

Analysis of Housing Options for the Young Population

Mariana Oliveira Dimas Teles Nogueira

Department of Civil Engineering | Instituto Superior Técnico | Avenida Rovisco Pais, 1 1049-001 Lisbon Portugal

Introduction

The path to achieving residential independence raises many questions related to possibilities and obstacles that prevent or delay young people from achieving their emancipation.

Emancipation is fueled by the values of autonomy and independence as expressions of self-realization, where the cultural influences and dependence of the family of origin as a resource to ensure financial and housing support, have great weight. Concerning economic factors, emancipation is influenced by education, the increase in young people's qualification levels, the condition of the labor market, public housing policies, the real estate market, and its shortcomings.

Young people are an especially vulnerable group with significant difficulties in accessing good affordable housing, especially in capital cities. The Portuguese real estate market is a complex and non-regulated system influenced by many private and public entities besides depending on territorial, political, judicial, economic, financial, normative, regulatory, and social factors in each country, region or municipality. The micro-economy of companies, owners, and families are also factors that influence the real estate market (Grupo de Trabalho do Programa Renda Acessível, 2017). Thus, it was necessary to understand the influence that the real estate market has on the young population.

The main objective of this study is to identify and analyze the factors that may influence the residential situation of young people, their relationship with the labor market, and the real estate market.

Through the identification of the problems and desires of young people, relationships were established between indicators that led to the preferences of young people about housing.

The Youth Population in Portugal and the Residential Real Estate Market

The real estate market is influenced by the supply and demand variables that affect housing prices. In the long run, demand for housing is determined by variables such as households' disposable income, demographic changes, characteristics of the tax system, and the level of interest rates. And supply is determined by the availability of land for construction and its cost, as well as the costs of construction or investments made in improving the existing housing stock (Rodrigues & Lourenço, 2017).

Housing prices signaled the beginning of a downward correction in 2007 and 2008. This trend was widespread in the vast majority of countries, occurring regardless of whether prices had risen or fallen in previous decades, reflecting how the collapse of the US subprime in 2007 spread rapidly around the world and the impact that housing market developments have on the economy. The main factors of housing

price growth are GDP per capita and the unemployment rate. An increase in GDP per capita has a positive impact on housing prices, while an increase in the unemployment rate leads to a decrease in housing prices. The interest rate on housing loans and residential investment is negatively correlated with housing prices. And the last explanatory variable is residential foreign investment. The coefficient of housing investment by non-residents affects positively and significantly the growth of housing prices. The strong growth observed until 2011, and the upward pressure on housing prices due to foreign investment may have contributed to contain the reduction in prices (Rodrigues & Lourenço, 2017).

The effect of Golden Visa on the acquisition of real estate by foreigners (particularly in the luxury segment), in a movement led by residents of Chinese origin, is significant (Banco BPI, 2017). Since the creation of this scheme, at the end of 2012 until April 2020, the total investment has exceeded 5.1 billion euros of which 4.6 billion euros were for the acquisition of real estate (SEF, 2020).

In this paper, the housing access effort was used to assess residential exclusion, incorporating elements of demand such as the age and purchasing power of individuals. The values of the average remuneration of young people in the Lisbon Metropolitan Area were analyzed by age groups from 18 to 24 and 25 to 34. And on the supply side, the price of rents contracted in the municipalities of the Lisbon Metropolitan Area was analyzed.

The study of the effort in access to housing for young people between 18 and 34 years old in the Lisbon Metropolitan Area for the last quarter of 2019, led to the conclusion that the situation of young people is very unfavorable. Especially

for young people who want to live alone, having to bear effort rates above 50%, being more severe in the ages between 18 and 24 where the calculated effort rate was 69%.

It was also possible to conclude that even for young people wanting to share the residence with other people, the most favorable solution would be home sharing between a couple without children, as they could share the costs of the smaller type (T0) with an effort rate of 35% for the 18 to 24 age group and 27% for the 25 to 34 age group. If two friends shared a T2, the effort rate would increase to 61% (18 to 24 years) and 47% (25 to 34 years). Even in the larger typologies, which allow more people to share housing and consequently a higher cost-sharing, the effort to access housing remained very high. In the case of young people between the ages of 18 and 24 who could live in a T4 by dividing costs by 4 young people, the effort rate would be 58% for each. And for those aged 25-34, the effort rate would be 44%.

