

Claudius Garten, Technical University Dortmund

Michał Myck, Centre for Economic Analysis, University of Greifswald and IZA

Monika Oczkowska, Centre for Economic Analysis and Warsaw School of Economics

October 2022

# Homeownership and Material Security in Later Life

Many previous studies show that homeownership is related to various aspects of well-being, although the causal nature of this relationship is difficult to identify. We analyze the association between homeownership and material security, measured through subjective expectations of being better or worse off in the future, using data from 15 European countries. Our findings show that homeowners have a higher level of material security than renters, with larger differences among those living in big cities. We find that material security increases with the value of owner's property and at the same time find no significant relationship with education, income or financial situation. We interpret the results as support for one of the most commonly emphasized mechanisms behind the positive effects of homeownership for well-being – that homeownership provides a particular form of material security in old age.



## Introduction

Vast empirical literature links homeownership to numerous outcomes, such as well-being, health or mobility (Costa-Font, 2008; Dietz and Haurin, 2003; Rohe and Stewart, 1996 among others). In most cases the specific causal link with homeownership per se is however difficult to demonstrate. This because homeownership, especially in old age, usually reflects the financial resources accumulated over the life course through labor market history, as well as health and family developments (Angelini et al., 2013). This means that many unobservable characteristics can obscure the relationship between homeownership and welfare outcomes and bias the estimated parameters.

Material security is an important aspect of well-being, facilitating longer-term planning of financial decisions, smoothing of expenditures across periods of lower contemporaneous incomes and allowing exceptional spending when faced with various negative shocks. It seems particularly relevant in old age when people's ability to adjust their current income to their specific needs is significantly reduced, and material needs increasingly depend on health. As people age and as their ability to maintain labor market activity diminishes, the material resources available to them, and the security these can provide, are increasingly composed of pensions and accumulated assets. Among the latter, fixed assets, and in particular ownership of one's home, play a very special role, as they provide some financial backup and secure a flow of regular consumption in the form of accommodation.

It is reasonable to expect that homeownership would influence well-being through the channel of material security, particularly in old age. Surprisingly, the findings in the literature directly exploring this mechanism are so far scarce. We address this gap using data collected in the Survey of Health, Ageing and Retirement in Europe (SHARE) on individuals aged 50 years and above. We take advantage of the 2006 edition of the

survey from 14 European countries and Israel and develop a measure of perceived future material security using two consecutive questions on 'the chances that five years from now the standard of living [of the participant] will be better/worse than today'. Participants reported the estimated chances on a scale from 0 to 100, where 0 means 'absolutely no chance' and 100 denotes 'absolutely certain'. In line with previous behavioral literature, we calculate a difference between the chances of being better vs. worse off, and recode into a categorical variable with 5 outcomes spanning from 'very likely worse off', through 'rather likely worse off', 'equally likely', 'rather likely better off' and 'very likely better off' (more details in Garten et al., 2022). In our sample, 'equally likely' is the most frequent category (30 percent of total responses), and being either 'very' or 'rather likely worse off' was more frequently reported than being better off (48 percent of total responses coded as either outcome for being worse off as compared to 22 percent for the two categories of being better off).

## The Impact of Homeownership on Expectations of Future Standard of Living

We regress the measure of perceived material security on an extended vector of characteristics including basic demographics, education, marital status, labor market status, the relative position in the distributions of income and financial assets, and physical and mental health. Our main variable of interest is a categorical measure of homeownership, where individuals are split between renters and homeowners, who are further divided based on the country-specific quartiles of their home value. This measure is then interacted with being a big city resident. Below we present some selected results, which are reported in full in Garten et al. (2022).

