

Cultural Uncertainty Avoidance and Homeownership: Evidence from Immigrants in Australia

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Introduction

- Homeownership is both a consumption good and a major household asset
 - Large consequences for wealth accumulation and residential stability
 - Most existing explanations on homeownership decision emphasize income, credit, and demographics
 - Culture may shape preferences for security, permanence, and control
 - † E.g., home ownership traditions in immigrants' countries of origin affect their housing outcomes in the host country (Marcén and Morales, 2020)
- *Research Question*: Does inherited uncertainty avoidance increase the propensity of homeownership?
- *Uncertainty Avoidance*: the extent to which individuals feel **uncomfortable with ambiguity and uncertainty**. Societies with high uncertainty avoidance tend to prefer stability, structure, and predictability, often relying on rules and long-term planning to mitigate uncertainty

Why uncertainty avoidance may matter for housing

Why higher uncertainty avoidance (UAI) could favour ownership



- Tenure security and residential stability
- Greater control over the living environment
- Tangible and familiar long-term asset
- Structure and predictability relative to renting

But housing is not risk-free



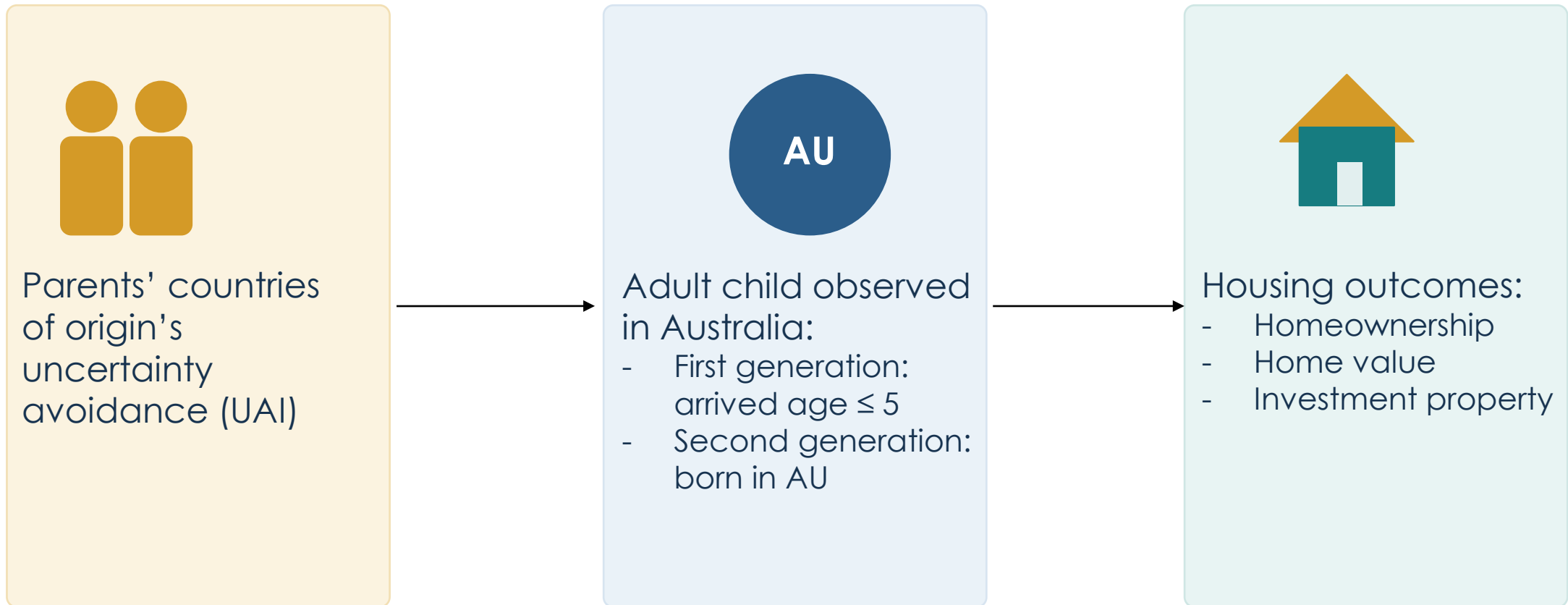
- Mortgage leverage and interest-rate exposure
- House-price risk and illiquidity
- Maintenance and transaction costs
- Potentially concentrated household portfolios

Empirical question: Which side dominates in household housing decisions?

