



WORLD BANK GROUP

Housing the World: Leveraging Private Sector Resources for the Public Good

December 11-12
Bangalore, India

Simon Walley
Housing Finance Program Coordinator



Content

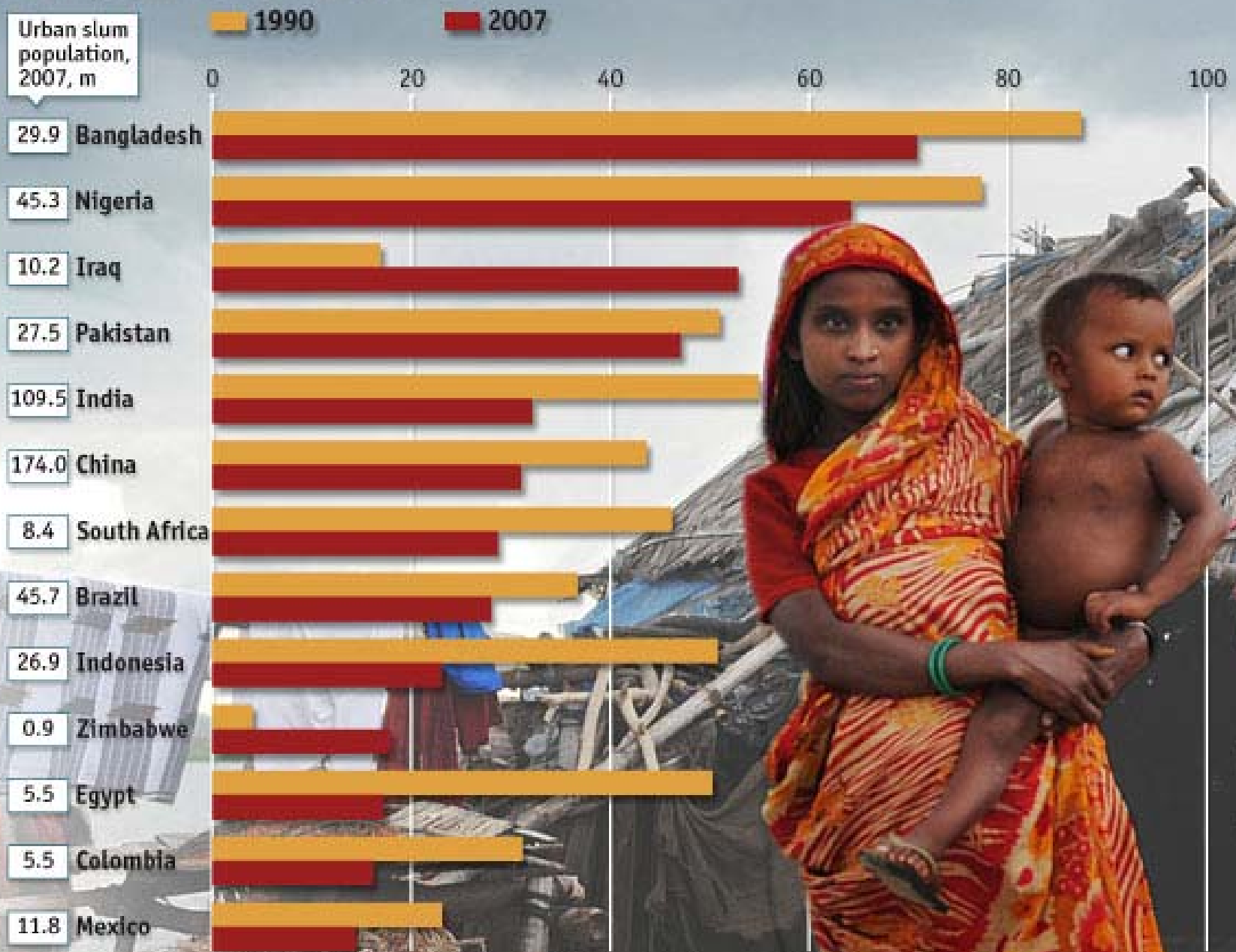
- Challenge

- Obstacles

- Opportunity

- Solutions?

