ECONSTOR
Make Your Publications Visible.

A Service of

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Ahlfeldt, Gabriel M.; Maennig, Wolfgang

Working Paper

The impact of sports arenas on land values: evidence from Berlin

Hamburg Contemporary Economic Discussions, No. 3

Provided in Cooperation with:
University of Hamburg, Chair for Economic Policy

Suggested Citation: Ahlfeldt, Gabriel M.; Maennig, Wolfgang (2007) : The impact of sports arenas on land values: evidence from Berlin, Hamburg Contemporary Economic Discussions, No. 3, ISBN 978-3-940369-29-1, University of Hamburg, Faculty of Business, Economics and Social Sciences, Chair for Economic Policy, Hamburg

This Version is available at:
https://hdl.handle.net/10419/25349

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

Universität Hamburg

Faculty Economics
and Social Sciences
Chair for Economic Policy

GABRIEL AHLFELDT / WOLFGANG MAENNIG

IMPACT OF SPORTS ARENAS ON LAND VALUES: EVIDENCE FROM BERLIN

Urban
Transport
Sports
Socio-
Regional
Real Estate
Architectural

HAMBURG CONTEMPORARY | ECONOMIC DISCUSSIONS

No. 03

Hamburg Contemporary Economic Discussions
University of Hamburg
Faculty Economics and Social Science
Chair for Economic Policy
Von-Melle-Park 5
D-20146 Hamburg | Germany
Tel +49 40 42838 - 4622
Fax +49 40 42838 - 6251
http://www.uni-hamburg.de/economicpolicy

Editor: Wolfgang Maennig

P. Gabriel M. Ahlfeldt
University of Hamburg
Faculty Economics and Social Science
Chair for Economic Policy
Von-Melle-Park 5
D-20146 Hamburg | Germany
Tel +49 40 42838 - 5569
Fax +49 40 42838 - 6251

Wolfgang Maennig
University of Hamburg
Faculty Economics and Social Science
Chair for Economic Policy
Von-Melle-Park 5
D-20146 Hamburg | Germany
Tel +49 40 42838 - 4622
Fax +49 40 42838 - 6251
maennig@econ.uni-hamburg.de

ISBN 978 - 3 - 940369 - 28 - 4 (Print)
ISBN 978 - 3 - 940369 - 29 - 1 (Online)

Gabriel Ahlfeldt & Wolfgang Maennig

Impact of Sports Arenas on Land Values: Evidence from Berlin*

Abstract: This paper develops a hedonic price model explaining standard land values in Berlin. The model assesses the impact of three multifunctional sports arenas situated in Berlin-Prenzlauer Berg which were designed to improve the attractiveness of their formerly deprived neighbourhoods. Empirical results confirm expectations about the impact of various attributes on land values. Sports arenas have significant positive impacts within a radius of about 3000 meters. The patterns of impact vary, indicating that the effective impact depends on how planning authorities address potential countervailing negative externalities.

Keywords: Stadium Impact, Land Gradient, Hedonic Regression, Spatial Autocorrelation, Berlin

JEL classification: R31, R53, R5

Version: April 2007

1 Introduction

Due to a stadium construction boom, the economic impact of new stadium development has become a more controversial and discussed issue. Politicians who address the citizens' civic pride by spending large amounts of public money on subsidizing major stadium projects usually have familiar arguments. They affirm that the expenditures will be good investments, due to creation of construction jobs and attracting businesses and tourists, leading to stimulation of spending in the community and increased tax revenues. Critics maintain that high expectations are based upon unrealistic assumptions about multiplier effects, underestimation of substitution effects and by neglecting opportunity costs (BAADE,

* We are grateful to Stephen Redding, Daniel Sturm and Nikolaus Wolf for sharing most valuable data. We would like to thank seminar participants, in particular Arne Feddersen, for valuable comments and suggestions. Niklas Jakob provided perfect IT-support. We are also indebted to Markus Breithaupt and Monika Mischlinsky of the Berlin Senate Department for Urban Development for readily providing GIS-content being the precondition for this research.

1996; , 2000; NOLL & ZIMBALIST, 1997; ROSENTRAUB, 1997; ZARETSKY, 2001). Econometric ex-post evaluation has long supported scepticism regarding the economic benefits of new stadium projects, since few positive and often negative impacts have been found on income (BAADE, 1988; BAADE & DYE, 1990; COATES & HUMPHREYS, 1999), employment (BAADE & SANDERSON, 1997) and wages (COATES & HUMPHREYS, 2003). Relatively few studies have identified positive impacts on employment (BAIM, 1990) or rents (CARLINO & COULSON, 2004) on a city or metropolitan statistical area (MSA) level. Siegfried and Zimbalist (2006) provide a detailed discussion on why sports facilities have failed to stimulate local economies.

This debate, however, might neglect a crucial aspect. Critics themselves emphasize that stadiums and corresponding franchises are relatively small "businesses" compared to major cities or metropolitan areas and that impacts are therefore limited (ROSENTRAUB, 1997). At the same time empirical studies usually use aggregated data on a city or MSA level, instead of focusing on areas for which impact might be expected. As a consequence the perspective of residents living in close proximity to a stadium has largely been neglected in the empirical literature, most probably due to difficulties in obtaining and handling data. Sometimes neighbourhood activists tend to oppose new stadium construction, arguing that they expect emerging traffic congestion and crowds to lower property values nearby. Contrary to these expectations, Tu (2005), who was the first to empirically analyse stadium construction from the homeowner perspective by using transaction data on single-family properties, found a clear positive impact on property prices when investigating the impact of FedEx Field in Prince Georges County, Maryland, USA. Coates and Humphreys (2006) show that voters in close proximity to facilities tend to favour subsidies more than voters living farther from the facilities, indicating that benefits from stadia might exhibit an unequal spatial distribution.

The present study investigates the impact of three sports arena projects completed during the 1990s in downtown Berlin, Germany, which were explicitly designed to improve neighbourhood quality. Impact will be assessed by using highly

disaggregated data and a comprehensive hedonic model, which explains land value patterns for all of Berlin and provides valuable insights on land gradient behaviour and impacts. Our results show that sports arenas have an impact at the neighbourhood scale, although this may vary for different arenas.

The remainder of this article is organized as follows. In section 2 two projects are presented in detail. Section 3 and 4 discuss data, empirical strategy and methodological issues. Section 5 contains the empirical results and an interpretation. Section 6 concludes and gives an outlook.

2 Velodrom and Max-Schmeling-Arena

The two sports arenas investigated are the Max-Schmeling-Arena and Velodrom/Swimming-Arena, both located in Prenzlauer Berg, a district within former East-Berlin.[1] The arenas were originally designed to the standards of the International Olympic Committee (IOC) as they played a role in the unsuccessful bid of Berlin for the Olympics of 2000. To simplify matters from hereon we refer to Velodrom/Swimming-Arena as Velodrom. As well as serving as Olympic venues for boxing (Max-Schmeling-Arena), track cycling and aquatics (Velodrom), all arenas were intended to be regarded as local amenities by neighbouring residents. Special attention was paid to appealing architecture of visible buildings and their incorporation into park landscapes, thereby providing recreational spaces in one of the most densely populated areas of Berlin. These integrated concepts were honoured with important architectural awards, including the German Architectural Award (Velodrom in 1999) and the IOC/IAKS Gold medal[2] (Max-Schmeling-Arena in 2001). As well as large arenas with capacities for 10000 spectators in the case of Max-Schmeling-Arena and 11500 for Velodrom, they have additional fa-

[1] Exact location of arenas is shown in Figure 1 that also illustrates standard land value pattern for 2006.

[2] This prize is sponsored by the IOC and the International Association for Sports and Leisure Facilities (IAKS) and the only international prize awarded to sports and leisure facilities in operation.

cilities for non-professional sports. The sites were chosen to connect well with local public transportation networks. The access path for Velodrom is directly connected to the tram and suburban railway (S-Bahn) terminals. Within 800 m of the Max-Schmeling-Arena there are five underground, one suburban railway and various tram stations. Although no subsequent improvements in public infrastructure were necessary the project total expenditure, financed by land funds, reached remarkable dimensions. Max-Schmeling-Arena cost about $118 Million (205 Million DM, current prices) and Velodrom over $295 Million (545 Million DM) (MYERSON & HUDSON, 2000; PERRAULT & FERRÉ, 2002).[3] The projects were finished in 1997 (Max-Schmeling-Arena) and 1999 (Velodrom) leaving more than five years to the time of this study.

[3] Dollar values have been calculated based on the average exchange rates during the years of completion. For Max-Schmeling-Arena the average 1997 exchange rate of 1.7348 DM per dollar has been applied while values referring to the Velodrom complex rely to the average 1999 exchange rate of 1.0658 Euros per Dollar and 1.95583 DM per Euro.

Fig. 1 Standard Land Values 2006

Notes: Map was created on the base of the "City and Environment Information System" of the Senate Department. (Kartengrundlage: Informationssystem Stadt und Umwelt der Senatsverwaltung für Stadtentwicklung)

3 Data and Data Management

The study area covers the whole area of Berlin, capital city of Germany, which on July 30, 2006 had 3,399,511 inhabitants and an area of approximately 892 km^2. We use standard land values (Bodenrichtwerte), assessed by the local Committee of Valuation Experts, (Gutachterausschuss) as our primary endogenous variable. Standard land values are given in values per m^2 for zones of similar use and valuation (Bodenrichtswertszonen), assessed by statistical evaluation (including elimination of outliers) of all transactions during the reporting period. Assessed values reveal market values for undeveloped properties within the zone of valuation and

refer to the typical density of development provided in the form of typical floor space index (FSI) values for the zone.[4] The FSI, also called floor space ratio (FSR), is the ratio of building total floor area to the area of the corresponding plot of land. Additionally, each standard land value is assigned to a class of land use, indicating whether the respective area is characterized by major retail and business activity, industrial or residential use.

