

THE AFFORDABLE HOUSING MARKET IN PAKISTAN:

MAY 2022

TRENDS, CHALLENGES & OPPORTUNITIES

DATA AND EVIDENCE FROM REALL'S MARKET
SHAPING INDICATORS (MSI) INITIATIVE



EXECUTIVE SUMMARY

There is a chronic and rapidly escalating housing challenge in Pakistan. With a shortage of at least 10 million homes and demand increasing at a far higher rate than supply, over 40% of the urban population continue to reside in slums, informal settlements or inadequate dwellings.

Lack of data is a key blockage to tackling the escalating affordable housing crisis in middle- and low-income countries. A lack of transparent information impedes housing markets, acting as a barrier to equitable access and affordable supply. An improved supply of credible, accessible and transparent market intelligence is needed to inform inclusive policymaking, amplify the investment case for climate-smart affordable housing, and crowd in new actors and resources to deliver at scale.

This briefing shares and analyses data and information on the state of the affordable urban housing market in Pakistan. The Market Shaping Indicators (MSI) are a cutting-edge international initiative to improve access to quality data on housing markets in African and Asian geographies, pioneered by market leaders Reall and the Centre for Affordable Housing Finance (CAHF). In Pakistan, evidence was collected by Reall and Impetus Advisory Group (IAG), as part of the MSI project. All data can be accessed and downloaded from reall.net/msi.

As this report sets out, the MSI project is much more than a numbers exercise. The data and evidence collated and summarised here underpin the trajectory of affordable housing policy, investment and practice in urban Pakistan.



Reall-funded affordable housing project in Faisalabad, Punjab, by Ansaar Management Company

KEY EVIDENCE-BASED RECOMMENDATIONS IN THIS REPORT

1 Provincial governments are encouraged to rationalise and streamline processes for property registration and construction permits, preferably through 'one-window' facilities, fast track mechanisms and time-bound approvals. MSI data demonstrates the largest regulatory burdens on affordable housing developers are related to obtaining sales certifications, executing and registering deeds, and the processing of submitted documents. As a result, property registration can take over 100 days (significantly longer than government estimates), impacting on project viability and affordability.

2 Regulatory changes are encouraged to reduce the minimum plot size for affordable housing development and incentivise developers. MSI data shows that Reall's in-country developer partners are delivering quality affordable housing units on plot sizes that are significantly below the presumed regulatory minimum size (37.9m², as opposed to 75.8m²). Reducing the mandated minimum plot size can act to reduce costs, in turn improving affordability.

3 Female or joint ownership of urban housing can be improved through the implementation of gender-based discounts and interest rate subsidies. Female or joint ownership of housing is very low across urban Pakistan (6.5%, with significant variation across cities). Female ownership is also significantly lower for the bottom of the income pyramid than the wider population. Preliminary learnings from comparable geographies suggest gender-based discounts on property taxes, stamp duties and registration fees can successfully stimulate increased homeownership for women. This impact can be catalysed further through concessions on interest rates for home loans registered in a woman's name.

4 The Government and State Bank of Pakistan are encouraged to close loopholes in the current requirement for all banks to allocate at least 5% of their loan portfolios for housing and construction financing. Many institutions may be avoiding the 5% obligation by instead placing funds in safe government securities or lending to their own employees. Banks should be further encouraged to meet their affordable housing obligations.

5 The Government and State Bank of Pakistan's official housing Markup Subsidy Scheme (Mera Pakistan Mera Ghar, MPMG) could be strengthened by lowering interest rates and extending the length of loans. MSI data shows that under MPMG, average income households in the bottom 40% of the urban population are making unsustainable repayments and can afford a house at a maximum cost of PKR 16 lakh (US\$9,000) – far less than what is available on the market.

6 There is an urgent need for more transparent and credible data, to better understand the flows of construction finance, where construction is happening, and the opportunities for greening and advancing sustainability. An improved data landscape is beneficial to all market actors. Reall calls for all data custodians and market players to improve data transparency and disaggregation – especially the Pakistan Bureau of Statistics, the Naya Pakistan Housing Development Authority, the Association of Builders and Developers (ABAD), Pakistan Mortgage Refinance Company (PMRC), House Building Finance Company Limited (HBFCL), Zameen.com, and various provincial building and land records authorities.

