

Editor's Introduction

↳ By Friedemann Roy

With the overall economic climate slowly improving world-wide, we should be capable of further scrutinising the effects of the global financial crisis on the individual national housing markets. A recent article in the Financial Times which refers to the latest European Quality of Life Survey points out that Europe's households are apparently better protected from the ravages of the financial crisis than its banks. Only a minority of homeowners have a mortgage and, to date, only few have experienced payment difficulties.¹ Even households in Central and Eastern Europe, the part of Europe which has been particularly affected by the global recession, appear to be less affected since only 8% of all households have a mortgage.² However, the article does not elaborate on the extent of rising non-performing loans and their repercussions on households and banks.³

The following months are expected to shed more light into such issues and will provide relevant lessons learnt. This should help to develop housing markets which are more resilient to fluctuations in the economic cycle and to continue promoting access to housing finance for lower income groups without creating undue systemic risks.

Our first contribution is a note on an article which was published in the March 2009 edition (Vuyisani Moss, "Measuring the Impact of the Financial Sector Charter (FSC) with Respect to Low Income Housing in South Africa"). The author, Pierre Venter, believes that Mr Moss's contribution contains misleading statements and findings. He argues that over the past years lenders have made great efforts to provide more lending to the low income sector in South Africa. However, inefficiencies in the institutional framework have held them back.

Our second contribution is by Raymond Struyk. He delivers an excerpt from the "Guide to Preparing a Housing Finance Strategy", a report he prepared for the UN-Habitat in Nairobi. This report provides assistance to housing policy makers in the development of a housing finance strategy. This strategy is aimed at deploying the financial resources available in a given country

to finance the demand for housing by the different segments of the society, in particular low and middle income groups.

The next two contributions are in close connection to Raymond Struyk's contribution since they deal with affordable housing. The first is by Patricia M. Austin and describes the attempts in New Zealand to introduce policies requiring developers to contribute to affordable housing provision in local communities. The Labour-led government introduced an Affordable Housing Act in September 2008 but, following a change in government, this is now under review. This policy transfer experience is contrasted with that of a small mountain resort community (Queenstown Lakes) that has successfully negotiated affordable housing contributions with a number of its local developers.

The second, drafted by Julie Lawson, Mike Berry, Vivienne Milligan and Judith Yates, contemplates the development of an investment model to finance affordable housing. The authors argue that unlike many other countries, Australia has not established a long term vehicle to channel institutional investment into housing, despite clearly inadequate public and private low cost supply, a situation that has been recognised by numerous reviews in the country. In their paper, the authors revisit the case for housing bond financing in Australia and supplement it with the analysis of similar, but well established, bond financed schemes operating successfully in Austria and Switzerland. This analysis provides an exploratory basis for outlining the necessary features of a bond financed model that would be appropriate for the Australian conditions in order to support the sustainable growth of social housing and the broadening of affordable housing options for low and middle income households.

Our next contribution, which is written by Jun-Hyung Kim, Mack Joong Choi and Jinsoo Ko, deals with a housing feature in Korea that has not been studied in depth so far. It is generally assumed that homeowners live in the house they own. However, homeowners may live in a rented house and lease their own home. Thus, homeownership may not necessarily imply resi-

dence. This feature is of particular importance in Korea: the Chonsei system allows homeowners to obtain a sizable upfront deposit in cases where they rent their own apartment/house to a different person. The deposit earned could be used to rent a different house or apartment without disposing of the already owned home. In their paper, the authors investigate how systematic this pattern of mismatch between homeownership and residence is and, if so, what factors contribute to it.

Our last article by Michael E. Stone provides a provocative analysis of the sub-prime crisis in the United States. In his contribution, he describes how the U.S. Housing System was constructed and how it collapsed. Following that description, he identifies a number of elements for building a different and more solid housing finance system.

I hope you will enjoy reading these articles. Please do not hesitate to come up with your comments (as Pierre Venter did) to stimulate a wider debate which will allow for a broader exchange of ideas and concepts. They are more than welcome!

Friedemann Roy⁴

¹ See Financial Times (24 July 2009), "Europe's households build finances on firmer foundations". The article is written by Chris Giles.

² The article does not refer to the home improvement and consumer loans taken out by many people in the region to improve their housing situation.

³ A good insight in this issue can be found at a recent EBRD blog from 16 July 2009 ("A look at non-performing loans: the boomerang effect" by R. de Haas) and a recent

paper from Deutsche Bank Research ("All about asset quality", 20 August 2009).

⁴ The Findings, interpretations, statements and conclusions expressed herein are those of the editor alone and do not necessarily reflect the views of the International Bank for Reconstruction and Development/The World Bank and its affiliated organizations, or those of the Executive Directors of The World Bank.