
An Overlooked Fault Line in American Animal Spirits: Homeowners vs. Renters

In recent years, much of the media narrative about consumer confidence has focused on the partisan sentiment gap, where Republicans and Democrats flip-flop on optimism based on which party holds the levers of power in Washington D.C. In our “K-shaped” economy, surveys also reveal a confidence chasm between upper- and lower-income population cohorts. But there’s another **growing fault line** that divides the moods, perspectives, and economic outlook of Americans—a gap that’s not driven by politics or household income, but **housing tenure**—whether a person owns or rents their home.

In this article, Pulsenomics:

- Highlights the **faded homeownership aspirations** among today’s renters.
- Identifies the degrees to which **homeowner and renter mindsets differ** through the lenses of traditional consumer confidence measures and reveals striking attitudinal gaps across an expanded variety of factors that affect animal spirits.
- Suggests that the **profound changes to the U.S. socioeconomic fabric over the past several decades**—one of which is the outsized role of homeownership as a wealth-driver—**render legacy consumer confidence measures incomplete gauges of the contemporary consumer’s animal spirits**.

Faded Renter Aspirations

Elevated homeownership affordability hurdles currently obstructing the path from lease-dependency to equity-ownership are crushing renters’ homeownership aspirations and amplifying their angst.

In early 2019, the **Homeownership Affordability Index** (HOAI) produced by the Federal Reserve Bank of Atlanta turned positive after a 2018 dip, and the Pulsenomics **Housing Confidence Survey** (HCS) recorded strong homeownership aspirations from renter heads of household.¹ Among those with an opinion:

- Most agreed that homeownership was a prerequisite for realizing **the American Dream**
- Two-thirds said that owning a home someday was a lifetime goal they were “**determined to reach**” or “thought about a lot”
- More than six in ten said owning a home was the **best long-term investment** one could make
- More than six in ten said they believe homeownership provides **more freedom** than renting
- More than eight in ten said they would **own a home at some point in the future** (more than six in ten said they expected to within five years).

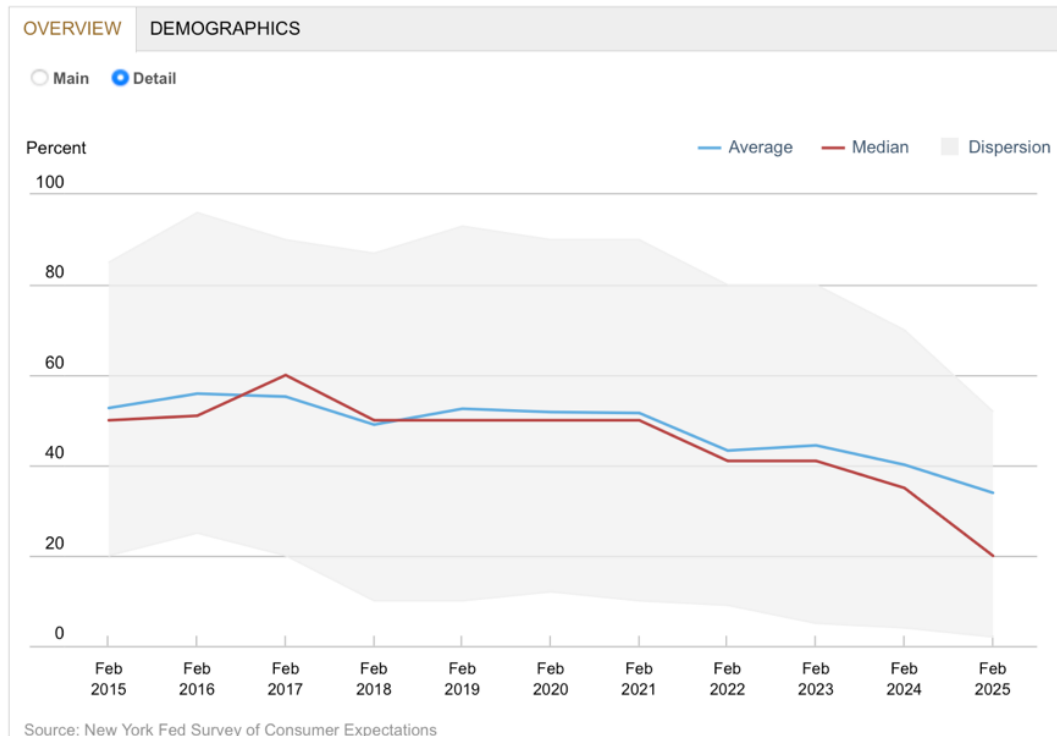
Fast-forward to 2025, and we find HOAI plumbing record lows and mired in its 55th consecutive month of negative readings. And according to the latest New York Fed’s Survey of Consumer Expectations, most renters now appear to view homeownership less as a realistic dream and more like an implausible fantasy: **their median perceived probability of ever owning a home dropped from a high of 60% in 2017 to a record a low level of just 20% last year**.²

