

# **Cultural Uncertainty Avoidance and Homeownership: Evidence from Immigrants in Australia**

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## **Abstract**

This paper examines how inherited cultural attitudes toward uncertainty influence homeownership outcomes. Using longitudinal data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey and an epidemiological approach, we link first- and second-generation immigrants' housing outcomes to the uncertainty avoidance index (UAI) of their parents' countries of origin. We find that individuals with higher inherited uncertainty avoidance are significantly more likely to own homes and to hold higher housing value. The results are robust to alternative measures of uncertainty avoidance, additional cultural controls, and a wide range of sensitivity tests. We further show that the effect is stronger among individuals with parents from the same country and among first-generation immigrants, indicating that cultural transmission within the family is a mechanism driving the effect. Extended analysis reveals that inherited uncertainty avoidance also increases the likelihood of owning investment properties. Finally, we estimate that differences in inherited uncertainty avoidance account for approximately 17% of the observed homeownership gap between immigrants and native-born Australians. Overall, our study highlights culture as an important determinant of housing decisions and contributes to understanding how cultural traits shape household portfolio choices.

*Keywords:* uncertainty avoidance, homeownership, housing investment, culture, immigrants.

*JEL Classification:* J15, R21, Z13

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## 1. Introduction

Homeownership represents one of the most important financial decisions in a household's life cycle, functioning both as a consumption good and as a major investment asset. A large body of literature shows that homeownership generates important socioeconomic and demographic benefits, contributing to wealth accumulation, residential stability, improved labor market outcomes, enhanced well-being, and better outcomes for children, while also shaping broader patterns of urban development and segregation (Coulson & Li, 2013; Dietz & Haurin, 2003; Goodman & Mayer, 2018; Green & White, 1997; Haurin et al., 2002; Sodini et al., 2023). Reflecting these perceived benefits, promoting homeownership has long been a key policy objective in many countries. In the U.S., policies such as tax subsidies to owner-occupied housing, government-backed mortgage programs through institutions such as the Federal Housing Administration and Fannie Mae, and various first-time homebuyer initiatives are designed to reduce borrowing costs and expand access to credit for first home buyers (Fetter, 2013; Green & Wachter, 2005; Grigsby, 1990; Lee & Reed, 2014; Poterba, 1984). Similarly, in Australia, a range of policies, including stamp duty concessions for first home buyers, the First Home Owner Grant, and the Home Guarantee Scheme, have been implemented to lower deposit requirements and alleviate credit constraints faced by prospective buyers (Pawson et al., 2022).

While these policies primarily target financial barriers such as liquidity constraints, borrowing capacity, and affordability, substantial heterogeneity in homeownership outcomes persists even among individuals living in the same institutional environment. Prior literature has attributed such heterogeneity to the differences in individuals' income and wealth (Goodman & Mayer, 2018; Haurin et al., 1997), credit access (Barakova et al., 2003; Rosenthal, 2002; Xu, 2017), demographic characteristics such as age and family structure (Gyourko & Linneman, 1997; Ortalo-Magné & Rady, 2006; Smits & Mulder, 2008; Wang & Zhou, 2017), risk tolerance and conscientiousness (Letkiewicz & Heckman, 2018). However, housing decisions may also reflect deeper, slower-moving preferences over security, permanence, and control over the residential environment. A growing body of research emphasizes the role of cultural factors in shaping economic behavior such as stock market participation (Rieger, 2022; Zhou et al., 2025). This suggests that persistent differences in cultural preferences and

beliefs may also contribute to variation in homeownership decisions. This paper contributes to this growing literature by examining how inherited cultural attitudes toward uncertainty influence homeownership decisions.

Uncertainty avoidance, a core dimension of national culture introduced by Hofstede (1980), captures 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. We conjecture that these attitudes are particularly relevant to housing decisions, as homeownership provides not only an investment asset, but also tenure security, residential stability, and greater control over the living environment. Although housing is not risk-free, especially given the debt burden associated with mortgages and the illiquidity of real estate, it is often perceived as a tangible, familiar, and relatively secure asset compared to financial instruments such as stocks (Davis & Van Nieuwerburgh, 2015; Flavin & Yamashita, 2002). Consequently, individuals with stronger aversion to uncertainty are more likely to prefer homeownership over renting, which is often associated with greater residential uncertainty.

Despite this intuition, empirical evidence on the relationship between uncertainty avoidance and homeownership remains limited, particularly at the micro level within a single institutional environment where legal and economic factors are held constant. One of the key challenges is disentangling the effects of economic conditions, institutions and culture across countries, as these factors are often jointly determined. We address this by adopting the epidemiological approach proposed by Fernández (2007). Specifically, we link the housing decisions of first- and second-generation Australian immigrants to the cultural characteristics of their parents' countries of origin. This approach allows us to isolate the effect of inherited cultural traits from contemporaneous institutional and economic conditions, as these individuals have grown up within the same institutional environment. Following a well-established literature (for example, Alesina & Giuliano, 2015; Fernández & Fogli, 2009; Giuliano, 2007), we interpret differences in behavior across immigrants with different cultural backgrounds as a reflection of culturally transmitted preferences.

Australia provides an ideal setting for this analysis for several reasons. First, it is one of the most multicultural countries in the world: about 48% of Australians have at least one parent born overseas, and 27.6% of the population is foreign-born, according to the 2021 Census.<sup>1</sup> This rich diversity generates substantial variation in cultural backgrounds within a common institutional framework. Second, Australia's homeownership rate has experienced a notable decline from a peak of 71% in 1966 to 63% in 2021, falling below the OECD average at 71% (Parliament of Australia, 2023). This decline, despite extensive policy support for homeownership, highlights the importance of understanding factors beyond traditional economic constraints, such as cultural traits, in shaping housing decisions. Third, the availability of high-quality longitudinal data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey enables us to track individual characteristics, including parental countries of origin, as well as housing outcomes over time.

Using the HILDA data from 2002 to 2022, we construct a measure of inherited uncertainty avoidance by averaging the uncertainty avoidance index (UAI) of respondents' parents' birth countries. We show that a one standard deviation increase in UAI is associated with 4.8 percentage point increase in the probability of owning a home. In addition, among homeowners, higher UAI is linked to significantly higher housing values, suggesting that culture influences not only the extensive margin (whether to own) but also the intensive margin (how much to invest in housing). The results are robust to alternative measures of country-level uncertainty avoidance, controlling for other cultural dimensions including individualism, power distance, masculinity, long-term orientation, and indulgence, and various sensitivity tests using alternative sample selection criteria. We further find that the effect is significantly stronger for individuals whose parents originate from the same country, consistent with more concentrated exposure to a common cultural background. Similarly, the effect is stronger among first-generation immigrants than among second-generation immigrants, reflecting more intensive transmission of origin-country cultural values from recently migrated parents during the early stages of

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<sup>1</sup> See <https://www.abs.gov.au/media-centre/media-releases/2021-census-nearly-half-australians-have-parent-born-overseas>.

settlement. These findings are consistent with intergenerational cultural transmission within families as an important mechanism linking inherited uncertainty avoidance to homeownership.

We also extend our analysis to investment property ownership, which represents a more complex and risk-oriented financial decision compared to owner-occupied housing. We find that uncertainty avoidance positively affects the likelihood of owning investment properties, with a magnitude comparable to that observed for residential homeownership. This suggests that culturally transmitted uncertainty preferences influence not only entry into homeownership, but also subsequent housing-related wealth accumulation. One possible interpretation is that individuals with stronger uncertainty avoidance prefer tangible and familiar assets such as real estate over more volatile and less observable financial assets such as equities. This interpretation is consistent with evidence that higher uncertainty avoidance is associated with lower participation in stock markets (Rieger, 2022; Zhou et al., 2025). Finally, we show that differences in inherited uncertainty avoidance account for approximately 17% of the observed homeownership gap between immigrants and native-born Australians.

