

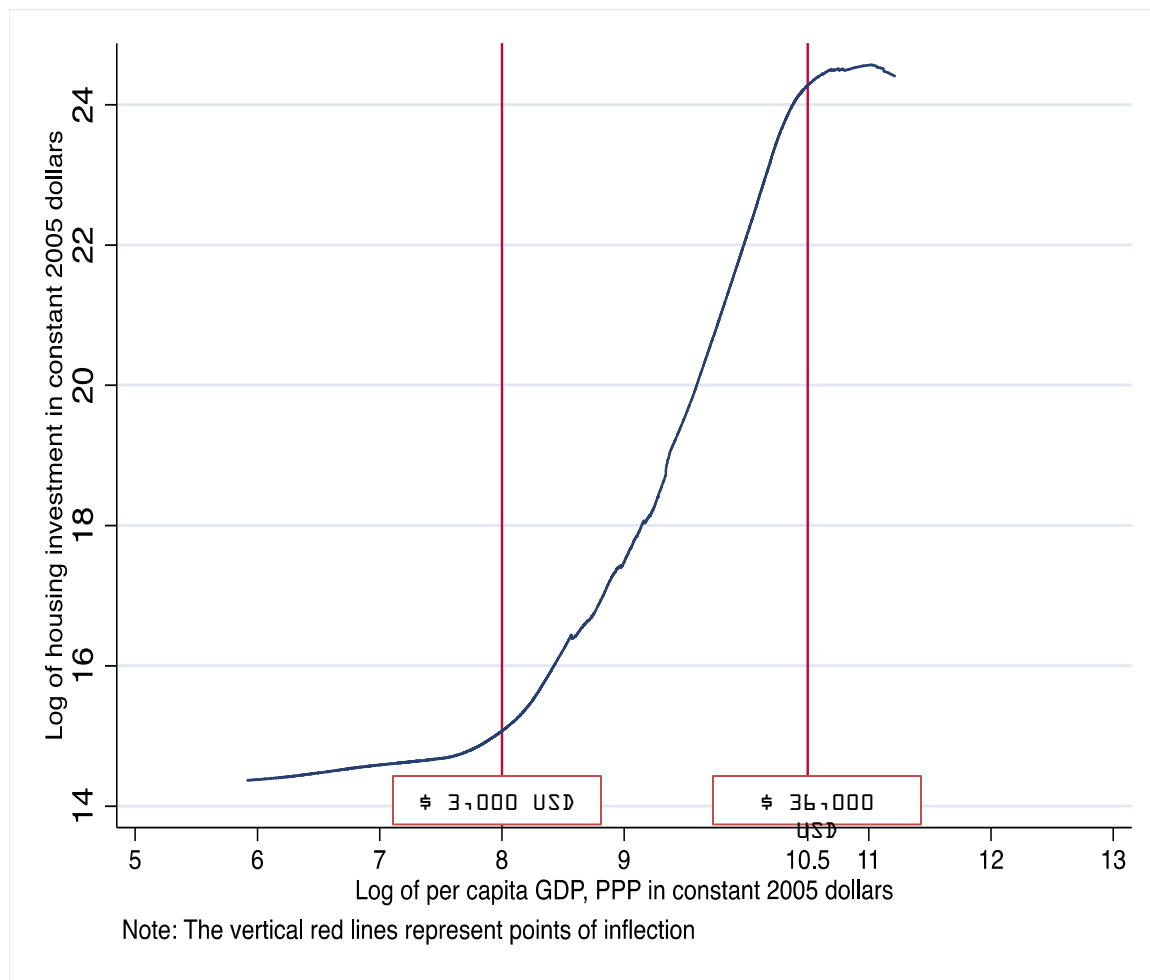
# Turkey's Affordable Housing Prospects and Challenges

