



The Political Economy of Home Buying

Xinyu Cao^a, Jinfei Sheng^b, Tianping Wu^a

^aUniversity of British Columbia

^bUniversity of California, Irvine

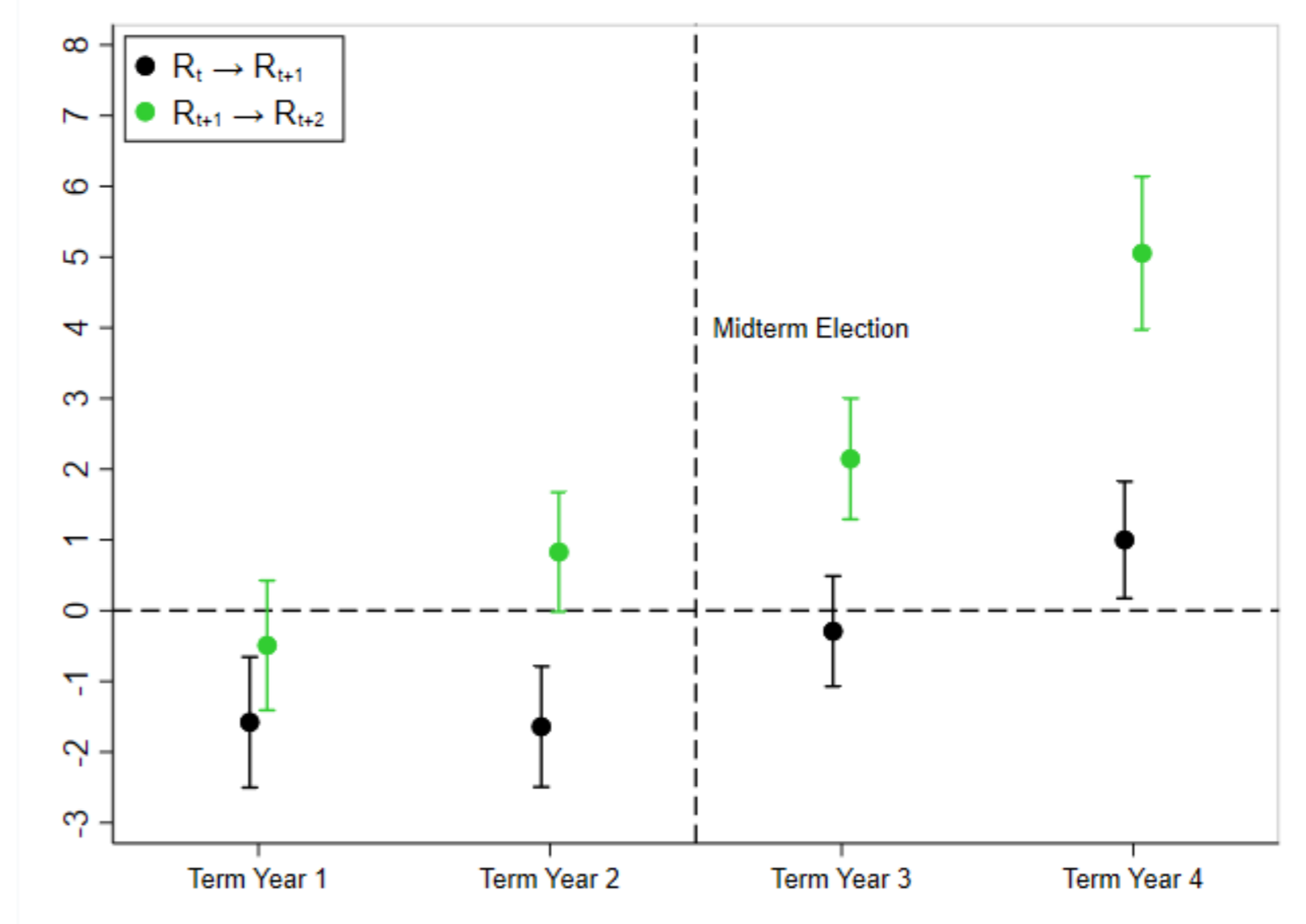


Research Questions

- What is the difference between Republicans and Democrats in home purchase behavior and realized housing returns?
- What is the causal effect of partisan alignment with the president on household housing market participation and purchase timing?
- What is the role of partisan housing market beliefs in shaping the partisan alignment effects?
- What is the aggregate and real impact of partisan alignment?

