

## **HOMEOWNERSHIP IN GERMANY: RETIREMENT STRATEGIES OF HOUSEHOLDS IN A TENANT SOCIETY**

**Abstract.** *This article examines the recent shifts among German homeowners towards the use of their housing equity as an asset. Based on 36 in-depth interviews with members of households, the authors assert that homeownership behaviour and attitudes have evolved differently for different generations due to the economic and social circumstances at the time that they started their families and acquired their first real estate. Consequently, more and more young German households now consider their dwelling to be a centrepiece of their financial provisions in preparation for future financial risks. This is clearly a new perspective in a predominantly tenant society.*

**Key words:** *Germany, homeownership, housing generation effect, retirement strategies*

### **Introduction**

While Germany is a rapidly ageing society, only a minority of old-age pensioners lives in owner-occupied dwellings. The majority of Germans in all age groups spends most of their lifetime in rented housing. This is due to the fact that Germany has – by international standards – a rather small owner-occupied sector: It has stayed on an almost constant level since 1945. The ownership rate in Germany levels off slightly above 40% (Tegeeder and Helbrecht, 2007). Thus, within the European context the German housing market manifests unique characteristics and clearly represents a case from which many insights into the connection of housing markets, wealth, and demography in a tenant society can be derived.

This paper presents the research results of a collaborative research project on Demographic Change and Housing Wealth (DEMHOW) which aims at investigating the ways in which, across several EU member states, demographic change and housing wealth are linked (Doling, 2007). In the

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context of this EU-research project we conducted 36 qualitative household interviews in Germany in the city of Bremen in May and June of 2009. In these interviews we investigated the retirement strategies of homeowners belonging to three different age groups. We scrutinized the relationship between retirement strategies and the development of homeownership in Germany from the perspective of the young (age 25–35), the middle-aged (age 45–55) and senior citizens (age 65–75). With this research design we meant to get insight into different generations, each with specific attitudes towards real estate as a form of equity. The aim of our research focused on the following questions: How do German homeowners prepare for old age and might this differ with respect to their membership in a certain age cohort? Which role does the home play as a financial, personal, or social asset in individual household strategies? And to what extent are present attitudes of households towards their housing equity the subject and result of attitudes current at the time of their housing acquisition? In other words, are what we could call “housing generation effects” detectable in retirement strategies?

In this paper we will argue on the basis of a limited number of in-depth interviews which are, however, substantiated with literature, that in Germany since the beginning of the 21<sup>st</sup> century and the weakening of the welfare state more and more young and middle-aged households are confronted with the necessity to make provisions for financial risks in the future. They seriously consider the possibility of being forced to deploy housing equity to finance the ongoing costs of retirement. As a result, younger Germans regard their present housing equity as a fundamental part of their overall social security in old-age – this being a general predisposition which the oldest households in our study rarely mentioned. A new observation regarding the German housing market can thus be drawn from our qualitative explorative study: a long-term transition in households’ predispositions could be taking place towards the financial instrumentalisation of their dwelling in old age.

To explain this change in attitudes we developed the hypothesis that homeownership behaviour is not only age-related but is, in fact, equally a consequence of generation affiliation; both factors seem to be, among others, important indicators for apprehending the various retirement strategies of private households and the role of homeownership within those households. Therefore, in order to understand attitudes towards homeownership, it is not only necessary to distinguish carefully between age groups and examine the role of age differences. It seems every bit as necessary to further identify particular differences within these groups according to their demographic and societal positioning within a certain epoch (e.g. post-war boom) and generation (e.g. baby boomers). This we shall call *housing*

*generation effects*. We assert that long-term household behaviour and attitudes are primarily determined by the specific economic and social circumstances that reigned in the relevant time at which the members of each particular household started their family and acquired their first real estate. So each household belongs to a “housing generation”. Assisted by the narratives and arguments presented by the household members interviewed, distinctive *housing generation effects* can be developed.

