

# Real Estate Industry in the Philippines: Problems, Policy Implications and Societal Contributions

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**Abstract**— Addressing the problems of the real estate industry enhances and creates positive policy implications and societal contributions. This paper described the profile of the real estate human resources. It also described the problems encountered by the respondents. Further, policy implications and societal contributions of real estate industry were identified. Descriptive method was used in this paper. A total of 239 human real estate resources (163 males and 76 females) were surveyed using a questionnaire. In relation to the gathered and analyzed data, this research has concluded that, first, the top three most common problems encountered by the real estate industry were unlicensed real estate persons, commissions received, and unethical practices. In spite of the presence of RA 9646, individuals are not yet aware of its implementing rules and regulations. It projects the traditional selling and buying of properties which sometimes caused problems to stakeholders. Second, these problems encountered have policy implications on the real estate industry such as land conversion, areas prone to calamity and hazards, and hidden charges upon turnover. Policy implications from different situations were generated such as from different government agencies. And last, despite of these problems and policy implications, real estate industry has societal contributions such as it can be a source of employment for the people, provides shelter to the people for social protection and security, and it is one of the sources of the government's income. Jobs generated, taxes collected and social housing shared by the real industry are the major contributions of the real estate industry. The researcher recommends that Information dissemination for the awareness of RA 9646 for the professionalism of the industry must be participated for the benefit of the stakeholders. Implementation and proper monitoring of this law through authorized group improve the professionalism in the industry. Vigilant buyers and seeking necessary information before investing hard earned money in real properties must be done by prospective buyers in order to prevent future problems. Income generated from assessors can be improved over the years through proper payments on real property tax. Following the proper land use must be practiced in order to get the highest and best use of the property.

**Keywords**— Real Estate, Problems, Difficulties, Policy Implications, Societal Contributions.

## I. INTRODUCTION

Addressing the problems of the real estate industry enhances and creates positive policy implications and societal contributions. In order to achieve their objectives, healthy organizations need to maximize human resources; they need to integrate their programs and empower their employees (Santos & Nocum, 2020).

Proper corporate culture in the real estate industry should be maintained while agents and other human capital in the real estate sector compete with clients (Hipolito, 2020). The rules

and procedures of a transparent company must be followed to enable contract employees such as real estate agents to remain committed to work to avoid dishonest activities (Santos & De Jesus, 2020).

Land and real estate are the core components of the material socio-economic foundation, and thus all problems of land transfer have always been relevant and significant for the advancement of society (Kauškalė & Geipele, 2016). Since the real estate market is directly related to the functioning of the economy, its disproportionate growth is a significant risk

factor for the development of the financial sector and the economy as a whole (Glock et al., 2007).

In lieu of the insights, the researcher sought to identify the problems, policy implications and societal contributions of the real estate industry in the Philippines.

## II. CONCEPTUAL FRAMEWORK

Real estate is therefore a physical setting with many various activities, such as commuting, shopping, housing and recreation, and thus has a range of political, social and cultural influences (Toivonen&Viitanen, 2016).

Distortions in the rate of investment and allocation of capital, insufficient delivery of subsidies for housing finance, ineffective processes for choosing the target population for subsidies, lack of suitable and reasonable financial tools to resolve perceived risk in housing finance, lack of standard criteria for determining appropriate interest rates are the main shortcomings in real estate financing (Sarket et al., 2008).

Policymakers are forced to balance the need for stability in the real estate sector against the degree of unfair pricing with the taxable sector that could occur if the tax-advantaged sector is unconstrained (Campbell & Sirmas, 2002).

## III. OBJECTIVES OF THE STUDY

This paper described the profile of the real estate human resources. It also described the problems encountered by the respondents. Further, policy implications and societal contributions of real estate industry were identified.

## IV. METHODOLOGY

The descriptive method of research was used in this study because it requires the exact presentation, documenting, examination and explanation of the situation. It is necessary to use the descriptive approach to obtain information on the current situation (Creswell, 2014). A total of 239 human real estate resources (163 males and 76 females) were surveyed using a questionnaire of liker-scale responses (Vagias, 2006).

