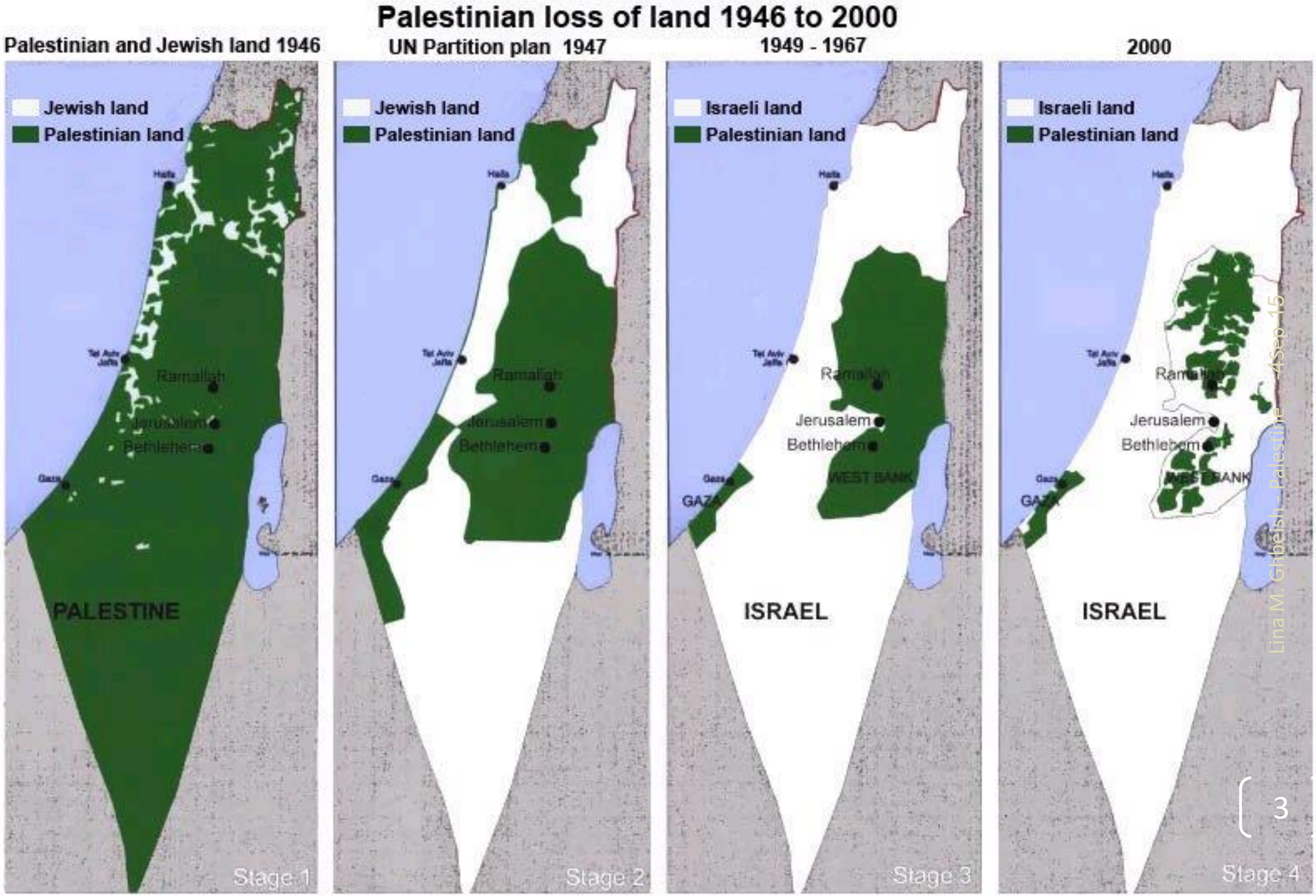
Long Term Housing Finance and Urban Infrastructure

