Abstracts

The longest house price indices internationally

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This article presents the longest Danish and foreign house price indices and the most common housing price indices methods. The housing price increases have a determining influence on decisions to invest in owner-occupied dwellings and on capturing capital gains on housing. The idea that housing prices would increase permanently, and more than the inflation in general, was behind the »bubble mentality« and the housing bubbles in many countries. The housing price changes influence the macro economic cycles, building investments, financial stability, financial crises, and the financial institutions capital. These are obvious causes to present and compare the longest housing price indices existing for the US, Norway, the Netherlands and France and describe the data and methods used. And, not least, to monitor if housing prices systematically increase more than consumer prices.

Unemployment and house prices

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This article analyzes the relationship between unemployment and the house prices for Danish owner-occupiers. For 1977-2010 most of the variation in the real house prices for owner-occupiers can be explained by the variation in unemployment. Intuitively, it makes sense that housing prices are determined by demand factors; a demand that is closely related to the growth in the Danish economy, which again is closely related to the development in unemployment. The correlation between real house prices and unemployment demonstrates the narrow dependency. A statistical model is presented and estimated to explain the development in real house prices during this period. The unemployment and interest rate seem to influence the development in the house prices to a high degree, and these two »fundamentals« also determine the house prices in the short run. Finally, the article briefly discusses whether owner-occupiers can expect real capital gains in the long run.

Does homeownership improve welfare?

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The nominally fixed real estate tax in Denmark gives a gradually increasing subsidy to homeownership, which is considered unfortunate by most economists. The article looks at possible arguments for this policy and finds both welfare increasing and welfare reducing effects of homeownership. The conclusion is that *allowing* private ownership of homes is welfare increasing, and many positive behavioral consequences of homeownership are found. However, negative effects of homeownership exclude a safe statement on the net welfare effects of a tax system that *favors* homeownership.

Home-ownership in the Norwegian context – risk and vulnerable homeowners

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With a homeownership rate of close to 80 percent, homeownership is the dominant tenure in Norway. Partly this is due to individual choices and preferences, and partly this is due to a deliberate housing policy. The aim of our article is to contribute to an informed discussion of the position of marginal and/or vulnerable homeowners in the Norwegian housing market. Our micro data analysis indicates that although vulnerability tends to last, the households seem to cope satisfactorily with their situation. Our analysis is based on a quite special period of time (2003-2007), characterized by strong house price growth, steady growth in real disposable household income and quite low unemployment. Hence, our results should not be interpreted as conclusive and general.

Danish owner-occupiers' equity withdrawal

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The financing of the family's home is part of its financial planning. This article scrutinizes the owner-occupier families' housing equity withdrawal. The restrictions on the owner-occupiers' access to raise mortgage loans have been released long ago, why they have free access to raise a mortgage. Bank of England's statistics on housing equity withdrawal in the UK indicate that this changes in parallel with the housing price cycles. For Danish owner-occupiers, changes in their debt burdens are used to indicate their withdrawals of housing equity. For this purpose a partly new tax statistic data set has been used. While the highly indebted younger owner-occupiers' debt have increased into the same degree as their housing values, the rise in the older owner-occupiers debt has been higher than in their income as well as in their housing wealth, especially for the most indebted; however, still their debt is of a relative limited size.

The transition from rent regulation to an unregulated market for private rental dwellings

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Rent payments in the Danish private rental housing sector are, in principle, regulated by national legislation which was introduced in 1939 as a consequence of the war. Since the 1960s economists have argued for a removal of the regulation because of the welfare loss following such regulation. It has, however, not been possible to find agreement in the Danish parliament for such a removal. Nevertheless, only less than half of the private rental homes are today covered by the full rent regulation. The majority of private rental homes are exempted from the regulation because of later legislation enabling new dwellings to set the rent free of regulation and renovated dwellings can adjust the rent level. By means of a historical examination of the processes behind the implementation and the adjustments of the rent regulation the article seeks support for three hypotheses explaining this progress: The first is a past dependency hypothesis. The second is a redistribution hypothesis. The third is a non-decision hypothesis arguing that changes can occur without new formal decisions or because of only marginal and scarcely visible decisions, if such decisions are of insignificant importance in the shorter run.