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INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)

Article DOI:10.21474/IJAR01/24345

DOI URL: <http://dx.doi.org/10.21474/IJAR01/24345>



RESEARCH ARTICLE

DECOUPLING OF ASSET PRICING FROM INCOME FUNDAMENTALS: A CROSS-CONTINENTAL ANALYSIS OF RENTAL YIELD COMPRESSION, SPECULATION, AND STRUCTURAL HOUSING INEQUITY

Aesha Chhabria and Pallabi Banerjee

Manuscript Info

Manuscript History

Received: 10 August 2026

Final Accepted: 12 September 2026

Published: October 2026

Key words:-

Gross Rental Yield, Housing Affordability, Financialization, Property Speculation, Price-to-Income Ratio, Real Estate Markets

Abstract

Standard financial models suggest that property values should align with rental income, yet global residential real estate consistently exhibits gross rental yields falling well below mortgage financing costs. This paper investigates why gross rental yields vary dramatically across global markets and examines the structural mechanisms distributing housing risk and return across income groups. Utilizing cross-national data from Numbeo across a 57-country national income dataset and a 339-city continental dataset (spanning Asia, Europe, and North America), we evaluate rental yield spreads alongside key affordability and inequality indicators—including Price-to-Income Ratio (PTI), Price-to-Rent Ratio (PTR), Mortgage-as-a-Percentage-of-Income (MAPI), and Loan Affordability Index (LAI). The empirical analysis reveals four primary findings. First, gross rental yields do not vary significantly by national income classification, remaining between 5% and 6.7% globally; rather, outcomes are governed by underlying market structures and speculative orientations. Second, North American urban markets demonstrate rent-calibrated dynamics with high average yields (9.52%) where asset prices tightly track carrying costs. Third, European cities reflect policy-driven yield compression (4.38%) enforced via strong tenant protections and rent controls. Fourth, Asian urban centers show severe speculative decoupling, characterized by compressed yields (4.44%), extreme mortgage burdens (MAPI=179.77%), and a complete statistical disconnection between mortgage affordability and price-to-rent multiples ($p=0.765$). Comparative case studies of Berlin versus Mumbai and Chandigarh versus Austin further illustrate how both regulatory intervention and unconstrained speculation lead to yield compression, while rigid spatial planning exacerbates structural exclusion. We conclude that compressed rental yields represent a structural mechanism where lower- and middle-income renters effectively subsidize the holding costs of wealth-building assets from which they are structurally excluded.

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Introduction:-

There is a number that sits at the centre of this paper, and it is not a coincidence or a rounding error. It is a gap between 3% and 9%. A property in a major Asian city valued at ₹2 crore might return roughly 3% of its price in annual rent (Global Property Guide, 2024), while financing that same property through a standard mortgage cost somewhere between 8 and 9% (Reserve Bank of India, 2024). No lender, no landlord, and no textbook model of rational investment behavior would accept that spread unless something other than rental income was doing the work of justifying the purchase. That is the expectation that the property will be worth substantially more in the future than it costs today. The asset is not being priced as a productive good that earns its keep through use. It is priced as a bet.

That gap is the starting point for this paper. It investigates why gross rental yields vary so dramatically across countries, and what that variation reveals how housing markets distribute risk, return, and the realistic possibility of asset ownership across income groups. The pattern does not hold uniformly across the world, and its unevenness is itself informative. In North America, and particularly in the United States, rents broadly track the carrying cost of the mortgage, so the investment case for owning property does not depend on a future capital gain to make sense on its own terms. In Europe the picture is heterogeneous, and deliberately so. Heavily regulated markets like Germany and the Netherlands compress rental yields through rent controls, tenant protections, and reference rent systems, while deregulated markets like Ireland and Portugal produce yield patterns that sit much closer to the AngloAmerican model. Three continents, three very different answers to the same underlying question: is residential property being priced for what it earns, or for what someone believes it will be worth?

What this paper wants to understand is why these divergences exist across continents, whether they are driven by speculative demand, by supply constraints, or by deliberate policy architecture, and, more importantly, who ends up paying for them. The argument advanced here is that the cost of a compressed rental yield is not absorbed by the investor who accepts it. It is absorbed by the renter, typically a lower- or middle-income household, who ends up subsidizing a wealth building system from which they are structurally excluded. Using cross national housing data spanning Europe, North America, and Asia, this paper examines rental yield spreads alongside a set of affordability and inequality metrics, Price to Income Ratio, Price to Rent Ratio, Mortgage Burden, and Loan Affordability, to show that the rental yield gap is not a financial quirk or a temporary mispricing. It is a structural feature of how different housing

Literature Review:-

Housing as a Financial Asset:-

Standard investment logic cannot easily explain a common pattern in global housing markets. A property earning three percent of its purchase price in annual rent, financed by debt costing eight or nine percent, is a spread that should repel rational capital. Yet residential property across Asia, Europe and parts of North America continues to attract investment at yields structurally below the cost of financing. This is not irrational behavior. It reflects expectation formation, and, more importantly, who bears the cost when those expectations are sustained by dynamics unrelated to income fundamentals. Hendershott and Slemrod (1982) formalized the relationship between the annual cost of owning property and the rent a tenant would pay for an equivalent one, demonstrating through a cost formula incorporating the opportunity cost of capital, taxes, depreciation, and expected price appreciation how tax asymmetries structurally favor ownership over tenancy.

