

RESTRUCTURING OF THE HOME OWNERSHIP SYSTEM IN JAPAN AND BRITAIN

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This paper focuses on a comparative analysis of changes in home ownership in Japan and Britain. Home ownership systems commonly face a more volatile and uncertain economy, socio-demographic fragmentation of home owners as well as the downward pressure on public subsidies for house acquisitions. However, these broader changes are mediated by the socio-economic and cultural contexts and institutional frameworks within particular countries. The paper demonstrates that Japan and Britain share the rapidly globalising economy as a common background while their home ownership systems are increasingly differentiated.

Keyword: 1) home ownership, 2) globalisation, 3) economic volatility, 4) social fragmentation, 5) demographic change, 6) deregulation, 7) marketisation, 8) housing policy, 9) housing system, 10) comparative research

住宅所有の構造再編に関する研究

—日本・英国の比較分析を素材として—

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住宅所有システムは構造再編の時期を迎えている。その実態と含意を日本・英国の比較分析を通じて分析することが本研究の主眼である。住宅所有が安定して拡張した“ゴールデン・エイジ”とは異なり、現代の“グローバル・エイジ”では、日本・英国に共通して住宅価格の流動化、住宅所有者の多様化、住宅市場の規制緩和が進行した。しかし同時に、住宅価格の上昇・下降の実態、住宅資産の社会・文化的意味、持家政策の具体内容に関する両国間の差異は際だっている。“グローバル・エイジ”の社会・経済条件は均質化に向かい、しかし国ごとの歴史条件を媒介して住宅所有をめぐる差異を発生させる、という理論仮説が本研究の結論である。

1. Introduction

In conceptual and policy debates around housing, the role and development of home ownership has been a dominant theme. Its growth has been variously associated with social mobility, social cohesion, financial restructuring and deregulation as well as reflecting increasing affluence and individualism in contemporary societies. The nature of home ownership has inevitably changed over time and has both shaped and been shaped by broader social and economic transformations. Moreover, housing policies and housing systems are inevitably embedded in specific cultural settings. It cannot and should not be assumed that home ownership means the same thing or has similar attributes in different societies. Beyond a common defining feature that home owners are not renting from a public or private landlord, there are a myriad of variations possible. These variations encompass the means of acquisition and financing, rights of disposal on the market, differences in right of ownership over the land as opposed to the dwelling, the nature of the dwelling

stock as well as quality and space standards. Apparent similarities in the levels of individual home ownership in different societies conceal significant variations in policy histories, institutional structures and underlying social norms and expectations. The underlying theme of this report is that home ownership systems commonly face a more volatile and uncertain economic environment as well as rapidly changing social and demographic patterns. However, these broader changes bearing down on housing markets are mediated in important ways by the specific policy and institutional frameworks within particular societies. For example, a rapid downward shift in nominal house prices is likely to have more severe implications in the context of high loan to value ratios, a relatively immature housing finance system, weak informal and family support and in a situation where home ownership levels are high and include many households on low and vulnerable incomes. It is essential that comparative research is highly sensitive to these variations and to the ways in which similar processes can produce very different impacts

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and outcomes.

Before proceeding to the more detailed parts of the report, we can point to some immediate similarities and differences between the nature of home ownership in Japan and Britain. The obvious similarities relate to the strong attachment to the idea of home ownership in both societies. In the popular imagination and popular discourse, the individual ownership of one's place of residence has a prominent position. And in both societies, residential ownership is strongly associated with individual houses rather than flats. Government policy has also been instrumental in the development of the tenure with a strong subsidy bias in most of the post war period. There are, however, important differences. Home owners in Britain are frequent movers, the stock is relatively old and employers have only ever played a very marginal role within the housing system. By way of contrast, rebuilding in site is common in Japan and mobility rates are low once households have moved into home ownership. The idea of the family house on family land is of little relevance to an understanding of Britain's home ownership system. Beyond a very small minority, there is little attachment to a particular piece of land. Indeed, it could be said that while the Japanese own plots of land, the British own dwellings – even though freehold ownership is the norm. The role of government in the respective housing finance systems has also been very different. The dominant lender in Japan has been the Government Housing Loan Corporation. In Britain, there was limited direct financing by local authorities in the 1960s and 1970s but private banks and building societies have dominated. However, the role of the public sector in the direct provision of rental housing has been much more prominent in Britain than in Japan. By 1980 around a third of British households were renting in the state system. The Right to Buy for public tenants in Britain thus created a rapid and significant boost to the home ownership sector – a policy option not available to the Japanese government because of the minor role of public housing. The impact of the Right to Buy is one of the factors contributing to the sharp contrasts in the growth trajectories of the tenure in Japan and Britain. Whereas the level of home ownership in Japan has remained relatively stable in the last two decades, it has increased by some 16 percentage points in Britain.

These and other difference will be explored in the sections which follow but in the context of a number of common pressures and processes confronting systems of home ownership. In the next section, some of these common developments and transformations will be outlined. The following three sections then focus on three key drivers of change: shifts in socio-demographic patterns; the reshaping of economies and labour markets; and the changing policy and institutional context. The concluding section considers the future prospects for home ownership.

The data utilised in the paper are mainly drawn from statistical series produced by government or

major housing organisations. Attempts have been made to ensure comparability wherever possible although definitional and temporal differences mean that direct comparability cannot always be achieved. It should also be noted that data for Britain may refer to England or England and Wales. Within the text, Britain is used as a general shorthand with specific sources noted in the tables and figures.

2. Home Ownership in a Changing World

We have already emphasised that generalisations about home ownership are fraught with empirical and conceptual difficulties. Nevertheless, the development of home ownership in many societies throughout much of the post war period has been in the context of growing real incomes and expanding job markets, growing housing demand fuelled by the baby boom generation, relative stability in family structures and often generous state support. Since the mid to late 1980s the pace of social and economic change seems to have accelerated combined with a pervasive ideological shift. These developments are summarised in terms such as globalisation, neo-liberalisation and social fragmentation (Held and McGrew, 2000; Lechner and Boli, 2000) – all pointing to a less stable and benign environment for housing markets and for the further development of home ownership. It is, of course, all too easy to overstate the degree to which societies were more cohesive, economies more stable and households more secure in a previous *époque*. Moreover, in some societies it is the expansion of home ownership to encompass a wider set of household circumstances and dwelling types which accounts for some of the new difficulties (see, for example, discussion in Forrest, Murie and Williams, 1990). For example, in Britain, home ownership has moved from being a tenure of predominantly younger, middle class households in higher quality dwellings to one in which there are more vulnerable households in a more differentiated housing stock. In other words, economic downturns and family disruptions will inevitably impact more directly and more pervasively on home ownership systems when majorities own. Nevertheless, it is undeniable that demographic shifts, changing social norms and economic restructuring has put greater strains on family life and produced a greater diversity of household structures. Higher participation rates of women in the formal labour market, later marriage, rising divorce rates and lone parenthood and ageing populations have combined to produce a much more diverse and complicated pattern of housing demands and needs and life courses which are less predictable in their trajectories and outcomes. Home ownership as the dominant tenure trend across a wide range of countries in the post war period has therefore increasingly confronted the changing social and economic conditions of what Fukayama refers to as 'the great disruption' (Fukayama, 1999). The decline of the traditional family form and associated trends have admittedly been much more marked in countries such as Britain and the US. Nevertheless, divorce, lone parenthood and later marriage are all on the increase in East Asian societies, often at an accelerating pace (Tan, 2000). And falling fertility rates and demographic ageing are particularly notable in countries such as Japan. The growth

of the single person household at either end of the adult age spectrum is one of the most marked demographic trends, offering a very different context for home ownership when compared with the baby boomer generation of the more immediate post war period.

