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The end of mass homeownership?

Housing career diversification and inequality in Europe

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5. Equity Inequity: Housing Wealth Inequalities, Inter and Intra-generational Divergences, and the Rise of Private Landlordism

Abstract

There is much evidence of rising inequalities across advanced economies. This paper argues for the special position of housing equity in inequality dynamics while challenging a persistent ‘ideology of homeownership’ as a widespread and equalising mechanism of asset accumulation. Contemporary dynamics of diminished homeownership access contrast to the continued attractiveness of real estate among those with capital and recent growths in private landlordism. The research presents an explorative examination of the housing wealth dimension of inequality through the British case and assesses empirically the dimensions of: equity concentration, inter and intra-generational divergences, and the role of private landlordism. The research points to the starkly concentrated nature of housing equity and significant trends towards increasing disparities, with especially disadvantaged prospects among younger cohorts. The recent emergence of a substantial secondary rental-property market presents a further key dimension of wealth concentration. The research underscores the fundamental inequality of housing equity and brings into question rooted ideologies of housing-asset-based economic security in an era of individualised welfare responsibility.

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5.1 Introduction

There is no doubt that many advanced economies have found themselves in a period of rising inequalities. Piketty's (2014) *Capital in the Twenty-First Century* has put both an academic and public spotlight on economic inequality. Evidence out of the United States has pointed to a steady rise stretching back to the end of the 1970s (Saez and Zucman 2014), where the share of income from the top 10% of households rose from under 35% to nearly 50% in the 2010s and wealth shares from 65% to over 70% (Piketty 2014). Recent analyses, have only pointed to even sharper divergence in many countries in the post Global Financial Crisis (GFC) years. While lower and middle-class households saw evaporating financial opportunities, the very top earners regained much of their wealth during the so-called 'recovery' where, in the US, up to 95% of accrued gains went to the top one percent (Stiglitz 2012). Similar trends have been identified to varying degrees across OECD nations (Nolan et al. 2014) with Anglo-Saxon countries displaying particular congruity in steadily rising inequality since the late 1970s or 80s (Hills 2010).

While income and total wealth have been the focus of much recent inequality research, Piketty's analyses and the subsequent academic debate, have put a spotlight on one specific – and contentious – dimension of wealth: housing. Rognlie (2014; 2015) and Bonnet et al. (2014) have taken issue with Piketty's interpretations of capital for neglecting to adequately deal with the primacy of housing in driving capital shares. While Rognlie (2015) rightly identifies the central role of housing in recent wealth dynamics (going so far as to propose a retitling of Piketty's seminal work to *Housing in the Twenty-First Century*), the author prematurely dismisses property wealth as being of lesser importance to inequality. Allegré and Timbeau (2015), however, rebut dismissals of the role of housing (i.e. Rognlie 2015; Bonnet et al. 2014) asserting its real importance as a store of wealth for current and, through bequests, future generations. In contexts of rising housing prices combined with divergence in access to ownership, housing wealth becomes a clear dimension of rising inequality (Allegré and Timbeau 2015) – conditions reflected across many advanced economies in recent decades. These debates on the role of housing capital, rather than dismissing inequality trends, emphasise a refocus on the central dimension of housing in understanding contemporary inequality.

Recent institutional and socio-economic developments have further reinforced the importance of housing wealth. Welfare residualisation and shifts towards asset-based welfare have implicitly or explicitly emphasised the role of housing wealth towards individualised economic security (Doling and Ronald 2010). At the same time, labour and housing market changes alongside reduced state support have created unfavourable conditions for younger adults in purchasing onto the housing ladder (McKee 2012; Lennartz, Arundel, and Ronald 2015). While many of these trends stretch back several decades, the recent economic crisis has intensified likely

drivers of diminished housing wealth attainment for many younger, lower-income and more precarious households. On the other hand, housing price gains over the long-run and recoveries post-GFC have led to additional wealth accumulation among those most successful on the market. Particularly striking is the recent growth of secondary properties in some countries as investments to accommodate a growing class of – mainly younger – renters (Kemp 2015). Nonetheless, the role of property wealth in stratification and the effects of recent institutional and socio-economic changes on inequality dynamics have not been suitably understood or empirically evaluated.

Much existing literature on housing wealth distribution in what may be called advanced ‘homeowner societies’ (Ronald 2007), was published under considerably different contexts at the turn of the century (see Hamnett 1991; Hamnett 1999; Forrest, Murie, and Williams 1990; Hancock 1998; Henley 1998). While there has been recognition of inherent inequalities (see Henley 1998), past research has often focused on the historical role of growing homeownership in diminishing wealth disparities and the more widespread distribution of housing equity¹ compared to other assets (Hamnett 1999; Hancock 1998). This has resulted in optimistic outlooks towards potentially diminishing housing wealth inequality (Hamnett 1991) and the role of housing assets in creating widespread wealth accumulation (Hancock 1998; Malpass 2008). Past contexts of strong economic and labour conditions, socio-political backing for homeownership, alongside supportive policies led to a ‘golden age’ of increasing homeownership rates across Europe and North America – albeit differing in precise timing and conditions (Kurz and Blossfeld 2004; Forrest and Hirayama 2009; Conley and Gifford 2006). These circumstances contributed to an optimistic ‘ideology of homeownership’ as a widespread and democratic means of economic security and wealth accumulation. Early analyses of housing and inequality under homeownership expansion endorsed its equalising capacity as a mechanism for the democratisation of wealth (Atkinson 1983; Atkinson and Harrison 1978) with the ideological-political landscape subsequently remaining one of essential consensus in the commitment to homeownership and the superiority of the market (Forrest and Hirayama 2009). Recent interpretations of the role of housing in inequality perpetuate the view of a ‘broad ownership’ of housing (Rognlie 2015) and motivate claims that house value dynamics have inequality effects which are of a second order or even ‘redistributive’ in nature (Bonnet et al. 2014:9). In these contexts of expected homeownership expansion, those not entering owner-occupation have often been overlooked (e.g.

¹ Housing *equity* is used throughout the paper and, following standard definition, represents the housing wealth at a point in time as the assessed value of all properties net of all mortgage debts.

Hamnett 1999). The contemporary reality, however, reflects instead decreasing homeownership access across many advanced economies (Lennartz, Arundel, and Ronald 2015) undermining assumptions of broad ownership diffusion. This paper contends that continued optimism may be biased by lag effects of specific historically favourable periods. Furthermore, the very fact that property remains the largest asset for most households only strengthens the need for a holistic consideration of equity outcomes and inequality trends including non-homeowners as well as more or less successful players on the property market. Finally, while key to current and potential future economic security and capital accumulation, the crucial intergenerational dimension of housing equity through inheritance or intra-vivo transfers only underlines its centrality in the longer-term reproduction of inequalities.

In understanding the housing dimension of inequality, there both appears to be significant congruities among many advanced economies as well as specific contexts where housing dynamics have been the most salient. Anglo-Saxon countries seem to especially stand out in both trends of worsening inequalities (Hills 2010; Piketty 2014) and the special role of housing in what may be termed advanced 'homeowner societies' (Ronald 2007). The UK provides a prominent case where an arguably entrenched ideology of homeownership as a broadly distributed asset is increasingly confronted by the reality of divergent housing opportunities and uneven equity accumulation. These housing wealth processes are interconnected as both reflecting and potentially exacerbating other dynamics of inequality. In many recent measures of inequality among countries of Western Europe and North America, the UK stands out as second only to the US (Stiglitz 2012; Dorling 2014). The outcomes of the GFC and subsequent austerity policies saw evidence of widening gaps between the lowest and highest-paid with especially limited economic opportunities for the youngest cohorts (Hills et al. 2012; McKee 2012; Forrest and Hirayama 2009). While within the UK recent public attention to housing dynamics of inequality has grown, the British case provides key insights for processes that appear across many advanced economies to varying degrees (Lennartz, Arundel and Ronald 2015; Nolan et al. 2014; Piketty 2015), yet have received little international attention.

