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The end of mass homeownership?

Housing career diversification and inequality in Europe

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Publication date

2017

Document Version

Other version

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Citation for published version (APA):

Arundel, R. I. M. (2017). *The end of mass homeownership? Housing career diversification and inequality in Europe*. [Thesis, fully internal, Universiteit van Amsterdam].

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2. Younger Adults and Homeownership in Europe Through the Global Financial Crisis

Abstract

In the context of poorly performing national economies and sustained employment insecurity since the Global Financial Crisis of 2007– 2008, various UK and US studies have suggested that the transitions of younger people into independent living and into homeownership, in particular, have been in decline. Testing the wider validity of these findings for western European countries, this paper uses cross-sectional European Union Statistics on Income and Living Conditions data to deconstruct to what extent and on which basis pre-crisis to post-crisis changes in the living arrangements of 18– 34-year olds have varied across 15 European Union countries. Our results confirm a common trend towards diminishing access to homeownership, bringing about larger rental sectors in many countries. Yet, we are far from observing the rise of a ‘ Generation Rent’, because the stronger transformation process is one towards a higher share of younger adults living in co-residence with their parents. Our empirical study further demonstrates that the directions of these shifts may vary strongly across countries, where the crisis has in some cases undermined existing residential patterns and forced realignment in the living arrangements among younger generations. Moreover, the study suggests that, although higher post-crisis declines in young-age homeownership is also associated with adverse labour conditions, it seems to be primarily the volatility of more financialised housing markets that lead to increasing difficulties for younger people to realise housing ownership.

Published as:

Lennartz C., Arundel R., and Ronald R. (2015) Younger Adults and Homeownership in Europe Through the Global Financial Crisis, *Population, Space and Place*, doi:10.1002/psp.1961.

2.1 Introduction

It has been noted in the social science literature that although the rise of homeownership has been widespread across advanced economies in recent decades (Aalbers 2012; Ronald and Elsinga 2011; Schwartz and Seabrooke 2008), access to the owner-occupied sector has often been stratified unevenly across generations (Forrest and Yip 2012). This means that already up until the Global Financial Crisis (GFC) of 2008, opportunities for younger adults in stepping onto and moving up the 'housing ladder' towards property ownership had been in decline. Various explanations have been offered for this development: an acceleration of house prices appreciation; the casualisation of employment contracts; decreasing real incomes; prolonged education; and new patterns of family formation among younger people (e.g. Fisher and Gervais 2011;). Recent studies in the US (Dunne 2012; Mykyta 2012; Mykyta and Macartney 2011; Lee and Painter 2013) and the UK (Clapham et al. 2010; McKee 2012), which have been specifically identified as 'homeowner societies' (Ronald 2008), suggest that younger adults' struggles in housing markets have taken a turn for the worse since 2008, resulting in a growing share of co-residing adult children and, particularly so, in rising transitions to private rental housing. In both the media and the academic literature, this has popularised concepts such as 'generation rent' (McKee 2012), 'failure to launch' (Mykyta 2012), and 'boomerang kids' (Kaplan 2009) in describing contemporary housing conditions among younger adults in these countries.

Meanwhile, relatively little is known about the post-crisis housing outcomes of younger people across Western societies more broadly (for an exception see Aassve, Cottini and Vitali 2013). Although the crisis has been widespread and has manifested itself in one form or another in each context, countries have fared differently in terms of economic growth, labour market performance, housing market recovery, and social policy responses since 2008. Add to this the entrenched patterns of younger adult transitions into independent living across specific country clusters, it may be assumed that the described post-crisis developments observed in the English-speaking world do not necessarily hold in other advanced economies. The aim of this contribution is hence twofold. First, this study seeks to show descriptively to what extent shifts in the living arrangements of younger adults have varied across Western European countries in the post-crisis period. Do we indeed see the upcoming of a 'generation rent' and an increasing share of 'failures to launch' at the expense of the homeownership sector throughout Western Europe, as is the case in the UK? And second, it aims to identify explanations for potential cross-country commonalities and divergences of the post-crisis transitions. We thus seek to answer the questions if and how changes in living arrangements can be understood in the context of varying crisis experiences. By linking these two research foci the article provides new empirical evidence to the conceptual understanding

of changing housing transitions in young adulthood during economic recession periods and across different housing systems.

Our analysis of the literature proceeds in two parts. First, we seek to clarify why homeownership at a younger age should be considered as a property of a wider process of evaluating different living arrangement options – including the decision to initiate residential independence – with a focus on how these options vary between countries due to systemic and cultural setups. Following from this, the second part elaborates on how economic downturns may affect younger adult trajectories into and through housing markets. This results in the formulation of various assumptions on diverging post-crisis patterns in the EU 15. Hereafter, we will elaborate on our descriptive empirical approach using aggregated micro-level data from the cross-sectional EU SILC datasets as a measure of changing housing trajectories. We also establish an empirical strategy for linking these with various housing- and employment-related macro-indicators concerning the varying manifestations of the crisis. The paper will then present the descriptive results of this investigation and, finally, discuss these in light of our theoretical assumptions and what they might imply for social policy.

