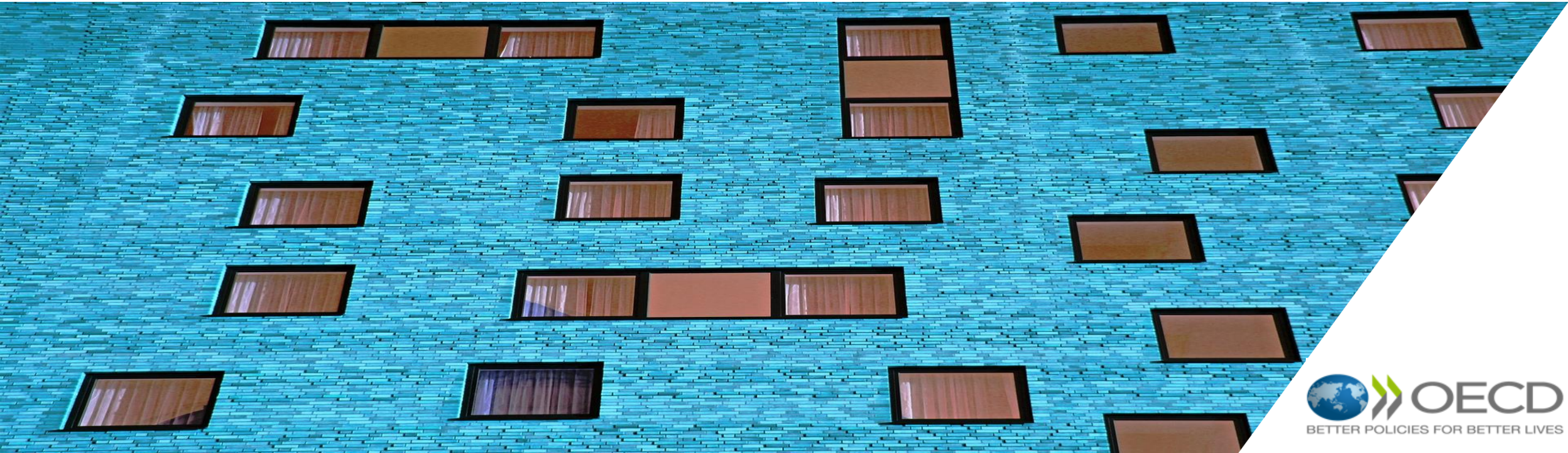




Brick by Brick: Building Better Housing Policies

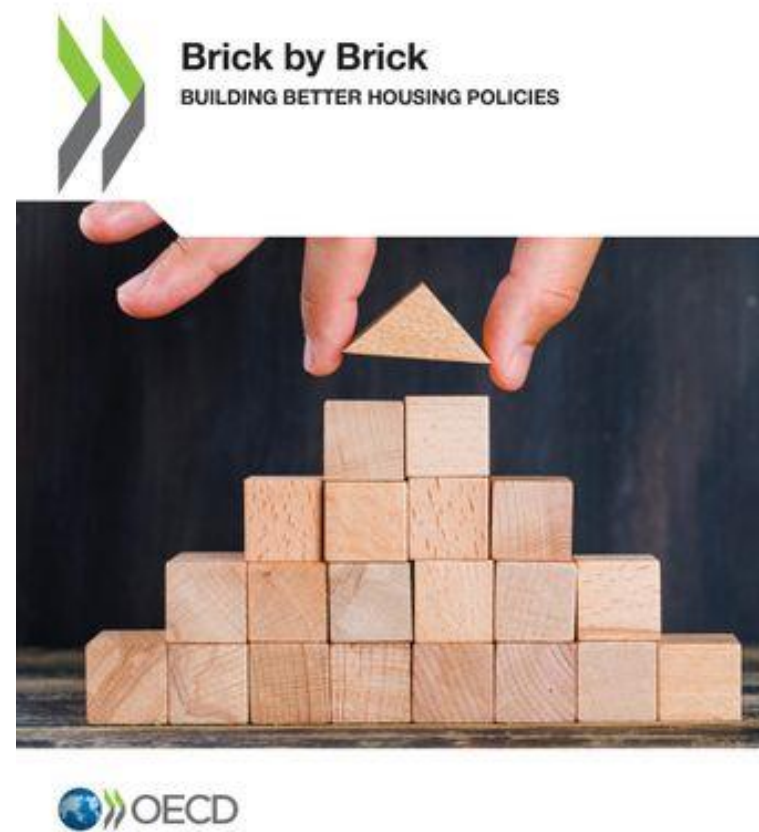
Luiz de Mello, Director of Policy Studies, OECD
SUERF, 28 June 2021





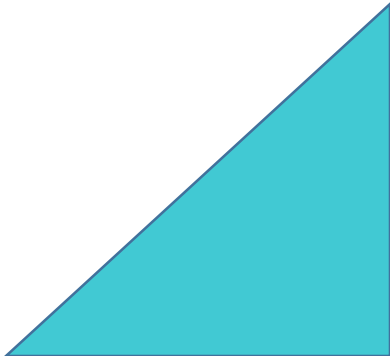
Roadmap

- A few points to set the scene: Stylised facts and trends
- Effects of the COVID-19 pandemic on housing
- Key policy insights





