The Social Consequences of Homeownership

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Homeownership confers social benefits to individuals and communities due to the unique bundle of characteristics that are associated with homeownership. These characteristics include a financial stake in the dwelling and its neighborhood, as well as increased transaction costs associated with securing and vacating an owner-occupied home.

This study surveys the social science research catalogue concerning the impacts of homeownership on individuals, households and neighborhoods. It includes studies from the social sciences, medicine, psychology, and other academic fields.

As there are specific financial benefits for homeowners, there are also specific social benefits and consequences of homeownership, which include positive impacts with respect to household stability, social involvement, local political participation and activism, environmental awareness, child outcomes, health, crime, and community characteristics.

Through their investment in the home – and therefore in the local neighborhood – homeowners appear to be overall more involved in their communities. These efforts by homeowners generate benefits for their communities in addition to the benefits for their families. These spillover benefits suggest that the neighborhood homeownership rate itself may produce positive social consequences for communities. Initial empirical research is consistent with this assertion.

Specifically, there are four major areas of social benefits to homeowners with respect to their families and their local communities:
1. Children of homeowners are likely to perform higher on academic achievement tests and are more likely to finish high school. Furthermore, children of homeowners have fewer behavioral problems in school and are less likely to become pregnant as teenagers. These outcomes survive many controls for parental education, marital status, and other statistical comparisons, as well as neighborhood characteristics.

2. Political activity, like voting, as well as participation in civic organizations is higher among homeowners than renters after controlling for personal characteristics and socioeconomic status.

3. Homeowners, again once controls are in place, are more satisfied with their lives and are happier.

4. Some of the most recent research suggests that a high level of homeownership in neighborhoods enhances property values.

This survey reveals that economists, sociologists and other social scientists have found significant, positive impacts for homeownership on a large set of social outcomes. Given the governmental policy commitment to promoting homeownership, an understanding of these impacts is critical in assessing the efficiency of these policies. Although the benefits of homeownership cannot yet be quantified in dollar terms, an overview of the social science research literature confirms the existence of these benefits.

Given these benefits of homeownership, owning a home may not make sense for everyone. For instance, if a family’s tenure in place is short, renting may make more financial sense than owning.
The Social Consequences of Homeownership:
A Survey of the Social Science Literature

Homeownership confers social benefits to individuals and communities due to the unique bundle of characteristics that are associated with homeownership. This study surveys the social science research catalogue concerning the impacts of homeownership on individuals, households and neighborhoods. It includes studies from the social sciences, medicine, psychology, and other fields. Overall, economists, sociologists and other social scientists have found significant, positive impacts on a large set of social outcomes. Given the governmental policy commitment to promoting homeownership, an understanding of these impacts is critical in assessing the efficiency of these policies. Although the benefits of homeownership cannot yet be quantified in dollar terms, an overview of the social science research literature confirms the existence of these benefits.\(^1\) These impacts include positive consequences with respect to stability, social involvement, local political participation and activism, environmental awareness, child outcomes, health, crime, and community characteristics. Furthermore, although in the early stages of research, benefits from higher rates of neighborhood homeownership are also identified.

Homeownership differs from renting with respect to two fundamental characteristics. Homeownership confers upon an individual or household a set of property rights for a dwelling. A homeowner thus possesses a financial stake or responsibility in the status of the dwelling and its surroundings. Distinguishing homeownership from other forms of investment, this financial claim is defined by its fixed geographic location. Hence, a component of the financial responsibility associated with homeownership is a concern for a home’s
neighborhood. Furthermore, given the relatively large proportion a home’s value represents as percentage of a typical household’s income or wealth, the purchase of a home typically requires mortgage financing. Thus homeowners with outstanding debt possess a long-term financial obligation that alters social and economic behaviors.

**Homeownership and Child Outcomes**

Among the social influences of homeownership, the impact on children is perhaps the most far reaching. Green and White (1997) argue that homeownership requires parents to possess or obtain managerial and financial skills that are then transferred to their children. Moreover, due to the financial stake in community conditions, homeowners are more likely to monitor and correct socially deviant behavior of children, and perhaps more importantly, adolescents. Haurin *et al.* (2002) also note that the stability impact of the status of homeownership creates a positive atmosphere for the development and maturity of children. Research in this area has found large positive impacts of homeownership on educational outcomes, such as test scores and graduation rates, and social outcomes, such as teenage pregnancy.

**Homeownership and Health**

In the medical and social science literature, homeownership is positively associated with physical, mental and emotional health (Benzeval and Judge 1996). A larger number of survey studies have consistently reported these impacts over a wide set of outcome measures of overall health. The assertion that homeowners are healthier appears to be reasonable.

