

Pedro Salas-Rojo

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The trap of the 'tenant generation': the case of Spain

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*The affordability of housing is a major issue in many countries. The case of Spain is especially stark, though, with first-time buyers increasingly priced out of the market. **Pedro Salas-Rojo** charts the country's concentration of homeownership over the past two decades and considers the policy responses needed to redress the imbalances currently baked into the system.*

Housing is a major concern for many Western societies. The combination of rising real estate prices and stagnant wages has made it nearly impossible for young people to buy a place of their own. As a

result, young families remain stuck in the rental market, putting extra upwards pressure on rent prices. This dynamic sets off a vicious cycle: a significant portion of monthly income goes towards rental payments, reducing that family's saving capacity and delaying the possibility of owning a home. While this situation is prevalent in many places, **not least the UK**, the Spanish case provides a clear example of the market and social dynamics, and points to some potential solutions.

From homeownership to the rise of the 'tenant generation'

Starting from the 1950s, General Franco's dictatorship addressed the country's persistent housing problems as a social order issue.

Homeownership was strongly promoted, while other forms of tenure were discouraged. In the **words** of a Francoist Minister of Housing, the regime "did not want a Spain of proletarians, but of 'propertarians'".

These policies intensified after the transition to democracy in the late 1970s and early 1980s and peaked in the housing bubble of the 2000s.

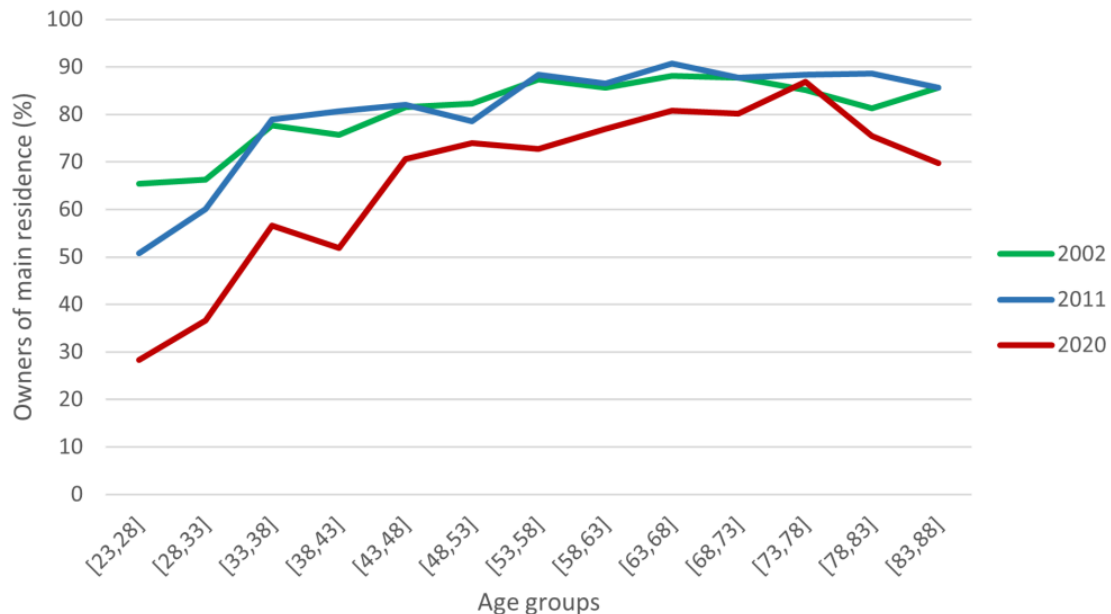
The current reality remains greatly affected by these dynamics. Today's elderly households reaped the benefits of housing policies in the 1980s and 1990s that were oriented towards property ownership. Most of them acquired homes in their youth, in a financial, fiscal and policy context that favored this choice. By contrast, younger cohorts who entered the labour market since the Great Recession have faced a contrasting reality. The chronic nature of youth unemployment, stagnant wages and job vulnerability, together with a tightening of credit conditions and rising house prices (up 41 per cent between 2015 and 2022, according to the National Institute of Statistics) have all led to a dramatic fall in homeownership ratios.

The figures below illustrate this with data from the Survey of Household Finances in Spain over the past twenty years. Figure 1 shows that while

the share of households owning their main residence was strikingly high in 2002 – around 80% for those in their mid-30s and older – the reality two decades later is quite different. Homeownership ratios have fallen for most age groups, but most of all for younger generations. Most of the shift appeared after 2011, when the effects of the Great Recession on the labour market started to become more prominent.

