

# Your room is ready: Tourism and urban revival

*Job Market Paper*

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## **Abstract**

Tourism is a vital sector of the global economy, contributing significantly to GDP and employment. Despite its importance, our understanding of its impact on urban economic activity remains limited. This paper aims to bridge this gap by investigating the influence of tourism on urban transformation using a dataset of hotel openings in Madrid. To address this research question, I propose a novel instrumental strategy that employs the number of protected buildings to account for the non-random distribution of hotel openings. I show that hotel openings positively affect the number of establishments and employment in the hotel surroundings. Interestingly, the effects vary between different economic activities and areas within the city, with tourist-oriented establishments benefiting significantly, while production-oriented activities experience negative effects. Additionally, the spatial effects of tourism extend beyond the immediate vicinity, suggesting indirect economic spillover effects on job creation in distant areas. To conclude, economic effects are shown to extend to the real estate market, leading to an increase in rental prices, along with a boost in residential investment.

**Keywords:** tourism, economic activity, urban transformation, cities

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