2.2 Theoretical Context

Home-leaving and the decision of whether to buy or to rent

The period of young adulthood is a key life stage that potentially combines several demographic events that are associated with the transition into a more or less independent life. It is here that individuals take decisions on leaving the parental home, employment paths, continuing or ending education, family formation, as well as where and in what type of accommodation they want to live. Ample research has shown that these events are interrelated, where one decision may increase (or decrease) the likelihood of another to take place (Beer and Faulkner 2011; Rindfuss 1991).

More precisely, younger adults' intended transitions into independent living, including a possible path into homeownership, are largely shaped by individual preferences for specific living arrangements and the relative perceived benefits of living in the parental home versus living independently in rented or owned accommodation (Coulter and Scott 2015; Mulder 2007). Whether one is able to act on a preference to start an independent household is then primarily determined by individual micro-level resources; this includes household income, savings, employment positions, job security, and the receipt of government benefits as

means to afford the continuous payment of the monthly rent or mortgage costs (Di Salvo and Ermisch 1997; Lersch and Dewilde 2015). Additional individual-level attributes ascribed with a higher likelihood of forming an independent household as well as buying property at young age are partnership and family status, (Aassve et al. 2002, Clark and Mulder 2002), as well as capacity and willingness of parents to support their adult children through financial inter vivos transfers (Goldscheider and Goldscheider 1999; Heath and Calvert 2013). Finally, geographical location can be a crucial individual resource as well. Given that housing markets and thus housing opportunities are strongly regionalised and localised, younger adults' purchasing power in the market is highly differentiated in terms of accessing and moving along the housing ladder across space (Hopkins 2013).

While individual-level resources are crucial in defining one's chances in local and national housing markets, ample research has shown that different cultural settings and housing institutional environments frame an individual's decisions across clusters of countries. Considering the variegations in housing system constraints, accessing homeownership as a first destination or at least at an early stage in adulthood has been shown to be strongly associated with the availability of easy and cheap mortgage credit. Where younger adults are able to almost fully borrow against the value of their future property, one can indeed find disproportionately high homeownership rates among the younger age cohort. At least before the crisis of 2008 this used to be the case in, for instance, the Netherlands, Denmark, Sweden and the UK (Mulder and Billari 2010). On the other hand, access to mortgages is limited through more stringent lending criteria in most of Southern Europe and many Western European countries (e.g. Austria and Germany) and, therefore, strongly depends on family wealth to meet down payment requirements (Castles and Ferrara 1996; Mulder 2007).

Furthermore, whether property ownership is indeed the most desired first destination of independent living and whether home leaving occurs rather sooner than later is also a function of how rental housing markets are structured. Where there is a wider range of affordable rental housing options, and where rent allowances are widely available for lower-income households (see Griggs and Kemp 2012), early home leaving is common and rental housing is most often the first destination of independent living (Mandic 2008). France, Germany, Austria (albeit to a smaller extent) and the Scandinavian countries are examples for relatively accessible rental markets in Europe, while in some continental European countries the availability of rental housing for younger adults is limited (e.g. Luxemburg, Belgium and the Netherlands) or it barely exists, as is the case in Southern Europe.

Cultural factors have a strong impact on home-leaving and tenure choice as well. Various studies (e.g. Albertini, Kohli and Vogel. 2007; Isengard and Szydlik 2012), for instance, show that the structure of parental support strongly differs between

country clusters that largely follow existing welfare regime classifications. In the more familialistic Southern and Eastern European countries, the younger generation is most often aided through co-residence. On the contrary, inter vivos financial transfers are widely applied support strategies for the residential independence of the younger generation in the more individualistic Northern European societies; and the continental European states fall somewhere in between. Iacovou (2010) specifies that the strong preference for prolonged intergenerational co-residence in Southern and Eastern European countries exists especially among parents, while Aassve, Cottini and Vitali (2013) demonstrate the impact of societal pressures on what is considered an acceptable age for home leaving. Mulder and Wagner (2001) add another perspective by demonstrating that a high social acceptance of cohabitation between non-married couples, which is more often the case in non-Catholic countries, is mainly associated with rental housing consumption, while homeownership is more often the first destination where home-leaving coincides with marriage – certainly, the causality may run the other way since inaccessibility of the housing market can delay such events.

Taken together, these studies then suggest that the timing of home-leaving typically influences housing tenure outcomes (see also Billari, Philipov and Baizán 2001; Buchmann and Kriesi 2011; Mulder and Cooke 2009). Those who postpone nest leaving are, depending on their relative financial status and their position in the labour, potentially in a better position to enter the homeownership market as the first destination. At the same time, the affordability and availability of housing directly affects the timing decision. Where housing is scarce and entering homeownership costly, younger adults are likely to stay longer in the parental home or move to rented accommodation. We are thus dealing with a complex decision-making process, in which a decision to buy housing property should be considered in the context of alternative housing options.

