

# City-Wide Effects of New Housing Supply

## Evidence from Moving Chains

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October 13, 2022  
VATT Day

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- ▶ Building more pushes rents and prices down, more people will be able to move in

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Opposition to new buildings for a number of reasons

- ▶ Homeowners want to protect the value of their homes
- ▶ Current residents want to maintain the character of their neighborhood
- ▶ Constructing market-rate housing in high-demand locations only benefits the rich because these units are expensive

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Providing estimates on the total benefits of new market-rate housing - crucial input for local policymakers who make decisions on how much and where to allow new construction

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- ▶ indirect effects - in other submarkets, through a moving chain process

Through this process, new market-rate housing can have moderating price effects in the city's lower-income neighborhoods

However, if the housing market is highly segmented, with few households searching or moving across dissimilar housing types or neighborhoods, the moving chains may not reach low-income neighborhoods

## Our paper

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# Our paper

Do new units in expensive neighborhoods reach middle- and low-income neighborhoods through a moving chain mechanism?

- ▶ Construct moving chains triggered by new multistory buildings built in the Helsinki Metropolitan Area (HMA)
- ▶ Use individual-level register data on the total population of Finland, including housing unit identifiers
- ▶ Characterize the neighborhoods the moves originate from and the people that move

# Outline of the talk

1. Data
2. Constructing the moving chains
3. Results
4. Conclusions

# Data

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## Individuals

- ▶ Socio-economic characteristics
- ▶ Building - unit histories



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- ▶ Building - unit histories

## Buildings

- ▶ New multistory buildings built between 2010-2019 in the HMA and located within a three-kilometer radius from the Helsinki Central Station [Map](#) [Sample size](#)

# Data

## Individuals

- ▶ Socio-economic characteristics
- ▶ Building - unit histories

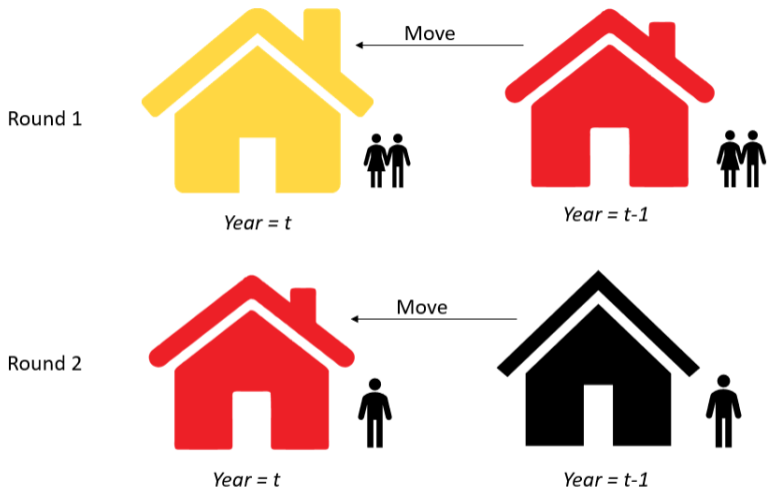
## Buildings

- ▶ New multistory buildings built between 2010-2019 in the HMA and located within a three-kilometer radius from the Helsinki Central Station [Map](#) [Sample size](#)

## Neighborhoods

- ▶ Defined as either zip codes or 250 x 250 m grids

# Constructing the moving chains



... continue for six rounds

Note: chains can break

# Characterizing neighborhoods and people along the moving chain

Classify neighborhoods into

- ▶ income deciles based on the resident households' median disposable income - relative to all neighborhoods in the HMA
- ▶ house price deciles (zip code averages from 2020)

