



GLOBAL HOUSING

An integrated World Bank Group approach



Why housing matters

An integrated approach

Targeted interventions

Success stories

Dynamics in housing sector create opportunities but also face challenges

Growing demand from countries and commitments for reform

Growing slum population

863 million urban residents live in slums, and growing

Growth of Cities

1,393 cities of 500k+ population in 2030
564 cities in 1990

Growing middle class

3 billion consumers expected to join global middle class by 2030 bringing it to 5 billion

Housing Needs

96,150 housing units per day required through 2030

Large impact on growth and employment

5 jobs created per housing unit built

Contribution to wealth

50% of tangible assets in housing

Ample room to improve access to finance

93% of adults have no access to formal housing finance

Low & informal incomes

74% in low-income countries live on less than \$2 per day

Tenure Insecurity

70% of land in emerging economies unregistered

High GHG impact

19% of the world's greenhouse gas emissions from buildings.
Housing represents 3/4 of all new buildings

Affordable housing: challenges and opportunities

Value of accumulated affordable housing shortage (2012)



WBG Strategy in line with new Sustainable Development Goals

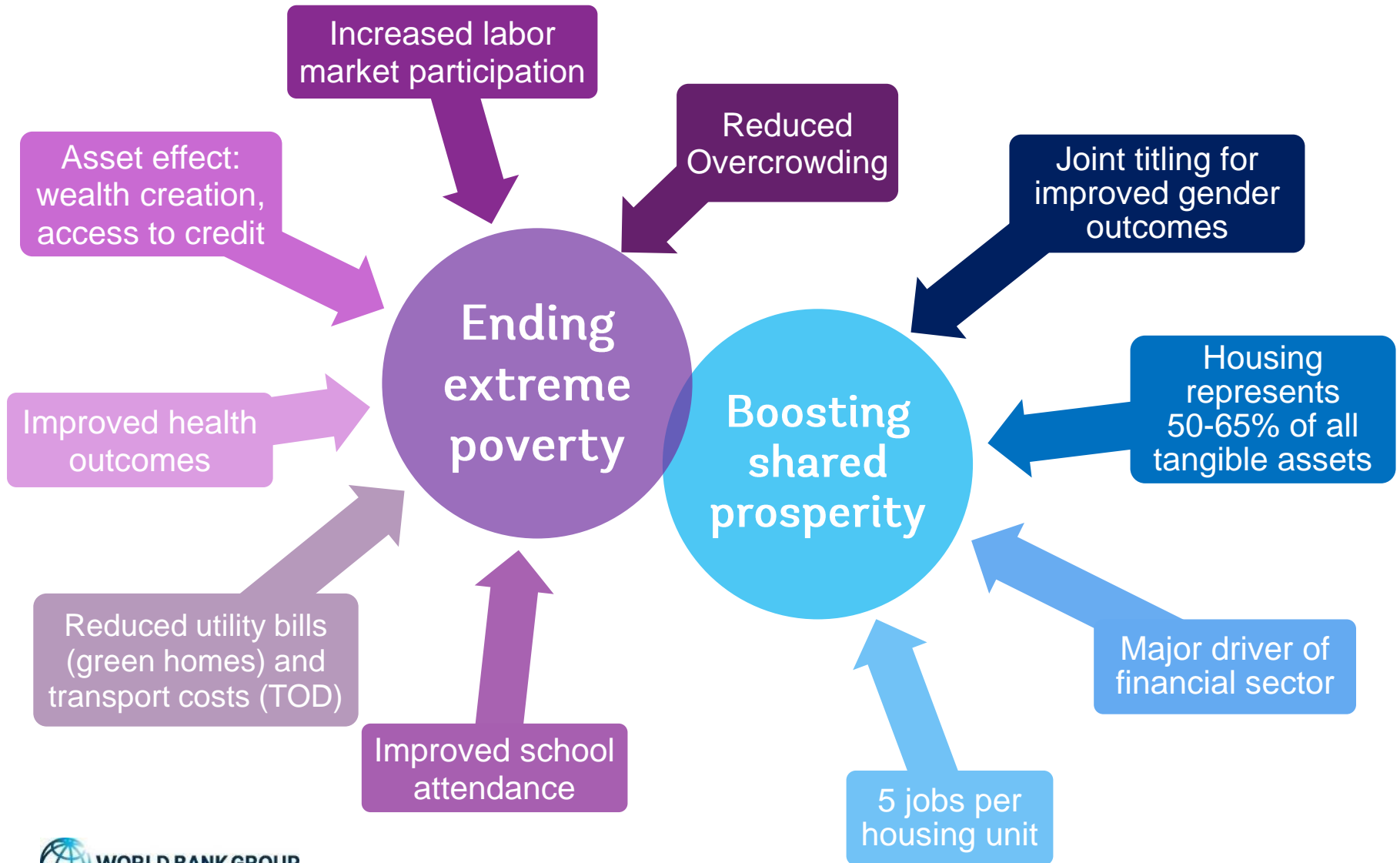


Make cities and human settlements inclusive, safe, resilient and sustainable

11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Affordable Housing supports Twin Goals



Why housing matters

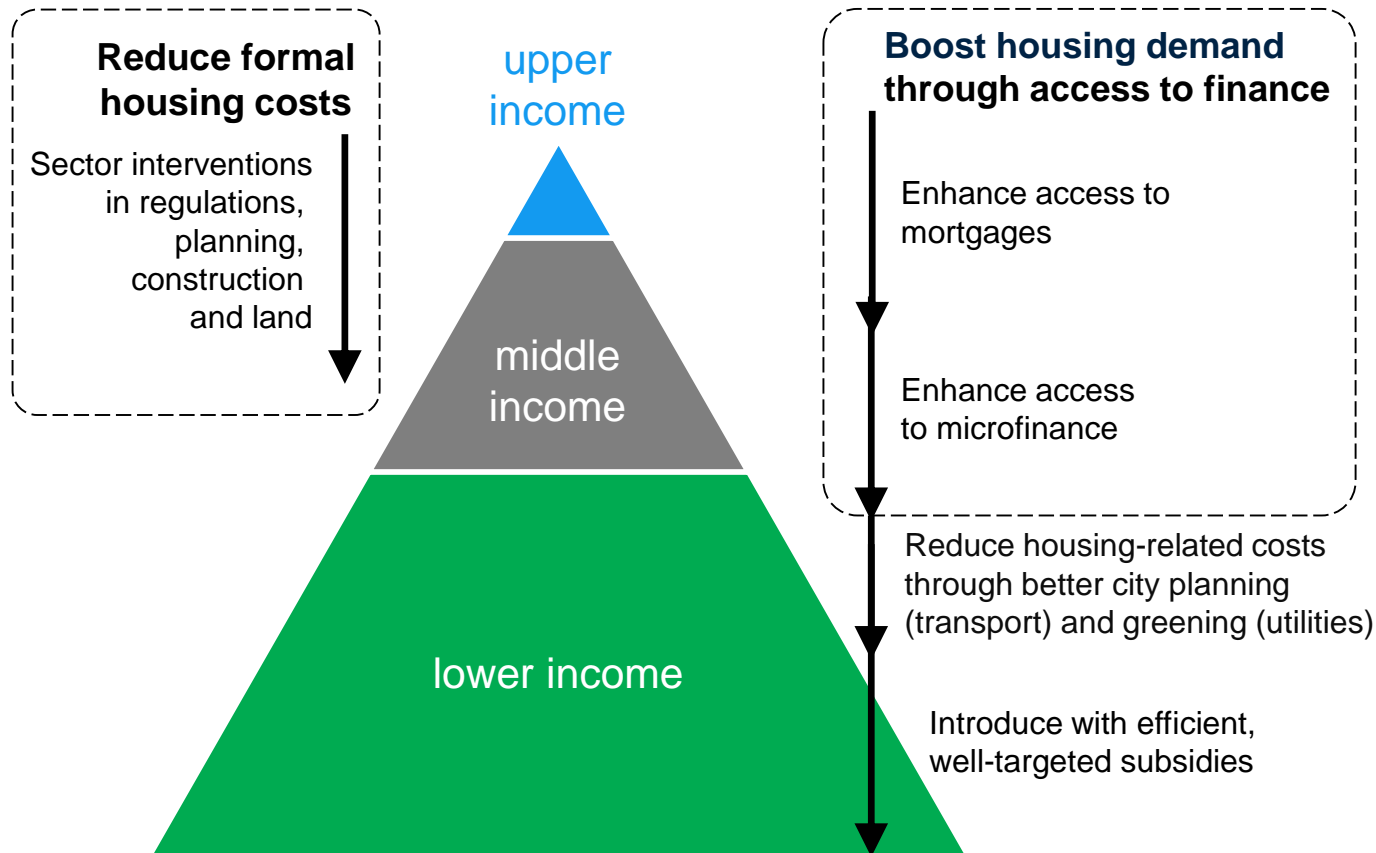
An integrated approach

Targeted interventions

Success stories

The overall approach: reform and invest across housing value chain

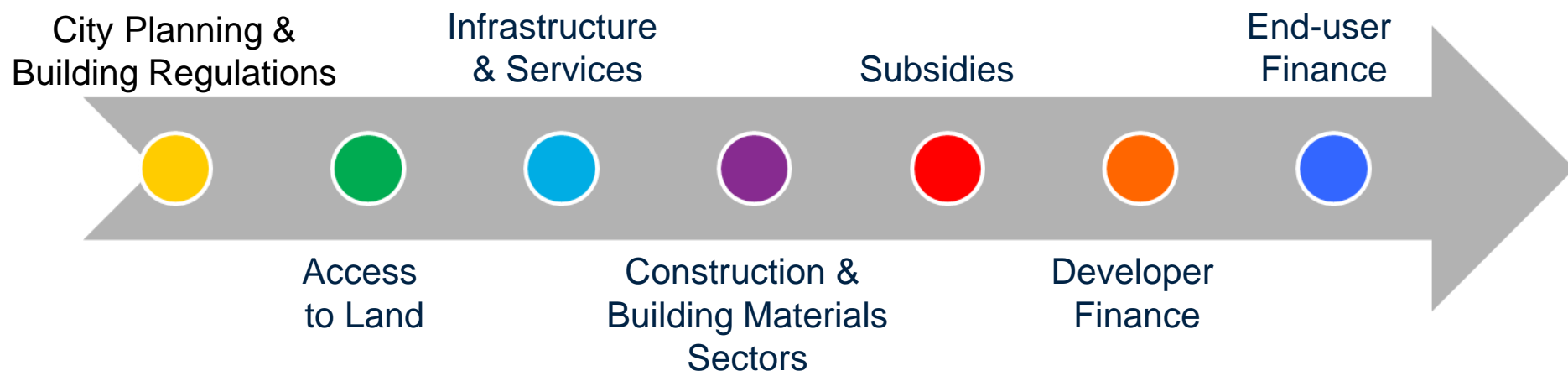
Vital to reform structures and catalyze markets to achieve goals



