

## INTRODUCTION: HOUSING ECONOMICS AND URBAN POLICIES

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Housing is an important consumption good in households' day-to-day life. It has a large impact on living conditions through its intrinsic characteristics and location. Housing also represents a large share of households' expenditures: for instance, this share is slightly above 30% for owners and renters in the private sector in France. It is moreover the main part of households' wealth. For instance, housing wealth was about one half of household net worth in the US in 2011 (Iacoviello (2012)). Housing is indeed an investment good, from which homeowners expect returns under the form of a rent they pay to themselves and price appreciation over time. Housing prices variations over time indeed have a strong influence on households' wealth over the life-cycle.

From an economic viewpoint, housing has been described as having three important characteristics: durability, heterogeneity and fixed location. At the macro level, housing durability means that housing units are built for a long period of time and keep the same characteristics even if economic conditions change. Urban configurations are largely determined by housing built in the past and are irreversible in the medium term. At the micro level, moving and transaction costs hinder households to adjust easily their housing consumption to their current economic and family conditions. These two aspects imply the existence of non-optimal situations. Following Lancaster's theory, housing can be seen as a bundle of characteristics. Each housing unit is a different combination of intrinsic characteristics and location attributes, hence the important heterogeneity of dwellings. Fixed location has consequences for individuals' access to various places, including the workplace, shops, entertainment areas and parks, but also for the environmental quality experienced each day. As a consequence, location strongly impacts housing prices, in both the rental and homeownership sectors.

Public policies in developed countries devote a large share of public budget to housing, with different combinations of housing subsidies, aids to housing construction, regulation of housing rents, and taxes on housing revenues (Trannoy and Wasmer (2013); Olsen and Zabel (2015)). These interventions can be viewed as means to deal with the numerous externalities existing on housing markets. First, households' housing conditions have an effect on many individual outcomes, among which the educational attainment of children, health (especially in developing countries), but also adults' outcomes on the labor market. In particular, many studies suggest that residential location is a key determinant of the access to jobs, especially for the youths. Residential location has also been shown to affect specific behaviors such as drug use, and delinquency due to the existence of neighbourhood effects. Second, various constraints on land use and real estate construction induce a low housing supply elasticity. Moreover, because of search frictions on the housing market, vacant dwellings and households looking for the proper dwelling coexist, in a way similar to unemployed workers and job vacancies on the labor market (Han and Strange (2015)). Altogether, these constraints and frictions seem to be important drivers of housing prices. Third, housing generates environmental externalities, due to its impact on urban configurations and especially urban sprawl. Insulation of the old housing stock

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is also considered as a major goal in developed countries to help mitigate greenhouse gas emissions.

As far as the impact of residential location on labor market outcomes is concerned, three types of policy can be implemented: moving people to jobs, moving jobs to people and connecting jobs and people. Moving people to jobs refers to policies that help low-income households locate in neighbourhoods close to employment, such as the Moving To Opportunities in the US or the SRU law (*Loi relative à la solidarité et au renouvellement urbains*) in France, which imposes the share of public housing to be at least 20% in every municipality. However, these policies have been shown to have mitigated results (Neumark and Simpson (2015)). In the case of France, various mechanisms could result in a negative impact of living in a public dwelling on labor market outcomes. Moving jobs to people has been the main goal of enterprise zone policies implemented in many developed countries (Enterprise Zones in the US, Zones Franches Urbaines in France). The existing evaluations of these policies show very modest and short-term impacts of these policies.

This special issue of *Annals of Economics and Statistics* proposes articles related to these different aspects of housing and urban and housing policies.

In the first article, Mathilde Poulhès provides an hedonic analysis of the determinants of housing prices in the city of Paris over the 2008-2010 period. In particular, she investigates the impact of various very detailed local factors. In order to deal with the cumbersome issue of attributes endogeneity, neighbourhood dummies are introduced in order to capture all the unobserved location features at the neighbourhood level. The intrinsic and locational housing attributes explain more than 90% of the variance of dwelling prices, showing in particular a significant positive marginal willingness to pay for job accessibility and school quality, and a negative marginal willingness to pay for a higher local crime rate.

While housing prices have been widely analyzed in the literature, vacancies have received much less attention. Brahim Boualam, in the second article, analyzes the determinants of the spatial variation of housing vacancy rates. He proposes a theoretical model which emphasizes the link between distance to the city center and housing vacancies in suburban locations. The predictions of this model are then tested using detailed geographic information on transport and housing in the Paris area. The empirical analysis shows that proximity to the city is associated with lower vacancy rates. This result is consistent with a positive association between distance and frictions in the real estate market.

In many different countries, housing tax credits for investors are used by governments to increase the construction of affordable housing for low- and medium-income tenants. In France, such housing tax credits have been used since 1996. Guillaume Chapelle, Benjamin Vignolles and Clara Wolf evaluate the impact of a French housing tax credit on various dimensions of local housing markets. They compare treated areas with counterfactuals obtained thanks to spatial discontinuities and changes over time in eligibility to housing investment tax credits in France. Their estimations suggest that housing tax credit policies had a pure windfall effect, with no impact on new constructions and no impact on the income profile of tenants. The estimated effects also suggest that tax credits increased both housing prices and the vacancy rate of new dwellings.

Two papers in this issue test for the existence of an effect of housing conditions on labor market outcomes. In the first paper, Stéphane Gregoir and Tristan-Pierre Maury investigate whether there are persistent effects of living in social housing on unemployment

dynamics. To do so, they propose an original dynamic model in which housing tenure and labor market positions are jointly determined. Estimating this model with UK panel data, they provide an estimate of the entry rate into social housing depending on the labor market position, and of the probability of finding a job (or remaining employed) for social tenants and homeowners, compared to private tenants. In particular, their estimates show that in the medium term, about 20% of the gap in the probabilities of being employed between initially employed and unemployed household heads, both private tenants, can be explained by a transition to social housing. In the second paper, Matthieu Solignac and Maxime Tô focus on the transition from school to work of youths living in high-unemployment neighbourhoods. In order to identify the impact of local unemployment rate, they use a neighbourhood fixed-effect strategy (Bayer, Ross, and Topa (2008)). Their results show that an individual's own employment is strongly affected by the share of employed people in the neighbourhood, the effects being larger for high-school dropouts. Results also reveal gender differences such that young people are more sensitive to same-sex neighbours.

In the last paper of this special issue, Pauline Charnoz provides an evaluation of the French enterprise zones program (Zones Franches Urbaines) using a difference-in-differences strategy. She quantifies its impact on residents' employment outcomes up to 10 years after the start of the program. Her results show that the ZFU program significantly decreased the local unemployment rate by more than 11 percentage points. Results also suggest that the decrease in unemployment was due to an improvement of the situation of "non-mobile" residents in the treated zones but also to changes in the social composition of these zones, as the program contributed to attract or retain residents with high diplomas.

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