Changing housing trajectories and the crisis

It has been argued that younger people have been facing a more complex housing market environment since long before the crisis (e.g. Forrest and Hirayama 2009 and Mitchell 2006). Lower real incomes, more precarious employment conditions, the contraction of housing supply relative to the number of households, and higher mortgage deposit requirements have made home-leaving in general and access to homeownership in particular burdensome, if not impossible, for many younger adults. Forrest and Yip (2012) note that the post-fordist and post-industrial conditions have increased the complexities and unpredictability in the transition from youth to adulthood, making “Yo-Yo transitions” with false starts and semi-

dependency more regular housing pathways.

Various studies show how, through adverse effects on household income and job security at the individual household level and constrained housing (finance) availability at the macro level, the opportunities for younger adults to buy housing property and to initiate and maintain independent living are likely to further deteriorate in the course of a recession (e.g. Dunne 2012; Forrest and Murie 1994; Forrest and Kennet 1996; Mulder 2007; Mykyta 2012). Yet, there is surprisingly little research on how exactly younger adults react to and cope with economic stress with regard to their housing decisions and how and why this diverges across countries. And more importantly for the macro-approach of this study, there is also little evidence for answering the question of whether a declining post-recession homeownership sector is likely to manifest itself through increased rental housing opportunities or whether it primarily leads to prolonged stays in and more instances of returns to the parental home.

Building on the current understandings of the diverging courses of early housing careers, we contend that the following aggregated patterns of younger adults' post-GFC housing trajectories are most likely in the European Union:

Given that the GFC has affected all Western European countries, we expect to find [I] a widespread shrinkage of the homeownership sector among 18-34 year old households. In principle, the largest decline of homeownership rates should occur in countries that have been impacted most severely by the GFC. Yet, the term crisis in itself is rather meaningless, since it may reveal itself in various ways – it could connote, *inter alia*, a job market crisis, a housing market downturn, or a credit crunch for firms and households alike. To account for such distinct, yet interconnected crisis effects, the following assumptions guide our empirical investigation: notwithstanding that households who still have stable and secure jobs could potentially benefit from falling house prices, it is rather the case that the willingness to invest into housing property by households and the willingness to lend money for mortgages by banks decrease in adverse housing market environments (Neuteboom and Brounen 2011; Meen 2013). Accordingly, we expect to find [II] the largest declines of homeownership rates among younger adults in countries with the relatively highest house prices declines. In a similar vein, the labour market downturn in almost all European countries has led to shrinkage of employment rates among 18-34 year olds. This in turn has confined younger households' capabilities to consume owner-occupied housing (Andrew 2012; Billari and Tabellini 2012). Hence, we expect to find [III] the largest declines in property ownership in countries where employment rates have declined the most as well. Finally, and as was shown above, homeownership access of younger adults is strongly connected to the availability of mortgage credit. Recent studies (e.g. Aalbers 2012; Schelkle 2012) show that access to mortgage products has been

tightened particularly in those countries where lenient borrowing practices were applied before the crisis (e.g. UK, Netherlands, Denmark). Based on the assumption that homeownership access is highly sensitive to tightening mortgage finance, we expect to find [IV] the highest declines in homeownership among younger adults exactly in these countries.

The question remains which alternative housing trajectories of younger adults are becoming more frequent in the wake of (the assumed) diminishing homeownership access; do younger people stay in or return to the parental home or do they rent accommodation instead?¹ One might see the flexibility and low transaction costs in the rental sector as an advantage in crisis times, resulting in stable or even increased demand for such type of housing. However, Lee and Painter (2013) argue that because younger households are more likely to rent than to own property, “a larger depressive effect on the demand for rental housing in an economic downturn” should be expected, which in turn would lead to sharply increasing co-residence rates (see also Mykyta 2012). If we assumed that the UK is a reflection of a wider trend, we would have to expect that co-residence and particularly rental housing rates have increased throughout Europe in the post-crisis period. Yet, considering the entrenched housing trajectories of younger adults in Southern, Northern and Continental Europe, we assume [V] that the owner-occupied sector has primarily declined at the expense of the rental sector where access to it had been relatively easy in the past, i.e. in Northern Europe, Germany, and France. In contrast, relatively strong increases in co-residence rates should have occurred where parental support through prolonged co-residence is an integral part of the housing culture and access to rental housing is generally burdensome, i.e. primarily in Southern Europe.

1 Another way of sustaining independent living – both in the owner-occupied and rental sector – is the doubling-up of resources with non-relatives or family members other than parents. Mykyta and Macartney (2011) show a significant increase in non-family household arrangements in the US after the GFC. It could be expected that sharing has become a more frequent housing option in Europe as well.

2.4 Data and analytical approach

Data source

The EU Statistics on Income and Living Conditions (EU-SILC) from Eurostat was the primary data set used for the analyses. EU-SILC² was started in 2003 and was extended to the EU25 countries after 2005. The sample size of the cross-sectional survey is roughly 130,000 households or 270,000 individuals aged 16 and over with the reference population including all private households residing in the territory while generally excluding persons living in collective institutions (Eurostat 2013a).

