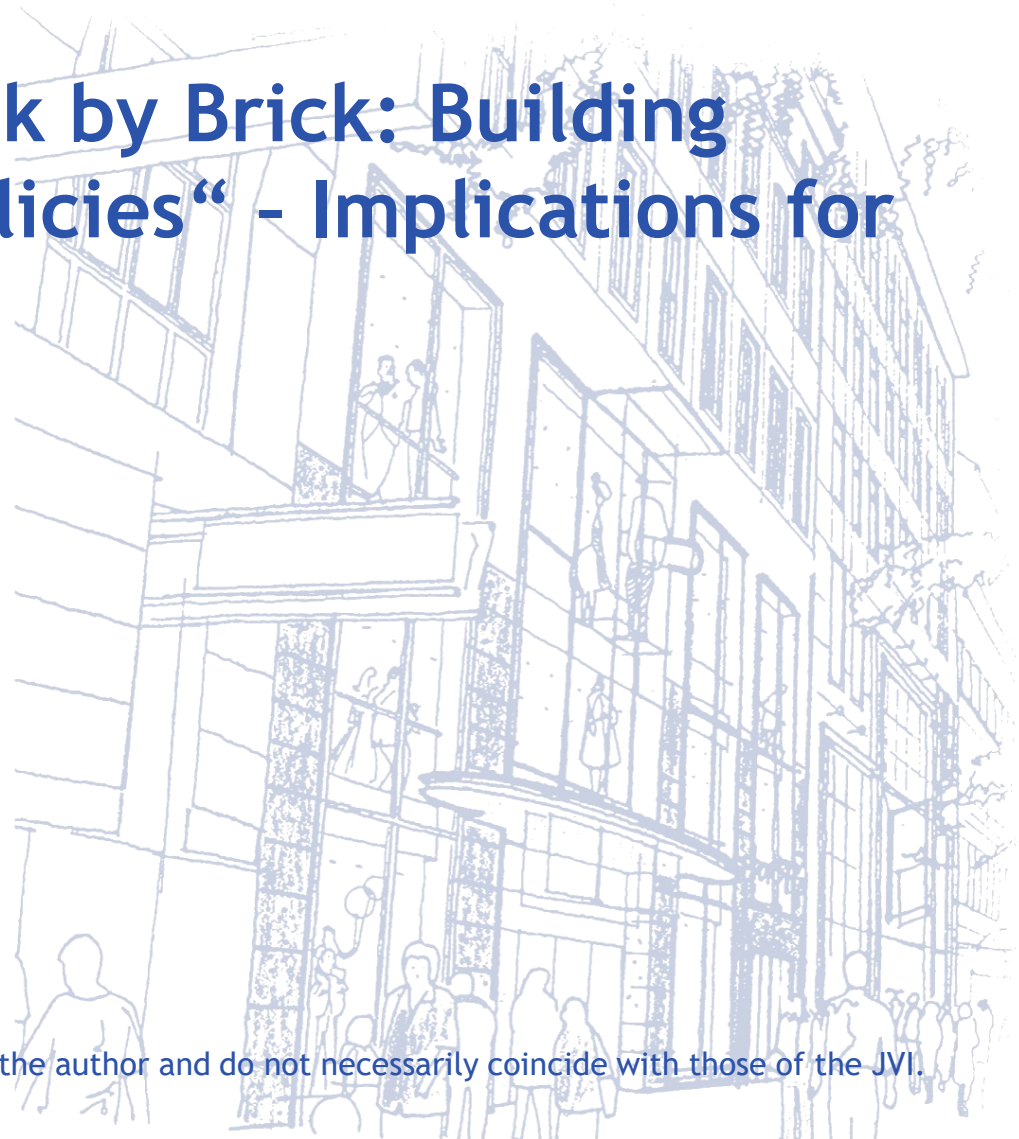


# OECD Report "Brick by Brick: Building Better Housing Policies" - Implications for the CESEE Region

**Reiner Martin**  
Lead Economist  
Joint Vienna Institute

SUERF | BAFFI | Bocconi | OECD Webinar  
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The views expressed in this presentation are those of the author and do not necessarily coincide with those of the JVI.