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Nancy Lozano Gracia,  
Senior Economist -GPSURR  
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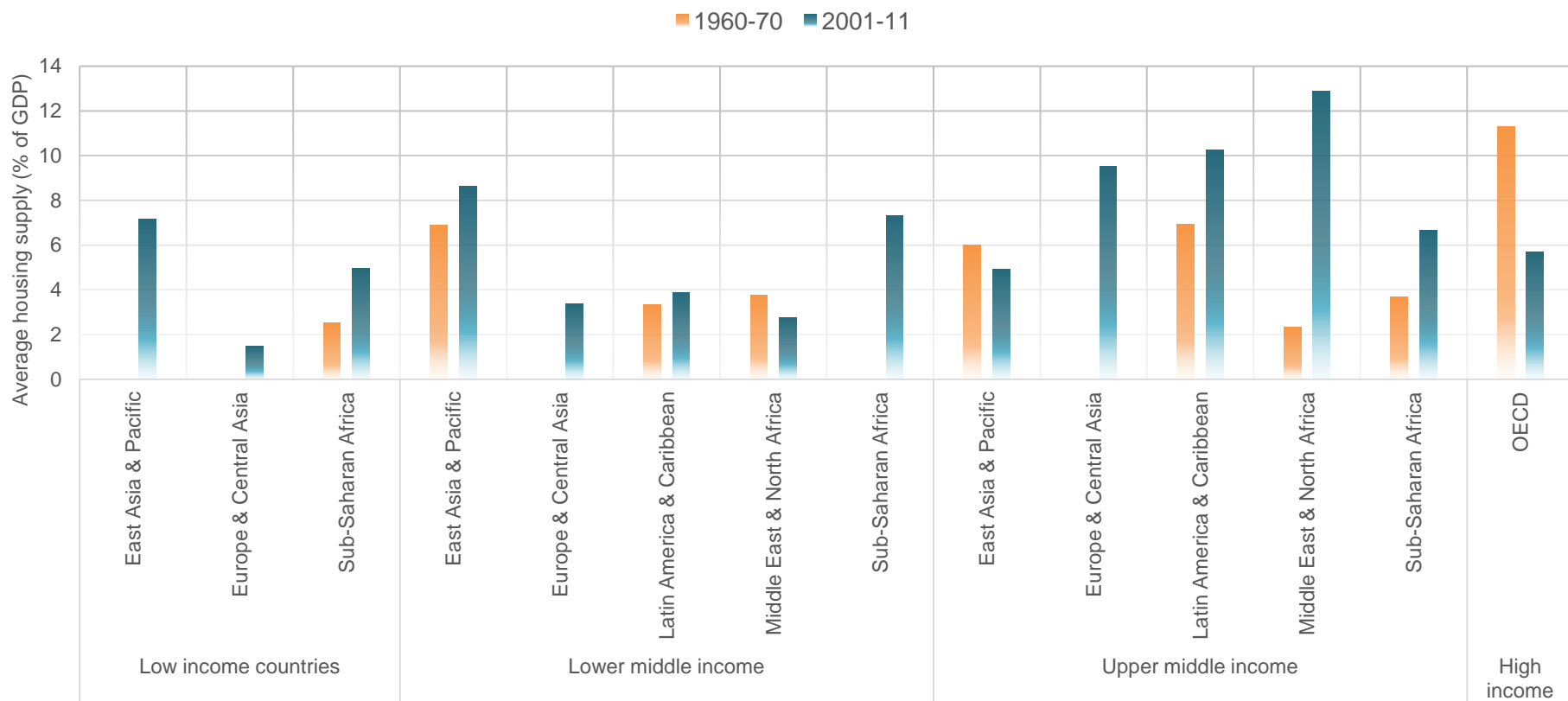
# Housing investment varies across stages of development



As countries approach high incomes, much of the housing and physical infrastructure is in place and residents instead demand many commodities that are substitutes for housing services (e.g., recreation vehicles, boats, etc.) or complements (e.g., household furnishings and equipment).

# Housing investments increases as countries reach middle-income status

Decadal average of housing supply (% of GDP) across regions and income categories





# Challenges in accommodating rapid urbanization – bring housing shortages

- Empirical evidence suggests that --between 1958 and 2010, housing starts lagged housing need by at least **9** years.

**H0: Housing need does not “Granger cause” housing start.**

lags	$\chi^2$ Square	$ \text{Prob}  > \chi^2$ Square
1	0.355	0.55
2	0.352	0.84
3	2.08	0.52
4	5.21	0.27
5	7.61	0.18
6	7.44	0.28
7	9.39	0.23
8	11.73	0.16
9	24.43	0.004***
10	38.39	0.000***
11	55.45	0.000***
12	83.77	0.000***
13	106.59	0.000***
14	153.11	0.000***
15	200.99	0.000***

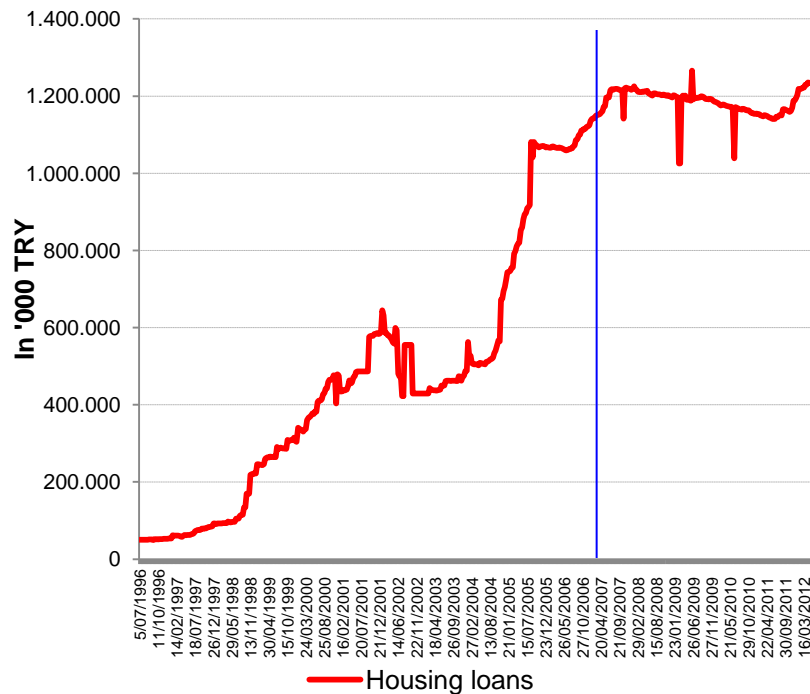
Note: The Granger causality is tested for the period between 1958 and 2010.  $\Delta_2$  indicates unit root test with second difference operator.

**Source (for Permits):** TUIK, Building Construction Statistics (Annual) ; **Source (for housing need):** Calculated based on avg. Household size=4.5 and population data from Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision and World Urbanization Prospects: The 2011 Revision.