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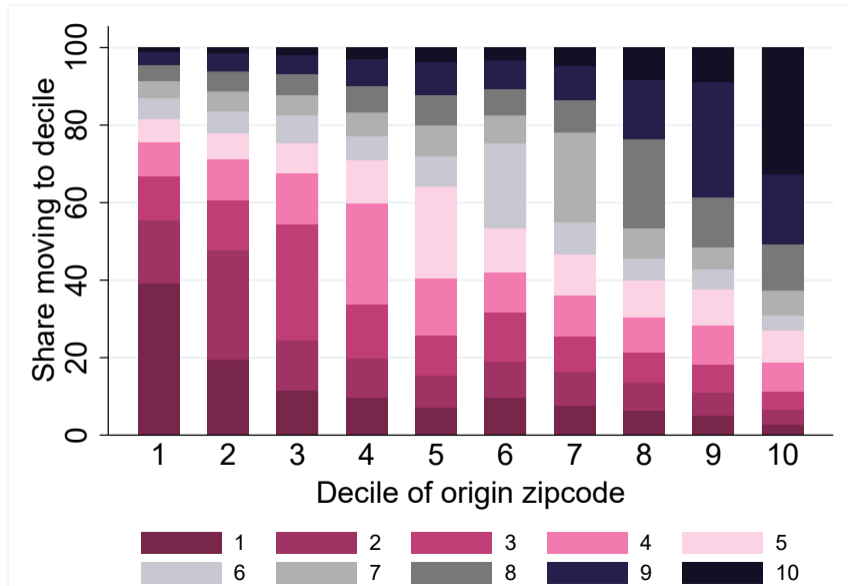
- ▶ income deciles based on the resident households' median disposable income - relative to all neighborhoods in the HMA
- ▶ house price deciles (zip code averages from 2020)

Classify people into income deciles based on household disposable income

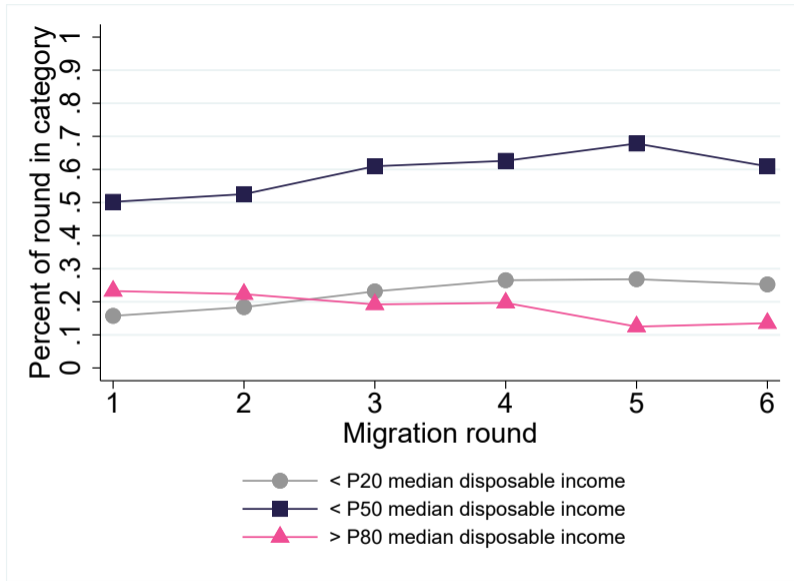
- ▶ in the national-level distribution
- ▶ in the neighborhood-level distribution

# Results

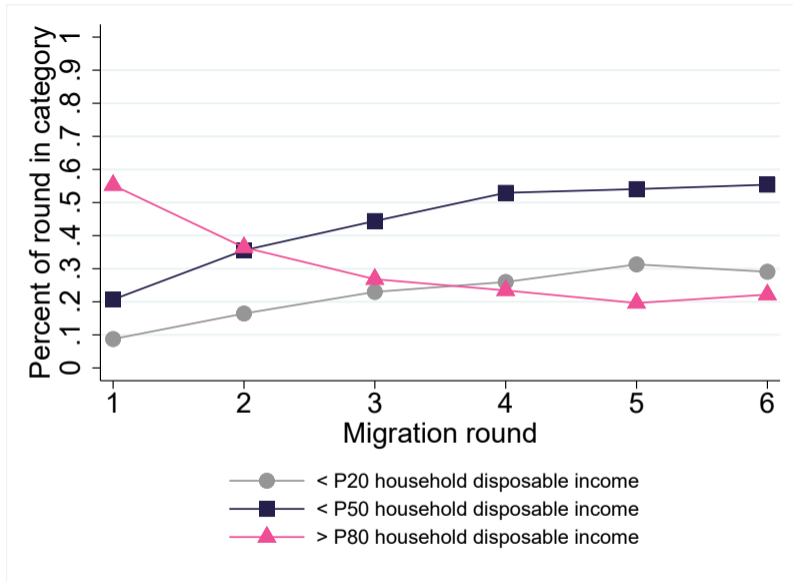
# Mobility across neighborhoods - zip codes Grids



