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## DO PRIVATE WEALTH TRANSFERS HELP WITH HOME- OWNERSHIP? A FIRST ASSESSMENT FOR LUXEMBOURG

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# Do Private Wealth Transfers Help With Homeownership? A First Assessment for Luxembourg<sup>#</sup>

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## Abstract:

*Using household survey data for Luxembourg, we find that the probability of homeownership among households in Luxembourg is positively related to private wealth transfers. The size of the transfers matters. While transfers below €100,000 exert no significant influence, larger transfers increase the probability of homeownership by more than 10 percentage points. In addition, a large share of homeowners who received such transfers purchased their homes within a short timeframe surrounding the transfer event.*

Keywords: Private wealth transfer, homeownership, household.

JEL-Codes: G51, D12, D14, D31

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<sup>#</sup> This paper uses data from the Luxembourg Household Finance and Consumption Survey. It should not be reported as representing the views of the Central Bank of Luxembourg or the Eurosystem. The views expressed are those of the authors and may not be shared by other research staff or policymakers in the Central Bank of Luxembourg or the Eurosystem. We would like to thank Yves Eschette and Paolo Guarda for detailed comments.

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## Résumé non-technique

L'achat d'un logement implique généralement un emprunt hypothécaire considérable. Cette étude analyse comment les transferts de patrimoine privé entre ménages, tels que les héritages et les dons, peuvent aider les bénéficiaires à acquérir leur logement. Les résultats se basent sur les données de l'enquête sur le comportement financier et de consommation des ménages au Luxembourg.

Environ 30 % des ménages au Luxembourg ont reçu des transferts privés substantiels au cours de leur vie. Parmi ces ménages, près de 90 % sont propriétaires de leur logement et 16 % le sont devenus suite au transfert de la propriété d'un logement en leur faveur. Entre ceux qui n'ont jamais bénéficié d'un transfert privé substantiel, seuls 60 % sont propriétaires. Pour l'ensemble des ménages propriétaires, seulement 6 % ont reçu leur logement actuel en don ou en héritage, ce qui peut refléter la croissance rapide de la population à travers l'immigration et/ou une préférence pour les nouveaux logements.

En moyenne, la probabilité qu'un ménage donné est propriétaire de son logement augmente entre 4 et 6 points de pourcentage s'il a reçu un transfert de patrimoine privé. L'effet dépend de la taille du transfert. En effet, les transferts inférieurs à 100 000 euros n'ont pas d'influence significative, alors que les transferts plus substantiels augmentent la probabilité d'être propriétaire entre 11 et 15 points de pourcentage. Les transferts plus limités sont souvent insuffisants pour les ménages qui doivent réunir les fonds propres nécessaires pour acheter un logement, étant donné les prix élevés de l'immobilier au Luxembourg. Par exemple, en 2018 un transfert de 50 000 euros représentait moins de 8 % de la valeur médiane des résidences principales au Luxembourg.

Le moment du transfert est aussi important pour déterminer son impact sur l'acquisition d'un logement, en particulier pour les jeunes ménages. Parmi les bénéficiaires de transferts privés substantiels, 38 % des propriétaires ont acheté leur résidence actuelle dans les trois ans avant ou après le transfert le plus important. Pour les jeunes propriétaires, cette proportion atteint 67 %. Dans la moitié des cas, la valeur du transfert dépassait 50 % de la valeur d'achat du logement.

## Nicht-technische Zusammenfassung

Für Haushalte ist der Erwerb von Wohneigentum oft eine der wichtigsten Entscheidungen, da dies in der Regel mit der Aufnahme eines umfangreichen Hypothekendarlehens verbunden ist. Diese Studie analysiert, wie private Vermögensübertragungen zwischen Haushalten, wie Erbschaften und Schenkungen, dabei helfen können, selbstgenutztes Wohneigentum zu erwerben. Die Ergebnisse basieren auf Daten aus der Erhebung über das Finanz- und Konsumverhalten der Haushalte in Luxemburg.

