"Location, Regulation, Speculation: The Story of Real Estate Everywhere"

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Distinguishing Characteristics of Housing/Real Estate

- Limited (Land), Lumpy, Immobile
- Straddles family and economy
- Size and linkages to the broader economy
- Largest purchase in lifetime
- An essential – no substitute
- Consumption/Investment
- Social Psychology - Prone to boom busts

# Emerging economies and housing/real estate

- Drivers – rapid economic growth, urbanization, housing finance, backlog, investment/speculation
- Supply side constraints – land use/zoning regulation,
- Issue of affordability and speculative fervor– price/income, price/rent ratios
- Example of China – housing bubble?
- Housing/RE share of GDP in Emerging Economies about 2 to 3 times as in developed countries

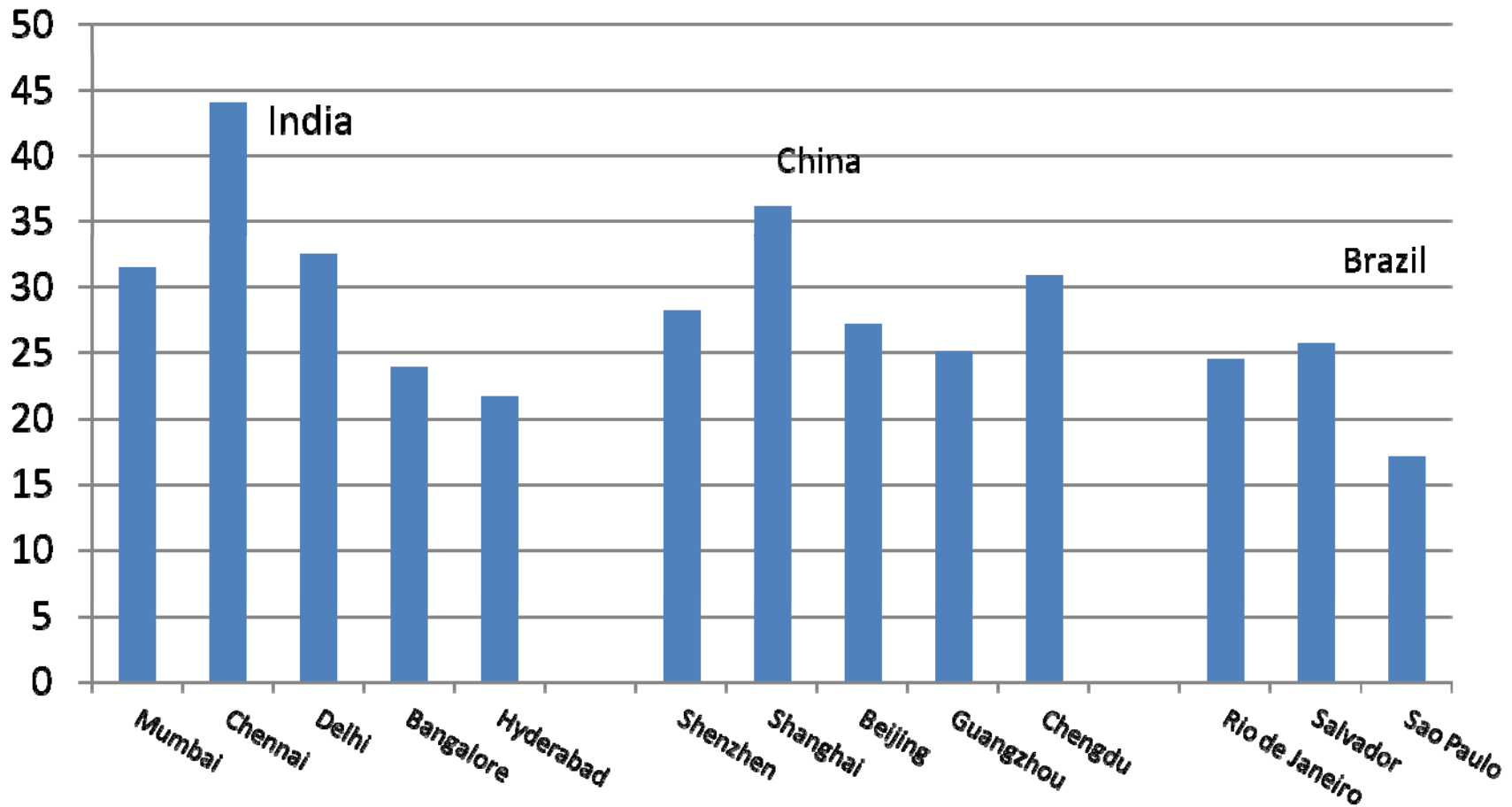# BIC Average Annual Growth Rate of Housing Prices: 2007-2012
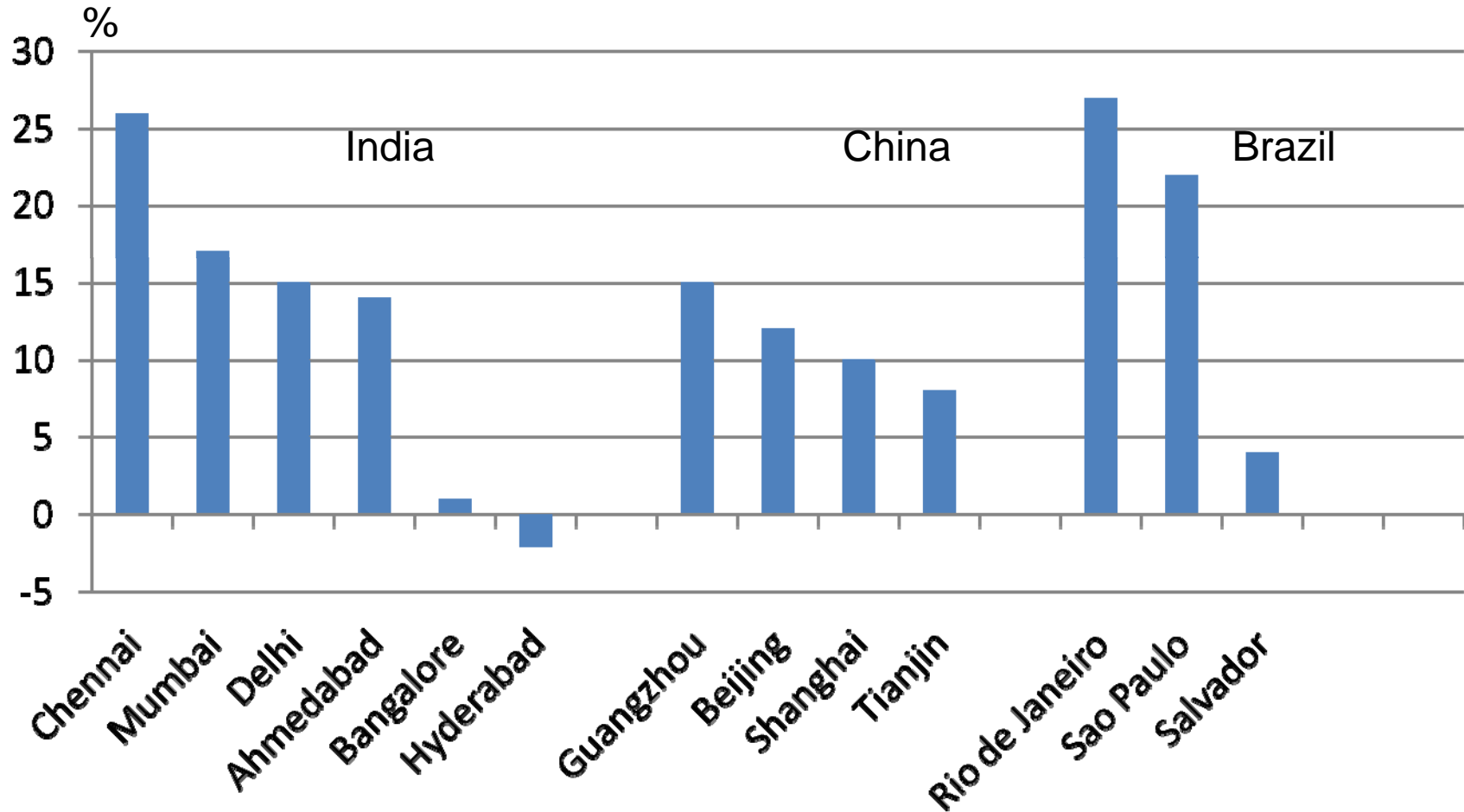
Source: NHB, NSB, CBRE; Note: US over same period -3%, UK -1.5%, London +1%,

