

*Philippine Real Estate
Investment Update
and
Legislative Agenda
for the 14th Congress
(FY 2007-2010)*

by:

HON. RODOLFO G. VALENCIA

**Representative, 1st District of Oriental Mindoro
Chairman, Committee on Housing & Urban Development
Vice-Chairman, Committee on Public Works & Highways
House of Representatives
3-Term Governor, Province of Oriental Mindoro
Awardee, Ten Outstanding Young Men (TOYM) of the Philippines
(in the field of Human Settlements)**

PRESENTATION OUTLINE

- I. Philippine Real Estate Growth**
 - A. Industry Performance**
 - B. Real Estate Growth Sectors**

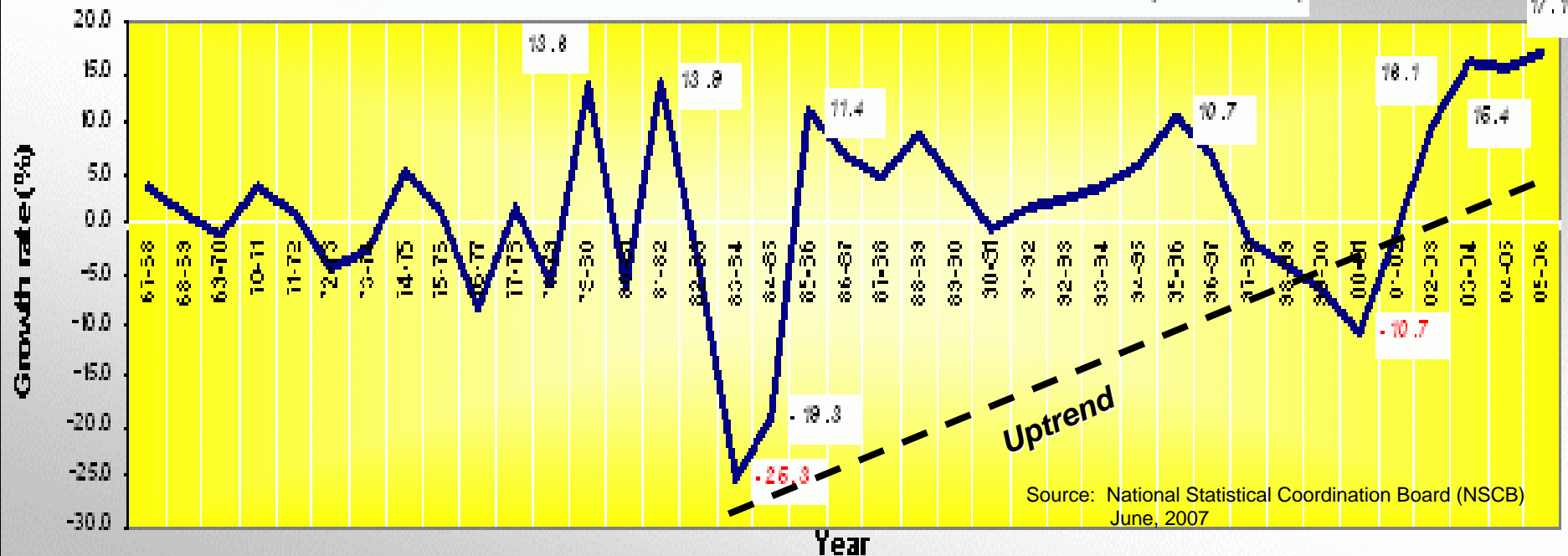
- II. Phil. Housing Agenda**
 - A. Delivery Schemes and Approaches**
 - 1. Joint Venture with the Private Sector**

- III. Legislative Agenda for the 14th Congress**

Philippine Real Estate Growth

The Philippine Real Estate Industry continued its outstanding performance with a significant rise of **17.1%** in Gross Value Added (GVA) – total value of real estate transaction (buying, selling, leasing, operation of shelter facilities, etc.) – in 2006 compared to 2005 performance at 15.4%.