Building on this theoretical foundation, Himmelberg, Mayer, and Sinai (2005) showed that standard metrics like price to rent and price to income ratios are misleading because they ignore real interest rates and expected appreciation differences across cities, establishing the user cost identity where yield equals the risk free rate plus illiquidity premium plus depreciation minus expected appreciation as the theoretical anchor for this paper and explaining why a gross rental yield of three percent means something different in Shenzhen than in Stuttgart. Piazzesi and Schneider (2009) further showed why these expectations self-sustain rather than self-correct as a small group of optimistic buyers sets prices at the margin and prices out cautious buyers, while Ryan Collins (2018, 2019) traced how bank lending liberalization since the 1980s created a feedback loop between land prices and credit that detached land prices from income flows. On a macro level, Piketty (2014) showed capital returns have outpaced growth structurally rather than cyclically, a concentration that Rognlie (2015) found is driven almost entirely by housing, while Bonnet, Bono, Chapelle and Wasmer (2014) located this tension in rental income itself since rent represents landlords' realized return. None of this literature asks the distributional question across regulated and

deregulated, advanced and emerging markets at once, which is the exact gap this paper's cross-continued Numbeo framework addresses.

Housing Measurement Foundations: Rental Yields and Affordability:-

Any cross-continental comparison of rental yields only carries weight if the numbers measure the same thing across contexts. A three percent yield in Mumbai and a four percent yield in Tokyo are not equivalent to investor positions. Gross rental yield is nearly meaningless in isolation for cross country work. The Numbeo dataset reports yield separately for city centre and outside centre locations, allowing spatial disaggregation that many datasets obscure through averaging. However, vacancy rates in Indian secondary markets often exceed fifteen percent, Japanese tax treatment of rental income differs structurally from the American context, and maintenance obligations widen the gross to net gap differently by market. While this paper works with gross yields because consistent net yield data does not exist across all three continents, the regression controls vacancy and taxation proxies. Furthermore, property values are not comparisons of identical goods because Rosen (1974) established that a property is a bundle of attributes each carrying an implicit price. Since full hedonic decomposition would require parcel level data unavailable across three continents, this paper restricts primary comparisons to central urban submarkets and flags residual heterogeneity as a limitation.

Numbeo itself derives its indicators from crowdsourced, continuously updated data with outlier filtering and recency weighting. Its Price to Income Ratio assumes net disposable family income as 1.5 times the average net salary, reflecting a two-income household. These definitional choices are transparent, which is why the dataset is usable, but its figures are not equivalent to official national indices. Following Biljanovska, Fu and Igan (2023), this paper treats Numbeo as the primary comparator for its methodological consistency, supplementing with Case Shiller, ONS and RESIDEX data where needed, preferring the more conservative index in cases of divergence. Affordability measurement carries its own distortions. Hulchanski (1995) showed the standard thirty percent income to rent threshold produces contradictory conclusions depending on how income and household composition are defined, and that it emerged from administrative convention rather than empirical research. Stone (2006) argued the deeper flaw is that ratio measures ignore what households have left after rent. His residual income framework asks whether remaining income covers food, transport, and healthcare adequately. A renter in Bangalore paying market rent on an asset priced for future appreciation may appear unburdened under a ratio of measure while having almost nothing left under Stone's framework. That gap between what the ratio sees and what residual income reveals is the distributional invisibility this paper quantifies. Further complicated by how homeownership rates distort expenditure-based measures across countries.

Housing Market Structure, Financialization, and Wealth Distribution:-

The macroeconomic stakes of rental yield divergence are not confined to household level affordability. They extend to the structural question of how different housing market regimes distribute risk, return and the realistic possibility of wealth accumulation across income groups, which is precisely what the cross-continental scope of this paper is designed to illuminate. The starting point for that larger argument is Piketty's (2014) demonstration that the rate of return on capital has structurally exceeded economic growth across the advanced economies since the early twentieth century, which means wealth concentrates through capital returns faster than wages rise, independently of cyclical conditions. Rognlie (2015) specified that a long run rise in capital income share is occurring. Decomposing net capital income across seven large, advanced economies, he found that the only sustained long term rise was attributable to housing, not to other forms of capital. His analysis effectively showed that concern about rising capital income displacing labor income is, empirically, a story about housing returns, and that the distributional consequences of housing market dynamics are more central to the question of structural inequality than most of the literature had recognized.

Bonnet, Bono, Chapelle and Wasmer (2014) then refined that finding by distinguishing between asset price appreciation and actual rental income flows. Their argument is that it is rent, not the rising market price of the asset; that matters to the true dynamics of wealth inequality because rental income is what housing capital actually earns for those who own it and what it costs for those who do not. This distinction is the empirical justification for the primacy of gross rental yield in this paper's framework. The Numbeo gross yield figures, disaggregated by city centre and outside centre locations, are the closest available proxy for the rental income flows that Bonnet et al. identify as the site of distributional consequence. Andrews, Caldera Sánchez, and Johansson (2011) provide the policy architecture within which those distributional flows are structured. Their cross OECD analysis linked rent regulation, land use restrictions and housing taxation to measurable market outcomes, finding that poorly designed policies produce substantial negative effects on residential mobility, housing supply responsiveness and the

distribution of housing costs across income groups. Their variable set, encompassing the extent of rent regulation, the provision of social housing, housing related taxation and transaction costs, is directly relevant to the European segment of this paper's analysis, where the contrast between heavily regulated rental markets such as Germany and the Netherlands and deregulated markets such as Ireland and Portugal produces the most analytically informative variation in yield outcomes across similar institutional contexts.

