Home ownership is falling faster for young people whose parents didn't own a house

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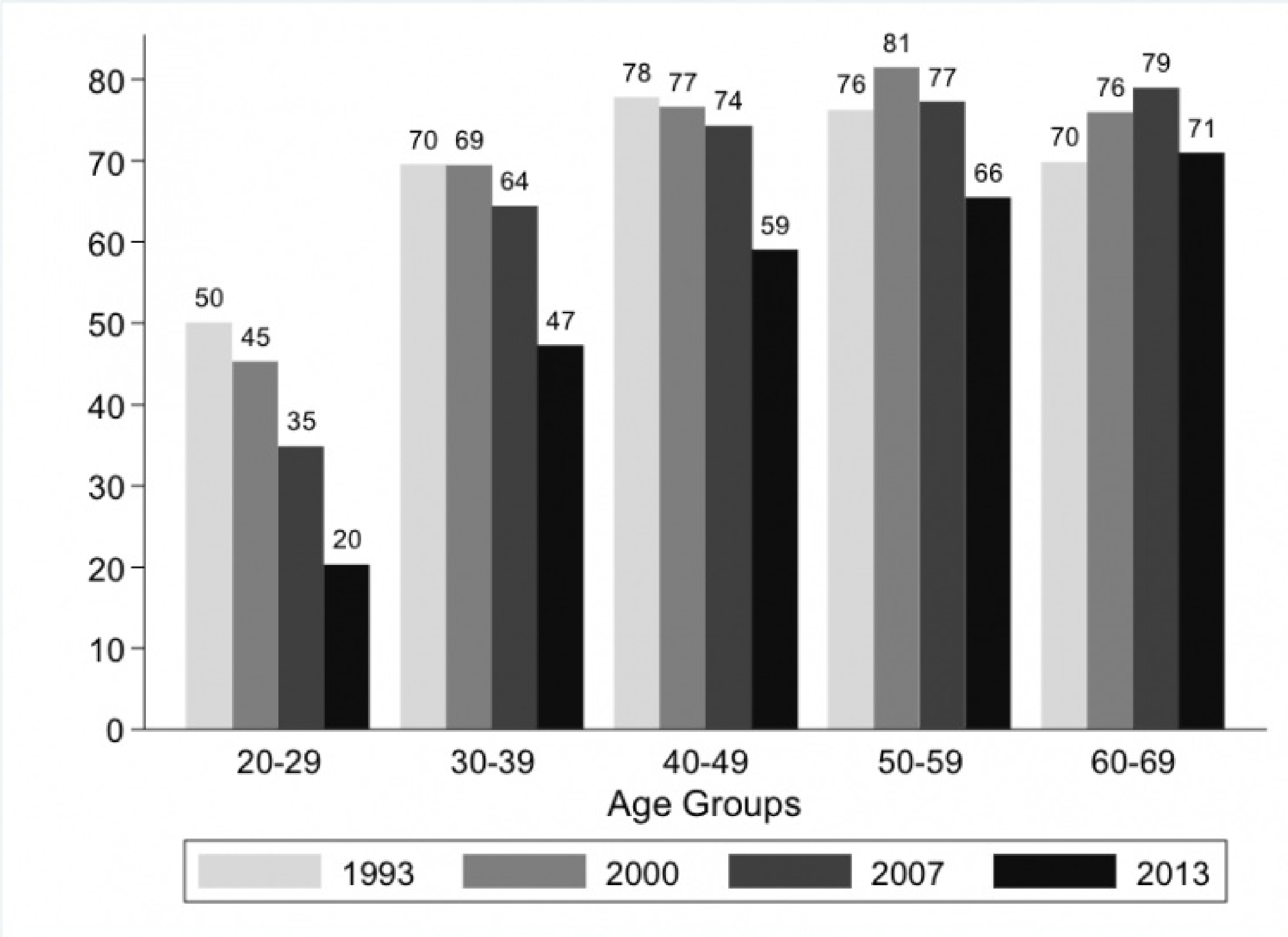
It is well known that home ownership rates have been falling rapidly among young people. Linking own home ownership with parental home ownership, our new paper demonstrates that the sharpest falls occurred for those who grew up in families where their parents did not own their homes. Given the link between home ownership and wealth, the findings indicate growing intergenerational inequality in wealth.

