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# Households and real estate: Strategies of accumulation and inequality in Spain, 2002-2017


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Real estate has traditionally been an important economic resource for Spanish households. The development of the real estate market in Spain during the 21st century brings forth two very different stories. The first story is one of obstacles to access housing. It has become increasingly hard to buy or rent a home. Housing prices have risen considerably in urban areas while people's income changed very little. The second story is one of accumulation of properties. Housing has been, and continues to be, a form of saving, investment and speculation for small and large property-owners. Falling housing prices permitted resourceful households to accumulate more properties during the financial crisis.

These two stories lead to the following question: How did changes in the ownership of properties impact inequality in Spain? In this Perspectives Demogràfiques, we analyse how developments in the real estate market are connected to wealth inequality in Spain. The results point at a polarization of access to property; both the number of households without property and the number of households with multiple properties increased over time. Because real estate is the most important form of household's wealth, the accumulation of properties has become a non-negligible part of wealth inequality between households in Spain.

## Household Wealth and Inequality

Wealth is the total value of possessions that households have net of any outstanding mortgages or debt. Housing is the most common form of wealth and the most important way in which households accumulate wealth (Artola Blanco et al., 2021). Another common form of wealth is money on the bank. A more select part of Spanish households also holds wealth in the form of businesses, stocks, investment funds, second residences, land or other real estate. Wealth is important for people's well-being because it can often be used to deal with unexpected financial trouble, to invest, to reduce monthly housing expenses, or to help out others.

The numbers presented in this article are based on the Encuesta Financiera de las Familias (Barceló et al., 2020) released by the Bank of Spain, covering the period 2002-2017. During this eventful period of time there has been a housing boom followed by a housing bust and financial crisis, as well as, more recently, some first steps to a recovery of the economy and housing prices.

On average, households in Spain had slightly over 260.000 euros of wealth in 2017. This number is quite high because it is an average that is pulled up by a small group of wealthy households. To illustrate, the median level of household wealth in 2017 was slightly

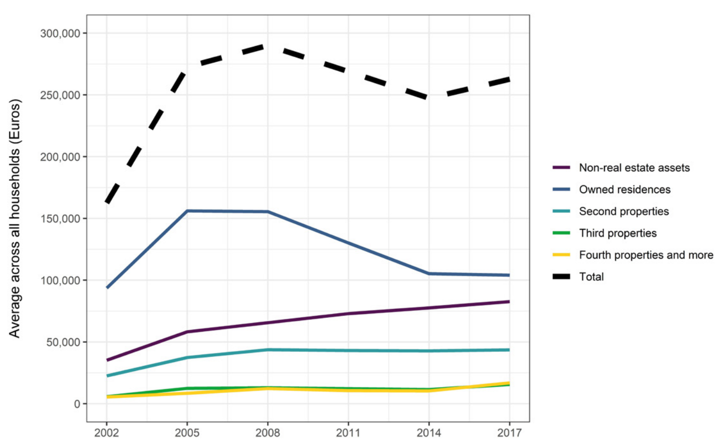


**Figure 1.** Average household wealth broken down into components.
**Source:** Authors' calculations based on Encuesta Financiera de Famili-as (Banco de España). Weighted by household size and sample weights.

over 115.000 euros. This means that half of Spanish households had more and half had less than 115.000 euros of household wealth.

Figure 1 shows how the average wealth of Spanish households developed over time (black line). We also break this average wealth down into components (colored lines). We distinguish between real estate properties and non-real estate properties. Within the group of real estate properties, we distinguish between the household's main residence and other properties ordered by their value (i.e. the second property is a household's most valuable asset that is not the main residence). For instance, Spanish households held, on average, around 104.000 euros in the form of their main residence, 82.000 euros in the form of non-real estate assets, and 44.000, 16.000 and 17.000 euros in the form of second, third, and fourth (and more) properties.

