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Winter 2020

HOUSING FINANCE INTERNATIONAL

The Quarterly Journal of the International Union for Housing Finance

- The social and economic consequences of housing wealth inequalities
- Housing and urban development in France under the sword of Damocles of present and future medical crises
- Russian housing at a time of Covid: the impact, policy response and legal trends
- Evaluation of incremental housing development in Ado-Ekiti, Nigeria
- Destiny Village, Sierra Leone – A comprehensive, sustainable and holistic relocation approach that can transform a nation
- Towards cities without slums: a sustainable policy approach for Morocco

International Union for Housing Finance

Housing Finance International

Housing Finance International is published four times a year by the International Union for Housing Finance (IUHF). The views expressed by authors are their own and do not necessarily represent those of the Editor or of the International Union.

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➔ **Publisher:**
MARK WEINRICH

➔ **Editor:**
ANDREW HEYWOOD

ISSN: 2078-6328
Vol. XXXV No. 2

➔ **Subscriptions:**
Individual Regular Annual Rate €135;
Individual Three-Year Discounted Rate €360.
Institutional Regular Annual Rate €155;
Institutional Three-Year Discounted Rate €420.

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Collateral damage?

Inevitably, it is the health implications of the Covid-19 pandemic which command most attention followed by the macro economic effects. As countries wrestle with the second wave of the pandemic, attention rightly focusses on daily infection rates, hospitalisations and, sadly deaths. Such discussion has recently been powerfully augmented by an understandably obsessive interest in the progress towards mass vaccination, a process that is about to start.

Rightly, macro-economic issues have been the subject of much discussion also amongst politicians, the media and the public. Predominant, has been the question of how to simultaneously protect the public, particularly the vulnerable public, against infection and prevent the spread of the disease, while also maintaining some semblance of economic normality and some control over public finances. This remains perhaps the most intractable dilemma of the pandemic so far. At the time of writing, it seems unlikely that this dilemma will be resolved to anyone's satisfaction until the widespread use of vaccinations reduces the underlying virulence of the disease.

What receives less attention, are the less obvious economic and financial effects of the crisis, which may have impacts that are lasting and as yet not fully understood. All over the world, mortgage lenders have been encouraged by governments to exercise forbearance to distressed borrowers, in the interests of preventing mass defaults. The aims are to avoid a further drop in public morale and avoid additional economic and financial dislocation. The response to forbearance measures has generally be favourable, at least in public. However, the longer-term implications are uncertain. If lenders had simply kept the capital implications of forbearance on their books and absorbed loss of mortgage interest, the results in terms of financial stability and future lending appetite would have been serious indeed. However, regulators, central banks and, ultimately, governments have brought in various measures to mitigate the impacts and shore up as far as possible, the capacity to lend at levels that do not precipitate an immediate downturn in housing markets round the globe. So far, the signs are that such actions have proved successful in the case of housing markets which have proved more resilient than many feared. But what of the long term? Will these governments and regulators manage to extricate themselves from support for the banking system and indirect support for housing finance markets in ways that will not cause a banking crisis or housing market crises further down the track against an economic backdrop that promises to be challenging for some considerable years ahead. Experience suggests that it is far easier for governments to involve themselves in supporting markets that are seen as strategic than to withdraw such support. Housing markets in particular are politically sensitive.

As the prospect of mass vaccination offers the possibility of a relaxation in the measures that have impacted so drastically on economic performance, it will be time to start considering how the relationship between governments, regulators and lenders should evolve in a new post-Covid environment and whether the pandemic has precipitated changes that will be more than temporary.

This issue of the journal has a series of fascinating articles that range across countries and focus on some key issues including inequalities in wealth and income, development issues in the third world and, of course, the impact of the pandemic.

Our first main article *The social and economic consequences of housing wealth inequalities* by Adriana Mihaela Soaita, Duncan Maclennan and Kenneth Gibb, focusses on the impact of homeownership on wealth inequalities, drawing on data from over 30 countries. The article points to increasing inequalities between homeowners, landlords and tenants, particularly when asset-based welfare is taken into account. They also point to evidence that increasing housing wealth inequalities adversely affect the productivity and stability of economies and contribute to deeper recessions. In short, they argue that these inequalities matter.

Our second article is the whimsically titled *Housing and urban development in France under the sword of Damocles of present and future medical crises*. In this valuable article Jean-Pierre Schaefer returns to the Covid-19 theme that has been prominent in HFI throughout this year. Schaefer points out that in spite of interruptions to residential building, overall development levels remain within historical parameters. He then goes on to discuss a number of issues raised by the pandemic or highlighted by it, including the need for outside space around homes, overcrowding, issues relating to housing for the elderly and a shift in preferences towards rural rather than urban locations.

Still on the theme of Covid-19, we are pleased to welcome back Marina Khmelnitskaya to the pages of Housing Finance International (HFI), this time along with two co-authors, Aleksandra Burdyak and Olga Pushina. Titled *Russian housing at a time of Covid: the impact, policy response and legal trends*, the article examines the impact of the disease on housing markets, the measures taken by government to alleviate impacts and the implications for legal practice and policy discussion in Russia.

Incremental housing presents both opportunities and challenges in terms of development in the third world, where it often predominates. In his article *Evaluation of incremental housing development in Ado-Ekiti, Nigeria*, Adewale Yoade returns to the pages of HFI to present the fascinating results of a survey of residents of incremental housing in Ado-Ekiti, Nigeria. The survey offers some significant new insights in terms of resident preferences and satisfaction.

It has become almost a truism that successful development of affordable housing is not just about bricks and mortar. Nevertheless, mistakes continue to be made and it is important to illustrate truths that may be known in theory but are frequently not respected in practice. Nigel Hyde and Clive Thursfield illustrate the requirements for a community that works in their article *Destiny Village, Sierra Leone: a comprehensive, sustainable and holistic relocation approach that can transform a nation*. It is heartening to be able to report on a positive outcome in a war-torn country, which is also beset by poverty and which has been struck by Ebola.

Our final article also pursues the theme of what is necessary for successful development, although this time the focus shifts to Morocco. In his article *Towards Cities without Slums: A Sustainable Policy Approach for Morocco*, Noor Mazhar reminds us that there is a global population shift towards the cities and that one third of the world's urban population currently

live in slums. He then goes on to analyse the shortcomings of the slum eradication programme in Morocco to date and puts this in the context of the shift towards neo-liberal policies in post-colonial states. Mazhar goes on to propose a series of policy reforms to address the issues identified.

Before signing off on the last issue of the journal for 2020, it only remains to offer all our readers our best wishes for the festive season and for the New Year. The pandemic has made 2020 a tough year for all of us, but it has been tougher still for those already feeling the effects of climate change, political uncertainty and economic turbulence. Let us all commit to making 2021 a year in which we turn a corner with Covid-19 and continue to address some of the other critical issues facing our global community.