Analysis of Housing Preferences

The preferences of young people regarding housing were defined according to their individual characteristics, financial situation, the influence of the social class of origin, and current housing situation. As well as the conditions of access to housing for this group, namely, the difficulties in acquiring independence and residential autonomy and how, the various factors mentioned above relate to and condition this path. Additionally, the present work has taken into consideration the subjective perspective of conditioning factors that affect the dynamics of the transition to adult life and that reflect the paths and housing strategies experienced by the young population.

Sample characterization

The data used in this statistical study was obtained through an online questionnaire and distributed online through social networking platforms, completely anonymous and voluntary. The questionnaire was launched in September 2018 in Portugal and the sample consisted of 430 young people between the ages of 20 and 35. They were divided into age cohorts 20 to 24 (42%), 25 to 29 (44%), and 30 to 35 (14%). From the total sample, 6% were married and only 1% had foreign nationality. There were more female respondents (61%) compared to males (39%).

As for the level of education, less than 1% had only primary education, less than 10% had secondary education, about 2% a professional course. Most of the sample consisted of young people with a bachelor's degree (42%) and a master's degree (45%) and only about 2% had a Ph.D.

Of the 430 respondents, 56% were employed, 40% were studying and only 4% were unemployed or inactive. Of the young people who were studying, the vast majority (about 78%) were studying full-time, 19% were combining their studies with part-time work and the remaining 4% were combining their studies with full-time work. For those who were working, the condition of working under a permanent contract accounted for 50% of the responses collected, followed by the regime of working under a fixed-term contract (22%). The work activity through green receipts represented 13% of this group, the internships, and programs around 6%, and self-employment represented 3% of this group.

Moving on to the indicators of the financial situation, about 36% considered themselves completely dependent, 33% completely independent, and 31% were in a situation of partial dependence, receiving financial help from the family. The completely independent young people were questioned about how old they were when they reached autonomy and the results showed that the age of 25 was the most significant (29%). Introducing the subjective perspective of individuals with the estimation of their financial situation through qualitative parameters¹ it was found that 46% had enough money for food and clothing and were able to save some money, reflecting a reasonable and stable situation for almost half of the total sample. 32% had enough money for food and clothes but could not save money, 11% considered that they could buy whatever they wanted, 8% had "money for food but not for clothes" and 2% of the group were in a situation of poverty not having "enough money for food". More than half (57%) of the respondents answered that they were satisfied with their financial situation.

The influence of the role of the social class of origin was analyzed through three indicators. The level of education of the mother, the level of education of the father, and the estimation of the financial situation of the household of origin. Regarding the educational level of the household, it was found that there was a high number of parents with a bachelor's degree. Household financial situation estimation was analyzed by qualitative parameters with 50% considering that their household had enough money for food and clothes and could still save

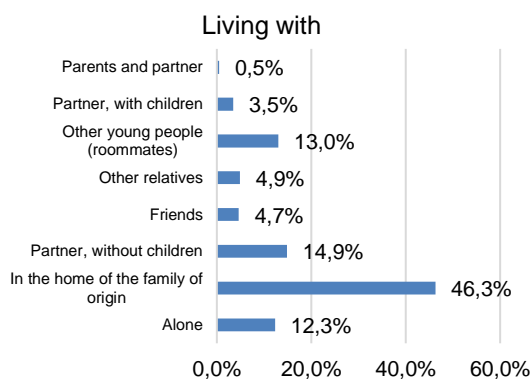
¹: Very bad: "I don't have enough money for food"; Bad: "I have enough money for food but not for clothes"; Average: "I have enough money for food and clothes but I can't save money"; Good: "I have

enough money for food and clothes and I can save some money"; Very good: "I can buy whatever I want".

some money, followed by 30% with a very good family condition where they could "buy whatever they wanted".

For the study of the current housing situation of each young person, several indicators were selected: location, organization of the housing arrangement, condition of the property where they live.

As to location, 29% of the respondents lived in the suburbs of Lisbon but within the Lisbon Metropolitan Area, 15% lived in another municipality in Portugal (outside the Lisbon Metropolitan Area) and 7% lived outside Portugal. The indicator of housing arrangements was designed to differentiate between the various forms of residential arrangements of young people, including the multiple forms of cohabitation. Only 12% of young people in this study lived alone, so the remaining 78% lived organized in different forms of residential sharing. The vast majority (46%) lived in the home of their family of origin.



The continuation of the study of the current housing situation of each young person was defined according to two different paths. The young people who have already left their family home and those who still live in their family home.

Living in the family home

Analyzing first the young people living in the family home it was verified that 84% lived in a

house bought by the family, 9% in a rented house, and 7% in an inherited house or of other relatives. These results are consistent with what has been studied, proving the common scenario of the southern European countries, where there is a preference for a housing system of property ownership over rent.

