

# The decline of homeownership among young adults

**IFS Briefing note BN224**

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# Executive summary

## Key findings

**Today's young adults are significantly less likely to own a home at a given age than those born only five or ten years earlier.**

At the age of 27, those born in the late 1980s had a homeownership rate of 25%, compared with 33% for those born five years earlier (in the early 1980s) and 43% for those born ten years earlier (in the late 1970s).

**The falls in homeownership have been sharpest for young adults with middle incomes.**

In 1995–96, 65% of those aged 25–34 with incomes in the middle 20% for their age owned their own home. Twenty years later, that figure was just 27%.

**The key reason for the decline is the sharp rise in house prices relative to incomes.**

Mean house prices were 152% higher in 2015–16 than in 1995–96 after adjusting for inflation. By contrast, the real net family incomes of those aged 25–34 grew by only 22% over the same twenty years. As a result, the average (median) ratio between the average house price in the region where a young adult lives and their annual net family income doubled from 4 to 8, with all of the increase occurring by 2007–08.

**This increase in house prices relative to family incomes fully explains the fall in homeownership for young adults.**

The likelihood of a young adult owning their own home given how their income compares with house prices in their region is little changed from twenty years ago. But in 2015–16 almost 90% of 25- to 34-year-olds faced average regional house prices of at least four times their income, compared with less than half twenty years earlier. At the same time, 38% faced a house-price-to-income ratio of over 10, compared with just 9% twenty years ago.

**Young adults from more disadvantaged backgrounds are less likely to own their home, even after controlling for the kind of job they have and other characteristics.**

In 2014–17, 30% of 25- to 34-year-olds whose parents were in a low occupational class (e.g. delivery drivers or sales assistants) owned their home, compared with 43% of those whose parents were in a high occupational class (e.g. lawyers, teachers or estate agents). However, after controlling for differences in observable characteristics of young adults such as their earnings and education, the homeownership gap between those from high and low socio-economic backgrounds is much smaller, at around 3 percentage points.

# 1. Introduction

The decline in the homeownership rate of young adults in Great Britain is an issue that has risen to the top of the political agenda. In his 2017 Autumn Budget, the Chancellor of the Exchequer, Philip Hammond, said:

*... there is one area where young people today will, rightly, feel concern about their future prospects – and that is in the housing market. House prices are increasingly out of reach for many. It takes too long to save for a deposit'.<sup>1</sup>*

The falls in the proportion of young adults owning their own home have been documented in previous work.<sup>2</sup> In this briefing note, we provide up-to-date analysis of these falls in homeownership, and which groups of young adults have seen the sharpest falls, before attempting to shed new light on this phenomenon in two ways. First, we look at how the relationship between the incomes of young adults and house prices in their region has evolved over the past twenty years, and ascertain the extent to which the rise in regional house prices relative to incomes can explain the fall in homeownership among young adults. Second, we look at how the homeownership rates of young adults relate to the occupational class of their parents, and in particular the extent to which parental characteristics are related to the homeownership rates of children over and above intergenerational links in earnings, education and occupation.

The analysis in this briefing note proceeds as follows. In Section 2, we document how much lower homeownership is at given ages for more recent generations of young adults, before examining how those falls have affected the different regions and nations of Great Britain and different parts of the income distribution. In Section 3, we look at how house prices and the incomes of young adults have evolved over the past twenty years, in the country as a whole and in each region, and how changes in the house-price-to-income ratio have related to changes in homeownership. In Section 4, we utilise newly available data to examine how and why the homeownership of young adults varies with the occupational class of their parents.

<sup>1</sup> <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>.

<sup>2</sup> For example, J. Cribb, A. Hood and R. Joyce, 'The economic circumstances of different generations: the latest picture', IFS Briefing Note BN187, 2016, <https://www.ifs.org.uk/publications/8583>.

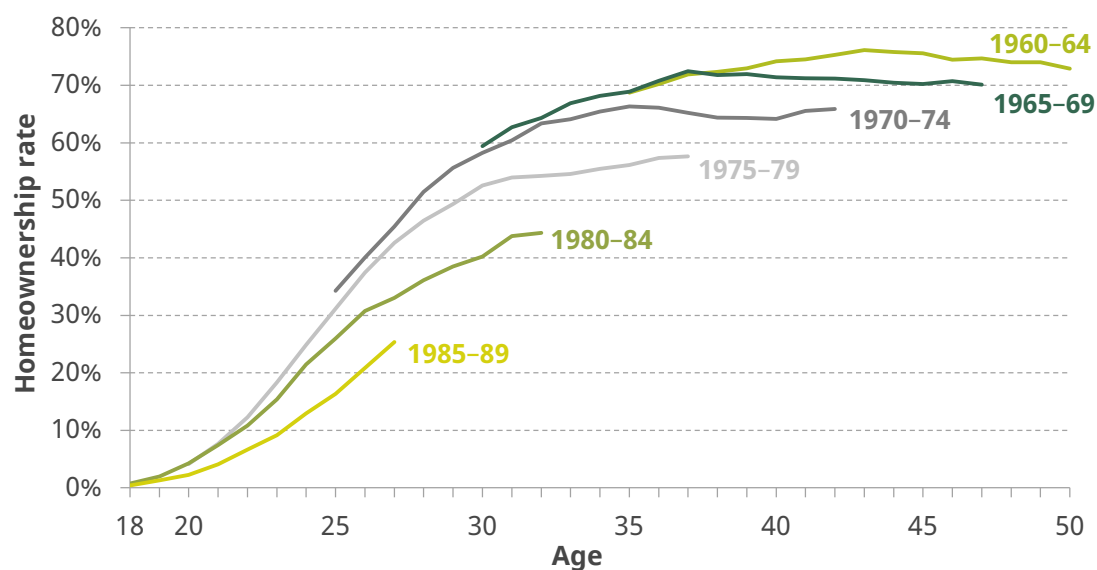
## 2. The homeownership rates of young adults

Figure 1 plots homeownership rates by age for those born in different five-year periods ('five-year birth cohorts'), from those born in 1960–64 to those born in 1985–89, using data from the Labour Force Survey. An individual is counted as a homeowner if either the individual themselves or their cohabiting partner owns the home in which they live, while those living with owner-occupying parents are not counted as homeowners.

Figure 1 shows a stark decline in homeownership rates in early adult life, with those born more recently significantly less likely to own their own home at a given age than those born only five or ten years earlier. For instance, at the age of 27, those born in the late 1980s had a homeownership rate of 25%, compared with 33% for those born five years earlier (in the early 1980s) and 43% for those born ten years earlier (in the late 1970s). Similarly, the homeownership rate at the age of 32 was 44% for those born in the early 1980s, compared with 54% for those born five years earlier (in the late 1970s) and 63% for those born ten years earlier (in the early 1970s).

