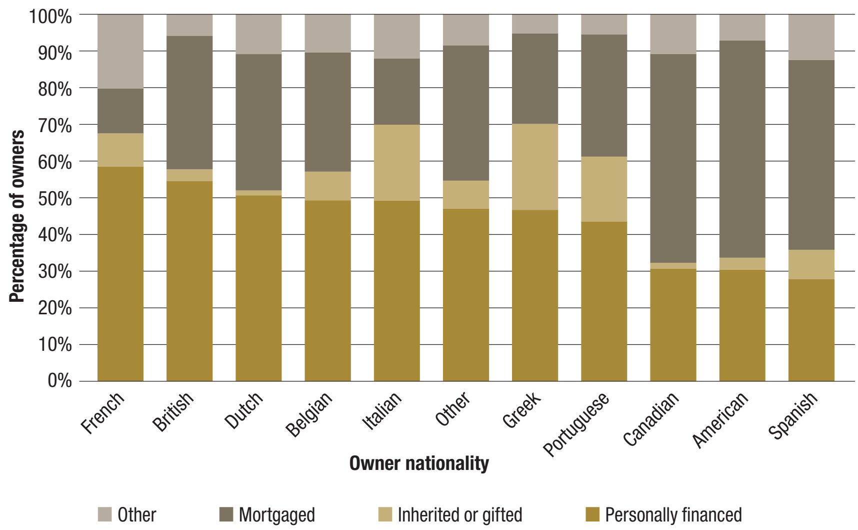
Being close to a golf course was cited as ‘not important’ by 45% of all respondents, and by 55% of British owners surveyed (compared to 32% in 2011). For developers, using golf courses as a major selling point may not be the marketable asset it once was. Second-hand sellers on golf courses may also find that their property no longer commands the premium value they once expected.

4.3. Cash is King

The majority of home owners (45%) self-financed their second property (i.e. without using a mortgage). Financing behaviour varies by nationality. Well over half (59%) of American owners took out a mortgage in some form, usually in the USA rather than the country of purchase. Spanish owners are also far more inclined to mortgage (52%) when compared to their European counterparts, often putting their main residence up for security. Southern Europeans are generally more likely to have inherited their second homes.

The share of homes financed by mortgage borrowing peaked in the lead up to the GFC, when it accounted for 43% of property finance. In 2017, a mortgage was used in 35% of second homes purchased.

FIGURE 3 Source of property finance by nationality: most finance personally, but mortgaging plays a role



Source: Savills World Research and HomeAway

5. What renters want

Understanding and effectively serving the rental market is essential for owners who want to maximise their returns. Thanks to the rapid growth of online short-let services, the prospective renter demand base is bigger and more diverse than ever, but renter requirements can be very different to owner needs.

Our findings suggest that owners, who have a longer term stake in the local area, place greater importance on locational factors such as proximity to historic attractions or local medical facilities. Renters, using the property for only a short time, are more interested in the property features on offer. For example, private swimming pools, hot tubs and gardens are 'under provided' for renters (see chart).

There is evidence in this chart that renters may not want a fundamentally different experience to owners but do put added emphasis on peace and nature (sea views, rivers and lakes) as well as privacy (own swimming pool/hot tub, private garden).

5.1. Seasonality

Overseas travel has become less seasonal than it was. Spring travel, in particular, has emerged as a more important travel period (for the British in particular).

But the summer months remain by far the most popular time for short-let accommodation. This varies slightly between nationalities and is dictated in part by school holidays in the home country. Major travel times for Americans coincide with spring break and the June/July school holidays. The French are overwhelmingly likely to rent in August. They take 28% of all their trips in this month.

The British are the least seasonal among the major national groups, and more likely to travel during the 'shoulder seasons' than others. This is a marked change since 2011, when on the British made over half their trips during the summer months.

5.2. Occupancy

The average annual occupancy of a second home (across all countries) stands at 29 weeks out of 52, This includes time spent in the property by the owners. UK-located properties are the most fully occupied, averaging 40 weeks a year. Properties in the US also average a high rate of occupancy, at 34 weeks annually, helped by long seasons in locations such as Florida and California.

We expect void periods to further fall in future as digital tools enable owners to maximize the take-up of their residences.

