



## 1. IMF'S LATEST HOUSING MARKET ASSESSMENTS

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- **Sweden ([Article IV](#)): “Housing market reforms combined with macroprudential measures would best contain vulnerabilities.** Moderating the trend rise in housing prices and household debt requires reforms to maintain an adequate supply of land ready for development, phase out mortgage interest deductibility, and gradually remove rent controls. A limit on debt-to-income would contain growth in the share of highly-indebted households”, says IMF report on Sweden. Also see more discussion in the [financial sector assessment](#).
- **Can Property Taxes Reduce House Price Volatility? Evidence from U.S. Regions ([Working Paper](#)):** The uses a novel dataset on effective property tax rates in U.S. states and metropolitan statistical areas (MSAs) over the 2005–2014 period to analyze the relationship between property tax rates and house price volatility. It finds that property tax rates have a negative impact on house price volatility. The impact is causal, with increases in property tax rates leading to a reduction in house price volatility. The results are robust to different measures of house price volatility, estimation methodologies, and additional controls for housing demand and supply. The outcomes of the analysis have important policy implications and suggest that property taxation could be used as an important tool to dampen house price volatility.
- **How to better measure hedonic residential property price indexes ([Working Paper](#)):** Hedonic regressions are used for property price index measurement to control for changes in the quality-mix of properties transacted. The paper consolidates the hedonic time dummy approach, characteristics approach, and imputation approaches. A practical hedonic methodology is proposed that (i) is weighted at a basic level; (ii) has a new (quasi-) superlative form and thus mitigates substitution bias; (iii) is suitable for sparse data in thin markets; and (iv) only requires the periodic estimation of hedonic regressions for reference periods and is not subject to the vagrancies of misspecification and estimation issues.

## 2. HOUSING POLICIES: WHAT WORKS?

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*The Housing Challenge in Emerging Asia: Options and Solutions* is an excellent [new book](#) that has just been published by the Asian Development Bank Institute (ADBI). In this issue of the Global Housing Watch Newsletter, Jera Beah H. Lego interviews Matthias Helble, one of the editors of this timely new book. Lego is a Research Associate, and Helble is a Research Economist. Both are at the ADBI.

**Jera Beah H. Lego: The urbanization rate in Asia is nearly 50 percent, with more than 2 billion urban dwellers. About 127,000 people flood into cities every day and the number is rising. What are the challenges for policy makers?**

**Matthias Helble:** These numbers mean that the housing stock in urban areas needs to be continuously expanded, and this has huge implications beyond housing. For example, every household needs to have access to clean water, sanitation, and electricity. New dwellings need to be connected to roads and, if possible, public transportation. New neighborhoods should provide access to health care, education, and jobs. Urban safety and crime prevention need to be ensured. Climate change adaptation and mitigation measures also have to be integrated into the planning process.

**Jera Beah H. Lego: How have advanced economies confronted the challenge of housing an increasing urban population?**

**Matthias Helble:** They have experimented with policies targeting both the supply and demand side of rental housing and homeownership. On the demand side, they have eased access to homeownership of low-income groups, typically through direct cash transfers or indirect subsidies such as mortgage guarantees. Success, however, has been mixed, as supply often proved to be inelastic. On the supply side, governments have controlled rents. However, rent controls often reduce the supply of rental housing as it becomes a less attractive investment. Consequently, the rental market becomes tighter, with landowners preferring high-income tenants. So even advanced economies struggle to achieve change.

Figure 1

## Housing Policies in Advanced Economies

	Owner-occupied Housing Market	Rental Housing Market
Demand Side	<ul style="list-style-type: none"> <li>• Cash benefits for housing</li> <li>• Housing subsidy</li> <li>• Mortgage interest rate reduction</li> <li>• Mortgage interest deduction from income tax</li> <li>• Upgrading quality standards</li> <li>• Property tax on housing purchases</li> <li>• Loan to value (LTV) and debt to Income (DTI) ratio regulations</li> <li>• Restriction of new purchases</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount cash subsidy</li> <li>• Rental subsidy</li> <li>• Rent certificate</li> <li>• Housing vouchers</li> <li>• Rent control</li> </ul>
Supply Side	<ul style="list-style-type: none"> <li>• Public housing</li> <li>• Subsidy to suppliers</li> <li>• Upgrading quality standards</li> </ul>	<ul style="list-style-type: none"> <li>• Public housing</li> <li>• Subsidy to suppliers</li> <li>• Slum upgrading</li> </ul>

Source: Yoshino and Helble (2016)

**Jera Beah H. Lego:** Many parts of the world have housing shortages. Which countries have successfully dealt with them?

