**Negative Externalities of Density: My Neighbor's New House**

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**Abstract:**

We exploit two types of variation in residential density to identify the possible negative externalities of density on nearby units. First, the general replacement of older lower density single family homes with newer larger units on the same sites. As there is no change in zoning this analysis is not affected by the sample selection problem found in other work. In addition, we control for neighbourhood level variation in prices cross sectionally and over time. The second type of variation in is the construction of small in-fill rental properties on the back of single family properties that face on to a lane. This type of added density differs from the former redevelopment type because in addition to added structure on the lot, it also increases the number of households occupying a property. Comparing the effects of these two different forms of added density on neighbouring properties allows us to estimate the effect of structure density separate from the effect of more households. We find that both forms of density reduce the value of adjacent properties. Replacing an older property with a new redeveloped house raises the value of adjacent properties by 7 percent, reflecting the spillover benefit of having newer higher quality structures adjoining ones property. However, if a new unit raises the density from the 25th to the 75 percentile, this would offset this gain by lowering the value of an adjacent property by 2.2%. An infill laneway property lowers the value of an immediate neighbours properties by 2%, separate from the effects it has by adding structure density, which would be an additional 2% for the mean property adding the mean infill unit, so that the total effect of a laneway infill on adjacent properties is negative 4.2%.