



The Philippine Housing Industry in Perspective:
BSP's Initiatives Towards a Financially Inclusive
Real Estate Market

OSHDP 9th National Convention
24 August 2018



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Introduction

The objectives of this presentation are:

1. To present information on **house prices**;
2. To describe the Philippine **bank mortgage market**; and
3. To discuss BSP-led initiatives towards providing access to **affordable housing finance** to low-income households.



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Outline

- I. About RREPI and Latest RREPI Results
- II. Bank Housing Finance
- III. Bank Housing Microfinance



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I. About RREPI and Latest Results

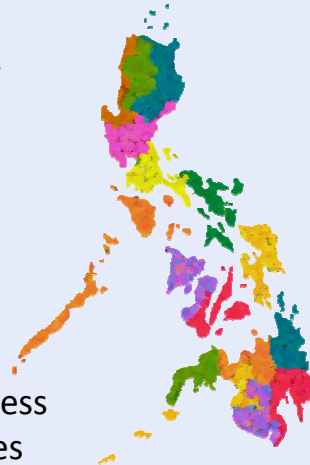
- About RREPI
 - Definition
 - Parameters
 - Basic Data
 - Index Formulation
- Latest RREPI Results
 - By Area
 - By Housing Type
 - YoY Growth By Area
 - YoY Growth By Housing Type
 - Profile of Housing Loans



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About RREPI

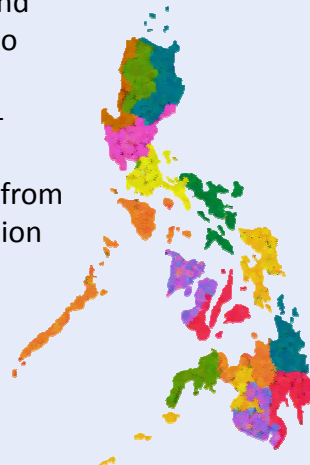
- RREPI is one of the information gaps identified in the IMF Financial Stability Report G-20 Data Gaps Initiative (DGI) Report in the aftermath of the Global Financial Crisis.
- RREPI is part of the Special Data Dissemination Standard (SDDS) Plus categories under the Financial Soundness Indicators which IMF member countries should adhere to by 2019.



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About RREPI

- The BSP and Philippine Statistical Research and Training Institute (PSRTI) conducted a study to assess the adequacy, comprehensiveness, timeliness, and reliability of existing housing-related data in the country.
- The research cited the housing loan window from banks as a potential resource for the generation of a RREPI.
- BSP developed a methodology for the compilation/generation of RREPI for the Philippines.
- The generation of the RREPI is a first in the Philippines.



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What is RREPI?

The Residential Real Estate Price Index (RREPI) is an indicator of change in the prices of residential properties in the Philippines over a period of time.

The growth rate of the index measures the price change of housing units bought through mortgage in the Philippines.



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RREPI Parameters

The RREPI is computed at the following levels to be able to measure real estate price changes across different areas and types of housing units:

By Area

- Philippines
- National Capital Region (NCR)
- Areas outside NCR (AONCR)

By Type of Housing Unit

- Single detached house
- Duplex
- Townhouse
- Condominium Unit



Note: The RREPI is computed for collateralized and new housing units only.



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RREPI Basic Data

The data used in the construction of the RREPI is obtained from the Bank Quarterly Report on Residential Real Estate Loans (RRELs).

Per BSP Circular No. 892 dated 16 November 2015, all universal/commercial banks (UBs/KBs) and thrift banks (TBs) are required to submit reports on RRELs granted in a given quarter to individual households for the purpose of financing the acquisition of housing units and any associated land.



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RREPI Basic Data

Data Items

1. Month of Loan Granted/Booked
2. Location of Property
3. Type of Property
4. Type of Housing Unit
5. Appraised Value of Housing Unit
6. Total Floor Area
7. Number of Floors
8. Number of Bedrooms
9. Effective Age of Housing Unit
10. Appraised Value of Lot
11. Total Lot Area
12. Total Appraised Value of Property
13. Housing Segment
14. Acquisition Cost
15. Name of Developer
16. Name of Other Developer



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Index Formulation

$$J_t = RREPI_t = \prod_{i=1}^2 J_{t,i}^{\frac{1}{2} \left[\frac{\sum_{k=1}^4 Q_{t-1,i,k}}{\sum_{i=1}^2 \sum_{k=1}^4 Q_{t-1,i,k}} + \frac{\sum_{k=1}^4 Q_{t,i,k}}{\sum_{i=1}^2 \sum_{k=1}^4 Q_{t,i,k}} \right]}$$

where $J_{t,i}$ = RREPI of the i th area at quarter t ;

Q = total floor area of the k th type of housing unit in the i th area at quarter t .