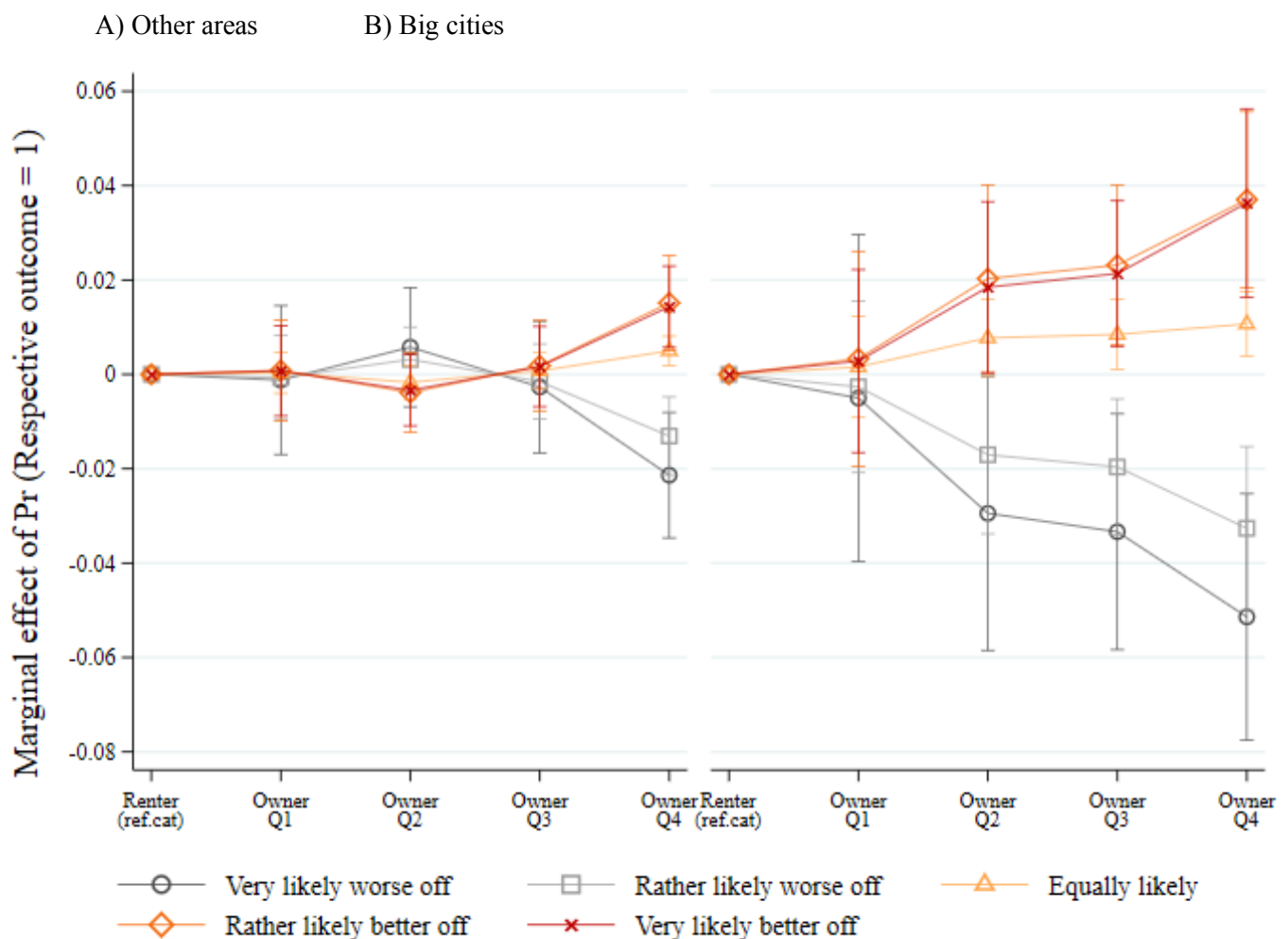
In Figure 1 we report the results for each outcome of perception of material security for owner



occupiers (depending on the value of their home) as compared to renters, by place of residence. The correlation with material security is particularly strong among those living in cities. However, among other respondents, those in the top quartile of the home value distribution are also more likely to report being optimistic about their material conditions in the future. For big city dwellers, the differences between renters and home owners are statistically significant already for owners with home values in the second quartile of the distribution, and the effects carry through to higher quartiles. The differences for selected

perceptions of material security are not only statistically significant but also large in magnitude in the case of city dwellers who own the most expensive properties. As compared to renters they are 3.7 percentage points more likely to expect that their future situation will be either 'rather' or 'very likely' better. Among those living in big cities, 17.5 percent and 8.5 percent respectively, declare these positive expectations. This means that proportionally, the estimated 3.7 percentage points correspond to respective increases of 21.2 percent and 43.3 percent.

Figure 1. Marginal effects of homeownership for outcomes of perception of material security



Note: Results presented as marginal effects based on estimations using the ordered probit model with 95% confidence intervals. More details available in Garten et al. (2022).



We relate the marginal effect of owning a property in the top quartile of the home value distribution, as compared to owners with properties in the bottom quartile or renters, to the effect resulting from: higher education, being in the top income quartile or in the top financial assets quartile. While education, income and financial assets affect the perception of future material situation in the expected direction, the estimated relationships are statistically insignificant, and their magnitude is much lower compared to the estimated relationship with homeownership.

