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“MEDIUM-RISE HOUSING: THE PHILIPPINE EXPERIENCE”

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1. OVERVIEW OF HOUSING IN THE PHILIPPINES

1.1 MULTIPLIER EFFECT

The Philippines housing industry has made substantial contribution on the economy. Every peso spent on housing activities generates an additional P16.61 pesos in our gross domestic product. More housing investments and construction mean increases in job generation and sales for allied industries of the shelter sector. Every P10 – Billion worth of housing units, it can contribute a total of P166 – Billion of economic activity for the country.

Housing should not only be viewed as an economic activity. More importantly, it addresses a vital social need, which is, security of tenure or the provision of shelter for its people. It is likewise a source of political stability. It has long been recognized that the comprehensive housing programs and provision of security of tenure make people productive and increases the class of property owners who have a stake in the country's development objectives. This in effect leads to respect and adherence to political institutions and a democratic way of life.

1.2 PHILIPPINE HOUSING NEED

Housing in the Philippines is characterized by an increasing housing need of 3.75 million units for the period 2005 – 2010 (Philippine Medium Tern Development Plan). The lion's share of the housing need is concentrated in the National Capital region (NCR), followed by Region IV and Region III. Of the total housing need, 30.28% is accounted for by NCR, 18.10% by

Region IV, 9.51% by Region V while the Mindanao and Visayas islands accounted for 20% and 30% of total housing need, respectively.

Housing Need, 2005-2010

Category	Total
	984,466
Housing Backlog	387,315
- Doubled-Up	588,853
- Replacement/Informal Settlers	8,298
- Homeless	186,334
New Households Substandard (Upgrading)	2,585,272
Total	3,756,072

Source: HUDCC (Housing & Urban Dev't Coordinating Council)

1.3 HOUSING ACCOMPLISHMENTS

Philippine housing production vis-à-vis the huge housing need has been modest. Compared with the target of 1.2 million units of housing assistance, or provision of shelter security (i.e. house, house and lot, or lot only), the housing sector, through the National Shelter Program was able to provide 882,823 shelter security units or an accomplishment of 73.6 percent in 2004. of the total production, some 60 percent or 493,496 units went to socialized housing of which 93% (219,268 units) benefited the informal sector, while 40% (389,327 units) went to the formal housing. It may be noted that some 52 percent of this (200,865 units) was provided by the Home Development Mutual Fund involving P48.5 Billion.

Housing Targets and Accomplishments

Housing Package	Target Households 2001-2004	Actual Accomplishments				
		2001	2002	2003	2004	2001-2004
Socialized (below P225,000/unit)	880,000	207,940	118,987	84,716	88,303	499,946
Low Cost (P225,000-P2 M/unit)	320,000	54,447	74,306	114,507	85,617	328,877
Total	1,200,000	262,387	193,293	199,223	167,920	822,823

1.4 FACTORS AFFECTING HOUSING SHORTAGE

1.4.1 High population growth rate

In 2005, the Philippine population is 85.2 Million and it has been increasing at an average of 250,000 families every year. The total land area of the Philippines is 300,000 square kilometers. The country's population is expected to reach 103 Million by the year 2030 if the average annual growth rate of close to 2.36 percent for the last ten years remains.

1.4.2 Spiraling cost of land and construction materials

From 1986 – 2005, the average rate in the average weighted sale price of developed residential land in Metro Manila grew by some 43 percent. Prices of cement and steel likewise doubled in the last three years.

1.4.3 Low levels of housing production

Over 13 years, from 1987 – 2002, the Government was able to produce 91,518 units which represents only about 10% of an annual housing need of 900,000 units.

1.4.4 Limited financing for housing

If one is to review the Government's appropriations for the housing sector in the past 10 years, the budget for housing comprised only less than 1% (0.41% to .97% from 1993 – 2005) of the Government's annual budget.

1.4.5 Low affordability levels of target beneficiaries

Current data of the Government shows that about 32% of total Filipino families have income below the poverty threshold, thus making it difficult for them to afford formal housing.