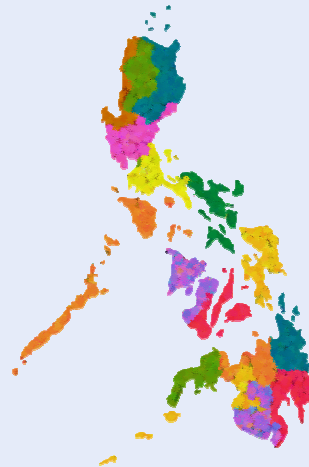
\prod = product notation



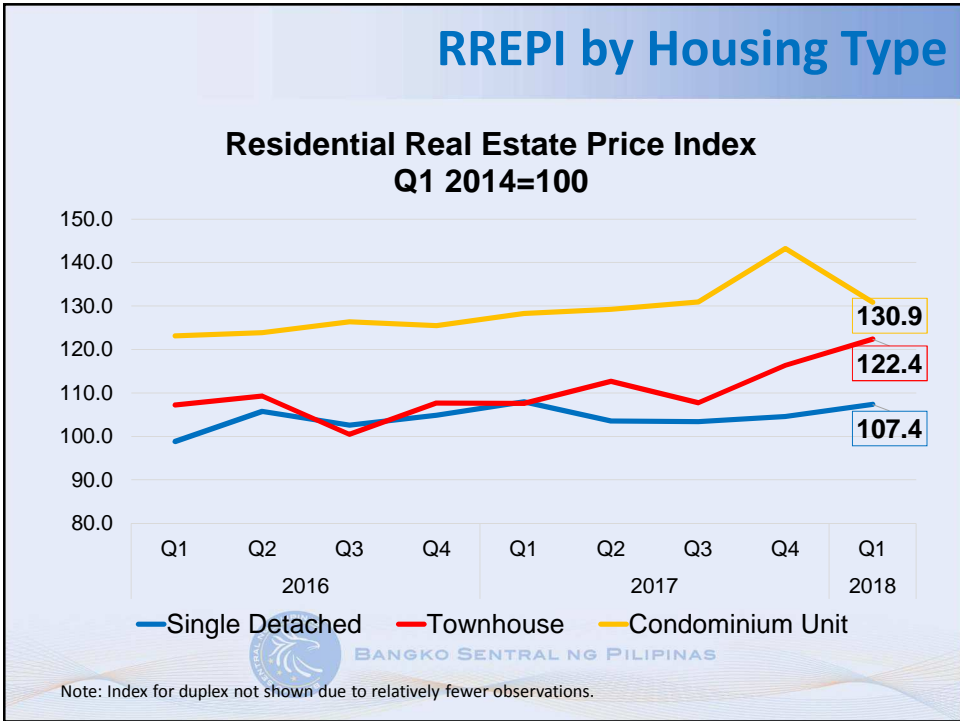
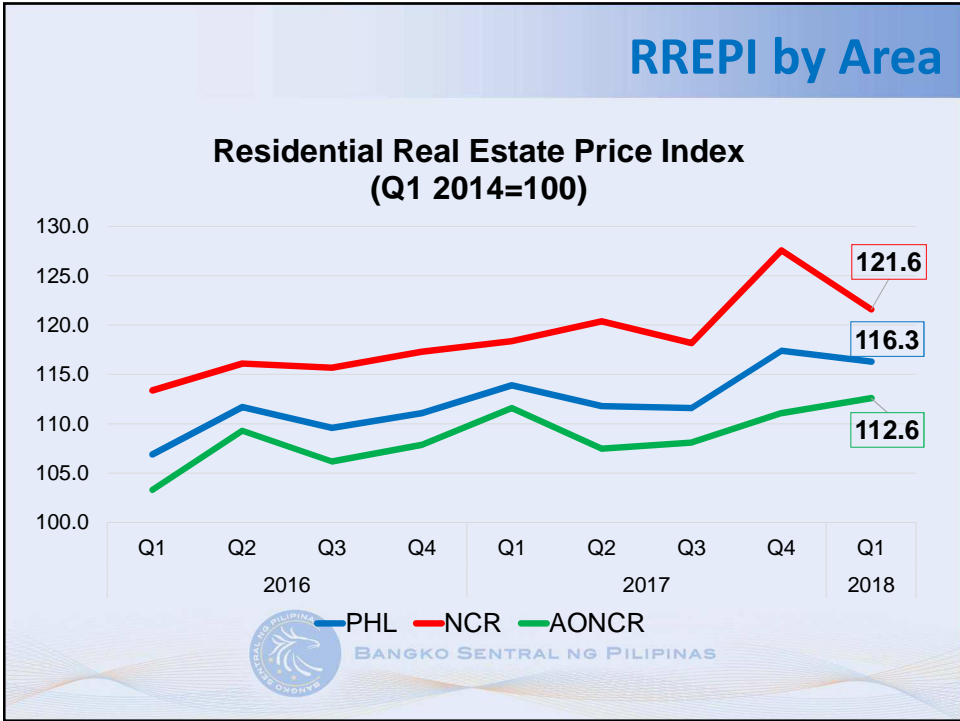
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Latest RREPI Results



