

Providing Affordable and Adequate Housing Options for the Poor

Housing Policy Matters!

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United Nations Human Settlements Programme

Programme des Nations Unies pour les établissements humains - Programa de las Naciones Unidas para los Asentamientos Humanos



Session 3

Housing Markets and the Affordability Challenge.

Understanding Supply and Demand.

Policy Interventions.

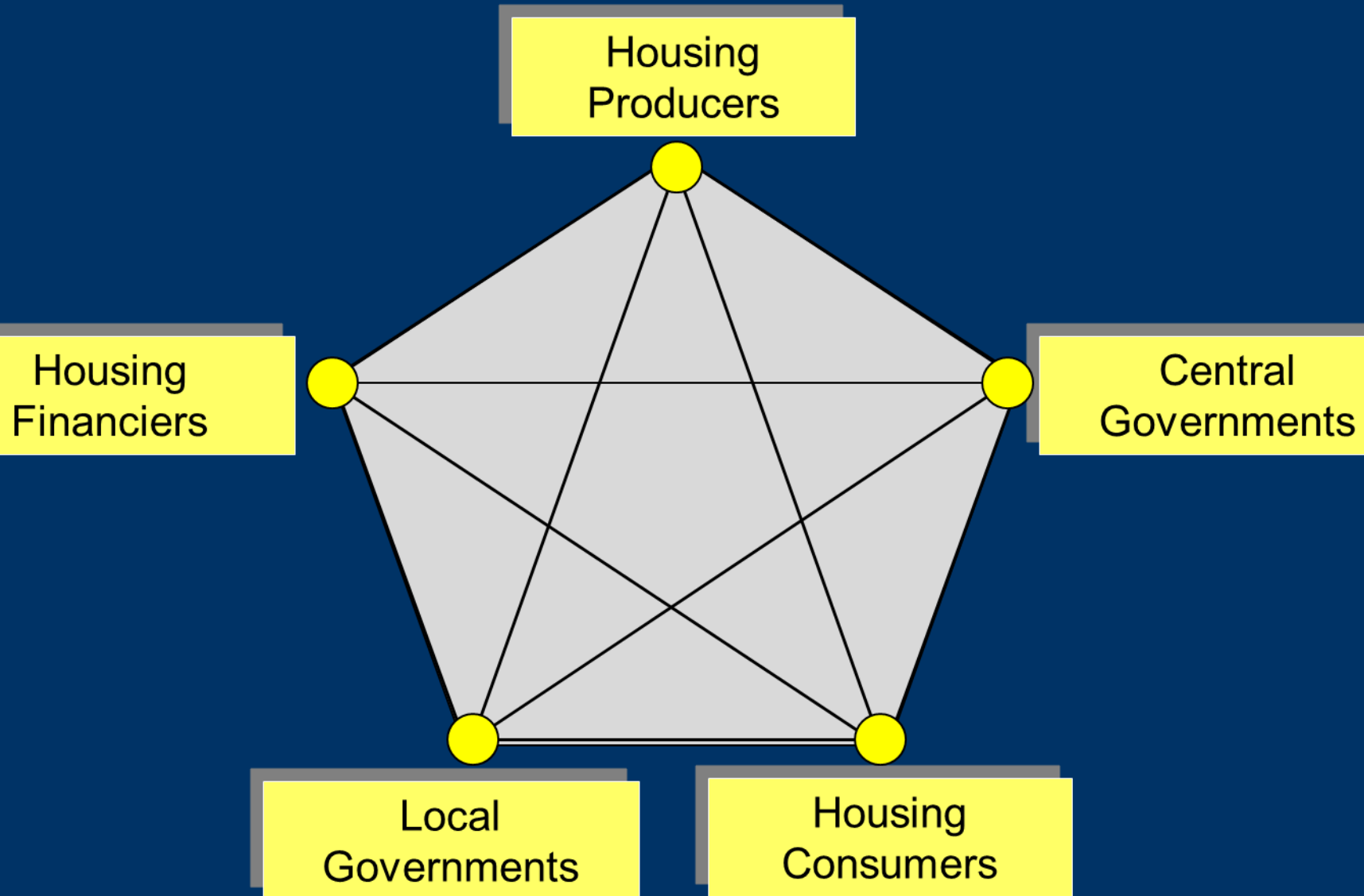
Delivering Diversity and Affordable Options.

10.

Understanding Housing Markets

The supply and demand and the behaviour of sellers, buyers, producers, consumers and government policies will determine prices.

Multiple Actors and Specific Motivations



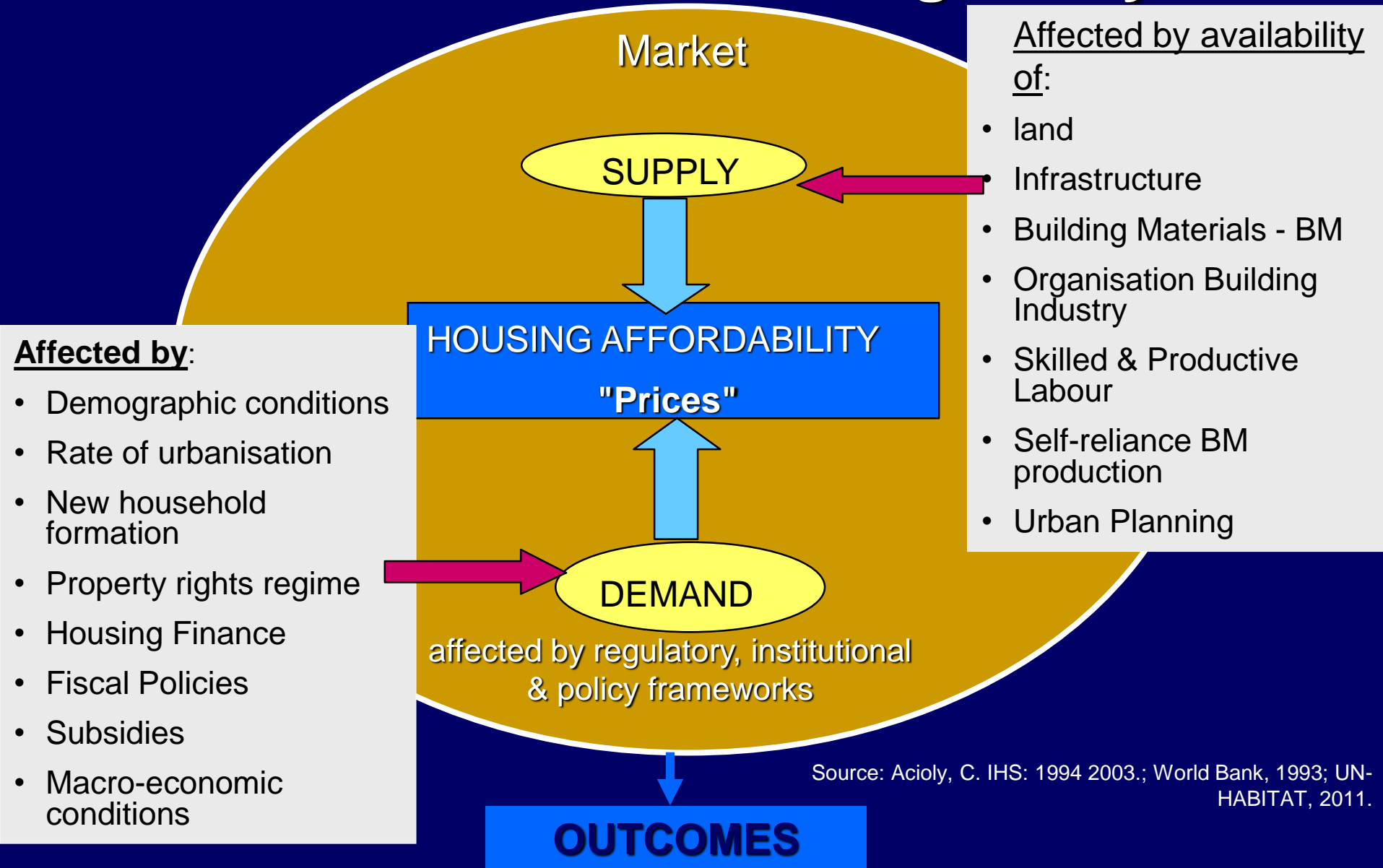
What are these actors' motivations?

- **Consumers**
- **Producers**
- **Financiers**
- **Local Governments**
- **Central Governments**



Based on World Bank, 1993.

The Context of Housing Policy



OUTCOMES OF HOUSING POLICIES



Affordable Housing Opportunities

Scaled-up

Variety of Options

Diversity in Size, Location, Quality, Standard, Price

Freedom of choice

A Healthy Rental Sector is an integral part of a well-functioning housing system.

