



Housing market risks in the wake of the pandemic

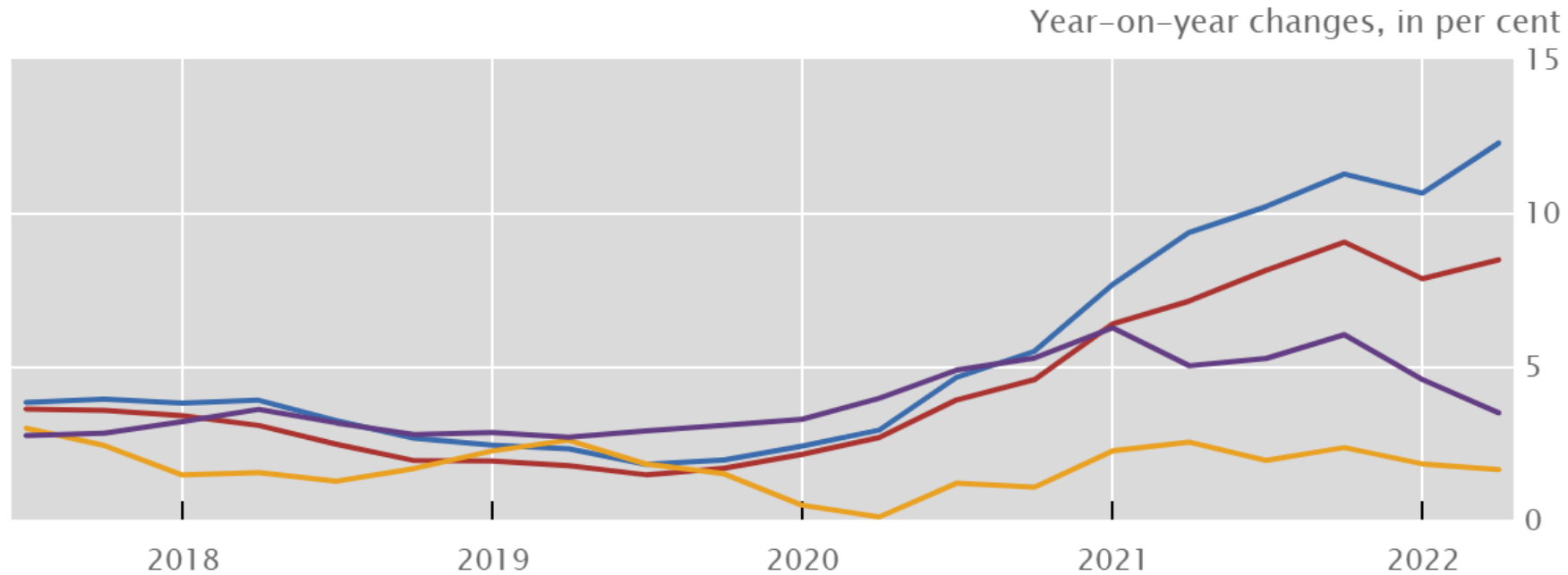
Deniz Igan

September 21, 2022

Based on work with Nina Biljanovska, Chenxu Fu, Emanuel Kohlscheen, and Phurichai Rungcharoenkitkul. Adam Cap and Emese Kuruc provided excellent research assistance. The views expressed here are those of the presenter and not necessarily the views of the IMF or the BIS.

A developing story of divergences across countries...

