Brick by Brick: Building Better Housing Policies

Luiz de Mello, Director of Policy Studies, OECD
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Roadmap

- A few points to set the scene: Stylised facts and trends
- Effects of the COVID-19 pandemic on housing
- Key policy insights
A few points to set the scene
House prices and rents have risen sharply over time in many OECD countries...

... essentially because supply has not kept up with demand, even within countries

Source: Bétin and Ziemann (OECD, 2019)
As a result, housing has become less affordable, especially among low-income households.

Overcrowding points to quality gaps in housing

Share of overcrowded households, by income quintile, in percent, 2018 or latest year

Sustainability also matters: Housing has a large environmental footprint

Residential sector accounts for 17% of total CO2 emissions on average, with large discrepancies across countries.

COVID-19 and Housing
Countries responded swiftly to the COVID-19 crisis

Measures taken in response to COVID/19 by broad categories

The impact on construction was short-lived...

Purchasing Managers’ Construction Indices
(PMI > 0 means expansion)

Source: IHS Markit. Latest observation: February 2021 (IRL: January 2021);
... builders have regained confidence in most countries...

Google Trends-based indicator mimicking construction PMI

... and residential construction has rebounded

Source: OECD Economic Outlook Database.
House prices have nevertheless continued to rise during the pandemic in most countries...

Source: OECD Analytical House Price Database.
... but dispersion within countries points to demand shifts

The OECD is currently conducting further research using micro and geospatial data to better understand these changes.

Source: OECD Regional House price database.
A few policy insights
Tightening LTV caps usually reduces credit and house price growth

Note: The treatment group consists of episodes where countries tightened their LTV caps at time=0. The control group comprises episodes where countries did not implement such a policy change although their conditions were otherwise similar. This treatment group has been determined by propensity matching techniques using a probit model with real and financial variables as covariates. The lines show averages for each group.

Source: Cournède, Sakha and Ziemann (2019).
Regulatory and tax measures can improve affordability...

2020-2050 change in the number of years of average household disposable income equal to the price of an average 100m$^2$ dwelling

Note: No bar signifies no mortgage interest relief and, in the case of the rent control and land-use scenarios, that the country does not implement a reform as it was already less or as restrictive as the benchmark country (GBR, SVK and USA in the case of rent control; CHE, CAN and IRL in the case of land-use governance). The chart shows countries from highest (New Zealand) to lowest (USA) price-to-income ratios in 2017.

Investment in social housing also plays a role.

Public capital transfers and public direct investment in housing development, OECD average

Note: The OECD average is the unweighted average across the 25 OECD countries with capital transfer and gross capital formation data available from 2001.

Source: OECD Affordable Housing Database (http://oe.cd/ahd), indicator PH1.1.
Removing obstacles to residential mobility would facilitate post-pandemic reallocation

Estimated effects of structural features and policies on the probability to move over a 5-year period

Policy measures usually imply synergies and trade-offs

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Examples of policy options

- Invest to build green social housing with portable eligibility
- Phase out tax advantages for home ownership
- Tighten loan-to-value caps
- Relax rent control
- Require certain energy performance through building codes

Note: 🔄 reflects evidence that the option in the row supports the objective in the column
桁 reflects evidence that the option in the row undermines the objective in the column

The OECD Housing Policy Toolkit pursues three objectives:

- **Sustainability**
  - Air quality
  - Water & waste management

- **Efficiency**
  - Economic resilience
  - Compact urban development
  - Efficient material usage
    - Decarbonisation
  - Responsive housing supply
    - Access to housing finance

- **Inclusiveness**
  - Access to decent housing
  - Prevent overcrowding
  - Housing affordability
  - Residential mobility

The OECD has assembled 22 actions to make housing more efficient, more inclusive and more sustainable.

They are divided into four policy fields:

- **Taxation**
- **Spending**
- **Regulation**
- **Urban planning**

This tool helps you to identify housing policy-related complementarities and trade-offs between various policy objectives.

Green arcs indicate predominantly positive effects of the policy actions on the objectives, while red arcs indicate predominantly negative effects. Dashed arcs indicate both negative and positive effects. For further insights and explanations for these linkages, refer to the book *Brick by Brick: Building better housing policies*. 
For more information

Visit [www.oecd.org/housing](http://www.oecd.org/housing)

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