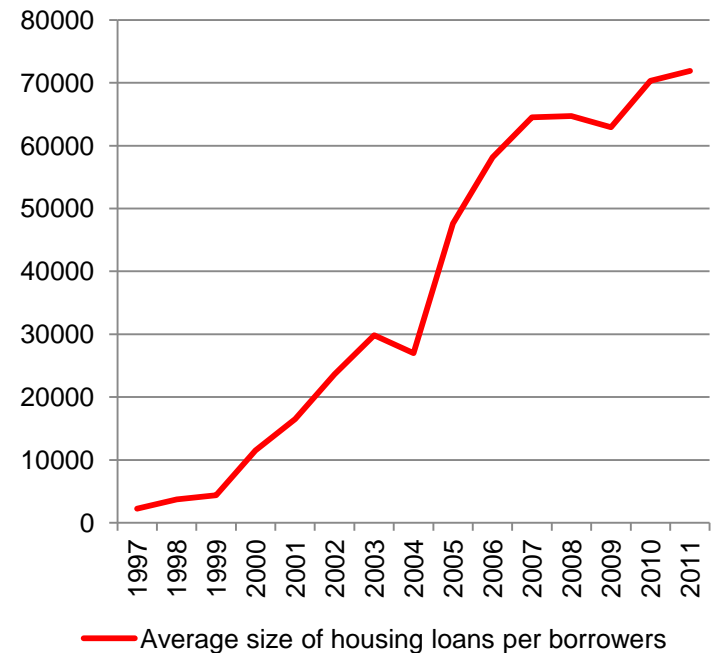


# Going Forward: Housing Market Vulnerabilities

## Trend in Housing Loans (1996 - 2012)

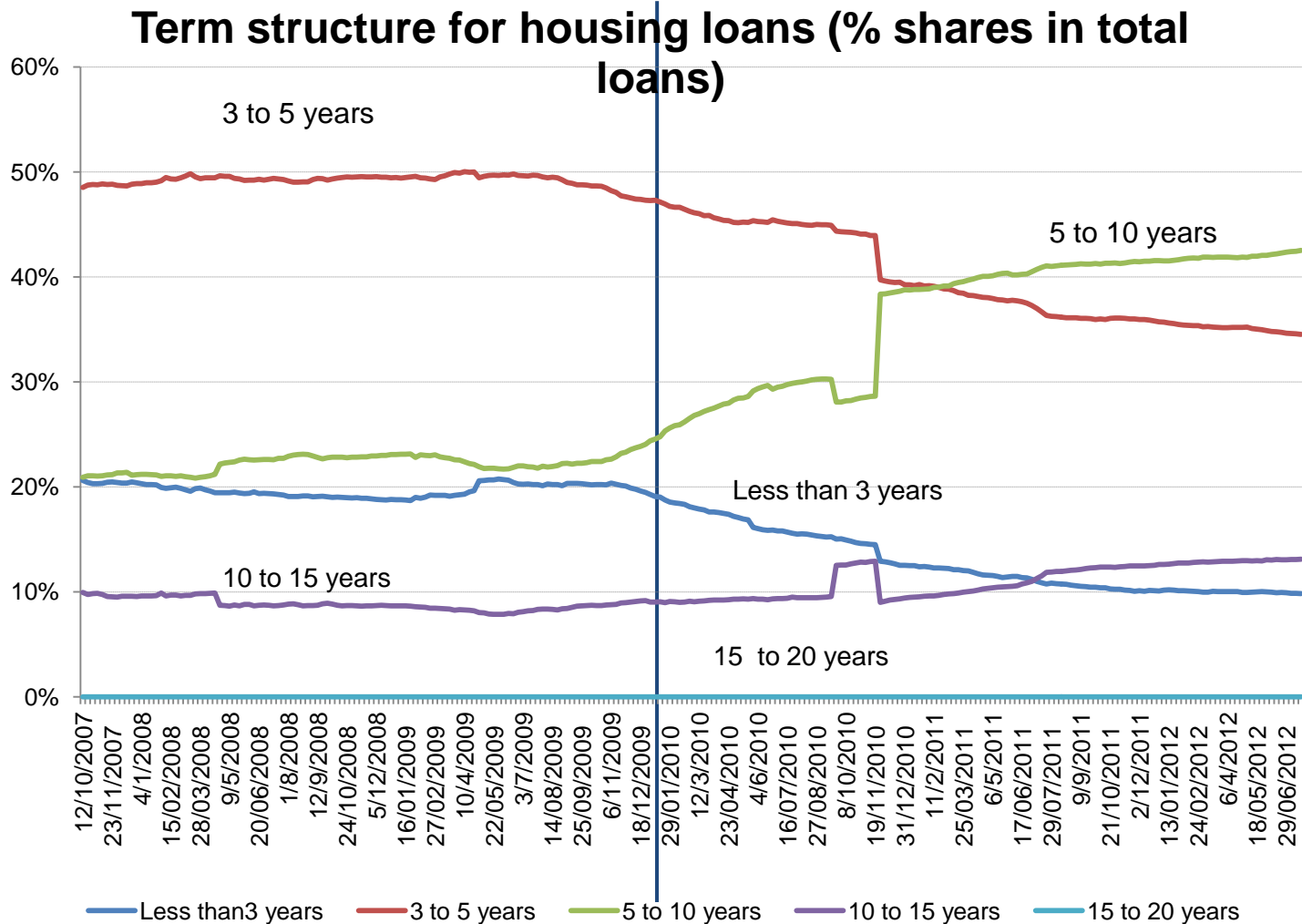


## Average size of housing loans per borrower (TRY)



Source: Central Bank, Republic of Turkey

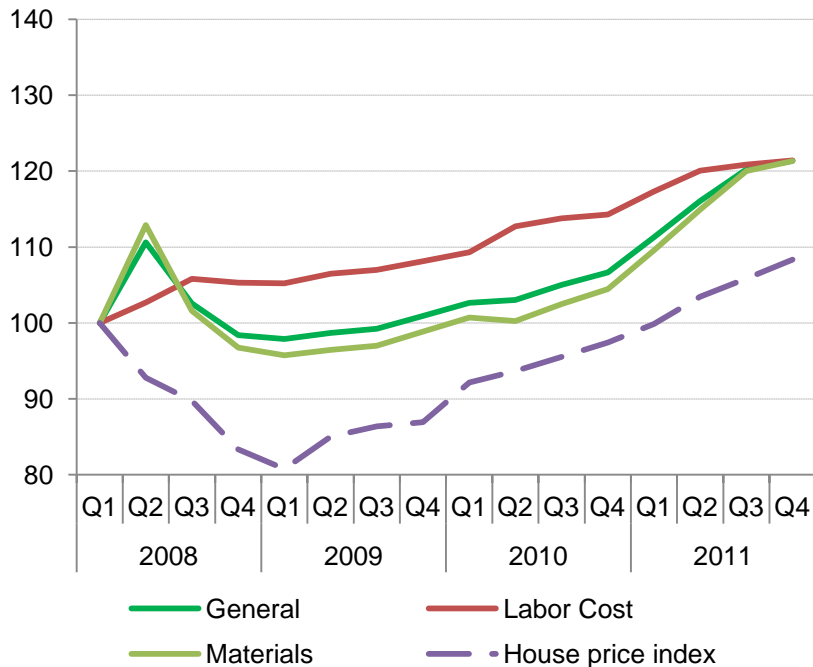
# Going Forward: Housing Market Vulnerabilities