Real residential property price developments in selected economies



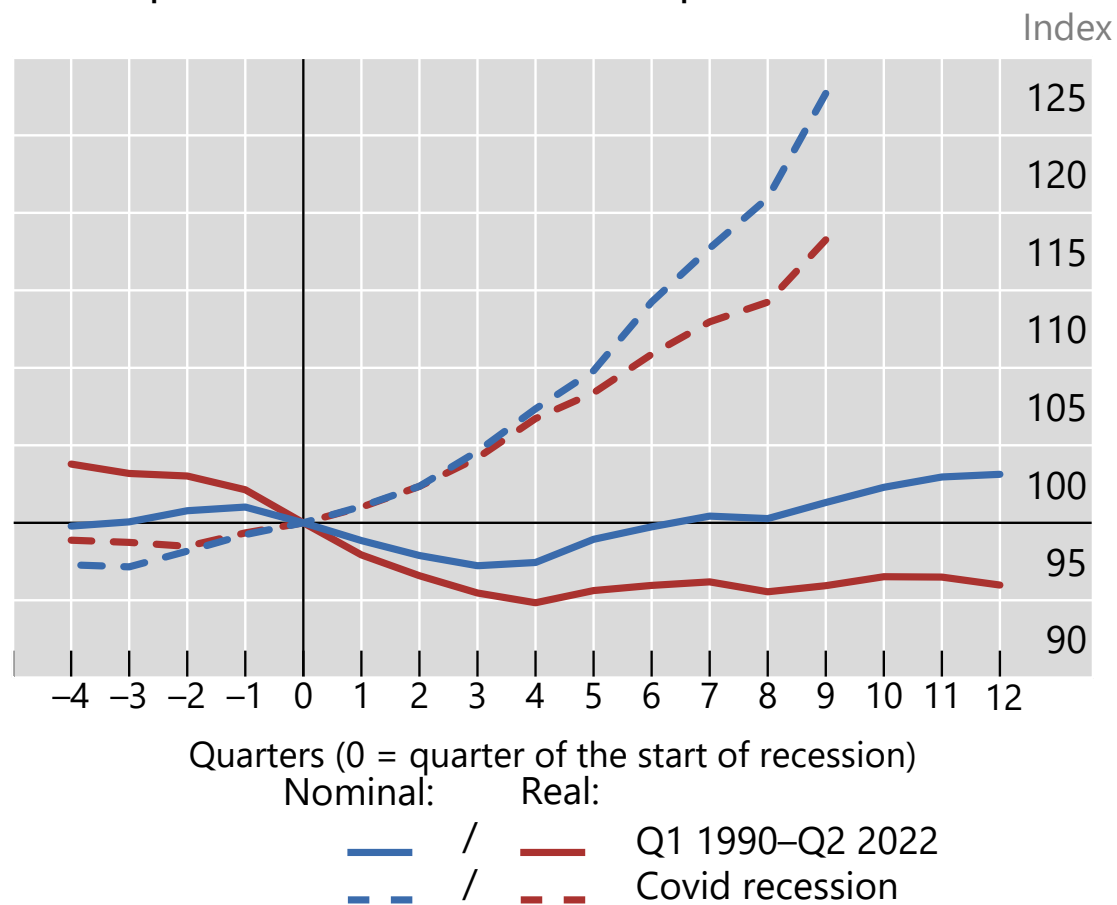
Major regional aggregates and countries

- Advanced economies (aggregate)
- United States
- Emerging market economies (aggregate)
- Euro area

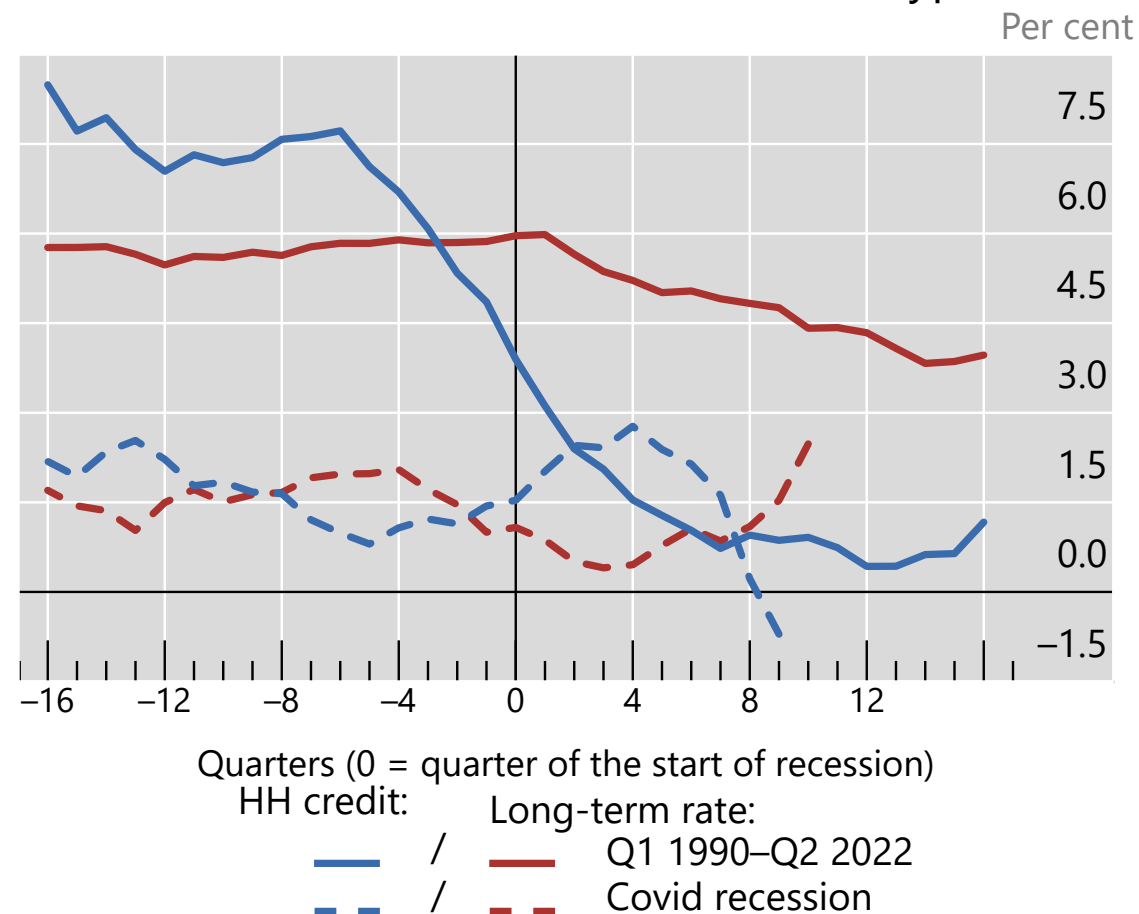
Source: BIS property price statistics, Table H2

...and a strikingly different pattern from the past

House prices boomed, unlike in previous recessions



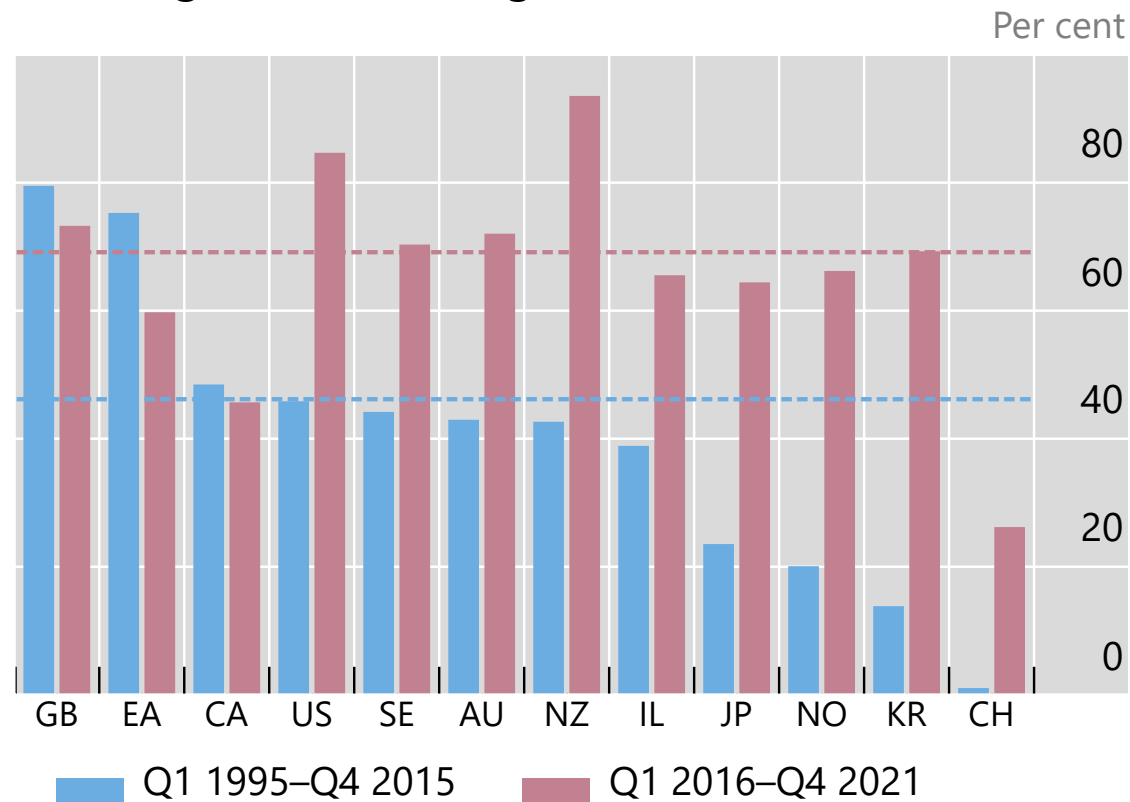
Household credit and interest rates also atypical