The data refers to the official statistical block structure, the most disaggregated level available at the Statistical Office of Berlin, as defined in December 2005. In this data Berlin consists of 15,937 statistical blocks with a median surface area of less than 20,000 m^2, approximately the size of a typical inner-city block of houses. The mean population of the 12,314 populated blocks was 271 (median 135).[5] To analyse this highly disaggregated dataset we employ GIS tools and a projected GIS map of the official block structure that brings a geographic dimension into our analysis. There is GIS information available for public infrastructure such as schools, playgrounds and railway stations enabling generation of impact variables that are discussed in more detail in the section below.[6] Information can be retrieved on location attributes, such as proximity to water spaces or above ground railway tracks. Furthermore, we use population data at block-level, including demographic characteristics from the Statistical Office of Berlin. All data used in this paper strictly refers to the end of 2005.[7]

Mapping and geographic computation (calculation of surface area, determination of block centroids, or creation of impact variables such as impact area dummy- or

---

[4] More information on sources and the process of collection of standard land values is in the data appendix.

[5] Especially in the outer areas of Berlin there are much larger blocks. These typically cover recreational areas such as parks, forest and lakes which are undeveloped and unpopulated and are not included in the present study.

[6] All GIS maps were provided by the Senate Department of Urban Development (Senatsverwaltung fuer Stadtentwicklung) and are based on "The City and Environment Information System" of the Senate Department (SENATSVERWALTUNG FUER STADTENTWICKLUNG BERLIN, 2006b).

[7] Standard land values of 2006 are assessed on the base of transactions from the reporting period year 2005.

distance-variables) uses ArcInfo 9.1. To create spatially lagged variables and related scatter plots we employ GeoDa 0.9.5-I (ANSELIN, 2003).

4 Empirical Strategy and Methodological Issues

Our empirical strategy consists of two steps. First, we develop a hedonic pricing model explaining present land value pattern. In the second step we extend the basic model by a set of dummy- and distance-variables, capturing impacts of the arenas on land values. Hedonic models are commonly applied in real estate and urban economics since they treat real estate commodities as bundles of attributes, whose prices are estimated using multiple regression. Examples of hedonic pricing models in urban economic literature include; construction of house indices (CAN & MEGBOLUGBE, 1997; MILLS & SIMENAUER, 1996; MUNNEKE & SLADE, 2001), impact assessment of of quality of public services (BOWES & IHLANFELDT, 2001; GATZLAFF & SMITH, 1993), school quality (MITCHELL, 2000), group homes (COLWELL, DEHRING, & LASH, 2000), churches (CAROLL, CLAURETIE, & JENSEN, 1996) or even supportive housing (GALSTER, TATIAN, & PETTIT, 2004). However, with the exception of Tu (2005), hedonic analysis of property values has not been applied to the impacts of sports stadium construction.

Following Galster, Tatian and Petit (2004) we assume that the characteristics of real estate can be described by their structural attributes [S], and a set of attributes capturing the effects of the neighbourhood [N] and local public services [L] (MUELLBAUER, 1974; ROSEN, 1974):

$$H = f([S],[N],[L]) \quad (1)$$

H is the aggregated value of attribute characteristics, which translates into a market value or sales price (P) following a determined functional relationship

$$P = g\,(H) \quad (2)$$

In urban and real estate economics literature it is common to assume this relationship is log-linear, allowing for a non-linear relationship between price and

attribute values and being more intuitively interpretable than other non-linear models. When interpreting regression results, the attribute coefficient gives the percentage impact of changes in attribute value on property value. For coefficient values smaller than 10% this rule may also be applied to dummy-variables (ELLEN *et al.*, 2001).[8] Following Tu (2005) the relationships in (1) and (2) can be formulated more precisely in a regression equation

$$\ln(P) = \alpha + \beta_1 S_1 + \ldots + \beta_i S_i + \gamma_1 N_1 + \ldots + \gamma_j N_j + \delta_1 L_1 + \ldots + \delta_k L_k + \varepsilon \quad (3)$$

where *i*, *j* and *k* represent the number of attributes, α, β, γ and δ are coefficients and ε is an error term.

Theory does not determine which variables are used in an appropriate hedonic model specification. In recent publications much attention has been paid to the characteristics of the real estate units (ELLEN *et al.*, 2001; GALSTER, TATIAN, & PETTIT, 2004; HEIKKILA *et al.*, 1989; TU, 2005). To compare property transactions it is necessary to correct all transactions for a complete set of unit characteristics. Indeed, as noted by Heikkila, et al. (1989), a feasible correction for unit characteristics gives the analysis a character of referring to land values instead of property prices (HEIKKILA *et al.*, 1989). As we directly focus on land values as the endogenous variable we can largely abstract from unit characteristics and even the price-lot size relationship.[9] We focus on other factors and develop a model which describes Berlin's land value pattern through a comprehensive set of explanatory variables covering land use, accessibility indicators, natural endowments, public services provision and variables that represent density and composition of neighbourhood populations.

---

[8] For larger coefficient values a simple formula is strongly recommended, providing a much better approximation. For a parameter estimate b the percentage effect is equal to (e^b – 1) (HALVORSEN & PALMQUIST, 1980)

[9] Lot size was typically found to have a concave functional impact on land values (COLWELL & MUNNEKE, 1997; COLWELL & SIRMANS, 1993) later a convex structure was indicated within metropolitan area central business districts (CBD) (COLWELL & MUNNEKE, 1999).

We capture land use by dummy-variables that identify blocks where considerable retail or business activity takes place or where the main use is industrial,[10] the remaining blocks represent residential areas. We use a variable representing the typical block FSI value, allowing for a quadratic term, since land value is expected to increase at a declining rate with increased FSI.

Location characteristics are captured by a set of distance-variables reflecting accessibility and proximity to amenities. Following Von Thünen and Alonso (1964), the most important accessibility indicator is distance to CBD (CHESHIRE & SHEPPARD, 1995; DUBIN & SUNG, 1990; HEIKKILA *et al.*, 1989; ISAKSON, 1997; JORDAAN, DROST, & MAKGATA, 2004).

In contrast to the usual assumption of one single CBD, Berlin is characterised by duo-centricity. This characteristic emerged during the 1920s and was strengthened during the period of division (ELKINS & HOFMEISTER, 1988). Modelling Berlin as a typical mono-centric city could lead to biased estimates (DUBIN & SUNG, 1990). To deal with Berlin's duo-centric structure we rely on the official definition of Berlin's Senate Department for Urban Development (SENATSVERWALTUNG FUER WIRTSCHAFT ARBEIT UND FRAUEN, 2004). As a consequence our main accessibility measure consists of distance to *either* CBD-West *or* CBD-East.[11]

We believe this will make a valuable contribution to land-gradient discussion since there is little empirical evidence available in European and in particular German cities.[12] Allowing land-gradient to vary across land uses further enriches our contribution. Of course, distance to CBD is only an approximation; the degree to which local transportation infrastructure is developed may impact on accessi-

[10] The Committee of Valuation Experts provides information on land use for all land values. A detailed description of data sources is provided in the data appendix.

[11] We define CBD-West as a point on Breitscheidplatz, the place where the Kaiser-Wilhelm Memorial Church stands. CBD-East is defined as the crossroads of Friedrichstrasse and Leipziger Strasse. Centrality of this point is highlighted by the nearby metro-station called Downtown (Stadtmitte).

[12] One of the few existing studies focuses on Munich and supports theoretical implications (POLENSKY, 1974).

bility. Impact of public transport on property prices has been investigated by Gatzlaff and Smith (1993) and Bowes and Ihlanfeldt (2001), who also discussed related sources of negative externalities. We capture the impact of the public transportation network on price pattern by using distances to metro and suburban railway stations. To capture externalities created by railroad noise, which have a negative impact on property values (CHESHIRE & SHEPPARD, 1995; DEBREZION, PELS, & RIETVELD, 2006), we add distances to above ground railways. In the same way we consider the effects of proximity to bodies of water (lakes and rivers), natural amenities that are expected to be a major determinant for the emergence of high quality residential areas. We also include proximity to playgrounds and schools, providing information on the supply of public services infrastructure.

As indicators of neighbourhood quality we add population density and proportions of foreign people (DUBIN & SUNG, 1990; TU, 2005). We also consider proportions of other potential low-income groups such as people over the age of 65, and young professionals and students between 18 and 27. To assess any impacts related to households with children we use proxy-variables of proportions of the population in the age classes: below 6, from 6 to 15, and from 15 to 18.

Recently there have been attempts to control for location by using large sets of dummy-variables representing locational fixed effects (ELLEN *et al.*, 2001; GALSTER, TATIAN, & PETTIT, 2004; GALSTER, TATIAN, & SMITH, 1999; TU, 2005). We use this concept to account for potential East-West heterogeneity by introducing a dummy-variable for West-Berlin, which we allow to interact with all explanatory variables to allow for heterogeneity of all implicit attribute prices.

