

JDA REAL ESTATE WEBINAR

“RESILIENT HOUSING STRATEGIES IN NATIONAL DEVELOPMENT”

THE IMPACT OF LOW INCOME HOUSING ON NATIONAL DEVELOPMENT



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October 28, 2024

POST COVID-2021/2022

GLOBAL MARKETS WERE SEVERELY IMPACTED:

1. Supply Chain Issues
 - Created a wider gap between demand and supply
2. Geo-Political Conflict in Europe exacerbated the supply problems
 - Ongoing
3. Low Global Productivity
 - Jamaica and the Construction sector wasn't immune

FALL OUT OF COVID

DISRUPTION IN THE GLOBAL ECONOMIES:

1. Global Inflation/Recession

- Jamaica Construction sector got hit with significant increases in steel, lumber and aggregates.

2. Global Central Bank Intervention to manage inflation-increase in rates

- In the Jamaica context, policy rates increased from 0.5% to 7.0% over 5 quarters

3. Banks Tighten Credit

- Risk for the Jamaica construction sector increased due to over exposure

IMPACT TO THE CONSTRUCTION/HOUSING SECTOR

OVERALL NEGATIVE IMPACT TO INPUT COST:

1. Increase in bank's lending rates-Higher Financing input cost
 - In some cases by 4% to 6%
2. Increase in mortgage rate-3% to 5%
 - Some pre-approved purchasers have to cancel sales contracts
 - Some Banks lowering LTV lending.
3. Banks tighten loan requirements for developers
 - Moved to 100% pre-sales with 100% pre-approvals of end users

RESULTS IN THE HOUSING MARKET

OVERALL MARKETING RISK AND SLIGHT SLOWDOWN IN HIGHER SEGMENT:

1. Housing prices increased by 20.0% to 25% since 2019 (JMB internal data)
 - In the higher end of the market up to 30%
2. Increased inventory especially in the higher end of the market
 - Longer time between LU and closing
 - Competitive rental market for investors
3. PIOJ reported 6 consecutive quarters of negative growth in the construction sector
 - Indication of a slight slowdown
4. Construction delays especially projects started just before or during COVID
 - Increase in Receiverships and Auctions.

