Jordan Affordable Housing Programme

The refugee crisis is severely straining the absorption capacity of the Jordanian housing market, where housing has been the top sector linked to community tensions.1 The 518,000 urban refugees, living outside the camps, require around 90,000 units2. Preceding the influx of refugees, Jordan was already experiencing a housing shortage exacerbated by the crisis, as the Jordanian housing sector has produced an annual average of 28,600 units during the period 2004-11, against an annual pre-crisis demand of 32,000 units.3; there are no entry-level housing options for lower middle income Jordanians, and rental housing is increasingly less affordable for lower income Jordanian families. This problem has been severely exacerbated by the influx of Syrian refugees.

In response, the Jordan Affordable Housing (JAH) Programme that UN-Habitat is implementing with the GOJ aims to deliver a scaled national programme of small-sized housing units of (65m2), through the private sector designed such that they can be expanded or combined to create 100 – 130m2 units in the future. The programme aims to deliver housing across Jordan at scale, wherever there is need, priced at 15,000 -16,000 JD per unit inclusive of land that can be purchased by lower-middle income Jordanian families earning between 300 and 500 JD per month. This household earnings level represents a significant percentage of the population living outside Central Amman; the programme will be operational in all governorates except Central Amman, where land prices are too high to achieve a 15,000 JD unit price (but where the same house design, at a higher price to account for land value, could be delivered). The size of this programme could exceed $500 million.

This is a predominantly private sector funded solution that will deliver houses to lower-middle income Jordanians without the use of subsidy. It combines the credit capacity of Jordanian families interested to make an incremental investment in property, financing from local commercial and Islamic banks and the available resources of Jordanian developers and their construction capacity. Refugees and vulnerable Jordanian families would have access to those units that are made available by the buyers (through the JAH entity) on a market rental basis. This is a large-scale affordable housing solution for both lower-middle income Jordanians (through increased affordable housing supply) as well as refugee populations (through increased quality rental housing and enhanced rental security). The construction sector will also benefit as it currently has excess capacity, and the multiplier effect on the economy as a whole should be significant.

Phase 1 has been funded by the Governments of Switzerland and Denmark, with funding from UNHCR for a refugee rental scheme analysis.

Local banks are prepared to provide the needed financing for this target group, and can offer 10 (or more) year financing, for 80%, (and potentially, up to 100%) of the purchase price, at market rates. The repayment amount for a 13,000 JD financing (whether from a commercial or Islamic bank) will be about 150 JD per month. Currently average monthly rental rates outside Amman are 145 – 150 JD, so a prospective purchaser would pay essentially the same amount to be an owner as they would be to a

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1 Reach 2014 - Housing And Tensions In Jordanian Communities Hosting Syrian Refugees
2 Housing unit numbers based on a household size of 5.8 persons. CARE 2014 – Urban Syrian Refugees and Vulnerable Host Communities Factsheet April 2014
tenant, if they are currently renting. Alternatively the purchaser should be able to fully defray the cost of financing if a tenant family were installed.

The primary stakeholders of this programme are Jordanian families as owners and, potentially, landlords if they choose to rent a unit, local banks (as providers of housing finance) and developers. Vulnerable Jordanian and Syrian families will be beneficiaries as tenants where housing units are made available to rent. The Jordanian families purchasing the properties could either provide their own land for construction, or purchase land to construct up to two units, or buy from a developer (up to two) completed units of housing. The ownership restriction of two units in any development is intended to prevent investor speculation in the programme. And in the same spirit, small and mid-sized development companies will be encouraged to participate.

The role of the UN and the Government of Jordan (local and national) will be to champion the establishment of the Jordan Affordable Housing vehicle for the programme. This vehicle will manage the parties wanting to participate in the programme, ensure compliance to programme principles (such as quality assurance and fairness in pricing), provide the interface between the stakeholders and the banks, and work closely with municipalities to ensure infrastructure and related support and the timely execution of projects. It will also play a role supporting a refugee rental scheme as applicable.

The “value added” of the JAH programme is that it will bring all key players together, allowing them to move collectively into a “new market” offering affordable housing with support from a dedicated team of experts to help unblock obstacles, address market delays, assure quality, transparency and fairness and assist with the arrangement of borrower financing to purchase the units.

In the short-term, the project will help meet the shelter needs of refugees and vulnerable Jordanian families. Increased housing supply will mean that rent prices are likely to remain stable. It will also catalyze increased economic activity and generate jobs in a construction sector that is a significant source of informal employment for refugees.

In the longer-term, the programme will open up new markets for commercial banks and help address the acute shortage of affordable housing that has challenged Jordan’s housing sector to date. It will also build resilience in the housing market in the event of a future surge in refugees from any country – Syria, Iraq or elsewhere.

Finally, the Programme will concretely demonstrate how humanitarian and development issues can be linked within a specific sector. In the first phase of the programme, partnerships will be sought with humanitarian shelter actors to complement their grant-funded emergency shelter support with access to loan products to complete the work that cannot be funded from grant money alone. Moreover, the programme will provide valuable data and evidence that will shape HUDC’s plan to develop a new housing policy.