

# Editor's introduction

## What price homeownership?

In the UK, the post-Brexit Government of Theresa May has moved away from her predecessor's almost exclusive focus on raising the level of homeownership. At the Conservative Party conference in October 2016, Mrs May declared that *"We simply need to build more homes"*. and distanced herself from those who appeared committed to promoting homeownership even at the cost of maximising new housing supply. The UK government has since announced that grant for new affordable housing will be allocated more flexibly to allow housing associations to build homes for rent as well as for sale.

A cynic might argue that shifting the political ground in this way was little more than a quiet recognition of the fact that successive Conservative housing ministers had presided over falling homeownership since 2010 and that homeownership levels have in fact been falling since they peaked at over 69% in 2004, reaching a new low of 62.9% announced in March 2017.

UK homeownership is now at a lower level than in the USA where the latest figure of 63.7% was announced by the Census Bureau in January 2017, only days after the inauguration of President Trump. The latter figure is well below the peak.

Those who expected the incoming Trump administration to announce a raft of measures to assist beleaguered and aspiring homeowners were surprised that one of Trump's first acts was to reverse a 0.25% reduction in the cost of mortgage guarantees issued by the Federal Housing Administration. This move, expected to significantly affect mortgaged homeowners, including first-time buyers, could be taken to signal that intervening to sort out the dysfunctional US housing finance system is now a higher priority than promoting homeownership; time will tell whether populist aspiration or the desire to reduce taxpayer liability will ultimately gain the upper hand.

The UK and US are not isolated instances of stagnant or falling homeownership levels. Europe tells its own story, with homeownership

levels now below their peak in a number of countries including the Netherlands, Spain and Finland, moving towards the Pacific, homeownership in Australia at 67%, is well below its peak of 71%.

Falling homeownership has been noted as a phenomenon by several commentators, particularly in the wake of the Global Financial Crisis. The cause is often cited as affordability, which in the UK is seen as a result of a chronic shortage of new housing supply and to an extent as a consequence of stricter lending criteria. While such factors are clearly important, are there other underlying trends at work? It is no accident that the most sustained rises in homeownership levels in many countries took place in the post-war period when governments were, in many cases, prepared to intervene to ensure full and stable employment and to underpin that with high levels of welfare benefits. In addition, there was a willingness by many governments to intervene directly to ensure that housing supply was adequate to meet need. While economic liberalisation during the past quarter century may have produced benefits in terms of GDP it has been at a price. That price has often been less stable jobs, higher unemployment, poorer welfare provision and less promotion of new housing supply. Public housing is increasingly seen as a feature of the past. Arguably, this has undermined the social foundations on which rising homeownership was built. Ironically, those worst hit have frequently been those who have fuelled pro-BREXIT sentiment and propelled President Trump to power. Housing finance pundits must now analyse whether there are real prospects for a revival in homeownership where it is in decline, or whether the decline will continue and result in a re-shaping of traditional housing finance markets.

So far, housing and housing finance have not been major discussion topics for observers of the new Trump administration. Yet, for housing finance professionals the likely policy stance of the administration in these areas is of great importance. This issue of HFI takes the discussion forward with thoughtful articles by

Alex Pollock and Jay Brinkman, both US citizens with long experience of the vicissitudes of housing finance systems. While the two articles reflect the individual stances of their authors, both focus on the key tasks facing the new administration and they are agreed that reform of the housing finance system underpinned by the two agencies Freddie Mac and Fannie Mae should be the focus for change.

Brazil's housing finance system has had its problems also. In a fascinating article, Claudia Magalhães Eloy looks at attempts that have been made to increase the role of the capital markets in funding mortgage lending. Eloy shows how the existing deposit-based system, characterised by significant government intervention, has proved surprisingly resilient.

In an important article on housing subsidy programmes in Mexico, Arthur Acolin and Haim Kichik examine the provision of mortgage finance for households on low and moderate incomes and the provision of grants by the National Housing Commission (CONAVI). The article focusses particularly on the introduction on location criteria for eligibility for the above subsidies, in order to combat default and high vacancy rates.

When homeownership is unattainable or impractical, then households rent. In Nigeria, 85% of urban households rent their homes. In a valuable article, Ben Okusu analyses the rental sector in Nigeria, in an article that discusses supply, market fundamentals and their interaction with investment. He also touches on the relevance of the concept of rent-to-own.

An important outcome of the United Nations Habitat III conference in Quito in 2016 was the New Urban Agenda. It is predicted that by 2050, 70% of the world's population will live in urban areas, making the Agenda of particular interest with ecological sustainability, urban resilience and inclusion forming key focal points. In their article, Sandra Jurassovich and Wolfgang Amann set out the contents of the New Urban Agenda, and assess its strengths, weaknesses and possible impact.