

CHAPTER 7

WHAT FUTURE FOR HOME OWNERSHIP?

This chapter discusses some of the consumer aspects of home ownership. At the end it summarises briefly criteria of home ownership which might be important to the owner occupier: control or security of tenure; costs and availability of housing; and the extent to which the fortunes of home ownership depend on factors beyond structures of housing provision. Before, I mention some aspects contributing to the differing social origins (and maybe social meaning) of home ownership in continental Europe and in the Anglo-saxon countries. The issue of 'control' is also of significance here. This is followed by a discussion of the implications of various forms of housing access in different types of housing market for expanding owner occupation.

7.1 Against progress?

The social origins of modern home ownership in continental Europe are generally connected with the tradition of rural self building. In the Anglo-saxon countries home ownership developed more in the tradition of thrift and co-operation by the middle classes and the regularly employed working class households. It usually involved the collective savings schemes, which helped to develop the thrifts in the USA and the British building societies into major housing finance institutions (see chapter 6). The promotion of individual home ownership is also linked to a 20th century response to unhealthy urban living under industrialisation and the chaotic development of cities in the 18th and 19th centuries. Thus were the garden city movement, and later the creation of suburbia, an expression of "a complex and compelling vision of the modern family freed from the corruption of the city, restored to harmony with nature, endowed with wealth and independence, yet protected by a close-knit, stable community" (Fishman, 1987, x). In his study of suburbanisation, Fishman argues that there is a difference between the urbanisation patterns of countries in continental Europe and in Anglo-saxon countries. This difference may help to explain some of the diverging meanings now given to individual home ownership in these countries. Middle-class suburbanisation characterised the growth of English and American cities already in the last century. With this development the example of the bourgeois elite of late eighteenth century

was followed. The creation of suburbia forced upon households a split between work, which was located in the city centre and the suburban residence. Unrestricted by space or business requirements these suburbs gave shape to the dreams, the vision of the middle class home which is deeply embedded in the structure of the Anglo-american cities.

In continental Europe the bourgeoisie set a very different example to ideal living: with the middle classes they kept their residence in apartment houses along the grand boulevards in the central city and transported its workers and industries to the urban surroundings instead. The workers were housed in large high density apartment blocks or the 'Mietkasernen' (rent-garrisons), as the Germans called them. Because of the appalling living conditions of the workers in the cities, the garden city movement had also a great influence on the continent. But the 'suburban utopia' on the continent became identified with housing for the, generally very conservative, elite of the working class and much less with middle class or bourgeois housing. Not the new urban bourgeoisie stood as the example for the working class utopia, but romantic notions of rural living and the feudal aristocratic elite.¹⁷

So, the development of owner occupied housing provision was initially associated with social movements which reacted to the progress associated with the modern industrialising city. The 'embourgeoisement' of the middle classes in anglo-saxon countries is generally not only associated with anti urban sentiments but also with a growth of individual home ownership. The growth of individual home ownership however, required a wider access to the tenure and therefore the emergence of modern and sophisticated institutions such as mortgages lenders. These savings and loans associations, building societies or other thrift institutions are connected with the development of the post-industrial city. The financial institutions which supported urban growth under industrialisation in Europe instead aimed at funding large infrastructural works and large scale rental housing developments. These issues have been extensively dealt with in chapters 5 and 6.

¹⁷ The urban bourgeoisie has also been an example for the modern concept of working class housing which strongly opposed the rural-traditionist view. The Viennese working class estates of the 1920s and 1930s (as for instance, Karl Marx Hof) resembled the palaces of the bourgeoisie. Similarly, housing designed by Architects of the famous 'Amsterdam School' at the beginning of this century aimed to raise working class self confidence by giving them grand estates to live in, even though the apartments, as in Vienna, were extremely small. The modern movement developed urban working class living into a new, progressive form in its own right. Particularly in Germany there were fierce polemics between the very modernist influential adepts of urban living and 'flat roofs' and the anti-urban traditionalist 'pitched roof' adherents of the garden city movement.

