

CHAPTER 4

HOUSEHOLD MOBILITY IN STRUCTURES OF HOUSING PROVISION

4.1. Introduction

Only very few people stay in the same home all their lives. Usually, households change address a few times adjusting their housing situation to new requirements. The previous chapter has indicated that in some national housing markets the rate of mobility is much higher than in others. This may reflect cultural differences to a certain extent, but the argument put forward in this chapter is that differences in household mobility also reflect characteristics of national housing markets and structures of housing provision. Still, a distinction needs to be made between, what could be called, 'natural' or 'external' causes of household mobility and mobility encouraged (or indeed discouraged) by structures of housing provision and the housing market associated to them. In housing studies, factors external to the structures of housing provision have generally been emphasised. Within this tradition, most researchers have focused on household mobility in relation to factors influencing housing demand or supply. Examples are demographic changes influencing (future) housing demand of new and existing households or housing demand resulting from the employment growth in a particular region. The aim of this chapter is to look at this interface of demand and supply factors in influencing household mobility, and, moreover, to explore whether and how structures of housing provision contribute to understanding differences in housing market activities between countries.

Contrary to most supply or demand side explanations in housing market studies, the use of structures of housing provision does not claim to provide a new theory of such market activities. Instead, it is a theoretically informed concept which structures the analysis of complex developments, without simplifying these developments by reducing them to a limited number of explanatory factors or by imposing an ideal model on them (see also Ball and Harloe 1990 and chapter 2). The concept also takes account of the fact that the nature of housing markets and housing market activities changes continuously. The time difference between the writing of this chapter and the previous one is only a few years. This seems little, but during these years prospering housing markets turned to a new decline. It is

during such periods of recession that it is possible to start to take notice of the structural changes that may have occurred during the previous housing market boom. Has there, for example, been a recovery from the crisis of the early 1980s in the Netherlands and, if so, has this recovery been accompanied by a change in the nature of its owner occupied housing market? The question is important in relation to the issue of mobility as a significant growth in sales by existing owners characterised the growth of the Dutch owner occupied housing market during the 1970s.

In this chapter changes in housing markets are studied through household mobility. Household mobility in owner occupied housing markets is connected to a number of factors:

- i) developments which are caused by factors external to structures of housing provision: household formation in association with demographic change and cultural factors influence mobility, as do changes in economic growth and its regional distribution;
- ii) the nature of a country's owner occupied housing market. Mobility forms an important aspect in distinguishing unified housing markets from fragmented or interdependent ones (see chapter 2). This refers to household mobility induced by factors which are part of specific structures of housing provision through the 'wealth effect' in unified markets. It has also been suggested that the rate of maturity of owner occupied markets matters in this;
- iii) provision structures associated with owner occupied housing: the relatively long period that is required to complete housing commissioned by people for their own use, for instance, often resulted in a low inclination to sell after they have moved in.
- iv) the mobility of home owners has to be considered in relation to other housing tenures and associated structures of housing provision. The rate of mobility of existing home-owners depends for instance on which phase in the housing career cycle households buy their house for the first time. When this occurs at a point when households are generally less mobile, in the ages between 30 and 55 years, home owners are likely to be less mobile in comparison to tenants. The size of the rental housing stock and the housing quality it offers differs significantly between countries and therefore also the opportunities households have in choosing a tenure at the various stages in their housing career.

Before studying these factors a little more needs to be said about the current policy relevance of studying household mobility.

4.2. Household mobility in housing policies

Analysis in the previous chapter has shown that the mobility of existing home-owners has grown over the past two decades in Britain and, more recently, in the Netherlands too. This development was accompanied by major changes in the structures of the respective housing markets. In both countries, the increased mobility of existing owners was associated with a new phase in the growth of the owner occupied housing tenure. In Britain this has been associated with the owner occupied housing market growing to maturity (Ball, 1983, Ball et al, 1986). The impact mobility may have on a further expansion of the owner occupied sector is an important question. Housing policies in Western European countries aim at a further growth of this tenure and increasingly hope to do so by encouraging more households to move, not only towards, but also within the tenure. Britain of the 1980s provides a good example of a mature and prospering housing market, combining a high growth rate of home-ownership with a high rate of mobility, both within and towards the tenure.

In their discussion of recent problems in the - very immobile - German owner occupied market, Potter and Drevermann (1988) suggest that the development of a market for second-hand owner occupied housing would allow home-owners to trade down (or opt out) when their financial circumstances get worse. With the existence of a second-hand housing market prices of new housing would also be more in line with the price of this market. This would, reduce some of the major losses which are now threatening the many home owners who are forced to sell under the current system. Bringing the prices of new housing in line with market prices would also restore confidence in owner occupation. This would, however, require major changes as individual home-ownership in West Germany is associated with very expensive newly built one family housing for which households have sacrificed years of saving and free time. A wider choice of housing types and sizes would attract more households into home-ownership and keep them within the sector, for instance, when they wish to move when their location of employment changes or when older households wish to trade down. Many experiments have already been set up to bring down the cost of housebuilding by reducing the very high standard and quality requirements to less extravagant proportions (for example, no second bathroom or no basement, plans which are sometimes referred to as "Holland Haus"). However, building owner occupied housing at lower quality and

costs than the prevailing stock may help first time buyers, but will not necessarily help to increase the mobility of existing home-owners, as their expensive existing housing cannot compete with the much cheaper new housing. A catch 22 situation for German housing policies seems to have developed here. Existing home owners may want to trade down, but cannot sell for prices they would have expected to get only a few years ago. For the time being, it is more likely that the market will remain fragmented.³

Discussions on ways to encourage mobility have developed in the Netherlands too, but in a different way. Unlike in West Germany, the owner occupied housing market had become already largely unified during the 1970s. The crisis of the early 1980s paralysed sales activities by existing homeowners and had a serious affect on housebuilding in the luxury, up-market sector. There was less need (and less margin) for bringing building costs down in new housing aimed at first time buyers; subsidies towards this sector were increased instead. Private housebuilding rates would otherwise have been very low indeed. Prices of existing housing had fallen dramatically in the early 1980s (see chapter 3). Although house prices have been increasing again since 1985, average nominal house prices have now (1990) still not reached their peak level of 1978. In 1990 house prices fell again. This situation has not encouraged existing owners to move, particularly not those who bought during the 'expensive period' of the late 1970s. As mortgage to house price ratios of 90 to 100% were common, it will have taken about ten years to have repaid enough not to remain in debt after selling. The experience of the past decade also makes potential home-owners very cautious in their decision to buy. Purchases of what are considered short-term homes from which the household will trade up the housing ladder are likely to be avoided. One question posed in this chapter is whether the Dutch owner occupied housing market has changed during the last decade towards a more fragmented or maybe an interdependent market (see chapter 2) and, if so, what the implications are for a future growth of the sector.

The promotion of individual home-ownership has again been at the centre of Dutch housing policies since the mid 1980s. A recovery of the private housing market seemed on its way then, as private housebuilding rates were at their highest level since the Second World War. But

3. The (West) German housing market situation is difficult to foresee in any case. The massive immigration to the western part of the new Germany has put housing back on the political agenda, but it is not yet possible to predict which provision form will be turned to to meet this new housing need.

surprisingly, the most recent policy support for the growth of individual home-ownership is paralleled by a revival of filtering theories: new construction in private housing should encourage upward mobility of households now renting or owning existing housing. They would then vacate low cost housing for lower income households. Filtering theories seem to have been generally dismissed in the Anglo-Saxon countries since the 1970s (the critique shall be summarised below), which makes its recent revival in continental Europe only more surprising. This chapter will discuss some aspects of the filtering theories, not only because of their recent revival, but also because of their emphasis, in recent policies at least, on encouraging household mobility and the growth of home-ownership.

It has been suggested in the previous chapter that a high rate of mobility amongst existing homeowners increases market volatility. That chapter was written in a period when all housing markets were experiencing a major recovery. Predictions that volatility would increase the vulnerability of the owner occupied housing market seemed, therefore, defied by events of the day. In Britain and the Netherlands private housebuilding rates were at unprecedented high levels and, in Britain at least, house price inflation helped to increase many home-owners' wealth: a major advantage compared to renting. These events further established the political consensus around the promotion of individual home ownership in Britain. Two thirds of this nation now own their home, an increase of 10% since the beginning of Thatcher's government. A high rate of mobility towards and within the sector has been a major characteristic of the growth of the owner occupied housing tenure over the past decade, along with a tendency to build up-market housing (Ball 1983, Barlow 1987).

The situation is changing now in Britain. Since the summer of 1989 and for the first time since the Second World war nominal house prices have started to fall in most parts of the country. House prices also declined in the early 1970s, but only in real terms. UK house prices fell in real terms by 18-19% in the year ending in September 1990 (Nationwide 1990). House price falls have been especially steep in regions where house prices rose most in the previous decade. For example, real house price falls were between 25% in Greater London and 28% on the South East. Declines were similar in East Anglia and Yorkshire and Humbershire (ibid). Both housebuilding and sales by existing owners fell substantially. It is much too early to predict the outcome of the current turn in the market. But at the end of this chapter some possible outcomes will be discussed.

4.3. Research on Household Mobility

The rate of household mobility has always differed between countries. Studies in the past have shown that the USA is highly mobile as households move on average every five years, twice as much as in the UK; whilst in the Netherlands until the early 1960s households moved only every 16 or 17 years. Mobility has increased in the Netherlands since that time, with now about 8% of households changing homes every year, but this still less than in Britain where it varies between 7 and 12% of all households (Murie et al, 1976, Priemus, 1984). Mobility also tends to be higher in cities compared to rural areas and seems to increase with economic growth as confidence to invest in housing and housebuilding rates are higher.

