AFTER OWNERSHIP
FUTURE HOUSING POLICIES:
THINKING ABOUT THE BRICKS
with a focus on China and Brazil

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A.1. HOUSING AND OWNERSHIP

FOCUS HERE NOT ON CHOICES OF HOUSEHOLDS AND FINANCIAL FIRMS BUT WIDER OUTCOMES

• Four decades of intensifying ownership rhetoric.....international agencies, domestic politics (governments and opposition), media and public

• Ownership expanded universally but selective
  – Lowest income groups
  – Age effects, Generation Y, falling age specific rates

HOW AND WHY DID WE GET HERE, WHAT TO DO ABOUT IT
B.1 WHAT HAS HAPPENED IN HOUSING SYSTEMS

Familiar outcomes, Australia, UK, Canada, USA and EU:

• Growing ownership, slowing
• Unstable house prices, rising above RPI
• Increased housing wealth inequalities
• Reduced public housing, non-profits struggling
• Reductions in welfare
• Growing reliance on, longevity in, market rental sectors
• Rising needs, homelessness
• Negative effects on productivity?

WHAT ABOUT THE BRICS
B. Issues

- How housing in three of the BRIC countries has been impacted by growth
- How their governments have formed and adapted housing policies after the Global Financial Crisis of 2008
- Assess future challenges and whether these changes may have potential lessons for other countries
B.2 COUNTRY PERFORMANCE, SUMMARY

- Fast growth
- Urbanisation, though slower
- Rising income inequality, Brazil already v.high
- Demographic change
- Ownership growth dominates (WB, IMF policy lead)
- Rising, unstable house prices
- Informal housing outcomes growing faster than middle class
## Two countries compared – Demography and Economy

<table>
<thead>
<tr>
<th>Brazil</th>
<th>China</th>
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<tbody>
<tr>
<td>200.1 million</td>
<td>1,410 million</td>
</tr>
<tr>
<td>30 years old (median)</td>
<td>36 years old</td>
</tr>
<tr>
<td>Sao Paulo 19.96 m; Rio de Janeiro 11.836 m;</td>
<td>Shanghai 16.575 million; Beijing 15.594 million</td>
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<table>
<thead>
<tr>
<th>Brazil</th>
<th>China</th>
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<tr>
<td>GDP: US$ 3.4 trillion</td>
<td>GDP: US$ 12.6 trillion</td>
</tr>
<tr>
<td>Growth rate – 7.5% in 2010 and approx. 2.5% in 2013</td>
<td>Growth rate 8 to 10%</td>
</tr>
<tr>
<td>Investment: 18.1% of GDP,</td>
<td>Investment: 47% of GDP</td>
</tr>
<tr>
<td>Taxes: 36.5% of GDP</td>
<td>Taxes: 22.5% of GDP</td>
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</tbody>
</table>
Brazil: Problematic Housing Outcomes

- Deficit 5.5 Million of units (CAIXA, 2012)
- High rate of urbanisation
- 85% poor quality homes (11.4 Million people in Favelas)
Brazil: Problematic Housing Outcomes

- Not coordinated housing and infrastructure programs at local level
- High speculation, high cost of living, corruption
China: Problematic Housing Outcomes

- Deficit of 40 Million units (total of 361 Million households)
- + 8 Million new families per year
- 28 Million people in shantytowns
- Lack of data, lack of housing needs estimation
China: Problematic Housing Outcomes

- Small poor quality homes with little connected infrastructure
- Increasing economic and social gaps
- Poor market culture, second hand market is discouraged
C. DID THE POLICY OUTCOMES ADDRESS THE PROBLEMS
C. Brazil: Key Policies

- Counter cyclical policies (BNDES, PAC, MCMV)

- Programa de Aceleração do Crescimento (PAC)

  - Growth Acceleration Program - in 2009, approx. R$ 42 Billion, 84% to housing construction.
Brazil: Key Policies