OUTCOMES

DESIRABLE OUTCOMES OF HOUSING POLICIES

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graph TD; A[DESIRABLE OUTCOMES OF HOUSING POLICIES] --> B([Affordable Housing Options  
Housing Opportunities  
brought to scale]); B --> C[Serviced Land at scale]; B --> D[Affordable Housing Finance]; B --> E[Building Materials Loans]; B --> F[Support to Technology Development]; B --> G[Urban Renewal & Regeneration]; B --> H[Improvement & Refurbishment of Existing Housing]; B --> I[Ready Made Housing]; B --> J[Sites without Services]; B --> K[Assisted self-help housing]; B --> L[Slum Upgrading & Regularisation];
```

Affordable Housing Options
Housing Opportunities
brought to scale

Serviced
Land at scale

Affordable
Housing
Finance

Building
Materials
Loans

Support to
Technology
Development

Urban
Renewal &
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Improvement &
Refurbishment of
Existing Housing

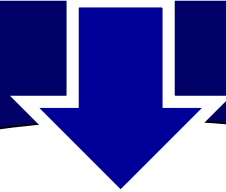
Ready Made
Housing

Sites without
Services

Assisted
self-help
housing

Slum
Upgrading &
Regularisation

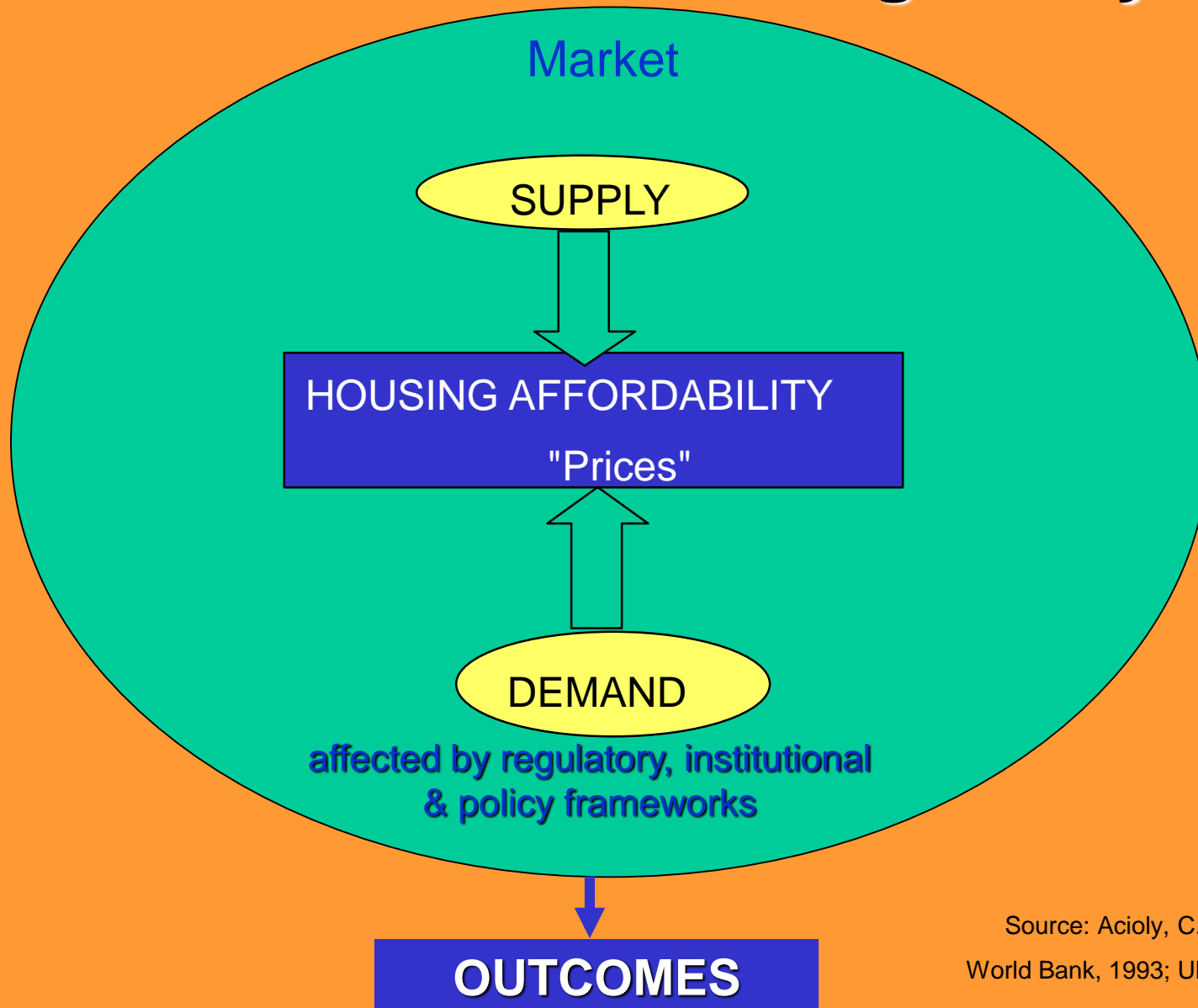
DESIRABLE OUTCOMES



**Bring Housing Prices
DOWN**

1. Prices are high, thus we must build some understanding about what are the expected price norms in a well-functioning housing market.
2. We must build an understanding about the conditions that are responsible for bringing and maintain high housing prices.

The Context of Housing Policy



Source: Acioly, C. IHS: 1994 2003.;
World Bank, 1993; UN-HABITAT, 2011

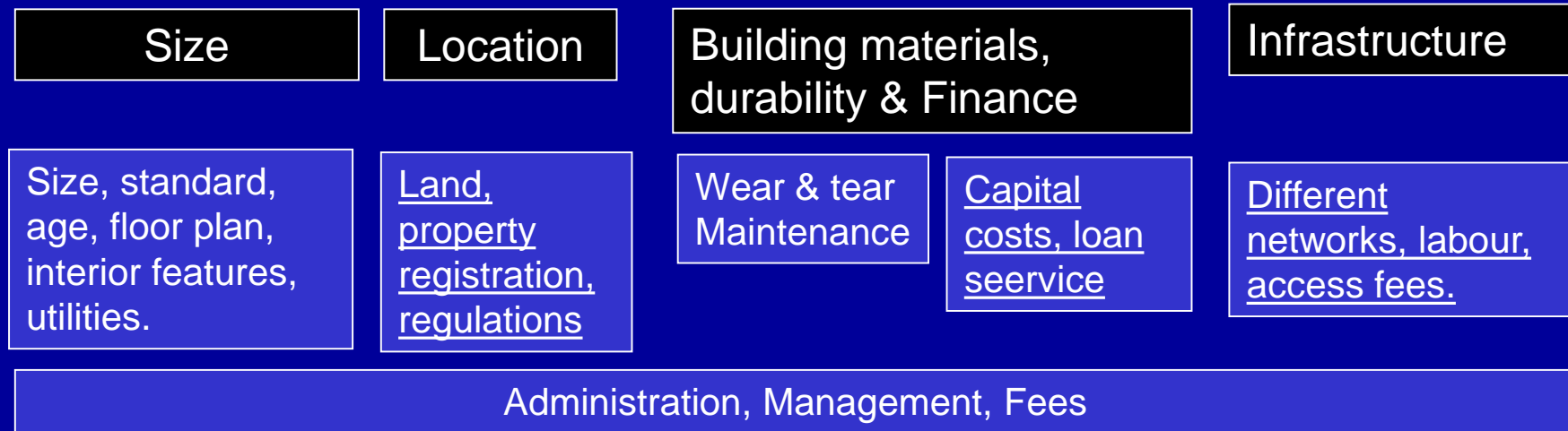
The Importance of Housing Markets

Soly Angel, 2000

1. Housing markets has a critical role in the provision of housing
2. Individual market transactions are also - by their very nature - relatively silent
3. There is no a priori reason to believe that the housing market is always alive and well. It rarely is.
4. The housing market is a sensitive, complex, and largely unknowable entity, subject to fits and starts, unpredictable, merciless, unstable, and almost totally dependent on forces outside itself.
5. Still, housing markets is a valuable and irreplaceable social construct, one that needs to be handled with care, especially since it is the now the repository of vast personal wealth.

What Makes Housing Costs and the Price of Housing?

What Makes Housing Costs?



← Housing Cost Bundle →

Implications for Affordability

LAND: Best and Highest Use

Source: Martim Smolka, 2005



In other words:

In a reasonably competitive, free, etc. market, land will be priced at the highest maximum possible among the existing/known alternatives.

Derived Demand

Source: Martin Smolka, 2005

- The demand for land is derived from the demand for housing.
- There is no demand for land – the demand is for the use that can be made of the land.
- Use (possible/expected) determines the price of the land.
- Because the price of housing is high, the price of land is high, and not the reverse!

Derived Demand – land price: reached as a result

Demand for housing

$$15 = 100 - (42+17+16+10)$$

Value of sale of the building (homes)

100

Construction costs

42

+

Administrative, marketing, financial costs

17

+

“Average” profit

16

+

Taxes, levies, cost of development, etc.

10

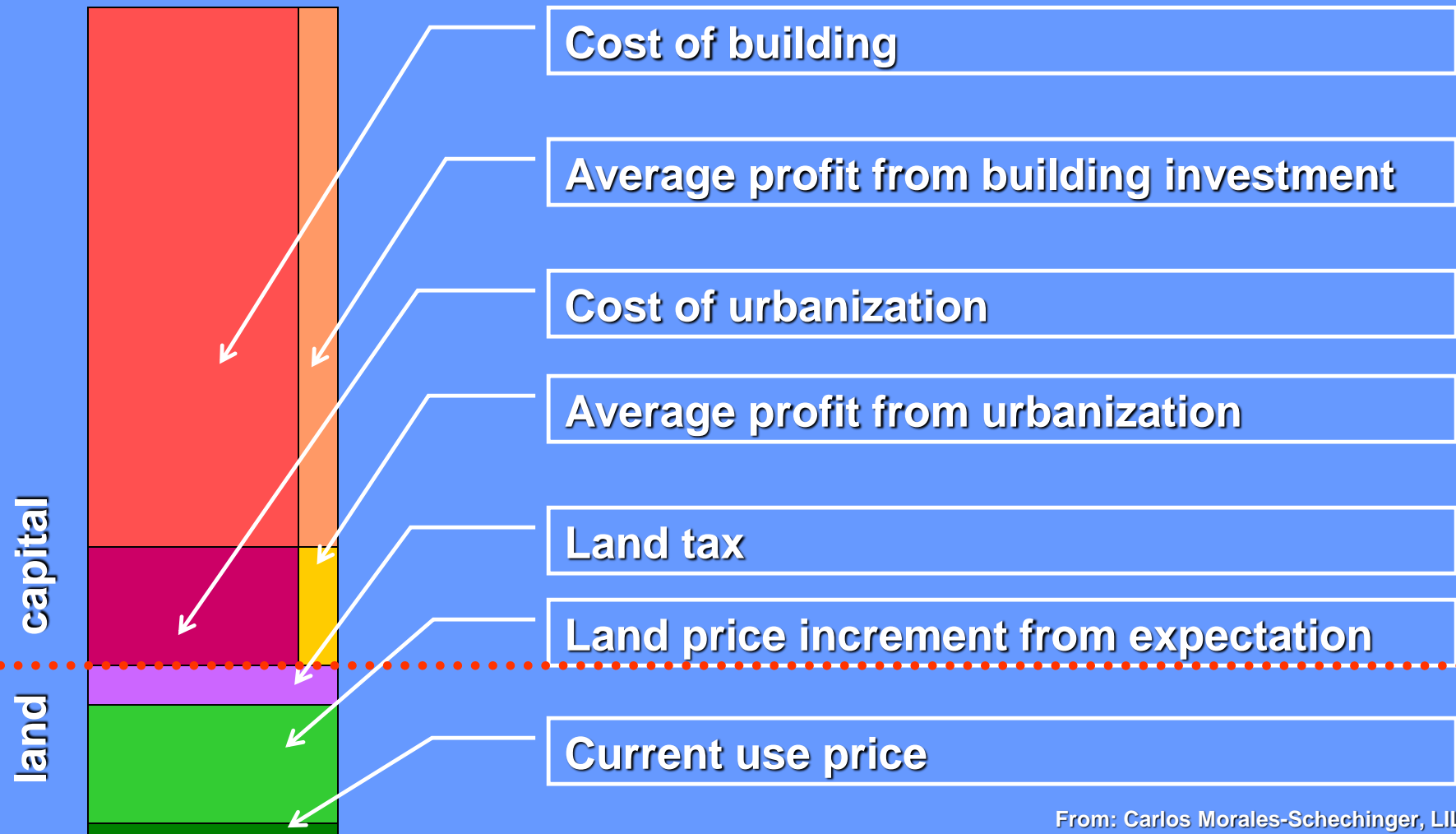
Price of the land

15

85

Cost of Land Components

price as manifested in the market

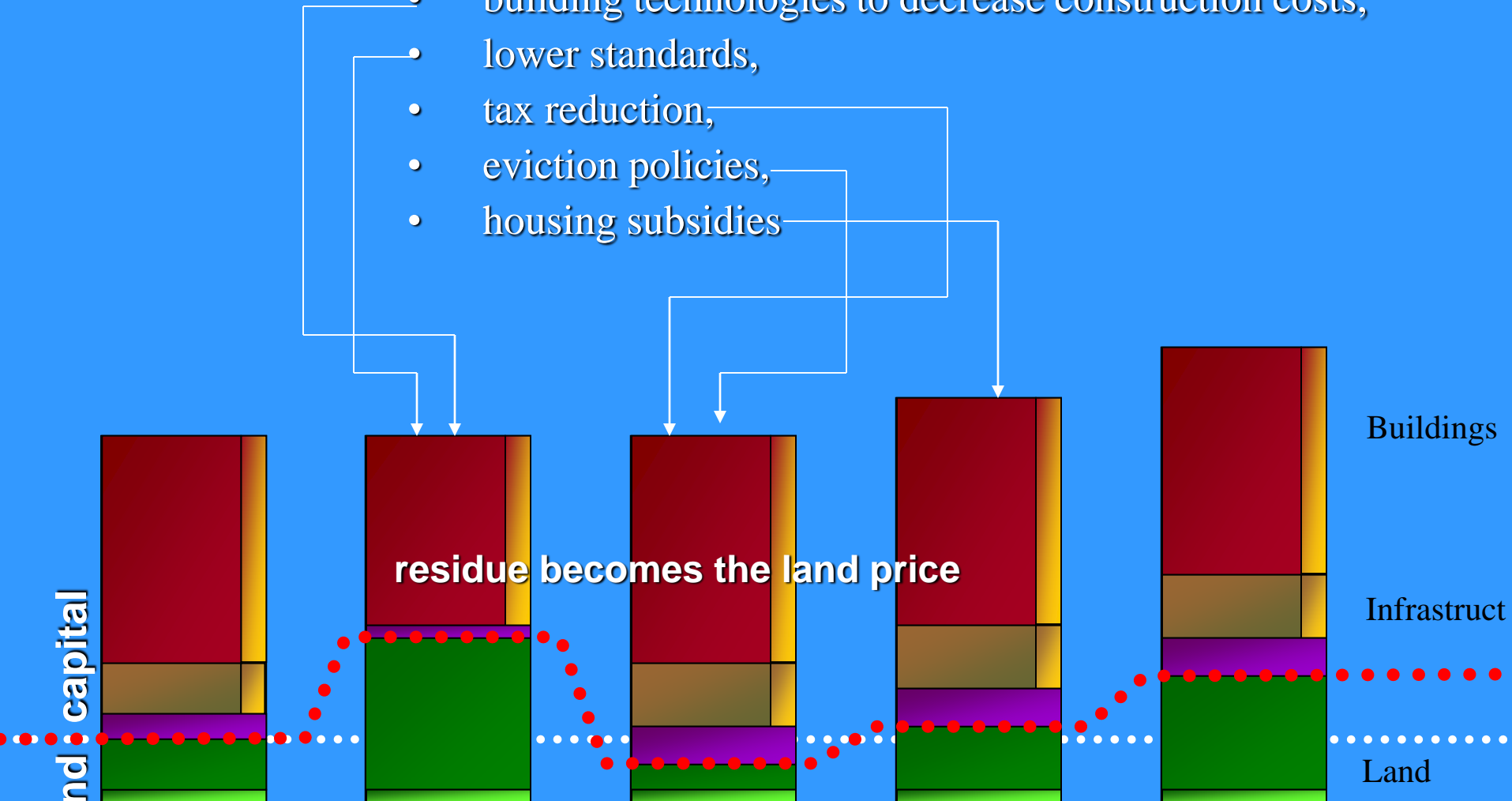


From: Carlos Morales-Schechinger, LILP 2004

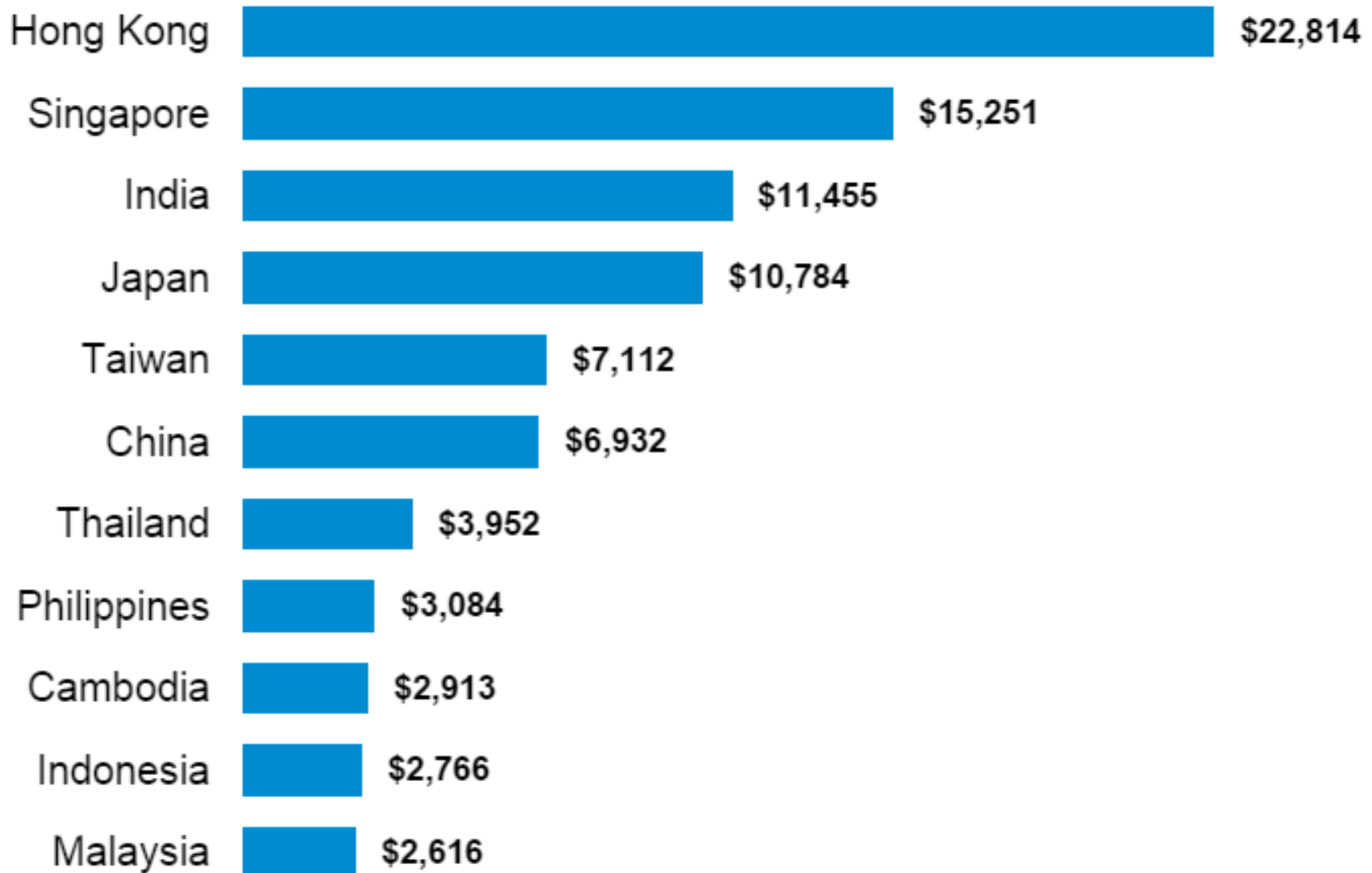
Impact on Land & Housing Prices

Government Policies:

- Zoning & Planning Ordinances, Inclusionary Housing
- building technologies to decrease construction costs,
- lower standards,
- tax reduction,
- eviction policies,
- housing subsidies



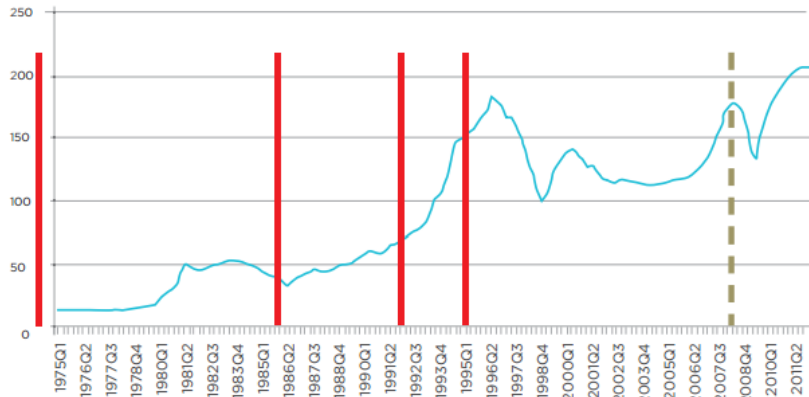
Price of Land in Main City Center (m2)



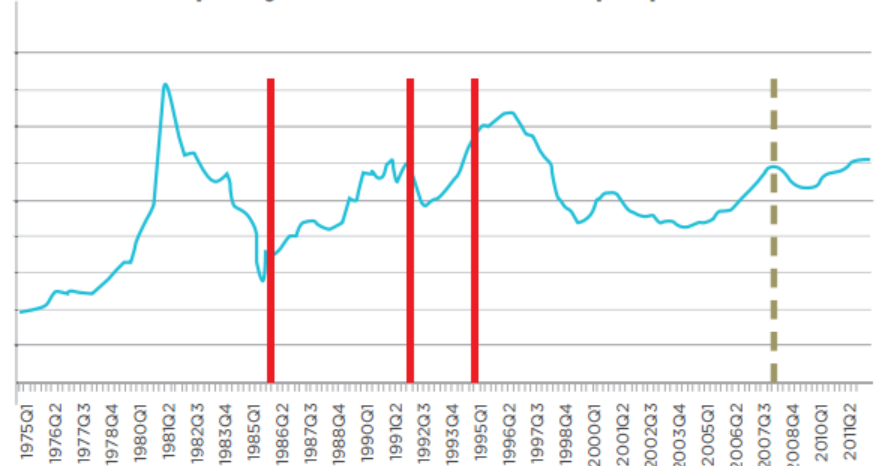
Source: Global Property Guide
<http://www.globalpropertyguide.com/>

Singapore: Price of Land in Main City Center

Property Price Index of Residential Property

