

Minimum Wage as a Place-Based Policy: Evidence from US Housing Rental Markets*

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Abstract

Recently, several sub-national jurisdictions in the US have instituted minimum wage (MW) policies, resulting in significant dispersion of MW levels within metropolitan areas. In this paper, we study the effect of MW changes on local housing rental markets exploiting the place-based nature of MW policies. For each location we define both the log MW where the average resident works (the “workplace MW”) and the log MW in the location itself (the “residence MW”). We derive a partial-equilibrium model of a housing market in which MW levels in each location affect housing demand by changing the income of commuters and the prices of non-tradable consumption. The model shows that the workplace MW has a positive effect on rents whereas the residence MW has a negative effect. We construct a ZIP-code-by-month panel using rents data from Zillow, and use a difference-in-differences design to estimate the effect of residence and workplace MW changes on log median housing rents. Our baseline results imply that a ZIP code experiencing a 10 percent increase in the workplace MW and no change in the residence MW will have a contemporaneous increase in rents of 0.68 percent (SE=0.3). If the residence MW also increases by 10 percent, then rents will increase by 0.46 percent (SE=0.16). We use our results to study the consequences of a counterfactual increase in the federal MW from \$7.25 to \$9. In ZIP codes where the residence MW increases landlords pocket on average 10.5 cents on the extra dollar generated by the policy. In ZIP codes where the residence MW does not change, landlords pocket on average 17.6 cents.

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1 Introduction

In recent years, many US jurisdictions have introduced minimum wages above the federal level of \$7.25, resulting in minimum wage levels that vary substantially across space and even within metropolitan areas. Minimum wage policies (hereafter MW) are *place-based* in that they are tied to a location, and workers may live and work in locations under different statutory MW levels, suggesting potentially heterogeneous effects of these policies over space. While most research on the effects of the MW has focused on employment and wages irrespective of residence and workplace location (e.g., Card and Krueger 1994; Cengiz et al. 2019), a full account of the welfare effects of the MW requires an understanding of how it affects different markets and how its effects spill over across neighborhoods. In fact, while the MW appears to lower income inequality through the labor market (Lee 1999; Autor, Manning, and Smith 2016), its overall effect on income for low-wage workers may be smaller if there is a significant pass-through from MW changes to prices, including housing (MaCurdy 2015).

In this paper, we study the effect of MW policies on local rental housing markets from 2015 to 2019. Consider a new MW policy in some locations within a metropolitan area. Because low-wage workers tend to reside in specific neighborhoods with access to the (now better-paying) low-wage jobs, one would expect an increase in disposable income and a subsequent rise in demand for housing and rental prices in their residence instead of their workplace. This effect, which operates through the MW at the workplace, will undermine the distributional objective of the policy. Similarly, the MW hike will translate into higher prices of non-tradable consumption that use low-wage workers intensively as an input inside the jurisdiction that passed the new policy. As a result, the demand for housing and rental prices will also be affected. This effect, which operates through the MW at the residence, will have distributional consequences as well. Commuting patterns thus become an essential ingredient to understand the heterogeneous effects of local MW policies. We operationalize this insight constructing, for each USPS ZIP code (hereafter ZIP code) and month, a “workplace MW” measure, which is defined as the log statutory MW where the average worker of the ZIP code works. We also define the “residence MW,” which is just the log statutory MW in the same ZIP code. Figure 1 shows the change in the two MW-based measures for the Chicago-Naperville-Elgin Core-Based Statistical Area (CBSA) in July 2019, when Cook County increased its MW level from \$12 to \$13. We observe that, even though the statutory MW only changed in some locations in the metropolitan area, the increase affected the workplace MW of most locations.

Estimating the effects of MW policies on rents is challenging for several reasons. First, as opposed to assessing effects on pure labor market outcomes where jobs and wages are tied to the workplace, when evaluating the housing market it is crucial to account for the fact that people may reside and work under different MW levels.¹ This is challenging because accounting for changes in the MW where residents of a location work requires data on commuting patterns at the local level. Second, successful identification of MW effects at the local level requires spatially disaggregated, high-frequency data on rents. Using large geographies might result in null or even negative effects

¹However, several papers have highlighted the importance that studies on the effect of the MW on employment account for potential spillovers that may “contaminate” the control group (Kuehn 2016; Huang 2020).

on average, even if no one commutes outside this region and the actual effect (of workplace MW) on some local housing markets is positive.² Even if the effects in such geographies may be of interest, they may mask substantial heterogeneity and therefore miss the fact that some people may be paying higher rents due to the policy change. Similarly, MW policies change at the monthly level, so using variation at a lower frequency (such as yearly) will not allow a clean identification using the exact month of the MW change. Finally, the effects of the MW on rents may operate through different channels, such as prices of consumption, income, or changes in migration and commuting. Studying the contribution of each channel separately is important to evaluate the incidence of the policy over different locations and time horizons.

We introduce several innovations to tackle these challenges. First, we develop a tractable model in which we allow the MW to spill over across local housing markets through commuting. We devise a new estimation approach in which rents in each local housing market are affected by two MW-based measures: the residence MW and the workplace MW. We motivate this approach with a partial-equilibrium model that maps these measures to the effect of the MW via (i) consumption prices in the same location and (ii) income generated across locations. Second, we use a novel panel dataset on rents at the ZIP code level and with a monthly frequency from Zillow, the largest online rental marketplace in the US. We couple those data with an original panel dataset of statutory MWs at the ZIP code level, and commuting origin-destination matrices constructed from administrative records. As a result, we are able to estimate the effect of MW policies on rents using variation from hundreds of policy changes staggered across jurisdictions and months that generate plausibly exogenous variation of workplace and residence MW levels. We show that our results are robust to using commuting data from different years and for different groups of workers, suggesting that commuting patterns are stable, at least in the time window around events we consider, and thus unlikely to affect the results. We use our estimated model to evaluate the impact of a federal MW increase from \$7.25 to \$9 on rents. Coupling our estimates with ZIP code-level income data, we estimate the share of each dollar of extra income (caused by the MW) that accrues to landlords in each ZIP code. We discuss the implications of our results for assessing the distributional impact of MW policies.

We start by laying out a partial equilibrium model of a ZIP code’s rental market, which is embedded in a larger geography. The model allows residents of this ZIP code to commute to other ZIP codes to work, potentially under a different MW policy. In the model workers demand square feet of housing as a function of local prices and income which, in turn, depend on the MW levels workers face at residence and workplace locations, respectively. The model imposes fixed commuting patterns alongside fully flexible prices.³ This assumption, which is motivated by our empirical setting, is also consistent with the literature.⁴ However, we note that validity of our results in the long-run will depend on the degree of migration as a result of the policy. The model illustrates that, if housing is a normal good and is complementary with non-tradable consumption, then the effect of a change in

²Rents in neighborhoods where low-wage workers live are likely to increase, whereas elsewhere they are likely not to change or decrease, as those residents “pay” for the higher MW through higher prices and lower profits.

³In the model we also assume fixed housing quality.

⁴Our data varies at the monthly level. Thus, we are assuming that the first order effects of MW changes do not affect where agents live and work in a window of a few months around MW changes. Relatedly, (Pérez Pérez 2021) finds small effects of the MW on commuting in a time horizon of several years.

MW legislation would be heterogeneous across ZIP codes depending on whether it mostly changes the MW of its residents at their residence or at their workplace locations. In particular, we show that a MW increase in some workplace will cause rents to go up, whereas an increase in the residence will (conditional on a constant workplace MW) lower rents. We also show that, assuming that the elasticities of per-capita housing demand to income and of income to MW levels do not vary by workplace, the effect of changes in MW at workplaces on log rents can be summarized in a single measure, which we call a ZIP code’s workplace MW. This measure is defined as the weighted average of log minimum wage levels across a ZIP code’s workplaces, using commuting shares as weights.⁵ The effect of changes in the MW at the residence can be summarized by a single measure as well, the log of the statutory MW in the location. We use this result to motivate our empirical model.

We construct a panel at the ZIP code and monthly levels with rental prices, statutory MW levels, and our MW-based measures from January 2015 to December 2019. The main rent variable comes from Zillow and corresponds to the median rental price per square foot across Zillow listings in the given ZIP code-month cell of the category Single Family Houses and Condominiums and Cooperative units (SFCC). The MW data is collected from Vaghul and Zipperer (2016) and UC Berkeley Labor Center (2020). We use our MW data coupled with commuting origin-destination matrices obtained from the Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES; US Census Bureau 2021) database. These data provide workplace locations for the residents of all the US census blocks, and we use it—along with a novel correspondence table between blocks and USPS ZIP codes—to construct our workplace MW measure. We also use data on geographical economic indicators at the county-quarter level, income aggregates at the ZIP code-year level, housing assistance programs, and ZIP code-level sociodemographic characteristics.

Guided by the theoretical model, we pose an empirical model where log rents in a location depend on (1) the residence MW, defined as the log of the statutory MW at that location; (2) the workplace MW, defined as the weighted average of log statutory MW in other ZIP codes where weights are commuting shares; (3) ZIP code and time period fixed effects; and (4) time-varying controls. As shocks to rents are expected to be serially correlated over time within ZIP codes, we estimate the model in first differences. This model recovers the true causal effect of the MW assuming that, within a ZIP code, changes in each of our MW variables are *strictly exogenous* with respect to changes in the error term, conditional on the other MW measure and the controls. To mitigate concerns of changes in the composition of our sample of ZIP codes, in our baseline analysis we use a fully balanced panel.⁶ Using an argument akin to the recent difference-in-differences literature (e.g., Callaway, Goodman-Bacon, and Sant’Anna 2021), in an appendix we unpack our identification beyond the residence and workplace MW measures. We state clearly the conditions required on the commuting shares and the unobservable determinants of rents under a MW policy that increases the MW in a subset of ZIP codes only.

Our preferred specification implies that a 10 percent increase in the workplace MW (holding constant the residence MW) *increases* rents by 0.68 percent (SE=0.3). A 10 percent increase in the residence MW (holding constant the workplace MW) *decreases* rents by 0.22 percent (SE=0.18). As

⁵We discuss the plausibility of the required constant-elasticity assumptions in the body of the paper.

⁶We use all ZIP codes with valid rents data as of January 2015.

a result, if both measures increase simultaneously by 10 percent then rents would increase by 0.46 percent ($SE=0.16$). These results imply that, holding fixed the commuting shares, MW changes spill over spatially through commuting, affecting local housing markets in places beyond the boundary of the jurisdiction that instituted the policy. We find that a naive model estimated only on the same-location MW would yield a coefficient similar to the sum of the coefficients on our workplace and residence MW measures. However, this model would not account for MW spillovers to other locations, which are central to understanding the distributional consequences of the rich pattern of changes in rents generated by this policy. We explore heterogeneity of our results based on ZIP code characteristics and find suggestive evidence that results are stronger where low-wage workers are located.

We conduct several robustness checks to test the validity of our results. First, we assess the plausibility of our identification assumption estimating an extended model that includes leads and lags the MW measures. Reassuringly, we find no effects of future MW changes on current rent changes. Furthermore, the statistical significance of our estimates increases in this case. Second, we show that using panels at the county by month and ZIP code by year levels one fails to detect effects, highlighting the importance of the granularity of our ZIP code by month data. Third, we show robustness of our results to different sets of controls, alternative definitions of commuting shares, alternative sample definitions, and re-weighting observations to match demographics of the population of urban ZIP codes. Fourth, we estimate our models for different categories of housing rentals and find similar results for several of them as well (although estimates are noisier). Finally, in the appendix we estimate two alternative models. We construct a “stacked” regression model, similar to Cengiz et al. (2019), that compares ZIP codes within metropolitan areas where some but not all experienced a change in the statutory MW. This should alleviate concerns that our estimates stem from undesired comparisons, as highlighted by recent literature (de Chaisemartin and D’Haultfoeuille 2022; Roth et al. 2022). The second alternative model includes the lagged first difference of rents as a control, and is estimated via instrumental variables following Arellano and Bond (1991). We find similar results in these cases.

In the final part of the paper, we develop a simple extension to our baseline framework to estimate the ZIP code-specific share of each dollar that accrues to landlords following a MW increase—the “share pocketed by landlords.” This parameter depends on the change in the total wage of a ZIP code generated by the MW, and also on the share of a ZIP code’s total income spent in housing. We posit a model for total wages similar to our baseline, and estimate an elasticity of wages to the minimum wage that is in line with the literature. Due to data constraints, we assume a range of values for the share of housing expenditure at the ZIP code level. We focus on studying the consequences of a counterfactual increase in the federal MW from \$7.25 to \$9 in January 2020, although in an appendix we develop counterfactuals for larger and smaller increases in the federal MW. We find large variation in the estimated resulting rent changes across ZIP codes. For an assumed share of housing expenditure of 0.35, we estimate a median share pocketed of 0.108, implying that around 11 cents out of each dollar will be captured by landlords. In ZIP codes where both the residence and workplace MW measures increase due to the policy, landlords pocket on average 10.5 cents on the dollar. In ZIP codes where the residence MW does not change, landlords pocket on average 17.6

cents on the dollar. However, as only a share of workers commute to areas where the new MW is binding, the nominal increases in rents and income are smaller in this case. These results imply that a share of the extra income that low-wage workers receive due to the policy is actually captured by landlords. Viewed through the lens of our theoretical model, the mechanism behind this is a rise in housing demand in a scenario of a finite housing supply elasticity. In the context of a general equilibrium model, Kline and Moretti (2014) argue that this mechanism causes place-based policies to be welfare inefficient. While studying the full welfare effects of MW policies is beyond the scope of the paper, our results imply that ignoring rent changes will lead to an overstatement of the gains of low-wage workers following a MW increase.

This paper is related to several strands of literature. First, our paper relates to the large literature estimating the effects of minimum wage policies on employment (e.g., Card and Krueger 1994; Neumark and Wascher 2007; Meer and West 2016; Cengiz et al. 2019),⁷ and the distribution of income (e.g., Lee 1999; Autor, Manning, and Smith 2016; Dube 2019b). There is also a growing literature studying the effects of local MW policies (e.g., Dube, Naidu, and Reich 2007; Schmitt and Rosnick 2011; Dube and Lindner 2021). Our contribution is to focus on a less studied channel: the housing market. We point out that this channel may erode some of the income gains of low-wage workers. We also contribute by developing a novel panel dataset of MW levels at the ZIP code level for the entire US.

Second, this paper is related to the literature studying the effects of MW policies beyond the labor market. To the best of our knowledge, the only papers that estimate the causal effect of minimum wages on rents in the same location are Tidemann (2018), Yamagishi (2019, 2021),⁸ and Agarwal, Ambrose, and Diop (2021).⁹ We innovate in several ways relative to these papers. First, while these papers estimate the effect of same-location MW on rents, we differentiate between residence and workplace MW levels, fully incorporating spillovers across regions. Second, we use data at a more detailed geography and a higher frequency, which enriches our understanding of the spatial effects on rents and makes the required identification assumptions more plausible.¹⁰ Agarwal, Ambrose, and Diop (2021) show that MW increases lower the probability of rental default, and present complementary estimates of the effect of the MW on rents. Our paper also relates to Hughes (2020), who studies the effect of MW policies on rent-to-income ratios. Like us, the author explicitly mentions disentangling general equilibrium effects from effects on rental markets as a motivation for his approach.¹¹

Third, we also contribute to the urban economics literature on place-based policies and on the spatial transmission of shocks. Kline and Moretti (2014) present a review of place-based policies, and argue that these policies result in welfare losses. Relatedly, Hsieh and Moretti (2019) quantify the aggregate cost of housing constraints. In line with this insight, we show in our counterfactual analysis

⁷See Dube (2019a) and Neumark and Shirley (2021) for recent reviews of the literature.

⁸In the working paper version (Yamagishi 2019), the author explores this question using data from both the US and Japan. In the published version (Yamagishi 2021), he excludes the analysis of the US case.

⁹While the main goal of Agarwal, Ambrose, and Diop (2021) is to study the effect of the MW on eviction risk, the authors also presents estimates of the MW on rents using individual-level transactions.

¹⁰Both Tidemann (2018) and Yamagishi (2019) for the US use Fair Markets Rents data from the US Department of Housing and Urban Development, which is available at the yearly level and aggregated at the county level.

¹¹Our paper is also related to work studying the effects of MW policies on commuting and migration (Cadena 2014; Monras 2019; Pérez Pérez 2021), and prices of consumption goods (Allegretto and Reich 2018; Leung 2021).

that landlords may benefit from a MW increase, eroding part of the rise in low-wage workers' income generated by the policy. Our paper also relates to Allen et al. (2020), who estimate the within-city transmission of expenditure shocks using tourism in Barcelona. We, on the other hand, study the within-city transmission of minimum wage shocks.

Finally, our paper relates to the literature on the econometric issues arising from the presence of spillover effects across units, both in the context of minimum wage policies (Kuehn 2016; Huang 2020), and more generally of any policy that spills over spatially (Delgado and Florax 2015; Butts 2021). We specify a model for treatment spillovers across units through commuting, which in turn allows us to estimate rich effect patterns of the MW on rents.

The rest of the paper is organized as follows. In Section 2 we introduce a motivating model of the rental market. In Section 3 we present our data. In Section 4 we discuss our empirical strategy and we discuss our identification assumptions. In Section 5 we present our results. Section 6 discusses a counterfactual minimum wage policy, and Section 7 concludes.

2 A Partial-Equilibrium Model

In this section we lay out a simple demand and supply model of local rental markets. We use the model to illustrate why we expect a different impact of MW changes on rents at workplace and residence locations. Because we study the consequences of MW changes in the very-short run, our model is static. The addition of a time dimension is discussed in Appendix A. Due to the short-run nature of our empirical exercise, we assume an exogenous distribution of workers across residence and workplace locations. We think of a spatial model with worker mobility across ZIP codes as an avenue for future work.

2.1 Setup

We consider the rental market of some ZIP code i embedded in a larger geography composed of a finite number of ZIP codes \mathcal{Z} . Workers with residence i work in a ZIP code $z \in \mathcal{Z}(i)$, where $\mathcal{Z}(i) \subseteq \mathcal{Z}$. More precisely, we let L_{iz} denote the number of i 's residents who work in z ; and $L_i = \sum_{z \in \mathcal{Z}(i)} L_{iz}$ and $L_z = \sum_{i \in \mathcal{Z}(i)} L_{iz}$ the number of residents in i and workers in z , respectively.¹² We assume that $\{L_{iz}\}$ is fixed. This assumption is intended as an approximation to our empirical setting where we look at the effects of MW changes at a monthly frequency.¹³ This assumption is consistent with estimates of small effects of the MW on employment, as in Cengiz et al. (2019) and Dustmann et al. (2022), and on migration, as in Pérez Pérez (2021), in a time frame of several years.

Each ZIP code has a binding minimum wage, which we denote by $\{\underline{W}_z\}_{z \in \mathcal{Z}(i)}$.

¹²To simplify, we assume that all of i ' residents work, so that the number of residents equals the number of workers.

¹³Allen et al. (2020) study the within-city transmission of expenditure shocks by tourists within Barcelona over a period of two years. The authors maintain an analogous assumption of constant shares of income that each location in the city earns from every other location.

Housing demand

Each group (i, z) consume square feet of living space H_{iz} , a non-tradable good produced in their residence C_{iz}^{NT} , and a tradable good C_{iz}^T . A representative (i, z) worker chooses between these alternatives by maximizing a quasi-concave utility function $u_{iz} = u(H_{iz}, C_{iz}^{NT}, C_{iz}^T)$ subject to a budget constraint

$$R_i H_{iz} + P_i(W_i) C_{iz}^{NT} + C_{iz}^T \leq Y_{iz}(W_z),$$

where R_i gives the rental price of housing per square feet, $P_i(W_i)$ gives the price of local consumption, the price of tradable consumption is normalized to one, and $Y_{iz}(W_z)$ is an income function. We summarize the effect of MW levels on these functions below.

Assumption 1 (Effect of Minimum Wages). *We assume that (i) the prices of non-tradable goods are increasing in i 's MW, $\frac{dP_i}{dW_i} > 0$, and (ii) income is weakly increasing in z 's MW, $\frac{dY_{iz}}{dW_z} \geq 0$, with strict inequality for at least one $z \in \mathcal{Z}(i)$.*

The structure of the problem and Assumption 1 are consistent with the literature. First, evidence by Miyauchi, Nakajima, and Redding (2021) shows that individuals tend to consume close to home. As a result, we expect them to be sensitive to prices of local consumption in their same neighborhood, justifying the inclusion of C_{iz}^{NT} in the utility function.¹⁴ Second, MW hikes have been shown to increase prices of local consumption (e.g., Allegretto and Reich 2018; Leung 2021), and also to increase wage income even for wages above the MW level (e.g., Cengiz et al. 2019; Dube 2019b).¹⁵

For convenience, we define the per-capita housing demand function as $h_{iz} \equiv \frac{H_{iz}}{L_{iz}}$. The solution to the worker's problem for each z then yields a set of continuously differentiable per-capita housing demand functions $\{h_{iz}(R_i, P_i, Y_z)\}_{z \in \mathcal{Z}(i)}$. We summarize the properties of these functions below.

Assumption 2 (Housing demand). *Consider the set of functions $\{h_{iz}(R_i, P_i, Y_z)\}_{z \in \mathcal{Z}(i)}$. We assume that (i) housing is a normal good, $\frac{dh_{iz}}{dY_z} > 0$ for all $z \in \mathcal{Z}(i)$ and (ii) housing demand is decreasing in local prices, $\frac{dh_{iz}}{dP_i} < 0$.*

Using the first assumption, standard arguments imply that $\frac{dh_{iz}}{dR_i} < 0$. For the second assumption to hold, a sufficient (albeit not necessary) condition is that housing and non-tradable consumption are complements.¹⁶ While direct empirical evidence on this particular channel is lacking, we view the evidence of workers sorting towards locations with high (low) housing costs and high-quality, more expensive (low-quality, less expensive) amenities as consistent with it (e.g., Couture et al. 2019).