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1 Two useful literature reviews have been published that detail the impacts of homeownership. Consult Rohe *et al.* (2002) and Dietz and Haurin (forthcoming) for these comprehensive reviews. The latter study is an attempt at a complete accounting of all studies in this area with hundreds of works cited.
Although not discussed in this survey, homeowners are more likely to maintain and repair their dwellings. Consequently, owner-occupied residential conditions are more conducive to positive health. An obvious example concerns the existence of lead-based paints in homes.

For dwellings that contained such health risks, owner-occupiers are more likely to have these conditions improved. Additionally, given the greater attachment rates to community and social networks that homeowners possess, a greater degree of emotional health is also expected relative to their renting neighbors. For example, Balfor and Smith (1996) report that low-income participants of a Cleveland lease-purchase housing program experienced an increase in self-esteem and personal security through ownership attainment. Rossi and Weber (1996) note that homeownership is associated with higher household life satisfaction and happiness. Other research has indicated that elderly homeowners are healthier than their renting counterparts, and that housing equity is a source of security later in life (Fratantoni 1999). The only exception to this research is the assertion that homeowners may face higher anxiety due to their increased financial obligations (Nettleton and Burrows 1998). Unfortunately, many of the studies concerning homeownership and health suffer from weak statistical methodology that likely overstates the impact of ownership. Robust studies with stronger sets of statistical controls represent fruitful research efforts given the location of this issue at the intersection of the public health and housing policy interests.

Given the importance of the decision to become a homeowner, it may also be the case that homeownership has an impact on family structure. For example, for many married couples purchasing a home is closely tied to the timing and number of children the couple desires (Haurin et al. 1996). Other studies examine the impact of homeownership on divorce. Two sociology studies indicate that homeownership tends to reduce the incidence of divorce. The authors explain
this impact by noting the increase in household stability that is associated with homeownership. Whether the reduction in divorce \textit{per se} is associated with greater happiness is uncertain, although it seems clear that the homeownership increases the opportunity cost of divorce.

\textbf{Homeownership and Social Involvement}

Because homeowners possess reduced mobility, their concern for the quality of their community is naturally stronger. This is further increased due to the financial stake they have with respect to community conditions. Consequently, home owning households are more socially involved in community affairs than their renting counterparts. Dipasquale and Glaeser (1998) report a robust statistical finding concerning the impact of homeownership on social outcomes.

They employ a set of social outcomes from the General Social Survey that includes membership in non-professional organizations, knowledge of local officials, voting in local elections, involvement with community problems, church attendance and gun ownership (a proxy for an interest in home security). They find that homeownership has a significantly positive impact on the provision of these types of social capital.

\textbf{Homeownership and Political Participation}

Other studies have confirmed this positive impact of homeownership on social outcomes and political involvement. One consistent finding concerning homeownership is that homeowners tend to vote more often. Drier (1994) finds that the homeowner voter rate is 69%, while the renter voting rate is 44%. This is consistent with the notion that homeowners are more concerned with local affairs and national policy than renters due to their stakeholder status as owners.
Early studies noted that homeowners adopt more conservative political beliefs. The authors of these studies suggest that the motivation of this impact was a concern with capital gains taxation associated with housing. Blum and Kingston (1984) report that homeowners are more likely to support the status quo, participate in voluntary organizations, and interact in informal social networks. In later work, these authors find that homeowners are more likely to vote in presidential elections and are more likely to support conservative candidates. Other studies have found no impact on political beliefs due to homeownership, but these researchers confirm that homeowners are more likely to vote.

Homeowners are more involved in community activism and local affairs (Cox 1982). This activity appears to be driven by both the transaction cost motive and the financial responsibility motive. Homeowners are more likely to participate in local political activity. Furthermore, homeowners are also more likely to voice dissatisfaction to local government and political agencies. A recent study demonstrated that homeowners are more likely to be involved in grassroots community organizations. Because of the financial motive, homeowners are likely to be sensitive to local activities that generate negative externalities or spillover costs. Indeed, these households are more likely to participate in political activity to prevent the location of such nuisance activities in their communities. Some research indicates that homeowners engage in this NIMBY behavior (“not in my backyard”) to reduce the risk associated with property investment. Given the large amount of wealth that a typical household has invested in housing, this concern with portfolio risk is not unwarranted. Empirical tests of this type of behavior are scarce in the research catalogue. One existing study finds that homeownership leads to increased land use controls to prevent negative externalities. A more recent study finds that communities with high rates of homeownership are less likely to have stringent land use controls, although this test may not be appropriate for estimating community activism.
Homeownership and Environmental Awareness

Concern with community quality is clearly linked to environmental awareness. Few studies of the impact of homeownership on this issue exist, although given both the reduced mobility and financial stake that homeowners possess, it is reasonable to expect that homeowners have a greater interest in the environmental quality of their residential neighborhoods. For example, Mainieri et al. (1997) report that homeowners are more likely to recycle. Moreover, the authors also argue that homeowners are more likely to be knowledgeable about local environmental concerns. A more recent study confirms the increase in recycling with respect homeowners. However, Robbins (2001) reports that homeowners are more likely to use professional lawn care services, implying significant chemical use and potential pollution. Given the connection between high quality landscaping and property values, the incentive for such activity is clear. Whether this behavior of homeowners distinguishes them from renters, or more properly residential property managers, is unclear.

