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The Effects of Cultural Heritage on Residential Property Values: Evidence from Lisbon, Portugal

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Abstract

We estimate the cultural heritage amenity impact on the residential real estate market of Lisbon, Portugal, paying particular attention to heterogeneity of types and capturing spatial dependencies through a spatial error model. Our heritage amenities include conservation areas, listed historic buildings, and designated heritage which includes churches, palaces, historic buildings and lithic structures. We construct gridded spatial fixed effects which mitigate biases from the modifiable areal unit problem, and further employ a geographic regression discontinuity ensuring the robustness of results. The analysis is complemented with spatial interactions and mixed geographically weighted regressions (MGWR) to explore spatial heterogeneity of impacts.

Conservation areas yield 4.1% premiums with spillover benefits of 3.3%, while proximity to designated heritage has a positive price elasticity of 0.0075. This impact is equivalent to an additional designated heritage within 100 meters. Ten additional listed buildings within 500 meters on the other hand yield 0.5% premiums.

We find spatial variation in heritage amenity impacts with MGWR and spatial interactions highlighting common patterns whereby positive price impacts are strongest for the closest properties, and the biggest for landmark amenities. We compare these two manners to evaluate spatial non-stationarity of impacts and highlight the benefits of high-level GIS techniques which are commonly lacking in hedonic studies with urban spatial data.

Keywords: Spatial hedonic models, Cultural heritage, Geographically weighted regression

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