5.3. Rental demand is increasing

Some 37% of owners surveyed stated their number of bookings had increased over the last

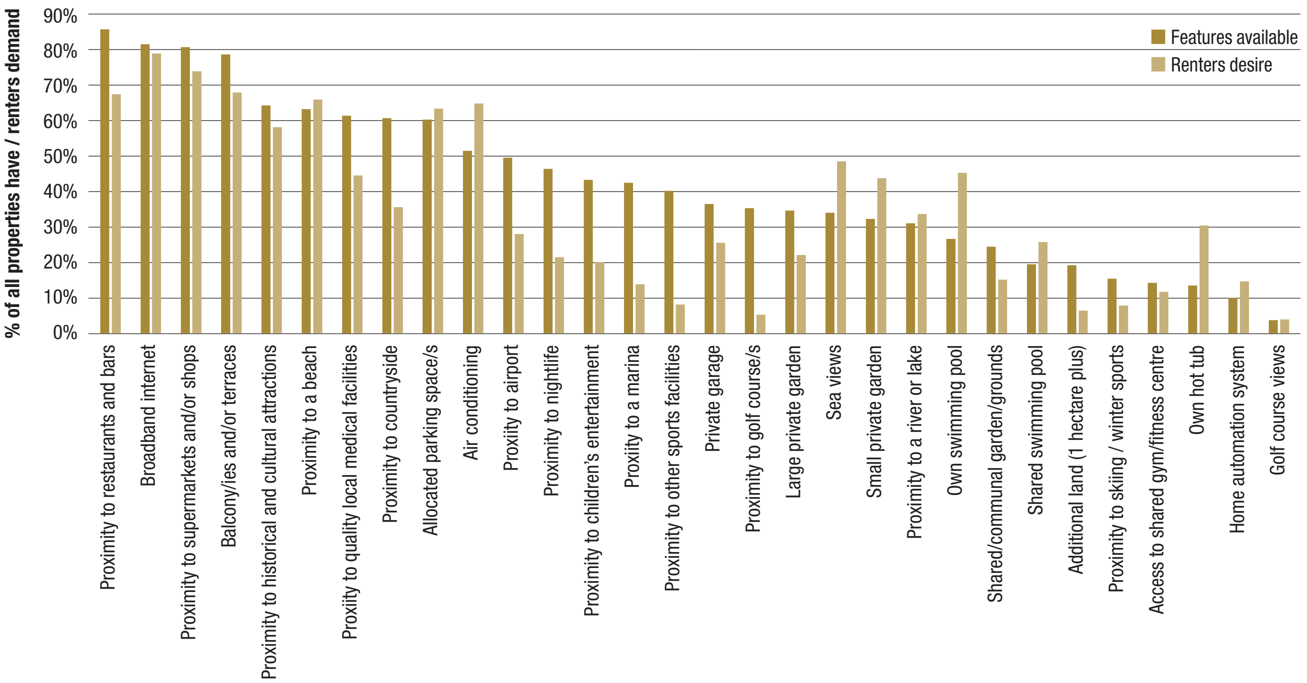
FIGURE 4 What do renters look for?

Average budget	Top destinations	Top types of location	Most sought property types	Most important property features
$1,000 per week	1 – Spain	1 – Coastal	1 – Detached villa or house	1 – Broadband internet
	2 – France	2 – Town/city	2 – Apartment	2 – Proximity to a beach
	3 – Italy	3 – Mountains	3 – Townhouse	3 – Air conditioning

Source: SAIS China-Africa Loan Database, 2017

FIGURE 5 Features and amenities on offer vs renter demand

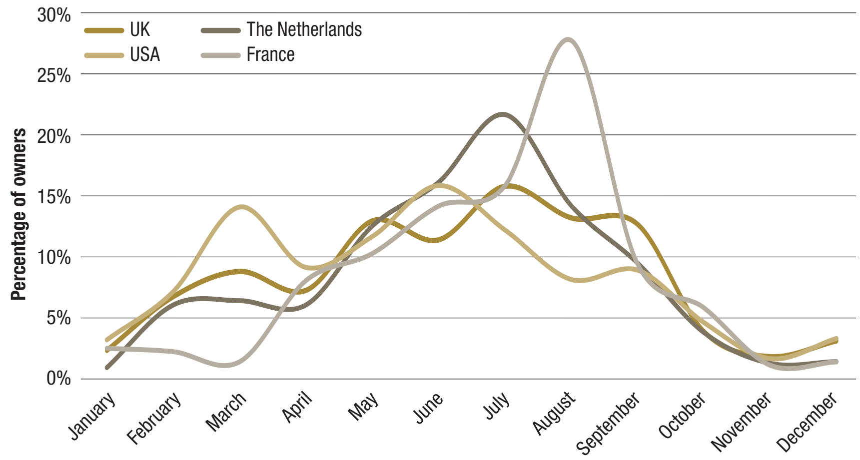
ACTUAL PROPERTY FEATURES AND AMENITIES COMPARED TO RENTER DEMAND



Owners: features or amenities present in property. Renters: factors deemed 'very important', 'important', or 'somewhat important'

Source: Savills World Research & HomeAway

FIGURE 6 Month of travel by nationality: summer remains the most popular time for travel, but the British are less seasonal



Source: Savills World Research & HomeAway

12 months compared to the previous 12 (43% stated they had remained at similar levels to the previous year).