2. POLICIES, PROGRAMS AND STRATEGIES

2.1 GOVERNMENT AGENCIES ON HOUSING

The Housing and Urban development Coordinating Council (HUDCC) is the highest policy making government body that coordinates the activities of the government shelter agencies to ensure the accomplishment of the government shelter programs. The other key housing bodies are:

- i. **National Housing Authority (NHA)** – which is the sole government arm engaged in direct shelter production. The NHA focuses its efforts in providing housing assistance to the lowest 30% of urban income earners;
- ii. **National Home Mortgage Finance Corporation (NHMFC)** - which is the major government home mortgage institution mandated to develop the secondary mortgage market;
- iii. **Housing and Land Use Regulatory Board (HLURB)** – which is the sole regulatory body for housing and land development;
- iv. **Home Development Mutual Fund (HDMF)** – also more popularly known as the Pag-IBIG Fund, which is charged with the development of savings schemes for home acquisition by private and government employees; and
- v. **Home Guaranty Corporation (HGC)** – which provides guarantee, loan insurance and other incentives to assist private developers to undertake low and middle-income mass housing production.

In support of the Millennium Development Goal target to significantly improve the lives of at least 100 Million slum-dwellers by 2020, the Philippine government and the private sector through their programs provides shelter security units to 822,823 households during the period 2001 – 2004.

The Government's housing programs may be classified into formal and informal housing. The formal housing program caters to the needs of low-salaried government and private sector employees who are members of any of the three pension funds/institutions namely; GSIS, Pag-IBIG or HDMF and SSS. The informal housing program, on the other hand, caters to the housing needs of families who are non-members of the three pension funds.

2.2 HOUSING PROGRAMS FOR THE INFORMAL SECTOR

The housing programs of the government for the informal sector are as follows:

2.2.1 Local housing – this is a strategy adopted to effect a more equitable distribution of housing benefits through the development of socialized housing projects in all congressional districts of the country. This maybe carried out under completed housing, sites and services development and medium-rise housing.

Socialized housing as defined in R.A. 7279 refers to housing programs and projects covering houses and lots or home lots only undertaken by the government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with the provisions of UDHA or R.A. 7279.

2.2.2 Sites and services development – this involves the acquisition and development of rawland into affordable serviced homelots which shall serve as an alternative informal settlements and as catchment areas for in-migration and population growth.

2.2.3 Resettlement program – this involves the acquisition and development of large tracts of raw land to generate serviced homelots for families displaced from sites earmarked for government infrastructure projects and from danger areas. The program is non-cost recoverable and relies on full subsidy support for land acquisition and site development. Housing construction shall be on a self-help basis and considered as the equity of the beneficiaries.

2.2.4 Tenurial assistance – under this program, NHA extends credit assistance to community associations for the acquisition of land they occupy or intend to be resettled. NHA acts as a conduit between the community associations/cooperatives and financing institutions such as the National Home Mortgage Finance

Corporation (NHMFC), the Home Development Mutual Fund (HDMF or Pag-IBIG Fund) and other government and non-government institutions offering liberalized financing for land acquisition and other forms of grants/inputs to people's organizations.

2.2.5 Community Mortgage Program (CMP)

This program involves the provision of assistance to families of informal settlements to gain access to financing schemes for land acquisition, site development, house construction and home improvement. The program, which is administered by the National Home Mortgage Finance Corporation, is open to organized community association in blighted and depressed areas. Through this program the beneficiaries can avail of the loan for lot acquisition, site development and house improvement and is payable for a maximum period of 25 years at 6% interest rate per annum.

Historically, the housing sector is only able to address 30% of the total housing need due to the government's limited resources. One of the factors that aggravate the housing situation is the government's chronic lack of resources. Historically, government allocation for housing only accounts for less than 1 percent of the total annual budget.

Guided by these issues and the inclusion of housing in President Gloria Macapagal-Arroyo's Ten Point-Agenda, the housing sector has formulated the Medium-Term Philippine Development Plan for Shelter for the period 2005-2010.

Under the MTPDP for Shelter, the challenge for the housing sector is the provision of security of tenure to 1.1 million families until the year 2010.

Aside for the provision of shelter security, it is also the mission of the sector to relieve the decongestion of Metro Manila by establishing new housing and community centers in other part of the country.

Housing construction is expected to generate employment opportunities for one million professionals, skilled, semi-skilled, and simply skilled construction workers in the housing industry every year. (constructing a house requires an average of eight (8) persons working for three (3) weeks or a total of 124 man-days).

2.3 STRATEGIES OUTLINED IN THE MEDIUM TERM PHILIPPINE DEVELOPMENT PLAN FOR SHELTER

2.3.1 Continue to address the housing requirements of the formal and informal sectors particularly the socialized and low-cost housing categories.

