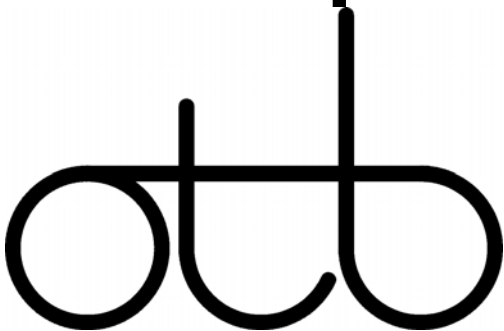


Possible consequences of future macro developments on housing

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1. Introduction

It is not easy to predict the future. Time and again, past forecasts have shown that the reality is more obstinate than was previously assumed. In part this is caused by unexpected developments that turned out differently than originally expected and in part because of unforeseen events such as the emergence of international hotbeds and major unexpected changes in the economy. An example of the latter is the development of the information society. In this context Hall, in his lecture on the future of the European CITY (2006), refers to Samuel Goldwyn who once said that one should never try to predict anything, especially the future. In this paper I will try, in spite of the above considerations, to map out the main social trends that are relevant to housing in general and homeownership in particular, based on current knowledge and insights. These trends are, in turn, important to be able to define the future research agenda. As the starting point for the I will use the Dutch situation. In many cases the Dutch situation is very comparable to the situation in the other West European countries. In concrete terms the results of a study about the development of prosperity and the living environment in the Netherlands by 2040 are presented. This scenario study was published in October 2006 by the Central Planning Agency (Centraal Planbureau), the Planning Agency for Nature and the Environment (Milieu- en Natuurplanbureau) and the Spatial Planning Agency (Ruimtelijk Planbureau). More specifically, the study relates to the demographic and economic developments that I look at in paragraph 2. At first glance, the demographic developments appear to be the easiest to predict. After all, the greater part of the population that will be most active in the housing market in the coming years has already been born. However, because of the capricious nature of migration, even these apparently 'certain' variables are not as easy to predict as one would think. Needless to say, the same applies to economic developments. In recent years the development of the welfare society has been strongly characterised by the increasing globalisation. In virtually all West European countries this has meant that the housing system underwent a thorough transformation. In the foreseeable future this transformation will also continue to be considerable (paragraph 3). These adjustments are also reflected in the political-administrative developments (paragraph 4). Things become even more complex when shifts in the socio-cultural developments and in the pattern of values and norms enter the picture (paragraph 5). Against this background the transformation of the existing housing supply against the future housing demand is somewhat easier to assess (paragraph 6). Although the future housing demand is not yet entirely clear, the characteristics of the existing supply are known. In the longer term the potential consequences of climate changes are likely to play an important role (paragraph 7). Finally, the closing paragraph

of this contribution focuses fully on the potential consequences of these macro changes when it comes to the housing preferences of individual households.

2. Economic developments

Because long-term economic trends are very difficult to forecast, scenario studies are used for this purpose. In 2004 the Central Planning Agency published a study which outlines four long-term economic scenarios for the Netherlands for the period up to 2040 (Centraal Planbureau 2004). This study formed the basis for the 2006 Prosperity and the Living Environment study, in which the Central Planning Agency, the Planning Agency for Nature and the Environment and the Spatial Planning Agency map out what the future social developments mean to the physical living environment (Central Planning Agency et al., 2006).

The four selected scenarios differ with respect to the extent of European integration and the level of government intervention. In this context we distinguish the following four scenarios.

Transatlantic Market

Political-economical

In the *Transatlantic Market* scenario the expansion of the European Union is not a political success, as the individual countries attach too much importance to their sovereignty; they prefer to resolve problems at a national level. However, there *is* far-reaching trade liberalisation between the United States and Europe, which will ultimately create a new internal market. The scenario is characterised by a government that emphasises the individual responsibilities of its citizens. The welfare state is curtailed and social benefits are cut back. This means that income inequality increases. A reduction of the power of the unions means that the employment market becomes more flexible. The social security cutbacks increase labour participation, the international competition stimulates companies to innovate and the greater differences in income make studying more attractive. The productivity growth and economic growth are higher than in the *Strong Europe* scenario, while the population numbers increase only moderately. Cross-border environmental issues are not dealt with, but the increased prosperity does result in local environmental investments aimed at, for instance, the nuisance factors of noise and smells, and nature conservation.

