



# HOUSING WEALTH – A EUROPEAN PERSPECTIVE



John Doling  
College of Social Sciences  
The University of Birmingham  
Birmingham, UK  
[j.f.doling@bham.ac.uk](mailto:j.f.doling@bham.ac.uk)



## HOUSING WEALTH – A EUROPEAN PERSPECTIVE

- Australia leading research
  - a European perspective is hazy
    - 27 member states
    - Non-uniformity of statistical information
    - Uneven research base
    - Tremendous variation
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How much housing wealth is there?

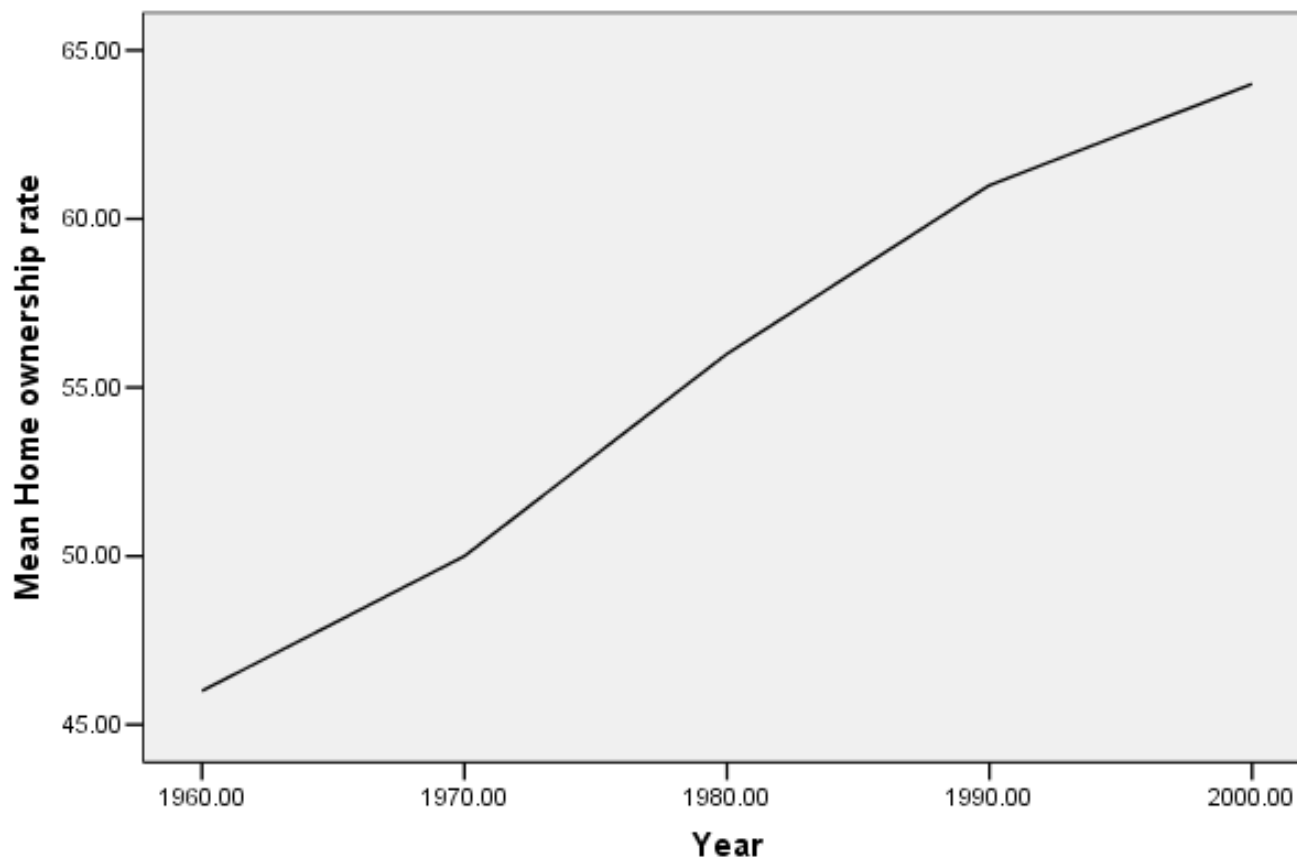
Housing wealth as seen by:

- Households
- Financial institutions
- Governments

Conclusions

# HOUSING WEALTH – A EUROPEAN PERSPECTIVE

THE DEVELOPMENT OF HOME OWNERSHIP RATES IN EUROPE (EU15)



