

# Housing assets and consumption among the Japanese elderly

Shinichiro Iwata\*

Faculty of Economics, University of Toyama, Toyama, Japan  
iwata@eco.u-toyama.ac.jp

Norifumi Yukutake

College of Economics, Nihon University, Tokyo, Japan

April 17, 2017

## Abstract

A large proportion of the Japanese elderly accumulate assets in the form of housing equity reflecting a relatively high percentage of elderly homeowners. Releasing housing equity therefore expects to smooth consumption through after their retirement life. This paper estimates the fixed effect model to examine a casual effect of housing assets on consumption, using panel data on Japanese elderly households between 2004 to 2015. Evidence suggests that changes in housing wealth do not significantly increase elderly consumption. The reason behind this relationship appears to be that the elderly homeowners cannot get cash out of their housing wealth from the financial sector. Instead, the elderly homeowners leave housing assets to their children, and in exchange, receiving cash to smooth consumption. The impact, however, is rather small. Moreover, this mechanism tends to work only in urban areas where the land values are relatively high. These estimates imply that housing wealth is available only to a limited part of the elderly homeowners.

**Keywords:** elderly; land values; homeownership; bequest motives; Japan

**JEL classification:** D12, E21, J13, R21

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\*Corresponding author: Faculty of Economics, University of Toyama, 3190 Gofuku, Toyama 930-8555, Japan