Our analysis included the original EU15 countries for the 2007 and 2012 waves, where Ireland needed to be excluded entirely due to data unavailability, and the 2011 instead of the 2012 wave had to be used for the UK and Belgium due to data reliability and availability problems. It was decided to exclude the Central and Eastern European countries from the analysis, because their housing markets function very differently (e.g. super high homeownership rates) and can in many regards still be understood as developing housing markets – this is, *inter alia*, signified by immature mortgage markets and barely existent rental sectors in many of the New Member States (Mandic 2008).

Measuring changing trajectories – homeownership, rental housing, and co-residence

The main housing variables of interest are the tenure categories of respondents and their co-residence status. Accordingly, as a first step we determined whether younger adults were living in a household with one or both of their parents (step and foster parents included) or whether they lived residentially independent. For all respondents who did not live with their parents we could determine their tenure status, which were simplified to either being a ‘homeowner’ (including outright owners and mortgage holders), or a ‘renter’ (including market and sub-market rent). The residual category ‘accommodation provided for free’ was merged with the ‘living with parents’ (co-residence) category, since both depict the importance of the family in younger adults’ housing careers and, indeed, show strong

² EU-SILC surveys are collected by each member state on the basis of a common ‘framework’ monitored by Eurostat to ensure comparability of the classifications and data collected (Eurostat 2013b).

interdependence in the EU SILC sample.³ The percentage point changes in these three mutually exclusive categories from the 2007 wave to the 2012 wave (2011 for Belgium and UK) were then used to identify the changing housing trajectories of 18 to 34 year olds.

A general problem with the cross-sectional EU SILC dataset is that it is impossible to determine the previous type of accommodation of the respondent. Hence, we could not compute whether current homeowners were first-time owners when the survey was administered or whether they had been owners before. This resulted in the use of the percentage point changes in the rates of homeownership, rental housing, and co-residence rather than a more sophisticated and precise measure of changing trajectories. Similarly, the data did not allow for the separation of individuals who have never left versus those who have returned ('boomerang kids') to the parental home, and neither were we able to map whether parents moved into their children's home instead, which would indicate a reversed needs-support dyad. A last limitation of the data is that we cannot distinguish between the social and the private rental sector as potential destinations for nest-leavers and those dropping out of homeownership. This seems to be a key issue, since in many European societies social housing is the main generator of affordable accommodation. However, since EU SILC uses the rather arbitrary distinction of market and submarket renting rather than the private and social housing dichotomy that runs along differing price mechanisms as well as rules of access (see Lennartz, Haffner and Oxley 2012), we decided to merge them into one coherent rental category.⁴

Analytical approach

The paper relies on descriptive statistics to illustrate whether other countries have shared the UK path towards declining homeownership access among younger households at the expense of increasing co-residence rates and particularly rental housing consumption. To create a clearer picture on the pre-existing patterns of younger adults' living arrangements before the crisis and the shifts herein after the GFC, we used a combination of descriptive tables and Ward's cluster analysis. The

3 In the Southern European countries, second family homes are often occupied by adult children under use of usufructs, with the idea that full property rights will be obtained through inheritance (see Poggio 2008)

4 Although the results are not reported here, we investigated the respective percentage point changes for the market and submarket sectors in all countries and found evidence that increases in renting have almost exclusively occurred in the market-led sector. The data for this can be obtained from authors on request.

latter is a hierarchical agglomerative clustering approach that is particularly suitable for smaller samples and does not require predetermination of the number of groups, which is of crucial importance for the exploratory nature of this study. The procedure uses an analysis of variance with squared Euclidean distances to evaluate dissimilarity between clusters. Initially each case is considered a cluster in its own, which is followed by the sequential merging of similar cases. The dendrogram (see Figure 2.1) visualises the clustering procedure, allowing for the number of clusters to be reproduced by the reader. The actual clustering of the EU 15 countries was based on the three housing variables: the relative shares of younger adults (18-34) living with parents; the share of those living as homeowners; and the share living in rented accommodation, all measured at the country level in the reference year 2007 (for raw data see columns 2-4 in Table 2.1).