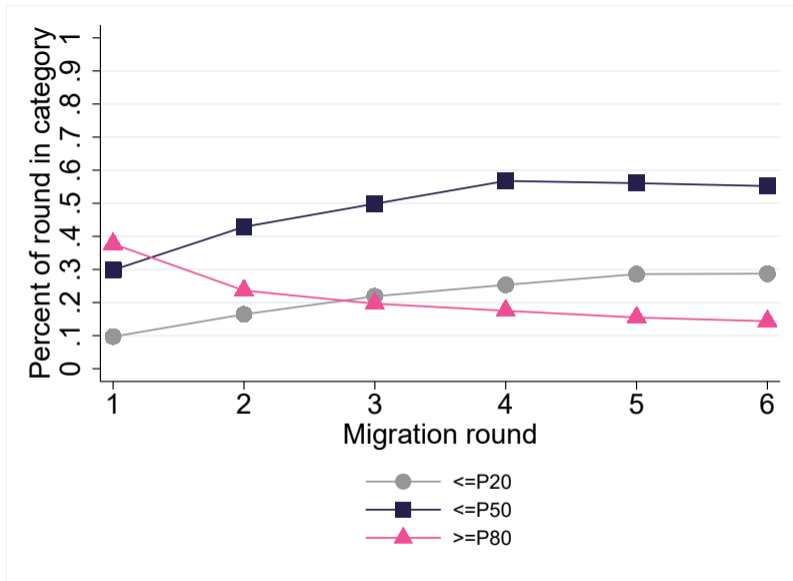




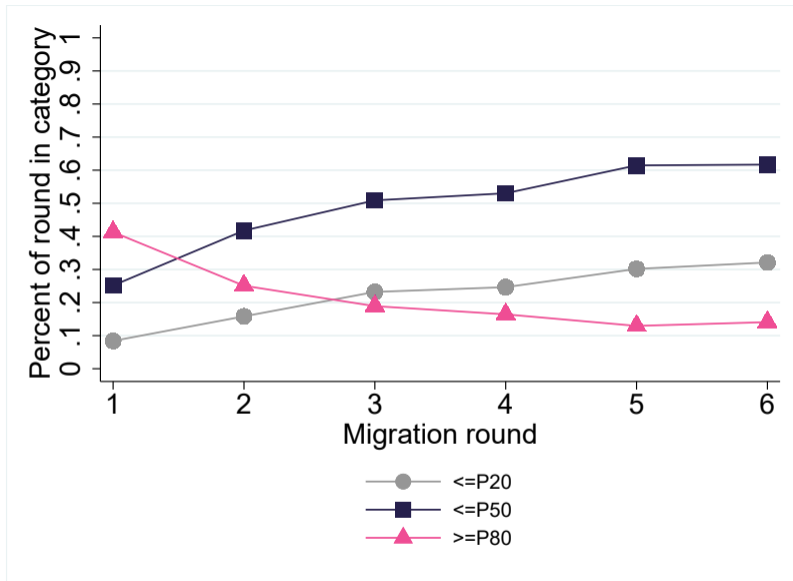
From round 2, a higher share of individuals from lower-income zip codes move to the origin zip codes of the movers from previous rounds [Grid](#)



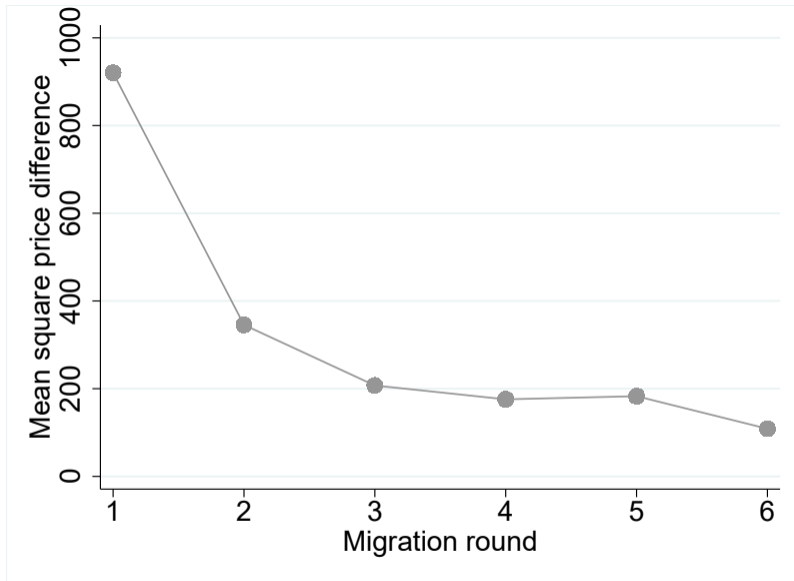
A much larger fraction of movers are high income relative to the fraction of migrants that come from high income neighborhoods



