

Regulating housing quality: evidence from France*

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Abstract

Minimum *quality* standards in housing markets aim at encouraging aesthetically pleasing construction. However, they can affect the equilibrium *quantity* of dwellings supplied, depending on the demand response to their shadow monetary and non-monetary costs. To estimate the consequences of quality regulations in housing markets, this paper studies a rule requiring new single-family constructions in France to use the services of an architect, whenever their square footage exceeds a threshold. Using exhaustive administrative data on the universe of building permits in France, I evidence that the cost of new housing production jumps above the notch, leading to substantial distortions in the size distribution of homes. New units bunch below the regulatory notch to avoid additional costs, and additions to existing dwellings are downsized or avoided to circumvent the requirement. Regression discontinuity estimates reveal that homeowners characteristics, dwelling type, and spatial location choices all change sharply at the threshold, evidencing a segmentation of households by their taste for housing quality.

JEL codes: R52, R21, R38.

Keywords: housing demand, bunching, building codes, quality standards.

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