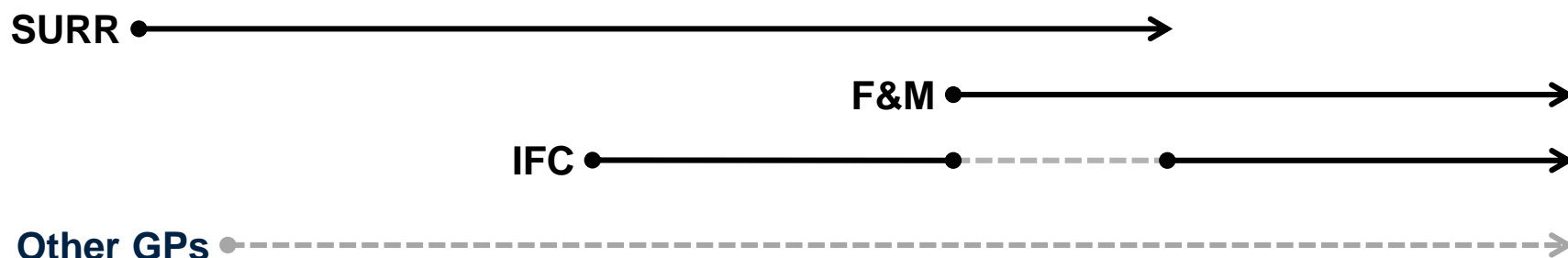
Menu of WBG interventions

- 1** Improve city planning, building regulations, and access to land
- 2** Invest in basic pro-poor infrastructure and slum upgrading
- 3** Strengthen residential rental markets
- 4** Strengthen local construction & building materials sectors; support private housing development
- 5** Expand access to housing finance

A comprehensive WBG approach



The WBG is uniquely positioned to reach across the value chain



WBG housing investments globally needs scaling up

\$51.1B

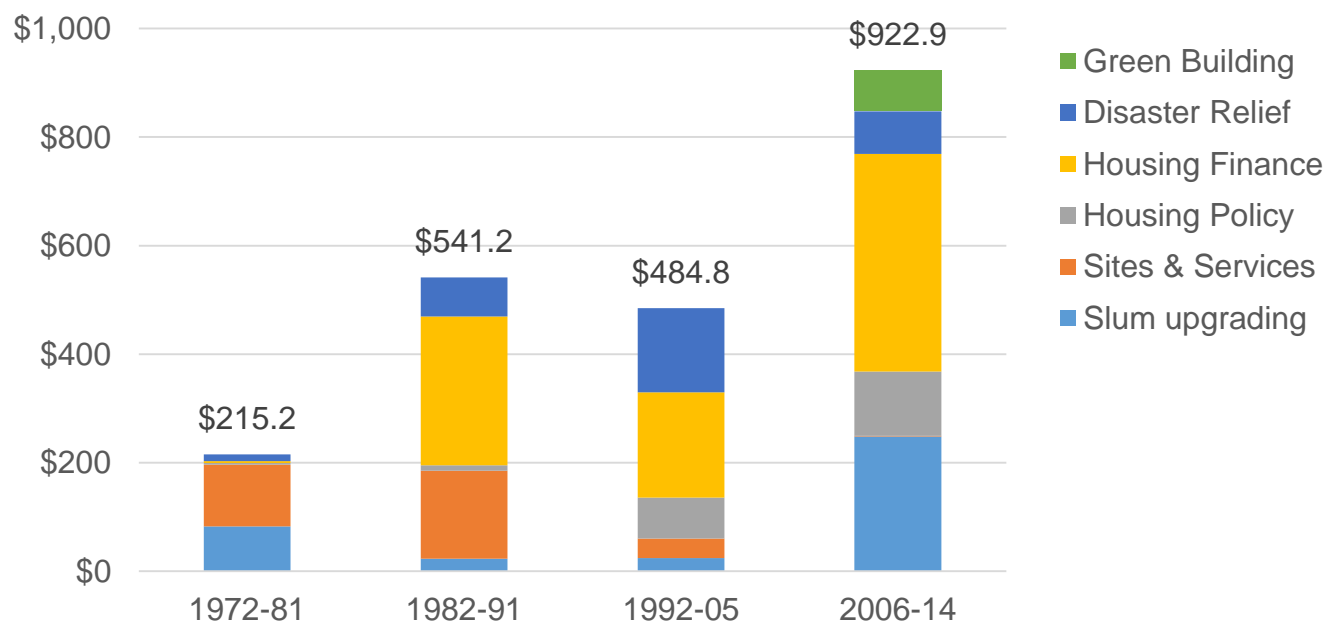
annual WBG
commitments
FY06-FY14

Urban: 7%

Housing: 2%

\$923 million

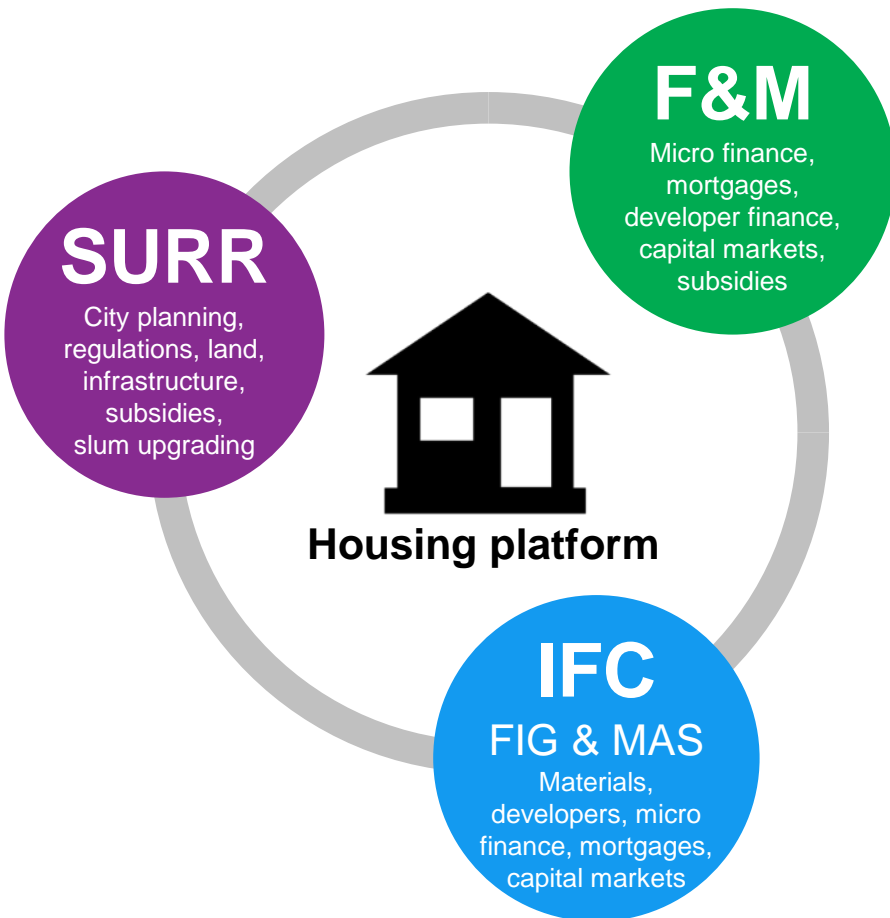
Average annual investment in housing globally since 2006



**Some catalytic impact but more needed to scale up
and reach transformational effects**

A One World Bank Group approach

A shared platform to
coordinate interventions



Housing is cross-practice by definition, it's *vital* to integrate

✓ Rebuild the skillset

✓ Mobilize resources

✓ Exploit partnerships

AfDB, IADB, ADB, KfW, DFID,
SECO, EBRD

UN HABITAT, Wharton School,
banks, developers

✓ Maximize impact with a
programmatic approach

But in a limited number
countries?

