

# Housing Booms, Family Wealth, and the Renter-Owner Divide\*

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## Abstract

We develop a dynastic model in which households differ in income and inherited resources, face a minimum housing size requirement, and borrow against housing collateral. The model predicts that housing booms raise the wealth threshold for homeownership, increase the importance of transfers around housing acquisition, and reduce ownership among households with limited family resources. We test these predictions using German and European survey data. The evidence shows that households from more advantaged family backgrounds are more likely to own housing and accumulate greater housing wealth, especially when house prices are high. Family transfers also become more common around housing acquisition during boom periods, while households from disadvantaged backgrounds face reduced access to homeownership. These findings suggest that house price dynamics can play an important role in shaping intergenerational inequality.

**Keywords:** Homeownership; Intergenerational transfers; Wealth inequality; Family background; Housing affordability.

**JEL codes:** D31, D64, E21, G51, R21.

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# 1 Introduction

For most households, owner-occupied housing is the largest asset on the balance sheet. Access to homeownership is therefore a key determinant of lifetime wealth accumulation (Arundel, 2017; Mathä et al., 2017; Kaas et al., 2019b). At the same time, housing markets are characterized by strong cyclical dynamics. Periods of rapidly rising house prices can substantially alter affordability conditions and the distribution of gains from housing (Favilukis et al., 2017; Fuller et al., 2020). This raises a central question: to what extent do housing market conditions shape the role of family resources in access to homeownership and intergenerational wealth transmission?

Relying on empirical results from household-level data and a quantitative macroeconomic model, this paper studies how housing markets interact with intergenerational transfers to shape entry into homeownership and renter-owner mobility.

Using German and European household survey data, we document that family resources are strongly related to housing outcomes. Individuals from more advantaged parental backgrounds are more likely to become homeowners and accumulate more housing wealth, especially when house prices are high. Gifts and inheritances are also concentrated around housing acquisition and become more common during housing booms. These patterns are consistent with evidence that housing markets amplify pre-existing differences in family resources (Helderman and Mulder, 2007; Mulder et al., 2015; Cigdem-Bayram et al., 2025). They suggest that family resources matter not only through passive wealth transmission, but also by helping households overcome the entry costs of homeownership when housing becomes less affordable.

However, reduced-form evidence cannot by itself identify how rising house prices operate through affordability constraints, inherited housing wealth, and borrowing capacity. To isolate these mechanisms, we develop a model of housing and intergenerational wealth transmission. The model features dynastic households that differ in income and inheritances, and face a discrete housing choice due to the indivisibility of housing at the extensive margin. Households can either rent or purchase a house, where homeownership requires overcoming a minimum size constraint and is financed

through a combination of own resources and collateralized borrowing. Housing yields a leveraged return that exceeds the return on liquid assets, generating a strong incentive to become an owner. However, this incentive is counteracted by borrowing constraints and the minimum housing size requirement, which imply that entry into homeownership requires a sufficiently high level of wealth.

Within this environment, intergenerational transfers play a central role ([Engelhardt and Mayer, 1998](#); [Guiso and Jappelli, 2002](#); [Wang and Squires, 2024](#)). Bequests and transfers determine whether households can cross the threshold into homeownership, and therefore whether they can benefit from the higher return associated with housing. The model generates endogenous sorting of dynasties into renters and owners, with persistent differences in housing access and wealth accumulation. Importantly, the interaction between house prices and these constraints gives rise to a set of sharp predictions.

The model suggests that the role of intergenerational transfers in housing access is state-dependent. When house prices are high, family transfers become more important in supporting housing acquisition, as they help constrained households cross the ownership threshold. A housing boom raises this threshold for prospective buyers. As a result, homeownership and renter-to-owner transitions (when the household moves from zero to positive housing wealth) decline among households with low inherited resources. For households with substantial inherited resources, the effect is ambiguous: higher house prices increase bequest wealth but also make entry into homeownership more costly. The model therefore predicts that housing booms widen the ownership gap between households with and without family resources.

To test these predictions, we use two complementary datasets. The German Socio-Economic Panel (SOEP) allows us to study lifecycle housing transitions and wealth accumulation by family background within Germany. The Household Finance and Consumption Survey (HFCS) provides cross-country European evidence on household balance sheets, housing choices, and intergenerational transfers. Together, they link family background, transfers, housing acquisition, and house price conditions.

The empirical analysis yields three main findings. First, transfers are closely

linked to housing acquisition. In the HFCS, gifts and inheritances spike around the year in which households acquire their main residence, suggesting that transfers help finance entry into homeownership. Second, family background is strongly related to housing outcomes. In the SOEP, individuals whose fathers have at least vocational education, as opposed to no vocational education, are more likely to own their primary residence and accumulate more housing wealth, with the gap becoming larger after the German housing boom.<sup>1</sup> Third, housing booms make family resources more important. In the SOEP, renter-to-owner transitions decline during boom periods, especially for individuals from less advantaged parental backgrounds. In the HFCS, booms are associated with a higher incidence of gifts, while the ownership gap between households with and without early transfers widens.

Taken together, these findings support the view that intergenerational transfers respond endogenously to housing market conditions. Rather than reflecting a fixed process of wealth transmission, transfers appear to be used to facilitate access to homeownership under binding constraints. This interpretation is consistent with the mechanism highlighted by the model: as house prices rise and borrowing constraints tighten, family resources become a key determinant of who can enter the housing market.

## Related literature

The role of intergenerational transfers in housing outcomes has long been recognized. Early contributions such as [Engelhardt and Mayer \(1998\)](#) and [Guiso and Jappelli \(2002\)](#) show that borrowing constraints are central for homeownership and that family resources help relax these constraints. This establishes the core mechanism: parental wealth facilitates entry into owner-occupied housing, particularly for young and liquidity-constrained households. Subsequent work confirms that intergenerational support is an important determinant of housing access across countries – see [Wang and Squires \(2024\)](#) for an extensive literature review. Related evidence further shows that parental resources shape not only homeownership, but also ear-

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<sup>1</sup>In the SOEP, we use parents' education as a proxy for parental resources. We discuss this further in the empirical section.

lier housing transitions, especially when local housing costs are high (Bayrakdar and Coulter, 2018).

A large literature now examines how family background shapes housing outcomes, broader socioeconomics outcomes. Helderma and Mulder (2007) document that parental homeownership strongly predicts children’s transition into ownership, while Mulder et al. (2015) show that parental resources matter more when housing is less affordable. More recently, Blanden et al. (2023) find that the intergenerational persistence of homeownership has strengthened over time in the United Kingdom, consistent with declining housing mobility across generations. Finally, house price dynamics may also shape long-run outcomes through neighborhood choice and human capital accumulation, as rising local house prices can affect access to high-quality schools and thereby children’s future earnings (Gilraine et al., 2023).

Building on this evidence, several papers focus specifically on how house price dynamics affect housing access and intergenerational inequality. House price booms can reduce homeownership among younger households and strengthen intergenerational persistence, while also affecting location and career choices (Sturrock and Levell, 2026). Closely related to our contribution, Wold et al. (2024) show that parental wealth affects housing entry, leverage, and purchase values, and that expected house price growth and mortgage regulation shape the strength of the housing channel of intergenerational wealth persistence. This paper connects these strands by studying how housing market conditions interact with intergenerational transfers. It shows that the importance of family resources is state-dependent, and that housing markets shape both the transmission of wealth and access to homeownership, with implications for long-run inequality.

