Young Europeans on the housing market:
Declining homeownership and the increasing role of family support

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The decades leading up to the financial crisis have seen a progressive narrowing of opportunities for young Europeans in entering homeownership. Although still over 70% of Europeans were homeowners in 2015, the discrepancies between generations are increasingly prominent. For older generations, having most of their financial equity in their home has increased feelings of security. However, the intensified commodification of the home has undermined housing careers, enhanced debt and stimulated new patterns of inequality among the adult children of these generations.

Over the past several years, the HOUWEL project at the University of Amsterdam has looked at the changing role of housing and homeownership in different European contexts and its increasing centrality in investment, security and welfare strategies. Through a series of interrelated projects, we examined the pathways of young adults through the early stages of their housing careers, the relationship between labour market opportunities and housing market position, and the ways in which older generations support younger ones in achieving homeownership. Our conclusions point to growing inequalities among young people, inequalities that propagate both along labour market and family wealth divides. A shrinking proportion of young people have the secure and stable jobs that enable pathways into homeownership. Parental support and resources - where available - have become increasingly a determinant of access to asset accumulation through the housing market. Alongside growing dependence, negotiating parental support can be considerably difficult and relies on the social norms of intergenerational relations.

From past growth to recent declines

In many ways, the second half of the past century reflected, a 'golden age' of increasing homeownership. Although differing in precise timing and conditions across countries, this was a period characterised by stronger labour conditions supporting a broad middle-class, and a sustained social and political backing of homeownership. Together, such conditions promoted a relatively widespread diffusion of owner-occupation. At the same time, the role of housing as an investment asset – beyond its basic shelter function – solidified, as housing became increasingly commodified. Along with a continued roll-back of state support and a push towards individualized welfare responsibility, mass homeownership came to be seen as a natural means to widespread household economic security.

However, while housing assets have become more important towards economic security, access to homeownership for many has been progressively undermined. The drivers of such declining access to the housing market have been crucial, and mutually reinforcing, changes in labour and housing markets across many developed economies. While the Global Financial Crisis looms large as an explanation for constrained housing careers, these trends pre-date the crisis yet have been exacerbated by its outcomes and resulting mortgage market readjustments.

Firstly, we can measure over the longer-term, gradually deteriorated job conditions for many, with the proportion of well-paid, stable jobs - those necessary for home purchase - dwindling. Even where unemployment rates are lower, evidence across European economies reveals increasing shares of employment contracts being temporary or part-time in nature. Young people in particular, have faced decreasing opportunities with the total proportion of young adults in employment shrinking and growing shares on very low incomes. While these trends are measurable over a longer-term, the pre-crisis period saw increasing access to mortgage credit which partly masked these labour market changes allowing continued home purchase.

However, the financial crisis of 2008 put an end to easy credit - a root cause of the crisis - and further worsened job prospects.

Looking at outcomes on the housing market, the HOUWEL research has measured stark reductions in access to homeownership across many European countries among younger cohorts. Alongside declining shares in homeownership, the number of young adults who stay on (or return to) the parental home has grown dramatically, prompting concerns about significant delays in young Europeans forming independent households - or a ‘failure to launch’. Meanwhile outside the parental home, increases in young people renting privately has supported the idea of a ‘Generation Rent’ in some contexts, particularly as high rents prevent these young people from accumulating the financial resources needed to access homeownership.

Such trends reveal breakdowns in traditional housing ladders for many young Europeans as well as growing socioeconomic inequalities. On the one hand, the gap between generations has widened, as both job prospects and homeownership access for young people have been undermined compared to those of their parents. On the other hand, within younger cohorts the gap between those that have access to resources to enter the housing market and those that don’t has also grown.

Increasingly, besides individual labour market positions, whether or not parents are able and willing to provide support in buying a home determines one’s chances on the housing market. In the UK, for example, nearly 75% of people aged 25-29 who entered homeownership in 2013 had parental support. This is up from only 27% in 2005. Similar increases in intergenerational dependence have also been seen in countries like Ireland, Italy and Spain, for example, where family help was already well embedded in housing practices. Indeed, even in countries associated with generational independence, like the Netherlands and Denmark, parental support has become an integral part of mortgage practices and central to homeownership access.

Support for homeownership and relationships between generations

Despite public debates pitting generations against one another, baby boomers against poor millennials, hardworking parents against lazy children, the HOUWEL study of intergenerational support shows growing dependencies between generations of families in different European countries. Support for young people’s homeownership takes many forms, dependent on family resources, the structure of the housing market and the welfare state. Financial support either in the form of deposits on a mortgage or larger amounts of ‘advance inheritance’ are common among families with more liquid assets. However, even among families with few liquid assets support in the form of prolonged co-residence that allows saving, or gifts of land or housing can help pave the way to homeownership for young adults.

There are of course, key differences in the norms that accompany support in different European countries. In our study we examined five cases from the UK, the Netherlands, Germany, Italy and Romania to shed light on different family practices. The key seems to be in the value placed on autonomy. Among North Western European families from the UK or the Netherlands, for example, parents actively nurture the autonomy of young adults. The case of the Netherlands is particularly telling, since even considerable financial support is usually disguised under a discourse of independence. For example, parents may buy an apartment with the express purpose of helping their children gain a foothold in tight urban housing markets like Amsterdam, but then charge them a modicum of rent to ensure that they know it is not ‘just a gift’. Alternatively, parents may facilitate access to mortgages either through a large initial deposit on a commercial mortgage or through a ‘familie hypotheek’, but frame the support as a personal investment rather than a way of helping children. In this way, through practices akin to market transactions and contractual agreements, both parents and adult children maintain autonomy.

In countries like Italy or Romania, meanwhile, relationships are more clearly dependent. Material support keeps children close, and even while some young people may feel trapped in the ‘gilded cage’ of a new home provided by their family, others perceive support as something they are entitled to. Changing aspirations away from models that emphasize intergenerational dependence and a strong family may prompt conflicts between young adults and their parents. However, the reality of need for support prevents younger generations from asserting too much independence and reproduces traditional family norms.

What is clear, however, is that closer bonds of material dependence between generations have become common across very different European welfare and housing market contexts.

Conclusions

So far government responses to shifting housing and economic conditions have largely failed to grasp their impacts on conventional housing careers, nor have policies taken into account the role of housing assets in widening inequality. Studies like HOUWEL, exploring the interface between housing and labour market trends, as well as family relations and support, are uniquely able to reveal how inequalities are reproduced through the housing market. Under conditions of welfare state retrenchment alongside rising employment inequality and insecurity, intergenerational dependence can only be expected to intensify. As the ability of young adults to pursue housing asset accumulation through their independent labour market position is increasingly constrained, wealth present within family networks enables differential access to further asset accumulation through the generations. The mechanisms for reproducing societal inequalities, therefore, need to be recognized both in the formal structures of the labour and housing markets and in the more informal norms of family reciprocity. Given the importance of housing assets towards household economic security, understanding how such changing intergenerational dependencies are negotiated and the wider consequences of such trends are essential.