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THE RELATIONSHIP BETWEEN POPULATION AND HOUSING

(Housing and Demographic Changes)



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CONTENTS

Page

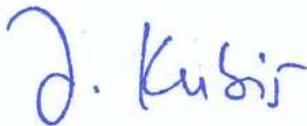
Foreword	v
Preface	
Executive summary	
1. Introduction	
2. Population and Housing.....	
3. Population Decline, Population Ageing and Housing	
4. The Link between Housing and Migration.....	
5. The Link between Housing and Household Formation	
6. The Link between Housing and Having Children	
7. Conclusions and Policy Implications.....	
Annex: Resources	

FOREWORD

The relationship between housing and population change in the United Nations Economic Commission for Europe (UNECE) region is a complex one. On the one hand, it has been estimated that lower fertility rates will have a long-term impact on existing housing stock through reduced housing demand. In the short term, however, the impact of population change in the housing market is hard to estimate. Changes in households depend on the incidence of a number of variables. These include international migration, the flexibility of the labour force, the availability of rentals and the timing of family formation – all of which tend to vary for each country.

At its sixty-ninth session, the UNECE Committee on Housing and Land Management acknowledged the need for Governments to ease adaptation to demographic change through improvements to housing stock in member States. The present study assesses the relationship between these two needs and suggests pragmatic policy solutions for the different challenges population change poses to spatial planning in different national contexts. It assumes that consistent housing policies that lead to structural changes in housing supply may in turn alter the economic incentives of households to relocate. It also argues that a positive relationship between housing and demographic change could be fostered by Governments through policies that prevent housing stock oversupply, develop lifetime quality housing, diversify housing tenure (both rental and owner-occupied) and decrease restrictions on the population's mobility.

This study is the joint product of the Housing and Land Management unit and the Population unit of UNECE. It is evidence of the advantages and synergies that can result from cooperation between sectors in important policy areas. I hope that this study will provide authorities both in Western countries and in countries with economies in transition with a clearer understanding of the mutual influence between demographic change and housing, and the costs and benefits of embracing alternative policies.



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This study was prepared by Clara H. Mulder, Planning and International Development Studies, Department of Geography, University of Amsterdam (e-mail: c.h.mulder@uva.nl). This version is a revised, extended and updated version of previously published work (see Mulder 2006a). It also contains ideas from a paper co-authored with Francesco Billari titled “Homeownership regimes and lowest-low fertility”, currently being reviewed by a scientific journal. The research for these previous papers was made possible by the Netherlands Organization for Scientific Research. Although the note attempts to reflect the situation in the countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South-Eastern Europe (SEE) as well as the European Union, less information is available for EECCA and SEE countries. The study also reflects feedback obtained from presentations and delegates’ inputs during the sixty-ninth session of the Committee on Housing and Land Management (Geneva, 22–23 September 2008). Pursuant to the request of the Committee, it has been issued as a publication.

1. INTRODUCTION

The relationship between population and housing is two-sided. On the one hand, population change leads to a changing demand for housing. Population growth, and particularly a growth in the number of households, leads to a growth in housing demand. Population decline may lead to a decrease in housing demand. This will, however, only happen in the long run, after not only the number of people but also the number of households has started to decline. The danger of population decline is greatest in remote rural areas and in areas with lower-quality housing.

At the same time, the housing supply influences opportunities for population increase through migration. Adequate housing supply can attract migrants or influence their choice of residential location. This mechanism, however, mainly operates for migration within countries and much less for international migration.

Usually, homeowners are considerably less likely to migrate than renters. This is partly a result of the fact that the transaction costs of moving are much higher for owners than for renters. So if the level of homeownership is too high in a country, this may seriously hamper the spatial flexibility of the labour force.

Housing supply may also play an important role vis-à-vis the decision to leave the parental home and in the formation of married and unmarried unions. It is even likely that housing supply plays a part in the timing of fertility and the numbers of children people have. The best opportunities for leaving the parental home and family formation are arguably found in a situation where housing quality is high and access is easy, or in a situation where quality and prices are diverse and there is an adequate supply of affordable rental as well as owner-occupied accommodation.