### Theoretical assumptions: The concept of “housing generation effects”

The concept of *housing generation effects* helps to distinguish two age-related types of behaviour: Household behaviour that is clearly related to the age of the person interviewed will be labelled as *age-related*. *Housing generation effects*, however, can be traced when the present behaviour of older households cannot be assumed to be the same for the presently youngest households interviewed in the future, when they also reach retirement age. In a quantitative study about cohort dynamics and home ownership, Wagner and Mulder (2000) identified different segments of an age group entering home ownership, depending on the year of birth. They clearly point out that different generations have dissimilar chances of entering home ownership. In our study, the generation perspective may provide further insights into the life-cycle of saving and consumption of housing assets and thus to the connection between retirement strategies and home ownership.

In sociology the use of the term ‘generation’ has been greatly influenced by the work of Karl Mannheim. Mannheim argued that cognitive routines and conscience do not evolve in a theoretical vacuum, but rather are the outcome of contextual factors like social and historical circumstances of everyday life. He claims that conscience is a result of a contemporary historical impression made upon a person. Thus, from a sociological perspective, one generation does not simply consist of a demographic time span of 30 years, but rather is also constituted by collective experiences. He disassociates this type of discrepancy deliberately from age differences like the ‘young’ and the ‘old’ and refers to a generation such as the ‘generation of the First World War’ (Mannheim, 1928/1964). In this sense, not all knowledge is passed on from generation to generation. In fact, one generation’s experiences from distinct social, economic, geographic and cultural environments are of great importance, leading different generations to different types of behaviour (Struck et al., 1998: 7ff.).

These effects are generally referred to in German as ‘Generationeneffekte’. With respect to housing studies for the purpose of this paper we will thus refer to and examine *housing generation effects*. We consider the

role of such effects both plausible and helpful in analyzing and interpreting household behaviour regarding future planning and the role of housing equity on a macro level. In this paper we will, analogous to the age groups, describe three generations of homeowners:

- *The Wirtschaftswunder generation*: The oldest age group (65–75), started to work in the late 1960s, a decade coloured by the German “economic miracle”.
- *The pre-reunification generation*: The presently middle-aged group (45–55), was socialised in the labour market roughly in the 1980s, the epoch before German re-unification.
- *The post-reunification generation*: The youngest interviewees (25–35) grew up in the period after reunification and had to adapt to the changing rhetoric of public welfare policies in the past two decades.

In the following chapters we will present arguments to substantiate this classification of *housing generation effects* using our qualitative interviews data. Furthermore, we will identify societal reasons and circumstances on the macro-level for households’ perception and behaviour by age group. This will be presented against the background of the strategies of providing for retirement and old-age used by the interviewees and the expected role of housing property in those strategies.

## Country-specific context and method

Germany has a long tradition of moderate rental control and rent acts, that balance the interests of tenants and landlords alike. This balanced system, which also includes tax advantages for landlords, enables and maintains the German rental market to be highly functional and attractive for both interest groups, private households and private landlords (Kofner, 2004: 158ff.). Additionally, the restrictive mortgage system provides various challenges especially for middle- and low-income households that might prevent them from buying real estate (which actually has been a blessing in times of the credit crunch). In most other European countries, lending practices are less strict, enabling also lower income households to buy a home (Behring and Helbrecht, 2002). As a consequence, homeownership in Germany remains relatively low-level and is often a privilege of higher income households (Häußermann and Siebel, 1996: 239ff.). Furthermore, the pay-as-you-go pension system, fiscal consequences and burdens of German reunification, economic transition, demographic change and the current financial crisis all contribute to an unforgiving financial situation for private households.

As a site for a regional case study within Germany, the city state of

Bremen and its surrounding suburban towns were chosen. With about 540,000 inhabitants, Bremen is the tenth biggest city in Germany and one of the major urban areas in Northern Germany. In regards to social and economic factors, Bremen is a fairly average German city, neither among the wealthy cities in the South nor belonging to the structurally disadvantaged areas in the Eastern provinces of Germany (BBR, 2007).