This paper contributes to two strands of literature. First, it adds to the growing body of research on the role of culture in shaping economic behavior by providing micro-level evidence on how uncertainty avoidance affects household financial decisions. Prior studies show that cultural traits influence a wide range of social and economic outcomes, including living arrangements – such as co-residence with parents (Giuliano, 2007), partnership formation (married or unmarried) (Marcén & Morales, 2019), and divorce (Furtado et al., 2013) – as well as self-employment (Marcén, 2014), fertility (Bellido et al., 2016; Fernández & Fogli, 2006; Marcén et al., 2018), financial literacy (Brown et al., 2018; De Beckker et al., 2020; Ooi, 2023), labor force participation (Contreras & Plaza, 2010; Eugster et al., 2017), and stock market participation (Zhou et al., 2025). While culture is multidimensional, we particularly focus on uncertainty avoidance, a specific cultural trait closely related to attitudes toward ambiguity, risk, and long-term security. Existing research has linked uncertainty avoidance to corporate decisions (Frijns et al., 2013), portfolio diversification (Tang & Zhou, 2022), earnings momentum (Dou et al., 2016), and stock market participation (Rieger, 2022). However, relatively little is known about

whether it influences individuals' housing decisions. Our findings show that inherited uncertainty avoidance is positively associated with homeownership and housing wealth, suggesting that cultural attitudes toward uncertainty shape not only participation in risky financial markets but also households' wealth allocation to tangible, long-term assets.

Second, the paper contributes to the housing economics and household finance literature by identifying culture as an important determinant of homeownership and housing investment. Prior studies have primarily focused on the homeownership gap between immigrants and native-born households (Cahill & Franklin, 2013; Krivo, 1995) with differences in immigrants' ethnic backgrounds helping to explain variation in this gap (Constant et al., 2009; Painter et al., 2004). Using a methodology similar to ours in a U.S. setting, Marcén and Morales (2020) show that the homeownership traditions in immigrants' countries of origin affect their housing outcomes in the host country. We extend this line of research by examining a distinct dimension of inherited culture, i.e., attitudes toward uncertainty, and by linking these attitudes to both homeownership and housing investment. Moreover, the finding that differences in inherited uncertainty avoidance significantly contribute to the immigrant-native homeownership gap highlight the economic importance of cultural factors in shaping household behavior.

The remainder of the paper is organized as follows. Section 2 describes the data and methodology. Section 3 presents the empirical baseline results, along with robustness tests and mechanism analysis. Section 4 extends the analysis to investment property ownership and examines the immigrant-native homeownership gap. Section 5 concludes.

## **2. Data and Methodology**

Our primary data source is the Household, Income and Labour Dynamics in Australia (HILDA) Survey, a nationally representative longitudinal survey that has been conducted annually since 2001. The survey collects detailed information on individual and household demographic characteristics, income, employment, health, housing tenure, and social attitudes of a representative sample of the Australian

population. Information on housing outcomes is available every four years, starting from 2002. Importantly for this study, the survey provides information on countries of birth of respondents and of their parents, which allows us to link individuals to cultural characteristics of their parental origins.

Our sample includes first- and second-generation immigrants who are at least 18 years of age at the time of the survey. First-generation immigrants are defined as individuals who were born overseas to both non-Australian parents and migrated to Australia after birth, while second-generation immigrants are defined as individuals born in Australia to parents who were both born overseas. Following Ooi (2023), we restrict first-generation immigrants to those who arrived in Australia at a young age (i.e., five years of age or before) to minimize the influence of their home countries' laws and institutional environment, thereby isolating effects of inherited cultural traits.

Because housing tenure in the HILDA survey is recorded at the household level, and to ensure that housing outcomes are measured at the appropriate decision-making unit, we primarily conduct our analysis at the household level. Specifically, for each household-year, we identify a household head using a hierarchical rule. In single-person (single-parent) households, the individual (parent) is defined as the household head. In households with two adult partners, the employed partner is assigned as the household head. If both partners share the same employment status, the male partner is designated as the household head.<sup>2</sup> Cultural characteristics and demographic variables are then assigned based on the identified household head.

We consider two alternative measures of homeownership. The first is *Homeownership Indicator*, a dummy variable equal to one if the household owns its primary residence outright or with a mortgage in a given year, and zero otherwise. The second variable is *Home Value*, measured as the logarithm of one plus the self-reported estimated value of the household's primary residence. For non-homeowner households (i.e., when *Homeownership Indicator* equals zero), the variable *Home Value* is set to zero.

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<sup>2</sup> In robustness checks, we alternatively assign the older partner as the household head in cases where both partners share the same employment status, and obtain qualitatively similar results.

We next capture individuals' inherited cultural attitudes toward uncertainty by linking each respondent to the level of uncertainty avoidance in their parents' countries of birth. We measure country-level uncertainty avoidance using Hofstede's cultural dimensions framework (Hofstede, 1980), specifically the Uncertainty Avoidance Index (UAI). The index measures the degree of anxiety society members feel in uncertain or ambiguous situations. It is constructed from survey responses of IBM employees across countries, capturing attitudes toward rules, job security, and tolerance for ambiguity and uncertainty. A high UAI indicates that people feel uncomfortable in unstructured situations. We define individuals' cultural heritage UAI as the average UAI of the mother's and father's countries of birth. After merging the HILDA survey data with Hofstede's cultural indices, the final sample consists of 3,221 household-year observations in the survey years 2002, 2006, 2010, 2014, 2018, and 2022.

To examine the relationship between inherited culture and homeownership, we then estimate the following baseline regression model:

$$Homeownership_{i,t} = \beta_0 + \beta_1 UAI_{i,t} + \beta_2 X_{i,t} + \epsilon_{i,t} \quad (1)$$

where  $Homeownership_{i,t}$  denotes either *Homeownership Indicator* or *Home Value* corresponding to household  $i$  in year  $t$ .  $X_{i,t}$  is a vector of individual- and household-level control variables sourced from the HILDA survey, which prior literature shows have an effect on homeownership (Goodman & Mayer, 2018). These controls include gender, age, having children, marital status, educational status, employment status, household income, and household members. We also control for risky health behaviors such as drinking and smoking. A detailed description of all variables used in this study is provided in Appendix A.

For the specification with *Homeownership Indicator* as the dependent variable, we estimate Equation (1) using a linear probability model (LPM). For the specification where the dependent variable is *Home Value*, an ordinary least squares (OLS) regression is used. All specifications include state fixed effects to control for time-invariant regional differences in housing markets and year fixed effects to account for macroeconomic conditions common across households. Standard errors are clustered at the household level  $XX$  to allow for arbitrary correlation within states over time.

Table 1 presents the descriptive statistics of the sample. Nearly 70 percent of the households in the sample own their primary residence outright or with a mortgage. Their average home value is AUD 482,825, with a median of AUD 380,000. Their cultural heritage uncertainty avoidance (*UAI*) varies significantly with a mean of 56.769 and a standard deviation of 23.941.

[Insert Table 1 about here.]

### 3. Empirical Results

#### 3.1. Baseline Results

Table 2 presents the regression results of our baseline model (1). Results of the LPM regression are reported in column (1), while columns (2) and (3) display the results of the OLS regression for the full sample and the subsample of only homeowners, respectively. The coefficients of *UAI* are positive and statistically significant at the 1% level across both estimation methods, suggesting that households with stronger inherited uncertainty avoidance are more likely to own their homes.

Regarding economic significance, column (1) shows the estimated coefficient of *UAI* is 0.002, indicating that a one standard deviation increase in *UAI* is associated with 4.8 percentage point (calculated as  $23.941 \times 0.002$ ) increase in the likelihood of homeownership. When the analysis is restricted to homeowners and the dependent variable is the natural logarithm of home value (column (3)), the coefficient of *UAI* is 0.003, suggesting that a one standard deviation increase in *UAI* is associated with approximately 7.2% higher housing values among homeowners (calculated as  $23.941 \times 0.003$ ). These results indicate that inherited cultural attitudes toward uncertainty influence not only the likelihood of homeownership but also the magnitude of housing investment.

Turning to the effects of other independent variables, age is positively associated with both the likelihood of homeownership and housing value, reflecting life-cycle wealth accumulation and housing demand. Marital status also plays an important role: single, separated, or divorced individuals are significantly less likely to own homes relative to married households. Educational attainment and household income have strong positive associations with homeownership, likely reflecting higher

financial capacity. Larger households are also more likely to own homes and hold higher-value housing, suggesting greater demand for stable housing arrangements. Meanwhile, there is no statistically meaningful difference in homeownership outcomes between female- and male-headed households.

[Insert Table 2 about here.]

### **3.2. Robustness Tests**

#### *3.2.1 Alternative Measures of Uncertainty Avoidance*

Given that attitudes toward uncertainty are directly unobservable and must therefore be proxied using indirect measures (for example, using survey questions), it is important to ensure that our results are not driven by the specific proxy used in the baseline analysis, the Hofstede's uncertainty avoidance index (UAI). To address this concern, we employ two alternative measures of uncertainty avoidance.