## Introduction

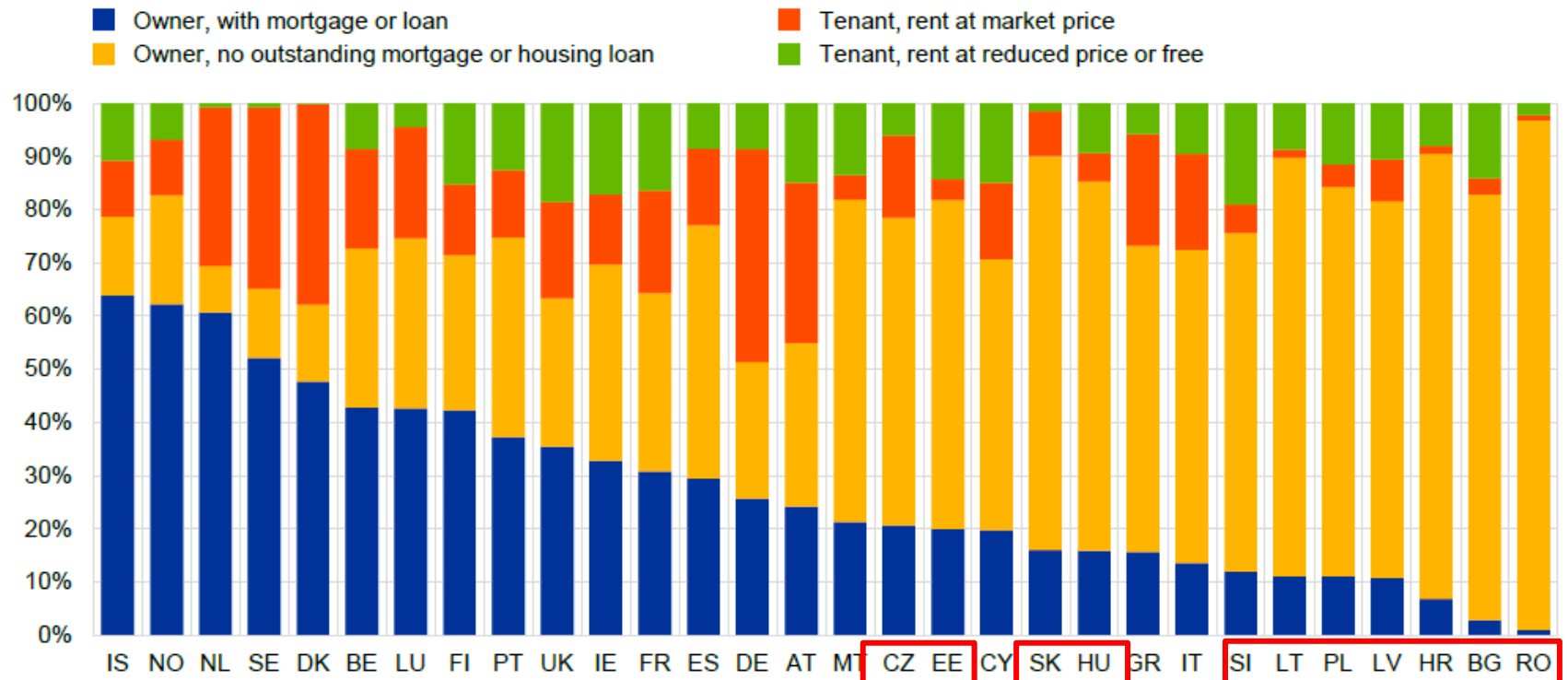
- **Residential real estate markets in the CESEE region (obviously) share many similarities with RRE markets in other parts of the world**
  - Many countries in the region experienced severe RRE boom and bust cycles after EU accession, triggered and aggravated by the Global Financial Crisis
  - Recent years saw again very dynamic RRE developments in the region – as well as a lot of macroprudential policy activity in an effort to smoothen the RRE cycle
  - RRE developments continue to be generally buoyant, despite Covid-induced severe recessions, in synch with the situation in most of Europe and many other parts of the world.
- **This notwithstanding, RRE markets in the region are to some extent distinct from most other countries** (the ‘long shadow of transition’)

