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Disruptive and sustainable housing innovation in Latin America and the Caribbean

The integration of sustainable approaches in housing construction is essential to address the housing deficit in Latin America and to improve the quality of life of the population, under an approach of public-private coordination and collaboration.

The Third Regional Housing Forum: Disruptive and sustainable innovation for vulnerable populations in Latin America and the Caribbean (LAC), held in Mexico City, Mexico, on July 25, has established itself as a crucial event to address housing challenges in the region. Organized by the Inter-American Development Bank (IDB), this forum brought together experts, government authorities and representatives of the private sector to discuss innovative

and sustainable solutions that can improve the quality of life of the most vulnerable populations.

CONTEXT AND OBJECTIVES

The forum focused on seeking disruptive solutions that can address the housing deficit in LAC, a region characterized by rapid urbanization and a growing demand for adequate housing. The main objectives included:

Financial innovations are essential to provide housing solutions and improve access to housing in Latin America and the Caribbean.

- Promoting technological innovation in housing construction.
- Promoting sustainability and resilience in housing projects.
- Incorporating gender equality and social inclusion in housing policies.
- Facilitating access to housing for populations without social security and in vulnerable situations.

Among the main issues addressed about financing in order to combat the housing deficit, were included:

Innovative financial structures for low-income housing in Latin America

Financial innovations are essential to provide housing solutions and improve access to housing in Latin America and the Caribbean. These tools make it possible to develop programs that facilitate the financing of housing for vulnerable populations, thus promoting the economic and social development of the region.

EXPERIENCES AND CHALLENGES IN DIFFERENT COUNTRIES

The United States, a model of securitization: Ginne Mae, a key entity in the U.S. mortgage market, uses a securitization model that guarantees issued securities, providing uniform access to mortgage financing. This model has enabled the creation of 25 million homes, with a sovereign guarantee that attracts global capital and reduces credit risk.

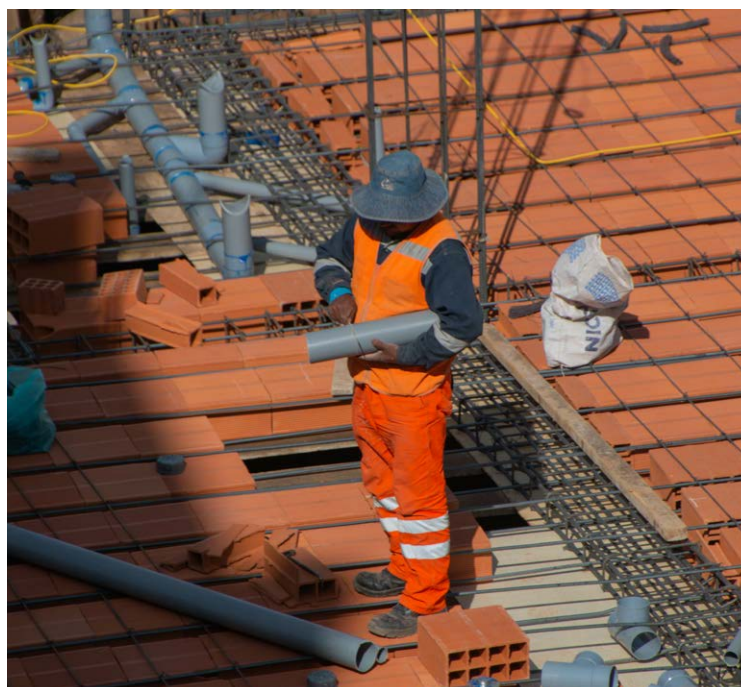
Trinidad and Tobago: The pandemic and climate change have significantly affected the economy and housing sector in Trinidad and Tobago. Inflation and job losses have increased construction costs and reduced the availability of affordable housing. The Mortgage Bank of Trinidad and Tobago has collaborated with the IDB to finance housing for low-income

families, positively impacting more than 1,000 families. We note the need for additional funds from multilateral development banks to meet the estimated US\$ 9 billion housing demand.

