

Jamaica Mortgage Bank Housing Development Seminar

The Housing Development Process – from Concept to Completion

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Realtors Association of Jamaica

President

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The marketplace

- The housing market - principally comprised of vendors and purchasers, real estate dealers and agents, and all realty being put up for sale including properties under construction.
- The market is comprised of submarkets - residential, commercial, industrial, agricultural and institutional properties (e.g. Government).
- These categories can be further subdivided into urban, suburban and rural.

What is happening in the market place?

- The market is always changing and can fluctuate from a '**Buyer's Market**' to a '**Seller's Market**' or somewhere in between, which is a '**Balanced Market**'.
- I posit that we are still in a Seller's Market as the demand for homes still exceeds the supply of homes.
- In a seller's market there are many buyers, homes sell fairly quickly, prices usually appreciate and conditional offers may be rejected.

What is happening in the market place? cont'd

Buyer's Market

- Supply of homes exceeds demand and take longer to sell
- Prices tend to fall
- Buyer has more negotiating leverage
- More time to shop around for a suitable home

What is happening in the market place? cont'd

It could be argued that Jamaica may be tending to a **'Balanced Market'**

- The number of homes in the market should equal the number of buyers or demand
- Sellers accept reasonable offers
- Prices stable
- Reasonable number of houses to choose from

What is happening in the market place? cont'd

The current reality:

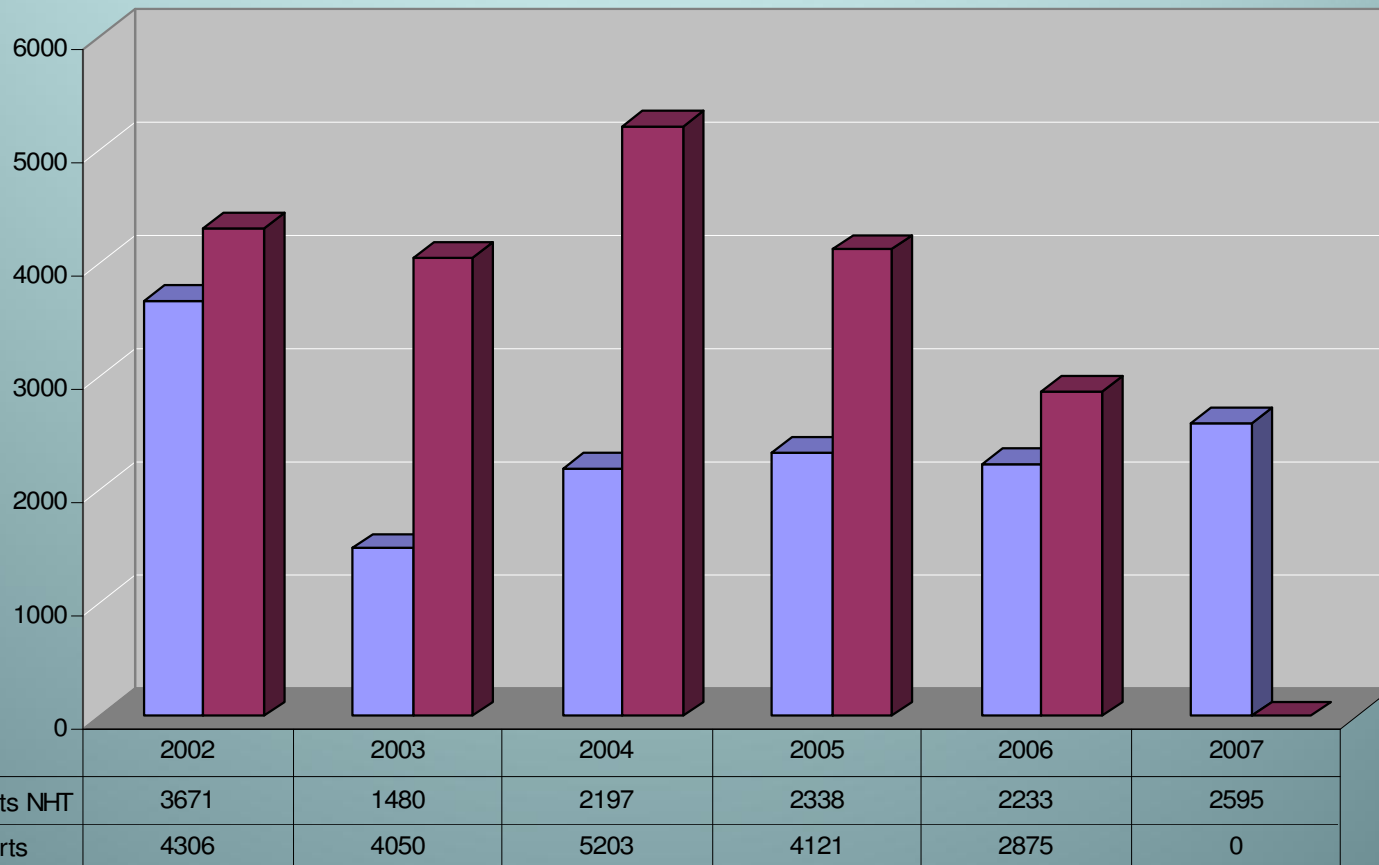
- melt down in the global economy, failure of the unregulated financial schemes and a macroeconomic policy focused on high interest rates
- trending from a strong seller's market towards a balanced market - varies from parish to parish and even within price ranges
- Current downward trend in number of new development schemes being registered for approval at the Real Estate Board (62# in 2007; 73# in 2008; 11 since the start of 2009)

