
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.

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