SYNCHRONIZED SINKING?

THE OUTLOOK FOR HOUSING MARKETS AROUND THE WORLD

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Views expressed in this presentation and during the talk are those of the presented and should not be ascribed to the IMF or to the Policy Center for the New South.
Global Real House Price Index
Global housing markets has been steadily climbing up.

Sources: Bank for International Settlements, European Central Bank, Federal Reserve Bank of Dallas, Savills, and national sources
House Price-to-Income Ratio Around the World

House prices have grown faster than incomes in over half the countries (2018:Q2 or latest available index, 2015 = 100)

Source: Organisation for Economic Co-operation and Development
Is it time to worry again?

Answer: A guarded “no” for five reasons

*Lack of synchronicity*

1) Not a synchronized boom across countries
2) Booms localized to a few cities in many countries

*No more ‘benign neglect’*

3) Active use of macroprudential policies to tame booms

*Not an ‘excessive credit’-driven boom everywhere*

4) Prices up, not permits (due to macroprudential policies & supply constraints)
5) Low interest rates driving some of the appreciation
REASON 1: NOT A SYNCHRONIZED BOOM

THREE-TRACK RECOVERY

Real House Price Index
2010Q1=100

Source: Bank for International Settlements, European Central Bank, Federal Reserve Bank of Dallas, Savills, and national sources
REASON 2: IN MANY COUNTRIES, BOOMS ARE AT CITY-LEVEL
REASON 3: ACTIVE USE OF MACROPRUDENTIAL POLICIES

Number of macroprudential policies implemented and any subsequent tightening: 2007-16

- Limits on loan-to-value ratios
- Caps on debt-service-to-income ratios
- Sectoral capital requirements
REASON 4: PRICES ARE UP, NOT PERMITS

Housing permits in each cluster

Residential Building Permits Index, 2010Q1=100

Source: Eurostat, Haver Analytics, and OECD
REASON 5: INTEREST RATES HAVE BEEN LOW
Recap: Is it time to worry again?

Suggested answer: time for caution, not panic

*Lack of synchronicity*
1) Not a synchronized global boom across countries

2) Booms localized to a few cities in many countries
   -- increasing synchronization across cities? increasing role of foreign investors?

*No more ‘benign neglect’*
3) Active use of macroprudential policies to tame booms
   -- are these policies needed and effective? are they going too far?

*Not an ‘excessive credit’-driven boom everywhere*
4) Some booms due to supply constraints
   -- impact of migration? Role of technology (Airbnb)

5) Low interest rates driving some of the appreciation
   -- what will happen if interest rates rise? Will interest rates ever rise?