¹ Pulsenomics Housing Confidence Surveys and Renter Confidence Index (<https://pulsenomics.com/surveys/#housing-confidence>).

² The New York Fed 2025 Survey of Consumer Expectations (https://www.newyorkfed.org/microeconomics/sce/housing#/renters_14).

Probability of Buying

Average probability of owning a primary residence at some point in the future



Tenure Gaps in Legacy Measures of Consumer Sentiment and Consumer Confidence

For decades, The University of Michigan’s *Index of Consumer Sentiment* (ICS) and The Conference Board’s *Consumer Confidence Index* (CCI) have been considered the “gold-standard” attitudinal gauges of the US consumer’s economic mindset.³ Although neither organization publishes tenure-specific index data, Pulsenomics recently calculated tenure-specific “shadow” ICS and CCI by applying its latest *Animal Spirits Survey*™ (PASS) respondent data to each of the legacy index’s five-factor models (see right sidebar).⁴

Homeowners, who generally earn more than renters and are increasingly aware of how changes in their home value affects their finances, naturally express greater optimism regarding their financial situation. **But the tenure-specific “shadow” indexes reveal a significant divide in every “sentiment” and “confidence” factor used to compute ICS and CCI, respectively** (see Tables 1 and 2 on the following page).

The latest edition of the Pulsenomics Animal Spirits Survey was completed in late November 2025 (n=1,602). Since 2016, Pulsenomics has collected 3.4 million data points from more than 42,000 completed PASS questionnaires. The PASS instrument was designed to gain new insights concerning consumer moods, anxieties, financial spirits, and economic confidence; it includes analogues of the five questions used to generate the data inputs for ICS and of the five questions used to generate the data inputs for CCI, and among other demographic data, records the housing tenure status of each survey respondent.

³ ICS and CCI are diffusion indexes derived from consumer responses to five multiple-choice survey questions conceived in 1946 and 1967, respectively.

⁴ PASS is distinct from the Pulsenomics Housing Confidence Survey™ (HCS) and its related indices, which were designed to quantify and track housing aspirations, assessments of local real estate market conditions, home price expectations, and property transaction sentiment among homeowners and renters nationally and within individual metropolitan markets.

