

# Intergenerational Transmission: How Strong Is the Effect of Parental Homeownership?

## Results of a Survey on Households in Austria

*Against the background of decreasing housing subsidies and rising housing prices, this paper contributes to the analysis of various influences that determine whether a household is a housing owner or tenant (tenure status). The study applies a logistic regression to data for Austria from the Household Finance and Consumption Survey (HFCS). In particular, the study investigates the extent to which parental homeownership influences the tenure choice of young adults. The results show that the probability of becoming a homeowner increases significantly, by 31 percentage points, for a household with homeownership parents. Gifts and inheritances appear to be important mechanisms underlying the intergenerational transmission of homeownership in Austria. Furthermore, households become homeowners earlier in their life cycle if their parents are or were homeowners. The strong effect of parental ownership on the ability to afford ownership and the distinct importance of inheritances and gifts are among the factors responsible for housing wealth disparity.*

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A home provides a shelter against adverse environmental conditions. Together with food and clothing, shelter is a basic need that individuals must meet to survive. In modern societies, housing additionally satisfies more complex cultural, social and economic needs that provide individual well-being. A home can be rented (from the state or a private source), free of charge (owned by the state or a private source), or it can be owned by the occupant. Differences in the incidence of such tenures among the population are important for a number of reasons. First, there is evidence that homeownership generally correlates with better living conditions. This is because, on average, owned homes tend to be of better quality and larger than rented housing, as homeowners can make any changes they wish to their homes. Second, homeownership represents a consistent share of households' wealth and, as an investment, it provides income by imputed rent. Besides, the imputed rent is

a consumption good. Ownership may then accentuate or compensate the effects of economic inequalities associated with labor market positions or with preexisting socioeconomic assets (Bernardi and Poggio, 2004). Tenure choice (ownership versus renting) of different generations for the same family often shows similarities. This phenomenon is referred to as intergenerational transmission. Finally, if intergenerational transfers play an important role in homeownership, housing may act as a factor perpetuating economic inequalities (Mulder and Smits, 1999).

Examples of intergenerational transfers are the transmission of socioeconomic status (Blau and Duncan, 1967) and of the educational level (De Graaf and Ganzeboom, 1993; Fessler et al., 2012). In the case of the intergenerational transfer of homeownership, parents actively bestow a gift on their offspring: By giving a high sum of money or assets to their children, parents influence the timing of the purchase of

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real estate, the quality of housing and the mortgage duration. This is the financial form that assists recipients' housing purchases or mortgage payments. Support may also be given in a nonfinancial form by providing material support such as cohabitation or living arrangements (e.g. in Asian countries).

It is important to analyze the structure of housing markets because developments in the housing market have manifold implications and correlations; they also have implications for other macroeconomic variables and a country's financial stability. Detailed knowledge of the housing market is important when discussing or implementing fiscal or macroprudential measures. To this end, this paper sheds more light on the structure of the Austrian housing market.

The housing situation can have important consequences for family formation and fertility, but also for the labor and mortgage markets. The decision of households to own housing is often their most important investment and absorbs most of their capital. Ownership is connected with financial security. In the Netherlands, Feijten and Mulder (2002) found that the generation of new homeowners is younger than in former decades.<sup>2</sup> They argued that this finding is most likely attributable to increased economic prosperity and the increased availability of long-stay housing. Furthermore, many European countries experience the phenomenon that young adults live with their parents longer, as they cannot afford to live on their own and as they study longer than earlier generations. In recent years, rising property prices and housing costs have worsened young adults' chances in the housing market even

more (Helderman et al., 2004; Jenkis and Maynard, 1983; Semyonov and Lewin-Epstein, 2000). Against this background, parental wealth becomes even more important. A house purchase is a particularly large expenditure in an early period of an adult's life cycle – a period in which consumption (including housing expenditure) rises more than income.

Many papers that analyze tenure choice conclude that from individuals' point of view, tenure choice is driven by the relative cost of renting compared to owning and by socioeconomic characteristics. Institutional and legal settings play an important role. In Spain, for example, a few decades ago tenant protection was very strong, and tenancy was the predominant housing arrangement. With enforced liberalization and the trend for landlords to leave apartments vacant than renting them out, the ownership rate rose, so that ownership has now become the predominant form of housing arrangement (79% in 2012; source: Eurostat). Given the same resources per individual, married couples are more often homeowners than singles (Mulder, 2003). The same holds for households with children. A further factor influencing tenure choice is the potential wage. Haurin et al. (1997) regard the potential wage as a better measure than real and permanent income, which is endogenous, as the decision to work and the decision about housing are taken at the same time. Other authors show that the availability of mortgage financing has a positive influence on the ownership of young adults (Haurin et al., 1994; Ortalo-Magne and Rady, 1999; Chiuri and Jappelli, 2003). Another group of authors stresses the role of savings in

<sup>2</sup> One reason might be that parents who are homeowners themselves are more likely to help their children financially on the way to homeownership: Parents today have more resources to invest in their children.

tenure choice (Engelhardt, 1994; Haurin et al., 1997). However, the accumulation of housing wealth is endogenous for tenure choice – owners save money for the purchase of their home. Some studies tried to include variables describing the family background. More than by capital transfers per se, parental wealth seems to influence house purchases of children by building up children’s own human and financial assets. Mulder and Smits (1999) show that owner-occupier parents in the Netherlands are more likely to give substantial sums of money to their children than renting parents do. Furthermore, children who own their home are more likely to have received money from their owner-occupier parents than children of renting parents.

