

The Use of Remittances for Housing in Colombia: A Case Study

-A Home Back Home-

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Discussion Points:

- Background- Remittances and Housing
- Research Question
- Findings- Immigrants, Construction Firms and Banks
- Bottlenecks
- Tentative Conclusions

Background Remittances:

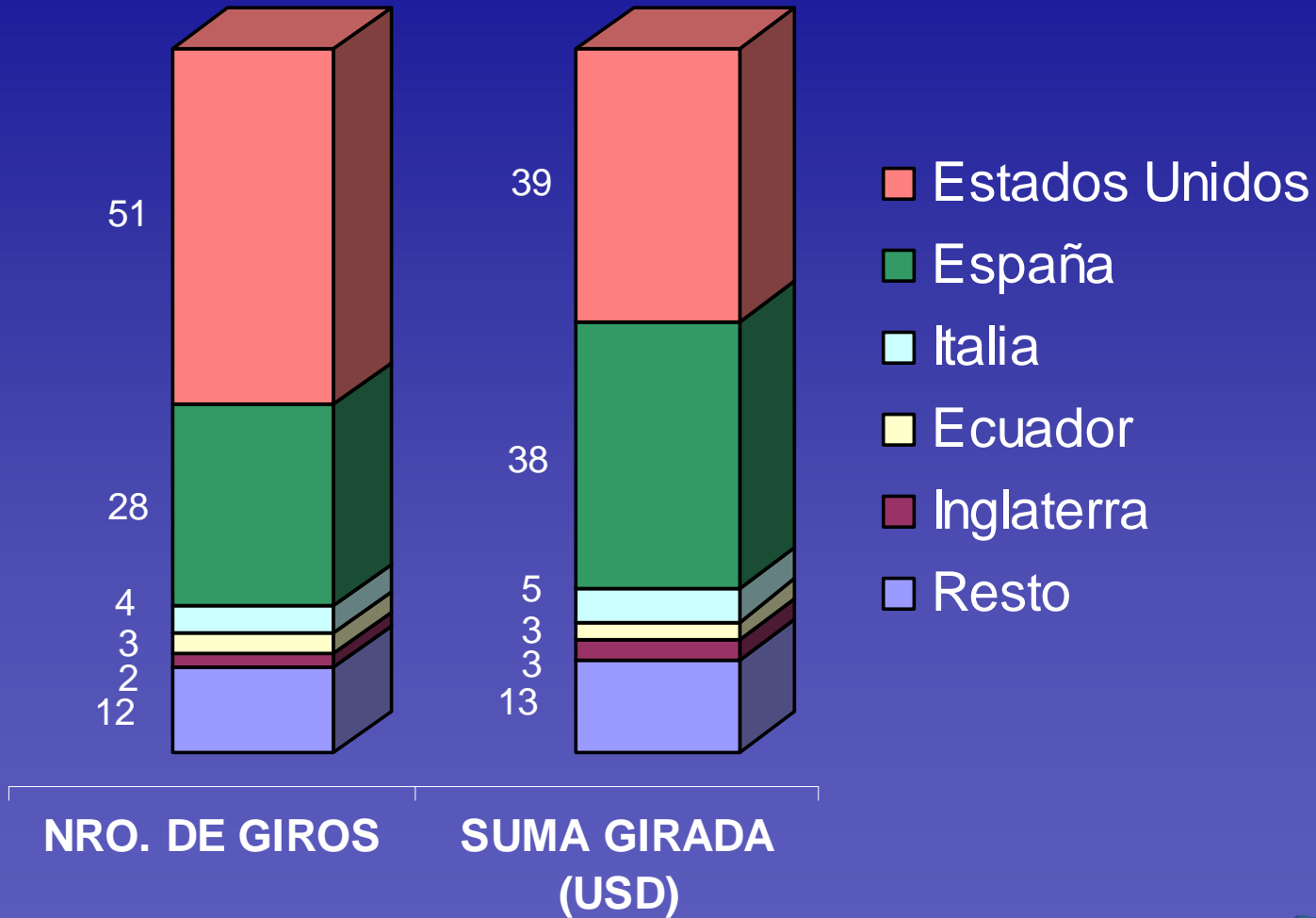
- Colombians sent 3.9 billion dollars back home in 2004-equivalent to 8.5% of the remittance market in Latin America
- Remittances account for 4 percent of the country's GDP
- Remittance flows were four times the value of coffee exports and ten percent more than the income derived from oil exports
- These transfer provided Colombia with the largest foreign source of income
- Flow has increased steadily in past

Evolución histórica de la estimación sobre ingreso de remesas. 1970-2004



Fuente: 1970 a 1993, IMF Balance of Payments Statistics Yearbook. Annual. 1994 a 2004, Banco de la República, Balanza de Pagos
This slide by William Mejía.

Procedencia. 2004



Fuente: encuesta ASOCAMBIARIA – DANE – OIM. Cálculos propios, excluyendo giros inferiores a 20 USD y superiores a 10.000 USD (n=21711)

This slide by William Mejia.

Background Housing

- Historically it has a leading sector of the economy
- Housing is beneficial to the economy:
 - Generates unskilled and semi-skilled jobs
 - Has a multiplier effect
 - Addresses acute housing shortage
- Fall and Rise of the housing market has closely replicated the migration pattern of many Colombians

Research question:

- How far have the sales of housing among immigrants living in the United States affected the latest housing boom in the country?