Spatial dependence may lead to autocorrelation, which violates the assumption of zero-correlation between residuals, leading to inefficient OLS estimates and biased test-scores. Intuitively spatial dependence can be imagined to be the result of external effects of surrounding areas. One explanation for spatial dependence in property prices and rents is that the buyer and seller consider previous transactions that have occurred in the immediate vicinity. To deal with spatial dependence, Can and Megbolugbe (1997) used a spatial autoregressive explanatory vari-

able that represented a distance-weighted average of local sales prices that had occurred prior to the transaction.[13]. To determine the value of the spatially lagged variable for block *i*, we weight land value of neighbouring block *j* (P_j) with spatial weight

$$w_{ij} = (1/(1/d_{ij})/\sum_j(1/d_{ij}), \quad (4)$$

where $(1/d_{ij})$ represents the inverse of distance between centroids of blocks *i* and *j*. The spatial lag value for block *i* takes the form:

$$Spatial_Lag_i = \sum_j[(1/(1/d_{ij})/\sum_j(1/d_{ij})]P_j \quad (5)$$

Having decided to use a spatial weight-matrix using inverse distance weights, then the spatial extent surrounding properties needs to be defined. Can and Megbolugbe (1997) found a 3000 m radius to be superior, considering only the three nearest properties. Tu (2005) used a very similar distance of 1.8 miles. Galster, Tatian and Pettit (2004) only tested the effectiveness of distinct range-specifications for a small subset of their transaction data. Goodness of fit (R^2) showed minimal impact and so they excluded the spatial lag term. To test which of the specifications proposed by Can and Megbolugbe (1997) best match our requirements we calculate inverse distance matrixes according to both specifications. Figure 2 shows Moran scatter plots for logarithms of land values for 2006. The plot based on a distance-matrix capturing three nearest blocks (Fig. 2b) clearly exhibits a more linear relationship, better capturing spatial dependence. This is confirmed by a larger Moran's I coefficient.[14]

[13] Since assessed standard land values all refer to the same point in time we do not have to define any relevant pre-transaction period.

[14] Comparing the effects of different spatial weight matrixes on nominal values yields similar results. We provide scatter-plots of logarithms since we use log-values as endogenous variables.

Fig. 2a Spatial Dependence with 3000 meter Specification

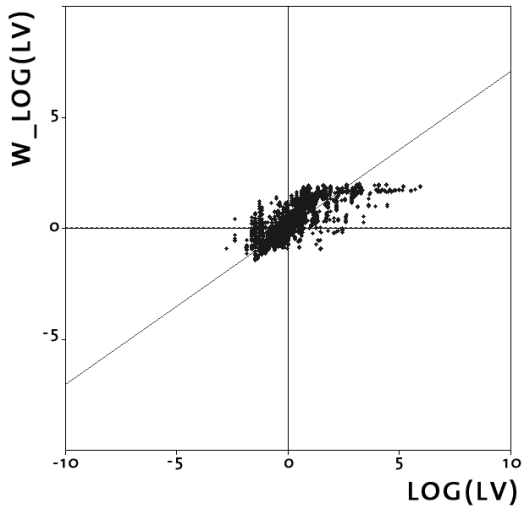
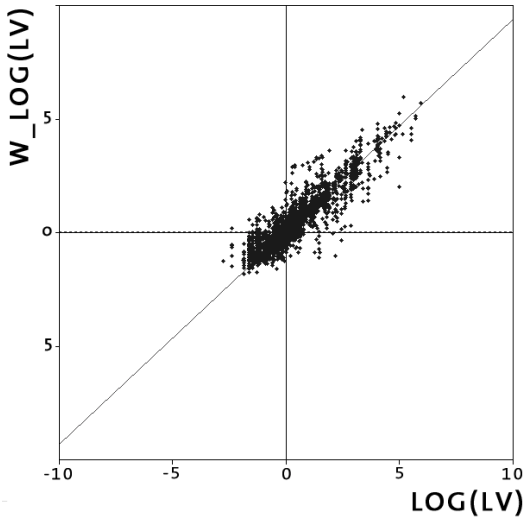


Fig. 2b Spatial Dependence with 3 Nearest Blocks Specification

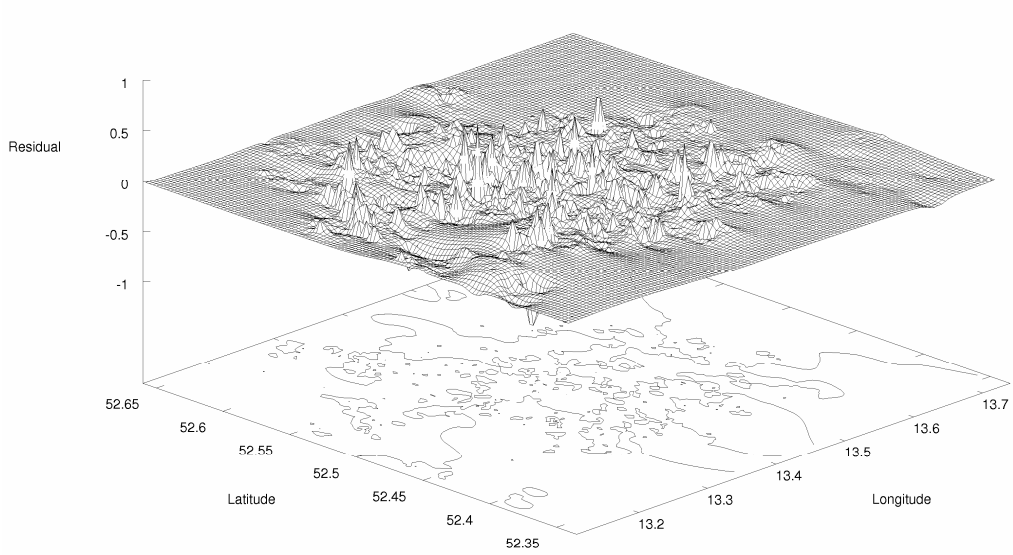


Notes: LOG(LV2006) are natural logarithms of the standard land values of Berlin for 2006. W_LOG(LV2006) are the corresponding spatial lag values calculated on the basis of the respective spatial weight matrix. The corresponding Moran's I test statistics is 0.7051 for Figure 2a specification and 0.9346 for Figure 2b respectively.

Spatially lagged variables not only affect correlations of residuals but also have positive effects on the explanatory power of models. This additional advantage is the result of omitted attributes that are most likely correlated across space. Due to the large explanatory power of the spatial lag variable (i.e. Moran's I coefficient close to one) we emphasise that the explanatory power of our model depends only to a minor extent on the introduction of the lag-term. In Table A1 we compare the performance of our final hedonic baseline-regression (1) with the performance when omitting the lag-term (3). An R^2 of close to 0.9 indicates that our model performs well when neglecting spatial dependence. However, the improvements in residuals following the spatial model extension are substantial. In Figures 3 the residuals corresponding to Table A1, column (3) are plotted into three dimensional space.[15, 16]

[15] These residual surfaces also serve as a useful tool to eliminate extreme values. The most western block, isolated and contiguous to Berlin's boundaries within a forest, has an extremely large residual. This indicates that our model, largely calibrated to inner-city areas, does not explain the valuation of an isolated area. Consequently we exclude this observation.

Fig. 3 Gridded Residual Surface (Spatially Extended Model)



The full model specification can be expressed in the following way:

$$
\begin{aligned}
\ln(P) = {} & \alpha + \beta_1 Business + \beta_2 Industry + \beta_3 West \\
& + STRUCT\ a_1 + LOC\ a_2 + NEIGH\ a_3 \\
& + (Business \times STRUCT)\ b_1 + (Business \times LOC)\ b_2 \\
& + (Business \times NEIGH)\ b_3 \\
& + (Industry \times STRUCT)\ c_1 + (Industry \times LOC)\ c_2 \\
& + (Industry \times NEIGH)\ c_3 \\
& + (West \times SRUCT)\ d_1 + (West \times LOC)\ d_2 + (West \times NEIGH)\ d_3 \\
& + \gamma\ Spatial_Lag + \varepsilon
\end{aligned}
\tag{6}
$$

where *ln*(*P*) is the natural logarithm of standard land values, *Business*, *Industry* and *West* are dummy-variables capturing land use and spatial heterogeneity, *STRUCT*, *LOC* and *NEIGH* are vectors of structural, locational and neighbourhood characteristics and *Spatial_Lag* is the spatial autoregressive term from (4). α, β, γ

[16] To check for robustness we consider numerous lag-term specifications, including two, four, five and six nearest blocks as well as a specification which considered all blocks within 1500 m. However, Moran scatter plots and R^2 both suggest that the final model performs best in capturing spatial dependence.

and lower case letters represent the set of coefficients to be estimated and ε is an error term.

Tab. 1 Description of Variables and Abbreviations

Variable	Description
	In Hedonic Regressions
Business	Dummy-variable; 1 for blocks where a considerable amount of retail and/or office activity takes place
Industry	Dummy-variable; 1 for blocks where land is at least partially used for industrial purposes
West	Dummy-variable; 1 for blocks lying within the area of former West-Berlin
FSI	Floor-Space-Index: Quotient of full storey-area and plot-area
FSI^2	Floor-Space-Index squared
Dist_Cent	Shortest great circle distance to CBD East or West in meters
Dist_Metro	Great circle distance to next metro-station in meters
Dist_Suburban	Great circle distance to next suburban railway-station in meters
Dist_Water	Great circle distance to next water space in meters (lake or river)
Dist_Schools	Great circle distance to next school in meters
Dist_Play	Great circle distance to next playground in meters
Dist_Rail	Great circle distance to over-ground railway tracks in meters
Pop_Prop_Sub6	Proportion of population below the age of 6
Pop_Prop_6_15	Proportion of population of age group: 6 to 15 years
Pop_Prop_15_18	Proportion of population of age group: 15 to 18 years
Pop_Prop_18_27	Proportion of population of age group: 18 to 27 years
Pop_Prop_65plus	Proportion of population above the age of 65
Pop_Density	Population density (inhabitants per square meter)
Prop_Foreigners	Proportion of foreign population
Prop_Male	Proportion of male population
Spatial_Lag	Spatial autoregressive term as described in the methodology section
STRUCT	Vector of structural characteristics including FSI and FSI^2
LOC	Vector of location characteristics including Dist_Cent, Dist_Metro, Dist_Suburban, Dist_Water, Dist_Schools, Dist_Play, Dist_Rail
NEIGH	Vector of neighbourhood characteristics including Pop_Prop_Sub6, Pop_Prop_6_15, Pop_Prop_15_18, Pop_Prop_18_27, Pop_Prop_65plus, Pop_Density, Prop_Foreigners, Prop_Male

In Table 1 is a detailed description of components. Attribute-variables interact with dummy-variables to allow implicit prices to vary across space and land use. To capture irregularities in land value pattern due to the presence of Velodrom and Max-Schmeling-Arena dummy-variables are introduced, representing mutually exclusive distance rings surrounding the arenas. Distance-impact variables representing distance from block centroids to the subject arena are introduced subsequently. We allow for quadratic terms in distances and interact dummy- with distance-variables to identify the most appropriate function.