Sample Construction

- 51.4 million voters across Florida, Georgia, North Carolina, Nevada, New York and Ohio;
- Deed transactions records from 2010 to 2023;
- Match homebuyers to voters using names and addresses;
- The final individual-level sample includes 718 million individual-year observations.



Stylized Facts: Partisanship and Housing Outcomes

- Republicans are twice as likely as Democrats to purchase homes.

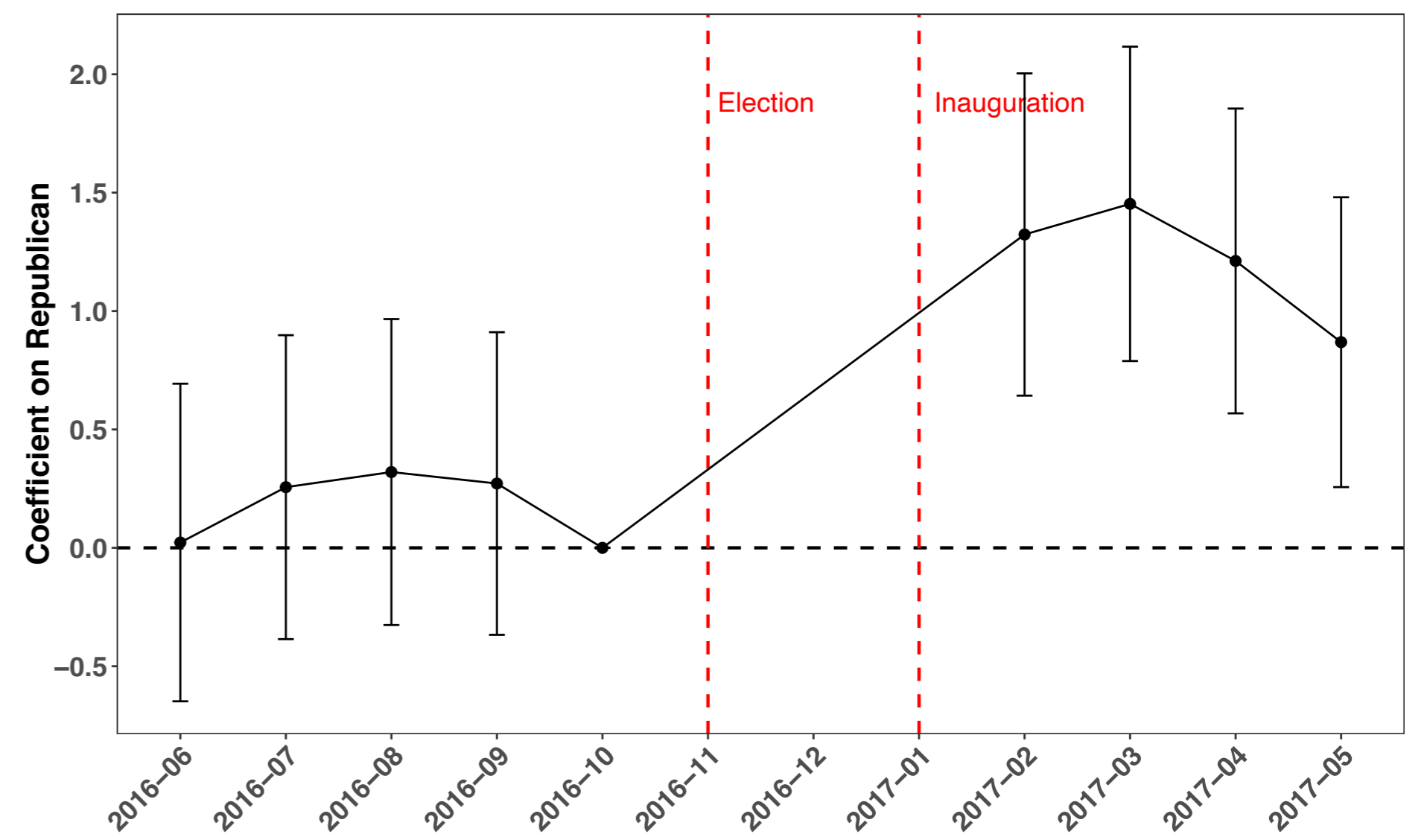
	Probability	Probability	Probability	Probability
Democrat	-0.202***	-0.141***	-0.174***	-0.111***
	(0.012)	(0.010)	(0.011)	(0.010)
Gender Control	No	Yes	No	Yes
Age Control	No	No	Yes	Yes