These social transformations are then combined with the economic and employment changes associated with globalisation to produce a potentially dangerous cocktail of circumstances for home owning households and institutions. Job losses, less secure employment, reduced household incomes, volatile interest rates and reduced social protection have at various times in various countries producing highly damaging impacts for both lenders and borrowers. While there have been cohorts of winners in terms of house price inflation and capital gains, there have also been substantial numbers of losers facing both major problems of affordability and significant falls in nominal house prices (Hamnett, 1999; Bootle, 1996). Countries as diverse as the UK, Denmark, Finland, Hong Kong and Japan have all experienced rapid house price falls and negative equity over the last two decades (Forrest, Kennett and Leather, 1999; Kennedy and Andersen, 1994). Indeed, Japan, Hong Kong and other parts of East Asia are still in the midst of a severe recession in the property market. The links between macro-economies and the health of housing markets have become increasingly intimate. While housing booms fuel consumer confidence and demand, slumps can produce dramatic and prolonged deflationary consequences.

It is fair to say that the precise links between globalisation and housing markets are rather underdeveloped. But the pressures of international competitiveness can be clearly seen in the downward pressure on social spending and state subsidies, inflation and interest rates. As Dymksi and Isenberg (1998) emphasise, processes of deregulation and greater global financial integration are still a long way from creating a global housing finance market in which interest rates and institutional rules are determined globally rather than nationally. Nevertheless, they argue that a common feature of the new 'global age' for home ownership is a shift in risk from institutions to households and a weaker state safety net for those who become casualties. This rising casualty list has been evident in the growing numbers of households in mortgage arrears and in possession cases brought against defaulting households (Diamond and Lea, 1992). Both individuals and institutions face increased risks in a low inflation environment where the users costs of capital can be high and money accumulation though house price inflation is negative or limited. As Bootle (1996) argues, the high inflation rates experienced in countries such as Britain in the 1960s and 1970s made borrowing cheap, mobility easy and enhanced significantly the attractions of home ownership. While real pressures such as rising rates of household formation and rising real incomes (for some if not all) may well continue to push house prices upward, persistent low inflation is likely to moderate significantly the rate of increase as well as to contribute to greater volatility.

We can attempt to summarise the changing context for home ownership by comparing what could be seen as its 'golden age' with what Dymksi and Isenberg (1998) refer to

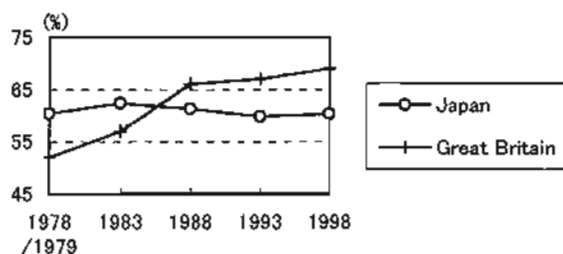
as the 'global age'. The golden age for home ownership in many societies was characterised by rising real house prices, growing job security, expanding state sectors and subsidies, high general inflation and relatively affluent purchasers. The global age features low inflation, falling or stable house prices, falling nominal house prices, weakened social protection, reduced state subsidies for home owners and a greater mix of households or dwellings. There is also less job security for some (or certainly a rising sense of insecurity) (Doogan, 2001). In the golden age the middle class seemed to be on the move with the rise of home ownership as emblematic of the promise of an ever expanding membership. Now the emphasis is on a home ownership which is *sustainable* rather than *extendable* amidst growing evidence of social division and polarisation (Castells, 1996; Goodwin, 1995; Sassen, 1998). Macro-economies have also been exposed as highly vulnerable to overspeculation in residential property markets and to excessive housing debt. If the adage of a previous age was to borrow as much as possible for as long as possible, in the new era the opposite strategy would seem to be prudent.

3. Changing Socio-Demographic Situations

As we have stressed earlier, demographic change is a major element in the shaping of housing opportunities, patterns of provision and housing policy. It is against a background of significant changes in their population structures that in both Japan and Britain post-war housing policies have encouraged the majority of households to become homeowners. Over the last two decades, the Japanese rates have in fact been rather stable at around 60 per cent. Britain, however, has seen a significant upward trajectory especially during the 1980s reaching almost 70% by the end of the century. Much of this increase was associated with the sale of council housing (Figure 3-1).

The types of dwelling in which owner-occupiers live reflect the nature of the available housing stock, various political and economic factors, and the cultural value attached to home ownership. In both countries residential ownership is strongly associated with individual houses rather than flats (Table 3-1). The sector in Japan consists of either single-family homes (57%) or condominiums (37%) with a smaller number of terraced dwellings, illustrating the point that owning a detached house with a private garden has been the 'salaried-man's dream' and considered to be the end of the 'housing ladder'. But the dominance of single-family homes has been gradually replaced by the condominium form of housing which accounted for almost half of the new constructions since 1991 (Management and Coordination Agency, 1998). The two different dwelling types serve very different markets. Access to urban home-ownership for single and young families is almost inevitably via the condominium sector with entry to family housing coming at a later stage in the life course. Older and extended families are more likely to occupy a single-family home. Some 83% of households with elderly member(s) owned a single-family home rising to 91% among extended family households.

A greater variety of dwelling types is observed in Britain where the sector is split relatively evenly among



<Sources>

Japan: Statistics Bureau, 1978-1993 Housing Survey of Japan, and 1998 Housing and Land Survey of Japan.

Great Britain: General Household Survey.

Figure 3-1 Changes in home ownership rates

Table 3-1 Type of accommodation by tenure : 1998

<Japan (number of units)>				
tenure	Detached Tenement			
	house (%)	house (%)	Apartments (%)	Others (%)
Owner occupied	87.0	1.8	10.7	0.5
Rented by local government	3.1	19.2	77.7	0.0
Rented by public corporation	0.0	0.9	99.1	0.0
Rented privately	15.7	6.8	77.0	0.4
Company houses	10.7	5.3	82.3	1.8
Total	57.3	4.1	36.5	0.5

<Great Britain (households)>				
tenure	Detached	Semi-	Terraced	Flat or
	house (%)	detached house (%)	house (%)	maisonette / rooms (%)
Owner occupied	31	36	25	8
Rented from council	1	29	28	42
Rented from housing association	1	19	27	53
Rented privately	15	20	29	37
Total	23	33	26	18

<Sources>

Japan: Statistics Bureau, 1998 Housing and Land Survey of Japan.