7.2 Property and control

Housing tenure, as has been pointed out by many, is a social construct of this century with different connotations in different societies. Principally, tenure only refers to the legal relation between the occupancy and ownership of housing. Forrest et al (1990) point out that now in common usage property means 'things' possessed by individuals, whereas the historic meaning of property relates to rights instead. Forrest et al connect this changed definition of property with the development of the market economy and 'commodity fetishism' of capitalism (p81). The transformation of the concept of property rights to property ownership may help to understand the narrow adoption of the concept of tenure which is common in housing research. This association of home ownership emphasises or fetishises housing property and mystifies social relations into things individuals can possess (or not possess, in the case of renting). The limitations of this consumption oriented view on housing tenure have extensively been criticized (cf Ball, 1986, Sullivan, 1989).

The transformation of the concept of property from 'rights' to 'things' under capitalism implies that this transformation is the result of changed social relations. So, to suggest that home ownership is part of a natural desire of people then wrongly links an ontological need for security and control to ontological possessives of, in this case, housing (Saunders, 1984; 1990); it signals a lack of awareness of the historical meaning of property ownership.

When reclaiming the original of property ownership, which defines the right of use, the central issue is not property ownership but 'control' over one's use of the home. Whether home ownership gives more control than renting depends on the specific social relations associated with these tenures in a particular society at a certain point of time. The rights of most tenants are fairly secure in countries like France, Germany or the Netherlands through legal provisions (Harloe, 1985), whereas there have been times when home ownership contributed to the displacement of large numbers of households. It has, for instance, been estimated that there were 1,6 to 1,7 million foreclosures in the USA in the period between 1926 and 1937. There would have been over a million more cases, if these had not been saved from foreclosure by the Home Owners Loan Corporation (Aranovici, 1939). The example underlines that control had little to with whether the occupants own their home, but with the rights of mortgage lending institutions to a regular repayment of the loans they issued. The

example further illustrates that, also from the perspective of housing consumption, home ownership is more than the tenure defined in terms of property rights.

7.3 Access and the growth of home ownership

The expansion of home ownership is not only associated with structures of housing provision, but also with the process by which access to the tenure is realised (Topalov, 1981; Sullivan, 1987; 1989).¹⁸ The development of mortgaged forms of housing purchase and the associated growth of home lending institutions with its specialized housing finance circuits and mortgage instruments is one of the main factors in the process of enabling housing access (see chapter 6). But, depending on the type of housing market and associated provision structures we are talking about, access to home ownership can also be facilitated by factors like inheritance, housing subsidies, tax relief or the formation and realisation of housing wealth.

The prominence given to tenure in the recent debate on the significance of social stratification in housing consumption in Britain relates to the postwar growth of owner occupied housing. This growth has been exceptionally fast in Britain, whereas in most other advanced capitalist countries the size of the owner occupied housing stock increased much slower (Martens, 1985; Harris and Hamnett, 1987). Whilst taking an unusual position in the advancement of home ownership, interpretations of the British developments have been at the centre of the theoretical issues surrounding the housing debate. Issues raised here include whether home ownership is a tenure to which households naturally aspire, or which are the social and political implications of a wider access to the tenure. The growth of home ownership has in Britain increasingly been associated with a residual role for renting, that is as the tenure for those who cannot afford to buy. Because of the public-private sector divide in the tenure composition of British housing, this has led some to associate this development with an emerging social divide based in consumption sector locations between the public and the private sector, between ownership and non-ownership of

¹⁸ The emphasise here is on the process of housing access in relation to structures of housing provision. This approach is very different from most housing studies which look at housing tenure and social stratification by focusing on which are, or could be, the key determinants of access to home ownership. See Sullivan 1989, for a discussion of this.

housing (Dunleavy, 1986; Saunders, 1984). Others have challenged the notion of consumption sector cleavages. They do not assume a direct mediation between tenure and social class or sector and suggest that much more complex and differentiated processes are at work (Preteceille, 1986; see Forrest et al., 1990 for a discussion of this). But, also here tenure classifications only refer to unifying concept of formal ownership rights attached to housing occupied by the household (Martens, 1988).

