INFRASTRUCTURE AND HOUSING FINANCE DEPARTMENT

Quarterly Housing Finance Review

October-December 2010

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The Infrastructure and Housing Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for the quarter ending Dec 31, 2010.

This review contains data on housing finance, collated on a periodic basis from public sector banks, private banks, foreign banks, DFIs and House Building Finance Corporation (HBFC). It portrays trend of different parameters like disbursements, outstanding and recoveries. Some news pertaining to housing & housing finance are also presented in it.

Contents

State of Housing Finance

In Pakistan, rapid urbanization has become a challenge for increasing number of people. Studies indicate that lack of finance from a formal source is primarily a supply-side problem. Most of the housing finance is arranged through personal resources. The formal financial sector caters to only 1 to 2 percent of all housing transactions in the country, whereas the informal lending caters up to 10-12% of such transactions. Presently, the formal financial sector provides housing support through two major sources namely the Government owned House Building Finance Corporation (HBFC) and private commercial banks.

The property development industry suffers from low public confidence. Financial weaknesses and the absence of clear, uniform and fair business practices have affected its credibility contributing to the reluctance of financial institutions in providing development and construction finance. There is a strong need to strengthen the property titling and land administrative procedures including improvements of the legal provisions, standardization of processes, and computerization of all relevant revenue records. These steps will enhance the financing by the formal sector. Weakness in the existing legal framework also impedes the financing opportunities of the formal financial sector. Though the Financial Institution Recovery Ordinance, 2001 empowers the financial institutions in case of default to foreclose a mortgage property without recourse to the court of law, lack of full implementation of the recovery law in its letter and spirit dilutes its effectiveness in protection of rights of the respective parties, i.e., the financial institutions, mortgagors, landlords and tenants, thus needing a major improvement.

Although the regulatory framework for land registration and transfer regime exists in Pakistan, the process by which land is acquired and registered is cumbersome at times, because of number of institutions and registration procedures required to execute property transactions. Land records are manually maintained leading to errors and omissions and resultantly they have modest commercial value for the mortgagee financial institutions especially in rural and some urban areas. The lack of efficient and reliable system of ascertaining the bona-fide of property titles has forced banks to limit the access of housing finance to a certain number of urban localities within the urban centers.

National and local master plans for town planning and housing facilities are either inadequate or poorly enforced, which lead to inefficient allocation of land and uncontrolled urban development. Lack of transparency and accountability in the planning process also give opportunities to land grabbers/mafias to have valuable inside information as to future infrastructure developments or to be able to influence such plans so that value of its land increases. Over-restrictive building codes and laws on subdivision limit the efficient use of urban land and increase the price to consumers, especially in zones having relatively higher prices of lands in high land price zones. Moreover, the large scale projects often get delayed due to failure of utility companies in connecting new housing developments in time.

The “property valuers” have professional conduct requirements that were established by SBP and the Pakistan Banks’ Association (PBA), whereas majority of real estate builders and developers are working as sole proprietorships or partnerships with limited capital and informal corporate governance structures. Absence of sound governance structure within the housing developer industry creates lack of good practices, illegal construction, unreliable building permits, and legally unprotected advance purchase of units that are required to be built in future. The unstructured and unsupervised nature of business of real estate brokers/ agencies, which could serve as natural arrangers for the provision of financial services, is also a significant constraint to the provision of housing and housing finance. Consequently, it is difficult for financial institutions to verify the character, capital, and capacity of potential clients. Risk assessment and portfolio valuation is also fragile, which is another factor for the lenders’ extreme caution for transaction initiated by these venture. As a result, financial institutions are reluctant to enter this market, which in turn causes scarcity of finance and constraints in the supply of housing. In the absence of the formal arrangements between the housing developers/real estate agents etc and financial institutions, the protection of individual purchasers remains limited as the market is dominated by cash transactions with limited availability of systematic information in a transparent manner. Without using a strong regulatory authority to enforce corporate governance and allied standards for this stratum of business entrepreneurship, the quality of availability of housing facilities across population spectrum will not improve.

At present, 29 commercial banks, House Building Finance Corporation (HBFC) and one DFI is catering to housing finance needs. HBFC is the only specialized housing bank in the country, which has been providing housing finance to public since 1952. Commercial banks entered the mortgage business during 2003 contributing very small share in the housing finance system. Although HBFC's share in the total housing finance has reduced in absolute terms, it is still the only institution that continues to cater to the lower-middle and low-income groups and enjoys the largest customer base.

After demonstrating a promising growth trend till 2008, the housing finance sector is showing a declining trend. The total outstanding reported by banks and DFIs as on Dec 31, 2010 was Rs. 67 billion as compared to Rs. 74.38 billion as on Dec 31, 2009; a decline of 9.90**%**. The total number of outstanding borrowers has also decreased from 112,785 to 98,451 since Dec 2009; showing a fall of 12.71%.

Approximately 1,290 new borrowers were extended house loans during the quarter, accounting for Rs. 2.45 billion of new disbursements. HBFC accounted for 38.83% of these new borrowers and contributed 13.18% of the new disbursements equivalent to Rs. 323 million.

Financing for outright purchase continued to dominate financing for construction and renovation by comprising almost 57% share in gross outstanding portfolio. Outstanding portfolio for construction and renovation was 32% and 11**%** respectively.

Non-performing loans have increased from Rs. 15.80 billion (Dec 2009) to Rs. 18.54 billion (Dec 2010); a 17.32% increase over the year. However, this rise in NPLs is not unique to housing finance and is only depicting the overall increase in NPLs of all sectors witnessed in the banking industry during the past year.

