

The Philippine Housing Industry Roadmap: 2012-2030

BOI PRESENTATION

By the



**Subdivision & Housing
Developers
Association, Inc.**

In Cooperation with



CENTER FOR RESEARCH AND COMMUNICATION
UNIVERSITY OF ASIA AND THE PACIFIC

I. Objectives & Roadmap Framework

II. Internal Analysis

- Economic Impact: multiplier effect, social benefits
- Value Chain: prevailing positive and negative issues

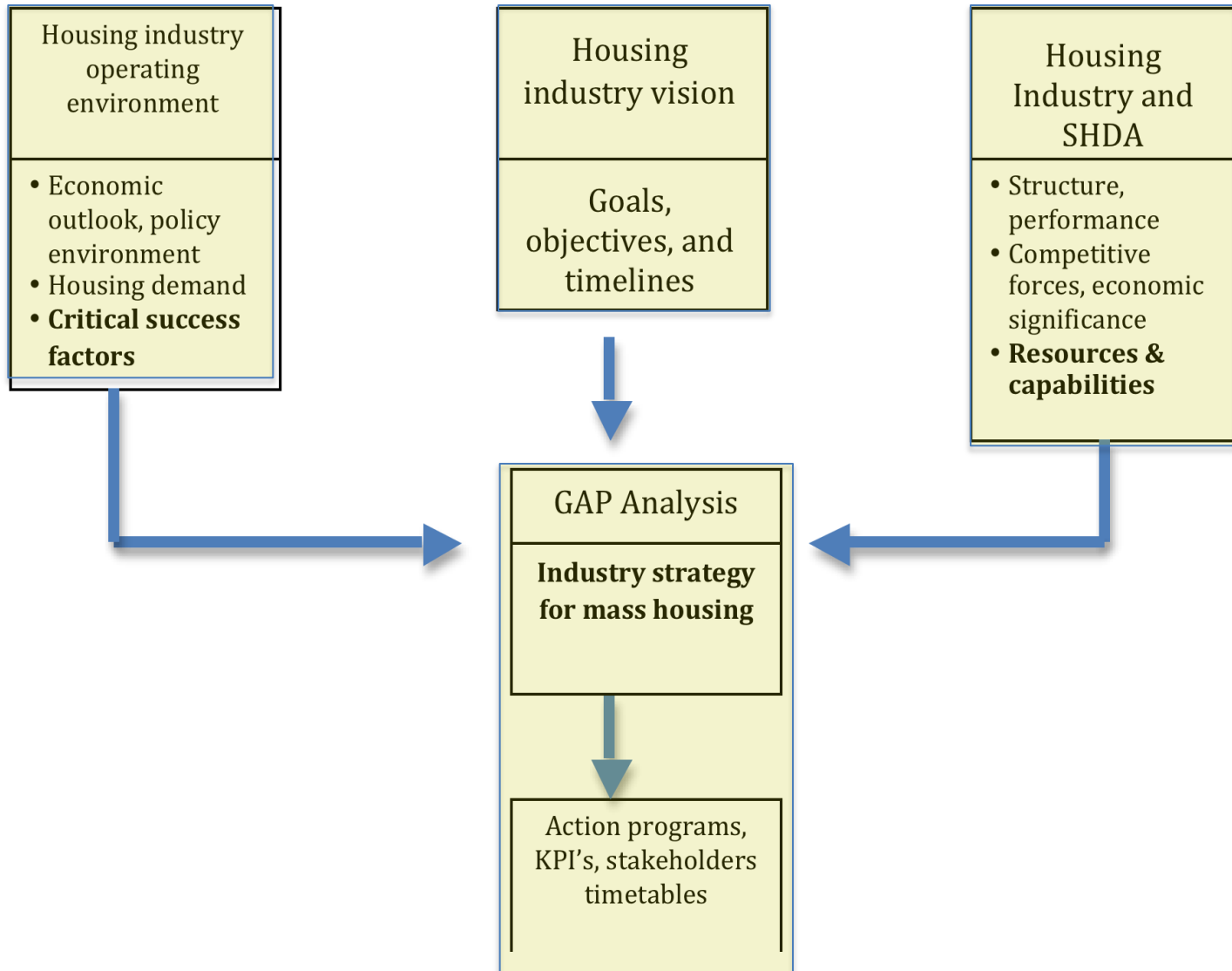
III. External Analysis

- Factors in addressing the housing needs: production (supply-demand), affordability, policy, regulatory environment

IV. Closing the Gap

- Vision, Goals & Strategies
- Summary & Conclusions

- What is the current status of housing need of the country?
- How do we address the unmet housing needs of Filipinos?
- How can institutions contribute in addressing these needs?