Demographic

Transatlantic Market is characterised mainly by a high level of prosperity combined with a limited population growth. Both family and employment migration are limited. The individualisation continues, which means the household growth is still reasonably high in relation to the population growth. The number of single people increases most strongly, also outside the Randstad area.

Global Economy

Political-economical

In the *Global Economy* scenario the EU is expanding further to the east. In addition to Turkey, countries like the Ukraine also become members. The WTO negotiations are successful and international trade benefits from this fact. However, political integration does not come off the ground. International collaboration in areas other than trade issues fails. Like in *Transatlantic Market*, in this scenario we see a government that emphasises the individual responsibilities of its citizens. Compared to *Transatlantic Market* the productivity growth is given an extra boost as a result of the strong global economic integration. The growth of material prosperity is therefore highest in this scenario. As in *Transatlantic Market*, there is no agreement on dealing with cross-border environmental issues. This fact, combined with the high global economic growth, results in considerable environmental pollution. Once again, in this scenario the increased prosperity does result in local environmental initiatives.

Demographic

The *Global Economy* scenario shows the greatest economic growth and also the greatest population growth. This is caused mainly by the influx of employment migrants. They distribute themselves throughout the country fairly evenly. In the Randstad area we continue to see a reasonable flow of family formation and family reunification migration. In addition, the natural growth in this scenario is the highest of all scenarios. Individualisation continues, which means household dilution is strong, especially in the Randstad area. In this scenario the average household size is the smallest (1.8 in de Randstad area and 1.9 on average in the Netherlands by 2040). This means there will be a high demand for housing.

Strong Europe

Political-economical

In *Strong Europe* there is a lot of focus on international collaboration. The European institutions are successfully reformed and countries give up part of their sovereignty. This makes Europe an influential player on the economical and political world stage. This makes it possible to come to a coordinated approach to possible international environmental issues. Europe makes some concessions to the US, which proceeds to ratify the Kyoto Treaty. Turkey joins the European Union.

As in *Regional Communities*, the socio-economic policy focuses on solidarity and an equal distribution of income, although there are some reforms. As a result of these reforms and because of higher investments in education and research and because of the larger market, the productivity growth comes out higher than in *Regional Communities*. The economic growth is also higher in this scenario.

Demographic

In the *Strong Europe* scenario the growth in prosperity is lower and the population and household growth also comes out lower than in the aforementioned scenarios. Individualisation decreases; more people live together. This makes household sizes larger

than in the *Global Economy* scenario (2.1 in the Randstad area and 2.3 on average in the Netherlands by 2040). The population growth in the Randstad is mainly the result of a foreign migration surplus, consisting mainly of family reunification migrants who, as they do now, focus mainly on the large cities in the Randstad area.

Regional Communities

Political-economical

In the *Regional Communities* scenario countries attach great value to their own sovereignty, which means the European Union is not able to implement institutional reforms. International trade liberalisation does not come off the ground either, which means the world becomes divided into a number of trade blocks. International environmental issues are not dealt with. Nonetheless, the environmental pressure is relatively low because of the low economic growth. In this scenario there are hardly any reforms of the collective sector. Collective regulations remain in place, with the emphasis on equal income distribution and solidarity.

Because of the lack of incentives in the social security system and the high tax and premium rates, labour participation is relatively low and unemployment is high. The lack of competition takes away the need for companies to innovate. The fragmented markets impede the rapid distribution of knowledge and small differences in income result in a moderate incentive for ‘stockpiling’ human capital. The annual productivity increase and economic growth are negligible.

Demographic

In *Regional Communities* the population and the number of households gets smaller. Only the transitional zone grows as a result of a relatively young population with a high birth rate and a relatively low mortality rate. The reduction in the Randstad area is caused mainly by fewer foreign migrants settling in the area than was previously the case. The population in the remainder of the country is shrinking mostly as a result of the strong ageing of the population. In this scenario the average household size is by far the largest: 2.4 in the Randstad and 2.6 on average in the Netherlands. Because of the great solidarity people focus more strongly on living together than on living alone. The scale advantages of multi-person households are also considered important in view of the limited prosperity growth. The ageing of the population normally creates a considerable ‘thinning’ of households, but because in this scenario the elderly often live with their family, the household size is still quite large.