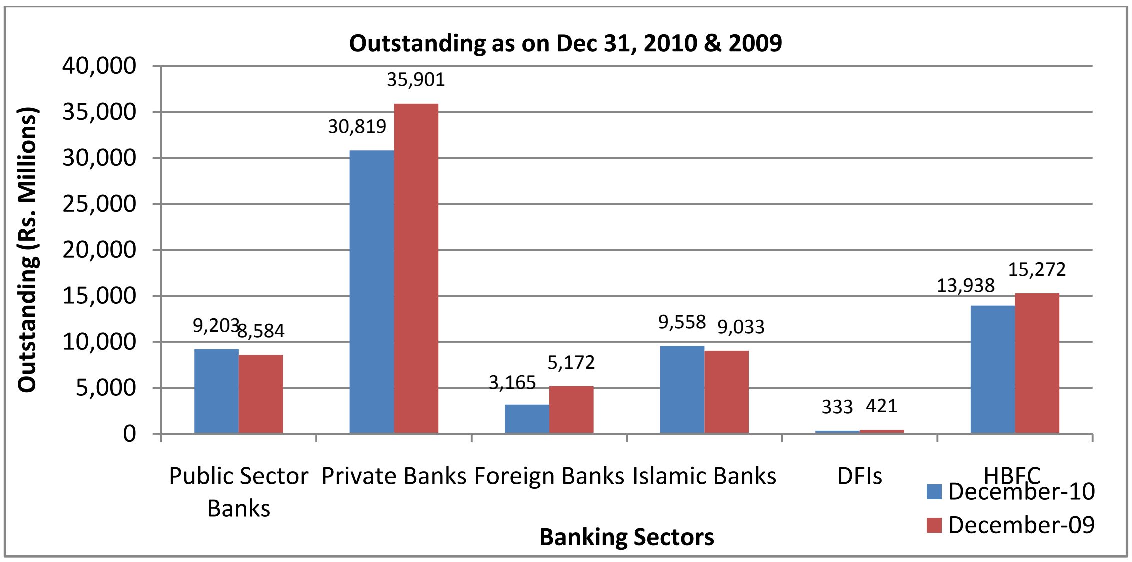
Major Trends

Gross Outstanding

The total outstanding finance as on Dec 31, 2010 of all banks and DFIs stood at Rs. 67 billion. Compared to year ending Dec 31, 2009, outstanding of all commercial banks and DFIs collectively decreased by 9.90%.

Banking sector-wise total outstanding on quarters ending Dec 31, 2009 & 2010 are shown in Figure 1. Of the total outstanding as on Dec 31, 2010, commercial banks accounted for Rs. 52.74 billion; a 10.13% decline since quarter ending Dec 31, 2009. Private banks reported Rs. 30.82 billion followed by Islamic banks of Rs. 9.6 billion, public sector banks of Rs. 9.20 billion and foreign banks with Rs. 3.16 billion. The outstanding loans of HBFC were Rs. 13.94 billion; down by 8.73% over the last year. Other DFIs have a meager share of Rs. 0.333 billion in outstanding loans.

Figure 1



The total outstanding housing finance as on Dec 31, 2010 of Islamic Banking Industry (06 Islamic Banks & 13 Islamic Banking Divisions of Conventional Banks) stood at Rs. 14 billion. Compared to quarter ending Sep 30, 2010 (Rs. 13.34 billion), outstanding of Islamic banking Industries increased by 4.94**%.**

Of the total outstanding Islamic housing finance, Islamic banks accounted for Rs. 9.6 billion (a 9.01% increase over the last quarter) and IBDs of conventional banks posted Rs. 4.44 billion (a 2.84% decline since quarter ending Sep 30, 2010).

Non-Performing Loans

NPLs have increased from Rs. 15.80 billion (Dec 2009) to Rs. 18.54 billion (Dec 2010); a 17.32% increase during the year. Figure 2 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 3 compares NPLs as a percentage of outstanding portfolio at the end of quarters on Dec 31, 2010 and Dec 31, 2009. NPLs as a proportion of total outstanding have witnessed an increasing trend over the last twelve months. This overall rise in NPLs is primarily due to rising inflation and high interest rates.

HBFC's NPLs have increased from Rs. 6.52 billion to Rs. 7.12 billion during the year; a 9.30% increase (Figure 2). Although growth of its NPLs remains relatively low in absolute terms when compared to some of the other banking sectors, its percentage share in its total outstanding, however, is the greatest, as 51.14% of its total outstanding constitutes NPLs (Figure 3). HBFC's percentage share in total NPLs is 38.44%.

Excluding HBFC, NPLs for all banks and other DFIs have increased by 22.95% over the year from Rs. 9.28 billion to Rs. 11.41 billion. The percentage share of NPLs that all banks and other DFIs (excluding HBFC) constitute is 21.50% of their total outstanding portfolio, compared to a 15.70% as on Dec 31, 2009.

Among banks, NPLs of Islamic banks witnessed the sharpest increase of almost 69.51% during the year, from Rs. 754 million to Rs. 1.27 billion. Their NPLs constitute 13.37% of total outstanding, which was only 8.34% on Dec 31, 2009. NPLs of the public banks have increased from Rs. 1.21 billion to Rs. 1.73 billion (an increase of 43.09%) which are 18.89% of total outstanding. Private banks' NPLs have increased by 16.32%, from Rs. 6.37 billion to Rs. 7.41 billion which is 24.06% of their total outstanding as against 17.75% on Dec 31, 2009. NPLs of foreign banks as a percentage of their outstanding portfolio increased significantly from 17.1% at the end of last year to 27.6%. However in absolute terms NPLs have increased only marginally as their portfolio has been significantly reduced due to take over of Citi bank's portfolio by Bank Islami. NPLs of DFIs (excluding HBFC) have increased from Rs. 54 million to Rs. 109 million, a 101.88% increase with 32.86% of its total outstanding classified as NPLs, which was 12.88% on Dec 31, 2009.