Andrew Heywood
December 2020

Contributors' biographies

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Nigel Hyde is a social entrepreneurial, Chartered Accountant, founder and CEO of Mission Direct (2004-14) and Home Leone. Working in Christian development since 1996, he is a pragmatic, innovative, hands-on visionary, who has impacted hundreds of thousands of lives for good. Serving the poorest and enabling people to live meaningful lives.

Marina Khmelnitskaya is a research fellow at the Aleksanteri Institute, University of Helsinki, Finland. She is a political scientist working on policymaking in Russia and comparatively. She is the author of "Policy-making and Social Learning in Russia: the Case of Housing Policy" (Palgrave Macmillan, 2015) and articles in Post-Communist Economies, Russian Politics and Europe-Asia Studies among other journals.

Vanessa Khosa is the AUHF administrator at the Centre for Affordable Housing Finance in Africa [CAHF], an independent think tank working to support and grow housing markets in Africa to increase affordability. She graduated her Masters in Local Economic Development from the University of Johannesburg.

Professor Duncan Maclennan has undertaken international housing research since the 1970's, directed the UK's housing research centre from 1983 to 1999, held senior government positions in Scotland, Canada and Australia, advised OECD, the World Bank, the EU and currently works at the University of Glasgow and the UNSW (Sydney).

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Contributors’ biographies

a Commonwealth Scholar. Noor has held several research positions and internships in think-tanks, academic institutions, and public sector organizations.

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Zaigham M. Rizvi is currently serving as Secretary General of the Asia-Pacific Union of Housing Finance and is an expert consultant on housing and housing finance to international agencies including the World Bank/IFC. He is a career development finance banker with extensive experience in the field of housing and housing finance spread over more than 25 countries in Africa, the Middle-East, South-Asia, East-Asia and the Pacific. He has a passion for low-cost affordable housing for economically weaker sections of society, with a regional focus on Asia-Pacific and MENA.
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Jean-Pierre Schaefer, 68, is a graduate engineer of Ecole Centrale Lille, holds Master’s degrees in Economic Science (Lille) and Urban Planning (IUP-Paris). A former economist at the Caisse des Dépôts (France), he has a wide expertise on housing markets and urban development in France, Europe and foreign countries. He is vice-president of SOLIHA Yvelines Essonne.

Dr Adriana Mihaela Soaita is a Research Fellow at the University of Glasgow. She is also a Romanian chartered architect and planner. Adriana is particularly interested in the individuals’ experienced nexus between housing (and home), socioeconomic and spatial inequalities on which she has published widely.

Clive Thursfield is the deputy CEO of Home Leone. He was a Consultant Clinical Scientist in the British NHS for 45 years, specialising in rehabilitation and latterly was Director of Research for a Healthcare Trust. He is a committed Christian. He has considerable experience in the disciplines of clinical, leadership and managerial.

Mark Weinrich holds graduate degrees in political science and economics from the University of Freiburg, Germany. He is the General Secretary of the International Union for Housing Finance and the manager for international public affairs at the Association of Private German Bausparkassen.

Adewale Olufunlola Yoade holds a Ph.D in Urban and Regional Planning from Obafemi Awolowo University Ile-Ife, Nigeria. He lectures in the Department of Urban and Regional Planning, Wesley University Ondo, Nigeria. His research focuses on housing, urban renewal and community development. He is a Member of Nigerian Institute of Planners (NMITP) and a Registered Town Planner (RTP).

The social and economic consequences of housing wealth inequalities

↳ By Adriana Mihaela Soaita, Duncan Maclennan and Kenneth Gibb

1. Do housing wealth inequalities matter?

Housing is an important component of household wealth. The growth of homeownership in many countries, associated with high house price growth, has arguably reduced wealth inequality between homeowners while contributing to greater inequality between tenants, homeowners and landlords. These patterns have strengthened since the 1980s, and particularly after 2000. The resulting housing wealth inequalities, and their social and economic consequences, within and between generations, across social classes, gender and ethnicity, and between spatial divisions cannot be anymore ignored (Maclennan and Miao 2017; Piketty 2014; Soaita and Searle 2016). Such inequalities matter for many reasons, for example:

- The accumulation of housing assets is increasingly important to households' ability to provide for their welfare, whether during retirement or for a range of wishes or misfortunes. The positioning of housing wealth as a base for family welfare is now referred to as 'asset-based welfare' (Sherraden 2005), which individualises the more traditional trade-off between state-subsidised access to homeownership or provision of a state-subsidised pension system (Castles 1998). It follows that declining rates of homeownership signal reduced opportunities or even old age poverty for some.
- Rising house prices have increased wealth not only through homeownership but also through landlordism. Rising house prices have facilitated equity extraction through re-mortgaging of existing property and led to significant increases in Buy-to-Let (BTL) landlordism in countries such as the UK, Canada and Australia (Soaita et al. 2017). The growth of BTL landlordism, often reinforced by flows of capital from overseas international investors (Maclennan et al. 2019), also displaces first-time-buyers by driving up prices and forcing households to stay longer in rental housing.
- Access to homeownership is increasingly dependent on intergenerational transfers of family property wealth. The transmission of existing housing wealth inequalities to younger generations has implications for social mobility, augmenting the unequal life opportunities of young people (Lersch and Dewilde 2015; McKnight and Karagiannaki 2013).
- These socioeconomic inequalities reflect the generational and class effects of a changing ethos in state policies, including in relation to austerity, education, labour markets, housing and welfare (Christophers 2018). They also create marked disparities in the geographies of accumulation and distribution of housing wealth across and within regions, cities and neighbourhoods.

In this paper we review existing evidence on the social and economic implications of housing wealth inequalities at the level of the household. More briefly, we also draw attention to emerging macroeconomic concerns about rising house prices and growing housing wealth inequalities as they affect the productivity and stability of economies (Maclennan et al. 2018; Maclennan et al. 2019; O'Sullivan and Gibb 2012).