Finally, a related literature studies how housing markets shape wealth accumulation and inequality. Housing is the main household asset and a leveraged investment, so access to ownership has long-run consequences. Consistent with this, Charles and Hurst (2003) show that housing is an important channel of intergenerational wealth persistence. House price movements are a major driver of wealth inequality (Fuller et al., 2020), and differences in homeownership explain a substantial share of cross-country inequality (Kaas et al., 2019b). However, the causal effect

of homeownership on wealth inequality remains debated, with some evidence suggesting that it may crowd out other forms of wealth (Kaas et al., 2019a). Lux and Sunega (2025) show that, in post-socialist super-homeownership countries, intergenerational housing-related transfers can mitigate rather than amplify housing wealth inequality, as widespread ownership makes family transfers less concentrated among already advantaged households.

The remainder of the paper is structured as follows. Section 2 presents the model and derives its main predictions. Section 3 describes the data and presents the empirical results. Section 4 discusses implications and concludes.

## 2 Model

This section develops a simple dynastic model to clarify how house price booms affect homeownership through intergenerational transfers. Households differ in income and inherited resources, face a minimum housing size requirement, and can borrow against housing collateral. The model shows how higher house prices raise the ownership threshold, while also increasing the value of housing-related bequests. This generates testable predictions on when family resources matter for housing acquisition and how booms affect ownership gaps across households.

### 2.1 Setup

There is a unit measure of household dynasties indexed by  $i \in [0, 1]$ . Time is discrete and indexed  $t = 0, 1, 2, \dots$ . Each generation of a dynasty lives one period during which the household receives income and decides about consumption and savings, which are left as bequests for the subsequent generation of the dynasty.

Aggregate income is denoted  $Y_t$  and grows with exogenous factor  $G$ . The income of generation  $i$  in period  $t$  is denoted  $\tilde{y}_t^i = y_t^i \cdot Y_t$ , where the detrended, idiosyncratic component of income  $y_t^i$  follows a stationary Markov chain over  $\{y_1, \dots, y_n\}$  with  $y_1 < y_2 < \dots < y_n$  and with a unique and asymptotically stable invariant distribution  $(\pi_1, \dots, \pi_n) \gg 0$  such that  $\sum_i \pi_i y_i = 1$ .

Generation  $t$  of dynasty  $i$  derives utility from own consumption  $\tilde{c}_t^i$  and from the bequests left for the next generation  $\tilde{b}_{t+1}^i$  with utility function

$$(1 - \beta) \ln(\tilde{c}_t^i) + \beta \ln(\tilde{b}_{t+1}^i),$$

where parameter  $\beta$  controls the strength of the warm-glow bequest motive.

There are two means of saving. Households may hold a liquid asset, which has the exogenous gross return  $R < G$ , or they may buy housing at unit price  $\tilde{p}_t$  in period  $t$ . Housing can only be bought above a minimum house size  $\bar{h} > 0$ , reflecting the indivisibility of housing units. Households are also allowed to borrow against the collateral value of the house, equal to fraction  $\mu \in (0, 1)$  of the value of the house when signing the mortgage contract. The gross interest rate on mortgages is identical to the interest rate on savings  $R$ . Housing is in fixed aggregate supply  $\bar{H}$ , and the price adjusts to clear the housing market in every period.

In the following, we consider a stationary balanced-growth-path equilibrium where the house price grows at the rate of aggregate income,  $\tilde{p}_{t+1}/\tilde{p}_t = G$ . In the simple model, the motive for homeownership is that the return on housing exceeds the return on the liquid asset. Since the return on the liquid asset is smaller than the income growth rate, housing is a bubble asset with zero fundamental value. The model does not include utility from housing services or an explicit rental market. These features can be added in an extension.

## 2.2 Household Problem

Household  $i$  in period  $t$  receives income  $\tilde{y}_t^i$  and inherits  $\tilde{b}_t^i$  from its parents. The household decides consumption  $\tilde{c}_t^i$ , saving in the liquid asset  $\tilde{a}_t^i$  or mortgage borrowing when  $\tilde{a}_t^i < 0$ , housing  $h_t^i$ , and bequests  $\tilde{b}_{t+1}^i$  to solve:

$$\max(1 - \beta) \ln(\tilde{c}_t^i) + \beta \ln(\tilde{b}_{t+1}^i)$$

subject to

$$\begin{aligned}\tilde{c}_t^i + \tilde{p}_t h_t^i + \tilde{a}_t^i &= \tilde{y}_t^i + \tilde{b}_t^i, \\ \tilde{b}_{t+1}^i &= \tilde{p}_{t+1} h_t^i + R \tilde{a}_t^i, \\ \tilde{a}_t^i + \mu \tilde{p}_t h_t^i &\geq 0, \\ h_t^i &\in \{0\} \cup [\bar{h}, \infty).\end{aligned}$$

In a balanced-growth-path equilibrium, we write  $c_t^i = \tilde{c}_t^i/Y_t$ ,  $a_t^i = \tilde{a}_t^i/Y_t$ ,  $b_t^i = \tilde{b}_t^i/Y_t$ , and the house price relative to aggregate income is constant and denoted by  $p = \tilde{p}_t/Y_t$ . Dropping the time index and the household index, the problem can be rewritten in detrended form as

$$\max(1 - \beta) \ln(c) + \beta \ln(b_+)$$

subject to

$$\begin{aligned}c + ph + a &= y + b, \\ b_+ &= ph + \frac{R}{G}a, \\ a + \mu ph &\geq 0, \\ h &\in \{0\} \cup [\bar{h}, \infty).\end{aligned}$$

We write  $\omega \equiv y + b$  for household resources available for consumption and saving. Depending on  $\omega$ , the household can be a renter with  $h = 0$ , an unconstrained owner with  $h \geq \bar{h}$ , or a constrained owner for whom the minimum house size constraint binds at  $h = \bar{h}$ .

**Renter household.** The household saves fraction  $\beta$  of resources in the liquid asset, so that  $a = \beta\omega$  and  $c = (1 - \beta)\omega$ . Bequests for the next generation, divided by next



period's income, are  $b_+ = \beta \frac{R}{G} \omega$ , and household utility is

$$v^r(\omega) = \ln(\omega) + (1 - \beta) \ln(1 - \beta) + \beta \ln \left( \beta \frac{R}{G} \right).$$

**Unconstrained owner household.** Since the mortgage interest rate is smaller than the rate of house price growth, the borrowing constraint is binding. The household saves in the form of home equity with saving rate  $\beta$ , so that  $(1 - \mu)ph = \beta\omega$  and  $c = (1 - \beta)\omega$ . Bequests for the next generation are  $b_+ = \beta \frac{R^*}{G} \omega$ , where

$$R^* \equiv \frac{G - \mu R}{1 - \mu} > G > R$$

is the leveraged housing return. Utility is

$$v^u(\omega) = \ln(\omega) + (1 - \beta) \ln(1 - \beta) + \beta \ln \left( \beta \frac{R^*}{G} \right).$$