5 Empirical Results

5.1 Baseline Hedonic Model

The baseline hedonic model (Table A1, column 1) performs satisfactorily with all coefficients showing the expected signs. The theoretically predicted negative distance-price relationship is much larger for West-Berlin. The significantly negative coefficient on *West x Dist_Cent* can be interpreted as the persistence of different spatial equilibriums that emerged during the time of division. In East-Berlin, no free markets were allowed, consequently the usual theoretical prediction based on bid-rent theory (ALONSO, 1964) is not applicable. Land gradient varies across space and land use.

As expected, for residential and industrial areas centrality is clearly important. However, the significant positive coefficient on *Business x Dist_Cent* shows that the location premium that business users are willing to pay is not linked strongly to distance from CBD. Apparently, remoteness is less problematic for business use. This may be explained by business, particularly retailers, having considerable market access in suburban areas. In contrast, for residents there is no alternative to the CBD for various specialized services. Proximity to metro and suburban railway stations has a significantly larger impact on prices paid for business real estate than for other land uses. In West-Berlin the proximity to suburban railway stations appears to have a significantly larger impact on property valuation than in East-Berlin, while for metro stations the opposite is true. This pattern might be partially attributable to the more developed metro network of West-Berlin, whereas in East-Berlin the suburban railway system dominates.[17] The implication is that if a particular service is provided relatively evenly across locations, residents then no longer recognize it as a local amenity. A similar argument applies for schools and playgrounds that have virtually no impact on land values.

[17] Even before Berlin ' s division the largest part of the metro network was within the western part of the city. However, after separation this imbalance increased. Since the eastern Municipal Transport Services managed the suburban railway network, the western authorities focused on the improvement of metro infrastructure.

Composition and density of population affects property prices more or less uniformly in both parts of the city. Population density has a negative impact on area valuation and the effect is significantly stronger within West-Berlin. The coefficient on proportions of foreigners is also significantly negative, indicating that foreign population indeed concentrates in areas of lower valuation, most probably due to lower incomes. This impact is similar in both parts of the city. The 18 to 27 year-olds also concentrate in areas of relatively lower valuation, probably since this group largely consists of trainees and students who have left home and are confronted with serious budget constraints. In contrast, people over 65 show no major concentration in economically deprived neighborhoods. The coefficient on the proportion of population below the age of six, a proxy for families with young children is significantly positive.

5.2 Impact of Sports Arenas

We consider the general neighbourhood of each arena to be the area within a 5000 m radius, which had proved useful in the case of the larger FedEx Field (TU, 2005). To capture neighbourhood fixed-effects we create two dummy-variables denoting all blocks lying within each of those impact-areas. In our first approach to assess arena impact we introduce two sets of mutually exclusive distance rings surrounding both arenas, again represented by dummy-variables. For each arena, four 1000 m radius rings, the first from 0-1000 m, the second 1000-2000 m, etc. are added to capture effects across distance. The results of this basic impact model are presented in column (1) of Table 2, with robustness checked by comparison with individual estimations of each arena impact in columns (2) and (3).[18]

[18] Results for individual and simultaneous estimation show the same general pattern.

Tab. 2 Empirical Results of Baseline Impact-Models

	(1) Land Value (Log)		(2) Land Value (Log)	(3) Land Value (Log)
Impact Area	Velodrom	Max-Schmeling	Velodrom	Max-Schmeling
0-1000 m	0.076287***	-0.014916	0.047019***	-0.025293
	(0.018011)	(0.019143)	(0.002779)	(0.018605)
1000-2000 m	0.037178***	0.035705***	0.020877***	0.025153***
	(0.012739)	(0.012628)	(0.011617)	(0.011895)
2000-3000 m	0.002686	-0.005757	0.013639*	-0.004855
	(0.013498)	(0.013051)	(0.212798)	(0.013132)
3000-4000 m	0.009350	-0.018397	0.007239	-0.014858
	(0.010437)	(0.012352)	(0.010420)	(0.012130)
Neighbourhood	-0.013436*	-0.033593***	-0.017581**	-0.030855***
	(0.007272)	(0.007023)	(0.007344)	(0.006849)
Spatial Lag	Yes		Yes	Yes
Block Sample	Berlin		Berlin	Berlin
Observations	11184		11184	11184
R^2	0.966402		0.966168	0.966329

Notes: The basic model is the same as in (1) of Table A1. To reduce the table size we only display variables indicating impact of either Velodrom or Max-Schmeling-Arena. Log of standard land values is the endogenous variable in models (1) – (3). 0-1000 m, 1000-2000 m, 2000-3000 m, 3000-4000 m are dummy-variables taking the value of 1 for blocks lying within corresponding one kilometre distance rings surrounding the respective arena, and 0 otherwise. Neighbourhood is defined in a similar way, capturing general neighbourhood effects within 0-5000 m distance. In (1) impact variables for both arenas entered the model simultaneously while in (2) and (3) impact of each arena is estimated individually. Standard errors (in parentheses) are heteroscedasticity robust. * denotes significance at the 10% level; ** denotes significance at the 5% level; *** denotes significance at the 1% level.

Both neighbourhood effects show negative coefficient values, indicating that arenas are located in relatively undervalued areas. Coefficients estimates for distance rings 2000-4000 m were not significant, indicating no systematic effect on the neighbourhood. In contrast, coefficients for the 1000-2000 m distance ring have positive values of similar size and are statistically significant at conventional levels. These suggest a positive arena impact of around 3.5% within both areas. In the immediate proximities, however, results differ substantially for Velodrom and Max-Schmeling-Arena. In the case of Velodrom the impact in 0-1000 m is approximately 7.5% while for Max-Schmeling-Arena it is not significantly different from zero. These results suggest a positive impact of Velodrom on land values, decreasing with distance and disappearing within the 2000-3000 m ring. However, for Max-Schmeling-Arena a positive impact was only found at 1000-2000 m, implying an impact on land values that first increases and then decreases with distance and disappears within the 2000-3000 m ring.

Tab. 3 Empirical Results of Alternative Models for Velodrom

	(1) Land Value (Log)	(2) Land Value (Log)	(3) Land Value (Log)
Impact Area	Velodrom	Velodrom	Velodrom
0-1000 m	0.073995*** (0.019412)		
1000-2000 m	0.034716** (0.012383)		
0-3000 m	-0.001965 (0.012383)	0.075524*** (0.021105)	0.121969*** (0.036593)
0-3000 m x Distance		-0.0000289*** (0.00000934)	-0.0000893** (0.0000422)
0-3000 m x Distance^2			0.0000000165 (0.0000000112)
Spatial Lag	Yes	Yes	Yes
Neighbourhood-Effects	Yes	Yes	Yes
Block Sample	Berlin	Berlin	Berlin
Observations	11184	11184	11184
R^2	0.966398	0.966377	0.966384

Notes: The basic model is the same as in (1) of Table A1. We capture the effects of Max-Schmeling-Arena by introducing the full set of dummy-variables represented in column (3) of Table 2. To reduce the table size we only display variables indicating impact of Velodrom. Log of standard land values is the endogenous variable as in the tables above. 0-1000m, 1000-2000m, and 0-3000 m are dummy-variables representing multiple distance rings as defined as in Table 2. Distance is defined as the distance from each blocks centroid to the corresponding arena, in meters. Neighbourhood effects are defined as in Table 2. Standard errors (in parentheses) are heteroscedasticity robust. * denotes significance at the 10% level; ** denotes significance at the 5% level; *** denotes significance at the 1% level.

Although both arenas are situated in general neighbourhoods in which properties appear to sell at a discount, this discount does not increase with proximity to the arenas as for the FedEx Field (TU, 2005).Within the general neighbourhood, the arenas seem to have significant positive impacts. In immediate proximity to Velodrom, for instance, positive impacts outweigh the general neighbourhood disadvantages. To confirm these results and to find the most appropriate functional form of arena-impact, we introduce distance-based variables and set up two series of hedonic models (Table 3 and 4).

Our results suggest that impacts are limited to a distance of 3000 m. We consequently omit the 3000-4000 m dummy-variable in following models. As suggested by Tu (2005), three distinct model specifications are tested. In column (1) of Tables 3 and 4 the specification used in Table 2 is repeated, but omitting the 3000-4000 m dummy-variable. Column (2) tests for a linear impact of distance to

arena, therefore the 0-1000 m and 1000-2000 m dummy-variables are substituted with an interactive term that consists of the 0-3000 m dummy interacted with distance to arena. Column (3) specification allows for a quadratic term to account for non-linear effects, in particular for the potentially parabolic form of impact of Max-Schmeling-Arena.

Tab. 4 Empirical Results of Alternative Models for Max-Schmeling-Arena

	(1) Land Value (Log)	(2) Land Value (Log)	(3) Land Value (Log)
Impact Area	Max-Schmeling	Max-Schmeling	Max-Schmeling
0-1000 m	-0.009482 (0.021002)		
1000-2000 m	0.041065*** (0.015273)		
0-3000 m	0.003211 (0.013001)	0.030773 (0.023960)	-0.049672 0.041028
0-3000 m x Distance		-0.00000718 (0.0000111)	0.000100** (0.0000505)
0-3000 m x Distance^2			-0.0000000301** (0.0000000147)
Spatial Lag	Yes	Yes	Yes
Neighbourhood-Effects	Yes	Yes	Yes
Block Sample	Berlin	Berlin	Berlin
Observations	11184	11184	11184
R^2	0.966390	0.966342	0.966365

Notes: The basic model is the same as in (1) of Table A1. We capture effects of Velodrom by introducing the full set of dummy-variables represented in column (2) of Table 2. To reduce the table size we only display variables indicating impact of Max-Schmeling-Arena. All variables are the same as in Table 3. Standard errors (in parentheses) are heteroscedasticity robust. * denotes significance at the 10% level; ** denotes significance at the 5% level; *** denotes significance at the 1% level.