INTRODUCTION:

THE HOUSING CHALLENGE & NEED FOR MARKET INTELLIGENCE

Affordable housing is an escalating global challenge. By 2025, it is estimated that at least 1.6 billion people will live in substandard housing conditions or will be financially challenged by housing costs, often lacking access to basic services and exposed to environmental hazards. This challenge is acute for rapidly urbanising parts of Africa and Asia, as urban population growth outpaces supply and official capacity.¹

Huge housing deficits in Sub-Saharan Africa (60 million homes) and South Asia (80 million homes) have contributed to urban sprawl, a lack of housing options and infrastructure, and given rise to overcrowded slums such as those found in Accra, Cape Town, Kampala, Karachi, Lagos, Manila, Mumbai, and Nairobi.² Scalable, affordable housing solutions can improve the health and economic opportunities of people on low incomes, while driving inclusive growth, climate mitigation and urban

resilience. Despite the impactful opportunity, delivery is often inhibited in emerging markets by demand-side and supply-side bottlenecks.³

A lack of transparent data and evidence relating to real estate and affordable housing is a fundamental market barrier common to many African and Asian countries. A tendency for opaque and fragmented data has cultivated information deficits and confused the inner workings of specific housing markets.⁴

This information asymmetry across policymakers, developers and financiers encourages price inflation and market speculation, at the cost of affordable housing for customers. An improved supply of credible market intelligence is needed to inform inclusive policymaking, amplify the investment case for affordable housing, and crowd new actors and resources into the space.

Market leaders Reall (an innovator and investor in climate-smart affordable housing) and the Centre for Affordable Housing Finance in Africa (CAHF – an independent think tank) have been driving initiatives to resolve data gaps and improve understandings of housing markets. Together, they have spearheaded the Market Shaping Indicators (MSI) project as an international initiative to improve access to data on housing markets in African and Asian geographies.

Through a blend of local and international expertise, rigorous research and methodical data collection, the MSI initiative brings together national, regional and city-wide evidence for affordable housing in a single 'live' dashboard. This enables market stakeholders to quickly access and assess relevant market intelligence and make more informed investment and policy decisions.⁵

This briefing utilises recently collected MSI data in Pakistan by Reall and in-country partner Impetus Advisory Group (IAG) to illuminate and assess the current state and trajectory of the country's urban affordable housing market. It does so at a time of unprecedented political support for affordable housing within Pakistan as an engine for economic and social development, in a broader context of COVID-related

upheaval and uneven progress towards the UN Sustainable Development Goals (SDGs).

The data and evidence summarised in this briefing have significant implications for the trajectory of affordable housing policy, investment and practice in urban Pakistan. The subsequent sections introduce key highlights and examples from the MSI data, beginning with a summary of the research methodology and

a general outline of the current context in Pakistan.

The report then dives deeper into specific findings relating to urbanisation and housing conditions; housing finance; and land, infrastructure and regulations. Throughout, the briefing emphasises the practical significance of the MSI data and makes critical recommendations and calls to action for the wider ecosystem.

MSI COLLABORATORS



SCALABLE, AFFORDABLE HOUSING SOLUTIONS CAN IMPROVE THE HEALTH AND ECONOMIC OPPORTUNITIES OF PEOPLE ON LOW INCOMES, WHILE DRIVING INCLUSIVE GROWTH, CLIMATE MITIGATION & URBAN RESILIENCE.

1 McKinsey Global Institute. *A blueprint for addressing the global affordable housing challenge*. Washington, 2014. Available at: https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Tackling%20the%20worlds%20affordable%20housing%20challenge/MGI_Affordable_housing_Full%20Report_October%202014.ashx

2 Housing deficit estimates calculated by Reall, based on most recent available data.

3 McKinsey Global Institute. *A blueprint for addressing the global affordable housing challenge*. Washington, 2014.

4 Centre for Affordable Housing Finance (CAHF). *'Unlocking Market Intelligence for the Affordable Housing Sector: Data Agenda for Housing in Africa'*. CAHF. 2021. Available at: <https://housingfinanceafrica.org/documents/unlocking-market-intelligence-for-the-affordable-housing-sector-data-agenda-for-housing-in-africa/>

5 Reall. *'Market Shaping Indicators: Overview'*. 2022. Available at: <https://reall.net/msi/>



MSI METHODOLOGY

PAKISTAN

The Market Shaping Indicators

(MSI) project is an international initiative to improve access to data on housing markets in African and Asian geographies. Beginning in 2019, Reall and CAHF partnered with data consultancy 71point4 to design a comprehensive set of indicators across the housing value chain, that collectively shed light on the inner workings and dynamics of affordable housing markets in Africa.

This exercise stemmed from an acknowledgement that most African housing markets are opaque, with limited useful data available publicly. Reall subsequently adapted this MSI framework to South Asia, working with in-country experts to implement on the ground in India and Pakistan. In Pakistan, Reall partnered with Impetus Advisory Group (IAG) to localise the MSI framework and undertake data collection and evaluation.

This work is critical in Pakistan as the data landscape is fragmented, and the specific workings of the housing market are opaque at all levels: national, provincial, city and district. Household surveys and censuses rarely reference affordable housing when collecting citizen data, and relevant private datasets are rarely accessible or open for dissemination. There is also a large informal housing market which escapes oversight.

