

# Owning vs. Renting: The benefits of staying put?

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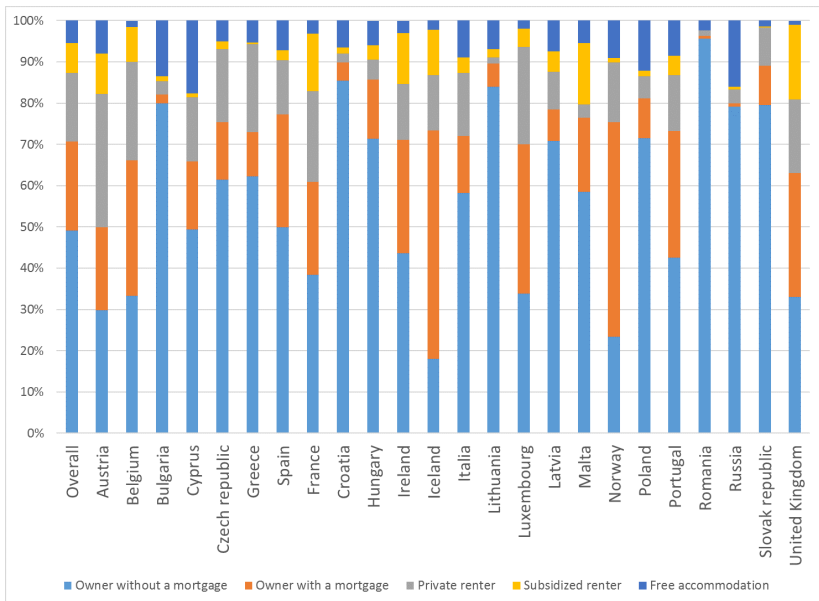
# Overview

- ▶ Motivation: Are there contexts in which homeowners and renters have more similar outcomes?
- ▶ Research Question: Is more similar length of residence associated with more similar outcomes?
- ▶ Data: EU-SILC (Statistics on Income and Living Conditions) Survey for 24 European countries
- ▶ Results: Owners generally experience more desirable outcomes but differences between renters and owners smaller in countries in which they have more similar length of residence

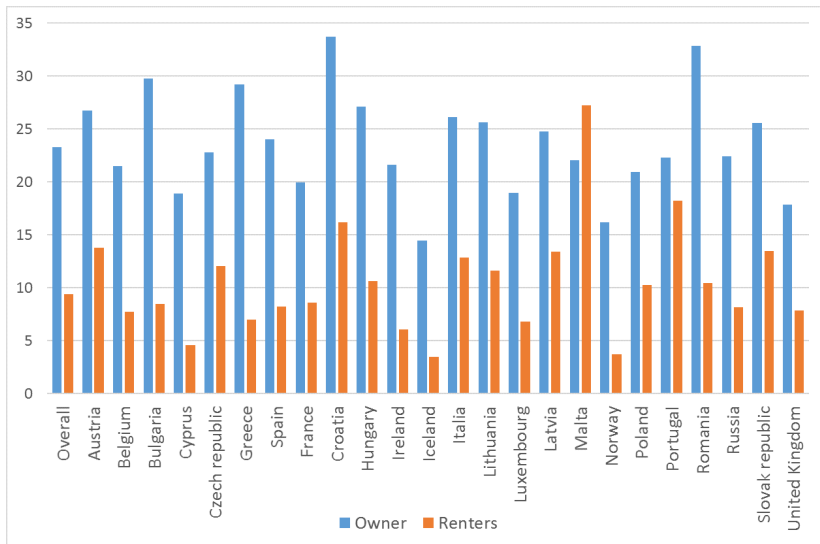
# Motivation

- ▶ Ownership: tenure of choice, largely supported by housing policies
- ▶ Wide body of research looked at outcomes of homeowners
  - ▶ Evidence of private benefits: wealth, income, life satisfaction
  - ▶ As well as social benefits: social and civic engagement, education
- ▶ Mechanisms for these benefits beyond selection effects remain unclear. Stability identified as potential key factor
- ▶ SILC provides comparables data on a number of European Countries
  - ▶ Differences in tenure mix and institutional support for homeownership
  - ▶ Differences in length of residence for owners and renters
- ▶ Possible to look at differences in outcomes for renters and owners in different contexts

