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.

In California, jurisdictions that got rid of inclusionary requirements saw no decrease in housing prices, which would have been expected if the requirements had artificially raised prices.

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. 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.

In “unique” markets and typical markets alike, the benefit of an inclusionary program is priceless—keeping homes accessible and affordable to families who want to stay in their communities and to the hard-working, lower-wage employees who keep the community running.

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.

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1. 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.