

Tackling the global housing crisis

ECOSOC



Empowering Future Generations: Cultivating Global
Literacy and Enlightenment



Forum: ECOSOC

Issue: Tackling the global housing crisis

Student Officer: Aysha van Raaij

Position: Deputy President of ECOSOC

Introduction

Housing has long been recognized as a fundamental human right, a view solidified at the First UN-Habitat Conference on Human Settlements in Vancouver. Despite this, 1.6 billion people around the world still lack adequate housing. This number is rising by the day, possibly reaching up to 3 billion by 2030.

As the demand for housing rises, the price rises with it. The less demand we accommodate, the less adequate housing there is. The demand for housing rises not only due to the growing population, but also due to the misplacement of refugees.

A few decades ago, housing was viewed as a commodity. Now, it is viewed as an investment. Factors such as financial deregulation, variable interest rates, and easier access to mortgage loans have transformed housing markets, leading to sharp increases in property values and placing homeownership out of reach for many. This made a simple human right to a lucrative asset.

With housing prices exploding in growth, costs of living rising, salaries not being adjusted appropriately, housing prices not being monitored in a proper manner, demand of housing exceeding the supply; the costs of housing has been driven upwards, more and more people are being evicted, have lost their homes, are reluctant to leave their childhood homes and most important of all, losing their right to basic human needs: a roof over one's head.

Definition of Key Terms

Inflation

a general increase in prices and fall in the purchasing value of money.



Urbanization

The process by which large numbers of people move from rural areas to urban areas, typically resulting in the expansion and growth of cities.

Affordable Housing

Housing that is reasonably priced such that low- and middle-income households can afford it without facing excessive financial strain.

Real Estate Speculation

The practice of purchasing property primarily for investment purposes, which can drive up property values and make housing unaffordable for residents.

Homelessness

The state of having no stable or permanent housing, which may involve living on the streets, in shelters, or in temporary accommodation.

Mortgage-Backed Securities (MBS)

Financial products that are created by pooling together various home loans and selling them as a bundle to investors. MBS transformed the housing market by turning homes into capital assets traded in financial markets, which drove housing prices up.

General Overview

Historical Background

Housing has traditionally been seen as a fundamental human need. However, over time, several key factors have significantly altered the trajectory of housing markets globally, leading to the current crisis. The once stable and reliable housing market, transformed into a global crisis. The following are some key events that lead up to the state which we are in right now.



Rapid Urbanisation

In the early 19th and 20th century, rapid urbanisation due to industrialisation drew large populations to the city in search of work. This increased the need of housing in such cities by significant amounts, which the cities could not accommodate. This resulted in the rise of slums, overcrowding and hazardous living conditions.

Post WWII

With soldiers returning from war, rising birth rates and other factors, the demand for housing increased. To resolve this, governments invested in large-scale housing projects, such as the development of suburban housing.

Development of MBS

MBS and similar concepts were introduced, giving investors the possibility to make a profit off the housing market. Real Estate could now be viewed as an 'asset'. This drove the housing prices higher.

The 2008 Global Financial Crisis

Due to the sudden rise of defaulted contacts within the MBS bonds, the housing market crashed. Investing companies and banks lost a colossal amount of money. Banks that were named 'too big to fail' failed. Alongside with other factors, this led to a global financial crisis, which was started by the crash of the housing market.