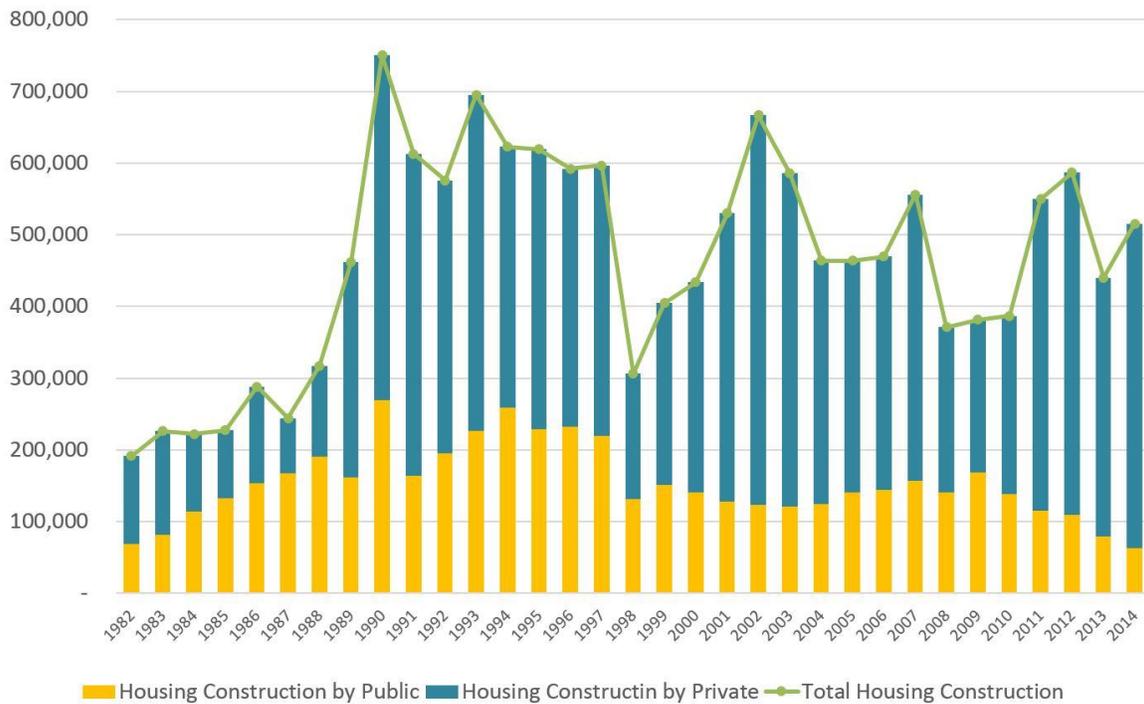
**Matthias Helble:** The public sector has had a major role in providing affordable and adequate housing in many countries. For example, postwar Japan used a three-pillar approach. One, it established the government Housing Loan Corporation to expedite housing construction. Two, it built rental houses for low-income groups. And three, it provided large-scale supply of residential land. Housing stock was restored by the 1960s.

South Korea followed a similar strategy in the 1970s by expanding land supply and providing more housing loans. But government interventions couldn't meet increased demand and prices went up sharply in the late 1980s. In response, the South Korean government expanded its housing programs with the Two Million Housing Drive and eventually curbed the property prices. Since then, South Korea has been relatively successful in containing price surges and avoiding real estate bubbles.

These policies are based on the idea that the public sector must supply land, the market should be allowed to solve housing problems, and government regulations must ensure that low-income groups can access adequate housing either through rent subsidies or housing finance.

