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A short note on the non-increasing homeownership rate in Denmark.

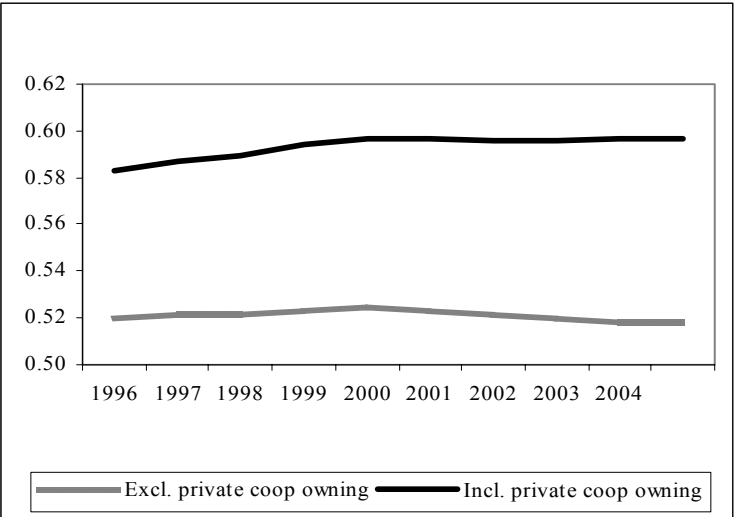
The homeownership rate seems to be declining in Denmark in recent years while the rate is steadily increasing in most other western countries. This is puzzling because the proportion of homeowners should be expected to increase with the general increase in real disposable income among Danish inhabitants. This short note is a first quick attempt to come up with an explanation of the development.

A remark on Andelsboliger

In addition to conventional home ownership, Denmark has private cooperative homeownership (andelsboliger) where owners pay a low “entrance” fee for their home (most often an apartment), and since pay a comparatively low rent to the owner society, which takes care of the exterior maintenance. Typically owners are free to sell the home, but the society board decides the price. The boards are elected by the owners. Recently some boards have accepted market prices for the homes. If this becomes widespread, remaining differences between andelsboliger and ordinary owned homes will probably disappear. Generally, private cooperative ownership should not be mistaken for social housing. Denmark also has a rental non-profit social housing sector.

As shown in Figure 1, the fall in the Danish homeownership rate is changed into stagnation if andelsboliger are included under the rate.

Figure 1: Home ownership rates in Denmark 1996 - 2005

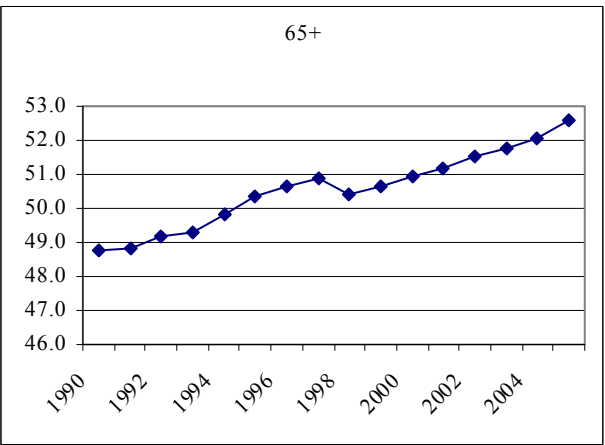


Source: Statistics Denmark. Statistikbanken.

The different patterns for young and old

However, the missing increase of the rate still needs to be explained. Two opposite movements influence the aggregate rate. One is a clear increase in the number of pensioners living in owner occupied homes, as shown in figure 2. (The figure is not based on the number of homes, but on inhabitants)