This decline in homeownership across cohorts cannot be explained by the fact that those born later are spending longer in education and hence entering the labour market at older ages. Comparing the homeownership rates of different birth cohorts the same number of years after they left education (rather than at the same age) gives a very similar picture. Neither are these falls in homeownership associated with a significant increase in the number of young adults living with their parents into their late 20s and early 30s (as shown in Figure A1 in the appendix) – in fact, the proportion of 30-year-olds living with their parents only increased from 22% of those born in the early 1970s to 23% of those born in the early 1980s. Instead, the falls in homeownership have been

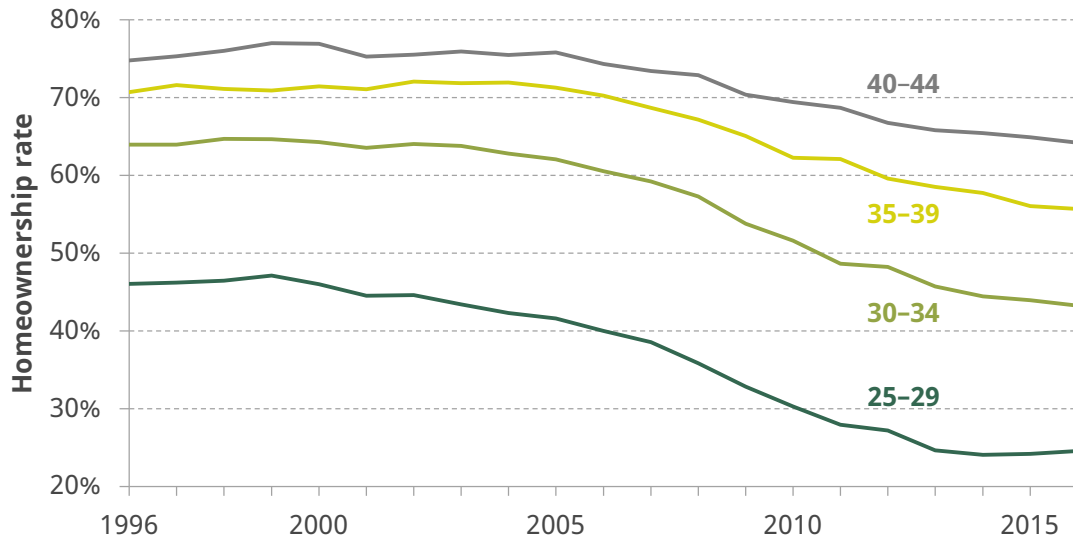
**Figure 1. Homeownership by age, for people born in different years**



Note: For each cohort, an age is only included in the graph if we have observations at that age for all five birth years comprising the cohort.

Source: Authors' calculations using the Labour Force Survey 1996 to 2016.

**Figure 2. Homeownership for those aged 25–44, by five-year age band**

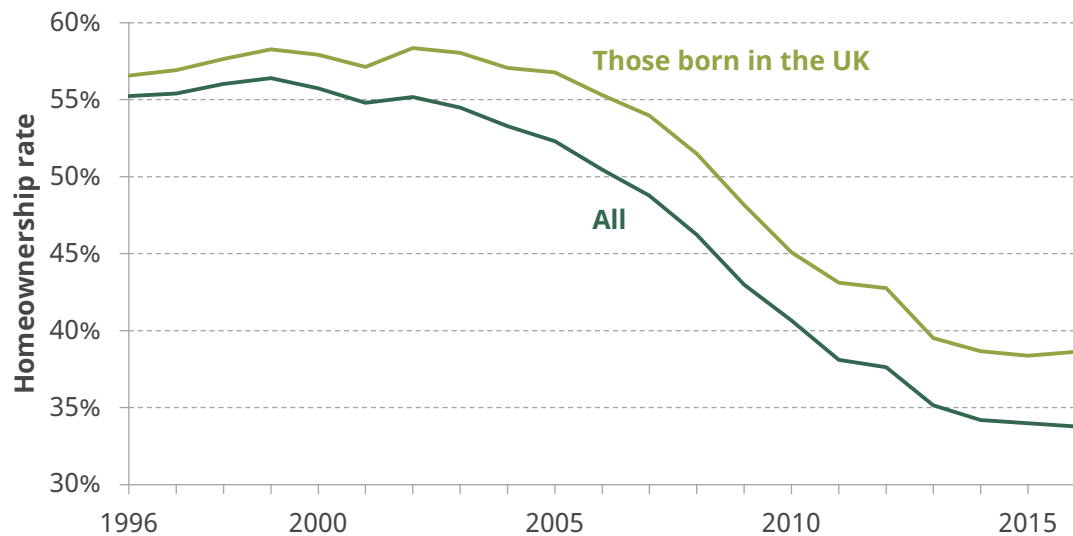


Source: Authors' calculations using the Labour Force Survey 1996 to 2016.

accompanied by a sharp increase in the proportion of young adults living in private rented accommodation.

Another way of looking at the decline in homeownership rate over the past twenty years is to show the proportion of a given age group that are homeowners in each year. Figure 2 shows the percentage of individuals in different five-year age bands (25–29, 30–34, 35–39 and 40–44) that own a home in each year from 1996 to 2016. It shows that the homeownership rate has fallen substantially in each of these age groups, but that in both absolute and proportional terms the falls have been largest for young adults. The proportion of 40- to 44-year-olds who are owner-occupiers fell from 75% to 64% over the two decades to 2016, but for 25- to 29-year-olds the fall was substantially larger – from 46% to 25%.

**Figure 3. Homeownership for those aged 25–34, overall and for those born in the UK**



Source: Authors' calculations using the Labour Force Survey 1996 to 2016.

For the remainder of this briefing note, we focus on the falls in homeownership for young adults – defined as those aged 25–34. Figure 3 shows that using, this definition, the homeownership rate of young adults fell from 55% to 34% between 1996 and 2016, with the sharpest fall between 2005 and 2010 (when the rate fell by over 10 percentage points).

Figure 3 also shows that a small part of the fall in homeownership among young adults can be explained by the increase in the proportion of young adults not born in the UK. Focusing just on those born in the UK, the homeownership rate has fallen slightly less steeply over the past twenty years – from 57% in 1996 to 39% in 2016. This difference is the result of the fact that those young adults not born in the UK are significantly less likely to be homeowners (around 20 percentage points less likely in 2016), and the share of young adults not born in the UK has risen significantly over the past twenty years (from around 10% in 1996 to around 25% today).

We now turn to consider how these dramatic falls in homeownership have affected different groups of young adults. Figure 4 shows how the homeownership rate of 25- to 34-year-olds in each region and nation of Great Britain has changed over the past twenty years. It shows that falls in homeownership for young adults have been geographically widespread, rather than being concentrated in any particular region or nation. Every region and nation has seen the homeownership rate of young adults fall by at least 10 percentage points over the past twenty years. Beyond this broad picture, the figure does reveal some regional differences in the magnitude of falls in homeownership, with the biggest declines (in percentage-point terms) in the South East, Yorkshire & Humberside and London and the smallest falls in the North East & Cumbria, the South West and Scotland.

