

[More](#) [Next Blog»](#)

Spatial Economics Research Centre

Monday, 13 June 2011

Encouraging Home Ownership

According to the [Observer](#), a Smith Institute report to be published this week will predict the number of people who own homes will fall by almost two million by the middle of the next decade.

In terms of policy responses, the report will say: "It may even be that the coalition will wish to consider some tax concessions along the lines of mortgage interest tax relief [Miras, abolished for principal residences in 2000] to encourage access to home ownership"

Unfortunately, evidence from the US produced by Christian Hilber and Tracy Turner ([SERC discussion paper 55](#)) suggests that there is only a very weak link between mortgage interest relief and home ownership. In fact, in tightly regulated housing markets mortgage interest deduction has a *negative* effect on home ownership because the price effect (through increased demand) more than offsets the income effect (from the tax deduction). In less regulated markets, mortgage interest deduction does have a positive effect on home ownership rates, but only for higher income groups.

As the [UK market is very highly regulated](#) this urges considerable caution in using mortgage interest tax relief as a means to increase home ownership. Reintroducing Miras could prove to be a costly and ineffective intervention.

Posted by [Prof Henry G. Overman](#) on [Monday, June 13, 2011](#)

Recommend this on Google

No comments:

[Post a Comment](#)

[Newer Post](#)

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)