El Salvador: Federación de Cajas de Crédito y de Bancos de los Trabajadores (Fedecredito) offers loans for the purchase and improvement of housing, especially in areas vulnerable to natural disasters. The majority of customers are women, who represent a solid and reliable basis for financing. Recently, Fedecredito issued a US\$ 80 million social bond, backed by family remittance flows, to finance housing and housing improvements for women. This bond is the first of its kind in El Salvador and reflects the confidence of international financial institutions in the Credit Fed system.

Other Latin American countries: Palladin Realty of the United States, a Real Estate Investment Fund, has invested in housing projects in Latin America for the past 25 years, focusing on affordable and sustainable housing. Despite currency exchange challenges, it has developed zero-carbon projects and worked with international investors to finance social housing. As financing strategies, Palladin has implemented investment platforms that combine capital from different sources, including pension funds and development banks, in order to finance housing projects in the region. These strategies seek to mitigate currency exchange risks and attract more capital for affordable housing development.

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Innovative financial structures are fundamental for improving access to low-income housing in Latin America and the Caribbean. Collaboration between the public and private sectors, as well as the implementation of sustainable and self-sufficient financial models, are essential to address the housing deficit and improve the quality of life of the neediest communities. The experiences of the different countries show that, although the challenges are significant, there are opportunities to develop effective and sustainable solutions.

PROMOTING AFFORDABLE, SUSTAINABLE AND INCLUSIVE HOUSING

The forum also discussed how to integrate sustainable approaches into their projects and how to address the housing deficit. Sustainability is key to improving quality of life and promoting social cohesion in urban communities. Incorporating sustainability criteria into housing construction not only contributes to a cleaner and more

self-sufficient environment, but also helps to meet the challenges of climate change.

EXPERIENCES AND CHALLENGES IN DIFFERENT COUNTRIES

Panama: Reference was made to the fact that, in the country, there are no projects certified as green housing, despite being a carbon-negative country. A lack of interest, and perhaps knowledge, about the consequences of climate change is considered to have impeded the development of sustainable housing. Therefore, it is necessary to encourage both developers and buyers so that this market develops.

Rental housing for informal workers: Su Casa, one of the longest-running developers in Panama, has identified rental housing as an opportunity to include informal workers and other populations that cannot access financing. The company is evaluating properties to offer rental housing in order to serve this segment of the market.

Peru: The success of sustainable housing has been based on the collaboration among developers, banks and the government. Fondo Mivivienda has promoted social interest housing through subsidies and preferential rates, benefiting both developers and buyers.

Viva, a developer of real estate projects in Peru, was one of the first developers in Peru to certify its homes with the green certification of Fondo Mivivienda. The key to success has been the commitment to sustainability and the value proposition that it offers to its customers. The implementation of water reuse and energy saving systems has allowed more than 80% of social housing in Peru to be certified as green.

The experiences of different countries show that, although the challenges are significant, there are opportunities in housing to develop effective and sustainable solutions.

Innovative financial structures are fundamental for improving access to low-income housing in LAC. Public-private collaboration and sustainable and self-sufficient financial models are essential to address the housing deficit and improve the quality of life of the neediest communities.

In summary, the integration of sustainable approaches in housing construction is essential to address the housing deficit in Latin America. Collaboration between the public and private sectors, as well as the implementation of adequate incentives and financial models, are fundamental for promoting sustainable housing and improving the quality of life of the most vulnerable communities. The experiences of the different countries show that, though the challenges are significant, there are opportunities for developing effective and sustainable solutions.

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Viva integrates the gender approach into the design of its projects, ensuring that gender needs and priorities are addressed. This includes security, accessibility, and shared household workload.

SOCIAL INCLUSION AND COMMUNITY DEVELOPMENT

In Mexico, Ruba, one of the country's leading housing developers, has implemented community development and neighborhood coexistence programs to ensure that its projects are not only accessible, but also viable in the long term. One example is the Natura development, in the state of Tijuana, designed for 50,000 homes, where more than 300 neighborhood committees have been formed to work on educational, sports and social activities.

Ruba has maintained healthy finances and a professionalized team, which has allowed it to operate for 44 years and to deed more than 250,000 homes. The company has diversified its offer into 16 locations and two states in Mexico and has maintained a focus on social interest housing.