To be able to unravel the roots of people's behaviour in the various countries involved in the larger project<sup>1</sup>, we used a qualitative research method. Our study applied the same methods used in every country, interviewing homeowner-occupiers from three different age groups (25 to 35; 45 to 55; and 65 to 75 years). Within the households – collected through a mixture of access to gatekeepers to the housing market and a snowballing method – semi-structured interviews were conducted. These were transcribed and coded according to a general coding frame, developed conjointly by all partners.

To introduce topics to our interviewees we applied a vignette method. This meant confronting our respondents with the narrative of a hypothetical situation of a household (“Imagine a young couple ...”) in a particular position of decision-making regarding the relation of housing and ageing (“becoming unemployed ...”). Then we asked the interviewees about their assessment of the situation in order to reveal their personal perceptions and values.

## **Retirement strategies of homeowners**

The German statutory pension scheme is a pay-as-you-go system with a monthly contribution rate of 19,9% of the gross wage. This suffices to finance a pension at the height of around 60 to 70% of the individual's former income (Helbrecht and Geilenkeuser, 2009). The following chapter represents dispositions expressed by the households interviewed concerning pension strategies.

### ***General thoughts on retirement***

To allow us to unravel general thoughts on retirement issues, the respondents of our study were confronted with the vignette of an elderly couple that went into early retirement and now face the risk of not being able to maintain their standard of living. For the vast majority it was obvious

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<sup>1</sup> List of partners: University of Birmingham; University of Ghent; University of Southern Denmark, Odense; University of Turku; Agence nationale pour l'information sur le logement, Paris; Humboldt University of Berlin; Metropolitan Research Institute, Budapest; Technical University of Delft; Centro de Estudos para a Intervenção Social, Lisbon; University of Ljubljana; University of York; AGE Platform, Brussels.

that the couple should seek further income by taking on a part-time job. At the same time the question arose as to why the couple had retired early if unable to finance their living standard.

The opinions about real estate release differed. For some, the option of selling the house and moving into a rental apartment was obvious. Similarly, others suggested renting out the house and trying to get a cheaper apartment. Persons who considered their children's emotional attachment to the house favoured this latter option. While some saw the option of moving in with the children or asking them for financial aid, others explicitly excluded this.

The aspect of adjusting the spending pattern to the available resources was reviewed frequently. The oldest age group commented in this connection on the difficulty of cutting back once one is accustomed to a certain standard of living. Based on these considerations, the interviewees said, the couple in the vignette behaved unwisely by going into early retirement without a secure source of income. However, persons in the oldest cohort showed a lot of empathy for the situation, since some interviewees themselves chose to keep on working in order to avoid the situation in the vignette.

### *Planning for retirement*

Household plans for retirement show clear boundaries between the age groups. This confirms the coexistence of age-related behaviour and *housing generation effects* as described earlier. Homeowners in the cohort 25–35 years clearly see real estate as an asset although financial plans besides the acquisition of a dwelling and relying on the statutory pension were rather indistinct. The majority of respondents felt well prepared in planning for their old age, since they already belong to the relatively few young Germans who had bought property. Besides the property they already own, some hope to buy further real estate. It seems real estate is considered a very stable form of investment with decent interest rates. Some named further plans like *Riesterrente*<sup>2</sup> and private insurance without having carried these into effect yet. The statutory pension was seen as secure, although young interviewees criticize the fact that pensions will probably not be raised

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<sup>2</sup> *The Riesterrente is a voluntary private pension. It consists of private savings which are topped by government subsidies (Statistisches Bundesamt, 2008: 269ff.). In 2008 the Riesterrente allowed to save up to 4% of the contribution assessment ceiling of the statutory pension, without further taxation and social costs. Due to the fact that there is no income relation fixed, recipients of lower incomes receive lower statutory benefits (Verhülsdonk, 2004: 14). By the end of 2008 almost 11.5 million Riester-contracts existed, which means an increase of 80% within two years. Since January 1st 2008 mortgage payments for self-occupied housing also receive bonuses and all subsidized capital may be used to acquire housing property, which became to be called Wohn-Riester (BMAS, 2008).*

anymore in the future and thus will not be adapted to contemporary levels of purchasing power. This development led some young households to individually plan for their retirement with as little dependence on the state as possible:

*I was always aware of my plan to disregard the public payments totally and say: "Okay, I'll build a retirement plan independently...". If the state pays you anything else, it'll be a bonus and therefore something has changed, I say I don't count on any benefits from the state anymore. Or so minimal, that you shouldn't...well, include them in your plans. (Male respondent, 25-35)*

Several respondents aged 45-55 years had already implemented *Ries-terrente* and private insurance. Self-employed persons have additional insurances through e.g. their architectural association or law society. Some emphasized that the most important provision is the housing equity they already own and in some cases are still paying off. Surprisingly the same persons did not mention their housing property as an important provision for old-age. Therefore, one could conclude that homeowners between 45-55 are less likely than the youngest households to consider their real estate as an asset for old-age.

In the oldest group respondents were asked about the income relation prior to retirement and in retirement. Only two households received significantly less than before retirement. The vast majority receives similar incomes and two households had at their disposal even more than prior to retirement. This clearly privileged situation is due to receiving proper pension incomes (effects specific to the *Wirtschaftswunder generation*) while continuing to collect earned income on the basis of self-employment. This age group mentioned housing only as an asset in case of emergency. Due to the rather high household incomes of German homeowners, the need to use the dwelling like any other asset is rarely present in homeowner's minds.

Most plan their retirement income to be drawn from several sources, with primary reliance on the statutory pension. This also reflects that our household interviewees still consider the state to be the ultimate responsible actor when it comes to retirement incomes.

People rarely use their housing equity. Of all our interview partners only one older couple commented on that:

*Oh well, for the old age pension you can actually take the house, right? So, if worst comes to worst, there will be cash through the sale of the house. (Female respondent, 65-75)*

Everybody else, including the youngest cohort – having rated their housing assets as being very important as a retirement provision – did not comment on how to use it as an old age provision.

Yet, the three generations each influenced within their respective epochs a) by the economic miracle and b) the eras pre- and c) post-reunification, are quite differentiated in their pension strategies. The oldest households seem to be carefree, whereas the two younger age groups are more concerned. The oldest group (a) had the chance to build up enough assets during the post-war time of economic prosperity, guarded by a strong welfare state. They also have a right of continuance regarding their statutory rental incomes. Therefore homeownership households presently 65–75 years of age enjoy the most economic stability in old age without having had to engage in significant financial planning. In contrast, the youngest are still in the process of adaptation to the withdrawal of the welfare state and newly introduced individual responsibilities. The middle age group sees themselves as having passed the point of making elaborated financial plans but considers their real estate as an important asset, which has, due to the lack of other provisions, become the centre of their focus for future financial planning. The developments in the middle and youngest cohort have been described by German sociologist Ulrich Beck (1986), who theorizes that, in post-industrialized *risk societies*, all income groups are threatened by social decline. This, in our case, can be confirmed since homeowners of the *pre- and post-reunification generations* see themselves facing risks like unemployment or old-age poverty more often than older generations.

These findings in the interviews confirm our observation of the transition regarding households' attitude towards their dwelling as a relevant pillar of their provisions for old-age and the existence of *housing generation effects*.

### Care in old age

The German nursing care insurance system (as part of the compulsory health insurance) is a fairly new component of the welfare system, introduced in 1995. It is considered to be severely underfinanced, yet, overburdened with rising numbers of old people who potentially may become care dependent. In 2005 around 1.75 million people aged 65 years and older received statutory nursing allowance. While 36% were placed in stationary care institutions, the remaining 64% were looked after in domestic care; only less than half of these received aid from professional outpatient care. Since the introduction of nursing care insurance in 1995, the role of the family in providing care has constantly decreased (Tesch-Römer and Mardorf, 2009: 194ff.). Nonetheless, these numbers reflect that help from the



family and care networks still make up an essential pillar of the German care system.