¹⁴An extension of the model would allow workers to consume in any ZIP code in the metropolitan area. While theoretically straightforward, this extension would require data on consumption trips, which we lack. We think of our model as an approximation.

¹⁵An extension would allow separate wage income and business income in the budget constraint. If firm owners tend to live where they work, and MW increases damage profits (as found by, e.g., Draca, Machin, and Van Reenen 2011; Harasztosi and Lindner 2019), then business income would depend negatively on the MW level.

¹⁶To formalize the required condition, let h_{iz} and c_{iz} denote per-capita Marshallian demands resulting from the choice problem, and \tilde{h}_{iz} denote the corresponding Hicksian housing demand. The Slutsky equation implies that

$$\frac{\partial h_{iz}}{\partial P_i} = \frac{\partial \tilde{h}_{iz}}{\partial P_i} - \frac{\partial h_{iz}}{\partial Y_{iz}} c_{iz}.$$

To obtain $\frac{\partial h_{iz}}{\partial P_i} < 0$, we require that $\frac{\partial \tilde{h}_{iz}}{\partial P_i} < \frac{\partial h_{iz}}{\partial Y_{iz}} c_{iz}$, i.e., the income effect of an increase in non-tradable prices is larger than the corresponding substitution effect.

Note that, given our assumptions, an increase in a group's (i, z) workplace MW will tend to increase housing demand in i , and an increase in residence MW will have a negative effect—conditional on its effect via the workplace MW of the group (i, i) .

Housing supply

We assume that absentee landlords supply square feet in i according to the function $S_i(R_i)$, and we assume that this function is weakly increasing in R_i , $\frac{dS_i(R_i)}{dR_i} \geq 0$. Note that this formulation allows for an upper limit on the number of houses at which point the supply becomes perfectly inelastic.

2.2 Equilibrium and Comparative Statics

Total demand of housing in ZIP code i is given by the sum of the demands of each group. Thus, we can write the equilibrium condition in this market as

$$\sum_{z \in \mathcal{Z}(i)} L_{iz} h_{iz}(R_i, P_i(\underline{W}_i), Y_z(\underline{W}_z)) = S_i(R_i). \quad (1)$$

Given that the per-capita housing demand functions are continuous and decreasing in rents, under a suitable regularity condition there is a unique equilibrium in this market.¹⁷ Equilibrium rents are a function of the entire set of minimum wages, formally, $R_i^* = f(\{\underline{W}_i\}_{i \in \mathcal{Z}(i)})$.

We are interested in two questions. First, what is the effect of a change in the vector of MWs $(\{d \ln \underline{W}_i\}_{i \in \mathcal{Z}(i)})'$ on equilibrium rents? Second, under what conditions can we reduce the dimensionality of the rents function and represent the effects of MW changes on equilibrium rents in a simpler way? We start with the first question.

Proposition 1 (Comparative Statics). *Consider residence ZIP code i and a change in MW policy at a larger jurisdiction such that for $z \in \mathcal{Z}_0 \subset \mathcal{Z}(i)$ binding MWs increase, and for $z' \in \mathcal{Z}(i) \setminus \mathcal{Z}_0$ binding MWs do not change, where \mathcal{Z}_0 is non-empty. Under the assumptions of unchanging $\{L_{iz}\}_{z \in \mathcal{Z}(i)}$ and Assumption 1, we have that*

(i) *for $z' \in \mathcal{Z}_0 \setminus \{i\}$ for which $\frac{dY_{z'}}{d\underline{W}_{z'}} > 0$, the policy has a positive partial effect on rents, $\frac{d \ln R_i}{d \ln \underline{W}_{z'}} > 0$;*

(ii) *the partial effect of the MW increase in i on rents is ambiguous, $\frac{d \ln R_i}{d \ln \underline{W}_i} \leq 0$; and*

(iii) *as a result, the overall effect on rents is ambiguous if $i \in \mathcal{Z}_0$ and weakly positive if $i \notin \mathcal{Z}_0$.*

Proof. Fully differentiate the market clearing condition with respect to $\ln R_i$ and $\ln \underline{W}_i$ for all $i \in \mathcal{Z}(i)$. Dividing by (1) and each of the variables appropriately, one can show that

$$\left(\eta_i - \sum_z \pi_{iz} \xi_{iz}^R \right) d \ln R_i = \sum_z \pi_{iz} \left(\xi_{iz}^P \epsilon_i^P d \ln \underline{W}_i + \xi_{iz}^Y \epsilon_z^Y d \ln \underline{W}_z \right), \quad (2)$$

where $\pi_{iz} = \frac{L_{iz}}{L_i}$ represents the share of i 's residents working in z ; $\xi_{iz}^x = \frac{dh_{iz}}{dx_i} \frac{x_i}{\sum_z \pi_{iz} h_{iz}}$ for $x \in \{R, P, Y\}$ is the elasticity of the per-capita housing demand evaluated at the average per-capita

¹⁷To see this, assume that $S_i(0) - \sum_{z \in \mathcal{Z}(i)} L_{iz} h_{iz}(0, P_i, Y_z) < 0$ and apply the intermediate value theorem. Intuitively, we require that at low rental prices demand exceeds supply.

demand of ZIP code i ; $\epsilon_i^P = \frac{dP_i}{dW_i} \frac{W_i}{P_i}$ and $\epsilon_z^Y = \frac{dY_z}{dW_z} \frac{W_z}{Y_z}$ are elasticities of prices and income to minimum wages; and $\eta_i = \frac{dS_i}{dR_i} \frac{R_i}{S_i}$ is the elasticity of housing supply in ZIP code i .

For each $z \in \mathcal{Z}_0 \setminus \{i\}$ the partial effect on rents of the policy is given by

$$\left(\eta_i - \sum_z \pi_{iz} \xi_{iz}^R \right)^{-1} \pi_{iz} \epsilon_{iz}^Y \epsilon_z^Y d \ln W_z.$$

Because $\eta_i > 0$ and $\xi_{iz}^R < 0 \forall z \in \mathcal{Z}(i)$, the first factor is positive. Since we also assumed $\epsilon_z^Y > 0$ this effect is positive, as desired.

For ZIP code i the partial effect is given by

$$\left(\eta_i - \sum_z \pi_{iz} \xi_{iz}^R \right)^{-1} \left(\epsilon_i^P \sum_z \pi_{iz} \xi_{iz}^P + \pi_{ii} \xi_{ii}^Y \epsilon_i^Y \right) d \ln W_i.$$

Because $\epsilon_i^P > 0$, $\xi_{iz}^P < 0 \forall z \in \mathcal{Z}(i)$, and $\epsilon_i^Y > 0$, then the sign of this partial effect is ambiguous. The third statement of the Proposition follows directly. \square

The first part of Proposition 1 shows that, if at least some low-wage worker (for whom $\frac{dY_z}{dW_z} > 0$) commutes to a ZIP code where the MW increased, then the MW hike will tend to increase rents. The second part of Proposition 1 establishes that a decreasing effect on rents may follow if the minimum wage also increases in ZIP code i . As a result, the sign of the overall effect of the policy is not determined a priori.

As apparent from the proof of Proposition 1, the effect of the MW on rents at workplaces depends on the elasticities of per-capita housing demand to incomes $\xi_{iz}^Y = \frac{dh_{iz}}{dY_z} \frac{Y_z}{\sum_z \pi_{iz} h_{iz}}$, and on the elasticities of income to minimum wages $\epsilon_z^Y = \frac{dY_z}{dW_z} \frac{W_z}{Y_z}$. These (i, z) -specific terms weigh the change in MW levels at workplace locations, and their sum over z impacts the change in rents. The following proposition establishes conditions under which we can reduce the dimensionality of the rent gradient to two MW-based measures.

Proposition 2 (Representation). *Assume that for all ZIP codes $z \in \mathcal{Z}(i)$ we have (i) homogeneous elasticity of per-capita housing demand to incomes $\{Y_z\}$, $\xi_{iz}^Y = \xi_i^Y$, and (ii) homogeneous elasticity of income to minimum wages $\{W_z\}$, $\epsilon_z^Y = \epsilon^Y$. Then, we can write*

$$dr_i = \beta_i d\underline{w}_i^{\text{wp}} + \gamma_i d\underline{w}_i^{\text{res}}$$

where $r_i = \ln R_i$, $\underline{w}_i^{\text{wp}} = \sum_{z \in \mathcal{Z}(i)} \pi_{iz} \ln W_z$ is ZIP code i 's **workplace MW**, $\underline{w}_i^{\text{res}} = \ln MW_i$ is ZIP code i 's **residence MW**, and $\beta_i > 0$ and $\gamma_i < 0$ are parameters.

Proof. Under the stated assumptions we can manipulate (2) to write

$$dr_i = \beta_i d\underline{w}_i^{\text{wp}} + \gamma_i d\underline{w}_i^{\text{res}} \quad (3)$$

where $\beta_i = \frac{\xi_i^Y \epsilon^Y}{\eta_i - \sum_z \pi_{iz} \xi_{iz}^R} < 0$ and $\gamma_i = \frac{\sum_{z \in \mathcal{Z}(i)} \pi_{iz} \xi_{iz}^P \epsilon_i^P}{\eta_i - \sum_z \pi_{iz} \xi_{iz}^R} > 0$ are parameters, which signs can be verified using Assumptions 1 and 2. \square

Proposition 2 shows that, under a homogeneity assumption on the elasticities of housing demand to income and of income to the MW,¹⁸ the change in rents following a small change in the profile of MWs can be expressed as a function of two MW-based measures: one summarizing the effect of MW changes in workplaces $z \in \mathcal{Z}(i)$, and another one summarizing the effect of the MW in the same ZIP code i . This motivates our empirical strategy, where we regress log rents on the empirical counterparts of these measures.

How likely are these assumptions to hold? The assumption that the elasticity of income to the MW is constant will fail if the income of some (i, z) groups is more sensitive to the MW than others. This would be the case if, for example, the share of low-wage workers within each flow L_{iz} varies strongly by workplace z . The assumption that the elasticity of housing demand to income is constant will hold trivially for all preferences with $h_{iz} = g(R_i, P_i) Y_i$ for some $g(\cdot)$, such as those embedded in Cobb-Douglas or Constant Elasticity of Substitution utility functions. However, one would expect the elasticity of (i, z) groups with many low-wage workers to be larger, suggesting that this type of preferences may not be appropriate.

We see that these are strong assumptions that will hold only in special cases. However, we maintain that the workplace MW measure provides a useful approximation to study the spillover effects of MW policies on the housing market. First, unless the heterogeneity in $\{\xi_{iz}^Y \epsilon_z^Y\}_z$ is strongly asymmetric, we expect to correctly capture the average contribution of the workplace MW on rents. In other words, in this case the value of $\beta_i dw_i^{\text{wkp}}$ will be close to value of the elasticity-weighted changes in workplace MW levels that, according to the model, determine rents.¹⁹ Second, we conduct several exercises that attempt to account for heterogeneity and find it to be small. For example, we allow the parameter on the workplace MW to differ for ZIP codes with different likelihood of hosting MW workers. This exercise can be mapped to the model by assuming that $\xi_{iz}^Y \epsilon_z^Y$ is homogeneous within each ZIP code but varies across ZIP codes depending on the number of low-wage workers in them.

3 Data

In this section, we explain where we obtained our data and the steps we take to put them together in a ZIP-code-by-month panel. First, we describe the Zillow data on rents. Second, we describe the sources and construction of our residence and workplace MW measures. We describe in detail the trends, timing, and geographic patterns of the statutory MW changes that give raise to rich variation in our MW variables. We explore how the sample of ZIP codes available in Zillow compares to the

¹⁸The assumptions stated in Proposition 2 are actually stronger than needed. It is enough to have that the product $\xi_{iz}^Y \epsilon_z^Y$ does not vary by z .

¹⁹More precisely, say that $\xi_{iz}^Y \epsilon_z^Y = \bar{\xi}^Y \epsilon^Y_i + \nu_{iz}$. In that case, a similar logic than the one in the proof of Proposition 2 will result in the following expression for rents changes:

$$dr_i = \gamma_i dw_i^{\text{res}} + \frac{\bar{\xi}^Y \epsilon^Y_i}{\eta_i - \sum_z \pi_{iz} \xi_{iz}} \sum_z \Delta \ln W_z + \frac{1}{\eta_i - \sum_z \pi_{iz} \xi_{iz}} \sum_z \nu_{iz} \Delta \ln W_z.$$

The second term on the right-hand side is equivalent to $\beta_i dw_i^{\text{wkp}}$ in Proposition 2. The third term reflects the heterogeneity. If, for example, ν_{iz} has a symmetric distribution with mean zero, and $\Delta \ln W_z$ is the same across workplaces (because it originates from a single jurisdiction), then this third term will equal zero.

US sample of ZIP codes. Third, we detail sources of other data used in our analysis. Finally, we guide the reader through the construction of the baseline sample we use in estimation.

3.1 Rents Data

One of the main challenges to estimate the effects of any policy on the rental housing market is to obtain adequate data. Recent papers have used the Fair Market Rents (FMRs) data from the US Department of Housing and Urban Development, available at the county and year levels (Tidemann 2018; Yamagishi 2019). We leverage data from Zillow at the ZIP code and month levels. The higher frequency and resolution of the Zillow data is an advantage since it allows us to explore the effects of MW changes on rents exploiting their precise timing and geographic scope.

Zillow is the leading online real estate and rental platform in the US, hosting more than 110 million homes and 170 million unique monthly users in 2019 (Zillow 2020a). Zillow provides, starting on February 2010, the median rental and sale price among homes listed on the platform for different house types and at geographic and time aggregation levels (Zillow 2020b).²⁰ We collect the USPS ZIP code level monthly time series from February 2010 to December 2019. There is variation in the entry of a ZIP code to the data, and units with a small number of listings are omitted.²¹ As we will explain below, we for estimation we will the subset of ZIP codes with valid rents data as of January 2015.

We focus our primary analysis on a single housing category: *single-family* houses and *condominium and cooperative* units (SFCC). This is the series with the largest number of non-missing ZIP codes, as it covers the most common US rental house types. In fact, roughly a third of the nation’s 47.2 million rental units in 2018 fit the category of single-family homes (Fernald 2020). To account for systematic differences in house size across locations we focus on *per square foot* rents. Our main outcome variable represents the median rental price per square foot in the SFCC category among units listed in the platform for a given ZIP code and month. However, we show results using median rents per square foot in other rental categories available in the data as well.

Zillow data has several limitations. First, Zillow’s market penetration dictates the sample of ZIP codes available. Appendix Figure 1 shows that the sample of ZIP codes we observe in Zillow typically coincides with areas of high population density. Second, we only observe the median per-square-foot rental value among listings. We do not observe actual rents paid by tenants in a given period, the distribution of rents among listings in the given ZIP code and month, nor the number of units listed for rent in a given month.

To ensure that our data captures trends in the overall US rental market in urban areas, we compare Zillow’s median rental price in the SFCC category with Small Area Fair Market Rents (hereafter SAFMRs) series for houses with different number of bedrooms. We collected the SAFMR data from US Department of Housing and Urban Development. These ZIP-code-by-year data, which tries to capture the 40th percentile of the distribution of rents for a fixed housing quality, are

²⁰The availability of different time series changed over time, so most data used in this paper is not available for download. See Internet Archive (2021) for a snapshot of the website as of February 2020. We downloaded the data on January 2020, a few months before Zillow removed it from its website.

²¹Two related notes: (i) once a ZIP code enters the Zillow data, it remains until the final month of our data (December 2019); (ii) the threshold used by Zillow to censor the data is not made public.

estimated using ACS from previous years and FMRs.²² Appendix Figure 2 shows that these series evolve very similarly over time.

3.2 Minimum Wage

3.2.1 The statutory minimum wage

We collect data on federal-, state-, county-, and city-level statutory MW levels from Vaghul and Zipperer (2016). We supplement their data, available up to 2016, with data from UC Berkeley Labor Center (2020) and from official sub-national government offices for the years 2016–2019.²³ Most ZIP codes are contained within a jurisdiction, and for them the statutory MW is simply the maximum of the federal, state, and local levels. Some ZIP codes cross jurisdictions, and so are bound to multiple statutory MW levels. In these cases we assign a weighted average of the statutory MW levels in its constituent census blocks, exploiting an original correspondence table between census blocks and USPS ZIP codes detailed in Appendix B. More details on the construction of the ZIP code-level statutory MW panel can be found in Appendix C.

When restricting to the sample of ZIP codes available in Zillow in the SFCC category, and to our sample period, our data contains 7,970 statutory MW changes at the ZIP code by month level. These, in turn, arise from 123 state-level and 157 county- and city-level changes. Figure 2 shows the distribution of positive increases in our statutory MW variable among all ZIP codes available in the Zillow data.²⁴ Our baseline sample, described in Section 3.4, contains 3,313 MW changes at the ZIP code level.

Panel (a) shows the distribution of the intensity of the MW changes. The average percent change among Zillow ZIP codes is 5.88. Our estimation strategy exploits the intensity of MW changes. On the other hand, panel (b) shows the timing of those changes between 2010 and 2019. Most changes occur in either January or July, and the majority of them take place later in the panel, where our rents data is more abundant. Statutory MW changes have also been concentrated geographically. Appendix Figure 3 shows the percentage change in the statutory MW levels from January 2010 to December 2019. There exist many areas across and within state borders that have differential MW changes, which will be central to distinguishing the effect of the two MW-based measures proposed in Section 2. We describe these measures in the next subsection.

3.2.2 The residence and workplace minimum wage measures

In this subsection we define the minimum wage variables we use in our analysis, which follow Proposition 2. With our MW panel at hand, computing the residence MW is straightforward. We

²²As a result, these data do not represent actual market prices, and cannot be used to estimate the effect of the MW on rents.

²³Some states and cities issue different MW levels for small businesses (usually identified by having less than 25 employees). In these cases, we select the general MW level as the prevalent one. In addition, there may be different (lower) MW levels for tipped employees. We do not account for them because employers are typically required to make up for the difference between tipped MW plus tips and actual MW.

²⁴There are a handful of cases of decreases in the MW arising from judicial decisions overthrowing local MW ordinances. For expository reasons, they are not shown in the figure. However, they are used in estimations throughout the paper.

define it as

$$\underline{w}_{it}^{\text{res}} = \ln \underline{W}_{it} .$$

We also construct the workplace MW, which captures the spillover effects of statutory MW policies across locations. To construct this measure we need to know, for each ZIP code, where workers residing in that location work. We obtain this information from the Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES; US Census Bureau 2021) for the years 2009 through 2018. We collected the datasets for “All Jobs.” The raw data is originally aggregated at the census block level. We further aggregate it to ZIP codes using the original correspondence between census blocks and USPS ZIP codes described in Appendix B. This results in ZIP code residence-workplace matrices that, for each location and year, indicate the number of jobs of residents in every other location.

We then use the 2017 ZIP code residence-workplace matrix to build exposure weights. Let $\mathcal{Z}(i)$ be the set of ZIP codes in which i ’s residents work (including i). We construct the set of weights $\{\omega_{iz}\}_{z \in \mathcal{Z}(i)}$ as

$$\omega_{iz} = \frac{N_{iz}}{N_i},$$

where N_{iz} is the number of workers who reside in i and work in z , and N_i is the total working population of i . Appendix Table 5 shows how our results change when we use young workers and low-income workers to construct the weights.²⁵ We define the workplace minimum wage measure as

$$\underline{w}_{it}^{\text{wkp}} = \sum_{z \in \mathcal{Z}(i)} \omega_{iz} \ln \underline{W}_{zt} . \quad (4)$$

Figure 1 illustrates the difference in these measures by plotting the change in the residence and workplace MW measures in the metropolitan area of Chicago in July 2019. Starting on the first of that month, both Cook County and the city of Chicago increased the statutory MW from \$12 to \$13. We observe how the increase affects ZIP codes far beyond the limits of the county, suggesting that rents may be affected there as well. For completeness, Appendix Figure 4 shows the changes in our main median rents variable around the same date.

3.3 Other Data Sources

3.3.1 Time-varying data

We complement the origin-destination LODES matrices with block-level aggregates on residence and workplace area characteristics from LODES (US Census Bureau 2021) for the years 2009 through 2018. We aggregate these data to the USPS ZIP code level using the correspondence table discussed in Appendix B. While in principle these data can be constructed from aggregating the origin-destination matrices, in practice they contain counts of workers broken by more detailed categories, such as NAICS industrial aggregates and schooling levels.

²⁵The LODES data additionally reports origin-destination matrices for the number of workers 29 years old and younger, and the number of workers earning less than \$1,251 per month. The resulting workplace MW measures with any set of weights are highly correlated among each other ($\rho > 0.99$ for every pair).

To proxy for local economic activity we collect data from the Quarterly Census of Employment and Wages (QCEW; US Bureau of Labor Statistics 2020b) at the county-quarter and county-month levels for several industrial divisions and from 2010 to 2019.²⁶ For each county-quarter-industry cell, we observe the number of establishments and the average weekly wage. For each county-month-industry cell, we additionally observe the number of employed people. We use this data for descriptive purposes and as controls for the state of the local economy in our regression models.

We collect Individual Income Tax Statistics aggregated at the USPS ZIP code level for the period 2010–2019 (Internal Revenue System 2022). For each ZIP code and year we observe the number of households, population, adjusted gross income, total wage bill, total business income, number of households that receive a wage, number of households that have business income, and the number of households with farm income. We use this data in our counterfactual exercises.

3.3.2 ZIP code characteristics

The full sample of ZIP codes we use in this paper consists of those that are matched to some census block following the procedure described in Appendix B. While our MW assignment recognizes that many of these ZIP codes cross census geographies, we assign to each ZIP code a unique geography based on where the largest share of its houses fall. We do this for descriptive purposes and also to use geographical indicator variables in our empirical models.