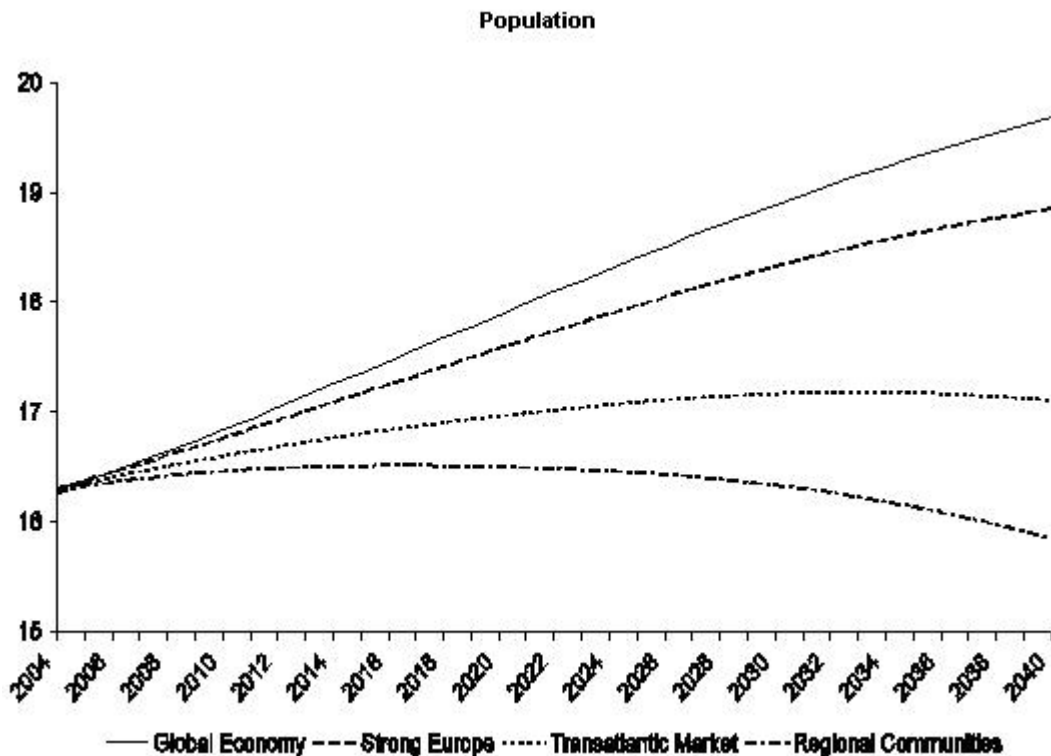
The demographic consequences of the different scenarios

Illustration 1 provides an insight into the population development in the four scenarios. In all scenarios the population growth decreases compared to the average for the period 1971–2001. The baby boom generation is ageing and the mortality rate increases in all four scenarios. The differences between the scenarios are mostly the result of differences in migration and birth rate. In *Regional Communities* the population growth is initially still positive, but after 2010 population numbers go into decline and in 2040 approximately the same number of people live in the Netherlands as in 2000. The reduction in population numbers after 2010 is the result of a strong immigration policy

and a low birth rate. In *Strong Europe* the population growth is higher, mainly because of a less strict immigration policy and a high birth rate. The immigration policy in *Transatlantic Market* is more strict and aimed mainly at attracting knowledge workers. In *Global Economy* the migration balance is high as a result of a relatively open immigration policy. Together with the high number of births this creates the highest population growth. The variances in growth figures provide a considerable population size bandwidth, varying from 16 million inhabitants in 2040 in *Regional Communities* to nearly 20 million in *Global Economy*.

It must be said that there are some question marks when it comes to the assumptions of the CPB in respect of the influence of the migration policy. For instance, political and economic circumstances in the countries of origin have a much greater influence on the migration than the immigration policy. A stronger immigration policy does not result in lower numbers of immigrants, but it does result in more illegal immigrants.

Illustration 1 Population development in the four scenarios



The economic consequences of the different scenarios

The differences in international collaboration and reforms of the collective sector have major consequences for the economic outcome of the different scenarios. The driving forces behind the economic growth are the development of the employment and productivity. For the development of the employment it is important how the labour

supply develops, and how the social security system is structured. Table 1 gives an overview of the main macro-economic results in the four scenarios.