It is important to note that 44% of young people living with their families of origin were dissatisfied with their location. The young people who lived in the family of origin home considered the location the most valued factor followed by the conservation status of the property, the typology, and the area. The least valued factors were the materials quality and the existence of air conditioning and heating. In terms of location, the most relevant factor for young people living in the family home was belonging to a safe and quiet neighborhood close to public transportation and services.

It was considered that for a large majority of this group the transition of leaving their parents' home has not yet occurred and therefore the estimated age for the future achievement of residential independence was analyzed, limiting the range of responses to a minimum of 21 years and a maximum of 40 years. The results obtained show that the preferred ages to obtain residential independence were 25 and 26 years. And when asked about the greatest difficulties experienced that most influenced the fact that they still lived in their parents' homes, the answers indicated that it was the financial independence and the increase in real estate prices that made residential autonomy more difficult.

Living without the family of origin

For the young people who lived without their family of origin more than half (62%) lived in a rented house, followed by those who lived in a

house that was not their own but did not pay rent (12%), in a home with a mortgage (11%), inherited or donated home (6%), student dormitory (5%) and only 4% lived in a fully paid property of their own.

For those living in a rented house 59% paid a rent fewer than 500 euros, 15% paid rent between 500 and 600 euros, 9% paid rent between 600 and 700 euros, 6% paid a rent above 700 and 800 euros, 5% paid rent between 800 and 1000 euros and 6% paid a rent above 1000 euros.

In addition to the rent value, it was also considered important to understand the existence of situations in which there was social support for help, having occurred in only 6% of young people living in a rented house. The help programs mentioned were in the large majority Porta 65 Jovem. It is important to note that all those who were still paying a mortgage used bank credit and the majority of those who lived in their own home already fully paid used a loan from their family. Showing the importance of the family in homeownership.

The young people who had moved out of their family home selected the location as the most valued factor of a house, followed by the price and conservation status. They valued living in a safe and quiet neighborhood, close to public transport and services (e.g. schools) and the workplace/study. The least valued factor was the proximity to the family's home location.

The young people who lived out of their family's home had already gone through a housing change at least once, so it was considered important to study the reasons that led them to move. The three factors that most contributed to the change of residence were related to personal life, professional career, and leaving the family home. And the factors that were least

important in the decision to move were regression of social status, improvement of social condition, and a change related to the improvement of house conditions.

The difficulty in obtaining financial independence and the increase in real estate prices were pointed out as the factors that made it more difficult to achieve residential independence. The results show that financial independence was achieved at the age of 18 and 25 and it should be related to the end of the normal academic path and for many, the entrance into university and the 25 years old should be related to the end of the university path.

Young people's housing preferences

In the questionnaire, the following question was asked: "Are you satisfied with your housing situation?". It was considered important to understand what dissatisfied young people would choose so that their situation could meet their expectations. Thus, a set of questions were created that were directed only at the young people who would like to change their residential situation after the negative answer to the question mentioned above. The sub-group of questions was created for all the young people who were dissatisfied in the sample, corresponding to a total of 261 participants which is equivalent to 65% of the initial sample, demonstrating the great dissatisfaction of the respondents with their residential situation. In this way, the idealized/theoretical preferences of this group regarding housing were analyzed. Starting with the location, the vast majority (61%) of young adults chose Lisbon as the ideal place to live. The surroundings of Lisbon were the preference for 21% of the participants, followed by the option of living outside Portugal (10%). And finally, the least selected alternative

was living in another municipality of Portugal (outside the Lisbon Metropolitan Area) representing 9% of the sample. Regarding the preferential housing arrangement, it was found that the form of residential sharing with a partner without children was the most popular (45%) arrangement among dissatisfied young people. Followed by the choice of living alone (28%), living with partner and children (12%), sharing a house with friends (10%). The least popular arrangements were home sharing with other young people (2%), living with the family (2%) and living with other relatives (1%). The rental system was the preferential form of access to housing for more than half (53%) of dissatisfied young people. The remaining 47% preferred to acquire their own home. About half (55%) of this group defined the amount of 500 euros as the maximum that they were willing to pay for the rent of the house. About 24% were willing to pay between 500 and 600 euros, 12% between 600 and 700 euros, 6% between 700 and 800 euros and only 3% would pay between 800 and 1000 euros. For the group that selected to buy their own house, about 53% preferred to buy their own house with the help of their family or other private individuals, and about 47% preferred without help.

