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Kathleen Kürschner

Immigration and Housing Rents

Evidence from German Reunification

 Springer Gabler

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Preface

The fall of the Berlin Wall on 9th November 1989 sparked a mass exodus of East Germans to West Germany. This work exploits the natural experiment provided by the unexpected disintegration of socialist East Germany to study the impact of the mass immigration of East Germans on housing rents in West German metropolitan areas. Using a spatial correlation approach, annual district-level migration data for 1991 and 1992 and unique rental price indicators from Germany's major regional property market information system, we find strong evidence for a positive and sizeable effect of immigration on rental prices of residential housing. A one percent population increase due to immigration is associated with an approximate increase in minimum and average category rents by 4.8 and 3.3 percent, respectively. Additional explorations that employ an IV approach based on various exogenous origin-region push factors related to the deteriorating economic conditions in East Germany yield estimates of even larger magnitude. These results suggest that immigration has important economic effects outside the labour market, traditionally the prime domain of economic enquiries into the consequences of immigration. Our findings cast doubt on the appropriateness of this bias in focus.

Kathleen Kürschner (M.Sc.)
Magdeburg, September 2015

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List of Abbreviations

2SLS	-	Two-Stage Least Squares
BTE	-	Berufstaetigenerhebung (workforce census)
COMECON	-	Council for Mutual Economic Assistance
CPI	-	Consumer Price Index
D-Mark	-	Deutschemark (former currency of the Federal Republic of Germany)
EOD	-	Employment Office District
FRG	-	Federal Republic of Germany
GDR	-	German Democratic Republic
IV	-	Instrumental Variable
LPG	-	Landwirtschaftliche Produktionsgenossenschaft (agricultural cooperative)
MSA	-	Metropolitan Statistical Area
OECD	-	Organisation for Economic Co- operation and Development
OEEC	-	Organisation for European Economic Co- operation
OLS	-	Ordinary Least Squares
P&P	-	Push and Pull (factors)
PPP	-	Purchasing Power Parity
RIWIS	-	RIWIS bulwiengesa AG

SEMU	-	Social Economic and Monetary Union
UK	-	United Kingdom
U.S.	-	United States of America
WWII	-	The Second World War
ZER	-	Zentrales Einwohnerregister Berlin-Biesdorf

List of Symbols

Δ	- First-difference (long-difference)
β_0	- Main regression model constant
$\beta_1 \dots \beta_4$	- Main regression model coefficients
γ_0	- Preliminary regression model constant
γ_1	- Vector of preliminary regression model coefficients
$\varepsilon_{j,1990-92}$	- Idiosyncratic error term
μ_j	- Set of market type dummies
ρ_j	- Set of state dummies
σ^2	- Variance
φ_j	- Zonal border area dummy (metropolitan destination)
ω_i	- Zonal border area dummy (origin)
c	- Rental category
$D_{i,j}$	- Distance
H_0	- Null hypothesis
i	- Origin area (migrant sending area)
j	- Metropolitan area (migrant recipient area)
k	- Industrial sector
$area_i$	- Area in square kilometre

$arr_{j,1990}$	- Annual guest arrivals (check-in at local hospitality providers)
$impact_{k,i}$	- Shock impact
$m_{i,j,1991-92}$	- Observed migration (detailed)
$\hat{m}_{i,j,1991-92}$	- Predicted migration (detailed)
$m_{j,1991-92}$	- Immigration divided by initial population (main explanatory variable)
$pop_{j,1990}$	- (initial) population
$production\ decline_k$	- Export industry induced production decline in sector k
$rent_{j,c,1990-92}$	- Rental outcomes (endogenous variables)
$sector\ share_{k,i}$	- Local employment concentration in sector k
$spec$	- Specification of preliminary regression model
$u_{j,1990}$	- Unemployment rate (annual average)
$v_{i,j,1991-92}$	- Error term (preliminary regression)
$working\ pop_{i,1990}$	- (initial) working population
$\hat{z}_{i,j,1991-92}$	- Instrumental variable (detailed)
$\hat{z}_{j,1991-92}$	- Instrumental variable (cumulated)