

Aspirational, Still? Local House Price Increase and Political Preferences

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House Price Growth in the UK

- As of June 2025, the average UK house price for first-time buyers is £269,079. Overall, property prices in 2025 are 3.7% higher than a year earlier, when the average was £334,000 (not adjusted for inflation).

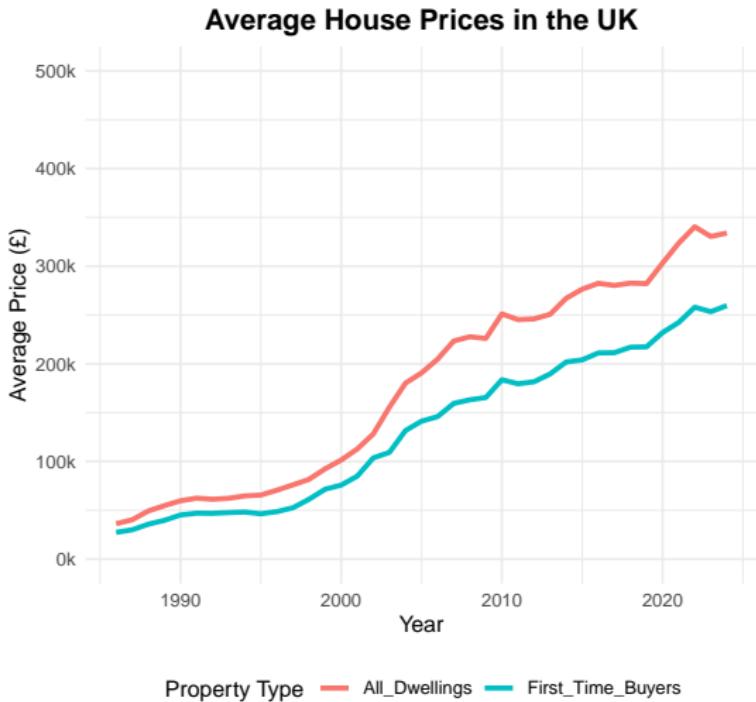


Figure 1: Price of Sold Houses in the UK (ONS)

House Prices and Wages in the UK

- Using 1995 as a baseline, the value of median house prices in the United Kingdom has tripled, while median wages have almost stagnated, after adjusting for inflation.

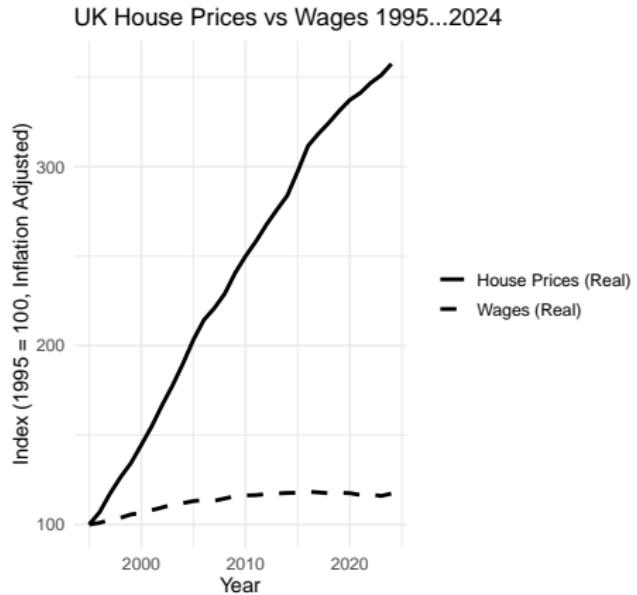


Figure 2: Price-to-Income Gap in real terms, 1995–2025 (UK).

Source: Land Registry and ONS

Rented Properties in the UK

- The share of properties on private rent in the UK has doubled in the past two decades, reaching almost 20% of total dwellings, according to ONS data.
- Average UK monthly private rents increased by 7.7%, to £1,332, in the 12 months to March 2025.