Urban population living in slums, %

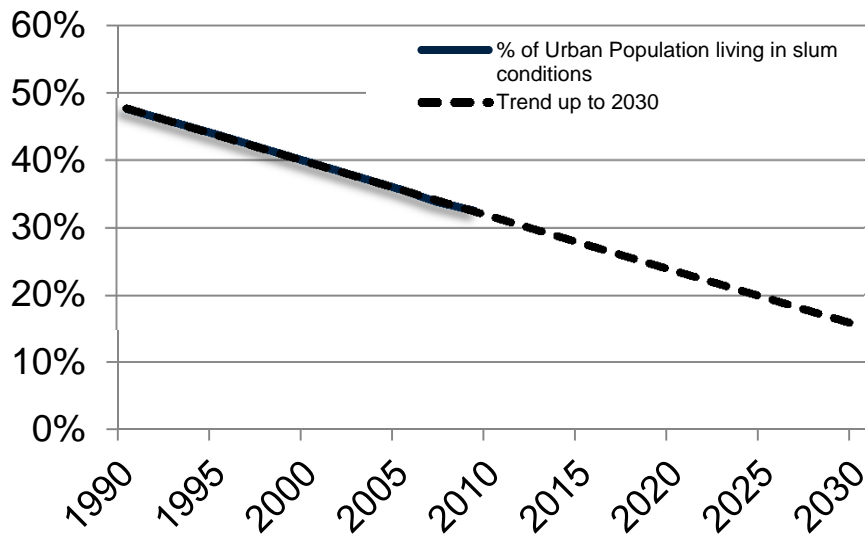


Source: UN-HABITAT

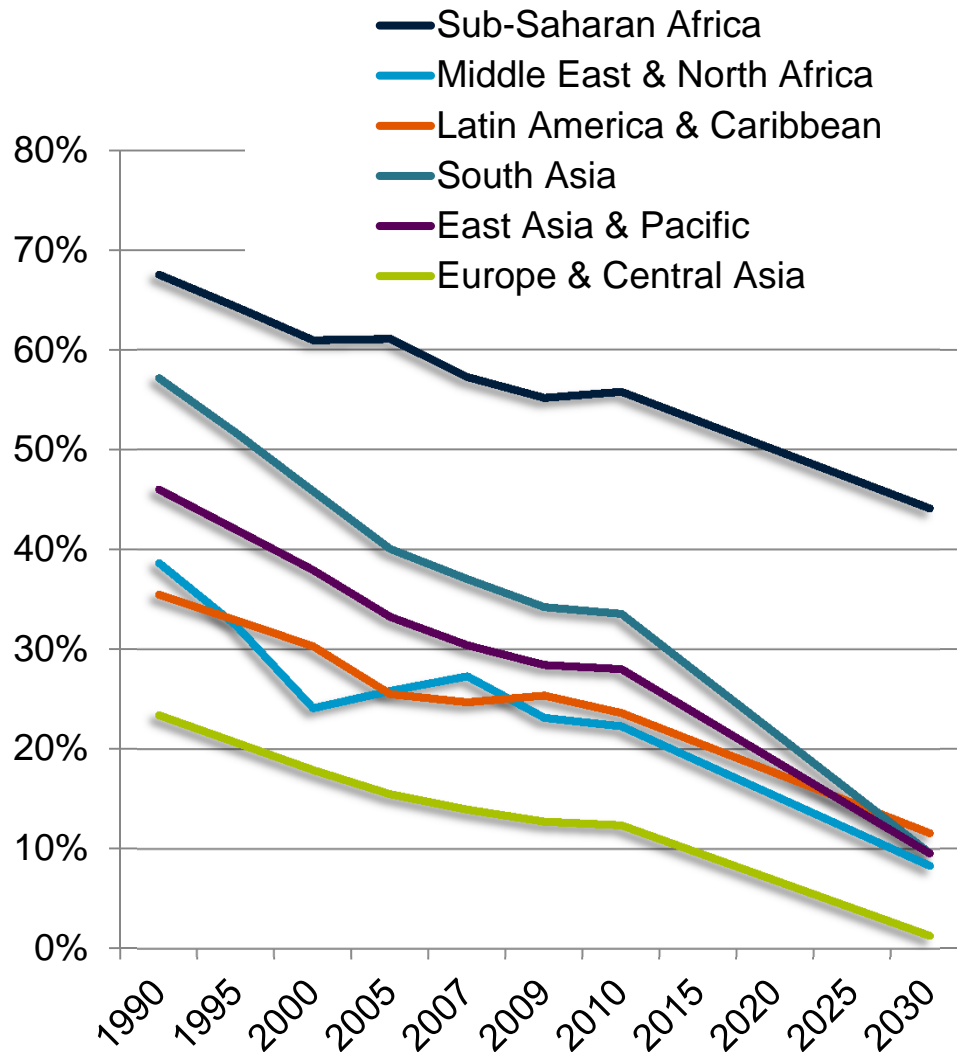
Trends in Global Slum Population

	Slum Population	% of global slum population	% of urban population
China	181 million	25%	29%
India	105 million	15%	29%
Nigeria	48 million	7%	63%
Brazil	45 million	6%	27%
Pakistan	30 million	4%	47%

- 5 countries account for 57% of total global slum population
- Overall proportion of population living in slums is falling
- But as Urban population is rising, total slum population still on the increase in certain regions



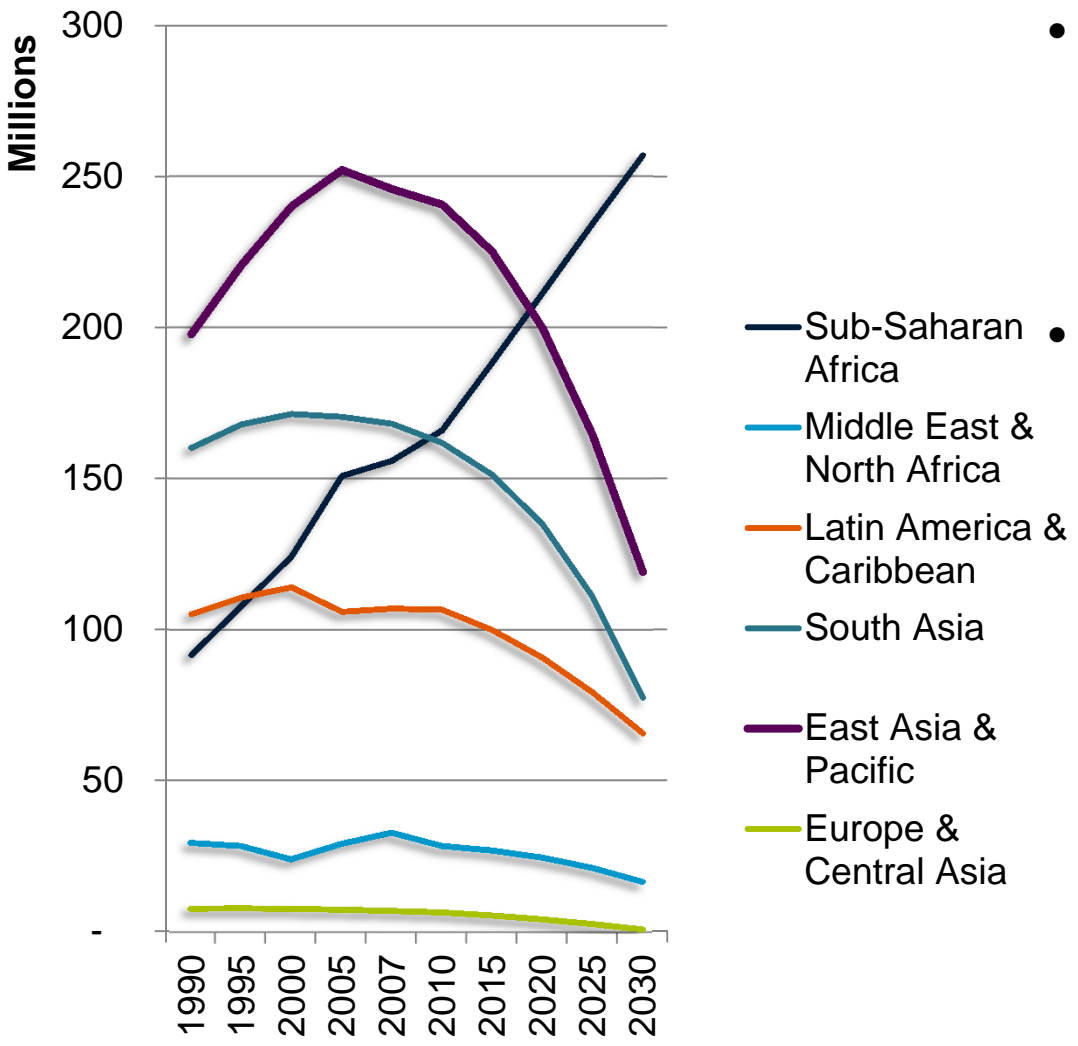
Proportion of Urban Population living in slum conditions



