

HM1.3 HOUSING TENURES

Definitions and methodology

Housing tenure refers to “the arrangements under which the household occupies all or part of a housing unit”. Different types of housing tenure can be distinguished, and the categorisation is mainly determined by whether the dwelling is owned by the household who occupies it or not:

- *Own outright*: The household owns the dwelling and has no outstanding mortgage related to the dwelling.
- *Owner with mortgage*: The household owns the dwelling but is currently paying off the mortgage.
- *Rent (private)*: The household rents the dwelling at market prices on the private rental market.
- *Rent (subsidized)*: The household rents the dwelling at reduced market prices, e.g. employer-subsidized housing and accommodations where rent is fixed by law.
- *Other*: Includes for European countries accommodation provided for free; for other countries it also includes other, non-descript types of housing.

These are basic categories that can be identified across countries and are therefore useful for international comparison. Nevertheless, countries often use different or additional categories of housing tenures. These tenure categories are included in one or more of the above categories in the measures presented in this indicator, depending on the country context. For instance, social rental housing in most countries is included under subsidized rent, but in some cases it is classified as private rent. Furthermore, co-operative housing is in most cases grouped under owner occupancy. Please refer to Data and comparability issues below for a more detailed discussion.

Key findings

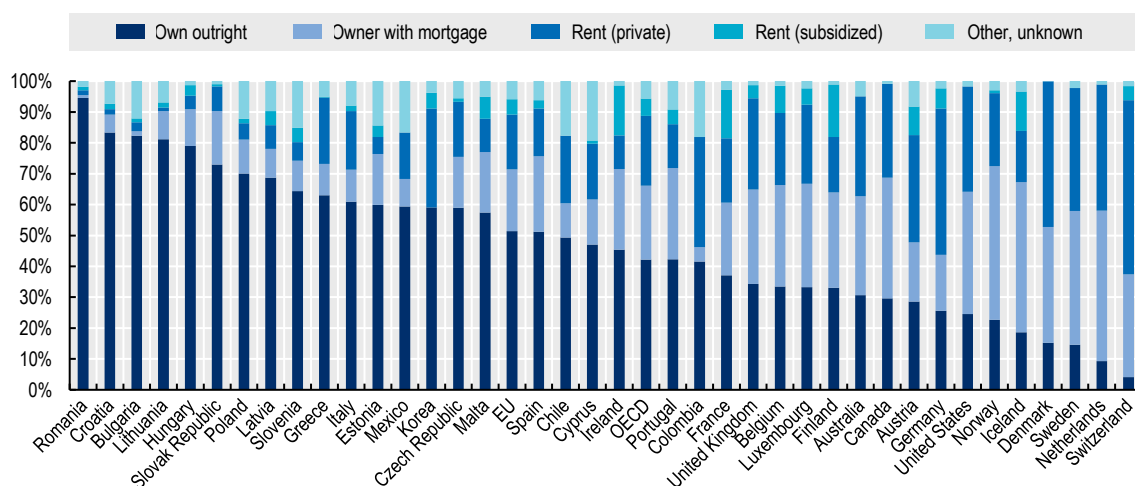
The shares of owner and tenant households vary widely across countries. In most of the covered countries, more than two-thirds of households own their dwelling, either outright or with a mortgage. The former communist countries of Central and Eastern Europe have very high shares of households owning outright, largely because, after the fall of the communist regimes, many tenants were offered the option of buying the dwellings at a low price (Hegedus et al, 2013; Tsenkova, 2009). In Romania, about 95% of households own their dwelling outright, as do more than 80% in Bulgaria, Croatia and Lithuania (Figure HM1.3.1, see worksheet HM1.3.A1 for earlier years). Chile, Mexico, and many Southern European countries also have relatively high shares of households owning outright, ranging from 42% in Portugal to 61% in Italy. In these countries, mortgage markets have started to develop only recently and families traditionally have a strong role in facilitating home ownership, for example, through inheritance or financial support (Allen et al, 2004). In many English-speaking and Nordic countries, as well as in the Netherlands, owners with outstanding mortgages are the most common tenure type. In Iceland, the Netherlands and Norway, for example, almost 50% of households are owner-with-mortgage households.

In all countries except for Switzerland and Germany, owner households (outright or with a mortgage) are more common than tenant households (renting at private market or reduced rate). In Switzerland (56%) and Germany (47%), renting through the market is the most common form of tenure among households. The share of tenant households is generally very low in Central and Eastern European

countries. Renting at subsidised rates is most common in Finland (17%) and Ireland (16%), and is also common in Iceland, and France. Denmark and the Netherlands – countries where support for rental housing is traditionally sizable -- are not considered here due to data limitations (see Section on Data and Comparability Issues).