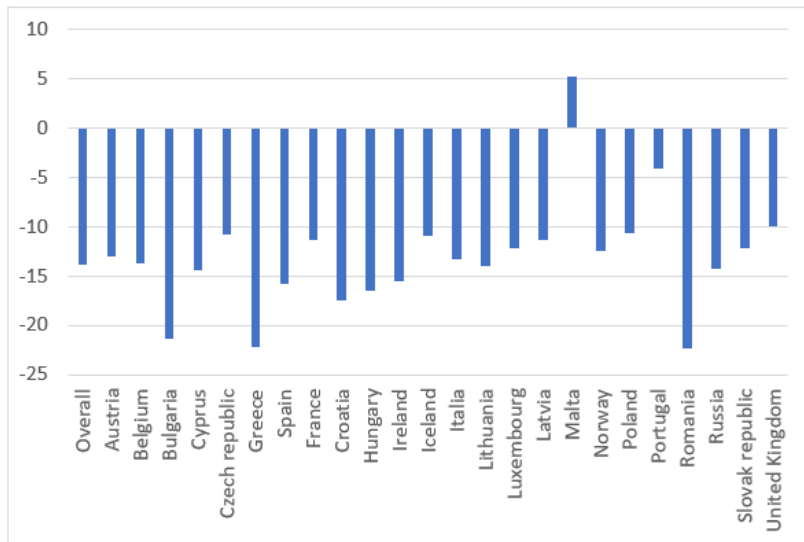
# Tenure mix by country



# Median length of residence by tenure and country (years)



# Difference in median length of residence between owners and renters (years)



# Research Question

- ▶ Are the differences in outcomes between owners and renters found in studies in individual countries of similar magnitude across countries?
- ▶ Is more similar length of residence associated with more similar outcomes between owners and renters?
  - ▶ Greater stability: potential mechanism contributing to differences in outcomes
  - ▶ Focus on length of residence as proxy for residential stability
- ▶ Are findings consistent across range of outcomes
  - ▶ Individual outcomes: income, employment, health, life satisfaction
  - ▶ Social outcomes: community and political engagement, level of social activity, trust in others and politics

## Existing Evidence: owners tends to exhibit more desirable individual and social outcomes

- ▶ Well established literature looking at owners's outcomes across the world
- ▶ Individual outcomes: owners have more wealth, higher levels of employment, higher income, better children outcomes (Green and White 1997; Rohe and Basolo 1997; Dietz and Haurin 2003; Borgoni, Michelangeli and Pirola 2018)
- ▶ Social outcomes: more community and political engagement and development of social capital (DiPasquale and Glaeser 1999; Dietz and Haurin 2003; Rohe et al. 2013; McCabe 2016; Manturuk, Lindblad and Quercia 2017)



## Existing Theories: selection bias, stability and other factors

- ▶ Selection issue: lack of randomized and limited natural experiment (Dietz and Haurin 2003)
- ▶ Stability: causal evidence of strong direct effect of ownership in Norway particularly for marginal group and benefits associated with stability (Aarland and Reid 2018)
- ▶ Other factors: hedge against futures housing costs, forced saving mechanism, access to neighborhoods with higher levels of amenities, confidence to invest in future (Dietz and Haurin 2003)

# Data

- ▶ EU-SILC (Statistics on Income and Living Conditions) Survey, EUROSTAT
  - ▶ Biennial survey of European countries with special topic in each wave
  - ▶ Data standardized across countries as part of survey design
  - ▶ Use cross sectional dimension of survey, does not exploit longitudinal dynamics
- ▶ Use 2015 wave as main source and 2013 special module on overall satisfaction
  - ▶ 24 countries with required information (Germany and Sweden were not provided and cannot include Denmark, Estonia, Finland and the Netherland because lack tenure information)
  - ▶ 189,507 households (between 1,500 and 18,000 per country)
  - ▶ Rich set of variables capturing housing conditions and household outcomes