## Introduction

- **What are CESEE – specific aspects of RRE?**
  - Home ownership rates and indebtedness – impact of post-transition privatization processes
  - Quantity of housing – impact of pre-transition planning processes and underinvestment in RRE construction
  - Quality of housing (in parts of the CESEE region) – impact of pre-transition building standards and underinvestment in housing stock
- **These specific features make some of the OECD housing policy recommendations even more pertinent in the CESEE region than in other parts of the world**
- **At the same time, they sharpen some of the policy trade-offs that the report highlights**

# Home ownership and indebtedness

## Population by tenure choice



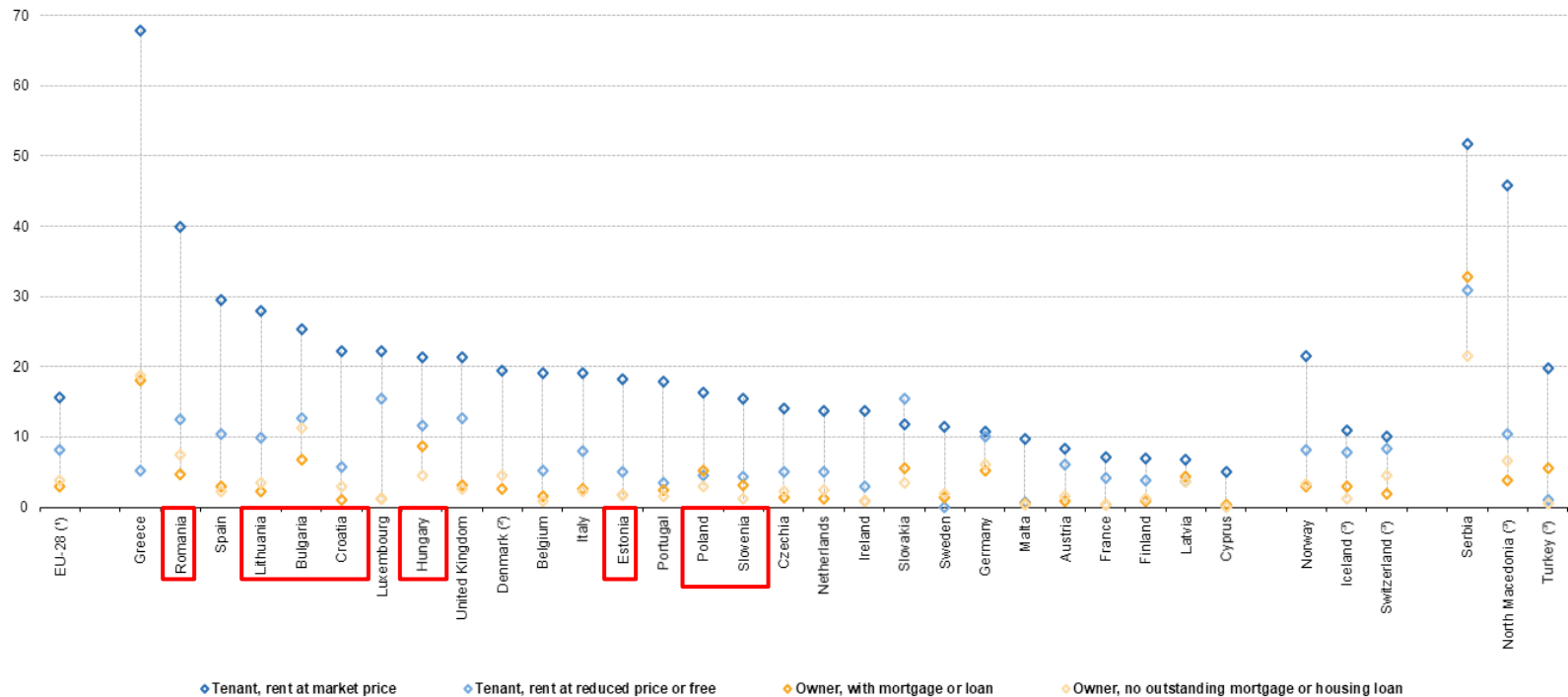
Source: Eurostat.

Note: In certain countries a high share of rental market is regulated (DK, NL).

