

# The road to tenure neutral policies

Stop promising universal home ownership



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September 11, 2012

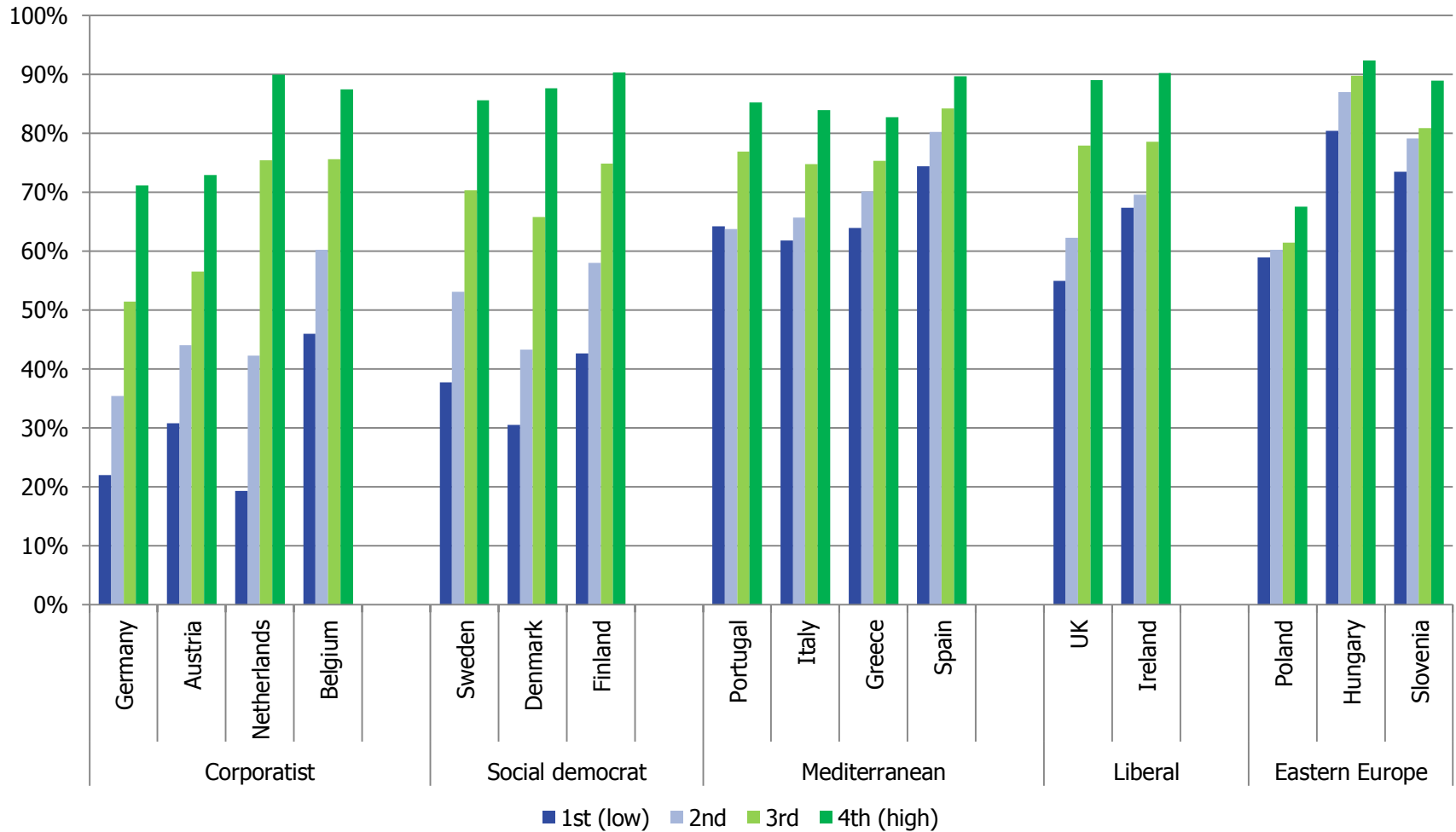
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- **Some figures**
- Meaning of housing tenure
- Financial model
- Housing tenure and policy
- Conclusions

