

How School Admission Uncertainty Affects Housing Choice? Evidence From China's School Lottery

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Abstract

To relieve the strain on public school seats and mitigate competition for elite schools, Beijing introduced a school lottery that severed the link between housing and school assignments. Using housing transaction data from Beijing, we leverage the school lottery as a quasi-experiment to examine how school admission uncertainty affects parental decisions on housing choice. Our findings show that, while the school lottery reduced the school-quality premiums of school district houses (SDHs), especially tier 1 SDHs, its impact on tier 2 SDHs was negligible. Besides, the lottery had heterogeneous effects in different school zonings. In zonings with less admission uncertainty, premiums for SDHs either increased or remained unaffected. These indicate that households, in response to admission uncertainty introduced by the lottery, tended to opt for SDHs with higher admission probabilities. This new pattern of school and housing choice limited the policy's effectiveness, which was an unintended consequence from policymaker's perspective.

Keywords: Housing choice, School lottery, School choice, School admission uncertainty, Residence-based enrollment

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