



Does home ownership vary by sexual orientation?

Christopher Jepsen ^{a,*}, Lisa K. Jepsen ^b

^a CBER and Economics Department, University of Kentucky, 335BA Gatton B&E Building, Lexington, KY 40506-0034, United States

^b Department of Economics, University of Northern Iowa, CBB 208, Cedar Falls, IA 50614-0129, United States

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ABSTRACT

The housing literature considers whether the probability of owning a home is different for ethnic and racial minorities than for native whites. Most studies find that minorities are less likely to own a home than their white counterparts. A logical extension of this line of research is to consider whether home-ownership rates differ based on sexual orientation. We use data on couples from the 2000 Census and find that same-sex couples are less likely to own a home than are married couples. The average value of houses owned by same-sex male couples is statistically similar to the average value of houses owned by married couples, but houses owned by same-sex female and cohabiting couples have lower average values than those owned by married couples. Conditional on owning, same-sex couples are slightly less likely to have a mortgage compared to married couples.

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1. Introduction

Previous research has examined how different racial and ethnic groups compare with respect to the rate of home ownership and other relevant characteristics. Implicit in the analysis is the concern that discrimination may be present in the housing market in ways that discourage home ownership for racial and ethnic minorities.

Gay men and lesbians are minorities whose economic power and social profile are growing. Governments have passed laws against discrimination in pay, and a large number of employers offer benefits to same-sex partners. Employees of the federal government are protected from discrimination based on sexual orientation. Massachusetts and Connecticut recognize same-sex marriages, and Vermont, New Hampshire, New Jersey, Oregon, and California offer civil unions or similar benefits (Carpenter and Gates, 2008).

Gay households have higher average incomes than their heterosexual counterparts, in part because the household is comprised of two men, and men, on average, have higher earnings than women. In addition, gay men and lesbians have more education than heterosexual men and women. Earnings and education are characteristics that are positively associated with home ownership. Without controlling for demographic characteristics, we would predict that gay couples would have higher probabilities of home ownership due to their higher incomes and educational levels. Lesbian couples might have higher ownership rates due to higher educational levels but

could have lower rates due to lower incomes. If present, discrimination would reduce home-ownership rates for same-sex couples.

The ability to buy a house in the United States is closely linked to the ability to secure a mortgage. If lenders see an application from two unrelated people of the same gender, they may infer that the applicants are members of a same-sex couple. Because homosexuality still carries negative stigmas, the possibility of discrimination in the lending market is very real. The same is true for the real-estate market.

Using data on couples from the 2000 Census, we find that same-sex couples are less likely to own a home than are married couples. Further, same-sex male couples own houses with similar average values compared with the houses owned by married couples, whereas same-sex female couples own houses with lower average values than married couples. Finally, we do not find strong evidence that sexual orientation affects the likelihood of having a mortgage.

2. Literature review

To date, the majority of the economic research on sexual orientation has focused on individual earnings (Allegretto and Arthur 2001; Arabsheibani et al., 2005; Badgett, 1995; Berg and Lien, 2002; Black et al., 2003; Blandford, 2003; Carpenter, 2004, 2005, 2007; Clain and Leppel, 2001; Jepsen, 2007; Klawitter, 1997; Klawitter and Flatt, 1998; Plug and Berkhout, 2004; Weichselbaumer, 2003). Three papers compare same-sex and opposite-sex households (Black et al., 2007; Jepsen and Jepsen, 2002; Jepsen and Jepsen, 2006); five papers focus on how sexual orientation influences housing decisions (Ahmed et al., 2008; Black et al., 2002; Leppel, 2007a,b; Moss, 1997).

Housing is important to people for many reasons. Housing often represents a person or family's largest financial asset, and good housing may benefit child development as well as people's emotional well-being

* Corresponding author.

E-mail addresses: jepsen@uky.edu (C. Jepsen), lisa.jepsen@uni.edu (L.K. Jepsen).

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in comparison to renting (see [Leppel, 2007b](#) for an excellent review of home ownership theory).

The classic demand function for owning a home includes information about the rental market, housing prices, and tax rates ([Rosen, 1979](#)). If homes are perceived to be risky assets, people are less likely to own than rent. If home ownership is a source of personal pride, people are more likely to own than rent ([Rosen, 1979](#)). The focus of Rosen's article is the effect of income-tax consequences of home ownership on both the quantity of housing consumed in the United States and the tenure choice of various demographic groups.

More recent studies incorporate additional demographic variables to predict home ownership. Commonly-studied variables include age, marital status, children, education, income, and wealth. We might expect the demand for housing to vary across different life-cycle stages. [Rosen \(1979\)](#) finds that the probability of home ownership increases with age, a result echoed by more current research ([Ioannides and Rosenthal, 1994](#); [Gyourko and Linneman, 1996](#)). If same-sex couples are younger than married couples, they might be less likely to own. By controlling for age, we can separate the differences in home ownership rates due to age from those due to sexual orientation.

Marital status could be related to home ownership if people's preferences for stability in their living arrangements mirror their desire for permanency in their personal relationships. Married couples may have an easier time purchasing a home than unmarried couples if lenders view the legal protections of marriage as lessening the lenders' risks. [Hoyt and Rosenthal \(1990\)](#) and [Ioannides and Rosenthal \(1994\)](#) find that married couples consume more housing than singles.