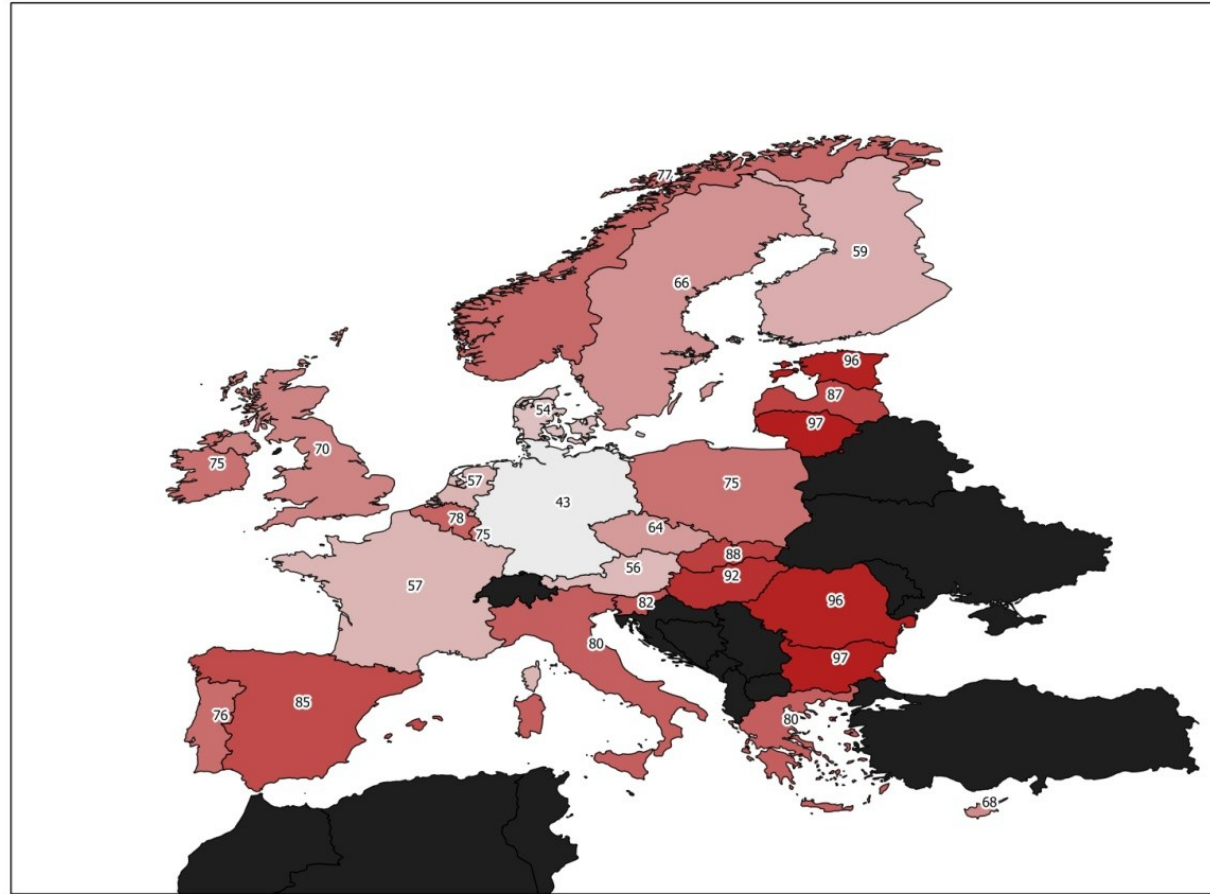


# Home ownership by income quartile, EU-SILC 2008



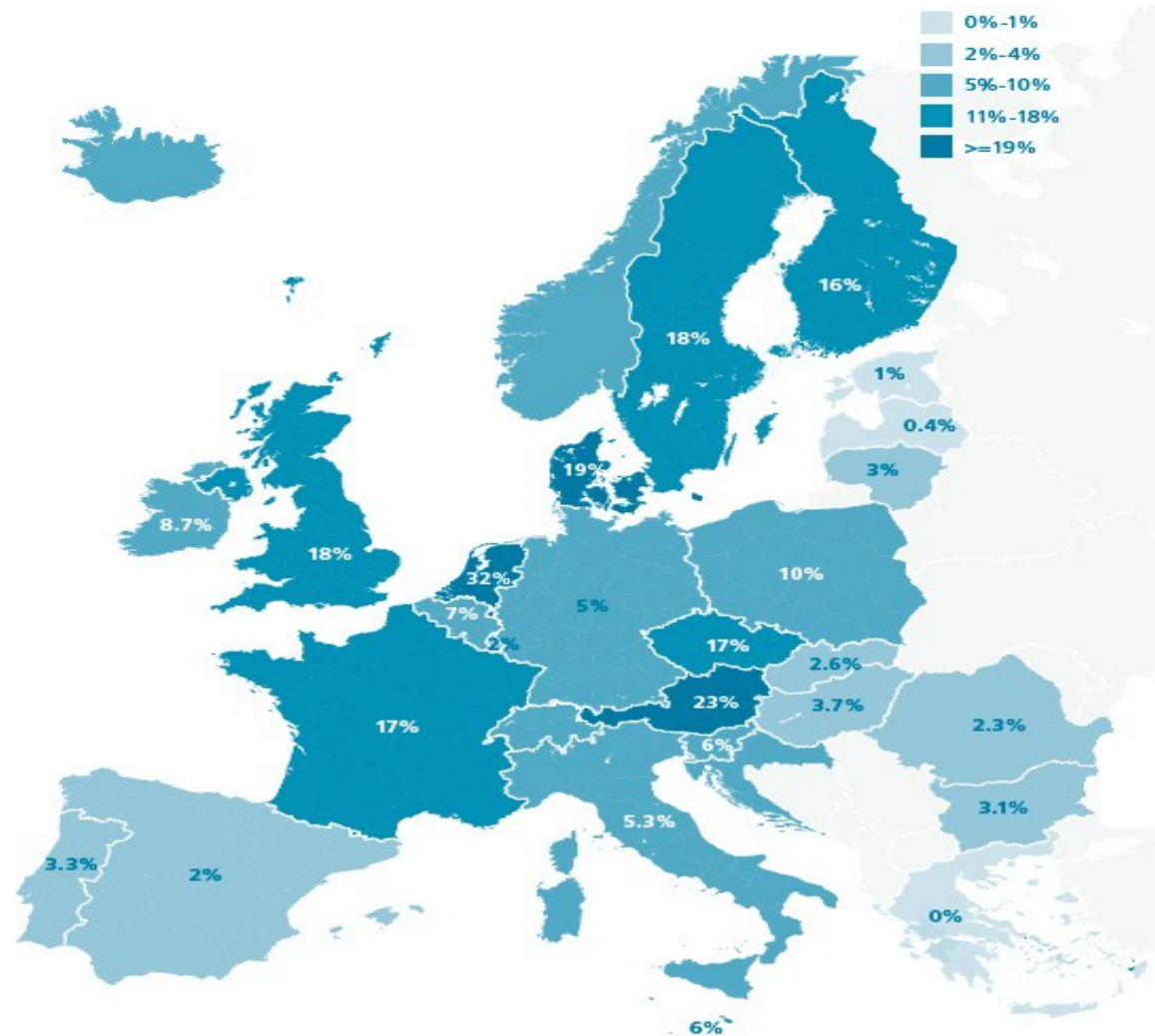
# Home ownership in the EU27, EU-SILC 2009