Figure HM1.3.1: Housing tenure distribution

Share of households in different tenure types¹, in percent, 2019 or latest year available



Note:¹ Tenants renting at subsidized rent are lumped together with tenants renting at private rent in Australia, Canada, Chile, Denmark, Mexico, the Netherlands and the United States, and are not capturing the full extent of coverage in Sweden due to data limitations. Since the distinction is not available, owner with mortgage are lumped together with own outright in Korea. The Colombian Government launched the social rental housing program Semillero de Proprietarios at the beginning of 2019. For the United Kingdom, there has been a change in methodology regarding housing tenure classification.

This indicator presents time series which end before the United Kingdom's withdrawal from the European Union on 1 February 2020. The EU aggregate presented here therefore refers to the EU including the UK. In future publications, as soon as the time series presented extend to periods beyond the UK withdrawal (February 2020 for monthly, Q1 2020 for quarterly, 2020 for annual data), the "European Union" aggregate will change to reflect the new EU country composition.

Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU SILC) survey 2019 except for Iceland, Ireland, Italy, and the United Kingdom (2018); the Household, Income and Labour Dynamics Survey (HILDA) for Australia (2019); the Canada Income Survey (CIS) for Canada (2017); preliminary data from National Administrative Department of Statistics DANE-ECV for Colombia (2019), Encuesta de Caracterización Socioeconómica Nacional (CASEN) for Chile (2017); the Korean Housing Survey (2019); Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) for Mexico (2018); American Community Survey (ACS) for the United States (2019).

Tenure figures on the population level confirm the household-level picture above (data not shown here, see online worksheet HM1.3.A2). In countries where households are more likely to own (rent) their dwellings, a larger share of population also lives in owned (rented) dwellings. The biggest differences in tenure shares based on the household as opposed to the population level arise regarding rates of homeownership with mortgages. Mortgages are typically held by younger owners living in more numerous households, often couples with children (still) living in the household. Therefore, the share of owners with a mortgage is often larger when considering population- rather than household-level data.

Between 2010 and 2019, the distribution of tenure types has remained more or less stable (see online worksheet HM1.3.A1). In many countries, the share of households who own their dwellings outright has decreased slightly, while the shares of households with a mortgage or in private rental accommodation

Footnote by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue";

Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

has edged up. In most countries, the share of households in subsidized rental accommodation has remained largely stable, with the exception of the Czech Republic where the share of subsidized tenant households fell from 14.9% in 2010 to 1.2% in 2019. While there used to be a sizable regulated rent sector in the country these provisions started to phase out in 2007 (Lux and Mikeszova, 2012; Vobecká et al, 2014). Rents were gradually increased until reaching market values, and de-regulation was completed in 2012. Changes in the rental sector can also partly explain recent increases in government spending on housing allowances (see Indicator PH 3.1 Public Spending on Housing Allowances). In the United Kingdom, the fall in the share of subsidized tenant households is due to a change in methodology.

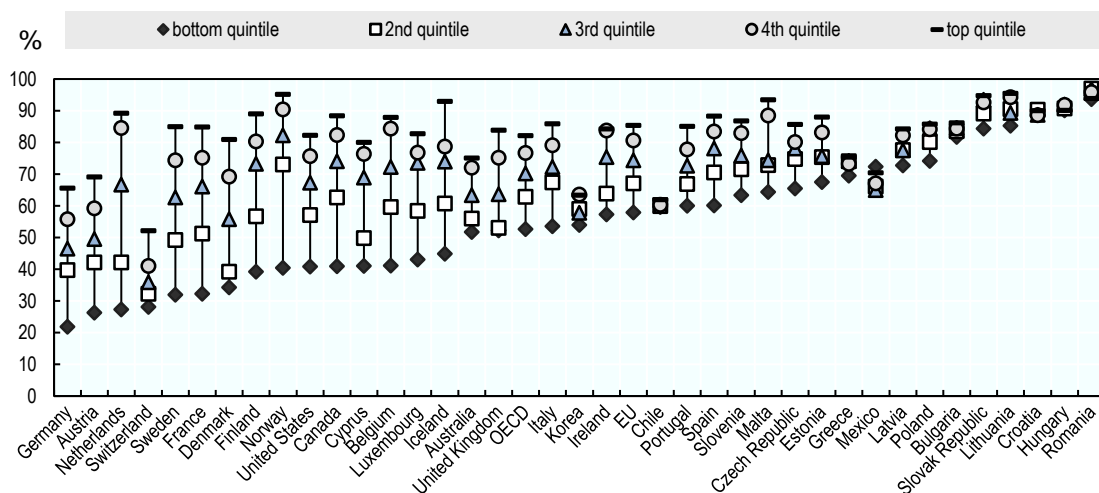
A household's likelihood to own the dwelling (with and without outstanding mortgages) increases with income (see Figure HM1.3.2. see online worksheet HM1.3.A3 for earlier years and indicators HC1.3, HC2.1, HC2.2 and HC2.3 for quality of housing by tenure type and income position). The widest within-country variation of homeownership rates between the bottom and the top income quintile is observed in the Netherlands. By contrast, in Chile, Greece, Korea, Mexico and many Central and Eastern European countries, the share of homeowner households hardly varies with the income position of the household. Particularly in Central and Eastern European countries, this coincides with generally very high homeownership rates. In Romania as the most extreme case, at least 94% of households across all quintiles of the income distribution are outright owners. Hungary is another example of relatively low variation of homeownership rates across the income distribution. In almost all countries, the homeownership rate is lowest for households in the bottom quintile of the income distribution; yet in Mexico homeownership rates are similar across all income levels, and housing finance for rental housing remains a challenge hindering the development of a larger rental market (Herbert et al, 2012).