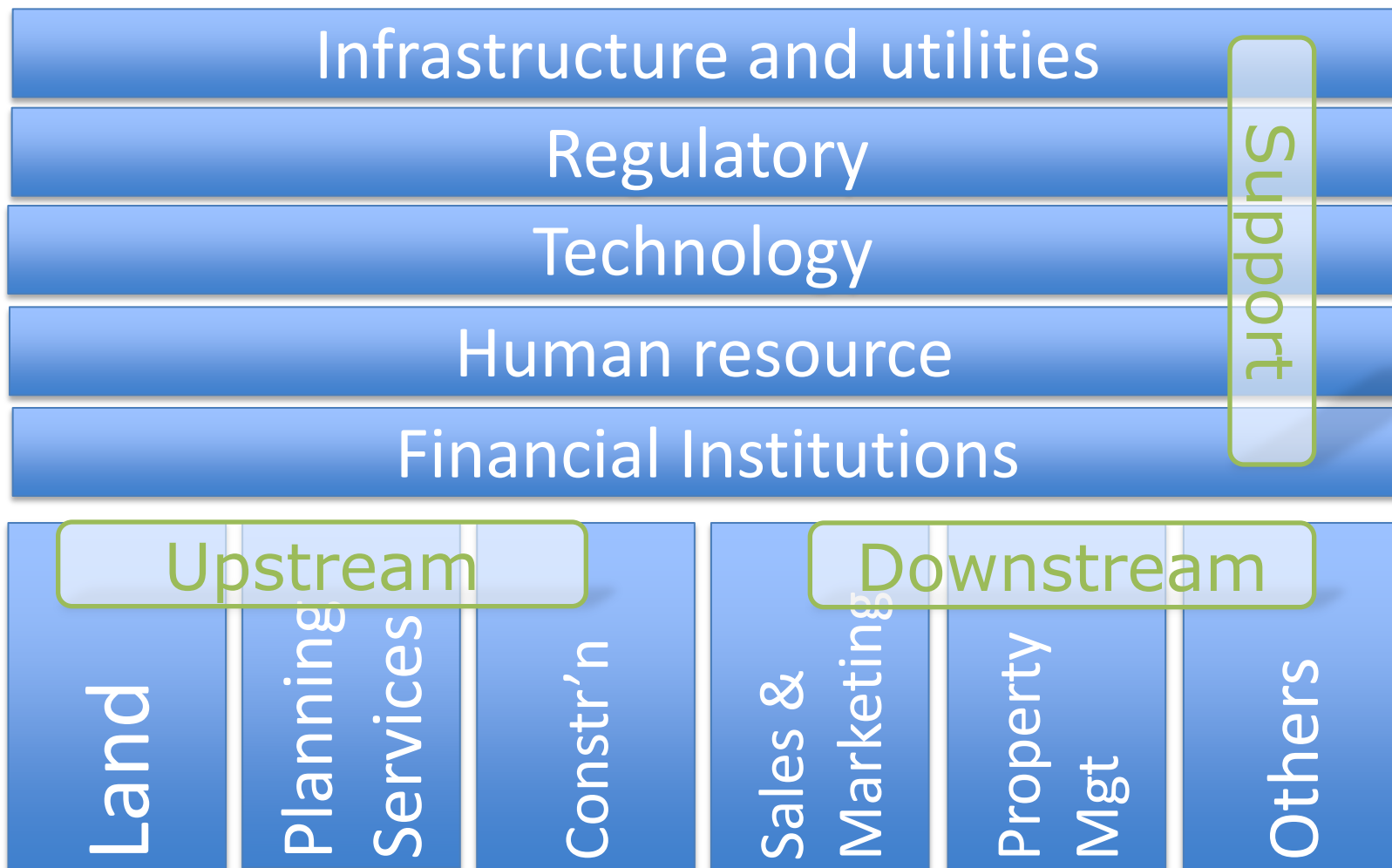
1 Roadmap

SHDA

Objectives & Roadmap Framework

Value Chain

Best quality at least Cost, Scale, Improve quality of life



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Economic impact

P1.0 immediate impact + **P0.97** from Production Sector + **P1.35** consumption-induced

Job creation multiplier	for every P-million	2.30 jobs
Value creation multiplier	For every Peso	3.32 pesos
Household income multiplier	For every peso	0.47 pesos
Tax multiplier (Indirect)	For every peso paid in taxes	3.90 pesos

Value Chain Analysis

	Positive	Negative
Regulatory	Increased transaction Costs passed on to buyers and financing agencies	<ul style="list-style-type: none"> •Enhances Affordability •Improve productivity from improved Govt oversight
Infra and IT	Increase production cost	<ul style="list-style-type: none"> • More sites gain access to urban areas •Improvement of quality of life
Human resource	Demand Overseas Benefits Larger Developers	<ul style="list-style-type: none"> •Ensures scalability and efficiency of Housing Production
Financial	Unpredictability of Govt programs discourages investment, leaves huge untapped Market	<ul style="list-style-type: none"> • Facilitates Housing buying & Selling between qualified developers and buyers

Value Chain Analysis

	Positive	Negative
Land	Increased transaction Costs passed on to buyers and financing agencies	Security of Titles and efficient titling process result in land more readily available planning and development
Planning services	Creates instability, land shortages, high rawland prices	Comprehensive masterplans, Innovative Designs
Construction	Construction booms fuels increase in demand and cost of labor and raw materials	Faster, Cost-effective, scalable production, facilitates business process
Sales & marketing	Limits capacity of an established pool of brokers & Sellers	Access to Information promote competitive environment benefitting buyers
Property management	May lead to low collection efficiency, erosion of property values, deterioration of living experience	Enhances living experience of homeowners
Others	Affects availability of Land for productive use	Companies can tap into housing for CSR & employee benefits; Mechanism for Stakeholders for consultation, partnership, conflict resolutions