Ryan Collins (2018, 2019) provides the mechanism through which financialization translates those policy differences into distributional outcomes at the household level. The post 1980s liberalization of bank credit created a self-reinforcing cycle in which mortgage lending on existing property drove up land prices, which expanded collateral values, which permitted further lending, which drove further price appreciation, detaching land prices from the income flows the underlying land could generate and embedding a structural capital gain expectation into property values across the advanced economies. Under that framework, the renter paying market rent on a property whose price reflects a credit inflated appreciation premium is not paying for the utility of shelter. They are partially funding the holding cost of an investment whose returns will accrue exclusively to the owner. The yield spread in this paper measures across Europe, North America and Asia is the quantitative signature of how widely that dynamic operates across different regulatory and institutional environments. Wetzstein (2017) establishes that the three structural conditions sustaining this dynamic, the accelerated re urbanization of capital, the availability of cheap credit and the structural rise of intra society inequality, have been operating simultaneously across both advanced and developing economies since the post Global Financial Crisis period, making the cross-continental frame of this paper analytically necessary rather than merely geographically expansive. The affordability crisis is not a failure of individual markets that can be explained by local supply constraints or idiosyncratic policy errors. It is a convergent outcome produced by the same structural forces operating across different regulatory regimes at different stages of development, which is precisely why the cross-continental comparison this paper undertakes is positioned to reveal distributional dynamics that single country or single region studies cannot see.

Research Questions:-

1. If poor countries pay landlords more, why is the variation inside each income bracket bigger than the gap between them?
2. Why is the United States “the one high income country” that refuses to behave like a high-income country's housing market?
3. If rent yields depend on property values rather than incomes, is current affordability policy targeting the wrong problem?

Data & Methodology:-

This paper draws its entire empirical foundation from Numbeo, the world's largest cost-of-living and quality-of-life database. Numbeo combines millions of crowdsourced contributor reports with automated market-data collection and statistical validation to produce city- and countrylevel benchmarks across cost of living, housing, crime, healthcare, transport, and related indicators. It was selected as the sole data source for this paper because its methodological consistency across markets, achieved through standardized variable definitions applied uniformly to every city and country in its database, allows for genuinely comparable measurement across continents in a way that stitching together disparate national housing indices does not. This consistency was essential given the paper's cross-continental scope, and it provided the breadth of perspective needed to examine housing dynamics across highly divergent regulatory, economic, and institutional contexts simultaneously.

Two datasets were extracted from Numbeo for this analysis. The first is a 57-country dataset disaggregated by World Bank income classification (High, Upper Middle, Lower Middle, and Low income), used to test whether rental yield and affordability outcomes vary systematically with national income level. The second is a 339-city dataset spanning three continents, Asia (n = 85), Europe (n = 177), and North America (n = 77), selected for their relevance to the paper's central comparative argument: North America as the benchmark for a rent-calibrated market, Europe as a heterogeneous mix of regulated and deregulated regimes, and Asia as the primary site of speculative asset-price inflation. Core variables drawn from Numbeo across both datasets include Gross Rental Yield (city centre and outside centre), Price-to-Income Ratio, Price-to-Rent Ratio (city centre and outside centre), Mortgage as a Percentage of Income, and the Loan Affordability Index.

Four analytical layers were applied to this data. First, descriptive statistics, means, medians, standard deviations, and ranges, were computed for each variable by income group and by continent, establishing the baseline distributional profile of each market tier and revealing the extent of within-group heterogeneity that aggregate averages conceal.

Second, scatter diagrams with ordinary least squares (OLS) trendlines were used to visualize bivariate relationships between key variables, particularly Price-to-Rent Ratio against Gross Rental Yield and Price-to-Income Ratio against Mortgage Burden, allowing spatial patterns across income groups and continents to be identified directly. Third, a country and city spotlight approach was used to construct an inequality narrative, selecting specific cases (including Seoul, Mumbai, Tokyo, Berlin, Lisbon, Dublin, and Cleveland) whose combined metrics illustrate the mechanisms driving yield compression or yield calibration in each market, since aggregate statistics alone often obscure the structurally opposite conditions that can produce numerically similar outcomes. Fourth, regression coefficients were calculated for both the 57-country income-group dataset and the 339-city continental dataset, isolating the directional and predictive strength of relationships such as Price-to-Rent Ratio on Gross Rental Yield and Price-to-Income Ratio on Mortgage Burden and Loan Affordability. Running parallel regressions across both the incomeclassification and continental frames allowed the analysis to distinguish whether observed patterns were a function of national wealth or of underlying market structure, which is the central methodological distinction this paper depends on.

Result and Analysis:-

Analysis of Global Housing Markets by Different Income Group Countries Rental yields hover between 5% and 6.7% across income groups, driven more by market structure than country wealth. However, mortgage affordability worsens drastically as income falls, with Loan Affordability Index values dropping sharpest in poorer nations. Lower income countries sit below the affordability threshold; proving credit limits stem from structural housing systems.

