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Effect of density on house prices in the Randstad Region

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Increasing degree of urbanization has led to a greater pressure of densification in cities across the world. This underlines the pressing need for socially, economically and environmentally efficient spatial planning. It is believed that compact urban living would provide a desirable outcome in this direction. However, the lack of empirical evidence prevents a thorough investigation of the costs and benefits associated with compact urban living. This study contributes to the debate by measuring the impact of localized urban density and characteristics of urban form on house prices in the four largest cities of the Randstad region, namely, Amsterdam, Rotterdam, The Hague and Utrecht. Our results suggest a negative valuation for density, as measured by the floor space index, in Amsterdam and Rotterdam as opposed to a positive valuation in The Hague and especially Utrecht. On the contrary, the valuation for building height and open space appears to follow a reverse trend, and a preference for greater building height generally aligns with a preference for more open space in the neighborhood. Additionally, our results also indicate a preference for mixed land use in the neighborhood. Amongst the case study areas in this study, Amsterdam represents a high-rise and high density urban form while Utrecht represents a relatively low-rise and low density urban form. We believe that it is this difference in the urban character of cities coupled with heterogeneity in household preferences that leads to the contrasting price effects of density between them. Our results also hint at a sorting phenomenon based on differential preferences for urban design characteristics.

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