- All regions expected to show fall in proportion of urban population living in slum conditions
- Sub-Saharan Africa shows slowest level of decline
- Latin America also goes from 2nd lowest to 2nd highest

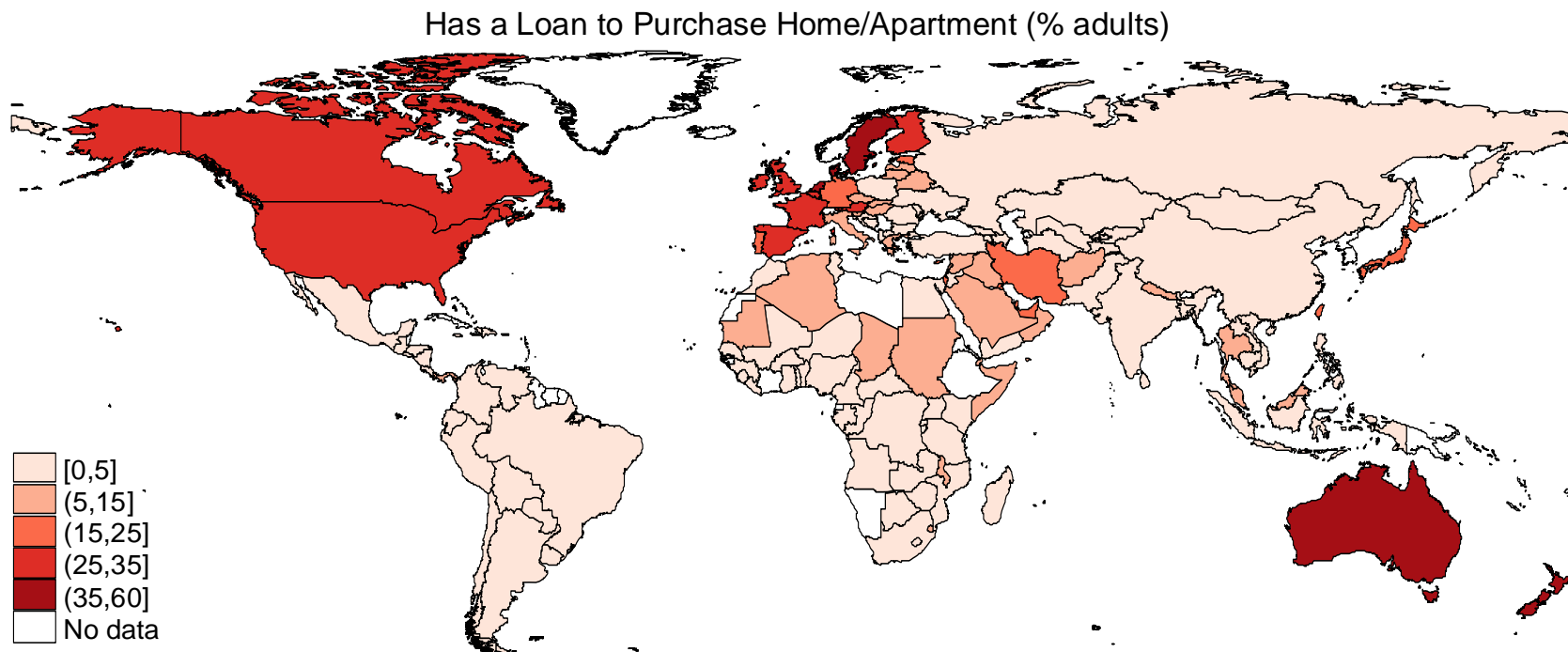
Source: UN data, Projections are WB own calculations based on simple linear trend

