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# Housing Wealth Climbs for Hispanics and Blacks, Yet Racial Wealth Gaps Persist

By William R. Emmons

## KEY TAKEAWAYS

- Hispanic and black families have seen outsized gains in housing wealth over the past decade.
- A longer view of the past 25 years reveals that Hispanic-white and black-white wealth gaps have not narrowed despite such gains.
- Housing wealth remains a relatively small and volatile component of total wealth; assets other than housing have also risen sharply.



Housing wealth<sup>1</sup> among Hispanic and black families soared over the past decade, climbing to nearly \$1 trillion for each group in 2019, according to new data from the Federal Reserve.<sup>2</sup>

From year-end 2009 through 2019, housing wealth:

- jumped by about 400% among Hispanic families, to \$978 billion from an inflation-adjusted \$194 billion;
- climbed by almost 150% among black families, to \$920 billion from an inflation-adjusted \$372 billion; and
- rose by a smaller 60% among non-Hispanic white families, to \$15.3 trillion from an inflation-adjusted \$9.5 trillion.

For Hispanic and black families, these gains in housing wealth exceeded 10-year cumulative gains ending in any year during the U.S. housing bubble period of 2004-07. For white families, the opposite was true: Their 10-year gains were more pronounced during the housing bubble.

## Chipping Away at the Racial and Ethnic Wealth Divide?

The past decade's extraordinary gains in housing wealth for Hispanic and black families spark the critical question of whether such gains have reduced long-standing racial wealth disparities.<sup>3</sup> A longer view of the Federal Reserve data spanning the past 25 years reveals that wealth gaps between Hispanic and white families and between black and white households have not narrowed despite such recent outsized gains.<sup>4</sup> In fact, there is no evidence in this new dataset to suggest that Hispanic-white or black-white wealth gaps have changed much in either direction on average since 1994. This article explores the reasons why recent gains

in Hispanic and black housing wealth have not reduced the average racial and ethnic wealth divide of the past quarter-century.

### **1. Other Asset Values Have Climbed, Too**

Many household assets other than housing increased sharply during the 10- and 25-year periods discussed here. While the inflation-adjusted value of housing owned by all U.S. households more than doubled between 1994 and 2019, the same was true for corporate equities, closely held businesses, pension entitlements, mutual fund shares, time and savings deposits, and money market fund shares. Thus, large long-term increases in housing wealth were not unusual among household asset categories.

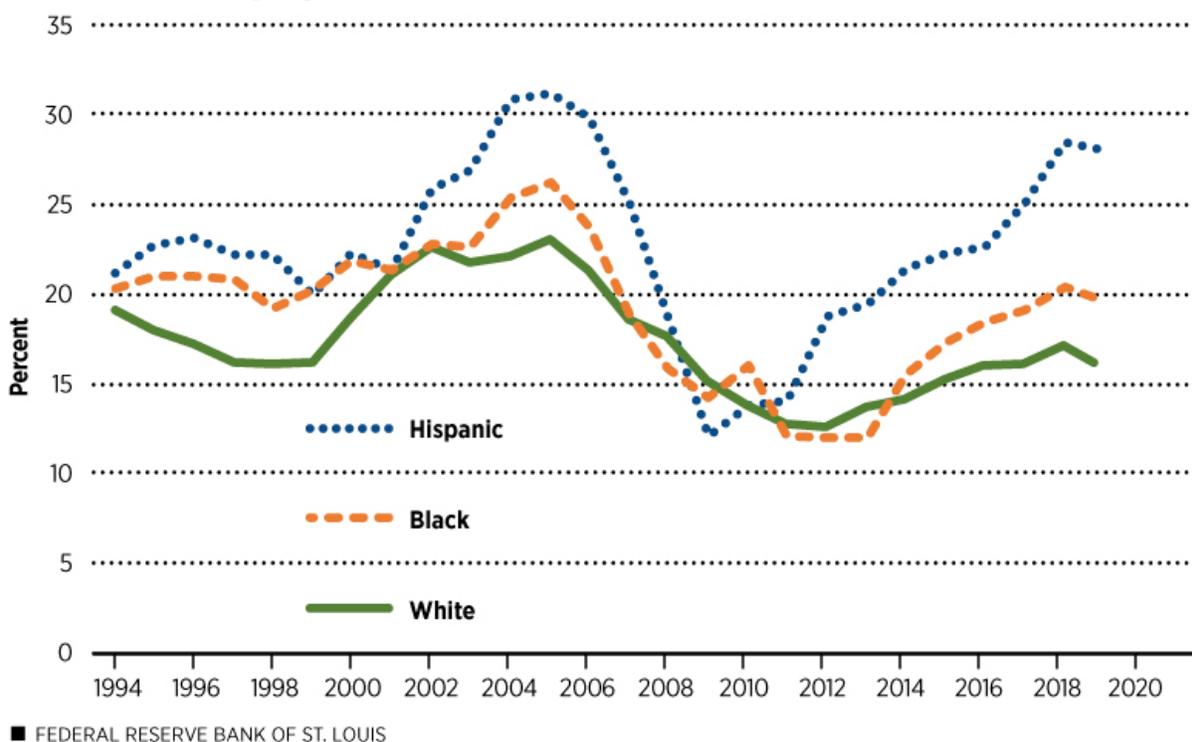
### **2. Housing Remains a Small Part of Families' Portfolios**