- Largest (>75%) in Eastern, Southern Europe, BE
- Around 65 - 75%: UK, IE, SE, PL
- Relatively low (< 60%) in GE, AT, D DK, FI, CZ and NL

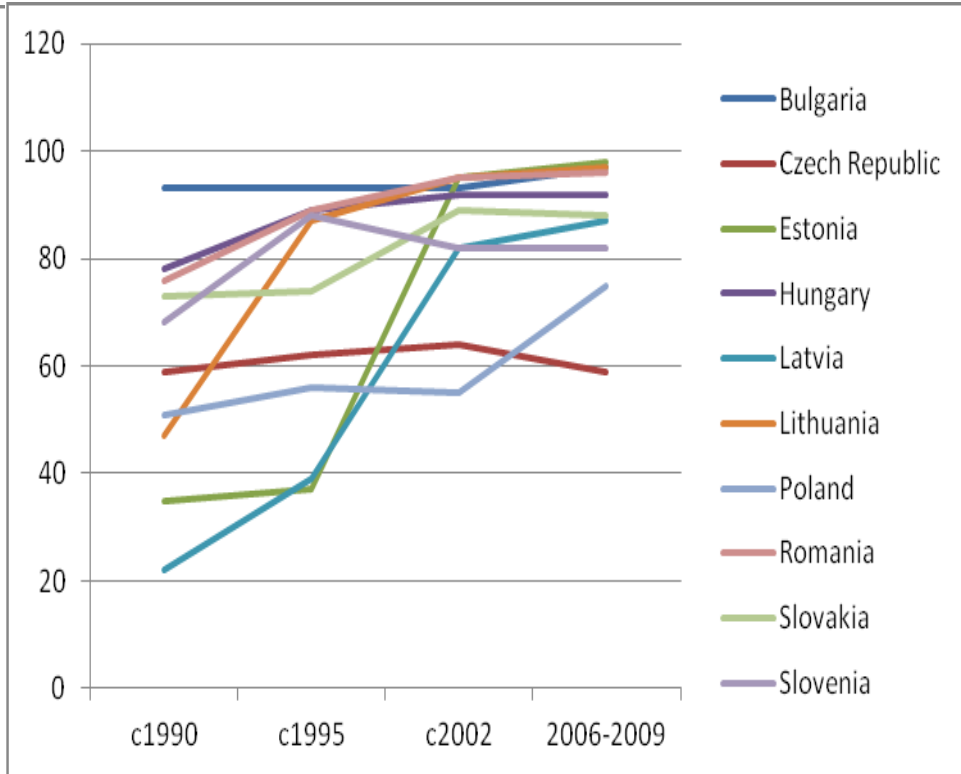
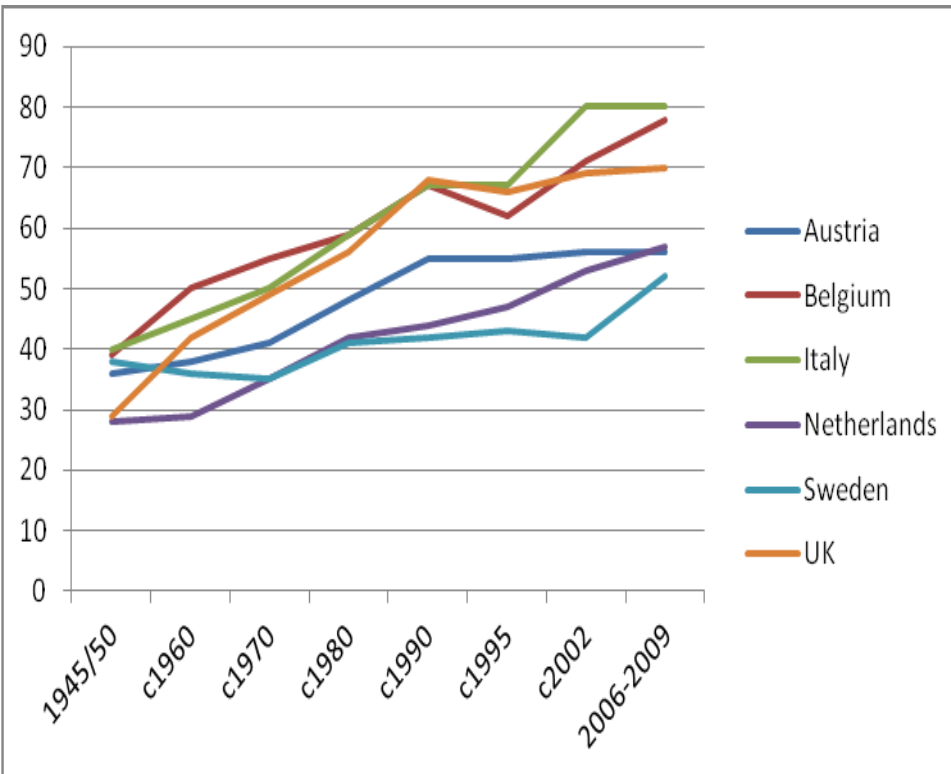


# Social rental housing in the EU27, Cecodhas, 2012

- Largest in NL, followed by AT and DK.
- UK, FR, SW and FI also have a large social/public housing sector
- On the contrary, no rental social housing in EL, very small share in CEE as well as PT, ES



