

MAKING MORTGAGE FINANCE WORK

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International Union for
Housing Finance





Capital: Islamabad

Area: 340,509 square miles

Largest City: Karachi

Languages: Urdu & English

Federal parliamentary republic

PAKISTAN

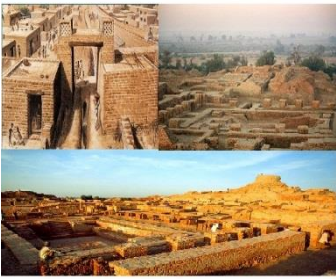


North: China

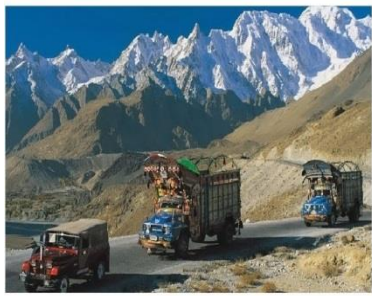
West: Afghanistan
& Iran

East: India

South: Arabian Sea



ONE OF THE OLDEST CIVILIZATIONS
(INDUS VALLEY CIVILIZATION)
- MOHENJO-DARO &
- HARAPPA



HIGHEST PAVED INTERNATIONAL ROAD IN THE WORLD
(THE KARAKORAM HIGHWAY)



2ND HIGHEST MOUNTAIN IN THE WORLD (K2)



2ND LARGEST SALT MINE IN THE WORLD (KHEWRA)



WORLD'S LARGEST IRRIGATION SYSTEM



4TH LARGEST COTTON PRODUCER IN THE WORLD



5TH LARGEST MANGO & SUGARCANE PRODUCER



6TH LARGEST POPULATION



6TH LARGEST ARMED FORCE IN THE WORLD



WORLD'S LARGEST VOLUNTEER AMBULANCE SERVICE PROVIDER (EDHI FOUNDATION)

