



## Introduction to the special issue of the Global crisis in housing affordability

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## INTRODUCTION



# Introduction to the special issue of the Global crisis in housing affordability

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### ABSTRACT

This paper introduces the special issue on The Global Crisis in Housing Affordability in the *International Journal of Urban Sciences* in 2021. It provides the motivation of the special issue, and discusses main topics covered by papers in this issue, including a review of the current literature and conceptual discussions, the extent of housing affordability problems in both developed and developing countries, causes and consequences of these problems, and evaluations of policy measures.

### KEYWORDS

Housing; affordability; price/income ratios; well-being; housing policy

We have observed the dramatic escalation of house prices in many global cities around the world in the past decades. What is more serious is that these prices have risen faster than household incomes in some of these cities. According to *Demographia International Housing Affordability Survey*, the median multiple – the measurement of housing affordability defined by the ratio of median house sale prices to median household incomes – has significantly increased in popular global cities, including Hong Kong, Sydney and London, between 2013 and 2019. As a result, growing numbers of residents in these cities – especially those with lower incomes – have had to pay higher shares of their income for their rented and purchased housing and thus experience a burgeoning housing affordability crisis (Table 1).

The housing affordability crisis generates many negative consequences arising at the individual household and macroeconomic levels. A voluminous literature suggests that households with housing affordability problems, in particular their children, are more likely to suffer from adverse outcomes on health, education and employment (e.g. Leventhal & Newman, 2010; Newman & Holupka, 2014, 2015, 2016; Andersson et al., 2016). Also evident is that the shortage of affordable housing contributes to bearing longer commuting costs and delaying household formation, marriage and childbirth (e.g. Sultana, 2002; Lee & Painter, 2013). At the aggregate level, housing unaffordability could also lead to significant and long-term macroeconomic costs including downward pressure on fertility and metropolitan-wide congestion and environmental degradation. Housing unaffordability could also dampen the competitive structure and growth of a

**Table 1.** Median Multiples of Major Cities, 2013 vs 2019.

	Median Multiple in 2013	Median Multiple in 2019
Hong Kong, China	14.9	20.8
Sydney, Australia	9.0	11.0
Vancouver, Canada	10.3	11.9
Los Angeles, U.S.	7.9	9.0
Auckland, N.Z	8.0	8.6
London, U.K.	7.3	8.2

Source: Demographia International Housing Affordability Survey 2014 & 2020.

metropolitan area by deterring in-mobility of households and firms and this labour misallocation can lower national-level economic growth (Hsieh & Moretti, 2019).

Along with the unprecedented housing affordability problems across the globe and their substantial socioeconomic effects, we have recently faced another new challenge, the COVID-19 pandemic. Although it is too early to evaluate comprehensively how the restructuring in the labour market during and after the pandemic will affect housing affordability, we are quite certain that the pandemic has increased the importance of housing affordability due to its close relationship with the public health crisis (Kang et al., 2020). Inadequate housing conditions have increased the vulnerability to virus infection while many households facing unemployment or a reduction in income have suffered housing instability during the pandemic. Hence, we believe that this special issue of the *International Journal of Urban Sciences* on The Global Crisis in Housing Affordability is both timely and of utmost public interest. It covers an exceptionally wide range of research on housing affordability, including a review of the current literature, a conceptual discussion of the nature and systemic determinants of housing affordability, the extent of housing affordability problems in both developed and developing countries, analyses of the causes and effects of these problems, and evaluations of housing policy measures. Papers in the special issue notably feature diverse authors' voices and geographic contexts, ranging from North America and Europe to Asia, Latin America, and Africa, and focus upon both developed and developing countries.

The special issue begins with Galster and Lee (2021), who critically review and synthesize the vast international literature on housing affordability. They discuss different measures of housing affordability, the causes and effects of unaffordable housing, previous policy approaches, and potential future trends in affordability. They propose a systematic, holistic perspective and specify nine structural relationships for a metropolitan area that delineate the determinants of housing affordability. In their comprehensive analysis of recent research trends in the evaluation of affordable housing policies, the authors demonstrate that although evaluation research in the context of western, developed countries' housing policies has dominated, increasingly such research has emerged from other countries.

Haffner and Hulse (2021) also provide invaluable conceptual foundations for the analysis of affordable housing by taking a fresh look at the concept itself and how alternative formulations feed distinct policy responses. Their paper provides a critical, multi-disciplinary assessment of housing affordability from legal, political, economic, social, and cultural perspectives. It also offers a clear-eyed assessment of the pragmatic challenges for urban policy in adopting a multi-dimensional concept of housing affordability.

Despite abundant research on growing problems of housing affordability, documentation efforts in the context of developing countries are limited. Helble et al. (2021) fill this gap by painstakingly gathering data from 211 cities in 27 developing countries in the Asia-Pacific region to paint a groundbreaking portrait of the housing affordability crisis there. They report that the region's average price-to-income ratio is above 12.5, a staggering number indicating that housing is severely unaffordable for the large majority of urban dwellers. In particular, housing unaffordability tends to increase for cities with larger populations and lower household incomes in developing countries in Asia. They also demonstrate that the extent of housing unaffordability in developing Asia is substantially higher compared with cities in developed countries. Potential reasons for such a serious housing affordability problem in this region include slower supply responses, low absolute income levels, relatively higher construction costs, rigid land use regulations and inefficient planning systems.