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Table 1

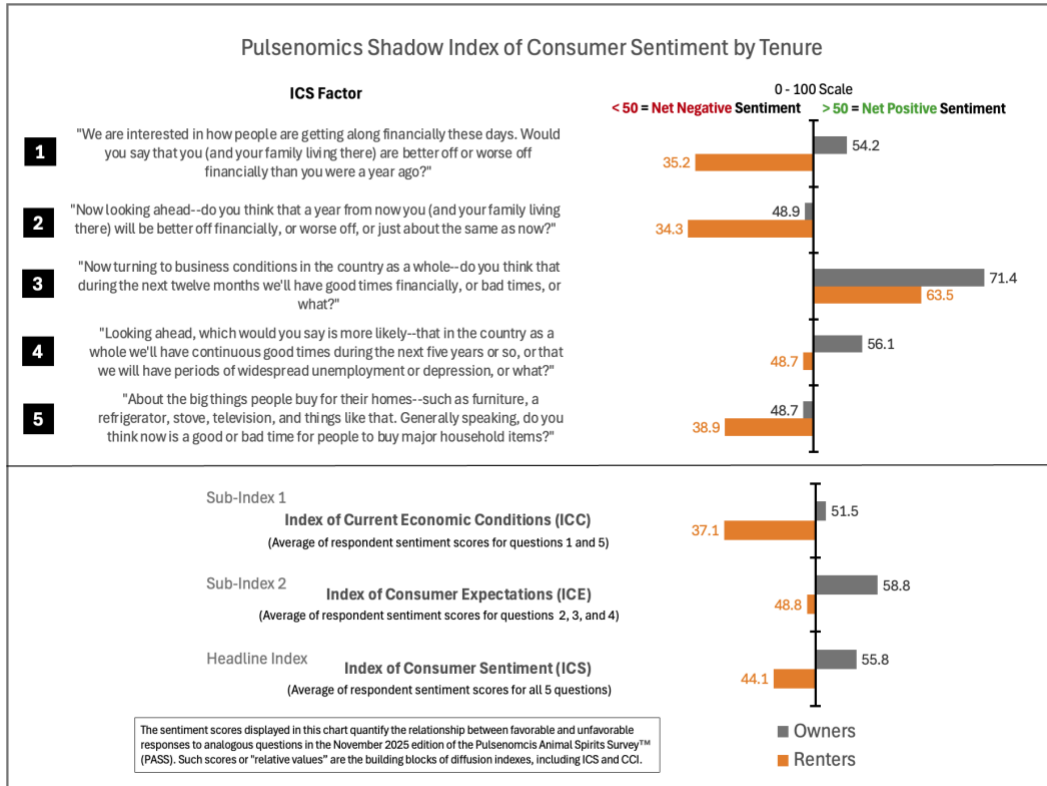
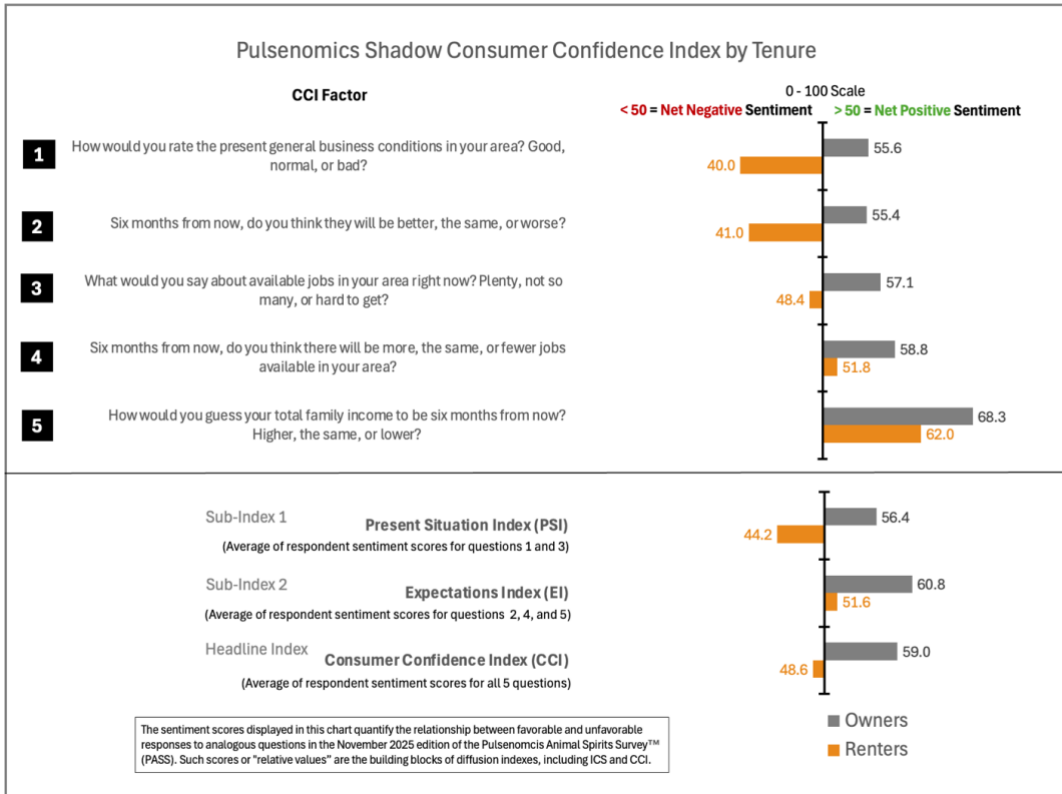