Research

Considering the changing contemporary socio-economic reality of advanced homeowner societies and the lack of a housing focus in recent inequality literatures, this paper echoes the plea of Dorling (2014) in arguing for a better understanding of the housing wealth dimension of inequality dynamics. While there is little

realistic sense in arguing for absolute equality (Stiglitz 2012, Piketty 2014), there is a compelling need to consider the extent that high levels of inequality are justifiable and, most importantly, scrutinise shifts towards worsening wealth disparities.

The paper proceeds in three parts. Firstly, setting out by arguing for the special position of housing and why it matters for contemporary inequality dynamics. The research then outlines the key current drivers behind potentially increasing housing wealth disparities across advanced economies. Lastly, the study turns to the British case as a prominent example of dynamics of housing wealth inequalities in an advanced homeowner society and empirically investigates through an exploratory lens the following key questions: *To what extent is housing equity a widespread or strongly concentrated asset and what are the recent trends in housing equity inequality? What are the dynamics of inter and intra-generational housing equity inequality? And what role do secondary rental property investments play in housing wealth concentration?*

5.2 Why does housing equity matter?

In this paper, the argument is made for the special position of housing property in the dynamics of wealth inequalities. Simply speaking, housing equity can be considered as one component of the economic portfolio of households, which includes income stream, other financial savings and further capital wealth, such as stock investments and business holdings – net of total debts. Previous studies in economics and social stratification have focused on income inequalities as well as divergences in total wealth holdings (see Vitali, Aassve, and Furstenberg 2014; Piketty 2014; Atkinson, Rainwater, and Smeeding 1995). While other assets may be of importance, it is proposed that housing plays an essential role that deserves particular attention in understanding the dynamics of societal inequalities for the following crucial reasons.

Housing as the largest financial asset

Capital returns from stocks and other business holdings have received much attention in analyses of inequality as they often display extreme concentrations among the most wealthy. The fact that property wealth often remains a more ‘equally’ distributed asset than others, such as income, stocks or business holdings (Appleyard and Rowlingson 2010) has to some extent falsely shielded it from scrutiny as an explicit dimension of inequality. However, it is also precisely because

other asset holdings have never represented any significant source of wealth for the vast majority of households that they are less significant to the economic prospects of most (Saez and Zucman 2013; Kurz and Blossfeld 2004). On the other hand, housing commonly represents the largest financial asset held by most households (Rowlingson and McKay 2012).² In advanced homeownership societies, owning property has been a widespread achievement, albeit most notably during certain cohort periods, and thus for many households acts – or is perceived to – as an essential vehicle for storing and accumulating household wealth (Doling and Ronald 2010). Especially in the Anglo-Saxon liberal countries of the UK, the US, Canada and Australasia, homeownership has reached very high peak shares ranging from 64 to over 70% in recent decades (Ronald 2007). Considering a majority of households in such ‘homeowner societies’ are financially engaged with the housing market, yet with very differentiated outcomes, it is clear that housing prospects are key to economic inequality.

Does housing equity matter as household wealth?

In arguing for the centrality of housing in inequality dynamics, there are two key critiques that should be addressed. The first centres around the fact that housing equity represents a financial asset that is considered more difficult to quickly or fully capitalise – being infrequently sold or traded – and therefore equity values ‘on paper’ may not reflect real accessible wealth (Bonnet et al. 2014; Buiuter 2008). It is true that there are various reasons why a household may not realise housing wealth even in periods of some need, from a reluctance to sell because of attachment or the difficulty of realising a suitable alternative dwelling. Dismissing housing wealth because of the difficulty of quick capital realisation is, however, short-sighted. The fact is that when it comes to real outcomes of inequality, housing wealth matters both in the present and, even more so, over the longer-term. While not as liquid as other capital, housing wealth can still be leveraged and, in some cases, act as a catalyzing agent for the accumulation of more capital. These include more abstract notions of savings from imputed rent (Richardson and Doling 2005; Tunstall et al. 2013) and indirect benefits of higher housing quality which may act as a better locus of intra-family exchanges of welfare support (Druta and Ronald 2016) or better locational access to superior job markets and schools (Sherradon 2003;

² Housing in the UK accounted for approximately 37% of household wealth over 2010-12 (ONS 2014) and is only matched by private pension holdings (ONS 2014). Pension wealth arguably does not play the same role as its access is limited to a certain age group, within which there is little exemption, and it is generally not directly transferable across generations.

Dorling 2014). More directly, mechanisms of equity release can leverage housing wealth for other household investments (Lowe, Searle, and Smith 2012). Beyond numerous implications in the short and medium terms, housing equity can play an even more essential role over the longer-term in reproducing inequalities over generations though transfers of housing wealth via inheritance; especially when housing values rise alongside discriminant access (Allegré and Timbeau 2015). This is in addition to ‘intra-vivo’ transfers from parents whether indirect support or leveraging equity to help purchase their own home as a normalised means by which housing pathways are reproduced over generations (Druta and Ronald 2016).

What about alternative tenures and forms of savings?

A second critique regarding the focus on housing equity is the contention against placing too much supremacy on owner-occupation and that rental tenures can provide a suitable alternative means of dwelling. While rental may indeed provide comparably adequate shelter – with potential benefits in terms of short-term flexibility (Kemp and Keoghan 2001) – this neglects the aforementioned medium direct and indirect benefits that can be leveraged through ownership and equity. Furthermore, in many countries – especially more (neo-)liberal contexts such as the UK – social rental housing has become increasingly residualised and difficult to access (Henley 1998; Kemp and Keoghan 2001). While it may provide affordable housing to an important minority,³ the buffering subsidy of below-market rents in no way counteracts the type of housing wealth concentrations at the higher end of the spectrum. Private rental options, on the other hand, often suffer from issues of affordability and precarity (Kemp 2015).⁴ While tenants are clearly excluded from accumulating housing wealth, it can be contended that alternative tenures may ‘free-up money’ for other investments thereby balancing out potential accrued property gains. However, this does not appear to be empirically supported where, as previously mentioned, other financial savings are of little importance to a vast majority of households (Kurz and Blossfeld 2004). If foregoing home purchase allowed adequate substitute investment, it could be expected that including other financial wealth and savings would temper inequalities, however, there is evidence for the opposite effect. In terms of the vast majority in such homeowner societies,

3 Roughly 17% of households across the UK were in public housing in 2014 (DCLG 2014). Whereas the sector is smaller and residualised in England, in some contexts such as Scotland public housing represents an important alternative for a larger proportion of urban households.

4 In terms of the UK case, the quality of private rental options is contingent on substantial regional variation in affordability and jurisdictional differences where, for example, weaker tenant rights are evident in England versus Scotland.

there simply is no evidence of a clear substitute mechanism of saving and capital accumulation. This is further reflected on the macro-scale by the preeminent growth of housing wealth in the share of capital across many economies (Piketty 2014; Rognlie 2015; Bonnet et al. 2014). Lastly, when it comes to a fundamental longer-term perspective on the dynamics of inequality, housing equity is essential in considering reproductions of stratification across generations – a degree of inheritable wealth lacking for most non-homeowners.