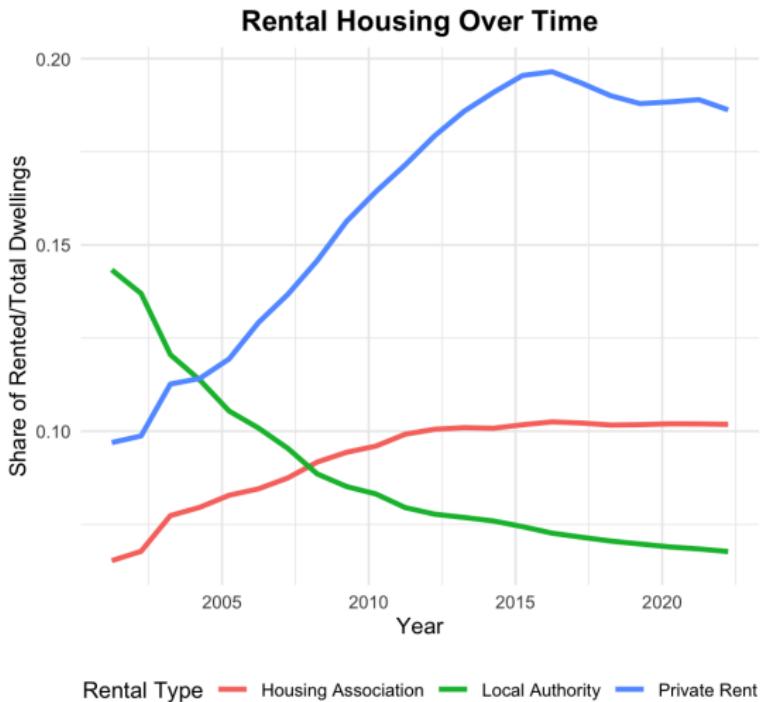


Figure 3: Rented dwellings in the UK (ONS)

Motivation

Research on housing in political science has so far shown that:

- Homeowners form an anti-redistribution coalition (Ansell 2014).
- When house prices increase, homeowners' private welfare increases, as well as expected income. (Ansell 2019)
- When prices increase relative to income, redistribution support declines in homeowners-dominated areas. (Ansell and Cansunar 2021).
- Yet, there is no clear difference between homeowners and non-owners when house prices increase.

Generally, scarce evidence on the political impact of rising house prices among non-owners

Research Question and Expectations

How do increasing house prices affect the political attitudes and electoral behaviour of non-owners?

- **Being Priced Out: Economic Effects**

- Rising rents erode disposable income and savings
- Aspirations of ownership:
 - Optimistic renters behave like owners.
 - Excluded renters demand redistribution and state intervention.
- Life-cycle moderates effects: younger renters are more optimistic; older renters are more worried about house prices.

- **Being Priced Away: Cultural Effects**

- Blocked mobility undermines place-based identity and social status.
- Visible inequality and forced relocation fuel resentment.
- Insecurity is likely to spill over into hostility toward migrants, activated by populist rhetoric.

Hypotheses

Economic Dimension

- H1a: Local house price increases → higher demand for income redistribution.
- H1b: Local house price increases → stronger support for government economic intervention.

Cultural Dimension

- H2a: Local house price increases → more negative views of migrants.
- H2b: Local house price increases → stronger support for anti-status quo parties (e.g., Reform UK).

Identification Challenges

- House price shocks are a difficult object to capture from a causal inference perspective Graham and Makridis (2023).
- Individuals self-select into places where they can afford to buy a house.
- Renters are aspirational homeowners, and their preferences are endogenous to their future housing expectations.

Thus, to understand the political effects of housing shocks among renters, we must isolate house prices from:

- **Self-selection** into local housing markets: house prices are endogenous to local economic conditions, which in turn affect housing expectations.
- **Economic shocks** that affect local house prices and macroeconomic conditions jointly, with effects at the individual level.
- **Unobserved heterogeneity** across individuals in the same housing market.

Dataset and IV

I combine multiple UK housing data sources with an individual-level panel survey.

- MSOA–level average house prices (2014–2023), ONS UK HPI.
- MSOA–level housing stock composition in 2014 (flats, terraced, semi-detached, detached), Urban Big Data Centre.
- LAD and regional price series by property type, ONS UK HPI.
- Merged to BES respondents by MSOA and survey wave (time).

A New Instrumental Variable Approach

- I use a shift-share instrument which exploits local housing stock composition and regional variation in prices for different types of housing stock Graham and Makridis (2023). The final instrument is formulated as follows:

$$\text{Average House Price}_{zt} = \sum_{k=4}^K \text{Share}_{zk}^{(2014)} \cdot \Delta \log(\text{Price}_{ktr}) \quad (1)$$

- The instrument generates variation in average house prices at the MSOA level, which is likely exogenous to the main determinants of political preferences at the individual level.

