

The Transmission of Homeownership in the United States: How much does Family Matter?

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The transition into homeownership has been described as an important process of accumulating capital assets (Clark & Dieleman, 1996). In a family's housing career, entering the housing market and later moving up to a bigger and more spacious home have always been important milestones. Homeownership provides emotional as well as financial security which helps individuals free from the arbitrary stresses of renting, from possible evictions, rising rents and inadequately maintained properties (Dietz & Haurin, 2003; Smits & Mulder, 2008). Moreover, homeownership represents a status beyond ownership itself (Whitehead, 2012a) as families purchase not just a house but the associated neighborhood that goes along with it, including the concomitants of good schools, better community services and lower crime rates. For example, children of homeowners have better outcomes related to school achievement and behavioral problems due to the high quality home environment found in owner-occupied units (Haurin, Parcel, & Haurin, 2002). In sum, becoming a homeowner is important for individuals and families and provides a substantial basis in their asset accumulation.

At the aggregate level the growth of homeownership in society was fostered by government actions which emphasized homeownership as part of a new "ownership society" (Clark, 2013; Whitehead, 2012b). Now, in the aftermath of the Global Financial Crisis and the housing collapse, renewed concern has emerged with the loss of housing-wealth, affordability and even whether ownership is attainable for large sections of the big city populations (Clark, 2013). The questions are particularly important with respect to whether or not only subsections of the population are becoming homeowners and thus increases inequality (Aratani, 2011; Öst

2012). The transmission of homeownership across generations appears significant in this regard since individuals have better opportunities to build up personal assets if they are given wealth from their family (Aratani, 2011; Helderma & Mulder, 2007; Henretta, 1984). Recent studies have also documented the role of the socialization hypothesis as part of understanding the way in which homeownership remains an important familial context (Lersch & Luijkx, 2014; Mulder & Smits, 1999).

Although prior research has shown the close link between parents and children in the transmission of homeownership in Europe, there is less known about this mechanism in the US context. There is no question that home ownership is still a central element of access to the full range of opportunities in the US economy and thus provides a leverage for social inequality. It is, however, possible that contextual differences in the US and Europe create different dynamics in the intergenerational transmission (e.g. Clark, Deurloo, & Dieleman, 1997; Clark & Dieleman, 1996). The current study, therefore, extends European research to the US context and asks questions about whether or not the same factors play a role in the transmission of homeownership in the United States. Recently, Aratani (2011) added evidence of the intergenerational transmission of homeownership in the US by using the Panel Study of Income and Dynamics. From that study, it is evident that parental homeownership plays a significant role in the child's homeownership process and that the transmission reinforces social inequality. The study, however, particularly focuses on those in the housing environment between the late 1960s and early 1980 (i.e. individuals born between 1960 and 1968). We add to this research by using data from a more recent cohort of those born in the 1980s and later and encountering the housing environment between the late 1990s and 2000s.

Data and Methods

This study uses public and geocode data of parent and child pairs from the National Longitudinal Survey of Youth 1979 (NLSY79) and the NLSY79 Children and Young Adults (NLSCYA). The NLSY79 contains a nationally representative sample of 12,686 individuals who were ages 14 to 21 on Dec. 31, 1978, and has followed them until their late 40s and early 50s in 2010. Starting in 1986, all children born to NLSY79 female respondents have been interviewed biennially to supplement child-specific information on demographic, family background, home environment and school work. For young adult children who are aged 15 or older, a separate set of interview on education, training, employment, family formation history, and household composition has been conducted since 1994. The NLSCYA children are estimated to represent over 95 percent of all the children to be born to the NLSY79 females (Center for Human Resources, 2014). We use longitudinal information of the 1994 to 2010 waves for 6,453 young adult children from NLSCYA and their mothers in the NLSY79.

The main variable of interest in this study is the homeownership status of young adult children and their parents. We draw information on whether the respondent/spouse/partner own or make payments on the house each survey year, which provides longitudinal information of the homeownership status. About 0.2% of the parents (19 cases) who own a home later than their children are excluded from the analysis. Table 1 indicates that about 24%¹ and 76% of the young adult children and their parents ever own a home throughout the survey years, respectively. The young adult children began homeownership on average at age 25, while the average age at first

¹ We aware that the proportion of homeownership of the adult children is small (e.g. US Census Bureau, 2014), which indicates that many children are right-censored. As of 2010, about half of the child sample (50.86%) still did not turn age 25.

homeownership is about 28 for their parents. The average duration of owning a home is about 3.8 years and 16.1 years for children and parents, respectively.