Governments can help facilitate a positive relationship between population and housing in the following ways:

- (a) Prevent an oversupply of housing in a situation of population decline, by discouraging local governments from trying to compete for population;
- (b) Focus on the quality at least as much as on the quantity of housing;
- (c) Stimulate the development of lifetime housing and housing with care and support;
- (d) Stimulate local diversity of housing types and housing tenure (rental versus owner-occupied), and prevent the development of large areas of low-quality housing;
- (e) Stimulate the supply of affordable and rental housing alongside that of owner-occupied housing;
- (f) Decrease restrictions on moving, e.g. by decreasing transfer tax, possibly in combination with reducing tax relief for homeowners.

2. POPULATION AND HOUSING

The influence of population on housing would seem obvious. People live in households and households need housing. In the long run, housing supply will follow the demand and the number of dwellings in an area will approximately reflect the number of households, at least if a population is not too poor to afford the cheapest housing. But the market for housing differs from the market for other commodities (Bourne 1981). The production of housing is slow and subject to many laws and regulations. Once built, housing has a life of several decades. And housing is so expensive that hardly any household can just draw out the chequebook and buy a home immediately. There are not just producers and consumers on the market for housing; there are also prominent roles for landlords, developers and financial institutions.

Because of these specific characteristics of the housing market, the relationship between population and housing is not as obvious as it may seem at first glance. In fact, it has been shown for the Netherlands that people move to regions where houses are built, but houses are not necessarily built in regions where people necessarily want to live (Vermeulen and Van Ommeren 2006), and also that jobs follow people, rather than that people follow jobs. These findings might be specific to the Netherlands – which is quite likely, because the Netherlands has particularly restrictive spatial policies. Nonetheless, this example demonstrates convincingly that the influence of housing on population might be at least as important as the influence of population on housing.

3. POPULATION DECLINE, POPULATION AGEING AND HOUSING

While it would seem that population decline would eventually lead to a reduced demand for housing, this is not automatically the case. The demand for housing is not determined by the number of people, but by the number of households. From a decrease in average household size, the number of households has increased much more rapidly than the population in most European countries in the past few decades. So this further decrease in household size could continue, with the number of households continuing to grow for quite some time even after the start of population decline.

Actually, it is low fertility, the main driving force underlying population decline, which is a major driving force underlying further decreases in household size. As a matter of course, low fertility is associated with smaller families. Only after the children in these small families start exerting a demand for housing – some 20 years after they have been born – can a decline in housing demand be expected.

Another driving force underlying decreases in household size is the increase in the number of people living alone. Such an increase has been going on for many decades in many European countries. One cause of this increase is the ageing of the population and the accompanying increase in the number of widows and widowers. A second cause is the fact that an increasing number of young people live alone for a period of time between leaving the parental home and forming their first co-residential partnership. This is currently happening in Northern and Western European countries, but in the future may be the case in the rest of Europe and in other member States of the United Nations Economic Commission for Europe (UNECE). A third cause is the increase in divorce and separation.

UNECE countries experiencing population decline in the period 2000–2005 include most former socialist countries in Europe (but not Albania and Slovakia) and certain other countries in South-Eastern Europe and Central Asia.¹ The steepest declines in annual population growth are found in Azerbaijan, Belarus, Estonia and Latvia, (all -0.6 per cent); Bulgaria (-0.7 per cent); and Georgia and Ukraine (both -1.1 per cent). Many more UNECE countries have regions in which the population is declining.

Once population decline leads to a decrease in the demand for housing, there is a danger of oversupply of housing. This oversupply is likely to be concentrated in specific areas, specific housing types or a combination of the two. Remote rural areas with a shortage of jobs and amenities are particularly vulnerable to population decline. This can be seen for example in Bulgaria.² Furthermore, as soon as the housing market becomes less tight, people start to move from the less desirable, second-choice neighbourhoods and dwellings. If this process takes place in a certain area, the process tends to reinforce itself: the fact in itself that many people leave and dwellings are visibly vacant renders the area less attractive to both potential in-migrants and the remaining population.

