



The Housing Eco-System

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Housing is special

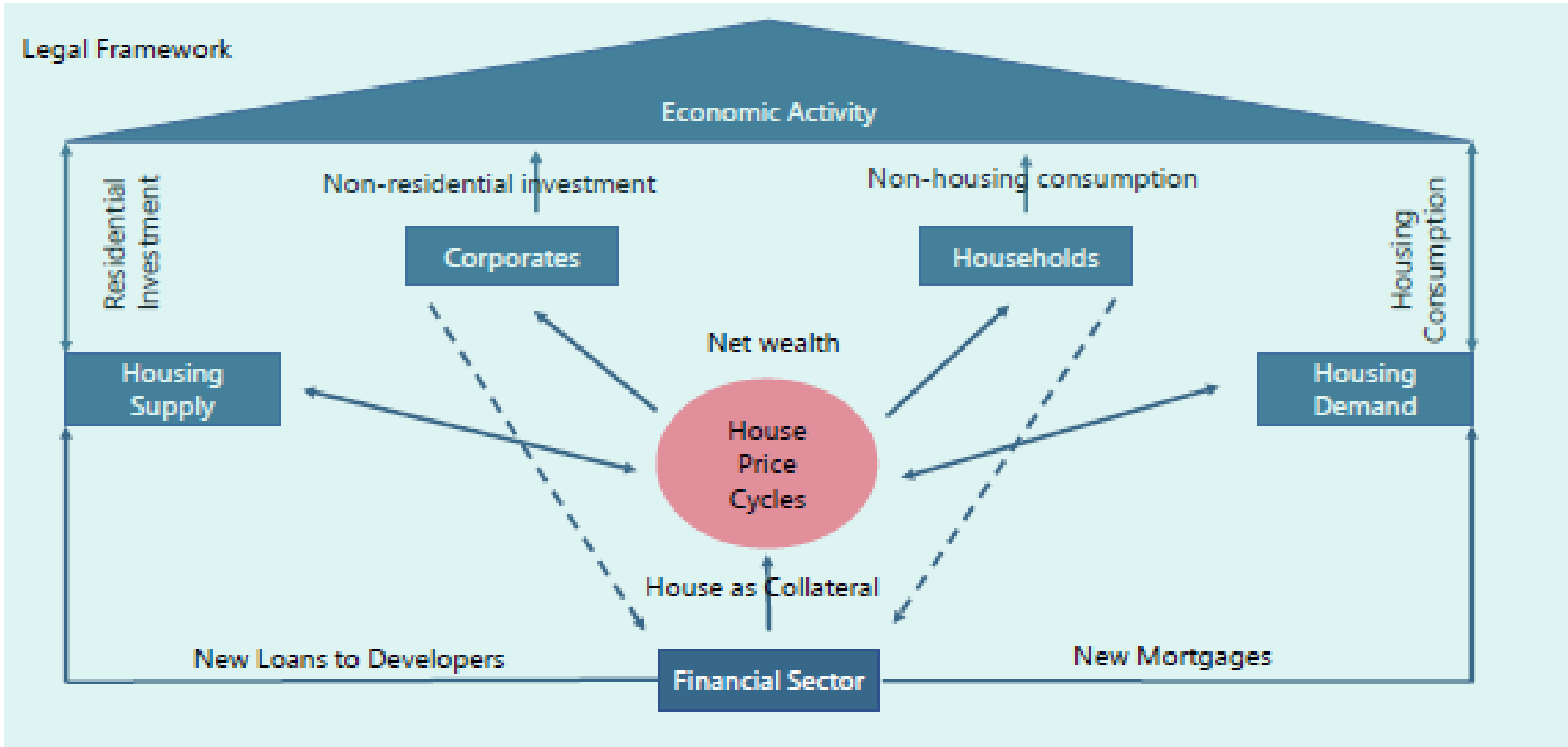
- Highly leveraged
 - Link to crisis
- Large storage of wealth
- Major supply-side effects
- Significant frictions
- Substantial network externalities
- Social welfare implications

