

## HM1.3 HOUSING TENURES

### Definitions and methodology

*Housing tenure* refers to “the arrangements under which the household occupies all or part of a housing unit”. Different types of housing tenure can be distinguished, and the categorization is mainly determined by whether the dwelling is owned by the household who occupies it or not:

*Own outright*: The household owns the dwelling and has no outstanding mortgage related to the dwelling.

*Owner with mortgage*: The household owns the dwelling but is currently paying off the mortgage.

*Rent (private)*: The household rents the dwelling at market prices on the private rental market.

*Rent (subsidized)*: The household rents the dwelling at reduced market prices, e.g. employer-subsidized housing and accommodations where rent is fixed by law.

*Other*: Includes for European countries accommodation provided for free; for other countries it also includes other, non-descript types of housing.

These are basic categories which can be identified across countries and are therefore useful for international comparison. Nevertheless, countries often use different or additional categories of housing tenures. These tenure categories are included in one or more of the above categories in the measures presented in this indicator, depending on the country context. For instance social rental housing in most countries is included under subsidized rent, but in some cases it is classified as private rent. Furthermore, co-operative housing is in most cases assimilated to owner occupancy. Please refer to ‘data and comparability issues’ below for a more detailed explanation.

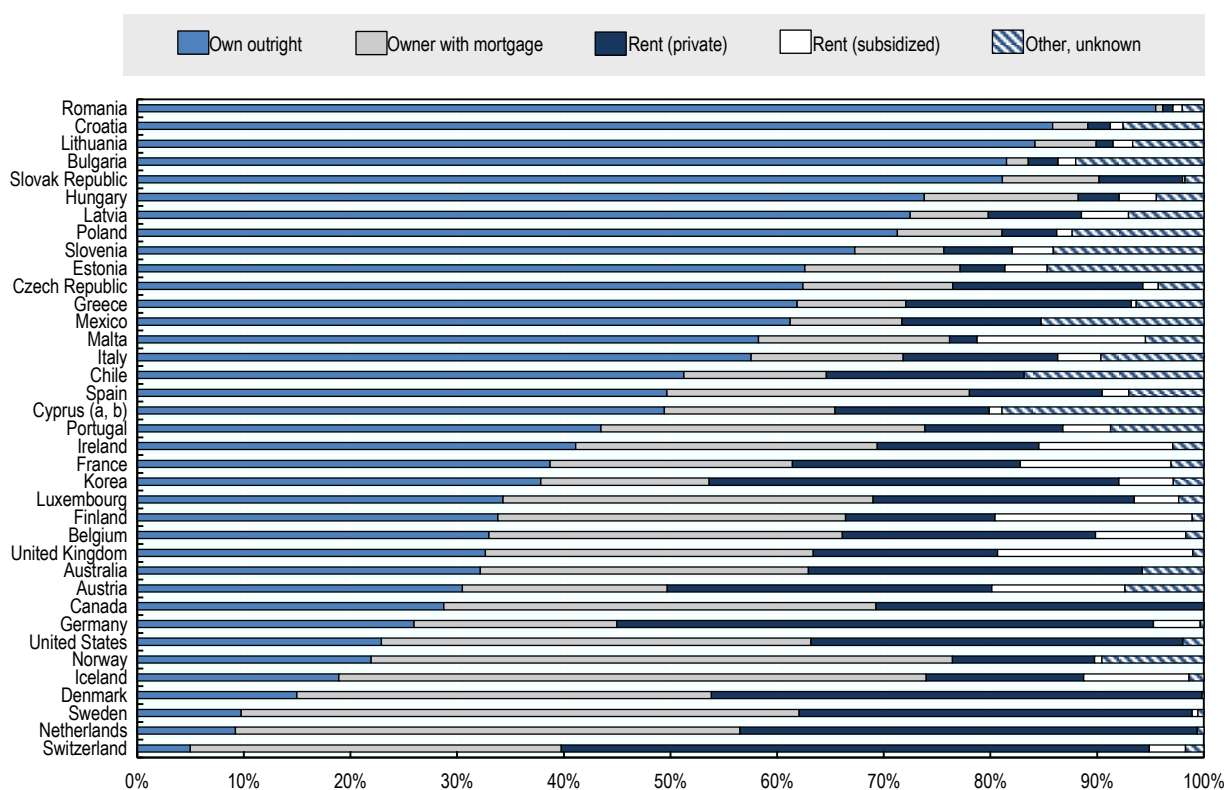
### Key findings

The shares of owner and tenant households vary widely across countries. In most countries more than 2 out of 3 households own their dwelling. Former communist countries of Central and Eastern Europe have a very high share of home-owners without mortgage, because after the fall of the communist regimes tenants were offered to buy the dwellings in which they lived at a low price (Hegedus et al, 2013; Tsenkova, 2009). In Romania more than 95% of households own their dwelling outright, while in Slovenia this holds true for 67.3% still (Figure HM1.3.1, see Appendix HM1.3.A1 for earlier years). In Chile, Mexico and Southern European countries ownership rates of dwellings without outstanding mortgages are also high, ranging from 61.2% in Mexico to 43.5% in Portugal. In these countries, mortgage markets have started developing only recently and families traditionally have a strong role in facilitating home ownership for example through inheritance or financial support (Allen et al, 2004). In most English speaking and Nordic countries, Belgium and the Netherlands owners with outstanding mortgages are the most common tenure type: between 33% in Belgium and 54.5% in Norway.