To test the socialization hypothesis of the intergenerational transmission of homeownership, a wide range of young adult child's and their parent's characteristics are included in the analysis (see Table 2). While monetary gifts and transfers are the major mechanism of the intergenerational transmission of homeownership (Helderma & Mulder, 2007), it is not known whether young adult children were given financial support from parents in the NLSY. To account for the financial channel, we include indicators of socioeconomic status of parents and children such as educational attainment and wages, and household net worth for parents. While these may not exactly represent the financial transmission, in previous literature it is found that those from families with greater resources are more likely to receive financial help from their parents (e.g. higher education and self-employed parents, Mulder & Smits, 1999). In addition to socioeconomic status, we include the total number of children in the parental household to take into account possible wealth dissemination to siblings (Emery, 2013).

We first present descriptive statistics of the child's and parent's characteristics disaggregated by adult child's homeownership status in Table 2. Following the bivariate statistics, a Cox proportional hazard model is estimated to examine the timing of first homeownership for adult child (Table 3). In our study, the onset of the risk of homeownership is set to age 18. Those who became a homeowner before age 18 (6 children) are excluded from the analysis. The final sample includes 6,447 adult children who contribute 47,096 person years to analyses.

Preliminary data analysis

Descriptive findings

Table 2 displays descriptive statistics for adult child's and their parent's characteristics. Compared to male adult children, a higher percent of female adult children own a home, as do non-Black non-Hispanic whites compared to other racial/ethnic groups. The findings also reveal that a larger share of those with higher socioeconomic resources own a home. A higher share of those with either high school or college degree are homeowners, compared to those with a less than high school education, and the average wages are greater for homeowners compared to those who have never owned a home. A higher percent of those who are involved in any family formation (marriage, cohabitation, and birth) own a home, which reflects the importance of homeownership in the family life course (Clark, Deurloo, & Dieleman, 1997). A smaller share of those living in urban areas own a home compared to their counterparts in rural areas although county unemployment rates appear to be higher for those owning a home.

The bottom panel of table 2 presents socioeconomic characteristics of parents. The findings reveal that a smaller percent of those with greater mother's educational attainment own a home, although parent's wages appear higher for those owning a home compared to those without a homeownership. We do not find a significant difference in the homeownership status of children by the level of household net worth. A larger share of young adult children with parental net worth between 20,000 and 100,000 own a home compared to those with a negative net worth, but a smaller share of those with more than 100,000 of net worth own a home. However, a higher percent of those with fewer children in the parental household and those of parents with homeownership own a home. Moreover, a higher percent of adult children own a

home when their parents have owned their homes for longer. Regarding parental residence characteristics, a higher percent of those whose parents live in urban areas and those who live in the same county with their parents, compared to their counterparts in rural areas and in different counties, respectively, own a home. Finally, worse economic conditions in the county of parental residence are associated with greater homeownership of their adult children. This is probably a function of cheaper housing in these counties.

Kaplan Meier Survival Estimates

Figures 1 through 4 depict survival estimates for first homeownership of children, and variability in this process by sex, race/ethnicity, and parental homeownership status. Figure 1 describes the overall survival curves of child homeownership; about 50% of the sample become a homeowner by age 33. Figure 2 indicates that a higher proportion of females own a home and start to obtain the homeownership earlier than males, which may reflect their earlier start of family formation. We find considerable variability in the child homeownership process by race/ethnicity in Figure 3. A larger proportion of non-black non-Hispanic whites own a home, compared to other race/ethnicity, and they also start to become a homeowner at younger ages. About 50% of non-Black non-Hispanic white children own a home by age 30 compared to about 25% and 20% of Hispanics and blacks, respectively. Finally, Figure 4 shows that parental homeownership plays a significant role in child homeownership. If parents own a home, a higher proportion of their children become a homeowner and it happens at a younger age than those whose parents never own a home.