UK Housing Stock Types



Detached



Semi-detached



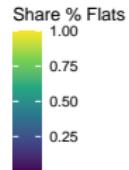
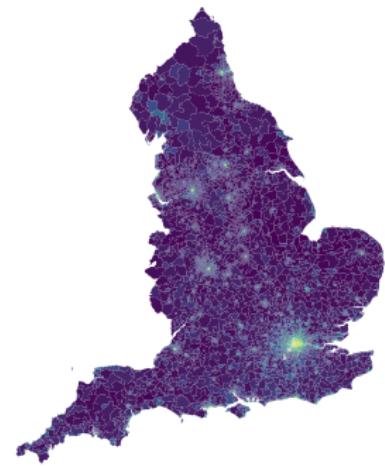
Terraced



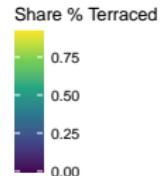
Flat/Apartment

Distribution of the Housing Stock I

Flats Housing Stock
MSOA – 2014

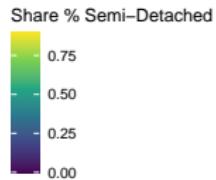


Terraced Housing Stock
MSOA – 2014

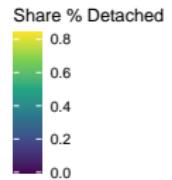
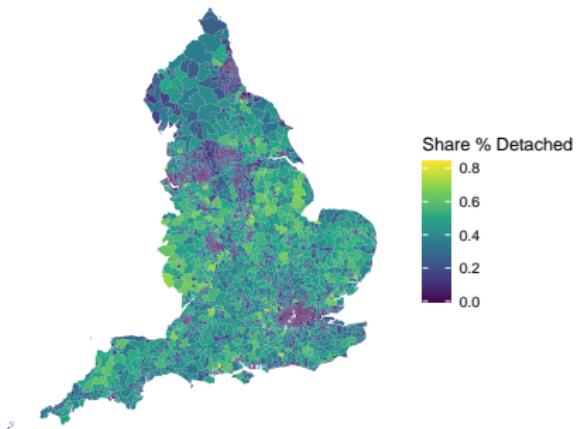