The results in Tables 3 and 4 are similar to those of Table 2. For Velodrom, we find a highly significant linear distance-price relationship. The quadratic distance term is not statistically significant. For Max-Schmeling-Arena, in contrast, specification (3) clearly provides a better fit. Both interactive distance terms are significant, revealing that the pattern of land value impact is in a parabolic form. Having identified the appropriate functional form for each arena we finally estimate coefficients for both arenas, assuming that the land value-distance relationship is linear for Velodrom and quadratic for Max-Schmeling-Arena. Level-effects are now omitted for Max-Schmeling-Arena since the corresponding dummy-variable

was not statistically significant in specification (3) of Table 4.[19] Estimations for our final hedonic specification are presented in Table 5.

Tab. 5 Empirical Results of Final Hedonic Specification

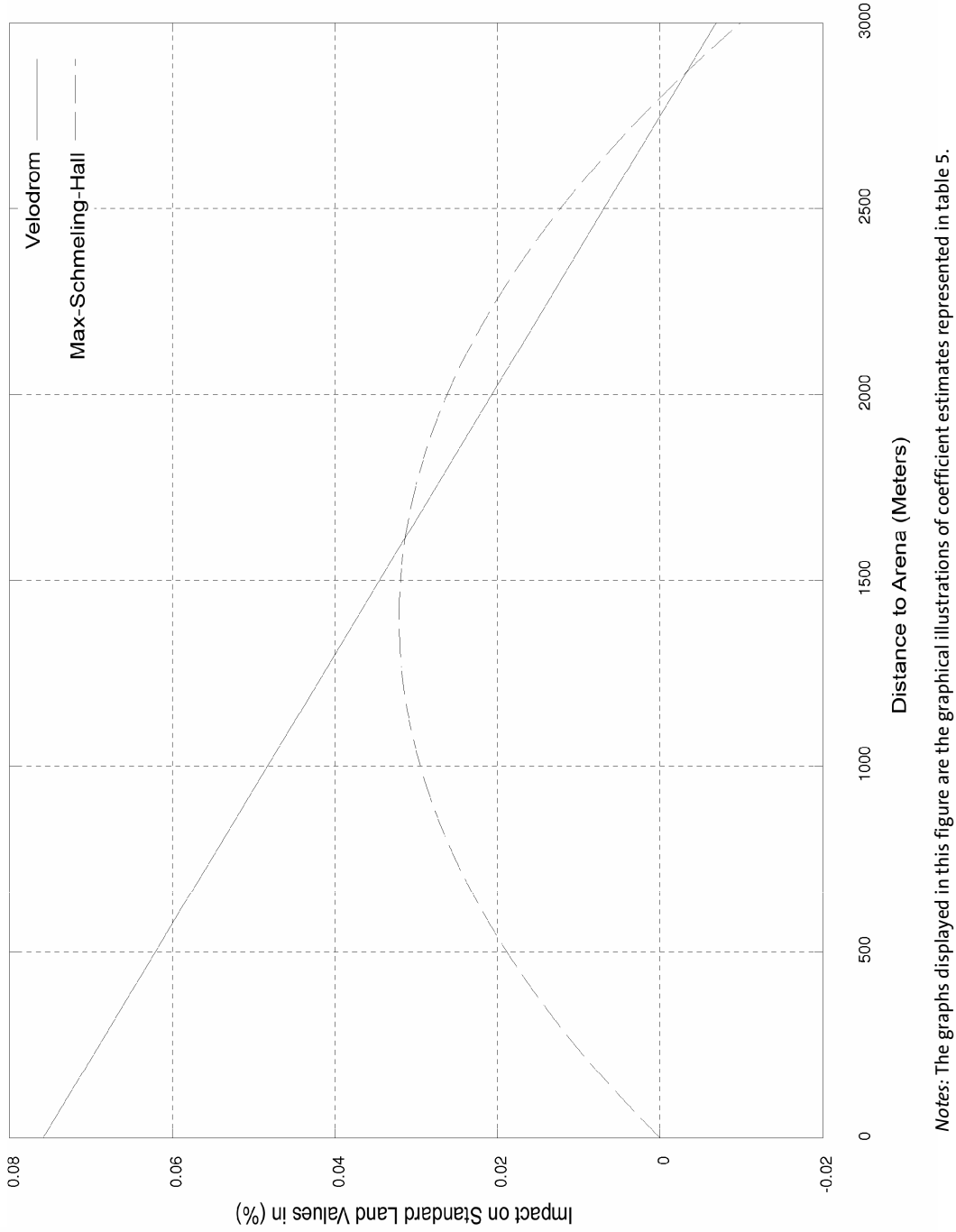
	(1) Land Value (Log)	
Impact Area	Velodrom	Max-Schmeling
0-3000 m	0.073160*** (0.021013)	
0-3000 m x Distance	-0.0000276*** (0.00000953)	0.0000459** (0.0000206)
0-3000 m x Distance^2		-0.0000000164** (0.00000000826)
Spatial Lag	Yes	
Neighbourhood-Effects	Yes	
Block Sample	Berlin	
Observations	11.184	
R^2	0.966337	

Notes: The basic model is the same as in model (1) of Table 2. To reduce the table size we only display variables indicating impact of Velodrom and Max-Schmeling-Arena. All variables are the same as in Table 3. Standard errors (in parentheses) are heteroscedasticity robust. * denotes significance at the 10% level; ** denotes significance at the 5% level; *** denotes significance at the 1% level.

These results are presented graphically in Figure 4 where the relative land value gradients are plotted, based on the corresponding coefficient estimates.

[19] We only omit the 0-3000 m dummy-variable for Max-Schmeling-Arena. Neighbourhood fixed effects are still captured in two 0-5000 m area dummy-variables.

Fig. 4 Estimated Impact of Velodrom and Max-Schmeling-Arena on Standard Land Values



Notes: The graphs displayed in this figure are the graphical illustrations of coefficient estimates represented in table 5.

To provide a better spatial impression of both overlapping arena-impacts the differences in residuals were plotted, between our final hedonic impact specification (Table 5) and the hedonic baseline specification of column (1) Table 5 in three dimensional space (Figure 5). It can be shown that these differences correspond to the estimated arena impacts. Assuming that

represents our hedonic baseline specification and

$$\ln(P) = \alpha + BASE\ \beta + \varepsilon \tag{7}$$

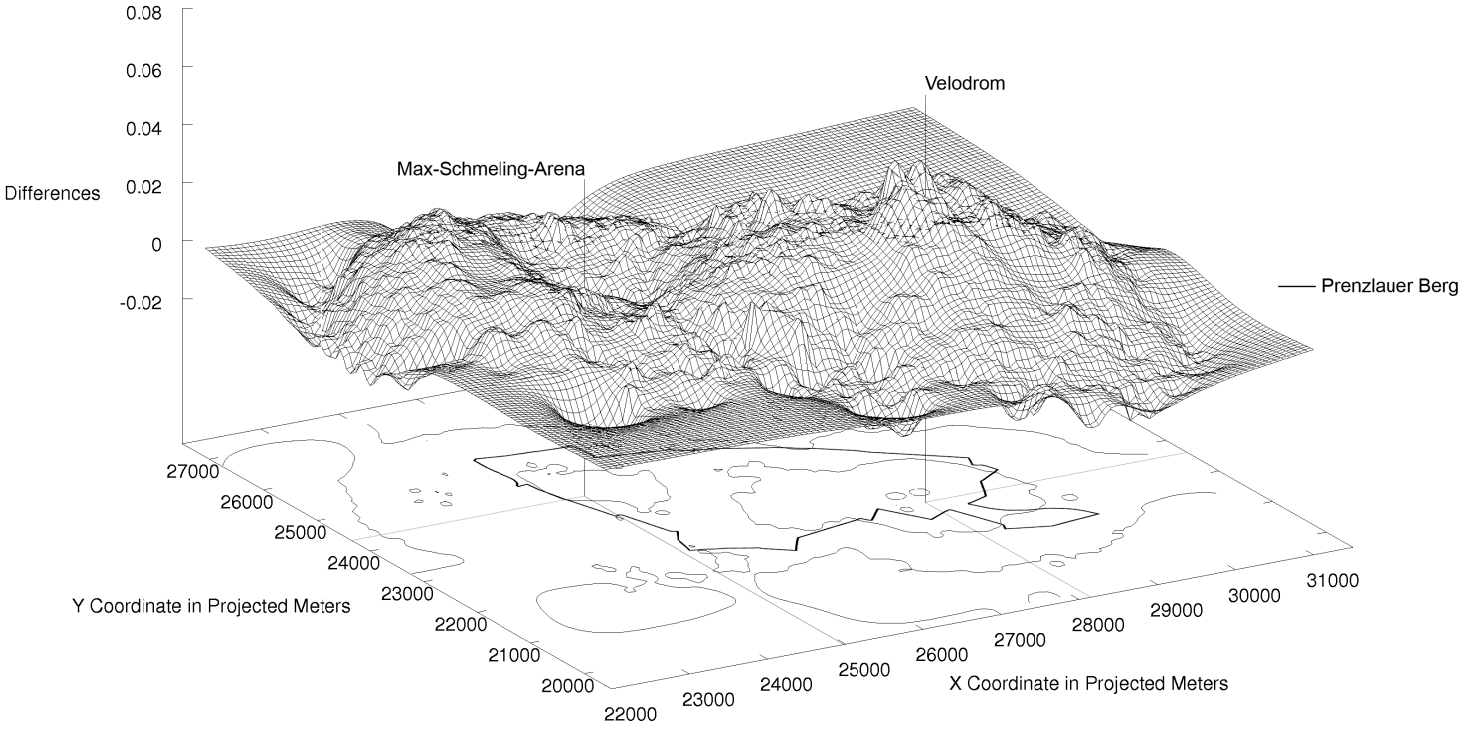
$$\ln(P) = \alpha + BASE\ \beta + VELO\ \gamma + MS\ \delta + \mu \tag{8}$$

is our final hedonic impact specification, where *BASE* is a vector of attribute variables included in our baseline model, *VELO* is a vector of impact variables related to Velodrom and *MS* is similar for Max-Schmeling-Arena. β, γ and δ represent sets of coefficients to be estimated and ε and μ are error terms. Taking differences yields:

$$\varepsilon - \mu = VELO\ \gamma + MS\ \delta \tag{9}$$

In our econometric specification this relationship corresponds to taking differences between residuals in order to visualize the additional explanatory power provided by the introduction of impact variables.