## V. RESULTS AND DISCUSSION

Table.1: Profile of the Real Estate Human Resources

VARIABLES	FREQUENCY	PERCENTAGE
<b>Sex</b>		
Male	163	68.00
Female	76	32.00
<b>Total</b>	<b>239</b>	<b>100.00</b>
<b>Age</b>		
20-30	8	3.00
31-40	86	36.00
41-50	84	35.00
<b>Total</b>	<b>239</b>	<b>100.00</b>
<i>Mean:</i>	39.58	
<i>Oldest:</i>	60	
<i>Youngest:</i>	27	
<b>Civil Status</b>		
Single	9	4.00
Married	230	96.00

<b>Total</b>	<b>239</b>	<b>100.00</b>
<b>Educational Attainment</b>		
College Graduate	219	92.00
Master's Degree	20	8.00
<b>Total</b>	<b>239</b>	<b>100.00</b>
<b>Realtor Affiliation</b>		
Appraiser	24	10.00
Broker	163	68.00
Broker/Appraiser	38	16.00
Consultant	5	2.00
Consultant/Broker	9	4.00
<b>Total</b>	<b>239</b>	<b>100.00</b>
<b>Length of Years in Service</b>		
less than a year	5	2.00
1 to 5 years	138	57.00
6 to 10 years	68	28.00
11 to 15 years	23	10.00
20 years and above	7	3.00
<b>Total</b>	<b>239</b>	<b>100.00</b>

Table 1 shows the profile of the respondents as real state human resources. The respondents of the study were dominated by males with a relative frequency of 68% with only 32% female. Majority of the respondents working in the real estate industry were between 31-40 years old (36%). Oldest respondent from the real estate industry is 60 years old and the youngest is 27 years old. In terms of educational attainment, it was noted that most of the real estate human resources were holding a Bachelor's degree (92%) and there

are few having master's degree (8%). Most of the respondents are working as broker (68%), followed by serving as broker and simultaneously as appraiser (38%), appraiser (10%), broker/consultant (4%), and consultant (2%). For the length of service in the real estate industry, it was noted in this study that most of the persons involved are already within one to five years in the business, as reflected by 57% of the respondents.

Table:2: Problems Encountered by the Real Estate Industry

Statements	Frequency	Ranking
1. Unlicensed real estate persons	146	1
2. Unethical practices	126	3

3. Documents	123	4
4. Commission	141	2
5. Unfair sellers	99	5
6. Unreasonable demand for property prices	90	6

Note: Multiple responses

Table 2 shows the problems encountered by the real estate industry. Under the Rule V Penal and Final Provisions of the RA 9646, any violations of the RA 9646 by licensed real estate practitioner shall be penalized with a fine of not less than one hundred thousand pesos (P100,000.00) or imprisonment of not less than two (2) years or both upon the discretion of the court. However, if the perpetrator is an unlicensed real estate practitioner, the fines and imprisonment will be double. In the case that the violation is committed by a partnership, corporation, association or any juridical person, the president, director or manager who has committed or consented to or knowingly tolerated such

violation shall be held liable and responsible as principal or co-principal of other participants, if any. However, despite the existence of such provision, unlicensed estate persons are the most commonly encountered problem particularly in selling real estate properties with 146 respondents. This is caused by the traditional belief that selling properties in unprofessional engagement. It is followed by problems obtained from commission with 141 respondents, some encountered unequal distributions, and delayed payments. Unethical practices ranked third which reveals even in the presence of the Implementing Rules and Regulations of the industry there were practitioners who.

Table 3. Policy Implications of the Problems Encountered by the Real Estate Industry

Statements	Frequency	Rank
1. Hidden charges upon turnover	103	3
2. Substandard construction	98	4
3. Real state scam	77	6
4. Areas prone to calamity and hazards	123	2
5. Fraud documents	87	5
6. Land conversion	165	1

Note: Multiple responses

Based from the brief interview the following policy implications revealed by the practitioners as they experienced in dealing with their clients as presented on Table 3.

*Hidden charges upon turnover*

Some land developers disclosed information from the property in order to easily catch prospective buyers. Before closing a deal in buying a property there's a need to verify all the documents and computations specially the miscellaneous fees and the like. "Unexpected connection fees, charges for utilities and restrictions Generally, the more common problem with hidden charges is that transfer and/or miscellaneous fees are either not properly declared

beforehand or not emphasized enough during the sales process."

*Sub-standard Construction*

It revealed that the some developers used low quality products in building a house which caused problems to the buyers and also the practitioners. Construction warranty bond could be necessary during the agreement.