How Unaffordable is Housing in BICs?
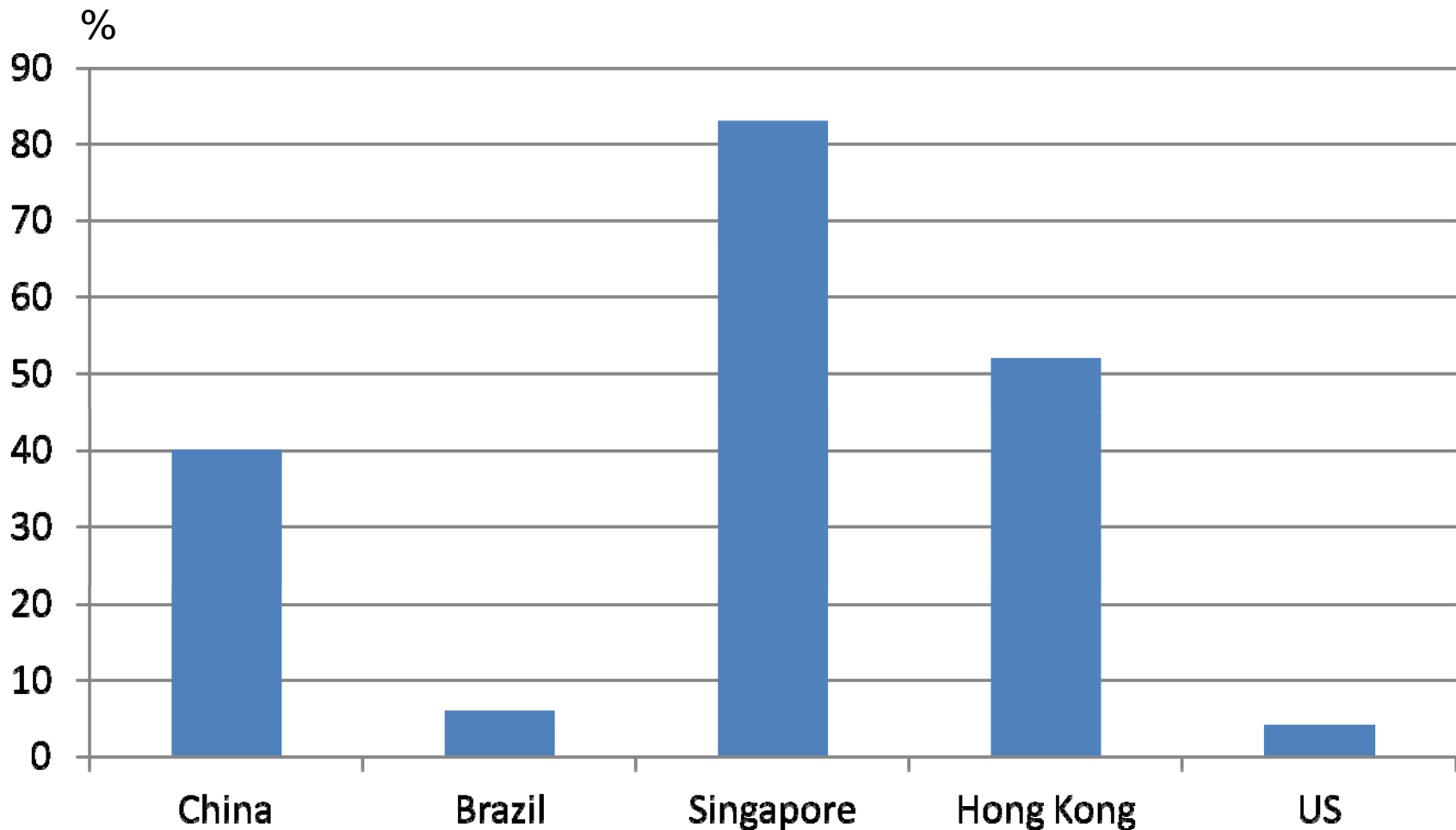# Price to Income Ratios, 2012
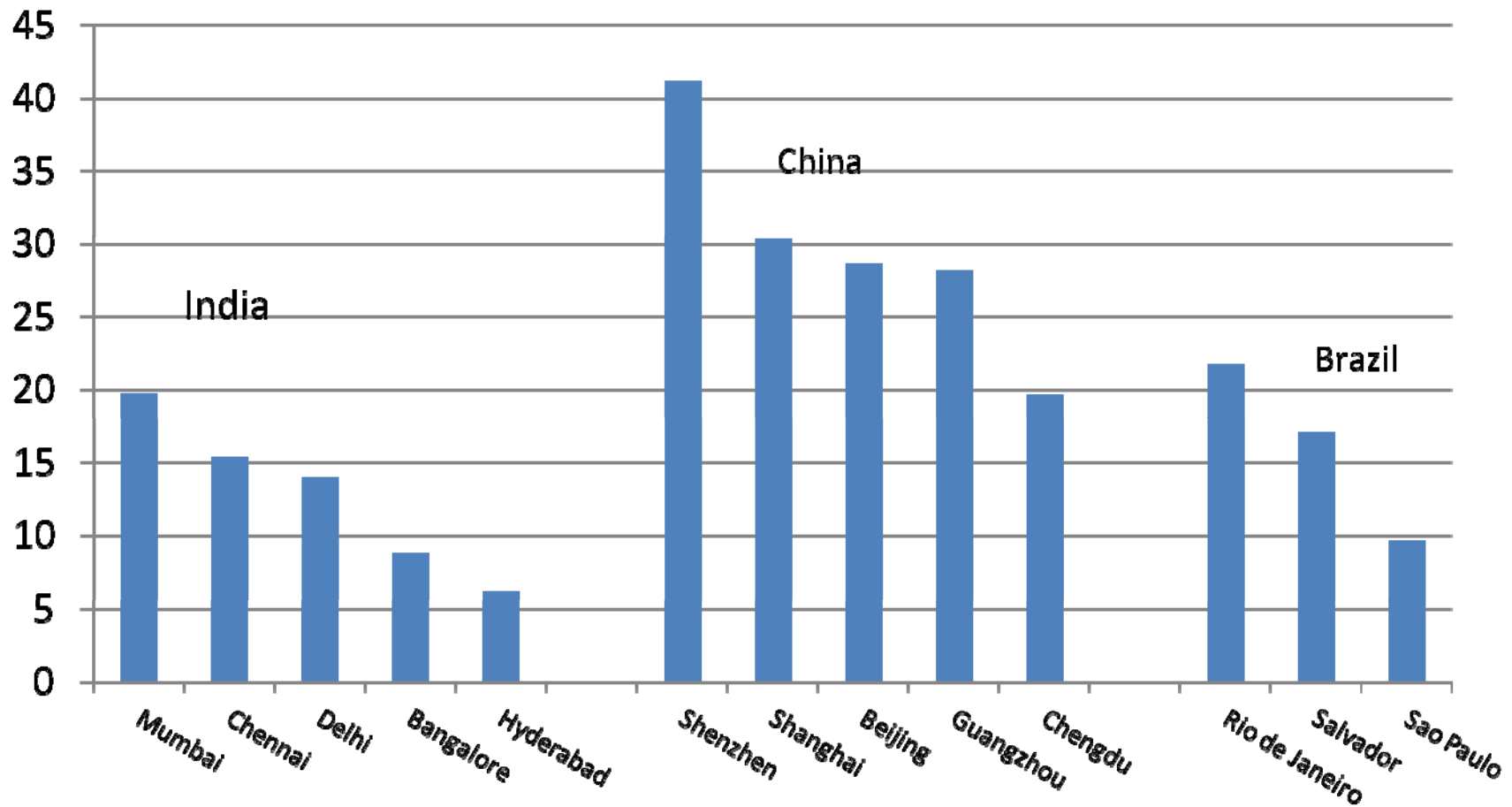
Source: Numbeo data aggregators; IMF; In comparison – US average 4.5, UK 6.5