Etwa 30 % der Haushalte in Luxemburg haben im Laufe ihres Lebens umfangreiche private Vermögensübertragungen erhalten. Von diesen Haushalten sind nahezu 90 % Eigentümer ihrer Wohnung, und 16 % wurden Eigentümer, nachdem sie die Wohnung durch eine Übertragung des Wohneigentums an sie erhalten haben. Von den Haushalten, die nie eine erhebliche private Vermögensübertragung erhalten haben, sind jedoch nur 60 % Eigentümer. Allerdings haben nur 6 % aller Eigentümer in Luxemburg ihre derzeitige Wohnung als Schenkung oder Erbe erhalten, was den hohen Anteil an Zuwanderern in der Bevölkerung, das schnelle Bevölkerungswachstum und/oder eine Präferenz für neue Wohnungen widerspiegeln kann.

Im Durchschnitt steigt die Wahrscheinlichkeit, dass ein bestimmter Haushalt Eigentümer seiner Wohnung ist, um 4 bis 6 Prozentpunkte, wenn er eine private Vermögensübertragung erhalten hat. Der Effekt hängt jedoch von der Höhe der Vermögensübertragung ab. Übertragungen unter 100.000 Euro haben keinen signifikanten Einfluss, während umfangreichere Übertragungen die Wahrscheinlichkeit um 11-15 Prozentpunkte erhöhen, Wohnungseigentümer zu sein. Kleinere Übertragungen reichen angesichts der hohen Immobilienpreise in Luxemburg oft nicht aus, um den Haushalten zu helfen, das erforderliche Eigenkapital aufzubringen. Eine beispielhafte Übertragung von 50 000 Euro stellte 2018 nicht einmal 8 % des mittleren Wertes des selbstgenutzten Wohneigentums in Luxemburg dar.

Der Zeitpunkt der Übertragung ist auch wichtig, um seine Auswirkungen auf den Erwerb von selbstgenutztem Wohneigentum zu bestimmen, insbesondere für jüngere Haushalte. Von den Empfängern erheblicher privater Vermögensübertragungen erwarben 38 % der Eigentümer ihr derzeitiges selbstgenutztes Wohneigentum innerhalb von drei Jahren vor oder nach der größten Übertragung. Bei den jüngeren Eigentümern lag dieser Anteil bei 67%. In der Hälfte der Fälle betrug der Wert der Übertragung mehr als 50 % des Kaufwerts des selbstgenutzten Wohneigentums.

# 1 Introduction

Around two-thirds of households in Luxembourg are homeowners, and for most of them buying their own home requires taking on a sizeable mortgage. To raise the down payment, which is usually required by lenders, prospective homeowners must often accumulate savings by reducing their consumption. In addition, they may also turn to other sources for finance. They may for example rely on transfers from family, friends or neighbours (private wealth transfers) to finance the acquisition of their home, such as inheritances or gifts, as well as other inter-vivos transfers.

In this analysis, we document such private wealth transfers in Luxembourg and explore to what extent they affect homeownership. To this end, we use data from three waves of the Luxembourg Household Finance and Consumption Survey (LU-HFCS) in 2010, 2014 and 2018. This survey collects detailed data on households' assets and liabilities, as well as on income and consumption, and includes specific questions on private wealth transfers received (i.e., inheritances and gifts). In total, the three waves include answers from almost 4,200 households. For a description of the methodology and main descriptive statistics, see for example Chen et al. (2020).

Results show that about 30% of Luxembourg households received substantial private wealth transfers at some time in the past. Among homeowners, 38% reported that they received such transfers, but only 22% received these transfers before (or around the time) they acquired their main residence. About 6% of homeowners (4% of the population as a whole) received their current home as a transfer. Among renters, only 12% ever received substantial private wealth transfers.

We estimate that receiving a substantial private wealth transfer increases the probability of homeownership by 4-6 percentage points (depending on the econometric specification). The estimated effect depends on the size of the transfers received. Transfers up to €100,000 have no significant effect, while larger transfers increase the probability of being a homeowner by 11-15 percentage points. This suggests that smaller transfers are not enough to help households raise the required down payment, which may not come as a surprise given the elevated

house prices in Luxembourg.<sup>1</sup> Strikingly, 38% of homeowners who received a substantial private transfer bought their home three years before or after the transfer.