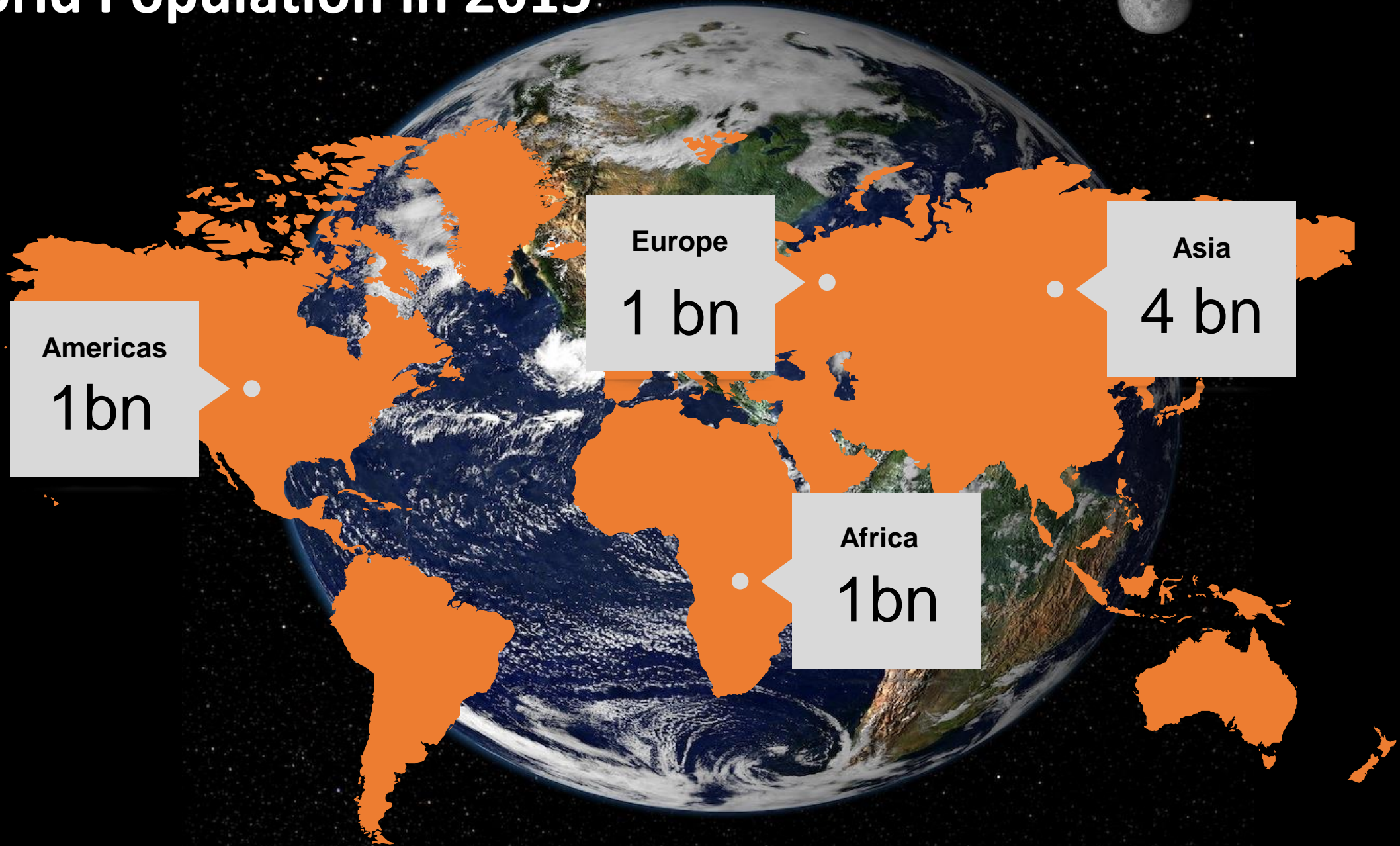


7TH LARGEST POOL OF SCIENTISTS AND ENGINEERS

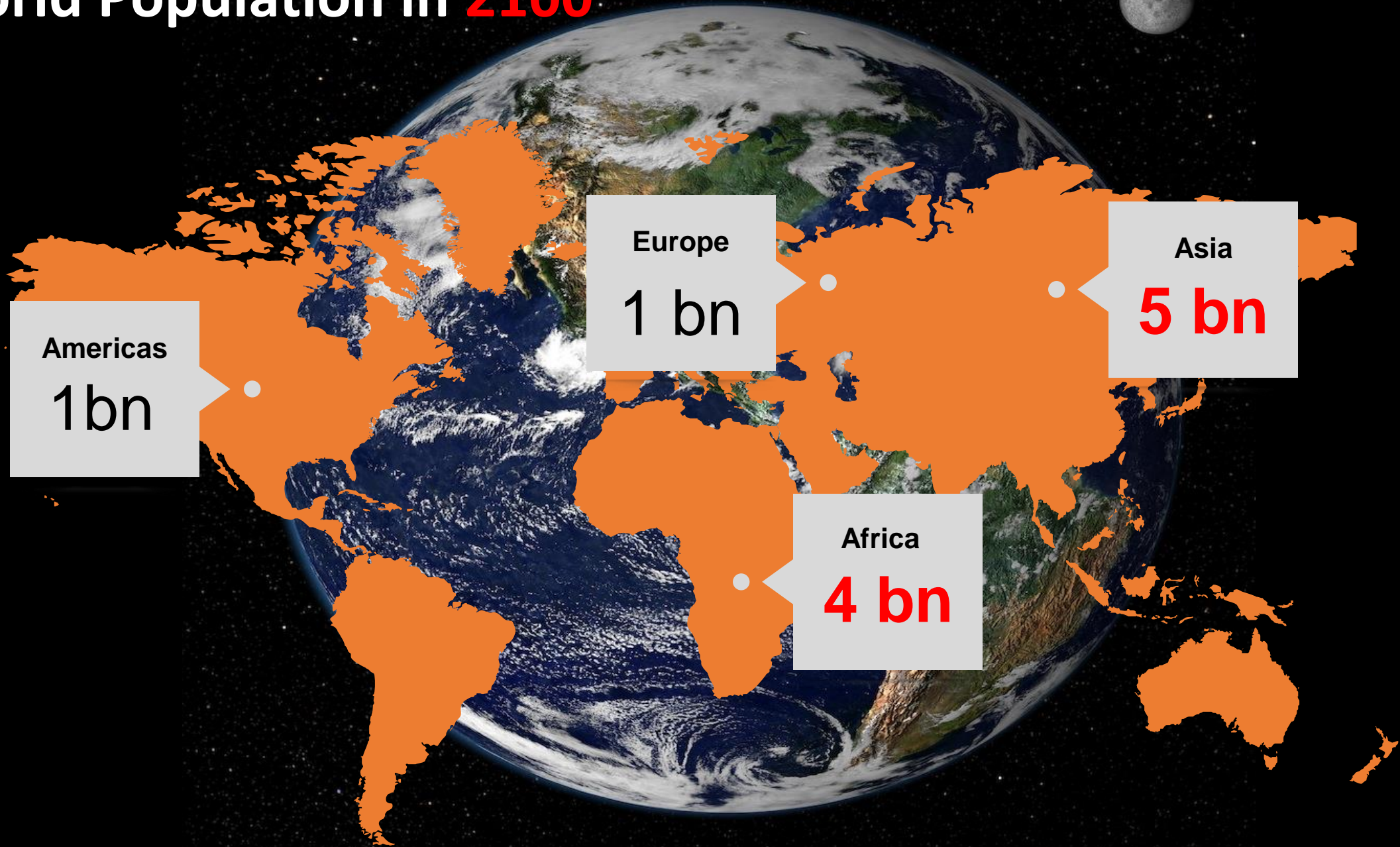


4TH IN TERMS OF BROADBAND INTERNET GROWTH

World Population in 2015



World Population in 2100



Economy

GDP **USD 311 Billion**

GDP per Capita USD 1,629

GDP Growth **5.28%**

25th largest In terms of **PPP**

42nd largest In **nominal terms**



Vibrant and Comfortable Financial Sector

BANKS

30 Commercial
10 Microfinance
8 DFIs

ROE > 15% CAR > 16%

46.6% ADR - banking industry
advances of PKR 6,013 billion

85% CASA paying an average of
3.8% to depositors

CAPITAL MARKETS

Average return over 15 years > **30% (CAGR)**

- Templeton
- Tundra Fonder
- Acumen Fund
- CDC Group
- The Abraaj Group
- Abu Dhabi Group companies
- Rocket Internet Capital Partners