What becomes clear from these numbers is that most wealth held by Spanish households is in the form of real estate, with the main residence as its most important component. Wealth held in the form of main residences skyrocketed in the 2000s, but almost returned to initial levels after the crisis due to dropping housing prices. In contrast, wealth held in the form of non-real estate assets and other real estate properties has been increasing steadily over the period 2002-2017.

## Home Ownership and Investments in Real Estate

Figure 2 shows how the ownership of properties has changed over time in Spain. A small proportion of households does not own any property at all, but this proportion has been increasing from 14% in 2002 to 18% in 2017 (bottom part of the graph). The strongest increase has been observed in recent years. The explosion in housing prices during the period 2017-2019 is likely to have strengthened that trend further after 2017. In contrast, the group of households that increased most clearly during the period is households that own three properties or more, increasing from 9% in 2002 to almost 20% in 2017. These properties are not all houses, but also include pieces of land, offices, and garages that are not part of the household. However, the increase in this trend over time is primarily driven by increases in the ownership of housing used as second residences or rented out to others.

What becomes clear is that while an increasing part of Spanish households has no properties at all, the number of households with multiple properties is increasing. It is interesting to see that the share of households having four or more properties increased in particular after the financial crisis. It seems that many Spanish households have used the drop in housing prices as an opportunity to invest in real estate (Amuedo-Dorantes & Borra, 2018).

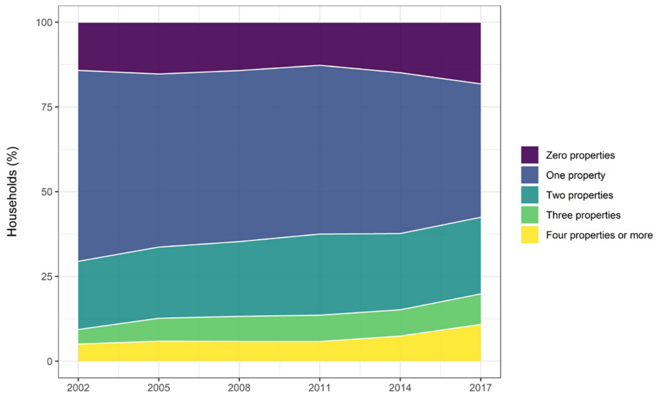


**Figure 2.** Number of properties held by Spanish households.
**Source:** Authors' calculations based on Encuesta Financiera de Familias (Banco de España). Weighted by household size and sample weights.

## The increasing importance of real estate investments for wealth inequality

What role did these changes in the ownership in property play for wealth inequality between households? Figure 3 shows so-called Gini-coefficients for each of the years for which we have data. Gini-coefficients indicate the level of inequality in a society on a scale ranging from 0 (no inequality) to 1 (maximum inequality). The Gini-coefficient increased from 0.57 in 2002 to 0.68 in 2017 in Spain, which means wealth inequality increased considerably over the last two decades. To illustrate, the 10% wealthiest household held 43% of all wealth held by Spanish households in 2002. By 2017, this share had increased to 54% of all wealth; a dramatic increase in a relatively short period of time. However, as discussed later, this is not because the wealthy became wealthier, but rather because other households lost more wealth over time.

The bars of Figure 3 are broken down according to how important different components were for levels of wealth inequality in the different years considered. This exercise is based on dividing the wealth of households into different components (residence, other real estate, non-real estate) and determining their weight in inequality between households. In 2002, main residences were the most important component of wealth inequality, but their importance decreased over time. By 2017, other real estate was as important for wealth inequality as main residences, and non-real estate assets became a salient contributor to wealth inequality between households.

