



Is homeownership sacrificed on the altar of macroprudential regulation?

Housing purchasing affordability among non-homeowners.
Lindquist, Solheim, Vatne. Staff Memo 9/2023, Norges Bank. (In Norwegian.)

Plan for the presentation

- Introduction and motivation
- Main findings
- Method and data
- Results



Introduction and motivation

- Owning is preferable to renting in many countries
- Housing purchasing affordability is hit by
 - High interest rates
 - High (and increasing) house prices
 - Increasing cost of living (food and energy)
 - Stricter macroprudential regulation (Borrower-Based-Measures)
- BBMs are criticized for their distributional consequences
- But what is most important? Interest rates, prices or regulation?



Main findings

Non-homeowners make up about 1/4 of all households



The debt-servicing capacity requirement (including an interest-rate stress test) and LTV requirement are the most limiting BBMs.



The interest-rate stress test has become more limiting since 2020.



The limiting effects of the BBMs in combination has not changed much.

Our method to assess housing purchasing power (HPP)

[After-tax income + disposable financial assets]

[Cost of living excl. debt service + debt service on old debt and on the new mortgage if buying a suitable home]

- *Step 1:* Find the market price of a *suitable home*. The 10th percentile market value among homes owned by households of same size in same municipality.
- *Step 2:* Calculate *cost of living* incl. fixed housing costs.
- *Step 3:* Find the *mortgage necessary to purchase* a suitable home. Calculate



Data

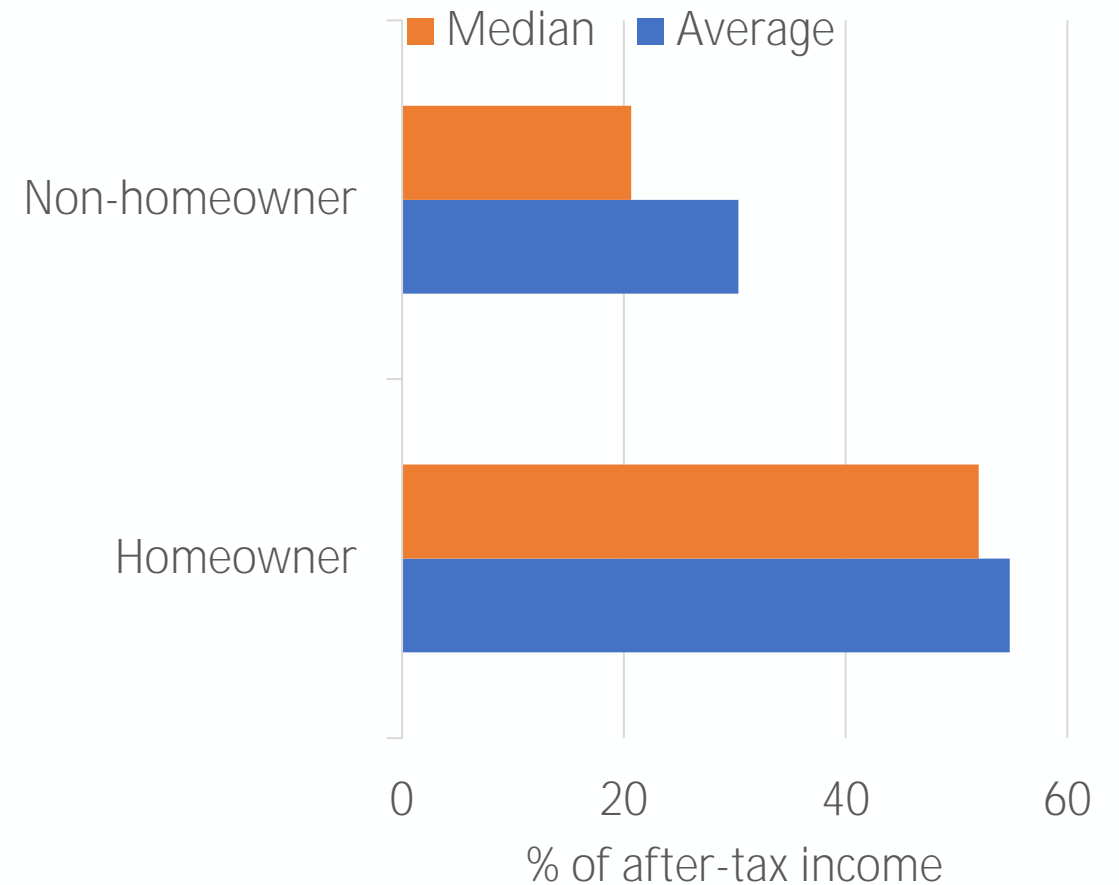
- Household level income and wealth statistics (Statistics Norway)
- Ordinary consumer expenditure by type of household (SIFO)