Mobility studies are a special branch in housing research or, more particularly, in housing market studies. Explanations for household mobility emphasise aspects related to either demand, usually defined by household preferences, or supply, which tends to focus on constraints imposed in the distribution of housing. Theories, or rather 'holistic frameworks' which try to integrate both aspects have hardly been developed (Short 1977, Priemus 1984, Hooimeijer en Linde, 1988). First, some of the main aspects which are known to influence the mobility of households will be summarised and related to the dynamics of the housing market. Instead of distinguishing them by aspects of demand or supply in mobility studies, as others have, the dividing line used here will be factors which are largely external to structures of housing provision and factors that are 'part and parcel' of this (see also chapter 2).

4.3.1. 'External' influences on household mobility

Studies have focused generally on assessing peoples motives for changing home. Household moves are usually seen as autonomous from structures of housing provision. The most important factor of study and explanation is concerned with changes in the demand for and supply of housing, but the cause of these changes are generally found outside the housing system. Mobility studies focus for instance on demographic developments. Housing need resulting from population change, household formation and migration is at the centre of this type of research. Another area of explanation focuses on inter-regional mobility, mostly resulting from a change in the location of employment. A third explanatory factor relates to moves which are imposed on households by circumstances beyond their

control, for instance when they lose their current home as a result of urban redevelopment (see Priemus 1984 for a review of such studies). The content and significance of each of these factors have changed over time. The third factor, will only be mentioned briefly, as large scale urban redevelopment plans belong to the 1960s and early 1970s. Household moves resulting from displacement are, however, gaining significance through processes of gentrification. The discussion of this factor has to link household mobility to structures of housing provision. With respect to the second factor, locations of employment growth and decline have continued to influence inter-regional mobility at rates which are largely determined by cycles in the economic and social reconstruction of the economy and belong to spheres external to housing provision. I shall discuss this first.

The spatial pattern of national economies have changed dramatically. In recent years it was particularly the economic recession of the early 1980s which emphasised ongoing developments. The decline of employment in the heavy industries and the traditional manufacturing industries in many western countries continued and the recession further increased the divide between areas characterised by a growth in long term unemployment and poverty and areas where the expanding producer service industries became concentrated. In Britain and West Germany these developments occurred along a north-south divide (cf Cooke 1989, Friedrichs et al 1986). Although the Germans refer to this as the south-north divide, in both countries it is the southern regions which are prospering relatively to the northern areas. France is different again: like Britain, economic growth has been concentrated in and around its capital city, which, however, is located in the north. Paris has remained the centre of the economy, whilst sub-centres evolved around Lyon and towards the Provence in the South-East. Spatial polarisation increases between Paris and the few specialised 'growth regions' on the one hand and the old industrial areas in the north and east on the other hand (Neef, 1987).

But also within the richer regions growth is spread unequally. Social polarisation is increasing, particularly in the large cities. Whilst poverty in urban areas is growing, employment growth becomes decentralised towards the suburban, outer metropolitan areas and beyond. Growth is also concentrated in certain types of employment.

The effects of economic restructuring on processes of urbanisation and social change have been studied in a recently completed survey of London and New York (Fainstein et al, forthcoming). Both cities experienced a

renaissance of economic growth, particularly in producer services. There is, however, one important difference between the two cities. In New York economic change has been accompanied by substantial employment growth from 1977 onwards. In London there has been no real change in the overall employment level. New jobs have not outweighed the losses in both cities. The new jobs are also very different from the ones they 'replaced'. Only for a short time period, after 1983, did employment increase in the Greater London area, particularly in the producer services sectors, notably in business and finance and in the core area of the city. The outward shift in the balance of employment towards their suburban surroundings has characterised both cities. In New York, growth in these areas has even been more marked than in London's surroundings.

In terms of migration movements, both cities saw their long term population outflow reversed in the early 1980s. Again, the degree of this reverse differs as in London the outward migration of white workers has not been compensated by overseas immigration. Recent immigration movements in London mainly involved service class workers. This has been insufficient to compensate the population loss, except for a brief period following the Big Bang, the deregulation of financial services in Britain in the 1980s. Compared to New York where population growth continued since the late 1970s, unemployment rates have been less severe in London. Relatively high wage rates may have further induced London firms to decentralise.

Other research has shown that there is not necessarily a correlation between the rate of loss of employment and outward migration in northern cities of Britain. The rate of population decline is now below the levels of the 1960s and 1970s, whilst unemployment is growing faster (Cooke 1989). Similarly in West Germany, the population decline is the same in all major cities, whilst there are important differences in rates of unemployment (Häussermann and Siebel, 1987). For inter-regional mobility to occur, changes in locations of employment growth are important, but other factors contribute as well such as ties to family or 'locality' or inhibitions which the housing market imposes on household mobility. Examples are immobility caused by difficulties in housing sales, particularly when compounded by the discrepancy in the costs of housing between areas of economic growth and the declining regions. The inhibition of high housing costs on employee mobility has recently been confirmed by a number of studies by relocation consultants and the Confederation of British Industry (Forrest et al, 1990). This particularly concerns the recruiting of professional and managerial staff

which firms are increasingly prepared to subsidise. The lower paid and less mobile workers, with employment histories which are more attached to localities, have not only less chances to find employment elsewhere, but are also less likely to afford the high housing costs in the areas of economic growth.

This may lead to another factor influencing household mobility; also one which is not directly related to the housing market. It could be referred to as 'class and culture' and has been pointed out by Forrest et al (1990) following the conclusions of a comparison of housing career histories in two housing areas in Bristol. The rate of household mobility was very low in a stable traditional working class area. Most households here had lived in or near the area throughout their lives. A community bound together by strong ties to relatives and friends. In the affluent middle class area, on the other hand, most people lived far away from family or (old) friends and rather isolated from each other. Households with well paid professional and managerial jobs had moved many more times and their history of housing moves was strongly related to changes of jobs and cities.

Changes in the life cycle of households, the first factor mentioned above, have received at least as much attention in mobility studies as studies which see job migration as the most important factor in explaining household mobility. Changes in households structures have, in fact, often been regarded as the main factor explaining household mobility (cf Speare et al 1975, Hooimeijer en Linde 1988). This explanation has been elaborated by including income related factors as the choice for those on lower incomes tends to be rather restricted (Short 1977). But phases in the life cycle do not necessarily coincide with household mobility. Demographic changes, however, do have an important influence on the structure of housing demand and housing need.

In their study of demographic changes in the Netherlands, Hooimeijer and Linde (1988) conclude that processes of household formation have changed radically over the past decades. The composition of households has transformed too. Most of these changes have now reached a level of saturation, although this has happened at different points of time. The age of leaving the parental home has reduced, but this trend had already stabilised in the 1970s, followed by a trend to leave the parental home more frequently as a single person. This, however, did not have much influence on the process of household sharing as the 'single person phase' tends to be

short at this stage of the life cycle. The decline in fertility rates stopped in the early 1980s, whilst in the mid 1980s the increase in divorce rates levelled off. Some trends are known to be similar in other countries: although population growth is slow, or even declining as in France and what used to be West Germany, the number of households has continued to increase.

These processes of change have now stabilised and show a different pattern of household formation and household change from two or three decades ago (the migration factor is now becoming more significant in demographic change, at least in continental Europe, but to that we will return later). The effects will last and are now maybe easier to predict. To forecast the Dutch household composition for the year 2000, Hooimeyer and Linde (1988) developed a model. They found that a significant growth in the number of households can be expected, despite a low population growth: households are likely to increase by 27.5% to 30% compared to 1982. This growth is the result of an expected doubling of the number of single person households and an increase, but much less significant, in the number of couples without children. The number of two-parent families is expected to decline further. All result from the much lower fertility rates of those born after 1965 and the growth of households reaching a phase of household-reduction (see figure 4.1). The age distribution of households is also likely to change. Those heading households who are aged over 50 will increase, but - maybe surprisingly - this increase will be less than the number of persons in that age group. The number of young households is likely to decline in the near future. The most significant growth in the number of households will be with heads in the age between 30 and 50 years (see figure 4.1). The implications of this will not only be a substantial increase in the need for housing in the coming decade, but also the demand for employment to support these households will be much higher than expected when only population growth was taken into account.

Many studies of demographic changes focus on longer time-scales. Predictions are that the 'demographic time bomb', due to a top-heavy age structure is expected to 'explode' around the year 2025, when the 'baby boomers' have retired. But, as outlined above, already long before that date and in the current century major changes can be expected in the structure of housing need.

A growth in housing need amongst 'retiring baby boomers' in the next century is also expected in the other countries included in this study. Substantial increases in the number of single and two person households

have been forecasted everywhere too. The degree of change, however, is likely to differ, depending on factors like the traditional share of the family-type household in these societies, on the timing of the decline in fertility rates or on when changes in cultural patterns in household sharing began to develop.

Migration also influences demographic changes. Reference has already been made to population movements between regions of differing prosperity and to the effect of the different immigration policies in the USA and Britain, with the latter having the most restricted immigration rules. It is difficult to predict which migration movements will occur after 1992, when residents of EEC countries have in principle the right of residence in the member countries. Recent developments in Eastern Europe have already led to large migration movements, particularly towards the western part of Germany. Ironically, it is because of a decline of West Germany's native population that the German government has opened its borders for Germans from its previous empire. Emigrants are now overcrowding the west German cities and find themselves sleeping rough in many instances. Migration has made housing again a top political priority in this country.