Why housing matters

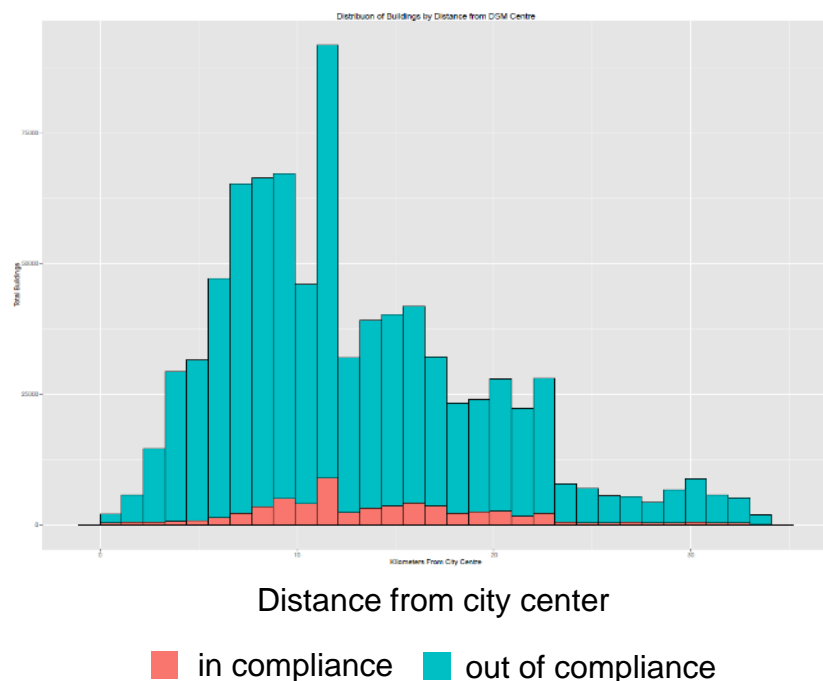
An integrated approach

Targeted interventions

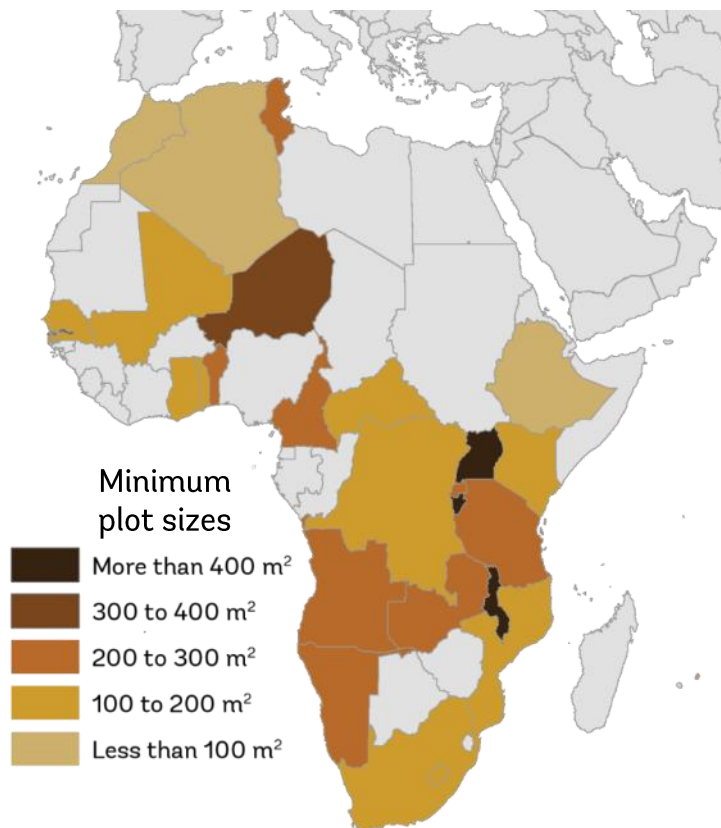
Success stories

Improve planning and building regulations, and access to land

Dar es Salaam:
No. of buildings in compliance with Floor Area Ratio



- ✓ coordinated housing policies
- ✓ streamlined planning regulations
- ✓ adapted building standards

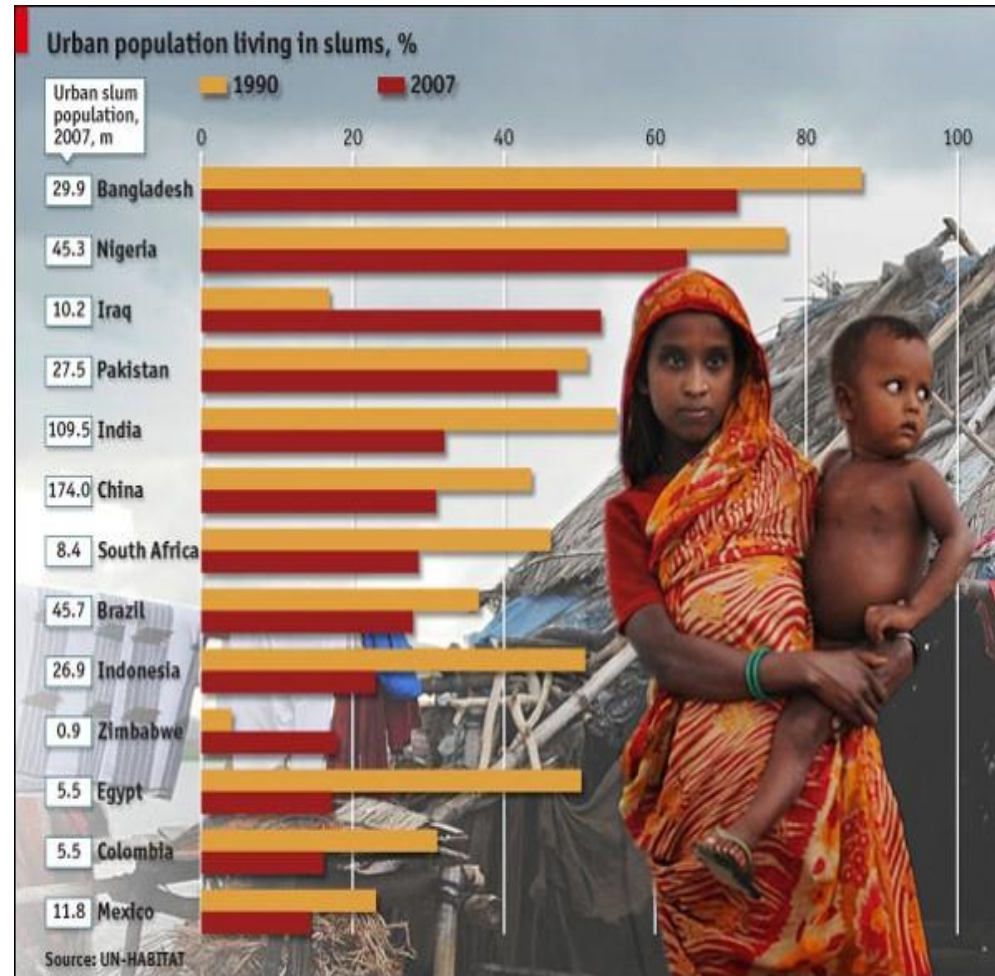


- ✓ titling and registration improvements
- ✓ Public land allocation mechanisms
- ✓ incentives for density and infill

Invest in slum upgrading and basic pro-poor infrastructure

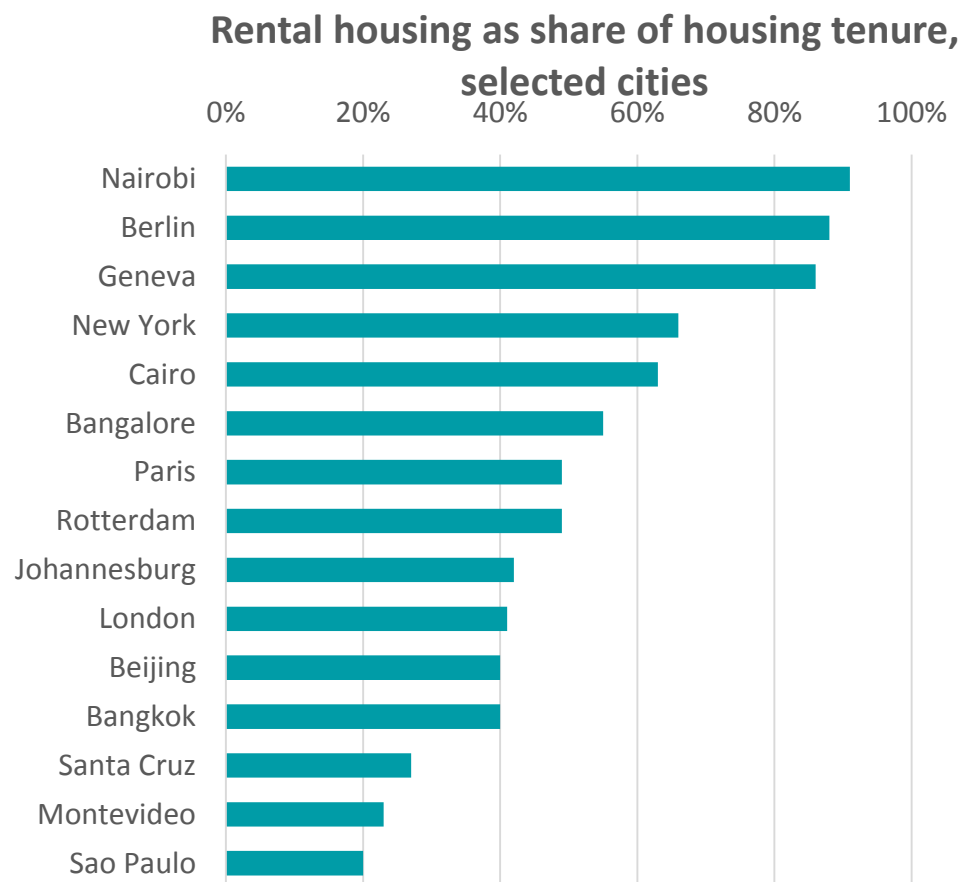
- Integrated slum upgrading projects
- Community-level infrastructure for new housing development
- Trunk infrastructure to supply existing and new settlements
- Link to revenues, property taxation, and institutional capacity in local governments

Urban households living in slums



Rental housing – missing pillar in housing policies

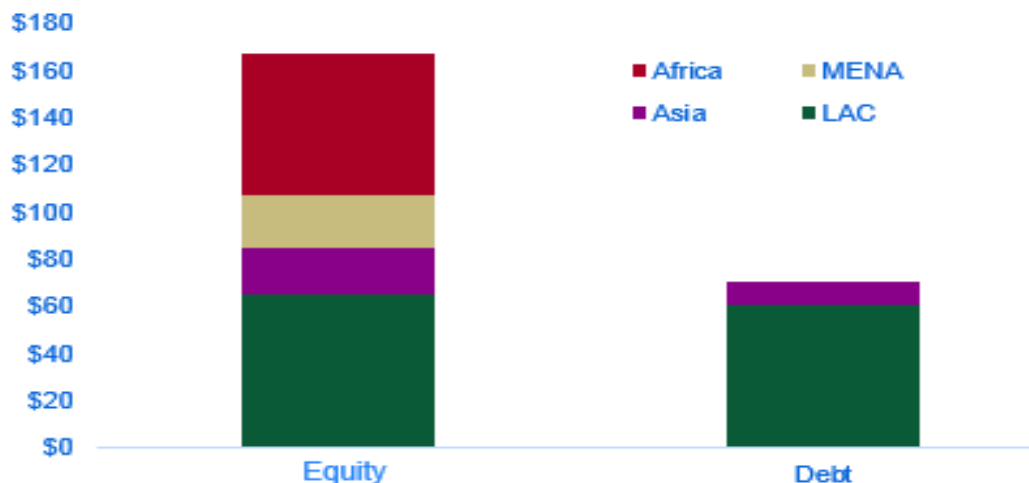
- Rental housing needed as part of a comprehensive national housing policy
- Informal settlement upgrading to include improvements and creation of rental stock
- Coherent system of supply- and demand-side subsidies
- Develop a cadre of professional property managers/management companies
- Stimulate long-term capital sources to finance multi-family and investment properties
- Ensure tax neutrality for rental vs ownership



Peppercorn & Taffin (2013). "Rental Housing Lessons from International Experience and Policies for Emerging Markets." World Bank.