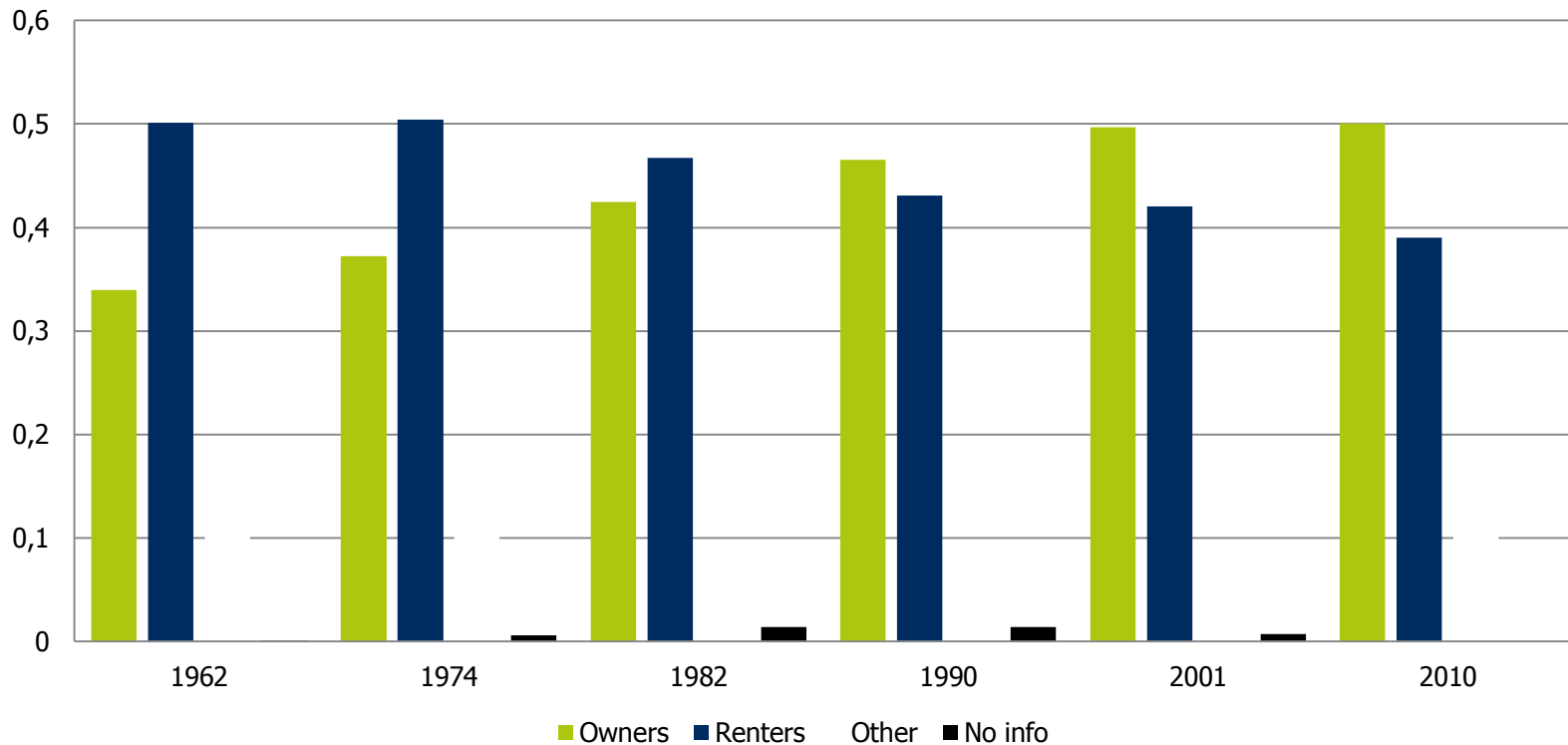
# Home ownership in Europe, Sources: Catte *et al* (2004), Scanlon and Whitehead (2007), EMF (2010), MRI (1996), Balchin (1996)



