



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

## **HOUSING DEVELOPMENT – THE PHILIPPINE EXPERIENCE**

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### **I. PHILIPPINE HOUSING NEED**

The housing industry in the Philippines has been tapped as means of both social intervention and economic catalyst. Housing is the entry point of other social services such as health, education, and is being utilized and indicator of population's welfare and well-being. Likewise, the housing industry has often been referred to as the reflection of the country's over all economic and political condition.

Addressing the country's housing needs necessitates synergy and harmony between the government, the private sector and the communities themselves. The provision of housing necessitates close coordination among these sectors who will have to do its share in providing decent and affordable housing.

The housing sector in the country is characterized with a huge housing need. The projected need for the period 2001-2004 is 3.637 million units, broken down as follows: a housing backlog of 1.87 million units; a future need of 1.55 million units and an upgrading need of 214,155 units.

The regional distribution of housing need shows that the National Capital Region has the biggest projected housing need of 984,908 units. Regions IV and III ranked second and third with 690,755 and 361,334 units, respectively.



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### **II. FACTORS THAT CONTRIBUTE TO HOUSING SHORTAGE**

The huge housing in the country may be attributed to the following factors:

**a. *HIGH POPULATION GROWTH RATE***

Exacerbating the housing shortage in the country is the rapid increase in population. As of May 2000, the Philippine population is 75.6 million and it has been increasing at an average of 250,000 families every year. The Philippine population is expected to reach 102 million by the year 2030 if the average annual growth rate of close to 2.3% for the last ten years remains. Between 1960 and 1995, the Philippines registered an average annual urban growth rate of 5.1%, which is more than double the annual national growth rate and one of the highest in Asia. Current estimates show that the Philippines is 52 percent urban by 2010, urbanization in the country is expected to reach at 60%.

**b. *PROLIFERATION OF SQUATTER COLONIES***

The rising urbanization as a result of migration from rural to urban areas and of natural population growth has given rise to the proliferation of informal settler communities in most urban areas in Metro Manila. It is estimated that there are about 1.225 million squatter families all over the country. In Metro Manila alone, the number of informal settlers has reached 716,165 families or 57% of the total.

**c. *SPIRALING COST OF CONSTRUCTION MATERIALS AND LAND***

The average weighted sale price of developed residential land in Metro Manila reveals that from 1986 to 2000, the average growth rate is about 40% in all areas in NCR.

**d. *LOW LEVEL OF HOUSING PRODUCTION***

From 1987 to October 2000, the Government housing program reported a total of 1,189,730 shelter security units produced over a period of 13 years or an annual housing production of 91,518 units. This only represents 10.06 percent of the annual housing need of 909,250 units and 36.61 percent of the projected annual growth of 250,000 household.



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*e. EXISTENCE OF UNOCCUPIED HOUSING UNIT*

The current administration has inherited some 100,000 unoccupied housing units, a consequence of the supply driven housing policy the past.

*f. LIMITED FINANCING*

Under the finance delivery system, funds for housing are principally provided by the national government and the government financial institutions.

Historically, the government allocation for housing only accounts for less than 1% of the government annual budget.

From November 1987 to April 1995, the three social security institutions namely: SSS, GSIS and HDMF contributed a total of P42.122 billion for home mortgages of some 250,000 member-borrowers or an annual average of P5.27 billion. Of the three funders, SSS contributed 71.39% of the total, GSIS, 15.46% and HDMF 13.15%.

In the absence of market-driven and disciplined modes for funding and underwriting, the UHLP, the largest component of the National Shelter Program under the administration of the National Mortgage Finance Corporation was suspended in 1995 due to financial difficulties encountered by the corporation. Chief among these is the low-repayment rates of home borrowers. Collection efficiency was very low, ranging from 30 to 45 percent.

*g. LOW AFFORDABILITY LEVEL OF TARGET BENEFICIARIES*

Socialized housing is inaccessible to the poor, especially those in urban areas. The bottom 40% of urban households had to resort to informal housing or informal settlements characterized by congestion and very poor living conditions.



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### **III. GOVERNMENT SHELTER DELIVERY SYSTEM**

Under Executive Order No. 90 issued by former President Corazon C. Aquino, the Housing and Urban Development Coordinating Council (HUDCC) is the main policy making body which coordinates and monitors all government projects and government agencies related to housing and urban development. Under HUDCC are the four key housing agencies namely:

1. Housing and Land Use Regulatory Board – the sole regulatory body for housing and land development;
2. National Home Mortgage Finance Corporation – the primary home mortgage finance institution mandated to develop a secondary mortgage market;
3. Home Guaranty Corporation – the guaranty arm of the government tasked to pursue the development and sustainability of a secondary mortgage market for housing as the primary strategy to encourage private sector participation in housing finance; and
4. National Housing Authority – the sole government agency engaged in direct shelter production for the lowest 30 percent of the income population.