Figure 2

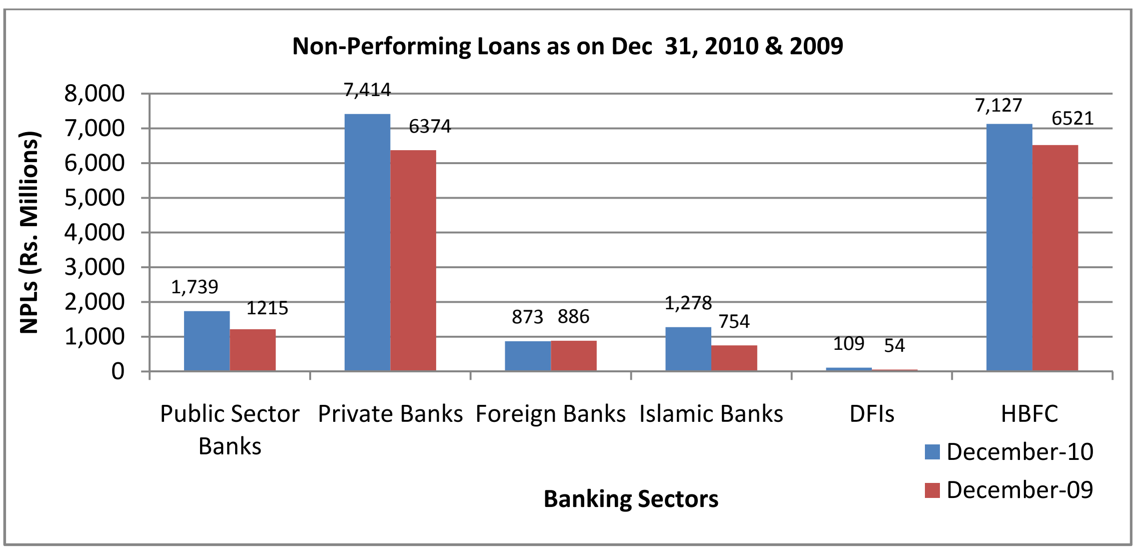
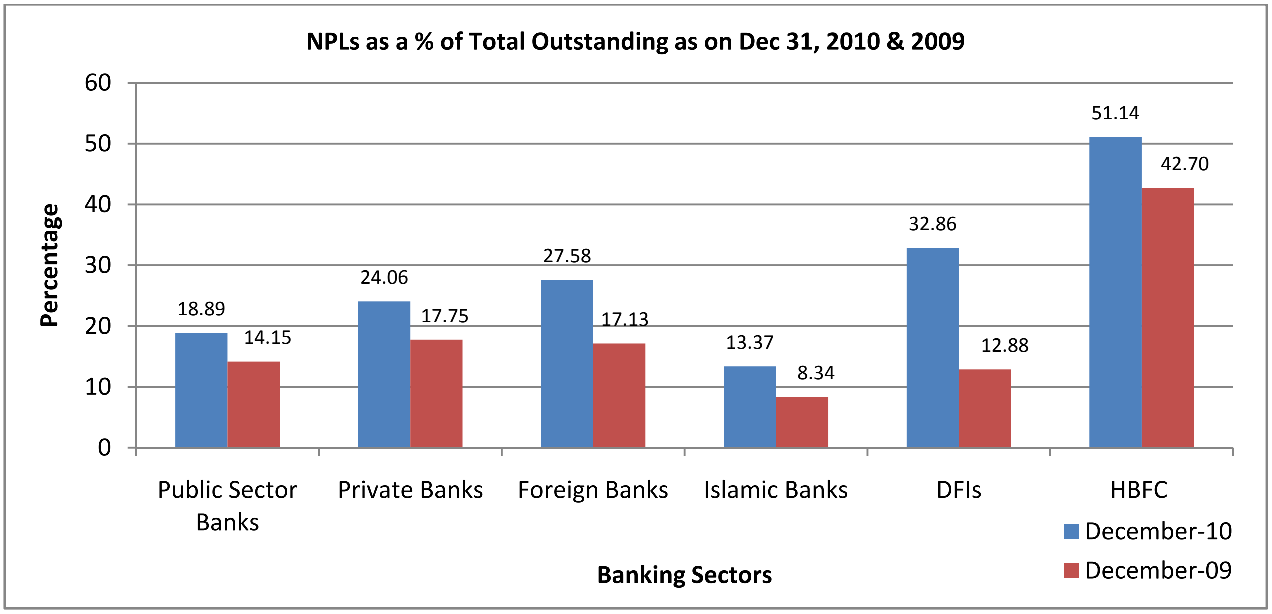


Figure 3



Non-Performing Finances (NPFs) for Islamic Banking Industry (IBs & IBDs) were reported 2.05 billion on Dec 31, 2010, which were Rs. 1.67 billion at the end of last quarter (July-Sep, 2010) showing an increase of 22.75%.

Number of Borrowers

Total number of outstanding borrowers has decreased from 112,785 to 98,451 since Dec 2009; a decline of 12.71%. As shown in Figure 4, there is a decrease in no. of borrowers in each category except Islamic banks, where numbers increased from 2,119 to 2,707.

