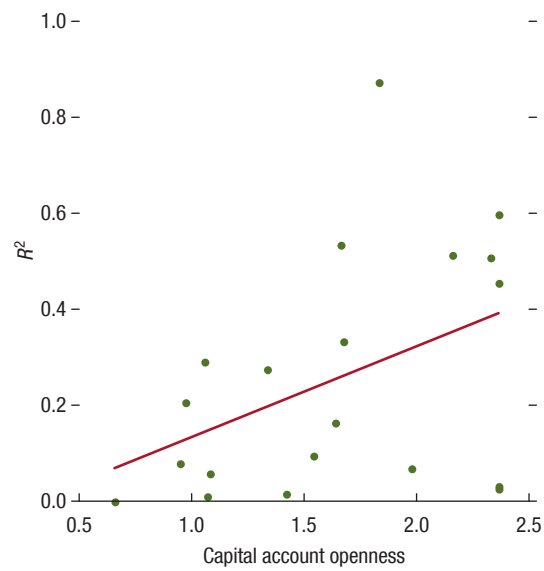


Figure 3.2.2. Predictability of Returns on Housing and Capital Account Openness



Sources: Chinn and Ito (2006); and IMF staff estimates.
Note: The y -axis shows the R^2 from the housing return forecasting equation, which measures the proportion of variance in the future housing return nine years ahead explained by the current price-to-rent ratio.