A transmission mechanism in which parents are actively involved is gifting; intergenerational transmission also takes place in the form of similar housing conditions: Children often live near their parents’ home and therefore have similar conditions, such as location. When parents reach old age, however, parents often move away.<sup>3</sup> This holds true for owner-occupier and renting households (Mulder and Smits, 1999).

This paper aims to identify some influences on the tenure choice of Austrian households. We used Household Finance and Consumption Survey (HFCS) data from the first wave for our analysis. The HFCS was a voluntary survey among households conducted in Austria between the third quarter of 2010 and the second quarter of 2011. A total of 2,380 households successfully participated in the HFCS

in Austria.<sup>4</sup> To determine the socioeconomic characteristics of the households, such as age, gender or employment status, we used the characteristics of the household’s reference person. The household defined the household head itself in the survey: Households were asked to choose the financially most knowledgeable person, i.e. the person best informed about the household’s wealth situation, income and consumption expenditure decisions. This person served as the reference person.

The paper is organized as follows: After analyzing the housing and mortgage situation of tenants and owners and examining the factors behind their tenure choice in section 1, the influence of parental ownership, inheritances and gifts as well as their effect on the age at which households become homeowners is discussed in section 2. Section 3 closes with a summary and some conclusions.

## 1 Some Factors Influencing Tenure Choice

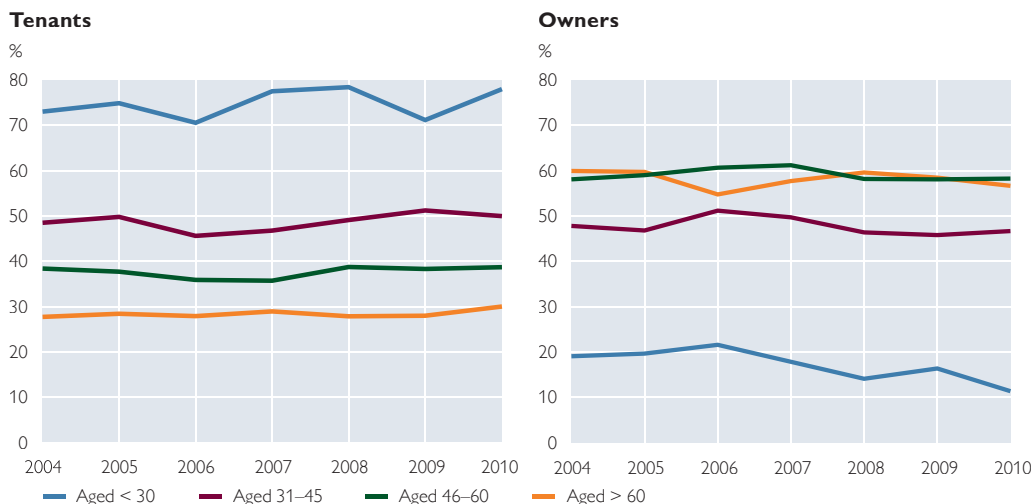
First, we checked how the shares of tenants and owners developed in Austria broken down by age groups. As the HFCS data currently only exist for 2010, we used EU-SILC (European Union Statistics on Income and living conditions) data from 2004 to 2010. Even though six years is too short to test for trends, the data reveal that more of the younger households (households up to 30 years and aged 31 to 45 years) live as tenants and fewer as owners. The tenure status of older age groups stayed more stable.<sup>5</sup> This result confirms the assumption that it has be-

<sup>3</sup> In Germany, parents in higher age brackets (over 65) move away far more rarely than parents in younger age groups (Oswald, 2012). The same holds true for Austria.

<sup>4</sup> To underline the analysis of the facts behind (active) tenure choice, we analyze the households satisfied with their current housing situation.

<sup>5</sup> Within this period, the rent shares increase from 73% to 78% for persons aged up to 39 years and from 48.5% to 50% for those aged 31 to 45 years.

### Tenure Choice by Age Groups



Source: EU-SILC, own calculations.

come harder to afford ownership given rising property prices and housing costs.

HFCS data underline that owner-occupied homes are generally larger, in better surroundings and of better quality than rented homes (table A1). Owner-occupied homes provide better possibilities for capital accumulation, as homeownership may provide both equity accumulation and tax benefits over time. Homeownership is a way in which many households begin to accumulate wealth. But homeowners are also confronted with risks. In addition to the risk of individual homeowners being able to afford credit repayments, there is also a risk that economic stability will suffer when increases in house prices together with a long-term sub-

stantial credit expansion become detached from the underlying fundamental factors. The U.S.A. has recently experienced this phenomenon.

Income plays a crucial role in tenure choice. In the lowest income quintile, renting is the prevailing tenure form, while owning gains importance from the second quintile onward up to the fifth quintile, where more than two-thirds of households live in owner-occupied homes. Family status is a further criterion in tenure choice: Almost two-thirds of singles rent their home, while 64% of married households or households in a consensual, legally based union own their homes. Two-thirds of divorced households live in rented accommodation.<sup>6</sup> In subsidized

<sup>6</sup> Unless otherwise agreed among spouses (partners), under Austrian law, a spouse (partner) retains ownership of the assets he or she has brought into a marriage (registered partnership) as long as the marriage (registered partnership) remains legally intact. Real property a spouse (partner) has brought into the marriage (registered partnership), inherited or been gifted with is not subject to asset division in the event of a divorce (nullification). The property inhabited by the couple during marriage (registered partnership) is only subject to asset division if agreed beforehand or if the spouse (partner) who does not own the property is dependent on living in the property to meet a basic need. Real property brought into the marriage (registered partnership) is not lost in case of divorce. The HFCS data show that only 12% of tenants were owners before. Any credit guarantees remain intact after a divorce, so that these guarantees do not explain the high share of tenants, either. Lower income and fewer assets are the only likely reasons for the high share of divorced tenants.

housing or homes (municipal housing, subsidized housing, employer-provided housing, rent-free housing), 39% of households are divorced. A further factor in tenure choice is whether dependent children below the age of 15 live in the household. 48% of households in rented homes have no children, while children live in 57% of the owner-occupied homes.