Social involvement or the production of social capital involves a wide set of activities including religious attendance, informal social networks and local volunteer organizations. These activities constitute the backbone of traditional civics and are what Edmund Burke called the battalions of a democratic society. These institutions perform many social roles that government cannot or is not willing to perform. Homeowners constitute the primary source of support for such organizations. They are more likely to belong to a church or community organization.

Homeowners are more likely to be involved in community or neighborhood block associations, often known as homeowners associations. In a sociological study, Fischer (1982) finds that homeowners are friendlier and more socially communicative with their neighbors than renters, and thus more likely to participate in collective causes. In a similar vein, Glaeser and Sacerdote (2000)
find that residents of smaller dwellings are more socially and politically involved in their communities than inhabitants of large residential complexes. Although not an impact of homeownership *per se*, the authors note a high correlation between single-family dwellings and homeownership.

**Homeownership and Neighborhoods**

A community’s homeownership rate may also impact other elements that characterize an urban community. Some scholars have suggested that homeownership is connected to urban sprawl. The implied connection is that owner-occupied dwellings tend to be larger and reside on larger lots. However, it is not been shown that ownership *per se* is linked to sprawl. Indeed, Richer (1996) presents a model that indicates that owners of housing are more likely to support growth controls, thereby benefiting from the restriction on the supply of housing and an increase in green space. Other research has attempted to link homeownership with a by-product of sprawl, so-called excess commuting. Although some correlation between long commutes to work and homeownership has been found, these studies have not sufficiently controlled for other conflating factors such as demand for quality or quantity of housing.

Stronger evidence exists for the location decisions of homeowners with respect to neighborhood income and ethnic characteristics. South and Crowder (1997) report that homeowners are significantly less likely to relocate away from a distressed neighborhood. As noted earlier, the desire to avoid a capital loss, as well as other transaction costs are responsible for this impact. The impact of homeownership on the racial integration of neighborhoods is mixed. Immergluck (1998) finds that African-American homeowners are increasingly purchasing homes in integrated neighborhoods that over time become resegregated. Massey and Denton (1993) report survey data for the 1970’s in which a high proportion of white respondents believed that African-American
residents in their neighborhood would reduce housing prices and increase crime. If these attitudes are still held, then it may be the case that increasing access of minority households to homeownership tends to increase racial residential integration in the short-run, while increasing or at the least maintaining levels of segregation in the long-run. However, Yinger (1992) reports evidence indicating that minorities experience less overt racism in housing sales markets than in housing rental markets, thus suggesting an overall positive impact of homeownership. Many of these impacts of homeownership implicitly describe social outcomes that produce positive externalities or spillover benefits for the neighborhood of the homeowner.

Homeownership is thus an important factor in the research concerning neighborhood effects.² It is well established that an important determinant of a home’s value, and thus a homeowner’s wealth, is the desirability of the home’s neighborhood. Interdependencies such as these are known as neighborhood effects. However, the term neighborhood effects also incorporates peer effects. In many social settings, the neighborhood effects research indicates that individuals’ behavior is in part determined by their peers. Hence, if homeownership produces positive consequences for a surrounding neighborhood, then a community’s homeownership rate is an important factor in determining social outcomes in the neighborhood.³ A subtle but important point derives from these studies; namely, that the neighborhood measure of the social behavior in question is capable of producing distinct impacts separate from the mere aggregation of individual behaviors. As such, this conclusion is consistent with social multipliers or the nonlinearity of neighborhood effects generation.

For example, homeowners are more likely to be involved in formal and informal community organizations. This membership is a form of social capital,
which is an input for the community organizations that supply local public goods. The higher the proportion of homeowners in a community, the more successful these organizations are. Hence the community or neighborhood homeownership rate should also be an important determinant in social outcomes and consequently be reflected in community housing prices. Coulson et al (2002) provide an initial confirmation of the manifestations of this process. They find that robust estimation yields a positive impact on house prices for the ownership rate of a neighborhood.

