



RESEARCH

Housing Risks and Macroprudential Policies: Supply Matters

**5TH BANCO DE ESPAÑA-CEMFI
CONFERENCE ON FINANCIAL STABILITY**

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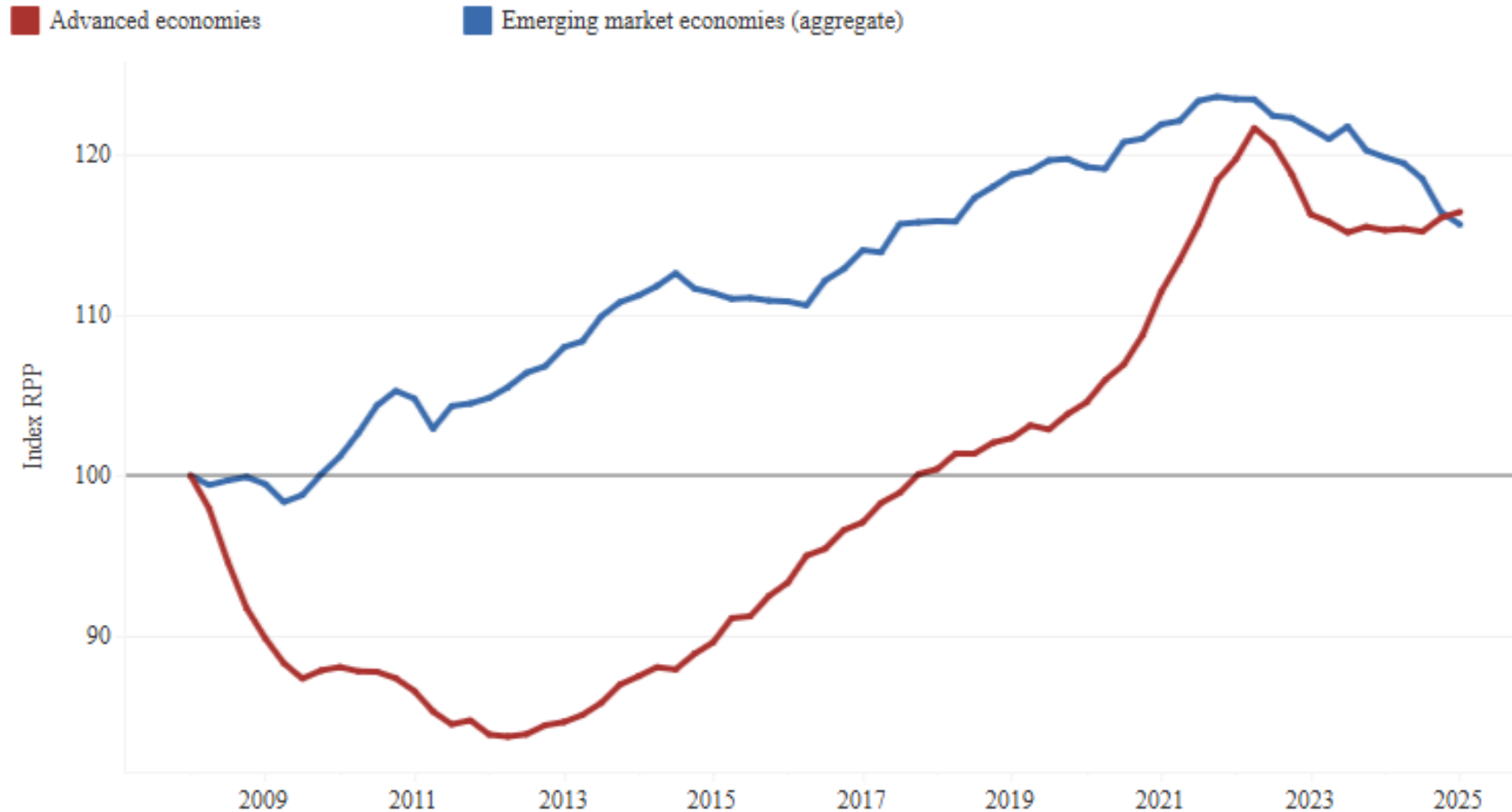
DENIZ IGAN

The views expressed here are those of the presenter and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Housing is special

- Closely linked to other sectors of the economy (→ Spillovers)
- Longer-term links to economic structure (→ Productivity)
- Social welfare implications from lack of affordable housing (→ Political economy)
- Large storage of wealth (→ Consumption and labor market decisions, Role as collateral)
- Highly leveraged (→ Financial crises)
- Significant frictions and substantial network externalities (→ Further justifying policy intervention)

