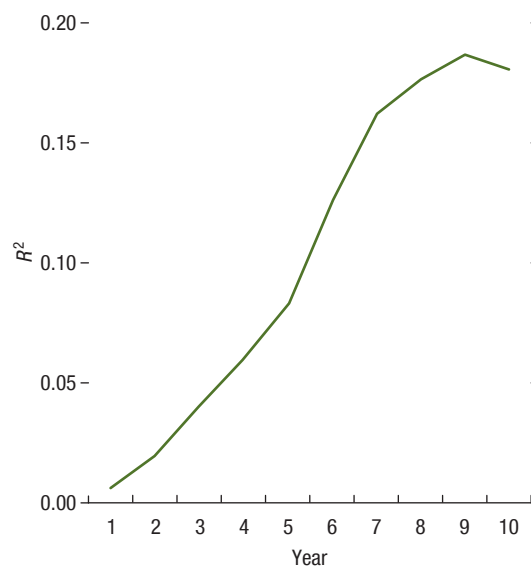**Figure 3.2.1. Housing Return Predictability**

Source: IMF staff estimates.
Note: The forecasting equation uses the current price-to-rent ratio
to predict future capital gains in housing assets. The y-axis in this
figure shows the R^2 from the forecasting equation, that is, the
proportion of variance in the future housing return explained by
the current price-to-rent ratio. The forecasting horizon ranges
from 1 year to 10 years. The median R^2 among countries in the
sample is plotted in this figure.