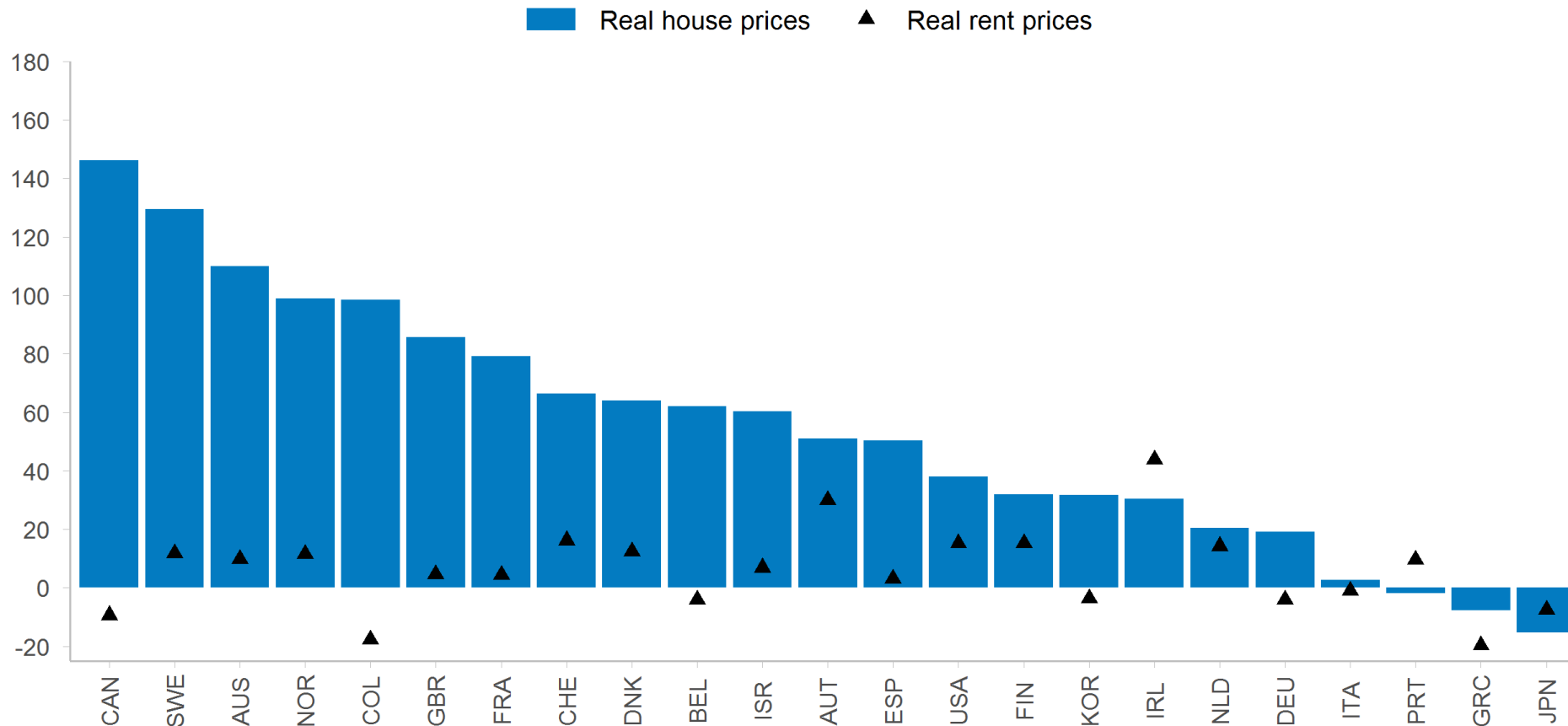
A few points to set the scene





House prices and rents have risen sharply over time in many OECD countries...

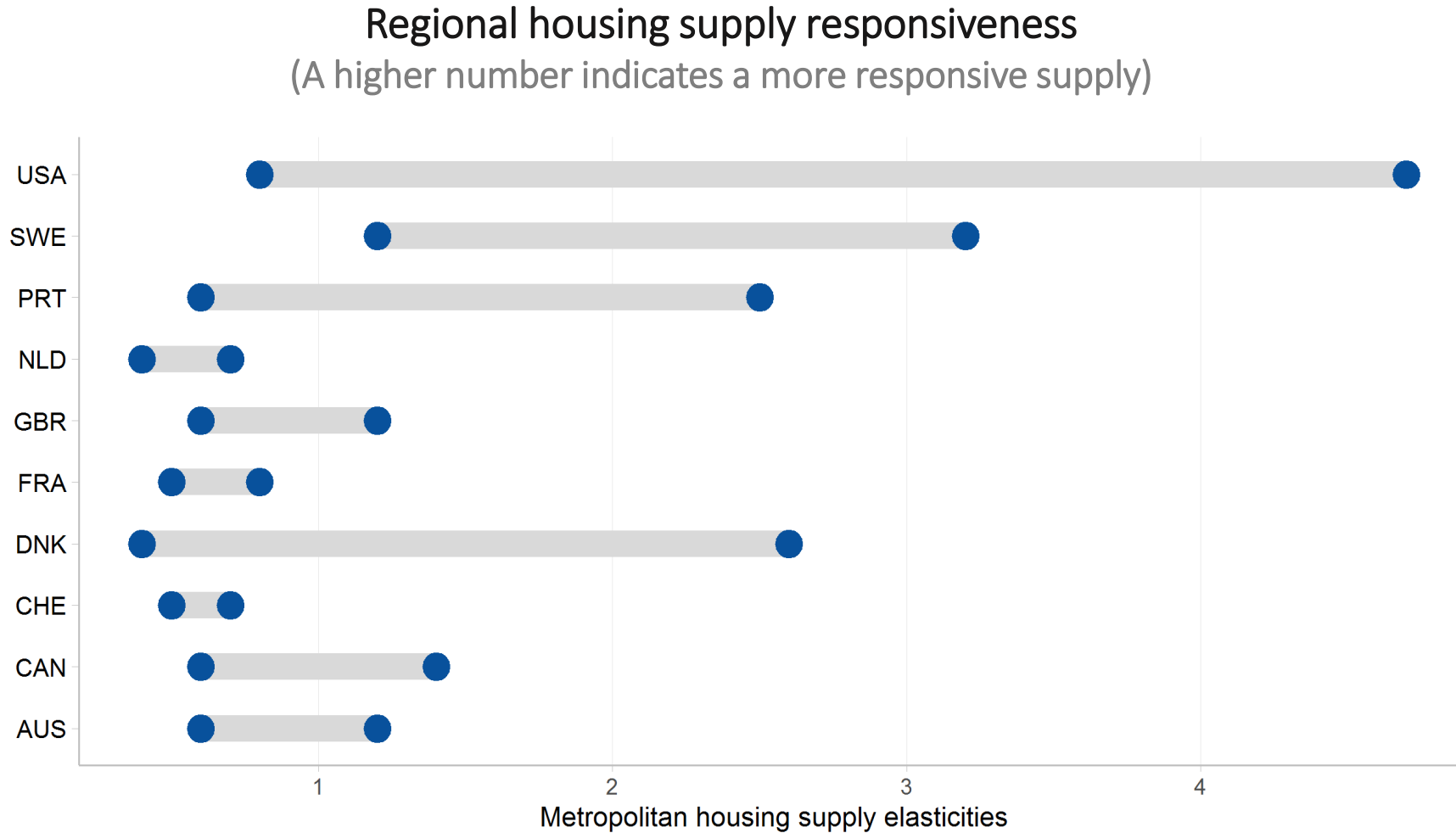
Real rents and house prices, 2000-2019 percentage change



Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



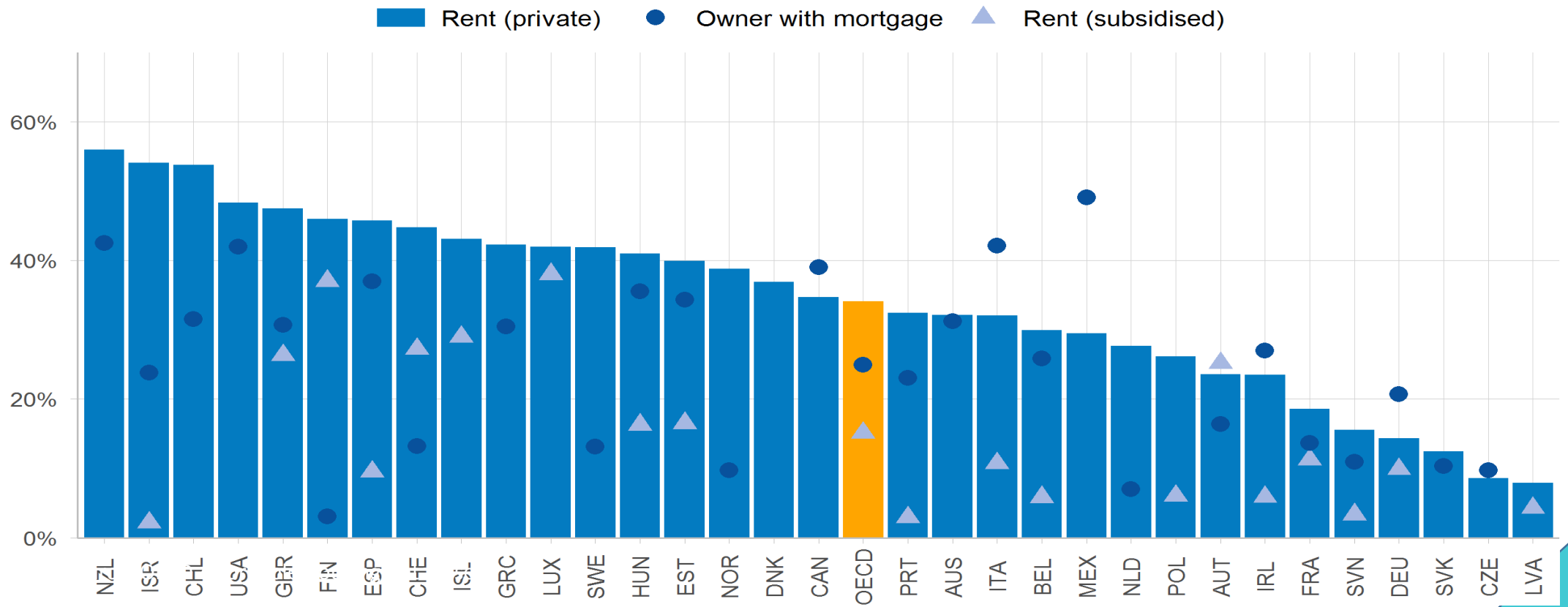
... essentially because supply has not kept up with demand, even within countries





As a result, housing has become less affordable, especially among low-income households

Share of population in bottom income quintile spending more than 40% of disposable income on mortgage and rent