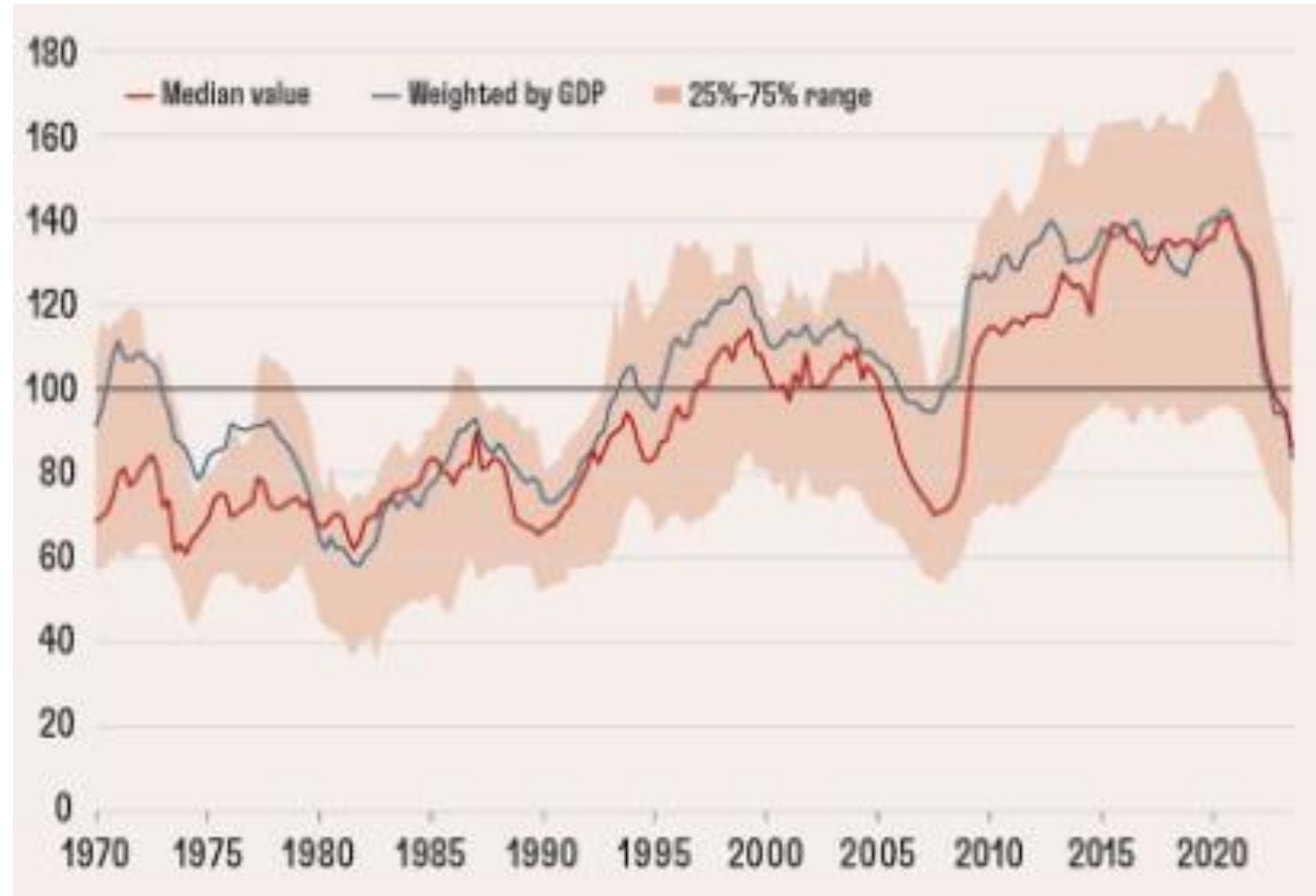
House prices have lost steam but held on in many cases



Source: BIS.

Note: Real residential property prices indexed to 100 in 2008.

Affordability has deteriorated

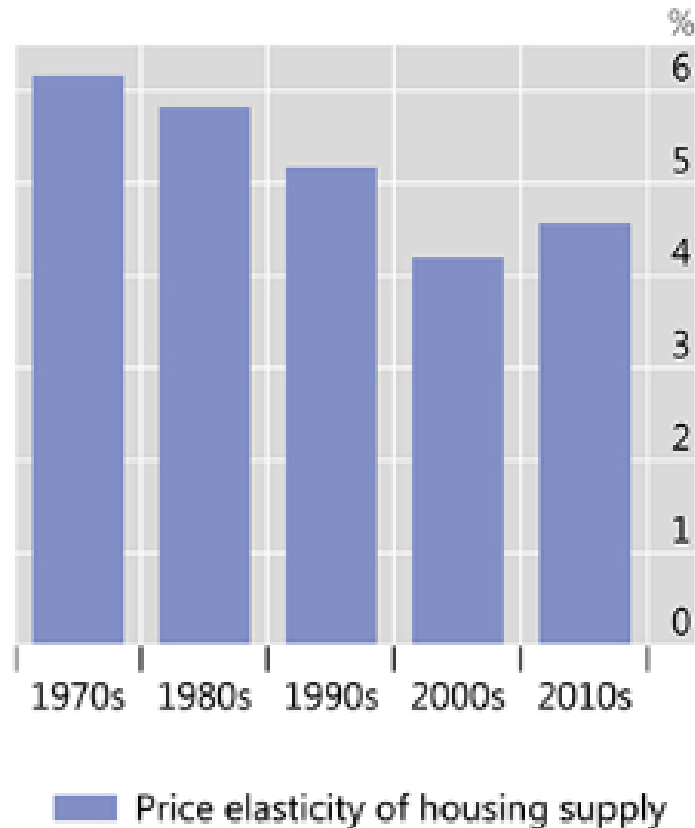


Source: Biljanovska, Fu, and Igan 2023.

