

Sorting based on amenities and income: Insights on social interactions and multiplier effects

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Abstract. Recent research shows that urban heritage can be an important factor of residential location choice, and that especially highly educated households are attracted by the presence of cultural heritage. In this paper, we use a location choice model to investigate the attractiveness of neighborhood amenities for heterogeneous households in Amsterdam and surrounding municipalities. We control for observed (house prices, proximity to large labor markets, area of historic city center, share of rich households) and unobserved neighborhood characteristics. We use a unique micro data where we identify the marginal willingness-to-pay of different households for living with higher income households. The results show urban amenities attract high income households and that there is a social interaction effect: High income households attract each other. This suggests that there is a multiplier effect on the impact of urban amenities. However, we do not find any evidence that the presence of high income households attract endogenous amenities.

Key words: Location choice, cultural heritage, multiplier effect, equilibrium sorting models, discrete choice models, unobserved characteristics, heterogeneous household preferences