Invest in Private Sector Affordable Housing Supply

FY2015 IFC's Active Portfolio by Region (US\$ mn)



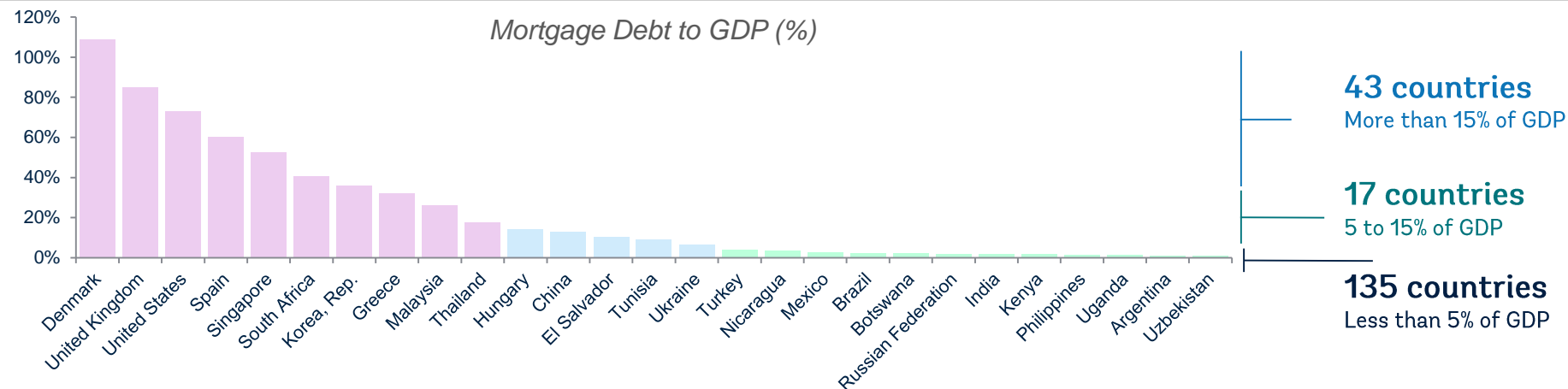
IFC MAS Strategy is based on following pillars:

- Support private developers and large scale housing projects
- Lower cost of construction
- Scale up local industries, improve techniques
- Address climate change

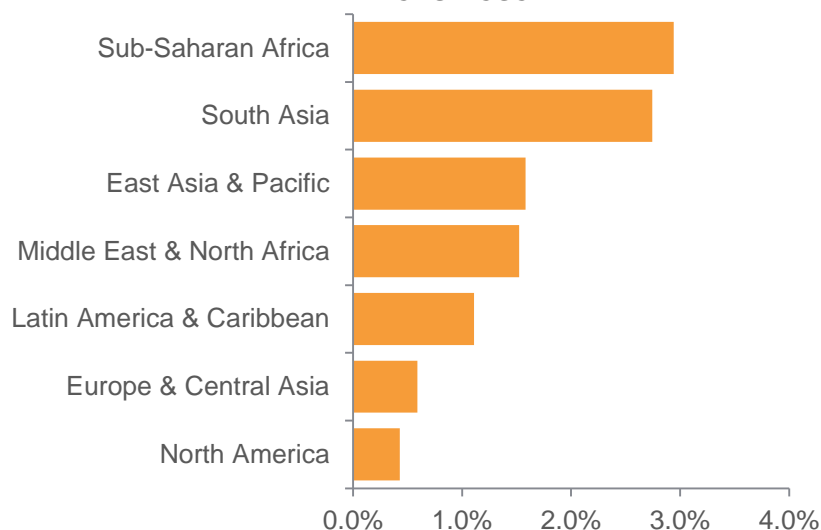
Current IFC Partners



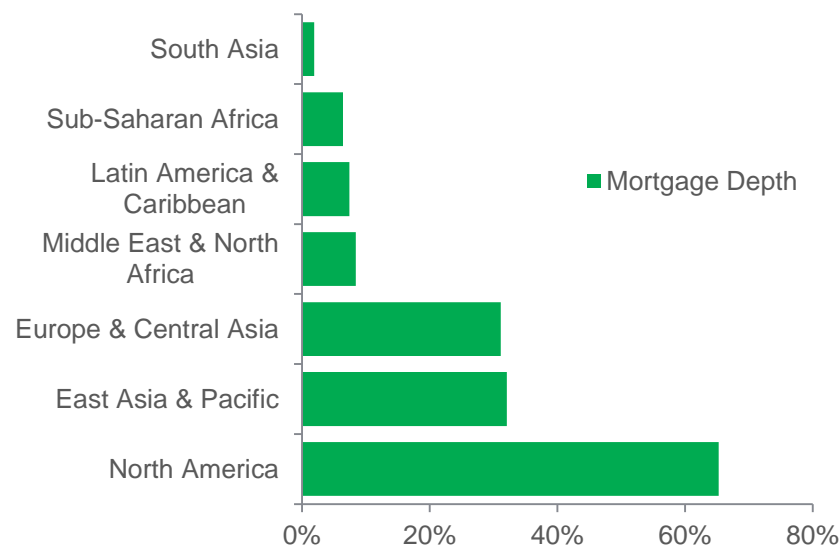
Housing Finance not reaching most emerging economies



Annual Urban Growth Rates By Region, 2015-2050



Mortgage depth (2006-2010)



Solutions for Expanding Access to Housing Finance

Affordable Mortgages

- Improve the legal & regulatory framework
- Provide debt and equity finance (both WB and IFC)
- Advisory services (ex: IFC mortgage toolkit)

Housing Microfinance

- Small loans for home improvement and self-construction: potential scaling up through MFIs, savings cooperatives
- IFC investments and advisory services
- F&M - HMF Funds, regulatory reforms

Capital Markets

- Liquidity facilities that issue refinancing bonds (ex: Nigeria, Tanzania)
- Support bond markets with local currency issues
- Risk-sharing facilities
- Creation of a secondary market (ex. Securitization Company in Colombia, *Titularizadora*)

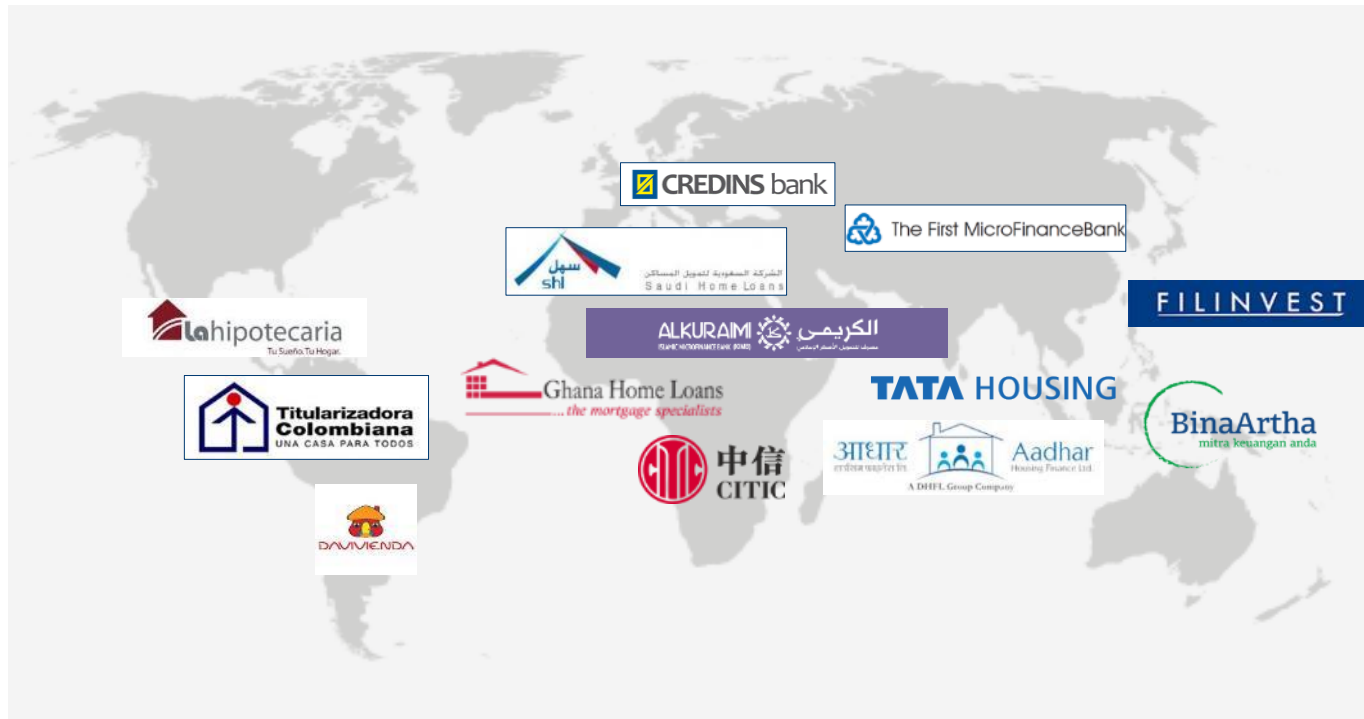
Innovative Risk Sharing

- Informal Sector Financing/Guarantees
- Credit risk sharing
- Contractual savings
- Rent-to-buy

Efficient and well-targeted subsidies

- Restructure failing housing banks / funds / agencies
- Support appropriate and targeted subsidy policies
- Reform of Housing Subsidy Mechanisms

Building real estate industries by leveraging private sector strategic partners



- Strategic focus on Africa and Asia, additional efforts in LAC, EMENA
- 40% of advisory projects in fragile and frontier markets
- Scale up and leverage internal partnerships (MAS, Climate) and external (Lafarge, KfW, Harvard U.)
- Advisory Services streamlines and strengthens client operations
- Advisory promotes new lending products and innovative structures to broaden access to housing finance

Why housing matters

An integrated approach

Targeted interventions

Success stories

Morocco: example of successful WBG interventions



- ✓ Released public **land**
- ✓ Unified building code, relaxed planning **regulations**
- ✓ Modernized **rental** law (to reduce vacancies)
- ✓ **Incentivized private developers** into affordable housing
- ✓ **Boosted retail mortgage markets:** competitive, affordable
- ✓ **Public guarantee fund:** >100,000 informal income households have accessed residential mortgage finance
- ✓ **Micro-finance** institutions authorized to lend for housing
- ✓ **Slum upgrading** program (VSB), financed with a tax on cement, including cost sharing and city contracts

India: Reaching down to the informal sector



- ✓ Mortgage market reached \$130 billion by end 2013 – but just 3% of lending goes to bottom 75% of income distribution
- ✓ Vast underserved population on low incomes working in informal sector
- ✓ Major challenges remain in formalizing/regularizing property
- ✓ IDA loan of \$100 million channeled through National Housing Bank to expand access to housing finance, targeting households earning between \$150 – 300/month
- ✓ IFC incentivizes lenders/developers to move down market with investment and advisory services (including responsible finance standards)
- ✓ IFC facilitated housing microfinance loans of \$103.4m (2012-14)
- ✓ IFC's investment and advisory to HDFC helped company to build loan book of \$33 billion