GB: General Household Survey.

detached, semi-detached and terraced houses with a smaller number of flats and maisonettes (see Table 3-1). Compared with the Japanese 'scrap and build' approach (see the following section), the stock is much older in Britain. Almost two-thirds of owner-occupied properties were built between 1919 and 1984. Over a fifth of properties are pre-1919 leaving only 12% of the total stock built since 1985.

Comparing home ownership rates by age reveals some interesting findings (Figure 3-2). In Japan there is a clear correlation between age and housing tenure – the older you get the more likely you are to own a house. One's housing career is often developed in parallel with one's career in family and employment, and company welfare schemes (with seniority system) have assisted the majority of male workers to become home owners by the time they retire. There is a marked increase in the level of home ownership beyond the age of 35 in Japan, indicating the generally later entry of households into home ownership compared with Britain. Over the last two decades, there has been a particular decline in home ownership rates among younger cohorts (from 9.9% in 1978 to 3.3% in 1998 among the under 25 age group and from 27.9% to 12.7% among 25-29), partly due to growing income and employment insecurity with the prolonged recession (Forrest et al., 2000). In times of economic instability, family welfare tends to absorb

potential new households – according to the 1995 Census approximately 10 million single people aged between 20 and 34 were still living with their parents in Japan. Whilst in Britain the 25-34 age cohort is generally considered to be first-time buyers the same phenomenon has also been witnessed – there was a reduction in owner-occupation in the younger age groups in the late 1990s (Council of Mortgage Lenders, 2001).

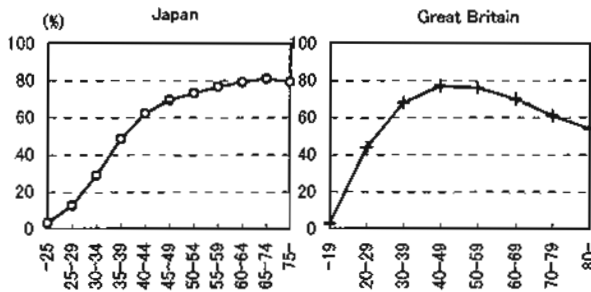
The difference in the timing of entry may be explained by the different roles that home ownership plays in each society. In a society where home ownership is considered mainly as the accumulation of assets, this tenure would be preferred regardless of age and marital status. Where, however, home ownership is strongly associated with the notion of 'family residence', marital status becomes a strong determinant. Thus, the declining rates of marriage among those in their late 20s may be a factor to explain the declining rates of home ownership in such age groups in Japan. The notion of 'independent living' is another cultural factor which influences household formation and consequent tenure patterns. Young adults tend to leave their parental home earlier in Britain regardless of family formation, which provides them therefore with more opportunity and motive to enter this sector.

Among older age cohorts, post-war trends in Japan have shown a dramatic shift towards independent living which has resulted in an increase in the number of nuclear families (25.2% in 1998) and single-person households (17.5% in 1998), while three-generation extended families continue to decrease (57.4% in 1998). This is also a common situation in Britain. In 1994/95, among households with at least one person aged over 60, over two fifths (42%) were one-person households and another 45% were couples (ONS 1996). In Japan this trend is particularly exaggerated in urban areas as a result of the higher geographic mobility of younger generations for educational and occupational purposes as well as changing lifestyles.

Although single-elderly households are less likely to own a house (65% in 1998) compared with the average for all households with elderly members (85%), the rates are projected to increase as successive cohorts enter old age in Japan. This is also the case for British single elders (the ownership rates were projected to increase from 55% in 1996 to 66% by 2001) (Forrest, et. al., 1997). In Britain the proportion of older people *not* owning their home outright has increased in the last decade as a result of purchases under the Right to Buy (Leather, 1999).

As a result of community care policies in Britain and the recent introduction of long-term care insurance (LTCI) in Japan, a higher proportion of older people will seek or need to live independently in their own home in old age. This raises issues of accessibility and maintenance of property. For those 'house-rich, cash-poor' homeowners, how to fund the cost of their nursing care continues to be a major issue.

Household structure has also become more dynamic in the latter half of the post-war period. Changing household size and structure is likely to have implications in the housing markets. In both societies, households used to be larger and being a family was one of the characteristics of home-owning households. In the post-war period, however,



<Sources> (aged)
 Japan: Statistics Bureau, 1998 Housing and Land Survey of Japan.
 Great Britain: General Household Survey.

Figure 3-2 Home ownership rates by age of head of household: 1998

the trend has been moving towards smaller households in both societies. Such a trend can be influenced by macroeconomic factors such as economic growth, interest rates or unemployment rates, as well as various life-course factors.

There are a number of common factors underpinning these developments. Although marriage is still a popular institution in both countries, divorce rates have been increasing. It has risen from 0.7 per 1000 population in 1960 to 2.0 per 1000 in 2000 in Japan. Britain saw a large increase in after the 1969 Divorce Law Reform Act reaching 2.96 per 1000 in 1995. To a certain extent however the housing effects of divorce can be offset by remarriage, new cohabitation or a return to one's parental home. For example, slightly more than one half of divorces in Britain were estimated to be cancelled out (DETR March 2000). Many individuals however leave owner-occupation each year due to divorce (about 60,000 in the early 1990s in Britain) which results in the expansion of smaller households, often in other tenures.

The decline in marriage and fertility rates is another contributing factor. In Japan the average age of first marriage has increased from 26.2 in 1950 to 30.5 in 1995 for men and 23.6 to 27.2 for women. In 1995 some 9% of men and 5% of women at the age of 50 were never married. Fertility rates have continued to decline from 2.13 in 1970 to 1.36 in 2000. Britain has also experienced changes in family patterns and formation. One distinctive characteristic of the British situation is the expansion of lone-parent households over the last thirty years (25% of families are now headed by a lone parent). This remains extremely uncommon in Japan.

Furthermore, the growth of one-person households is particularly notable. Although single people are more likely to rent privately, home ownership among single households has been increasing. This trend is more evident in Britain where 33% of new owners were single (DTLR 2002). In Japan factors such as the fall in property prices, the increased supply of smaller properties, and the deregulation of lending institutions also suggest that there have been greater opportunities for single people to enter this sector in recent years.

