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Collateral damage?

Inevitably, it is the health implications of the Covid-19 pandemic which command most attention followed by the macro economic effects. As countries wrestle with the second wave of the pandemic, attention rightly focusses on daily infection rates, hospitalisations and, sadly deaths. Such discussion has recently been powerfully augmented by an understandably obsessive interest in the progress towards mass vaccination, a process that is about to start.

Rightly, macro-economic issues have been the subject of much discussion also amongst politicians, the media and the public. Predominant, has been the question of how to simultaneously protect the public, particularly the vulnerable public, against infection and prevent the spread of the disease, while also maintaining some semblance of economic normality and some control over public finances. This remains perhaps the most intractable dilemma of the pandemic so far. At the time of writing, it seems unlikely that this dilemma will be resolved to anyone's satisfaction until the widespread use of vaccinations reduces the underlying virulence of the disease.

What receives less attention, are the less obvious economic and financial effects of the crisis, which may have impacts that are lasting and as yet not fully understood. All over the world, mortgage lenders have been encouraged by governments to exercise forbearance to distressed borrowers, in the interests of preventing mass defaults. The aims are to avoid a further drop in public morale and avoid additional economic and financial dislocation. The response to forbearance measures has generally be favourable, at least in public. However, the longer-term implications are uncertain. If lenders had simply kept the capital implications of forbearance on their books and absorbed loss of mortgage interest, the results in terms of financial stability and future lending appetite would have been serious indeed. However, regulators, central banks and, ultimately, governments have brought in various measures to mitigate the impacts and shore up as far as possible, the capacity to lend at levels that do not precipitate an immediate downturn in housing markets round the globe. So far, the signs are that such actions have proved successful in the case of housing markets which have proved more resilient than many feared. But what of the long term? Will these governments and regulators manage to extricate themselves from support for the banking system and indirect support for housing finance markets in ways that will not cause a banking crisis or housing market crises further down the track against an economic backdrop that promises to be challenging for some considerable years ahead. Experience suggests that it is far easier for governments to involve themselves in supporting markets that are seen as strategic than to withdraw such support. Housing markets in particular are politically sensitive.

As the prospect of mass vaccination offers the possibility of a relaxation in the measures that have impacted so drastically on economic performance, it will be time to start considering how the relationship between governments, regulators and lenders should evolve in a new post-Covid environment and whether the pandemic has precipitated changes that will be more than temporary.

This issue of the journal has a series of fascinating articles that range across countries and focus on some key issues including inequalities in wealth and income, development issues in the third world and, of course, the impact of the pandemic.

Our first main article *The social and economic consequences of housing wealth inequalities* by Adriana Mihaela Soaita, Duncan Maclennan and Kenneth Gibb, focusses on the impact of homeownership on wealth inequalities, drawing on data from over 30 countries. The article points to increasing inequalities between homeowners, landlords and tenants, particularly when asset-based welfare is taken into account. They also point to evidence that increasing housing wealth inequalities adversely affect the productivity and stability of economies and contribute to deeper recessions. In short, they argue that these inequalities matter.

Our second article is the whimsically titled *Housing and urban development in France under the sword of Damocles of present and future medical crises*. In this valuable article Jean-Pierre Schaefer returns to the Covid-19 theme that has been prominent in HFI throughout this year. Schaefer points out that in spite of interruptions to residential building, overall development levels remain within historical parameters. He then goes on to discuss a number of issues raised by the pandemic or highlighted by it, including the need for outside space around homes, overcrowding, issues relating to housing for the elderly and a shift in preferences towards rural rather than urban locations.

Still on the theme of Covid-19, we are pleased to welcome back Marina Khmelnitskaya to the pages of Housing Finance International (HFI), this time along with two co-authors, Aleksandra Burdyak and Olga Pushina. Titled *Russian housing at a time of Covid: the impact, policy response and legal trends*, the article examines the impact of the disease on housing markets, the measures taken by government to alleviate impacts and the implications for legal practice and policy discussion in Russia.

Incremental housing presents both opportunities and challenges in terms of development in the third world, where it often predominates. In his article *Evaluation of incremental housing development in Ado-Ekiti, Nigeria*, Adewale Yoade returns to the pages of HFI to present the fascinating results of a survey of residents of incremental housing in Ado-Ekiti, Nigeria. The survey offers some significant new insights in terms of resident preferences and satisfaction.

It has become almost a truism that successful development of affordable housing is not just about bricks and mortar. Nevertheless, mistakes continue to be made and it is important to illustrate truths that may be known in theory but are frequently not respected in practice. Nigel Hyde and Clive Thursfield illustrate the requirements for a community that works in their article *Destiny Village, Sierra Leone: a comprehensive, sustainable and holistic relocation approach that can transform a nation*. It is heartening to be able to report on a positive outcome in a war-torn country, which is also beset by poverty and which has been struck by Ebola.

Our final article also pursues the theme of what is necessary for successful development, although this time the focus shifts to Morocco. In his article *Towards Cities without Slums: A Sustainable Policy Approach for Morocco*, Noor Mazhar reminds us that there is a global population shift towards the cities and that one third of the world's urban population currently live in slums. He then goes on to analyse the shortcomings of the slum eradication programme in Morocco to date and puts this in the context of the shift towards neo-liberal policies in post-colonial states. Mazhar goes on to propose a series of policy reforms to address the issues identified.

Before signing off on the last issue of the journal for 2020, it only remains to offer all our readers our best wishes for the festive season and for the New Year. The pandemic has made 2020 a tough year for all of us, but it has been tougher still for those already feeling the effects of climate change, political uncertainty and economic turbulence. Let us all commit to making 2021 a year in which we turn a corner with Covid-19 and continue to address some of the other critical issues facing our global community.

Andrew Heywood
December 2020

Contributors' biographies

Aleksandra Burdyak is a Senior Researcher at the Institute for Social Analysis and Forecasting, at the Russian Presidential Academy of National Economy and Public Administration (RANEPA), Moscow, Russia. She is a welfare economist. Her work concerns housing, poverty and the middle class in Russia.

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.

Professor Kenneth Gibb teaches at the University of Glasgow on the economic, financial and policy dimensions of housing. He is also Director of the UK Collaborative Centre for Housing Evidence. Ken has conducted research for national and international organizations, including governments, major academic funders, OECD and the European Union.

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 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.
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Nigel Hyde is a social entrepreneurial, Chartered Accountant, founder and CEO of Mission Direct (2004-14) and Home Leone. Working in Christian development since 1996, he is a pragmatic, innovative, hands-on visionary, who has impacted hundreds of thousands of lives for good. Serving the poorest and enabling people to live meaningful lives.

Marina Khmelnitskaya is a research fellow at the Aleksanteri Institute, University of Helsinki, Finland. She is a political scientist working on policymaking in Russia and comparatively. She is the author of "Policy-making and Social Learning in Russia: the Case of Housing Policy" (Palgrave Macmillan, 2015) and articles in Post-Communist Economies, Russian Politics and Europe-Asia Studies among other journals.

Vanessa Khosa is the AUHF administrator at the Centre for Affordable Housing Finance in Africa [CAHF], an independent think tank working to support and grow housing markets in Africa to increase affordability. She graduated her Masters in Local Economic Development from the University of Johannesburg.

Professor Duncan Maclennan has undertaken international housing research since the 1970's, directed the UK's housing research centre from 1983 to 1999, held senior government positions in Scotland, Canada and Australia, advised OECD, the World Bank, the EU and currently works at the University of Glasgow and the UNSW (Sydney).

Noor Mazhar has an undergraduate degree in Political Science from the Lahore University of Management Sciences, Pakistan and a postgraduate degree in Sustainable Development from the University of St Andrews, UK as a Commonwealth Scholar. Noor has held several research positions and internships in think-tanks, academic institutions, and public sector organizations.

Tobias Peter is the director of research at the American Enterprise Institute's Housing Center, where he focuses on housing risk and mortgage markets. He has a master's in public policy from the Harvard Kennedy School and a bachelor's degree in history and applied economics from The College of St. Scholastica.

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Olga Pushina is a PhD candidate at the Faculty of Law, University of Lapland, Finland. The fields of her research interests are socio-economic rights in the jurisprudence of the European Court of Human Rights and protection of the right to housing in Russia.

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.
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Jean-Pierre Schaefer, 68, is a graduate engineer of Ecole Centrale Lille, holds Master's degrees in Economic Science (Lille) and Urban Planning (IUP-Paris). A former economist at the Caisse des Dépôts (France), he has a wide expertise on housing markets and urban development in France, Europe and foreign countries. He is vice-president of SOLIHA Yvelines Essonne.

Dr Adriana Mihaela Soaita is a Research Fellow at the University of Glasgow. She is also a Romanian chartered architect and planner. Adriana is particularly interested in the individuals' experienced nexus between housing (and home), socioeconomic and spatial inequalities on which she has published widely.

Clive Thursfield is the deputy CEO of Home Leone. He was a Consultant Clinical Scientist in the British NHS for 45 years, specialising in rehabilitation and latterly was Director of Research for a Healthcare Trust. He is a committed Christian. He has considerable experience in the disciplines of clinical, leadership and managerial.

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.

Adewale Olufunlola Yoade holds a Ph.D in Urban and Regional Planning from Obafemi Awolowo University Ile-Ife, Nigeria. He lectures in the Department of Urban and Regional Planning, Wesley University Ondo, Nigeria. His research focuses on housing, urban renewal and community development. He is a Member of Nigerian Institute of Planners (NMITP) and a Registered Town Planner (RTP).

Housing finance news from Africa: promoting innovation in African housing markets

By Vanessa Tsakani Khosa

Insights from the 2020 African Union for Housing Finance (AUHF) Conference "Investing in the SDGs: Finding a market opportunity in affordable housing".

One of the most critical issues currently facing housing markets worldwide today is the economic and financial impacts of Covid-19 in urban areas and key challenges that must be overcome to promote affordable housing. The recently held 36th Conference and AGM of the African Union for Housing Finance (AUHF) which took place in November explored these issues under the theme: "Investing in the SDGs: Finding a market opportunity in affordable housing." This was the first time that the AUHF hosted its annual event online, allowing unprecedented scope of participation from across the world. Nearly 1000 experts and delegates from 73 countries participated in the conference sessions, including case studies, best practices, panel discussions, and keynote addresses all focusing on investment in affordable housing, with a specific focus on the impact this has on the SDGs.[1]

While the theme of the conference was conceived before the pandemic, its relevance was clear even in the new context. The quality of housing has a profound impact on the level of resilience of families to infection as well as to economic stress. Therefore, to successfully implement the SDGs, it becomes critical to strengthen local building capacity (create construction vocational training and schools; a strong political will in that regard, etc.) and adapt regulatory housing frameworks to the reality of most African housing markets, focusing on laws and policies to enable access to adequate housing for people living under the poverty line at a country level. The keynote address[2] by Ms Maimunah Mohd Sharif, Executive Director UN-Habitat highlighted that the future of urbanisation and housing will depend on how policymakers, private sector actors and civil society position adequate and affordable housing as a priority to achieve the Sustainable Development Goals (SDGs). In order to realise SDG11, which aims at ensuring "access for all to adequate, safe, and affordable housing and basic services and upgrade slums", there is an even greater need for increased government efforts towards affordable housing.

AUHF member, the Social Housing and Mortgage Finance Fund[3], demonstrated these government efforts in Egypt through its Social Housing Program which contributes to four SDGs – gender equality; clean water and sanitation; reduced inequality; and sustainable cities and communities and aims to extend its targets through its new Environment Unit. This fund was established to ensure a sustainable flow of finance to support the Program. Using World Bank loan proceeds, the SHMFF improves affordability through cash subsidies to targeted beneficiaries. According to May Abdelhamid "in the last 10 years, Egypt's mortgage finance market has grown by 1,000 percent – this dramatic growth in private bank disbursements is largely explained by a Mortgage Finance Law which intentionally facilitates access to housing and housing finance". In Ghana's affordable housing market, high construction and mortgage finance rates are key obstacles. In 2018 the government intervened by establishing the National Housing and Mortgage Fund (NHMF)[4], which leverages private sector banks to provide cheaper local currency mortgage loans and construction finance to developers, at more affordable interest rates. Through public-private partnerships, the Ghanaian Government also established a Rent to Own Scheme to expand access to housing to low salaried public sector workers.

While government should contribute to economic growth, the private sector also has a critical role to play. First World Communities stressed the need for public-private partnerships (PPPs) in Africa in a presentation[5] that highlights the need for government resources to be viewed as the seed rather than the main source of capital – partnerships can be structured in a way that government brings onboard access to land or services, or various incentives that lower project costs. House prices can therefore be moderated by the incentives that governments introduce. According to Rev Ugochukwu Chime and Dr P. M. 'Tunde Reis "A partnership should not be seen as a contract, but rather two parties collaborating towards achieving a mutual objective i.e. advancing affordable housing as an imperative for social and economic empowerment". A key question then, is what is the best way for government and the private sector to collaborate in the delivery of affordable housing?

In the advent of Covid-19, housing is a cornerstone for recovery. The housing sector can have large economic stimulus and multiplier effects. AUHF member Habitat for Humanity's Terwilliger Center for Innovation in Shelter[6] gave a presentation that highlighted the importance of housing in a country's gross domestic product (GDP) but suggests that it is often unaccounted in emerging markets. To create a stimulus, countries should focus on short-term solutions that leverage (low) existing government resources: making

1 All sessions from the AUHF Conference are available online, at: https://www.youtube.com/channel/UCfQke_kMH-Y0QvxMCn40KIg/videos

2 See AUHF YouTube channel https://youtu.be/MwEVLPyIKdQ

3 See AUHF YouTube channel https://youtu.be/se_FDSwuQ7s

4 See AUHF YouTube channel https://youtu.be/se_FDSwuQ7s

5 See AUHF YouTube channel https://youtu.be/gppXI-1ExXY

6 See AUHF YouTube channel https://youtu.be/JyFg14jm9Nk

serviced public land available, creating access to finance, and providing subsidies, where required. Kounkey Design Initiative (KDI)[7] continued the conversation on how housing contributes to a sustainable future through an account of various sustainable housing and resilience interventions in Nairobi's informal settlement of Kibera. KDI works with residents to transform unsafe and underused sites into "productive public spaces." The organisation has implemented various slum upgrading and resilience programs in Kibera: the Kenya Slum Upgrading Program (KENSUP), Nairobi Railway Relocation Action Plan and a multisectoral National Youth Service (NYS) slum upgrading initiative. Together these programs aim to improve livelihoods through security of tenure, adequate housing, income generation and physical and social infrastructure. Skat Consulting's[8] projects also gave a presentation focused on achieving sustainability through inclusive and affordable settlement upgrading in urban Rwanda. Skat's PROECOO programme's objectives are to reduce urbanisation's climate impact and tap into unused employment potential by making safe, urban housing affordable and available at mass scale. A panel discussion moderated by the African Development Bank[9] gave a four-fold approach to uncover alternative financial solutions pre and post Covid-19. Firstly, the panelists from AUHF member Zambia National Building Society, AUHF member Kenya Mortgage Refinance Company and AUHF member Shelter Afrique provided inputs on how the AFDB has supported each of the organisations and how it has increased affordability and product offerings. The plans and prospects of each organisation in expanding the reliance on domestic capital markets were also presented as well as the impact of Covid-19 on portfolios and mitigation measures within the context of each of the organisation's respective markets. Fourthly, was a brief on the speaker's perspective on the role of DFIs and institutional investors in overcoming Covid-19.

Bringing together industry pioneers, a panel session[10] on the new construction paradigm highlighted innovative construction technologies and structural optimisation techniques that reduce cost, accelerate speed to market, increase sustainability, quality and transparency. iLima Digital Foundary was founded on the premise that the need for affordable homes can be resolved by mobilising a technology-enabled construction process. The first 3D printed community built by New Story[11], ICON and Echale in Mexico uses 3D printing robotics, software, and advanced materials – representing a game-changer in housing. Taking a holistic approach to industrial housing Moladi's construction system leverages local materials, labour and sustainable building methods to stimulate the economy. A clear message from the panel was that "technology is ready to build a house in one or two days", while traditional construction is inherently less transparent. Taking the application of technology further, AUHF member iBuild's platform recognises that transparency unlocks capital, and without capital, it is impossible to scale. AUHF member Select Africa developed solutions in key African markets where construction was undertaken incrementally, with cash. Using an internet-based "plug-and-play" loan administrative system, Select Africa created an opportunity to extend unsecured, incremental housing microfinance loans. The Bank of Tanzania presented insights on potential opportunities and risks to affordable housing arising from the growing digitisation of services and increasing connectivity of machines, while the Nigeria Mortgage Refinance Company rounded out the discussion with an overview of their innovative blockchain strategy in Nigeria's housing finance ecosystem.

An overwhelming favourite of the conference was a novel 'Shark Tank' session which featured innovators presenting their proposals to a jury composed of IFC [World Bank Group], DFC [former US-based OPIC], UK CDC and FSD, the largest DFIs. This unique and unprecedented format, moderated by the Centre for Affordable Housing Finance in Africa (CAHF), gave a powerful space to three participating start-up companies in the affordable housing sector to make short presentations of their business ideas. LANDAFRIQUE[12] and AUHF member TUHFs UmasStandi and Polycare were the three organisations that qualified to pitch to some of the largest global DFI´s, who then gave valuable, critical feedback. From an investor perspective, a recurring concern and opportunity was scale. The panel of judges concluded that scaling a business requires capital and it is on the shoulders of DFIs to support these projects to help them set up a structure that allows for scale and makes them more attractive to institutional investors or private capital.

Apart from innovation, the need for timely, accurate data on the affordable housing sector was another key theme arising at the conference. The latest edition of the African Housing Finance Yearbook, produced by the Center for Affordable Housing in Africa (CAHF) was launched at the conference and is available online.[13] The Yearbook includes a short, four-page housing country profile for each country in Africa (all 55), plus a list of key housing finance indicators for each of these countries, published in both English and French. Data for the sector remains scarce and producing the Yearbook involves a massive data collection by over 44 experts from across the continent. CAHF also has its data with a set of 34 indicators collected by the Yearbook authors in each country, touching on all aspects of the housing construction value chain and the main elements of residential property markets. The importance of housing investment data was highlighted by CAHF, REALL and 71point4 in a panel discussion[14] that explored the data landscape across Africa, noting key data gaps and persistent challenges with increasing the credibility and transparency of sector data.

Two critical questions are how does the housing sector impact on the economy, and what is the relative cost to construct a house in African countries. David Gardner, an independent consultant with CAHF, provided a summary[15] of the pioneering findings of research to quantify the impact of housing on the economy in seven African countries: South Africa (2017), Rwanda (2017), Kenya (2016), Tanzania (2018), Nigeria (2018), Uganda (2018) and Ghana (2018). The innovative methodology, developed at CAHF, assesses the economic contribution of housing and enables cross-country housing cost benchmarking. In his presentation, Gardner provides an overarching framework of housing as a social asset, economic asset and economy builder at the national level.[16]

In addition to keynote addresses[17], live Q&A panel discussions and presentations was a masterclass[18], a component of the Housing

[7] See AUHF YouTube channel https://youtu.be/FPvIUKUUXZM
[8] See AUHF YouTube channel https://youtu.be/NCqpF2a6Vtl
[9] See AUHF YouTube channel https://youtu.be/mn2vY6yBAyk
[10] See AUHF YouTube channel https://youtu.be/HLTy5_R0ol0
[11] See AUHF YouTube channel https://youtu.be/ejNYdst0SaA
[12] See AUHF YouTube channel https://youtu.be/D1tdI_8wTh4
[13] See CAHF's website: http://housingfinanceafrica.org/resources/yearbook/
[14] See AUHF YouTube channel https://youtu.be/bxKsJ3eciQg
[15] See AUHF YouTube channel https://youtu.be/x88B6b1xycA
[16] CAHF's Housing Economic Value Chain work is explained on http://housingfinanceafrica.org/projects/housing-and-the-economy/
[17] See AUHF YouTube channel https://youtu.be/NmeMOgaYEJc
[18] See AUHF YouTube channel https://youtu.be/wiud5Qwtn-4

Finance Course for Sub-Saharan Africa delivered by Professor Marja Hoek-Smit of the International Housing Finance Programme, at the Wharton School, University of Pennsylvania. The masterclass was structured into three components. Firstly, to uncover how to push the mortgage frontier without using subsidies. This part of the lecture included case studies of how to underwrite informal incomes and innovative mortgage instruments that cater to irregular incomes. Secondly, the lecture gave a brief overview of constraints facing the housing microfinance sector and the promising trends that will enable the scaling up of housing microfinance. There was also a virtual tour[19] of housing projects across West Africa presented by AUHF member American Homebuilders of West Africa where they provided insights into the high-quality affordable housing and flexible purchase terms for Western Africans. On day five the conference concluded with a discussion of how to promote business growth through a masterclass[20] presented by the Nigerian PropTech Association, and a session[21] where the HDFC presented an overview of HDFC Bank's activities in India and Africa. The session also provided a broad overview of India's mortgage market and insights on affordable housing in India including the government's recent interventions. The presentation concluded by providing information on HDFC's footprints in Africa and areas of partnership going forward.

Following the Conference, the members of the AUHF agreed upon the 2020 AUHF Declaration for Housing Finance[22]", representing a joint statement of commitment and intent by industry players and stakeholders. This year, the Declaration focused on the critical role that affordable housing can play in a post-COVID-19 economic recovery plan. AUHF members urge governments to improve the efficiency of land markets, land administration and management systems, and services; promote productive partnerships; improve the policy and regulatory framework guiding and supporting affordable housing, and support the Data Agenda for Africa. The Declaration serves as the lobbying document and action agenda for the AUHF for 2021. At the AGM, the members of the African Union for Housing Finance elected their new Board of Directors. The current eight-member Board serves for a period of two years and comprises the following members:

- Mr Andrew Chimphondah, Chief Executive of Shelter Afrique as AUHF Chairperson;
- Ms May Abdel-Hamid chairman of the Mortgage finance fund in Egypt as Deputy Chair;
- Mr Mfundo Mabaso, Growth Head of First National Bank Home finance, a division of FirstRand Bank Limited as Secretary;
- Mr Kehinde Ogundimu Chief Executive Director of Nigeria Mortgage Refinance Company as Treasurer;
- Mr Christian Agossa, Director General of Caisse Régionale de Refinancement Hypothécaire de l'UEMOA, CRRH-UEMOA;
- Mr Oscar Mgaya, Chief Executive Officer of Tanzania Mortgage Refinance Company;
- Ms Mildred Mutesa Managing Director of Zambia National Building Society as Chairperson of the AUHF Lobbying and Advocacy Committee;
- Mr David Akinin, founder and Managing Director of Atenu Developments as Chairperson of the AUHF Member Services Committee;

The AUHF is currently planning its 37th Annual Conference, which it is co-hosting together with AUHF member the Development Bank of Rwanda [BRD]. The Conference will be held in Kigali, Rwanda in 2021.

[19] See AUHF YouTube channel https://youtu.be/inRThNV5Bm0

[20] See AUHF YouTube channel https://youtu.be/JM_9c4hFQ4I

[21] See AUHF YouTube channel https://youtu.be/6EbqfI1WgpE

[22] The 2020 AUHF Declaration can be found at: https://gallery.mailchimp.com/03690fba8d6a8e33b43f8a502/files/2ca187de-9796-4d8a-9424-39a4340c05e3/Cape_Town_Declaration_Final_12_11_19.pdf

Asia Pacific

↳ By Zaigham Mahmood Rizvi

Australia

Social housing boost could power Australia's recovery from coronavirus recession

A coalition of anti-poverty groups, unions, construction industry bodies and the multi-billion-dollar power of the industry super sector have come together to try to fix Australia's biggest housing problem: social housing. The National Affordable Housing Alliance wants 10-times more social housing built annually in Australia. There are currently 4,500 social housing dwellings built in the country per annum by the Federal Government. The Federal Budget added $1 billion to the National Housing Finance and Investment Corporation, which provides low-cost finance to organisations wanting to build social housing. Owned and run by governments or not-for-profit agencies, social housing puts a roof over the heads of people on low incomes, who have experienced homelessness, are fleeing family violence or have special needs.

"It actually means the difference between food being on the table and food not being on the table. That's the kind of difference that it makes," said Rebecca Oelkers, chief executive officer of Brisbane Housing Company of Australia. The organisation manages 1,700 properties, capping rents at less than 75% of the prevailing market rate. In the United Kingdom and countries like Austria and Finland, about one in six people live in social housing. In Australia, it's fewer than one-in-20, with decades-long waiting lists and pressing demand, and it's getting worse: the total number of households in Australia expanded by 30% in the past two decades, but the amount of social housing grew by just 4%.

(Source: https://www.abc.net.au/news/2020-11-12/social-housing-could-build-our-way-out-of-recession/12826428)

Trends in housing finance show the continued rise of owner occupiers and first home buyers

The latest housing finance data of Australian Bureau of Statistics (ABS) shows the volume of finance lent for the purchase of property increased 5.9% in the month of September, taking the quarterly increase to 20.0%, the highest quarterly growth rate on record. It follows a 10.9% contraction in housing finance through the June quarter, when strict social distancing restrictions in COVID-19 situation, such as a ban on open home inspections and on-site auctions, resulted in a sharp drop in transactions.

Housing finance for the purchase of property totalled $62.7 billion in the September quarter. This is the highest level since the March 2018 quarter and is just 6.6% below the peak of the lending series in the three months to May 2017. The uptick is a result of eased social distancing restrictions across the country, which have coincided with historically accommodative monetary policy, which sees mortgage rates at a record low.

(Source: https://www.corelogic.com.au/news/trends-housing-finance-show-continued-rise-owner-occupiers-and-first-home-buyers-led)

Property market roars back to life on back of the Reserve Bank of Australia (RBA) rate cut

Successive cuts to interest rates have increased the borrowing power of prospective buyers and reduced the gap between home loan repayments and renting costs, and More Australians think now is the right time to buy a new home than at any point since November 2013.

The value of new home loans in September was up a massive 25.5% on the same time last year. And data from CoreLogic (an Irvine, CA-based corporation providing financial, property, and consumer information, analytics, and business intelligence, corelogic.com) shows property prices rose in every capital city except Melbourne the following month – with a separate report finding that roughly two-thirds of Australians (65%) believe prices in their local area will either stay the same or increase over the next year.

Based on a nationally representative survey of 1000 Australians, it found that 38% of Australians were feeling positive about the property market in the fourth quarter of 2020, compared to 29% in the second. Meanwhile, 20% were feeling negative about the market – down from 27%.

"This is really promising and indicates that despite volatility in the market, Australians have a resilient mind-set when it comes to property," said Andrew Bartolo, ME's general manager home loans. The survey also revealed a third of Australians (34%) at the moment are planning to buy property and 12% are planning to sell – which is up from 29% and 10% respectively at the height of the pandemic in the second quarter.

(Source: https://thenewdaily.com.au/finance/property/2020/11/12/property-sentiment-me-bank-october/)

Bangladesh

Bangladesh central bank has maintained the provisioning ratio for housing finance as previous, at 1%, while lowering the same for unsecured loans

The Bangladesh Bank (the central bank) has maintained that, "In case of house finance, the required rate of general provision will remain the same (i.e., 1%) as before", in a circular issued to chief executives of all scheduled banks by BB's Banking Regulation & Policy Department (BRPD). Bangladesh Bank has, however, lowered provisioning against unclassified loans of all categories under consumer financing, except housing finance, a much-needed step aimed at boosting retail spending in the wake of the Covid-induced economic slowdown.

Banks and other financial lenders will now have to maintain 2% general provision against unsecured loans instead of the earlier 5%. Unclassified loans are those that the lender considers to be at high risk of default.

(Source: https://www.dhakatribune.com/business/2020/10/20/central-bank-lowers-provisioning-against-unclassified-loans-to-boost-consumer-spending)

Housing developers fear further losses in second wave of COVID-19 in the country

Real Estate and Housing Association of Bangladesh (REHAB) apprehends that, the progress in about 6,000 real estate projects has slowed down as construction work was halted for about three months because of the pandemic.

Like other sectors, the real estate sector also faced a major impact, said Tanvir Ahmed, Managing Director of Sheltech, one of the top realtors in Bangladesh. At the beginning of 2020, the realtors were expecting growth on the back of a lower interest rate, a rise in the ceiling of loans and reduction of property transfer fees, Ahmed said. "However, due to Covid-19, the industry is still suffering and it will be very hard to recover." In the meanwhile, Bangladeshis doing business internationally have witnessed their worst crisis in recent memory as orders collapsed after developed economies put in place lockdowns to tame the raging virus. Likewise, domestic firms missed almost all major spending seasons because of depressed demand and income losses.

(Source: https://www.thedailystar.net/business/news/businesses-fear-further-losses-second-wave-looms-large-1992917)

Bangladesh's Capital Development Authority (RAJUK) plans to limit the height of residential buildings to declutter Dhaka

RAJUK, which is the capital development authority, plans to limit the height of residential buildings in Dhaka to eight storeys in its latest zoning plan. Previously, developers were allowed to erect as high as 14-storey buildings in certain neighbourhoods such as Gulshan, Banani, Baridhara and Dhanmondi. But the new Detailed Area Plan (DAP), imposes an eight-storey cap, depending on the population density of a particular locality. The plan, however, includes a provision to exceed the limit where around 40 to 60% of the housing plot is left as open spaces. Urban planning experts have lauded the initiative to rein in the height of the skyscrapers in Dhaka in a bid to reduce occupancy. However, the Real Estate & Housing Association of Bangladesh (REHAB), the apex body of realtors, has raised objections to the plan.

On Sept 2, the Ministry of Housing and Public Works published the first draft of the Detailed Action Plan (DAP). It is currently processing stakeholders' recommendations. The new plan proposes to divide the entire DAP area into 468 community blocks and set a height limit for buildings in each block. When demarcating these community blocks, the authorities will take into account the existing population, the road infrastructure, civic amenities, the level or type of development and the totality of areas used for residential purposes in each locality. The new plan also introduces new provisions on legalisation of illegal structures for a fine, redevelopment of lands, redistribution of lands and transit-based development. The new DAP will remain in effect for 20 years.

(Source:https://bdnews24.com/bangladesh/2020/11/06/rajuk-plans-to-limit-the-height-of-residential-buildings-to-declutter-dhaka)

Fiji

China accelerating house construction process in Fiji

China's construction companies have been accelerating the construction projects in the South Pacific island nation of Fiji to nullify the impact of disturbances caused by the coronavirus pandemic early 2020.

"The outbreak of Covid-19 did affect the progress of our projects in Fiji, but we have fully resumed work at our two projects in recent months and the top priority for us now is to do everything possible to make up the time lost to the virus and provide Fiji with quality projects," reported by Xinhua, as cited by Song Tianpeng, General Manager of China Railway First Group (Fiji) Co, Ltd (CRFG).

Having got into the Fijian construction market in 2007, CRFG, according to the general manager, has by now finished a total number of 28 big projects, and the company is helping to complete two more projects, the Davuilevu residential project, which is about 15 km northeast of capital Suva, and the Fijian Holdings Limited (FHL) tower project located in downtown Suva. "The Davuilevu project undertaken by Fiji's Housing Authority is aimed at expanding access to affordable housing for low-to middle-income earning Fijians," added Song.

(Source: http://www.china.org.cn/world/Off_the_Wire/2020-10/15/content_76808587.htm)

Hong Kong SAR

Craze over new Hong Kong housing project shows pent-up demand

A new residential project in Hong Kong has been oversubscribed by more than 33 times, reports Bloomberg in the New Straight Times. This huge demand in the first week of sales, underscores the shortage housing in the world's most expensive property market. The Pavilia Farm, developed by New World Development Co. and MTR Corp., received around 13,000 registrations for the 391 apartments on sale as of early Wednesday. The first phase of the project consists of two towers on top of the Tai Wai train station in the New Territories, about a 40-minute commute to Hong Kong's city center. The price of as low as HK$16,618 ($2,140) per square foot and proximity to public transport are the project's main drawcards.

(Source: https://www.nst.com.my/property/2020/10/632524/craze-over-new-hong-kong-housing-project-shows-pent-demand)

India

Reserve Bank of India (RBI) issues revised rules for housing finance companies

The Reserve Bank of India (RBI) on October 22 issued a revised regulatory framework for housing finance companies (HFCs) based on the feedback it received from stakeholders. This is part of the process of transferring the regulations of these companies from the National Housing Bank to (RBI), the central bank. In June, the RBI had placed a draft of the proposed rule changes for HFCs on its website for comments. The final guidelines have been issued after receiving the comments. In August 2019, the central bank first said about the plan to bring HFCs under its regulation as a category of non-banking finance companies (NBFCs). According to the RBI, an HFC is an NBFC whose financial assets constitute at least 60% of its total assets. Out of the total assets, not less than 50% should be allocated to housing financing for individuals.

(Source: https://www.moneycontrol.com/news/business/explainer-what-the-revised-rules-for-housing-finance-companies-mean-6000821.html)

RBI pegs minimum Net Own Fund for housing finance companies at Indian Rs.25 crore (250 million)

The housing finance companies (HFCs) holding a Certificate of Registration (CoR) and having an NOF of less than Rs 25 crore will be required to achieve NOF of Rs 15 crore by March 31, 2022 and Rs 25 crore by March 31, 2023, the Reserve Bank said in a notification. "Any shortfall in the maintenance of the 50% LTV occurring on account of movement in the share prices shall be made good within seven working days," the RBI said. The Reserve Bank of India (RBI) on Thursday fixed the minimum Net Owned Fund (NOF) size for housing finance companies at Rs 25 crore. The housing finance companies (HFCs) holding a Certificate of Registration (CoR) and having an NOF of less than Rs 25 crore will be required to achieve NOF of Rs 15 crore by March 31, 2022 and Rs 25 crore by March 31, 2023, the Reserve Bank said in a notification.

The RBI has issued the revised regulatory framework for HFCs. The RBI further said that it would be incumbent upon such HFCs whose NOF currently stands below Rs 20 crore to submit a statutory auditor's certificate to the central bank within a month evidencing compliance with the prescribed levels.

(1 USD = 74.64 Indian Rupee)

(Source: https://www.financialexpress.com/industry/banking-finance/rbi-pegs-minimum-nof-for-housing-finance-companies-at-rs-25-cr/2111962/)

India's affordable rental housing sector set for a boom

India's residential rental market is set to grow manifold over the next few years, as observed by the International Monetary Fund. It has found that the market has already touched annual figures of over US $20 billion. Of this, 68 per cent, or US$13.5 billion is in urban areas. Further, India's real estate sector is expected to reach a market size of US $1 trillion by 2030 and start contributing 13% of the Gross Domestic Product (GDP) by 2025.

In a report, titled 'Roadmap to Rental Housing in India', it was highlighted that the unprecedented growth of Indian cities has necessitated the fast-track development of rental housing. The report focuses on the need for an encouraging policy & regulatory environment conducive for investments in rental housing, to meet the vision outlined by the Government. The boom in the residential rental market got a fillip last week when the Government of India announced the Affordable Rental Housing Complexes (ARHCs) scheme, being implemented by utilizing existing state-funded vacant houses to convert into ARHCs, and also construction, operation and maintenance by public and private entities on their own available vacant land. 24 Indian states and Union Territories have already embraced the scheme and many private sector organizations have already expressed keenness to partner in the program, including funding and operating the ARHCs.