Far more owner-occupier households than renting households are indebted. While 57% of owners have debts, households without debts prevail among renters and free users.<sup>7</sup> The parental effect is evident: The share of indebted households doubles from 26% of renting households whose parents are owners to 60% of renting households whose parents are not owners. The opposite is true for owners: The share of indebted owners with owning parents is 70%, whereas that of owners with

Table 1

**Marital Status**

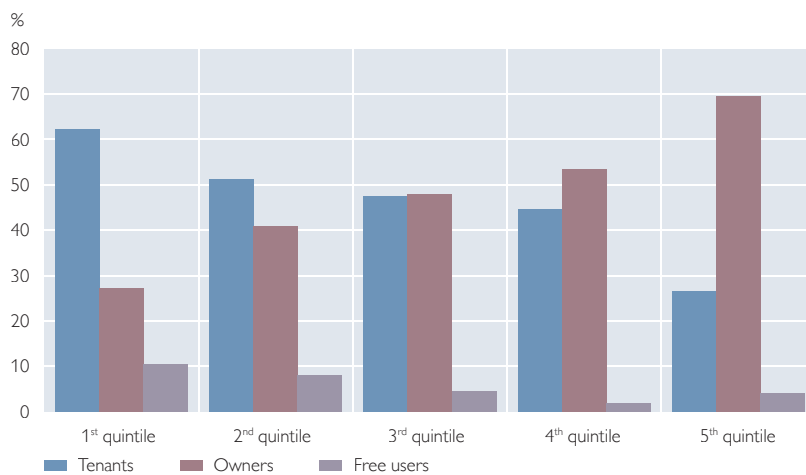
	Tenants	Owners	Free use
	%		
Single	63.5	30.3	6.2
Married or living together, consensual union on a legal basis	31.4	64.1	4.5
Married but living separated	49.4	46.0	4.6
Widowed	43.9	39.9	16.2
Divorced	67.7	30.2	2.2

Source: HFCS Austria 2010.

nonowning parents comes to 38%. One of the explanations behind this might be that owners with parent owners get a loan more easily (most often secured by a mortgage). Therefore, households with owning parents are in a better financial situation. However, only 36% of households are indebted, and most of the debts are below EUR 50,000.

Chart 2

**Form of Housing across Gross Income Quintiles**

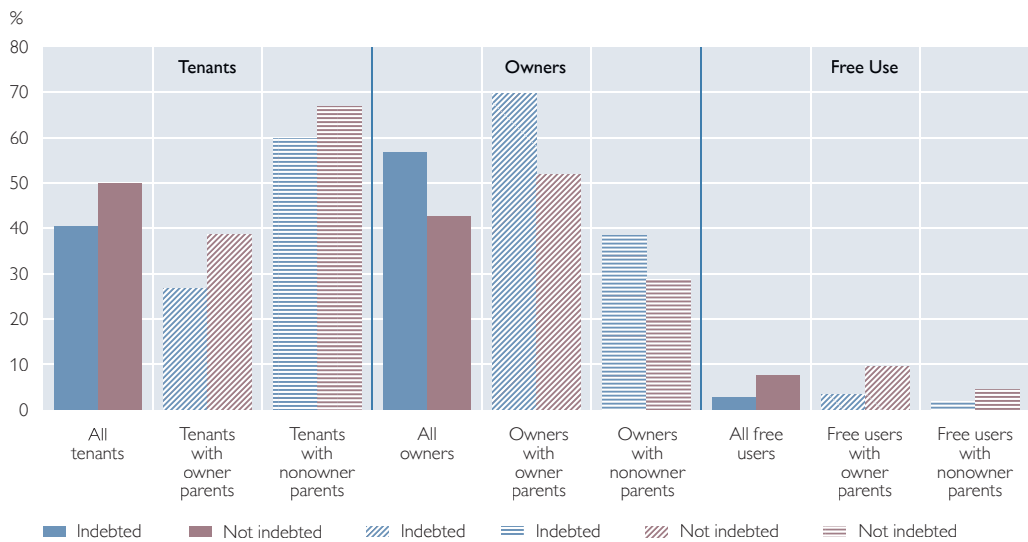


Source: HFCS Austria 2010, OeNB.

<sup>7</sup> Free users are found e.g. in official residences, or they have a life estate, or they are children living in the owner-occupied housing for which their parents pay. Most often, farms are not captured, as they are usually passed on to a son or daughter. These cases are captured as owners, because the child is the person who knows the most about household finances and who thus served as the reference person for the HFCS. In fact, the free-use share of the first quintile consists of households where the child lives in owner-occupied housing for which the parents pay.