Egypt: ongoing engagement in a complex housing sector



Photo credit: David Evers, www.flickr.com

- ✓ Mortgage market liquidity facility (joint F&M – IFC project) promotes lending standards and facilitates access to long term funds in local currency
- ✓ DPLs for housing finance
- ✓ Housing subsidy reform
- ✓ TA on public land management
- ✓ IFC works with MFIs to introduce housing microfinance products, construction technical assistance services and improve risk management capabilities

The potential of an integrated WBG approach to housing

- Identify target countries for the development and implementation of joint assessment and action plans
 - Financial Services, Analytical and Advisory Services
 - F&M, SURR, IFC (FIG and MAS) and others
- Elevate the message
 - e.g., high-level housing conference
- Expand external partnerships and fundraise
- Lessons learnt from prior experiences
 - Example of Mexico
- Replicate and show success cases

Annex

WBG housing investments globally

\$51.1B

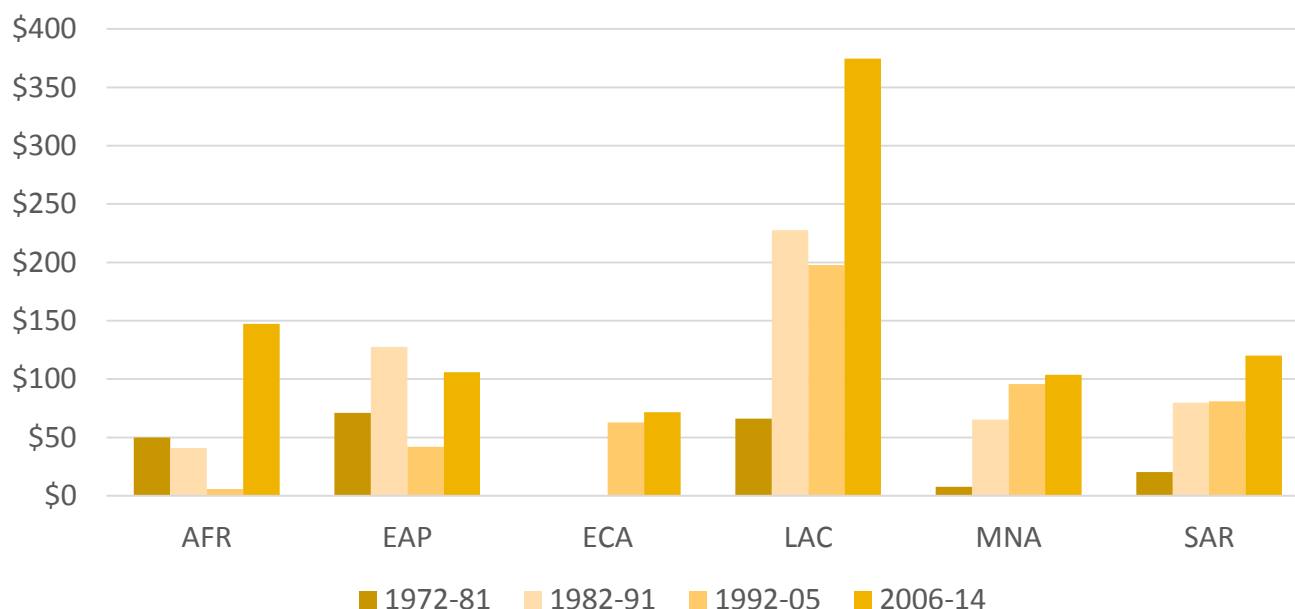
Percent of annual
WBG commitment
FY06-FY14

Urban: 7%

Housing: 2%

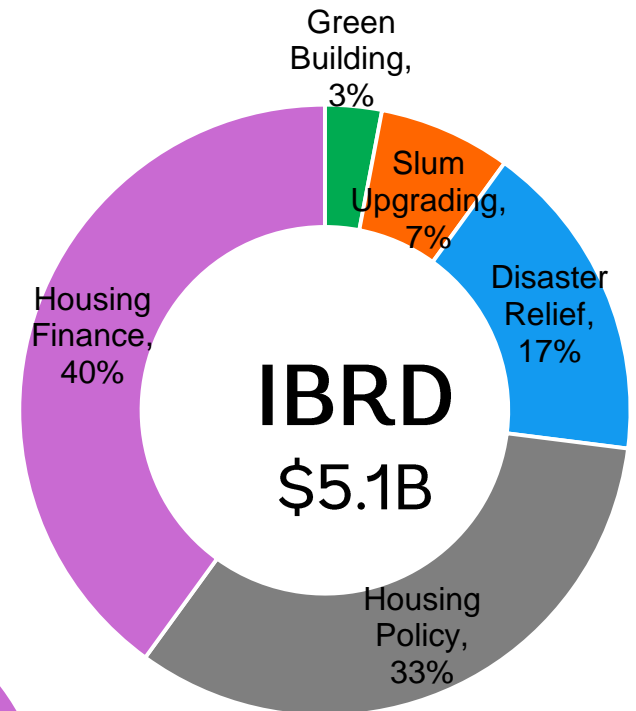
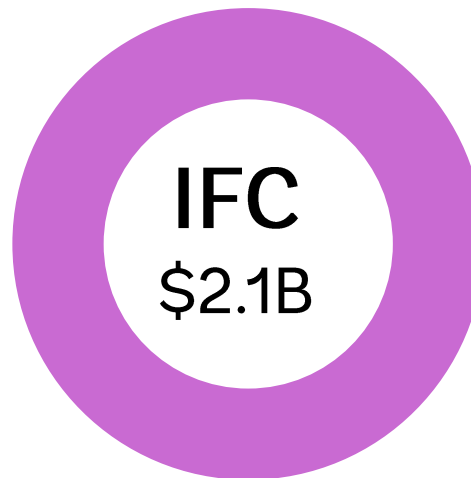
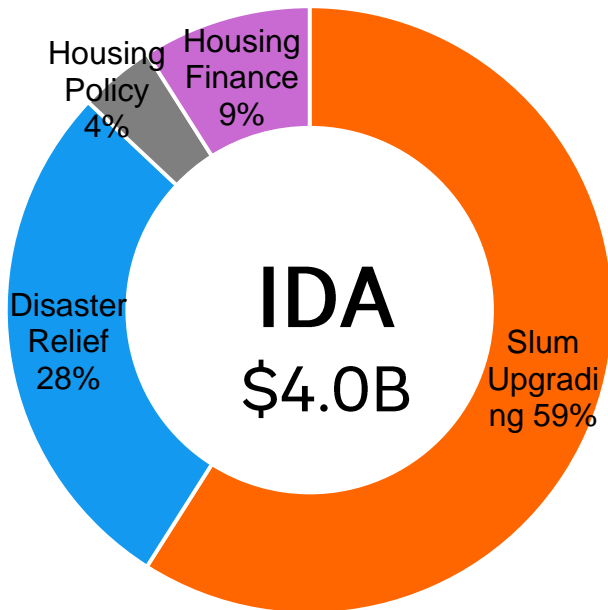
\$923 million

Average annual investment in housing globally since 2006

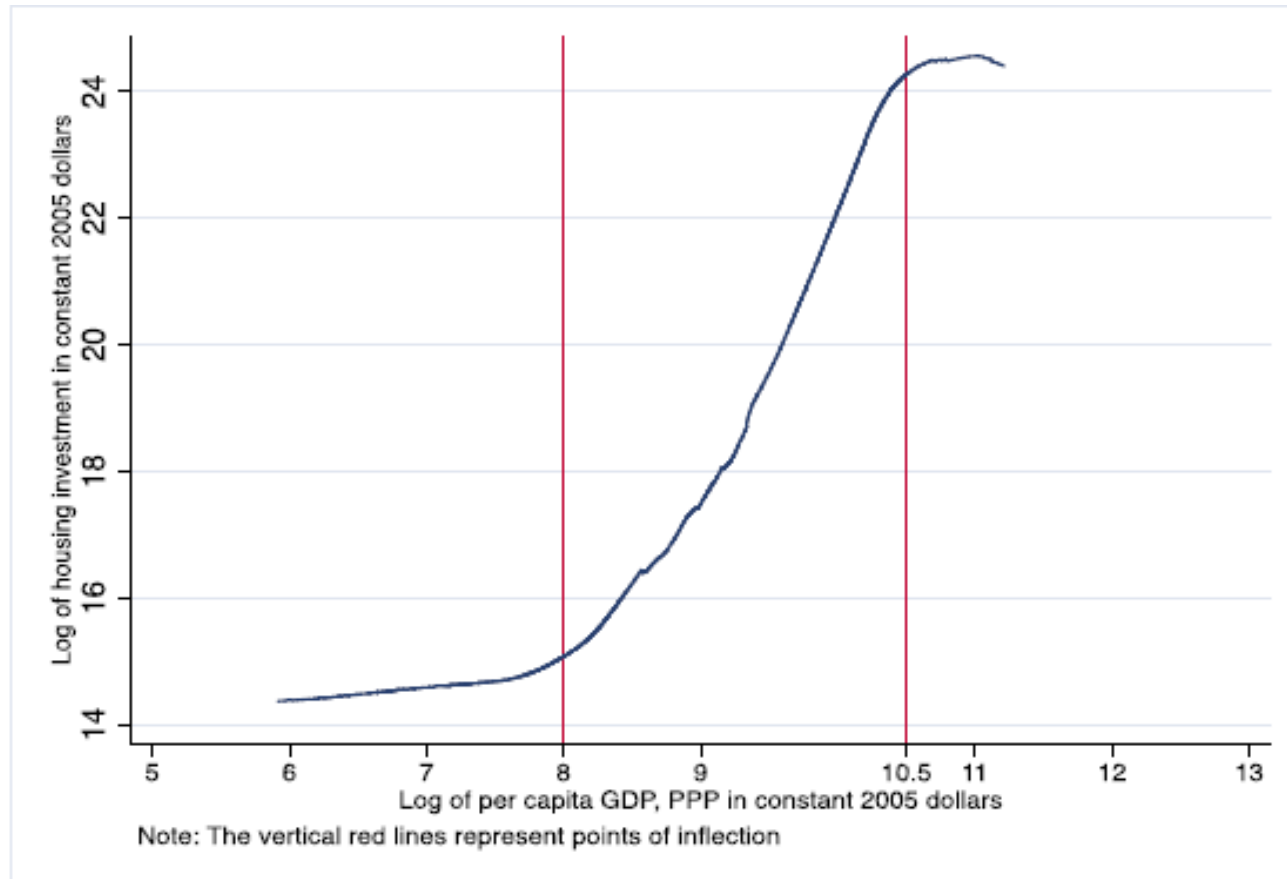


Plan to significantly increase WB and IFC investments and leverage catalytic effects

