

Exposé

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Research Question: **Cementing the Divide? Housing and Wealth Inequality across Europe**

Relevance of Topic

In my bachelor's thesis, I plan to explore the potential link between inequality and housing, particularly focusing on gains in housing wealth over the past 15 years. Rising house prices after the financial crisis brought uncertainty for some parts of the population and gains for others.

I want to find out who profited from this? Is it the middle classes with housing as their main asset or is it the upper parts of the distribution who often own housing as an investment vehicle? And how does inequality change when the prices rise?

Approach

I want to approach my topic using a two-step process. First, I will focus on the case example of Germany. As the largest European economy, Germany is a valuable target for analyzing the effects of the sharp increase in housing prices over the last ten years. Germany's lower rate of homeownership and more concentrated housing wealth make it a particularly interesting case study.

A more in-depth look at the data will reveal the methods I use. A first idea would be Gini Decomposition Techniques to analyze the role of housing as an inequality driver, e.g the method from Shorrocks (1984) or Lerman and Yitzhaki (1985). Another avenue would be Recentered Influence Functions (see Firpo, Fortin, and Lemieux (2018)).

Next, I will move on from the German example to the European context. Across Europe, there are vast differences in homeownership rates, housing wealth distribution, and price trajectories since the financial crisis. For example, Spain has flatlining prices, while the Netherlands and Germany have experienced strong price increases. To account for these differences I will use a panel regression that analyzes housing as a driver of wealth inequality.

The main data for these analyses will be the Distributional Wealth Accounts (DWAs), an experimental dataset created by the ECB in 2022. This dataset provides detailed asset

distributions among wealth deciles on a quarterly basis (see the detailed method Engel et al. (2022)). The data range is from 2011 to 2024, essentially covering most of the effects of the post-financial crisis and the Covid shock. Additional macro data for different European countries will come from Eurostat.

Literature

Over the last decade, a broad range of literature has focused on wealth inequality, sparked by Piketty (2014). Resurfacing as a topic in public debate, researchers have attempted to create top wealth series in many countries, including Germany (e.g., Albers, Bartels, and Schularick (2020)).

Different researchers have approached housing as a driver of wealth inequality in Europe. For example, Biewen, Glaisner, and Kleimann (2025) focuses on differences among European countries and the role of homeownership. Mathä, Porpiglia, and Ziegelmeyer (2017) focuses on housing wealth and intergenerational transfers as drivers of inequality, analyzing the role of housing prices.

Specific Country Examples that highlight the role of housing are presented by Martínez-Toledano (2022) for Spain, who researches the reactions of the upper decile to housing cycles. For Germany, Bartels and Schröder (2020)'s work focuses more on the role of rental income, and they subregionalize their data.

In summary, there is a broad range of literature on my topic, but not the specific analysis I want to create. Additionally, the diverse methods used in these papers allow me to narrow down the most applicable ones during my research process, rather than limiting me beforehand.

Expected Results

I expect to see different results regarding the role of housing and housing prices in contributing to inequality across Europe. Presumably, countries with rising prices and high ownership, like the Netherlands, show no contribution of housing inequality to wealth inequality. Conversely, countries with rising prices and low ownership, such as Germany, will probably exhibit this effect.

I provide three descriptive graphics created from the dataset. Figure 1 shows the diverging tenant-to-owner wealth ratios in European countries. It is already visible that countries with lower housing price growth post-financial crisis (e.g., Italy and Spain) have flatter curves than countries with increasing prices, where the Net Wealth of Owners grew much faster than that of Owners.

Figure 2 presents the Development of Housing Wealth in Germany, split up by the different deciles, clearly showing the overwhelming majority of it being owned by the upper 10%. Figure 3 decomposes the wealth of German households, with the middle classes (deciles 6–8) clearly having housing as their main asset. This differentiates them from the top decile and the bottom 50%.