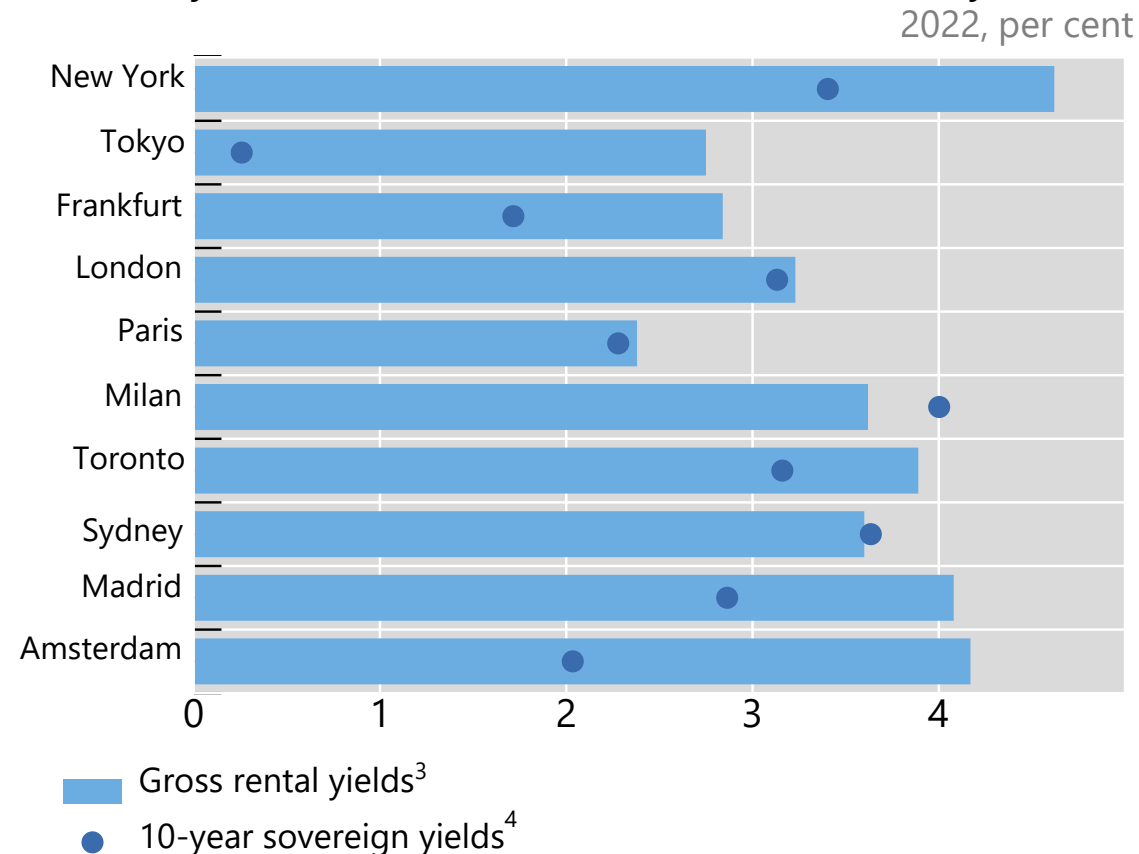
Source: See BIS Bulletin No 50 for details.

