Abstract

This paper examines the effects of loss aversion and negative equity on household mobility. We stress the importance of studying these mechanisms simultaneously. By making use of a unique administrative data set of Statistics Netherlands, covering the period 2006-2011, we estimate the effects of loss aversion and negative equity. The results provide strong evidence for loss aversion, while less evidence is found for a lock-in effect of negative equity. The results indicate that moderately underwater households do have a lower mobility, but heavily underwater households do not. Additional results indicate that the particularly high mobility of heavily underwater households is not default-driven.