Our results are generally in line with those in the empirical economics literature, which finds strong evidence that such transfers help households to become homeowners. For example, Engelhardt and Mayer (1998) focus on first-time homebuyers in the US and find that about one in five received private wealth transfers, with the amount averaging more than 50% of their down payment. The 2015 Federal Reserve Survey of Household Economics and Decisionmaking (SHED) asked US homeowners how they financed their home and found that 13.8% had used a loan or gift from family or friends to help fund the down payment on their current home (FRB, 2016). Using the US Health and Retirement Survey, Lee et al. (2020) find that a substantial financial transfer (5,000 US dollars or more) from a parent to an adult child increases the probability of becoming a homeowner by 3.1 percentage points. Using the US Panel Study of Income Dynamics, Lee et al. (2020) find that financial transfers from parents had an even stronger effect after the Great Recession, which the authors relate to the tightening of mortgage credit availability. For France, Spilerman and Wolff (2012) find that parental transfers serve to increase the down payment and to raise the value of the acquired residence. Swiss evidence presented by Blickle and Brown (2019) suggests that receiving an intra-family wealth transfer is associated with an increase in the propensity to transition into homeownership by 6-8 percentage points.

The remainder of this paper is as follows: Section 2 presents descriptive statistics on private wealth transfers and homeownership in Luxembourg. Section 3 presents estimates of their effect on the probability of homeownership. Section 4 concludes.

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<sup>1</sup> For a discussion of the rapid increase of Luxembourg real estate prices and its causes, see for example Reinesch (2022).

## 2 Private wealth transfers in Luxembourg

### *Transfers received*

We use the term transfer to describe the redistribution of (substantial) resources (real and financial) between households.<sup>2</sup> This definition includes all wealth transfers received from the extended family, friends, neighbours or anyone else outside the household (e.g., inheritances and gifts, including the household main residence (HMR)). This information was collected from specific questions in the Luxembourg Household Finance and Consumption Survey. These asked for detailed information on private wealth transfers, their monetary value, the relationship to the donor, whether they were inherited or received as a gift, and the form in which they were received.<sup>3</sup>

**Table 1: Private wealth transfers received, by tenure status, in percent**

	All transfers received			Transfers received before home acquisition <sup>†</sup>	
	Renters	Homeowners	All households	Homeowners	All households
Any transfers	11.9	37.9	29.6	21.7	18.5
<u>Age category</u>					
16-34 years	9.4	22.0	15.6	18.6	13.9
35-44 years	10.7	23.5	18.6	17.0	14.6
45-54 years	8.9	31.3	24.4	17.4	14.7
55-64 years	19.9	49.7	41.4	23.1	22.2
65+ years	16.7	54.1	48.6	29.2	27.4
<u>Type of transfer<sup>†</sup></u>					
Financial assets	8.4	25.1	19.8	11.7	10.7
Real estate – All	5.3	21.4	16.2	13.5	10.9
<i>Real estate – HMR</i>	-	5.9	4.0	5.9	4.0
<i>Real estate – Other</i>	5.3	18.1	14.0	9.6	8.2
Misc. assets	1.7	5.0	4.0	2.8	2.5

Source: Own calculations based on the 2010, 2014 and 2018 LU-HFCS waves; data are multiply imputed and weighted.

Note: Survey question asked whether the household ever received an inheritance or a substantial gift. <sup>†</sup> Multiple answers possible. <sup>‡</sup> We consider all transfers received up to 3 years after acquisition.

<sup>2</sup> See Table 2 for more details.

<sup>3</sup> This detailed information exists for the two most important transfers. In addition, the survey asks whether the main residence was inherited or received as a gift. The form of the transfers distinguishes between money, HMR, free use of the HMR, other dwellings, land, business, securities and shares, jewellery, furniture, artwork, life insurance, cars and vehicles, other assets.

In Luxembourg, about 30% households received transfers of substantial value at some time in the past (Table 1). Around 80% of transfers were inheritances and 20% gifts. Transfers are mainly intergenerational and almost exclusively intra-family (i.e., main transfer 77% from parents, 9% from grandparents and 13% from other relatives). Therefore, it is not surprising that the share of households that received transfers increases with the age of the household reference person (Table 1). In the youngest age category, 16 to 34 years old, this share was 16%, increasing to 19% for those between 35 and 44 and to 24% for those between 45 and 54. There follows a larger step, with the share receiving transfers increasing to 41% for those between 55 and 65 and to 49% for those above 65. As society ages, these shares may change as individuals live longer. For example, the share of younger households who received transfers may decline in the future, as they may not inherit from their parents until later in life.