PAKISTAN'S TRANSPARENCY OF INFORMATION INDEX RANKING:

Asia



11th of 48



Aggregation: National

Year: 2020

Source: World Bank DBI

Global



38th of 190



Aggregation: National

Year: 2020

Source: World Bank DBI

■ Data quality ■ Data accessibility

DATA QUALITY & ACCESSIBILITY KEY

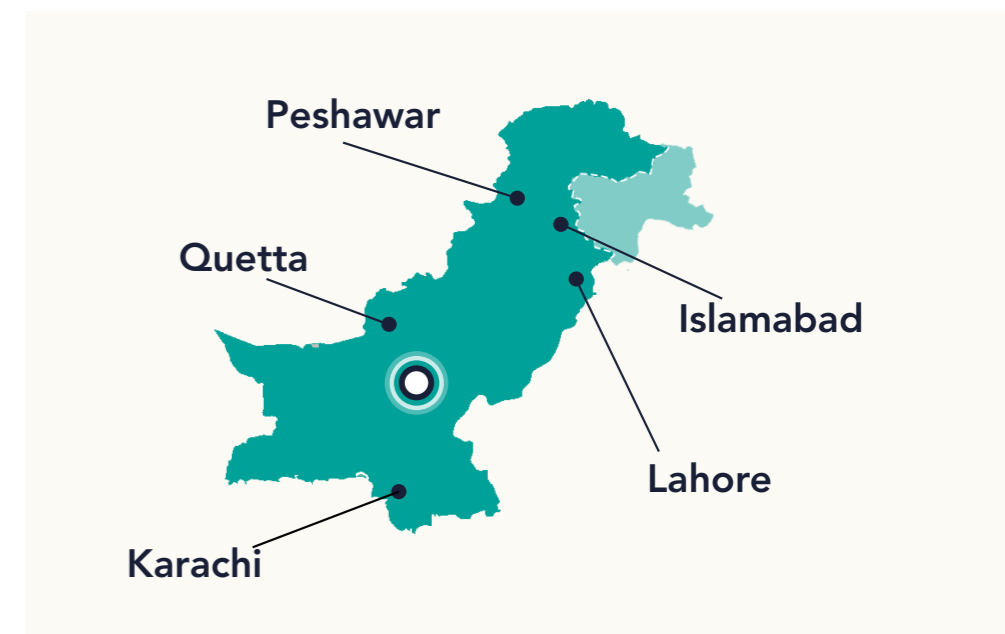
Each data point is assessed and measured on how verifiable, relevant, credible, representative, and timely it is, in parallel to how easy it is to access. Each data point is given an overall score from one of the following:

- ★ Poor
- ★★ Moderate
- ★★★ Good
- ★★★★ Excellent

MSI LOCATIONS

MSI data collection and analysis focused on key urban geographies across Pakistan's four Provinces: Karachi in Sindh; Lahore in Punjab; Peshawar in Khyber Pakhtunkhwa; Quetta in Balochistan; and Islamabad in Islamabad Capital Territory. **These areas collectively represent 15% of the national population.**

The rationale for these locations was to ensure inclusion of the capital region; provide a wide geographical spread encompassing all four Provinces; and capture diverse aspects of the Pakistan housing market.



MSI data was collected through primary data sources such as Reall's in-country affordable housing developer partners, and secondary sources such as government institutions, private organisations, and international datasets. The below summarises the key data custodians and sources for MSI Pakistan:

GOVERNMENT INSTITUTIONS

- Pakistan Bureau of Statistics
- Government of Pakistan: Finance Division
- Sindh Building Control Authority (SBCA)
- Punjab Land Records Authority
- Naya Pakistan Housing Development Authority
- State Bank of Pakistan
- Islamabad Capital Territory Administration
- Khyber Pakhtunkhwa Board of Revenue
- Balochistan Board of Revenue
- Board of Investment

PRIVATE ORGANISATIONS

- Pakistan Microfinance Network
- Reall partner firms: ModulusTech, Entertainment Pakistan Limited (EPL), Ansaar Management Company (AMC)
- Pakistan Mortgage Refinance Company (PMRC)
- Association of Builders and Developers (ABAD)
- House Building Finance Company Limited
- Zameen.com

INTERNATIONAL DATASETS

- World Bank: National Accounts Data
- World Bank: The Global Findex Database
- World Bank: Doing Business
- The Demographic and Health Survey
- United Nations: World Population Prospects
- United Nations Development Programme: Human Development Report
- Corruption Perceptions Index (CPI)
- Global Income Distribution Database

THE PAKISTAN HOUSING CONTEXT

Pakistan faces a challenging national, regional and global context. Pakistan is the world's fifth most populous country. It's young population and strategic location indicate potential for rapid growth. This potential is also constrained by structural issues including poverty, inequality, debt, instability and low human development.

The COVID-19 pandemic has compounded these challenges further through negative growth, unemployment, currency depreciation and high inflation.⁶

There is a chronic and rapidly escalating housing challenge in Pakistan. The country has a national housing shortage of at least 10 million homes, with nearly half of this deficit in urban areas. Annual urban housing demand in Pakistan is at least 350,000 units, of which over 60% is for lower-income groups.⁷

As formal supply per year is only 150,000 units, this has resulted in 40% of the urban population residing in slums, informal settlements or inadequate dwellings. Nearly half of all urban

households are overcrowded and the quality of water and sanitation services is low.