Data from the English Housing Survey (EHS), and its forerunner, the Survey of English Housing (SEH), reveal a picture of falling rates of homeownership through time, particularly among younger people. Figure 1 provides information on patterns of home ownership in England by age group and year. It shows that trends differ quite markedly by age, with successive age groups becoming less likely to buy.

Figure 1: Percentage of home owners by age group and year



Source: Authors' calculations based on data from the Survey of English Housing from 1993/94 to 2007/08 and the English Housing Survey from 2008/09 to 2013/14.

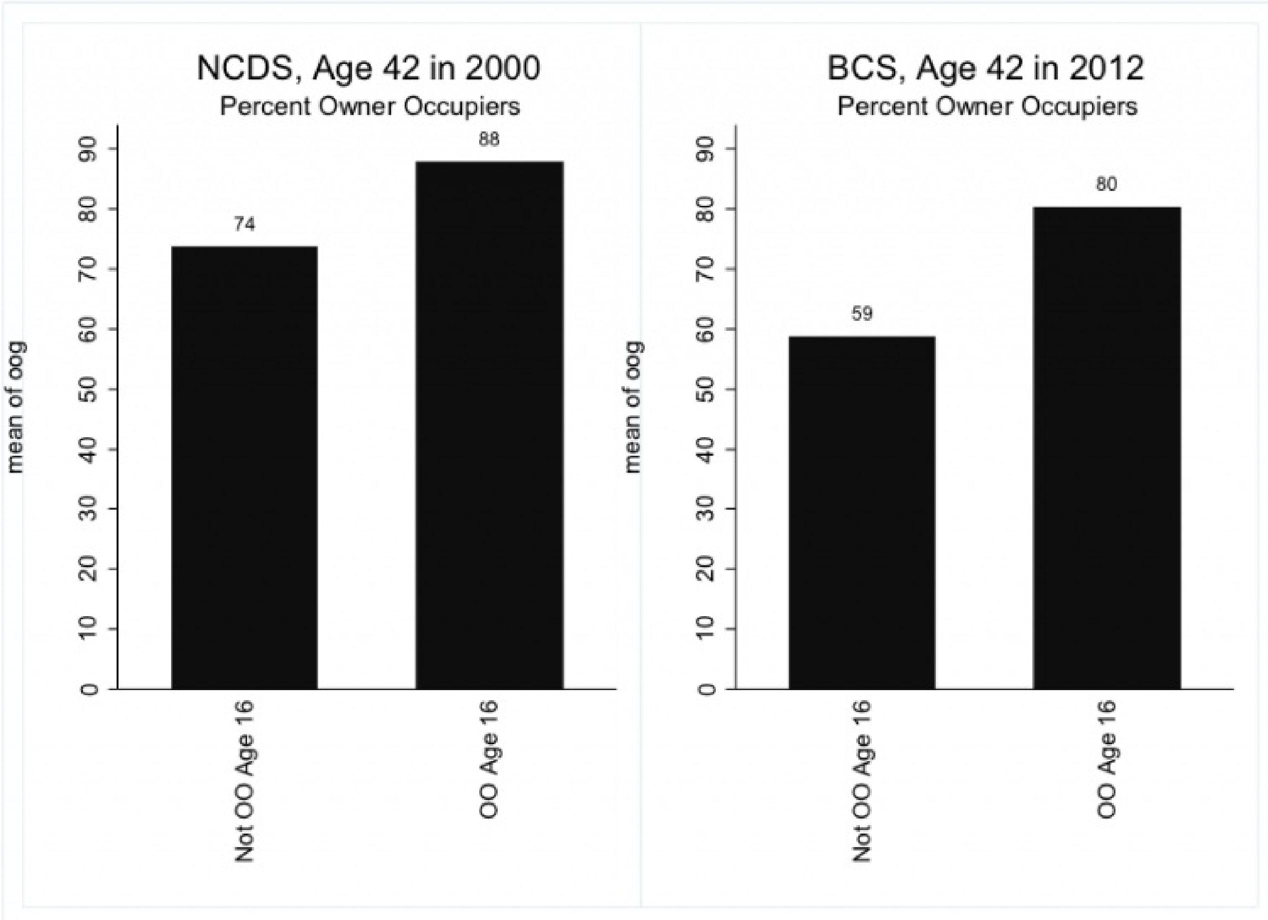
Steep drops in home ownership

The rate of home ownership of the youngest group of 20 to 29-year-olds has declined very steeply over time, from 50 per cent in 1993 to only 20 per cent in the most recent survey. Over twenty years, this is a startling drop. The decline among those in their 30s started later, but has been similarly steep from 2000, falling from 70 to 47 per cent over 13 years. For those in their 40s the decline has only started recently, with rates falling from 74 to 59 per cent.

Our research adds to this an intergenerational dimension by focusing on two groups for whom we have information on parental home ownership: the National Child Development Study, a cohort of all people born in Britain in a week of 1958, and the British Cohort Study, for all people born in a week of 1970.

The target sample for each group consisted of babies born in a single week, with around 18,000 included at the start. They have been followed up regularly from birth, throughout childhood and into adulthood. We focus on information on parent's housing tenure and parental income at age 16 and information on adult income and home ownership at age 42. The addition of the age-42 information, collected from the BCS in 2012, means we are able to shed light on very recent intergenerational relationships.

Figure 2: Home ownership at age 42 for those whose parents were home owners and those whose parents were not when they were aged 16



Source: Authors' calculations based on data from the National Child Development Study and the British Cohort Study. The National Child Development Study (NCDS) follows the lives of over 17,000 people born in England, Scotland and Wales in a single week of 1958. Also known as the 1958 Birth Cohort Study. The 1970 British Cohort Study (BCS70) follows the lives of more than 17,000 people born in England, Scotland and Wales in a single week of 1970.