### *General thoughts about nursing care*

To introduce this topic to our respondents, another vignette was used to describe an old woman living in a rural region. She is slowly becoming frail and is therefore forced to rearrange her housing environment. Especially the older two age groups already had personal experience with this type of situation in their own families.

Regarding the question as to what should happen, most respondents advised seeking outpatient care as a first step and as a state of affairs that should be maintained for as long as possible. Only younger respondents recommended selling the house and living with one of the children. A very common scenario in Germany, also mentioned in the interviews, is that one of the children takes on the task of providing care and in return receives the grandparents' house, either to sell it right away or to move in themselves. The revenues from selling the old house may be taken to contribute to a new home, often leading the children into homeownership.

The oldest interviewees did not absolutely exclude stationary care for themselves. They often claimed that they would consider this, essentially in order to avoid becoming a burden for their own children.

Considering the aspect of the ultimate responsibility for the elderly lady's care, the interviewees were divided into two groups: One favouring the responsibility of the family (in organizing but also in actually providing care), the other arguing that family help can only be voluntary and often strains the parent-child relationship emotionally. Ultimately the old lady herself (by taking precautions) and the state are responsible.

Concerning finances, all respondents realized that the old lady has assets of her own. Still, very few gave a direct statement about how to use these. All agreed that under normal circumstances the nursing care insurance should be responsible for the costs.

The younger respondents, being inexperienced with such situations, tended to advise moving in with the children, whereas the older interviewees stated that in no way should the lives of the children be affected unless they voluntarily chose to become involved.

### *Expectations of one's own nursing care*

For older respondents, nursing care seems to be a present issue whereas younger households find it difficult to relate to the question. Most young persons are not aware of the financial and emotional problems arising from situations in which nursing care has become necessary, and most respondents were insecure about this aspect of old age. In general, uncertainty and

ignorance regarding the entire field of nursing care seems to be present in the younger age group, and similarly so in the age group 45–55. Here several households talked about this issue, but had not yet made provisions. Both groups considered dependency on nursing care to be a state not amenable to planning, and therefore took only minimal precautions, as the quote below illustrates:

*Okay, you think about your pension but nursing care... That's sure one further step of senility. No idea so far. [...] I think it'll be normal by that time that family isn't the main institution for it anymore.* (Male respondent, 25–35)

The only aspect of a care situation which both age groups consider planning is the financial resources. Most respondents in the oldest age group emphasized that they would not expect direct care or care costs to be covered by their children or other family members. They would not want their life-planning to be affected, since children have more and more financial issues they have to take care of themselves.

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*I find it profoundly unfair that the children pay for their parents' nursing care, because the children nowadays have to earn that for themselves.* (Female respondent, 45–55)

Respondents across all age groups expressed their sincere hope they would be able to finance care through their regular pension incomes without using all their assets. In the end most interviewees had the impression that they would be able to finance most necessary care, as long as two people did not become care dependent at the same time. Only in this worst case scenario would housing assets have to be sold. Private care insurance existed only in some of the oldest households. By contrast, the majority of the young interviewees had not made any provisions, yet, although at least the youngest are adapting to the perception that this might be part of their personal responsibility.

### ***Responsibility for care***

The responsibility for care was seen as arising out of a mixture of factors: individual responsibility, the state and the family were named. Individual responsibility concerns the organisation of nursing care and preparing for this situation early enough in life. State responsibilities are seen mostly in relation to financing nursing care, at least by matching the contributions made on a private basis. The family was held responsible by our interviewees for organisational aspects regarding care.

*To that extent that's really difficult but I believe only the family can do it because only the family knows those people because they're at home with those people. That's the family. I believe first of all the family is responsible. Let's say it that way: Responsible to organize it. (Female respondent, 25-35)*

Several young respondents said children should be made more responsible which seems contradictory to other statements in which they declared their own offspring should not be responsible for their care. Either way, no one actually said how this responsibility could be made compulsory. In the youngest age group, most households feel their responsibility is emotional and organisational responsibilities, but not as much financial.