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Selected Findings

Immigrants:

- 76.44% of surveyed Colombian immigrants are interested in buying real estate
- 74.59% want a mortgage
- 68.55% have saved for their down payment

Selected Findings

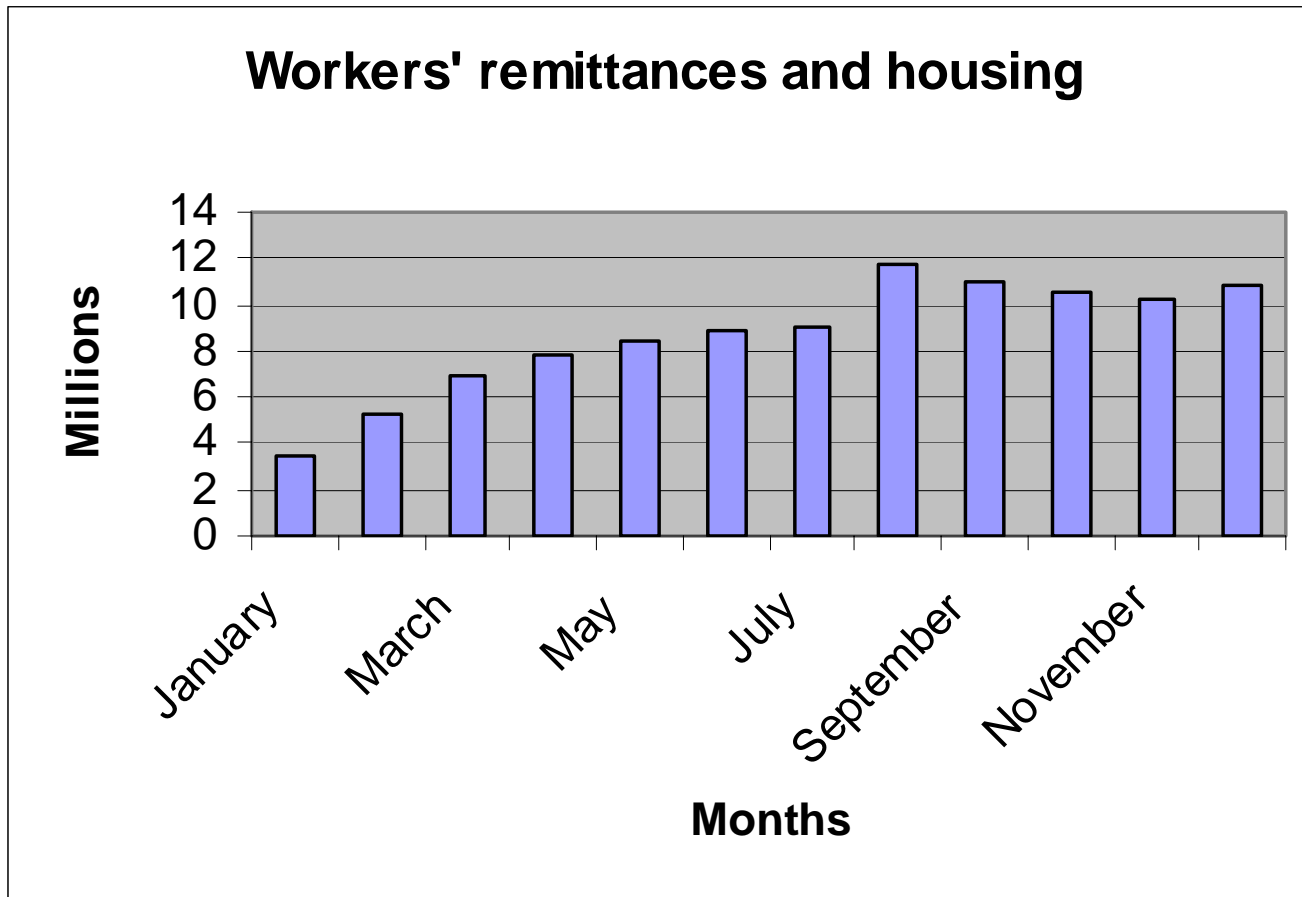
Banks:

- Davivienda, Conavi/BanColombia, Colpatria, Av Villas, Banco Granhorrar/BBVB and Colmena/Caja Social have a stake in the business
- Business began in 2004, but did not get on track until 2005
- Process is in the formative stage
- Sales to immigrants represents a small percentage of their business
- Do not address needs of low-income immigrants
- Offers are non-competitive in global terms

Selected Findings Construction Firms:

- Over 65 construction companies interested in reaching out to immigrants living abroad- mostly in Spain and the United States.
- Like banks, businesses began to lure immigrants in 2004, but most are still in the formative stage
- Urban nature of the sales- Bogotá, Cali and Medellín
- Range of sales 30-50,000 for New York area; 35-60,000 in Miami
- Types of housing - "*se pinchan*"; not slum housing
- In spite of growing interest, mixed results

Workers' Remittance- Acquisition of Housing Units
"Balanza Cambiaria- Numeral 1812"- Banco de la República
2005



Main bottlenecks in the search for *El Dorado*

Lack of: _____

- available information on process
- a streamline process due to the presence of "*Tramitología*"
- financial literacy among immigrants
- a marketing strategy by both banks and construction firms
- real support from government
- opportunities to address needs of the poor

Conclusions:

- Colombians are a highly transnational society in economic terms
- Housing sales to immigrants are not the cause of the present real estate boom
- However, this is just the beginning...hard-working immigrants will continue to funnel money into housing
- Need to solve bottlenecks in order for more immigrants to fulfill their dream of having a home back home