The Impact of Hosting Mega-Events in Small Communities: An Analysis of Local Real Estate Markets During the 2018 PyeongChang Olympic Games

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Mega events, such as the Olympics, generally claim to have large economic benefits for the host community (Mills & Rosentraub, 2013) along with touting other impacts related to hosting such as legacy (Misener & Mason, 2006), economic and urban development (Scheu et al., 2019), and intangible impacts (Oja et al., 2018). One recently sees a move by scholars to examine more localized market behaviors in relation to mega-events, including analysis of the real estate market and housing prices (Kavetsos, 2012), housing demand (Ahlfeldt & Maenning, 2009) post-event use of host facilities (Cornelissen et al., 2011) as well as the local labor market (Hagn & Maennig, 2009). Findings from this line of research noted the spatial proximity to host sites and stadiums have the potential to increase real estate prices (Feng & Humphreys, 2018). Along these lines, the present research seeks to advance the understanding of potential economic effects of hosting mega-events by focusing on local-market measures of economic development. Specifically, we analyze the real estate market in PyeongChang, South Korea, as it provides a unique context allowing us to examine whether the hosting of the 2018 Olympics in a relatively smaller urban area created any significant changes in the prices of property based on the hosting of the games.

In order to examine the potential impact on property prices in PyeongChang due to hosting of the 2018 Olympics, the current study utilizes a hedonic pricing model similar to those found in prior studies of real estate valuation (e.g., Feng & Humphreys, 2018; Tsai et al., 2016). Through utilizing data from the Korean Ministry of Land, Infrastructure, and Transport, we estimate a difference-in-difference (DiD) model to consider the difference in property prices between host and non-host communities near PyeongChang. DiD models are commonly used in economic research examining real estate prices, and are beneficial for their ability for researchers to create a quasi-experimental design to estimate the difference in effects between control and treatment groups (Yan & Hongbing, 2018). For the DiD model estimated within this research, we examine whether the housing market in the area experienced a discernable increase in real estate prices that can be attributed to the games. In addition, we also seek to see if real estate closer to major venues built for the Olympics see any additional increase in price. Control variables in the present study include the size of the house, the year the house was built, and characteristics of the house (e.g., what floor an apartment was on). The findings of this study help to develop further understanding of potential localized impacts that may occur from hosting sport mega-events. Moreover, as property prices are related to other factors such as socio-economic status, accessibility, and even health and safety, the findings provide the ability to further consider other externalities that may emerge from hosting mega-events. As such, this work advances the research into the impact and legacy of mega-events, especially in regards to local-market effects for host communities.