2. Institutional context, method and geographical representation

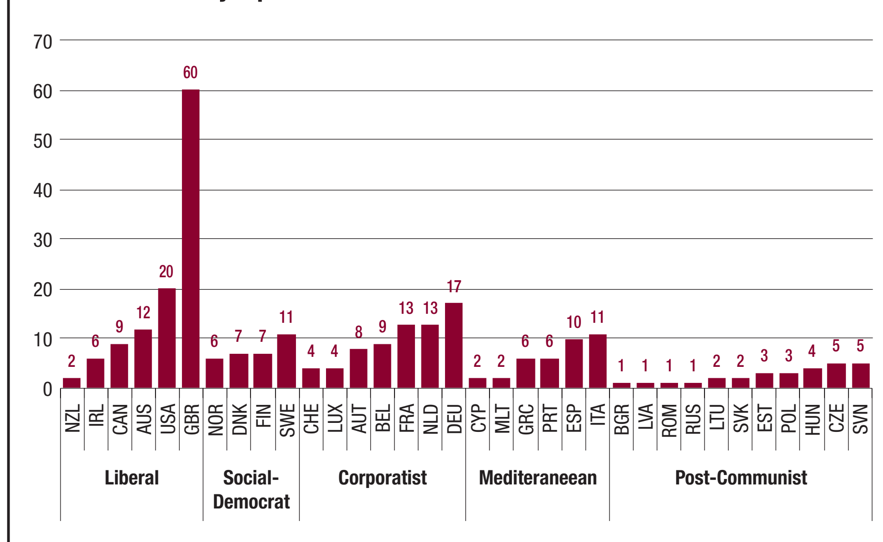
Diverse welfare regimes: Clearly, the nature and impact of housing wealth inequalities to households depend on broader institutional arrangements, and particularly on the wider arrangements for welfare. The coverage, eligibility and generosity of state welfare arrangements affect households' requirement to use up their housing wealth in times of misfortune (e.g. spells of unemployment, illness, divorce, bereavement) or to rent during retirement. The idea that the diverse welfare arrangements between state, market and family show important affinities by groups of countries was launched by Esping-Anderson (1990) through the idea of 'welfare regimes'. He differentiated between three regimes: the Liberal (Anglo-Saxon) that gives an important role to the market, social assistance being means-tested, inadequate and difficult to access; the Social-Democrat (Nordic) where state welfare is far reaching and generous; and the Corporatist (Central Europe) that is situated in between, with the family being the main welfare provider and where social benefits are means-tested but more generous than in the Liberal regime. Other welfare regimes have since gained recognition, relevant here being the Mediterranean (Southern European) and the Post-Communist (Eastern Europe) ones, both of which rely on family for the provision of welfare, the latter having a particular reliance on outright homeownership.

Diverse housing regimes: The arrangements by which housing is regulated, financed, consumed and produced are also country specific. For instance, the wealth potential of homeownership, second-home ownership or landlordism relates to housing finance (e.g. type of banks and their offers; state support for mortgages; degree of financial deregulation), non-financialized access to housing (e.g. self-provision; intergenerational sharing of space), the stock's quality and availability within and between tenures, and property taxation. To ease cross-country comparison, we borrow the idea that these housing arrangements – and their links to welfare – suggest a series of shared features across groups of countries.

For instance, Kemeny's (2006) differentiation between renting and homeownership societies, including by the relationship/size between the private and social renting sectors. While there is no simple relationship between welfare and housing regimes, the Social-Democrat and Corporatist regimes have much more regulated and secure private renting markets compared to the Liberal and Post-Communist ones. Likewise, outright homeownership dominates the Mediterranean and particularly the Post-Communist housing regimes. While housing regimes have evolved faster with increased provision by the markets, welfare arrangements have been more enduring, having thus implications for how housing wealth is relied upon by households.

Method: Piloting systematic online literature searches (Soaita et al. 2019b), we noticed that a focus on Anglo-Saxon and EU countries reduced the retrieved literature by less than 10%; and a focus on the period 2008-2019 by 20% (publications in English only). Taking these criteria in our final searches and adding additional literature,[1] we located 429 relevant publications. Based on thematic relevance, 125 references were reviewed (Soaita et al. 2019a). Figure 1 shows the number of times each country was referred to across the 125 publications, grouped by welfare regimes.[2] In this paper, we also refer to some additional studies to set the broader context or introduce updates.

FIGURE 1 Country representation in the reviewed literature



3. Findings

3.1. The comparative context

While house price growth tends to act as a mechanism of increasing inequality across homeowners and between property haves and have-nots – and conversely when there are declining house prices –understanding the ways in which domestic institutions and policy frameworks shape both access to housing wealth and house price growth remains a complex question. For instance, charting homeownership levels without capturing households' net equity, mortgage indebtedness and mortgage subsidies; housing quality relative to households' needs; or without paying attention to legacies of past policies and the wider market context, risk misjudging the picture. Lack of data (and of in-depth knowledge) often precludes diving into such complexities in international comparisons. Yet comparative work is particularly useful to understand enduring differences and changing patterns between countries related to their institutional contexts. We wish to particularly highlight two studies here (of the 29 that advanced comparative analyses) but others will be referred to later.

Comparing the distribution of net housing wealth in 16 European countries – across occupational classes, ethnicity and for two cohorts (the 19860s-80s buyers versus post-1980 ones) – Wind et al. (2017) proposed the idea of 'housing wealth accumulation regimes'. They found that growing homeownership levels in deregulated, market-based housing systems (i.e. the Liberal regime in Figure 1) are associated with higher housing wealth inequality across occupational classes, as lower-income buyers buy more 'marginal' housing. Conversely, when the state or the family enable access to homeownership (e.g. Right-to-Buy, mortgage support or self-build), labour-market income decouples from housing consumption, giving a more equal distribution of housing wealth. They concluded that:

- Family-based provision of housing through self-build and pooled resources (e.g. Belgium, Greece, Italy, Portugal, the post-communist states) and the privatisation of public rental housing (e.g. UK's Right-to-Buy and similar policies in Eastern Europe) is associated with less housing wealth inequality than market provision.
- State subsidies for homeownership might reduce housing wealth inequality between occupational classes (e.g. Denmark, Sweden, Netherlands), being associated with a more equal distribution of housing wealth.

Looking at housing wealth versus savings across the life-course, Lersch and Dewilde (2018) compared the UK with Germany, that is, respectively, a country with a longstanding record of high real house price appreciation versus a housing market with historically stable real house prices (until about 2010); more deregulated versus more regulated mortgage and rental markets; and a less versus a more generous welfare regime. The authors observed that, in both countries, homeownership is selective (i.e. only those of medium/higher income are able to access mortgage markets) and that homeowners are doubly advantaged as they accumulate both financial wealth and housing wealth independently (more so in the UK than Germany given the former's higher house price growth).

Germany and the UK represent many of the extremes of approaches to housing as a means of capital accumulation. In a world of stable house price (i.e. Germany), homeownership may boost wealth as households first save to acquire a larger entry-deposit (hence also paying less to finance mortgage costs) and then by repaying the mortgage. This is the traditional 'savings' approach to mortgaged homeownership. Conversely, in contexts of high house price appreciation greater than that of incomes (i.e. UK), wealth accumulation in housing has

[1] Given that our review was part of a UK-focused research project, these additional publications have significantly increased the representation of the UK. As 29 publications were comparative cross-country analyses (involving between two to 22 countries) the numbers in Figure 1 exceed the number of publications reviewed.