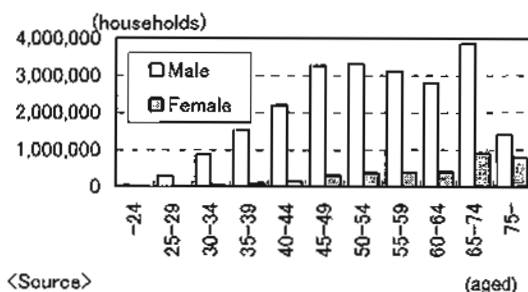
Since the 'head of the household' is often used as a unit to measure social trends, there is some difficulty in obtaining accurate, disaggregated data on individual

housing assets by gender. It is evident, however, that there are significantly higher numbers of male heads of household in owner-occupation compared with their female counterparts in Japan (Figure 3-3). Similarly, in Britain according to the 1991 British Census, 24% of female heads as opposed to 76% of male heads of household were homeowners. This is partly because men are far more likely to be heads (or main earner) of a household than women. A critical point in both societies is however that the majority of men identified as the main earner of household will be in families while female heads of household will generally be single women or single mothers (Gilroy, 1994). Thus the higher numbers of female homeowners found in the older age groups are likely to be widows who have inherited property from their late husband. In addition, compared with Britain, where joint tenancy is chosen by the majority of couples (81% of childless couples and 72% of couples with children) (Finch et al, 1996), in Japan household assets including home ownership are often held under the sole ownership of the husband. According to the Tokyo Women's Foundation survey, 24% of wife respondents owned property either solely or jointly, compared with 62% of husband respondents.

There is also a clear correlation between income and housing tenure. In general, apart from those who have inherited, higher income groups are more likely to own a house. As a result of the Right-to-Buy campaign in Britain, the home ownership sector has expanded to include lower-income households of ex-council tenants. By 1991 the number had reached 1.1 million, but the growth has stagnated in the 1990s (DTLR 2001).

Home ownership rates also vary among ethnic groups in Britain. Afro-Caribbean households are far less likely to own (36%) compared with white households (66%). And among South Asian households, Indian families are much more likely to own (77%) than their Pakistani and Bangladeshi counterparts (57%) (DSS 1997), reflecting their socio-economic backgrounds, the timing of migration and again cultural values attached to home ownership. The lack of detailed data in Japan prevents us from making a meaningful comparison here. Arguably, however, the recording of the housing situations of an increasingly culturally/racially diverse population is a vital to cater for unseen demands in the future housing market.

Home ownership is therefore no longer a label for only middle-class families. Membership has now been extended to include a wider section of society such as single households and lower income households.



<Source> (aged)
 Statistics Bureau, 1998 Housing and Land Survey of Japan.

Figure 3-3 Home ownership by sex and age of main earner of households in Japan

4. Changing Economic Context

Both Japan and Britain have seen the emergence of the increasingly volatile economy over the past two decades. The expansion of the global capital market and its deregulation have seen a more destabilized economy as a common phenomenon for both countries situated on the opposite sides of the globe. The exposure of national economies to the integrated global market is now conceived of as an unavoidable process in the modern age.

The pattern of economic changes has, however, been very different in Japan and Britain (see Figure 4-1 and 4-2). The boom and burst of the investment markets were seen in both Japan and Britain in the latter half of the 1980s and the early 1990s. The British economy quickly recovered from the recession at the beginning of the 1990s and has been relatively buoyant since. Japan, on the contrary, has been suffering from a deep and prolonged recession since the early 1990s and this period now represents the 'lost decade'. At the beginning of the twenty-first century, the sharp contrast between the two countries in terms of their economic situation is remarkable.

In Japan, the so-called 'bubble economy' started in the latter half of 1980s and burst in the end of the 1980s. Since the bubble burst, real economic growth has been fragile and negative growth in GDP was recorded in 1998, 2001 and 2002. The stock price index (TOPIX), which rocketed during the bubble period, dramatically dropped from 2,881.4 at the end of 1989 to 1,032.1 at the end of 2001. The banking sector was plunged into crisis as huge amount of bad debts was generated. The 'First Financial Crisis'

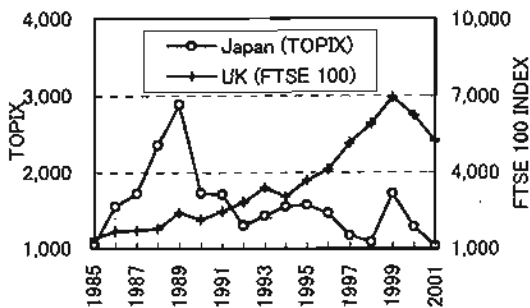
occurred in December 1994 with the bankruptcy of credit unions. The Asian Financial Crisis which began in July 1997 was an additional blow and in November 1997, the 'Second Financial Crisis' started with a chain reaction of bankruptcies of major banks and security firms. Japanese society has been called an 'enterprise-society' in which large corporations have adopted the life-long employment system as a norm. The extent of unemployment and the mobility of the labour force have been maintained at a low level. However, many companies, since the bubble burst, have started to address restructuring by downsizing and have begun to abandon the life-long employment system. The annual average unemployment rate rose from 2.1% in 1990 to a record high of 5% in 2001. In the persistent recession, the annual income of a working family stopped increasing in the 1990s and decreased to 7,695,000 yen in 2000 compared with 7,796,000 yen in 1995.

On the other hand, the British economy, since recovery from the recession, continued growing with modest GDP growth from 2% in 1993 to 4.7% 2002. The stock price index (FT 100) kept rising from 2,143.5 at the end of 1990 to 6,930.2 at the end of 1999 although it started dropping in 2000. A structural shift from an industrial production-based economy to a financial investment-based economy brought about the expansion of the stock market in the 1990s. The employment system in Britain is also more flexible and mobile compared to that in Japan. The annual average level of unemployment decreased from 11.2% in 1985 to 6.9% in 1990, but rose to 10.2% in 1993, and again dropped to 5% in 2001. There has been a steady increase in average household income in the 1990s from £317 per week in 1990 to £503 per week in 2000-01.

The economy and the housing market are closely intertwined in Japan. The government has encouraged the mass construction of owner-occupied housing using loans by the Government Housing Loan Corporation (GHLC) forming a system in which economic development and housing construction are closely related. The oil crises of the 1970s were the turning point at which home ownership policy became more of a measure to stimulate the wider economy. The Japanese government, with the Japan-US trade friction as a background, promoted the mass-construction of housing in order to expand domestic demand in the 1980s. After the bubble collapsed, the GHLC finance was increased further in order to revitalise the economy. Large-scale housing construction has been a prominent feature in Japan right up to the present time.

Between Britain and Japan, there is a great difference in the volume of housing construction. As shown in Table 4-1, the number of new starts per 1,000 of population in Britain was 2.65 in 1980/1981, 2.77 in 1990/91 and 2.92 in 2000/2001, while that in Japan was very large; 10.37 in 1980, 13.47 in 1990 and 9.56 in 2000.

Housing construction in Japan has been promoted by the 'scrap and build' system. This is a system in which demand is maintained by repeated cycles of construction and demolition, which is, in turn, expected to support economic growth. In England, the ratio of the number of losses from the dwelling stock to the number of housing new starts was 4.9% between 1992/93 and 1996/97. In

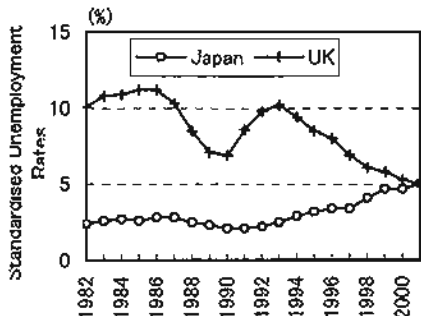


<Sources>

Japan: Tokyo Stock Exchange, Inc.