What is happening in the market place? cont'd

Source: Planning Institute of Jamaica

CHART 1.0

CONSTRUCTION SECTOR PERFORMANCE 2002 -2007



What is happening in the market place? cont'd

The historical context

Chart 1.0:

- a steady increase in NHT housing starts between 2003 – 2007
- a downward trend in residential construction from private developers between 2004 – 2006 with no figures presented for 2007

Chart 2.0:

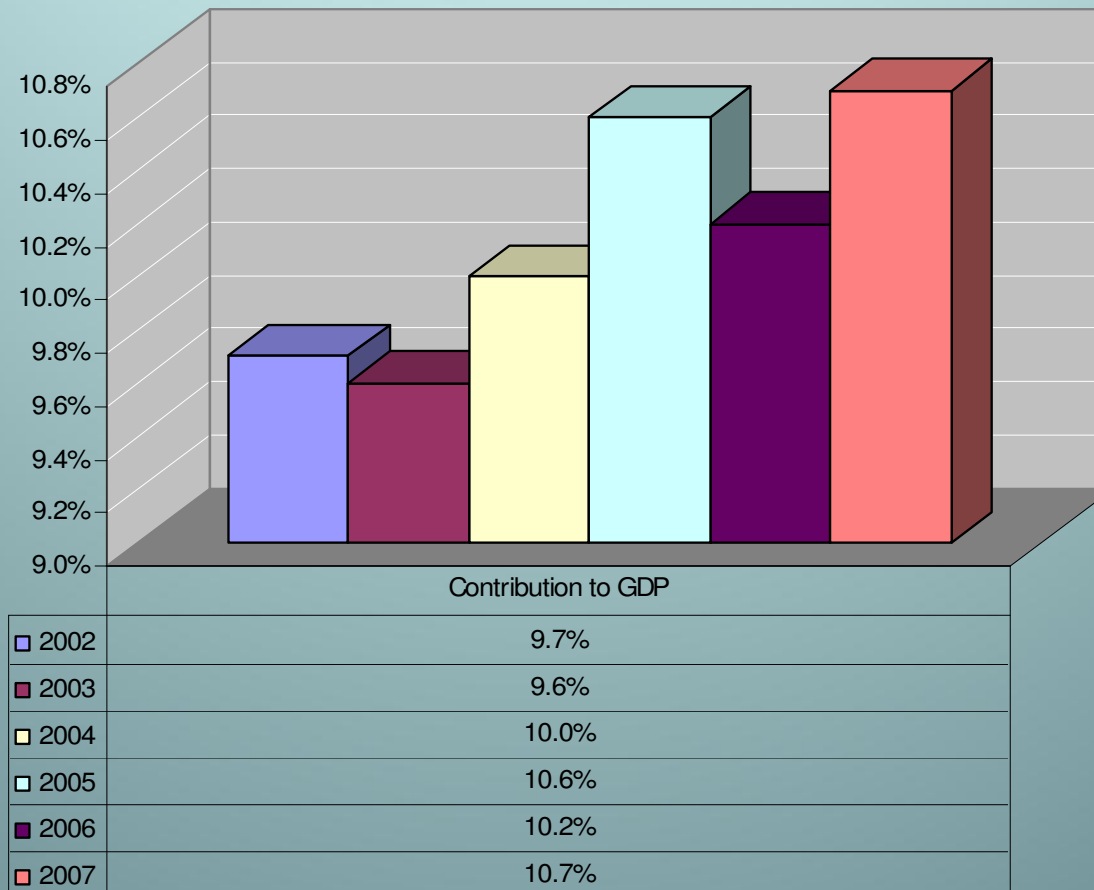
- Steady increase in contribution of construction to GDP from 9.7% in 2002 to 10.7% in 2007