The rise may be attributed to demand for 'safe' summer sun destinations. While uncertainty and concerns over safety in markets such as Turkey has affected demand (57% of owners reported a decrease in bookings there).

Cyprus, Greece and Portugal seem to be rising in popularity, with half of owners citing an increase in bookings over the prior year. Although the letting season in these markets is relatively short, rising popularity should mean that owners can charge higher peak season rents.

6. Costs and returns

Our survey suggests owners are managing to rent out their properties for longer than they used to. This is good for returns, but seasonality still plays a role.

6.1. Covering costs or making a profit

Just under a third of owners surveyed claim to make a profit from renting out their property. Of the remainder, a third completely cover costs, and another third partially cover costs.

More owners are making a profit than they used to. Among British owners, for example, 34% reported making a profit in our most recent survey, compared to just 15% in 2011. A more buoyant global economy, together with the general expansion of the short-let market through the use of digital platforms may be contributing to this. Average occupancy has grown by 17% over the same period.

6.2. Deduct one-third for costs

Average property running costs stand at $7,800 per annum (across all property types and locations), which is 37% of average annual rent. Average annual running costs stand at $10,000 per year for detached houses (39% of average annual rent). They are lowest in apartments, averaging $4,700 per year (30% of average annual rent).

This lower cost may be due to the fact that the apartments owned in our sample are recent purchases, bought when new. Their costs may rise as they gradually age and require more maintenance and upkeep. But, with income returns at the forefront of owner's minds, it is no coincidence that new apartments are a favoured property type for new buyers.

6.3. Seasonal returns

European 'summer sun' destinations such as Malta, Turkey and Croatia are the most seasonal; peak season rents can be more than double low season charges. This has implications for rental returns, with annual income generation reliant on a very narrow window of peak charges. In the most popular destinations this can be highly profitable, but any voids in high season can quickly erode annual returns.

Costa Rica and Mexico, by contrast, are all year destinations and rental charges vary little throughout the year.

terms of location type, major cities are the least seasonal. Cities benefit from a broad demand base that ranges from tourists to business travellers. In these markets there is only a 41% difference between low and high season rents.

6.4. Yields

Yields are notoriously difficult to report as definitions vary across jurisdictions and between different professionals. We have measured two types of yield here. Gross yield is the rent actually received during the year by owners BEFORE deductions like letting fees, cleaning, maintenance and upkeep etc. The net yield is the same AFTER all property-related costs (but before taxes and personal costs). The percentage is expressed as a proportion of the purchase price as stated by the owners.

FIGURE 7 Average short let yields

	Gross (net of voids)*	Net (before taxes)**	Gross to net difference (basis points)
US	9.4%	4.9%	450
UK	7.9%	5.6%	230
Greece	6.6%	5.2%	140
Portugal	5.8%	4.0%	180
Croatia	5.5%	3.4%	210
Spain	5.4%	3.6%	180
Italy	4.5%	3.4%	110
France	4.6%	2.5%	210
Survey average	*6.4%*	*3.9%*	250

Based on annual rental income and purchase prices collected from the Savills / HomeAway survey.
*Annual income based on number of weeks rented
**Annual income based on number of weeks rented less annual bills/upkeep

Source: Savills World Research & HomeAway

The prices recorded are for properties bought up to ten years ago so, if there has been price inflation since purchase, yields based on this measure, will be higher than if they were based on current property value.