Chart 3

**Distribution of Indebted Households**

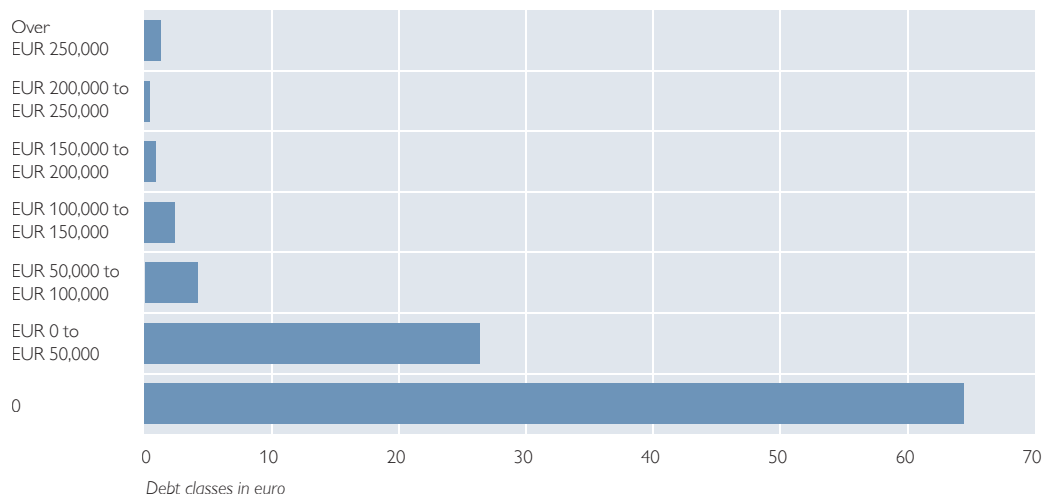


Source: HFCS Austria 2010, OeNB.

Chart 4

**Distribution of Households by Debt**

2010, share in %



Source: HFCS Austria 2010, own calculations.

Owning parents can often support their children because their own housing costs are low; either they already own their home or have only a small mortgage left to repay. Households between 30 and 45 years of age have the highest current value of primary hous-

ing; 53% of these households hold debts. This age group has the highest median outstanding balance and the highest monthly mortgage payments. The ownership rate is highest in the age group between 45 and 60 years at 57%; this age group holds the highest net

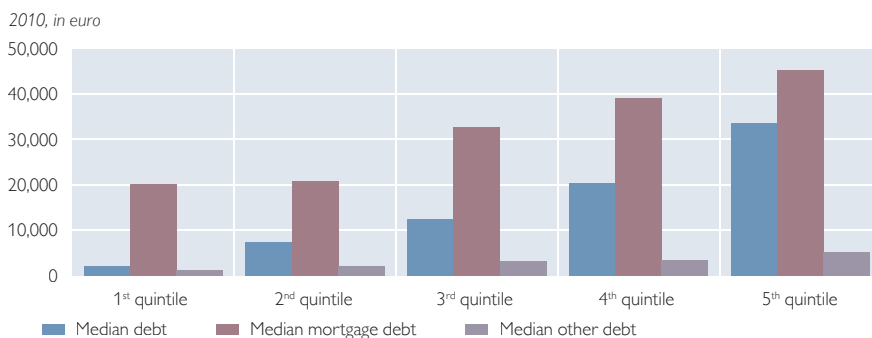
Table 2

**Breakdown of Wealth and Debt by Age**

Age of reference person	Ownership rate in %	Current value of primary housing in euro		Percentage with outstanding mortgage debt in %	Outstanding balance of mortgage debt in euro		Monthly mortgage payments in euro	Household gross income in euro	Mortgage debt-to-income ratio	Expects inheritance or gift	Net wealth in euro		Net housing wealth in euro	
		Mean	Median		Mean	Median					Mean	Median	Mean	Median
<30	0.18	212,014	164,588	0.39	99,409	45,055	402	35,527	2.80	0.23	92,777	9,995	27,917	0
30–45	0.42	327,052	226,511	0.53	96,552	67,343	461	46,962	2.06	0.17	250,285	46,933	100,789	0
45–60	0.57	276,820	218,432	0.40	67,491	26,542	363	54,203	1.25	0.11	377,228	160,693	142,624	73,136
>60	0.55	233,235	166,106	0.18	32,551	14,989	222	35,505	0.92	0.02	239,388	103,928	121,209	57,400

Source: HFCS Austria 2010, OeNB.

Chart 5

**Distribution of Median Debt across Gross Income Quintiles**

Source: HFCS Austria 2010, OeNB.

wealth, as it has much lower outstanding debts than other cohorts. Mortgage debt is also the reason why net housing wealth is lowest, i.e. 0, for households younger than 45 years. But the data also show that a surprisingly large share of households younger than 45 years – 19% – expects an inheritance or gift in the future.

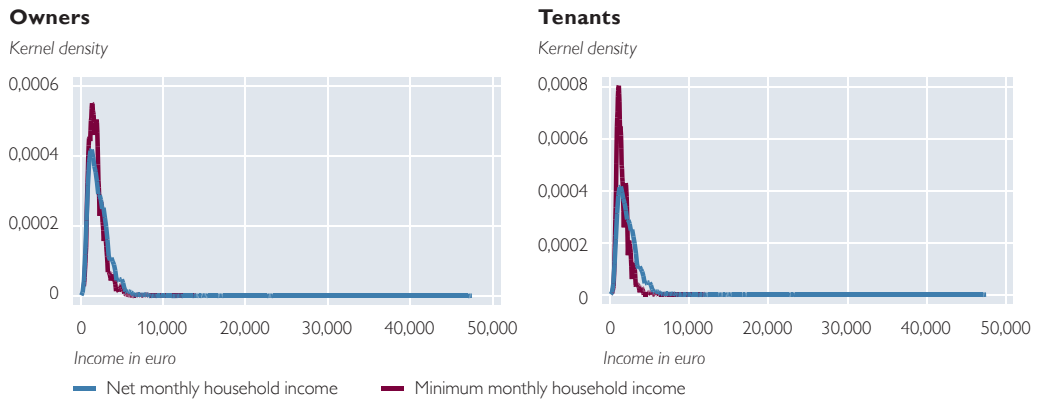
Mortgage debt increases in line with both gross wealth and income. Nonmortgage debt remains relatively stable over the income distribution. The big difference between the level of mortgage and nonmortgage debt is also noteworthy. As mortgage debt is used to finance housing wealth rather than smaller purchases, which are financed with noncollateralized obligations, the

level of mortgage debt is far higher than that of nonmortgage debt, i.e. it is higher by a factor of more than 15 for the third gross wealth quintile (Albacete and Lindner, 2013).

