

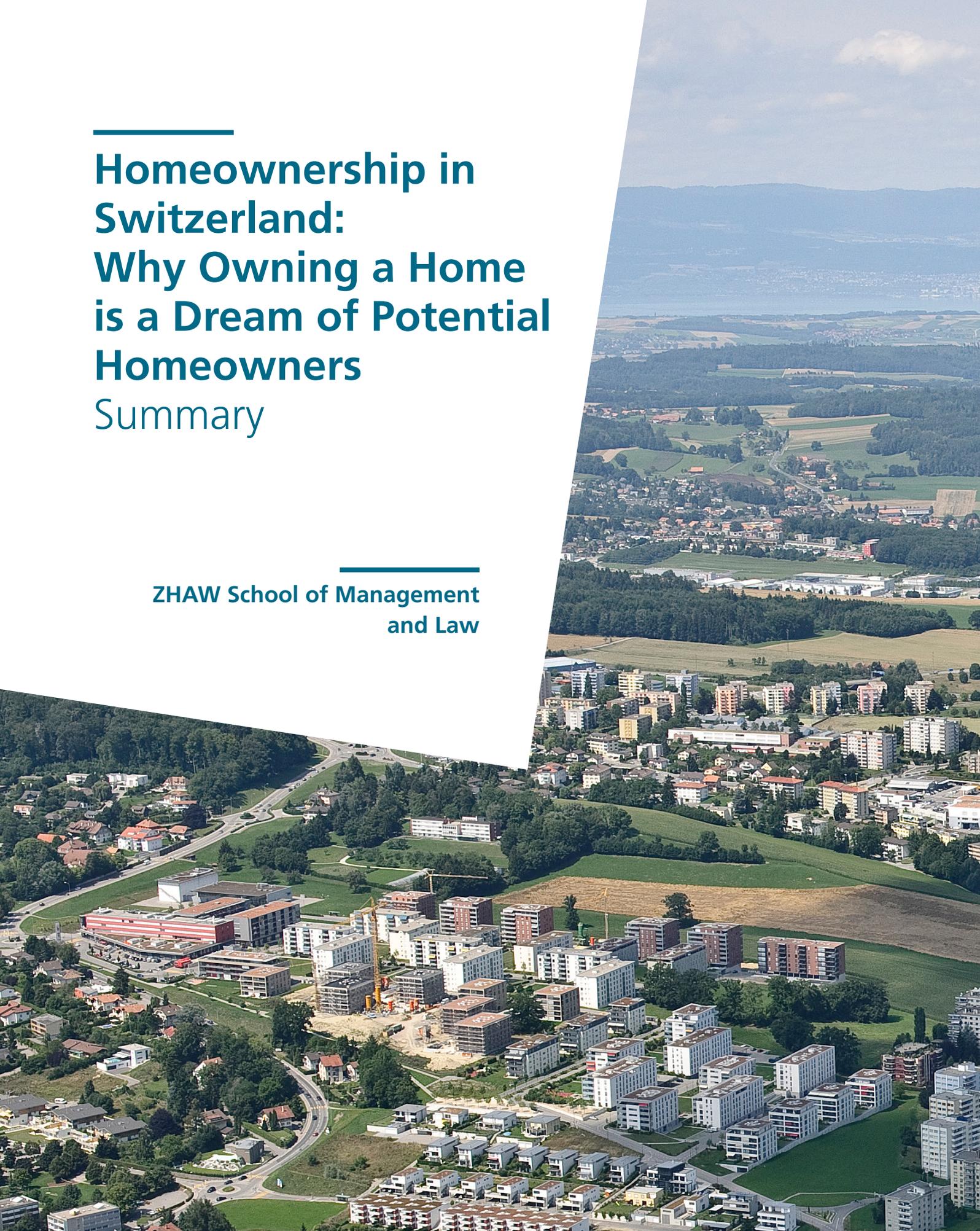
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# Homeownership in Switzerland: Why Owning a Home is a Dream of Potential Homeowners

## Summary

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ZHAW School of Management  
and Law



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### Anmerkungen

Diese Kurzfassung sowie das Management Summary des Berichtes sind in deutscher, französischer, italienischer und englischer Sprache erhältlich. Der komplette Bericht ist in deutscher Sprache erhältlich.

Der Bericht gibt die Auffassung der Autorinnen und Autoren wieder, die nicht notwendigerweise mit derjenigen der Auftraggebenden übereinstimmen muss.

