

Neighborhood Externalities from “One-room Apartments”

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Abstract

Studio apartments and flats are increasing in Tokyo as the population in Tokyo is exploding. These types of apartments are known as “one-room apartments” in Japan. There are growing issues on the negative externalities caused by the residents in one-room apartments. Residents are mostly young people who live alone with lower income. It is often said that they have bad manners and do not attend community involvements. This paper aims to investigate whether there exist negative neighborhood externalities or not and which kind of people distaste neighboring one-room apartments. Using cross-section data of the rentals in 23 special wards in Tokyo, we answer these questions by estimating semi-parametric hedonic pricing equations. We locally regress the rent on the index which represents the number of neighboring one-room apartments and other rental’s structural characteristics. Based on Bajari and Kahn (2008)’s method, we then obtain the heterogeneous preference parameters by the estimated implicit prices. Lastly, we estimate the joint distribution of households preferences and household demographics. The results show that there are heterogeneous preferences toward neighboring one-room apartments and most of them have negative preference against them. We also find that households who have dissimilar lifestyles with the residents in one-room apartments distaste more.

Keywords: Hedonic pricing, Housing, Neighborhood externalities

JEL Classification: R21, R23, R32

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