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# RESEARCH ARTICLES

## Young British adults' homeownership circumstances and the role of intergenerational transfers

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Despite the continuing preference for homeownership, it has become increasingly difficult for young adults to own a home in Britain. House prices have increased faster than real earnings between the mid-1990s and the 2010s, resulting in significantly deteriorated affordability. Mortgage products have also become less accessible, as a large deposit has been required to secure the loan after the financial crisis of 2008/09. Previous studies point to the increasing role of intergenerational transfers in filling this gap. Some young adults obtain help from family to become homeowners, either receiving monetary support or by saving through living at the parental home. Using the Wealth and Assets Survey, this study attempts to examine the effect of these two types of family financial support on young adults' homeownership circumstances, and controlling for other characteristics such as parental homeownership. First, it examines the characteristics of homeowners among young adults cross-sectionally using logistic regression. Second, by focusing on the non-homeowner subsample it analyses the effect of direct (money) and indirect (co-residence) family support on young adults' entry to homeownership in the six-year period using discrete-time event history analysis. The results show that chances of young adults' homeownership between 2008/10 and 2014/16 are very much tied to family support. The odds of becoming homeowners who have received direct or indirect support are found to be three times higher, even after accounting for other characteristics.

**Key words** homeownership • intergenerational transfer • parental support • inequality • Wealth and Assets Survey (WAS)

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## Introduction: the British context

Britain has rapidly transformed into a 'nation of homeowners' over the twentieth century (Saunders, 1990; Ronald, 2008b). During the 1910s only about one in ten is believed to have owned a home (House of Commons Library, 1999). After the Second World War the social renting sector was expanded to cater for an increased demand for public housing as only one third of the population owned a home (MHCLG, 2012[1]). However, British political discourse on housing became clearer as homeownership was 'reinvented as the most natural, normal and intrinsically superior way to live' in the following few decades (Ronald, 2008a). With the continuous cultural and political promotion, housing policies have developed in the direction of protecting private homeownership (Di Salvo and Ermisch, 1997; Ronald, 2008b; Hills and Glennerster, 2013b).

The Right to Buy scheme is a good example of such promotion. When it was introduced in 1980, nearly one third of British households were in social renting (Lupton, 2016). Over 2.5 million social housing units were sold to an existing tenant at a generous discount (60% for houses and 70% for flats); the quantity supplied accounted for around 40% of the increase in owner-occupier dwelling stock between 1980 and 2009 (Hills and Glennerster, 2013a). As a result, homeownership rates increased from 55% in 1980 to nearly 70% in 1999 (ONS, 2016a). Since the house price boom after 1995, the housing wealth increased substantially for homeowners (Bastagli and Hills, 2013). In 2014/16[2], it accounts for about two thirds of total personal wealth at the national level (£4.6 trillion in 2014/16), excluding private pension wealth (ONS, 2018b).

Evaluating this historical background in the life-course perspective (Elder, 1994; Elder and George, 2016) provides the context in which individuals' perception of and preference for homeownership have developed. Today, owner-occupation remains the preferred tenure option in Britain for young people (Clapham et al, 2014). The homeownership rate for young adults (those aged under 45), however, continues to decrease (ONS, 2016b). Unable to own a home, they spend more years renting, earning them the nickname 'Generation Rent'. Some enter the housing market with financial help from family, referred to as the 'Bank of Mum and Dad', while others do so by increasing their saving capacity by living at their parental homes. These two mechanisms of family support, which are referred to as direct and indirect financial support in this study, have become crucial to understanding young people's ability to enter the housing market in Britain today.

This study raises essentially two questions. What are the characteristics of homeowners among young adults under 45 years of age? Does financial support from family, direct or indirect, enable British young adults to enter homeownership and, if so, to what extent? To answer these questions, logistic regression analysis is performed, the latter in event history analysis (EHA) framework, using four waves of Wealth and Assets Survey (WAS, 2008/10–2014/16) (ONS Social Survey Division, 2018). By assessing direct and indirect support concurrently, this study provides a more comprehensive picture of parental support during and after the financial crisis in Britain. Empirical evidence from this study is relevant to other countries whose housing markets conditions are unfavourable to the younger generation, thereby giving rise to the increasing influence of family support for becoming homeowners. The findings contribute to the much-debated topic of parental wealth and younger generations' homeownership and, more broadly, growing level of inequality within the younger generation.

The structure of this paper is as follows. The next section discusses the significance of homeownership in the social and economic lives of British young adults. The affordability issue and the role of family support are reviewed before stating the two research questions. Data is then introduced before a brief overview of homeownership rates and financial help from family using descriptive statistics. Analytical strategy and results for each research question are explained in detail: the first research question in 'Characteristics of already-homeowners' and the second one in 'Entering homeownership between 2008/10 and 2014/16'. The study concludes with a discussion on policy implications.

## Social and economic significance of homeownership

A home serves as a focal point for security and stability in countries that have a strong culture of homeownership, such as Britain (Saunders and Williams, 1988; Dupuis and Thorns, 1998). Home provides a precise context of a temporal and spatial 'locale' (Giddens, 1984) where individuals can 'place the life course' (Saunders and Williams, 1988), an implicit precondition for the next stages of life. This cultural meaning becomes important to young people as they seek stability in their lives, forming partnerships and starting a family (Murphy and Sullivan, 1985; Mulder, 2006). Therefore, purchasing a home is considered as a milestone life event – an important step forward in 'settling down' by British young adults (PPI, 2018).

Homeownership is also perceived to be economically advantageous as many expect to accumulate housing wealth from the increases in house prices over time. The rationale is that mortgage repayments contribute to building assets, while rent money is 'wasted on paying someone else's mortgage'. This viewpoint might have been reinforced through witnessing the house price boom of the 1990s and 2000s, as many obtained substantial capital gains (realised or unrealised) (Bastagli and Hills, 2013).

The notion of 'going up the housing ladder' explains how homeownership functions as a means of wealth-building and retirement saving. One would expect that an existing home can at some point be used to buy a bigger one for a growing family in the future. The family home not only helps to hedge future housing costs but also provides additional funding for retirement (by downsizing, for example) (Adams and James, 2009; Armstrong et al, 2017; Crawford, 2018b). Nearly half of young British adults aged between 25 and 44 believe that investing in property is the best value-for-money option to save for retirement, while nearly one third believes it to be the safest way to do so (see Table A.1 in the Supplementary Material[3]). The social and economic significance of homeownership makes it more valuable, as it meets both their immediate needs for stability and security and the long-term goal of saving for the future at the same time.