FIGURE 4.1 Household composition in the Netherlands, 1982 and 2000

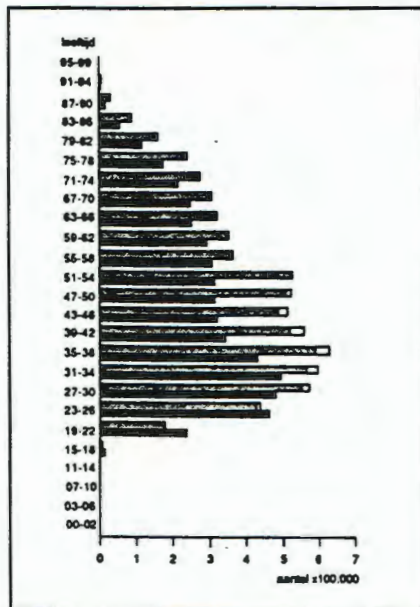


Figure 4.1.a: age distribution of households

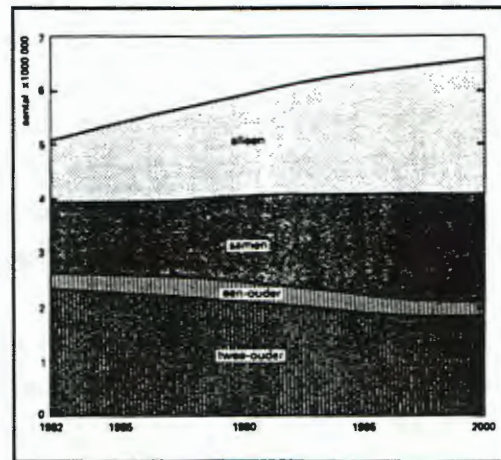


Figure 4.1.b: Change in household composition

Leefstijlverdeling van de huishoudens in uitsluitend (2000)
 Leefstijlverdeling van de huishoudens in individueel (2000)
 Leefstijlverdeling van de huishoudens in 1982

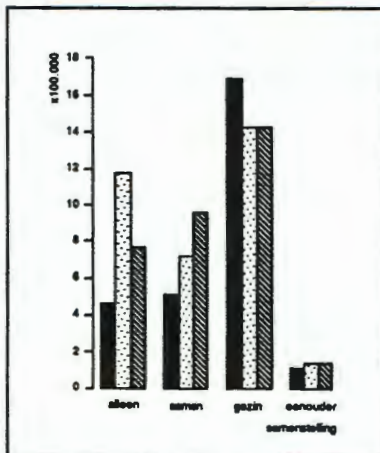


Figure 4.1.c: the composition of households in their expansion phase

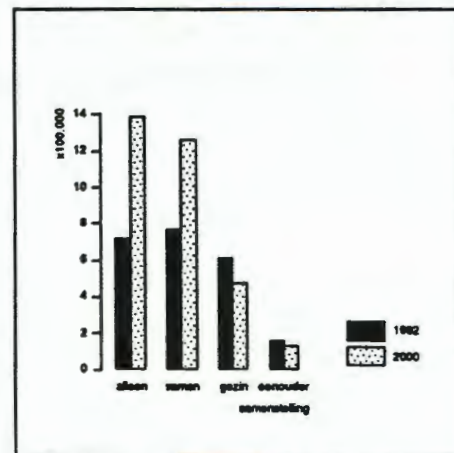


Figure 4.1.d: the composition of households in their reduction phase

* Note:

two scenarios were developed in the WODYN model:

- the 'individualised' scenario (individualiseringsvariant), which assumes that a reduction in household sharing will continue at a later age; those born after 1960 will more often live alone, also when they grow older.
- the 'delay' scenario (uitstelvariant), which assumes that the decision to share a household is only delayed; those born after 1960 will have a similar chance to share as those born earlier.

When testing their model for the early 1980s it appeared that the first scenario was most appropriate.

Source: Hooimeijer and Linde, 1988.

Rapid political changes with unknown results make it difficult to predict future housing need. It is, however, likely that in western countries the number of households will increase following the processes of household formation described above and because of immigration movements. The type of housing need is likely to change as well now the size of households is declining and changing in age composition. The housebuilding industry is already responding to a change in housing demand, housebuilding for the elderly is turning into a new market, as is building for single and two-person households. The significance of these and other housing market activities will be discussed in the next section.

4.3.2. Housing market activities and household mobility

Another strand of mobility studies focuses on the supply side of housing: sufficient housing has to be available to comply with housing need. These studies tend to concentrate on the opportunities and constraints households face when they wish to move to the housing they need. Housing can become available through new construction, but also through developments mentioned above like demographic changes such as the joining of two households or the dissolution of a single person household or emigration following spatial changes in employment growth. Eviction or displacement through gentrification or rent or mortgage arrears could be added to the list. This section will look at two themes. One is the recurring question how the availability of housing, particularly through new construction, can encourage household mobility. The second theme looks at a much less researched issue, which is how mobility increases with changes in the housing market or, in other words, how mobility can become part of housing market activities; the key theme here is house price inflation.

Unless explicitly aimed at starting households, new construction of housing generally leads to moves of a number of existing households. This fact has, however, led to a strand of research with at its centre some ideal concept of the working of housing markets and related policy prescriptions for housebuilding. Filtering theories, as these are called, go back to the socio-ecological research of the Chicago School during the 1920s and 1930s (see Boddy and Gray, 1979 for a review). The theory became associated with processes of social segregation: through the process of upward mobility of households, neighbourhoods were seen to deteriorate over time. The concept developed towards the study of mobility between sub-markets of housing

(instead of neighbourhoods), within which hierarchies were defined by tenure, housing type etcetera. Virtually all studies conclude that the higher in the hierarchy housebuilding occurs, the longer the chains of household moves. Research has, however, confirmed that, although the multiplier effect of building up-market housing may be longer, the housing situation of low income households is mostly improved when housebuilding is aimed at low cost housing (Boddy and Gray 1979, Priemus 1984).

The political character of filtering theory has been pointed out by many researchers (cf Robinson 1979, Boddy and Gray 1979). The theory legitimates inequality and has been used to support policies which aim to meet low-income housing needs indirectly via the construction of up-market housing. Evidence suggests that in fact filtering accelerates decay at the bottom end of the housing market. These houses are not automatically vacated and demolished, as is assumed in the theory; instead they provide sub-standard housing for low income households (Grigsby and Rosenberg 1975). Thus "(t)he end product of filtering, at the bottom of the chain reaction is substandard housing: thus filtering produces the very blight we seek to remedy" (Ratcliff 1949, quoted in Boddy and Gray, 1979). Considering the stream of publications, the filtering debate was particularly lively in the USA and Britain during the 1960s and 1970s. Not surprisingly, these are countries where policies were always concerned with supporting private sector housing and limiting direct provision to the lowest incomes only (USA), or where this had become the main trend in housing policies since the 1960s (Britain). The debate whether low income households should be provided directly or indirectly with low cost housing, is now experiencing a revival in continental Europe in the 1990s. It goes along with a revival of filtering theories and it coincides with the withdrawal of state support for the 'general need' provision of social housing.

Filtering theories have not only been criticised for their political connotations, but also for taking some ideal as the concept for the working of housing markets and urban development. They also assume a hierarchy in price and quality between new housing and the housing stock, which is in its use mirrored by a hierarchy of household incomes. In a review of empirical surveys on filtering Boddy and Gray (1979, 49-50) conclude that "(..) empirical studies indicate that, while turnover on a limited scale is significant (..) to meet housing need (..); these studies do not, however support the general validity of filtering theory or the policy conclusions which have frequently been drawn from that theory. (..) The persistence of

inadequate housing and of high status residential areas in the USA and the UK, and the contradictory processes of gentrification and disinvestment (..) indicate the empirical bankruptcy of filtering as a general description of the housing system". Whilst dismissing filtering as a general theory, there is something more to say about the part mobility plays in housing market activities.

This takes us to the second theme of this section, the question how households are encouraged to move through activities which are part of structures of housing provision. It already has been mentioned that some mobility can be encouraged through new housebuilding. At a more general level it is easy to see that with the growth of the housing stock over the course of this century, the significance of moves to new housing will be declining relatively to the number of moves within the second hand housing stock. Moves will occur both within and between housing tenures. Depending on factors like the relative size of the owner occupied housing stock and on the level of house price inflation, processes of chains of purchases and sales may become a new characteristic of owner occupied markets. In this case extra housing demand can also be induced by rising house prices through the wealth effect (Ball, 1990). Existing home-owners have much of their wealth tied up in their homes. In 1988, dwellings net of mortgage debt represented 36% of all personal wealth in the UK (ibid). When house prices rise, home-owners may wish to use some of this wealth. Part of this is used to fund general consumer spending and part is invested in the purchase of another house. Rising house prices increase the inclination of existing home-owners to move. Home owners are also more likely to borrow larger mortgages, particularly when the general rate of inflation is high. Inflation reduces the real value of mortgage debt more rapidly and generates housing wealth faster. Ball (1990) concludes that there are inter-dependencies between the behaviour of existing owners on the housing market and the transactions in the market itself: a rise in house prices stimulates more demand and vice versa. Housing market activities are therefore likely to be bunched.

When discussing household mobility in relation to structures of housing provision, it is important to take account of differences in types of housing markets, not only between countries, but also in time. House price inflation has characterised postwar housing markets in all the countries we surveyed, but the inter-dependency between the activities of existing home-

owners and the housing market is typical for Britain. In chapter 2, a distinction was made between unified, fragmented, interdependent and independent markets in the owner occupied housing tenure. The rate of mobility of existing homeowners was an important aspect of defining their difference, particularly between fragmented and unified housing markets. Home owners in unified housing markets are not only more mobile than in the other types of market. Housebuilding activities in unified markets have also largely become dependent on high rates of mobility of existing owner occupiers. Elsewhere, owner occupied housebuilding is mainly aimed at first time buyers. The greater significance of sales by existing home owners in unified housing markets has been associated with a growing maturity of owner occupation (Ball, 1983, Ball et al 1986). This statement implies that in time, all owner occupied housing markets will become more mobile. The question we will look at is whether this assumption is realistic and whether this is a development that should be encouraged?

4.3.3 Defining maturity

Before this question can be answered more needs to be said about what a mature owner occupied housing market might be. With 'maturity' is implied a market in which the main activities are not just new housebuilding, but in which existing homeowners are playing an important role too. In general, the mobility of existing households will increase when crude housing shortages have been dealt with and processes of urbanisation are completed. The urban growth will only be concentrated in certain regions where employment is still rising.