Population Dynamics

Total Population: **199.1 Million**

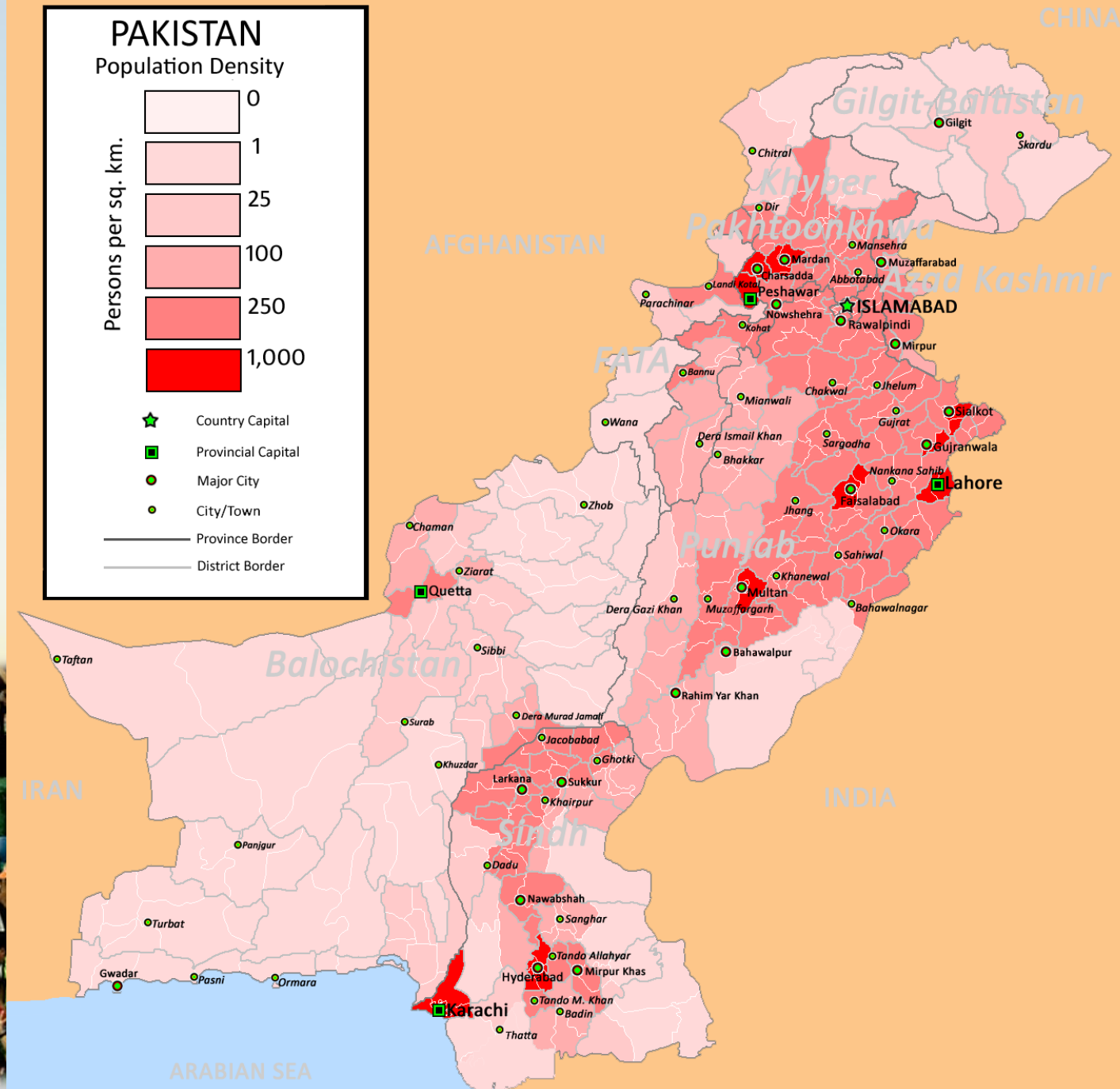
51% Males : 49% Females

40% : 60% Urban : Rural split

Adults (15-65yrs)

