Does income affect house tenure choice?

Ryan Chang

Economic Research Methods

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Outline

- Hypothesis
- Literature review
- Theory
- Model
- Data
- Conclusion

Hypothesis

- Income positively affects house tenure choice because higher income levels should increase your ability to own a home.

Literature Review

- Lisi, Gaetano (2016): Mortgage markets, house tenure choice, and unemployment
  - Causal effect triangle

- Carter, Steven (2011): Housing tenure choice and the dual income household
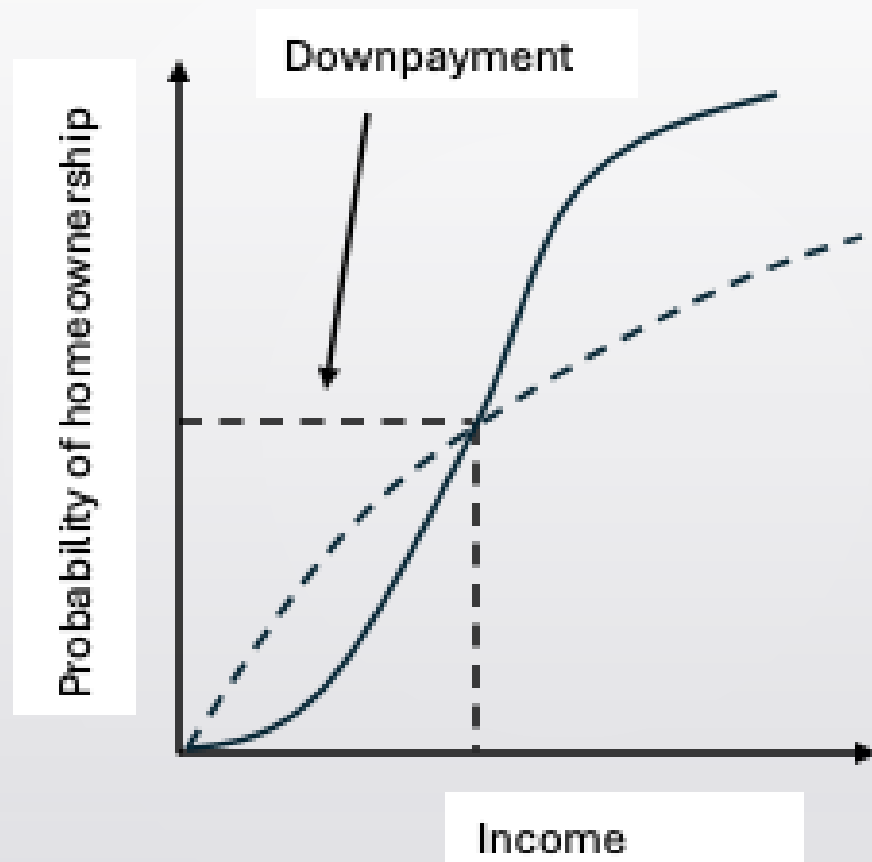 - Examines impact of separate incomes on HTC

User cost theory

RENTER'S USER COST: RENT

OWNER'S USER COST: MORTGAGE (IMPUTED RENT) + DOWNPAYMENT

Economic Model

Dependent variable: House tenure choice (Own=1, Rent=0)

Independent variables:

Incomewage(Natural log of incomewage)

Age(individuals 18 and older)

Education BA/HS(BA=1 No=0, HS=1 No=0)

Migrate(Not moved within past year=1, Moved=0)

Employed(Employed=1, Not employed=0)

Marital Status(Married=1, Not married=0)

Sex(Male=1, Female=0)

$$HTC_i = \beta_0 + \beta_1 Incomewage_{it} + \beta_2 Age_{it} + \beta_3 Education_{it} + \beta_4 Migrate_{it} + \beta_5 Employed_{it} + \beta_6 Marital\ Status_{it} + \beta_7 Sex_{it} + \varepsilon_{it}$$

Data

IPUMS data United States

Individual household characteristics

2022

16880 Observations

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
AGE	16880	50.754	19.257	18	96
OWN	16880	.712	.453	0	1
MALE	16880	.485	.5	0	1
BA	16880	.199	.399	0	1
HS	16880	.921	.27	0	1
MIG	16880	.881	.324	0	1
EMP	16880	.566	.496	0	1
MS	16880	.572	.495	0	1
lnINCWAGE	9849	10.455	1.274	1.386	13.542

VARIABLES	(1) OWN	(2) OWN	(3) OWN
lnINCWAGE	0.0356***	0.0378***	
	(0.00422)	(0.00393)	
MALE	-0.0240**	-0.0247***	-0.0192***
	(0.00955)	(0.00954)	(0.00723)
BA	0.0339***	0.0339***	0.0485***
	(0.0112)	(0.0112)	(0.00886)
HS	0.184***	0.184***	0.186***
	(0.0240)	(0.0239)	(0.0152)
EMP	0.0268		0.0923***
	(0.0189)		(0.00835)
MIG	0.193***	0.195***	0.232***
	(0.0158)	(0.0157)	(0.0129)
MS	0.292***	0.292***	0.321***
	(0.00964)	(0.00964)	(0.00714)
AGE	0.00631***	0.00628***	0.00539***
	(0.000328)	(0.000327)	(0.000207)
Observations	9,849	9,849	16,880

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Policy Implications

- Income support policies such as wage subsidies and affordable housing programs, aimed at increasing home ownership probability

- Importance of effective job training programs, education and improving access to higher educational opportunities

- Family financial stability increases home ownership likelihood

Conclusion

- Final conclusion: Income does have a significant impact on house tenure choice

Questions?