

# Housing in Latin America and the Caribbean (LAC) Challenges & Opportunities

## Trends

### WORLDWIDE

The construction industry:  
 • #1 consumer of global raw materials.  
 • 6% of GDP.  
 • 1% reduction in costs could save the world US\$100 billion per year (the cost of all cancer drugs).

A construction contract:  
 • 25 years ago: 50 pages.  
 • Today: 1,000 pages.

Increase in Housing Prices:  
 • Last 15 years: +55%.  
 • Last 10 years: +7.3%.

Population growth (1970-2010):  
 • +87%.  
 • In flood plains: +114%.  
 • In cyclone-prone coastlines: +192%.  
 • +200,000 people move to urban areas every day.

Number of Natural Disasters in 2015 was 3 times the one in 1980.

Global Annual Total Damage from Natural Disasters:  
 • 1976-1985: US\$14 billion.  
 • 2005-2014: US\$140 billion.

### A TYPICAL INFORMAL SETTLEMENT IN LAC

Name of the informal settlement: Clorinda Malaga de Prado. Comas, Lima, Peru.

Recognized: 1961. Land formalization: 2002. Owners that built: 100%.

Owners that built in compliance with regulations: <10%.

Housing units that have been transferred at least once: 59%.



### HOUSING POLICIES IN LAC

DILEMMA 1: *and* POLICIES OR SUBSIDIES?

PERU 🇵🇪

Between 1999 and 2014, the government spent **US\$ 3.3 billion** on housing subsidies.

Every year, households spend **US\$ 9.3 billion** on housing.

DILEMMA 2: *and* BUILD NEW OR RETROFIT USED?

COLOMBIA 🇨🇴

Between 2003 and 2016, the government spent **US\$ 2.6 billion** on housing subsidies for informal workers.

**85%** of the subsidies granted and **98%** of the amount spent were dedicated to finance the acquisition or construction of new housing units.

DILEMMA 3: *and* OWNERSHIP OR RENTAL?

CHILE 🇨🇱

**6.0%** of the housing subsidies granted and

**3.4%** of the amount spent were dedicated to rental subsidies.

**741 days:** Time to enforce a contract in LAC.

DILEMMA 4: *and* PRIVATE ASSET OR PUBLIC CONTINGENCY?

SHARE OF HOUSING ON TOTAL PRIVATE DAMAGES AND LOSSES

HAITI 🇧🇪  
 2010 earthquake **37%**  
 2008 earthquake **33%**

EL SALVADOR 🇸🇻  
 2009 tropical storm **24%**

ST. VINCENT 🇻🇨  
 2013 floods **93%**

GUATEMALA 🇬🇹  
 2010 tropical storm **44%**

### HOUSEHOLD EXPENDITURES IN LAC:



Housing: 14%-27% of income.



Transport: 12%-24% of income.



Energy and water: 5%-7% of income.

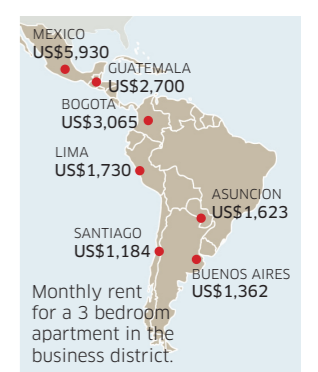


The richest 25% spend 3.2% of their income on energy and water. The poorest, 9.2%.

## Markets

	GDP PER CAPITA (US\$)	POPULATION (million)	URBAN POPULATION	URBAN POPULATION IN LARGEST CITY	ANNUAL HOUSEHOLD FORMATION (Thousands)	ANNUAL HOUSING UNITS COMPLETED (Thousands)	PUBLIC EXPENDITURES IN HOUSING (% of GDP)	MORTGAGES LOANS (% of GDP)	REMITTANCES (% of GDP)	PENSION FUNDS (% of GDP)	HOUSEHOLDS RENTING (% of GDP)	TOTAL ANNUAL HOUSEHOLD EXPENDITURES ON HOUSING (% of GDP)
Argentina	13,432	43.4	91.8%	38.1%	232	190	0.8	0.3	0.1	11.6	19.0%	
Chile	13,416	17.9	89.5%	40.5%	120	126	0.5	20.1	0.1	58.5	20.6%	
Colombia	6,056	48.2	76.4%	26.5%	350	220	0.8	5.7	1.6	17.8	36.8%	
Guatemala	3,904	16.3	51.6%	34.6%	114	20	1.8	--	10.3	--	22.6%	
Honduras	2,529	8.1	54.7%	25.4%	--	--	0.3	--	18.0	--	24.3%	
Mexico	9,005	127.0	79.2%	20.9%	640	305	1.4	8.2	2.3	10.9	17.7%	
Paraguay	4,081	6.6	59.7%	59.5%	45	--	5.8	0.9	2.0	3.3	15.9%	
Peru	6,027	31.4	78.6%	40.1%	117	71	1.3	4.6	1.4	16.7	11.3%	

### RENTAL PRICES



Households in Colombia, Guatemala, Mexico, and Peru combined spend **US\$ 84 billion** per year in housing.

## People

	INFORMAL SETTLEMENTS I Live in a Slum	EMPLOYMENT CONDITION I Work Full-Time for My Employer	AFFORDABLE HOUSING I Can Find Good and Affordable Housing in my City	MORTGAGE PENETRATION I Took a Loan to Purchase a Home, an Apartment or Land	CAPACITY TO PAY FOR HOUSING I Don't Have Enough Money for Shelter	FINANCIAL VULNERABILITY In Case of Emergency, I Cannot Come Up with Emergency Funds	PUBLIC TRANSPORTATION I'm Satisfied with Public Transportation	SAFETY It is Safe to Walk Alone at Night in my City
Argentina	17%	52%	30%	8%	15%	23%	55%	39%
Chile	--	60%	37%	13%	9%	41%	54%	48%
Colombia	13%	34%	47%	10%	37%	27%	55%	45%
Guatemala	35%	27%	53%	8%	36%	34%	75%	47%
Honduras	28%	33%	56%	7%	35%	29%	79%	59%
Mexico	11%	58%	48%	8%	15%	25%	58%	46%
Paraguay	--	54%	35%	--	5%	--	49%	49%
Peru	34%	37%	50%	10%	32%	23%	58%	44%
LAC	21%	46%	41%	10%	22%	32%	54%	40%