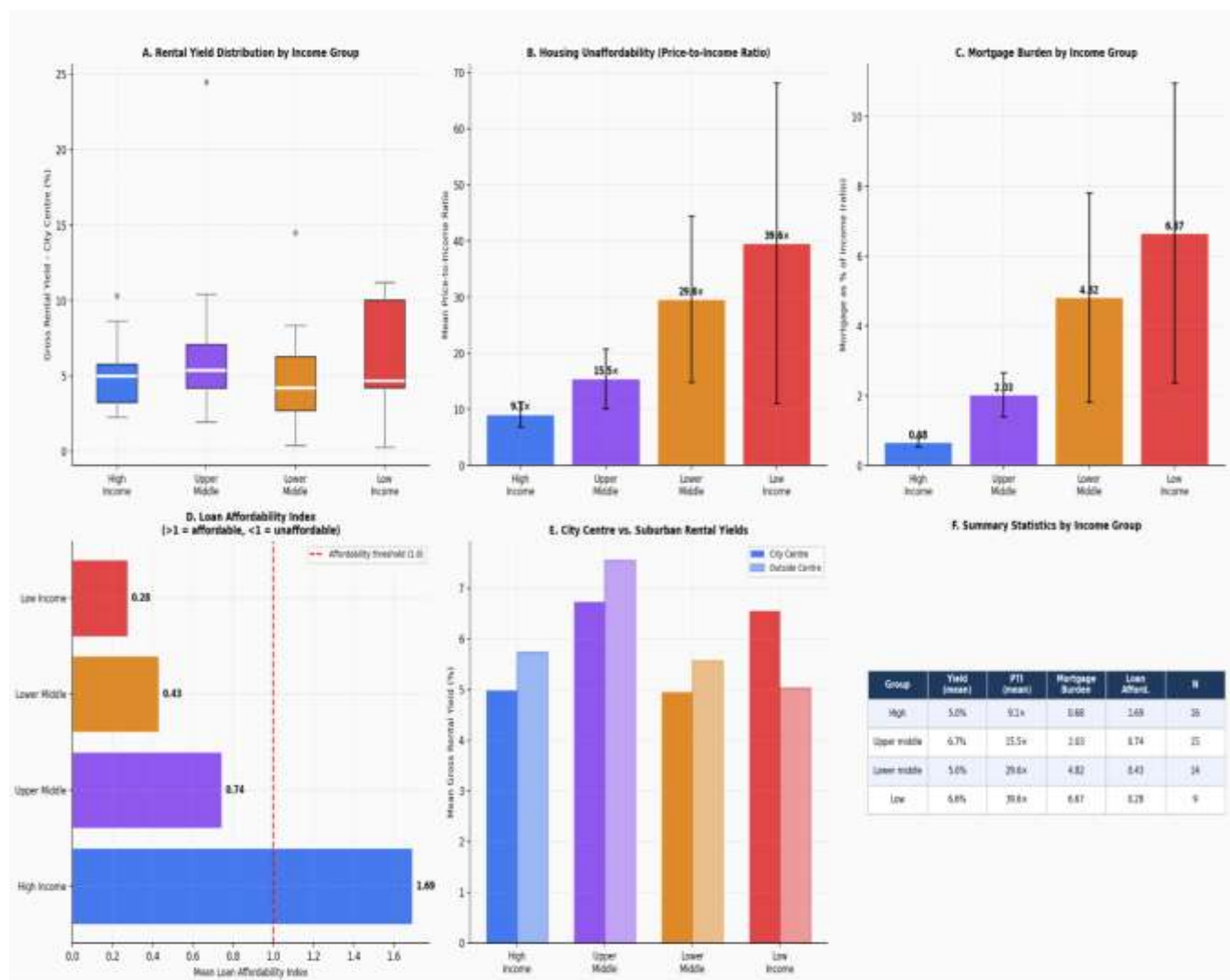


Figure 1: Descriptive Analysis of Global Housing Markets by Income Group

Quantitative Insight from Analysis of Price to Income Ratio (PTI) Across Income Groups Price to income ratio is the number of years of gross household income required to purchase a property which rises sharply as income classification falls:

Income Group	Mean PTI	Median PTI	SD	Min	Max
High Income	9.12×	7.71×	4.50	3.45 (US)	23.07 (Singapore)
Upper Middle	15.47×	13.31×	10.54	3.03 (S. Africa)	48.45 (Cuba)
Lower Middle	29.61×	18.35×	28.31	5.08 (Haiti)	115.43 (Nigeria)
Low Income	39.63×	24.23×	43.68	9.10 (Afghanistan)	150.24 (Somalia)*