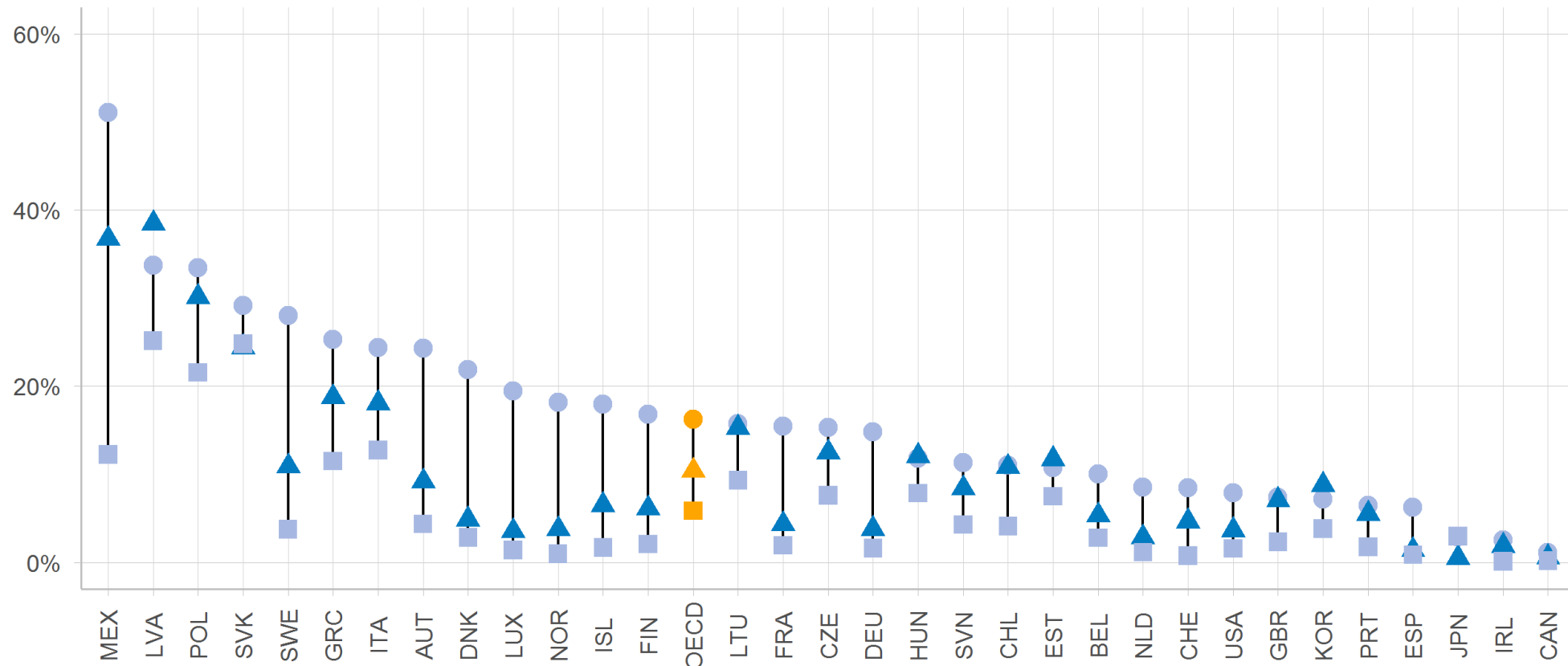




Overcrowding points to quality gaps in housing

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

▲ 3rd quintile ● bottom quintile ■ top quintile



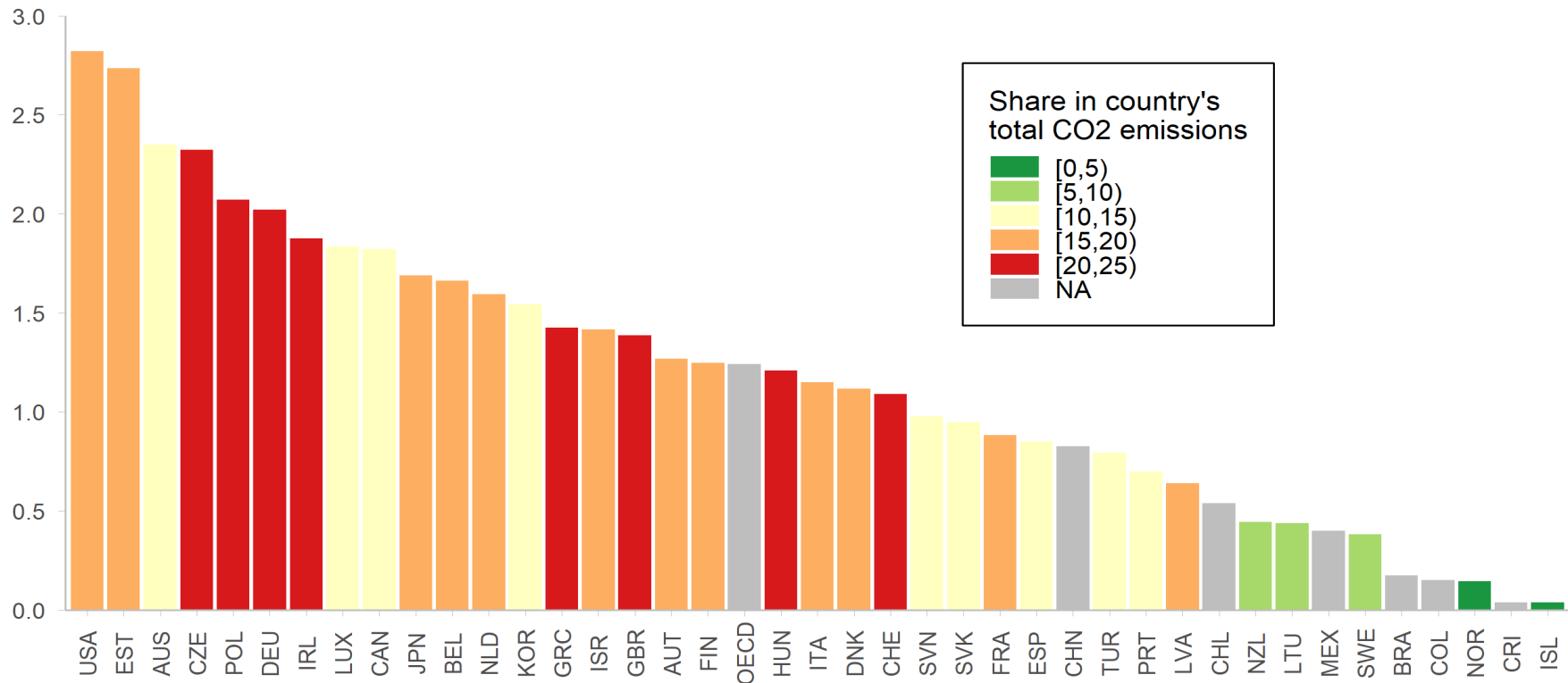
Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



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

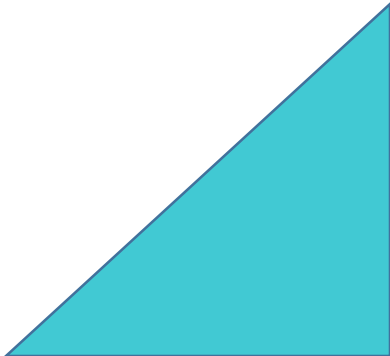
CO2 emissions in the residential sector (tons per capita, 2017)



Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



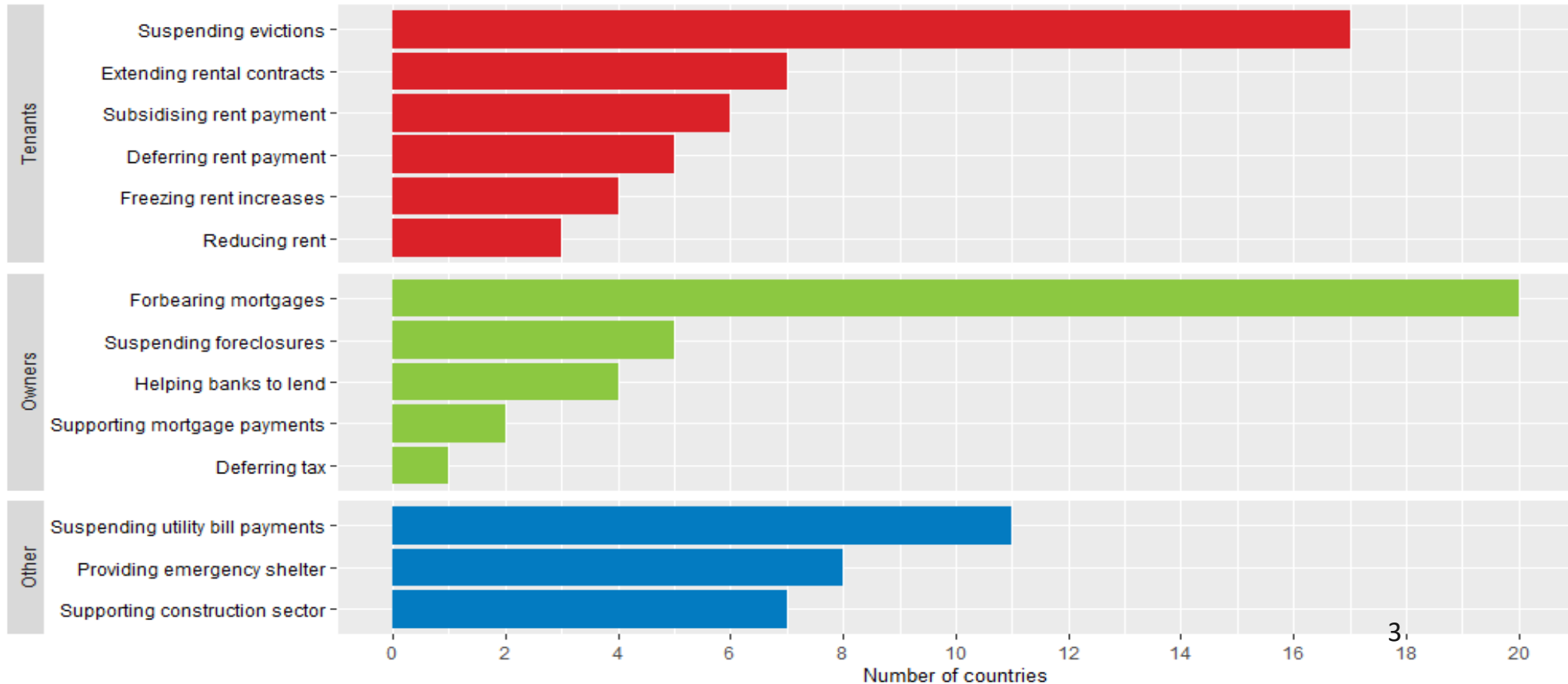
COVID-19 and Housing





Countries responded swiftly to the COVID-19 crisis

Measures taken in response to COVID/19 by broad categories

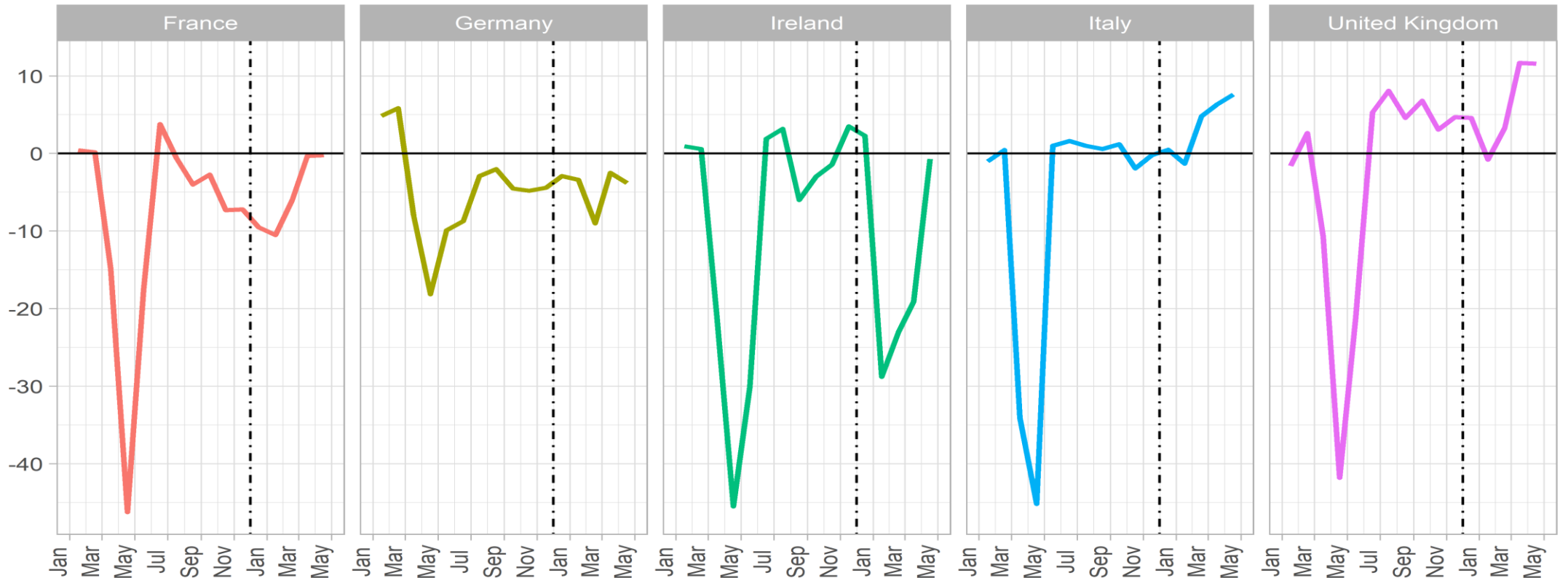


Source: OECD (2020), Housing Amid COVID-19: Policy Responses and Challenges.



The impact on construction was short-lived ...

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



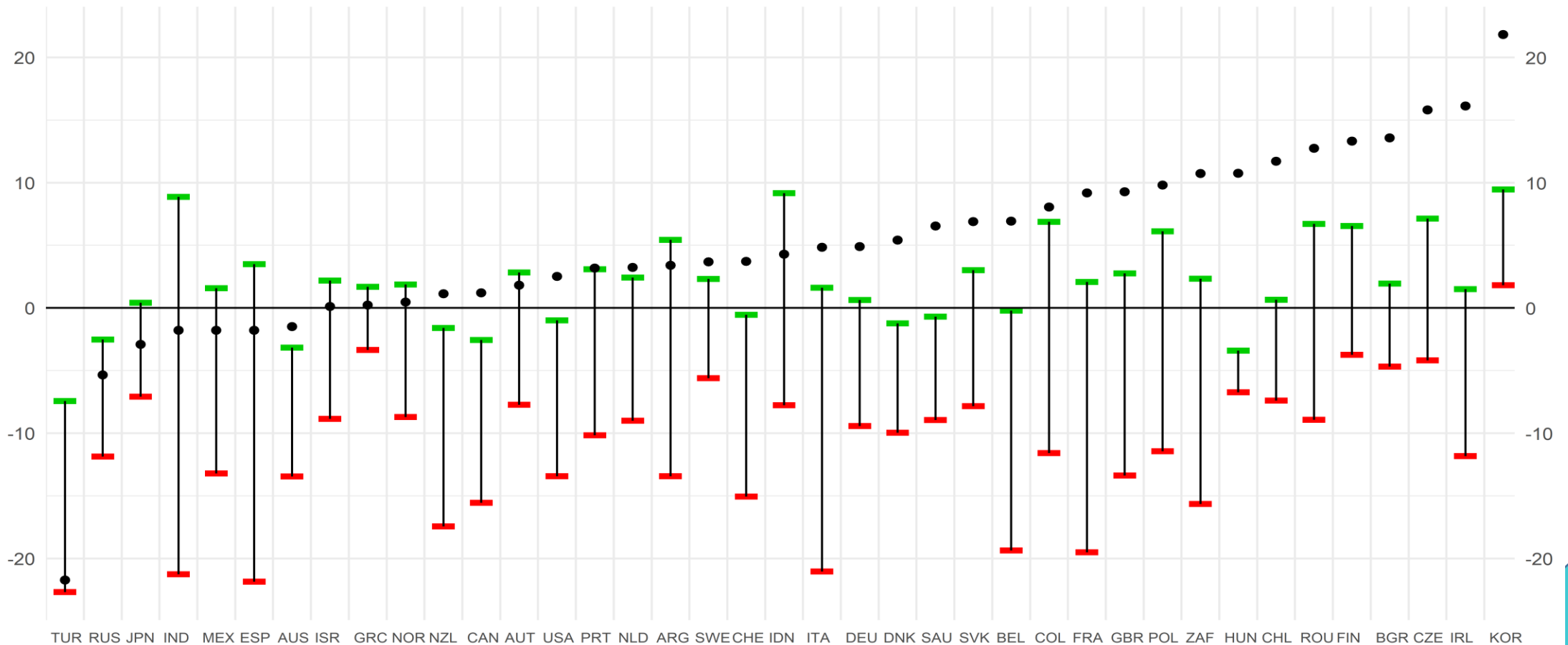
Source: Source: IHS Markit. Latest observation: February 2021 (IRL: January 2021);



... builders have regained confidence in most countries...

Google Trends-based indicator mimicking construction PMI

— Covid trough (mostly Mars/April 2020) — Pre-covid peak (mostly February 2020) • Latest (May 2021)