Regarding the characteristics of the property, about half (56%) preferred typology T2, followed by typology T1 (36%) and typology T3 (28%). It should be noted that the T0 typology had a higher representation than the T4 and higher typologies, which reflects a preferential trend towards smaller typologies. Some factors may condition the choice of a home, and for this group, the price (28%) and location (25%) were the most important factors followed by the conservation status (18%), area (11%), typology (10%), quality of materials (6%) and

the air conditioning or heating. For the location, they would opt for a house located in a safe and quiet neighborhood near the working or study zone and public transportation.

Data Analysis

This chapter aims to relate the indicators mentioned above, creating relationships that can help to perceive and deepen the study of young people's behavior in about their residential situation and consequently obtain a better image of the possibilities of residential autonomy.

Residential status

Between the ages of 20 and 24, young people lived mostly (62%) in their family home, and it was more common to live with unknown housemates (19%) than with friends (4%). From 25 to 29 years of age, there was a reduction in the number of young people living with their family of origin, however, it remained the largest representative portion of this group. Between the first and second age group, there was an increase in the number of young people living alone as well as those living with a partner without children. The third age group (30 to 35 years old) was marked by the large percentage of young people living alone (30%), with a partner without children (25%) and with a partner with children (15%).

Most of the people living in a family home (84%) lived in a bought house, less than 10% lived in a rented house and about 7% in a house inherited or from other relatives. For young people living without their family of origin, the rental system was the most representative, except only in the case of young people living with a partner and with children. The group in which the residence in a rented house had greater weight corresponded to the case of young people living with friends. More than half

(56%) of the young people living in a fully paid home lived alone and more than half (52%) of the young people living in a loan-paid home lived with a partner without children or with children (32%). The proportion of young people living without their family in a rented house was higher in the 25-29 age group. And homeownership with a mortgage had the greatest impact from age 25 onwards.

Financial status

Looking at financial independence by age group, most of them completely dependent young people were between 20 and 24 years old, more than half of those still receiving help from their families was between 25 and 29 years old, and more than half of those who were completely financially independent had 25 and 29 years old. Financial independence started in the group between 25 and 29 years old.

Many of the respondents who did not have sufficient earnings to acquire financial independence (63% in the case of the completely dependent and 60% in the case of the partially independent) lived with their family of origin. Half of those who lived in a rented house was completely independent. More than half (67%) of those living in a student dormitory was financially dependent, half of those living in a house that was not their own but was not paying rent was completely independent and the majority (76%) of those paying mortgage was completely independent.

Half of the young people who paid rent spent between 20% and 40% of their income on housing. It was considered important to realize which values of rent were related to an overburden of housing expenses, above 40%. More than half of the group that spent between 40 and 50% of their monthly salary on housing-related costs paid rent up to 500 euros. And the

same situation was found for groups spending between 50 and 60% and 60 to 70%. Half of the young people who lived with their friends spent between 30 and 40% of their income on housing-related expenses.

It was possible to verify that the salary percentage spent on housing is considerably lower in the case of those who live in their own home and pay bank credit. In the higher income brackets spent on housing, young people who are paying a home mortgage are no longer represented.

Educational status

The group from 25 to 29 years was considered the most qualified. Most of the young people who were financially independent had completed a master's degree (63%) and most of the young people who were completely dependent had completed a bachelor's degree (51%). Showing the existence of young people with high levels of qualification being dependent on additional financial help. These results demonstrate a tendency similar to the southern European countries where the role of the family is central and the co-existence between young people and their families is extended. The social class of the parents was pointed out as one of the most relevant variables in the definition of the young people's property system. For one thing, parents can help their children in various ways, with their resources, in the access to own residence, protect them from the instability of the labor market, and the rigidity of the real estate market. Furthermore, they can support and help their children to achieve their employment ambitions, which often involve moving from one place to another. Families in southern Europe most often help their children to buy their own home and thus transmit to them

cultural values that encourage the transition to private ownership (Filandri & Bertolini, 2016).

Influence of the social class of origin on the educational level

The level of education of the young people in this study increased with the level of education of their parents and with the financial estimation of the household of origin.

Subjective estimates of personal circumstances

As mentioned above, the subjective perspective of the young people questioned was considered through the following indicators: estimation of the financial situation²; satisfaction with the material situation; estimation of the financial situation of the household of origin; the reasons that led the young people to leave home and what were the greatest difficulties to achieve residential independence.

Regarding material satisfaction, only in the groups living with a partner with children and in the group living with parents and partner the number of dissatisfied were higher than the satisfied.