Housing wealth is a relatively small component of total household wealth, making up just 12.1% of Hispanic wealth and 14.3% of black wealth in 2009, and about 20% for both groups in 1994.

This share has varied over time and across racial and ethnic groups. (See Figure 1.) In most years, it has been higher for Hispanic families than black families, whose share, in turn, has generally exceeded white families'. Black and white housing-wealth shares were little changed, on net, between 1994 and 2019, while the share for Hispanic families was notably higher in 2019 than in 1994. On balance, the relatively low housing-wealth shares for all groups imply that periods when housing wealth growth exceeds growth in other assets affect total wealth accumulation relatively little.

Figure 1

## Homeowners' Equity as Share of Total Household Wealth



SOURCES: Federal Reserve Board of Governors and author's calculations.

NOTE: Data are for the end of each year.

DESCRIPTION: The line chart shows the share of total net worth contributed by homeowners' equity, which is the value of residential real estate minus mortgage debt, for three groups: non-Hispanic white families, black families and Hispanic families. In 1994, this share was about 20% for whites, blacks and Hispanics. The shares increased for all groups in the mid-2000s before declining sharply at the time of the financial crisis in 2009. By 2019, the share of homeowners' equity in total wealth was highest among Hispanic families, followed by black families and then white families.

### 3. Housing Wealth Is Volatile

Figure 1 also demonstrates that housing wealth is a volatile component of total wealth for all groups, especially Hispanic families. As noted above, the 10-year cumulative increase in Hispanic housing wealth ending in 2019 was almost 400%, but the 10-year cumulative change was -27% in the preceding 10 years ending in 2009. Among black families, the 10-year cumulative change in the preceding decade was -13%; among whites, it was 2%. Given the relatively high volatility of housing wealth, it's best to examine long periods to discern underlying trends, as large movements over a few years or even a decade can be misleading.