In order to describe our sample of ZIP codes we collect data from the 2010 US Census (US Census Bureau 2022b), the 5-year 2007–2011 American Community Survey (ACS; US Census Bureau 2022a), and from Small Area Fair Market Rents (SAFMR; US Department of Housing and Urban Development 2020). We collect most of these data at the block level, and aggregate it to ZIP codes using the correspondence in Appendix B.

3.4 Estimation Samples

We put together an unbalanced panel of ZIP codes available in Zillow in the SFCC category at the monthly date level from February 2010 to December 2019. This panel contains 7,970 MW changes at the ZIP code level, which arise from 123 state-level changes and 157 county- and city-level changes. Given that ZIP codes enter the Zillow data progressively over time affecting the composition of the sample, we construct our baseline estimating panel keeping ZIP codes that enter the Zillow rental data at most in January 2015. We end up with a fully balanced panel from January 2015 to December 2019 that contains 3,313 MW changes at the level of the ZIP code.

Table 1 compares the Zillow sample and our baseline panel to the population of ZIP codes along several demographic dimensions. The first and second columns report data for the universe of ZIP codes and for the set of urban ZIP codes, respectively. The third column shows the set of ZIP codes in the Zillow data, i.e., those that have some non-missing value of rents per square foot in the SFCC category between February 2010 and December 2019. Finally, the fourth column shows descriptive

²⁶The QCEW covers the following industrial aggregates: “Natural resources and mining,” “Construction,” “Manufacturing,” “Trade, transportation, and utilities,” “Information,” “Financial activities” (including insurance and real state), “Professional and business services,” “Education and health services,” “Leisure and hospitality,” “Other services,” “Public Administration,” and “Unclassified.”

statistics for our baseline estimating sample. Throughout the paper we refer to this set of ZIP codes as the baseline sample.

While our baseline sample contains only 11.8% of all urban ZIP codes, it covers 25.0% of their population and 25.8% of their households. With respect to demographic characteristics, ZIP codes in the baseline sample tend to be more populated, richer, with a higher share of Black and Hispanic inhabitants, and with a higher share of renter households than both the average ZIP code and the average urban ZIP code. This is the case because Zillow is present in almost every large urban market, but it does not operate as often in small urban or rural areas. In an attempt to capture the treatment effect for the average urban ZIP code we conduct an estimation exercise where we re-weight our sample to match the average of a handful of characteristics of those.

Finally, Appendix Table 1 shows some sample statistics of our baseline panel. As suggested in the table, the distribution of the residence and workplace MW measures is similar. However, we show in the next section that they do show independent variation in our model. We also show summary statistics of median rents in several housing categories. For the SFCC category, the average monthly median rent is \$1,757.9 and \$1.32 per square foot, although these variables show a great deal of variation. Finally, we show average weekly wage, employment, and establishment count for the QCEW industries we use as controls in some models.

For some estimations we construct analogous panels where the units of observation are the county by month and ZIP code by year. In the county-by-month panel we define the statutory MW in an analogous fashion as for ZIP codes, and we use Zillow data that is already aggregated at this level. We also define a county-level baseline sample keeping a fully balanced panel of counties with Zillow rental data as of January 2015. In the ZIP-code-by-year panel we compute the monthly difference in the log rents and MW measures and compute their yearly averages.

4 Empirical Strategy

4.1 First Differences Model

Consider the following two-way fixed effects model relating rents and the minimum wage:

$$r_{it} = \alpha_i + \delta_t + \gamma \underline{w}_{it}^{\text{res}} + \beta \underline{w}_{it}^{\text{wkp}} + \mathbf{X}_{it}' \eta + \varepsilon_{it}$$

where i and t index ZIP codes and time periods (months), respectively, r_{it} represents the log of rents per square foot, $\underline{w}_{it}^{\text{res}}$ is the ZIP code's residence MW, defined as $\ln \underline{W}_{it}$, $\underline{w}_{it}^{\text{wkp}}$ is the ZIP code's workplace MW, defined as $\sum_{z \in \mathcal{Z}(i)} \pi_{iz} \ln \underline{W}_{zt}$, α_i and δ_t are fixed effects, and \mathbf{X}_{it} is a vector of time-varying controls. Time runs from January 2015 (\underline{T}) to December 2019 (\overline{T}). The parameters of interest are γ and β which, following the model in Section 2, we interpret as the elasticity of rents to the residence and workplace MW, respectively.

By taking first differences on the previous equation we obtain

$$\Delta r_{it} = \delta_t + \gamma \Delta \underline{w}_{it}^{\text{res}} + \beta \Delta \underline{w}_{it}^{\text{wkp}} + \Delta \mathbf{X}_{it}' \eta + \Delta \varepsilon_{it}, \quad (5)$$

where $\delta_t = \tilde{\delta}_t - \tilde{\delta}_{t-1}$. We estimate the model in first differences because we expect unobserved shocks to rental prices to be serially autocorrelated over time, making the levels model less efficient. Appendix Table 2 shows strong evidence of serial auto-correlation in the error term of the model in levels. While the model in levels share coefficients signs with the one in first differences, standard errors are seven to eight times larger.

The main results of the paper are obtained under the model in (5). However, to compare to results in the literature we also estimate versions of the model that exclude either one of the MW measures.

4.2 Identification

We start by noting that, in order to separately identify the effect of residence and workplace MW changes, we need these variables to have independent variation. While this is a standard requirement in applied work, it is not obvious that it holds in our application. For instance, if there were a single national minimum wage level or if everybody lived and worked in the same location, then we would have $\Delta \underline{w}_{it}^{\text{res}} = \Delta \underline{w}_{it}^{\text{wkp}}$ for all (i, t) .

Being able to compute γ and β does not mean that they can be given a causal interpretation. For this, we require a *strict exogeneity* assumption of both MW variables. Formally, the key restriction is that

$$E \left[\begin{pmatrix} \Delta \underline{w}_{is}^{\text{res}} \\ \Delta \underline{w}_{is}^{\text{wkp}} \end{pmatrix} \Delta \varepsilon_{it} \right] = \begin{pmatrix} 0 \\ 0 \end{pmatrix} \quad (6)$$

for all $s \in \{\underline{T}, \dots, \bar{T}\}$. That is, we require the unobserved shocks to rents to be uncorrelated with past and present values of changes in our MW measures.

This assumption has two important implications. First, it implies parallel trends in rents leading up to minimum wage changes (conditional on controls). We will test this implication more formally by including leads of the MW variables. Second, it rules out feedback effects from current values of rents on our MW variables, i.e., MW changes are assumed not to be influenced by past values of rents. While we think this is a reasonable assumption—MW levels are often set at a much larger jurisdiction than the ZIP code and not considering their effects on local housing markets—we allow this type of feedback effects in a specification described later. Finally, we note that our identifying assumption allows for arbitrary correlation between ZIP code effects α_i and both MW variables (e.g., our empirical strategy is robust to the fact that districts with more expensive housing tend to vote for MW policies).

We evaluate assumption (6) using models that include leads and lags of the MW variables:

$$\Delta r_{it} = \delta_t + \sum_{k=-s}^s \gamma_k \Delta \underline{w}_{ik}^{\text{res}} + \sum_{k=-s}^s \beta_k \Delta \underline{w}_{ik}^{\text{wkp}} + \Delta \mathbf{X}_{it}' \eta + \Delta \varepsilon_{it}. \quad (7)$$

In this equation, k represents time relative to a MW change and s is the number of months of a symmetric window around the event. We use $s = 6$ throughout the paper. However, our results are very similar for windows of 3 or 9 months. Because the MW measures are strongly correlated, adding leads and lags of both results in a decline in precision. Thus, we try models with leads and

lags of only one of the MW measures as well.

We worry that unobserved shocks, such as those caused by local business cycles, may systematically affect both rents and minimum wage changes. To account for common trends in the housing market we include time-period fixed effects. In some specifications we allow these trends to vary by different geographic jurisdictions. To control for variation arising from unobserved trends in local labor markets we include economic controls from the QCEW.²⁷ Specifically, we control for average weekly wage and establishment counts at the county-quarter level, and for employment counts at the county-month level, for the sectors “Professional and business services,” “Information,” and “Financial activities.” We assume that these sectors are not affected by the minimum wage.²⁸ We also try models where we control for ZIP code-specific linear trends, which should account for time-varying heterogeneity not controlled for by our economic controls that follows a linear pattern.

Under the assumption that there are no anticipatory effects in the housing market, we interpret the absence of pre-trends as evidence against the presence of unobserved economic shocks driving our results. We think that, given the high frequency of our data and the focus on short windows around MW changes, the assumption of no anticipatory effects seems plausible.²⁹

As explained in Section 3.4, the model in (5) is estimated using a balanced panel. We also conduct an estimation exercise using an unbalanced panel with all ZIP codes with Zillow rental data in the SFCC category from February 2010 to December 2019, controlling for time-period by year-quarter-of-entry fixed effects.

4.3 Interpreting the Identifying Assumptions

It is not obvious what our identifying assumptions mean for the underlying commuting shares and the dynamics of unobserved heterogeneity in trends for the most common type of treatment in our data: an increase in the statutory minimum wage of a city or state that affects a subset of the ZIP codes in a metropolitan area. Following such a policy there will be ZIP codes where the residence MW goes up and ZIP codes where it does not. We call ZIP codes in the first group “directly treated.” Appendix D shows that, for this policy, β and γ can be computed under the following assumptions: 1) parallel trends between ZIP codes that are directly treated and ZIP codes that are not; 2) the existence of two groups of ZIP codes that are not treated directly and have differential exposure to the policy via the commuting shares; and 3) parallel trends between these two groups.

4.4 Alternative Strategies

Recent literature on difference-in-differences methods has shown that usual estimators do not correspond to the average treatment effect when the treatment roll-out is staggered and there is treatment-effect heterogeneity (de Chaisemartin and D’Haultfoeuille 2022; Roth et al. 2022). One solution to

²⁷These data are aggregated at the county level, and represent a second best given the unavailability of local business cycle data at the ZIP code level.

²⁸In fact, according to US Bureau of Labor Statistics (2020a, Table 5), in 2019 the percent of workers earning at or below the minimum wage in those industries was 0.8, 1.5, and 0.2, respectively.

²⁹We can also interpret the absence of pre-trends as a test for anticipatory effects if we are willing to assume that the controls embedded in \mathbf{X}_{it} capture all relevant unobserved heterogeneity arising from local business cycles. While we find the interpretation given in the text more palatable, the data are consistent with both.

this issue usually relies on carefully defining the control group of the treatment. While our setting does not correspond exactly to the models discussed in this literature, we worry about the validity of our estimator. In an appendix, we take two steps to ease those concerns: 1) we estimate equation (5) allowing the time fixed effects to vary by different jurisdictions; and 2) we construct a “stacked” implementation of our model in which we take 6 months of data around MW changes for ZIP codes in CBSAs where some ZIP codes did not receive a direct MW change, and then estimate equation (5) on this restricted sample including event-by-time fixed effects. These strategies limit the comparisons that identify the coefficients of interest to ZIP codes within the same metropolitan area.

Regardless of the estimation strategy, our results still rely on the strict exogeneity assumption. In an appendix we show that we obtain similar results under a model that includes the lagged dependent variable as control. In such a model, β and γ have a causal interpretation under a weaker *sequential exogeneity* assumption (Arellano and Bond 1991; Arellano and Honoré 2001). This alternative assumption requires (6) to hold only for periods s such that $s \leq t$, and thus allows for feedback of rent shocks onto MW changes in future periods. We estimate this model using an IV strategy in which the first lag of the change in rents is instrumented with the second lag.

4.5 Sample Selection Concerns and Heterogeneity

Because our ZIP codes come from a selected sample, they may not represent the causal effect for the average urban US ZIP code. To obtain effects that are more representative we follow Hainmueller (2012) and estimate our main models re-weighting observations to match key moments of the distribution of characteristics of urban ZIP codes.

If the mechanism proposed in Section 2 is correct, then we expect the effect of the residence MW to be stronger in locations with many MW jobs. The reason is that the production of non-tradable goods presumably uses more low-wage work, and thus the increase in the MW would affect prices more. Similarly, we expect the effect of the workplace MW to be stronger in locations with lots of residents that earn the MW, as income would increase more strongly there. We proxy for the share of MW jobs and the share of residents making the MW as follows. Using 2014 LODS data we create indicator for being above the within-state median across baseline ZIP codes in the following variables: (i) share of workers with less than a high school diploma, (ii) share of workers who earn less than \$1251, (iii) share of residents with less than a high school diploma, (iv) share of residents who earn less than \$1251. Then, we define an indicator of being likely to have a “High share of MW workers” if the ZIP code is above median of both (i) and (ii), and an indicator of being likely to have “High share of MW residents” if the ZIP code is above median of both (iii) and (iv). We then estimate the following model:

$$\Delta r_{it} = \delta_t + \sum_{q \in \{0,1\}} \gamma_q I_q^{\text{wkp}} \Delta \underline{w}_{it}^{\text{res}} + \sum_{q \in \{0,1\}} \beta_q I_q^{\text{res}} \Delta \underline{w}_{it}^{\text{wkp}} + \Delta \mathbf{X}_{it}' \eta + \Delta \varepsilon_{it}, \quad (8)$$

where I_0^{wkp} and I_1^{wkp} are indicators for being likely to have a high share of low-wage jobs, and I_0^{res} and I_1^{res} are analogous indicators for being likely to have a high share of low-wage residents. We

conduct a similar heterogeneity exercises an indicator for whether the ZIP code has public housing units available using data from US Department of Housing and Urban Development (2022a).

5 Results

In this section we present our main results. First, we show our baseline estimates and conduct several robustness checks to explore the strength of our results. Second, we present results of models that use alternative empirical strategies. Third, we show heterogeneity analysis based on the residence location of MW workers and discuss other concerns that arise from the selectivity of our sample of ZIP codes. Finally, we summarize our results and compare them with existing literature.

5.1 Main Results

Table 2 displays our estimates using the baseline sample described in Section 3.4. Column (1) shows the results of a first-differenced regression of the workplace MW measure on the residence MW measure, economic controls, and monthly date fixed effects. We observe that a 10 percent increase in the residence MW is associated with a 8.62 percent increase in the workplace MW. While the measures are strongly correlated, this model shows that this correlation is far from exact, suggesting that there is independent variation to estimate the effect of both measures on rents.

Columns (2) through (4) of Table 2 show estimates of equation (5), varying the set of included MW measures. Column (2) shows the results of estimating a model that does not include the workplace MW. In this model, only locations with a statutory MW change are assumed to experience effects, similar to much of the MW literature (e.g., Dube, Lester, and Reich 2010; Meer and West 2016; Yamagishi 2021). In this case, we estimate the elasticity of median rents to the MW to be 0.0366 ($t = 2.48$). Column (3) shows the results of a model that does not include the residence MW. The coefficient on the MW variable increases slightly to 0.0442 ($t = 2.77$), consistent with the view that changes in the workplace MW are a better proxy of the changes in income generated by MW increases. Column (4) estimates the model using both MW measures. Consistent with the theoretical model in Section 2, the coefficient on the residence MW (γ) now turns negative and equals -0.0221, although it is not statistically significant ($t = -1.22$). The coefficient on the workplace MW (β) increases to 0.068 and is statistically significant ($t = 2.29$). We reject the hypothesis that $\gamma = \beta$ at the 10% significance level ($p = 0.059$). Finally, $\gamma + \beta$ is estimated to be 0.0459 ($t = 2.84$), which is very similar in magnitude to the coefficients on MW variables in columns (2) and (3). Thus, our results imply that a 10 percent increase in both MW measures will increase rents by 0.46 percent. However, our results also imply substantial heterogeneity across space. If only the residence MW increases then rents are expected to decline, and if only the workplace MW goes up then the rents increase will be larger.

A central concern with these results is whether our identifying assumptions are likely to hold. Figure 3 shows estimates of equation (7) under the baseline sample. Panel (a) adds leads and lags of the workplace MW measure only, so that our set of coefficients is now $\{\{\beta_s\}_{s=-6}^{-1}, \beta, \{\beta_s\}_{s=1}^6, \gamma\}$. We cannot reject the hypothesis that $\beta_{-6} = \dots = \beta_{-1} = 0$ ($p = 0.211$). Estimates of post-event

coefficients $\{\beta_s\}_{s=1}^6$ are also estimated to be zero. The only significant estimates are those of β and γ , and they imply larger and more significant effects of both the residence and workplace MW measures. Our estimate of γ is now -0.0317, and is statistically significant at the 10% level ($t = -1.77$). Our estimate of β equals 0.0814 and is statistically significant at the 1% level ($t = 3.01$). Furthermore, in this case we can reject the hypothesis of equality of coefficients more precisely ($p = 0.012$). Our estimate of $\gamma + \beta$ is now 0.0497 and is highly significant ($t = 3.12$), implying that a 10 percent increase in both measures would increase median rents by 0.5 percent.

Panel (b) of Figure 3 shows that a similar story obtains when we add leads and lags of the residence MW only. Panel (c) of Figure 3 adds leads and lags of both MW measures. In this case, the width of confidence intervals for pre- and post-event coefficients increases between 2 to 4 times. We attribute this fact to the strong correlation of the MW measures in our panel, giving rise to a near multicollinearity problem that increases the variance of our estimates. However, the event-period coefficients are similar to those of panels (a) and (b), with the residence MW having a negative coefficient and the workplace MW a positive one. Furthermore, none of the pre-period or post-period coefficients are statistically significant.

Appendix Figure 5 illustrates the identifying variation that we use by mapping the residualized workplace MW and residualized log rents.³⁰ Panel (a) of Appendix Figure 5, to be contrasted with Panel (a) of Figure 1, shows that residualized workplace MW is high outside of Cook County, the jurisdiction that increased the MW. Panel (b) of Appendix Figure 5 shows that residualized rents are very noisy. The correlation of these residualized variables across our sample identifies the effect of the workplace MW.

Robustness Checks

Table 5 shows how our results change when we vary the specification of the regression model and the commuting shares used to construct the workplace MW measure. Each row of the table shows estimates analogous to those of columns (1) and (4) of Table 2.

Panel A of Table 5 groups the results when varying the regression model. Row (b) shows that our results are very similar when we exclude the economic controls from the QCEW. Rows (c) and (d) show that interacting our time fixed effects with indicators for county or CBSA yields similar results. In all these cases our baseline estimates are contained in relevant confidence intervals and, in the case of CBSA \times monthly date fixed effects, the results seem even larger. This supports the view that our results are not caused by regional trends in housing markets correlated with our MW variables. Row (e) shows that the results are different and non-significant when using state \times monthly date fixed effects. While our baseline estimates are within relevant confidence intervals, the signs of the point estimates are flipped. We think that within-state comparisons are not appropriate because they fully identify coefficients from local MW changes which, in turn, are more likely to be passed by cities or counties that have more dynamic rental markets. For instance, comparisons within the state of Illinois between ZIP codes in Cook County (the main jurisdiction with a local MW level) and the average ZIP code in the state are likely to yield biased results, as both MW levels and rents

³⁰To maximize the number of ZIP codes with valid data on this map we use the results of the unbalanced panel discussed in Section 5.3.

tend to increase at the same time of the year in Cook County. On the other hand, within-CBSA and within-county comparisons use ZIP codes that are likely to experience similar trends in rental markets. In the case of Cook County, it seems plausible that ZIP codes a few miles away in the same metropolitan area experience more similar trends in rents. Row (f) includes ZIP code fixed effects in the first-differenced model, which is equivalent to allowing for a ZIP code-specific linear trend in the model in levels. The fact that our results are very similar implies that potential ZIP code level linear trends correlated with MW changes are unlikely to be the cause of our results.

Panel B of Table 5 estimates the baseline model but computing the workplace MW using alternative commuting structures. Rows (g) and (h) use commuting shares from 2014 or 2018 instead of 2017 as the baseline estimates. Row (i) allows the commuting shares to vary by year, introducing additional cross-year variation in the workplace MW measure that does not arise from changes in the statutory MW. The fact that these specifications yield very similar results suggests that changes in commuting correlated with MW changes are unlikely to be the driver of the results. Rows (j) and (k) use 2017 commuting shares for workers that earn less than \$1,251 per month and workers that are less than 29, respectively. If anything, the results seem to be stronger in this case, consistent with the idea that these workers are more likely to earn close to the minimum wage.

Other geographies and time frames

In this subsection, we compare our results with estimates obtained from alternative panels where the unit of observation is either the county by month or the ZIP code by year. The reason to show these results is twofold. First, it allows us to emphasize the importance of the ZIP-code-by-month resolution of our data for the plausibility of our identification assumption. Namely, that the no pre-trends assumption at the ZIP code level is more plausible than at the county level. Second, it allows us to compare our results with the previous literature estimating the effects of MW on housing rents. Because none of the previous papers distinguish between workplace and residence MW measures, we compare them to our short model that regresses log rents on the workplace MW only. The results for each dataset are summarized in Appendix Table 6, where Panel A repeats the results in Table 2 for convenience.

Panel B of Appendix Table 6 shows our results based on a county-by-month panel. Overall, the results are similar in magnitude to our baseline but are not statistically significant. In Appendix Figure 6 we extend the model that includes both MW measures adding leads and lags of the workplace MW, as in panel (a) of Figure 3. We observe considerable pre-trends in the rental prices in this model, suggesting that estimates obtained at a larger geographical resolution may not use plausibly exogenous identifying variation.

Panel C of Appendix Table 6 shows results estimated using a ZIP-code-by-year panel. We estimate models that are yearly averages of their monthly equivalents, so in principle they should be valid under the same identifying assumption. However, in practice we find that estimates are very imprecise, with standard errors 3 to 4 times larger. Our rental changes occur right at the month of the MW change, thus using yearly variation lacks the power to detect them. Therefore, the usage of monthly data appears central to precisely estimate the effect of MW changes on rents.