Homeownership is often connected with applying for a mortgage. Within the past three years, 7% of households applied for a loan; almost twice as many were owners than tenants. 10% of these respondents indicated that their application had been turned down, 12% that they did not receive as much as they had applied for – in sum, 22% of applying households did not succeed in taking out a loan to the full extent or at all. And within this 22% share of applicants, more of the households were tenants than owners. Another

Chart 6

**Distribution of Real Monthly Household Income and Minimum Needed Monthly Income**



Source: HFCS Austria 2010.

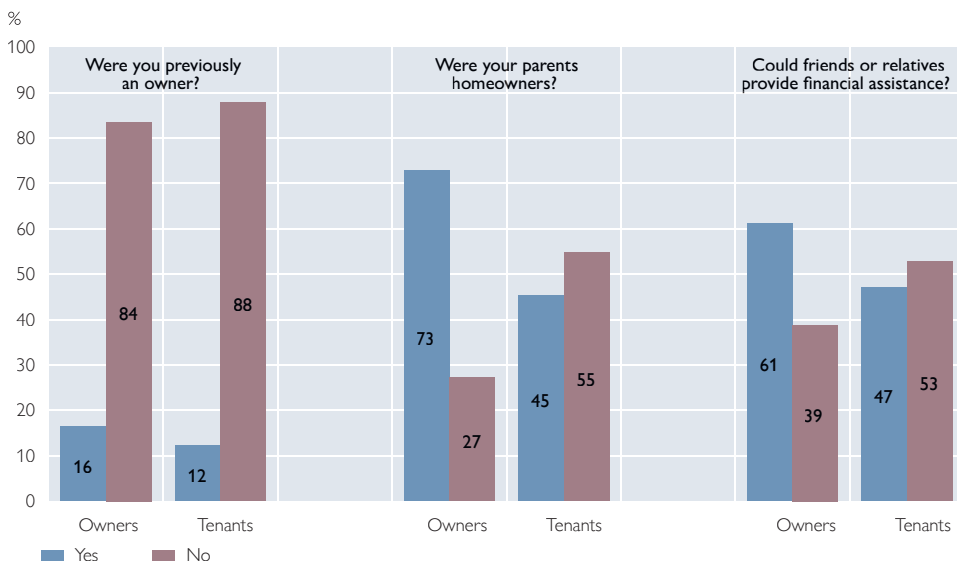
way to get money is to ask family or friends for financial assistance. A clear majority of 61% of the owners said that they would be able to get assistance of e.g. EUR 5,000, while more than a half (53%) of tenants said they would not.

When asking households about their actual monthly net household in-

come and about the minimum monthly household income that would be necessary to cover the expenditure of homeownership, we see that the difference between tenants' real income and the minimum needed income is much higher than that of owners<sup>8</sup> (see chart 6).

Chart 7

**Parental Homeownership and Previous Homeownership**



Source: HFCS Austria 2010, OeNB.

<sup>8</sup> Although it seems that owners are in a better position to answer this question (as it is a fictitious one for tenants), tenants can estimate better how much income they would need to afford owning a home.



Against this background, parental wealth plays a decisive role for tenure – while almost three-quarters of homeowners had owner-occupying parents, just 45% of tenants have homeownership parents. The parents’ homeownership was measured retrospectively for the period when the respondent was 15 years old. This method precludes covering households whose parents became homeowners after the households themselves as well as financial support children provide for parents’ homeownership.

Broken down by age groups, we see that ownership increases the older the respondents are while renting declines. Parental ownership is lower for older age groups and accounts for 67% of owner households older than 60 years compared to 36% of tenants 60 years and older. The older the households are, the more likely it is that they were previously owners. For owners, this

share increases from 2% for households younger than 30 to 20% for households aged 60 years and over. For tenants, the share of previous owners goes up from 6% for young cohorts to 14% for older cohorts.

30% of respondents answer the question of what their main reason is for renting rather than owning housing by stating that they are content with their living situation. 19% respond that they have a cheap rented flat and do not want to change. Finally, 12% of households say that they do not want to be indebted.

Subsidized housing or homes are often seen as a “preliminary phase” to ownership, as cooperative residences require payment of a contribution. In fact, when we take a closer look at previous owner households living in such cooperative residences, we see that 39% of the households are divorced and 15% are widowed. Although we see a

Chart 8

**Breakdown by Age Group: Ownership or Rental, Previous Ownership, Parental Ownership**



Source: HFCS Austria 2010, OeNB.

significant influence of parents' education on whether a household previously owned a home, in the case of households in cooperative residences and of owner households, the share of households with previous ownership rises from 11% to 21% for households in cooperative homes if parents' education is or was high. The same is true for owners with previous ownership – the share rises from 16% to 26% if the education level of owners' parents is high.

