

Financing Water Adaptation in Jamaica's New Urban Housing Sector **Market Demand Study**



THE
**WATER
PROJECT**
JAMAICA



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Methodology

- Met with Associations and made presentations
 - Master Builders (MBAJ)- Sept 12th, 2018
 - Engineers (JIE)- Sept 28th, 2018
 - (Cicyln Joseph-Johnson – Snr PM, JN Group)
 - Developers (JAD)- Nov 6th, 2018
- 17 Housing Developers interviewed
- 5 Architects/Engineers interviewed
- 392 responses to Consumer Survey @17/11/2018

Private Sector Housing Developers

- **17 Private developers-** Interviewed
- **Geon Homes and Kemtech-** No interest in borrowing
- **15 interested** in borrowing for water adaptation
- **Carib Homes -** No immediate planned developments
- **Shelter Homes Ltd. (David Garel)**
 - Very interested in accessing the loans
 - Already discussing a project with JN Bank
 - Proposes including the financing of water saving devices.

Gore Developments

- **Focus-** Lower income range of \$10 -18M/unit
- **Experience-** Many years and now complete 600 units/year
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** Do not usually borrow funds
- **Likelihood re Borrowing-** If the interest rate attractive (i.e. 5-6%/annum) would consider borrowing for WSD
- **Timing-** Not before 2020. Projects to end of 2019 already financed and in most cases all supplies acquired.
- **Future Plans-** Now planning two new projects for 2020 in Montego Bay and St. Catherine
- **Strategy Recommended-** Approach now at senior level

New Era Homes 2000 Ltd. (NEH)

- **Focus-** Lower income range of \$11-15M/unit
- **Complete-** 200 units/year
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** Do not usually borrow funds for their projects
- **Likelihood re Borrowing-** Very Interested if rate below 6.75%
- **Timing-** Projects slated to start in mid-2019 could include water saving devices but discussions would need to start immediately
- **Future Plans-** Now planning two new projects in Montego Bay and St. Catherine
- **Strategy Recommended-** Approach immediately at senior level

West Indies Home Contractors (WIHCON)

- **Focus-** Lower-middle income range of \$12-20M/unit
- **Experience-** Over 50 years as Housing Developer. Contractor to HAJ & NHT
- **Complete-** 200 units/year
- **Type-** Vary from 1-3 bedrooms and 1-3 bathrooms
- **Current Borrowing-** Usually fund 30% equity & 70% loans
- **Likelihood re Borrowing-** Interest rate below 7% to consider
- **Timing/Future Plans-** Currently in the market for lands to develop and would likely need funding by 2020. Willing to discuss overall project funding to include water saving devices
- **Strategy Recommended-** Approach immediately at senior level

138 Student Living Jamaica Ltd.

- **Focus-** Developed over 600 rooms for students on UWI campus
- **Current Borrowing-** Averages around 11% but not only for construction
- **Likelihood re Borrowing-** Very interested and rate should be below 9%
- **Timing-** Refurbishing existing buildings likely in 2019-20 to install water saving devices in 650 bathrooms and washing areas.
- **Future Plans-** Not planning new construction projects immediately but will consider retrofitting 650 toilets, showers and wash basins
- **Strategy Recommended-** Approach immediately at senior level.
- **Implications-** Strata Market could be very attractive to approach

Narcisse Holdings (NH)

- **Focus-** Middle income bracket averaging \$25M/unit
- **Experience-** Last 5 years completed several Kingston housing developments
- **Complete-** 55 units/year
- **Type-** Mainly 2 bedrooms and 2 bathrooms
- **Current Borrowing-** JMMB funds so JN would need to be below 7.5%
- **Likelihood re Borrowing-** If interest rate below 7.5% would consider JN
- **Timing-** Projects starting in mid-2019 could include water saving devices
- **Future Plans-** Plan to start two new projects & continue at 55 units/yr.
- **Strategy Recommended-** Approach immediately at senior level

Panjam Investment Ltd. (PANJAM)

- **Focus/Experience-** Major commercial space but also upper income housing developer
- **Type-** Mainly two & three bedrooms and bathrooms+
- **Current Borrowing-** Borrow and will consider JN if rates attractive.
- **Likelihood re Borrowing-** Would consider interest rate below 6%
- **Timing-** Projects to start in mid-2019 could include water saving devices
- **Future Plans-** Planning two developments for 2019-20 with 40 high end apartments downtown on the top floors of Caribbean Place (former Oceana Hotel) and 6 apartments in Manor Park.
- **Strategy Recommended-** Approach immediately at senior level

Tara Development Ltd. (Fredrik Moe)

- **Focus-** Middle income range of \$20+M/unit
- **Experience-** Completed several projects over past few years mainly in Mo-Bay
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** Borrowing funds from JN
- **Likelihood re Borrowing-** Very likely if rate below 7%
- **Timing-** Project starting in 2019
- **Future Plans-** Starting 438 unit Hanover housing development
- **Strategy Recommended-** Continue discussions

Matalon Homes-Peter Matalon

- **Focus-** High income range of \$50-100+M/unit
- **Experience-** Completed several high end developments in K 6 & 8
- **Complete-** 30+ units/year
- **Type-** Mainly 3 & 4 bedrooms and 3+ bathrooms
- **Current Borrowing-** Do not usually borrow funds for projects
- **Likelihood re Borrowing-** Never financed by JN but willing to consider for water saving devices if rate close to 6%.
- **Timing-** Projects starting in 2019 could include water saving devices
- **Future Plans-** Now planning 42 unit development in Tavistock and another project in Cherry Gardens shortly thereafter. Both projects are 3 & 4 bedrooms and 3 bathrooms priced at \$100M+.
- **Strategy Recommended-** Approach immediately

Island Homes

- **Focus-** Lower-Middle income range. \$8M-22M Apartments & \$13-32M Townhouses
- **Experience-** Developed over 375 housing units in last five years
- **Complete-** Average 40 units/year
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** Already borrowing from JN for a current project
- **Likelihood re Borrowing-** Very likely to borrow from JN for WSD
- **Future Plans-** Two new projects in 2019 each with 75-100 units with 2 br/2bathrooms are being planned in Kingston & Mo-Bay
- **Concern-** Water Saving device costs should not impact negatively on the selling price and marketability of the units.
- **Strategy Recommended-** Start discussions at senior level re WSD loan

Barana Ltd.- Barrington Chisholm

- **Focus-** Lower income range of \$11-15M/unit
- **Experience-** Completed 75 housing units over the past 5 years and currently completing 54 apartments in Kingston
- **Type-** Mainly 2 bedrooms and 2 bathrooms
- **Current Borrowing-** Already a borrower from JN
- **Likelihood re Borrowing-** Very likely to borrow again
- **Future Plans/Timing-** Considering two new projects for 2020 but details not finalized. Willing to include WSD in future projects
- **Interest Rate-** would need to be below 8% to be attractive
- **Strategy Recommended-** Encourage to move forward after completing current project

Rosemead Ltd.- Anup Chandiram

- **Focus-** Middle-Upper income range of \$20-40M/unit
- **Experience-** Developed several middle to upper income housing projects over the past several years
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** Already borrow from JN
- **Likelihood re Borrowing-** Very likely if interest rate 7.5-8%
- **Future Plans/Timing-** Planning to build out 30 units 3 bedrooms and at least 2 bathrooms in Widcombe Estate and have approached JN for funding to start in 2019
- **Strategy Recommended-** Expand negotiations to include WSD

Garco Construction Ltd.

- **Focus-** Middle income range of \$15-25M/unit
- **Experience-** Completed several small housing developments
- **Type-** Mainly 2 bedrooms and 2 bathrooms
- **Current Borrowing-** Borrowing at 8-9%. None from JN before
- **Likelihood re Borrowing-** Very likely if below current rates
- **Future Plans-** Preparing to start a 50 unit development in Vineyard Town with 2 bedrooms and 2 bathrooms.
- **Strategy Recommended-** Approach immediately to tie up funding of Vineyard Town Project

HAD Ltd.- Howard Dennis

- **Focus-** Middle-Upper income range \$20M 2 br Apts. & \$70M 5/br Thse.
- **Experience-** Completed 100 units & completing 12 unit Apt.
- **Complete-** 20-30 units/year
- **Type-** Mainly 2-3 bedrooms and 2 bathrooms
- **Current Borrowing-** JMMB & borrows 50-70% /project.
- **Likelihood re Borrowing-** If interest rate below current average 6.75%
- **Water Saving-** All units high end finished and have WSD throughout
- **Future Plans/Timing-** Preparing to build 20 units on a prime lot with a fabulous view of Kingston within 10 minutes of the foot of Red Hills.
- **Interest rate-** Would consider if rate close to 5%
- **Strategy Recommended-** Approach immediately

Architects/Engineers

- **5 Architects & 1 Engineer-** Interviewed
- **All** interested and Committed to more environmentally conscious designs
- **Options/Costs/Savings** to be presented very simply to developers and homeowners
- **Water saving toilets, shower heads, faucets and leak detection devices** recommended for all housing developments
- **Rainwater collection and recycling** not considered in most cases due to costs/benefits
- **JN** in excellent position to lead in water savings
- **Public education and promotion-** critical
- **Benefits/Costs-** Making case simply is critical