[2] We refrain from revisiting here the details of the longstanding debate regarding a country belonging (or not) to different regime types. Suffice to say that our country grouping was commonly used in the reviewed literature.

been primarily driven by rising prices (which has also encouraged re-mortgaging). This is the 'speculative' approach to mortgaged homeownership and BTL landlordism. Conversely, in the Mediterranean and Post-Communist groups, where self-build, outright transactions with family-pooled resources and intergenerational co-residence dominate, housing is predominately perceived as a family home rather than housing wealth (Soaita 2015). We label this the 'non-financialised' approach to homeownership. These approaches inform the following section, which focuses on households' behaviour in relation to their housing wealth.

3.2. Asset-based welfare (ABW)

We know that homeownership has been historically supported by states through various subsidies (e.g. mortgage interest relief, tax exemptions, subsidised loans, state-backed equity loans, and Right to Buy discounts[3]). Households could theoretically position their housing wealth as a base for family welfare in two major ways. Both, the traditional *savings* approach to mortgage homeownership and the *non-financialised* approach to outright homeownership centre on rent-free living, being driven by a motivational mix of aging in place (the 'home' motive), precautionary saving (e.g. risks of old-age care or periods of adversity, with housing wealth liquidised via downsizing) and bequeathing.

Conversely, in the *speculative* approach households engage actively in the accumulation and de-accumulation of housing wealth over the life-course by combining residential mobility (i.e. upsizing over the working age to downsize in retirement) with innovative financial products (e.g. re-mortgage, equity release, reversed mortgages). Pushing mortgage debt into later life, this approach makes housing wealth more liquid, hence enabling households to finance a more comfortable lifestyle or to mitigate adversity (e.g. unemployment, sickness, divorce) while ideally still maintaining a reserve for precautionary saving and inheritance.

The literature reviewed shows, however, very mixed results on the effectiveness of positioning housing wealth as a base for family welfare. To exemplify, we focus first on ABW's ability to co-finance retirement and adversity; and second on the implications of housing wealth inequality to ABW solutions.

3.2.1. CO-FINANCING RETIREMENT AND ADVERSITY

Focusing on the case of Australia, Castles (1998) argued that governments can trade-off between subsidising homeownership or the pension system. Delfani et al. (2014) revisited the argument by examining 22 countries. They found that in countries with generous housing-related subsidies and generous state-regulated/provided pension systems (e.g. Austria, France, Germany, Luxembourg), households do not need to trade-off housing wealth and pension; welfare outcomes for the elderly are least unequal. Similar outcomes were found in countries with market-based housing but generous state-regulated/provided pensions (e.g. Denmark, Finland, Netherlands, Norway, Switzerland, Sweden).

Only in countries where both housing and pensions are provided by the market (e.g. Australia, Ireland, New Zealand, UK, USA), housing wealth indeed complements the welfare package of the elderly, particularly for middle-income households since the higher-income do not need it (they have both) and the lower-income cannot access it (they have none). Housing wealth and pension wealth inequalities reinforce each other in these countries. The authors argue that generous pensions rather than owner-occupation alleviate old-age poverty; however, in the absence of the former, outright owner-occupation helps reduce poverty (e.g. in the Mediterranean and post-communist countries).

The above findings are supported by a host of other robust studies. Blundell et al. (2016) examined the housing/pension wealth trajectory of households aged 70 and over in the USA and England. While Americans retirees were richer than their English counterparts,[4] they also liquidated their wealth much faster between 2002 and 2010 not least because higher house price appreciation in England offset the use of non-housing wealth. They noted striking wealth inequalities in later life in both countries: the richest 33% of retirees spend faster to maintain their lifestyle whereas the poorest 33% of retirees just save enough to pay for a funeral. This latter group of arguably housing-richer/income-poorer households refused to spend their housing wealth to improve their wellbeing. While the authors suggested a range of explanatory motives for this traditional behaviour, qualitative research substantiates them.

In a qualitative study of older Britons involved in equity release, Fox O'Mahony and Overton (2015) evidenced reluctance to withdraw housing wealth stirred by a desire to bequeath and to age in place in a debt-free home. Participants felt guilt for spending their children's inheritance and discomfort about indebtedness. Nonetheless, having enough space to host memorabilia and retaining support networks (including overnight visitors) precluded downsizing and motivated equity release. Similar findings were substantiated for the case of Belgium (De Decker and Dewilde 2010).

In a quantitative longitudinal study of British (pre)retirees, French et al. (2018) also noted reluctance to withdraw housing wealth. While between 40% (London) to 77% (North East) of pre-retirees expected to downsize and 14% expected to withdraw equity, less than 2% had done so eight years later. People withdrew housing wealth only in situations of financial hardship and sudden adversity. The authors argued that conventional economic rationality explained almost entirely the 'method' of withdrawing housing wealth: downsizing was more common for households whose house value was high relative to regional values and equity release more common for older households (becoming less expensive with age). The same reluctance to take a reverse mortgage or engage in equity borrowing was evidenced by Costa-Font et al (2010) in Spain among those aged 55 and over; and by Wood et al. (2013) in the UK and Australia for people of all ages. All studies showed that housing wealth was withdrawn to mitigate exceptional and key welfare needs (e.g. sudden drop in income, relationship breakdown, health issues, old-age care, childbirth, the entry to homeownership of children but not for long-term health issues or death of a spouse which are more 'insurable' events). Wood et al. (2013) conclude that equity borrowing plays a welfare-switching role away from collective resources for welfare and a means to cover uninsurable events.

Relationship breakdown is one such uninsurable event. Four reviewed studies looked at this matter in detail. Taken together, it can be said that positive net housing wealth may provide a short-term safety-net in case of divorce/dissolution. Divorced owners are more likely to exit homeownership in later life or have significantly less housing wealth, particularly so in countries where entry in homeownership is more selective (e.g. Denmark, Austria and the Netherlands) but less so in countries with broad mortgage markets (e.g. Australia and the UK), generous welfare benefits and larger female employment (e.g. Austria, France and Germany). There is a gender effect: divorced males are more likely to re-enter homeownership and less likely to suffer prolonged

[3] Referring to the British model of council house sales to sitting tenants, colloquially known as the 'right to buy'. Similar policies of privatisation were applied in the post-communist countries.

[4] These differences reflect the cumulative effect of very different systems of social security, occupational pension and tax relief. Capturing such detailed differences is part of the challenge of comparative analysis across countries.

financial hardship in the long-term; and the owned home can become a financial burden for females who face difficulties in paying the mortgage. While country specific, the negative (housing) wealth consequences of divorce seem to persist in the long run – significantly more for people of lower income/education levels and for women.