5.2 Alternative Strategies

Appendix Table 3 estimates our main models using a “stacked” sample, as discussed in Section 4.4. Our sample contains 618 “events,” that is, CBSA-month pairs that had some strict subset of ZIP codes increasing the residence MW. These estimates interact the year-month fixed effects with event-id indicators, and thus compare ZIP codes within the same CBSA and time window. This is in line with recent difference-in-differences literature that focuses on carefully selecting the comparison groups (Callaway, Goodman-Bacon, and Sant’Anna 2021; de Chaisemartin and D’Haultfoeuille 2022; Roth et al. 2022). We find that our key MW-based measures have little predictive power on their own, but the model including both measures yields similar patterns as our baseline. If anything, results seem stronger in this case. A 10 percent increase in both MW measures is estimated to increase rents by 0.464 percent. Appendix Figure 7 shows the results of a similar model that leads and lags of the workplace MW.

Appendix Table 4 shows estimates of a model that includes the lagged difference in log rents as a covariate. This specification relaxes the strict exogeneity assumption and allows for feedback effects of rent increases on the minimum wage variables. To avoid the endogeneity problem of including this covariate the models are estimated using an IV strategy where we instrument the first lag of the change in rents with the second lag of this variable (Arellano and Bond 1991; Arellano and Honoré 2001). Columns (1) and (2) show estimates of models in levels, both of which imply confidence intervals for the coefficients that include our preferred estimates. Columns (3) and (4) show preferred models in first differences, where results are very similar albeit somewhat less precise.

5.3 Sample Selection Concerns and Heterogeneity

Table 3 explores the sensitivity of our estimates to the sample of ZIP codes used in estimation. Columns (1) and (3) use our baseline sample and an unbalanced sample of ZIP codes where we control for quarter-year-of-entry by year-month fixed effects, respectively. While the coefficient on the residence MW is very stable across specifications, the one on the workplace MW seems to decrease when using the unbalanced sample. This suggests that allowing for a change in sample composition biases the estimates downwards.

We also worry that our ZIP codes might be a selected sample in ways that affect our estimated effects. In columns (2) and (4) we estimate the same models but re-weighting observations to match relevant pre-treatment characteristics of the sample of urban ZIP codes. Our weights follow Hainmueller (2012) and are designed to match the averages of 3 variables: the share of renter occupied households according to the 2010 US Census, and the shares of residents and workers that earn less than \$1,251, according to 2014 LODES. Effects appear to be stronger for the baseline sample in column (2), although we cannot reject they are equal to the estimates in column (1).

Table 4 explores two channels of heterogeneity of our results. Column (2) of Table 4 presents estimates interacting the MW measures with indicators that capture the likelihood of hosting MW workers and residents. The results suggest that the effect of the residence MW is stronger by ZIP codes that are likely to have a high share of MW jobs, and that the effect of the workplace MW is stronger in ZIP codes with a high share of residents that are likely to earn a MW. These results are

consistent with our model, as one would expect ZIP codes where production is intensive in low-wage work to be more sensitive to the residence MW, and rents in ZIP codes that receive a large share of income from the MW to be more sensitive to the workplace MW. results are what one would expect given our model. Column (3) of Table 4 interacts both MW measures with an indicator for the ZIP code having any public housing units. We find that our results for both measures seem to be driven by ZIP codes that have public housing available. This result does not support the view that public housing diminishes the scope for landlords to increase rents. However, it is possible that this indicator variable is capturing the locating of high presence of low-wage residents and workers where, per our previous discussion, we expect stronger effects.

5.4 Alternative rental categories

Appendix Table 5 shows how our results change when we use other rental categories available in the Zillow data. For each rental variable we use an unbalanced panel that controls for year-month fixed effects interacted with indicators for the quarter of entry to the data in the given rental category. We note that the number of observations varies widely across housing categories, and is always much lower than for our baseline SFCC variable.

Given the reduced precision of these estimates is hard to obtain strong conclusions on what type of housing is reacting more strongly to MW changes. We observe that the sum of the coefficients on our MW variables is statistically significant at conventional levels in the categories “Single Family” (SF), “Condominium and Cooperative Houses” (CC), and “Multifamily 5+ units.” (The categories SF and CC are the components of our SFCC variable.) The coefficients on each of the MW measures are typically much noisier than baseline. We observe inconsistent results for the category “1 bedroom” where the sign of the coefficients is flipped relative to baseline. However, these are not statistically significant.

5.5 Summary and Discussion

Faced with an increase of the statutory MW at some jurisdiction, our results indicate that its spatial effects across rental markets will be determined by its incidence on each of the MW measures. Consistent with the theoretical model in Section 2, we find that increases in the MW at the residence tend to lower rents, whereas increases in the MW at workplace locations tend to increase rents. Our estimates appear robust to several specification tests. Furthermore, the magnitude of our estimates is similar to estimates of the elasticity of restaurant prices to the MW (Allegretto and Reich 2018), and the elasticity of grocery store prices to the MW (Renkin, Montialoux, and Siegenthaler 2020; Leung 2021).

We compare our estimates to those in Yamagishi (2019) and Agarwal, Ambrose, and Diop (2021). Using Fair Market Rents data at the county by year level, Yamagishi (2019, Tables 1 and 2) uses a long-differences specification and obtains null results using all counties and statistically significant results using densely populated counties. In the latter case, he reports that a 10 percent increase in the MW increases rents by 0.0365 percent in the first year, and 0.1059 percent four years later. Our ZIP code-level estimates using only the workplace MW imply a one-time increase in rents of

a similar magnitude as Yamagishi’s (2019) one-year estimates. While our results are consistent in this sense, Yamagishi (2019, Table 3) detects significant pre-trends, questioning the validity of the longer-run results.³¹

Our results are consistent with Agarwal, Ambrose, and Diop (2021). While the main goal of this paper is to estimate the effect of the MW on eviction risk, the authors provide estimates of the effect of the MW on rents using individual-level transactions from 2000 to 2009. Agarwal, Ambrose, and Diop (2021, Figure 4) suggest that a 10 percent hike in the MW (at residence) increases rents paid by individuals by 0.5 percent. The authors find an increasing effect over time that fully materializes after 6 months. This result is consistent with our estimates that show how rents of housing units in the rental market (which we observe in the Zillow data) jump discretely on the month of the MW change.

6 Counterfactual Analysis

In this section, we use our empirical results to explore the consequences of a counterfactual increase in the federal MW. Because our data ends in December 2019, we study the consequences of a counterfactual increase in the federal minimum wage in January 2020 from \$7.25 to \$9, assuming all other MW policies stay constant. In an appendix, we present simulations for two more counterfactual policies: a 10 percent increase and an increase from \$7.25 to \$15 in the federal MW.

The results in Section 5 suggest that landlords will benefit from the increase. In this section, we estimate the share of each dollar generated by the MW increase that is absorbed by rent increases. A federal MW increase will alter the statutory MW in some places, and this will spill over onto other places via commuting. Thus, the pass-through will vary by ZIP code depending on how exposed they are to the policy which, in turn, is determined by the prevailing commuting structure and MW levels.

6.1 Empirical Approach

Consider an increase of the federal MW to \$9 in January 2020. The policy will shift income spatially, and therefore affect housing demand across places. In Section 5 we estimated the effects of MW changes on rents. Now, we are interested in the incidence of those changes on different economic actors. In particular, we want to know how much of each extra dollar put on the table due to the MW increase is captured by landlords.

Following the notation of our model in Section 2, define the ZIP code-specific share pocketed by landlords as

$$\rho_i := \frac{\Delta H_i}{\Delta Y_i} = \frac{H_i^{\text{Post}} R_i^{\text{Post}} - H_i^{\text{Pre}} R_i^{\text{Pre}}}{\Delta Y_i}$$

where “Pre” and “Post” denote moments before and after the MW change, $H_i = \sum_{iz} H_{iz}$ denotes

³¹Tidemann (2018) uses the same data at the state level and reports the paradoxical result that MW hikes decrease monthly rents. Yamagishi (2019, Appendix C.1.3.) compares his results with Tidemann (2018) and concludes that for densely populated areas Tidemann’s result turns positive and that clustering the standard errors at the state level renders his results insignificant.

total rented space in i , $Y_i = \sum_{iz} Y_{iz}$ denotes total wage income in i and, as before, R_i denotes rents per square foot.

Changes in rented square footage (if any) are unobserved. Therefore, we assume that $H_i^{\text{Pre}} = H_i^{\text{Post}} = H_i$ so the share becomes

$$\rho_i = \frac{H_i^{\text{Post}} R_i^{\text{Post}} - H_i^{\text{Pre}} R_i^{\text{Pre}}}{\Delta Y_i} = H_i \frac{\Delta R_i}{\Delta Y_i}. \quad (9)$$

If $\Delta H_i > 0$ instead (as one would expect on average), our estimates of ρ_i will be a lower bound.

Because we are interested only on the partial effect of the policy, we abstract away from fixed effects, controls, and the error term. Then, equation (5) implies

$$\Delta r_i = \beta \underline{w}_i^{\text{wkp}} + \gamma \underline{w}_i^{\text{res}}. \quad (10)$$

Our assumptions thus hold constant common shocks affecting all ZIP codes, local economic trends reflected in the controls, and idiosyncratic shocks that show up in the error term. We define the change in log total wages using a first-differenced model as well:

$$\Delta y_i = \varepsilon \underline{w}_i^{\text{wkp}}, \quad (11)$$

where $y_i = \ln Y_i$. The residence MW is excluded because we are considering the effect of the MW on nominal wages.

We estimate ε using IRS data aggregated at the ZIP code level. While estimating the spillover effect of the MW on wages across ZIP codes is not the main goal of the paper, estimates of this parameter are not readily available in the literature. There are of course estimates of the effect of the MW on income of workers inside the same jurisdiction. Appendix E discusses the details of our estimation strategy. As we discuss in the next section, our results are in line with existing literature.

Assuming that we know the value of ε , we can substitute (10) and (11) into equation (9) to obtain

$$\begin{aligned} \rho_i &= H_i \left[\frac{\exp(\Delta r_i + r_i) - R_i}{\exp(\Delta y_i + y_i) - Y_i} \right] \\ &= s_i \left[\frac{\exp\left(\beta \underline{w}_i^{\text{wkp}} + \gamma \underline{w}_i^{\text{res}}\right) - 1}{\exp\left(\varepsilon \underline{w}_i^{\text{wkp}}\right) - 1} \right] \end{aligned} \quad (12)$$

where $s_i = (H_i R_i) / Y_i$ is the share of i 's expenditure in housing. Because s_i is not available in our data, we assume a range of plausible values for it in our results.

6.2 Results

We use our estimates on data for US urban ZIP codes to compute the set of shares pocketed ρ_i after a counterfactual increase of the federal MW to \$9. We compute the shares only for urban ZIP codes because our rental data are not representative of rural areas. We also exclude from our results ZIP

codes that are part of a CBSA where the average estimated increase in log total wages is less than 0.1%.³²

Counterfactual increases in residence and workplace MW levels

We compute the counterfactual statutory MW in January 2020 at a given ZIP code by taking the max between (i) the state, county, and local MW in December 2019, and (ii) the assumed value for the federal MW in January 2020.³³ Then, we compute the counterfactual values of the residence MW and the workplace MW following the procedure outlined in Section 3.2. Like in our baseline estimates, we use commuting shares for all workers in 2017.

The distributions of counterfactual increases are displayed in Appendix Figure 8. Out of the 6,952 ZIP codes that satisfy our criteria, 1,070 (or 15.4%) experience no increase in the residence MW at all. 3,681 ZIP codes (53.2%) were bound by the previous MW, and so the residence MW increases by $\ln(9) - \ln(7.25)$. The rest of the ZIP codes are somewhere in between. As a lot of people reside and work under the same statutory MW, the two mass points are still visible. However, we observe more places experiencing moderate increases in this measure. The average change in the workplace MW is of 13.2 log points. As an example, Appendix Figure 9 maps the changes in the residence and workplace MW in the Chicago-Naperville-Elgin CBSA.

The share of extra income pocketed by landlords

We couple the counterfactual increases in residence and workplace MW with estimates of β , γ , and ε . Following the results in Table 2, we take $\beta = 0.068$ and $\gamma = -0.0221$. Based on the results discussed in Appendix E, we take $\varepsilon = 0.1083$. We follow the procedure outlined in the previous subsection to estimate the share of extra income pocketed by landlords ρ_i . We assume that the share of housing expenditure is homogeneous, and we present estimates for $s \in \{0.25, 0.45\}$. Because ρ_i is linear in s , interpolating between these values of s is straightforward.

The top plot in Figure 4 displays a histogram of the estimated shares of the additional income pocketed by landlords $\{\rho_i\}$. The bottom row of plots in Figure 4 displays a histogram of the estimated changes in log rents and log total wages. The plot of the landlord share is computed by applying equation (12) on the changes in log rents and log total wages using the parameter values described above. The median estimated share pocketed by landlords equals 0.108, which implies that landlords capture roughly 10 cents on the dollar of the income increase generated by the new MW policy. We observe a mass point at around 0.172 which corresponds to ZIP codes with no change in the residence MW and small changes in the workplace MW.³⁴ We also observe a few negative values for the landlord share, which arise due to declines in rents in places where

³² The goal of this restriction is to exclude metropolitan areas located in jurisdictions with a MW level above the new counterfactual federal level. Because all those ZIP codes experience a similar very small increase in the workplace MW, the estimated share pocketed will be almost identical and close to $\lim_{x \rightarrow 0} s (\exp(\beta x) - 1) / (\exp(\varepsilon x) - 1)$. These estimates, however, are not economically meaningful because the increase in income due to the policy is negligible.

³³ To be more precise, we take the maximum between the MWs of different jurisdictions at the level of the block. Then, we aggregate up to ZIP codes using the correspondence table in Appendix B. We do so to account for the fact that the new federal MW may be partially binding in some ZIP codes.

³⁴ As explained in footnote 32, the share pocketed by landlords in these ZIP codes will tend to $s (\exp(\beta) - 1) / (\exp(\varepsilon) - 1) = 0.35 (\exp(0.068) - 1) / (\exp(0.1083) - 1) = 0.1716$.

the increase in the residence MW is much larger than the increase in the workplace MW. Figure 5 maps the estimated shares pocketed by landlords, along with the changes in rents and total wages, in the Chicago-Naperville-Elgin CBSA. Because the new statutory MW is binding outside of Cook County (see Appendix Figure 9), we estimate a larger share pocketed inside. The reason is that these ZIP codes experience the new policy only through their workplace MW and, as a result, rents increase relatively more there. As apparent from the figure, our three-parameter model captures rich patterns of the policy.³⁵

Table 6 shows the average estimated landlord share for two groups: (i) ZIP codes that before the counterfactual increase had a statutory MW of at most \$9, and (ii) ZIP codes where the statutory MW was already of more than \$9. ZIP codes in the first group have both MW measures affected by the policy. ZIP codes in the second group are only affected by the counterfactual change through changes in the workplace measures. For expenditure shares $s \in [0.25, 0.45]$ we find that the average landlord share is $[0.075, 0.136]$ in the first group and $[0.126, 0.227]$ in the second. It is clear that, for a given s , ZIP codes that are exposed both directly and indirectly experience a lower increase in rents, and thus a smaller share on the dollar of new income generated by the policy accrues to landlords. Appendix Table 8 shows analogous estimates for two alternative policies: a 10% increase in the federal MW, and an increase in the federal MW to \$15. We find very similar average shares pocketed by landlords in both cases.

More generally, and holding constant $s = 0.35$, one can think of the average landlord share for different values of the gap between the residence MW and the workplace MW, $\Delta \underline{w}_i^{\text{wkp}} - \Delta \underline{w}_i^{\text{res}}$. Figure 6 displays the average estimated ρ for each decile of that gap. The first decile equals -0.0194, whereas the ninth decile equals 0.0135. We observe a clear monotonic and increasing relation, with a slope that steepens after the seventh. The share is lower in ZIP codes that had a low increase in the workplace MW relative to the residence MW, consistent with the idea that a high increase in the residence MW lowers rents.

7 Conclusions

In this paper, we ask whether minimum wage changes affect housing rental prices. To answer this question we develop a theoretical approach that accounts for the fact that MW workers typically reside and work in different locations. We show in a partial-equilibrium model that one should expect different effects on rental prices in a given location depending on whether MW changes arise from the residence or the workplace location of its residents. Our model suggests two summary statistics that should capture the effect of the MW on rents in a particular location, which we called the residence MW and the workplace MW.

We collect data on rents, minimum wage levels, and commuting patterns, and estimate the effect of residence MW and workplace MW on rents as suggested by the theoretical model. The monthly frequency and high geographic resolution of our data allows us to analyze state-, county-,

³⁵The estimated share pocketed by landlords is homogeneous inside Cook County because these ZIP codes experience a very similar change in the MW measures, and the ZIP code-specific share of expenditure is assumed constant. This pattern would break if we either allow for heterogeneity in the model for rents or income or use expenditure share that vary geographically.

and city-level changes in the MW to identify the causal impact of raising the MW on the local rental housing market. We find evidence supporting the main conclusions of our model: the workplace and residence MW have opposing effects on rents, and thus MW changes appear to spill over spatially through commuting. Our two-parameter model is able to capture rich heterogeneity in the effect of the MW on rents depending on the prevailing commuting structure and gradient of statutory MW levels in metropolitan areas. We use our results to explore the consequences of a counterfactual increase in the federal MW to \$9. Our results suggest that homeowners pocket a non-negligible portion of the newly generated wage income by the new MW policy. Because landlords tend to earn more income than low-wage workers, the omission of this channel would lead to an overstatement of the equalizing effects of the MW on disposable income.

Our paper has some important limitations. First, we focus on price effects on rents. However, in a longer time horizon residents and workers will likely change their residence and workplace locations within and across cities as a result of MW policies. Studying the effects of these policies on the structure of a city and of the system of cities requires rich migration data and a different empirical approach that endogenizes this channel. Second, a full account of the welfare effects of the MW remains an open question. We move a few steps into that direction by showing that landlords capture a share of the additional wage income that MW policies transfer to workers, and by pointing out that taking into account the spatial distribution of residents and workers is crucial to understanding where to expect effects on income and rents. Exploring these issues in the context of a rich spatial model appears as a fruitful avenue for future work.

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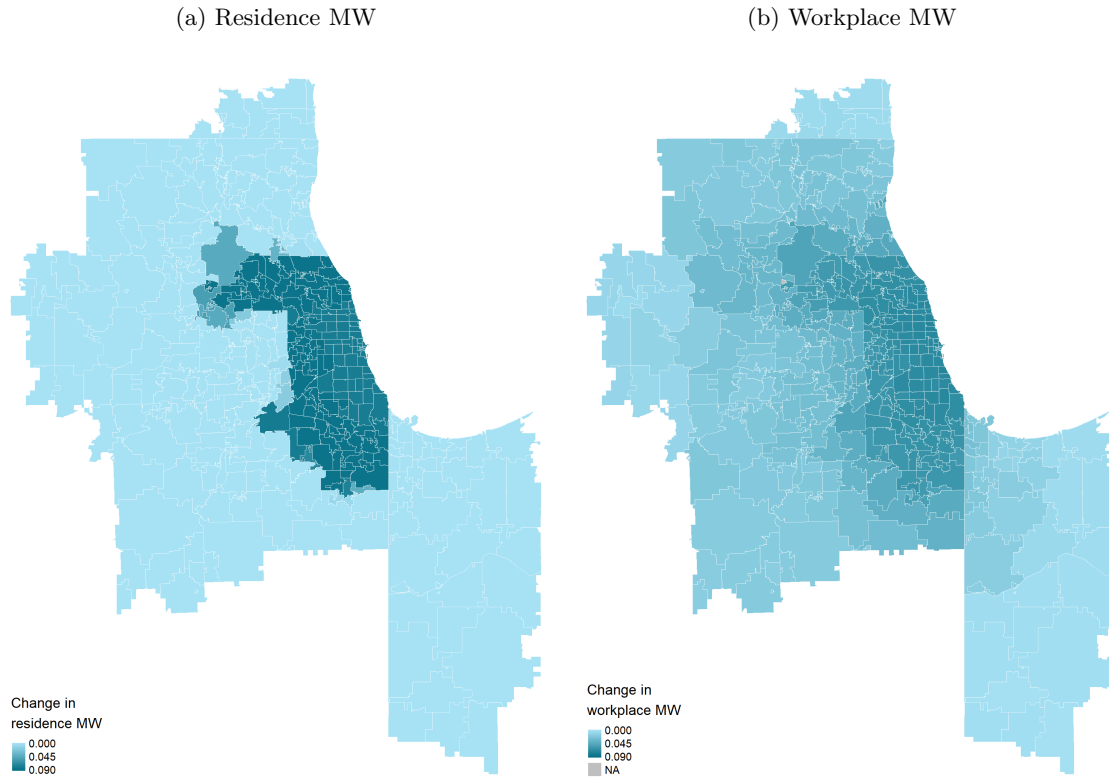
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Figures and Tables

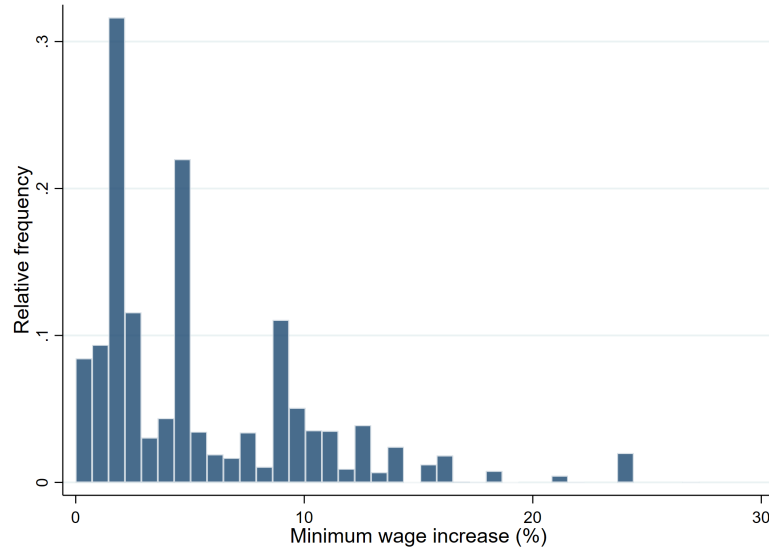
Figure 1: Changes in MW measures in the Chicago-Naperville-Elgin CBSA, July 2019



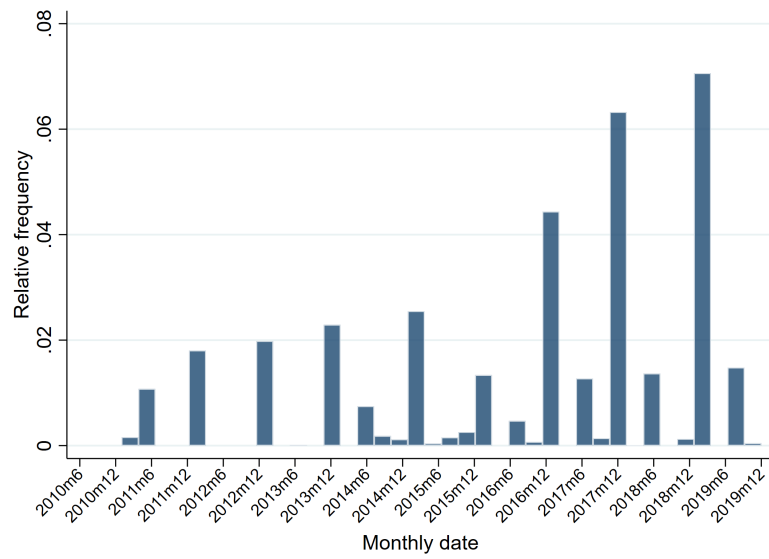
Notes: Data are from the minimum wage panel described in Section 3.2 and from LODES. The figure shows the change in the residence MW (panel a) and workplace MW (panel b) in July 2019 in the metropolitan area of Chicago. The residence MW is defined as the log of the statutory MW of the given ZIP code. The workplace MW is defined as the weighted average of the log of the statutory MW levels in workplace locations of a ZIP code's residents, where weights are given by commuting shares.

