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How do house prices affect social mobility?

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Economic and Social Research Council

Homes England

Acknowledgement/disclaimer

The permission of the Office for National Statistics to use the Longitudinal Study is gratefully acknowledged, as is the help provided by staff of the Centre for Longitudinal Study Information & User Support (CeLSIUS).

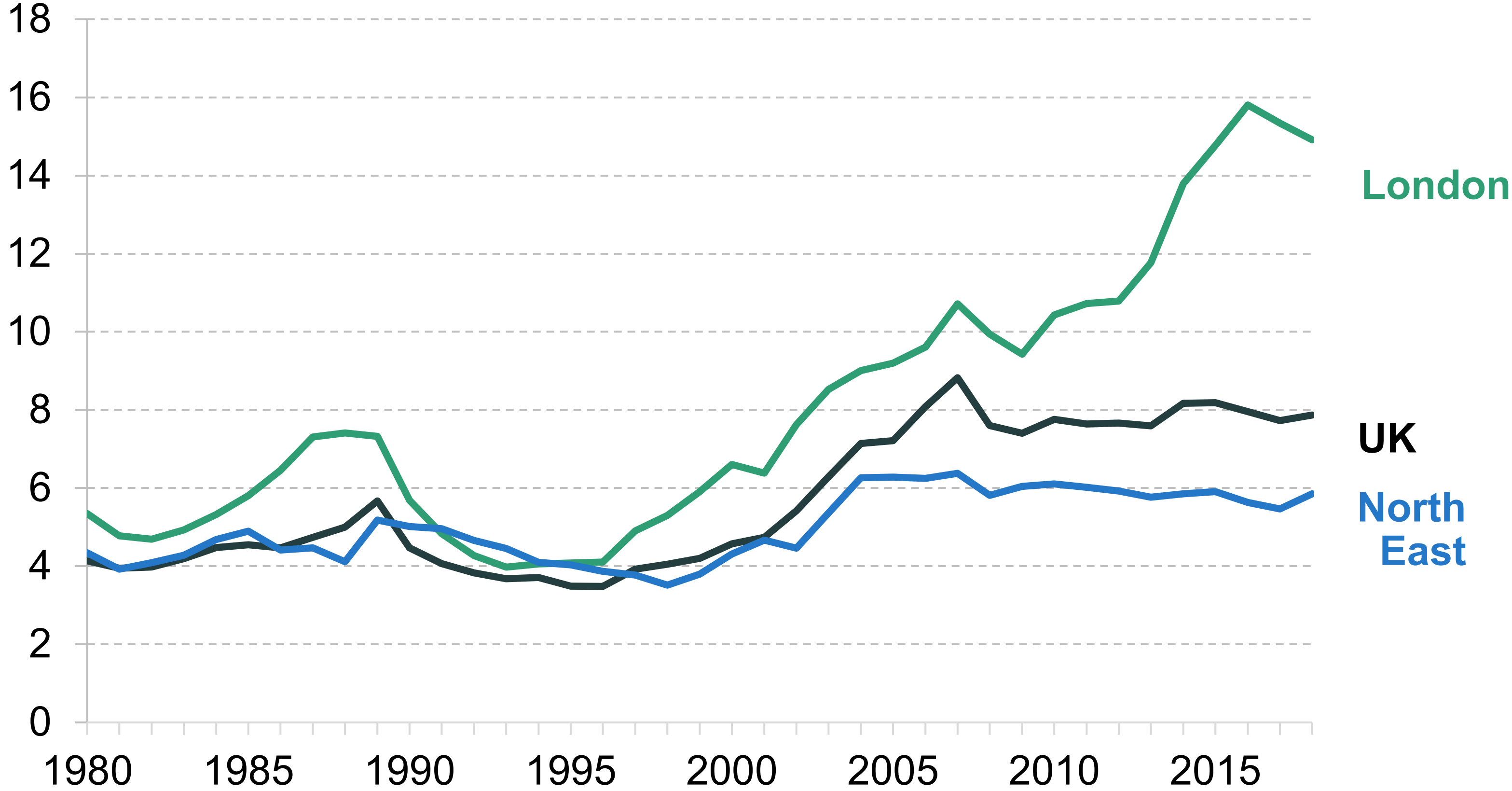
CeLSIUS is funded by the ESRC under project ES/V003488/1. The authors alone are responsible for the interpretation of the data. This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates

How might house prices affect social mobility?