Figure 4

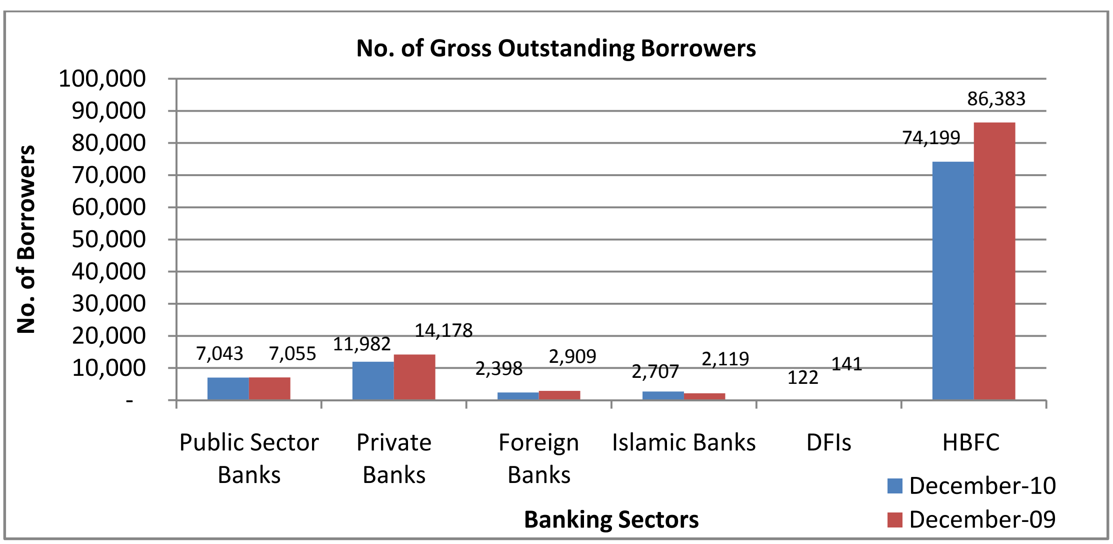
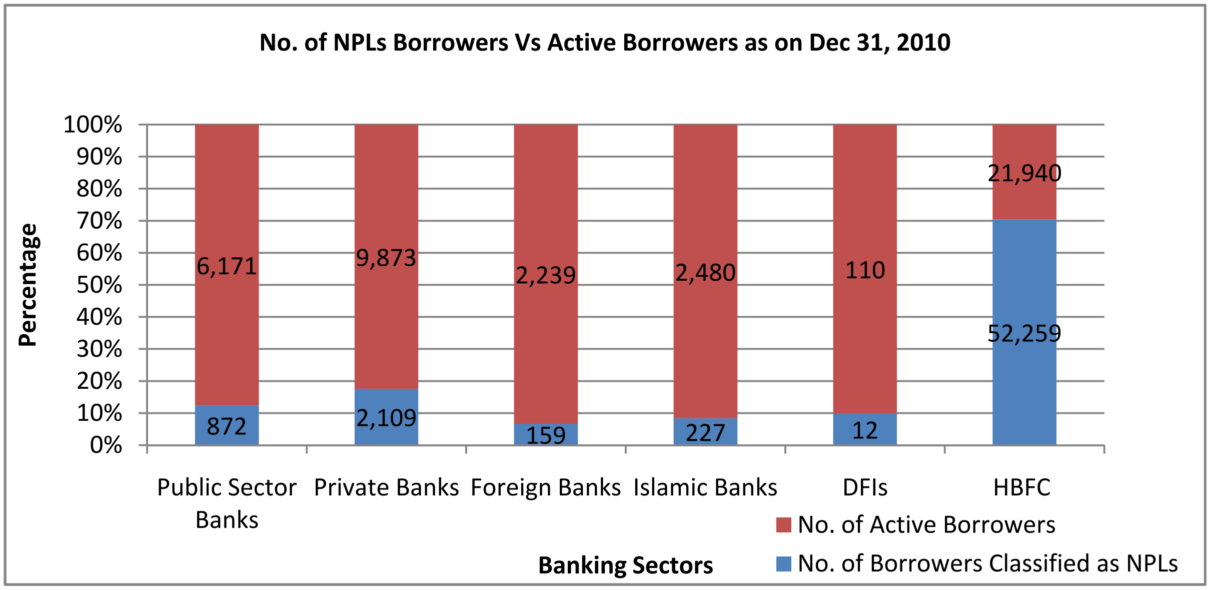


Figure 5 shows number of borrowers that has been classified as NPLs as a percentage of total borrowers. In terms of numbers, approximately 56.51% of total borrowers of housing finance borrowers have been classified as non-performing. However, this is primarily due to HBFC's number (52,259) of non-active borrowers, classified as non-performing, which comes to 70.43% of its total borrowers. Thus, excluding HBFC in such an analysis will be important as it caters to 79% of the total borrowers in housing finance sector which accounts for only 21% of total outstanding portfolio. Thus, by excluding HBFC, 14% of total borrowers of housing loans have been classified as non-performing.

Figure 5

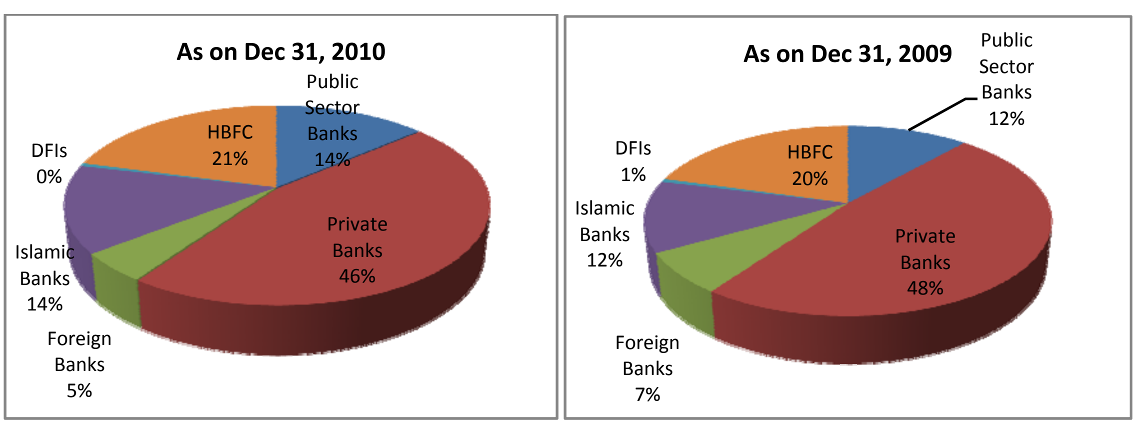


Total number of customers served by Islamic Banking Industry increased from 3,658 to 4,004 (an increase of 9.45%) since Sep 2010.