Distribution of the Housing Stock II

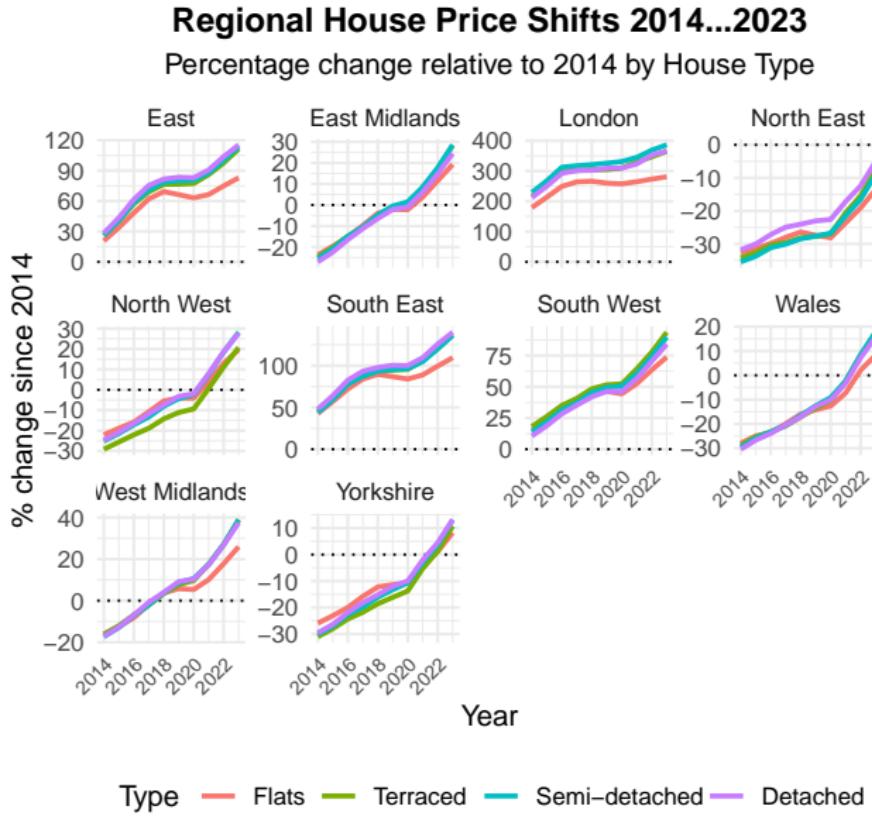
Semi-Detached Housing Stock
MSOA – 2014



Detached Housing Stock
MSOA – 2014

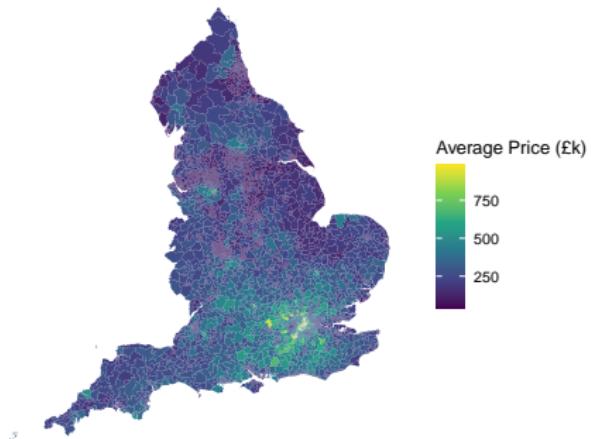


Regional Variation in Housing Stock Prices

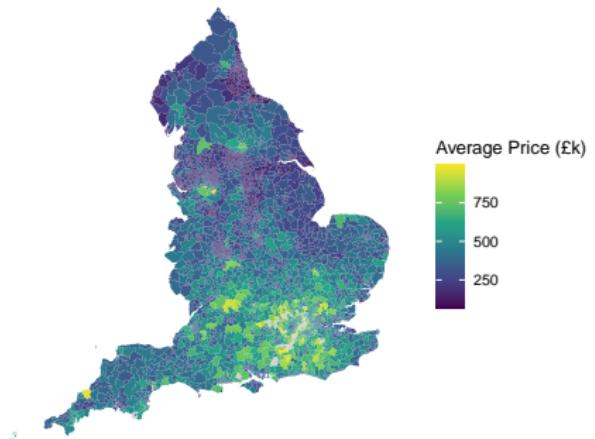


Observed House Prices Over Time

House Prices by MSOA
Mean price of sold houses in 2014



House Prices by MSOA
Mean price of sold houses in 2023



Examples

Key: Local exposure to housing price growth depends not only on being in a booming region, but also on the type of housing that predominates locally.

Brighton & Hove (MSOA)

- Regional housing market: South East
- Housing stock: ~90% Flats
- Flats prices: +60% (2014–2023)
- Exposure: **Weaker** appreciation due to dominance of flats

Basingstoke & Deane (MSOA)

- Regional housing market: South East
- Housing stock: ~80% Detached houses
- Detached prices: +100% (2014–2023)
- Exposure: **Stronger** appreciation due to the dominance of detached

Identification Assumptions

- Local economic conditions may affect both house prices and individual-level political preferences →
- ◊ **Shares of housing types** are persistent (predetermined by planning decisions), and **regional price shifts** are unrelated to local political dynamics.
- Nation-wide economic shocks (infrastructural plans, housing investments, firm relocations) affect house prices and political preferences jointly →
- ◊ **Time-fixed effects** absorb endogeneity due to common shocks that might affect local house prices and individuals' economic outlooks.
- Sorting: Individuals may choose areas by price levels (endogenous) but not by historical housing composition (instrument) →
- ◊ **Individual fixed-effects** absorb unobserved heterogeneity → identification from within-person changes, mitigating ecological bias.

Table 1: First-Stage Regression Results

	(1)	(2)	(3)	(4)
DV: Avg House Price (£1,000s)				
Bartik LAD Level (£)	0.974*** (0.014)			
Bartik LAD Growth (log pct change)		1.182*** (0.027)		
Bartik Region Level (£)			0.837*** (0.017)	
Bartik Region Growth (log pct change)				1.117*** (0.025)
MSOA Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	2,325,944	2,325,944	2,326,600	2,326,600

Note: Robust standard errors clustered at the MSOA level in parentheses.