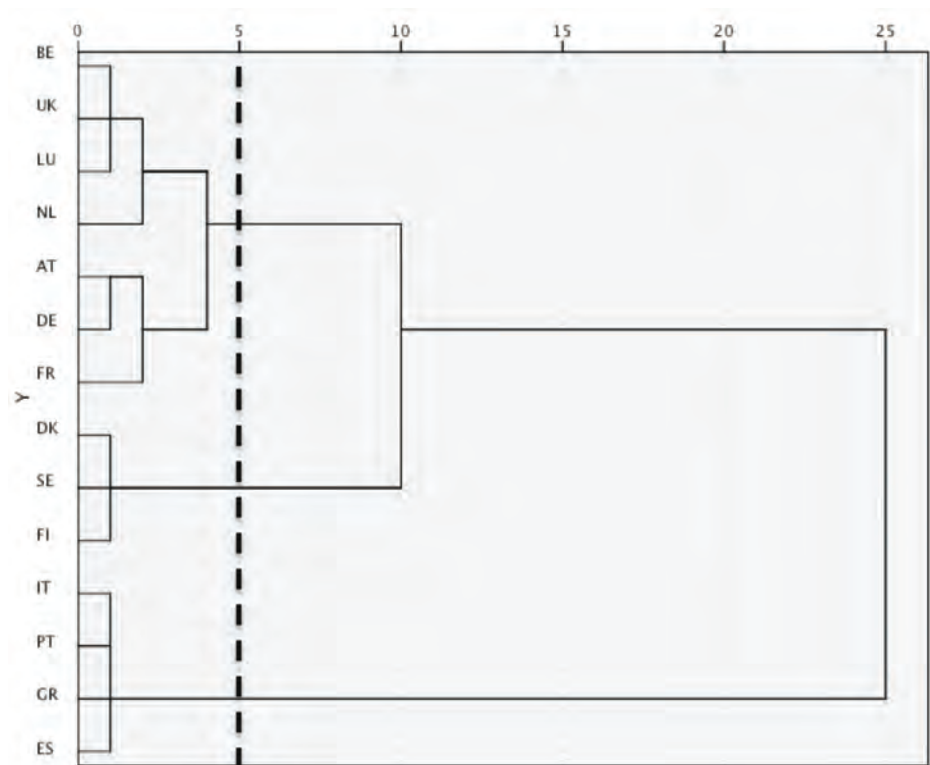
To identify potential explanations for common and diverging developments across countries, in a subsequent step we calculated Pearson's correlation coefficient between the three aggregated housing variables and six distinct crisis measures: developments in the employment statuses of younger adults are measured through (I) the percentage point change in *the employment rate among younger adults between 15 and 39 years* between 2007 and 2011, and (II) the pre- to post-crisis changes in *education enrolment rates* in the same period. The first housing-related crisis indicator is the country-specific *average year-on-year house prices change* between 2007 and 2011. It is used as a proxy for the willingness of consumers to invest in housing property and the inclination of banks to finance private households' housing investments, which both normally decline in times of house price depreciation (see theory section). *Mortgage debt to GDP (%)* in 2007 is used as a proxy for mortgage accessibility before the crisis and the changing eligibility and lending rules after the house price bust of 2008. The *share of housing allowance recipients among all renters in 2007* is used as a measure of government support in the rental sector, signifying how easy it is for lower-income households to access and sustain rental housing consumption.

2.5 Results

The dendrogram of the Ward's cluster analysis for homeownership, rental housing and co-residence rates among 18-34 year olds (see Figure 2.1) illustrates clearly the existence of three distinct country clusters of home leaving and tenure structures before the GFC. In the Southern European cluster (Italy, Portugal, Greece, Spain) a very high share of younger adults living with parents and very low rental housing rates indicate that home-leaving generally takes place at relatively old age; yet

if younger people leave the parental home before the age of 34, they are likely to become homeowners rather than renters. The Nordic countries (Denmark, Sweden, Finland) form the exact opposite case: both the rental sector and the owner-occupied market were highly accessible prior to the crisis, inducing early home leaving in both directions of residential independence. Continental Europe countries fall somewhere in between and can be subdivided into two groups. The ‘Continental European homeownership cluster’, (Belgium, Luxemburg, UK, and particularly the Netherlands) did have relatively high homeownership rates in 2007

Figure 2.1: Clusters of younger adults’ housing positions in EU15 countries (2007)



Note: Dendrogram using Ward Linkage. The clustering procedure is based on relative shares of younger adults (18-34) living with parents, living independently as homeowners, and living independently as renters. For each country the shares add to 100 per cent; the reference year is 2007; for raw data see columns 2-4 in Table 1.

Data Source: Eurostat - EU statistics on income and living conditions (EU-SILC), cross-sectional wave 2007.

and home leaving occurred at an average age. In contrast, younger adults left the parental home relatively early and renting was the more regular housing option for younger adults in France, Germany, and Austria (the ‘Continental European renting cluster’).

Taking these initial positions as starting points, Table 2.1 clearly depicts an emerging trend of decreasing homeownership rates among younger adults in the EU 15 in the post-crisis period 2007 to 2012. In line with our first assumption, we can clearly observe an environment in which homeownership accessibility and, possibly, being able to stay in the sector have deteriorated substantially. These are clearly not favourable times for younger people to purchase housing property.⁵ Backing the popular discourse in the UK media, the country has, together with Denmark (-12.4 pp), the highest decrease in homeownership rates among 18-34 year olds (-10.2 pp). A larger group of countries, including all Southern European nations, show a substantial decline of the owner-occupied sector as well, whereas Germany, France, and particularly Belgium show relatively stable homeownership rates. A noticeable pattern here is that countries with relatively high ownership rates before the crisis tend to be the ones with the highest declines in the 2007 to 2012 period.⁶