Financial conditions are part of but not the whole story

Role of global factor larger than before



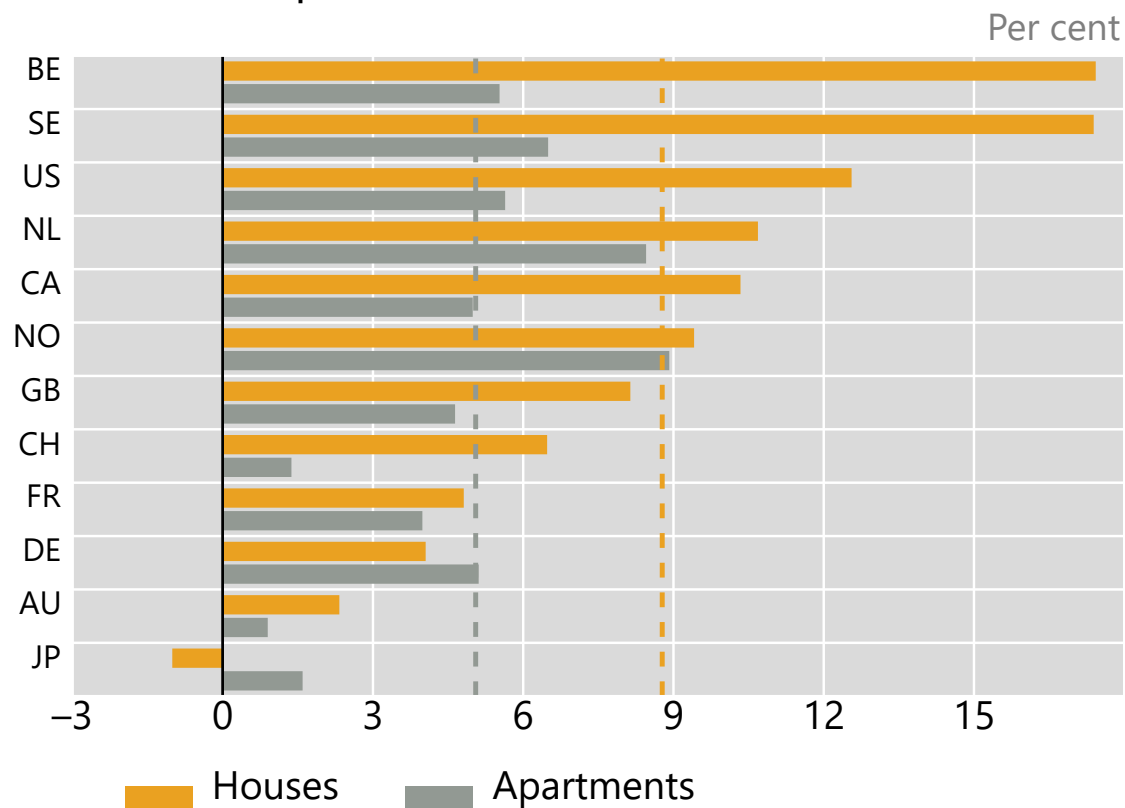
Rental yields in most cities far exceed bond yields



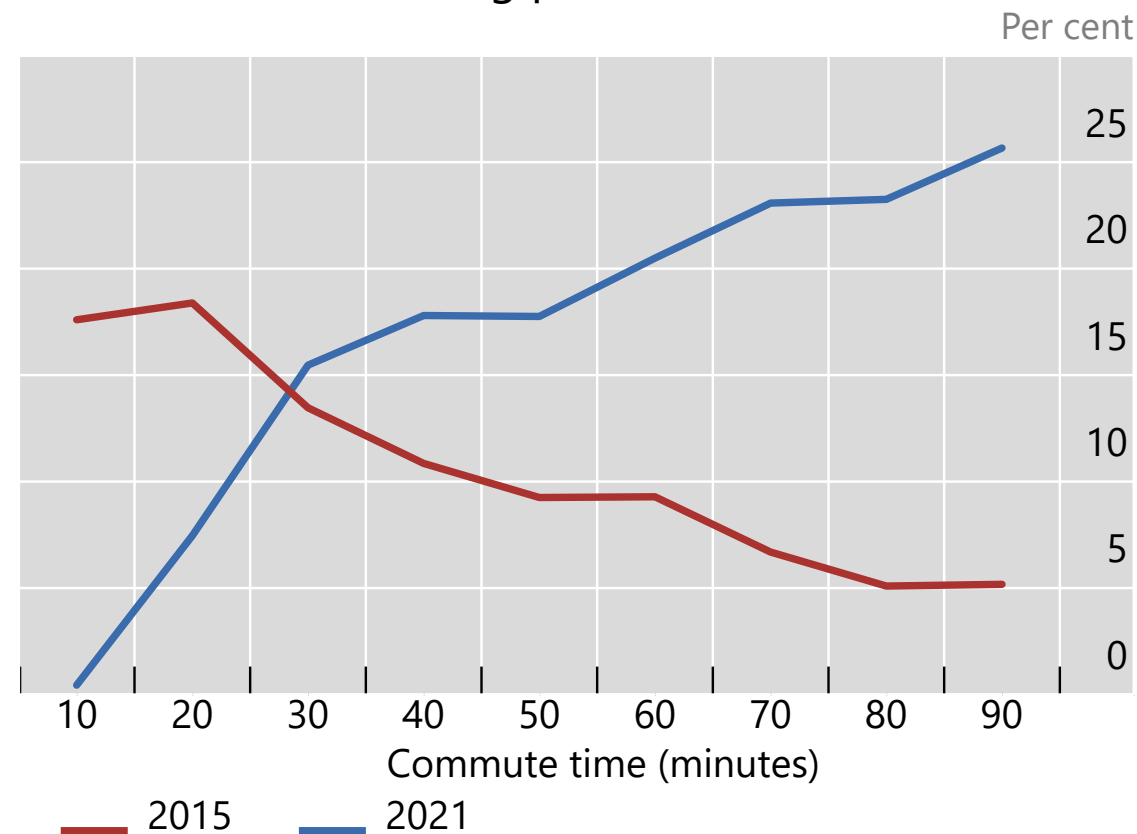
Source: See BIS Bulletin No 50 for details.