- **This paper**: how did the UK house price boom in late 90s, early 2000s affect social mobility?

- Two ways house prices affect social mobility
  - **High/unequal house prices:** Restrict access to most prosperous labour markets to those from wealthier backgrounds
  - **Rising house prices:** Increases wealth inequality among parents according to their location, ownership status

House price to annual household earnings ratio



Note: Figure shows the mean region house price from the Nationwide index divided by mean household earnings in that region. Average earnings by region are taken from the Family Expenditure Survey and its successors (1980- 2002), the British Household Panel Survey 2002-2008 and UK Household Longitudinal Study, 2009-2018. Source: Levell and Sturrock (2026).

Our questions

- Does parents’ housing wealth shape young people’s choices over where to locate, and their labour market opportunities?

- More fundamentally: does parents’ housing wealth have a *causal* impact on children’s outcomes?

Data

- Data on individuals in England and Wales from different censuses (1971 onwards) have been linked through the ONS Longitudinal Study
  - So far, we use data up to and including the 2011 census
- Can see records of individuals when they are children - and info on their parents and homes - when they are growing up and after they have left homes
- Use this to compare children of the 90s-00s property boom (born 1974-1983) with each other in 2011 and with previous ‘cohorts’ at same stage of life
  - Aged 8-17 in 1991 census
  - Aged 28-37 in 2011 census
- NB: the census doesn’t ask about value of home or earnings, so we must impute these based on available info

Challenge

- Simple approach: compare outcomes of children of parents with more or less housing wealth

- But young adult’s outcomes are determined by many factors:
  - House prices, local economy, child’s preferences…

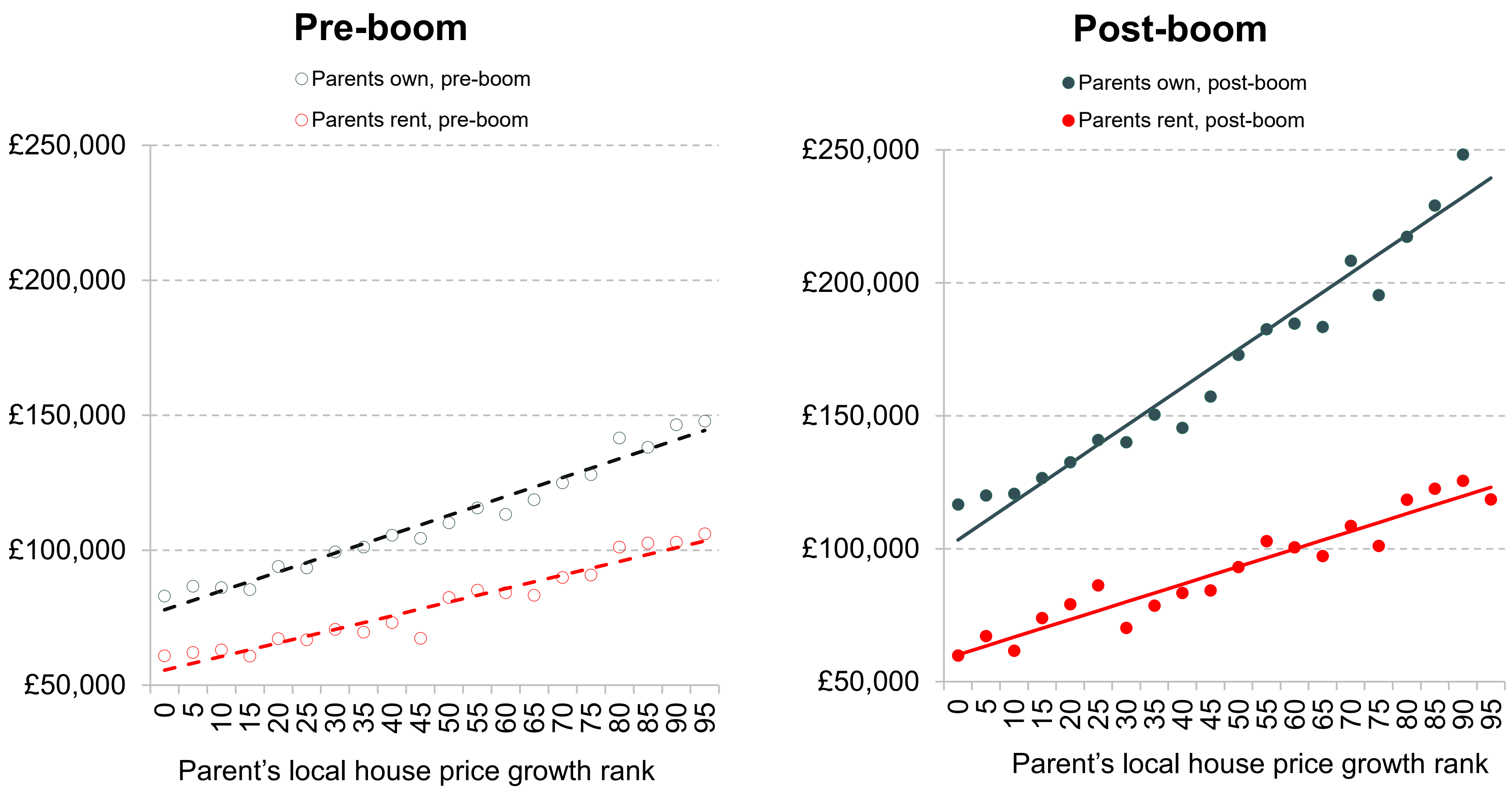
- When we see that children of wealthier parents are wealthier themselves, does this reflect the impact of parents’ resources (e.g. housing wealth), or other (correlated) factors