The household becomes an unconstrained owner only if the minimum house size constraint is not binding. This requires

$$\omega \geq \omega^u \equiv \frac{(1 - \mu)p\bar{h}}{\beta}.$$

**Constrained owner household.** If household resources are insufficient to own unconstrained, it may still be optimal to save a fraction  $s > \beta$  of available resources in order to acquire a house of the minimum size. The household borrows up to the collateral constraint and realizes the leveraged housing return  $R^*$ . Consumption is  $c = (1 - s)\omega$ , savings in the form of home equity are  $(1 - \mu)p\bar{h} = s\omega$ , and bequests are  $b_+ = s \frac{R^*}{G} \omega$ . Household utility is

$$v^c(\omega) = \ln(\omega) + (1 - \beta) \ln(1 - s) + \beta \ln \left( s \frac{R^*}{G} \right).$$

Being a constrained owner weakly dominates being a renter if and only if  $v^c(\omega) \geq v^r(\omega)$ . This holds for any saving rate  $s$  not exceeding the threshold value  $\hat{s} \in [\beta, 1)$

defined by

$$(1 - \beta) \ln(1 - \hat{s}) + \beta \ln(\hat{s}) = (1 - \beta) \ln(1 - \beta) + \beta \ln(\beta) - \beta \ln\left(\frac{R^*}{R}\right). \quad (1)$$

The left-hand side is a hump-shaped function of  $\hat{s}$  that attains its maximum at the unconstrained saving rate  $\hat{s} = \beta$ . The larger is the gap between the housing return  $R^*$  and the return on the liquid asset  $R$ , the more willing the household is to reduce consumption in order to acquire a house of the minimum size. Given  $\hat{s}$ , the household becomes a constrained owner if resources exceed

$$\omega \geq \omega^c \equiv \frac{(1 - \mu)p\bar{h}}{\hat{s}}.$$

Otherwise, it is optimal not to acquire a house and to save in the liquid asset.

Summarizing these findings, the dynamics of bequests follow

$$b_+ = \mathcal{B}(b, y) \equiv \begin{cases} \frac{R}{G}\beta(b + y) & , \text{ if } b + y < \omega^c & (\text{renter}), \\ \frac{R^*}{G}p\bar{h}(1 - \mu) & , \text{ if } b + y \in [\omega^c, \omega^u) & (\text{constrained owner}), \\ \frac{R^*}{G}\beta(b + y) & , \text{ if } b + y \geq \omega^u & (\text{unconstrained owner}). \end{cases} \quad (2)$$

Housing demand is given by

$$h = \mathcal{H}(b, y) \equiv \begin{cases} 0 & , \text{ if } b + y < \omega^c & (\text{renter}), \\ \bar{h} & , \text{ if } b + y \in [\omega^c, \omega^u) & (\text{constrained owner}), \\ \frac{\beta}{p(1 - \mu)}(b + y) & , \text{ if } b + y \geq \omega^u & (\text{unconstrained owner}). \end{cases} \quad (3)$$

## 2.3 Stationary Equilibrium

The stationary bequest distribution depends on the interaction between income mobility and the bequest dynamics in (2). To rule out explosive dynamics, we assume  $\beta R^* < G$ . This condition guarantees that dynasties with high initial bequests or high income do not accumulate unbounded wealth.

Given this assumption, Figure 1 illustrates how bequests adjust from the current period to the next period for two income levels. Panel (a) shows the case of a low-income household that requires a relatively large inheritance to become an owner. If the dynasty were to realize the same low income level in all periods, it would eventually become a renter. Even with high initial wealth, bequests would decline below the threshold  $\omega^c - y$ . Panel (b) shows the opposite case of a high-income household. If the dynasty repeatedly realizes a high income level, bequests eventually exceed  $\omega^u - y$ , and the household becomes an unconstrained owner.

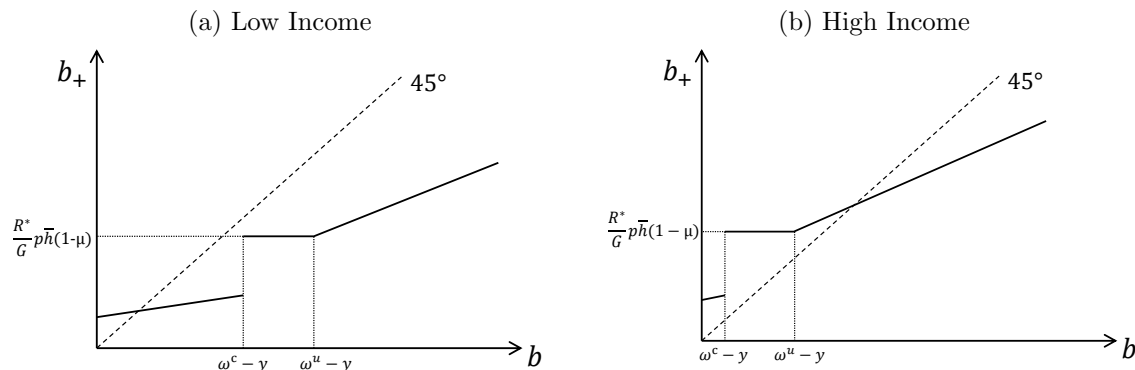


Figure 1: Dynamics of bequests

Intermediate income levels can generate multiple long-run outcomes if income is sufficiently persistent. Dynasties with low initial bequests may remain renters, while dynasties with high initial bequests may remain owners. To focus on equilibria with mobility across housing states, we assume that income dispersion and mobility are sufficient to ensure that all dynasties face a positive probability of becoming owners and renters in the future. Under this condition, the joint process for income and bequests has a stationary distribution with a positive mass of both renters and owners.

### Definition

A stationary equilibrium house price  $p > 0$  and a distribution measure over income and bequests  $\mu(b, y)$  such that

- (i)  $\mu$  is a stationary invariant distribution of the Markov process for  $y$  and the bequest dynamics defined by (2).
- (ii) The housing market clears:

$$\bar{H} = \int \mathcal{H}(b, y) d\mu(b, y).$$

The equilibrium house price governs the ownership threshold. A lower price reduces  $\omega^c$  and  $\omega^u$ , increasing the set of households that can become owners. A higher price raises these thresholds, increasing the role of inherited resources in determining access to homeownership.

## 2.4 Impact of a Housing Boom

Suppose that the economy is in a stationary equilibrium with distribution  $\mu(b, y)$  and house price  $p$ . At time  $T$ , an unexpected increase in housing demand raises the house price to  $p' > p$ , and the new house price path grows at rate  $G$  thereafter. In the following, we discuss four empirical predictions of the model when such a housing boom occurs.

**Prediction 1:** *Higher house prices raise the minimum bequest required to enter homeownership, increasing the importance of family transfers.*

A household becomes an owner if and only if resources exceed the ownership threshold,

$$y + b \geq \omega^c(p) = \frac{(1 - \mu)p\bar{h}}{\hat{s}}.$$

It follows that, for a household with income  $y$ , the minimum bequest required to become an owner is

$$b^c(y, p) = \omega^c(p) - y = \frac{(1 - \mu)p\bar{h}}{\hat{s}} - y.$$

Since

$$\frac{\partial b^c(y, p)}{\partial p} = \frac{(1 - \mu)\bar{h}}{\hat{s}} > 0,$$

a higher house price raises the minimum inherited resources required to cross the ownership threshold. In this sense, family resources become more important for housing acquisition when house prices are high.