Global Slum Population by region



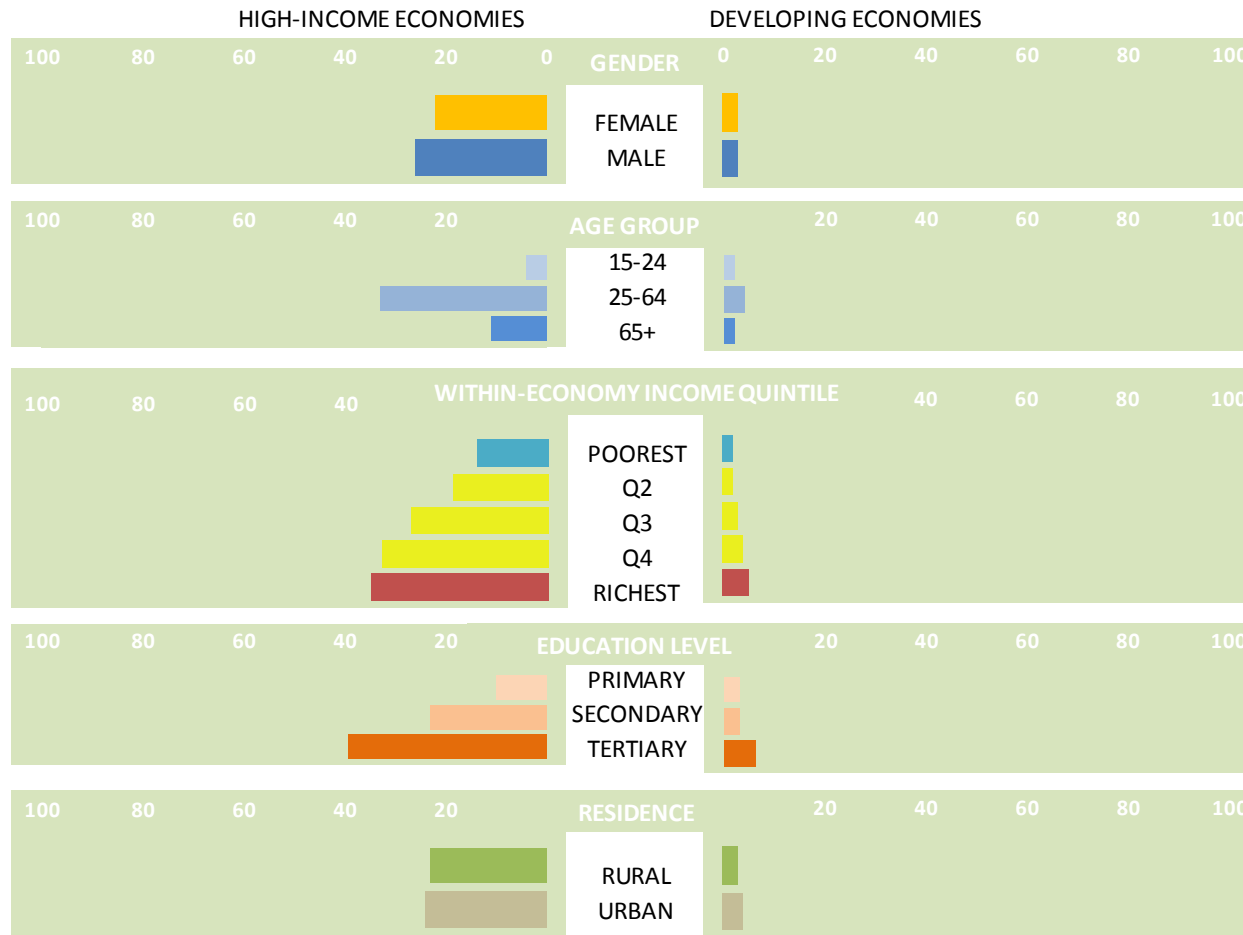
- At global level slum population is on a downward trajectory both in absolute numbers and as a proportion of overall urban population
- Except in Africa where rapid population growth means that improvements in city conditions are outweighed by urbanization growth

Low Penetration levels for Housing Finance Globally across both LICs and MICs



Source: *Findex Global Financial Inclusion Survey, 2012*

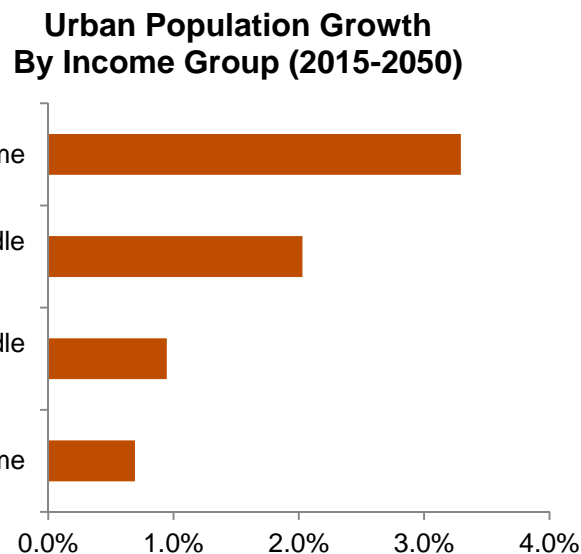
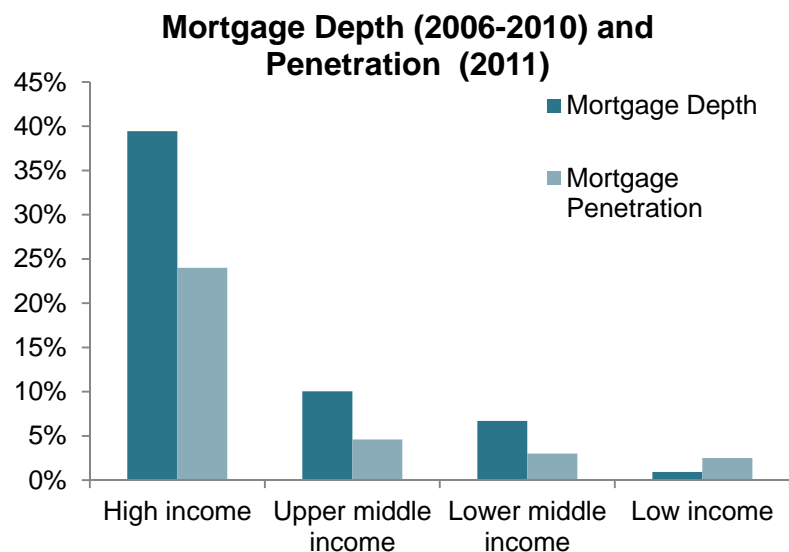
Housing Finance Penetration Levels



Low Penetration levels across all developing economies, but especially among the young, and those on lower incomes even in developed economies

Note: Primary includes those with less than a primary education; tertiary includes those with more than a tertiary education.
Source: Demirguc-Kunt and Klapper 2012.

Current size of mortgage markets and urban growth projections by income group



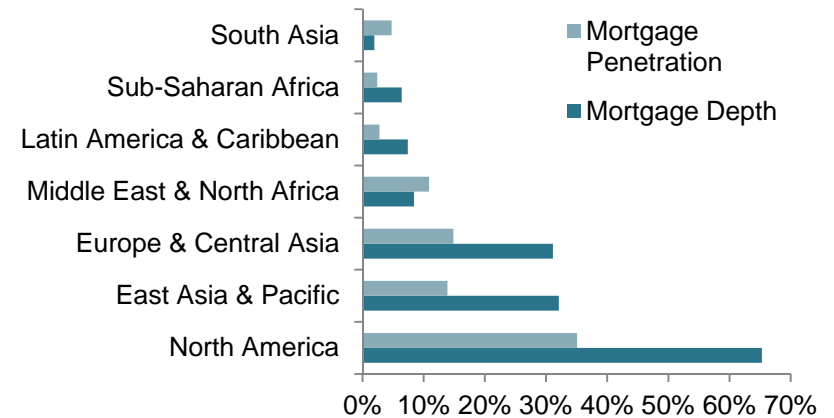
While mortgage depth averaged 40% in high income countries (2006-2010), it averaged 5%-10% for middle income nations and less than 1% for low income economies,

In contrast, projected urban growth rates between 2015 and 2050 are highest for low and lower middle income countries.