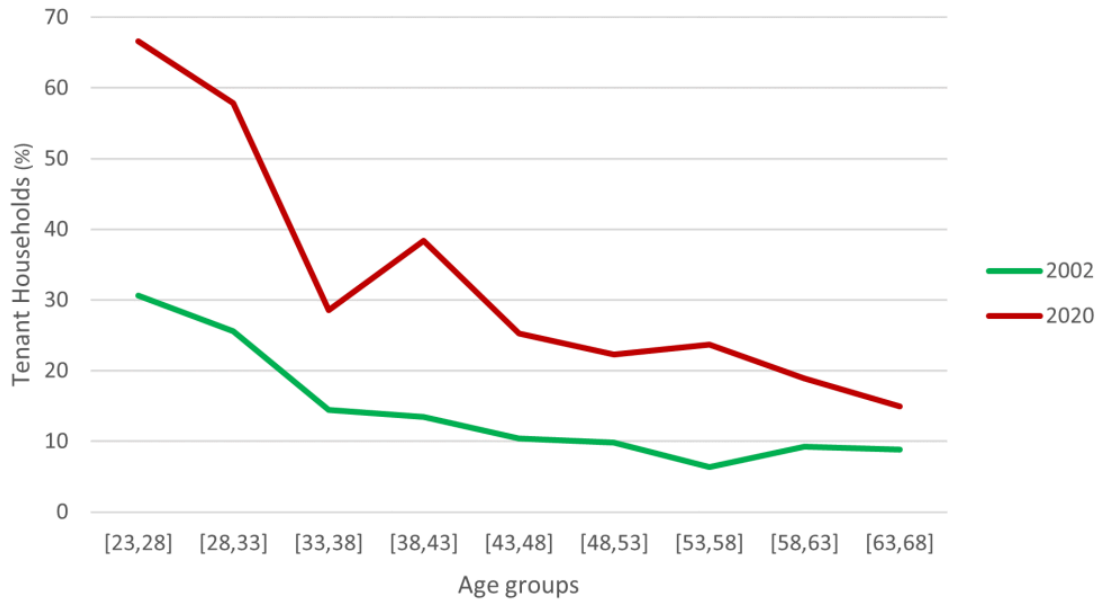
The flipside of this story is a shift in the proportion of tenant households (Figure 2). In 2002, the proportion of tenants was around 20-30% in young families, and even lower for older households. Two decades on, this ratio has increased markedly for all age groups, particularly for households under 33 years of age. Moving away from a homeownership society, where most young families were able to build a home and grow a life project, Spain has instead seen the emergence of the “Tenant Generation”.

Figure 1. Share of households that are owners of their main residence (by age group)



Source: DelClos et al (2023).

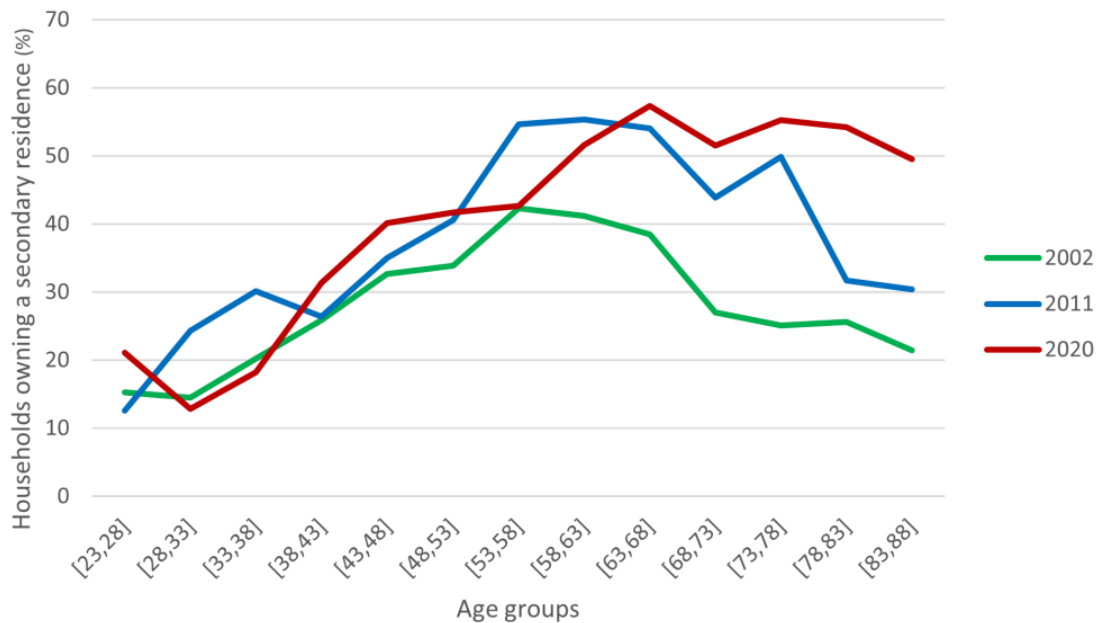
Figure 2. Share of tenant households (by age group)