**Prediction 2:** *Housing booms reduce homeownership for households whose inherited resources do not rise with house prices.*

For households receiving little or no bequest, or for households whose bequests are held in liquid assets, resources  $(y + b)$  do not increase mechanically with the house price. After the boom, the ownership condition becomes

$$y + b \geq \omega^c(p') = \frac{(1 - \mu)p'\bar{h}}{\hat{s}}.$$

Since  $p' > p$ ,

$$\omega^c(p') - \omega^c(p) = \frac{(1 - \mu)(p' - p)\bar{h}}{\hat{s}} > 0.$$

Thus, some households that could satisfy  $y + b \geq \omega^c(p)$  before the boom no longer satisfy  $y + b \geq \omega^c(p')$  after the boom. Hence, a house price boom lowers homeownership among households with low inherited resources.

**Prediction 3:** *Housing booms may increase or decrease homeownership for households with housing-related bequests.*

For households receiving housing-based bequests, the effect is ambiguous. Suppose the previous generation owned a house of size  $h_0 \geq \bar{h}$  and borrowed  $a_0 = -\mu p h_0$ . After the increase in the house price, the bequest left to the next generation is

$$b = p' h_0 - \frac{R}{G} a_0.$$

The child becomes an owner if

$$y + p'h_0 - \frac{R}{G}a_0 - \frac{(1-\mu)p'\bar{h}}{\hat{s}} \geq 0.$$

This expression shows the two opposing effects of a higher house price. The term  $p'h_0$  raises inherited housing wealth, while the term  $\frac{(1-\mu)p'\bar{h}}{\hat{s}}$  raises the ownership threshold. Taking the derivative of the left-hand side with respect to  $p'$  gives

$$\frac{\partial}{\partial p'} \left[ y + p'h_0 - \frac{R}{G}a_0 - \frac{(1-\mu)p'\bar{h}}{\hat{s}} \right] = h_0 - \frac{(1-\mu)\bar{h}}{\hat{s}}.$$

The wealth effect dominates when the inherited housing position is sufficiently large, that is when

$$h_0 > \frac{(1-\mu)\bar{h}}{\hat{s}}.$$

Thus, a boom can increase homeownership for households receiving sufficiently large housing-related bequests, but reduce it for households with small or no bequests.

**Prediction 4:** *Housing booms widen the ownership gap between households with and without family resources.*

This prediction follows from Predictions 2 and 3. For households without housing-related bequests, a boom raises the ownership threshold from  $\omega^c(p)$  to  $\omega^c(p')$ , while their inherited resources remain unchanged. Hence, the amount of income or liquid wealth needed to enter homeownership increases by

$$\omega^c(p') - \omega^c(p) = \frac{(1-\mu)(p' - p)\bar{h}}{\hat{s}}.$$

For households receiving housing-related bequests, the same increase in the ownership threshold is partly offset by the higher value of inherited housing wealth,  $(p' - p)h_0$ . Thus, the additional resources needed to enter homeownership increase by

$$(p' - p) \left( \frac{(1-\mu)\bar{h}}{\hat{s}} - h_0 \right).$$

When  $h_0$  is sufficiently large, this term is small or negative, so households with housing-related bequests are protected from the higher threshold. In this sense, housing booms widen the ownership gap between households with and without family resources.

### 3 Empirical Analysis

This section tests the empirical predictions of the structural model by examining how housing booms affect homeownership, renter-to-owner transitions, and the role of family resources in housing access. We first describe the data and empirical strategy, and then provide suggestive evidence that parental resources and intergenerational transfers play a central role in housing outcomes. We then organize the main empirical analysis around the model predictions discussed above.

#### 3.1 Data and Empirical Strategy

The empirical analysis combines two complementary datasets. The SOEP is a long-running household panel for Germany. It records housing tenure, housing wealth, individual characteristics, family background, and lifecycle transitions. Its panel structure allows us to study renter-to-owner transitions and the accumulation of housing wealth over the lifecycle. The HFCS is a harmonized household-level survey across European countries. It provides detailed information on assets, liabilities, income, housing, and intergenerational transfers in repeated waves between 2010 and 2024.

Since direct data on parental wealth and parental homeownership are scarce, we use two proxies for family resources. In the SOEP, we use father’s education as a proxy for parental background. This proxy is informative because education is an important predictor of both homeownership and wealth. We classify individuals into two groups: those whose father has vocational or college education, and those whose father has no vocational education. The latter group accounts for around 20 percent of the sample and identifies individuals from less advantaged parental socioeconomic

backgrounds. In the HFCS, we use an indicator for whether the household received a substantial gift or inheritance before age 40. This variable captures early-life transfers that are large enough to plausibly affect housing decisions and wealth accumulation. Such transfers are especially relevant for homeownership because they can relax down-payment and borrowing constraints at the stage when households are most likely to enter the housing market.

We take country-level macroeconomic indicators from Eurostat. We define house price booms and busts using deviations of country-level three-year house price growth from its country-specific mean. We classify a period as a boom when three-year house price growth exceeds the country mean by more than one standard deviation, and as a bust when it falls more than one standard deviation below the country mean. We classify all other periods as normal periods.<sup>2</sup>

### 3.2 Parental Transfers around Housing Acquisition

We begin by documenting that intergenerational transfers are closely linked to housing acquisition. This provides direct motivation for the model mechanism, in which family resources can help households cross the wealth threshold required for homeownership.

The HFCS provides direct evidence on the timing of gifts and inheritances. Figure 2 shows that both the probability and the value of transfers increase around the year in which households acquire their main residence. This pattern suggests that transfers are not only a form of passive wealth transmission over the lifecycle. Instead, they are closely related to homeownership entry. This timing is consistent with the idea that family resources help households cross the ownership threshold when the housing purchase takes place.

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<sup>2</sup>As a robustness check, we also define boom and bust periods based on the house-price-to-income ratio. The empirical findings are robust to this alternative definition of boom and bust periods.



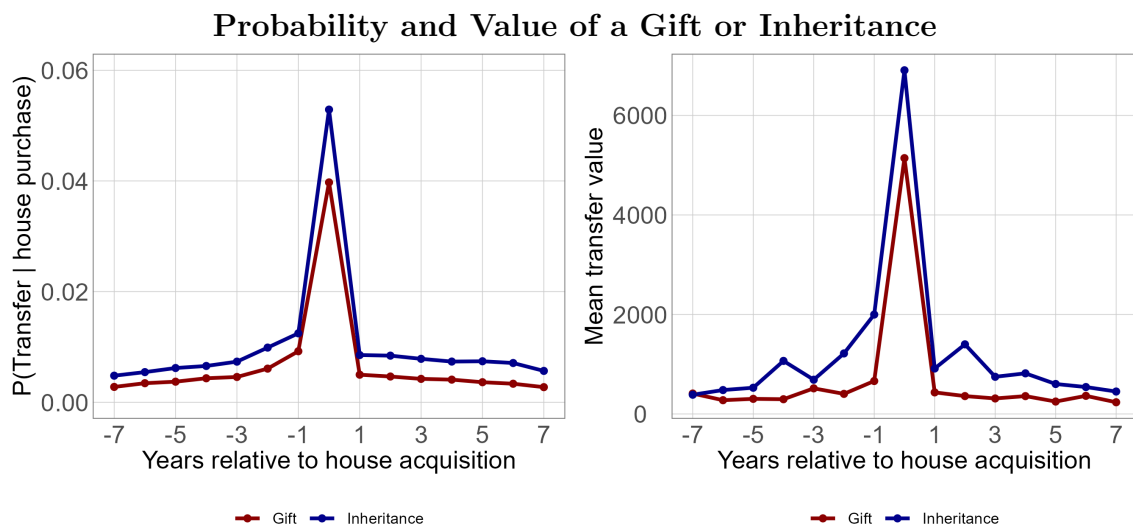


Figure 2: Panel A shows the probability of receiving transfers around housing acquisition, whereas Panel B shows the value of these transfers. The red line corresponds to gifts and the blue line to inheritances.

