

Housing affordability in cities

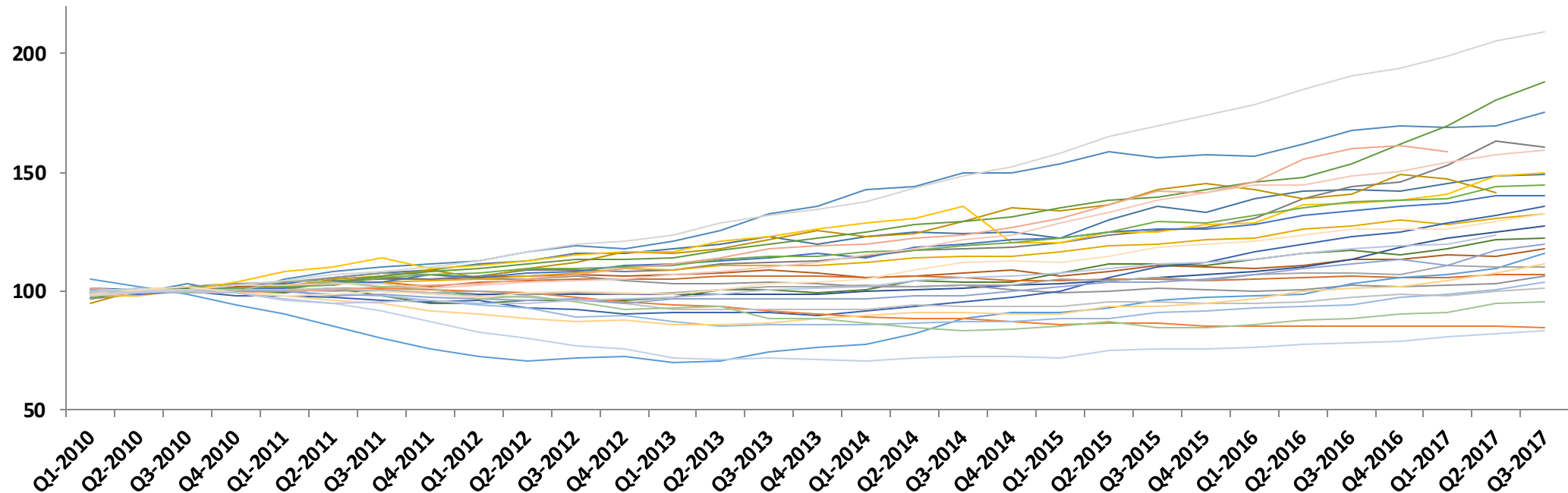