At Present: 115 million

In 2050: **>200m**



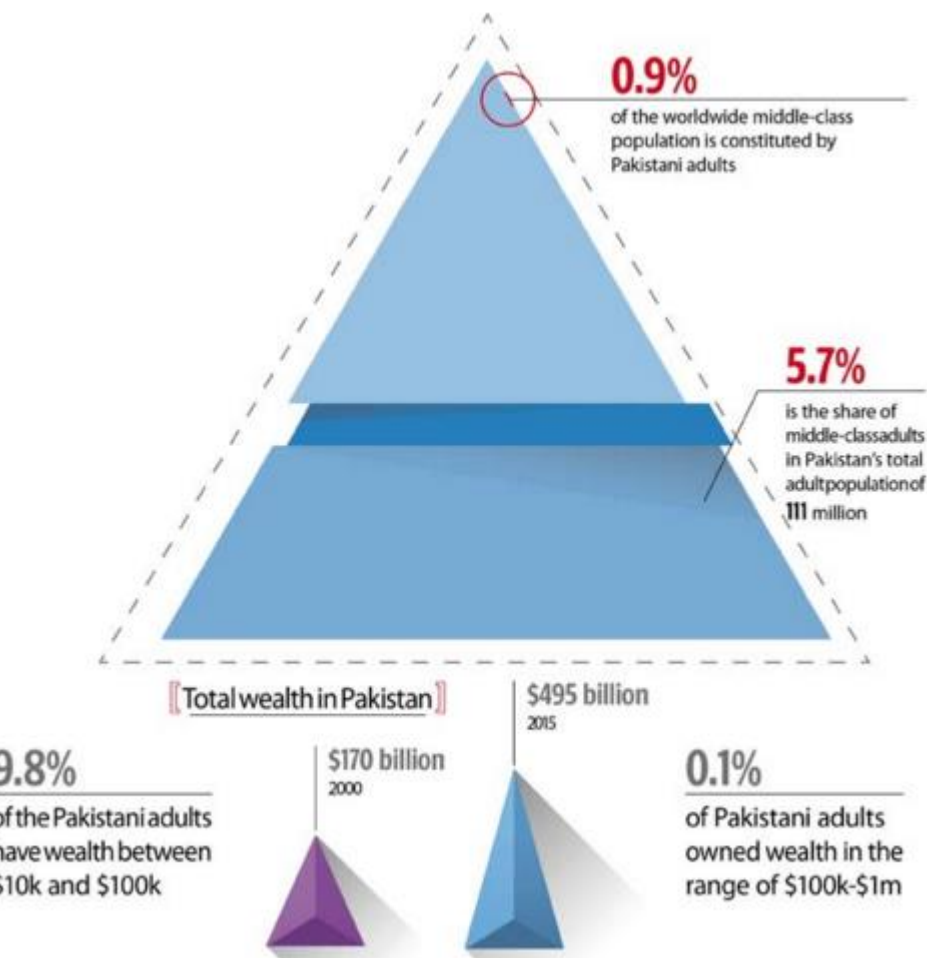
THE WALL STREET JOURNAL.

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WORLD | ASIA

Pakistan's Middle Class Soars as Stability Returns

Consumer spending rockets as poverty shrinks, and democracy holds



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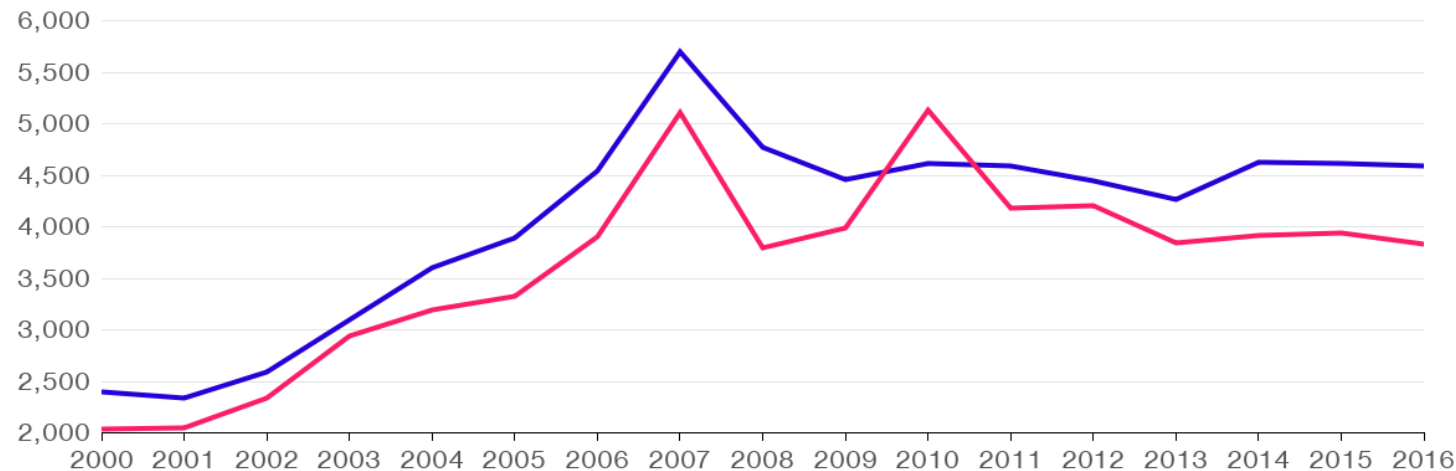
THE EXPRESS TRIBUNE BUSINESS