Developer/Architect/Engineer Summary Conclusions

- **Housing Developers-** Very interested in WSD loans
- **Architects & Engineers** are willing to design to include WSD
- **Interest Rates-** Rates to attract vary from 5-9%
- **Total Project Financing-** Required by most smaller developers
- **WSD Funding Only-** Will be considered by larger Developers
- **JN Management-** To follow up key Developers with specific financing offers

Likely Average Estimated Loan Demand from Developers

Developer	Loan Demand 2019 (\$'000)	Loan Demand 2020 (\$'000)	Loan Demand 2021 (\$'000)
Gore Developments	0	36,600	36,600
New Era Homes	6,100	12,200	12,200
WIHC	0	12,200	12,200
138 Student Living	10,238	10,238	0
Narcisse Holdings	3,575	3,575	3,575
Panjam	1,541	1,541	1,541
Tara Dev. Ltd.	9,490	9,490	9,490
Matalon Homes	2,110	2,110	2,110
Island Homes	3900	3900	3,900
Barana Ltd.	0	0	1,300
Rosemead	1575	1575	1,575
Garco	1,300	1,300	1,300
Total	39,833	94,729	85,792
Add 20% for others	7,967	18,946	17,158
Overall Total	47,800	113,675	102,950

Consumer Survey Conducted

- Survey Instrument jointly Designed by Consultant & JN Group.
- Main purpose to determine appetite for WSD loans
- 392 respondents at Nov 17th , 2018
- Results of the survey is summarized in slides
 - 21 -36 (Graphic representation)
 - 37-41 (Analysis of data in percentage)

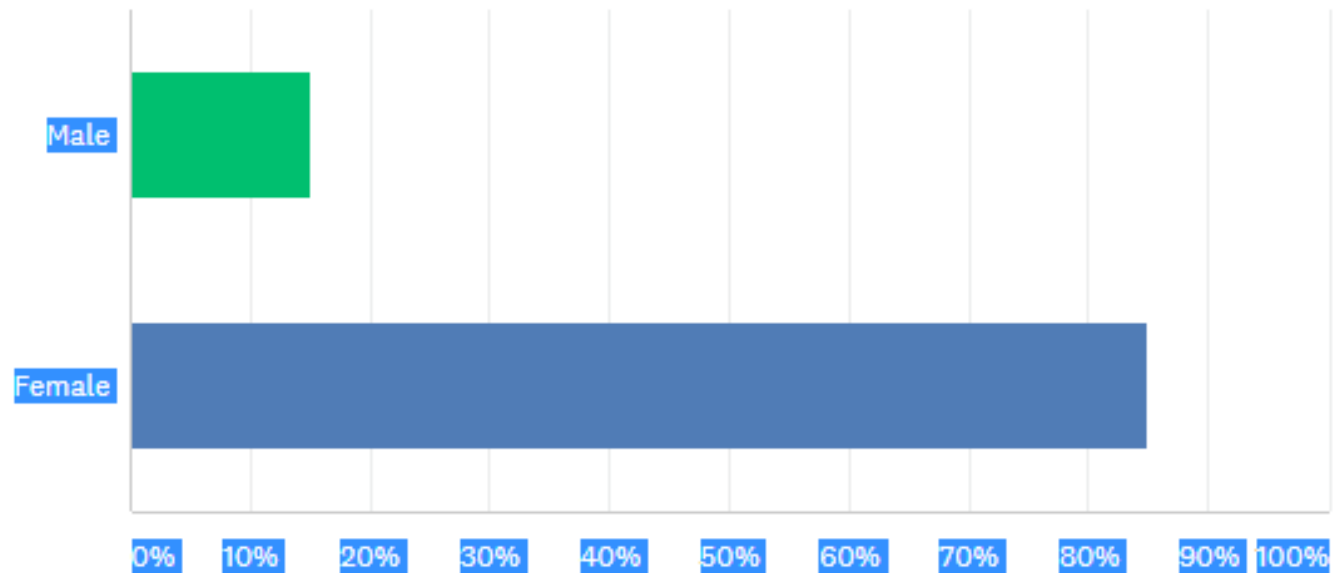
Gender of Respondents

Gender

Answered: 387

Skipped: 5

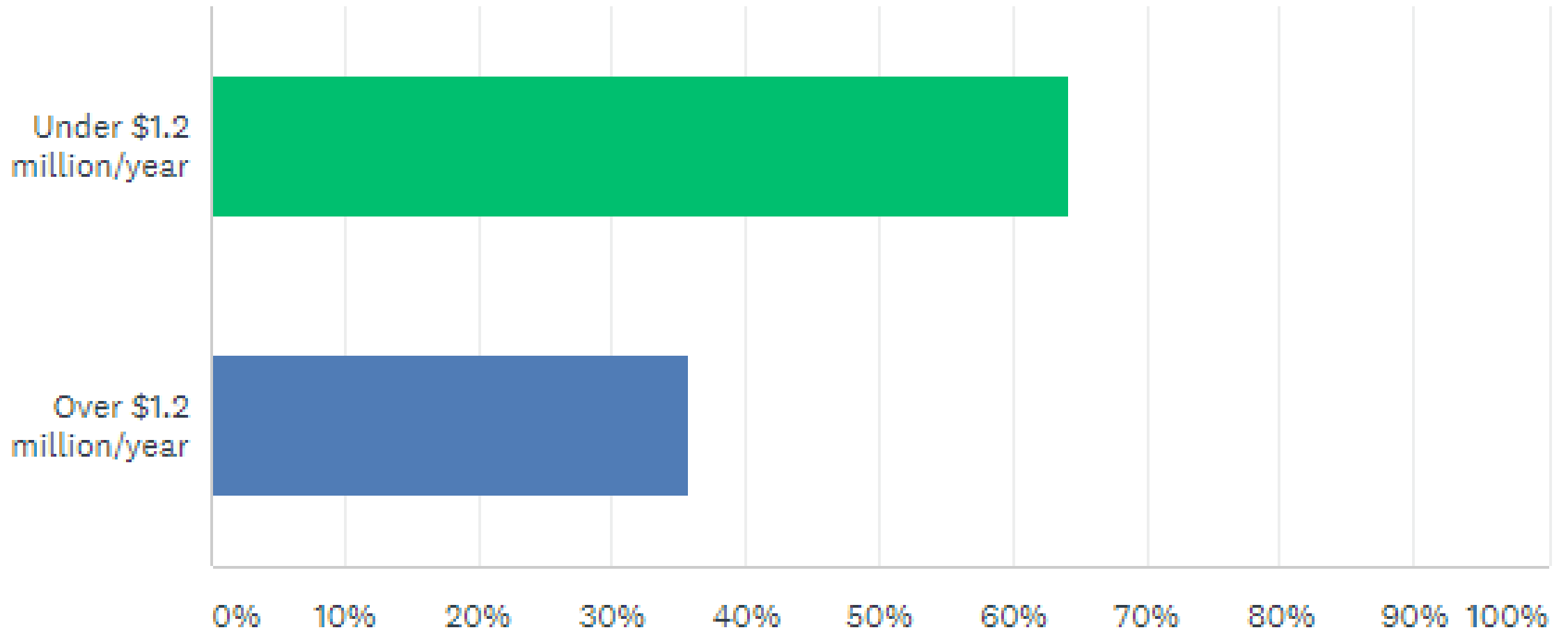
Rectangular Snip



Incomes of Respondents

What is your income bracket?