THE EFFECTIVE DEMAND FOR HOUSING IN JAMAICA IS IN THE LOW TO MIDDLE INCOME SEGMENT



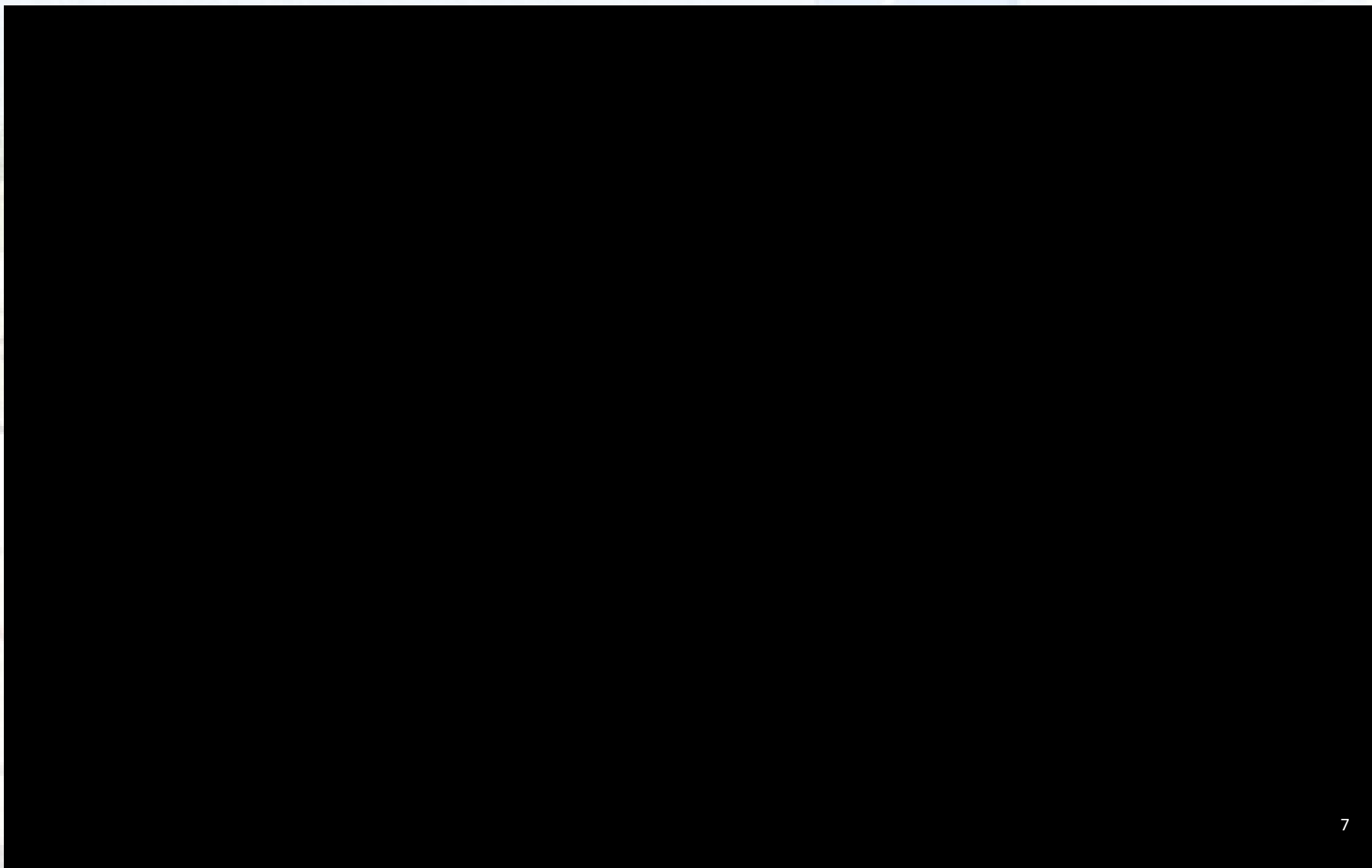
Very Low Conversion and Market Risk

- Government target is 70,000 Solutions



JMB PERFORMANCE DATA (5 YEARS)

Portview Manor



- Avg. ROI on projects funded by the JMB is 21% with ROE exceeding 80%
- Only the Stock Market rivals this level of consistent returns.

OPTIONS FOR CONSTRUCTION FINANCING

Kings Landing, Linstead

- The JMB have noted the GOJ's goal of providing 70,000 housing solutions in 4 to 5 Years.
- Price point set by the Gov is within the low income range of \$8M-\$10M per unit.



OPTIONS FOR CONSTRUCTION FINANCING

Kings Landing, Linstead

- NHT maximum loan to a couple is approximately \$15M.
- There is significant demand for low to low middle income housing. (\$8M to \$15M) per unit.



OPTIONS FOR CONSTRUCTION FINANCING

Genesis Manor, St. Elizabeth

- Assume a mix of solutions:
 - 25% service lots
 - 75% Housing units
- Assume a private Developer will need to retain 20% to 21% ROI in any arrangements w/GOJ



OPTIONS FOR CONSTRUCTION FINANCING

- All-in cost would be approx. \$5.5M X 70K solutions.
- Cost to meet the GOJ's goal (supply side) is estimated at between \$350B to \$380B (excluding land)



OPTIONS FOR CONSTRUCTION FINANCING

THE OPPORTUNITY
FOR ECONOMIC
GROWTH IS IN THE
SUPPLY-SIDE OF
HOUSING



Financial
Intermediaries

FUNDING
PROVIDERS



Supply

MORTGAGE
PROVIDERS

OPTIONS FOR FUNDING THE SUPPLY SIDE ?

1. NHT

Provide a sizeable chunk of the \$350B to \$380B

Housing construction spend estimated at \$12B annually (\$48B in 4 to 5 years)

2. Private Developers from own resources estimated (\$30B)

3. Other Government Entities (\$12B)

4. Pension Funds (Explore Chilean Model)

Funds under management (2016 report) was approx. \$396B

OPTIONS FOR FUNDING THE SUPPLY SIDE ?

OTHER OPTIONS TO FILL ANY GAP:

1. Selling off or Factoring a Portion of Mortgage Receivables Currently on our Books
 - The Big Five has approximately \$400B of Mortgage Loan Receivables in a fairly liquid market
2. Create an RMBS Market (deepening of the securities market)
 - Package quality loans as security for investment vehicle purposes
3. FIs need to take more calculated risk-reallocation of assets
 - The Big Three still hold some safe GOJ paper or CDs
4. Public Private Partnerships (PPP)

HOUSING DEVELOPMENT IN JAMAICA IS A HUGE OPPORTUNITY FOR A DIASPORA INVESTOR



Indirect Investor

- Real Estate Investment Trust (Funds)
 - Primarily used to Facilitate the Rental Market
- Create and Offer Diaspora Bonds or Participate in Open Market Securities Such as RMBS

OPTIONS FOR CONSTRUCTION FINANCING

WIN/WIN FOR GOVERNMENT-LOTS OF TAXES

- Stamp Duty on Bonds
- Stamp duty on Loan agreements
- Contractor Levy
- GCT on Construction Material
- Stamp duty on Mortgages

WIN/WIN FOR GOVERNMENT-LOTS OF TAXES

- Registration of Mortgage
- Transfer taxes on Sale
- Stamp duty on Transfer
- Increased Property Tax with the developed land

INDIRECT SPIN OFF INTO THE FORMAL AND INFORMAL ECONOMY SPURRING FURTHER GROWTH

Multiplier Effect at about 3X

- Hardware Stores
 - Create additional employment and taxes
 - MOM and POP Stores
 - Vending
 - Aggregators
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JAMAICA HAS ALL THE SKILLS OR TRAINING INSTITUTIONS NEEDED TO BUILD HOUSES

- Skilled Laborer
- Unskilled Laborers
- Professionals
 - Engineers
 - Architects
 - Quantity Surveyors
 - Contractors
 - Lawyers
 - Bankers

Absolutely no need to import any skill to build houses Jamaica

CONCLUDING

- Long been recognized that there is a significant shortfall in demand for housing
- The real opportunity for economic development and job creation is on the supply-side of housing for purchase or rental
- If we are serious about housing as a driver for economic growth, we could build out thousands of homes each year
- There are innovative ways to fund housing development
 - Private investors/Developers
 - Financial Institutions
 - Government/PPP