(Source: http://www.businessworld.in/article/Affordable-Rental-Housing-Sector-Set-For-A-Boom/25-10-2020-335537/)

India sees big surge in disbursements of housing finance in post-Covid scenario

In Mumbai, the mortgage lender LIC Housing has revealed that it has surpassed pre-Covid business levels in this September and expects the momentum to continue with the onset of the festive season. The lender is also targeting double digit growth for the full fiscal year. "September was excellent not only for LIC Housing but also for other housing finance companies because somehow I observed sentiment is back," said Siddhartha Mohanty, MD, LIC Housing Finance.

(Source: https://economictimes.indiatimes.com/markets/stocks/news/business-back-to-pre-covid-levels-lic-housing-finance/articleshow/78554777.cms)

Indonesia

In Indonesia, critical success factor for partnership in low-cost apartments project

Accessibility to low-cost apartments for migrant workers is a key housing problem in East Java Province, particularly in Surabaya, which results in a housing backlog. The Indonesian Government has constructed low-cost apartments on local government land and has initiated the housing finance policy to support mortgage loan. However, the existing low-cost apartments are located far from any employment centre and there is lack of private sector involvement. As a form of support to the Government's programme for providing low-cost apartments, the private sector, such as an Industrial Estate, is expected to contribute towards providing such apartments for industrial employees, especially migrant workers. A survey of key stakeholders was conducted to investigate the specific critical success factors that lead to successful partnerships in low-cost apartment projects. The factor analysis yielded five specific inter-related group factors, namely housing finance policy, government support, stakeholder's commitment, procurement and community support. Furthermore, the study suggests some recommendations in relation to land availability and adequate housing policy to support the implementation in the future.

(Source: https://www.researchgate.net/publication/324765330_Critical_success_factor_for_partnership_in_low-cost_apartments_project_Indonesia_perspective)

Indonesia: Improving the quality and cultural acceptability of affordable housing in Bali

An increase in affordable housing provision for the urban poor has not assured the delivery of a better quality housing supply, nor culturally acceptable dwellings for people. Most housing projects focus on the physical value of housing as a comfortable shelter but overlook the need for socio cultural appropriateness. This study investigates the significant factors related to affordable housing projects in Bali: cultural appropriateness, developers' constraints, and dwellers involvement. Data was collected through observations, questionnaires, interviews, focus group discussions and then analysed qualitatively as the basis of discussion and conclusions. The study shows that current housing projects are not culturally acceptable. Most constraints on developers are the high costs of building materials and labour. Dwellers have not been involved and thus not adjusted their houses to be more culturally suitable. The recommendations formulated that affordable housing provision should not be seen simply as a product treating housing as a manifestation of culture, but housing should be treated as a verb – a process which requires collaboration by encouraging the community to express their cultural values in housing development.

(Source: https://www.researchgate.net/publication/340091856_Affordable_Housing_Provision_Projects_in_Bali_Indonesia_Improving_Quality_and_Cultural_Acceptability)

Indonesian Finance Minister: investment in housing has big economic impact

Minister of Finance Sri Mulyani Indrawati, has said any investment into the housing sector has a huge impact on Indonesia's economy.

"Household expenditure from this sector will be able to increase GDP (Gross Domestic Product) by 0.6-1.4% and can absorb 4.23 million people in the housing sector. This means that any financing made to the housing sector has a very large impact on the economy," Sri Mulyani said at the opening of the Property Fiesta Virtual Expo 2020 in Jakarta recently. According to the Finance Minister, housing is an important sector and contributes to Indonesia's GDP, and has a significant chain effect and contributes to the absorption of labour. Every input in the housing sector related to property has the potential to grow the economy in other sectors: starting from trading, apart from cars and motorbikes; real estate services; trade in cars and motorbikes; and education, as well as development of other services, Sri Mulyani noted. "In accordance with the target of the National Medium-Term Development Plan (RPJMN), the contribution of the housing sector to our GDP will increase from 2.9% to 4%."

(Source: https://en.antaranews.com/news/159065/investment-in-housing-has-big-economic-impact-minister)

Housing program exceeds 1 million target in 2018 (News Desk the Jakarta Post)

The Public Works and Housing Ministry's data shows 1.13 million new houses were built in 2018, exceeding the 1 million new houses target. Since President Joko "Jokowi Widodo launched the one million houses program on April 29, 2015, more than 3.54 million houses have been constructed – 699,770 million in 2015, 805,169 in 2016 and 904,758 in 2017, according to a press statement from the ministry. "It was for the first time that the number of houses that had been constructed reached 1.13 million," said the ministry's housing procurement director general, Khalawi Abdul Hamid, said in a statement on Tuesday. The state budget contributed 20% of construction costs, particularly for houses allocated for low-income families, Khalawi said, adding that the other 30% of the houses were obtained through a government mortgage program. Meanwhile, the remaining 50% of homes were constructed independently by both individuals and developers, the official said. He said the housing program was a collaboration among relevant stakeholders – the central government, regional governments, housing developer associations, banks and the private sector through corporate social responsibility (CSR) schemes. Under the housing program, 70% of which were allocated to low-income families, the government wants to narrow the backlog in the housing sector from 7.6 million in 2015 to 5.4 million in 2019.

Japan

A briefing on housing loans in Japan

In Japan, many people consider using housing loans when purchasing a house. Various types of housing loan services are provided by many financial institutions. There are mainly two types of housing loans in Japan: public loans and private loans. Public loans are loans provided by Japan Housing Finance Agency ("JHF"), property accumulation savings scheme, tied housing loans and local authority loans. Private loans include loans such as those provided by banks, shinkin banks (a type of Japanese deposit institution), credit unions and labour banks, loans for members of JA (Japan Agricultural Cooperatives), loans for life insurance purchasers, non-bank loans and Flat 35 (a long-term fixed-rate housing loan using securitization of housing bonds by JHF).

There are mainly three types of interest rates for Japanese housing loans as below.

a) Floating interest rate: An interest rate linked to the market interest rate is applied. The interest rate is reviewed monthly or twice a year (April and October). After borrowing, the borrower can change the interest rate type.

b) Fixed interest rate throughout the loan term: The fixed interest rate determined at the time of contract and is applied throughout the loan term. There are two types: a type with a fixed interest rate throughout the entire loan term and a type which the interest rate changes during the loan term.

c) Hybrid adjustable interest rate: A loan for which a fixed interest rate is applied for a certain period of the loan term, after which the borrower can choose the interest rate type (floating or fixed) for the rest of the period. When choosing the interest rate type, the provisions of the contract differ according to each loan product, so care must be taken.

There are mainly two types of repayments for Japanese housing loans, which are:

i) Principal and interest equal repayment. This is a general repayment method for private housing loans, with fixed repayment amount (principal plus interest) for each payment, and;

ii) Principal equal payment, a repayment method with a fixed principal amount per repayment added with interest on the principal balance.

Both the principal and interest equal repayment and principal equal payment are available when using the Flat 35 and property accumulation savings scheme-tied housing loans.

(Source: https://www.i-interface.com/en/services/real_estate/tips/housing_loans.html)

In the past two decades, home prices in some leading North American and European cities have skyrocketed. In Tokyo, however, they've flatlined. So why no affordable-housing crisis in Japan? A big factor, experts say, is the country's relatively deregulated housing policies, which have allowed housing supply to keep up with demand in the 21st century.

Compared to skyrocketing housing costs in many Western cities, Japan has seen remarkable success in supplying affordable housing – even in cities with lots of economic growth. While average mean rents in London are upwards of £2,000, average rents in Tokyo are about £1,300 – even after Brexit-related depreciation of pound sterling.

(Source: https://www.wsj.com/articles/what-housing-crisis-in-japan-home-prices-stay-flat-11554210002)

Mortgage relief for homeowners struggling due to loss of income

The Financial Services Agency (FSA) and the Japanese Bankers Association are looking at introducing special measures to provide reductions or exemptions from home loan repayments to those struggling from a loss in income as a result of the coronavirus pandemic. This will provide a much-needed safety net for borrowers.

Back in April, the FSA requested that banks consider extending loan repayment periods for distressed borrowers. The Japan Housing Finance Agency (JHF) responded by providing a maximum loan term extension of 15 years, which would reduce monthly repayments, as well as an interest-only repayment option for eligible customers. The JHF had received 200 inquiries to their loan support hotline in March. In April they received 1,200 inquiries. Since May, JHF has been granting around 1,000 of these loan extension applications each month with the number peaking close to 1,500 in June. According to the FSA, banks nationwide had received over 13,000 applications from borrowers looking to modify their mortgage as of the end of June.

Special debt consolidation measures, typically used in times of natural disaster, could be introduced by the end of the year. Debt relief under the Disaster Relief Act has only been granted in 498 cases to date. Borrowers will need to consult with their banks and decide on a course of action, which may include extending the repayment schedule or even selling the mortgaged property. The support measures may also provide free third-party advice from lawyers and accountants.

(Source: https://japanpropertycentral.com/2020/08/mortgage-relief-in-the-works-for-struggling-home-owners/)

Record 96,000 Japan households receive rent support amid pandemic

A record 96,000 households have received rent support from the government due to falling incomes amid the novel coronavirus pandemic, welfare ministry data showed Thursday. About 109,000 applications for rent support were submitted between April and August, of which around 96,000, or 88%, were approved, according to the Health, Labour and Welfare Ministry. The number of approvals in the five months was already 2.6 times the fiscal 2010 total of 37,151, seen in the wake of the global financial crisis triggered by the 2008 collapse of U.S. investment bank Lehman Brothers Holdings Inc. The program originally targeted workers who have lost their jobs, but the government relaxed conditions in April to cover people whose incomes had fallen due to lost working hours amid the pandemic. To qualify for rent support, an applicant must have lost a job within the previous two years or incurred a decline in income for unavoidable reasons, have lower income and savings than benchmarks, and be seeking employment.

(Source: https://www.japantimes.co.jp/news/2020/10/15/business/economy-business/japan-96000-households-rent-support/)

Malaysia

Public Sector Housing Financing Board issues RM50b worth of Sukuk

The Public Sector Housing Financing Board (LPPSA) has issued RM50 billion worth of sukuk as part of its Islamic commercial papers (ICP) and Islamic medium-term notes (IMTN) programme. In an announcement on the Fully Automated System for Issuing/Tendering (FAST) platform, facility agent CIMB Investment Bank said the facility is an upsized ICP and IMTN issuance programme, which together with upsized conventional commercial papers and conventional medium term notes, and a syndicated Islamic revolving credit-i facility and syndicated revolving credit/term loan facilities, have an aggregate combined limit of up to RM50 billion in nominal value. The government on Sept 22 approved LPPSA's proposed upsizing of the CP/MTN programme and the ICP/IMTN Programme which had been limited to RM25 billion previously.

The sukuk are all irrevocably and unconditionally guaranteed by the government. According to the announcement, Aminvestment Bank Bhd, Bank Islam Malaysia Bhd, CIMB Investment Bank Bhd, Maybank Investment Bank Bhd, OCBC Bank (Malaysia) Bhd and RHB Investment Bank Bhd are the joint lead managers and book runners for the sukuk's book-building exercise. An analyst said that the property industry had been facing lacklustre performance over the past year, and various promotions and discounts taking place including the Home Ownership Campaign led to higher buying interest.

(Source: https://www.thestar.com.my/business/business-news/2020/10/20/public-sector-housing-financing-board-issues-rm50b-worth-of-sukuk)

Financial sector approved 365,000 housing loans last year, Malaysian Central Bank reported

Malaysia's financial sector plays a major role in supporting home ownership, approving over 365,000 housing loans worth RM158 billion (around US$ 40 bn) in 2019. Of this, 53% were to first time house buyers and more than 100,000 were used for the acquisition of affordable homes priced below RM300,000, said Bank Negara Malaysia (BNM) in its 2019 Annual Report.

In 2018, the central bank set up the RM1 billion Fund for Affordable Homes to complement funding by the industry. The fund was fully utilised as at January this year, allowing over 4,700 households to purchase their first house in conjunction with the Home Ownership Campaign (HOC) of the Government, reported New Straits Times. "Following the full utilisation of the fund, first-time home buyers continue to have access to financing from the banking system, with seven out of every 10 housing loan applications approved by banks," said BNM. The central bank noted that acquiring a home was a major commitment for any household, oftentimes the single biggest investment for many. An online financial education module called Rumahku was introduced to educate the seekers of financial assistance. "The module has helped 40,000 individuals improve understanding of financial commitments related to home ownership and borrow within their means." The BNM revealed that the module received positive feedback, with 90% of participants satisfied with its content.

(Source: https://www.propertyguru.com.my/property-news/2020/4/187144/financial-sector-approved-365000-housing-loans-last-year-bnm)

End of loan moratorium – What happens after that

The Ministry of Finance introduced a six-month loan moratorium starting April 1, under which bank loan repayments were deferred until September. This was a relief for Malaysians grappling with pay cuts, retrenchment or loss of business due to the Covid-19 pandemic and the subsequent Movement Control Orders. Property buyers are guessing that prices will decline tremendously after the moratorium ends after next month. (A targeted moratorium extension for a further three months will kick in for those who have had their pay cut or have lost their jobs.) Some developers have already begun to offer incentives such as cashback, discounts or rebates (some up to 30%), payment plans and free furniture and electronics. Financial experts are expecting a rise in non-performing loans (NPLs) because households may not be able to repay their loans due to a loss of income or no steady source of income.

(Source: https://www.freemalaysiatoday.com/category/leisure/2020/08/24/end-of-loan-moratorium-and-property-markets-fate/)

Maldives Islands

Maldives to improve resilience through urban development

The Government of Maldives and the World Bank signed a $16.5 million project to support resilient urban development and disaster preparedness in the Maldives. The agreement was virtually signed by Minister of Finance, Hon. Ibrahim Ameer and the World Bank Country Director for Maldives, Nepal and Sri Lanka, Dr. Idah Pswarayi-Riddihough. The Maldives Urban Development and Resilience Project will support the government's efforts to modernize the Maldives' urban infrastructure, enabling its expansion while making it more climate resilient. This will include renewal of the obsolete storm water drainage system in the capital Malé, the bulk of which is over forty years old and has not been functional for the past decade. The project will also fund a sewage treatment plant on the island of Hulhumalé that was reclaimed to reduce congestion in Malé and to meet the growing demand for urban spaces in the country. The plant will reduce the release of untreated wastewater into the sea, protecting fisheries and the tourism industry from pollution. The project will also help the Maldives to better manage the impact of climate change risks by strengthening emergency preparedness, including the provision of modern early warning systems to alert citizens.

(Source: https://www.worldbank.org/en/news/press-release/2020/04/30/maldives-improves-resilience-urban-development)

New Zealand

Housing market 'not consistent' with economy, say economists

The performance of the housing market is "not consistent with an economy in the midst of the worst recession in 100 years" and a 'circuit breaker' is needed, Kiwibank economists say. Commenting on the latest super-hot housing figures from the Real Estate Institute of New Zealand, Kiwibank senior economist Jeremy Couchman said double-digit price gains during the worst recession in 100 years "just don't pass the sniff test". He said the Kiwibank economists were now no longer predicting a correction in New Zealand's house prices for either this year or next. "A circuit breaker is needed, and the (Reserve Bank) has delivered with the likely reinstatement of LVR restrictions. Although to be clear, the RBNZ is not focused on house prices, but heading off a surge in high-risk lending." Couchman says the strength of the housing market, and the rate of credit growth, out of lockdown has "surprised everyone". Numerous factors are behind the phenomenal rebound in the housing market post lockdown, he says, including record low mortgage rates, the removal of LVR restrictions, and the distinct lack of listed property.

(Source: https://www.interest.co.nz/property/107932/kiwibank-economists-say-current-performance-housing-market-not-consistent-economy)

Housing crisis under New Zealand election scanner as kiwis miss out on dream

New Zealand's housing crisis is creating a policy headache for Prime Minister Jacinda Ardern as she seeks a second three-year term in the Oct. 17 polls, turning the longstanding problem into a hot-button election issue. The housing shortage and sky-high property prices are affecting broad sections of the population, locking out young first-home buyers and putting more pressure on those living on the margins. Middle-income New Zealanders are also getting squeezed at a time when the Covid-19 pandemic has jolted the $200 billion economy into its deepest slump in decades. "New Zealand is a ludicrously attractive place to live in right now, which is helpful for me,". He further added that "But to grow my company it's not just that housing is too expensive, it's simply that there just isn't anything," said Rodley, the CEO of SnapIT, a tech firm that provides camera tracking equipment on boats. New Zealand's central bank warned last year that rapid house price inflation over the past decade could lead to a sudden correction and threaten financial stability.

(Source: https://www.reuters.com/article/newzealand-election-housing-idUSKBN26M471)

Nepal

Additional credit for earthquake housing reconstruction project in Nepal

The World Bank approved an additional credit of US$ 200 million (NPR 22.82 billion approximately) for the implementation of the Earthquake Housing Reconstruction Project (EHRP) in Nepal on January 14, 2020. An agreement to this effect was signed by Mr. Shreekrishna Nepal, the Joint Secretary of the Ministry of Finance, and Mr. Faris H. Hadad-Zervos, World Bank Country Manager for Nepal.

The EHRP and the second additional financing contribute to the Government of Nepal's umbrella Housing Reconstruction Program (HRP) which aims to rebuild earthquake-resistant core housing units by providing housing grants to eligible beneficiaries who have enrolled in the program. The second additional financing will scale up EHRP's support to the Government's HRP by financing reconstruction of an additional 86,680 houses in the 32 districts affected by the 2015 earthquakes.

"The Government of Nepal expresses its sincere appreciation to the World Bank for this assistance and its continued support in the post-earthquake recovery and reconstruction efforts of Nepal," This support is instrumental and it will help to achieve the GoN's commitment to complete individual housing reconstruction by this fiscal year stated Joint Secretary Mr. Shreekrishna Nepal of the Ministry of Finance.

(Source: https://www.worldbank.org/en/news/press-release/2020/02/06/additional-financing-for-earthquake-housing-reconstruction-to-benefit-more-than-86000-households-in-nepal)

NRB directs BFIs to apply fixed interest rate in lending

Nepal's central bank, The Nepal Rastra Bank (NRB), has directed the banks and financial institutions (BFI) to maintain fixed interest rates for the loans that have at least one year or more repayment period.

Amending its Unified Directives 2019, the central bank has asked the banks to maintain stable interest rates in the mobilisation of credit for more than a year's period. However, they can opt for the adjustable interest rate if the client wishes so. This provision is applicable to all individual loans, including home loan/housing loans, auto/vehicle loans and hire purchase loans, given with more than a year's repayment period, that have monthly or other periodic repayment provisions.

The BFIs of all classes, commercial banks, development banks and finance companies should now change the term of references of the individual loan dispensed with monthly/tri-monthly/periodic repayment options to implement a stable interest rate at the request of the customers.

Land Management Ministry decides to open plotting, splitting of land

The Ministry of Land Management, Cooperatives and Poverty (MoLMCP) has repealed its earlier decisions restricting the plotting and fragmentation of land. After the government decision, the plotting and splitting of arable land, which remains restricted for the last three years, will now be opened. Earlier in August 2017, the Government had barred plotting fragmentation and splitting of arable land without the authorities' permission.

(Source: https://www.housingnepal.com/news/national/land-management-ministry-decides-to-open-plotting-splitting-of-land)

Pakistan

State Bank introduces carrot-and-stick policy to promote housing finance

The State Bank of Pakistan (SBP, the central bank) launched an incentive and penalty mechanism for banks to promote housing and construction financing. The SBP requires banks to achieve mandatory targets, equivalent to 5% of their domestic private sector credit by December 31 next year to enhance the flow of financing towards the sector. Accordingly, quarterly targets from December 31, 2020 till December 31, 2021 have been agreed by SBP with the banks. Earlier housing finance by banks was not under a "mandatory regime" but under the "regulated regime'. This policy failed to deliver the desired objectives.

"Building upon its earlier measure of setting a mandatory target for banks to extend mortgage loans and financing for developers and builders, SBP has introduced the mechanism to incentivise meeting these targets," the SBP said in a statement. "The mechanism also penalises the banks for any shortfall in meeting the target." SBP said it has been actively working with banks to support finance for the promotion of housing and construction of building activities in the country. "The growth of the housing and construction sector is vital for the economy, due to its linkages with a number of allied industries and potential for jobs creation and Pakistan has lower private sector credit to GDP than many comparable countries," says Dr. Reza Baqir the Governor State Bank of Pakistan SBP expects that this regulatory incentive mechanism, through changes in the CRR etc. structure, will result in banks increasing their emphasis on housing and construction finance.

(Source: https://www.thenews.com.pk/print/726111-state-bank-introduces-carrot-and-stick-policy-to-promote-housing-finance)

Government keen to develop mortgage finance market, says NPHP Chairman Rizvi

The Government is working to eliminate or further slash the tax on bank income, to be generated from low-cost housing finance, to 10% in order to develop the mortgage finance market in Pakistan. The State Bank of Pakistan (SBP), for the first time, has taken several regulatory and financial initiatives to motivate banks to provide long-term financing. Recently, the Government has slashed the tax rate by half to 20% from 39%. "And still efforts are being made; we are trying to either reduce it to 10% or possibly eliminate it," said Naya Pakistan Housing Programme (NPHP) Chairman Zaigham M Rizvi. Banks need such incentives to provide housing finance to people belonging to low and middle-income groups as the cost of financing for small-sized loans remains higher than the financing cost for coast for large loans, he elaborated. He was speaking at a webinar titled "The future outlook for the housing finance industry in Pakistan given the government's initiatives", which was organised by the CFO Club in collaboration with the Institute of Bankers' Pakistan.

"Housing does not simply mean providing shelter, but it remains the driver for employment opportunities and a growing economy," Rizvi stated. He said the housing sector had been neglected in the past as many governments made promises to build the housing sector but they achieved very little success or nothing. Rizvi said that "Housing simply does not need liquidity, it needs long-term liquidity," further adding, "The Government is making efforts to provide the much-needed long-term housing finance under its Naya Pakistan Housing Programme."

(Source: https://tribune.com.pk/story/2266400/govt-keen-to-develop-mortgage-finance-market)

Rs. 33bn subsidy for housing finance

The government will provide Rs33 billion mark-up subsidy for the construction and purchase of new houses and all individuals as candidates for affordable housing under the program are entitled to avail themselves of this facility. This facility will be provided with the administrative support of SBP as executing partner with Government of Pakistan and Naya Pakistan Housing and Development Authority (NAPHDA). The Government has allocated Rs33bn for payment of mark-up subsidy for financing over a period of 10 years and has assured the continuity of the facility.

(Source: https://www.dawn.com/news/1584759)

Pakistan's premier commercial bank accelerates efforts to promote low-cost housing finance

Habib Bank Limited, among the country's largest banks, has geared up efforts to participate in the government-subsidised low cost house financing program with some losses expected in the beginning as the market adjusts to a normal loss range like any other product, its Islamic Banking Head Afaq Khan said during an interview. He said in answer to a question that, Islamic banks, including the shariah-compliant windows of the conventional lenders, have a major role in the mortgage business in Pakistan. They own over a 50% share in mortgage financing.

HBL provides Islamic home financing options, including low-cost mortgages to customers as it had stopped offering conventional mortgages. To a question about credit risk in such financing, Afaq Khan said that, Pakistan Mortgage Refinance Company (PMRC) will cover defaults on these loans up to 40% of the portfolio subject to certain conditions. If banks face losses on low-cost housing loans, despite conducting a proper due diligence of the customers, PMRC will cover 40% of the first loss on a portfolio basis. The PMRC is quite hopeful that banks will be able to control losses on such mortgages and they will not need to avail the PMRC's loss protection facility. However, in the beginning, banks can see some losses as the market adjusts to a normal loss range like any other product. About the bank's response to the scheme, he revealed that, at present seven commercial banks have formed a consortium for financing two projects under the umbrella of Naya Pakistan Housing and Development Authority (NAPHDA) and Association of Builders and Developers (ABAD).

(Source: https://www.thenews.com.pk/print/733744-hbl-sees-some-earlier-losses-as-low-cost-house-financing-kicks-off)

Philippines

No easy solutions to growing housing backlog problem

At a recent forum organized by The Manila Times, the Department of Human Settlements and Urban Development (DHSUD) reported that the country's housing backlog stood at 6.75 million units. Worse, the number could balloon to 22 million units by 2040 if that problem was not properly addressed today.

An effective housing program could tick countless boxes on the list of the country's needs. Ramped-up housing construction could stimulate the economy because of its high multiplier effect. It could also bolster the current Government's campaign, encouraging people to relocate away from urban centres, particularly if house building were to be concentrated in the provinces.

Also, owning a decent yet affordable home is a common aspiration of people even though that evokes a different mental imagery these days because of the pandemic. For many, their gaze has shifted from the roof over their heads down to the four walls that have kept people shielded from society. The abode has transformed from the place where people retire to at the end of the day to a one-stop shop for a variety of human endeavours – to a home office for the adults in the family and a school for the young. But at least, they have a home.

(Source: https://www.manilatimes.net/2020/09/13/opinion/editorial/no-easy-solutions-to-growing-ph-housing-backlog-problem/767620/)

Korean HF Contributes to the launch of reverse mortgages in the Philippines

Korea Housing Finance Corporation stated on June 24, 2020, that it held a video conference with Malaysian national mortgage corporation Cagamas Berhad to replicate the Malaysian reverse mortgage program in the Philippines. Joined by the CEOs and working-level officers of the two corporations, the conference dealt in the following topics:

i) general characteristics of Korean HF's Joo Taek Yeon Keum (JTYK)- a government guaranteed reverse mortgage program for elderly Koreans,

ii) the structure of the JTYK actuarial model and key assumptions,

iii) main types of risks and management, and;

iv) matters of consultation with related bodies on the operations of the program.

Malaysia has recently been gearing up to introduce a reverse mortgage program in order to ensure a stable income flow for its elderly population. After another round of consultative meetings with HF scheduled in the second half of the year, the nation will confirm a final product model and unveil the nation's first reverse mortgage product next year. At the end of 2018, the Philippines benchmarked its first reverse mortgage program against the JTYK program. Building on current consultations with Malaysia, Korea Housing Finance Corporation continues to engage in international cooperation, sharing its housing finance models and experience with other Asian countries and thereby contributing to the development of the Asian housing finance markets.

(Source: https://www.hf.go.kr/ehf/sub06/sub01.do?mode=view&articleNo=399949)

Republic of Korea

Government to add 132,000 housing units in capital to stabilize property market

The Government says it will supply 132,000 new housing units in the greater Seoul area to stabilize skyrocketing real estate prices and ease fears of a housing shortage. Finance Minister Hong Nam-ki announced the plan during a recent press conference and explained that some construction rules will also be eased to allow for the redevelopment of aging apartment buildings. This paves the way for such redevelopment projects to increase the floor area ratio of old apartments by up to 500% as well as build 50-story apartment buildings. Construction of the new homes will begin this year and be completed by 2028. Hong said the government decided to use a military-run golf course in northern Seoul as land for 10,000 new homes, however, it will not open up other greenbelt zones in the capital region for housing. The minister added that the Government will redouble efforts to root out speculative investment in the property market.

(Source: http://tbs.seoul.kr/eFm/newsView.do?typ_800=N&idx_800=3398976&seq_800=)

Sri Lanka

Housing loan program for low-and middle-income borrowers in Sri Lanka

Sri Lanka's central bank is going to announce a housing loan program for low-and middle-income borrowers in line with government policy directions on priority areas, Governor W D Lakshman said. "The Central bank would be looking at priority areas in the economy as indicated in the overall government policy directions to initiate appropriate credit and other programs," he said. "Given the widespread benefit to a very large number of people from such a scheme, we hope to soon begin with announcements about a housing credit program for low-and middle-income groups." The monetary authority had started several credit schemes with central bank re-finance which involves creating new money rather than using real deposits. The central bank then started a guarantee scheme to give loans with real deposits. Under a central bank re-finance scheme, 100 billion in loans had been approved, Deputy Governor Nandalal Weerasinghe said.

(Source: https://economynext.com/sri-lanka-central-bank-planning-housing-loan-scheme-under-govt-policy-directions-cb-governor-73204/)

Vietnam

Property experts urge a reduction in Vietnam social housing loan rates

Lending rates for social housing in Vietnam should be lowered to 3% to 3.5% a year, the Ho Chi Minh (HCM) City Real Estate Association has proposed, Vietnam News reported. The rates should be maintained to facilitate home ownership among low-income earners in the long term when the economy improves, the association's president Le Hoang Chau said. The association's recommendations come as Vietnam develops a comprehensive social housing policy for the period 2021-2030. The Vietnam Bank for Social Policies offers social housing lending rates at 3% to 4.8%. The institution, along with Vietcombank, Vietinbank, Agribank and BIDV, is participating in the Government's VND30-trillion (USD1.29 billion) package of preferential loans for social housing buyers and developers. The rate for preferential loans under the package currently stands at 5%. The association also exhorted the Government to explore preferential corporate income tax rates, credit incentives, and other policies that spur the development of social housing projects and commercial housing projects for lease, Vietnam News noted.

(Source: https://www.asiapropertyawards.com/en/property-experts-urge-reducing-vietnam-social-housing-loan-rates/)

Mortgages and loans in Vietnam

Mortgage services remain, for the moment, not very developed in Vietnam. However, it is a business that has been recently improving, slowly, but surely. The Vietnamese people are trying to improve their mortgage offers in order to adapt to the growing demand for mortgages, falling prices for properties and profitable interest rates. This emerging market offers housing loans with low interest rates (around 12 to 18% depending on the bank). Mortgages are mainly financed by foreign banks, such as HSBC, AZN and Citibank. Mortgages are also available with Vietcombank, which is a state-owned bank. Despite the fact that the business is developing, the number of offers, as well as numbers of those choosing this option, still remains quite small. It is not common for Vietnamese homebuyers to bankroll their home with a mortgage. As for expatriates, it consequently may be recommended that, the foreigners should refer to their home countries for loans. However, taking into consideration that, Vietnam is improving its mortgage offers, they should not hesitate to have a look into the options that may be available there.

(Source: https://www.justlanded.com/english/Vietnam/Vietnam-Guide/Property/Financing-your-property)

Thailand

G H Bank proposes homebuyers' interest rate subsidy to Finance Minister

The Government Housing Bank (GHB) will propose housing loan subsidies to Covid-19 affected borrowers to the Minister of Finance, The Nation newspaper recently reported. The source indicated that the government may need to provide a one percentage point interest rate subsidy to afflicted homebuyers. Customers of the Bank have been hit hard by the virus pandemic. Many of them were laid off or their incomes decreased, especially those working in airlines and related tourism industries. Mortgage rates are currently at about 6%. The Government would be offering a one percentage point of financial relief for homebuyers who purchased home at not more than Bt3 million. Property developers, especially those involved in condominium residential projects, had earlier asked the government to increase the ownership limit for foreigners eligible to possess residential units from the current not exceeding 49% of each project. Condominium developers are faced with oversupply problems.

Chatchai Sirilai, the Government Housing Bank's President said that despite the coronavirus outbreak, GHB's new mortgage lending is expected to meet its 2020 target of Bt210 billion ($US7.0 billion), up 3% over last year. As of October 1, new lending was Bt156.7 billion. Mortgage lending next year is projected to be about Bt215.6 billion ($US7.1 billion) and Bt222.1 billion ($US7.4 billion) in 2022. The Bank is expected to have outstanding loans of Bt1.375 trillion ($US45.8 billion) at the end of 2021 and Bt1.444 trillion ($US48.0 billion) at the end of 2022. GH Bank, a state-owned bank will transform itself into digital banking services by driving up to 80% of total transactions to its virtual platform by 2022. Non-performing loans are Bt51.6 billion ($US1,7 billion), 4% of outstanding loans.

Lower prices and low interest rates supporting Covid 19 loan growth

Lower priced residential projects and attractive housing loan interest rates are supporting mortgage loan growth amid the Covid-19 pandemic, with positive trends in real demand. The Bank of Thailand recently announced second-quarter housing loan growth in the overall commercial banking system of 4.4% year-on-year. But the bad-debt ratio of this loan segment continued to increase from 3.23% in 2017, 3.25% in 2018 and 3.71% in 2019 owing to the new standard.

Stage 2 housing loans under TFRS 9, falling under the heading of special mention (SM) loans, were 6.03% in the second quarter, down from 6.65% in the first quarter. They are up sharply from 1.91% in 2017, 1.77% in 2018 and 1.89% in 2019. The housing price index in Greater Bangkok saw a continued drop in the third quarter as developers continued using discounts and campaigns to boost sales, according to the Real Estate Information Center (REIC). The housing price index in Greater Bangkok saw a continued drop in the third quarter as developers continued using discounts and campaigns to boost sales, according to the Real Estate Information Center (REIC).

Europe: a shifting regulatory landscape

↳ **By Mark Weinrich**

Since 2018, the winter issue of this column has reviewed the work programme of the European Banking Authority (EBA) for the upcoming year. The EBA is an independent EU authority and a component part of the European System of Financial Supervision (ESFS), which consists of the national supervisory authorities and the three European supervisory authorities for banks, securities markets and insurance corporations (EBA, ESMA, EIOPA), the European Systemic Risk Board (ESRB), and the Joint Committee of the European Supervisory Authorities. The EBA's task is to work with the EU member states' national supervisory authorities to ensure an effective and coherent level of regulation and supervision in the European banking sector. Its range of duties includes analysing the effects of regulatory tools and improving cross-border supervisory cooperation and, in particular, harmonising EU supervisory law. The EBA work programme is therefore of interest because it reflects the current and future regulatory priorities for the European banking sector.

As an overarching theme, the EBA presents – unsurprisingly – their approach for the aftermath of COVID 19; the EBA states that:

- it will be active in monitoring and mitigating the effects of COVID-19 on EU banks, promoting the coordinated actions of competent authorities;
- it will intensify the assessment of asset quality as well as monitoring the use of moratoria and public guarantees, in order to ensure that risk metrics remain reliable and that banks can support the recovery and cope with potentially increasing losses; and
- depending on the evolution of the pandemic and on economic conditions, it will also be paramount that banks are given clarity on the timing of lifting dividend restrictions and re-building their capital buffer.

A further overarching topic is that the EBA will work on establishing a culture of sound and effective governance and good conduct in financial institutions.

In terms of the work to be done in the key strategic areas, the work programme details and lists all the key deliverables for the EBA for 2021, along with the expected delivery timelines. It is focused on six strategic areas – within which all the topics can be found already in the work programme for 2020.

1. *Supporting deployment of the risk reduction package and the implementation of effective resolution tools.* The full implementation of the new Capital Requirements Directive/Regulation (CRD/CRR), Banking Recovery and Resolution Directive (BRRD), and Investment Firm Directive/Regulation (IFD/IFR) legislative packages will remain a fundamental priority in 2021. The EBA will deliver mandates according to the priorities set in 2019 and outlined in the different roadmaps. The EBA will also prepare technical standards, guidelines, and reports to support the timely implementation of the new prudential regime for investment firms. Furthermore, the EBA will continue to work to foster the increase of the capacity of the EU banking system to absorb losses and will facilitate the implementation in practice of the resolution tools.