## Homeownership circumstances of young British adults

### *The affordability issue*

Despite the continuing aspiration for homeownership, homeownership rates among under-45s have decreased substantially. In 1981, more than 60% of individuals aged between 25 and 44 were owner-occupiers, compared to slightly under 50% among those aged over 65 (ONS, 2016b). Homeownership rates rose for all age groups during the 1980s and around 65% of 25–34-year-olds were homeowners in 1991. The homeownership rates for this group, however, decreased during the 1990s and 2000s. In 2013/14, only 35% of 25–34-year-olds owned a home.

The prospects for the younger generations' homeownership continue to be unclear. The Council of Mortgage Lenders (CML) has estimated that nearly 80% of people born in the 1960s would own a home by the age of 50, but only 75% and 57% respectively for those born in the 1970s and 1980s. A significant gap in homeownership, mainly due to the affordability issue, is expected to persist if current market conditions continue (CML, 2015).

Rapidly increased house prices are at the core of the affordability issue (see Figure A.1 in the Supplementary Material). House prices increased much faster than real earnings during the house price boom between 1995 and 2006 (Hills, 2007; Adams and James, 2009; Clarke et al, 2016). According to Cribb et al (2018), real net family income for 25–34-year-olds only grew around 22% between 1995/96 and 2015/16, while the mean house price (inflation-adjusted) increased by 152% in the same period. This disparity resulted in doubling the house-price-to-income ratio from 3.6 to 7.6 (Cribb et al, 2018).

It also has become more difficult to obtain a mortgage. A larger deposit is required to secure a mortgage loan due to changes in financial regulation after the financial crisis of 2008/09. The deposit requirement for first-time buyers nearly doubled from 11% in 1997 to 21% in 2014 (ONS, 2016b). The average deposit was reported to be £32,300 in 2016 (Halifax, 2017), which was nearly 1.3 times the national median before-tax income for adults in their early 30s in 2015/16 (£25,200) (HM Revenue and Customs, 2018). The level of savings required to obtain a mortgage is highly problematic for younger people who have been negatively affected by less favourable labour market conditions (Turner, 2015; Corlett, 2017).

### *Parental wealth and adult children's homeownership circumstances*

The combination of substantial house price increases and tightened lending regulations has made the availability of financial support more crucial for young adults to enter the housing market. The literature suggests three main ways via which indicators of parental wealth is associated with adult children's homeownership outcomes: socialisation towards homeownership; transmission of a high socio-economic status; and financial assistance (for example, Mulder et al, 2015).

First, the socialisation theory suggests that adult children may have developed a preference for homeownership, having grown up with owner-occupier parents and are more likely to become homeowners themselves. Empirical evidence is found in studies in the United States (Henretta, 1984) and Europe (Lersch and Luijkx, 2015). Given comparable culture of homeownership, the socialisation process is highly relevant to this study. It is particularly important for British young adults as their parent generation (baby boomers) would have entered homeownership during the period in which private homeownership was actively promoted through policies such as Right to Buy.

Second, children with a higher socio-economic background tend to have better socio-economic outcomes (in education and income, for instance) that provide advantages in the housing market. In Britain, children from home-owning and economically better-off families were found more likely to own a home (Ermisch and Halpin, 2004; Coulter, 2018), although there are regional differences (Coulter, 2017). Consistent findings have been reported by studies in the US (Aratani, 2011), Sweden (Öst, 2012) and ten European Union states (Mulder et al, 2015).

Third, financial support from family may enhance young adults' prospects for homeownership. Parental financial assistance has been found to increase the chances of adult children's homeownership in Australia, the Netherlands and the United States (Helderman and Mulder, 2007; Cigdem and Whelan, 2017; Lee et al, 2018). In the British context, however, the findings are mixed. Two recent qualitative studies have reported that family support for homeownership was considered to be an 'ideal' and 'deserving' gift (Heath and Calvert, 2013; Druta and Ronald, 2017). An earlier quantitative study found that the effect of inheritance on enabling homeownership was unclear (Di Salvo and Ermisch, 1997), potentially because the study sample was too young (33 years of age) to receive inheritance. A recent study, however, suggests that socio-economic factors play a more important role than inheritance receipts (Köppe, 2018).

Financial help comes in various forms, such as inheritances, cash gifts or informal loans. The motivations, timing and characteristics of recipients of these transfers also vary. *Inter vivos* transfers, also called 'living inheritances' (HSBC, 2014) or 'advance legacies' (Heath and Calvert, 2013), such as gifts or loans, are more discretionary in nature and targeted to adult children's financial needs (Schoeni et al, 2015), especially in relation to homeownership (Mulder and Smits, 2013). Such support is frequently mentioned and perceived to be substantial by the industry in Britain (for example, HSBC, 2014; Legal & General, 2016; Old Mutual Wealth, 2017). According to a financial services firm Legal & General, (2016), among those who were willing to provide such support to their adult children, an average value of financial help was estimated to be around £17,000. Some British lenders now offer mortgages that are secured by parents' cash savings or home equity instead of a deposit (see the Supplementary Material). This industry trend highlights the fact that parental wealth has become one of the important determinants in accessing capital in Britain.

The increasing number of 'boomerang children' (ONS, 2016a) provides an insight into how an alternative form of family support may come into the picture. A recent qualitative study reported that reducing living costs was a recurring theme, as parents expected their children to save rather than to contribute to living costs (West et al, 2017). Indeed, cost saving via co-residence with parents increases adult children's disposable income, thereby enhancing their capacity to save for deposits (Forrest and Hirayama, 2015; Druta and Ronald, 2017). Therefore, it is a highly relevant factor for the younger generation's entry to homeownership in the post-financial crisis environment.

Family support for homeownership raises the issue of widening inequality within the younger generation, because the availability and size of support is likely to be determined by the level of parents' wealth, which is unequally distributed (Karagiannaki and Hills, 2013; Karagiannaki, 2017). The parent generation, the baby boomers, has considerable wealth inequality within it (Bastagli and Hills, 2013). Inequality is likely to transfer down to the receiving generation as the extent of family support varies greatly by region and age within the younger population.[4] Recent studies have also shown that while more young individuals receive inheritance than previous generations, large amounts are concentrated at the top of income distribution (Appleyard and Rowlingson, 2010; Karagiannaki, 2011; 2017; Hood and Joyce, 2013; Karagiannaki and Hills, 2013). Indirect financial support is also relevant to inequality. In order for adult children to benefit from co-residence, the size and location of the parental home should satisfy adult children's needs (West et al, 2017; Isengard et al, 2018).

Direct and indirect family support therefore produce an advantage in the housing market. Mortgage lenders have reported the significant role of the 'Bank of Mum and Dad', enabling their adult children to get on the housing ladder. It is, however, unclear to what extent these claims can be generalised at the national level as those who come into a contact with those institutions are likely to be wealthier than an average young person. Therefore, this study aims to examine whether family support plays a role and, if so, to what extent, in young British adults' homeownership circumstances using a nationally representative dataset. It first explores individual and parental characteristics associated homeownership status among young adults aged under 45 in 2010/12 (cross-sectional), then examines if and to what extent family support plays a role in enabling young adults to enter the homeownership, focusing on the subsample of non-homeowner between 2008/10 and 2014/16 (longitudinal).