Figure 2: Distribution of statutory minimum wage changes

(a) Intensity

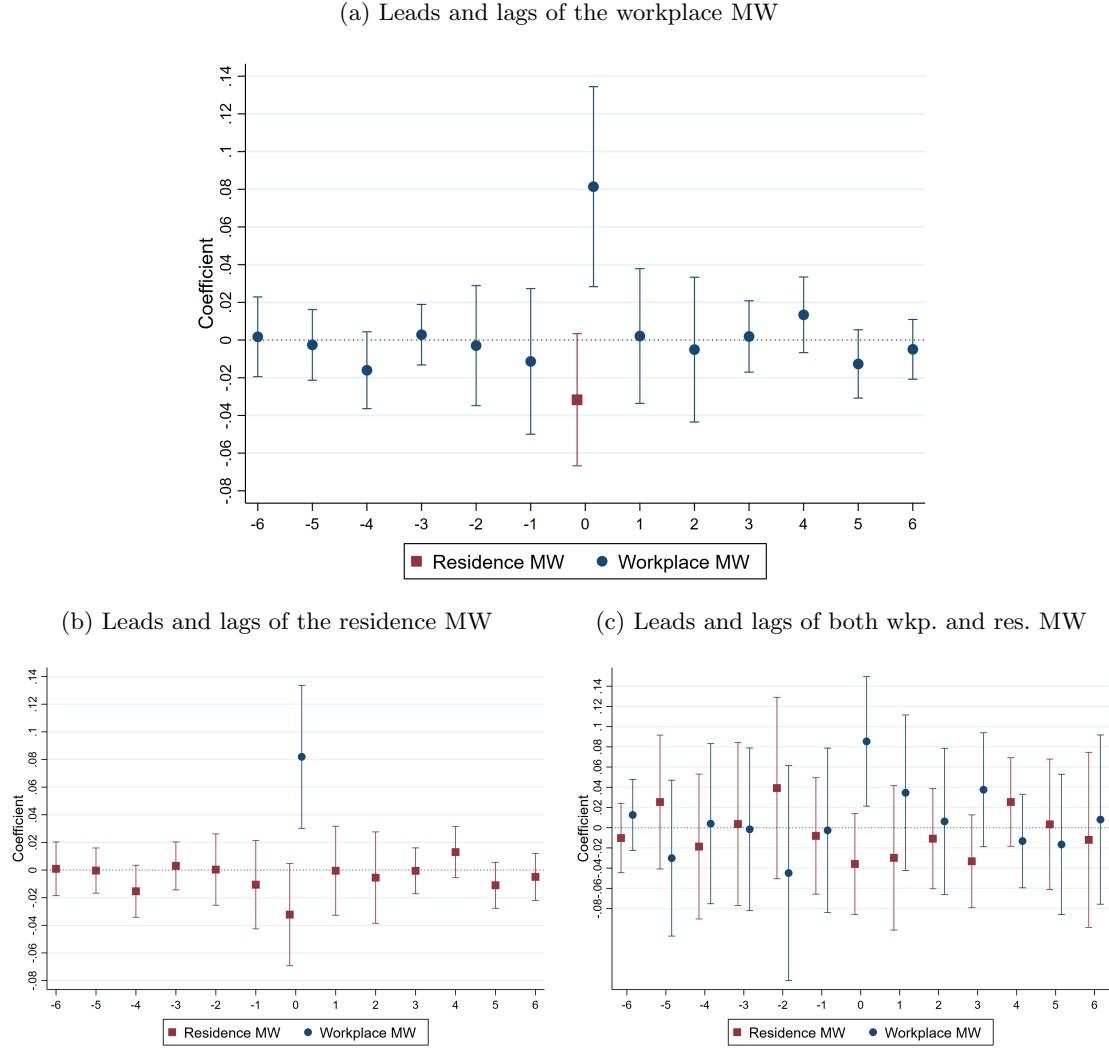


(b) Timing



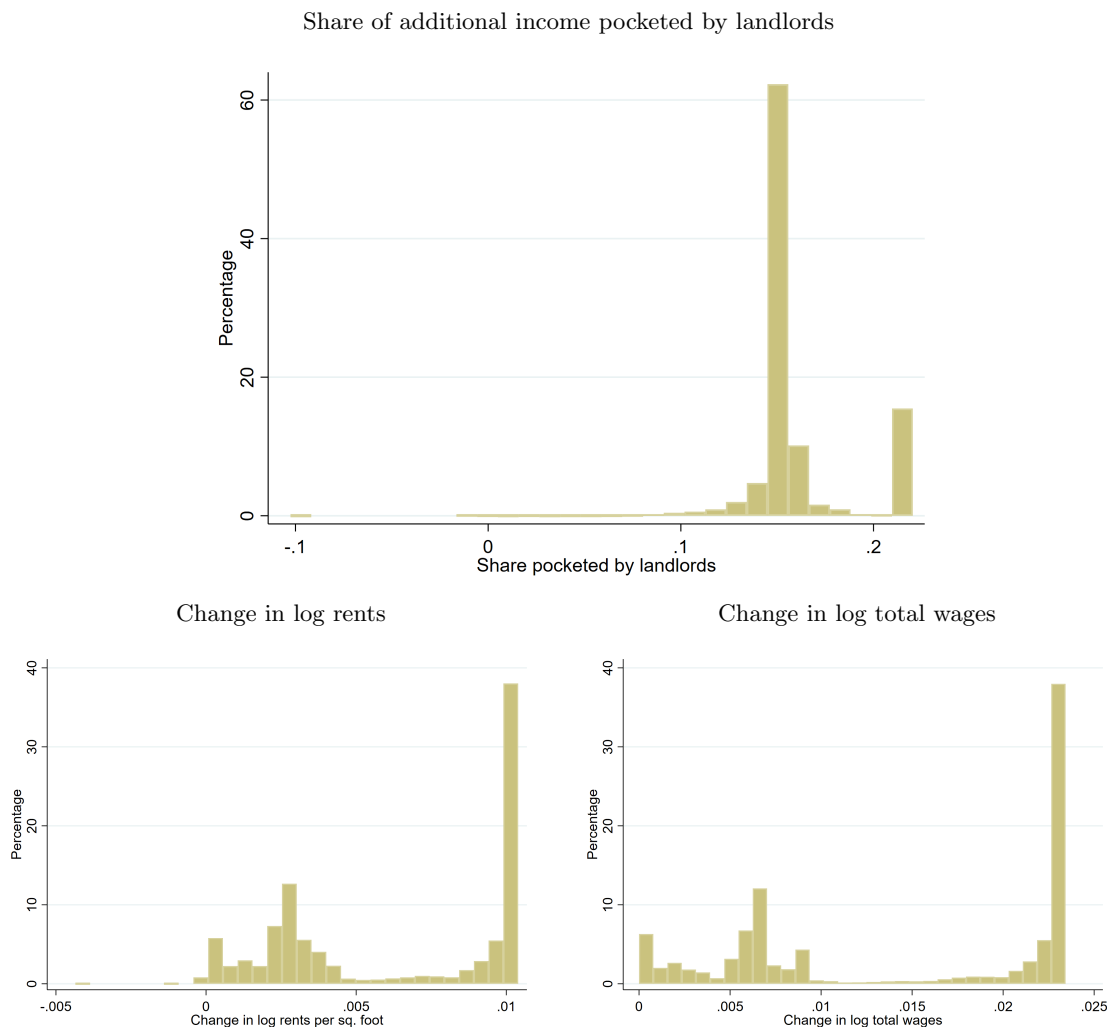
Notes: Data are from the minimum wage panel described in Section 3.2. The histograms show the distribution of positive MW changes in the full sample of ZIP codes available in the Zillow data. Panel (a) reports the intensity of the changes in percentage terms. Panel (b) plots the distribution of such changes over time.

Figure 3: Estimates of the effect of the MW on rents, baseline sample including leads and lags



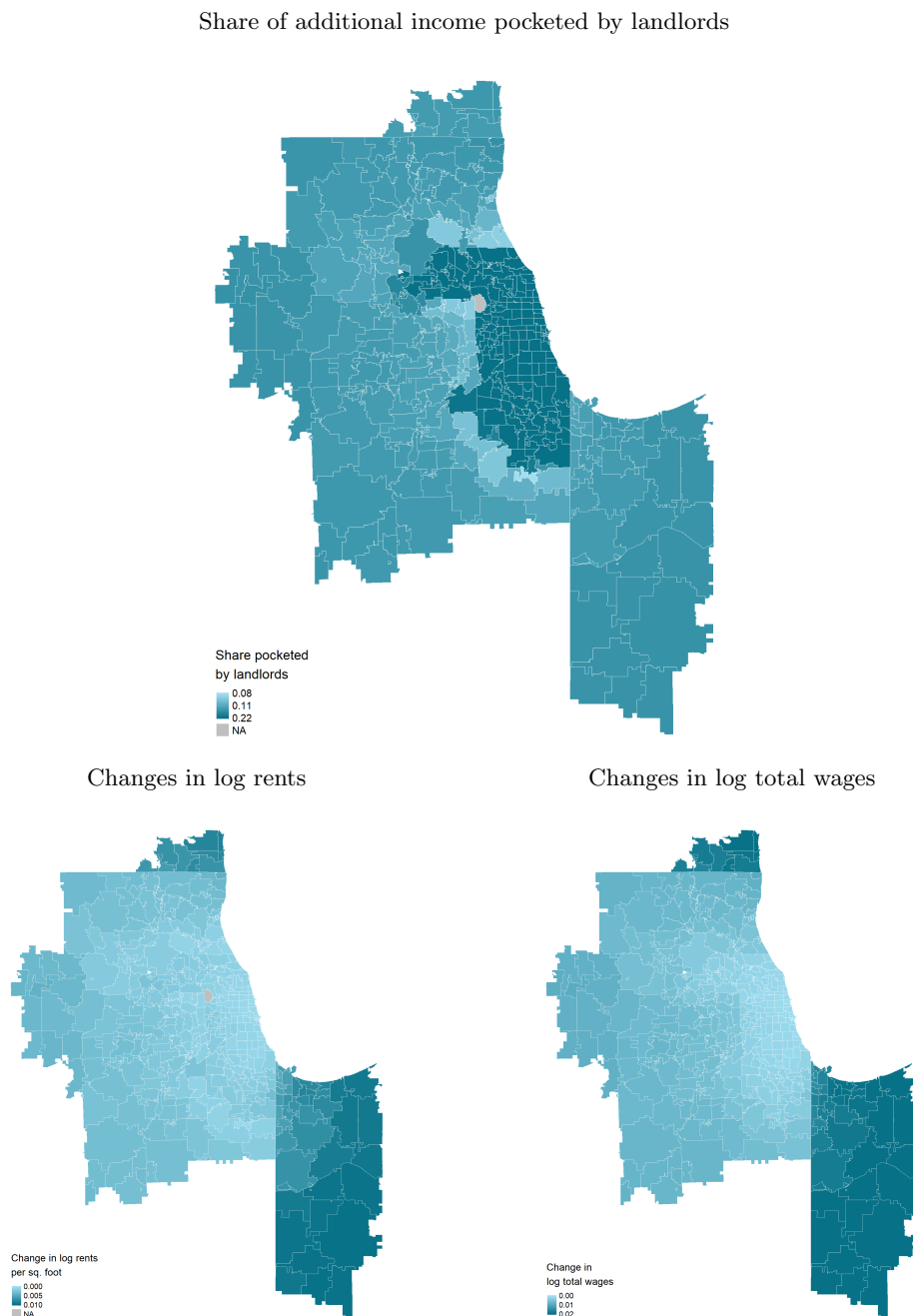
Notes: Data are from the baseline estimation sample described in Section 3.4. All panels plot coefficients from regressions of the log of rents per square foot on the residence and workplace MW measures, varying the number of leads and lags of each MW variable included. Panel (a) includes six leads and lags of the workplace MW measure. Panel (b) includes six leads and lags of the residence MW measure. Panel (c) includes six leads and lags of both MW measures. All regressions are estimated in first differences and include time-period fixed effects and economic controls that vary at the county and month levels. The measure of rents per square foot correspond to the Single Family, Condominium and Cooperative houses from Zillow. The residence MW is defined as the log statutory MW in the same ZIP code. The workplace MW is defined as the log statutory MW where the average resident of the ZIP code works, constructed using LODES origin-destination data. Economic controls from the QCEW include the change of the following variables: the log of the average wage, the log of employment, and the log of the establishment count for the sectors “Information,” “Financial activities,” and “Professional and business services.” 95% pointwise confidence intervals are obtained from standard errors clustered at the state level.

Figure 4: Distributions of estimated shares pocketed by landlords under a counterfactual federal MW policy of \$9, urban ZIP codes



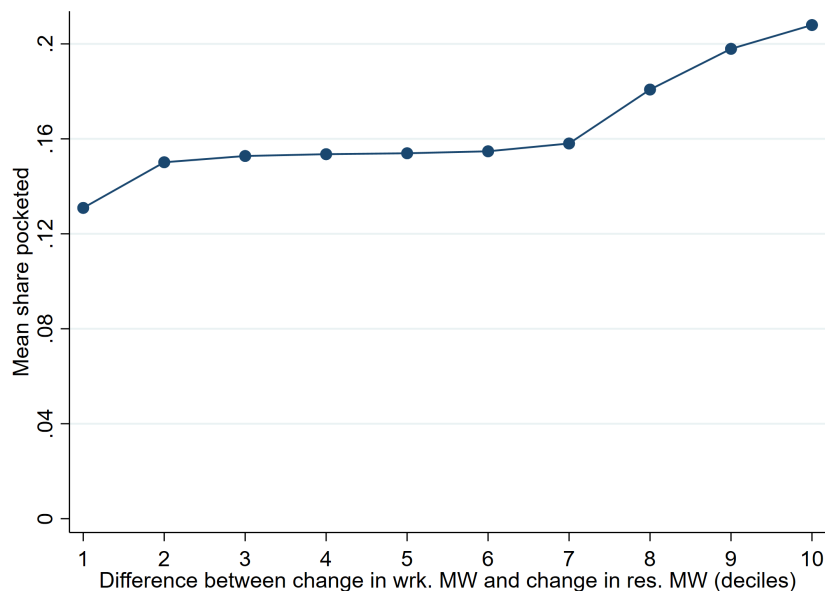
Notes: Data are from the minimum wage panel described in Section 3.2 and from LODES. The top figure shows the distribution of the estimated ZIP-code specific shares of the additional income pocketed by landlords (“share pocketed”), the bottom left figure shows estimated changes in log rents, and the bottom right figure shows estimated changes in log total wages. The computations are based on a counterfactual increase to \$9 in the federal MW in January 2020, holding constant other MW policies in their December 2019 levels. The unit of observation is the urban ZIP code, where we define a ZIP code as urban if it belongs to a CBSA with at least 80% of its population classified as urban by the 2010 Census. The share pocketed is defined as the ratio between the percent increase in rents and the percent increase in total wages multiplied by the share of housing expenditure in the ZIP code. To estimate it we follow the procedure described in Section 6, assuming the following parameter values: $\beta = 0.0546$, $\gamma = -0.0207$, $\varepsilon = 0.1083$, and $s = 0.35$. We exclude 5 ZIP codes for which the estimated landlord share was below -1 .

Figure 5: Estimated landlord shares and counterfactual increases in log rents and log total wages, ZIP codes in the Chicago-Naperville-Elgin CBSA



Notes: Data are from the minimum wage panel described in Section 3.2 and from LODES. The top figures show the distribution of the estimated ZIP-code specific shares of the additional income pocketed by landlords (“share pocketed”), the bottom left figure maps estimated changes in log rents, and the bottom right figure maps estimated changes in log total wages, for ZIP codes in the Chicago-Naperville-Elgin CBSA. The computations are based on a counterfactual increase to \$9 in the federal MW in January 2020, holding constant other MW policies in their December 2019 levels. The share pocketed is defined as the ratio between the percent increase in rents and the percent increase in total wages multiplied by the share of housing expenditure in the ZIP code. To estimate it we follow the procedure described in Section 6, assuming the following parameter values: $\beta = 0.0546$, $\gamma = -0.0207$, $\varepsilon = 0.1083$, and $s = 0.35$.

Figure 6: Estimates of the share pocketed by landlords by the relative change in workplace MW to change in residence MW, urban ZIP codes



Notes: Data are from the minimum wage panel described in Section 3.2 and from LODES. The figure shows the average estimate of the shares of the additional income pocketed by landlords ρ_i for each decile of the difference $\Delta w_i^{\text{wkp}} - \Delta w_i^{\text{res}}$. Estimates for lower deciles correspond to ZIP codes where the increase in residence MW was relatively large. The unit of observation is the urban ZIP code, where we define a ZIP code as urban if it belongs to a CBSA with at least 80% of its population classified as urban by the 2010 Census. The share pocketed is defined as the ratio between the percent increase in rents and the percent increase in total wages multiplied by the share of housing expenditure in the ZIP code. To estimate it we follow the procedure described in Section 6, assuming the following parameter values: $\beta = 0.0546$, $\gamma = -0.0207$, $\varepsilon = 0.1083$, and $s = 0.35$. The figure excludes ZIP codes located in the 60 CBAs for which the average estimated change in log total wages was below 0.1%.

Table 1: Descriptive statistics of different samples of ZIP codes

	All ZIP codes	Urban ZIP codes	Zillow sample	Baseline sample
<i>Panel A: 2010 Census</i>				
Total population (thousands)	308,129.6	204,585.8	111,709.2	51,181.1
Total number of households (thousands)	131,396.0	83,919.6	47,424.5	21,628.7
Mean population	9,681.7	18,018.8	33,687.9	38,052.9
Mean number of households	4,128.6	7,391.2	14,301.7	16,080.8
Share urban population	0.391	0.725	0.960	0.972
Share renter households	0.224	0.283	0.340	0.333
Share black population	0.075	0.100	0.153	0.161
Share white population	0.834	0.765	0.679	0.667
<i>Panel B: 2014 IRS</i>				
Share households with wage income	0.820	0.830	0.836	0.843
Share households with business income	0.152	0.161	0.176	0.182
Mean AGI per household (thousand \$)	60.4	76.3	83.0	83.9
Mean wage income per household (thousand \$)	39.7	49.8	53.2	55.2
<i>Panel C: 2014 SAFMR</i>				
Mean 40th perc. 2BR apt. rent (\$)	936.17	1,028.33	1,087.42	1,131.95
<i>Panel D: Minimum wage</i>				
Min. in Dec. 2014 (\$)	7.25	7.25	7.25	7.25
Mean in Dec. 2014 (\$)	7.74	7.97	7.94	7.87
Max. in Dec. 2014 (\$)	15.00	15.00	11.27	10.74
Min. in Dec. 2019 (\$)	7.25	7.25	7.25	7.25
Mean in Dec. 2019 (\$)	8.84	9.51	9.38	9.21
Max. in Feb. 2019 (\$)	16.09	16.09	16.00	16.00
<i>Panel E: Geographies</i>				
Number of ZIP codes	31,826	11,354	3,316	1,345
Number of counties	3,135	605	487	244
Number of states	51	47	49	41

Notes: The table shows characteristics of different samples of ZIP codes. The first column uses all ZIP codes that are matched to a census block following Appendix B. The second column restricts to ZIP codes located in urban Core-Based Statistical Areas (CBAs), where we define a CBSA as urban if at least 80% of its population was classified as urban by the 2010 US Census. The third column uses the ZIP codes with valid SFCC rents per square foot in any month. The fourth column uses our baseline estimation sample, as described in 3.4. Each row shows a given characteristic obtained from different a data source. Panel A uses data from the 2010 US Census (US Census Bureau 2022b). Panel B uses data from the 2014 IRS ZIP code-level aggregates (Internal Revenue System 2022). AGI is an acronym for Average Gross Income. Panel C uses data from the 2014 Small-Area Fair Market Rents (SAFMR; US Department of Housing and Urban Development 2020). Panel D uses data from the panel of minimum wage levels described in Section 3.2. Panel E counts the number of different geographies present in each set of ZIP codes, assigned following Section 3.3.2.