Fig. 5 Estimated Impact of Velodrom and Max-Schmeling-Arena on Standard Land Values



Notes: This plot represents the gridded surface of residuals' differences between our hedonic baseline specification and the final impact model. It covers the estimated area of impact for both arenas. Coordinates are given in projected meter units of the coordinate system which is used by the Senate Department of Berlin. The origin of this coordim is the most soutwestern point of Berlin.

Figures 4 and 5 demonstrate how irregularities in land value pattern are attributable to the locations of Max-Schmeling-Arena and Velodrom. For both arenas there is a consistent pattern of impacts at distances ranging from 1500 to 3000 m. Impacts are positive, decrease with distance and disappear after 3000 m. If these positive impacts are attributable to the presence of the arenas, one would intuitively expect location premium to be highest in the immediate proximity, since positive external effects should lose intensity with increasing distance. While this story fits the results for Velodrom, it conflicts with the estimations for the immediate vicinity of Max-Schmeling-Arena.

However, the estimated pattern of impact becomes more conclusive when countervailing externalities are considered (GALSTER, TATIAN, & PETTIT, 2004). Instead of assuming the existence of just one positive (or negative) externality, various positive *and* negative externalities should be considered. Assuming that distinct externalities differ in range, size and sign; externalities may cancel each other out within a certain distance range, while at other distances one externality may dominate. As previously discussed, Velodrom and Max-Schmeling-Arena are comparable in terms of utilization, architectural quality, physical size and provision of new recreational spaces, suggesting that positive externalities should be comparable. The distinct impacts may be caused by negative externalities of limited range that are associated with Max-Schmeling-Arena. First, in contrast to Velodrom, Max-Schmeling-Arena is the home of two sports clubs of national importance.[20] The regular presence of highly involved fans may represent a source of noise and disturbances that might reduce residents' willingness to pay for living spaces. Secondly, despite the well-developed public transportation infrastructure, the objective of transporting nearly 100% of visitors by public transport has never been achieved.[21] Being situated in one of the most densely populated areas of

[20] Resident teams are the basketball team of "Alba Berlin" and the handball team of "Füchse Berlin.

[21] An expert contracted by the local district authorities concluded that, depending on the event, 20-60% of spectators arrived by car (URL: http://www.bmp.de/vorort/9711/s08.html (07.02.2007)).

Berlin, and with a lack of provision of additional parking facilities, has led to increasing parking scarcity and infuriation among the residents.[22] This potentially affects land values by particularly discouraging car-owning households. In the case of Velodrom an adjoining empty lot was transformed into a car-park, whereas the absence of such available space in the proximity of Max-Schmeling-Arena has meant that the problem is still unsolved.

6 Conclusion

This paper contributes to the wider discussion on land value behaviour as well as to the more specific debate on stadium impact. Application of GIS techniques and highly disaggregated data allowed the development of a cross-sectional hedonic model capturing the full range of structural and location attributes, as well as spatial spill-over effects. While controlling for location and neighbourhood characteristics, land values in Berlin show some peculiarities. One and a half decades after re-unification the land gradient is significantly flatter for East-Berlin, indicating that the possible effects of four decades of centralized allocation of land are still persistent. This finding is particularly striking in light of the ongoing debate about the existence of multiple equilibria in spatial distribution of economic activity. Allowing for variation of land gradient reveals that the location premium that business is willing to pay is less sensitive to remoteness than that of residents. These findings reflect the presence of numerous and relatively strong sub-centers in suburban areas of Berlin where business finds considerable market access. The more distinct relation of business land values and distance to public transportation highlights the importance of market access for business. The results suggest that for residents the specialized services of the CBD less substitutable by those of sub-centers.

[22] The original plans for Max-Schmeling-Arena included an underground car park. These plans were abandoned after Berlin's bid for the 2000 Olympics was rejected by the IOC (MEYER, 1997).

The baseline hedonic model was extended by a set of geographic variables attributing unexplained land value variation to the location of Velodrom and Max-Schmeling-Arena. While the presence of Velodrom has a significantly positive impact on land values, decreasing with distance, Max-Schmeling-Arena has more ambiguous effects; there are no positive effects in close proximity, but relative land values increase in more distant proximity.[23] Since positive externalities emanated by arenas are expected to be comparable, the distinct patterns of impact on land values can be explained by the presence of countervailing negative externalities of limited range that surround Max-Schmeling-Arena. Besides potential problems caused by fans, traffic congestions following unrealistic assumptions about visitors' travel customs prove to be obvious explanation.

The results suggest that the arenas have an impact within a radius of approximately 3000 m. This result is to be compared with Tu (2005), who identified a three-mile impact area for the much larger FedEx Field. Empirical results of studies using aggregated data should be interpreted carefully in light of these findings. It confirms the insights of Coates and Humphrey (2006) who on the basis of analysing voting behaviour in Stadia polls argue that researchers should focus on the spatial aspects of sport-related economic effects. Any impact that does not exceed a range of a few miles may hardly be expected to significantly influence aggregated values for entire metropolitan areas. Consequently, the absence of measurable effects at high levels of aggregation does not imply an absence of impact at the neighbourhood scale.

[23] These findings confirm previous results of previous spatio-temporal analysis (AHLFELDT & MAENNIG, 2007).

Appendix

Data Collection

We collected data on standard land values, FSI values and land use as determined by zoning regulations from atlases of standard land valuation (Bodenrichtwertatlanten) (SENATSVERWALTUNG FUER STADTENTWICKLUNG BERLIN, 2006a). The Committee of Valuation Experts in Berlin have been publishing these atlases at intervals of one to four years, since 1967.

Local Committees of Valuation Experts were established throughout Germany to provide market transparency in real estate markets, which returned to a system of market economies during the late 1950s. Previously, German real estate markets had undergone a period of intense regulation begun in WWI with the first rental fee regulation and culminating in 1936, during the period of the "Third Reich", in a general price stop for all real estate assets. After WWII, regulation initially continued, since scarcity of living spaces made public provision and allocation necessary. The Committee of Valuation Experts in Berlin was established in 1960 when the major price restrictions implemented in 1936 were finally abolished. Apart from providing market transparency in deregulated markets, standard land values provided by the Committees of Valuation Experts play a role in determining tax burdens related to property ownership.

Data collection was conducted by assigning values represented in atlases of standard land valuation to the official block structure as defined in December 2005. If more than one value was provided by an atlas of standard land valuation for one particular block, then an average of the highest and lowest values was used. Price data has been collected individually for blocks, which were not used for purely residential purposes. In contrast, for pure residential areas data on land values at a lower level of disaggregation (Statistische Gebiete) was used, since variation was typically much smaller. Since Berlin consists of 195 statistical areas (Statistische Gebiete), this ensured that price data for residential areas was sufficiently disaggregated to draw a comprehensive picture. Aggregation to statistical

area-level was by averaging the highest and lowest standard land values within the respective area. To guarantee that averages represented a feasible proxy of overall area valuation a threshold for the ratio of maximum-to-minimum land value within a statistical area was introduced. If this ratio was > 2, then the extreme values were entered individually and averages were taken over the remaining blocks until the ratio had fallen below the threshold value. **T**his had to be done in only very few cases, since generally maximum and minimum values were close. This short cut accelerated data entry enormously, with limited losses in data quality. However, for the areas of potential arena impact consisting of Prenzlauer Berg and the adjoining, land values were on block level for all land uses.