- Republicans realize higher unlevered housing returns than Democrats.

	Return	Return	Return	Return	Return
Democrat	-0.689***	-0.482***	-0.372***	-0.374***	-0.320***
	(0.097)	(0.045)	(0.050)	(0.063)	(0.055)
Holding Period Control	No	No	Yes	Yes	No
ZIP-BuyYM FE	No	No	Yes	Yes	Yes
ZIP-SellYM FE	No	Yes	No	Yes	Yes
BuyYM × SellYM FE	No	No	No	No	Yes

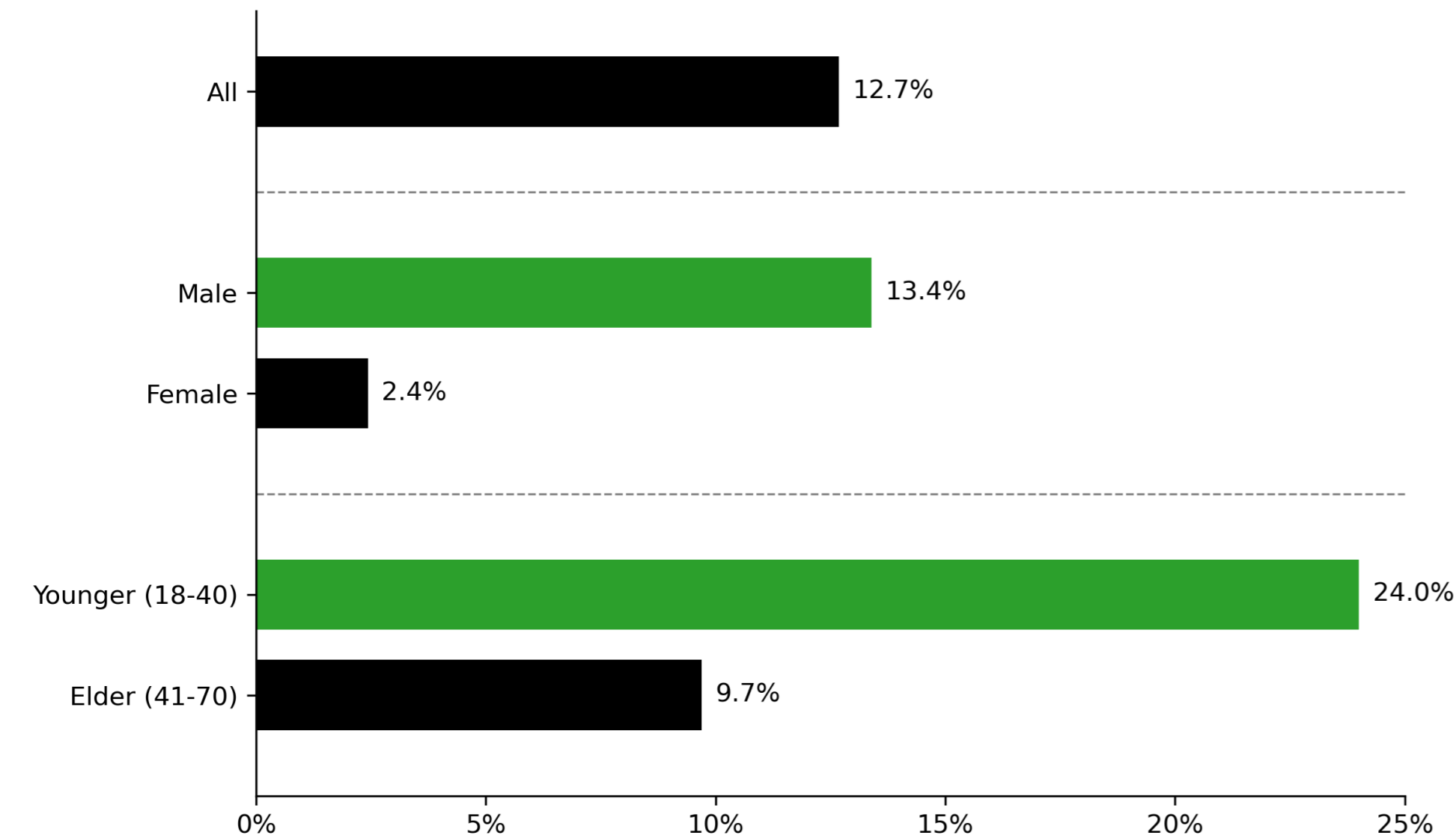
Mechanism: Partisan Housing Market Beliefs