Figure 2

## Rep. of Korea: New Housing Constructions (1982-2014)



Source: Kim and Park (2016)

**Jera Beah H. Lego:** You point out that from the 1950s to the 1970s, supply-side policies were common. Why did many countries switch to demand-side policies in the 1990s?

**Matthias Helble:** One reason was the belief that the supply side is elastic and will respond to increased demand. However, this did not often occur because the housing market depends crucially on the government to remove supply constraints such as unclear land titles or a shortage of land. Another reason was that demand-side policies are easier to implement. It is often much easier to stimulate demand using various types of subsidies rather than removing supply constraints, which can be administratively and politically costly.

**Jera Beah H. Lego:** The book points out that there is not enough housing finance available in Asia. Other studies have also pointed out that the mortgage market is small in developing and emerging countries. Why does housing finance remain elusive?

**Matthias Helble:** Large parts of the population still have limited or no access to financial services. Households that do have access to banking services often don't know how to use them. Financial inclusion and education are essential. Many commercial banks see housing finance as a risk because they often find it difficult to establish creditworthiness and to foreclose property. Governments have to both ease people's access to finance and provide an environment that will make commercial banks eager to loan to would-be homeowners.

**Jera Beah H. Lego:** To stimulate housing demand, the US uses mortgage interest deduction while the UK uses the Help-to-Buy scheme. Is it correct to say that very little is done to stimulate the rental housing market? Why?

**Matthias Helble:** I would not say that very little is done, just relatively little. In both countries, the mantra of homeownership persists, which has advantages such as encouraging accumulation of a physical asset. However, homeownership is expensive, lowers labor mobility, and comes with risks like over-borrowing. Governments should therefore encourage tenure choices such as co-housing and community land trust.

**Jera Beah H. Lego:** In the book’s case studies, what is the most common policy for promoting homeownership and the rental market?

**Matthias Helble:** Many countries have experimented with easing mortgage financing, using either direct cash transfers or indirect subsidies like mortgage interest rate reduction. However, mortgage interest reduction in the US shows that a policy aimed at low-income groups can benefit high-income earners instead. In Japan and the UK, the rental market was stimulated by providing public rental housing. Another policy is providing subsidies to suppliers of new housing, as in the case in India.

Figure 3a

## Housing Policies to Promote Homeownership

Policy	Cash benefits for housing / Housing subsidy	Mortgage interest rate reduction	Mortgage interest deduction from income tax	Upgrading quality standards	Construction of housing or provision of land
Demand/Supply	Demand			Demand/Supply	Supply
<b>Merits</b>	Lowers housing costs for HH  Simple to implement and to understand for HH	Lowers financial cost to purchase housing  Enhances competition	Lowers housing financing costs	Enhances living standards and durability Contributes to environmental policies	Accelerates the construction of houses  Ensures quality of houses
<b>Demerits</b>	Cash benefits used for other purposes  Eligibility criteria  Fiscal burden	Crowds out private banks and investors  Increases HH debt  Fiscal burden	Less effective for low-income groups  Increases HH debt  Fiscal burden	Implementation costs for HH and government Makes housing less affordable for low-income groups	Overstretched supply capacity  Lack of diversity  Fiscal burden
<b>Country examples</b>	Rep. of Korea, Singapore	Japan, Rep. of Korea	US, Japan	Japan, Rep. of Korea	Japan, Rep. of Korea, Singapore

Source: Yoshino and Helble (2016)

Figure 3b

## Housing Policies to Assist Low-Income Renters

Policy	Rent certificate	Housing voucher	Rent control	Public housing	Subsidy to suppliers
<b>Demand/Supply</b>	Demand		Demand/Supply	Supply	
<b>Merits</b>	Increases housing consumption  Incentivizes maintenance (owner)	Gives HH more choices  Incentivizes maintenance (owner)	Mitigates the burden of rent hikes	Addresses housing shortage  Guarantee minimum standard	Accelerates the construction of houses  Addresses housing shortage
<b>Demerits</b>	No incentive to find inexpensive housing  Fiscal burden	Subsidy might be used for other purposes  Fiscal burden	Excess demand  Low incentive for new construction  Inefficient allocation	Limits HH choice  Crowds out private suppliers  Eligibility  Fiscal burden	Overinvestment  Fiscal burden
<b>Country examples</b>	US	Rep. of Korea, US	US, Switzerland	Japan, UK	India