Share of Banks

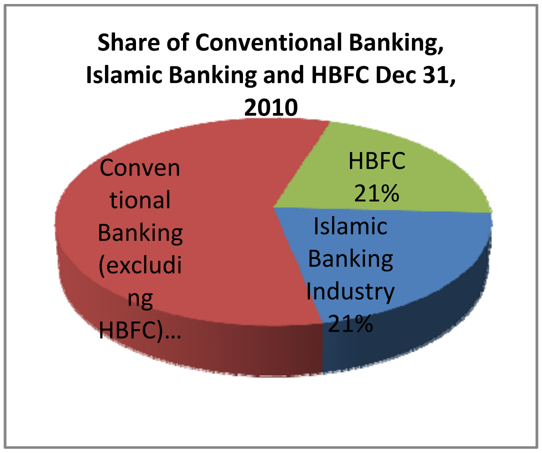
The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) remained the same since the end of last year, as 79%. Within commercial banks, the share of private banks and foreign banks in the total outstanding decreased marginally from 48% to 46% and 7% to 5% respectively (Figure 6). The share of public sector banks and Islamic Banks in the total outstanding increased from 12% to 14%. Share of HBFC marginally increased from 20% to 21%.

Figure 6: Share of Banks in Total Outstanding



The share of Conventional Banking (excluding HBFC), Islamic Banking Industry and HBFC in the total outstanding was 58%, 21% and 21% respectively on Dec 31, 2010 (Figure 6.1). IBDs (13 windows) and Islamic banks (06 banks) have 32% (34% in Dec 2009) and 68% (66% in Dec 2009) share in housing finance portfolio of Islamic Banking Industry (Figure 6.2), which shows that conventional banks also consider the Islamic mode of financing an important part of their business strategy. One of reasons of increasing Islamic banks outstanding portfolio is the purchase of Citibank's portfolio of Rs. 888 million by BankIslami in the quarter ending Dec 31, 2010.

Figure 6.1: Share of Islamic Banking Industry & Conventional Banking in Total Outstanding.



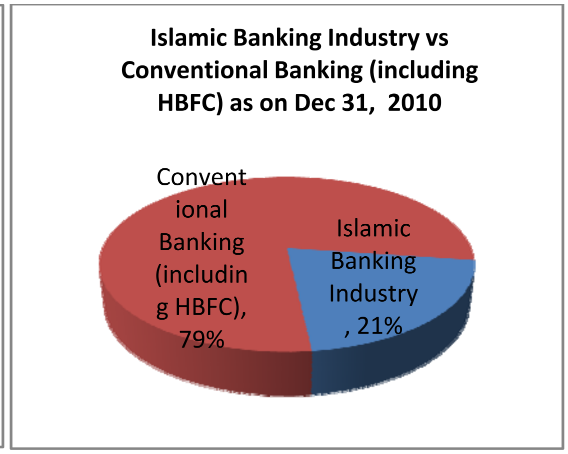
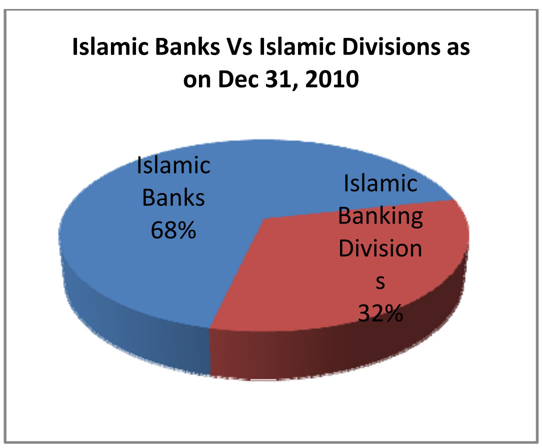
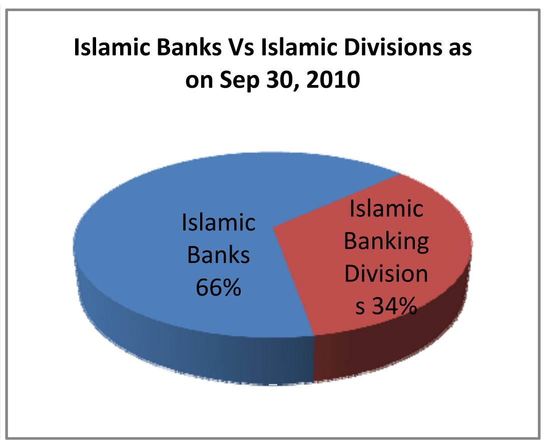


Figure 6.2: Share of Islamic Banks and Islamic Banking Divisions within Islamic Banking Industry in Total Outstanding.





Disbursements

Fresh disbursements to the tune of Rs. 2.45 billion were made to 1,290 borrowers during the quarter ending Dec 31, 2010 (Table 1). Islamic banks extended new disbursements of Rs. 1.27 billion followed by private banks with Rs. 749 million, public sector banks with Rs. 68 million and foreign banks with Rs. 32 million. HBFC's fresh disbursements for the quarter were reported to be Rs. 323 million. Among commercial banks, the number of new borrowers totaled 789, with private banks serving 289 borrowers and Islamic banks 466 borrowers. HBFC extended loans to 501 new borrowers during the reporting quarter.

Fresh disbursement for Islamic Banking Industry was 1.45 billion to 505 new borrowers during the quarter ending Dec 31, 2010 (Table 1). This includes new disbursements of Rs. 174 million to 39 customers by IBDs of conventional banks.