In German-speaking countries and the Netherlands, households in the bottom quintile are comparatively least likely to own their own dwellings (22% in Germany; 28% in Switzerland, and 27% in the Netherlands and 26% in Austria; Figure HM1.3.2). At the same time, more than two-thirds of high-income households are owners in Austria (70%), Germany (66%) and the Netherlands (89%). Ownership is least common among well-off households in Switzerland (52%). By contrast, in Norway, nearly all households in the top quintile own their dwelling (95%).

In general, in countries where home ownership varies considerably across the income distribution (for example, in Finland, France, Norway, Sweden and the United States), ownership-rate differences are most pronounced between the bottom quintile and the second quintile, while they are more similar for households higher up in the income distribution.

Figure HM1.3.2: Share of homeowner households across the income distribution

Percentage of owner households (with and without outstanding mortgage) by income quintile, 2019 or latest year available ¹

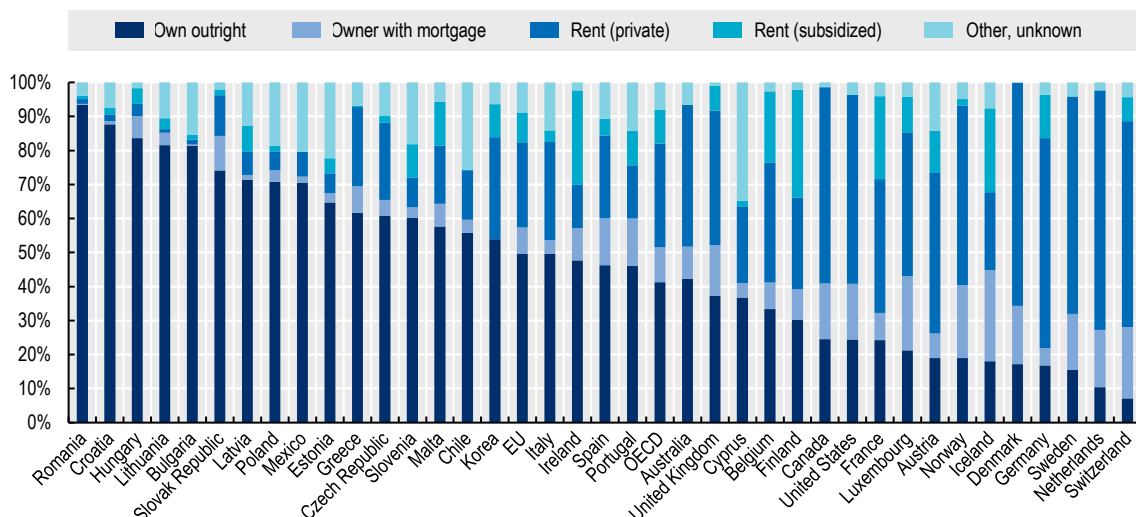


Note: 1. Low-income households are households with equivalised disposable in the bottom quintile of the net income distribution. In Chile, Mexico, Korea and the United States gross income is used due to data limitations.

Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU SILC) survey 2019 except for Iceland, Ireland, Italy, and the United Kingdom (2018); the Household, Income and Labour Dynamics Survey (HILDA) for Australia (2019); the Canada Income Survey (CIS) for Canada (2017); Encuesta de Caracterización Socioeconómica Nacional (CASEN) for Chile (2017); the Korean Housing Survey (2019); Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) for Mexico (2018); American Community Survey (ACS) for the United States (2019).

Figure HM1.3.3: Housing tenure distribution for low-income households

Share of different tenure types across households in the bottom quintile of income distribution¹, in percent, 2019 or latest year available



Note: 1. Low-income households are households with equivalised disposable in the bottom quintile of the net income distribution. In Chile, Mexico, Korea and the United States gross income is used due to data limitations. Since the distinction is not available, owner with mortgage are lumped together with own outright in Korea. For the United Kingdom, there has been a change in methodology regarding housing tenure classification.

Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU SILC) survey 2019 except for Iceland, Ireland, Italy, and the United Kingdom (2018); the Household, Income and Labour Dynamics Survey (HILDA) for Australia (2019); the Canada Income Survey (CIS) for Canada (2017); Encuesta de Caracterización Socioeconómica Nacional (CASEN) for Chile (2017); the Korean Housing Survey (2019); Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) for Mexico (2018); American Community Survey (ACS) for the United States (2019).

The basic national tenure patterns (mainly owners vs mainly tenants) are prevalent also amongst each countries' low income households (Figure HM1.3.3, see online worksheet HM1.3.A4 for earlier years and other quintiles). With home ownership less common amongst low-income households, they are altogether more likely to live in rented accommodation. The prevalence of rental accommodation among low-income households is particularly high, at more than 70%, in Germany and 67% Switzerland. Renting at subsidised rates is most common among low-income households in France and Iceland (25%), and Ireland (28%), and especially Finland (32%).

Data and comparability issues

This indicator is calculated based on household surveys. The European Union Statistics on Income and Living Conditions (EU SILC) survey is used for European countries; for Canada, the Survey of Labour and Income Dynamics (SLID) and Canadian Income Survey (CIS); for Colombia the Encuesta Nacional de Calidad de Vida (ECV) from National Administrative Department of Statistics (DANE), for Chile, the Encuesta de Caracterización Socioeconómica Nacional (CASEN); for Korea, the Korean Housing Survey; for Mexico, the Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH); and for the United States, the American Community Survey (ACS).

For Australia, Canada, Chile, Mexico, the United States, Denmark and the Netherlands, no information on reduced rent is available due to data limitations (Dewilde, 2015; Haffner, 2015). For European countries, the "other" category refers exclusively to accommodation provided for free.

Additional information gathered through the OECD Questionnaire on Social and Affordable Housing show that countries may use different or additional definitions of housing tenures. Some countries for instance identify tenures according to the owner of the dwelling: in the United Kingdom, for instance, tenures include "owner occupied", "rented privately or with a job or business", "rented from housing associations", "rented from local authorities" and "other public sector dwellings".

In other countries, the focus is on the nature of the legal status of the household occupying the dwelling, which can include other tenures besides rent and owner-occupation. In a number of countries, for instance, co-operative ownership - whereby a cooperative owns one or more residential buildings and its members are granted the right to occupy a housing unit by buying shares in the cooperative - is accounted for as a separate tenure in national statistics but not in EU SILC. Cooperative ownership is therefore included under owner occupancy in the EU SILC database for the Czech Republic, Denmark, Norway, Poland, Switzerland and Sweden.

Social rental housing (see indicator PH 4.2 and PH 4.3) is also difficult to compare across surveys and countries. The household surveys used here clearly distinguish between outright owners, owners paying off a mortgage, and tenants. Yet the distinction between tenants paying a market rate rent and tenants paying a subsidized, reduced rate is less clear. "Subsidized" rental should thus not only include social housing but also employer-subsidized housing and dwellings where rent is fixed by law. In many countries, the share of households benefitting from subsidized rents according to survey data is thus larger than the social housing sector (Salvi del Pero et al. 2016). Yet, in some countries the opposite holds due to data limitations: (1) in Denmark and the Netherlands all tenants are attributed to the market rent category as EU SILC does not allow to make distinctions by type of tenant; (2) the size of the social rental sector is larger than the reported share of subsidized rent in Austria and France; and (3) in the surveys for Australia Canada, Chile, Mexico and the United States respondents are not asked about subsidized rents - while in Chile and Mexico subsidized rental housing is uncommon it plays a role in

the other three countries, where social housing represents between 4 and 5 percent of the total housing stock.

Other countries have additional forms of tenure that are not easily classified. For instance, under the Joense system in Korea, the tenant pays the dwelling owner a down payment and in return can stay in the dwelling for two years (this is the usual duration that can be prolonged).

After two years, the dwelling owner returns the down payment to the renter. Renters often take out loans to finance the down payment. During the lease period, the dwelling owner benefits from the interest he can create from the down payment. There is also a "mixed" system where tenants pay monthly rent and a Joense style down payment. Similar to some extent, 'right of occupancy' housing in Finland is an intermediate tenure between rent and owner occupancy, whereby residents pay a significant deposit (15% of the original purchase price of the dwelling) and a monthly management fee. They cannot buy the dwelling but they are granted security of tenure, and if they want to leave, they are paid back the initial deposit, plus an amount calculated according to the construction cost index.

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