- The relative increase in home buying expectations among Republicans becomes statistically significant after the 2016 presidential election.

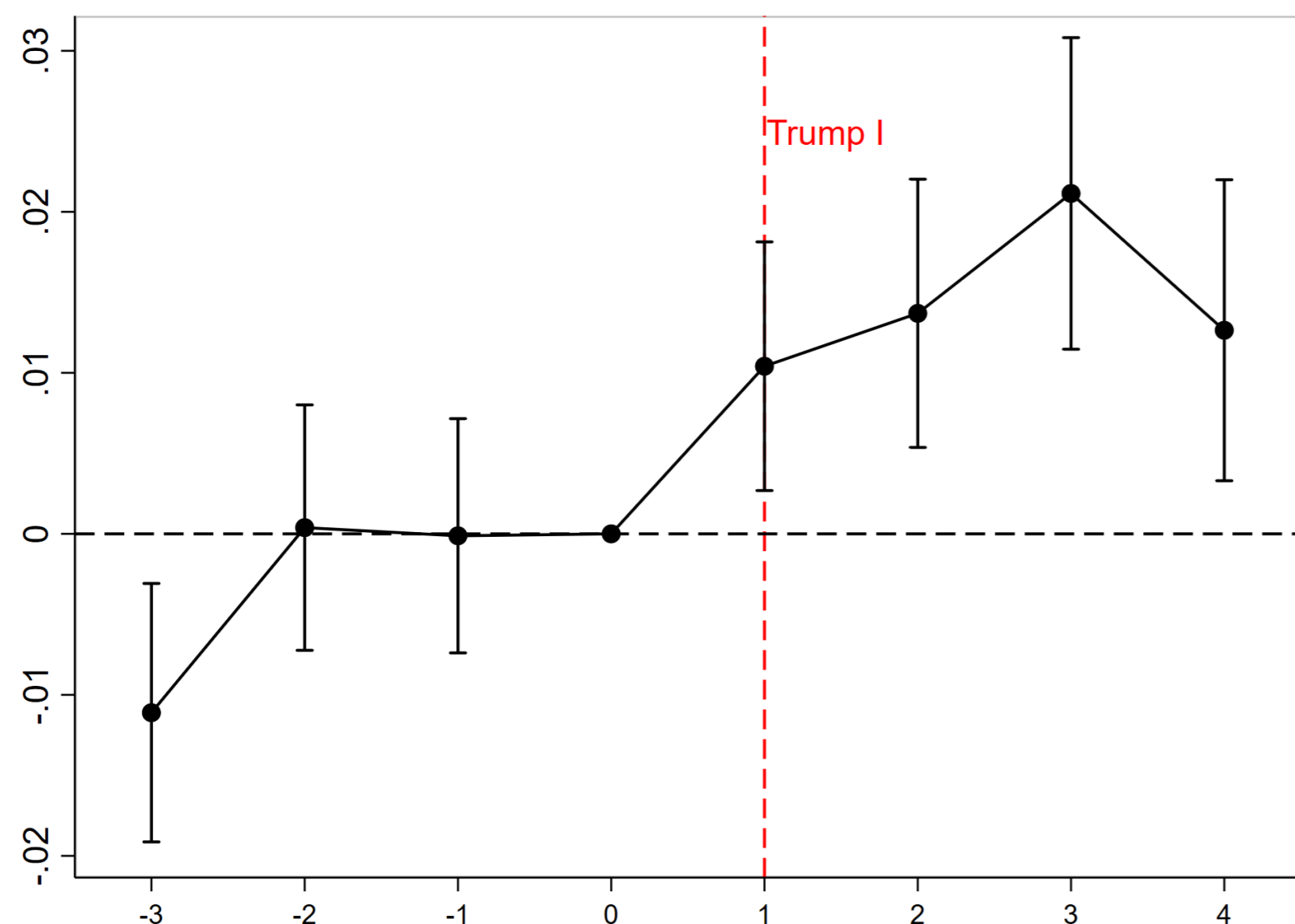


Effect of Partisan Alignment on Home Purchase Probability

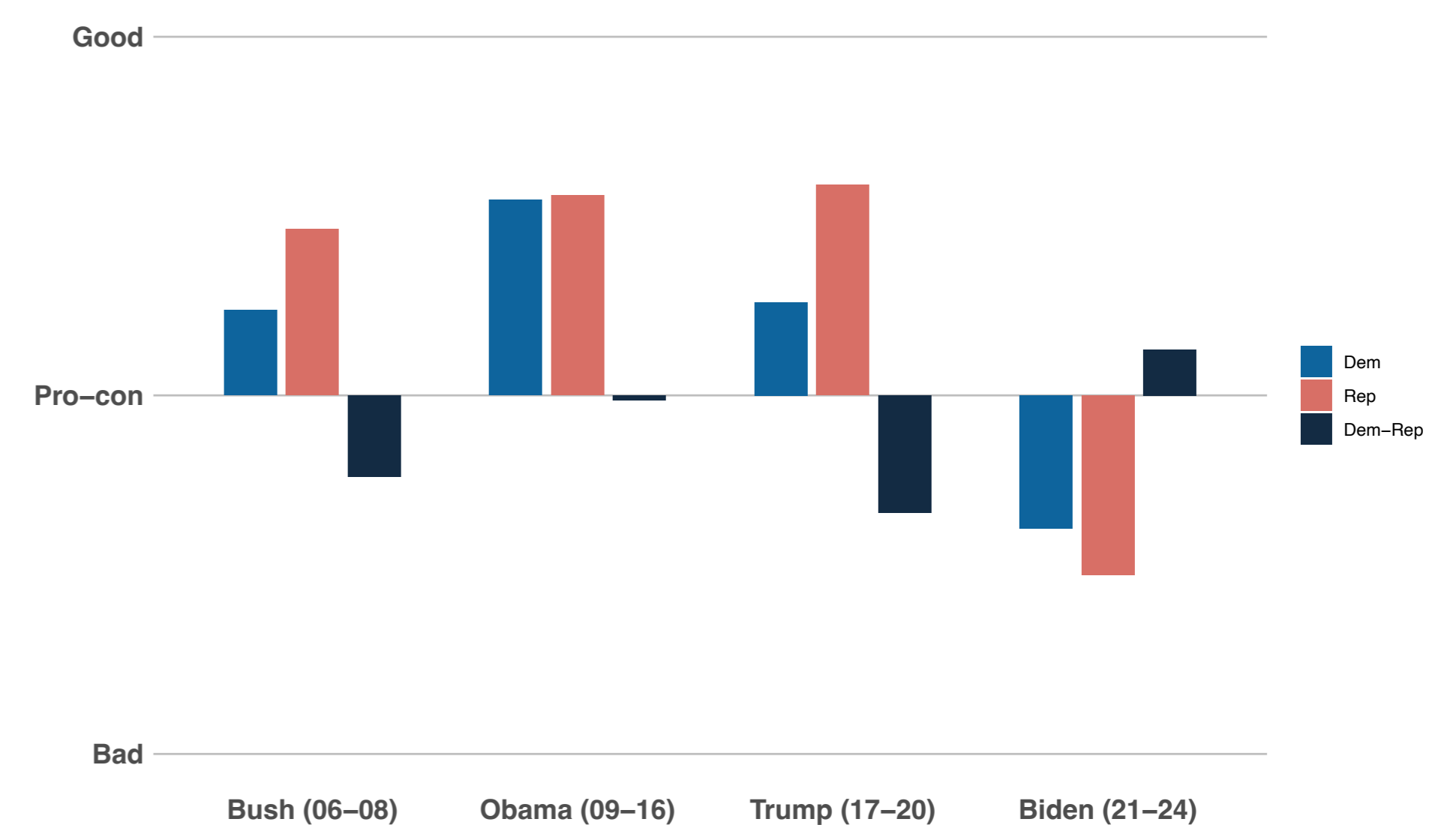
- Partisan aligned voters are more like to purchase homes than non-aligned voters. The alignment effects are stronger among male and younger voters.



- The relative increase in home purchase probability among Republicans becomes statistically significant after the 2016 presidential election.



- U.S. households tend to exhibit higher home buying expectations when their affiliated party controls the White House.