First, we adopt the measure of uncertainty avoidance from the GLOBE (Global Leadership and Organizational Behavior Effectiveness) project. This measure is defined as “the extent to which a society, organization, or group relies (and should rely) on social norms, rules, and procedures to alleviate unpredictability of future events.” Societies with a stronger desire to avoid uncertainty tend to emphasize orderliness, consistency, structure, formal procedures, and legal frameworks in managing everyday situations.<sup>3</sup> Compared with Hofstede's index, the GLOBE measure is based on a more recent and broader survey of managers across multiple industries and focuses more explicitly on the extent to which societies rely on formal rules, norms, and procedures to manage uncertainty, rather than on the psychological discomfort with uncertainty.

Second, we use the uncertainty avoidance index developed by Tang and Koveos (2008), which updates Hofstede's original UAI by incorporating changes in economic and financial environments. As a result, this measure reflects not only persistent cultural traditions, but also the evolving institutional and economic conditions faced by individuals.

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<sup>3</sup> See [https://globeproject.com/study\\_2004\\_2007.html](https://globeproject.com/study_2004_2007.html)

Table 3 presents the results. Consistent with the baseline regressions, the estimated coefficients of both alternative measures of UAI are positive and highly statistically significant, indicating that our results are not driven by a particular cultural index used to proxy for uncertainty avoidance.

[Insert Table 3 about here.]

### 3.2.2 *Controlling for Other Cultural Dimensions*

While our baseline specification focuses on uncertainty avoidance as the key cultural trait of interest, other dimensions of national culture may also influence household financial decisions. For example, Zhou et al. (2025) show that cultural orientation toward individualism positively affects stock market participation. Prior literature also suggests that cultural traits are multidimensional and often correlated (Hofstede, 1980), raising the concern that the estimated effect of uncertainty avoidance may partly capture the influence of other cultural characteristics. To address this concern, we augment our baseline model (1) by controlling for additional cultural dimensions from Hofstede’s framework.

Specifically, we consider five additional cultural traits, constructed for each respondent in the same manner as *UAI* using Hofstede’s data. First, power distance (*PDI*) captures the extent to which less powerful members of society accept unequal distribution of power. Societies with higher power distance may exhibit different access to resources and financial decision-making autonomy, which could affect homeownership. Second, individualism (*IDV*) reflects the degree to which individuals prioritize personal goals over collective ones. More individualistic societies may encourage independent financial decisions and asset accumulation. Third, masculinity (*MAS*) measures the emphasis on competition, achievement, and material success. Fourth, long-term orientation (*LTOWVS*) captures the extent to which societies value future-oriented behaviors such as perseverance and saving, which are directly relevant to long-term investments like homeownership. Finally, indulgence versus restraint (*IVR*) reflects the degree to which societies allow gratification of desires; more restrained societies may exhibit higher saving rates and greater propensity to invest in housing.

Table 4 reports the results. Panel A presents estimates for *Homeownership Indicator*, while panel B reports results for *Home Value*. Across all specifications, the coefficient of *UAI* remains positive and statistically significant, and its magnitude is broadly comparable to the baseline estimates. This suggests that the relationship between uncertainty avoidance and homeownership is not driven by other cultural dimensions, but instead reflects a distinct channel through which cultural attitudes toward uncertainty contribute to housing decisions.

Turning to the additional cultural dimensions, power distance (*PDI*) is positively associated with both the likelihood of homeownership and housing value across all specifications. One possible explanation is that societies with higher acceptance of hierarchical structures may place greater emphasis on asset accumulation and financial status through housing ownership. Long-term orientation (*LTOWVS*) and indulgence (*IVR*) are significant when included individually; however, their coefficients become statistically insignificant when all cultural dimensions are included simultaneously, suggesting that their explanatory power overlaps with other cultural traits. By contrast, the coefficients of individualism (*IDV*) and masculinity (*MAS*) are also insignificant, indicating that these dimensions play limited roles in explaining homeownership outcomes.

[Insert Table 4 about here.]

### 3.2.3 Sensitivity Tests

In this section, we conduct a series of sensitivity analyses to ensure that our results are not driven by specific sample selection criteria or variable construction choices. The results are presented in Table 5. In Panel A, we re-estimate model (1) using an individual-level sample, where household-level variables (including homeownership outcomes) are assigned uniformly to all individuals within the same household. In Panel B, we exclude respondents whose parents were both born in the U.K. (the group that accounts for the largest share of the sample) to ensure that the results are not driven by this dominant ancestry group. In Panel C, we relax the parental birthplace requirement by including individuals with at least one parent born overseas, rather than requiring both parents to be foreign-born. Panel D uses 10

years of age, instead of 5 years, as the alternative cut-off point to define first generation immigrants. Finally, Panels E and F construct the uncertainty avoidance measure using only mother's and father's country of birth, respectively, rather than averaging the cultural indices of both parents. Overall, all sensitivity test results are consistent with the baseline results, where the coefficient of UAI remains significantly positive.

[Insert Table 5 about here.]

### **3.3. *Mechanism Analysis***

We next examine the possible mechanism underlying the relationship between inherited uncertainty avoidance and homeownership. Prior literature suggests that 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, in particular, is likely to be transmitted within the household environment because it reflects deeply rooted attitudes toward risk, stability, and planning for the future. Households with stronger uncertainty avoidance may place greater emphasis on financial security and asset accumulation, making homeownership – often viewed as a relatively safe and stable investment – more attractive. If intergenerational cultural transmission is a channel underlying the positive relationship between inherited uncertainty avoidance and homeownership, the effect should be stronger when exposure to family cultural influence is more intensive.

To examine this mechanism, we exploit two sources of variation in the intensity of cultural transmission. First, we conjecture that the effect of uncertainty avoidance is stronger for individuals whose parents originate from the same country. When both parents share the same cultural background, children are likely exposed to a more consistent set of cultural norms, thereby reinforcing cultural transmission within the household, as opposed to possibly more competing influences from parents originating from different backgrounds.

Second, we compare first- and second-generation immigrants. Although first-generation immigrants in our sample arrived in Australia at a young age and were therefore exposed to the host-country institutional and cultural environment similarly to second-generation immigrants, their parents likely migrated more recently and therefore retained stronger attachment to origin-country cultural values during the early stages of settlement. Prior literature suggests that immigrants gradually assimilate into the host-country environment over time, causing cultural norms and behaviors to converge toward those of the host society (Abramitzky et al., 2020). As a result, parents of second-generation immigrants, who had generally spent a longer period in Australia before having children, may have become more influenced by Australian institutions and social norms, thereby weakening the transmission of origin-country cultural values within the household. Accordingly, we expect the effect of inherited uncertainty avoidance to be stronger among first-generation immigrants.

We estimate the following empirical specification:

$$\begin{aligned}
 \text{Homeownership}_{i,t} & \quad (2) \\
 &= \beta_0 + \beta_1 UAI_{i,t} + \beta_2 (UAI_{i,t} \times \text{Cultural Transmission Intensity}_i) \\
 &+ \beta_3 \text{Cultural Transmission Intensity}_{i,t} + \beta_4 X_{i,t} + \epsilon_{i,t}
 \end{aligned}$$

where *Cultural Transmission Intensity<sub>i</sub>* denotes either *Same-Country Parents<sub>i</sub>* or *First-Gen Immigrant<sub>i</sub>*. *Same-Country Parents<sub>i</sub>* is a dummy variable equal to one if both parents of the respondent *i* were born in the same country, and zero otherwise. *First-Gen Immigrant<sub>i</sub>* is a dummy variable equal to one if the respondent *i* is a first-generation immigrant (i.e., born overseas to both non-Australian parents and arrived in Australia at age five or younger), and zero otherwise.

Table 6 presents the results. Columns (1) and (3) report specifications where *Same-Country Parent* is used as the proxy for the intensity of cultural transmission within the family. The interaction term *UAI* × *Same-Country Parents* is positive and statistically significant for both the homeownership indicator and home value. This suggests that the effect of inherited uncertainty avoidance is amplified when both parents share the same cultural background, consistent with more concentrated and coherent cultural exposure within the household. Notably, the main effect of *UAI* becomes statistically

insignificant in these specifications, indicating that the influence of uncertainty avoidance is primarily driven by individuals with stronger exposure to a common family cultural environment.

Similarly, results in columns (2) and (4) show that the effect is stronger among first-generation immigrants relative to second-generation immigrants, evidenced by the positive coefficient of  $UAI \times First\text{-}Gen\ Immigrant$ . Because the parents of first-generation immigrants were likely to have migrated more recently and thus retained stronger attachment to origin-country cultural values, first-generation immigrants may have experienced more intensive exposure to inherited cultural norms during childhood. This finding therefore provides further evidence consistent with family-based cultural transmission as an important mechanism linking uncertainty avoidance to housing decisions.