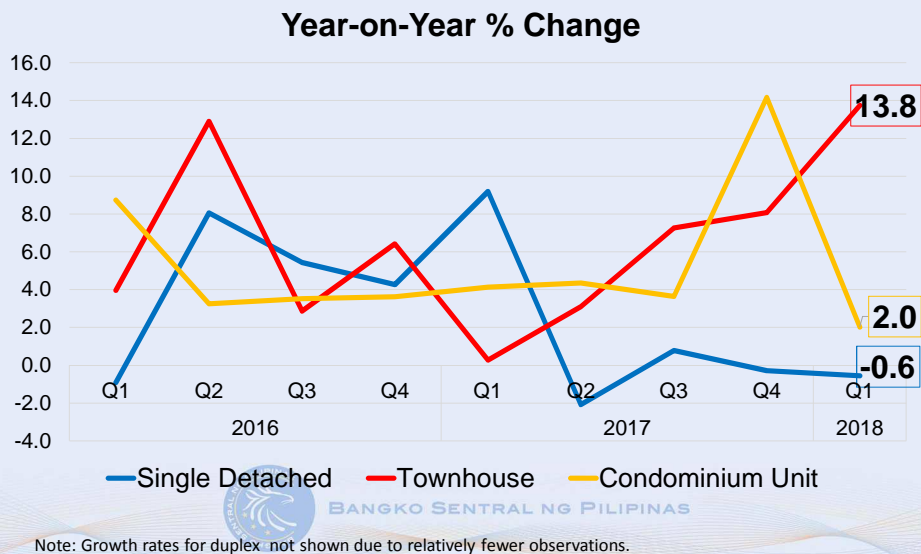
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Annual Percent Change by Area

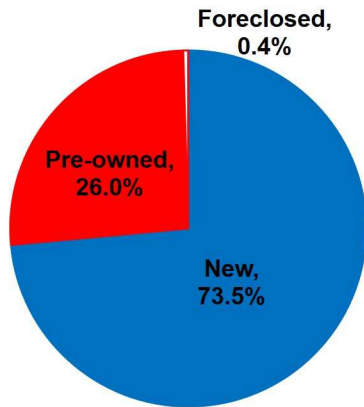


Annual Percent Change by Housing Type

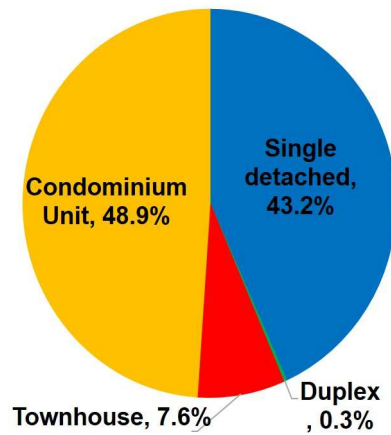


Profile of Housing Loans

Percent Distribution of Loans
by
Type of Property (Q1 2018)

