

Low Homeownership in Germany – a Quantitative Exploration

by **Leo Kaas**, *Goethe University Frankfurt, Germany*

joint work with Georgi Kocharkov, Edgar Preugschat and Nawid Siassi

Abstract

The homeownership rate in Germany is one of the lowest among advanced economies. To better understand this fact, we analyze the role of three specific policies which discourage homeownership in Germany: an extensive social housing sector with broad eligibility criteria, high transfer taxes when buying real estate, and no tax deductions for mortgage interest payments by owner-occupiers. We build a lifecycle model with uninsurable income risk and endogenous homeownership in order to quantify the policy effects on homeownership and welfare. We find that all three policies have sizable effects on the homeownership rate. At the same time, household welfare would be reduced by moving to a policy regime with low transfer taxes and mortgage interest tax deductions, but it would improve in the absence of social housing, in particular when coupled with housing subsidies for low-income households.

Leo Kaas is Professor of Macroeconomics at Goethe University Frankfurt, Germany. He received his doctoral degree at the University of Bielefeld and held faculty positions at the Institute for Advanced Studies, Vienna, at the University of Vienna and at the University of Konstanz. He has also taught at CERGE-EI Prague, CREST Paris, at the University of California, Los Angeles, and at Washington University in St. Louis. His research covers labor market dynamics, macroeconomics with household and firm heterogeneity, and financial frictions. His work has been published in the *American Economic Review*, *Journal of Economic Theory*, *Review of Economic Studies*, among other journals. Leo Kaas is an associate editor of *Macroeconomic Dynamics*.

Wednesday, 27 Feb. 2019

1:00 - 2:00 pm

Location

162a, av. de la Faïencerie
L-1511 Luxembourg
Bâtiment des Sciences
Room BS 001

Language

English

Registration

- Free seminar
- Registration to crea@uni.lu (please specify full name and institution)
- Lunch is planned for registered participants

Contact

crea@uni.lu
Tel: +352 46 66 44 6283