# Model 1: Impact of Tenure on Specific Outcomes by Country

- ▶ I estimate the following set of logistic regressions (except for income that uses OLS) for each country:

$$Pr(Y_i = 1|X_1, \dots, X_k) = F(\beta_0 + \beta_1 Own_i + \beta_2 X_i) \quad (1)$$

- ▶ With  $Pr(Y_i = 1)$  the probability of individual  $i$  having a certain outcome
- ▶ With  $F(.)$  the cumulative standard logistic distribution
- ▶  $Own_i$  the tenure of household  $i$  (Rent=0, Own=1)
- ▶  $X_{ki}$  a set of control variables for individual  $i$  based on existing literature

## Model 2: Relationship between tenure gap in length of residence and impact of tenure on outcomes

- ▶ I estimate the following set of logistic regressions (except for income that uses OLS):

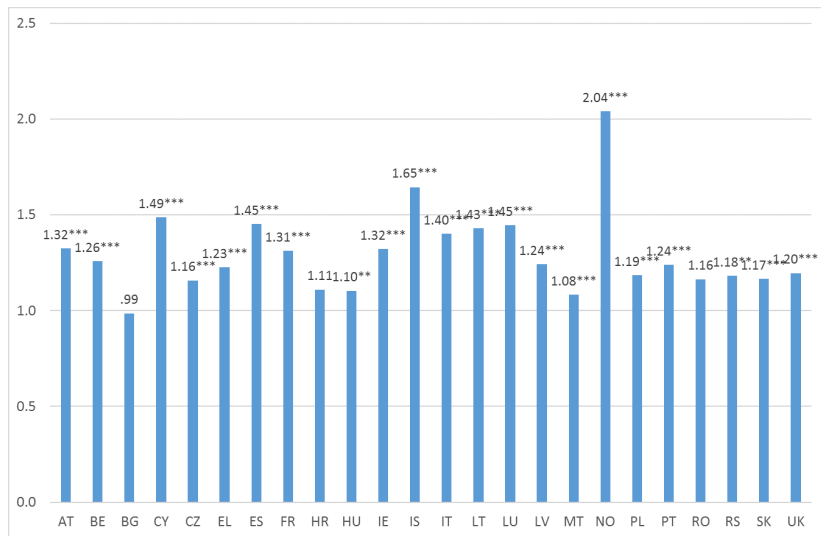
$$Pr(Y_{i,j} = 1 | X_1, \dots, X_k) = F(\beta_0 + \beta_1 Own_i * \beta_2 Gap_j + \beta_3 X_{ki}) \quad (2)$$

- ▶ With  $Pr(Y_i = 1)$  the probability of individual  $i$  having a certain outcome
- ▶ With  $F(.)$  the cumulative standard logistic distribution
- ▶  $Own_i$  the tenure of household  $i$  (Rent=0, Own=1)
- ▶  $Gap_j$  the difference in median length of residence between owners and renters in country  $j$
- ▶  $Own_i * Gap_j$ : greater gap associated with a larger/smaller association between owning and outcome
- ▶  $X_{ki}$  a set of control variables for individual  $i$  based on existing literature (McCabe 2016)
- ▶ Model ran for pooled data from all countries