Table 2: Estimates of the effect of the MW on rents, baseline sample

	Change wkp. MW	Change log rents		
	$\Delta \underline{w}_{it}^{\text{wkp}}$	Δr_{it}		
	(1)	(2)	(3)	(4)
Change residence MW $\Delta \underline{w}_{it}^{\text{res}}$	0.8623 (0.0378)	0.0366 (0.0148)		-0.0221 (0.0181)
Change workplace MW $\Delta \underline{w}_{it}^{\text{wkp}}$			0.0442 (0.0160)	0.0680 (0.0297)
Sum of coefficients				0.0459 (0.0162)
County-quarter economic controls	Yes	Yes	Yes	Yes
P-value equality				0.0594
R-squared	0.9441	0.0212	0.0213	0.0213
Observations	80,241	80,241	80,241	80,241

Notes: Data are from the baseline estimation sample described in Section 3.4. Column (1) shows the results of a regression of the workplace MW measure on the residence MW measure. Column (2) through (4) show the results of regressions of the log of median rents per square foot on our MW-based measures. All regressions are estimated in first differences and include time-period fixed effects and economic controls that vary at the county and month levels. The measure of rents per square foot corresponds to the Single Family, Condominium and Cooperative houses from Zillow. The residence MW is defined as the log statutory MW in the same ZIP code. The workplace MW is defined as the statutory MW where the average resident of the ZIP code works, constructed using LODES origin-destination data. Economic controls from the QCEW include the log of the average wage, the log of employment, and the log of the establishment count from the sectors “Information”, “Financial activities”, and “Professional and business services”. Standard errors in parentheses are clustered at the state level.

Table 3: Estimates of the effect of the MW on rents, different samples

	Change log rents Δr_{it}			
	Baseline (1)	Baseline Reweighted (2)	Unbalanced (3)	Unbalanced Reweighted (4)
Change residence MW $\Delta \underline{w}_{it}^{\text{res}}$	-0.0221 (0.0181)	-0.0247 (0.0366)	-0.0267 (0.0234)	-0.0258 (0.0239)
Change workplace MW $\Delta \underline{w}_{it}^{\text{wkp}}$	0.0680 (0.0297)	0.0848 (0.0441)	0.0522 (0.0302)	0.0512 (0.0335)
P-value equality	0.0594	0.1715	0.1380	0.1726
R-squared	0.0213	0.0169	0.0309	0.0339
Observations	80,241	79,701	193,239	192,124

Notes: Data are from Zillow (Zillow 2020b), the statutory MW panel described in Section 3.2, LODES origin-destination statistics (US Census Bureau 2021), and the QCEW (US Bureau of Labor Statistics 2020b). Every column show the results of regressions of the log of median rents per square foot on our MW-based measures. All regressions are estimated in first differences and include time-period fixed effects and economic controls that vary at the county and month levels. The measure of rents per square foot corresponds to the Single Family, Condominium and Cooperative houses from Zillow. Columns (1) and (2) use our baseline sample defined in Section 3.4. Column (3) and (4) use the unbalanced sample of all ZIP codes with Zillow rents data at any point in time, and controls for year-quarter of entry to the panel \times year-month fixed effects. Even numbered columns re-weight observations so that the sample of ZIP codes in the data matches the averages of the set of ZIP codes located in urban CBSAs in the following variables: share of renter-occupied households (US Census Bureau 2022b), and share of workers and share of residents that according to LODES 2013 earn less than \$1251 (US Census Bureau 2021). Weights for each sample are computed following Hainmueller (2012). We define urban CBSAs as in the second column of Table 1. Standard errors in parentheses are clustered at the state level.

Table 4: Estimates of the effect of the MW on rents by ZIP code characteristics, baseline sample

	Change log rents		
	Baseline (1)	MW shares (2)	Public housing (3)
Change residence MW	-0.0201 (0.0200)	-0.0181 (0.0217)	0.0061 (0.0259)
Change residence MW \times High share of MW workers		-0.0205 (0.0203)	
Change residence MW \times Public housing			-0.0675 (0.0598)
Change workplace MW	0.0682 (0.0306)	0.0660 (0.0333)	0.0450 (0.0319)
Change workplace MW \times High share of MW residents		0.0675 (0.0304)	
Change workplace MW \times Public housing			0.1101 (0.0645)
County-quarter economic controls	Yes	Yes	Yes
R-squared	0.0216	0.0243	0.0226
Observations	78,912	78,912	78,912

Notes: Data are from the baseline estimation sample described in Section 3.4. Public housing data are from US Department of Housing and Urban Development (2022a). In all columns we report the results of regressions of the log of median rents per square foot on our MW-based measures. Column (1) reproduces estimates our baseline results from Table 2. Column (2) presents estimates of our baseline model in which the residence MW measure is fully interacted with an indicator that proxies for having a high share of MW workers (“High share of MW workers”) and the workplace MW measure is fully interacted with an indicator that proxies for having a high share of MW residents (“High share of MW residents”) in 2014. We define the indicators as explained in Section 4.5. Column (3) presents estimates of our baseline model in which the residence and the workplace MW measures are interacted with an indicator that equals 1 if the ZIP code has any public housing units in 2017. Both columns (2) and (3) fully interact the MW measures and the fixed effects with the indicator variables. The economic controls are not interacted with the indicators. Standard errors in parentheses are clustered at the state level.

Table 5: Robustness of estimates of the effect of the MW on rents, baseline sample

	Change wkp. MW	Change log rents			
	$\Delta \underline{w}_{it}^{\text{wkp}}$	Δr_{it}			
	Change res. MW	Change res. MW	Change wkp. MW	Sum of	N
	$\Delta \underline{w}_{it}^{\text{res}}$	$\Delta \underline{w}_{it}^{\text{res}}$	$\Delta \underline{w}_{it}^{\text{wkp}}$	coefficients	
(a) Baseline	0.8623 (0.0378)	-0.0221 (0.0181)	0.0680 (0.0297)	0.0459 (0.0162)	80,241
<i>Panel A: Vary specification</i>					
(b) No controls	0.8629 (0.0378)	-0.0202 (0.0185)	0.0663 (0.0299)	0.0461 (0.0166)	80,692
(c) County \times time FE	0.2856 (0.0399)	-0.0633 (0.0528)	0.1655 (0.1189)	0.1022 (0.0859)	75,593
(d) CBSA \times time FE	0.5080 (0.0387)	-0.0345 (0.0294)	0.0920 (0.0599)	0.0575 (0.0335)	78,293
(e) State \times time FE	0.5404 (0.0628)	0.0144 (0.0244)	-0.0079 (0.0527)	0.0064 (0.0317)	80,393
(f) ZIP code-specific linear trend	0.8592 (0.0394)	-0.0218 (0.0174)	0.0703 (0.0272)	0.0484 (0.0135)	80,241
<i>Panel B: Vary workplace MW measure</i>					
(g) 2014 commuting shares	0.8621 (0.0381)	-0.0203 (0.0198)	0.0659 (0.0307)	0.0457 (0.0161)	80,241
(h) 2018 commuting shares	0.8623 (0.0376)	-0.0218 (0.0183)	0.0677 (0.0301)	0.0459 (0.0163)	80,241
(i) Time-varying commuting shares	0.8806 (0.0372)	-0.0290 (0.0207)	0.0790 (0.0309)	0.0500 (0.0166)	64,236
(j) 2017 commuting shares, low-income workers	0.8560 (0.0375)	-0.0331 (0.0220)	0.0814 (0.0348)	0.0483 (0.0164)	80,241
(k) 2017 commuting shares, young workers	0.8566 (0.0394)	-0.0323 (0.0183)	0.0805 (0.0302)	0.0481 (0.0161)	80,241

Notes: Data are from the baseline estimation sample described in Section 3.4. Each row of the table shows two estimations on the same sample of ZIP codes and months. The first column shows the results of a regression of the change in the workplace MW measure on the change in the residence MW measure. The second through fourth columns show the results of a regression of the change in log rents on the change in the residence MW and the workplace MW, with the fifth column showing the sum of the coefficients on the MW measures. The rents variable corresponds to the median rent per square foot in the Zillow data. Row (a) repeats the results of Table 2, including fixed effects for each year month and economic controls at the county \times quarter level. Specifications in Panel A vary the set of fixed effects included in the regression relative to row (a). Row (f) includes ZIP code fixed effects in the first-differenced model, which in the level model can be interpreted as a ZIP-code specific linear trend. Specifications in Panel B vary the commuting shares used to construct the workplace MW measure relative to row (a). Standard errors in parentheses are clustered at the state level.

Table 6: Effect of an increase in federal MW to \$9 in January 2020, urban ZIP codes

		Average change in...		Avg. share pocketed	
	N	Res. MW	Wkp. MW	$s = 0.25$	$s = 0.45$
Effect in ZIP codes with...					
previous MW \leq \$9	5,882	0.161	0.153	0.108	0.195
previous MW $>$ \$9	1,070	0.000	0.017	0.157	0.283

Notes: Data are from LODES and the minimum wage panel described in Section 3.2. The table shows averages of the estimated ZIP-code specific shares of the additional income pocketed by landlords (“share pocketed”), defined as the ratio of the increase in income to the increase in rents. Increases in income and rents are simulated following the procedure described in Section 6, where we assume an increase in the federal MW to \$9. We assume the following parameter values: $\beta = 0.0546$, $\gamma = -0.0207$, $\varepsilon = 0.1083$, and $s \in \{0.25, 0.45\}$. We carry out our computations only for urban ZIP codes, defined as those that belong to a CBSA with at least 80% of urban population according to the 2010 census. The table excludes ZIP codes located in the 60 CBAs for which the average estimated change in log total wages was below 0.1%.

Appendix

A A dynamic supply and demand model

The geography is represented by a set of ZIP codes \mathcal{Z} . There is an exogenously given distribution of people with differing residence i and workplace z locations across these ZIP codes which, as in the main body of the paper, we denote by $\{L_{iz}\}_{i,z \in \mathcal{Z} \times \mathcal{Z}}$.

Let H_{it} be the stock of square feet rented in period t , where t is characterized by a month m and year y . This stock is composed of contracts starting at different calendar months. We assume that all contracts last for one year. We impose that $H_{it} \leq S_i$ for all t , where S_i denotes the total number of available square feet in i .

We further decompose H_{it} as follows. Let $h_{izt} = h_{iz}(R_{it}, \underline{W}_{it}, \underline{W}_{zt})$ be the per-capita demand of housing of group (i, z) in period t , which depends on the prevailing MW at the time of contract sign-up. We assume that this demand function is decreasing in residence MW and decreasing in workplace MW, just as in Section 2. For simplicity, we omitted the mediation channels of prices and income. Let λ_{it} denote the share of i 's residents who started their contracts in period t .³⁶ Then, we can write the stock of contracted square feet during period t as

$$H_{it} = \sum_{\tau=t-11}^t \lambda_{i\tau} \sum_{z \in \mathcal{Z}} L_{iz} h_{iz\tau}(r_{i\tau}, \underline{W}_{i\tau}, \underline{W}_{z\tau})$$

where $r_{i\tau}$ represents rents *per square foot* in period τ . It is convenient to define the stock of contracted square feet excluding the ones that were signed 12 months ago. We denote them by

$$\tilde{H}_{it} = \sum_{\tau=t-10}^t \lambda_{i\tau} \sum_{z \in \mathcal{Z}} L_{iz} h_{iz\tau}(r_{i\tau}, \underline{W}_{i\tau}, \underline{W}_{z\tau}).$$

We assume that all square feet are homogeneous, and so they have the same price in the market.

Within-period equilibrium

Within this simple model, we assume the following timing: (1) At the beginning of period t , a share λ_{it} of people's contracts expire (the ones that started on $t - 12$); (2) The square feet from expiring contracts are added to the pool of available rental space for new renters; (3) Renters in t and a flow supply of rental space in t determine equilibrium rents R_{it} . We now develop each of these steps more formally.

As of the start of every period t , $\lambda_{i,t-12} \sum_z L_{iz} h_{iz,t-12}$ square feet become available for rent from each group of workers (i, z) . The square feet available to rent in period t (vacant) are then

$$\lambda_{i,t-12} \sum_z L_{iz} h_{iz,t-12} + (S_i - H_{i,t-1}) = S_i - \tilde{H}_{i,t-1}.$$

³⁶We assume that these shares do not vary by workplace.

Note that $(S_i - H_{i,t-1})$ are the non-rented square feet as of $t - 1$.

We denote by $V_{it}(R_{it}, \lambda_t)$ the supply of housing, increasing in R_{it} . A feasibility constraint is that

$$V_{it}(R_{it}, \lambda_t) \leq S_i - \tilde{H}_{i,t-1}. \quad (13)$$

The flow demand for new rentals in t by those whose contract expired is given by

$$\lambda_{it} \sum_z L_{iz} h_{izt}(R_{it}, \underline{W}_{it}, \underline{W}_{zt}).$$

This demand arises because a share of the ZIP code's contracts expired. Those people go to the market and may desire to rent more square feet given changes in their income.

The market in period t clears if

$$\lambda_t \sum_z L_{iz} h_{iz}(R_{it}, \underline{W}_{it}, \underline{W}_{zt}) = V_{it}(R_{it}, \lambda_t). \quad (14)$$

Given minimum wages in t , $\{\underline{W}_{it}\}_{i \in \mathcal{Z}}$, the share of workers looking to rent in period t , λ_t , and a number of vacancies that satisfies (13), equation (14) determines equilibrium rents in period t . Because the properties of housing demand and housing supply are the same as in the model in Section 2, the equilibrium condition (14) implies an analogue of Propositions 1 and 2.

B Matching census blocks to USPS ZIP codes

One challenge of this project is that LODES data on commuting patterns are aggregated at the census-block level of the 2010 US Census. However, Zillow data are aggregated at the level of *USPS ZIP codes*, and census blocks and USPS ZIP codes are not nested. In this appendix we describe the steps we took to construct a correspondence table between these geographies.

First, we collected the GIS map of 11,053,116 census blocks from US Census Bureau (2012) and compute their centroids. Second, we assigned each block to a unique USPS ZIP code using the GIS map from ESRI (2020) based on assigning to each block the USPS ZIP code that contains its centroid. If the centroid falls outside the block, we pick a point inside it at random. We assign 11,013,203 using the spatial match (99.64 percent of the total).³⁷ Third, for the blocks that remain unassigned we use the tract-to-USPS-ZIP-code correspondence from US Department of Housing and Urban Development (2022b). Specifically, for each tract we keep the USPS ZIP code where the largest number of houses of the tract fall, and we assign it to each block using the tract identifier. We assign 22,819 blocks using this approach (0.21 percent). There remain 17,094 unassigned blocks (0.15 percent), which we drop from the analysis. This creates a unique mapping from census blocks to USPS ZIP codes.

In the end, there are 11,036,022 census blocks which are assigned to 31,754 USPS ZIP codes, implying an average of 347.55 census blocks per ZIP code. Thus, even though there may be blocks that go beyond one ZIP code, we expect the error introduced by this process to be very small.

³⁷545,566 of ZIP codes assigned via spatial match use a point of the census block picked at random (4.94 percent of the total).

C Assigning minimum wage levels to ZIP codes

Our main rents data is aggregated at the level of the USPS ZIP code. To match this geographical level, we assign statutory MW levels to ZIP codes. ZIP codes usually cross jurisdictions, and as a result parts of them are subject to different statutory MW levels. Trying to overcome this problem, we assign averages of the relevant statutory MW levels to each ZIP code.

We proceed as follows. First, we collect a census crosswalk constructed by (US Census Bureau 2021) that contains, for each block, identifiers for block group, tract, county, CBSA (i.e., core-based statistical area), place (i.e., census-designated place), and state. Second, we assign the MW level of each jurisdiction to the relevant block. We use the state code for state MW policies, and we match local MW policies based on the names of the county and the place. We define the statutory MW at each census block as the maximum of the federal, state, county, and place levels. Then, based on the original correspondence table described in Appendix B, we assign a ZIP code to each block. Finally, we define *the statutory MW* at ZIP code i and month t , \underline{W}_{it} , as the weighted average of the statutory MW levels in its constituent blocks, where the weights are given by the number of housing units.³⁸ For ZIP codes that have no housing units in them, such as those corresponding to universities or airports, we use a simple average instead.

³⁸ZIP codes between 00001 and 00199 correspond to federal territories. Thus, we assign as statutory MW the federal level.

D Identification of first-differenced model with spillovers

Consider the causal model for rents given by

$$r_{it} = f_{it}(\{\underline{w}_{zt}\}_{z \in \mathcal{Z}})$$

where \underline{w}_{zt} represents the “dose” of treatment received by unit i from ZIP code z in period t . We say that a ZIP code i is treated “directly” at time t if $\underline{w}_{it} > 0$. For this appendix, we think of \mathcal{Z} as the ZIP codes in a closed metropolitan area. Following Section 4 we assume the following functional form for the causal model in first differences:

$$\Delta r_{it} = \gamma \Delta \underline{w}_{it} + \beta \sum_{z \in \mathcal{Z}} \pi_{iz} \Delta \underline{w}_{zt} + \delta_t + \Delta \varepsilon_{it} \quad (15)$$

where δ_t is a time effect, $\Delta \varepsilon_{it}$ stands for other factors that determine the evolution of rents in ZIP code i , and other objects are defined as in the paper. We show that the parameters β and γ can be recovered from data on rent changes and minimum wage changes under suitable parallel-trends assumptions.

Proposition 3 (Identification). *Consider a policy such that, for some (directly treated) ZIP codes $z \in \mathcal{Z}_0 \subset \mathcal{Z}$ for non-empty \mathcal{Z}_0 , $\Delta \underline{w}_{zt} = \Delta \underline{w} > 0$ if $t = \bar{t}$ and $\Delta \underline{w}_{zt} = 0$ if $t \neq \bar{t}$, and for (not directly treated) ZIP codes $z \notin \mathcal{Z}_0$, $\Delta \underline{w}_{zt} = 0$ for all t . Assume (1) there exist at least two not directly treated ZIP codes with differential exposure to the policy, (2) parallel trends among two non-empty subgroups of not directly treated ZIP codes (specified below), (3) parallel trends across directly treated ZIP codes and not directly treated ZIP codes. Then, the parameters β and γ of the model (15) are identified.*

Proof. The expected evolution of rents in ZIP codes not treated directly is

$$E[\Delta r_{it} | i \notin \mathcal{Z}_0] = \begin{cases} \delta_t + E[\Delta \varepsilon_{it} | z \notin \mathcal{Z}_0] & \text{if } t \neq \bar{t} \\ \beta \sum_{z \in \mathcal{Z}_0} \pi_{iz} \underline{w}_{zt} + \delta_t + E[\Delta \varepsilon_{it} | z \notin \mathcal{Z}_0] & \text{if } t = \bar{t}, \end{cases} \quad (16)$$

Now, rank these ZIP codes according to their exposure to the policy $\Pi_i = \sum_{z \in \mathcal{Z}_0} \pi_{iz}$. Consider a partition of ZIP codes in $\mathcal{Z} \setminus \mathcal{Z}_0$ in two non-empty subsets such that ZIP codes with $\Pi_i > \bar{\Pi}$ belong to a “high exposure” group \mathcal{Z}_h , and the rest to a “low exposure” group \mathcal{Z}_l , where $\bar{\Pi} \in (\min \Pi_i, \max \Pi_i)$. Using (16) we can compute, for $t \neq \bar{t}$,

$$E[\Delta r_{it} | i \in \mathcal{Z}_h] - E[\Delta r_{it} | i \in \mathcal{Z}_l] = E[\Delta \varepsilon_{it} | i \in \mathcal{Z}_h] - E[\Delta \varepsilon_{it} | i \in \mathcal{Z}_l],$$

and for $t = \bar{t}$,

$$\begin{aligned} E[\Delta r_{it} | i \in \mathcal{Z}_h] - E[\Delta r_{it} | i \in \mathcal{Z}_l] &= \beta \left(E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \in \mathcal{Z}_h \right] - E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \in \mathcal{Z}_l \right] \right) \Delta \underline{w} \\ &\quad + E[\Delta \varepsilon_{it} | i \in \mathcal{Z}_h] - E[\Delta \varepsilon_{it} | i \in \mathcal{Z}_l]. \end{aligned}$$

Under assumption (2), namely that $E[\Delta\varepsilon_{it}|i \in \mathcal{Z}_h] - E[\Delta\varepsilon_{it}|i \in \mathcal{Z}_l] = 0$, we can re-arrange the previous equation to obtain

$$\beta = \frac{E[\Delta r_{it}|i \in \mathcal{Z}_h] - E[\Delta r_{it}|i \in \mathcal{Z}_l]}{(E[\sum_{z \in \mathcal{Z}_0} \pi_{iz}|i \in \mathcal{Z}_h] - E[\sum_{z \in \mathcal{Z}_0} \pi_{iz}|i \in \mathcal{Z}_l]) \Delta \underline{w}}. \quad (17)$$

Assumption (1) guarantees that $(E[\sum_{z \in \mathcal{Z}_0} \pi_{iz}|i \in \mathcal{Z}_h] - E[\sum_{z \in \mathcal{Z}_0} \pi_{iz}|i \in \mathcal{Z}_l]) \neq 0$, thus β is identified.

