JUE Insight: The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market

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Abstract

I illustrate how new market-rate construction loosens the market for lower-quality housing through a series of moves. First, I use address history data to identify 52,000 residents of new multifamily buildings in large cities, their previous address, the current residents of those addresses, and so on for six rounds. The sequence quickly reaches units in below-median income neighborhoods, which account for nearly 40 percent of the sixth round, and similar patterns appear for neighborhoods in the bottom quintile of income or percent white. Next, I use a simple simulation model to roughly quantify these migratory connections under a range of assumptions. Constructing a new market-rate building that houses 100 people ultimately leads 45 to 70 people to move out of below-median income neighborhoods, with most of the effect occurring within three years. These results suggest that the migration ripple effects of new housing will affect a wide spectrum of neighborhoods and loosen the low-income housing market.

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