## Conclusion

Relative to renters, individuals owning their homes tend to have higher levels of well-being across numerous dimensions (see Garten et al., 2022 for an overview). Due to the complex nature of the accumulation of wealth and its interaction with different spheres of life over the life cycle, the identification of the causal character of this relationship is a nearly impossible task. Although many mechanisms behind this relationship have been suggested, few have actually been put to the test against real-life data. Therefore, better understanding of these mechanisms might be a way to verify the hypothesis that homeownership actually matters for well-being.

Our findings confirm that homeowners – in particular those living in big cities – enjoy a higher level of self-perceived material security and are more likely to express optimism about their material standard of living in the future as compared to renters. Such feeling of security for the coming years may contribute to a more general positive outlook, and consequently to the higher reported levels of well-being and life-satisfaction observed in the literature. The examined relationship is especially strong among those in

the top quartile of the distribution of property values, although for dwellers in big cities the effect is also strong for those with lower property value. While these findings cannot be interpreted as strictly causal, we suggest that owning a home offers a very particular type of material security in old age and that this security might be an important mechanism leading to the observed positive relationship between homeownership and overall well-being.

## Acknowledgement

The authors wish to acknowledge the support of the German Science Foundation (DFG, project no: BR 38.6816-1) and the Polish National Science Centre (NCN, project no: 2018/31/G/HS4/01511) in the joint international Beethoven Classic 3 funding scheme – project AGE-WELL. For the full list of acknowledgements see Garten et al. (2022).

## References

- Angelini, V., Laferrère, A., and Weber, G. (2013). *Homeownership in Europe: How did it happen?*, *Advances in Life Course Research*, 18(1), pp. 83–90.
- Costa-Font, J. (2008). *Housing assets and the socio-economic determinants of health and disability in old age*, *Health & Place*, 14(3), pp. 478–491.
- Dietz, R. D. and Haurin, D. R. (2003). *The social and private micro-level consequences of homeownership*, *Journal of Urban Economics*, 54(3), pp. 401–450.
- Garten, C., Myck, M., and Oczkowska, M. (2022). *Homeownership and the Perception of Material Security in Old Age*, SSRN Electronic Journal. doi:10.2139/ssrn.4196268.
- Howden-Chapman, P. L., Chandola, T., Stafford, M., and Marmot, M. (2011). *The effect of housing on the mental health of older people: the impact of lifetime housing history in Whitehall II*, *BMC Public Health*, 11(1), p. 682.
- Rohe, W. M., and Stewart, L. S. (1996). *Homeownership and neighborhood stability*, *Housing Policy Debate*, 7(1), pp. 37–81.





## Claudius Garten

Technical University Dortmund  
claudius.garten@tu-dortmund.de  
<http://age-well.fk17.tu-dortmund.de/cms/>

Claudius Garten works as a Research Associate at the chair for Social Structure & Sociology of Ageing Societies at TU Dortmund since March 2020. He received a M.A. in Social Science in the study programme for Methods of Social Research at Ruhr University Bochum. His research interests are social inequality, economic sociology and quantitative methods of social research.



## Michał Myck

Centre for Economic Analysis (CenEA)  
mmyck@cenea.org.pl  
[www.cenea.org.pl](http://www.cenea.org.pl)

Michał Myck is the Director of CenEA. He previously worked at the Institute for Fiscal Studies in London and at the DIW-Berlin. He

received his B.A. and M.Phil. degrees at the University of Oxford (Philosophy, Politics and Economics in 1997 and Economics in 1999), his Ph.D. degree at the University of Warsaw (2006) and completed his habilitation at the Free University of Berlin (2015). His work focuses on labor and health economics and applied micro-econometrics.



## Monika Oczkowska

Centre for Economic Analysis (CenEA)  
moczowska@cenea.org.pl  
[www.cenea.org.pl](http://www.cenea.org.pl)

Monika Oczkowska works at CenEA as a Senior Research Economist since March 2012. She received a M.A. degree in Economics in 2012, and BA degrees in Economics (2010) and International Relations (2011) at the University of Szczecin. Her research interests include the economics of ageing, well-being, gender and health.

## [freepolicybriefs.com](http://freepolicybriefs.com)

The Forum for Research on Eastern Europe and Emerging Economies is a network of academic experts on economic issues in Eastern Europe and the former Soviet Union at BEROE (Minsk), BICEPS (Riga), CEFIR (Moscow), CenEA (Szczecin), KEI (Kiev) and SITE (Stockholm). The weekly FREE Network Policy Brief Series provides research-based analyses of economic policy issues relevant to Eastern Europe and emerging markets. Opinions expressed in policy briefs and other publications are those of the authors; they do not necessarily reflect those of the FREE Network and its research institutes.