ShelterTech Masterclass: Understanding the low-income housing sector in the Philippines

**Masterclass highlights**

- 70% of the world’s population accesses shelter through incremental housing (owner-driven construction).
- In the Philippines, owner-driven construction comprises 55% of the housing market, often not recognized by banks, developers, and private actors.
- To address the housing gap, the “invisible segment” calls for improved policies, investment, and innovation.

**What is the “invisible” segment?**

In the Philippines, it represents those who are part of the informal economy. 45% belong to the poor segments (earning less than US$5 per day), 55% belong to the low-income segments (earning US$5-15 per day).

**The “invisible” segment** of families who rely on owner-driven construction:

- Only have US$138.4 million available for construction expenses.
- Have security of land tenure and homeownership that may start as temporary.
- Are excluded from priority government housing programs, formal financial services, and other quality products and services from the private sector.

**Key figures**

**Owner-driven construction sector — sources of funding**

- Personal savings: 40%
- Family member/relative: 31%
- Sales/income: 30%
- Microfinance institutions/NGOs/cooperative loans: 20%
- Cash-on-hand: 10%
- NGO grants: 10%
- Pawnshop/money lender/informal lender: 10%
- Government grants: 6%
- Bank loans: 0%

**Owner-driven construction segment in numbers**

- 13.2 million Filipinos
- US$13 billion Market value
- US$13 billion GDP undercount

**Unserved = Invisible segment**

- Socialized
- Economic
- Low-cost

**Housing need in the Philippines**

- Unserved = Invisible segment
- Market value
- GDP undercount

**Takeaways for ventures in this sector**

Address clients’ limited purchasing power and infuse innovative financing mechanisms to ease the purchasing journey of the customer (e.g., where housing products and services are purchased in increments).

Shift thinking to “value conscious” rather than “price conscious” — use marketing to effectively communicate and influence this segment to appreciate long-term savings and unique value propositions.

High-volume, small transactions — build capacity to manage and serve large markets across various locations (through a larger supply chain) or focus on smaller transactions.

Look for unserved and promising markets — competition is limited in the owner-driven construction segment. Startups have a relative first-mover advantage. This also means higher risks and high returns.

**Source**

Clearing the Housing Backlog: An Updated Supply and Demand Study on the Owner-Driven Construction Segment in the Philippines, by Habitat for Humanity’s Terwilliger Center for Innovation in Shelter and the Center for Research and Communication Foundation, Inc.

**About**

ShelterTech is the world’s leading platform for affordable housing innovation. Find out more and join our ecosystem at shelter-tech.org.