What is happening in the market place? cont'd

Source: Planning Institute of Jamaica

CHART 2.0

CONTRIBUTION TO GDP



What is happening in the market place? cont'd

- Most Realtors are reporting a decline in sales for 2009 compared to the same period last year
- Demand affected by declining consumer income and availability and cost of credit
- Construction and development continues in the top-end of the market (>JMD 30.00M)
- Some developers left with unsold property on their hands as buyers demand more value for money

What is happening in the market place? cont'd

- Prices and rent remain flat
- Disposal time is extended
- Developers and builders are forced to curtail their activities
- As recession deepens some developers could find themselves out of business, highly leveraged, unable to service debts and with high loan repayments

What type of units and price ranges are being demanded?

- Islandwide the largest category of homes being demanded are in the price range below **JMD10.00 M**
- Kingston Metropolitan Area (KMA) including Greater Spanish Town (GST) and Southeast St. Catherine (SESC) including Portmore and its environs:
 - demand for housing solutions could reach into the **hundreds of units** in this price range

What types of units and price ranges are being demanded?

Demand for housing units is higher in gated communities in the corporate area than non-gated, influenced primarily by:

- High crime rate and perception of security within
- Security of capital and income
- High social mobility
- High demand in rental market

What types of units and price ranges are being demanded?

- New-start gated residential townhouse developments selling from plan are still in demand up to JMD 20.00M in Kingston 6 & 8 but more so in Kingston 6
- Kingston 8, previously considered a highly preferred location, is disadvantaged by higher traffic congestion, longer commute time to work and school compared with Kingston 6
- Kingston 5, 6 & 10 benefit from higher rental values and better rates of capital appreciation and traditionally Kingston 8
- This has been the market trend since 2006 into 2009

What types of units and price ranges are being demanded?

- Relocation of the US High School from Norbrook/Upper Shortwood area in Kingston 8 to Liguanea in Kingston 6 next door to the new US Embassy facility
- This was a precursor to the relocation of family residences for the US Embassy staff to this area

This situation has contributed to:

- Pressured rental rates in Kingston 6 which trended upwards
- Creating voids in the rental market in Kingston 8
- Flattening and even lowering rental rates especially for high-end properties with US\$ rental rates

See illustration in Chart 3.0

What types of units and price ranges are being demanded?