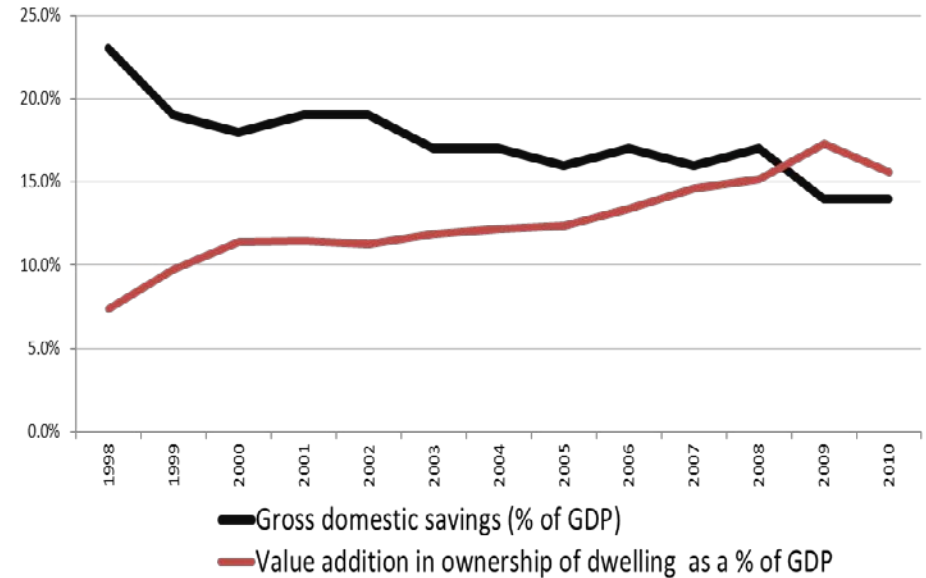


# Going Forward: Housing Market Vulnerabilities

Higher production cost in recent years makes housing less affordable to the poor



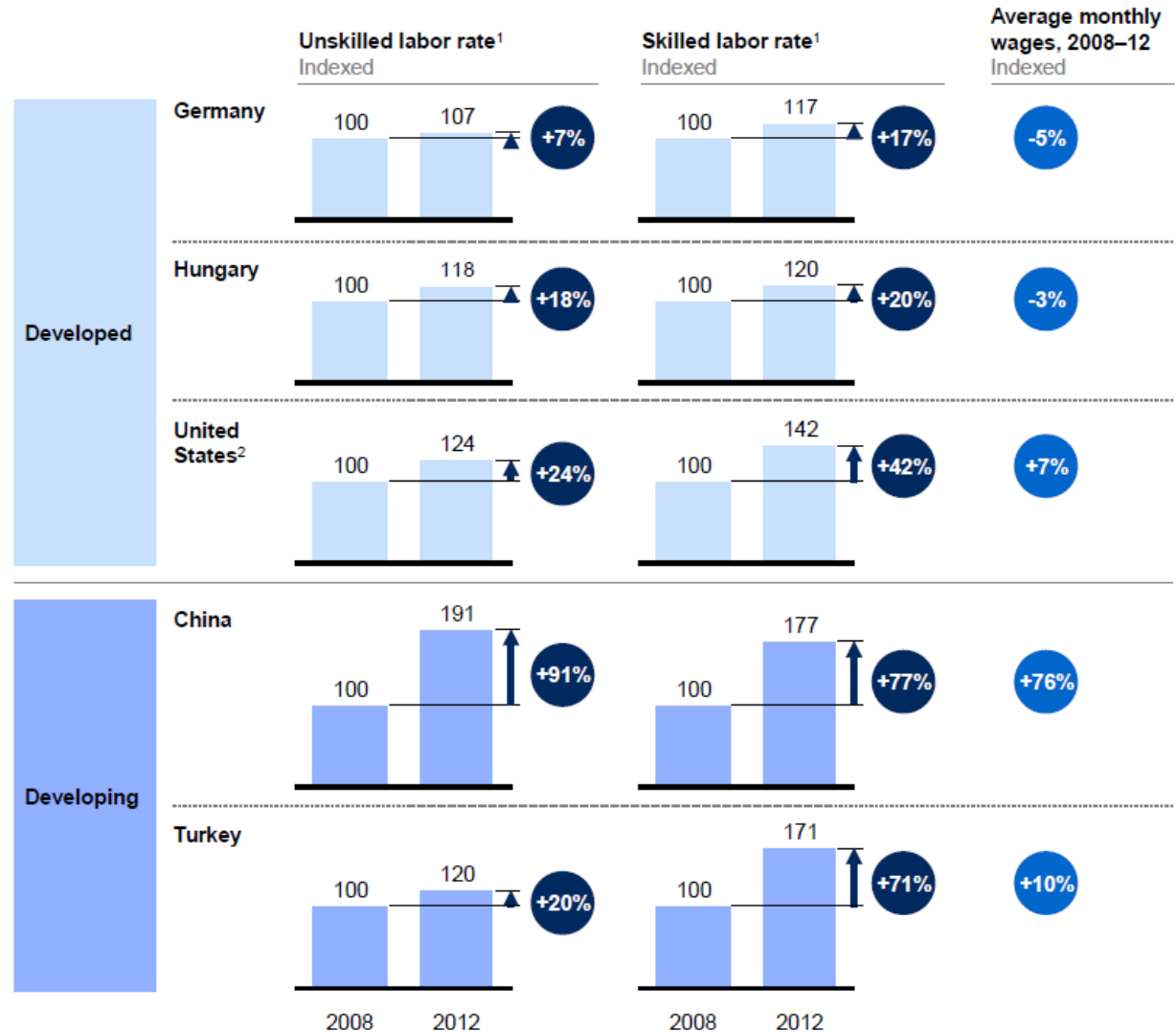