Bearing in mind the two alternative living arrangement options, Table 2.1 also reveals that – in line with our expectations – homeownership has diminished at the expense of both higher co-residence and rapidly growing rental sectors. Based on the observation that the share of rental markets has shrunk only in Sweden, Belgium, Luxemburg, and France (and only substantially in the latter), one may argue that the GFC has not only implied decreasing opportunities for younger adults to establish residential independence, but has mainly manifested itself in restricted access to the owner-occupied sector. A further salient finding here is that the directions of change have not clearly followed pre-existing country clusters surrounding younger adults housing transitions. Indeed, changing trajectories seem to be more country than cluster-specific, where for some countries the crisis has seemingly implied a shift towards new housing consumption structures among the younger generation. Peculiar cases here are the dramatic growth of rented housing in Spain, or the shift towards prolonged living with parents in Sweden and France.

Given that the 18-34 age category is relatively broad and arguably combines younger adults that have, if at all, only just started a life in residential independence

5 Even though the results are not reported here, an analysis of different subgroups has shown that homeownership rates have decreased significantly for all age cohorts within the 18-34 year old category, for both men and women, for all household types, as well as for working and economically inactive households.

6 Pearson’s correlation coefficient between the two variables is -0.6, significant at $p < 0.05$.

Table 2.1: Changing living arrangements of younger adults in EU 15 by age and country clusters, 2005-2012

	18-34 year olds			18-24 year olds			25-34 year olds			18-34 year olds			
	HO rate, 2007 (%)	Rental rate 2007 (%)	Co-residence rate 2007 (%)	HO rate 2007-2012 (pp)	Rental rate 2007-2012 (pp)	Co-residence rate 2007-2012 (pp)	HO rate 2007-2012 (pp)	Rental rate 2007-2012 (pp)	Co-residence rate 2007-2012 (pp)		HO rate, 2005 – 2007 (pp)		
Nordic countries													
Denmark	38.9	47.0	14.1	-12.4	8.8	3.6	-4	2	2.1	-13.3	13	0.3	-0.1
Sweden	42.2	41.5	16.3	-6.6	-0.7	7.2	-5.5	-7.5	13.0	-4.2	3.9	0.3	5.3
Finland	36.7	42.8	20.5	-3.1	2.2	0.9	-2.3	0.4	1.8	-1.9	3.3	-1.3	5.5
Southern European													
Greece	20.1	18.7	61.2	-3.8	1.9	1.9	0.1	-1.3	1.3	-5.2	3.7	1.6	0.8
Italy	22.8	12.4	64.9	-3.9	0.1	3.7	-1.2	-2.2	3.4	-2.5	3.0	-0.6	0.1
Spain	33.2	8.5	58.3	-7.2	6.5	0.7	-1.5	2.2	-0.8	-8.3	9.3	-1	1.2
Portugal	27.5	9.7	62.8	-5.6	2.8	2.8	-0.4	2.5	-2.0	-6.0	3.7	2.2	-2.4
Continental European													
-renting													
Austria	19.6	33.5	46.9	-4.4	4.3	0.1	-1.1	3.5	-2.4	-5.9	6.1	-0.2	-2.0
France	24.0	45.6	30.4	-1.1	-6.4	7.5	-1.8	-10.3	11.9	-0.4	-3.3	3.6	-0.6
Germany	15.3	46.3	38.4	-0.9	0.7	0.2	-1	0.3	0.7	-3.8	4.7	-0.9	-2.6
Continental European													
-owning													
Belgium ¹	31.5	28.8	39.7	-0.1	-0.6	0.7	1.2	-3.2	1.9	-0.1	1.5	-1.4	-3.6
Luxembourg	29.1	24.5	46.4	-2.0	-3.5	5.4	1.0	-3.1	2.0	-1.5	-2.2	3.7	1.9
Netherlands	40.1	29.9	30.0	-7.6	3.9	3.7	-4.5	4.0	0.4	-6.6	4.3	2.3	1.6
United kingdom ¹	33.4	25.8	40.7	-10.2	8.6	1.6	-3.3	1.9	1.3	-14.7	13.7	0.9	-0.5
<i>EU15² average</i>	29.6	29.6	40.8	-5.0	2.1	2.9	-1.7	-0.8	2.5	-5.3	4.6	0.7	0.4

Sources: own calculations based on EU SILC (Eurostat, 2013a); ¹Belgium & UK = 2007-2011 percentage point change; ² without Ireland

and those who are about to complete their transitions into adulthood through, for instance, the formation of a family, Table 2.1 also presents changing living arrangements for 18-24 year olds as compared to the 25-34 age cohort. The most striking finding here is that the reported shift towards co-residence has mainly occurred among the youngest age cohort, while 25 to 34 year olds have seemingly adapted their living arrangement towards continued residential independence, but then increasingly so in the rental sector.