7. Future intentions

7.1. What are owners' long-term objectives?

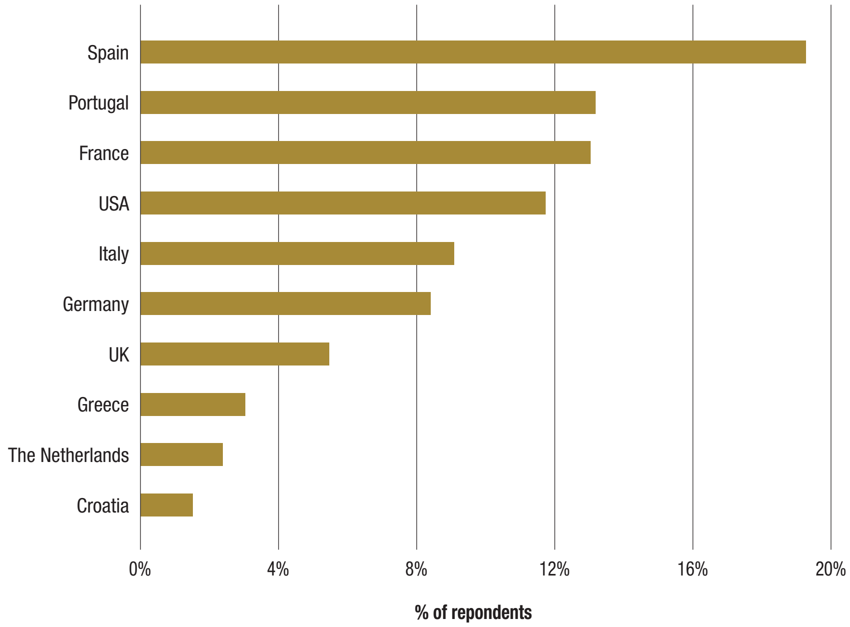
For most, a second home is a long-term hold. Just 8% of owners intend to sell within the next year, and 12% in the next two to five years. With just 20% of the market potentially available for sale in the next five years, the average owner is likely to hold for around 25 years. In an era of low interest rates and modest capital growth, it is no surprise that the majority (43%) plan to continue letting their property as an income generator.

7.2. Next?

Spain and Portugal are cited as the top destinations for future investment by existing second home owners, followed by France, the US and Italy. The Spanish residential market, now secure in its recovery, is once again attracting attention from second home buyers across Europe and beyond. Portugal, in second place, benefits from a broad demand base and was cited as a top three future investment destination by the Dutch, French, Italians and Spanish, among others.

While these countries came top overall, the majority of owners identified their home market as their first choice for next investment. This reflects a broader focus on income, where local market knowledge and greater ease of management can improve returns.

FIGURE 8 First choice for future investment (top 10): Spain and Portugal top for future investment



Source: Savills World Research & HomeAway

7.3. Spain now ahead of France for Brits

The British are also showing a greater tendency to invest at home, with 37% now citing the UK as their first choice for next purchase, up from 31% when we last asked the question in 2011. In spite of Brexit uncertainty, 52% of British respondents cited another EU country as their top choice for their next investment, slightly up from 2011. Of these, Spain has regained second place from France as the top foreign destination for the British buying abroad.

Report of 2018 EFL Autumn Conference held in Milan, Italy

↳ **By Alix Goldstein**

The 2018 EFL Autumn Conference held in Milan, Italy was packed full of rousing content aimed at an engaged audience of housing professionals and academics. EFL member Fondazione Housing Sociale [FHS], in partnership with Fondazione dell'Ordine degli Architetti P.P.C. di Milano, generously hosted a conference worthy of the thought-provoking keynote addresses, professional Italian panelists, field visits to the first social housing project in Milan, dynamic workshop sessions, and delicious Italian cuisine.

The conference kicked off in the headquarters of Ordine degli Architetti (the Order of Architects) with the first of three keynote speakers:

Professor Orna Rosenfeld from SciencesPo in France, presenting on Future Housing Challenges for European Cities. There are key trends and challenges in social and affordable housing in the Global North. "What is it that connects all these diverse countries?" Rosenfeld questioned. The majority of countries are at a crossroads between policies that contributed to the housing crisis and new, different strategies. Previous policies catered to a region of homeowners. The period before the crisis, home ownership increased, and social housing was systematically reduced. The global financial crisis has changed the way housing systems operate though. Home ownership is slowly decreasing now. Countries have to go back to providing more social and affordable housing, looking beyond only one tenure to multiple tenure. The price of housing is also increasing much faster than incomes in the Global North, uniting countries in an affordability crisis.