Tab. A1 Baseline Empirical Results of Hedonic Analysis (1-3)

	(1) Land Value (Log)	(2) Land Value (Log)	(3) Land Value (Log)
Intercept	1.419380***	1.409932***	4.770188***
	(0.067685)	(0.069337)	(0.013161)
Business	-0.476554***	-0.555828***	0.049848
	(0.178338)	(0.206850)	(0.226227)
Industry	-0.201496***	-0.659793***	-0.483550***
	(0.052465)	(0.184922)	(0.072417)
West	0.677466***	0.678161***	2.105208***
	(0.038296)	(0.041387)	(0.032986)
FSI	0.241159***	0.250090***	0.702962***
	(0.016054)	(0.015889)	(0.014560)
FSI²	-0.025354***	-0.030463***	-0.056465***
	(0.005085)	(0.004964)	(0.005059)
Dist_Cent	-0.00000438***	-0.00000444***	-0.0000179***
	(0.000000587)	(0.000000599)	(0.00000084)
Dist_Metro	-0.00000211***	-0.000018***	-0.00000865***
	(0.000000625)	(0.000000659)	(0.00000118)
Dist_Suburban	-0.0000113***	-0.0000104***	-0.0000485***
	(0.00000341)	(0.00000362)	(0.00000392)
Dist_Water	-0.0000118***	-0.0000113***	-0.0000415***
	(0.00000201)	(0.000002)	(0.00000253)
Dist_Schools		0.000000299	
		(0.0000041)	
Dist_Play		-0.0000019	
		(0.00000302)	
Dist_Rail	0.0000122***	0.0000117***	0.0000468***
	(0.00000327)	(0.0000034)	(0.0000042)
Pop_Prop_Sub6	0.062190**	0.054859**	0.103997**
	(0.025417)	(0.025282)	(0.051869)
Pop_Prop_6_15		0.006943	
		(0.019842)	
Pop_Prop_15_18		-0.006325	
		(0.024015)	
Pop_Prop_18_27	-0.046841***	-0.040212**	-0.235991***
	(0.0057)	(0.019973)	(0.034376)
Pop_Prop_65plus		-0.026906**	
		(0.013406)	
Pop_Density	-0.737185***	-0.705164***	-0.846712***
	(0.0012)	(0.225787)	(0.253823)
Prop_Foreigners	-0.085958***	-0.059999*	-0.096806***
	(0.018556)	(0.035007)	(0.030934)
Prop_Male		0.006376	
		(0.017495)	
Business x FSI	0.355788***	0.371846***	0.138966
	(0.104214)	(0.110039)	(0.129089)
Business x FSI²	-0.030011*	-0.027947*	0.024650
	(0.015922)	(0.016820)	(0.019060)
Business x Dist_Cent	0.0000499***	0.0000534***	0.0000783***
	(0.00000637)	(0.00000699)	(0.0000114)
Business x Dist_Metro	-0.0000304*	-0.0000435**	-0.000119***
	(0.0000161)	(0.0000167)	(0.0000187)

Tab. A1 – Baseline Empirical Results of Hedonic Analysis (2-3)

Business x Dist_Suburban	-0.000064*	-0.0000927*	-0.000188***
	(0.0000347)	(0.0000532)	(0.0000442)
Business x Dist_Water	0.0000402***	0.0000430***	0.0000240
	(0.0000127)	(0.0000129)	(0.0000153)
Business x Dist_Schools		-0.00000580	
		(0.0000806)	
Business x Dist_Play		-0.0000188	
		(0.0000885)	
Business x Dist_Rail		0.0000512	
		(0.0000498)	
Business x Pop_Prop_Sub6		-0.235726	
		(0.202178)	
Business x Pop_Prop_6_15	-0.577296**	-0.476419	-0.864808***
	(0.273710)	(0.315174)	(0.256952)
Business x Pop_Prop_15_18		-0.105855	
		(0.353263)	
Business x Pop_Prop_18_27	-0.288284***	-0.228749**	-0.421970*
	(0.102699)	(0.100348)	(0.244511)
Business x Pop_Prop_65plus		0.178150	
		(0.139387)	
Business x Pop_Density	-2.547692***	-2.555855***	-2.082144*
	(0.907527)	(0.882346)	(1.211372)
Business x Prop_Foreigners	0.188215***	0.182792***	0.360568***
	(0.058839)	(0.068185)	(0.107345)
Business x Prop_Male		-0.014353	
		(0.089939)	
Industry x FSI		0.103909	
		(0.137109)	
Industry x FSI²		0.018786	
		(0.031367)	
Industry x Dist_Cent		0.0000161**	
		(0.00000693)	
Industry x Dist_Metro		0.0000401	
		(0.0000285)	
Industry x Dist_Suburban	-0.0000862**	-0.0000768*	-0.0000303
	(0.0000339)	(0.0000456)	(0.0000407)
Industry x Dist_Water		-0.00000984	
		(0.0000211)	
Industry x Dist_Schools	-0.000180*	-0.000111	0.0000422
	(0.000105)	(0.000107)	(0.000150)
Industry x Dist_Play	0.000354***	0.000240*	0.000281*
	(0.000117)	(0.000126)	(0.000167)
Industry x Dist_Rail		0.0000387	
		(0.0000645)	
Industry x Pop_Prop_Sub6	0.780610**	0.530378	0.204225
	(0.352927)	(0.361221)	(0.408747)
Industry x Pop_Prop_6_15		0.050427	
		(0.390445)	
Industry x Pop_Prop_15_18		0.018953	
		(0.200147)	
Industry x Pop_Prop_18_27	0.344214**	0.312817**	0.469512***
	(0.352927)	(0.129166)	(0.160178)
Industry x Pop_Prop_65plus		-0.098714	
		(0.126594)	

Tab. A1 – Baseline Empirical Results of Hedonic Analysis (3-3)

Industry x Pop_Density		2.107667 (2.572701)	
Industry x Prop_Foreigners		-0.077971 (0.078824)	
Industry x Prop_Male		0.140772 (0.089877)	
West x FSI	-0.268710*** (0.020125)	-0.263000*** (0.020561)	-0.851855*** (0.023213)
West x FSI²	0.039513*** (0.004624)	0.038739*** (0.004887)	0.121320*** (0.006546)
West x Dist_Cent	-0.0000317*** (-0.00000194)	-0.0000319*** (0.00000196)	-0.000103*** (0.00000193)
West x Dist_Metro	0.0000236*** (0.00000186)	0.0000236*** (0.00000198)	0.0000727*** (0.00000309)
West x Dist_Suburban	-0.00000769* (0.00000398)	-0.00000815* (0.00000421)	-0.0000322*** (0.00000556)
West x Dist_Water	0.00000979*** (0.00000236)	0.00000963*** (0.00000234)	0.000038*** (0.00000359)
West x Dist_Schools		0.00000277 (0.00000764)	
West x Dist_Play		0.0000497*** (0.00000863)	
West x Dist_Rail	-0.0000302*** (0.00000430)	-0.0000307*** (0.00000445)	-0.0000842*** (0.00000682)
West x Pop_Prop_Sub6		0.032696 (0.052924)	
West x Pop_Prop_6_15		-0.028291 (0.034885)	
West x Pop_Prop_15_18	-0.156947*** (0.040899)	-0.145205*** (0.048004)	-0.432046*** (0.093982)
West x Pop_Prop_18_27		-0.035878 (0.041474)	
West x Pop_Prop_65plus		0.020985 (0.024180)	
West x Pop_Density	-0.595791*** (0.297937)	-0.549493* (0.302441)	-3.295263*** (0.404408)
West x Prop_Foreigners		-0.032307 (0.041970)	
West x Prop_Male	-0.134591*** (0.025066)	-0.141145*** (0.032014)	-0.311987*** (0.047581)
Spatial_Lag	Yes	Yes	
Block Sample	Berlin	Berlin	Berlin
Observations	11184	11184	11184
R^2	0.966127	0.966472	0.893846
Adjusted R^2	0.966002	0.966255	0.893465

Notes: Model (1) represents our baseline hedonic model, which we obtain after stepwise deletion of statistically insignificant variables of the full model specification (2). In (3) we repeat our baseline regression omitting the spatial lag-variable. The dependent variable is the natural logarithm of standard land values in all models. Independent variables are described in table 1. Standard errors (in parenthesis) are heteroscedasticity robust. * denotes significance at the 10% level; ** denotes significance at the 5% level; *** denotes significance at the 1% level

.

Literature

AHLFELDT, G., & MAENNIG, W. (2007). The Role of Architecture on Urban Revitalisation: The Case of "Olympic Arenas" in Berlin-Prenzlauer Berg. *Hamburg Contemporary Economic Discussions, 01*.

ALONSO, W. (1964). *Location Theory*. Cambridge, Mass.: M.I.T. Press.

ANSELIN, L. (2003). *GeoDa 0.9 Users' Guide*. Urbanda: University of Illinois.

BAADE, R. A. (1988). An Analysis of the Economic Rationale for Public Subsidization of Sports Stadiums. *Annals of Regional Science, 22*(2), 37-47.

BAADE, R. A. (1996). What Explains the Stadium Construction Boom? *Real Estate Issues, 21*(3), 5-11.

BAADE, R. A., & DYE, R. F. (1990). The Impact of Stadiums and Professional Sports on Metropolitan Area Development. *Growth and Change, 21*(2), 1-14.

BAADE, R. A., & SANDERSON, A. R. (1997). *The Employment Effect of Teams and Sports Facilities*. Washington, D.C.: The Brookings Institute.

BAIM, D. V. (1990). *Sports Stadiums as Wise Investments: An Evaluation*. Chicago: The Heartland Institute.

BOWES, D. R., & IHLANFELDT, K. R. (2001). Identifying the Impacts of Rail Transit Stations on Residential Property Values. *Journal of Urban Economics, 50*(1), 1-25.

CAN, A., & MEGBOLUGBE, I. (1997). Spatial Dependence and House Price Index Construction. *Journal of Real Estate Finance and Economics, 14*(2), 203-222.

CARLINO, G., & COULSON, N. E. (2004). Compensating Differentials and the Social Benefits of the NFL. *Journal of Urban Economics, 56*(1), 25-50.

CAROLL, T. M., CLAURETIE, T. M., & JENSEN, J. (1996). Living Next to Godliness: Residential Property Values and Churches. *Journal of Real Estate Finance and Economics, 12*(3), 319-330.

CHESHIRE, P. C., & SHEPPARD, S. (1995). On the Price of Land and the Value of Amenities. *Economica, 62*(246), 247-267.

COATES, D., & HUMPHREYS, B. R. (1999). The Growth Effects of Sport Franchises, Stadia and Arenas. *Journal of Policy Analysis & Management, 18*(4), 601-624.

COATES, D., & HUMPHREYS, B. R. (2000). The Stadium Gambit and Local Economic Development. *Regulation, 23*(2), 15-20.

COATES, D., & HUMPHREYS, B. R. (2003). The Effect of Professional Sports on Earnings and Employment in the Services and Retail Sectors in U.S. Cities. *Regional Science & Urban Economics, 33*(2), 175-198.