The most pronounced increases in wealth inequality are observed after the financial crisis. This is not so much a story of the rich becoming richer, but rather one of the rest of the population losing wealth (Martínez-Toledano, 2020). As observed before in Figure 1, the value of residences dropped

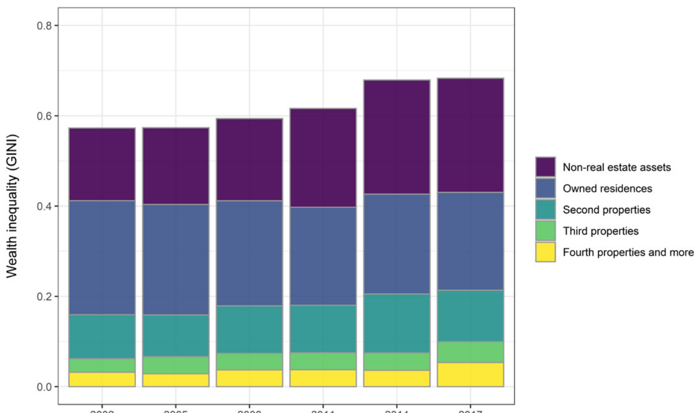


**Figure 3**. Decomposition of Changes over time in Wealth Inequality.
**Source:** Authors' calculations based on Encuesta Financiera de Familias (Banco de España). Weighted by household size and sample weights.

considerably after the crisis. Because for many households their residence is their most important asset, this implied a considerable reduction in wealth for large parts of the population. At the same time, wealthy households own their homes but also have other types of wealth including businesses, stocks, and investment funds. Hence, wealthy households are less dependent on how housing prices develop as compared to households who own their residence but do not have other forms of wealth. In addition, their wealth permits them to more easily sell properties and invest in other forms of wealth as housing prices drop (Martínez-Toledano, 2020). These trends made non-real estate assets more important for wealth inequality after the crisis. In conclusion, during the financial crisis wealthy households lost relatively less wealth than other households because they had a more diverse portfolio.

Besides these overall changes in inequality related to the losses in housing wealth there were other important developments taking place. As mentioned, the number of households with multiple properties has increased over time, especially those with three or more properties. The average decrease in household wealth hides increases in the average wealth rich households hold in the form of second, third, fourth or more real estate properties (Figure 1). Figure 3 shows that even though housing prices declined, the absolute contribution of third, fourth and more real estate properties to wealth inequality almost doubled between 2002 and 2017 (from 0.06 to 0.10). An important part of this increase took place after 2011. These results show that part of the increases in wealth inequality over time has been produced through investments in properties.

## Polarization in the Real Estate Market and Future Trends in Wealth Inequality

The numbers presented in this article show the polarization that has emerged in terms of household's access to property and how this has become an important part of wealth inequality in

Spain. Whereas some households have to face fragile housing situations, other households have used investments in real estate as a strategy to accumulate wealth.

How could this relationship between property and wealth inequality develop in the future? If the strong increase in wealth inequality after the financial crisis was driven by a drop in housing prices, one might wonder whether this increase has been temporary, and if wealth inequality returns to initial levels as housing prices recover. There are two important reasons why this is an unlikely scenario. First of all, the share of households without any properties at all is increasing. This implies that a larger part of society does not benefit from increasing housing prices today as compared to one decade ago. Secondly, many wealthy households now have several properties. When housing prices increase again, it will therefore be households with many real estate properties (i.e. wealthy households) who will disproportionally benefit from that. The very high levels of wealth inequality observed after the financial crisis are therefore likely to persist, or might increase, even if housing prices go up again.

Finally, the numbers presented in this article add a new layer to the debate on housing in Spain. In a context where a growing part of the Spanish population is experiencing problems due to increasing housing costs, there are more investments made in real estate. The analysis presented here shows that these investments are not only made by companies or investment funds, which has received most attention so far (Vives-Miró, 2018), but also by households. This process contributes to an increasing financialization of housing characterized by the increasing presence of financial actors and market principles in housing matters, which reduces the focus on the primary function of housing (Aalbers, 2016). As a consequence, the access to property is polarizing and the accumulation of properties is becoming an important part of wealth inequality between households in Spain.

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