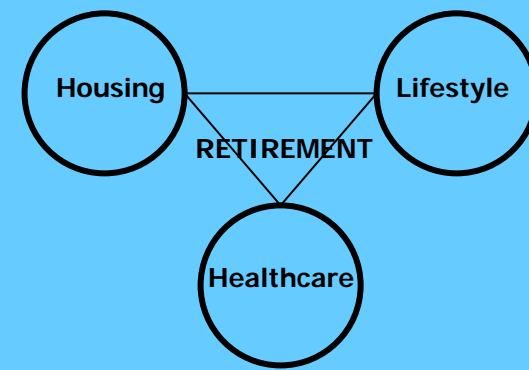
Real Estate Annual Growth Rate at Constant Prices (1967-2006)



Industry performance driven by:

- **Increased renting and leasing operations due to opening of upscale giant super malls and commercial and shopping centers.**
- **Strong production and sales of residential developments in subdivisions and high-rise condominium projects fueled by the significant buying of OFWs and Filipino immigrants.**
- **Growth of Business Process Outsourcing (BPO) boosts sales and occupancy of office spaces in leading commercial business districts in the country (Makati and Ortigas CBD including Cebu City and other provincial areas).**
- **Strong inflow of investments from developed economies in America and Europe to emerging markets in Asia in search for higher ROIs. Comes in the form of real estate and portfolio investments.**
- **Going global is becoming mainstream in real estate investment market leading to the rise of international institutional investors.**
- **In 2006, investors from North America infused about \$28 Billion worth of real estate investments in Asia alone with China and India as top destinations for global real estate capital.**
- **Trend is expected to continue with windfall funds going to other Asian countries like the Philippines in the medium- to long-term.**

Real Estate Growth Sectors



1. The Retirement Industry

- A \$4 Billion sunrise industry
- Real estate and housing facilities development is 1 of the 22 satellite industries directly related to retirement (growth in retirement = growth in real estate sector)
- There is a growing demand for retirement facilities in the Philippines on back of the expected growth in the entry of foreign retirees coming mainly from (population of potential global retirees):

Japan – 60 Million

China – 364 Million

Korea – 16 Million

Taiwan – 7 Million

USA/Fil-Ams - undetermined

Philippines as a retirement haven

After Thailand, Philippines is identified as the next best destination for foreign retirees based on climate, safety, diversity and people acceptability.



Country/Area	CLIMATE	SAFETY	DIVERSITY	PEOPLE
Philippines	* * *	* *	* * *	* * *
Thailand	* * *	* * *	* * *	* * *
Canary Island	* * *	* *	* *	*
Southern Europe	* *	*	* * *	*
Caribbean	* * *	* *	*	*
Indonesia	* * *	*	* * *	* * *

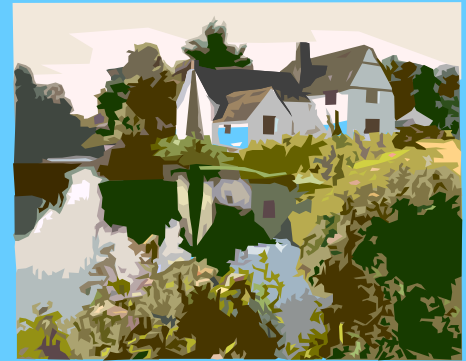


2. Hotel and Resort Development

- **Another sector benefiting from the upsurge of real estate;**
- **Driven mainly by the strong tourist arrivals to the tune of 2.84 million or an 8.4% growth over the previous year;**
- **Koreans has the biggest arrivals in the past 2 years bringing with them also P61 Billion worth of investments.**
- **1st qtr of 2007 alone, there are over 1 million foreign arrivals, most of whom were Korean tourists;**
- **DEVELOPERS SHOULD TAKE UP THE CHALLENGE OF DEVELOPING NOTABLE RESORT PROJECTS TO MEET THE TOURIST AND INVESTORS' DEMANDS. ALTERNATIVE SITES SHOULD BE HARNESSSED ASIDE FROM THE USUAL BORACAY, PALAWAN, CEBU AND BAGUIO.**

3. Residential Housing

- Present housing backlog is **3.7 million**.
- Increasing by 10% per year.



Proposed Initial Remedy under the Philippine Medium Term Development Plan

- Build 1 million homes in 3-5 years.
- This means that we need to build 200,000 to 333,334 homes per year or 548 to 914 homes per day.

PHILIPPINE HOUSING AGENDA



- An initial project to reduce housing backlog.
- This maybe a sustainable and continuing program.



Participating Agencies



Housing & Land Use Regulatory Board (HLURB)



Home Development Mutual Fund (PAG-Ibig Fund)



Home Guaranty Corporation (HGC)



National Housing Authority (NHA)



Social Security System (SSS)



Government Service Insurance System (GSIS)



Committee on Housing & Urban Development,
House of Representative

Mission Statement

"We directly provide decent, adequate, and affordable houses to homeless low-income families through sustainable housing development programs. We also aim to provide basic social services and economic opportunities to propel development of communities."