2. *Reviewing and upgrading the EU-wide EBA stress testing framework*. The EBA, in conjunction with the competent authorities and the Single Supervisory Mechanism, plans to design, at the earliest, a new methodology to be introduced for the 2023 EU-wide stress test. However, the EU-wide stress test, which has been postponed to 2021, following the COVID-19 outbreak, will follow a similar structure in terms of methodology, sample, and timing of the 2020 exercise package. The methodology for the 2021 exercise will likely remain the same, except for the correction of few clerical errors and the incorporation of certain issues (related to foreign exchange, moratoria, public guarantees, and other changes in the regulation).

3. *Becoming an integrated EU data hub, leveraging on the enhanced technical capability for performing flexible and comprehensive analyses.* From 2021 onward, quantitative Pillar 3 data will be integrated with supervisory reporting data to the greatest possible extent and the EBA will act as a hub for Pillar 3 disclosure. The scope of the data to be collected is also expected to expand soon. Among other requirements, the EBA will collect resolution data for the entire banking population. With the new CRD/CRR package, a new register for investment firms will be established and some supervisory data will be collected for these entities too. Furthermore, the EBA will strengthen its role in the anti-money laundering/combating the financing of terrorism [AML/CFT] supervision by national authorities and it will have to strengthen its role in the collection, analysis, and dissemination of information related to money laundering and terrorist financing risks and to AML/CFT supervision. The EBA will collect payment fraud data under the guidelines on fraud reporting.

4. *Contributing to the sound development of financial innovation and operational resilience in the financial sector.* The EBA will continue to focus on ensuring technological neutrality in regulation and supervisory approaches. Specific areas of work will include "platformisation," regulatory and supervisory technologies, further work on operational resilience, and understanding developments in crypto-assets, artificial intelligence, and big data.

5. *Building the infrastructure in the EU to lead, coordinate and monitor AML/CFT supervision*. The EBA will continue to lead policy development and promote effective and consistent policy implementation by national competent authorities. In 2021, the EBA will gather qualitative and quantitative information to build a database to foster the exchange of information between national competent authorities and to support the new AML colleges.

6. *Providing the policies for factoring in and managing environmental, social and governance*

(ESG) risks. The EBA will produce the report on incorporation of ESG into the risk management of institutions and supervision, setting out policy direction, indicators, and methods on ESG-related governance, risk management, and supervision. The EBA will also prepare the implementing technical standards on ESG disclosures in Pillar 3, outlining the qualitative and quantitative information on ESG factors. In addition, the EBA will support and monitor market efforts to improve approaches to scenario analysis and stress testing. The EBA will continue to participate in global, European, and national initiatives in this regard.

The work programme elucidates the rising importance of the EBA in the regulatory landscape of the European Union. The work programme shows also that the EBA takes on its new role in AML/CFT supervision. With the beginning of 2020, the EBA has taken on the leadership, coordination and supervisory role at EU level in the prevention of money laundering and terrorist financing. Arguably the greatest challenge remains the lack of full harmonisation of money laundering legislation. Against this background, the EBA intends to use its new role, where possible, to achieve greater harmonisation of national approaches to money laundering and terrorist financing and to create a level playing field in the prevention of money laundering.

The work programme of the EBA also makes clear that ESG risks are no longer something that banks can 'get around to' once they have addressed other priorities. It makes clear, that it no longer views ESG factors as reputational hazards, but as financial risks requiring proper identification, quantification, reporting, mitigation, and management. Clearly, climate change is the priority ESG area for the EBA because it believes this is the most material risk area. However, this growing urgency poses some significant challenges as the definitions of most ESG risks are still evolving, and the field is characterised by patchy, uncertain and vague information. The EBA will deliver a raft of standards and guidance relating to ESG between now and 2025. Among other things, the EBA will propose how ESG risks could be included in the supervisory review and evaluation process (SREP), how ESG disclosures should be dealt with in CRR 2 Pillar 3 disclosures and whether a dedicated prudential treatment of ESG exposures would be justified. This means for banks that they should act now to identify and manage their climate-related risks rather than waiting for rules to be finalised.

Green mortgages, funds, and bonds in LA&C

↳ By Claudia Magalhães Eloy

Environmental awareness has grown since the outbreak of Covid-19, but what has that got to do with housing finance systems? Everything.

According to the European Environment Agency,[1] evidence points to COVID-19 being a zoonotic disease and the emergence of zoonotic pathogens is linked to environmental degradation. Moreover, the successive lockdowns everywhere have shown how nature flourishes in response to less human activity. I myself, have been seeing many more birds and butterflies in the trees outside my windows in the most populous metropolitan area of South America, São Paulo. Following this avenue, global levels of energy use and greenhouse gas emissions have fallen in 2020 due to the reduced economic activity, notably regarding transportation. Across major LA&C cities a decline in nitrogen dioxide (NO2) levels has been observed, noticeably in those where full lockdowns were implemented[2]. Yet, naturally, as quarantine measures are loosened and economic activity picks up again, pollution will tend to return to previous levels. In normal times, across the region, the residential sector alone accounts for 7% of total greenhouse gas emissions and 16% of total energy consumption[3].

While urban strategies for reducing emissions have been increasingly evolving over the last few decades, including new technologies, this heightened awareness brought about by the coronavirus, is bound to push us towards more affirmative measures worldwide with regards to more resilient and sustainable housing:

- better designed for the climate zone where it is located, demanding lower energy consumption for cooling and heating systems;
- use of energy-efficient or solar water heaters and lighting;
- energy efficient wall and insulation systems;
- reduced wastage of construction materials and greater use of recycled materials and alternatives that demand less energy in their production;
- location in terms of jobs, urban infrastructure and services, reducing demand for transportation and associated energy consumption;
- greater durability, reducing maintenance and depreciation.

For these improvements to become viable on a large scale, housing finance and finance systems in general must align, enabling investments that allow for the use of eco-technologies. Additionally, they must adapt their risk management and credit score models to take into account the savings made by mortgagors and incorporate environmental aims into their core business strategies, through the adoption of such criteria in their credit and investment evaluations. When it comes to housing finance, green mortgages constitute the new product that combines those principles. Also, debt capital market instruments in line with the same comprehensive goals must be made available, channeling resources from capital markets to green investments and supporting banks to either refinance or offload assets.

Back in June, 2018, 37 major European banks launched a new energy efficiency mortgage pilot scheme signaling growing investor demand for green mortgage-backed bonds and indicating that green building has become a key growth market for Europe. The Energy Efficient Mortgages Initiative (EeMI)[4], in its 3rd implementation phase by last October, includes preferential financing conditions linked to the mortgage of properties that are already energy efficient or can be renovated to that end. The underlying rationale is that the positive impacts on the borrower´s ability to service the loan as well as on the market value of the property, reduce the risk for financing agents and could even qualify for better capital treatment. The World Green Building Council states that "lower utility costs and the ability to hold their value better over time mean green homes are increasingly recognised as less risky investments for both borrowers and lenders". A renovated house that moves from an 'E' to a 'B' rating on its energy performance certificate (EPC) will save a family an estimated EUR 24,000 over 30 years (according to an analysis of 365,000 house sales in Denmark) and from a price perspective, an increase in energy performance can correspond to the addition of an extra 10-15 m² to the size of a property, as reported by the EeMI. In order to establish the claimed lower risks, based on large scale empirical evidence, a data protocol and portal (EeDaPP Initiative) relating to energy efficient mortgage assets has been set up, allowing a comprehensive analysis of de-risking energy efficient features. A report published by EeDaPP in August 2020, demonstrates a negative and significant correlation between the buildings' energy efficiency and the probability of mortgage default.

In Latin America and the Caribbean, a piece of research conducted in mid-2017 by the International Finance Corporation (IFC) and the Latin American Federation of Banks [FELABAN], alongside Eco Business Fund (EBF) amongst over 100 financial institutions from 18 countries in the region shows that:

> A significant number of banks are committed to the inclusion of environmental criteria in credit and investment decisions, which, although not being a standardized practice, represents a step forward for the region with

1 Briefing: COVID-19 and Europe's environment: impacts of a global pandemic. Available at: https://www.eea.europa.eu/post-corona-planet/covid-19-and-europes-environment

2 https://blogs.iadb.org/brasil/pt-br/o-que-a-qualidade-do-ar-nos-diz-sobre-a-resposta-ao-coronavirus-no-brasil-e-na-regiao/

3 InterAmerican Development Bank. Financiamiento del mercado de vivienda en América Latina y el Caribe. Documento para Discusión Nº IDB - DP- 519. June 2017. According to the GlobalABC Regional Roadmap for Buildings and Construction in Latin America (2020-2050), the entire building sector in Latin America, is responsible for 24% of total energy consumption and 18% of all emissions. https://www.iea.org/reports/globalabc-regional-roadmap-for-buildings-and-construction-in-latin-america-2020-2050

4 Energy Efficient Mortgage Action Plan (EeMAP) and Energy Efficient Mortgage Market Implementation Plan (EeMMIP) are part of the Initiative. https://eemap.energyefficientmortgages.eu/

respect to previous years. One of the benefits for financial institutions resulting from the inclusion of environmental criteria is the improvement in the behavior of loan payments: the quality of the portfolio increases when environmental and social criteria are included in the analysis of credit risks.[5]

This report also observes the growth of the green bond market across Latin America, a trend that demonstrates that the underlying green business of banks is rapidly consolidating. In the housing sector and even more specifically in the social housing sector, concern over sustainability is a growing trend observed among LA&C countries as will be demonstrated going forward. The current scenario indicates that green mortgages will probably consolidate across the region, while green funds and bonds, already a trend before the pandemic, are likely to gain traction.

In Mexico[6], since 2007, the *Hipoteca Verde* (Green Mortgage) Program[7], offers additional credit to provide for the installation of eco-technologies such as energy-efficient lighting, solar water heaters, separated solid waste containers, and energy-efficient gas water heaters. The additional amount, of up to Mex$ 53,000 (USD 2,659.00), varies according to the mortgagor´s income and estimated savings in monthly spending on electricity, gas and water consumption provided by the eco-technologies chosen. The rise in the installment amount is compensated for by the maintenance cost savings provided. It has contracted automatically for new housing loans since 2011, when the incorporation of eco-technologies became mandatory for Infonavit mortgages as well as loans to build, expand or improve a home. New housing registered at the Unique Housing Registry (Registro Unico de Vivienda, RUV) must have the eco technologies verified prior to the registration of the loan. When a loan is requested for a house registered at RUV and there is a surplus amount under the Green Mortgage scheme, the mortgagor may use it to acquire more eco technologies from authorized providers. Yet, under this scheme, no special conditions or interest rates are applied. From 2007 to December 2020, 3.7 million loans were provided within the framework of the Green Mortgages Program. In 2012, Mexico´s Green Mortgage Program was awarded the World Habitat Award for innovative, sustainable and scaleable housing solutions. More recently, the Nationally Appropriate Mitigation Action (NAMA), based on the overall performance of the house, designed for new and existing housing, taking into account the total energy efficiency of the building (in partnership with Conavi and the National Planning Department of Colombia) has encompassed[8]:

- A Green-House Gas Evaluation System (Sisevive-Ecocasa), that assesses the level of energy efficiency of housing through simulations[9] based on design characteristics, construction materials and the technologies incorporated in any house, as well as measuring the environmental impact through the mitigation of Green-House Gas emissions with more than 500k homes evaluated;
- In the Social Housing Program, where the amount subsidized is based on a score, sustainability criteria according to SISEVIVE methodology may add up to 150 points in urban areas and 175 in rural areas;
- A Financial Cooperation Program for the supply of Sustainable Housing "ECOCASA" developed by Sociedad Hipotecaria Federal (SHF), with the support of the German Development Bank (KFW) and the Inter-American Development Bank (IADB), has financed the construction of more than 60,000 homes with reduced greenhouse gas emissions by more than 20%.

In Chile, Banco de Estado offers green credits (*Créditos Verdes*) with preferential rates. The residential line, called *Ecovivienda*, offers special mortgages for sustainable homes (certified by the *Agencia de Sostenibilidad Energética* with "Calificación de Eficiencia Energética Minvu" D or plus): while regular mortgage interest rates range from 1.99% to 4.75% per year, the lower *Ecovivienda* rates range from 1.79% to 4.55% per year[10]. These green mortgages also include a grace period of up to 6 months. Green funds have also become available – Fondo Mutuo Mi futuro Verde – comprised of debt and shares, invests at least 60% of its assets in certified businesses. Since 2013, Chile´s National Strategy for Sustainable Building (2013-2020) establishes planning strategies for the implementation of sustainable building practices, in line with other cross-sectorial strategic plans and complemented by the National Energy Strategy and the Energy Efficiency Action Plan. More recently, in October, a new platform named "Green World" (Mundo Verde) was launched and gathers information on investment projects and financing that supports economic reactivation in a sustainable manner.

Fondo Mivivienda (FMV), a second-tier bank in Peru, offers preferential interest rates[11] on *hipotecas verdes* coupled with government subsidies (Bono Mivivienda Verde – BMV) for the acquisition of homes certified as sustainable. Its creation, following the COP 20, 2014, involved the gradual implementation of the Environmental and Social Risk Management Systems (SARAS) in local banks, especially for mortgages and real estate businesses, generating knowledge and acceptance in the market. The Peruvian Referential Plan for the Efficient Use of Energy (2009-2018)[12] already established goals of reduced energy consumption for both the residential and public building sectors. Today the green mortgage is the most dynamic product of the FMV and although not yet securitized, it is perceived that there is a perspective market for those securities.

Colombian green mortgages (*hipotecas verdes*) and leasing are also differentiated from regular mortgages by reduced interest rates, however just during the first 7 years of the term. Special credit lines are also offered by Bancolombia to developers of green homes certified by LEED or EDGE[13]. As early as 2010, the Colombian government began the development of an energy efficiency subprogram focused on the social housing sector. Fiscal incentives have been granted by Law Project No. 119/2012 for the implementation of sustainable building practices. The issuance of green bonds started in 2016 and totals COP$2.8 billion so far[14].

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5 https://www.ifc.org/wps/wcm/connect/0a419cfa-2959-403c-8403-044f6b3be04b/Green+Finance+Report+2017_2019.pdf?MOD=AJPERES&CVID=mGxjRRO

6 The author would like to thank Larisa Mora Aguilar, from Infonavit, and Jorge Guerrero for providing complementary information to this article.

7 Launched by a partnership between CONAVI and the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (National Housing Fund for Workers – INFONAVIT)

8 As a result of technical cooperation between the Mexican Government and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

9 DEEVi (based on the German PHPP1 from the Passive House Institute and adapted to the Mexican context) to assess energy performance and SAAVi (simulator for water saving in houses) to assess water consumption. Source: https://www.world-habitat.org/wp-content/uploads/2016/03/Green-Mortgage-report-WEB-3.5MB.pdf

10 https://www.bancoestado.cl/bancoestado/inteditorformularios/genera.asp?datos=116

11 Of 5% per year up until 2020 when interest rates vary from 5% to 7.1%. Funding comes from the French Development Agency [AFD] and from KFW. The author would like to thank Lucas Sarmiento Lui from Fondo Mivivienda for sending complementary information to this article.

12 https://www.uncclearn.org/wp-content/uploads/library/unep11022015.pdf

13 https://www.grupobancolombia.com/wps/portal/acerca-de/sala-prensa/noticias/responsabilidad-social-ambiental/bancolombia-primer-banco-del-pais-en-entregar-beneficios-a-compradores-de-viviendas-sostenibles

14 https://www.superfinanciera.gov.co/jsp/10105146

Green mortgages are already found in other countries throughout the region. In Panama, for instance, the Mortgages with Rational Electric Energy Use (UREE) grants discounts against the interest paid on mortgages of low-income houses that incorporate energy efficiency measures.

Yet preferential financing conditions linked to green mortgages are still absent in many countries, notably when it comes to social housing. In Brazil, for instance, where there have been significant developments in green finance[15] and certification, green mortgages have not yet been developed.

Brazil is the fourth ranked country in the world with more registered LEED (Leadership in Energy and Environmental Design) projects. Moreover, locally adapted certification tools have been developed including AQUA; PROCEL Edifica (which promotes the rational use of energy in buildings from the construction stage and has a grading system that applies to new and existing buildings); among others[16]. Yet, those certifications are still voluntary. Caixa, the National Housing Bank, recently renovated its Selo Azul (blue stamp) housing optional certification scheme that includes water and energy efficiency criteria as well as social development and urban quality criteria. It promises a fast track analysis process and may include a reduction of .25 in the interest rate on a discretionary basis which has as yet not been extended to social housing. Much of the social housing produced over the last decade (under the Minha Casa Minha Vida Program), already needs energy efficiency updating, but there are no dedicated funding or subsidies available. On the positive side, green finance and bonds are gradually picking up: 28.6% of the total corporate credit portfolio was allocated to green sectors of the economy in 2017[17]. The Bank Federation (FEBRABAN) and the Corporate Council for Sustainable Development (CEBDS) jointly published a Green Bond Issuance Guide in 2016, and in the end of 2018, B3 (the local stock exchange) developed a system that allows issuers to identify those bonds which are green: BRL 5.2 billion worth of issuances in 2019 (14 bond issuances and 1 MBS from 10 companies)[18]. According to Sitawi[19], up to now total green project and asset issuance already amounts to over BRL 12 billion (USD 2.3 billion).

Harmonization of criteria in the issuance of green bonds requires attention to foster market growth. In the global arena the International Capital Market Association has established a set of voluntary directives to guide the issuance of green bonds, The Green Bond Principles (GBP). With the objective of supporting the harmonization and standardization efforts on LA&C green bond reporting, the Interamerican Development Bank (IDB) developed the Green Bond Transparency Platform, aiming to attract investors by adding transparency and enhancing comparability[20]. Greenwashing is another thorny subject, but the growth of the green finance market is definitely in motion. According to the Climate Bonds Initiative21, green bond and green loan issuance reached USD 257.7 billion in 2019. In the 3rd quarter of 2020, issuances peaked at USD 64.9 billion, the highest volume in any third quarter period since market inception and 21% more than Q2 2020. Of all the Latin-American countries, only Chile ranks among the top 20 per amount issued (2020 vs Cumulative) worldwide. Herein lies a promising path for larger economies such as Brazil and Mexico.

Back to housing finance. In a region still characterized by large housing deficits and where a significant part of its population cannot afford a formal traditional urban house, talking about providing sustainable homes and reducing damage to the environment caused by this very sector may seem, at first, too big of a task. Nonetheless, both the economic and environmental impacts of housing construction in general and of social housing in particular are crucial to the sustainable growth of the region. The International Labour Organization (ILO) goes a step further and associates these concerns with job creation – the rise of unemployment in LA&C post Covid-19 and its impact on the housing finance systems, was the theme of this column´s last edition. According to the ILO[22]:

> "If we do not act now, the same vulnerabilities that exposed workers and enterprises to the pandemic will expose them to the climate crisis [...] As the global economy gradually restarts following the COVID-19 lockdown, now is the time to craft a more inclusive, resilient, and sustainable future [...] As countries prepare expansive recovery plans, there is a compelling case for pursuing both decent job creation and a transition to net-zero emissions."

This may indeed be an opportunity for Latin America and the Caribbean, but it all depends on how these intertwined challenges are dealt with. Watch this space...

15 The financing of projects, equipment, businesses, buildings that mitigate climate change as well as those with potential positive environmental impact (such as renewable energy and urban mobility).

16 Qualiverde Rating System (São Paulo, which offers fiscal incentives, through discounts in property taxes, for projects that comply with the specifications of the rating system); Referente GBC Brazil.

17 Over BRL 400 million compared to BRL124 million in 2013. https://www.gov.br/economia/pt-br/centrais-de-conteudo/publicacoes/notas-informativas/2019/2019-04-17_cartilha-financas-verdes-v25r.pdf

18 http://www.b3.com.br/pt_br/b3/sustentabilidade/produtos-e-servicos-esg/green-bonds/

19 https://www.sitawi.net/

20 http://greenbondtransparency.com/

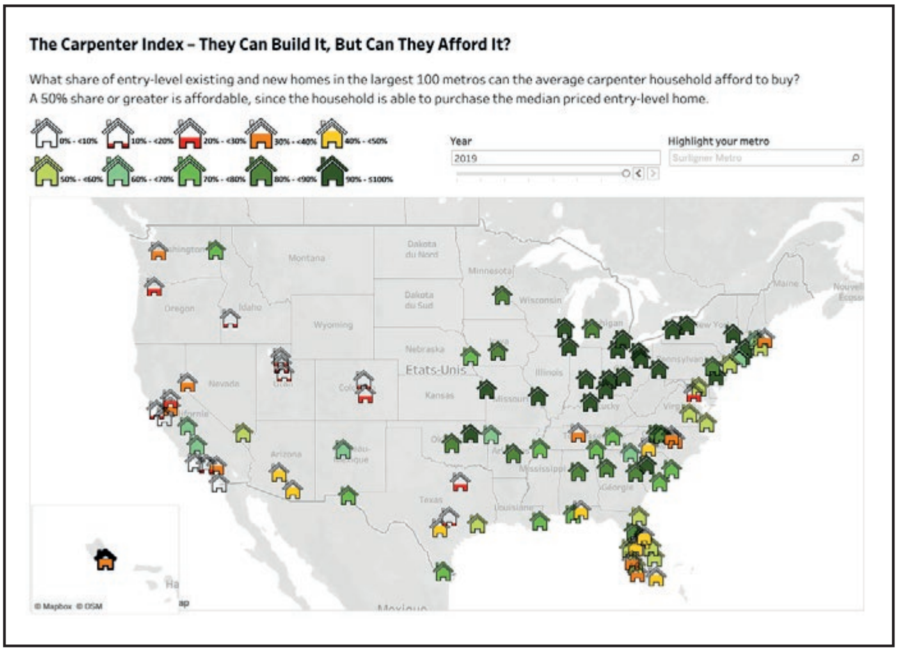
21 https://www.climatebonds.net/resources/reports/green-bonds-market-summary-q3-2020

22 https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_752069.pdf

US regional roundup: the Carpenter Index

By Edward Pinto, Peter Tobias

The AEI Housing Center's 2019 Carpenter Index is one of the best resources for understanding entry-level home affordability. Just how unaffordable has entry-level housing become? The AEI Carpenter Index quantifies this issue by asking the question, "Can the people who build homes afford to buy them?" While the results vary among the 100 ranked metros, over the last 8 years there has been a clear downward trend towards less affordability as home prices have risen faster than wages due to policy mistakes at the federal and local levels.



The Carpenter Index starts with average carpenter wages at the level of each metro, which is around $47,000. It then assumes a household income that totals 150% of the carpenter's wage, which is roughly the national average. This yields a typical total carpenter household income of $71,000. A common rule of thumb is that to be considered affordable, a household should purchase a house no more than three times household income. The typical carpenter household could then afford a home of up to $213,000. To complete the index, we observe the share of entry-level homes that a carpenter household could purchase at three times its income.

The Carpenter Index thus combines both local wages and home prices into an affordability measure for the blue-collar employees we depend on to build new homes. The index thus renders metros directly comparable to each other in terms of their affordability. A Carpenter Index of 50% or greater is considered affordable since the average household is able to purchase the median entry-level home. The lower the index is, the more unaffordable a metro becomes.

Report Interactive

This interactive allows users to explore The Carpenter Index, as well as further analysis around the index for the nation's largest 100 metros across various sheets.

Here are several key findings from the study:

- The AEI Carpenter Index provides answers by comparing housing affordability across the nation. In two-thirds of the 100 largest metros, entry-level or starter homes are still affordable for the average carpenter household – a proxy for a blue-collar worker – in 2019. However, housing has become increasingly unaffordable as home prices have risen faster than wages.
- The prospect of a blue-collar household to afford a home varied widely by metropolitan areas in 2019. San Diego, Los Angeles, San Francisco, Denver, or Portland ranked as the least affordable metros, while Chicago, Detroit, Indianapolis, Philadelphia ranked as the most affordable metros. Las Vegas, Houston, Minneapolis, Atlanta, or Tampa ranked in the middle.
- Generally, affordability is highest in the Midwest, followed by the Northeast and Southeast. The least affordable metros are all in the West.
- The driver of worsening first-time buyer (FTB) affordability from 2012 to 2019 was that home prices increased faster than incomes in the majority of metros.

To put the Carpenter Index into concrete terms, one can go on any real estate website and search for homes listed at three times the carpenter household's income, which of course varies by metro. The results are telling. These homes are representative of ones sold in 2020 near the maximum price point the average carpenter household can afford in the respective metro.

[1] **About the AEI Housing Center**
AEI's Housing Center (www.AEI.org/housing) undertakes evidence-based research that expands the body of knowledge concerning housing markets and finance. It provides objective and transparent housing market indicators at the national, metro, and fine geographic levels.

San Diego, CA

Home cost: $250,000 (6% of entry level)
Home size: 3 bed, 1 bath, 1008 sq. ft.
Photo credits: Zillow

Pittsburgh, PA

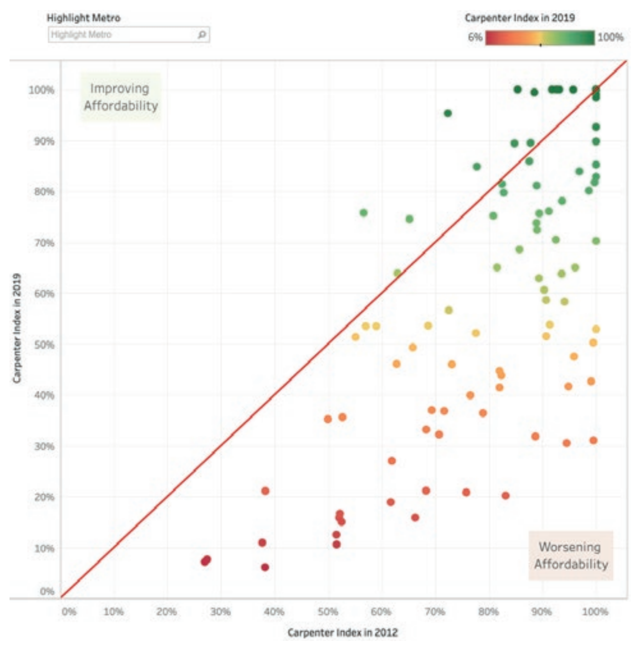
Home cost: $270,000 (100% of entry level)
Home size: 4 bed, 2 bath, 1563 sq. ft.
Photo credits: Zillow

Houston, TX

Home cost: $200,000 (57% of entry level)
Home size: 3 bed, 3 bath, 1934 sq. ft.
Photo credits: Zillow

Changing affordability

The scatterplot below compares Carpenter Index in 2012 to 2019 for largest 100 metros. Each dot represents one metro. The vertical 45-degree line indicates no change in affordability. A dot above the line indicates improvement in 2019, and vice versa. The coloring of the dot from green to red indicates the worsening in the Carpenter Index in 2019. Affordability is worsening for majority of metros.



The following scatterplot classifies metros into four types based on their carpenter index in 2019 and their change in entry-level sales between 2012 and 2019.

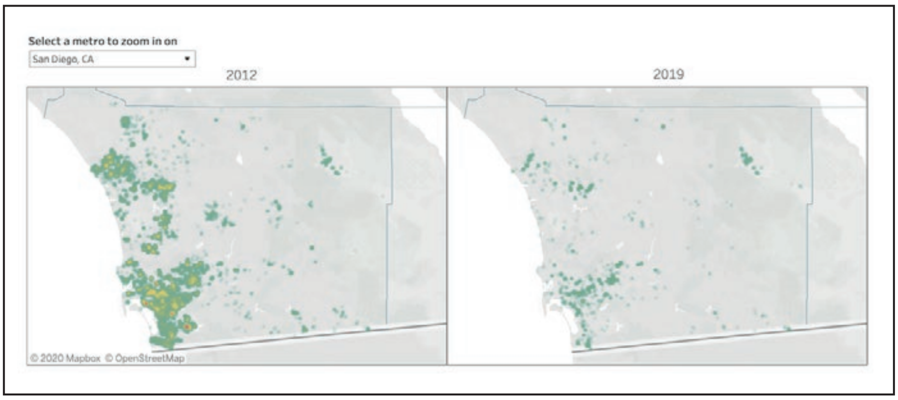
Metros in the top right quadrant are both affordable (Carpenter Index in 2019 – 50%) and the number of entry-level sales that were affordable to the average carpenter household has been growing from 2012 to 2019, represented by Chicago, Pittsburgh and Atlanta.

Metros in the top left quadrant are affordable, however, the number of affordable homes sold has been shrinking, such as Las Vegas.

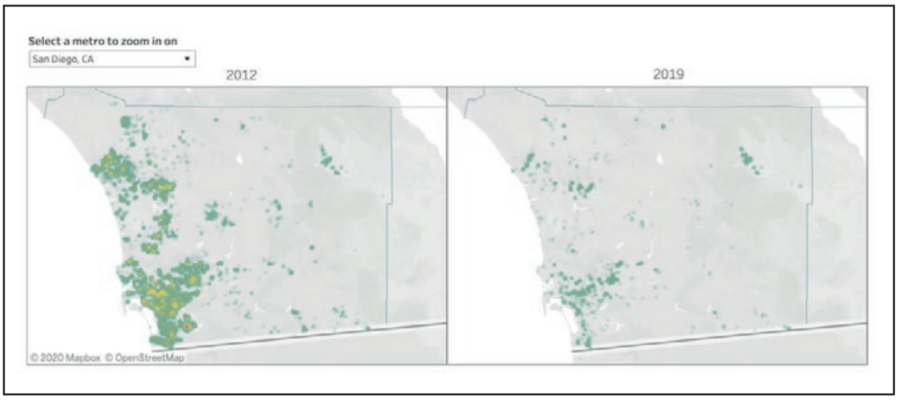
Metros in the bottom right quadrant are not affordable, however, the number of affordable entry-level sales has been growing, such as Dallas, Washington DC, Miami.

Metros in the bottom left quadrant are not affordable and the number of affordable entry level sales has been shrinking. San Jose, at the most extreme, has carpenter index for 2019 low as 8%, and ratio in entry-level sales dropped by 75%.

The heat maps of following images contrast entry-level sales that were affordable to the average carpenter household in 2012 and in 2019. The maps thereby reveal important patterns in affordable home sales over time. Green coloring implies lowest density, while a yellow implies higher density and red highest.



As the map above, San Diego have seen significant change in affordability. Average carpenter household income increased by 8% (from $77,000 to 83,000) but the surged home price appreciation has caused the share of entry-level homes the average carpenter households can afford to buy to drop from an already low 38% to only 6%.



As one of the most affordable metros among the 100 metros, Philadelphia shows an upward trend towards more affordability. Over the 8 years, Philadelphia's average carpenter household income has increased by 31%. Entry-level home stock that average carpenter household can afford to buy has risen by 15%.

Methodology

The Carpenter Index assumes a price-to-income ratio of 3:1 to determine affordability, meaning that a household earning $60,000 can afford an $180,000 existing or new home.

Home prices are for actual sales recorded in the public records deed files. The entry-level is defined at the metro level as any sale below the 80th percentile for FHA home purchases in any given quarter. The entry-level on average comprises around half of the sales in a metro and consists of around 75% first-time homebuyers.

Income data are for the average carpenter wage at the metro level and come from the Bureau of Labor Statistics. To determine household income, the average wage is multiplied by 150%, which, according to Census Bureau data, is roughly the average multiple for a household with a second wage earner.

We track the Carpenter Index for the largest 100 CBSAs, to which we refer as metros. We select them by their public record's sales total from 2012 to 2019. CBSAs are defined by the OMB as "metropolitan statistical areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties."

The social and economic consequences of housing wealth inequalities

↪ By Adriana Mihaela Soaita, Duncan Maclennan and Kenneth Gibb

1. Do housing wealth inequalities matter?

Housing is an important component of household wealth. The growth of homeownership in many countries, associated with high house price growth, has arguably reduced wealth inequality between homeowners while contributing to greater inequality between tenants, homeowners and landlords. These patterns have strengthened since the 1980s, and particularly after 2000. The resulting housing wealth inequalities, and their social and economic consequences, within and between generations, across social classes, gender and ethnicity, and between spatial divisions cannot be anymore ignored (Maclennan and Miao 2017; Piketty 2014; Soaita and Searle 2016). Such inequalities matter for many reasons, for example:

- The accumulation of housing assets is increasingly important to households' ability to provide for their welfare, whether during retirement or for a range of wishes or misfortunes. The positioning of housing wealth as a base for family welfare is now referred to as 'asset-based welfare' (Sherraden 2005), which individualises the more traditional trade-off between state-subsidised access to homeownership or provision of a state-subsidised pension system (Castles 1998). It follows that declining rates of homeownership signal reduced opportunities or even old age poverty for some.
- Rising house prices have increased wealth not only through homeownership but also through landlordism. Rising house prices have facilitated equity extraction through re-mortgaging of existing property and led to significant increases in Buy-to-Let (BTL) landlordism in countries such as the UK, Canada and Australia (Soaita et al. 2017). The growth of BTL landlordism, often reinforced by flows of capital from overseas international investors (Maclennan et al. 2019), also displaces first-time-buyers by driving up prices and forcing households to stay longer in rental housing.
- Access to homeownership is increasingly dependent on intergenerational transfers of family property wealth. The transmission of existing housing wealth inequalities to younger generations has implications for social mobility, augmenting the unequal life opportunities of young people (Lersch and Dewilde 2015; McKnight and Karagiannaki 2013).
- These socioeconomic inequalities reflect the generational and class effects of a changing ethos in state policies, including in relation to austerity, education, labour markets, housing and welfare (Christophers 2018). They also create marked disparities in the geographies of accumulation and distribution of housing wealth across and within regions, cities and neighbourhoods.

In this paper we review existing evidence on the social and economic implications of housing wealth inequalities at the level of the household. More briefly, we also draw attention to emerging macroeconomic concerns about rising house prices and growing housing wealth inequalities as they affect the productivity and stability of economies (Maclennan et al. 2018; Maclennan et al. 2019; O'Sullivan and Gibb 2012).

2. Institutional context, method and geographical representation

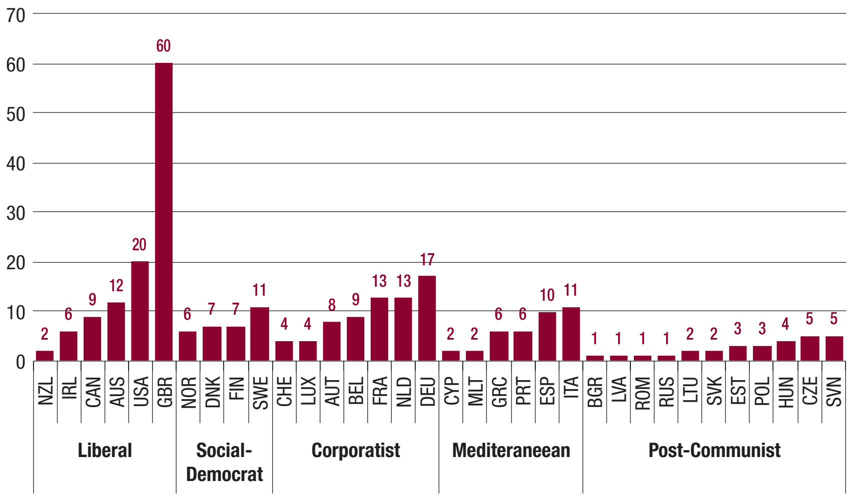
Diverse welfare regimes: Clearly, the nature and impact of housing wealth inequalities to households depend on broader institutional arrangements, and particularly on the wider arrangements for welfare. The coverage, eligibility and generosity of state welfare arrangements affect households' requirement to use up their housing wealth in times of misfortune (e.g. spells of unemployment, illness, divorce, bereavement) or to rent during retirement. The idea that the diverse welfare arrangements between state, market and family show important affinities by groups of countries was launched by Esping-Anderson (1990) through the idea of 'welfare regimes'. He differentiated between three regimes: the Liberal (Anglo-Saxon) that gives an important role to the market, social assistance being means-tested, inadequate and difficult to access; the Social-Democrat (Nordic) where state welfare is far reaching and generous; and the Corporatist (Central Europe) that is situated in between, with the family being the main welfare provider and where social benefits are means-tested but more generous than in the Liberal regime. Other welfare regimes have since gained recognition, relevant here being the Mediterranean (Southern European) and the Post-Communist (Eastern Europe) ones, both of which rely on family for the provision of welfare, the latter having a particular reliance on outright homeownership.