Housing and asset-based welfare

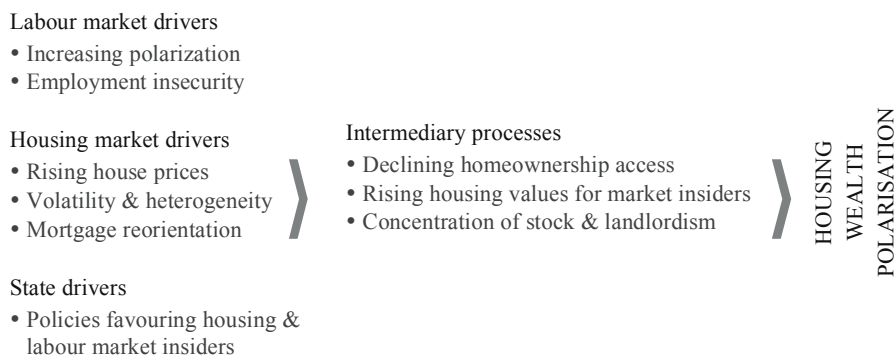
Further underscoring the salience of homeownership and housing wealth is the erosion of traditional state support and the attendant promotion of ideals of an individualised ‘asset-based’ welfare. In the face of a rollback in state welfare in many advanced economies, accumulating private housing equity has become a major means towards financial security (Doling and Ronald 2010; Saunders 1990; Conley and Gifford 2006). Widespread homeownership was either explicitly or implicitly promoted as a means of shifting welfare responsibility onto private households and the market (Forrest and Hirayama 2009), especially in leveraging property equity for retirement (Tunstall et al. 2013). Housing was seen as the most suitable means of government supported saving (Doling and Ronald 2010) with Malpass (2008) declaring homeownership as the ‘cornerstone’ of the new welfare state. The interrelated residualisation of welfare support and the promotion of individualised asset-based welfare has sharply increased the salience of housing equity, while those that have been shut out or fared worse on the housing market are left with increasingly diminished alternative resources.

5.3 Drivers of Increasing Housing Inequality

Essential to understanding the housing wealth dimension of inequality is recognising the contemporary drivers that may be stimulating growing divergences. The focus of the discussion herein is not intended as an exhaustive overview – recognising the inherently complex nature of inequality dynamics that involve a multitude of often interacting factors – but rather to delineate the key identifiable forces behind contemporary housing wealth concentration. Recent drivers can be identified across three interrelated domains. Firstly, fundamental transformations in the labour market over recent decades have resulted in both dynamics of growing polarisation and rising employment insecurity undermining

the widespread economic capacity needed for homeownership access and equity accumulation. Secondly, within the housing market, rising house prices, volatility and heterogeneity alongside crucial mortgage system changes brought forth by forces of financialisation have both exposed less wealthy homeowners to increased risk as well as divided homeownership access and concentrated wealth. Lastly, state policy approaches have tended to reduce support for economically vulnerable populations while favouring the interests of labour and housing market insiders. Taken together, these underlying drivers have promoted significant trends in growing housing wealth inequality through processes of reduced access onto the homeownership market for many, especially young first-time-buyers, continued rising property values of market insiders and a concentration of the housing stock. The following sections outline these key drivers and intermediary processes of contemporary housing inequality across advanced economies (summarised in Figure 5.1) with a special focus on the British situation.

Figure 5.1: Key drivers of housing wealth polarisation



Labour market drivers

Underlying dynamics of diverging housing wealth have been fundamental transformations in the labour market that have undermined the economic capacity of many households and particularly affected homeownership opportunities. Over the longer-term, economic restructuring towards ‘flexibilisation’ and ‘individualisation’ have significantly weakened elements of economic certainty that existed under previous Fordist conditions (see Beck 1992; Giddens 1999). Labour markets have seen progressive shifts towards increasing polarisation and employment insecurity, such as through higher youth unemployment,

underemployment, contract precarity and income disparities (see Arundel and Doling 2016; Buchman and Kriesi 2011; McKee 2012; Nolan et al. 2014). Rising income inequality has been measured across many advanced economies (Saez and Zucman 2014; Piketty 2014; Nolan et al. 2014) prompting narratives of *the hollowing out of middle classes* or *the squeezed middle*. While unemployment levels have fluctuated with economic cycles, even when employment opportunities return, these are less likely to be full-time or stable with rising levels of involuntary part-time or temporary contracts across advanced economies (Arundel and Doling 2016; OECD 2016). These transformations have fundamentally eroded stable middle-class jobs: the standard pre-conditions for entering the housing market and accumulating equity. Even where income may be sufficient, precarious employment often deny access to mortgage credit as well as impacting the decision to invest in home purchase when anticipating a moving need (Coulson and Fisher 2002). Compounding these trends, growing demands for a better-educated workforce have both delayed and further differentiated labour market entry, as well as often implying substantial debts upon graduation especially among those with more disadvantaged backgrounds (Buchmann and Kriesi 2011; Hills et al. 2013).

Taken together, these labour market dynamics have clearly exhibited a significant intergenerational dimension with young people particularly affected by reduced economic capacity, rising employment insecurity and increased educational indebtedness. Evidence from the US and the UK show a decrease in relative incomes of younger people over the longer term since even before the crisis (Andrew and Pannell 2006; Bell and Blanchflower 2011), whereas recent labour market difficulties have further most affected younger generations and those already in more precarious positions (Hills et al. 2012; Clapham et al. 2010; McKee 2012).⁵ While labour market restructuring may have more limited effects on the housing circumstances of established owners – who have substantially paid off their housing loans – they strongly impact those at the beginning of their housing careers.

Housing market drivers

In combination with changing labour conditions, housing markets have seen transformations over recent years that have likely further contributed to housing

⁵ Comparing data from 2006-8 to 2010 in the UK, real wages for employees in their 20s fell by between 5 and 8% for both men and women and 8 to 10% for lowest-income employees. On the other hand, wages grew 2% for those in their late 50s (Labour Force Survey in Hills et al. 2012).

wealth divergence. Two key interconnected housing market drivers have been rising house prices and mortgage system changes. These dynamics can both be placed within the broader context of the commodification and so-called ‘financialisation’ of housing markets. Although acting in complex ways, the broad outcomes of financialisation trends have seen a flow of investment into property markets, expanded mortgage credit allowing many households to leverage increased capital for housing purchase – with mortgage loans becoming the default means to housing access (Saunders 1990; Lennartz, Haffner and Oxley 2012) – and an embedding of real estate into (global) circuits of capital (Aalbers 2008; Aalbers and Christophers 2014). Such processes have been felt with special intensity in those countries combining strong neo-liberal agendas with a committed ideology in homeownership, such as the UK and US (Rolnik 2013; Ronald 2008). While a pre-crisis growth in credit did, on the one hand, allow homeownership entry to lower income households, this was achieved through extending loans to increasingly risky borrowers usually at higher costs – so-called ‘subprime’ loans often hidden behind opaque agreements – exposing the most precarious buyers to high levels of financial risk.

On a macro-level, Stiglitz (2012) demonstrates that the increased availability of credit means that those holding assets that can be used as collateral, especially property, see them increase in value, disproportionately advantaging the wealthy. In real estate, credit expansion and increased property investment has seen – on average and over the long-term – a boom in housing prices across many advanced economies (Aalbers 2008; Whitehead and Williams 2011). Rising house prices present an important driver of diverging housing opportunities as they both promote wealth accumulation of housing market insiders, while contributing to an increasing barrier in homeownership entry for those without sufficient economic capacity (see Allegré and Timbeau 2015). Despite the economic outcomes of the GFC, house prices have not significantly dropped (and commonly continued rising) in many countries, especially relative to incomes (Whitehead and Williams 2011; Williams 2011). Lower interest rates and yields on government bonds, bank deposits and pension annuities, increased the relative attractiveness of real estate investment for those who had available capital (Green and Bentley 2014). Reductions in housing starts post-GFC in many countries further helped limit a clear ‘correction’ in house prices (Kemp 2015) with the average savings and costs needed for home purchase moving beyond the capacity of many – particularly younger – households (Resolution Foundation 2013; Doling and Richard 2010).⁶

6 This is evidenced by rising ratios of house prices to earnings, where the estimated time needed to save for an average deposit in the UK rose from less than 5 years in 1983 to over 25 at the pre-crisis peak (Resolution Foundation 2013).