Population ageing is another major challenge in UNECE countries. Many older persons remain in the home they have lived in for a long time, which is called “ageing in place”. Particularly after the age of 80, a substantial proportion of older persons face mobility problems and have to resort to special-needs housing or at least dwellings without stairs (De Boer 1999). The availability of so-called

¹ United Nations Statistics Division.

² Ministry of Regional Development and Public Works of Bulgaria (2008).

lifetime homes (Bamford 2008) would facilitate ageing in place without forced moves to special-needs housing.

4. THE LINK BETWEEN HOUSING AND MIGRATION

As opposed to residential mobility (i.e. changes of residence over short distances, mainly for housing or household reasons), migration is defined as any change of residence that involves a profound change of people's daily activity patterns (Mulder and Hooimeijer 1999). Migration can be broken down into the categories of internal migration (taking place within a country) and international migration. Housing may attract migrants or prevent out-migration, and a lack of housing may prevent migrants from entering or lead to out-migration. The question is, of course, under which circumstances this link works and under which it does not. A credible hypothesis about these circumstances is the following: the less urgent the migration, the closer the relationship with housing.

Urgent migrants are not very likely to choose their destination according to the availability of housing opportunities. They are also unlikely to postpone their move until the most suitable housing opportunity comes along. The most extreme example is refugees. They will migrate no matter what and start worrying about housing at a later stage. But there are also differences in urgency between other types of migrants. Those moving for housing reasons are generally in a better position to postpone or put off their moves or to choose a different destination than those moving for education or work. This difference is reflected in a research finding: those moving for work are indeed more likely to substitute housing of lower quality for the housing they would prefer than those moving for housing or household reasons (Goetgeluk 1997). This is undoubtedly even more true of international labour migrants, for four reasons. Firstly, the difference in wage between the area of destination and the area of origin is usually greater for international than for internal migrants, so they have more to gain even if they sacrifice housing quality. Secondly, international migrants frequently do not plan to stay permanently, so they expect a situation in lower-quality housing to be temporary. Thirdly, international migrants are more likely to migrate without a family, which lowers the necessity of finding suitable housing. And fourthly, international migrants are less likely to have a thorough knowledge of the local housing market. So, with international labour migration, which we will probably see more of in the enlarged European Union (EU), there seems to be a firmer basis for trying to accommodate the housing demand of the migrants than for trying to use housing policy to direct their location choices. This is not to say housing plays no role in international labour migration; for instance, large international companies do take housing-market circumstances into account when deciding upon the location of their headquarters or other important offices.

With regard to internal migration, it is possible to attract migrants or to prevent out-migration to neighbouring areas by manipulating the housing stock. This is what in fact was done in Astana, the new capital of Kazakhstan. The population of this city has grown tremendously as a result of deliberate planning (Anacker 2004).

Of course, such a strategy only works in a situation of unmet demand. Even though people have followed housing in certain times and places, they do not do so automatically. All over Europe, there are many remote places with an oversupply of housing that fail to attract in-migration. This problem will be exacerbated by the population decline facing large parts of the UNECE region now and in the coming decades.

With regard to the type of housing, there is a close relationship between housing tenure and migration. In general, in many North American and Western European countries, homeowners are considerably less likely to migrate than renters (Speare, Goldstein and Frey 1975; Helderma, Van Ham and Mulder 2006). The low mobility of homeowners is partly the result of the fact that the transaction

costs of moving are much higher for owners than for renters. If the level of homeownership is too high in a country, this might seriously hamper the spatial flexibility of the labour force. A notable exception is the United Kingdom, where migration is particularly infrequent among inhabitants of council housing. This might have to do with the administrative rules used by local authorities to allocate council housing (in which moving within a local authority area is much easier than moving between areas) or with the limited availability of council housing (Boyle 1995). This is just an example, but it illustrates that strict allocation rules and scarcity may be just as serious barriers to mobility as the transaction costs of homeownership.