**Figure 4. Homeownership for those aged 25–34, by region and nation of Great Britain, 1995–96 and 2015–16**

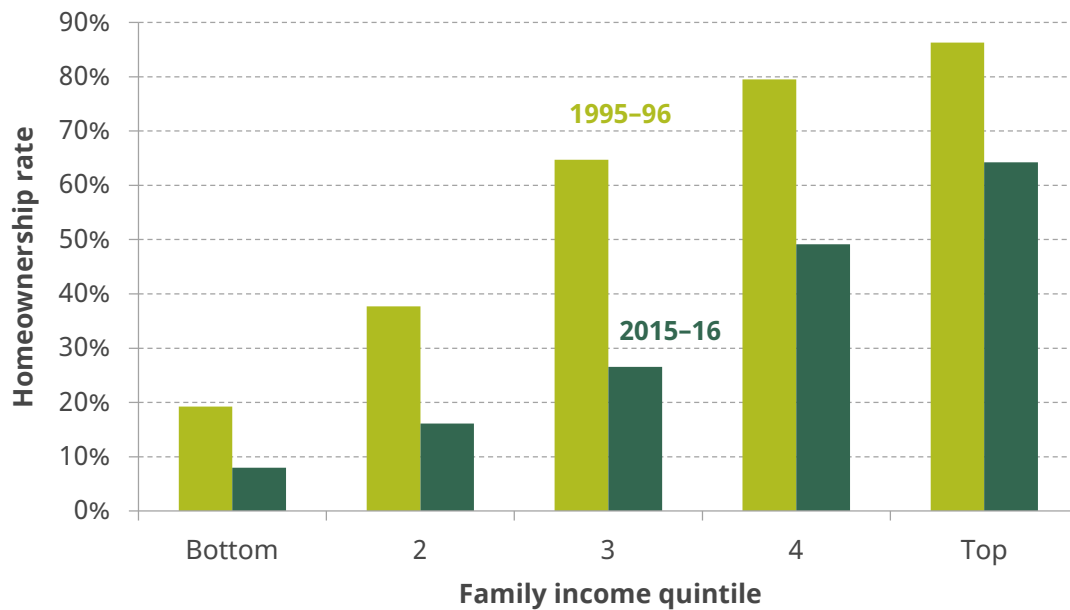


Note: Sample is restricted to Great Britain as data on Northern Ireland are not available for earlier years.

Source: Authors' calculations using the Family Resources Survey 1995–96 and 2015–16.



**Figure 5. Homeownership for those aged 25–34, by family income quintile**



Note: 'Family income' is the net income of the individual, plus the net income of any cohabiting partner.

Source: Authors' calculations using the Family Resources Survey 1995-96 and 2015-16.

Figure 5 looks at how the fall in homeownership among young adults has been spread across the income distribution. It compares the homeownership rates of those aged 25–34 in 1995–96 and 2015–16, splitting individuals into five equally sized groups (quintiles) according to the total net (after-tax-and-benefit) income of their family (their own income plus that of any cohabiting partner). Most strikingly, the figure shows that for young adults with family incomes in the middle 20%, the homeownership rate has fallen from 65% to 27% over the past twenty years – from around two in three to a little over one in four. Individuals in this middle 20% have after-tax family incomes of between £22,200 and £30,600; twenty years ago, when two-thirds of the group were owner-occupiers, that range was £17,900 to £24,600 (both sets of figures are expressed in 2016–17 prices).<sup>3</sup> Of this middle income group, around a third are university graduates, while 30% left school at 16. Three-quarters of them live with a partner, and around 60% have children.

Figure 5 also shows that, in absolute terms, the smallest fall in homeownership has been at the bottom of the distribution – in the bottom quintile (those with net family income below £15,100 in 2015–16) the homeownership rate fell by 11 percentage points (from 19% to 8%), compared with the 38 percentage point fall in the middle quintile. On the other hand, the smallest proportional fall in homeownership has been among the top income quintile (those with net family income above £41,100 in 2015–16), with the homeownership rate in that group declining from 86% in 1995–96 to 64% in 2015–16.

At slightly older ages, the falls in homeownership are again more significant in the middle of the income distribution than towards the top. Looking at those aged 35–44, the homeownership rate among those in the middle income quintile for their age fell from 81% in 1995–96 to 63% in 2015–16; for those in the top quintile, the fall was just from 94% to 84%. One difference in the distribution of the falls in homeownership among this

<sup>3</sup> We adjust for inflation using a variant of the CPI that includes mortgage interest payments.

(slightly) older group is that the decline towards the bottom of the income distribution is more significant: twenty years ago, 42% of those in the lowest-income 20% were owner-occupiers, but that figure is just 28% today.

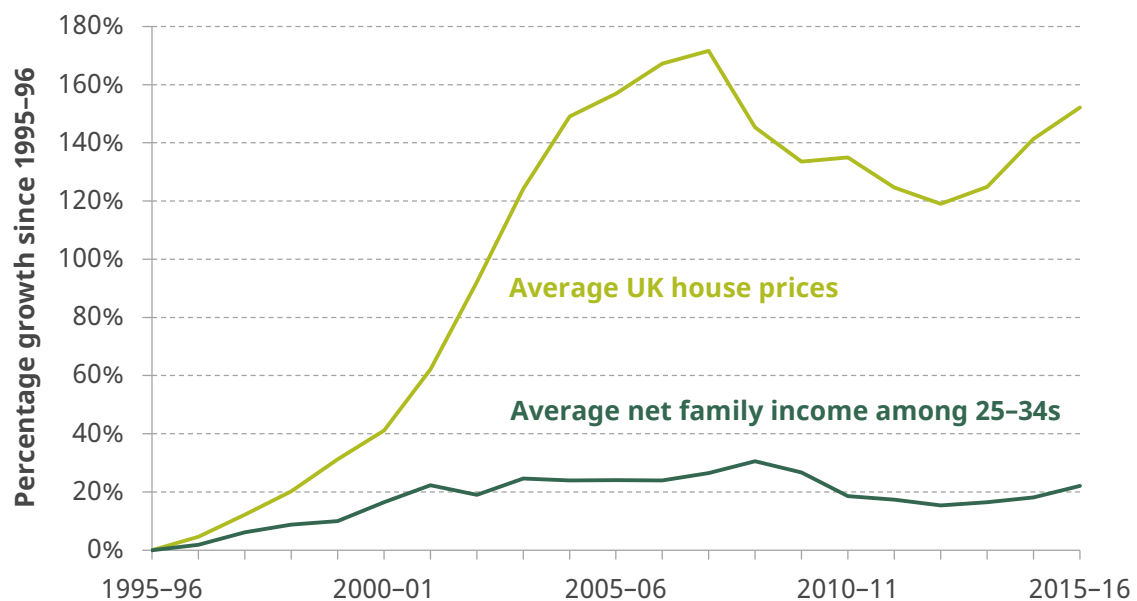
### 3. The housing market

In this section, we examine the changes in house prices across the UK and how they compare with changes in the family incomes of young adults (Box 1 discusses how house prices are measured). The aim is to understand whether increases in house prices compared with income can fully explain the falls in homeownership for young adults, or whether there may be other important factors at play.