# Quito, Ecuador

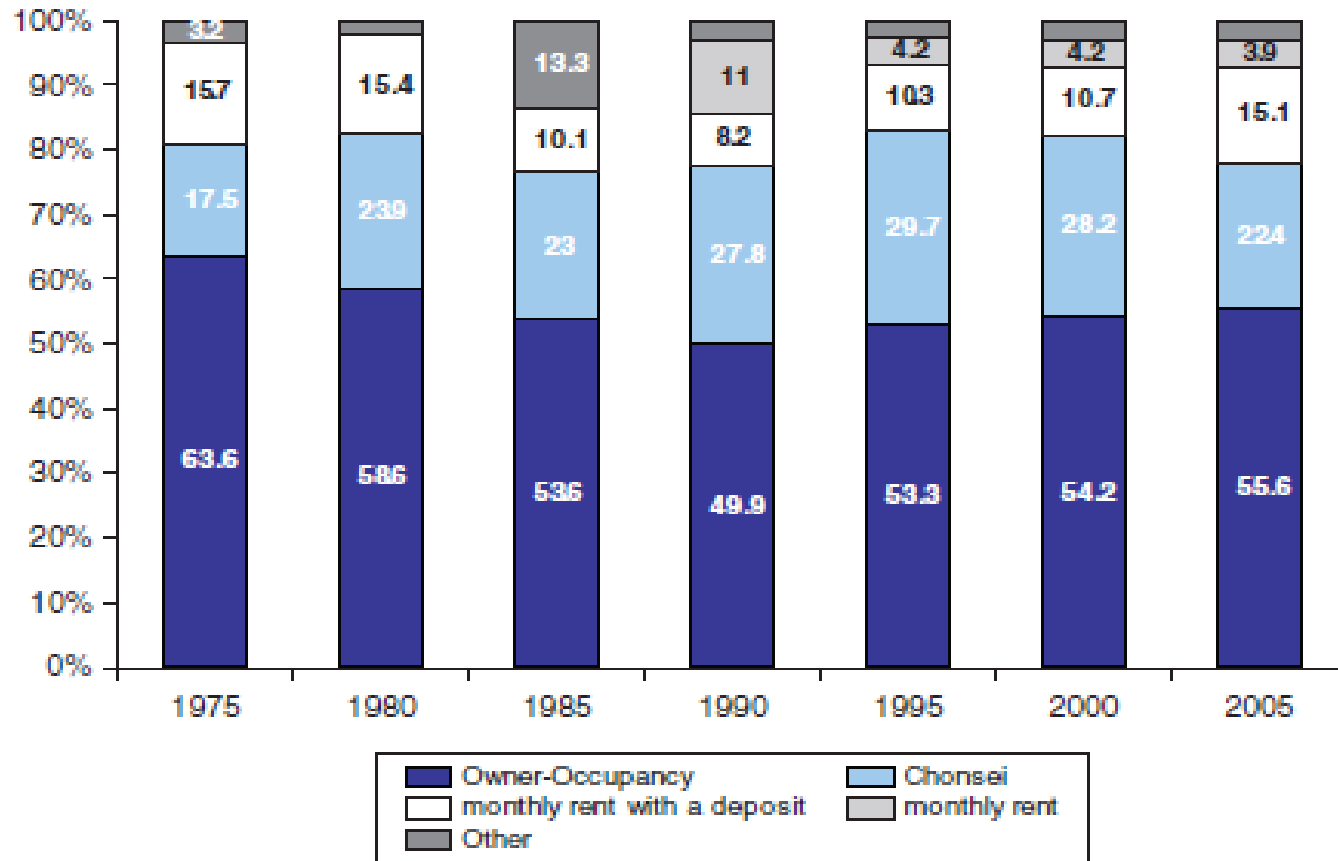
Source: Census INEC, in: Donoso Gomez, 2012

## Quito: occupied housing by tenure





# South Korea



**Figure 1.** Housing tenure developments in South Korea, 1975–2005.  
*Source:* National Statistical Office, Population and Housing Survey.

# Conclusions

- The higher the income, the higher the home ownership rate (Household)
- The higher the income, the lower the home ownership rate (country)
- Home ownership policies do not always work well
  - Housing as speculation object
  - There is a limit to home ownership, around 70%
- Renting
  - Different models
  - A developed sector as a luxury

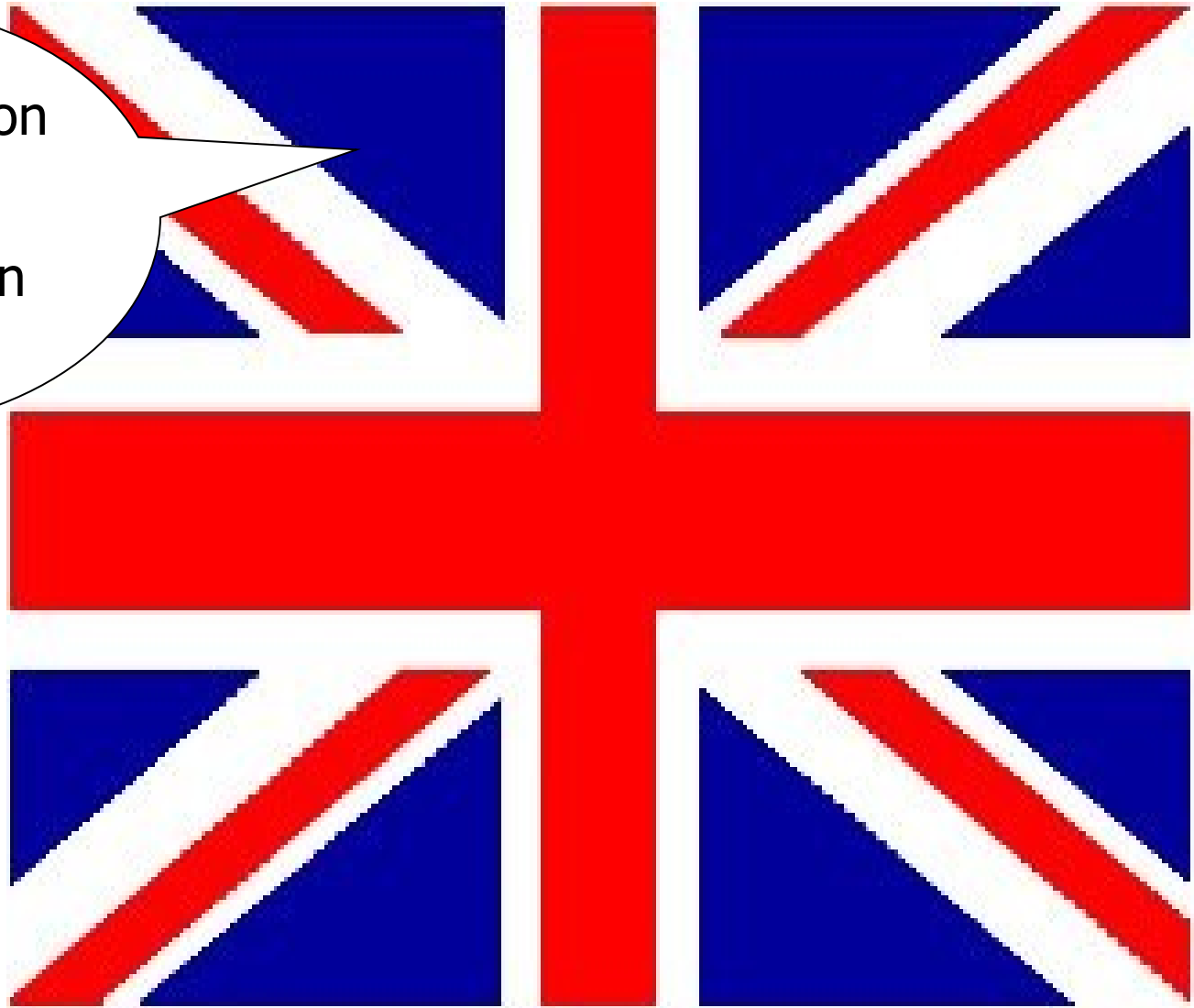
- Some figures
- **Meaning of housing tenure**
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# Home ownership an American dream?