5. THE LINK BETWEEN HOUSING AND HOUSEHOLD FORMATION

To form a household, people need a place to live. It is possible, therefore, that people postpone household formation or even refrain from it when they cannot find suitable housing. As with migration, the degree to which the availability of housing is a factor in household formation probably depends on the urgency with which people want to form new households.

There are three major forms of household formation: (a) leaving the parental home; (b) partnership formation; and (c) divorce or separation. Leaving the parental home takes place for different reasons, and the role of housing is likely to differ for each of them. Those who want to leave home for reasons of education or work have little room for postponement. They are likely to move even if they have to accept substandard housing. Those who want to leave for reasons of independence, cohabitation or marriage have more opportunities to wait until they have found suitable or affordable housing. Indeed, for the United States of America, it was found that higher house prices were associated with a smaller probability of leaving the parental home to live with a partner within the same State, but not with leaving home to live alone (Mulder and Clark 2000).

It is generally acknowledged that differences between countries in terms of the age of leaving home are likely to be related to the availability of housing and other housing-market factors (Mandic 2008; Mulder 2006b). From a study of 24 EU Member States (all except Malta), Mandic (2008) concluded that north-western European countries offer the best opportunities for independent housing. A combination of a high level of homeownership, difficult access to mortgages and high house prices seems to make it particularly difficult for young people to form their own households (Mulder 2006b). Such a combination of housing-market circumstances is found in Greece, Italy and Spain – three countries where the age of leaving the parental home is very high when compared with Northern European countries.

In many former socialist countries, the housing market is still heavily influenced by the transformation from a socialist to a market economy (UNECE 1996–2007). This transformation was frequently accompanied by mass privatization of formerly state-provided housing, leading to a sudden and enormous increase in private homeownership up to levels of over 90 per cent (Palacin and Shelburne 2005). This was particularly the case in Armenia, Georgia, Hungary, Lithuania, the Republic of Moldova, Romania and Slovenia, and to a lesser extent in the Russian Federation (UNECE 1996–2007, see also Iordachescu 2008). Much more moderate levels of privatization are found in the Czech Republic, Estonia, Latvia, Poland and Slovakia (Kok 1999; Mandic 2008; UNECE 1996–2007). Mortgage markets are only just starting to be developed in most of these countries. Several former socialist countries face severe housing shortages (for example Poland), challenges in accommodating refugees (e.g. Azerbaijan; see also Khanlarov 2008), low quality of housing (e.g. Albania, the Republic of Moldova), a problematically low level of new construction (e.g. Lithuania, Republic of Moldova) or a weak institutional framework for housing development (e.g. Bulgaria) (UNECE 1996–2007). All in all, one would think the housing-market conditions are unfavourable to leaving the parental home in most transitional countries. Interestingly, however, in 2003 the highest proportions in the EU-25 of women aged 18–34 were found in Italy (57 per cent) and Malta (54 per cent). Next were Poland, Slovakia and Slovenia (34–39 per cent), then Belgium, Cyprus, the Czech Republic, Estonia, Hungary, Portugal and Spain (27–30 per cent).

In Southern European countries, but also in many former socialist countries, self-help housing construction is an important route out of the parental home (Mandic 2008). In some countries self-help housing has taken the form of a large informal housing sector of sometimes inadequate quality (e.g. in Albania; UNECE 1996–2007).

In most UNECE countries, young people leave the parental home either upon partnership formation (cohabitation or marriage) or to live on their own, possibly sharing with roommates. It should be stressed, however, that other patterns are also prevalent. In Turkey, although the nuclear family is the most common household type, the extended family is still persistent, particularly in rural areas. The majority of newly married couples whose parents are alive spend some time in the husband's parental home before forming their own households (Koc 2007).