UK: World Federation of Exchanges, Annual Report.

Figure 4-1 Stock price index (End of period)



<Source>

OECD, Main Economic Indicators 2002.

Figure 4-2 Standardised Unemployment Rates

contrast, the Japanese ratio was as high as 42% between 1993 and 1997 (see Table 4-2).

In advanced industrial countries since the 1970s, housing construction by the government sector has been generally reduced and the provision of private housing through the market mechanism has been expanded. Privatisation and marketisation of housing supply has been witnessed as a common trend for many industrial countries. The role of the private sector, both in Japan and Great Britain, has been expanded. In Britain between 1981 and 2000, the proportion of housing new starts provided by private enterprises rose from 78% and 87%, and in Japan in the same period, the proportion of private housing new starts which include new starts using GHLC loans was always higher than 90 per cent.

Patterns of boom and bust in the real estate markets have also been very different. As illustrated in Figure 4-3, residential land prices in Japan rose dramatically in the bubble period and have dropped since then. In Britain prices rose sharply until 1988, declined in the period from 1989 to 1993, and started rising again in 1994. One of the factors for the instability of house prices has been the declining costs of borrowing. As the global economy expands, competitive pressures have forced down mortgage interest rates in many of the economically developed countries. In the UK, the average mortgage interest rate decreased from 14% in 1990 to 6.7% in 2000, and in Japan, the GHLC's basic rate went down from 5.5% in 1990 to 2.6% in 2001. The interest rate in Japan has been set at an even lower rate due to the prolonged recession.

It is also noteworthy that trends in the housing markets have been highly regionally differentiated. The volatility of house prices tends to be amplified in specific regions where industrial and economic restructuring proceeds, financial and service industries are accumulated, and the growth or decline of employment opportunities is generated at a rapid pace. In Japan, changes in land and house prices appear first in Tokyo, next in Osaka, and then spread to other large cities. The bubble economy began to emerge and to collapse from Tokyo (see Figure 4-3). The extent of house price changes has been more limited in provincial cities.

In Britain, a north-south divide in relation to residential property prices has been observed. During the 1990s, dwelling prices increased in all regions, but jumped more rapidly in London and the South East. House prices on the average in 2000 was £163,577 in London and £142,790 in the South East while it was £63,921 in the North East and £68,235 in Merseyside (see Table 4-3). A shortage of properties combined with continuing population drift to the south and higher real incomes in the core southern regions (and international migration and property purchase) continues to exacerbate these price divisions in Britain.

In the so-called global cities of London and Tokyo, residential land prices have been at their most volatile (see Figure 4-3). Year on year changes in residential land prices in London were plus 73% in 1986, minus 29% in 1990 and plus 36% in 2000. Those in Tokyo were plus 69% in 1988 and minus 15% in 1993. The market value of land property in the global cities has been moving like a roller coaster.

Underlying the deflation of housing asset values in post-bubble Japan was an over-construction of housing

units. As mentioned above, a system in which housing mass-production and economic development are closely linked has been operating since the early 1970s. The mass-construction of housing throughout the period before, during and after the bubble economy spurred on the deflation of dwelling property value.

In Britain, the pattern of change in the price-index for newly constructed houses and that for second-hand houses are alike. In contrast, in Japan since the bubble burst, the weakness of the marketability of second-hand housing, particularly second-hand condominiums, has been noticeable (see Figure 4-4). The reason for the sharp fall in the price of second-hand houses was the large-scale construction of new housing during the post-bubble period. A combination of factors such as the decrease in house prices and a continuous low-interest rate has encouraged people to acquire newly-built housing. As the market for new houses expanded, the price of second-hand housing went down.

Table 4-1 Housing new starts per 1,000 population

<Japan>		<Great Britain>	
Fiscal year	Housing new starts per 1,000 population	Fiscal year	Housing new starts per 1,000 population
1980	10.37	1980/81	2.65
1990	13.47	1990/01	2.77
2000	9.58	2000/01	2.92

<Sources>

Japan : Ministry of Construction.

Great Britain : Department of the Environment, Transport and the Regions, Housing statistics 2001.

Table 4-2 Stock of dwellings: Estimated annual gains and losses (Thousands of dwellings)

Fiscal year	Gains to dwelling stock	Losses from dwelling stock	B/A
	A	B	
Japan			
1993-97	7,527	3,160	42.0 %
England			
1992/93-1996/97	792	39	4.9 %

<Sources>

Japan : Ministry of Construction.

England : Department of the Environment, Transport and the Regions, Housing statistics 2001.

Table 4-3 House price changes by English regions and Wales

	1990	2000
	£	£
North East	41,374 (100)	63,921 (154)
North West (excl Merseyside)	51,938 (100)	79,437 (153)
Merseyside	43,312 (100)	68,235 (158)
Yorkshire and the Humber	47,231 (100)	72,176 (153)
East Midlands	52,620 (100)	79,323 (151)
West Midlands	54,694 (100)	88,431 (162)
East	71,671 (100)	111,813 (156)
London	83,821 (100)	163,577 (195)
South East	81,638 (100)	142,790 (175)
South West	65,378 (100)	104,233 (159)
England	63,173 (100)	106,998 (169)
Wales	46,464 (100)	72,285 (156)

<Sources>

Department of the Environment, Transport and the Regions, Housing statistics 2001.

In Japan, capital losses on condominiums in the major cities have been substantial (Hirayama, 2002, 2003). A condominium purchased during the bubble period with a GHLC loan has lost about a half of its value. In 1991, the average price of a newly-built condominium using a GHLC loan in Tokyo was 51 million yen. This dropped to 26 million yen by 2000 indicating a capital loss of some 25 million yen as of 2000. Similarly, a newly-built condominium in Osaka in 1991 cost 44 million yen on average and its value dropped to 21 million yen in 2000 which generated a capital loss of some 23 million yen (see Figure 4-5).

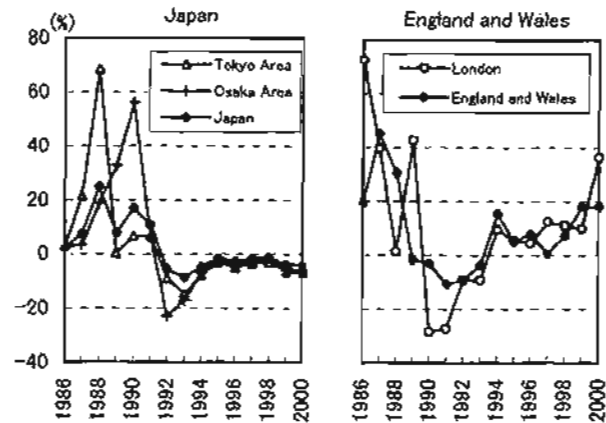
Changes in the housing market affect family finance in complex ways. Repayment-income ratios for households with a loan for housing purchase are shown in Table 4-4. The ratio in the UK went up in the latter half of the 1980s, went down in the first half of the 1990s, and then went up again in the latter half of the 1990s. The repayment-income ratio in 2000, when house prices reached their highest level, was lower than in the beginning of the 1990s. This is partly because interest rates have been lowered and partly because incomes have steadily increased. Moreover, in Britain, the two-earner household is increasingly the norm in order to purchase a property.

