

Does social housing crowd out private construction ?

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Abstract :

This paper documents the crowding out effect of private construction by social/public housing starts in France and highlights the role of land scarcity. As social projects are less dense than private housing projects in similar neighborhoods, the crowding out effect is proportional to the relative land consumption of both sectors and is thus 2. The impact of social housing on private construction is identified with two strategies. The first takes advantage of a quasi experimental framework constituted by a national law, adopted in December 2000, forcing municipalities to increase the number of social housing units. The second is based on three complementary instruments: the 2000 law, World War II destruction, and the predicted evolution of the stock using national trends. Both strategies converge to the same results: one social dwelling crowds out about two private units. This is in line with the fact that new neighborhoods developed by the social sector are between 38% and 70% less dense than these privately developed.