

# The Answer

SHELTERFORCE

**Q:** Do inclusionary housing requirements make housing prices go up for everyone else?

**A:** No, they do not.

Market-rate developers are business people. They charge as much as the market will bear. When housing prices go up, they charge more; when housing prices go down, they ask less. Developers are “price-takers” not “price-setters” because they only control a tiny share of the housing market. A large majority of rental and for-sale housing is located in existing buildings, not in brand-new buildings, limiting the influence of new housing, and inclusionary requirements, on home prices.<sup>1</sup>



As with every rule, there are exceptions: In the special case of markets where housing choice is severely limited and people are willing to pay a premium to live there, economists believe that while prices for average or lower-cost homes still don't go up, prices of new homes in the top quartile can go up by 3–5 percent.<sup>3</sup> But even in these unusual markets that doesn't always happen. [San Francisco](#), one of the hottest markets in the country, experienced no additional cost increases due to its inclusionary housing program.<sup>4</sup>

<sup>1</sup> A careful look at research that purports to show price increases shows that those studies, unlike the ones referenced here, relied on anecdotal or qualitative evidence and thus were not able to actually establish causality. For more, see Cornerstone Partnership, “Inclusionary Housing Policies: Price Effects on Housing,” [www.nhi.org/go/InclusionaryPrices](#).

<sup>2</sup> Hollingshead, Ann. 2015. “When and How Should Cities Implement Inclusionary Housing Policies?” Univ. of California, Berkeley for the Cornerstone Partnership.

<sup>3</sup> Bento, Antonio, Scott Lowe, Gerrit-Jan Knaap, and Arnab Chakraborty. 2009. “Housing Market Effects of Inclusionary Zoning.” *Cityscape*, 11.2, Regulatory Innovation and Affordable Housing, 7–26; Schuetz, Jenny, Rachel Metzler, and Vicki Been. 2009. “Silver Bullet or Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets.” *Urban Studies*.

<sup>4</sup> Schuetz, Metzler, and Been. 2009.

For more detailed information on the economics, see The Cornerstone Partnership's memo “Inclusionary Housing Policies: Price Effects on Housing,” [www.nhi.org/go/InclusionaryPrices](#).

The Answer is for you to use. Please distribute freely for non-commercial purposes as long as Shelterforce's credit remains on it and you let us know how you used it at [theanswer@nhi.org](mailto:theanswer@nhi.org). You can also download a PDF to print at [www.nhi.org/go/theanswer](http://www.nhi.org/go/theanswer). What do you find yourself explaining over and over? Send suggestions for The Answer to [theanswer@nhi.org](mailto:theanswer@nhi.org).