Inferential Analysis of Global Housing Markets:-

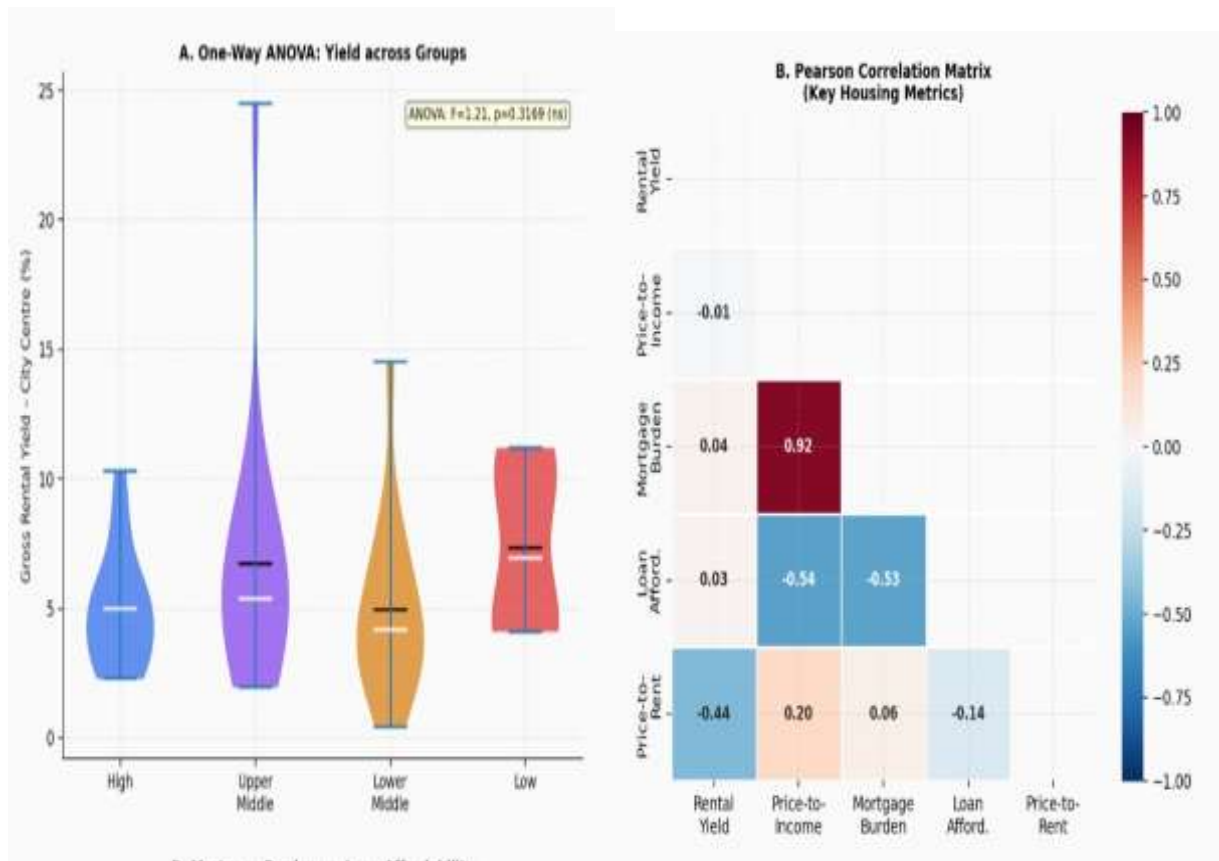


Figure 2: One-Way ANOVA and Pearson Correlation Matrix

Comparison	p-value (Mann-Whitney U)
High vs Upper middle	0.3427
High vs Lower middle	0.5889
High vs Low	0.1358
Upper middle vs Lower middle	0.2475
Upper middle vs Low	0.4664
Lower middle vs Low	0.0950

Figure 3: Comparison and p-value

Rental yields do not vary significantly by income level; instead, speculative market orientation compresses yield as property prices outpace rents. Meanwhile, a near-perfect correlation between house price and mortgage affordability highlights systemic barriers to homeownership, proving that widespread exclusion from ownership stems from structural housing finance systems rather than individual circumstances.

Analysis of Global Housing Markets across the continents at city level: - insight from Asia, Europe and North America

Descriptive Analysis about Affordability, Yield and Structural Exclusion n=339 cities, Asia = 85, Europe = 177, North America = 77

Asia	Europe	North America
Mean GRY (city centre) 4.44% Median 3.70%, SD 2.35, IQR 3.10	Mean GRY (city centre) 4.38% Median 4.20%, SD 1.26, IQR 1.70	Mean GRY (city centre) 9.52% Median 8.70%, SD 3.79, IQR 3.70
Mean PTI 15.98x Median 12.10, SD 9.96, Range 3.90-49.50	Mean PTI 10.05x Median 9.40, SD 3.47, Range 4.10-20.60	Mean PTI 4.88x Median 4.10, SD 2.30, Range 2.00-11.60
Mean MAPI 179.77% Median 145.90 SD 130.51	Mean MAPI 83.86% Median 71.50, SD 55.36	Mean MAPI 40.93% Median 35.40 SD 18.23
Mean LAI 0.90 Median 0.70, 61.2% of cities below 1.0	Mean LAI 1.48 Median 1.40, 19.8% of cities below 1.0	Mean LAI 2.87 Median 2.80, 0% of cities below 1.0
Mean PTR (city centre) 30.67 Median 26.70, SD 19.42, Max 123.70	Mean PTR (city centre) 24.66 Median 24.00, SD 6.82, Max 52.90	Mean PTR (city centre) 12.10 Median 11.50, SD 4.72, Max 28.70