### Titelbild

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# Summary

## Introduction

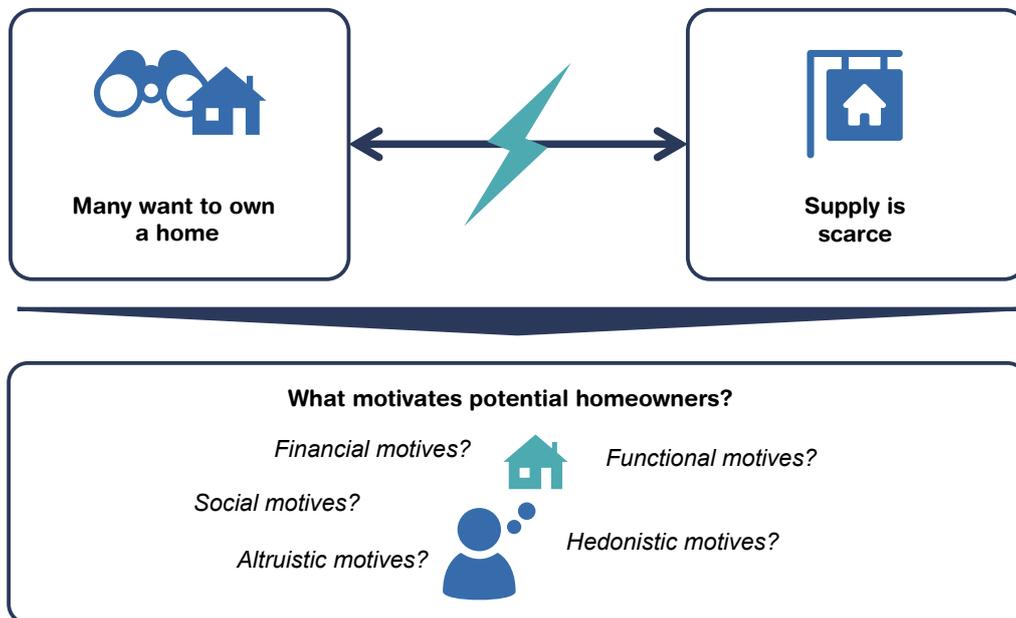
### The demand for homeownership is high, but supply is scarce

While Switzerland is a country of renters, most Swiss would like to own a home. The homeownership rate is low by international standards, however. In particular, affordable real estate that ordinary citizens can afford is currently rare.

### The effect of homeownership on the economy is controversial

From an economic perspective, a high homeownership rate is controversial. On the one hand, it is associated with increased social stability and improved wealth formation (and less poverty among the elderly). On the other hand, disadvantages arise from reduced mobility in the labor market and risks of financial stability and spatial planning.

## INTRODUCTION



On closer inspection, however, the individual arguments can be put into perspective and are in some cases less clear-cut. For example, the financial stability of homeowners depends on how the mortgage is designed, and mobility may be increased if transaction costs are reduced.

#### **How does homeownership benefit individuals?**

The personal benefits of homeownership are often mentioned as an afterthought because quantification is difficult. Nevertheless, a deeper understanding of individual households and the people who live in them is vital, especially considering that their expectations and behavior can help shape the housing of the future. Increasingly, there is also a trend towards a more integrative approach to spatial development, in which the views of residents are sought explicitly.

When analyzing the perspective of householders, the focus is frequently on the financial aspects (e.g., owning is cheaper than renting, lack of diversification). However, residential real

estate is more than an investment – it is also a home, which is often neglected. Non-financial aspects (e.g., housing security) can be relevant or even decisive when buying a residential property. These aspects have only been analyzed to a limited extent in other studies.

#### **What defines the dream of homeownership?**

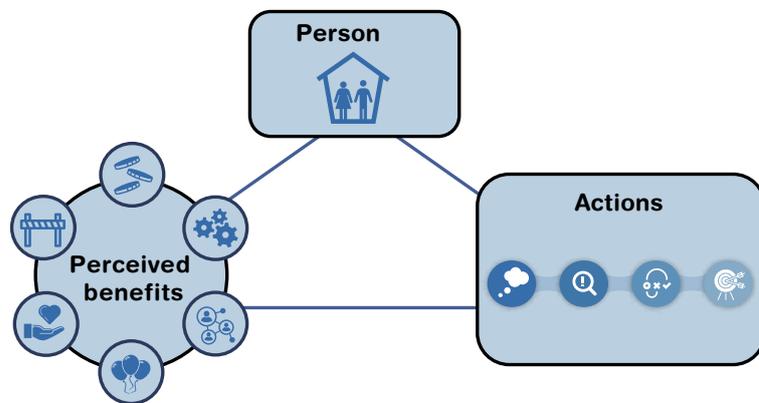
This study is the first in a series of similar studies. It focuses on potential homeowners. The series pursues the goal of increasing homeownership opportunities and helping more potential homeowners fulfill the dream of homeownership and enjoy the associated benefits.