Round 1 movers are positively selected with respect to their origin neighborhoods



They are also better-off relative to their destination neighbors



Households move to better neighborhoods - as captured by house prices

# Conclusions

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Even when new market-rate units get occupied by high-income households, new market-rate units still benefit middle- and low-income households through a moving chain mechanism

Movers along the moving chain go up the neighborhood quality ladder



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Movers along the moving chain go up the neighborhood quality ladder

Market-rate construction is likely to improve affordability, even outside of the submarkets where new construction occurs

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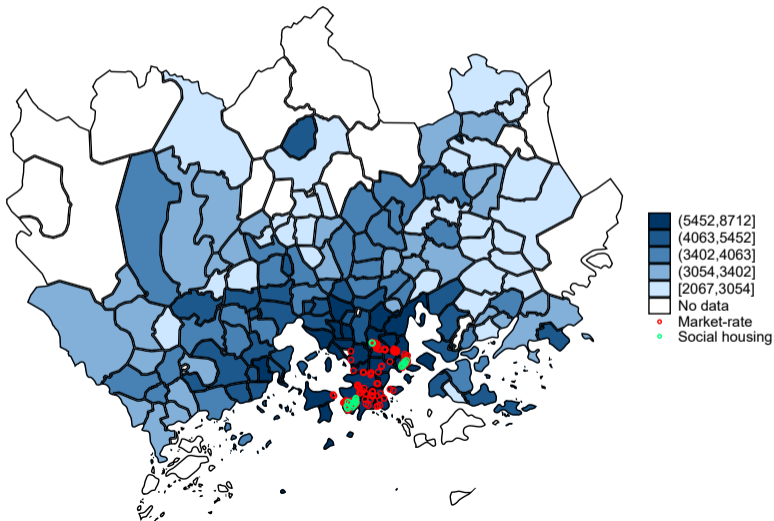
Market-rate construction is likely to improve affordability, even outside of the submarkets where new construction occurs

Nonetheless, market-rate housing supply is not a panacea for all housing market problems

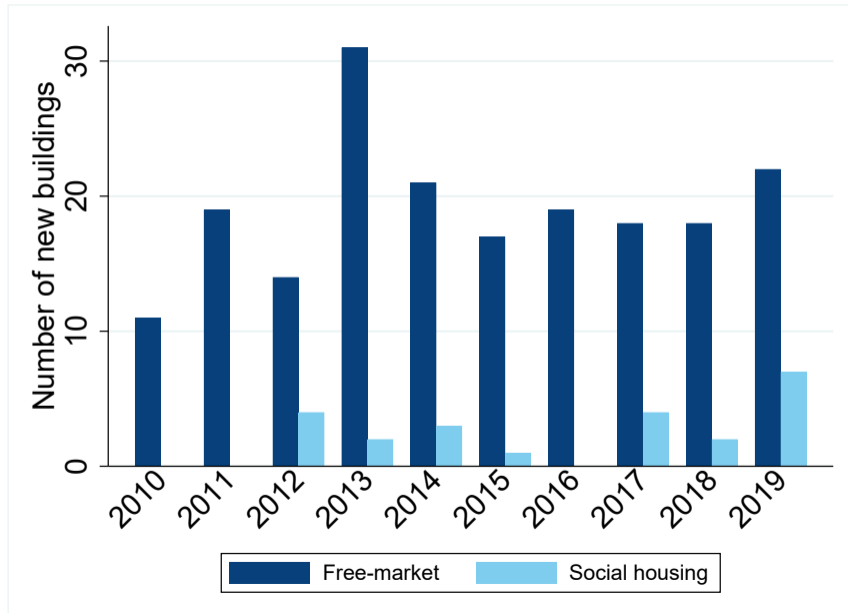
Thank you for your attention!  
cristina.bratu@vatt.fi

