



HOUSING INDUSTRY ROADMAP

VISION, GOALS AND TARGETS

▪ Strategic vision for the industry

Every Filipino family has the right to live with dignity in the comfort of one's own home regardless of economic status. With full government support, we, the housing industry, envision to eliminate the housing backlog by the year 2030

▪ Overall specific goals for the industry

Objective 1. Increase housing production (sustaining 12% production of volume annually) by forging alliances among housing developers and industry partners to attain the following targeted number of homes in specific periods:

- 1 million homes for 2012–2016
- 2 million homes for 2017–2022
- 7 million homes for 2023–2030

Objective 2. Implement a comprehensive government housing subsidy program for target segments to enhance affordability.

Objective 3. Generate and mobilize funds for end-user financing.

Objective 4. Improve the housing regulatory environment by reducing the processing time in securing permits and licenses.

STATE OF THE INDUSTRY

▪ Structure of the industry

Definition of housing segments. Classifications of housing segments in the Philippines are determined by its price range. Key Shelter Agencies (KSAs) like the Housing and Urban Development Coordinating Council (HUDCC) and Home Guarantee Corporation (HGC), as well as, private housing developer associations like the Subdivision and Housing Development Association (SHDA) uses the following classification:

SHDA Housing Segment Definition

Type	Definition
Socialized	400k below
Economic	401k–1.25M
Low Cost	1.25M–3M
Mid End	3M-6M
High End	6M up



Source	Classification	Definition
Housing and Urban Development Coordinating Council	Socialized Housing	Below PhP300,000
	Low-Cost Housing	
	Level 1	PhP300,000 to PhP3,000,000
	Level 2	PhP300,000 to PhP1,250,000
	Medium-Cost Housing	Above PhP3,000,000 to PhP4,000,000
	Open Housing	Above PhP4,000,000
Home Guaranty Corporation	Socialized Housing	P400,000 and below
	Low-cost housing	Above P400,000 up to P3 million
	Medium cost housing	Above P3 million to P4 million
	Open housing	Above P4 million

Source: HUDCC, HGC

Key Government Housing Agencies.

HUDCC. Created in 1987 through Executive Order (EO) 90, the Housing and Urban Development Coordinating Council is the overall housing overseer of the government, providing the policy directions and coordinating mechanism for other housing agencies like the following:

1. National Housing Authority (NHA)
2. National Home Mortgage Finance Corporation (NHMFC) and its subsidiaries:
 - a. Social Housing Finance Corp (SHFC)
 - b. Balikatan Housing Finance Inc. (BHFI)
3. Home Guarantee Corporation (HGC)
4. Housing and Land Use Regulatory Board (HLURB)
5. Home Development Mutual Fund (HDMF).

Number of firms:

As of 2011, there are 3,164 players in the housing industry. Despite the huge number of firms engaged in housing, only a few firms dominate the industry. Most of these firms are highly integrated developers that are engaged in various real estate developments besides housing. Many of these firms are into retail real estate, hotels, commercial office buildings, and even industrial estate development.



Industry Associations:

1. Subdivision and Housing Developers' Association.

SHDA is the largest organization of housing developers in the Philippines, counting 160 members from its chapters in Luzon, Visayas, and Mindanao.

2. Chamber of Real Estate and Builders' Associations.

Established in October 1973, CREBA is a private, non-stock, non-profit corporation that started as the union of Philippine business and trade associations in the real estate, housing, and construction industries. Today, it has 32 chapters in the country with an additional 7 chapters overseas. It is an umbrella organization of some 4,000 firms, individuals, and associations that are either directly or indirectly involved in land, housing, and construction.

3. Real Estate Brokers Association of the Philippines, Inc.

Founded 33 years ago by a group of licensed real estate brokers, REBAP pursues its objective of "professionalizing the real estate industry and raising the level of ethical standards of licensed real estate practitioners." This Association has more than 1,200 members (both regular and associate) from its 27 chapters in Metro Manila and other provinces.

4. Philippine Association of Real Estate Brokers.

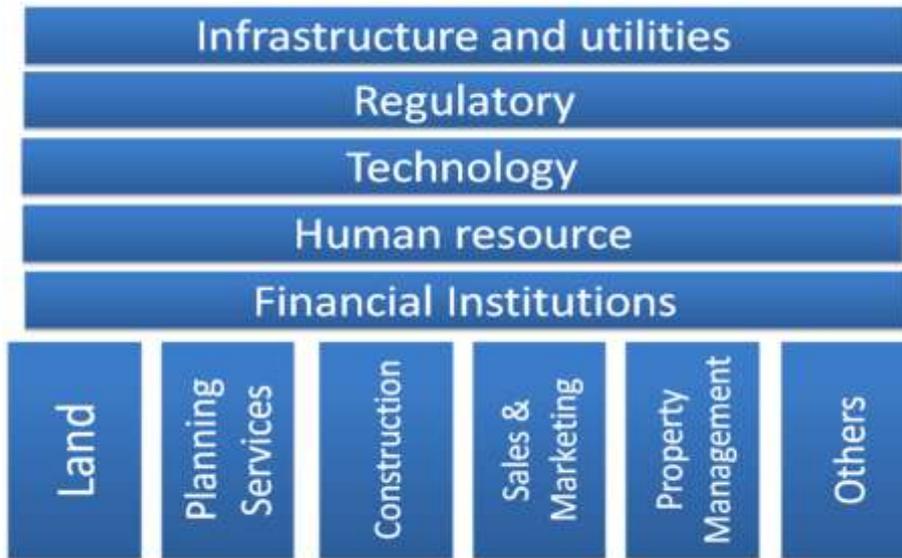
PAREB is the oldest and largest real estate service organization in the country, tracing its beginnings to as early as 1938. It is now composed of 57 member-boards that are strategically located in 4 regions in the country and more than 3,600 members.

