

Love Thy Neighbour?

A Study on the Impact of Mosques on Housing Prices in London

Do housing prices increase with distance to the nearest mosque?

Introduction

“Location, location, location”: this popular real estate catchphrase suggests the importance of spatial determinants on housing prices. Yet, this has often led to the ‘Not In My Backyard’ phenomenon, in which spatial variables deemed to produce negative externalities devalues residential properties in the surrounding area.

In light of contemporary debates on the assimilation and tolerance of Muslim immigrants in Europe, this research project examines whether mosques are perceived to generate negative externalities which are then transmitted through housing prices. The findings suggest that increasing the distance of a property to the nearest mosque indeed has a significant positive effect on property prices.

Ordinary Least Squares regression model:

$$\ln price = \alpha + \beta_1 \text{floorm}_i + \beta_2 \text{bathroom}_i + \beta_3 \text{age}_i + \beta_4 \text{chnone}_i + \beta_5 \text{tenlease}_i + \beta_6 \text{dpicccir}_i + \beta_7 \ln \text{mosque}_i + \varepsilon_i$$

Methodology

In reference to the hedonic price method, the following independent variables were included in the regression model:

Structural variables

- Total floor area
- Number of bathrooms
- Age of dwelling
- Central heating (dummy)
- Tenancy type (dummy – freehold v. leasehold)

Spatial variables

- Distance to Central Business District (Piccadilly Circus tube station as proxy)
- Distance to nearest mosque

Geographic Information Systems (ArcGIS) was used to find the distance of the spatial variables to 2,444 points of home sale transactions in the dataset. The log-transformed sale transactions also represented the dependent variable. The regressions were run on SPSS.

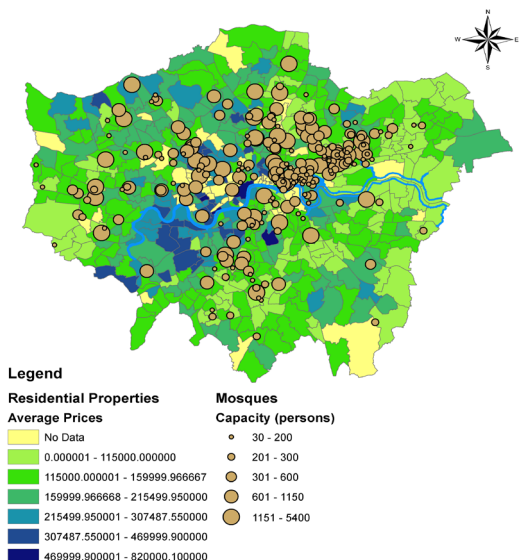


Figure 1: Spatial distribution of mosques against housing prices

Findings

- An increase in distance to the nearest mosque by 1% of the mean distance increases housing prices by 0.04%, statistically significant at all conventional levels.
- The distance to mosque variable explains 0.56% of the variance in housing prices

Caveats & Implications

- Endogeneity: the direction of causality in the relationship between mosques and housing prices cannot be fully determined from this model
- However, there is clear indication of the clustering of small to medium capacity mosques in northeast London, where property prices are lower
- Urban planning policies should take into account how inter-community dynamics may affect housing prices, and to a greater extent, inequality across neighbourhoods