Abstracts

Conference Home ownership in Europe: policy and research issues

23/24 November 2006, Delft

WORKSHOP 1
Chair: Hannu Ruonavaara

Session A
Friday, 11.00 –12.30

Gábor Csanádi and Adrienne Csizmady (Centre for Regional and Urban Research, ELTE University Budapest)
*Migration out of Budapest due to house prices*

Pascal de Decker (Hogeschool Gent & Hogeschool WenK Sint-Lucas)
*Is the Belgium housing model crumbling off?*

Manuel B. Aalbers (Amsterdam Institute for Metropolitan and International Development Studies, University of Amsterdam)
*Place-based and race-based exclusion from mortgage loans: New evidence from the Netherlands*

Session B
Friday, 13.30– 15.00

József Hegedüs and Nóra Teller (Metropolitan Research Institute, Budapest)
*Security and insecurity aspects of home ownership in Hungary – interaction of preconditions and motivations*

Hedvig Vestergaard (Department of Housing and Urban Renewal, Danish Building Research Institute)
*The single-family detached housing; a branche of paradise or a problem?*

Barbara Klomp (OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology)
*Improvement of information for owner-occupiers about the quality of their house*
Migration out of Budapest due to house prices

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During the last decade in Central-Eastern-Europe the political and economic factors increased spatial mobility. In sociological terms there are different status-groups within the masses changing their place of living. The higher status groups used the opening possibilities to strengthen their status by the spatial mobility while the poor were forced to move to less advantageous segments of the city or the country. These phenomena are the consequences partly of spontaneous factors and partly of several policies of the states and local governments. The effects of market forces in these countries can be taken as spontaneous factors and they increased the western type suburbanization around bigger cities of Eastern Europe. Several measures of states and local governments made these effects more vivid helping the higher status groups to move to favourable areas around the cities. The same housing and income policy measures could increase the risk of concentration of poverty on certain areas of cities and also they resulted in the not-well-know-mobility of lower strata. These urban groups had to move out of the city because it became too expensive for them to live there. As far as they are poor they are unable to find places on high or middle status suburban areas around the cities, they have to move to distant poor areas of the country. As a summarized result we can say that they move back to those villages where their families lived after the Second World War. From these places the socialist industrialisation forced the parents of these groups to move to industrial centres leaving behind the villages getting poorer and poorer. Now the sons of the victims of socialist industrialisation have to move back to these poor villages. It is a temporary solution of their housing problems but the danger of unemployment is higher in these areas so it is a questionable solution.

In the paper we raise the question to what extent are the urban policies responsible for the forced migration of the lower strata of the societies. We shall demonstrate that the privatization policy of the state is often responsible for the above mentioned increasing segregational results. Also the measures taken by local governments in this system can have exclusionary nature as far as their interest is very often to try to force the poor people out of their territory instead of integrating them.
Is the Belgium housing model crumbling off?

Pascal De Decker

The OSIS research project focussed -among other issues- on the strategies of households to secure home ownership. This is an intriguing research question given the fact that (1) Belgian governments already since the end of the 19th century constantly promoted home ownership, (2) home ownership became -as a consequence of that- a mass tenure and (3) securing risks is not a public issue. To put it bluntly, the qualitative interviews revealed a very rational approach among the respondents towards home ownership and risk. In order to illustrate that we will deal with the financing of home ownership and the risk avoiding strategies. But next to that we will deal with the findings that suggest that the Belgium housing model, being single family housing in a non-urban environment, is crumbling off. This has at least two components. The first concerns urban housing. Historically the promotion of home ownership went hand in hands with avoiding urbanisation. Our interviews show that the anti-urban attitude may be coming to an end. The second concerns the role of the state in supporting home ownership. Our interviews suggest that the priorities of the government concerning housing should lie elsewhere.
In most West-European countries outright ownership is the exception and most households are highly dependent on mortgage loans to be able to become and to sustain homeownership. Do place and race matter in mortgage loan applications? This paper presents evidence from mortgage markets in the Dutch cities of Arnhem, The Hague and Rotterdam, suggesting that place, and to a lesser extent also race, do matter. In general, race and place are not factors of direct exclusion, but (1) zip codes are included in credit scoring systems, and (2) both place and race are significant factors in the assessments by loan officers because applicants who do not meet all formal criteria are more often accepted (“overrides”) for indigenous Dutch and low-risk neighbourhoods than for ethnic minorities and high-risk neighbourhoods. In addition, a “national mortgage guarantee” is compulsory for loan applications in high-risk neighbourhoods and thereby used as a substitute for redlining, comparable to the compulsoriness of private mortgage insurance in the US. Some lenders also engage in direct redlining by rejecting low-risk “national mortgage guarantee” loans in high-risk neighbourhoods, a practice potentially explained by transaction cost economizing. Since the high-risk neighbourhoods in all three cities accommodate relatively large shares of ethnic minority groups, they are hit twice: through place-based and through race-based exclusion. The paper ends with some policy implications focusing in particular on how the state can monitor and prevent both forms of exclusion, thereby removing possible barriers to homeownership.
Security and Insecurity Aspects of Home Ownership in Hungary – interaction of preconditions and motivations