- **Programa Minha Casa, Minha vida** - provision of 3 Million houses between 2009 to 2014:
  - 1.6 Million homes to 0-3 MW
  - 1 Million homes to 3-6 MW
  - 0.4 Million home to 6-10

- Creation of the Ministerio das Cidades (stronger policy relationships between federal, state and municipal)
Minha Casa Minha Vida Phase 1

- Investment of U.S. $ 53.2 billion
- 665,000 jobs created
- 3.4 million people benefited
- 80% of Tier I contracts signed with female heads of household

<table>
<thead>
<tr>
<th>Gross Family Monthly Income</th>
<th>Number</th>
<th>Built (até 31/12/2010)</th>
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<tbody>
<tr>
<td>0 a 3 SM - até R$ 1.395,00</td>
<td>400.000</td>
<td>482.741</td>
</tr>
<tr>
<td>3 a 6 SM - de R$ 1.395,01 a R$ 2.790,00</td>
<td>400.000</td>
<td>375.764</td>
</tr>
<tr>
<td>6 a 10 SM - de R$ 2.790,01 a R$ 4.900,00</td>
<td>200.000</td>
<td>146.623</td>
</tr>
<tr>
<td>TOTAL - CAIXA</td>
<td>1.000.000</td>
<td>963.608</td>
</tr>
<tr>
<td>TOTAL - AGENTES FINANCEIROS</td>
<td>1.000.000</td>
<td>63.772</td>
</tr>
<tr>
<td>TOTAL – BANCO DO BRASIL</td>
<td></td>
<td>4.748</td>
</tr>
<tr>
<td>TOTAL PMCMV 1</td>
<td>1.000.000</td>
<td>1.005.128</td>
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MCMV – the vision
C. China: Key Policies

- Reform - from worker units to commercial homes. Still developing housing finance system (no secondary market)
- Housing as a pillar of development (2003)
- Rebalancing economic growth with more explicit social actions since 2010.
C. China: Key Policies

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China: Key Policies

- Price control (since 2010) and Housing Provident Fund
- ECH – Economic and Comfortable housing Program
- Public Renting and re-investment in public housing
- Housing policy powers have been down-loaded to states and municipalities.
D. Some conclusions ...
Common Findings

1. Housing is a universal problem with different local causes
   - a shelter crisis in many and cost issues in all
   - Impacts bigger outcomes, needs to matter to all

2. Policy commitments and need are both growing
   - In all cases population growth and urbanisation outstrip post 2000 expanded policy commitments
Common Findings

3. Housing policy closely linked to City Policy and Infrastructure provision
   • Contrast with Western European social policy emphasis, changes government approaches

4. Policy and provision failures shape reliance on informal sector
   • Need for major remaking as well as new construction, slums trap rather than stimulate escape
Common Findings

5. Policies have stressed demand side
   - Financial sector creation, deregulation
   - Limited secondary mortgage markets
   - Reliance on own savings and family support
   - Tax supports, Public asset sales
Common Findings

6. Policies emphasised Home Ownership
   • Demands diversifying, new middle class
   • Only recent interest in rental market
   • China much more engaged in rental and public sector solutions
   • Efficient Markets not at forefront of policymaking

7. Lack Supply Side Policy
   • Relatively low elasticities
   • Land speculation, slow systems
   • Slow planning, corruption
   • Land Provision slows India and Brazil compared to China
Common Findings

9. New Emphasis in Economic Role
   • Adding to aggregate demand
   • Instability effects and potential bubbles
   • Growth and productivity

10. Affordable Housing Policies
    • Significant growth in all three
    • Social goals more obviously embedded in China
    • Localism without Resources: global issue
THE SINGLE MOST IMPORTANT OBSERVATION

“Recognition that housing output will have to rise and supply side change is essential if we are to sustain progress. A lesson for us all?”

Duncan Maclennan
Thank you

“Global Affordable Housing Report: BRICS Plus Mortar”

www.rics.org