In contrast, the repayment-income ratio in Japan which remained at around 11% in the 1980s rose in the 1990s to reach 16% in 2000. The main reason that the ratio rose in spite of the drop in house prices in the 1990s was that a great number of households purchased a house with a small down payment and a large amount of loan. In the post-bubble period, the interest rate for housing loans was reduced to an historical record level and measures to promote the acquisition of housing were repeatedly implemented by the government.

In Japan, the financial situation of households has been generally deteriorating since the early 1990s. The average balance of savings minus the amount of debt for a household decreased from 8,165,000 yen in 1991 to 7,760,000 yen in 2000. The figures for households which have loans for dwelling fell markedly from 2,244,000 yen in 1991 to minus 1,121,000 yen in 1995, and to minus 4,158,000 yen in 2000.

These changes in the economic situation have been reflected in the pattern of mortgage arrears (see Table 4-5). In the UK, the number of mortgages in arrears for six months or more, which was 352,050 in 1992, fell rapidly due to the booming economy in the 1990s and reached 62,600 in 2001. In Japan, the only available data as regards delinquent mortgages is the one disclosed by the GHLC since 1995. No statistical data concerning private bank's mortgage delinquency is available. The GHLC's loans in arrears for six months or more jumped up from 14,205 in 1995 to 37,902 in 2001. Family finances in relation to housing acquisitions in the 1990s were embedded in a dangerous context - a combination of factors such as the prolonged recession, employment and income insecurity.

The situations of housing markets have become increasingly differentiated between Japan and Britain, and between regions within the countries. The globalising capital market together with a low inflation rate and financial deregulation amplifies the volatility of the

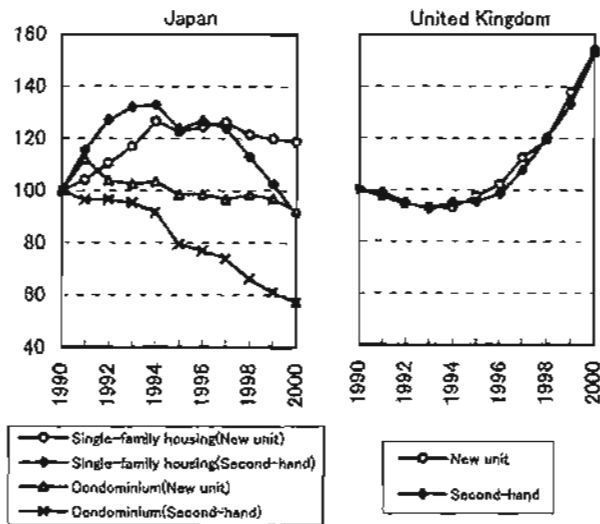


<Sources>

Japan : Ministry of Construction.

England and Wales : Inland Revenue Valuation Office.

Figure 4-3 Residential land prices : Change from previous year

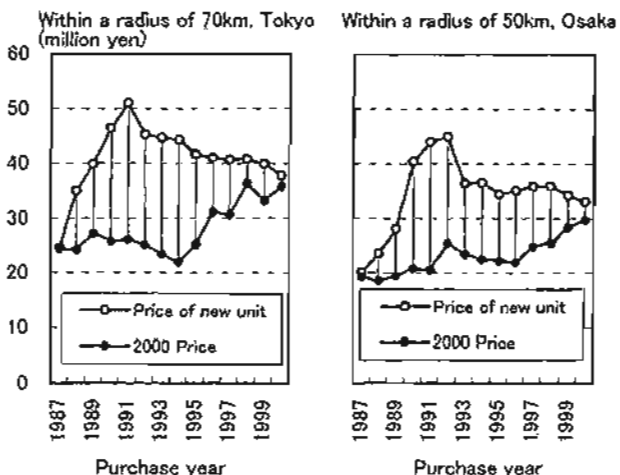


<Sources>

Japan : Government Housing Loan Corporation.

United Kingdom : Survey of Mortgage Lenders.

Figure 4-4 Dwelling price index: 1990=100



<Source> Government Housing Loan Corporation.

Figure 4-5 Capital loss in condominium : Japan

Table 4-4 Repayment-income ratio
for households holding a loan for housing and/or land

Year	Japan	United Kingdom	
		First-time buyers	Moving owner-occupiers
1982	10.7	16.4	15.8
1984	11.9	16.0	15.2
1986	11.9	17.0	16.1
1988	11.7	17.8	18.3
1990	11.8	26.3	25.1
1992	10.1	18.5	18.3
1994	13.4	14.2	14.0
1996	14.2	13.4	12.3
1998	15.3	16.3	15.2
2000	16.1	16.0	15.5

<Sources>

Japan : Statistics Bureau, Family Savings Survey.

UK : Department for Transport, Local Government and the Regions.

Table 4-5 Mortgages in arrears for 6 months or more

Year	Number of mortgages in arrears for 6 months or more	
	Japan*	Great Britain
1990	-	159,210
1991	-	275,350
1992	-	352,050
1993	-	316,430
1994	-	250,800
1995	14,205	211,870
1996	15,800	167,980
1997	18,525	119,040
1998	22,905	108,920
1999	28,118	86,630
2000	33,306	68,640
2001	37,902	62,600

<Note>* Mortgages by the Government Housing Loan Corporation in arrears.

<Sources>

Japan : Government Housing Loan Corporation.

Great Britain : CML.

economy as a common trend for most regions in the world, which, in turn, brings about more diversified home ownership markets. In contrast to the housing markets of the 'golden age' which continuously grew, those in the 'global age' are drifting with greater risks.

Whether the nature of home ownership changes with a more volatile economy is an interesting question. In Britain until the first half of 1980s and in Japan up to the beginning of the 1990s, housing prices rose almost continuously and home ownership was accompanied by capital gains. People aimed to become home owners and expected to accumulate an asset through house price inflation. After the experiences of housing asset deflation Japanese people have less faith in the security of owner-occupied housing as an asset. And although the housing market in Britain is currently booming, there is the spectre of the cold market of the previous recession which saw the first significant fall in nominal house prices. The balance in the nature of housing - as investment good and as consumption - is not stationary in the destabilized economy.