Presented by: Lina M. Ghbeish

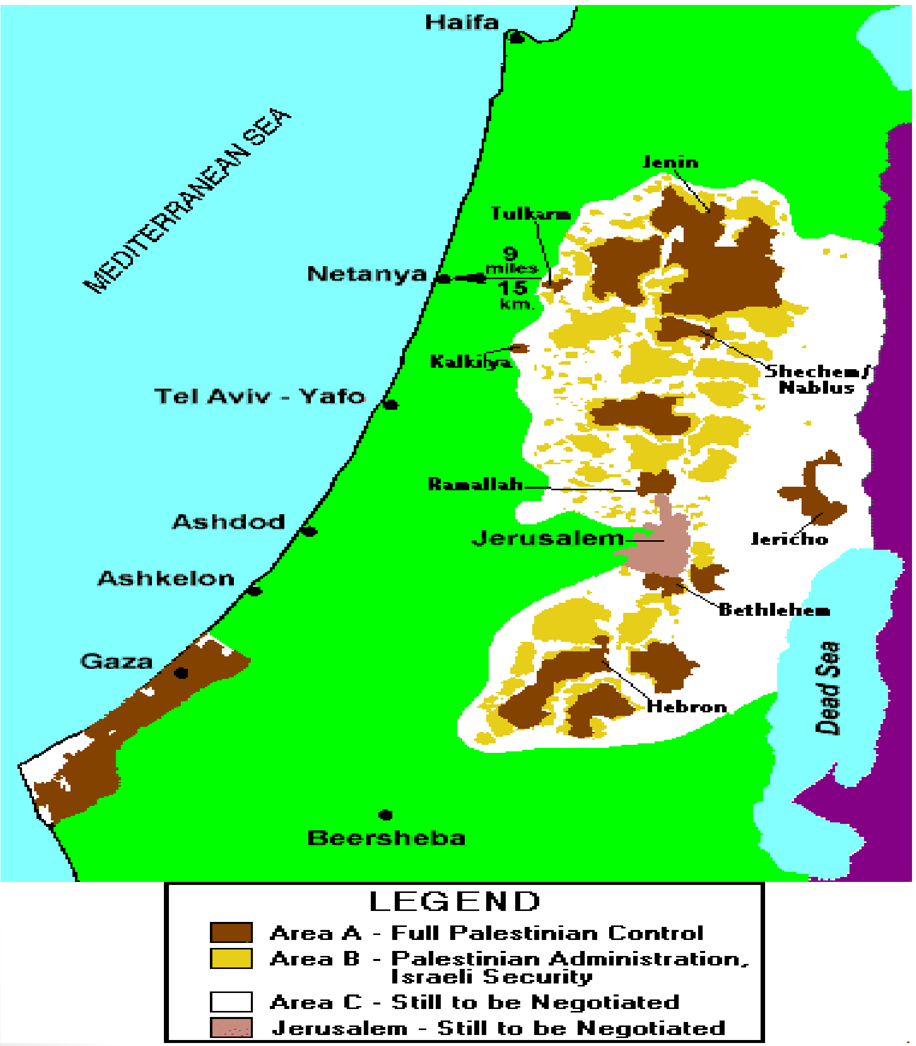
Palestine

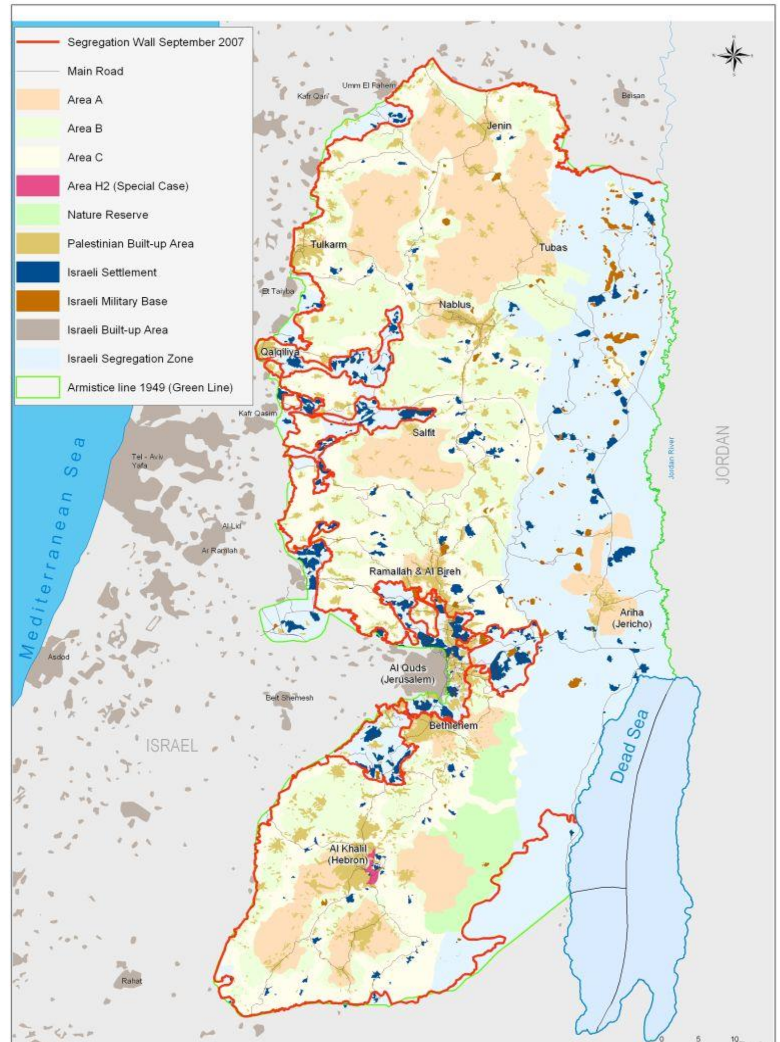
World Map and Palestine



Palestinian loss of land 1946 to 2000
Palestinian and Jewish land 1946
UN Partition plan 1947
1949 - 1967
2000
Jewish land
Palestinian land
Israeli land
Ramallah
Jerusalem
Bethlehem
Gaza
GAZA
WEST BANK
PALESTINE
ISRAEL
Stage 1
Stage 2
Stage 3
Stage 4

Areas A & B & C


Haifa
MEDITERRANEAN SEA
Netanya
9 miles
15 km.
Tulkarm
Jenin
Kalkilya
Shechem/Nablus
Tel Aviv - Yafo
Ramallah
Ashdod
Jerusalem
Jericho
Ashkelon
Bethlehem
Gaza
Hebron
Dead Sea
Beersheba
LEGEND
Area A - Full Palestinian Control
Area B - Palestinian Administration, Israeli Security
Area C - Still to be Negotiated
Jerusalem - Still to be Negotiated


Segregation Wall September 2007
Main Road
Area A
Area B
Area C
Area H2 (Special Case)
Nature Reserve
Palestinian Built-up Area
Israeli Settlement
Israeli Military Base
Israeli Built-up Area
Israeli Segregation Zone
Armistice line 1949 (Green Line)
Umm El Fahem
Kafr Qari'
Beisan
Jenin
Tulkarm
Tubas
Nablus
Qalqiliya
Kafr Qasim
Salfit
Mediterranean Sea
Tel - Aviv Yafa
Al Lid
Ar Ramlah
Ramallah & Al Bireh
Ariha (Jericho)
JORDAN
Jordan River
Asdod
Al Quds (Jerusalem)
Beit Shemesh
Bethlehem
ISRAEL
Dead Sea
Al Khalil (Hebron)
Rahat
0 5 10 Kilometers

Ramallah – cosmopolitan city

Urbanization

Refugee camp

Refugee Camp

My view ………

Demographic and Economic Background

- Services sector is considered as the largest sector of the Palestinian economy that constitute around 21% of GDP.
- Construction sector is also important with 7.2% of GDP.
- GDP average growth rate over the past five year is 13.5%
- GDP per capita is equal to US$ 2,992 in 2013.
- Population 2014: 4,550,368 (2.79 m in West Bank and 1.76 m in Gaza strip).
- Fertility rate : 4.4
- Growth around 3%.
- Urban population 74%
- Unemployment rate is 26.9% in 2014.
- Inflation rate around 1.733% in 2014.

Importance of the Housing Sector in Palestinian Economy

- Investment in housing constitutes the largest portion of gross capital formation, contributing between 60-70%
- The value added of the construction sector in 2013 in current prices US$ 559.2
- The share of the construction and real estate sectors' financing from total credit facilities to the private sector is 21.5%
- Population growth and housing needs.