The British private market has been qualified as a mature one, because a mass-market for individual homeowners developed already during the 1930s. The share of the tenure in the housing stock has since that decade risen more rapidly than in any of the other countries we studied. This share is now also amongst the highest of these countries: 67%. One could, however, argue that maturity is not necessarily just defined by the 'age' of that market or by its relative size. There are a lot of countries where owner occupation has been a significant tenure for many more decades than in Britain. Shares in the housing stock varied already between 35% (France, Germany) to 50% (USA) before the Second World War (in fact, home-ownership rates were already at 47% in the USA at the turn of the century). The share of individual home-ownership in the British housing market was then only 28%.

More factors than the age and size of the owner occupied tenure have to be taken into account before existing owners will be playing an important role in housing market activities. 'Maturity' in terms of age and size of the housing market is, therefore, not an explanatory factor for an increase in mobility. Many older national owner occupied housing markets have remained fragmented, because of the structure of housing provision that is attached to these markets. An example is the dominance of self building in owner occupied housing provision in France and West Germany. So, the characteristics of mature housing markets need to be identified with social relations of housing provision

The fragmentation of housing markets does not have to imply that these markets are immature in terms of age and size of the housing stock. But neither does the unification of housing markets through the mobility of existing homeowners necessarily signify maturity. This has been illustrated by developments in the Dutch housing market. In Britain, the phenomenon of 'chains' of purchases and sales has been associated with the maturity of that market in terms of its age and size. But existing home-owners played a similar role in the Netherlands during the second half of the 1970s, the decade during which a mass-market for home-ownership had only begun to develop. As described in chapter 2, the results were disastrous. When maturity is defined in terms of timing of the growth of the tenure in conjunction with its integration in mass-market forms of housing provision, the debacle of the Dutch owner occupied housing market may well have had to do with a lack of 'maturity' of this market.

4.4 Housing market type and household mobility

The terms 'unified', 'segmented' or 'fragmented' have had different meanings in housing studies; definitions are, therefore, required. A recent publication by Forrest, Murie and Williams (1990), titled "Home ownership, differentiation and fragmentation", clearly deals with this issue. In this book the authors set out to argue that owner occupation in Britain has gone through three stages of transition, early, middle and late, and has become highly 'differentiated' in this process. The first stage refers to its 19th century beginnings, associated with working class self-organisation or with the wealthy classes. The development into a mass-market of owner occupied housing during the interwar period is the middle stage. This stage is further characterised by suburban sprawl of semi-detached houses for the middle classes, the emergence of the speculative housebuilding industry and the

firm establishment of the building society movement in housing finance. The late stage refers to the postwar period and is associated with a growth of the tenure through transfers of rental housing, often identified with processes of gentrification but also with an increase of social polarisation within the owner occupied tenure. In the late stage has new construction made way for transfers within the housing stock in signifying market activities. Building Societies have been deregulated and are, like the housebuilding industry, becoming increasingly integrated in highly centralised conglomerates. The aging of the housing stock, combined with changed processes of urbanisation and a higher rate of mobility of existing owners, have also helped to transform the social composition of the tenure.

Forrest at al (1990) argue that, whatever unifying characteristics there might have been, during the late stage the owner occupied housing tenure has become increasingly fragmented and differentiated in terms of house price levels, age, condition and dwelling-type. "The pattern of change for home ownership outlined in this book has been one of fragmentation. Fragmentation as used here means not disorganisation but rather a new arrangement related to the process of commodification. From being a relatively uniform tenure, home ownership has become differentiated" (p198). The social meaning and significance of the tenure varies with market segment, location, the family life cycle of the household etcetera. Household characteristics have become more varied now owner occupation is less exclusively a tenure for the affluent and middle classes. The focus of their definition of fragmentation or differentiation is, however, on the housing experiences and housing histories of home-owners. Unified or fragmented markets are defined from the position of housing consumers, as a view of the housing market which separates the differentiated experiences and meanings people give to housing from the context in which changes have occurred. Transformations of key agencies in the owner occupied market, within the building industry or financial sectors have also been included in their study, as has the increased significance of mobility, but these developments remain within a descriptive, rather than analytical framework and do not explain much. The key reference remains describing the differentiation and fragmentation in the experience, choice and housing opportunities of households. The development and the activities of the key agencies in the owner occupied market have been analyzed extensively, but are regarded as contributing to a further growth (and of course, differentiation) of the owner occupied tenure as for most households home

ownership has become the only way to meet housing needs; and it is here where the housing experiences begin to differentiate.

A consumption oriented definition of unified and fragmented housing markets differs from the one we introduced (chapter 2). The difference obviously leads to distinctive outcomes. We have suggested that unified, and not fragmented, markets are a relatively recent phenomenon, at least in owner occupation and in Britain, whilst fragmentation is associated with the genesis and the early development stages of this market. It may, however, well be possible that the unified market will become fragmented again or change into an interdependent market. This transformation could occur, for instance, in a period when house prices decline or remain stagnant, as housing wealth will accumulate in a much slower fashion than when house prices inflate rapidly. The linkages between sub-markets and regions will dissolve, because existing homeowners will be less mobile. The most likely alternatives are then either market fragmentation or the emergence of interdependent markets. Demand for housing in fragmented markets is dominated by first time buyers, whilst the housing which becomes available through new construction or the housing stock provides for a number of independent submarkets, for instance sub-standard, low cost housing or in the expensive luxury sector. This I had expected to have occurred in the Netherlands during the second half of the 1980s. Instead, the Dutch owner occupied housing market developed towards an interdependent market; a case which will be described below.

The suggestion that the development of unified housing markets is a relatively recent phenomenon, does not imply that it is a necessary development in the evolution of home-ownership. As was indicated above, a number of national owner occupied housing markets have remained fragmented, even though their histories go back longer than in Britain and despite their relative significance in the overall housing stock. No 'ideal' or 'necessary' early to late development stages in home-ownership can be deciphered from our international comparison. Changes from one type of housing market to another do not necessarily relate to a growth of maturity, when defined by both size and age of the tenure. In fact, a large owner occupied housing sector is not likely when it is part of an interdependent housing market, which requires a balance in the size of rental and owner occupied housing.

A next step in the survey would be to compare which forms of housing provision are associated with which type of housing markets (see

also chapter 2). A related question focuses on the social relations of housing provision, for instance, how provision structures associated with building 'for sale' or for 'own use' are linked to advanced capitalist organisation of provision. For instance, in societies where self-building has remained prominent, the organisation of mortgage finance can be highly advanced. Both West Germany and France are clear examples of this (see chapter 6). The use of industrially produced housing (catalogue building) is another example of the introduction of advanced techniques and organisation in this form of housing provision. Similarly, owner occupied housing markets which are dominated by building for sale would assume its forms of housing provision to be fully integrated in the market. But the Dutch example has shown that in a situation of crisis, institutions associated with owner occupied housing provision, like speculative promoters and financial institutions, start to rely on support from the state and on a switch to providing social rental housing.

So there are no predictable outcomes in the evolution of owner occupied housing markets. Each specific case has to be analyzed as such. Unified housing markets, in the few cases where they have developed, do however rely on relatively high rates of house price inflation. When house price inflation ceases, the basis for the extra housing demand through the mobility of existing home-owners which is founded in the 'wealth effect' also ends. Could this imply that previously unified housing markets change? This question shall be studied in more detail for the Netherlands and its outcomes will be discussed for Britain, where house prices have now began to fall too.

4.5 A Dutch drama, or just a change of winds?

The importance of mobility on the contemporary state of an SHP is illustrated well by the changing fortunes of the Dutch owner occupied market over the past 15 years. There are many signs that the Dutch housing market is taking another dive after what was only a brief recovery from the deep recession of the early 1980s. House prices have been falling again since the summer of 1990 and government housebuilding targets in the premium A subsidized owner occupied sector have not been realised for two years: by November, only just over half of the 1990 programme could be granted building permission. This situation is for the government a reason to reduce

the building programmes of premium subsidized⁴ owner occupied housing on behalf of an increase in social rental housebuilding. The irony is that, considering its most recent policy document on housing, the government was strongly committed to support individual home-ownership (MVROM, 1989).

4.5.1 A new market recession ahead

When looking at the data for housing completions, developments in the owner occupied sector do not give much cause for alarm. Housebuilding rates were at postwar records during 1988 and 1989. The premium subsidized sector is in decline now, but, and that must fit the liberal-interventionist policy thought, the private sector is not (see figure 4.2). The lack of demand for premium subsidized housing shows that access to new owner occupied housing is increasingly difficult at the bottom-end of the market. A growing problem of affordability can partially be explained by a measure the government took in 1989 to reduce the income eligibility for this sector from 51.000 guilders (around 15.000 pounds) to 43.500 guilders (about 12.500 pounds). The measure is in line with government policies to allocate direct housing subsidies to those on lower incomes only. It implies that most households with double earnings are excluded. The lowering of income eligibility combined with current high interest rates, means that buyers have to pay higher down-payments. So it is not so surprising that there is a rapid decline in demand for housing at the bottom-end of the owner occupied housing market.