- Ideal experiment: Randomly hand out housing wealth to some parents and not others and measure impacts on children

Our approach

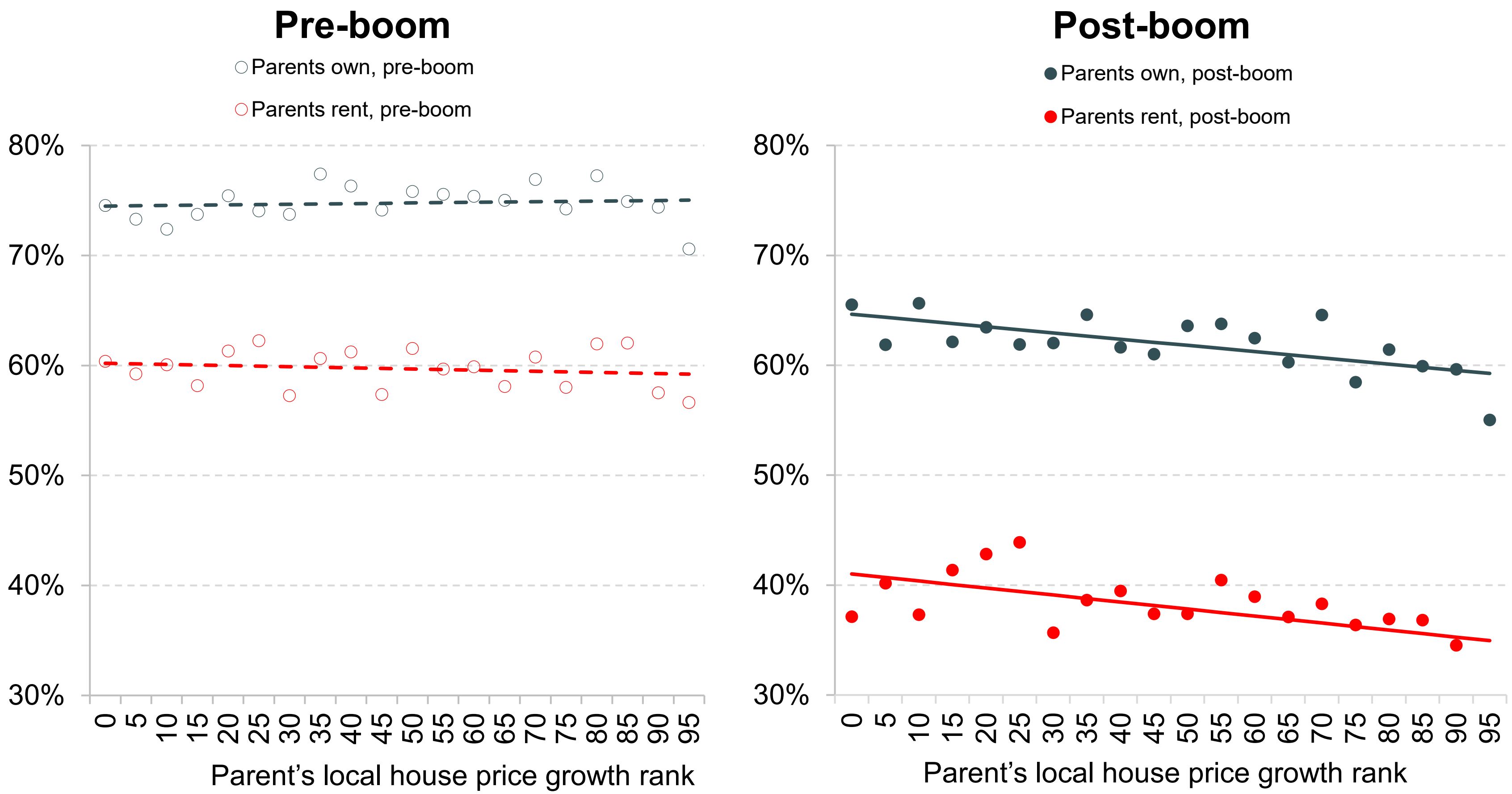
- Take an outcome – e.g. children's homeownership rates when they're 28-37
- Compare the *gap* in these outcomes for owners and renters
- If this gap grows larger in areas that see faster house price growth, attribute to housing wealth
  - (rather than differences across areas, or permanent differences between owners and renters)
- Also: control for parents' occupation, education and other characteristics

Results: housing wealth



Note: Pre-boom cohort refers to those born 1954–63 and post-boom cohort is those born 1974–83. Ownership rates and housing wealth when individuals in each cohort are aged 28–37. The horizontal axis shows ventiles of local authorities for the distribution of house price growth between 1991 and 2011. Source: Levell and Sturrock (2026). Uses ONS Longitudinal Study.