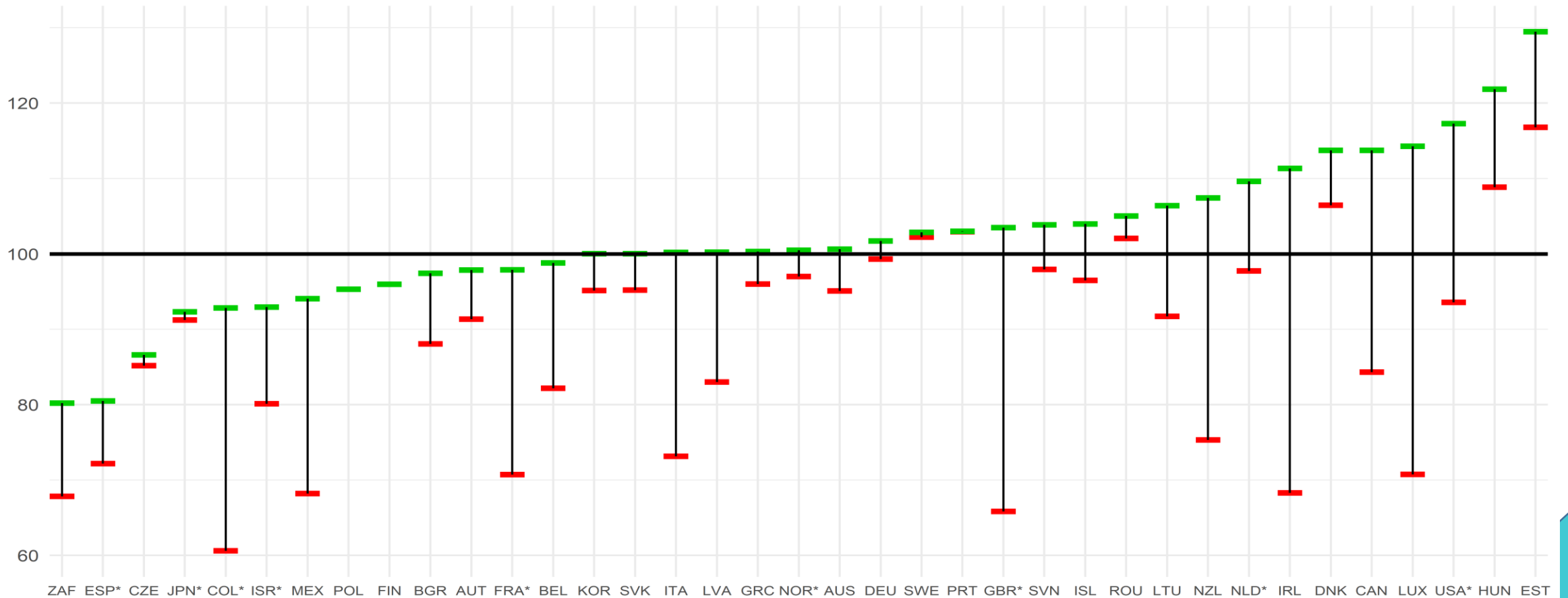




... and residential construction has rebounded

2019Q4=100

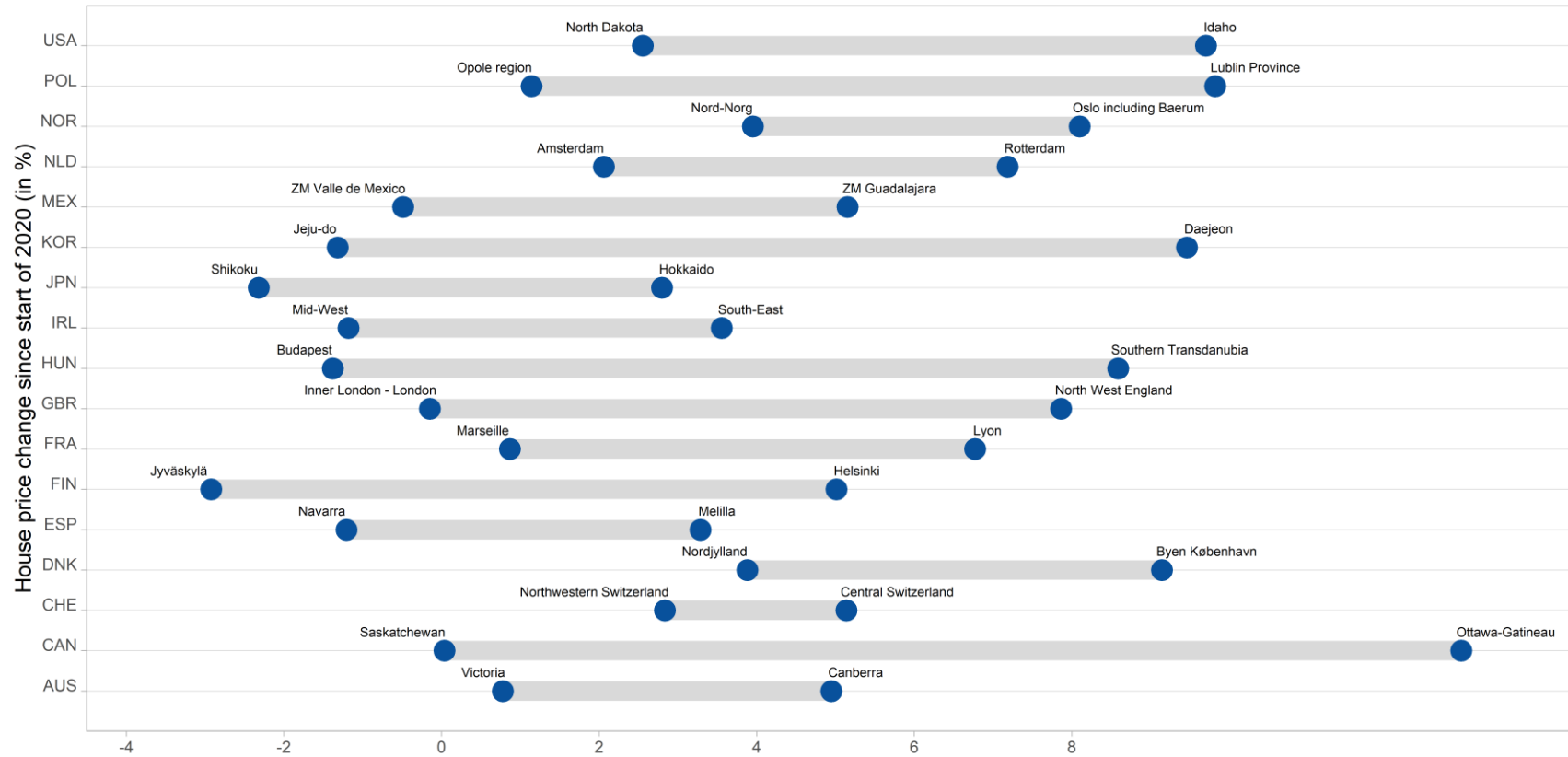
— Latest (2020Q4 or 2021Q1*) — Trough (mostly 2020Q2)



Source: OECD Economic Outlook Database.



... but dispersion within countries points to demand shifts

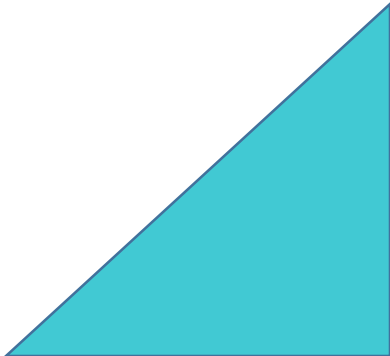


Source: OECD Regional House price database.