The above examples of co-financing retirement and adversity indicate that the potential of ABW depends on the broader institutional environment (particularly welfare and labour markets) and on the socioeconomic position of households. Together these determine whether a household wishes, needs and indeed can withdraw housing wealth, with those on lower-income being less in a position to do so effectively or at all. The next section looks more in-depth at the ABW implications of housing wealth inequalities.

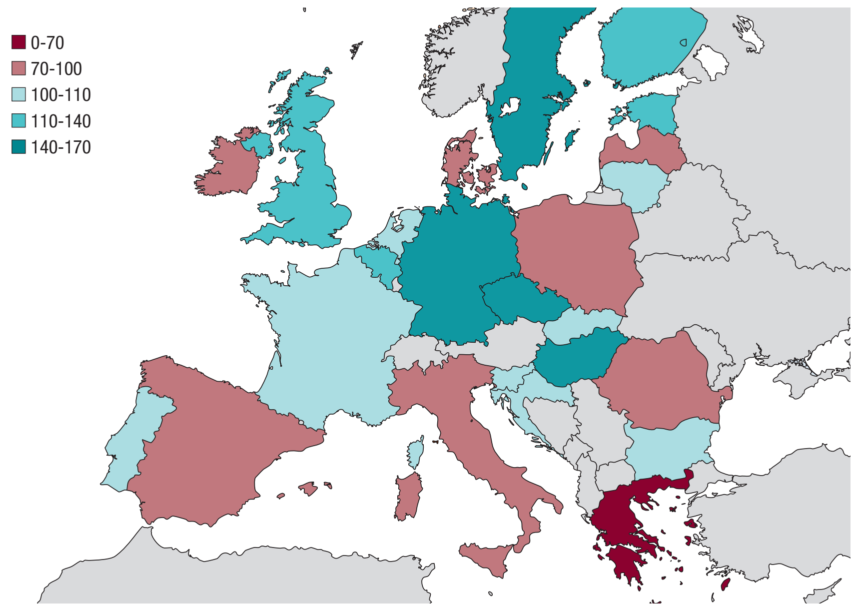
3.2.2. PROPERTY RICH, POOR AND HAVE-NOTS

Tenants are by definition excluded from ABW and it is clear they cannot compensate through other means. For instance, looking at private insurance take-up in the UK, Soaita and Searle (2018) found that affluent homeowners were insured against every major risk such as death, unemployment, illness, building and contents, and lacked the only insurance relatively popular among tenants, that for funeral expenses. Likewise, comparing 'otherwise-similar' tenants and homeowners in the UK and Germany, where access to homeownership is selective, Lersch and Dewilde (2018) demonstrate that it is not consumption behaviour, values or preferences that explain the ability to save towards entry into homeownership but rather the financial position of people and their families. They found no 'trade-off' between savings through financial products or saving thorough homeownership. Homeowners, therefore, are multiple advantaged as they independently accumulate financial and housing wealth while being covered against 'rainy days' whereas tenants face multiple disadvantages (even more so in the UK where house price growth is substantial and rents are higher than mortgage payments).

But financially-stressed/'marginal' homeowners are also *de facto* excluded from the possibilities of ABW. Two UK studies (Koppe 2017; Soaita and Searle 2018) compared affluent homeowners with marginal homeowners and tenants who fell out of homeownership, finding that the last two groups were more likely to be self-/temporarily employed and to have experienced unlucky life events, such as illness, domestic violence, relationship breakdown prior to the accumulation of any net equity. Koppe (2017) showed that marginal homeowners in the UK make up 10% of all homeowners; of these, about 2% struggled to pay their mortgages; 4% dropped out from homeownership without re-entry and the remaining 4% succeeded in re-entering. Demographically, they were more likely to be female, younger, experience a relationship breakdown, have high mortgage debt to income ratio and a second child in the household.

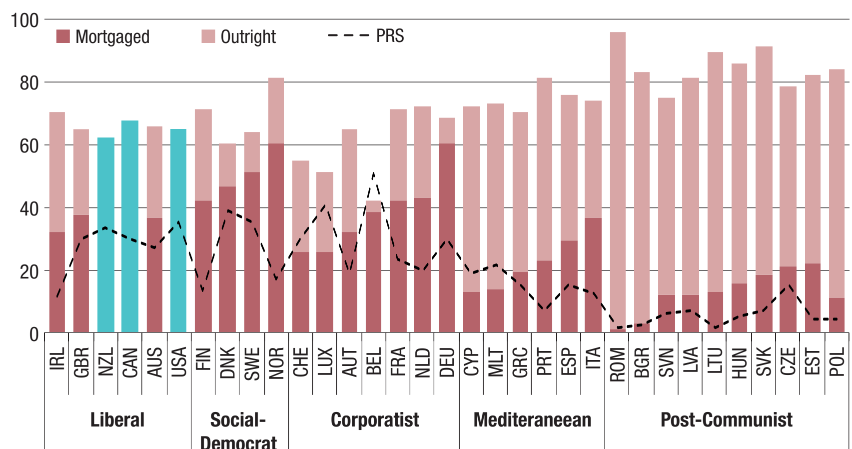
The possibilities for ABW depend on the highly unpredictable capital gains accrued between the moment of buying and that of need. Wind and Hedman's (2018) Swedish study demonstrates that higher-income individuals realise higher capital gains compared to lower-income/migrant households as the former buy in more advantaged neighbourhoods, which record higher house price growth than the disadvantaged neighbourhoods where the former can afford to buy. However, the fact that the costs of servicing the mortgage significantly 'eat' from the accrued capital gains is rarely taken into consideration; hence the lifecycle of the mortgage matters. Soaita and Searle (2016) showed that the costs of borrowing also advantages home-buyers in higher price growth areas as these costs wipe out a much lower proportion of gross capital gains (i.e. one third on average) than in lower price growth area (i.e. two-thirds on average).

FIGURE 2 House price recovery in Europe: 2018 compared to 2007



Source: by the authors (data based on HYPOSTAT 2019, Map 2, p. 30)

FIGURE 3 Households' tenure by countries and welfare regime



Source: By the authors, data sources: Europe (Eurostat 2020), Australia (https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure); Data for CAN, NZL and USA was broken on owners and renters only.

The vagaries of a volatile housing market and the lifecycle of the mortgage at the moment of need limit therefore the property 'haves' options for ABW. Figure 2 shows that in 2018, a decade after the start of the GFC, the average house price had not yet recovered in seven European countries (while in six values were much higher in 2007, by between 140% and 170%). Figure 3 shows that a significant proportion of homeowners are still paying off their mortgages in the first three groups of countries, being therefore theoretically more exposed to market risks with accrued equity (through repaid mortgage and capital growth) being obviously still below their current home value but not necessarily negative (significant incidence of negative equity was reported in the NL). The last two country-groups make a stark contrast with their widespread levels of outright homeownership.