[Insert Table 6 about here.]

## **4. Extended Analysis**

### **4.1. Investment Property**

While the baseline results establish a strong relationship between inherited uncertainty avoidance and residential homeownership, it is not immediately clear whether this relationship extends to investment-oriented housing decisions. Examining investment property ownership provides an important extension because owner-occupied housing and investment properties differ fundamentally in their underlying motivations. Residential homeownership is often driven by consumption needs, life-cycle considerations, and housing security, whereas investment property reflects portfolio choice and risk-taking behavior. As such, extending the analysis to investment properties allows us to assess whether cultural attitudes toward uncertainty influence not only consumption decisions (whether to own a residential home) but also financial decisions (whether to subsequently invest in housing markets).

Analogous to residential homeownership, we employ two measures of investment property ownership, including (i) *Investment Property Ownership Indicator*, which is a dummy variable equal to one if the household owns at least one investment property, and zero otherwise, and (ii) *Investment Property Value*, which is the natural logarithm of one plus the self-reported estimated value of the

household's investment properties. For households that do not own an investment property, the variable *Investment Property Value* is set to zero. We then re-estimate model (1) using these investment property ownership measures as dependent variables.

Because investment property ownership typically occurs after households enter owner-occupied housing markets, we focus on the subsample of homeowners when examining investment property decisions. This allows us to isolate the effect of uncertainty avoidance on subsequent housing investment decisions, conditional on already owning a primary residence.

Table 7 reports the results. Column (1) present the LPM estimates for the likelihood of owning an investment property among homeowners, while column (2) report OLS estimates for investment property value. The coefficient of UAI is positive and statistically significant across all specifications. The estimated coefficient of UAI in column (1) indicates that a one standard deviation increase *UAI* is associated with a 4.9 percentage point increase in the probability of owning an investment property (calculated as  $24.490 \times 0.002$ ).<sup>4</sup> Notably, this magnitude is comparable to that observed for residential ownership (4.8 percentage point), suggesting that inherited attitudes toward uncertainty influence not only the decision to enter the housing market, but also subsequent housing investment decisions conditional on already owning a home.

The findings imply that individuals with stronger inherited uncertainty avoidance exhibit a broader preference for allocating wealth toward residential real estate. One possible explanation is that individuals with stronger uncertainty avoidance perceive property as a relatively stable, tangible, and predictable asset compared to alternative investments such as equities. Once households become homeowners, these preferences may continue to influence portfolio allocation decisions, increasing the propensity to accumulate additional housing assets through investment properties. This interpretation is generally consistent with prior evidence showing that uncertainty avoidance is negatively associated with stock market participation (Rieger, 2022; Zhou et al., 2025). Taken together, the results suggest

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<sup>4</sup> 24.490 is the standard deviation of UAI in the subsample of homeowners.

that cultural attitudes toward uncertainty affect not only housing tenure choice, but also the composition of household investment portfolios.

[Insert Table 7 about here.]

#### **4.2. Explaining Immigrant-Native Homeownership Gap**

A large body of literature documents systematic differences in homeownership rates between immigrants and native-born individuals, particularly in high-immigration countries such as Australia (Amuedo-Dorantes & Mundra, 2013; Borjas, 2002; Coulson, 1999; Sinning, 2010). Figure 1 shows that during our sample period, immigrants are significantly more likely to own homes, and the home values are also significantly higher than those of native-born Australians. While these gaps are often attributed to differences in income, educational attainment, and other demographic characteristics (Chua & Miller, 2009), relatively little attention has been paid to the role of cultural factors in explaining these disparities. In this section, we therefore examine the extent to which differences in inherited uncertainty avoidance account for the immigrant-native homeownership gap in Australia.

[Insert Figure 1 about here.]

We undertake two complementary analyses. First, we extend our baseline regression specification to the combined sample of immigrants and native-born Australians and examine whether controlling for inherited uncertainty avoidance attenuates the estimated difference in homeownership between the two groups. Within this extended sample, we define an indicator variable for immigrant status, *Immigrant Indicator*, which equals one if the respondent is either a first- or second-generation immigrant, and zero if the respondent was born to both Australian parents. Next, we employ a Fairlie nonlinear decomposition to formally quantify the contribution of differences in inherited uncertainty avoidance to the observed immigrant-native homeownership gap.

Panel A of Table 8 presents the estimated results from the LPM regressions with *Homeownership Indicator* as the dependent variable. Column (1) shows that the coefficient of *Immigrant Indicator* is 0.028 and statistically significant, indicating that immigrants are approximately

2.8 percentage points more likely to own a home than native-born Australians, conditional on observable household characteristics. Column (2) instead includes *UAI* and confirms a positive and statistically significant relationship between inherited uncertainty avoidance and homeownership. When both *Immigrant Indicator* and *UAI* are included in column (3), the coefficient of *Immigrant Indicator* declines from 0.028 to 0.018 and becomes statistically insignificant, while the coefficient of *UAI* remains positive and highly significant. Thus, accounting for inherited uncertainty avoidance reduces the estimated conditional immigrant-native homeownership differential by approximately 36% (calculated as  $(0.028 - 0.018)/0.028$ ). This substantial attenuation provides initial evidence that differences in inherited uncertainty avoidance contribute to the observed differences in homeownership between immigrants and native-born Australians.

Although the regression comparison is informative, the reduction in the immigrant-status coefficient does not constitute a formal decomposition of the observed homeownership gap. We therefore complement the regression analysis with the nonlinear decomposition method developed by Fairlie (1999, 2005), which extends the conventional Blinder–Oaxaca decomposition to binary dependent variables. The decomposition separates the observed difference in homeownership probabilities between immigrants and native-born Australians into a component attributable to differences in observed characteristics and a remaining unexplained component. The model includes the same socioeconomic and demographic characteristics used in the baseline regressions, together with state and year effects.

Panel B of Table 8 reports the decomposition results. The average homeownership rate is 69.8% among immigrants and 65.5% among native-born Australians, corresponding to an observed immigrant-native homeownership gap of approximately 4.3 percentage points. Differences in the observed characteristics included in the model jointly account for approximately 3.0 percentage points, or 70% of the overall gap. Importantly, differences in inherited uncertainty avoidance account for approximately 0.73 percentage points of the gap. Relative to the overall observed difference of 4.3 percentage points, this represents approximately 17% of the immigrant-native homeownership gap. The estimated contribution of *UAI* is also statistically significant at the 1% level, indicating that inherited

uncertainty avoidance represents an economically meaningful component of the observed difference in homeownership between the two groups.

[Insert Table 8 about here.]

Taken together, these findings highlight the importance of cultural factors in explaining variation in homeownership outcomes across population groups. While economic and institutional factors undoubtedly play central roles, our results suggest that inherited cultural preferences, particularly attitudes toward uncertainty, account for a meaningful share of the observed gap. More broadly, these findings imply that policies aimed at promoting homeownership may need to consider not only financial constraints, but also underlying behavioral and cultural differences across households.

## **5. Conclusion**

Homeownership arguably remains a central component of household welfare, wealth accumulation, and housing policies. While prior research has primarily emphasized the role of economic and institutional factors in shaping housing outcomes, this paper shows that culturally transmitted preferences also play an important role. Using an epidemiological approach, we examine how inherited cultural attitudes toward uncertainty influence homeownership decisions among Australian immigrants.

