OECD High-Level Policy Roundtable on Better Housing for Better Lives

16 June 2021

Main Messages

The Roundtable brought together high-level international, national and local policymakers and stakeholders from the housing sector. They discussed the key challenges they are facing and the policy strategies they are pursuing in the area of housing in light of the evidence and insights provided by the OECD Housing Policy Toolkit (https://www.oecd.org/housing/policy-toolkit/) to inform policy choices and disseminate international experiences and good practices.

How to address housing challenges and facilitate lasting access to quality housing?

The discussions underlined the many ways in which housing influences the well-being of people and the performance of economies, as well as the many levers available to policymakers to shape housing outcomes.

Participants noted that the COVID-19 pandemic exposed a broad range of channels through which housing affects well-being, including not only household budgets and job-market access, but also child well-being and remote schooling possibilities. The exchanges also illustrated the many policies that shape housing outcomes, ranging from land-use governance, building codes, rental market rules, environmental regulation and tax policy to public spending programmes.

Participants welcomed the approach that the OECD has taken to bring together analysis and these varied policy levers in an integrated Housing Policy Toolkit. They appreciated that the Toolkit proposes reform options on the basis of empirical evidence and country experience in a way that allows policymakers to deal with trade-offs and complementarities among different objectives, including economic efficiency, social inclusion and environmental sustainability of housing markets.

A salient feature of the discussions was the need to unlock supply in response to rising demand for housing. Participants emphasised the importance of removing regulations that unnecessarily restrict supply and encourage urban sprawl, such as minimum lot size requirements or building height restrictions. They highlighted that addressing supply-demand mismatches is not only a matter of economic efficiency but also of social inclusion: rigid supply makes it particularly difficult for low- or medium-income groups to afford quality, appropriately sized housing close to good jobs, reinforcing pre-existing spatial inequalities. Discussions also underscored the benefits of intervening early, for instance by pre-zoning well connected areas for high-density developments.

Participants underscored the importance of housing taxation. They recognised that specific features of tax codes create a bias towards home ownership, such as interest deductibility of interest paid on mortgages, as well as the merits of removing obstacles to residential mobility arising from onerous fees and taxes on transactions. They noted the scope for using tax incentives for investment to improve the energy efficiency of buildings, while bearing in mind that tax advantages may also result in inflated prices for limited economic benefits, such as those that favour mortgage borrowing by homeowners, which can also potentially fuel financial instability.
Sustainability considerations came to the fore in the discussions. Participants noted the environmental footprint of housing, not least through emissions of greenhouse gases, and the scope for action to improve the energy efficiency of buildings in a manner that is consistent with broader efforts towards decarbonisation to meet agreed emissions targets. They noted the need for investment in this area, especially where energy performance is poor, and to find innovative ways to finance investment. They also noted the scope for addressing energy poverty.

The importance of appropriate governance was recognised. Participants highlighted the benefit of assigning responsibility for approval of housing developments at the level of the metropolitan area. They noted that decentralisation of land-use functions to the level of districts or small-sized jurisdictions makes it difficult to deal with externalities associated with housing policies that affect larger urban areas and could facilitate policy capture by local interest groups.

The recovery from the COVID-19 pandemic underlines the importance of well-functioning rental markets. Participants mentioned many of the measures taken in different countries to protect homeowners and tenants, including eviction moratoria and rent freezes. They argued that if these measures are kept in place for too long they risk discouraging the supply of rental properties by owners and developers, ultimately discouraging mobility and making access to the rental market even more difficult.

What is the contribution of affordable and social housing?

The COVID-19 pandemic has amplified the focus on longstanding inequalities and fragilities in the housing sector. Participants welcomed the most recent updates to the OECD Affordable Housing Database, which facilitate an assessment of the housing situation before the crisis while offering a first glimpse of the implications of the pandemic on housing affordability and homelessness.

Participants discussed the diverse housing impacts of the pandemic across different population groups, tenures and regions. For instance, over the course of the pandemic, some higher-income households who were able to benefit from historic savings and low-interest rates, sought out larger homes, which has contributed to drive up housing prices. On the other hand, many low-income households, as well as tenants, have been more vulnerable to income shocks and job losses and continue to face fragility in the housing market, including rental arrears and the threat of eviction. Other groups have been disproportionately affected by the crisis, including women, particular ethnic or cultural groups, people experiencing homelessness, as well as people with disabilities; in many cases, these populations were already more vulnerable coming into the crisis.

At the same time, the COVID-19 crisis brought unexpected, positive lessons in the housing sector, which could provide the building blocks for more sustainable, inclusive approaches in the post-crisis context. Participants highlighted that new cooperation among different actors in the housing sector emerged over the course of the pandemic to address pressing housing challenges, such as homelessness and evictions. For example, coordinated and timely efforts helped to reduce street homelessness and provide much-needed support to people facing housing insecurity in many countries. The new European Platform on Combatting Homelessness aims to build on these efforts to end homelessness by working closely with governments to facilitate dialogue, strengthen cooperation and improve monitoring. In addition, innovations in the social housing sector – including the creation of work/study areas within social housing developments to facilitate teleworking and distance learning – could be maintained and expanded across the sector.

The pandemic has also spurred a call for renewed public investment in affordable and social housing as an essential building block of a sustainable, inclusive recovery. Across the OECD, direct public investment in housing development declined by more than 90% between 2000 and 2019, to less than 0.01% of GDP on average. Along with the need for recovery efforts to address longstanding housing affordability and quality gaps, investments in the housing stock must also contribute to more environmentally sustainable
outcomes. As highlighted in the OECD report, *Brick by Brick: Building Better Housing Policies*, globally, the residential sector accounts for around 17% of GHG emissions and over a third of emissions of fine particulate matter. Energy efficiency upgrades of the social housing stock can contribute to reducing the carbon footprint of the housing sector as well as energy poverty among social housing residents.