Contributions

- Culture and household financial decisions
 - Uncertainty avoidance as a specific inherited cultural trait associated with homeownership and home value, extending earlier research on origin-country homeownership traditions (Marcén and Morales, 2020)
- Intergenerational cultural transmission as a channel
- Broader housing and wealth implications
 - Extend the analysis to investment properties
 - Inherited uncertainty avoidance accounts for approx. 17% of the immigrant-native homeownership gap

Identification: an epidemiological approach

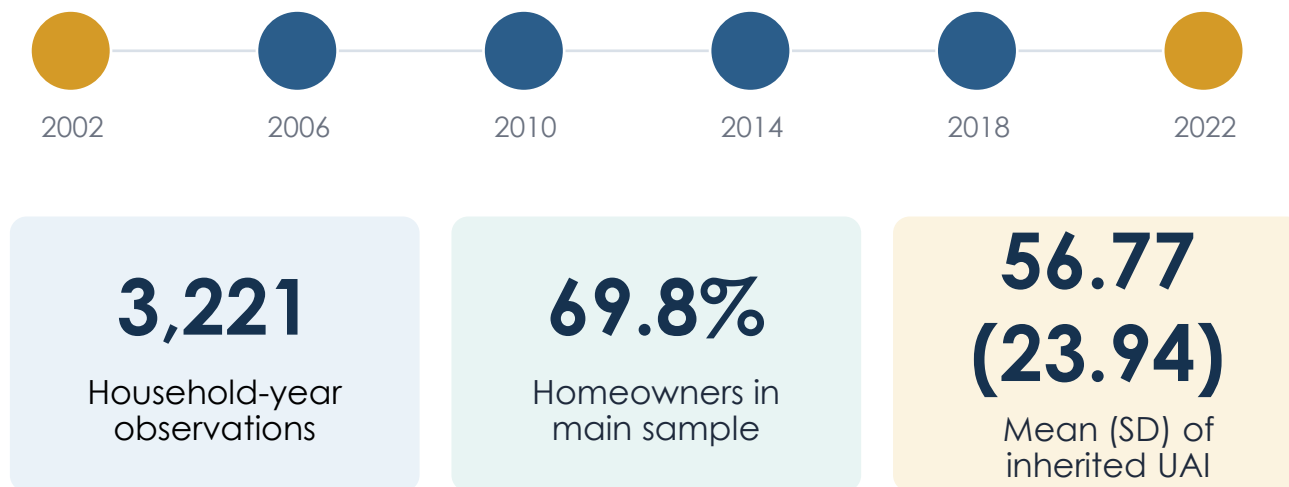


Key idea: cultural-origin variation is observed within a common Australian institutional setting

Data and Empirical design

HILDA provides repeated household observations, parental birth countries and detailed housing outcomes.

HILDA SAMPLE



Main variables

- UAI = average of mother- and father-origin Hofstede scores
- Homeownership indicator
- $\log(1 + \text{home value})$; owner-only value as intensive margin

Estimation

- LPM for ownership; OLS for value
- State and year fixed effects
- Rich demographic and household controls

Main sample: first- and second-generation immigrants age 18+

Household head chosen using employment status; culture and demographics assigned from the head.

Baseline Results

Dependent Variable:	<i>Homeownership Indicator</i>		<i>Home Value</i>	
Model:	LPM		OLS	
	(1)	(2)	(3)	
UAI	0.002*** (0.000)	0.025*** (0.006)	0.003*** (0.001)	
Control Variables	No	No	Yes	
Year FE	Yes	Yes	Yes	
State FE	Yes	Yes	Yes	
Observations	3,221	3,221	2,249	
Adjusted R ²	0.241	0.266	0.462	

- *Control variables:* Age, Female, Single, Separated or Divorced, Widowed, Children, Postgrad, Graduate Diploma, Bachelor Diploma Certificate, Smoking, Drinking, Unemployed, Household Income (Log), Household Members
- A one standard deviation increase in UAI is associated with
 - 4.8 percentage point (calculated as 23.941×0.002) increase in the likelihood of homeownership
 - 7.2 percent higher housing values

Robustness: Alternative Measures of Uncertainty Avoidance

	Homeownership Indicator	Home Value	Observations
Alternative Measures of Uncertainty Avoidance:			
<i>GLOBE UAI</i>	0.063***	0.917***	3,023
<i>Tang & Koveos UAI</i>	0.003***	0.036***	2,748
Subsample:			
<i>Exclude UK parents</i>	0.001*	0.016*	1,891
<i>Relaxed parent condition</i>	0.002***	0.027***	7,951
<i>Arrival age ≤ 10</i>	0.001***	0.020***	3,938
<i>Mother-only UAI</i>	0.002***	0.027***	3,221
<i>Father-only UAI</i>	0.002***	0.021***	3,221