Private wealth transfers vary in nature. In the sample as a whole, 20% of households received financial assets, such as money, securities and shares or life insurance. Only 4% of households received the home they currently live in, 14% received other real estate property (including land or other dwellings), and 4% received other private wealth transfers, including businesses, vehicles, jewellery, or free use of their main residence.

In Luxembourg, among those households that received transfers, 14% received their current home and 47% received other real estate property (18% received land, 39% received other dwellings). Focussing on homeowners only, 16% of those who received transfers live in the residence they inherited or received as gift. As reported by the OECD (2022), private transfers of housing (main residence and other real estate property) are common in most countries. This reflects the large share of household wealth that is held as real estate, making it natural that housing is frequently passed on to the next generation, especially since homeownership is more common among the older generation. For example, in Luxembourg, the homeownership rate among older households (65+ years) was 85% in 2018, while in the population as a whole it was 68%. Beneficiaries may choose to live in inherited property, use it for other purposes or sell it. When the main residence is received as a transfer, it is predominantly through inheritance (78%).

Receiving transfers is strongly correlated with housing tenure. Among households that rent their main residence, only 12% ever received substantial transfers, while among homeowners

38% received transfers. Put differently, among households that received a substantial transfer 87% are homeowners, while among those who never received transfers only 60% are homeowners, which suggests private transfers may foster homeownership.

### *Transfers received prior to home acquisition*

Guiso and Jappelli (2002) note that it is difficult to borrow against future private transfers, so transfers must best take place before the home is acquired if they are to help households become homeowners. Among homeowners in Luxembourg, 38% reported that they received transfers at some point, but only 22% received these transfers before (or around the time) they acquired their main residence (Table 1).<sup>4</sup> Among homeowners, 6% received their current home as an inheritance or gift and 18% received other real estate property. However, only 10% of homeowners received other real estate property up to three years after acquisition of their current home.

Figure 1 (left panel) depicts the timing of the most important transfer relative to the year of acquisition of the current home. It suggests that transfers are an important source to finance the acquisition of a home. Among homeowners, 38% acquired their home within three years of the most important transfer (which may have been before or after the acquisition). Even disregarding those instances where households received their HMR as a gift (date of transfer and acquisition necessarily coincide), the share is still 30%.

For younger households (16-34 years) these transfers are even more important for the timing of home acquisition (Figure 1 – right panel). 67% of young homeowners acquired their home within three years before or after receiving their most important transfer. Among the young, 48% acquired their home in the same year as the transfer was received. Since younger households had less time to save, this probably means that transfers represent a larger share of their down payment. This is also in line with previous findings in the literature, such as Guiso and Jappelli (2002) who show that younger people are more likely to rely on private transfers,

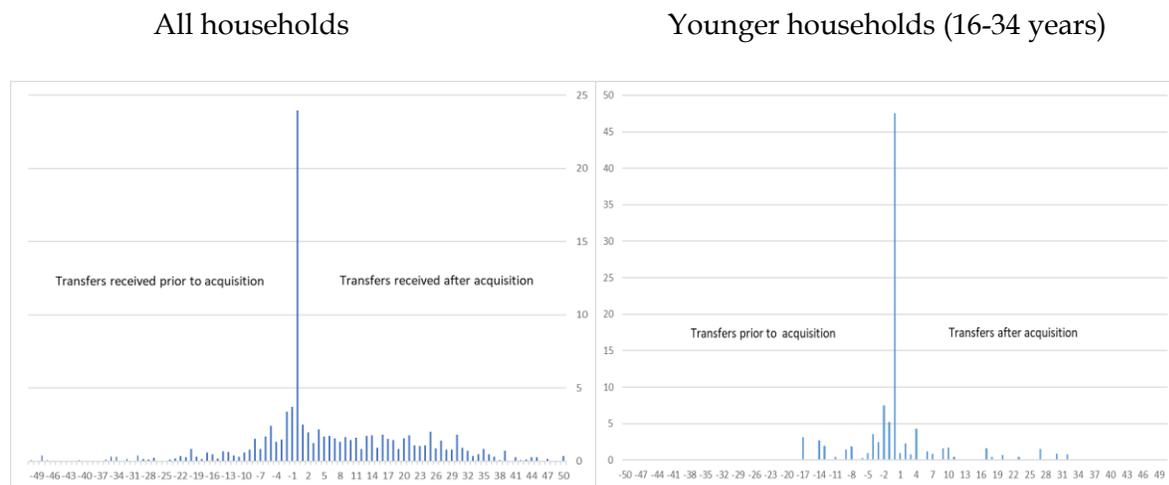
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<sup>4</sup> We consider transfers up to three years after acquisition, as this process may take place in several steps, first buying a plot and only later building on it over a period of months. The questionnaire refers to the first date in the acquisition process. The same applies to new apartments. In many cases, construction is only started once most apartments in the building are sold.