Housing Statistics

Selected Main Indicators for Housing Conditions in Palestine, Selected Years				
Indicator	**2015**	**2010**	**2006**	**2000**
Percentage of Households Living in a House	44.6	47.8	55.6	58.0
Percentage of Households Living in a Partment	53.7	50.2	40.8	39.9
Percentage of Households Living in Owned Housing Units	80.9	83.6	81.5	85.6
Percentage of Households Living in Rented Housing Units	7.8	8.7	11.5	8.5
Average Monthly Rent (in Jordanian Dinar)	161.0	152.8	115.0	85.6
Percentage of Households Living in Housing Unit Connected to Public Electricity Network	99.9	99.9	99.2	98.6
Percentage of Households Living in Housing Unit Connected to Public Sewage Network	53.9	54.4	54.0	42.8

Percentage Distribution of Households in Palestine by Household Need from Housing Units During the Next Ten Years, Region and Type of Locality, 2015	
Region and Type of Locality	**Household Need**
Palestine	**60.9**
West Bank	**53.7**
Gaza Strip	**74.9**

Percentage Distribution of Households in Palestine by Number of Housing Units Which Household Can Build it During the Next Ten Years, Region and Type of Locality, 2015			
Region and Type of Locality		**Number of Housing Units**	
	2 +	**1**	**total**
Palestine	**4.1**	**25.8**	**29.9**

Key Players in Palestine Housing Market

Production side:

- Private developers: Individual and private companies
- Ministry of Housing and Public Works
- Housing cooperatives

Providers of Housing Finance

- Commercial banks & Islamic Banks
- MFIs
- PMHC – Liquidity Facility
- Informal market
- Housing cooperatives.

Regulatory Institutions

- Palestine Capital Market Authority
- Palestine Monetary Authority

Other players

- Ministry of local government
- Ministry of Transportation
- Ministry of Planning
- Ministry of National Economy
- Ministry of Tourism and Antiques.
- Municipalities.
- Land Authority
- Water Authority
- Ministry of Environment
- Donors.
- Others

Palestine Mortgage Finance Model

- Old Model:
- End user housing finance.

- Minimal commercial housing lending for individuals or developers.

Housing Finance numbers

Millions	2011	2012	2013	2014
GDP	10465.4	11279.4	12476	12765.8
Mortgage Finance	253	292	324	334.9
%	2.42%	2.59%	2.6%	2.62%
Mortgage & Housing Finance*	490	599	650	535.3
%	4.68%	5.31%	5.21%	4.19%

** Housing loans are personal loans for buying houses but with no mortgage, the collateral could be salary transfers for example.*

Characteristics of Palestinian Housing Market

- Mismatch between demand and supply with surplus in luxury housing segment.
- The supply and availability of basic urban infrastructure has a direct impact and influence positively the supply of housing.
- Two of the most critical supply side constraints to the planning and development of housing programs in Palestine are land and infrastructure.
- The provision of infrastructure is the most important driving force behind city growth and expansion of residential areas. And often this provision is the government's role.
- Government has minimal resources (financially and technically).

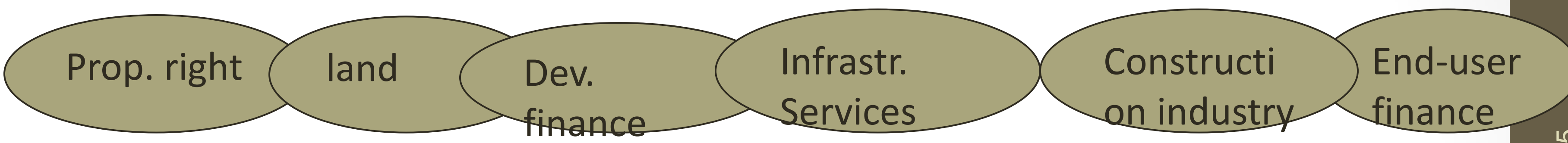
Continue …..

- Detected need in the middle to low income groups. No policy for affordable housing.
- Palestinian housing sector is governed by an incomplete policy and regulatory environment.
- No comprehensive housing policy.
- Lack of coordination between government players.

Continue …..

- Housing projects (including large scale) developed/provided by private developers.
- Developments are based on ad- hoc.
- Minimum -if any- government intervention to help new developments and not even protect them later.
- No actual number for the effective demand, the only numbers available are needs.
- Housing units are considered a commodity for the purpose of value added tax.
- No enforcement regarding initiatives (homebuyer education and homeowners association instructions).