Answered: 386 Skipped: 6

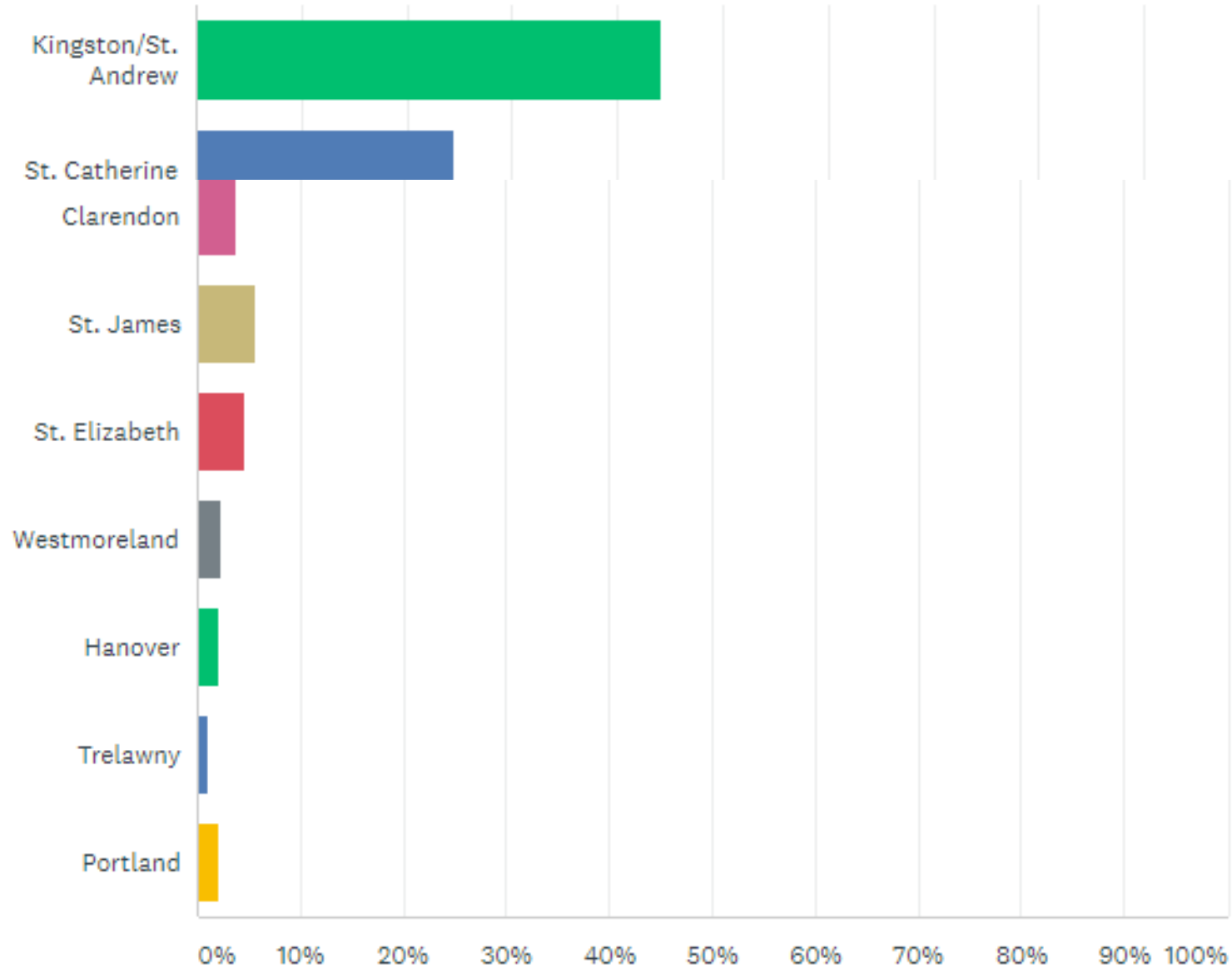


What parish do you live in?