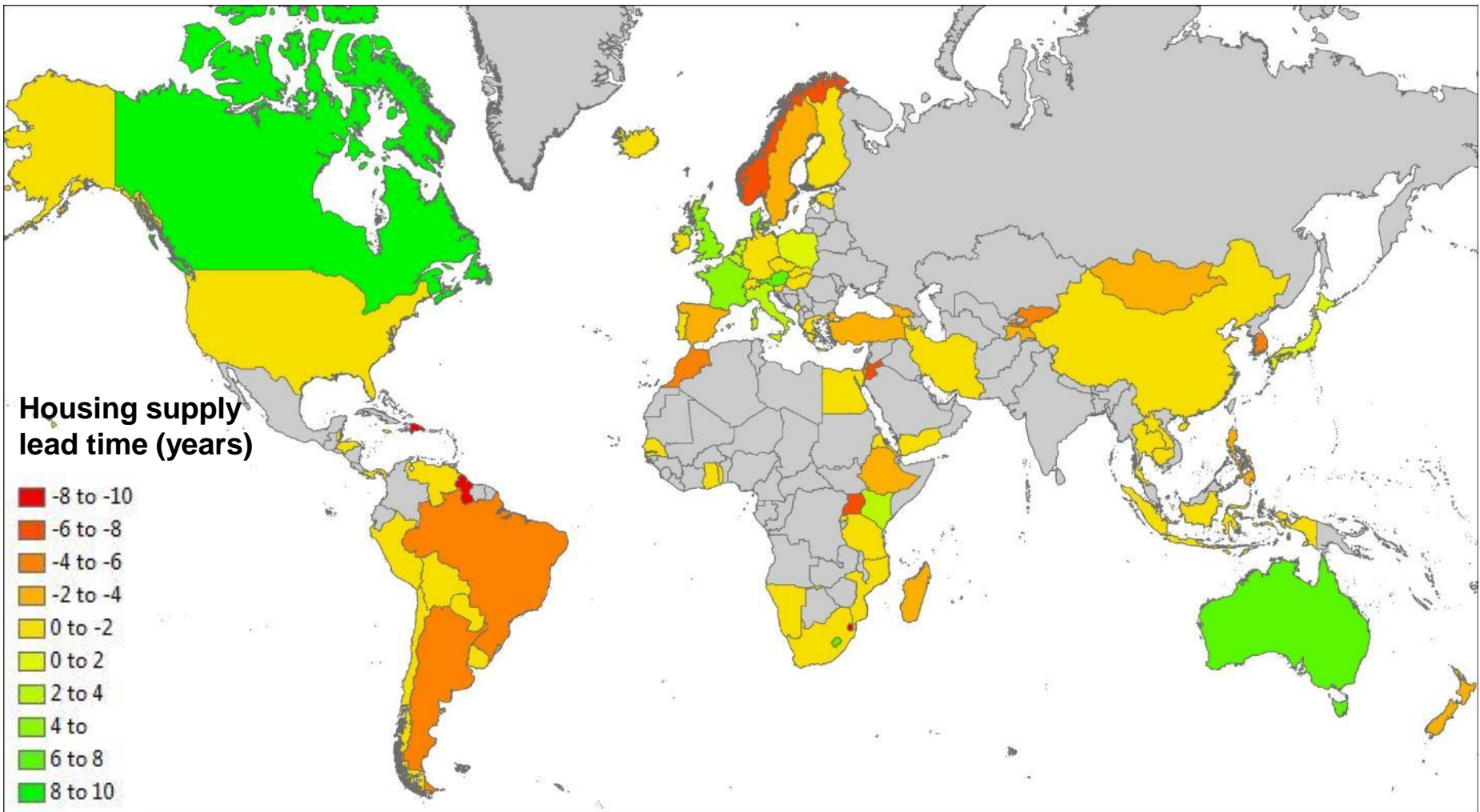
WBG housing investments, 2000-2014



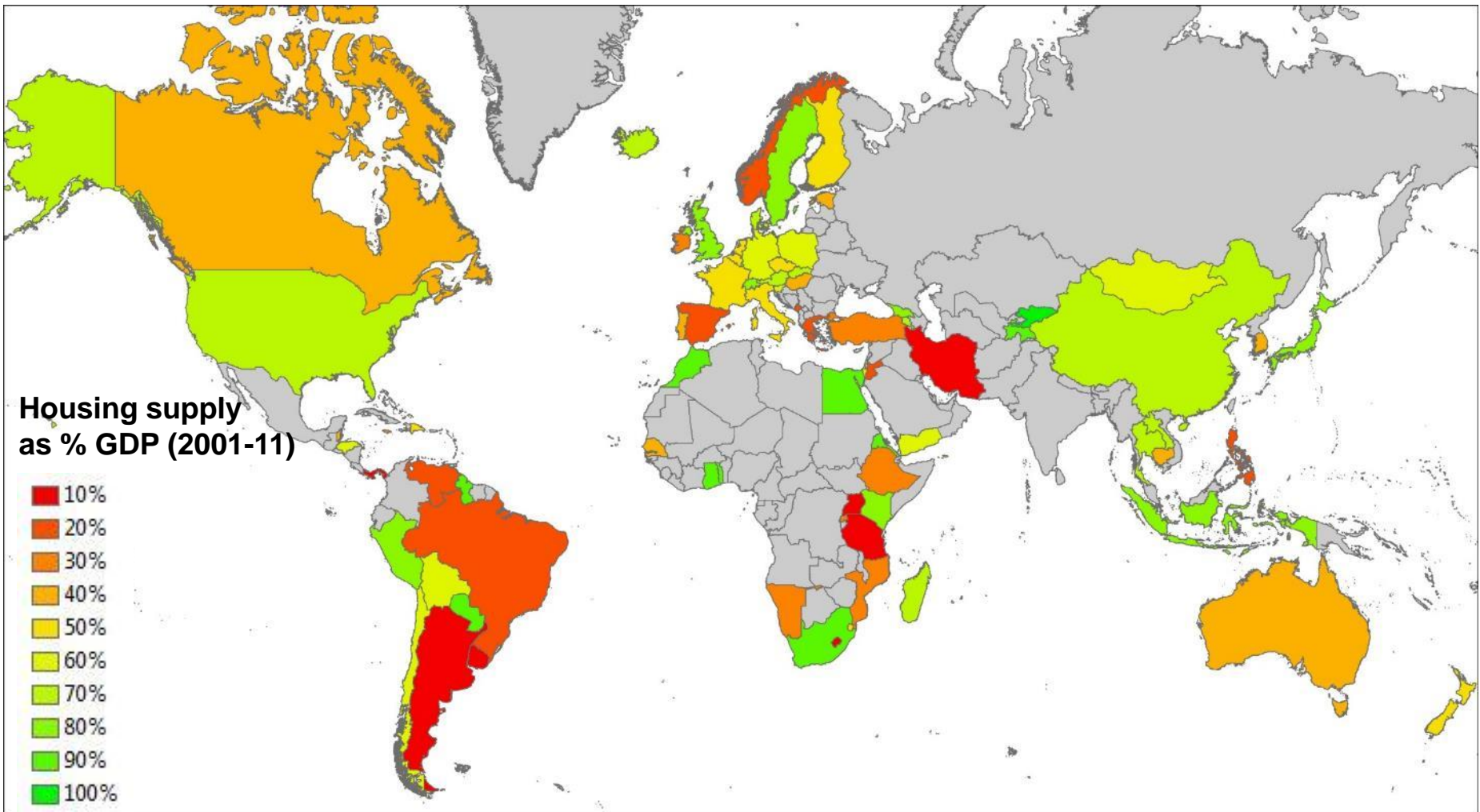
Housing supply and stages of economic development



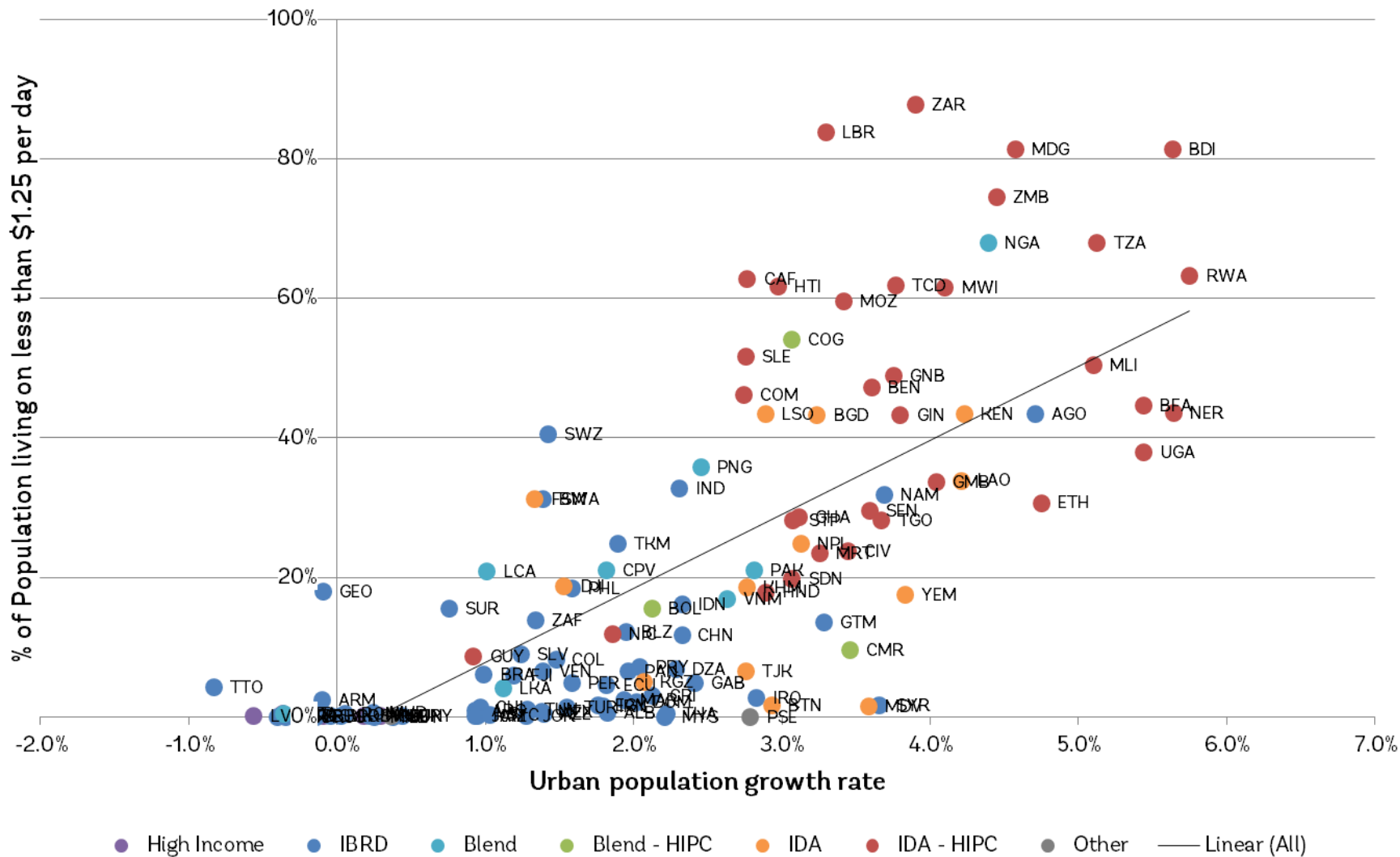
Housing supply lead times across regions