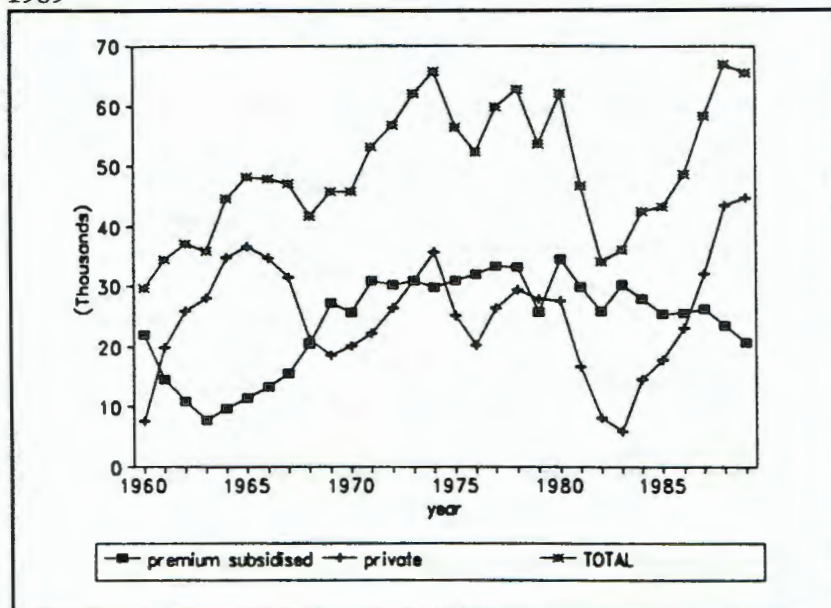
Sales within the housing stock are also stagnating at the bottom end of the market. House prices remained stable in the last two months of 1989 and started to decline in the summer of 1990. As with housebuilding statistics,

⁴. The Dutch private housebuilding market is highly segmented. Four different premium subsidy regimes existed during most of the 1980s. The subsidies of two regimes, premium A and B (introduced in 1979), are income related, the two others, C and D (introduced in 1984 and 1985 respectively) are a lump sum subsidy to the development costs. The premium A regime aims at lower income households with a maximum income of 43,500 guilders (about 12,500 pounds) and limits overall investment costs to 130,000 guilders (just below 40,000 pounds). Premium B housing are slightly more expensive, between 130,000 and 160,000 guilders (up to 50,000 pounds) and limit household earnings to 50,000 guilders (15,000 pounds). For both the premium A and B regimes eligibility limits were raised temporarily during the early 1980s market recession. The amount of the subsidies varies with income. Those with the lowest earnings may receive annual contributions for 16 years with a capitalised value of up to 50,000 guilders or over one third of the building costs. The premium C and D regimes limit the investment costs to 170,000 guilders, a similar to the B regime. The contribution under the C scheme is a lump sum of 5000 guilders and 20,000 guilders (1500 and 6000 pounds respectively) are allocated under the D scheme. Both are introduced to support of a recovery of the Dutch private housing market, premiums C aims mostly at sub-urban areas, whereas the D regime is designed to support private housebuilding in the less attractive urban areas.

annual house price developments show a more optimistic picture (see figure 4.3). But sales of one family housing declined by 12% during the first half of 1990 and sales of flats / apartments fell by 9%. The decline was unevenly spread over market segments: the cheaper the segment the stronger the decline. This supports the notion that the bottom is literally falling out of the owner occupied housing market. Activities were already concentrated in the up-market sectors during the recovery in the mid 1980s, whilst the number of transactions in the cheapest market segments were already declining (Kersloot en Dieleman, 1988). This decline has now extended to the middle house price ranges as recently demand only increased for flats, not houses, priced above 200.000 guilders (about 60.000 pounds). Flats are mainly found in the larger urban areas and probably serve the higher income or double earning professionals at the more attractive urban locations (c.f. Cortie, Musterd and Westerterp, 1986; Cortie, Kruijt and Musterd, 1989; Jobse and Musterd, 1989).

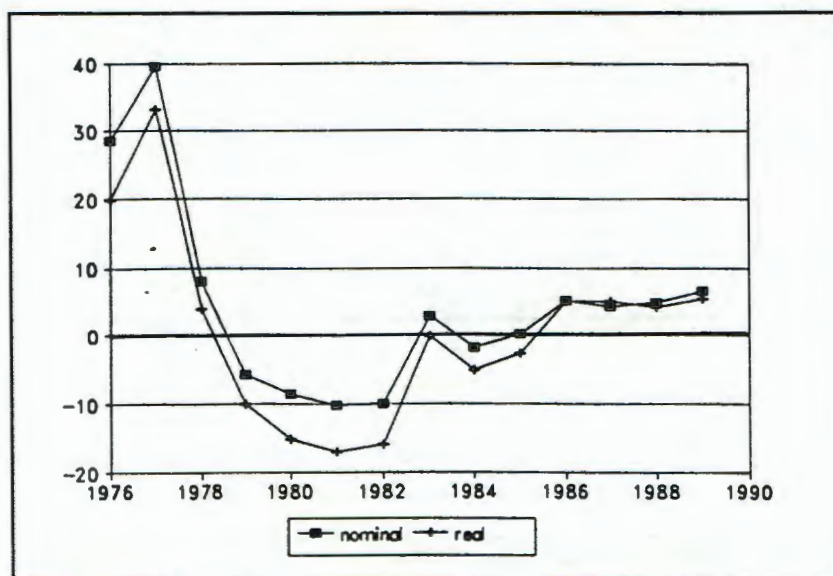
High interest rates are generally blamed for causing the current housing market recession. Real interest rates have remained high throughout the 1980s (see figure 4.4), and went up to 8% in 1990, a new postwar record. Expectations are that interest rates will come down again soon and housing markets will recover. Conijn and de Vries (1989) studied the influence of a number of factors on private sector housebuilding. Their research showed that private housebuilding was most sensitive to interest rate fluctuation (figure 4.5). Change in wage-earnings and building costs were also significant, but their effect was delayed by one year. The effect of interest rate changes, on the other hand, is quite direct. Does this imply that mortgages fund the major part of the purchase of housing? And does this, in turn, imply that most new houses are sold to first time buyers?

FIGURE 4.2: Completions of owner occupied housing in the Netherlands, 1960-1989



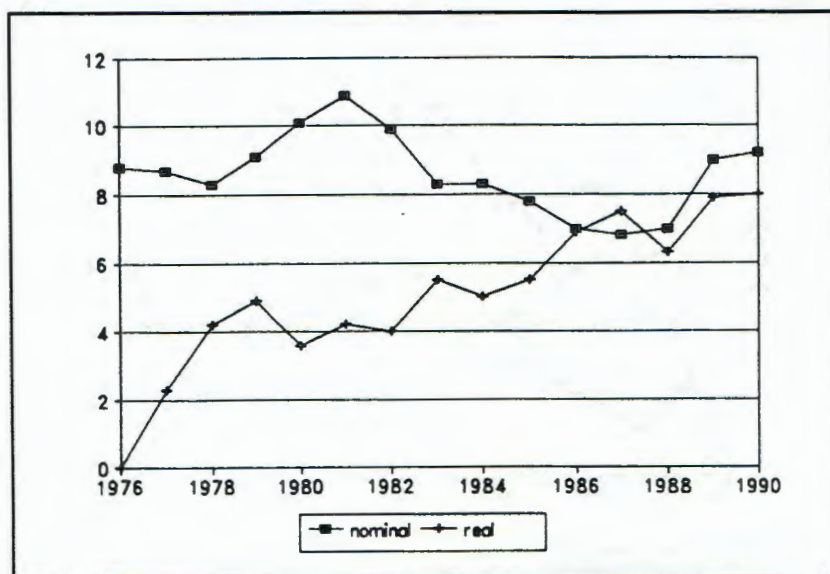
source: CBS

FIGURE 4.3: Annual house price changes in the Netherlands, 1976 - 1989



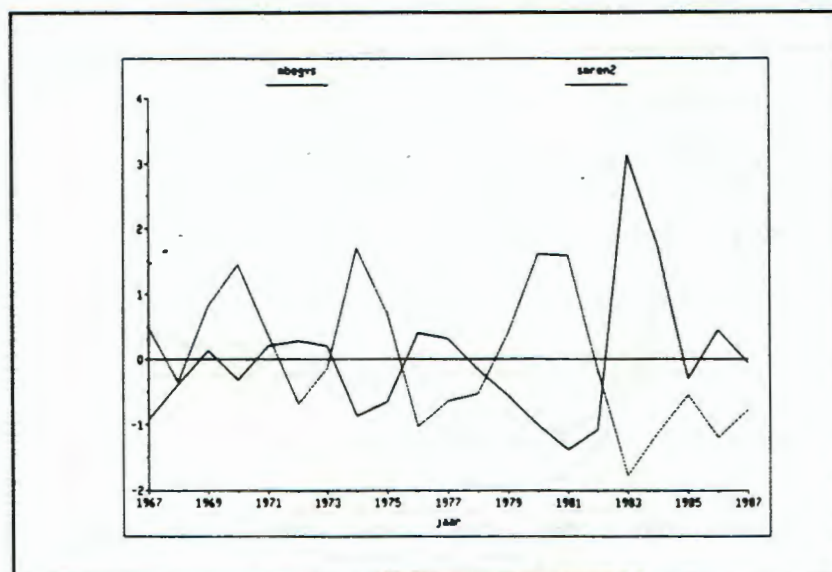
Source: NVM

FIGURE 4.4: Interest rates of mortgage loans in the Netherlands, 1976 to 1990



Source: CBS

FIGURE 4.5: Annual change of private sector building starts and moving two year average of mortgage interest rates, 1976 - 1987



Source: Conijn with de Vries, 1989

One indication for the renewed orientation towards first time buyers in the Dutch private housebuilding market has been the steady decline in size (as measured by cubic metres) of owner occupied dwellings built after 1980; up to 1985 the decline was particularly dramatic for the up-market private sector. Building costs per cubic metre also fell between 1980 and 1985 and have remained much below the level of the late 1970s (Conijn met de Vries, 1989). All market segments of new housebuilding have, as a result, become more affordable for first time buyers. Prices of luxury housing in particular have come down quite a lot, whilst the premium subsidized sector have become most price efficient when building costs are measured by per cubic metre (*ibid*). For private housing sector housebuilding to become as cost efficient as social housing indicates the highly competitive pressures under which it operates to remain affordable for its captive market.