CHART 3.0

PROPERTY RENTALS 2007 - 2008



ZONES

KINGSTON 6	KINGSTON 8
Dillsbury	Airdrie
Monte Carlo	
Seville	

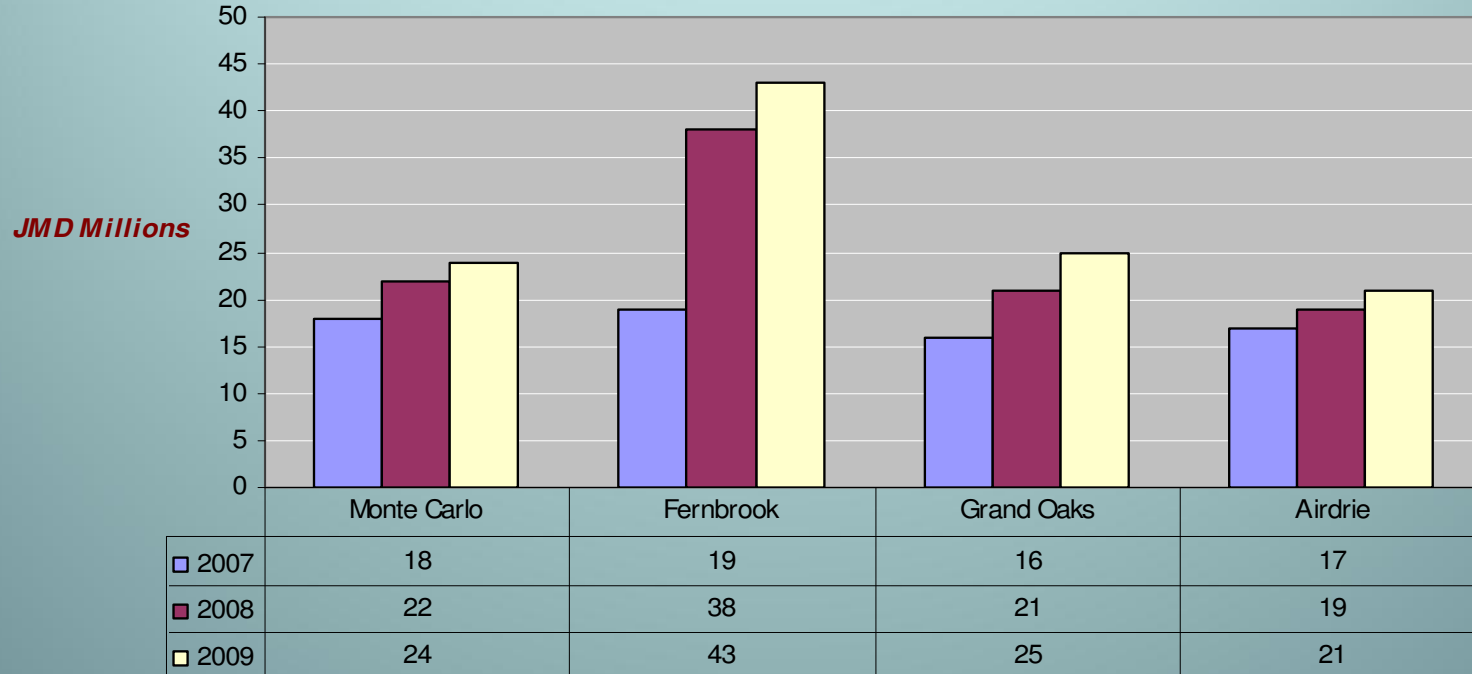
What types of units and price ranges are being demanded?

- Trending more to a balanced market in the new-start gated townhouse complex in the over JMD 40.00M price range especially in Kingston 8 area, with flat property values since the start of 2009 (*see Chart 4.0*)
- Fairly reasonable level of demand for detached homes, gated townhomes and apartments in good locations in the corporate area for units priced between JMD 10.00M –15.00M

What types of units and price ranges are being demanded?