Table 1 shows that house price booms are associated with a higher probability of receiving transfers around housing acquisition. A boom is associated with a 4.2 percentage point increase in the share of households receiving a gift or inheritance before purchasing a home. This is economically meaningful relative to the sample mean of about 14.2 percent. The effect is driven mainly by gifts: during boom periods, the share of households receiving a gift increases by 3.5 percentage points, relative to a mean of only 5.4 percent. By contrast, the coefficient on inheritances is smaller and statistically insignificant. This pattern is economically intuitive. Inheritances are often linked to events outside the household's housing decision and may act as relatively exogenous wealth shocks. On the other hand, gifts are more likely to reflect an active decision by parents or grandparents to support a housing purchase. Therefore, if families respond to deteriorating affordability, we should expect a stronger response for gifts than for inheritances.

|                           | Dependent variable |                  |                   |
|---------------------------|--------------------|------------------|-------------------|
|                           | P(Any transfer)    | P(Gift)          | P(Inheritance)    |
| House price boom          | 4.23*<br>(1.94)    | 3.54**<br>(1.08) | 1.02<br>(1.63)    |
| House price bust          | 0.26<br>(1.84)     | 0.58<br>(1.02)   | -0.17<br>(1.54)   |
| Inflation                 | 1.01***<br>(0.24)  | 0.13<br>(0.13)   | 0.66**<br>(0.20)  |
| GDP growth                | -0.33*<br>(0.15)   | -0.19*<br>(0.08) | -0.12<br>(0.13)   |
| Unemployment              | -0.24<br>(0.37)    | 0.13<br>(0.20)   | -0.04<br>(0.31)   |
| Long-term bond yield      | -1.45***<br>(0.36) | -0.43*<br>(0.20) | -0.97**<br>(0.30) |
| Credit flow (as % of GDP) | -0.77.<br>(0.42)   | -0.01<br>(0.23)  | -0.38<br>(0.35)   |
| Observations              | 248                | 248              | 248               |
| Country FE                | Yes                | Yes              | Yes               |
| RMSE                      | 7.27               | 4.02             | 6.08              |
| Adj. $R^2$                | 0.588              | 0.579            | 0.461             |
| Within $R^2$              | 0.182              | 0.077            | 0.105             |

Notes: Standard errors in parentheses. \*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ ,  $p < 0.1$ .

Table 1: OLS estimates of the relationship between house price boom and bust episodes and transfers around housing acquisition. Dependent variables are country-year shares of households receiving any transfer, gift, or inheritance within three years before acquiring the main residence. Estimates are in percentage points.

Taken together, these results are consistent with the mechanism highlighted by the model. Transfers are concentrated around housing acquisition, and gifts increase precisely when house prices are high and the resources required to enter homeownership rise (Prediction 1). This suggests that family support is not only a passive component of wealth transmission, but also an active margin through which households respond to affordability constraints. The stronger response of gifts relative to inheritances is also consistent with this interpretation: gifts are more likely to reflect deliberate parental support for a housing purchase, while inheritances are

less directly tied to contemporaneous housing market conditions. The absence of a comparable effect during bust periods further suggests that transfers respond asymmetrically over the housing cycle, becoming more important when rising prices make housing access more difficult.

### 3.3 Parental Background and Housing Outcomes

We next turn to the SOEP to examine whether parental background is systematically related to housing outcomes over the lifecycle. This provides complementary evidence on the importance of family resources, using father's education as a proxy for parental background.

Individuals whose fathers have at least vocational education accumulate more housing wealth and are more likely to own their primary residence. These differences are visible in unconditional age profiles and become substantially larger after 2015, when German house prices were elevated. This pattern is consistent with the model's amplification channel: if parental resources facilitate access to homeownership, then house price increases can translate initial differences in family resources into larger differences in housing wealth.

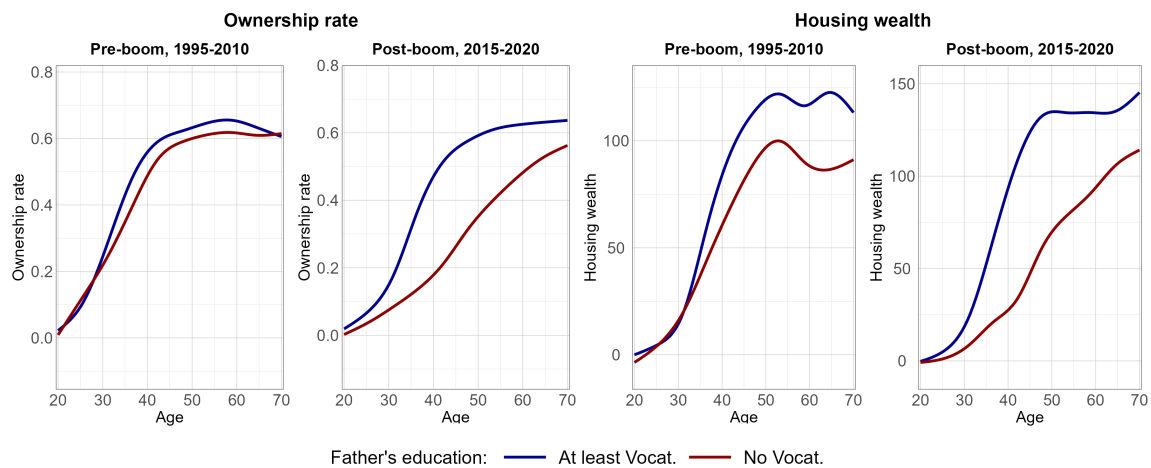


Figure 3: Differences in unconditional averages of housing wealth and ownership by father's education and time period.

Since parental education also affects respondents' other socioeconomic outcomes, we complement the unconditional evidence with a multivariate analysis that controls for a wide range of individual characteristics. Even after accounting for these factors, differences by parental background remain statistically significant and economically large. This suggests that direct parental support may play an important role beyond its indirect effects through respondents' own socioeconomic status. Details of the multivariate analysis are provided in Appendix Chapter [A.1](#).

The SOEP panel structure allows us to also study the transition into homeownership. This is the key margin emphasized by the model: housing booms raise the entry threshold, which should reduce renter-to-owner transitions among households whose inherited resources do not increase with house prices (Prediction 2). Figure [4](#) provides descriptive evidence consistent with this prediction. The left panel shows the German house price index, while the right panel shows renter-to-owner transition rates separately for individuals whose fathers have vocational or college education and those whose fathers have no vocational education.

As German house prices rise sharply after the mid-2010s, renter-to-owner transition rates decline substantially. This decline is especially pronounced for individuals whose fathers do not have vocational education. In contrast, transition rates for individuals whose fathers have at least vocational education remain more stable. Hence, this pattern is consistent with the model mechanism. Rising house prices make entry into ownership more difficult, but households with stronger parental resources are better able to absorb the increase in the ownership threshold.