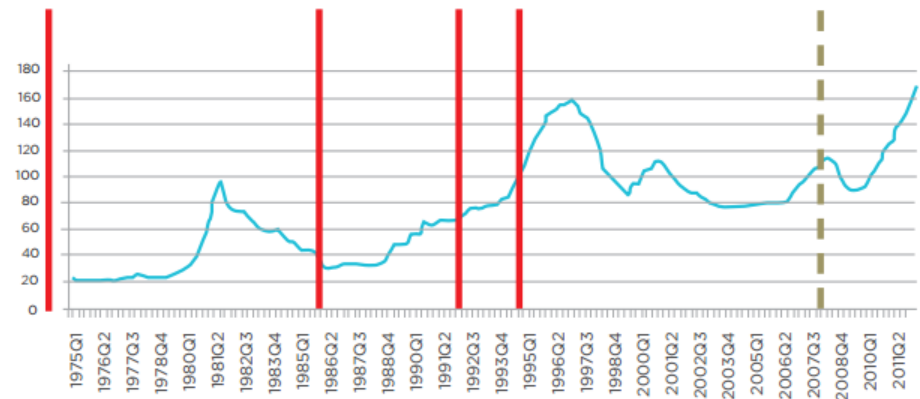


Property Price Index of Shop Space



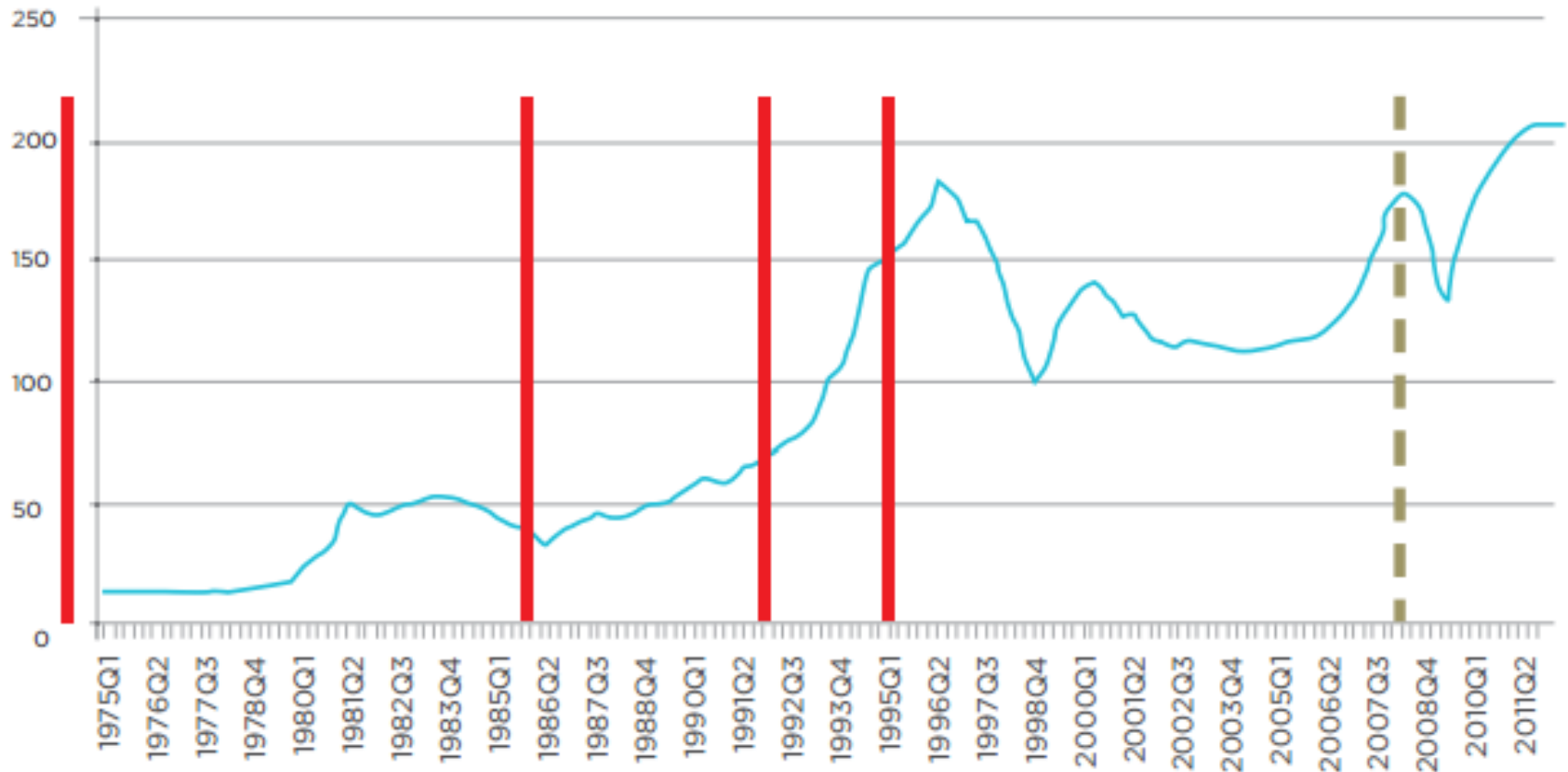
The municipality of Singapore has recorded superavit since 1968 based on constant urban renovation

Property Price Index of Industrial Property



Singapore: Price of Land in Main City Center

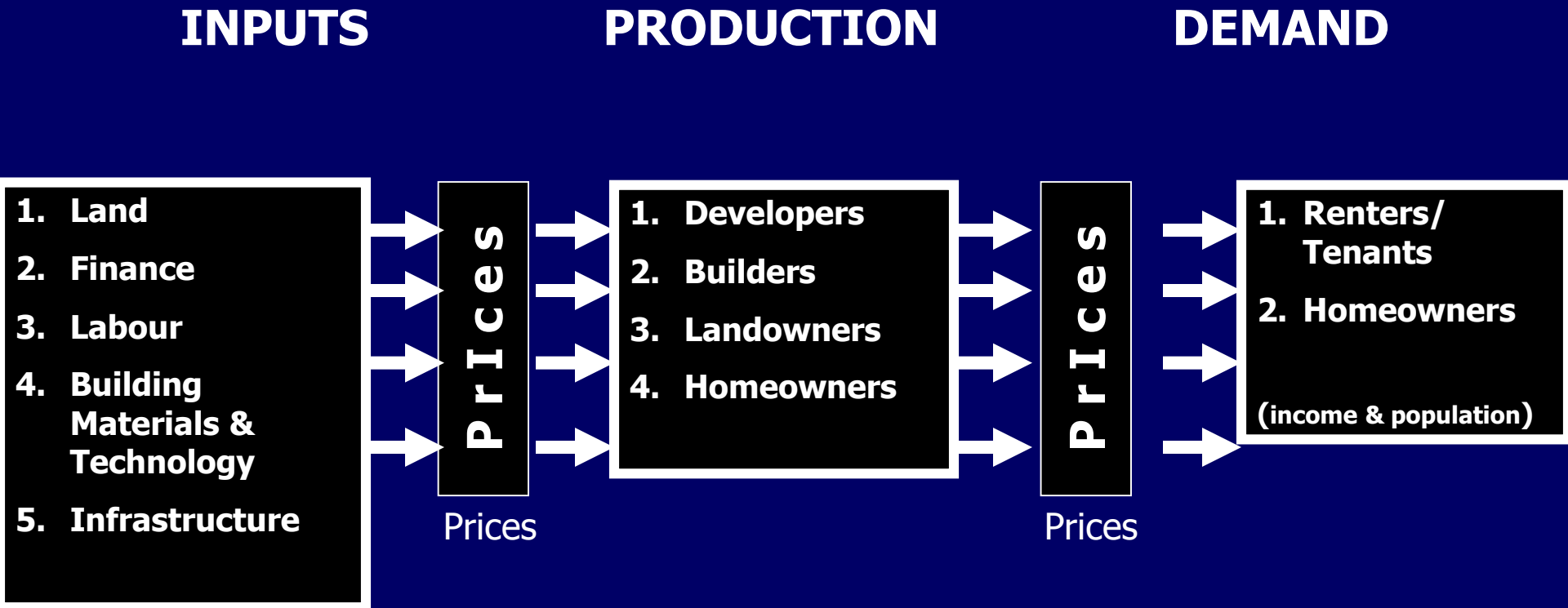
Property Price Index of Residential Property



Getting the Connection of Housing with the Economy Right

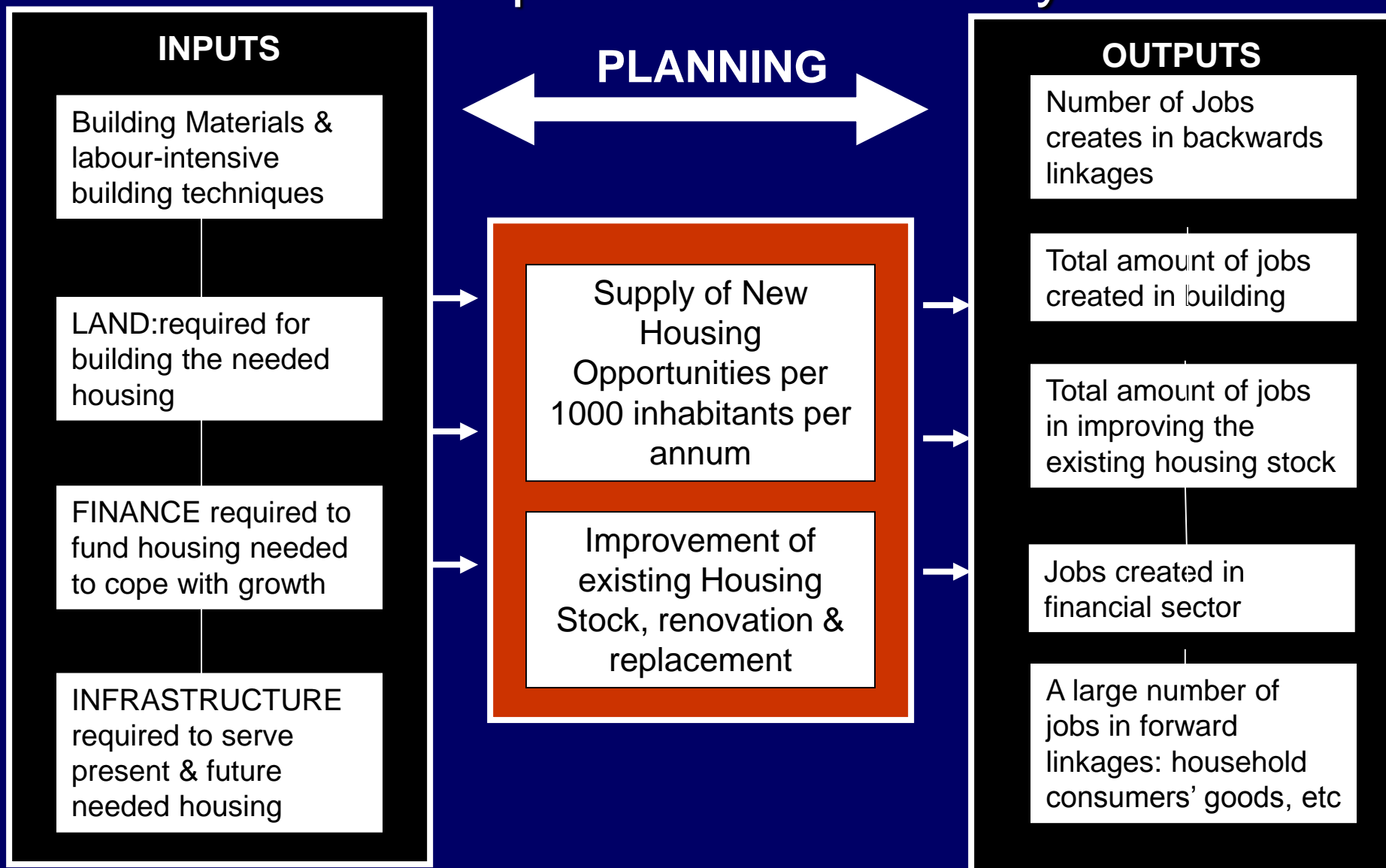
- Include Backward and forward linkages in policy
- Set up housing monitoring: indicators to monitor housing-economic activity nexus
- Put in place the right set of incentives
- Consolidate and strengthen institutions and mechanisms to enable private sector participation
- Build a good understanding supply and demand and include this into policies and strategies.

How the Housing Sector Works



Stephen Malpezzi (undated). "Economic Analysis of Housing Markets in Developing and Transitional Economies", Chapter 44. Housing Handbook. University of Wisconsin

Backwards & Forward Linkages of the Housing with other parts of the economy



Understanding the basics of supply and demand to support housing policy

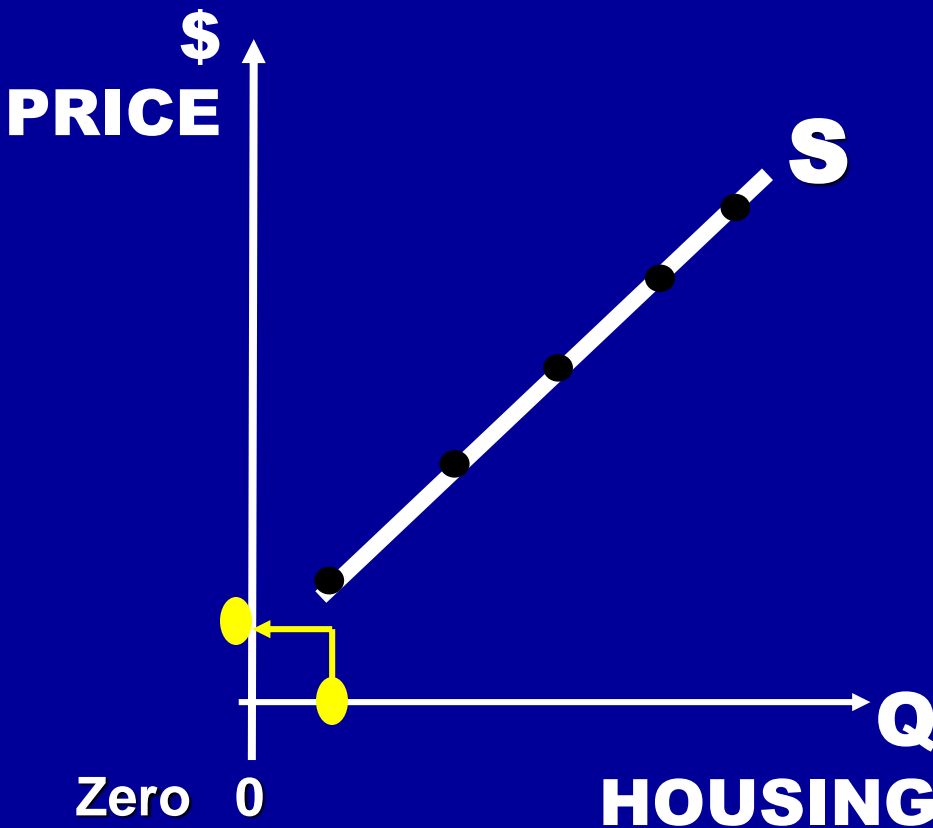
Sellers:

people who sell

If you offer me zero I sell you nothing.

If price is low, those who sell tend Not to sell much:

SUPPLY



Markets

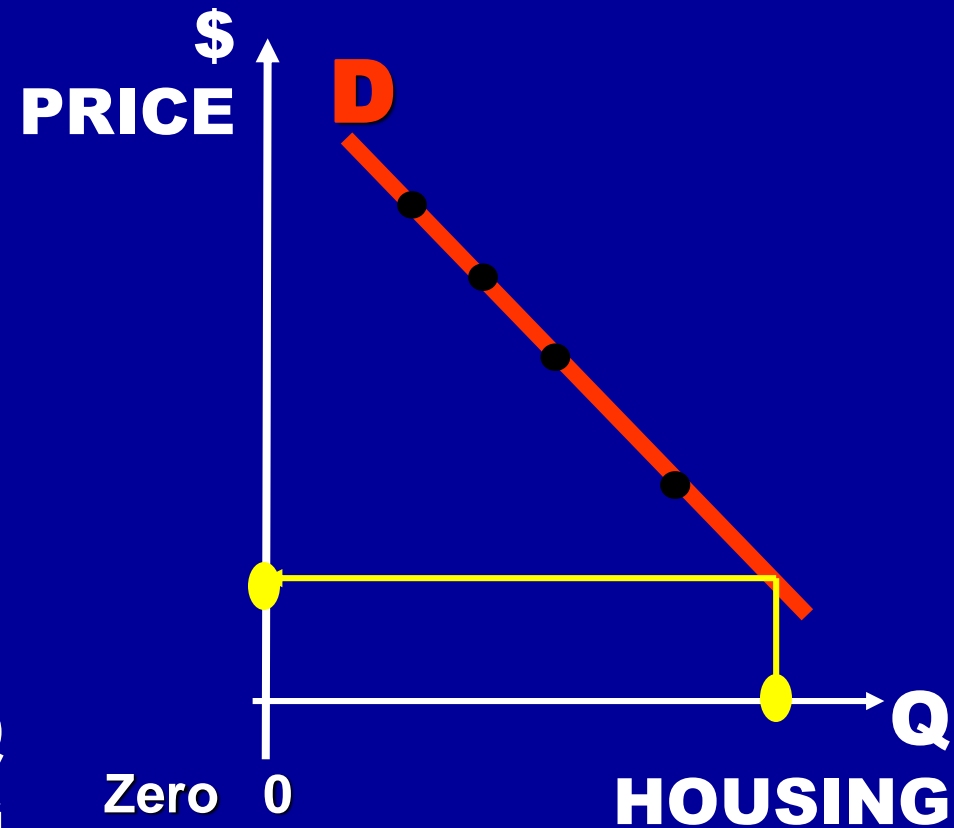
- Buy & Selling
- People

Buyers:

people who consume

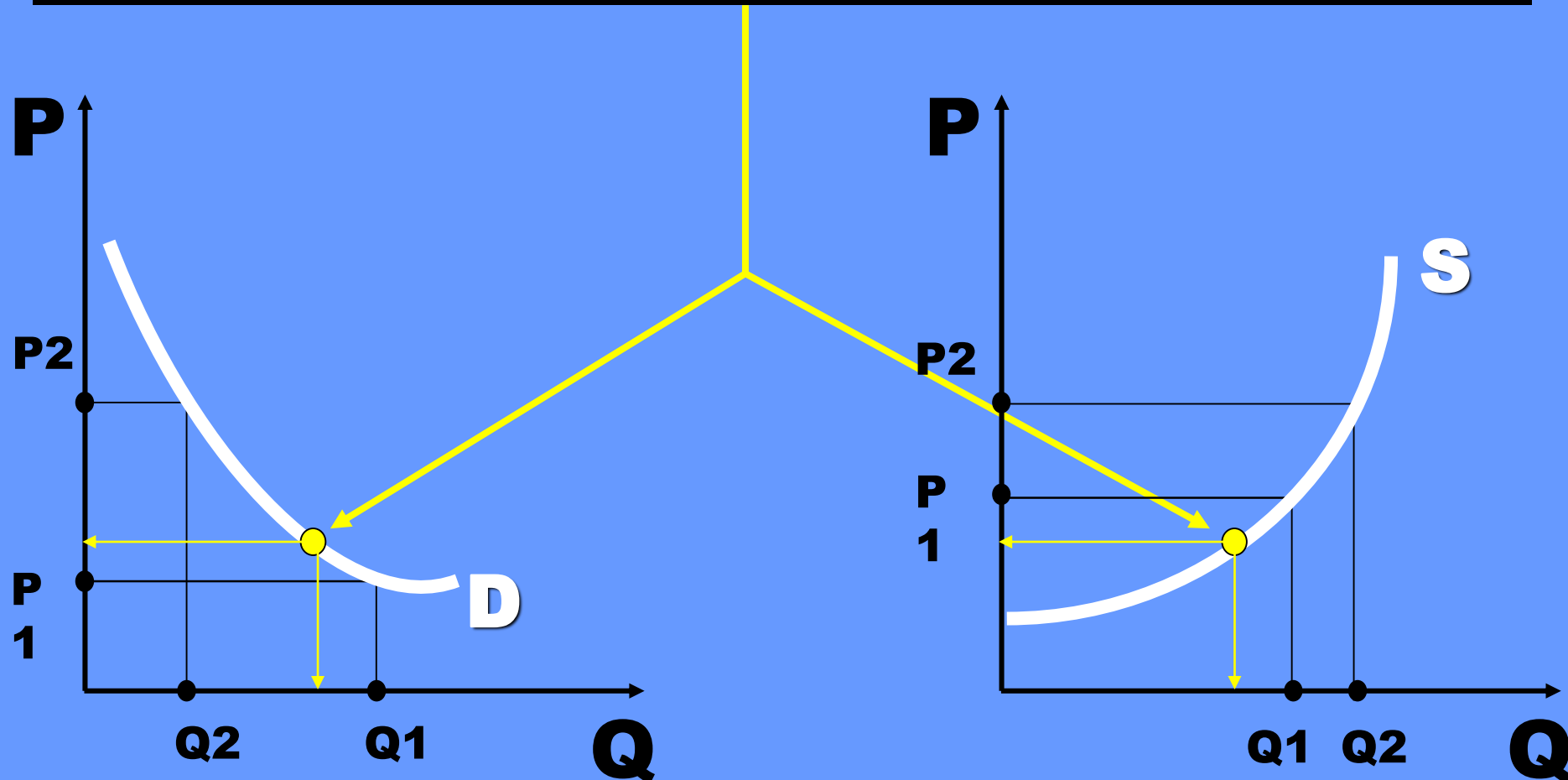
If price is low, the buyers will tend to buy a lot.

If price is high, buyers tend Not to buy a lot: DEMAND



The Market Equilibrium

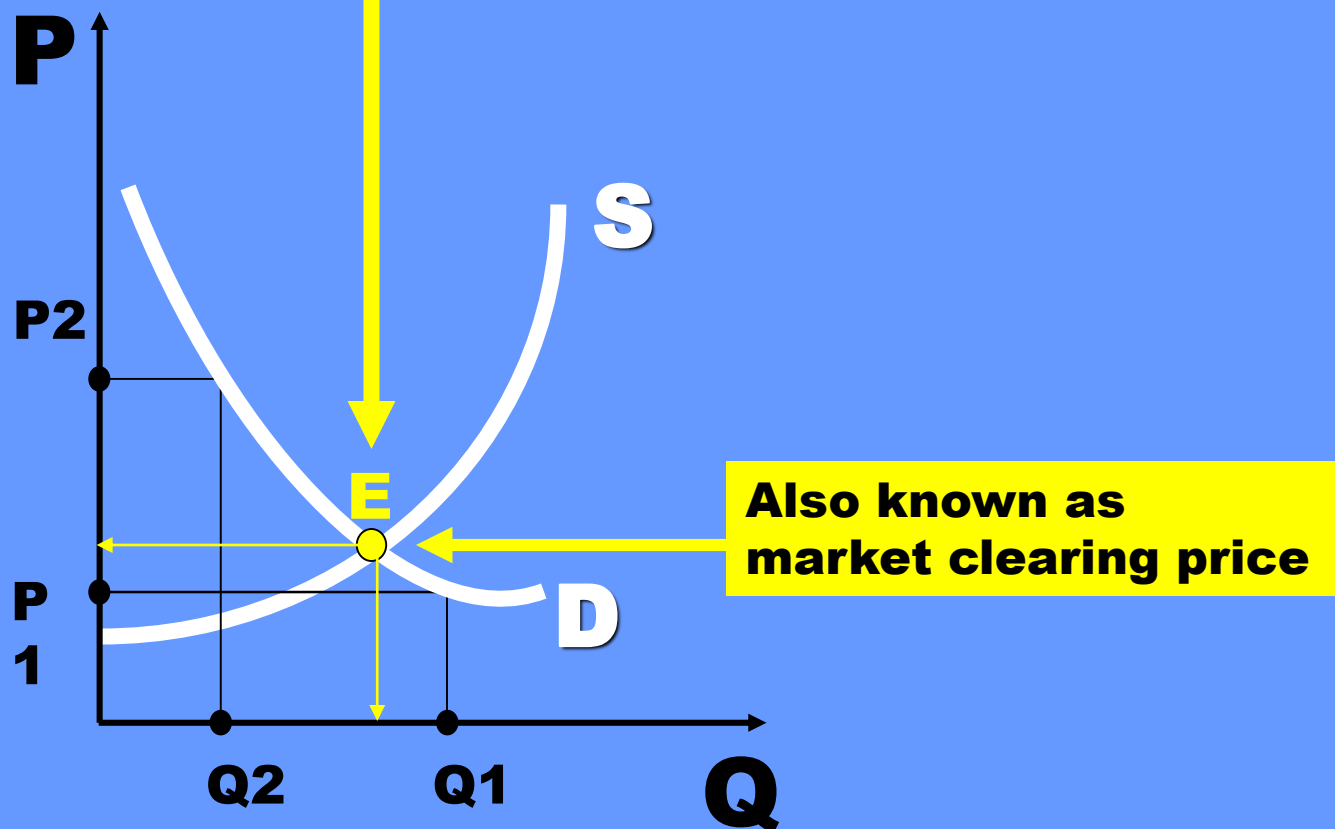
The amount that BUYERS want to buy is just equal to the amount that SELLERS want to sell.



The Market

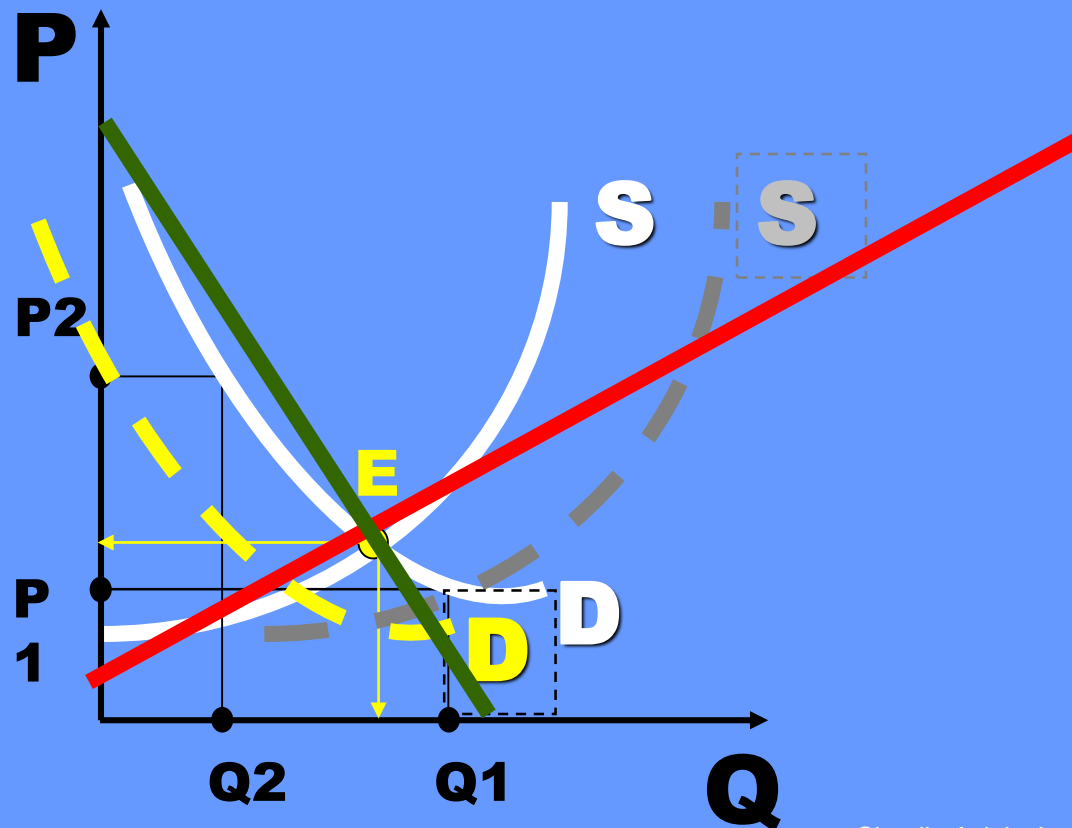
EQUILIBRIUM: There is no reason for price to rise or fall as long as other things remain unchanged.

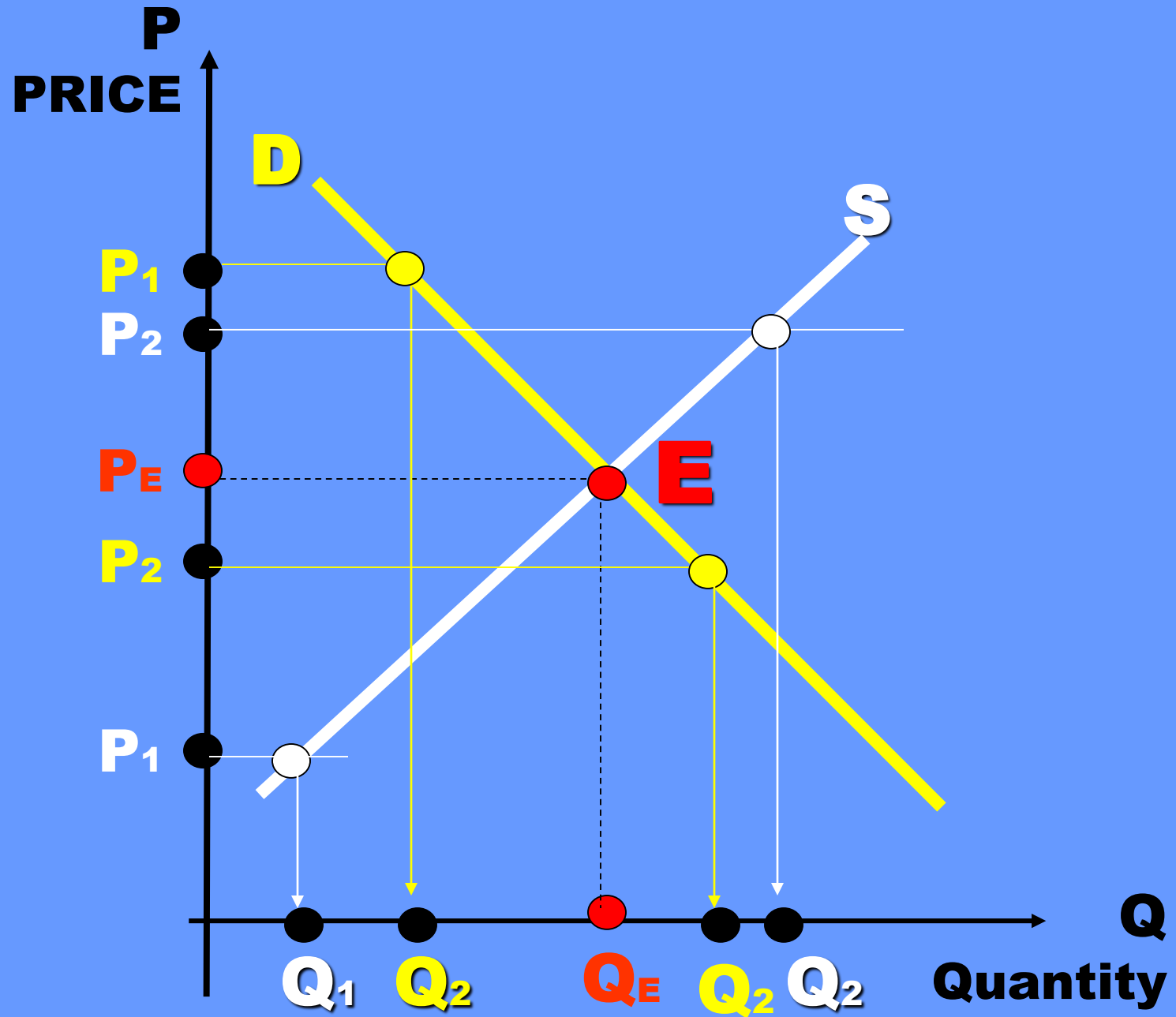
At a price at which QUANTITY demanded = QUANTITY supplied

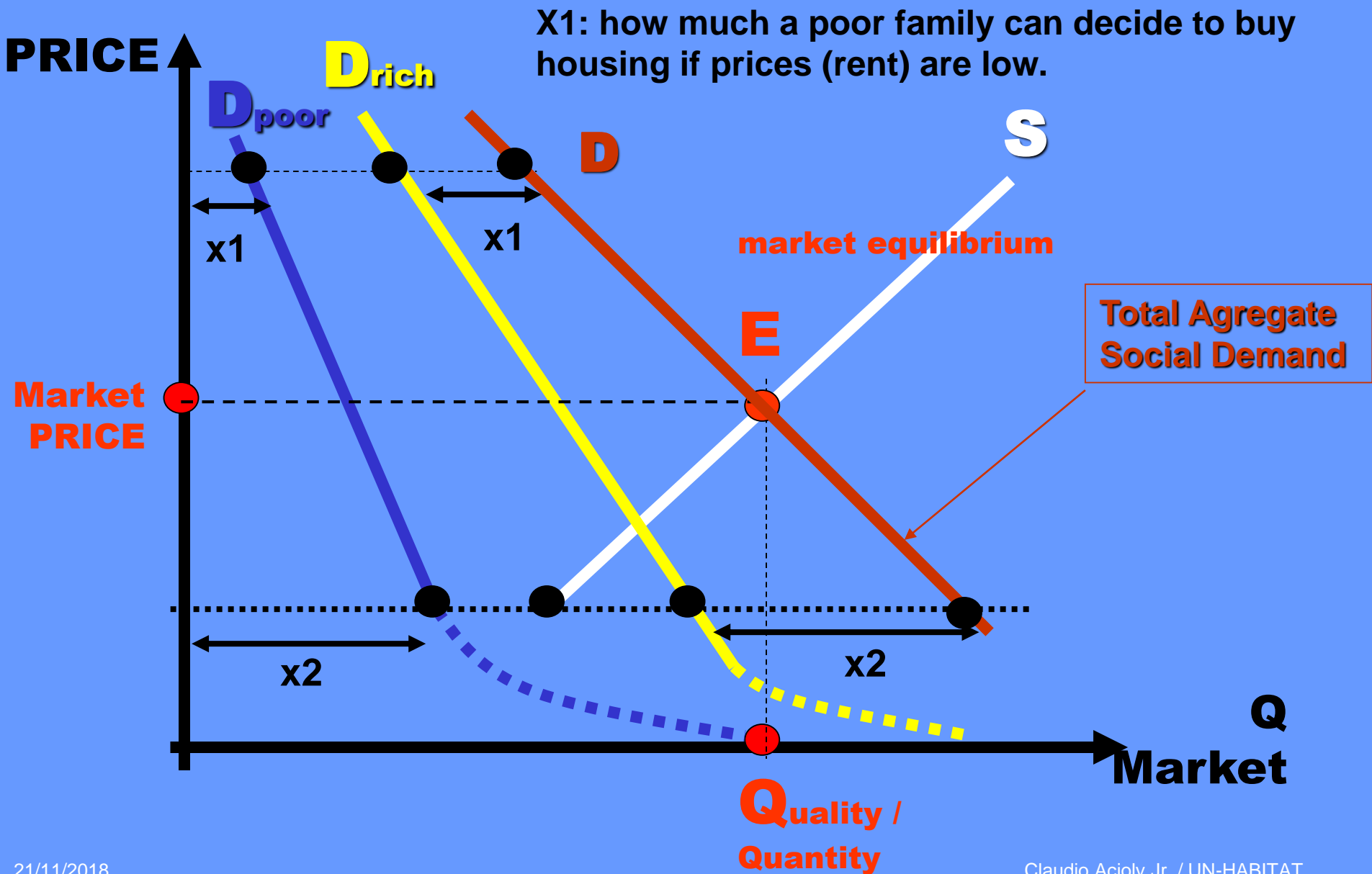


The Market Equilibrium

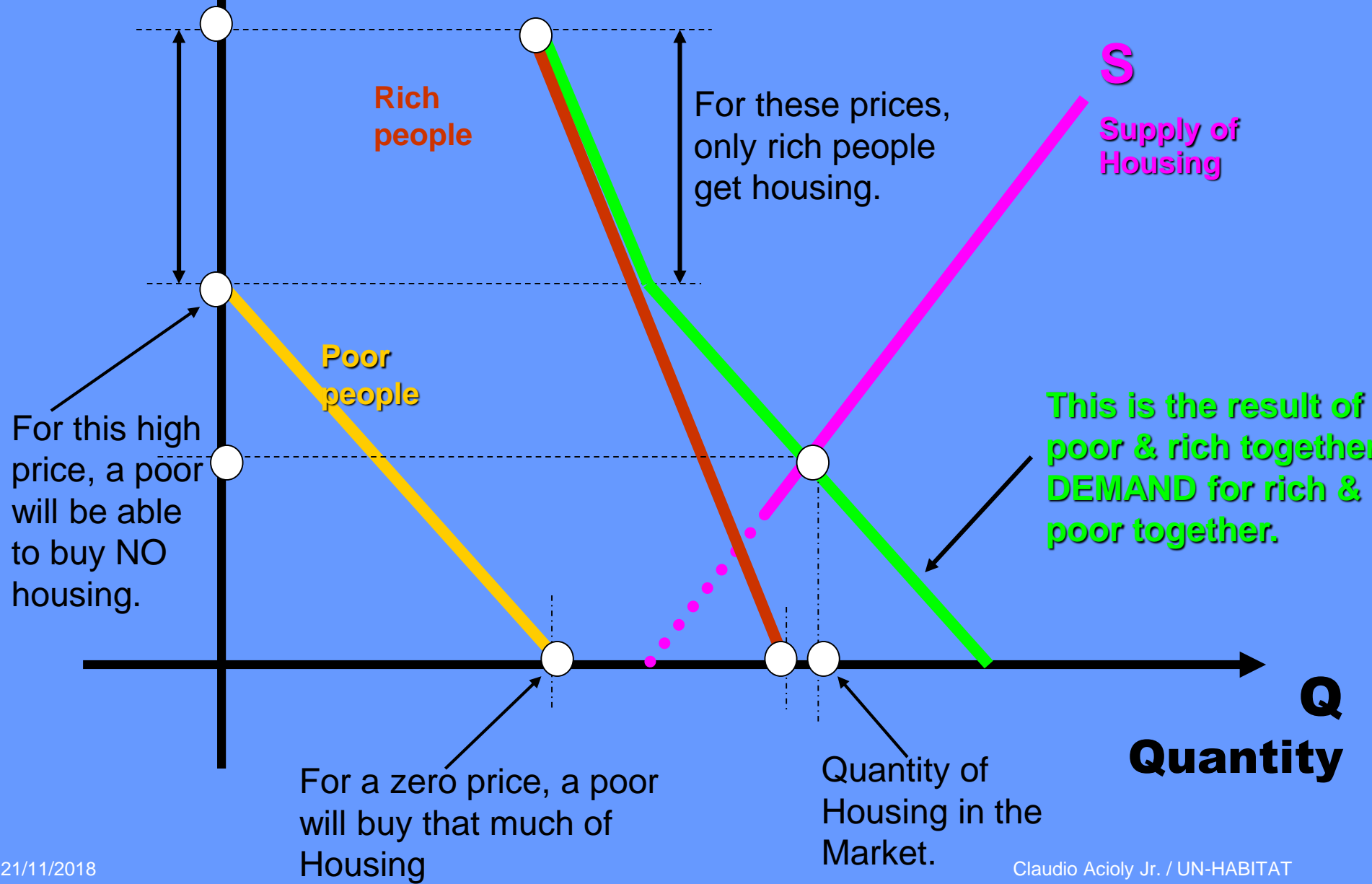
When the elements underlying Demand and Supply change, this leads to shifts in demand or supply and changes in the market **EQUILIBRIUM** of Prices and Quantity.



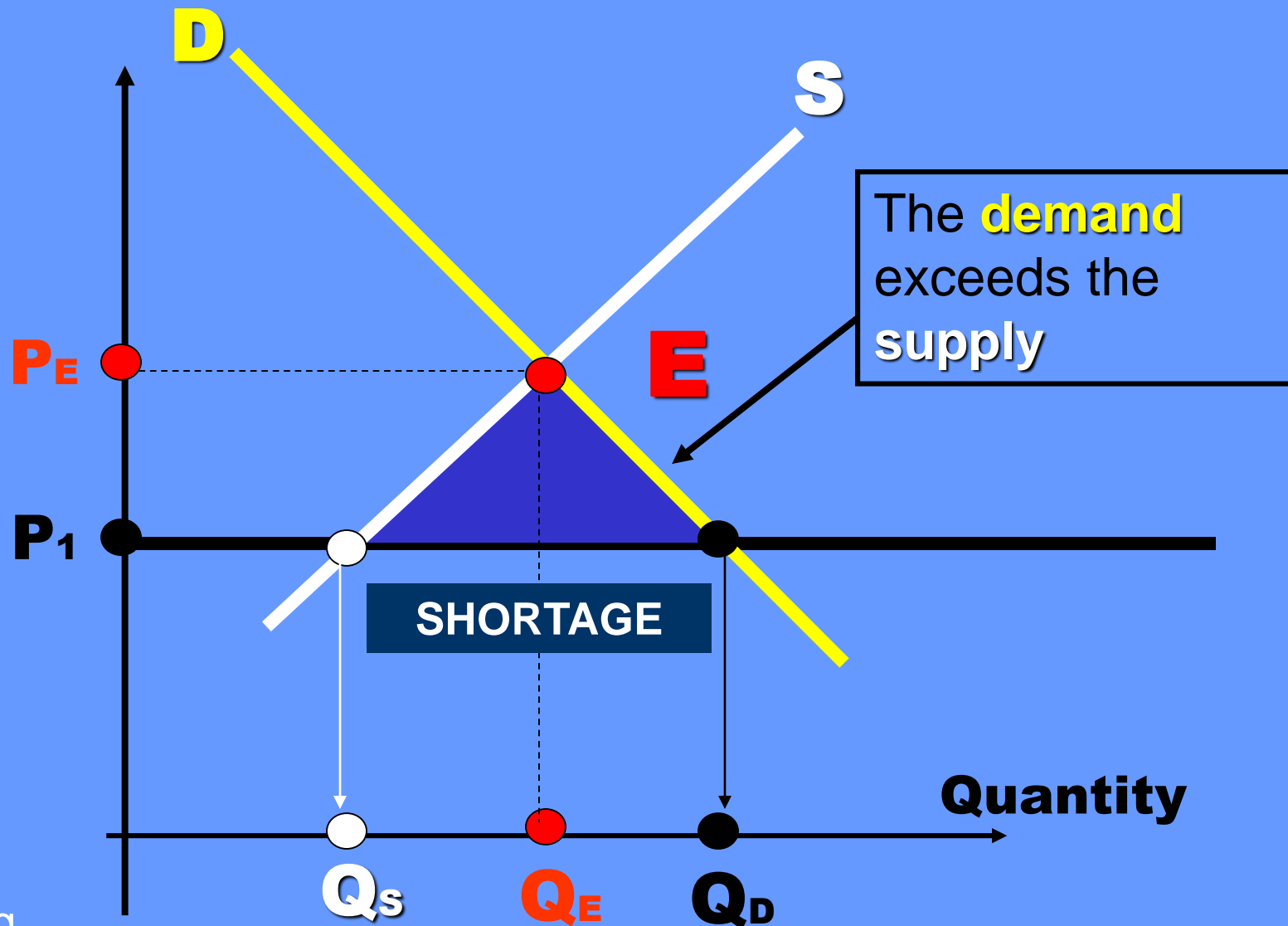




P
PRICE

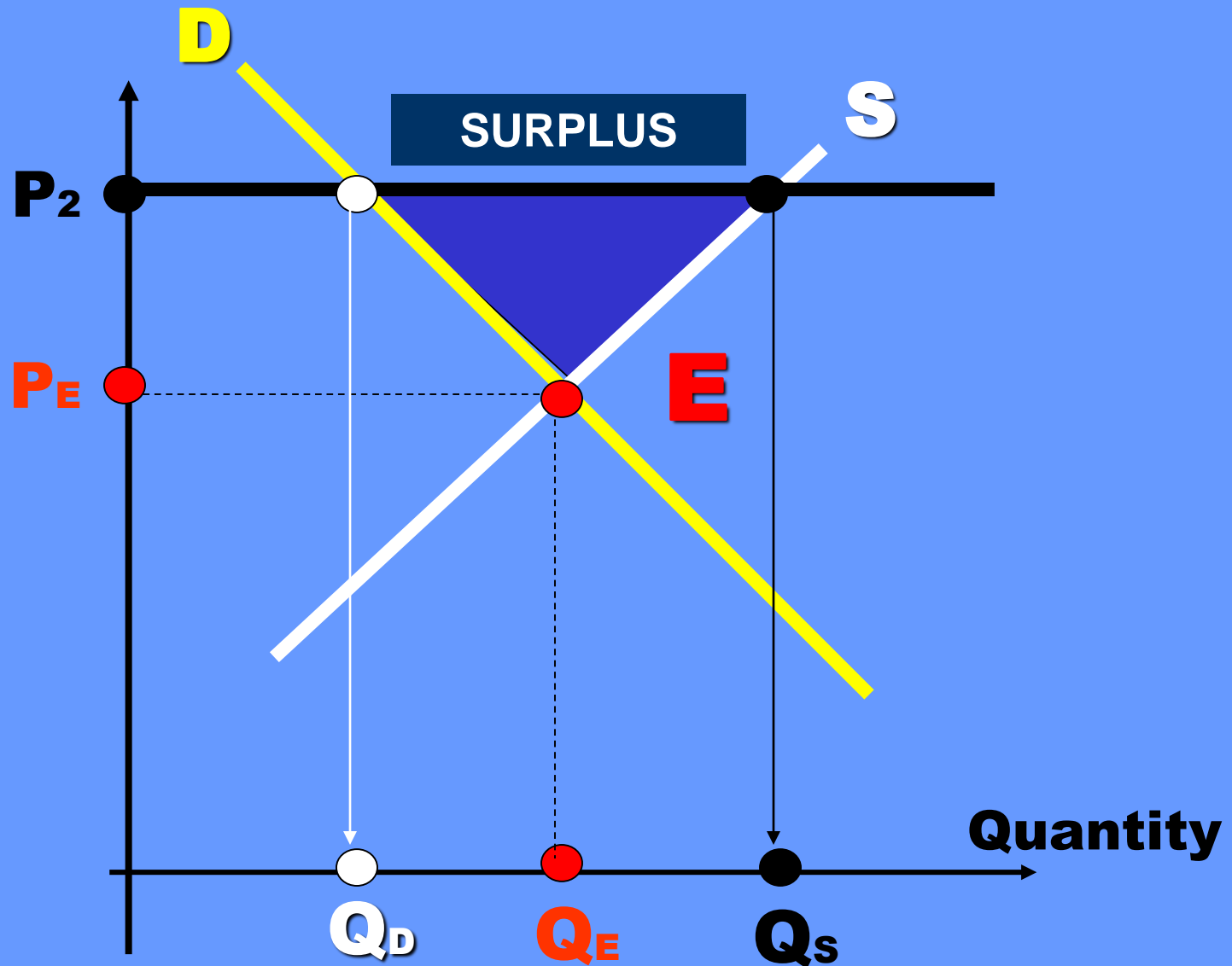


SHORTAGE: quantity demanded greater than quantity supplied



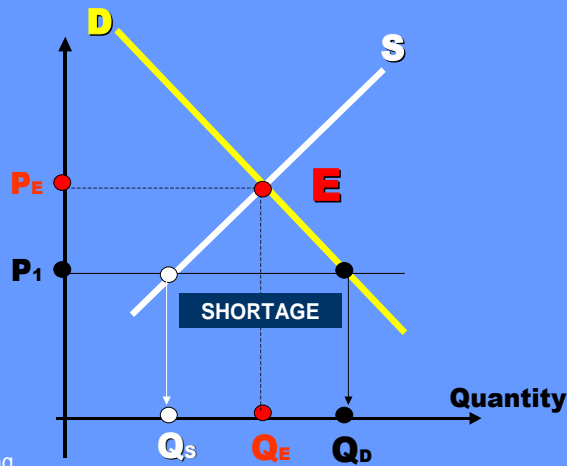
Example:
price Ceiling

SURPLUS: quantity supplied greater than quantity demanded.



Example:
price Floor

SHORTAGE: quantity demanded greater than quantity supplied



Example:
price Ceiling

RENT CONTROL

Unregulated market rent = \$ 1,000.00 / month.

Rent control law sets rent = \$ 500.00/month

Figure shows that at rent controlled prices, not all consumers can find rent-controlled apartments.

1. Shortages develop because quantity demanded (Q_D) is greater than quantity supplied (Q_S).
2. People obtain units by luck, persistence or prior arrangements.
3. Black markets can also emerge: units that typically go for \$1,000.00/month are now only \$500.00/month. Black market might offer that unit for \$800.00, both seller and buyer would be money ahead.
4. Owners may have little incentive to maintain units, quality of controlled units may deteriorate.

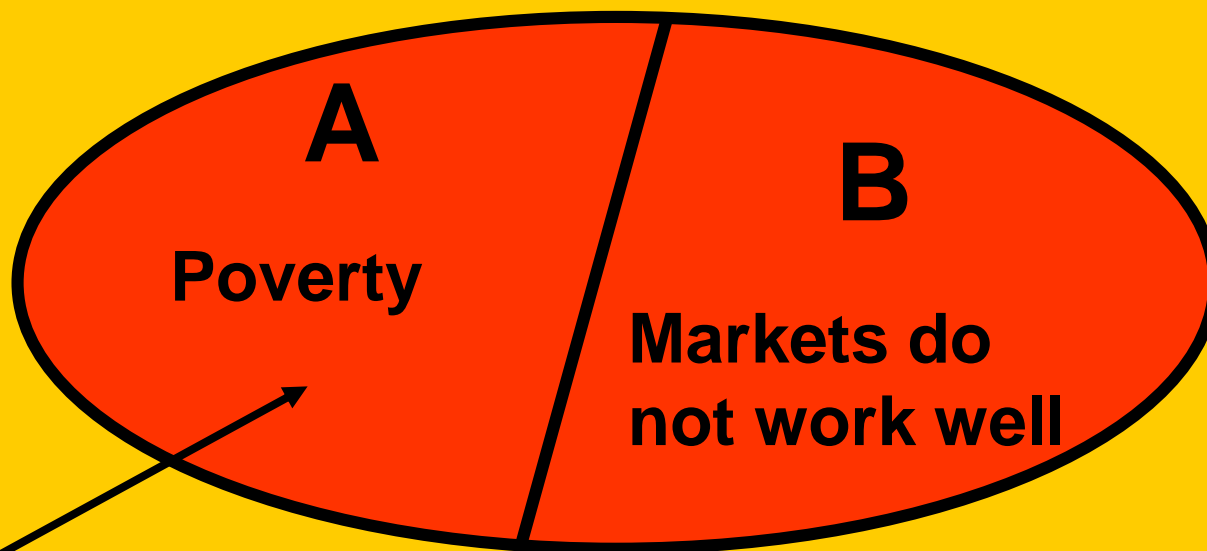
11.

Enabling the Housing Market to Work

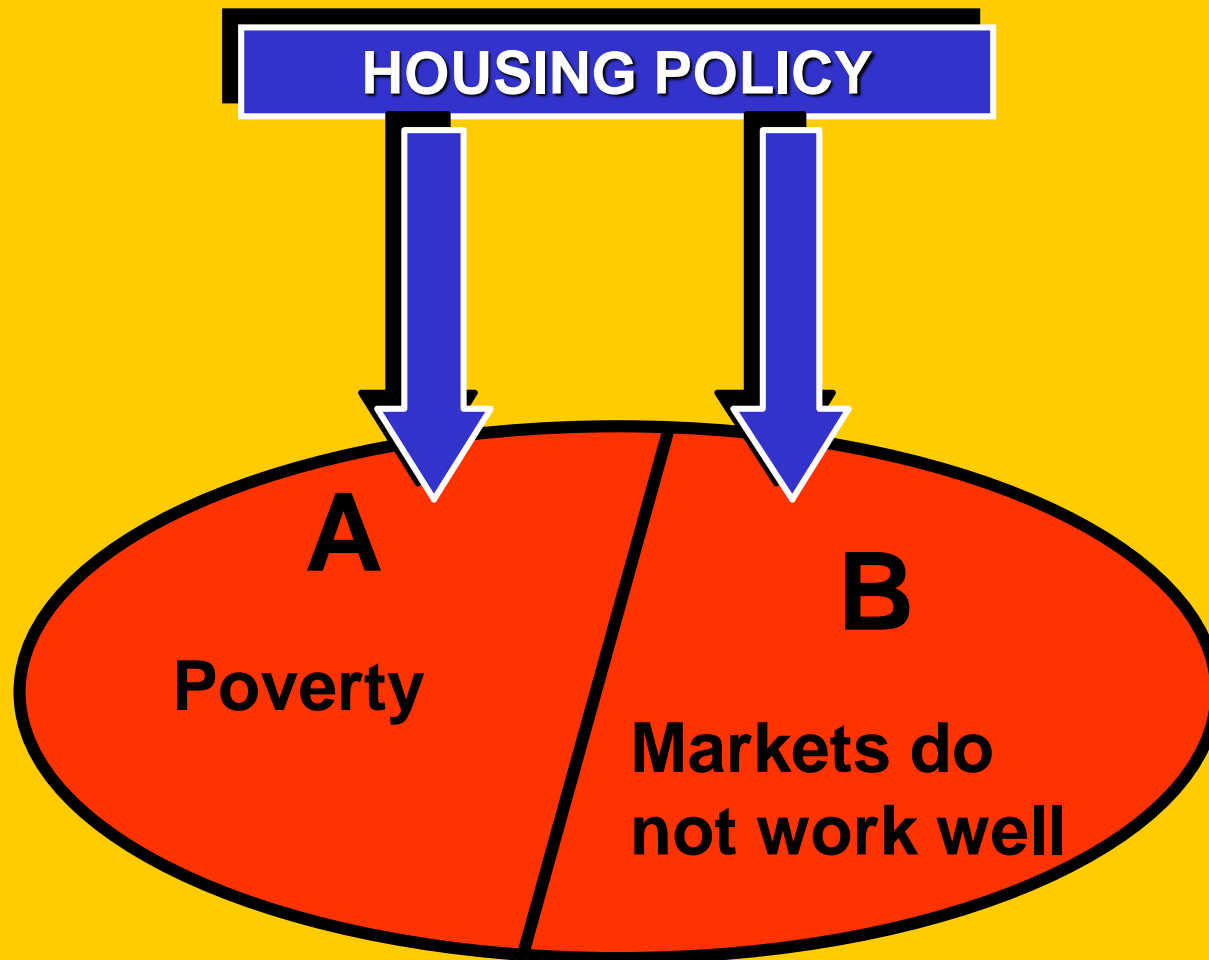
Understanding the supply and demand sides of the housing markets is the first step to design policies.

Enabling Housing Markets to Work: How to translate that into a strategy?

Those who advocate this,
divide the **Housing Problem**
in 2 Parts.

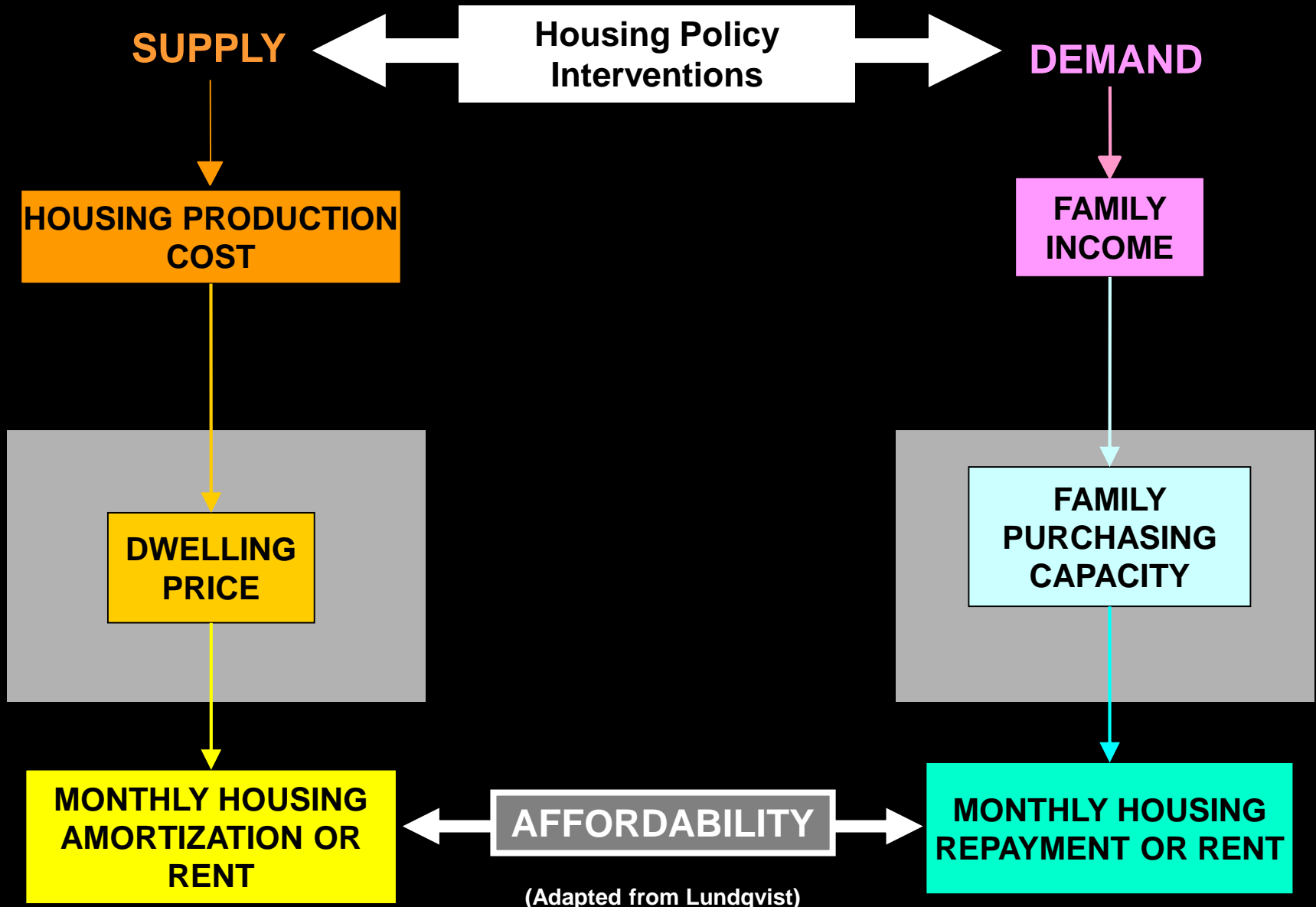


Can only be solved with
government assistance / subsidies



Different types of policies are needed to influence market outcomes, guide its development & enable access to adequate housing.

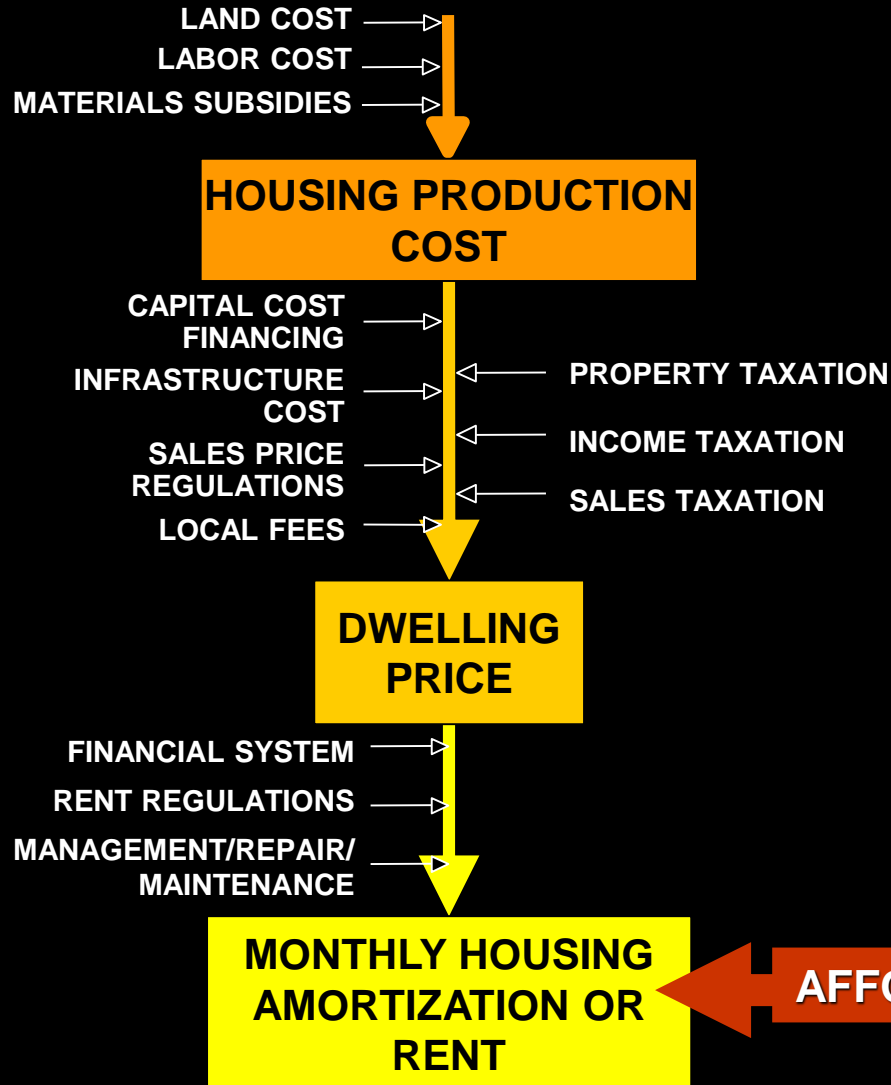
GOVERNMENT & POLICY INTERVENTIONS