Objectives

1. To provide and maintain adequate housing for the greatest possible number of people.
2. To undertake housing development, resettlement or other activities that would enhance the provision of housing to every Filipino.
3. To harness and promote private participation in housing ventures in terms of capital expenditures, land, expertise, financing and other facilities for the sustained growth of the housing industry.

(Presidential Decree 757, Section 3)

Housing Programs

Resettlement Program. Involves the acquisition and development of large tracks of raw land into serviced homelots or core housing units for families displaced from sites earmarked for government infrastructure projects and those occupying danger areas.

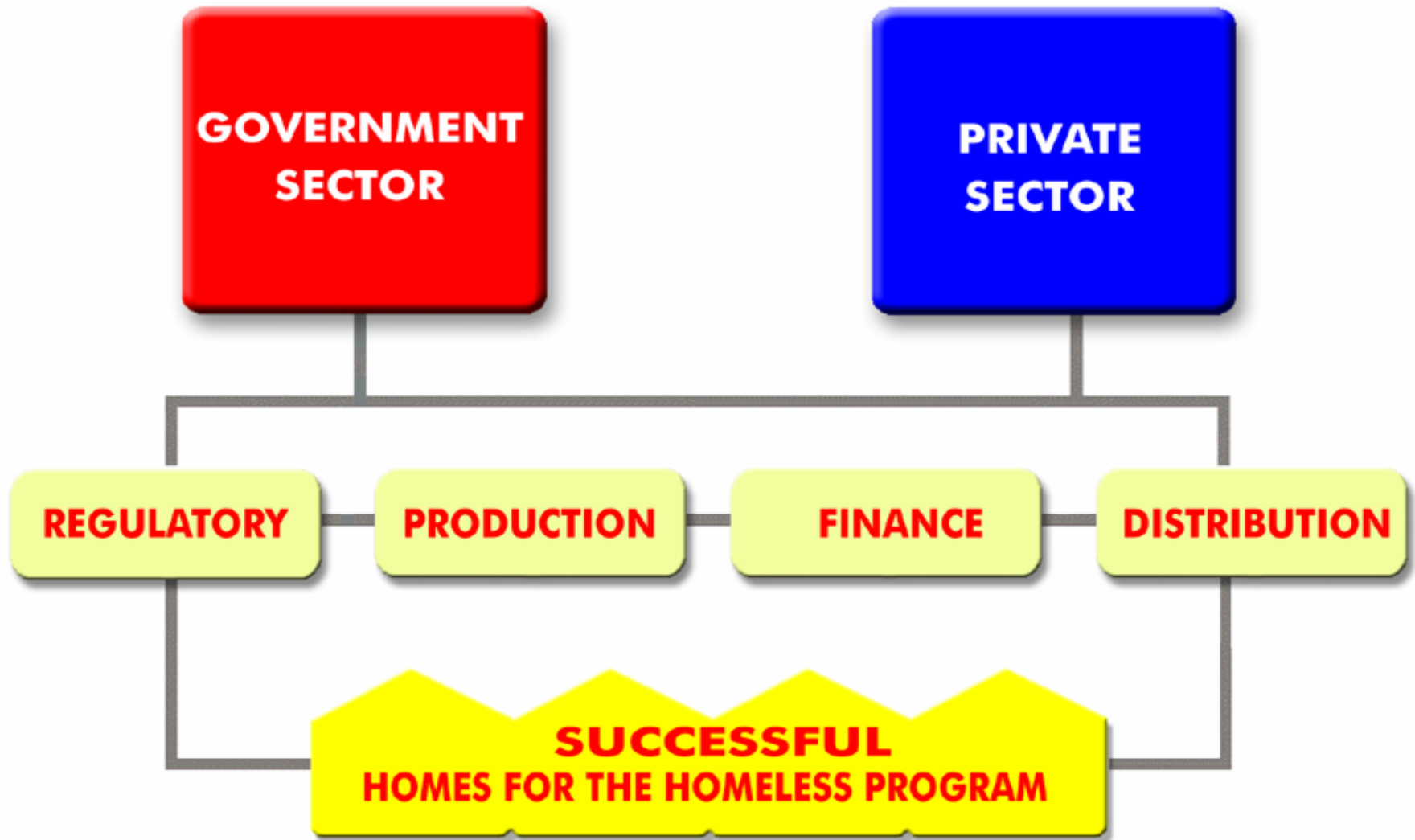
Core Housing. Entails the acquisition and development of raw land as well as the construction of housing units.