Source: ESRB (2019), "Vulnerabilities in the residential real estate sectors of the EEA countries"

# Home ownership and indebtedness

Share of population with a housing cost burden over 50 % of disposable income, 2017  
(%)

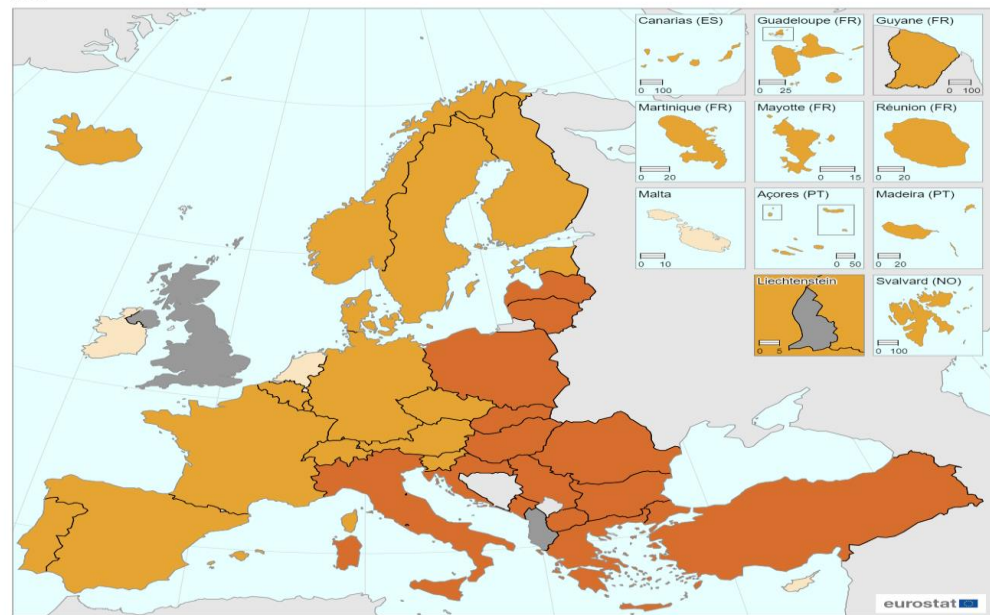


(\*) Tenant, rent at reduced price or free: estimate.  
 (\*) Tenant, rent at reduced price or free: unreliable data.  
 (\*) 2016 data.

Source: Eurostat (online data code: ilc\_vho28)

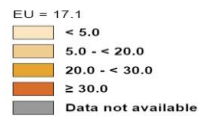
# Quantity of housing

**Overcrowding rate, 2019**  
(%)



in (%)

