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ABSTRACT: By raising commuting costs, an increase in gasoline prices should reduce the demand for housing in areas far from employment centers relative to locations closer to jobs. Using annual panel data on a large number of ZIP codes and municipalities from 1981 to 2008, we find that a 10 percent increase in gas prices leads to a 10 percent decrease in construction in locations with a long average commute relative to other locations, but to no significant change in house prices. Thus, the supply response may prevent the change in housing demand from capitalizing in house prices.

JEL Codes: Q31, R21, R23

Keywords: Gasoline price, household location, housing, commuting

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