Proven multi-stakeholder and cost-effective housing programs that may be scaled up or expanded include the Community Mortgage Program, Gawad Kalinga, and the Habitat for Humanity Project. Innovative secure tenure arrangements that need to be further developed and pilot-tested include public rental, lease/purchase and shared ownership, rent-to-own, usufruct or long-term lease of up to 99 years.

2.3.2 Expand private sector participation in socialized housing finance and construction.

The development of the secondary mortgage market is a scheme for fund generation in housing that is long awaited. The market will be stimulated for the buying and selling of mortgage backed-securities (e.g., housing bonds).

Joint venture scheme with the private sector will also be developed for public housing for the formal sector in government properties proclaimed for housing purposes.

2.3.3 Strengthen the institutional capacities of the housing agencies

The transformation of the Housing and Urban Development Coordinating Council into a Department of Housing and Urban Development (DHUD) is envisioned to strengthen the housing sector's institutional framework by establishing a lead agency. Meanwhile, the enhancement of collection efficiency and servicing of housing loans by housing finance institutions is being improved to reach about 80%.

2.3.4 Enhance the capacity of LGUs

The sector will continue to emphasize the decentralization and devolution by infusing more authority and accountability to the Local Government Units (LGUs) by providing capacity building in urban development, planning, finance, implementation and management in the delivery of housing and urban development services.

The processes in securing permits and licenses for housing and land development, as well as in securing housing loans shall be further streamlined.

3. MEDIUM-RISE HOUSING

Medium Rise Housing in the Philippines gained support in the 1970s under the Marcos Administration. The then Ministry of Human Settlements started the construction of Bagong Lipunan Sites and Services (BLISS units) or medium-rise housing aimed to address the housing needs of low-salaried employees in urban areas. These BLISS medium-rise developments were mostly located within Metro Manila. Medium housing was seen as a way to address the growing population in urban centers by providing cheap but decent housing. Building vertically was perceived as a way to spread out the more expensive cost of land in these urban centers, compared to land prices in the provinces.

The early medium rise units were typically 18 - 30 square meters. Some units included toilet and baths but some developments were designed with these facilities as common to each floor rather than provided for each unit.

The following are typical characterization of today's medium-rise housing projects.

- Typical Floor Areas: 18, 24, 30, 36, 40 square meters
- Typical selling prices: P12 – 45,000/ sq.m.
- Typical unit finishes: Bare or painted walls, bare or tiled flooring, tiled Toilet & Bath
- Provision for cable TV, phone
- Amenities: clubhouse, gym, pool, sports facilities
- Landscaping

4.0 PPHC – The country's leader in affordable Medium Rise Housing in Metro Manila

Phinma Property Holdings Corporation (PPHC) is a subsidiary of the Philippine Investment-Management (PHINMA) Group. The PHINMA Group is a conglomerate of Philippine business entities that have holdings in the cement, steel, oil exploration and power & paper industries. Today, the PHINMA Group's core businesses involve education, finance, power and shelter, which PPHC spearheads for the Phinma Group. PPHC was established in 1987 through the merger of PHINMA companies involved in realty development.

4.1 ROOTS IN HIGH END HOUSING

In the mid-1980's, PPHC was engaged in the development of upscale townhouse projects such as the Manila Polo Club Townhouse, Mariposa Square and Mariposa Villa Townhouses where it built more than 100 high-end townhomes. As a testament to the high quality standards of PPHC, these units still command very high and appreciating value to this day.

4.2 . RESPONDING TO THE NEEDS OF BUYERS

In response to the Government's calls for support in providing affordable housing, PPHC established in the first half of the 1990's housing projects which total over 500 low-cost, affordable housing units just south of Metropolitan Manila in the Laguna & Cavite areas.

Residents of the single-detached & single attached units in our Cavite & Laguna projects raised the following issues:

- Landscaping
- Long Travel time
- Extra expense in transportation
- Less time with the family
- Distance from major commercial centers

4.3. ASPECTS THAT DEFINED MEDIUM-RISE BUILDING (MRB) THRUSTS

PPHC focused on certain key aspects affecting our decision to develop In-city MRBs:

- **Affordability** – units must offer an affordable & decent alternative to majority of the working class who live in the city.
- **Accessibility** – to public transport & proximity to major commercial, office, educational & religious centers.
- **Unit sizes** – must be habitable sizes good for singles and start-up families
- **Building floor layout** – had to offer privacy, security as a major consideration.