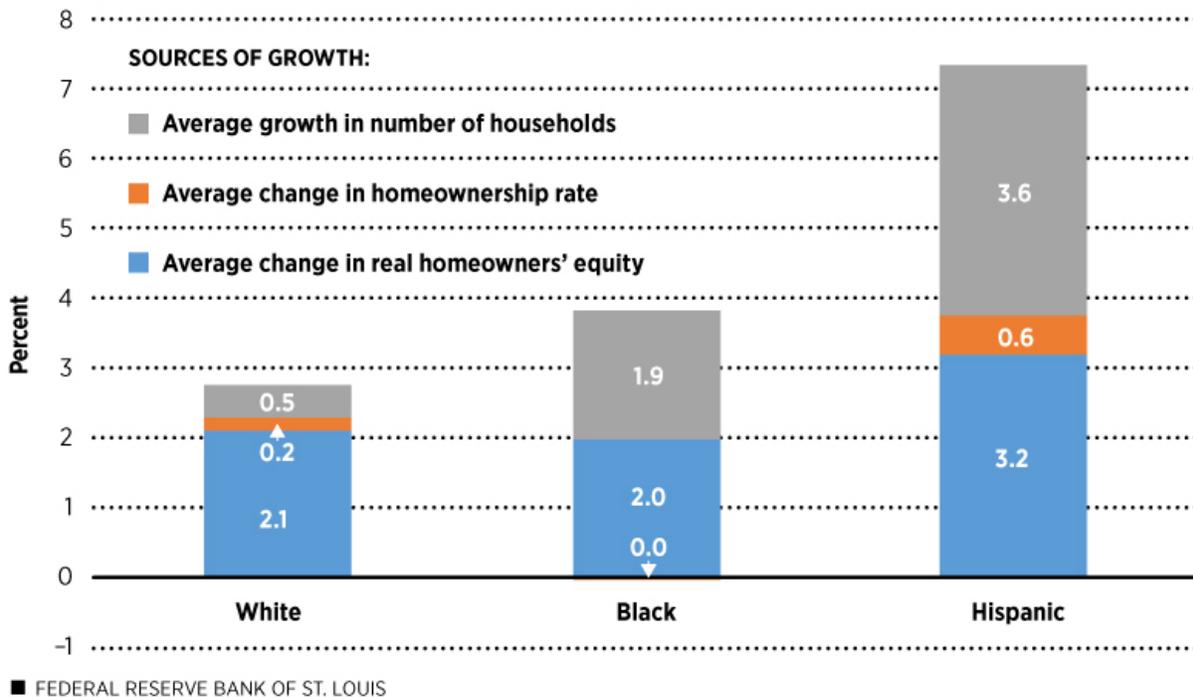
### 4. Much of the Gain in Housing Wealth for Hispanics and Blacks Reflects Faster Population Growth

The dramatic differences in housing-wealth gains since 2009 noted above—almost 400% for Hispanics, about 150% for blacks and only 60% for whites—are largely representative of the longer-term trend. For the 25-year period ending in 2019, total inflation-adjusted growth in housing wealth was 487% for Hispanic

families, 155% for black families and 97% for white families. In compound annualized terms, these gains were 7.3%, 3.8% and 2.8%, respectively.

Figure 2

### Average Increase in Real Housing Wealth (1994-2019)



SOURCES: Federal Reserve Board of Governors, Bureau of Labor Statistics, Census Bureau and author's calculations.  
DESCRIPTION: The bar chart shows the average annual real, or inflation-adjusted, growth rate in housing wealth for non-Hispanic white, black and Hispanic families between 1994 and 2019. The growth rate for each group is broken down into three contributing factors: the average growth in the number of households; the average change in the homeownership rate; and the average change in real homeowners' equity. The first of these factors—or population growth—differs the most among the three groups and therefore is the most important contributing factor to differences in real housing wealth accumulation.

Figure 2 shows the 25-year annualized growth rate for each group broken down into three contributing factors:

- Change in average real, or inflation-adjusted, homeowners' equity
- Change in the homeownership rate
- Growth in the number of households