József Hegedüs and Nóra Teller, Metropolitan Research Institute, Budapest

The OSIS research has provided a lot of useful quantitative and qualitative data on what aspects have an influence on housing decisions and how these aspects are interrelated. The effects of the institutional changes (transition processes) in Hungary have been complemented by some further aspects that have to be considered in their dynamics: the constantly changing institutional environment results in forming and reformulating households strategies of different nature.

Thus, one of the most important results of the transition in terms of institutional changes in the housing sector, namely privatization and the changes in security provided by the different tenures, have since then gained a lot more meaning than just “push to privatize the rented dwellings” and the change of the social rental sector to a residualized sector; it has more to do with forming and emerging of new strategies that complement the security that got lost with the transition, and finding the ways of a constant adjustment by the households to what is undergoing in the current macro-economic situation in Hungary.

The paper elaborates first the macroeconomic changes and the major reforms in the labour market and social security, and then discusses the households’ perceptions of “tenure”. Then it reports about strategies that emerge on household level, and delivers a possible prioritization of the driving motives for the strategies. The paper concludes based on the qualitative interviews of the OSIS project that the constantly changing institutional environment enhances the emergence of continually adjusted strategies that are connected with family networks, struggle for wealth optimization, and lessons based on previous bad choices.
Sinlge-family detached housing: a branch of paradise or a problem? (ii) - The single-family house and general welfare developments

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The owner occupied single-family suburban house has been the preferred type of housing in Denmark since around WWII. But architects and planners among others question the future role of this part of the housing stock. General surveys have showed a high level of expressed preference for this type of housing, but recent development work for mapping housing preferences among young and new households makes it relevant to question the future position of the suburban owner occupied single family house and how it could be reconceptualised. More urban and dense neighbourhoods with other types of residential dwellings might be in higher demand in the future. The paper describes recent trends in the Danish housing policy, where the welfare state might reduce its influence, while the market is increasing its influence. At the same time a municipal reform is taking place in 2007 creating much stronger and more influential municipalities, where municipal housing policies can get a high priority. In the paper the forms and the content of the municipal housing policies are discussed in relation to the present state or outcome of two cases of "traditional" public municipal urban planning and the practice of private developers in suburban areas originally built the 60ties and the 70ties. There will be given attention to current ideas and strategies for (re-)development of existing single-family housing areas.

A final theme of the paper is how globalisation affects home ownership in Denmark and more in particular how home ownership and the single-family house, an aging population, metropolisation and commuting relates to general welfare developments.
Improvement of information for owner-occupiers about the quality of their house

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Currently, policy issues and regulation concerning quality of houses are concentrating on new built houses, while each year, only 1% of new built houses is added to the total housing stock. Therefore, to maintain and improve the quality of the housing stock, a focus on the existing houses is necessary. The focus of this research is on owner-occupied houses; currently 56% of the houses are owner-occupied, and their share is increasing. Yet, maintaining or improving the quality of the owner-occupied housing stock is no policy issue in the Netherlands except for a few local initiatives. Although, according to recent research, considerable investments need to be made.

