Backround

- Housing prices are out of control in the U.S.
- The primary policy tool being used to address housing affordability is supply induction (for ex. upzoning, LIHTC, AHTFs)
- How have macro changes in supply actually affected housing prices?

Econ 101, housing price theory

median price of a house in market m

$$price_m = demand_m - supply_m$$

- supply and demand are the primary determinants of housing price

change in price of a house in market m

$$\Delta price_m = \Delta demand_m - \Delta supply_m$$

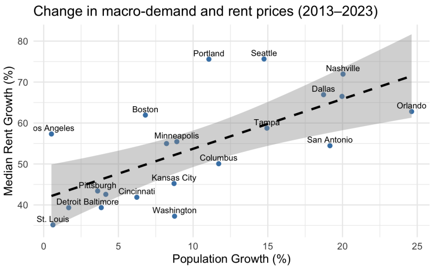
- by modifying supply and demand policy makers can effect housing prices and improve affordability
- how well does this relation hold in reality?

Data

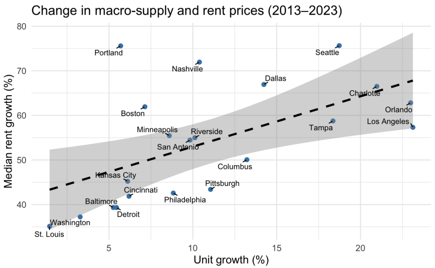
- sampling top 35 MSAs in the U.S.[1]
- ACS data on median rent prices, population, and number of units between 2013 and 2023

[1] contingent on data availability; $\approx \frac{21}{35}$ cities meet criteria

Macro supply and demand



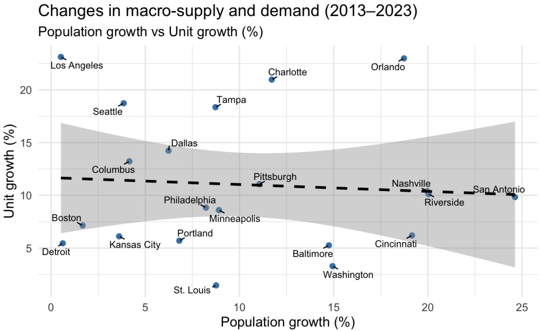
This makes sense!



This is a little confusing?

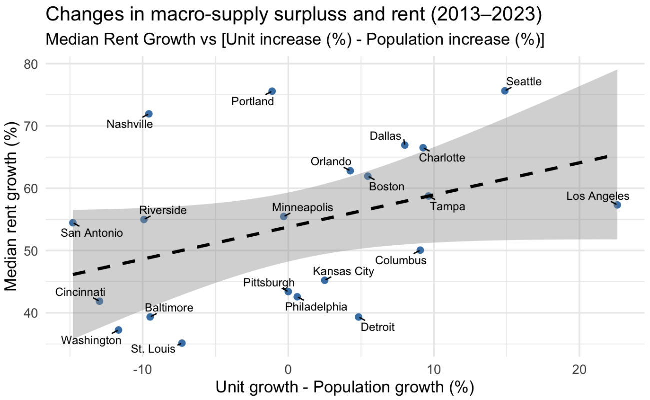
correlation of supply and demand

Is it just because of correlation between supply and demand?



-NO!!!!!

Assessing the affect of the ‘supply-surplus’



- Cities across the board had massive increases in rental prices
- This is true even (*and more frequently*) in cities that experienced over 10% more growth in supply than growth in demand (population)

Why this might be the case

Table: Reasons for *Supply Skepticism*

Claim	Summary	Source
Market segmentation	Buyers and renters operate in segmented markets; housing types are weak substitutes.	Solari et al. (2025)
Power relations	Renters are price takers rather than price setters in housing markets.	Desmond and Wilmers (2019)
Housing financialization & induced demand	Housing prices reflect speculation as well as supply and demand, creating affordability tensions.	Aalbers (2016)