Almost all the groups were in a medium/good financial situation, where they could save some money and many of the young people who were completely dependent considered their financial situation to be "good" (43%), in which they had the money for food and clothes and were still able to save some money and "very good" in which they could buy whatever they wanted (12%), which shows the tendency to rely on the family of origin to provide additional financial support.

More than half (61%) of this study respondents were dissatisfied with their residential situation and those who lived with their family of origin were the ones that manifested the most.

Followed by the ones co-living with unknown people. The most satisfied groups lived alone, with a partner and children and the ones that lived with other relatives. Those who lived with friends were equally satisfied and dissatisfied.

Conclusions

The results obtained in this study provide information on the process of achieving residential autonomy in the context of transition to adult life for young Portuguese. As seen in literature studies, respondents to this analysis were influenced by cultural factors such as the values and attributes of the young population, their age, economic factors such as education, their labor market position, their financial status, social housing policies, and the real estate market. It was found that one of the main strategies adopted by young people in this study to deal with their residential situation was to live with their family of origin.

Just under half (46%) of the 431 respondents in this study lived with their original family and the vast majority (84%) of these young adults living with their original family lived in a purchased house. This shows that the results obtained are in line with the previous literature since, in Southern European countries, such as Portugal, there is a high percentage of homeowners in the real estate market. In the sample studied, only 9% of the young people living with their family of origin lived in a rented house, a very contrasting situation compared to the case of young people living without their family of origin, who represented about half (54%) of the 431 respondents, where more than half (62%) lived in a rented house. These factors led to the consideration that the large representative slice, which may express the

interaction of young people with the real estate market, is found in this group that did not live with the family of origin. A group characterized not only by students but by a large proportion of non-students and young families in the private rental sector, as in the study by authors (Hoolachan, McKee, Moore, & Soaita, 2017), for the case of Scotland and the UK.

The rental market has been pointed out as a cause for the delay in the emancipation of young people. In countries where there is a greater supply of rental housing combined with competitive prices that are attractive to young people leading to a decrease in the effort to access housing, there is a reduction in the time needed to achieve emancipation (García, 2017).

In this study, the effort of housing access was evaluated on the demand side through the values of the average remuneration of young people in the Lisbon Metropolitan Area by age groups and on the supply side, through the price of rents contracted in the municipalities of the Lisbon Metropolitan Area. The results obtained led to the conclusion that the situation of young people is very unfavorable. Especially for young people who want to live alone, having to bear effort rates above 50%. The most favorable solution would be home sharing between a couple without children, as they could share the costs of a smaller house. These results are in line with the data taken from the research. For young Portuguese in this study who lived in a rented house, 26% spent between 30 and 40% of their income on housing-related expenses, and 25% spent between 20 and 30%. There were young people paying more than 80% of their salary in housing. The statistics are even more significant when it is noted that about 37% of the young people who rented a house

supported housing costs above 40% of their monthly income.

To reduce residential exclusion resulting from market failures there was a need to set up national programs to support access to housing and approved by the Government. In this study, there were young people with access to Porta 65 – Jovem but only 6% of those who lived in a rented house had access to it. Showing that although there are support programs for young people, not many can get this help. In this specific program, for young people up to the age of 35, support is given through the allocation of a percentage of the rent as a monthly contribution. However, the value of the rent cannot exceed the maximum rent allowed in the area where the dwelling is located and for the typology of the house. For the Lisbon Metropolitan Area, the typologies T0 and T1 can have a rent up to 578 euros, T2 and T3 up to 752 euros and T4 and T5 can have rent values up to 865 euros per month (Instituto da Habitação e da Reabilitação Urbana, 2020). Comparing these amounts with the average rental price per type in the Lisbon Metropolitan Area, it was possible to verify that the market rental values can easily exceed the maximum value required by the Porta 65 – Jovem program, especially in the city of Lisbon.

Despite the limitations of this study, the results highlighted the general evidence that gives an idea of the critical factors that influence young adults in achieving residential autonomy. As previously mentioned, the main strategy of young people concerning housing was to depend on the resources of their family of origin and not on social support and government policies. And although some social support housing programs have been introduced, as mentioned above, these programs are generally

targeted at vulnerable social groups and there is no place for middle-income households who cannot access housing market prices appropriate to their needs and are not eligible for other housing programs. It is therefore necessary to encourage government intervention to discover other strategies that provide young people with opportunities to access housing.

This study identified several areas for possible future studies, considering it important to explore the ways government entities can influence the diversification of the current real estate sector. Furthermore, an in-depth investigation of young people's housing transitions, relating cultural and social factors and housing preferences, would provide valuable information on the strategies used by young Portuguese people to solve the housing difficulties they face.

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