## Data: Wealth and Assets Survey (WAS)

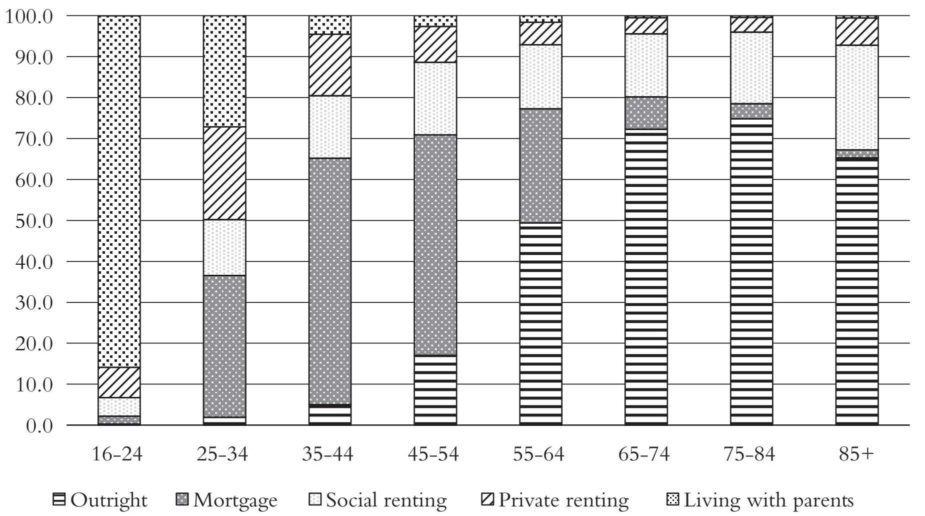
The Wealth and Asset Survey (WAS) is used in this study. WAS focuses on exploring economic well-being of British households and has been carried out biennially since 2006/8 (ONS Social Survey Division, 2018). To account for a high non-response rate expected on surveys on personal wealth and assets, wealthy postcodes are purposely oversampled in WAS (ONS, 2018a). It consists of two cohorts; a cross-sectionally representative cohort that includes newly sampled addresses, and a longitudinal cohort that has been followed from previous waves. The response rate for the overall population in the fifth wave (2014/16) is around 65%, which consists of the newly sampled population (response rate: 55%) and the longitudinal cohort (response rate: 69%) (ONS, 2018a).

The survey provides in-depth information on the economic circumstances and wealth holding of every member of a selected household (aged 16+), including intergenerational transfers. For this reason, the WAS is one of the best sources available for this study even though it is not a specialist survey for housing. National surveys such as WAS may not represent the very top and bottom of the wealth distribution; however, this is unlikely to affect the outcome of this study substantially.

## Descriptive statistics

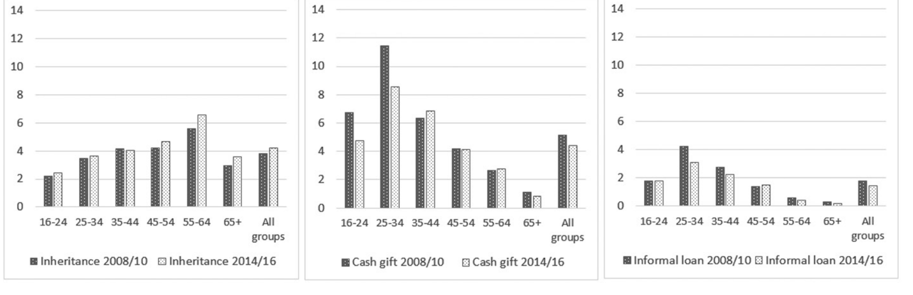
In this section descriptive statistics for homeownership rates and family support are discussed briefly in order to assess the context prior to answering the research questions. Figure 1 illustrates housing tenure composition by age groups for 2014/16. It shows that the age group 65–74 has the highest homeownership rates, although the difference in the homeownership rates across the three youngest age groups (16–24, 25–34 and 35–44) is fairly large compared to three immediately older age groups (45–54, 55–64 and 65–74).

**Figure 1:** Housing tenure by age group in 2014/16 (all individuals).




Note: Author's own calculation based on 33,563 observations in 2014/16. The proportions are cross-sectionally weighted.

**Figure 2:** Proportions of direct financial support receipt: inheritance (>£1,000), cash gift (<£500) and loans (>£500).

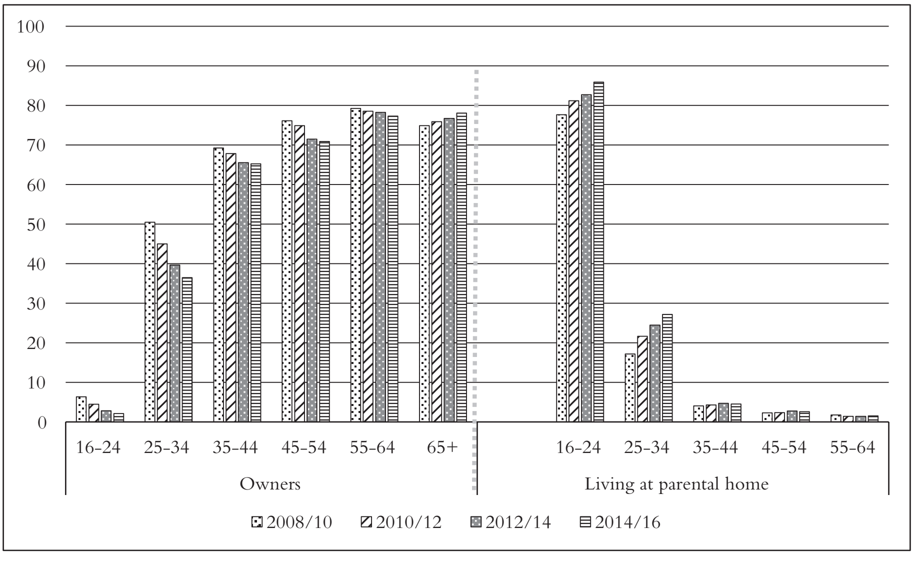



Notes: WAS, 2008/10 and 2014/16. Author's own calculation. Proportions are calculated based on 34,870 individuals who were interviewed in 2008/10 and 33,563 individuals in 2014/16. The survey questionnaires distinguish any receipt in the previous two-year period that exceed the specified thresholds (£1,000 for inheritance, £500 for cash gift and £500 for informal loans). All proportions are weighted using the respective cross-sectional weight for each wave.