In the context of rapid urban population growth (3% per year) this housing scarcity represents a crisis if unmet, as insufficient supply contributes to negative economic, environmental and social impacts. Alternatively, the huge demand for housing will be an opportunity for growth and sustainable development if decisionmakers and investors rise to the challenge and deliver for people living on low incomes.

The Government of Pakistan has implemented various initiatives to address the housing problem, most notably in recent years the Naya Pakistan Housing Program (NPHP). The NPHP seeks to facilitate land for development, install infrastructure, and encourage developers to construct units at affordable cost.⁸

While the programme is extremely unlikely to reach its target of facilitating 5 million new homes by 2023, it has resulted in

the creation of new housing stock that is affordable and accessible to underserved segments. Pakistan's housing shortage is a problem of demand as well as supply. Mortgages are widely unavailable and the housing finance market is stunted due to a lack of clean titling, inappropriate regulations, and limited affordability.

The Government of Pakistan has made significant progress towards reforming foreclosure laws, mandating banks to

allocate credit to housing, and encouraging the development of a secondary mortgage market. However, much more is required to fully de-risk and enable the market.

The following sections of this report dive deeper into specific aspects of the affordable housing market in Pakistan through the lens of MSI data, making key evidence-based recommendations for policymakers, financiers and developers to improve delivery.

IN THE CONTEXT OF RAPID URBAN POPULATION GROWTH AND WORSENING CLIMATE IMPACTS, IT IS IMPERATIVE FOR PAKISTAN TO GET HOUSING RIGHT AND ENSURE ITS CITIES ARE GREENER, MORE LIVEABLE, MORE RESILIENT, AND MORE INCLUSIVE FOR ALL.

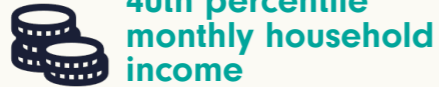


PKR 188,900 / \$1,080.91



Aggregation: National

Year: 2020, **Source:** World Bank



PKR 30,210 / \$172.87



Aggregation: Urban

Year: 2019, **Source:** Pakistan Bureau of Statistics



12.2 million



Aggregation: Urban

Year: 2017, **Source:** Population & Housing Census

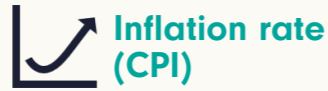


3.01%



Aggregation: Urban

Year: 2017, **Source:** Population & Housing Census



9.74%



Aggregation: National

Year: 2020, **Source:** World Bank



33.62%



Aggregation: Urban

Year: 2021, **Source:** Pakistan Bureau of Statistics

■ Data quality ■ Data accessibility



⁶ World Bank. 'The World Bank in Pakistan: Overview'. 2022. Available at: <https://www.worldbank.org/en/country/pakistan/overview#1>
⁷ Arif Hasan and Hamza Arif. *Pakistan: the causes and repercussions of the housing crisis*. IIED Working Paper. London. 2018.
⁸ Tabadlad. *Optimizing the Naya Pakistan Housing Policy Opportunity*. Islamabad. 2019.

URBANISATION & URBAN HOUSING CONDITIONS

Housing in Pakistan is unaffordable for the majority of the urban population. The MSI data collected by Reall and IAG speaks to this housing challenge on many levels – highlighting high levels of overcrowding, pervasive slum conditions, low levels of human development, and expensive housing construction and delivery costs.

Reall's in-country developer partners AMC and EPL are delivering affordable housing units at a cost of PKR 25 lakh (US\$14,000) to the end user.⁹ This is the lowest price in the country by a significant margin. However, this price point is still not

affordable to a majority of urban households based on market mortgage finance terms. While these developers have pioneered innovative housing finance solutions that are accessible to the bottom 40% of the urban population,¹⁰ this is not an easily replicated approach. New interventions are needed in the regulatory, financial and political arenas to drive down costs and improve commercial viability.

MSI research highlights that the existing physical designs for affordable housing in Pakistan are largely inadequate for addressing the impacts of rapid urbanisation. Existing housing stock lacks

resilience and is susceptible to risk and hazards. Less than 1% of household expenditure is spent on home improvements, and many homes are at risk due to a lack of maintenance and improvement.

The bottom 40% of the income pyramid is also prevented from developing the limited land they have access to, which fuels further slum development and prevents moving a 'rung' up the housing ladder, away from informal settlements.¹¹ These statistics all signal an enormous need for quality, resilient and affordable housing for lower-income urban households.