The most recent memorandum of the Dutch Ministry of Housing about the policy for the next years (VROM, 2000), focuses on owner-occupiers as consumers. Freedom of choice by giving them authority is one of the main objectives in the memorandum. They state that this authority should be achieved by stimulating transparency of the housing market. Furthermore, recent developments show that there is a lot of attention for better information for homeowners and buyers. In the Netherlands and the EU several proposals for better information about the quality of houses for occupiers, homeowners and buyers are made. Each proposal considers different aspects of quality information, for example: health effects of housing, registration of quality marks, energy performance, guarantees, quality assessments etc.

In economic theory about transactions, the fact that one person (agent) has more information than the other (principal), is known as information asymmetry. This asymmetry can occur between buyers and sellers of houses and can cause lawsuits, dissatisfaction, transaction costs or quality losses. Furthermore, the lack of information about for example health effects causes risks for the homeowner. Therefore, the main research question for this research is: how can information on the technical quality of houses be improved and to what extent does it make a contribution to improving and maintaining the quality of the owner-occupied housing stock?
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Conference Home ownership in Europe: policy and research issues

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WORKSHOP 2
Chair: Peter Neuteboom

Session A
Friday, 11.00 -12.30

Jan Rouwendal (Department of Spatial Economics, Free University Amsterdam)
*Home ownership and financial risks of the elderly*

Clara H. Mulder and Francesco C. Billari (Department of Geography, Planning and International Development Studies, University of Amsterdam and Instituto di Metodi Quantitativi, Bocconi University)
*Home-ownership regimes and lowest-low fertility*

Julie Charles (Institut de Gestion de l’Environnement et d’Aménagement du Territoire, Université Libre de Bruxelles)
*From poor tenants to resident landlords: the de facto social housing homeownership in Brussels*

Session B
Friday, 13.30 – 15.00

Annika Smits and Clara Mulder (Department of Geography, Planning and International Development Studies, University of Amsterdam)
Family dynamics and first-time homeownership

Jørgen Lauridsen, Niels Nannerup, Morten Skak (Department of Business and Economics, University of Southern Denmark)
*Geographic and dynamic heterogeneity of home ownership*

Anneli Juntto (University of Kuopio, Finland), Markku Säylä and Olli Kannas (Statistics Finland)
*Housing wealth and indebtedness – Growing differences between generations?*
Homeownership and financial risks of the elderly

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In this paper we study some aspects of homeownership among elderly people. In general, the steady increase in homeownership rates among the elderly in the Netherlands and elsewhere may be welcomed as an indication of a strong wealth position. It must, on the other hand, be recognized that housing has a number of special characteristics, not all of them positive. One potentially important feature is that housing is a consumption good as well as an asset. This imposes a constraint on optimal portfolio choice. A second aspect is that Dutch homeowners amortize their mortgage loans at a lower rate than they used to do in the past. This is perhaps related to the special fiscal treatment of the home in the Dutch income tax system and it may have consequences for owner-occupiers’ vulnerability for housing price decreases. A third aspect is the illiquidity of housing and the much lower mobility rates of elderly people, which may lead to suboptimal housing consumption. In the paper we describe these three aspects with data from the Dutch Housing Needs Survey and the DNB Household Survey and assess their importance.
Home-ownership regimes and lowest-low fertility

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It has been suggested that difficult housing-market entry contributes to delayed family formation and lowest-low fertility in Southern European countries. We take up this idea and investigate to what extent there is an association between the level of fertility and the organization of home-ownership in western countries. We distinguish four home-ownership regimes, based on the share of owner-occupied housing (up to 75% or greater than 75%) and access to mortgages (mortgage loan/GDP ratio up to 20% versus greater than 20%). We argue that one home-ownership regime is particularly associated with difficult housing-market entry and, therefore, unfriendly to family formation: the regime combining a high share of owner-occupation and difficult access to mortgages. In this regime, access to home-ownership is difficult because it depends on personal savings, family help or inheritance. At the same time, the rental sector hardly forms a suitable alternative for prospective families. Indeed, we find that lowest-low fertility is mainly found in countries with this particular home-ownership regime. This finding suggests that, under specific circumstances, high levels of home-ownership may be considered undesirable because they prevent the smooth housing-market entry of young adults wanting to form households and families.
From poor tenants to resident landlords: the de facto social housing homeownership in Brussels

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Numerous studies have analysed how household structure, position on the labour market and educational factors influence choices of housing tenure. They have shown that the probability to become homeowner is higher for married individuals, those in secure employment or those with a higher educational level. In our contribution, we analyse how, despite this general model, people with low socio-economic profile become homeowners in Brussels, especially during the eighties.