Share of Poor Households Overburdened by Housing Costs

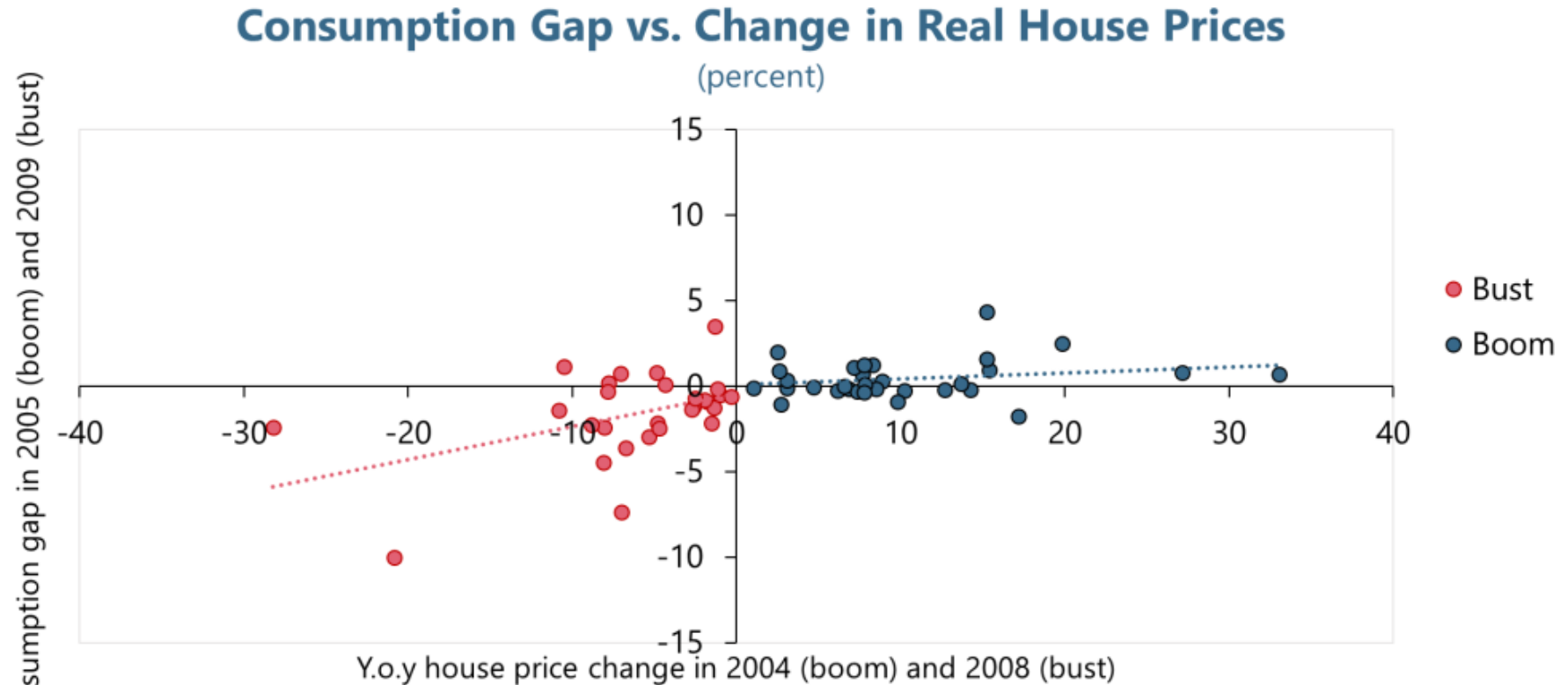
(Percent, 2014 or latest available)



Source: OECD Affordable Housing Database. The chart covers 37 countries, mostly advanced economies. Poor households refer to the bottom quintile of the income distribution; housing cost overburden is defined as spending above 40 percent of disposable income on mortgage or rent.