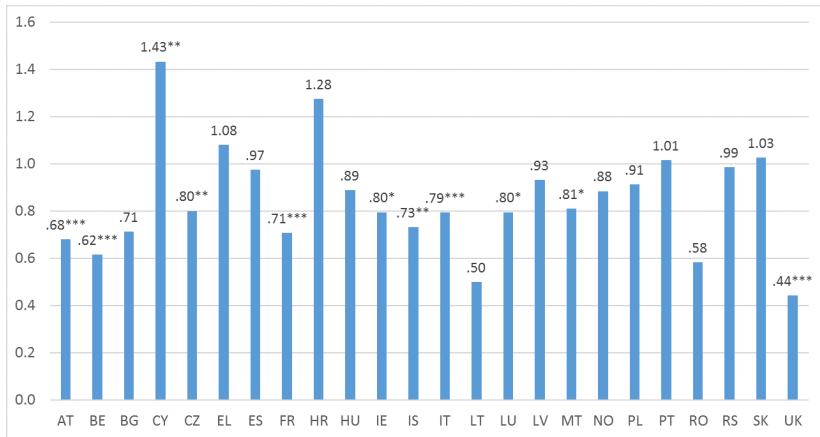
# Model: Key Focus Variables

- ▶ Dependent Variables (subset): Income, health, having issues with the home or with the community environment, regular leisure, citizen participation, satisfaction with life, accomodation, and living environment
  - ▶ Dichotomized based on median value for given country (results interpreted as odds of being above/below median) except income for which log is used
- ▶ Variables of Interest
  - ▶ Tenure: Dichotomized into own or rent
  - ▶ Interaction difference in median length of residence between tenure in country and individual household tenure
- ▶ Control Variables
  - ▶ Individual Factors: Age, number of children, sex, marital status, education level, employment status, income
  - ▶ Context: degree of urbanization