Arundel (2017) looked at *net* housing wealth in the UK across all property haves (homeowners, second-home owners and landlords). He found that during 2006 and 2012 net housing wealth became concentrated among fewer property-have households. By 2012, the top 20% of property-have households owned over 60% of all national housing net equity, while the top 40% held over 85%. He argues that this pattern of concentration is being generated by redistribution from housing-poor to housing-rich households (rather than new-built housing), a process driven by the constraints faced by first-time buyers and the expansion of landlordism – a topic to which we turn later. The evaporating opportunities of lower/middle-class households and the increased post-GFC inequality resulted in 95% of all wealth gains going to the top 1% of the property-rich households. These inequality trends play further at both inter- and intra-generational levels, affecting the younger cohorts and lower-income of all ages.

Other studies (e.g. Christophers 2018) likewise see generational differences as outcomes of more fundamental inequalities (e.g. those of income from labour markets) and political choices (e.g. regressive redistribution, labour precarity, financial deregulation) that have affected old and young, but particularly the poor, the un-skilled and early labour-market entrants. Family solidarity has responded to this landscape of reduced opportunities and shrinking welfare states by pooling space, care-time and money across family generations. To this we now turn.

3.3. Intergenerational inequalities and family solidarity

Housing has been a key part of the debate on intergenerational inequalities, particularly between 'baby-boomers' and 'millennials' with some commentators promoting the idea of 'generational war' (Kotlikoff 1992). It is widely agreed that one effect of rising house prices is the lower likelihood of younger birth cohorts to enter homeownership[5] and the increase in housing wealth of older birth cohorts. The latter has also increased the likelihood of passing down generation significant wealth through inheritances and gifts (Hamnett 1991).

The international literature on intergenerational transfers is growing and helps understand how inter- and intragenerational inequalities consolidate in a country-specific ways. Not unexpectedly, in countries in which both housing wealth and income inequalities are relatively small, and access to education inclusive, the impact is small, e.g. in the Czech Republic and Norway (Gulbrandsen and Sandlie 2015; Lux et al. 2018). Conversely, in societies where homeownership is highly stratified, e.g. in Germany and the UK, intergenerational transfers sharply reinforce overall inequalities, limiting social mobility (Koppe 2018; Lennartz and Helbrecht 2018).

Parental gifts are offered for many reasons (e.g. to support access to education, rental costs, clear debt) but higher value transfers are given to assist entry in homeownership and even landlordism (Soaita et al. 2017). These transfers are not only unequal – wealthier recipients receiving higher gifts than their poorer counterparts, allowing for an earlier entry in homeownership (Barrett et al. 2015) – but trigger a 'wealth-effect' over the life-course, including through house price appreciation (Hills et al. 2013).

However, the number of people who received gifts and inheritances is small. Across five European countries,[6] 5.4% on average have ever received large financial support of whom 2% once only and 3.4% regularly (Emery 2018). In the period 2002-12 in Australia (Barrett et al. 2015), only 6% of individuals aged 25-65 received financial gifts and 1.4% received an inheritance. However, in Australia, receipt of an intergenerational transfer had an important effect: it doubled the likelihood of entering homeownership compared to non-receipt; and recipients were more likely to buy higher value homes than their un-supported counterparts. Parental assistance was more likely to be offered from and for expensive house-price areas, hence transfers were triggered and likely to trigger a wealth effect via higher capital gains from parents to children.

However, Cigdem and Whelan (2017) note that intergenerational transfers play a much more important role in facilitating homeownership for those at the margins, who would have been unable to buy unassisted. Policy-wise, encouraging families to direct gifts to those who need them most would be advisable albeit running against cultural norms of equal transfers between and exclusively to children (Soaita and Searle 2018).

Across studies, results are somewhat mixed and clearly country specific on the extent to which intergenerational transfers increase inequalities. For instance for the UK, Koppe (2018) finds very small effects of inheritance on the likelihood of children acquiring their first home in the UK (not least because inheritances are received later in life), which is supported by Dewilde, et al.'s study (2018) that find small effects of intergenerational transfers in increasing inequality. Conversely for the case of Germany, Lennartz and Helbrecht (2018) show that financial gifts influence access to homeownership. Such results should be qualified by the complex reality that the stratifying impact of family background is transmitted through enduring generational continuities in human capital, income, and occupation; and that small gifts in early life (e.g. education support) trigger a wealth effect that shadow the effect of later gifts or inheritance.

For the case of the UK, Rowlingson et al (2017) note that gift-giving and receiving is more prominent among the middle-classes than working-classes and that only 2% of financial gifts were sourced from housing wealth (by downsizing or re-mortgaging), with savings and income being the most common source. The great majority of recipients said parental financial assistance made a (very) great difference to their lives, particularly so among those aged 16-39. The authors conclude that intergenerational support:

> enables families to secure the next generation in a similar social class position. Thus, as family support increases in some families, with the withdrawal of state welfare, existing inequalities between families are widened and social mobility in society is reduced.

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[5] For instance, Fuller et al. (2019) note that between the late 1970s and early 2010s, homeownership rates among 25-34 years old fell by a quarter in France, by nearly half in Denmark, Germany, Spain, the UK and the US, and by almost two-thirds in Italy. In the UK, they argued, the cost of a first home has risen from 2.7 to 5.2 years of earnings between 1983 and 2015.

[6] AUT, FRA, DEU, BGR, CZE

There is indeed considerable policy interest in the extent to which social mobility is upset and the role that (wealth) inequalities play. However, as in other areas associated with wealth inequality, identifying and isolating the independent effect of wealth and advantage in upsetting social mobility is a challenging analytical problem.

McKnight and Karagiannaki's (2013) study goes some way to overcome these issues. They found a strong relationship between parental wealth (especially housing wealth) and children's educational outcomes on to earnings and employment. They also found that young people holding assets via inter-generational transfers or investments have a positive differential impact on progress in employment, earnings, health and well-being. This is only one, admittedly careful, empirical study but is indicative that housing wealth does have a powerful set of impacts on social mobility.

3.4. Landlordism

The private rented sector (PRS) – now growing in many countries – was generally portrayed as a tenure option for tenants rather than a welfare or investment strategy for landlords, even in countries where the sector has been historically large such as Australia and the US, and large and subsidised as in Germany.

Some of the driving forces that entice people to become landlords are country specific, e.g. financial deregulation and the retreat of the welfare state in the case of the UK and Norway[7] (Maclennan et al. 2016). BTL mortgages, popular during the last two decades in the UK and Australia, allow portfolio expansion by extracting equity from an owned property to be used as a deposit to purchase a new one (a move enabled by high house price growth rather than paid off mortgage debt). Families responded to the retreat of the welfare state with ABW strategies based on homeownership but also on landlordism. Inheritances also contributed to the growth of landlordism (e.g. 9% of rented dwellings are inherited in the UK).