All in all, the availability of affordable (rental) housing seems to be an important factor in young people's opportunities to leave the parental home. In many cases, the direction of the causality in the association between housing-market factors and leaving the parental home is not completely obvious and is probably complex. Why is there such a small amount of affordable rental housing in Southern European countries? If there were a demand for such housing, would developers not have jumped in and developed it, and would not the owners of vacant homes try to attract potential renters or buyers? At the same time, once the housing and financial markets in a certain country operate in a certain way, they do not change easily. It is amazing how local habits prevail in mortgage finance, for example. In some countries, mortgage banks are happy to provide loans up to the total value of the house or even more. In others, they require a substantial down payment. Such differences are often quite persistent. So, in the Southern European countries with their rigid housing and financial markets, a shift to younger ages of leaving the parental home and to more people living alone is probably not going to happen easily. In many Northern European countries, such a shift has been occurring for several decades.

Partnership formation taking place directly after leaving the parental home leads to housing demand so that, if no suitable housing is available, couple formation may have to be postponed. In north-western European countries, however, young people usually form their first co-residential union after a period of living alone. If this is the case, union formation may actually be accompanied by a decrease in housing demand; couples may move in together sooner to reduce housing costs.

Divorce and separation are obviously urgent reasons for forming a new household for one of the former partners. Some of those who want to separate might postpone their actual moving out for a short while due to lack of housing. Some might decide upon separation a little more readily knowing that they can find an affordable place of their own. But generally, the availability of housing probably will not influence people to put off a separation once the wish to separate has been formed. Nevertheless, there is some evidence in the literature that housing does play a part vis-à-vis divorce. In Germany, homeowners are less likely to divorce than renters (Wagner 1997). This association between homeownership and divorce was quite strong and it remained intact after accounting for the socio-economic status of the couple, the degree of urbanization and the quality of the home. In Australia (Bracher and others 1993) and Finland (Jalovaara 2002) it was also found that homeowners were less likely to divorce than renters. It is possible that the joint investment in a home and the greater opportunities for homeowners to adjust their homes to their wishes help stabilize a marriage. But we have to be careful here: it is also possible that those who are in stable marriages are more likely to buy a home. The clearest evidence that housing quality also plays a part in divorce was provided for Finland (Jalovaara 2002): after accounting for a wide range of socio-economic variables, living in overcrowded housing was found to increase the risk of divorce.

6. THE LINK BETWEEN HOUSING AND HAVING CHILDREN

Housing factors can influence having children indirectly or directly. The indirect influence runs via leaving the parental home and via cohabitation and marriage. If people stay in the parental home for a long time, they are also late in forming families. This is true in countries where it is the norm to form families in housing separate from the parental family, as is the case in practically all European countries. Late parenthood leads to a smaller number of children being born, for two reasons. First of all, when the time between generations is longer, fewer generations live at the same time. This leads to a smaller population and therefore to fewer births than when the time between generations is shorter. Second, when women start having children at a later age, they have fewer fecund years left to have the number of children they desire. The chances are also greater that they will end up having fecundity problems. Or they may not have the right partner or experience the right circumstances at the right time. Thus any influence of housing factors on leaving the parental home has repercussions on the number of children born. Indeed, those European countries where people leave the parental home late (e.g. Greece, Italy and Spain) are also those with low fertility.

The link via cohabitation and marriage is slightly different. It is possible that young people succeed in leaving the parental home to live alone (e.g. in student housing or small apartments), but that they think that much better-quality housing is needed to get married. In qualitative research for the United Kingdom, for example, one respondent said, “There was very much that culture if you get married you buy a house and if you can’t afford to buy a house then you should wait until you can” (Forrest, Kennett and Leather 1999, p. 97). Other research in the United Kingdom has also suggested that some couples postpone marriage because they are not able to buy a home (Ineichen 1979, 1981). Apparently, in countries where the quality norm for housing for married or cohabiting couples is high, difficult access to high-quality housing for young people may lead to the postponement of cohabitation or marriage. Again, this will have repercussions on the having children.