As the first step, this study aims to clarify what the dream of homeownership constitutes and what expectations potential homeowners have in this regard. The study provides a holistic image of potential homeowners' perception of the benefits of homeownership and describes the myth of homeownership in more detail.

## STUDY DESIGN

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### Household Perspective (Potential Homeowners)




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### Mixed-Methods Approach (Combining Two Methods)



## Study Design

### Framework: Three levels of the potential homeowner perspective

This study focuses on the perspective of individual potential homeowners and analyzes it based on three levels:

- **Individual:**

On this level, we focus on a person's characteristics and living conditions. This approach allows us to draw conclusions concerning the segment of potential homeowners.

- **Action:**

We focus on the phases potential homeowners pass through prior to homeownership along the decision-making process. We want to determine the extent to which potential homeowners have considered buying a home of their own.

- **Perceived benefit:**

Perceived benefit represents a core element of this study. It is divided into five motivational factors (financial, functional, social, hedonistic, and altruistic) based on Holbrook (1994) and includes perceived barriers.

### Mixed-methods approach: Combining two methods

To achieve our objectives, we conducted both qualitative and quantitative surveys. This approach made it possible to combine the advantages of qualitative research (e.g., a thorough examination of the viewpoint of individual potential homeowners) with those of a quantitative survey (e.g., generalization of findings).

### Qualitative survey: Semi-structured interviews

As part of the survey, interviews were conducted with 10 people. Five people already lived in their new home and answered the questions retrospectively. The other five had not yet found a home to buy or had not yet moved in, and therefore answered from a prospective perspective.

### Quantitative survey: Online questionnaire

We only included people in the quantitative survey who were prepared to move and did not yet own their own homes. The questionnaire was provided in German and in French. A total of 1,002 people from the German and French parts of Switzerland took part in the survey. The survey was representative of age, gender, and regional distribution. (Ticino was omitted.)

## FINDINGS

### 3 Subcategories



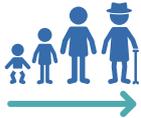
**Home seekers**  
(looking to buy a home  
(n = 323))



**Transitional renters**  
(n = 307)



**Permanent renters**  
(n = 372)



#### The desire to own a home is a generational issue

Within the 30- to 39-year-old age group, 45.8 percent are looking for a home to buy as their next form of housing. Among the 50- to 69-year-olds, the figure is only 23.7 percent.

#### Finding a home to buy is no urgent concern

77,7 percent of home seekers want to move after more than two years.



#### Home seekers seek a long-term solution

Over 80 percent of people looking for their own home would like to stay there for more than 10 years - forever if possible (63.5 percent).

#### A lack of commitment to the search has been observed

One in five home seekers says they have not taken any of the actions identified. Only around one-third subscribe to a home listing service.



#### Support concerning financial feasibility would be welcome

52.4 percent of home seekers and transitioning renters would like assistance in identifying financing options, and 52.7 percent would like assistance in determining the maximum purchase price they can afford.

#### Affordability of homes on offer is seen as a major problem

Only just 15.9 percent of the home seekers and transitional renters surveyed find homeownership affordable. Three out of four of these subgroups would like to see homeownership made available to a broader population.





### Financial and spacial stability is associated with homeownership

Nine out of 10 home seekers want to purchase residential property as a long-term home.  
71.8 percent also want financial stability.

### Non-financial aspects are important drivers of the desire to own a home

People looking for their own home see it less as an investment, focussing instead on non-financial aspects (e.g., freedom of design, a proper home).



### The highest hurdles are financial

78.1 percent of home seekers feel home prices are too high.  
61.6 percent have not yet found a suitable home they can afford.

## Findings

### Classification of sample into three subcategories

For the analysis of the quantitative survey, the 1,002 respondents were divided into the following subcategories:

- **Home seekers (looking to buy a home):** Individuals interested in buying a home.
- **Transitional renters:** Individuals looking to rent but interested in buying a home in the future.
- **Permanent renters:** Individuals looking to rent but not interested in buying a home.

By dividing the sample into these three subcategories, the statements made by home seekers (looking to buy a home) were easier to place in a larger context.