The proportions of individuals who reported direct financial help, inheritance, cash gift and informal loans in 2008/10 and 2014/16, are shown in Figure 2. The proportions of respondents with inheritance is highest for individuals aged between 55 and 64. On the other hand, cash gifts and loans are discretionary and targeted at younger generations as higher receipts are recorded by the younger age groups of 16–24 and 25–34.

Frequencies of such receipts have changed between 2008/10 and 2014/16; however, the changes differ by the types of financial support. Inheritance receipts by age group show an insignificant increase for most age groups between the two years. Although no clear difference is visible for the age group of 35–44, cash gifts and informal loans

**Figure 3:** The proportions of adults in owner-occupation (left) and indirect financial support (right), by age group.




Notes: WAS, 2008/10–2014/16. Author's own calculation. Individuals who are living with home-owning parents or co-residing with unrelated home-owning individuals are treated as independent households and as non-homeowners. Proportions are calculated based on all individuals who were interviewed in WAS (n = 34,870 in 2008/10, 37,600 in 2010/12, 35,954 in 2012/14 and 33,563 in 2014/16). All proportions are weighted using respective cross-sectional weights.

receipts for the youngest two age groups (16–24 and 25–34) show a clear decrease in this six-year period (see Figure A.2 – A.4 in the Supplementary Material). This decreasing trend is explainable if the parent generation has become less able or more risk-averse in transferring down financial resources, possibly due to perceived uncertainty in their own future economic circumstances owing to a lasting effect of financial crisis and changes in pension entitlements.

Contrary to the decreasing trend of direct transfers, co-residence with parents increased substantially between 2008/10 and 2014/16 for young adults (see Figure 3). Parents may have chosen to help them save on living cost by providing a place to live rather than by providing monetary support which depletes their own financial resources.

## Characteristics of 'already-homeowners'

### *Analytical strategy*

A logistic regression analysis was performed to examine systematic socio-economic status differences in homeownership status. The unit of analysis here is a household. A household is included in the study if its reference person (here after, HRP[5]) is aged between 25 and 45. Households with HRPs under 25 are excluded here, because only those aged 25 or older were asked about their parents' characteristics. The outcome variable distinguishes homeowners and non-homeowners in 2010/12.[6] Adult children living with homeowner parents and adults renting a room from unrelated home-owning co-residents are treated as separate non-homeowner households. As the key characteristics are measured at the household level, the unit of analysis in this section is a household (n = 2,999). Therefore, individual characteristics refer to those of the HRPs in this part of the analysis.

Covariates were organised into three groups. The first represents households' demographic characteristics, such as age (centred at the mean age of 35), gender and the marital status of the HRP. The gender variable controls for an HRP being a female household head as compared to a male one. Marital status and the number of dependent children are also included. The second set of variables is households' socio-economic characteristics. These include occupational groups, using the three NS-SEC (National Statistics Socio-Economic Status) categories and a residual group, equivalised household income and net financial wealth. The third set of explanatory variables reflects the parents' socio-economic status and direct intergenerational transfers. Parental socio-economic status was measured using the homeownership and employment status, as well as the educational qualifications of the HRPs' parents during the HRPs' teenage years. The direct financial transfer variables were constructed as a categorical variable for each household, adding any inheritance, cash gift or loans from family or friends in the previous four years (for more information on variable definition, see the Supplementary Material). The number of siblings was also controlled to account for allocations of parental wealth. Indirect support was not tested in this part of the study as information was only available for the two years before the survey interview, which means a large proportion of homeowners who had been in owner-occupation prior to that had no information on it.

### *Results*

The modelling results in Table 1 show that homeownership status can be systematically distinguished not only by households' own socio-economic characteristics but also by those of their parents. Individuals who grew up in an owner-occupier household were more likely to be homeowners themselves in 2010/12 compared to HRPs who grew up in rented accommodation as their odds were nearly twice higher. Also, homeownership status is strongly associated with intergenerational transfer. There is no information on the temporal order between these two events, and the transfer may have taken place before or after respondents had entered homeownership. A mechanism behind the 'before' scenario – the transfer enhancing the chances of homeownership is plausible. The 'after' scenario may be that entering homeownership precedes receiving the transfer. That is, those from a socio-economically advantaged background are more likely to become homeowners and to receive further support, which suggests a strong intergenerational link for wealth accumulation.

Having three or more siblings is associated with a decreased chance of homeownership, possibly due to the competition for parental resources (Heath, 2018). But it should also be noted that parents of HRPs with one or two siblings are likely to be wealthier because homeownership status and the number of children among the parental generation is negatively correlated. Parental education levels and occupational groups were tested but not retained as they were no longer meaningful after households' own socio-economic characteristics were added to the model.

Household income and HRP's occupational group were positively correlated to homeownership status. A considerable correlation was found between employment

**Table 1:** Odds ratio of a logistic regression of homeowners versus non-homeowners in 2010/12 (HRP age 25–44, n = 2,999)

| Variables (Ref category) | Odds ratio | SE |
|---|---|---|
| **HRP+ age (centred at 35)** | 1.071*** | (0.0130) |
| **HRP gender (Male)** | | |
| Female | 0.639*** | (0.0775) |
| **Marital status (Married)** | | |
| Cohabiting | 0.612** | (0.0993) |
| Single | 0.395*** | (0.0607) |
| Widowed/Divorced/Separated | 0.398*** | (0.0774) |
| **Household income (log, centred at £33,600)** | 1.136** | (0.0502) |
| **Socio-economic status (Professional occupations)** | | |
| Intermediate occupations | 0.707* | (0.115) |
| Routine and manual occupations | 0.358*** | (0.0497) |
| Never-worked, Long-term unemployed and Other | 0.344* | (0.149) |
| **Employment status (Employed)** | | |
| Unemployed | 0.156*** | (0.0619) |
| Economically inactive | 0.233*** | (0.0507) |
| **Financial wealth at w3 (Net, £0–£4,999)** | | |
| Between £5,000 and £9,999 | 2.531*** | (0.660) |
| Between £10,000 and £49,999 | 1.664** | (0.300) |
| £50,000 or greater | 1.217 | (0.271) |
| **Parents' housing tenure (Renting)** | | |
| Owned or mortgaged | 1.994*** | (0.260) |
| **Number of siblings (None–two siblings)** | | |
| 3 or more siblings | 0.578*** | (0.0768) |
| **Intergenerational transfer (£0–£9,999)** | | |
| Between £10,000 and £29,999 | 2.071* | (0.723) |
| £30,000 or greater | 3.472** | (1.381) |

Note: * $p<0.05$, ** $p<0.01$ and *** $p<0.001$.

+ HRP: Household Reference Person.

Intergenerational transfer captures any record in the previous four years by using responses in W2 (2008/10) and W3 (2010/12). A longitudinal weight (2008/10–2010/12) is applied.

status and homeownership. Financial asset levels were found highly positively correlated, although the magnitude decreased as the asset level increased. A decreasing strength of association would be expected for recent-homeowners who used their savings for a deposit. Also, homeowners may save at a lower rate after buying a home (Lersch, 2014) or save differently, such as diverting savings to pensions or by reducing mortgage debt.