5. Changing Policy and Institutional Context

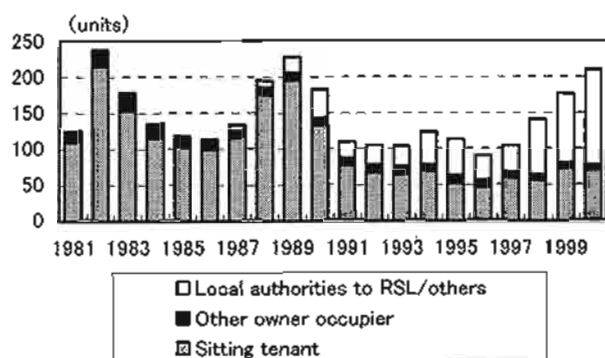
Historical backgrounds

The growth of owner-occupation in Japan and Britain has been stimulated by different political and institutional contexts. Post-war housing policy in Japan has been strongly oriented toward the promotion of new construction but in contrast with the British case, public housing construction only began from the mid 1950s. The so-called '1955 housing system' consisted of the following three pillars: 1) public rented housing for low-income people operated by the municipalities and prefectures with subsidy from central government; 2) public housing supply by the Japan Housing Corporation (JHC, later HUDC and then UDC) in urban areas confronting the high demand for housing; and 3) a public housing finance system assured by the Government Housing Loan Corporation. In 1957, the government launched a five-year house-building program to remedy the housing shortage, estimated at that time to be 2.3 million units. Ten years later, this programme became the legal instrument through the Housing Construction Planning Act of 1966 and since then, the Ministry of Construction, responsible for housing policy, has made a housing construction program every five years.

Compared with the British public housing program, this policy has depended largely on housing investment from the private sector because of the low budgetary allocation for the public housing sector. In addition, there were multiple indirect measures for supporting private housing investment through the taxation system. Private landlords have been able to deduct all their costs from their taxable income. The tax deductibility of mortgage interest payments for owner-occupiers has been another strong incentive for those who could benefit from this measure. Among others, the tax-exemption for housing benefits provided by private employers to their employees as a form of rent allowance or housing loan with low interest rate has played a significant role. Workers of large private companies and civil servants have been the major beneficiaries of this system.

In 1973, the policy goal of "one housing unit for one household" was achieved and was replaced by "the improvement of housing quality". This new orientation contributed particularly to the expansion of home ownership over the next ten years. From the middle of 1970s, the GHLC played an increasingly important role in terms of the amount and number of loans for home ownership. Between 1973 and 1978 the number of new loans for individuals from the GHLC increased from 242,000 to 491,000. In the 1980s, land prices rocketed and the supply of newly built housing, particularly in the owner-occupied sector, declined. Under such circumstances, the use of GHLC loans increased sharply and this trend has continued until recently.

Compared with the Japanese experience, British housing policy has had a more direct effect on the tenure pattern, with a substantial and sustained programme of new building for public rental especially in the period after the Second World War. Successive governments promoted the council housing building until the early 1970s. Although the basic Conservative Party policy position was opposed to the promotion of council housing for general needs, the private sector was not considered capable of providing sufficient



<Sources>

Housing and construction Statistics, and others.

Figure 5-1 Sales and transfer of local authorities and RTB dwellings in Great Britain

housing in the context of a significant absolute shortage (Balchin, 1995, 120). Home ownership was, however, regarded as the ideal tenure and was encouraged by favourable government policy. Unlike Japan, however, the state did not establish any special lending organisation for individual housing loans but supported the activities of building societies, the main financial source for house purchase, through a favourable loan, grant and taxation system. Other significant measures introduced under the Conservative government were the relaxation and abolishment of certain building controls for speculative building, the remove of taxation of development values (Merret, 1982, 41) and the abolishment of the tax on imputed income from owner-occupied property. From 1952, the number of private completions started to increase and soon dominated production.

Since the 1960s, both the Conservative governments and Labour governments have attempted to extend home ownership through a variety of measures, particularly through favourable taxation treatment of mortgage interest payments. In the last twenty years there is, however, little doubt that it is the 'Right to Buy' policy for public tenants which has played a crucial role in boosting the level of home ownership. Although local authorities were permitted to sell dwellings prior to 1980, relatively few were sold. The Housing Act 1980 introduced a statutory right for tenants and generous discounts on market value. The result was that between 1980 and 1991 some 1.5 million dwellings were sold under Right to Buy, almost ten times the number in the previous decade. Accordingly, the rate of home ownership increased from 57% in 1981 to 66% in 1991 — some 50 per cent of that increase can be attributed to the Right to Buy.

Policy trends in 1990s

As illustrated in the previous section, both Britain and Japan experienced volatile housing markets in the latter half of the 1980s which created problems for many home owners. The households which moved into home ownership at the peak of the price boom were confronted with an unprecedented devaluation of their properties. In Japan, at the point when housing prices reached their peak, the government set the objective of attaining a house-price income ratio of 5:1 in

the Five Year Economic Plan of 1992. But the drastic fall in house prices together with economic stagnation completely changed the conditions for pursuing these policies.

Changes in the demographic structure and the increasing budgetary constraints also required a review of housing policy direction. As the conventional housing institutions mainly served the traditional family, the rapid growth of an ageing population and the decline of traditional households with children forced the government to formulate new policies. In the later half of the 1990s, the 1955 housing system was radically revised. First, both the Publicly Operated Housing Act and Government Housing Loan Corporation Act were amended in 1996 and policies for the elderly were reinforced. Local authorities were required to accommodate lower income households, especially older single households. At this stage, the role of GHLC as a policy tool was recognised and reinforced in order to implement specific policies such as the promotion of barrier free housing for older people.

Second, in 1999, the Housing and Development Corporation (formerly JHC) was abolished and replaced by the Urban Development Corporation (UDC). In this process, their mission was redefined and housing supply roles were withdrawn from the UDC. In this process, the government stressed the role of the private housing market and prepared new measures for this aim. In 1999, fixed term rental housing was introduced in order to stimulate supply of affordable private rentals. In sum, through the latter half of 1990s, conventional housing institutions in Japan were restructured. But, the promotion of home ownership was continued and implemented mainly through a favourable taxation system. This was considered to be an important contributor to economic recovery.

Meanwhile, the British governments has continued its effort to extend the owner-occupied sector through the 'Right to Buy' and related policies (Figure 5-1). Sales have continued at a substantial rate, boosted occasionally by new incentives or the threat of a less generous policy regime. In addition, the number of Large Scale Voluntary Transfers (LSVTs) has increased under the Labour government. This involves a transfer of ownership of council properties to housing associations (RSLs). The Housing Act 1996 introduced the 'Right to Acquire (RTA)' enabling the tenants of registered social landlords to buy their accommodation at a discount. In terms of indirect support for home ownership, British housing policy has become more selective and fiscally constrained. General subsidies have all but disappeared with the abolition of MIRAS (mortgage interest tax relief) in 2000. This represents the culmination of a progressive scaling down of this tax concession in terms of scale and scope throughout the 1990s. Moreover, additional cost have been added for owner-occupiers since 1997, when the stamp duty on transactions was increased. Home ownership incentive schemes are now addressed mainly to the tenants of registered social landlords or key workers who cannot afford to buy homes in the south of England due to escalating house prices. In this context the long term impact of the Right to Buy on reducing housing opportunities for lower income workers has come to the fore of the policy agenda.