Answered: 391

Skipped: 1

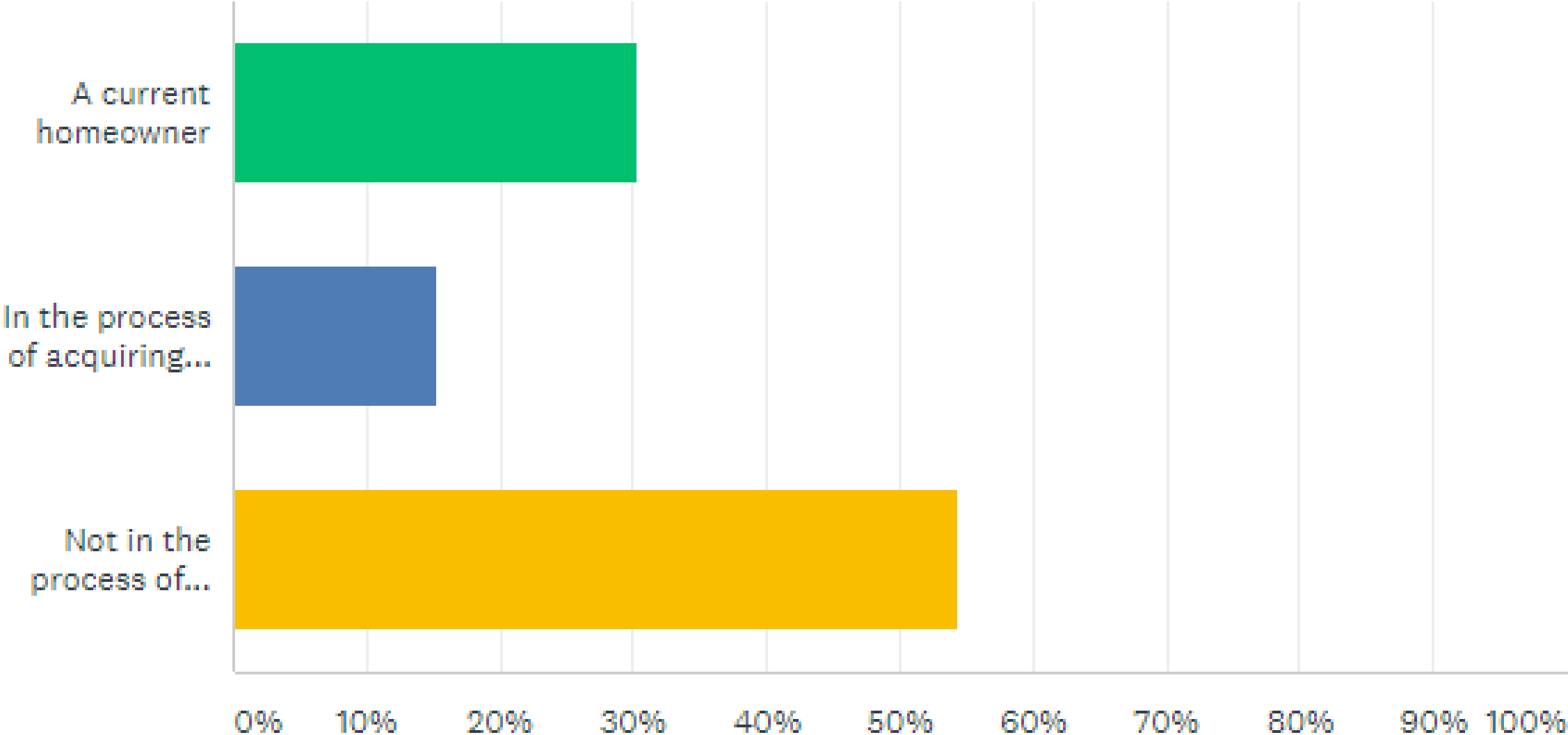
Parish of Respondents



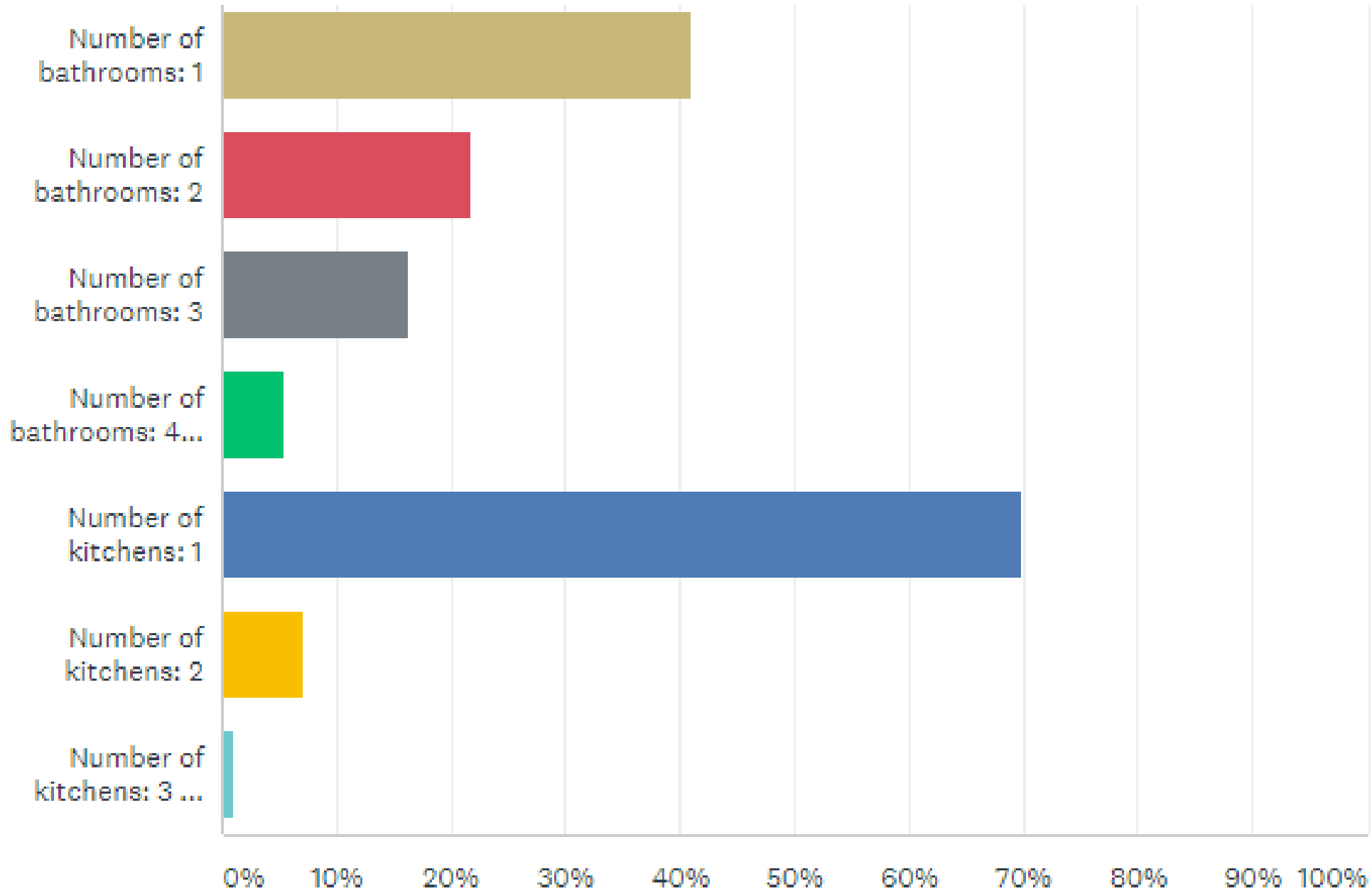
Current Home Ownership

Answered: 391

Skipped: 1

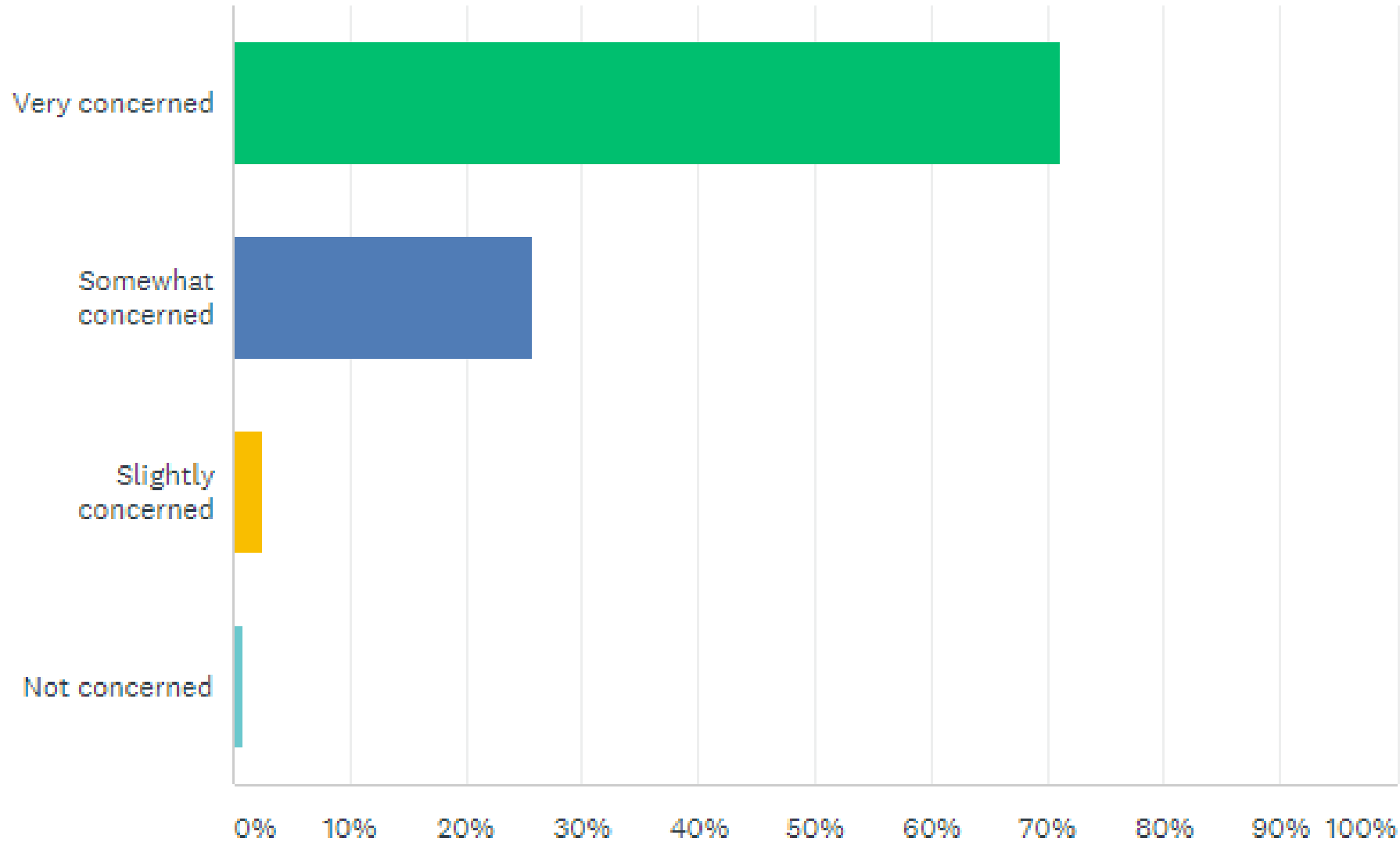


Number of Bathrooms & Kitchens



Concern regarding Climate Change

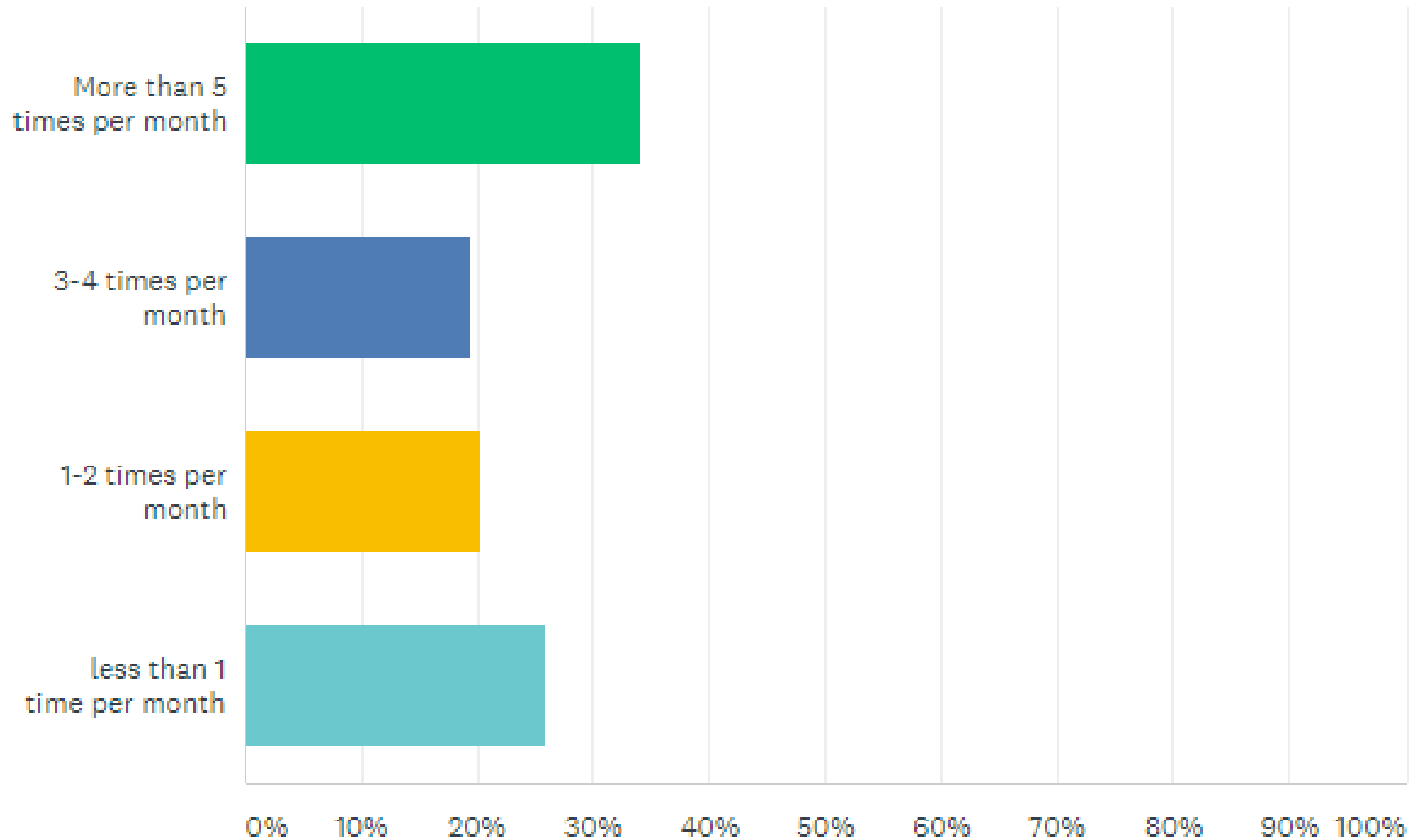