The demographic characteristics of the households were also relevant. The age of an HRP, which is centred at 35, was positively associated with homeownership. Households headed by females were found to have one third less the odds of becoming homeowners as compared to males, even after controlling for other characteristics.

Compared to married couples, all other marital status categories were negatively associated with homeownership. Cohabiting couples tended to be younger than married couples in the analytical sample. However, as age was controlled for, the difference may have come from the perception of the legality of their relationship status (Mulder and Wagner, 2001). As cohabitation is often considered to be a step towards marriage, cohabiters' desire to own a home may be weaker than married couples' due to the long-term commitment involved in purchasing a home. The lower odds associated with single, separated, divorced or widowed individuals may be due to the inability to pool savings or income with another person. The partial effect of having two or more children was no longer statistically significant once the financial wealth was controlled for and this was therefore removed from the model. The predicted probabilities of homeownership status using four hypothetical individuals are provided in the Supplementary Material (see Figure A.5. and Table A.2).

## Entering homeownership between 2008/10 and 2014/16

*Analytical strategy*

The second analysis examines the probabilities of transitioning to homeownership among those who were not homeowners in 2008/10. A transition was recorded if a non-homeowner in the base year (2008/10) had moved into owner-occupation by 2014/16. The length of this duration corresponds to the level of difficulty experienced in the British housing market, which can be shorted by obtaining financial help from family. To include duration in the analysis, logistic regression was performed in the event history analysis (EHA) framework in Stata (version 15). EHA models the probability of an event occurring at a specific point in time, conditioning on not having happened previously. In this study, the event is the change in the status from non-homeownership to homeownership. As respondents are observed biennially, time is treated as discrete rather than continuous.

Age at homeownership is the average age between the two consecutive waves during which a transition to homeownership is marked. The base age is 19, which signifies the starting point of an adult life when purchasing a home is theoretically possible; 19 is used instead of 18, as parental homeownership information was available only for those aged 19 or older. An exit is marked when the event occurs (entering homeownership), or at the last (fifth) interview (2014/16) for those who did not become homeowners. The difference between 19 and the age at homeownership or at exit is the duration spent in non-homeownership.

Respondents aged 19–44 in 2008/10 are included. The period between their ages in 2008/10 and 19 years of age is referred to as the pre-observation period. Complete housing tenure information during this pre-observation period is not available for those aged 20–44, giving rise to the left-truncation issue. While this may be problematic in a field such as demography, it is a known issue in other domains of social science and an alternative approach is available.

Guo (1993) and Jenkins (1995) discuss the use of conditional likelihood approach in a discrete-time EHA model with the left-truncation issue. The idea is to incorporate the length of the pre-observation period as a covariate as the number of years in non-homeownership since turning 19 can be calculated based on their age in 2008/10.

It is assumed that respondents' housing tenures during the pre-observation period have not changed in such a way that would alter their chances of entering homeownership during the observation period (Jenkins, 1995). The assumption is met if non-homeowners in 2008/10 had not been in homeownership prior to that.

Moving in and out of homeownership among the under-45s is rare (<2%), therefore this assumption is deemed reasonable. Two more scenarios are considered. The first is the ownership of an investment property (such as a buy-to-let property) but not a main residence. While individuals are not homeowners, their asset accumulation pattern may be similar to homeowners, which may affect their motivation to enter homeownership. However, this is found not to be the case when checked using other property ownership in this analytical sample.

A more complex case could arise when previous homeowners became non-owners prior to 2008/10. For instance, due to family dissolution (divorce, for example), previously home-owning individuals may have moved into rented accommodation. These individuals, however, should be included in the study, as it is reasonable to assume that they would (want to) enter homeownership again later. Their previous homeownership status is not available, but their marital status is controlled for.

The analysis is limited to the 691 individuals in the longitudinal sample who were not owner-occupiers in the base year 2008/10. This longitudinal sample differs from the analytical sample used in the previous section. The time variable is an interval of the number of years individuals spent in the non-homeownership state since turning 19. As the ages (in 2008/10) between 19 and 44 are included, the duration ranges between 1 and 32 years. This is divided into four intervals (1–12, 13–17, 18–22 and 23–32 years), where the last interval is widened to secure a sufficient number of observations. The last year in each interval period corresponds to individuals turning 30, 35, 40 and 50, which allows a more intuitive interpretation of the intervals of duration. The data are organised by the individual-interval unit, where the number of intervals per individual depends on the number of years spent in non-homeownership (see Table 2). Only those observations whose intervals correspond to respondents' ages between the second and fifth waves are used, excluding the intervals for the pre-observation years. This resulted in the sample size of 1,103 person-interval units. Some intervals are organised in five-year units, which makes it difficult to include the time-varying variables that are observed every two years in the WAS. However, the loss of information is minimal as the observation window is short. Instead, key time-varying variables are tested as binary variables to indicate the change. No interaction effects are tested due to the small sample size. These specifications imply that the partial effects are assumed to be constant over time, which is reasonable given the length of the observation period.

Similar to the first analysis, three sets of variables that include parental and individual socio-economic and wealth characteristics were tested. For family support, both direct (money) and indirect (co-residence) support were included in the model. Here, direct support includes any monetary support received between 2008/10 and

**Table 2:** Number of events in each interval (for 691 individuals)

| Time variable<br>**Number of years since turning 19* (corresponding to age)** | **Number of events** |
|---|---|
| Interval 1: 1–12 years (19–30 years old) | 31 |
| Interval 2: 13–17 years (31–35 years old) | 34 |
| Interval 3: 18–22 years (36–40 years old) | 28 |
| Interval 4: 23–32 years (41–50 years old) | 24 |
| **Total** | **117** |

Note: *The number of years represents the period spent in non-homeownership since turning 19.

2012/14, excluding the transfers made during the same two-year period or after the transition to homeownership. The effects of partnership formation (moving into cohabitation or getting married) and the birth of a child were also tested. A substantial increase in the household income (£10,000 or more in one of the subsequent waves) was also tested. A summarised version of the Government Office Region (GOR) information in 2014/16 was used. All covariates are individual-level measures except for the household income, direct transfer and financial wealth. Cluster correction was applied to account for the similarities between individuals in the same household. As the analytical sample is a longitudinal cohort, a longitudinal weight is applied to adjust for the initial selection probability and attrition.

*Results*

The characteristics associated with those who became homeowners after 2008/10 ('new entrants') are qualitatively similar to those of the already-homeowners in terms of a substantial effect of socio-economic status and a strong intergenerational link. However, there are also appreciable differences between the already-homeowners and the new entrants, because only those who were initially non-homeowners are included in this analysis.

