



# ENHR 2009 Prague Conference

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## ENHR 09 Prague conference

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- ➔ *focus on topic*: housing markets and wider economy, housing market segmentation and housing finance assessment (HB Award);
- ➔ *focus on mood*: provocative, critical discussions of past research (enough space for discussion during plenary sessions organized as panels);
- ➔ *focus on targets*: searching for originality and new perspectives (HB Award, engaging experts outside of ENHR);
- ➔ part of the Czech EU presidency;
- ➔ unique historical Prague environment.



## Critical discussion I

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### Methods for housing market assessment ("sustainability" of market development)

- ➔ **recall the optimism about housing markets and prices:** OECD, ECB, BIS and many academic papers until 2007 held the view that the majority of housing markets are in line with its fundamentals vs. relatively few academics showing overpricing (plus commentaries in *The Economist*, [www.housepricecrash.co.uk](http://www.housepricecrash.co.uk)); lay people were more sensitive to real market development than experts;
- ➔ **recall the criticism of price-to-income as an archaic (limited-value) indicator** – the record increases in  $P/I$  do not matter because inflation and IR are low, mortgage industry competitive, LTV often above 100%, loan maturity substantially increased, and thus loans are more affordable (if measured by repayment instalments housing is more affordable than ever before!!!);



## Critical discussion I – cont.

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- ➔ ***recall the criticism of price-to-rent (yield) as an archaic (limited-value) indicator*** – the record falls in yields explained by falls in interest rates (no matter that housing is a specific investment with a high risk of vacancy, rent arrears, with high maintenance and transaction costs);
- ➔ ***recall the differences in the conclusions of econometric models*** showing sometimes over-pricing and sometimes prices in equilibrium; the “optimists” often perceived the interest rate and even user costs (containing past price appreciation!) as economic fundamentals!!
- ➔ **most of us were blind to the fact that house prices after 2000 were cut off from the wider economy (GDP, incomes!)**



## Critical discussion II

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### Methods for house price trends and real-estate revaluation

- ➔ Price indices in most EU countries still unreliable, insufficient and incomparable (complete lack of standardization, low reliability of data sources);
- ➔ Use of price indices for real-estate revaluation (mass revaluation in the banking sector) is not linked to market volatility (real trends in fundamentals);
- ➔ No EU project comparing methods of price indices or testing one or a few methods of establishing a price index in different economic and cultural environments (hedonics?);
- ➔ **Lack of transparency → manipulation through the mass media exercised by the interests of market actors.**



## Critical discussion III

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### Research on the role of housing markets in the wider economy

- ➔ Market segmentation (market differentiation) was not appropriately taken into account → surprise that crash in one segment in one country can have global economic consequences;
- ➔ Research focusing on the consumption effect but neglecting the role of speculation, financial markets (securitization), price volatility, market segmentation;
- ➔ The role of housing supply (house-building industry) in the wider economy is rarely analyzed; analyses of housing supply themselves lead to different conclusions (supply is both elastic and inelastic, building industry is both competitive and uncompetitive, scale economy is both possible and impossible....).



## Critical discussion IV

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### Housing finance

- ➔ **Recall World Bank recommendations on give-away public housing privatization and housing finance reforms** in the Baltic states (Estonia, Lithuania), Hungary, Poland – all now affected by deep recessions, house price crashes, a high level of indebtedness (also due to mortgage loans in foreign currencies);
- ➔ **Recall World Bank recommendations on the secondary mortgage markets** (securitization) – where are Fannie Mae and Freddie Mac today?
- ➔ **Recall the ideology that “homeownership is the best and the sole best tenure”, the ideology that “we need more capital to put into loan financing”** – almost the same as the ideology of central planning during socialism “we need even more flats to be built”;
- ➔ **Recall the ideology that “demand-side subsidies are cheaper than supply-side subsidies”** – no real full cost-benefit analysis has been made, where cost measurement includes also the side effects of reform of the labour market, combating social segregation, administrative costs (it could show that public savings were relatively marginal or even negative!)



## Critical discussion IV – cont.

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- ➔ The research failed to show the embeddeness of economic processes in an institutional context, it failed to show potential risks connected with securitization, the high level of indebtedness among sub-prime borrowers;
- ➔ The research, especially policy studies, failed to show the importance of balanced policies trying to preserve a variety of tenures, the sustainability of the private rental sector as a substitute for homeownership.

**Why should we all pay the bill for that??? Why was there so much ignorance of alternatives to the mainstream ideology???**





## Narrow scientific discourse?

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- ➔ Scientific discourse might be very limited, discriminating;
- ➔ The discourse in economics often followed technical issues – best econometric methods, mathematic arguments, a high level of abstraction; often outside the real world;
- ➔ There was often a conviction that there is one universally best housing finance system, which can be applied everywhere - and not that a particular finance system can work only in a particular context!!
- ➔ The main housing research discourse could be geographically and culturally (language) biased.



## Narrow scientific discourse?

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One of the few (!) European ISI English-language impacted journals specializing on housing, articles 2006-2008 (126 articles):

### *Authors*

- ➔ At least one author of an article: 45% UK, 19% US; **64% UK or US; 80% from seven English-speaking countries** (UK, US, AUS, CAN, Hong-Kong, IRL, NZ), **91% from seven English-speaking countries and the Netherlands** → **only 8% by authors from other countries!**

### *Country case*

- ➔ **47.6% UK or US (or UK/US); 61% seven English-speaking countries, 72% seven English-speaking countries and the Netherlands**, only 5% really comparative;
- ➔ difference: many authors write about other countries – US about Armenia, Hong-Kong about China, authors from other small countries, like Slovenia, Belgium or Portugal, published mainly comparative studies.