HUDCC and the four key housing agencies are ably supported by three contractual savings fund namely: The Social Security System, Government Service Insurance System and Home Development Mutual Fund, Seven Support Agencies (NEDA, DBM, DPWH, PMS, MMDA, DOF AND DBP) and two private sector representatives (Developers, Bankers, Contractors, Professional, NGOS and POS)

All these four groups make-up the council, which performs the following functions:

1. Formulate national goals and strategies;
2. Supervise key shelter agencies;
3. Monitor, review, and evaluate sector target;
4. Encourage private sector participation;
5. Advocate for necessary legislation on housing and urban development;
6. Ensure equitable distribution of housing benefits in the geographic regions nationwide.



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### **IV. SHELTER FINANCE DELIVERY SYSTEM**

The Philippines adopted the MWLS as a mechanism for promoting competitiveness, transparency and private sector participation in the housing program. The MWLS lays down the foundation for the development of a sustainable housing finance by encouraging greater participation of commercial banks and government financial institutions in providing developmental and end-user financing. The MWLS has been actively endorsed by our organization, SHDA to encourage greater participation of private sector in mortgage lending.

#### **a. STRUCTURE OF THE MULTI-WINDOW LENDING SYSTEM**

On 13 March 2000, the HUDCC council approved the implementation of the multi-window lending system to encourage greater participation of commercial banks and other financial institutions in the primary market for socialized and low-cost housing; improve the service and collection efficiency of the government's major home lending program by utilizing the services of duly accredited banks and other financial institutions and lay down the foundation for the operationalization of the secondary mortgage market.

Under the MWLS, the funders composed of Development Bank of the Philippines, Land Bank of the Philippines, Philippine National Bank, Social Security System, Government Service Insurance System and Home Development Mutual Fund enter into a memorandum of agreement with HUDCC to determine the amount of their funding commitments for the incoming year.

Based on the funding allocation, the funders enter into a uniform funding agreement with the concerned lending windows (any government or private financial institutions). The lending windows undertake the servicing of mortgage accounts and absorb all related credit risks, undertake the timely foreclosure of defaulting accounts, pay the funders interest at the rate agreed upon and monitor the repayment behavior of borrowers.

The participating lending windows, may at their option, utilize any of their own branch offices and/or their accredited developers as originators of mortgages provided that the lending windows shall remain fully responsible to the funders for their commitments and undertaking. The accredited lending windows, either banks or developers, directly lend to the interested home borrowers.

Either HGC or the appraising originating financial institutions are conducting the appraisal of property, which is the subject of the loan.



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The HGC guarantees the payment of the loan, principal and interest extended under the MWLS, in accordance with policies and guidelines set by the HGC.

As of September 2001, about P11.4 billion out of P37.0 billion funding commitments of the five government financial institutions had been utilized.

### **b. HOUSING PACKAGES**

The following loan packages are being adopted under the Philippines' National Shelter Program:

1. Socialized - P180, 000 and below at 9% interest per annum
2. Low Cost - above P180, 000 but not more than P500, 000  
(above P180, 000 to P250, 000 – 12%;  
above P250, 000 to P500, 000 – 16%)
3. Middle - above P500, 000 to P2.0M – market rate
4. High - above P 2.0M to P5.0M - market rate

### **c. LIQUIDITY TO DEVELOPERS**

Some P4.0 Billion worth of PAG-IBIG bonds were floated to provide the needed liquidity to private developers to enable them to participate in the mass housing program. as of November 2000, the entire amount has been fully utilized. The government is implementing programs to liquefy existing housing mortgages, receivables and assets worth approximately P90.0 B this consisted of the following:

- a. Floatation of P1.5 Billion Community Mortgage Program bonds
- b. Securitization of P5 – 10 Billion Unified Home Lending Program Mortgages
- c. Floatation of P10 Billion socialized housing bonds, proceeds of which shall be used for relocation projects.

These initiatives are expected to generate upfront some P15.0 Billion fresh funds for the sector.



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d. **MARKET SPECIALIZATION TO ADDRESS THE REQUIREMENTS OF SPECIFIC TARGET GROUPS**

Market specialization to allow specific agencies to focus on addressing the financing and take-out requirements of the sectors assigned to said groups was done by the government. These are as follows:

- a. HDMF - Members of AFP and PNP, private employees and other HDMF members.
- b. GSIS - School teachers and other government employees
- c. SSS - Trade union members, ofws and other private sector workers
- d. DBP - Developers and Local Government Units
- e. LBP - LGUs, cooperatives and organized group of informal settlers

e. **ENACTED INTO LAW THE HOME GUARANTY ACT 2000**

The amended charter increased the capitalization of HGC from P2.5 Billion to P50.0 Billion and prioritized the provision of guaranty lines to socialized and low-cost housing. The guaranty mix is as follows: 40% for socialized housing; 30% for low-cost housing; and 30% for middle and high-end housing.