It is clear from Figure 2 that people who grew up in families that owned the house they lived in are more likely to be owner occupiers themselves. In the NCDS those with parents who owned their houses have an owner occupancy rate of 88 per cent and those without this advantage have an owner occupancy rate of 74 per cent, a gap of 14 percentage points.

In the BCS the gap is even starker; those with parents who were home owners have an owner occupancy rate of 80 per cent, compared with 59 per cent for those without this advantage, a gap of 21 percentage points. It is notable that there is only a small decrease in the owner occupancy rate of those whose parents were owner occupiers – a 6 percentage point fall from 80 to 74 per cent. There is a disproportionate — more than twice as big at 15 percentage points — fall in home ownership among 42-year-olds whose parents did not own their own home when they were children.

These results are important for at least two reasons. First, because they add to our understanding of the generational divide in the housing market. Just recently research commissioned by the Social Mobility Commission revealed that more than one third of first-time buyers are now receiving financial help from their parents; although we do not yet consider all the mechanisms behind them, our results provide complementary evidence on the importance of the 'bank of Mum and Dad'.

Second, our paper extends the literature on social mobility to investigate intergenerational links in home ownership, an important marker of wealth. Previous studies have relied on earnings, and shown that the association between income across generations of the same family increased between these two cohorts. Using housing measures in an intergenerational setting is useful because housing is the most important component of wealth for most people (at least during their working age lives). Our results indicate that the fall in intergenerational income mobility has also been true for wealth; an even more important measure of financial wellbeing.

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Notes:

- *This blog post is based on the authors' paper Home Ownership and Social Mobility, CEP Discussion Paper No. 1466, January 2017.*
- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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Jo Blanden is a Reader in Economics at the University of Surrey and a Research Associate at LSE's Centre for Economic Performance (CEP). Her research focuses on the economics of education, particularly early years; family background and educational attainment; and intergenerational mobility.

Stephen Machin is Professor of Economics at LSE and Director of the School's Centre for Economic Performance (CEP). His expertise is in labour market inequality, economics of education and economics of crime.