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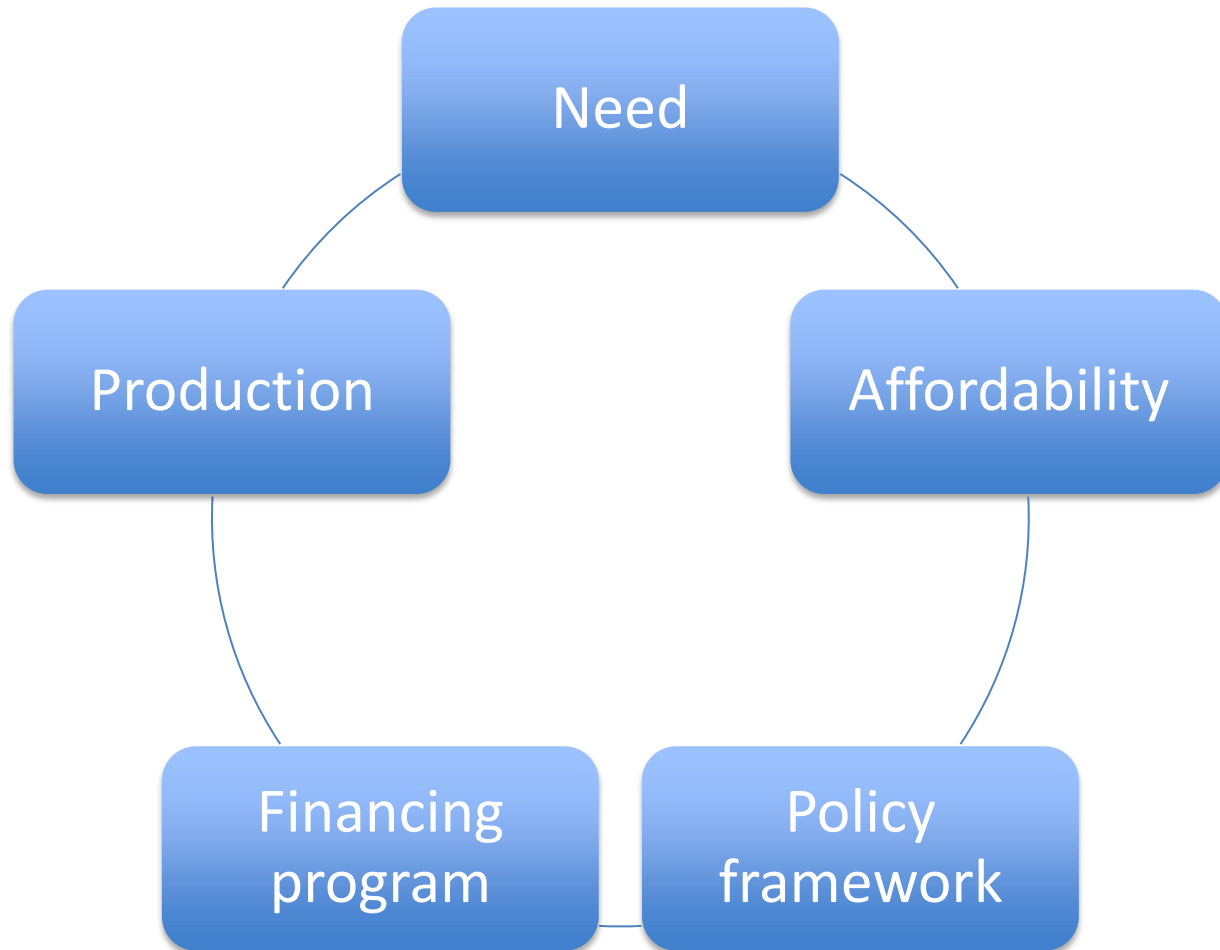
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Factors needed to address housing need



Housing need can reach 12.5-million in 2030

Components of Housing Needs	Housing Backlog as of May 2012	Incremental Needs				Total Housing Need
		2013–2015	2016–2020	2021–2025	2026–2030	
Total Housing Needs	1,373,981	1,749,408	3,012,050	3,120,032	3,199,162	12,454,633
A. Accumulated Needs	1,373,981	70,500	118,511	118,867	117,258	1,799,117
1. Unacceptable Housing	916,811	47,042	79,079	79,316	78,242	1,200,490
a. Homeless	12,497	641	1,078	1,081	1,067	16,364
b. Dilapidated/Condemned	145,353	7,458	12,537	12,575	12,405	190,328
c. Informal Settlers	575,271	29,518	49,619	49,768	49,095	753,271
d. Marginal Housing	183,689	9,425	15,844	15,892	15,676	240,527
2. Doubled-up Households	457,170	23,458	39,433	39,551	39,016	598,627
B. Future Needs/Recurrent	-	1,678,908	2,893,539	3,001,164	3,081,904	10,655,516
1. Allowance for Inventory	-	737,885	1,311,670	1,414,542	1,516,764	4,980,862
2. Increase in Household	-	941,023	1,581,869	1,586,622	1,565,140	5,674,654

Source: Projections using SRTC framework; HUDCC

Housing Segments

Segment	Price Range		Interest **Rate	Term* (years)	% Loan to Housing Price
Socialized Housing	below	400,000	4.5%	30	100%
Economic Housing	400,001	1,250,000	8.5%	30	90%
Low Cost	1,250,000	3,000,000	10.5%	30	80%
Mid Cost	3,000,000	6,000,000	10.5%	30	80%
High End	6,000,000	above	10.5%	30	80%