Housing Production Chain



- Government policies are needed to enable each part of the chain to work well.
- But Often government policies hinder effective market development.

Housing Sector Constraints Matrix

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Material and Construction sector
A. Institutional and organizational framework	A1. land is divided into 3 zones A,B,C (17.2%,23.8%,60%) Area C under full Israeli control A1. High land prices and difficulty to assemble land	A2. Off-site infra.framework is a formal responsibility of local authorities, few such authorities have the financial means to deliver A2. Delays in the provision of off-site infrastructure are a disincentive for developers	A3. Mortgage lending by commercial banks remains limited to high income groups	A4. Absence of planning framework results in urban sprawl, which in turn reduces available land

Housing Sector Constraints Matrix

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Material and Construction sector
B. Regulatory and legal framework	B1. Most land in WB is unregistered B1. Even if land registered, complexities are present, same plot registered to different owners B1. Slow progress with the land titling process			B4. By-law 30 stipulates the use of stone as finishing material in residential areas, resulting in increasing housing costs B4. Building regulations do not generally allow for densities much higher than the standard five floors plus one block that is ubiquitous in many areas of WB. B4. Existing regulations still specify a standard plot size and plot ratio

Housing Sector Constraints Matrix

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Material and Construction sector
C. Housing supply	C1. The current pattern of ad hoc land development in the absence of an overall spatial plan harms future Palestinian land and natural resources management	C2. lack of sources of funding for infrastructure (donor commitments) C2. Municipalities are unable to adequately provide their share of required bulk, off-site infrastructure.	C3. There is insufficient supply of affordable housing, including affordable housing for small households, in the main cities.	C4. Current housing stock is almost 100% supplied by individuals or private developers C4. The real estate sector is focused disproportionately on Ramallah and other major cities C4. Housing over supply, especially in Ramallah. C4. Much of the over-supplied housing is for investment purposes C4. lack of construction finance C4. Lack of building materials, and, inefficiencies in the supply and production of staple building material

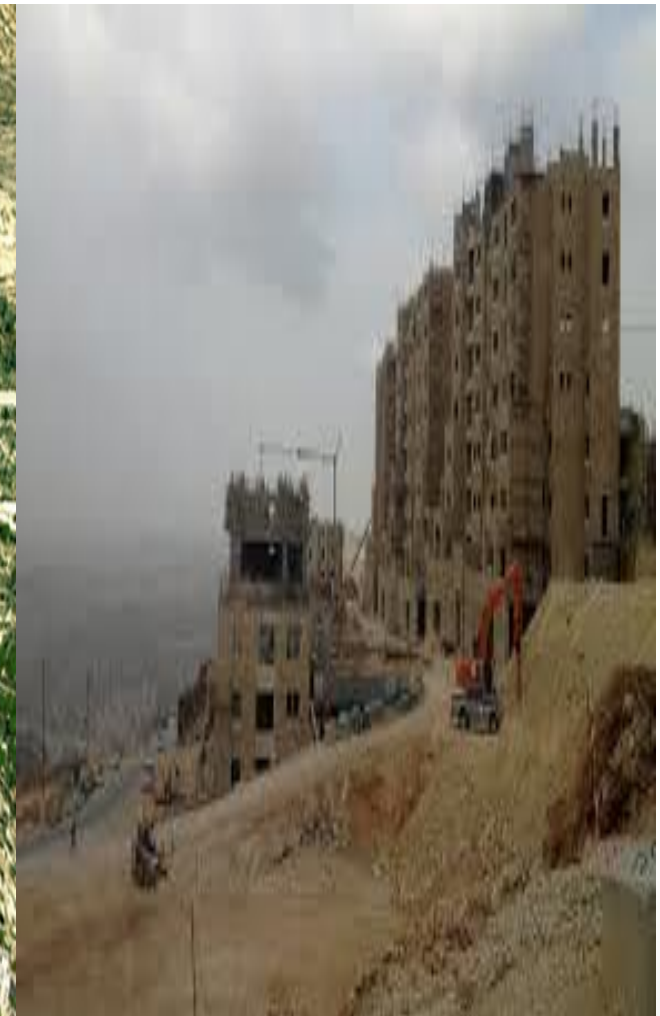
Housing Sector Constraints Matrix

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Material and Construction sector
D. Housing Demand	D1. Housing demand in east Jerusalem cannot be met because of Israeli practices of restricting permits and evacuating Palestinian residents		D3. The market does not meet demand for smaller and more affordable housing. D3. Private developers are oriented towards the middle and higher income markets. D3 effective demand for housing remains unclear	D4. Private developers have very little incentives to build affordable housing C4. Consumers prefer high cost materials and finishing standards, thereby increasing housing costs.
E. Policy	E1. 99% of state land is located in area C. this means it is unavailable for public use.			E4. The Israeli occupation is driving up the cost of materials and constructions.