Economic theory suggests that a family's demand for housing increases with the number of children. [Rosen's \(1979\)](#) study does not find a statistically significant effect of children on the probability of home ownership. In contrast, [Ioannides and Rosenthal \(1994\)](#) find a positive relationship between household size and home ownership. The influence of marriage and the number of minor children appear to be declining, however ([Gyourko and Linneman, 1996](#)). Because same-sex couples are less likely to have children than married couples, we include the number of people in the household and the number of minors in the household to control for family influences.

If better-educated consumers are more knowledgeable about housing and mortgage markets, they may be more likely to own than less-educated consumers. Same-sex couples have higher educational attainments than opposite-sex couples, so we control for educational levels. [Ioannides and Rosenthal \(1994\)](#) find that heads of household who graduated from high school were more likely to own a home than those who did not graduate from high school. [Gyourko and Linneman \(1996\)](#) find that the "impact on owning of being highly educated now rivals the influence of being married with minor children" (p. 318).

Housing is a normal good, so we predict that the demand for housing is positively related to income. [Rosen \(1979\)](#) finds that the progressive nature of the U.S. income tax system affects the demand for housing in the expected way; [Gyourko and Linneman \(1996\)](#) find that as housing becomes more expensive, income becomes a much stronger determinant of home ownership.

The tax consequences for same-sex couples may be different than those for married couples but similar to unmarried opposite-sex couples because all unmarried couples are not subject to the "marriage penalty" with respect to federal income taxes. [Alm et al. \(2000\)](#) estimate that legalized same-sex marriage would generate \$0.3 to \$1.3 billion dollars in additional federal income tax revenues.

Our research is closely related to the studies of differences in home ownership and housing values based on race and/or ethnicity. [Collins and Margo \(2001\)](#) study racial differences in home ownership during the 20th century. Using census data, they find that home-ownership and housing-value differences between households headed by black and white men have narrowed over the time period.

[Coulson \(1999\)](#) compares home-ownership rates of Asian Americans, Hispanics, blacks, and whites. Coulson's study of Asian Americans is pertinent because, like gay men in comparison to heterosexual males, Asian Americans have higher average incomes than whites. He finds that Asian Americans have lower home-ownership rates than whites, and immigrant status, age, and location affect home ownership for Asian Americans.

[Gyourko et al. \(1999\)](#) and [Gyourko and Linneman \(1996\)](#) also consider race in their housing studies. Although [Gyourko et al. \(1999\)](#) focus on the effects of wealth on home ownership, they find that racial differences in home-ownership rates are small but that the location of the homes is quite different based on race, with minorities much more likely to live in central cities. [Gyourko and Linneman \(1996\)](#) study trends in home ownership from 1960 to 1990. They find that racial minorities are less likely to own a home. Race is more of a constraint in 1990 than it was in 1960, especially for people with only a high school education.

Immigrant status also affects home-ownership rates. [Painter et al. \(2001\)](#) compare home-ownership rates for Asians, blacks, Hispanics, and whites but focus on one county — Los Angeles. Like [Coulson \(1999\)](#), they find that immigrant status and race/ethnicity are important predictors of home ownership. [Borjas \(2002\)](#) also studies the home-ownership rates of immigrant populations. He finds that location is a stronger predictor of home ownership than either immigrant status or other demographic variables.

If same-sex couples are the victims of discrimination, we would expect them to have a lower probability of home ownership in comparison to married couples. Discrimination based on sexual orientation is certainly possible, but sexual orientation is not as easily observed as race, age, or gender. Same-sex couples could have a higher preference for home ownership if privacy is of more value to them than to heterosexual couples. One study referenced by [Leppel \(2007b\)](#) found that 43% of gay men and lesbians reported concealing their sexual orientation when interacting with their neighbors. Same-sex couples could have a higher preference for ownership if they experience discrimination in the rental housing market. Although we know of no U.S. studies to test for discrimination in the rental market, [Ahmed et al. \(2008\)](#) do not find evidence of discrimination against lesbians in the Swedish rental housing market.

The level of commitment within a couple also likely influences the demand for housing, with people in more stable unions having a higher demand for ownership rather than renting. Unfortunately Census data do not provide information about the length of commitment of a couple. We would predict, however, that unmarried opposite-sex couples are the least committed because they have the option to marry but choose not to. Married couples are likely to be the most committed because they have increased the costs of dissolving their unions. Gay and lesbian couples in the Census are likely to be a mix of couples, including those who would choose to marry if it were universally legal and those who would not. Because our Census data are from 2000, same-sex couples could not legally marry. Massachusetts legalized same-sex marriage in 2004; Connecticut legalized same-sex marriage in 2008. By 2008, Vermont, New Hampshire, New Jersey, Oregon, and California offered some form of legalized union that approximates the state rights of marriage ([Badgett et al., 2008](#)). Just based on a predicted level of commitment, we would expect married couples to be the most likely to own, unmarried opposite-sex couples to be the least likely to own, and gay and lesbian couples to fall somewhere in between.

Our study sheds light on factors that influence housing choices for two minority groups: gay male couples and lesbian couples. Potential discrimination may reduce the probability of home ownership among minority groups. Yet gay men have many characteristics that are positively associated with home ownership — high incomes and educational levels. Lesbians have lower incomes than gay men but also have high educational levels and are more likely to have children. Thus our comparisons across couple types are instructive.

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