This finding suggests that in addition to the household impacts of homeownership, there is a distinct impact due to the community rate of homeownership. Although there is little research in this area, the field of neighborhood effects in general is receiving increased attention within the academic community. Partly, this renewed interest is due to a concern of the statistical methods used in early studies, thus calling into question established results. In particular, much of the evidence indicating the existence and scale of neighborhood effects has been reduced due to new statistical testing. However, even with these new statistical methods, it is the size of these effects that is the focus of the scientific debate, not their existence.  

With respect to homeownership and social outcomes, the existence of neighborhood effects has policy implications. If homeownership generates neighborhood effects, then optimal clustering or dispersion of owning households in residential neighborhoods may increase social welfare. It is too early in the research to specify what these optimal conditions are. However, this potential impact suggests that research is needed with respect to housing subsidy policies, the Gautreaux Assisted Housing program and similar

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3 This is known as a contextual neighborhood effect.
programs, and local zoning policies and their impacts on the spatial location and density of homeownership within residential communities.

**Homeownership and Stability**

There are also significant transaction costs associated with securing and vacating an owner-occupied dwelling. These transaction costs are responsible for altering social behaviors and outcomes for homeowners. For example, the process of accumulating a downpayment for the purchase of a home has the potential to determine the financial strategies of the purchaser. Renting households do not face these transaction costs. The most important impact associated with these costs is the reduction of mobility that is widely observed among home owning households. In addition to constituting a social impact itself, reduced mobility is also associated with household stability. This increased stability is a mediating variable that in turn is responsible for many of the impacts attributed to homeownership in this survey. The reduction of household mobility is among the most verified impacts of homeownership. The finding is consistent across age, income, education and ethnic categories.

Researchers have identified many reasons for the reduced mobility of homeowners. Early studies noted the emotional costs associated with relocation. The Stein (1995) hypothesis suggests that homeowners will delay a planned move during a period of depressed local housing prices in order to avoid a capital loss that may prevent the household from mustering sufficient savings to provide the downpayment for a new home. Later empirical work has confirmed this hypothesis. Current capital gains taxation may also deter some households from selling and relocating. Recent studies have confirmed that reduced capital gains taxation of housing sales increases home owning mobility, thus tax policy has the ability to reduce the mobility of homeowners. Finally, Henley (1998)

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4 Many of the impacts of homeownership noted in this survey have been subject to similar statistical criticisms. Robust methods have tended to reduce the scale of the estimated impacts, but not eliminated their existence. See
states that the reduced mobility of homeowners may be self-reinforcing. Communities with high homeownership rates may possess relatively thin markets for housing, thereby impeding the prospects of relocating homeowners. Oswald (1997) has developed this point further by arguing that this effect reduces the efficiency of interregional labor markets by reducing mobility. This hypothesis is notable because it ranks as one of the few negative consequences of homeownership. Recent empirical work has cast doubt on the Oswald conjecture. Overall, the reduced mobility of homeowners is among the strongest findings in the study of homeownership. Haurin and Gill (2002) attempt to quantify the transaction costs associated with homeownership. Their findings indicate these costs equal the sum of three percent of house value and four percent of household earnings, a much larger cost than that faced by renting households.

**Homeownership and Crime**

Another social impact of homeownership is the likelihood of suffering from crime. A review of the research concerning the determinants crime reveals that homeownership status for a household or individual reduces their likelihood of suffering a loss from criminal activity. For example, Alba et al. (1994) examine the incidence of property and violent crime in the suburbs of the metropolitan area of New York City. Although not a focus of their study, the authors report that homeownership status significantly reduces a household’s incidence of crime. Indeed, homeownership proves to be the second most powerful variable, income being the first, for explaining the incidence of crime. In another study, Glaeser and Sacerdote (1999) examine city crime rates using FBI data. Their analysis indicates that homeowners have significantly less risk of being subject to a violent assault. Homeownership appears to have no impact on other forms of crime, such as rape or robbery. The theoretical reason for the link

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Dietz and Haurin (forthcoming) for more details.
between homeownership and crime is unclear. It may be the case that homeownership is an intermediate variable and thus its impact is overestimated. For example, as households choose residential locations, households that demand security may be more likely to purchase a home, locate in safe neighborhoods, and invest in home security.

Summary

Homeownership is strongly promoted by government policies. Determining the efficiency of these policies requires an accounting of the impacts, both economic and social, that accrue from homeownership. On the whole, homeownership is associated with positive social outcomes at the individual, household and community level. These outcomes include stability, social involvement, local political participation and activism, environmental awareness, child outcomes, health, crime, and community characteristics. Moreover, the neighborhood homeownership rate itself may produce positive social consequences for all the impacts detailed in this survey. The social science community is not yet able to produce a dollar measure of these benefits; however, researchers have confirmed the existence of these positive social consequences of homeownership.
References


evidence from national surveys,” *Housing Policy Debate* 7: 1-35.

