

## **Jwala Rambarran: The housing market in Trinidad and Tobago**

Remarks by Mr Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the official launch of the Home Ownership Booklet “Opening the door to your own home – a guide to home ownership”, Port of Spain, 30 April 2013.

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First, I wish to thank you all for accepting our invitation to the official launch of the latest publication from the Central Bank’s National Financial Literacy Program, “Opening the Door to Your Own Home: A Guide to Home Ownership.”

As we all know, buying a home is not only an important financial commitment, but it is also an emotional one. For many persons, owning a home is a significant milestone in one’s life, symbolic of independence and the coming of age into adulthood. At the national level, affordable and quality housing is critical to improving a country’s standard of living.

According to the 2000 Population and Housing Census, Trinidad and Tobago has a high homeownership rate. Of the 343,180 households in Trinidad and Tobago, 77 per cent were homeowners.

However, the dream of owning a home is posing a serious challenge to many of our citizens, especially those in the low-income group who are unable to afford a mortgage sufficient enough to buy a quality home. About 13 per cent of households rented or leased a house from the private sector while about 2 ½ per cent rented or leased a house from the government. Close to 7 ½ per cent of households were renting free or squatting.

Ladies and Gentlemen, please allow me to briefly provide some other information on the housing market, which are indeed sobering.

According to a January 2009 Information Memorandum from the Housing and Development Corporation (HDC), there is an acute shortage of housing in Trinidad and Tobago. About 107,000 applications for housing are on the database held by the Ministry of Housing in a country with a population of 1.3 million people. The Information Memorandum indicated that a large number of applicants fall into one of the following categories:

- a) Cannot afford a mortgage (pure rental necessary).
- b) Can only access the “rent-to-own” facility.
- c) Can only access a mortgage between \$100,000 and \$150,000.
- d) Require a level of subsidy from the State.

Unfortunately, there is a paucity of data on the operations of the HDC, making it difficult to determine whether the housing application situation has worsened or improved since 2009. This lack of data extends to information on the demand/supply dynamics related to new housing units.

Estimates from the Bank’s Research Department suggest that Trinidad and Tobago began this decade with a housing shortage overhang of around 50,000 units. With continued strong growth in annual housing demand and a significant slowdown in supply, the housing situation is likely to worsen in the future.

Conservative estimates suggest that the housing shortage overhang could reach at least 80,000 units at the end of the next ten years. More than half of this massive, unsatisfied demand for housing will come from low-income groups who, according to the latest 2008/2009 Household Budgetary Survey, earn under \$3,999 per month.

Affordability is a main explanation of the housing shortage in Trinidad and Tobago. The median price for a 3-bedroom house (with land) increased from \$237,770 in 1993 (when the economy had stabilized after almost a decade of negative growth) to \$721,481 in 2003 (just

before the economy was about to experience its third energy boom). At the end of September 2012, the median price for a 3-bedroom house jumped to \$1.0 million. If this trend continues, the median price for a 3-bedroom house could reach about \$1.3 million by the end of this decade.

The volume of available housing finance may also limit access to homeownership. The total mortgage funding required to meet the annual demand for housing units is projected at around \$30 billion by the end of this decade. By comparison, the total value of real estate mortgage lending currently stands at just over \$12.5 billion. Commercial banks account for around two-thirds of outstanding mortgage loans while the TTMF holds another one-fifth of mortgages granted in the country.

For these reasons, successive administrations have been grappling since 1965 to make housing more easily accessible and more affordable for citizens of Trinidad and Tobago. The state has entered the housing market through various means including through large scale programs for the construction of new houses (especially on prime agricultural lands), rent to own programs, national settlement programs such as squatter regularization, and providing highly subsidized mortgage and construction financing.

Ladies and Gentlemen, it stands to reason that, if we are to make any meaningful dent in the acute national housing shortage, then we need to fundamentally rethink our national housing policy. What is the true extent of housing demand? How do we balance unsatisfied housing demand with the need for food security? Does it make sense to keep on building new houses to sell to those who cannot afford them? What innovative housing finance solutions are available?

Here at the Central Bank, we are also conscious of the homeownership challenges facing our staff. It is my deep belief that “no member of the Central Bank family should be without a home.” We are, therefore, actively considering a range of options to help our staff realize their dreams of owning their own homes.

Beyond these walls, we are also determined to impart relevant financial education to members of the public in simple and effective ways, so that they can have a deeper appreciation and understanding of what is required for them to own a home.

In this regard, the Central Bank has produced a number of publications seeking to educate the public on issues related to homeownership in Trinidad and Tobago. In 2007, we published the “The Residential Mortgage Market in Trinidad and Tobago”. Following that the NFLP issued a publication entitled “Protecting Your Shelter: Understanding Property Insurance”.

Additionally, we introduced the Mortgage Market Reference Rate in 2011 to strengthen the transparency and disclosure regime around mortgage interest rates. This policy was prepared in consultation with the Bankers Association of Trinidad and Tobago.

## **Conclusion**

In closing, Ladies and Gentlemen, I am pleased to launch this booklet, which treats with three most important approaches to accessing shelter – purchasing of property, building a house, and entering into a rental agreement. This booklet reflects the critical inputs of various stakeholders in the mortgage market. In particular, I thank the TTMF, HMB, the HDC and the Ministry of Legal Affairs for their unstinting support to the Bank on this important initiative, and I look forward to working with them on future projects.

I would also like to convey special thanks to the Editorial Committee and the staff of the NFLP, Legal and Corporate Communications Departments for their various contributions to the production of this booklet.

***In the not too distant future, perhaps we can all realize our dreams of opening the doors to our own homes. And do remember a good home must be made, not bought.***

I thank you.