CHART 4.0

PROPERTY SALES 2007 -2009



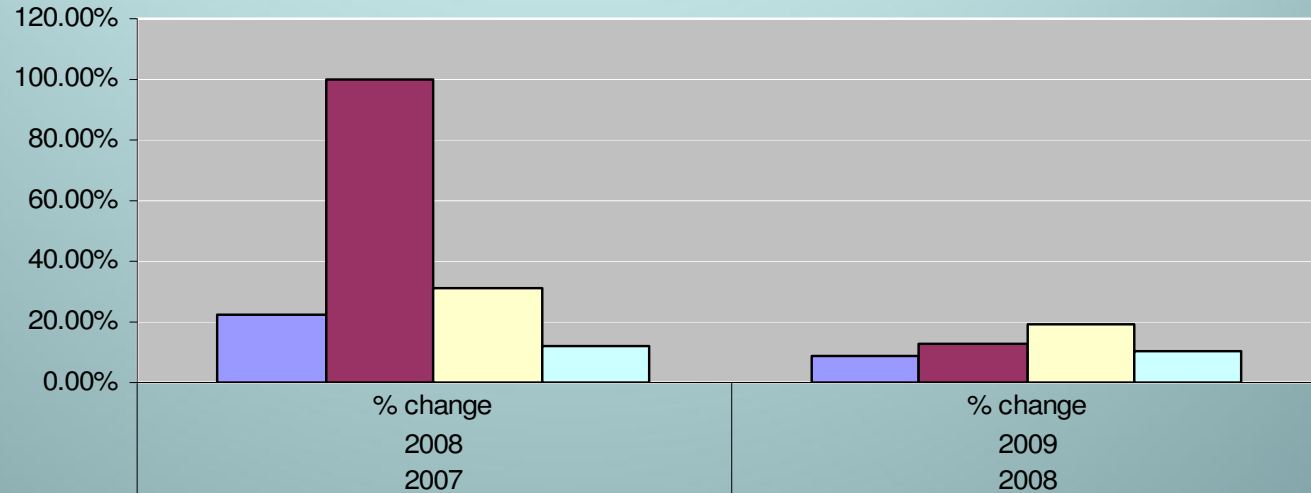
ZONES

KINGSTON 6	KINGSTON 8
Monte Carlo	Airdrie
Fernbrook	
Grand Oaks	

What types of units and price ranges are being demanded?

CHART 5.0

PERCENTAGE CHANGES IN SALES



	% change 2008 2007	% change 2009 2008
■ Monte Carlo 22.22% 9.09%	22.22%	9.09%
■ Fernbrook 100.00% 13.16%	100.00%	13.16%
■ Grand Oaks 31.25% 19.05%	31.25%	19.05%
■ Airdrie 11.76% 10.53%	11.76%	10.53%

Successful marketing of real estate developments – some thoughts

Bevan's definition of marketing:

“The management process responsible for identifying, anticipating, satisfying profitably, customer requirements”

- This definition suggests a requirement for market research and analysis to identify and anticipate opportunities in the market
- Satisfying what the customer wants implies product design to fully meet these needs when and where they are needed

Successful marketing of real estate developments – some thoughts

- How many of our developers and investors follow these basic rules of marketing to ensure sustainable profitability?
- The 4 Ps (product, price, place, promotion); the marketing mix
- How do you chose your product/market?
- How to derive competitive advantage?

Successful marketing of real estate developments – some thoughts

- Successful strategy includes:
 - Detailed examination of the marketplace
 - Identify profitable market sectors or niches (e.g. uptown light industrial park)
 - Search for competitive advantage against the competition (e.g. value for money focus)
 - Advertising is the major tactical weapon to the developer who is a business strategist or marketer (e.g. Palmyra)

Successful marketing of real estate developments – some thoughts

- The purpose of advertising is to change consumer behaviour in some way
- Advertising may:
 - Increase awareness of needs
 - Increase awareness of you as a developer
 - Generate inclusion of your brand in choice set (e.g. GEON)
 - Generate acute desire to purchase your product

Successful marketing of real estate developments – some thoughts

- How can you make it happen?
- AIDA formula:
 - Attention
 - ✓ Size
 - ✓ Colour
 - ✓ Contrast
 - ✓ Position
 - ✓ Movement

Successful marketing of real estate developments – some thoughts

- Interest, Desire, Action
 - ✓ Credible source (e.g. Gleaner)
 - ✓ Message content (e.g. over 100 units sold since January '09)
 - ✓ Labels (e.g. Oceanfront)
 - ✓ Media:
 - ❖ Television (e.g. Flow Property Channel)
 - ❖ Radio (local & national)
 - ❖ Press (newspaper & magazines)
 - ❖ Other media (websites, billboards, open house e.g. Richmond)
 - ❖ Public Relations

Policy recommendations

- Comprehensive economic and tax reform
- Abolition of transfer tax and stamp duty on real estate transactions
- Substitute with flat tax rate of 7% borne equally (50/50) by buyer and seller
- Reduction of interest rates to pre-crisis levels
- Parity in taxation for local and foreign builders
- Revise procurement guidelines to include use of Realtors in disposal of Government properties and land divestment