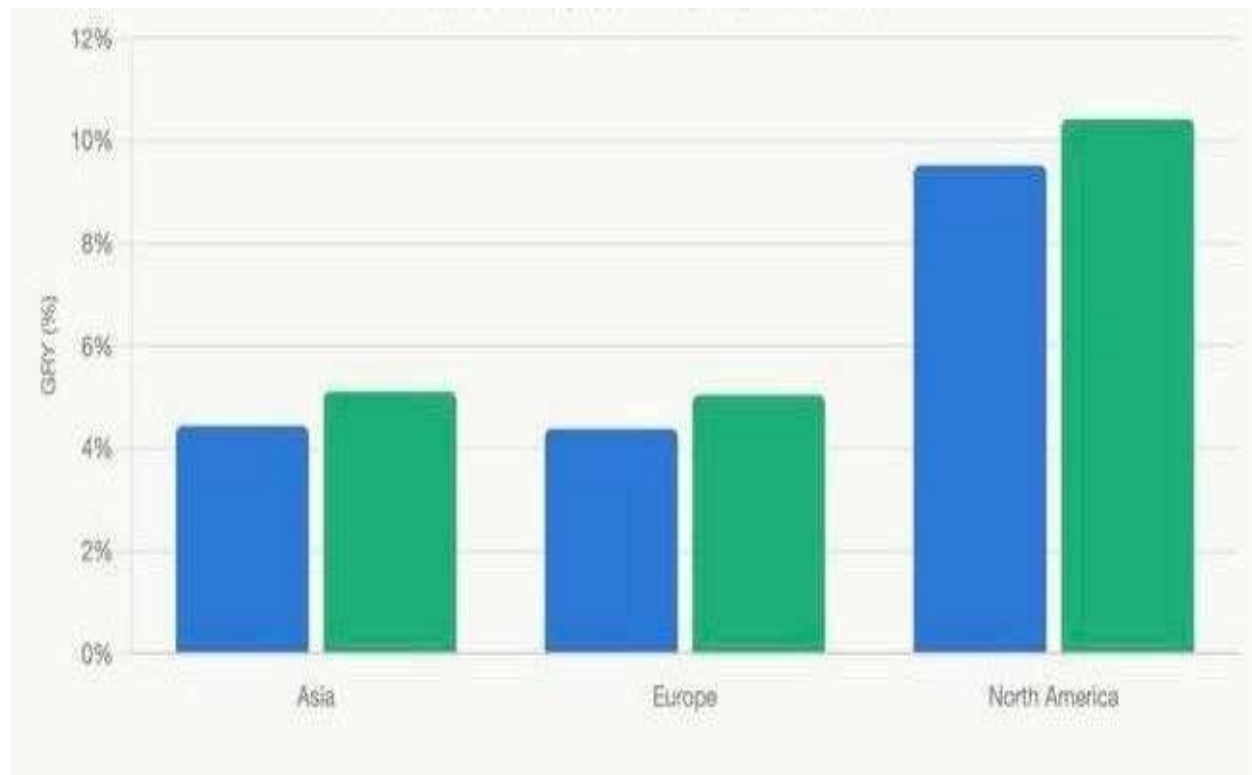


Figure 4: Mean gross rental yield by continent and zone (%)

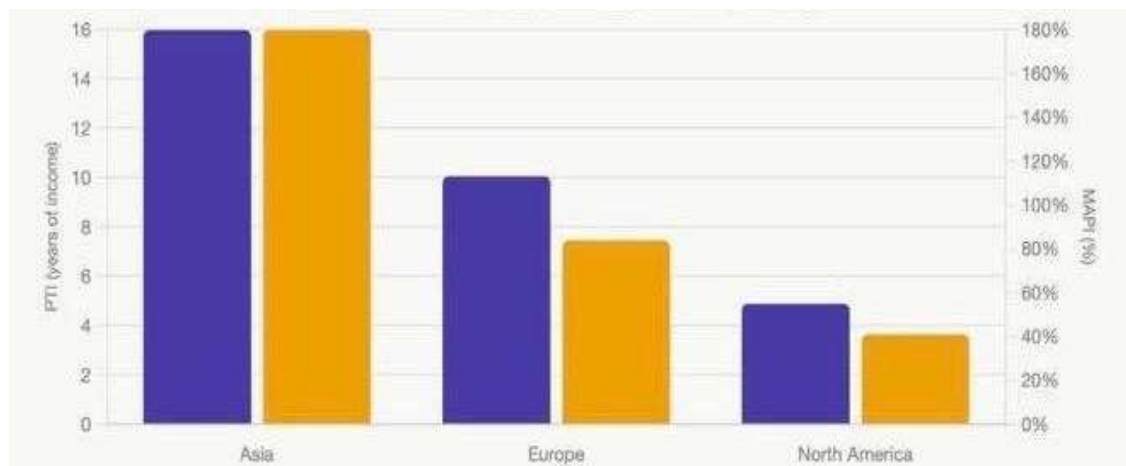


Figure 5: Mean price-to-income ratio (PTI) and mortgage burden (MAPI) by continent

North America leads gross rental yields at 9.52%, doubling Asia (4.44%) and Europe (4.38%). However, Asian cities face severe affordability crises, with extreme price-to-income ratios and mortgage burdens averaging 179.77% of income. Low loan affordability scores confirm households in these markets face systemic structural barriers to homeownership rather than renting by choice.