Get your foot on  
the property  
ladder as soon  
as possible!







You better  
start in  
Chonseil.



Or consider  
informal  
housing



# Does home ownership empower people?

<http://edandbethbarnesministries.files.wordpress.com/2012/05/empowerment32.jpg>

- Home owners more empowered than tenants
- But: tenure does not influence empowerment
- Home ownership rather an indicator than a cause of empowerment



# Conclusions

The meaning of tenure depends on context since alternative is different

Home ownership is rather an indicator than a cause of empowerment

Positive effects of home ownership are often over estimated

- Some figures
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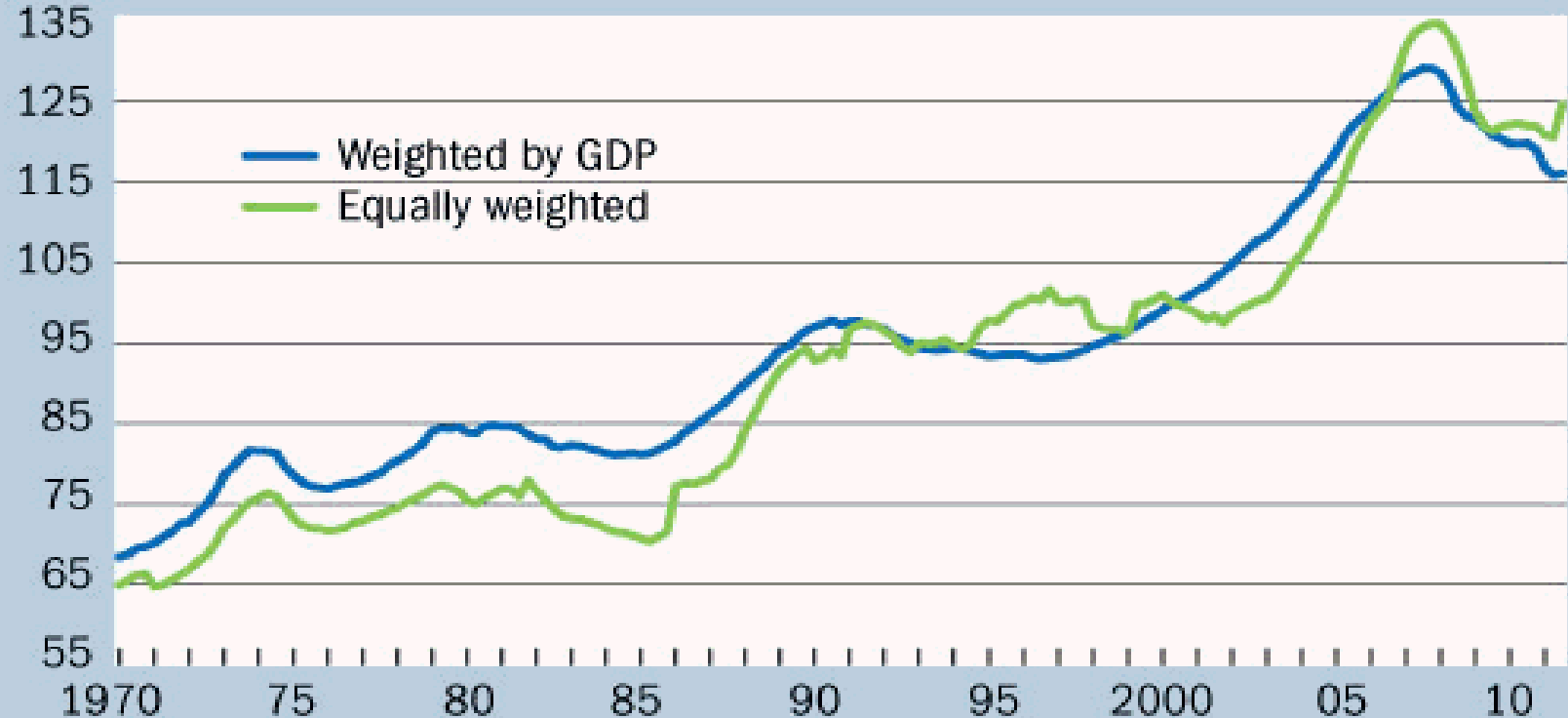


Chart 1

# Global House Price Index

Flat or still falling?

(global house price index, 2000=100)



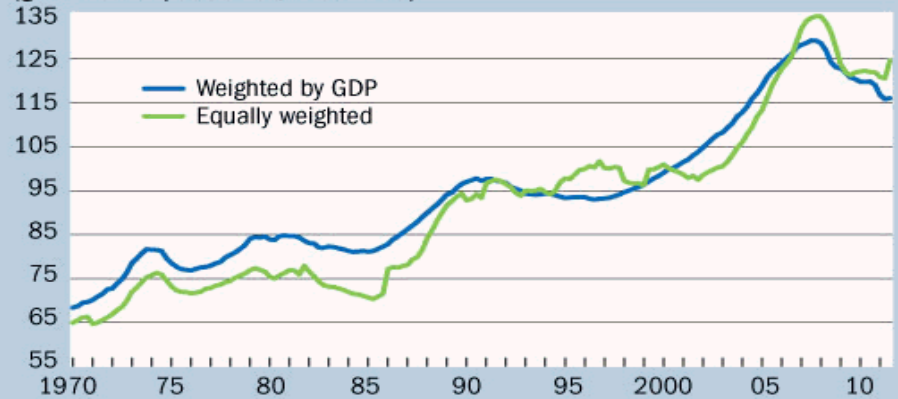
Note: Real house prices, seasonally-adjusted quarterly series, average for 55 countries.