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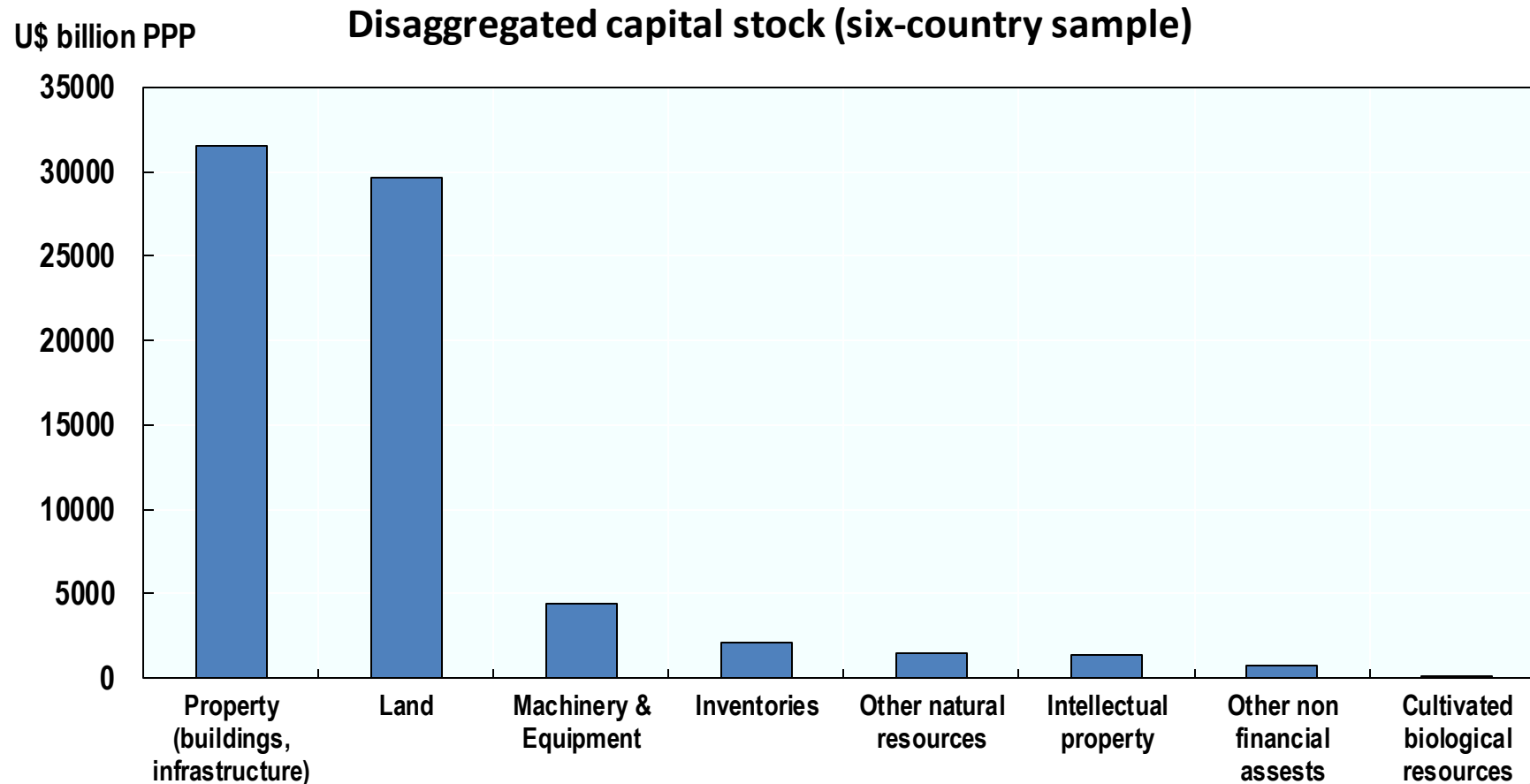
Housing costs have risen strongly