Pakistan's middle class continues to grow at rapid pace

Richer Pakistanis

Wealth per adult has outstripped rival India

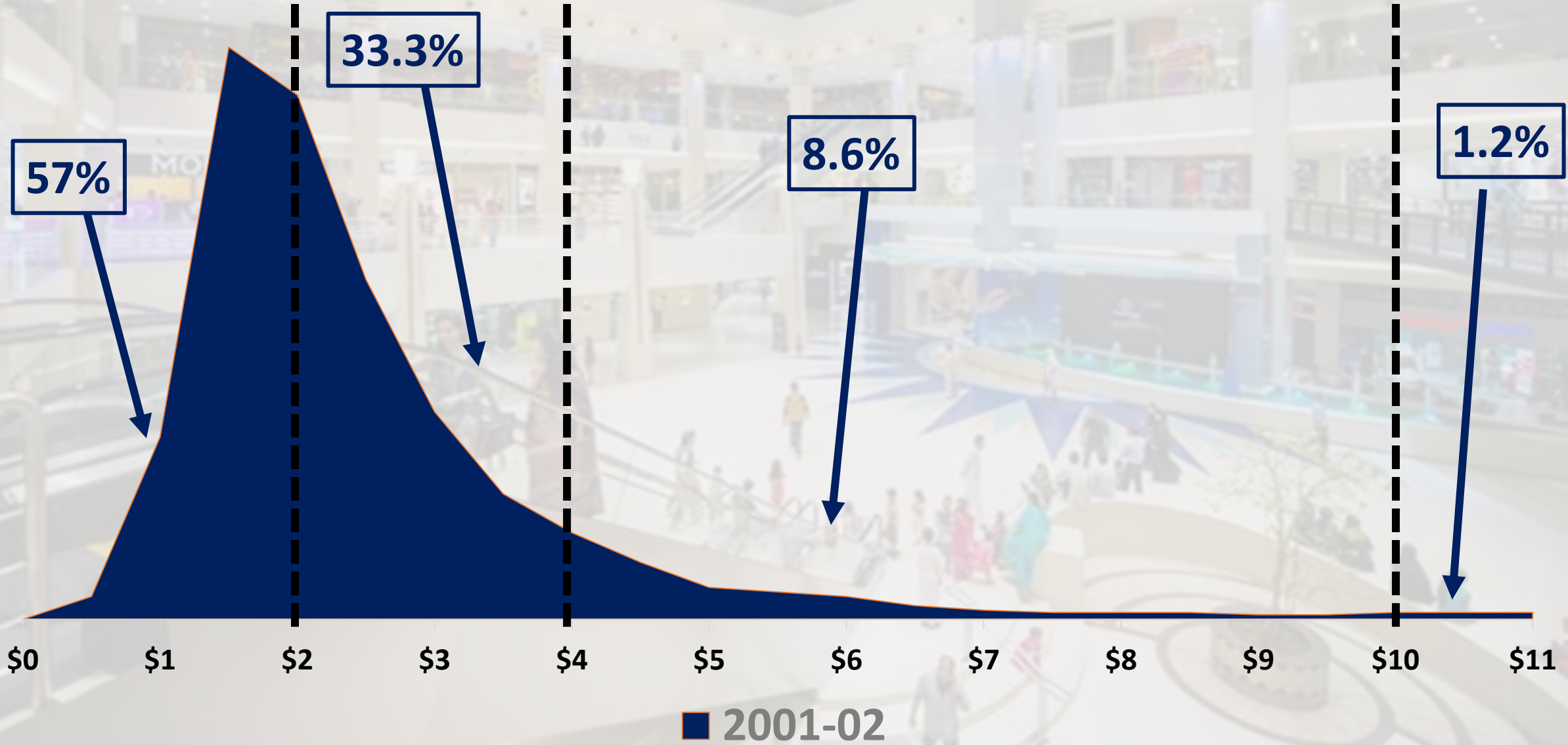
■ Pakistan ■ India



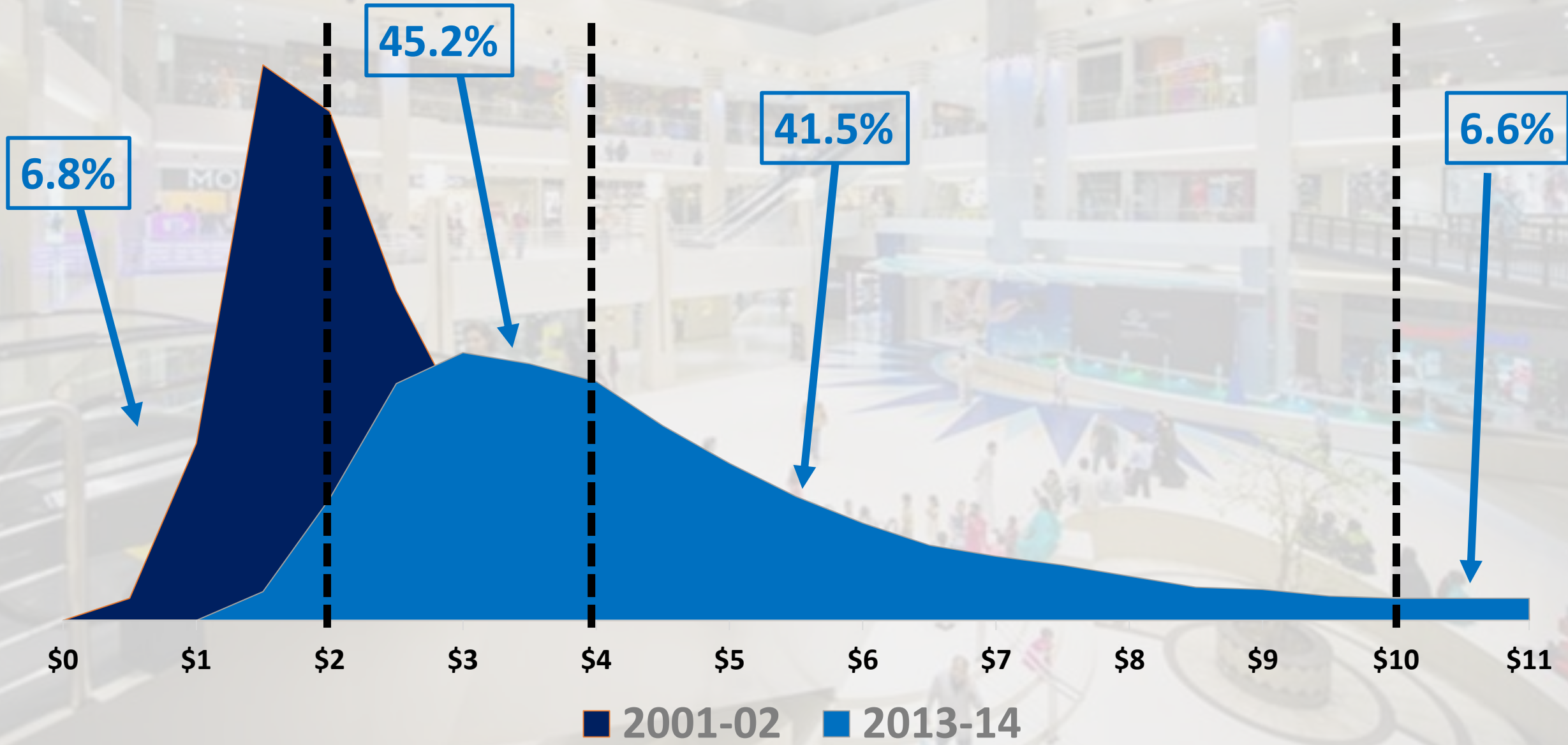
Source: Credit Suisse Global Wealth Report 2016

* Wealth estimates through the end of each year through 2014; mid of 2015 and 2016