There may also be a direct link between housing and having children. The most obvious connection is that couples prefer to secure housing of a certain quality before they have children. According to Philipov (2003), lack of housing has been a traditional reason for the preference for small families in Central and Eastern European countries (see also Olah and Fratzak 2003). In Hungary, housing difficulties were mentioned by women who did not want to have another child as one reason; it was the sixth most frequently cited reason after “I only wanted this many children”, “I cannot afford it”, “I think the future is uncertain”, “I think I am too old” and employment difficulties (Kamaras 2003). For Finland, Kulu and Vikat (2007) have shown that couples living in single-family homes are considerably more likely to have a child than those living in apartments. Research in the Netherlands has shown that childbirth frequently follows a move into a single-family home or an owner-occupied home (Feijten and Mulder 2002). An increased likelihood of having a child after homeownership was also found for Germany (Mulder and Wagner 2001). This connection between homeownership and having children is also visible when a long-term perspective is employed. Among a series of birth cohorts in Germany and the Netherlands, the proportion of people who had made the transition to parenthood by ages 30 and 35 was consistently greater for those who had become homeowners by those ages than for those who had not (Mulder 2006b). In countries where access to high-quality housing is difficult, this connection between housing quality and having children may lead couples to delay having children if they have difficulty securing suitable housing (Castiglioni and Dalla Zuanna 1994; Krishnan and Krotki 1993; Pinnelli 1995).

It should be stressed, however, that the relationship between housing quality and having children is not automatically positive in all times and places. This seems to hold particularly for homeownership. It has been argued that the cost of homeownership might compete with the cost of rearing children (Courgeau and Lelièvre 1992). This cost competition might lead to the postponement of childbearing or even lower fertility among those who attach great importance to acquiring homeownership. In the United Kingdom, it has indeed been found that homeownership seems to be associated with low rather than high fertility: homeowners had fewer children than renters and had them later (Hakim 2003; Murphy and Sullivan 1985).

At the country level, it is certainly not true that those countries with the highest quality of housing offer the best opportunities for having children. In fact, a high quality of the housing stock in combination with difficult access to housing for young people might be the worst scenario for having children. Access to housing is difficult where housing is in short supply, prices are high, levels of homeownership are high and mortgage banks are strict. Such housing markets are found in Greece, Italy and Spain, where fertility was “lowest-low” (a total fertility rate of fewer than 1.3 children per woman) in the early 2000s. In contrast, high fertility is found in Iceland, Ireland and Norway, where a high level of homeownership combines with the broader availability of mortgages. In countries where homeownership is by no means universal and mortgages are widespread and a major source of homeownership finance (Denmark, Germany, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America), mixed fertility levels are found. These countries range from very low (but not lowest-low; Germany) to relatively high fertility (the United States). In a fourth group of countries, homeownership is not universal either, but mortgages are not widely available, so housing finance has to come from savings, family help or inheritance. In other countries, renting is considered an acceptable alternative to owning. Countries in this group are Austria, Belgium, France, Portugal and Switzerland. Austria has very low fertility, but not lowest low. France has rather high fertility; Portugal, somewhat lower. In Belgium, fertility is rather high. In short, the best opportunities for having children are probably found in countries where housing quality is high and access is easy. This is not a very likely combination, but a second-best situation also seems to work: a situation where quality and prices are diverse. In such a situation, young people have the opportunity to start their independent housing careers early, in cheap housing. They can move on to higher-quality and more expensive housing after they start to settle down in their labour-market and household careers.

Central and Eastern European countries form a special case in the development of both housing access and fertility. In the same period in which the housing market underwent dramatic changes with the transformation from a socialist to a market economy (see chapter IV), fertility also decreased markedly. According to Frejka (2008), the drop in fertility in Central and Eastern Europe had to do with the profound changes in society by which the transition was accompanied. Along with other favourable conditions for childbearing such as job security, free education and free health care, low-cost housing provided by the state was also no longer available (Frejka 2008). An end was put to several pro-natalist policies which were particularly prevalent in Central European countries (Sobotka 2003). One of these was the priority given to families with children in housing distribution. In contrast to a situation in which, in Central and Eastern Europe, having children was a way of moving up in the housing queue during the socialist era, under the new market economy buying a home requires hard work and the accumulation of resources which often goes with postponing having children (Katus 2003).

