

Accepted Manuscript

Residential Vertical Rent Curves

Jayson Danton, Alexander Himbert

PII: S0094-1190(18)30048-2
DOI: <https://doi.org/10.1016/j.jue.2018.08.002>
Reference: YJUEC 3136

To appear in: *Journal of Urban Economics*

Received date: 23 August 2017
Revised date: 29 June 2018
Accepted date: 9 August 2018

Please cite this article as: Jayson Danton, Alexander Himbert, Residential Vertical Rent Curves, *Journal of Urban Economics* (2018), doi: <https://doi.org/10.1016/j.jue.2018.08.002>



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Residential Vertical Rent Curves[†]

Jayson Danton[‡] Alexander Himbert[§]
Swiss National Bank *University of Lausanne*

August 29, 2018

Abstract

We estimate the equilibrium bid-rent function for vertical locations within residential buildings using geocoded rental price data. We find that the vertical rent curve is non-monotonic with respect to floor level. Specifically, residential bidders pay a 1.5 to 3.5% ground floor premium. For the remaining vertical locations, the slope of the vertical rent curve is positive with respect to floor level. Our analysis shows that the ground floor premium is indeed a valuation of access similar to the valuation of access to the Central Business District (CBD) in a monocentric setting. Based on the cities in our sample, the ground floor premium is roughly equivalent to moving between 250-450 meters closer to the CBD. The positive slope of the vertical rent curve, with respect to floor level, is predominately explained by amenities (e.g. views) that compensate residents for the lack of easy access to the street. Furthermore, our analysis provides evidence of an equilibrium relationship between rental prices and proximity to initially high-priced areas that is consistent rental price spillovers. More precisely, dwellings at higher vertical locations exhibit stronger rental price growth if they are located closer to an initially expensive neighborhood compared to dwellings on lower floor levels.

JEL Classification: O18, R21

Keywords: Rent Gradient, Vertical Rent Curve, Access, Amenities

[†]We thank William Strange, two anonymous referees and seminar participants at the University of Lausanne Research Days, the European Urban Economics Association and the Swiss Society of Economics and Statistics annual conference for useful discussion and suggestions that significantly improved the paper. Without implication, we thank Adrian Bruhin, Marius Brühlhart, Olivier Cadot, Lionel Cottier, Raphaël Parchet, Thierry Mayer, Frédéric Robert-Nicoud and Etienne Wasmer for insightful feedback. Any remaining errors are our own.

[‡]Swiss National Bank, Financial Stability, 3001 Bern, Switzerland. (JaysonMarc.Danton@snb.ch).

[§]Corresponding author. Department of Economics, Faculty of Business and Economics (HEC Lausanne), University of Lausanne, 1015 Lausanne, Switzerland. (Alexander.Himbert@unil.ch).

Download English Version:

<https://daneshyari.com/en/article/10127770>

Download Persian Version:

<https://daneshyari.com/article/10127770>

[Daneshyari.com](https://daneshyari.com)