COATES, D., & HUMPHREYS, B. R. (2006). Proximity benefits and voting on stadium and arena subsidies. *Journal of Urban Economics, 59*(2), 285-299.

COLWELL, P. F., DEHRING, C. A., & LASH, N. A. (2000). The Effect of Group Homes on Neighborhood Property Values. *Land Economics, 76*(4), 615-637.

COLWELL, P. F., & MUNNEKE, H. J. (1997). The Structure of Urban Land Prices. *Journal of Urban Economics, 41*(3), 321-336.

COLWELL, P. F., & MUNNEKE, H. J. (1999). Land Prices and Land Assembly in the CBD. *Journal of Real Estate Finance & Economics, 18*(2), 163-171.

COLWELL, P. F., & SIRMANS, C. F. (1993). A Comment on Zoning, Returns to Scale, and the Value of Undeveloped Land. *Review of Economics & Statistics, 75*(4), 783-786.

DEBREZION, G., PELS, E., & RIETVELD, P. (2006). The Impact of Rail Transport on Real Estate Prices: An Empirical Analysis of the Dutch Housing Market. *Tinbergen Institute Discussion Paper, 2006, 031 3*(031 3).

DUBIN, R. A., & SUNG, C.-H. (1990). Specification of Hedonic Regressions: Non-nested Tests on Measures of Neighborhood Quality. *Journal of Urban Economics, 27*(1), 97-110.

ELKINS, T. H., & HOFMEISTER, B. (1988). *Berlin: The Spatial Structure of a Divided City*. London: Methuen.

ELLEN, I. G., SCHILL, M. H., SUSIN, S., & SCHWARTZ, A. E. (2001). Building Homes, Reviving Neighbourhoods: Spillovers from Subsidized Construction of Owner-Occupied Housing in New York City. *Journal of Housing Research, 12*(2), 185-216.

GALSTER, G., TATIAN, P., & PETTIT, K. (2004). Supportive Housing and Neighborhood Property Value Externalities. *Land Economics, 80*(1), 33-54.

GALSTER, G., TATIAN, P., & SMITH, R. (1999). The Impact of Neighbors Who Use Section 8 Certificates on Property Values. *Housing Policy Debate, 10*(4), 789-917.

GATZLAFF, D. H., & SMITH, M. T. (1993). The Impact of the Miami Metrorail on the Value of Residences Near Station Locations. *Land Economics, 69*(1), 54-66.

HALVORSEN, R., & PALMQUIST, R. (1980). The Interpretation of Dummy Variables in Semilogarithmic Equations. *American Economic Review, 70*(3), 474-475.

HEIKKILA, E., GORDON, P., KIM, J. I., PEISER, R. B., RICHARDSON, H. W., & DALE-JOHNSON, D. (1989). What Happened to the CBD-Distance Gradient?: Land Values in a Policentric City. *Environment and Planning, 21*(2), 221–232.

ISAKSON, H. R. (1997). An Empirical Analysis of the Determinants of the Value of Vacant Land. *Journal of Real Estate Research, 13*(2), 103-114.

JORDAAN, A. C., DROST, B. E., & MAKGATA, M. A. (2004). Land Value as a Function of Distance from the CBD : The Case of the Eastern Suburbs of Pretoria. *South African Journal of Economic and Management Sciences, 7*(3), 532-541.

MEYER, U. (1997). Betreten erbeten. Max-Schemeling-Arena in Berlin-Prenzlauer Berg. *Bauwelt*(30), 1678-1684.

MILLS, E. S., & SIMENAUER, R. (1996). New Hedonic Estimates of Regional Constant Quality House Prices. *Journal of Urban Economics, 39*(2), 209-215.

MITCHELL, D. M. (2000). School Quality and Housing Values. *Journal of Economics, 26*(1), 53-68.

MUELLBAUER, J. (1974). Household Production Theory, Quality, and the "Hedonic Technique". *American Economic Review, 64*(5), 977-994.

MUNNEKE, H. J., & SLADE, B. A. (2001). A Metropolitan Transaction-Based Commercial Price Index: A Time-Varying Parameter Approach. *Real Estate Economics, 29*(1), 55-85.

MYERSON, J., & HUDSON, J. (2000). *International Interiors*. London: Laurence King.

NOLL, R. G., & ZIMBALIST, A. (1997). Sports, Jobs and Taxes: Are New Stadiums Worth the Cost? *Brookings Review, 15*(3), 35-39.

PERRAULT, D., & FERRÉ, A. (2002). *Dominique Perrault - Nature-Architecture : Velodrom and Swimming Arena, Berlin*. Barcelona: Actar.

POLENSKY, T. (1974). *Die Bodenpreise in Stadt und Region München : räumliche Strukturen und Prozessabläufe*. Kallmünz: Lassleben.

ROSEN, S. (1974). Hedonic Prices and Implicit Markets : Product Differentiation in Pure Competition. *Journal of Political Economy, 82*(1), 34-55.

ROSENTRAUB, M. S. (1997). The Myth and the Reality of the Economic Development from Sports. *Real Estate Issues, 22*(1), 24-29.

SENATSVERWALTUNG FUER STADTENTWICKLUNG BERLIN. (2006a). *Bodenrichtwertatlas 2006*. Berlin.

SENATSVERWALTUNG FUER STADTENTWICKLUNG BERLIN. (2006b). Urban and Environmental Information System.

SENATSVERWALTUNG FUER WIRTSCHAFT ARBEIT UND FRAUEN. (2004). *Zentrenatlas Wirtschaftsstandort Berlin* (2. ed.). Berlin: Regioverlag.

SIEGFRIED, J., & ZIMBALIST, A. (2006). The Economic Impact of Sports Facilities, Teams and Mega-Events. *Australian Economic Review, 39*(4), 420-427.

TU, C. C. (2005). How Does a New Sports Stadium Affect Housing Values? The Case of FedEx Field. *Land Economics, 81*(3), 379-395.

ZARETSKY, A., M. (2001). Should Cities Pay for Sports Facilities? *Regional Economist, 2001*(April).

Hamburg Contemporary Economic Discussions

(Download: http://www.uni-hamburg.de/economicpolicy/discussions.html)

01/2005 FEDDERSEN, A. / MAENNIG, W.: Trends in Competitive Balance: Is there Evidence for Growing Imbalance in Professional Sport Leagues?, January 2005.

02/2005 SIEVERS, T.: Information-driven Clustering – An Alternative to the Knowledge Spillover Story, February 2005.

03/2005 SIEVERS, T.: A Vector-based Approach to Modeling Knowledge in Economics, February 2005.

04/2005 BUETTNER, N. / MAENNIG, W. / MENSSEN, M.: Zur Ableitung einfacher Multiplikatoren fuer die Planung von Infrastrukturkosten anhand der Aufwendungen fuer Sportstaetten – eine Untersuchung anhand der Fussball-WM 2006, May 2005.

01/2006 FEDDERSEN, A.: Economic Consequences of the UEFA Champions League for National Championships – The Case of Germany, May 2006.

02/2006 FEDDERSEN, A.: Zur Verwendung von Markov-Ketten bei der Messung der langfristigen Wettbewerbsintensitaet in Teamsportligen, July 2006.

03/2006 FEDDERSEN, A. / VOEPEL, H.: Staatliche Hilfen fuer Profifussballclubs in finanziellen Notlagen? – Die Kommunen im Konflikt zwischen Imageeffekten und Moral-Hazard-Problemen, September 2006.

04/2006 MAENNIG, W. / SCHWARTHOFF, F.: Stadium Architecture and Regional Economic Development: International Experience and the Plans of Durban, October 2006.

Hamburg Contemporary Economic Discussions

(Download: http://www.uni-hamburg.de/economicpolicy/discussions.html)

01 AHLFELDT, G. / MAENNIG, W.: The Role of Architecture on Urban Revitalization: The Case of "Olympic Arenas" in Berlin-Prenzlauer Berg, January 2007.

02 FEDDERSEN, A. / MAENNIG, W. / ZIMMERMANN, P.: How to Win the Olympic Games – The Empirics of Key Success Factors of Olympic Bids, January 2007.

03 AHLFELDT, G. / MAENNIG, W.: The Impact of Sports Arenas on Locational Attractivity: Evidence from Berlin, February 2007.

04 DU PLESSIS, S. / MAENNIG, W.: Soccer World Cup 2006 in Germany and 2010 in South Africa – Similarities and Differences from an Economic Perspective, February 2007.

05 HEYNE, M. / MAENNIG, W. / SUESSMUTH, B.: Mega-sporting Events as Experience Goods, February 2007.

06 DUST, L. / MAENNIG, W.: Shrinking and Growing Metropolitan Areas – Asymmetric Real Estate Price Reactions? The Case of German Single-family Houses, March 2007.

07 JASMAND, S. / MAENNIG, W.: Regional Income and Employment Effects of the 1972 Munich Olympic Summer Games, March 2007.

08 HAGN, F. / MAENNIG W.: Labour Market Effects of the 2006 Soccer World Cup in Germany, June 2007.

09 HAGN, F. / MAENNIG, W.: Employment Effects of the World Cup 1974 in Germany.

10 MAENNIG, W.: One year later: A re-appraisal of the economics of the 2006 soccer World Cup.

11 AHLFELDT, G., MAENNIG, W.: Assessing External Effects of City Airports: Land Values in Berlin.

12 AHLFELDT, G.: If Alonso was Right: Accessibility as Determinant for Attractiveness of Urban Location

13 AHLFELDT, G.: A New Central Station for a Unified City: Predicting Impact on Property Prices for Urban Railway Network Extension

Hamburg

Contemporary Economic Discussions

ISBN 978-3-940369-20-8 (PRINT)
ISBN 978-3-940369-21-5 (ONLINE)