7. CONCLUSIONS AND POLICY IMPLICATIONS

If there is one obvious conclusion from the above discussion, it is that the relationship between housing and population is complex. This relationship is two-sided. Population influences housing via housing demand. But also, housing influences the number of people and households via the attraction or deterrence of migrants, keeping in place or pushing away the resident population as well as via the intricate links with leaving the parental home, separation and having children. These connections between housing and population vary over time and between places. I have mentioned some of the circumstances that influence this variation. A major question at this point is what policymakers can learn from this story. Up to this moment, housing policy response to population change has been limited (see, for example, Ricaud and Boccadoro 2008).

With regard to international migration, there is not too much room for using housing policy to steer migrants. A serious current challenge for Governments is to supply adequate housing for immigrants. In an ideal scenario, this is done by taking advantage of the decrease in housing demand exerted by the resident population.

Housing can be used to attract internal migrants (from elsewhere within a country) or to prevent the resident population from moving out to neighbouring areas, but this strategy is not guaranteed to work. In a situation of population decline, there is a danger that local governments will all try to compete for population. In an effort to prevent local population decline, they may try to enlarge their housing stock. Each individual local government may be enthusiastic and optimistic about attracting new inhabitants and preventing people from leaving. This is in fact a natural and understandable reaction, which is likely to be met with support from the local population and business community. The end result of all these local policies, however, can be a serious oversupply of housing at the regional or national levels. A part of this oversupply may be absorbed by the formation of extra households or be used as second homes, but another part might end up vacant. A challenge for regional and national governments is to prevent oversupply by coordinating the construction efforts by local governments. The local governments themselves are best advised to focus on the quality and diversification of housing rather than its quantity. A particular danger is formed by large areas dominated by one dwelling type. Such areas run the risk of getting into a vicious circle of decreasing popularity, people moving out, oversupply and an accompanying further decrease in popularity.

To face the challenge of population ageing, Governments should stimulate the development of lifetime housing and special-needs housing with care and support. It seems advisable to apply basic standards of accessibility to people with mobility problems to all newly constructed housing so long as these standards can be implemented without much extra cost, but it is questionable whether all housing should meet high standards. An alternative solution is to construct new housing in such a way that it can be adapted when necessary, for example allowing space for a stair-lift.

The smooth housing-market entry of young people is an important prerequisite for partnership formation and subsequent family formation. To accommodate this housing-market entry, it is important that housing stocks be diverse – another reason to focus on diversification. Housing markets should offer not only high-quality and certainly not only owner-occupied housing, but also affordable rental dwellings. A sufficiently large rental sector also facilitates the spatial flexibility of the labour force. As I have argued elsewhere (Mulder 2006b), my estimation is that a share of 30 per cent rental housing is needed for these two purposes. The availability of affordable rental housing of adequate quality is also important for yet another reason: the risks associated with homeownership among low-

income households. The recent sub-prime mortgage crisis in the United States clearly demonstrates how serious these risks can be.

Smooth housing-market entry is also facilitated by a greater residential mobility and an accompanying greater turnover of housing. Turnover can be enhanced by relaxing restrictions on moving. A relaxation of the restrictions on moving would also be beneficial to labour migration and therefore to mobility within the labour market. An important restriction to the mobility of owner-occupiers is the transaction cost of moving. In countries that apply transfer tax, this tax forms a substantial part of the transaction cost. A small transfer tax of, say, 2 per cent is useful to discourage speculation. By reducing transfer tax to that amount, Governments can substantially improve the opportunities for residential relocations. In countries where homeowners enjoy tax relief (e.g. where mortgage interest is tax-deductible), this tax relief could be balanced by a reduction of the transfer tax.

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