Housing Markets & the Globalisation of Generational Inequalities

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THEIDEOLOGY
OFHOME
OWNERSHIP
HomeownerSocietiesandtheRoleofHousing
RichardRonald

beyondhomeownership
housing,welfareandsociety

HousingEastAsia
SocioeconomicandDemographicChallenges
EditedbyJohnDolingandRichardRonald
SOME REALLY IMPORTANT QUESTIONS ABOUT HOUSING

• Has the bust made housing more affordable, or – reinforced gernational gaps (BB, X & Y)?

• Are housing conditions shaping new socio-economic inequalities & life course patterns?

• Are younger people across Europe following different housing careers?

• Are older people mobilising their housing assets in new ways?

• What does this all mean in era of austerity and Asset Based Welfare?
THE AGE OF HOME OWNERSHIP

Past Assumptions…
• Housing market position a function of income/wealth
• Postwar growth in home ownership either increasing affluence or politically driven
• Housing tenure not regarded as important to welfare or social inequality

Recent Transformations
• The state promotion of homeownership
• Social ageing & pension pressures
• Global capital - local housing markets
• Tapping house prices to drive macro economic growth
• Commodification of home & financialization of self
• Neo-liberal crowds out social agenda on housing
CHART 2: TRENDS IN HOME-OWNERSHIP RATES IN OECD COUNTRIES

- Central/Eastern European
- Southern European
- English speaking
- Nordics
- Continental European

Mid 1980s | Mid 1990s | 2004 or latest available
THE GLOBAL HOUSING BOOM:
CONVERGENCE AND VARIEGATION

Developing and Post-socialist economies
- housing privatization a prescription for economic development: China & East Europe

Corporatist and Social democratic regimes
- housing commodification as a means to reduce state costs and drive growth: e.g. Netherlands, Sweden, France

Liberal economies
- even higher home ownership targets, looser lending, less affordability, more schemes to help marginal buyers: UK, Australia, USA
FINANCIAL SHOCKS AND HOUSING
Housing completions - changes pre- to post-crisis averages (%) EU15 (-1)

Data Source: EMF 2012
**GENERATION RENT IN THE UK**

- Owner-occupation rate peaked at 69.7% in 2002, falling to 64% in 2012
- Meanwhile private renting increased from around 10% to 18%
- 2001-2011, number of renters under-35 up from 1.1 to 1.9 million
- Since 2005 rents in London rose annually by 7%, more than triple average inflation
- 2.9 mil (1.8 mil men and 1.1 women) age 20-40 living with parents (20% rise, 1997 – 2012)
Average age of first-time buyers (excluding those receiving assistance)
A Generation Y child...

Taking his first steps.

Taking his first steps to independent living.
GENERATION LANDLORD

- ‘Buy-to-Let’ mortgages increased from £2-Billion to £84-billion 1998-2012
- Growth in PRS facilitated by private individuals: 78% own just one property (40% of PRS) – now around 2 mil landlords
- 36% of ‘Right-to-Buy’ homes in London (52,000) let by private landlords in 2012
- PRS represented £354 bil in 2002 and £990 bil in 2013 (19% of total value UK housing)
- Facilitated by deregulation of (shorthold) tenancies & change in mortgage products
GRAPH 1.1
The value of UK housing stock

Graph source: Savills Research
Families & Intergenerational Relations

Re-Familization (intergenerational Solidarity)
• 1995, 10% of UK FTBs received parental help, by 2006 this was 38% and in 2011 65%
• In 2011 as many as one in three 50-65 year-olds were helping children with rent or repayments
• Increasing co-residency (boomerangs) & ‘KIPPers’

De-Familization (Intergenerational divides)
• Declining family formation & problems climbing the housing ladder
• Increasing singles (‘parasite singles’ & ‘never marrieds’) household fragmentation & non-linear pathways (featuring renting)
• Growth in SKI-ers & housing wealth based consumption/welfare!
Annual costs of housing per household by age

- **Age 34 and under**: £8,671 billion
  - Mortgage Interest: 10 billion
  - Mortgage Repayment: 30 billion
  - Private Rent: 40 billion
  - Social Rent: 10 billion

- **Age 35 to 49**: £7,695 billion
  - Mortgage Interest: 20 billion
  - Mortgage Repayment: 40 billion
  - Private Rent: 20 billion
  - Social Rent: 10 billion

- **Age 50 to 64**: £4,182 billion
  - Mortgage Interest: 10 billion
  - Mortgage Repayment: 30 billion
  - Private Rent: 10 billion
  - Social Rent: 10 billion

- **Age over 65**: £1,939 billion
  - Mortgage Interest: 10 billion
  - Mortgage Repayment: 30 billion
  - Private Rent: 10 billion
  - Social Rent: 10 billion

35 - 49 year olds most exposed to interest rate rises.