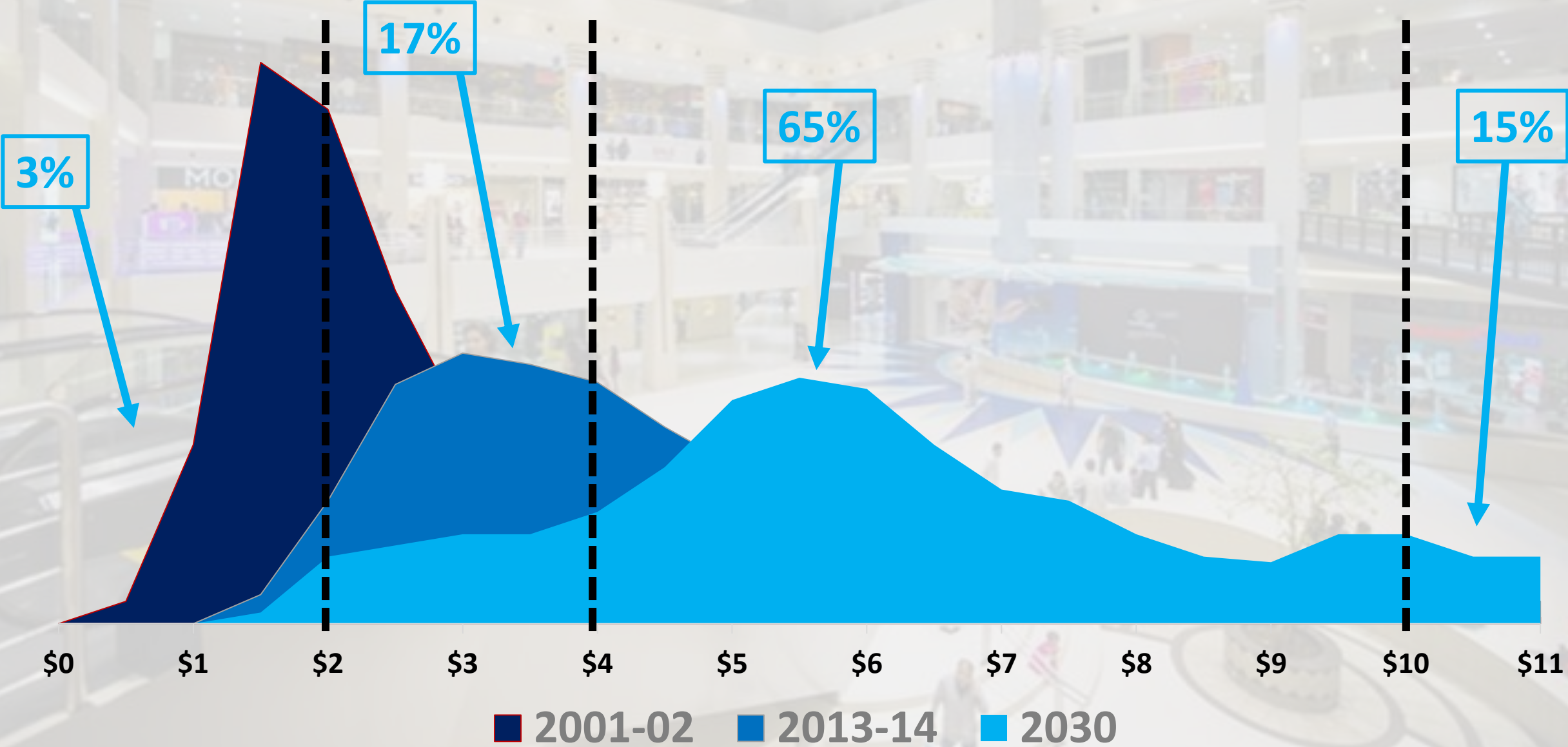
Households by Per Capita Consumption



Households by Per Capita Consumption



Households by Per Capita Consumption by 2030



Housing Finance in Pakistan

Role of Banks / DFIs in Housing Sector

From 1952 to 2003; HBFCL (House Building Finance Co.) was the only specialized housing bank in the country.

Commercial banks entered the mortgage business in 2003.

Nation's first Islamic Housing Finance facility was launched by

Meezan Bank in 2003.

Recession

In 2008, the real estate market witnessed a slump.

Banks engaged in housing finance either stopped or slow down the mortgage business.

Market Boom

Pakistan witnessed a real estate boom and Property prices skyrocketed making mortgage finance a real need.

2003

2008

2008-2017

Negligible Housing Finance (Amounts in PKR Billion)