In all countries except for Switzerland and Germany owner households (outright or with a mortgage) are more common than tenant households (renting at private market or reduced rate). In Switzerland (55.1%), Germany (50.2%), and Korea (38.4%) renting at market rates is the most common form of tenure among households, while the share of tenant households is generally very low in Central and Eastern European countries. The highest shares of households live in dwellings at reduced rents in Finland (18.5%) and the United Kingdom (18.3%), while in Austria, Ireland, France and Malta more than 10% of households are concerned (see Vakili-Zad, C. and J. Hoekstra [2011] for more information on Malta). Denmark and the Netherlands – countries where support for rental housing is traditionally sizable -- are not considered here due to data limitations (see Section on Data and Comparability Issues).

**Figure HM1.3.1: Housing tenure distribution, 2014 or latest year available**

Share of households in different tenure types<sup>1</sup>, in percent



1. Tenants renting at subsidized rent are lumped together with tenants renting at private rent in Australia, Canada, Chile, Denmark, Mexico, the Netherlands and the United States, and are not capturing the full extent of coverage in Sweden due to data limitations.

a) Note by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

b) Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Sources: OECD calculations based on European Survey on Income and Living Conditions (EU SILC) 2014 except Germany; the Household, Income and Labour Dynamics Survey (HILDA) for Australia (2014); the Survey of Labour and Income Dynamics (SLID) for Canada (2011); Encuesta de Caracterización Socioeconómica Nacional (CASEN) for Chile (2013); the German Socioeconomic Panel (GSOEP) for Germany (2014); the Korean Housing Survey (2014); Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) for Mexico (2014); American Community Survey (ACS) for the United States (2014).

Tenure figures on the population level confirm the picture above that concerned data on tenure at the household level (data not shown here, refer to Annex HM1.3.A2). In countries where households predominantly own (rent) their dwelling the greatest share of population also lives in owned (rented) dwellings. The biggest differences in tenure shares based on the household as opposed to the population level arise regarding homeownership with a mortgage. Mortgages are typically held by younger owners living in more numerous households, often couples with children (still) living in the household. Therefore the share of owners with a mortgage is larger when considering population data rather than household data.