# Annual real increase house prices (c 1980-2001)

Austria	3.5
Belgium	1.2
Denmark	1.0
Finland	0.9
France	1.4
Germany	0.5
Greece	3.4
Ireland	3.7
Luxembourg	2.6
Netherlands	2.3
Portugal	0.4
Spain	4.2
Sweden	-0.2
UK	3.1

# Net housing equity as % GDP

0-99 %	100-199 %	200-299 %	300 + %
<b>Belgium</b>	<b>Austria</b>		<b>Portugal</b>
<b>Denmark</b>	<b>France</b>		<b>Spain</b>
<b>Finland</b>	<b>Ireland</b>		
<b>Germany</b>	<b>Italy</b>		
<b>Greece</b>	<b>UK</b>		
<b>Lux'bourg</b>			<b>Hungary</b>
<b>Netherlands</b>			<b>Lithuania</b>
<b>Sweden</b>			<b>Poland</b>
	<b>Cyprus</b>	<b>Czech Rep.</b>	<b>Slovakia</b>
<b>Latvia</b>	<b>Malta</b>	<b>Estonia</b>	<b>Slovenia</b>


# Percentage of total household wealth (head over 55 years) accounted for by house value

Country	Home as % of total wealth
Austria	60
Denmark	68
France	72
Germany	54
Greece	85
Italy	82
Netherlands	59
Spain	86
Sweden	66

## Household attitudes: contradictory evidence


- Wealth effects are measurable
- And so are investment strategies
- But, little evidence of equity release in old age
- And though the bequest motive is apparent, attitudes may be changing

# Financial markets are critical to equity release

- Despite attempts to move toward a single market, differences in market structure, legislation and financial products remain
  - Growth potential, particularly of equity release is enormous.
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<b>Country</b>	<b>Mortgage debt as % GDP</b>	<b>House equity release products available and/or permissible</b>
<b>Austria</b>	<b>26.40</b>	<b>-</b>
<b>Belgium</b>	<b>28.50</b>	<b>No</b>
<b>Denmark</b>	<b>87.50</b>	<b>Yes</b>
<b>Finland</b>	<b>35.60</b>	<b>Yes</b>
<b>France</b>	<b>24.70</b>	<b>Not used</b>
<b>Germany</b>	<b>54.30</b>	<b>Yes</b>
<b>Greece</b>	<b>17.40</b>	<b>Yes, but of very limited use</b>
<b>Ireland</b>	<b>45.00</b>	<b>Yes, but so far limited to certain uses</b>
<b>Italy</b>	<b>13.30</b>	<b>Not used</b>
<b>Luxembourg</b>	<b>33.40</b>	<b>Not used</b>
<b>Netherlands</b>	<b>99.90</b>	<b>Yes</b>
<b>Portugal</b>	<b>50.60</b>	<b>Legally permissible, but not marketed</b>
<b>Spain</b>	<b>42.10</b>	<b>Yes, but unusual</b>
<b>Sweden</b>	<b>50.00</b>	<b>Yes</b>
<b>UK</b>	<b>70.40</b>	<b>Yes</b>

# The view from governments

- Ageing populations threaten economic growth and impose additional costs on pensions and health care.
  - Fiscal difficulties and the pensions crisis
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- Through the EU a strategy of a multi–pillar approach adopted, with implementation through the Open Method of Co-ordination.
- But for many member states the transition costs (financial and political) are enormous
- And for many housing wealth is an attractive option

# How does housing wealth perform as a pension?

The adequacy criterion:

1. maintaining living standards (horizontal redistribution)
2. reducing risk of poverty (vertical redistribution)

## Maintaining living standards?


- For outright home owner, living rent free sustains housing element of living standard
- But under some national systems, tenants may also live rent free
- Equity release sustains non-housing living standard

## Reducing the risk of poverty ?


- In over a third of m.s. poverty rates among older people are lower than among those of working age.
- And in many m.s. most housing wealth is owned by those with most income and wealth anyway
- So, use of housing wealth as income in old age would, in many m.s., widen existing inequalities

Critical is whether housing wealth is a complement or substitute

## As a complement

- it would mean an even more financially-comfortable, high –consuming old age for some
  - But what about those hoping to inherit and non-owners?
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## As a substitute

- It reduces fiscal difficulties
  - But reduces social insurance principle and may widen existing inequalities
  - and what happens to non-owners?
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thank you