Figure 6 plots the growth since 1995–96 in average UK house prices and in average (mean) net family incomes for those aged 25–34. Average (mean) house prices in 2015–16 were 152% higher than (i.e. 2½ times as high as) those in 1995–96 in real terms, rising from £79,000 to £198,000 (in 2016–17 prices, adjusting for inflation using a variant of the Consumer Prices Index, CPI). By contrast, the net family incomes of those aged 25–34 were only 22% higher in real terms in 2015–16 than twenty years earlier. As the figure shows, the key reason for this discrepancy was not the falls in income that have occurred since the financial crisis; rather, it was what happened in the years before the crisis. Between 2000–01 and 2007–08, average house prices almost doubled, while the incomes of young adults grew by less than 10%.

One way to attempt to capture the impact of these very different trends in house prices and net incomes is to construct the ratio between the two. Crucially, we do not simply report the ratio between average income and average UK house prices. Instead, we construct the ‘house-price-to-income ratio’ separately for each individual in our data between the ages of 25 and 34, by dividing the mean house price *in their region* (e.g. London or the North East) by their own annual net family income. Mean regional house prices are, of course, an imperfect measure of the price of houses that young adults want

**Figure 6. Growth in real house prices and in net incomes of those aged 25–34**



Note: All series adjusted for inflation using a variant of the CPI that includes mortgage interest payments.

Source: Authors' calculations using house prices from the Nationwide UK House Price Index 1995 to 2016 and family income from the Family Resources Survey 1995-96 to 2015-16.

### Box 1. Measuring house prices

Measuring house prices is a challenging task. The market price of a house is only directly observed when it is sold, but the aim of a house price index is to track the average price of all houses in the UK. We use the Nationwide House Price Index for two main reasons. First, it is able to provide data for the whole United Kingdom for our whole sample period. Second, it estimates prices for a 'typical' house in the relevant region, rather than simply averaging the prices of sold properties. It does this by decomposing the values of sold properties into values for their individual characteristics, then recombining in proportion to the 'typical' house. This makes the index less susceptible to being biased if the composition of houses sold changes between periods.

Note: For further information on the different house price indices available for the UK, see appendix 5.1 of D. Chandler and R. Disney, 'Housing market trends and recent policies', in C. Emmerson, P. Johnson and H. Miller (eds), *The IFS Green Budget: February 2014*, IFS Report R91, 2014, <https://www.ifs.org.uk/publications/7072>.

to buy. However, repeating our analysis using Nationwide's first-time buyer price index does not materially change our results.

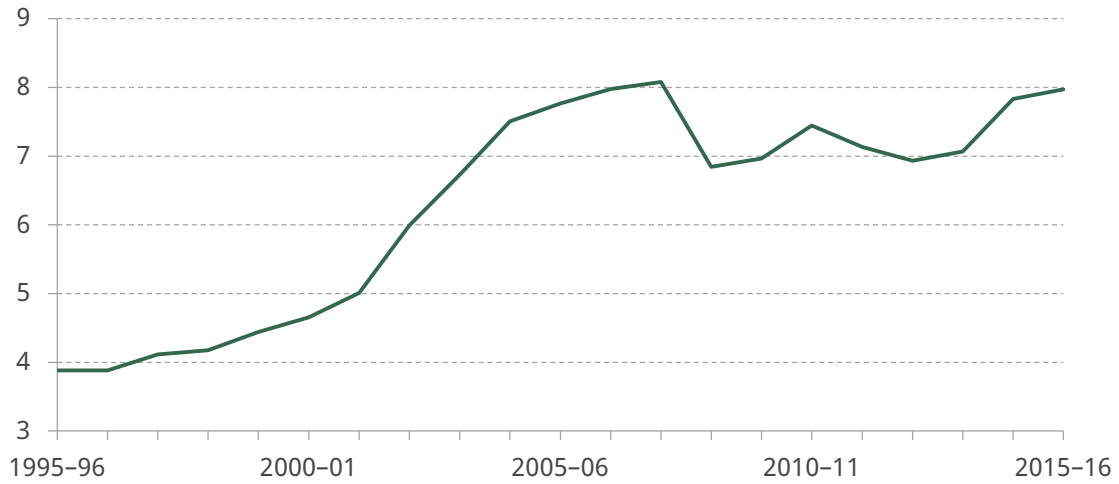
It is important to note that this 'house-price-to-income ratio' is different in a number of important ways from the ratio most often cited – that between average UK house prices and average UK individual gross earnings. First, we focus on the incomes of 25- to 34-year-olds in particular, rather than average earnings across the whole population. Second, we look at net (after-tax-and-benefit) family incomes – taking account of the facts that couples can pool their incomes to purchase a house and that net income is a better measure of the resources available to a household to purchase a property than pre-tax earnings. Finally, we compare this measure of a young adult's family income with house prices in their region, rather than the national average, as this provides a better indication of the prices of houses they might want to buy.

Figure 7 plots the median of this house-price-to-income ratio for those aged 25–34 from 1995–96 to 2015–16. Because this is the median, in each year half of young adults have a ratio above the level shown and half have a ratio below that level. The figure shows that there are two distinct periods in the recent evolution of this measure. From 1995–96 to 2007–08, the median house-price-to-income ratio grew consistently, doubling from 4 to 8 over that 12-year period – i.e. on average, regional house prices went from four times the annual family income of young adults to eight times annual family income. Between 2007–08 and 2015–16, the ratio was much more stable; falling house prices after 2007–08 reduced the ratio slightly, but growth in house prices in 2014–15 and 2015–16 meant that by 2015–16 the median ratio was very similar (around 8) to the level in 2007–08.

To understand better how house prices have changed relative to incomes, Figure 8 examines how the distribution of the house-price-to-income ratio for young adults has shifted over the past two decades. The figure groups individuals together according to their house-price-to-income ratio, and then plots the percentage of people in each of these groups in both 1995–96 and 2015–16. It shows a dramatic shift in the ratio between regional house prices and the net incomes of those aged 25–34. Twenty years ago, just

under half of young adults faced a house-price-to-income ratio of more than 4. By 2015–16, that proportion had risen to 87% (around seven in eight). At the same time, the proportion of young adults with a house-price-to-income ratio of more than 10 roughly quadrupled, from just 9% in 1995–96 to 38% in 2015–16.