An alternative approach is presented by Sullivan (1989) when she suggests that "(w)hat we should be attempting is not to point to the differences that exist between owner occupiers and council tenants and trying to explain them in a theoretically inductive way, but rather to investigate the process whereby housing and other consumption sector locations are generated. (..) An approach centred on housing access, or on the reproduction of housing locations, can provide a link between the social agents involved in housing provision and the housing consumer at one level, and enable the factors initially structuring housing locations to be brought more clearly into focus" (p195/6). I would like to extend this approach of disseminating the process of access to owner occupied housing to include structures of housing provision. For instance, to include the types of housing market and associated forms of housing provision in the analysis of the process of housing access, is important in assessing why certain types of households are attracted to buying rather than renting, whilst others are excluded from home ownership.

The only extensive study I know of how access to home ownership has been obtained is presented by Topalov (1981). In his survey of households who became an owner occupier in the period between 1950 and 1978, he distinguishes different layers of access. The first layer relates to the question how households become a home owner. Three forms of access are distinguished: inheritance, outright purchase and buying with a mortgage loan. As credit has become increasingly significant in the purchase of a house, a second layer refers to the evolution of the system of housing finance and discusses the lending conditions and the variety of subsidy schemes which influence the cost of these loans and the type of housing that can be bought with them. The third layer refers to forms of housing provision and the way the dwellings get to their owners. The main distinction made here is between building for sale and for own use (see also chapter 3). As housing finance and forms of housing provision have already been discussed extensively (in respectively the chapters 6 and 3), the focus

in this chapter will be on the first layer: the way access to home ownership is realised.

7.3.1 Forms of access to home ownership

Access to owner occupation largely depends on its funding, with money or otherwise. The qualitative approach developed by Topalov shows different forms of access which take account of differences in life style (modes de vie) and differences in class and social stratification. Only the main features of this approach will be summarised. Reference is made to a survey of those who were a home owner in 1978 and the analysis is related to how they had become to own their home. This concerned 46.6% of French households.

Three main forms of access were distinguished, namely inheritance, outright purchase and purchase with a mortgage loan. On the basis of my cross-national research I will add one form of housing access. This is access realised through the accumulation of housing wealth as discussed in chapter 4. Figure 7.1 presents in a diagram the main forms of housing access combined with the main forms of housing provision. To make things somewhat less complex, structures of housing provision are reduced to forms of housing provision, which in turn are simplified to 'buying from the market', 'building for own use' and 'buying existing dwellings'.

FIGURE 7.1: Diagram of various forms of housing access

Form of access	Forms of housing provision		
	buying from market	building for own use	buying existing housing
inheritance			X
outright purchase			X
mortgage loan	X	x	x
housing wealth	X		x

Of the home owners in Topalov's survey, 19% had inherited their house. The incidence of inter-generational transfers of housing is probably much higher, as those who sold the house they inherited are not included in these statistics. The transfers obviously only involve existing housing. This group of home owners are relatively poor as their incomes are 25% below households' average and are mostly found amongst self employed professionals, particularly also in agriculture. Access through the inheritance of housing has only a meaning in mature housing markets. The incidence of housing inheritance will reflect the social stratification of the home

ownership patterns of, say, two generations earlier (see also Munro, 1988). In France, this may be rural, rather than urban, and connected with the self employed social strata. In Britain the occurrence of housing inheritance may become more frequent in the suburbs built in the interwar years. The inherited property is, however, likely to be shared with others. The one acquiring the property may have to mortgage it to satisfy the other inheritants. And, as Forrest and Murie (1989) pointed out, the family size is largest amongst those living in poorer quality housing. Not only variations in household size, but also in home ownership rates and property values will influence the incidence of housing inheritance amongst social groups. And there may be developments that erode the housing equity transferred by elderly home owners as there may be pressures to mortgage some of their assets for housing repairs or for responding to the requirement of privatized health care (ibid.)