Source: Turkish Statistical Institute; GYODER, 2009 and 2011.



Source: DDP, World Bank

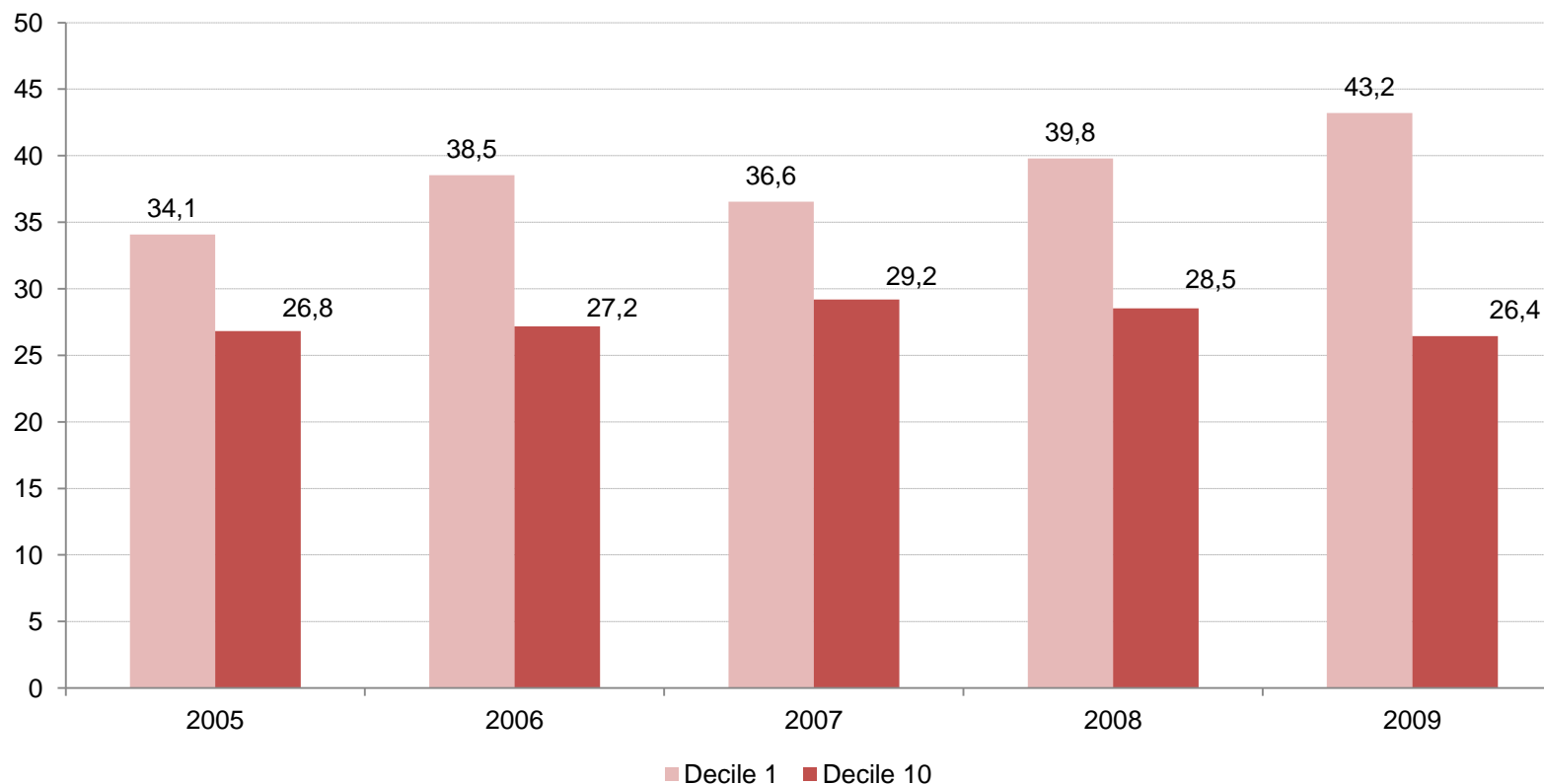
# Going Forward: Housing Market Vulnerabilities