Table 1 Results of the four CPB scenarios

	Regional communities	Strong Europe	Transatlantic market	Global economy
GDP growth /year	0.7	1.6	1.9	2.1
GDP growth/head of the population per year	0.7	1.2	1.7	2.1
Income equality	+	0	-	-
Cross-border environmental policy	0	+	-	--
Sovereignty and identity	+	-	0	-
Population growth 2002-2040 in % per year	0.0	0.4	0.2	0.5
Labour supply mutations in % per year	-0.4	0.1	0.0	0.4
Employment mutations in % per year	-0.5	0.1	0.0	0.4
Productivity mutations in % per year	1.2	1.5	1.9	2.1
Average unemployment	7.3	5.7	4.6	4.1

In other European countries drastic demographic changes are taking place as well (WRR 2006, p. 66).

First of all, the composition of the population is changing as a result of reduction in the number of births and the fact that people live longer. For instance, the replacement factor in virtually all of Europe has dropped to below two (on average, women have fewer than two children). This means that, ultimately, population numbers will be reduced, a development that has already started in a number of countries. Between 2000 and 2050 population numbers in the EU are expected to drop from 482 to 452 million people and the average age in the EU will be 49, compared to 38 at present. This means the 'grey pressure' (the ratio of the number of people over 65 compared to the number of people between ages 20 and 64) will increase from 24% in 2000 to 49% in 2050. The WRR

(*Netherlands Scientific Council for Government Policy*) notes that the consequences of these demographic trends are considerable. For the government there will, *ceteris paribus*, be less revenue as there are fewer (employed) people to pay social security premiums and income tax, and this reduced revenue must pay for more people, especially in the area of healthcare and old age facilities.

Labour supply, employment and unemployment

Because of the ageing of the population the labour supply is growing less rapidly than the total population; a growing section of the population is retired. The grey pressure, measured as the number of people aged 65+ divided by the number of people aged 20 - 64, increases from 22% at present to 43% in *Global Economy* in 2040 and to 46% in *Regional Communities*. In *Global Economy* the grey pressure is not increasing as much because of the relatively high birth rate. The differences in immigration between the scenarios do not result in major differences in the grey pressure. Upon their arrival the age structure of immigrants differs from that of the existing population (many young adults, few elderly). However, the migration process progresses very gradually and within the scenario period part of the immigrant population reaches pensionable age. The effect of the ageing of the population can most clearly be seen in *Regional Communities*. In this scenario the labour supply decreases by half a percent per year as a result of the stagnating population growth and an increase in the grey pressure. In the other scenarios the increase in the grey pressure is partially compensated for by an increase in the labour participation. This increase in labour participation is specifically seen among people aged 50+ and women. In *Global Economy* the increase in labour participation is so great that the labour supply grows nearly as fast as the population. In this scenario the ratio between economically active and non-active people remains virtually constant, so that the collective costs of the ageing of the population can largely be covered from the growth of the basic rate for tax and premium levies.

In the long term unemployment is, to an important extent, determined by the 'wedge' (difference between gross and net wage) and the replacement rate (ratio between benefits and net wage). In *Regional Communities* they both increase. Unemployment therefore also increases, to over 7%. In *Strong Europe* a number of reforms of the social security system ensure a low unemployment level. In *Transatlantic Market* and *Global Economy* the uncoupling and low tax rates ensure low unemployment levels, of just over 4%. The low unemployment in the more market-focused scenarios is, in itself, favourable. However, it is realised through cutbacks in social benefits and, more generally, economies in the public services.

Economic growth

The growth of the GDP is, by definition, the sum of the growth in employment and productivity. Because in the scenarios the growth rates of these two entities are positively linked the bandwidth for GDP growth is considerable. However, to assess the material prosperity in the different scenarios the growth of the GDP per head of the population is a better criterion. When using the GDP per head of the population the differences are not as great, but still considerable. *Global Economy* has the highest growth in prosperity. In *Regional Communities* the growth may be low because of the combined effects of the ageing of the population and a low increase in productivity - also from a historical point of view - but even in this scenario the GDP per head of the population increases. Table 2

indicates that in *Global Economy* the GDP per head of the population in 2040 will be twice as high as in 2000. In terms of the GDP *Strong Europe* and *Transatlantic Market* take up an intermediate position, whereby the population increases more quickly in *Strong Europe* and productivity increases more quickly in *Transatlantic market*. The differences in GDP per head of the population are therefore greater than the differences in the GDP. In *Regional Communities* the GDP per head of the population also increases. The 1.2 % increase in productivity per year results in a total increase of 60% by 2040. Around half of this is needed to compensate for the ageing of the population, which means over 30% is left for an increase in the prosperity per head of the population.