Source: Yoshino and Helble (2016)

### 3. THE CORDON: OTHER VIEWS AND ANALYSIS ON HOUSING MARKETS

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- **Call for Papers/Events:** Housing: Microdata, Macro Problems ([Cemmap](#)) |
- **Cross country:** The ESRB issues eight Warnings on medium-term residential real estate vulnerabilities and a Recommendation on closing real estate data gaps ([ESRB](#)) | Prime Global Cities Index - Q3 2016 ([Knight Frank](#)) | How should prudential and monetary policies in open economies react to "current global conditions"? ([BIS](#)) | Emerging Trends in Real Estate® Europe 2017 ([Urban Land Institute](#)) | Global Cities Report ([Knight Frank](#)) | Recent developments in euro area residential property prices ([ECB](#)) | Reality Check: What is affordable housing? ([BBC](#)) | Emerging Trends in Real Estate ([PWC](#)) | Spillovers from the Oil Sector to the Housing Market Cycle ([Energy Economics](#)) | Getting Chinese to Buy Your House Isn't Easy Anymore. Just Ask Cate Blanchett ([Bloomberg](#)) |
- **Argentina:** President Macri has turned around Argentina's property market ([Global Property Guide](#)) |
- **Brazil:** Loan-To-Value Policy and Housing Loans: effects on constrained borrowers ([Central Bank of Brazil](#)) |
- **Canada:** Canada's Housing Agency Warns of Rising Household Debt ([Wall Street Journal](#)) | White House urges deregulation to boost housing supply—Canadian policymakers should take note ([Fraser Institute](#)) | B.C. real estate reform: What you need to know ([Globe and Mail](#)) | Increases in Household Debts and Debt Burdens Are Due More to Changed Borrowing Behavior than to Population Aging ([CMHC](#)) | Housing Market Indicators, Canada, Provinces, and Metropolitan Areas, 1990 – 2015 ([CMHC](#)) | Affordable Housing and Land Supply Issues in the Greater Toronto Area (GTA) ([Centre for Urban Research and Land Development](#)) |
- **China:** A Real Estate Boom with Chinese Characteristics ([NBER](#)) | Shenzhen Residential Market Review ([Colliers](#)) | Guangzhou Residential Market Review ([Colliers](#)) | China's Steps to Cool Property Sales Hit Biggest Markets ([Wall Street Journal](#)) | China braced for impact of property slowdown ([Financial Times](#)) | China's Tianjin city steps up curbs to tighten mortgage lending ([Reuters](#)) |
- **France:** House prices are rising again in France ([Global Property Guide](#)) |
- **Guyana:** Guyana's housing crisis: 'The situation in the country is desperate' ([Guardian](#)) |
- **Hong Kong:** Hong Kong raises stamp duty to curb soaring home prices ([Global Property Guide](#)) | Mainland money distorting Hong Kong land prices, tycoon warns ([Financial Times](#)) |
- **Iceland:** Iceland's house prices surging, amidst healthy economic growth ([Global Property Guide](#)) |