Rising material  
and labor costs



# Vulnerabilities have made housing less affordable for the urban poor

**Share of Expenditure on Rent + Utilities**  
Comparison between 1<sup>st</sup> and the 10<sup>th</sup> Decile



# Supporting affordable housing – lessons from the around the World



# Housing policy may benefit households through different channels

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Access to good-quality housing and services



Ownership of the house

## Effects:

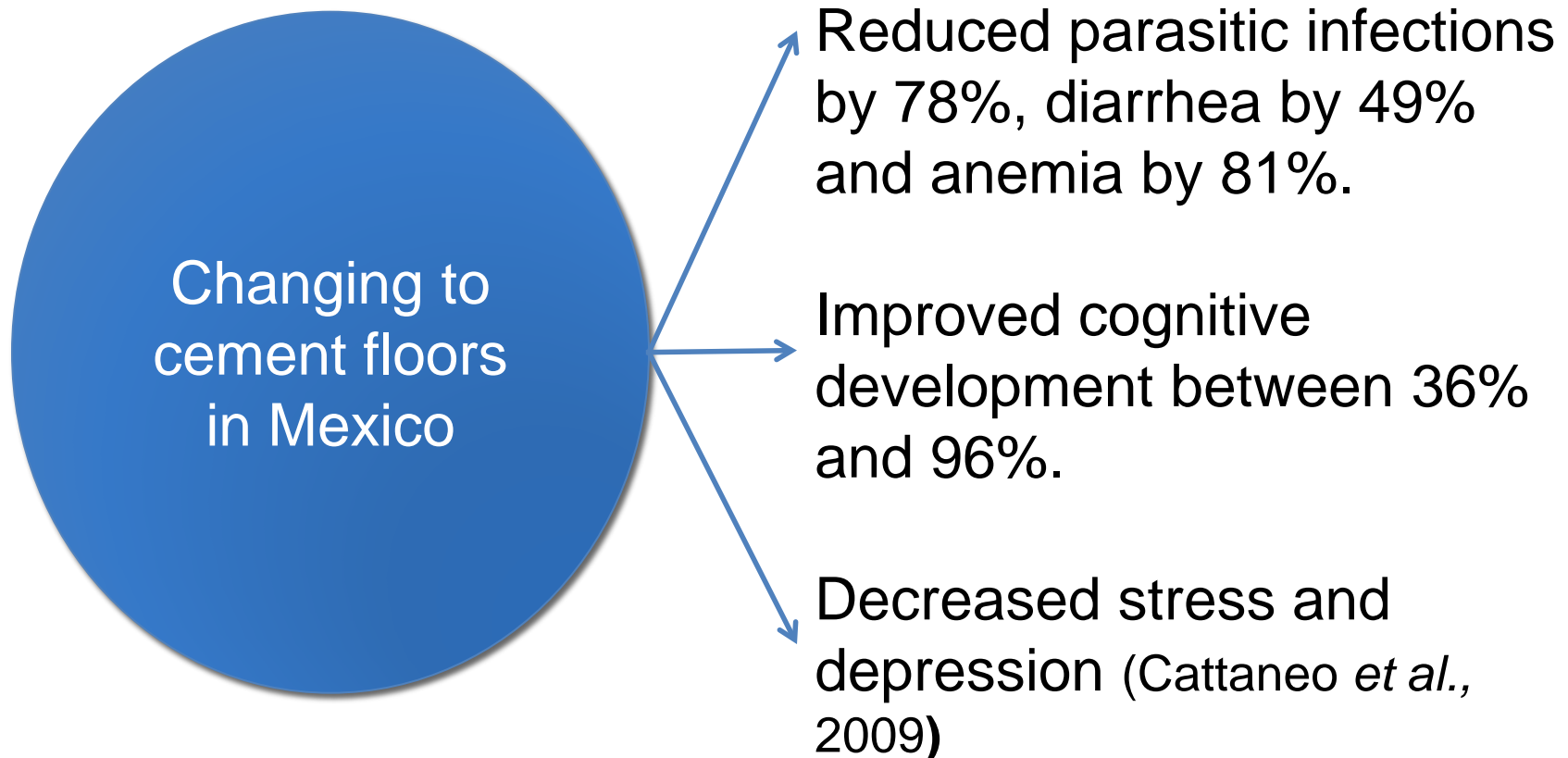
1. Increase labor market participation and reduce child labor
2. Reduce child diseases (diarrhea, anemia and contagious diseases)
3. Improves school attendance rates and school performance

