Unemployment Risk and the Timing of Homeownership: Evidence from Retrospective Panel Data in Japan*

Yoko Moriizumi† and Michio Naoi‡

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Abstract

The effect of unemployment risks on the timing of homeownership is examined using retrospective panel of Japanese households. Estimates on the timing of homeownership by the SPD model suggest the following empirical findings; (1) unemployment risks, proxied by unemployment probability, has significantly negative effect on the homeownership, and (2) the effect of unemployment risk may be overestimated in the naive models where all households are assumed to eventually ‘fail’. Further, from the simulation analysis, it is suggested that the negative effect of unemployment risk on the timing is generally driven by the credit constraint.

JEL classification: R21, J24

Keywords: Housing Tenure, First-Time Homeownership, Unemployment Risk, SPD Model.

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†Corresponding author. Faculty of Economics, Kanagawa University. Address: 3-27-1 Rokkakubashi Kanagawa-ku Yokohama 221-8686, Japan. E-mail: jyoko@kanagawa-u.ac.jp

‡Faculty of Business and Commerce, Keio University. Address: Mita Toho Bldg. 5th Floor, 3-1-7 Mita, Minato-ku, Tokyo 108-0073, Japan. E-mail: nai@2001.jukuin.keio.ac.jp