Pandemic has induced behavioural shifts underlying housing demand

Demand for space increases



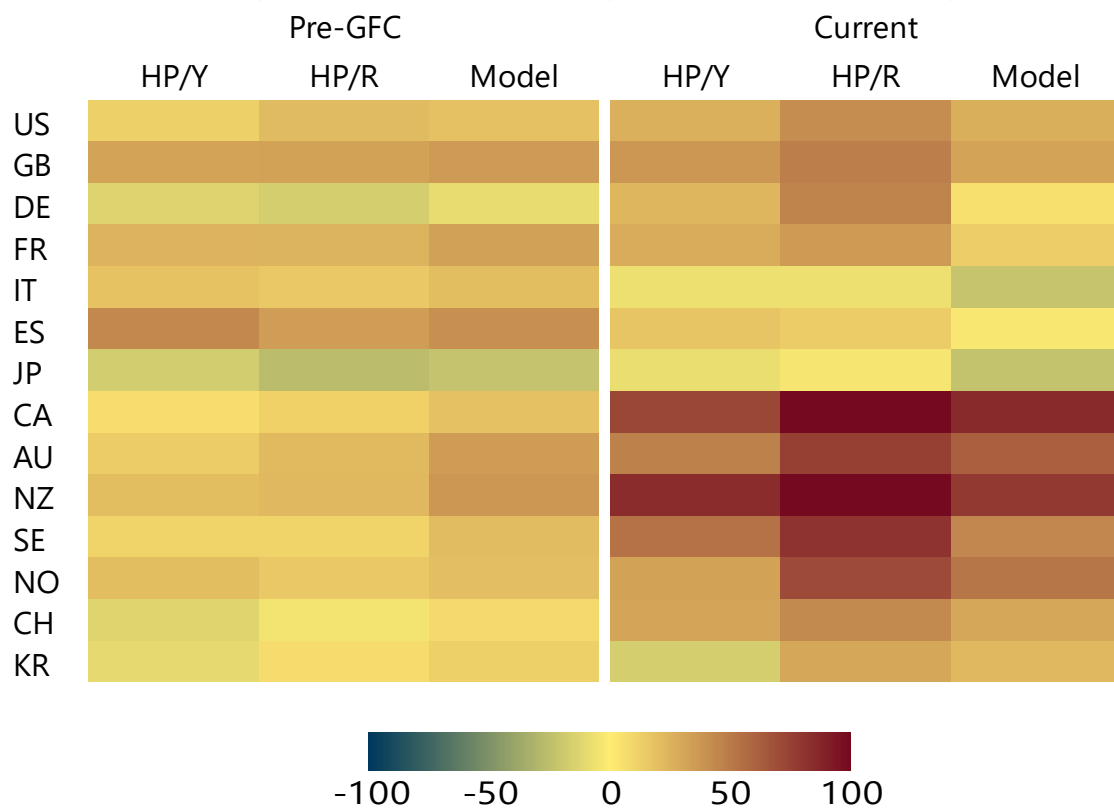
Urban exodus following pandemic



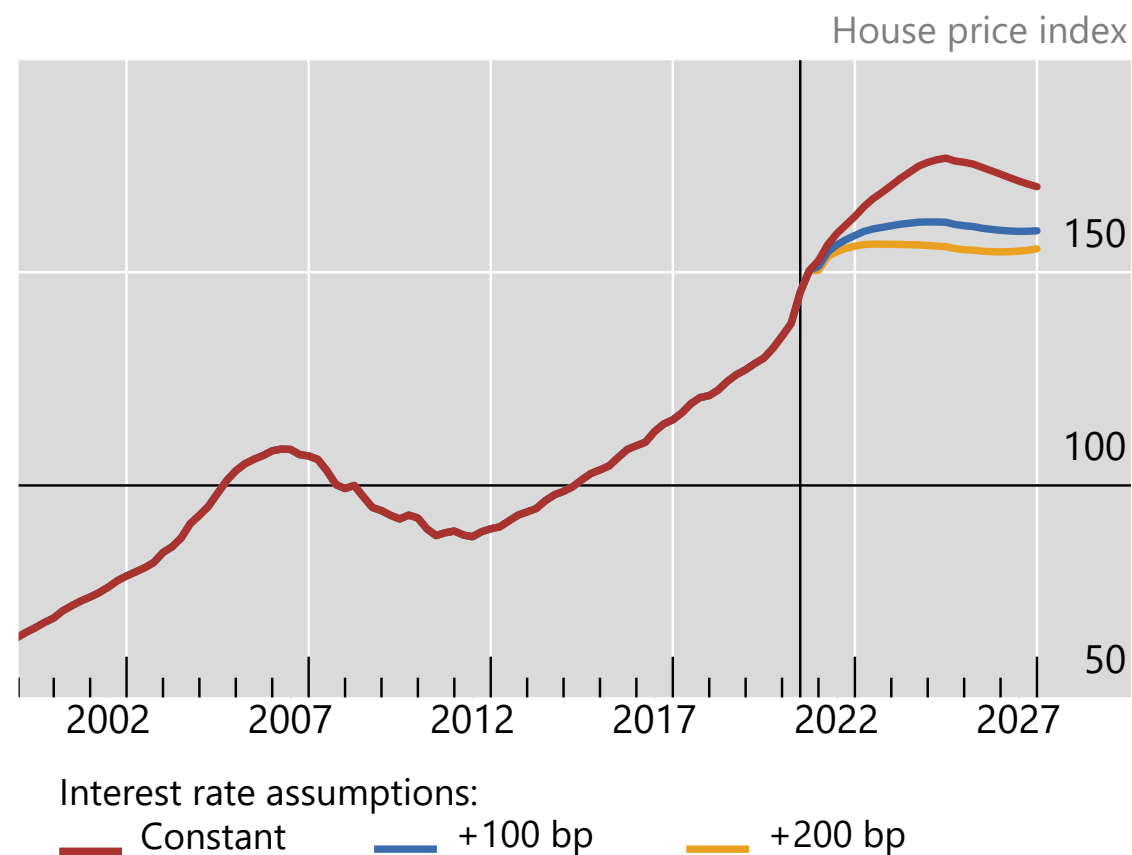
Source: See BIS Bulletin No 50 for details.