Diverse housing regimes: The arrangements by which housing is regulated, financed, consumed and produced are also country specific. For instance, the wealth potential of homeownership, second-home ownership or landlordism relates to housing finance (e.g. type of banks and their offers; state support for mortgages; degree of financial deregulation), non-financialized access to housing (e.g. self-provision; intergenerational sharing of space), the stock's quality and availability within and between tenures, and property taxation. To ease cross-country comparison, we borrow the idea that these housing arrangements – and their links to welfare – suggest a series of shared features across groups of countries.

For instance, Kemeny's (2006) differentiation between renting and homeownership societies, including by the relationship/size between the private and social renting sectors. While there is no simple relationship between welfare and housing regimes, the Social-Democrat and Corporatist regimes have much more regulated and secure private renting markets compared to the Liberal and Post-Communist ones. Likewise, outright homeownership dominates the Mediterranean and particularly the Post-Communist housing regimes. While housing regimes have evolved faster with increased provision by the markets, welfare arrangements have been more enduring, having thus implications for how housing wealth is relied upon by households.

Method: Piloting systematic online literature searches (Soaita et al. 2019b), we noticed that a focus on Anglo-Saxon and EU countries reduced the retrieved literature by less than 10%; and a focus on the period 2008-2019 by 20% (publications in English only). Taking these criteria in our final searches and adding additional literature,[1] we located 429 relevant publications. Based on thematic relevance, 125 references were reviewed (Soaita et al. 2019a). Figure 1 shows the number of times each country was referred to across the 125 publications, grouped by welfare regimes.[2] In this paper, we also refer to some additional studies to set the broader context or introduce updates.

FIGURE 1 Country representation in the reviewed literature



3. Findings

3.1. The comparative context

While house price growth tends to act as a mechanism of increasing inequality across homeowners and between property haves and have-nots – and conversely when there are declining house prices –understanding the ways in which domestic institutions and policy frameworks shape both access to housing wealth and house price growth remains a complex question. For instance, charting homeownership levels without capturing households' net equity, mortgage indebtedness and mortgage subsidies; housing quality relative to households' needs; or without paying attention to legacies of past policies and the wider market context, risk misjudging the picture. Lack of data (and of in-depth knowledge) often precludes diving into such complexities in international comparisons.

Yet comparative work is particularly useful to understand enduring differences and changing patterns between countries related to their institutional contexts. We wish to particularly highlight two studies here (of the 29 that advanced comparative analyses) but others will be referred to later.

Comparing the distribution of net housing wealth in 16 European countries – across occupational classes, ethnicity and for two cohorts (the 19860s-80s buyers versus post-1980 ones) – Wind et al. (2017) proposed the idea of 'housing wealth accumulation regimes'. They found that growing homeownership levels in deregulated, market-based housing systems (i.e. the Liberal regime in Figure 1) are associated with higher housing wealth inequality across occupational classes, as lower-income buyers buy more 'marginal' housing. Conversely, when the state or the family enable access to homeownership (e.g. Right-to-Buy, mortgage support or self-build), labour-market income decouples from housing consumption, giving a more equal distribution of housing wealth. They concluded that:

- Family-based provision of housing through self-build and pooled resources (e.g. Belgium, Greece, Italy, Portugal, the post-communist states) and the privatisation of public rental housing (e.g. UK's Right-to-Buy and similar policies in Eastern Europe) is associated with less housing wealth inequality than market provision.
- State subsidies for homeownership might reduce housing wealth inequality between occupational classes (e.g. Denmark, Sweden, Netherlands), being associated with a more equal distribution of housing wealth.

Looking at housing wealth versus savings across the life-course, Lersch and Dewilde (2018) compared the UK with Germany, that is, respectively, a country with a longstanding record of high real house price appreciation versus a housing market with historically stable real house prices (until about 2010); more deregulated versus more regulated mortgage and rental markets; and a less versus a more generous welfare regime. The authors observed that, in both countries, homeownership is selective (i.e. only those of medium/higher income are able to access mortgage markets) and that homeowners are doubly advantaged as they accumulate both financial wealth and housing wealth independently (more so in the UK than Germany given the former's higher house price growth).

Germany and the UK represent many of the extremes of approaches to housing as a means of capital accumulation. In a world of stable house price (i.e. Germany), homeownership may boost wealth as households first save to acquire a larger entry-deposit (hence also paying less to finance mortgage costs) and then by repaying the mortgage. This is the traditional 'savings' approach to mortgaged homeownership. Conversely, in contexts of high house price appreciation greater than that of incomes (i.e. UK), wealth accumulation in housing has

[1] Given that our review was part of a UK-focused research project, these additional publications have significantly increased the representation of the UK. As 29 publications were comparative cross-country analyses (involving between two to 22 countries) the numbers in Figure 1 exceed the number of publications reviewed.

[2] We refrain from revisiting here the details of the longstanding debate regarding a country belonging (or not) to different regime types. Suffice to say that our country grouping was commonly used in the reviewed literature.

been primarily driven by rising prices (which has also encouraged re-mortgaging). This is the 'speculative' approach to mortgaged homeownership and BTL landlordism. Conversely, in the Mediterranean and Post-Communist groups, where self-build, outright transactions with family-pooled resources and intergenerational co-residence dominate, housing is predominately perceived as a family home rather than housing wealth (Soaita 2015). We label this the 'non-financialised' approach to homeownership. These approaches inform the following section, which focuses on households' behaviour in relation to their housing wealth.

3.2. Asset-based welfare (ABW)

We know that homeownership has been historically supported by states through various subsidies (e.g. mortgage interest relief, tax exemptions, subsidised loans, state-backed equity loans, and Right to Buy discounts[3]). Households could theoretically position their housing wealth as a base for family welfare in two major ways. Both, the traditional *savings* approach to mortgage homeownership and the *non-financialised* approach to outright homeownership centre on rent-free living, being driven by a motivational mix of aging in place (the 'home' motive), precautionary saving (e.g. risks of old-age care or periods of adversity, with housing wealth liquidised via downsizing) and bequeathing.

Conversely, in the *speculative* approach households engage actively in the accumulation and de-accumulation of housing wealth over the life-course by combining residential mobility (i.e. upsizing over the working age to downsize in retirement) with innovative financial products (e.g. re-mortgage, equity release, reversed mortgages). Pushing mortgage debt into later life, this approach makes housing wealth more liquid, hence enabling households to finance a more comfortable lifestyle or to mitigate adversity (e.g. unemployment, sickness, divorce) while ideally still maintaining a reserve for precautionary saving and inheritance.

The literature reviewed shows, however, very mixed results on the effectiveness of positioning housing wealth as a base for family welfare. To exemplify, we focus first on ABW's ability to co-finance retirement and adversity; and second on the implications of housing wealth inequality to ABW solutions.

3.2.1. CO-FINANCING RETIREMENT AND ADVERSITY

Focusing on the case of Australia, Castles (1998) argued that governments can trade-off between subsidising homeownership or the pension system. Delfani et al. (2014) revisited the argument by examining 22 countries. They found that in countries with generous housing-related subsidies and generous state-regulated/provided pension systems (e.g. Austria, France, Germany, Luxembourg), households do not need to trade-off housing wealth and pension; welfare outcomes for the elderly are least unequal. Similar outcomes were found in countries with market-based housing but generous state-regulated/provided pensions (e.g. Denmark, Finland, Netherlands, Norway, Switzerland, Sweden).

Only in countries where both housing and pensions are provided by the market (e.g. Australia, Ireland, New Zealand, UK, USA), housing wealth indeed complements the welfare package of the elderly, particularly for middle-income households since the higher-income do not need it (they have both) and the lower-income cannot access it (they have none). Housing wealth and pension wealth inequalities reinforce each other in these countries. The authors argue that generous pensions rather than owner-occupation alleviate old-age poverty; however, in the absence of the former, outright owner-occupation helps reduce poverty (e.g. in the Mediterranean and post-communist countries).

The above findings are supported by a host of other robust studies. Blundell et al. (2016) examined the housing/pension wealth trajectory of households aged 70 and over in the USA and England. While Americans retirees were richer than their English counterparts,[4] they also liquidated their wealth much faster between 2002 and 2010 not least because higher house price appreciation in England offset the use of non-housing wealth. They noted striking wealth inequalities in later life in both countries: the richest 33% of retirees spend faster to maintain their lifestyle whereas the poorest 33% of retirees just save enough to pay for a funeral. This latter group of arguably housing-richer/income-poorer households refused to spend their housing wealth to improve their wellbeing. While the authors suggested a range of explanatory motives for this traditional behaviour, qualitative research substantiates them.

In a qualitative study of older Britons involved in equity release, Fox O'Mahony and Overton (2015) evidenced reluctance to withdraw housing wealth stirred by a desire to bequeath and to age in place in a debt-free home. Participants felt guilt for spending their children's inheritance and discomfort about indebtedness. Nonetheless, having enough space to host memorabilia and retaining support networks (including overnight visitors) precluded downsizing and motivated equity release. Similar findings were substantiated for the case of Belgium (De Decker and Dewilde 2010).

In a quantitative longitudinal study of British (pre)retirees, French et al. (2018) also noted reluctance to withdraw housing wealth. While between 40% (London) to 77% (North East) of pre-retirees expected to downsize and 14% expected to withdraw equity, less than 2% had done so eight years later. People withdrew housing wealth only in situations of financial hardship and sudden adversity. The authors argued that conventional economic rationality explained almost entirely the 'method' of withdrawing housing wealth: downsizing was more common for households whose house value was high relative to regional values and equity release more common for older households (becoming less expensive with age). The same reluctance to take a reverse mortgage or engage in equity borrowing was evidenced by Costa-Font et al (2010) in Spain among those aged 55 and over; and by Wood et al. (2013) in the UK and Australia for people of all ages. All studies showed that housing wealth was withdrawn to mitigate exceptional and key welfare needs (e.g. sudden drop in income, relationship breakdown, health issues, old-age care, childbirth, the entry to homeownership of children but not for long-term health issues or death of a spouse which are more 'insurable' events). Wood et al. (2013) conclude that equity borrowing plays a welfare-switching role away from collective resources for welfare and a means to cover uninsurable events.

Relationship breakdown is one such uninsurable event. Four reviewed studies looked at this matter in detail. Taken together, it can be said that positive net housing wealth may provide a short-term safety-net in case of divorce/dissolution. Divorced owners are more likely to exit homeownership in later life or have significantly less housing wealth, particularly so in countries where entry in homeownership is more selective (e.g. Denmark, Austria and the Netherlands) but less so in countries with broad mortgage markets (e.g. Australia and the UK), generous welfare benefits and larger female employment (e.g. Austria, France and Germany). There is a gender effect: divorced males are more likely to re-enter homeownership and less likely to suffer prolonged

[3] Referring to the British model of council house sales to sitting tenants, colloquially known as the 'right to buy'. Similar policies of privatisation were applied in the post-communist countries.

[4] These differences reflect the cumulative effect of very different systems of social security, occupational pension and tax relief. Capturing such detailed differences is part of the challenge of comparative analysis across countries.

financial hardship in the long-term; and the owned home can become a financial burden for females who face difficulties in paying the mortgage. While country specific, the negative (housing) wealth consequences of divorce seem to persist in the long run – significantly more for people of lower income/education levels and for women.

The above examples of co-financing retirement and adversity indicate that the potential of ABW depends on the broader institutional environment (particularly welfare and labour markets) and on the socioeconomic position of households. Together these determine whether a household wishes, needs and indeed can withdraw housing wealth, with those on lower-income being less in a position to do so effectively or at all. The next section looks more in-depth at the ABW implications of housing wealth inequalities.

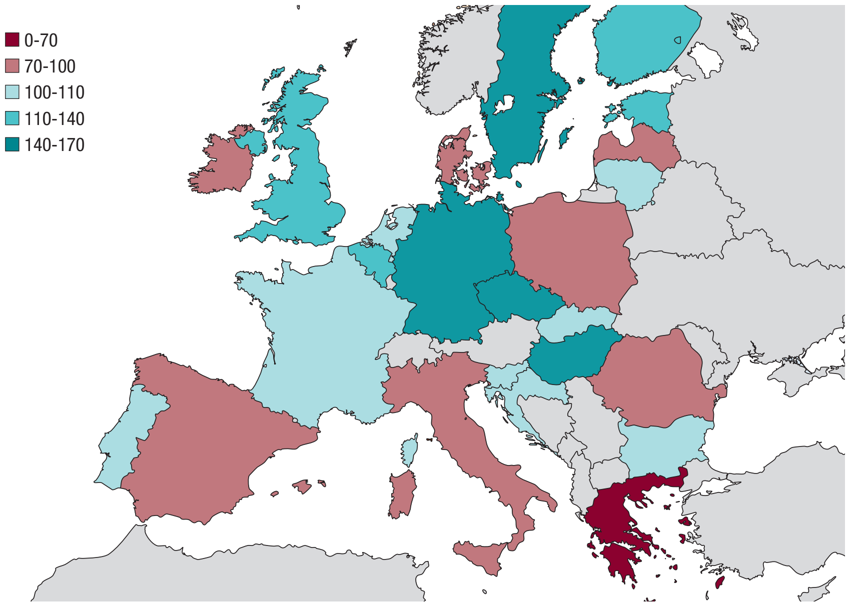
3.2.2. PROPERTY RICH, POOR AND HAVE-NOTS

Tenants are by definition excluded from ABW and it is clear they cannot compensate through other means. For instance, looking at private insurance take-up in the UK, Soaita and Searle (2018) found that affluent homeowners were insured against every major risk such as death, unemployment, illness, building and contents, and lacked the only insurance relatively popular among tenants, that for funeral expenses. Likewise, comparing 'otherwise-similar' tenants and homeowners in the UK and Germany, where access to homeownership is selective, Lersch and Dewilde (2018) demonstrate that it is not consumption behaviour, values or preferences that explain the ability to save towards entry into homeownership but rather the financial position of people and their families. They found no 'trade-off' between savings through financial products or saving thorough homeownership. Homeowners, therefore, are multiple advantaged as they independently accumulate financial and housing wealth while being covered against 'rainy days' whereas tenants face multiple disadvantages (even more so in the UK where house price growth is substantial and rents are higher than mortgage payments).

But financially-stressed/'marginal' homeowners are also *de facto* excluded from the possibilities of ABW. Two UK studies (Koppe 2017; Soaita and Searle 2018) compared affluent homeowners with marginal homeowners and tenants who fell out of homeownership, finding that the last two groups were more likely to be self-/temporarily employed and to have experienced unlucky life events, such as illness, domestic violence, relationship breakdown prior to the accumulation of any net equity. Koppe (2017) showed that marginal homeowners in the UK make up 10% of all homeowners; of these, about 2% struggled to pay their mortgages; 4% dropped out from homeownership without re-entry and the remaining 4% succeeded in re-entering. Demographically, they were more likely to be female, younger, experience a relationship breakdown, have high mortgage debt to income ratio and a second child in the household.

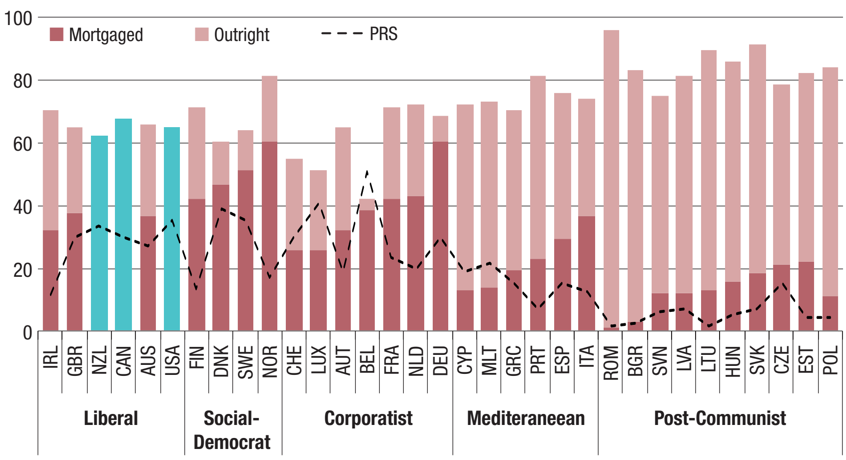
The possibilities for ABW depend on the highly unpredictable capital gains accrued between the moment of buying and that of need. Wind and Hedman's (2018) Swedish study demonstrates that higher-income individuals realise higher capital gains compared to lower-income/migrant households as the former buy in more advantaged neighbourhoods, which record higher house price growth than the disadvantaged neighbourhoods where the former can afford to buy. However, the fact that the costs of servicing the mortgage significantly 'eat' from the accrued capital gains is rarely taken into consideration; hence the lifecycle of the mortgage matters. Soaita and Searle (2016) showed that the costs of borrowing also advantages home-buyers in higher price growth areas as these costs wipe out a much lower proportion of gross capital gains (i.e. one third on average) than in lower price growth area (i.e. two-thirds on average).

FIGURE 2 House price recovery in Europe: 2018 compared to 2007



Source: by the authors (data based on HYPOSTAT 2019, Map 2, p. 30)

FIGURE 3 Households' tenure by countries and welfare regime



Source: By the authors, data sources: Europe (Eurostat 2020), Australia (https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure); Data for CAN, NZL and USA was broken on owners and renters only.

The vagaries of a volatile housing market and the lifecycle of the mortgage at the moment of need limit therefore the property 'haves' options for ABW. Figure 2 shows that in 2018, a decade after the start of the GFC, the average house price had not yet recovered in seven European countries (while in six values were much higher in 2007, by between 140% and 170%). Figure 3 shows that a significant proportion of homeowners are still paying off their mortgages in the first three groups of countries, being therefore theoretically more exposed to market risks with accrued equity (through repaid mortgage and capital growth) being obviously still below their current home value but not necessarily negative (significant incidence of negative equity was reported in the NL). The last two country-groups make a stark contrast with their widespread levels of outright homeownership.

Arundel (2017) looked at *net* housing wealth in the UK across all property haves (homeowners, second-home owners and landlords). He found that during 2006 and 2012 net housing wealth became concentrated among fewer property-have households. By 2012, the top 20% of property-have households owned over 60% of all national housing net equity, while the top 40% held over 85%. He argues that this pattern of concentration is being generated by redistribution from housing-poor to housing-rich households (rather than new-built housing), a process driven by the constraints faced by first-time buyers and the expansion of landlordism – a topic to which we turn later. The evaporating opportunities of lower/middle-class households and the increased post-GFC inequality resulted in 95% of all wealth gains going to the top 1% of the property-rich households. These inequality trends play further at both inter- and intra-generational levels, affecting the younger cohorts and lower-income of all ages.

Other studies (e.g. Christophers 2018) likewise see generational differences as outcomes of more fundamental inequalities (e.g. those of income from labour markets) and political choices (e.g. regressive redistribution, labour precarity, financial deregulation) that have affected old and young, but particularly the poor, the un-skilled and early labour-market entrants. Family solidarity has responded to this landscape of reduced opportunities and shrinking welfare states by pooling space, care-time and money across family generations. To this we now turn.

3.3. Intergenerational inequalities and family solidarity

Housing has been a key part of the debate on intergenerational inequalities, particularly between 'baby-boomers' and 'millennials' with some commentators promoting the idea of 'generational war' (Kotlikoff 1992). It is widely agreed that one effect of rising house prices is the lower likelihood of younger birth cohorts to enter homeownership[5] and the increase in housing wealth of older birth cohorts. The latter has also increased the likelihood of passing down generation significant wealth through inheritances and gifts (Hamnett 1991).

The international literature on intergenerational transfers is growing and helps understand how inter- and intragenerational inequalities consolidate in a country-specific ways. Not unexpectedly, in countries in which both housing wealth and income inequalities are relatively small, and access to education inclusive, the impact is small, e.g. in the Czech Republic and Norway (Gulbrandsen and Sandlie 2015; Lux et al. 2018). Conversely, in societies where homeownership is highly stratified, e.g. in Germany and the UK, intergenerational transfers sharply reinforce overall inequalities, limiting social mobility (Koppe 2018; Lennartz and Helbrecht 2018).

Parental gifts are offered for many reasons (e.g. to support access to education, rental costs, clear debt) but higher value transfers are given to assist entry in homeownership and even landlordism (Soaita et al. 2017). These transfers are not only unequal – wealthier recipients receiving higher gifts than their poorer counterparts, allowing for an earlier entry in homeownership (Barrett et al. 2015) – but trigger a 'wealth-effect' over the life-course, including through house price appreciation (Hills et al. 2013).

However, the number of people who received gifts and inheritances is small. Across five European countries,[6] 5.4% on average have ever received large financial support of whom 2% once only and 3.4% regularly (Emery 2018). In the period 2002-12 in Australia (Barrett et al. 2015), only 6% of individuals aged 25-65 received financial gifts and 1.4% received an inheritance. However, in Australia, receipt of an intergenerational transfer had an important effect: it doubled the likelihood of entering homeownership compared to non-receipt; and recipients were more likely to buy higher value homes than their un-supported counterparts. Parental assistance was more likely to be offered from and for expensive house-price areas, hence transfers were triggered and likely to trigger a wealth effect via higher capital gains from parents to children.

However, Cigdem and Whelan (2017) note that intergenerational transfers play a much more important role in facilitating homeownership for those at the margins, who would have been unable to buy unassisted. Policy-wise, encouraging families to direct gifts to those who need them most would be advisable albeit running against cultural norms of equal transfers between and exclusively to children (Soaita and Searle 2018).

Across studies, results are somewhat mixed and clearly country specific on the extent to which intergenerational transfers increase inequalities. For instance for the UK, Koppe (2018) finds very small effects of inheritance on the likelihood of children acquiring their first home in the UK (not least because inheritances are received later in life), which is supported by Dewilde, et al.'s study (2018) that find small effects of intergenerational transfers in increasing inequality. Conversely for the case of Germany, Lennartz and Helbrecht (2018) show that financial gifts influence access to homeownership. Such results should be qualified by the complex reality that the stratifying impact of family background is transmitted through enduring generational continuities in human capital, income, and occupation; and that small gifts in early life (e.g. education support) trigger a wealth effect that shadow the effect of later gifts or inheritance.

For the case of the UK, Rowlingson et al (2017) note that gift-giving and receiving is more prominent among the middle-classes than working-classes and that only 2% of financial gifts were sourced from housing wealth (by downsizing or re-mortgaging), with savings and income being the most common source. The great majority of recipients said parental financial assistance made a (very) great difference to their lives, particularly so among those aged 16-39. The authors conclude that intergenerational support:

> enables families to secure the next generation in a similar social class position. Thus, as family support increases in some families, with the withdrawal of state welfare, existing inequalities between families are widened and social mobility in society is reduced.

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5 For instance, Fuller et al. (2019) note that between the late 1970s and early 2010s, homeownership rates among 25-34 years old fell by a quarter in France, by nearly half in Denmark, Germany, Spain, the UK and the US, and by almost two-thirds in Italy. In the UK, they argued, the cost of a first home has risen from 2.7 to 5.2 years of earnings between 1983 and 2015.

6 AUT, FRA, DEU, BGR, CZE

There is indeed considerable policy interest in the extent to which social mobility is upset and the role that (wealth) inequalities play. However, as in other areas associated with wealth inequality, identifying and isolating the independent effect of wealth and advantage in upsetting social mobility is a challenging analytical problem.

McKnight and Karagiannaki's (2013) study goes some way to overcome these issues. They found a strong relationship between parental wealth (especially housing wealth) and children's educational outcomes on to earnings and employment. They also found that young people holding assets via inter-generational transfers or investments have a positive differential impact on progress in employment, earnings, health and well-being. This is only one, admittedly careful, empirical study but is indicative that housing wealth does have a powerful set of impacts on social mobility.

3.4. Landlordism

The private rented sector (PRS) – now growing in many countries – was generally portrayed as a tenure option for tenants rather than a welfare or investment strategy for landlords, even in countries where the sector has been historically large such as Australia and the US, and large and subsidised as in Germany.

Some of the driving forces that entice people to become landlords are country specific, e.g. financial deregulation and the retreat of the welfare state in the case of the UK and Norway[7] (Maclennan et al. 2016). BTL mortgages, popular during the last two decades in the UK and Australia, allow portfolio expansion by extracting equity from an owned property to be used as a deposit to purchase a new one (a move enabled by high house price growth rather than paid off mortgage debt). Families responded to the retreat of the welfare state with ABW strategies based on homeownership but also on landlordism. Inheritances also contributed to the growth of landlordism (e.g. 9% of rented dwellings are inherited in the UK).

Other drivers are increasingly global, e.g. the circulation of capital in search of scarce higher returns generating overseas ownership of rental housing (Fields 2018; Maclennan and Miao 2017). Indeed, global policies of low-interest rates resulted in historically low returns in alternative investment products (e.g. shares, bonds and savings), positioning residential property into a new asset class accessible to individuals. Cross-country landlordism is a particularly understudied phenomenon as are the returns of BTL landlordism. Finally, we should not ignore the increased demand for renting that has been produced by shortage of social housing; the precarisation of labour (Christophers 2018; Crawford and McKee 2018); migration; the toxic interplay between low-pay and high-rents, precluding young people from saving for a deposit; more stringent mortgage-entry requirements; and increased demand for (expensive) education in order to improve one's labour market position (McKee et al. 2019; Soaita and McKee 2019).

However, studies on landlords are patchy. While evidence has recently grown, it displays a clear UK and Australian empirical bias (Scanlon and Whitehead 2016; Wallace and Rugg 2014), with international comparisons being based on expert knowledge rather than landlord data (Martin et al. 2018; Whitehead and Williams 2018; Whitehead and Williams 2019). An exception is Wind et al.'s (2019) study on secondary property ownership (i.e. second-homes and PRS properties) in 20 European countries.

Wind et al. (2019) noted that secondary property ownership is held by a minority of households.[8] However, in 11 countries, this type of property makes a considerable share of households' net property wealth of between 20% and 40% – hence, secondary property does not conform with *'the stereotypical small and cheap holiday home'* (p.12). In the majority of sampled countries, and especially in the Mediterranean and post-communist ones, few of these are rented out, being used as holiday homes and homes for the extended family. High shares of landlords among secondary property owners were found in Ireland, Belgium, Germany (80% of all second property owners), France and Luxemburg (over 50% of secondary property owners). It appears thus that landlordism is attractive in both the regulated PRS of the Corporatist regime and the free-market ones of the Liberal regimes. The authors note that in Belgium, Germany, France and Ireland, self-employed workers are more likely to become landlords than salaried workers as income-replacement rates through pensions for self-employed are low. In these countries therefore landlordism is a long-term welfare strategy of mitigating old-age poverty for some social groups. But in Ireland – as in the UK (Arundel 2017) – there is also an upswing of (BTL) landlordism among wealth-rich households. The authors concluded:

> Landlordism has a different driver for the corporatist-conservative welfare states (where landlordism has been a common strategy to supplement a lower income in later life for decades) and the liberal welfare states (where it is a relatively new phenomenon). In the latter, it is relatively skewed toward property speculation by relatively wealthy, but not necessarily self-employed (p.21).

Other studies supported the view that landlordism is a family welfare strategy for not particularly affluent landlords while being a (speculative) investment strategy for those affluent (Nethercote 2018; Soaita et al. 2017). Ronald and Kadi (2018) also observed this bifurcation for the case of the UK. Despite clear trends of property-concentration in the hands of large-portfolio landlords,[9] the authors note that over one million small-portfolio landlords have emerged in the last decade in the UK. This means that the sector has grown extensively (more people becoming landlords) and intensively (some landlords acquiring more properties).

Qualitative research (Bierre et al. 2010; Soaita et al. 2017) showed that small-portfolio landlords see their letting property as an ABW strategy, i.e. providing a pension supplement or a safety-net. They entered the market by chance (inheriting property; partnering), as a family strategy ('Ma and Pa' landlords) or to counteract the historically low interest rates on savings (Duffy et al. 2017). Some of these (still) small-portfolio landlords are young. Qualitative research showed that young landlords have benefited from substantial family support, whether in non-financial forms (e.g. DIY, child care, living in the parental home) or through financial gifts supporting early-entry in homeownership (Soaita et al. 2017) and combined with taking in lodgers (Soaita and McKee 2019; Soaita et al. 2017). Hence, family financial support triggers wealth not only through homeownership but also through landlordism.

Conversely, large-portfolio landlords see landlordism as a business activity and a way to diversify their wealth portfolio (MHCLG 2019). These individuals have purposefully built their rental portfolio as a (side-line) business activity,

[7] This does not apply to enduring deregulated countries (e.g. Australia and the US) or enduring regulated countries (e.g. Germany, Netherlands, Sweden). In some countries, rent controls are a choice for states and provinces (or even some cities, e.g. New York, Toronto).

[8] Between 4% and 10% of households in NDL, SLK, POL, AUT; between 10% and 15% in IRL, SLV, GRC, ITA, HUN, DEU; and between 15% and 27% in PRT, FRA, LTV, MLT, CYP, LUX, EST, FIN, ESP.

[9] E.g. in 2010, 72% of landlords had just one rental property and only 6% had 4 or more properties (Lloyd 2013). By 2018, just under half of all individual landlords in England own one property for letting purposes and 17% had 5 or more units (owning almost half of all rented properties (MHCLG (2019). While data is not exactly comparable, it shows an increasing concentration of rented property since 2010.

buying mostly with cash during the 1990s (and maintaining a low-debt portfolio) but increasingly with BTL mortgages after 2000 (some preferring high-debt expansion by re-mortgaging existing property). While landlords' circumstances and socioeconomic profiles remain diverse, it is clear that landlordism remains and is becoming even more concentrated among privileged households (Arundel 2017). While most landlords cannot be considered "super-rich" (Lloyd 2013), a small share holds increasingly large rental portfolios, setting the stage for rentier capitalism, i.e. wealth being generated passively through rent from wealth rather than productive economic means (Piketty 2014).[10]

3.5. Housing wealth, rising house prices and the economy

The arguments and evidence presented so far have focussed on the incidence and uses of housing wealth gains for individual households. Housing research has tended to focus upon the distributional, fairness and ABW consequences of housing wealth increases and shifts and reflected little upon the wider economic consequences, including wealth and income effects, of these housing sector driven changes.

There has been, however, a growing recognition that the gains driven by rising house prices have significant impacts on wider economic outcomes in metropolitan and macro-economies. We briefly summarise these insights below as some of the price rise effects may detract from societal wealth and income. We also believe it is important to draw attention to emerging work on these issues as economies and housing systems confront the economic consequences of the COVID 19 pandemic.

Rising house prices, driving increased housing wealth for some, are now seen to lie at the core of the crises of affordability for the homeless, low-income renters and younger potential homebuyers that have significant consequences for public spending budgets (Maclennan et al. 2019). There is also now a growing concern that the same processes are increasing economic and financial instability in some economies and reducing growth and productivity in others, and in consequence slowing and distorting the gains from effort and innovation.

Some economists (e.g. Buiter 2010) argue that housing wealth shifts within economies have a marginal economic effect only, as the increased wealth of owners as prices rise translates into reduced income and wealth for non-owners, so that transfer effects cancel out. However, there is emerging evidence and concern that high and rising housing costs and rents can significantly shape the trajectory of economies. We noted (Soaita et al. 2019a) that strong evidence has accumulated over the last two decades demonstrating that rising housing wealth levels impact household consumption, with estimates of 5-10% of gains augmenting current household spending. Rather than a cause for celebration, this has the effect of exacerbating economic cycles, heightening booms and deepening recessions, with house price changes having thus pro-cyclical effects on consumer expectations and spending.

Major international agencies, e.g. the IMF and the OECD, have also become increasingly concerned about the rising ratios of household debt to GDP in the liberal economies that have accompanied rising home prices and high homeownership rates. In these economies – our first group of countries in Figure 1 – rising mortgage debts have driven rising total housing debt ratios and raised concerns in some national economies, including Canada, the UK and Australia. A negative shock to the national economy with consequent high unemployment – and COVID 19 seems set to induce deep negative shocks until 2023 – is likely to prompt mortgage defaults at scale and trap households in negative equity. Housing wealth losses may well dominate the next five years, hamper financial stability and drag down growth and recovery rates reducing national wealth below potential levels.

In major metropolitan areas, especially in the liberal economies, the housing market pressures and price surges – and consequent wealth gains for existing owners – are now recognised to have had negative effects on productivity and growth. Some macroeconomic estimates for the US suggest that metropolitan price increases have driven economic activity away from peak productivity localities and reduced GDP by between 3-4% (Glaeser and Gyurko 2018) and 10% (Hsieh and Moretti 2019). Although there is much debate about the causes of metropolitan price changes, the consequences for households are now beginning to be researched. For example, Maclennan et al (2019) have demonstrated how high house prices in Sydney have forced younger and middle income households to move further away from the densest areas of job opportunities and this has weakened the 'matching' processes in urban labour markets in ways that damage the long-term labour market rewards for such households. A wide programme of research on the impacts of higher housing costs on income growth and stability in Australia is now commencing (Maclennan and Long 2020).

There are emerging debates at metropolitan and national levels about the effects of housing prices on economies, including income and wealth growth in the productive sector. The focus on household housing wealth gains and their uses is important, but needs to be set in the context of a wider systemic understanding of how housing outcomes, including the impact of house prices on the wealth creating strategies and capacities of cities and nations. There is a growing concern that rising house prices and individual housing wealth holdings are consuming the gains from agglomerating skills and innovation in metropolitan areas. And at the macroeconomic level, as economies now face major challenges of recovery and reconstruction, wealth growth based upon speculation and ownership of resources in short supply such as accessible metropolitan housing are unlikely to be tolerated as a dominant basis for future wealth growth. The challenges of understanding house prices, their housing wealth consequences and wider economic effects are just starting.

4. Conclusions

Taking an international perspective, we examined the social and economic implications of housing wealth inequalities for households. We focused on the potential of housing wealth to be mobilised to address family welfare and compensate for reductions in state-welfare support, on the effect of intergenerational transfers on social mobility, and on the implications of an increasing concentration of housing wealth through landlordism. Overall, we argued that housing wealth inequalities, stimulated by house price growth, reinforce inequalities related to labour market and family socioeconomic positions as well as inequalities of gender, generations and spatial divisions. COVID 19 has made these inequalities even more visible, but they are far from new (The RHJ Editorial Collective 2020).