- **India:** Monthly Real Estate Monitor ([JLL](#)) |
- **Indonesia:** Indonesia's property market slowing sharply ([Global Property Guide](#)) |
- **Ireland:** Macroprudential Measures and Irish Mortgage Lending: Insights from H1 201 ([Central Bank of Ireland](#)) | Review of residential mortgage lending requirements ([Central Bank of Ireland](#)) | Modelling Irish Rents: Recent Developments in Historical Context ([Central Bank of Ireland](#)) | Ireland resists political pressure to relax mortgage restrictions ([Financial Times](#)) | Dublin House Prices: A History of Booms and Busts from 1708-1949 ([SSRN](#)) |
- **Kenya:** Kenya's house prices rising sharply ([Global Property Guide](#)) |
- **Korea:** Korea Takes Steps to Curb Property Bubble in Some Areas ([Bloomberg](#)) |
- **Mexico:** Improving Housing and Neighborhoods in Mexico: Lessons from a New Harvard GSD Report ([JCHS](#)) |
- **Portugal:** Lack of supply pushing up property prices in Portugal ([Property Wire](#)) |
- **Singapore:** Briefing Residential sales ([Savills](#)) |
- **Turkey:** Strong but slower house price growth in Turkey ([Global Property Guide](#)) |
- **United Arab Emirates:** Dubai – The Times They are a Changing ([REIDIN](#)) |
- **United Kingdom:** UK response to the ESRB warning on real estate sector ([Gov.UK](#)) | The Redfern Review into the decline of home ownership ([Redfern Review](#)) | Forecasting UK house prices and home ownership ([Oxford Economics](#)) | Housing supply for local authorities ([Parliament.UK](#)) | Bitesize: The divergence of house prices and rents in Prime London ([Bank of England](#)) | Are British housebuilders hoarding land? ([Economist](#)) | Residential Property Focus 2016 Q4 ([Savills](#)) | Stamp duty, house prices and irrational buyers ([Grosvenor](#)) | An Olympic-sized housing shortage ([Financial Times](#)) | October 2016 - London breaks 14x house price to earnings ratio ([HomeTrack](#)) | The European Refugee Crisis and House Prices: Evidence from England and Wales ([SSRN](#)) | Fear of Fracking? The Impact of the Shale Gas Exploration on House Prices in Britain ([NBER](#)) | The Effect of Foreign Investors on Local Housing Markets: Evidence from the UK ([Center for Economic Policy Research](#)) |
- **United States:**  
**Working Paper:** Measuring the Effects of Monetary Policy on House Prices and the Economy ([SSRN](#)) | Housing Demand, Cost-of-Living Inequality, and the Affordability Crisis ([NBER](#)) | Is Home Sharing Driving Up Rents? ([UMass Boston](#)) | Housing, Mortgages, and Self Control ([SSRN](#)) | How Do Households Make Mortgage Choices? ([SSRN](#)) | Systemic Banks, Mortgage Supply and Housing Rents ([SSRN](#)) |

- **Other Analysis:** A View on Housing in the Recovery ([Federal Reserve Bank of Atlanta](#)) | Housing Finance Reform: Access and Affordability in Focus ([Treasury Department](#)) | 2016 Annual Housing Report ([FHFA](#)) | Renters' Tax Credit Would Reduce Housing Cost Burdens ([Center on Budget and Policy Priorities](#)) | Major Study: Housing Vouchers Provide Haven for Homeless Families ([Center on Budget and Policy Priorities](#)) | The cost of poor lending ([Economist](#)) | Prices are diverging on geographic, social and ethnic lines ([Economist](#)) | Trump Understands Housing ([Cato Institute](#)) | What's at Stake in Trump's Pick to Lead HUD ([Citylab](#)) | Housing's new normal: Low interest rates, shifting demand, coming wave of new homebuyers ([HousingWire](#)) | Symposium on Housing Finance ([CoreLogic](#)) | Why America Needs a Disruptive Housing Policy Now More Than Ever ([Redfin](#)) | Like Abusive Policing, Denial of Access to Mortgage Credit for Black Americans is a Growing Crisis ([Institute of New Economic Thinking](#)) | Stock Market vs. Real Estate: Which Has Rebounded Better Since the Recession? ([Redfin](#)) | The New Urban Agenda, HABITAT III, and the Celebration of a Multinational Agreement on Cities ([JCHS](#)) | Real Estate Lending Risks Monitor ([Federal Reserve Bank of San Francisco](#)) | Homeownership: Where We Are Now, Where We Are Headed ([FreddieMac](#)) | The World's Tallest Modular Building May Teach Cities to Build Cheaper Housing ([Wired](#)) | What Housing Shortage? ([The Urbanist](#)) | California's Needless Housing Crisis ([Hoover Institution](#)) | There Doesn't Go the Neighborhood: Low-Income Housing Has No Impact on Nearby Home Values ([Trulia](#)) | Housing Has Become More Affordable over the Long Term ([Federal Reserve Bank of St. Louis](#)) |

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