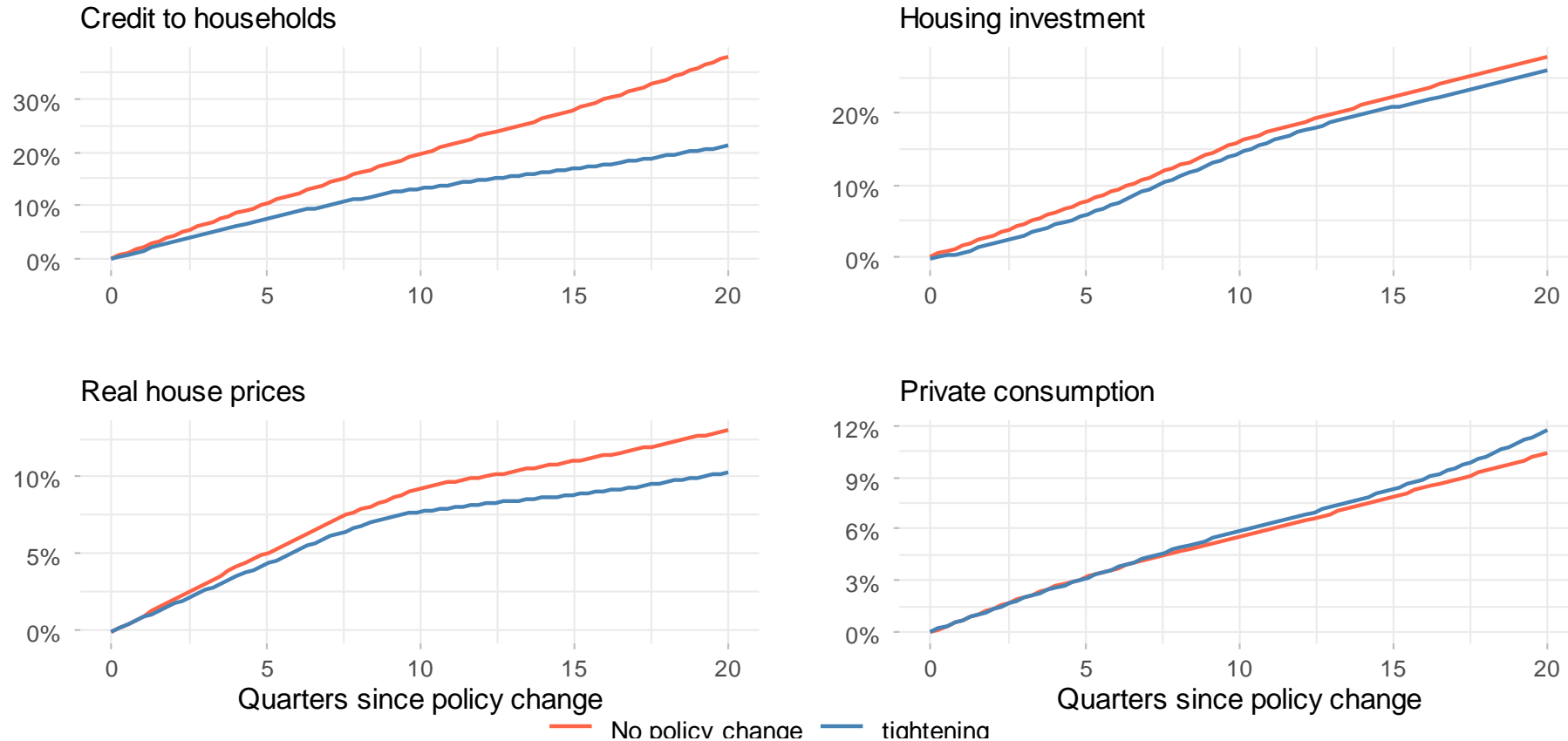
The OECD is currently conducting further research using micro and geospatial data to better understand these changes



A few policy insights



Tightening LTV caps usually reduces credit and house price growth

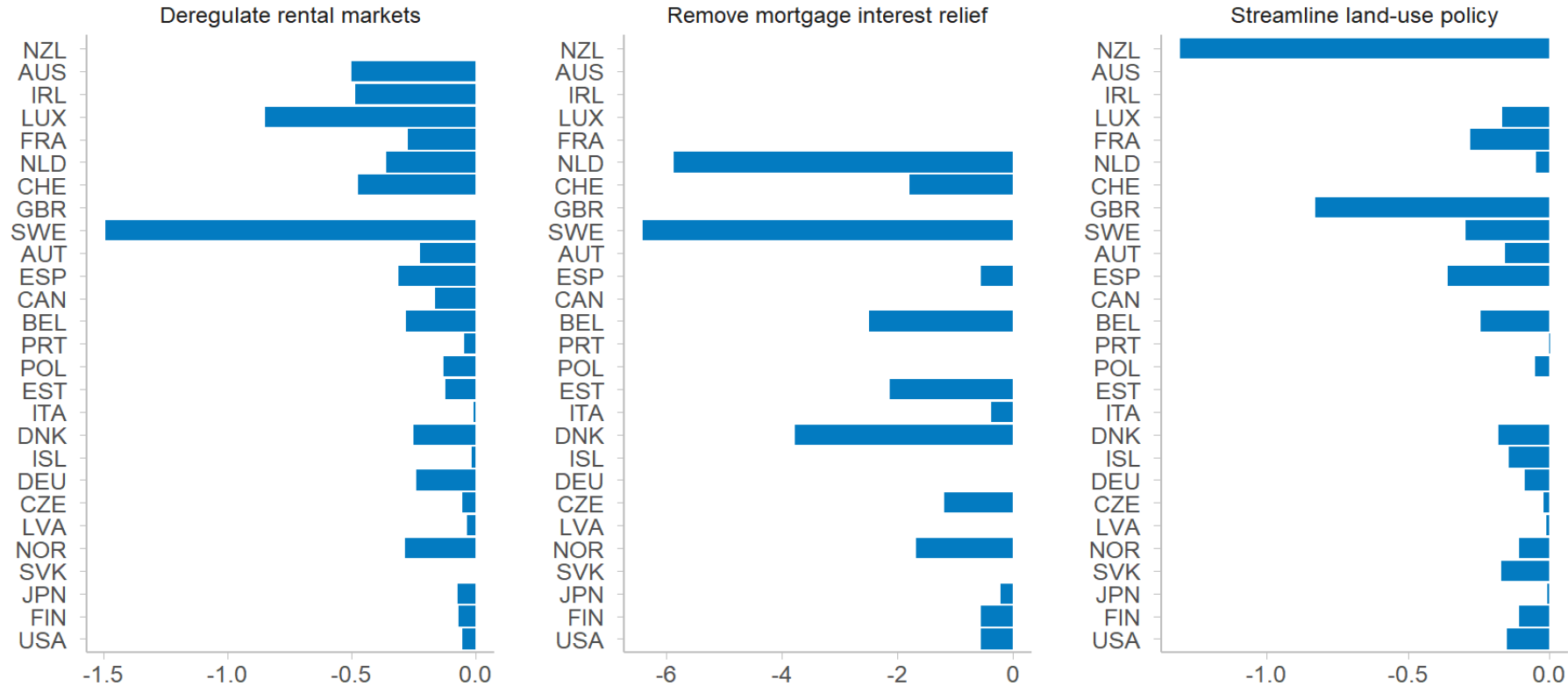


Note: The treatment group consists of episodes where countries tightened their LTV caps at time=0. The control group comprises episodes where countries did not implement such a policy change although their conditions were otherwise similar. This treatment group has been determined by propensity matching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