Cultural Transmission as a Mechanism

- Preferences, beliefs, and cultural traits are transmitted from parents to children and continue to determine economic behavior across generations (Bisin & Verdier, 2001; Guiso et al., 2006; Marcén, 2014; Marcén & Morales, 2020; Nguyen et al., 2018; Pan et al., 2020)
- Uncertainty avoidance:
 - Reflects deeply rooted attitudes toward risk, stability, and planning for future
 - Likely to be transmitted within the household environment
- Intergenerational cultural transmission is an underlying channel
- The effect should be stronger when exposure to family cultural influence is more intensive:
 - † Parents originate from the same country
 - † First vs. second generation immigrants

Cultural Transmission as a Mechanism

Dependent Variable:	Homeownership Indicator		Home Value	
Model:	LPM		OLS	
	(1)	(2)	(3)	(4)
UAI	-0.000	0.001***	-0.003	0.020***
	(0.001)	(0.000)	(0.016)	(0.005)
Same-Country Parents	-0.062		-0.812	
	(0.082)		(1.074)	
UAI × Same-Country Parents	0.002*		0.032*	
	(0.001)		(0.018)	
First-Gen Immigrant		-0.105**		-1.294**
		(0.042)		(0.544)
UAI × First-Gen Immigrant		0.002**		0.020**
		(0.001)		(0.009)

Further Analysis: Investment Property

- *Residential ownership*: consumption needs, life-cycle considerations, housing security (consumption decision)
- *Investment property*: portfolio choice, risk-taking behavior (financial decision)
- Only subsample of homeowners

Further Analysis: Investment Property

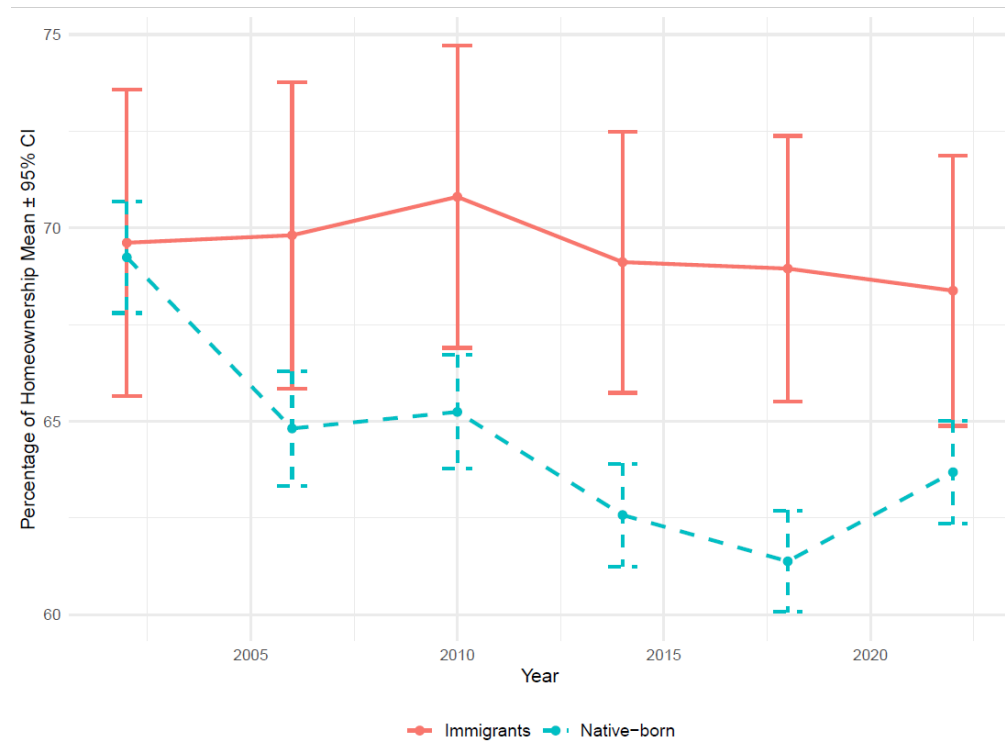
Dependent Variable:	Investment Property Ownership	Investment Property Value
	Indicator	
Model:	LPM	OLS
UAI	0.002*** (0.001)	0.026*** (0.007)
Control Variables	Yes	Yes
Year FE	Yes	Yes
State FE	Yes	Yes
Observations	2,243	2,243
Adjusted R ²	0.112	0.114