since they are also more likely to be credit-constrained (Duca and Rosenthal, 1994; Haurin et al, 1997).

On average, renters received far less than those homeowners who received substantial transfers up to 3 years after home acquisition (Table 2).<sup>5</sup> In addition, the absolute difference in the median and mean transfers between homeowners and renters is far larger for younger households, suggesting an increased relevance of transfers for the homeownership of younger households. While the median amount received by younger homeowners (16-34 years) is similar to the overall median, by all measures, younger renters received far fewer amounts.

**Figure 1 : Difference in years between date of main transfer and of home acquisition**



Source: Own calculations based on the 2010, 2014 and 2018 LU-HFCS waves; data are multiply imputed and weighted.

Note: The figure depicts the difference between the year of the most important transfer and the year of home acquisition. The sample includes all homeowners (N=1,347) that received a transfer.

<sup>5</sup> Transfer amounts may include the HMR value at time of acquisition (if received as inheritance or gift) plus the sum of the two most important transfers received (each in 2018 prices). Only transfers received up to three years after the HMR acquisition are considered (see footnote 4).

**Table 2: Amount of private wealth transfers (2018 euros)**

	Renters	Homeowners	Overall
All households			
Median	43,600	176,800	132,200
Mean	242,100	393,600	362,200
Younger households			
Median	11,000	177,000	87,800
Mean	31,100	333,600	231,400

Source: Own calculations based on the 2010, 2014 and 2018 LU-HFCS waves, data are multiply imputed and weighted. Mean and Median computed only for those who received substantial private transfers, which may include the household main residence (HMR). For renters, all transfers are considered. For homeowners, only transfers received up to 3 years after home acquisition are considered (see footnote 4). All amounts are adjusted for inflation in the national consumer price index between the year the transfer was received and 2018.

To gauge the relevance of private wealth transfers, we calculate their ratio to the price of the HMR at time of acquisition for the 22% of homeowners with transfers up 3 years after acquisition. When transfers exceed the HMR value, we cap this ratio at 100%, indicating that past transfers could finance the entire acquisition of the HMR (which may itself be among the private wealth transfers received). At the median value of this ratio, transfers received cover 52% of the HMR value at acquisition. The mean value of the ratio is 57%. At the 25<sup>th</sup> percentile, transfers cover 16% of the HMR value at acquisition, and from the 62<sup>nd</sup> percentile onward they cover 100%. 58% of those above this 100% threshold did not receive their HMR as transfer.

### 3 Econometric analysis

In this section, we estimate a tenure gap regression to analyse whether private wealth transfers increase the probability of being a homeowner.<sup>6</sup> More specifically we estimate logit models for a binary dependent variable. Assume that the observed answer in the survey is related to the continuous latent variable  $y^*$  according to the following mapping:

<sup>6</sup> If more data was available, it could have been of interest to study what characteristics increase the chances of a household to transfer private wealth.

$$y_{it} = \begin{cases} 0 & \text{if renter} \\ 1 & \text{if homeowner} \end{cases} \quad \begin{cases} \text{if } y_{it}^* \leq 0 \\ \text{if } y_{it}^* > 0 \end{cases} .$$