The second part of the empirical investigation sought to decompose in what way similar post-crisis housing trajectories of younger adults follow parallel crisis experiences, both in the labour and the housing market. The first notable observation is that the recession period is not simply the continuation of pre-crisis housing trends (see last column, Table 2.1). Indeed, in some countries there has been a turn for the worse, with the most obvious crisis impact in Spain, Finland, the Netherlands and Sweden, where strong pre-crisis increases have been completely reversed in the five years following the GFC. Meanwhile, a number of countries show the continuation of a trend that has pre-existed to the crisis, yet not to the same extent – the UK, Denmark and Portugal are the most conspicuous examples for this.

The correlation analysis on the relation between changing housing trajectories and the various macro indicators in Table 2.2 shows the following results: in line with our theoretical assumptions, smaller decreases in homeownership rates are associated with a more positive development of employment rates among 15-39 year olds in the 2007-2012 period. This could be interpreted as a sign for a positive effect of more robust economies on the opportunities to invest in property at young age. Particularly Belgium, Germany and France are instructive examples for such a relationship. In a similar vein, where we see an increase in education participation on a national level, homeownership access tends to be relatively more restricted, while rental sectors have grown in these countries accordingly. Possibly, the increase of rental housing is, however, only a side effect of prolonged and returns to education. Younger adults who face difficulties in the labour market often use continued or additional education as a strategy to prevent unemployment (Clark 2011), which in turn increases the likelihood of living in rented accommodation.

It is also noteworthy that the worst labour market turmoil as experienced by the Southern European countries does not directly and necessarily translate into the largest homeownership decline; Italy and Greece, quite surprisingly, have been doing comparatively ‘well’ in terms of continued independent living and house purchase among younger people. A potential explanation for this might be that the very high absolute levels of living in the parental home before the crisis could imply that there was little opportunity for further increased co-residence – i.e. we might be dealing with a saturation effect, where those who can potentially live in

the parental home already had been doing so before the crisis.

The question then arises of why countries such as Denmark, the Netherlands, Sweden, the UK, and also Spain and Portugal as traditional late home-leaving countries ended up with the most drastic decreases in homeownership. Our empirical investigation shows that the strongest associations of declining homeownership rates among the young occurred, where house prices have fallen the most and particularly where house purchase prior to the crisis had mainly been achieved through the uptake of mortgage debt on financial markets. Hence, we tentatively claim that the empirical data supports the assumptions that the willingness to invest in property by young consumers and the willingness of banks to lend them money to do so deteriorate in a recession, with the effect of decreasing instances of property purchase. Or in other words, access to credit in countries with a market-led homeownership access model might in comparison still be more generous than in most Continental and Southern European countries; yet, within their country contexts, the possibilities to finance a house purchase have often deteriorated significantly (Aalbers 2012, Schelkle 2012), which has likely implied strong ruptures in the homeownership opportunities for more precariously employed younger age cohorts. And again, the fact that in these countries rental

Table 2.2: Housing market and socio-economic indicators in the EU15 by country clusters, 2007-2011

	Employment rate 15-39 year olds, change 2007-2011 (pp) ^a	Change in education enrolment rate ^b 2007-2011 (pp)	Housing allowance recipients among all renters (%) ^c	Average year-on- year house prices change 2007-2011 (pp)	Mortgage debt to GDP %, 2007** (%) ^c
Nordic countries					
Denmark	-7.20	0.74	34.08	-4.70	92.90
Sweden	-1.60	-0.49	14.90	3.30	65.50
Finland	-2.60	3.06	64.21	2.90	34.30
Southern European					
Greece	-7.00	2.60	5.91	-3.00	30.50
Italy	-5.00	0.36	5.52	0.80	17.50
Spain	-11.20	3.24	2.32	-5.00	61.40
Portugal	-3.50	2.56	3.90	1.50	59.70
Continental European - renting					
Austria	-0.70	3.09	10.09	2.80	24.00
France	-0.80	-3.05	55.80	0.90	34.60
Germany	2.60	-3.79	4.71	1.40	47.60
Continental European - owning					
Belgium	-1.20	2.93	0.58	3.40	37.70
Luxembourg	-1.90	-2.54	2.57	2.30	39.10
Netherlands	-3.80	3.11	24.08	-1.50	97.80
United Kingdom	-3.30	4.98	31.66	-0.60	85.00
All countries ¹ - Pearson's R with:					
HO change 2007-2012	.560*	-.451	-.143	.621*	-.788**
Rental change 2007-2012	-.520*	.691**	-.011	-.587*	.592*
Co-residence change 2007-2012	.080	-.527*	.227	.104	-.112

Sources: a Eurostat 2013c; b own calculations based on EU SILC (Eurostat, 2013a); c EMF, 2012; 1Belgium & UK change = 2007-2011 ;

** p < 0.01 (1-tailed), * p < 0.05 (1-tailed).

housing has taken up most of these potential house buyers – see the high positive correlation coefficients between rental housing growth and house price depreciation as well as the contraction of mortgage credit availability – shows that Europe is not dealing with a wider crisis of the housing market and more constrained transitions into residential independence, but is primarily facing a problem of higher barriers towards housing property ownership.