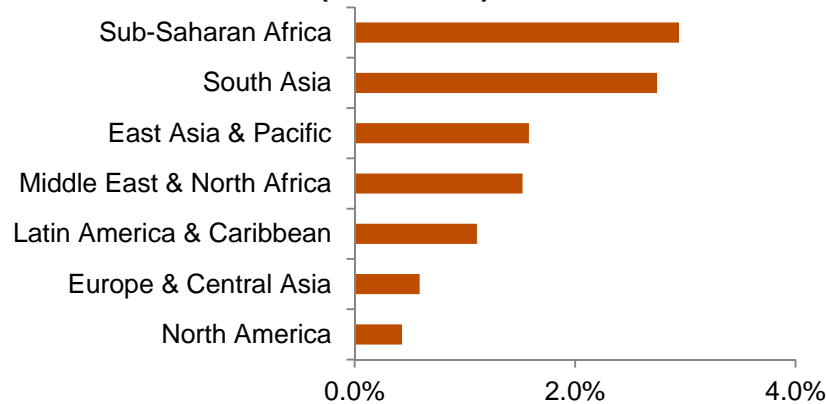
Urban growth projections and housing finance development by region

The mismatch in housing finance market development is also evident across regions, with North America, and East Asia and Pacific regions showing the highest mortgage depth and penetration, and South Asia and Sub-Saharan Africa the lowest.

Mortgage depth (2006-2010) and Penetration (2011)

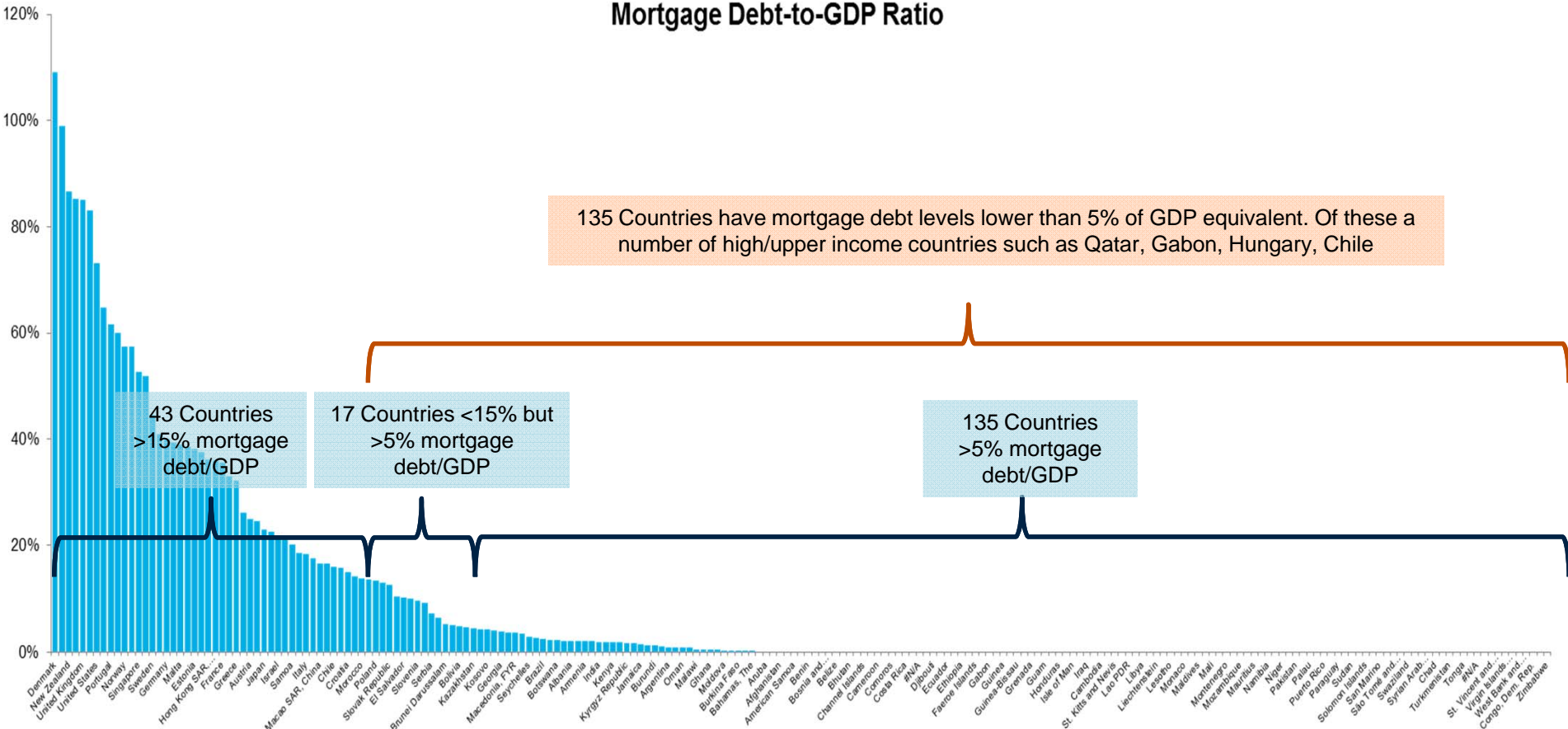


Annual Urban Growth Rates By Region (2015-2050)



Though the fastest growing urban cities are located in South Asia and Sub-Saharan Africa, these regions currently have relatively underdeveloped mortgage markets.

Mortgage Debt to GDP



Source: World Bank mortgage Database



Content

- Challenge

- Obstacles

- Opportunity

- Solutions?