We have qualified these statements within the institutional context of welfare/housing regimes. For instance, it was shown that homeowners are twice advantaged (as are tenants twice disadvantaged) as they accumulate independently housing wealth and financial wealth, but particularly so in the liberal countries where rents are deregulated and higher than mortgage payments; capital gains are substantial; and renting during

[10] Even though some landlords self-manage their portfolios (more in the UK than Australia), in most cases their labour input is minimal compared to the rental income received.

retirement causes old-age poverty. While housing wealth may offer some short-term relief and the potential to address sudden misfortune, it does so particularly for middle-income households as higher-income households have better options (e.g. savings, insurances) while marginal homeowners are already mortgage-stressed and unable to withdraw equity.

The liberal regimes of Anglo-Saxon countries dominate much of the existing English-language scholarship, obscuring the potential to learn of and from other countries' experiences. For instance, the post-communist countries are least present in this literature. Their approach to housing as home rather than an asset is particularly, albeit only theoretically (given its historic base), relevant to the rest of the world now when the COVID 19 pandemic has brought into focus the use value of housing (Byrne 2020) and the lived consequences of a toxic race for the accumulation of housing wealth, e.g. PRS tenure insecurity; mortgage indebtedness; lack of affordable housing (particularly in the liberal countries).

The UK-Germany contrast was particularly informative; it showed that the UK failure to manage homeownership growth and the expansion of landlordism *without* an effective strategy to mitigate house price and rent increases has shaped an economy where returns and wealth have increasingly been driven by 'rentier' capital (Maclennan and Miao 2017). Better managed housing markets have allowed Germany to focus more effectively on the education, investment and innovation infrastructures that promote a successful productive economy. Comparisons between the Neoliberal and Social-Democrat/Corporatist regimes seem most relevant from an Anglo-Saxon perspective but much can be learnt from the rest of the world; for that, more cross-country comparative scholarship is needed.

Focusing on the Liberal countries, a number of general points about housing wealth redistribution are apparent. Rising real rents across deregulated rental housing markets meant significant transfers of income, and potentially wealth accumulation, from tenants to landlords. Given the metropolitan dimensions of the processes driving these changes, it is the owners of property, owned or rented, who are capturing the housing gains from metropolitan economic growth. This shift is generally regressive, with transfers to better off rather than poorer households, and has undermined the traditional capacity of homeownership to reduce wealth inequalities, while also denying lower-income private renters the right to a decent home (Soaita et al. 2020). Housing wealth accumulation and its distribution is at the centre of the processes that drive the economy towards rentier outcomes that reinforce inequalities (Maclennan and Miao 2017; Piketty 2014).

More briefly, we also drew attention to emerging macroeconomic concerns about rising house prices and growing housing wealth inequalities as they affect the productivity and stability of economies and reinforce pro-cyclical spending, further deepening recessions. Taken together, we believe that, as economies now face major challenges of recovery and reconstruction, wealth growth based upon speculation and ownership of resources in short supply (e.g. accessible metropolitan housing), should not be tolerated as a dominant basis for future wealth growth. It is timely that the inefficient and indeed unfair effects that unequal housing wealth distribution has on households, local and national economies be addressed and contribute to post-COVID 19 recovery.

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Housing and urban development in France under the sword of Damocles of present and future medical crises

↳ By Jean-Pierre Schaefer

1. 2020, business as usual for the building industry?

During the first lockdown, the building industry was brought to a halt suddenly and was then able to resume activity in May, under various constraints in terms of organization and with disruption to the availability of some materials. The rhythm of construction quickly found its usual pace. At the end of October 2020, the average annual rate of new construction was 386,000 dwellings, a rate lower by 10% compared to 2018 and 2019 figures but close to the 2010-2019 average.

Independently of the state of medical emergency (SME), a year of municipal elections slows down the issuing of building permits. There is usually uncertainty about the continuity of local political will.

The level of new construction in France is still one of the highest in Europe and even a drop of construction in 2020 and 2021 will keep it at quite a high level. Anyhow, the slowdown in construction will oblige developers (private and social) to re-examine their objectives for construction according to each local market.

Private developers reported a major slowdown in (apartment) sales in the first two quarters of 2020 compared to 2019. However, developer sales have shown strong growth over the past five years. A decline in production and sales would still leave them close to long-term measured values. The decline in new projects illustrates the great caution of the developers. They have learned, over several crises, to adapt their supply according to the ebb and flow of the market.

The social rental sector recorded a decline in its production and related commercial activities, particularly sales to sitting tenants (5% of revenue in 2017). The decline in activity in many economic sectors, increased social needs and a slowdown in subsidized ownership[1] (for new construction) will increase the need for social rented accommodation. A third of households in the first (income) decile have seen their income fall during and after the lockdowns. The social housing sector is considered as a "shock absorber" of economic crisis. The activity of this sector, the strongest in the Union, benefits from support measures provided by its financer (Savings funds managed by Caisse des dépôts). This robust financing system saw its resources supplemented by precautionary savings. Many French households have increased their savings, as is usual in times of stress in a country with a deep saving tradition. Production in 2020 will be slightly under 100,000 social housing units.

Although the social housing organizations consider their financial conditions as very tense, the 40-year projection of their finances concludes that the sector is in good financial health. It could go on building 100,000 housing units per year and rehabilitating more than 100,000 over several years. These projections assume very low interest rates, the maintenance of a high level of personal assistance (paid from the State Budget of €18 billion of which half is spent on social tenants) and, above all, no major economic collapse. In the event of a deterioration in resources, the maintenance of the stock might serve as an "adjustment variable". In twenty years', time, the projection results in a social housing stock of 6.9 million dwellings, i.e. one fifth of the total stock of principal residences.

2. Housing prices: usque non ascendamus

Will a depressed economic situation change the trends of housing market prices? The house price index did not show a pause in its slow but steady growth. Despite the foreseeable decline in both GDP and household incomes, prices relative to income make housing even more expensive in relative terms. Looking at the various local markets, the rise in the city of Paris and close neighbourhoods is much higher than in the rest of France. But price increases can be found as well in large metropolises such as Lyon and Bordeaux. The average price of housing remains above five years of average income, in new dwellings as in existing units. This ratio has been observed for the past five years and does not seem to be about to fall. In new construction, there are no reports of a drop in prices, in any region.

Indicators at the end of October 2020 show a steady pace of property sales (1M/year). Altogether the overall trend in sales has been rising regularly for the last twenty years compared to historic figures. Since 2000 the number of property sales has been close to 900,000, with fluctuations during the 2008 GFC. The annual turnover of 3% in the total number of properties is significantly higher than the 2.5% observed before 2000.

The first lockdown stopped most of the commercial activity for selling both existing dwellings and new projects. Measures have been taken for authorized electronic signatures and proxies for sale. Most legal delays were extended during the period of the lockdowns. Transactions and sales were facilitated despite

[1] Subsidized ownership refers to subsidized loans ("Loans at zero rate" PTZ) enabling first-time buyers to purchase a newly built house. This is the main route to ownership for low- and middle-income groups while also creating a new housing stock. It has no relation to the sale of social dwelling to sitting tenants which doesn't increase the supply of housing and is used, on a rather small scale, to provide equity for social housing organizations.

sluggish activity, through digital methods like virtual visits, online assessment and open data on property values. In the event of a continuation of a very depressed economic situation, the sale of dwellings by private investors will only play a minor role in the flow of sales. Real estate is only a rather small part of their income. However, indebted investors or shopkeepers in difficulty could be obliged to sell some properties.

However, newcomers still face strong difficulties in entering the housing the market. First time buyers can only rely of the low rate of interest for buying combined with family assets. The question of the link between expensive real estate and a low rate of interest is a classical chicken and egg problem.

3. Should the medical crisis lead to changes in the urban and architectural choices for housing?

3.1. Inequities and conditions of life at home during the lockdown, Home, sweet (and sour) home:

The lack of comfort for some households, during the lockdowns opened a wide-ranging debate about an increase of pre-existing inequalities in the field of the housing.

According to the National Housing Survey of 2013, 76% of households are satisfied with their housing condition, 17% consider their condition as "bearable" and 6% are dissatisfied. Although altogether 22% of the households are "ready to move", the turnover of households is very low for owner occupiers at 1% to 5% per year. Turnover is average in the social rental sector at 10% and much higher in the private rental sector at 30%. The turnover varies according to the size of the dwelling, lower for floor areas above 80 m^2. It varies with the age of the household, being very low for those above 40. A low level of turnover is an indicator of satisfaction with the home, at least for middle and upper-income households, who have the means to move.

The lockdown opened many discussions and debates about the quality of housing and to what extent the inhabitants could enjoy staying inside their homes with only a limited possibility of going out.

- Overcrowding measured according to the rules of the National Institute for Statistics (INSEE) affects 8% of the total housing stock, 15% to 17% for tenants, especially in neighbourhoods with a high proportion of tenants in flats.
- Flats have a mean area of 63 m^2, versus 112 m^2 for houses. While 95% of houses have a garden, only one third of inhabitants in flats have access to a private external space. Balcony or loggias are scarce for buildings before 1948, more common (60%) for flats built after 1948.
- There are more houses occupied by owner-occupiers and more flats occupied by tenants. An owner occupier enjoys an average area of 45 m^2 per head. Mortgagers (first-time homeowners) and tenants have an average area of 30 to 36 m^2 per person. Households enjoying much less than this average were likely to feel the hardship of lockdown more strongly. This feeling may be increasing for households living without balconies and the 20% of households without access to outside spaces.
- Studies are needed to appreciate the problems arising inside families, dealing not only with the lack of space but other aspects like the privacy for each member of a households. Noisy repair or maintenance works in a building could be a problem for neighbours living and working all day long in their flats. Co-working and co-studying inside a flat could be problematic without internal soundproofing.

Recent INSEE surveys indicate greater discomfort during lockdown felt by some households in urban collective housing, especially those without amenities and an individual surface area of less than 25 m^2. The way the inhabitants have felt during the lockdowns need some sociological or psychological enquiry as the pure statistical approach cannot answer to the question of the quality of living:

3.2. Houses versus flats:

In terms of meeting the needs of households, the debate is about the structural choice between house and flats, as 17 million households live in houses while 12 million inhabit flats.

The single-family house may meet the demand for space from households, and not only for the most solvent ones. Four rooms or more can be found in 84% of houses and in only 30% of flats. Thanks to its larger surface area, and the possibilities of various partitioning systems, the house facilitates home-based activity: not only teleworking or distance learning but also productive activities such as different forms of crafts (repair, manufacturing etc). The house with its garage and annexes can be used for storage, including producing and storing energy.

Both private and social developers will have to be more imaginative in proposing alternatives to the demand for space in urban flats.

Is it possible to reinvent some collective residential premises "Locaux Collectifs Résidentiels"?[2] Perhaps common services spaces, associated with the shared garden and the collaborative DIY workshop should be developed? A requirement will be to include their cost in the selling price and imaginative management methods will have to be found via "co-ownerships 2.0".

Developing a supply of large flats in urban areas is not common in the financial scheme of private developers. Sometimes large flats are sold, described as "penthouse" on the top floor, noted in towns like Montpellier. But the quantity on the market seems to be marginal, as there is only one top floor per building. Developers consider that urban and dense markets are for small sized households or for investors. Investors prefer to spread their risks by buying two small flats instead of a large one.

Field surveys will be needed to appreciate at which point developers could change their conception of home, including the need for large flats in urban buildings.

3.3. Private space versus working spaces in housing

During the lockdowns one third of the working people have been using teleworking while one third went out of the home to work. Teleworking is common for non-manual activities, mostly for higher income workers while low income employees are often obliged to go out for working. One third of parents with young children encountered difficulties with schoolwork at home, especially households belonging to the first quintile of income. Since the onset of the pandemic,

[2] Since 1960 any subsidized housing scheme (rental or ownership) above 100 units must include common spaces "Locaux collectifs résidenties" for social activities and enhancing resident participation in the building management The average size of most housing programmes being under 50 units, such spaces are rare nowadays. Social activities must rely on rooms and spaces provided by the local authorities to the local non profit associations, clubs or charities.

companies have been requested to develop teleworking. Teleworking existed long before covid-19, but its development was blocked by legal and managerial habits. Covid-19 will be an accelerator.

But teleworking opens a wide range of questions regarding the adaptation of private home to the needs of the employer and of employees: quality of internet, security and safety, privacy rights and so. Labour laws and regulation should adapt and regulate how the costs and advantages of teleworking will be shared between employers and employees. Regarding the structure of the home, the larger the home the more suitable it is for organizing spaces devoted to the various members of the household. The question of soundproofing various spaces inside a home should be studied.

3.4 Housing for elderly:

During some medical emergencies, especially during summer heatwaves, the attention was focused on seniors living alone and who could not properly manage their ventilation during a heatwave. In France air conditioning is spreading, especially in the southern regions, but can be found only in one fifth of the housing stock. And environment advocates fight against its extension. In homes for dependant seniors some living rooms have been equipped with air conditioning devices.

During the Covid19 pandemic, seniors alone in their home were enjoying a "good" level of safety as they were de facto isolated. In some homes for dependant seniors, the mortality rate during pandemic peaks has been very high especially in April 2020. Altogether among the 63,000 deaths (end December 2020), 19,000 died mostly in residences for seniors as they concentrate people at risk from many health threats. Half of the residents (728,000 residents in 2015) in a senior citizen's residence in France are above 87 years.

The operators of senior citizen's residences will have to strengthen their medical role. This will have an impact on the technical premises and the circulation of the personnel more than on the residents' spaces. The medical rules are in contradiction with the vocation of such residences, to fight against isolation at old age. However, changes in the age pyramid lead to an increase in the number of residences. It will be necessary to continue to find housing solutions managed in a humane manner to provide adequate housing for old and very old people.

4. Urban dynamics and density "tous n'en mouraient pas mais tous étaient touchés"

Could the medical situation modify territorial dynamics throughout the country? The medical crisis is focused on various territories, from large to small cities. Its second wave is more focused in the South East while the first wave was strong in the North and North East. Therefore, no territories should be considered as unaffected. But it is not yet possible to detect any regional impact linked to the economic depression. Metropolitan areas of Toulouse and Bordeaux used to be buoyant housing markets. This was partly connected with economic growth, especially aeronautics with qualified and well-paid professionals. These areas have not been much affected by the medical crisis, but they could face a drop in economic activity which will slow down housing investments.

The geography of the disease needs to be scrutinized to understand the impact of short-term factors and other elements like the urban structure or the local economic networks. Some high-density areas were able to successfully face the disease thanks a high level of medical equipment. Some middle size towns encountered a high level of infection and fell short of high-level hospital equipment. Transfer from one region to another of patients in intensive care unit was made possible through TGV trains turned into mobile hospital units. Remote areas could appear to be protected from the dissemination of the virus (mountains Central France, South west, Brittany). However, some specific dissemination cluster has been noticed, for example, in Mulhouse or in Oise in spring and during fall in Haute Savoie.

Precise analysis of disease dissemination will be needed before town and urban planners can make any statement regarding medical requirements and urban planning. In the past, hygiene principles enacted during the first half of the XXth century have been turned into town planning principles in a rather simplistic way. Hygiene principles cannot be transferred as such in the delicate art of urban planning and developing architecture suited to the daily needs of normal human beings. Strong precautions should be taken, for instance when some marketing experts try to sell "defensive" urban planning.

The national pace of construction is less interesting for market players than local activity and the question at stake is where housing should be built. For many years strong national production rates have contrasted with weak production in Ile-de-France where only 40,000 housing units were started per year. However, this figure has increased since 2010, reaching and then exceeding 70,000 units, an objective deemed necessary for fifteen years. At the end of September 2020, year-on-year, the figure of 74,000 housing units started in the capital region is a very positive sign. A reduction of its housing deficit will be keenly felt by decision-makers. It will be necessary to check whether, in 2020 and 2021, this dynamic will continue in Ile-de-France.

4.1. Houses in the countryside or urban locations?

During the lockdown, the role and the use of second homes was debated as they became principal homes for some of their urban owners. Any dissemination of the disease through these migrations has not been proved.

Some real estate agencies have reported an increase in demand for houses "less than two hours from Greater Paris". The lockdown prompted debates about the topic "Will many households be willing to settle in the countryside to avoid diseases in high density towns and enjoy a better way of life closer to nature, a nice home and teleworking". As a matter of fact, choosing a green and protective habitat will go hand in hand with expectations regarding hospitals, electronic communication facilities, motorway and rail accessibility for improving the attractiveness of rural areas for multi-purpose residential real estate.

Households who could make such a choice will have a high income (or savings) or have young kids and jobs using teleworking (no manual nor technical work and no managerial activities). These prerequisites define a rather small number of households (well-off retired couples). For most households, the room for manoeuvre is limited. there is not likely to be a massive exodus of population from the urban core.

Another question could whether young households will choose to settle in large metropolises, which have enjoyed strong growth for the last ten years, or, alternatively, to middle or small size towns, providing at walking or cycling distance many services from school to health and cultural services. Middle and small size towns are cheaper than metropolitan areas and exhibit a low level of urban congestion.

New comprehensive urban programmes as "Cœur de ville" or "Petites villes de demain" aim at enhancing the assets of existing urban centres with local services and relocations of productive activities. The health crisis may be an opportunity to make small and medium-sized cities attractive with the backing of public incentives and grants.

5. A wide range of new legal issues

The lockdowns and restrictive meeting rules have changed the legal framework of housing management. Property management has been eased with extension of the mandate of the co-ownership trustees, dematerialisation of co-owner's general meetings, relaxing majority rules, digitalizing procedures. They are consistent with the measures taken in recent years to facilitate decision-making and better maintenance of buildings under co-ownership. It will be interesting to see if they meet with a strong support from the homeowner and if new legal issues appear.

In the urban economy, the medical measures show the "value of the pavement". Pavements are scarce and congested. they are turning into a key resource for deliveries, for many new objects like electric recharging stations, fountains or waste collection points. And they are already occupied by café terraces and shop displays. Should the municipality charge for them or leave them open and free of charge? A congestion charge helps to limit car traffic and combat pollution but in France cafés and restaurant have been allowed to expand onto the pavement, in order to keep customers more distanced from each other. As soon as commercial activities resume the question of the price of the pavements and their management will be an important question at stake for local authorities and all private partners.

Faced with a strong reduction in the number of European and foreign customers, tourist and business residences will have to attract a local clientele. It will be difficult to attract investors for new projects. Tax deduction mechanisms will not compensate for a zero or negative return and the rather low liquidity of the investment. The entire tourist industry is faced with a stark drop in activity. Short term rental (daily, weekly) in tourist locations will be turned over to ordinary long-term rental. This could benefit private rental supply and newcomers to the housing market.

During the lockdown, sheltering the homeless was a difficult task. Many charities had problems due to the scarcity of volunteers, as many are retired people and are therefore at risk. The regular increase of homes and shelters eased the management of the situation especially in middle and small towns. The question of rough sleepers, especially migrants eager to cross France to reach the British paradise continue to be a major problem in very large cities. The winter truce (1/11 to 31/3) for preventing evictions was extended until the summer. According to various charities, evictions management was improved, without suppressing them entirely.

6. Beyond the medical and economic crisis, the environmental issues are the main challenges for housing

The 2020 Environmental Regulations are a major challenge for the building industry. Eight years after the 2012 Thermal Regulations, developers and building contractors must be ready to implement higher standards in energy consumption and to reduce grey energy in building materials. Economic analyses show that increases in construction costs are not correlated with the more demanding technical regulations but are linked to the local level of competition between building contractors and to the macroeconomic environment. Currently, the low cost of non-renewable energy means that public incentives and/or pure legal regulation are necessary. The payback period for investments in energy saving is very long. The introduction in 2020 of new grants for refurbishment, taking over from a previous mechanism, should make it easier to adapt the existing stock to the energy transition.

A new objective for the building industry has been established under the acronym ZAN for "Zéro artificialisation nette". The density of new operations can be optimised by providing quality housing, not by building high-rise buildings. Higher density may be reached for houses through careful architectural design and by reducing the size of individual plots. Reduction in urban sprawl or "urban fragmentation" could be achieved using the present tools of local urban planning and local housing policies. A balance should be found between increasing density, reducing environmental costs and providing a supply of housing which suits the households who need a reasonable living space when at home and nice surroundings in order to cope with the next pandemic.

Russian Housing at a time of Covid: the impact, policy response and legal trends

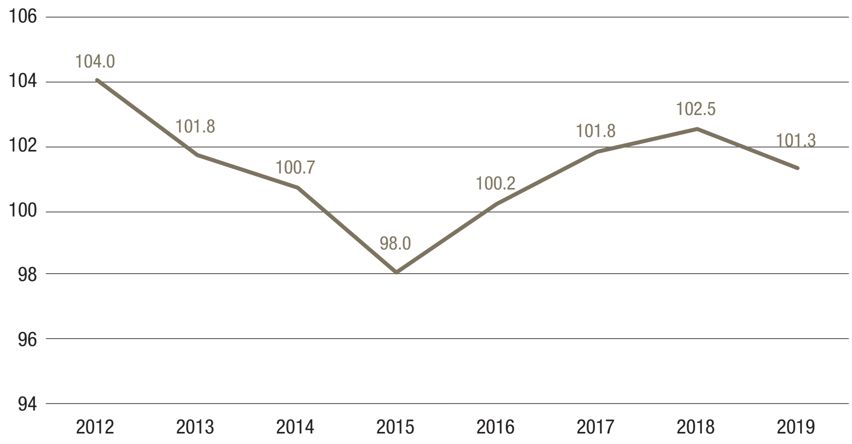
↳ By Marina Khmelnitskaya, Aleksandra Burdyak, Olga Pushina

1. Introduction

The coronavirus pandemic heightened the importance of housing around the world. With people confined to their homes with the incomes of many slashed by economic inactivity, different aspects of housing including its quality, size/space, affordability of rentals and mortgage repayments became critical. Governments around the globe came under enormous pressure to take measures to provide assistance in the housing sphere.

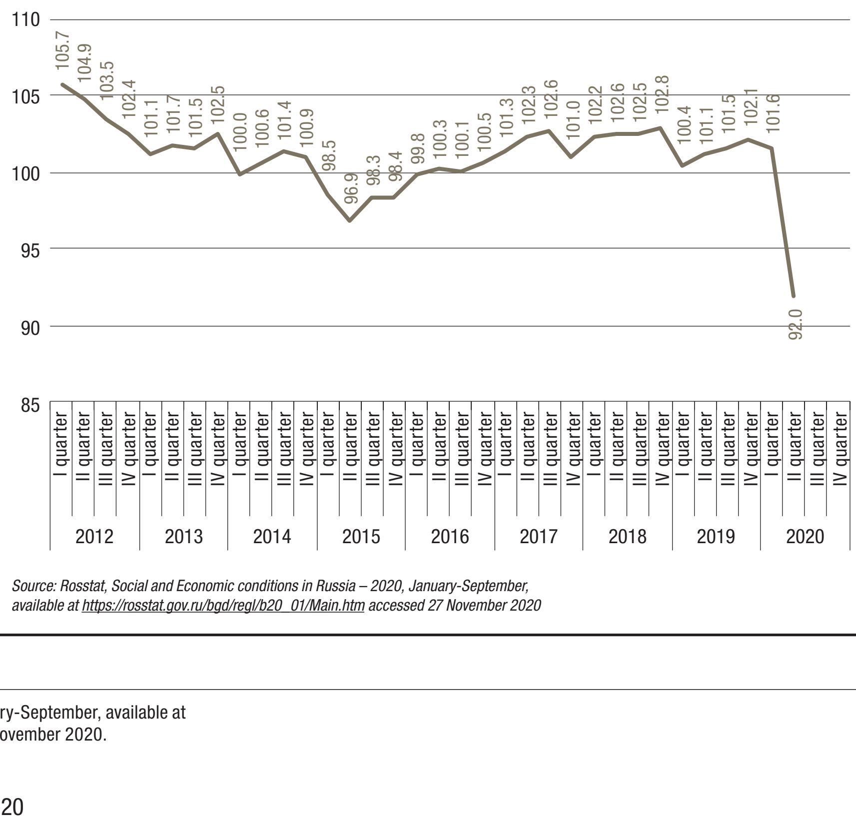
In this contribution we consider the effects of the Covid-19 crisis on housing in Russia, different support measures introduced by the Government and the developments in the Russian legal practice concerning housing.

FIGURE 1 GDP change, %



Source: Rosstat, Social and Economic conditions in Russia – 2020, January-September, available at https://rosstat.gov.ru/bgd/regl/b20_01/Main.htm accessed 27 November 2020

FIGURE 2 GDP change 2012-2020, % to the corresponding quarter of the previous year, %



Source: Rosstat, Social and Economic conditions in Russia – 2020, January-September, available at https://rosstat.gov.ru/bgd/regl/b20_01/Main.htm accessed 27 November 2020

2. Effects of the pandemic

As a result of the pandemic, Russian GDP contracted by 8% in the second quarter of 2020. The economic contraction in January-September was 3.5%, compared to the same period of 2019. This recession came on the back of a slow growth of 1.3-2.5% during the preceding 2017-2019 period. Household real incomes decreased by 3.6% in the period January to September 2020 compared to January-September 2019.[1] (See Figure 1 and 2).

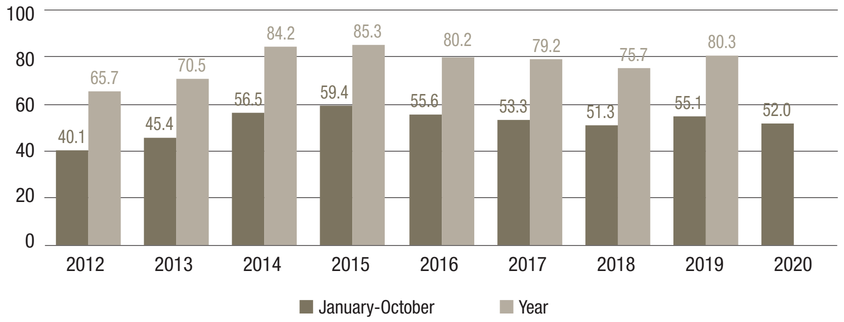
2.1. The housing market and mortgage finance

House prices, by the third quarter 2020, increased by 8% for newbuild and by 4.9% for secondhand housing, (nominal growth in Q3 2020 compared to Q4 2019). Consumer price inflation from January to September was 2.9%.

Net housing construction from January to September was 52.0 mln sq meters. It went down by 6.3% compared to the first nine

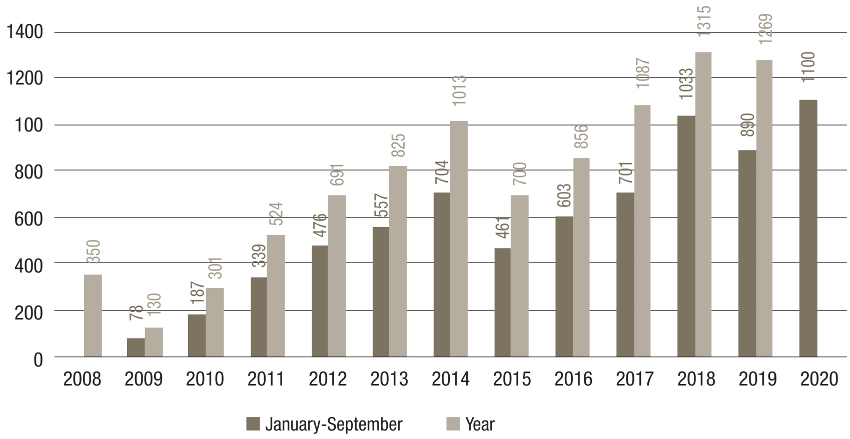
[1] Rosstat, Social and Economic conditions in Russia – 2020, January-September, available at https://rosstat.gov.ru/bgd/regl/b20_01/Main.htm accessed 27 November 2020.

FIGURE 3 Housing construction 2012-2020



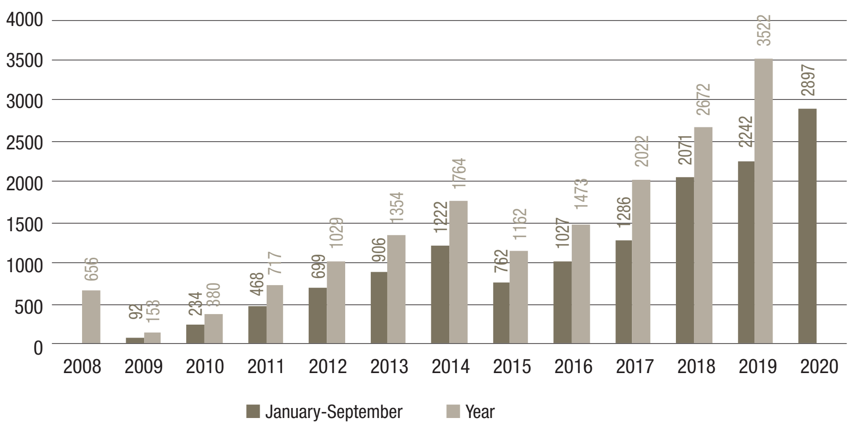
Source: Rosstat, Social and Economic conditions in Russia – 2020, January-September, available at https://rosstat.gov.ru/bgd/regl/b20_01/Main.htm accessed 27 November 2020

FIGURE 4 Number of issued mortgage loans, mln sq meters, thousand



Source: Central Bank of Russia

FIGURE 5 Volume of issued mortgage loans, RUB billion



Source: Central Bank of Russia

months of 2019, with a notable drop in May-June 2020 due to the lockdown measures followed by an increase in the subsequent months. (See Figure 3).

Mortgage debt, nonetheless, grew by 16.4% y.o.y. during the year to October. After a period of inactivity in the late spring to early summer, mortgage borrowing picked up and demonstrated robust growth in late summer and early autumn. Given the reduction in earnings and the economic downturn, this growth is puzzling. Moreover, its combination with the increases in house prices made some observers raise concerns about the possibility of the formation of a bubble in the Russian housing market.[2] Yet, the boom in the housing and mortgage markets during 2020 might not be unusual based on international comparison. Nonetheless, in Russia it's causes were due to specific indigenous regulatory and cultural practices.

First, it can be noted that apart from the delayed demand which accumulated over the lockdown period, the increases in mortgage borrowing were encouraged by the soft monetary policy of the Russian Central Bank, which reduced its base rate several times to summer 2020: from 7.57 % to 6.25% in June 2019 and further to 4.25% in July 2020. The second factor was the Government's programme of interest rate subsidization for mortgage loans, which we address in the next section. This allowed average mortgage borrowing rates during 2020 to reach historically low levels for Russia of 7.5%. Third, because the Government anti-crisis programme of mortgage subsidization introduced in April 2020, was originally to end in November, many borrowers rushed to take out a housing loan before that time. Finally, it can also be noted that not all mortgage borrowing during 2020 were new loans. Around 13-14% of loans in the period to October 2020 were refinanced old loans. This taken together paired with Russia's modest mortgage debt to GDP ratio – as of 1 October, the mortgage debt including mortgage securities amounted to RUB 9.3 trillion or around 8-8.5% of GDP[3] – led many experts to doubt the likelihood of the formation of a housing bubble[4] (see Figures 4-7). Yet, some observers still expressed concerns that a proportion of new borrowers may struggle with their loans in the future.[5] Nonetheless, mortgage lending remained the most reliable segment of the Russian consumer debt.

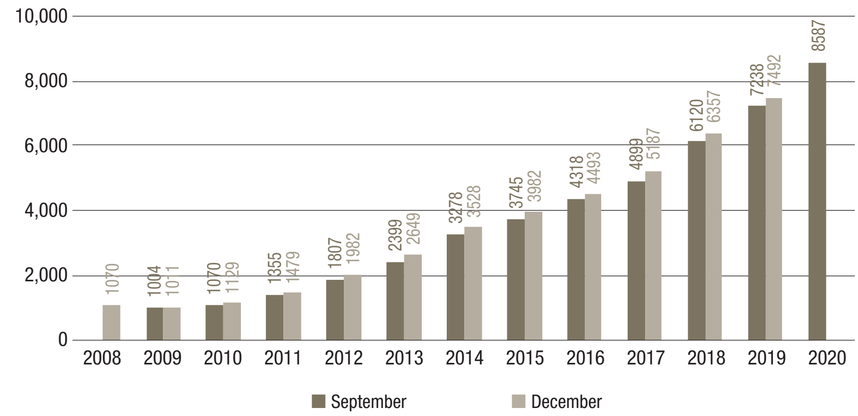
[2] See for instance: Dolzhenkov, A., 2020, *Mogut sebe pozvolit'* (Can afford it), *Ekspert*, N 49 (1187) from 30 November 2020, available at https://expert.ru/expert/2020/49/mogut-sebe-pozvolit/, accessed 6 December 2020.

[3] See Dom RF, *'Predvaritel'nye itogi razvitiya rynka ipoteki v sentiabre-oktiabre 2020 goda'* (Preliminary results of the mortgage market development in September-October 2020), p.1, available at https://xn--d1aqf.xn--p1ai/analytics/ accessed 27 November 2020.

[4] See Dolzhenkov, 2020.

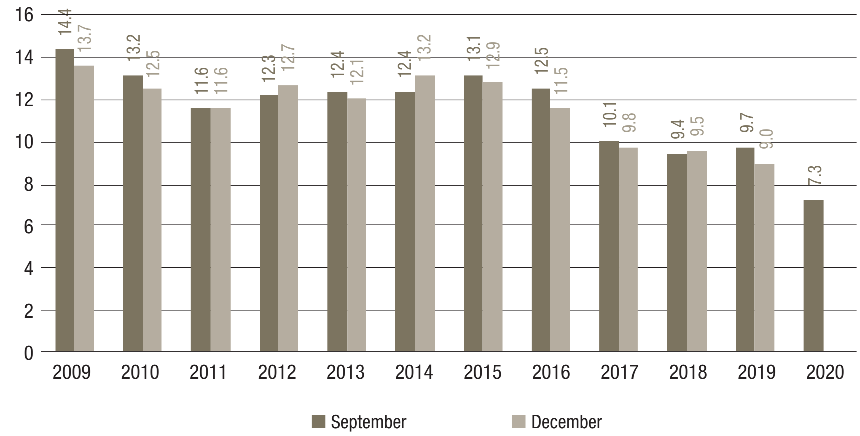
[5] *Ibid*

FIGURE 6 Accumulated mortgage debt, RUB billion



Source: Central Bank of Russia

FIGURE 7 Average interest rate on mortgage loans in Rubles issued during the month, %



Source: Central Bank of Russia

The share of overdue mortgage payments (over 90 days) was 1.56% compared to 8.35% for other consumer loans.[6]

2.2. Changes in behaviour

We can also refer to changes in people's behavior which affected the Russian housing market during the pandemic. Because of the continuing weakness of the banking system and the lack of alternative safe sources of investment, many people in Russia viewed housing as a safe destination for investment,[7] allowing them to store value in the form of 'investment apartments.' In the early 2010s, many owners of second and more apartments chose to rent those out to harness returns on their investments. An important aspect was that the attraction of investment and rental potential of housing varies by region. Moscow especially, but also St Petersburg and Sochi, were cities with high migrant inflows (Burdyak 2017). Thus, in the early 2010s these regions offered the highest capital gains and realised the highest house price appreciation. With the value of the Ruble falling in 2014-2015 and house prices in many regions stagnating or decreasing, housing lost part of its investment attractiveness and demand fuelled by investment motives disappeared. In the past year there has been a return of such demand due to economic uncertainty. Russia's regions, including Moscow (+16.5%) and St. Petersburg (+13.1%) agglomerations, as well as Kaliningrad (+11.6%), Tyumen (+9.9%) and Krasnodar (+8.5%) regions, all showed high rates of house price growth (increase shown in brackets).[8]

Another group of trends was associated with the lockdown conditions and remote working introduced by many Russian companies for their employees during 2020. During the autumn of 2020 with the weather in the central Russian regions deteriorating, many employees who had been transferred to remote working chose to move south with their families, many to the city of Sochi (part of Krasnodar region). Although more research is needed to document this trend in numbers, the anecdotal evidence suggests that this trend was reflected in rents and house price increases, as noted above. Other circumstantial evidence reported in the media backing this trend was that school and nursery admissions in Sochi grew significantly.

