

Homeownership among low income households

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Summary

More than 75 percent of all Norwegian households are owner-occupiers – either as free-holders or as owner of co-ops. The incidence of home ownership is highest in the upper segments of the income distribution. In the two lowest deciles of the income distribution the share of home owners are respectively 30 and 50 percent, while it is as high as 97 and 98 percent in the two highest income deciles. Hence, the ownership propensity is increasing in income. Hence, homeownership is also not uncommon in the lower segments of the income distribution.

Over the last fifteen years home prices in Norway have shown a remarkable growth. It has also been shown that prices for small owner-occupied units in Oslo has grown stronger than home prices generally. This probably means that low-income households over this time period have gained strongly from entry into owner-occupation in financial terms. This is, however, not a conclusion that can be generalised to any time and housing market. Among low-income families with children 22 percent described housing expenses as a heavy burden. In the group of owning low-income households with at least one retired person only 7 percent regard housing expenses as a heavy burden. Interestingly enough, we find that when it comes to the share of households who have experienced that they had not been able to pay their bills on time it are the low-income renters who experience the largest incidence. A natural interpretation is that there is a tendency that the low-income households with a good capacity for economising with their resources are over-proportionally selected into owner-occupation. There are good reasons to believe that owner-occupation has advantageous effects both at the household level and at a societal level. Still our advice is that the housing policy authorities right now should be careful with allocations of credit for increased homeownership among low-income households. The prime reason is that we are now probably going into a period of uncertain future development of both interest rates and home prices. Households with low incomes have lower capacity to handle risk than the average household has.

The report concludes that from a housing policy perspective it is important to enable households to adjust their housing consumption to variations in need over time. It is not obvious that the Norwegian housing market as it is today offers this possibility to households with (permanent or temporarily) low incomes. Not all low-income households gain access into home-ownership. Furthermore, there is a thin supply of long term rental contracts, both in the private and public rental sector.