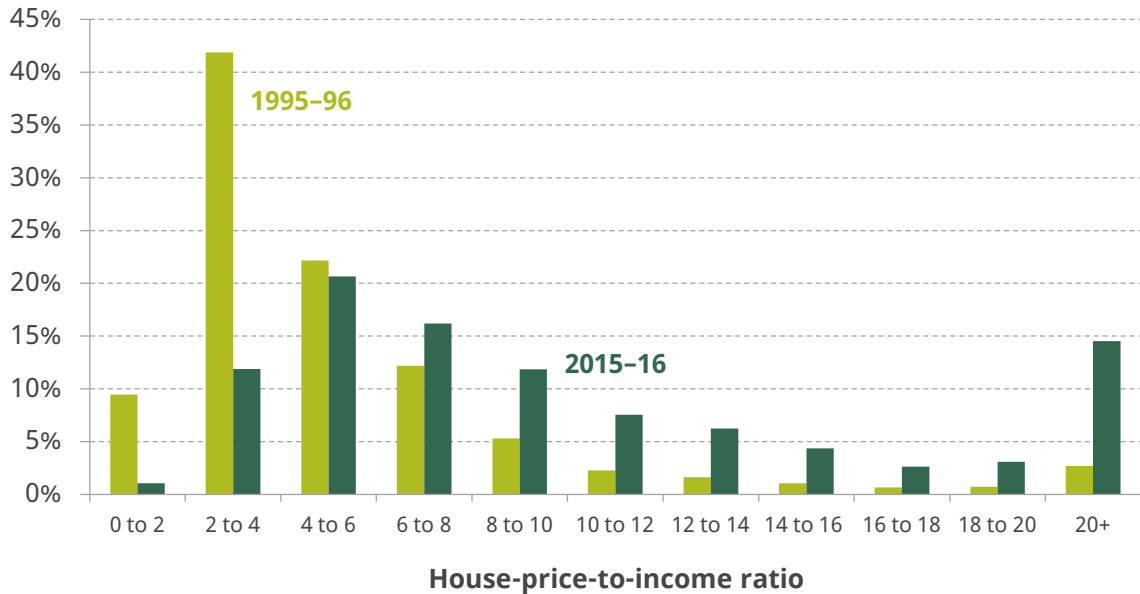
**Figure 7. Median house-price-to-annual-net-income ratio for those aged 25–34**



Note: House-price-to-income ratio calculated as described in the text. Sample is restricted to Great Britain as data on Northern Ireland are not available for earlier years.

Source: Authors' calculations using income data from the Family Resources Survey 1995–96 to 2015–16 and regional house prices from Nationwide 1995 to 2016.

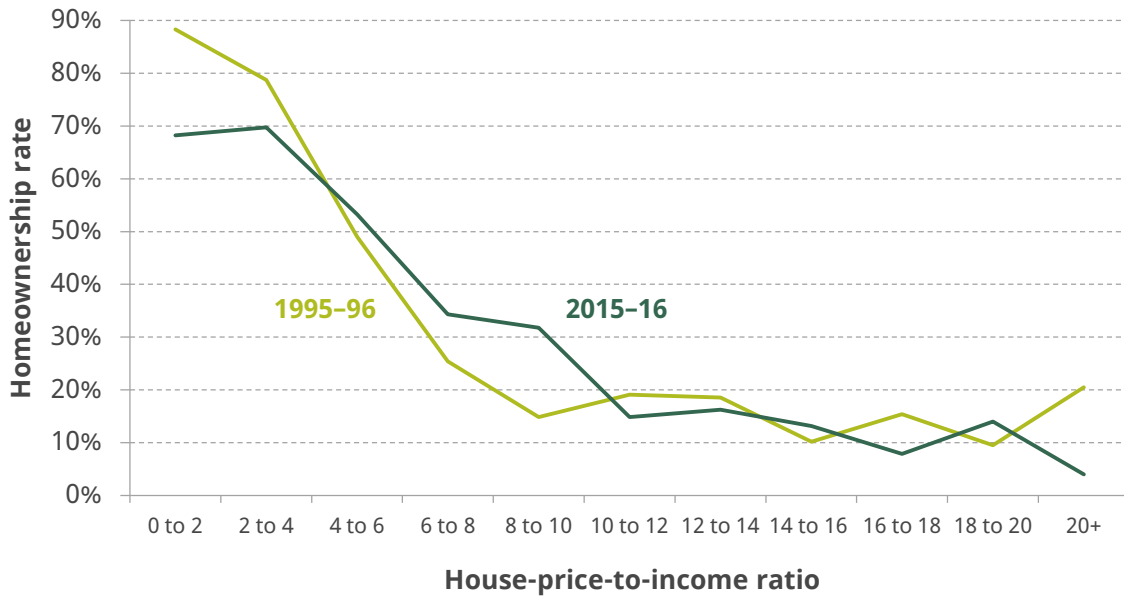
**Figure 8. Distribution of house-price-to-income ratio for those aged 25–34, 1995–96 and 2015–16**



Note: House-price-to-income ratio calculated as described in the text. Sample is restricted to Great Britain as data on Northern Ireland are not available for earlier years.

Source: Authors' calculations using income data from the Family Resources Survey 1995–96 & 2015–16 and regional house prices from Nationwide 1995, 1996, 2015 & 2016.

**Figure 9. Homeownership rate by house-price-to-income ratio for those aged 25–34, 1995–96 and 2015–16**



Note: House-price-to-income ratio calculated as described in the text. Sample is restricted to Great Britain as data on Northern Ireland are not available for earlier years.

Source: Authors' calculations using income data from the Family Resources Survey 1995–96 & 2015–16 and regional house prices from Nationwide 1995, 1996, 2015 & 2016.

To what extent can this large shift in the ratio of regional house prices to net family incomes explain the dramatic fall in the homeownership rate of young adults? Figure 9 divides 25- to 34-year-olds into the same groups as Figure 8, but this time plots the proportion in each group that owned their own home in 1995–96 and 2015–16. Strikingly, the figure shows that the homeownership rate in each group has changed little over the past twenty years – that is, all of the fall in the homeownership rate among young adults can be explained by the increase in the house-price-to-income ratio over the same period. This is borne out by more formal decomposition analysis, which shows that the fall in homeownership rates observed over the last twenty years would still have occurred in full had the relationship between homeownership and house-price-to-income ratios remained completely unchanged.