Added to this, a more financialised and globally interlinked housing market has contributed to increased volatility which intensifies disparities between those respectively advantaged or disadvantaged by timing and ability to leverage capital and credit (Doling and Ronald 2010; Forrest and Hirayama 2009). Moreover, volatility, returns and financial risk are further increasingly heterogeneous across housing subsectors (Larsen and Sommervoll 2004), including across geographic space (Marciczak et al. 2016). At the global scale, the search for returns through prime real estate have seen the flow of capital into specific hotspot markets, such as London, exacerbating local affordability while often rewarding those with the ability to play on the international property market (Kemp 2015).

Recent mortgage system transformations have seen both increased barriers for housing access to many households and a further reorientation of credit to those with better economic and wealth positions. While access to homeownership has been strongly connected to the availability of mortgage credit (Aalbers 2012; Aalbers and Christophers 2014), the post-GFC period saw, unsurprisingly, the development of stricter lending practices which increasingly shut out those with little savings or more precarious employment (Arundel and Doling 2016; Lennartz, Arundel, and Ronald 2015). In other words, while the longer-term decline in widespread, stable middle-class jobs was partly masked by the expansion of credit in the pre-crisis years – albeit at the expense of greater financial risk for many – the post-crisis context was one of both more stringent mortgage requirements and fewer households in a position to seek housing loans anyway (Arundel and Doling 2016). Added to this, mortgage system changes saw a reorientation of credit towards existing holders of housing wealth. Following the crisis, financial policy boosted credit availability at attractive rates,⁷ but combined with stricter lending criteria, these loans went out to buyers already in better financial positions, such as in the form of Buy-To-Let (BTL) mortgages in the UK (Cunliffe 2014 in Kemp 2015). Forrest and Hirayama (2015:237) note that “the home ownership systems which have emerged from the crises are ones which favour the financially privileged – the *primes* rather than the *subprimes*.”

⁷ Post-GFC, the Bank of England oversaw a reduction of the interest rate to an all-time low of 0.5%, a program of quantitative easing and, finally, the provision of cheap loans to banks for lending towards home purchase through the Funding for Lending Scheme (Kemp 2015).

State drivers

Notwithstanding considerable diversity across jurisdictions,⁸ recent state policy approaches have in many contexts tended to compound labour and housing market difficulties with many countries witnessing a rolling-back of the welfare state from the 1980s onwards (Forrest and Hirayama 2009). This trend has especially intensified post-GFC as austerity ideology has dominated. Recent British government pledges have been to implement unprecedented cuts to social expenditure towards GDP shares not seen since the 1940s (Kemp 2015) with austerity measures especially disadvantaging lower-income and younger households (Hills et al. 2012).⁹ Government cuts have, for example, seen rising educational costs that combined with labour market pressures for a better-educated workforce, have promoted large debts upon graduation – especially among those of more disadvantaged backgrounds (Buchmann and Kriesi 2011; Hills et al. 2012) – hindering traditional adulthood transitions for many, including into owner-occupation (Arundel and Ronald 2015). While not delving here into the complex dimensions of policy and legislative approaches, broadly speaking, state institutional contexts have tended to favour labour and housing market insiders often exacerbating or upholding other dimensions of economic polarisation (Hausermann and Schwander 2009).

Intermediary processes

When considering dynamics of inequality, it is clear that there are a multitude of complex interacting factors. While not exhaustive, the above discussion outlines key contemporary drivers towards growing divergences in housing wealth accumulation. These may be broadly organised in terms of dimensions of the labour market, housing market and state contexts, however, growing housing wealth inequality is by and large a result of a combination of these interrelated factors. Acting in conjunction, these drivers have promoted processes of reduced access

⁸ A complex set of policy, legislative and regulatory frameworks may affect diverging housing wealth accumulation opportunities. These may not only act at the national level, but also be outcomes of regional or local jurisdictions or even supranational institutions such as European Union level policy. Whereas continued research into specific policy impacts on housing inequalities is a valuable field of inquiry, the focus here is on broad developments which, over recent decades, have shown a certain convergence across most advanced economies in reduced government support for labour and housing market outsiders (Forrest and Hirayama 2009).

⁹ A recent evaluation of the outcome of tax and benefit systems in reducing the consequences of labour market inequalities, show no effective attenuating impact for the deteriorating position of young adults in their 20s between 2007-8 and 2011-12 in the UK (Hills et al. 2012).

to homeownership, continued wealth accumulation for housing market insiders, and a further concentration of the housing stock through secondary property and landlordism.

Facing a combination of deteriorating labour markets, increased barriers to mortgage credit, education indebtedness and reduced state support, smooth entry onto the housing ladder has become increasingly difficult or out-of-reach for many, especially among younger cohorts and those of lower socioeconomic status (Lennartz, Arundel, and Ronald 2015; Kurz and Blossfeld 2004). The evidence points to growing delays in leaving the parental home and subsequently unstable housing careers with reduced opportunity for property investment (Arundel and Ronald 2015; Hochstenbach and Boterman 2015a; Forrest and Yip 2012; McKee 2012). Recent analyses indicate significant decreases in homeownership access for 18-34 year olds across all core European countries from 2007 to 2012 with especially significant declines where financialised homeownership sectors had been most heavily promoted, such as the UK (Lennartz, Arundel, and Ronald 2015). While it may be possible to describe a past 'golden-age' of homeownership which left many of the baby-boomer generation in possession of substantial housing wealth (Kurz and Blossfeld 2004; Forrest and Hirayama 2009; Conley and Gifford 2006), current conditions seem to be converging towards quite the reverse among younger adults. On the other hand, among previous cohorts already in homeownership and those successful on the housing market, continued investment of capital in real estate and rising house prices over the long-term contributed to a progressive growth in their housing equity.

Added to this, mortgage system changes that both limited access to more precariously employed populations and saw a reorientation of credit towards existing holders of housing wealth have further promoted a concentration of existing housing stock, namely through multiple property ownership. A counterpoint to notions of 'generation rent' among young adults has been a rise in private landlordism (Ronald, Kadi and Lennartz 2015) propelled by mortgage sector developments. In the UK, for example, BTL mortgages became relatively cheap and easy to access but only for those that had the necessary capital to meet higher loan-to-value requirements (Kemp 2015). While entry to the property ladder became more difficult for many, investment by existing holders of (housing) wealth in secondary rental properties became increasingly easy and attractive. The British situation provides a particularly salient case with estimates of landlords in the UK growing from about 558,000 in 1991 to over 2.12 million in 2012 (Ronald, Kadi, and Lennartz 2015). Despite recognition of an acceleration of secondary property investment, the broader impacts that these dynamics of housing stock concentration on housing wealth distribution have been mostly neglected.

