Homeownership Matters: The Connection between Homeownership and Social Capital

By Selma Hepp

In another commentary, we discussed new research on the relationship between homeownership and civic participation. Many studies have pointed to the fact that homeowners have higher participation in local volunteer activities, participate more in local political activities and organizations, have higher voting rates, and are more involved in self-help activities (i.e. neighborhood crime watch and local school parents-teachers organizations)\(^1\). What’s more, homeowners also tend to have more extensive social networks than do renters\(^2\).

The importance of social networks is that they provide people with others who they rely on for companionship as well as emotional and material assistance. And, research has shown that neighbors often make up a sizable portion of social support networks. Given the greater social network of homeowners, another recent study the University of North Carolina at Chapel Hill examined homeowners’ resultant access to social capital\(^3\). Social capital refers to social resources a person can access through contacts with others in his or her social networks.

But, why is social capital valuable to society? Social capital, most simply put, describes the benefits of social networks. Research has shown that having friends and being involved in groups not only helps people find jobs but also improves their health, education, and happiness\(^4\). However, the term “capital” also speaks to resources that can advance and promote a mutual gain. Social capital moves the idea of capital beyond just an economic gain and refers to connectedness among people. Social capital is about a well-developed sense of mutual trust and reciprocity in social networks. In the words of Harvard professor, Xavier de Souza Biggs, “social capital is the stuff we all draw on all the time, through our connections to a system of human relationships, to accomplish things that matter to us and solve everyday problems”\(^5\). All of these characteristics make social capital

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a critical component of economic and social development of communities and nations. As Briggs put it, “businesses have never thrived, nor economies flourished, without social capital”. The argument about the causal link between social capital and economic and social well being is not one sided though. While some experts, like Briggs, say that social capital may lead to enhanced social and economic well being, others say it is equally expected that economic and social well being lead to improved social capital. Regardless, the research on the topic suggests that the causal effect runs in both directions. Social capital and economic equality tend to go together and reinforce each other. Similarly lower economic equality and less social engagement were also observed to reinforce each other⁶.

In the recent study, researchers from the University of North Carolina at Chapel Hill hypothesized that social involvement provides opportunities for homeowners to form social ties to others, ties which can lead to increased social capital among homeowners. To measure social capital, the authors conducted a survey among low-to moderate-income families and collected information on how many people a respondent knows who could provide a given resource. In the survey, the authors asked about social resources that are not just homeowner-specific. For example, does the respondent know someone who:
1. Could help her/him move to a new home?
2. Would bring her/him food or medicine if she/he were sick?
3. Has contacts in the media?
4. Is politically active?
5. Gives good advice for handling stress?
6. Is good with computers?
7. Could help her/him find a job?
8. Would lend her/him $500 if needed?

To differentiate between an individual’s overall social capital and the social capital connected with his or her neighborhood, authors asked whether any of the people a respondent knows who could provide a given resource reside in his or her neighborhood. If homeownership creates social capital, homeowners are expected to have more overall social capital resources and also more resources within their neighborhoods. If homeownership only influences the geographical distribution of social capital, homeowners are expected to know more people in their neighborhoods but not more people overall. In other words, if homeownership produces beneficial social impacts associated with social capital, homeowner will have more social contacts inside and outside his neighborhood than renters. But if homeownership only fosters relationships within a neighborhood and there is not a greater social benefit to it, homeowners will only know more people in the neighborhood but not also outside of it.

The results indicate that homeownership does create social capital and provide residents with a platform from which to connect and interact with neighbors. Neighborhood tenure duration has no impact on social capital acquired via social ties with neighbors. But, neighborhood group membership does, as does having a child in the home.

The study also discusses several interesting phenomena about homeownership and the power of attachment arising from homeownership. Homeowners in many ways identify with their neighborhood, whether through interaction with neighbors, membership in neighborhood groups or by selection of social ties with other homeowners. As the authors argue, homeowners are more likely to seek out opportunities to interact with their neighbors because they feel a sense of attachment to others who live near them, particularly in urban communities. Owning a home means owning part of a neighborhood, and a homeowner's feelings of commitment to the home can arouse feelings of commitment to the neighborhood, which, in turn, can produce interactions with neighbors. Overall, attachment to the neighborhood is stronger for homeowners and long-term renters than for more transient residents. Another study found that the strongest predictor of attachment is not a place characteristic but rather whether the person is a homeowner7.

Another interesting point the authors made is that individuals select the people with whom they form social relationships within a social space that facilitates routine interaction with others. The most common place to form social relationships is the workplace. Like a workplace, homeownership serves to facilitate interactions within a neighborhood and open opportunities for the acquisition of social capital. However, people also consider the potential long-terms costs and benefits8, thus homeowners may see ties to other homeowners as more valuable because of a higher potential for longer lasting relationships. As the authors further argue, both homeowners and renters are less likely to look for social ties with renters because renters are perceived as temporary residents. Homeownership implies permanence, while renting implies mobility9. In fact, previous studies have found mobility does impact the creation of social capital. Communities with higher in-migration and out-migration were shown to have lower levels of social capital10.

Finally, increased civic engagement and creation of social capital are just some of the positive social benefits from homeownership. There are many more. Evidence from numerous research studies attest to the benefits accruing to many segments of society, including improved educational performance of children, improved health, lower crime

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rates and lower welfare dependency. Two-thirds of all U.S. households who own their home currently are enjoying these benefits. Moreover, these are also benefits that go well beyond the long-term financial gains of homeownership.