

On the Relationship between Homeownership and Life Satisfaction

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Abstract: Using data from the Panel Study of Income Dynamics (PSID), we examine the relationship between homeownership and life satisfaction. While it is difficult for most existing studies to account for the fact that changes in tenure status are also accompanied by changes in housing consumption (lot size, unit size, etc.), we specifically analyze a subset of households in the PSID that switch their tenure status to homeownership without moving to a new dwelling. By comparing these households to renters during the same time period who also remain in their same housing unit, we can measure the “pure” effect that the change in tenure status has on life satisfaction while holding housing consumption constant. We find that there is indeed an increase in life satisfaction due to only a change from renting to owning.

Keywords: Homeownership, Tenure, Life Satisfaction

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