### Individual: Dream of homeownership as a generational issue

When it comes to homeownership, households differ in particular concerning age. While the younger generation is not averse to homeownership, those over 50 interested in

moving into a new home tend to see themselves as permanent renters. The younger generation still has potential due to the long time horizon until retirement. However, time is an issue for the older generation: Unless they have already succeeded in achieving the dream of homeownership, they seem to consider the chances as slim, or they have come to prefer a rented apartment.

### Action: Status quo and vision for the future

The majority of respondents are satisfied with their current housing situation. They take their time finding their new home, envisaging a move within the next two to five years. However, once they have found their new home, they want to stay there for the long term. This is particularly pronounced among the older generation in general and home seeker in particular. Once they buy a home, 63.5 percent of home seeker would like to stay there forever if possible. Transitional renters differ from the other two groups: As the term suggests, they seem more likely to be looking for a temporary solution; they find their new home more quickly and want to live in it for less time. Conversely, home seekers are primarily looking for a house (72.8 percent), while permanent renters prefer an apartment (80.4 percent).

For residents looking for their own home, significant events triggering a move were found to be the purchase of a home, starting a family or the arrival of a new family member, and having accrued the savings needed. In the case of transient renters, the main reasons were starting a family or the arrival of a new family member and a job change or a new partnership. In line with the higher average age of permanent renters, retirement, in particular, was stated as a trigger event. Interestingly, it is not only the events per se that may trigger a change in the housing situation but also a change in people's needs (such as the need for less noise).

#### **Action: Measures taken and reinforcement / inhibition of the intent to purchase**

Nearly every second homeownership seeker is saving up to purchase a home (or has discussed this plan with their family and friends). Alarming, however, one in five home seekers says that they have not yet taken any action in this regard.

Financial events are essential drivers for an increased desire to purchase a home. More than 80 percent of home seekers and transitional renters surveyed in the quantitative survey said they would intensify their search for homeownership once they had enough savings or if real estate prices went down.

#### **Action: Feasibility**

The home seekers surveyed would welcome support with the financial feasibility of owning a home. One in two home seekers and transitional renters would accept help identifying financing options (52.4 percent) or determining the maximum purchase price they can afford (52.7 percent). Other aspects appear to be less popular. This may be because newer bank solutions / services in connection with the housing ecosystem are still in their infancy. As a result, potential clients only perceive their availability to a limited extent.

First and foremost, home seekers would use their liquid assets to buy a home. Interestingly, a gift or an inheritance were mentioned only as a secondary option - ahead of pension assets, even though these received a similarly high level of approval.

#### **Action: Assessment of the current situation and responsibilities**

Three of four home seekers and transitional renters surveyed would like homeownership to be more accessible to a broader population and would welcome more promotion in this area. In contrast, only 15.9 percent of home seekers and transitional renters surveyed consider homeownership affordable. This is also confirmed by the barriers mentioned in the survey. Real estate prices and a lack of sufficient assets and income are seen as barriers to homeownership. In other words, homeownership is considered only for a privileged few.

In the survey, home seekers and transitional renters were also asked who is responsible for the fact that fewer and fewer people can afford homeownership in Switzerland. It emerged that while some players tend to be seen as more responsible than others, no player is singled out. According to the interviewees, the government and legislators are the most likely culprits. The construction and real estate industries follow in second place, closely followed by the financial service providers.

#### **Perceived benefit: Motivational factors and barriers**

Nine out of 10 home seekers surveyed would like to buy a residential property as a long-term home. Financial stability seems to be another common goal: 71.8 percent of home seekers want financial stability (5th place). However, financial aspects are not necessarily the decisive factor for buying a home. Instead, non-financial aspects such as design freedom (81.1 percent), having a good home (75.3 percent), and the desire to provide well for one's family (67.8 percent) were also mentioned. The purchase of a home is not seen as an investment: Only 17.4 percent want to invest in a home to sell it at a higher price.

Those looking to buy a home see the lack of suitable properties as a barrier. They have found nothing they can afford, and real estate prices are considered excessive. In line with the lack of supply, the home seekers surveyed stated that their own lack of sufficient assets and income prevented them from acquiring a home.