We find that individuals with higher inherited uncertainty avoidance are significantly more likely to own homes and hold higher housing wealth. These findings are robust to alternative measures of uncertainty avoidance, additional cultural controls, and a range of sensitivity tests. The relationship is stronger among individuals with more concentrated exposure to parental cultural norms, namely those whose parents originate from the same country and first-generation immigrants, providing evidence consistent with intergenerational cultural transmission within the family. Extending the analysis beyond owner-occupied housing, we document a positive relationship between uncertainty avoidance and investment property ownership, with magnitude comparable to that observed for residential ownership. We further show that differences in inherited uncertainty avoidance account for approximately 17% of the observed homeownership gap between immigrants and native-born Australians. Taken together, the

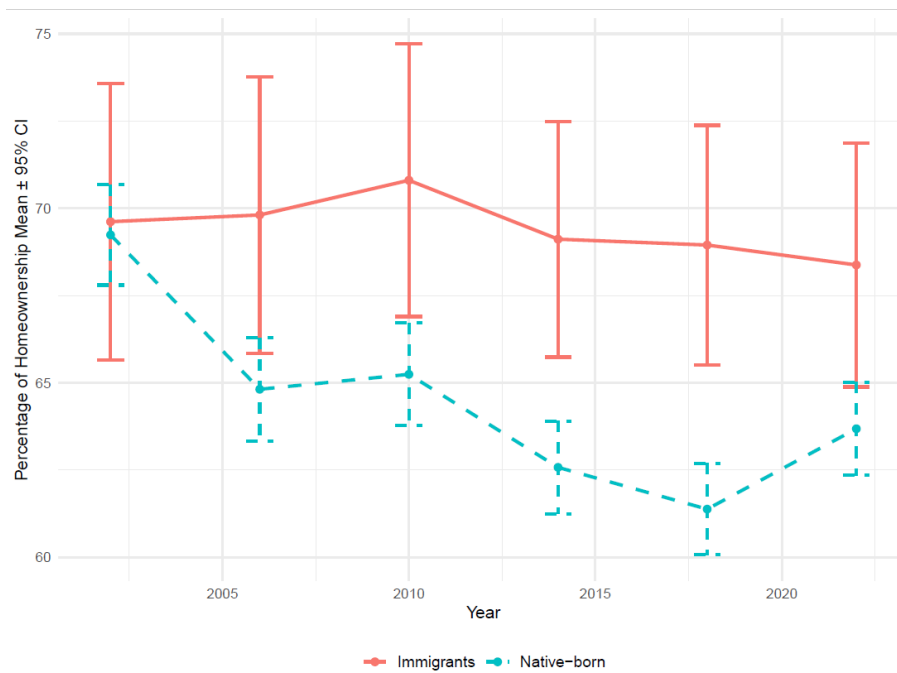
results suggest that cultural attitudes toward uncertainty influence not only whether households participate in housing markets, but also how they allocate wealth across different asset classes.

Our findings carry broader policy implications. Housing policies aimed at improving housing affordability and access to credit are often designed under the assumption that households respond similarly to economic incentives. However, this study shows that cultural traits, which evolve slowly and persist across generations, may lead to systematic differences in how different households respond to such policies. In multicultural societies such as Australia, understanding these differences is crucial for developing more inclusive and effective housing policies.

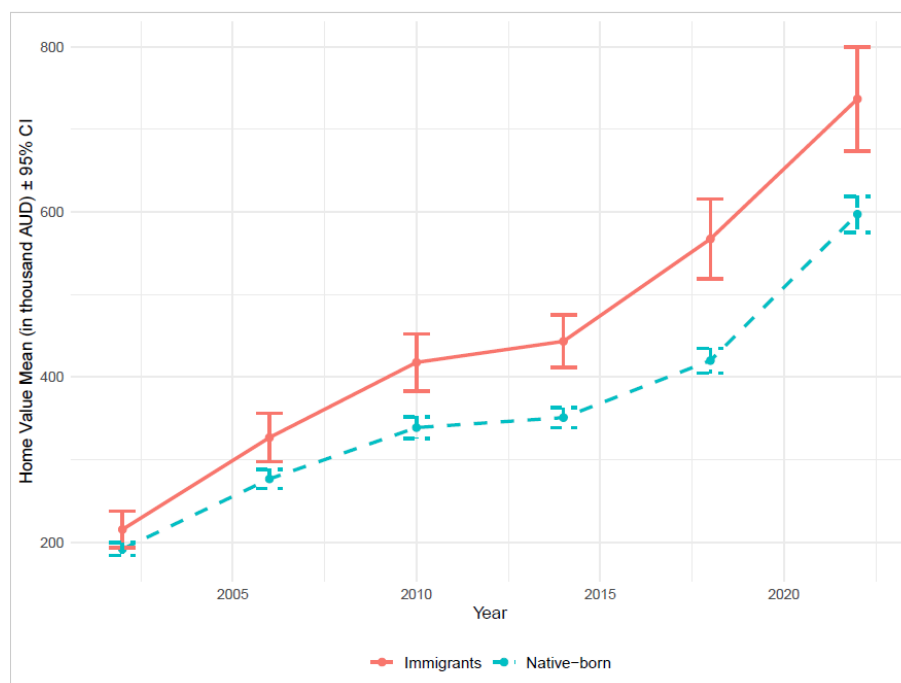
More broadly, this study contributes to the literature on immigrant economic assimilation and the intergenerational transmission of preferences. Our findings suggest that differences in housing outcomes across immigrant groups are shaped not only by observable socioeconomic characteristics and institutional constraints, but also by cultural attitudes inherited from parents' countries of origin. The stronger association among first-generation immigrants and individuals whose parents share the same country of origin further indicates that the influence of these inherited preferences may weaken as exposure to the host-country environment increases across generations. Consistent with this interpretation, the decomposition analysis shows that inherited uncertainty avoidance accounts for a meaningful share of the immigrant-native homeownership gap. By linking cultural transmission to homeownership and housing investment, our results highlight an additional channel through which immigrant background can contribute to persistent differences in household wealth accumulation and economic outcomes. Future research could further examine how the transmission and gradual assimilation of cultural preferences interact with migration history, family characteristics, and host-country institutions in shaping immigrants' long-term economic integration.

**Figure 1. Homeownership gap between immigrants and native-born Australians**

*Panel A: Percentage of homeownership*



*Panel B: Home Value*



**Table 1. Descriptive statistics*****Panel A: Continuous Variables***

| <b>Variable</b>        | <b>Obs.</b> | <b>Mean</b> | <b>SD</b> | <b>Median</b> | <b>Min</b> | <b>Max</b> |
|------------------------|-------------|-------------|-----------|---------------|------------|------------|
| Home Value (AUD)       | 3,221       | 482,825     | 570,767   | 380,000       | 0          | 8,000,000  |
| UAI                    | 3,221       | 56.769      | 23.941    | 50            | 21.5       | 112        |
| GLOBE UAI              | 3,023       | 4.220       | 0.479     | 4.115         | 3.158      | 5.609      |
| Tang and Koveos UAI    | 2,748       | 50.996      | 17.878    | 44.5          | 34         | 86         |
| Age                    | 3,221       | 48.361      | 15.039    | 47            | 18         | 97         |
| Household Income (AUD) | 3,221       | 86,499      | 67,288    | 71,779        | 100        | 933,335    |
| Household Members      | 3,221       | 2.619       | 1.410     | 2             | 1          | 9          |

***Panel B: Dummy Variables***

| <b>Variable</b>         | <b>Obs.</b> | <b>Count</b> | <b>Percentage</b> |
|-------------------------|-------------|--------------|-------------------|
| Homeownership Indicator | 3,221       | 2,249        | 69.823            |
| Female                  | 3,221       | 968          | 30.053            |
| Single                  | 3,221       | 483          | 14.995            |
| Separated or Divorced   | 3,221       | 469          | 14.561            |
| Widowed                 | 3,221       | 181          | 5.619             |
| Children                | 3,221       | 1,025        | 31.822            |
| Postgrad                | 3,221       | 189          | 5.868             |
| Graduate Diploma        | 3,221       | 186          | 5.775             |
| Bachelor                | 3,221       | 455          | 14.126            |
| Diploma                 | 3,221       | 447          | 13.878            |
| Certificate             | 3,221       | 882          | 27.383            |
| Smoking                 | 3,221       | 733          | 22.757            |
| Drinking                | 3,221       | 2,798        | 86.867            |
| Unemployed              | 3,221       | 38           | 1.180             |