Table 2 Productivity and GDP in 2040 in the four scenarios (2001=100)

	Regional communities	Strong Europe	Transatlantic Market	Global Economy
Productivity	160	179	209	224
GDP	132	184	209	272
GDP per head of the population	133	156	195	221

Consequences of the future demographic and economic developments for housing

The 'Prosperity and the Living Environment' study (Central Planning Agency et al., 2006, p. 71-76) presents the main effects of the four scenarios in relation to housing. The following observations are relevant with an eye to the future:

- The European migration policy and immigration from other countries determine the growth of the population and are the main factors behind the growth of the housing demand.
- Increasing individualisation combined with income growth further increase the housing demand.
- The housing demand is concentrated in the economically strong conurbations.
- In the case of a conservative migration policy the housing demand would decrease and the space needed for the construction of housing would stabilise within 10 to 20 years.

As observed earlier, in all four scenarios the growth of the household development and therefore also the housing demand shows a large bandwidth. After all, the demographic growth is determined, to a large extent, by the net migration flow toward Western Europe, which strongly depends on the West-European policy. However, for each scenario the rule applies that the population growth will decrease. For countries that have already experienced a modest population growth in recent years, such as Germany and the Scandinavian countries, this could mean that in large parts of the country the population will decline, while at the same time the growth in the urban key areas may continue on a moderate level. Needless to say, such a development has major consequences for housing demand and the price development of privately owned homes. In areas with a declining population we will see vacant houses and the house prices will

come under pressure. A major restructuring requirement in the existing supplies will also be created, which, incidentally, will provide opportunities for increasing the (spatial) quality. Because more small households are created, the demand for apartments within the existing urban areas will also increase. In line with the household growth the housing demand and, more specifically, the demand for apartments and privately owned homes therefore increases considerably in three of the four scenarios. If the *Regional Community* scenario becomes reality the number of house vacancies will increase considerably across large parts of Europe. It is notable that in the Netherlands the desired number of privately owned homes will increase considerably in all four scenarios under the influence of the increase in prosperity; from 55% in 2002 to 67% in the *Regional Communities* scenario and to 74% in the *Global Economy* scenario. For countries that already have a large privately owned housing sector, such as Great Britain and Belgium, this growth figure will of course be lower.

Based on the European migration policy the planning agencies envisage that the Netherlands (and part of Western Europe) will have to prepare for a steadily growing or cautiously shrinking housing supply. For the Netherlands this means that a large, flexible planning capacity is needed. The planning agencies (Central Planning Agency et al., 2006, p. 77) therefore recommend a phased policy strategy, whereby locations for housing construction need to be reserved well in advance, so that they can be taken into production rapidly depending on demand. For the Netherlands, and certainly in the more peripheral parts of Europe, the housing market will also be characterised by shrinkage and a reduction in the housing demand.

3. Globalisation

The effects of globalisation on the development of the economy, the welfare state and the housing market have become very clear in the past two decades. Clapham (2006, p.56) makes the remark that globalisation has two important effects for the housing market. The first is the increasingly global reach of financial markets and the existence of 'floating finance' where money moves freely and rapidly between countries and uses. Associated with this change has been a discourse that has endowed the concept of globalisation with neo-liberal values and meaning of a consumerist free market world. The discourse has emphasized the inevitability of the free flows of capital, seeing globalization as a natural force with governments are ill-advised to attempt to resist. Clapham elaborates (2006, p.57-58) that globalisation has a number of consequences for housing. The first is the re-orientation of national of national governments. Due to tax-competition, there has a widespread reduction in state involvement and expenditure on housing, often including the privatization of state owned housing stock. Another impact on globalization has been the withdrawal of state intervention in the regulation of finance for home ownership in the light of the deregulation of general finance markets. This contributed in many countries to the volatility of house prices and indebtedness (Doling et al., 2002). Another effect of the globalization is the introduction of flexible labour markets. A flexible labour market is said to improve the productiveness of the economy by increasing the productivity of labour and allowing industries and individual companies to respond flexibly to changing tastes and demand. Flexibility enables hiring and firing

