

# Research Summary: “Supply Skepticism Revisited”

*Considering arguments disconnecting market-rate supply and affordability*



In 2018, a team of researchers at the New York University Furman Center questioned the validity of “supply skepticism,” the belief that increasing the supply of market-rate housing does not contribute to broader housing affordability in the same market.<sup>1</sup> The original article identified that increasing supply generally does help reduce rents or moderate price increases, but there were a number of gaps in the literature that still needed to be addressed. In August 2023, Been, Ellen, and O’Regan released an updated working paper summarizing the updates in literature and new questions to address.<sup>2</sup> The paper is divided into questions in two groups –updates from the original paper and new questions for analysis.

## **Updates on Questions from First Paper**

**How does additional housing supply impact rents?** One concern from skeptics is that building more supply will lead to a proportional increase in demand, eliminating any possible decreases in price. Research generally finds that new construction leads to decreases in nearby rents or decreases in rates of increase: Asquith, Mast, and Reed (2023) find a new building lowers nearby rents within 250 meters by 5-7% relative to trend, and Li (2022) finds increasing the housing stock by 10% in a 500-ft ring decreases residential rents by 1%. However, the research is not unanimous; Damiano and Frenier (2020) find that new construction had no impact at a neighborhood-level, but decreased rents for the higher income at the expense of raised rents for the lowest.

**Does increasing supply lead to localized negative spillovers, such as displacement?** Another theory is that supply will moderate city-level rents but contribute to localized displacement and gentrification in the specific neighborhood. The research generally agrees that new construction is related to gentrification, but there is some debate about causation; Asquith, Mast, and Reed (2023) find that the areas with new construction generally were already gentrifying. Whether new construction causes *displacement* was also debated; although new construction tends to gentrify, studies find that not all new construction is filled with higher-income families. Pennington (2021) finds that risk of displacement *falls* by 17% for households within 100 feet of a new project. Singh and Baldomero-Quintana (2022) however use New York City public school enrollment changes to suggest that low-income families are in fact displaced.

**Does new housing effectively filter down into submarkets?** While supply advocates argue that new housing allows older units to “filter down” to lower-income households, skeptics argue this process takes too long. Research generally backs the supply argument; new housing supply causes mobility of higher-income households. As homes age, they then become less expensive, meeting the needs of lower-income residents. Mast (2023) showed new housing increased the share of units vacated in various “rounds” of movers. Nygaard et al. (2022) supports the idea that older properties decline in value, but also note that this process does not continue long enough to reach the lowest income households; researchers note that the supply of new housing must be sufficient to meet new demand in order for filtering to occur.

**New Questions for Analysis:** The paper identified several new arguments from supply skeptics, including:

**Does relaxing land-use regulations lead to increases in supply?** Skeptics also argue that reducing the burdens of land-use regulations would not meaningfully contribute to supply increases. The research shows mixed results of alleviating land-use restrictions. Anagol, Ferreira, and Rexer (2023) shows that policy changes in Sao Paulo allowed for 36% more construction by lot size, increasing total housing units for sale on those blocks by 10% in six years. However, Krimmel and Wang (2023) and Freemark (2020) showed that various efforts to relax zoning regulations reduced new development, although advocates point to the specific nature of the upzoning to argue it is not universally applicable.

---

<sup>1</sup> Been, Vicki, Ingrid Gould Ellen, and Katherine O’Regan. 2018. Supply Skepticism: Housing Supply and Affordability. *Housing Policy Debate*, 29(1): 25-40. [[Article link](#) | [Furman Center website](#)]

<sup>2</sup> Been, Vicki, Ingrid Gould Ellen, and Katherine O’Regan. 2023. Supply Skepticism Revisited. *NYU Law and Economics Research Paper Forthcoming*. [[Article link](#) | [Furman Center website](#)]