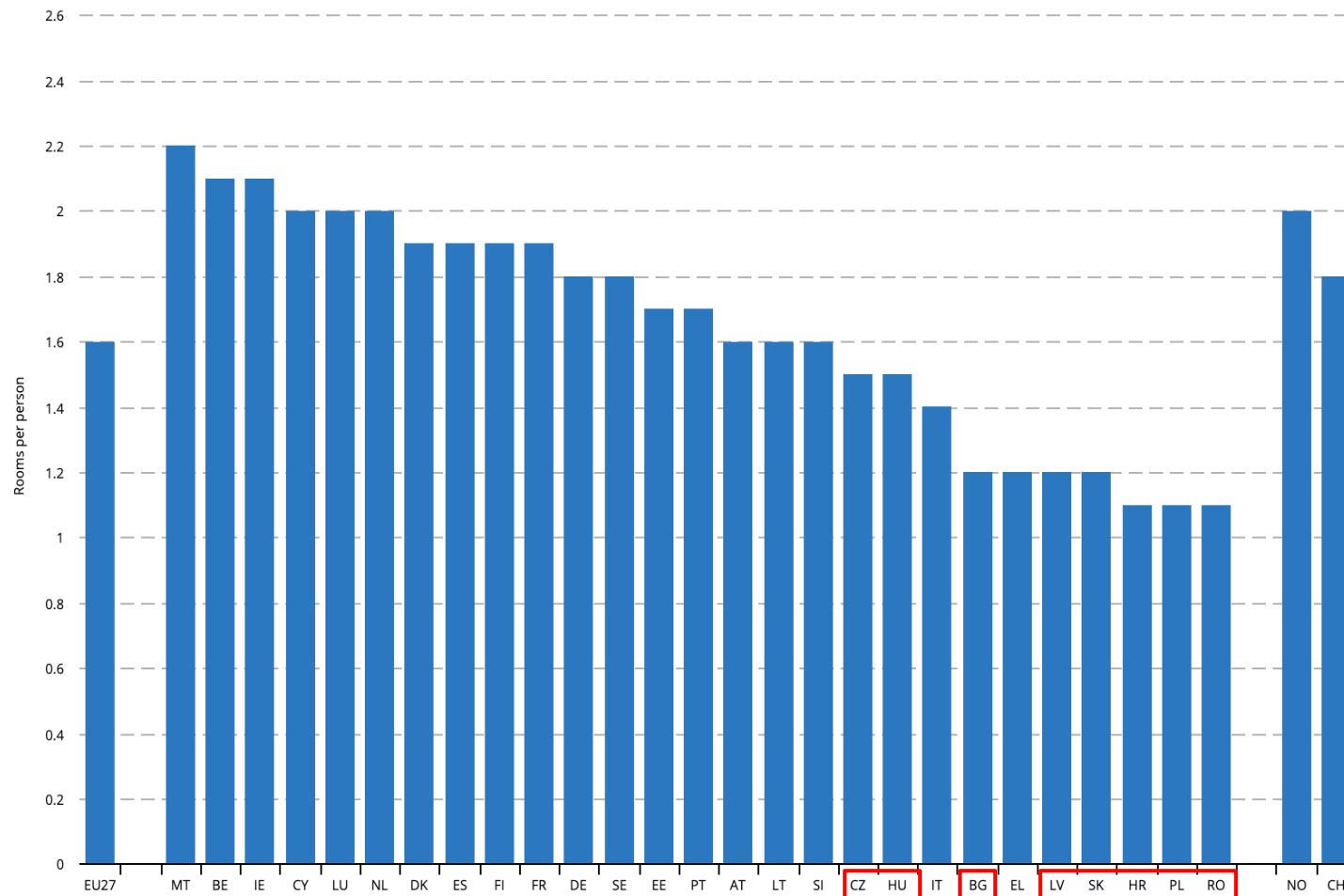
Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat  
Cartography: Eurostat – IMAGE, 05/2021



Note: EU: estimate. Iceland 2018.  
Source: Eurostat (online data code: ilc\_vho05a)