Although not the baseline, a sharp price correction cannot be ruled out

Valuations stretched by historical standards



Rise in interest rates forestall demand

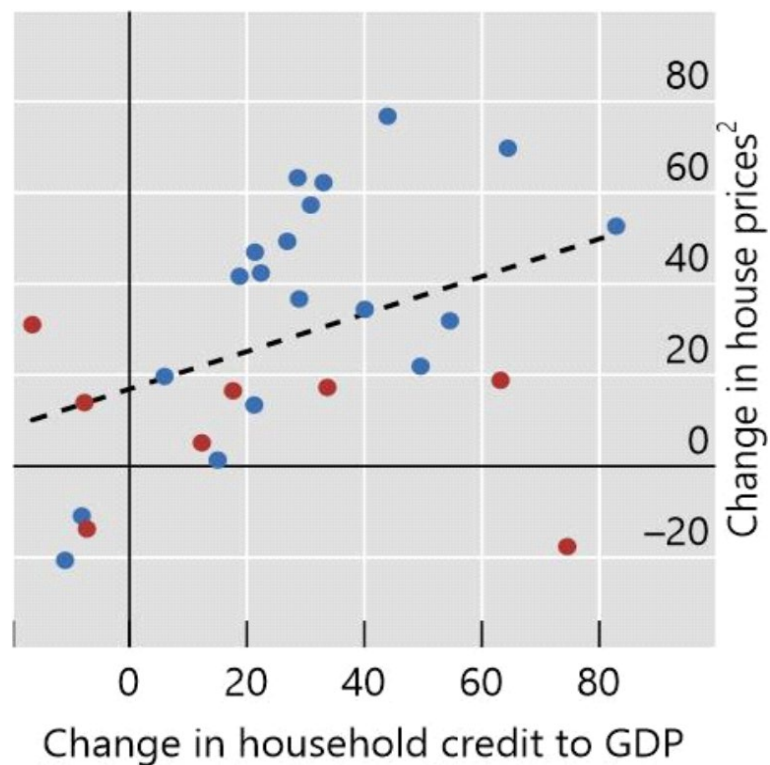


Source: See BIS Bulletin No 50 for details.

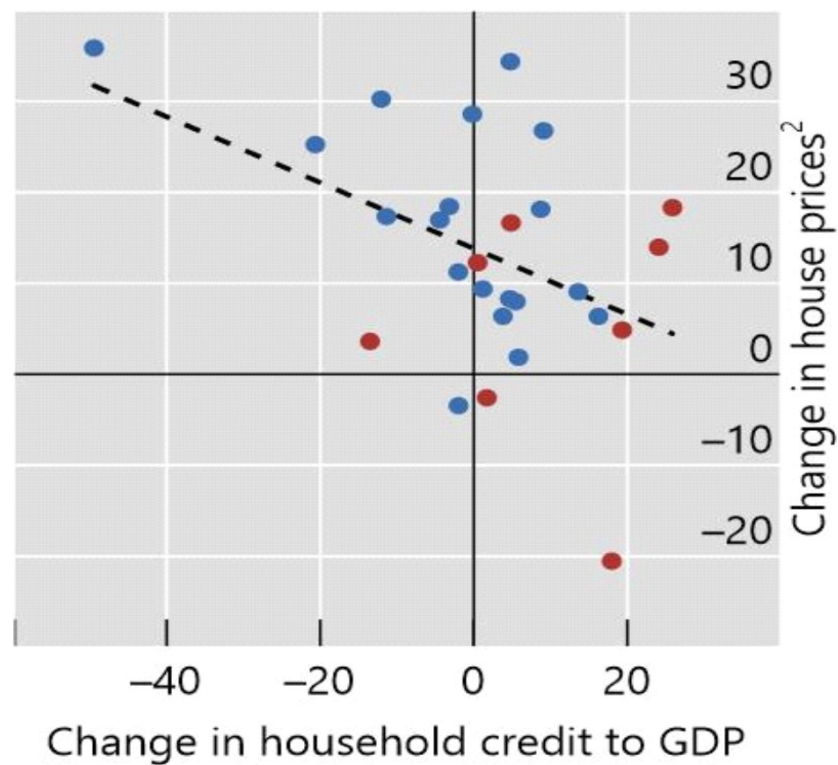
Financial fragilities exist, but probably not the kind we had seen in 2008

