

House Prices and Neighbourhood Characteristics: Big City and Small City Comparative Analysis

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Abstract

Urban residential house prices depend on four broad factors: (1) population, (2) perceived growth, (3) tangible factors - characteristics of the dwelling units and (4) intangible factors - neighbourhood characteristics, services and environment. Demand and supply analysis have been used extensively to study the impact of the first three factors. However, product differentiation and hence price variation could theoretically be achieved on the basis of the fourth factor. A comprehensive study of the impact of neighbourhood characteristics on house prices is lacking. This study uses data on house prices and neighbourhood characteristics in the cities of Edmonton (large city) and Camrose (small city) to estimate the impacts of intangible factors on house prices. A multiple regression model was estimated using average house prices as the dependent variable and a set of neighbourhood characteristics as independent variables. Results indicate that household income and proximity to green spaces and other types of natural surroundings (ravines, parks) positively influence house prices. Household income and proximity to ravines are positively correlated but they also influence house prices independently.

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