The model results are reported in Table 3. The duration variable can be understood as an increase in age. It was initially found to have a strong negative and statistically significant association, but as more controls were introduced the effects reduced and became no longer statistically significant. This variable indicates that the chances of moving to owner-occupation change as one becomes older. However, this may be due to selection and the effects of changing social and economic characteristics as individuals become older (rather than the age per se). Nonetheless, the time variable is kept to control for the length of non-homeownership. According to the model, the odds of entering homeownership initially increase around ages 31–35 before decreasing slightly at 36–40 and then further by about one third for those over 40 years of age.

Direct and indirect support as well as parental homeownership are found to be highly relevant, which implies that parental wealth indicators contribute to explaining young adults' entry to homeownership. Receiving financial resources valued over £15,000 is associated with around 220% increased odds of moving to owner-occupation, compared to receiving less than that or none at all. Similarly, having co-resided is associated with nearly 250% increased odds than those who have not. Individuals who grew up in an owner-occupier household are found to have nearly twice the odds of moving to homeownership, even after having accounted for direct and indirect support as well as other characteristics.

Figure 4 shows a comparison between direct and indirect support using the predicted transition probabilities across the intervals (with corresponding ages). It is reasonable to expect a larger effect of direct support compared to indirect support as the former immediately relieves the pressure of saving for a deposit, while the latter requires additional time for help to materialise. However, the extent of these effects is found to be similar. This may be because direct support includes all financial transfer, some of which (such as inheritance) is not always aimed or timed for younger people's homeownership. Also, the contrasting trends of direct and indirect support

**Table 3:** Odds ratio for transition to homeownership among non-homeowners in 2008/10 (n = 1,103)

| Variables (Ref category, Wave) *(Wave) indicates the survey wave characteristics were observed.* | Odds ratio | Robust SE |
|---|---|---|
| **Age (19–30 years old)** | | |
| Age 31–35 | 1.080 | (0.485) |
| Age 36–40 | 0.912 | (0.381) |
| Age 41–50 | 0.660 | (0.313) |
| **Marital status (Married, W2)** | | |
| Cohabiting | 0.420 | (0.204) |
| Single, Separate, Divorced or Widowed | 0.202*** | (0.0879) |
| **Number of children (None, W2)** | | |
| One | 0.371* | (0.162) |
| Two or more | 0.279** | (0.110) |
| **Partnership changes (None)** | | |
| Became married or moved in together | 2.835* | (1.195) |
| **Equivalised household income, log- centred at £26,500 (W3)** | 2.451** | (0.719) |
| **Financial net wealth (<£50,000) (W2)** | | |
| £50,000 or over | 5.221** | (3.130) |
| **Government Office Region (London, W5)** | | |
| England (excl. London) | 1.983 | (1.042) |
| Wales & Scotland | 2.241 | (1.430) |
| **Direct financial support (£0–14,999)** | | |
| £15,000 or over | 3.190** | (1.308) |
| **Indirect support (Co-residence with parents)** | | |
| Yes | 3.529* | (2.184) |
| **Parents' housing tenure (Renting)** | | |
| Owned or mortgaged | 2.905** | (1.138) |
| Pseudo-log-likelihood: final model (model with 'Age' only) | −2135940.3 | (−3041116.4) |
| Pseudo -$R^2$: final model (model with 'Age' only) | 27.8% | (3%) |

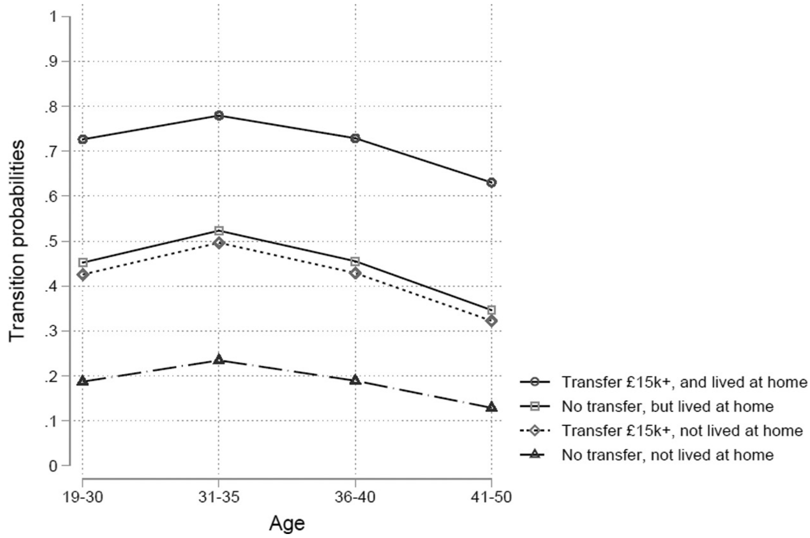
Notes:

P-values reported: * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$.
The study population is restricted to those who were renting in 2008/10 (n=691).
Age here refers to the age corresponding to the duration in each interval period, see Table 2 for the intervals.
The interval structure produced 1,103 observations (individual-interval units).
The net household income in 2010/12, which corresponds to the income between 2008/10 and 2010/12, is used.
Direct financial support refers to the period of four years leading up to 2012/14.
The government official region data are only available for the fourth and fifth waves. The GOR information from the fifth wave is used in this model.
Robust standard errors are estimated, accounting for the household structure at the final observation.

after the financial crisis seen earlier may have contributed to the relative effect sizes of the two types of support.

Individuals' own socio-economic characteristics and wealth levels also contributed to the model. Those having initial net financial assets greater than £50,000 is found to have five times the odds of moving to homeownership compared to those who

**Figure 4:** The relative effects of direct (transfer) and indirect financial help (living at home).




Note: The predicted probabilities are for individuals who have grown up with homeowner parents, who have been married without children, and who are living in England (not London). It is assumed that they have less than £50,000 in financial assets and are on an average income. Graph produced using plotplain (Bischof, 2017).

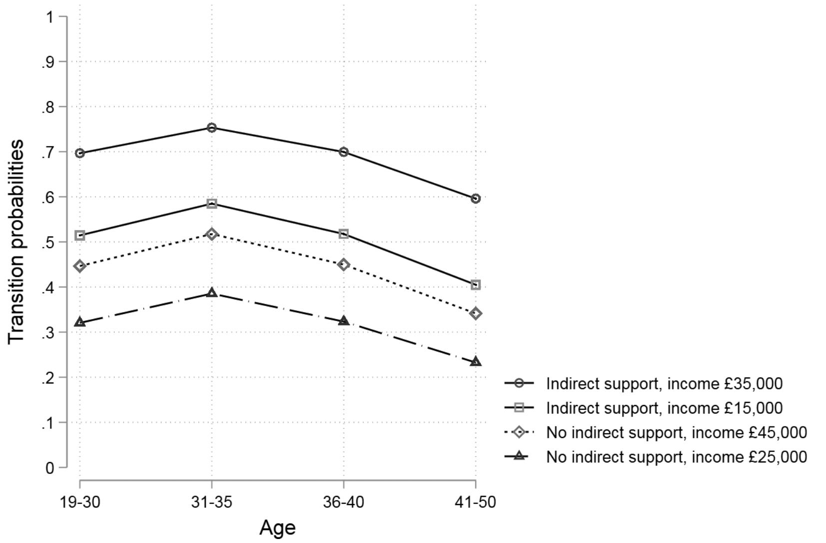
did not, controlling for other factors. £50,000 can produce a deposit for a median first-time home, even in London,[7] which clearly points to the importance of the economic resources.