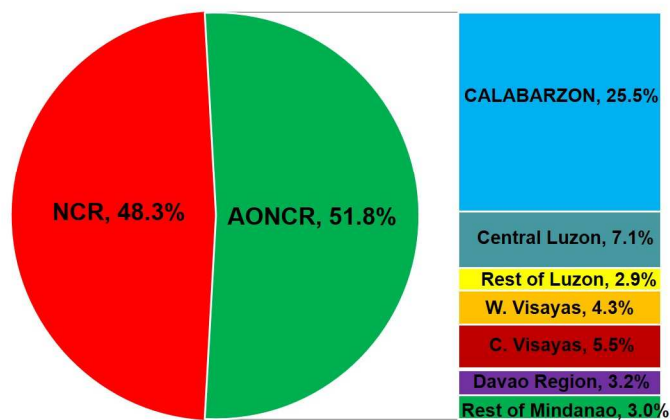


Percent Distribution of Loans
by
Type of Housing Unit (Q1 2018)



Profile of Housing Loans

Percent Distribution of Loans
by Region (Q1 2018)



Frequency of Publication and Date of Release

Frequency	Quarterly
Timeliness	One quarter after the reference quarter
Available at	BSP Website http://www.bsp.gov.ph/publications/regular_RREPI.asp
Next Release	Q2 2018 (28 September 2018)

Residential Real Estate Price Index (RREPI)

RREPI is an indicator of change in the prices of residential properties in the Philippines over a period of time. The growth of the index measures the house price inflation.

Latest issue: **1st Quarter 2018**

Year	Quarter			
	1	2	3	4
2018	●			
2017	●	●	●	●
2016	●	●	●	●

Download historical data (in Ms Excel)

Download Technical Notes (in PDF)

Note: Full text in PDF format. To read document, you must have Adobe Acrobat Reader installed. You can download Acrobat Reader for free at www.adobe.com

Available quarterly series are from Q1 2016 to Q1 2018

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II. Bank Housing Finance

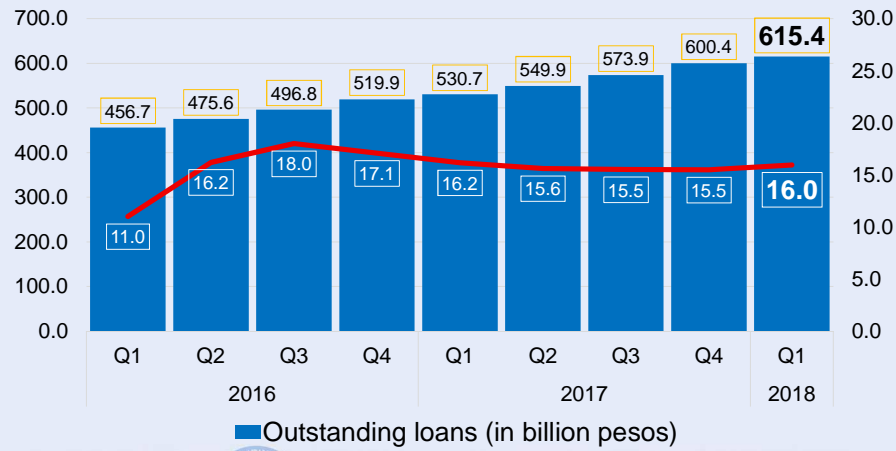
- Other Property Market Indicators
 - RREIs to Households
 - RREIs Ratios
 - Credit Standards of Housing Loans
 - BES
 - Overall CI
 - Real Estate CI



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Other Property Market Indicators

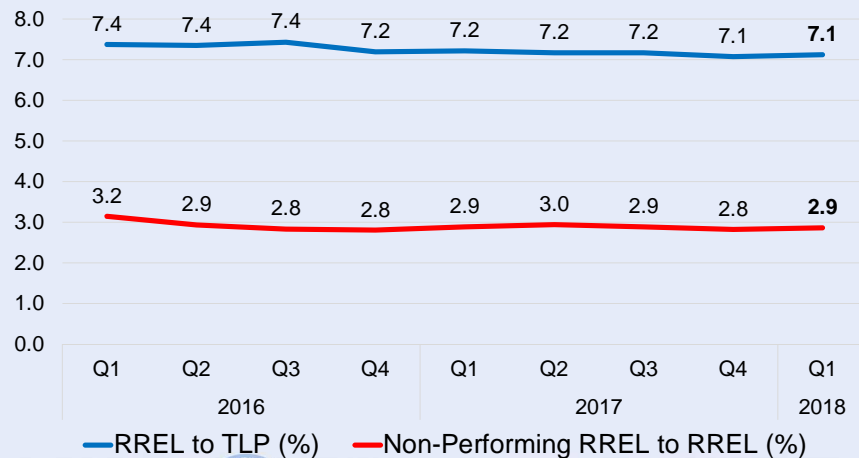
Residential Real Estate Loans to Households



