

WWZ Research Seminar  
Faculty of Business and Economics, University of Basel

Tuesday, May 23, 2023

Prof. Lorenz Kueng  
Università della Svizzera italiana (USI) and Swiss  
Finance Institute Professor (SFI)  
"Renting Hedges Wage Risk" (joint with  
Lee Lockwood, Pinchuan Ong and Scott Baker)

#### **Abstract**

Homeowners and renters have mirror-image exposures to the considerable volatility in housing costs. The welfare effects of these exposures depend on their correlations with the rest of household portfolios. Using 70 years of data on local markets in the U.S., we find that rents and home prices are strongly positively correlated with wages at all horizons. As a result, wage risk is hedged by renting and exacerbated by owning. These interactions with wage risk are strong enough that for many households, renting is not only safer than owning, it is safer than full housing insurance. This highlights an important cost of owner-occupied housing and the many major policies that encourage it.

*All seminars are open to the public and take place in hybrid format with the lecturer present. For updates (place, abstracts etc.) kindly visit <https://wwz.unibas.ch/de/researchseminar/>*

*Non-faculty members, who would like to register for the seminars, please send an email to [forschungsseminar-wwz@unibas.ch](mailto:forschungsseminar-wwz@unibas.ch).*