Answered: 390 Skipped: 2



Lock off Experience

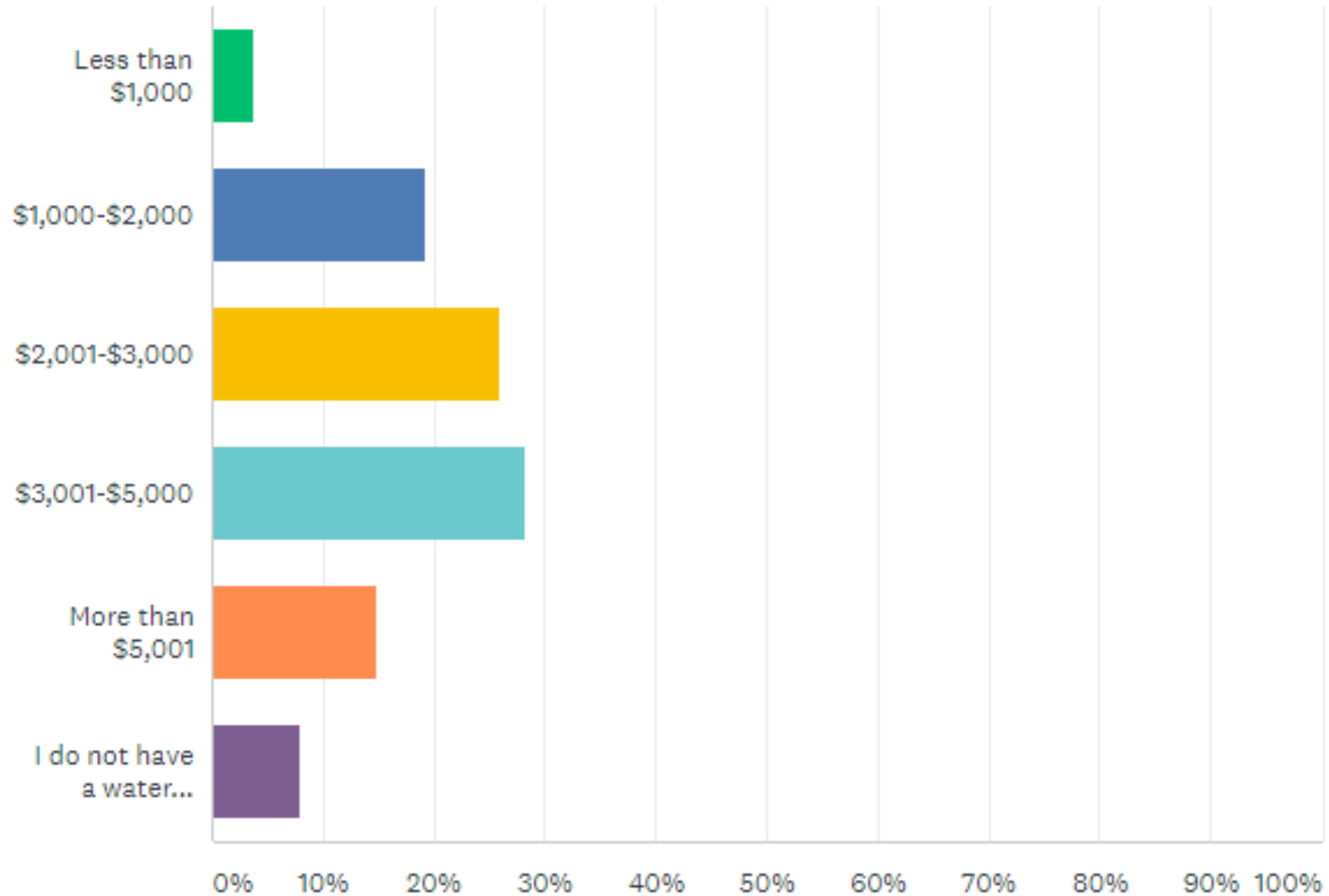
How often do you experience water lock offs?

Answered: 389 Skipped: 3



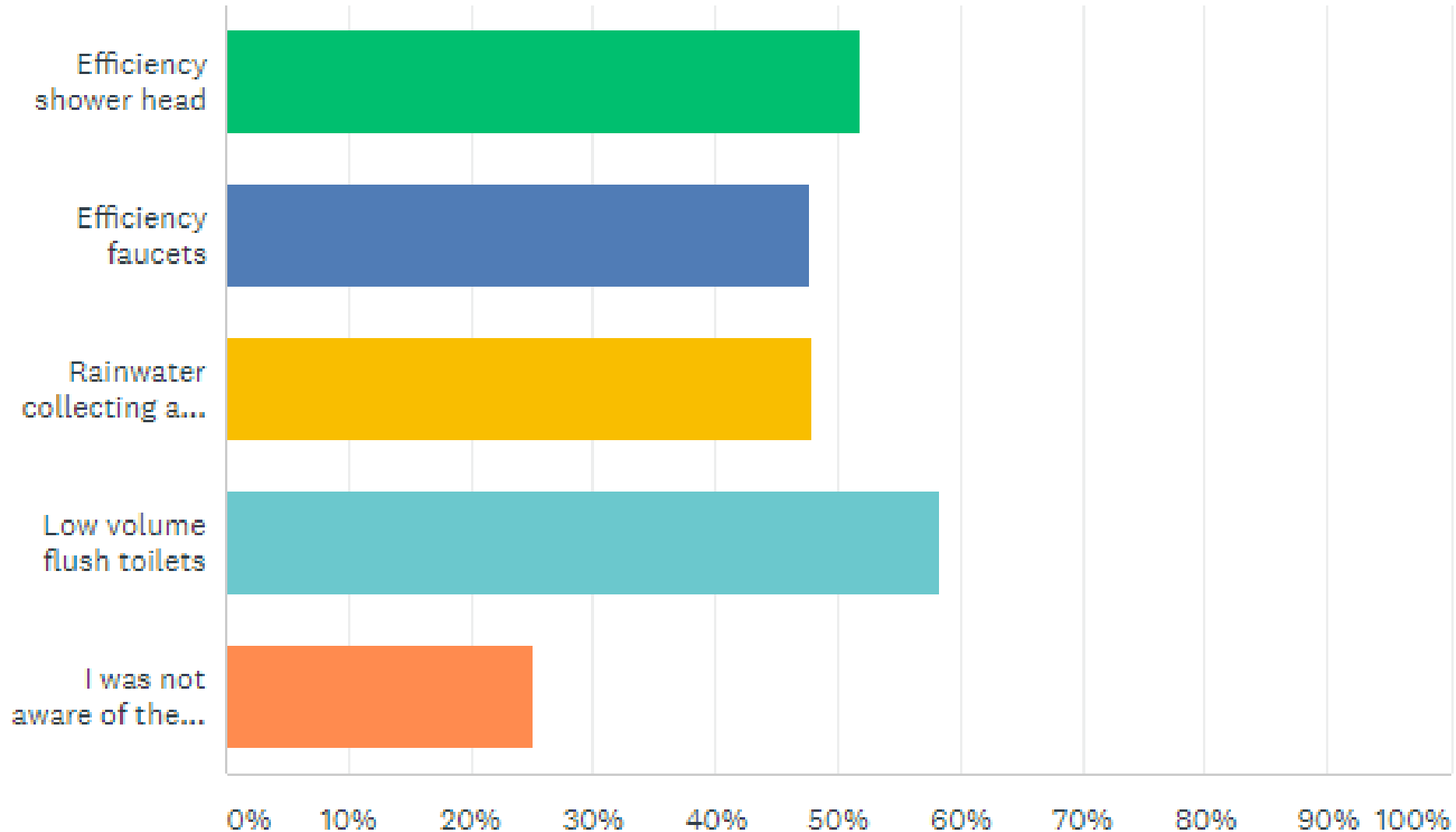
Average Water Bill/Month

Answered: 390 Skipped: 2



Which water saving devices would you install in your home?