Multivariate Model

Findings from the multivariate Cox regression model are reported in Table 3. We find that children's own characteristics are much more important than parent's socioeconomic status to become a homeowner for the young adult in the US. Compared to whites, African Americans and Hispanics are 47% and 29% less likely to become a homeowner, respectively. The analysis also shows that greater socioeconomic status is associated with a greater hazard of becoming a homeowner. Those with a college degree are more likely than their counterparts with less than high school to own a home ($b=.45$, $p<.05$) although no difference is found between those with less than high school and those with a high school diploma ($b=.07$, $p=.634$). Moreover, an increase in wages is positively related to the hazard of owning a home ($b=.20$, $p<.001$). Family formation increases the hazard of homeownership; those who either marry or cohabit are 52% more likely than singles to become a homeowner ($b=.42$, $p<.001$) and childbirth increases the hazard of homeownership by 40% ($b=.34$, $p<.01$). Residence characteristics are not as important as the individual characteristics; living in urban areas marginally decreases the hazard of homeownership ($b=-.20$, $p=.089$).

We find strong evidence for socialization of homeownership given that parental homeownership increases the hazard of child homeownership, controlling for other relevant factors. Adult children whose parents own a home are 48% more likely than their counterparts without parental homeownership to become a homeowner. On the other hand, the findings hardly support the economic transfer hypothesis since we do not find any significant influence of parental socioeconomic status on children's homeownership. While residence characteristics do not appear significant, those who live in the same county with parents are less likely than those in different county to own a home ($b=-.25$, $p<.01$).

Preliminary results suggest that socialization effect on homeownership process is strong in the US although little evidence on economic effect is found. Moreover, individual characteristics are more important to becoming a homeowner than parental characteristics in the US. We will further investigate how contexts do influence the transmission of homeownership by including additional variables of county socioeconomic characteristics.

Table 1. Homeownership¹⁾ of NLSY79 and NLSY79-adult children

	Parents (n=10,469)	Adult children (n=6,447 as of 2010)
Age at first homeowner	27.7 (6.59)	25.04 (3.50)
Duration of homeownership	16.07 (8.50)	3.79 (2.74)
Ever own a home	8,017 (76.58)	1,442 (22.37)
Homeowner parents	-	1,253 (86.89)
Parents never own a home	-	189 (13.11)

Note: 1) Home owner questions are asked to those who are 18 years old or greater/ or Had a child / or Enrolled in college / or Married / or Living outside their parents' home.

Table 2. Descriptive Statistics

	never own home n=5,005 (77.63%)	home owner n=1,442 (22.37%)	total n=6,447 (100.00%)
Adult children's characteristics			
Gender (ref: male)			
female	.46	.54	.48
Race/ethnicity			
(ref: non-Black, non-Hispanic whites)	.66	.75	.68
Black	.24	.16	.22
Hispanic	.10	.09	.10
Education			
(ref: less than High school)	.39	.24	.36
High school graduated	.54	.60	.55
College graduated	.07	.16	.09
Union formation (ref: single)	.21	.41	.26
Birth of child (ref: no child)	.06	.14	.08
Wages (\$ in 2010)	8869.8 (13449.8)	14419.4 (17499.1)	10068.5 (14599.2)
Urban Residence (ref: rural)	.79	.71	.77
Parent's characteristics			
Mother's highest grade completed	12.67 (2.54)	12.38 (2.34)	12.60 (2.51)
Number of children in parent's household	1.32 (1.28)	1.27 (1.26)	1.31 (1.28)
Urban Residence (ref: rural)	.65	.63	.65
Networth			
(ref: Negative networth)	.18	.18	.18
Networth 0 _ 20,000	.18	.16	.18
Networth 20,000 _ 100,000	.16	.20	.17
Networth 100,000 and greater	.48	.46	.47
Wages (\$ in 2010)	24174.2 (28872.0)	25104.9 (29550.4)	24374.8 (29019.5)
Homeownership (ref: never own home)	.61	.66	.62
Duration of homeownership	6.63 (9.74)	7.59 (10.27)	6.83 (9.86)
Parents and young-adult- child live in the same county	.61	.58	.60
Unemployment rates of county of parental residence	6.12 (1.86)	6.18 (2.29)	6.13 (1.96)

Note: Numbers in parentheses are S.E. unless indicated.