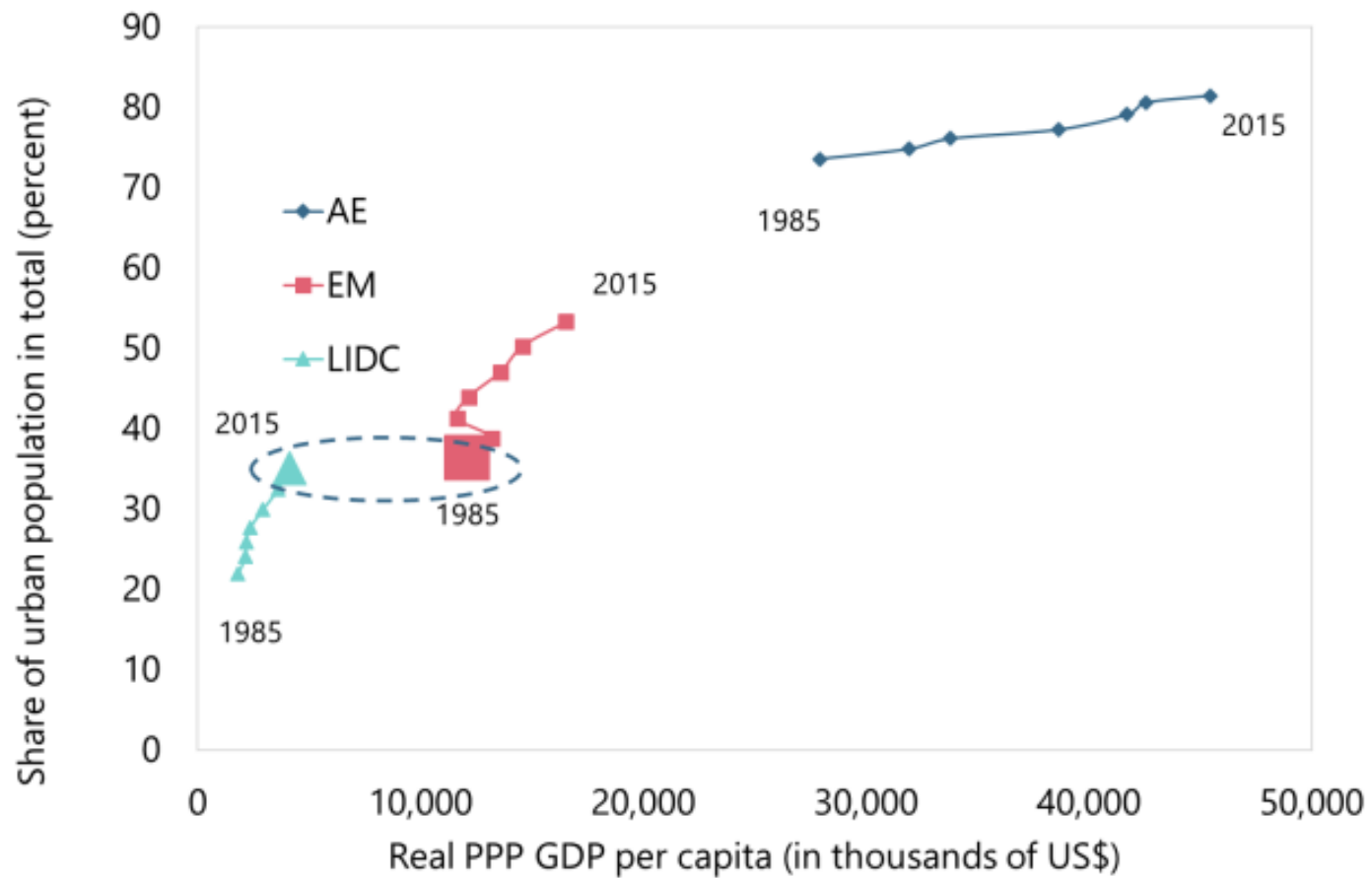
Housing developments have broad economic effects



Source: WEO, IMF Staff Calculations

Note: Consumption gap is calculated as the percent difference between projected values using pre-crisis trends and historical values of 2005 and 2009 respectively