A positive association was found between household income and the chances of moving to homeownership. However, an increase in the household's unequivalised income of £10,000 or more did not increase the odds of homeownership. This is not unrealistic because an increase in household income does not directly translate to an immediate increase in savings.

Figure 5 compares the partial effects of indirect support and of income using predicted probabilities. Comparing two similar individuals but one with an income of £45,000 and the other with £15,000, it appears that the benefit of indirect support roughly equates to an additional household income of £30,000. This is a plausible figure as the average yearly household expenditure for families was estimated to be £27,500 in 2016.[8] While the living costs may be lower for single individuals, the cost saving from co-residence with parents may be cumulative as such arrangement would last for multiple years in most cases.

Demographic characteristics, such as marital status and having children, also aid in predicting the odds of becoming homeowners. The disadvantage observed for the single individuals was more substantial, as their odds were estimated to be roughly 75% lower compared to married couples, after controlling for other variables. Those who have either moved to cohabitation or become married since 2008/10 are found to have about 180% increased odds of becoming homeowners. An increased number of children during the observation period was tested but was not found to be statistically significant and therefore removed from the model. However, having children in the base year (2008/10) is found to have a strong negative partial effect. It

**Figure 5:** Predicted probabilities by household income and direct support.




Notes: Chronological age ranges that correspond to the four interval categories are used to facilitate interpretation of the predicted probabilities – see Table 2. These predicted probabilities are for individuals who are married with no children, living in England (not London), have grown up in an owner-occupying household. It is assumed that individuals did not receive indirect support and to have savings of less than £50,000 in W2. Graph produced using plotplain (Bischof, 2017).

is possible that the equivalisation factor does not fully account for the costs of raising children in Britain and/or higher prices of homes suitable for families with children.

The effects discussed are easier to understand when using predicted probabilities. Four plausible individual circumstances are described in Table 4 and their trajectories are illustrated in Figure 6. Christopher's chances are better than Sarah's as he has substantial savings (over £50,000) despite a similar level of equivalised household income. Sarah's relative disadvantage is compensated by additional family support, both direct and indirect. Meanwhile, Rebecca's odds are projected to be higher than those of Thomas as she is pooling income with her partner. In reality, only a small number of individuals will have arrangements such as Sarah's or Christopher's, and the circumstances of most young people in Britain resemble Rebecca's or Thomas's. With that in mind, it is alarming to see the larger effect of financial support, albeit implicitly, compared to those of individuals' own socio-economic characteristics.

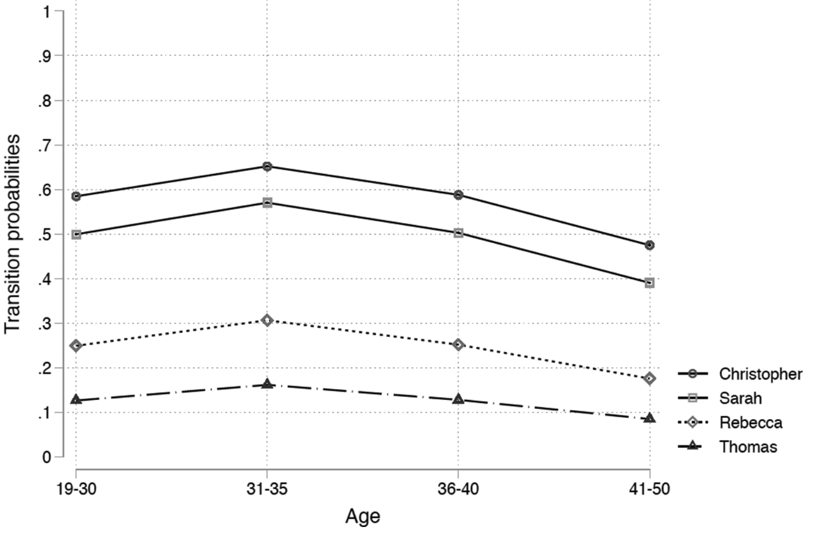
The effect sizes should be considered together with the reduction in variability obtained by including these variables. The direct and indirect transfer measures increase pseudo-R2 by 4.3%. Together with the parental homeownership variable, the three indicators explain about 8.1% of the variability, comparable to the household income variable, 9.2% (not reported here). Income is an indication of a household's economic capacity to save and an important criterion to access capital, the proportion of the variability explained is deemed reasonable. It is also worth noting that this study uses a narrower transfer period and a larger threshold (£15,000) compared to the previous studies (A$5,000, €5,000 or US$5,000: Helderman and Mulder, 2007; Cigdem and Whelan, 2017; Lee et al, 2018). Potential measurement errors in the family support variables cannot be ruled out due to potential under-reporting of

**Table 4:** Transition to homeownership: four scenarios

| Individuals | Characteristics |
|---|---|
| **Christopher** | Married and has two children, living in the South-East of England. He grew up in rented accommodation. He received a small inheritance of £5,000 from his partner's family but holds savings and investment valued over £50,000 together with his wife. The household income in 2010/12 was around £45,000. |
| **Sarah** | Single without children, living in London. Grew up in an owner-occupier household. She received £20,000 from family and had savings of £10,000 in 2008/10. Her initial income in 2010/12 was around £40,000. She has lived with parents until recently. |
| **Rebecca** | Was living with her partner and recently became married but has no children, and is living in London. Grew up in an owner-occupier household. She received a small gift from her parents of £2,000. She had no savings but had a household income of £35,000 in 2010/12. |
| **Thomas** | Single without children, living in Scotland. His parents were homeowners. He has had no financial help from his family so far. His income in 2010/12 was £22,000 and he had small savings of £3,000 in 2008/10. |

Note: Individuals' names are chosen from the most common baby names during 1980s in the UK (ONS). https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/datasets/babynamesenglandandwalestop100babynameshistoricaldata.

**Figure 6:** Predicted probabilities of the four scenarios.




Note: Chronological age ranges that correspond to the four interval categories are used to facilitate interpretation of the predicted probabilities — see Table 2. Graph produced using plotplain (Bischof, 2017).

inheritance or *inter vivos* amounts. It is, however, not currently possible to quantify the extent of it within the scope of this study.