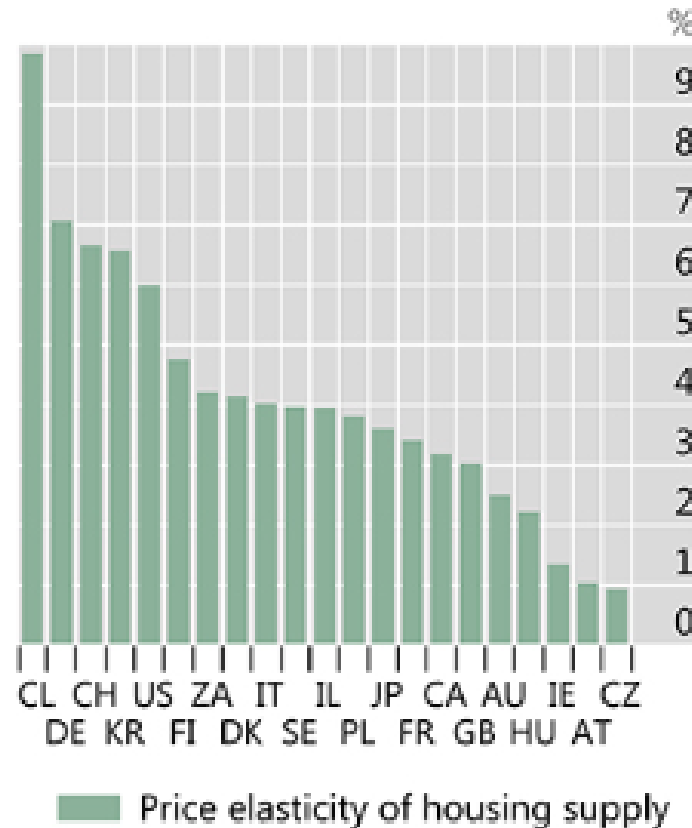
Note: The housing affordability index is the ratio of household income to household income needed to qualify for a typical mortgage to purchase a typical house. A reading above 100 indicates that a household has more income than necessary for approval; readings below 100 signal less income than needed.

Housing supply elasticity has fallen

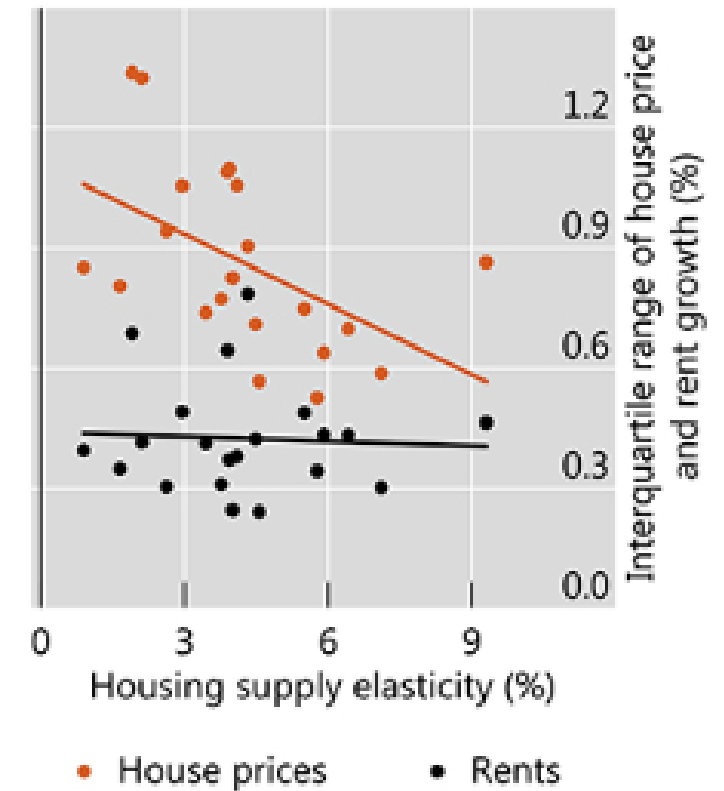
A. Price elasticity of housing supply has fallen



B. The average supply elasticity varies substantially across countries



C. Less elastic supply is associated with more volatile house prices



Source: Banerjee, Gorea, Igan, and Pinter 2024.

Note: Estimates of supply elasticity constructed using a time-varying parameter Bayesian vector-autoregression (BVAR) model. Shocks are identified through sign restrictions, adapting the identification restrictions imposed in Baumeister and Peersman (2013) to the context of the housing market.



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