Results: homeownership



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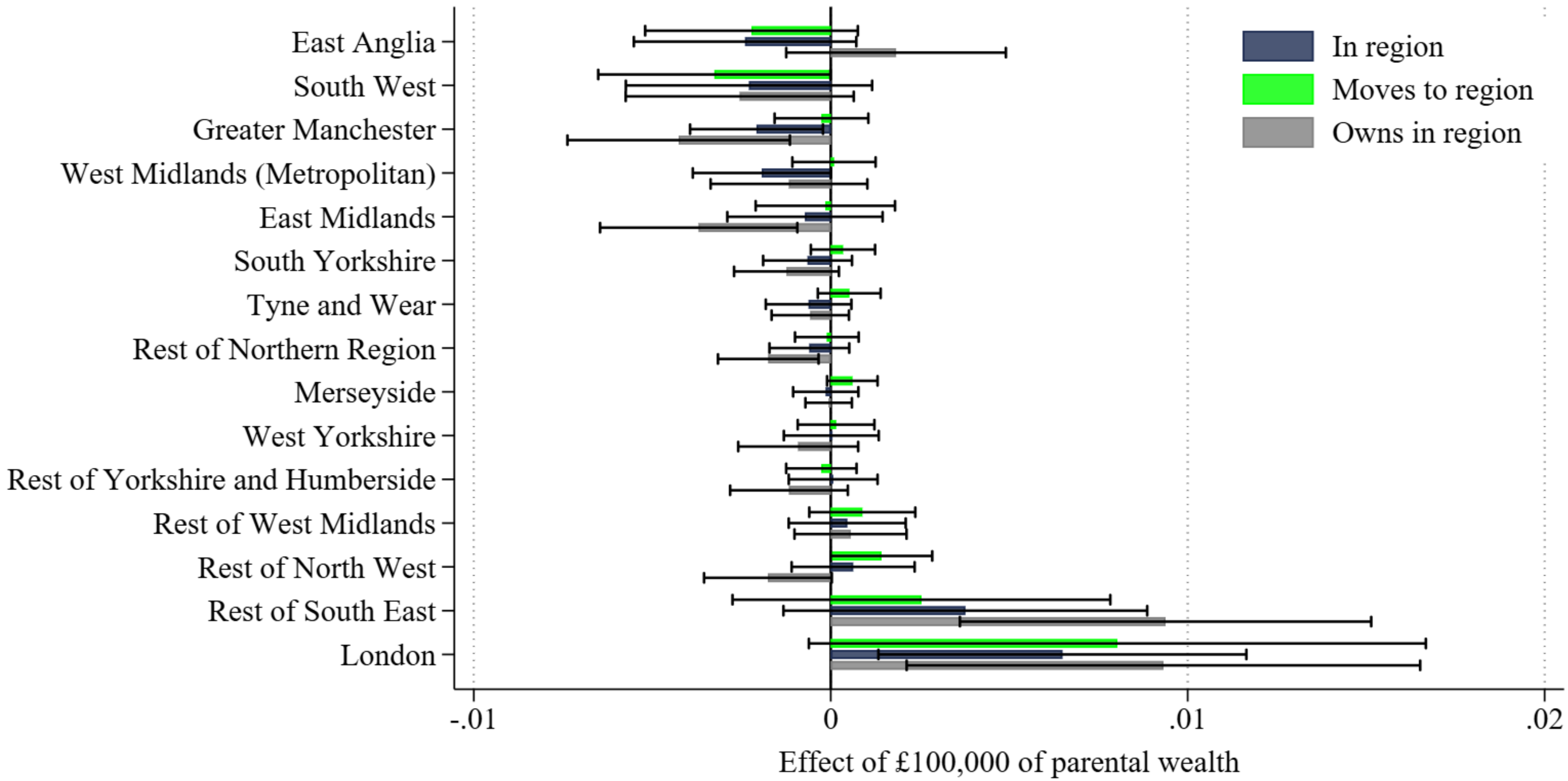
Takeaways so far

- These patterns hold up in more complete regression analysis
- Finding: Having parents who have £100,000 more gross housing wealth causes a child to attain around £15,000 more in gross housing wealth at age 28 to 37.
- But no effect on homeownership rates ('getting on the housing ladder')
- ⇒ children of richer parents just as likely to buy, but when they do buy, they buy more valuable homes
- What accounts for this?
  - Key reason is *where* people are buying when they buy

Effect on being in, owning in, and move to/from regions



Note: Coefficients from 2SLS regression of housing wealth on location aged 28--37. Source: Levell and Sturrock (2026). Uses ONS Longitudinal Study.