Outright purchase were found with 23,5% of French home owners. Also this group belongs to the poorer households with earnings at 15% below average and where head of households tend to be of older age. Outright purchases are very low amongst recent owners, around 16% of those who bought in the period 1975-78, but this was 31% in the period 1955-63. The outright purchase of housing has become a less significant form of access. This is partially the result of the gradual disappearance of cheap sub-standard existing housing following housing improvements by their owners and processes of gentrification. Gentrification does not only occur in the inner-cities, but also in the villages which attract the retired or those seeking second homes. The significance of the outright purchase of housing may, however, increase again when owner occupied housing markets mature, resulting from the transfer of housing related assets to the next of kin (see above for a discussion of this).

Buying with a mortgage loan has become increasingly significant in all countries we studied. Also in France: 80.5% had bought with a mortgage, whilst in 1978 57.5% still held a mortgage. The far majority of this group bought new housing, as credit conditions favoured this until the reforms in housing finance policies in 1977. Unlike the forms of access discussed earlier, these home owners are more likely to belong to the middle to higher income categories and to the younger households. Their characteristics are largely determined by the credit conditions of the various, often subsidized, loan schemes. Housing credit is now everywhere the most significant way to gain access to home ownership. The details of credit conditions vary a great

deal between countries (this has extensively been discussed in chapters 3 and 6), but they generally favour regularly employed moderate income households and the purchase of the standard types of housing of reasonable quality. To improve access to owner occupied housing a variety of subsidy schemes and tax allowances have been attached to the system of mortgage lending. Many of these favoured a particular form of housing provision. For example, the credit system discriminated against the purchase of existing dwellings until the late seventies in Denmark (lending conditions), West Germany (no depreciation allowance) and France (no subsidized state loans). This obviously favoured the purchase of new housing and hindered mobility of existing home owners. The subsidized contract savings schemes in West Germany and France, which requires long savings periods, slows down the process of access to home ownership and is often associated with 'building for own use'. Recent changes in the mortgage finance system have in all countries we studied improved access to housing loans, and therefore to home ownership, but it has also led to a higher indebtedness of recent house buyers.

The form of housing access added to those introduced by Topalov is housing related wealth. There is a difference with the housing wealth which is transferred through inheritance as in this case wealth is used by relatively recent home owners for their own housing consumption. Housing wealth here is used as (part of) a downpayment for the purchase of a house by an existing home owner who decided to move. This downpayment results from money gains made in sales of previously owned dwellings and is often complemented by a mortgage loan. This form of housing wealth does, however, allow the household to buy a larger or better located house than they would have otherwise, or to reduce their housing debt. This contribution to funding housing access is only meaningful in a unified owner occupied housings market as exists in Britain. A mature housing market is not necessarily required, but a fairly substantial rate of house price inflation is: housing wealth derives from the difference between the market price of a house and the amount that has been mortgaged. Only existing owners can profit as for first time buyers house price inflation only makes access to home ownership less affordable. This type of housing wealth and therefore, this form of housing access is negligible in housing markets which are dominated by purchases by first time buyers.

The nature of housing wealth which is specific for the British housing market has encouraged the view that owning is inherently advantageous

compared to renting: tenants are excluded from making similar money gains. The fragmented or interdependent nature of owner occupied housing markets in continental Europe may help to explain why a similar debate in housing can not be found there.