costs to be reduced and so reduces the risk of employing people. Also it is said to lead to decentralized pay bargaining that reduces earnings at the lower end of the scale (and also increases income inequality). Associated with the economic discourses have been discourse of poverty, and more in particular of social exclusion and new poverty. Social risks are shared by many members of society. Against this background, Giddens (1992) has argued that globalization has resulted in a quickening of the pace of change in people's lives and an increasing feeling of alienation and lack of control over the forces which shape their life. In whatever way the impact of globalization is conceptualized, weak or strong, absolute or relative, a common feature is that it generates uncertainty or risk. It is this facet of globalization that creates the potential for various parties to seek to mediate the risks and hence to mitigate the impact, a series of processes and opportunities denoted by the term 'risk society' (Giddens 1992). In their study on globalization on homeownership, Doling et al. (2003) give further insights of the impact of globalization and home ownership. On the basis of an international comparison, they conclude firstly that national variations in mortgage repayments difficulties are associated with institutional factors. Their results suggest that mortgage repayments difficulties are more prevalent in countries where there is the greatest variability in unemployment, in interest rates and in national economic growth. Secondly, the authors also conclude that the level of convergency in housing markets is limited by the lack of convergency in other areas and, in turn, that globalisation is having less impact on overall convergency than a strong version of the thesis would suggest (Doling et al, 2003, p.16).

In the context of the progressive globalisation employment migration also plays an important role. Increasingly, employees from less prosperous countries will look for temporary employment in the more prosperous countries. The recent increase of East-European employees in West-European countries is an example of such a situation. Because of the open borders in Europe the European migration flows will, in future, run south to north less frequently and east to west increasingly often. Furthermore, this migration will be of a more temporary nature, such as people from Poland who often work in Western Europe for only a few months of the year. A proportion of migrants will also want to re-emigrate after a number of years.

Another possible consequence of globalisation is the fact that individual countries take the route of tax competition. The WRR (2006, p. 61) notes, for instance, that in the Eighties and Nineties a number of European welfare states did in fact enter into tax competition. In this context countries use reduced tax rates to try and attract companies, without taking the tax base of other European countries into account. One of the most obvious examples of these practices are reductions in the company tax, which, in the OECD countries, was brought back from 50 percent in 1983 to 30 percent on average in 2003. Further reductions in the tax rates are not unthinkable, certainly in view of the increasing capital mobility and the expansion of the EU to Middle and Eastern Europe and Cyprus. Because there are also other factors that play a role in a company's decision as to where to establish itself, the WRR does not expect a real 'race to the bottom'. The budgetary and tax-related manoeuvrability of individual countries has, however, become more limited and in the foreseeable future there is also little room for a substantial growth of the public expenditure quota.

4. Socio-cultural developments

This paragraph outlines the main socio-cultural trends. These have, for an important point, been derived from the Socio-Cultural report of the Socio-Cultural Planning Agency (SCP, 2004). The described trends are not so much future forecasts, but rather developments that are already clearly visible today.

Increasing importance of lifestyles and identity

In housing desirability studies the household composition and life phase are traditionally considered the main determining factors for housing preferences. It is often implied that household 'careers' run along an established pattern. People just starting out will move into a multi-family unit in an urban environment and, after they have children, they will move to a single family home in a quiet neighbourhood. They will stay there until the children leave home, after which they will consider moving to smaller accommodation, often an apartment. When they eventually can no longer live independently as a result of health problems, they will move to a nursing home or care home.

This traditional pattern, although it still exists, is not as common anymore. This is partly because the differentiation within society has become much greater. It is becoming increasingly clear that the housing preferences of households are not only determined by their age and the composition of the household, but also by their activity patterns, their values and their philosophy. These last three aspects are often measured using the term 'lifestyle'. Households with the same socio-economic and demographic characteristics can have very different lifestyles. As a result, their housing preferences can also differ strongly. For instance, there are families who prefer urban living because, as a result of their urban lifestyle, they frequently used urban facilities, whereas other families have a more rural lifestyle and consciously choose to live in a small rural community. In short, in addition to traditional household characteristics the lifestyle is also an important determining factor for housing preferences.

Further to the above we can note that housing is increasingly used as a way to express one's identity. Sometimes this is an individual expression (people want to use their home to make a statement), but sometimes the home is used to show that people are 'just like everyone else' and want to be part of the community. In this respect the interior of the home is equally important. Partly as a result of the many interior design programmes on television, people increasingly spend money on interior decorating.

The transition to a selective society

In today's society the emphasis is increasingly on individual responsibility and self-reliance. It is likely that we will also be faced with a selective society, in which the individual is addressed more strongly than the collective. This means that solidarity between people may not be as natural as it has been in the past. However, because of all the options that are available not only the choices increase, but also the uncertainties. As a reaction, safety and security are likely to become more important values, certainly also in housing.