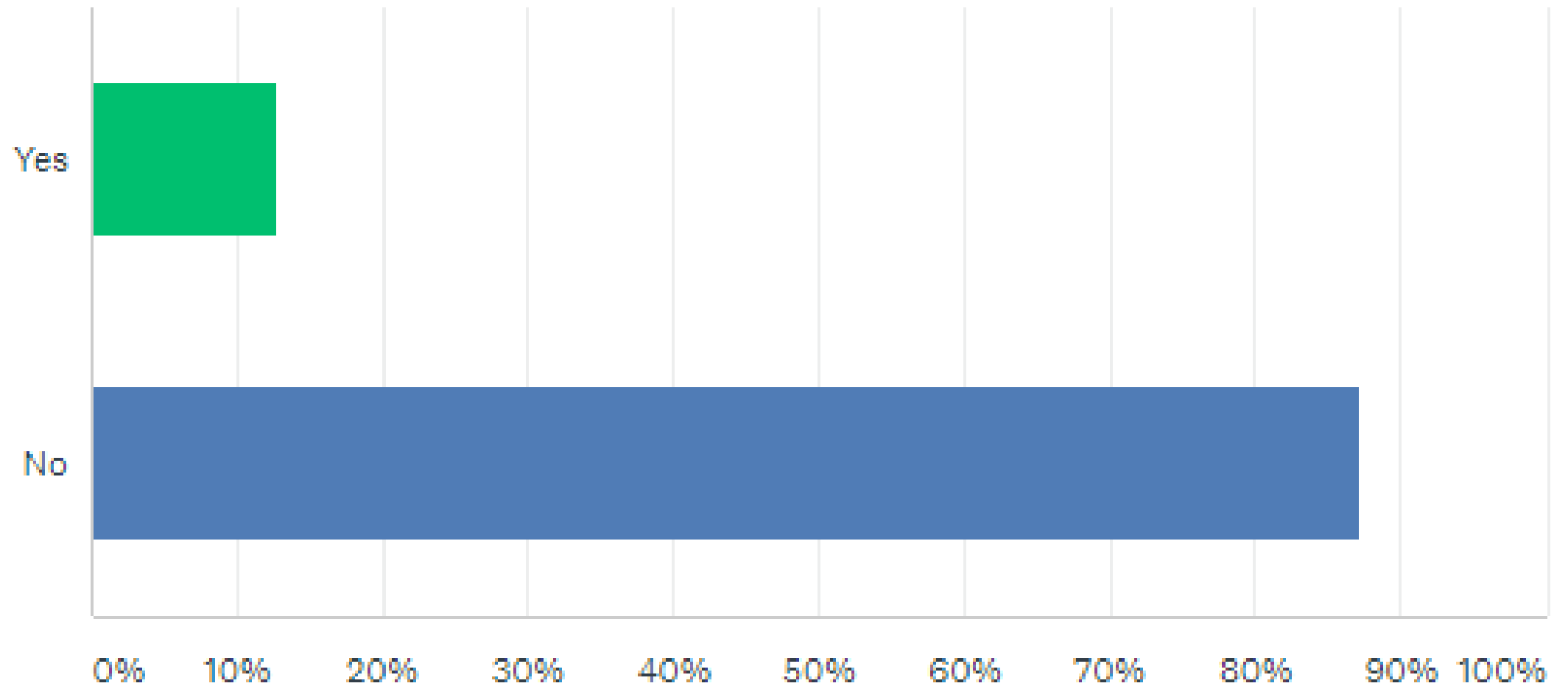
Answered: 386 Skipped: 6



Do you currently have any water adaptation/efficiency devices at home?

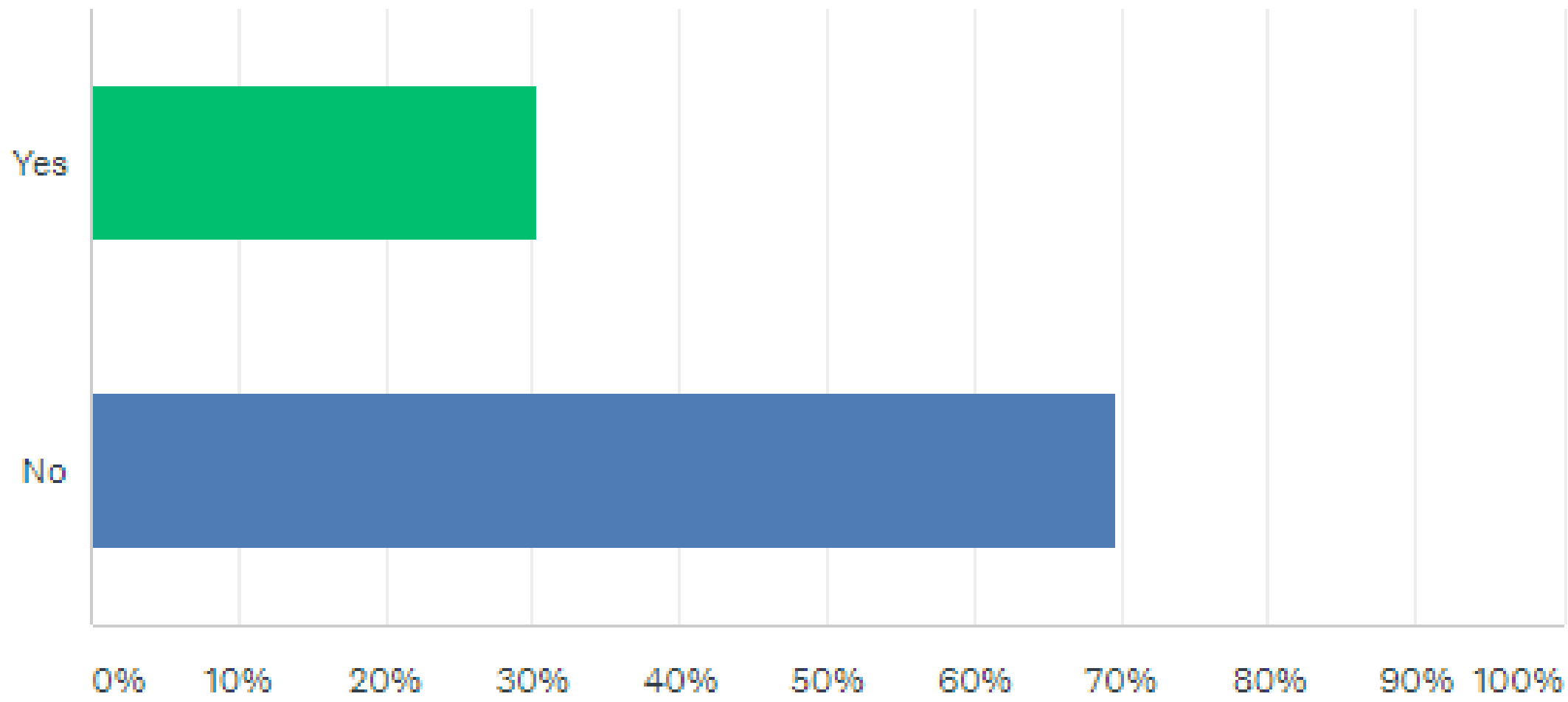
Answered: 392

Skipped: 0



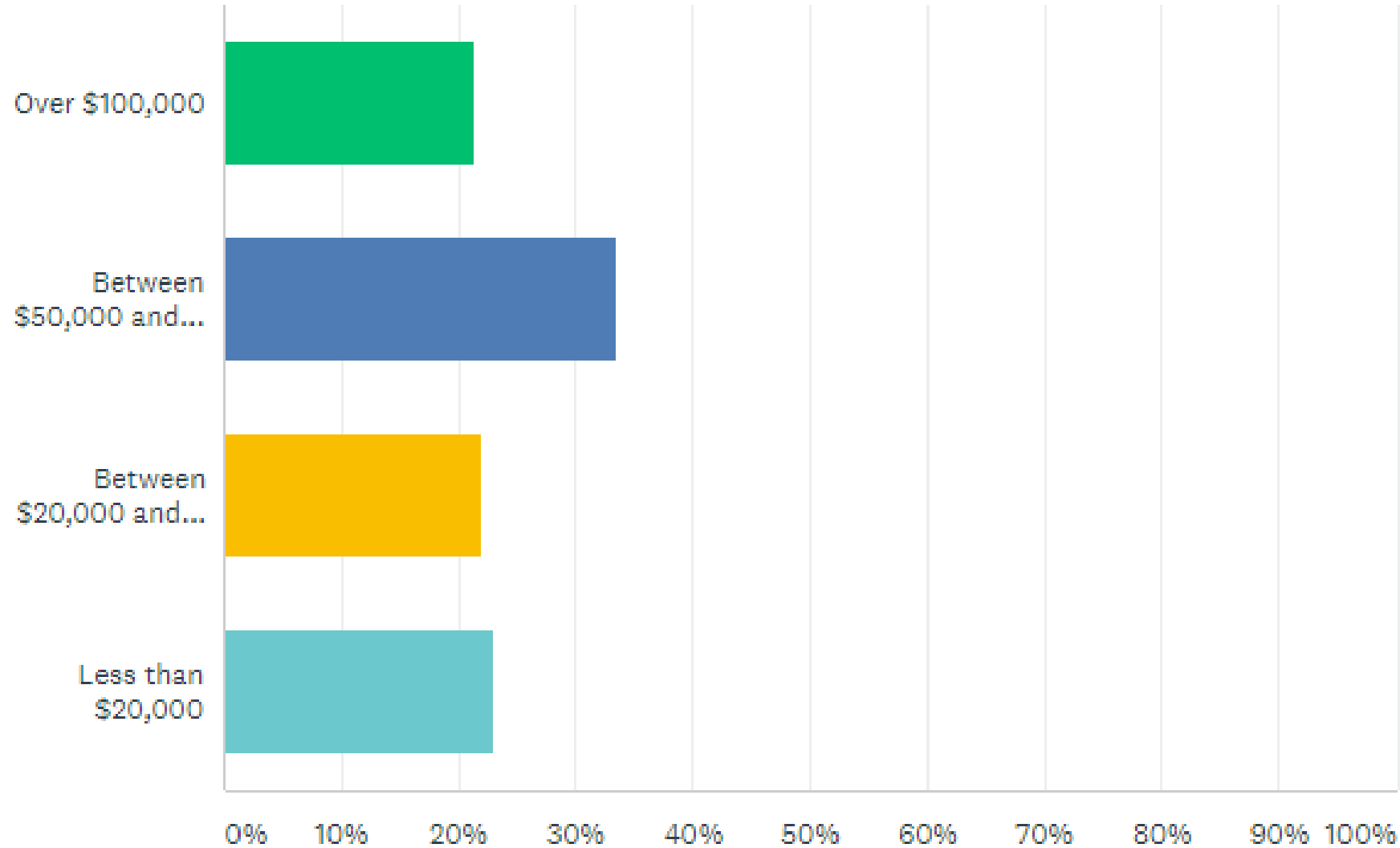
Would you be interested in borrowing funds from JN to install water saving devices in your home?