**Table 2. Baseline regression results**

This table presents the regression results of model (1). Results of the linear probability model (LPM) are reported in column (1). Columns (2) and (3) report the results of the OLS regression for the full sample and the subsample of only homeowners, respectively. *Homeownership Indicator* is a dummy variable equal to one if the household owns its primary residence, and zero otherwise. *Home Value* is the natural log of one plus the estimated value of the household's primary residence, which is set to zero if the household does not own its home. *UAI* is the average Hofstede's uncertainty avoidance index of the respondent's mother's and father's countries of birth. Other variables are defined in Appendix A. Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| Dependent Variable:<br>Model: | Homeownership Indicator | Home Value           |                      |
|-------------------------------|-------------------------|----------------------|----------------------|
|                               | LPM                     | OLS                  |                      |
|                               | (1)                     | (2)                  | (3)                  |
| UAI                           | 0.002***<br>(0.000)     | 0.025***<br>(0.006)  | 0.003***<br>(0.001)  |
| Age                           | 0.010***<br>(0.001)     | 0.140***<br>(0.011)  | 0.011***<br>(0.002)  |
| Female                        | 0.022<br>(0.028)        | 0.276<br>(0.359)     | 0.008<br>(0.051)     |
| Single                        | -0.175***<br>(0.042)    | -2.311***<br>(0.549) | -0.207**<br>(0.092)  |
| Separated or Divorced         | -0.164***<br>(0.040)    | -2.131***<br>(0.525) | -0.017<br>(0.062)    |
| Widowed                       | -0.062<br>(0.053)       | -0.846<br>(0.697)    | -0.065<br>(0.095)    |
| Children                      | 0.017<br>(0.024)        | 0.260<br>(0.312)     | 0.127***<br>(0.040)  |
| Postgrad                      | 0.085**<br>(0.039)      | 1.297**<br>(0.525)   | 0.279***<br>(0.066)  |
| Graduate Diploma              | 0.110**<br>(0.047)      | 1.609**<br>(0.627)   | 0.205***<br>(0.072)  |
| Bachelor                      | 0.055*<br>(0.032)       | 0.871**<br>(0.414)   | 0.212***<br>(0.056)  |
| Diploma                       | 0.079**<br>(0.034)      | 1.060**<br>(0.446)   | 0.093<br>(0.061)     |
| Certificate                   | 0.046<br>(0.029)        | 0.549<br>(0.370)     | -0.013<br>(0.051)    |
| Smoking                       | -0.135***<br>(0.027)    | -1.806***<br>(0.351) | -0.143***<br>(0.049) |
| Drinking                      | 0.033<br>(0.030)        | 0.533<br>(0.391)     | 0.122***<br>(0.045)  |
| Unemployed                    | 0.073<br>(0.078)        | 0.902<br>(0.989)     | -0.085<br>(0.137)    |
| Household Income (Log)        | 0.115***<br>(0.018)     | 1.655***<br>(0.235)  | 0.241***<br>(0.035)  |
| Household Members             | 0.018*<br>(0.010)       | 0.274**<br>(0.131)   | 0.036**<br>(0.017)   |
| State Fixed Effects           | Yes                     | Yes                  | Yes                  |
| Year Fixed Effects            | Yes                     | Yes                  | Yes                  |
| Observations                  | 3,221                   | 3,221                | 2,249                |
| Adjusted R <sup>2</sup>       | 0.241                   | 0.266                | 0.462                |

**Table 3. Robustness – Alternative Measures of Uncertainty Avoidance**

This table presents the regression results of model (1) using alternative measures of UAI. *Homeownership Indicator* is a dummy variable equal to one if the household owns its primary residence, and zero otherwise. *Home Value* is the natural log of one plus the estimated value of the household's primary residence, which is set to zero if the household does not own its home. *GLOBE UAI* and *Tang and Koveos UAI* are the average uncertainty avoidance index of the respondent's mother's and father's countries of birth using data from the GLOBE project and Tang and Koveos (2008), respectively. Other variables are defined in Appendix A. Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| Dependent Variable:     | Homeownership<br>Indicator | Home<br>Value        | Homeownership<br>Indicator | Home<br>Value        |
|-------------------------|----------------------------|----------------------|----------------------------|----------------------|
|                         | (1)                        | (2)                  | (3)                        | (4)                  |
| GLOBE UAI               | 0.063***<br>(0.023)        | 0.917***<br>(0.305)  |                            |                      |
| Tang and Koveos UAI     |                            |                      | 0.003***<br>(0.001)        | 0.036***<br>(0.009)  |
| Age                     | 0.011***<br>(0.001)        | 0.150***<br>(0.012)  | 0.011***<br>(0.001)        | 0.149***<br>(0.012)  |
| Female                  | 0.019<br>(0.028)           | 0.241<br>(0.363)     | 0.012<br>(0.030)           | 0.152<br>(0.381)     |
| Single                  | -0.178***<br>(0.042)       | -2.354***<br>(0.543) | -0.167***<br>(0.045)       | -2.202***<br>(0.578) |
| Separated or Divorced   | -0.157***<br>(0.041)       | -2.027***<br>(0.528) | -0.176***<br>(0.046)       | -2.284***<br>(0.599) |
| Widowed                 | -0.063<br>(0.055)          | -0.866<br>(0.725)    | -0.071<br>(0.057)          | -0.924<br>(0.742)    |
| Children                | 0.022<br>(0.024)           | 0.321<br>(0.316)     | 0.025<br>(0.026)           | 0.368<br>(0.338)     |
| Postgrad                | 0.112***<br>(0.037)        | 1.667***<br>(0.486)  | 0.113***<br>(0.038)        | 1.632***<br>(0.495)  |
| Graduate Diploma        | 0.122**<br>(0.049)         | 1.768***<br>(0.651)  | 0.090*<br>(0.053)          | 1.345*<br>(0.707)    |
| Bachelor                | 0.091***<br>(0.032)        | 1.338***<br>(0.418)  | 0.095***<br>(0.034)        | 1.408***<br>(0.447)  |
| Diploma                 | 0.099***<br>(0.035)        | 1.335***<br>(0.457)  | 0.089**<br>(0.036)         | 1.192**<br>(0.476)   |
| Certificate             | 0.055*<br>(0.030)          | 0.680*<br>(0.382)    | 0.051*<br>(0.030)          | 0.621<br>(0.391)     |
| Smoking                 | -0.140***<br>(0.029)       | -1.871***<br>(0.365) | -0.137***<br>(0.030)       | -1.823***<br>(0.378) |
| Drinking                | 0.041<br>(0.032)           | 0.648<br>(0.415)     | 0.042<br>(0.033)           | 0.656<br>(0.436)     |
| Unemployed              | 0.069<br>(0.080)           | 0.861<br>(1.016)     | 0.052<br>(0.079)           | 0.670<br>(0.999)     |
| Household Income (Log)  | 0.112***<br>(0.018)        | 1.617***<br>(0.235)  | 0.110***<br>(0.019)        | 1.600***<br>(0.254)  |
| Household Members       | 0.026***<br>(0.010)        | 0.390***<br>(0.130)  | 0.023**<br>(0.010)         | 0.337**<br>(0.138)   |
| State fixed effects     | Yes                        | Yes                  | Yes                        | Yes                  |
| Year fixed effects      | Yes                        | Yes                  | Yes                        | Yes                  |
| Observations            | 3,023                      | 3,023                | 2,748                      | 2,748                |
| Adjusted R <sup>2</sup> | 0.255                      | 0.282                | 0.261                      | 0.287                |

**Table 4. Robustness – Control for other cultural dimensions**

This table presents the regression results of model (1) with Hofstede (1980) other cultural dimensions as additional control variables. Panel A reports the results for the LPM regression, and Panel B reports the results for the OLS regression. *Homeownership Indicator* is a dummy variable equal to one if the household owns its primary residence, and zero otherwise. *Home Value* is the natural log of one plus the estimated value of the household's primary residence, which is set to zero if the household does not own its home. *UAI* is the average Hofstede's uncertainty avoidance index of the respondent's mother's and father's countries of birth. Other variables are defined in Appendix A. Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| <b>Panel A: Homeownership Indicator as the Dependent Variable</b> |                    |                     |                     |                     |                    |                    |
|-------------------------------------------------------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|
|                                                                   | (1)                | (2)                 | (3)                 | (4)                 | (5)                | (6)                |
| UAI                                                               | 0.001**<br>(0.001) | 0.002***<br>(0.001) | 0.002***<br>(0.000) | 0.002***<br>(0.000) | 0.001**<br>(0.001) | 0.001**<br>(0.001) |
| PDI                                                               | 0.002**<br>(0.001) |                     |                     |                     |                    | 0.002*<br>(0.001)  |
| IDV                                                               |                    | -0.001<br>(0.001)   |                     |                     |                    | 0.001<br>(0.001)   |
| MAS                                                               |                    |                     | -0.000<br>(0.001)   |                     |                    | -0.001<br>(0.001)  |
| LTOWVS                                                            |                    |                     |                     | 0.001<br>(0.001)    |                    | 0.000<br>(0.001)   |
| IVR                                                               |                    |                     |                     |                     | -0.001*<br>(0.001) | -0.000<br>(0.001)  |
| Other Control Variables                                           | Yes                | Yes                 | Yes                 | Yes                 | Yes                | Yes                |
| State fixed effects                                               | Yes                | Yes                 | Yes                 | Yes                 | Yes                | Yes                |
| Year fixed effects                                                | Yes                | Yes                 | Yes                 | Yes                 | Yes                | Yes                |
| Observations                                                      | 3,221              | 3,221               | 3,221               | 3,216               | 3,216              | 3,216              |
| Adjusted R <sup>2</sup>                                           | 0.244              | 0.242               | 0.241               | 0.239               | 0.240              | 0.241              |