Other drivers are increasingly global, e.g. the circulation of capital in search of scarce higher returns generating overseas ownership of rental housing (Fields 2018; Maclennan and Miao 2017). Indeed, global policies of low-interest rates resulted in historically low returns in alternative investment products (e.g. shares, bonds and savings), positioning residential property into a new asset class accessible to individuals. Cross-country landlordism is a particularly understudied phenomenon as are the returns of BTL landlordism. Finally, we should not ignore the increased demand for renting that has been produced by shortage of social housing; the precarisation of labour (Christophers 2018; Crawford and McKee 2018); migration; the toxic interplay between low-pay and high-rents, precluding young people from saving for a deposit; more stringent mortgage-entry requirements; and increased demand for (expensive) education in order to improve one's labour market position (McKee et al. 2019; Soaita and McKee 2019).

However, studies on landlords are patchy. While evidence has recently grown, it displays a clear UK and Australian empirical bias (Scanlon and Whitehead 2016; Wallace and Rugg 2014), with international comparisons being based on expert knowledge rather than landlord data (Martin et al. 2018; Whitehead and Williams 2018; Whitehead and Williams 2019). An exception is Wind et al.'s (2019) study on secondary property ownership (i.e. second-homes and PRS properties) in 20 European countries.

Wind et al. (2019) noted that secondary property ownership is held by a minority of households.[8] However, in 11 countries, this type of property makes a considerable share of households' net property wealth of between 20% and 40% – hence, secondary property does not conform with *'the stereotypical small and cheap holiday home'* (p.12). In the majority of sampled countries, and especially in the Mediterranean and post-communist ones, few of these are rented out, being used as holiday homes and homes for the extended family. High shares of landlords among secondary property owners were found in Ireland, Belgium, Germany (80% of all second property owners), France and Luxemburg (over 50% of secondary property owners). It appears thus that landlordism is attractive in both the regulated PRS of the Corporatist regime and the free-market ones of the Liberal regimes. The authors note that in Belgium, Germany, France and Ireland, self-employed workers are more likely to become landlords than salaried workers as income-replacement rates through pensions for self-employed are low. In these countries therefore landlordism is a long-term welfare strategy of mitigating old-age poverty for some social groups. But in Ireland – as in the UK (Arundel 2017) – there is also an upswing of (BTL) landlordism among wealth-rich households. The authors concluded:

> Landlordism has a different driver for the corporatist-conservative welfare states (where landlordism has been a common strategy to supplement a lower income in later life for decades) and the liberal welfare states (where it is a relatively new phenomenon). In the latter, it is relatively skewed toward property speculation by relatively wealthy, but not necessarily self-employed (p.21).

Other studies supported the view that landlordism is a family welfare strategy for not particularly affluent landlords while being a (speculative) investment strategy for those affluent (Nethercote 2018; Soaita et al. 2017). Ronald and Kadi (2018) also observed this bifurcation for the case of the UK. Despite clear trends of property-concentration in the hands of large-portfolio landlords,[9] the authors note that over one million small-portfolio landlords have emerged in the last decade in the UK. This means that the sector has grown extensively (more people becoming landlords) and intensively (some landlords acquiring more properties).

Qualitative research (Bierre et al. 2010; Soaita et al. 2017) showed that small-portfolio landlords see their letting property as an ABW strategy, i.e. providing a pension supplement or a safety-net. They entered the market by chance (inheriting property; partnering), as a family strategy ('Ma and Pa' landlords) or to counteract the historically low interest rates on savings (Duffy et al. 2017). Some of these (still) small-portfolio landlords are young. Qualitative research showed that young landlords have benefited from substantial family support, whether in non-financial forms (e.g. DIY, child care, living in the parental home) or through financial gifts supporting early-entry in homeownership (Soaita et al. 2017) and combined with taking in lodgers (Soaita and McKee 2019; Soaita et al. 2017). Hence, family financial support triggers wealth not only through homeownership but also through landlordism.

Conversely, large-portfolio landlords see landlordism as a business activity and a way to diversify their wealth portfolio (MHCLG 2019). These individuals have purposefully built their rental portfolio as a (side-line) business activity,

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[7] This does not apply to enduring deregulated countries (e.g. Australia and the US) or enduring regulated countries (e.g. Germany, Netherlands, Sweden). In some countries, rent controls are a choice for states and provinces (or even some cities, e.g. New York, Toronto).

[8] Between 4% and 10% of households in NDL, SLK, POL, AUT; between 10% and 15% in IRL, SLV, GRC, ITA, HUN, DEU; and between 15% and 27% in PRT, FRA, LTV, MLT, CYP, LUX, EST, FIN, ESP.

[9] E.g. in 2010, 72% of landlords had just one rental property and only 6% had 4 or more properties (Lloyd 2013). By 2018, just under half of all individual landlords in England own one property for letting purposes and 17% had 5 or more units (owning almost half of all rented properties (MHCLG (2019). While data is not exactly comparable, it shows an increasing concentration of rented property since 2010.

buying mostly with cash during the 1990s (and maintaining a low-debt portfolio) but increasingly with BTL mortgages after 2000 (some preferring high-debt expansion by re-mortgaging existing property). While landlords' circumstances and socioeconomic profiles remain diverse, it is clear that landlordism remains and is becoming even more concentrated among privileged households (Arundel 2017). While most landlords cannot be considered "super-rich" (Lloyd 2013), a small share holds increasingly large rental portfolios, setting the stage for rentier capitalism, i.e. wealth being generated passively through rent from wealth rather than productive economic means (Piketty 2014).[10]

3.5. Housing wealth, rising house prices and the economy

The arguments and evidence presented so far have focussed on the incidence and uses of housing wealth gains for individual households. Housing research has tended to focus upon the distributional, fairness and ABW consequences of housing wealth increases and shifts and reflected little upon the wider economic consequences, including wealth and income effects, of these housing sector driven changes.

There has been, however, a growing recognition that the gains driven by rising house prices have significant impacts on wider economic outcomes in metropolitan and macro-economies. We briefly summarise these insights below as some of the price rise effects may detract from societal wealth and income. We also believe it is important to draw attention to emerging work on these issues as economies and housing systems confront the economic consequences of the COVID 19 pandemic.

Rising house prices, driving increased housing wealth for some, are now seen to lie at the core of the crises of affordability for the homeless, low-income renters and younger potential homebuyers that have significant consequences for public spending budgets (Maclennan et al. 2019). There is also now a growing concern that the same processes are increasing economic and financial instability in some economies and reducing growth and productivity in others, and in consequence slowing and distorting the gains from effort and innovation.