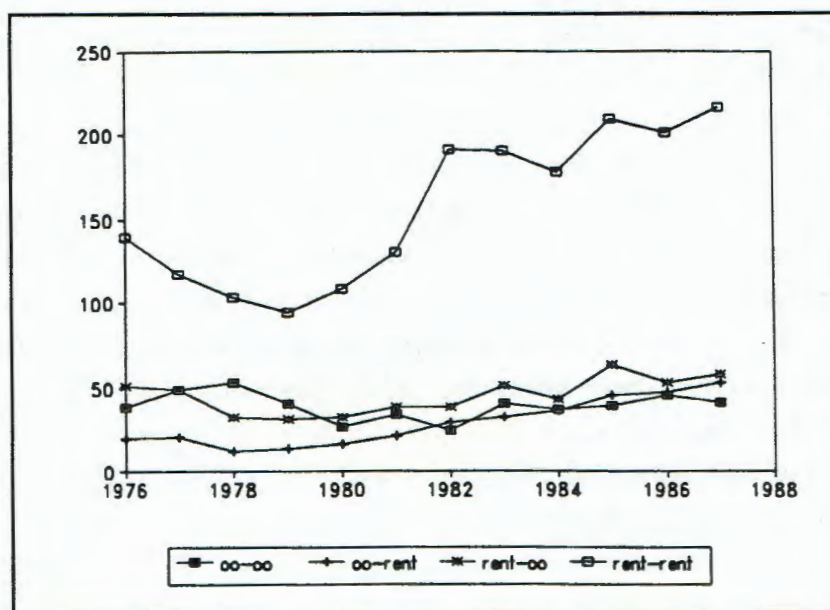
4.5.2. How mobile are Dutch home owners?

Only a low percentage of those who buy new housing were owner occupiers before. In 1983 this percentage was only 13% and it increased to 23% in 1986, the year housing transactions expanded by 20% (Willems-Schreuder 1987). Commentators noted that the rise in housebuilding activities (see figure 4.2) was not matched by a further growth in overall market transactions (Bakker, 1989). The number of sales of existing housing remained more or less stable in 1987/8 and it fell again by 12% in 1989. The vast majority of buyers of premium subsidized housing bought for the first time (varying from about 80%-90%). More surprising was the high share of first time buyers, around 55%, in the more up-market sector for private new housing during the second half of the 1980s. This is a much higher percentage than during the years of recession (DGVH, 1989).

Another indication for the reduced significance of mobility of existing homeowners in the Dutch market today follows from information which combines the previous and current tenure of recently moved households (figure 4.6). These data confirm that trading within the owner occupied housing market was significant during the housing market boom of the late 1970s and that a depressed market had a negative effect on market activities of existing owners. From the mid 1980s onwards, more homeowners have been selling, but over half of them move into rental housing! So, growth of the owner occupied housing tenure is only very slow. About 44% of the Dutch housing stock is owned by its occupants in 1990, altogether a growth of only 2% during the 1980s. Rather a contrast to Britain, where the owner

occupied housing stock increased by nearly 10% during the same period. Even though a little less than half of this increase resulted from council house sales. Apart from differing market and policy conditions, an important factor in peoples decision to move and their choice of tenure is the alternative that rental sectors can offer to households; in the Netherlands rental housing is, after all, still 54% of the housing stock. But, not only households have a choice of tenure. Also providers of housing can built housing in different tenures and segments of the market. Before discussing the issue of 'tenure mobility' for housebuilding promoters more needs to be said about the effects of market fluctuations on forms of housing provision in owner occupation.

FIGURE 4.6: Number of households moving within and between tenures in the Netherlands, 1976-1987

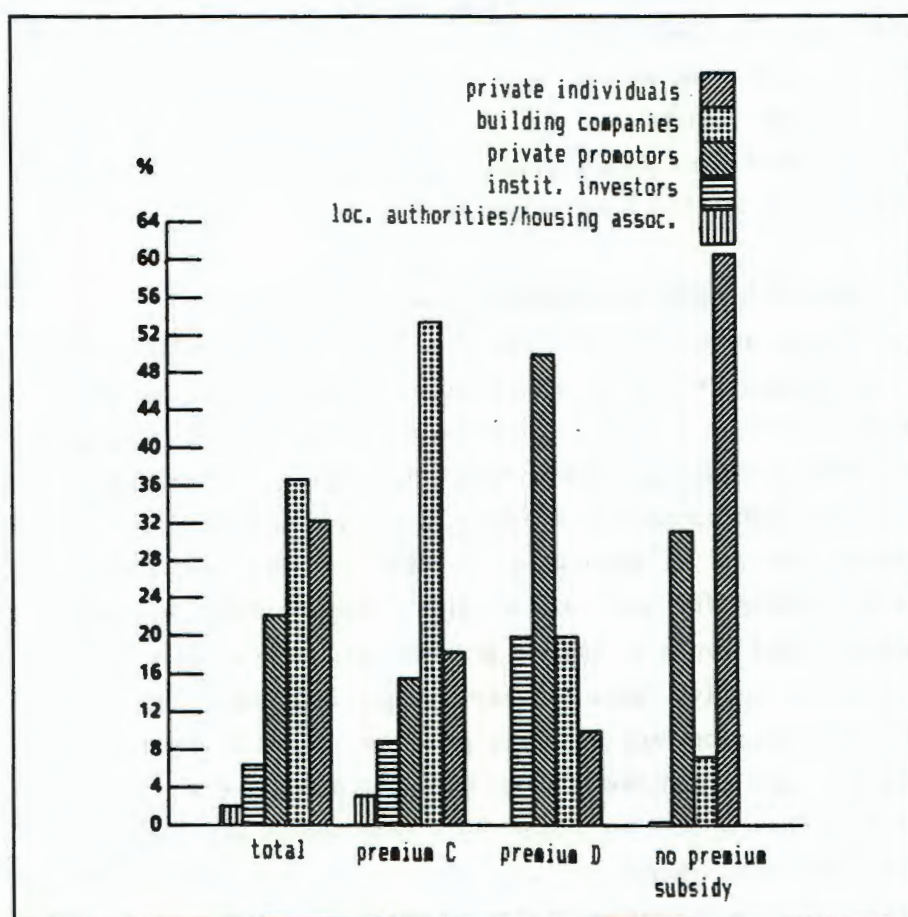


4.5.3 Provision form and market share

Statistics distinguish 'private individuals' and 'builders for the market' as the two main providers of private owner occupied housing (these data include premium C and D regimes but (unfortunately) not subsidized private housing. The category 'builders for the market' has in one study been divided in projectontwikkelaar (private promoter) and building companies (De Rooy en Elbers, 1988). The difference probably refers to their main

activities: building companies (in the Netherlands these are generally contractors), who are also active in speculative developments, and private promoters, who may well belong to building companies, but focus activities entirely on organising and funding the development process.

FIGURE 4.7 Estimated market share of promoters of private housing in the Netherlands in 1986.



Source: De Rooy and Elbers, 1988

Each of these types of promoter tends to specialise in certain segments of the private housing market (see figure 4.7). Building companies are the main promoters of private housebuilding which are subsidized with a lump-sum of 5000 guilders towards the land costs (premium C). This type of housing is mostly built in small and middle sized towns. Private promoters tend to be more active in providing housing under the 'premium D' regime, which is a subsidy of 20.000 guilders towards the costs of private

housebuilding in the more expensive inner urban areas. Both regimes were designed during the early 1980s recession in the Dutch housing market, but have been kept on since. Private persons are the main clients (about 60%) for private housing built without any subsidy; the share taken by private promoters in 1986 was about 30% (de Rooy and Elbers, 1988). Private persons provided about one third of all private housing completions during the mid 1980s, which is an indication of their more general significance. Market specialisations are, however, not rigid: all types of promoters can provide different kinds of private housing, owner occupied or rental. Also public authorities and housing associations can build private housing. What differs is their specialisation, e.g. their share in each market segment. Only housing promotion by private persons is likely to remain in one segment of the market, the one that is not subsidized.

4.5.4 Shifting housing promotion between tenures

Housing promoters do not only tend to specialise in different forms of housing provision which are associated with subsidy schemes and market segments, but some housing promoters, particularly building companies and institutional investors, can also provide housing under different programmes and associate themselves with different forms of housing provision. Building companies can act as contractors in rental housebuilding and they can promote housing for sale. All building firms of some importance are involved in both forms of housing provision and switch activities relatively easy between the two when demand changes in either of these markets. Institutional investors are the main providers of rental housing which is subsidized under a premium regime. They also play a major role in housing finance of several SHP associated with both rental and owner occupied housing (see also chapter 6) and occasionally buy housing properties developed by other promoters. In the way of buying, rather than promoting directly, institutional investors had an important role in the provision of owner occupied housing during the early 1980s recession. They bought large parts of the unsold stock of private developers, particularly those built under the premium A and B regimes. With additional subsidies these were converted into premium subsidized rental housing, a regime especially designed for these institutional investors during the early postwar years. Institutional investors bought some of the premium C and D subsidized housing in the mid 1980s for similar reasons: as a buffer they protected private housing promoters from the risks of speculative promotion (Conijn

en Papa, 1988). Not only institutional investors, but also housing associations had bought housing from speculative developers for prices which allowed them to let these units at the level of social housing rents (Zwietering, 1990).

Not only the flexibility of some of the institutions associated with Dutch housing provision, but also of the subsidy regimes have allowed for relatively smooth changes in housebuilding programmes and a certain continuity in housebuilding during difficult stages of housing market cycles. One indication for the flexibility of housing policies in times of crisis is the conversion of some subsidy regimes into more heavily subsidized ones, for instance from the premium B to the premium A scheme, or from premium A or B to social rental sectors. Chapter 3 has mentioned this already. In fact, the government has recently been planning to bring more similarity to the finance and subsidy systems between all these schemes. This is part of policies aiming to decentralise decision making on housing investments to local authorities, who need instruments to adjust local building programmes to changes in local market conditions. At a national level, there remains an important role for housebuilding in the counter-cyclical guiding of the Dutch economy. Despite statements claiming a different position, this confirms a policy commitment to maintain a certain level of housebuilding. As already mentioned, the latest measure is to decrease the programmes for housebuilding subsidized under the premium A regime and to raise those for social housing.