### ***General Expectations of future nursing care provisions***

Trust in nursing care institutions was not as small as often portrayed in German media. Especially younger people share the opinion that by the time they might become care dependent, the situation in care institutions may have improved due to public attention. Geriatric medicine could enhance further developments. But opinions on this topic were heterogeneous. Others believed care institutions will remain insufficient to meet peoples' needs due to lack of time, staff and financial resources. Most claimed that ultimately the quality of care depends on whether one can afford better private care or is dependant on the narrow financial clearance provided by statutory care benefits. Especially persons in the middle cohort share the awareness that they may be forced to invest private assets in their own future care.

The *housing generation effects* introduced above did not seem to be a determining factor in household behaviour connected to making provisions for nursing care. Instead, the various opinions on this matter corresponded more closely to household age.

### **The role of housing equity**

Despite the low homeownership rate, housing equity is one of the major assets of private households in Germany. Average household debt is low by international standards, with most households occupying a self-owned dwelling having paid off their home by the time of retirement (Statistisches Bundesamt, 2009). Nonetheless, only a few households actually use their house like any other asset. This section illuminates the role German homeowners ascribe to their housing equity.

### *Current level of housing equity*

In 2003 the average level of housing equity of real estate owning households amounted to € 245,000. The average remaining debt was at € 97,700 for German owners of real estate. Self-employed persons and farmers have the largest amount of housing equity, followed by civil servants (Statistisches Bundesamt, 2007: 79ff.). The households interviewed reflect these numbers quite well; the self-estimated prices of the occupied dwellings ranged from € 41,500 to € 700,000. The households interviewed live in and around Bremen. Several homeowners are located in fairly good neighbourhoods close to the city centre.. Surprisingly enough, those respondents living on the edges of Bremen in suburban areas also had expectations about rising prices, although in recent years house values outside the cities have slightly decreased (BBR, 2007: 246).

The majority of households were confident prices were now at least more or less the same as when they originally bought the property.

### *Importance of housing equity in retirement*

Housing equity played varying roles in the retirement plans of the households, depending on the age group. The youngest households have problems pointing to a distinct plan in their housing strategy. Though rarely able to indicate how to use it, they did consider housing equity to be a long-term investment. When thinking through possible uses of housing equity, they mostly suggested saving rent and later on buying further property to become a landlord. The only consideration connected to the sale of the current property was to acquire something more adequate for future needs. In this case actual equity release would not be the issue, in theory they would only substitute equity by selling the current dwelling and buying something else. When prompted on the willingness to rent or downsize in old age, some did support this option. Only one actually considered that renting may be cheaper than maintaining a house.

The willingness to sell the house and move to a rental apartment seemed highest in the age group 45–55 years, as these respondents were highly aware of the costs a self-occupied house generates. This can mostly be ascribed to actual experience, whereas young homeowners may be more inexperienced with maintenance costs. In most instances the actual sale of the dwelling was connected to being forced to move to a nursing home.

Similarly most of the oldest households would only sell if they were forced to move, if they could not live in their house or if there was a real emergency.

The majority of the oldest households interviewed would be displeased with the situation of becoming a tenant again. The fear of eviction in old age is quite dominant.

*So, for us the function of the house is living there...no chance of losing that living space because no landlord determines the tenancy. We actually didn't think of that as an investment. (Male respondent, 65-75)*

Also the quote illustrates the emotional bond several older homeowners have with their dwelling. They mostly consider it a security in case of emergencies, not as an investment property they could easily make monetary use of.

This is not necessarily dissimilar to the younger cohorts, who actually confirmed that their house was an investment. Many respondents considered their equity as an old age provision, but did not mention how they would use it, as becomes apparent in the quote below:

*I just didn't want to give away my money to anybody; I wanted to invest in something by myself in order to have something for old age. Pension, I don't know if I get that someday. (Female respondent, 25-35)*

Across all age groups households only chose the sale of housing equity as an option if they were forced to. No one would actually take this action with the goal of having more ready money they could carelessly spend.