Rawabi case -New City

- Private initiative.
- Fully serviced and connected (schools, malls, clinics, religious institutions, etc.…)
- Started as an affordable initiative with appropriate units sizes, ended with the opposite.
- Using old roads to get to the city, pressure traffic.
- Received support from donors and regional investor (partner with experience).
- Government supported with part of the land acquisition.
- Water problem.
- Government promises for public institutions servicing such as schools and transportation.

Planned and Actual



Reehan case - New Neighborhood

- Developed by a private company owned by a public fund.
- Received support with offsite infrastructure from government and other types of support (unlike other projects).
- Planned as affordable, ended up high middle income to upper income groups.
- Motivated building in that area.
- Lack of planning led to having a theme park next to the residential area (noise, traffic, residents parking spots, no safety for kids playing).
- No public transportation till now.

Planned vs. actual

????

AMAL

- Initiative to establish a mortgage company to support the new large scale projects and provide financing for end users.
- Supported by government and donors.
- Funds available US$ 500 million.
- Funds will be channeled similar to regular banking loans.
- No special features/ no competitive edge/ no special target groups.
- The banking sector currently has US$ 9 billion in deposits.
- Initiative halted by founders.

Recommendations

- A government housing policy should be in place.
- Decide on the suitable model for your country: new cities vs. new neighborhoods.
  - Palestine population does not justify building new cities and keeping the (plan- connect- finance).
  - New neighborhoods would be the better solution but within the policy and planned in order to minimize urban sprawl.
- The policy to include all income groups and their needs and the means of satisfying their housing needs.
- Government policy should be clear about the government's role in affordable housing and social housing.
- Learn from other countries' experiences and best practices, however, it is not a one size fits all. (e.g. Morocco fogarim – fogalage, World Bank and un-habitant toolkits).
- Focus on Planning – Connecting and financing.
- Do not re-invent the wheel.

Continue …

- Efforts should be co-ordinated between all players in the government.
- Focus on win (government)- win (private sector) –win (donor) strategy.
- Use the last pillar of the chain (housing finance) to support the middle chain (infrastructure) by utilizing off plan sales and other mechanisms.
- Plan, Plan and plan instead of ad hoc growth model (effective planning) prior to implementation.
- Plan big to include all urban expansion and population growth and needs.
- It is not only the development of the area, government should think about the sustainable servicing of the area.
- It is not only physical housing units, there is more to this if sustainability is the goal. Build on previous initiatives, put it in place and enforce it. Include government agencies to ensure the socio-economic sustainability.
- Effective solid waste management.
- Decide on the public- private partnership that fits your country and system.

Continue ...

- Give roles for each party as per who does best. And Identify the potential for leverage.
- Structure the partnership with risks identification, flexible contracts to respond to changing circumstances, clear performance indicators with a monitoring system and responsibilities.
- Incentives for private sector to achieve new housing projects in existing and new urban areas.

Continue …

- Determine appropriate locations for the planning of housing programs across your country (my case is Palestine), this should be coordinated with the National Spatial Plan.
- Priority locations should be those located in or near existing urban areas to maximize the likelihood of socio-economic sustainability (access to employment, transport and schools) and minimize urban sprawl.
- Ares (C) in case of Palestine.
- Flexible spatial plans and more future oriented.
- Smart growth for housing development: less cost, more environment friendly, better use of land …..

Continue …

- Determine any legal or regulatory bottle necks and gaps (value added tax) and consolidate laws from different historical eras.
- Adopt legal reforms.
- Be innovative to work around difficult situations (registry for non tabo land).
- Adapt building regulations.

Thank you

Lina M. Ghbeish

Lghbeish@pcma.ps