Answered: 390 Skipped: 2



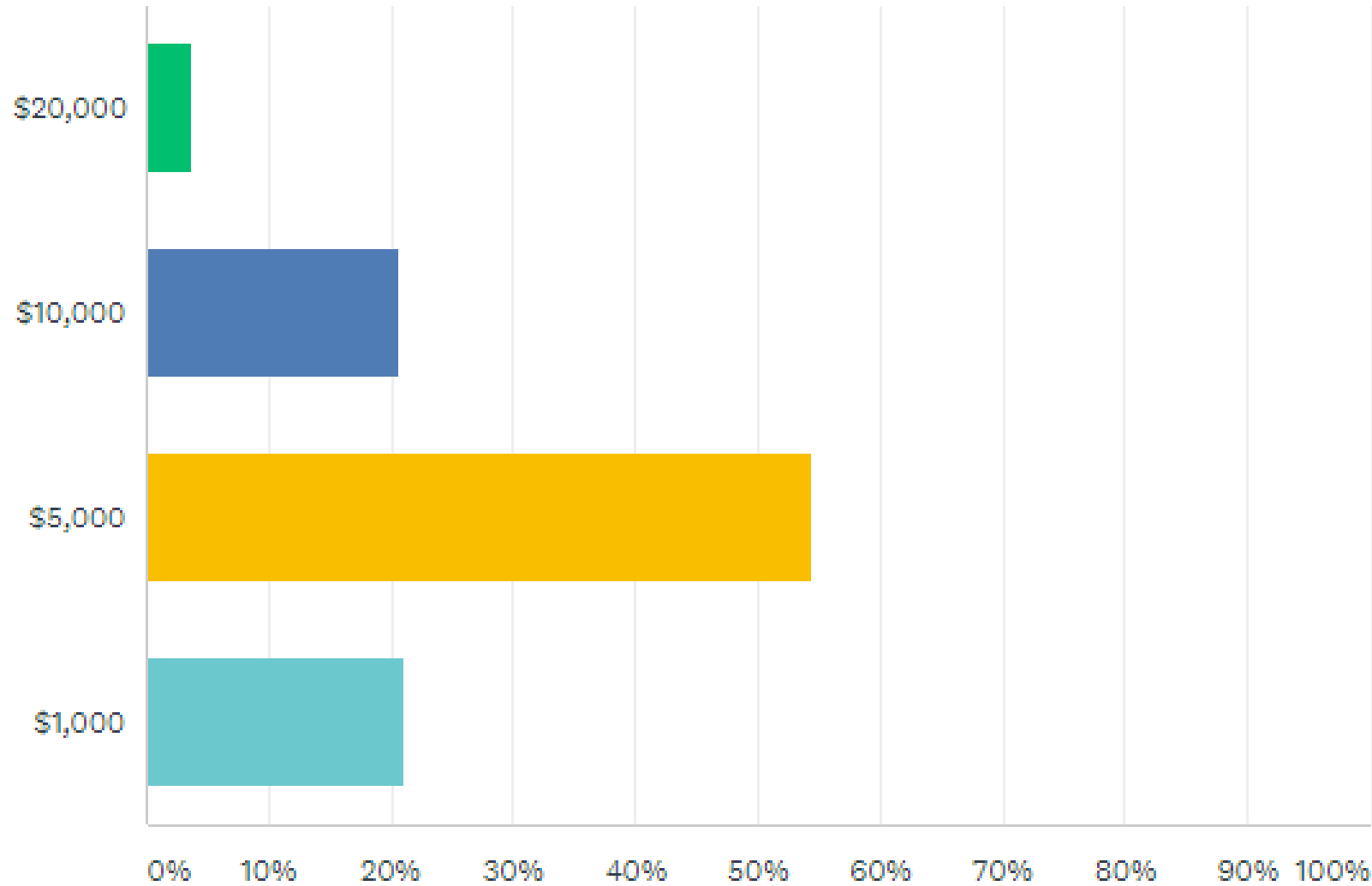
If you wish to borrow from JN, what amount would you consider borrowing?

Answered: 304 Skipped: 88



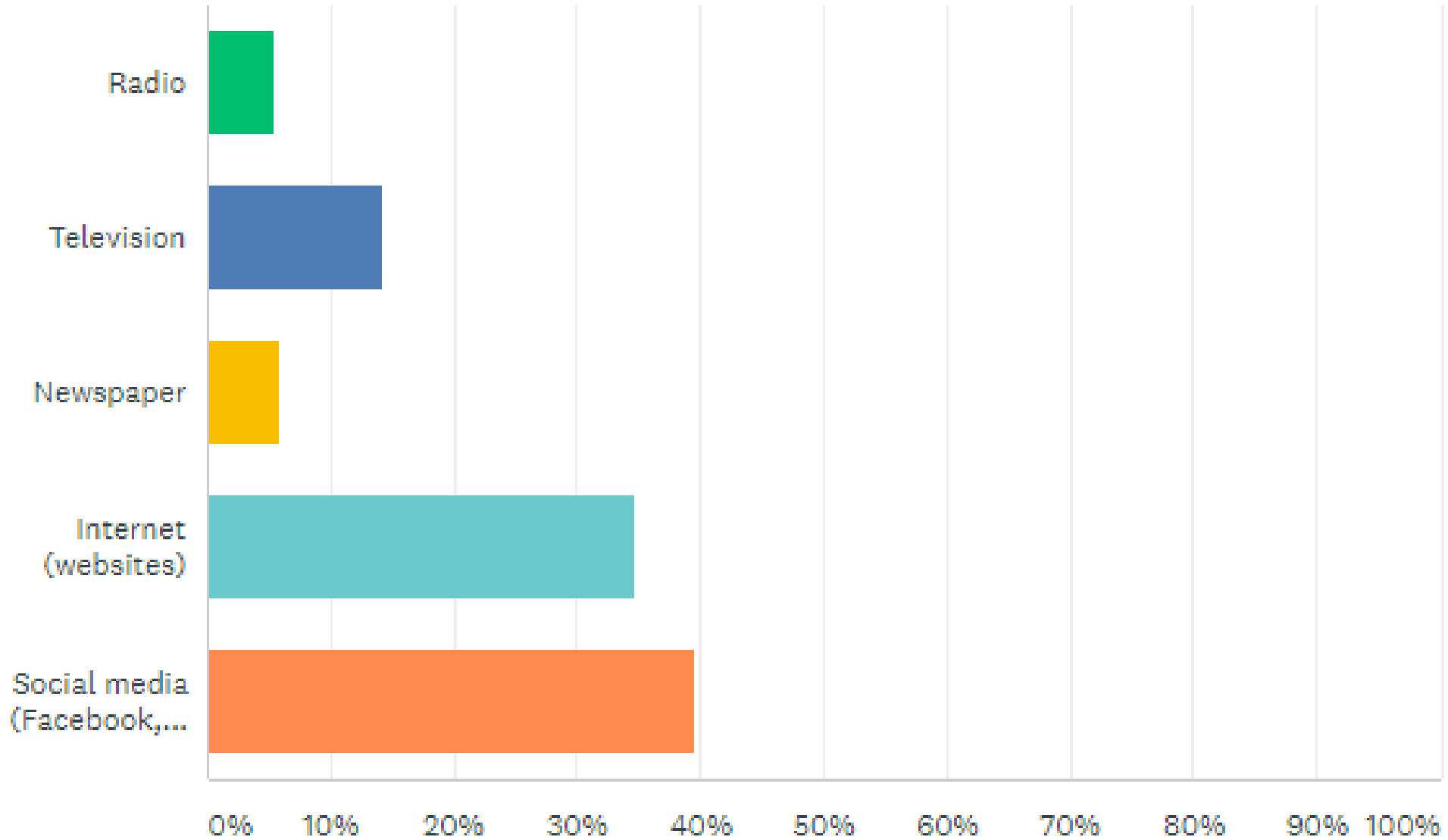
What would you consider affordable as a monthly repayment?