The living environment becomes increasingly important

If, in the past, people looking for somewhere to live would mainly look at the characteristics of the house itself, today the living environment becomes increasingly important. People looking for a place to live are not just looking for a house, but also for a neighbourhood that fits their lifestyle. A very important element in their selection is the living quality of the neighbourhood (how safe is the neighbourhood and is it possible to live there without nuisance factors?)

Increase in the spatial segregation

In recent years the differences in the population composition of Dutch neighbourhoods have become bigger. Low-income households and/or ethnic minorities have increasingly become concentrated in certain neighbourhoods, specifically in the larger cities.

Increased flexibility in the employment market

In the employment market flexible contracts are used more and more, and expectations are that this trend will continue. This could have consequences for the housing market. On the one hand this means that households have less financial security which makes it more difficult to enter into long-term obligations such as buying a house. On the other hand the increased labour mobility may result in equally increased accommodation mobility.

Increasing spatial imbalance

The increased prosperity and mobility have resulted in a growing spatial imbalance in the housing market. Europeans have more disposable income than they did before and, as a result, demand increased quality and comfort. Because the local housing supply does not always respond to this exacting demand, certainly in the urban growth centres where most of the employment opportunities are concentrated, the chances of finding accommodation close to the workplace have become smaller. However, people often feel that the quality of living and the living environment is more important than being close to the workplace and to certain facilities, and the possession of a car has made it possible to live further away from work. This process has partially contributed to the increasing popularity of rural living.

Another consequence is the increase of commuter traffic and the increased home-work distances. In most large conurbations both incoming and outgoing commuter traffic has increased considerably over the years. The spatial imbalance between living and working applies specifically to households with a busy agenda, such as two-income families. After all, when choosing their living location they have to take into account its position in relation to two different workplaces. Often this results in a living location that is not optimally situated in relation to the workplace (Van Ham, 2003). If, in addition to two workplaces, the couple also has to take into account the activity patterns of any children, the choice of living location becomes extremely complex. In this context we sometimes refer to the 'split family'.

The computerisation of society

Technological developments affect the housing preferences of households. Because many people have a work space with a personal computer at home, it becomes a lot easier to work from home. If this homeworking trend continues the location of the workplace becomes less relevant and people are able to decide on their living location based on factors associated with the quality of the house and the living environment.

Computerisation has also made the housing market more transparent. Thanks to digital marketplaces, those looking for a home are able to get much more information about the housing supply without the need for real estate agents or letting agents. The option to select by region, housing type, neighbourhood and price, among other things, make it possible to conduct very targeted searches.

Finally, home automation applications are gradually making an appearance in the housing supply. For instance, it is already possible to use a PC or mobile phone to operate household appliances, lighting and heating, or to order shopping. Sensors can also be installed in the home that will notify the fire brigade, police or a care provider if necessary. Such applications increase the living comfort of households and make it possible for the elderly to live independently for longer. We can therefore expect that these applications will become increasingly standard in future.

5. Political-administrative developments

Increasing European integration and a greater influence of European regulations

In the past decades the European Union has increasingly become an integrated entity. It is becoming clearer that this integration process also has - and can have - considerable consequences for living in Europe. For instance, increasing numbers of Dutch citizens decide to live just across the border (because of the much lower housing prices and the more agreeable living conditions), European directives regarding air quality cause building projects to be shut down, and the discussion about the future of the corporate sector increasingly gets a European dimension. Expectations are that the influence of Europe will only increase in future, and that the financial markets (mortgage market), the employment markets and possibly also the housing markets will integrate further. It must be noted, however, that the progressive European integration has not been a matter-of-course since the Netherlands and France said 'no' to a European constitution.

It also remains to be seen to what extent the recent expansion of the European Union will result in an increase of employment migration from Eastern Europe. If this indeed turns out to be the case there may be an increasing need for - temporary or permanent - housing for employment migrants.

