Housing affordability in cities

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Housing costs have risen strongly.

Inflation-adjusted residential property prices (2010=100)
Buildings and land are by far the most important forms of capital.

Disaggregated capital stock (six-country sample)

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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