Obstacles to Meeting Housing Gap

Demand for Housing

- Lack of long term funds
- Credit Risk
- Informality/low incomes
- High interest rates
- Foreclosure system
- Lack of affordable housing
- Financial literacy



Lack of Effective Demand

Supply of Housing

- Availability of Developer finance (debt and equity)
- Planning and building regulations
- Cost of infrastructure
- Access to Land
- Titling/Registration system



Lack of Affordable Supply

Drivers of Housing Finance

Variable	Impact
Inflation volatility	-
Age of Population	+
Development of Insurance sector	+
Urban Population	+
Overall wealth – GDP per capita	+
Government Bond Market	-
Government Bank ownership	-
Private Capital Market	+
Creditor Rights	+
Property Rights	+



WORLD BANK GROUP

Source: Badev, A; Beck, T; Vado, L; Walley, S; *Housing Finance Across Countries*, World Bank Policy Research Paper, January 2014

Content

- Challenge
- Obstacles
- Opportunity
- Solutions?

Affordable Housing is a Global Economic Opportunity

- High Shortage and market attractiveness
- Developed market, redevelopment opportunity
- Other emerging market opportunity






Value of affordable housing shortage, 2012, \$ Billions



Source: McKinsey Analysis

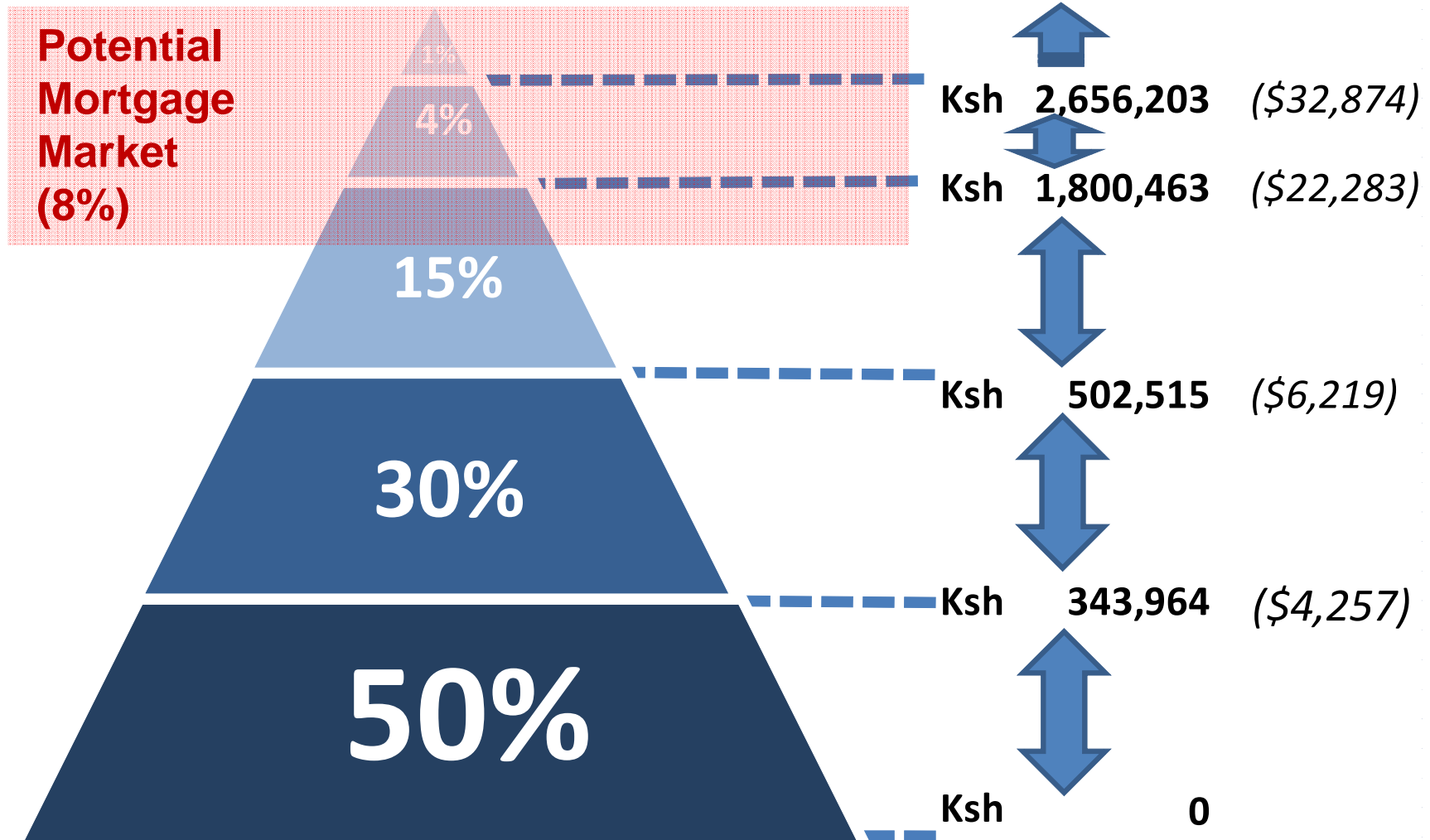
Potential Economic Stimulus from Housing

Impact of construction of 2 million affordable homes

Employment 	<ul style="list-style-type: none">▪ Direct employment for 3 million people▪ Indirect employment for 24¹ million people leading to an income increase of \$ 25 billion (equivalent to ~ 2% nominal GDP)
Cement 	<ul style="list-style-type: none">▪ Creates a demand for 16 million tons (9% over current demand)
Steel 	<ul style="list-style-type: none">▪ Creates a demand for 6 million tons (10% of current demand)
Miscellaneous goods and services 	<ul style="list-style-type: none">▪ Plumbing demand of \$1.1 billion▪ Electrical equipment demand of \$0.7 billion▪ Paint demand of \$0.5 billion▪ Wood demand of \$0.2 billion
Credit off take 	<ul style="list-style-type: none">▪ \$17 billion in loans (15% of annual disbursals)

¹ Using a multiplier of 8 sourced from Press Information Bureau release on National Conference of Ministers of Housing/Urban development