Fair Value or Speculative Fervor? City Center Price to Rent Ratios, 2012

Source: Numbeo data aggregators; IMF; JLL; In comparison – US average 15, UK 18

Share of Population in Social/Public Housing in Selected Countries

Source, CEF, HDB, HKHA, NSB, HUD

Some Recent Initiatives in BIC Countries

- BRAZIL: Minha Casa Minha Vida (My house My Life, 2009) - a federal subsidy of R$72 ($36bill)billion......Of the total 3 million homes to be constructed by 2016, 1.6 million are for families earning between 0 and 3 times the monthly minimum wage (R$545); 1 million homes are allocated to families with salaries between 3 and 6 times the monthly minimum wage; and the remaining 400,000 homes are for families earning between 6 and 10 times the monthly minimum wage.

- INDIA: Urban Housing Fund to refinance banks and financial institutions for retail loans in urban areas.....to mitigate affordable housing shortage and ensure availability of loans for those living in slums through dedicated fund with an initial allocation of Rs 2,000 crore in 2013-14

- CHINA: 36 mill. heavily subsidized units to be constructed over 2008-2013

General Lessons from Affordable Housing
Around the World*

1) Every housing finance ecosystem is unique….so, are there any lessons at all!.

2) Affordable housing is an intrinsic element of national urban infrastructure and all countries, at all times will need it. Markets are inherently unequal and the bottom quartile cannot afford market-quality housing. Speculative actions on a limited resource further aggravate the problem

3) Only government has the resources needed to tackle housing affordability at any reasonable scale. Government should act at all levels (federal/central, state, city/local) and should use both monetary and regulatory (e.g. package-deals, zoning, land-utilization indices/density,) resources; attack both supply and demand-sides.

4) Location-location, the mantra of real estate is even more critical for affordable housing to succeed.

5) Every nation over-rates homeownership, whereas a good supply of quality sustainable affordable rental could be the key to urban economic growth.

6) Residents/private developers need a stake - Social/affordable housing as a rung on the ladder of upward mobility for residents; Generous terms of "Set-asides" for builders

* Part of project at US Housing Commission

Concluding Remarks

- Severe demand pressures, emanating from strong urban growth, high savings and demographics, and

- Strong supply constraints, arising out of land policy, governance structure

- Leading to peri-urbanization, segmentation, high cost….."inefficient" cities

- Crying need for some "disruptive", "out of the box" solutions in affordable housing?