Many single-person households and limited income to save

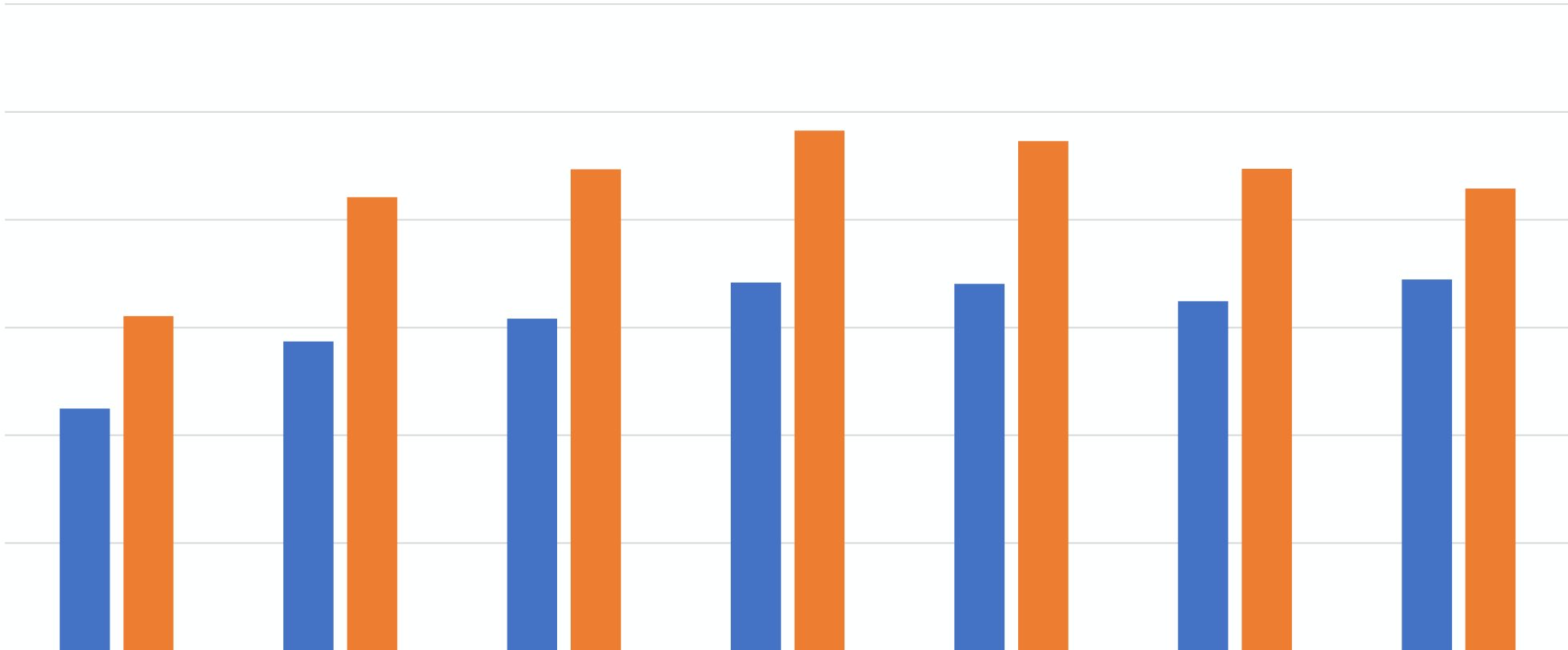
Homeowners and non-homeowners by household size. 2022