Kenya Example - Urban Income Distribution



Kenya – Potential Opportunity

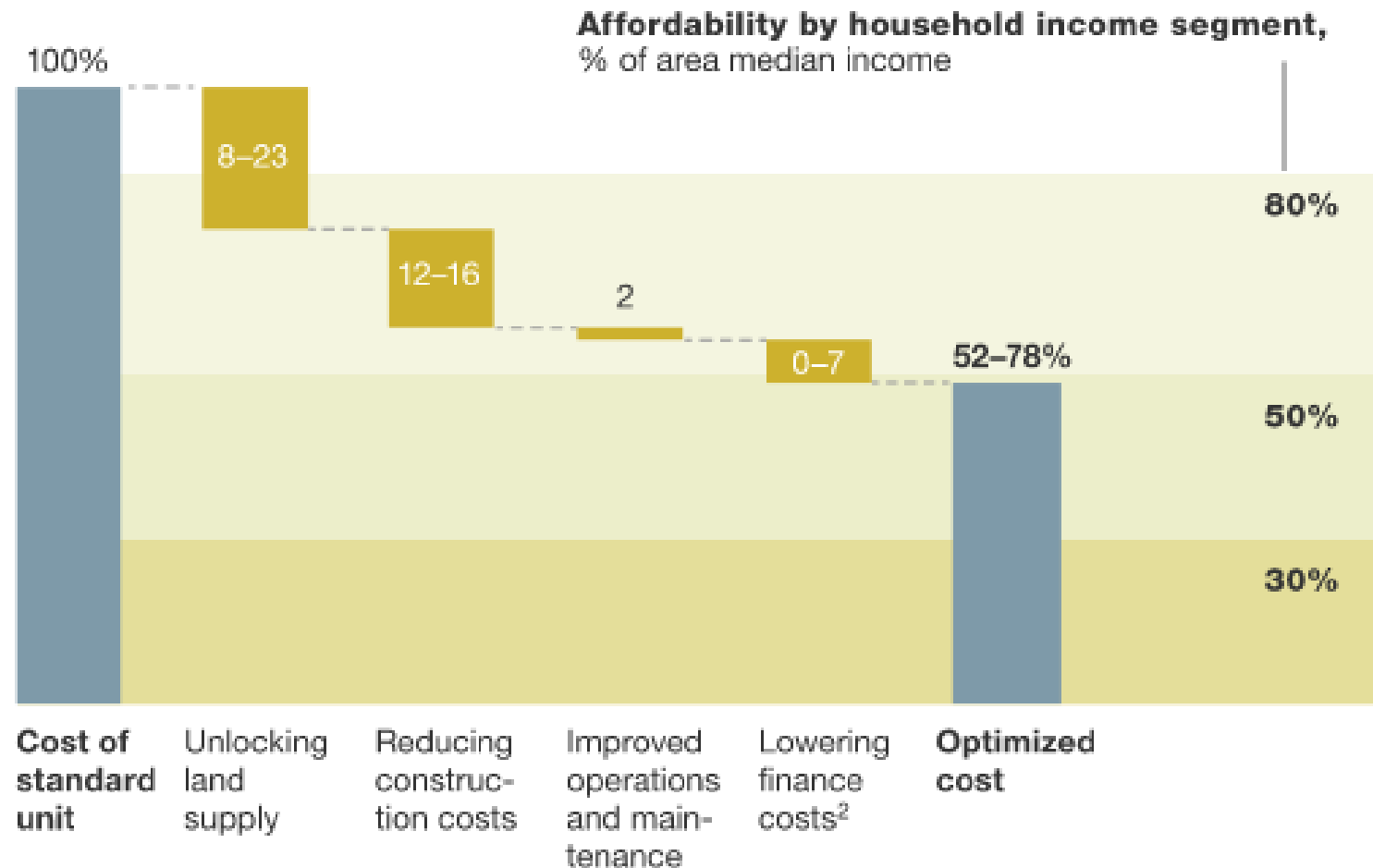
- No affordability in Rural areas – income not high enough for mortgage market to develop
- In Urban areas just 8% of the population could afford a mortgage product.
- Represents around 1.4 million people or 350,000 households
- Potential mortgage market therefore around Ksh 1,128 billion or \$13.7 billion

Content

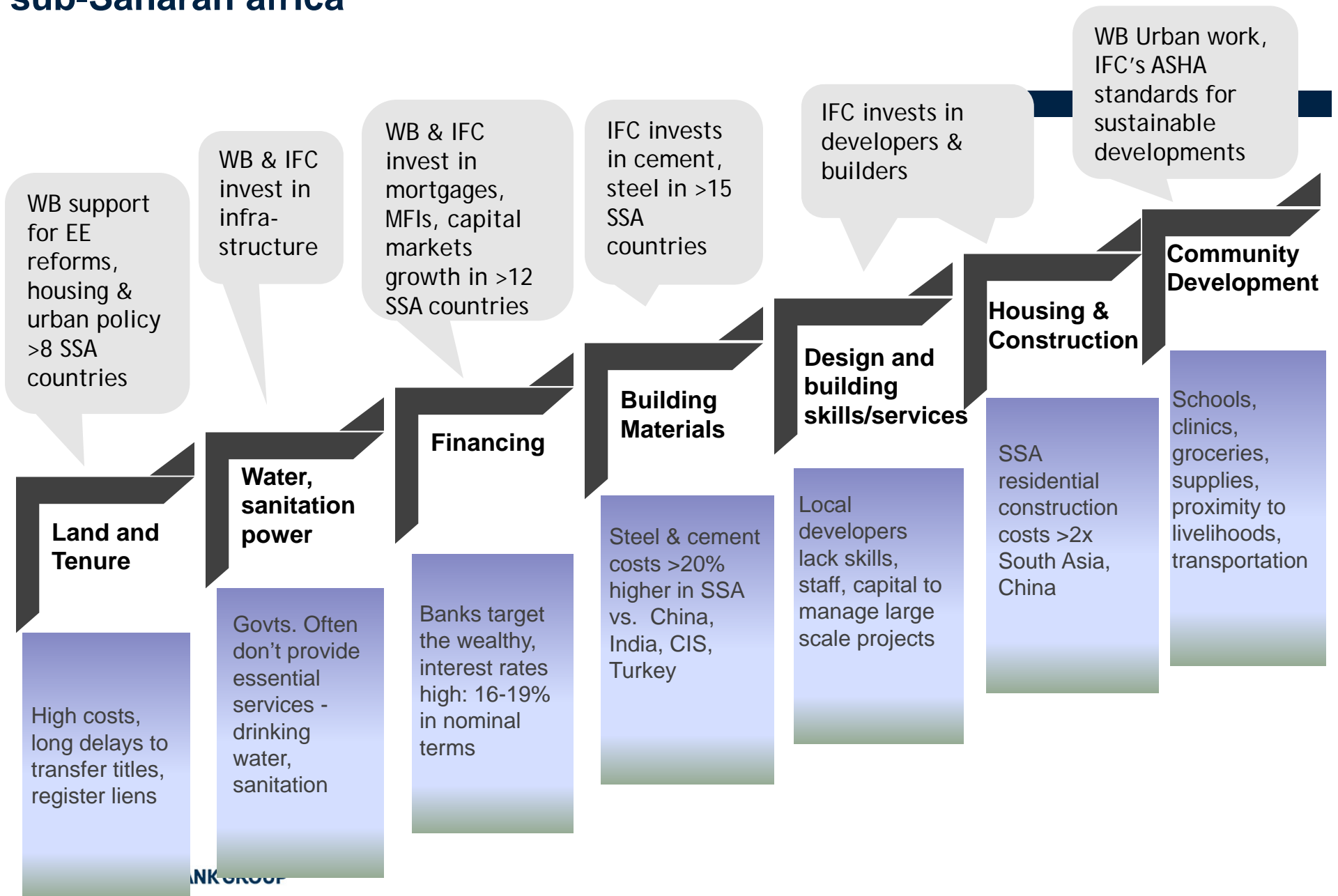
- Challenge
- Obstacles
- Opportunity
- Solutions?