Twin booms in house prices and household credit not detectable this time

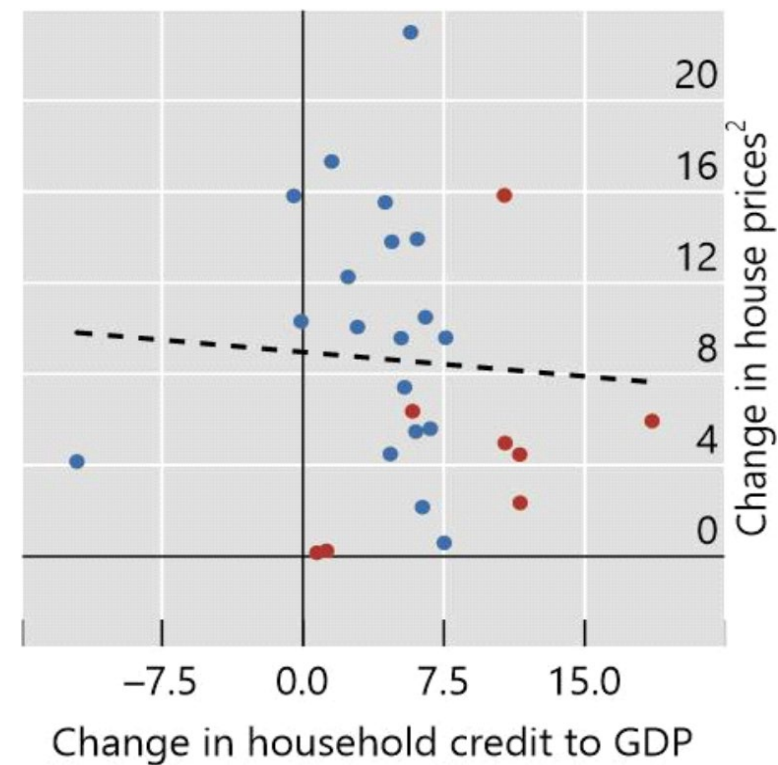
Pre-GFC



Pre-Covid



Post-Covid

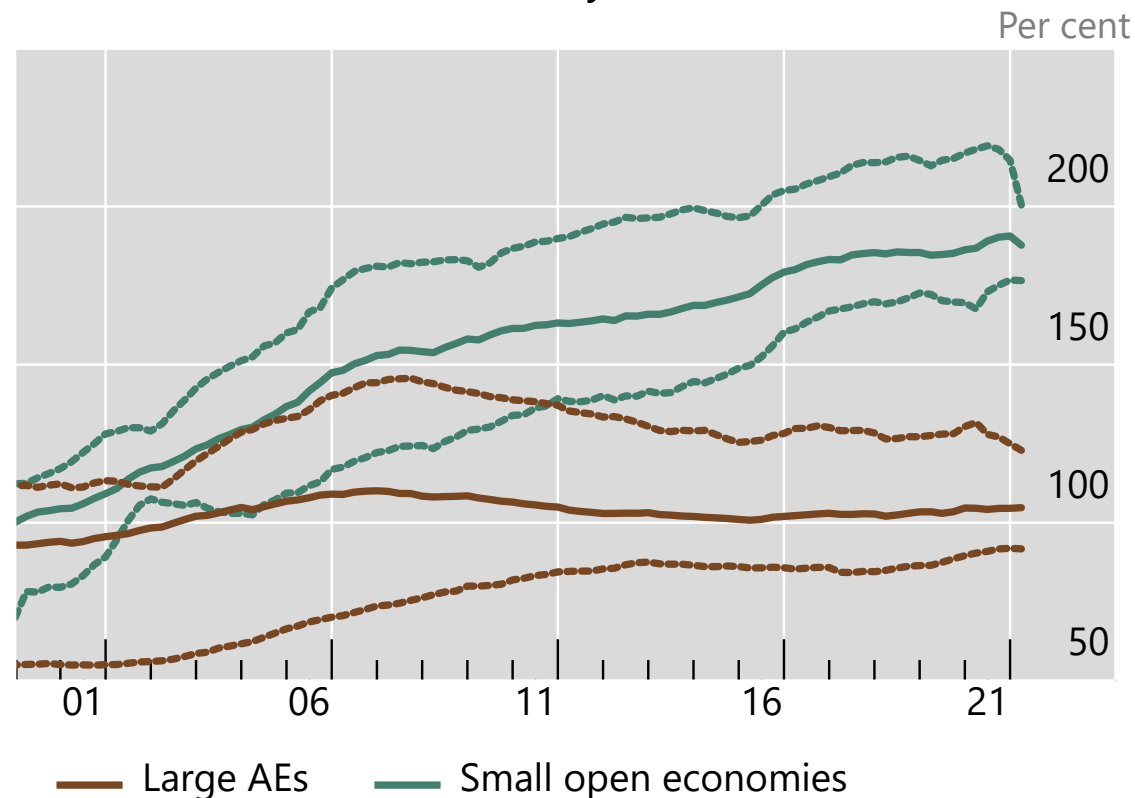


● AEs ● EMEs

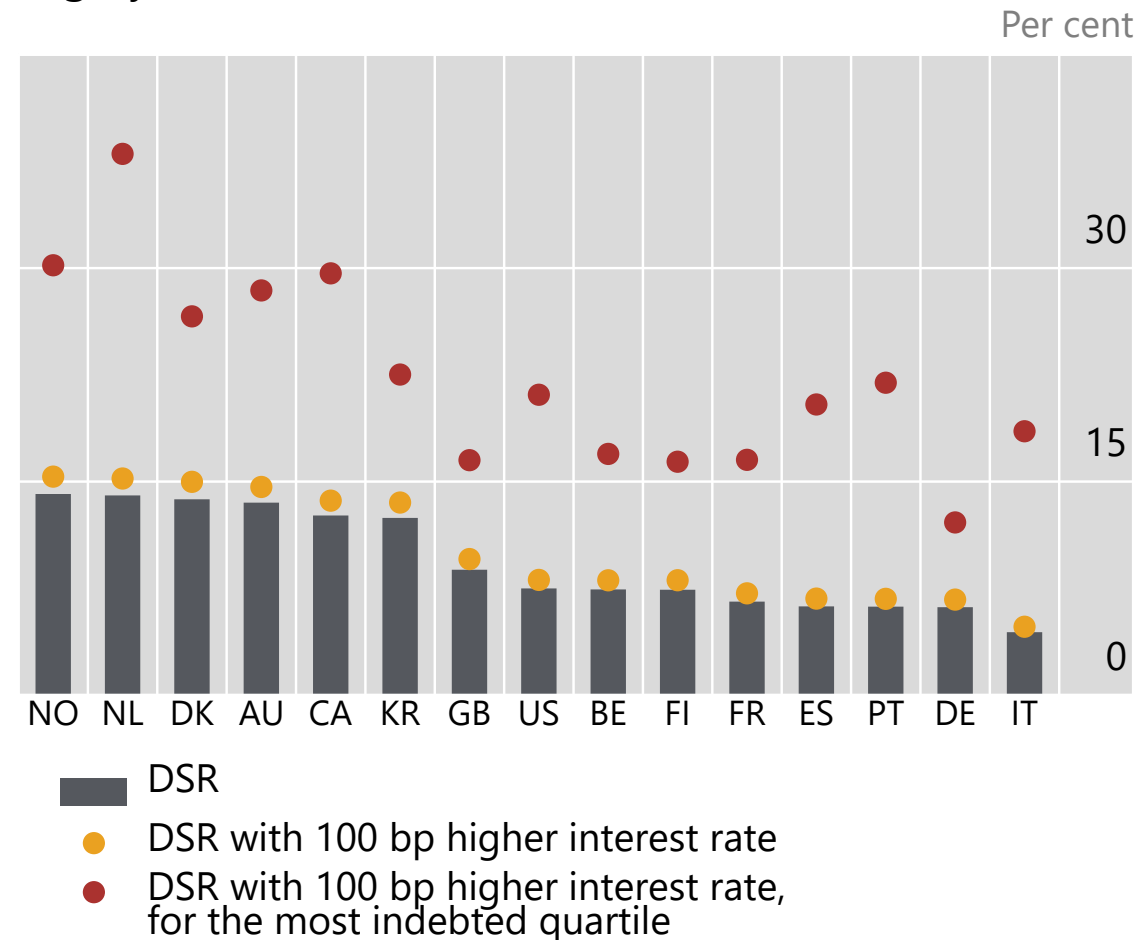
Source: BIS.