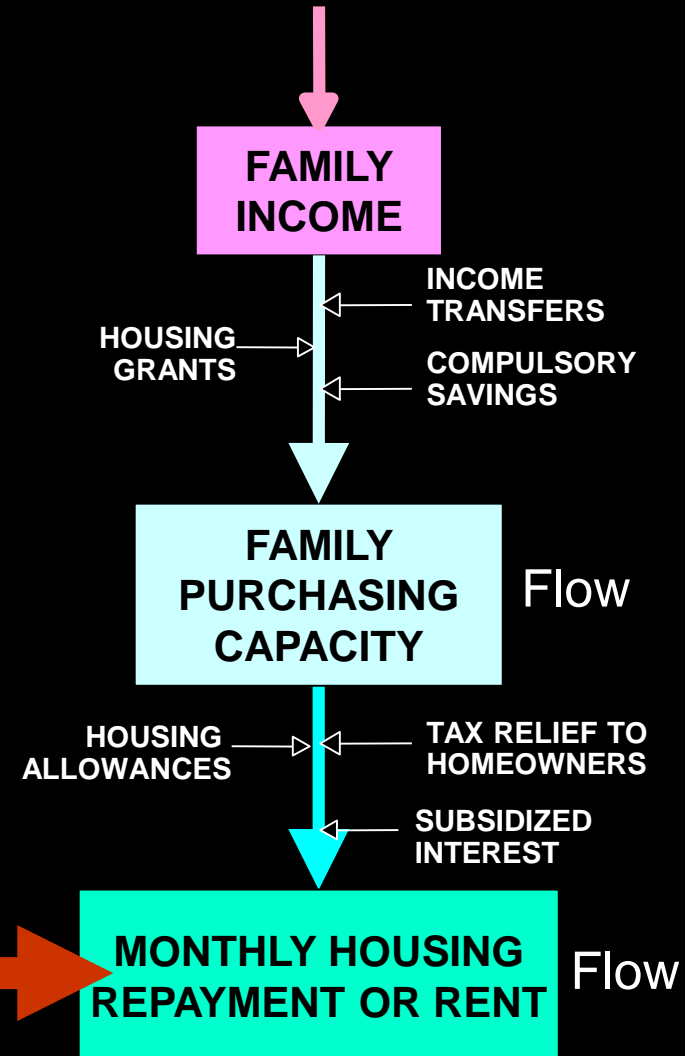
POSSIBLE GOVERNMENT INTERVENTIONS

(Adapted from Lundqvist)

SUPPLY

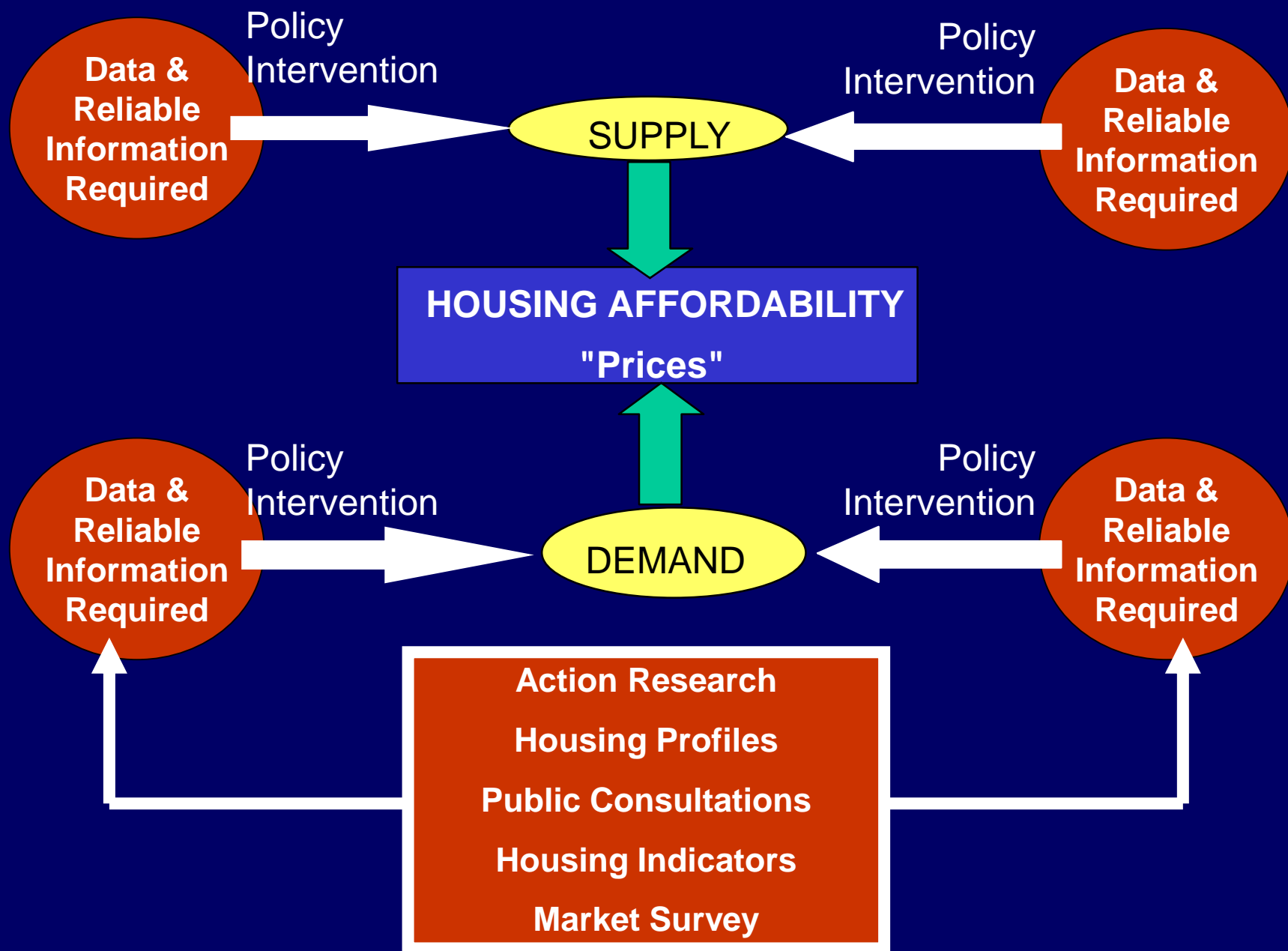


DEMAND



AFFORDABILITY

Flow



Public Actions affect

Housing Supply & Demand

DEMAND:

1. Tenure security
2. Property rights
3. Housing subsidies (rent control)
4. Taxes
5. Availability of Mortgage Finance

SUPPLY:

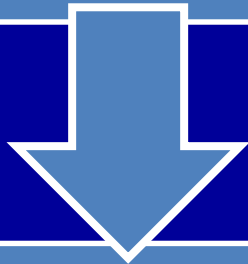
1. Regulatory framework
2. Land use
3. Building regulations
4. Cost of inputs: land, labour, building materials
5. Efficiency of housing development process
6. Provision of infrastructure

BUT.. When supply is competitive, the long-run price of housing will be determined primarily by production costs rather than demand; increases in demand will be translated into increases in housing output and not into price increases. World Bank, 1993.

Meeting Housing Gap

Demand for Housing

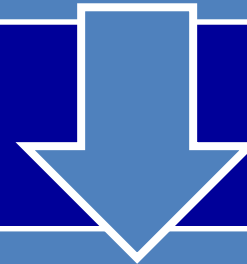
- Lack of long term funds
- Credit Risk
- Informality/low incomes
- High interest rates
- Foreclosure system
- Lack of affordable housing
- Financial literacy



Lack of Effective
Demand

Supply of Housing

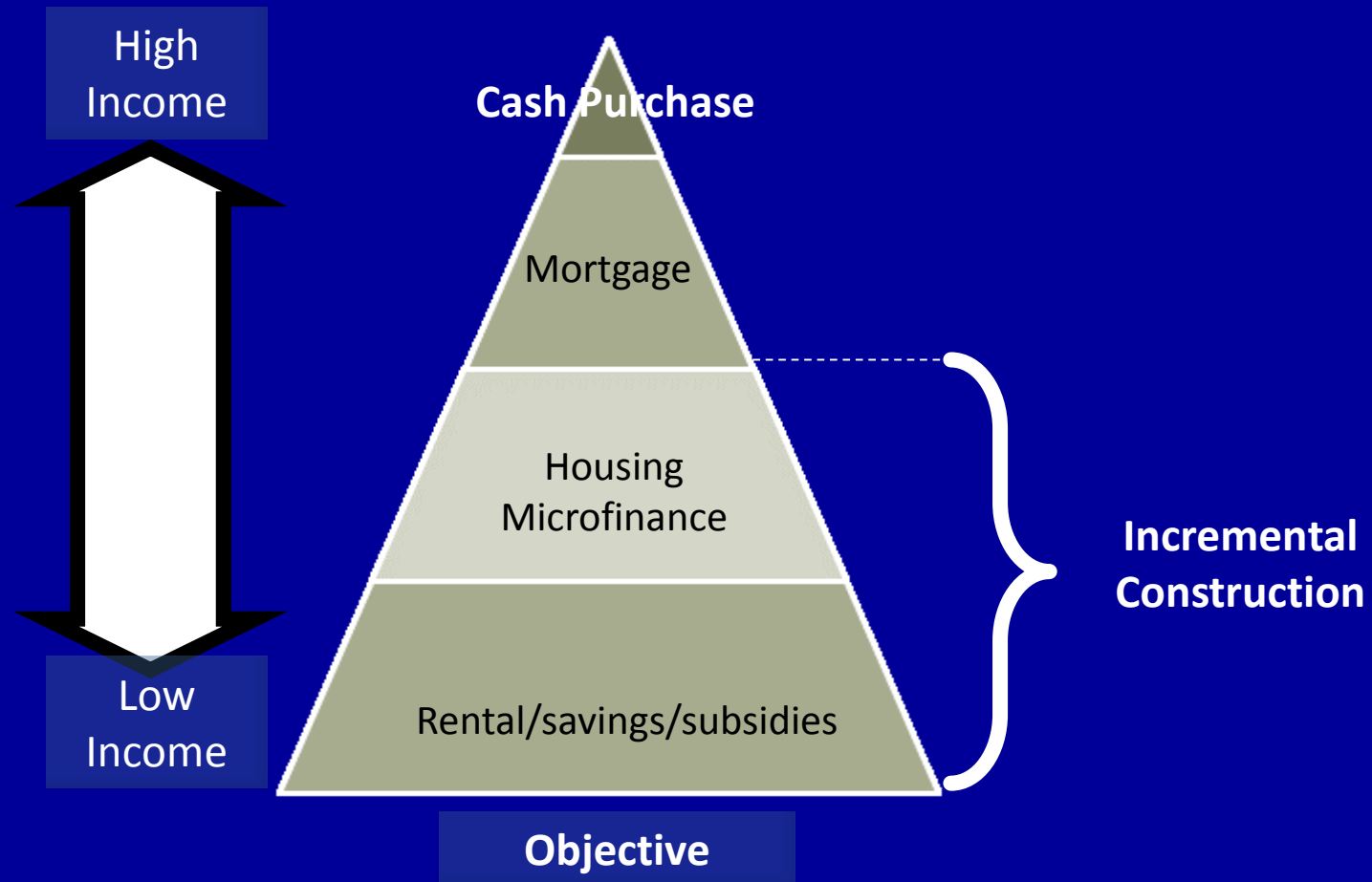
- Availability of Developer finance (debt and equity)
- Planning and building regulations
- Cost of infrastructure
- Access to Land
- Titling/Registration system



Lack of Affordable
Supply

Finance Housing Demand

...expanding access to housing finance down-market and increasing the *effective* demand for housing



Source: Simon Walley, 2011; www.worldbank.org/housingfinance

Land
Laws
Regulations and Norms
Administrative Practices
Investments
Taxes
Subsidies
Programmes

Projects
Financing & Credit
Property Rights
Building Materials
Building Technology
Construction Industry
Infrastructure

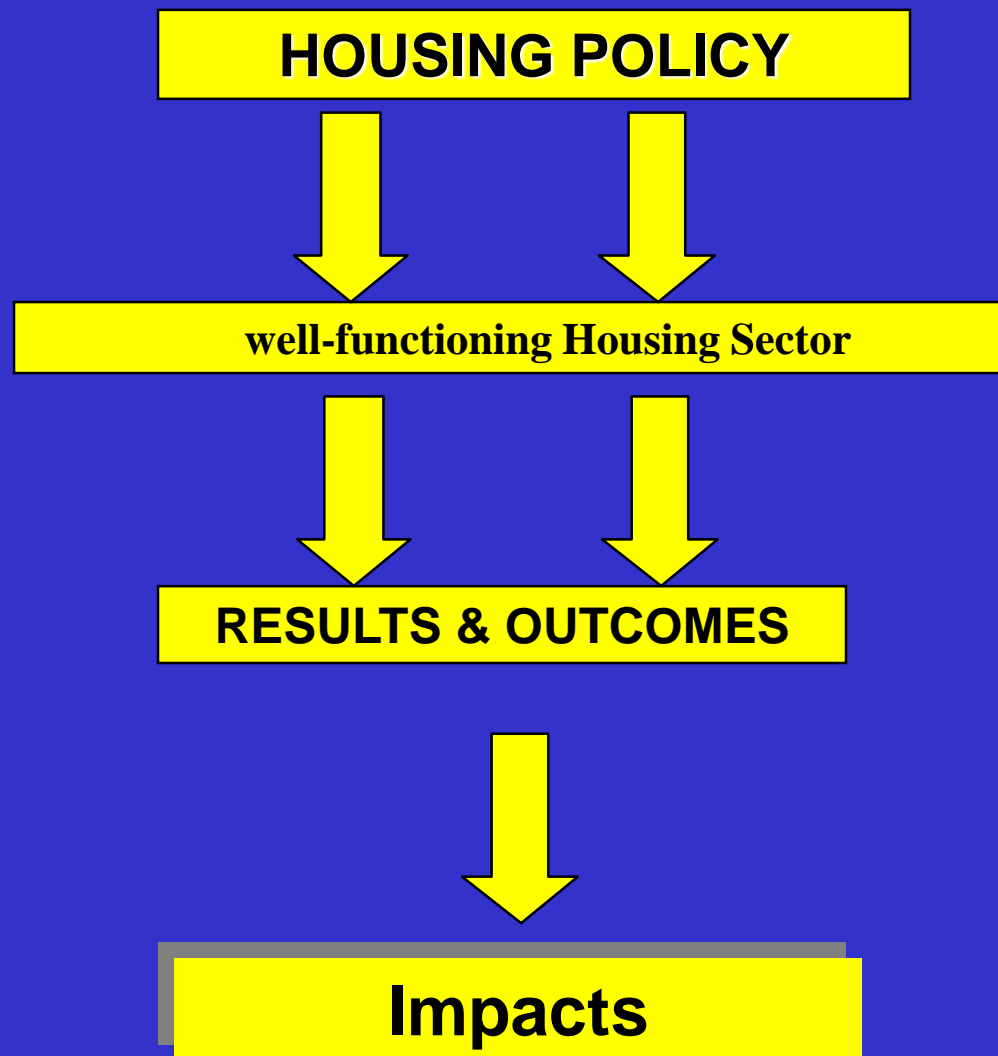
HOUSING POLICY

Well-functioning Housing Sector

RESULTS & OUTCOMES

- Freedom of Choice e.g. rent, buy
- More residential mobility
- Social welfare
- Development processes

- Accesible prices in the market
- Improvement in Housing
- General improvement in districts
- Urban productivity
- Labour productivity



Housing Policy Matters,

Solly Angel, 2000

1. How it matters?
2. Why it matters?
3. When it matters?
4. How can we be sure it matters?
5. How much it matters?

HOUSING is not the responsibility of governments alone!

- 1. Smart housing policies to enable others to play a role in improving the housing and living conditions of society**
- 2. Different roles and responsibilities in production, planning, financing, construction, allocation, delivery and maintenance**
- 3. Different modes of partnership needed to face the scale, scope and dimension of needs and demand**
- 4. Government assistance to those in difficulties to find housing solutions on their own**
- 5. Enabling environment with laws, covenants, institutional framework and planning instruments for different actors to play a role e.g. cooperative, NGO's, private sector companies, etc.**

KEY CONCLUSIONS part 1

1. Housing has a complex institutional and regulatory frameworks that require smart government intervention for housing to maximise its role in economic development & poverty reduction
2. **Governments have a fundamental role to play in making adequate housing accessible by all segments of the population**
3. Housing Policy matters and can influence housing markets outcomes and the overall performance of the housing sector
4. **Availability of information is critical for policy decisions as well as for monitoring housing markets, policy outcomes and the overall performance of the housing sector as a whole**
5. Housing indicators are important tools to help governments and all housing stakeholders in their decisions
6. Enabling the active participation of other housing stakeholders in housing production is necessary to cope with the demand

12.



The Global Affordability Crisis:

The lack of affordable housing compels people to resort to informal housing solutions which propels informal urbanisation and slum formation and generates more exclusion & segregation