Inflation-adjusted residential property prices (2010=100)



- | | | | | | |
|---------------|---------------|----------|------------------|-------------------|------------|
| — Austria | — Belgium | — Canada | — Chile | — Czech Republic | — Denmark |
| — Estonia | — Finland | — France | — Germany | — Hungary | — Iceland |
| — Ireland | — Italy | — Japan | — Latvia | — Luxembourg | — Mexico |
| — Netherlands | — New Zealand | — Poland | — Portugal | — Slovak Republic | — Slovenia |
| — Spain | — Sweden | — Turkey | — United Kingdom | — United States | |

Buildings and land are by far the most important forms of capital



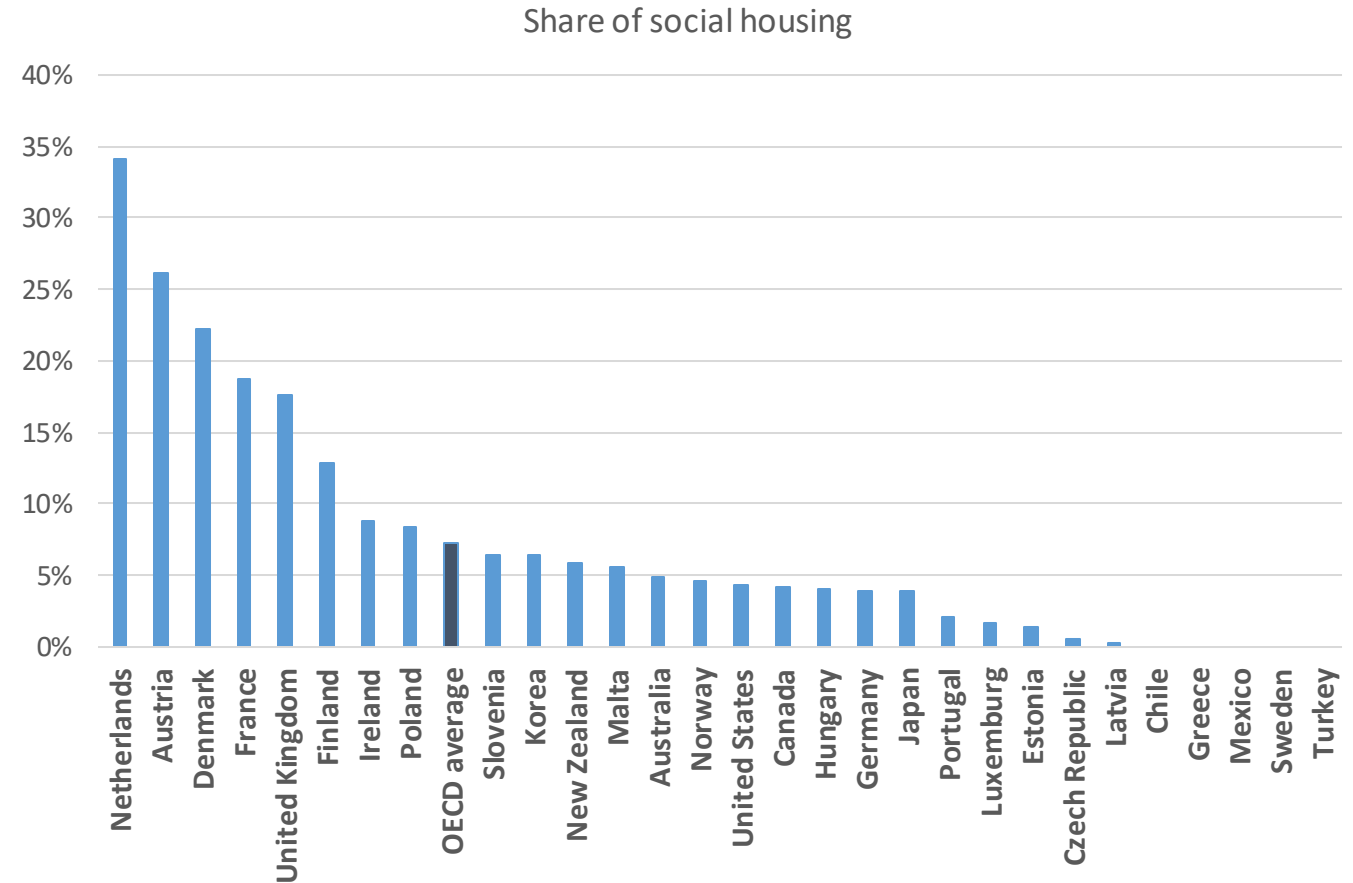
Note: Data includes Australia, Canada, Czech Republic, France, Japan and Korea.
Source: OECD National Accounts Table 9B

Dual approach needed to improve housing affordability at the local level

- **Provision of public/social housing**
- **Measures to reduce house prices/rents on the private market**

Social housing in OECD countries

- Important instrument to provide targeted support for the poorest households
 - But: Less than 10% of households live social housing in most OECD countries
 - Social housing is a long-term investment!
- Important, but cannot on its own solve the housing crisis in the short-term.



How to address market prices for housing

- High housing costs have many reasons
 - Interest rates
 - Demographic trends
 - Low productivity growth in construction sector
 - Market failures in real estate markets
 - ...
- Land-use planning regulations
 - Land-use regulations that affect housing supply key policy instrument at local level to influence house prices
 - Evidence is limited by lack of systematic data on local land use regulations

Evidence on the impact of land-regulations on housing prices

- 10% of U.S. housing is more than twice as expensive due to land-use restrictions to housing supply (Glaeser & Gyourko, 2017).
- Land-use regulations in England increase average house price by GBP79,000 (Hilber & Vermeulen, 2016).
- Land-use regulations preventing the growth of the most productive cities in the U.S. reduce GDP by 9.5% (Hsieh & Moretti, 2015).
- Germany built just 32% of the needed housing units since 2011 in cities, but 40% more single-family homes than needed in rural areas, creating sprawl and risking future abandonment (Deschermeier et al., 2017).

Planned OECD work on affordable housing in cities

- Country and city case studies on affordable housing
- Large-scale data collection on housing and planning policies
- Policy recommendations based on comparative analysis and collection of good practices

→ OECD is looking for collaborations with interested national, regional and local governments and other organisations

Thank you!

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