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 100m² dwelling



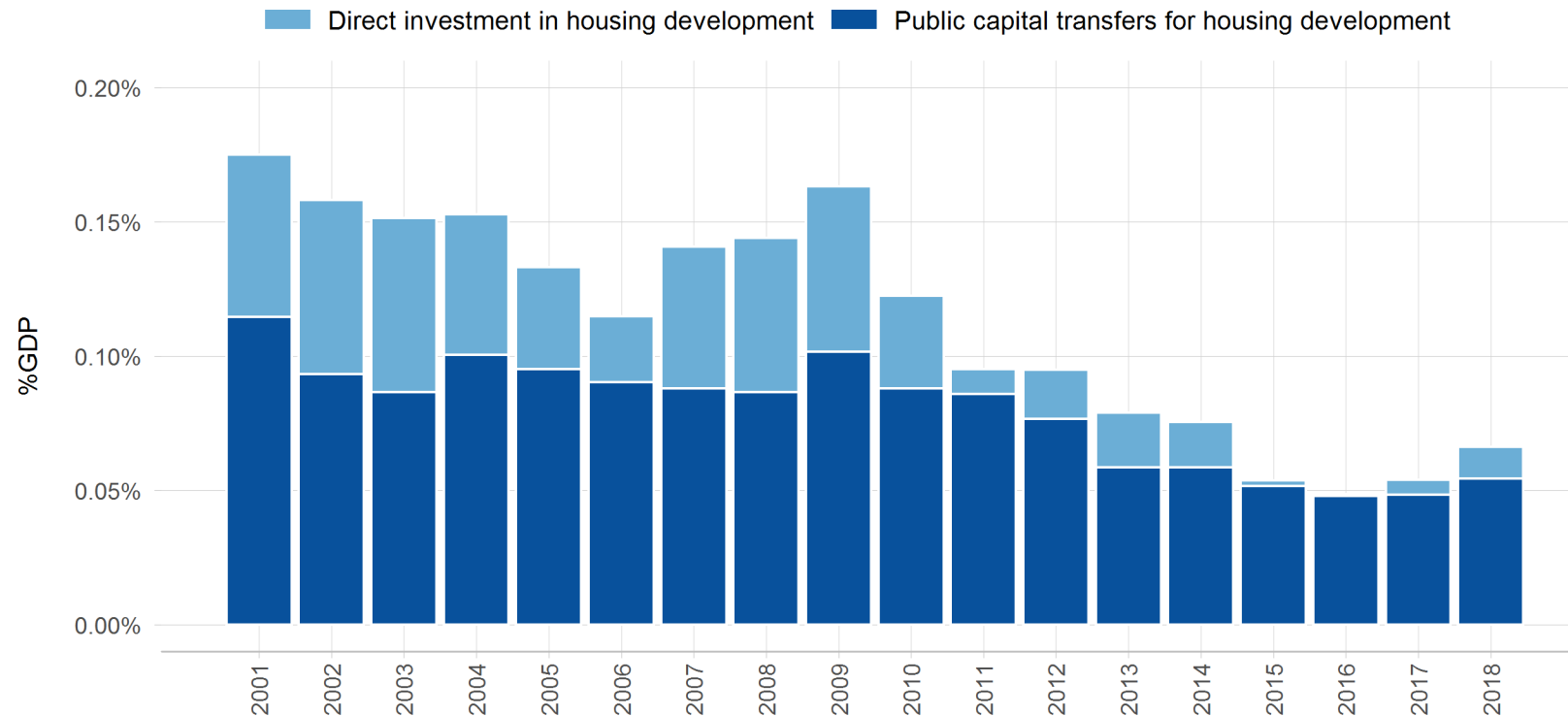
Note: No bar signifies no mortgage interest relief and, in the case of the rent control and land-use scenarios, that the country does not implement a reform as it was already less or as restrictive as the benchmark country (GBR, SVK and USA in the case of rent control; CHE, CAN and IRL in the case of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

Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



Investment in social housing also plays a role

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



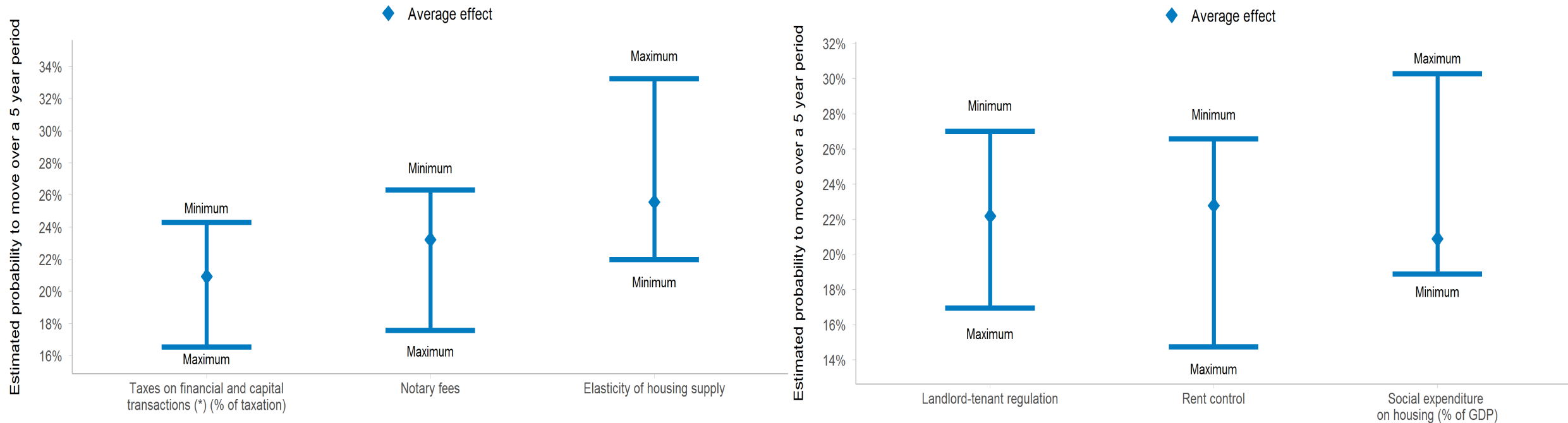
Note: The OECD average is the unweighted average across the 25 OECD countries with capital transfer and gross capital formation data available from 2001.

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



Source: [Brick by Brick: Building Better Housing Policies](#), OECD (2021).



Policy measures usually imply synergies and trade-offs

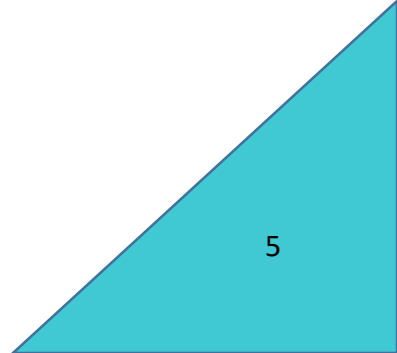
Examples of policy options

	Efficiency						
	Inclusiveness			Mobility	Sustainability		
	Near-term affordability for the vulnerable	Long-term affordability	Financial and economic resilience		Local environment	Greenhouse gas emissions	
(...)							
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		↘			↗	↗	
(...)							

Examples of synergies

Examples of trade-offs

Note: ↗ reflects evidence that the option in the row **supports** the objective in the column
 ↘ reflects evidence that the option in the row **undermines** the objective in the column





For more information

Visit www.oecd.org/housing

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