HOUSING AFFORDABILITY

INCOME

PRICE



Indicator: house price-to-income ratio

HOUSING AFFORDABILITY

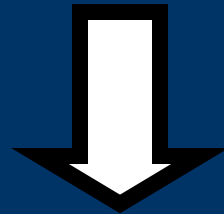
- **How much housing can a household buy with its basic income?**

in other words

- **How many months/years a household - earning a mean household income - should save in order to be able to purchase a standard adequate housing at present market prices?**

or

- **What is the co-relation between household income and the price of a standard/minimum/adequate housing being sold in the market?**



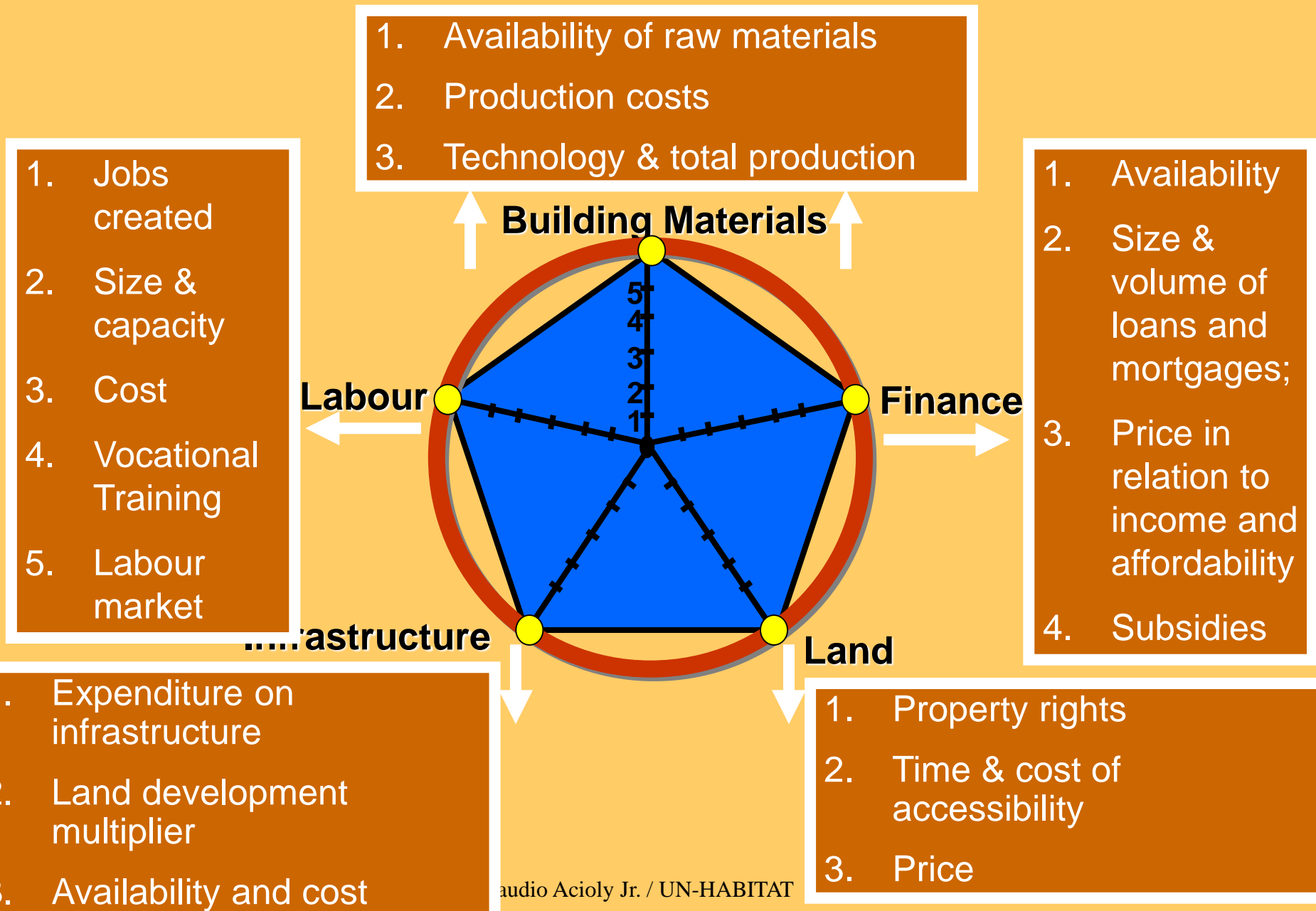
Indicator: house price-to-income ratio

HOUSING INDICATORS

TYPE OF INDICATOR	KEY HOUSING INDICATOR	MEANING	LOW	MEDIAN	HIGH	INTERPRETATIONS
PRICE INDICATORS	1. The house-price-to-income ratio	Ratio of the median free market price of a dwelling unit and the median annual household income.	0.9 0.03	5.0 0.18	14.8 0.38	It measures housing affordability. If high, system is restricted. If low, insecurity of tenure.
	2. The rent-price-to-income ratio	Ratio of the median annual rent of dwelling unit and the median annual household income of renters				Also a key to check housing affordability. If low, rent control measures. If high, rental housing failing to meet demand.
QUANTITY INDICATORS	3. Housing production	Total number of housing units (formal & informal) produced last year per 1000 population.	2.0 0.009	6.8 0.04	14 0.088	Measures the importance of housing sector to broader economy. Ability of the delivery systems.
	4. Housing Investment	Total investment in housing (formal & informal), as percentage of gross city product.				Reflects quantities produced and prices. A given value may reflect either high unit costs and low volumes or low costs and high volumes of production.
QUALITY INDICATORS	5. Floor Area per person	The median usable living space per person (m ²) last year.	4 0.43 0.0	33 0.90 0.24	69 1.0 0.78	Low value is sign of overcrowding.
	6. Permanent structures	The percentage of housing units located in structures built of permanent materials.				Measures quality of housing, durability. Primitive measure of housing adequacy.
	7. Unauthorized Housing	Percentage of the total housing stock that is not compliance with				Unauthorized housing decreases sharply with

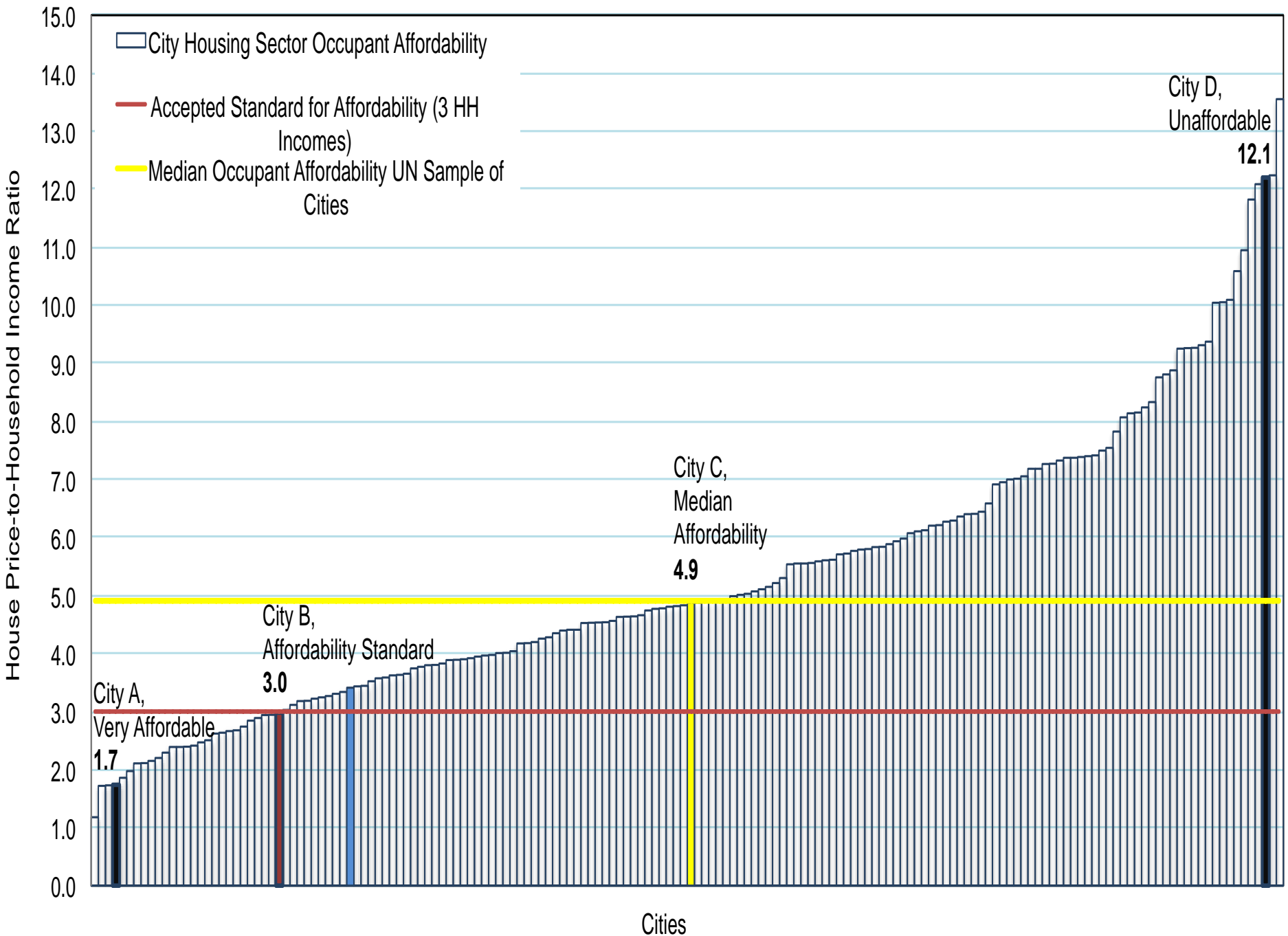
Indicators & Empirical Information

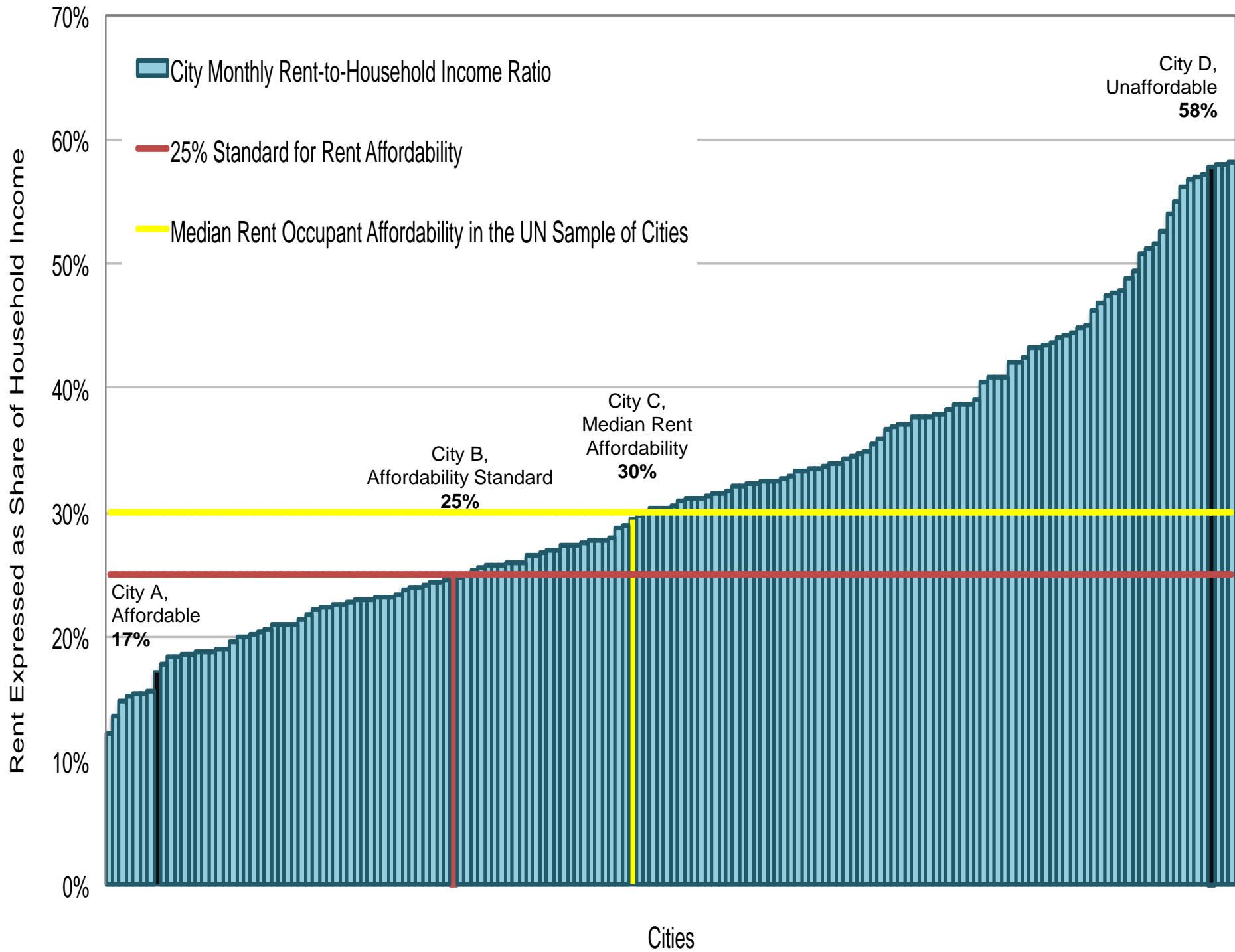
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UN-Habitat has created a **Global Sample of Cities** made of 200 cities that statistically represent this Universe of Cities. A cooperation between UN-Habitat, University of New York and the Lincoln Institute of Land Policy.

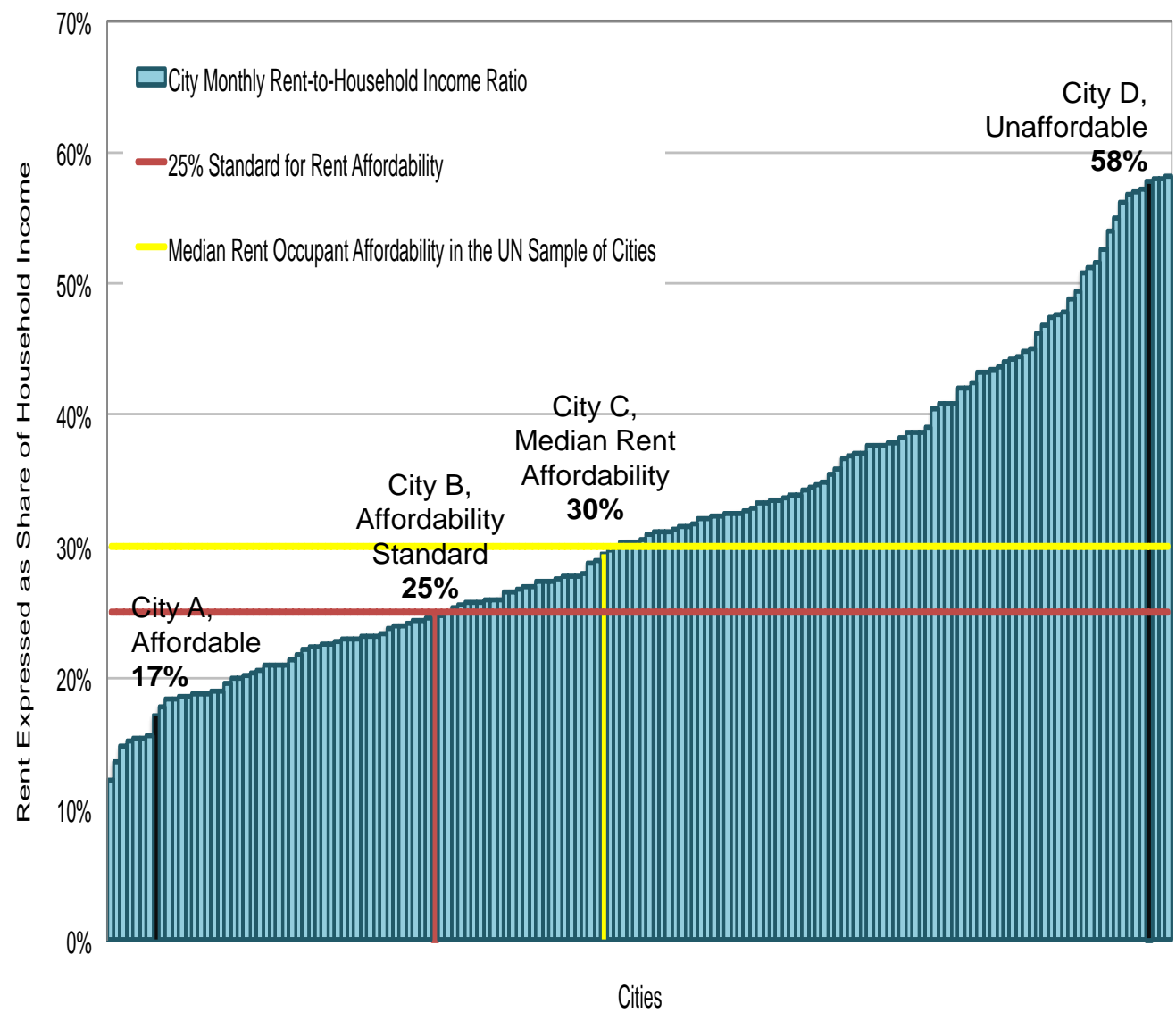




RENTAL HOUSING IS ALSO LARGELY UNAFFORDABLE

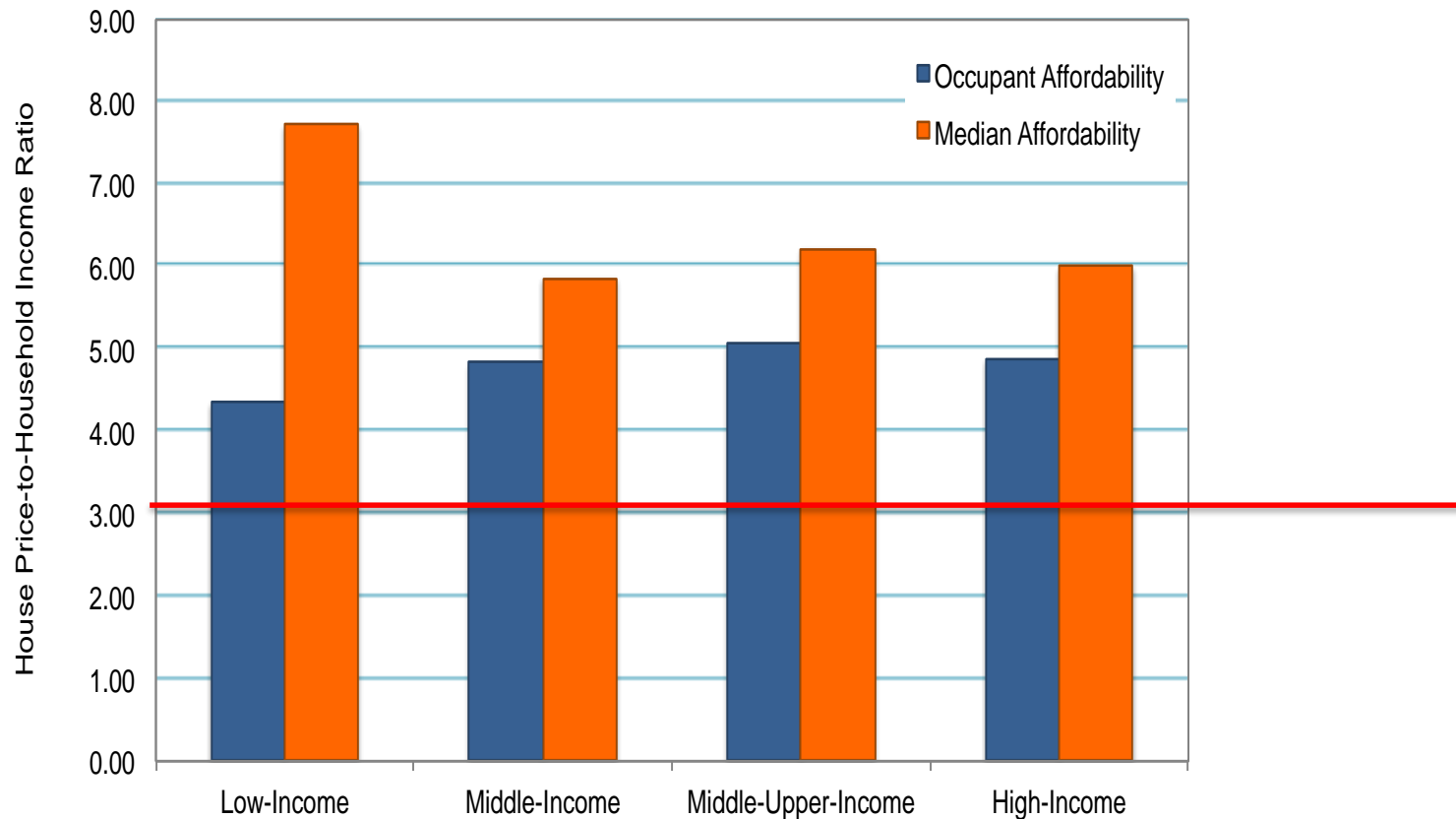
MEDIAN AFFORDABILITY

- The Median Monthly Rent (30%) is above the optimal threshold of 25% of the monthly household rent in the majority of metropolitan areas
- Only 31% of cities of the UN Global Sample are below the 25% threshold of affordability



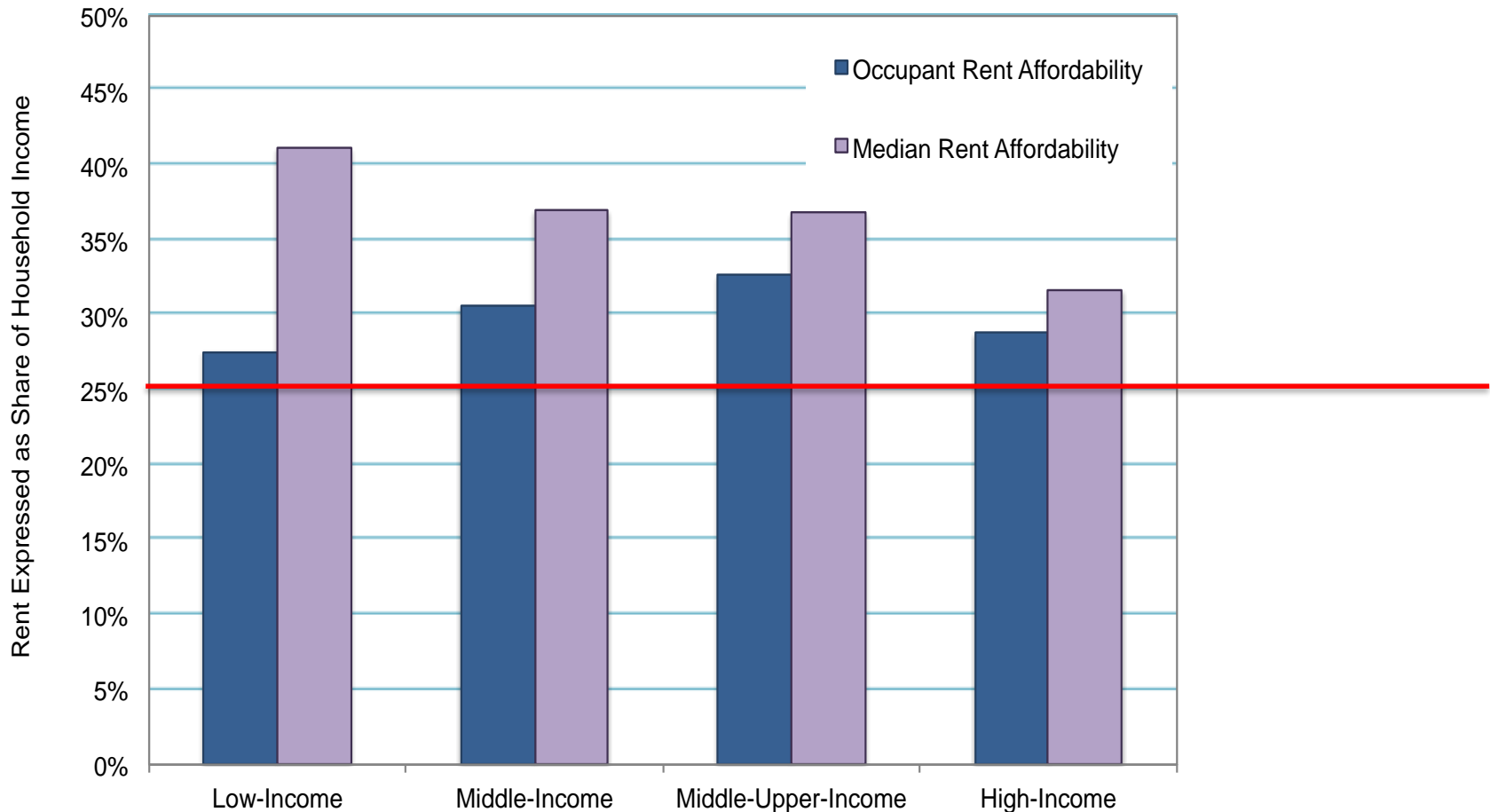
CONCLUSION 1: housing is unaffordable in the Global Sample of Cities

A housing unit in any city regardless of GDP is **UNAFFORDABLE** (more than a ratio of 3.0)



CONCLUSION 2: housing is unaffordable in the Global Sample of Cities

Rental housing in any city regardless of GDP is **UNAFFORDABLE** (more than 25% threshold)



The Lack of Affordable Housing is one of the deep-rooted causes of informal urbanization and the Growth of Slums:

It is a global phenomenon that manifests itself physically and spatially on the urban landscape of cities, propelled by a dynamic informal land and housing markets that responds to people's needs and demands in various cities of the world..

McKinsey Global Institute



October 2014

A blueprint for addressing the global affordable housing challenge



McKinsey: A Blueprint for Addressing the World's Affordable Housing Challenge