With only 8% of the stock in public housing, most of low income households in Brussels have to find accommodation in the private rental sector, mostly in low-price neighbourhoods. Hence, the private rental sector largely operates as “de facto social housing”. But in these neighbourhoods, homeownership is another part of “de facto social housing”. Our analysis shows that some low status households become homeowners through a particular way: they buy a small depreciated house composed of two or three apartments, use one of them for themselves and let the other ones. This strategy offers them a source to finance their purchase. We show that at least 50% of homeowners in the poorest neighbourhoods are such “resident landlords”. This is especially the case for migrant households of Turkish or Moroccan origin. Thus, in Brussels inner-city neighbourhoods, a significant proportion of landlords have socio-economic and ethnic profiles similar to those households looking for an apartment to rent. This portion of the housing market offers low-income households an alternative to mainstream private rental market on which social and/or ethnic discriminations are frequent.
In this paper, we address the transition to first-time homeownership. We use the occurrence of household events such as cohabitation, marriage and getting children, as well as homeownership of the parents as the main explanatory factors. Using the first wave of the Netherlands Kinship Panel Study and event history analysis techniques including interaction effects with calendar year, we investigate how the effects of household events and the intergenerational transmission of homeownership have changed during the past few decades.

So far, researchers have shown that both explanatory factors are important in determining who will become homeowners and who won’t. Those whose parents have been homeowners and those who are involved in households with high levels of commitment are more likely to become homeowners. Yet, household structures have changed rapidly during the past few decades. Furthermore, an increasing prosperity and an increasing supply of owner-occupied homes have made homeownership less exclusive. Therefore, the importance of parental homeownership and that of cohabitation and marriage for the likelihood of becoming a homeowner might have changed.

The preliminary results show that singles and cohabiters have become more likely to make the transition to homeownership, whereas the differences between married couples with children and cohabiting couples with children have not changed markedly. The latter also applies to the intergenerational transmission of homeownership.
Geographic and Dynamic Heterogeneity of Home Ownership (**)

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Determination of the demand for home ownership is analysed. Determinants include prices and short- and medium-term price changes, public regulation (regulation of house rent, housing subsidies, taxation), competition from alternative residence forms (measured by supply of subsidized housing), social composition of population (age, social benefit receivers, household composition, civil status, education, nationality), economic ability (income), and congestion (measured by population density and degree of urbanisation). The study applies Danish aggregate data for 270 Danish municipalities, available annually for the period 1999-2004. The effects of determinants on home ownership rates are allowed to be heterogeneous by years and municipalities using temporally and geographically expanded coefficients. Considerable parametric heterogeneity over time as well as across municipalities is found, even when residual dynamic heterogeneity and interdependency as well as residual spatial spillover is controlled for.
Housing wealth and indebtedness – Growing differences between generations?

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Essential differences between generations in wealth accumulation and indebtedness can arise as a result of structural system changes. This happened in the Finnish housing finance system at the turn of the millennium. The traditional characteristics and problems of the housing mortgage system changed radically. Older generations used to pay their housing loans in 5-10 years, for the young generation the loan period for purchasing their homes can be 30 years or more, but under 20 years, on the average, though.

This paper estimates the possible negative effects from this, which poses a growing risk of over-indebtedness for young entrants to the housing market. We use in our analysis the data from Statistics Finland’s Wealth Surveys from 1998 and 2004. Very low current interest rates tempt new entrants to the housing market to take big loans. In the Risk Society, young entrants to the housing market are themselves responsible for forecasting the future. Loans are taken basing on future "Great Expectations", these earnings may be realised or in some cases not. When housing is distributed through the market mechanism, the risks are passed on to the market actors and especially to young people. In a time that emphasises individuality, the individuals must also be able to calculate very complicated risks. These risks can include big future renovation costs of the dwelling, divorce, illness or unemployment in addition to the changing interest rate risk.

The differences in wealth, and especially in indebtedness, between generations are growing. New home owners are highly mortgaged and pay a high share of their income for housing, and will continue to do so for decades with the longer loan periods. Rising interest rates are a risk not yet fully realised in Finland.
Abstracts

Conference Home ownership in Europe: policy and research issues

23/24 November 2006, Delft

WORKSHOP 3
Chair: Marja Elsinga

Session A
Friday, 11.00 –12.30

Teresio Poggio (University of Trento)
Different patterns of home ownership in Europe

Anwen Jones and Deborah Quilgars (Centre for Housing Policy)
Home owners in Europe: perceptions of (in)security and responses to risk

Janneke Toussaint (OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology)
The meaning of housing tenure: a categorization of 8 EU countries

Session B
Friday, 13.30 – 15.00

Richard Ronald (OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology)
Convergence? Home ownership and asset-based welfare regimes

Michelle Norris and Dermot Coates (School of Applied Social Science, University College Dublin and Centre for Housing Research, Dublin)
Swimming against the tide? Supporting low income purchasers in the inflated Irish housing market

Lars Gulbrandsen and Thorbjørn Hansen (NOVA Norwegian Social Research and SINTEF – Byggforsk)
Home ownership among low income households
Different patterns of home ownership in Europe

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Debate on the expansion of home ownership (HO) within the European Union tend to underestimate the differences both in the historical trajectories leading to such development and in the resulting social and economic outcomes. Discussion on the pros and cons of HO is then founded on a rather undifferentiated – and then potentially misleading - conception of this tenure.

At the opposite, convergence toward the expansion of HO within the EU has come with divergence in the way the interplay between housing-related markets, the state and family networks supported/is supporting the development of this tenure – its shape and timings - in different countries.

Accounting for such “different patterns” of HO may contribute to the debate about the future of this tenure in Europe, the role it plays in national housing systems, its economic and social implications.

It is my intention to present some preliminary results of a comparative research on different patterns of home ownership in the EU, based on the analysis of both macro and micro data.

The main focus will be on the expansion of HO in Southern European countries - its characters and outcomes- using Italy as an exemplar case.
Home-owners in Europe: Perceptions of (in)security and responses to risk

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Home ownership sectors in most European countries have experienced a strong growth in recent decades and by the mid-1990s the majority of EU households were home owners. Whilst a great deal of attention has been paid to the rise in home ownership per se, the extent to which households in different European countries strategise about the positive and negative risks of home ownership, particularly in relation to other risks in their lives, has not been researched. Contemporary debate suggests that society is a riskier one than in earlier times and home owners face a number of risks associated with changes in labour markets and national social security systems. This paper draws on qualitative interviews with 160 home-owners across eight European member states (the OSIS project) and examines households’ perceptions of the security and insecurity aspects of home ownership and their responses to perceived risks. The assumption underlying this paper is that while home owners may all face insecurity to a greater or lesser degree, their perceptions of, and responses to, risk will be determined to some extent by the institutional context of each country.
The meaning of housing tenure: a categorization of 8 EU countries

Janneke Toussaint
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Is home ownership the European dream? Since decades there is a discussion in housing literature on the meaning of housing tenure. Is there an innate preference to own as Saunders suggests, or can renting also satisfy basic needs of security? This paper examines the differences and similarities in the meaning of housing tenure within 8 EU countries: Belgium, Sweden, Finland, United Kingdom, Portugal, Hungary, Germany and the Netherlands. The paper presents findings of the qualitative part of the EU funded project ‘Origins of security and insecurity: the interplay of housing systems with jobs, household structures, finance and social security’. It is based on institutional studies and on 20 interviews with home owners and 10 interviews with tenants within all countries. This paper attempts to categorize countries according to the way people perceive housing tenure in a country. Perceptions of home ownership, social and private renting are assessed by interviewees’ tenure preferences, the arguments on which those preferences are based, and the underpinnings of interviewees’ own choices for one or the other type of tenure.
Convergence? Home ownership and asset-based welfare regimes