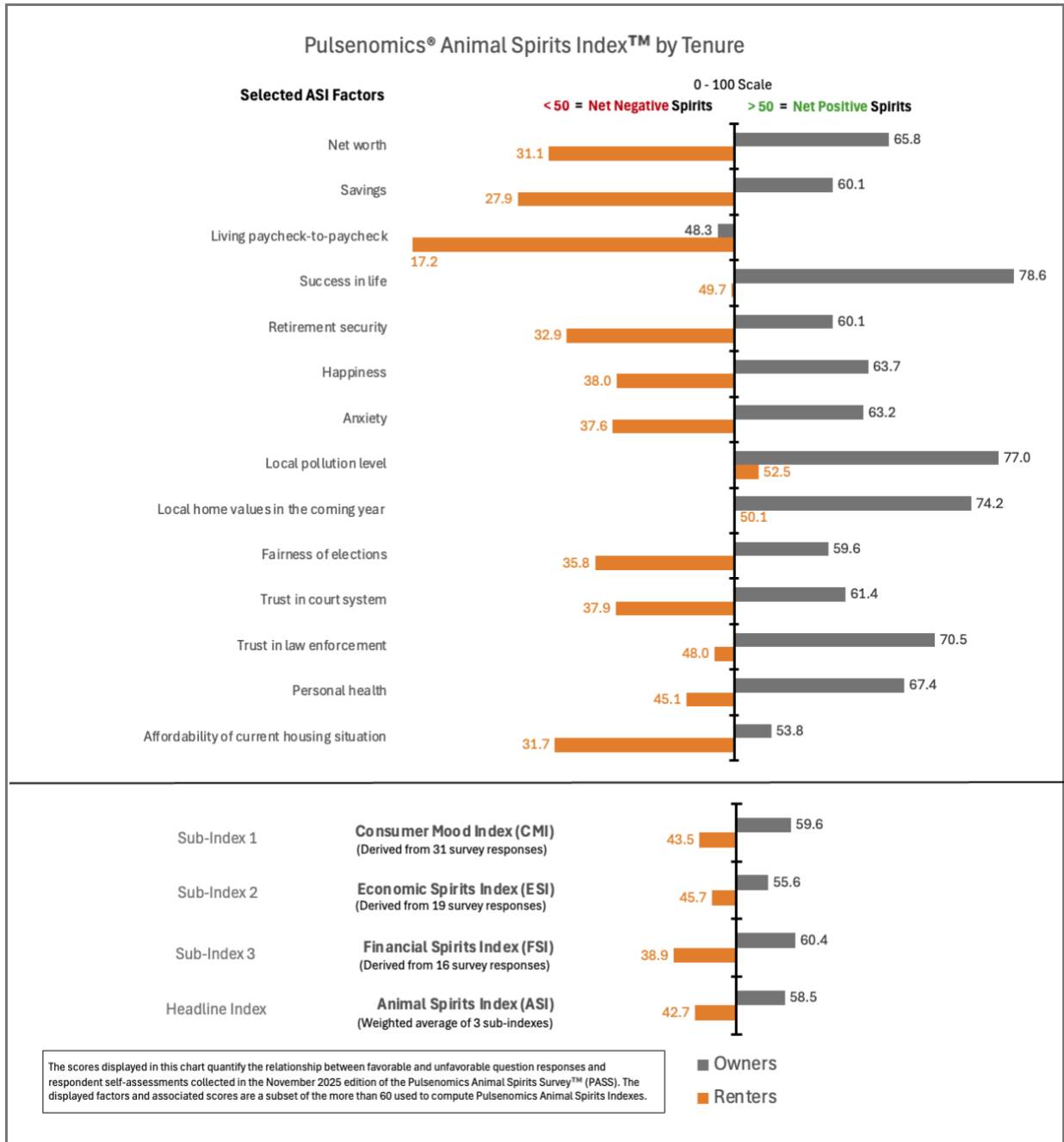
Table 2



Tenure Gaps in Animal Spirits

In addition to those displayed on the preceding page, **PASS data illuminate a variety of other mindset differences between homeowners and renters that are relevant to consumer animal spirits in today’s economy.** Some of the more than sixty attitudinal indicators that comprise the Pulsenomics Animal Spirits Index (ASI) are displayed in the top portion of Table 3 below.

Table 3



The Limits of Legacy Consumer Confidence Measures

Economic thought, from Keynes to Shiller, recognizes that an array of psychological and social forces—well **beyond just “confidence” and “sentiment” as defined by ICS and CCI**—shape economic actions, investment, spending, and business cycles. Upbeat moods can foster spending, investment, and risk-taking, and negative moods amplify caution and pessimism, dampening economic activity.

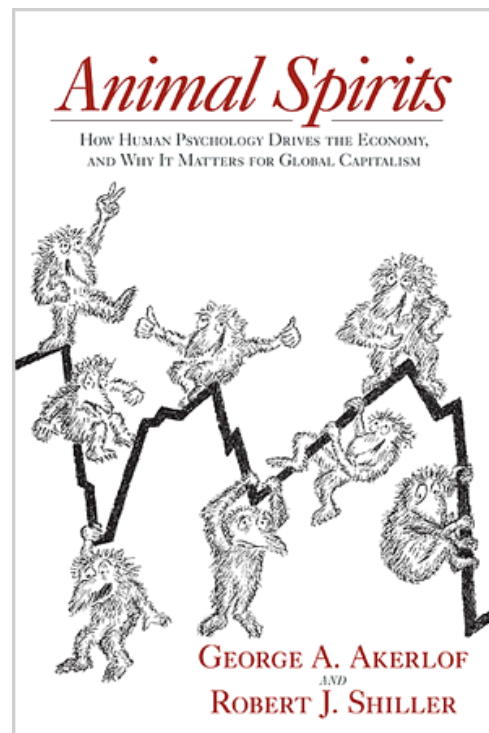
Akerlof and Shiller emphasize that factors such as **trust, fairness, money illusion, and prevailing social narratives also shape consumer mindsets** and animal spirits.⁵ One implication of their framework: the narrow, fixed apertures of five-factor sentiment and confidence indices shed only partial light on what makes consumers tick.⁶

In monitoring consumer mindsets, **context is equally important as number and scope of factors measured**. Our current socioeconomic environment—marked by an aging population, rapid technological change, wealth inequality, declining trust in institutions, and hyper-polarized politics—differs fundamentally from the mid-20th century, when ICS and CCI were created.⁷

For example, back then, homes were primarily viewed as shelters, home price volatility was low, and home equity was less liquid (and its wealth effects not nearly as powerful) compared to today. In our modern, credit-driven consumer economy, **it is difficult to imagine how prevailing home values and home equity levels could *not* have significant impacts on a consumer’s economic confidence and animal spirits**—and it’s plausible that oftentimes, these impacts dwarf those of consumers’ expectations for near-term income growth, perceptions of jobs availability in the coming few months, and assessments of “general business conditions”.

Consider:

- **Household net worth is now nearly 8 times disposable personal income.** In 1946 and 1967, this ratio was closer to 5 times. This huge increase in the wealth-to-income ratio is the primary reason why, for homeowners, balance sheet fluctuations can stir animal spirits and spending behaviors more than the size of one’s paycheck.