The self-isolation regime also affected the rentals of summer cottages (*dachas*) around large cities, Moscow in particular, during the summer 2020. Summer cottages are a popular destination for summer holidays, particularly so for pensioners and schoolchildren (Nefedova et al. 2016). The lifestyle involving moving to the countryside during the summer created a phenomenon of 'pulsating communities' around large cities, which come alive during the summer holiday months and stay dormant during the winter (Rusanov 2019). During the pandemic summer 2020 more people – including those of working age – sought to escape cities. With international travel closed for most of the summer, people flocked to the suburbs pushing up the prices of rentals and properties. While more numerical evidence to illustrate this development is needed, available research conducted in June 2020 showed that 40% more respondents expressed a preference for living in an individual house.[9]

Finally, it can be noted that lockdown affected relationships within households around the globe and many people sought independence. This trend is evident in Russia as the prices of smaller (newbuild) housing units grew notably faster than for the rest of the market of newbuild housing.[10] This, at the same time, could be attributed to the decline in incomes noted earlier. Probably, both influences had an effect, which could be a subject of further research.

[6] See Dom RF, Preliminary results.

[7] See Dom RF, *'O dinamike tsen na rynke novostroek za 9 mesiatsev 2020'* (On the price dynamics for the new housing for the first nine months 2020), p. 4, available at https://xn--d1aqf.xn--p1ai/analytics/ accessed 27 November 2020.

[8] *Ibid*, p. 3

[9] A more traditional response in Russian would be an apartment in a block of flats. See Dom. RF, *'Otsenka tekushchikh ozhidaniy v zhilishchnoy sfere'* (A survey of current expectations in the housing sphere), June 2020, available at https://xn--d1aqf.xn--p1ai/analytics/ accessed 27 November 2020.

[10] Dom RF, 'On price dynamics', p. 2.

3. Government assistance

Government housing assistance measures introduced during 2020 built upon and generally followed the policy strategy pursued by policymakers over the past decade. This strategy included support for deepening of market practices in the housing sphere, development of mortgage finance, and the focus of state support programmes on families with children.

Specifically, housing assistance during the pandemic comprised the following three elements.

3.1. Demand and supply-side assistance

Demand and supply-side assistance in a form of the state programme of subsidized interest rates of 6.5% for mortgage loans for the purchases of new housing from construction companies. The measure was introduced in April 2017. [11] The 6.5% interest rate on mortgage loans – which is low for Russia – was to remain in place for the entire duration of the loan period. Any citizen of Russia is eligible to take out a mortgage loan subsidized by this programme, for buying housing in any of the Russia's regions.

The programme was administered by 'Dom RF', the industry regulator, subsidises banks for the lost revenue. Russia's foremost mortgage lenders, including *Sberbank*, *Gazprombank* and *VTB* among others were participants. The size of the overall aid package was RUB 1.85 trillion. Originally this programme was to end in November 2020, it has been extended until 1 July 2021.[12]

In the period to October 2020, 283,500 loans were issued amounting to RUB 794.4 billion assisted by this government initiative. This comprised 26% of overall mortgage lending over the first three quarters of 2020 and 86% of loans issued for purchasing new-built accommodation. It is estimated that the extension of the Programme for the first six months of 2021 will result in another 300,000 new mortgages totaling RUB 1 trillion.

The Programme supported housing construction in the country. Thanks to the increased demand for new-built housing in August-September the industry was able to start new construction projects.[13]

This measure built on the experience of the earlier programmes of government assistance to the mortgage market. For example, the one which was in place from March 2015 until the end of 2016. That programme was introduced to offset the effects of the economic downturn of 2015 and to support the growth of mortgage finance in the country.[14] Its cost to the budget was RUB11.9 billion. The amount of mortgage loans supported by the Programme then reached 927 billion Rub (556 billion in 2016) or 40% of the market during that period. The programme attracted RUB 1.5 trillion of investment in housing construction. The housing finance market has grown significantly since 2016 and during 2020 (See Figures 4-7).

The downside may be that then, as well as at present, most of the government support in effect went to the borrowers and construction companies building high-rise housing in several fast-developing Russian regions, which happen to build the most housing. So, in 2016, 56% of all housing construction of multi-apartment blocks took place in ten regions.[15] The annual market overview for 2019 prepared by Dom.RF also noted that the bulk (80%) of multi-apartment construction happened in 20 regions.[16] The leaders were Moscow, St Petersburg, Moscow region, Krasnodar region, Leningrad region, Bashkortostan, Sverdlovsk region, Novosibirsk, Rostov and Krasnoyarsk.[17]

A reference to historical and cultural factors can be useful to put these developments in perspective. Mortgage finance generally was introduced during the post-Soviet transition in the 1990s but started developing in earnest in the early 2000s, when the economy began to stabilize after the post-transition recession. The development of mortgage finance was seen as an important avenue by the government policymakers and the expert community to solve the country's housing shortage. The thrust of reform in the housing sphere was towards liberalization and the introduction of personal responsibility for one's housing needs involving all aspects from access to new housing, to housing maintenance and major repairs of privately owned dwellings.

Yet, such reform initiatives to a certain extent, contradicted popular expectations that the state should play an active role in the housing sphere. For example, the results of the 'Social Distinctions in Modern Russia' survey, conducted in three waves in 1998, 2007 and 2015 demonstrated that most people (88-92%) believed that different levels of government (federal, regional or local/municipal) should have active involvement in housing provision (Khmelnitskaya and Burdyak 2020: 168-70). The persistence of such attitudes meant that within government there was a continuous pressure to introduce direct and popular forms of housing assistance. An example of this was setting up a state fund to provide major housing repairs in the late 2000s and the introduction of a housing renovation programme by the city of Moscow Government in 2017 (Khmelnitskaya and Ihalainen 2021, forthcoming, also see discussion below). The coexistence of such statist measures with the market mechanisms led scholars to argue that in Russia, housing continued to be a mix of statist and market approaches (Puzanov 2014).

Yet, it may be too soon to label Russians as inherently statist and paternalistic in relation to housing and welfare more broadly. As research shows, such expectations were not necessarily borne out in behavior and might reflect a wish prevalent among the public for the state agencies to provide supervision over market actors. The public predominantly uses market mechanisms to improve their housing conditions including housing purchases and rentals, as survey data for 2016 and 2018 demonstrate (see Table 1). Russian people primarily rely on their own or borrowed finance, less so on state assistance when considering moving to new accommodation. Even less expect to receive social housing (see Tables 2-3). We mention the issue of social housing later in the paper.

In this light the 2020 programme of mortgage assistance introduced to ease the effects of the coronavirus crisis on housing finance and construction also helped to deepen this behaviour of housing self-reliance. This was evident in the increases in mortgage borrowing activity in the second half of 2020, encouraged by record low interest rates for the country, and uncertain economic prospects.

3.2. Helping specific categories

Another group of more targeted measures which we can refer to here was helping specific categories among the Russian people with their housing finances. Foremost of these

[11] Government resolution N 566 from 23 April 2020.

[12] Government resolution N 1732 from 24 October 2020.

[13] See Dom RF, 'Preliminary results', p.3.

[14] See Dom RF, *'Razvitie rynka zhil'ya i ipoteki v 2016'* (Annual report The development of housing and mortgage markets in 2016), pp: 3-4, available at https://xn--d1aqf.xn--p1ai/upload/iblock/ee7/ee73b9ecce968d37b05fd442cb9b0f10.pdf accessed 3 December 2020.

[15] *Ibid*, p 7

[16] See Dom. RF *'Obzor rynkov zhil'ya, zhilishchnogo stroitel'stva i ipoteki, 2019'* (An overview of housing, housing construction and mortgage markets for 2019), p. 59 available at https://xn--d1aqf.xn--p1ai/upload/iblock/2b5/2b5a7859ef3850e7115b7115b0cf1f13.pdf , accessed 3 Dec 2020 .

[17] *Ibid*, p. 61.

TABLE 1 Strategies to improve housing conditions in the next 2-3 years, % of households

TYPE OF HOUSING STRATEGY	2016	2018
Intend to change housing conditions in the next 2-3 years using the following strategies:	13.4	16.3
Plan to buy / build more housing (including exchange)	4.6	5.3
Plan to move into new housing which is already under construction	1.9	1.6
Plan to apply to be placed on a housing waiting list (social housing)	1.0	0.7
Expect to receive new housing according to the demolition/renovation programme	0.5	1.0
Plan to privately rent house / apartment	0.5	0.6
Plan to improve housing conditions using other strategies	4.8	7.0

Source: Khmelnitskaya and Burdyak 2020, pages: 166-167, calculations on GKS-KOUZH 2016 and 2018 data.

TABLE 2 Intended sources of finance for the purchase/construction of a house/apartment in the next 2-3 years, % of households

PLANED SOURCE OF HOUSING FINANCE	2016	2018
Mortgage loan	2.2	3.0
Sale of existing housing to buy another	1.6	2.3
Maternity Capital	1.1	1.2
Housing subsidy	0.2	0.3
Other sources (including own funds)	1.7	2.6
Hard to answer	0.0	0.0

Source: Khmelnitskaya and Burdyak 2020, pages: 166-167, calculations on GKS-KOUZH 2016 and 2018 data.

TABLE 3 Sources of funding for current construction of a house/apartment, % of households

CURRENT SOURCES OF HOUSING FINANCE	2016	2018
New construction of:	2.6	2.8
apartment in an apartment building	0.9	1.3
residential house (part of house)	1.1	1.1
house on garden (country) plot, 'dacha'	0.5	0.4
other place for permanent (seasonal) residence	0.1	0.0
Source of funding:	2.6	2.8
credit	1.0	no data
Maternity Capital	0.5	no data
savings and/or other capital	1.5	no data

Source: Khmelnitskaya and Burdyak 2020, pages: 166-167, calculations on GKS-KOUZH 2016 and 2018 data.

were families with children. Family policy, research on the Russian welfare state argues, has represented the central focus of social policy in the country since the early 2000s (Cook et al. 2019). Although introduced before Covid and not directly linked to the effects of the pandemic, these measures provided demand-side housing subsidies in 2020 and therefore are worth mentioning here.

Specifically, the Maternity Capital programme was a conditional cash transfer programme initially launched in 2007 and which continued to evolve ever since. Maternity Capital originally was a large lump-sum benefit to any mother who had or adopted a second child. Over 13 years of the programme's existence over ten million of Maternity Capital certificates were distributed.[18] The relevance of the programme to the housing sphere was that most of its recipients (84%) used the money to improve their housing conditions either buying housing outright or taking out or repaying a mortgage loan (see also survey responses in Tables 2 and 3). The size of the benefit was RUB 453,000 in 2016-2019 which in 2020 increased to RUB 616,000. The programme was funded until 2026.

The purchasing power of Maternity Capital varied, depending on the region. Taking into account the house price difference between the regions, this sum of money was more significant in the provinces with lower house prices, as opposed to hyper-expensive Moscow and St Petersburg.

The evolution of this measure over the past two years included adding new purposes the benefit could be used for, specifically housing improvements and purchasing larger housing units in conjunction with the housing renovation programme initiated in Moscow in 2017 (see further below). Further development of the Maternity Capital initiative also involved the extension of the benefit to families who had their first child, from January 2020. These families received RUB 466,000 with their first Maternity Capital benefit, and if this family went on to have their second child, they were entitled to another RUB 150,000. To ease the burden of mortgage repayments for families who had or adopted their third or subsequent children after January 2019 the government[19] also offered a benefit of up to RUB 450,000 to be used towards the repayment of the mortgage debt. This initiative was in place until the end of 2022. By the end of November 2020, its cost to the budget was RUB 43 billion and 97 thousand benefits were distributed.

Additionally, there were two more programmes of mortgage interest rate subsidization for families. First, 'Family mortgages' at 6% interest rate for families with two and more children – whose youngest one was born after January 2018 – were introduced in 2018 until the end of 2022. In the period up to September 2020 108,000 such mortgages were issued for RUB282.2 billion, more than half of them during 2020.[20] Second, a programme of mortgage

[18] See Budushchee Rossii. Natsional'nie proekty. *'Matkapital: kak rabotaet odin iz glavnikh instrumentov proekta 'Demographia'* (The future of Russia/ National projects. 'Matkapital: how one of the main instruments of the 'Demography' national project works) 13 November 2020, available at https://futurerussia.gov.ru/nacionalnye-proekty/matkapital-kak-rabotaet-odin-iz-glavnyh-instrumentov-nacproekta-demografia accessed 27 November 2020.

[19] Federal law N 157-FZ from 3 July 2019.

[20] See https://xn--d1aqf.xn--p1ai/upload/iblock/9b0/9b08afd2dbf2f8fcd87612296bab5f48.pdf accessed 27 November 2020.

interest rates subsidization was available for young families in the Far East of Russia since December 2019. 12.5 thousand loans with interest rates of 2% were issued within this programme for RUB44 billion in the period to September 2020. The Programme will be in place until the end of 2024.

The umbrella Maternity Capital benefits programme supported and incentivized housing investment and housing improvements, and for this reason it was mentioned by many survey respondents as an important source of housing investment.

3.3. Rent assistance

Although no dedicated rent assistance schemes in response to Covid – as in other countries, the UK for example – was introduced in Russia, different forms of income support were, nevertheless, put in place. The absence of a dedicated rent support programme may be explained by the prevalence of informal rentals in Russia.

Income support measures announced by the Government in April 2020 concerned low income groups and particularly families with children, an approach consistent with the family focus of Russian social policy noted above. This approach was informed by expert research about increased risks of poverty among families with children. Poverty among children was 1.8 times higher than the average level of poverty in the country, while 90% of the poor lived in households with dependent children (Grishina and Maleva, 2020, p. 126; also, Maleva, Grishina and Burdyak 2020).

The first measures announced in April 2020 to counter the impact of coronavirus lockdown on incomes were for families with young children under three. They became entitled to monthly payments of RUB5,000 for three months from April through June. In June parents of children aged between three and 16 received a single benefit of RUB10,000 for each child. In July, an additional measure of income support was introduced where parents of all children under 16 received another single RUB10,000 benefit. Moreover, parents with children under 18 who became unemployed due to the pandemic after 1 March were offered an additional RUB3,000 for each child to supplement regular unemployment benefits, during April to August 2020. Such assistance provided general income support for 28 million children and their families, and could be used for paying rents and other housing expenses. To put this assistance in perspective, an average monthly income per capita in Russia in 2019 was RUB 35,200[21] whereas average housing expenses were around 16% of the average income.[22]

4. Legal developments

Another dimension to the developments in the Russian housing sphere in response to Covid took place in the legal domain. During the pandemic the international community of housing specialists and practitioners debated the issues of justice, equality and social rights in relation to housing. Debates in Russia reflect this trend. In the following paragraphs, we discuss relevant legal developments that have been recently the focus of the legal community and mass media, including examples from court practice, administrative practice and lawmaking. We show that these developments support an individual's right to housing during tough economic times, maintain confidence in the use of credit more generally, and also align with family and child protection priorities.

4.1. Housing immunity

An important court decision that concerned the right to housing was the judgement of the chamber on economic disputes of the Supreme Court of Russia delivered on 22 October 2020[23]. The judgment concerned a long-debated question regarding the possibility of recovering an individual's debt by levying execution upon an ownership title of their only housing property.

This issue had a long history. The Russian Constitution in line with the Universal Declaration of Human Rights (Article 25) guarantees the right to housing as one of the fundamental human rights. Part 1 of Article 40 of the Constitution protects from arbitrary intervention with the right to a home.[24] Consistent with the Constitution, Russian procedural legislation establishes special guarantees for home-owners providing a ban on levying execution by executive documents upon housing owned by an individual-debtor, if this housing for them and their family represents the only suitable accommodation, except for a property being subject to a mortgage.[25] This provision was widely criticized for not taking into consideration quantitative and qualitative characteristics of concrete residential properties and therefore upsetting the balance between the debtor's and the creditor's interests. Eventually in 2012 the Russian Constitutional Court declared that housing property' immunity aims at preserving 'decent' living conditions and human dignity of a debtor and their family members.[26] At the same time the Constitutional Court also advised that the federal lawmakers introduced necessary legislative amendments that would establish the limits of housing immunity of an individual-debtor when their dwelling appears to exceed the level needed for the satisfaction of reasonable housing needs of the debtor and their family (so-called "luxurious housing"). However, such legislative amendments had not been introduced at the time of writing.

The facts of the case considered by the Supreme Court in October 2020 can be summarized as follows. An individual was declared bankrupt. In the absence of other property his debts might have been levied upon, the creditors' committee attempted to sell an apartment that the debtor owned and that was his only dwelling suitable for residence. In exchange creditors decided to provide the debtor with an ownership title to a smaller apartment in the same locality. The debtor challenged this decision in the court. The court of the first instance supported his position and declared the creditors' decision void. The courts of appellate and cassation instances, on the other hand, took the side of the creditors. Eventually the debtor addressed the Supreme Court. Resolving the dispute in 2020, the Supreme Court came to the conclusion that the creditors acted arbitrary, due to the lack of legislative regulations that would establish a reasonably sufficient level of housing immunity and characteristics of housing that could be defined as "luxurious". Until such amendments were introduced, the Court ruled individuals should

[21] Rosstat, Short-Term Economic Indicators of the Russian Federation. October 2020, available at https://rosstat.gov.ru/bgd/regl/b20_02/Main.htm, accessed 06 December 2020.

[22] Housing expenses data for 2018. Authors' calculations on *Rosstat, Vyborochnoe obsledovanie biudzhetov domashnikh khoziaystv, GKS-OBDX*, (Household budget survey, GKS-OBDKh by Rosstat), available at https://obdx.gks.ru/ accessed 06 December 2020.

[23] The details of the case can be found at https://kad.arbitr.ru/Card/fd6509b2-3770-4af7-ab4d-2a2d8d0527c9 (in Russian).

[24] 'Everyone shall have the right to a home. Nobody may be arbitrarily deprived of his (her) home.'

[25] Paragraph 2 of Section 1 of Article 446 of the Civil Procedure Code of the Russian Federation particularly establish that property immunity does not apply to cases when a housing property is a subject of mortgage. In this case creditors are fully entitled to collect a debt from mortgaged property. In all other cases an owner of housing enjoys immunity from creditors' claims.

[26] Judgment of the Constitutional Court of the Russian Federation of 14 May 2012 No. 11-П 'In the case concerning the review of constitutionality of the provisions of Paragraph 4 of Section 1 of Article 446 of the Civil Procedure Code of the Russian Federation in connection with complaints of F.Kh. Gumerova and Yu. A. Shikunov', paras.3-4. Available at http://www.ksrf.ru/en/Decision/Judgments/Documents/2012%20May%2014%2011-P.pdf.

enjoy full immunity in relation to their only housing property. The committee of creditors, the Supreme Court judged, violated the debtor's right to the only dwelling he owned because, although there was a wide discretion given to the committee of creditors, its decisions could not lead to a violation of the constitutional rights of an individual, including the right to housing (Article 40 of the Constitution). An individual was de facto deprived of his ownership title to a dwelling against his will and had imposed on him the right of ownership to another property 'he was not interested in' as the Court worded it.[27]

The significance of this judgment lies in the fact that it resolved the existing uncertainties and unified legal positions of the courts of lower instances. This was a relevant and timely decision by the Russian supreme judiciary delivered during the time of the pandemic, which aimed to protect individuals from creditors' arbitrary actions and guarantee that they would be able to preserve their only dwellings in crises times.

4.2. Housing for orphans

Another important development during the pandemic concerned social housing, and in particular the allocation of social housing to such a vulnerable group as orphans and children left without parental care. De jure these children are entitled to social housing when they reach 18.[28] The responsibility for providing housing to them lies with the regional authorities. The program was funded jointly from the federal and regional budgets. However, the actual allocation of housing could take years. In the late 2010s the problem had been in the focus of the federal and regional governments, especially in the light of the overall social policy emphasis on families and children. Moreover, the issue had also been under supervision by the Committee of Ministers of the Council of Europe since the 2014 pilot judgement by the European Court of Human Rights (ECtHR) in the case of *Gerasimov and Others v. Russia*. The case concerned structural problems associated with non-enforcement of court decisions regarding the provision of social housing.[29]

In March 2020 the Accounts Chamber of the Russian Federation reported a severe problem of underfunding of the scheme providing social housing for orphans.[30] According to the Accounts Chamber in January 2020 a staggering 279,000 of young adults who had recently graduated from foster care were on a waiting list to receive social housing. The lack of funding, moreover, was exacerbated by the problem of corruption and the lack of accountability of the local authorities. The media frequently reported instances of fraud in the public procurement procedures, the provision of social housing that failed to meet sanitary requirements or of dilapidated dwellings unsuitable for living.[31]

Over the summer of 2020, the Russian judicial branch became involved in supervising the implementation of this policy. In August, to tighten its enforcement the Russian Prosecutor General ordered the federal and regional prosecutor's offices to oversee the allocation of social housing to orphans.[32] As a result, several criminal cases were opened against responsible officials in a number of regions, and the media reported several happy cases of the provision of long-awaited social accommodation to the young people. Such an approach to policy enforcement was based on the earlier experience of the implementation of the judgment of the European Court of Human Rights in the case of *Gerasimov and Others v. Russia*. In 2017, the Council of Europe positively assessed the results of the implementation of the ECtHR's decision.[33] This gives hope for the general improvement of the situation regarding social housing allocation to vulnerable groups in the future.

4.3. Renovation of housing in Russian regions

Finally, we would like to note a legislative and policy development which was underway at the time of writing related to an adoption of a large programme of housing regeneration in Russia, colloquially known as the 'Renovation Programme' (*Programma Renovatsii*). This legislation paved the way for massive housing redevelopment, which could be characterised as demolition-based urban regeneration, throughout the country. During autumn 2020, deputies of the Russian parliament proposed a bill on the amendments to the Urban Planning and Housing Codes concerning the comprehensive redevelopment of urban territories.[34] Policymakers argued that the bill aimed to solve the problem of resettlement of dilapidated apartment blocks built during the era of mass housing construction in the 1960 and 1970s during the socialist period which no longer meet safety and sanitary standards. In accordance with the proposal, entire urban districts (or micro-districts) consisting of such housing were to be demolished and replaced with modern housing of higher density. The decision about redevelopment would be made by the federal government, regional authorities, and – in some cases – the municipalities. It was envisaged that a particular territory was to be included in the redevelopment plan if at least half of its housing stock was deemed as dilapidated. An individual block of flats would be included in the program if at least two-thirds of the owners of dwellings and tenants residing in it supported such a decision. In return for vacated premises the owners of dwellings would either receive monetary compensation or an equivalent housing in the same urban district. Maternity Capital was expected to be used in conjunction with the Programme in cases when families would wish to receive/purchase larger housing units instead of their old dwellings.

The bill was based on the experience of an analogous program of housing renovation launched in the City of Moscow in 2017 (see further Khmelnitskaya and Ihalainen 2021). The proposed expansion of the program to Russia's other regions, the authors of the proposal argued, would involve resettling between 5 and 6 million of Russian citizens.[35] The bill

[27] Which also violated fundamental principles of Civil Law such as free will, inviolability of property and freedom of contract.

[28] Federal law "On additional guarantees for social support of orphans and children left without parental care" of 21 December 1996 N159-Ф3 (with amendments of 25 December 2018).

[29] ECtHR, Gerasimov and Others v. Russia, Application No. 29920/05 et al., Judgment of 01 July 2014. See also Committee of Ministers of the Council of Europe. Notes to the Agenda of the Ministers' Deputies' meeting, CM/Notes/1288/H46-25 of 7 June 2017.

[30] See Bulletin of the Accounts Chamber of the Russian Federation N3 (268) 2020. Available at https://ach.gov.ru/statements/byulleten-schetnoy-palaty-3-268-2020-g. Accessed 25 November 2020.

[31] See for instance 'Zhul'ye vmesto zhil'ya. Chto takoe "sirotskiye metry" i kto na nih nazhivayetsya' (in Russian). Journal "Ogonioyk"№5, 11 February 2019. Available at https://www.kommersant.ru/doc/3873712. Accessed 25 November 2020. See also 'V Krasnoyarskom kraye pred'yavleny obvineniya po delu o zhil'ye dl'a sirot' (In Russian). Ria Novosti, 28 September 2020. Available at https://realty.ria.ru/20200928/siroty-1577868106.html. Accessed 25 November 2020.

[32] See 'Prokuror i Sirota. Genprokuror Igor Krasnov vzyal na osobiy control' zhilye dlya sirot' (In Russian). Rossiiskaya gazeta – Federalnyi vypusk №231 (8285). 13 October 2020. Available at https://rg.ru/2020/10/13/genprokuror-rossii-vzial-na-osobyj-kontrol-zhile-dlia-sirot.html and 'Generalnyi prokuror Rossiiskoi Federacii Igor Krasnov vzyal pod lichnyi kontrol' voprosy zashity zhilishnih prav detei-sirot i detei ostavshihsya bez popecheniya roditelei' (in Russian). 21 August 2020. http://genproc.gov.ru/smi/news/archive/news-1887238/. Both links accessed 25 November 2020.

[33] See Committee of Ministers of the Council of Europe. Decision of the Ministers' Deputies CM/Del/Dec(2017)1288/H46-25 of 7 June 2017.

[34] The text of the bill is available in Russian on the website of the State Duma of the Russian Federation at https://sozd.duma.gov.ru/bill/1023225-7.

[35] 'Vserossiiskaya renovatsiya ulutshit zhilishniye usloviya rossiyan' (in Russian). Parlamentskaya gazeta 13.11.2020. Available at https://www.pnp.ru/politics/vserossiyskaya-renovaciya-uluchshit-zhilishhnye-usloviya-millionov-rossiyan.html?fbclid=IwAR1OA1INSawPut9WULwIrHIdggY_NjPhVCeBpzbtPzuAXu_h7kCQFVt7fr0. Accessed 24 November 2020.

passed the first reading at the State Duma on 17 November 2020 and was expected to become law by the end of the year.

Although not directly a response to the pandemic and long debated in the Russian housing sphere, the programme was primarily about providing housing to low-income groups. These people continued to reside in the old blocks of flats and even if dissatisfied with the quality of their accommodation[36] had insufficient incomes to afford a mortgage and move out. The programme would also allow the construction industry a space to build in central urban areas where older residential districts tend to be located.

5. Conclusion

In this survey of Russian housing and housing finance during 2020 we demonstrated the different effects that the Covid pandemic had on the sector and the many ways in which housing again revealed itself as an existential element of the people's welfare. Russian people searched for safer, more comfortable and more affordable housing and lifestyle, which affected demand and housing prices in urban and rural areas. Encouraged by attractive interest rates, by the programme of mortgage interest rates subsidisation and fearing uncertain economic prospects, many Russian people turned to the housing market propping up a housing and mortgage boom by autumn 2020. The government policy helped the construction industry to get back to life after lockdown and initiate new projects. The 2020 mortgage assistance programme built on the experience of the earlier anti-crisis programmes for the housing market and worked alongside other targeted mortgage assistance schemes.

Our survey of legal developments in the housing sphere has demonstrated that the importance of such issues as the right to housing, housing justice and social housing was amplified by the pandemic for the public, the judiciary and for the state administration.

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[36] It would be fair to say that quality of this housing and individual housing units within it varied significantly and this Programme and its earlier Moscow version were surrounded by a fair share of controversy (see Khmelnitskaya and Ihalainen 2021).

Evaluation of incremental housing development in Ado-Ekiti, Nigeria

↳ By Adewale Yoade

1. Introduction

According to UN figures, only 13% of the world's cities have affordable housing (UN HABITAT, 2016). In 2014, McKinsey estimated that 330 million urban households were living in substandard housing or were financially stretched by housing costs (McKinsey Global Institute, 2014). This is projected to rise to nearly 440 million households, or 1.6 billion people, by 2025 – and 2.5 billion people by 2050. In Africa, over 50% of the population lives in substandard conditions, whereas in India and China, nearly a quarter of the population lives in informal settlements (Florida, 2017).

Cities are increasingly realizing the need for action. In 2016, for example, Habitat III in Quito adopted the New Urban Agenda, requiring states to promote "'national, subnational and local housing policies that support the progressive realization of the right to adequate housing for all"' by 2030. It encourages an integrated and inclusive approach to housing that interlinks education, employment, health and basic and social services through collaboration among governments, civil society organizations, major interest groups and the private sector, nationally, internationally and regionally (UN-Habitat, 2016).

As an integrated part of the environment, housing has a profound influence on the health, efficiency, social behaviour, satisfaction and general welfare of the community (Onibokun, 1985). It is one of the best indicators of a person's standard of living and his or her place in the society (Olayiwola, 2012; Yoade and Yoade, 2018). Agbola (2000) expresses the crises situation of housing condition in Nigeria when he opined that it is glaringly clear that most of the urban population live in a dehumanizing housing environment while those that have access to average housing do so at abnormal cost. According to Onibokun (1985) and Agbola (2000), rent in major cities of Nigeria constitutes around 60% of total expenditure from an average workers disposable income. This is far higher than between 20 and 30% recommended by the United Nations.

Many developers have difficulty obtaining capital for their projects even in normal times. This has been attributed to a number of problems. Two of these problems are the high interest rates that contribute to the high cost of housing, and the difficulty in obtaining capital for home construction is noteworthy (UN-Habitat, 2013). In a tight money market, housing is the first area to suffer (Roberto, 2013), since neither the builder nor the consumer can readily obtain finance for housing. It is estimated that 80% of housing in the developing world is built in this manner (Roberto, 2013) – a phenomenon that has made incremental housing a recognized housing development mechanism among housing scholars (Olotuah, 2009; Goethert, 2010).

In rapidly growing cities, informal building and expansion – the pay-as-you-go process – is often the de facto growth pattern, particularly in low-income neighborhoods. This process accounts for most new housing and housing improvements in most cities. The informal sector already builds an estimated 70% of all urban housing in the developing world, making it the leading actor in the housing supply chain. This informal sector starts with simple makeshift shelters (a shack or a one-room core) and, given sufficient time and resources, transforms them into middle-income houses. It expands the housing again by adding extra units that increase the housing stock and provide rental income.

Incremental housing has been describing as a 'phased approach' for people to progressively improve their housing situation in order to achieve the constitutional right to adequate housing (Smets, 1999). For many low-and middle-income households, it takes a longer period of time to accumulate sufficient capital to quickly build a complete house. Most households go about the task of improving their housing condition incrementally. It is often done on a block by block and a wall-by-wall basis. Often the land around the home continues to accumulate building materials (stockpiling) for the next improvement project. It is an on-going process. A major obstacle for housing experts is how to situate housing standards in different social contexts. This paper therefore examined incremental housing development in Ado-Ekiti with the view of producing a policy document that will provide guidelines for general overhauling of incremental housing development in Ekiti State and Nigeria in general towards enhanced, focused and improved housing delivery.

2. Literature review

A house is a place that people give a special meaning to; that is why it can be called a ''home''. There is a social and cultural appropriation which leads people to have a particular desire about their houses. Dayaratne and Kellett (2008) mention this as there was an unfulfilled desire that seems to have been at the heart of all motivations to make a home: the desire to acquire a complete sense of home.

The desire to make a spatial structure for habitation, can be seen visually in informal settlements where people have no other option to choose a place to live. Rahman (2011) also underlines the self-build process with the residents' motivations regarding tenure change the expression of built form in squatter settlements. It is also important to understand the physical and social attachment of informal settlers to their living environments. Thus, in these settlements, there is also a self-build process where the lower income people are obliged to build their own houses. It is a kind of dilemma where in one part, these informal houses lack of water supply, utilities and other services, etc. which reduce the quality of life, while in the other part these houses are built (and also sometimes expanded) according to the needs by the owners. It can be seen here that there is a cultural vernacular character that informal settlers build on and expand according to their local needs.

However, incremental housing is a step-by-step process. It goes by different names (starter house, phased-development house, owner-driven house), but fundamentally, incremental housing is an integral urban development process, building housing communities and citizens. It is not quick, immediate or complete, but choice remains with the owner. It starts with a starter core shelter. The starter core may be a kitchen/bathroom unit or just a bare lot with utility connection potential. But what is recommended is a multi-purpose room with basic kitchen/bath facilities. Owners control the expansion of their housing based on their needs and resources (Goethert, 2010).

According to Smets (1999), incremental building is the process by which shelter is constructed step by step and improved over a period of time in terms of quality and size. Smets argues that, this type of building process depends much on the individual household priorities and available income, and changes in accordance with the family cycle. CHF (2004) defines incremental building as a household-driven building process for acquiring, extending, improving or servicing a dwelling or group of dwellings over time, and thereby improving the quality for the household members and maximizing their choices of housing design and housing needs. Incremental/progressive building or development is also seen as the process by which low-income households make incremental investments in housing as their income permits (Hasan, 2000). What is apparent in these three definitions of incremental building is the issue of limited capacity or incomes and hence the only possibility of house ownership for the low-income household is to invest in shelter in several stages (UNCHS, 2003). Studies have reported that incremental housing developers take to various dwelling forms depending on the opportunities and challenges surrounding the progressive dwelling process (Adeyeni, 2015).

The incremental housing approach is based upon the principle of increasing the responsibility of individual households and communities by encouraging decision making and responsibility of individual households or communities so that they take care of the aspects of housing for which they are most qualified (Mathabella, 1999). This can also be a kind of ''step-by-step'' configuration of the house in order to build it for specific for people (HASGÜL, 2016).

''The origin of state involvement in incremental housing strategies was therefore the reluctant acceptance that informal housing delivery systems performed much better than public attempts to build dwellings in a number of respects: they were affordable without recourse to public subsidy, they were flexible and responsive to the changing needs and unstable fortunes of poor urban families, they were self-managed and made few demands on hard-pressed public administrations, and they met the needs of the rapidly growing urban populations of developing towns and cities'' (Wakely and Riley, 2011). So incremental housing comprises both community participation and self-build processes.

Observations of what ordinary families in urbanizing countries do, when they are free to act as they will, show that they prefer to live in large unfinished houses or even large shacks-rather than in small, finished ones (Turner, 2007). These houses are also called ''core-houses''. As defined by Napier (2002), as the core was to be built by formal contractors. Both the core and the extensions were to be financed. The extensions were to be built according to plans supplied by the project developer. The main innovation in practice for its time was the enablement of a limited self-help contribution by the occupying household, supported by a stimulus to the materials supplier and small contractor sectors. The financial innovation was that the form of core provided would somehow relate to levels of affordability by the household to be accommodated. Core housing was thus a highly managed and limited form of assisted self-help''. There is a strong network within this process which overcomes the financial problems of the individual while at the same time making connections with the experts and government in order to build their own houses according to their own desires.

