

Accepted Manuscript

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PII: S0166-0462(17)30437-4

DOI: [10.1016/j.regsciurbeco.2018.04.010](https://doi.org/10.1016/j.regsciurbeco.2018.04.010)

Reference: REGEC 3361

To appear in: *Regional Science and Urban Economics*

Received Date: 3 November 2017

Revised Date: 23 April 2018

Accepted Date: 23 April 2018

Please cite this article as: Fesselmeyer, E., Liu, H., How much do users value a network expansion? Evidence from the public transit system in Singapore, *Regional Science and Urban Economics* (2018), doi: 10.1016/j.regsciurbeco.2018.04.010.

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How Much Do Users Value a Network Expansion? Evidence from the Public Transit System in Singapore

Eric Fesselmeyer and Haoming Liu*

April 25, 2018

Abstract

We estimate the network effects of a public transit system by examining the impact of its expansion on housing prices. Our results show that a major expansion of Singapore's Mass Rapid Transit (MRT) system increased the price of apartments within 0.5 km of a pre-expansion station by 1.8% relative to apartments that were further away from a station. Evaluated at the mean housing price, the expansion increased the value of pre-connected apartments by at least S\$455 million in aggregate, which is equivalent to 9% of the estimated S\$5 billion cost of the expansion.

Keywords: Public transportation; Housing; Network Effects

JEL classification: H4; R21; R42; H23

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