Current state of the global housing crisis

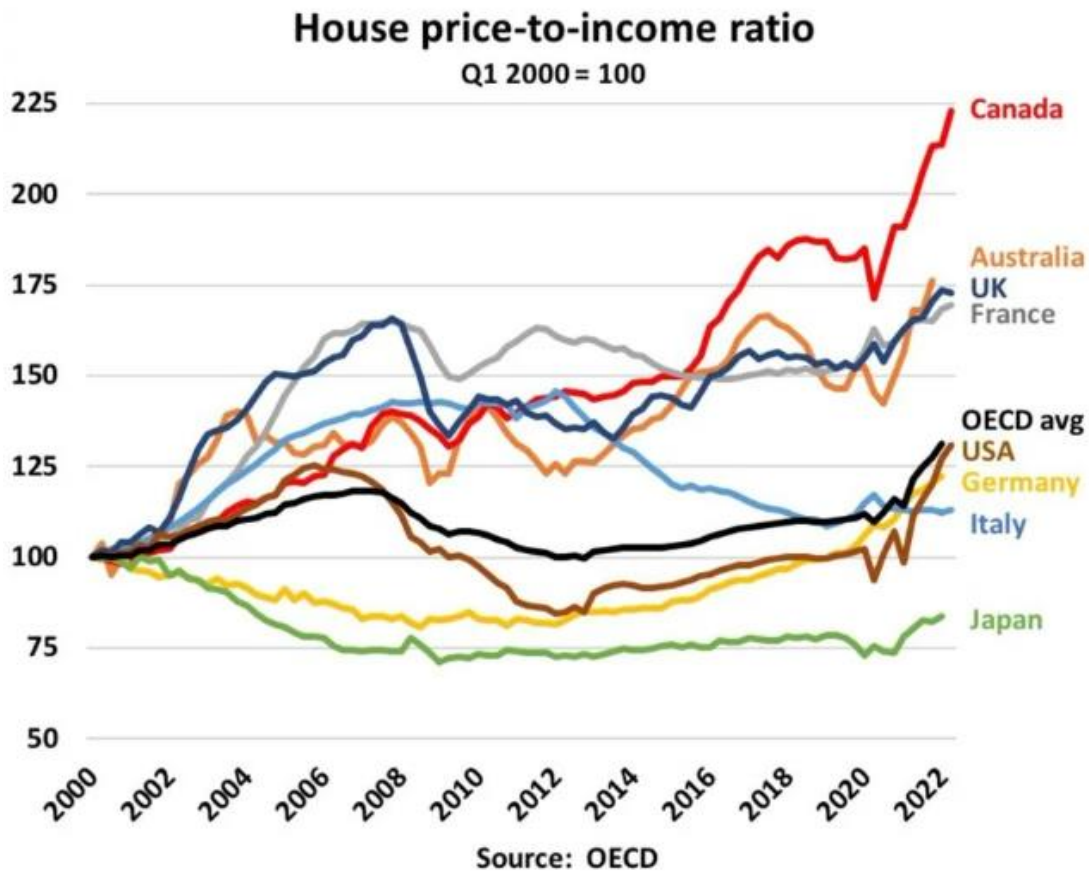
The current state of the global housing crisis is not improving. In fact, it is deteriorating. Looking at statistics alone, we see record housing unaffordability across the globe, with a growing gap between household incomes and property values. In 2023, for example, housing prices in major urban centres exceeded average income growth by more than threefold, forcing many lower and middle-income households into rental markets or overcrowded living conditions. The average rent-to-income ratio in crowded cities like New York, London, and Sydney now stands above 40%, well beyond the affordability threshold defined by housing organizations.



Causes to the global housing crisis

Income-to-housing-cost ratio

Worldwide, home prices have consistently outpaced income growth, meaning that the costs of housing are rising more percentage wise compared to the percentual rise in income. This creates affordability pressures in even the high-income classes, causing an increasing amount of the world population to struggle financially. An example of this can be found in the United States of America; between the years 2010 - 2022 home prices surged 74%, while the average wage only rose by 54% in the same period. The income-to-housing-cost ratio differs per country, however the percentual rise of housing costs still exceeds the percentual rise in wages.