Source: SHDA; HUDCC

*Term used based on blended average of actual availment

**Prevailing Interest Rates used during Study

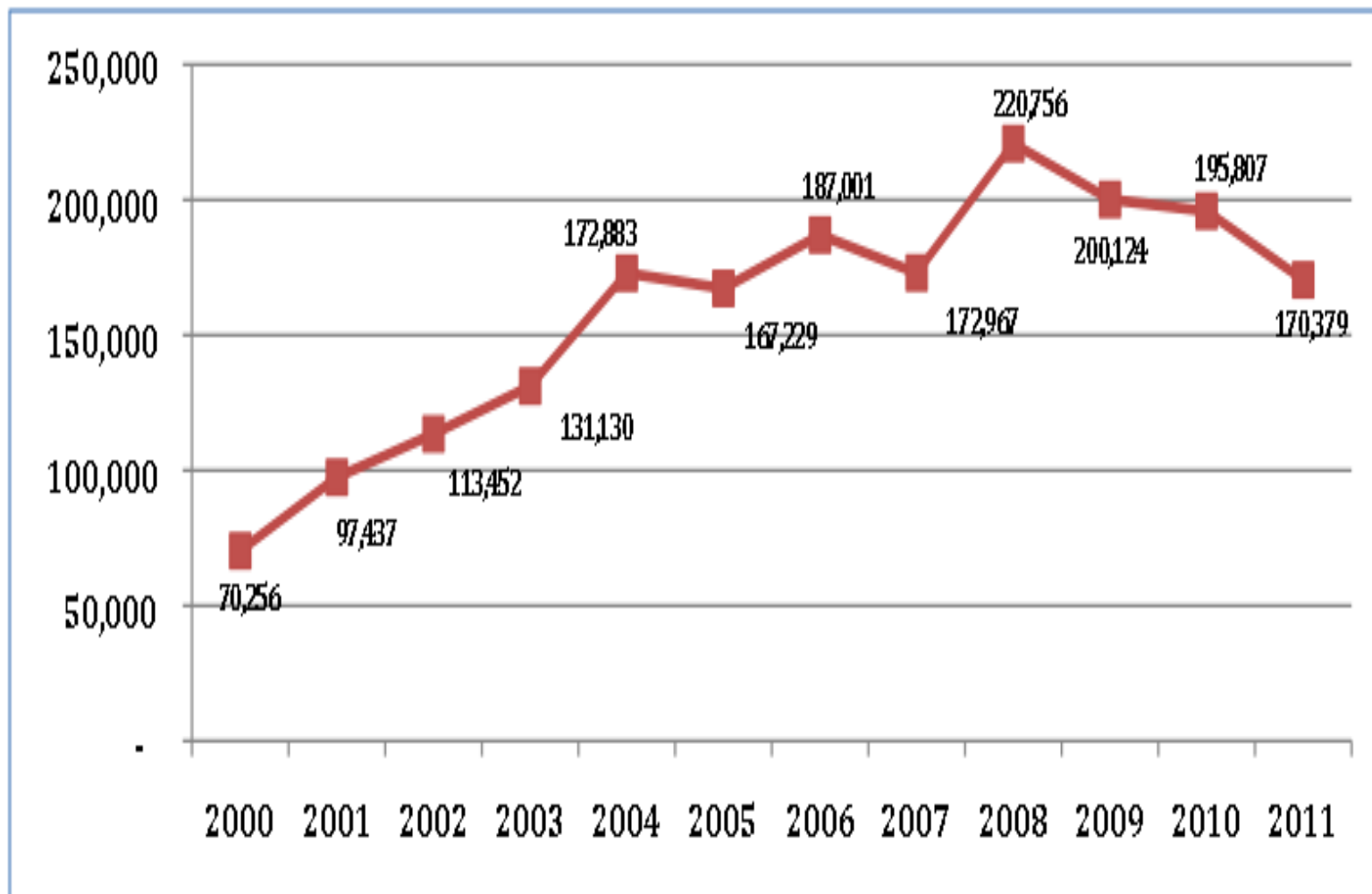
Matching housing cost with capacity to pay

	Total	below 78,000	78,001 – 130,000	130,001 – 405,000	405,001 – 1,100,000	1,100,001 – 2,200,000	2,200,001 and above
Total	18,451,541	4,251,817	4,640,804	7,592,152	1,776,243	160,872	29,653

Source: FIES 2009

	Annual Amortization	Required Income ^a	Required Annual Income ^b
Socialized Housing	23,468.02	78,226.72	At least 78,000
Economic Housing	38,041.55	126,805.17	At least 130,000
Low Cost	121,493.27	404,977.55	At least 405,000
Mid End	324,595.20	1,081,984.01	At least 1,100,000
High End	649,190.41	2,163,968.02	At least 2,200,000

Housing Supply based on LTS issued



HOUSING DEMAND AND SUPPLY PROFILE

2001-2011

Market Segment	Housing demand (Households)	Housing supply	Surplus/ (Deficit)
Socialized Housing	1,143,048	479,765	(663,283)
Economic Housing	2,503,990	541,913	(1,962,077)
Low Cost Housing	704,406	242,246	(462,160)
Mid Cost Housing	72,592	322,995	250,403
High End Housing	18,235	242,246	224,011