We estimate a logit model with

$$Prob [y_{it} = 1] = \frac{e^{x_{it}\beta + \varepsilon_{it}}}{1 + e^{x_{it}\beta + \varepsilon_{it}}} \quad , \quad (1)$$

where  $\varepsilon_{it}$  is the independently distributed error term. The vector of explanatory variables  $x_i$  includes information related to individual household members as well as information related to the household as a whole. It includes the following controls: survey year fixed effects, characteristics of the reference person: civil status [single, married, divorced, widowed]; 5 age categories [15-34; 35-44; 45-54; 55-64; 65+]; gender; number of dependent children; level of education [low, medium and high], employment status [employed, self-employed, retired, unemployed, all other non-employed]; native or foreign-born. All monetary amounts are in 2018 euros. For homeowners, we only consider transfers received up to 3 years after acquisition. The amount of transfers is in inverse hyperbolic sine transformation to allow for zero transfers.

We present results for several different specifications, starting with the most parsimonious and gradually adding more controls (included variables are reported at the bottom of the regression table). In Specification 1, we include a dummy variable indicating whether the household received private transfers. In Specification 2, we replace this by the amount of the transfers (in 2018 euros). We expect that larger transfers increase the probability of being a homeowner. In Specification 3, we include several dummy variables representing different size categories for the transfers received.<sup>7</sup> For homeowners, we only consider transfers received up to 3 years after acquisition (see footnote 4); for renters we consider all transfers received. We report weighted average marginal effects (calculated for every household and then weighted and averaged).

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<sup>7</sup> The categories are: [no transfers (ref.);  $\geq 50$ k EUR;  $>50$ k-100k EUR;  $>100$ k-250k EUR;  $>250$ k EUR]. 5.3% of households received less than 50k EUR, 2.7% received 50k - 100k EUR, 3.8% received 100k - 250k EUR and 6.6% received more than 250k EUR.

### Estimation results for private wealth transfers

Results are presented in Table 3. Apart from a fixed effect capturing the survey year, Specifications (1–3) do not control for any other household characteristics. In Specification (1), the dummy variable capturing whether substantial private wealth transfers were received in the past is highly significant. The estimation results suggests that receiving transfers increases the probability of homeownership by 13.9 percentage points. In Specification (2) suggests that a 1% increase in transfers (in euro 2018 prices) raises the probability of homeownership by 1.4 percentage points.

**Table 3: Homeownership regression results, all households**

Homeowner (yes/no)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Past transfers (dummy)	0.139*** (0.020)			0.062*** (0.021)			0.041* (0.021)		
Amount of transfers <sup>‡</sup>		0.014*** (0.002)			0.006*** (0.002)			0.005** (0.002)	
Transfers [ $\leq 50k$ ] (d)			-0.027 (0.044)			-0.047 (0.037)			-0.063* (0.036)
Transfers [ $>50k-100k$ ] (d)			0.134*** (0.050)			0.061 (0.050)			0.038 (0.047)
Transfers [ $>100k-250k$ ] (d)			0.219*** (0.034)			0.152*** (0.039)			0.133*** (0.042)
Transfers [ $>250k$ ] (d)			0.229*** (0.027)			0.130*** (0.037)			0.110*** (0.039)
Survey year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Characteristics of the reference person				Yes	Yes	Yes	Yes	Yes	Yes
Household gross income quintiles							Yes	Yes	Yes
No. observations	4163	4163	4163	4163	4163	4163	4163	4163	4163

Note: All numbers are based on five sets of multiply imputed data. The table reports weighted average marginal effects. Standard errors in () are calculated following Rubin's rule (1987, 2004) and are based on 1,000 bootstrap replicate weights. Additional controls include, survey year fixed effects, characteristics of the reference person: civil status [single, married, divorced, widowed]; 5 age categories [15-34; 35-44; 45-54; 55-64; 65+]; gender; number of dependent children; level of education [low, medium and high], employment status [employed, self-employed, retired, unemployed, all other non-employed]; native or foreign-born. All amounts in 2018 euros. For homeowners, we only consider transfers received up to 3 years after acquisition. <sup>‡</sup> Amount of transfers in inverse hyperbolic sine transformation.

Source: 2010, 2014 and 2018 LU-HFCS data.