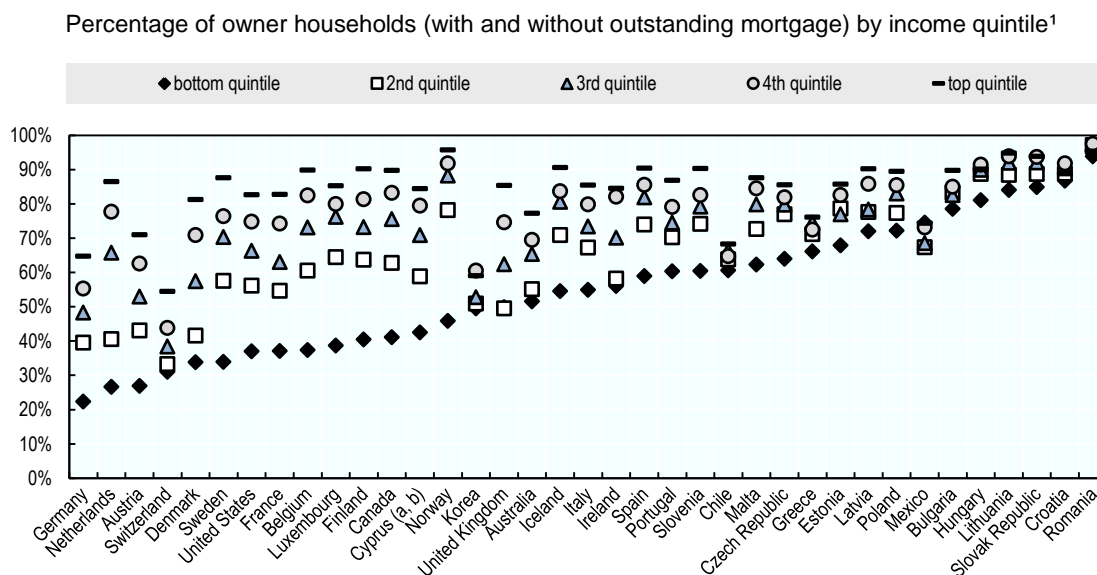
Between 2010 and 2014 the distribution of tenure types has remained more or less stable (data not shown, refer to Annex HM1.3.A1). In many countries, the share of household who own their dwelling outright decreased slightly, whereas the shares of households with a mortgage or in private rental accommodation edged up. The share of households in subsidized rental accommodation did not change either in most countries, with the exception of the Czech Republic where the share of subsidized tenant households fell from 14.9% in 2010 to 1.4% in 2014. While there used to be a sizable regulated rent sector in the country these provisions started to phase out in 2007 (Lux and Mikeszova, 2012; Vobecká et al, 2014). Rents were gradually increased until reaching their market values, and de-regulation was completed in 2012. Changes in the rental sector can also partly explain recent increases in government spending on housing allowances (see Indicator PH 3.1 Public Spending on Housing Allowances).

A household's likelihood to own the dwelling (with and without outstanding mortgages) increases with income (see Figure HM1.3.2., refer to Annex HM1.3.A3 for earlier years and indicators HC1.3, HC2.1, HC2.2 and HC2.3 for quality of housing by tenure type and income position). The widest within-country variation of homeownership rates between the bottom and the top income quintile is observed in the Netherlands. By contrast, in Canada, Chile, Greece, Korea, Mexico and in Central and Eastern European countries the share of homeowner households varies least with the income position of the household. Particularly in Central and Eastern European countries this coincides with generally very high levels of homeownership rates. In Romania as the most extreme case 94% of households in the bottom quintile of the income distribution are owners as opposed to 97% in the second through fourth quintile. Mexico is another example of very low variation of homeownership rates across the income distribution: In all countries except Mexico the homeownership rate is lowest for households in the bottom quintile of the income distribution; yet in Mexico homeownership rates are similar across all income levels and housing finance for rental housing remains a challenge hindering the development of a larger rental market (Herbert et al, 2012).

In German-speaking countries and the Netherlands households in the bottom quintile are least likely to own their dwelling compared to other countries (22.4% in Germany; 26.7% in the Netherlands; 26.9% in Austria; 31.1% in Switzerland, Figure HM1.3.2). At the same time more than two thirds of high-income households in Austria (71.0%), Germany (64.8%) and the Netherlands (86.5%) are owners, while ownership is least common among well-off households in Switzerland (54.4%). By contrast, in Norway, nearly all households in the top quintile own their dwelling (95.8%).

In general, in countries where home ownership varies considerably across the income distribution (for example, in Finland, France, Norway, Sweden and the United States), ownership-rate differences are most pronounced between the bottom quintile and the second quintile, while they are more similar for households higher up in the income distribution.

**Figure HM1.3.2: Share of home-owner households across the income distribution, 2014 or latest year available**



1. Low-income households are households with equivalised disposable in the bottom quintile of the net income distribution. In Chile, Mexico, Korea (2014), and the United States gross income is used due to data limitations.