There may be intergenerational differences regarding the house as a financial asset. Nobody from the youngest age group mentioned emotional attachments to their dwelling. They all agreed to the statement that their home was of financial importance. With rising ages this opinion seemed less stable; a growing number of households claimed to have no intention and no need to utilize the house and that – only to generate higher incomes – they would not want to lose the security of owning real estate. In the two older groups emotional attachments to the dwelling were frequently mentioned.

### *Considerations of reverse mortgage*

The vast majority of respondents had not heard of reverse mortgages. Even when explained during the interviews there were many questions about what a reverse mortgage is. Remarkably, most interviewees considered reverse mortgages another sort of debt. Becoming debt free and being an outright owner is a main aspiration of German homeowners – across all age groups and generations.

This financial goal held true for our study, though two decisive aspects separate the middle-aged from the youngest and the oldest. First, in several cases, it is too late for them to start alternative planning for their old-age incomes, as the youngest were doing. Secondly, unlike the oldest households now, they feel rather insecure about their statutory pensions. They

are sure to receive it, but unsure whether it will be high enough to cover all expenses. As mentioned before, especially interviewees aged 45–55 years suffer from the retrenchment of welfare benefits towards more individual responsibility, since they have less time to adjust to this new situation by taking private precautions, compared to the youngest group. Nonetheless they would only release equity, not to heighten their standard of living in old age, but to maintain a decent standard they could otherwise no longer afford.

In general, younger respondents were more open to reverse mortgages, although they were dissatisfied with the fact of becoming bank-dependent yet again, as one of their main goals is to be debt-free.

### *Why not consume housing equity?*

Several respondents showed some insecurity regarding the consumption of their housing property. Possibly this reflects that up to now mortgage release products are rare in Germany. Besides, households could relate to a savings mentality and provided five major reasons for it:

First, households sensed a sort of security when owning real estate. Furthermore many German homeowners attach emotional value to their house. The thought of releasing equity to achieve a temporary heightening of the standard of living seems rather odd to them. For most homeowners the house itself (and its outright ownership) constitutes a high standard of living. Second, the time it took to build or acquire a dwelling and the time they often spent on renovations was an aspect mentioned by older households. Compared to that, the liquid returns they get when releasing their house could be quickly spent. Third, younger interviewees also saw a generational distinction. They assume that general social wealth will decrease and their own generation will no longer be able to accumulate enough capital to behave this way:

*At least that possibility ceases to exist in our generation. No, I really think so. But I believe that's going to decrease in future generations. (Male Respondent, 25–35)*

Fourth, respondents named the Second World War as a reason for this phenomenon. The post war generation suffered from poverty and developed a mentality of austerity. Fifth, it may be related to the considerations about intergenerational transfer. Some respondents considered saving until death as an implicit way of blackmailing the heirs. Old people want to keep their assets as long as possible to “buy love from their heirs”.

No one raised the issue of housing being considered as an illiquid good explicitly. Nonetheless, German homeowners seemed to have difficulties considering it an ordinary asset, which they could buy and sell at any time.

It becomes apparent that *housing generation effects* complement behaviour caused by present age of homeowners. The oldest generation, due to its more prosperous and publicly secured past, is less inclined to see the asset-like character housing equity may have, since they have little necessity of liquidating their homes. The other two generations on the contrary consider their house as such, mostly because the transformation of the welfare state raises the probability that it will become necessary to make use of housing assets. Nonetheless all households consider their dwelling important for old age. The older persons named aspects of security, freedom and the house being a leisure activity by itself. Emotions play an important role in household behaviour with regard to their own dwelling, a role which should not be neglected and already becomes apparent in housing acquisitions and the formation of house prices (Christie et al., 2008; Smith et al., 2006). However in some instances, the youngest saw their self-occupied dwelling only as a starting point in real estate acquisition.