At present, we are working for the release to HGC of its capitalization amounting to P10.0B to encourage private and government financial institutions to go into housing and support initiatives to securitize and issue housing related instruments and securities.



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### **V. MAJOR CONCERNS**

Despite the generally bright prospects for the residential property sub-sector some concerns remain, and these are as follows:

#### ***a. LAND BANKING AND FRAMEWORK ON URBAN DEVELOPMENT***

Policies and programs that would promote optimum utilization of land has to be implemented. An overall Framework on Urban Development and Land Use is urgently needed. This will guide the Local Government Units as well as the private sector and the communities in their corresponding development activities. Likewise, there is a need to integrate and rationalize concerns of the various sectors such as settlements, agriculture, industry, environment, tourism and other as regard land utilization and management.

Land Banking, in terms of both size and proximity to urban center, is a vital element in house building as land accounts for roughly 40 percent of total property development cost. But within the last five years, the average asking price of residential lots in Metro Manila and the suburban areas has risen by an average of around 130 percent to as high as 340 percent. Among the areas which posted the biggest increments in land values are the cities of Pasay, Mandaluyong, Makati, Pasig, Quezon, and Muntinlupa as well as the municipalities of Marikina, Parañaque, and Malabon, In the Calabarzon area, Cavite and Batangas posted the biggest gains in residential lot prices. Rizal and Laguna recorded smaller price increases.

#### ***b. FINANCING***

There is a need to evolve foremost a sustainable and affordable financial mechanism for housing coupled with the urgency to provide a more conducive climate for private financial institutions particularly the private banks to venture into mortgage financing.



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*c.*     **REGULATIONS**

Another concern raised by developers is the complex rules and regulations pertaining to the classification of tracts of land. Developers have to go through several government agencies which have overlapping and sometimes conflicting land classification guidelines. This has allegedly resulted in shrinking land areas available for residential purposes and skyrocketing lot prices. The establishment of one-stop processing center is of urgency to minimize if not eliminate red tape and enhance private sector participation.

*d.*     **PRIVATE SECTOR PARTICIPATION**

The private sector, in particular housing developers through the Subdivision and Housing Developers Association, Inc. (SHDA) and financial agencies such as banks and lending institutions, have tremendous resources, both financial and human, that remains to be tapped to address the country's housing need. There is a need to provide conducive climate and incentives to enhance their participation in housing activities, i.e. fiscal and tax reforms, administrative linkage, improvement in bureaucracy and other related improvements.

*e.*     **INNOVATIVE TECHNOLOGIES**

The encouragement and utilization of innovative and adaptable construction techniques and technologies should also be pursued to enhance efficiency and affordability in housing. More importantly, the participation of the Communities and the enhancement of cooperative housing could also be looked into. Undocumented success stories of the informal sector could likewise be examined and adopted wherever and whenever applicable especially in areas involving community organizing and loan repayments.



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### **VI. POLICY DIRECTIONS/STRATEGIES AND INITIATIVES FOR HOUSING**

#### **POLICY THRUSTS**

Consistent with the poverty reduction thrust of the present administration, the housing sector adopted policies to ensure access by the poor to housing and provide the necessary policy environment to encourage private sector participation in low-cost housing development. These policies are as follows:

***a. ADOPTING MARKET DRIVEN BUT SOCIALLY RELEVANT HOUSING PROGRAM***

- Allow market forces to determine the quantities of housing units to be produced. The pricing of these units and their location.
- Give emphasis on the demand as the impetus for production.

***b. PROMOTING PRIVATE SECTOR-LED AND GOVERNMENT SUPPORTED PROGRAM***

- Provide standards and facilitate processes for the private sector to participate.
- Support decentralization and devolution in terms of detailed planning and implementation.



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### **STRATEGIES**

The government adopts the following strategies to support said policy thrusts.

- a. Accelerating the provision of security of tenure for the informal sector
- b. Making housing loans available and affordable for low-salaried members of the formal sector
- c. Creating a sustainable housing finance
- d. Reducing red tape in housing permit process and housing loan applications
- e. Promoting the production of good quality but affordable housing
- f. Strengthening the shelter delivery system and accelerating the localization of housing and urban development efforts

### **VII. TARGETS**

For the plan period 2001-2004, the housing sector targeted the provision of shelter security to 1,200,000 households with total funding requirements of p215.16 billion pesos. The target adopts a 73-27 ratio in favor of socialized housing.

### **VIII. BRIGHT PROSPECTS**

In general, prospects remain positive and bright for the residential property sub-sector within the next five years. Propelled by the housing need projected to be around 3.6 million units and a huge housing demand estimated at around 1.7 to 2.0 million units, the sector is expected to continue as a major sector pump-priming the economy. There is a renewed commitment on the part of the private sector to participate and assist government in addressing the housing need and ultimately to provide decent and affordable housing to all Filipino families.