Some economists (e.g. Buiter 2010) argue that housing wealth shifts within economies have a marginal economic effect only, as the increased wealth of owners as prices rise translates into reduced income and wealth for non-owners, so that transfer effects cancel out. However, there is emerging evidence and concern that high and rising housing costs and rents can significantly shape the trajectory of economies. We noted (Soaita et al. 2019a) that strong evidence has accumulated over the last two decades demonstrating that rising housing wealth levels impact household consumption, with estimates of 5-10% of gains augmenting current household spending. Rather than a cause for celebration, this has the effect of exacerbating economic cycles, heightening booms and deepening recessions, with house price changes having thus pro-cyclical effects on consumer expectations and spending.

Major international agencies, e.g. the IMF and the OECD, have also become increasingly concerned about the rising ratios of household debt to GDP in the liberal economies that have accompanied rising home prices and high homeownership rates. In these economies – our first group of countries in Figure 1 – rising mortgage debts have driven rising total housing debt ratios and raised concerns in some national economies, including Canada, the UK and Australia. A negative shock to the national economy with consequent high unemployment – and COVID 19 seems set to induce deep negative shocks until 2023 – is likely to prompt mortgage defaults at scale and trap households in negative equity. Housing wealth losses may well dominate the next five years, hamper financial stability and drag down growth and recovery rates reducing national wealth below potential levels.

In major metropolitan areas, especially in the liberal economies, the housing market pressures and price surges – and consequent wealth gains for existing owners – are now recognised to have had negative effects on productivity and growth. Some macroeconomic estimates for the US suggest that metropolitan price increases have driven economic activity away from peak productivity localities and reduced GDP by between 3-4% (Glaeser and Gyurko 2018) and 10% (Hsieh and Moretti 2019). Although there is much debate about the causes of metropolitan price changes, the consequences for households are now beginning to be researched. For example, Maclennan et al (2019) have demonstrated how high house prices in Sydney have forced younger and middle income households to move further away from the densest areas of job opportunities and this has weakened the 'matching' processes in urban labour markets in ways that damage the long-term labour market rewards for such households. A wide programme of research on the impacts of higher housing costs on income growth and stability in Australia is now commencing (Maclennan and Long 2020).

There are emerging debates at metropolitan and national levels about the effects of housing prices on economies, including income and wealth growth in the productive sector. The focus on household housing wealth gains and their uses is important, but needs to be set in the context of a wider systemic understanding of how housing outcomes, including the impact of house prices on the wealth creating strategies and capacities of cities and nations. There is a growing concern that rising house prices and individual housing wealth holdings are consuming the gains from agglomerating skills and innovation in metropolitan areas. And at the macroeconomic level, as economies now face major challenges of recovery and reconstruction, wealth growth based upon speculation and ownership of resources in short supply such as accessible metropolitan housing are unlikely to be tolerated as a dominant basis for future wealth growth. The challenges of understanding house prices, their housing wealth consequences and wider economic effects are just starting.

4. Conclusions

Taking an international perspective, we examined the social and economic implications of housing wealth inequalities for households. We focused on the potential of housing wealth to be mobilised to address family welfare and compensate for reductions in state-welfare support, on the effect of intergenerational transfers on social mobility, and on the implications of an increasing concentration of housing wealth through landlordism. Overall, we argued that housing wealth inequalities, stimulated by house price growth, reinforce inequalities related to labour market and family socioeconomic positions as well as inequalities of gender, generations and spatial divisions. COVID 19 has made these inequalities even more visible, but they are far from new (The RHJ Editorial Collective 2020).

We have qualified these statements within the institutional context of welfare/housing regimes. For instance, it was shown that homeowners are twice advantaged (as are tenants twice disadvantaged) as they accumulate independently housing wealth and financial wealth, but particularly so in the liberal countries where rents are deregulated and higher than mortgage payments; capital gains are substantial; and renting during

[10] Even though some landlords self-manage their portfolios (more in the UK than Australia), in most cases their labour input is minimal compared to the rental income received.

retirement causes old-age poverty. While housing wealth may offer some short-term relief and the potential to address sudden misfortune, it does so particularly for middle-income households as higher-income households have better options (e.g. savings, insurances) while marginal homeowners are already mortgage-stressed and unable to withdraw equity.

The liberal regimes of Anglo-Saxon countries dominate much of the existing English-language scholarship, obscuring the potential to learn of and from other countries' experiences. For instance, the post-communist countries are least present in this literature. Their approach to housing as home rather than an asset is particularly, albeit only theoretically (given its historic base), relevant to the rest of the world now when the COVID 19 pandemic has brought into focus the use value of housing (Byrne 2020) and the lived consequences of a toxic race for the accumulation of housing wealth, e.g. PRS tenure insecurity; mortgage indebtedness; lack of affordable housing (particularly in the liberal countries).

The UK-Germany contrast was particularly informative; it showed that the UK failure to manage homeownership growth and the expansion of landlordism *without* an effective strategy to mitigate house price and rent increases has shaped an economy where returns and wealth have increasingly been driven by 'rentier' capital (Maclennan and Miao 2017). Better managed housing markets have allowed Germany to focus more effectively on the education, investment and innovation infrastructures that promote a successful productive economy. Comparisons between the Neoliberal and Social-Democrat/Corporatist regimes seem most relevant from an Anglo-Saxon perspective but much can be learnt from the rest of the world; for that, more cross-country comparative scholarship is needed.

Focusing on the Liberal countries, a number of general points about housing wealth redistribution are apparent. Rising real rents across deregulated rental housing markets meant significant transfers of income, and potentially wealth accumulation, from tenants to landlords. Given the metropolitan dimensions of the processes driving these changes, it is the owners of property, owned or rented, who are capturing the housing gains from metropolitan economic growth. This shift is generally regressive, with transfers to better off rather than poorer households, and has undermined the traditional capacity of homeownership to reduce wealth inequalities, while also denying lower-income private renters the right to a decent home (Soaita et al. 2020). Housing wealth accumulation and its distribution is at the centre of the processes that drive the economy towards rentier outcomes that reinforce inequalities (Maclennan and Miao 2017; Piketty 2014).

More briefly, we also drew attention to emerging macroeconomic concerns about rising house prices and growing housing wealth inequalities as they affect the productivity and stability of economies and reinforce pro-cyclical spending, further deepening recessions. Taken together, we believe that, as economies now face major challenges of recovery and reconstruction, wealth growth based upon speculation and ownership of resources in short supply (e.g. accessible metropolitan housing), should not be tolerated as a dominant basis for future wealth growth. It is timely that the inefficient and indeed unfair effects that unequal housing wealth distribution has on households, local and national economies be addressed and contribute to post-COVID 19 recovery.

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