Reducing Affordability Gap

Affordability gap = the difference between the cost of an acceptable standard housing unit (which varies by location) and what households can afford for housing using no more than 30 percent of income.¹



World Bank impacts the entire housing value chain – example for sub-Saharan africa



Housing Finance Solutions

- Development of solid primary market basis – efficient property rights, credit risk management systems, consumer information/protection, regulation
- Strong products which are long term, affordable and limit risks for households and financial system
- Secondary markets to leverage impact by using capital markets
- Information systems – data collection, research and analysis
- Developer finance – equity & debt

Conclusion

- Take holistic approach across housing value chain to obtain maximum economic benefits
- Clear role for government in improving enabling environment rather than as property developer
- Create housing finance system to allow for long term investment into housing – leverage capital markets
- Provide solutions across the income distribution – make use of smart subsidies or partial guarantees to work in tandem with market based pricing
- Home-ownership not only option – rental should play role as part of inclusive housing policy



Feedback to:

Simon Walley

Housing Finance Program Coordinator

Finance & Markets

T +1 202 4735940

E swalley@worldbank.org

W www.worldbank.org

🐦 [simonwalley](https://twitter.com/simonwalley)

🌐 [simon-walley](https://www.linkedin.com/in/simon-walley)



3 BILLION PEOPLE, (40% OF THE WORLD'S POPULATION) WILL NEED NEW HOUSING AND BASIC URBAN INFRASTRUCTURE BY 2030



565 MILLION
NEW HOUSING UNITS WILL BE REQUIRED



THE SHORTAGE FOR AFFORDABLE HOUSING AMOUNTS TO 35 MILLION UNITS VALUED AT **\$600-\$700 BILLION**

HOUSING FINANCE IS NOT KEEPING PACE WITH POPULATION GROWTH AND URBANIZATION

PROJECTED ANNUAL URBAN POPULATION GROWTH 2015-50 (%) | ADULTS WITH AN OUTSTANDING LOAN TO PURCHASE A HOME OR APARTMENT (%)



THE PRIVATE SECTOR IS NEEDED

Governments can't cover the cost alone — Money from Institutional Investors could be mobilized to address the gap.

PENSION FUNDS TOTAL APPROXIMATELY \$120 TRILLION GLOBALLY, 20% OF GLOBAL FINANCIAL ASSETS



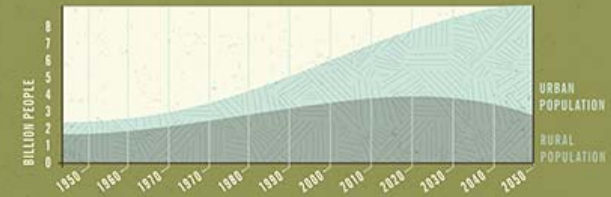
EMERGING MARKET INVESTMENT FUND ASSETS ARE GROWING



PEOPLE IN DEVELOPING COUNTRIES ACROSS ALL DEMOGRAPHICS LACK ACCESS TO FINANCING THEY WOULD NEED TO PURCHASE A HOME



URBAN POPULATION IS GROWING SO DEMAND FOR ADEQUATE HOUSING WILL ALSO INCREASE



INVESTING IN HOUSING WILL INCREASE SHARED PROSPERITY

DEVELOP HEALTHY CAPITAL MARKETS TO FINANCE CONSTRUCTION OF NEW HOUSING DEVELOPMENTS, AND TO

INCREASE ACCESS TO HOUSING FINANCE

FOR THOSE WHO NEED TO PURCHASE A HOME

PROMOTE THE USE OF LOCAL BUILDING MATERIALS AND CONSTRUCTION TECHNIQUES THAT

LOWER UNIT COST OF HOUSING CONSTRUCTION,

AND LEADS TO MORE LOCALLY APPROPRIATE, CLIMATE-RESILIENT HOUSING

CREATE IMMEDIATE

JOB OPPORTUNITIES

FOR THOSE AT THE BOTTOM OF THE PYRAMID.

PROVIDING PEOPLE WITH THE ABILITY TO INVEST IN A HOME ALLOWS THEM TO:

- Improve their family's living conditions
- Take a stake in their community
- To build an asset which can serve them in old age and for their children's future
- Get shelter from natural elements and improve sanitary conditions
- Have space to run a business from, for children to do homework

IN INDIA, THE IMPACT OF 2 MILLION NEW AFFORDABLE HOMES WOULD BE:

