The Sale of Public Housing and the Social Structure of Neighbourhoods

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The Dutch Government recently proposed to increase the rate of home ownership through the sale of large numbers of public housing units. Will this have the desired effect of social stability of the neighbourhoods?

Stimulation of Home Ownership

Many consider home ownership to be a superior tenure. Individual households supposedly reap financial benefits, and communities of home owners are portrayed as stable. The increase in home ownership in a given area is assumed to result in local improvements. On these grounds the extension of generous subsidies to all home owners, irrespective of their income position, is legitimized. Since the 1960s, the Dutch government has tried to boost the rate of home ownership, which was traditionally low in comparison with many other West European countries; even today, at 43.2 per cent, it stands out as the lowest among neighbouring countries.

The conversion of rental housing to owner-occupancy has in recent years significantly increased the number of home owners. The sale of private rental housing for home ownership has become a well-established phenomenon throughout the Netherlands. The process is the major cause of the decline of the private rental sector from 60 per cent of the stock in 1947 to 16 per cent in 1985; during this period, some 750,000 dwellings were converted from the rental to the ownership sectors (Dijkhuis-Potgieser, 1985). The underlying economic causes of the process have been analysed elsewhere (Van Weesep and Hamnett, 1988, pp. 46–47; Hamnett and Randolph, 1986). The important point is that the process has also occurred in the public sector, though generally for different reasons (Boelhouwer and Van Weesep, 1987). Any substantial further growth of home ownership will entail a major increase in the conversion of public-sector dwellings, because of the falling rate of new construction and the depletion of the private rental stock. This point has been made repeatedly by policymakers at the national level.

In 1983, the Secretary of State for Housing expressed the intention to remove barriers to the sale of public housing (Nota Eigenwoningbezet, 1983). Early in 1988, one of the two political parties of the coalition government demanded that tenants in public housing be given the ‘right to buy’, referring to the huge ‘success’ of a similar policy that has been in effect in England since 1980. The financial benefits assumed to befall the government and the housing associations, the owners of the public-housing stock, form the underlying motivation to push for the sale of public housing (Boelhouwer and Van Weesep, 1988).
BEYOND SOCIAL HOUSING

In addition, benefits for the tenants of public housing from owning their homes have always been stressed in the political debate on the pros and cons of the sale of public housing. Our evaluation shows that many buyers have indeed profited from having joined the ranks of the home owners, in spite of a higher monthly housing bill after the acquisition of the property. In the long run, those who re-sell reap capital gains, either as a result of the general price inflation of real property or because of the discount they were granted when they bought the property. However, as we have shown elsewhere, many suffer losses (Boelhouwer and Van Weesep, 1988), which ought to make prospective buyers cautious. It should also be a warning sign to those who advocate the sale for its social benefits.

While a complete evaluation has been attempted elsewhere (Boelhouwer, 1988; see also Boelhouwer and Van Weesep, 1987; Boelhouwer and Van Weesep, 1988), the central theme of this paper is the evaluation of the social consequences. The sale of public housing to tenants has often been defended by arguing that it would help low-income households to take their first step in a housing career in the home owner sector. It would allow them to share in the financial benefits available to home owners; it would also provide them with the security of property, which is assumed to have a positive impact on their attitudes and behaviour and on their status in their community. On these grounds it has also been suggested that the sale of public housing units would foster community building by stabilizing or improving neighbourhoods that are sliding into decline. To test such claims, the evaluation must show whether the buyers of the public-sector dwellings belonged to a broad cross-section of tenants or to a specific group; whether the sale of public housing improved the appearance of the neighbourhood; and whether, as an indicator of increased cohesion, the social interaction among neighbours improved.

Our evaluation is based on empirical data collected in three towns in the Dutch province of Noord-Brabant. Buyers of former public-housing rental units were included in the survey, as well as subsequent buyers and renters of comparable public-sector dwellings; in addition, a limited number of former buyers who had sold their home were traced and interviewed. In the following section the nature of the links between the built environment and social behaviour are briefly discussed. The subsequent section deals with the buyers of the public-housing units. In the fourth section, the changes in the physical appearance and social interaction in the neighbourhoods are discussed. The paper concludes with a brief evaluation of the policy principles.

The Impact of the Sale of Public Housing on the Community

Research on urban social patterns has clearly demonstrated that the structure and composition of the residential population in neighbourhoods are influenced to a large extent by the existing housing opportunities. The reason for this is simple. Household characteristics are closely related to housing characteristics because people seek suitable housing. Since different types of housing are not distributed randomly over space, the social composition of residential areas is likely to reflect the distribution of the housing stock by type, tenure, price and access (Robson, 1969; Bassett and Short, 1981; Bourne, 1981). Less attention, however, has been paid to the role of housing markets in neighbourhood change. The two major ways in which the functioning of the housing market affects the composition of the population are in situ change and migration (Hamnett et al., 1988). Of the two, migration is generally
considered the most important (White, 1984, p. 134).

But neither of these two processes takes place in a vacuum. While migration has often been identified as the major force in the re-shaping of residential areas, it takes place within the system of opportunities and constraints afforded by the distribution, type and nature of the housing stock and the operation of the housing market (Short, 1978; Van Weesep, 1982). Neighbourhood change is therefore partly the result of developments in the demand for housing and partly of changes in the supply, differentiated by tenure, size, type, quality and location. The effects of migration on the changing social structure of the city can thus be explained; but can the effects of changes in the housing supply also be accounted for?

The effects of new construction or demolition are clearly revealed in the ensuing migration flows. The effects of changes in the existing housing stock on the social structure of the resident population are less easily identified, however. This is particularly the case when the changes are confined to mutations in the property rights without (immediate) turnover of the occupants or alteration of the buildings. Such changes take place when rental dwellings are sold for owner-occupancy to the sitting tenants. Could this still bring about social change, and thereby the desired effects of social stability and the halting of decline?

The prerequisite for an impact on the social structure is that there must be a sufficient volume of conversion. In comparison with Great Britain, the total number of conversions in the Netherlands has been almost negligible. But the rate at which ownership of public-housing units has been transferred to tenants fluctuated and, by the end of the 1970s, substantial numbers of dwellings were converted annually (figure 1).

When it became possible in principle to transfer ownership of public-sector rental units to tenants in 1949, each transaction
had to be approved by the Minister of Housing. Consequently, not many sales took place; the government was struggling to combat the severe post-war housing shortage by constructing large numbers of public-housing units. By the early 1960s, the political climate had changed in favour of private ownership. In the face of the persistent housing shortage, continued government intervention in the housing market was accepted, but the ultimate goal was to retreat as soon as 'normal' conditions were established. The sale of public housing suited the goal but not the intermediate strategy. Thus, the sales were not pushed, but neither was the policy cancelled.

During the 1970s, the ideal of home ownership was vigorously pursued by many housing officials – especially in the southern part of the country, where the rate of home ownership has traditionally been higher than elsewhere. Many local politicians and board members of housing associations actively canvassed public-housing tenants. As the inflation rate increased, and the examples of windfall profits from trading-up in the home owner market multiplied, their message came across and the sales volume grew. In 1978, it reached a record high.

The booming sales and the concentration of the conversion process in a small number of local housing markets had negative effects on these local housing markets and on the functioning of the housing associations. Eventually this led the national government to apply the brakes to the sales. This coincided with the decline of demand for home ownership in the wake of the significant fall in house prices after 1978. Only recently has the number of sales increased again, but now the transfer of property rights is intended to help housing associations pay for urgently needed renovations in the older part of their stock (Boelhouwer and Van Weesep, 1987). This strategy is supported by the Ministry of Housing as it runs parallel to the government's desire to stimulate home ownership through conversion, given the foreseen decline in new construction.

Clearly, the absolute number of public-housing units converted has remained too small to cause Dutch society at large to change; since 1963, only 42,000 dwellings have been sold to tenants. Also in relative terms the process remained within modest bounds; even in the peak years of sales 1977–1979, the total stock increased since the sales amounted to only about 16 per cent of new construction in the public rental sector. Nevertheless, changes in the community are most acutely experienced at the municipal and neighbourhood level. At this level, the volume of the sales has been substantial in the three places selected for the survey: in Waalwijk and Geldrop 11 per cent of the total public-housing stock was sold, and in Oisterwijk as much as 22 per cent. Since only single-family dwellings were sold, the sales have thoroughly affected specific neighbourhoods.

The Sale of Public Housing and the Segmentation of the Community

The survey covered three types of households. The 'buyers', former sitting tenants who bought their home when it was a public-housing rental unit, are the most important category. Since the sample was drawn from a register of converted properties, a second type of home owners was encountered, namely the 'subsequent buyers'; they bought the house from the previous home owner. The comparison of the initial buyers and subsequent buyers sheds light on long-term changes ensuing from the sale of public-housing units. The third category of households in the sample were renters of public-housing units. The sample consisted of dwellings whereby great care was given to select complexes that were as similar as possible to the homes of the buyers; where complexes had not been sold in their entirety, the dwellings in
both samples were drawn from the same complexes. All the dwellings covered by the investigation were single-family homes. Although of varying age, the dwellings form the most attractive part of the public-housing sector.

The Comparison of Renters and Buyers

On average, the buyers are younger than the renters (figure 2). Among the older tenants, fewer buy their dwelling when the opportunity for conversion arises. The reasons are their insufficient income or their age, two factors that preclude finding the necessary financing, or the fear of making large financial commitments at a more advanced age. The somewhat larger percentage of renters in the younger-than-30 group reflects the (limited) inflow of new tenants into this segment of the public-housing stock that is mainly characterized by its low mobility rate. The buyers also differed from the renters in terms of their socio-economic status position. At the time of the survey, the monthly income of the buyers was just over 2000 guilders, while the renters earned just over 1700 guilders (table 1). Also in other terms, the renters showed lower socio-economic status scores.

Table 1. Net monthly household income in guilders, percentages.

<table>
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<tr>
<th></th>
<th>Less than f 1250</th>
<th>f 1251-1500</th>
<th>f 1501-1750</th>
<th>f 1751-2000</th>
<th>f 2001-2500</th>
<th>f 2501-3000</th>
<th>f 3000 plus</th>
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<td>21</td>
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<td>30</td>
<td>11</td>
<td>15</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Buyers</td>
<td>7</td>
<td>9</td>
<td>20</td>
<td>18</td>
<td>26</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Subsequent buyers</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>23</td>
<td>31</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Cramer’s V = 0.27

Source: Survey

BUILT ENVIRONMENT VOL 14 NOS 3/4
Extremely large differences, of course, could not be expected, since buyers and renters initially met the criteria set for entry into the public-housing rental sector; but given these constraints, the differences are certainly significant and must lead to the conclusion that the buyers represent a select group of tenants, not a true cross-section.

The comparison of these groups of respondents with the groups of subsequent buyers shows that in the long run the differences among renters and home owners increase further; the subsequent buyers are substantially younger and their average income is more than 300 guilders per month higher than that of the buyers (cf., figure 2 and table 1).

The Reason for Buying

Even though substantial differences among the renters and the buyers are observed, the degree to which each variable is associated with tenure cannot be derived from simple bi-variate analysis; observed bi-variate relationships may be spurious, being brought about by mutual correlation to a third variable. Housing characteristics could explain part of the difference among buyers and renters. It would not be surprising, for instance, if there would be relatively more dwellings in specific price categories among the converted dwellings; if in its turn income level were correlated with price, a spurious relationship of income and tenure could ensue. The analysis should therefore be multi-variate, bringing household characteristics and housing characteristics together in one model of explanation.

Because most variables in the survey were defined at nominal or ordinal scales of measurement, multiple regression analysis, factor analysis, and other familiar techniques cannot be used. Instead, logit analysis was selected as the appropriate technique. The model used in the analysis included tenure (renter/buyer) as the dependent variable and various household and dwelling characteristics as independent variables. The initial selection consisted of twelve independent variables, but through various techniques (inspection of bi-variate cross-tabulations and discriminant analysis) the number was reduced to the four variables that exerted the highest impact on the dependent variable: age of the head of the household, household income, year of construction of the dwelling, and the length of time the household has lived in the dwelling. Table 2 presents the resulting model.

The model shows that income and year of construction are the most important differences among the renters and the

<table>
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<th>Parameters</th>
<th>Improvement</th>
<th>Cumulative</th>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Income</td>
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<td>0.939</td>
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<td>Construction year</td>
<td>-0.267</td>
<td>0.301</td>
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<td>Year of occupancy</td>
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<td>-0.333</td>
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<td>Interaction of age and income</td>
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<table>
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<th>Parameters</th>
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<th>Cumulative</th>
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<tr>
<td>1</td>
<td>0.070</td>
<td>-0.412</td>
<td>0.403</td>
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<tr>
<td>2</td>
<td>0.160</td>
<td>0.765</td>
<td>-0.605</td>
</tr>
<tr>
<td>3</td>
<td>0.151</td>
<td>-0.353</td>
<td>0.202</td>
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buyers. Higher household incomes induce people to purchase their home. The analysis also shows that when newer dwellings are offered for sale, the chance that the sitting tenant decides to buy is larger. The third most important variable is the age of the head of the household; its influence on the decision to buy is both direct (main effect) and indirect, through its correlation with income.

The Effect of the Sales on the Neighbourhood

Home Improvements

Nationwide, the quality of the dwellings of home owners is better than the quality in the rental sector. It is generally assumed that this difference is the result of activities and investments by homeowners, who supposedly take better care of their dwellings than landlords and renters. On the basis of this assumption, the sale of public-housing units has been defended. It would give the occupants responsibility for their own housing and residential environments, which would result in quality improvements. But the comparison of the quality of the homes of renters and buyers might not be easy to interpret. The dwellings can only be sold to the tenants if they are in sound condition, and it has been noted before that the newer dwellings are sold more easily than older ones. The starting situation might therefore not be fully comparable. The question to be dealt with in the investigation was therefore reformulated to: how much effort do the buyers expend on the upkeep of their homes, and how does this compare to the efforts of the renters?

The result of our investigation shows that on average, home owners carry out more improvements and maintenance activities and spend more money on these than renters. Obviously, the total number of activities that are undertaken by the renters is not a fair comparison, since the housing associations, the owners of the properties, also carry out maintenance and improvements. But when all activities that are normally provided by landlords are dropped from the analysis, the home owners still prove to be more active (table 3).

By number of activities, the subsequent buyers seem to be less active than the other home owners. This difference is also borne out in the relative amount of money spent on various activities; while the buyers spent 16,000 guilders on average on upkeep and various improvements, the subsequent buyers spent 11,000. These differences, however, seem to reflect the much shorter period of residence of the subsequent buyers, since maintenance and repairs tend to be carried out during the entire length of

<table>
<thead>
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<th>Number of improvements</th>
<th>Renters</th>
<th>Buyers</th>
<th>Subsequent Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>24</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>1 – 2</td>
<td>31</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>3 – 4</td>
<td>23</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>5 – 6</td>
<td>14</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>More than 6</td>
<td>8</td>
<td>36</td>
<td>21</td>
</tr>
<tr>
<td>Average</td>
<td>2.7</td>
<td>5.3</td>
<td>4.0</td>
</tr>
</tbody>
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*Only activities not commonly undertaken by the housing associations have been included.
tenure. But even this lower amount spent by the subsequent buyers is much more than the money spent by renters, which amounted on average to 4,000 guilders.

The differences observed in the outcomes lead to two important conclusions. First, because of the intensive activities of the buyers, the physical environment is being kept up and even improved, which causes the value of their properties to increase. This in turn leads to the second conclusion: when the properties are resold, they move out of reach of lower-income groups. Not only does the sale of public housing accentuate divisions in the original group of tenants; in the long run it creates a division into two groups of occupants of very similar housing.

Community-Building?

If indeed, as is often argued, the increasing rate of home ownership brings cohesion and stability to a community, the results of the investigation ought to show that the home owners express the strongest attachment to the neighbourhood, that their interaction with their neighbours is more intense, and that their mobility rate is lower.

The results indicate that the variations in the number of times the buyers and the renters visit others in the neighbourhood or have similar types of contacts are insignificant. If anything, the renters express a greater attachment to the neighbourhood, while the subsequent buyers do most visiting. Even the differences in mobility rates among the buyers and the renters are small. Both groups are very stable. Only 11 per cent of the renters have moved in since 1980, and 20 per cent of the original buyers had moved on. The long period of residence is also borne out by the fact that 26 per cent of the renters and 28 per cent of the buyers have lived in their present homes since before 1960. The small differences in the mean number of years is solely attributable to the fact that while some replacement of renters has occurred since 1980, virtually no public-housing units have been sold to tenants since that date. For most occupants in both groups, the present dwelling suits their aspirations and represents the peak of what they can expect to attain in their housing career. There are therefore no indications that the sale of public-housing units to tenants contributes to community stability in neighbourhoods that are already stable by various indicators.

The change in the long run, however, may be more pronounced. Given the place of the single-family homes in the hierarchy of dwellings in the public sector, new entries are generally made by renters who are already advanced in their housing careers. When the dwellings have been sold and are subsequently brought onto the market, a different group of households moves into the areas. It is therefore of interest to compare the renters who have recently moved into the homes and the subsequent buyers, to determine the magnitude of the differences among these groups of newcomers.

The differences among these groups are substantial indeed. They belong clearly to different income categories, which is indicated by the fact that 49 per cent of the new renters has an income below 1,750 guilders per month, which is true for only 7 per cent of the subsequent buyers; 41 per cent of the new home owners earn over 2,500 guilders per month, 17 per cent of the new renters belong to this category.

While the differences in the age structures may be somewhat less pronounced (figure 3), they are significant. Almost 40 per cent of the subsequent buyers are younger than 30 years old and over 50 per cent are in their thirties. While substantial numbers of new renters are relatively young, almost a third of them are over 40 years old. These differences reflect the allocation rules in the public-housing sector and the desirability of the relatively scarce single-family dwellings.
in the public sector.

These observations make it likely that in the future, when new home owners and new renters move into the neighbourhoods, the heterogeneity of the population will increase. The homes that have been converted will move slowly out of reach of the categories of households for which they were originally built. It seems unlikely that this will provide a positive contribution to local community-building.

Conclusions

The policy to allow the sale of public-sector rental houses to tenants has been subject to intense debate. Many of the opposing arguments centre on the financial aspects: are there any winners and who are they? The argument that the sales contribute to capital formation among lower-income groups has not been frequently heard since the collapse of the housing market in 1978 and the continuing malaise since then. Beyond the financial consequences, other arguments have been quibbled over to defend or to attack the policy. Social stability and the supposedly better care home owners take of their dwellings and their environments have been quoted in support of the current attempts to revive the policy of sales. These aspects form the core of the present paper.

Some benefits for the quality of the built environment were indeed found. The home owners were engaged in more activities of maintenance and improvement, but there is no reason to believe that financially sound investment decisions would be avoided by the public-sector landlords, if they had the resources available. Other improvements by home owners may be luxuries that serve to increase their sense of well-being and increase the value of the property. The negative aspect of this is that eventually this helps to move the house out of reach of low-income households, when the house is offered for sale. In general, a clear difference in household characteristics among the buyers and the renters was observed; obviously, not all renters are equally likely to grasp the opportunity to buy their dwelling. Even among the original tenants of the converted and the rental
dwellings significant differences show up. The buyers are younger, enjoy a higher income, and live in somewhat more recently built dwellings. These differences are all the more acute since only single-family public rental housing is compared; of other, less desirable housing types no rental units have been converted. If the home owners of converted public-sector rental units were compared with the entire category of public-sector renters, the differences would be much more pronounced.

These observations point in the direction of the emergence of a polarization among the two tenure categories, by which the renters are increasingly marginalized. This contrast does not show up vividly when the entire categories of predominantly immobile buyers and renters are compared, but the more striking contrasts among the recent renters and the subsequent buyers are cause for concern. As highly desirable housing slowly moves out of reach of low-income groups, the households with the lowest incomes are increasingly relegated to the least attractive housing. This is the opposite of what was intended with the massive building in the public sector, and also refutes the arguments used to defend the sales. In general, the advantages accrue to individuals who happen to be in the right place (Van Dieten, 1984; Hamersma and Krijnen, 1983); in the long run, the inequity is much more pronounced. The conversion does not benefit the entire category of low-income public-sector tenants, but instead it benefits the (marginally) higher-income group. The acquisition of a home is not a boon to all low-income groups, and neither does it seem to serve the goal of increasing social cohesion and stability.

REFERENCES