Result: **Journal is a good source for Anglo-Saxon countries and the Netherlands.** Alternative views are published in other ISI-impacted journals not related to housing, often in local languages (Spain, France, Czech Republic); discourse is dispersed.



## How to save the prestige of housing research?

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To answer these questions we need **more open research work**, apply more context-sensitive analysis, prepare and organize **more international projects**;

To answer the questions we need a greater **sense of the context**, differences, institutional variables, wider consequences, **other perspectives**, new methods, new approaches, new theories, new categorizations, new meanings.

**Please, use Prague to start this process!!!!**



## Program

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- ➔ All workshops are run in one building with opened courtyard so it is quite easy to orient yourself;
- ➔ All rooms are air-conditioned;
- ➔ Coffee and refreshment will be served during breaks both in ground floor and the first floor;
- ➔ Lunch will be served in the third floor;
- ➔ The wi-fi internet connection in the whole building – few notebooks are in cloakroom left from aula and if you want to use your own notebook, ask for password at the registration desk;
- ➔ Program for workshops is displayed in the courtyard;

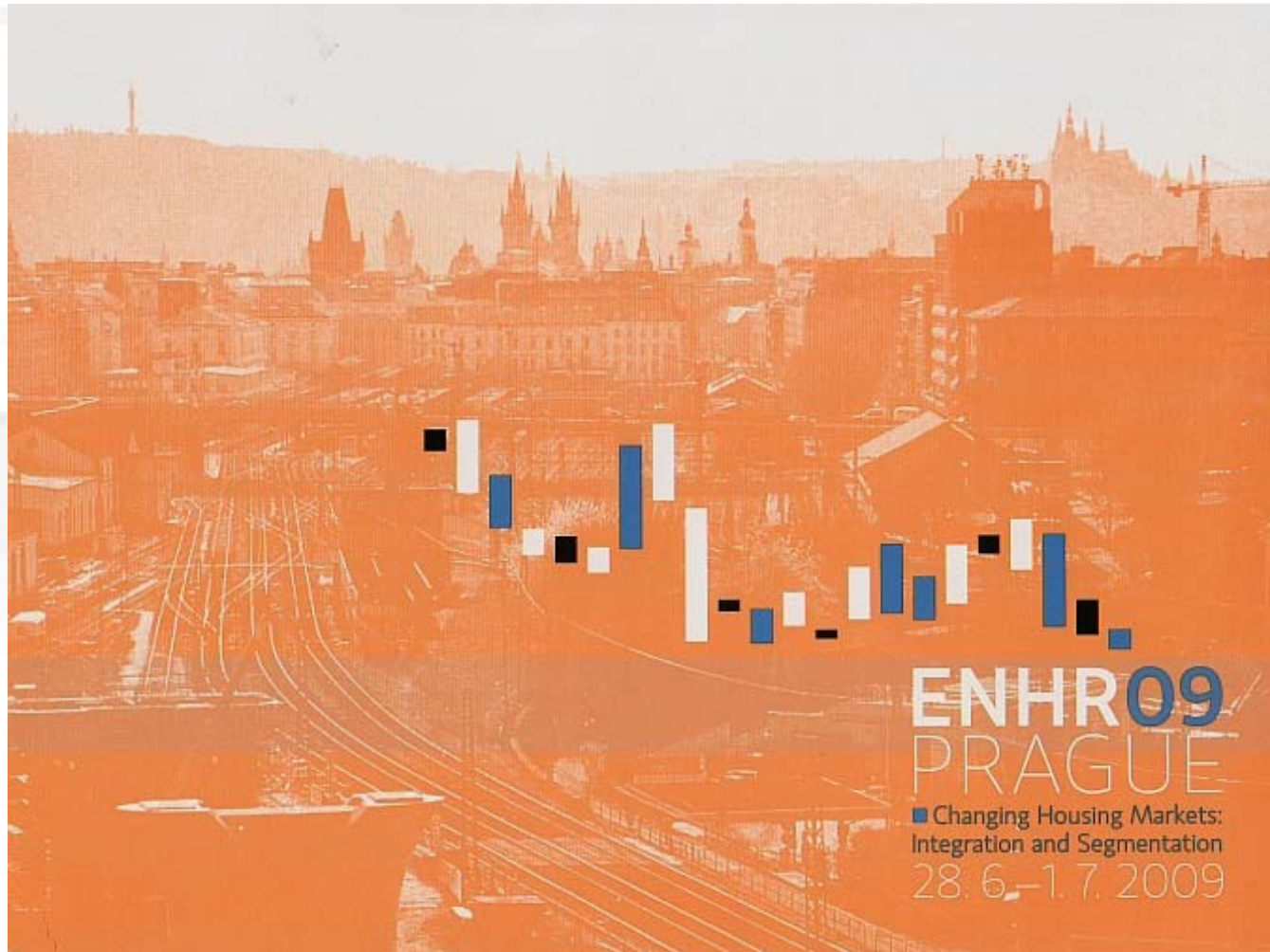


## Program

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- ➔ You can relax by seeing the exhibition “Housing of housing researchers” in the courtyard;
- ➔ You can also see the special presentations „Czechs? Who are they?” showing in relaxing way fragments from different Czech popular movies giving you some cultural context, and also some facts about Czech housing! – in the first floor next to the coffee break service;
- ➔ Results of HB Award announced during gala dinner tomorrow;
- ➔ In case of any question, please turn to people having orange T-shirt and they will do their best to help you!





# WELCOME TO PRAGUE



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