# Location Sorting and Endogenous Amenities: Evidence from Amsterdam*

Milena Almagro† Tomás Domínguez-Iino‡

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This paper argues that the endogeneity of amenities plays a crucial role for the welfare distribution of a city's residents by reinforcing location sorting. We quantify this channel by leveraging spatial variation in tourism flows and the entry of home sharing platforms, such as Airbnb, as shifters of location characteristics to estimate a dynamic model of residential choice. In our model, different consumption amenities in each location are the equilibrium outcome of a market for services, which are supplied by firms and demanded by heterogeneous households. We estimate the model using detailed Dutch microdata, which allows us to track the universe of Amsterdam's residents over time, as well as the evolution of a rich set of neighborhood amenities. Our estimation results indicate significant heterogeneity in key structural parameters across household preferences and in the provision of amenities. We highlight the distributional implications of our estimates by evaluating counterfactual policies, such as zoning, as well as price and quantity regulations in housing markets, speaking to a classic trade-off between efficiency and equity.

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†Department of Economics, New York University. Email: m.almagro@nyu.edu

‡Department of Economics, New York University. Email: dominguezIino@nyu.edu