Note: End-of-Quarter Data
Source: BSP

Other Property Market Indicators

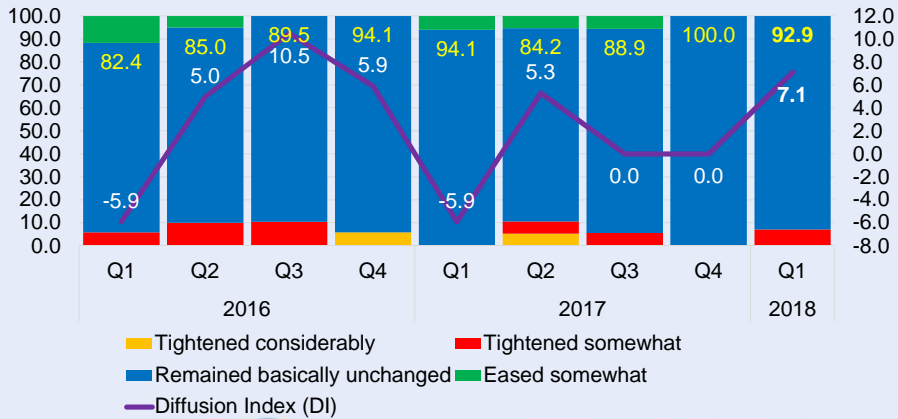
Residential Real Estate Loans (RRELs) Ratios



Note: end-of-quarter data
Source: BSP

Other Property Market Indicators

Credit Standards of Housing Loans (%)

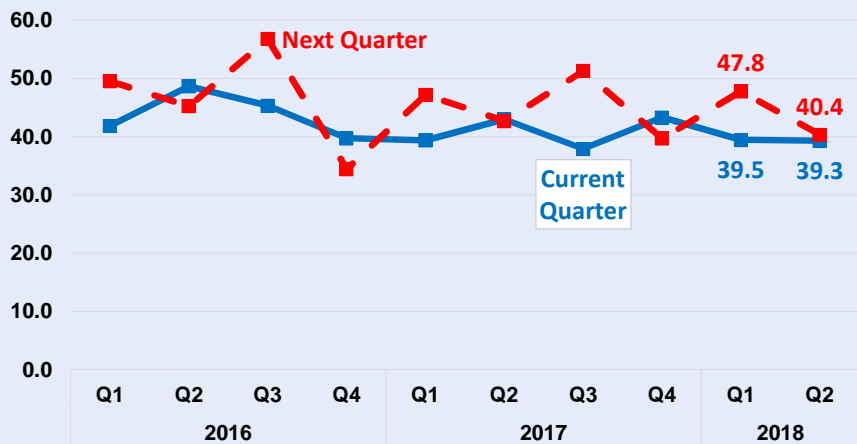


Source: Senior Bank Loan Officers' Survey, BSP

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Business Outlook

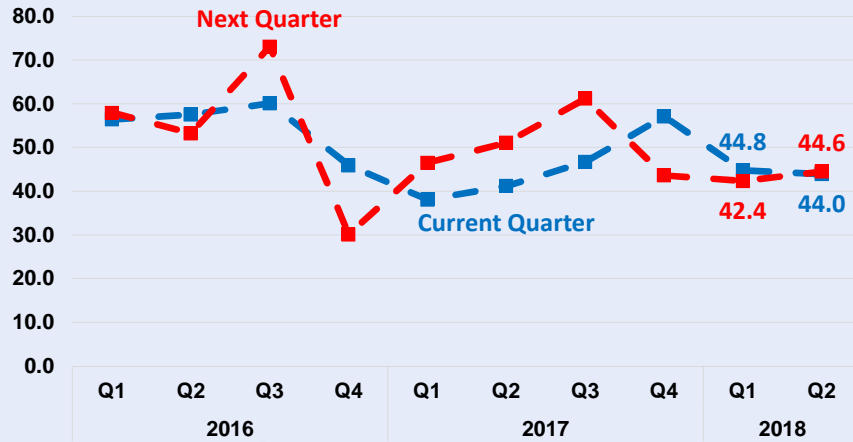
Overall Business Confidence Index



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Business Outlook

Real Estate Business Confidence Index



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Frequency of Publication and Date of Release