Backlog – 3,087,520

Excludes 832,046 households that can't afford

NEW HOUSING NEED

2012- 2030

Market Segment	Price Range	Units Needed	% Total Need
Can't Afford/ Needs Subsidy	400k& below	1,449,854	23.28
Socialized Housing	400k & below	1,582,497	25.41
Economic Housing	400k-1.25m	2,588,897	41.58
Low Cost Housing	1.25m-3m	605,692	9.73
Mid Cost Housing	3m-6m	No Need	
High End Housing	>6m	No Need	
TOTAL NEED		6,226,940	100.00

Total new need average: 345,941 housing units per year.

* Based on _____

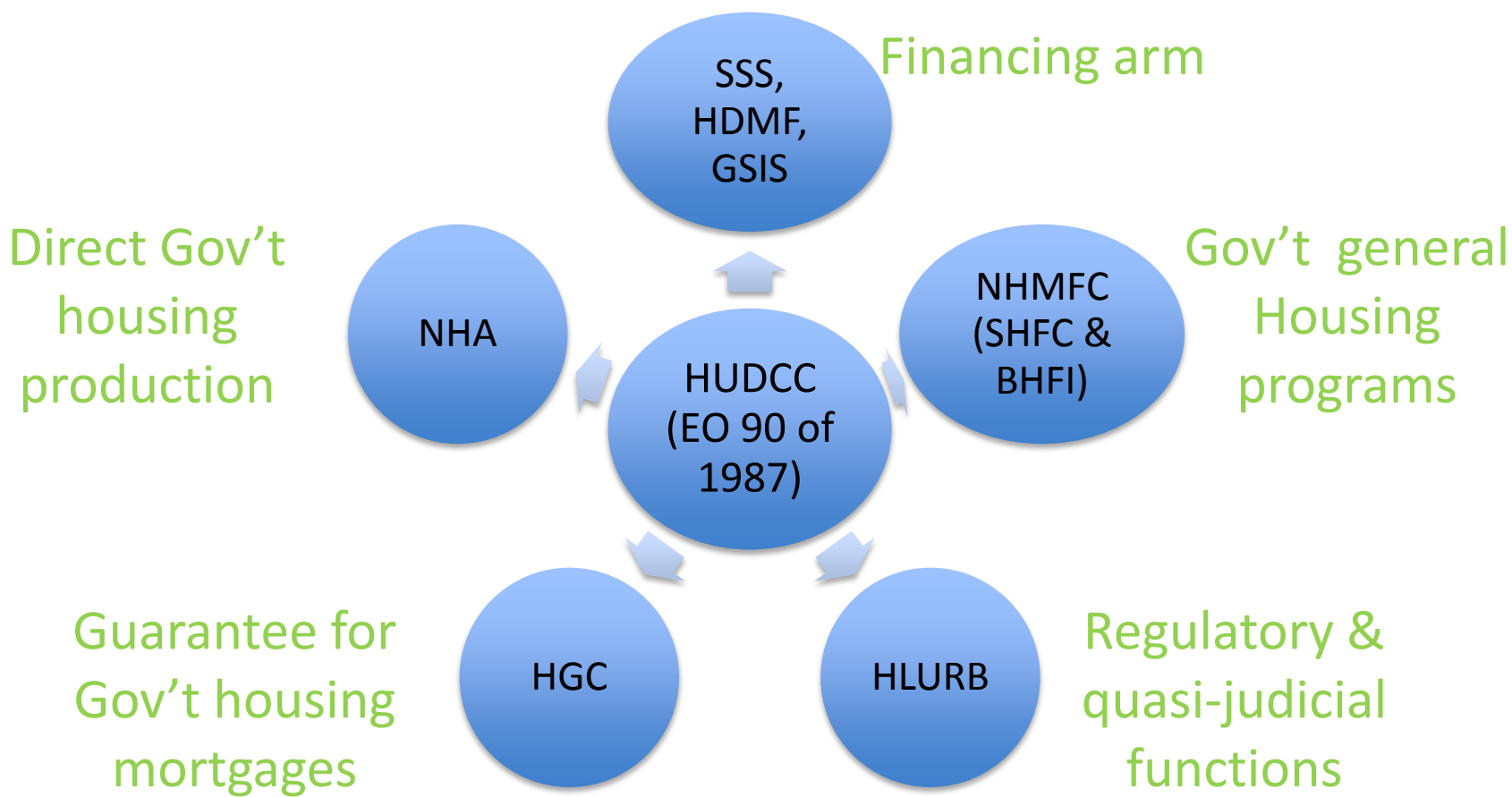
TOTAL HOUSING BACKLOG as of 2011

Those who can't afford	832,046
Housing Backlog 2001-2011	3,087,520
TOTAL	3,919,566

ESTIMATED BACKLOG BY 2030 IF NO SPECIAL HOUSING PROGRAM IS CREATED

Particulars	Units Per Year	Number of Years	Total Units
Current Housing Backlog			3,919,566
New Housing Need 2012-2030	345,941	18	6,226,540
Housing Production Capacity	200,000	18	(3,600,000)
Backlog by 2030			6,546,106

