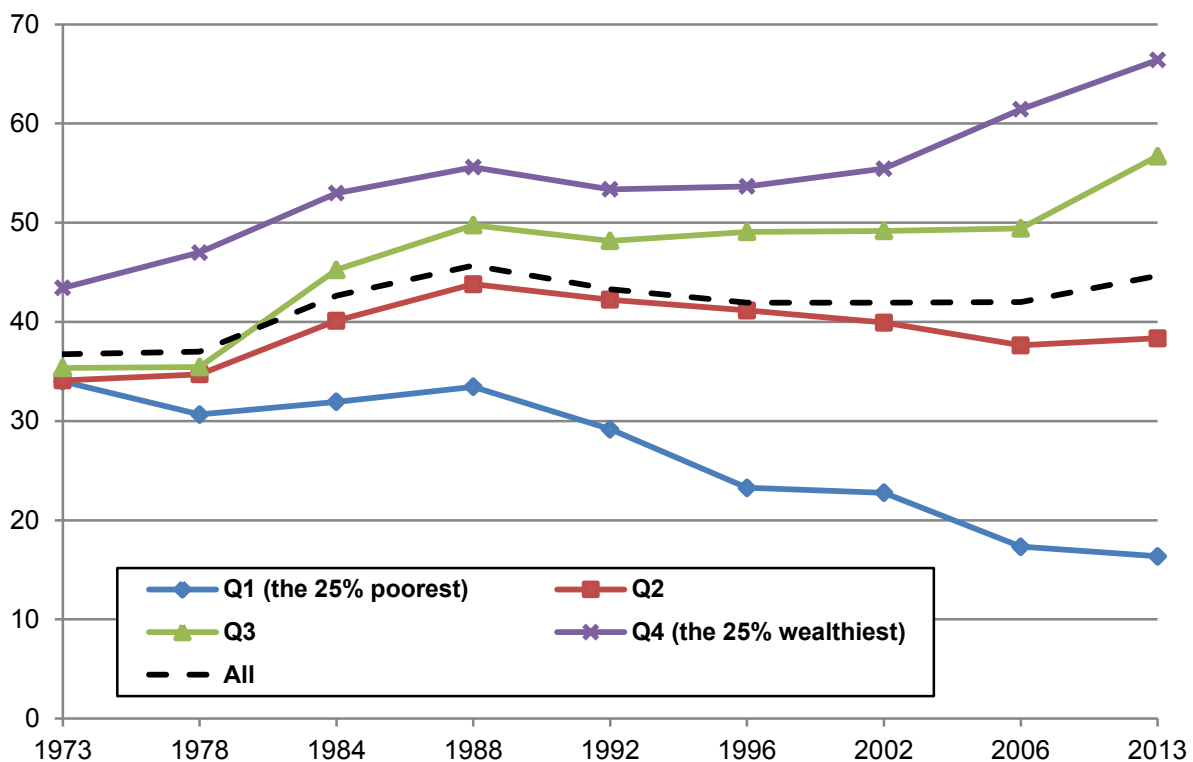


# The rise in inequality among young households in access to the housing market

By [Bertrand Garbinti](#) with [Carole Bonnet](#) and [Sebastien Grobon](#)

*In France, there has been a marked deterioration since the 1970s in the ability of young low-income households to get on to the property ladder. Aside from the problem of house prices and borrowing conditions, this can in part be attributed to demographic changes, notably an increase in single-parent families and in urban migration. Financial assistance, such as cash gifts or inheritance, is widening the gap between the poorest and wealthiest young households.*

**Graph1 – Rates of homeownership for 25-45 year-olds, 1973-2013**



*Scope: households where the head aged between 25 and 45*

*Source: INSEE housing surveys 1973-2013*

Since the 1950s, France has implemented various public policies aimed at increasing the number of homeowners. Previous work has generally justified this goal, arguing for instance that household well-being is higher among homeowners, and that property wealth helps to insure against the risk of a decline in income during an individual's working life or at retirement. Yet some studies claim that homeowners are less mobile in the labour market and consequently more likely to be unemployed.

Rates of homeownership among young households have held up well in France despite the crisis, contrasting with trends in other countries. However, at the same time there has been a widening of the disparities among these households ([Clerc, Monso, Pouliquen, 2011](#)) – disparities that were already visible before the 1990s ([Fack, 2007](#)).