5. National Real Estate Association of the Philippines.

NREA was born in 1991 as a "one-stop trade organization in the real estate industry," with members from major real estate economic contributors and participants; government agencies that regulate, license, and oversee the industry; and legislators who are supportive of the urban and housing developments.



The Housing Industry Value Chain



▪ **Capacity and Market of the industry**

Market Segment	Housing demand (Households)	Housing supply	Surplus/ (Deficit)
Socialized Housing	1,143,048	479,765	(663,283)
Economic Housing	2,503,990	541,913	(1,962,077)
Low Cost Housing	704,406	242,246	(462,160)
Mid Cost Housing	72,592	322,995	250,403
High End Housing	18,235	242,246	224,011

Backlog – 3,087,520

Sources: HLURB, HUDCC, UN World Population Prospects, NSO, CRC computation

▪ **Performance of the industry**

Job creation multiplier	for every P-million	2.30 jobs
Value creation multiplier	For every Peso	3.32 pesos
Household income multiplier	For every peso	0.47 pesos
Tax multiplier (Indirect)	For every peso paid in taxes	3.90 pesos



▪ **Challenges faced by the industry**

	Positive	Negative
Regulatory	BOI-ITH; Proposed DHUD	Development permits delayed in LGUs; Conflicting local & national policies; Redundancy
Infra and IT	Infra project; IT facilities& software	Utilities cost absorbed by developers & buyers; lack of drainage & sewerage; expensive software
Human resource	Availability of highly-skilled labor	Fast turnover; brain drain
Financial	Tax incentives; availability of financing	BIR Rulings, Strict bank requirements; uncertainty of ITH; lack of funds for the poor; multiple taxation, pending house bill
Land	Computerization of titling; land use available in some areas; Land available for JV	Rising land prices; presence of informal settlers; land conversion issues
Planning services	IT software availability; availability of experts	
Construction	New construction technologies; inexpensive materials	Increase in costs of other items; lack of qualified contractors; increase in labor costs
Sales & marketing	IT support; brand campaigns	Restrictive guidelines on selling & marketing activities
Property management	Presence of professional property management	Absence of institutionalization of estate management
Others	HDMF, CSR of companies; industry associations and NGOs	Eviction process very tedious and slow; maceda law

SUPPORT TO INDUSTRY DEVELOPMENT

▪ **Incentives**

Under RA 7279 – Urban Development and Housing Act of 1992

Section 20 of RA 7279 or UDHA of 1992, provides the following incentives for socialized housing developers to encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless:

1. Reduction and simplification of qualification and accreditation requirements for participating private developers;



2. Creation of one-stop offices in the different regions of the country for the processing, approval and issuance of clearances, permits and licenses: Provided, That clearances, permits and licenses shall be issued within ninety (90) days from the date of submission of all requirements by the participating private developers;
3. Simplification of financing procedures; and
4. Exemption from the payment of the following:
 - a. Project-related income taxes;
 - b. Capital gains tax on raw lands use for the project;
 - c. Value-added tax for the project concerned;
 - d. Transfer tax for both raw and completed projects; and
5. Donor's tax for both lands certified by the local government units to have been donated for socialized housing purposes.

Under EO 226 – Omnibus Investments Code of 1987, as Amended

To encourage more mass housing projects, low cost housing has been included as one of the priority areas in the annual Investments Priorities Plan (IPP) of the Board of Investments. In return of the incentives given to BOI-registered low cost housing developers is the mandatory compliance to the 20% allocation requirement for socialized housing under Republic Act No. 7279 to help address the remaining 70% of the total housing backlog.

Developers of low cost housing projects registered with the BOI are entitled to the following fiscal and non-fiscal incentives:

1. 3-4 years Income Tax Holiday (ITH)
2. Duty-free importation of capital equipment, such as but not limited to the following eligible equipment under EO 70:
 - a. Lift /Elevators (for medium and high-rise buildings)
 - b. Tower Crane and its accessories
 - c. Concrete Steel Formworks
 - d. Stand-by Power Generator
 - e. Various Forms such as Foundation, Modify, Tunnel, and Facade Forms
3. Employment of Foreign Nationals

▪ **Specific Industry Programs**

Community Mortgage Program (CMP)

Low-income households can organize themselves into a legally recognized and accredited community organization to secure, as a community, loans under concessional terms with fixed interest rates of 6% and payment terms of 30 years. Collection rates of such a group-lending program appeared to have performed better than other housing finance programs



Government Agency–based Lending Program.

HDMF is now the government's main provider of housing loans. HDMF now offers a credit ceiling as high as PhP2.5 million to its qualified members. HDMF is under pressure as the recent fall in lending rates and the better payment terms in the financial market have attracted many of its members to the private commercial and thrift banks. For instance, HDMF is contemplating lending rates of 4.5%, down from the 6% fixed interest rate that it usually charges its members.

National Housing Authority.

NHA's primary tasks consist of relocating or resettling low-income communities affected by the infrastructure projects, areas with high risk of disaster, as well as the upgrading of slum areas.

Board of Investments.

By far, the only significant government support extended to housing comes in the form of a BOI income tax incentive granted to developers of horizontal and vertical mass housing units. To keep costs down and the units affordable, more and more developers, especially of condominium structures have applied for and availed of this incentive, which is reviewed annually by the government.



Subdivision and Housing Developer's Association

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