Free income (before instalment). 2022



The suitable home is expensive for single-person households

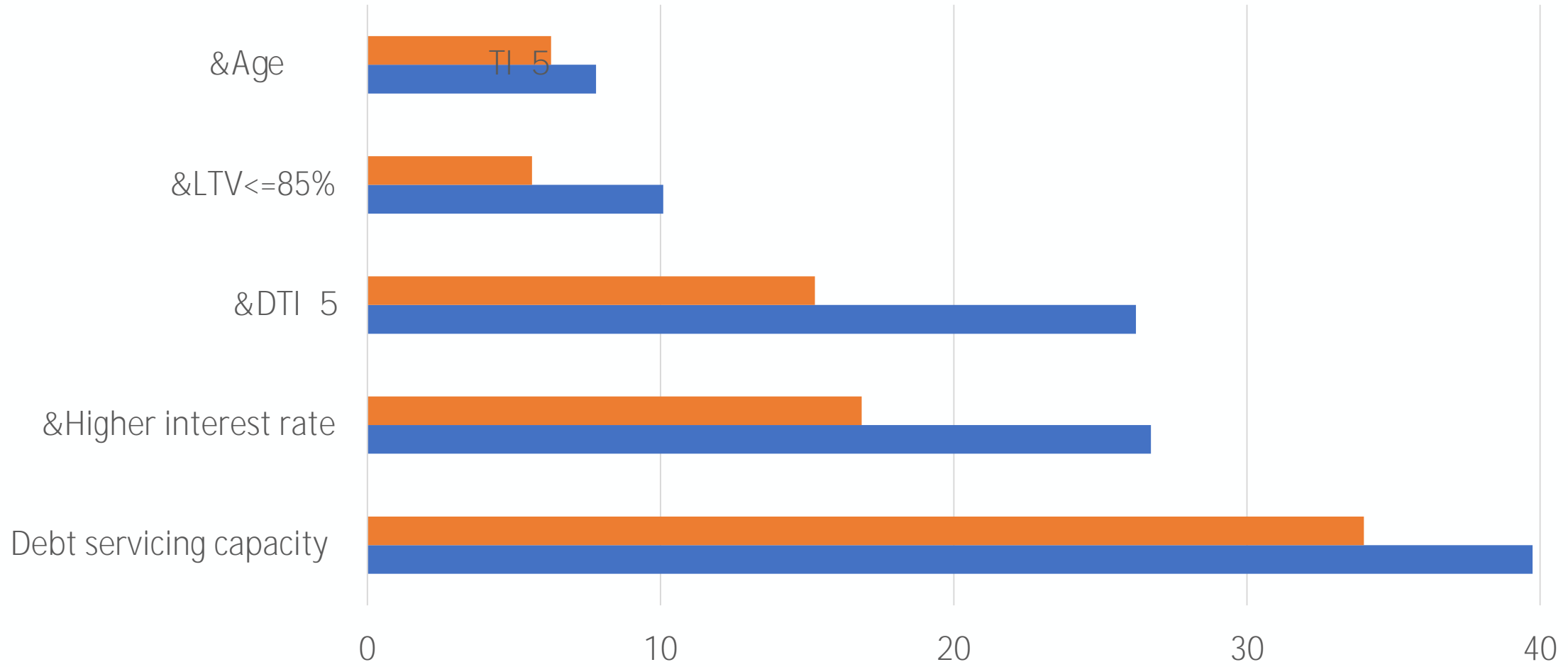
The price of a suitable home by household size. 2022