Regulatory Framework: Structure



Lessons from housing programs of selected countries

Policy Support

Malaysia

- **Quality & affordable housing for sale or rent**
- **Housing for low-income & informal settlers**
- **One-shot capital subsidy**
- Rehabilitation of old houses & communities

Brazil

- Rationalize institutions & legal & regulatory framework for housing – one central housing agency
- **Development of formal housing finance market**
- **Comprehensive housing subsidy**
- Reduce barriers to formality of housing & services for the poor

Indonesia

- Upgrading of slum areas and houses of low-income households
- Planning new sites for housing
- Strengthen institutions responsible for program delivery

Thailand

- **Provide all necessary infra support for housing projects**
- Slum upgrading and improvement
- Assistance to centralize housing agency

Current policy regime inadequate to address growing housing deficits

- Government subsidy programs failed to reach intended beneficiaries, particularly those who cannot afford
- Private capital left out of the housing program. Government takes burden and risk of shouldering cost of housing program.
- Meeting shelter needs based exclusively on ownership excluding other forms of shelter
- Lack of estate management program
- Relocation programs may have adversely affected livelihoods of the beneficiaries
- Lack of structure and capability of government to monitor, collect and manage fund

Current mechanisms of housing subsidy not enough to stimulate production, finance and affordability.

Direct subsidy program



Below market interest rates & fixed long-term loans



Direct government housing production & resettlement programs, land acquisition or land grants

Agencies



SHFC, HDMF, CMP



NHA, LGU, Office of the President

Current mechanisms of housing subsidy not enough to stimulate production, finance and affordability.

Indirect subsidy program

ITH for mass housing projects

Loan guarantees & low premium payments

Loan loss provisions

Recapitalization of insolvent housing agencies

Agencies

BOI, UDHA

HGC

SHFC, HDMF, CMP, AKPF, NHMFC

NHMFC, HGC

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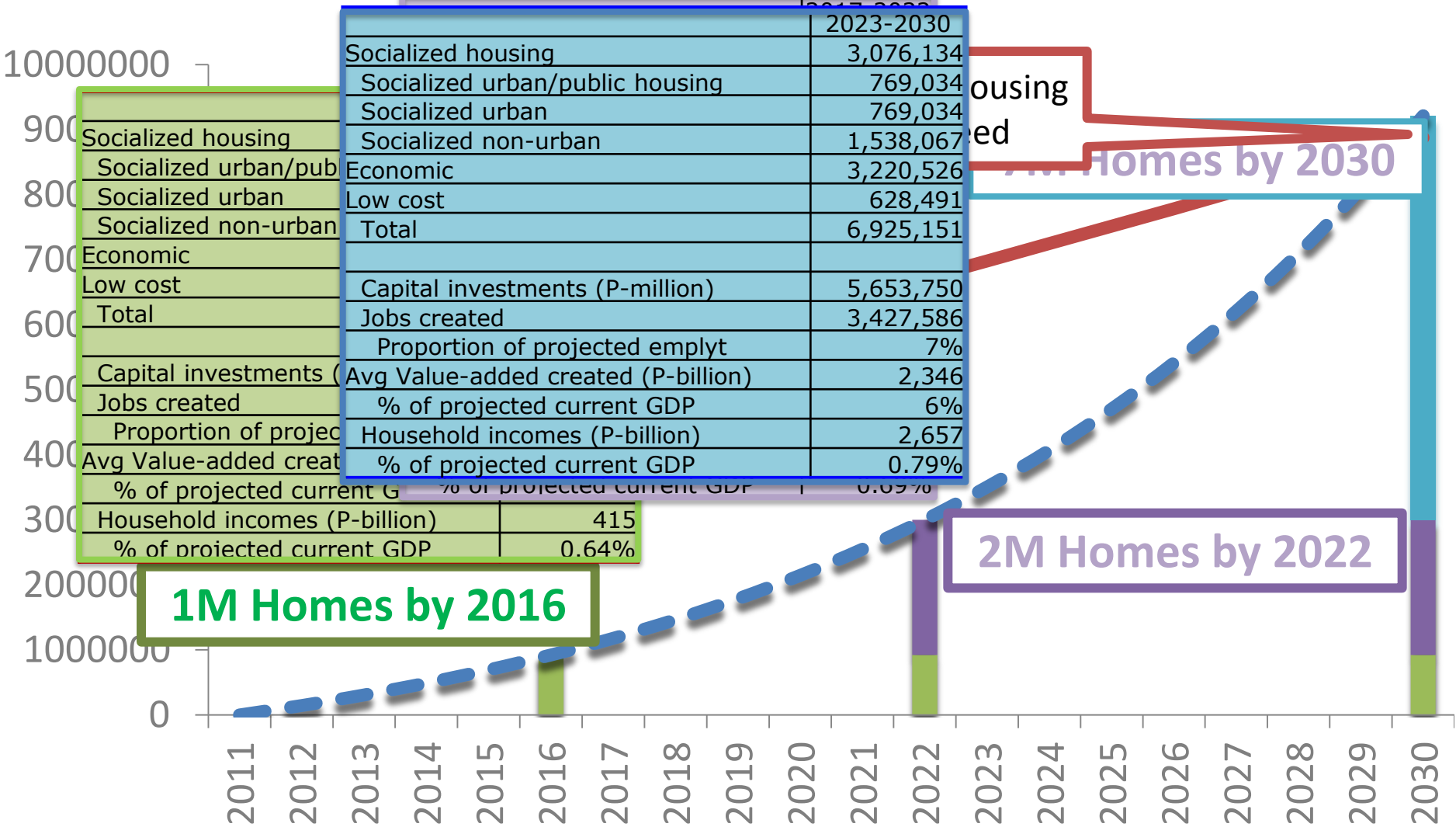
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VISION STATEMENT

