

# Better Housing For All: How to Square the Circle

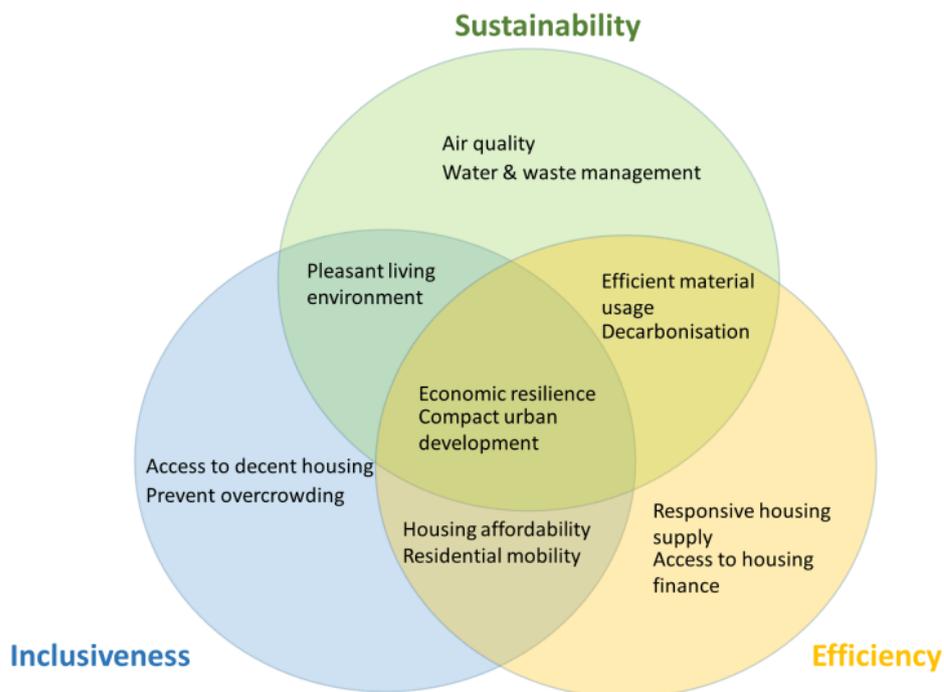
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<https://www.oecd.org/housing/policy-toolkit/>

Housing is one of the most complex policy challenges of our time. There is, of course, the affordability issue and how to cope with the concentration of demand in supply-constrained areas. Yet, the functioning of housing markets also reflects other burning challenges of our lifetimes, including social cohesion, financial resilience, residential and intergenerational mobility or the ecological transition. Against this background, the OECD has launched a Housing Policy Toolkit to help policymakers address these intertwined challenges. The overarching theme is assessing the performance of housing markets across three main policy objectives: social **inclusiveness**, economic **efficiency** and environmental **sustainability**.

**Figure 1. Housing affects society and the economy in multiple ways**



## **Making housing more inclusive**

Access to affordable housing – a basic human need and central driver of well-being – has become increasingly challenging for many households in OECD countries. Housing-related spending absorbs on average about one-third of household budgets, a share that has been rising over time. Over the past two decades, prices have risen by 60% more for homes than for goods and services on average across OECD countries. Low interest rates have helped households absorb part, but not all, of these higher prices. Seven of the 23 OECD countries for which the data are available have experienced real house prices in excess of 90%. Moreover, increasingly steep house prices gradients in urban areas make housing close to economic and cultural amenities unaffordable for most families. The resulting spatial segregation by income threatens social cohesion and undermines economic and ecological efficiency.

## **Making housing more efficient**

The affordability challenge very much reflects the housing sector's failure to raise supply where demand is strong, particularly in jobs-rich urban areas, which drives up house

prices and rents. This is due to geographical constraints but also regulatory restrictions in many cities, including land-use and zoning provisions. In some cases, regulations on tenant-landlord relations, introduced to alleviate the near-term burden of housing costs mainly for incumbent tenants, can discourage the supply of rental dwellings or push up rents, thereby undermining affordability over time. Moreover, housing has often been at the core of financial crises, but there is room for policy, especially prudential regulations, to smooth house price fluctuations and make the economy more resilient to housing shocks.

### **Making housing more sustainable**

The transition to a carbon-neutral, clean economy poses a formidable challenge for a sector that accounts for 17% of global CO<sub>2</sub> emissions and 37% of global fine particulate matter emissions. Progress in this area calls for lowering the carbon footprint of new constructions and improving the energy efficiency of the existing building stock. Almost two-thirds of countries worldwide still lack mandatory building energy codes. Frontloading efforts is critical as dwellings have a very long lifespan. Besides, energy poverty tends to compound the affordability challenge, as nearly 20% of low-income people in the OECD area experience difficulties heating their homes.

### **Addressing challenges through concerted policy action**

Some policies can deliver progress across multiple objectives. This is the case, for example, of increasing government investment in social housing, alleviating restrictive regulations on land use and shifting housing taxation towards recurrent levies on immovable property. Other reforms may involve trade-offs, calling for compensatory measures to ensure balanced progress. For instance, more flexible regulations on landlord-tenant relations, including rent control, can encourage housing investment, reduce supply-

demand mismatches and lower barriers to residential mobility, but they could also penalise vulnerable incumbent tenants. Similar intertemporal trade-offs apply to relief measures taken during the COVID-19 crisis.

Further insights and policy implications can be found in the new OECD report *Brick by Brick: Building Better Housing Policies*. The accompanying online toolkit features a Dashboard of indicators covering outcomes and policy settings, Country Snapshots of the housing sector, and a Policy Action Tool that allows policymakers to anticipate synergies and trade-offs across various outcome dimensions before implementing housing reforms.