Table 1

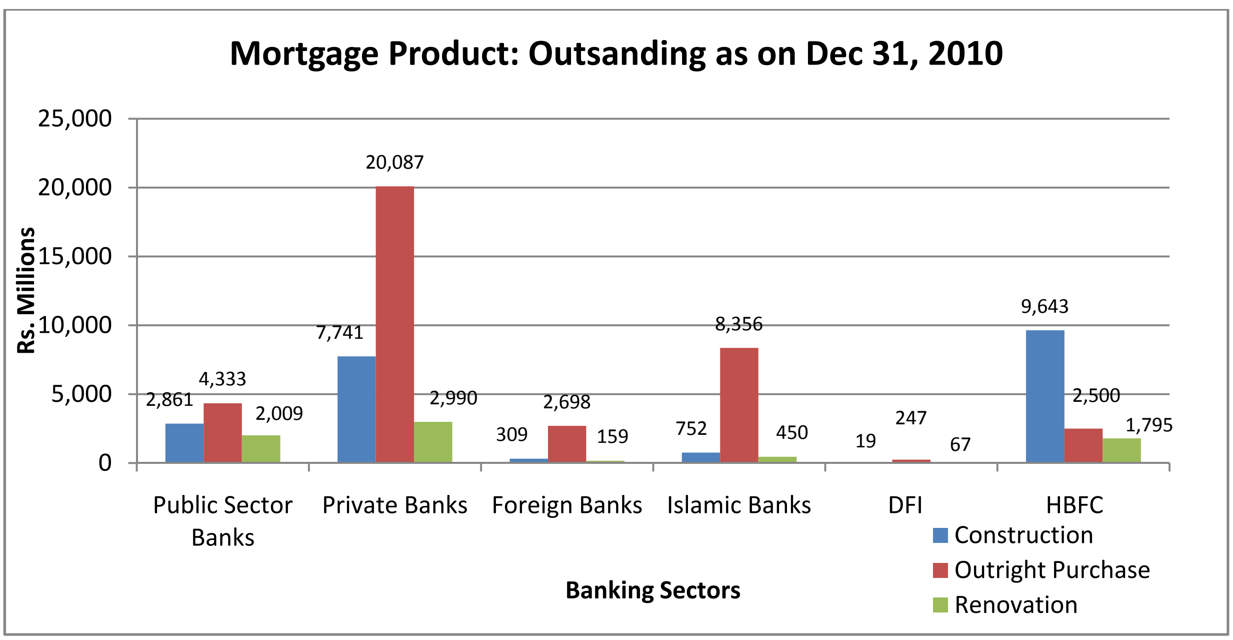
New Disbursements during the quarter ending Dec 31 2010

	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	68	23
Private Banks	749	289
Foreign Banks	32	11
Islamic Banks	1,278	466
All Banks	**2,127**	**789**
DFIs	-	-
HBFC	323	501
Total	**2,450**	**1,290**
Islamic Industry	**1,452**	**505**

Sectoral Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 7).

Figure 7



The outstanding for outright purchase stood at Rs. 38.22 billion as on Dec 31, 2010; a 57% share in total outstanding of Rs. 67 billion. This is followed by the construction category where outstanding reported at quarter-end stood at Rs. 21.32 billion and that of renovation stood at Rs. 7.47 billion. Active portfolio shows that private banks have taken a lead in financing for all three sectors; construction 36%, outright purchase 53% and renovation 40%.

Housing Finance Business of Micro Finance Banks:

Gross Outstanding

The total outstanding housing finance as on Dec 31, 2010 of Micro Finance Banks (MFBs) stood at Rs. 152.14 millions, which was Rs. 140.25 millions at the end of Sep 30, 2010, showing an increase of 8.47%, over the last quarter.

Number of Borrowers

Total number of outstanding borrowers has increased from 1,960 to 2,121 since Sep 30, 2010; an increase of 8.21%.

Non-Performing Loans

NPLs for Micro Finance Banks have increased from Rs. 1.16 millions (Sep 2010) to Rs. 1.46 millions (Dec 2010); a 25.86% increase over the last quarter. NPLs of MFBs arising out of housing finance business are around 1% of their outstanding housing finance portfolio.

Analysis of Loan Variables adopted by Banks/DFIs & HBFC

Tables 2, 3 & 4 summarize loan variables across all banking sectors including weighted average interest rate, Loan-to-Value ratio (% financing by banks), average maturity period, average loan size and average time for loan processing.

Weighted average interest rate

The overall weighted average interest rate was 15.5% at the end of the current quarter. Highest weighted average profit rate was reported by Islamic banks 16.4%, followed by HBFC 16.2%, foreign banks 16.1%, private banks' 15% while public sector banks average came to 14.3%

Average maturity periods

Average maturity period of outstanding loans as on Dec 31, 2010 came to 12.2 years, which is low as compared to quarter ending Dec 31, 2009 when it was 12.6 years. HBFC's average maturity period is reported to be 13.3 years, while that of Islamic banks is 10 years. Table 1 shows that among commercial banks, foreign sector banks have extended housing loans for an average tenure of 14.8 years followed by private sector banks with 11 years and public sector banks with 10.6 years

Loan to Value ratio

The percentage of financing (Loan to Value ratio) extended by banks and DFIs decreased during last year (Table 3) from 58.6% to 48.3%. Average LTVs of commercial banks have decreased from 59.2% to 54.7%. The average LTV for HBFC has decreased from 60% to 41.9% during the last year, which is a significant change.

Average time for loan processing

The reported average time for loan processing is approx. 26 days for all banks and DFIs (except HBFC), which was 24 days in Dec 31, 2009. Average time taken by HBFC presently is 40.4 days which is significantly high than 30 days reported last year. This has increased overall industry average to 33.3 days.

Currently, the application processing of most of the banks is a centralized process, where branches forward applications to central branches/head offices for assessment and approvals.