Causal Relationship Analysis of Affordability and Yield:-

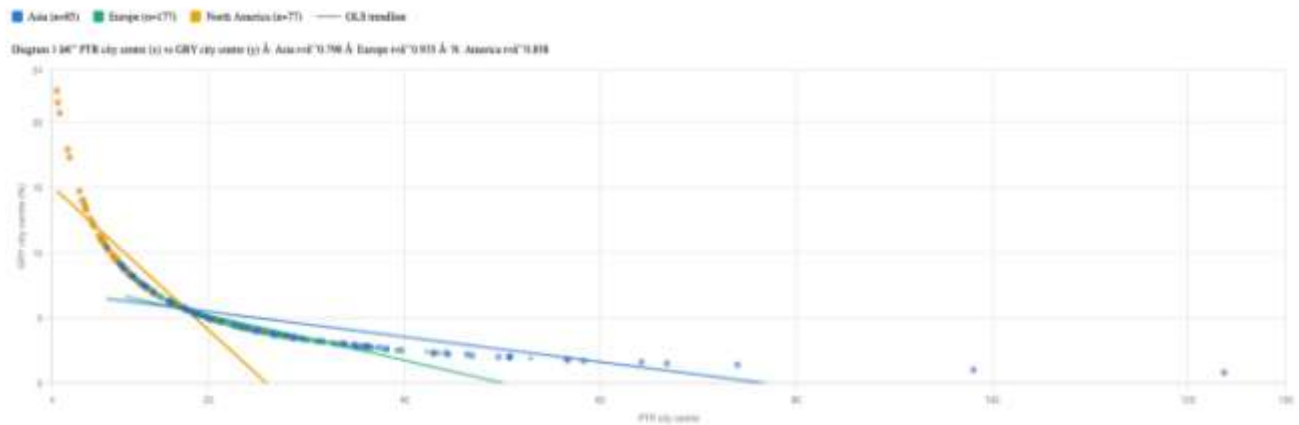


Figure 6: PTR City Centre vs GRY City Centre

What Figure 6 shows is the same relationship playing out across three completely different housing worlds simultaneously, and the fact that all three lines slope in the same direction is not the interesting part. The interesting part is what the slopes tell you about how each market has decided to price an asset. North America's line is the steepest of all three at β of negative 0.689, meaning every additional unit of PTR costs 0.689 percentage points of yield. That steepness exists because in a rent calibrated market the investment thesis must stand on what the property earns, so the moment asset pricing drifts from income fundamentals the yield respond immediately and sharply. Europe sits in the middle, its line tighter and more compressed than either of the others, with R^2 of 0.874 being the strongest fit of any continent in the entire dataset. That extraordinary tightness is not a coincidence. It is the visual signature of regulation enforcing the PTR to yield relationships across 177 cities through rent controls and tenant protections rather than leaving it to income signals. Asia's line stretches furthest to the right across a PTR range that the other two continents never come close to touching, and the most striking observation is that the yields at the far-right end of that range are so compressed they are barely visible above the x-axis. What Diagram 1 is ultimately showing is not three markets behaving differently. It is one mechanism, speculation compresses income return, operating at three different stages of the same process, and the distance each continent sits along that spectrum is the distance its housing market has travelled from pricing property for what it earns toward pricing it for what someone believes it will be worth.

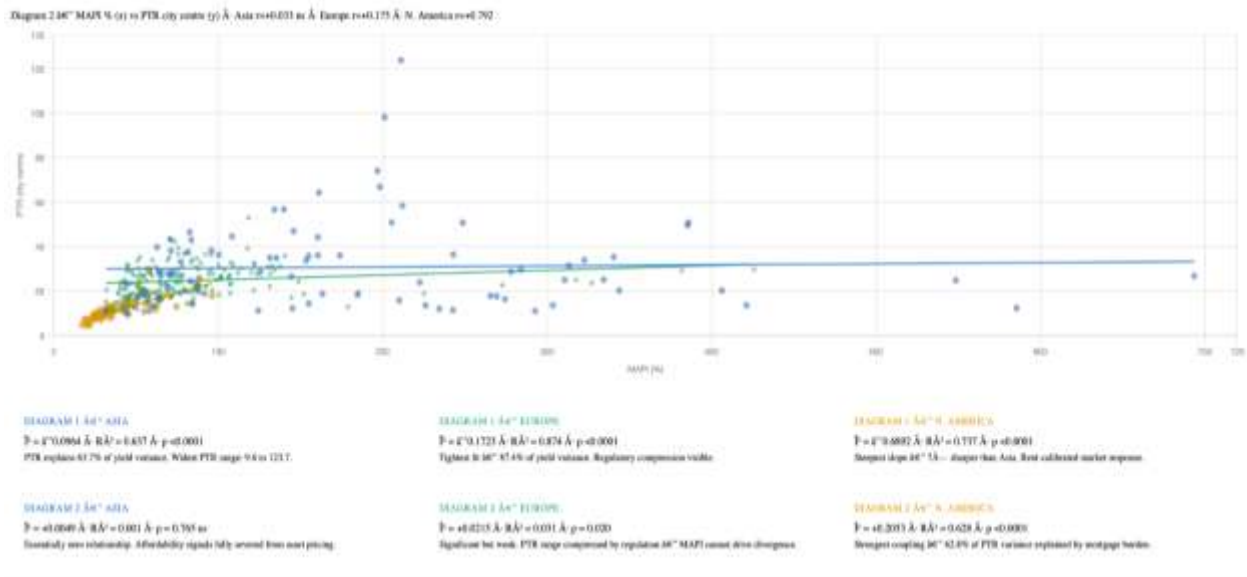


Figure 7: MAPI vs PTR City Centre

This is the most interesting diagram in the entire paper and the result that nobody was expecting. In a functioning housing market, when it costs more to service a mortgage relative to income, the asset should also sit at a higher multiple of annual rent, because both variables are responding to the same underlying price signal. North America confirms this completely at R^2 of 0.628 mortgage burden explains 62.8% of PTR variance, the two variables move together, the market is coherent. Europe gives a faint version of the same story at R^2 of 0.031, where regulation compresses the PTR range so tightly that MAPI variation simply cannot drive meaningful divergence. Then there is Asia at R^2 of 0.001, p of 0.765, which is statistically indistinguishable from zero. And this is where it gets genuinely remarkable. A city in the Asian cluster can have a MAPI above 500% and a PTR of 12. Another can have a MAPI of 211% and a PTR of 123.7. The two variables are completely disconnected from each other, moving independently with no relationship between them whatsoever. What that tells you is that in Asian housing markets, the asset price is not being set by what any household income could service through a mortgage. It is being set entirely by what investors believe the property will be worth when they sell it. Affordability signals have stopped working. The market has stopped listening to income fundamentals. And the renter living inside that property is paying rent into a system where the price of the asset they inhabit is governed by a belief about the future rather than anything their income has ever been able to reach.

