

“Housing Vouchers and the Price of Rental Housing”

Presenter: Amanda Ross, West Virginia University

Amanda Ross is an assistant professor of economics at West Virginia University. Her research specialties are in urban economics and public economics. More specifically, Ross’s current research agenda focuses on issues regarding low-income rental housing policy. Her prior work has appeared in the *Journal of Urban Economics*, *Real Estate Economics*, and *Regional Science and Urban Economics*. Ross earned a PhD and MA in economics from Syracuse University, and a bachelor’s degree in economics and political science from Binghamton University.

Coauthor: Michael Eriksen, University of Georgia

Summary and Findings: Federal low-income housing policy has shifted toward demand-based subsidies since the 1970s, and there are concerns that the increased demand by recipients may increase the price of rental housing for unsubsidized households. In this paper, we analyze the impact of a large increase in the supply of housing vouchers on the price of individual rental housing units observed in the American Housing Survey. To control for time-constant factors that may affect rents, we estimate the change in rent of the same unit before and after a large voucher expansion. We do not find that an increase in vouchers affected the overall price of rental housing. However, we do find heterogeneous effects based on the unit’s rent prior to the expansion as well as the supply elasticity of the metropolitan statistical area (MSA). Our results are consistent with recipients vacating lower-quality housing to occupy units near the middle of the quality distribution after receiving the subsidy. In addition, we find that the price increases are concentrated in those MSAs that are more supply constrained.

Implications for Policy and Practice: One of the criticisms of the voucher program is that the increase in demand will cause an increase in the price of unsubsidized rental units. While we do find a statistically significant increase in rental prices near the middle of the rental distribution, this effect is much smaller than what previous researchers have found. In addition, our results suggest that future housing policy should take into account unique city attributes when targeting different subsidies. Currently, the majority of federal housing subsidies are allocated to cities based on per capita measures to ensure an equal distribution across the country, with little regard to which policies may work best based upon the characteristics of the local housing market. More specifically, we have shown cities with a relatively elastic housing supply are perhaps best suited for housing vouchers, since increased demand by recipients would lead to expansions in supply, whereas supply-based rental subsidies may be better suited to areas with a relatively less elastic housing supply.