- **Site Development** – must offer wide open spaces that are a contrast to buyer's perception of living in a crowded urban area.
- **Specifications** – must allow us to offer a high quality product but at affordable prices.
- **Fast turnover** – of units. Money & time is precious for today's urban dweller.

4.4 IN-CITY DEVELOPMENT

Recognizing the need for urban housing at affordable prices, PPHC shifted its focus in 1996 to "In-City" development. To reduce the cost and maximize the use of high-cost urban land, the company used the "vertical" development. The pilot project of this concept was *Smile Citihomes I* in Barangay Kaligayahan, Novaliches, Quezon City.

The project is a complex of 5-storey condominium buildings with a total of 1,595 residential units. Units were initially sold as low as P5,000/sqm.

The success generated by *Smile Citihomes I* encouraged PPHC to concentrate duplicating this type of development within Metropolitan Manila.

The reduced travel time to and from the workplace, brought about by the location of our project sites within Metro Manila, increases the quality of life of the prospective buyers.

Rising near *Smile Citihomes I* in Novaliches, Quezon City, is *SMILE ANNEX* with 638 units. PPHC was able to complete 290 units in 115 days.

PPHC has gained substantial ground from its experience in constructing more than 2,200 MRB units.

From the lessons learned in *Smile Citihomes* and *Annex*, PPHC developed *Sunny Villas* in Commonwealth Ave., Quezon City.

Initially sold at less than P15,000/sqm, *Sunny Villas* features 812, 30-sqm units in a 1.4 hectare property and continues PPHC's tradition of developing high quality but affordable housing within Metro Manila.

The first Villa with 5-storeys and housing 116 units were eagerly snapped up by the public and was delivered to buyers in 60 days. The 9 Villas and 812 units of *Sunny Villas* were sold out in less than 10 months and the entire project was constructed and delivered in less than a year.

Following on the heels of its successful Sunny Villas project, PPHC is developing its new Medium Rise Condominium project. Called Spazio Bernardo, the new housing project will feature an Italian-inspired theme.

Spazio Bernardo features 957, 30-square meter units in a 1.6 hectare property in the heart of Quezon City. Buyers can purchase adjoining units to expand their floor space to 60 or 90 square meters. As a testament to PPHC's tradition of offering good value for money, Spazio Bernardo has been 60% sold after less than 4 months.

5.0 EXPERIENCES IN MRB DEVELOPMENT

- Balconies are nice but they provide opportunities for residents to use them as unsightly storage areas and for hanging clothes.
- Roof deck waterproofing is a strain on maintenance costs.
- Community building & efficient collection of dues is a must.
- Developers must be open to learning from their previous projects & must be receptive to buyers needs.

5.1 Challenges remain, among them:

- Filipinos by culture, prefer house & lots to condos. Developers must continue to “educate” buyers on the advantages of condo-living.
- Residents in the low-cost market are generally not used to the concept of paying condo dues for maintenance & upkeep of the common areas which they perceive as not part of their “ownership”.
- Enforcement of House Rules continue to be a challenge. Developers must instill the rules as a part of condo living and orient buyers on the benefits to them if they abide by these rules.
- An increasing challenge is sourcing in-city property at a price that will encourage development of affordable housing.

5.2 Lessons to be learned

- Avoid long, poorly lighted & ventilated hallways
- Establish a project-wide Community Association so that:
 - residents feel they have a stake in project
 - residents are involved in the management of the project & its maintenance
 - residents feel it is their community
- Educate the residents on condominium living & their “ownership” of the common facilities
- Do not mix Socialized & Open Market. The residents who are “better-off” will resent the idea of their mortgage payments subsidizing the socialized portion.

5.3 SUSTAINING MEDIUM-RISE DEVELOPMENT

Developers need to push affordable in-city MRB's as an answer to maximizing more costly land in the city, and as an answer to the buyers' concerns on travel time and quality time with their families.

Developers will need the assistance of Government & Private Financial Institutions in order to provide better opportunities for people to buy homes. Among the areas to be emphasized for medium rise buildings are:

5.3.1 Government Participation

- Task force for relocating squatters for resettlement.
- Allocation of cheap government land for MRB housing sites especially in hi-density urban areas.
- Make available sustained funding & low interest rates for both buyers & developers.
- Reduce documentation and processing time for loan applications & takeouts.

