

Owner Occupancy Ratios

The ownership of property is often taken as an indication not only of the efficiency of a nation's housing finance market, but also of its general prosperity. It signifies the existence of the infrastructure considered by some development economists to be a critical foundation for market forces to act as an engine of growth. The UN Commission on Human Settlements and Habitat considers it a prerequisite for the sustainable development of societies:

“The majority of people living in poverty still lack legal security of tenure for their dwellings... thus, serious impediments to sustainable human settlements development still persist.”

United Nations Human Settlements Programme, 2001.

The table below shows the owner occupancy rates, where available, for every country. Very broadly, the more developed countries have higher rates of owner occupancy.

However, comparison of owner occupancy rates is made difficult by a number of factors.

Inconsistent measurement - A variety of definitions of household units and occupancy are used by different countries to calculate owner occupancy ratios. For example, a dwelling in the UK is a self contained unit, with all facilities behind a door only the occupants can use. In India, the criterion is that the unit can be recognised as separate from the other units. Also, an Indian dwelling needn't be used for accommodation. In addition, the UN bemoans that some countries do not even disclose the basis on which their ratio is calculated.

Housing quality - Measures of owner occupancy make no comment on various aspects of the quality of housing included in each country's data. In particular, there is no adjustment for the density in terms of the number of people in each household. Other factors that are measured to different extents between countries are the facilities in a standard house, such as piped water and electricity, and useful floor space.

Changing demographics - Demographic changes such as significant immigration could have a dramatic impact on the ratio, especially if the stock of housing does not adjust as quickly. In the UK, recent data predicts a rise in single occupancy households. Unless the supply of housing responds to match this, the UK owner occupancy rate may be adversely impacted. The difficulty in collating owner occupancy data means it is collected infrequently, often in the national census, and so is a relatively static measure. The figures can therefore quickly become out-of-date.

Traditions, Legacy and Culture - The owner occupation rate in a country will be influenced by the legal, regulatory and tax regime, and will therefore largely be a product of the political, economic and social legacy of the country. For example, reasons given for Germany's relatively low owner occupancy rate of 43% are rental supply subsidies, laws and rent controls protecting tenants and land being valued as a “national” resource. From this legacy, the status attached to owning one's home is not the same as it is in other countries. In China, *hukoku* or job rank is an important

influence on home ownership. Also, many former communist states have high owner occupancy rates following the active privatisation of previously state-owned housing stock.

The owner occupancy rate can be seen as a very rough indicator of the overall development of a nation and its market for housing finance. However, care needs to be taken in comparing rates of owner occupancy across nations due to the differences mentioned above. Comparisons of the same country over time are likely to be more useful in assessing the transition of a country's financial state.

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