

Household Wealth Skewed Towards Homes - Consumer Housing Sentiment

Household wealth data released by the Federal Reserve showed that U.S. household net worth climbed to over \$149 trillion in the first quarter of 2022. The two biggest components of household wealth are home equity and retirement accounts.

Since homes make up a significant portion of consumer balance sheets, any devaluation can directly affect consumer confidence. If consumers realize that they have become less wealthy, then they may spend less. What essentially drives a devaluation in asset prices including homes, cars, stocks, and art is a broad slowdown in economic activity and consumer expenditures. A host of factors contribute to these dynamics.

So, for the middle-class, homes have become exponentially more important. Currently, owners' equity in their real estate as a percentage of household real estate is around 70%, the highest it has been since 1986. For context, this percentage is also up from a low of around 46% in the 2009 housing crisis. Finally, to put it in an even more historical lens, homeowners maintained around this percentage of their real estate from the late 60s to the late 90s, where it was far higher in the 40s and 50s due to cheap housing prices and accessibility to housing due to the GI Bill, and then began to decline in the 90s.

Source: Federal Reserve; Federal Reserve Bank of St. Louis



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