5.4 Housing equity inequality dynamics: the British case

Having identified in the previous sections the primary – and interrelated – dynamics behind housing wealth divergences across many advanced economies, the following turns to an empirical evaluation of evidence of housing wealth inequality outcomes. The British case provides a key example of a context of both clearly rising inequality (Stiglitz 2012; Dorling 2014), welfare residualisation and an embedded ideology of homeownership alongside its (perceived) centrality towards privatised economic security (Kemp 2015; Forrest and Hirayama 2009). The British context is at the forefront of processes affecting housing wealth inequality across many advanced economies – with notable congruity across Anglo-Saxon nations (Hills 2012). While there has been recent British media attention, there remains a dearth of academic empirical analysis or understanding of such property wealth dynamics on the international stage. Looking at Great Britain, the three empirical research questions are investigated. While the research remains exploratory in nature and recognises the limitations of such a macro-level investigation, it establishes an empirical basis for reassessing ideological notions of the widespread nature of housing wealth under contemporary dynamics promoting increased divergence through an investigation of the three dimensions of: total housing equity concentration, inter and intra-generational trends, and the recent rise in landlordism.

Data and Methodology

The empirical component makes use of the Wealth and Assets Survey (WAS): a large-sample survey across Great Britain¹⁰ specifically designed for gathering data on wealth and income across individuals and households. It was conducted in three waves – 2006-8, 2008-10, and 2010-12 – providing an invaluable picture of conditions prior to the crisis, in the immediate post-GFC years and into the recent so-called recovery. The WAS included a sample of between 20,000 to 30,000

¹⁰ The WAS data excludes Northern Ireland. While some of the discussion of policy, housing system and historical context refers to sources across the entirety of the UK, the difference in geographical entity is not considered to impact the findings significantly. Nonetheless, it is recognized that variation within the included jurisdictions exists, such as in terms of housing system policy and practices across Scotland, Wales and England.

households per wave.¹¹ The analysis was conducted at the household level with individual attributes, such as age, based on values from the head of household or principal household reference. The main measure of housing wealth is calculated as net housing equity, representing all reported property values minus all outstanding mortgage debts. Landlord households are those that own secondary properties from which they reported rental income. Appropriate weighting variables were used to correct for sampling biases and monetary values were corrected for inflation using Bank of England rates when comparing across waves. Where changes in shares of equity are calculated, t-tests were conducted and statistical significance is reported in figures.

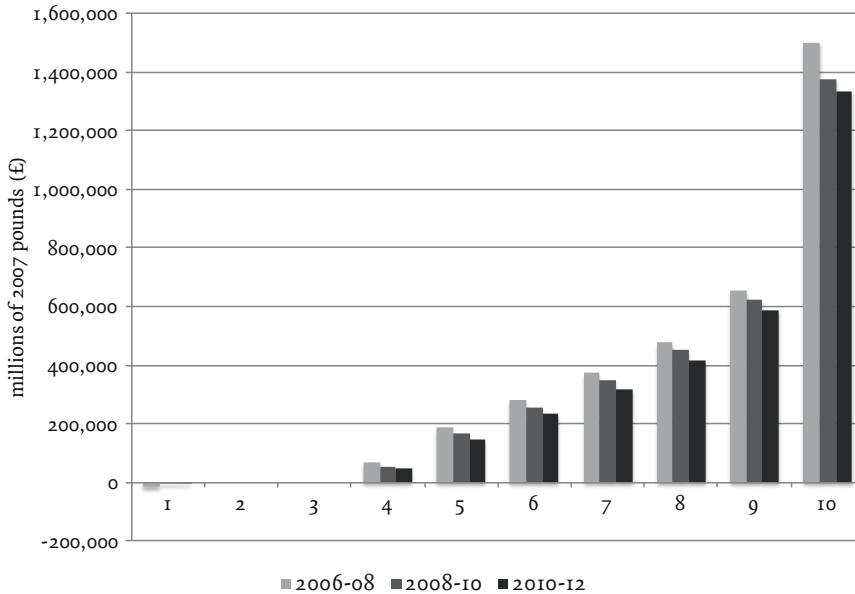
Total Housing Equity Concentration and Trends

Considering the ideology of the democratisation of housing assets in advanced homeowner societies, the first fundamental question to consider is: *to what extent is housing equity a widespread or strongly concentrated asset?* Looking at the distribution of total housing equity values in three periods of 2006-8, 2008-10, and 2010-12 (see Figure 5.2) provides a clear picture of contemporary housing equity inequality across British households.

The first striking feature is the degree of concentration of housing equity among the top decile in contrast to a considerable portion of households who have either negative, nothing, or close to zero in terms of net housing wealth. The share of housing equity among just the top 20% consistently represents over 60%, while the top 40% hold over 85% across the 2006 to 2012 period. While equity (as net value after owed mortgages) reflects best the current housing wealth of a household there is a clear argument to be made that there is a natural degree of necessary inequality considering that equity is built up slowly over the life-course as the mortgage matures. To take this into consideration, the distribution of total housing values without subtracted mortgage debt was also examined. Even looking at measures of total housing value distribution there are persistently high degrees of wealth concentration holding true either across total population, or only among those aged 50 plus, expected to have mostly already entered homeownership and

11 A usable sample of 30587 households in wave one, 20165 in wave two, and 21446 in wave three.

Figure 5.2: Total housing equity in Great Britain by deciles



	2006-08	2008-10	2010-12
Share of top 40%	85.21%	85.49%	86.32%**
Share of top 20%	61.09%	61.07%	62.49%**
Ratio of average equity in top 10% vs. bottom 50%	30.75	31.65	35.27

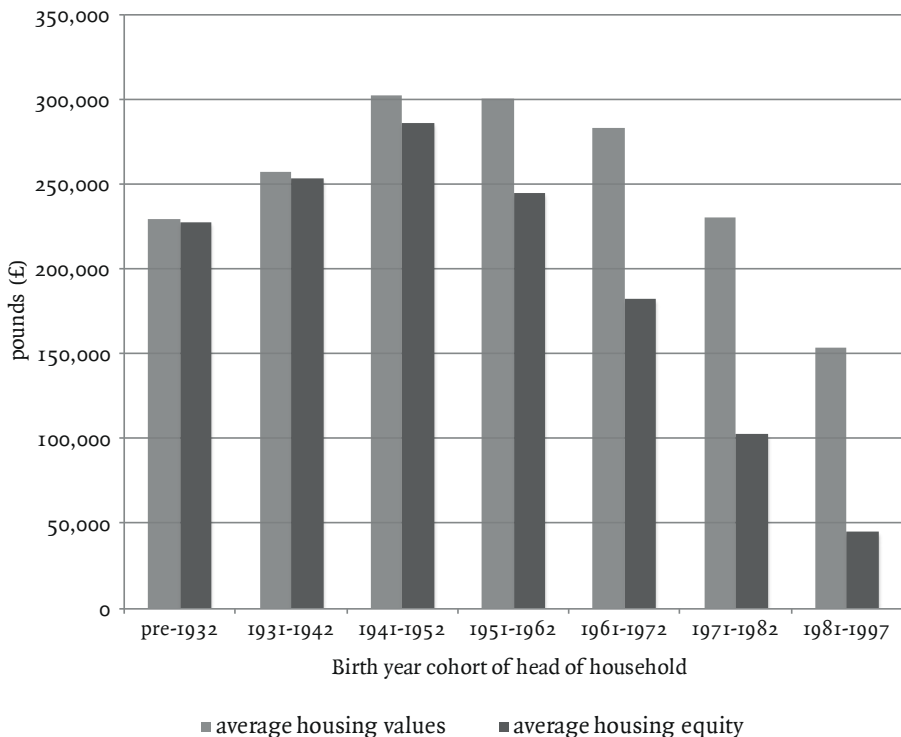
T-test of significance in change over previous years (calculated for shares) *p<0.05 **p<0.01
 Source: Wealth and Assets Survey, ONS

‘traded up’ to their final residence.¹² This further undermines potential notions that the measured inequality could be mainly a reflection of differences in mortgage stage and evidences real concentrations of wealth across both housing equity and total values.