100 million people across the Global North are cost overburdened by mortgages, rents, or utility prices, and the need for housing has also diversified. Refugees, young families, aging populations, middle income groups – all these populations are in need of affordable housing. Rosenfeld urged that the time is now to move from policies that promote and expect one tenure to policies that encourage more. The view of those in need of social housing also needs to be broadened. Future housing policies should support affordable and social housing across all groups. Of course, because of diverse national contexts, mixed approaches to housing affordability are required. She ended on an interesting note, mentioning how house prices in capital cities are much higher than prices outside cities and how capital city housing prices are more similar to other capitals than they are to other areas within the same country. This is a trend that unites the Global North, however, more research is needed on this topic. Rosenfeld concluded, "There are no cities without housing. There are no livable cities without affordable housing."

Rui Neves Franco from the Lisbon City Council spoke next on Urban Transformation and City Renewal in Lisbon. Presently, 20% of housing in the city is social housing. As the municipality of Lisbon is relatively small, that percentage amounts to 100,000 tenants. In the last five years, Lisbon has been facing huge increases in tourism and foreign real estate investments. Because of this, housing and real estate prices have soared. Franco tied this back to Rosenfeld's previous discussion on the imbalance between housing prices on the private market and local income levels. There is a huge disparity between these two factors in Lisbon. This makes the city virtually inaccessible to those on local salaries. Lisbon is doing work to reverse this and regulate the system. They have instituted a tourist tax, the city now owns the public transport system, and they are making strong investments in renovation and construction of 25,000 social housing units directly owned by the city, effectively doubling the total stock. The city is working hard to be able to provide social housing not only to low-income populations, but to working-class and middle-income populations who cannot afford market prices, actively instituting the recommendations of Rosenfeld. The Lisbon municipality is accomplishing this in different ways, some of which include direct building and managing of construction, negotiating with the national administration to buy and convert old buildings in the city center, putting pressure on the non-profit sector to buy and rent social housing, and inviting private investors to build and rent stock. Franco then went on to detail the various housing projects being carried out in the city.

Christophe Sykes, from Construction Products Europe, followed with a presentation on Housing Development & Innovation in the Construction Industry, where he emphasized how sustainable construction was the new objective in the industry. The sector was greatly affected by the financial crisis, as it employs 6.4% of EU workers and delivers 8.9% of EU GDP. He detailed the reality of the current European market, echoing similar sentiments shared by Rosenfeld and Franco by emphasizing gentrification, rising rent prices, daunting urban housing markets, real estate investments, and housing as an important item on political agendas.

Sykes explained how the European Commission has many facets that do not necessarily communicate with one another. The Directorate-General [DG] Environment develops frameworks to improve suitability of buildings that are being standardized and tested by companies; the DG Energy works on the energy performance and energy efficiency of buildings, and not necessarily sustainability; the DG Climate Action looks to make buildings more resistant to the changing climate; DG Connect promotes digital and telecommunication in buildings; and DG GROW encourages the deconstruction and use of products elsewhere, helping to develop a circular economy. With all of these options, Sykes then asked, “What does the construction sector build? Sustainable and green, near zero energy efficiency, climate resilient, circular?” There are a variety of digital tools that can be implemented as well, including drones, 3D printing, internet of things (IoT), blockchain, artificial intelligence [AI], augmented reality, or building information modeling [BIM]. He left the audience with a question, “Does the construction industry need political guidance from the EU?” The most important aspect of the sector is to address the needs of the citizens.

Sergio Urbani, the General Director of Fondazione Cariplo Milan, finished off the keynote addresses by introducing the context of Milan. He began by presenting Fondazione Caripol, a philanthropic institution that supports more than 1000 projects through grants. They work with non-profit organizations, public entities, policy makers, academics, and members of the community, highlighting the importance of open and holistic communication. They are involved in four, cross-sector programs, with €10 million allocated to each: city suburbs, rural areas, social and impact investing, and youth employment. Urbani went on to detail each program and the benefits of each to local communities and housing.

The morning concluded with a panel discussion consisting of Italian, housing practitioners, **Giordana Ferri**, Executive Director of FHS, **Alessandro Maggioni**, architect from Confcooperative, **Luca Talluri**, President of Federcasa, and **Rossana Zaccaria**, President of Legacoop Abitanti. Helen Wilson, Head of Strategic Partnerships and Projects for Clarion Futures, moderated the panel and began by introducing social and affordable housing in Italy. Regional agencies and municipalities are the biggest players in the sector, followed by foundations and charities, who bridge the gap between what public entities can and cannot provide. The panelists then detailed the workings of their organizations in relation to the Italian housing market.