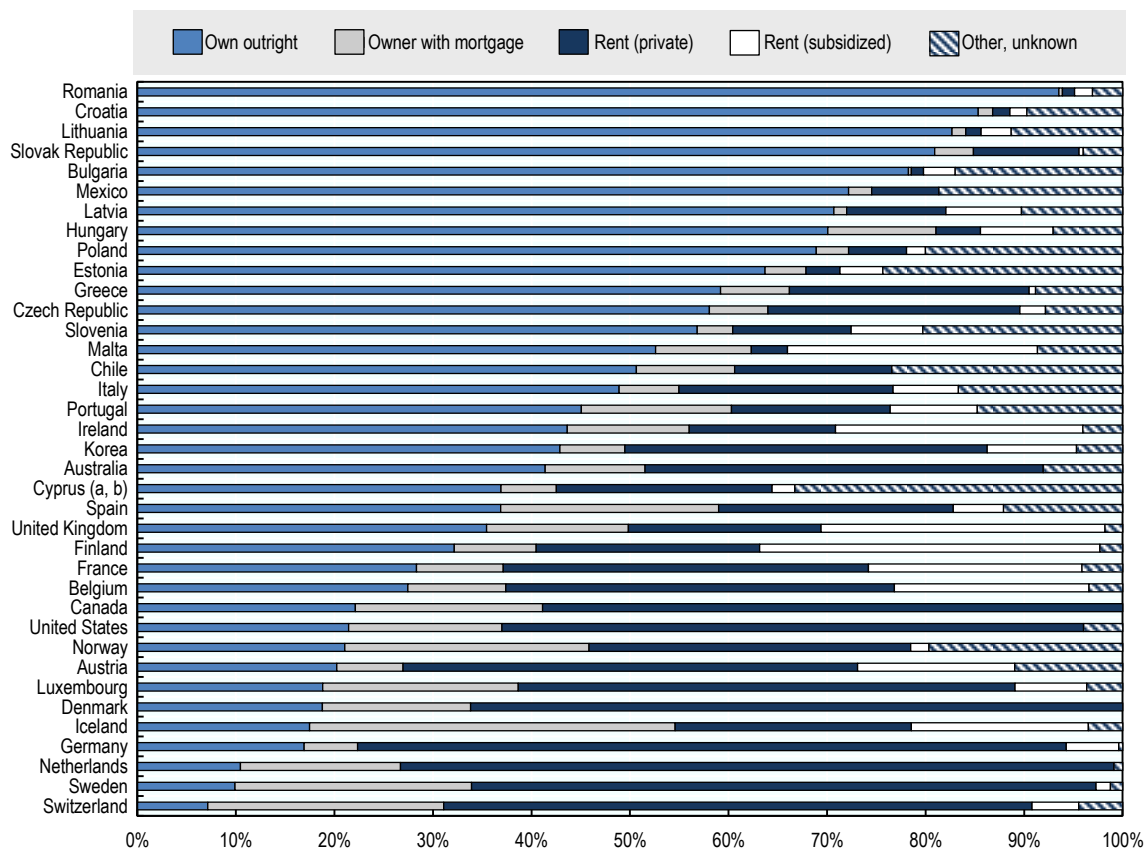
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**Figure HM1.3.3: Housing tenure distribution for low-income households, 2014 or latest year available**

Share of different tenure types across households in the bottom quintile of income distribution<sup>1</sup>, in percent



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The basic national tenure patterns (mainly owners vs mainly tenants) are prevalent also amongst each countries' low income households (see Figure HM1.3.3, refer to Annex HM1.3.A4 for earlier years and other quintiles). With home ownership less common amongst low-income households, they are altogether more likely to live in rented accommodation. Across countries the likelihood for low-income households to rent on the private market compared to the third quintile is nearly 10pp higher. The prevalence of rental accommodation among low-income households compared to households in the third quintile is particularly high (30 percentage points or more) in Canada, Luxembourg, the Netherlands and Sweden and the United States.

In many countries rented accommodation at reduced rates concerns not only low-income households and to a lesser extent households higher up in the income distribution. In six countries the probability to pay a reduced rent is 10pp higher for low-income households compared to households in the third income quintile. In Belgium, Finland, Iceland, Ireland and the United Kingdom low-income households are relatively most likely to pay a reduced rent compared to third quintile of the income distribution. The Netherlands and Denmark have a sizable social rental market and regulated rents also covering a significant share of the private rental sector (see Indicator PH 4.2 and PH 6.1), however the data do not allow identifying tenants at reduced rent.