- Stem rising construction costs otherwise selling prices will be affected; unit sizes and quality of finishes will also be affected.
- Facilitation of Socialized Housing Credits as incentives

5.3.2 Developers Participation:

- Educate residents through the organization of Estate Management policies that would ensure continued maintenance of the community facilities
- Commitment to provide master-planned quality & durable but affordable housing.
- Continue to monitor & “baby-sit” their communities until the Homeowners Association is mature enough to effectively manage the development.
- Continue to be responsive to cultural & evolving buyers’ needs.

6. CHALLENGES OF THE HOUSING SECTOR

The areas requiring attention and action by the country with regard to the housing sector are as follows:

6.1 Housing Finance

- 4.1.1 The evolution and implementation of a Secondary Mortgage Market System
- 4.1.2 Redesigning the subsidy mechanisms to increase transparency and efficiency by phasing out interest rate subsidies. Borrowing amounts should be based on ability and willingness to pay rather than using an income-based formula where loan size alone determines borrower eligibility.
- 4.1.3 Creating a viable and sustainable source of housing finance through the establishment of an active and liquid secondary mortgage market.

- 4.1.4 Increasing the role of private financial institutions in financing housing through credit at market interest rates, including providing loans for the low-income segment.

6.2 Housing Production

- 4.2.1 Facilitating increased access by all, including the urban poor, to affordable, appropriately located housing programs.
- 4.2.2 Simplifying land use regulations and the development approval process through devolution and decentralization.
- 4.2.3 Developing other forms of tenure security, such as rental, rent-to - own, usufruct or long-term lease of up to 99 years particularly for prime/semi prime properties in urban centers to address the affordability factor.
- 4.2.4 Refocusing direct public sector development and intervention to encourage private sector participation in the socialized housing market.

6.3. Institutional

- 4.3.1 Making the change from national government intervention in direct financing, production and delivery, to one, which encourages the maximum participation of the local government, private sector and communities.
- 4.3.2 Providing the environment and mechanisms for accelerated local government capacity building to match the devolution of regulatory, production and service delivery responsibilities to the Local Government Units.
- 4.3.3 Decentralization and devolution and infusing more authority, responsibility and accountability to LGUs in urban development planning, finance, implementation and management in the delivery of housing and urban services, particularly to the poor. This will encourage a more accountable approach to urban development and management.
- 4.3.4 Harnessing community and civil society participation in housing and urban development, particularly in such areas as waste management, anti-squatting, skills training, education and health.

- 4.3.5 Creating a Department of Housing and Urban Development to strengthen the sector's institutional framework by establishing a lead agency for management, and implementation of an overall housing program.

7. PROSPECTS

- 5.1 Housing has been declared as a centerpiece program by the government. Housing and Urban development Coordinating Council was created to ensure that housing finance and regulatory framework are consistent with the objective of fast tracking housing production pump-priming the economy while addressing the housing need and generating employment and livelihood opportunities.
- 5.2 While funding has been adequately addressed by the commitments by the government financial institutions, housing production will remain to be extremely difficult in the light of excessive bureaucratic red tape, unnecessary requirements and over regulation on the part of government regulatory agencies.
- 5.3 The case to case need to obtain per project land conversion from the Department of Agrarian Reform (DAR), as well as environmental clearance certificate from the Department of Environment and Natural Resources (DENR) will continue to be the major obstacle in production. There will be clamor and need for a forward land use planning, allocation and zoning of land resources.
- 5.4 The Local Government Units (LGUs) with the private sector will play major and important roles in urban and regional planning activities
- 5.5 Participation of other financial institutions/banks in home mortgage financing, operationalization of the secondary mortgage market system and a more sustainable source of funding for the shelter sector. Private sector led financing with government concentrating on socialized housing
- 5.6 Fundamentals for housing are all present. Institutions, policies, housing need and demand, participation and commitment from other national, local government, private sector and communities. There is a need for orchestration and synergy to attain the common goal.

8. CONCLUSION AND RECOMMENDATIONS

The housing sector and overall housing program intervention should veer away from the unfavorable past practices. It should revisit its programs and learn from its mistakes and success stories. The housing program should be made sustainable with the evolution and implementation of the secondary Mortgage Market System. There should be a level playing field for all the participants in the housing industry. A more competitive and transparent environment in the housing sector should prevail.

Likewise, the government should further strengthen the participation of the private sector in housing activities through simplification of rules and regulations, deregulation, rationalization of the bureaucracy and other incentives. Lastly, housing should be decentralized and more responsibilities should be given with the local government units.