¹² Based on the author’s further analysis of the WAS data, total housing value distribution over all households showed very high levels of concentration with roughly 80% of housing value held by the top 40% and over 55% among top 20%. Just looking at those with a head of household over 50 still showed concentrations of over 77% and 54% respectively. Both the full age group and over 50 year olds show significant changes towards increasing inequality in total housing value between, at minimum, the last two waves.

Beyond the absolute degree of housing wealth concentration, the next essential consideration is whether recent trends are moving toward decreasing or increasing housing wealth inequality? While Figure 5.2 reflects reduced access to homeownership as well as the crisis effect in terms of some decreases in total equity values (especially from 2006/8 to 2008/10), changes in the distribution of equity are of most importance for inequality considerations. The analysis demonstrates that on top of some decrease of equity across deciles, a steady divergence is evident with a clear growth in concentration among both the top 40% and top 20% holders of housing equity. Growing inequality is apparent across the three waves with a significant increase since the GFC. The ratio of average equity among the top decile compared to the full bottom *half* of households reveal multiples increasing from 30.75 in 2006/8 to over 35 times in 2010/12. These examinations of total housing equity levels in Great Britain clearly reflect the unequal distribution across households and fundamentally undermine notions of housing as a democratic or

Figure 5.3: Average housing value and equity among homeowners by cohort – 2010/12



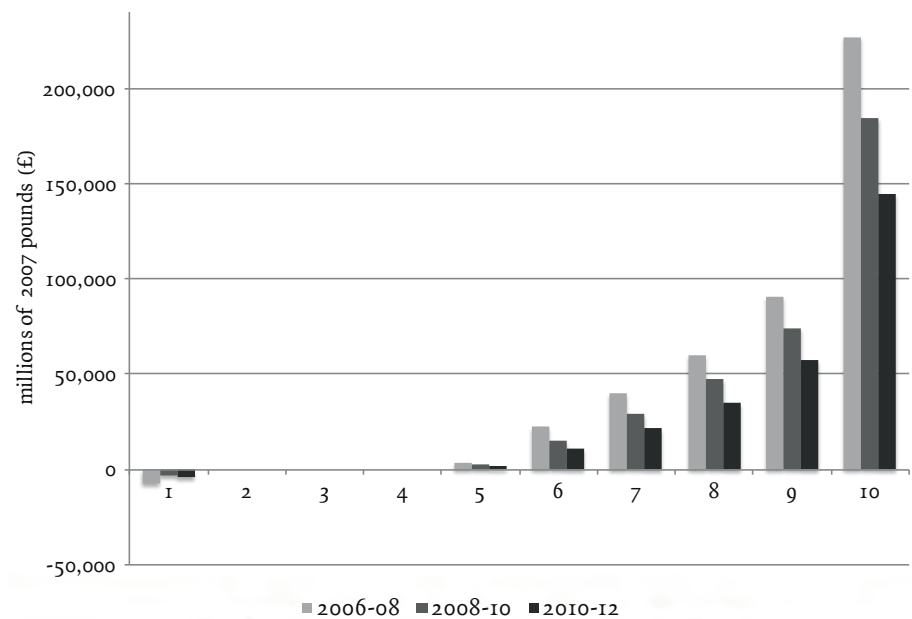
Source: Wealth and Assets Survey, ONS

widespread asset. Beyond this, the recent trends reveal a clear exacerbation of such housing wealth inequalities.

Dynamics of Inter and Intra-generational Inequality

While there are limitations in predictive power given the length of data, untangling some of the age group dynamics helps to further uncover the interplay between and within cohorts, especially the impacts on young adults likely facing most the consequences of changing socio-economic contexts. The second consideration is thus: *what are the dynamics of inter and intra-generational housing equity inequality?*

Figure 5.4: Total housing equity among 20-39 year olds by deciles



	2006-08	2008-10	2010-12
Share of top 40%	95.78%	95.81%	96.81%**
Share of top 20%	72.86%	73.83%*	75.58%**

T-test of significance in change over previous years *p<0.05 **p<0.01

Source: Wealth and Assets Survey, ONS

As noted, there are certain generations that particularly benefitted from a period of favourable labour market conditions, housing affordability, supportive policies and subsidised transfers of public housing. Adding to studies that have pointed to generational homeownership rate variation (see Kurz and Blossfeld 2004; McKee 2010; Forrest and Hirayama 2009), the analysis shows clear concentrations among certain British cohorts in measures of equity and housing value (see Figure 5.3). Excluding non-homeowners emphasises the cohort differences even only among homeowners while further considering housing values provides an estimate of potential housing equity that takes into consideration natural mortgage payment cycles.¹³ The results show a significant bulge among the middle cohort with those born in the post-war decades displaying the most success compared to both younger and older households. This cohort difference is apparent even among only homeowners and for both equity as well as housing value estimates.

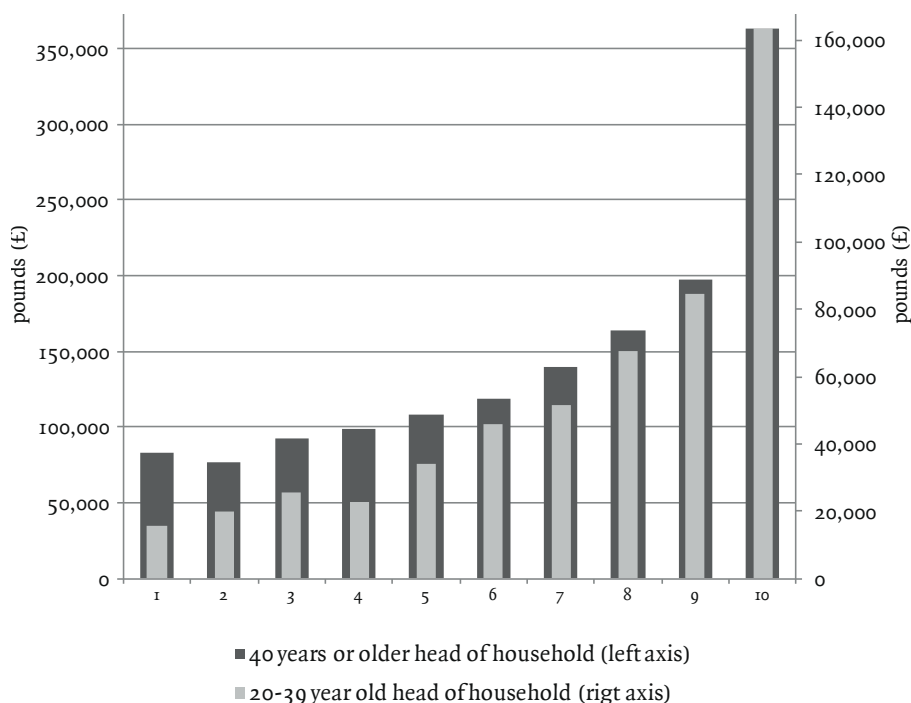
Adding to this, a differentiated examination of housing equity development among younger adults aged 20-39 (see Figure 5.4) reveals an even more striking pattern. The most remarkable development among younger age cohorts in Great Britain has been a dramatic reduction in housing equity holdings, which have steadily diminished across all deciles. This echoes the reduction of younger adults' entry into homeownership in the face of pressures of labour and economic precarity, educational debt, continued high housing prices, austerity measures, and restricted credit access (see Lennartz, Arundel, and Ronald 2015). On top of the already striking widespread decrease in equity accumulation, there is also a significant increase in shares of housing wealth concentrated among the top 20% and 40% of young adults. Comparing the pattern among only young adults to all households (shown in Figure 5.2) reveals clearly their especially disadvantaged position with much sharper decreases in equity. The results here visibly point to growing intergenerational inequalities in net housing wealth. However, beyond this, there is a significant growth in differentiation of equity accumulation among younger adults – echoed across other age groups – pointing to simultaneous increases in *inter* and *intra*-generational inequalities.