2016



69,25

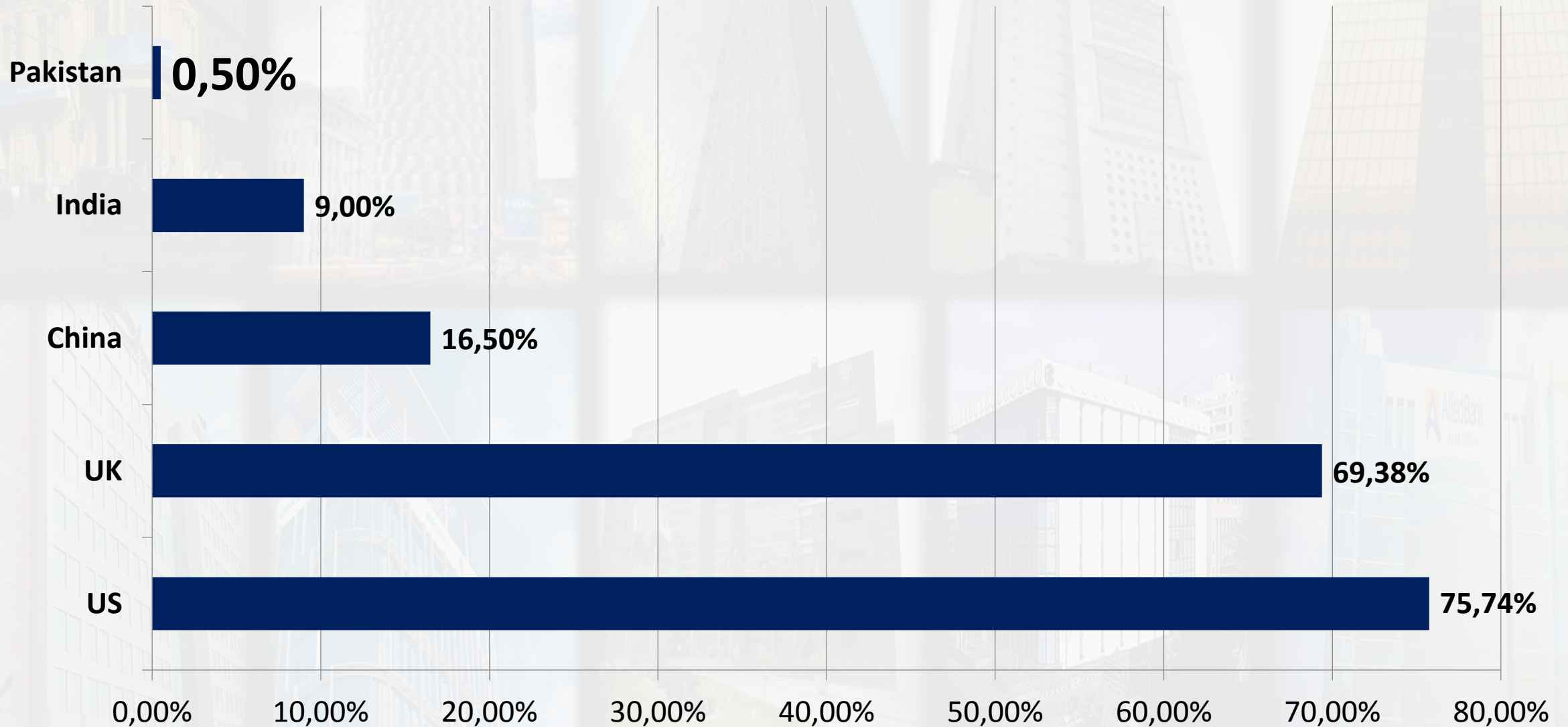
Housing Finance

Overall Bank Advances

6.013

Capital / Funding Starvation

Mortgage-Debt-to-GDP Ratio



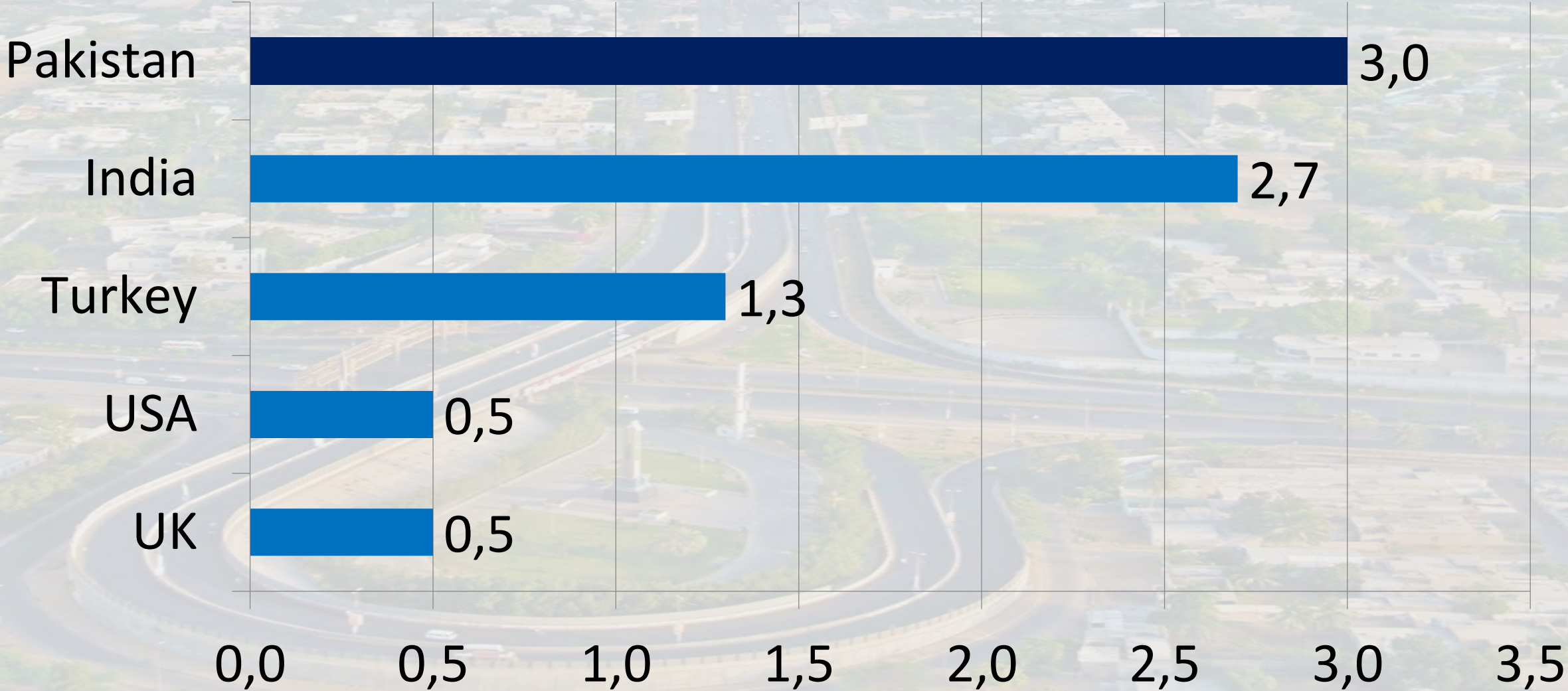
Capital Starvation Leading to Acute Housing Shortage

Millions of Units	2016 (E) Million units
Present Inventory of Houses	24.25
Housing Backlog*	10
Incremental Annual Requirement	0.70
Annual Production	0.30

*Clearing the backlog in 10 years would need annual investment in excess of
USD 20 billion

Housing Shortage Leading to Congested Living

People per Room



Pakistan – A Convincing Story for Mortgage Finance

- High volume backlog of housing
- Growing Middle Class
- Improving income levels
- Favourable Demographics
- Organised sector interest turning towards housing
- Evolving Regulatory Framework

Prudential Regulations (+ive)

Mortgage Refinance Company (+ive)

REIT Regulations (+ive)

Land Documentation Computerisation (+ive)

Foreclosure Laws (-ive)

Impediments to Mortgage Finance in Pakistan

- Lack of government and institutional **resources**
- Absence of specialized **institutions**
- Existing FIs lack **capital, skillset, and incentives**
- **Regulatory regime** though favourable needs further improvement

Strategy to Enter Pakistan

- Strong local partner and infrastructure
- Stringent cost controls
- Strategic alliances
- Modern product suite



Thank You