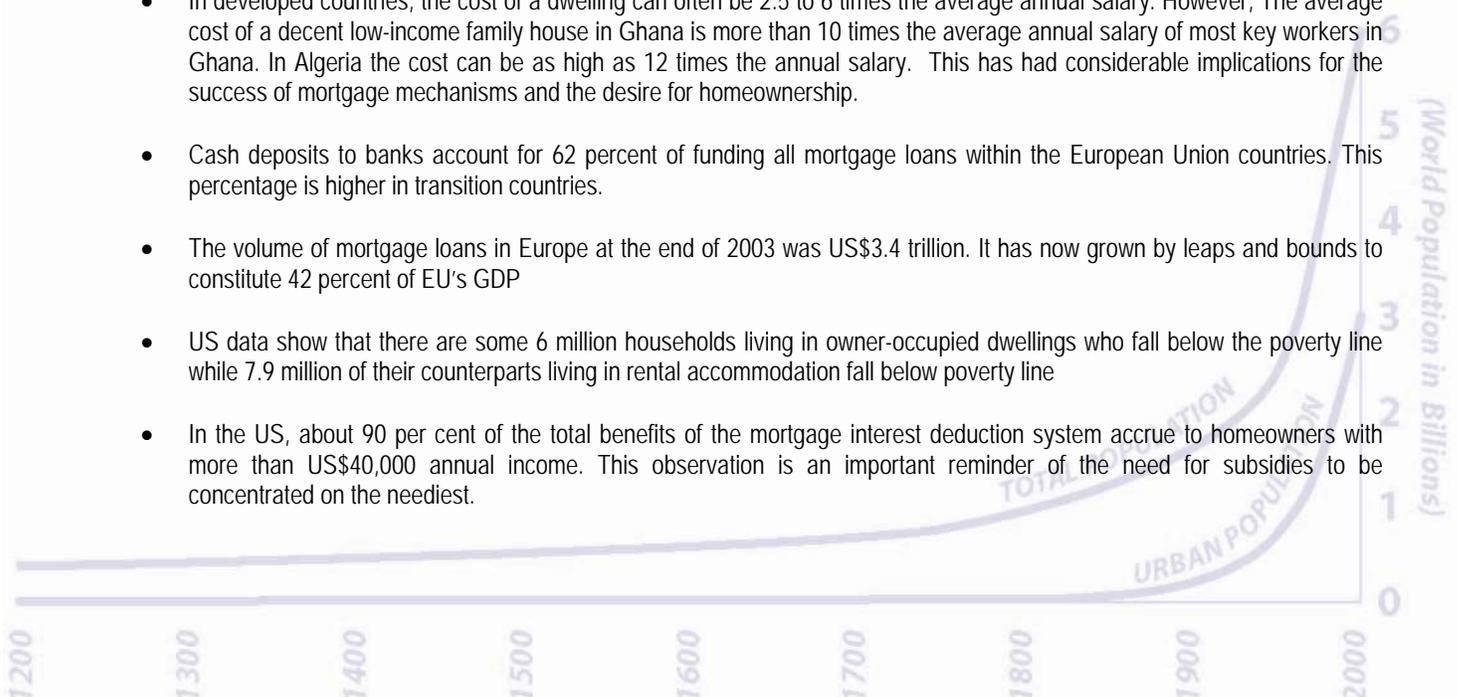


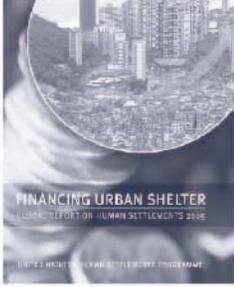
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GRHS/05/L2

FACTS AND FIGURES ABOUT FINANCING URBAN SHELTER

- For the first time in history, the world's urban population will soon exceed its rural population. Already, about 50 percent of the world's population, about 3 billion people out of 6 billion, are living in urban areas.
 - Over the next 25 years, over 2 billion people will add to the growing demand for housing, water supply, sanitation and other urban infrastructure services. What is critical when considering this number is the *order of magnitude*. Close to 3 billion people, or about *40% of the world's population by 2030*, will need to have housing and basic infrastructure services. This translates into completing 96,150 housing units per day or 4000 per hour.
 - In general, governments the world over have sought to encourage homeownership and have, in many cases, provided preferential financing to influence consumer choice.
 - The sad reality is that today almost one billion live in slums and squatter settlements. If urbanization proceeds apace without the necessary financing and investment for the urban poor, by 2030, it is expected that there will be 2 billion slum dwellers.
 - The UN Millennium Project estimates that to upgrade slums and meet Target 11 of the Millennium Development Goal on improving the lives of 100 million slum dwellers while also preventing the formation of new slums will require investing US\$4.2 billion per year or \$294 billion (US\$440 per person) over the period 2005 to 2020. This could alter for the better the lives of 670 million people. Much of the funding for slum upgrading will have to come from subsidies, loans, savings, and self-help, donor contributions
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- 2004-2005 has been a period of unprecedented economic growth at the global level. All Developing regions grew at a pace faster than their growth rates in 1980s and 1990s.
 - Housing is becoming an increasingly expensive commodity in all countries. Between 1997 and 2004 average housing prices grew by 131 percent in Spain, 147 percent in UK, 90 percent in France and 60 percent in the US. In South Africa, it grew by 195 percent
 - In developed countries, the cost of a dwelling can often be 2.5 to 6 times the average annual salary. However, The average cost of a decent low-income family house in Ghana is more than 10 times the average annual salary of most key workers in Ghana. In Algeria the cost can be as high as 12 times the annual salary. This has had considerable implications for the success of mortgage mechanisms and the desire for homeownership.
 - Cash deposits to banks account for 62 percent of funding all mortgage loans within the European Union countries. This percentage is higher in transition countries.
 - The volume of mortgage loans in Europe at the end of 2003 was US\$3.4 trillion. It has now grown by leaps and bounds to constitute 42 percent of EU's GDP
 - US data show that there are some 6 million households living in owner-occupied dwellings who fall below the poverty line while 7.9 million of their counterparts living in rental accommodation fall below poverty line
 - In the US, about 90 per cent of the total benefits of the mortgage interest deduction system accrue to homeowners with more than US\$40,000 annual income. This observation is an important reminder of the need for subsidies to be concentrated on the neediest.





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Financing Urban Shelter



- Through direct construction of houses by the state, 96 percent of households in Singapore are living in their own apartments
- There is little possibility that many developing countries will have the required finances to fund urban infrastructure and housing needed in the next 20 years.
- Though many developing countries now have access to market rate housing finance than they did 20 years back, only the middle and upper income households have access to mortgage finance.
- 70 percent and 40 percent of households in Sub-Saharan Africa and Latin America, respectively, cannot afford mortgage loans
- In Latin America, less than 30 percent of dwellings are produced by the formal housing market.
- In many countries in the South, the cost of housing remains high owing to high, "colonial" standards to which it must comply.
- Small-scale landlords in informal settlement are a major source of affordable housing for a growing majority of the poor
- Formal privatization of municipal services in many cities has not benefited lower income groups.
- Generally, there has been increasing interest in community funds during the last decade. In India, the number of grassroots-level organizations engaged in mobilization of savings and providing modest loans to the poor is estimated to be between 400 and 500

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