Several papers in the special issue investigate the causes and consequences of housing unaffordability. Kim, Park, Cho, and You (2021) discuss the dynamic relationships among borrowing constraints, housing affordability and housing tenure choice. In the context of South Korea, they show that the home purchase affordability could improve even without a decrease in the price-to-income ratio if the access to mortgage finance increases with the expansion of mortgage supply, low interest rates and lenient macro-prudential regulations. The authors highlight that the role of borrowing constraints to housing tenure has become more important over time as households who suffer severe borrowing constraints have experienced a greater difficulty in purchasing homes.

The paper by Seitz (2021) demonstrates in rich contextual detail how housing unaffordability leads to negative macro effects on cities. He points out very slow urbanization trends in Kazakhstani cities despite ambitious government targets and argues that housing unaffordability in the urban areas of Nur-Sultan and Almaty deters many potential domestic migrants. He adds that in addition to housing unaffordability, high home ownership rates and an abnormally small rental market further reduce domestic mobility, yielding sobering implications for economic growth.

The current evidence has revealed that we cannot rely on housing markets alone to fix themselves and the negative consequences of such market failures are very serious to both households and cities. It is also apparent that existing policies in most nations have not effectively and efficiently resolved these problems related to housing affordability. How, then, should policy-makers respond? Several papers in the special issue discuss housing policies from both theoretical and empirical perspectives. An exceptionally diverse set of national policy contexts are represented: Mexico, Tanzania, Scotland, England and the U.S.

Reyes (2021) traces the recent evolution of the Mexico's housing and urban development policy and poses the paradoxical coexistence of housing vacancies and shortages as a major housing problem that emerged during recent housing financialization processes. She highlights how this seemingly contradictory phenomenon has been experienced by households, neighbourhoods, and public and financial institutions based on two comprehensive local case studies, Tijuana, Baja California and Huehuetoca, Estado de México. By elucidating the recurring shortcomings and contradictions of Mexican housing policy, the paper provides important policy implications for financialization and

housing development patterns in other developing countries, especially those in the Global South.

Similar themes emerge in Izar and Mtwangi-Limbumba's (2021) analysis of the transformation of Tanzania's National Housing Corporation from a completely state-subsidized provider of public housing to the largest real estate developer in the nation focusing on joint commercial and market rate housing ventures in partnership with private capital. NHC intended to earn a return to the national government sufficient to cross-subsidize lower-income housing for sale, but the authors document many unintended consequences. To maximize values, NHC never socially mixed projects and reserved the most desirable locations near rapid transit for higher-income developments, stimulating displacement of the poor previously living there. By contrast, there was a floor on how affordable NHC could make peripheral housing because it had to pay for infrastructure and high taxes on building materials. This sobering case study demonstrates why reliance on filtering and neoliberal policy reforms is unlikely to provide housing for the most needy or replace informal settlements in the developing world.

The geographic locus of housing policy evaluation shifts to Scotland and England in Gibb's (2021) paper. He traces how policy with respect to housing supply programmes diverged significantly in these two areas since 2010, thus providing an intriguing natural experiment. Gibb compares Scotland's efforts at council house building aimed at delivering supply targets intended to tackle unmet housing need to the English strategy of essentially ending social housing and replacing it with less-generous ownership and rental supply programmes. Using an innovative synthesis of policy evaluation approaches, Gibb finds the Scottish strategy more effective in mitigating the affordability crisis and reflects on the lessons from this sub-national housing policy divergence.

Whitehead and Goering (2021) continue the theme of comparative policy analysis in their history of responses to housing affordability challenges in the archetypical 'world cities' of London and New York. They argue that, though similarly affected by the powerful forces of globalization, the idiosyncratic legacies of housing policies and central government-city relations in these two cities have yielded distinctive manifestations of housing problems and potentials for resolution. New York is exceptional in the U.S. in its scale and breadth of funding for affordable rentable housing because of the immense need and the vacuum left by the retrenchment of federal funding. Ironically, New York is also exceptionally able to fund these supports due to the property tax revenue spun off by globalization-induced property inflation, though Balkanization of metropolitan local governments hampers the development of a coherent regional housing strategy. By contrast, London has a regional administration with planning and funding powers and a much more generous legacy of central government funding. Yet, London has comparatively limited taxation and regulatory powers. Based on their analysis, Whitehead and Goering draw provocative lessons and offer prognostications for how world cities might deal with their housing affordability challenges.

Finally, Dawkins (2021) advances a conception of housing justice grounded in the ideal of civic equality, applies civic equality toward the evaluation of current U.S. federal housing policy, and proposes a comprehensive housing policy reform that is consistent with civic equality. He advocates for policy reforms designed to shift the balance of federal housing policy priorities away from homeownership towards the satisfaction of low-income households' basic housing needs. His innovative proposal of 'negative

housing tax' logically extends the idea of a negative income tax to a tax on housing consumption and capital gains from home sales. The revenues generated from this tax would provide funds to support a guaranteed monthly housing allowance that would be distributed to those facing the most severe housing needs.

In conclusion, this special issue offers powerful theoretical discussions and empirical evidence on the nature, extent, causes, and consequences of housing affordability problems, and the past and potential policies responding to this challenge. This collection of papers is distinguished by the diversity of its international contributors, breadth of disciplinary perspectives, and richness of historical and contextual detail. We hope that the originality of the concepts, power of the data, and insights of the rich case studies provided here will provide scholars and policymakers with new motivations and tools to combat this crisis.

### Disclosure statement

No potential conflict of interest was reported by the author(s).

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