## 2 Parental Ownership and Gifts or Inheritances Play a Crucial Role in Households' Ownership

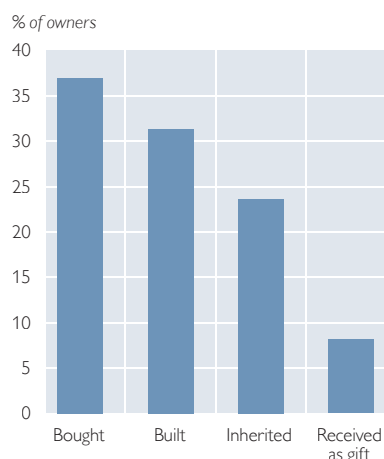
Gifts and inheritances play a crucial role in tenure choice. 24% of owners acquired their home through an inheritance and 8% of owners through a gift (of money or any other asset except the main residence from someone who is not part of the household; gifts may or may not be earmarked for house purchases). This means that in sum, almost one-third of owners (32%) received their home as an inheritance or gift.

Roughly one-quarter each of owners and of free users answered that they had received a substantial inheritance or gift, but just 7% of owners expect an inheritance from outside the household. One-quarter of the free-use households expects such an inheritance. The values of the gifts homeowners receive are twice as high as those tenants receive. In addition, the free-use households received a slightly higher value from inheritances and/or gifts than tenants.

After running a logistic regression,<sup>9</sup> (table 4) we see a highly significant influence of age, gross income (especially in the fifth quintile) and of parental homeownership. For a household with

Chart 9

### Method of Housing Acquisition<sup>1</sup>



Source: HFCS Austria 2010.

<sup>1</sup> The largest share is used if the household acquired its housing with several methods.

Table 3

### Received and Expected Inheritances or Gifts

	Received a substantial inheritance or gift (apart from main residence)	Expects inheritance in the future from outside the household	Value of gift or inheritances	Estimated current value of expected inheritance
	%	%	euro	euro
Tenants	19	14	79,327	286,848
Owners	26	7	160,199	359,022
Free users	25	25	84,783	1,129,176

Source: HFCS Austria 2010, OeNB.

<sup>9</sup> For the logit regression, households who live on free use are regarded as owners (in contrast to tenants).

owning parents, the probability of becoming an owner increases highly significantly, by 31 percentage points. We did additional calculations for single households (two-thirds of which are tenants) to determine the influences on them, as they appear to have the greatest difficulties in obtaining ownership. The results are nearly similar: The probability of ownership increases by 32 percentage points for single households with owner parents. The longer a household lives in an apartment or house, the significantly more probable it is that this housing is owner-occupied. The number of household members exerts a further highly significant influence: Households with children might be more ready for the long-term commitment of ownership – the probability of ownership increases by 1.7 percentage points. In addition, the results show that unemployment reduces the probability of ownership. Self-employed households are significantly more probable homeowners by a margin of 20 percentage points. But if their parents are or were homeowners, their own homeownership is less probable. This can be explained by the fact that farmers living in the same house as their parents account for a large share of self-employed households. The higher a household's education is, the higher the (insignificant) effect on ownership is. It is evident that marriage increases the probability of ownership while divorced households are less likely to be homeowners because they cannot benefit from pooling resources like couples.

Inheritance plays a crucial role in homeownership: Households that have received an inheritance have a higher probability of ownership than of renting. As tenure choice is a long-term financial commitment, the future expectation of income has a further significant influence that the regression underlines. If a household expects income to rise less than living costs, ownership becomes less probable. Moreover, the negative probability of ownership is evident for households subject to credit constraints. Credit-constrained households comprise three groups, i.e. first, households that applied for a credit and were turned down; second, those that applied for credit and did not receive the full amount; and third, those who did not apply at all because they perceived a credit constraint. For all three groups of constrained households, the negative probability of ownership is evident.

The reference person of the household knows most about the finances of the household and is generally also the owner of the housing, but not always. Therefore, running a further regression on single households (one household member) seems to be the best way to check for gender differences. The highly significant influence of parental homeownership remains. Including gender as an independent variable in the regression, the result underlines the fact seen in the large sample that women are less likely to be homeowners.

