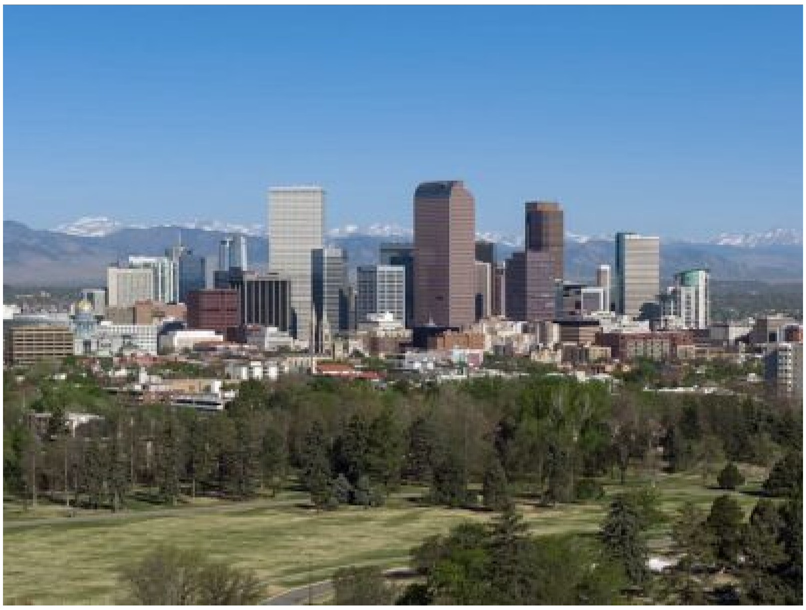
Photo Credit: Wikimedia Commons

One of the most dispiriting debates in housing policy and land use concerns the relative merits of deed-restricted affordable versus market-rate housing. YIMBY advocates argue building more market-rate units will eventual filter down and expand affordability; many on the Left argue that market-rate housing reduces the availability of land for deed-restricted affordable units. Eunisses Hernandez ran a successful Los Angeles City Council campaign opposing ***all*** market-rate development.

This is insane. To date, virtually all the empirical evidence supports the market-rate position, and I have yet to find a single example of the Left-NIMBY position actually occurring, but even so, filtering usually takes decades, especially for very-low and extremely-low income families.

Now, new experience in Denver reveals a sort of compatibility in unforeseen ways. The Mile High City for many years had a horrible rental market that priced out all but more affluent families. But after the COVID pandemic, developers responded to the hot market and began constructing market-rate rental units – doubling from 10-12,000 a year to an unprecedented 23,000 in 2024.

No surprise there. But then:

> Rents then began decreasing, and this year they have fallen 8% over

> 2025 rents to a level comparable to rates five years back….
>
> “That left 12,000 vacant units, brand new,” said [analyst Scott Rathbun, owner of Denver-based Apartment Appraisers & Consultants, Inc., which issues the monthly “Apartment Insights” report used by multifamily developers and managers to plan their operations]. “Because we had overbuilt the market, you had all of these empty units. Vacancies spiked, and apartment owners and managers started lowering their rents and offering huge concessions.”
>
> The vacancy rate topped off last year at around 7.6%. At its height, Rathbun said, there were just over 35,000 vacant units in the seven-county Denver area. With newly completed units included, the vacancy rate had surpassed 12%.
>
> “We hadn’t seen anything like this,” he added. “We’re seeing managers offer 10 or 12 weeks rent free.”

Well, whadda you know: increase supply without an increase in demand, and prices fall. Why didn’t anyone think of that before?

But then it gets better:

> According to new data released last week, renters of subsidized affordable units are, in some cases, opting to move to conventional, non-subsidized units as they take advantage of market-driven rent decreases.
>
> “We’re seeing people move out of subsidized affordable housing and move into market-rate units,” Rathbun told The Denver Gazette.
>
> Along with the advantage of getting what may be nicer finishes and amenities, those renters find a second advantage of avoiding subsidized affordable units: “They don’t have to go through all the paperwork each year, which is a lot more onerous than you might imagine,” Rathbun added.

If this report is correct, filtering is working *between* the market-rate and deed-restricted markets. And that means that increasing market-rate can increase the *availability* of deed-restricted units because there will be less competition for the scarce deed-restricted units.

Put another way, if you want to "increase" the number of deed-restricted units, one way to do it is to build more market-rate units!! Filtering might work faster we previously thought.

Obviously one story in one housing market in one time period does not a robust empirical finding make. But this deserves closer scrutiny and scholarly attention. If more building can make rents drop – and Denver is hardly the first example of that – how does that affect waiting lists for deed-restricted units?

And if it turns out that waiting lists drop, then…well…what will we argue about then? Somehow I imagine we will find something.