Table 5-1 Balances outstanding

year	Building societies			Banks		
	Number	Balances outstanding	%	Balances outstanding	%	
1985	167	97,213	76.3	21,111	16.6	
1990	117	175,797	59.8	85,677	29.1	
1995	94	222,679	57.0	139,956	35.9	
1999	69	113,469	22.9	345,032	69.8	

<Source> CML, Housing Finance.

The institutional structure for housing finance has also changed radically during the 1990s. Since the mid 1980s, competition in the financial market has accelerated and transformed the longstanding distinctions between commercial banks and building societies. Many of the large building societies have become commercial banks. The number of societies diminished from 167 in 1985 to only 69 in 1999 and their share of total housing loans fell from 76.3% in 1985 to 22.9% in 1999 (Table 5-1).

Decay of housing policy and its impact on home ownership

Housing policy reforms in the 1990s in both Britain and Japan have been shaped by increasing budgetary constraints and the quest for smaller government. The privatisation of council housing in Britain is a striking example of this trend. In Japan, the privatisation of the UDC and GHLC has been programmed recently and the Eighth Housing and Construction Program starting from 2001 has stressed the primacy of market mechanisms with a limited role for the publicly operated housing. The relaxation of public controls in the fields of building and urban redevelopment has also been accelerated.

There are, however, still considerable differences between Japan and Britain in political attitudes toward the further expansion of the owner-occupied sector and the measures adopted for this purpose. In Britain, housing policy tends to concentrate on those who cannot afford to buy or rent a house in the market. The housing benefit system is the most important measures but various home ownership schemes also aim to assist mainly people of this category via schemes such as conventional shared ownership, do-it-yourself shared ownership, cash incentives and so on. By way of contrast, in Japan, until very recently, the government assisted middle-income households through GHLC loans and tax deductibility of mortgage interest payments. Indeed, these measures were strengthened during 1990s as a part of the general policy for economic recovery. The scarcity of private rental housing of an acceptable standards also forced people to buy.

As far as the recent change in the tenure pattern concerned, it appears that in Britain, the abandonment of universal housing policy has accelerated the expansion of home ownership and the diversity of households living in the sector. In Japan, the expansion of the owner-occupation has been encouraged by financial incentives and it is mostly upper-middle-income households that have benefited. In spite of such differences, the volatility of housing prices has made owner-occupation a tenure with greater risk in both countries but a risk many have had to take through a reduction of alternatives.

6. Future prospect of home ownership

In both Japan and Britain, how home ownership can be sustainable has been attracting increased attention. With heightened economic volatility, rising casualties in the labour markets, the undermined security of housing as an asset, social ageing, the diversification of home owners and the downward pressure on public subsidies for house acquisition as a common background, the stability of home ownership has been weakened in these two countries. At the same time, however, there are notable differences between Japan and Britain around the owner-occupied sector in the socio-economic, cultural and policy contexts. It is necessary to look at both the commonality and differences between these two nations in examining issues around the sustainability of home ownership.

In Japan and Britain over the last two decades, house prices have become more volatile reflecting the economic situation. In the 'golden age', housing prices consistently rose and home ownership was accompanied by capital gains. In the new 'global age', on the contrary, the risk related to owning a house grew. Housing markets have become less independent and more deeply enmeshed in the wider economy. It has become difficult to predict how the housing market will function in the near future. It is not apparent how long the booming housing-market will continue in Britain with experts predicting both an imminent bust as well as a prolonged period of stable gains. Whether the Japanese housing market is going to recover or not depends on whether the prolonged recession can be overcome. The stability of home ownership now appears to be as much about economic as housing policy.

It is a feature of Japan that the system to encourage the mass construction of housing has amplified house price volatility. Policies to promote housing mass-construction have been repeatedly implemented to accelerate the growth of the macro economy and an institutional framework that makes the acquisition of new housing advantageous has been formed. Over-construction of housing in the post-bubble period spurred on the decline in the market value of existing housing. In Japan, in the near future, the population will start to decrease, the pace of household formation will slow down and the vacancy rate which is already over 12 per cent will further increase, all of which is likely to lead to a decline in housing demand. It will inevitably be difficult to maintain mass-housing. In order to stabilise the market value of owner-occupied housing, measures will be required which give equal support to the purchasers of both new and second-hand housing.

The patterns of change in the housing market also vary geographically. If the government is to formulate a measure to stabilise the home ownership market, it will consist of varied elements responding to different circumstances in different areas. The housing market is changing faster and more dramatically in the large cities of Tokyo and London. Some measures will be required to ease the over-volatility of the markets. For areas where the demand for housing has diminished and the economy is stagnant, it will be necessary to take measures to mitigate the impact of falling housing asset values. There are also likely to be greater contrasts in pattern of wealth accumulation via home ownership within both societies with important implications for

intergenerational housing opportunities and regional patterns of consumption.

In both countries, the majority of home owners used to be middle-class families but this has been diversifying with more elderly households, single persons, those on low-incomes and those without stable employment. This indicates that policy will increasingly have to address issues of social and economic stability for those who already own rather than being focused in the main on first time purchasers. The physical deterioration of older established owner-occupied areas has also started expanding. In Britain, the policy to dispose of public housing resulted in both a sharp rise in the home ownership level and in the number of low-income home owners. Both these developments may require new policy interventions in the future. In Japan, the number of home owners with unstable employment increased through a policy to expand the sector which has been implemented in a prolonged recession. Mortgages in arrears are expanding rapidly in Japan. Policy tools are increasingly required to address older people whose housing is dilapidated and for low-income home owners at risk.

It is worth noting that in Japan's 'enterprise-society', it is indeed enterprises which have supported the home ownership system. Many firms adopted systems of internal saving for housing acquisition and low-interest loans for employees who were buying a house in addition to the lifelong employment system and the seniority system for wages and promotion. However, with the continuing recession and a more competitive business environment, firms are now undertaking restructuring by downsizing and introducing a system to determine wage and promotion according to individual's ability. Whether the 'enterprise-society' can be maintained or not will affect the degree of stability of home ownership in the future.

Housing policy in both nations has evidently been biased in favour of owner-occupied sector. In Britain, there used to be a large stock of public housing until the 1970s, but the sales of public housing has been under way since the 1980s, and private rental housing has conventionally been regarded as marginal. Public housing in Japan has always been residual and there have been virtually no measures to foster the private rental sector. Whether the sustainability of home ownership can be achieved is, however, influenced by condition in the rental sectors. This is because when rental sectors are poor and weak, more people including those on low incomes are forced to purchase their own housing, resulting in the destabilisation of the owner-occupied sector. It is therefore necessary to examine the operation of the housing system as a whole when considering the future of home ownership.

Cultural values around home ownership may also be changing, particularly in Japan. On the one hand, housing may become increasingly regarded as a higher risk consumption good for private purchase combined with a reduction in household size and a more mobile economy. On the other hand, the reuse of the family system is being advocated with the growth of an ageing society and the restraint on social spending. The conservative administration has always praised mutual-help among family members. We shall have to observe what influences

the changing socio-economic and policy conditions have on the cultural value of housing.

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