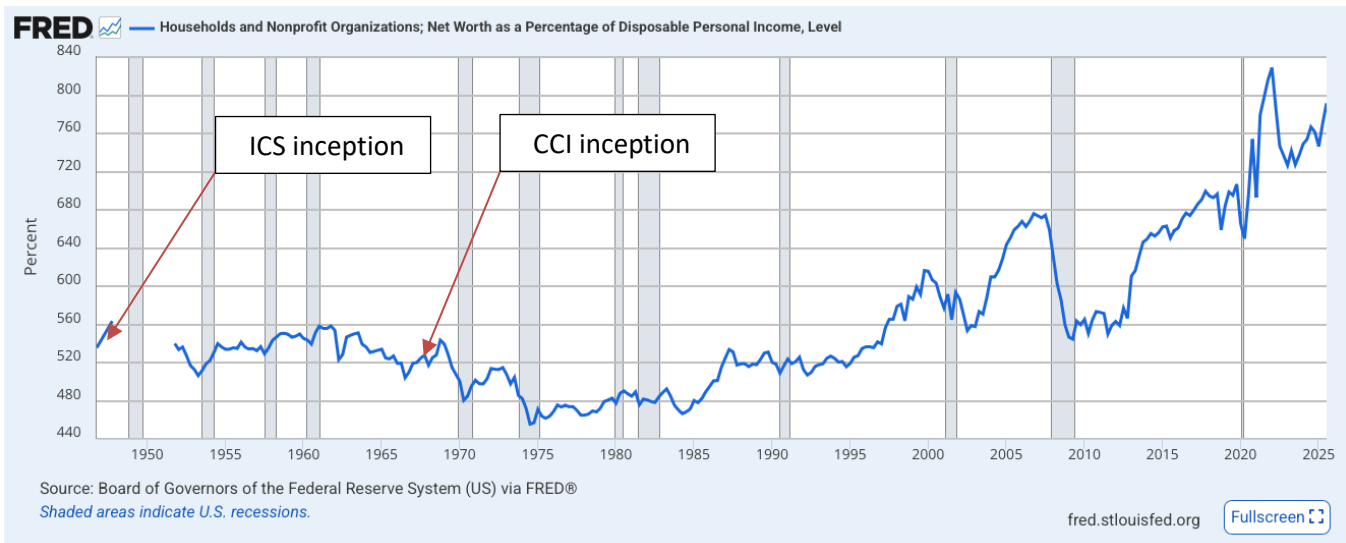


⁵ Akerlof, George A., and Robert J. Shiller. *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*. Princeton University Press, 2009.

⁶ “Consumer confidence” and “consumer sentiment” (as well as “animal spirits”) are inherently amorphous terms: there is no universal definition or definitive modeling approach for them. While the set of five-factors from which each of the legacy indexes are derived are distinct (and readily accessible), they still are often miscast and/or conflated. For example, commentators sometimes attribute movements in ICS and CCI to market developments and factors that plausibly affect consumers’ economic attitudes but are not included in the construction of either measure. Also, in economic discourse, the terms “consumer sentiment” and “consumer confidence” are used interchangeably.