Growth of the owner occupied tenure is in all housing market types defined by extending access to first time buyers. The far majority of first time buyers needs to take out a mortgage and indications are that house price inflation combined with rising interest rates has raised the income threshold for new entrants to the owner occupied sector during the 1980s. Only with the help of substantial subsidies, such as discounts on council house sales in Britain and premiums on the purchase of new housing in the Netherlands, is home ownership still expanding.

7.3 Criteria for owner occupation

This international study of home ownership has not led me to believe that owner occupation is inherently better than renting and that therefore everybody should get the opportunity to buy their house. Promoting a significant growth of the owner occupied housing tenure could in many countries lead to unwanted effects, which do not necessarily benefit home owners. The rapid growth of the tenure in postwar Britain has been exceptional and has been helped by a particular set of political and social circumstances such as the early collapse of private renting or, more recently, the massive discount on council house sales. Another main conclusion of this study is that convergence theories have not found empirical justification in this cross-national study of home ownership. There are no pre-defined number of stages the tenure has to pass in its growth. Three fundamentally different types of owner occupied housing markets have been identified, all of which emerged in fairly developed housing markets: unified markets in Britain (and probably in urban areas of the USA), interdependent markets in the Netherlands (and maybe in urban France) and fragmented ones in Germany (and maybe in rural France).

In all these countries with their different SHP and owner occupied markets, similar criteria can be disseminated for assessing home ownership, these are:

The first question is whether home ownership provides households with control over their housing situation: is the purchase secure, is the danger on foreclosure virtually eliminated and is the house marketable when they wish

to or have to sell? The answer is that this depends on many conditions, varying from the situation on local or national job markets, economic indicators, or the rate of volatility in housing markets; all of these factors are beyond the control of the individual home owner. The outcomes are difficult to predict. The fortunes of owner occupation, and of the home owners have, however, generally become more dependent on general economic factors and on the fortunes of the institutions attached to its structures of provision. Special reference is made to the deregulation of specialised housing finance institutions. Access to home ownership is now more often financed with a mortgage loan and home owners are facing up to higher debt to income ratios. Housing costs will stay high as, with the exception of Britain, inflation has remained low, whereas real interest rates are higher than ever. The effects of changes in the income situation of a household are under such circumstances immediately felt.

We have argued against the deregulation of financial institutions (Ball, Harloe and Martens, 1984). Increased competition in housing finance markets seems to have contributed to extend affordability of owner occupied housing to lower income households. Housing loans may be more readily available to them. But with the deregulation of financial institutions households have not only been encouraged to buy, but also to take out relatively high loans. This concerns, particularly those at the bottom end of the market and they are in particular at risk of defaulting on their mortgage payments (see also chapter 6).

A greater significance of borrowing in obtaining access to home ownership does not only affect the cost, but also the availability of owner occupied housing: changes in interest rates almost have an immediate effect on the rate of new housebuilding. When the costs of housing finance rise the group of potential buyers reduces. The effects of rising interest rates on housebuilding are most direct in housing markets dominated by first time buyers. But also in unified housing markets are the rate of price inflation of existing housing and the accumulated housing wealth important in determining the cost of access. Market volatility is in all countries we studied are part and parcel of private housing markets. But, as pointed out in chapter 4, the effect of booms and slumps on housebuilding levels and housing costs in an interdependent owner occupied market are less extreme as there is the ability to switch to building rental housing. Commissioned housebuilding, which is significant in fragmented markets, is also less effected by changes in housing market cycles.

Finally, discussion of the previous points has shown that home ownership has become to depend more on general economic developments. This particularly occurred through the de-specialisation of the institutions linked to its housing provision and through the increased indebtedness of recent home owners. With the widening of their lending powers, housing finance institutions depend less on the fortunes of the housing market. Funds are also made more readily available when the housing market expands, which helps to fuel housing investments and pushes up the debt ratios of home owners. More restrictive lending policies are likely to be introduced when the housing market slumps and more profitable investment are sought elsewhere. Stricter lending policies reduces access to home ownership and in turn contributes to a deepening of a market recession.