**Logistic Regression of Ownership****Average marginal effects**

	Coeffi- cient	Whole sample				Coeffi- cient	Singles (number of household members = 1)					
		Stan- dard error	t	P> t	[95% confi- dence interval]		Stan- dard error	t	P> t	[95% confi- dence interval]		
<b>Age of reference person</b>	0.003	0.000	6.74	0.000	0.002	0.003	0.000	0.002	0.09	0.927	-0.003	0.004
<b>Total household gross income</b>												
2 <sup>nd</sup> quintile	0.043	0.122	0.35	0.725	-0.196	0.281	0.011	0.137	0.08	0.938	-0.257	0.278
3 <sup>rd</sup> quintile	0.070	0.081	0.87	0.387	-0.089	0.228	0.118	0.136	0.87	0.388	-0.152	0.388
4 <sup>th</sup> quintile	0.020	0.098	0.21	0.837	-0.173	0.213	0.048	0.131	0.37	0.714	-0.209	0.304
5 <sup>th</sup> quintile	0.201	0.044	4.55	0.000	0.113	0.289	0.218	0.228	0.96	0.347	-0.249	0.685
<b>Parental ownership, reference category: no Yes</b>	0.310	0.033	9.5	0.000	0.246	0.375	0.323	0.038	8.41	0.000	0.246	0.400
<b>Education of reference person, reference category: ISCED 1: Primary education</b>												
ISCED 2: Lower secondary or second stage of basic education	0.052	0.061	0.85	0.396	-0.068	0.171	0.143	0.061	2.34	0.019	0.023	0.263
ISCED 3: Upper secondary	0.044	0.024	1.82	0.07	-0.004	0.091	0.069	0.038	1.84	0.074	-0.007	0.145
ISCED 4: Post-secondary	0.093	0.019	4.92	0.000	0.056	0.131	0.183	0.102	1.8	0.072	-0.016	0.382
ISCED 5: First stage tertiary	0.035	0.038	0.92	0.356	-0.040	0.111	0.051	0.033	1.55	0.15	-0.022	0.125
<b>Period living in housing, reference period: 0 to 10 years</b>												
11 to 20 years	0.136	0.007	18.37	0.000	0.120	0.152	0.129	0.039	3.31	0.001	0.052	0.205
21 to 40 years	0.275	0.015	17.73	0.000	0.244	0.305	0.328	0.028	11.82	0.000	0.273	0.382
41 to 60 years	0.377	0.045	8.41	0.000	0.289	0.465	0.429	0.065	6.57	0.000	0.301	0.557
> 60 years	0.420	0.031	13.45	0.000	0.358	0.481	0.425	0.069	6.14	0.000	0.289	0.562
<b>Main labor status of reference person, reference status: employee</b>												
Self-employed	0.203	0.037	5.51	0.000	0.130	0.276	0.448	0.126	3.56	0.000	0.201	0.694
Unemployed	-0.017	0.068	-0.24	0.807	-0.149	0.116	-0.280	0.175	-1.6	0.111	-0.624	0.064
Retired	0.002	0.021	0.08	0.938	-0.039	0.042	0.008	0.019	0.42	0.678	-0.029	0.044
Other	-0.075	0.010	-7.39	0.000	-0.096	-0.055	0.163	0.164	1	0.319	-0.158	0.484
<b>Family status, reference category: single</b>												
Married: living together and consensual union on a legal basis	0.108	0.069	1.57	0.115	-0.027	0.243	0.000	(omit- ted)				
Married but living separated	0.008	0.022	0.39	0.705	-0.039	0.055	0.090	0.278	0.33	0.745	-0.454	0.634
Widowed	0.012	0.082	0.15	0.884	-0.148	0.172	0.106	0.027	3.93	0.001	0.048	0.164
Divorced	-0.003	0.040	-0.07	0.947	-0.081	0.076	0.087	0.087	1.01	0.314	-0.083	0.258
<b>Substantial inheritance or gift received, reference category: no</b>												
Yes	0.018	0.016	1.11	0.265	-0.014	0.050	0.007	0.021	0.33	0.74	-0.034	0.048
<b>Future income expectation, reference category: Income will increase more than living costs</b>												
Income will increase less than living costs	-0.036	0.012	-3.09	0.003	-0.059	-0.013	-0.032	0.035	-0.92	0.357	-0.101	0.037
<b>Credit-constrained household, reference category: no</b>												
Yes	-0.003	0.082	-0.03	0.974	-0.165	0.159	0.006	0.102	0.06	0.952	-0.195	0.208
<b>Gender of reference person, reference category: male</b>												
female	-0.003	0.026	-0.13	0.898	-0.054	0.048	-0.023	0.060	-0.39	0.7	-0.141	0.094
<b>Number of household members</b>	0.039	0.018	2.15	0.032	0.003	0.074						

Source: OeNB.

continued Table 4

**Logistic Regression of Ownership****Average marginal effects**

	Whole sample						Singles (number of household members = 1)					
	Coefficient	Standard error	t	P> t	[95% confidence interval]		Coefficient	Standard error	t	P> t	[95% confidence interval]	
Existence of dependent children, reference category: no												
Yes	0.017	0.034	0.5	0.617	-0.049	0.083						
2 <sup>nd</sup> income quintile* parental homeownership	-0.009	0.110	-0.08	0.933	-0.226	0.207	0.017	0.105	0.16	0.872	-0.191	0.225
3 <sup>rd</sup> income quintile* parental homeownership	-0.029	0.069	-0.42	0.674	-0.165	0.107	-0.053	0.084	-0.64	0.527	-0.220	0.114
4 <sup>th</sup> income quintile* parental homeownership	0.003	0.091	0.03	0.975	-0.175	0.181	0.174	0.125	1.39	0.17	-0.077	0.424
5 <sup>th</sup> income quintile* parental homeownership	-0.078	0.050	-1.56	0.153	-0.191	0.035	-0.090	0.241	-0.37	0.715	-0.607	0.427
Self-employed* parental homeownership	-0.146	0.025	-5.77	0.000	-0.200	-0.092	-0.467	0.113	-4.14	0.000	-0.689	-0.246
Unemployed* parental homeownership	-0.157	0.033	-4.8	0.000	-0.221	-0.093	0.231	0.082	2.82	0.005	0.070	0.392
Retired* parental homeownership	-0.023	0.039	-0.59	0.557	-0.098	0.053	0.031	0.025	1.23	0.252	-0.026	0.088
Other* parental homeownership	0.029	0.040	0.73	0.465	-0.049	0.108	-0.168	0.235	-0.71	0.476	-0.629	0.293
Married: living together and consensual union on a legal basis* parental homeownership	-0.051	0.042	-1.21	0.226	-0.132	0.031	0.000	(omitted)				
Married but living separated* parental homeownership	-0.038	0.105	-0.36	0.718	-0.244	0.168	-0.021	0.219	-0.1	0.922	-0.450	0.408
Widowed* parental homeownership	-0.028	0.054	-0.53	0.598	-0.134	0.077	-0.096	0.028	-3.39	0.002	-0.154	-0.038
Divorced* parental homeownership	-0.088	0.011	-8.06	0.000	-0.113	-0.064	-0.170	0.040	-4.29	0.000	-0.252	-0.088
Number of Observations	2,380						878					
(Pseudo) R-squared	0.2838						0.2942					

Source: OeNB.