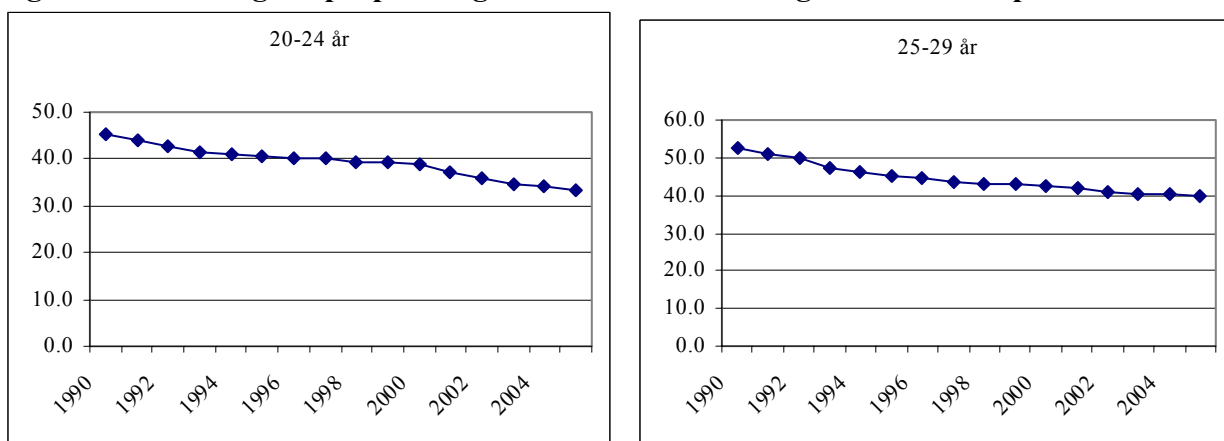
Figure 2: Percentage of people of age 65+ living in owner-occupied homes



Source: Statistics Denmark. Statistikbanken.

The other is an opposite movement for younger generations, especially for young people in the twenties, see figure 3.

Figure 3: Percentage of people of age 20-24 and 25-29 living in owner-occupied homes



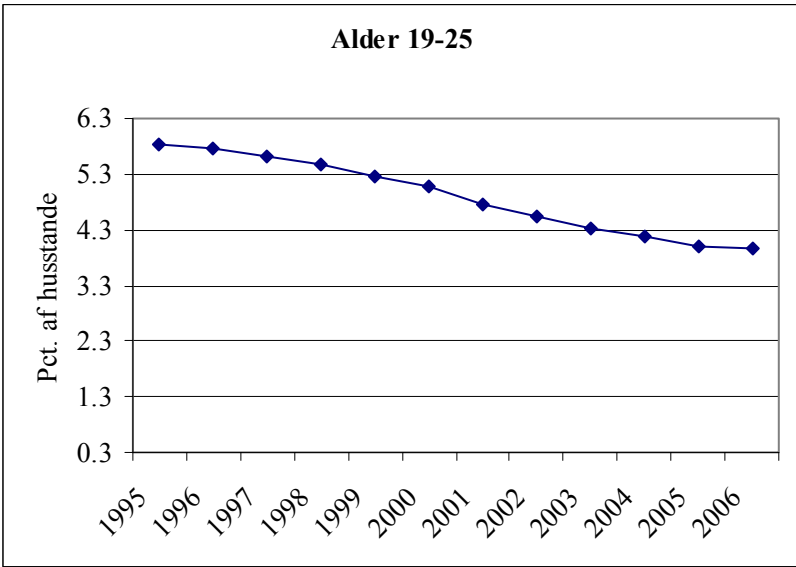
Source: Statistics Denmark. Statistikbanken.

The factors influencing the steeply falling rates for traditional “family establishing” years seem decisive for the explanation of the aggregate rate.

Factors behind the decline for young people

If one looks at the home leaving pattern for children it is obvious, see Figure 4, that there has been a continuous decline in the percentage of households with older children, which probably is due to a general increase in welfare/living standards both for parents and young income earners over the years. Young persons of age 19-29 leaving their parents do not look for homes to own, but prefer to rent until they have finished their education. In this way increasing welfare gives a demand for rented homes. It should be mentioned that recently there are indications of stagnation in this development, and may be a turn is under way for children of age 19 and 20.

Figure 4: Per cent of households with children of age 19-25 still at home



Source: Statistics Denmark. Statistikbanken.

Another factor behind the trend is the tendency for young people to be longer under way before they choose education, and the increasing fraction of young people taking longer educations. Both will tend to give higher demand for rented homes because young people want to keep high geographical mobility when under education. Finally, if younger people in the future feel less attached to their employer in a climate of general high demand for young labour, the wish for high geographical mobility could last into the first part of their working life. In fact, labour market flexibility is in general high in Denmark measured by European standards.