Average loan size

Average loan size for disbursements made during the quarter ending Dec 31, 2010 is Rs. 2.5 million for all banks, except HBFC. The average loan size for HBFC is reported to be Rs. 1.2 million for the reporting quarter. Islamic as well as private banks reported an average finance size of Rs. 2.9 million, foreign banks Rs. 1.7 million and public sector banks reported Rs. 1.1 million. The housing finance market is still inclined towards lending to high income groups.

Table 2

	Weighted Average Interest Rate (%)					Average Maturity Period (Years)				
	Dec-10	Sep-10	June-10	Mar-10	Dec-09	Dec-10	Sep-10	June-10	Mar-10	Dec-09
Public Sector Banks	15.9	13.8	13.7	16.2	14.9	10.6	9.8	11.3	11.3	9.5
Private Banks	16.4	15.0	15.1	14.5	15.0	11.0	10.0	13.0	12.2	12.3
Foreign Banks	15.7	16.9	16.3	16.7	17.1	14.8	9.5	11.6	14.5	15.3
Islamic Banks	16.6	16.3	16.9	16.7	17.7	10.0	11.4	12.6	11.4	12.4
All Banks	16.3	15.5	15.5	15.4	15.7	11.1	10.4	12.3	12.3	12.4
DFIs	16.6	16.3	16.2	16.5	16.5	-	-	-	14.5	14.4
All Banks & DFIs	16.3	15.6	15.6	15.3	15.7	11.1	10.4	12.3	12.4	12.5
HBFC	17.0	16.2	16.1	13.6	13.5	13.3	12.9	13.6	16.0	16.0
Total Average	16.7	15.8	15.7	15.3	15.6	12.2	11.7	13.0	12.5	12.6

Table 3

	Loan to Value Ratio					Average Time for Loan Processing (days)				
	Dec-10	Sep-10	June-10	Mar-10	Dec-09	Dec-10	Sep-10	June-10	Mar-10	Dec-09
Public Sector Banks	62.1	52.4	35.1	61.9	66.0	32.6	16.8	24.6	28.9	27.9
Private Banks	55.0	45.9	39.7	53.8	60.3	21.3	19.7	25.1	22.4	23.2
Foreign Banks	50.12	33.2	54.1	60.9	58.5	25.5	30.0	33.2	21.6	23.1
Islamic Banks	53.2	51.4	32.7	48.4	50.2	28.4	29.1	25.5	22.3	23.1
All Banks	55.2	48.1	42.3	55.4	59.2	26.2	23.3	27.8	23.2	23.8
DFIs	-	-	-	41.8	41.8	-	-	-	30.0	30.0
All Banks & DFIs	55.2	48.1	42.3	54.9	58.5	26.2	23.3	27.8	23.5	24.1
HBFC	43.5	48.5	57.2	65.0	60.0	40.4	48.3	47.8	30.0	30.0
Total Average	49.3	48.3	49.8	55.2	58.6	33.3	35.8	37.8	23.8	24.3

Table 4

	Average Loan Size				
	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09
Public Sector Banks	1.1	1.4	1.3	1.9	2.0
Private Banks	2.9	3.2	4.9	2.3	2.4
Foreign Banks	1.7	2.2	2.1	2.9	2.8
Islamic Banks	2.9	2.6	3.1	2.8	2.7
All Banks	2.5	2.6	3.5	2.4	2.5
DFIs	-	-	-	3.1	3.0
All Banks & DFIs	2.5	2.6	3.5	2.4	2.5
HBFC	1.2	1.6	1.2	0.7	0.7
Total Average/Total	1.9	2.1	2.3	2.0	2.5

Conclusion

The quarter ending Dec 31, 2010 depicted a slight decrease as compared to quarter ending Sep 30, 2010, in overall portfolio. NPLs of the housing finance portfolio display a rising trend and banks continue to show signs of cautious lending amidst decreased affordability of the borrowers. Average loan size, LTVs and maturity periods have decreased over the last year. However, the lack of a conducive institutional framework and secondary mortgage market and high interest rates are still the major constraints towards the growth of housing and housing finance sector which is one of the potential key drivers of the economy.

Major Initiatives and Achievements

Recognizing the importance of housing sector in boosting the domestic economy, following key initiatives have been taken by SBP to further develop market based mechanisms and enhance the flow of credit to this priority sector.

Implementation of Housing Advisory Group's Recommendations

As part of its earlier efforts, SBP had established a Housing Advisory Group (HAG) with an intention to conduct a thorough analysis of the existing regulatory and policy framework affecting housing finance. The HAG made number of recommendations stressing on the need to enhance access of financial services for the development of housing sector. These include reforms in legal and regulatory framework, establishment of secondary mortgage market, development of market intelligence, provision of affordable/low income housing finance products. SBP had already disseminated the recommendations to the concerned stakeholders and is currently coordinating with the Ministry of Housing & Works, Pakistan Banks' Association (PBA), Association of Mortgage Bankers (AMB) and Association of Builders and Developers (ABAD) for implementation of some of the key recommendations.

Mortgage Refinance Company

SBP and World Bank Group have agreed to work together for implementing key recommendation of HAG for creating financing environment conducive to growth of housing sector by focusing on: establishment of Mortgage Refinance Company, availability of low cost housing finance and establishment of an observatory for real estate market. Work on the establishment of Mortgage Refinance Company is now being pursued aggressively. IFC developed a detailed business plan and feasibility for the Mortgage Refinance Company. Principal buy-in of the Ministry of Finance has been elicited and equity commitments from the GoP, commercial banks and HBFC have been received. Memorandum & Articles of Association of the proposed company have been developed and the company is expected to be established during the current financial year.