The conversion of one subsidy regime to another may imply a change of tenure, but not necessarily, it also may imply shifting housebuilding from one SHP to another. Some institutions or agencies are associated with one particular form of housing provision, but others are not. Shifts in housebuilding programmes do therefore not affect all the participants in a similar way. The 'building companies', mentioned above, profit most from policies which aim for a continuity in overall levels of housebuilding. As contracting is their main business, they can fairly easy change from speculative housing promotion to building for clients who opt for long term investments, or vice versa. Speculative developers or 'private promoters' are less flexible and tend to disappear and re-appear with the blowing of the wind on the market. As mentioned above, speculative developers have returned during the second half of the 1980s and are still doing quite well in the luxury housing market at the more attractive urban locations. Housing promotion by private persons has increased steadily during 1980s. It is not

likely to be affected by changes in government subsidy programmes or by changes in the housing market: it was less influenced by recession in the housing market of the early 1980s than other forms of private housing provision. Its overall significance in private housebuilding is, however, limited at about 15 % of all housing completions.

The traditional division of the Dutch housing finance market is between rental and owner occupied housing: institutional investors and, until recently, the state invest in rental housing and banks, including mortgage banks, offer loans to individual homeowners. Institutional investors still dominate the finance of rental housing, but have also diversified into owner occupied housing finance, both directly and indirectly via loans to mortgage banks and other banks (see also chapter 6). Deregulation of financial markets has also hit the Netherlands. Through mergers between banks and between banks and insurance companies (which are, next to pension funds the main institutional investors) Dutch financial institutions are trying to make a presence at European level. As interests of financial institutions are increasingly interwoven, hardly any tenure bias can be expected from them. If there would be any, the bias is more likely to swing in the direction of rental housing because of the powerful position institutional investors already have in this market.

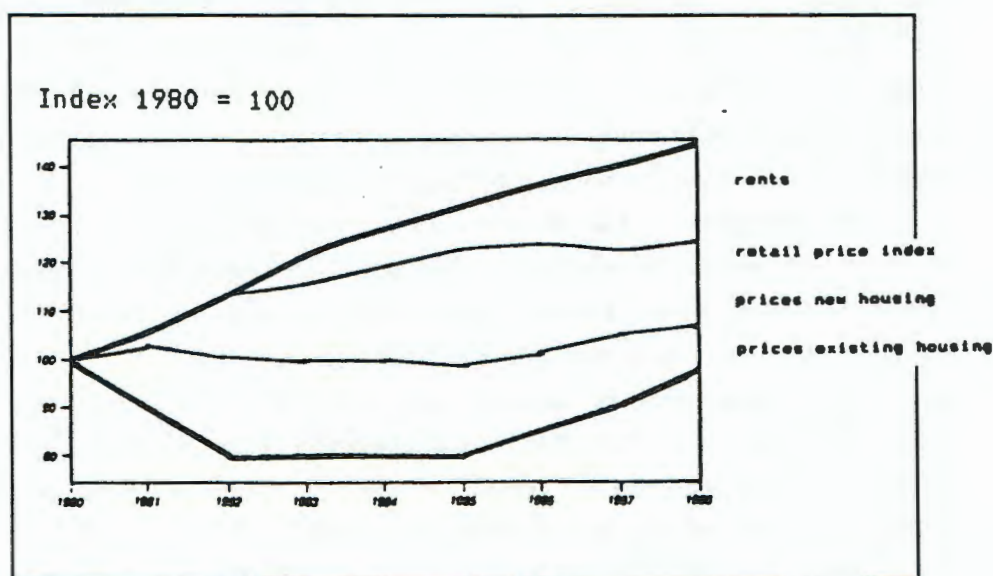
4.5.5 Towards an interdependent housing market?

Is the Dutch owner occupied housing market at the beginnings of a new crisis, or should policy makers just accept that the tenure has reached a balance and is not going to increase significantly? The latest housing policy document aims to increase the share of home ownership from the current 44% to between 50 and 55% of the housing stock (MVROM, 1989). The 1980s have proven that growth of the owner occupied tenure is inhibited by the sensitivity of owner occupied housebuilding to changes in the economy and in interest rates in particular. The costs of borrowing largely determine the costs of buying a house, whilst down-payments earned via savings in bank accounts, via housing sales or inheritance are of limited significance: the majority of housing sales by far is to first time buyers and the tenure is not sufficiently mature for inheritance to play a significant role.

In addition, there is little growth of the tenure through sales of existing housing. In fact, major discounts are required to make such sales competitive with the relatively cheap newly built housing. Neither social nor private landlords are very inclined to sell to tenants, except on 'difficult to

let' estates. Renting has become an attractive investment again, as rents have increased by nearly 45% since 1980, about 20% in real terms. House prices, on the other hand remained stable (see figure 4.8).

FIGURE 4.8 Price index of rents, prices existing housing and retail prices, 1980-1988



source: NVM and CBS

Rental housing has not only become more interesting to investors, but also - and despite the high rent levels - to households. Housing demand surveys indicate that about 60% of those looking for housing prefer to buy, but at the same time, at least half of the home-owners who are selling opt for a house they can rent (see figure 4.6 above). Particularly older owner occupiers often dislike the responsibility of owning and maintaining a house and trade down to smaller rental housing, which are often apartments. High rent levels do, however, make buying a house a better proposition for younger middle income households who can fully benefit from interest tax relief. A situation which sustains owner occupied housebuilding as a market for first time buyers.

Existing home owners have remained fairly immobile, partially because house price inflation remained modest in the second half of the 1980s. The main reasons for moving would have been related to factors external to housing provision, like job or housing career motives. Household

moves induced by the wealth effect in a manner similar to the late 1970s (see chapter 3) did not occur. Mobility of existing homeowners remained stable at about 6% of all home owners. There was only a temporary increase in demand by existing home-owners resulting from the paralysis caused by the early 1980s recession in the housing market. Nominal house prices had, by then, still not reached the level of the late 1970s, but, say 10 years later, a sufficient part of mortgages would have been repaid so households are less likely to still be in debt after selling. Increased mobility of existing homeowners during the recovery of the Dutch housing market was therefore largely the result of catching up on a delay in household moves which follow developments 'external' to housing provision mentioned before.

For a number of reasons in its the current state the Dutch owner occupied housing market can be characterised as an interdependent market. This is a market where housing careers of households involve different tenures and where rental and owner occupied markets compete with each other for a similar type of demand. Rents, therefore, are influenced by house prices and vice versa. The interdependence of developments in the different market segments of rental and owner occupied housing in the Netherlands is determined by a number of factors:

i) market segments compete with each other for similar types of demand. The costs of social or private (premium subsidized) rental housing are similar to the housing provided under the various premium regimes for individual home owners. The preference of households for one SHP or another depends on factors like the phase of the housing market cycle (buying does not always seem a good investment when house prices are falling), the job/income security of the households (eligibility for a mortgage loan and tax deductions), the phase in their life cycle and the type of housing they want (for instance one family housing is more likely to be found in the owner occupied sector), etcetera. Household preferences vary over time, that is during people's life and with changes in economic cycles. Not all types of housing demand can be met by all SHP in either tenure. Lower income households will have to rely on low cost rental housing and luxury housing will most probably belong to its occupants. But a wide middle range of households will relatively easily adjust housing need and consider a number of cost and quality options on offer. Different FHP, therefore, compete with each other for similar types of demand, and because demand is largely determined by purchasing power (savings and inheritance being of limited

significance), this competition also influences the cost/quality balance of each of the forms of housing provision.

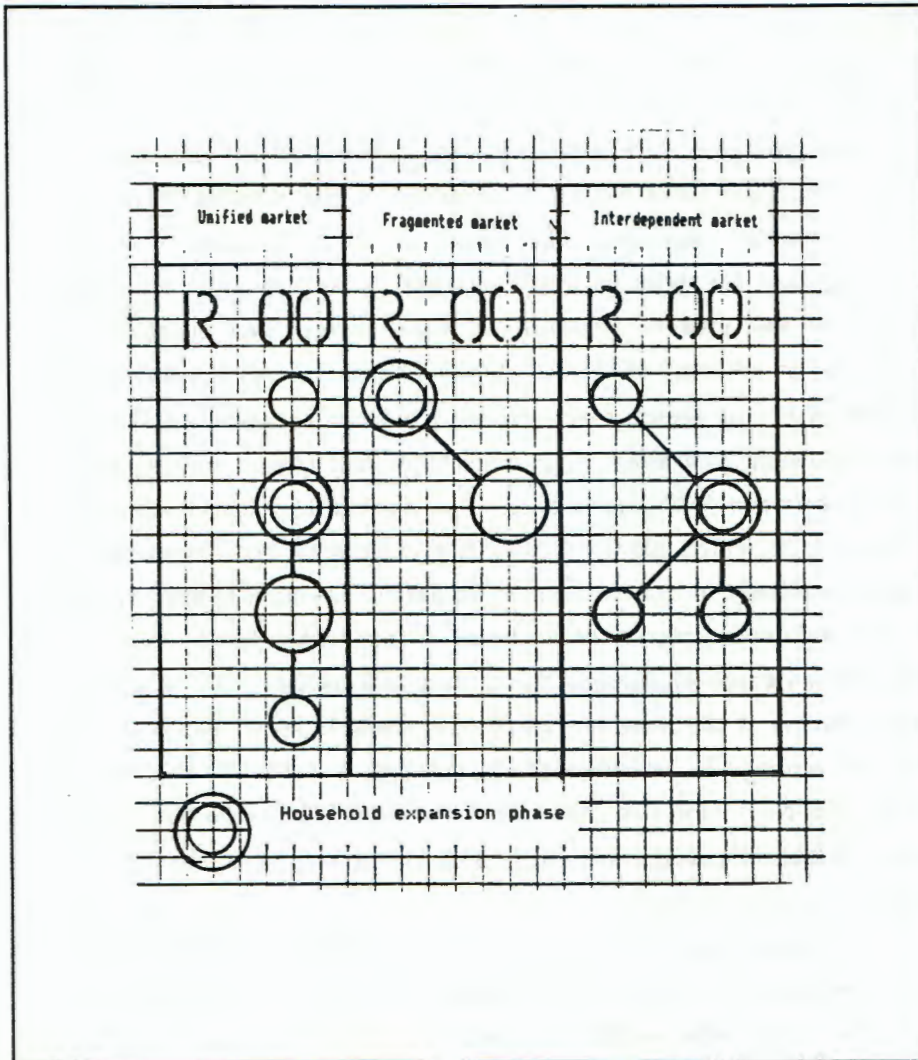
ii) Market segments are not tied to a specific form of housing provision, but specialisations have been developed between FHP and market segments: building firms are the main promoters of housing under the premium A and C regimes; private promoters specialise in providing premium D or not subsidized housing, mainly on attractive urban locations; and housebuilding commissioned for own use takes place in the not-subsidized segment of the market. Of the participating institutions, building firms have the best opportunity to switch from owner occupied housing promotion to contracting building work in social or private sectors. Institutional investors specialise in the promotion of private rental housing, but they also buy the unsold stock of building companies or private promoters and developed a major position in housing finance. It appears that both the building firms and the institutional investors have developed the most powerful position in the Dutch housing system. Building firms easily move between tenures and subsidy systems, between contracting and housing promotion, whereas institutional investors take on a role as both housing promoters and financiers of housing. They do not only develop housing for their own investments but also fund housing association's building programmes and lend, although on a limited scale, to homeowners. But, as housing is their main business, it is the building firms in particular which maintain a strong lobby for a continuity in housebuilding levels and flexible housebuilding programmes.