# Location of new buildings

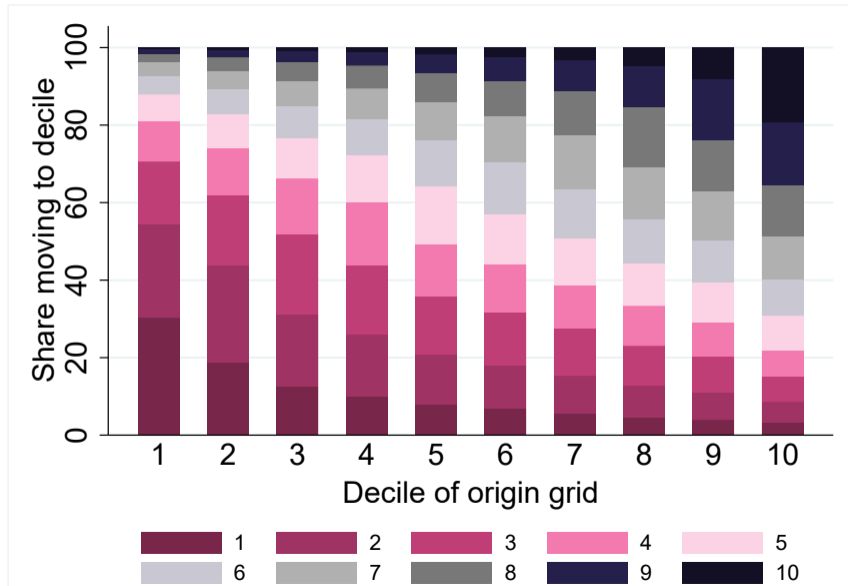
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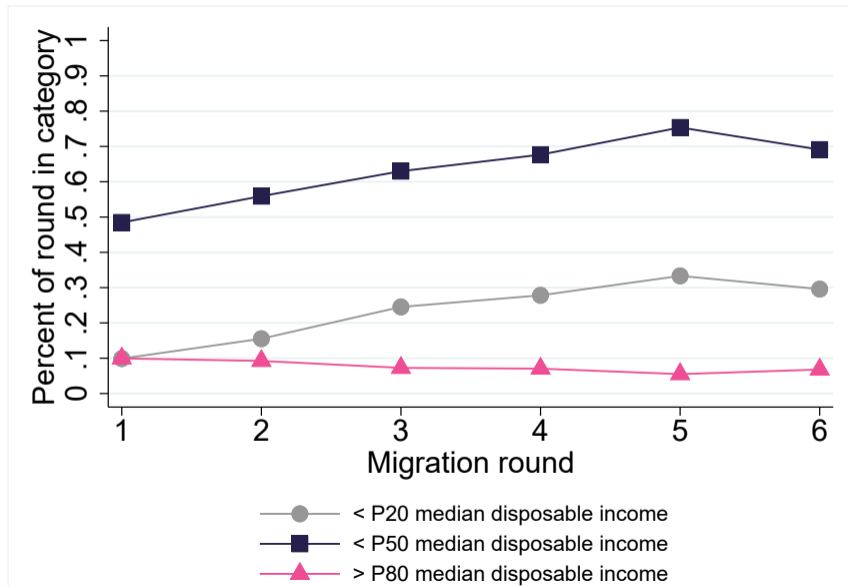
## New building statistics [Back](#)



## Mobility across neighborhoods - grids [Back](#)



# Origin grid characteristics of movers - new free-market units

[Back](#)

## Summary statistics - round 1 movers to new free-market units [Back](#)

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	Stayers	All movers	Movers to new buildings
Age household head	56.25 [14.91]	36.91 [13.22]	40.67 [13.91]
Median household disposable income	27,617 [60,730]	24,216 [55,910]	33,841 [50,782]
In MA or above household	0.329	0.279	0.460
Household with children	0.429	0.396	0.310
Number of observations	3,730,715	1,134,761	5,170

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