| <b>Panel B: Home Value as the Dependent Variable</b> |                    |                    |                     |                     |                     |                     |
|------------------------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
|                                                      | (1)                | (2)                | (3)                 | (4)                 | (5)                 | (6)                 |
| UAI                                                  | 0.017**<br>(0.005) | 0.021**<br>(0.008) | 0.025***<br>(0.004) | 0.025***<br>(0.004) | 0.018***<br>(0.004) | 0.017*<br>(0.009)   |
| PDI                                                  | 0.027*<br>(0.013)  |                    |                     |                     |                     | 0.033***<br>(0.009) |
| IDV                                                  |                    | -0.009<br>(0.017)  |                     |                     |                     | 0.013<br>(0.019)    |
| MAS                                                  |                    |                    | -0.005<br>(0.009)   |                     |                     | -0.007<br>(0.007)   |
| LTOWVS                                               |                    |                    |                     | 0.012**<br>(0.004)  |                     | 0.004<br>(0.007)    |
| IVR                                                  |                    |                    |                     |                     | -0.018**<br>(0.006) | -0.008<br>(0.009)   |
| Other Control Variables                              | Yes                | Yes                | Yes                 | Yes                 | Yes                 | Yes                 |
| State fixed effects                                  | Yes                | Yes                | Yes                 | Yes                 | Yes                 | Yes                 |
| Year fixed effects                                   | Yes                | Yes                | Yes                 | Yes                 | Yes                 | Yes                 |
| Observations                                         | 3,221              | 3,221              | 3,221               | 3,216               | 3,216               | 3,216               |
| Adjusted R <sup>2</sup>                              | 0.269              | 0.267              | 0.266               | 0.264               | 0.266               | 0.267               |

**Table 5. Sensitivity Tests**

This table presents the results of the sensitivity tests using various sample selection criteria. All panels include control variables and fixed effects as defined in model (1). Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| Dependent Variable:                                     | Homeownership Indicator | Home Value          |
|---------------------------------------------------------|-------------------------|---------------------|
| Model:                                                  | LPM                     | OLS                 |
|                                                         | (1)                     | (2)                 |
| <b><i>Panel A: Individual level</i></b>                 |                         |                     |
| UAI                                                     | 0.001***<br>(0.000)     | 0.017***<br>(0.002) |
| Observations                                            | 5,969                   | 5,969               |
| <b><i>Panel B: Excluding UK parents</i></b>             |                         |                     |
| UAI                                                     | 0.001*<br>(0.001)       | 0.016*<br>(0.008)   |
| Observations                                            | 1,891                   | 1,891               |
| <b><i>Panel C: Relaxed parent condition</i></b>         |                         |                     |
| UAI                                                     | 0.002***<br>(0.000)     | 0.027***<br>(0.005) |
| Observations                                            | 7,951                   | 7,951               |
| <b><i>Panel D: Arrival age <math>\leq 10</math></i></b> |                         |                     |
| UAI                                                     | 0.001***<br>(0.000)     | 0.020***<br>(0.006) |
| Observations                                            | 3,938                   | 3,938               |
| <b><i>Panel E: Mother UAI</i></b>                       |                         |                     |
| UAI                                                     | 0.002***<br>(0.000)     | 0.027***<br>(0.006) |
| Observations                                            | 3,221                   | 3,221               |
| <b><i>Panel F: Father UAI</i></b>                       |                         |                     |
| UAI                                                     | 0.002***<br>(0.000)     | 0.021***<br>(0.006) |
| Observations                                            | 3,221                   | 3,221               |

**Table 6. Cultural Transmission as the Mechanism**

This table presents the regression results of model (2). *Homeownership Indicator* is a dummy variable equal to one if the household owns its primary residence, and zero otherwise. *Home Value* is the natural log of one plus the estimated value of the household's primary residence, which is set to zero if the household does not own its home. *UAI* is the average Hofstede's uncertainty avoidance index of the respondent's mother's and father's countries of birth. *Same-Country Parents* is a dummy variable equal to one if both parents of the respondent were born in the same country, and zero otherwise. *First-Gen Immigrant* is a dummy variable equal to one for first-generation immigrants, and zero for second-generation immigrants. Other variables are defined in Appendix A. Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| Dependent Variable:<br>Model: | Homeownership Indicator |                      | Home Value           |                      |
|-------------------------------|-------------------------|----------------------|----------------------|----------------------|
|                               | LPM                     |                      | OLS                  |                      |
|                               | (1)                     | (2)                  | (3)                  | (4)                  |
| UAI                           | -0.000<br>(0.001)       | 0.001***<br>(0.000)  | -0.003<br>(0.016)    | 0.020***<br>(0.005)  |
| Same-Country Parents          | -0.062<br>(0.082)       |                      | -0.812<br>(1.074)    |                      |
| UAI × Same-Country Parents    | 0.002*<br>(0.001)       |                      | 0.032*<br>(0.018)    |                      |
| First-Gen Immigrant           |                         | -0.105**<br>(0.042)  |                      | -1.294**<br>(0.544)  |
| UAI × First-Gen Immigrant     |                         | 0.002**<br>(0.001)   |                      | 0.020**<br>(0.009)   |
| Age                           | 0.010***<br>(0.001)     | 0.010***<br>(0.001)  | 0.139***<br>(0.011)  | 0.141***<br>(0.008)  |
| Female                        | 0.020<br>(0.028)        | 0.020<br>(0.018)     | 0.245<br>(0.360)     | 0.254<br>(0.239)     |
| Single                        | -0.175***<br>(0.042)    | -0.176***<br>(0.027) | -2.310***<br>(0.546) | -2.319***<br>(0.348) |
| Separated or Divorced         | -0.163***<br>(0.040)    | -0.165***<br>(0.026) | -2.116***<br>(0.524) | -2.154***<br>(0.333) |
| Widowed                       | -0.066<br>(0.053)       | -0.068*<br>(0.039)   | -0.894<br>(0.692)    | -0.921*<br>(0.515)   |
| Children                      | 0.016<br>(0.024)        | 0.017<br>(0.022)     | 0.255<br>(0.310)     | 0.269<br>(0.284)     |
| Postgrad                      | 0.094**<br>(0.038)      | 0.084**<br>(0.033)   | 1.421***<br>(0.510)  | 1.274***<br>(0.433)  |
| Graduate Diploma              | 0.110**<br>(0.048)      | 0.109***<br>(0.033)  | 1.607**<br>(0.641)   | 1.596***<br>(0.429)  |
| Bachelor                      | 0.058*<br>(0.032)       | 0.055**<br>(0.024)   | 0.918**<br>(0.416)   | 0.875***<br>(0.309)  |
| Diploma                       | 0.078**<br>(0.034)      | 0.083***<br>(0.023)  | 1.055**<br>(0.446)   | 1.114**<br>(0.304)   |
| Certificate                   | 0.049*<br>(0.029)       | 0.046**<br>(0.019)   | 0.592<br>(0.369)     | 0.550**<br>(0.246)   |
| Smoking                       | -0.129***<br>(0.027)    | -0.135***<br>(0.018) | -1.725***<br>(0.349) | -1.802***<br>(0.234) |
| Drinking                      | 0.034<br>(0.030)        | 0.034<br>(0.021)     | 0.551<br>(0.392)     | 0.544*<br>(0.278)    |
| Unemployed                    | 0.070<br>(0.079)        | 0.082<br>(0.066)     | 0.862<br>(0.996)     | 1.008<br>(0.867)     |
| Household Income (Log)        | 0.115***<br>(0.017)     | 0.116***<br>(0.013)  | 1.659***<br>(0.232)  | 1.670***<br>(0.163)  |
| Household Members             | 0.017*<br>(0.017)       | 0.017**<br>(0.017)   | 0.259**<br>(0.259)   | 0.268**<br>(0.268)   |

|                         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
|                         | (0.010) | (0.008) | (0.131) | (0.108) |
| State fixed effects     | Yes     | Yes     | Yes     | Yes     |
| Year fixed effects      | Yes     | Yes     | Yes     | Yes     |
| Observations            | 3,221   | 3,221   | 3,221   | 3,221   |
| Adjusted R <sup>2</sup> | 0.246   | 0.242   | 0.271   | 0.267   |

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**Table 7. Investment Property Ownership**