Demand exceeds supply

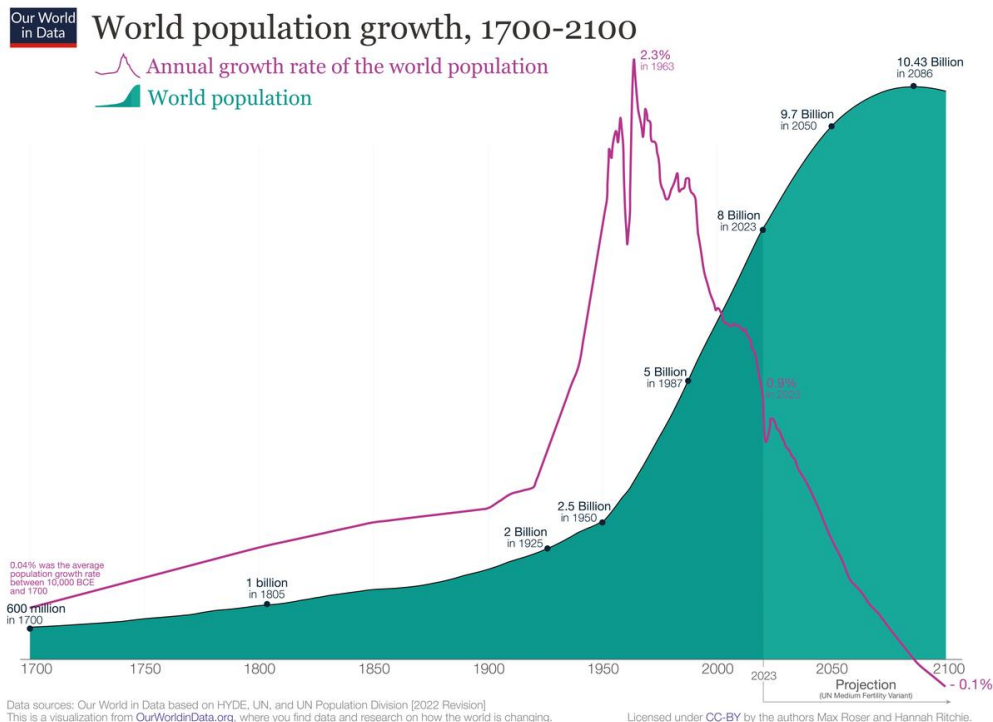
Increasing demand in housing in regions

In developed cities like Berlin, 20.000 new apartments are needed annually. Even with the recent construction peak, this demand could not be satisfied. This further demonstrates that the tempo of construction can not keep up with urbanization. Many who are in search of work see such developed cities as an opportunity, causing more people to want to move to these already heavily populated areas. The question is, how many inhabitants can such a city comfortably house, as land area is limited. Urbanization further enlarges the deficit of adequate and affordable homes globally.

Increasing demand in housing globally

With the growing population, there are more and more roofs needed. The growth in population will not slow down anytime soon, the factors that support this are: growing life expectancy and higher birth rates. To provide adequate housing, more homes need to be built globally.

Rising economic pressures have slowed down the rate for new home construction. This shortage of housing is already a problem in itself, but this shortage in supply and excesses in demand also drives up the price in both home and rental prices.





Investment driven Real Estate

As previously established, housing is a basic human right. Investment driven Real Estate have turned housing into a market that can be invested in, that can be profited off. When Mortgage Backed Security (MBS), Subprime mortgages, Adjustable interest rates, were introduced, people took advantage of them: Real-Estate agents took advantage of gullible citizens, who did not have an understanding of the danger of such a subprime mortgage; Banks and investors invested in MBS bonds, assuming the housing market 'could never crash'; MBSs and CDOs were falsely labelled as having a 90% AAA rating, causing a false sense of security in investing in the housing market. All these factors caused one of the housing market crashes to date, the 2008 financial crisis. These components still exist in our economy today, which influences housing prices today. The housing market should not be a target of the capital market.

Insufficient Government Policies

Many governments have failed to implement effective policies for affordable housing, social housing, and rent control. Inadequate funding, weak regulations, and a lack of political will have allowed housing markets to become increasingly privatized and speculative, further aggravating the crisis. More effective policies could be implemented, more funding could be provided, and more frameworks can be created to help tackle the global housing crisis.

The Misplacement of Refugees

Due to acts of war, many areas have become inhabitable. The inhabitants then become refugees, in search of a safe environment with adequate housing. These refugees typically come in large amounts, which results in a sudden peak in the demand for housing. Addressing this challenge requires international cooperation and innovative approaches to ensure that displaced populations can rebuild their lives with dignity and security.



Major Parties Involved

UN-Habitat

The United Nations Human Settlements Programme (UN-Habitat) is mandated by the UN General Assembly to promote socially and environmentally sustainable towns and cities. UN-Habitat is the focal point for all urbanization and human settlement matters within the UN system. UN-Habitat works with partners to build inclusive, safe, resilient and sustainable cities and communities. UN-Habitat promotes urbanization as a positive transformative force for people and communities, reducing inequality, discrimination and poverty.

Slum Dwellers International (SDI)

SDI is a community-led network. SDI is a network of community-based organisations of the urban poor in 32 countries and hundreds of cities and towns across Africa, Asia and Latin America. In each country where SDI has a presence, affiliate organisations come together at the community, city and national level to form federations of the urban poor.

