

# Household Characteristics and Homeownership during the “Lost Decades”

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**Abstract:** Using household survey data from the recent economically depressed period, we attempt to identify typical household characteristics by residential type and study whether households change their residence in different stages of life. We find that the general trend in residential choice is influenced by their socioeconomic backgrounds. Multinomial probit estimation results show that the probability of homeownership increases with age of household heads, income, and family size. This probability is also higher in rural areas. In contrast, the probability of renting a home increases when household residents are female and reside in urban areas. Furthermore, evidence is obtained that the likelihood of selecting the rental option increases along with rising mortgage rates. Finally, despite market imperfection, a significant tendency exists for people to adjust residential size according to their needs in different stages of life. Indeed, residential size tends to increase along with household age; however, this trend becomes less significant for older households and in rural areas. In addition, the fact that people, from the age of around 55 or more, start to reduce residential size is confirmed by the differences-in-differences approach.

**Keywords:** Homeownership, Life-cycle, Dwelling size, Multinomial probit method, Bayesian approach, Differences-in-differences, Japan, Lost decades

**JEL classification:** R3, C5