

ENTREPRENEURSHIP AND HOUSE PRICES: A REGIONAL ANALYSIS

Björn Berggren, Andreas Fili, Svante Mandell and Mats Wilhelmsson

KTH – ROYAL INSTITUTE OF TECHNOLOGY

ABSTRACT

Problem/Purpose: Entrepreneurship is of crucial importance for regional development in that entrepreneurs start new ventures or make already established firms grow. One of the key problems for the fledgling firm to solve is how to secure access to financial resources. From earlier research findings we know that insider finance, that is, financial resources from the entrepreneur or people close to him is of vital importance. Most entrepreneurs lack savings or other financial reserves which makes the use of their residential real estate a potential untapped resource for the entrepreneurial venture. In the Swedish post-industrial economy, the most common type of start-up is within the service sector. In this paper we take a closer look on the relationship between house prices and start-up frequency in different industrial sectors within the Swedish economy.

Design/methodology/approach: In the analysis we have included data from all 290 municipalities in Sweden. We have gathered data regarding business start-ups, education, employment, house prices, income, etc. from a number of different sources, including the public organization Statistics Sweden.

Findings: We find that rising house prices in a municipality do lead to a higher frequency of start-ups, but that there are different patterns and strength of the relationship that are dependent on which industry that the start-up belongs to. An increase in house price will lead to an increase in the number of start-ups within retailing, business services and construction. However, an increase in house price will not have any effect on start-up frequency within manufacturing and mining.

Research limitations/implications: The analysis in this paper is based on Swedish conditions and Swedish data. Therefore a certain degree of caution is necessary before any comparisons to markets in other countries are made.

Takeaway for practice: We conclude the paper with a number of implications for entrepreneurs, policy-makers and financiers.

Originality/value: The findings presented in this paper are in line with the limited previous international research that has been conducted and could therefore be seen as an important vital addition to the existing body of knowledge within the intersection of entrepreneurship and real estate.

Keywords: Entrepreneurship, financing, house prices, industry analysis, regional development.

Corresponding author's email: bjorn.berggren@abe.kth.se