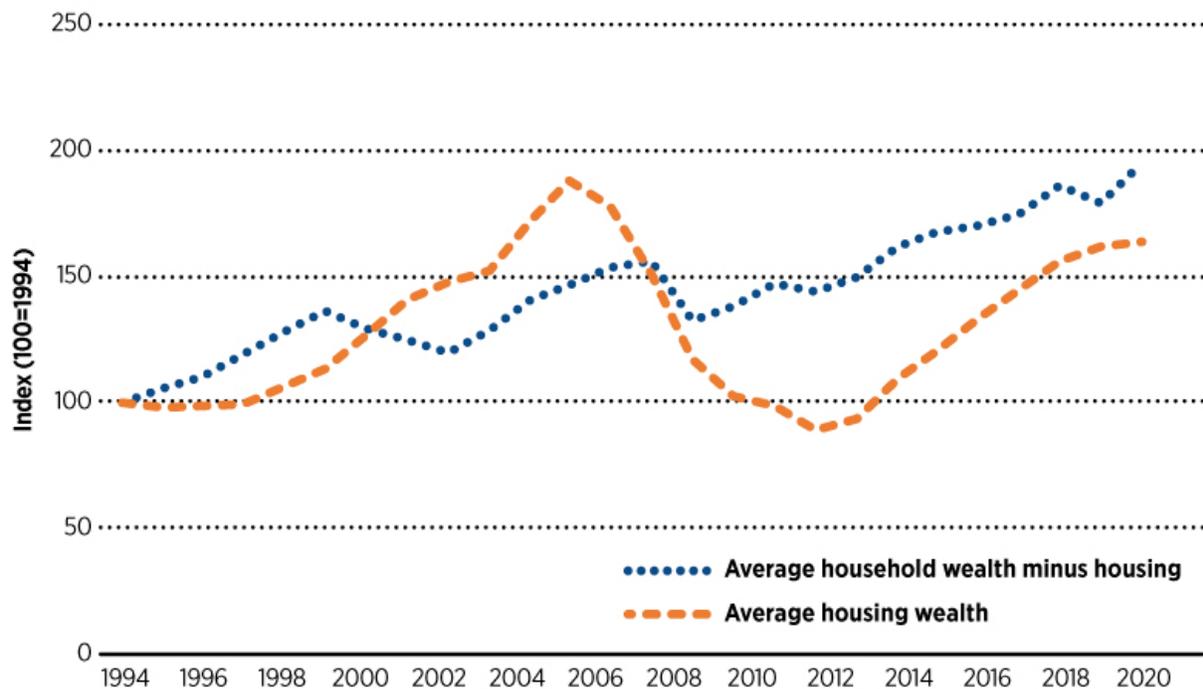
Average real housing wealth among homeowners increased by only 2% or 3% annually for each group. Changes in homeownership rates likewise contributed little to annualized growth rates. By far, the most important contributing factor to the divergence in housing wealth growth was the rate of population growth. While white households increased in number by about 0.5% per year, black households increased by 1.9% and Hispanic households by 3.6%. In other words, it was faster population growth, rather than increases in average housing wealth, that contributed most to greater housing-wealth accumulation by Hispanic and black families.

## 5. Housing Wealth May Grow More Slowly than Other Wealth

An important determinant of long-term wealth accumulation is the average rate at which assets appreciate. Based on 25 years of data drawing from the Financial Accounts of the United States and census data for household numbers, it appears that average real housing wealth increases more slowly than all other types of household wealth combined over long time periods. (See Figure 3.)<sup>5</sup> The fact that white households' portfolios tend to have higher concentrations in nonhousing assets (Figure 1) would help explain the boost in average wealth accumulation relative to that of Hispanic and black families.

Figure 3

### Components of Real Household Wealth



■ FEDERAL RESERVE BANK OF ST. LOUIS

SOURCES: Federal Reserve Board of Governors, Bureau of Labor Statistics, Census Bureau and author's calculations.

NOTE: Data are for the end of each year.

DESCRIPTION: The line chart shows the change in real, or inflation-adjusted, total wealth for all families between 1994 and 2019, broken down into two categories: housing wealth and all other forms of household wealth (minus housing). Housing wealth increased less than nonhousing wealth over the 25-year period. Housing wealth also was more volatile than nonhousing wealth, and was lower in 2019 than it was at the peak of the housing bubble in 2004-06. Nonhousing wealth reached its highest level ever in 2019.