Sites and Services Development. Entails the acquisition and development of rawland into affordable serviced homelots which shall serve as an alternative to informal settlements and as catchment areas for in-migration and population growth

Medium Rise Housing. Is an in-city housing alternative which entails the construction of three-to five-storey buildings

Calamities Emergency Housing Assistance Program. Addresses the need of families rendered homeless due to natural calamities or man-made disasters.

SHELTER PROGRAM DYNAMICS



Delivery Schemes and Approaches

1. JOINT VENTURE WITH THE PRIVATE SECTOR.

A strategy based on a resource/expertise-sharing scheme with private landowners and private developers with equity contribution taking the form of land or funds for development. The Sites and Services Development, Core Housing, and Medium Rise Private Housing Programs could be carried out under this approach.

**THE BEST IS YET TO COME FOR THE
PHIL. REAL ESTATE SECTOR**

**GROWTH SECTORS PRIORITY INVESTMENTS ARE
RETIREMENT; HOTEL-RESORT DEVELOPMENT;
SPECIAL PROJECTS AND TO SOME EXTENT OFFICE
SPACES FOR BUSINESS PROCESS OUTSOURCING
AND RESIDENTIAL HOUSING.**

Legislative Agenda for the 14th Congress

(FY 2007-2010)

- 1. House Bill 2698 - An Act Creating the Department of Housing and Urban Development.**

The Department shall serve as the primary agency in the preparation, integration, coordination, supervision of plans, programs, projects and activities of the government relative to urban planning, development and renewal, including land use and zoning, housing provision, regulation and finance, and marginal settlement assistance and services.

- 2. House Bill 404 - An Act Creating a Local Housing Board in Every City and Municipality, Providing for Its Powers and Defining Its Duties and Functions and For Other Purposes.**

This will decentralize shelter production and delivery. Thus, speed up and resolve housing and urban development issues, problems and concerns at the local level. The creation of local housing boards will encourage more efficient shelter and land use planning by stakeholders themselves in the area by essentially providing the administrative machinery at the local level to effect the full implementation of Republic Act No. 7279, or the Urban Development and Housing Act (UDHA).

3. House Bill 1540 - An Act Creating a National Land Use Code.

This will give way to the formulation of a national land use framework as the policy guide of the proposed Land Use Policy Administration (LUPA) that will administer all matters pertaining to land usage. Consequently, the land use framework will also guide local government units in formulating their respective comprehensive land use plans and in enacting their zoning ordinances.

4. House Bill 1310 - An Act Instituting Reforms in Land Administration.

This will integrate the key land administration agencies, namely the Land Registration Authority (LRA), the Registry of Deeds (RD) of the Department of Justice; the Land Management Bureau (LMB) and Land Management Services (LMS) of the Department of Environment & Natural Resources; and the attachment of the National Mapping and Resource Information Authority (NAMRIA) into a single agency to be called the **Land Administration Authority (LAA). In so doing, the expertise of each agency will produce a synergistic effect towards addressing issues on policies, tenure security, land valuation and land taxation. It will also provide for the establishment of a Land Adjudication Board (LAB) that will serve as a quasi-judicial arm of the LAA to relieve the court of its borderland-related cases.**

5. House Bill 411 - An Act Instituting a Socialized and Low-Cost Housing Loan Restructuring Program.

This will institute a restructuring program for all socialized housing loan accounts (loans amounting to P225,000.00 and below) and all low-cost housing loan accounts (loans amounting to over P225,000.00 but not exceeding P500,000.00) with any of the government financing institutions and agencies.

6. House Bill 408

- **An Act Further Strengthening the Housing and Land Use Regulatory Board (HLURB).**

This will enable HLURB to meet the current demands of the functions it is mandated to perform. The Bill proposes to give the Board the power to conduct en banc hearings of any opposition to an application for a license, permit or clearance impressed with vital economic, social, environmental, or national implications. To further ensure its effective and efficient operation, the Board shall be allowed to appoint Housing and Land Use Arbiters and its own sheriffs and enforcement officers.

7. House Bill 410

- **An Act Further Strengthening the Home Development Mutual Fund.**

This will enable HDMF to ensure continuing growth and steadily generate a pool of savings. The benefits derived from this pool of savings, such as dividends and affordable housing schemes can only rebound to the general welfare and interest of the Fund's nearly 4.9 million members nationwide.

8. House Bill 407 - An Act Further Strengthening the Home Guarant Corporation (HGC) For Mass Housing Endeavors, Amending for the Purpose Republic Act No. 8763, otherwise known as the “Guaranty Corporation Act of 2000.