## Discussion

This study assessed how, and to what extent, financial support from family contribute to explaining the younger generation's homeownership circumstances in Britain.

The two-part study examined both direct financial resources transfer and indirect support through co-residence. The results suggest a substantial intergenerational link in homeownership circumstances: owning a home for young British adults is not only related to their own socio-economic status but also to those of their parents. In particular, direct and indirect support have equally substantial effects on young adults' entry to the housing market. Additionally, these two measures coupled with parental homeownership status together contribute to explaining variation in the chances of homeownership as much as individuals' household income. Income is an important criterion for accessing capital and serves as a proxy for individuals' economic capacity. In this sense, the role of income is weaker than expected.

Findings from this study are consistent with Coulter's (2018) conclusion that the younger generation's homeownership outcomes are closely related to parents' wealth as it shields the adult children from the risks in the market. Why this may be the case can be found in the characteristics of the British housing market (Murie, 2012; Forrest and Hirayama, 2015). Financial products such as mortgages now systematically exclude less fortunate individuals. As the access to capital is based on a substantial front-loading of financial resources and a higher future income (Lowe et al, 2012) the availability of additional economic resources is an enabling factor for the younger generation to get on the housing ladder. In turn, this can directly undermine policies that aim to improve the access to capital (for example, Help to Buy; see Supplementary Material), as policies heavily focus on the demand side without a meaningful plan for increasing the supply or providing alternative housing options (Forrest and Hirayama, 2015).

Unequally distributed parental wealth perpetuates a systematic disadvantage for those without additional monetary support, which is also expected to be costly in the long run. Individuals are unlikely, or unable in many cases, to save for retirement, having focused all their efforts on homeownership. Even for those who eventually become homeowners, a large part of lifetime saving will be concentrated on housing wealth, making them more vulnerable to an adverse economic situation. Moreover, delayed entry to the housing market implies that mortgage debt will be paid off at an older age, possibly after retirement. Therefore, within-generation inequality in homeownership and long-term saving outcomes among young adults will increase without timely and meaningful policy intervention.

Homeownership is often considered to be a precondition for the next stages of life. Difficulties experienced with homeownership are likely to delay or interrupt associated life-course events (Eliason et al, 2015) as individuals may not be able to plan or make social and economic arrangements with autonomy until this precondition is satisfied. In addition, the disadvantages associated with having children and homeownership (status or transition to) found in this study are concerning and somewhat counter-intuitive as for the greater need for stability and security required for families with children.

On the other hand, the younger generation's growing reliance on their parents raises the question of whether parents are implicitly pressured to help financially to ease the homeownership anxiety faced by their children. However, this would reduce resources for retirement or care (Rowlingson, 2006), introducing a new source of financial difficulty in the later life. This is a realistic concern, as the median household financial wealth among adults aged between 55 and 64 in 2014–15 was around £21,000 (Crawford, 2018a). Providing indirect support also can have an adverse effect on the parents; boomerang children's negative economic experience is found to be an additional source of concern for their parents, which decreases parents' well-being (Tosi and Grundy, 2018).

This study has certain limitations which, in turn, present several future research opportunities. The lack of information on the precise timing of intergenerational transfers and home purchase makes it difficult to make any causal claims. Issues regarding the short observation period and the relatively small sample size can be improved as more waves of data become available, which would allow testing whether the importance of intergenerational support increases over time, as was suggested by one of the paper's reviewers. Also, it would make it possible to segregate different types of direct transfers by motivations and examine their associations with the reported value of purchased homes. Macroeconomic factors could be used to examine region- or period-specific issues, as the sample size and the observation period increase.

Despite these limitations, the contribution of this study is threefold. Most existing studies examined financial support *only* in terms of direct monetary transfer, excluding indirect financial support which helps to reduce costs via co-residence that could increase deposit-saving capacity. Given the increasing size of the 'boomerang generation', it is a necessary aspect to consider in studying British young adults' homeownership today (ONS, 2016b; West et al, 2017). In addition, by controlling for children's financial asset levels, it is possible to examine the partial effects of direct and indirect support mechanisms in a more comprehensive manner. Moreover, the paper uses discrete-time event history analysis, which allows us to consider the duration in non-homeownership prior to becoming homeowners. Finally, this study provides an up-to-date account of the current housing circumstances of young adults as the study period concentrates on during and immediately after post-crisis period (Lee et al, 2018, for example), which is more relevant to today's policy makers.

In the long-term, policies such as stronger inheritance and capital taxation (Intergenerational Commission, 2018) might equalise the position to an extent, especially if a tax on *inter vivos* transfers reduced their scale, and this brought down house prices. However, in the absence of measures that greatly increased supply or eased demand, the main implication is that the scale of differences in parental resources makes it very difficult for governments to afford to compensate others. When only limited help is available, it is more likely to go to those who are already advantaged, as with the current Help to Buy scheme (Provan, 2017). Individuals without access to family help are likely to remain as tenants. Therefore, a comprehensive approach to tackling issues in the housing market, including improving the private rental market by enhancing tenants' rights and expanding the social housing sector, would be necessary to bring a meaningful improvement in the young adults' homeownership circumstances in Britain.

## Notes

[1] Formerly known as the Department for Communities and Local Government (DCLG).

[2] Years expressed such as 2008/10 refers to the 24-months data collection period for the Wealth and Assets Survey (WAS) used in this study: June 2008 to July 2010.

[3] The supplementary material is available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3552026

[4] The size of help received in London (£38,800) was twice that received in the North-East of England (£19,000) between 2008 and 2011 (HSBC, 2012). Similarly, adults aged

36 or over received more than twice (£42,200) that of younger adults aged between 18 and 26 (£19,000) during the same period (HSBC, 2012).

[5] Household Reference Person (HRP) definition employed in WAS is as follow: if the household consists of one person, the person is identified as HRP. For a household with two or more individuals, HRP is identified by having the highest income. In the household with multiple people with the same level of income, the oldest person is identified as HRP (ONS, 2009).

[6] It is the earliest wave with a nationally representative income variable, despite not being the base year (2008/10) used in the second part of the analysis.

[7] Recent figures show that an entry level property in London is around £320,000. Assuming a 15% deposit, a deposit required is £48,000 (ONS, 2017a).

[8] This is the yearly equivalent figure of the weekly amount reported (£528.90) in *Family spending in the UK: financial year ending March* 2016 (ONS, 2017b). Individuals co-residing with parents tend to be single, and their costs are expected to be lower compared to the national average, which includes a high proportion of married couples with children. However, living costs for younger adults are generally higher for housing costs and other discretionary expenses.

## Conflict of interest

The author declares that there is no conflict of interest.

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