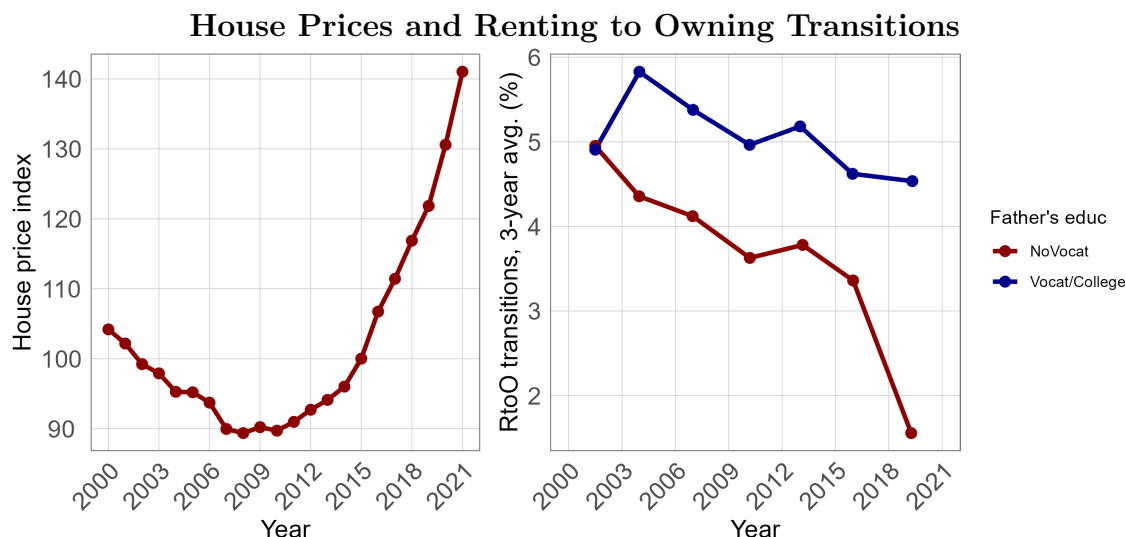


Figure 4: House prices and renter-to-owner transitions by father’s education. The left panel shows the German house price index, while the right panel shows three-year average renter-to-owner transition rates separately by father’s education, for individuals aged 21 to 55.

Moving from aggregate patterns to individual transition probabilities leads to the same conclusion. Table 2 reports linear probability estimates of renter-to-owner transitions. The sample is restricted to individuals aged 21 to 55, the demographic group in which most renter-to-owner transitions take place. The regression includes individual and macroeconomic controls – the full regression specification is reported in Table A1.

A house price boom is associated with a 0.73 percentage point lower probability of transitioning from renting to owning. Having a father without vocational education is associated with a further 0.83 percentage point lower transition probability. Most importantly, the interaction between a house price boom and having a father without vocational education is negative and statistically significant, implying an additional 1.05 percentage point decline in the transition probability. Given that the unconditional yearly renter-to-owner transition probability is only 4.15 percent for the studied demographic group, these estimates imply sizable effects relative to the baseline transition rate. This supports the model prediction that housing booms

reduce homeownership entry most strongly among households with weaker family resources.

| <b>LHS:</b> P(Renter-to-Owner Transition, %)        | Estimate | Std. Error | p-value   |
|-----------------------------------------------------|----------|------------|-----------|
| House price boom                                    | -0.73    | 0.24       | 0.0025**  |
| Father no vocational education                      | -0.83    | 0.24       | 0.0005*** |
| House price boom $\times$ Father no vocational educ | -1.05    | 0.37       | 0.0041**  |
| House price bust                                    | 0.17     | 0.25       | 0.5068    |
| Individual controls                                 |          | Yes        |           |
| Macro controls                                      |          | Yes        |           |
| Observations                                        |          | 101,679    |           |
| Residual Std. Error                                 |          | 20.94      |           |
| Adj. $R^2$                                          |          | 0.020      |           |

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ ,  $p < 0.1$ .

Table 2: OLS estimates of the relationship between renter-to-owner transitions and house price booms. Estimates are expressed in percentage points. Individual controls include net wage, sex, health satisfaction, education, age, age squared, marital status, and number of children. Macro controls include unemployment rate, GDP growth, inflation, and the long-term bond yield. The reference group for father’s education is vocational or college education.

### 3.4 Parental Transfer and Housing Outcomes

Finally, we examine whether housing booms widen ownership gaps between households that received substantial family transfers early in life and those that did not. The model implies that rising house prices increase the resources required to enter homeownership. Households with access to family resources should be better able to absorb this increase, while households without such resources should face a larger effective barrier.

We define transfer recipients as households that received a substantial gift or inheritance before age 40, and refer to this variable as ‘transfer status’. This classification identifies about 10 percent of households as transfer recipients, while the

remaining households are classified as non-recipients.<sup>3</sup> We restrict the sample to households with a reference person aged 40 or above. This avoids mechanically classifying younger households as non-recipients simply because they may still receive transfers later in life. We then estimate a linear probability model for homeownership. The main regressors are boom and bust indicators, an indicator for not having received a substantial transfer before age 40, and the interaction between house price booms and no-transfer status. The regression includes individual controls, macroeconomic controls, and country fixed effects. The full regression specification is reported in Table A2.

| <b>LHS:</b> P(Homeowner, %)                     | Estimate | Std. Error | p-value    |
|-------------------------------------------------|----------|------------|------------|
| House price boom                                | 3.54     | 1.02       | 0.0005***  |
| No transfer before 40                           | -9.27    | 0.31       | < 0.001*** |
| House price boom $\times$ No transfer before 40 | -2.44    | 1.04       | 0.0188*    |
| House price bust                                | -1.94    | 0.36       | < 0.001*** |
| Individual controls                             |          | Yes        |            |
| Macro controls                                  |          | Yes        |            |
| Country fixed effects                           |          | Yes        |            |
| Observations                                    |          | 195,695    |            |
| Residual Std. Error                             |          | 37.30      |            |
| Adj. $R^2$                                      |          | 0.131      |            |

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ ,  $p < 0.1$ .

Table 3: OLS estimates of the relationship between homeownership and house price booms. Estimates are expressed in percentage points. The sample is restricted to households with a reference person aged 40 or above. The reference group is households that received a substantial gift or inheritance before age 40.

Table 3 shows a large baseline ownership gap by transfer status. Households without a substantial gift or inheritance before age 40 have a homeownership rate that is 9.3 percentage points lower than otherwise similar households that received such a transfer. The coefficient on house price booms is positive for the reference group, households that received a substantial transfer before age 40. This is consistent

<sup>3</sup>The results are robust to using alternative age cutoffs to define transfer status.

with the model’s ambiguous prediction for households with family resources: when transfers are sufficiently large, they may partly or fully offset the higher ownership threshold.

The key coefficient is the interaction between house price booms and no-transfer status. It is negative and statistically significant, implying that during boom periods households without early transfers have an additional 2.4 percentage point lower probability of being homeowners. This supports the model prediction that booms widen the ownership gap between households with and without family resources. Housing booms therefore affect not only average homeownership, but also the distribution of ownership across households with different access to parental support.

### 3.5 Summary

The empirical results are consistent with the four main predictions of the model. First, transfers are closely timed around housing acquisition, and house price booms increase the probability of receiving gifts around the time of purchase. This supports the prediction that higher house prices raise the importance of family transfers for entering homeownership. Second, the SOEP evidence shows that renter-to-owner transitions decline during housing booms, especially among individuals from weaker parental backgrounds. This is consistent with the prediction that booms reduce homeownership entry for households whose inherited resources do not rise with house prices.