For those ZIP codes that are treated directly, the expected evolution of rents is

$$E[\Delta r_{it}|i \in \mathcal{Z}_0] = \begin{cases} \delta_t + E[\Delta\varepsilon_{it}|z \notin \mathcal{Z}_0] & \text{if } t \neq \bar{t} \\ \gamma \Delta \underline{w} + \beta \sum_{z \in \mathcal{Z}_0} \pi_{iz} \Delta \underline{w} + \delta_t + E[\Delta\varepsilon_{it}|z \notin \mathcal{Z}_0] & \text{if } t = \bar{t}. \end{cases}$$

Differencing with respect to (16) obtains, for $t = \bar{t}$,

$$\begin{aligned} E[\Delta r_{it}|i \in \mathcal{Z}_0] - E[\Delta r_{it}|i \notin \mathcal{Z}_0] &= \gamma \Delta \underline{w} \\ &+ \beta \left(E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \in \mathcal{Z}_0 \right] - E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \notin \mathcal{Z}_0 \right] \right) \Delta \underline{w} \\ &+ E[\Delta\varepsilon_{it}|i \in \mathcal{Z}_0] - E[\Delta\varepsilon_{it}|i \notin \mathcal{Z}_0]. \end{aligned}$$

Assumption (3) means that $E[\Delta\varepsilon_{it}|i \in \mathcal{Z}_0] - E[\Delta\varepsilon_{it}|i \notin \mathcal{Z}_0] = 0$. Substituting in the previous equation yields

$$\gamma = \frac{E[\Delta r_{it}|i \in \mathcal{Z}_0] - E[\Delta r_{it}|i \notin \mathcal{Z}_0]}{\Delta \underline{w}} - \beta \left(E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \in \mathcal{Z}_0 \right] - E \left[\sum_{z \in \mathcal{Z}_0} \pi_{iz} \middle| i \notin \mathcal{Z}_0 \right] \right). \quad (18)$$

Since β is known per equation (17), γ is identified as well. \square

E Estimation of the effect of the MW on ZIP code-level wages

Our main data source to estimate the effect of the MW on wage income are the yearly ZIP code aggregates from Internal Revenue System (2022). Thus, we construct a ZIP code by month panel where we collect, for each ZIP code and year between 2010 and 2018, IRS income aggregates, the yearly average of our MW measures, and the yearly average of our QCEW variables. See Section 3 for details on the construction of these data.

We estimate versions of

$$y_{it} = \gamma_i + \psi_t + \varepsilon \overline{W_{it}^{\text{wkp}}} + \overline{\mathbf{X}_{it}'} \eta + \nu_{it},$$

where $y_{it} = \log Y_{it}$ is the log of total wages at ZIP code i in year t , γ_i and ψ_t are ZIP code and year fixed effects, $\overline{W_{it}^{\text{wkp}}}$ is the yearly average of the workplace MW, $\overline{\mathbf{X}_{it}'}$ represents the yearly average of economic controls, and ν_{it} is an error term. Sometimes we interact the year fixed effects with indicators for different geographies. We use a level model because it is not feasible to take monthly first differences with yearly data. A yearly model estimated with monthly averaged variables is identified under the same assumptions as the corresponding monthly model.

Appendix Table 7 shows estimates of ε for different specifications of the model given in (E). Columns (1) through (4) estimate the effect of the workplace MW on log total wages under different specifications. The estimates of ε fluctuate between 0.1083 and 0.1488. Our preferred specification in column (3) suggests that a 10 percent increase in the workplace MW generates a 1.08 percent increase in total wages. These estimates are consistent with those in Cengiz et al. (2019). Cengiz et al. (2019, Table I) estimates that a MW event increases wages by 6.8 percent, and in their data the average MW event represents an increase in the statutory MW of 10.1 percent. For illustration, assume that 15 percent of workers in a location earn the minimum wage. Then, Cengiz et al.'s (2019) estimates imply that a 10 percent increase in the MW will increase total wages by $(6.8/10.1) \times 10 \times 0.15 \approx 1.01$ percent.

Column (5) of Appendix Table 7 shows, as a falsification test, estimates of the same model as in column (3) but using the log of total dividends as dependent variable. We obtain a positive but much lower effect in this case, suggesting that dividends do not respond to the MW as wages do.

F Additional Tables and Figures

Appendix Table 1: Summary statistics of baseline panel

	N	Mean	St. Dev.	Min	Max
<i>Minimum wage variables:</i>					
Statutory MW \underline{W}_{it}	80,700	8.56	1.58	7.25	16.00
Residence MW $\underline{w}_{it}^{\text{res}}$	80,700	2.132	0.168	1.981	2.773
Workplace MW $\underline{w}_{it}^{\text{wkp}}$	80,700	2.136	0.163	1.981	2.694
Workplace MW, low-income workers	80,700	2.134	0.161	1.981	2.681
Workplace MW, young workers	80,700	2.135	0.163	1.981	2.707
<i>Median Rents:</i>					
SFCC	74,012	1,757.89	901.50	625.00	30,000.00
SFCC per sqft.	80,700	1.32	1.01	0.47	22.20
Log(SFCC per sqft.)	80,700	0.14	0.47	-0.76	3.10
Log(single family (SF) per sqft.)	65,334	0.03	0.39	-0.76	3.10
Log(condo/cooperatives (CC) per sqft.)	17,662	0.67	0.47	-0.54	1.92
Log(Studio per sqft.)	10,648	0.44	0.76	-0.76	1.97
Log(1 Bedroom per sqft.)	22,003	0.72	0.40	-0.31	1.90
Log(2 Bedroom per sqft.)	34,645	0.44	0.43	-0.69	1.87
Log(3 Bedroom per sqft.)	37,075	0.11	0.40	-0.68	1.87
Log(multifamily 5+ units per sqft.)	42,173	0.47	0.44	-0.67	1.90
<i>Economic controls:</i>					
Avg. wage Business services	80,700	11.19	1.38	6.02	13.39
Employment Business services	80,700	8.71	1.25	4.36	10.96
Estab. count Business services	80,700	7.14	0.31	5.73	8.18
Avg. wage Financial services	80,352	9.01	1.57	2.40	12.39
Employment Financial services	80,700	6.13	1.35	1.61	9.53
Estab. count Financial services	80,352	7.33	0.36	5.89	8.91
Avg. wage Information services	80,688	10.23	1.43	4.75	12.90
Employment Information services	80,700	8.01	1.21	3.66	10.34
Estab. count Information services	80,688	7.31	0.37	6.33	9.16

Notes: This table shows summary statistics of the panel of ZIP codes used in our baseline results, constructed as explained in Section 3.4. All workplace MW variables use 2017 commuting data from LODES. The workplace MW variables “Workplace MW, low-income workers” and “Workplace MW, young workers” are constructed using data for workers who earn less \$1,251 and are aged less than 29, respectively. We exclude rental categories with less than 10,000 non-missing ZIP code by month observations. Excluded categories are “4 Bedroom,” “5 bedroom,” and “Duplex and triplex.”

Appendix Table 2: Estimates of the effect of the MW on rents in levels and first differences, baseline sample

	Log rents r_{it}	
	Levels (1)	First Differences (2)
Residence minimum wage $\underline{w}_{it}^{\text{res}}$	-0.0434 (0.1752)	-0.0201 (0.0200)
Workplace minimum wage $\underline{w}_{it}^{\text{wkp}}$	0.0381 (0.2033)	0.0682 (0.0306)
County-quarter economic controls	Yes	Yes
P-value autocorrelation test		< 0.0001
R-squared	0.9924	0.0216
Observations	80,340	78,912

Notes: Data are from the baseline estimation sample described in Section 3.4. Both columns report the results of regressions of the log of median rents per square foot on our MW-based measures. Column (1) presents estimates of a model in levels, including ZIP code and year-month fixed effects. Column (2), presents estimates of a model in first differences, including year-month fixed effects (note that the ZIP code fixed effect drops out). For the model in first differences, we also report the results of an AR(1) auto-correlation test. We proceed as in Wooldridge (2010, Section 10.6.3). First, we compute the residuals of the model estimated in column (2), and we regress those residuals on their lag. Let the auto-correlation coefficient of this model be ρ . The model in levels is efficient assuming no auto-correlation in the error term, which would imply that the residuals of the first-differenced model are auto-correlated with $\rho = -0.5$. The row “P-value autocorrelation test” reports the p -value of a Wald test of that hypothesis. Standard errors in parentheses are clustered at the state level.

Appendix Table 3: Estimates of the effect of the MW on rents, stacked sample

	Change wkp. MW	Change log rents		
	$\Delta \underline{w}_{it}^{\text{wkp}}$	Δr_{it}		
	(1)	(2)	(3)	(4)
Change residence MW $\Delta \underline{w}_{it}^{\text{res}}$	0.5460 (0.0317)	0.0052 (0.0109)		-0.0445 (0.0174)
Change workplace MW $\Delta \underline{w}_{it}^{\text{wkp}}$			0.0242 (0.0217)	0.0909 (0.0392)
Sum of coefficients				0.0464 (0.0266)
County-quarter economic controls	Yes	Yes	Yes	Yes
P-value equality				0.0206
R-squared	0.9763	0.0539	0.0540	0.0540
Observations	98,326	98,326	98,326	98,326

Notes: Data are from Zillow (Zillow 2020b), the minimum wage panel described in Section 3.2, LODS origin-destination statistics (US Census Bureau 2021), and the QCEW (US Bureau of Labor Statistics 2020b). The table mimics the estimates in Table 2 using a “stacked” sample. To construct the sample we proceed as follows. First, we define a CBSA-month as treated if in that month there is at least one ZIP code that had a change in the binding MW. We drop events that have less than 10 ZIP codes. For each of the selected CBSA-months we assign a unique event ID. Second, for each event we take a window $w = 6$, and we keep all months within that window for the ZIP codes that belong to the treated CBSA. If a ZIP code has missing data for some month within the window, we drop the entire ZIP code from the respective event. For each column, we estimate the same regression as the analogous column in Table 2 but include event indicators \times year-month fixed effects.

Appendix Table 4: Estimates of the effect of the MW on rents including one lag of the dependent variable, baseline sample

	Log rents			
	Levels		First Differences	
	Baseline (1)	Arellano Bond (2)	Baseline (3)	Arellano Bond (4)
Residence MW	-0.0434 (0.1752)	-0.0056 (0.0298)	-0.0221 (0.0181)	-0.0228 (0.0241)
Workplace MW	0.0381 (0.2033)	0.0066 (0.0346)	0.0680 (0.0297)	0.0703 (0.0398)
Lagged log rents		0.8421 (0.0179)		0.3299 (0.0177)
County-quarter economic controls	Yes	Yes	Yes	Yes
P-value equality	0.8248	0.8454	0.0594	0.1439
Observations	80,340	80,321	80,241	80,217

Notes: Data are from the baseline estimation sample described in Section 3.4. All columns show the results of regressions of the log of median rents per square foot on our MW-based measures. Columns (1) and (2) estimate two-way fixed-effects regressions in levels that include ZIP code and year-month fixed effects. Columns (3) and (4) estimate models in first differences that include year-month fixed effects. All regressions include economic controls (in levels or first differences, respectively) that vary at the county and year-month levels. Odd-numbered columns are estimated under OLS. Even-numbered columns include the lagged variable of the dependent variable as control, and are estimated using an IV strategy where the first lag is instrumented with the second lag, following Arellano and Bond (1991). The measure of rents per square foot corresponds to the Single Family, Condominium and Cooperative houses from Zillow. The residence MW is defined as the log statutory MW in the same ZIP code. The workplace MW is defined as the statutory MW where the average resident of the ZIP code works, constructed using LODES origin-destination data. Economic controls from the QCEW include the log of the average wage, the log of employment, and the log of the establishment count from the sectors “Information”, “Financial activities”, and “Professional and business services”. Standard errors in parentheses are clustered at the state level.

Appendix Table 5: Comparison of estimates of the effect of the MW on rents, different Zillow categories

	Change wkp. MW	Change log rents			
	$\Delta \underline{w}_{it}^{\text{wkp}}$	Δr_{it}			
	Change res. MW $\Delta \underline{w}_{it}^{\text{res}}$	Change res. MW $\Delta \underline{w}_{it}^{\text{res}}$	Change wkp. MW $\Delta \underline{w}_{it}^{\text{wkp}}$	Sum of coefficients	N
(a) Unbalanced (SFCC)	0.8471 (0.0301)	-0.0254 (0.0210)	0.0471 (0.0309)	0.0218 (0.0161)	193,292
(b) Single family (SF)	0.8591 (0.0319)	-0.0133 (0.0392)	0.0385 (0.0471)	0.0252 (0.0140)	140,750
(c) Condo/Cooperatives (CC)	0.8010 (0.0291)	-0.0682 (0.0288)	0.0975 (0.0427)	0.0293 (0.0187)	29,817
(d) Studio	0.8330 (0.0287)	-0.0666 (0.0520)	0.0772 (0.0570)	0.0107 (0.0207)	22,746
(d) 1 Bedroom	0.7863 (0.0303)	0.0284 (0.0266)	-0.0336 (0.0456)	-0.0052 (0.0212)	53,538
(e) 2 Bedroom	0.7999 (0.0297)	-0.0054 (0.0232)	0.0043 (0.0286)	-0.0011 (0.0117)	89,635
(f) 3 Bedroom	0.8103 (0.0325)	-0.0634 (0.0472)	0.0920 (0.0684)	0.0287 (0.0334)	64,916
(g) Multifamily 5+ units	0.8056 (0.0316)	-0.0137 (0.0260)	0.0378 (0.0362)	0.0241 (0.0116)	142,759

Notes: Data are from Zillow (Zillow 2020b), the statutory MW panel described in Section 3.2, LODES origin-destination statistics (US Census Bureau 2021), and the QCEW (US Bureau of Labor Statistics 2020b). Each row of the table shows two estimations on the same sample of ZIP codes and months. The first column shows the results of a regression of the change in the workplace MW measure on the change in the residence MW measure. The second through fourth columns show the results of a regression of the change in log rents on the change in the residence MW and the workplace MW, with the fifth column showing the sum of the coefficients on the MW measures. All rent variables correspond to the median per square foot rent in a Zillow category. All estimated regressions include fixed effects for each year-month and economic controls at the county \times quarter level from the QCEW. Row (a) repeats the results of column (5) of Table 3, using the Single Family, Condominium and Cooperative Houses category. Rows (b) through (g) estimate the same regression for different Zillow categories. We exclude the rental categories “4 Bedroom,” “5 bedroom,” and “Duplex and triplex,” all of which contain less than 15 thousand ZIP code by month observations. Standard errors in parentheses are clustered at the state level.

Appendix Table 6: Comparison of estimates of the effect of the MW on rents across geographies and time frames

	Change workplace MW $\Delta \underline{w}_{it}^{\text{wkp}}$	Change log rents Δr_{it}			
	Change residence MW $\Delta \underline{w}_{it}^{\text{res}}$	Change residence MW $\Delta \underline{w}_{it}^{\text{res}}$	Change workplace MW $\Delta \underline{w}_{it}^{\text{wkp}}$	Sum of coefficients	N
<i>Panel A: Baseline (ZIP code \times Month)</i>					
(i) Residence MW only		0.0386 (0.0152)			78,912
(ii) Workplace MW only			0.0465 (0.0164)		78,912
(iii) Both residence and workplace MW	0.8613 (0.0386)	-0.0201 (0.0200)	0.0682 (0.0306)	0.0481 (0.0166)	78,912
<i>Panel B: County \times Month</i>					
(i) Residence MW only		0.0057 (0.0191)			27,267
(ii) Workplace MW only			0.0100 (0.0222)		27,267
(iii) Both residence and workplace MW	0.8763 (0.0202)	-0.0485 (0.0382)	0.0618 (0.0503)	0.0133 (0.0230)	27,267
<i>Panel C: ZIP code \times Year</i>					
(i) Residence MW only		0.0105 (0.0637)			6,696
(ii) Workplace MW only			0.0129 (0.0700)		6,696
(iii) Both residence and workplace MW	0.8980 (0.0264)	-0.0194 (0.0911)	0.0334 (0.1141)	0.0140 (0.0696)	6,696

Notes: Data are from the baseline estimation sample described in Section 3.4. The first column and rows labeled (iii) show the results of a regression of the change in the workplace MW measure on the change in the residence MW measure. The second through fourth columns show the results of regressions of the change in log rents on either the change in the residence MW—rows (i)—or the workplace MW—rows (ii)—or both—rows (iii)—, with the fifth column showing the sum of the coefficients on the MW measures. The last column shows the number of observations, fixed within each row. All regressions include economic controls from the QCEW, as defined in Table 2. Regressions estimated at a yearly frequency use the yearly average of the change in the MW measures and the change in the economic controls. Panel A repeats our baseline results from Table 2, where the unit of observation is the ZIP code \times month. Panel B shows results for a panel where the unit of observation is the county \times month. Panel C shows results for a panel where the unit of observation is the ZIP code \times year. In all panels, (i) displays the results of a regression of the change in log rents on the residence MW only; (ii) displays the results of a regression of the change in log rents on the workplace MW only; and (iii) displays the results of a regression of the change in workplace MW on the change in residence MW (column 1), and of the change in log rents on both MW measures (columns 2–5). Standard errors in parentheses are clustered at the state level.

Appendix Table 7: Estimates of the effect of minimum wage on income

	Log total wages				Log dividends
	(1)	(2)	(3)	(4)	(5)
Workplace MW	0.1488 (0.0704)	0.1112 (0.0405)	0.1083 (0.0390)	0.1310 (0.0917)	0.0262 (0.0841)
Sample	All	All	All	Baseline	All
Economic controls	No	Yes	Yes	Yes	Yes
CBSA \times year FE	No	No	Yes	Yes	Yes
Within R-squared	0.0165	0.1395	0.0266	0.0376	0.0018
Observations	274,271	247,962	247,852	12,943	235,193

Notes: Income data are from the IRS, commuting data are from LODES, and minimum wage data are from the panel described in Section 3.2. The table shows different estimations of the effect of the workplace MW on a ZIP code's income aggregates. The unit of observation is the ZIP code by year. The workplace MW and the economic controls are defined as the yearly average of the respective variables used in our baseline estimates of Section 5.1. Columns (1) through (4) show estimates of a regression of log total wages on the workplace MW and ZIP code and year fixed effects. Column (2) adds time-varying economic controls from the QCEW. Column (3) interacts the year fixed effects with indicators for each Core-Based Statistical Area (CBSA). Column (4) repeats the estimates of column (3) on the baseline sample of ZIP codes used in Section 5.1. Column (5) repeats the estimation in column (3) but using the log of total dividends as dependent variable. Standard errors in parentheses are clustered at the state level.

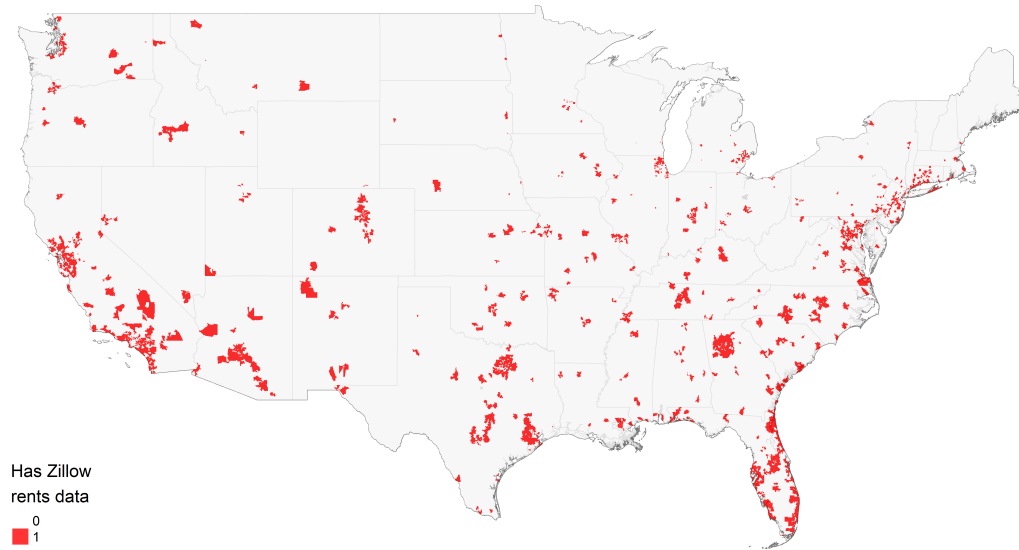
Appendix Table 8: Effect of an increase in federal MW to \$7.97 and to \$15 in January 2020, urban ZIP codes

		Average change in...		Avg. share pocketed	
	N	Res. MW	Wkp. MW	$s = 0.25$	$s = 0.45$
<i>Panel A: Fed. MW to \$7.97</i>					
Effect in ZIP codes with...					
previous MW \leq \$7.97	3,751	0.095	0.090	0.107	0.193
previous MW $>$ \$7.97	1,235	0	0.008	0.157	0.283
<i>Panel B: Fed. MW to \$15</i>					
Effect in ZIP codes with...					
previous MW \leq \$15	10,994	0.494	0.480	0.108	0.194
previous MW $>$ \$15	260	0	0.054	0.157	0.283

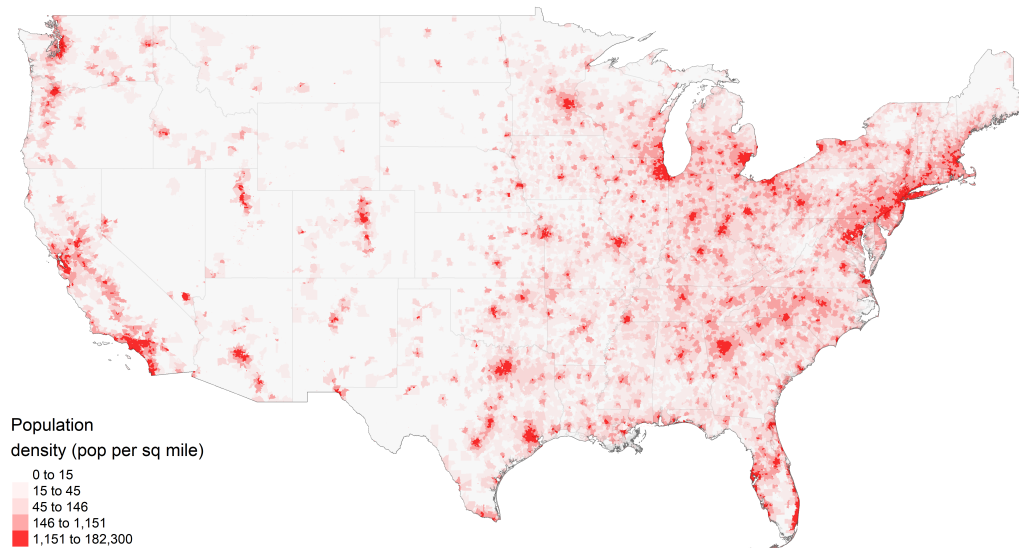
Notes: Data are from LODES and the minimum wage panel described in Section 3.2. The table shows averages of the estimated ZIP-code specific shares of the additional income pocketed by landlords (“share pocketed”), defined as the ratio of the increase in income to the increase in rents. Increases in income and rents are simulated following the procedure described in Section 6. Panel A assumes a 10% increase in the federal MW, and Panel B assumes an increase in the federal MW to \$15. We assume the following parameter values: $\beta = 0.0546$, $\gamma = -0.0207$, $\varepsilon = 0.1083$, and $s \in \{0.25, 0.45\}$. We carry out our computations only for urban ZIP codes, defined as those that belong to a CBSA with at least 80% of urban population according to the 2010 census. The figure excludes ZIP codes located in CBAs for which the average estimated change in log total wages was below 0.1% in the respective counterfactual scenario.

