

‘Sort Selling’: Political Affiliation and Households’ Real Estate Decisions*

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Abstract

Partisanship and polarization are salient features of today’s political environment. Using a dataset that matches registered voters and their political affiliations to their real estate transactions, we identify a real economic effect of political polarization on households. Homeowners are more likely to sell their homes and less likely to refinance their mortgages as the share of opposite-party neighbors increases. We implement a new-next-door-neighbor identification strategy to confirm causality. Consistent with a partisanship mechanism, our results are weaker for apathetic households and have strengthened in recent years. Our findings illustrate a real consequence of political polarization and help explain increases in political segregation.

JEL Classification: D10, H31, R20

Keywords: Household Finance, Real Estate, Politics, Political Polarization

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