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The Role of Housing Wealth in the European Wealth Distributions: Analysis Based on the Household Finance and Consumption Survey

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Housing wealth is the most important component in the portfolios of European households. The value of owner occupied main residences accounts for almost 50% of household wealth and other housing wealth for approximately 10%, based on the Household Finance and Consumption Survey (HFCS) data. Consequently, reliable measurement of housing wealth across countries is essential for making valid analyses of wealth distribution from the data. We analyse the role that different components of housing wealth have in the European wealth distributions, and address in particular issues related to measurement in the HFCS, a harmonised collection of wealth surveys from around 20 European countries.

The paper first assesses the measurement of housing wealth in the HFCS across European countries. The challenge is on one hand, how accurately the value of owner occupied housing is reported by homeowners in a survey, and on the other hand how well rented and other dwellings owned by households are covered in survey data. Results from the HFCS data are reflected against various external data sources showing information on the levels and developments in the housing markets.

The second part of the paper evaluates the impact of three components of housing wealth (main residence, rented dwellings, other dwellings) on overall wealth differences, both within and between countries. We also discuss the relative reporting bias between housing wealth and financial wealth and the potential undercoverage of housing wealth owned by households for rental purposes.