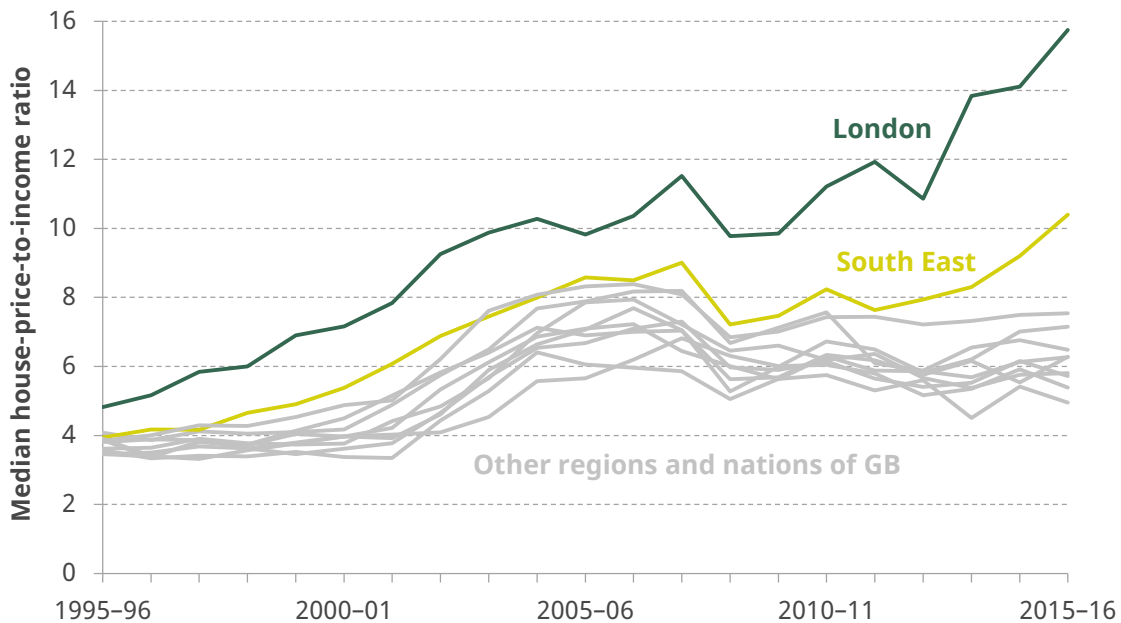
The fact that rising house prices relative to incomes seem to fully explain the falls in homeownership might be surprising given that we have shown that the homeownership rate of 25- to 34-year-olds has continued to fall since 2007–08, while the house-price-to-income ratio has stabilised. The explanation is that past house prices as well as current house prices affect the likelihood that people own a home at any point in time – particularly those in their early 30s or onwards. This is visible in Figure 2: homeownership rates among 25- to 29-year-olds have stabilised somewhat over the past five years as house prices have stopped rising faster than incomes on average (as is shown in Figure 7). At the same time, homeownership rates at older ages have continued to fall as past price increases 'feed through' – today's 30- to 34-year-olds partly have lower homeownership rates because they faced higher prices in their late 20s than those born earlier. One implication of all this is that the stabilisation in house prices since the financial crisis (outside of London and the South East) will act to slow the decline in the homeownership

rates of young adults over the next few years – though, of course, other factors might prove more important in determining the future rate of homeownership.

Figure 10 shows that the increases in house prices compared with family incomes over the past twenty years have been of very different magnitudes in different regions of the country. Between 1995–96 and 2007–08, the house-price-to-income ratio increased to broadly similar extents across Britain. But from 2007–08 onwards, the trends in London and the South East have diverged dramatically from those in the rest of the country. Outside of London, the South East and East Anglia, the median house-price-to-income ratio for those aged 25–34 was lower in 2015–16 than it was in 2007–08. By contrast, the median house-price-to-income ratio for young adults in London has risen from 11.5 in 2007–08 to 15.7 in 2015–16. The result is that differences in this ratio across the country are much larger now than twenty years ago. In 1995–96, the median house-price-to-income ratio for young adults in London (the most expensive region) was only 1.4 times that in the North East and Cumbria; by 2015–16, it was 3.2 times as high.

This has obvious consequences for the ability of young adults in London and the South East to become homeowners. Across Great Britain, nearly 40% of 25- to 34-year-olds now face a house-price-to-income ratio of at least 10. But more than half of young adults in the South East now face a house-price-to-income ratio of at least 10, and in London this is the case for almost three-quarters of young adults. It is therefore unsurprising that, while homeownership has fallen significantly in all regions, the largest proportional declines over the last twenty years have been in London and the South East.

**Figure 10. Median house-price-to-income ratios for those aged 25–34, by region and nation of Great Britain**



Note: House-price-to-income ratio calculated as described in the text. Sample is restricted to Great Britain as data on Northern Ireland are not available for earlier years.

Source: Authors' calculations using income data from the Family Resources Survey 1995–96 to 2015–16 and regional house prices from Nationwide 1995 to 2016.

## 4. Parental class and homeownership of young adults

As house prices have risen relative to the incomes of young adults over the last twenty years, these people have increasingly struggled to purchase their first home. However, some young adults have parents who are much wealthier than them, and who may provide financial help that enables their children to buy a home.<sup>4</sup> One implication of this is that the opportunity for young adults to purchase their own home may vary significantly according to the economic status of their parents, even after accounting for the fact that those from higher socio-economic backgrounds are themselves better off in many ways, including having higher earnings on average.<sup>5</sup>

To examine the extent to which having richer parents is associated with higher rates of homeownership, we use data from the Labour Force Survey, which since 2014 has included information about the occupational class of the main wage earner in their household when the survey participant was aged 14. These answers are categorised using the Standard Occupational Classification 2010 and used to place people into four main groups based on the occupational class of their parent:

- **High occupational class:** managerial, professional or associate professional/technical occupations. Examples of occupations in this group include senior manager, accountant, teacher, IT technician and estate agent.
- **Middle occupational class:** administrative/secretarial, skilled trades or service occupations. Examples of occupations in this group include bank clerk, secretary, plumber and motor mechanic.
- **Low occupational class:** sales/customer service, machine and plant or elementary occupations. Examples of occupations in this group include sales assistant, delivery driver, cleaner and security guard.
- **Workless household:** no wage earner in the household when individual was 14.

Of course, parents' occupational class is only a rough measure of the resources that might be available to young adults from their parents. But it is likely to be informative of the socio-economic background of individuals and the potential for their parents to help them purchase a house. Indeed, these survey questions have previously been used to understand intergenerational worklessness, social mobility and entry into professional occupations.<sup>6</sup>