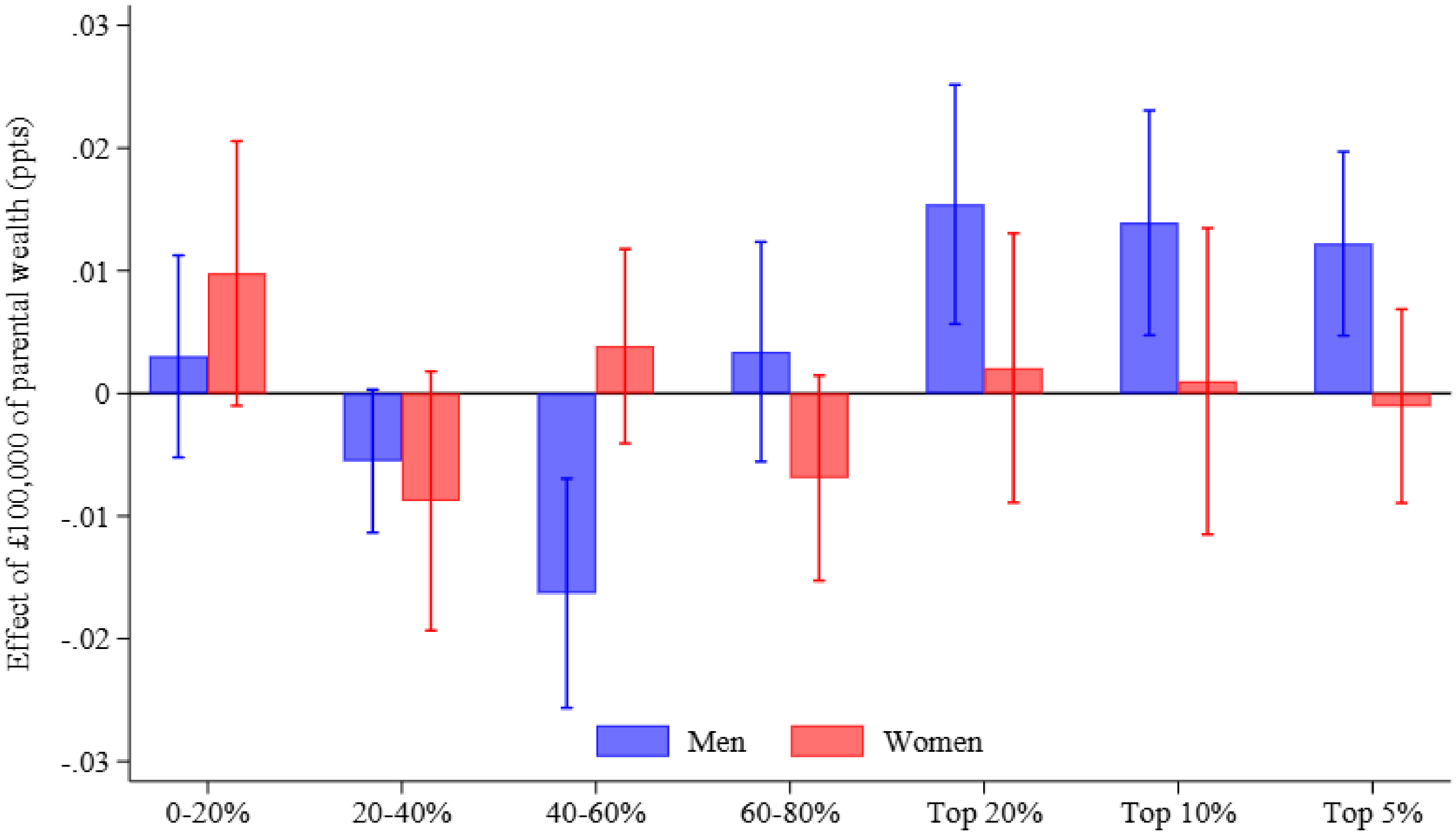
Labour market opportunities

- Parental housing wealth thus helps children gain, or maintain, access to the most prosperous places in London and the SE.

- Did this (along with other advantages conferred by wealth) translate into greater success in the labour market/higher wages?

- While earnings aren't asked about in the census we do know what types of jobs people hold (occupation, industry hours, worked) giving us a measure of their earnings potential...

Effect of parental wealth on probability of having earnings in selected quantiles



Note: Coefficients from 2SLS regression of housing wealth probability of being in different sections of the earnings distribution.
Source: Levell and Sturrock (2026). Uses ONS Longitudinal Study and Labour Force Survey.

Summary

- Children of parents who benefited from property boom, more likely to...
  - Have greater property wealth themselves
  - Buy house in London
  - For men: enter highest-earning occupations

- Property wealth gains among parents confers advantages to their offspring

- ⇒ policies that affect housing wealth gains would affect social mobility
  - Taxation
  - Housing supply constraints in booming areas

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