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Recent analyses of changes in housing policy and welfare systems, argued to be brought on by intensified globalization and prevailing discourses of neo-liberalism, have identified the growing significance of home ownership as the basis of developments in welfare regimes toward greater reliance on the housing property assets that households own for the provision of pensions and old age care, as well as insurance against risks in the employment market. The idea of an asset or property based welfare system has not only been associated with societies that have established a strong owner-occupier sector, but has also been linked with changing approaches towards housing policy and housing consumption in social democratic societies that have historically nurtured integrated housing systems and strong social renting sectors such as Sweden and the Netherlands. While there is still strong evidence to suggest that housing systems will retain their distinctiveness in each society, there is an argument for potential convergence around such an approach based on the growing influence of market based ideologies in state strategies across western societies, the growing strains on welfare resources and expected shortfalls in future pension resources. The establishment of housing and welfare systems in industrialized East Asian societies around minimal welfare states and family orientated welfare provision supported by housing investments has also led support to the idea of convergence. This paper sets out to explore the relationship between home ownership and welfare regimes in terms of conflicting theories of convergence and divergence, and critically addresses the argument for growing conformity across advanced industrialized societies around home ownership orientated asset based welfare systems. While we establish that there is some reason to argue that Anglo-Saxon homeowner societies have potential to develop along the lines of East Asian property based welfare, there are also substantial differences between the two systems of home ownership and the regime structures behind them. Furthermore, the likelihood of social democratic western European societies to follow the pattern of mass home-ownership established in countries like the UK is also suspect.
Swimming Against the Tide? Supporting Low Income Purchasers in the Inflated Irish Housing Market

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Between 1996 and 2005 house prices in the Republic of Ireland grew by an unprecedented 300 per cent, which significantly outpaced growth in incomes and employment. As a result the tenure became less accessible for aspirant home owners and the proportion of households accommodated in this sector fell for the first time in the history of the State. These developments in turn inspired action by government to support home purchase by low and middle income households. Since 1990 seven separate schemes of this type have been introduced in addition to existing similar programmes. This paper reviews the implementation of the five most significant of these measures since 1990. It draws on administrative data on all participants in these schemes in five urban, suburban and rural locations which encompass 29 per cent of all participants nationwide. It reveals that as would be expected, participants in these schemes have incomes of approximately half the national average but that the prices of dwellings purchased by these households have risen by significantly more than the national average since 1990, reflecting higher price inflation at the lower end of the housing market. Thus, between one third and a half of participants devote more than 35 per cent of their gross income to mortgage payments and one third have been in arrears of more than three months on their mortgage repayment. In addition to affordability problems changes in the socio-demographic characteristics of participants may also have contributed to these arrears. Since 1990 the number of female headed and single person participants has increased – households of this type are more likely to fall into arrears than male headed and two adult households. Thus although these supports have been successful in supporting the entry of large numbers of low income households into the housing market this research questions the continued sustainability of both the low income support schemes and the home ownership they facilitate in view of continued high house price inflation and suggest that alternative strategies to meet the housing needs of low income households should be explored by government.
Home Ownership among Low Income Households

Lars Gulbrandsen & Thorbjørn Hansen

Norway is one of the European countries with the highest home ownership rate. At any time about 80 percent of Norwegian households are home owners and between 90 and 95 percent will attain home ownership sooner or later in their life course. Normally home ownership attainment is strongly correlated with income. In Norway the high ownership rate will of necessity reduce the range of such a correlation. However, the correlation is undoubtedly to be found in cross sectional data. A nation wide survey carried out in 2004 showed an ownership rate of 30 in the lowest decile of household income and 98 in the highest one. Different Norwegian Governments have tried to make housing policy measures as public loans and housing allowances more suitable to facilitate home ownership attainment even among low income groups. In succeeding low income households may enjoy the happiness to be an owner in a housing market moving upward, but at the same time exposed to considerably larger risks. In the paper we will discuss the design of a coming research project where we will analyse both the chance of attaining home ownership and the risk of falling out of an owner position. We will use a longitudinal data base containing data on income, financial assets and deficits, ownership registrations, prices from the house transactions, household composition and removals for the whole Norwegian population. We intend to select a sample consisting of all Norwegian households who at least in one year in the period from the outset of 2000 until the end of 2004 have belonged to the lowest income decile. (approximately 300 000 households).