## Effects:

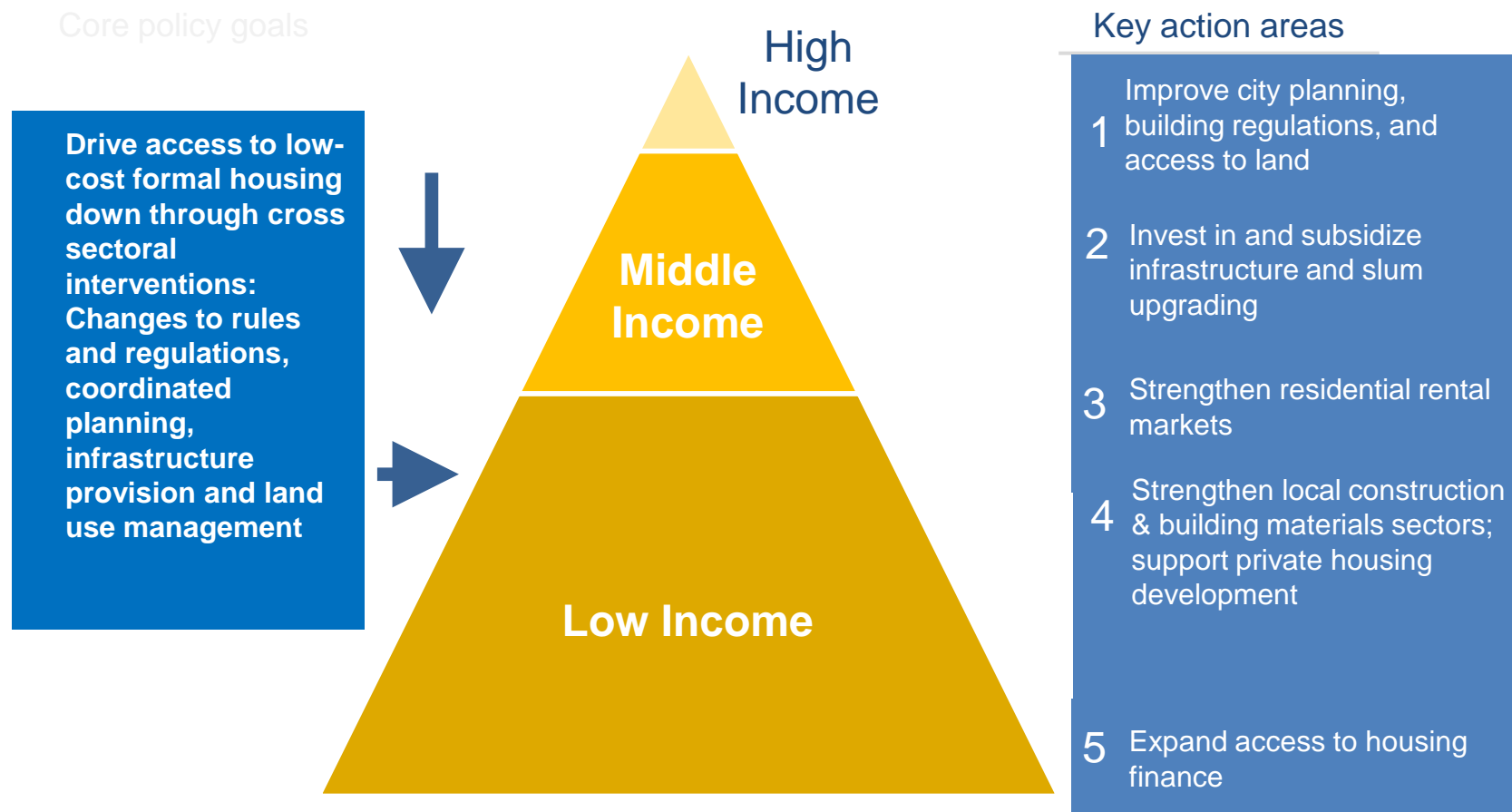
1. Increase access to credit
2. Increase labor market participation and reduce child labor
3. Reduce households' size
4. Increase investment in maintenance

# Improvements in quality can also have considerable impacts on health and education

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# But housing policy requires different actions to reach different groups





# San Francisco, USA

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Alternative mechanisms to  
finance affordable housing



# San Francisco | Transforming Mission Bay

- ✓ 122 hectares of train terminals (brownfield) – public and private land ownership
- ✓ The Vision: transform into a mixed use area with high walkability and strong connectivity to city center
- ✓ Increase housing supply – across income levels
- ✓ Challenge – public funding needed for infrastructure but no funds available



# San Francisco | Transformación de Mission Bay

- ✓ Private sector provided infrastructure with partial subsidies
- ✓ USD \$ 9.000 total cost
  - USD \$ 700 Million of new infrastructure
- ✓ Horizon - 20-30 years in phases
  - 1998 conceptual plan approved
  - 1999 started construction
  - 2009 50% achieved
- ✓ City created a special district and emitted tax free bonds
  - ✓ 80% of profits used to reimburse private master developer for infrastructure – streets, lights, sewage, parks, etc
  - ✓ 20% to finance affordable housing



# Mexico | Background



**Numerous reforms initiated in 2000 resulted in:**

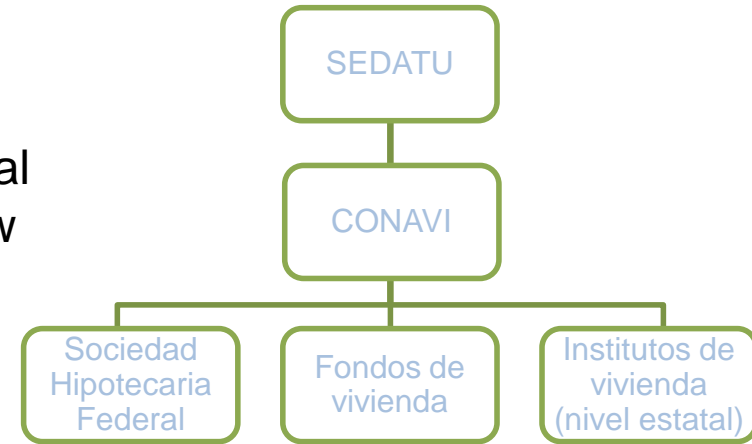
- ✓ Higher penetration of housing finance
- ✓ More investment
- ✓ Improved accessibility to housing
- ✓ Increases in the number of structures