Figure 5.5 investigates housing equity in relation to income across both younger and older households for the final wave 2010-12. The broad picture revealed is that housing equity is clearly also concentrated among higher income households; further questioning any redistributive function of housing assets at the macro-level. Nonetheless, there are measures of equity across all income deciles, reflecting at

13 Looking at average housing values instead of equity helps to control for the natural life-cycle of the mortgage which is gradually paid off as cohorts age – albeit effects of ‘trading-up’ later in life are not possible to control for. Average values are shown to take into consideration different demographic bulges in population. Unfortunately, due to the waves being averaged over two-year periods, there is some overlap among the birth year ranges.

least some circumstances where housing wealth is possibly counterbalancing income poverty. Cases where homeownership wealth compliments otherwise low incomes have been shown to be a very small fraction of the population and primarily limited to some lower-income pensioners (Orton 2006; Sodha 2005; Rowlingson and McKay 2012; Hancock 1998). The intergenerational dynamics in Figure 5.5 support the likelihood that these cases are principally found among older cohorts, likely pensioners or those that accessed housing through historically favourable conditions. On the other hand, the analysis shows equity among younger adults even more concentrated among higher-income groups, again reflecting the likely stronger significance of income as a determining factor for homeownership access among recent generations. The empirical analyses of housing equity distribution and equity over income reflect fundamental patterns of existing – and increasing – *inter* and *intra*-generational inequalities in housing wealth in Great Britain. These are very significant results both for the immediate realities of economic inequities as well as in terms of what reduced and diverging wealth accumulation among

Figure 5.5: Average housing equity by household income deciles – 2010/12



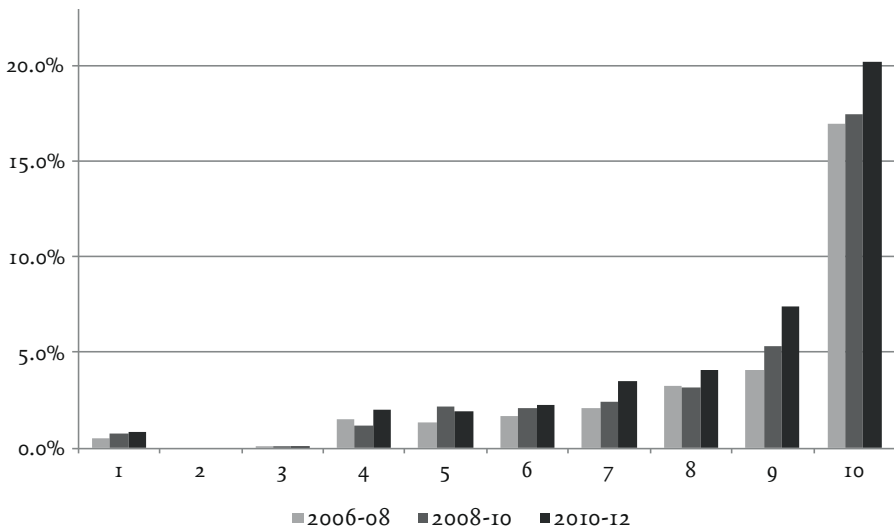
Source: Wealth and Assets Survey, ONS

younger generations means for the future exacerbation of inequalities as a housing-equity-disadvantaged generation ages in an era of increasing individualised responsibility for economic security.

Landlordism and Housing Equity Inequality

The third empirical investigation considers the inequality dynamics of recent growths in landlords and the circulation of capital in rental property markets. As the flipside to ‘generation rent’ among younger cohorts, the British housing market has witnessed a very significant growth in landlords over the last few decades with an especially rapid increase in the post-crisis years (Ronald, Kadi, and Lennartz 2015). Many of these new landlords have been small-scale rather than large investors with primary motivation for rental property investment reported as for retirement needs, tending to paint a picture of a relatively disadvantaged pensioner ‘landlord’ whose

Figure 5.6: Proportion of landlord households per housing equity deciles



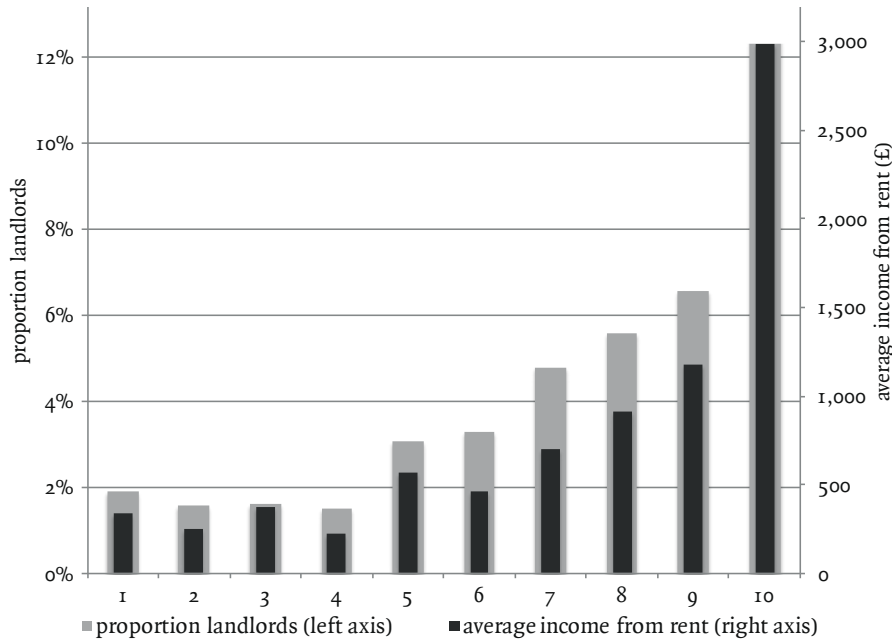
[†]landlords are at household level based on owning secondary property and receiving regular rental income

	2006-08	2008-10	2010-12
Share in top 40%	83.72%	81.77%	83.41%**
Share in top 20%	66.70%	65.70%	65.47%

T-test of significance in change over previous years * $p < 0.05$ ** $p < 0.01$

Source: Wealth and Assets Survey, ONS

Figure 5.5: Average housing equity by household income deciles – 2010/12



*landlords are at household level based on owning secondary property and receiving regular rental income
 Source: Wealth and Assets Survey, ONS

rental income might overcome deficiencies in income or other wealth (Lord, Lloyd, and Barnes 2013). However, there is little serious evaluation of who these landlords represent and crucially to what extent the boom in rental properties (i.e. through BTL) is a force for redistribution or rather an intensification of existing wealth inequalities. Considering these significant dynamics, the analysis investigates the key question of *what role secondary rental property investments play in housing wealth concentration?*

Looking at the results from the WAS data (Figure 5.6), a very striking pattern is revealed in terms of British landlords in relation to the spectrum of existing housing wealth distribution. The highest proportions of landlords are very clearly found among the top decile of housing equity holders, with very low levels of landlordism anywhere below the top two deciles. The included table represents the concentration of counts of landlord households among these equity deciles and reveals that over 65% are concentrated in the top 20% of housing wealthy households – an even higher degree than total housing equity – and over 80% among the top 40%

throughout the 2006-12 period. While there is little clear change in the distribution of landlordism over recent years, the absolute levels of concentration represent itself a very significant finding. The skew of the distribution means that roughly half of all landlord households in the UK are found within the very top decile of housing wealth. This undermines characterisations of BTL loans and landlords being a more marginal group able to leverage rental assets to balance out otherwise meagre wealth holdings – a.k.a. ‘mom and pop’ investors. The pattern rather points to concentrations of rental property owners among those already most successful on the housing market.