This blog is based on [Bonnet, Garbinti, Grobon \(2017\)](#) and looks at changes in homeownership among young households over the past 40 years. It also highlights some of the major trends at play, notably the increasing reliance on financial support from relatives.

## **Growing disparities between the poorest and wealthiest households**

Over the past 40 years, the lowest-earning households aged between 25 and 44 have experienced a considerable decline in their ability to get on to the property ladder (Chart 1). In 1973, 34% of households in this category owned their home. Yet by 2013, this proportion had more than halved, to 16%. In contrast, the percentage of well-off young households owning property increased by more than 50% over the period, from 43% to 66%.

The rise in real interest rates at the end of the 1980s, followed by the doubling of house prices between 1996 and 2010, have made property increasingly unaffordable for those on the lowest incomes ([Arnauld, Cresson, 2012](#)). Housing policies designed to help first-time buyers have failed to stop this trend. To a certain extent they have even exacerbated it ([Bonvalet, Bringé, 2013](#)): for example, interest-free loans were not targeted at the lowest-earning families ([Gobillon, Le Blanc, 2005](#)). More broadly, for many families on low incomes, these help-to-buy schemes have probably been insufficient to make property affordable due to the steep rise in prices over the 2000s, and even more recently, despite the decrease in interest rates and the stability in the housing prices since the early 2010s.

## **Wealthier households receive more financial assistance from relatives**

Various studies ([Spilerman, Wolff, 2012](#)) have stressed the importance of cash gifts and inheritance in enabling young people to get on to the property ladder, notably in France ([Arrondel et al., 2014](#)). Our long-term analysis focuses on the youngest households, and breaks them down according to living standards. The share of young households receiving financial help from relatives increased in the 2000s: in 2002, they accounted for 20% of recent first-time buyers in the 25 to 44 age bracket, but by 2013 this proportion had climbed to 27%. Despite the near-doubling of house prices in the 2000s, the average share of the purchase price paid for with a cash gift has remained unchanged at around 20%. This stability in a context of rising prices could be attributable to various mechanisms. Some families may have increased the amount of financial help provided to match the growth in prices. Meanwhile, some households may have purchased cheaper (lower quality) houses, while others may simply have been priced out of the market due to a lack of sufficient financial help.

Receiving financial help substantially increases the likelihood of becoming a homeowner. Among the poorest households, those who received no financial assistance account for just 3% of homeowners, compared with 30% for those who said they received help. The gap is also significant for other types of household: among the wealthiest, the probability of owning a home is more than double for those who received financial help. The wealthiest households are also the most likely to benefit from cash gifts: close to a quarter (compared with 16% for those on the lowest incomes) said they had received direct help with their house purchase.

## **Various trends can explain this rise in inequality**

The decline in the likelihood of low-income young households becoming homeowners between 1978 and 2013 can largely be explained by demographic changes in this segment.

First, the composition of low-income families has changed considerably, with a threefold rise in the share of single-parent households over the period, from 9% to 29%. Conversely, the share of couples with children has dropped sharply. In 1973 they accounted for 78%, while by 2013 this proportion had plummeted to 38%. Given that couples with children are more likely than average to purchase property – unlike single-parent families – this trend explains a large part of the fall in homeownership among the

poorest households. Moreover, the share of young households on low incomes living in the countryside has more than halved, from 31% to 15%, as people have migrated increasingly to larger cities, notably Paris, in line with shifts in the labour market.

Lastly, since the early 2000s, financial assistance has had less and less of an impact on the ability of low-income young households to afford property. The amounts received have probably become increasingly insufficient to keep pace with the rise in property prices. Moreover, fewer of these households have actually benefited from financial help (8% in 2002 compared with 6% in 2013). With fewer people receiving help, and those that do seeing it make less of a difference to their ability to buy, homeownership among low-income young households has declined.

The trend for the wealthiest young households has been diametrically opposed. It is in this group that the role of cash gifts and inheritance has increased to the most spectacular extent. Between 2002 and 2013, the share of well-off young households receiving help from relatives rose by just over a third, from 19% to 25%. The probability of them owning a home increased by 11 percentage points over the period (from 55% to 66%), with 15% of this attributable to financial support. Financial support is therefore the main factor behind this rise.

Our long-term analysis thus shows that the poorest young households are having an increasingly hard time getting on to the property ladder, and that their situation has deteriorated markedly over the past 40 years. It also underscores the need to reassess public housing policies, and to better target them towards this segment of population.