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.