World Housing

By aligning strategically with like-minded organizations, World Housing is revolutionizing the approach to solving the housing crisis. With a global community of donors and NGO-building partners, World Housing builds communities that include the 4 pillars of sustainable change: nutrition, safe water, health, and education. This stability provides children with a solid foundation to pursue education which ultimately raises the standard of living for themselves, their families, and future generations to come.

USA

Being the place of origin for the 2008 financial crisis, some of the damage remains.

Unaffordable housing, overcrowded cities, demand exceeding supply significantly etc, these are all issues that the USA is facing currently.

China

China has many big cities which are overcrowded, while suburban areas are almost uninhabited. With China's large land mass, the population could be spread out more evenly. The more people live in big cities like Shanghai, Beijing, Chongqing, the higher the housing prices rise.



Australia

Australia is one of the most well-known countries for having extremely high housing prices, whether it is renting or buying. Houses in Australia also tend to be larger, meaning the area is not always being used efficiently. Land will run out eventually. It is also important to drive down the high housing prices or adjust the wages appropriately accordingly.

Timeline of Events

Late 19th century - early 20th century Early Urbanisation, causing the formation of slums due to overcrowding

1945 - 1960

Post WWII, increasing demand in housing

1976

First UN-Habitat Conference on Human Settlements in Vancouver, recognising housing as a human right.

1981

Mortgage-Backed Securities (MBS) introduced.

2000

United Nations Millennium Development Goals (MDGs) include a target for improving the lives of slum dwellers.

2008

Global financial crisis, caused by the housing market.

2015

Sustainable Development Goal (SDG) 11 introduced, emphasizing the need for safe, affordable housing for all by 2030.

2020

COVID-19 pandemic resulted in many becoming unemployed, which complicated the housing payment. This resulted in several evictions.

Previous attempts to solve the issue

NGO and Charitable Housing Programs

NGOs and Charitable Housing Programs such as UN-Habitat and SDI are ongoing organizations which work towards the goal of increasing access to adequate housing. They focus on providing people with safe housing, especially in urban regions. These initiatives represent the heights that can be reached solely with volunteers and the creation of various organizations.



Rent Control and Stabilization Policies

To combat rising rents, several cities have introduced rent control measures. Berlin, for instance, implemented a five-year rent freeze in 2020 (though it was later overturned by courts). Rent control policies can protect tenants from rapid rent increases, but critics argue they can also discourage landlords from maintaining properties or developing new units.

Possible solutions

Some important causes of the global housing crisis are housing demand exceeding housing supply, improper regulations within housing prices, insufficient support from governments, refugees in search of housing and overlooking that housing should be and stay adequate. Possible solutions are:

Implementing policies, to make sure housing prices are being properly regulated

Housing prices should be adjusted according to inflation and income increases of the population. Income should be adjusted accordingly to the fluctuation in prices.

Decentralize urban areas, making suburban areas more attractive

Urban areas are often the center of a region. Often housing the most people, is the most open to job opportunities and is generally more convenient. By creating more job opportunities and developing suburban areas, more people will be compelled to live in suburban areas, decentralizing the urban areas.

Encourage shared living situations

More and more students have chosen to live on their own. This period can last from years up to decades. By implementing well supported student housing programs, increasingly more students choose to live with a roommate. This makes housing cheaper for students and creates more spaces for people in need of housing.

Bibliography

- “World Housing.” *World Housing*, worldhousing.org. Accessed 21 Nov. 2024.
- “UN Expert Urges Action to End Global Affordable Housing Crisis.” *United Nations*, 20 Oct. 2023, www.ohchr.org/en/press-releases/2023/10/un-expert-urges-action-end-global-affordable-housing-crisis. Accessed 17 Nov. 2024.



- *UN-Habitat - a Better Urban Future* | *UN-Habitat*. unhabitat.org. Accessed 22 Nov. 2024.
- “DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT.” *Congress.gov*, The United States Congress, 21 July 2010, www.congress.gov/111/plaws/publ203/PLAW-111publ203.pdf. Accessed 13 Nov. 2024.
- Slum Dwellers International (SDI). “What We Do - Slum Dwellers International.” *Slum Dwellers International*, 24 Oct. 2023, sdinet.org/what-we-do. Accessed 19 Nov. 2024.
- “The Global Financial Crisis | Explainer | Education.” *Reserve Bank of Australia*, 26 May 2023, www.rba.gov.au/education/resources/explainers/the-global-financial-crisis.html. Accessed 9 Nov. 2024.