



# Building and consuming housing assets in 4 EU countries

Households' perceptions in 'the good old days' and expectations about the future

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# Introduction

- Financial insecurity
- Growth of owner-occupation
  - More debts – more risks
  - More housing wealth – more security
- Life cycle theories
- Housing assets are different (Levin 1998)
- Why do households build housing assets and how do they plan to consume them in times of financial hardship?



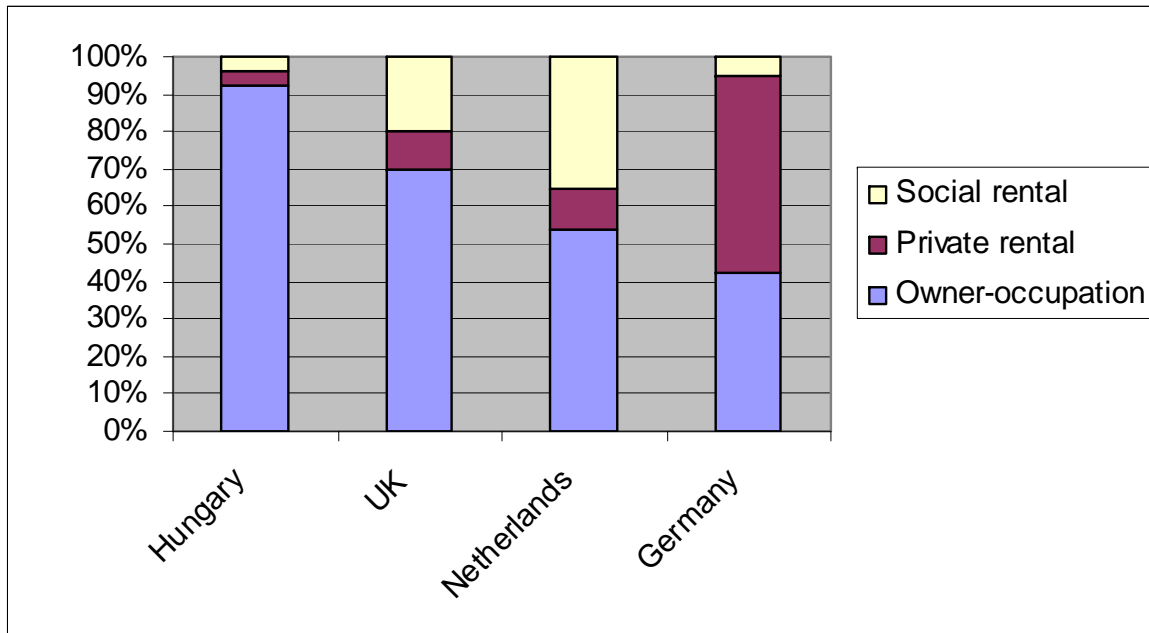


Figure 2 Housing tenure structure

	Financial insecurity	
	At risk of poverty rate after social transfer (Eurostat)	Everyone is at risk of poverty at some time in their life's (% agrees) (Eurobarometer)
Germany	12	64
Hungary	13	74
The Netherlands	11	50
United Kingdom	19	65

# Germany (Tegeer & Helbrecht 2007)

## Building housing assets

- Private rental sector attractive as long as unsettled
- Buying once in a lifetime
- Mortgage repayment as soon as possible

## Conditions

- Insecurity labour market and welfare restructuring
- Housing assets not taken in account for state benefits

## Owner-occupation and financial hardship

- Reduced housing expenses
- 'Pension in stone'

# Hungary (Hegedüs & Teller 2007)

## Building housing assets

- Buying necessary starting point for the young
- Avoidance insecure and stigmatised rental sector
- Housing assets part of family's safety-net strategy

## Conditions

- Insecurity about maintenance costs, house prices, incomes and no reliance on state welfare provision
- Pass on housing wealth to children

## Owner-occupation and financial hardship

- Support from heirs – 'life annuity schemes'
- Last resort: downsizing (not always good solution)

# The Netherlands (Toussaint & Elsinga 2007)

## Building housing assets

- Better to buy if you can afford
- House price increases
- Difficult access social rental sector

## Conditions

- Reliance on welfare state and labour market

## Owner-occupation and financial hardship

- Housing assets are nest-egg for emergencies
- Self-employed - pension

# United Kingdom (Quilgars & Jones 2007)

## Building housing assets

- One day the property will be theirs
- Investment, gains from market
- Rental sector no acceptable alternative

## Conditions

- Vague notion of risks, but plenty of opportunities labour market; no reliance on state welfare provision
- Tenants: 'Why build housing assets if I have to consume them at old age'
- Pass housing wealth on to children

## Owner-occupation and financial hardship

- Retirement
- Downsizing

# ‘The good old days’

## Why build housing assets?

- Avoid insecure rental sector (UK, Hung)
- Part of private safety net planning (Hung)
- House price increases (Neth, UK)
- Profit from incentives government (Hung, Neth)
- Not taken into account for benefits (UK, Germ)

## Why not consume housing assets?

- State welfare provision (Neth, Germ)
- Many other strategies with owner-occupation
- Bequest motives
- Illiquidity: selling- heart and soul in the ‘home’
- MEW: prosperity; distrust reverse mortgages
- Hold on to assets in times of financial hardship





# Now: financial insecurity- unemployment, pensions under pressure

## Will households consume their housing assets?

Owner-occupation, especially meaningful if no state welfare provision

1. Reduced housing expenses
2. Other strategies: sublet, or to get support from heirs
3. Last resort: selling

However, if many people want to sell, housing market stagnates -  
Then, mortgage equity withdrawal better option?!

Different histories, norms and customs:

Germans: 'pension in stone' & aversion towards mortgage debts

Hungarians: make their own contracts based on inheritance

Dutch: borrow according fiscal arrangements

British: did go through the 'learning curve' of MEW, but wish to have the  
cake and eat it

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