**But.....**

- ✓ Housing stock is increasingly located in the outskirts of cities
- ✓ Limited access (and bad quality) of basic services
- ✓ Increases in average commuting times
- ✓ Municipalities cannot provide services needed

# Mexico | Housing Sector Reforms 2013

- ✓ Recognized need to anchor housing policy on sustainable development criteria
- ✓ Creation of the Secretary of Agricultural, Territorial and Urban Development (SEDATU) to which now the National Housing Commission (CONAVI) reports.
- ✓ National Registry of Territorial Reserves (RENARET)
- ✓ Reform to the National Program of Housing Subsidies to include location criteria



- Move toward a point system
- Greater subsidies for more accessible and better serviced units
- Zones defined for subsidies
  - U1: higher employment density
  - U2: consolidated city (75% coverage of water and sanitation)
  - U3: 'expansion zone' buffer of 900 mts.



# Mexico | Challenges

## 1 Rapid urban expansion of cities

- ✓ National Urban and Housing program (2013-2018) reflects the need to anchor housing policy into a broader urban and metropolitan development plan to manage urban spatial expansion

## 2 Spatially differentiated subsidies are not enough to compensate for price differentials set by the market

- ✓ Better accessibility analysis are needed to improve the effectiveness of subsidies

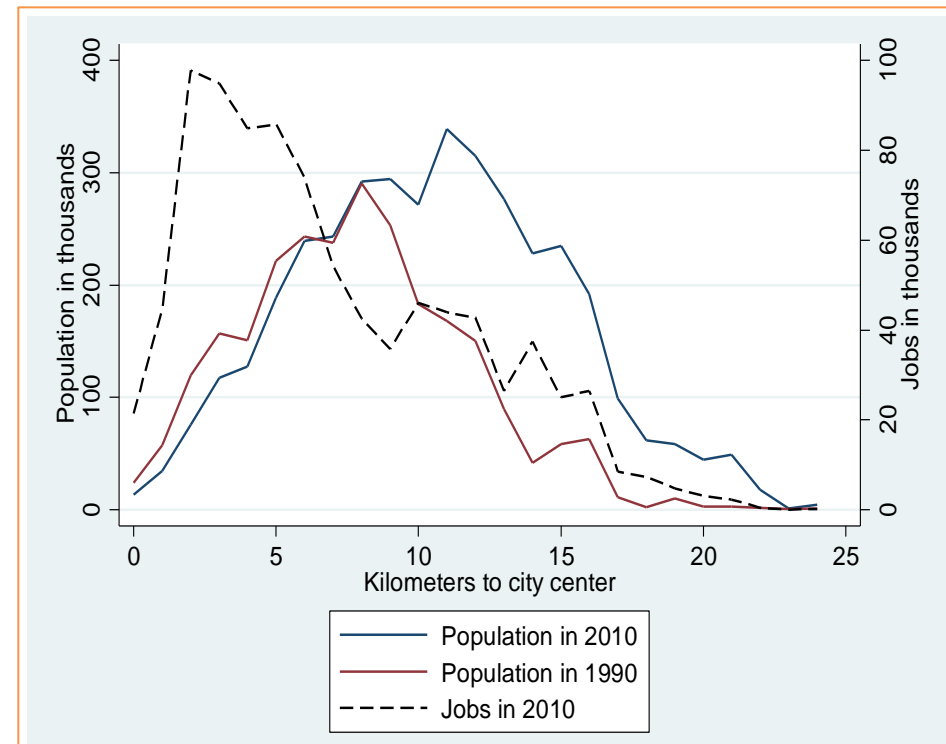
## 3 Subsidies alone cannot influence location decision of households. Neither can Housing Policy on its own.

- ✓ Coordinated actions along planning, connecting and financing are needed

# Mexico | Urbanization Review

## Some Preliminary Results

- ✓ 67 out of the 91 largest cities are losing population within 2km from city center
- ✓ In 18 of these, over 20% of the population has left the city center
- ✓ People are moving away from their jobs
- ✓ Uncoordinated development has led to empty houses (14.4%)
- ✓ Cost of service provision and maintenance of infrastructure is higher than in the early 2000s (e.g., Los Cabos -67%)



*Densidad de población y empleo por distancia al centro de la ciudad, Monterrey*

# Mexico | Technical Assistance for the design of a sustainable and inclusive housing policy

- ✓ What has been the impact and effectiveness of the housing subsidies program?
  - ✓ Emphasis on policies implemented in 2013
  - ✓ Accessibility – look at accessibility matrices based on market values
  - ✓ Location
- ✓ Is the program financially sustainable?
- ✓ How can the program be strengthened and made more effective?

Preliminary results suggest changes are needed

- ✓ Adjustments needed to strengthen incentives to locate within the existing city (U1 and U2)
- ✓ Complementary subsidies to renters would expand the reach to the poorest
- ✓ Subsidies must be differentiated by metropolitan area – move away from a one size fits all approach

# Understanding the challenges along the value change is essential

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