- McKinsey Global Institute (MGI)'s 2014 study, 'A blueprint for addressing the global affordable housing challenge'.
- Comparing income available for housing and home prices for standard units in more than 2,400 cities.
- Provides detailed strategies for address affordable



Global Cities of the Future Interactive Map:

Explore the cities that will drive dramatic growth, demographic changes, and consumption over the next generation.

Source: McKinsey Global Institute (2014). A Blueprint for Addressing the World's Affordable Housing Challenge

Global Affordability Challenge According to MGI

The challenge today ...



96 million

urban households are
financially overstretched



235 million

urban households live in
substandard housing

... and by 2025

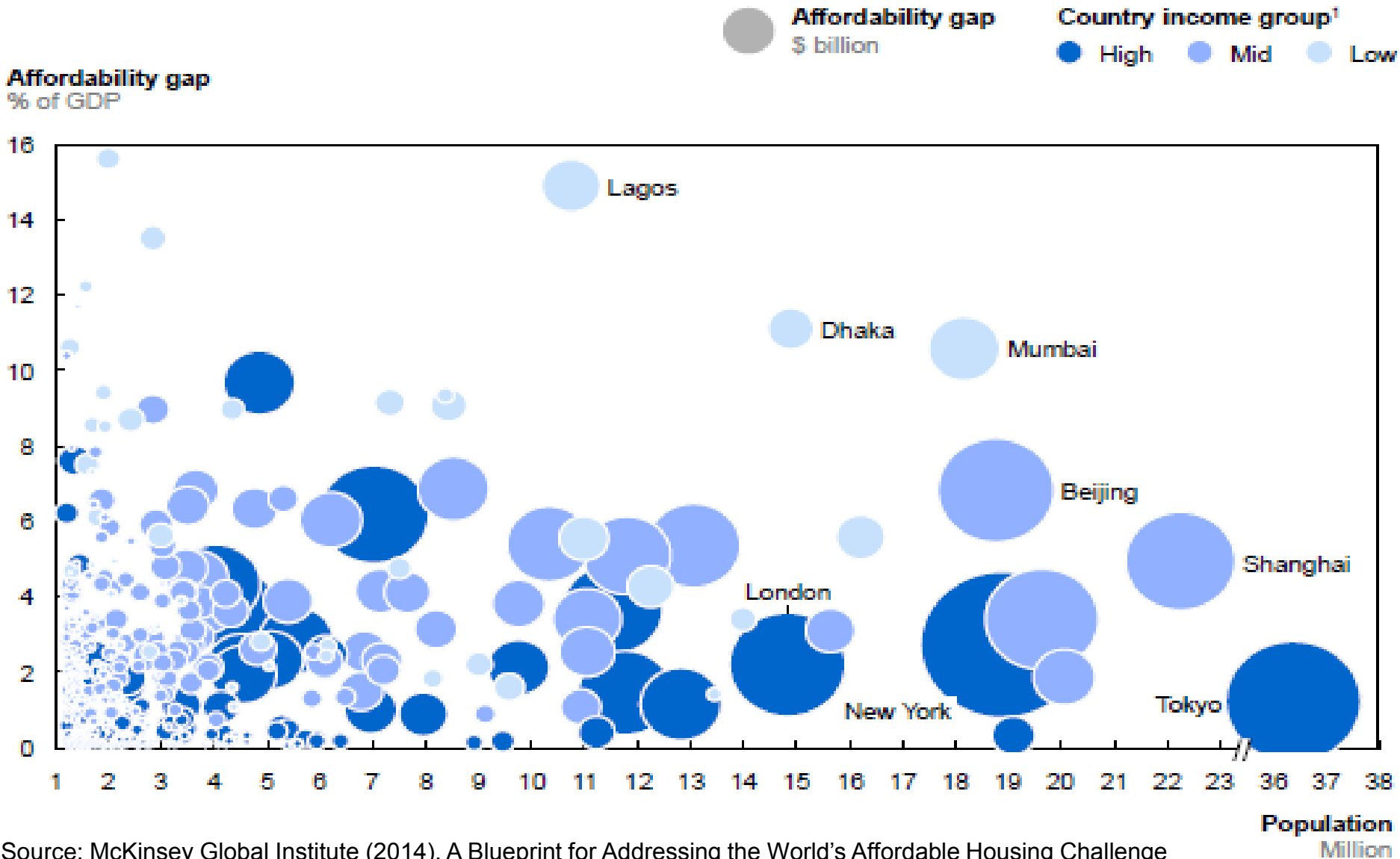
106 million additional low-income households
will face the affordability housing challenge



... affecting 1.6 billion people or
one-third of urban population

Source: McKinsey Global Institute (2014). A Blueprint for Addressing the
World's Affordable Housing Challenge

We have sized the affordability gap for approximately 2,400 cities



Source: McKinsey Global Institute (2014). A Blueprint for Addressing the World's Affordable Housing Challenge

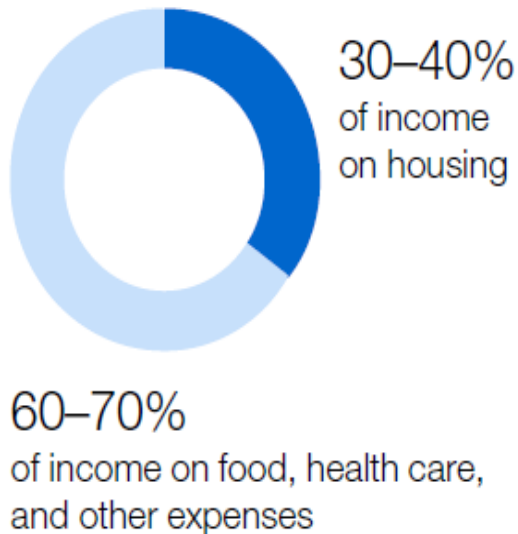
¹ As defined by World Bank.

SOURCE: World Bank; UBS Prices and Earnings Report 2012; Numbeo; CEIC; Deposits.org; Global Banking Pool; Royal Bank of Scotland; Zillow; Metrosclubicos; Exame; Notaires Paris Ile de France; Jones Lang LaSalle; McKinsey Global Institute Cityscope database; US Census Bureau; national statistics offices; McKinsey Global Institute analysis

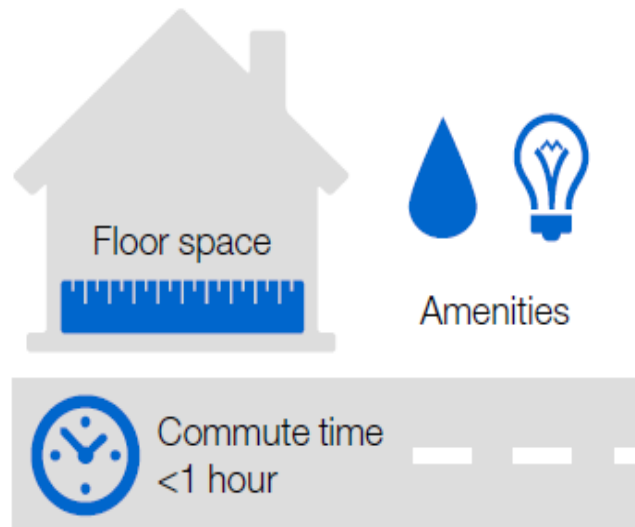
Global Affordability Challenge According to MGI

Affordable housing is defined by three parameters, which cities need to tailor to their local contexts

Affordability threshold



Standard unit



Income threshold



FINDINGS

- a. 330 million households are affected around the world
- b. Under current trends, by 2025 the number of households that occupy unsafe and inadequate housing or are financially stretched by housing costs could reach 440 million—or 1.6 billion people.
- c. The housing affordability gap is equivalent to \$650 billion per year, or 1 percent of global GDP.
- d. In some of the least affordable cities, the gap exceeds 10 percent of local GDP.
- e. To replace today's substandard housing and build additional units needed by 2025 would require an investment of \$9 trillion to \$11 trillion for construction;
- f. with land, the total cost could be \$16 trillion.
- g. Of this, \$1 trillion to \$3 trillion may have to come from public funding.

13th Annual
Demographia International
Housing Affordability
Survey: 2017
Rating Middle-Income Housing Affordability

Australia • Canada • China (Hong Kong) • Ireland
Japan • New Zealand • Singapore
United Kingdom • United States

With comparisons to External Indexes for
China and Malaysia

Introduction by
Oliver Hartwich
The New Zealand Initiative

Data for 3rd Quarter 2016

exploring solutions... www.PerformanceUrbanPlanning.org
Performance Urban Planning

Demographia International Housing Affordability Survey

Rating Middle-Income Housing Affordability

Australia
Canada
Ireland
China (Hong Kong)
Japan
New Zealand
Singapore
United Kingdom
United States

Demographia 2017

Housing Affordability Ratings by Nation

Table ES-1

Demographia International Housing Affordability Survey
Housing Affordability Ratings

Housing Affordability Rating	Median Multiple
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over
Median multiple: Median house price divided by median household income	

HOUSING AFFORDABILITY

The 13th Annual Demographia International Housing Affordability Survey - 2017

INDICATOR: house price-to-income ratio

- 406 metropolitan housing markets (metropolitan areas) in 9 countries (Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States) for the third quarter of 2016.
- 92 major metropolitan markets (housing markets) --- with more than 1,000,000 population are included