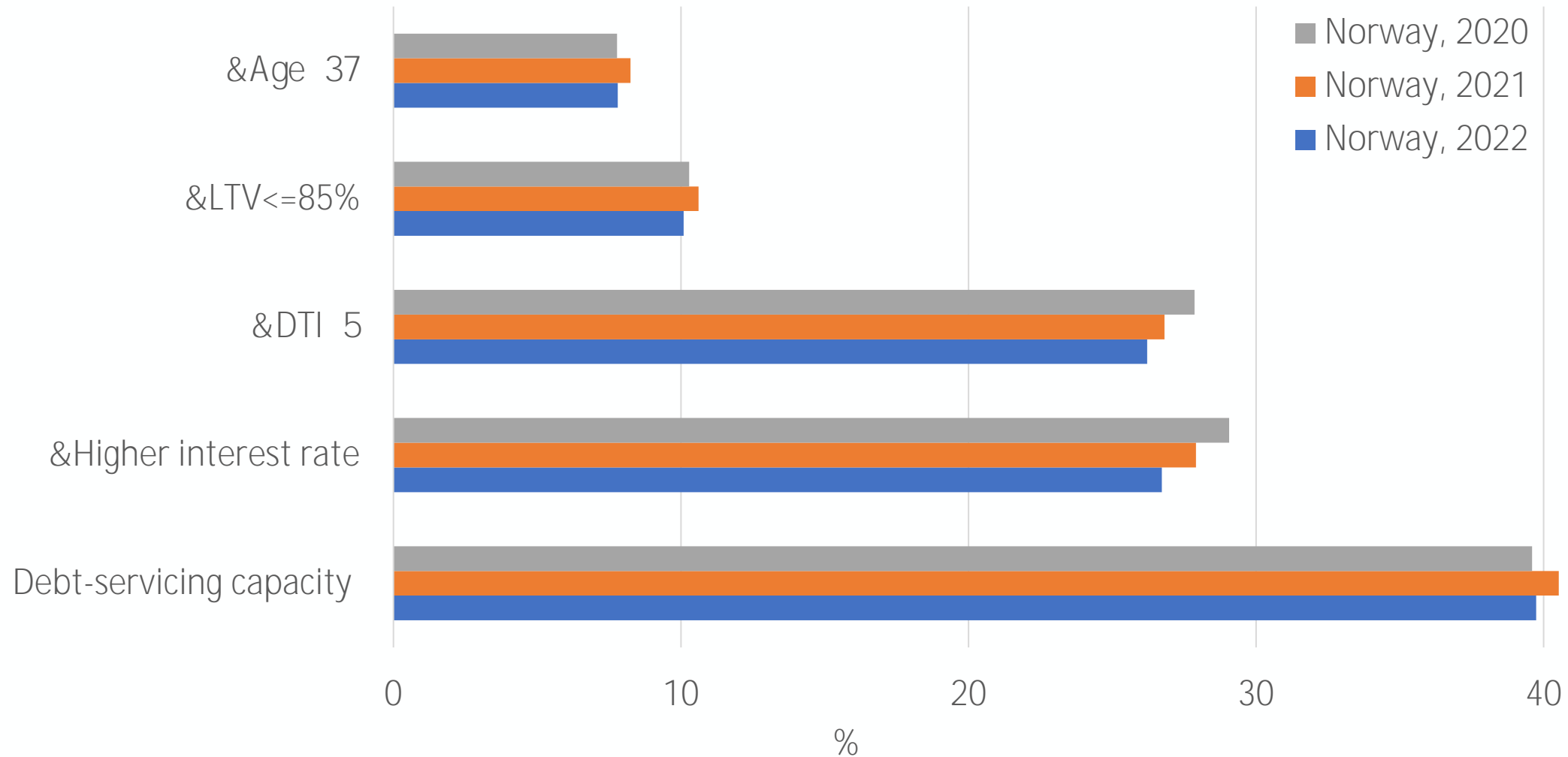
The interest-rate stress test and LTV restriction are most restrictive

Share of non-homeowners with HPP conditional on BBMs. 2022



The interest-rate stress test has become more restrictive but not the combination of BBMs

Share of non-homeowners with HPP conditional on BBMs



Main findings

Non-homeowners make up about 1/4 of all households



10% of non-homeowners have sufficient funds to buy a home while not in conflict with the BBMs, 5% in Oslo.



The debt-servicing capacity requirement (including an interest-rate stress test) and the LTV requirement are the most limiting BBMs.



Thank you for your attention!

The interest-rate stress test has become more restrictive restrictive but not the combination of BBMs

Share of non-homeowners with HPP conditional on BBMs



