

The Effects of Zoning Regulation on Entry in the Retail Industry.*

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Abstract

Zoning regulations impact not only housing markets but also retail markets. This paper analyzes to what extent the zoning regulations affect firms entry decisions using land use regulation enacted in 1968. I specify a model of demand and supply that takes into account the role of geography in order to measure the magnitude of the welfare costs of zoning laws in a retail industry. Using the data on the location and sales of the convenience store outlets and household location, the preliminary empirical findings suggest the consumer travel distance affect the probability of choosing outlet significantly. I use estimates to run counterfactual experiments which demonstrate the equilibrium effect of the zoning policy change on entry of convenience store outlets.

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