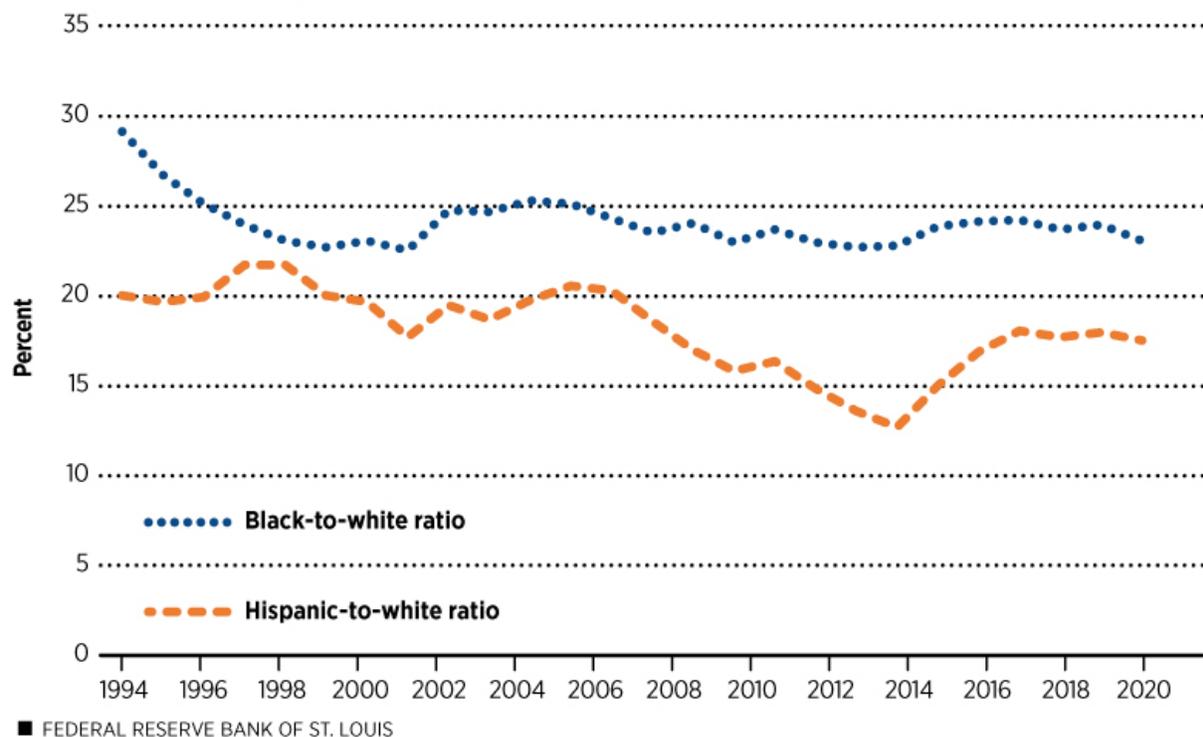
## Conclusion: Recent Gains in Housing Wealth Have Not Reduced Large Racial and Ethnic Wealth Gaps

If housing wealth appreciates more slowly than nonhousing wealth over long periods, and if nonwhite families hold larger shares of their wealth in housing, these two factors would contribute to a widening of Hispanic-white and black-white wealth gaps over time. This is consistent with what the new data show, namely that

average wealth gaps haven't changed much since 1994. If anything, they might be a bit larger. (See Figure 4.) Another possibility is that different saving rates, rather than different rates of return on particular assets, differentiate household wealth trajectories by race and ethnicity. Without more detailed information on purchases and sales, however, it's impossible to separate saving from rates of return. Still, this article demonstrates why studies of racial and ethnic wealth divides should examine wealth gains by individual components, including both changes in asset balances and population growth. Comparisons of average or median household wealth levels are meaningful, while comparisons of group totals alone can be misleading.

Figure 4

## Average Wealth Gaps Relative to White Households



SOURCES: Federal Reserve Board of Governors, Census Bureau and author's calculations.

NOTE: Data are for the end of each year.

DESCRIPTION: The line chart shows the ratios of average Hispanic and black wealth, respectively, to average white wealth in each year between 1994 and 2019. Average black wealth was less than 30% of average white wealth in 1994 and less than 25% in 2019. Average Hispanic wealth was almost 20% of average white wealth in 1994 and slightly below that percentage in 2019.

### Endnotes

1. Housing wealth is defined as the equity that homeowners have in their properties after subtracting mortgage debt from home market values. It's also called homeowners' equity (HOE).
2. See the Distributional Financial Accounts of the Board of Governors of the Federal Reserve System.
3. For details on racial and ethnic income and wealth gaps, see Emmons, William R; Ricketts, Lowell R.; and Kent, Ana H. "The Demographics of Wealth," 2018 Series, Essay No. 3.
4. This article analyzes mean, or average, household wealth. Other studies look at median household wealth, which is the amount held by the household that ranks exactly in the middle of all households in the group. Median wealth is preferable for some purposes, but the data used in this article do not allow for an examination of medians.

5. Several caveats temper this conclusion: First, comparisons of balance-sheet levels over time are not rate-of-return calculations, and balances also include transactions like purchases and sales. Second, the difference between the two data series in the figure are somewhat smaller in percentage terms over longer periods, which does not support the hypothesis that different growth rates would drive them further apart over time. Third, housing wealth grew more slowly among white and black households between 1994 and 2019 (longest period of available data), while the reverse was true for Hispanic families.

*This article originally appeared in our Housing Market Perspectives publication.*