Chart 1

### Global House Price Index

Flat or still falling?

(global house price index, 2000=100)



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CARD

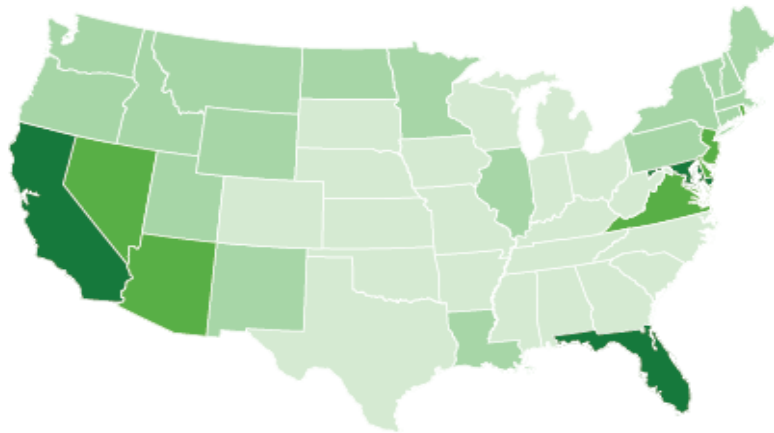
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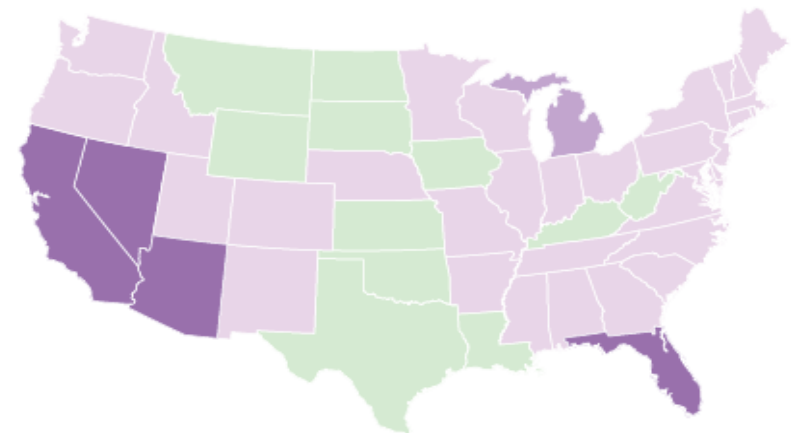
# Change in U.S. Housing Prices: 2000-2010

Purchase only index for lower 48 states estimated using sales price data (not inflation adjusted)

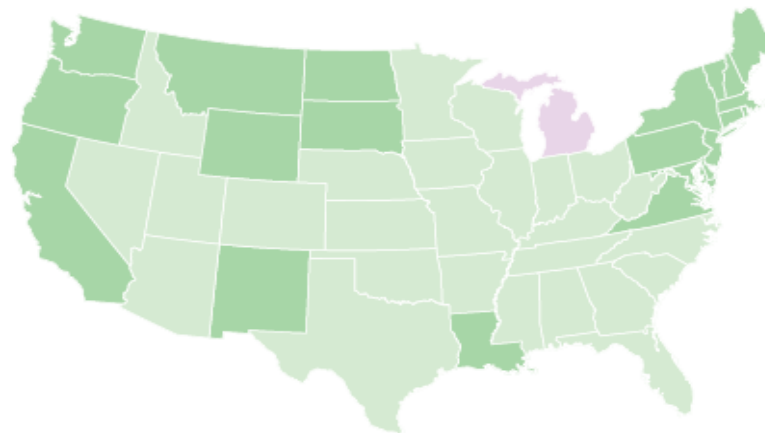
Before the Crash  
2000-2006



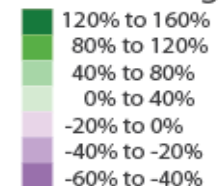
After the Crash  
2006-2010



Ten Year Price Change  
2000-2010



Price Change



Data from: Federal Housing Finance Agency

DesignandGeography.com



# Conclusions

Effect financial market on house prices:

- Deregulation pushed up housing prices
- In some countries more than others!

Use of housing:

- Housing market used as ATM
- Housing as speculation object: buy and let

But:

- High house price increases not sustainable
- Decent low income housing needs government support!