Third, HFCS evidence shows that housing booms affect households differently by transfer status. For households that received substantial family transfers, the boom coefficient is positive, consistent with the model’s prediction that inherited resources can offset the higher ownership threshold. At the same time, the negative interaction between booms and no-transfer status shows that this advantage does not extend to non-recipients, implying that booms widen ownership gaps by family resources.

Taken together, the SOEP and HFCS results suggest that rising house prices increase the effective threshold for entering homeownership. Households with access to parental resources are better able to cross this threshold, while households without



such resources are more likely to remain renters. This strengthens the link between family resources, homeownership, and housing wealth during housing booms.

## 4 Conclusion

This paper studies how housing markets interact with intergenerational transfers to shape homeownership and intergenerational wealth transmission. The model shows that house price booms raise the wealth threshold required to enter homeownership. Households with little or no inherited wealth are therefore less likely to become owners when prices rise. Households with sufficiently large housing-related bequests may be protected from this effect, because the increase in inherited wealth can offset the higher entry threshold.

The empirical evidence is consistent with this mechanism. German panel data show that individuals from less advantaged parental backgrounds accumulate less housing wealth and are less likely to become homeowners, especially after the housing boom. Their transition into homeownership also declines more strongly during boom periods. At the same time, cross-sectional evidence from European household data shows that gifts and inheritances are concentrated around housing acquisition, gifts become more common during housing booms, and the ownership gap between households with and without early transfers widens.

The quantitative model framework proposed in this paper can accommodate a broad set of housing and transfer policies. Mortgage subsidies and broader housing subsidies directly affect the return on housing investments. Inheritance taxation changes the distribution of bequests and therefore the ability of dynasties to cross this threshold. Loan-to-value regulation changes both the amount of leverage available to buyers and the return to housing. First-time buyer support can be represented either as a reduction in the minimum housing size requirement or as a targeted relaxation of borrowing constraints for renters. Follow-up work will implement these extensions to compare how different policy instruments affect housing access, bequest transmission, and the persistence of housing wealth across generations.

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# A Appendix

## A.1 Additional SOEP Results

### Multivariate Evidence on the Effect of Parental Background

The unconditional age profiles show sizable differences in housing outcomes by parental background. However, parental education may also affect respondents' own education, employment histories, wages, marital status, and other socioeconomic characteristics. These factors are themselves strongly related to housing wealth accumulation and homeownership. For this reason, we complement the unconditional evidence with a multivariate lifecycle analysis that controls for a broad set of individual and macroeconomic characteristics.

Specifically, we estimate separate regressions by five-year age groups:

$$\mathbb{E}[y_{it}] = \alpha + \beta'x_{it} + \delta D_{it},$$

where  $y_{it}$  is housing wealth, homeownership, or the probability of a renter-to-owner transition. The vector  $x_{it}$  includes net wage, marital status, work and unemployment experience, the respondent's own education, GDP growth, the unemployment rate, and year fixed effects. The variable  $D_{it}$  is equal to one if the individual's father has vocational or college education.

This specification asks whether parental background remains predictive of housing outcomes after accounting for respondents' own observable socioeconomic characteristics. The estimates show that it does. Individuals from more advantaged parental backgrounds accumulate more housing wealth and are more likely to own their primary residence, even conditional on their own income, education, labor market histories, and family status. The estimated differences are concentrated in middle age, when most households enter homeownership and accumulate housing wealth. They are also substantially stronger after 2015, a period of elevated German house prices.

These results suggest that parental background affects housing outcomes through more than respondents' own socioeconomic status. One interpretation is that direct

parental support, such as transfers, guarantees, or other forms of family assistance, plays an important role in facilitating homeownership. This interpretation is consistent with the evidence from the HFCS, where gifts and inheritances are closely timed around housing acquisition.

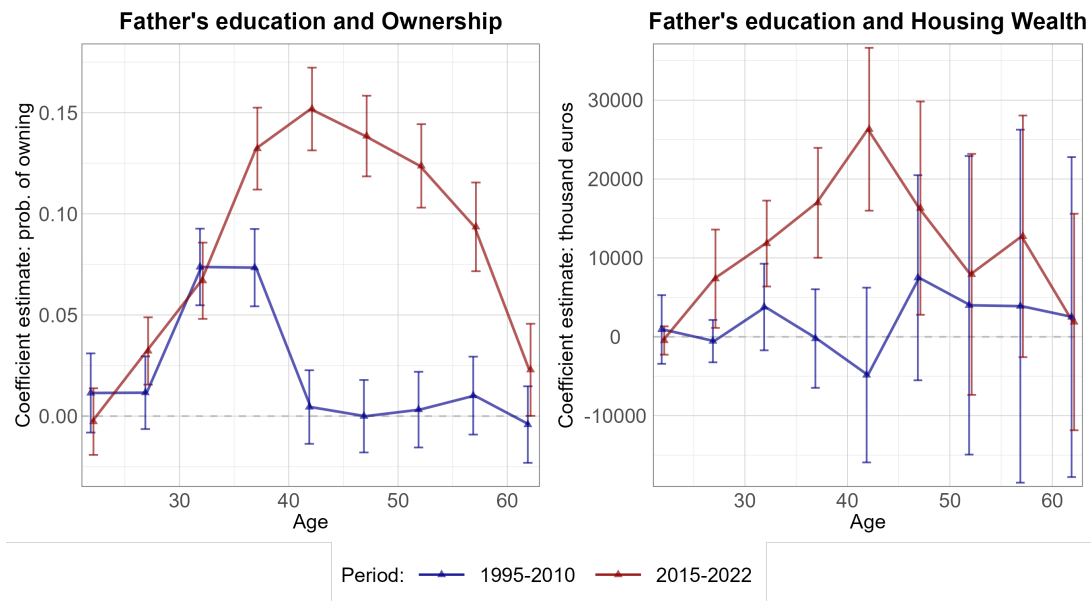


Figure A1: Estimated effects of father's education on housing wealth, ownership, and renter-to-owner transitions by age group.

## A.2 Data Limitations

The empirical analysis is constrained by the limited availability of direct information on parental wealth, parental homeownership, and intergenerational transfers. Without extensive linked administrative data that connect adult children to their parents' wealth and housing histories, we cannot directly observe the full set of family resources available to households at the time of housing acquisition. We therefore rely on imperfect proxies. In the SOEP, father's education is used as a proxy for parental background. While this measure is informative, it captures both family resources and broader socioeconomic channels, including human capital transmission. In the HFCS, we observe gifts and inheritances more directly, but only as reported

by the household and not as part of a complete intergenerational wealth record.

A second limitation is timing. The HFCS records the year in which the household acquired its main residence, but the survey year may differ substantially from the acquisition year. As a result, observed household characteristics may not accurately describe the household's circumstances at the time of purchase. This limits the use of individual-level controls in specifications that relate housing acquisition to contemporaneous macroeconomic conditions. For this reason, some analyses are conducted at the country-acquisition-year level, while others restrict the sample to households whose acquisition took place close to the survey year.