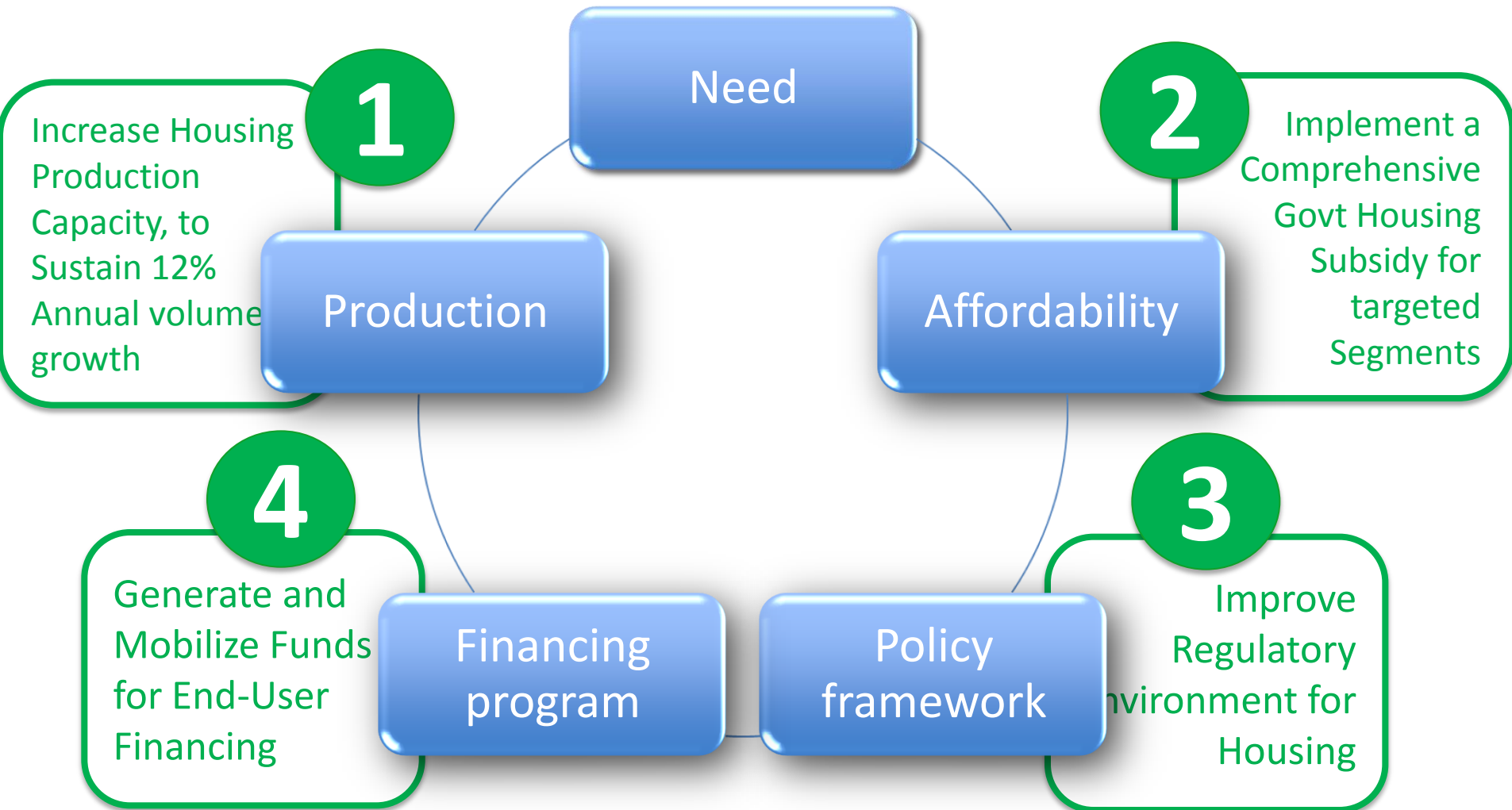
Every Filipino family has the right to live with dignity in the comfort of one's own home regardless of economic status.