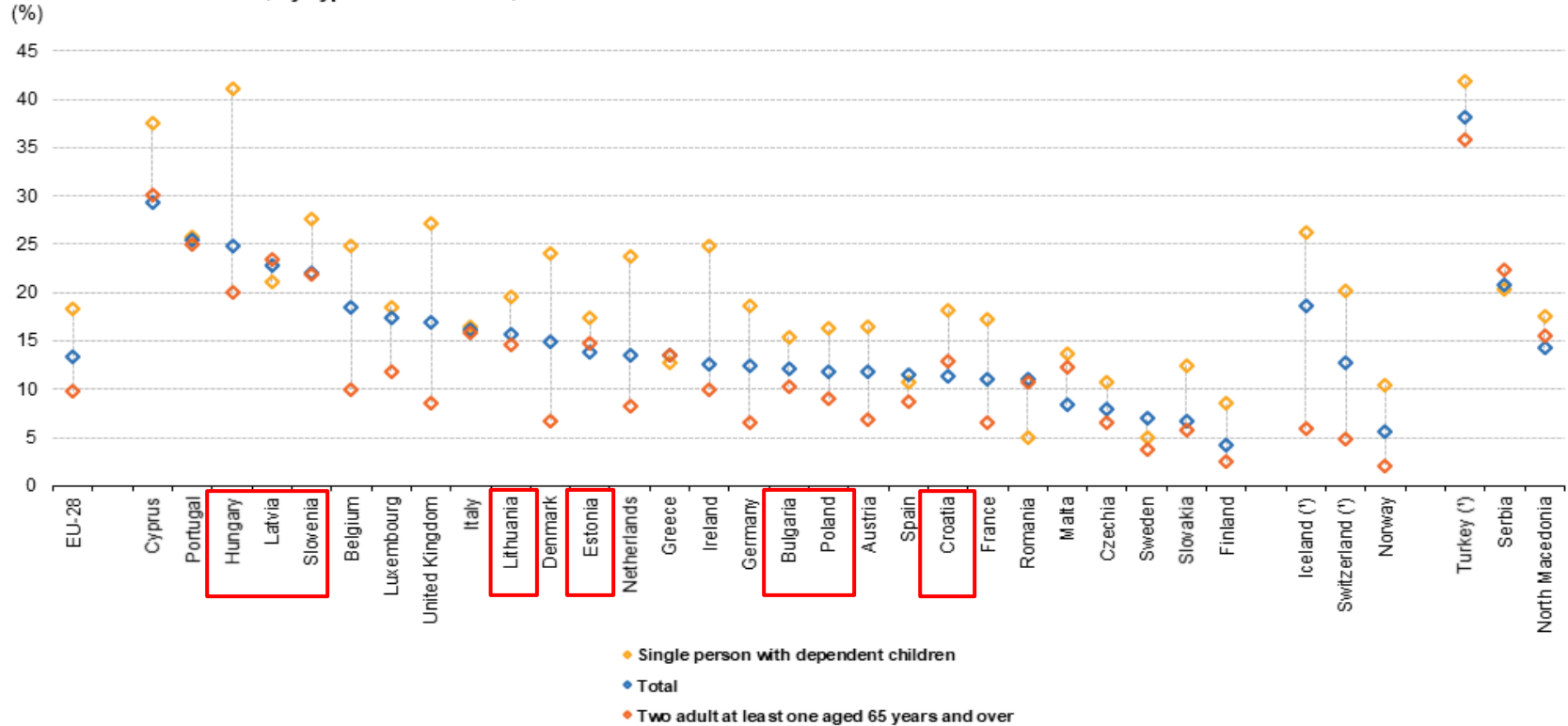
# Quantity of housing

Average number of rooms per person, 2019



# Quality of housing

Proportion of the population living in a dwelling with a leaking roof, damp walls, floors, foundation, or rot in window frames or floor, by type of household, 2017



Note: ranked on the share of the total population living in a dwelling with a leaking roof, damp walls, floors, foundation, or rot in window frames or floor.