To further untangle the extent of landlordism as a dimension of economic concentration, the analysis examined the distribution and average rental returns with regards to household income levels (pre-rent) in the most recent wave (see Figure 5.7). Although slightly less steeply concentrated than housing wealth, the results again show a clearly skewed distribution with a very large proportion of landlords especially within the top income decile. While some landlords are evident across quantiles – potentially reflecting some pensioners supplementing low-incomes with rental revenue (Lord, Lloyd and Barnes 2013) – the proportion is minor. Looking at average rental income, returns generated from rental properties are even more disproportionately concentrated among the top decile. The picture here is that landlords are very likely to be among income-rich households and those landlords are also the ones more likely to generate higher returns. The analysis substantiates the role of increased capital circulation in the British landlord market as a significant driver of continued wealth concentration and growing economic inequalities.

5.5 Conclusion and Discussion

The paper argues for a necessary recognition of the special position of housing wealth in contemporary dynamics of inequalities and a reconsideration of engrained ideologies surrounding the widespread and redistributive nature of property equity. Processes of reduced access to homeownership related to labour and housing market transformations have increasingly diminished opportunities for equity accumulation among many – especially more precarious and younger – households (Lennartz, Arundel, and Ronald 2015; Kemp 2015; McKee 2012; Buchman and Kriesi 2011; Hills et al. 2012). Broader trends of financialisation and mortgage system changes have likely both buoyed house prices while complicating affordability and

increasing exposure to financial risk; thus exacerbating divergences between those more or less successful on the property market (Forrest and Hirayama 2009; Larsen and Sommervoll 2004; Aalbers 2008). While housing equity continues to become more salient in the face of state welfare residualisation (Doling and Ronald 2010; Rolnik 2013; Ronald 2008), the evidence seems to point to many of these same forces driving increasing housing wealth concentration and undermining the very ideologies behind widespread asset-based economic security.

The results of an exploratory examination of the British case clearly indicate the unequal nature of housing equity. The empirical evidence points to the starkly concentrated nature of contemporary property wealth and, crucially, significant trends towards increasing equity concentration. These inequality trends are further playing out at both *inter* and *intra*-generational levels with trends in decreasing equity especially pronounced among young cohorts alongside growing divides between more or less successful households within age groups. On the other end of the spectrum, capital circulation in the secondary rental property market and the rise of landlordism is presenting a fundamental dimension of further increased housing wealth concentration for those with higher (housing) wealth and incomes.

While tackling fundamental dimensions of housing equity distribution, the caveats to such a macro-level and exploratory study are also recognised. Firstly, the length of suitable data available prevents an examination of longer-term trends beyond a reliance on limited preceding research. Of course, it is also difficult to predict future developments in homeownership access and the intensity with which delays or deferrals of property purchase will accrue future disadvantage in equity accumulation. Nonetheless, the contemporary empirical evidence pointing to exacerbation rather than reversal of *inter* or *intra*-generational inequality should not be understated. Secondly, as common to research examining wealth or income distribution, there are likely biases of underreporting among the wealthiest individuals whose financial holdings often can be more opaque. It would thus be expected that wealth concentration may be even more skewed than apparent in the WAS data further strengthening conclusions of housing equity inequalities. Finally, the scope of the research is not able to unpack the specific mechanisms by which housing investments differentiate equity accumulation. Despite the necessary limitations of the exploratory research, the focus herein is crucial in establishing a critical examination of contemporary housing wealth as well as current trends in equity inequality. The further hope is of stimulating future research in addressing these limitations and in deepening understanding in the specific role of housing in inequality dynamics.

While some past criticisms have arisen, there has remained an engrained optimism and purchase into the ideology of homeownership as a redistributive force of capital accumulation and an attainable goal for widespread sectors of

society. Where growing problems of limited access to homeownership have been highlighted – especially among a young generation increasingly seen as restricted to ‘generation rent’ – scholars and the media have decried the lack of access by these groups to what is still implicitly presented as an ‘equalising’ housing ladder. This assumption negates the fundamental transformative development of the housing market into a dimension of growing inequalities. While underlining difficulties of homeownership access for younger and lower-income households is an important piece of the puzzle, neglecting concentrations of housing equity at the higher end of the wealth spectrum, such as through a growing ‘landlord class,’ masks an essential holistic perspective of a housing system itself that may be becoming a vehicle for growing societal inequality rather than widespread financial security. At the macro-scale, recent research has both highlighted growing inequalities across most advanced economies as well as the primary and growing role of housing capital within these dynamics of unequal wealth accumulation (see Piketty 2014; Rognlie 2014; Stiglitz 2015; Nolan et al. 2014; Allegré and Timbeau 2015). Rather than optimistically dismissing housing as a widespread and redistributive mechanism of wealth – perspectives historically entrenched in homeownership ideologies – it is essential to better understand the genuine nature of property within dynamics of established and increasing inequalities.

Beyond bringing these theoretical discussions to the fore, an examination of the British case provides an invaluable empirical look at housing equity inequalities within an established homeownership society facing advanced trends in increasing inequality and differentiated housing market opportunities. While issues surrounding housing access and inequality are more implicit within British public debate, these investigations provide both empirical evidence as well as essential lessons for international contexts where similar trends may be emerging (Lennartz, Arundel and Ronald 2015; Nolan et al. 2014; Piketty 2015) yet have not received proper academic attention. It is hoped that further research in both similar homeowner societies, such as other liberal Anglo-Saxon contexts, as well as across differing housing systems and welfare regimes would enrich comparative understandings of housing inequalities.

The implicit promotion of financial security for all households through homeownership has likely forever been a false promise, as sectors of the population have always been shut out, but in periods of relatively widespread access, there was justifiable optimism in homeownership as a more equalising sector of wealth accumulation. The contemporary trends pointing to limited access of homeownership seem to coincide especially in those housing markets where increases have been the largest and most heavily promoted and where ideas of asset-based welfare have been given strongest currency (Lennartz, Arundel, and Ronald 2015). The context of Great Britain as an advanced homeowner society presents a

case where ideologies of a property-owning democracy (Ronald 2007) seem to be contradicted by the empirical reality of high-levels of housing wealth inequality and trends towards increasing disparities. This apparent continued concentration of housing equity among a select group of (secondary) property owners brings into question arguments for housing assets as a means for widespread welfare security. If homeownership has been proposed as the cornerstone of the new welfare state (Malpass 2008), what does it imply for the continued stability of the social fabric when this foundation becomes progressively more lopsided with one sector increasingly lavishly buttressed while others lack support? The message here is not that the issues of unequal wealth accumulation are limited to housing equity, nor that solutions to inequality arise from tackling only problems within the housing system. Rather, housing dynamics are inextricably linked to essential underlying dilemmas of increasingly precarious and polarised labour markets, welfare state retrenchment and mortgage sector transformations. Within these contexts, the notion of housing equity accumulation as a broadly equalising economic force is something that defies the growing reality of how housing markets have recently developed across many advanced economies. In the face of the increasing financialisation of housing, declining access to homeownership for many, rising housing values and a concentration of the housing stock among wealthier market insiders, the practice of accessing shelter becomes a highly financialised decision wherein the circulation of capital may increasingly resemble a divergence into a class renters and a class of 'rentiers'.