In the bottom quintile of the income distribution the share of home owners with a mortgage is more than 14pp lower compared to the third quintile (data not shown here, available under HM1.3.A4 in the online annex). The share of mortgaged home-owners amongst low-income households is particularly low compared to the share of mortgaged home-owners in the third quintile in Finland, the Netherlands, Norway and Sweden (more than 30 percentage points difference). In some countries the shares of mortgaged home owners are similar between the bottom and the middle of the income distribution, for example in Chile, Croatia and Romania. Apart from the depth of the rental market, two opposing explanations may affect the relative share of mortgaged owners among the low-income population: (1) banks are likely less willing to lend to low-income households so they are not as likely to buy their home through mortgage financing; and low-income households may take longer to pay off their mortgages than their better-off peers leading to a higher share of low-income mortgaged households.

### **Data and comparability issues**

This indicator is calculated based on household surveys For the indicators based on survey data the European Survey on Income and Living Conditions (EU SILC) is used for European countries except for Germany where the German Socioeconomic Panel (GSOEP) is used; for Canada the Survey of Labour and Income Dynamics (SLID); for Chile the Encuesta de Caracterización Socioeconómica Nacional (CASEN); for Korea the Korean Housing Survey; for Mexico the Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH); and for the United States the American Community Survey (ACS).

For Australia, Canada, Chile, Mexico, the United States, Denmark and the Netherlands no information on reduced rent is available due to data limitations (Dewilde, 2015; Haffner, 2015). For European countries the "other" category refers exclusively to accommodation provided for free.

Additional information gathered through the OECD Questionnaire on Social and Affordable Housing show that at national level countries may use different or additional definitions of housing tenures. Some countries for instance identify tenures according to the owner of the dwelling: in the United Kingdom, for instance, tenures include “owner occupied”, “rented privately or with a job or business”, “rented from housing associations”, “rented from local authorities” and “other public sector dwellings”.

In other countries the focus is on the nature of the legal status of the household occupying the dwelling, which can include other tenures besides rent and owner-occupation. In a number of countries, for instance, co-operative ownership - whereby a cooperative owns one or more residential buildings and its members are granted the right to occupy a housing unit by buying shares in the cooperative - is accounted for as a separate tenure in national statistics but not in EU SILC. Cooperative ownership is therefore included under owner occupancy in the EU SILC database for the Czech Republic, Denmark, Norway, Poland, Switzerland and Sweden.

Social rental housing (see indicator PH 4.2 and PH 4.3) is also difficult to compare across surveys and countries. The household surveys used here clearly distinguish between outright owners, owners paying off a mortgage and tenants. Yet the distinction between tenants paying a market rate rent and tenants paying a

subsidized, reduced rate is less clear. "Subsidized" rental should thus not only include social housing but also employer-subsidized housing and dwellings where rent is fixed by law. In many countries the share of households benefitting from subsidized rents according to survey data is thus larger than the social housing sector (Salvi del Pero et al. 2016). Yet, in some countries the opposite holds due to data limitations: (1) in Denmark and the Netherlands all tenants are attributed to the market rent category as EU SILC does not allow to make distinctions by type of tenant; (2) the size of the social rental sector is larger than the reported share of subsidized rent in Austria and France; and (3) in the surveys for Australia Canada, Chile, Mexico and the United States respondents are not asked about subsidized rents - while in Chile and Mexico subsidized rental housing is uncommon it plays a role in the other three countries, where social housing represents between 4 and 5 percent of the total housing stock.

Other countries have additional forms of tenure which are not easily classified. For instance, under the *Joense* system in Korea the tenant pays the dwelling owner a down payment and in return can stay in the dwelling for two years (this is the usual duration which can be prolonged). After two years the dwelling owner returns the down payment to the renter. Renters often take out loans to finance the down payment. During the lease period the dwelling owner benefits from the interest he can create from the down payment. There is also a "mixed" system where tenants pay monthly rent and a *Joense* style down payment. Similar to some extent, 'right of occupancy' housing in Finland is an intermediate tenure between rent and owner occupancy, whereby residents pay a significant deposit (15 percent of the original purchase price of the dwelling) and a monthly management fee. They cannot buy the dwelling but they are granted security of tenure, and if they want to leave they are paid back the initial deposit plus an amount calculated according to the construction cost index.

#### Sources and further reading:

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