iii) the state's equal tenure policy is a final factor in maintaining an interdependent housing market. Its main features have already been mentioned: adjusting building programmes to changes in the housing market cycle by shifting subsidy schemes between market segments and tenures; and developing a system which allows an easier exchange between subsidy schemes associated with various FHP and with the improvement of existing housing. Dutch housing policies always end up being caught between commitments to reduce public spending via the promotion of private housebuilding and pressures to maintain certain levels of housing investments. In fact, the tenorial flexibility of subsidy schemes is designed to solve this contradiction.

4.6 Household mobility and types of housing markets

It is not possible in the context of this thesis to present a similar detailed study of household mobility in owner occupied markets of other countries. Instead, the main features of the various types of housing markets and associated housing careers will be summarised along the diagram presented in figure 4.9. As no data is presented here to support the argument, this section should be read as a series of hypotheses. The diagram characterises features of different national housing markets in the 1980s. A unified housing market would be represented by Britain, a fragmented one by West Germany and an interdependent housing market has emerged in the Netherlands. The diagram indicates the typical housing careers of home owners.

FIGURE 4.9: Diagram of a typical housing career in various types of housing market



The housing career typical for West German home owners is most simple. Households live in rental housing until sufficient money has been saved to buy a house. As this takes quite a while, savings contracts with Bausparkassen take 7 to 10 years (see chapters 5 and 6), children have already been born and the households expanded. After moving into their own house, households are not likely to sell again. This situation is

characteristic for fragmented housing markets or markets where regions or market segments are not linked through exchange processes. Unified housing markets provide a sharp contrast, as existing home owners move frequently (probably even more than has been indicated in the diagram). Britain is a good example of such a market: mobility of home owners is higher than would be expected from normal housing career cycles. In unified markets rising house prices induce extra housing demand by existing home owners who use housing related wealth to trade up in the housing market and for general consumer spending. The stock of rental housing is limited and mainly available for those with low incomes. A lack of choice of tenure may well add to the upward pressure on house prices and contribute to the relative rate of mobility of existing home owners. Interdependent markets, as is illustrated by the Dutch case, rely on a balance between rental and owner occupied housing and allow both households and (some) housing promoters to switch between SHP and tenures. For households, tenure choice will in part depend on which phase of their life cycle they are. Young people, for instance are, likely to rent an apartment before buying a house, whilst others may buy a house directly; older home owners who decide to move have statistically an equal preference for renting and owning. The situation of the housing market at the time the decision is made to move also influences the choice of tenure. In interdependent markets households will be able to compare the costs and risks associated with buying or renting. These costs compare differently at the various phases of market cycles, levels of interest rates or house price inflation.

One conclusion of this chapter is that household mobility is important in the definition of types of housing markets: in fragmented markets mobility is below what would be expected from an 'average' housing career situation of 'average' households, whilst the opposite is true for unified markets. In both cases is the rate of household mobility related to the nature of the housing market. This restricts possibilities to change household moves by political means. The nature of housing markets may, however, be under other pressures to change.

4.7. Crises and the changing nature of housing markets

The Dutch owner occupied housing market changed during the 1980s from a unified to an interdependent market. A unified housing market could simply not be sustained because house prices remained in line with inflation when the market recovered from recession. Sales and purchases by existing

home owners were too limited to link the various segments of the housing market. An obvious question is whether similar developments can be expected in Britain, now house prices are falling. Predictions are, as always, difficult to make. Whether the nature of the British housing market will change will depend, for instance, on the depth and the duration of the current housing market recession and on the rate of house price inflation during the next market boom. In the long run unified housing markets can only be sustained by house price inflation. When prices remain stagnant the nature of the housing market is likely to change. But in Britain other factors are involved which might prevent the owner occupied market from changing. These factors are housing wealth and tenure choice, or rather the lack of choice.

The wealth tied up into the housing market, defined by house prices net of mortgage loans, is very high in Britain. This is the result of a prolonged periods of substantial house price inflation and a fairly mature owner occupied market: both contribute to a reduction of housing related debt compared to house prices. Spencer (1990) has calculated the unused equity in the housing market at 740 billion pounds. Most of this was built up during the 1980s. He also observed that falling house prices and insecure employment prospects in the last year have not stopped the process of equity withdrawal from the housing market. Stagnating house prices are therefore not likely to prevent home owners from using their equity as a collateral for consumer spending or for trading up in the housing market. A reduction of interest rates, which has been predicted for Britain now this country has joined the European exchange rate mechanism, may be a support to a soon recovery from the current housing market recession as access will become better affordable for first time buyers. This may prevent a further major fall in house prices. But for the time being, stagnant house prices may not have a great impact on the behaviour of existing home owners, except perhaps on those who have bought their homes recently. But this will also depend on the general rate of inflation.

So, a relatively high rate of mobility induced by housing wealth is likely to remain in Britain, at least for a while. This use of housing related wealth makes the British owner occupied market quite unique compared to those in other European countries. Much of this wealth has been created by house price inflation and this inflation is needed to sustain housing wealth (here we will not discuss whether such inflationary pressures on house prices are likely to be maintained in the long run). House price inflation has been

substantial elsewhere too (see chapter 3), but the resulting equity has not been withdrawn from and recycled into the housing market in a similar manner. The distribution of housing wealth in different types of housing markets will briefly be discussed in the concluding chapter 7.

A development towards an interdependent market, as occurred in the Netherlands, is not very likely to happen in Britain; at least not in the near future and probably not without policy decisions which consciously guide this development. Not only is the wealth tied up to the British housing market much more substantial, the predominantly mono-tenurial housing system in Britain is also a major impediment in this direction. Households lack a choice of tenure and there is also little competition between structures of housing provision for similar types of demand. This situation contributes to a sharpening of fluctuations in housing market cycles, more so than in the Netherlands. Two other factors contribute to a higher volatility of the British housing market: firstly, the absence of counter-cyclical housing policies and secondly, the dependence of much of housebuilding activities on chains of purchases and sales by existing home owners (Ball, 1983). But the housing wealth which has become tied up to British housing during the 1980s may, at least temporarily, temper some of the extremes in market volatility and prevent the market entering a deep recession: because of the relatively wide margin which has developed between house prices and housing related debt. Stagnating house prices will not have a great impact on this margin. Only when house prices fall substantially it will erode most of the accumulated housing wealth. What remains are the savings resulting from the repayment of mortgage loans.

4.8. Encouraging household mobility: some housing policy implications

Many national housing policies aim to promote individual home ownership as the tenure for the majority of the population. In countries with relatively low rates of home ownership this can only be realised through encouraging households to move into the tenure or by making it attractive for sitting tenants to buy their homes. Households cannot be forced into moving or buying their home. Housing policies can at best facilitate mobility through the manipulation of housing supply via housebuilding subsidies, tax incentives, discounts on sales of existing housing, and by keeping the costs of buying low. Influencing housing demand is more difficult as many of the factors influencing housing demand develop beyond the sphere of housing provision and housing policies. Demographic change and economic

developments have extensively been discussed in this context. A third - external- factor which could influence housing demand could be added here: cultural attitudes have an influence on for instance preference for an urban, suburban or rural residential environments, or influence the rate of household formation or dissolution.

As the rate of mobility also depends on the nature of the various types of housing markets, policies which aim to influence household's moves need to take account of the fact that mobility rates can only change when the nature of housing markets transforms too, as well as the provision structures associated with these markets. Promoting a substantial growth of owner occupied housing sectors, is at the centre of housing policy in most countries. Pursuing these policy aims may result in a change in the nature of national housing markets with unwanted side effects. Housing markets depending on a high rate of mobility are rather volatile. For example, the development to a unified market in the Netherlands in the late 1970s contributed to the subsequent collapse of private owner occupied market which was unparalleled in the other countries we studied. Blindly following policies to promote owner occupation as the main sector to deal with housing needs may also lead to policy aims which are continuously diverging from the developments that are actually taking place. The Netherlands is again a good example (for a discussion of this see also Harloe and Martens, 1985).

Both fragmented and interdependent markets require, for different reasons, significant rental sectors. Before policies on narrowly based concept such as promoting the growth of the owner occupied tenure are adapted with references to the apparent success of larger owner occupied housing sectors elsewhere, it might be worthwhile to study the complexity of a nation's current structures of provision, and what the implications might be when these are transformed into a system where the owner occupied tenure dominates a country's housing market.