Interpretation of Results

2 b) The Monocentric City Model would predict High Rents and High Purchase Prices in Central Business Districts (CBD). However, in the data for Berlin, we tend to find two areas where prices are high: in the city center and in the area closer to Potsdam. This points to one shortcoming of the Monocentric City Model, which ignores factors other than the proximity of workers’ housing location to their central workplace. High prices in areas closer to Potsdam are probably driven by their proximity to another major German city, nature, etc.

2 c) the center increases over time

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* Monocentric City Model does not include any modelling of firms (apart from housing developers)
* Population size is exogenous -> adjusting for open cities requires modification: evaluate utility change in closed city model, then adjust population size to even out the increase in utility
* Assumption of one Commercial Business District (CBD) in city center often unrealistic in real world
  + High Real Estate prices in Berlin areas close to Potsdam cannot be explained by Monocentric city model