Appendix Figure 1: Sample of ZIP codes in Zillow data and population density, mainland US

(a) Zillow ZIP codes

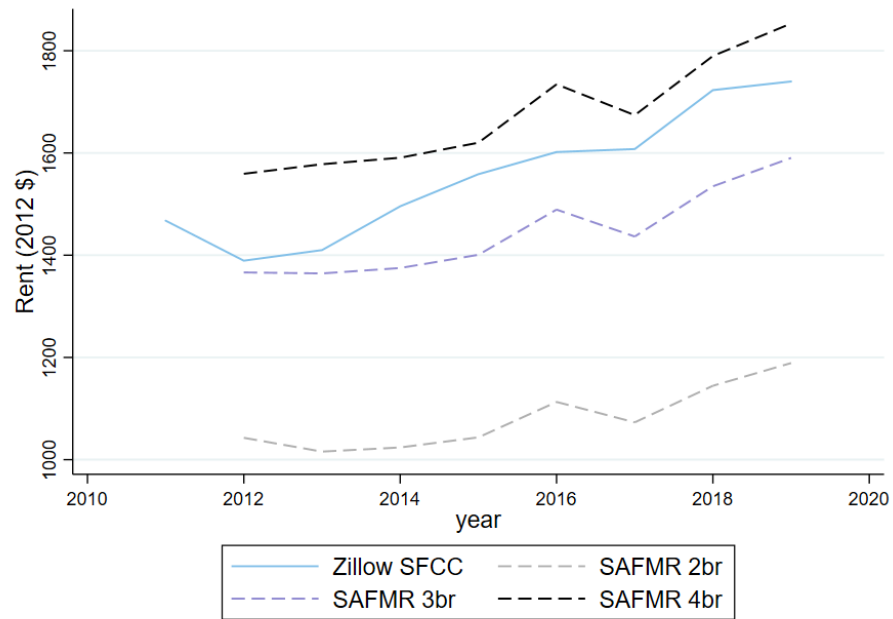


(b) Population Density



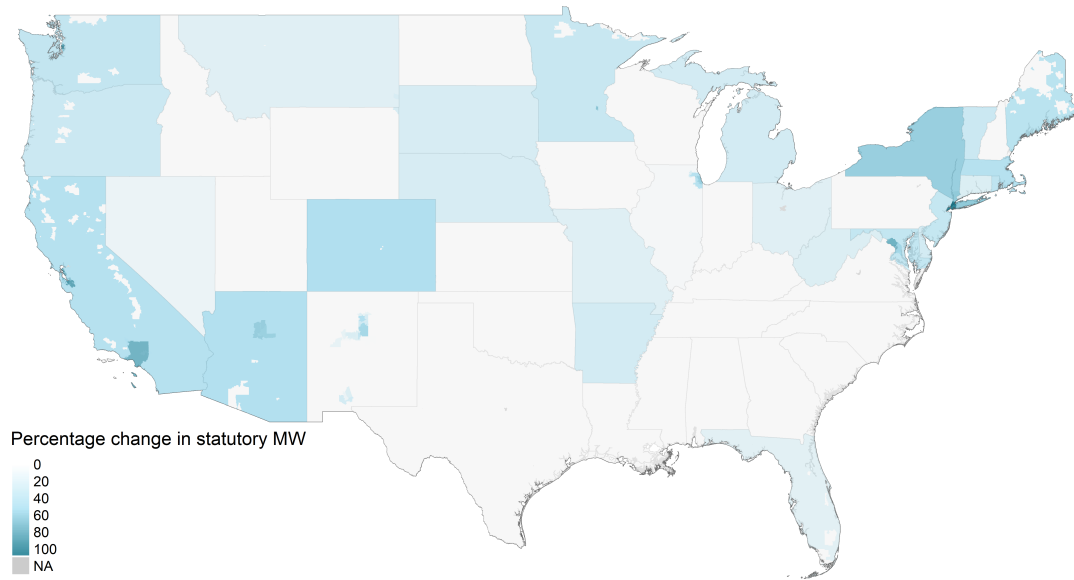
Notes: Data are from Zillow (2020b) and ESRI (2020). The figure compares the USPS ZIP codes available in Zillow to the population density. Panel (a) shows the sample of the ZIP codes that have rents data in the SFCC category at any point in the period 2010–2019. Panel (b) shows quintiles of population density according to the 2010 US Census, and measured in population per square mile.

Appendix Figure 2: Time trends in rents according to Zillow and SAFMR



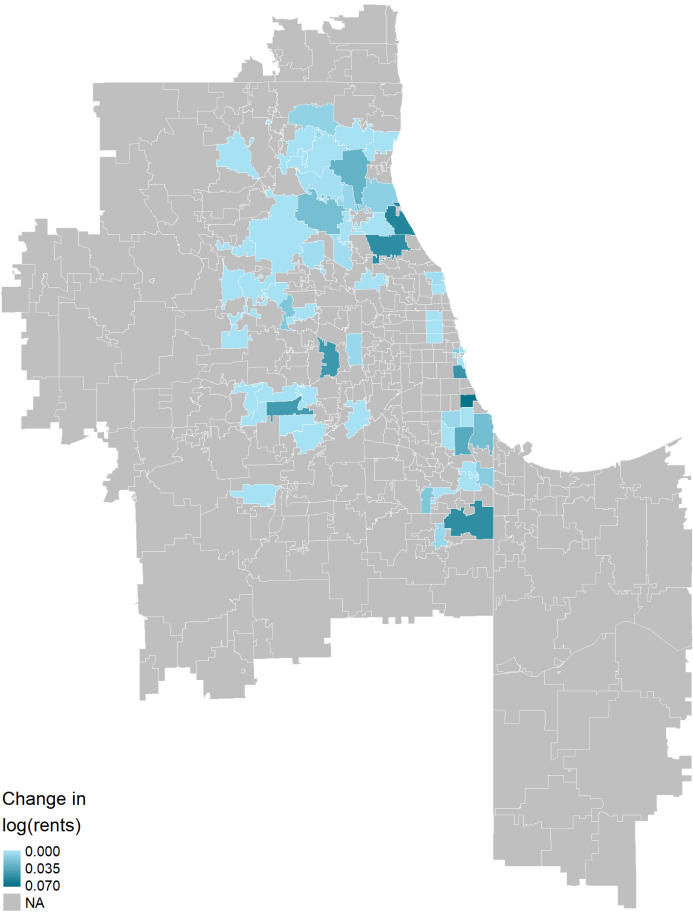
Notes: Data are from Zillow (2020b) and Small Area Fair Market Rents (2020). The figure compares the evolution of the median rental value in Zillow to three SAFMRs series, for 2, 3, and 4 or more bedrooms. SAFMR data generally corresponds to the 40th percentile of the distribution of paid rents in a given ZIP code. For more information on how SAFMRs are calculated, see US Department of Housing and Urban Development (2017, page 41641).

Appendix Figure 3: Spatial distribution of minimum wage changes, mainland US



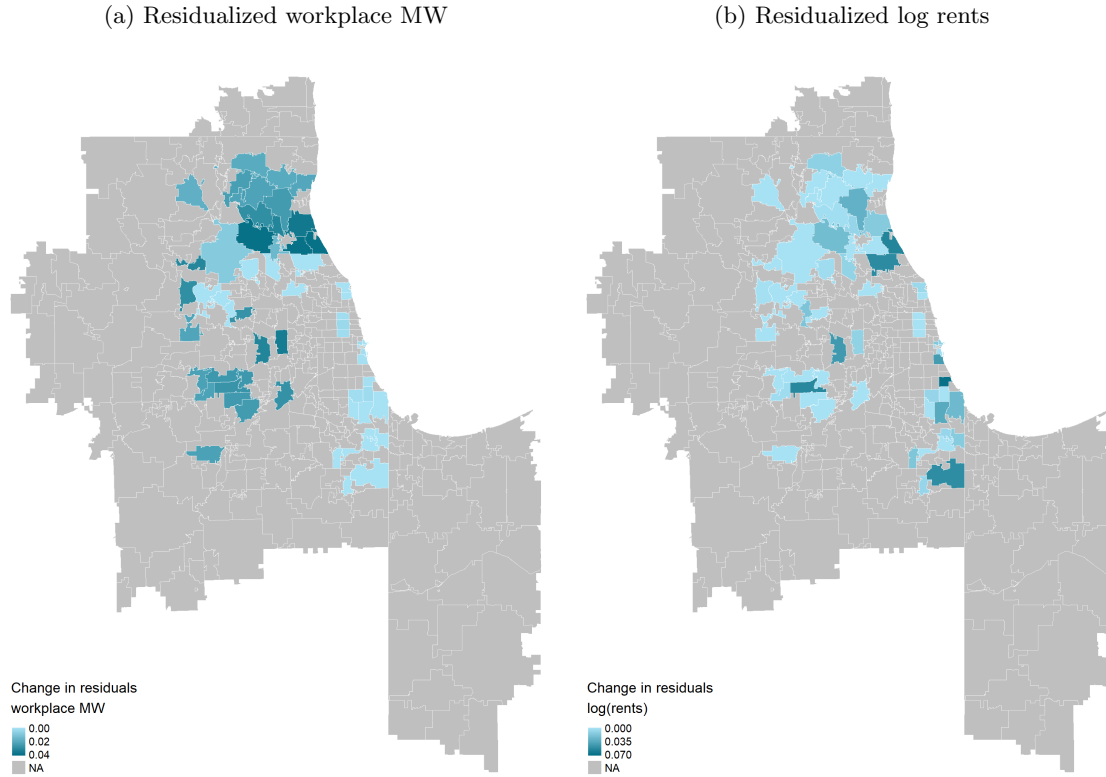
Notes: Data are from the minimum wage panel described in Section 3.2. The figure maps the percentage change in the statutory minimum wage level in each ZIP code from January 2010 to December 2019.

Appendix Figure 4: Changes in log rents in the Chicago-Naperville-Elgin CBSA, July 2019



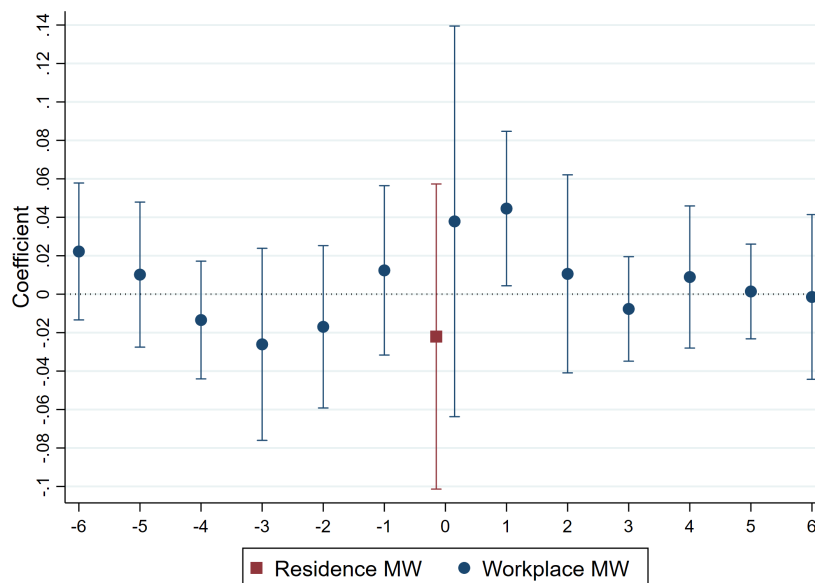
Notes: Data are from Zillow (Zillow 2020b). The figure shows the change in the log of median rents in the SFCC category in the month of June 2019 in ZIP codes located in the metropolitan area of Chicago.

Appendix Figure 5: Changes in residuals of baseline estimates in the Chicago-Naperville-Elgin CBSA, July 2019



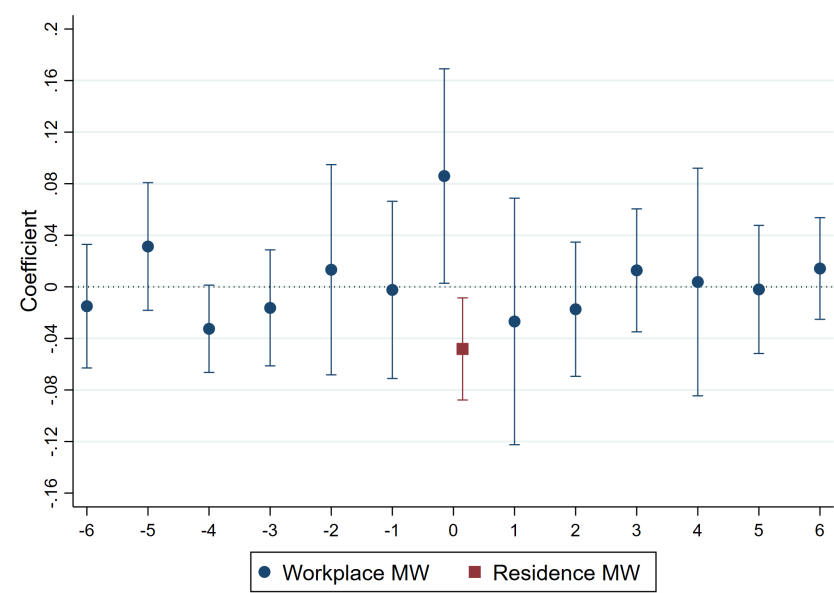
Notes: Data are from the unbalanced estimation panel described in Section 3.4. Panel (a) maps the residuals of a regression of the change in the workplace MW measure on the change in the residence MW measure, including economic controls and year month fixed effects. Panel (b) maps the residuals of a regression of the change in log rents on economic controls and year month fixed effects. The residence MW is defined as the log statutory MW in the same ZIP code. The workplace MW is defined as the statutory MW where the average resident of the ZIP code works, constructed using LODES origin-destination data. Economic controls from the QCEW include the change of the following variables: the log of the average wage, the log of employment, and the log of the establishment count for the sectors “Information,” “Financial activities,” and “Professional and business services.”

Appendix Figure 6: Estimates of the effect of the MW on rents, county by month data



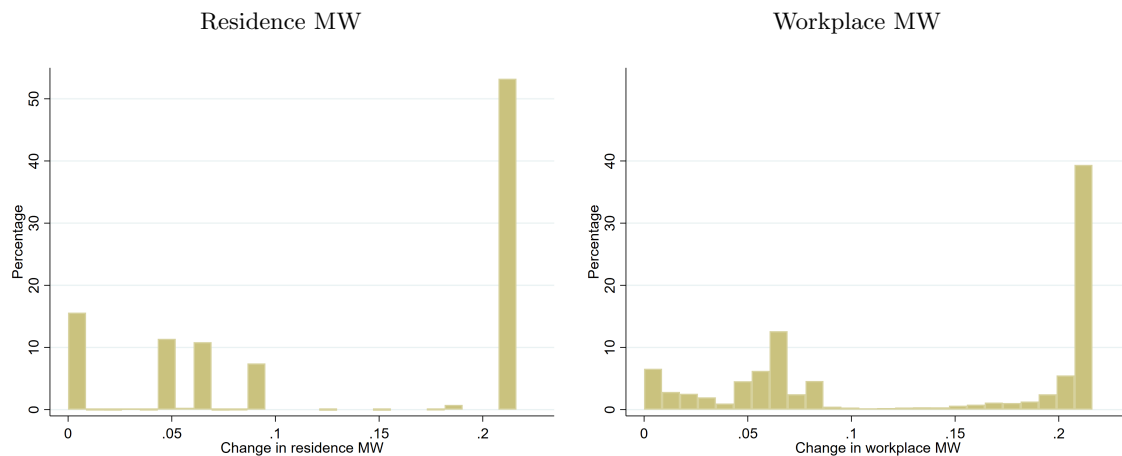
Notes: Data are from the county-by-month panel described in Section 3.4. We plot coefficients from regressions of the log of rents per square foot on the residence and workplace MW measures, including six leads and lags of the workplace MW measure. All regressions are estimated in first differences and include time-period fixed effects and economic controls that vary at the county and month levels. The measure of rents per square foot corresponds to the Single Family, Condominium and Cooperative houses from Zillow. The residence MW is defined as the log statutory MW at the County. The workplace MW is defined as the log statutory MW where the average resident of the county works, constructed using LODES origin-destination data. Economic controls from the QCEW include the change of the following variables: the log of the average wage, the log of employment, and the log of the establishment count for the sectors “Information,” “Financial activities,” and “Professional and business services.” 95% pointwise confidence intervals are obtained from standard errors clustered at the state level.

Appendix Figure 7: Estimates of the effect of the MW on rents, stacked sample including leads and lags



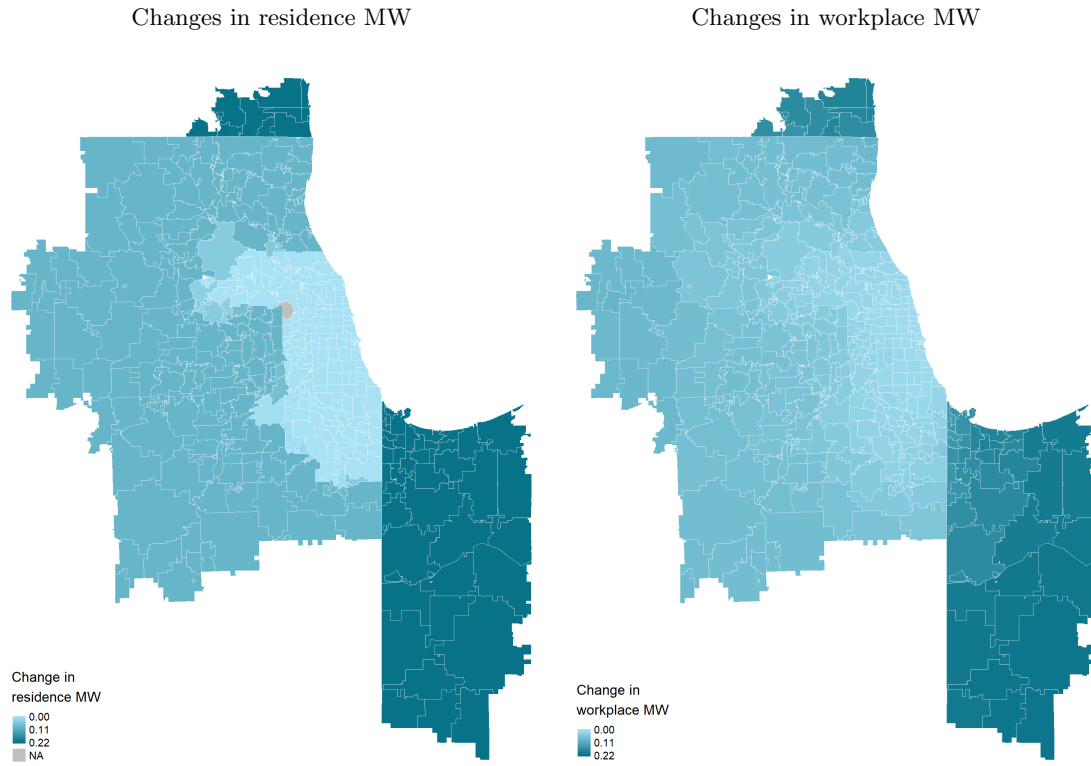
Notes: Data are from Zillow (Zillow 2020b), the minimum wage panel described in Section 3.2, LODS origin-destination statistics (US Census Bureau 2021), and the QCEW (US Bureau of Labor Statistics 2020b). The figure mimics the estimates in Figure 3 using a “stacked” sample. We construct the sample as explained in Appendix Table 3. 95% pointwise confidence intervals are obtained from standard errors clustered at the state level.

Appendix Figure 8: Distribution of counterfactual increases in MW measures, urban ZIP codes



Notes: Data are from LODES and the minimum wage panel described in Section 3.2. The figures show the distribution of changes in the residence and workplace MW measures generated by a counterfactual increase to \$9 in the federal MW in January 2020, holding constant other MW policies in their December 2019 levels. The unit of observation is the urban ZIP code, where we define a ZIP code as urban if it belongs to a CBSA with at least 80% of its population classified as urban by the 2010 Census.

Appendix Figure 9: Changes in Chicago-Naperville-Elgin CBSA due to a counterfactual raise of the federal MW to \$9 in January 2020



Notes: Data are from the minimum wage panel described in Section 3.2 and from LODES. The figures map changes in the residence and workplace MW measures generated by a counterfactual increase to \$9 in the federal MW in January 2020, holding constant other MW policies at their December 2019 levels.