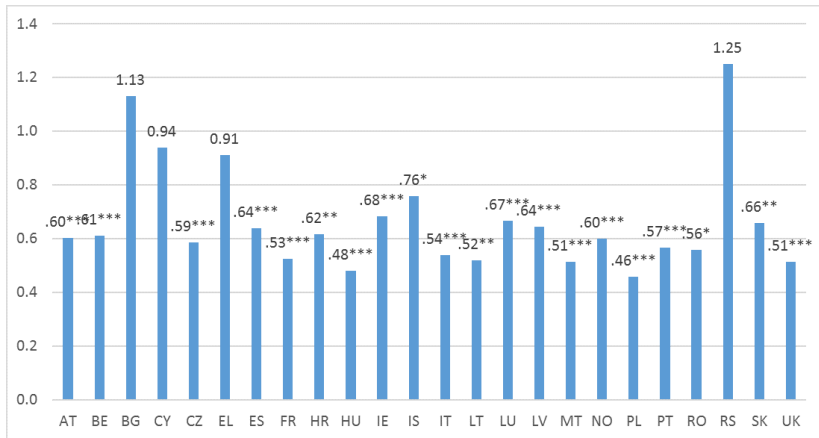
# Log Household Income



# Poor Health

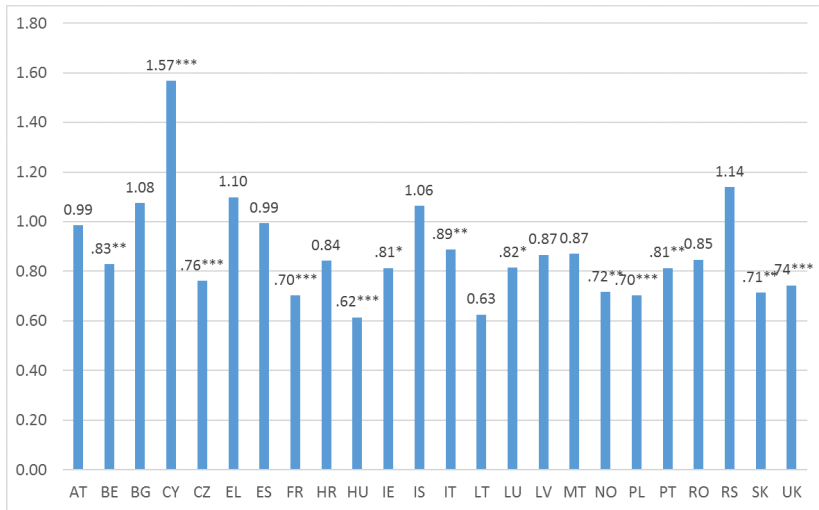


# Housing Issue

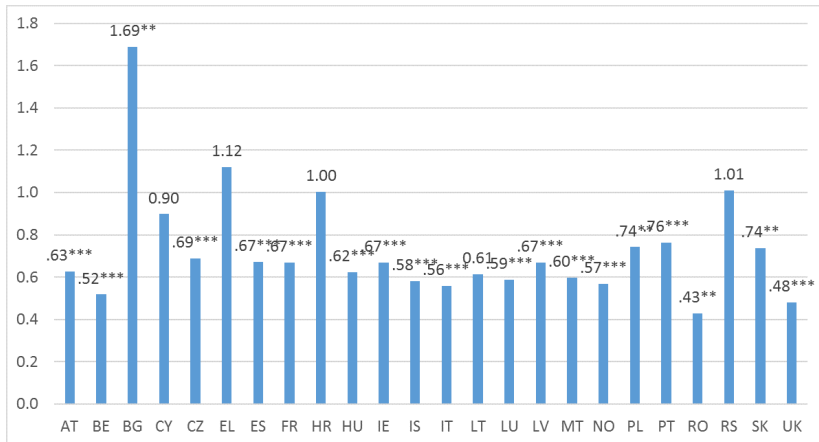




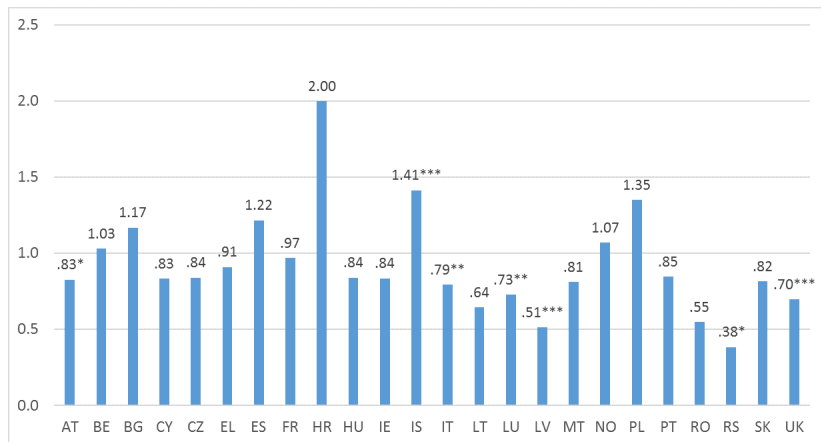
# Environmental Issue



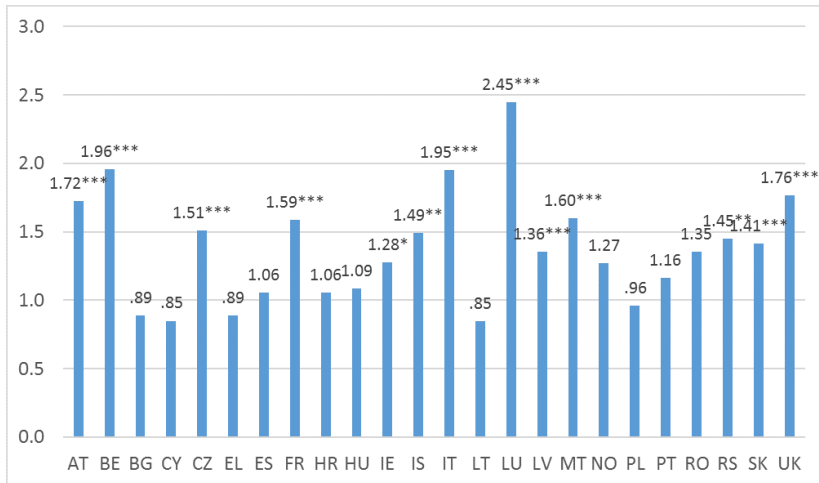
# No Regular Leisure



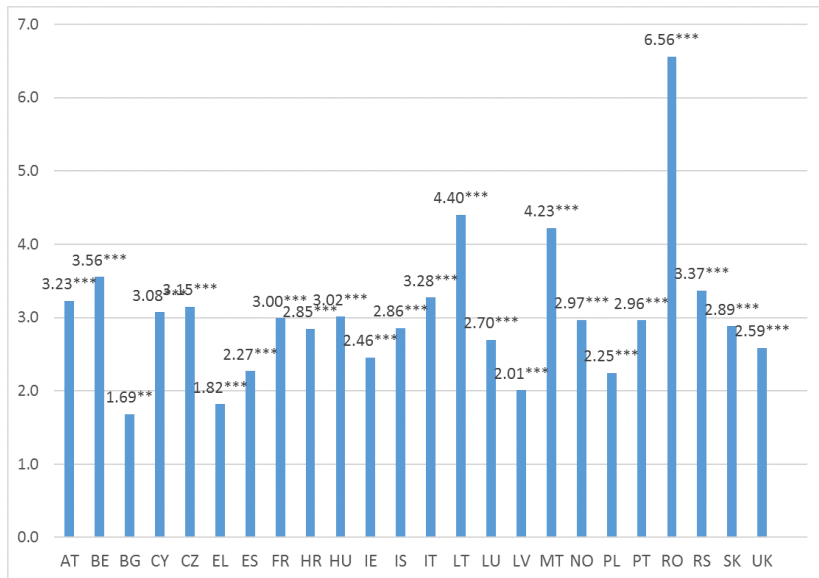
# Not Active Citizenship



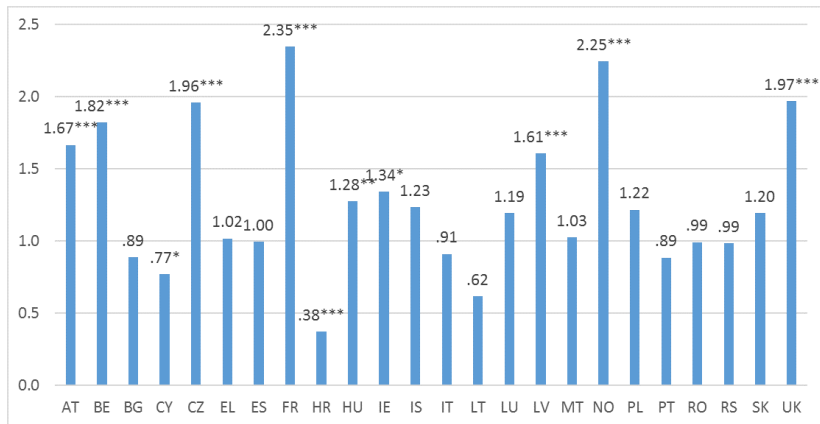
# Life Satisfaction



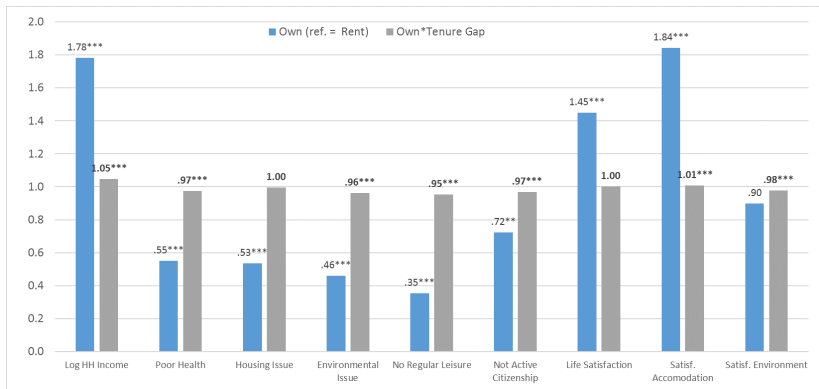
# Satisfaction with Accommodation



# Satisfaction with Living Environment



# Interaction Tenure\*Length of Residence Gap



# Conclusion

- ▶ Owners exhibit more favorable outcomes across range of indicators and countries
  - ▶ Owners have significantly higher incomes in 21 of 24 countries
  - ▶ Owners also generally less likely to be in poor health, more satisfied with their lives and housing situation and more likely to be socially and politically active
  - ▶ In some countries and for some indicators differences are not substantial and/or statistically significant but point estimates largely in same direction across countries (renters seldom exhibit more desirable outcomes)



# Conclusion

- ▶ Overall, in countries with smaller differences in length of residence of owners and renters, differences in outcomes are smaller
  - ▶ Particularly the case for: income, health, satisfaction with housing units and community environment and social and political activity
  - ▶ No significant differences based on differences in length of residence in experiencing housing issues or life satisfaction
- ▶ Increased stability potential mechanism through which some of the benefits associated with homeownership operate
- ▶ Results suggest that beyond promoting homeownership, policies that have the potential to improve residential stability for renters might have welfare benefits but require further analysis

Thank you