RENTAL HOUSING MARKET AND DIRECTED SEARCH

Doctorant student

Julien PASCAL

PhD Candidate in Economics at the Department of Economics and LIEPP.

Her research focuses on labor economics macroeconomics and urban economics

Despite the fact that approximately 40% of individuals are tenants in France, little is known about the private rental market. Using a novel dataset of online ads for the Parisian rental market and a hedonic model that includes apartment features and photos, two main stylized facts are established. Firstly, landlords who set a lower rent — at constant dwelling characteristics — attract more applicants, as predicted by a standard directed search model. Secondly, a new stylized fact regarding landlords' pricing strategy is established. A non-negligible proportion of landlords use a two-step pricing strategy: they set a high advertised rent, before lowering the advertised rent after a wait-and-see period.

Methodology

- Data scraping of a website that aggregates rental ads in the Paris metropolitan area in 2019
- I observe the apartments' characteristics and the search behavior of tenants

Notes : Number of ads per municipality

Hedonic regression model

	Dependent variable:					
	Rent (in €)					
	(1)	(2)	(3)	(4)	(5)	(6)
Surface (m²)	28.502***	28.061***	27.852***	27.783***	28.307***	28.385***
	(0.211)	(0.226)	(0.189)	(0.190)	(0.215)	(0.355)
Surface²	-0.010***	-0.009***	-0.017***	-0.017***	-0.017***	-0.019***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Nb rooms	-3.767	2.803	26.291***	26.506***	24.966***	29.639***
	(3.144)	(3.343)	(2.791)	(2.792)	(3.133)	(6.749)
Elevator	68.365***	62.916***	32.140***	31.320***	34.020***	32.803***
	(3.110)	(3.315)	(2.798)	(2.808)	(3.243)	(5.163)
Furnished	210.312***	190.459***	147.181***	149.517***	161.718***	217.045***
	(2.961)	(3.207)	(2.692)	(2.779)	(3.080)	(4.880)
Terrace	-37.152***	-36.047***	25.838***	24.975***	15.967***	28.651***
	(5.275)	(5.512)	(4.617)	(4.624)	(5.053)	(7.206)
Aesthetic score		126.693***	105.884***	106.228***	110.645***	141.676***
		(4.163)	(3.466)	(3.467)	(3.920)	(6.364)
Rental agency				10.179***	5.021	16.532**
				(3.017)	(3.520)	(7.454)
Nb bedrooms						20.916***
						(7.175)
Constant	85.299***	-503.223***	-119.910***	-128.505***	-175.648***	-354.851***
	(4.845)	(19.952)	(20.104)	(20.263)	(23.024)	(38.700)
Postal code FE	No	No	Yes	Yes	Yes	Yes
Floor FE	No	No	Yes	No	Yes	Yes
Observations	50,528	42,307	42,307	42,307	33,180	17,439
R²	0.831	0.840	0.890	0.890	0.899	0.882
Adjusted R²	0.831	0.840	0.890	0.890	0.899	0.881
Residual Std. Error	323.499 (df = 50521)	315.749 (df = 42299)	262.149 (df = 42270)	262.116 (df = 42269)	258.405 (df = 33128)	299.566 (df = 17386)
F Statistic	41,393.470*** (df = 6; 50521)	31,775.790*** (df = 7; 42299)	9,493.990*** (df = 36; 42270)	9,239.973*** (df = 37; 42269)	5,792.983*** (df = 51; 33128)	2,494.237*** (df = 52; 17386)
Note:						*p<0.1; **p<0.05; ***p<0.01

Number of contacts and deviations from predicted price
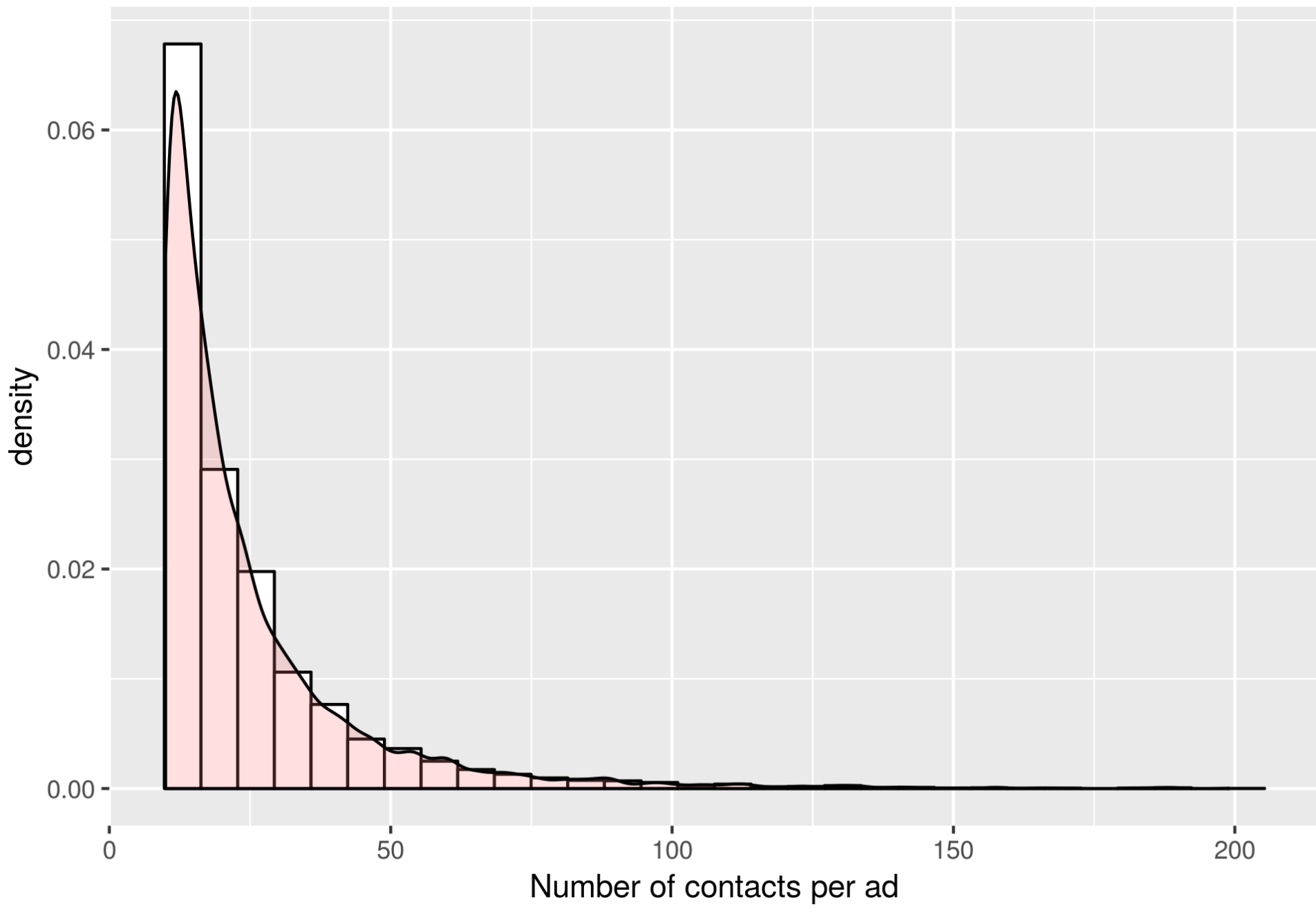
A descending auction-like rent setting strategy