

# ASIAN DEVELOPMENT BANK

## CRISIS OF HOUSING IN ASIA

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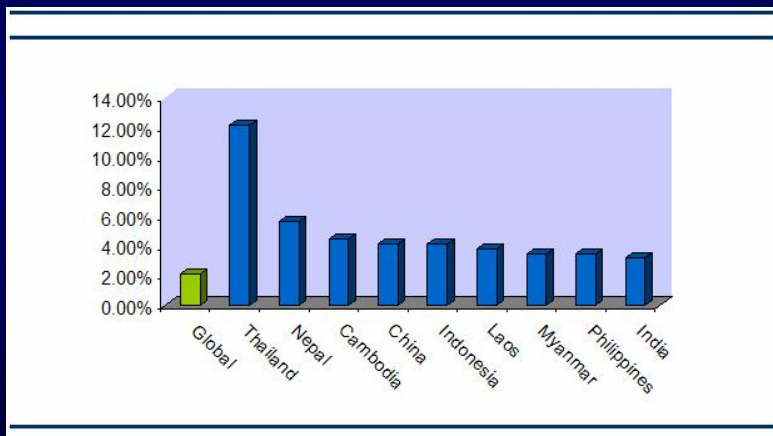
## HOUSING CRISIS OF ASIA

- Over 1,000,000,000 people world wide live in substandard housing – half in Asia
- Problem is getting worse – rapid urbanization (and population growth) – squatter settlements
- Scant attention – pent up demand in the trillions of dollars
- Systemic problem – Can use the help of the MDBs before the private sector jumps in

MUCH MORE NEEDS TO BE DONE

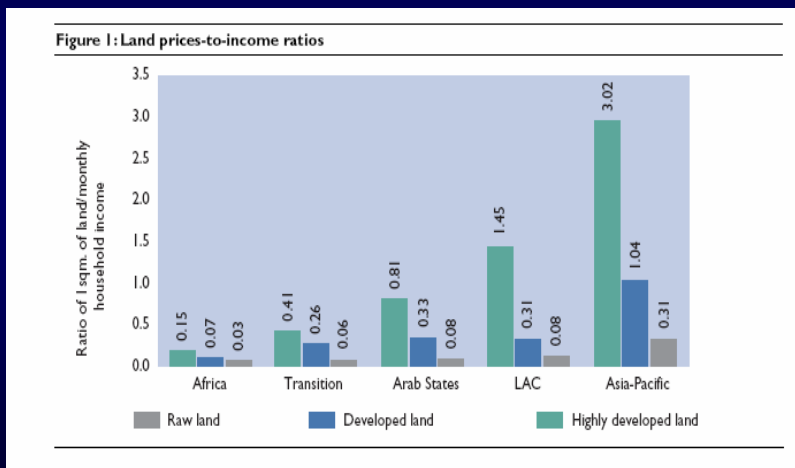
# HOUSING CRISIS OF ASIA

## Urban Growth Rates: 2000-2005



# HOUSING CRISIS OF ASIA

## Prices to Income Levels High



## HOUSING CRISIS OF ASIA

### ➤ INDIA

Housing shortage in to increase to over 22 million units between 2002 and 2007.

### ➤ PAKISTAN

A current deficit of 6 million units with an annual deficit of an additional 150,000 units in near term.

### ➤ PHILIPPINES

Nearly one-third of families do not have access to housing and this shortage is expected to increase.

## HOUSING CRISIS OF ASIA

Development Effectiveness - ENORMOUS

- The very definition of development
- Enormous multiplier effects – over 600 industries
- Enhances macro economic stability
- Improves productivity
- A vehicle for capital formation – Hernando de Soto
  - Lowest cost of capital
- Stimulates the growth of the financial markets

MUCH MORE NEEDS TO BE DONE

## HOUSING CRISIS OF ASIA

Why isn't the private sector investing?

- Difficulties in getting title
- Foreclosure laws are weak
- Weak legal, regulatory & judicial frameworks
- Thin secondary market
- Lack of long term, local currency financing

JOB IDEALLY SUITED TO THE MDBs

## HOUSING CRISIS OF ASIA

### LESSONS LEARNED

- Systemic approach – holistic (credit ratings, NPLs)
- Each country is unique in its needs – KISS principal
- Govt's – should not compete with private sector (PPP)
  - Growth in housing must be PPP
  - Subsidies usually distort the mkt.
- Capital markets important – securitization, local currency financing, secondary markets
- Financiers (various) must stress process management

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