With full government support, we, the housing industry, envision to eliminate the housing backlog by the year 2030

Roadmap milestones to eliminate housing backlog



4 objectives to Eliminate Housing Backlog by 2030



Objective **1** Increase housing production

To forge alliances among housing developers and industry partners to attain:

- 1 million homes for 2012-2016
- 2 million homes for 2017-2022
- 7 million homes for 2023-2030

Sustain 12% production volume every year

Objective **1** Increase housing production

Strategies	Partners
1. Government production of socialized (urban) housing program for long term lease	NHA, HUDCC
2. Initiate global standards to guarantee safety and quality	SHDA, ASEP
3. Standardization of building components	AITECH, SHDA, BPS, DTI, HUDCC
4. Adopt innovative building technologies for increased building efficiency	SHDA, AITECH
5. Initiate discussion on adopting green- and environment-friendly technologies	SHDA, UAP, PGB
6. Develop programs to upgrade and expand local pool of suppliers	SHDA, FPI
7. Establish partnership with government agencies in data generation & monitoring	SHDA, HUDCC, NSO, HLURB, NHA
8. Establish a training institution for housing industry	SHDA, TESDA, CMDF
9. Comprehensive government financing program	HDMF, BOI, DOF, BSP, NHMFC, HGC, SHFC
10. Alignment/Streamlining of regulatory framework	LGUs, KSAs, DAR, DENR, HLURB

Objective **2** Implement a comprehensive gov't housing subsidy program for target segments to enhance affordability

Govt subsidy program budget	2012 - 2016	2017 - 2022	2023 - 2030
A. Direct provision of housing for those who can't afford & socialized housing (cash)			
Direct production subsidy (P-million)			
Public housing (NHA)	79,808	181,470	553,704
Socialized housing MRB (SHFC)	44,338	100,817	307,613
Total	124,146	282,286	861,318
Annual average	24,829	47,048	107,665
B. Maintain current ITH subsidy for socialized, economic & low cost housing (non-cash)			
Socialized non urban (UDHA-ITH)	2,660	6,049	18,457
Socialized urban (BOI-ITH)	4,225	9,607	29,314
Economic (BOI-ITH)	13,754	34,142	115,939
Low cost (BOI-ITH)	14,161	25,381	56,564
Total	34,801	75,179	220,274
Annual average	6,960	12,530	27,534

Objective

2

Implement a comprehensive gov't housing subsidy program for target segments to enhance affordability

Strategies	Partners
1. Institutionalize ITH for socialized (non-urban; UDHA) and socialized (urban), economic and low cost housing (BOI)	BOI, HUDCC, DOF
2. One time housing production subsidy for socialized (urban) and urban development housing at P400K per household	SHFC, HUDCC
3. Strict monitoring of target of beneficiaries	HUDCC, DSWDDILG, NHA, SHFC
4. Lease vs. Ownership model	NHA, SHFC, LGU, HUDCC
5. Ensure listing of mass housing in the 2013 IPP	BOI, HUDCC, DOF
6. Simplify documentary requirements on ITH application	BOI, HUDCC
7. Pursue the abolition of requirement for BIR Rulings as a condition for exemption from Creditable Withholding Tax for project registered under BOI (with BIR Com.)	Congress (Office of Cong. Valencia) and Office of Dep. Com Aspe
8. Revert to previous BIR practice of Decentralized issuance of Rulings	Congress (Office of Cong. Valencia)

Objective **3** Generate & Mobilize Funds for End-User Financing

End-user financing program budget

Mobilize Public and Private capital into housing (P-million)	2012 - 2016	2017 - 2022	2023 - 2030
Socialized (urban) by HDMF	44,599	101,410	309,423
Socialized (non-urban) by HDMF	79,808	181,470	553,704
Economic by HDMF & Private banks	275,086	682,836	2,318,778
Low cost by HDMF & Private banks	251,749	451,224	1,005,585
Total	651,242	1,416,939	4,187,491
Annual average	130,248	236,157	523,436

Objective Generate & Mobilize Funds for End-User Financing

Strategies	Partners
1. Expand and mobilize the untapped resources of the private sector	BSP, CTB, UKB Insurance companies, HGC, BSP
2. Augment shelter lending capability of Gov't. housing finance agencies	Pag-IBIG, NHMFC, SHFC, HGC
3. Expand non-traditional financing programs	NHMFC, HGC, Banks Pag-IBIG

Objective

4

Improve the Housing Regulatory Environment

- Every housing related permit, certification, clearance and license shall be acted upon within a maximum period of ten working days
- Resolving conflicts between local and national housing policies and guidelines
- Enhanced representation of the housing industry in vital policy fora

Objective



Improve the Housing Regulatory Environment

Strategies	Partners
Creation of the DHUD	Congress, HUDCC, SHDA
Strictly implement ARTA Law	DOJ, SHDA, LGU
Institutionalize the ITH-ruling for UDHA and BOI-IPP	HUDCC, DTI, DOF-BIR
Harmonize local and national laws and IRR affecting housing	DPWH, SHDA, HUDCC
Issue EO to prepare and update CLUPs	HUDCC, HLURB, OP, LGUs
LGU law amendment	Congress, SHDA, HUDCC

Summary and conclusions

What is the current status of housing need of the country?

- 3.9 million housing unit backlog including 832,000 families who cannot afford (2011)
- Housing need will increase to 10.1 million units and given the current capacity and without a comprehensive program, the backlog can hit 6.5 million by 2030
- Current Industry capacity and housing programs are inadequate to eliminate the housing backlog

Summary and conclusions

How do we address the unmet housing needs of Filipinos?

We Envision to eliminate the backlog by 2030

1. Increase housing production
2. Enhance housing affordability by developing comprehensive housing subsidy programs for targeted beneficiaries
3. Mobilize and generate housing finance for end-user financing
4. Improve the regulatory environment for housing

Summary and conclusions

How can institutions contribute in addressing these needs?

- ✓ Formulate, refine and pursue the strategy program for housing
- ✓ Champion