*Real Estate Scam*

These were so-called double and triple sale of properties of different big real estates. Pag-IBIG Fund assured the homeowners of XeveraMabalacat in Pampanga

that Pag-IBIG will continue to accept housing loan payments from original buyers as appearing in the records of the Fund.

*Areas Prone to Calamity Disasters and Hazard*

Property sales form flood/landslide prone area which caused casualties like in Marikina and properties being sold in the west valley fault which were unsafe for stakeholders.

*Fraud Documents*

These were illegal papers obtained from unlawful transactions. Different government agencies such as

municipal or provincial assessor’s office, Land Registration Authority can assist in the verification of the authenticity of the property.

*Land Conversion*

Agricultural lands were converted into residential land which the Local Government Units (LGU) have approved the Comprehensive Land Use Plans (CLUPs)/Zoning Ordinance, have updated CLUPs/Zoning Ordinance.

Table.4: Societal Contributions of Real Estate Industry

Statements	Mean	Verbal Interpretation
<b>Economic</b>		
1. Real estate industry is one of the contributors in Gross Domestic Product of the country	3.29	Strongly Agree
2. Real estate industry has also its own share in the value-added and multiplier effect within the economy	3.20	Agree
3. Real estate industry is a source of employment for the people	3.79	Strongly Agree
<b>Social</b>		
4. Real estate industry provides shelter to the people for social protection and security.	3.56	Strongly Agree
5. The real estate industry is also playing a greater role in generating jobs.	2.20	Agree
6. Real estate industry offers calamity assistance particularly to informal settlers that are affected.	3.08	Agree
<b>Political</b>		
7. The real estate taxes are also considered as major source of local and national government finances	2.95	Agree
8. The execution of the document evidencing the absolute sale of the real estate will attract a documentary stamp tax.	3.43	Strongly Agree
9. All real estate industry taxes collected by the government became part of the government’s source of income	3.10	Agree
<b>General Weighted Average</b>	<b>3.18</b>	<b>Agree</b>

Table 4 presents the results of the societal contributions of the real estate industry in terms of economic, social, and political. Based on the result, societal contributions of the real estate industry got an average

weighted mean of 3.18 and had a verbal interpretation of Agree. To highlight, first in terms of economic contributions, respondents strongly agreed that real estate industry is a source of employment for the people (Mean = 3.79). The

effect of growing real estate industry in the country and other countries is unidirectional which means that as the industry increases its services and activities there is also an increase in the demand for human resources. In social contributions, real estate practitioners responded that they strongly agree that real estate industry provides shelter to the people for social protection and security (Mean = 3.56). Second, in relation to this, housing may reduce social cost associated with the spread of preventable diseases. Moreover, well-located settlements protect families from disaster; thus, it became a target for disaster mitigation and recovery. And last, in terms of political contributions, respondents also strongly agreed that the execution of the document evidencing the absolute sale of the real estate will attract a documentary stamp tax. With this, the real estate taxes are also considered as major source of local and national government finances.

## VI. CONCLUSIONS AND RECOMMENDATIONS

In relation to the gathered and analyzed data, this research has concluded that, first, the top three most common problems encountered by the real estate industry were unlicensed real estate persons, commissions received, and unethical practices. In spite of the presence of RA 9646, individuals are not yet aware of its implementing rules and regulations. It projects the traditional selling and buying of properties which sometimes caused problems to stakeholders. Second, these problems encountered have policy implications on the real estate industry such as land conversion, areas prone to calamity and hazards, and hidden charges upon turnover. Policy implications from different situations were generated such as from different government agencies. And last, despite of these problems and policy implications, real estate industry has societal contributions such as it can be a source of employment for the people, provides shelter to the people for social protection and security, and it is one of the sources of the government's income. Jobs generated, taxes collected and social housing shared by the real industry are the major contributions of the real estate industry

The researcher recommends that Information dissemination for the awareness of RA 9646 for the professionalism of the industry must be participated for the benefit of the stakeholders. Implementation and proper monitoring of this law through authorized group improve the professionalism in the industry. Vigilant buyers and seeking necessary information before investing hard earned money in real properties must be done by prospective buyers in order

to prevent future problems. Income generated from assessors can be improved over the years through proper payments on real property tax. Following the proper land use must be practiced in order to get the highest and best use of the property.

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