DISCUSSION OF GENTRIFYING NEIGHBORHOODS AND LOCAL RETAIL PRICES, BY BORRAZ ET AL. (2019)

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• This paper estimates the effects of gentrification on local retail prices...

• …exploiting random variation induced by the institutional features of a housing policy in the city of Montevideo, Uruguay.

• They find that
  1. Newly built housing increases significantly the socio-economic status of neighborhoods.
  2. Gentrification leads to increases in local retail prices.

• The paper is in preliminary stages and needs some work to clarify their empirical strategy and discussion about the link between both results.
SUGGESTIONS

• **What’s the actual DD specification?**

  \[
  p_{isbt} = \alpha_{sb} + \beta H_{sbt} + \delta_t + \lambda_{bt} + X'_{isbt} \theta + \epsilon_{isbt}
  \]

  Price of product \(i\), in store \(s\), borough \(b\), and time \(t\)

  - time effects
  - variation in house prices/household income
  - borough-specific time effects

  \[
  H_{sbt} = \gamma POLICY_{sbt} + u_{sbt}
  \]

  - investment intensity around \(s\) post 2012
  - \(I(b)\) affected by housing policy post 2012

• **Checks on the DD identification strategy:**
  
  • Event studies provide supportive evidence on their empirical strategy, but...
    
    • *Parallel trends plot*
    
    • *Granger causality tests introducing leads (anticipatory effects) and lags (post-treatment effects & dynamics)*

  • Encouraging that the authors find significant effects after including borough-specific time trends

• **Representativity of the consumption basket and the stores data?**