 **Average household size**

6.3 people



Aggregation: Urban

Year: 2018, **Source:** DHS


 **Number of overcrowded households**

4.94 million



Aggregation: Urban

Year: 2017, **Source:** Population & Housing Census


 **% of population living in slums, informal settlements, or inadequate dwellings**

40.1%



Aggregation: Urban

Year: 2018, **Source:** World Bank


 **Price of the cheapest, newly built dwelling by a formal developer or contractor**

PKR 25 lakh / \$14,300



Aggregation: Urban

Year: 2021, **Source:** Reall partners and private developers (AMC in Peshawar, EPL in Lahore)

 **% of households that can afford cheapest newly built dwelling by a formal contractor or developer, based on market mortgage finance terms**

< 20%



Aggregation: Urban

Year: 2019, **Source:** Reall partners and private developers, Household Integrated Economic Survey, State Bank of Pakistan

 Data quality  Data accessibility

⁹ Reall. Partner Profiles. Coventry. 2022. Available at: <https://reall.net/partnership/partner-profiles/>

¹⁰ Andrew Jones. 'Partnership and Financial Innovation part II: Reall, affordable housing markets and Covid-19 in urban Africa and Asia'. Housing Finance International. 2021.

¹¹ Charlotte Lemanski. 'Moving up the Ladder or Stuck on the Bottom Rung? Homeownership as a Solution to Poverty in Urban South Africa'. International Journal of Urban and Regional Research, 35:1, pp.57-77. 2011.

MSI DATA RECOMMENDATIONS

URBANISATION AND URBAN HOUSING CONDITIONS

1 AFFORDABLE HOUSING DESIGNS AND TYPOLOGIES SHOULD RESPOND TO THE REALITY OF OVERCROWDING.

Average household size is high in urban Pakistan (6.3 people per house), especially in Peshawar (8.4 people per house). Overcrowding inhibits social and economic development and is linked with exacerbating the health impacts of Covid-19.¹² There is a need for innovative designs that maximise floorspace and embrace higher-density building.

2 REGULATORY CHANGES ARE ENCOURAGED TO REDUCE THE MINIMUM PLOT SIZE FOR AFFORDABLE HOUSING DEVELOPMENT AND INCENTIVISE DEVELOPERS.

MSI data shows that Reall's in-country developer partners are delivering quality affordable housing units on plot sizes that are significantly below the presumed regulatory minimum size (37.9m², as opposed to 75.8m²). Reducing the mandated minimum plot size can act to reduce costs, in turn improving affordability.

3 CLIMATE-SMART HOUSING SOLUTIONS WOULD BENEFIT FROM HIGHER PRIORITISATION IN POLICY FRAMEWORKS AND MARKET ENABLING INITIATIVES.

Reall partner ModulusTech is delivering a low-carbon prefabricated housing product with integrated renewable energy and water purification systems. These can be constructed in days and operate off-grid, saving an estimated 90% of carbon emissions per house over its lifetime.¹³ Furthermore, at PKR 35 lakh (US\$20,000) this is the lowest cost affordable housing in Karachi – demonstrating the potential for commercial viability and scalability. While work remains to build awareness with clients, these solutions are urgently needed to address the housing shortage while mitigating carbon emissions and boosting resilience.

4 MORE EVIDENCE IS REQUIRED TO FULLY UNDERSTAND THE DYNAMICS OF THE PAKISTAN HOUSING MARKET, AS WELL AS THE SUBSTANTIAL INFORMAL HOUSING MARKET.

An improved data landscape is beneficial to all market actors. Reall calls for all data custodians and market players to improve data transparency and disaggregation in future.

¹² OECD. 'Housing amid Covid-19: Policy responses and challenges'. Paris. 2020. Available at: <https://www.oecd.org/coronavirus/policy-responses/housing-amid-covid-19-policy-responses-and-challenges-cfdc08a8/>

¹³ Reall. Reall Partnerships: ModulusTech. Coventry. 2020. Available at: <https://reall.net/wp-content/uploads/2021/12/ModulusProfile.pdf>

HOUSING

FINANCE

Housing finance plays an essential role in the housing value chain, as a household's capacity to acquire a house is determined by the availability and affordability of long-term loans and mortgages. In many emerging economies, lower-income households are simply unable to afford decent homes without the development of robust housing finance solutions.¹⁴ A shallow housing finance sector is reflected in a national mortgage-to-GDP ratio of just 0.27% (the lowest in South Asia), **equivalent to just 58,260 outstanding mortgages for a**

country of over 200 million people. To help combat this, the State Bank of Pakistan (SBP) has mandated all banks to allocate at least 5% of their loan portfolios for housing and construction financing by the end of 2021.¹⁵