Among transitional and permanent renters, aspects of the financial feasibility of homeownership are considered even more critical. Around eight out of 10 transitional and permanent renters find real estate prices too high or state they do not have enough money to buy a home. Flexibility as a motivating factor for rental housing was cited by only 55.1 percent of transitional renters and 75.0 percent

of permanent renters. Therefore, the question arises as to whether renting is preferred by transitional and permanent renters or whether they rent because their circumstances and the market do not allow them to buy. The high ratings concerning the statement "renting is the only option" can at best be interpreted as a tendency to remain renters involuntarily.

## Conclusion

### Homeownership and family are closely connected

The family appears to be a key driver of homeownership. More than 50 percent of home seekers say they have at least one child. In the case of 44.6 percent of respondents, at least one child still lives at home. Compared to transitional renters and permanent renters, home seekers (looking to buy a home) are more likely to have children. Future family events, such as pregnancy, make homeownership an issue. One in five of the home seekers surveyed indicated that starting a family or a new pregnancy could be a reason for buying a home. The younger generation of 18- to 29-year-olds confirmed that they would consider buying a home if they were starting a family or expecting more offspring (approval rate of 84.2 percent). The interviews also revealed a particular need for homeownership in a family situation (partly due to a lack of space).

### The desire for homeownership is also a desire for stability

A look at the media landscape reveals an increase in headlines such as “The real estate market: When will the bubble burst in Switzerland?” Consumers might, therefore, associate buying a home with risk. The perception of the home seekers surveyed does not support this notion, however: Only 7.4 percent perceive homeownership as too risky. Home seekers tend to associate homeownership with spatial and financial stability. Nine out of 10 respondents want to buy a house or apartment as a long-term home. And 71.8 percent want to buy a residential property to invest in something financially stable.

The desire for stability also coincides with the above-mentioned life stage of starting a family: Mobility decreases as people reach the maturity phase of their career (Sigg, Grimm, Tanner, & Zirkler, 2020; Maintz, 2004), and their personal situation also gains stability. This is also reflected in the average age of people when they get married for the first time and when their first child is born, which in Switzerland is between 30 and 35 years for both men and women (Swiss Federal Statistical Office [BFS], 2021c; BFS, 2021d).

Homeownership is also not primarily seen as an investment that will generate a return. Only 17.4 percent of home seekers want to invest in a home and sell it on at a higher price, and only 41.4 percent agree that homeownership is a good way to increase wealth. Instead, the majority see homeownership as having a home with non-financial benefits: For example, they emphasize freedom of design or the feeling that homeownership gives them a “real” home.

### Financial feasibility as the ultimate hurdle

Various studies have recently indicated that it is becoming more difficult for regular earners to purchase a home with their income and assets (Swiss Federal Office for Housing [BWO], 2020; Fleury & Schwartz, 2021). This, it is argued, is due to overly limiting equity and affordability requirements. A similar picture emerged from the responses of the respondents of this study. Home seekers see their greatest challenges in the lack of supply and the financial feasibility of homeownership. No properties are available that would be suitable in terms of space or price; home prices, in general, are perceived as too high. Low income and a lack of assets are also important factors deterring people from buying a home.

Three out of four home seekers and transitional renters surveyed also think homeownership should be promoted more. Only 15.9 percent of them find homeownership affordable. Here, too, the financial problem of homeownership affordability is evident.

### A call for more responsibility and commitment

When asked why fewer and fewer people can afford homeownership, the home seekers surveyed blamed players such as the government rather than the population and society - including themselves. Interestingly, about 20 percent also say they have not taken any of the many measures identified to find a home. Only one-third of the home seekers and transitional renters surveyed subscribe to a home listing service. It also appears that the home seekers surveyed are not prepared to invest much money in finding a home to buy. For example, only 2.5 percent indicated that they had hired a realtor.

Therefore, in this context, it is legitimate to ask to what extent potential homeowners are willing to commit personal and financial resources (i.e., to have “skin in the game”). A more proactive approach might be more successful: Nothing ventured, nothing gained. While a change of current requirements (e.g., feasibility) is often associated with a long-drawn-out process, individuals may achieve this by changing their search behavior. Unusual and creative measures, such as placing an ad in the newspaper or becoming more frugal to save more money, might be easier and faster to implement to achieve the goal of homeownership.

**Outlook: All players need to take action**

Nevertheless, the real estate market situation remains challenging, and various levers (including financing criteria) may have to be adjusted. For the dream of homeownership to become true or to reap the benefits associated with it, a better understanding is needed regarding the characteristics and preferences of potential and current homeowners. This survey contributes to a better understanding of potential homeowners. A subsequent study will address the gap among current homeowners. Based on the two studies, appropriate solutions will then be proposed to address all players in the real estate market.