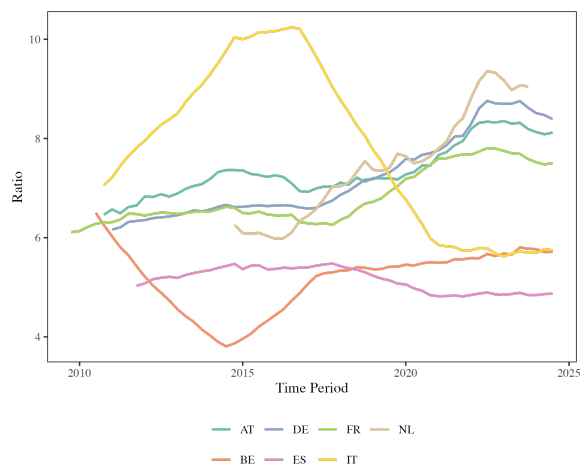


Figure 1: Tenant-Owner-Wealth Ratios

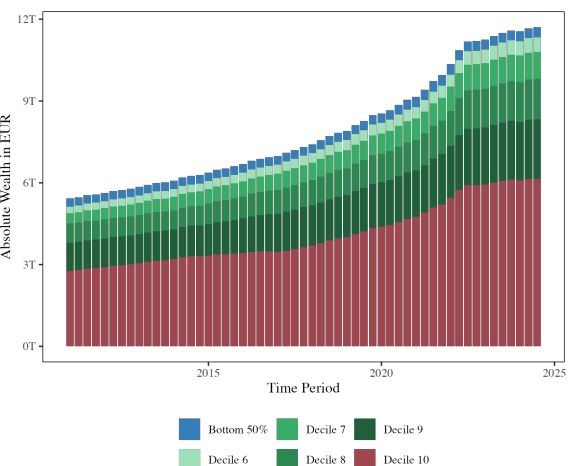


Figure 2: Housing Wealth in Germany

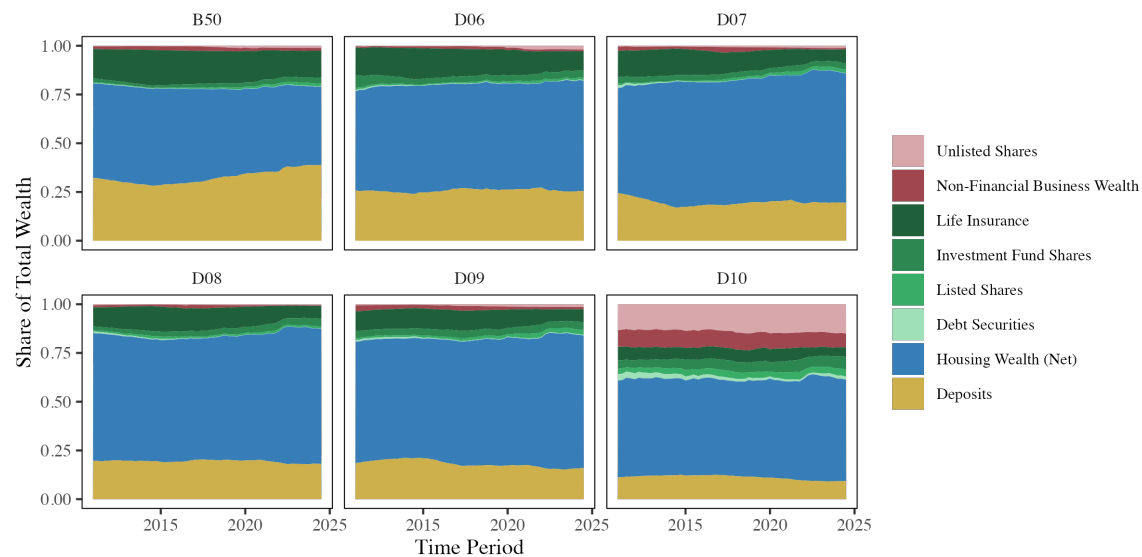


Figure 3: Asset Composition by Deciles (Germany)

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