This concluded the first morning session of the 2018 EFL Autumn Conference. All guests were then escorted on a bus and driven to Cenni di Cambiamento, the first social housing project in Milan. There, participants dined on fresh, Italian cuisine. Later, all would gather in the meeting room to hear from **Associate Professor Gerard van Bortel** from TU Delft presenting the Book Project, a collaboration between TU Delft and EFL in publishing the book, *Affordable Housing Governance & Finance: Innovations and Comparative Perspectives*. The three specific themes covered in the book, collaborative housing, co-production (cross sector collaboration), and housing finance models, all include the involvement of communities and the involvement of market actors. However, the conclusion of the book states the importance of government involvement in the European affordable housing sector as well. Chapters comprises examples and case studies from eight European countries, in addition to one chapter on the United States and one on Australia. Interested parties are welcome to purchase the book online on Routledge’s website. So many have been sold that Routledge is considering issuing a paperback copy. Stay tuned!

Ben Pluijmers, Chairman of EFL, presented the book to **Sorcha Edwards** of Housing Europe, **Paola Delmonte** of CDP Investimenti Sgr, and **Marco Gerevini** of FHS. Each honored recipient then offered a few comments and remarks on the content of the book. They concluded that the book was going to be a useful tool for the sector as a whole. It promotes the transferability of innovation among countries to help allow improvement and cross-fertilization across institutions and countries. This helps allow the sector to forecast the future, live in the future, and remain in the future as well. The book also focuses on the role of people in co-creating, shaping, and running imperative projects to help rebuild and renew damaged housing systems and polices. The sector is people-focused, and so is the book. **Professor Gabriele Pasqui** from Politecnico di Milano provided a more in-depth analysis of the book. He detailed four aspects that are very important. The first: this is not explicitly an academic book, even if many authors are academics themselves. It is a book relevant for the entire sector, no matter one’s relation, because this is a sector of actions, policies, and market initiatives, in which the role of nontraditional actors is very important. A non-academic approach provides many aspects analyzed from a perspective that can be useful for practitioners. The second: the book provides a comparative approach to housing systems. There are many countries that are involved in different chapters. As housing markets are very local markets, it is important to understand how welfare systems and planning systems might differ across space. Understanding institutional constraints is crucial. The third: the approach of the book is based on policy networks, as this book is policy oriented. Finally, forth: the financial dimension is explicitly connected to other dimensions and must be recognized as such.

After the comments and reflections on the book, participants were guided on a field visit of Cenni di Cambiamento, the first social housing project in Milan, where they met with local tenants and organizations working in the complex. They then heard from four different EFL members pitching new and exciting projects. **Dr. Eveline Althaus** from ETH CASE in Zurich presented a project on ageing in place and the role of housing providers. **Dr. Mathias Hain** from EFL Expertise shared highlights from 2018 and the impact investing projects currently underway. **Mike Ward** from Campbell Tickell presented a project on user-center solutions supported by digital innovation for tenants as they grow old. Lastly, **Dr. Anita Blessing** from the University of Birmingham shared the Social Housing Providers, Mergers and Strategic Alliances – a European Comparative Project. The day concluded with a delicious dinner filled with discussion and networking.

The second morning began with the private, EFL General Assembly, after which all conference participants were invited to join back together for presentations and updates from the EFL topic groups. The room then split into three separate workshop groups:

- Financing Social Housing with International Financial Institutions led by **Hendrik Cornehl** of Dr. Klein,
- Place Making & the Inclusive City led by **Luciana Pacucci** and **Chiara Rizzica** of FHS, and;
- Construction and Architecture led by **Dr. Paolo Mazzoleni** of Ordine degli Architetti di Milano.

All three workshops discussed, debated, and shared different ideas to promote the exchange of knowledge across countries. The conference ended in the afternoon with a presentation by **Ulrik Brock Hoffmeyer** of Bo-Vest, the next host of the 2019 EFL Spring Conference to be held in Copenhagen, preparing participants for the exciting content EFL has in store.

IUHF
www.housingfinance.org

INTERNATIONAL UNION FOR HOUSING FINANCE

Established in 1914, the International Union for Housing Finance (IUHF) is a worldwide networking organisation that enables its members to keep up-to-date with the latest developments in housing finance from around the world and to learn from each other's experiences.

How does the Union do this? **By communicating!**

The Union does this in five different ways

- The Union runs a website - www.housingfinance.org. Please pay a visit!
- The Union publishes a quarterly journal, *Housing Finance International* (HFI)
- The Union organises a World Congress every two years
- The Union actively participates in events related to key housing finance issues around the world
- The Union facilitates the exchange of information and networking opportunities between its members

For more information, please see www.housingfinance.org
or contact us at:

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