3. The process – three actors

The process of incremental housing brings three actors onto the stage: The individuals, public sector and private sector. Individuals are the informal settlers who have concerns about the affordability of the home. The public sector can be defined as the government and municipalities who have also a struggle with the unregulated processes and the private sector comprises the experts (planners, architects, etc.) who would like to create a solution to this complex issue.

3.1. Individuals

Individuals that are referred to here are informal settlers who live in the squatter areas located nearby the city. The reason why these settlers are called ''individuals' 'is to emphasize their own individuality. These settlers, for various reasons usually come to the city and start to build their own house without authorization. In order to develop the spatial qualities of the primary unit or to expand the use of space by adding rooms, etc. some transformations in these settlements can be seen. Nglumu (2003) argues that the underlying factors of these transformations are economic, and socio-cultural, as well as the aspiration to live in a modern house.

Nevertheless, it is also another point of view that these individuals are mainly involved in the self-build process which can also be related to the incremental housing process as a solution to developing the houses ''step-by-step'' (Galtoni, Goethert and Chavez, 2011). It has seen from the results that all incrementally developed settlements have a range of improvements. Within this group some households make few investments even years on, so houses remain with minor improvements (characterized in this study as Functional). Others expand rooms and amenities over several years to meet household space needs, functional priorities, and aesthetic preferences to a satisfactory point of completion. These households stop expanding at this point. A third group invests more (often sooner) to add rooms, second and third stories, and often upgrades services, kitchen and baths for a fully expanded house.

3.2. Public sector

The process of overcoming problems which informal settlements create is the major problem of the governments since the subject is becoming a visible conflict. The Government and also the municipalities work on various strategies for the purpose of resolving these unregulated actions. Thus, second aspect of the issue can be defined as the public sector realizing also the institutional context. Governing the regulatory framework for housing and financial sectors, the public sector has a main role in the process. A great deal of the challenges that government is facing are how to resolve this problematic either in a strict or in a flexible way. Choosing a flexible way comprises an empathetic content while understanding the social and cultural issues of the problematic informality.

Kanogo (1987) states that one way of trying to understand how squatters perceive their own situation is to look at them in their role, as they understand it, in their own society. Then the way of managing for habitability can be also the way of paying attention to all. They define the basic spaces needed: bathroom, kitchen and bedroom and flexible spaces that will transform through time such as social space. Sanitary and electrical measures are explained thoroughly, specifying that sewage most be connected to public sewage and if not available a septic tank must be constructed. This action of government is separate from operational solutions; however, it is also a starting point for incremental housing that government is offering support to individuals.

3.3. Private sector

Planners, architects, engineers, etc. who are involved with the private sector are the third actors in process. Perlman (1976) explains how settlers appear when looked at from the perspective of an architect ''Dotting the area are permanent brick structures that represent the accumulated savings of families who have been building them little by little, brick by brick''. These perceptions that architects are aware of are making a bridge with informal settlers and architects. Such incremental housing projects that the private sector also involves, connects the public sector and individuals. In summary, incremental housing development is a possible viable low-income housing development option.

4. Study area

Ado-Ekiti is located between latitudes 7o19I and 7o29I north of the equator and longitudes 5o3I and 5o22I east of the Greenwich meridian. It has a number of satellite towns around it. To the North is Iworoko, about 16 kilometers away from the city; to the east are Are and Afao, about 16 kilometers; to the West are Iyin and Igede, about 20km and to the South is Ikere, about 18 km. Ado-Ekiti enjoys the privilege of being a nodal town and is located at the center of the state; hence roads that lead to other parts of the state converge on the city (Oriye, 2013). Ado-Ekiti covered an area of 2.5 square kilometer (sq. km) in 1956, but by 1996 it had grown to about 19.6 sq. km. Presently the city covers an area of 36.7 sq. Km (Olugbenga and Ifesanya, 2015).

The settlement, which started as a farmstead at three centres, Odo-Ado, Okesa and Adebayo, existed as scattered farmsteads and huts interspersed with patches of bush and a thick bracket of forest growth (Adebayo and Adefolalu, 1993). Gradual development of the city began in 1953 after its establishment, when it was named the headquarters of Ekiti Division. When Ekiti Division became one of the major regional development territories comprising Nigeria in the first republican dispensation in 1963, faster developments were witnessed in Ado-Ekiti. The creation of more states in Nigeria in 1979 nevertheless brought more developments to Ado-Ekiti as it named the headquarters of Ado-Ekiti Local Government Area as one of the seventeen (17) local governments (councils) in old Ondo State. Ondo state was one of the nineteen (19) states carved out of the old Western Region. However, the climax of modifications to the status took place with the creation of Ekiti State on October 1st 1996, and the naming of Ado-Ekiti as the capital city (Arohunsoro, Owolabi and Omotoba, 2014).

5. Research methodology

Both primary and secondary data were utilized for this study. Primary data for the study were obtained using a structured questionnaire and key-informant interview. All the 13 political wards in Ado-Ekiti constituted the sampling frame for the study. They are Ajilosun I, Odo-ado II, Ago Igbira III, Ojido IV, Oke-Oniyo V, Oke-Iyinmi VI, Oke-Ila VII, Basiri VIII, Opopogooro IX, Egewa X, Irona XI, Igirigiri XII and Aso Ayegunle XIII. Four of these wards (30%) were randomly selected. These were Ajilosun I, Ago Igbira III, Basiri VIII and Irona XI. With the spatial scope and extent of the wards in mind, 90 adult residents were randomly sampled in each ward for questionnaire administration. This resulted in the administration of 360 questionnaires, 333 of which were successfully retrieved and analyzed. Both descriptive and inferential statistics were employed in the analysis.

Further, the Incremental Housing Challenges Index (IHCI) was used to analyze residents' assessment of the incremental housing development delivery performance. However, the underlying principle is essentially the same as what obtains in the more popular Relative Importance Index (RII). Consequently, the computation follows a process similar to the RII's. Literature abounds with many other similar applications. Examples include Afon (2000, 2006), Sambasivan and Soon (2007) and Olojede et al. (2017a, 2017b). The respondents were guided through the rating of the two variables of interest following the principle of the Likert-type scale (Likert, 1961; Vagias, 2006). In each case, the scale was from 5 through 1 in a descending order of significance. Each of the challenges were rated using one of the five likert scales as follows: Highly Applicable (HA), Applicable (A), Just Applicable (JA), Not Applicable (NA) and Not Applicable At All (NAA). The total weight value (TWV) for each variable was obtained through the summation of the product of the number of responses for each rating of the variable and the respective weight value. The mathematical expression for this is:

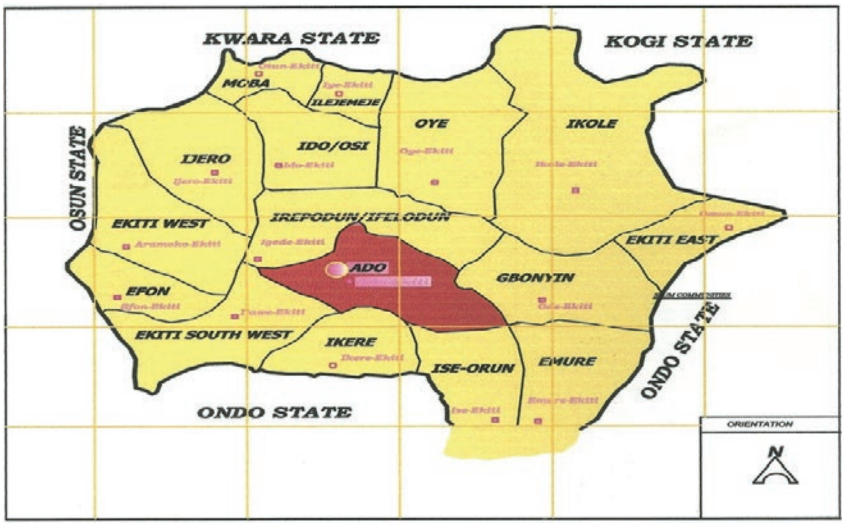
$$TWV = \sum_{i=1}^{5} (Ni \times Wi) \quad \text{(i)}$$

Where Ni = the number of respondents rating the variable, and Wi = the average weight value assigned to the variable by the respondents. Thus, the IHCI was computed by dividing the summation of all the responses to each of the five ratings on it by the total number of respondents who rated the road infrastructure facility (N). The mathematical expression for this is:

$$IHCI = \frac{TWV}{N} \quad \text{(ii)}$$

The closer the RICI of a facility is to 5, the higher the residents' rating of it; the farther it is from 5, the weaker the rating of respondents of such challenges.

FIGURE 1 Map of Ekiti State showing Ado-Ekiti



Source: Adapted from Oriye, 20163

6. Results and discussion

6.1. Socioeconomic characteristics of respondents

The socioeconomic characteristics of respondents are considered very important for this study as they are important in influencing opinions. The gender distribution shows that while 54.9% of the respondents were male, the remaining 45.1% were female. This is deemed a balanced distribution. Only 5.4% of the respondents had no formal education, and as many as 53.8% had at least senior secondary education or its equivalent. This implies that the literacy rate of the respondents is comparatively high. As such, it is expected that they would be fairly objective in their assessment. At the time of the survey, 45.3% of the respondents were businessmen in the study area. This category had the highest frequency. The levels of education 6.0% of the respondents earned more than150,000 per month. However, generally, going by the exchange rate of the US dollar to the Nigerian naira at the time of the survey, the people were not very financially buoyant (Table 1).

TABLE 1 Socio-demographic characteristics of the respondents

	FREQUENCY	PERCENTAGE (%)
Gender		
Male	183	54.9
Female	150	45.1
Academic qualification		
Primary	109	32.7
Secondary	179	53.8
Tertiary	75	22.5
No formal education	18	5.4
Occupation		
Students	73	21.9
Artisans	43	12.9
Businessmen	151	45.3
Civil servant	66	19.9
Income		
< 50,000	107	32.1
50,001 – 100,000	120	36.0
100,001 – 150-000	86	25.8
> 150,000	20	6.0
TOTAL	**333**	**100.0**

Source: Filed Survey, 2018

As of 21 April 2018 one US dollar was equivalent to 360.00 Nigerian naira.

6.2. Physical characteristics and condition of building in the study area

Findings showed the level of completion in housing in the study area. Findings revealed that 61.0% of residents are half-completed is 61.0%, 28.5% are still at an elementary stage, while 10.5% have completed their homes. Information on the age of the buildings in the study area showed that 43.2% of the buildings were erected between 11 to 20 years ago, 30.9% of the buildings were erected 0 to 9 years while 2.7% were erected more than 30 years ago.

TABLE 2 Physical characteristics and condition of building in the study area

	FREQUENCY	PERCENTAGE (%)
Level of completion		
Completed	35	10.5
Half-completed	203	61.0
Elementary-stage	95	28.5
Age of the building		
0 – 9 years	80	24.0
11 – 20 years	141	42.3
21 – 30 years	103	30.9
30 years and above	9	2.7
Materials used for construction		
Ordinary mud	32	9.6
Mud brick	75	22.5
Cement block	226	67.9
Roofing material		
Iron sheet	189	56.8
Asbestos	14	4.2
Aluminum	130	39.0
TOTAL	**333**	**100.0**

Source: Filed Survey, 2018

The predominant materials of construction in this part of the community are mud, cement blocks and mud bricks. As shown in Table 2, the highest proportion (67.9%) of the houses in the area were built with cement blocks, while those built with mud bricks are 22.5% and ordinary mud has the lowest proportion at 9.6% in the study area. The study reveals the general state of roofing materials in the study area. For instance, the most common roofing material turned out to be corrugated iron sheet with 56.8% of homes, while 39.0% and 4.2% were roofed with aluminum and asbestos respectively in the study area (Table 2).

6.3. Incremental housing delivery challenges in Ado-Ekiti

Prior to assessing the challenges of incremental housing delivery in the study area, the respondents were asked to rank identified challenges in the city with focus on eight distinct elements. Identified possible challenges rated by the developers included: cost of building materials, land accessibility for house construction, tenure security for land before house construction, approval of plans/property documentation, access to finance, the appearance of the housing at the earlier stage of incremental construction, attitude of household members to moving into the incremental dwelling. Table 3 gives the summary of their assessment of the challenges of incremental housing development. According to Table 3, access to finance topped the challenges of incremental housing development in the study area. Cost of building materials, access to land, approved plan documentation, security of land, bureaucracy, the appearance of housing at the earlier stage of incremental construction and attitude of household members to moving to the incremental dwelling ranked next with 4.72, 4.64, 4.53, 4.17, 3.80, 2.47 and 2.32 respectively. Further, a mean score of 3.9 was

TABLE 3 Challenges of incremental housing delivery

CHALLENGES	WEIGHTING					IHCI	RANK
	5	4	3	2	1		
Access to finance	300	30	3	—	—	4.86	1
Cost of building materials	275	35	13	10	—	4.72	2
Access to land	259	49	10	12	3	4.64	3
Approval of plan documentation	248	52	8	12	13	4.53	4
Security of land	201	39	60	18	15	4.17	5
Bureaucracy	61	189	53	16	14	3.80	6
Appearance of housing at the earlier stage of incremental construction	39	96	—	54	144	2.47	7
Attitude of household members to moving into the incremental dwelling	4	56	76	84	133	2.32	8

obtained for all the elements taken together. This shows that the respondents rated the challenges in the city as high (Table 3).

IHCI: INCREMENTAL HOUSING CHALLENGES INDEX

However, further analysis revealed that income and occupation served as the independent variables while the dependent variable was the degree of completion of the building. The result showed that there is a very strong positive relationship between degree of completion of a building, with income and occupation with correlation coefficient (R) of 0.899 and adjusted R square (R2) values are 0.795. Which mean that 79% to 89% of variation between level of completion of a building relates to income and occupation.

The result of ANOVA established that the model so derived is a good model as it describes well the relationship between degree of completion of a building and income and occupation. The model is highly significant with p-value of 0.000 which shows that the model is adequate and sufficient. Since the F. Calculated value is greater than the F tabulation value.

7. Conclusion and recommendations

This paper has examined incremental housing development in Nigeria using Ado-Ekiti as a case study. Thus, it can be concluded that non-availability of proper finance arrangements and policy support for the housing needs of those on low and middle-incomes are the major challenges confronting incremental housing development in the study area.

Thus, in this way, incremental housing is not just solving a physical problem; it also constitutes a solution through reflecting cultural and social patterns in informal settlements. By involving the individuals in the design process, promoting com¬munity participation and by involving individuals in construction and development of their living environments, successful self-build processes occur. Consequently, in¬cremental housing as a participation process for informal housing can be a multi-sided solution addressing both social and economical issues.

The study revealed that developers perceived lack of accessibility to finance as the most important difficulty within the incremental housing development process, while the cost of building materials, land accessibility for house construction and approval of building plans were also highly rated as challenges. Therefore, government at all levels should make provision for the residents by supporting them with loans and other incentives that will aid incremental development in Nigeria and world at large

Incremental housing, including its mutual form, should be better monitored and in due course, better 'assisted' by government and housing institutions, thus ensuring that it will become a basic component of formal housing policies. Government should develop an effective and efficient support system by involving itself in the production of necessary housing facilities along with the environmental and infrastructural facilities. These recommendations could create a pathway towards enhanced incremental housing development in the developing world.

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Destiny Village, Sierra Leone

A comprehensive, sustainable and holistic relocation approach that can transform a nation.

By Nigel Hyde and Clive Thursfield

1. Introduction

About 18 miles, south east of Freetown, the capital of Sierra Leone, is an affordable housing complex. The thing which most characterises this site is the complete lack of anyone living in the houses. They stand as a vacant and a stark reminder that affordable housing is not only about the bricks and mortar. A few miles up the road is Destiny Village, a 25-acre developing community with a school and a number of business opportunities. Here, over 200 people (capacity 2000+) ex-slum residents, domicile in substantive hydraform block built ($7,500), 6 occupant houses. People are queuing up to come and live in Destiny Village.

The difference? – a comprehensive, sustainable and holistic relocation strategy focussing on community cohesion and development. Is it perfect? – not yet. Are there challenges? – most certainly, but continuous learning from the myriad of lessons and experiences about relocating people of a war-torn, Ebola ravaged country, out of dangerous and overcrowded slum conditions has taught us two incontestable facts:

1) that sustainable affordable housing is not just about shelter.

2) that the design of new-built environments needs to be informed by the people who will eventually live there.

In 2014, Home Leone walked the Freetown slums, listening intently, whilst researching residents' lives, hopes and dreams. This confirmed acute vulnerability to mudslides, annual flooding, civil unrest, loss of livelihoods, poor health outcomes, few services, economic disruption/ damage, wasted development resources, loss of property and assets, destruction of infrastructure, and loss of life and hope. Insights were gathered about the desired characteristics of a new village/town that would be an attractive option as an alternative to slum living.

This hands-on research informs a relocation strategy integrating 7 inter-dependent pillars. It recognises that affordable housing, done in isolation of the other 6 pillars, would fail. Strategies were therefore developed for low-cost and affordable housing, livelihood (micro loan and employment), power, water, education, healthcare, all linked by addressing behaviours through training, adult education and personal development.

Land tenure in Sierra Leone is largely unstable, characterised by dispute, it cripples development opportunities. Destiny Village has secure title to 25 acres.

2. Home Leone's approach to housing

Consultation with the local branch of Slum Dwellers International, led to an innovative community house design. By harvesting soil from Home Leone land, over 500,000 interlocking hydraform blocks form the principal building material. This pioneering design builds in 8 house blocks creating community within community. Initial housing was 2-bed and a maximum of 6 people. New designs for one bed and for larger homes have been completed. Feedback from early movers further developed the design, maximising space utilisation. The journey continues to drive down cost by building with alternative materials. Significant economies of scale are possible as the village grows to a town.

To date 56 homes have been built as well as 10 classrooms. A school has been opened and 6 businesses employing nearly 100 people have been created. Water and waste management systems, and a healthcare triage and pathway service have been established.

Most developed countries offer a form of subsidised housing to the poorest members of society. In many places it is seen as a right. In Sierra Leone there is no social safety net, so no government funding is available or likely to be in the foreseeable future. Home Leone therefore met with banks to determine

- what it would take for them to offer housing finance.
- what parameters would need to be met to deliver a sustainable mortgage system.
- can the legal framework withstand a form of lien over property such that repossession is possible from defaulters?
- what is truly affordable yet can also give an acceptable rate of return.

It was clear that unless finance providers moved away from the 20%+ interest rates and found a new way to fund, it was a non-starter. However, if the demands of those with capital can be modified, costs of the houses benefit from the methodology outlined here, models show there is hope.

Using a benchmark of 30% of income going on rent or mortgage it was discovered that if a family can gain an income of $100 per month, over a 35-year mortgage this, with the right financing is affordable. In a world where central bank interest rates for the wealthy are approaching zero, never has there been a better time to finance housing for the poorest. Yes, there are challenges, like in Sierra Leone families have to look beyond one generation with life expectancy around 50, but with development and better housing conditions it is axiomatic people will live longer.

After a range of modelling was done, it has been concluded that in today's world finance market, money should be made available. A 5-7% return, with charges over property, is perhaps more secure and a greater return than most people can currently obtain on their dormant savings.

3. Behavioural challenges and their effect on relocation effectiveness

In the first 18 months of residency, there have been challenges to the stability of the community which in many cases have manifested in a lack of trust of the residents towards the western leadership of Home Leone. The brokenness of Sierra Leone's population is associated with the trauma of a brutal civil war, urban drift, endemic corruption trained from birth, Ebola, family dysfunction and breakdown, fight for daily survival. There is huge post-traumatic stress noticeable in so many lives. It is therefore not surprising that the relocation of the first group of slum dwellers was characterised by stealing, beating their wives and children and aggressive behaviours. These challenging behavioural aspects make building infrastructure appear relatively straight forward. It is likely that many people reading this article will wonder why a person living in an insubstantial corrugated iron 'shack', in a flood prone, health compromised area would not automatically and without reservation jump at the chance of a safe, substantial brick-built house. A 'poverty and entitlement' mentality has been observed where it seems that no matter what is on offer there is, originating from the previously experienced poverty and deprivation, always an expectation to be given more. This is exacerbated by the perception that foreign people have bottomless resources.

It is essential for the success of this relocation programme, therefore, to address how people think about life and about their individual responsibilities to take ownership of their own destiny. Consequently, training programmes have been devised which to date have delivered over 700 hours of coaching, personal development and mentoring.

4. Leadership

Quality leadership in both residential community and business has proved to be difficult to achieve and has necessitated some small deviations from the vision that the new houses are solely for slum dwellers and it has been found necessary to offer about 8% of the housing to families with proven leadership skills.

Business leadership remains problematic where even quite senior, recommended people are not immune from significant dishonesty and corruption. Critical thinking is also often lacking.

However, the present community is now settling down and people are becoming motivated to grow their own community. Youth groups, men's and women's groups are developing. The school is functioning well and placements to children from surrounding villages will be soon offered. There is an adult education programme bringing much needed numeracy and literacy to both male and female residents and there are plans for a wide range of vocational courses.

5. Livelihood and income generation - fundamental underpinning of sustainability

Affordable housing only becomes affordable if people have livelihood. Relocation often means previous livelihood cannot be continued. The drive is to make quality homes as low cost as possible in a context where residents are enabled to rise from their poverty and rent or buy these homes. The principle of sustainability for this relocation project is the creation of a number of businesses in and around Destiny Village. This will, at the same time as providing employment and income for the residents, underpin the infrastructure costs of the project from business profitability, partially funding education and healthcare, creating an effective sustainable model.

This principle has proved challenging, as the Sierra Leone business environment is not easy. Getting supplies out the port, employment laws that feed an entitlement attitude and a low skills base all have to be overcome to make progress.

Livelihood makes housing affordability possible. In relocating, one job (or loan) to each household was offered, ensuring a foundation for sustainability. It proved necessary to pay twice the minimum wage to ensure families would thrive. One reason for this is the cultural practice where a resident's wider families put on pressure and demand money. Each wage is estimated to sustain 10-12 people. Micro loans are tested, and the learning means this will be a key tool in enabling residents to thrive.

Based on the UK Bourneville Model (https://digitalcommons.georgefox.edu/quakerstudies/vol11/iss1/6/), where a factory is surrounded by homes and community, 7 businesses were started . The first business, a chicken farm, was unsuccessful due to theft, dishonesty and cheap imports. The experience did, however, provide great insight into how to incentivise effective work. The brick and water factories work best by paying people for output rather than fixed wages as motivation is key.

The businesses are - a building company, brick (hydraform) factory, water bagging factory, garage (with a resident UK Mechanic/teacher), bakery and market garden. There are also unfunded business plans for aquaponics and a passion fruit farm. The local managerial capability needs significant support and has led to skills development and training plans.

Recycling of structures and materials from buildings in developed countries offers significant value for money. Some UK schools closed, enabling quality doors, kitchen equipment, scaffolding, desks to be transported to Africa in shipping containers. Home Leone has now sent 10 containers and developed a supply chain to ship donated materials and equipment creating significant value. CSR provides donated supplies. Corporate teams are hosted and given coaching, offering a triple win to the individual (personal development), corporation (PR, insight and talent development) and the communities they serve.

6. Utilities

Slum dwellers have become used to receiving electricity. In the slums, much of the electricity is stolen by illegally tapping into the supply. They had never experienced the realities of the cost of providing or generating power. In the area where Destiny Village is situated there is no mains or solar supply. Each option is expensive, and a complete solution is yet to be found. The initial approach is to use on-site generated power. Residents will not accept a 12V system as most want a TV and freezer which really requires 240V. Delivering energy is one of the biggest costs. The residents have meters and pay a standing charge. It is interesting to see how some residents choose to sit in the dark and pay nothing, whilst others develop their home businesses.

Clean water is vital. Initially surface water was cleaned but it could not be cleaned enough (economically) in the rains. Home Leone sits on a huge aquifer and with the addition of 2 wells ensures safe, potable water delivered to homes. Residents make phone payments which releases water through their meters.

Some will still walk half a mile to the dam to do washing rather than pay for the (very affordable) water in their home.

Other utility aspects being developed -

- A community cooker provides a 'waste to power system', burning above 800C enabling plastics and waste to be incinerated without pollution.
- Sewage to compost cess tanks.
- A large market garden and tree maintenance maximises environment credentials.
- Burning rice husk provides cement substitute.
- Containerised solar wood kiln offering a ground-breaking solution to lack of seasoned timber in the country. (in association with Swansea University).

7. Healthcare

Sierra Leone healthcare provision is perhaps some of the worst on earth. A place where there are few medical practitioners, little useful equipment and where death comes early for many. An in-country steering committee was formed to determine a health strategy. They strongly recommended not starting a new clinic within Destiny Village but to see how local health provision could be supported. Within Destiny Village there is a 'clinic in a can' (consulting room in an adapted shipping container) which has hosted dentists and local Government health clinics. A triage and pathway system for residents is in place run by an in-house nurse, who acts directly with what could be described as "bathroom cabinet medicines" and beyond that acts as a pointer to the most appropriate government health provision. Unfortunately, in large part, people are diagnosed with conditions they do not have and are prescribed medicines they do not need. Residents have been offered a contributory health insurance scheme but this type of forward planning is alien to their culture and the idea of paying into a scheme that might benefit people other than themselves is not acceptable at this moment in time. There is a continuing tension between trying to assist in improving local health facility standards compared with establishing a Destiny Village health facility where standards can be controlled.

8. Education

Education is often said to be the only real long-term solution to the problems of deprived countries such as Sierra Leone by bringing fresh insight to a new generation and offering a second chance to those who missed out first time. Destiny Grace Academy primary school opened in 2019 and the secondary will open in 2021. Adult education means parents can learn with children. Vocational activity is linked to businesses success. An international steering group has delivered training and child centred learning. The class sizes of 30 are tiny compared to the national average of 82. Many challenges exist in changing a methodology, a new behaviour policy that does not involve beating children and encouraging parents, especially fathers to connect with their child's education.

9. Funding

This progress results from so far raising $3.5m from networks and kind individuals.

10. Summary and conclusion

Home Leone's vision is to see the end of slum living in Sierra Leone. It offers an innovative low-cost housing "plus" model that transcends national boundaries. Home Leones key innovations include:

- Replicable integrated, holistic, sustainable 7-pillar relocation strategy.
- Affordability, integrating livelihood and behaviour change opportunities, delivering structural change.
- Community-led house designs and new village layouts.
- Proven delivery, adaptability, scalability and continuous learning.
- Bringing partners and government together with an enduring plan.

As any investor doing due diligence would discover, this integrated pilot works sustainably. The foundations are in place; The need is obvious and urgent; people are dying due to world inaction. Home Leone is delivering strategic outcomes and is ready to multiply outcomes. Based on the immense learning to-date Home Leone is now ready with new plans for leadership development, future resident training and development and business efficiency to facilitate completion of the project. Up to now Home Leone has been working largely on its own. However, the way forward now is working in partnership with synergistic organisations.

Towards cities without slums: a sustainable policy approach for Morocco

By Noor Mazhar, University of St Andrews[1]

1. Introduction

With increasing urbanization globally, 6 out of 10 people are expected to live in urban areas by 2030. Over 90% of the projected growth is expected to occur in the Global South; the accumulated relative growth rate of cities in Africa being amongst the highest in the world[i]. Since two-thirds of the world's population is expected to reside in urban areas by 2050, cities lie at the core of sustainable development. To respond to the needs of an increasingly urbanizing world, governments place housing at the core of urban policy and resolve to include and empower public and private urban actors to provide solutions to plan, finance and deliver affordable housing solutions which cater to the needs of the urban poor, especially in slums and unplanned settlements.

The UN-HABITAT defines a slum household as a household that lacks one or more of the following: durable housing that provides protection against extreme climate conditions, sufficient living space, easy and affordable access to safe drinking water and adequate sanitation and security of tenure against forced evictions. Currently, one billion people (one-third of the world's urban population) reside in slums, and this number is expected to rise to three billion by 2050[ii].

Many postcolonial governments attempted to address inadequate housing through the provision of public housing alongside slum clearing policies. However, in the 1970s, the World Bank and other International Donors began to question the financial sustainability of schemes contingent on government subsidies. Structural adjustment brought about changes in urban governance to reflect decentralization measures through the privatization of national housing institutions and development of structures of governance which enable the housing market to flourish through the promotion of private property and mortgage facilities. To this effect, future programs and policies focus on making slum upgradation projects 'bankable;' i.e. lucrative to banks and financial institutions, private developers and service providers[ii].

The shift to neoliberal policies is justified by greater efficiency, cost recovery and reduced government expenditure. Thus, urban policy increasingly focusses on assembling public and private stakeholders through the development of organizational forms and institutional structures which invite, institute and capacitate stakeholders to enhance functioning of the market and housing finance institutions. However, it often does so by prioritizing the interests of the economically powerful and at the risk of exacerbating socio-economic inequalities, disempowerment, and marginalization of the vulnerable[iv].

To examine the synergies and antagonism between stakeholders assembled to deliver affordable housing solutions, this paper critically appraises the 'Cities without Slums' program in Morocco by analyzing the structural and financial design of the program, the partnerships it embodies and the potential to replicate these across comparable contexts. Simultaneously, it acknowledges the setbacks faced by the program in meeting its objectives and reflects on its inherent predisposition to conflict of interest between the variegated stakeholder portfolio; the government, its autonomous agencies, private developers and slum dwellers, and the socio-economic implication thereof. Lastly, it draws on successful international practices and identifies opportunities in policy design to enhance vertical and horizontal collaborations between local, national and international stakeholders to improve the outcomes of the program.

2. Context

The urban population in Morocco has increased from 29% at the time of independence to 62% (figure 1). Morocco is rapidly urbanizing at the rate of 3%, which translates into a demand for 120,000 housing units each year. Although the percentage of Morocco's urban population living in slums has decreased from 37.4% in 1990 to 13.1% in 2014, 1.4 million people in Morocco continue to live in slums[v].

Rapid urbanization in Morocco can be explained through sizeable rural-urban migration. As a consequence of French colonial rule in Morocco, infrastructure and economic activity was concentrated in urban centers; Rabat, Casablanca, Tangiers, Marrakech and Fez (figure 2 (a) and 2(b)). Rural migrants drawn to urban centers inhabit the peripheries of cities forming slums and informal settlements[vi]. The inhabitants of these often engage in informal economic activity, thus Morocco's economy is marked by a significant informal sector, which contributes to 11% of the total

[1] I am indebted to my dissertation supervisor, Professor Nina Laurie, who guided and encouraged me to pursue my research interests during and after the course of my dissertation. I thank the Commonwealth Scholarship Commission for funding my postgraduate degree.

GDP. The International Labor Organization (ILO) estimates that 72.5% of urban employment is informal[vii], therefore, access to healthcare, public amenities, financial services and decent housing is limited for the urban poor.

Urban issues emerged on the Moroccan government's agenda in the 1960s, especially after the riots in Casablanca in 1965. The government adopted a 'management by absence' strategy; the ad-hoc measures taken by the government were insufficient to meet the needs of Morocco's increasingly urbanizing population and informal settlements expanded and densified[viii]. Neoliberal reforms pursued in the 1980s exacerbated urban disparities; structural adjustment liberalized the housing market, reducing the supply of low-cost housing. Subsequently, the ratio of house price to income in Morocco is estimated to be one of the highest in the Middle Eastern North African (MENA) region[ix]. Simultaneously, because of roll-back neoliberalism, the state disengaged itself from large scale subsidized housing schemes. However, the suicide bombings in Casablanca in May 2003, the perpetrators of which hailed from slums of *Sidi Moumen*, branded slums as a breeding ground for Islamism[x]. This accelerated the government's commitment to developing 'Cities without Slums,' whereby the state engaged in 'roll-out neo-liberalization' and undertook an active role in creating opportunities for private sector investment and market-based governance[xi] for the delivery of affordable housing solutions, thereby reducing all urban questions to the single imperative of urgently increasing the production of social housing. The next section of the paper presents and evaluates policies and programs designed to provide affordable housing solutions to slum dwellers in Morocco by outlining the aims of the programs undertaken, sketching the institutional arrangement, legal structure and financing mechanisms employed and reflecting on the policy choices and subsequent outcomes of the programs.

3. Evaluation of existing policies and programs

To combat the challenges of increasing urbanization, uphold Article 31[4] of its Constitution and reaffirm its commitment to the international agenda of upgrading slums, the Moroccan government has undertaken the following initiatives:

FIGURE 1 Percentage urban population in Morocco (1950-2020)[2]

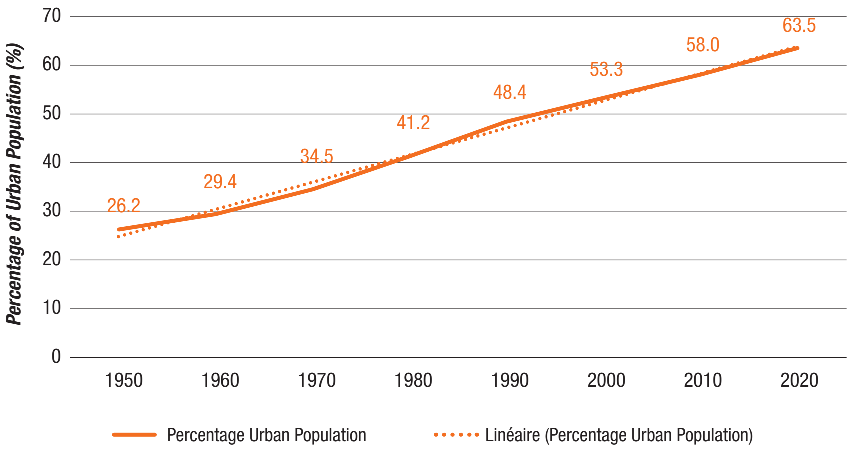


FIGURE 2a Population in cities (500k+) of Morocco[3]

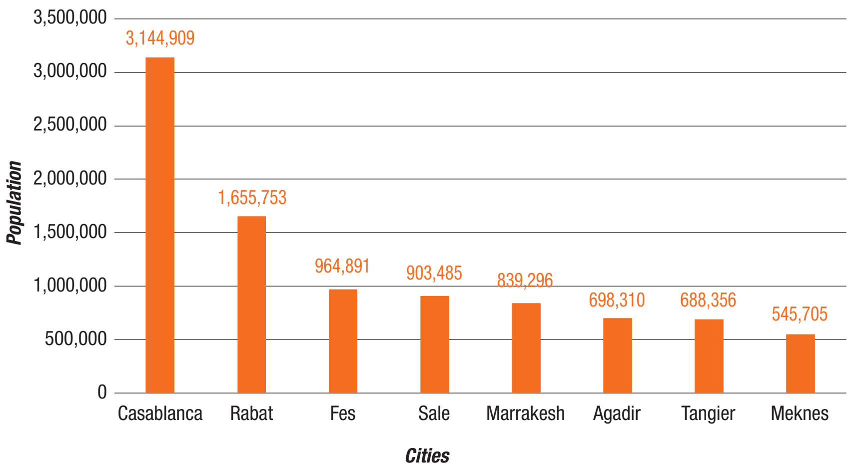
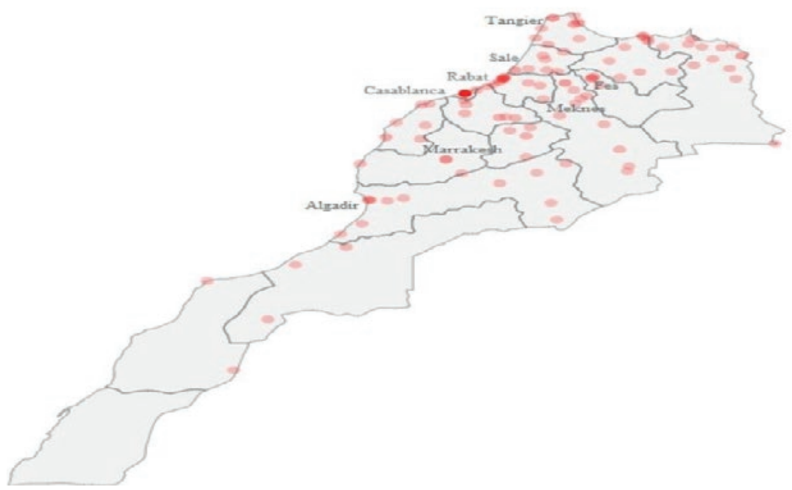


FIGURE 2b Disparate distribution of population in Morocco's cities



[2] Data Source: United Nations, Department of Economic and Social Affairs, Population Division, 2018. World Urbanization Prospects 2018.