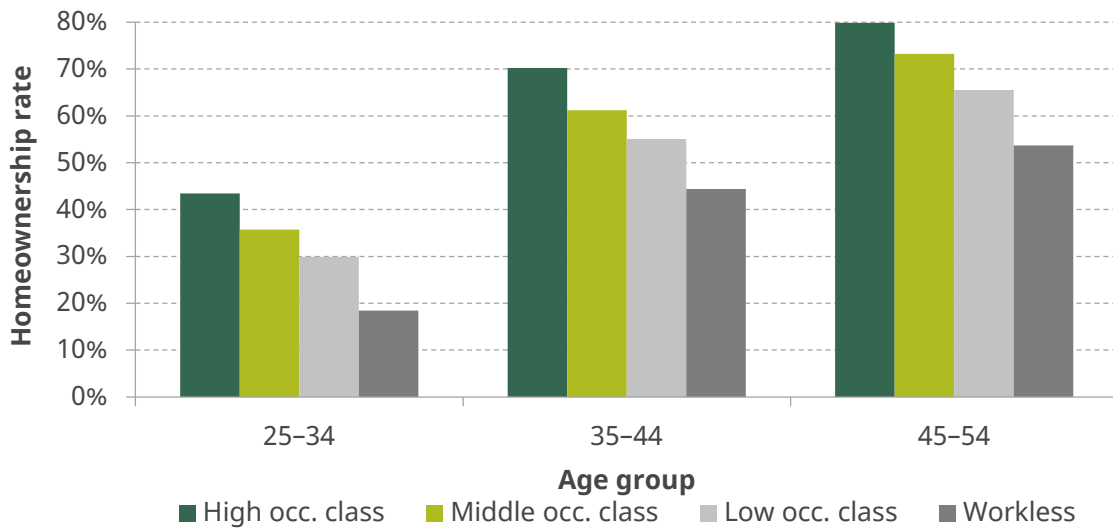
<sup>4</sup> See, for example, C. Udagawa and P. Sanderson, *The Impacts of Family Support on Access to Homeownership for Young People in the UK*, Social Mobility Commission, London, 2017, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/602541/Impact\\_of\\_family\\_support\\_on\\_homeownership.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/602541/Impact_of_family_support_on_homeownership.pdf).

<sup>5</sup> See S. Friedman, D. Laurison and L. Macmillan, *Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from the Labour Force Survey*, Social Mobility Commission, London, 2017, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/596945/The\\_class\\_pay\\_gap\\_and\\_intergenerational\\_worklessness.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/596945/The_class_pay_gap_and_intergenerational_worklessness.pdf).

<sup>6</sup> See Friedman, Laurison and Macmillan (2017), referenced in footnote 5.



**Figure 11. Homeownership by parental occupational class, 2014–17**



Source: Authors' calculations using the Labour Force Survey 2014 to 2017.

Figure 11 shows how the homeownership rate of young adults (aged 25–34) varies according to the occupational class of their parents. As would be expected, homeownership is higher for young adults who come from a more advantaged background. Among 25- to 34-year-olds, 43% of those with a high-occupational-class parent own their home, compared with 36% of those with a middle-occupational-class parent, 30% of those with a low-occupational-class parent and 18% of those in the (small) group from a workless household. Interestingly, the figure shows that the differences in homeownership rates by parents' occupational class are also apparent at older ages. Looking at those aged 45–54, the homeownership rate for those with a high-occupational-class parent is 80%, compared with 66% for those with a low-occupational-class parent.

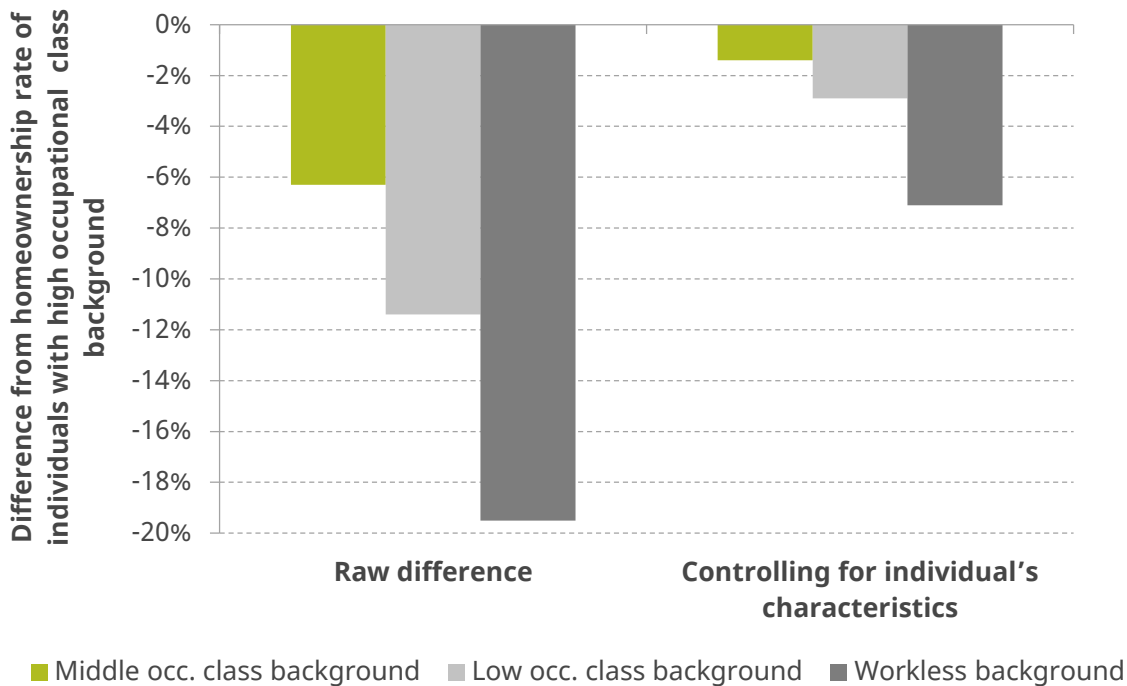
This is not surprising. People from more advantaged backgrounds typically earn more themselves as adults and are advantaged in other ways.<sup>7</sup> But do the intergenerational correlations between the earnings and occupations of parents and their children fully explain the gap between the homeownership rates of young adults from high and low occupational class backgrounds? To answer this question, we want to look at the difference in the likelihood of homeownership between two people who are identical in their own observed characteristics (earnings, sex, age, qualifications, etc.) but who come from different parental backgrounds.

Figure 12 shows the differences in homeownership rates between young adults from a high occupational class background and those from other backgrounds, before and after controlling for the individual's own observed characteristics. The characteristics that we control for are: sex, age, gross earnings from employment, education (measured by highest qualification), years since left education, occupational class (if in work), whether they have a permanent/temporary job or no job, region of residence, marital status, partner's economic activity (if they have a partner) and whether they were born in the UK.<sup>8</sup>

<sup>7</sup> See Friedman, Laurison and Macmillan (2017), referenced in footnote 5.

<sup>8</sup> Because we only observe the earnings of employees in the Labour Force Survey data, we look only at employees, although the results in columns 1 and 2 of Table A1 in the appendix show that the results are similar when looking at all young adults (but not controlling for differences in individuals' earnings).

**Figure 12. Difference in homeownership rates (percentage points) for young adults (25–34) who are employees, compared with those from high occupational class backgrounds, before and after controlling for individual’s own characteristics**



Note: All raw differences discussed are statistically significantly different from zero at the 1% level. Controlling for the individual’s characteristics, the difference for those from a workless background is significant at the 1% level, the difference for those from a low occupational class background is significant at the 5% level and the difference for those from a middle occupational class background is not significantly different from zero. The control variables included are sex, age (quadratic), gross earnings from employment, education measured by highest qualification (6 dummies), years since left education (quadratic), occupational class (5 dummies), whether they have a permanent/temporary job (1 dummy), region of residence (17 dummies), marital status (5 dummies), partner’s economic activity if they have a partner (9 dummies) and whether they were born in the UK.