Answered: 322 Skipped: 70



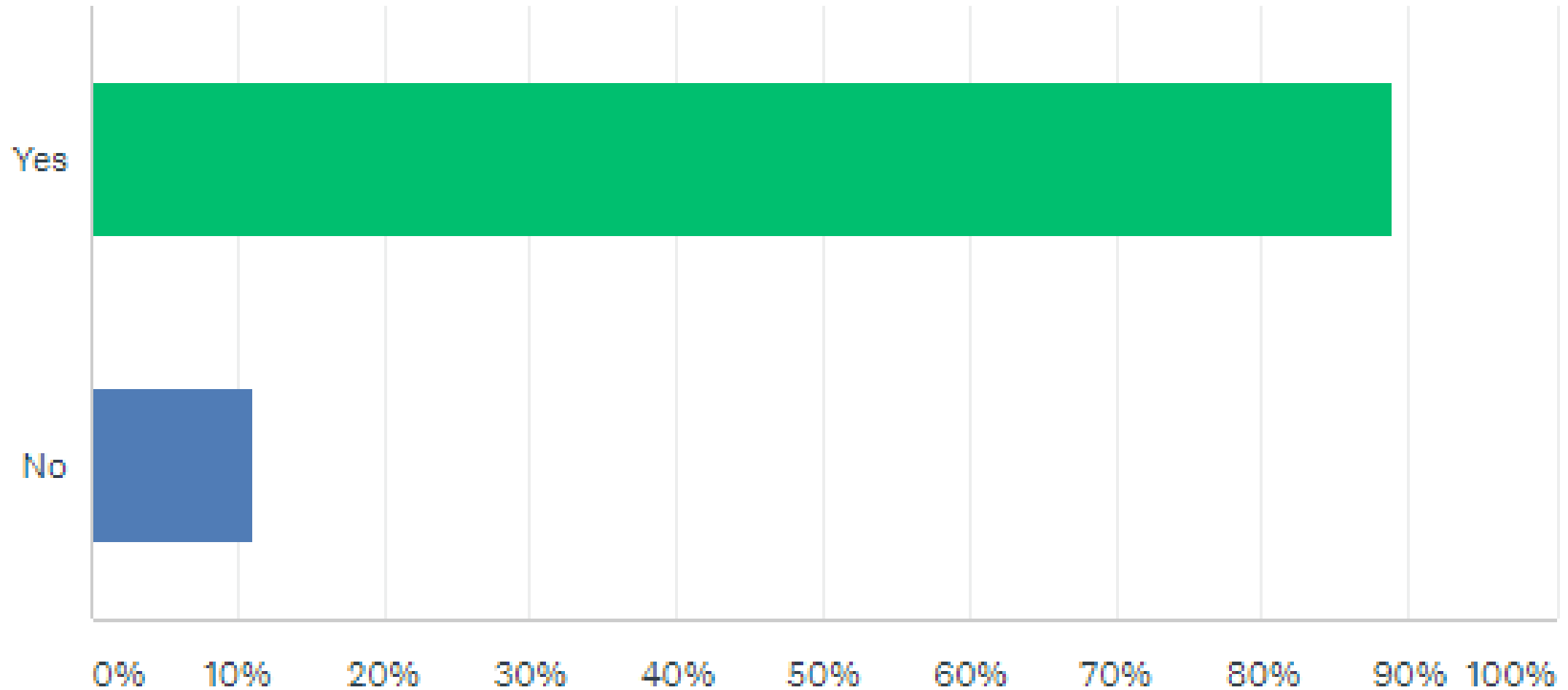
What is the main source from which you get information?

Answered: 391 Skipped: 1



Are you interested in learning more about the Water Project Ja?

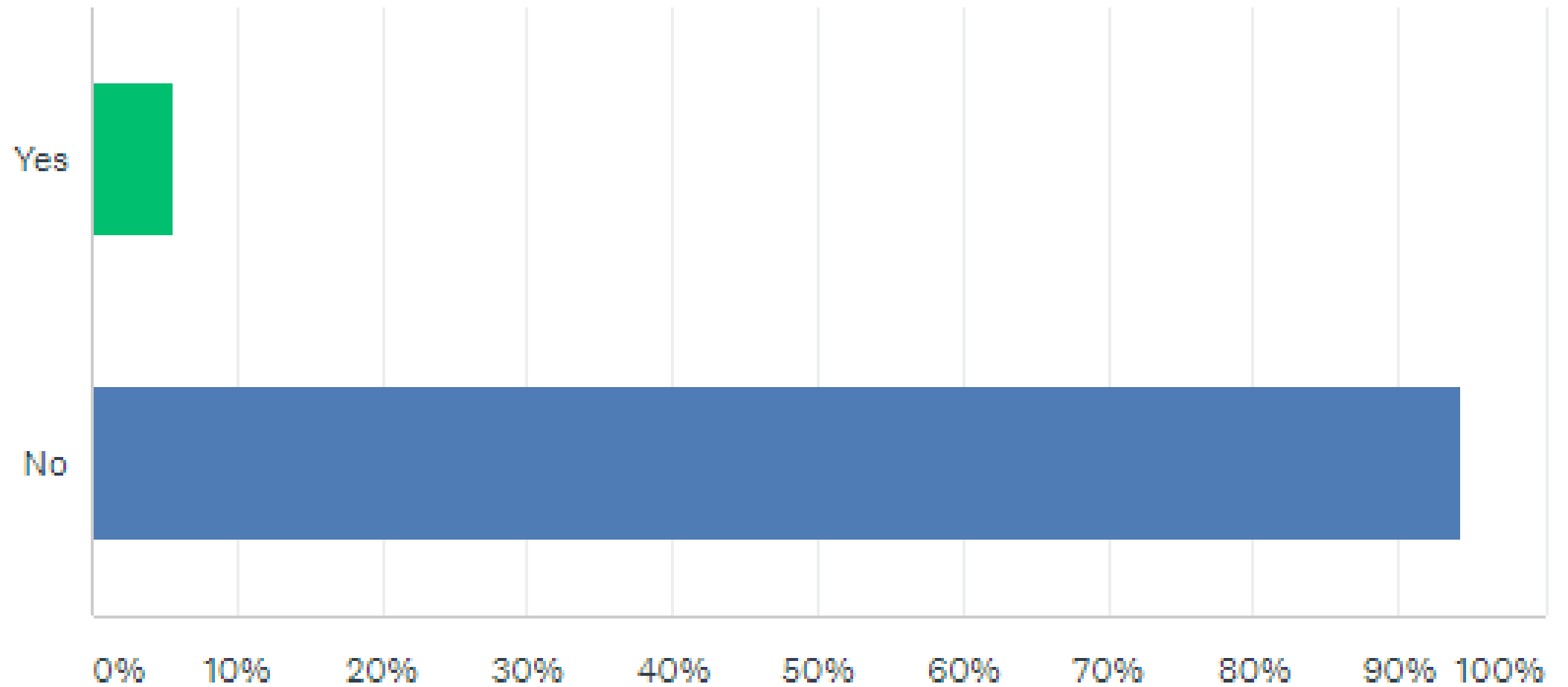
Answered: 390 Skipped: 2



Are you a JN staff member?

Answered: 315

Skipped: 77



Consumer Survey Summary Findings

- 392 respondents at Nov 17th
- 85% of respondents were female & likely decision makers
- 65% earned > \$1.2M/year
- 45% were from KSA & 25% from St. Cath.
- 46% own their home or are acquiring
- 44% have 2 bathrooms or more and all have at least 1 kitchen
- 71% very & 25% somewhat concerned with Climate Change
- 73% have water lock-offs at least once per month
- 68% have water bills > \$2000/month

Consumer Survey Summary Findings

- 88% do not have water saving devices currently
- 50+% on average would install water saving devices
- 69% not interested in borrowing from JN to install WSD
- 55% if interested would be prepared to borrow >\$50K
- 75% would be prepared to pay no more than \$5000/month to repay loans
- 74% get their information from Social Media or the Internet
- 88% are interested in learning more about the WSD Programme
- 95% of respondents were not JN Employees

Consumer Survey- Key Implications/Conclusions

- Advertising & Promotions must use Social Media
- Females must be targeted more than males
- Target market 70% KSA & St. Cath
- 96% Climate Change concern must be reinforced
- 88% not having WSD implies demand should be significant
- 50%+ interested in installing WSD also
- However, 69% not interested in borrowing from JN
- Of those interested 55% would be prepared to borrow >\$50K
- With willingness to borrow low at 31% demand for loans seems limited

Estimated Loan Demand from Consumers

Assumptions	2019	2020	2021
Target # of Households	2,000	3,000	4,000
Only 46% own homes	920	1,380	1,840
50% would install WSD	460	690	920
31% would borrow from JN	143	214	285
Assume average loan \$100K	100,000	100,000	100,000
Total Annual Loans	14,300,000	21,400,000	28,500,000

Estimated Loan Demand from Developers & Consumers

Developers/Consumers	Loan Demand 2019 (\$'000)	Loan Demand 2020 (\$'000)	Loan Demand 2021 (\$'000)
Developers	47,800	113,675	102,950
Consumers	14,300	21,400	28,500
Overall Total	62,100	135,075	131,450

Summary/Conclusion

- Probably the most significant finding of the Consumer Survey is that though 81% of respondents wish to find out more about the water saving devices and the project overall but only 35% of them are interested in borrowing to finance the costs.
- Though 57% of the respondents had water bills higher than \$3000/month selling a consumer to spend \$100K and more to install water saving devices seems to be a hard sell.
- In spite of this there seems to be a high percentage of consumers wishing to install water saving devices, however, this enthusiasm may be dampened if the costs to replace existing inefficient devices is deemed to be too high.
- Affordability was not a negative however as 83% of respondents were willing to repay \$5000/month or more. This however needs to be tempered by the response that only 35% would be willing to borrow.



Thank you

Questions
Comments
Discussion

