



Yes, this study found that new housing drives down nearby rents

“But there’s a catch when it comes to SF”

By Adam Brinklow, Curbed San Francisco, January 15, 2020

“Traditional thinking holds that housing shortages drive up prices, and thus creating new housing relieves demand and pushes prices down.

“But in the Bay Area, especially in SF and on the Peninsula, contrary thought holds that factors like inflation and appreciation will always work faster than we can build. Indeed, neighborhood activists often insist that new housing drives rents up by gentrifying new areas and making them attractive to even more high-priced development, at the expense (literally) of existing residents.

“In December, the Upjohn Institute ... published findings about the effect of new housing on housing prices in large U.S. cities, including in San Francisco.

“Generally speaking, the results were that for three or so years after a building’s completion, the adjusted effects on rents in the surrounding neighborhood ‘hover[ed] around zero,’ per Zillow data, and then afterward declined, by an average of about five percent.

“The big catch — and the reason why these numbers are unlikely to resolve the arguments in SF — comes in the form of the most common bugbear for any statistical outing: sample size.

“The team started with nearly 1,500 buildings to study. However, after narrowing that pool down with a variety of additional standards, they ended up with just 92.

“And how many of those final buildings were in San Francisco? By the time all was said and done, just one.

“So while this research does suggest that most housing markets react to traditional supply and demand incentives the way one would expect, the possibility that San Francisco (for whatever reason) is a special case remains frustratingly unresolved.”

Read more [here](#).