However, lower-income customers typically lack collateral and credit histories, and do not meet the conservative risk criteria of mainstream banks and established financial institutions. This challenge is acute for people working in the informal sector (the majority of non-agricultural employment), who

lack regular salaried income and documentation. The Government of Pakistan has introduced reforms to widen access to housing finance, including long-awaited foreclosure laws. In conjunction with the Naya Pakistan Housing Program, the Government introduced an official Markup Subsidy Scheme in 2020, commonly known as the Mera Pakistan Mera Ghar (MPMG) Scheme. This initiative provides financing at a fixed, subsidised rate for underserved customers significantly reducing interest rates compared to industry norms, though this remains

unaffordable for many. The Government of Pakistan has also partnered with the World Bank to establish the Pakistan Mortgage Refinance Company (PMRC),

as a mechanism to improve liquidity, develop a secondary mortgage market, and incentivise mortgage financing for low-income groups. The PMRC was

operationalised in 2018 and has since disbursed a \$70 million line of credit to 17 primary mortgage lenders, including microfinance providers.¹⁶

MSI DATA RECOMMENDATIONS

HOUSING FINANCE

1 FEMALE OR JOINT OWNERSHIP OF URBAN HOUSING CAN BE IMPROVED THROUGH THE IMPLEMENTATION OF GENDER-BASED DISCOUNTS AND INTEREST-RATE SUBSIDIES.

Female or joint ownership of housing is very low across urban Pakistan (6.5%, with significant variation across cities). Female ownership is also significantly lower for the bottom of the income pyramid than the wider population. Learning from comparable geographies suggest gender-based discounts on property taxes, stamp duties and registration fees can successfully stimulate **increased homeownership for women.** This impact can be catalysed further through concessions on interest rates for home loans registered in a woman's name.

2 THE GOVERNMENT AND STATE BANK OF PAKISTAN ARE ENCOURAGED TO CLOSE LOOPHOLES IN THE CURRENT REQUIREMENT FOR ALL BANKS TO ALLOCATE AT LEAST 5% OF THEIR LOAN PORTFOLIOS FOR HOUSING AND CONSTRUCTION FINANCING.


Many institutions may be avoiding the 5% obligation by instead placing funds in safe government securities or lending to their own employees. Banks should be further incentivised to meet their affordable housing obligations.

3 THE GOVERNMENT AND STATE BANK OF PAKISTAN'S OFFICIAL HOUSING MARKUP SUBSIDY SCHEME (MERA PAKISTAN MERA GHAR, MPMG) WOULD BENEFIT FROM LOWERING INTEREST RATES AND EXTENDING THE LENGTH OF LOANS.

MSI data shows that under MPMG, households in the bottom 40% of the urban population would be required to make unsustainably high repayments, and even then would only be able to afford a home with a maximum cost of PKR 16 lakh (US\$9,000) – far less than what is available on the market.

4 DIGITAL INNOVATIONS AND ENABLERS CAN BE SUPPORTED IN THE HOUSING FINANCE INDUSTRY WITH AMENABLE POLICY, REGULATION AND AFFORDABLE FINANCING TO ENABLE A PATHWAY TO SCALE AND REPLICATION.

Reall partner Trellis (a housing finance start-up) is pioneering in this space in Pakistan, having developed a fully digital mortgage origination and credit assessment platform that caters primarily to lower-income and informally employed workers.¹⁷


 % of households that own their dwelling

70.87%



Aggregation: Urban

Year: 2018, Source: Population & Housing Census


 % of households with female ownership

6.49%



Aggregation: Urban

Year: 2017, Source: Population & Housing Census


 % of adult population that borrowed formally

2.63%



Aggregation: National

Year: 2017, Source: World Bank: Global Findex

 Maximum dwelling price affordable to bottom 40% households based on market mortgage finance terms

\$9,027.15



Aggregation: Urban

Year: 2019, Source: State Bank of Pakistan


 Number of formal housing finance loans outstanding

58,620



Aggregation: National

Year: 2019, Source: State Bank of Pakistan

 Number of formal housing finance providers regulated by the central bank

70.87%



Aggregation: Urban

Year: 2018, Source: Population & Housing Census

 Data quality  Data accessibility

¹⁴ Andrew Jones and Lisa Stead. 'Can people on low incomes access affordable housing loans in urban Africa and Asia? Examples of innovative housing finance models from Reall's global network'. Environment and Urbanization. 32:1, pp.155-174. 2020.

¹⁵ Shahid Iqbal. 'SBP reviews home loan targets for banks'. Dawn. Karachi. 27 February 2022. Available at: <https://www.dawn.com/news/1677326>

¹⁶ World Bank. Project Paper: Proposed Additional Credit for the Pakistan Housing Finance Project. World Bank South Asia. 2022. Available at: <https://documents1.worldbank.org/curated/en/197991647441987950/pdf/Pakistan-Housing-Finance-Project-Additional-Financing.pdf>

¹⁷ Reall. 'Unlocking Affordable Housing Finance for Unbanked Sector in Pakistan'. Coventry. 2022. Available at: <https://reall.net/blog/unlocking-affordable-housing-finance-for-unbanked-sector-in-pakistan/>

LAND, INFRASTRUCTURE & REGULATIONS

While Pakistan has made some recent progress on infrastructure, the MSI data reinforces the scale of the challenge ahead. Infrastructure reliability is particularly poor in a global context but also when compared to other Asian countries (ranking 37 of 48 nations).