## Conclusion

In this paper we have provided an outline of the general structures of feelings (Williams, 1977) and habitus (Bourdieu, 1982) of German homeowners towards their housing equity. To which degree do people of different age groups and generations appreciate their home as an asset for old age and part of their retirement strategy? By means of our 36 qualitative household interviews this question can partially be answered.

Retirement strategies of different age groups do differ. Younger households (age 25–35) in our study acknowledged that they would no longer be able to rely solely on statutory pensions. Therefore they bought property or thought about other ways of financing their retirement and old age. Nonetheless it seems overrated to talk about a ‘strategy’, although compared to usual tenants the youngest age group already took a lot of private precautions, since they entered homeownership at a comparably young age.

Nursing care in old age is a very sensitive topic for all households interviewed in this study; very few could point out a clear strategy. The political agenda underlines and strengthens these feelings of insecurity, for Germany is – also pushed by the newly elected government in autumn 2009 – re-opening the discussion as to whether people should rely on public health care or adjust to the perception of having a health industry sector, whether health and care services are a public good, or are part of a productive industry (Mardorf and Böhm, 2009: 268).

Concerning our observation of a transition regarding households’ predisposition towards the use of their dwelling in old-age, changes in attitudes seem very likely. In a broader sense Ronald gives a similar testimony for the

role of housing in corporate and social democratic welfare regimes, claiming home ownership may augment privatization and marketization (2008: 242). Whereas persons in the oldest cohort (age 65 to 75) still consider their dwelling as the last resort they would touch, younger groups seem more willing to give up their housing equity in later life stages and adapt to the classical consumption concept of the life cycle model (Friedman, 1957/2008).

As we have tried to show in this article this behavioral change is not only age dependent. The assumption that younger households would behave later in life the same way the older people in our study do momentarily, seems implausible, since fewer statutory and less further assets, besides the self-occupied dwelling, will be available. Behavioral patterns described are strongly related to *housing generation effects* and associated household regimes. Our hypothesis is that the period of household formation and real estate acquisition determines the following uses and attitudes towards housing. This leads to the conclusion that households that bought their homes in a time of economic prosperity, like the homeowners we labeled *the Wirtschaftswunder generation* (“economic miracle”), does not attach asset-like qualities to their housing equity. Whereas the two younger groups – both of whom founded their households in the transitional period before and after reunification and during successive retrenchments of welfare benefits – are forced to consider their dwelling also as a savings account for later life stages.

- *The Wirtschaftswunder generation*, corresponding to the age group 65–75, developed a feeling of financial security. Their real estate acquisition took place as a consequence of the financial ability to buy and is not necessarily part of a larger financial strategy. They are relaxed when faced with issues relating to pension and nursing care and only marginally include their housing equity in their future planning.
- *The pre-reunification generation* corresponds to the age group 45–55. Their real estate acquisition often took place in the transitional period of pre- or post-reunification. In the interviews they often reacted cynically to questions about old-age provisions, which indicates the insecurities they feel. The fear of downward mobility and social decline is something they implicitly seem to struggle with.
- *The post-reunification generation* lived through the decline of the paternalistic welfare state and got used to the emphasis on individual responsibility in future planning, which is a development that they were young enough for to anticipate and adapt to. Being relatively young homeowners in Germany, potentially experiencing further concussions of the financial crisis and mostly having incomes too low to set and follow an independent agenda, at this moment, they continue to observe and anticipate the future.



On the basis of our household interviews, the observation of the transition regarding households' predispositions towards their dwelling can be confirmed. The younger the households interviewed were, the more often they described a connection between housing assets and old-age provisions.

The new challenge which following generations will have to face is the anger of losing momentum in intergenerational financial transfer. Demographic change is thus not necessarily inheritance friendly, although fewer young people are faced with a larger group of older people. In most instances the opening opportunity to buy a dwelling may still shrink, since rising numbers of older households are forced to live off their real estate savings. The political intention of raising homeownership rates in Germany can therefore not be sustained while social welfare systems are being thinned out. The time in which ownership households can neglect their dwelling in their financial planning and only regard it as a final safeguard in case of emergencies may therefore have reached its end.

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