This seeks to amend the Charter of HGC to increase its resource utilization for socialized housing from 40% to 60%. Low-cost housing serves a greater expanse of the purpose. Hence, it must have a greater increase, that is, from 30% to 60% of the HGC’s current net worth. Resource utilization for the more expensive medium-cost and open housing will also be increased from the current 20% and 10% , respectively, to 40%.

9. House Bill 409 - An Act Further Strengthening the National Home Mortgage Finance Corporation (NHMFC) for Mass Housing Endeavors, Amending for the Purpose Presidential Decree No. 1267.

This seeks to increase the capitalization of NHMFC and to convert a portion of its loan with the Social Security System (SSS) and the Home Development Mutual Fund (HDMF) representing the accrued interests into preferred shares. It likewise allows the NHMFC to accept subscriptions of common shares by other government financial institutions or private or multilateral institutions that may be interested to invest.

10. House Bill 406

- An Act Further Strengthening the National Housing Authority, Amending for the Purpose Presidential Decree No. 757, as Amended.

To address the problem of homelessness, especially among the urban poor families, this Bill specifies the low-income families in urban areas as its target beneficiaries, giving emphasis on security of tenure. This will give the NHA the power to condone penalties and surcharges imposed on delinquent loans of its members who defaulted in the payment of their monthly amortizations due to the country's lingering economic crisis in the immediate past which affected the majority of our citizens.

11. House Bill 403

- An Act Providing for a Magna Carta for Homeowners' Ass'n.

We need a magna carta (or a grand law) for homeowners associations in order to encourage and facilitate their development in harmony with the local government units (LGUs). Moreover, this will address various problems pertaining to the relationship of said associations with their members and to improve relations with the immediate community they interact with for various socio-civic, economic development and ecological concerns.

12. House Bill 413 - An Act Amending the Subdivision and Condominium Buyer's Protective Decree.

This Bill seeks to amend the following Sections of Presidential Decree 957:

- a. Section 17, in order to promote extra-judicial expediency, and cutting red tape.**
- b. Section 18, to enhance protection to the buyers in mortgages.**
- c. Section 20, providing protection to developers from a failed time of completion by reasons not within their control such as natural disasters which are common today.**
- d. Sections 22 and 27, by including condominium units, the land-efficient mode of shelter in our ever-growing cities.**
- e. Section 25, which is being refined with the context of today's pre-selling schemes.**

13. House Bill 412 - An Act Instituting the Subdivision Green Parks Program, Granting Incentives for the Planting of Trees and the Development and Maintenance of Forested Areas in Subdivisions.

This will address the conservation of finite energy resources and the protection of the environment. The establishment of a Subdivision Green Parks Program is viewed to restore the loss of green areas in residential, industrial or commercial subdivisions. Instant benefits will be seen on the appearance of the subdivision, with further benefits cascading on to the residents' quality of living, less frequent power utilization and overall ecological balance which the young generation will learn to appreciate, enhance and protect.

- 14. House Bill 751 - An Act Regulating the Practice of Real Estate Profession in the Philippines and Creating a Professional Regulatory Board of Real Estate Professionals.**

This will recognize all real estate practitioners as professionals considering their vital and indispensable role in the economic recover of the country.

- 15. House Bill 2257 - An Act Amending Presidential Decree 957 to Increase Penalties for Violation Thereof.**

This seeks to amend Section 39 of PD 957 by increasing the penalties to serve a deterrent to erring developers of subdivisions and condominiums. Apparently, many land and condominium developers violate the law with impunity knowing that even if they get convicted, the fines and penalties is nothing compared to the loot they will make off with from their victims duped by their rotten sales deals and misleading marketing strategies.

16. Proposed “Project Financing Bill”

- This will ensure local financing for all government projects for infrastructure and utilities through the flotation of long-term, low-interest bonds to be purchased by the Bangko Sentral ng Pilipinas by issuing new local currency.**

The bonds shall eventually be retired during the life time of the self-liquidating project through transaction taxes generated by the use of the infrastructure or utilities. Infrastructure and utilities projects are to be contracted out to local companies and businessmen to give them the chance and opportunity to become as globally competitive as their foreign counterparts.

The pursuit of the total development of the country through internal bond flotation shall make available tremendous job and employment opportunities for our citizens to enable them to achieve a higher quality of life.

17. House Bill No. ___ - An Act Amending PD No. 1752, Otherwise Known as the Mutual Development Mutual Fund Law of 1980, as Amended, and for Other Purposes.



THANK YOU !