Macroeconomic effect could be significant in some cases

Household debt on a steady climb in some cases



Highly indebted households vulnerable to rate rises



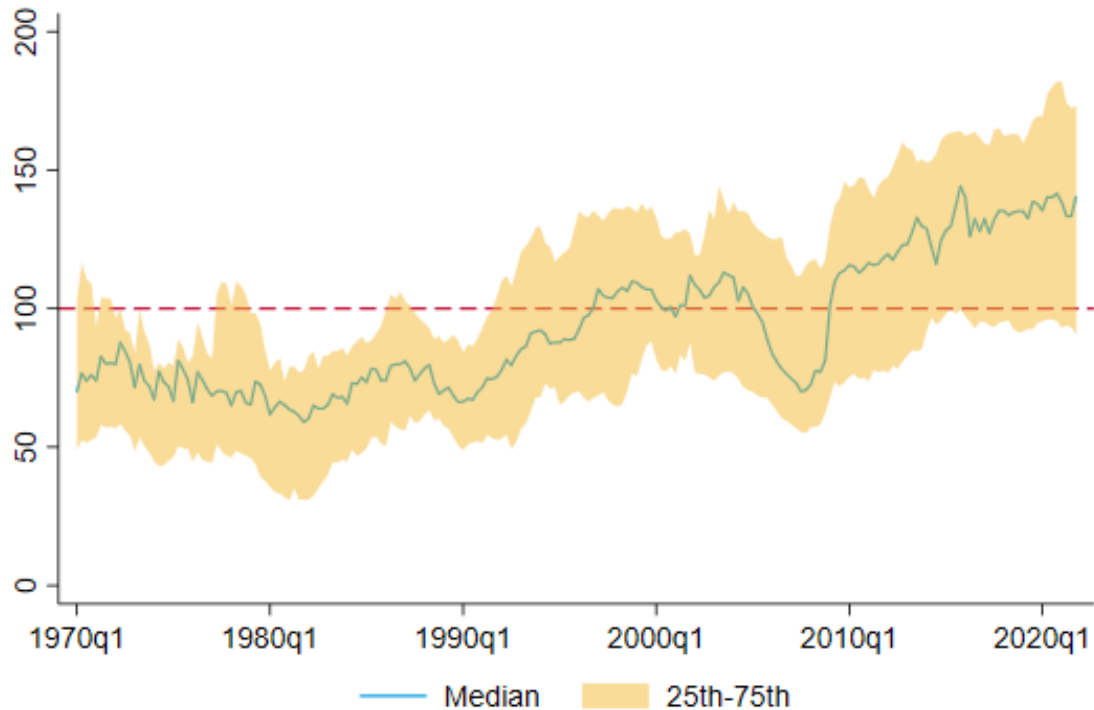
Source: See BIS Bulletin No 50 for details.

Affordability set to deteriorate as interest rates continue to climb

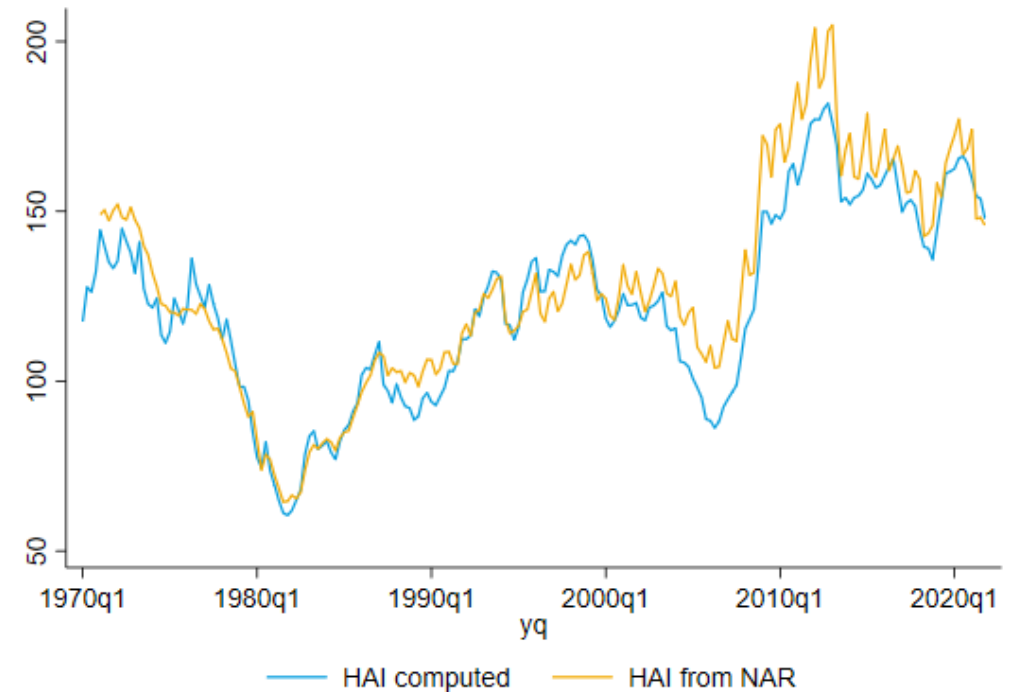
Improvement in affordability stalled in general...

...and affordability has been worsening in some cases

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Source: Biljanovska, Fu, Igan (forthcoming).



BIS Bulletin No. 50: Housing market risks in the wake of the pandemic
BIS Property Price Statistics
IMF Global Housing Watch