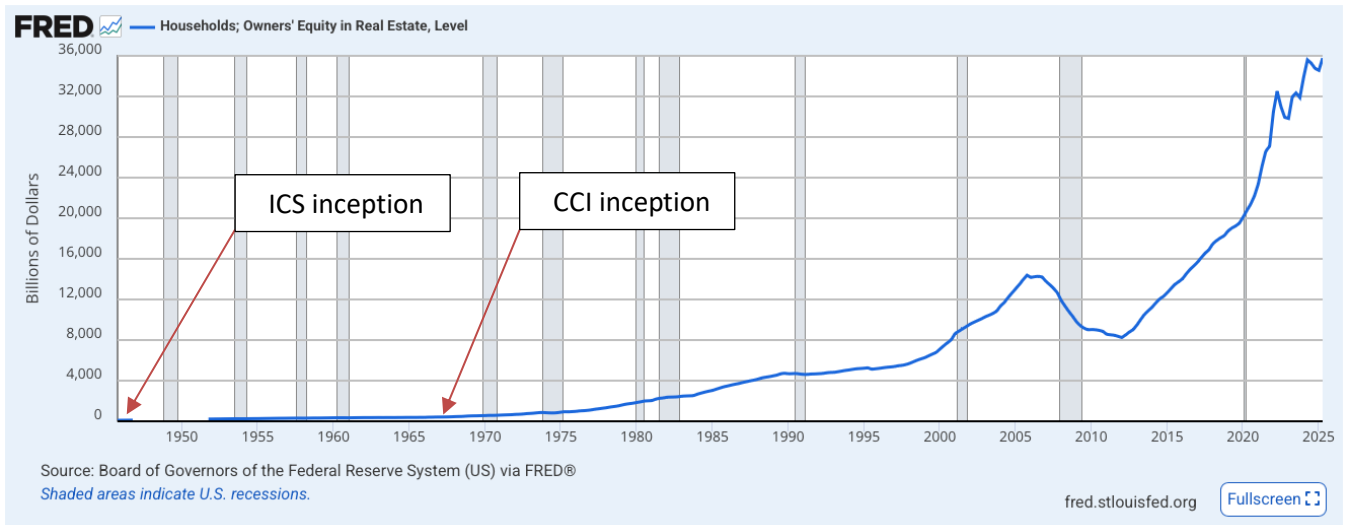
⁷ ICS and CCI were conceived in 1946 and 1967, respectively. Tellingly, the University of Michigan added several housing-focused questions to its ICS survey questionnaire over the years—an implicit acknowledgment of the growing relevance of housing matters to economic sentiment and consumer self-assessments of their financial situation. However, none of the response data generated by any of the housing-focused questions are reflected in ICS, and the five-factor composition of both ICS and CCI has not changed since their inception.

Net Worth as a Percentage of Disposable Income Over Time



- In 1946, aggregate U.S. home equity stood at just \$110 billion, making up roughly 35% of a typical homeowner's assets. By 1967, home equity had quadrupled to \$440 billion and represented about 45% of assets. **Today, home equity has surged to almost \$36 trillion, accounting for 70% of homeowner assets.**

Aggregate U.S. Home Equity Over Time



- **Decades ago, home equity was "trapped" wealth.**⁸ No longer: **today**, there are \$422 billion in outstanding home equity lines of credit (HELOCs) alone, more than \$100 billion in closed-end second mortgages, and a growing multibillion-dollar market for home equity investment (HEI) agreements.⁹

⁸ In 1946, junior lien production was negligible.

⁹ While only \$422 billion is currently drawn (outstanding), the aggregate credit limit (the total amount available for homeowners to pull) is estimated to exceed \$1 trillion.

Minding the Gaps

Pulsenomics survey data confirm that the threshold between renting and owning a home is more than a legal distinction; it is a psychological and economic fault line. During periods of appreciation, homeownership transforms households from pure consumers into equity accumulators. This shift expands perceived wealth and borrowing capacity, fueling a "virtuous cycle" of confidence, discretionary spending, and civic engagement. Conversely, for aspiring homeowners trapped in a cycle of deteriorating affordability, the housing market becomes a source of anxiety, mistrust, and perceived systemic unfairness.

These attitudinal gaps are not static. While home-equity wealth effects are bi-directional—operating in reverse as markets cool—they are fundamentally asymmetric. The "pain" of declining equity weighs more heavily on consumer activity than the "gain" of rising values stimulates it. While easing prices may narrow the tenure gap by providing relief to renters, the resulting contraction in owner animal spirits can have a disproportionate cooling effect on the broader economy.

Ultimately, to make well-informed decisions and effectively navigate today's fragmented socioeconomic landscape, policymakers, investors, and business leaders need to be clear-eyed about what specific attitudinal factors consumer sentiment and confidence indexes are comprised of and dialed-in to the hidden tensions laying beneath the surface of the national mood.