Housing affects the economy beyond the business cycle frequency

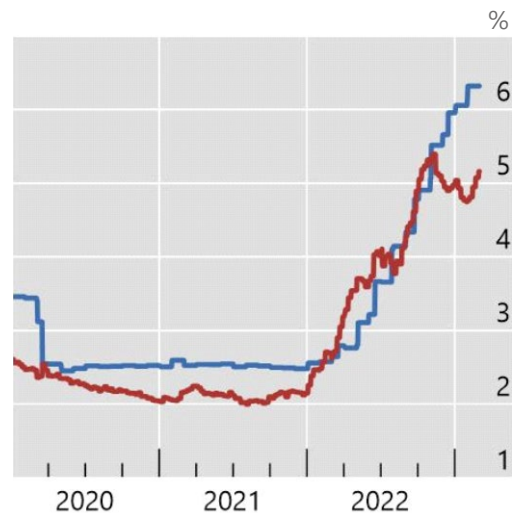


Source: WB, IMF

Housing is facing headwinds

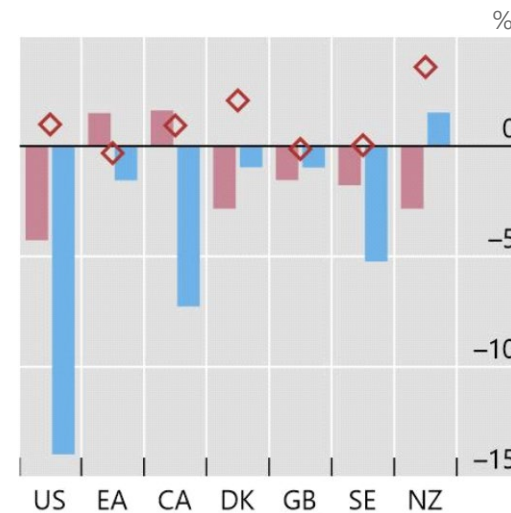
Monetary tightening raises borrowing costs and slows activity, especially housing

New mortgage and lending rates rise...



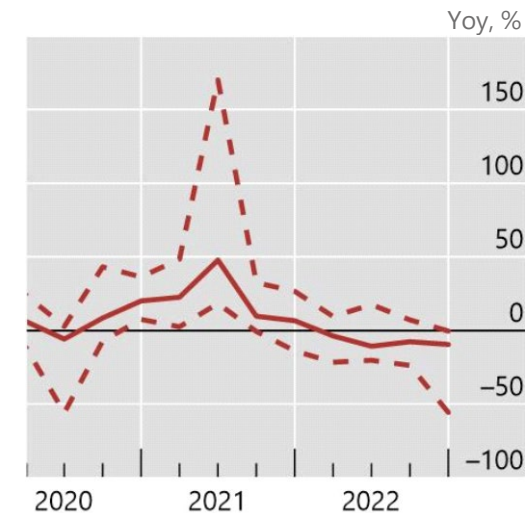
— Mortgage rate¹ — NFC loans rate²

...while durables and residential investment growth slows down...



Change from start of tightening:³
 ■ Consumer durables
 ■ Residential investment
 ◆ Other components of AD (excl. public spending)

