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Housing Studies ›

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Original Articles

Homeownership, saving and financial wealth: a comparative and longitudinal analysis

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Abstract

The finding that homeowners own more non-housing wealth than tenants is well known. We examine whether the higher financial wealth of owners can be partly explained with increases in saving when becoming a homeowner in two distinct institutional contexts. Using longitudinal data for the UK (British Household Panel Survey) and Germany (Socio-Economic Panel Study), we find that homeowners save more and are financially wealthier than tenants. However, when controlling for time-constant selection into homeownership, upon entering homeownership households reduce their probability to save in Germany and reduce their average saving rate in Germany and the UK. For Germany, there is some evidence that processes of homemaking (family formation and

home improvement) lead to less saving. For the UK, we find no evidence that increasing home equity over time discourages saving. Finally, tenants do not compensate for their lack of housing wealth by accumulating more non-housing wealth over time. This disadvantage for tenants seems more pronounced in the UK compared to Germany.

Keywords:

Home ownership | comparative housing | housing investment | homemaking | saving

Acknowledgement

Data from the British Household Panel Survey are available from the UK Data Archive (http://www.data-archive.ac.uk) and data from the German Socio-Economic Panel Study are available from the German Institute for Economic Research (DIW), Berlin (http://www.diw.de/soep). Neither the original collectors of the data nor the distributors bear any responsibility for the analyses or interpretations presented here.

Notes

1. The low-income ECHP-subsamples are excluded from the analysis. All other subsamples are included.

2. The high-income sample G, the innovation sample I and the latest refreshment sample K from 2012 are excluded.

3. Restricting the sample to the period 1992–2008 covered in both surveys yields comparable results (see Table S.3 in the Supplementary Material).

4. In the BHPS, the head of household is the principal owner or renter of the accommodation. When there is more than one owner or renter, a male and older person takes precedence. In the SOEP, the head of household is the person most knowledgeable about a household's situation.

5. The house price data are drawn from ONS' 'Live tables on housing market and house prices', 'Table 511: Simple average house prices, by dwelling type and region, United

Kingdom, from 1986' available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/10647/140990.xls (retrieved 20 October 2016). The house price data are merged to the household data at the level of Government Office Regions.

6. The response variable saving rate is bounded between 0 and 1 (exclusive). Therefore, a logit transformation is used which makes the variable approximately normal distributed.

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