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# Housing policy

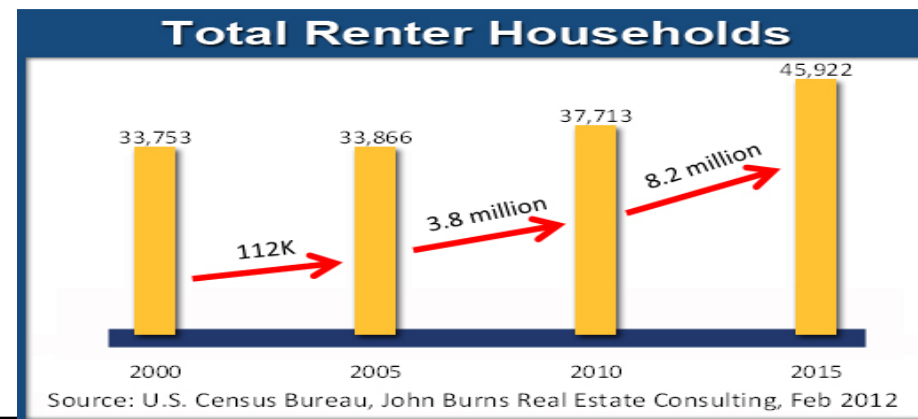
- EU: Member states are responsible for housing
- BUT:
- Housing policy by stealth
  - Financial markets
  - Competition rental market: end of unitary model
- Effect of home ownership policy is overestimated
  - There is a limit
  - Effects on people and neighborhoods overestimated

# Reasons to encourage home ownership

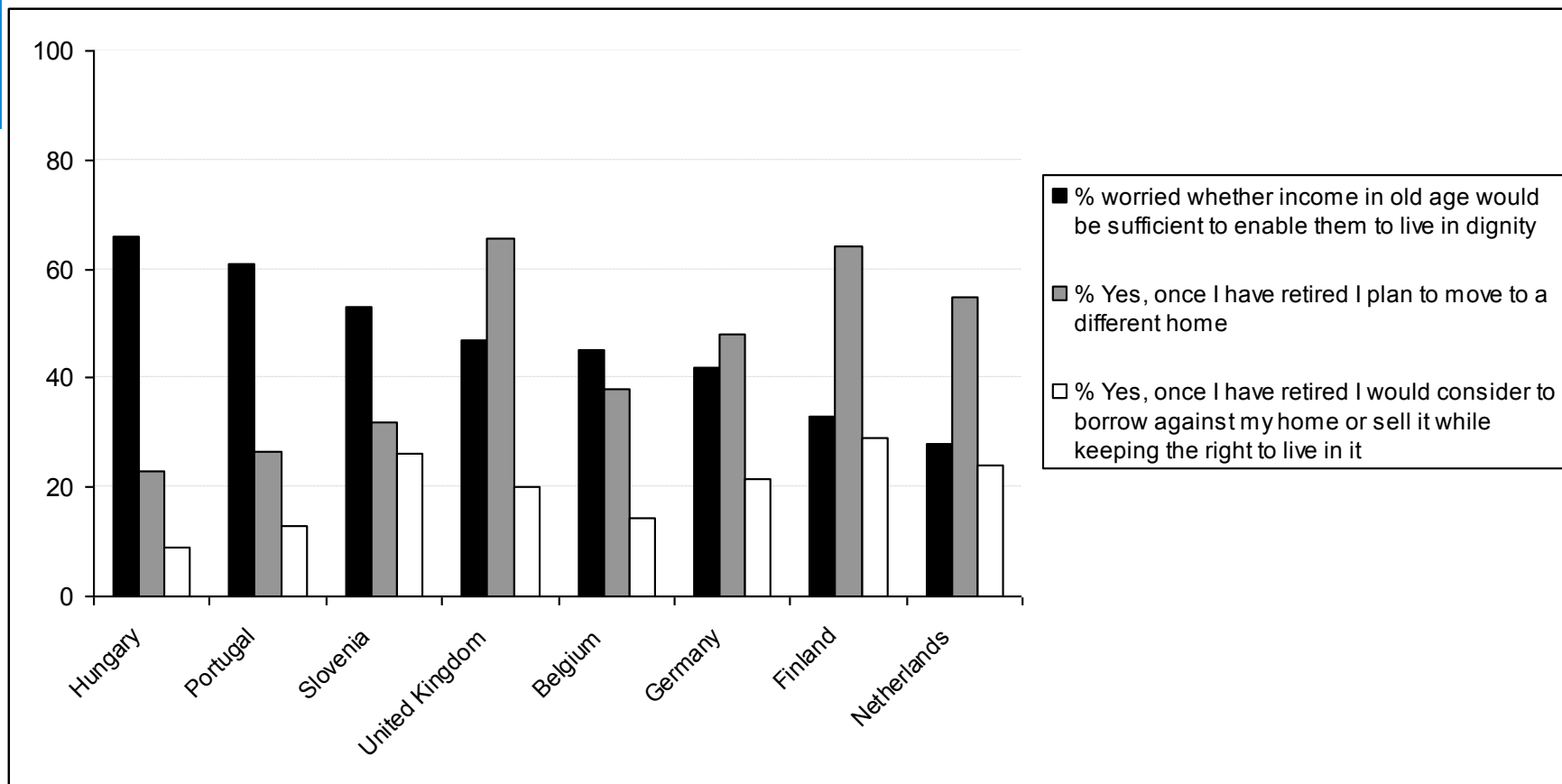
- Help households to achieve the preferred tenure
- More responsible citizens
- Empower people
- Better involvement in neighbourhoods
- Make households build equity
  
- Strong beliefs, weak evidence

# Reasons for rental policy

- Recognize there is a substantial market in particular in cities
- Facilitate labour market mobility
- Provide lower income households an affordable house
- Facilitate equity release



# Use of housing equity, Eurobarometer, 2009



# Conclusions

Home ownership is desired by many

But, renting is there and needs policy for tenants and landlords:

- Subsidise to enable return on investment
- Support good maintenance
- Security of tenure
- Prevent excessive rents

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# Implications for housing policy

The positive effects of home ownership are over estimated

The positive effects of a good functioning rental market are underestimated

- Positive effect on social inclusion
- Enables labour market mobility

Housing policy should aim at providing adequate housing, not so much on a particular tenure

100% home ownership is not realistic in urban areas

Rental housing for young, mobile, poor, old

Good rental policy crucial for cities