- Partisan alignment affects home buying decisions through shaping expectations about home buying conditions. When Republicans control the White House, Republican respondents become more optimistic about home buying conditions. During these periods, Democrats are less likely to purchase homes relative to Republicans, reflecting their relatively pessimistic expectations about housing market conditions.

	Purchase Probability	Purchase Probability
Democrat	-0.211***	-0.119***
	(0.013)	(0.011)
Democrat × (HomBeliefREP – HomBeliefDEM)	-0.039***	-0.039***
	(0.008)	(0.008)
Gender + Age Controls	No	Yes

Gains and Losses from Partisan Purchase Timing

- Aligned buyers tend to accelerate their purchases, which is associated with lower subsequent returns. Delayed purchase yields higher gains for aligned buyers. (first figure in the right-hand half column)

Aggregate and Real Effects

- The partisan driven shifts in housing demand generate aggregate effects in housing markets: politically aligned counties experience greater purchase activity, higher homeownership rates, and higher house prices, but lower subsequent housing returns, a pattern consistent with belief-driven overvaluation.

	Purchase Volume	Home Ownership	Price	Return
Aligned	0.083*	0.006***	0.066***	-0.008**
	(0.050)	(0.002)	(0.008)	(0.003)
Dem Share	-1.181***	-0.023***	-0.058***	0.038***
	(0.203)	(0.008)	(0.033)	(0.010)
Aligned × Dem Share	-0.133	-0.011***	-0.110***	0.011
	(0.111)	(0.004)	(0.017)	(0.007)