- **Possible explanation:**

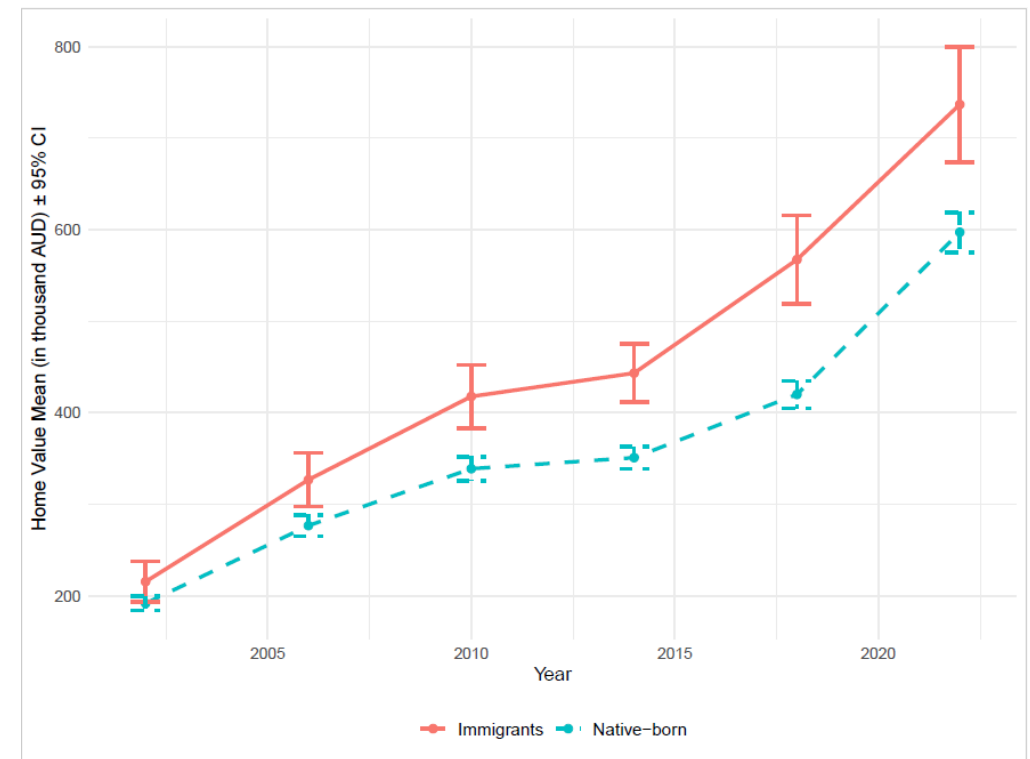
- Individuals with stronger uncertainty avoidance perceive property as a stable, tangible, and predictable asset
- Once become homeowners, these preferences continue to influence portfolio allocation decisions
- Consistent with prior evidence: uncertainty avoidance is negatively associated with stock market participation (Rieger, 2022; Zhou et al., 2025)

Further Analysis: Immigrant-Native Homeownership Gap

Percentage of homeownership



Home Value



Further Analysis: Immigrant-Native Homeownership Gap

- Extend to the combined sample of immigrants and native-born Australians
- *Immigrant Indicator* = 1 if the respondent is either a first- or second-generation immigrant, and zero if was born to both Australian parents.
- Regression Analysis:

Dependent Variable:	Homeownership Indicator		
	(1)	(2)	(3)
Immigrant Indicator	0.028** (0.012)		0.018 (0.012)
UAI		0.002*** (0.000)	0.002*** (0.000)
Other controls	Yes	Yes	Yes
State fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Observations	26,922	26,922	26,922
Adjusted R ²	0.281	0.281	0.281

Conclusions

- Individuals with higher inherited uncertainty avoidance are more likely to own homes and hold higher housing wealth
- The relationship is stronger among individuals with more concentrated exposure to parental cultural norms:
 - Parents from the same country
 - First-gen immigrants
- Positive relationship between uncertainty avoidance and investment property ownership
- Differences in inherited uncertainty avoidance account for approx. 17% of the observed homeownership gap between immigrants and native-born Australians.

Thank you!