Specification (3) allows the effect on the probability of homeownership to differ by size categories. Transfers of €50,000 or less have no statistically significant effect (relative to no transfers received). However, larger transfers do increase the probability of homeownership. This increase is 13.3 percentage points for transfers in the range from €50,000 to €100,000, almost 22 percentage points in the range from €100,000 to €250,000 and almost 23 percentage points for transfers exceeding €250,000. Hence, there is a strong relationship between larger transfers and homeownership. These results are consistent with those of Blicke and Brown (2019) for Switzerland, who also found the effects depend on the size of the transfers received.

The non-significant effect for smaller transfers up to €50,000 suggests that such amounts may be insufficient to help buy a home in the Luxembourg housing market. The €50,000 threshold only represents 7.7% of the median HMR value in 2018 (see Chen et al., 2020). In the category of transfers up to €50,000, the median amount is only €21,500, which represent a mere 3.3% of the median home value in 2018.

Adding controls reduces the effect of private transfers on the probability of being a homeowner. In Specification (4-6) we add socio-demographic characteristics related to the household reference person, such as age category, gender, civil status, level of education, employment status, etc. In Specifications (7-9) we also include household gross income quintiles. In Specification (4) the marginal effect estimate on the transfer dummy drops to 6.2 percentage points but remains significant. Also controlling for gross income quintile, Specification (7) further reduces this marginal effect to 4.1 percentage points.

This decrease reflects the correlation of demographic characteristics with private transfers received, e.g. age and income are positively correlated with the amount of private transfers received. In Specifications (5) and (8), the marginal effect on the amount of past transfers drops to 0.6 percentage points when adding personal characteristics and to 0.5 percentage points when adding household gross income quintiles. However it remains significant in both cases. In Specification (6) transfers in category €50,000 - €100,000 are no longer significant. In Specification (9) transfers up to €50,000 even exert a significant negative effect on the probability of being a homeowner. This could be interpreted as small transfers proxying for intergenerational transmission of disadvantage. In fact, for homeowners who received transfers up to three years after acquisition, the median amount (possibly including the HMR) is €132,200 (in

2018 prices). However, transfers exceeding €100,000 remain significant. In Specification (6), controlling for personal characteristics, the increase in the probability of homeownership is 15.2 percentage points for transfers between €100,000 and €250,000 and 13.0 percentage points for transfers of €250,000 or more. In Specification (9), additionally controlling for household gross income quintiles, the increase is 13.3 percentage points for transfers between €100,000 and €250,000 and 11.0 percentage points for transfers of €250,000 or more.

## 4 Concluding remarks

Buying a home can be a daunting experience, as it usually requires taking out a sizeable mortgage. Using the Luxembourg Household Finance and Consumption Survey, we analysed to what extent private wealth transfers (inheritances and gifts) can help households to become homeowners.

About 30% of households in Luxembourg received substantial private transfers at some point in the past and almost 90% of this group are homeowners. However, of the remaining households who never received a substantial private transfer, only 60% are homeowners. Our analysis confirms that receiving a private wealth transfer increases the probability of homeownership by 4-6 percentage points. Not surprisingly, the size of the transfer matters. Results suggest that transfers below €100,000 exert no significant influence, while transfers above this threshold increase the probability of homeownership by 11-15 percentage points. Smaller private transfers may simply be insufficient to help households raise the required down payment given high real estate prices in Luxembourg. For example, a private transfer of €50,000 would represent only 7.7% of the median HMR value in 2018 in Luxembourg. Around 6% of Luxembourg homeowners received their current home as a gift or inheritance, and among those that received transfers, 16% received their current home. Compared to other OECD countries this is on the low side and may reflect the high share of immigrants in the population, rapid population growth and/or a preference for new housing.

In addition, the timing of the transfers is important for home acquisition, especially for younger households. Home acquisition often takes place close to the time the household received substantial private transfers. Among those who received transfers, 38% of homeowners acquired their current home within three years (before or after) the most important transfer. Among younger homeowners, this share was 67%. Private wealth transfers are usually sizeable relative to the value of the main residence at the time of acquisition. The median value of this ratio suggests that private transfers (including inherited property) represent more than 50% of the value of the home.

In conclusion, our results suggest that private wealth transfers help households to become homeowners, and that these transfers are especially relevant for the young. Future research could explore whether private wealth transfers have other effects, such as reducing the age of first-time buyers, increasing the value of the home or help achieve higher levels of education.

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