

[Housing and Inequality](#)

CFM-DP2025-18

Yannis M. Ioannides² and L. Rachel Ngai¹

¹London School of Economics, ²Tufts University

The housing literature has exploded over the last two decades. First, the Great Recession of 2007-2009 motivated a search for a deeper understanding of the critical role of housing after subprime mortgages were blamed for the financial crisis that led to the recession. Second, there has been a surge in interest, partly as a result of new tools and new data, in urban and regional economics, where the economics of housing has always played an important role. Third, interest in quantitative housing policy design has been motivated by the increasing welfare inequality (including homelessness) that has taken hold in many countries and has drawn attention to housing inequality. It has challenged traditional approaches to many economic issues. It is thus not surprising that global housing markets have come under scrutiny on a number of concerns including in particular affordability, homelessness, and the contribution of housing to growing inequality.

We approach the literature on housing and inequality from two angles. One is the impact of unequal endowments on housing. The second is the “memberships” inequality associated with neighborhoods, namely, households’ location in a geographic and social context. We elaborate on these two angles of inequality and focus on three distinctive features of housing: consumption, capital and location. For owner-occupants, capital and consumption are bundled together in a single good. For both renters and owner-occupants, housing consumption inequality, access to good neighborhoods, and housing wealth follow from unequal endowments. Housing can propagate inequality by enabling owner-occupants to use it as collateral for other investments, or secure higher returns to human capital investments through the better schools in better neighborhoods. We use this approach to analyse key aspects of housing and inequality, paying special attention to the impacts of racial discrimination and segregation.