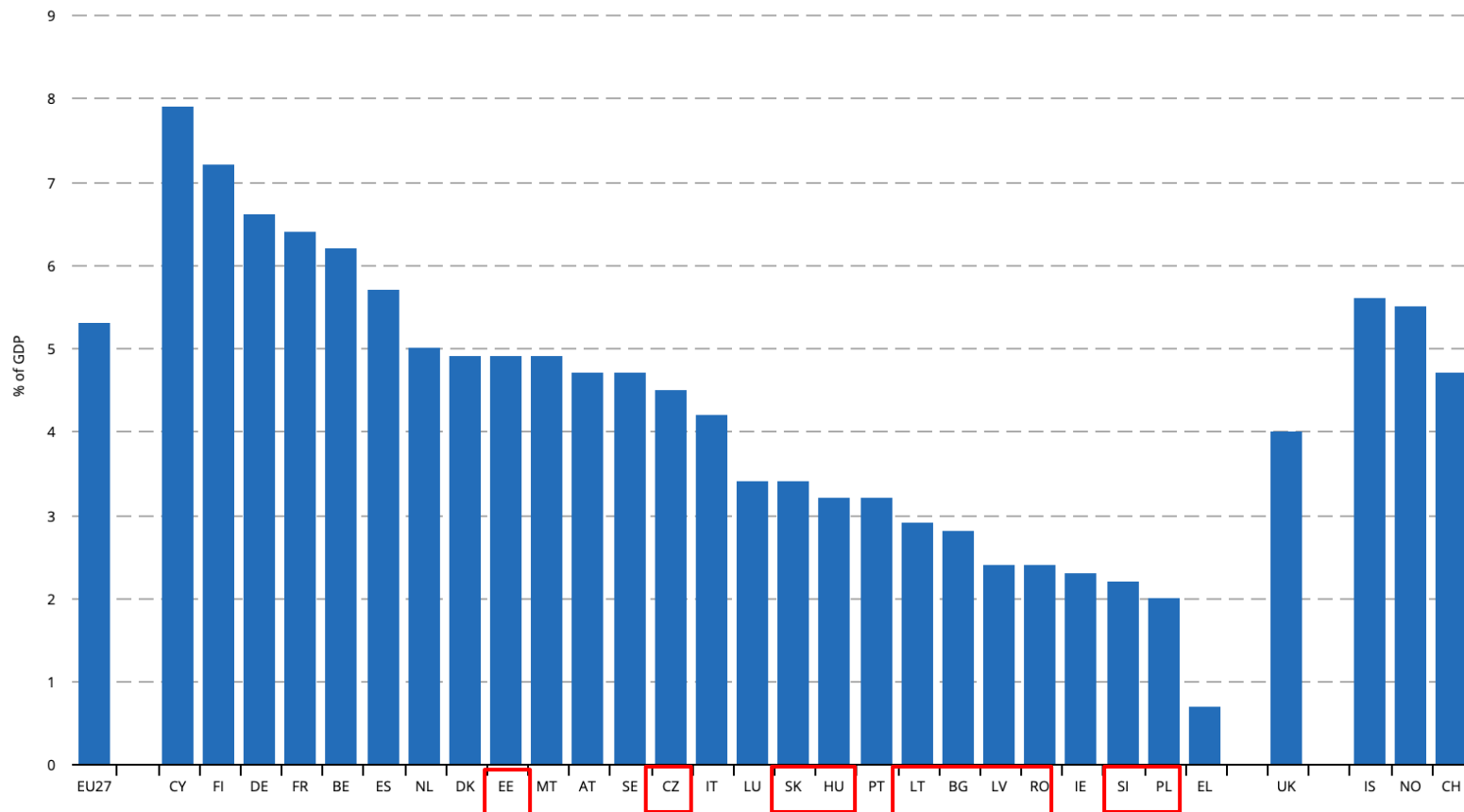
(\*) 2016.

Source: Eurostat (online data code: ilc\_mdho01)



# Investment in housing

**Investment in housing, 2019**  
(in % of GDP)



## Housing policy priorities for the CESEE region

- **Development of a rental housing market**
  - Can be done by incentivizing private rental markets, (re-)building a social housing stock and / or supporting limited-profit housing associations
  - Can help facilitate intra-national mobility, which can have a positive impact on growth, especially given demographic trends in the region
  - Can facilitate preservation of financial stability
    - *Countries with a high rate of private homeownership appear to have larger and longer house price and credit cycles (ECB 2019)*
    - *Rental markets provide 'marginal' borrowers with a housing alternative*
    - *Reduced the social impact of borrower-based measures, possibly reducing the inactivity bias in macroprudential policy*
  - Developing a rental housing market takes a long time – but this is no argument not to do it!

## Housing policy priorities for the CESEE region

- **Increase investments in RRE**
  - CESEE region has issues with the available quantity and (in parts) the quality of the housing stock; yet investment levels are often relatively low and so is the growth in housing stock
  - Need to incentive private RRE investment by e.g. reviewing real estate-related tax systems, planning rules and regulations etc.
  - Role for public support for RRE investment, especially to deal with inclusion issues and possible affordability / sustainability trade-offs
  - EU Cohesion Policy and EU COVID Recovery Funding can help to alleviate lack of fiscal space in the region

## Housing policy priorities for the CESEE region

- **Another boom-bust cycle in RRE in the CESEE region?**
  - Risk for another boom-bust cycle substantially reduced due to e.g.
    - The rise of macroprudential policy, which is widely and actively used in the region (Eller, Martin, Schuberth and Vashold, 2020)
    - Banks are better capitalized and funding patterns have become more domestically-based and sustainable
  - This notwithstanding, careful risk surveillance and assessment obviously remain crucial!

**Thank you for your attention!**

Reiner Martin

Lead Economist

Joint Vienna Institute

[rmartin@jvi.org](mailto:rmartin@jvi.org)

[reiner\\_martin@hotmail.com](mailto:reiner_martin@hotmail.com)