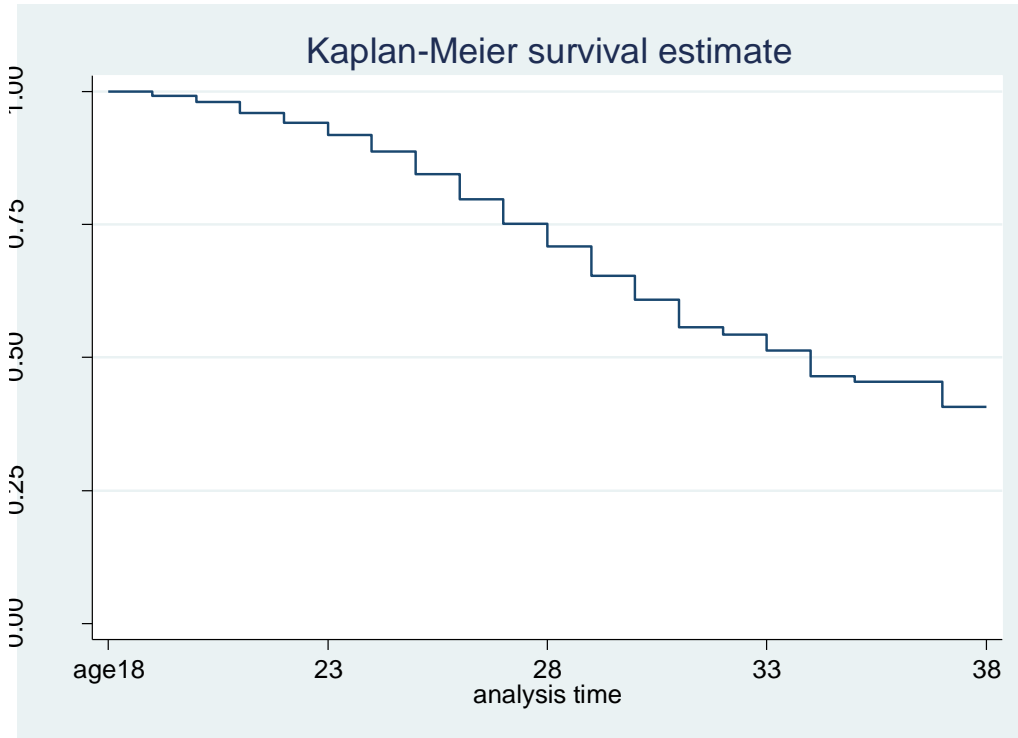


Figure 1. Survival estimates of young adult's homeownership (n=6,447, 47,096 person years)