- 5 megacities are included (Tokyo-Yokohama, New York, Osaka-Kobe-Kyoto, Los Angeles, and London).

Table 4
Distribution of Markets by Housing Affordability Rating

Rating	Median Multiple	Major Markets (Number)	All Markets (Number)
Affordable	3.0 or Less	11	99
Moderately Unaffordable	3.1 to 4.0	26	116
Seriously Unaffordable	4.1 to 5.0	26	97
Severely Unaffordable	5.1 & Over	29	94
TOTAL		92	406

Demographia 2017 Survey

Housing Affordability Ratings by Nation

Table ES-2

Housing Affordability Ratings by Nation: Major Housing Markets (Over 1,000,000 Population)

Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	0	0	0	5	5	6.6
Canada	0	1	3	2	6	4.7
China: Hong Kong	0	0	0	1	1	18.1
Ireland	0	0	1	0	1	4.7
Japan	0	1	1	0	2	4.1
New Zealand	0	0	0	1	1	10.0
Singapore	0	0	1	0	1	4.8
United Kingdom	0	2	12	7	21	4.5
United States	11	22	8	13	54	3.9
TOTAL	11	26	26	29	92	4.2

Demographia 2017 Survey

Housing Affordability Ratings by Nation

Table ES-3
Housing Affordability Ratings by Nation: All Housing Markets

Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	4	3	14	33	54	5.5
Canada	10	13	10	7	40	3.9
China (Hong Kong)	0	0	0	1	1	18.1
Ireland	3	1	1	0	5	3.4
Japan	0	1	1	0	2	4.1
New Zealand	0	0	2	6	8	5.9
Singapore	0	0	1	0	1	4.8
United Kingdom	0	4	18	11	33	4.6
United States	82	94	50	36	262	3.6
TOTAL	99	116	97	94	406	4.0

House Price to Income Ratios

FROM 1987

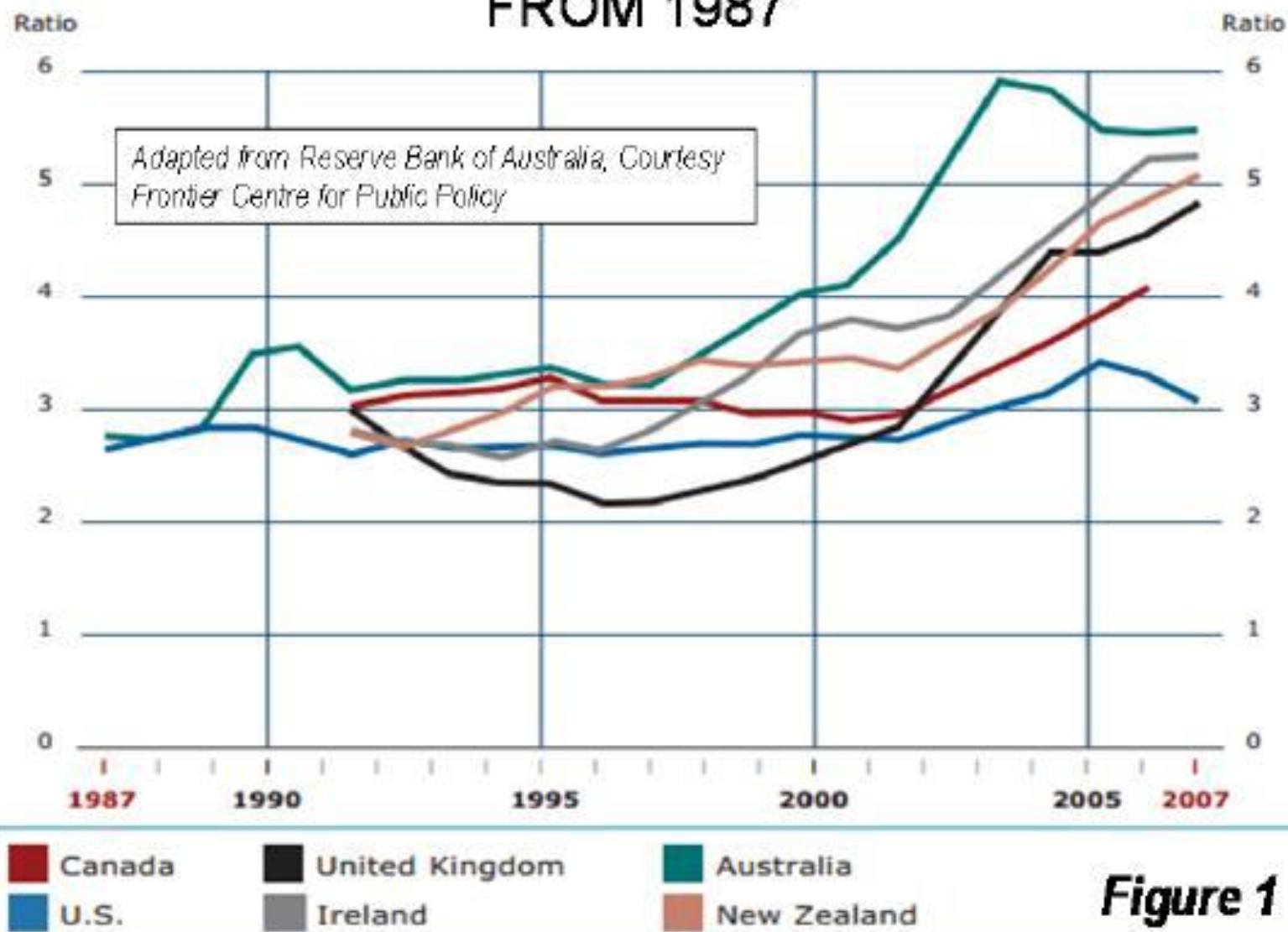


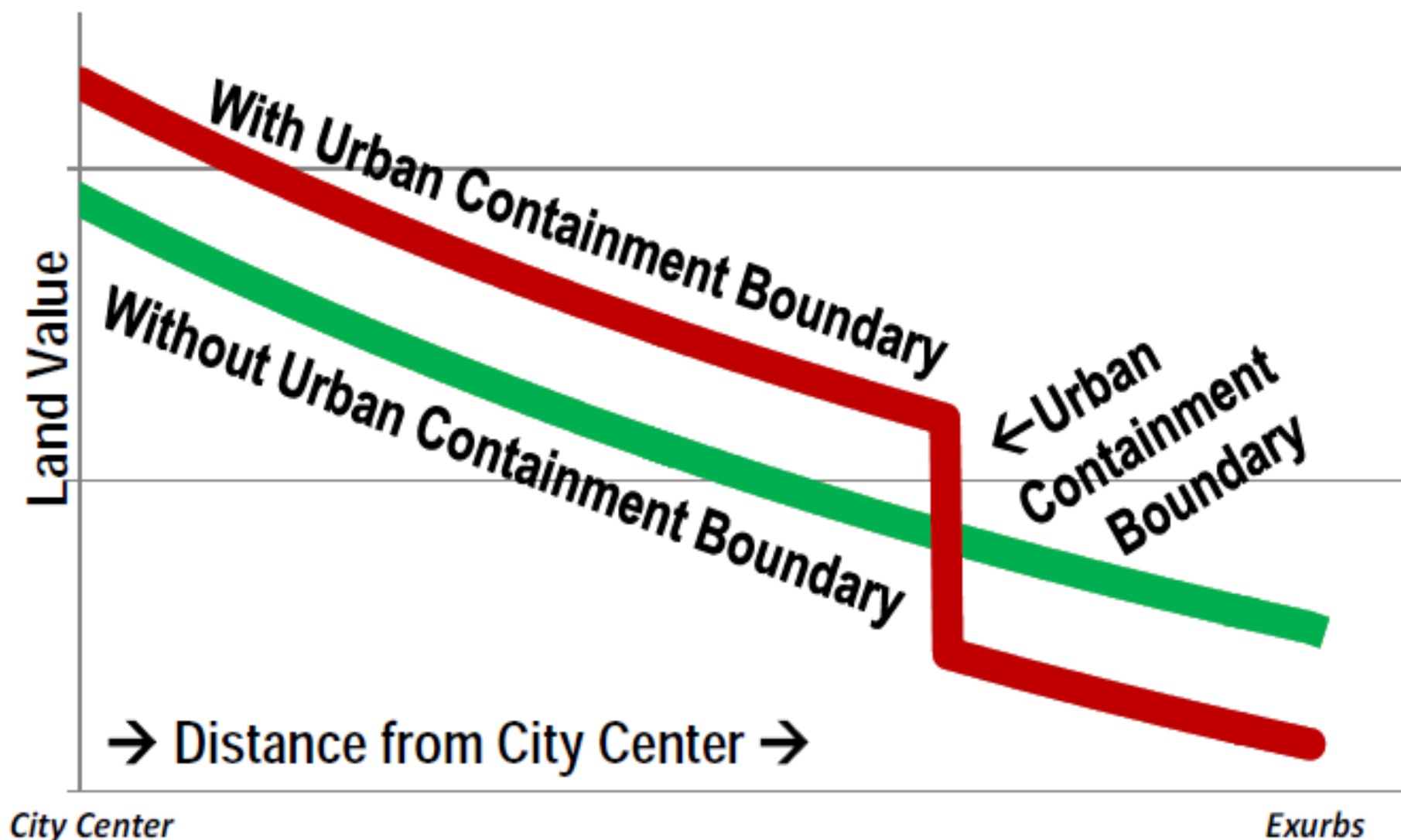
Figure 1

* Various combinations of median and mean measures of house prices and incomes uses depending on availability.

Sources: ABS; BIS; Bureau of Economic Analysis; Central Statistics Office Ireland; Communications and Local Government (UK); National Statistics website; OECD; REIA; Reserve Bank of New

Urban Containment & Land Values

VERSUS LIBERAL REGULATION (NO URBAN CONTAINMENT)



Housing Affordability & Land Regulation

2+ MILLION METROPOLITAN AREAS: 2016

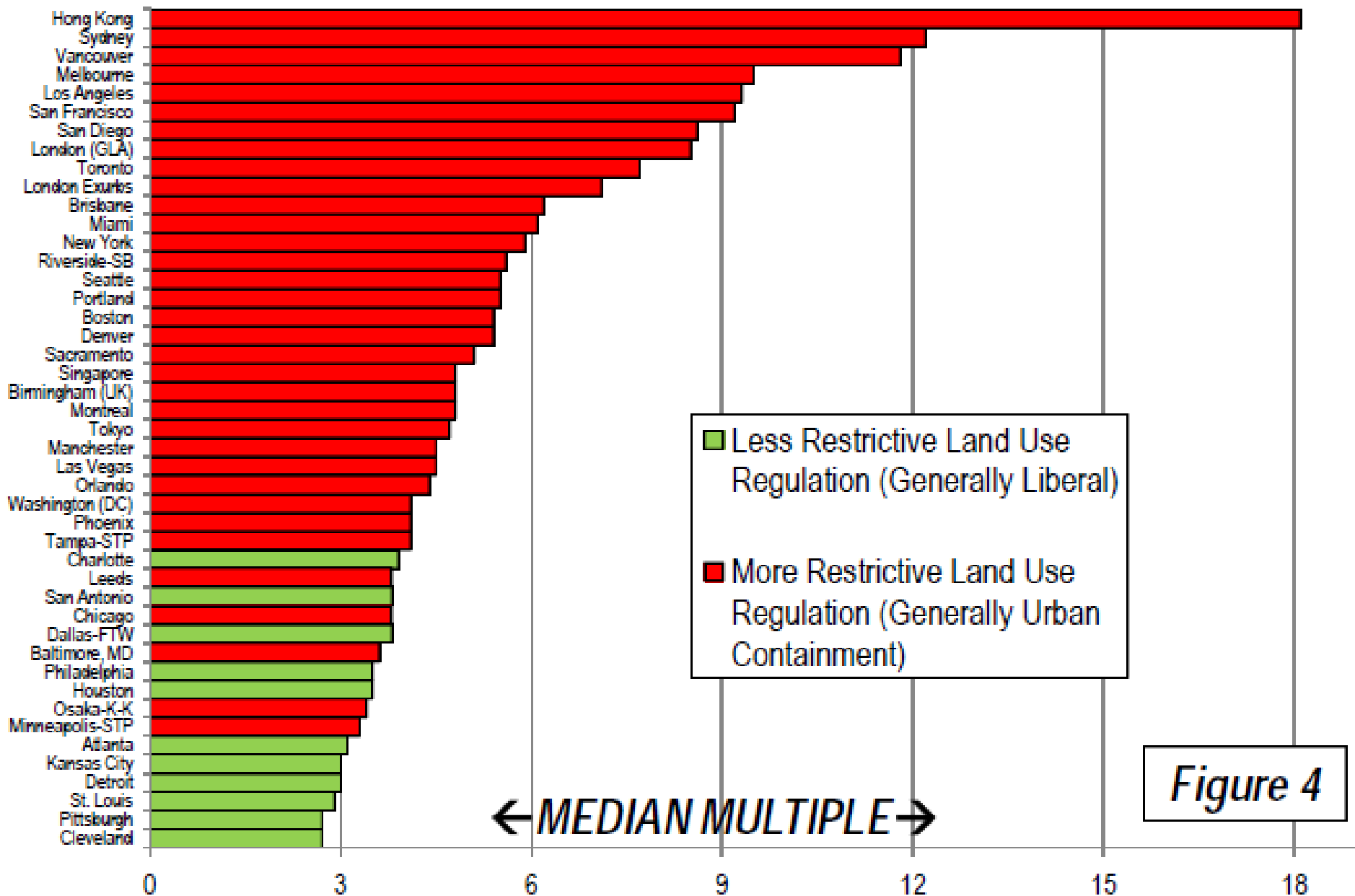
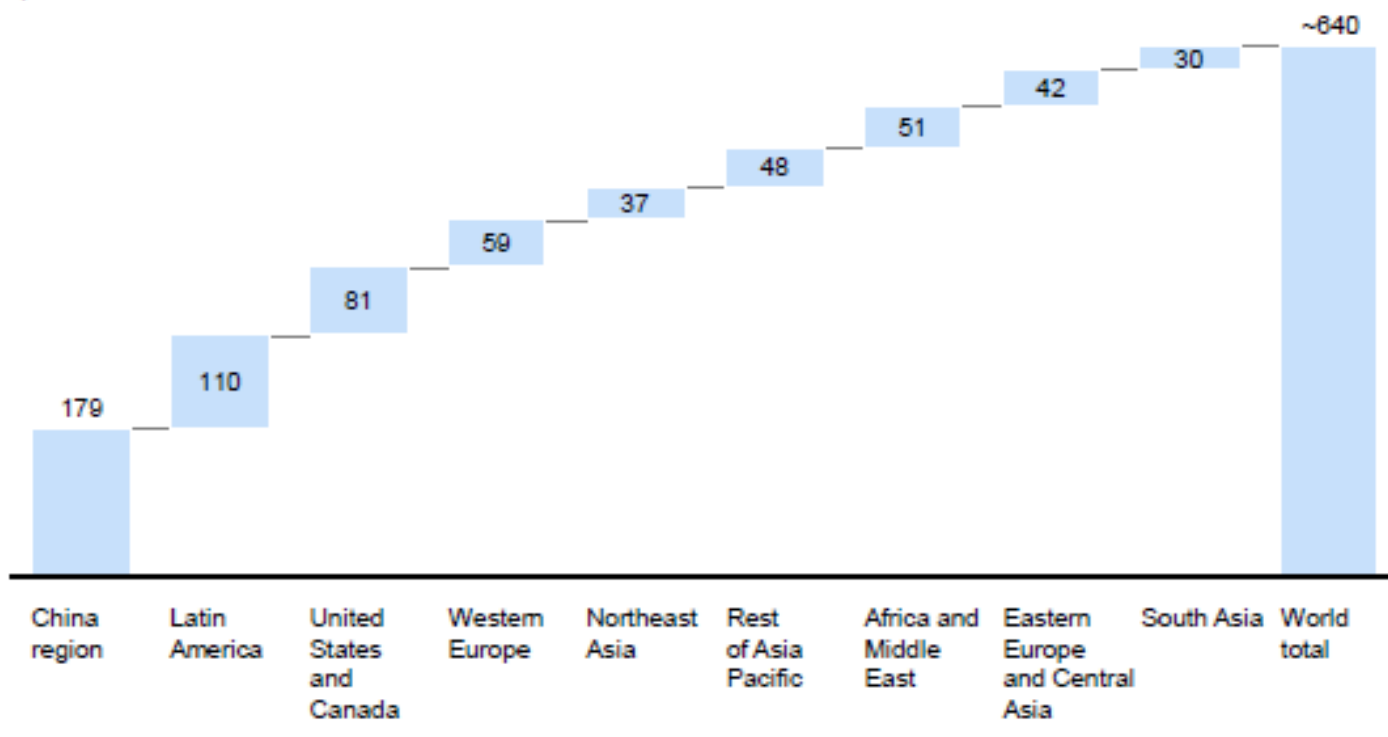


Figure 4

The cost of the global affordable housing gap is about \$650 billion, or about 1 percent of global GDP

Affordability gap by region, 2012¹

\$ billion



Share of GDP, 2012

%



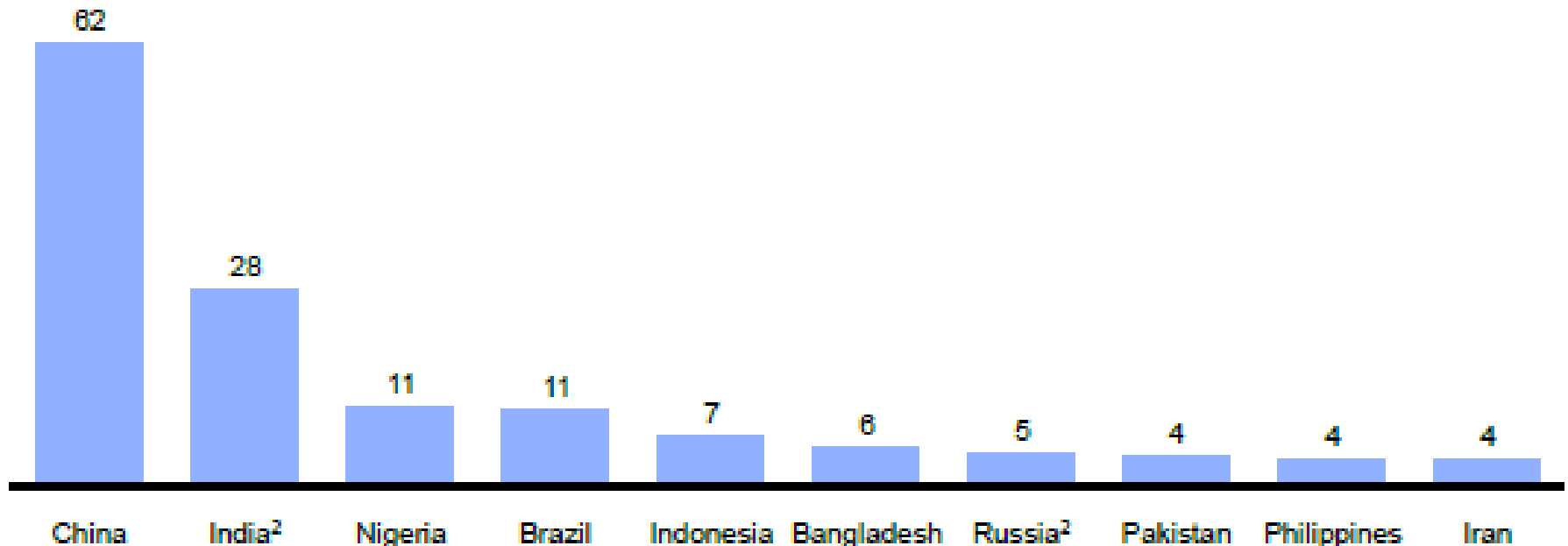
¹ Cost of bridging the gap is the amount of money needed to bring the annual income available for housing of all the low-income households to the market annualized cost of a standard unit. Assumptions: mortgage rates by country where available otherwise regional averages assumed, 30-year tenure of mortgage with 20% down payment.

SOURCE: World Bank; UBS Prices and Earnings Report 2012; Numbeo; CEIC; Deposits.org; Global Banking Pool; Royal Bank of Scotland; Zillow; Metrosclubicos; Exame; Notaires Paris Ile de France; Jones Lang LaSalle; McKinsey Global Institute Cityscope database; US Census Bureau; national statistics offices; McKinsey Global Institute analysis

About 60 percent of substandard housing is concentrated in 10 nations

Substandard housing units in urban areas¹

Million



Share of total urban households in each nation¹

%



¹ Based on 2009 data (latest available).

² Based on 2012 data.

SOURCE: United Nations Millennium Development Goal Indicators; Census India; Rosstat; McKinsey Global Institute analysis

CONCLUSIONS:

Demographia 2017 Housing Affordability Survey

- Without exception, severely unaffordable markets have severe land use restrictions (usually "urban containment policies")
- Historically, the Median Multiple has been remarkably similar ... with median house prices from 2.0 to 3.0 times median household incomes.
- For the fourth year in a row, the United States has the most affordable housing among major housing markets, with a moderately unaffordable Median Multiple of 3.9. Japan has an Average Multiple of 4.1, the United Kingdom (4.5), Canada (4.7) Ireland (4.7), and Singapore (4.8) have seriously unaffordable housing.
- Three national markets are severely unaffordable, with Median Multiples of 5.1 or above. These included China-Hong Kong (18.1), New Zealand (10.1) and Australia (6.6). Ireland, Japan and Singapore are the only geographies with no severely unaffordable major housing markets