Source: Authors’ calculations using the Labour Force Survey 2014 to 2017.

Taking the difference in homeownership rates between young adult employees with a high-occupational-class parent and those with a low-occupational-class parent, the figure shows that the raw difference in their homeownership rates is 11 percentage points. However, once we control for the differences in the characteristics of young adults from different backgrounds, the difference is only 3 percentage points. In other words, around three-quarters of the homeownership gap is explained by differences in the characteristics of the young adults themselves.

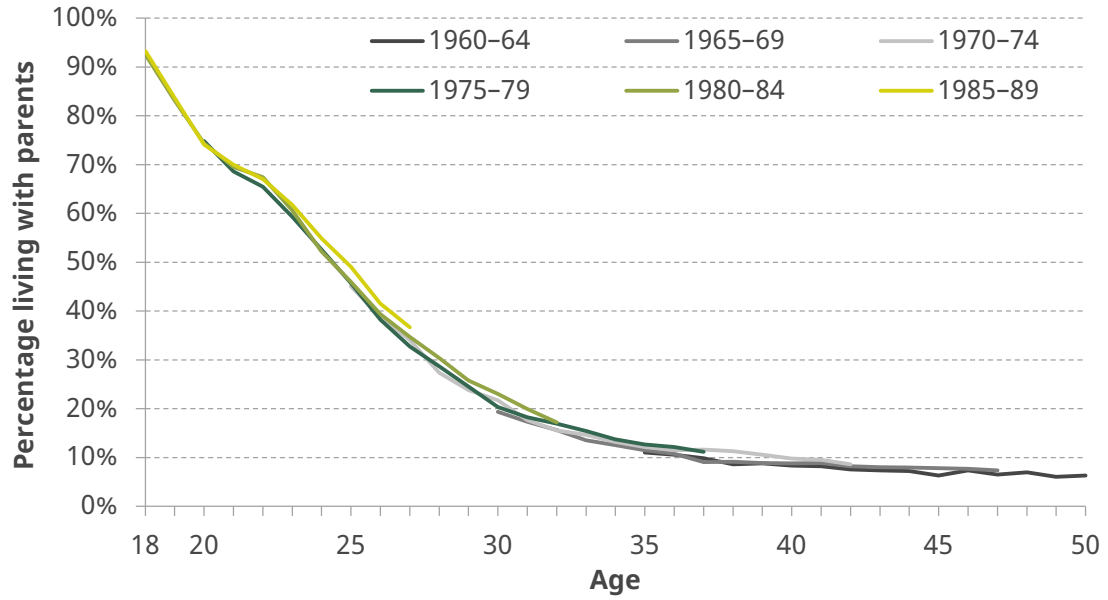
One likely channel that would lead to there being a gap in homeownership rates between young adults from different backgrounds even after controlling for their earnings and other characteristics is that higher-occupational-class parents have higher wealth and hence are more able to help their children with a deposit for a home. However, there could be other reasons, such as differences in preferences or perceived norms around homeownership (which we do not observe in the data). It is also interesting to note that for older groups (aged 35–44 and 45–54), after controlling for earnings and other employee characteristics, there are similar differences (of around 3 percentage points)

between the homeownership rates of those from high and low occupational class backgrounds (see Table A1 in the appendix).

To conclude, there is a small difference between the homeownership rates of young adults from different economic backgrounds, even when we control for observable differences in their own individual characteristics. Part of this could be due to individuals from wealthier backgrounds being provided with financial support from parents that enables them to get on the housing ladder, though it could also be due to other differences such as preferences or social norms around owning one's own home. However, most of the difference in homeownership rates between those from different parental backgrounds is explained by differences in their own characteristics, such as their earnings or occupation.

# Appendix

**Figure A1. Percentage of individuals living with their parents by age, for people born in different years**



Note: For each cohort, an age is only included in the graph if we have observations at that age for all five birth years comprising the cohort.

Source: Authors' calculations using the Labour Force Survey 1996 to 2016.

**Table A1. Difference in homeownership rates (percentage points) between individuals of different socio-economic backgrounds, compared with those from high occupational class backgrounds, before and after controlling for individual's own characteristics, by age group**

	(1)	(2)	(3)	(4)
<b>Aged 25-34</b>				
Middle occupational class background	-0.077*** (0.007)	-0.032*** (0.006)	-0.063*** (0.015)	-0.014 (0.013)
Low occupational class background	-0.135*** (0.008)	-0.048*** (0.007)	-0.114*** (0.016)	-0.029** (0.014)
Workless background	-0.251*** (0.012)	-0.085*** (0.011)	-0.195*** (0.029)	-0.071*** (0.025)
Number of observations	29,995	29,995	8,026	8,026
<b>Aged 35-44</b>				
Middle occupational class background	-0.090*** (0.006)	-0.031*** (0.006)	-0.063*** (0.013)	-0.018 (0.011)
Low occupational class background	-0.151*** (0.007)	-0.047*** (0.006)	-0.110*** (0.014)	-0.028** (0.013)
Workless background	-0.258*** (0.015)	-0.084*** (0.013)	-0.204*** (0.033)	-0.072** (0.029)
Number of observations	34,670	34,670	8,670	8,670
<b>Aged 45-54</b>				
Middle occupational class background	-0.066*** (0.005)	-0.020*** (0.005)	-0.041*** (0.010)	-0.012 (0.009)
Low occupational class background	-0.144*** (0.006)	-0.047*** (0.005)	-0.104*** (0.005)	-0.033*** (0.011)
Workless background	-0.262*** (0.016)	-0.091*** (0.013)	-0.100*** (0.013)	0.003 (0.029)
Number of observations	39,702	39,702	9,666	9,666
Controls for individual characteristics (excl. earnings)		Yes		Yes
Controls for gross earnings				Yes
Employees only			Yes	Yes

Note: Reported coefficients are the coefficients on dummy variables indicating the occupational class of the main wage earner in the family at age 14, with the main wage earner being in a high-occupational-class job being the omitted category. Control variables included in 'individual characteristics' in specifications 2 and 4 are: sex, age (quadratic), education measured by highest qualification (6 dummies), years since left education (quadratic), occupational class if in work (5 dummies), whether they have a permanent/temporary job or no job (2 dummies), region of residence (17 dummies), marital status (5 dummies), partner's economic activity if they have a partner (9 dummies) and whether they were born in the UK. Regressions estimated by ordinary least squares (OLS) using weighted Labour Force Survey data from 2014 to 2017. Standard errors, shown in parentheses, are robust to heteroskedasticity. \*\*\* and \*\* indicate statistically significant estimates at the 1% and 5% levels respectively.