

SPEECH

by

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Bismillah!

- Mr. Akram Khan Durrani, Federal Minister for Housing & Works
- Mr. Saeed Ahmad, Deputy Governor, State Bank of Pakistan
- Our distinguished speakers
- Distinguished Presidents and Executives of banks; Representatives of Builders & Developers, Business Associations, and Academia.
- Ladies and Gentlemen.

Assalam-o-Alaikum and Good Morning!

1. I welcome you all to the International Conference on "Affordable Housing & Mortgage Finance" organized by the State Bank of Pakistan.

Distinguished Guests!

2. The underlying theme of today's conference is based upon one of the basic needs of human beings, it is the dream of every family, and a basic right of every one; that is, to have a decent place to live in, that is ones' own house.
3. In national context, housing as a industry has a more broader role in the development of overall economy and ensuring long term sustainable economic growth. Construction and housing sector has forward and backward linkages with around 40 industries. This is significant in terms of revenue generation and employment especially with regards to unskilled labor. Therefore, construction and housing sector can act as the economic growth engine to achieve long term economic prosperity.
4. The government also recognizes the potential of housing and construction in terms of overall economic growth and has placed it as priority sectors in its overall development agenda.
5. However, we have not been able to capitalize on the full potential of the housing sector as a developed industry

catering to the needs of all sectors of the economy especially for low and middle income groups. For our low and middle income groups, a decent house still remains a dream.

Dear Guests

6. With a population of over 180 million, Pakistan is sixth most populous country in the world. Urban population is rapidly increasing. There are approximately 10 urban centers in Pakistan with Karachi and Lahore, the two biggest centers, alone constituting 62 percent of the total population of these 10 cities. A report by UNHABITAT, estimates that population in these cities will collectively grow at the rate of 30 percent between 2010 and 2020.
7. Constantly growing population and increasing urbanization has created major shortage of housing units in metropolitan areas in Pakistan. According to World Bank estimates, there was a backlog of around eight million housing units in 2009, and the gap between supply and demand is increasing by more than 300,000 units every year.
8. A well established housing industry plays a central role in the development process of any metropolis with positive

externalities in terms of social welfare. However, the housing shortage in Pakistan has inadvertently resulted in rapid growth of slum dwellings which in turn have put pressure on our economy in terms of socio economic problems associated with law and order, health and inadequate infrastructure development.

9. The problems of supply shortages and escalating prices have dominated the housing sector for almost a decade now. Unfortunately, the financial sector has only been marginally able to cater to the growing housing finance needs. The mortgage to GDP ratio is less than half a percent (as of 31st December 2014) with hardly one to two percent of all housing transactions being processed through housing finance. This reflects the fact that the housing sector is grossly underdeveloped and undercapitalized.
10. Although, some momentum has been picked up by the housing finance industry in recent times which is expected to further grow with the falling interest rates; nevertheless, State Bank is aware of the fact that still a huge gap exists between demand and supply.

Ladies and Gentlemen,

11. There are many factors which severely limit development of a vibrant housing finance sector in the country. These include lack of effective institutional framework, poor urban planning, absence of secondary mortgage market, high transaction costs, unorganized real estate sector, inadequate property development framework, insufficient long term funding arrangements, and complex system of property titles and land registration.
12. In my opinion, these challenges can only be solved through provision of mortgage financing in an integrated manner. However, in this regard all stake holders especially government, property developers, and banks have to play their due role.
13. The government authorities have a major role to play in this regard from allocation of land for genuine and approved new housing schemes along with ensuring clean title deeds and reducing associated costs. The housing developer industry needs to organize itself in structured manner with proper accounting and good governance practices. Banks need to develop expertise in underwriting housing loans going

beyond conventional lending approaches taking into account future cash flows of the clients. The due diligence process should entail gathering and analyzing information regarding both the applicant and the real estate that is under consideration for securing the loan.

Ladies and Gentlemen,

14. State Bank of Pakistan will continue to play its role as a facilitator in the development of housing finance sector in the country. In this regard, State Bank of Pakistan has taken a number of policy and regulatory initiatives including issuance of a separate regulatory framework for housing finance.

15. State Bank of Pakistan also regards provision of training to bank staff as of pivotal importance for creating understanding and developing expertise in originating and underwriting housing loans at the primary mortgage market. In this regard a number of capacity building programs have been conducted for developing capacity of both senior and middle management. Today’s event is also part of these ongoing efforts.

International Conference on 'Affordable Housing & Mortgage Finance'

16. While concluding I hope this event leads to productive. I look forward to concrete recommendations and action plan coming out of these deliberations. I would suggest going beyond the generalities or details and nitty-gritty of things that have already been settled but focus on practical means to strengthen the housing finance market in the country in a manner that could help common man realize his or her dream of a decent house for his family.