Annual costs of housing reduced as older owner occupiers have paid down mortgage debt.

Source: Savills Research
## TENURE FORECASTS TO 2019

Forecasts show large rise in Private Rented Sector households

<table>
<thead>
<tr>
<th>ENGLAND &amp; WALES</th>
<th>5-year forecast</th>
<th>No. of Households (Millions)</th>
<th>Forecast change</th>
<th>% of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2019</td>
<td>Millions</td>
<td>%</td>
</tr>
<tr>
<td>Owner Occupiers</td>
<td>14.87</td>
<td>14.67</td>
<td>-0.20</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Private Renters</td>
<td>4.86</td>
<td>6.04</td>
<td>+1.2</td>
<td>+24.3%</td>
</tr>
<tr>
<td>Social Renters</td>
<td>4.09</td>
<td>4.04</td>
<td>-0.05</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LONDON</th>
<th>5-year forecast</th>
<th>No. of Households (Millions)</th>
<th>Forecast change</th>
<th>% of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2019</td>
<td>Millions</td>
<td>%</td>
</tr>
<tr>
<td>Owner Occupiers</td>
<td>1.56</td>
<td>1.46</td>
<td>-0.10</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Private Renters</td>
<td>0.99</td>
<td>1.24</td>
<td>+0.25</td>
<td>+24.8%</td>
</tr>
<tr>
<td>Social Renters</td>
<td>0.78</td>
<td>0.77</td>
<td>-0.01</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>
Age band forecasts show generational divide widening in England & Wales
Owner occupier levels: 16% for under 35s to 80% for 65+

<table>
<thead>
<tr>
<th>Age Band</th>
<th>Change in PRS Households</th>
<th>Change in Owner Occupied Households</th>
<th>Owner Occupied Down From</th>
<th>Growth in Private Renting</th>
<th>Growth in Owner Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDER 35</td>
<td>+566K more</td>
<td>-520K fewer</td>
<td>16%</td>
<td>31%</td>
<td>72%</td>
</tr>
<tr>
<td>35-49</td>
<td>+483K more</td>
<td>-275K fewer</td>
<td>31%</td>
<td>72%</td>
<td>5%</td>
</tr>
<tr>
<td>50-64</td>
<td>+175K more</td>
<td>+337K more</td>
<td>72%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td>-42K fewer</td>
<td>+256K more</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Savills Research, 2011 Census, DCLG
How are generational divides (‘Generation-Rent’) playing out elsewhere?
Rental tenure change among 18-34 year-olds 2007-2011

Data Source: EU-SILC
Home ownership rate change 2007-2011

Data Source: EU-SILC
YOUNG ADULTS (18-34) LIVING WITH THEIR PARENTS IN 2008 (%)
Change in parental co-residence rate among 18-34 year-olds 2007-2011

Data Source: EU-SILC
Generational Divides in the Netherlands

Post-war baby boomers
- Improved welfare provision & employment
- Advantages of a growing Social Rent Sector
- Advantageous lending (120% LTV, 500% LTI)
- Significant tax benefits for mortgagees
- Increasing house prices & asset accumulation

Post-crisis generations
- Smaller welfare state & less certain job prospects
- Unfavourable lending conditions (no more savings-mortgage, declining LTI and LTV, diminishing social housing)
- Tax exemption for intergenerational transfers for home purchase
'Ouderen moeten later met de waarde van hun huis zorg inkopen'

Gijs Herderschee, Martin Sommer – 04/11/11, 22:47

Ouderen moeten in de toekomst de waarde van hun huis gebruiken om zorg in te kopen. Terwijl zij in hun eigen huis blijven wonen, kunnen ze de waarde deels verzilveren bij de bank of pensioenfonds en daarvan verzorging of verpleging regelen. Zo’n regeling kan de explosie van de zorgkosten temperen.