2.6 Discussion and conclusion

The housing literature and popular media in liberal ‘homeowner societies’ have discussed at length how the Global Financial Crisis aggravated a trend towards declining homeownership access among younger adults. This has been associated with a concomitant growth of the rental sector and increasing rates of younger people living with parents. With the aim of exploring the wider validity of this understanding, this paper sought to deconstruct younger adults’ housing trajectories across the EU 15 after the Global Financial Crisis through the examination of aggregated micro-level data from two waves of the cross-sectional EU SILC dataset (2007 and 2012). In addition to a descriptive analysis of emerging trends across Western Europe, special attention was given to how much changing trajectories coincide with specific crisis experiences, as well as pre-existing housing systems and home-leaving cultures of younger adults across the European continent.

The key empirical findings of the study are two-fold: First, we can conclude that these are indeed not favourable times for younger adults to move into the owner-occupied sector. More accurately, the post-crisis period has seen sharp drops in homeownership among 18-34 year olds, with the Northern European countries as frontrunners in this development. Furthermore, the research has brought to the fore how much the rental sector has thrived in many countries under conditions of homeownership market insecurity. It has become clear that the ‘Generation Rent’ narrative popularised in the UK presents a situation that is also salient in the housing markets of Denmark and Spain. In most country cases, however, the post-crisis housing outcomes have been more variegated and, actually, the growing share of co-residing adult children has often been the larger transformation process. Within these broader trends, our empirical study further showed that post-crisis change has not necessarily followed the established housing trajectories among younger households across Western European countries and country clusters. More precisely, our investigation refutes the notion that a shift from homeownership to increased co-residence is likely to happen where late home leaving is a cultural norm. Equally, a relatively strong growth in rental housing did not necessarily occur

in countries where the rental sector was more established prior to the crisis. And finally, evidence was provided that the crisis period instigated a reversal of positive pre-crisis trends in many homeownership sectors. Linking all of these findings, we contend that our article clearly supports the thesis that the Global Financial Crisis, and thus economic crises in general, may significantly undermine existing residential patterns and might, actually, force realignment in living arrangements among younger generations.

Second, our study suggests that levels of change in housing trajectories do not simply reflect how hard individual countries were struck by the GFC. Certainly, we identified that a relatively benign labour market environment may imply relatively better opportunities to still invest in housing property. Yet, it is mainly in the countries that had pursued the ideal of owner occupation most rigorously, often through the institutionalisation of market-led financing mechanisms and the uptake of high levels of mortgage debt before 2008, where homeownership rates have dropped most substantially. We suggested that the possible mechanism behind this is the relatively stronger effect of tightening mortgage lending on opportunities for house purchase in housing systems where consumers and banks were accustomed to easy credit. In that regard, this study testifies to potential adverse effects of more financialised housing systems and – although further empirical engagement with this question is needed – how they may create volatile markets under which not only, but especially, younger adults may face increasing hardship during economic downswings (for a similar argument see Kennett, Forrest and Marsh 2013).

By combining the home-leaving event with tenure choice decisions in an aggregate perspective, the patterns identified in this study provide an important empirical basis for understanding shifting housing transitions among younger people, and the role the GFC has played in forcing these changes. Nevertheless, it should be clear that there are limitations to what can be drawn from our descriptive macro-analysis. Rather than only looking at aggregate data at the country level alone, better understanding is needed of the factors that enable, constrain and influence housing decisions of younger people at the individual or household level in recession periods. Accordingly, further study, possibly through multivariate multilevel analyses, is necessary in order to more effectively understand how all of these factors interact.

Finally, in regard to policy, why should we be so concerned with accessibility to the owner-occupied sector for younger adults? Potentially, an affordable, easily accessible, and secure rental housing sector can facilitate transitions into adulthood and provide a secure basis for the formation of a new independent household as much as owner-occupied housing. After all, extended periods of renting are typical in countries such as Germany, Austria, and France, and it is highly unlikely that anybody would call them regressive with regard to their entrenched housing

cultures. Accordingly, one might argue that policy makers should not care about access to homeownership per se, but should primarily be interested in access to decent housing for younger adults. However, rental housing markets are often neither affordable nor secure and thus tend to be perceived as an inadequate housing alternative in many societies. And indeed, recent rental housing policies in many countries, especially those dominated by a home ownership ideology, have aimed to further recommodify the sector through various deregulation policies. This, in turn, has sustained aspirations to acquire housing property as early as possible despite mounting uncertainties concerning homeownership since 2008. Hence, from a social policy perspective, the broader question remains how to secure the availability of decent housing for younger adults who want to live independently. Yet, engaging with the impact of the crisis on flows of younger adults into homeownership appears imperative, nonetheless. Policy makers also need to focus on and understand better how stable access to homeownership for younger households can be safeguarded in times of enduring economic stress and prolonged precarious job markets, and – as this study proposes – particularly so in the more volatile and financialised housing systems.