As infrastructure is critical to social and economic development, and under-investment is the current trend globally, innovative approaches are required to bridge the infrastructure financing gap.¹⁸

In this context, facilitating land and infrastructure for affordable housing is also very difficult. The Naya Pakistan Housing Program aims to make land available to builders and developers at affordable terms, and coordinate local governments to provide roads, electricity, water and sanitation infrastructure. In practice land rights and ownership remain convoluted and contested, and developers are routinely responsible for installing infrastructure themselves. Despite tangible steps by

the Government to remove impediments to the construction and real estate sectors, bottlenecks also remain in the affordable housing regulatory environment. Property registration procedures are convoluted and opaque, adding uncertainty and costs to projects and enabling corruption. Credible data and market intelligence is essential for illuminating key blockages and introducing new levels of accountability and transparency into the urban development and housing ecosystem.

 **Number of procedures to register property**

4 to 9



Aggregation: National

Year: 2021, **Source:** Provincial Land Authorities' and Revenue Departments

 **Cost to register residential property**

1 to 6% of property value



Aggregation: National

Year: 2021, **Source:** Provincial Land Authorities' and Revenue Departments

 **Time to register residential property (days)**

105 / 11 to 14



Aggregation: National

Year: 2021, **Source:** Reall partners / Provincial Land Authorities' and Revenue Departments

 **World Bank DBI Quality of land administration index ranking: Global**

129 of 190



Aggregation: National

Year: 2020, **Source:** World Bank DBI

 **World Bank DBI Reliability of infrastructure index ranking: Global**

121 of 190



Aggregation: National

Year: 2020, **Source:** World Bank DBI

 Data quality  Data accessibility

MSI DATA RECOMMENDATIONS

LAND, INFRASTRUCTURE & REGULATIONS

1

POLICYMAKERS REQUIRE SUPPORT AND TECHNICAL ASSISTANCE TO INTRODUCE NEW FRAMEWORKS AND INSTRUMENTS FOR FINANCING THE PROVISION OF BASIC INFRASTRUCTURE FOR HOUSING, TO STIMULATE THE SUPPLY OF AFFORDABLE HOUSING BY THE PRIVATE SECTOR.

MSI data indicates that Pakistan affordable housing developers are routinely required to pay for the installation of bulk infrastructure and building of roads during projects. This increases costs, which are ultimately passed on to the customer – reducing affordability and diminishing commercial returns.

2

PROVINCIAL AND CITY-LEVEL GOVERNMENTS ARE ENCOURAGED TO RATIONALISE AND STREAMLINE PROCESSES FOR PROPERTY REGISTRATION AND CONSTRUCTION PERMITS, PREFERABLY THROUGH 'ONE-WINDOW' FACILITIES, FAST TRACK MECHANISMS AND TIME-BOUND APPROVALS.

MSI data demonstrates the largest regulatory burdens on affordable housing developers in Pakistan are related to obtaining sales certifications, executing and registering deeds, and the processing of submitted documents. As a result, property registration can take over 100 days (significantly longer than government estimates), impacting on project viability and affordability.

3

DIGITALISATION, INTERLINKING AND INTEGRATION OF LAND RECORDS IS URGENTLY REQUIRED TO IMPROVE THE BUSINESS ENVIRONMENT FOR AFFORDABLE HOUSING.

Land recording institutions in Pakistan have been unable to keep pace with population growth and urbanisation, in large part due to the manual processes still used for storing and managing records. Land registration has been hindered by fragmented, overlapping and incomplete land records in many areas.

4

THE COLLATION AND DISSEMINATION OF TRANSPARENT AND CREDIBLE DATA ON THE REAL ESTATE SECTOR, URBAN DEVELOPMENT AND LOCAL INVESTMENT IS ESSENTIAL TO ENABLE CHANGE, THROUGH CAPTURING THE TRUE COSTS AND REVENUES REALISED BY LOCAL DEVELOPMENT AGENCIES.

This will prevent residential land being undervalued in sales documentation to evade taxes, and ensure construction firms and developers rely more on evidence than market speculation when launching projects. An improved data landscape is beneficial to all market actors.

¹⁸ Daniel Gurara et al. 'Trends and Challenges in Infrastructure Investment in Developing Countries'. International Development Policy. 10:1. 2018.

A CALL TO ACTION & NEXT STEPS

The MSI initiative in Pakistan has broken new ground in collating all available data from a range of public and private sources, evaluating their credibility and quality, and disseminating the data freely through an open access platform.

All MSI data collected and synthesised by Reall and IAG in Pakistan has been made freely available via Reall's online [Data Dashboard](#).¹⁹ Each indicator is presented with a quality scoring, methodology and original data source attached so that users can quickly assess the relevance and reliability of each data point within the market.

