

# Consumer Cities: The Role of Housing Variety\*

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PRELIMINARY

## Abstract

This paper estimates theoretically-founded housing price indices that account for differences in housing variety availability, where some varieties are available in certain cities but not others. I develop a model of housing demand and city choice that incorporates differentiated housing varieties and the discrete-nature of housing decisions. For estimation, I develop a method to jointly estimate the nests that varieties belong to and the elasticity of substitution across varieties within each nest. I find that households in larger cities benefit from having access to varieties not available in smaller cities. These consumption amenities are quantitatively large: the elasticity with respect to population is a third of the elasticity of housing prices with respect to population. After accounting for consumption amenities, real income increases with city size.

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