Average rent to income ratio, by age, Amsterdam, 1999 to 2011
South Korean Housing tenure (1985-2010)
## Rental type by age group of landlord

*Source: Mirae Asset Real Estate Research Institute, 2010*

<table>
<thead>
<tr>
<th>Age</th>
<th>40's</th>
<th>50's</th>
<th>60's</th>
<th>70's and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chonsei Lease</td>
<td>66.7</td>
<td>43.4</td>
<td>34.3</td>
<td>29.3</td>
</tr>
<tr>
<td>Monthly Rent (with deposit and rent-only)</td>
<td>33.3</td>
<td>56.6</td>
<td>65.7</td>
<td>70.7</td>
</tr>
</tbody>
</table>
TAPPING HOUSING ASSETS TO SUPPORT PENSIONS IN SINGAPORE

- System built on mass home ownership (92%) via HDB and CPF
- Silver Housing Bonus: use money to ‘right-size’ to top up CPF retirement account and get SG$20,000 bonus
- Lease Buyback Scheme: equity release on remaining lease years over 30
- Permission to sublet bedrooms in 3(+) room flats
- Permission to sublet a HDB property as a rental unit after 3-5 years
HOUSING & WELFARE STATE/CAPITALIST RESTRUCTURING

The Wobbly Pillar or Cornerstone? (Groves et al 2007; Malpass, 2008)
Family owned property as a mainstay of welfare relations

The Really Big Trade Off (Kemeny, 1981, Castels 1998)
Housing - welfare ‘trade off’ in high home owner societies

Home Ownership as Imputed Income:
Non-mortgaged housing can substitute for pensions in old age

Asset-Based Welfare (Sherraden, 1991)
Focus on building assets rather than monthly benefits

Privatized Keynesianism: (Crouch, 2009)
Individual investment in housing can be drawn on later

Worlds of Residential Capitalism (Schwartz and Seabrook 2008)
Differences between societies structured by housing market regimes

Urban Land and Social Inequality: where wealthy-classes keep their money and inheritance (Piketty, 2013)
Generational Inequalities and the Features of Post Home-ownership Societies

- Stagnant home ownership and house-building
- Tenure polarisation and tenure based social inequality
- Irregular labour markets and employment careers
- Shrinking welfare and pension capacity
- Intergenerational divides & household interdependency
- Ageing, low fertility societies
THE HOUWEL STUDY

Project One: Regimes and Systems
Methods: institutional studies, multi-level analyses

Project Two: Meanings and Practices
Methods: qualitative field-studies

Project Three: Security and Inequality
Methods: advanced regression (e.g. EU-SILC panel data)

Macro

Micro
<table>
<thead>
<tr>
<th>Country</th>
<th>Home Ownership Rate</th>
<th>Mortgage Debt to GDP Ratio (%)</th>
<th>HOUWEL Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>England*</td>
<td>High 70%</td>
<td>1998: 50.6% / 2007: 83.3%</td>
<td>Birmingham University, Birmingham, England</td>
</tr>
<tr>
<td>Germany</td>
<td>Low 43%</td>
<td>1998: 51.9% / 2007: 47.7%</td>
<td>Humboldt University, Berlin, Germany</td>
</tr>
<tr>
<td>Italy</td>
<td>Very-high 80%</td>
<td>1998: 7.8% / 2007: 19.8%</td>
<td>University of Trento Via Verdi, Trento, Italy</td>
</tr>
<tr>
<td>Japan</td>
<td>High 62%</td>
<td>1998: 35.9% / 2007: 38%**</td>
<td>Kobe University, Kobe Waseda University, Tokyo</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Moderate 56%</td>
<td>1998: 60.8% / 2007: 101.0%</td>
<td>Base Country</td>
</tr>
<tr>
<td>Romania***</td>
<td>Super-High</td>
<td>1998: 1.4% / 2007: 5.6%</td>
<td>University of Bucharest, Bucharest, Romania</td>
</tr>
</tbody>
</table>
Thank you!