...and housing starts drop⁴



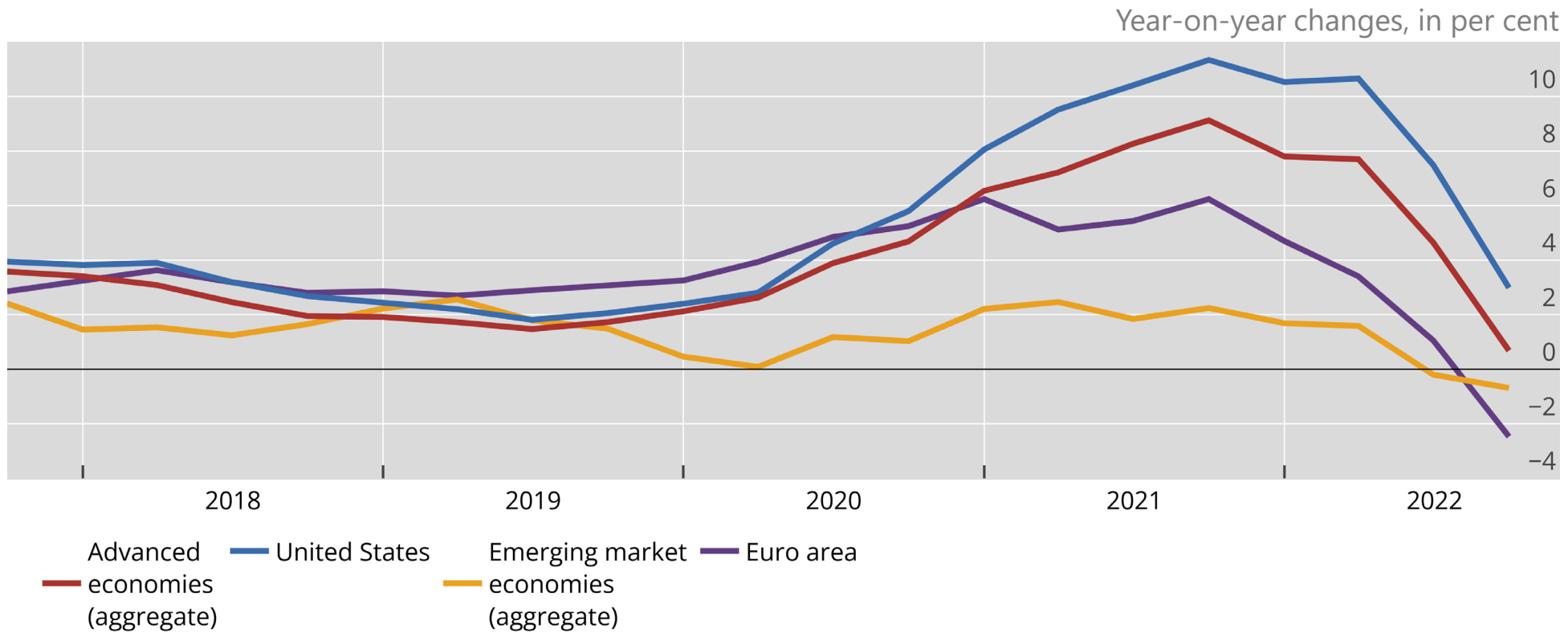
Housing starts: — Median - - - Range

¹ GDP-weighted average of EA, GB and US. For US, average of 15Y and 30Y fixed rate. For GB, average of 2Y and 5Y fixed rate with 60 and 90 LTV. For EA, new business mortgage rate. ² GDP-weighted average of EA, GB and US. For US, bank prime loan rate. ³ Q1 2022 for US; Q2 2022 for AU, CA, DK, GB and SE; Q3 2022 for EA. ⁴ AU, CA, DE, DK, GB, SE and US.

Sources: ECB; Federal Reserve Bank of St. Louis, FRED; IMF, OECD; Datastream; BIS.