This table presents the regression results of model (1) using either *Investment Property Ownership Indicator* or *Investment Property Value* in place of *Homeownership*. Column (1) reports the results of the LPM regression, and column (2) reports the results of the OLS regression. *Investment Property Ownership Indicator* is a dummy variable equal to one if the household owns at least one investment property, and zero otherwise. *Investment Property Value* is the natural log of one plus the estimated value of the household's investment properties, which is set to zero if the household does not own an investment property. *UAI* is the average Hofstede's uncertainty avoidance index of the respondent's mother's and father's countries of birth. Other variables are defined in Appendix A. Standard errors are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

| Dependent Variable:     | Investment Property Ownership Indicator | Investment Property Value |
|-------------------------|-----------------------------------------|---------------------------|
| Model:                  | LPM                                     | OLS                       |
|                         | (1)                                     | (2)                       |
| UAI                     | 0.002***<br>(0.001)                     | 0.026***<br>(0.007)       |
| Age                     | 0.001<br>(0.001)                        | 0.017<br>(0.012)          |
| Female                  | -0.043<br>(0.029)                       | -0.611<br>(0.381)         |
| Single                  | -0.028<br>(0.047)                       | -0.309<br>(0.630)         |
| Separated or Divorced   | -0.079**<br>(0.036)                     | -1.020**<br>(0.481)       |
| Widowed                 | -0.005<br>(0.053)                       | 0.019<br>(0.705)          |
| Children                | 0.034<br>(0.029)                        | 0.429<br>(0.390)          |
| Postgrad                | 0.129**<br>(0.053)                      | 1.731**<br>(0.726)        |
| Graduate Diploma        | 0.161***<br>(0.056)                     | 2.109***<br>(0.738)       |
| Bachelor                | 0.082**<br>(0.038)                      | 1.107**<br>(0.511)        |
| Diploma                 | 0.090**<br>(0.037)                      | 1.181**<br>(0.498)        |
| Certificate             | 0.023<br>(0.028)                        | 0.247<br>(0.373)          |
| Smoking                 | 0.010<br>(0.028)                        | 0.098<br>(0.371)          |
| Drinking                | 0.021<br>(0.030)                        | 0.263<br>(0.402)          |
| Unemployed              | 0.064<br>(0.077)                        | 0.795<br>(0.986)          |
| Household Income (Log)  | 0.093***<br>(0.017)                     | 1.278***<br>(0.227)       |
| Household Members       | -0.025**<br>(0.012)                     | -0.315*<br>(0.163)        |
| State fixed effects     | Yes                                     | Yes                       |
| Year fixed effects      | Yes                                     | Yes                       |
| Observations            | 2,243                                   | 2,243                     |
| Adjusted R <sup>2</sup> | 0.112                                   | 0.114                     |

**Table 8. Inherited Uncertainty Avoidance and the Immigrant–Native Homeownership Gap**

This table presents the results examining the role of inherited uncertainty avoidance in explaining the homeownership gap between immigrants and native-born Australians. Panel A reports the results from the LPM regressions. Panel B reports the Fairlie decomposition of the observed immigrant-native homeownership gap into components attributed to observed characteristics and an unexplained component, with the contribution of inherited uncertainty avoidance reported separately. *Homeownership Indicator* is a dummy variable equal to one if the household owns its primary residence, and zero otherwise. *Immigrant Indicator* is a dummy variable equal to one if the respondent is either a first- or second-generation immigrant, and zero if the respondent was born to both Australian parents. *UAI* is the average Hofstede’s uncertainty avoidance index of the respondent’s mother’s and father’s countries of birth. Other variables are defined in Appendix A. All regressions include the same set of control variables as the baseline specification, together with state and year fixed effects. Standard errors in Panel A are clustered at the household level and reported in parentheses. \*, \*\*, and \*\*\* denote the significance levels of 10%, 5%, and 1%, respectively.

***Panel A: Regression Analysis***

| Dependent Variable:     | Homeownership Indicator |                     |                     |
|-------------------------|-------------------------|---------------------|---------------------|
|                         | (1)                     | (2)                 | (3)                 |
| Immigrant Indicator     | 0.028**<br>(0.012)      |                     | 0.018<br>(0.012)    |
| UAI                     |                         | 0.002***<br>(0.000) | 0.002***<br>(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 <sup>2</sup> | 0.281                   | 0.281               | 0.281               |

***Panel B: Fairlie Decomposition***

| <i>Component</i>                      | <i>Contribution</i> | <i>% of Overall Gap</i> |
|---------------------------------------|---------------------|-------------------------|
| Immigrant homeownership rate          | 0.698               |                         |
| Native-born homeownership rate        | 0.655               |                         |
| Observed immigrant-native gap         | 0.0433              | 100.0%                  |
| Total explained component             | 0.0303              | 69.9%                   |
| Inherited uncertainty avoidance (UAI) | 0.0073***           | 16.8%                   |
| Other observed characteristics        | 0.0230              | 53.1%                   |
| Unexplained component                 | 0.0130              | 30.1%                   |

## Appendix A. Variable Definition

| Variable                       | Definition                                                                                                                                                                        |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Homeownership Indicator</i> | Dummy variable equal to one if the household owns its primary residence outright or with a mortgage, and zero otherwise.                                                          |
| <i>Home Value</i>              | The logarithm of one plus the self-reported estimated value of the household's primary residence. The value is set to zero for households that do not own their home.             |
| <i>UAI</i>                     | The average Hofstede's uncertainty avoidance index of the respondent's mother's and father's countries of birth.                                                                  |
| <i>Same-Country Parents</i>    | Dummy variable equal to one if both parents were born in the same country, and zero otherwise.                                                                                    |
| <i>First-Gen Immigrant</i>     | Dummy variable equal to one for first-generation immigrants, and zero for second-generation immigrants.                                                                           |
| <i>Immigrant Indicator</i>     | Dummy variable equal to one if the respondent is either first- or second-generation immigrant, and zero if the respondent is native-born (i.e., born to both Australian parents). |
| <i>GLOBE UAI</i>               | The average GLOBE project's uncertainty avoidance index of the respondent's mother's and father's countries of birth.                                                             |
| <i>Tang and Koveos UAI</i>     | The average Tang and Koveos's uncertainty avoidance index of the respondent's mother's and father's countries of birth.                                                           |
| <i>PDI</i>                     | The average Hofstede's power distance of the respondent's mother's and father's countries of birth.                                                                               |
| <i>IDV</i>                     | The average Hofstede's individualism index of the respondent's mother's and father's countries of birth.                                                                          |
| <i>MAS</i>                     | The average Hofstede's masculinity index of the respondent's mother's and father's countries of birth.                                                                            |
| <i>LTOWVS</i>                  | The average Hofstede's long-term orientation index of the respondent's mother's and father's countries of birth.                                                                  |
| <i>IVR</i>                     | The average Hofstede's indulgence versus restraint index of the respondent's mother's and father's countries of birth.                                                            |
| <i>Age</i>                     | Age of respondent.                                                                                                                                                                |
| <i>Female</i>                  | Dummy variable equal to one if respondent is female, and zero otherwise.                                                                                                          |
| <i>Single</i>                  | Dummy variable equal to one if respondent is single, and zero otherwise.                                                                                                          |
| <i>Separated or Divorced</i>   | Dummy variable equal to one if respondent is separated or divorced, and zero otherwise.                                                                                           |
| <i>Widowed</i>                 | Dummy variable equal to one if respondent is widowed, and zero otherwise.                                                                                                         |
| <i>Children</i>                | Dummy variable equal to one if respondent has a child under 14, and zero otherwise.                                                                                               |
| <i>Postgrad</i>                | Dummy variable equal to one if respondent's highest education level achieved is master's or doctorate, and zero otherwise.                                                        |
| <i>Graduate Diploma</i>        | Dummy variable equal to one if respondent's highest education level achieved is graduate diploma or certificate, and zero otherwise.                                              |
| <i>Bachelor</i>                | Dummy variable equal to one if respondent's highest education level achieved is bachelor or honours, and zero otherwise.                                                          |
| <i>Diploma</i>                 | Dummy variable equal to one if respondent's highest education level achieved is diploma or advanced diploma, and zero otherwise.                                                  |
| <i>Certificate</i>             | Dummy variable equal to one if respondent's highest education level achieved is certificate I, II, III, or IV, and zero otherwise.                                                |
| <i>Smoking</i>                 | Dummy variable equal to one if respondent smokes, and zero otherwise.                                                                                                             |
| <i>Drinking</i>                | Dummy variable equal to one if respondent drinks alcohol, and zero otherwise.                                                                                                     |

|                               |                                                                              |
|-------------------------------|------------------------------------------------------------------------------|
| <i>Unemployed</i>             | Dummy variable equal to one if respondent is unemployed, and zero otherwise. |
| <i>Household Income (Log)</i> | Natural log of annual income of entire household in AUD.                     |
| <i>Household Members</i>      | Number of people currently living in household.                              |

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