To a multi-level governance setting

The national government increasingly loses powers and responsibilities to other administrative levels and to the private sector (the hollowed-out state). This also applies to the housing policy. On the one hand the European Union gains in influence. On the other hand the national government has decentralised a large part of the housing policy and the spatial planning policy to local authorities (provinces and municipalities) and private parties such as housing associations. In short, we increasingly see a multi-level

governance setting, whereby the national government is only one player in a complex field of multiple parties (VROM (*Spatial Planning and the Environment*) Council, 2006)

6. Climate changes

Climate changes, heightened sea levels and greater chances of flooding

The fact that the climate is changing is no longer in question. The question now is how rapidly this process is taking place and what the consequences are for cities that are located in a delta. With regard to these questions there are still considerable margins of uncertainty. Nonetheless, there are increasing indications that the climate change is taking place more quickly than was originally assumed. This is not just a problem for the future, but also plays a role in the here and now. For instance, insuring and/or mortgaging houses in vulnerable areas may become more difficult and expensive in the years to come. Reduced demand for these types of houses may also result in a decrease in value and, ultimately, in the demolition of entire residential areas. In selecting construction locations developers will have to expressly take into account the possible effects of climate changes (risk of flooding, water storage).

7. Ageing of the existing supply

The number of houses that need to be demolished and/or renovated from an economic viewpoint will be higher as prosperity levels grow more quickly and increasing numbers of homes no longer provide the required level of comfort. There is also the fact that, in Western Europe, a large proportion of the housing supply was built in the period 1950-1970, which means that the need for updating will increase in the coming decades. International comparisons show that the lifespan of houses differ strongly between the various European countries. In the Netherlands, for instance, nearly two to four times as many houses are demolished as in the surrounding countries (Thomsen, 2006). In the future explorations for the Netherlands discussed in paragraph 2 the demolition programme will increase in the coming years. The average number of houses to be demolished per year, for instance, varies from 33,000 in *Global Economy* and 24,000 in *Transatlantic Market* and *Strong Europe* to 15,000 in *Regional Communities*. The houses to be demolished are situated mostly in urban areas.

8. Possible consequences of future macro developments on housing preferences and housing policy

The housing preferences of households are never stable, but always subject to change. Partly because of the 'stock' character of the housing market (existing supply influences existing demand) these changes usually occur very gradually. This does not change the fact that today's living preferences are clearly different from those of 20 years ago, and that 20 years from now they will be different again.

This final paragraph highlights a number of important trends in housing preferences. These trends are associated with the democratic, economic and socio-cultural developments discussed earlier in this memorandum.

- Although under the influence of the slump in the economy and the tight housing market the tide of this development has turned somewhat in the recent period, there is still a trend towards increasingly large and more luxurious homes. It remains to be seen whether this trend will continue unabated in the future. It is possible that the increasing ageing of the population will result in a greater demand for somewhat smaller, but still luxurious homes.
- People are increasingly interested in 'green' and rural living. At the same time, living in urban centres is also becoming increasingly popular. It is mainly the living areas in between the two (the suburbs) that are at risk of coming under pressure.
- As a result of the ageing of the population there is increasing demand for housing that is suitable for senior citizens. Because senior citizens are becoming increasingly wealthy it is expected that the demand of this group will focus more and more on the higher level rentals and home ownership. In addition, the demand for housing concepts specifically tailored to the elderly, such as service flats, assisted living complexes and the so-called 'kangaroo homes' will increase.
- The number of non-Western ethnic minorities will increase strongly in the coming years. From a global point of view the housing preferences of non-Western ethnic minorities are not all that much different from the preferences of the autochthonous population. We can see this, for instance, in the fact that the ethnic middle class is increasingly moving to the suburban areas ('black flight'). Nonetheless, in some cases non-Western ethnic minorities have specific housing preferences, especially when it comes to the layout of the home (floor plan). (VROM Council, 2002).
- Second-home ownership is becoming increasingly important. This differs strongly between countries. For instance, compared to other countries the Netherlands has relatively few owners of second homes, whereas in the Scandinavian countries this percentage is very high. In most cases a second home is used for recreational purposes, although there are increasing numbers of second homes that are used as a *pied a terre* to be able to live closer to the place of work during the week (Mulder, 2002).
- With regard to the housing policy there are roughly two possible development models. The first model focuses on further privatisation in accordance with the starting points of a neo-liberal policy. A second possibility is for the government to remain responsible for the housing provision, whereby the housing policy focuses on the management of risk, mechanisms of social solidarity and the pursuit of control and self-esteem. Emphasis on these areas focuses on key issues which globalization has brought to the fore and has the potential to build into a new form of housing policy which is designed to enable households to cope with fluctuations in their circumstances and to foster a positive identity through the pursuit of a chosen lifestyle (Clapham, 2006. p.75).

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