### A.3 Additional regression tables and plots

| <b>LHS:</b> P(Renter-to-Owner Transition, %)        | Estimate | Std. Error | p-value    |
|-----------------------------------------------------|----------|------------|------------|
| House price boom                                    | -0.73    | 0.24       | 0.0025**   |
| Father no vocational education                      | -0.83    | 0.24       | 0.0005***  |
| House price boom $\times$ Father no vocational educ | -1.05    | 0.37       | 0.0041**   |
| House price bust                                    | 0.17     | 0.25       | 0.5068     |
| Net Wage (EUR million)                              | 50.18    | 2.51       | < 0.001*** |
| Male                                                | -0.71    | 0.14       | < 0.001*** |
| Health satisfaction                                 | 0.12     | 0.03       | 0.0002***  |
| Education                                           | 0.30     | 0.03       | < 0.001*** |
| Age                                                 | 0.60     | 0.07       | < 0.001*** |
| Age squared                                         | -0.008   | 0.001      | < 0.001*** |
| Married                                             | 3.60     | 0.15       | < 0.001*** |
| Number of children                                  | 0.16     | 0.07       | 0.0140*    |
| Unemployment rate                                   | 0.17     | 0.07       | 0.0138*    |
| GDP growth                                          | 0.0001   | 0.0002     | 0.3768     |
| Inflation                                           | 0.41     | 0.11       | 0.0003***  |
| Long-term bond yield                                | -0.25    | 0.14       | 0.0745.    |
| Observations                                        |          | 101,679    |            |
| Residual Std. Error                                 |          | 20.94      |            |
| Adj. $R^2$                                          |          | 0.020      |            |

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ , · $p < 0.1$ .

Table A1: OLS Estimates: Renter-to-Owner Transitions and House Price Booms. Reference group for father's education is vocational or college education.

| <b>LHS: P(Homeowner, %)</b>                     | <b>Estimate</b> | <b>Std. Error</b> | <b>p-value</b> |
|-------------------------------------------------|-----------------|-------------------|----------------|
| House price boom                                | 3.54            | 1.02              | 0.0005***      |
| No transfer before 40                           | -9.27           | 0.31              | < 0.001***     |
| House price boom $\times$ No transfer before 40 | -2.44           | 1.04              | 0.0188*        |
| House price bust                                | -1.94           | 0.36              | < 0.001***     |
| Age                                             | 2.65            | 0.07              | < 0.001***     |
| Age squared                                     | -0.019          | 0.001             | < 0.001***     |
| Secondary education                             | 6.91            | 0.29              | < 0.001***     |
| Tertiary education                              | 14.00           | 0.31              | < 0.001***     |
| Retired                                         | -0.43           | 0.31              | 0.1580         |
| Unemployed                                      | -21.64          | 0.47              | < 0.001***     |
| Total income (EUR million)                      | 17.12           | 1.01              | < 0.001***     |
| Household size                                  | 5.54            | 0.09              | < 0.001***     |
| Number of children                              | -3.57           | 0.19              | < 0.001***     |
| Number of household members aged 65+            | 3.02            | 0.18              | < 0.001***     |
| Inflation                                       | -0.20           | 0.06              | 0.0004***      |
| GDP growth                                      | -0.09           | 0.03              | 0.0014**       |
| Long-term bond yield                            | -0.11           | 0.08              | 0.1879         |
| Household credit flow                           | -0.62           | 0.10              | < 0.001***     |
| Country fixed effects                           |                 | Yes               |                |
| Observations                                    |                 | 195,695           |                |
| Residual Std. Error                             |                 | 37.30             |                |
| Adj. $R^2$                                      |                 | 0.131             |                |

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ ,  $p < 0.1$ .

Table A2: OLS estimates of the relationship between homeownership and house price booms. Estimates and standard errors are multiplied by 100 and expressed in percentage points. The sample is restricted to households with a reference person aged 40 or above. The reference group is households that received a substantial transfer before age 40.



## A.4 Boom and Bust Periods

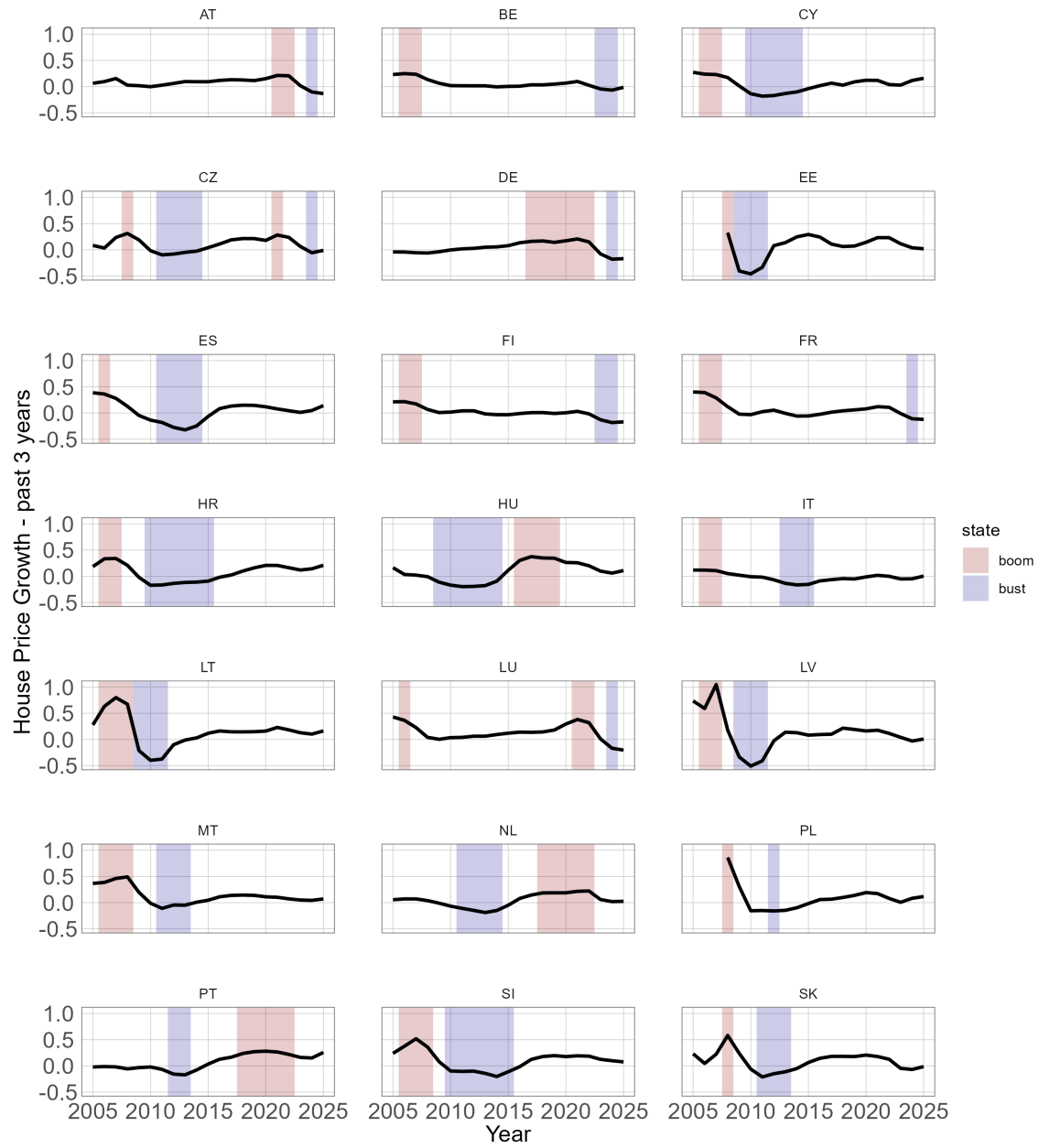


Figure A2: Boom and Bust Periods Across the Studied Countries