- The affordable markets are generally characterized by more liberal land use regulation, which is associated with greater housing affordability.

13.



Policies and Approaches to address the Global Affordability Crisis and high housing costs.

Combining strategies to lower prices, increase ability to pay, and boost scaled-up diversity of housing options



12.

Policy Options to Address Housing Affordability:

**A combination of measures focusing on
income (demand), finance (supply),
regulations (governance)**

Housing Strategies to Deliver Affordable Options at Scale⁸⁹

Cost Reduction Strategy

LAND COSTS:

Inclusionary zoning, legal and policy approaches

DEVELOPMENT COSTS:

Ease development process
Reduce standards

BUILDING COSTS:

More rationalization in construction systems and techniques
Vocational training and capacity building for better skillful labor force

FINANCE COSTS:

Decrease borrowing costs.
Diversity of financial services
Incremental loan
Micro-financing

Enabling Strategy

ABILITY TO PAY:

Target subsidies, bonus and housing vouchers
Housing Funds
Guarantee Funds
Promote savings – credit schemes
Micro-financing

POLICY ENVIRONMENT:

Inclusionary Housing Programmes
Diverse Housing Programs
Pro-poor Strategies

PLANNING INSTRUMENTS

Land value capture
Differentiated property tax regime
Anticipate Land Supply for urbanization
Land Readjustment

Affordable housing can be addressed systematically: setting targets, employing cost-reduction levers, and strengthening local delivery

Aspiration and targets

- Define income and affordability thresholds
- Set standard unit sizes along the housing ladder
- Set targets for volumes and gaps to bridge

Cost-reduction levers

Land
Unlock land for affordable housing through measures such as transit-oriented development, idle-land policies, release of public land, and inclusionary zoning

Development
Improve capital productivity via lean construction, value engineering, procurement excellence, and industrial construction

Operations and maintenance
Improve energy efficiency, gain scale in maintenance, and set standards to avoid dilapidation

Financing
Reduce borrowing costs to buyers; assist in developer financing

Housing delivery platform

Community engagement
Manage stakeholders and rigorously qualify beneficiaries

Funding
Create mechanisms to pursue all possible funding options

Delivery model
Choose a combination of delivery models that fit the local context

Governance
Build local governance with dedicated delivery units, streamlined processes, and performance management

Three main policy themes for improving access to home financing for buyers of affordable housing

Themes	Tactics	Relevant for countries with		Select country examples
		Emerging primary markets	Strong primary markets ¹	
Reduce loan origination costs	Improve assessment methods to qualify borrowers	●		<ul style="list-style-type: none"> ▪ India ▪ South Africa
	Introduce standardized property valuation methods	●		<ul style="list-style-type: none"> ▪ Poland ▪ Romania ▪ South Africa
	Initiate mortgage-guarantee schemes	●	●	<ul style="list-style-type: none"> ▪ United States ▪ India
Reduce cost of funding mortgages	Establish liquidity facilities	●		<ul style="list-style-type: none"> ▪ Colombia ▪ Malaysia ▪ Jordan
	Expand capital market funding (with covered mortgage bonds or mortgage-backed securities)	●	●	<ul style="list-style-type: none"> ▪ Denmark ▪ Germany ▪ Spain
	Increase use of core deposits	●	●	<ul style="list-style-type: none"> ▪ United Kingdom
Leverage collective savings to reduce rates	Launch housing provident fund	●		<ul style="list-style-type: none"> ▪ Singapore ▪ Mexico
	Offer contractual savings schemes	●	●	<ul style="list-style-type: none"> ▪ France ▪ Germany ▪ Kenya

¹ In the primary mortgage market, lenders originate loans directly with borrowers.

SOURCE: McKinsey Global Institute analysis



THE END

Thank you.