### 3 Parental Ownership or Inheritance Enables Households to Become Homeowners Earlier in Their Life Cycle

We analyzed whether the strong influence of parental wealth is also visible when taking into account the age at which households become homeowners. The HFCS Austria 2010 data show that this age is one-half year lower if parents of owners are homeowners themselves. Furthermore, inheritances or gifts<sup>10</sup> also have a significant influ-

ence – recipient households become homeowners one year earlier (median) in their lives. This influence also becomes apparent in the case of owners with further housing wealth, where households are even younger.

In a regional breakdown (table 6), ownership is more pronounced in rural areas (Burgenland, Lower Austria and Upper Austria) than in urban ones (Vienna and Salzburg). Houses are the predominant housing form in rural areas, apartments in urban areas. The

<sup>10</sup> An inheritance or a substantial gift (of money or any other asset from someone who is not part of the household).

Table 5

**Residence Ownership and Age**

	Owner parents	Inheritance or gift received
<b>Age at which the Household Becomes the Owner of a Main Residence</b>		
Mean	32.3	31.8
Median	31.0	30.6
<b>Age at which the Household Becomes the Owner of a Further Residence</b>		
Mean	25.5	25.0
Median	25.2	24.6

Source: HFCS Austria 2010.

Table 6

**Breakdown of Households by Austrian Provinces**

	Households in the HFCS Austria	Owners	Parent owners	Tenant	Parent owners	Free users	Share of households in 2010, Statistics Austria	Age at which the household becomes the owner of a main residence
	%						Years	
Burgenland	4	75	80	18	15	7	3	30.8
Carinthia	8	47	75	48	9	5	7	34.4
Lower Austria	16	61	74	32	12	7	18	31.2
Upper Austria	17	60	76	33	12	7	16	32.0
Salzburg	7	42	65	53	11	5	6	35.6
Styria	16	54	70	39	13	8	14	30.7
Tyrol	9	55	85	39	11	6	8	31.6
Vienna	18	20	56	76	11	4	23	34.3
Vorarlberg	4	56	83	42	17	1	4	32.3

Source: HFCS Austria, Statistics Austria.

share of owners with owning parents is higher in rural and urban areas. There is a negative correlation – the higher the rate of ownership in an Austrian province is, the younger the household is when it becomes an owner.

**4 Summary and Conclusions**

The aim of this paper was to analyze the different mechanisms and influences on homeownership, in particular the importance of the intergenerational transmission of homeownership. The structure of housing markets has many implications for and correlations with the developments in the housing market. In addition, it has implications for

other macroeconomic variables and financial stability in a country. Central banks require detailed knowledge about the housing market to contribute to discussions about fiscal or macroprudential measures.

Income and the possibility of obtaining a mortgage are crucial prerequisites for homeownership. Furthermore, family status is important – married households or people living together are more likely to be homeowners, as couples are able to share resources.

The paper shows that family background is an important factor for the housing situation of young adults.

While 73% (a substantial share) of homeowners had owner-occupier parents, just 45% the tenants have home-owning parents. For a household with owning parents, the probability of homeownership increases significantly, by 31 percentage points; it rises by a similar amount (by 32 percentage points) for single households.

The effect of parental ownership is also evident in the debt situation of households. In the case of tenants, the share of indebted households doubled from 26% of renting households with owner parents to 60% of renting households with nonowner parents. In the case of owners, the share of owners with owner parents is 70%, whereas that of households with nonowner parents comes to 38%. One explanation for this might be that owners with owner parents obtain a loan more easily, as their parents most often have a higher income than tenants and could guarantee a loan for their offspring. 10% of the households who have applied for a mortgage within the last three years answered that their applica-

tion was not granted or not fully granted. In addition, more than half (53%) of the tenants do not have the possibility of getting financial assistance from family or friends (versus 39% of the owners).

Furthermore, inheritances and gifts play a crucial role in housing acquisition. 24% of owners acquired their home through inheritance. Moreover, parental ownership and/or inheritances and gifts resulted in households becoming homeowners earlier in their life cycle.

The strong effect of parental ownership on the ability to afford ownership and the distinct importance of inheritances and gifts are among the factors responsible for housing wealth disparity. In view of the faster rise in house prices and housing costs than in personal income as well as decreasing public housing subsidies, it has become more difficult for young households to become homeowners. The relative importance of parental support might increase against this background.

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## Annex

Table A1

### Information on the Condition and Appearance of Housing

	Tenants	Owners	Free Users
	%		
<b>Housing: Outward appearance</b>			
Generally clean and sound	59.2	74.7	64.7
Some peeling paint or cracks in walls	32.8	20.0	28.9
Needs substantial painting, refilling or repair	7.8	4.9	6.4
Dilapidated	0.2	0.4	no observations
<b>Housing: Type of surroundings</b>			
Luxury	21.0	33.9	20.0
Upscale	47.0	42.9	47.7
Mid-range	24.9	17.9	25.4
Modest	5.7	3.9	4.8
Low-income	1.3	1.2	2.1
Very low income	0.2	0.1	no observations

Source: HFCS Austria 2010, OeNB.