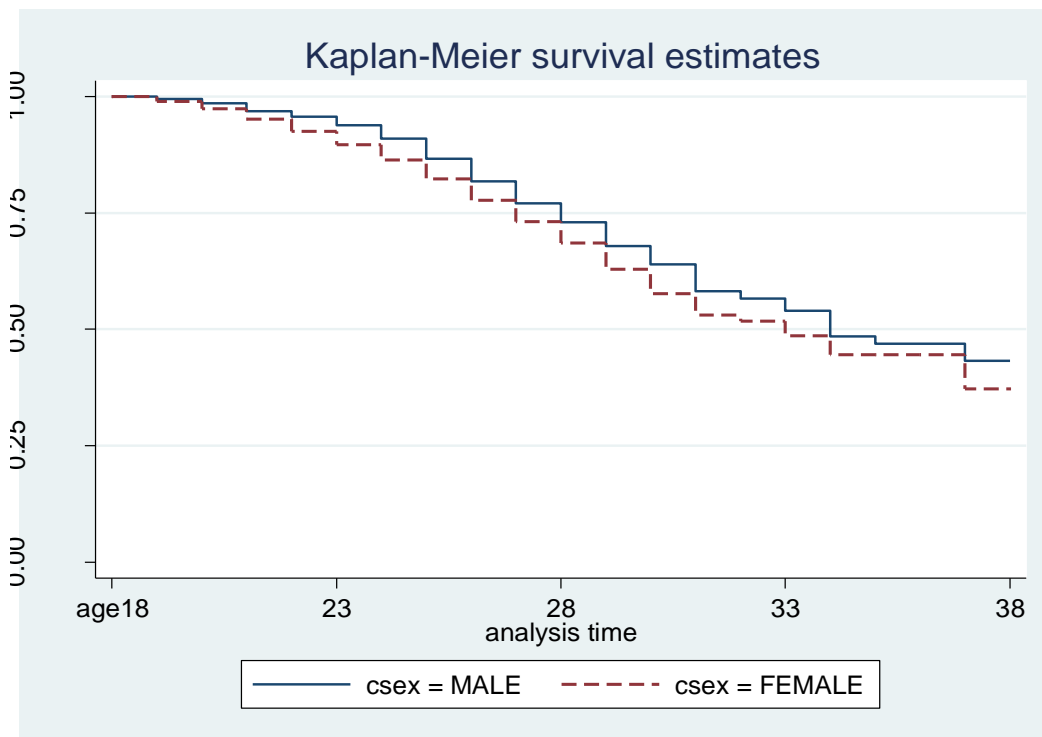


Figure 2. Survival estimates by gender

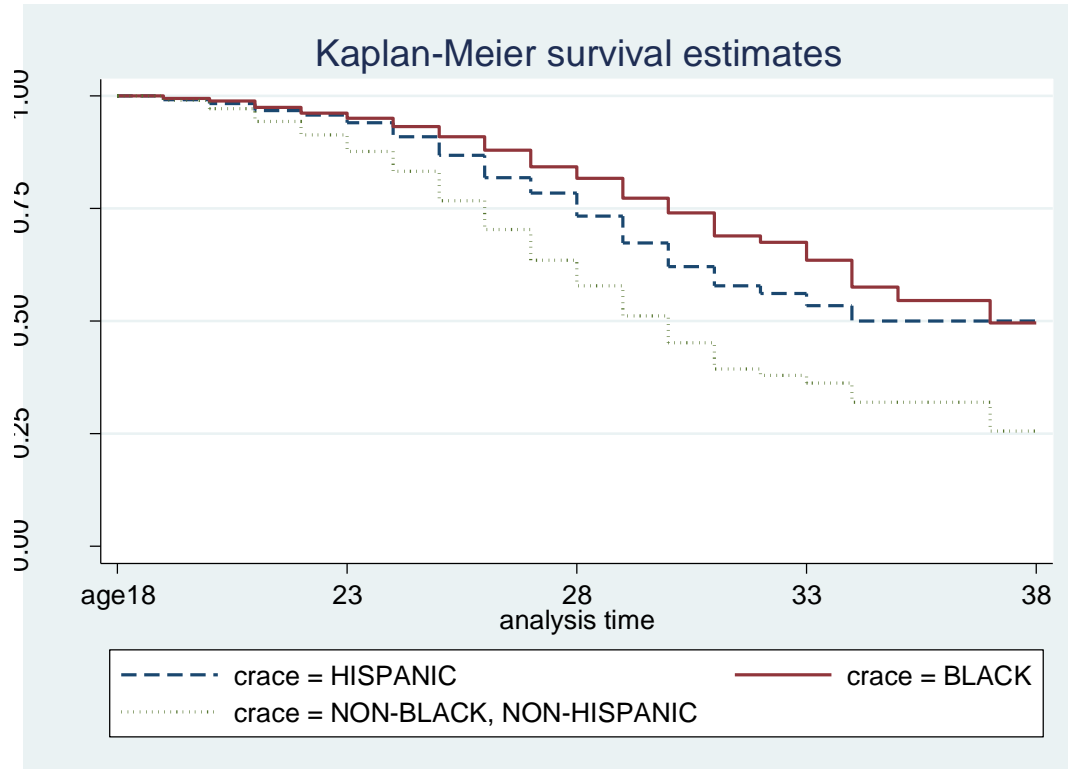


Figure 3. Survival estimates by race/ethnicity

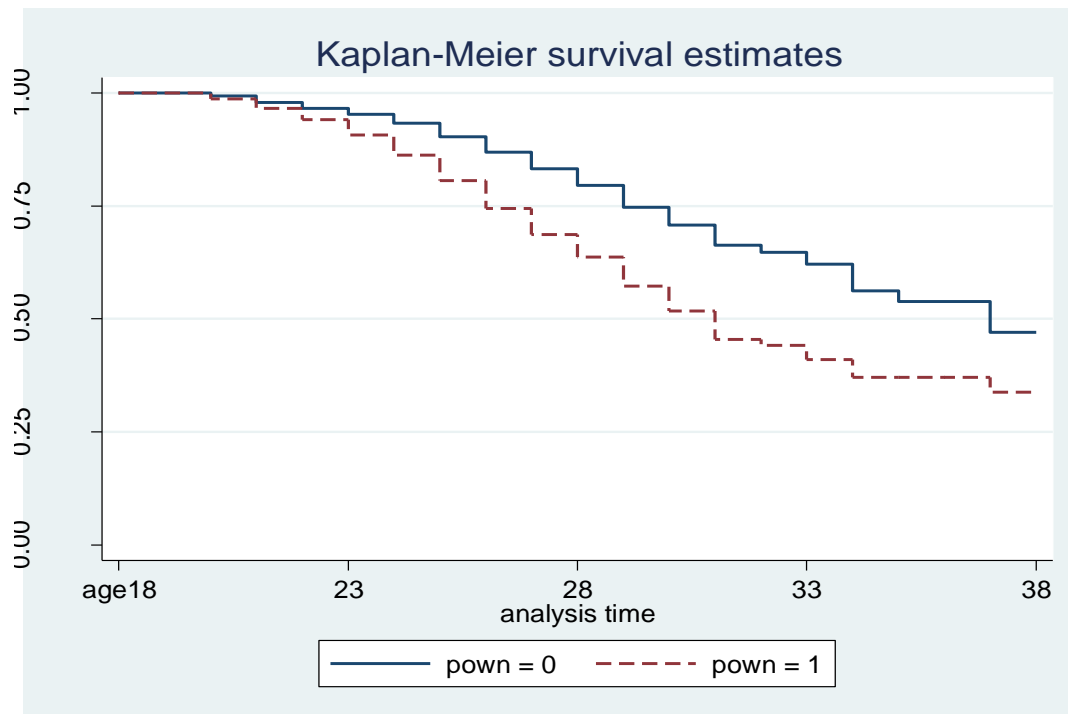


Figure 4. Survival estimates by parent's homeownership (0=parent never own home, 1=parent own home)

Table 3. Cox Proportional Hazard Models Predicting First Homeownership

	coefficient	Hazard Ratio
Child characteristics		
Female (ref: male)	.12 (.08)	1.13
Race/ethnicity (<i>ref: non-Black non-Hispanic whites and others</i>)		
African American	-.63 (.11)***	.53
Hispanic	-.34 (.12)**	.71
Education (ref: less than HS)		
High school graduated	.07 (.15)	1.07
College graduated	.45 (.17)*	1.57
Wages (\$ in 2010)	.20 (.05)***	1.22
Union formation (ref: single)	.42 (.09)***	1.52
Childbirth (ref: no child)	.34 (.12)**	1.40
Urban residence (ref: rural)	-.20 (.12)†	.82
Unemployment rates of county of child's residence	.00 (.02)	1.00
Parent characteristics		
Mother's education (years)	-.01 (.02)	.99
Parent's wages (\$ in 2010)	.01 (.04)	1.01
Parent Networth (ref: negative networth)		
Networth 0 -20,000	.04 (.15)	1.04
Networth 20,000 -100,000	.02 (.15)	1.02
Networth 100,000 or greater	.01 (.15)	1.01
Number of children in parent's household	-.01 (.04)	.99
Parent homeownership (ref: never own home)	.39 (.13)**	1.48
Duration of parent homeownership (years)	.00 (.00)	1.00
Parent's Urban Residence (ref: rural)	-.06 (.11)	.95
Parents and young-adult- child live in the same county (ref: in different county)	-.25 (.10)**	.78
Unemployment rates of county of parental residence	.02 (.02)	1.02

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

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