Source: DelClos et al (2023).

We are still missing a fundamental piece of the puzzle, though. If young Spanish families are not buying houses, and the national housing market has not collapsed, there must be another force driving up prices. Figure 3 shows what this force is: it shows home ownership ratios by age group, but this time looking at secondary residences. The changes are stark. Back in 2002, less than 30% of households above the age of 70 owned a second property. By 2020, this share had risen to more than 50%.

Figure 3. Share of households who own a secondary residence (by age group)



Source: DelClos et al (2023).

What emerges, then, is a story in which older generations profited from policies that promoted homeownership not only of main residences, but also secondary estates. While some of these residences will have been used for leisure and holiday purposes, many others are effectively just assets providing extra income. Younger generations, expelled from the housing market, have increasingly become tenants of houses owned by older generations. Trapped in a cycle of job instability and unaffordable house prices, the overall economy has seen an income flow from younger to older generations. (There are notable exceptions to this general story: younger households, especially from favourable backgrounds, that have acquired properties; and older households who face severe economic constraints, even if they do own their own place. Such is the case, for instance, for widowed women above 60 years, that could not work in the regular market and now survive with their pensions.)

The critical need for more social housing provision

The Spanish housing market, then, has been shaped by very specific policy decisions over time. There is no silver bullet that could reverse the profound market inertias that are evident today. In our **report**, we summarise a set of policies that, if implemented in a coordinated and sustained way, could greatly improve the situation. These include tax rises for unoccupied properties, a reinforcement of tenants' legal protections against increases in rental prices and the creation of public mediators aimed at providing advice to tenants and new buyers.

There is one measure, however, that is needed most of all: a meaningful expansion of social housing programs. Publicly protected housing programs were developed in Spain between the 1980s and 2000s. But by 2020, social housing in Spain barely accounted for **2.5 per cent of the national housing stock** – one of the lowest shares of all OECD countries. One reason for this is that the former Spanish housing regulation enabled the privatization of publicly protected houses after very short periods of time. Effectively, this implied a housing subsidy to the middle classes in the 1980s and the 1990s. Many families acquired cheap public houses and sold them some years later at greatly inflated market prices. As well as fuelling the property regime, these privatizations drastically hollowed out the provision of social housing across the country.



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Since then, small steps in the right direction have been made. The new Housing Law in Spain poses severe limits on the privatization of the new public housing, so they can only be sold in the non-protected market after 30 years. In addition, the Spanish Government recently **mobilized** 14,000 units from the housing stock obtained during the Great Recession. It's a good start but it is far from enough. A complete reversal of this market-led dynamic is necessary. The different administration levels should develop a coordinated budget, sustained over time, focused on **raising the supply of public housing**. In our report, we propose a clear target: until 2030, at least the 30 per cent of new housing provision should be devoted to social housing. The expansion of the housing stock can also be supported through the acquisition and rehabilitation of unoccupied houses (as argued for **here** in a UK context). This development should consider spatial inequalities, to avoid fostering segregation, and the eligibility norms should be transparent and take into account new family realities, such as single-parent households.

The Spanish case triggers a fundamental issue. Is housing just a tradable good, or does it have a deeper social meaning? Although housing is recognized as a fundamental right in the Spanish Constitution, recent decades have demonstrated that such a right is effectively subject to the laws of the market. It's time to step forward and have the political courage to legislate towards a new mindset: one which views housing for living, not for profiting.

This post draws on a longer report published by the Future Policy Lab. The report, DelClos et al (2023), written in Spanish, can be downloaded [here](#).

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About the author



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Pedro Salas-Rojo is a Research Officer at the International Inequalities Institute. His research focuses on the intergenerational transmission of wealth and income inequalities. He is interested in applying computing techniques, especially those related to Machine Learning algorithms, to delve into the causes and drivers of long-lasting inequalities.

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