Frequency	Quarterly
Timeliness	Last Month during the Reference Quarter
Available at	BSP Website http://www.bsp.gov.ph/publications/regular_business.asp
Next Release	Q3 2018 (6 September 2018)

Business Expectations Report

Report on the results of the quarterly Business Expectations Survey conducted by the BSP to generate indications of overall business sentiment and prospects/outlook.

Latest issue: 2nd Quarter 2018

Year	Quarter			
	1	2	3	4
2018	📄	📄	📄	📄
2017	📄	📄	📄	📄
2016	📄	📄	📄	📄
2015	📄	📄	📄	📄
2014	📄	📄	📄	📄
2013	📄	📄	📄	📄
2012	📄	📄	📄	📄
2011	📄	📄	📄	📄
2010	📄	📄	📄	📄
2009	📄	📄	📄	📄
2008	📄	📄	📄	📄
2007	📄	📄	📄	📄
2006	📄	📄	📄	📄
2005	📄	📄	📄	📄
2004	📄	📄	📄	📄
2003	📄	📄	📄	📄

Available quarterly series are from Q3 2003 to Q2 2018

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III. Bank Housing Microfinance

- BSP Microfinance Housing Product
 - Basic Characteristics
 - BSP Regulations
- State of Housing Finance



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Housing Microfinance

- The BSP approved the Housing Microfinance product way back in 2008 to address the shelter needs of the economically active poor or those that are currently unserved by financial institutions.
- This product aims to address the usual barriers that the poor face in accessing housing finance and to provide a significant push to the government's efforts of increasing pro-poor shelter and addressing the country's housing backlog.



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Housing Microfinance Product: Basic Characteristics

Subject	Particulars
Purpose	House construction House and/or lot acquisition. (Lot acquisitions should be for housing/business) Home improvement/repairs
Eligibility	Existing microfinance clients New clients who will normally be eligible for microfinance loans based on banks' policies Borrowers who have qualified for the Credit Surety Fund credit enhancement program provided they qualify with the banks' policies
Loan Amount	Up to P300,000 for house construction and/or lot acquisition (must show tenure security) Up to P150,000 for home improvement/repairs Incremental loan amounts to support incremental building
Loan Value	Up to 90% of the appraised value in case of REM Acceptable valuation in cases of usufruct, leases, etc. Capacity to pay based on household cash flow analysis
Payment	Frequent amortization With savings component Loan payments should not exceed a reasonable percentage of clients' income as determined by cash flow analysis and to determine capacity to pay as well determined through a clear credit process
Terms	Up to 15 years for house construction and house and/or lot acquisition, subject to banks' credit policies Up to 5 years for home improvement/repairs

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BSP Regulations Related to Housing Microfinance

On Housing Microfinance Product

- BSP Circular 678 (6 January 2010) provides rules and regulations that govern the approval of banks' housing microfinance products
- BSP Circular 817 (06 November 2013) amends the provisions of the MORB on the housing microfinance and micro-agri loans.

On Liberalized Branching for Banks

- BSP Circular 694 (14 October 2010) allows for the establishment of micro-banking offices and defines microfinance products

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State of Housing Finance for Low-Income Borrowers

Housing Microfinance Loans						
	2016	2017	Growth	2017 Q1	2018 Q1	Growth
Banks	18	17	-5.6%	17	18	+5.9%
Borrowers	84,556	131,375	+55.4%	138,447	108,020	-22.0%
Amount (in million pesos)	615	876	+42.3%	889	1,041.4	+17.1%

Source: Financial Inclusion in the Philippines Dashboard, BSP



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Key Takeaways

1. Prices of residential properties has steadily increased in the past 2 years based on the Residential Real Estate Price Index (RREPI).
2. The Philippine bank mortgage market including the housing microfinance market has also been growing.
3. The BSP continues to provide support to housing microfinance initiatives that expand access to affordable housing finance of low-income households.



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