Case Study – Special Insight of Berlin, Mumbai, Chandigarh and Austin:-

Regulation Versus Speculation: Rental Yield Convergence in Berlin and Mumbai:-

Berlin and Mumbai converge on nearly identical rental yield ranges, Berlin between 3.3 and 4.2 percent, Mumbai between 2 and 4 percent, yet the overlap conceals two entirely different housing regimes producing the same number for opposite reasons. Berlin's compression is engineered. Germany's tenant protections, the non-deductibility of mortgage interest against imputed rent that exists in the American system, and the Mietendeckel, a rent cap the Berlin senate imposed in 2020 before Germany's Constitutional Court struck it down a year later for exceeding state jurisdiction, have all worked to hold rents below what an unregulated market would bear. Fewer than one in five Berlin households own their home, among the highest rental shares of any major city globally, which means the low yield is not a market signal at all but the residue of a state actively deciding how much surplus a landlord is permitted to extract from a tenant. Mumbai's compression is the mirror image, produced not by restraint on price but by acceleration of it. There is no rent regulation suppressing what a landlord can charge. Instead, land scarcity, construction cost inflation and a cultural conviction that property is a wealth vehicle independent of what it earns in rent have pushed prices so far ahead of incomes that a two bedroom apartment now averages roughly 143,000 dollars against an average individual salary near 10,200 dollars a year, meaning a single earner needs about fourteen years of undiverted income to buy what a dual income household manages in seven. The same yield, in other words, can describe a city where the state has capped what capital can take, or a city where capital has priced housing so far beyond income that rent becomes almost irrelevant to the investment case. Berlin suppresses yield through policy. Mumbai suppresses it through speculation. The tenant absorbs the gap either way, protected in one city, structurally exposed in the other.

Chandigarh and Austin on the Limits of Supply Response:-

Chandigarh and Austin both underwent a high income, tech and consulting driven boom, yet the numbers reveal how differently each city translated that wealth into housing outcomes, and why. Chandigarh's average household earns close to 31,000 dollars annually, with consumption spending near 22,900 dollars, among the highest in India, a genuinely affluent population. Austin's median household earns somewhat more, between 90,000 and 94,000 dollars, but the more revealing comparison sits in what that income can actually buy in each city's most desirable neighborhoods. In Chandigarh's prime legacy sectors, 8 through 11, kothis and bungalows on 500 to over 1,000 square yard plots sell for anywhere between 1.8 million and 15.4 million dollars, meaning a household earning the city's own high average income would need upward of fifty to sixty years of undiverted earnings just to reach the entry price of prime sector housing, and gross rental yields there sit at just 1.5 to 3.3 percent, reflecting an asset priced almost entirely for appreciation. Austin's equivalent premium neighborhoods, Tarrytown and Old Enfield, run from 850,000 dollars to just over 2 million, meaning even Austin's most expensive housing sits within roughly nine to twenty-two times median income, an order of magnitude more reachable than Chandigarh's prime sectors, and yields citywide still manage 5.5 to 8 percent because a genuine multifamily construction wave has kept supply somewhat responsive to demand. The purpose of this comparison is not simply that Chandigarh is more expensive. It is that both cities absorbed comparable income shocks, yet Austin's zoning and construction pipeline allowed new supply to intercept that demand before prices detached completely from what income and rent could support, while Chandigarh's seventy-year-old Corbusian master plan, with its fixed plot sizes and sector boundaries, makes that interception structurally impossible. The households priced out of Chandigarh's core do not simply pay more. They

are permanently excluded from a fixed, expandable stock of prime land, a scarcity engineered by design rather than produced by a market that could, in principle, correct itself.

Conclusion:-

This paper sets out to understand a simple disconnect why residential property attracts capital at yields well below borrowing costs. Looking across 57 countries and 339 cities, the answer is clear. Rental yield compression is not an isolated market failure or a temporary mispricing; it is the structural signature of housing being priced for future capital gains rather than immediate productive use.

Crucially, the findings show that national income level does not dictate yield dynamics. Instead, market structure and speculative orientation govern returns. Whether yields are artificially suppressed by state intervention, as in Berlin, or inflated away by speculative asset pricing, as in Mumbai. Where markets detach asset prices from local household incomes—most severely across Asian urban centers—affordability signals cease to function altogether.

Ultimately, the burden of this speculative gap does not fall on the investor accepting a low yield. It is absorbed by the tenant. Lower- and middle-income households are structurally locked out of homeownership, forced to pay rents that effectively fund the holding costs of assets whose appreciation they will never share. Addressing the global affordability crisis requires moving beyond traditional income-based metrics and confronting the financialized systems that treat housing as a speculative asset rather than a place to live.

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