We invite all stakeholders and market players in Pakistan – including policymakers, investors, financiers, developers, innovators and researchers – to engage strategically with this information, and leverage the data to inform programme design, policy change, financial

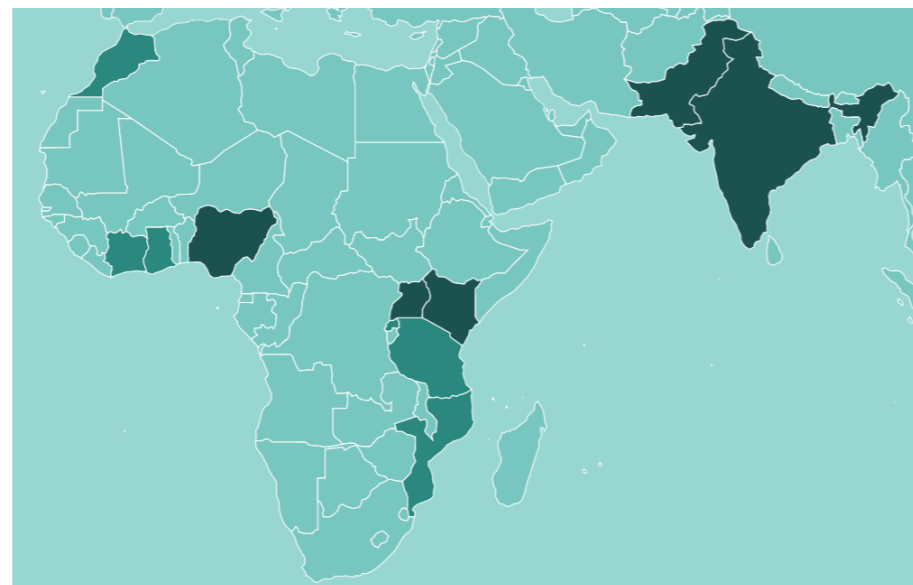
products, research programmes and market influencing.

The breadth and depth of MSI data and intelligence in the country will continue to improve and deepen over time as new data sources are identified, and existing sources improved through engagement and partnership. Going forwards, this will include a stronger emphasis on sustainability, resilience and climate mitigation – recognising the crucial role the construction and housing sectors must play in enabling national decarbonisation while strengthening urban resilience.²⁰

It is now imperative for sector players in Pakistan, South Asia and beyond to actively participate in the generation and dissemination of housing and housing finance data to improve Pakistan's housing market. While many gaps and blind spots have been identified in the data landscape, these

should be interpreted as opportunities to garner more support from national and state-level governments, financial institutions, private sector actors, donors and investors who are engaged in the market. The Pakistan government (and all four Provincial governments) is called on to champion the collection and dissemination of available statutory and administrative data, and accelerate the rise of a conducive enabling environment for climate-smart affordable housing.

Recognising that a stronger data landscape benefits all sector actors, Reall also calls for the private sector to commit to a principle of data sharing and permit the harnessing of information and evidence produced in their work. Paired with the development of effective information infrastructure, these steps have the potential to remove barriers and unlock significant investment in housing.



REALL HAS BEEN BUILDING RELATIONSHIPS WITHIN KEY EMERGING MARKETS FOR OVER 30 YEARS

Reall has been building relationships within key emerging markets for over **30 years** and delivered life-changing opportunities for over 3 million people, created **200,000 jobs** and provided **465,000 people** with access to clean water and over 1 million people with access to sanitation services.

Reall's work is driven through two delivery areas: **'Build'** – direct investments demonstrating the commercial viability of delivering to the bottom 40% income segment, and **'Broker'** – driving market transformation and addressing systemic barriers to housing sector growth.

Reall's cornerstone investors are the Swedish International Development Cooperation Agency (Sida) and the UK Government's Foreign, Commonwealth and Development Office (FCDO) who have supported Reall since 2004 and 2002 respectively.



Reall is a signatory to the UNFCCC's Race to Zero, pledging to become a net zero organisation. Addressing the climate crisis is at the heart of Reall's mission, and its commitment goes above and beyond the minimum pledge, targeting net zero by 2030.



Reall is a signatory to the UN Global Compact and has committed to implement universal sustainability principles on human rights, labour, environment and anti-corruption and take actions that advance societal goals.



Reall is certifying its affordable housing through EDGE ("Excellence in Design for Greater Efficiencies") supporting the collective ambition to mainstream green buildings and help fight climate change.



For further information please contact the Global Policy and Influence team at Reall at: info@reall.net

www.reall.net



¹⁹ Reall. Data Dashboard. Available at: <https://reall.net/data-dashboard/global/>

²⁰ Reall. Affordable Housing: A Route to Climate Mitigation & Resilience. Coventry. 2021. Available at: <https://reall.net/wp-content/uploads/2021/11/COP26PolicyBrief.pdf>