*** p<0.01, ** p<0.05, * p<0.10.

Dependent Variables

I study the following outcomes:

- Redistribution support: "The Government should redistribute income from the well-off to the less well-off" (higher values mean "strongly agree")
- Left-Right: 10-point scale with higher values meaning Right
- Immigration: "Migrants are a burden on the Welfare State" (higher values mean "strongly agree")
- Voting Intention: "If there were an election tomorrow, which party would you vote for?"

House Prices, Redistribution Preferences and Left-Right Attitudes

DV	Redistribution		Left-Right	
	No Inter.	Inter.	No Inter.	Inter.
	(1)	(2)	(3)	(4)
IV Average House Price (£1,000s)	0.148** (0.070)	-0.107 (0.121)	-0.326*** (0.111)	-0.053 (0.198)
IV Average House Price \times Renter (£1,000s)		0.604*** (0.103)		-0.882*** (0.177)
Observations	682,940	296,341	650,873	284,257
R ²	0.779	0.787	0.828	0.836
Id FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓

Table 2: The Attitudinal Effects of Exogenous House Price Increase. IV Models with Interactions, with Individual FE, Time FE, and MSOA Clustered SEs.

Effects of House Prices on Attitudes Towards Migrants

DV: Immigration Attitudes	OLS		IV	
	No Inter.	Inter.	No Inter.	Inter.
	(1)	(2)	(3)	(4)
IV Average House Price (£1,000s)	0.030 (0.050)	0.011 (0.099)	0.066 (0.095)	-0.122 (0.174)
× Renter		0.072 (0.117)		0.484*** (0.182)
Observations	223,926	114,020	215,622	109,568
R ²	0.816	0.824	0.817	0.825
Id FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓

Table 3: The Cultural Effects of Exogenous House Price Increases. IV Models with Individual FE, Time FE, and Clustered SEs.

Effects of House Prices on Voting Intentions

DV:	Conservative		Reform		Labour	
Model:	(OLS)	(IV)	(OLS)	(IV)	(OLS)	(IV)
House Price (1k£)	-0.0637*** (0.0133)	-0.0698*** (0.0259)	-0.0053 (0.0048)	-0.0164* (0.0087)	0.0060 (0.0129)	0.0314 (0.0279)
<i>Fixed-effects</i>						
id	Yes	Yes	Yes	Yes	Yes	Yes
time	Yes	Yes	Yes	Yes	Yes	Yes
<i>Fit statistics</i>						
Observations	659,404	633,908	659,404	633,908	659,404	633,908
R ²	0.66266	0.66314	0.32087	0.32134	0.68722	0.68842

Clustered (msoa_code) standard-errors in parentheses

*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Table 4: The Political Effects of Exogenous House Price Increase. Endogenous and IV Models with Individual FE, Time FE, and Clustered SEs.

Electoral Effects of House Prices Among Renters

DV: Model:	Conservative (1)	Reform (2)	Labour (3)
<i>Variables</i>			
IV House Prices	-0.0499 (0.0512)	0.0210 (0.0168)	-0.0316 (0.0467)
x Renters	-0.0453 (0.0420)	-0.0435*** (0.0149)	0.1302*** (0.0397)
<i>Fixed-effects</i>			
id	Yes	Yes	Yes
time	Yes	Yes	Yes
<i>Fit statistics</i>			
Observations	325,695	325,695	325,695
R ²	0.66936	0.32850	0.70871
<i>Clustered MSOA standard-errors in parentheses</i>			
<i>Signif. Codes: ***: 0.01, **: 0.05, *: 0.1</i>			

Table 5: The Political Effects of Exogenous House Price Increase Among Renters. IV Models with Individual FE, Time FE, and Clustered SEs.

Conclusions

- Rising prices reinforce redistributive and left-wing economic attitudes among renters.
- Rising prices also heighten renters' anti-immigrant attitudes, but electoral responses remain skewed toward Labour rather than populist right parties.
- Broader implication: as affordability declines, housing divides will deepen, reshaping democratic conflict along geographic, economic and cultural lines.

Feedback:

- → How to understand when renters' future homeownership expectations are broken? Can the IV do so?
- → How to interpret the results coherently?

Thank you!

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