House prices are losing steam around the world

Real residential property price developments in selected economies

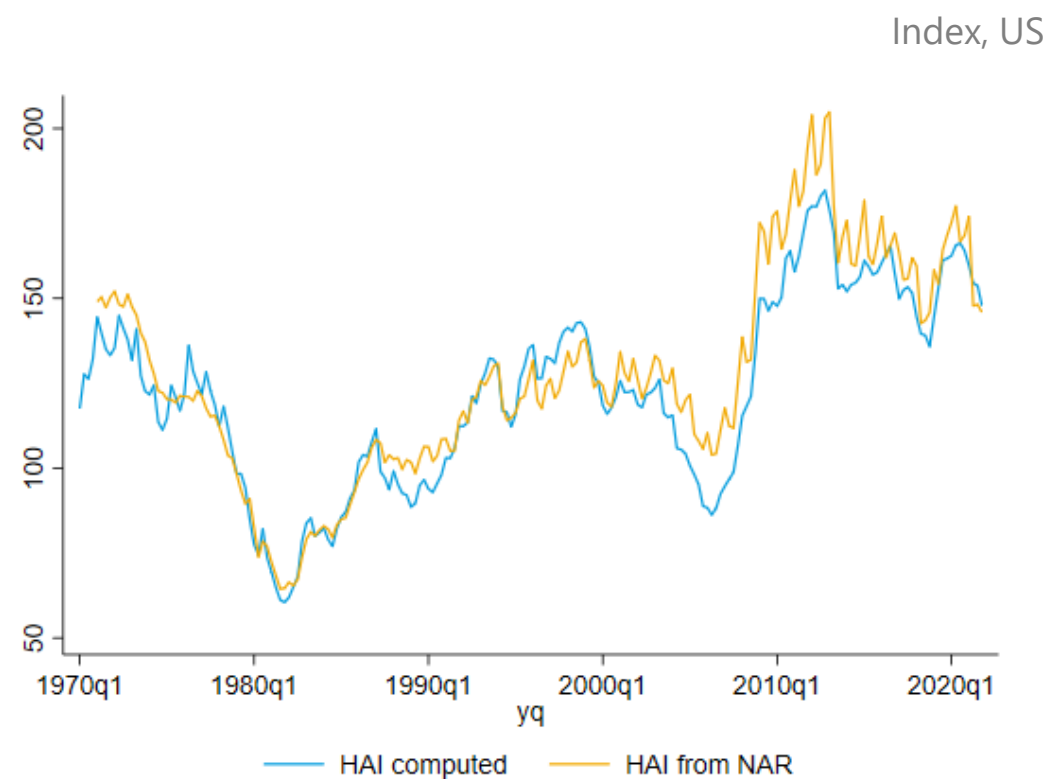
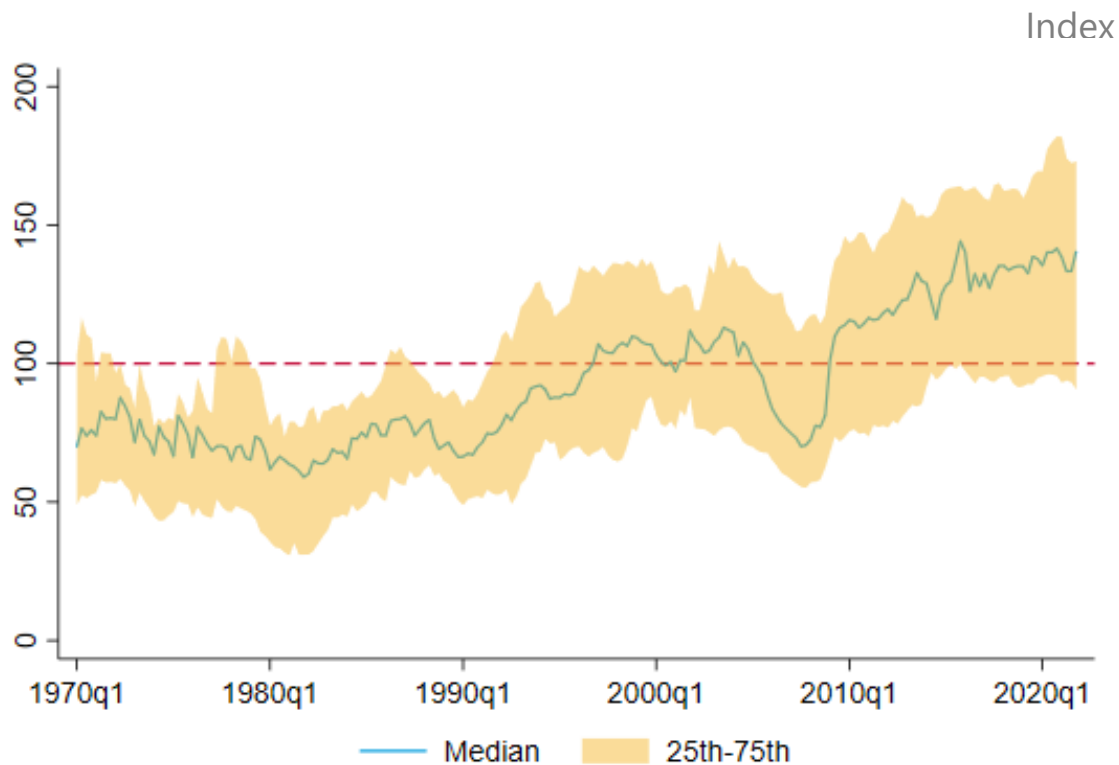


Source: BIS property price statistics, Table H2.

Affordability is set to deteriorate as interest rates continue to climb

Improvement in affordability stalled in general...

...and affordability has been worsening in some cases



Source: Biljanovska, Fu, Igan (forthcoming).

Housing is in the center of key challenges we are facing ahead