[3] Figure 2 (a) and (b) adapted from: Data Source: World Population Review. *Morocco Population 2020.* [online] Available at: https://worldpopulationreview.com/countries/morocco-population/#countryCities [Accessed 26 March 2020].

[4] Article 31 of the Constitution (2011) entitles all citizens to access to healthcare, education, housing, public facilities, healthy environment and lasting development.

3.1. Programme d'action pour la résorption de l'habitat insalubre (PARHI)

Initiated in 2001, PARHI focused on restructuring informal neighborhoods through the provision of utilities and social housing. Its main features are:

- National Substandard Housing Program: The program aimed to provide existing slum settlements with infrastructure and services and resettle populations of slums which cannot be integrated in formal cities through hire-purchase schemes.
- The Partnership and Solidarity Action for the Struggle against Substandard Housing Bill: The Bill defined parameters for substandard housing and their absorption using the Local Plan for Housing and Urban Development (PLHDU) as the basis for intervention. It aims to prevent substandard housing and revise legal approaches to cover property transactions in substandard housing neighborhoods[xii].

The 'clearing of the ground' approach conceived by the French and continued by the subsequent government in Morocco till the early 2000s failed to end the proliferation of slums and exacerbated the slum crisis[xiii]. However, the suicide bombing in Casablanca in 2003 accelerated the government's efforts to eradicate slums. Subsequently, PARHI was replaced with the more ambitious 'Cities without Slums' program.

3.2. Villes sans bidonvilles (cities without slums)

In August 2001, the King of Morocco, Mohammed VI, directed the government to develop a legal and regulatory framework aimed at the eradication of informal settlements and slums through innovative, reliable and stable financial sources. Initiated by a royal initiative in 2004, the Cities without Slums program partnered with the existing 'Cities without Slums' Action Plan developed by the Cities Alliance in 1999, which encouraged the development of inclusive cities[xiv]. As enshrined in the Millennium Development Goals and the Sustainable Development Goals, the program aims to promote social inclusion and economic participation and empowerment through home ownership. It aims to *'make cities and human settlements inclusive, safe, resilient and sustainable,'* by reducing poverty and social divide, engaging in human development via urban inclusion and social integration, reinforcing social cohesion and promoting urban diversity by ensuring access for all to adequate, safe and affordable housing and basic services.

With an overall cost of USD 3.4 billion (MAD 32 billion), the Cities without Slums program is the largest slum clearance program in Morocco's history. Out of the MAD 32 billion, MAD 10 billion was provided by the Moroccan government. This has taken the form of land subsidies, tax exemptions for private corporations, direct investments of the MHU and the establishment of mortgage guarantee funds. The government restructured its institutional framework to promote public-private partnerships, provide tax incentives and encourage private partnerships in the provision of affordable housing. Initially, it aimed to target 421,699 households and declare 85 Moroccan cities slum free by 2012. However, between 2004-2018, the number of households increased by 56% i.e. 10,600 households per annum. To date, the program has succeeded in declaring 59 of the 85 targeted cities slums free and relocating 277,583 households[xv]. The program provides a range of housing solutions including on-site upgradation of existing settlements, provision of built apartment units, redevelopment and provision of serviced land plots and the development of new towns on state-owned land located at the fringes of major cities such as Rabat, Casablanca, Marrakech and Tangier. The new towns developed were intended to cater to all income groups; slum dwellers who were relocated through the provision of serviced plots and construction of subsidized price-capped apartment units, middle income groups who could acquire economic housing as well as high-income groups who could afford market-rate housing and commercial property; developed by private developers to cross-subsidize the cost subsidized social housing apartment units.

The program is delivered by an extensive portfolio of international, public, private and semi-public stakeholders (figure 3). The key actor is the Ministry of Territorial Management, Urbanization, Housing and Urban Policy (MHU) which manages the program and establishes development policies. The MHU works closely with Directorates of Housing and Land Development and Local Governments (regional coordinating and provincial implementation committees) throughout the country, which prepare plans for elimination of slums in their jurisdiction and provide public land free of cost to developers. The MHU also coordinates with the Ministry of Finance and Privatization which manages the *Fonds de Solidarité de l'Habitat (FSH)*, a USD 25 million off-budget subsidy fund which generates its revenue by levying a 10% tax on cement. The FSH is used to subsidize the cost of social housing units. Social Housing Units are priced at MAD 120,000 of which MAD 40,000 is subsidized by the FSH. The remaining amount is paid by residents who have been provided access to loans through *Banque Populaire* which is backed by 70% guarantee by the state through a program called FOGARIM.

The MHU also liaises with the Ministry of Finance and Privatization which manages the *Caisse Centrale de Garantie* (Central Guarantee Fund), a public agency which falls under the purview of the Ministry of Finance and Privatization. The Central Guarantee Fund administers loan guarantees by collaborating with private banks. In case of a default loan payment, this fund is mobilized and up to 70% of the amount is guaranteed. To enable low-income populations with irregular income who are otherwise excluded from formal financial institutions to access housing finance, the FOGARIM program has been set up under the Central Guarantee Fund. The acronym FOGARIM literally translates into "guarantee fund for housing loans for people with low or/and irregular income" *(fonds de garantie pour prêts pour le logement en faveur des populations à revenus modestes et/ou irréguliers)*[xvi]. By protecting the lender rather than the borrower, FOGARIM enables slum dwellers to access finance at to 5-7% interest per annum with an upfront payment of MAD 20,000 with the following conditions[xvii]:

- Maximum monthly household income should not exceed USD 375;
- Maximum loan amount should not exceed USD 25000;
- Monthly installment is capped not to exceed USD 1000;
- Recipient should be a Moroccan citizen;
- Recipient should possess proof of income generating activity even if it is irregular;
- Recipient should possess proof of not owning any other property and must not have previously acquired a loan for social housing.
- The loans have to be paid within a period of 25 years and the last installment must be paid before the recipient is 60 years of age.

The key holding company for the Cities without Slums program is the Al-Omrane. Holding companies are tasked with the following:

- Implementing masterplans for the development of new towns and cities;
- Supervising infrastructure planning and development;
- Promoting and marketing projects to investors, private developers and residents;

- Contracting and incentivizing private developers to develop social housing and accompanying infrastructure through tax incentives and the provision of subsidized state owned land;
- Monitoring progress and milestones of the program;
- Clearance of slums.

The Al-Omrane was formed through the amalgamation of the National Agency for the Elimination of Substandard Housing, the National Society for Equipment and Construction, the Society for Development Construction and Property Development and the seven institutions for regional development. It is an operator-developer for the government's housing and urban development policies. Although the Al-Omrane was formed by the amalgamation of 18 state agencies, it operates as a parastatal company independent from the state[xviii].

The Al-Omrane contracts private developers to develop social housing units alongside market rate housing by providing private developers with tax incentives and state-owned land. Private developers aiming to engage in the program must service land and build social housing units often alongside market rate housing units. Developers who are building price capped apartment units must sign a convention with the state to ensure compliance with the regulations in *"Technical Specifications of the Urban, Architectural and Technical Requirements for Affordable Housing.*[xix]*"* In return, the government exempts them from corporate, income and value-added tax as well as registration fees and duties collected by the state. Additionally, private developers are also incentivized by land subsidies provided through the auctioning of state land at unusually low prices. Land subsidies are one of the largest and least transparent forms of subsidy due to the nature of the transaction between the government, state-owned entities and private developers and the transaction amount is never made public[xx].

The Al-Omrane is assisted by private consultants and a public agency, *Agence de Développement Social (ADS)*, which acts as a social operator and undertakes 'social accompaniment' for the Al-Omrane[xxi]. The ADS was established and is funded by the state to work on development projects nationwide, however, its administration functions separately from the state. The ADS is tasked with assisting slum residents with the administrative processes of resettlement, filing complaints, monitoring demolition of previous shacks and ensuring the quality of social housing units. The ADS acts as an interface between the holding company and the slum residents by communicating the program's goals to the beneficiaries, sharing their files and documentation with the authorities, convincing slum dwellers to move and accelerating the relocation process through new methods of social engineering[xxii].

The stakeholder portfolio extends beyond national public and private actors to include a transnational network of International Organizations, which have contributed immensely to the success of the program. The program has received financial and technical support from International Donors including the European Union which provided USD 117 million for the development of social infrastructure, the European Investment Bank which provided USD 90 million for the development of off-site infrastructure and program operations, *Agence Française de Développement* which provided USD 65 million to the Al-Omrane and the Cities Alliance which provided grants valuing USD one million to provide technical assistance and management to the program and develop the FSH along with technical assistance, support through communications and conferences, participation in pilot projects in two towns and support for the evaluation of the project and establishment of a research body[xxiii].

Through a complex and extensive stakeholder portfolio, the model has optimally leveraged state-owned resources to deliver affordable housing solutions. The program has received international recognition *"for delivering one of the world's most successful and comprehensive slum reduction and improvement programs* [xxiv]*,"* and is being replicated in concept in Egypt and Tanzania. However, despite the program's success, research shows that the strategies and policies adopted 'clean up' urban areas and produce aesthetically pleasing 'Cities without Slums' by relocating poverty to urban fringes and do little to improve the well-being and quality of life for slum dwellers[xxv]. Thus, the program has faced obstacles and resistance in meeting its objectives, leading to mass forced evictions, especially in Casablanca and Rabat. The next section of the paper synthesizes the critiques of the program to demonstrate how the policy choices and outcomes of the program resulting from an assemblage of stakeholders with varied and often conflicting interests benefit and disadvantage different stakeholders.

4. Critique of the program

4.1. Prohibitive costs and lack of economic opportunities

Although the program provides slum dwellers with access to credit through FOGARIM, MAD 20,000 must be paid up front, preventing slum

FIGURE 3 Stakeholder and institutional arrangement for delivery of cities without slums program

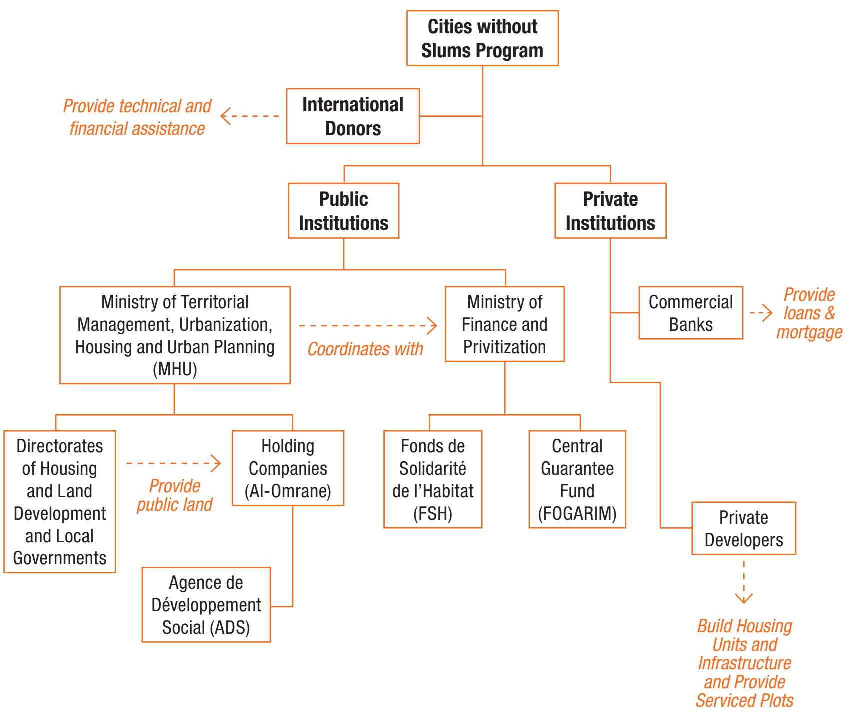
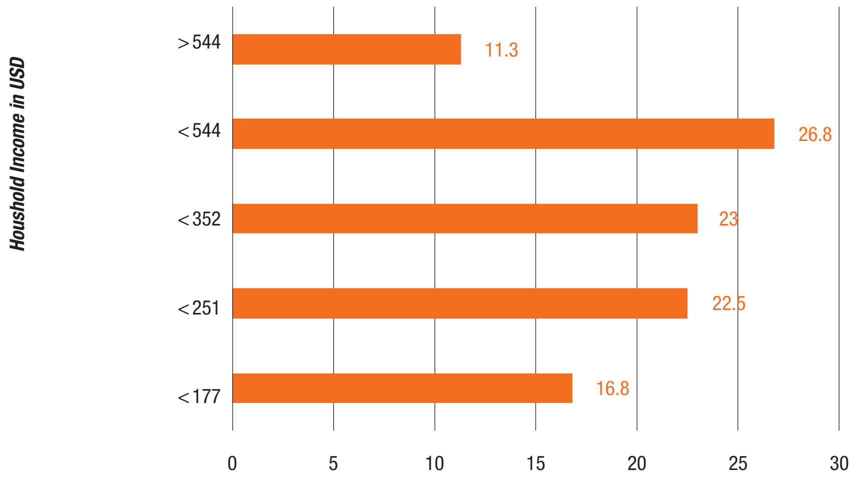
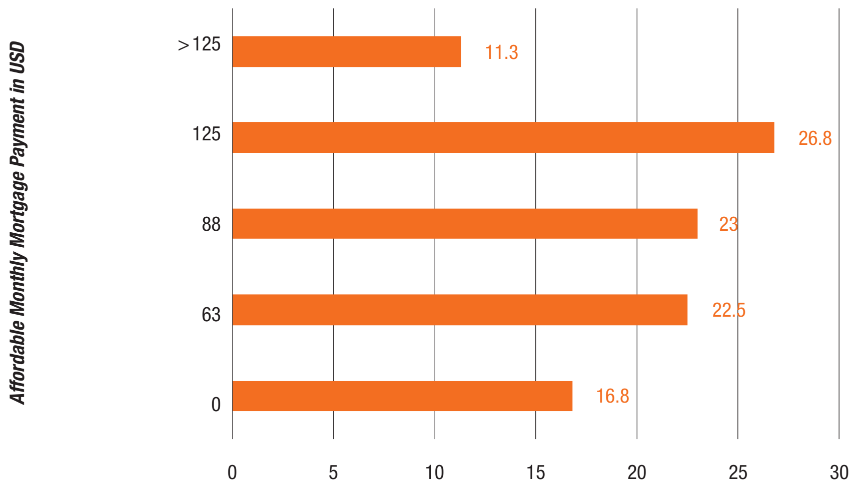


FIGURE 4a Percentage slum households by household income[5]



	< 177	< 251	< 352	< 544	> 544
Percentage Slum Househoulds by income	16.8	22.5	23	26.8	11.3

FIGURE 4b Percentage slum households by affordable monthly mortgage payment



	0	63	88	125	> 125
Percentage Househoulds	16.8	22.5	23	26.8	11.3

FIGURE 5 Affordable housing mortgage payment for all income quartiles[6]

INCOME QUARTILES	Q1	Q2	Q3	Q4
Mean Household Income per month (USD)	289	455	601	931
Household income range (USD)	88 - 375	376 - 512	513 - 687	688 - 4000
Maximum Housing Payment per month (USD)	72	114	150	234

dwellers who do not possess sufficient savings to access credit. Analysis of slum dwellers' income shows that the mortgage payment is capped at an absolute value of USD 125 (MAD 1000) per month which is unaffordable for many slum dwellers as the mortgage may be 30 percent of their income. Figure 4 (a) shows the percentage of slum households by income and based on this information, figure 4 (b) demonstrates the monthly affordable housing installment.

The income analysis[xxvi] of slum dwellers shown above demonstrates the following:

- 16.8% of slum households cannot afford to make any mortgage payments therefore fall outside the ambit of the program;
- 61.9% of slum household cannot afford to meet the monthly mortgage payment capped at USD 125.

Extending the analysis to national level data (figure 5) inclusive of all income quartiles shows the lowest income quartile can afford none of the payment options, the second and third quartile can afford subsidized apartment units and only the highest income quartile can afford housing units at market rate.

In addition to increased costs of living due to mortgage payments and utility bills, beneficiaries of the program struggled to find economic opportunities because the new apartments could only be used for residential purposes, impeding home-based economic activity, subsistence farming and livestock rearing. Since the new towns lacked economic activity and were located on the fringes of cities, far from areas with availability of low skilled jobs, slum residents are forced to commute long distances, incurring additional costs of transportation. Thus, the policy decision to provide subsidized built apartment units financed through mortgages is unaffordable for the target population and alternate housing solutions such as incremental housing which is cheaper and better suited to the unique and diversified needs of slum households need to be promoted.

4.2. Lack of cultural context:

Since an expert-based approach, devoid of social knowledge is employed, housing solutions are often not conducive to socially established patterns of living[xxvii]. By housing a large number of dwelling units on a relatively small piece of land, apartment buildings

[5] Figure 4 (a) and (b) adapted from: Data Source: Martin, R.J. and Mathema, A., 2008. Housing Finance for the Poor in Morocco: Programs, Policies and Institutions. *Washington*, DC: US Agency for International Development.

[6] Figure 5 Data Source: *Ibid 4.*

optimize subsidized land and tax incentives for private developers. However, apartments, averagely sized 45-60 square meters with two bedrooms, a bathroom, kitchen and a salon are insufficient to accommodate multigenerational households and do not provide space for informal economic activity and subsistence farming, making these an unsuitable housing solution for slum dwellers. Moreover, eligibility for social housing is determined by counting the number of dwellings without accounting for the number of families residing in each dwelling. Adult children who would soon have individual families, families living with siblings or parents and tenants are not counted separately, making them ineligible for social housing. For instance, the number of eligible households in SYZ was initially 1347 but was later updated to 3027 after numerous complaints by residents[xxviii]. Therefore, the policy outcome to provide standardized housing units, irrespective of household size and dynamics, benefits private developers instead of slum residents and needs to be revised to develop programs sensitized to the needs of its target beneficiaries.

4.3. Conflict of Interest

Through assemblage of an extensive stakeholder portfolio via public-private partnerships, the existing model has achieved considerable success in producing 'Cities without Slums.' However, the existing model, on account of its variegated stakeholder portfolio is inherently prone to conflict of interest. To spur private investment in financing and delivering affordable cost housing solutions, public companies create incentives to attract and contract private developers; the interests of whom are often contradictory to those of slum residents. Despite the program's claim to promote social inclusion, the interests of the private sector are prioritized over those of the slum residents and the participation of slum residents in the planning process is symbolic as the outcomes have already been predicated by experts. This is evident from the example of Tamesna[xxix] quoted below.

A new city, Tamesna, was planned 20 kilometers to the South-East of the city of Rabat on agricultural land in the rural commune of Sidi Yahya Zaer. The city was built to reduce the population density of Rabat and provide a site for the resettlement of approximately 1500 slum households. Under the initial plan, slum dwellers would receive plots of land to develop houses in accordance with the technical standards set by the Al-Omrane. Since public agencies operate like private actors to attract investment, they inevitably face conflicting demands, and the development plans conducive to the interests of private developers often conflict with the housing needs of residents. To advance the interests of private developers, the plan was abruptly changed in 2005. The new plan aimed to develop a city which hosted 250,000 households of which 10,000 households would resettle slum dwellers. Instead of providing land plots for resettlement, the new plan envisioned the development of social housing units for slum dwellers (capped at 120000 MAD), economic housing for individuals who do not own any other property (capped at 250000 MAD) and market rate housing, alongside the development of economic activity and accompanying infrastructure. This plan provided lucrative returns to the developers as a large number of social housing apartments could be built on a relatively small area of land. Moreover, the construction of housing units capped at MAD 120,000 was slowed down by the launching of housing units capped at MAD 250,000 in 2010. These dwellings were targeted at middle-income groups and provided more fiscal advantages to private developers for the same built area.

Additionally, the city did not offer the economic opportunities and quality of life that it promised. Although developers were contractually obligated to develop accompanying infrastructure, the development of schools, hospitals and transport links lagged behind the development of housing units as these did not provide immediate financial returns. Similarly, the industrial area included in the masterplan and the facilities for a large fish market funded by the USAID are still not operational, thus many of the city's residents are forced to travel to Rabat for work.

Interviews with slum dwellers show that representatives of Al-Omrane reject the preferences of slum dwellers and dismiss their complaints regarding infrastructure and maintenance. Entrusting private organizations with planning decisions instead of democratically elected local governments has shifted the locus of control from citizens to private developers and long-term policy agendas have been deferred to placate potential investors, corroding public accountability and the citizen's capacity to shape their own cities. Thus, despite of its capacity, the city falls short of its goal to house 250,000 households and a large number of built apartment units remain vacant.

The example quoted above illustrates that although the model steers private sector participation in the planning, financing and delivery of affordable housing through effective incentives, the interests of the private sector are often not aligned to the interests of those whom the program claims to serve. However, the limitations and predisposition of the model to conflict of interest provides opportunities for policy design to mitigate antagonism between the interests of various stakeholders and create mechanisms to build accountability and inclusiveness in the institutional design, subsequently improving the outcomes of the program. The next section suggests policy measures premised on unique and innovative modes of partnership between the public sector, private sector and civil society organizations to address the shortcomings of the model.

5. Opportunities for policy design

5.1. Enhancing security of tenure through public-private partnerships

Slum policies and programs in Morocco are premised on land titling. Reorienting these to provide security of tenure instead of regularization of tenure is likely to serve the urban poor better (text box 1). For instance, Medinas are pre-colonial neighborhoods located near city centers which have deteriorated after the outmigration of the middle and upper classes. These are being upgraded (in-situ) to preserve cultural heritage. Providing room-by-room rental schemes in Medinas with flexible lengths of contracts is likely to better serve the needs of the urban poor; especially migrants who need interim housing facilities and low-income families who may not otherwise be able to afford mortgage payments.

TEXT BOX 1

De Soto supports land titling for the poor by arguing that their wealth is 'dead capital;' it cannot be used as collateral or to guarantee the payment of infrastructural services[xxx]. However, Mitchell[xxxi-xxxii] argues that this approach is oblivious to the power dynamics of the capitalist market, effects of speculation and the history of dispossession that accompanies the development of formal property rights, making land unaffordable for the poor and more visible and attainable for real estate developers and urban middle classes. Thus, making land titling an instrument of gentrification.

Under this model (figure 6), the Government will undertake a steering role and regulatory role. By leveraging public land for ground lease (for a period of 50-99) years and providing tax incentives to private property developers to develop the land as well as on rental income obtained, the government will incentivize and steer the private sector to develop affordable rental properties and schemes. Tax incentives will also be extended to rental income of other landlords who provide affordable housing solutions to slum dwellers. Additionally, the Government will undertake a regulatory role and legislate to ensure security of tenure and provide slum dwellers with protection against forced evictions.

This model will thus allow low-income populations access to living in and near urban centers, expand

the stakeholder portfolio providing affordable housing solutions to include landlords and private property owners and spur the creation of business models and platforms that provide an integrated marketplace for private rental for low-income families with differentiated needs.

5.2. Assembling economically vibrant communities through incremental building and service provision:

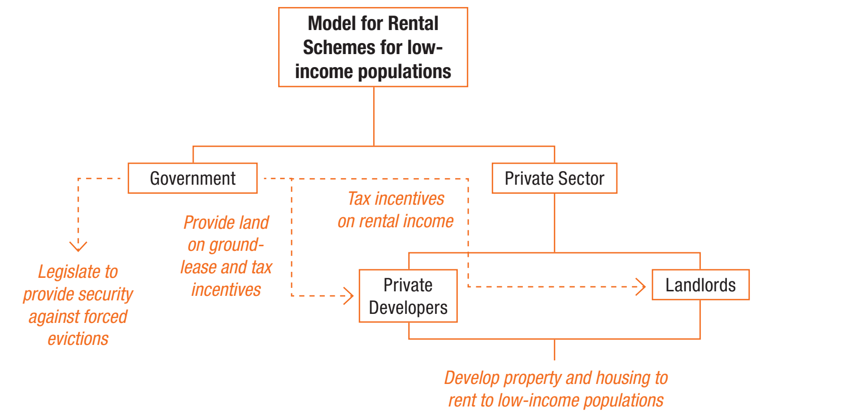
To ensure that the living arrangements are more suited to the unique, individual needs of slum dwellers and resemble those in the slum settlements, the program needs to be reoriented to increase provision of land plots instead of built apartment units.

In comparison to standardized apartment units, incremental construction is cheaper and flexible. It allows extensions to accommodate multi-generational families and structures that support the economic activities of home-based/ self-employed workers, for example a workshop or free space for poultry (text box 2). Slum dwellers, by virtue of 'squatter stamina,' are better equipped than architects, governments, and planners to address their own needs by developing housing models which provide shelter and security, preservation of social networks, are located near unskilled jobs and forms of land tenure that provide security against displacement[xxxiii-xxxiv]. Moreover, land plots are also better suited to those who find it difficult to access apartments with stairs.

TEXT BOX 2

Self-help housing is viewed as enlargement of the neo-liberal apparatus which relieves the state of its responsibility by reformulating the notion of poverty by aligning it to self-help. However, Turner argues that self-help housing is a manifestation of the 'Freedom to Build.' He advocates localized, self-governing, self-built and self-managed systems in comparison to centrally administered systems which undermine the autonomy of citizens to make decisions regarding the size and standard of housing[xxxv]. Self-help housing is a cheaper alternative to built-apartment units which not only allows low-income populations to build incrementally according to their needs and income, but also reaches a larger proportion of the population. It limits the state's role to creating conditions which enable access to finance, land, technical and material resources without significantly increasing the expenditure.

FIGURE 6 Model to provide rental schemes to slum dwellers



Under this model and in cases where land plots are already being provided, the following measures should be taken:

- Under the existing institutional arrangement, the Al-Omrane should incentivize and contract private developers to develop new schemes which only provide partially and fully serviced land plots for incremental building and commercial and industrial zones which provide employment opportunities to low skilled labor actualizing a cross-subsidy model whereby the industrial and commercial area will subsidize the development costs for fully and partially serviced land plots;
- The precondition of demolishing the old accommodation before the land plot is provided must be removed. Residents should be given one year to build the new house before demolishing their previous accommodation;
- The number of loans backed by the FOGARIM guarantee for house-building should be increased and incrementally awarded to beneficiaries for house-building.

Moreover, following the model in Panama[xxxvi], women should be trained to participate fully in construction activities (text box 3). This can be done through the ADS liaising with local NGOs example *Chantiers Jeunesse Maroc* which provide voluntary support for building activities. House building support should also be provided to other vulnerable groups such as the aged and citizens with special needs.

TEXT BOX 3

Infrastructure debates focus on the 'supply-side' of infrastructure; paying little attention to how people interact with, reproduce, contest, are subjugated to or facilitated by the built environment. Human settlements not only embody economic but also social relations; women in urban areas play an integral role in community management in addition to their productive and reproductive roles. Gender-neutral planning exacerbates urban inequalities as it does not consider the impact of urban policies and infrastructure such as zoning legislature, transport and plot arrangements on women's triple burden. Thus, while designing urban settlements, it is integral to not only be cognizant of women's practical needs determined by sexual division of labor but also their strategic needs which are identified from an analysis of their context dependent subordination[xxxvii]. Women's participation in construction activities challenges the sexual division of labor thereby catalyzing social change at the grassroots level.

Moreover, it is essential to maintain partnerships with the private sector for the creation of economic opportunities and infrastructure in relocated settlements to develop economically vibrant towns that are equipped with transport and other accompanying infrastructure. The *Khuda ki Basti* (God's Settlement) program in Hyderabad, Pakistan illustrates the success of an incremental building model where the private sector has provided employment and urban services. The settlement hosts approximately 18000 persons in over 2000 houses, 110 shops, 247 carpet looms which provide employment to 600 people and is served by private busses every 30 minutes[xxxviii]. Following this model, it is essential to ensure that the Al-Omrane and other holding companies liaise with not only private developers but also transport companies and industries requiring low skilled labor to ensure that the new towns and settlements established improve the socio-economic wellbeing of their inhabitants.

5.3. Mitigating conflict of interest and encouraging good governance through social audits

To ensure that the accompanying infrastructure such as schools, commercial and manufacturing zones and transport links are developed, and the quality of utilities and services is maintained. To reduce friction between the interests of slum dwellers and private developers, it is essential to inculcate public accountability amongst private actors and incentivize them to deliver and maintain quality of infrastructure and services.

To this effect, social audits can be used. Social audits are used as a tool to elicit citizens' satisfaction with public utilities and service delivering agencies through opinion surveys; the results of which are made public. These assess the performance of agencies by capturing citizens' experiences across dimensions for example access, availability, quality, reliability, transparency and responsiveness. A successful example of this is the 'The Citizen Report Card' pioneered by the Public Affairs Centre in Bangalore, India. This has been replicated in Egypt, Ukraine, Ghana, Rwanda and the Philippines[xxxix]. To ensure that the social audit is effective in eliciting a response from private actors, social audits must be attached to incentives for private actors. The result of the social audit should be used by the MHU and holding companies to develop a rating mechanism that appraises the performance of private developers and tax incentives and future development contracts should only be awarded to developers who maintain high ratings (figure 7).

5.4. Inculcating participation in the planning process through partnerships with NGOs

Resistance of slum dwellers to relocating has obstructed the success of the program and resulted in delays. Subsequently, authorities have incurred additional costs. Engaging citizens in all the stages of the planning process can mitigate these, proving to be beneficial for all the stakeholders. To do so, the stakeholder portfolio needs to be expanded to forge alliances with NGOs and grass root organizations by undertaking the following steps:

1. Instead of private consultants who measure the success of social accompaniment by the number of people relocated social accompaniment should be entrusted to the ADS and NGOs only;
2. The ADS should liaise with NGOs, for example ENDA Maghreb, Slums Dwellers International and CARI to build the capacity of local NGOs and neighbourhood organizations to ensure that citizen activism emerges from the civil society and not public agencies or state-directed NGOs;
3. The role of the ADS should be transformed from that of an intermediary between authorities and slum dwellers to that of a facilitator (figure 8). To do so, the *cellules d'accompagnement sociale (CAS)* of the ADS, which are teams of 3-5 people that support technical operations of Al-Omrane and persuade slum residents to relocate, should be reorganized along the model of *Postos de Orientação Urbanística e Social (POUSOs)* implemented in Rio de Janeiro's 'Favela Bairro' program. These connect residents to experts; ensuring that the project is participatory and collaborative and facilitate communication even after the program ends[xl].

FIGURE 7 Process diagram for using social audits to manage conflict of interest

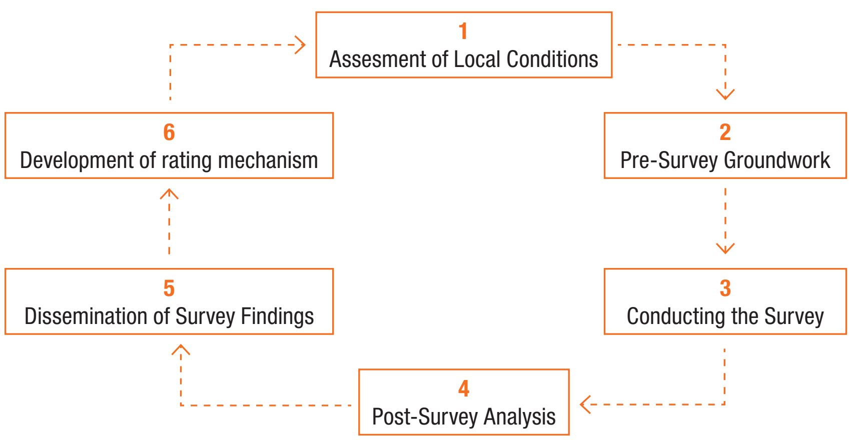
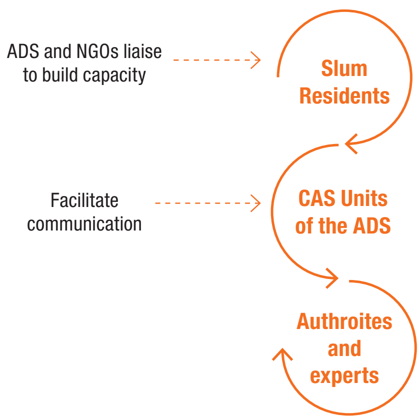


FIGURE 8 Process diagram for social accompaniment



4. The CAS should connect slum residents to the authorities from the onset of the planning process and continue till after the relocation to ensure that all stages are participatory.

5.5. Community-driven census

To ensure that the accurate demand for affordable housing is recorded, community-driven, demographically disaggregated data on enumeration and social networks in the individual slums targeted should be collected. This can be done by partnering with Slum Dwellers International (SDI) to operate in Morocco. SDI engages local communities to conduct household-to-household socio-economic surveys and mapping activities to identify and organize social capital for development opportunities.

The list of beneficiaries compiled from the data should be communicated to the residents by the ADS and a period of three months should be allowed to contest it. Complaints should be assessed on a case-to-case basis by the CAS unit and forwarded to the planners to accurately determine demand for social housing.

Data collected in partnership with the SDI will allow evaluation of land ownership and tenure, water and sanitation, existing infrastructure, community organization and access to healthcare and other facilities. It will allow authorities to count the number of nuclear families and adult children living in each dwelling to accurately calculate the number of beneficiaries. Since the data is collected and owned by the community, it creates opportunities for slum residents to engage with the authorities and assume a more active role in improving their living conditions.

6. Conclusion

By engaging a vast and diverse stakeholder portfolio, actualizing the cross-subsidy model and spurring private investment through a semi-public agency; the Cities without Slums program pioneers the planning, financing and delivery of affordable housing solutions to the urban poor via public-private partnerships. Through a critical appraisal of the program, this paper analyzes the structural and financial design of the program and evaluates the impact of policy outcomes stemming from an assemblage of public and private actors on various stakeholders. By doing so, it acknowledges the setbacks faced by the program in meeting its objectives and reflects on the model's inherent predisposition to conflict of interest between the variegated stakeholder portfolio, which includes the government, its autonomous agencies, private developers and slum dwellers. The appraisal also assesses the socio-economic implications of that conflict. To mitigate the antagonism between interests of various stakeholders and improve the outcomes of the program, the paper concludes by identifying opportunities in policy design by drawing on successful international practices to enhance vertical and horizontal collaborations between local, national and international stakeholders.

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