Capacity building Program

In addition to initiatives taken to institutionalize housing finance, SBP realizes that a simultaneous development of human capital will play a critical role in ensuring sustainability of housing finance. In accordance with the Cooperation Agreement signed between International Finance Corporation (private sector arm of the World Bank Group) and SBP, a comprehensive housing finance training program was launched. The training covered all aspects of housing finance from product development, loan marketing/distribution and origination to loan underwriting, servicing and risk management. Till date, approximately 300 bankers from over 20 banks have been trained in the mortgage business.

During the quarter under review, one day Islamic Housing Finance session was conducted at SBP-BSC Lahore.

Development of Housing Finance Guidelines

Infrastructure & Housing Finance Department of SBP is in process of developing guidelines of housing finance to increase the efficiency of mortgage bankers by adopting best international practices. After consultation with internal and external stakeholders, including PBA, draft of the guidelines has been finalized and forward for approval of the competent authority.

News on Housing Finance

President inaugurates housing scheme for PIA employees

Shaheed Mohtarma Benazir Bhutto–Apna Ghar Scheme for PIA employees was formally inaugurated by President Asif Ali Zardari at PIA Head Office, Karachi. The land for the housing scheme has been granted by the government of Pakistan. Under the scheme, the employees will not be required to make any down payment; 50 per cent of the total cost of the apartment will be paid by the employees fund while the remaining 50 per cent will be arranged by the PIA through financial institutions of repute at very low interest rates. The airline has already submitted its business plan to the government for approval in this regard. The president also announced that Shaheed Benazir Bhutto –Apna Ghar Scheme will be offered in other cities of Pakistan as well and will be for employees of PIA and CAA Pakistan.

BankIslami to acquired Citibank`s housing portfolio

BankIslami acquired Citibank Pakistan`s House Financing portfolio amounting to Rs. 953 million. For the first time in Pakistan, a Bank has acquired mortgage assets of another Bank. It is expected that this transaction would open door for other similar transactions enabling banks to acquire entire business or product lines. The added significance of the transaction is that this is the first time an Islamic bank has acquired business of a conventional bank.

SC directs action against bogus housing schemes

A full Supreme Court (SC) bench headed by Chief Justice of Pakistan Justice Iftikhar Muhammed Chaudhry directed to spend money acquired by auctioning 81 plots on development of a Housing Scheme. The SC disposed of petitions filed under public benefit. The apex court directed Secretary Housing to draw up a survey regarding bogus housing schemes and plan crackdown on such schemes.

BRDB of Malaysia plans $437m investment in Pakistan

Bandaraya Development Berhad (BRDB) of Malaysia is investing US$437 million in Pakistan to develop a Golf Resort, a five star hotel, five housing schemes, condominiums and shopping areas. According to BRDB, the investment started in 2006 and would complete in2015. BRDB intends to construct 18 hole Golf course, five housing schemes consisting two Kanal, one Kanal, fourteen marla and ten marla housing units, five condominiums, clubs and shopping areas. According to the details provided by BRDB, in the first nine years, it will construct 420 housing units, five condominiums containing 400 units and shopping facilities containing 121 shops. BRDB is introducing concept of condominiums in Pakistan due to their popularity in Malaysia. The condominium is a multi story housing complex equipped with civic amenities like community hall, gymnasium, playing area, mosque, retail centre, and swimming pool. According to BRDB, 98% of the work on Phase-I of the project has been completed and was ready to be handed over to its Pakistani partner after provision of electricity and gas connection by WAPDA and SNGPL.

BBC Dragon's Pakistan housing project gets underway

The first lot of 120 planned houses in a village hit by Pakistan's floods have been completed, bringing Dragons' Den entrepreneur James Caan one step closer to fulfilling his dream of rebuilding the entire village. The canalside village of Jan Lunda, 100 miles north-west of Islamabad, in Khyber Pakhtunkhwa province, was among several villages in Pakistan that were wholly submerged by flood waters last July. Responding to the catastrophe, Pakistani-born Caan, who also appears on BBC Television's Dragons' Den, vowed to oversee the rebuilding of Jan Lunda through his James Caan Foundation charity. The project includes 120 houses, a mosque, girl's school, clean water and access to toilet facilities, as well as a program to get people earning their own living. Each house is costing just under £1,200 to build. The project is being endorsed by Prince Charles and the prince's charities, and is supported by the UK government. Aid agencies including Islamic Relief are also heavily involved in delivering each facet of the project. Reconstruction costs are expected to come to around £180,000-£250,000, and will be underwritten entirely by Caan's Foundation. After the village is "tried and tested", Mr Caan intends on building two more villages.

Saudi may delay mortgage law for inflation

Saudi Arabia may again delay the enforcement of the long-awaited mortgage law because of a surge in rents and property prices as this could trigger a US-style subprime crisis, a Saudi newspaper has reported. SAMA has expressed fears that the enforcement of the law could spur a lending spree to the housing sector, adding that SAMA views property prices as unfair at present. SAMA is expressing reservation about the endorsement of the mortgage law while analysts believe the property sector is currently beset with risks Banks themselves are also worried that in case they lavished loans to that sector, there could be a wave of sharp declines in housing prices and this could inflict heavy losses on them...this could lead to a mortgage crisis as most of those who are expected to borrow for housing will be employees who will pay back the loan by monthly installments from their salaries."

Future Outlook

Considering the huge housing backlog, the demand for housing will persist for years to come. However, access to formal finance sector for housing remains a challenge.

- Different measures are being taken to improve the housing finance outreach in the country. Major initiative of Mortgage Refinance Company (MRC) would help banks/DFIs in overcoming maturity mismatch and in providing fixed rate mortgages. MRC is expected to be operational in 2011.
- Since efforts would be made to explore the possibility of tapping international institutional funds, it is hoped that housing facilities would become more accessible.
- Provinces would be asked to bring down Transaction Costs, which would help boost the housing construction activity, which would attract banks'/DFIs' financing.