THE DECISION TO MOVE HOUSE AND AGGREGATE HOUSING-MARKET DYNAMICS

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Abstract
Using data on house sales and inventories, this paper shows that housing transactions are driven mainly by listings and less so by transaction speed, thus the decision to move house is key to understanding the housing market. The paper builds a model where moving house is essentially an investment in match quality, implying that moving depends on macroeconomic developments and housing-market conditions. The number of transactions has implications for welfare because each transaction reduces mismatch for homeowners. The quantitative importance of the decision to move house is shown in understanding the U.S. housing-market boom during 1995–2003. (JEL: D83; E22; R31.)

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