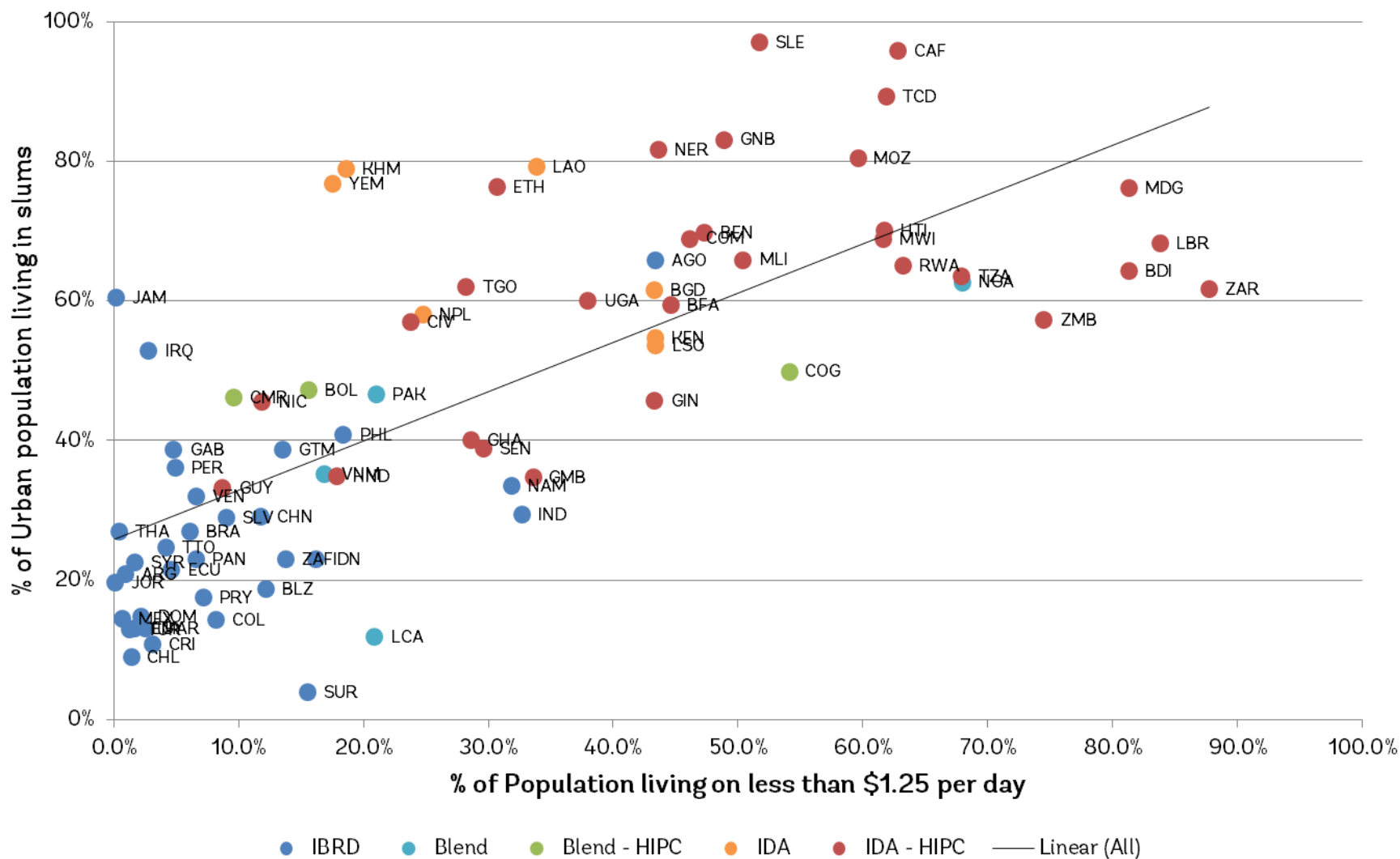
Housing supply as a percent of GDP



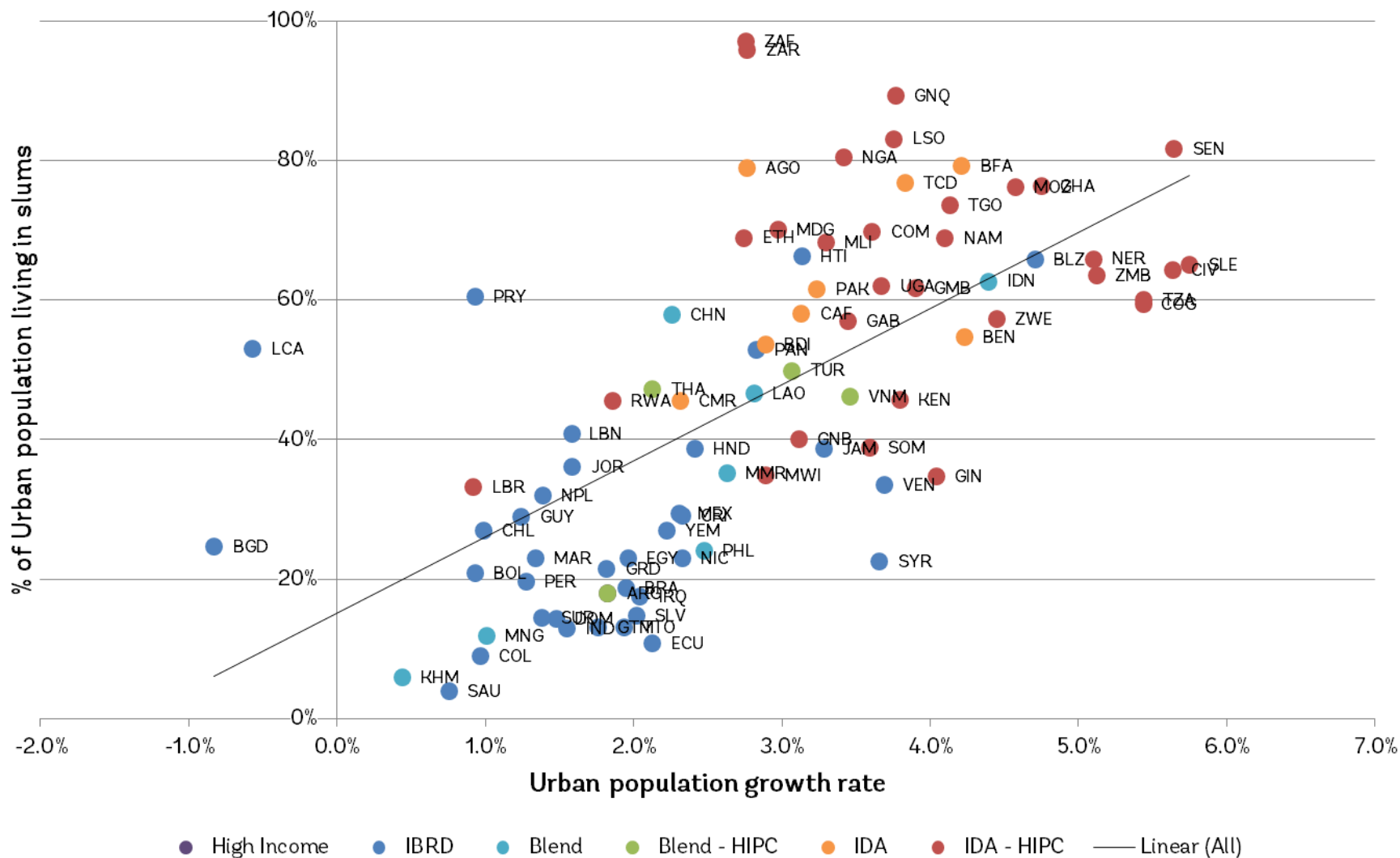
Urban population growth rate vs. Population living on less than \$1.25 per day



