

Summary

Land Markets in Latin American and Caribbean Cities

A project of The Latin American and Caribbean Research Network

The studies in this project will assess the effect of the property rights regime, the regulatory regime and infrastructure development on three land market outcomes: (i) land affordability, measured by the median serviced land price-to-income ratio; (ii) the premium associated with servicing land, measured by ratio of serviced land price and raw land price (land development multiplier); and (iii) the premium associated with converting rural to urban land, measured by the ratio of raw urban land price and rural land price (land conversion multiplier).

Each study will select, in each country, areas or neighborhoods in two cities that are experiencing urban growth and have differences in terms of the size of the informal market, the stringency of the regulatory regime, and the level of investment in basic infrastructure. The study will be structured in three parts: (i) a descriptive assessment of the land market in each city; (ii) a comparative statics of the effects of property rights regime, the regulatory regime and the infrastructure development on land market outcomes, controlling for other differences between the two cities such as household incomes, population size and transportation cost; and (iii) policy recommendations.

There are two general methodological approaches that have been used in the literature in the appraisal of the policy environment on land and housing prices and other outcomes: time series and cross-sectional analysis. An example of a time series analysis is the study by Lall et al. (2006). The authors examine the effects of land use and zoning regulations on housing supply and slum formation across Brazilian cities between 1980 and 2000. They find very inelastic housing supply in the Brazilian formal housing market, which limits formal housing supply adjustments in response to demand increases and therefore increases slum formation. The imputed Brazilian formal housing supply elasticity is similar to those in Malaysia and South Korea, which are considered to have restrictive regulatory environments.

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