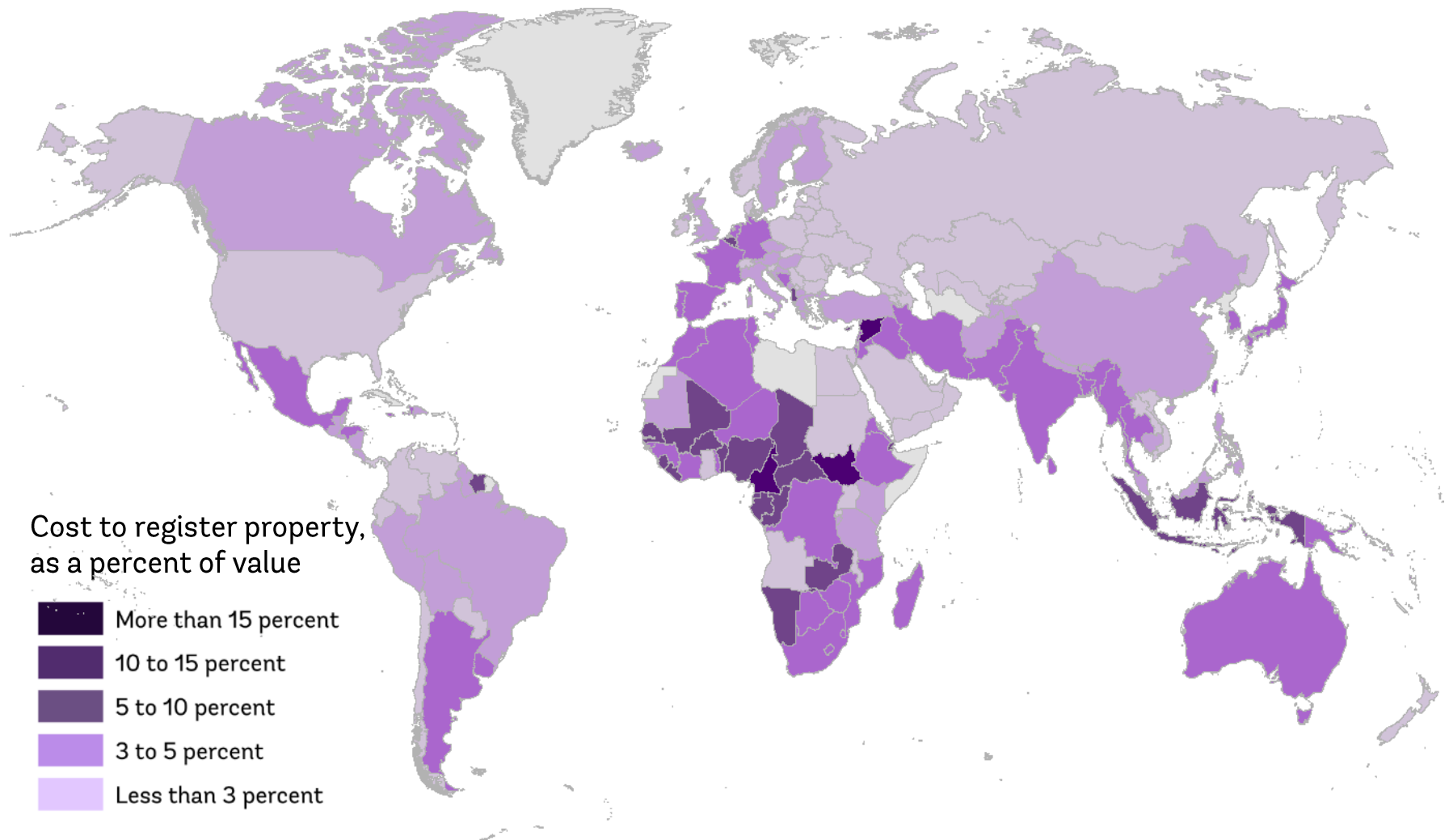
Population living on less than \$1.25 per day vs. Urban population living in slums



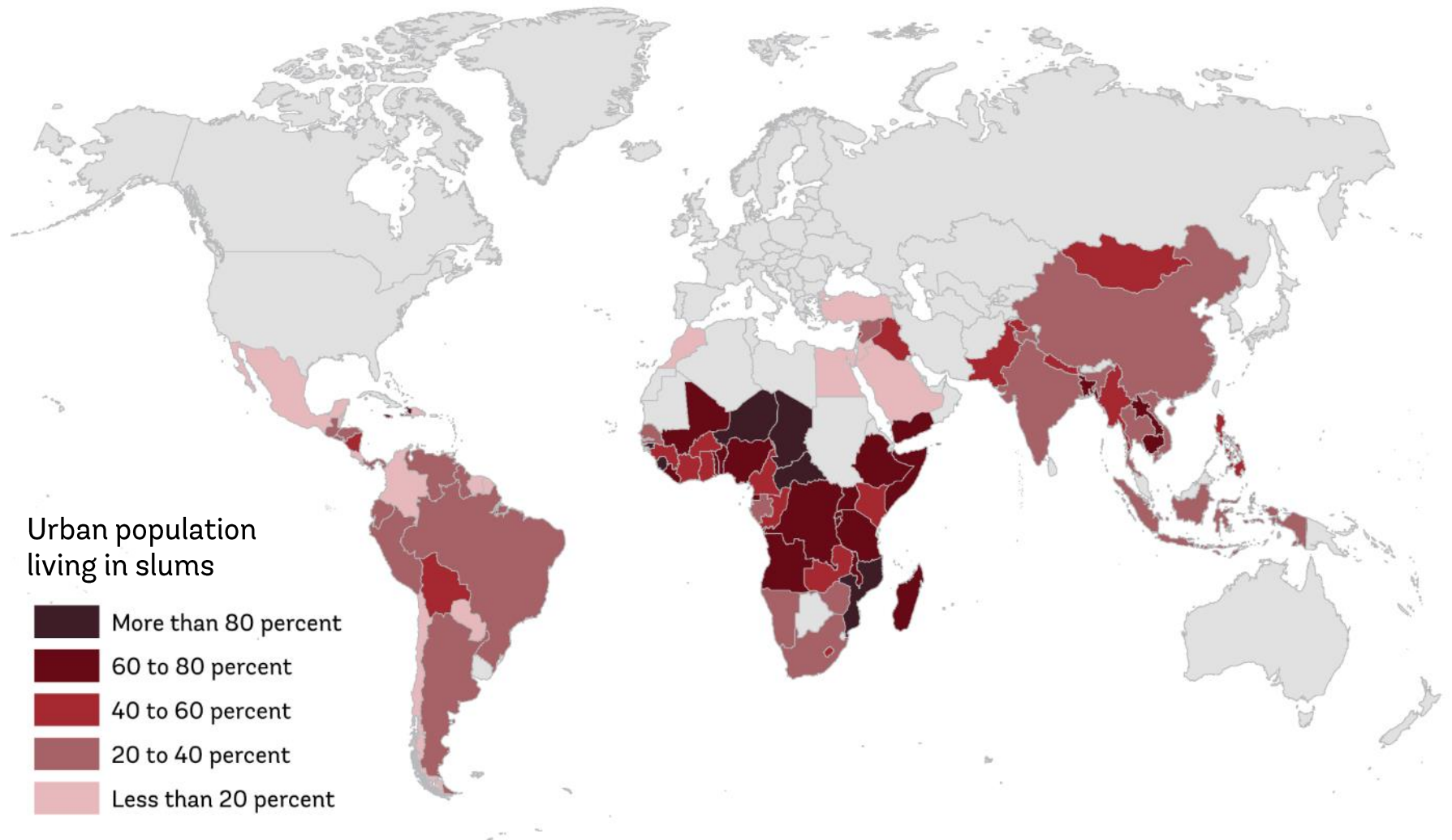
Urban population growth rate vs. Urban population living in slums



Improve planning and building regulations, and access to land



Invest in slum upgrading and **basic pro-poor infrastructure**



Housing Finance – Key part of Global Financial System

- **Key resource for improving access and affordability**
 - Longer term local currency loans allow for long term investment into housing
 - Amortize cost over time (equity building up)
 - Shift from unplanned incremental construction to formal development
- **Essential part of integrated financial system**
 - Generates long term assets...
 - ...which balance out long term liabilities in pension and insurance systems
 - Key product in developing retail banking market
- **Large financial exposure at household level**
 - Largest single investment
 - High relative level of leverage
 - poor financial literacy: responsible lending matters
- **Can help macro stability and can also cause volatility**
 - Potential for house price/real state bubbles
 - Fueled by credit booms
 - Need to balanced growth on supply/demand side
 - Careful prudential supervision with early warning mechanisms needed to mitigate risks



Success Case Study: Vinte, Mexico

IFC invested US\$12.5 million in a revolver loan and US\$10 million in equity in Vinte in 2008. IFC also provided a partial credit guarantee to boost Vinte's first domestic bond issuance in 2011.

VINTE is a niche player in the low-and middle-income housing market in Mexico, with a customer offering that is differentiated by the use of innovative technology and modern infrastructure services. Customers are generally salaried workers such as schoolteachers, bus drivers, factory and office workers with annual household incomes ranging from \$6,400 to \$27,000.



Direct Benefits

- Close to **10,000 homes** built in the last three years
- Generated over **US\$38 million** in EBITDA for FY2014
- Close to **US\$7 million** in taxes paid to the government in FY2014
- Total Direct Employment: **1,500 full time jobs + 1,200 part time jobs**
- Linkages to local economies **>US\$100 million**

Indirect Benefits

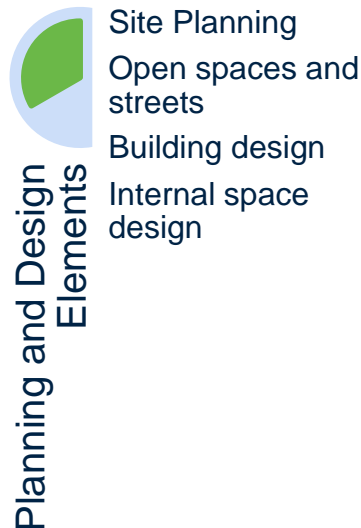
- **Builds communities:** Vinte provides ongoing estate management and puts in place community infrastructure e.g. community portal, broadband, parks, play areas and security systems.
- **EDGE:** Vinte extends sustainability to green buildings and is the first housing company worldwide to get WBG EDGE certificate.
- **Wealth creation:** The purchase of a home is often times the first step to wealth creation for the lower income population.

ASHA Affordable & Socially Sustainable Housing Application

What is ASHA?

- Guidelines developed by IFC to encourage developers to build socially sustainable communities
- Incorporated good practice from around the world (38 case studies from both developed and emerging markets)
- Evidence based information with a strong emphasis on “solutions”
- A global framework within which a more defined local context should be developed
- Available at www.ifc.org/asha

What does ASHA include?



Roof top cultivation

- VBHC, India



Variety of typologies

- Via Verde, USA



Incremental construction

- Elemental, Chile



Low maintenance open spaces

- Vinte Mexico



Access to finance

- VBHC India



Community building events

- Canopus Brazil

IFC-wide collaboration in South Africa can easily be scaled



EDGE Homes Launched

IFC has partnered with the Green Buildings Council of South Africa (GBC SA) to launch EDGE Homes South Africa (Sept 2014)



Creating Housing Stock – 8,000 homes p.a.

- Across the value chain
- Financing for green construction/ rental projects (IHS, Nedbank, FNB)
- Green mortgages (SAHL, Old Mutual, Real People), TUHF
- Capital markets products (securitization)



EDGE Certification

Housing projects designed to meet EDGE standards (20/20/20) and certified by GBCSA



Impacts:

- Utility savings of ~20% passed to owners / renters
- 40,000 tCO2 p.a.
- Higher resale price
- Demonstration impact generates market demand and new supply